

Diagnósticos da América S.A.

Financial statements

December 31, 2002 and 2001

(A translation of the original report in Portuguese containing financial statements prepared in accordance with accounting practices adopted in Brazil)

Diagnósticos da América S.A.

Financial statements

December 31, 2002 and 2001

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Independent auditors' report

To
The Board of Directors and Shareholders
Diagnósticos da América S.A.
Barueri - SP

We have examined the balance sheets of Diagnósticos da América S.A as of December 31, 2002 and 2001 and the related statements of income, changes in shareholders' equity and changes in financial position for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company management, as well as the presentation of the financial statements taken as a whole.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Diagnósticos da América S.A as of December 31, 2002 and 2001, and the results of its operations, changes in its shareholders' equity and changes in its financial position for the years then ended, in conformity with accounting practices adopted in Brazil.

The Company has recorded investment goodwill, net amounting to R\$ 49,493 thousands registered as deferred charges and R\$ 55,685 thousands registered as capital reserves. The recoverability of this goodwill is dependent on the occurrence of profitability operations, which will allow the investment payback.

March 7, 2003

KPMG Auditores Independentes
CRC 2SP014428/O-6

Lino Campion
Contador CRC 1SP097189/O-0

Diagnósticos da América S.A.

Balance sheets

December 31, 2002 and 2001

(In thousands of Reais)

Assets	2002	2001	Liabilities	2002	2001
Current assets			Current liabilities		
Cash and cash equivalents	1.008	2.003	Accounts payable to suppliers	23.189	21.845
Marketable securities	33.941	14.111	Loans and financing	19.246	13.220
Trade accounts receivable	53.787	41.798	Taxes payable	1.640	3.875
Inventories	9.644	13.456	Salaries and vacation pay	9.316	10.118
Recoverable taxes	6.237	6.103	Refinanced taxes payable	1.390	2.298
Other accounts receivable	4.969	2.090	Accounts payable for acquisition		
Prepaid expenses	251	148	of subsidiaries	7.841	5.657
	<u>109.837</u>	<u>79.709</u>	Other accounts payable	<u>6.029</u>	<u>5.867</u>
				<u>68.651</u>	<u>62.880</u>
Noncurrent assets			Noncurrent liabilities		
Marketable securities	4.441	4.430	Accounts payable to suppliers	59.516	31.224
Judicial deposits	2.738	2.051	Loans and financing	27.762	-
Current account	1.101	-	Refinanced taxes payable	6.017	6.331
	<u>8.280</u>	<u>6.481</u>	Provision for contingencies	26.652	11.780
Permanent assets			Contingencies with judicial deposits	2.139	1.443
Property, plant and equipment	126.367	92.486	Accounts payable for acquisition		
Deferred charges	84.353	84.754	of subsidiaries	18.358	18.429
	<u>210.720</u>	<u>177.240</u>		<u>140.444</u>	<u>69.207</u>
			Shareholders' equity		
			Capital	27.327	27.327
			Capital reserves	170.845	147.517
			Accumulated losses	(78.430)	(43.501)
				<u>119.742</u>	<u>131.343</u>
	<u>328.837</u>	<u>263.430</u>		<u>328.837</u>	<u>263.430</u>

See the accompanying notes to the financial statements.

Diagnósticos da América S.A.

Statements of income

Years ended December 31, 2002 and 2001

(In thousands of Reais)

	2002	2001
Revenues		
Sales of services	323.756	220.578
Deductions		
Sales taxes	(19.809)	(12.443)
Discounts	(6.748)	(3.517)
	<u>(26.557)</u>	<u>(15.960)</u>
Net revenues	297.199	204.618
Cost of services rendered	<u>(201.059)</u>	<u>(130.794)</u>
Gross profit	96.140	73.824
(Expenses) other operating income		
Administrative and general	(47.786)	(44.410)
Net financial	(40.464)	(13.651)
Equity in income of subsidiaries	-	(2.832)
Amortization of goodwill	(42.560)	(27.247)
Other operating income	715	720
	<u>(130.095)</u>	<u>(87.420)</u>
Operating loss	(33.955)	(13.596)
Nonoperating (expense) income	<u>(974)</u>	<u>64</u>
Loss for the year	<u>(34.929)</u>	<u>(13.532)</u>
Loss per share - R\$	<u>(7,38)</u>	<u>(2,86)</u>
Number of shares at year-end	<u>4.730.112</u>	<u>4.730.112</u>

See the accompanying notes to the financial statements.

Diagnósticos da América S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2002 and 2001

(In thousands of Reais)

	Capital	Capital reserves	Taxable inflation gain	Accumulated losses	Total
Balances at January 1, 2001	13.653	111.915	149	(28.168)	97.549
Prior year adjustment	-	-	-	(1.801)	(1.801)
Capital increase in cash - Platypus Holdings	13.674	-	-	-	13.674
Goodwill on incorporation of parent company - Platypus Holdings	-	21.327	-	-	21.327
Goodwill on incorporation of parent company - Platyplus Holdings	-	50.023	-	-	50.023
Goodwill on incorporation of parent company	-	(50.023)	-	-	(50.023)
Amortization of goodwill	-	14.275	-	-	14.275
Realized inflation gain	-	-	(149)	-	(149)
Loss for the year	-	-	-	(13.532)	(13.532)
Balances at December 31, 2001	<u>27.327</u>	<u>147.517</u>	<u>-</u>	<u>(43.501)</u>	<u>131.343</u>
Amortization of goodwill	-	23.328	-	-	23.328
Loss for the year	-	-	-	(34.929)	(34.929)
Balances at December 31, 2002	<u>27.327</u>	<u>170.845</u>	<u>-</u>	<u>(78.430)</u>	<u>119.742</u>

See the accompanying notes to the financial statements

Diagnósticos da América S.A.

Statements of changes in financial position

Years ended December 31, 2002 and 2001

(In thousands of Reais)

	2002	2001
Sources of funds		
From operations		
Net loss for the year	(34.929)	(13.532)
Items not affecting working capital		
Realized inflation gain	-	(149)
Depreciation and amortization	15.922	10.387
Amortization of goodwill on investments	19.232	18.903
Amortization of goodwill on shareholders' equity	23.328	14.275
Monetary variation of noncurrent items	30.001	5.399
Residual cost on disposal of fixed assets	1.005	-
Prior year adjustment	-	(1.801)
	<u>54.559</u>	<u>33.482</u>
Resources from operations	54.559	33.482
From shareholders		
Capital increase	-	13.674
Share premium	-	21.327
	<u>54.559</u>	<u>68.483</u>
From third parties		
Increase of noncurrent liabilities	<u>41.163</u>	<u>27.418</u>
	<u>95.722</u>	<u>95.901</u>
Applications of funds		
Property, plant and equipment	47.917	46.563
Acquisition of fixed assets from mergers	-	6.559
Increase of deferred charges	21.722	13.959
Increase in deferred charges from mergers	-	15.952
Increase of noncurrent assets	<u>1.726</u>	<u>265</u>
	<u>71.365</u>	<u>83.298</u>
Increase in working capital	<u>24.357</u>	<u>12.603</u>
Changes in working capital		
Current assets	30.128	50.748
Current liabilities	<u>5.771</u>	<u>38.145</u>
Increase in working capital	<u>24.357</u>	<u>12.603</u>

See the accompanying notes to the financial statements.

Diagnósticos da América S.A.

Notes to the financial statements

Years ended December 31, 2002 and 2001

(In thousands of Reais)

1 Operations

The Company's activities comprises, basically, to perform medical tests in the areas of clinical pathology, cytology and anatomical pathology, imaging - related exams, graphic methods and medical research, as well the import of medical and hospital equipments, kits for diagnostics and related products. Also, the Company renders franchising administration, publishing funds, staff training, recruit, supplier suggestion, as well as immunization, rehabilitation and imaging and graphic methods diagnostics.

The Company has operational units on São Paulo, Rio de Janeiro and Curitiba, where Diagnósticos da América S.A is increasing its operations. The Company adopted a strong policy in expanding its operational units, especially in São Paulo, using the Mega unit concept.

2 Presentation of the financial statements

The financial statements were prepared in accordance with the accounting practices derived from the Brazilian Corporation Law.

Description of significant accounting practices

a. Income statement

Income and expenses are recognized on the accrual basis.

b. Foreign currency

Monetary assets and liabilities denominated in foreign currencies were translated into reais at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement.

c. Current and non-current assets

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Overdrafts are presented as liabilities as "Loans and financing".

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

- **Marketable securities**

Marketable securities are recorded at cost plus income accrued to the balance sheet date, which does not exceed market value.

- **Provision for doubtful accounts**

The provision for doubtful accounts is calculated at an amount considered adequate to cover any losses arising on collection of accounts receivable.

- **Inventories**

Inventories are stated at the lower of average cost or market value. Inventories are used entirely in the performance of clinical and imaging exams.

- **Other current and noncurrent assets**

Presented at the net realization amount.

d. Permanent assets

- **Property, plant and equipment**

Property, plant and equipment is stated at acquisition, formation or construction cost. Depreciation is calculated using the straight-line method at rates described in Note 8 and which take into account the estimated useful life of the assets. Leasehold improvements are amortized over the lesser of the remaining lease term or the life of the improvement, whichever is the lower.

- **Deferred charges**

The pre-operating expenses are related to expenses for expansion of the patient service center and are amortized using the straight-line method over a period between 5 and 10 years. The investment goodwill has been amortized using the straight-line method over a 5 year period.

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Notes to the financial statements

(In thousands of Reais)

e. Current and noncurrent liabilities

Stated at the amounts acknowledged or estimated, plus, when applicable, the corresponding charges, monetary and exchange variations incurred up to the balance sheet date.

f. Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk related to the liability.

g. Goodwill from incorporation of the parent company

The goodwill recorded previously by the controlling company Platypus Holdings Ltda. was classified after its merger, in the capital reserve account in the net equity of the Diagnósticos da América S.A. Later, the amortization of the goodwill, for the maximum of five years, will be credited in this capital reserve account, having as balancing item the income of the year. This procedure was supported by the tax legislation, article 11 of Law 9718 of November 27, 1998, since the corporation law does not deal with this matter.

h. Deferred income and social contribution taxes

The Company has tax losses carryforwards, negative basis of social contributions and temporary differences at the year-end date. The management decision regarding the non recognition of the deferred tax assets effects resulting from the aforementioned fiscal benefits is in accordance with CVM Instruction 371 of June 27, 2002, and considered the non existence of a history of profitability.

3 Marketable securities

	2002	2001
Marketable securities	<u>38,382</u>	<u>18,541</u>
Current portion included in current asset	<u>(33,941)</u>	<u>(14,111)</u>
Non current assets	<u>4,441</u>	<u>4,430</u>

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

The marketable securities refer substantially to fixed income funds, remunerated at rates that vary from 99% to 103% of CDI.

The noncurrent marketable securities are comprised of fixed income contracts that guarantee the payment of obligations assumed by the wholly owned subsidiary Atacama Ltda. with the previous shareholders of Laboratório Bronstein S.A. and Bronstein Administradora Laboratorial S.A. at the time it purchased all of the shares in these companies. According to the contracts dated December 12th, 2000, between the parties involved and a financial institution, it was agreed that the amounts deposited would be invested until December 12th, 2006, in fixed income securities, with immediate liquidity. During 2002, the company withdraw approximately R\$ 815 from this interest deposit in order to reimburse expenditures related to the period before December 12, 2000.

4 Trade accounts receivable

	2002	2001
Current:		
Trade notes receivable - Service agreements with health plans	52,279	42,507
Trade notes receivable - Individuals	707	425
Rejections to clarify	6,732	4,260
Checks in collection	264	-
Credit cards	286	-
Returned checks	<u>139</u>	<u>792</u>
	<u>60,407</u>	<u>47,984</u>

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Notes to the financial statements

(In thousands of Reais)

	2002	2001
Less:		
Provision for rejections to clarify	(2,095)	(4,260)
Provision for doubtful accounts	(4,386)	(1,926)
Provision for loss from returned checks	(139)	-
	<u>53,787</u>	<u>41,798</u>

5 Inventories

	2002	2001
National direct material	4,278	6,817
Imported direct material	2,195	2,270
National secondary material	2,496	3,165
Consumption material	1,044	723
Inventories with third parties	<u>106</u>	<u>481</u>
	10,119	13,456
Less:		
Provision for obsolescence	(475)	-
	<u>9,644</u>	<u>13,456</u>

6 Recoverable taxes

	2002	2001
IRRF (withholding income tax) on revenue	2,336	-
IRRF on interest bearing bank deposits	1,040	321
Income tax paid in advance	1,387	4,282
Social contribution paid in advance	502	417
ISS paid in advance	598	876
Other recoverable taxes	<u>374</u>	<u>207</u>
	<u>6,237</u>	<u>6,103</u>

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Notes to the financial statements

(In thousands of Reais)

7 Other accounts receivable

	2002	2001
Accounts receivable - Swap	2,963	-
Advances to suppliers	495	1,188
Advances to medical assistance	482	-
Transport and food benefits	557	443
Other accounts receivable	<u>472</u>	<u>459</u>
	<u>4,969</u>	<u>2,090</u>

8 Property, plant and equipment

	Depreciation rate (p.a.%)	2002	2001
Buildings	4	241	241
Leasehold improvements	4 a 20	46,445	41,726
Machinery and equipment	10	85,950	61,628
Furniture and fixtures	10	9,910	7,286
Facilities	10	1,339	1,147
Hardware and software	20	16,898	10,960
Vehicles	20	<u>365</u>	<u>337</u>
		161,148	123,325
Accumulated depreciation		(50,301)	(37,519)
Land		170	170
Trademarks and patents		76	69
Right of use of telephone lines		-	454
Import VAT tax (ICMS)		7,731	3,587
Construction in process		<u>7,543</u>	<u>2,672</u>
		126,367	92,758
Provision for devaluation of telephone lines		<u>-</u>	(272)
		<u>126,367</u>	<u>92,486</u>

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(In thousands of Reais)

The Company has been recording the possible VAT tax benefit related to the equipment import on the Import VAT tax (ICMS) account against provision for contingencies, classified as non current liabilities. This amount is related to the import of equipment, which the VAT tax charging has been questioned by the Company.

9 Deferred charges

	2002	2001
Goodwill on incorporation of the subsidiary - Cantalon S.A. (a)	27,968	27,968
Goodwill on incorporation of the subsidiary - Atacama Ltda. (b)	55,967	55,967
Pre-operating expenses (c)	<u>38,682</u>	<u>16,960</u>
	122,617	100,895
Accumulated amortization of goodwill	(34,442)	(15,210)
Accumulated amortization of pre-operating expenses	(<u>3,822</u>)	(<u>931</u>)
	<u>84,353</u>	<u>84,754</u>

The goodwill from the merger with the subsidiary represents:

- a. The goodwill recorded in the wholly-owned subsidiary Cantalon S.A. arose when this company acquired all the shares of Bio-Ciência Lavoisier Análises Clínicas S.A. On August 22, 2000, Cantalon S.A. was merged by Diagnósticos da América S.A., which recognized this goodwill in its deferred assets. The amortization is being made over 5 years, in line with the estimated period of return on the investment.
- b. The goodwill recorded in Atacama Ltda., was generated when this company acquired all the shares of Laboratório Bronstein S.A., Bronstein Administradora Laboratorial S.A. and Lâmina - Laboratório de Análises Médicas e Investigações Anátoma Patológicas S.A. On July 2, 2001, Diagnósticos da América S.A. merged its investees, recognizing this goodwill as a deferred asset. The amortization is being made over 5 years, the estimated period of return on the investments.
- c. The pre-operating expenses are related to the expenses for expansion of the patient service centers and are amortized by the straight-line method in a period between 5 and 10 years.

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Notes to the financial statements

(In thousands of Reais)

10 Accounts payable to suppliers

	2002	2001
Domestic suppliers	11,701	14,654
Foreign suppliers	<u>71,004</u>	<u>38,415</u>
	<u>82,705</u>	<u>53,069</u>
Current portion included in current liability	<u>(23,189)</u>	<u>(21,845)</u>
Noncurrent liabilities	<u>59,516</u>	<u>31,224</u>

The balance for foreign suppliers of US\$ 19,406 thousands (US\$ 16,555 thousands on 2001) refers to the import of machinery and equipment. Interest is charged at the rate of 8.5% per annum, and the balance will be amortized until 2011.

The long term instalments for amortization have the following payment schedule (in thousands of US\$):

Maturity

2004	2,562
2005	2,981
2006	3,167
2007	3,392
2008	3,475
2009	2,831
2010	944
2011	<u>54</u>
	<u>19,406</u>

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Notes to the financial statements

(In thousands of Reais)

11 Loans and financing

	2002	2001
Local currency:		
Bank loans - Interest of 13% to 15% p.a.	14,008	13,220
Foreign currency:		
Bank loans - Interest of 13.06% p.a.	<u>33,000</u>	<u>-----</u>
	47,008	13,220
Short term instalments to amortize: classified as current liabilities	<u>(19,246)</u>	<u>(13,220)</u>
Noncurrent liabilities	<u>27,762</u>	<u>-----</u>

The financings in local currency are related to bank overdrafts whose resources are used for maintenance of the company's cash flows.

Foreign currency loan refers to financial funding obtained in August 2002 intermediated by BBA Bank. The total amount is US\$ 10,000 thousands, which will be translated to local currency using the PTAX rate on the date of payment of instalments plus 13.06 % per annum.

The instalments due in the long term have the following payments schedule (in R\$):

Maturity

2004	5,047
2005	5,047
2006	5,047
2007	5,047
2008	5,047
2009	<u>2,527</u>
	<u>27,762</u>

The foreign currency loan is guaranteed by pledged trade notes amounting US\$ 12,000 thousands and also by Platypus S.A. and Balu 460 Participações S.A. companies, and in order to protect against currency devaluations, the Company contracted a swap to reais paying interest rates of CDI less 2% per annum.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

12 Salaries and vacation pay

	2002	2001
Salaries payable	1,679	1,744
Social charges	1,716	1,706
Accrued vacation pay	5,649	4,795
Bonus accrual	-	1,758
Other benefits	<u>272</u>	<u>115</u>
	<u>9,316</u>	<u>10,118</u>

13 Refinanced taxes payable

	2002	2001
Refis - Municipal (Service TAX)	5,535	6,257
Refis - Federal (PIS/COFINS/INSS)	<u>1,872</u>	<u>2,372</u>
	7,407	8,629
Instalments due in the short term classified as current liabilities	<u>(1,390)</u>	<u>(2,298)</u>
Noncurrent liabilities	<u>6,017</u>	<u>6,331</u>

The Tax Recovery Program (REFIS), introduced under Law 9964, of April 10, 2000, aims to regulate Federal Government credits, from taxes and contributions due from legal entities, administered by the Federal Tax Office - SRF and the National Institute for Social Security (INSS). On December 12, 2000, it was submitted for approval under SRF control number 14.33.03.25.24. The amounts due are being updated by the variation of the Long-Term Interest Rate (TJLP), and in 2002 R\$ 620 in municipal liabilities and R\$ 772 in federal liabilities were paid.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

14 Accounts payable for acquisition of subsidiaries

	2002	2001
Bio-Ciência Lavoisier quotaholders	8,757	6,396
Bronstein quotaholders	4,442	4,442
Lâmina quotaholders	<u>13,000</u>	<u>13,248</u>
	26,199	24,086
Instalments due in the short term classified as current liabilities	<u>(7,841)</u>	<u>(5,657)</u>
Noncurrent liabilities	<u>18,358</u>	<u>18,429</u>

The accounts payable for acquisition of subsidiaries are related to the liabilities assumed with the former owners of Bio-Ciência Lavoisier Análises Clínicas S.A., Laboratório Bronstein S.A., Bronstein Administradora Laboratorial S.A. and Lâmina - Laboratório de Análises Médicas e Investigações Anátomo-Patológicas S.A. at the time of acquisition of 100% of the capital of these companies.

15 Other accounts payable

	2002	2001
Rentals	1,113	659
Third-party services	1,827	1,317
Freelancer doctors	1,731	1,539
Advances from customers	-	1,404
Franchisee commission payable	593	585
Other accounts payable	<u>765</u>	<u>363</u>
	<u>6,029</u>	<u>5,867</u>

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Notes to the financial statements

(In thousands of Reais)

16 Provision for contingencies

	2002	2001
VAT Tax (ICMS) - Import	12,926	7,569
Tax - PIS	5,959	-
Tax - COFINS	3,046	818
National Institute of Social Security INSS - from 1993 to 1999	1,639	1,872
Others	<u>3,082</u>	<u>1,521</u>
	<u>26,652</u>	<u>11,780</u>

a. VAT tax (ICMS) on import

The Company has not been paying the VAT tax (ICMS) on the import of goods and equipment since February 2000, taking into account that the Company is not a taxpayer of such tax, denying consequently ICMS compensation, which is not in accordance with the non-accumulation principle.

As informed by its external lawyers, the Company has a probable likelihood of winning the ICMS tax suit related to the period before Constitutional Amendment no. 33/2001, amounting R\$ 7,800, considering the favorable jurisprudence in the Supreme Court.

With regards to the period after Constitutional Amendment no. 33/2001, the external lawyers informed that the Company has a reasonably possible likelihood of winning due to the lack of jurisprudence in the Supreme Court. The total contingent exposure regarding the period after Constitutional Amendment no. 33/2001 amounted at the year end to R\$ 5,126.

Despite the fact that the external lawyers considered the likelihood of winning this tax suit as probable and reasonably possible respectively, management decided to adopt a conservative position, recording a provision for the total ICMS levy on the import of equipment and goods.

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(In thousands of Reais)

b. Tax contingency - PIS

Refers to PIS (Employees' Profit Participation Program) levy on the gross and financial revenue, which had not been paid from February 1999 to November 2002 due to the fact that the Company had a legal injunction suspending such payment considering the writ of mandamus number 1999.61.00.021634-0. The PIS not paid during this period was updated by the SELIC variation.

c. Tax contingency - COFINS

Refers to COFINS (Tax for Social Security Financing) levy on the financial revenue, which has not been paid since February 1999, with the amounts increased by a 20% fine and monetary correction (SELIC). Also, the Tax Rate increase has not been paid, and the related amount has been updated by the SELIC Variation.

d. National Institute of Social Security INSS - From 1993 to 1999

Refers to the changes in the contributions paid to the National Institute for Social Security on the payments made to freelance doctors to Bio-Ciência Lavoisier Análises Clínicas S.A., due to the non-characterization of these doctors as freelance, previous to its acquisition by Diagnósticos da América S.A., during the period from August 1993 to September 1999. This suit was already judged in a court of summary jurisdiction and decision was against the Company. Therefore, the debt amount more fine and interest is provisioned.

e. Others

The Company has filed lawsuits questioning the legality of certain taxes and civil and labor claims. On the advice of its legal counsel, the Company recorded a provision for other contingencies in an amount considered sufficient to cover possible losses arising from these lawsuits.

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(In thousands of Reais)

17 Capital

The authorized, fully subscribed and paid-in capital is comprised of 3,427,618 nominal ordinary shares and 1,302,494 nominal preferred shares with no par value, distributed as follows:

	Ordinary	Preferred	Total
Balu 460 Participações Ltda.	1,748,080	-	1,748,080
Platypus S.A.	1,679,529	1,302,494	2,982,023
Minority stockholders	<u>9</u>	<u>-</u>	<u>9</u>
	<u>3,427,618</u>	<u>1,302,494</u>	<u>4,730,112</u>

18 Insurance coverage

On December 31, 2002, the Company had insurance coverage against fire, theft and various risks on its fixed assets and inventories, for amounts deemed sufficient to cover possible losses.

19 Tax loss carry-forwards

On December 31, 2002, the Company had the following tax loss carry-forwards:

a. Income tax losses calculated up to 2002 and	22,975
b. Negative basis for social contribution tax	23,870

From 1995 onwards the offset of income tax loss carry-forwards and the negative basis for the social contribution tax is limited to an amount equal to 30% of annual income. There is no legal time limit for the use of these credits.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

20 Leasing

The Company leases various machines and equipment, vehicles and data processing equipment with the option to purchase them, through operating lease agreements. At December 31th, 2002, the position on these lease contracts represented a total liability of R\$ 2,593, to be paid until September 2004.

21 Subsequent event

As approved by the Board meeting minutes dated January 30, 2003, the Company integrally acquired the “Laboratório de Patologia Clínica Curitiba S/C” on January 23, 2003, per the total amount of R\$ 2,138, being R\$ 1,088 paid on the contract acceptance and the remaining amount of R\$ 1,050 will be paid in 18 monthly instalments, monetary corrected quarterly by the IGP-M/FGV inflation.

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Dr. Caio Roberto Chimenti Auriemo
Director-President

Marcelo Marques Moreira Filho
Financial Director

Daniel Vendramini da Silva
Accountant TC CRC 1SP125812/O-1