Financial Statements

Rede D'Or São Luiz S.A.

December 31, 2014 and 2013
with Independent Auditors' Report on Financial Statements

Rede D'Or São Luiz S.A.

Financial statements

December 31, 2014 and 2013

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A free translation from Portuguese into English of Independent Auditors' Report on financial statements prepared in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS).

Independent auditors' report on financial statements

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

We have audited the accompanying individual and consolidated financial statements of Rede D'Or São Luiz S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2014, and the related income statement, statement of comprehensive income, statement of changes in equity and cash flow statement 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 with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Auditors' 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 individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Rede D'Or São Luiz S.A. as at December 31, 2014, its individual and consolidated operating performance and its individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Other matters - Statements of value added

We have also audited the individual and consolidated statements of value added for the year ended December 31, 2014, prepared under management's responsibility, the presentation of which is required by the Brazilian Corporation Law for publicly-held companies, and as supplementary information for privately-held entities and under the IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same auditing procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the overall financial statements.

Rio de Janeiro, March 31, 2015.

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

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

Rede D'Or São Luiz S.A.

Balance sheets
December 31, 2014 and 2013
(In thousands of reais)

	Note	Company		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
Assets					
Current assets					
Cash and cash equivalents	4	**38,042**	57,788	**55,182**	89,522
Marketable securities	4	**619,703**	662,637	**848,646**	869,142
Accounts receivable	5	**973,368**	837,065	**1,267,239**	1,049,281
Inventories	6	**82,887**	66,708	**106,687**	84,316
Taxes recoverable		**36,063**	61,681	**64,384**	78,930
Related parties	7	**23,870**	24,416	**10,715**	13,046
Dividends receivable		**41,357**	27,977	**-**	-
Receivables from disposal of properties	11	**73,926**	123,000	**73,926**	123,000
Other		**34,201**	50,454	**66,903**	63,906
Total current assets		**1,923,417**	1,911,726	**2,493,682**	2,371,143
Noncurrent assets					
Related parties	7	**461,403**	345,498	**125,924**	105,542
Marketable securities	4	**-**	-	**68,658**	63,000
Judicial deposits	16	**50,752**	42,773	**61,184**	51,904
Deferred income and social contribution taxes	19	**-**	-	**8,864**	5,972
Investments	8	**585,774**	326,780	**157,806**	116,222
Property and equipment	9	**1,217,691**	948,691	**1,546,318**	1,255,094
Intangible assets	10	**1,556,715**	1,486,465	**1,803,646**	1,639,325
Derivative financial instruments	26	**28,861**	23,650	**28,861**	23,650
Other		**2,403**	4,452	**2,754**	4,766
Total noncurrent assets		**3,903,599**	3,178,309	**3,804,015**	3,265,475
Total assets		**5,827,016**	5,090,035	**6,297,697**	5,636,618

	Note	Company		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
Liabilities and equity					
Current liabilities					
Trade accounts payable		**180,314**	196,152	**243,613**	265,441
Loans and financing	**12**	**21,185**	24,656	**23,665**	28,645
Debentures	**13**	**52,131**	20,428	**57,703**	55,386
Salaries, provisions and social charges		**250,503**	207,090	**299,208**	243,259
Tax liabilities	**14**	**68,597**	40,940	**99,359**	55,899
Taxes paid in installments	**14**	**20,082**	14,452	**22,021**	17,015
Accounts payable for acquisitions	**15**	**199,927**	30,172	**199,927**	30,172
Dividends payable	**18**	**156,028**	78,498	**159,578**	83,512
Deferred gain on property disposal	**11**	**3,920**	3,920	**3,920**	3,920
Other		**45,220**	42,431	**63,029**	56,700
Total current liabilities		**997,907**	658,739	**1,172,023**	839,949
Noncurrent liabilities					
Loans and financing	**12**	**76,063**	85,507	**80,514**	88,323
Debentures	**13**	**2,717,253**	2,468,694	**3,013,495**	2,817,073
Related parties	**7**	**30,610**	14,482	**1,205**	604
Taxes paid in installments	**14**	**122,671**	126,305	**148,511**	140,332
Accounts payable for acquisitions	**15**	**66,455**	210,312	**66,455**	210,312
Deferred income and social contribution taxes	**19**	**47,661**	47,793	**75,739**	79,413
Provision for contingencies	**16**	**116,777**	154,159	**135,747**	162,806
Provision for losses on investments	**8**	**64,495**	48,552	**5,560**	3,960
Deferred gain on property disposal	**11**	**87,956**	91,880	**87,956**	91,880
Other		**40,788**	22,539	**40,222**	31,480
Total noncurrent liabilities		**3,370,729**	3,270,223	**3,655,404**	3,626,183
Equity	**18**				
Capital stock		**452,530**	261,531	**452,530**	261,531
Capital reserves		**259,408**	171,284	**259,408**	171,284
Treasury shares		**(161,919)**	(157,117)	**(161,919)**	(157,117)
Income reserve		**304,137**	281,151	**304,137**	281,151
Other reserves		**600,000**	600,000	**600,000**	600,000
Total equity		**1,454,156**	1,156,849	**1,454,156**	1,156,849
Advance for future capital increase		**4,224**	4,224	**4,224**	4,224
Noncontrolling interests		**-**	-	**11,890**	9,413
Total equity attributable to Company shareholders		**1,458,380**	1,161,073	**1,470,270**	1,170,486
Total liabilities and equity		**5,827,016**	5,090,035	**6,297,697**	5,636,618

The accompanying notes are an integral part of these financial statements.

Rede D'Or São Luiz S.A.

Income statements
Years ended December 31, 2014 and 2013
(In thousands of reais)

	Note	Company		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
Net revenue	20	**3,866,275**	3,239,833	**4,991,533**	4,128,400
Cost of services rendered	21	**(2,928,201)**	(2,510,712)	**(3,927,974)**	(3,326,402)
Gross profit		**938,074**	729,121	**1,063,559**	801,998
General and administrative expenses	22	**(204,853)**	(145,583)	**(207,374)**	(147,642)
Equity pickup	8	**88,932**	(6,650)	**42,725**	10,593
Other operating expenses, net	23	**(126,510)**	(56,220)	**(162,510)**	(115,402)
Income before financial income (expenses)		**695,643**	520,668	**736,400**	549,547
Financial income	24	**62,561**	66,920	**88,174**	77,922
Financial expenses	24	**(386,792)**	(305,328)	**(431,286)**	(341,155)
Income before income and social contribution taxes		**371,412**	282,260	**393,288**	286,314
Income tax expenses	19	**(51,222)**	(73,966)	**(70,405)**	(76,255)
Net income for the year		**320,190**	208,294	**322,883**	210,059
Net income attributable to controlling shareholders		**-**	-	**320,190**	208,294
Net income attributable to noncontrolling shareholders		**-**	-	**2,693**	1,765
Basic earnings per share	25	**1.2472**	0.8395	**-**	-
Diluted earnings per share	25	**0.8981**	0.6010	**-**	-

The accompanying notes are an integral part of these financial statements.

Rede D'Or São Luiz S.A.

Statements of comprehensive income
Years ended December 31, 2014 and 2013
(In thousands of reais)

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Net income for the year	**320,190**	208,294	**322,883**	210,059
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income	**320,190**	208,294	**322,883**	210,059
Attributable to:				
Controlling shareholders	**-**	-	**320,190**	208,294
Noncontrolling shareholders	**-**	-	**2,693**	1,765

The accompanying notes are an integral part of these financial statements.

Rede D'Or São Luiz S.A.

Statements of changes in equity
Years ended December 31, 2014 and 2013
(In thousands of reais)

	Attributable to Company shareholders												
		Capital reserves				Income reserves							
Description	Capital	Additional paid in capital (issue of shares)	Additional paid in - capital transactions	Share-based payment reserve	Treasury shares	Legal reserve	Investment reserve	Other reserves (Note 18 d)	Retained earnings (accumulated losses)	Total equity	Advances for future capital increase	Noncontrolling interests	Total
Balance at December 31, 2012	44,849	199,140	(52,416)	17,691	(129,594)	8,666	204,793	600,000	-	893,129	4,224	1,315	898,668
Capital increase (Note 18)	209,228	-	-	-	-	-	(88,529)	-	-	120,699	-	-	120,699
Acquisition of control in jointly-controlled subsidiary	7,454	(13,787)	-	-	-	-	-	-	-	(6,333)	-	6,333	-
Treasury shares (Note 18)	-	-	-	-	(27,523)	-	-	-	-	(27,523)	-	-	(27,523)
Net income for the year	-	-	-	-	-	-	-	-	208,294	208,294	-	1,765	210,059
Share-based payment reserve (Note 18)	-	-	-	20,656	-	-	-	-	-	20,656	-	-	20,656
Proposed dividends	-	-	-	-	-	-	-	-	(52,073)	(52,073)	-	-	(52,073)
Recognition of investment reserve	-	-	-	-	-	-	156,221	-	(156,221)	-	-	-	-
Balance at December 31, 2013	**261,531**	**185,353**	**(52,416)**	**38,347**	**(157,117)**	**8,666**	**272,485**	**600,000**	**-**	**1,156,849**	**4,224**	**9,413**	**1,170,486**
Capital increase (Note 18)	**190,999**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**190,999**	**-**	**-**	**190,999**
Adjustment to interest held in investee	**-**	**60,761**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,761**	**-**	**-**	**60,761**
Treasury shares (Note 18)	**-**	**-**	**-**	**-**	**(4,802)**	**-**	**-**	**-**	**-**	**(4,802)**	**-**	**-**	**(4,802)**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**320,190**	**320,190**	**-**	**2,693**	**322,883**
Share-based payment reserve (Note 18)	**-**	**-**	**-**	**27,363**	**-**	**-**	**-**	**-**	**-**	**27,363**	**-**	**-**	**27,363**
Recognition of investment reserve (Note 18)	**-**	**-**	**-**	**-**	**-**	**-**	**240,143**	**-**	**(240,143)**	**-**	**-**	**-**	**-**
Dividends and interest on equity	**-**	**-**	**-**	**-**	**-**	**-**	**(217,157)**	**-**	**(80,047)**	**(297,204)**	**-**	**(216)**	**(297,420)**
Balance at December 31, 2014	**452,530**	**246,114**	**(52,416)**	**65,710**	**(161,919)**	**8,666**	**295,471**	**600,000**	**-**	**1,454,156**	**4,224**	**11,890**	**1,470,270**

The accompanying notes are an integral part of these financial statements.

Rede D'Or São Luiz S.A.

Statements of cash flows
Years ended December 31, 2014 and 2013
(In thousands of reais)

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Cash flows from operating activities				
Income before income and social contribution taxes	**371,412**	282,260	**393,288**	286,313
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	**98,063**	88,654	**132,870**	114,830
Gain on disposal of properties	**(3,924)**	(45,875)	**(3,924)**	(45,875)
Interest, monetary variation and foreign exchange fluctuations, net	**362,558**	247,074	**380,682**	271,262
Share-based payment	**27,363**	20,656	**27,363**	20,656
Provision for contingencies	**(6,283)**	1,777	**(3,762)**	3,836
Equity pickup	**(88,932)**	6,650	**(42,725)**	(10,593)
Allowance for disallowances	**212,585**	30,098	**250,449**	47,246
Allowance for doubtful accounts	**40,692**	60,808	**65,085**	81,895
(Increase) decrease in assets and increase (decrease) in liabilities				
Accounts receivable	**(389,580)**	(265,626)	**(533,492)**	(359,778)
Inventories	**(16,179)**	(5,878)	**(22,371)**	(11,504)
Taxes recoverable	**25,618**	(12,041)	**14,546**	(22,488)
Judicial deposits	**(7,979)**	(8,594)	**(9,280)**	(12,977)
Other assets	**(568)**	617	**13,771**	2,450
Trade accounts payable	**(15,838)**	41,145	**(21,828)**	17,609
Salaries and social charges	**43,413**	26,801	**55,949**	39,498
Tax liabilities	**(3,420)**	312	**43,460**	5,377
Taxes paid in installments	**(20,548)**	10,300	**(9,359)**	10,651
Related parties	**(99,231)**	(128,406)	**(17,450)**	24,337
Provision for contingencies	**(17,576)**	(13,511)	**(17,576)**	(12,555)
Deferred income	**-**	40,800	**-**	40,800
Other liabilities	**2,486**	256	**(733)**	15,382
	(499,402)	(313,825)	**(504,363)**	(263,198)
Interest payment	**(300,828)**	(267,518)	**(339,548)**	(305,519)
Payment of income and social contribution taxes	**-**	-	**(55,447)**	(9,162)
Net cash provided by operating activities	**213,304**	110,759	**299,968**	191,691
Cash flows from investing activities				
Proceeds from disposal of properties	**-**	373,074	**-**	373,074
Additions to investments	**(76,699)**	(115,309)	**(76,699)**	(25,329)
Additions to property and equipment	**(360,448)**	(403,005)	**(412,019)**	(535,596)
Additions to intangible assets	**-**	(23,788)	**(32,099)**	(33,226)
Marketable securities	**99,494**	149,226	**95,435**	(80,311)
Cash used in investing activities	**(337,653)**	(19,802)	**(425,382)**	(301,388)
Cash flows from financing activities				
Capital increase	**190,999**	120,699	**190,999**	120,699
Acquisition of treasury shares	**(4,802)**	(27,523)	**(4,802)**	(27,523)
Noncontrolling interests	**-**	(13,787)	**-**	-
Distribution of dividends and interest on equity	**(199,913)**	-	**(221,138)**	1,867
Accounts payable for acquisitions	**(15,912)**	(60,121)	**(7,912)**	(60,121)
Debentures payable	**200,000**	100,000	**200,000**	200,000
Payment of principal of debentures	**(17,676)**	(139,133)	**(17,466)**	(159,132)
Amortization of loans and financing	**(48,093)**	(55,934)	**(48,607)**	(73,140)
Leases paid	**-**	(2,839)	**-**	(3,079)
Cash provided by financing activities	**104,603**	(78,638)	**91,074**	(429)
Increase (decrease) in cash and cash equivalents	**(19,746)**	12,319	**(34,340)**	(110,126)
Cash and cash equivalents at beginning of year	**57,788**	45,469	**89,522**	199,648
Cash and cash equivalents at end of year	**38,042**	57,788	**55,182**	89,522

The accompanying notes are an integral part of these financial statements.

Rede D'Or São Luiz S.A.

Statements of value added
Years ended December 31, 2014 and 2013
(In thousands of reais, unless otherwise stated)

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Revenue	**4,081,256**	3,479,689	**5,263,362**	4,433,622
Sales of goods, products and services	**4,330,613**	3,569,808	**5,574,976**	4,570,082
Allowance for disallowances and doubtful accounts	**(253,277)**	(135,994)	**(315,534)**	(182,335)
Other revenue	**3,920**	45,875	**3,920**	45,875
Inputs acquired from third parties	**(1,564,335)**	(1,378,331)	**(2,150,129)**	(1,926,867)
Cost of services sold	**(1,388,696)**	(1,197,788)	**(1,935,968)**	(1,718,303)
Materials, electricity, third-party services and others	**(181,923)**	(157,484)	**(217,923)**	(183,446)
Loss/recovery of asset values	**6,284**	(23,059)	**3,762**	(25,118)
Gross value added	**2,516,921**	2,101,358	**3,113,233**	2,506,755
Depreciation and amortization	**(98,063)**	(88,654)	**(132,870)**	(114,830)
Value added, net	**2,418,858**	2,012,704	**2,980,363**	2,391,925
Value added received in transfer	**151,493**	60,270	**130,899**	88,515
Equity pickup	**88,932**	(6,650)	**42,725**	10,593
Financial income	**62,561**	66,920	**88,174**	77,922
Total value added	**2,570,351**	2,072,974	**3,111,262**	2,480,440
Distribution of value added	**(2,570,351)**	(2,072,974)	**(3,111,262)**	(2,480,440)
Personnel and charges	**(1,339,392)**	(1,150,337)	**(1,706,844)**	(1,424,184)
Taxes, charges and contributions	**(301,905)**	(267,946)	**(401,431)**	(335,602)
Interest, rents and other operating expenses	**(608,864)**	(394,324)	**(680,104)**	(458,522)
Dividends and interest on equity	**(80,047)**	(52,073)	**(80,047)**	(52,073)
Retained profits	**(240,143)**	(208,294)	**(242,836)**	(210,059)

The accompanying notes are an integral part of these financial statements.

Rede D'Or São Luiz S.A.

Notes to financial statements
December 31, 2014 and 2013
(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 3 under construction, as well as oncology and radiotherapy clinics.

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

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

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

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

In 2014, the Company acquired all the shares in Hospital IFOR S.A., located in the city of São Bernardo do Campo, state of São Paulo.

2. Basis of preparation and presentation and significant accounting practices

The authorization for conclusion of preparation of these individual and consolidated financial statements (together denominated simply "financial statements") by management was provided on March 31, 2015. Thus, these financial statements consider subsequent events that could affect them until the referred to date.

Consolidated financial statements

The Company's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with the interpretations issued by the *International Financial Reporting Interpretations Committee* (IFRIC), implemented in Brazil by the Brazilian Financial Accounting Standards Board (CPC) through its interpretations (ICPC) and guidelines (OCPC), as approved by the Brazilian Securities and Exchange Commission (CVM).

Company's individual financial statements

The Company's individual financial statements were prepared in accordance with accounting practices adopted in Brazil, which comprise the provisions contained in the Brazilian Corporation Law and the accounting pronouncements, interpretations and guidelines issued by the Brazilian Financial Accounting Standards Board ("CPC"), as approved by the Brazilian Securities and Exchange Commission (CVM). Until December 31, 2013, these practices differ from IFRS - applicable to separate financial statements - solely with respect to the measurement of investments in subsidiaries, associates and jointly-controlled entities under the equity method, while such investments would be measured at cost or fair value for IFRS purposes. The introduction of IAS 27 (Separate Financial Statements), as revised by the IASB in 2014, has allowed entities to use the equity method to account for investments in subsidiaries, associates and jointly-controlled entities in their separate financial statements prepared in accordance with the IFRS. In December 2014, Pronouncements CPC 18, CPC 35 and CPC 37 were approved and encompassed the aforementioned revised IAS 27. Consequently, the Company's individual financial statements are in accordance with the IFRS as of that year.

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

Basis of measurement

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.

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

The individual and consolidated financial statements are presented in Reais (R$), which is the Company's functional and reporting currency.

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

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

a) Basis of consolidation

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

	Interest held (%)			
	12/31/2014		12/31/2013	
	Direct	Indirect	Direct	Indirect
Company - Rede D'Or São Luiz S.A. (a)				
Fully consolidated entities				
Medise Medicina Diagnóstico e Serviços S.A. ("Medise")	**95.52**	**-**	95.52	-
Rodin Empreendimentos e Participações S.A.	**100.00**	**-**	-	100.00
Hospital Esperança S.A. ("Esperança")	**100.00**	**-**	100.00	-
Mais-Multi Assistência Incorporada a Saúde Ltda ("Hospital São Marcos")	**100.00**	**-**	100.00	-
Rede D'Or São Luiz Serviços Médicos S.A. (entity organized in 2012)	**100.00**	**-**	100.00	-
Advance Plano de Saúde S.A.	**100.00**	**-**	100.00	-
São Luiz Assistência Médica Ambulatorial Ltda.	**100.00**	**-**	100.00	-
Hospital Norte D'Or de Cascadura S.A ("Norte D'Or")	**70.00**	**-**	70.00	-
PMJ Empreendimentos Imobiliários S.A (entity organized in 2013)	**100.00**	**-**	100.00	-
Quinta Empreendimentos Imobiliários Ltda. (entity organized in 2013)	**100.00**	**-**	100.00	-
Onco D'Or Oncologia S.A. (c)	**100.00**	**-**	100.00	-
Esperança Serviços Médicos e de Diagnósticos S.A.	**100.00**		100.00	-
Centro Diagnóstico NSL S.A.	**100.00**	**-**	100.00	-
Maxclínicas Clínicas e Diagnósticos Ltda.	**100.00**	**-**	100.00	-
Diagno São Marcos Ltda.	**100.00**	**-**	100.00	-
Diagnolab Exames Complementares Ltda	**100.00**	**-**	100.00	-
Centro Hospitalar São Marcos S.A.	**100.00**	**-**	100.00	-
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	**100.00**	**-**	100.00	-
Santa Luzia Assistência Médica Ltda. ("SLAM")	**100.00**	**-**	100.00	-
Hospital IFOR S.A. ("IFOR")	**100.00**	**-**	-	-
Entities consolidated by the equity pickup method (b)				
Hospital Fluminense S.A.	**50.00**	**-**	50.00	-
Acreditar Oncologia S.A.	**-**	**50.00**	-	50.00
Centro Oncológico do Vale Ltda.	**-**	**50.00**	-	50.00
Instituto de Radioterapia do Vale do Paraíba Ltda.	**-**	**50.00**	-	50.00
Clínica de Oncologia Dr. Paulo Emilio Pinto Ltda.	**-**	**50.00**	-	50.00
Onco ABC Serviços Médicos Ltda.	**-**	**50.00**	-	50.00
JLD Borducchi Ltda.	**-**	**50.00**	-	50.00
Cardial Serviços Médicos S.A.	**-**	**50.00**	-	50.00
ONCORAD - Serviços de Radioterapia Ltda.	**-**	**50.00**	-	50.00
Oncoholding Participações S.A.	**-**	**50.00**	-	50.00
Oncologia D'Or S.A. (formerly Oncologistas Associados Serviços Médicos S.A.)	**-**	**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
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
PRONCORDIS - Pronto Atendimento Cardiológico Ltda. ("Hospital Provita")	**1.69**	**-**	-	50.00
Prontimagem Serviços Médicos Ltda.	**55.00**	**-**	50.00	-
Unidade de Radiologia Clínica Ltda. ("URC")	**72.00**	**-**	72.00	-
Instituto de Ultrasonografia Médica Ltda. ("IUSM")	**72.00**	**-**	72.00	-
Laboratório Análises Clínicas - Labvivalle Ltda.	**51.00**	**-**	51.00	-
Lithocenter S.A.	**45.90**	**-**	45.90	-

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

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

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

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

a) Basis of consolidation (Continued)

The financial statements include information of the Company and its subsidiaries described above. The consolidation process of balance sheet and profit and loss accounts reflects the aggregate of the balances of assets, liabilities, income and expenses, according to their nature, together with the following adjustments:

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

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

b) Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition-date fair value, and the value of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Direct attributable acquisition costs incurred are expensed.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts, if any, by the acquiree.

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

b) Business combination (Continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Goodwill is initially measured as the excess of the consideration transferred over the net assets acquired (identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the cost of the operation when determining the gain or loss on disposal.

c) Financial instruments

The Company's non-derivative financial instruments comprise cash and cash equivalents, marketable securities, accounts receivable, judicial deposits, accounts receivable from and payable to related parties, trade accounts payable and loans and financing. Financial instruments are initially measured at fair value plus transaction costs that are directly attributable to their acquisition or issuance, except for financial assets and liabilities classified as measured at fair value through profit or loss, when such costs are directly charged to the income statement for the year. They are subsequently measured at every balance sheet date, in accordance with the classification of financial instruments into the following categories of financial assets and financial liabilities:

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

c) Financial instruments (Continued)

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains and losses on liabilities held for trading are recognized in the income statement.

(ii) *Investments held to maturity*

Financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Interest income is recognized using the effective interest rate method. The Company does not have held-to-maturity investments.

(iii) *Loans and receivables*

After initial recognition, interest-bearing loans and financing are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR (effective interest rate) amortization process.

Financial assets and liabilities are described by category in Note 26. The accounting treatment and presentation of the Company's main financial assets and liabilities are summarized below:

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

c) Financial instruments (Continued)

Cash and cash equivalents

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

Marketable securities

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

Short-term investments held for trading are measured at fair value. Interest and monetary adjustments, if any, are recognized in the income statement when incurred.

Accounts receivable

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

Financial liabilities

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

Current and noncurrent liabilities are stated at known or estimable amounts plus, where applicable, related charges and monetary adjustments and/or exchange fluctuations incurred through the balance sheet date.

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

c) Financial instruments (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset, or a part of a group of similar financial assets) is derecognized when:

- The rights to receive the cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive the cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors are experiencing significant financial difficulty. The probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments may be indicated by a measurable decrease in the estimated future cash flows, such as changes in maturity or economic conditions that correlate with defaults.

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

c) Financial instruments (Continued)

Derivative financial instruments

Derivative financial instruments designated in hedge transactions are recognized at fair value on the date on which the contract is entered into and are subsequently measured at fair value at year-end. Derivatives are carried as financial assets when the instrument's fair value is positive and as financial liabilities when fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow *hedges*, which is recognized in other comprehensive income, and subsequently reclassified to the income statement when the hedged item impact net income.

d) Revenue and cost recognition

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

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

e) Current and noncurrent assets and liabilities

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

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

f) Inventories

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

g) Property and equipment

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

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

h) Lease

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

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

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

h) Lease (Continued)

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

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

i) Intangible assets

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

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

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

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

i) Intangible assets (Continued)

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

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

j) Provisions

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

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

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

k) Taxes

Income and social contribution taxes - current

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

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

Deferred taxes

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

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

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

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

k) Taxes (Continued)

Deferred taxes (Continued)

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

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

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

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

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

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

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

k) Taxes (Continued)

Taxes on revenue

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

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

l) Present value adjustment of assets and liabilities

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

m) Share-based payment

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

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

m) Share-based payment (Continued)

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

n) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of Company's own equity instruments.

o) Statements of cash flows

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

p) Statements of value added

The Company prepares individual and consolidated Statements of Value Added pursuant to technical standard CPC 09 - Statement of Value Added. These statements are shown as part of the financial statements as required by Brazilian Corporate Law for publicly-held companies, and as supplementary information for privately-held companies; the IFRS do not require disclosure of the Statements of Value Added.

q) Segment reporting

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

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

r) Earnings per share

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

Diluted earnings per share are calculated by dividing net income attributed to holders of common Company shares – after adjustments to the share option plan, as described in Note 18 (e) and to convertible debentures, as described in Note 18 (d) – by the weighted average number of common Company shares available in the year, plus the weighted average number of common shares that would be issued when converting all potential diluted common shares into common shares.

s) Significant accounting judgments, estimates and assumptions

Judgments

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

Estimates and assumptions

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

Allowances for disallowances and for doubtful accounts

The allowances for doubtful accounts and for disallowances are presented reducing the balance of accounts receivable being recognized for an amount considered by management to be sufficient to cover any losses on the realization of this balance, considering the individual risk of the portfolios.

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

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

Estimates and assumptions (Continued)

Fair value of financial instruments

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

The judgments include considerations of inputs such as liquidity risk, credit risk and volatility.

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

Useful life of fixed and intangible assets

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

Impairment of non-financial assets

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

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

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

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

Estimates and assumptions (Continued)

Impairment of non-financial assets (Continued)

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

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

Income and social contribution taxes

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

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

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

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

Estimates and assumptions (Continued)

Provision for contingencies

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

The assessment of the likelihood of loss includes an analysis of available evidence, the hierarchy of laws, available case law, the latest decisions of courts of law and their relevance in the legal system, as well as the opinion of external legal advisors. These provisions are reviewed and adjusted to consider changes in circumstances, such as applicable statute-barring period, conclusions of tax audits or additional exposures found based on new issues or court decisions. Actual results may differ from the amounts estimated. The fundamentals and nature of the provision for contingencies are described in Note 16.

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

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

t) Standards issued but not effective at December 31, 2014

The standards and interpretations issued, applicable to the Group, but not yet adopted through to the date of these financial statements are described below:

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017, with early adoption permitted. There is no equivalent standard in Brazil.

Management does not believe these standards will significantly impact its financial statements.

3. Business combination

Acquisition in 2014 - Hospital IFOR S.A.

On October 9, 2014, the Group acquired all shares of Hospital IFOR S.A. ("IFOR"), a privately-held company which operates a hospital in São Bernardo do Campo.

The total consideration transferred amounted to R$ 84,699, including R$76,699 paid on the acquisition date and R$8,000 to be paid in 72 months, depending on the materialization of pre-acquisition existing contingencies.

The Group is assessing, at the acquisition date, the assets acquired and the liabilities assumed at fair value. The preliminary allocations made and goodwill on the acquisition are as follows:

	At acquisition date
Net assets acquired at book value	**(2,163)**
Fair value adjustments	
Property and equipment	**1,127**
Other	**11**
Net assets at fair value	**(1,025)**
Consideration transferred	**84,699**
Goodwill on acquisition	**85,724**

In the first half of 2015, management will complete the analyses of the assets acquired and the liabilities assumed and will make adjustments, if any, as required by IFRS 3/CPC 15.

From the date of acquisition, IFOR has contributed revenue totaling R$19,589 and pre-tax income totaling R$1,735 to the Group. If the business combination had been at the beginning of the year, contributed revenue would have been R$80,514 and pre-tax income R$396.

3. Business combination (Continued)

Acquisition in 2013 - Hospital Norte D'or Cascadura S.A. ("Norte D'or")

On July 23, 2013, Rede D'Or acquired and merged with Norte D'Or Participações S.A., holder of 7,452,160 shares of Norte D'Or, corresponding to 35% of its capital, through issue of 171,286 new common shares of the Company, for R$35,902. Thus, Rede D'Or, started to hold control over Hospital Norte D'Or with 70% shareholding interest therein.

The fair value of consideration paid in shares, in the amount of R$7,452, substantially represented the fair value of acquired net assets, with goodwill being generated from the transaction, as follows:

	At acquisition date
Fair value of 100% of net asset at the date of obtaining of control	**21,291**
Fair value of prior shareholding interest (35%)	**(7,452)**
Net assets at fair value	**13,839**
Noncontrolling interests	**(6,387)**
Net assets at fair value after noncontrolling interests	**7,452**
Consideration transferred (in shares)	**35,902**
Goodwill on acquisition	**28,450**

In 2014, the Company completed the analysis of the purchase price of Norte D'or, and determined that the consideration transferred exceeded the figure originally disclosed by R$28,450, which led to an adjustment to initially allocated goodwill by that amount.

4. Cash and cash equivalents and marketable securities

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Cash and cash equivalents				
Cash and banks	**35,791**	26,095	**42,656**	37,669
Short-term investments	**2,251**	31,693	**12,526**	51,853
	38,042	57,788	**55,182**	89,522
Marketable securities				
Non-exclusive investment funds	**355,131**	22,226	**499,637**	32,076
Repurchase agreements	**181,095**	629,877	**230,001**	749,834
Bank Deposit Certificates (CDBs)	**83,477**	10,534	**119,008**	80,232
Guarantee bank deposit	**-**	-	**68,658**	63,000
Marketable securities	**619,703**	662,637	**917,304**	932,142
Current	**619,703**	662,637	**848,646**	869,142
Noncurrent	**-**	-	**68,658**	63,000

Short-term investments classified as marketable securities particularly refer to Bank Deposit Certificates (CDBs) and debentures with repurchase clauses, which are part of the exclusive "FIM CP Plataforma" fund portfolio, issued by first-tier financial institutions, substantially remunerated based on 85% to 105% of Interbank Deposit Certificate (CDI) (85% to 105% in 2013). The amount recorded in noncurrent portion refers to deposit made in connection with a property purchase, which is readily redeemable by the Company should it decide not to continue with the acquisition.

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

5. Accounts receivable

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

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Accounts receivable from health insurance and health plans	**1,286,821**	997,583	**1,690,778**	1,283,413
Accounts receivable from individuals	**56,537**	65,406	**62,264**	71,246
Allowance for disallowances	**(163,799)**	(60,425)	**(223,460)**	(108,120)
Allowance for doubtful accounts	**(206,191)**	(165,499)	**(262,343)**	(197,258)
	973,368	837,065	**1,267,239**	1,049,281

5. Accounts receivable (Continued)

Changes in allowances

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

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Balance at beginning of year	**(225,924)**	(135,018)	**(305,378)**	(171,271)
Recognition of allowance for disallowances	**(212,585)**	(135,994)	**(250,449)**	(182,335)
Write-off of uncollectible amounts	**109,211**	105,896	**135,109**	135,089
Set up (reversal) of allowance for doubtful accounts	**(40,692)**	(60,808)	**(65,085)**	(81,895)
Provision for company acquisitions	**-**	-	**-**	(4,966)
Balance at end of year	**(369,990)**	(225,924)	**(485,803)**	(305,378)

At 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**	**Above 360 days**
2014	**1,343,358**	**801,847**	**77,885**	**30,917**	**31,859**	**25,793**	**57,263**	**111,603**	**206,191**
2013	1,062,989	599,150	84,392	35,949	32,853	22,770	37,516	84,860	165,499

	Consolidated								
			Overdue						
	Total	**Falling due**	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days**	**121 - 180 days**	**181 - 360 days**	**Above 360 days**
2014	**1,753,042**	**847,494**	**139,979**	**55,066**	**57,852**	**52,120**	**113,375**	**224,813**	**262,343**
2013	1,354,659	732,687	124,179	49,724	43,465	30,958	50,788	125,600	197,258

6. Inventories

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Medicines	**21,501**	16,514	**27,607**	21,395
Special materials	**24,551**	15,114	**31,967**	21,429
Disposable materials	**18,350**	11,566	**22,145**	14,414
Bracing and prosthetic	**3,545**	10,552	**4,857**	11,263
Materials for use and consumption	**7,757**	5,595	**10,250**	6,953
Food items	**2,227**	1,998	**3,443**	2,309
Dressing room materials	**1,345**	1,637	**1,732**	2,035
Surgical sutures	**1,589**	1,139	**1,992**	1,540
Other	**2,022**	2,593	**2,694**	2,978
	82,887	66,708	**106,687**	84,316

7. Transactions with related parties

Balances with related parties

	Company							
	12/31/2014				12/31/2013			
Company	Current assets	Noncurrent assets	Noncurrent liabilities	Net income	Current assets	Noncurrent assets	Noncurrent liabilities	Net income
Debentures Norte D'Or (a)	**13,154**	**13,462**	**-**	**4,092**	11,370	24,231	-	3,960
Debentures Oncotech Oncologia S.A. (b)	**10,716**	**6,154**	**-**	**3,071**	13,046	15,385	-	3,861
Shared services (c)					-		-	
Medise Medicina Diagnóstico e Serviços Ltda.	**-**	**41,384**	**-**	**12,236**	-	29,148	-	17,684
Hospital Esperança S.A.	**-**	**36,823**	**-**	**17,494**	-	19,329	-	11,711
Hospital São Marcos	**-**	**9,700**	**-**	**2,958**	-	6,741	-	2,999
Hospital Norte D'Or de Cascadura S.A.	**-**	**12,034**	**-**	**4,893**	-	7,141	-	4,085
Rede D'or São Luiz Serviços Médicos S.A.	**-**	**124,604**	**-**	**47,326**	-	77,076	-	49,116
J. Badim S.A.	**-**	**1,425**	**-**	**1,425**	-	-	-	-
Oncologia D'Or S.A.	**-**	**16,815**	**-**	**911**	-	15,904	-	5,558
Hospital Fluminense S.A.	**-**	**6,532**	**-**	**3,976**	-	2,556	-	1,652
São Luiz Serviços Médicos S.A	**-**	**2,739**	**-**	**-**	-	11,218	-	-
Angiodinâmica	**-**	**962**	**-**	**-**	-	1,301	-	-
Centro Dignóstico NSL	**-**	**827**	**-**	**-**	-	1,317	-	-
Medise Medicina Diagnóstico e Serviços Ltda.	**-**	**-**	**9,604**	**-**	-	3,840	-	-
PMJ Assessoria e Consultoria Financeira S.A.	**-**	**22,098**	**-**	**-**	-	5,882	-	-
Quinta D'or Empreendimentos Imobiliários S.A.	**-**	**47,163**	**-**	**-**	-	46,920	-	-
Oncologia D'or S.A.	**-**	**42,316**	**-**	**-**	-	36,085	-	-
Hospital Fluminense S.A.	**-**	**25,996**	**-**	**-**	-	16,634	-	-
Hospital São Marcos Ltda.	**-**	**16,090**	**-**	**-**	-	14,607	-	-
Hospital Esperança S.A.	**-**	**-**	**20,109**	**-**	-	-	12,959	-
IFOR	**-**	**4,195**	**-**	**-**	-	-	-	-
JMJB Diagnósticos e Serviços Hospitalares S.A.	**-**	**2,444**	**-**	**-**	-	2,441	-	-
Diagnolabs Ltda.	**-**	**314**	**-**	**-**	-	2,922	-	-
Proncordis	**-**	**5,985**	**-**	**-**	-	-	-	-
Onco ABC	**-**	**3,230**	**-**	**-**	-	-	-	-
Onco BSB	**-**	**1,743**	**-**	**-**	-	-	-	-
Rodin	**-**	**5,619**	**-**	**-**	-	-	-	-
Centro Hospitalar São Marcos Ltda.	**-**	**486**	**-**	**-**	-	-	-	-
Other	**-**	**10,263**	**897**	**-**	-	4,820	1,523	-
	23,870	**461,403**	**30,610**	**98,382**	24,416	345,498	14,482	100,626

7. Transactions with related parties (Continued)

Balances with related parties (Continued)

	Consolidated							
	12/31/2014				12/31/2013			
Company	Current assets	Noncurrent assets	Noncurrent liabilities	Net income	Current assets	Noncurrent assets	Noncurrent liabilities	Net income
Debentures Oncotech Oncologia S.A. (b)	**10,715**	**6,154**	**-**	**-**	13,046	15,385	-	-
Shared services (c)								
J. Badim S.A.	**-**	**1,425**	**-**	**1,425**	-	-	-	-
Oncologia D'Or S.A.	**-**	**16,815**	**-**	**911**	-	13,191	-	5,558
Hospital Fluminense S.A.	**-**	**6,532**	**-**	**3,976**	-	4,880	-	1,652
Oncologia Rede D'Or S.A.	**-**	**49,133**	**-**	**-**	-	36,085	-	-
Onco BSB	**-**	**1,743**	**-**	**-**	-	-	-	-
Hospital Fluminense S.A.	**-**	**26,018**	**-**	**-**	-	16,634	-	-
Proncordis	**-**	**5,985**	**-**	**-**	-	-	-	-
Onco ABC	**-**	**3,230**	**-**	**-**	-	-	-	-
Centro Hospitalar São Marcos Ltda.	**-**	**-**	**-**	**-**	-	5,156	-	-
JMJB Diagnósticos e Serviços Hospitalares S.A.	**-**	**2,444**	**-**	**-**	-	2,441	-	-
Diagnolabs Ltda.	**-**	**461**	**-**	**-**	-	5,576	-	-
Badim	**-**	**585**	**-**	**-**	-	-	-	-
Other	**-**	**5,399**	**1,205**	**-**	-	6,194	604	-
	10,715	**125,924**	**1,205**	**6,312**	13,046	105,542	604	7,210

(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 as the debenture holder. The debentures are remunerated pro rata temporis bearing interest equivalent to 100% of DI (Interbank Deposits) plus 3.5% p.a. Interest is paid on a quarterly basis. There are no expected guarantees for the debentures. Upon a 10-day notice, Norte D'Or is entitled to repay the debentures in advance, as provided for by agreement. On May 8, 2014, the registration statement was amended to split the first payment into 10 successive monthly installments beginning August 2014, subject to interest as defined in the original statement.

(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 as the debenture holder. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 4% p.a. Interest is paid on a quarterly basis. There are no expected guarantees for the debentures. Upon a 10-day notice, Oncotech is entitled to repay the debentures in advance, as provided for by agreement.

(c) Shared services include centralized services rendered by the parent company, Rede D'Or, 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.

7. Transactions with related parties (Continued)

Balances with related parties (Continued)

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

The remaining consolidated balances refer to the transfer of funds to investees under shared control. This aims at optimizing the investee's operations and the payment is expected to be with cash from operating activities.

Key management personnel compensation

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

For the years ended December 31, 2014 and 2013, key management personnel compensation is as follows:

	12/31/2014	12/31/2013
Salaries and bonuses	**21,873**	16,300
Benefits	**147**	500
Share-based compensation	**27,363**	20,656
	49,383	37,456

8. Investments

Breakdown of balances - Company

Company	Balance at 12/31/2013	Equity pickup	Acquisition of shareholding	Dividends	Capital increase	Advance for future capital increase and other	Balance at 12/31/2014
Medise Medicina Diagnóstico e Serviços S.A. (a)	58,039	**11,326**	**(946)**	**-**	**-**	**-**	**68,419**
Hospital Esperança S.A.	40,491	**15,931**	**-**	**-**	**-**	**-**	**56,422**
Hospital São Marcos	9,794	**(7,434)**	**-**	**-**	**-**	**-**	**2,360**
Goodwill - São Marcos	7,132	**-**	**-**	**-**	**-**	**-**	**7,132**
PMJ Empreendimentos Imobiliários S.A.	63,087	**5,519**	**-**	**-**	**-**	**-**	**68,606**
Hospital Norte D'Or de Cascadura S.A.	15,211	**5,044**	**-**	**-**	**-**	**-**	**20,255**
Goodwill - Hospital Norte D'Or de Cascadura S.A.	-	**-**	**-**	**-**	**-**	**28,450**	**28,450**
Onco D'Or Oncologia S.A.	31,687	**8,340**	**-**	**-**	**-**	**-**	**40,027**
JMJB Diagnósticos e Serviços Hospitalares	9,342	**1,387**	**-**	**(100)**	**4,224**	**-**	**14,853**
Rodin Empreendimentos e Participações S.A. (a)	-	**2,913**	**67,122**	**(13,380)**	**-**	**-**	**56,655**
Quinta Empreendimentos Imobiliários Ltda. (c)	-	**9,591**	**-**	**-**	**10**	**-**	**9,601**
Hospital IFOR S.A.	-	**1,253**	**83,562**	**-**	**-**	**-**	**84,815**
Oncoholding Participações S.A.	24,254	**19,731**	**-**	**(3,133)**	**-**	**-**	**40,852**
Acreditar Oncologia S.A.	17,385	**5,021**	**-**	**(1,742)**	**-**	**-**	**20,664**
Goodwill - Acreditar Oncologia S.A.	13,175	**-**	**-**	**-**	**-**	**-**	**13,175**
Onco ABC Serviços Médicos Ltda.	5,295	**4,992**	**-**	**(670)**	**-**	**-**	**9,617**
Goodwill - Onco ABC Serviços Médicos Ltda.	7,312	**-**	**-**	**-**	**-**	**-**	**7,312**
Other	24,576	**8,692**	**-**	**(736)**	**-**	**4,027**	**36,559**
Total	326,780	**92,306**	**149,738**	**(19,761)**	**4,234**	**32,477**	**585,774**
São Luiz Serviços Médicos S.A.	(44,592)	**632**	**-**	**-**	**-**	**9,826**	**(34,134)**
Centro Hospitalar São Marcos S.A.	-	**(2,396)**	**-**	**-**	**-**	**(22,178)**	**(24,574)**
Diagnolab Exames Complementares Ltda.	-	**(10)**	**(217)**	**-**	**-**	**-**	**(227)**
Hospital Fluminense S.A.	(3,960)	**(1,600)**	**-**	**-**	**-**	**-**	**(5,560)**
	(48,552)	**(3,374)**	**(217)**	**-**	**-**	**(12,352)**	**(64,495)**
Equity pickup		**88,932**					

(a) This refers to capital decrease in Medise by Rede D'Or in the net amount of R$946, partly with a transfer of equity interest held in investee Rodin, in the amount of R$67,122, and partly with debentures amounting to R$68,368 (Note 13).
(b) Adjustment to prior years' combinations, matched with goodwill acquired.
(c) Entity organized in 2014 with revenue from property leased to Hospital Quinta D'Or.

8. Investments (Continued)

Breakdown of balances – Company (Continued)

Company	Balance at 12/31/2012	Equity pickup	Partial spin-off	Acquisition of shareholding	Dividends	Capital increase	Other	Balance at 12/31/2013
Medise Medicina Diagnóstico e Serviços S.A.	28,043	26,211	-	-	-	-	3,785	58,039
Hospital Esperança S.A.	47,759	(5,975)	-	-	(1,293)	-	-	40,491
Hospital São Marcos	10,529	(735)	-	-	-	-	-	9,794
Goodwill - São Marcos	7,132	-	-	-	-	-	-	7,132
PMJ Empreendimentos Imobiliários S.A.	-	(1,143)	-	-	-	64,751	(521)	63,087
Hospital Norte D'Or de Cascadura S.A.	-	1,309	7,452	7,452	(1,002)	-	-	15,211
Acreditar Oncologia S.A...	10,584	473	-	-	(1,339)	7,667	-	17,385
Goodwill - Acreditar Oncologia S.A.	7,845	-	-	-	-	-	5,330	13,175
Onco ABC Serviços Médicos Ltda.	4,186	1,609	-	-	(500)	-	-	5,295
Goodwill - Onco ABC Serviços Médicos Ltda.	7,312	-	-	-	-	-	-	7,312
Onco D'Or Oncologia S.A.	-	(3,725)				35,412		31,687
Oncoholding Participações S.A.	25,045	2,550	-	-	(3,341)	-	-	24,254
JMJB Diagnósticos e Serviços Hospitalares S.A.	14,171	3,151	(7,452)	-	(528)	-	-	9,342
Other	6,026	9,910	-	7,479	-	-	1,161	24,576
Total	168,632	33,635	-	14,931	(8,003)	107,830	9,755	326,780
São Luiz Serviços Médicos S.A.	(4,973)	(39,619)	-	-	-	-	-	(44,592)
Hospital Fluminense S.A.	(3,294)	(666)	-	-	-	-	-	(3,960)
	(8,267)	(40,285)	-	-	-	-	-	(48,552)
Equity pickup		(6,650)						

8. **Investments** (Continued)

Breakdown of balances - Consolidated

Company	Balances at 12/31/2013	Equity pickup	Dividends	Capital increase	Other	Balance at 12/31/2014
JMJB Diagnósticos e Serviços Hospitalares S.A.	9,342	**1,387**	**(100)**	**4,224**	**-**	**14,853**
Oncoholding Participações S.A.	24,255	**19,731**	**(3,133)**	**-**	**-**	**40,853**
Acreditar Oncologia S.A.	17,385	**5,021**	**(1,742)**	**-**	**-**	**20,664**
Goodwill - Acreditar Oncologia S.A.	13,175	**-**	**-**	**-**	**-**	**13,175**
Onco ABC Serviços Médicos Ltda.	5,295	**4,992**	**(670)**	**-**	**-**	**9,617**
Goodwill - Onco ABC Serviços Médicos Ltda.	7,312	**-**	**-**	**-**	**-**	**7,312**
Onco São José dos Campos	1,700	**4,566**	**(805)**	**-**	**-**	**5,461**
Goodwill - Onco São José dos Campos	30,967	**-**	**-**	**-**	**-**	**30,967**
Other	6,791	**8,628**	**(504)**	**-**	**(11)**	**14,904**
Total	116,222	**44,325**	**(6,954)**	**4,224**	**(11)**	**157,806**
Hospital Fluminense S.A.	(3,960)	**(1,600)**	**-**	**-**	**-**	**(5,560)**
Equity pickup		**42,725**				

8. Investments (Continued)

Breakdown of balances – Consolidated (Continued)

Company	Balance at 12/31/2012	Equity pickup	Partial spin-off	Acquisition of shareholding	Dividends	Capital increase	Other	Balance at 12/31/2013
JMJB Diagnósticos e Serviços Hospitalares	14,171	3,151	(7,452)	-	(528)	-	-	9,342
Oncoholding Participações S.A.	22,483	5,113	-	-	(3,341)	-	-	24,255
Acreditar Oncologia S.A.	10,111	946	-	-	(1,339)	7,667	-	17,385
Goodwill - Acreditar Oncologia S.A.	7,845	-	-	-	-	-	5,330	13,175
Onco ABC Serviços Médicos Ltda.	2,343	3,452	-	-	(500)	-	-	5,295
Goodwill - Onco ABC Serviços Médicos Ltda.	7,312	-	-	-	-	-	-	7,312
Onco São José dos Campos	-	228	-	1,472	-	-		1,700
Goodwill - Onco São José dos Campos	-	-	-	-	-	-	30,967	30,967
Other	20,962	(1,631)	(7,325)	-	-	-	(5,215)	6,791
Total	85,227	11,259	(14,777)	1,472	(5,708)	7,667	31,082	116,222
Hospital Fluminense S.A.	(3,294)	(666)	-	-	-	-	-	(3,960)
Equity pickup		10,593						

8. **Investments** (Continued)

Subsidiaries' information

	December 31, 2014							December 31, 2013
	% Total	% Voting	Assets	Liabilities	Equity	Operating income	Net income (loss) for the year	Net income (loss) for the year
Company - Rede D'Or São Luiz S.A. (a)								
Direct and indirect subsidiaries								
Medise Medicina Diagnóstico e Serviços S.A.	**95.52**	**95.52**	**247,650**	**176,022**	**71,628**	**32,006**	**11,857**	27,440
Hospital Esperança S.A. ("Esperança")	**100.00**	**100.00**	**506,012**	**449,590**	**56,422**	**58,796**	**15,931**	(5,975)
Hospital São Marcos	**100.00**	**100.00**	**43,305**	**40,945**	**2,360**	**(6,307)**	**(7,434)**	-
São Luiz Serviços Médicos S.A.	**100.00**	**100.00**	**189,820**	**223,954**	**(34,134)**	**(1,383)**	**632**	(39,619)
Centro Hospitalar São Marcos Ltda.	**100.00**	**100.00**	**8,717**	**33,291**	**(24,574)**	**(1,737)**	**(2,396)**	
Advance Plano de Saúde Ltda.	**100.00**	**100.00**	**15,814**	**13,449**	**2,365**	**(1,525)**	**(858)**	1,232
Hospital Norte D'Or de Cascadura S.A ("Norte D'Or")	**70.00**	**70.00**	**81,537**	**52,602**	**28,935**	**16,973**	**7,205**	2,947
PMJ Empreendimentos Imobiliários S.A (entity organized in 2013)	**100.00**	**100.00**	**92,493**	**23,887**	**68,606**	**(67)**	**5,519**	(1,143)
Quinta Empreendimentos Imobiliários Ltda. (entity organized in 2013)	**100.00**	**100.00**	**58,070**	**48,468**	**9,602**	**10,369**	**9,591**	-
Onco D'or Oncologia S.A. (entity organized in 2013)	**100.00**	**100.00**	**40,027**	**-**	**40,027**	**3,774**	**8,340**	(3,725)
Angio Dinâmica S.A.	**100.00**	**100.00**	**6,156**	**3,570**	**2,586**	**1,357**	**808**	(2,446)
Centro Diagnóstico NSL S.A.	**100.00**	**100.00**	**5,658**	**3,143**	**2,515**	**1,234**	**340**	(143)
Maxiclínicas Clínicas e Diagnósticos Ltda.	**100.00**	**100.00**	**2,695**	**580**	**2,115**	**1,789**	**1,484**	1,739
Diagno São Marcos Ltda.	**100.00**	**100.00**	**587**	**1,017**	**(430)**	**(278)**	**(379)**	(486)
Diagnolab Exames Complementares Ltda.	**100.00**	**100.00**	**50**	**277**	**(227)**	**1**	**(10)**	(30)
Rodin Empreendimentos e Participações Ltda.	**100.00**	**100.00**	**76,264**	**19,609**	**56,655**	**6,764**	**6,487**	-
São Luiz Assistência Médica Ambulatorial Ltda.	**100.00**	**100.00**	**511**	**-**	**511**	**-**	**-**	-
Instituto Oncológico de Pernambuco Ltda. ("IOPE")	**100.00**	**100.00**	**1,576**	**42**	**1,534**	**(2,492)**	**(2,391)**	1,017
Santa Luzia Assistência Médica Ltda. ("SLAM")	**100.00**	**100.00**	**7,335**	**3,405**	**3,930**	**535**	**680**	275
Hospital IFOR S.A.	**100.00**	**100.00**	**21,366**	**22,276**	**(909)**	**507**	**(3,796)**	-
Entities consolidated by the equity pickup method								
Hospital Fluminense S.A.	**50.00**	**50.00**	**22,632**	**33,750**	**(11,120)**	**(2,054)**	**(3,200)**	(1,332)
Acreditar Oncologia S.A.	**50.00**	**50.00**	**51,702**	**10,374**	**41,328**	**13,452**	**10,042**	1,895
Centro Oncológico do Vale Ltda.	**50.00**	**50.00**	**15,776**	**8,438**	**7,338**	**10,420**	**8,516**	(40)
Instituto de Radioterapia do Vale do Paraíba Ltda.	**50.00**	**50.00**	**2,906**	**1,050**	**1,856**	**1,590**	**98**	1,850
Clínica de Oncologia Dr. Paulo Emilio Pinto Ltda.	**50.00**	**50.00**	**2,256**	**528**	**1,728**	**686**	**518**	731
Onco ABC Serviços Médicos Ltda.	**50.00**	**50.00**	**24,512**	**5,418**	**19,094**	**11,180**	**9,844**	6,904
Oncoholding Participações S.A.	**50.00**	**50.00**	**98,394**	**16,688**	**81,706**	**-**	**39,462**	10,226
JMJB Diagnósticos e Serviços Hospitalares S.A.	**50.00**	**50.00**	**32,242**	**2,536**	**29,706**	**-**	**2,774**	6,302

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

9. Property and equipment

Breakdown

		Company					
		12/31/2014			12/31/2013		
Description	Depreciation rate	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Hospital machinery and equipment	**12% to 20%**	**343,483**	**(202,393)**	**141,090**	300,594	(166,798)	133,796
Surgical instruments	**20%**	**9,773**	**(6,816)**	**2,957**	7,603	(4,279)	3,324
Machinery and equipment	**7% to 10%**	**135,333**	**(64,269)**	**71,064**	119,951	(47,480)	72,471
Properties	**2.5% to 4%**	**291,821**	**(56,452)**	**235,369**	234,215	(50,969)	183,246
Improvements	**10%**	**10,332**	**(4,108)**	**6,224**	9,258	(4,095)	5,163
Leasehold improvements	**3% to 4%**	**459,908**	**(107,254)**	**352,654**	383,666	(94,056)	289,610
Furniture and fixtures	**10%**	**61,814**	**(35,050)**	**26,764**	54,064	(26,292)	27,772
Vehicles	**20%**	**2,628**	**(1,681)**	**947**	2,517	(1,562)	955
Facilities	**10%**	**53,253**	**(16,854)**	**36,399**	18,612	(10,097)	8,515
Land	**N/A**	**110,349**	**-**	**110,349**	106,745	-	106,745
Construction in progress	**N/A**	**227,963**	**-**	**227,963**	110,422	-	110,422
Other	**5% to 10%**	**10,179**	**(4,268)**	**5,911**	9,727	(3,055)	6,672
		1,716,836	**(499,145)**	**1,217,691**	1,357,374	(408,683)	948,691

9. Property and equipment (Continued)

Breakdown (Continued)

		Consolidated					
		12/31/2014			12/31/2013		
Description	Depreciation rate	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Hospital machinery and equipment	12% to 20%	428,789	(246,579)	182,210	375,687	(201,996)	173,691
Surgical instruments	20%	12,667	(7,451)	5,216	8,815	(4,519)	4,296
Machinery and equipment	7% to 10%	161,165	(85,147)	76,018	138,582	(57,495)	81,087
Properties	2.5% to 4%	306,131	(59,837)	246,294	242,855	(50,190)	192,665
Improvements	10%	10,332	(4,108)	6,224	9,258	(4,095)	5,163
Leasehold improvements	3% to 4%	596,855	(170,578)	426,277	524,254	(157,503)	366,751
Furniture and fixtures	10%	82,980	(47,365)	35,615	66,411	(30,127)	36,284
Vehicles	20%	3,321	(1,830)	1,491	2,913	(1,688)	1,225
Facilities	10%	88,540	(27,682)	60,858	47,719	(18,268)	29,451
Land	N/A	257,658	-	257,658	239,054	-	239,054
Construction in progress	N/A	238,490	-	238,490	114,714	-	114,714
Other	5% to 10%	15,793	(5,826)	9,967	15,261	(4,548)	10,713
		2,202,721	(656,403)	1,546,318	1,785,523	(530,429)	1,255,094

9. Property and equipment (Continued)

Changes in the Company

Cost	12/31/2013	Additions	Disposals	Transfers	12/31/2014
Hospital machinery and equipment	300,594	**39,124**	**(30)**	**3,795**	**343,483**
Surgical instruments	7,603	**1,651**	**-**	**519**	**9,773**
Machinery and equipment	119,951	**15,456**	**(93)**	**19**	**135,333**
Properties	234,215	**44,399**	**-**	**13,207**	**291,821**
Improvements	9,258	**1,074**	**-**	**-**	**10,332**
Leasehold improvements	383,666	**41,040**	**(53)**	**35,255**	**459,908**
Furniture and fixtures	54,064	**5,729**	**-**	**2,021**	**61,814**
Vehicles	2,517	**111**	**-**	**-**	**2,628**
Facilities	18,612	**2,744**	**(36)**	**31,933**	**53,253**
Land	106,745	**7,548**	**-**	**(3,944)**	**110,349**
Construction in progress	110,422	**201,207**	**(774)**	**(82,892)**	**227,963**
Other	9,727	**365**	**-**	**87**	**10,179**
	1,357,374	**360,448**	**(986)**	**-**	**1,716,836**

Depreciation	12/31/2013	Additions	Disposals	Transfers	12/31/2014
Hospital machinery and equipment	(166,798)	**(35,622)**	**27**	**-**	**(202,393)**
Surgical instruments	(4,279)	**(2,537)**	**-**	**-**	**(6,816)**
Machinery and equipment	(47,480)	**(16,882)**	**93**	**-**	**(64,269)**
Properties	(50,969)	**(5,483)**	**-**	**-**	**(56,452)**
Improvements	(4,095)	**(13)**	**-**	**-**	**(4,108)**
Leasehold improvements	(94,056)	**(13,251)**	**53**	**-**	**(107,254)**
Furniture and fixtures	(26,292)	**(8,758)**	**-**	**-**	**(35,050)**
Vehicles	(1,562)	**(119)**	**-**	**-**	**(1,681)**
Facilities	(10,097)	**(6,769)**	**12**	**-**	**(16,854)**
Land	-	**-**	**-**	**-**	**-**
Other	(3,055)	**(1,213)**	**-**	**-**	**(4,268)**
	(408,683)	**(90,647)**	**185**	**-**	**(499,145)**
Property and equipment, net	948,691	**269,801**	**(801)**	**-**	**1,217,691**

Cost	12/31/2012	Additions	Disposals	Transfers	12/31/2013
Hospital machinery and equipment	253,737	48,586	(3,441)	1,712	300,594
Surgical instruments	3,366	4,060	(82)	259	7,603
Machinery and equipment	90,060	21,476	(206)	8,621	119,951
Properties	479,650	34,792	(339,970)	59,743	234,215
Improvements	8,925	333	-	-	9,258
Leasehold improvements	294,607	67,285	(15,301)	37,075	383,666
Furniture and fixtures	47,200	7,027	(137)	(26)	54,064
Vehicles	2,517	-	-	-	2,517
Facilities	16,245	2,413	(141)	95	18,612
Land	97,786	4,271	(7,790)	12,478	106,745
Construction in progress	67,436	175,629	(11,050)	(121,593)	110,422
Other	6,938	1,185	(32)	1,636	9,727
	1,368,467	367,057	(378,150)	-	1,357,374

9. Property and equipment (Continued)

Changes in the Company (Continued)

Depreciation	12/31/2012	Additions	Disposals	Transfers	12/31/2013
Hospital machinery and equipment	(142,469)	(24,634)	305	-	(166,798)
Surgical instruments	(3,002)	(1,300)	23	-	(4,279)
Machinery and equipment	(34,326)	(13,180)	26	-	(47,480)
Properties	(47,174)	(12,046)	8,251	-	(50,969)
Improvements	(3,830)	(265)	-	-	(4,095)
Leasehold improvements	(68,105)	(27,121)	1,170	-	(94,056)
Furniture and fixtures	(21,639)	(4,665)	12	-	(26,292)
Vehicles	(1,556)	(6)	-	-	(1,562)
Facilities	(8,842)	(1,265)	10	-	(10,097)
Other	(2,059)	(1,000)	4	-	(3,055)
	(333,002)	(85,482)	9,801	-	(408,683)
Property and equipment, net	1,035,465	281,575	(368,349)	-	948,691

Changes in Consolidated

Cost	12/31/2013	Additions	Disposals	Transfers	Business combinations	12/31/2014
Hospital machinery and equipment	375,687	**47,236**	**(30)**	**3,886**	**2,010**	**428,789**
Surgical instruments	8,815	**2,051**	**(35)**	**767**	**1,070**	**12,668**
Machinery and equipment	138,582	**18,208**	**(93)**	**3,890**	**577**	**161,164**
Properties	242,855	**49,861**	**-**	**13,207**	**208**	**306,131**
Improvements	9,258	**1,074**	**-**	**-**	**-**	**10,332**
Leasehold improvements	524,254	**47,757**	**(53)**	**23,893**	**1,004**	**596,855**
Furniture and fixtures	66,411	**7,306**	**(10)**	**8,641**	**632**	**82,980**
Vehicles	2,913	**111**	**-**	**-**	**297**	**3,321**
Facilities	47,719	**7,413**	**(36)**	**32,585**	**859**	**88,540**
Land	239,054	**22,548**	**-**	**(3,944)**	**-**	**257,658**
Construction in progress	114,714	**208,090**	**(1,302)**	**(83,012)**	**-**	**238,490**
Other	15,261	**364**	**-**	**87**	**81**	**15,793**
	1,785,523	**412,019**	**(1,559)**	**-**	**6,738**	**2,202,721**

Depreciation	12/31/2013	Additions	Disposals	Transfers	Business combinations	12/31/2014
Hospital machinery and equipment	(201,996)	**(44,610)**	**27**	**-**	**-**	**(246,579)**
Surgical instruments	(4,519)	**(2,945)**	**13**	**-**	**-**	**(7,451)**
Machinery and equipment	(57,495)	**(27,745)**	**93**	**-**	**-**	**(85,147)**
Properties	(50,190)	**(9,647)**	**-**	**-**	**-**	**(59,837)**
Improvements	(4,095)	**(13)**	**-**	**-**	**-**	**(4,108)**
Leasehold improvements	(157,503)	**(13,128)**	**53**	**-**	**-**	**(170,578)**
Furniture and fixtures	(30,127)	**(17,248)**	**10**	**-**	**-**	**(47,365)**
Vehicles	(1,688)	**(142)**	**-**	**-**	**-**	**(1,830)**
Facilities	(18,268)	**(9,426)**	**12**	**-**	**-**	**(27,682)**
Other	(4,548)	**(1,278)**	**-**	**-**	**-**	**(5,826)**
	(530,429)	**(126,182)**	**208**	**-**	**-**	**(656,403)**
Property and equipment, net	1,255,094	**285,837**	**(1,351)**	**-**	**6,738**	**1,546,318**

9. Property and equipment (Continued)

Changes in Consolidated (Continued)

Cost	12/31/2012	Additions	Disposals	Transfers	Business combinations	12/31/2013
Hospital machinery and equipment	319,461	54,068	(3,432)	1,713	3,877	375,687
Surgical instruments	4,037	4,599	(80)	259	-	8,815
Machinery and equipment	101,945	25,105	(208)	8,625	3,115	138,582
Properties	479,876	43,206	(339,970)	59,743	-	242,855
Improvements	8,925	333	-	-	-	9,258
Leasehold improvements	384,061	78,964	(12,876)	37,021	37,084	524,254
Furniture and fixtures	55,153	9,128	(104)	(26)	2,260	66,411
Vehicles	2,888	25	-	-	-	2,913
Facilities	43,559	2,848	(142)	95	1,359	47,719
Land	181,972	52,343	(7,938)	12,477	200	239,054
Construction in progress	70,148	176,672	(10,684)	(121,542)	120	114,714
Other	12,115	1,541	(30)	1,635	-	15,261
	1,664,140	448,832	(375,464)	-	48,015	1,785,523

Depreciation	12/31/2012	Additions	Disposals	Transfers	Business combinations	12/31/2013
Hospital machinery and equipment	(172,140)	(30,153)	297	-	-	(201,996)
Surgical instruments	(3,108)	(1,432)	21	-	-	(4,519)
Machinery and equipment	(41,354)	(16,169)	28	-	-	(57,495)
Properties	(47,185)	(11,257)	8,252	-	-	(50,190)
Improvements	(3,830)	(265)	-	-	-	(4,095)
Leasehold improvements	(116,790)	(41,919)	1,206	-	-	(157,503)
Furniture and fixtures	(24,680)	(5,456)	9	-	-	(30,127)
Vehicles	(1,682)	(6)	-	-	-	(1,688)
Facilities	(14,435)	(3,845)	12	-	-	(18,268)
Other	(3,483)	(1,066)	1	-	-	(4,548)
	(428,687)	(111,568)	9,826	-	-	(530,429)
Property and equipment, net	1,235,453	337,264	(365,638)	-	-	1,255,094

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

Property and equipment disposals for the year ended December 31, 2013 refer substantially to the sale of Hospital Santa Luzia and Hospital do Coração, located in Brasília (DF), and of Hospital Caxias D'Or, located in Caxias (RJ) to entity Northwest International II Investimentos Imobiliários em Saúde S.A.

Management did not identify any indication of impairment of fixed assets.

10. Intangible assets

Intangible assets are broken down as follows:

		Company		Consolidated	
	Annual rate	**12/31/2014**	**12/31/2013**	**12/31/2014**	**12/31/2013**
Finite useful life					
Software	**20%**	**21,223**	15,681	**22,376**	16,061
Indefinite useful life					
Goodwill					
Acquisition of Copa D'Or		**80,058**	80,058	**80,058**	80,058
Acquisition of HMSL		**668,339**	618,566	**668,339**	618,566
Acquisition of Hospital Brasil		**121,398**	132,903	**121,398**	132,903
Acquisition of Hospital Prontolinda		**30,595**	30,595	**30,595**	30,595
Acquisition of Vivalle		**38,692**	38,692	**38,692**	38,692
Acquisition of São Marcos		**-**	-	**10,807**	10,807
Acquisition of Santa Luzia		**199,333**	199,333	**199,333**	199,333
Acquisition of Sinisgalli		**156,646**	156,646	**156,646**	156,646
Acquisition of Hospital Esperança		**-**	-	**108,408**	108,408
Acquisition of Norte D'Or		**-**	-	**28,450**	-
Acquisition of IFOR		**-**	-	**85,724**	-
Other goodwill		**49,621**	23,181	**62,010**	56,446
Trademarks and patents		**190,810**	190,810	**190,810**	190,810
		1,556,715	1,486,465	**1,803,646**	1,639,325

Goodwill presented above arises from the business combinations made in 2014, 2013 and in prior years.

Goodwill impairment testing

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

The recoverable amount of a CGU is based on value in use calculations. The value in use calculations are based on cash flow projections, before income taxes, from financial budgets approved by management covering a 10-year period. The cash flows beyond the 10-year period did not consider a growth rate, since they were based on an actual projection model.

10. Intangible assets (Continued)

Goodwill impairment testing (Continued)

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from its weighted average cost of capital (WACC - Actual). Actual WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest bearing borrowings the Company is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available marked data. The 7.41% pre-tax discount rate was the main assumption adopted in the calculation of value in use at December 31, 2014.

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

Management performed goodwill and trademarks and patents impairment testing in the years ended December 31, 2014 and 2013, through comparison of its book balances with the projected cash flows and did not identify the need of recording any provision for loss.

11. Deferred gain on property disposal

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

11. Deferred gain on property disposal (Continued)

Part of the gain referring to the excess of sales proceeds and fair value was deferred, as required by CPC 06/IAS 17 - Leases, and has been amortized over the lease term. At December 31, 2014, deferred gains were recorded as follows:

	Company and Consolidated	
	12/31/2014	**12/31/2013**
Caxias D'Or	**41,276**	43,000
Hospital Brasil	**50,600**	52,800
	91,876	95,800
Current	**3,920**	3,920
Noncurrent	**87,956**	91,880

At December 31, 2014, the Company has R$73,926 (R$123,000 at December 31, 2013) in receivables from the sale of such properties, which is pending formal documentation of title property transfer to the buyer.

12. Loans and financing

Company				
Bank	**Index**	**Spread**	**12/31/2014**	**12/31/2013**
BNDES/FINAME	TJLP	1.50%	**8,859**	14,484
IFC - International Finance Corporation	LIBOR	3.30%	**86,601**	90,272
CCBs	Fixed	12.30%	**1,788**	5,407
			97,248	110,163
Current			**21,185**	24,656
Noncurrent			**76,063**	85,507

Consolidated				
Bank	**Index**	**Spread**	**12/31/2014**	**12/31/2013**
BNDES/FINAME	TJLP	1.50%	**13,719**	21,277
IFC - International Finance Corporation	LIBOR	3.30%	**86,601**	90,272
CCBs	Fixed	12.30%	**3,859**	5,419
			104,179	116,968
Current			**23,665**	28,645
Noncurrent			**80,514**	88,323

12. Loans and financing (Continued)

Financing was obtained in order to make company acquisitions and to expand the size of hospitals. Loans and financing are guaranteed by shares representing 3.1% of the Company's capital and fiduciary assignment of credit rights. After the last valuation report issued in March 2015, the guaranteeing shares started to represent 0.8% of the Company's capital.

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

At December 31, 2014, the long-term maturity schedule is as follows:

Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2016	**17,577**	2016	**20,202**
2017	**17,573**	2017	**18,608**
2018	**17,004**	2018	**17,537**
2019 to 2021	**23,909**	2019 to 2021	**24,167**
	76,063		**80,514**

13. Debentures payable

	Consolidated	
	12/31/2014	**12/31/2013**
Rede D'Or São Luiz		
1st issue (a)	**881,165**	858,009
2nd issue (b)	**85,183**	91,579
3rd issue (c)	**642,320**	642,023
4th issue (d)	**799,590**	796,972
5th issue (e)	**99,774**	100,539
6th issue (f)	**199,241**	-
Medise		
1st issue (g)	**62,111**	80,291
Hospital Esperança		
1st issue (h)	**202,600**	203,001
2nd issue (i)	**99,214**	100,045
	3,071,198	2,872,459
Current	**57,703**	55,386
Noncurrent	**3,013,495**	2,817,073

(a) On April 20, 2011, the Company issued nonconvertible debentures in a series of 100 (one hundred) debentures for public distribution, totaling R$1,000,000, maturing on April 20, 2020 (as per the amendment of December 2013). The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.3% p.a., to be paid on a quarterly basis for four years and eight months, and on a monthly basis thereafter. As a guarantee, shares representing 42.5% of Company's capital and fiduciary transfer of credit rights were offered. After the last valuation report issued in March 2015, the guaranteeing shares started to represent 7.9% of the Company's capital. After 24 months, the Company is entitled to repay the debentures in advance, as provided for by agreement.

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

13. Debentures payable (Continued)

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

(d) On September 5, 2012, the Company carried out the fourth issue of nonconvertible, single-series debentures for public distribution, totaling R$800,000, maturing on August 10, 2021 (as per the amendment of December 2013). The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.4% p.a. As a guarantee, shares representing 23.5% of Company's capital and fiduciary transfer of credit rights were offered. After the last valuation report issued in March 2015, the guaranteeing shares started to represent 7.3% of the Company's capital.

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

(f) On December 15, 2014, the Company carried out the sixth issue of nonconvertible, single-series debentures for public distribution, totaling R$200,000, maturing on December 15, 2019. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.0% p.a. There are no expected guarantees for the debentures.

13. Debentures payable (Continued)

(g) On December 12, 2011, subsidiary Medise carried out the first issue of nonconvertible, single-series debentures for public distribution, totaling R$100,000, maturing on December 12, 2017. The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.2% p.a. Interest has been paid on a monthly basis from January 12, 2013. As a guarantee, fiduciary transfer of credit rights was offered. Upon a 10-day notice, the Company is entitled to repay the debentures in advance, as provided for by agreement. In July 2014, Rede D'Or São Luiz S.A. assumed Medise's debts in connection with the Offer, pursuant to Article 299 et seq. of the 2012 Brazilian Civil Code. As a result, the status of Rede D'Or will change from Collateral to Issuer, in view of the capital decrease of the Issuer.

(h) In October 2012, subsidiary LE Participações Societárias S.A. (later merged into Hospital Esperança S.A.) carried out the first issue of nonconvertible, single-series debentures for public distribution, totaling R$200,000, maturing on October 15, 2021 (as amended in February 2013). The debentures are remunerated *pro rata temporis* bearing interest equivalent to 100% of DI (Interbank Deposits) plus 2.4% p.a. As a guarantee, shares representing 5.9% of Company's capital and fiduciary transfer of credit rights were offered. After the last valuation report issued in March 2015, the guaranteeing shares started to represent 1.8% of the Company's capital.

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

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

13. Debentures payable (Continued)

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

At December 31, 2014, the long-term maturity schedule is as follows:

Company		Consolidated	
Year	**Amount**	**Year**	**Amount**
2016	**449,963**	2016	**486,511**
2017	**677,162**	2017	**751,721**
2018	**603,942**	2018	**678,500**
2019	**531,998**	2019	**570,739**
2020	**350,403**	2020	**389,144**
2021	**103,785**	2021	**136,880**
	2,717,253		**3,013,495**

14. Tax liabilities and taxes paid in installments

a) Tax liabilities

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**1,979**	2,267	**3,020**	2,673
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**14,945**	12,565	**20,807**	16,627
Service Tax (ISS)	**32,854**	13,463	**47,678**	20,533
Withholding Income Tax (IRRF)	**13,345**	8,054	**15,557**	9,937
Income tax	**1,862**	1,467	**7,132**	2,362
Social contribution tax	**550**	622	**1,626**	958
Other	**3,062**	2,502	**3,539**	2,809
	68,597	40,940	**99,359**	55,899

14. Tax liabilities and taxes paid in installments (Continued)

b) Taxes paid in installments

Taxes paid in installments	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Service Tax (ISS)	**21,532**	23,498	**22,698**	25,257
Installment payment – Law No. 11941/09	**72,635**	65,334	**86,854**	78,424
Installment payment – social security contributions	**31,311**	35,195	**42,490**	38,148
Other	**17,275**	16,730	**18,490**	15,518
	142,753	140,757	**170,532**	157,347
Current	**20,082**	14,452	**22,021**	17,015
Noncurrent	**122,671**	126,305	**148,511**	140,332

Tax installment payment program – Law No. 11941/09

On August 25 and November 28, 2014, the Company joined the Special Tax Installment Payment Program introduced by Law No. 12996/2014 and Law No. 13043/2014, with a view to balancing its tax liabilities by means of a special method the allows the installment payment of its tax and social security liabilities. When the Company opted to join this program, it formally requested the Brazilian IRS to include all of the outstanding debts in its current accounts, amounting to R$27,742, in addition to migrating PAES and PAEX payables in the amount of R$20,490.

The debts included in the installment payment program were being legally disputed, including R$22,544 recorded as a provision for contingencies and reclassified to taxes paid in installments when the Company joined the program. Additionally, the Company had tax claims regarded as possible losses for which no provision had been recognized, which were also included in the installment payment program, recorded in the amount of R$5,198 and matched with a profit and loss account.

The Company did not use credits arising from income and social contribution tax losses to reduce interest and fines.

15. Accounts payable for acquisitions

	Adjustment index	Company and Consolidated	
		12/31/2014	12/31/2013
Current	**CDI**	**199,927**	30,172
Noncurrent	**CDI**	**66,455**	210,312

Accounts payable for acquisition of companies refer to the remaining balance of the considerations for acquisitions made in 2014, 2013 and previous years.

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

16. Provision for contingencies and judicial deposits

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

	Company			
	12/31/2014		12/31/2013	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Tax	**42,751**	**(28,380)**	84,403	(24,519)
Labor	**48,463**	**(4,466)**	36,739	(5,309)
Civil	**25,563**	**(17,906)**	33,017	(12,945)
	116,777	**(50,752)**	154,159	(42,773)

	Consolidated			
	12/31/2014		12/31/2013	
	Provision for contingencies	Judicial deposits	Provision for contingencies	Judicial deposits
Tax	**45,662**	**(36,433)**	86,032	(29,780)
Labor	**51,932**	**(4,915)**	38,889	(6,782)
Civil	**38,153**	**(19,836)**	37,885	(15,342)
	135,747	**(61,184)**	162,806	(51,904)

16. Provision for contingencies and judicial deposits (Continued)

Changes in provisions for contingencies for 2014 and 2013 were as follows:

	Company			
	12/31/2014			
	Tax	**Labor**	**Civil**	**Total**
Balances at beginning of year	**84,403**	**36,739**	**33,017**	**154,159**
Additions, net of reversals	**(13,113)**	**13,123**	**(6,293)**	**(6,283)**
REFIS (Note 14b)	**(22,544)**	**-**	**-**	**(22,544)**
Monetary variation	**9,021**	**-**	**-**	**9,021**
Payments	**(15,016)**	**(1,399)**	**(1,161)**	**(17,576)**
Balance at end of year	**42,751**	**48,463**	**25,563**	**116,777**

	Company			
	12/31/2013			
	Tax	**Labor**	**Civil**	**Total**
Balances at beginning of year	73,701	39,900	31,010	144,611
Acquisition of subsidiaries	21,282	-	-	21,282
Additions, net of reversals	2,452	(2,682)	2,007	1,777
Monetary variation	703	297	-	1,000
Payments	(13,735)	(776)	-	(14,511)
Balance at end of year	84,403	36,739	33,017	154,159

	Consolidated			
	12/31/2014			
	Tax	**Labor**	**Civil**	**Total**
Balances at beginning of year	**86,032**	**38,889**	**37,885**	**162,806**
Additions, net of reversals	**(15,775)**	**13,793**	**(1,780)**	**(3,762)**
REFIS (Note 14b)	**(22,544)**	**-**	**-**	**(22,544)**
Monetary variation	**12,335**	**-**	**-**	**12,335**
Payments	**(15,016)**	**(1,399)**	**(1,161)**	**(17,576)**
Additions from acquisitions	**630**	**649**	**3,209**	**4,488**
Balance at end of year	**45,662**	**51,932**	**38,153**	**135,747**

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

16. Provision for contingencies and judicial deposits (Continued)

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.

Additionally, the Company is also a party to various tax claims, totaling R$9,020 (R$18,336 in 2013) in Company and R$22,979 (R$19,583 in 2013) 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 month salary, 30-day termination notice, vacation pay and Unemployment Compensation Fund (FGTS). In addition to the claims provisioned, Rede D'Or is a party to labor claims totaling R$53,524 (R$71,216 in 2013) in Company and R$55,623 (R$72,146 in 2013) 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 R$75,025 (R$93,365 in 2013) in Company and R$112,350 (R$95,634 in 2013) in Consolidated, losses of which were estimated by its legal advisors as possible. Therefore, no provisions were set up for contingencies.

17. Commitments

At December 31, 2014, Rede D'Or has operating leases referring substantially to leased buildings for an average period of eighteen years, considering the following payment schedule:

Year	Company	Consolidated
	(Gross nominal values)	
2015	**206,246**	**230,265**
2016	**206,246**	**230,265**
2017	**206,246**	**230,265**
2018	**206,246**	**230,265**
2019 to 2051	**1,971,046**	**2,197,218**
	2,796,030	**3,118,278**

17. Commitments (Continued)

Lease expenses recognized for the year amounted to R$200,906 (R$141,068 in 2013) in Company and R$231,622 (R$169,440 in 2013) in Consolidated.

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

18. Equity

a) Capital

Subscribed and paid-in capital at December 31, 2014 amounts to R$452,530 (R$261,531 at December 31, 2013) divided into 318,690,220 registered common shares and 2,734,600 registered preferred shares class A, with no par value (272,666,123 common and 2,734,600 preferred shares in 2013).

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

On December 22, 2014, the Company's capital increase was approved in the amount of R$190,999 in cash, with the issuance of 46,024,097 new registered common shares with no par value, at the issue price of R$4.15 (four reais and fifteen cents) each.

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

b) Allocation of income

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

18. Equity (Continued)

b) Allocation of income (Continued)

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, 2014 and 2013, the calculation of dividends and the changes thereof in the year are as follows:

	12/31/2014	12/31/2013
Net income for the year	**320,190**	208,294
Set up of legal reserve (article 193 of Law No. 6404) (*)	**-**	-
Calculation base of minimum mandatory dividends	**320,190**	208,294
Minimum mandatory dividend (25%)	**80,047**	52,073
Dividends and interest on equity proposed	**80,047**	52,073
Minimum mandatory dividend per 1,000-share lot - in reais	**0.2512**	0.1891

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

Minimum mandatory dividends are stated in the balance sheet as legal obligations (in current liabilities). Additionally, at the Meeting held on September 10, 2014, approval was given to the additional dividend distribution to the investment reserve account, in the amount of R$217,157. At December 31, 2014, dividends payable totaled R$156,028 (R$78,498 in 2013), in the Company, and R$159,578 (R$83,512 in 2013), in the consolidated.

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

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

18. Equity (Continued)

c) Treasury shares

At December 31, 2014, the Company had 19,990,492 registered common shares with no par value of Rede D'Or, in the amount of R$161,511, recorded as treasury shares in equity.

Changes in treasury shares are as follows:

	Number of shares	Share value (in reais)	Total
Balance at December 31, 2012	16,924,129	7.65	129,594
Acquisitions made	1,129,360	24.37	27,523
Balance at December 31, 2013	**18,053,489**	**8.69**	**157,117**
Acquisitions made	**1,937,003**	**2.48**	**4,802**
Balance at December 31, 2014	**19,990,492**	**8.10**	**161,919**

d) Other reserves - convertible debentures

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

In December 2013, an amendment to the agreement was made, extending the maturity date to December 31, 2014. On December 19, 2014, another amendment was executed to extend maturity to March 31, 2015. The other original terms of the indenture remained unchanged. The Company is negotiating a new term extension.

18. Equity (Continued)

d) Other reserves - convertible debentures (Continued)

Debenture holders have the call option, on maturity date, to convert these debentures into shares, which will represent 22.33% of the Group's capital. If debenture holders do not exercise the option, the Company has the put option to pay the restated amount with shares representing said interest. Considering the structure of these transactions, in which both parties have the option to settle the debentures by means of acquisition/disposal of interest in the Group, management understood that the conversion is virtually certain, thus concluding that it represents an equity instrument. In addition, the indentures establish the dilution events for debenture holders, e.g. in case of new capital contributions to the Company, there is dilution for debenture holders as if they were shareholders. There will not be cash outlay by the Company for payment of principal or interest; as such, the debentures were classified in equity, until effective capitalization thereof.

e) Share-based payment (*stock options*)

- *First Stock Option Plan*

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

On November 30, 2011, the stock option plan comprising the right to purchase 4,355,694 shares was granted, by means of an individual agreement entered into between the Company and each beneficiary. In order to be entitled to the right to stock options, beneficiaries should work with the Company for at least three years (vesting period). Company management and employees participating in this plan will be fully entitled to such options, at one-fifth of total shares available for the plan, after 12 months from the vesting date, and to the following four, under the same conditions, after 24, 36, 48 and 60 months also from the vesting date. The participants have a maximum of sixty months, as from the end of the vesting period, to exercise the options.

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

18. Equity (Continued)

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

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

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

  The Company granted to beneficiaries of the Second and Third Plans the option for the purchase of 855,141 and 2,428,464 registered common shares with no nominal value, respectively, through individual contract between each beneficiary and the Company. The contracts follow the same conditions of the First Stock Option Plan.

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

- *Fourth Stock Option Plan*

  The Extraordinary Shareholders' Meeting held on June 5, 2014 approved the Fourth Stock Option Plan.

  The Company granted to beneficiaries of the Fourth Plan the option to purchase 37,265 registered common shares with no par value, through an individual contract between each beneficiary and the Company. The contracts of the Fourth Stock Option Plan follow the same conditions of the First Stock Option Plan.

  The price for exercising the options granted is R$13.99 per share, increased by CDI variation, *pro rata die*, until the effective date of exercise of any stock option.

- *Fifth Stock Option Plan*

  The Extraordinary Shareholders' Meeting held on July 21, 2014 approved the Fifth Stock Option Plan.

  The Company granted to beneficiaries of the Fifth Plan the option to purchase 992,000 registered common shares with no par value, through an individual contract between each beneficiary and the Company.

18. Equity (Continued)

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

- *Fifth Stock Option Plan* (Continued)

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

Share-based compensation for purchase of shares was measured and recognized at fair value, based on the Black, Scholes & Merton model (1973).

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

- *First Stock Option Plan*

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in R$)	Expiration
1/1/2012	871,139	39.6%	10.5%	7.61	Expired
1/1/2013	871,139	39.6%	10.5%	7.89	Expired
1/1/2014	871,139	39.6%	10.6%	8.28	Expired
1/1/2015	871,139	39.6%	10.7%	8.64	Unexpired
1/1/2016	871,139	39.6%	10.7%	8.97	Unexpired
Total	4,355,695	Average risk-free rate	10.6%		

- *Second Stock Option Plan*

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in R$)	Expiration
3/31/2013	171,028	32.39%	7.10%	13.91	Expired
3/31/2014	171,028	32.39%	7.25%	13.67	Expired
3/31/2015	171,028	32.39%	7.61%	13.53	Unexpired
3/31/2016	171,028	32.39%	8.06%	13.50	Unexpired
3/31/2017	171,028	32.39%	8.39%	13.49	Unexpired
Total	855,140	Average risk-free rate	7.68%		

18. Equity (Continued)

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

- *Third Stock Option Plan*

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in R$)	Expiration
3/31/2014	485,693	31.74%	9.11%	14.26	Expired
3/31/2015	485,693	31.74%	10.23%	14.21	Unexpired
3/31/2016	485,693	31.74%	10.89%	14.16	Unexpired
3/31/2017	485,693	31.74%	11.34%	14.15	Unexpired
3/31/2018	485,693	31.74%	11.53%	14.09	Unexpired
Total	2,428,465	Average risk-free rate	10.62%		

- *Fourth Stock Option Plan*

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in R$)	Expiration
3/31/2015	7,453	30.27%	10.81%	16.00	Unexpired
3/31/2016	7,453	30.27%	11.16%	15.85	Unexpired
3/31/2017	7,453	30.27%	11.50%	15.83	Unexpired
3/31/2018	7,453	30.27%	11.66%	15.79	Unexpired
3/31/2019	7,453	30.27%	11.82%	15.81	Unexpired
Total	37,265	Average risk-free rate	11.39%		

- *Fifth Stock Option Plan*

Maturity date	Number of shares	Annual volatility	Risk-free rate	Fair value of options (in R$)	Expiration
6/2/2015	99,200	30.17%	10.76%	19.70	Unexpired
6/2/2016	99,200	30.17%	10.91%	19.42	Unexpired
6/2/2017	198,400	30.17%	11.09%	19.18	Unexpired
6/2/2018	198,400	30.17%	11.18%	18.97	Unexpired
6/2/2019	198,400	30.17%	11.29%	18.79	Unexpired
6/2/2020	99,200	30.17%	11.41%	18.66	Unexpired
6/2/2021	99,200	30.17%	11.40%	18.49	Unexpired
Total	992,000	Average risk-free rate	11.15%		

18. Equity (Continued)

e) 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:

	Fair value of options per year	Effect on P&L for the year	Cumulative effect on equity
2011	**1,457**	**1,457**	**1,457**
2012	**16,234**	**16,234**	**17,691**
2013	**20,656**	**20,656**	**38,347**
2014	**27,363**	**27,363**	**65,710**
2015	**17,475**	**-**	**-**
2016	**10,230**	**-**	**-**
2017	**5,058**	**-**	**-**
2018	**2,167**	**-**	**-**
2019	**912**	**-**	**-**
2020	**397**	**-**	**-**
2021	**133**	**-**	**-**
	102,082		

The Company grants a put option to each beneficiary on total shares that are acquired due to exercise of the stock options. The periods for exercising the options are determined by individual agreements between the parties, and the acquisition prices 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, unvested options expire, with no compensation rights, and the vested options 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.

19. Income and social contribution taxes

Income and social contribution tax expenses for the years ended December 31, 2014 and 2013 are as follows:

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Deferred				
Income tax	**(14,810)**	(54,387)	**(10,991)**	(49,334)
Social contribution tax	**(5,335)**	(19,579)	**(3,967)**	(17,759)
	(20,145)	(73,966)	**(14,958)**	(67,093)
Current				
Income tax	**(22,837)**	-	**(40,494)**	(6,737)
Social contribution tax	**(8,240)**	-	**(14,953)**	(2,425)
	(31,077)	-	**(55,447)**	(9,162)
Income and social contribution tax (expense) benefit	**(51,222)**	(73,966)	**(70,405)**	(76,255)

Changes in deferred income and social contribution tax assets at December 31, 2014 and 2013 were as follows:

	Company					
	12/31/2012	**Additional benefits (expenses) recorded**	**12/31/2013**	**Additional benefits (expenses) recorded**	**Other (*)**	**12/31/2014**
Assets						
Income tax loss	40,743	(4,984)	35,759	**(10,611)**	**-**	**25,148**
Social contribution tax loss	14,669	(1,794)	12,875	**(3,822)**	**-**	**9,053**
Allowance for doubtful accounts	35,596	(473)	35,123	**13,926**	**-**	**49,049**
Allowance for disallowances	8,970	9,731	18,701	**34,305**	**-**	**53,006**
Contingencies	47,712	4,703	52,415	**(12,711)**	**-**	**39,704**
Provision for inventories	1,159	-	1,159	**-**	**-**	**1,159**
Provision for bonus	11,988	669	12,657	**6,487**	**-**	**19,144**
Exchange variation	3,737	(3,737)	-	**-**	**-**	**-**
Provision for losses	9,086	-	9,086	**2**	**-**	**9,088**
Deferred gain on property disposals	10,431	(748)	9,683	**9,339**	**-**	**19,022**
Taxes - Judicial deposits			772	**1,192**	**-**	**1,964**
Provision for overtime	-	4,787	4,015	**938**	**-**	**4,953**
Total deferred tax assets	184,091	8,154	192,245	**39,045**	**-**	**231,290**
Liabilities						
Differences between accounting and tax base of goodwill	(157,918)	(73,376)	(231,294)	**(58,115)**	**20,277**	**(269,132)**
Swap variation	-	(8,744)	(8,744)	**(1,075)**	**-**	**(9,819)**
Total deferred tax liabilities	(157,918)	(82,120)	(240,038)	**(59,190)**	**20,277**	**(278,951)**
Net effect – asset (liability)	26,173	(73,966)	(47,793)	**(20,145)**	**20,277**	**(47,661)**

19. Income and social contribution taxes (Continued)

	Consolidated					
	12/31/2012	Additional benefits (expenses) recorded	12/31/2013	Additional benefits (expenses) recorded	Other (*)	12/31/2014
Assets						
Income tax loss	40,743	(4,984)	35,759	**(11,865)**	**-**	**23,894**
Social contribution tax loss	14,670	(1,794)	12,876	**(4,274)**	**-**	**8,602**
Allowance for doubtful accounts	33,581	2,429	36,010	**19,635**	**-**	**55,645**
Allowance for disallowances	14,520	11,839	26,359	**37,637**	**-**	**63,996**
Contingencies	37,942	5,421	43,363	**(11,539)**	**-**	**31,824**
Provision for inventories	1,159	-	1,159	**-**	**-**	**1,159**
Provision for bonus	11,991	669	12,660	**6,491**	**-**	**19,151**
Exchange variation	3,738	(3,738)	-	**-**	**-**	**-**
Provision for losses	303	-	303	**-**	**-**	**303**
Deferred gain on property disposals	10,428	(748)	9,680	**9,342**	**-**	**19,022**
Taxes - Judicial deposits	-	857	857	**1,270**	**-**	**2,127**
Provision for overtime	-	5,638	5,638	**1,232**	**-**	**6,870**
Total deferred tax assets	169,075	15,589	184,664	**47,929**	**-**	**232,593**
Liabilities						
Differences between accounting and tax base of goodwill	(175,423)	(73,944)	(249,367)	**(61,812)**	**21,524**	**(289,655)**
Swap variation	-	(8,738)	(8,738)	**(1,075)**	**-**	**(9,813)**
Total deferred tax liabilities	(175,423)	(82,682)	(258,105)	**(62,887)**	**21,524**	**(299,468)**
Net effect – asset (liability)	(6,348)	(67,093)	(73,441)	**(14,958)**	**21,524**	**(66,875)**

(*) This refers to the reclassification of amounts previously recorded as goodwill on acquisition of Hospital Brasil.

The reconciliation of income and social contribution taxes and the amount determined at the statutory rate for years 2014 and 2013 are as follows:

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Income before income and social contribution taxes	**371,412**	282,260	**393,288**	286,314
Income and social contribution taxes at statutory rates	**126,280**	95,968	**133,718**	97,347
Adjustments to derive effective tax rate				
Interest on debentures recorded as equity instrument	**(42,725)**	(30,891)	**(42,725)**	(30,891)
Equity pickup	**(30,237)**	2,261	**(14,527)**	(3,602)
Advertising and publicity expenses	**4,450**	2,615	**5,345**	3,048
Stock option expenses	**9,303**	7,023	**9,303**	7,023
Interest on equity	**(2,940)**	-	**(2,940)**	-
Reclassification of deferred income and social contribution taxes:	**(12,963)**	-	**(12,963)**	-
Other	**54**	(3,010)	**(4,806)**	3,330
Expenses (benefit) in the income statement	**51,222**	73,966	**70,405**	76,255

19. Income and social contribution taxes (Continued)

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

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

20. Net revenue

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Gross revenue	**4,330,613**	3,569,807	**5,574,976**	4,570,082
Deductions from revenue				
Cancellations and rebates	**(213,655)**	(135,994)	**(252,417)**	(182,335)
Taxes on revenues	**(250,683)**	(193,980)	**(331,026)**	(259,347)
	3,866,275	3,239,833	**4,991,533**	4,128,400

21. Cost of services rendered

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Personnel	**(1,188,762)**	(1,042,731)	**(1,556,214)**	(1,316,578)
Materials and medicines	**(825,725)**	(706,156)	**(1,022,458)**	(851,735)
Third-parties services	**(562,971)**	(491,633)	**(913,510)**	(817,453)
Utilities and services	**(60,787)**	(46,627)	**(80,313)**	(62,523)
Rents	**(200,906)**	(141,068)	**(231,622)**	(169,440)
Depreciation and amortization	**(89,050)**	(82,497)	**(123,857)**	(108,673)
	(2,928,201)	(2,510,712)	**(3,927,974)**	(3,326,402)

22. General and administrative expenses

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Personnel	**(150,630)**	(107,606)	**(150,630)**	(107,606)
Third-parties services	**(51,493)**	(30,043)	**(51,493)**	(30,043)
Depreciation and amortization	**(9,013)**	(6,157)	**(9,013)**	(6,157)
Provision for contingencies	**6,283**	(1,777)	**3,762**	(3,836)
	(204,853)	(145,583)	**(207,374)**	(147,642)

23. Other operating expenses, net

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Allowance for doubtful accounts	**(40,692)**	(60,808)	**(65,085)**	(81,895)
Marketing	**(17,937)**	(14,038)	**(19,204)**	(15,019)
Trips and lodging	**(13,367)**	(12,486)	**(14,484)**	(13,350)
Taxes, fees and penalties	**(14,131)**	(12,116)	**(16,063)**	(13,598)
Gain on disposal of properties	**3,920**	45,875	**3,920**	45,875
Other expenses and revenues	**(44,303)**	(2,647)	**(51,594)**	(37,415)
	(126,510)	(56,220)	**(162,510)**	(115,402)

24. Financial income (expenses), net

Financial income and expenses for the years ended December 31, 2014 and 2013 is as follows:

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Financial income				
Short-term investment yield	**56,560**	39,438	**80,597**	50,363
Swap variation	**5,211**	25,700	**5,211**	25,700
Other	**790**	1,782	**2,366**	1,859
	62,561	66,920	**88,174**	77,922
Financial expenses				
Interest and monetary changes on financing	**(36,536)**	(34,222)	**(37,176)**	(40,236)
Interest on debentures	**(324,487)**	(252,290)	**(367,905)**	(281,389)
Taxes on financial income (expenses)	**(760)**	(790)	**(1,153)**	(1,141)
Other	**(25,009)**	(18,026)	**(25,052)**	(18,389)
	(386,792)	(305,328)	**(431,286)**	(341,155)
	(324,231)	(238,408)	**(343,112)**	(263,233)

25. Earnings per share

(a) Basic earnings per share

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

	12/31/2014	12/31/2013
Profit attributable to Company shareholders	**320,190**	208,294
Weighted average number of common shares issued (thousands)	**256,737**	248,115
Basic earnings per share (in R$)	**1.2472**	0.8395

(b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares to assume the conversion of all the potentially dilutable common shares. The Company has two categories of potentially diluting common shares: the stock options and the convertible debentures.

	12/31/2014	12/31/2013
Profit attributable to Company shareholders	**320,190**	208,294
Weighted average number of common shares issued, including dilutive factors (thousands)	**356,532**	346,589
Diluted earnings per share (in R$)	**0.8981**	0.6010

26. Financial instruments and financial risk management

26.1. Classification of financial instruments by category

The classification of financial assets by category at December 31, 2014 and 2013 is as follows:

	Company					
	12/31/2014			12/31/2013		
Financial assets	Loans and receivables	Fair value through profit or loss (*)	Total	Loans and receivables	Fair value through profit or loss (*)	Total
Cash and cash equivalents	**38,042**	**-**	**38,042**	57,788	-	57,788
Marketable securities	**-**	**619,703**	**619,703**	-	662,637	662,637
Accounts receivable	**973,368**	**-**	**973,368**	837,065	-	837,065
Dividends receivable	**41,357**	**-**	**41,357**	27,977	-	27,977
Receivables from disposal of properties	**73,926**	**-**	**73,926**	123,000	-	123,000
Judicial deposits	**50,752**	**-**	**50,752**	42,773	-	42,773
Derivatives	**-**	**28,861**	**28,861**	-	23,650	23,650
	1,177,445	**648,564**	**1,826,009**	1,088,603	686,287	1,774,890

	Consolidated					
	12/31/2014			12/31/2013		
Financial assets	Loans and receivables	Fair value through profit or loss (*)	Total	Loans and receivables	Fair value through profit or loss (*)	Total
Cash and cash equivalents	**55,182**	**-**	**55,182**	89,522	-	89,522
Marketable securities	**-**	**917,304**	**917,304**	-	932,142	932,142
Accounts receivable	**1,267,239**	**-**	**1,267,239**	1,049,281	-	1,049,281
Receivables from disposal of properties	**73,926**	**-**	**73,926**	123,000	-	123,000
Judicial deposits	**61,184**	**-**	**61,184**	51,904	-	51,904
Derivatives	**-**	**28,861**	**28,861**	-	23,650	23,650
	1,457,531	**946,165**	**2,403,696**	1,313,707	955,792	2,269,499

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

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

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

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

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

26. Financial instruments and financial risk management (Continued)

26.1. Classification of financial instruments by category (Continued)

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

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

	Company		Consolidated	
Financial liabilities	**12/31/2014**	**12/31/2013**	**12/31/2014**	**12/31/2013**
Trade accounts payable	**180,314**	196,152	**243,613**	265,441
Loans and financing	**97,248**	110,163	**104,179**	116,969
Debentures	**2,769,384**	2,489,122	**3,071,198**	2,872,459
Accounts payable for acquisitions	**266,382**	240,484	**266,382**	240,484
	3,313,328	3,035,921	**3,685,372**	3,495,353

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 18.

26.2. Risk management

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

a) Capital management

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

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

a) Capital management (Continued)

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

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Cash and cash equivalents	**38,042**	57,788	**55,182**	89,522
Marketable securities	**619,703**	662,637	**917,304**	932,142
	657,745	720,425	**972,486**	1,021,664
Loans and financing	**(97,248)**	(110,163)	**(104,179)**	(116,968)
Debentures	**(2,769,384)**	(2,489,122)	**(3,071,198)**	(2,872,459)
Net debt	**(2,208,887)**	(1,878,860)	**(2,202,891)**	(1,967,763)
Total equity	**1,454,156**	1,156,849	**1,466,046**	1,166,262
Gearing ratio (%)	**1.52**	1.62	**1.50**	1.69

b) Interest rate risk

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

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

b) Interest rate risk (Continued)

The sensitivity analysis about interest on loans, financing and debentures considered as probable scenario (Scenario I) the referential rates obtained with BM&FBOVESPA at December 31, 2014, and Scenarios II and III take into consideration rate increase by 25% and 50%, respectively. The results, in nominal values, are as follows:

Scenarios	Scenario I current	Scenario II +25%	Scenario III +50%
CDI rate (p.a.)	**11.57%**	**14.46%**	**17.36%**
Projected interest expenses (*)	**1,470**	**1,739**	**2,000**

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

c) Credit risk

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

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

d) Liquidity risk

Liquidity risk represents the risk of cash shortage and difficulty of the Company in paying its debts. The Company seeks to align the maturity of its debts with the cash generation period to avoid any mismatch and generate the need for greater leverage. At December 31, 2014, the Company held cash, cash equivalents and marketable securities in the total amount of R$972,486. The amounts disclosed below are projected considering inflation and interest through to maturity.

	Company – 12/31/2014					
	Up to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total financial liabilities
Trade accounts payable	180,314	-	-	-	-	180,314
Loans and financing	10,488	11,179	18,077	59,113	9,736	108,593
Debentures	47,347	4,999	480,675	2,115,092	566,001	3,214,114
Salaries, provisions and social charges	250,503	-	-	-	-	250,503
Accounts payable for acquisitions	143,597	58,865	62,444	9,332	-	274,238
Total	632,249	75,043	561,196	2,183,537	575,737	4,027,762

	Consolidated – 12/31/2014					
	Up to 6 months	From 6 months to 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total financial liabilities
Trade accounts payable	243,613	-	-	-	-	243,613
Loans and financing	13,455	10,670	21,581	61,243	9,736	116,685
Debentures	54,159	3,704	519,717	2,334,240	655,522	3,567,342
Salaries, provisions and social charges	299,208	-	-	-	-	299,208
Accounts payable for acquisitions	144,197	58,238	62,445	9,332	-	274,212
Total	754,632	72,612	603,743	2,404,815	665,258	4,501,060

e) Foreign currency

The Company has loans and financing and trade accounts payable in foreign currency (mainly the US dollar). The risk linked to these assets and liabilities arises from the possibility of the Company to incur losses from fluctuations in foreign exchange rates. Liabilities in foreign currency represent 1.8% of total consolidated liabilities at December 31, 2014. The Company has derivative financial instruments taken out for hedge against foreign exchange rate fluctuation (see topic below). Management believes that the risk of exposure to foreign currency is not significant in relation to its financial position.

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

f) Derivatives

At December 31, 2014, the Company had outstanding derivative instruments to hedge its loans in foreign currency and interest rate swap in the amount of US$22,659 and R$145,507, respectively, with net revenue receivable of R$28,861 in Company and Consolidated (net revenue receivable of R$23,650 at December 31, 2013 in Company and Consolidated) recorded in the balance sheet under "Derivative financial instruments".

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

The fair value of these instruments at the reporting date is set out below:

Description	Maturity Month/Year	Notional value		12/31/2014 Notional value	12/31/2013 Notional value
Swap (CDI vs. TJLP)	**1/16/2017**				
Long position	**CDI + 2.0%**				
Short position	**TJLP + 7.07%**	**R$**	**85,507**	**1,480**	2.577
Swap (CDI vs. TJLP)	**12/10/2018**				
Long position	**CDI + 2.30%**				
Short position	**TJLP + 7.46%**	**R$**	**60,000**	**954**	324
Swap (Currency)	**4/15/2020**				
Long position	**LIBOR + 3.30%**	**US$**	**22,659**		
Short position	**CDI + 1.00%**	**R$**	**60,688**	**26,427**	20.749
				28,861	23.650
Effect on P&L for the year				**5,211**	25,700

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

26. Financial instruments and financial risk management (Continued)

26.2. Risk management (Continued)

f) Derivatives (Continued)

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

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

Situation	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
Variation of exchange rate	5%	-25%	-50%	+25%	+50%
Devaluation of US$ (rate in R$)	-	2.0918	1.3945	-	-
Appreciation of US$ (rate in R$)	2.7890	-	-	3.4863	4.1835

	Scenario I (loss)/gain	Scenario II (loss)/gain	Scenario III (loss)/gain	Scenario IV (loss)/gain	Scenario V (loss)/gain
Effect on liabilities in US$					
IFC - International Finance Corporation	(4,330)	18,403	41,136	(27,063)	(49,796)
Effect on derivatives					
Swap	4,383	(18,629)	(41,641)	27,395	50,407
Net effect	53	(226)	(505)	332	611

27. Insurance coverage

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

Insurance line	Amount insured
Property risk	**571,460**
Engineering risks	**361,315**
Civil liability - construction works	**141,000**
General civil liability	**13,500**

28. Subsequent events

On February 12, 2015, Rede D'Or São Luiz S.A. acquired all of the units of interest in Hospital Villa-Lobos Ltda., a privately-held company operating a hospital in the city of São Paulo. Total consideration transferred in connection with the entity acquired was R$127,402 paid on the date of acquisition.

On February 13, 2015, Rede D'Or São Luiz S.A. acquired all of the shares in Sino Brasileiro Serviços Hospitalares S.A., a privately-held company operating Hospital e Maternidade Sino Brasileiro, in the city of Osasco, state of São Paulo. Total consideration transferred in connection with the entity acquired was R$345,916 paid on the date of acquisition.

On February 27, 2015, Rede D'Or São Luiz S.A. acquired a 50% stake in the capital of Hospital Fluminense S.A. ("Niterói D'Or"), an entity owning a hospital in the city of Niterói, state of Rio de Janeiro, in which Rede D'Or already held a 50% interest. Total consideration transferred in connection with the acquisition of additional interest in the entity was R$700.