

**Diagnósticos da América S.A.**

**Interim financial information  
Three-month period ended  
March 31, 2005 (Unaudited)**

(A translation of the original interim financial information in Portuguese, prepared in accordance with accounting principles derived from the Brazilian Corporation Law and rules of the Brazilian Securities and Exchange Commission - CVM)

# Diagnósticos da América S.A.

## Interim financial information (Unaudited)

**Three-month period ended March 31, 2005**

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## Management' report

Dear Shareholders,

The results for the quarter ended March 31, 2005, corroborate our belief in creating value through a process of continued growth, resulting in economies of scale and synergy. During the first quarter, we continued to operate 148 service units, distributed in the metropolitan regions of São Paulo, Rio de Janeiro and Curitiba. Given that no new units were inaugurated or acquired, the company sought profitability gains which, during the first quarter of 2005, translated into an increase of 20.1% in adjusted EBITDA, and growth of 14.2% in gross operational income.

DASA's dynamic growth demonstrated significant vitality, which is reflected in growth of 23.9% in income from diagnostic image service. This growth has also enabled the company to absorb, without significant consequences, the interruption to the contract with Unimed-Rio, which used the Bronstein network, in the city of Rio de Janeiro, to undertake exclusively clinical analyze examinations. In fact, only two months after losing the contract Unimed-Rio, DASA returned to reporting successive record billings and attendance volumes for patients, and in March reported R\$ 49.1 MM in gross income, the highest revenue in the company's history - and in one day alone attended a total of 17,255 patients.

In addition to the actions taken to make operational improvements, and within the spirit of achieving the highest standards of corporate governance, on April 28, 2005, the new members of DASA's Board of Directors were elected. Of the seven members elected, there are three independent members, illustrating the importance of a modern and participative management in constructing a company of world standard.

### **Economic scenario**

After several months of vigorous recovery, the economy started to give signs that the first quarter of 2005 would report a more modest expansion rate compared to the high of 5.2% reported in 2004. Activity levels continued to be encouraged by a combination of domestic consumption and strong performance in sectors aimed at exports, although adjusting to a less accelerated growth rate.

Despite the tendency for the exchange rate to strengthen, exports reported unprecedented performance, given that the high prices of commodities in dollars minimized the losses on margins caused by the appreciation of the Brazilian Real. Furthermore, expansion of domestic consumption, the result of an increase in employment opportunities, mainly from the expansion of government expenditure and the credit market, encouraged part of the economic growth during the start of the year.

From a monetary point of view, the continual influx of dollars as a result of the favorable trade balance resulted in a valuation of the Real at the start of the year. This valuation was responsible for the trend in the prices of tradable goods, with inflation contained during this period. The greater price pressures derived from non-tradable goods, notoriously, the fees for public services and administrated fees, which prevented inflation rates from slowing down. The accumulated IPCA during the period reached 1.8%, requiring that average future inflation remain at 0.3% per month for the inflation goal defined by the National Monetary Council (CMN) to be achieved for 2005.

This acceleration in the price index encouraged the Central Bank to make several increases in the basic interest rate between January and March, contrary to the expectation of an end to monetary tightening. The Selic rate reached the rate of 19.25% at the end of March, increasing again to 19.50% during the first fortnight of April. The increase in real interest, the result of average interest of 3.0 p.a. higher than that registered at the end of 2004 and lower inflation, could affect economic growth during 2005, with the government having to decide between inflation and growth.

### **Comments on performance and investments**

The results reported during the period ended March 31, 2005, reflect the regular nature of our operations, which have benefited from a market strategy that privileges diversification of the company's operations between the dimensions: brand, region, product and payer. Within this context, consolidation of the São Paulo market, which intensified after the merger of the laboratory Elkis & Furlanetto, and diffusion of the concept of integrated diagnostic medicine, favored our performance during this first quarter of this year.

Our gross operational income reached R\$ 129.5 million during the first three months of 2005. Growth of 14.2% compared to the first quarter of 2004, reflects the increase in the number of requisitions processed at our attendance units and growth in average income per requisition. In fact, the number of patients attended between January and March of this year, amounting to 1,179.4 thousand, increased by 10.7% compared to the same period in 2004, driven mainly by the expansion in the number of attendance units, from 134 to 148. Average income per requisition increased by 3.3% compared to the same period for 2004, with an increase in the demand for diagnostic image services, which increased from 32.9% to 35.6% of total income.

Our operational results (EBITDA) reached R\$ 30.6 million, representing growth of 19.18% compared to the first quarter for 2004. The adjusted EBITDA, which excludes R\$ 2.3 million for non recurring expenses, amounted to R\$ 32.9 million, increasing 20.1% compared to 2004. Of the total non recurring expenses, R\$ 1.1 million refers to the adjustment to the ICMS provision (valued added sales tax), due on imports of agents. The remaining R\$ 1.2 million includes certain expenses related to the floating of the company's share and expenses related to acquisitions. Our adjusted EBITDA margin remained at 27.5%, given that during the first quarter of 2004, DASA adopted a different system for calculating sales taxes, and seasonally, the first quarter represents a period during the year of lower demand for diagnostic medical services, which prevents our fixed costs from being fully diluted.

In line with our strategy for organic growth, we have continued to invest to expand our base of attendance centers and our range of services, although we ended the quarter with the same number of attendance units, that is 148 units. We currently have 5 new units being constructed, two of which will be mega-units with an area of more than 1,500 square meters and ample diagnostic medicine services. In addition, the units at Alphaville and Interlagos are being reformed, and are being converted into mega-units.

During this quarter, a total of R\$ 8.2 million was invested, of which (i) R\$ 3.1 million was allocated to construct new attendance centers and to reform existing ones; (ii) R\$ 2.1 million was invested in developing information systems, hardware and software licenses; (iii) R\$ 1.5 million was invested to purchase medical equipment to extend the range of image services; (iv) R\$ 612.2 thousand was spent on pre-operational costs at units opened at the end of 2004; as well as (v) R\$ 401.7 thousand on fixtures and internal environments at the units; and (vi) R\$ 422.4 thousand in various investments. To finance this expansion, DASA generated its own resources, obtained financing from manufacturers of diagnostic medical equipment and obtained bank borrowings.

Consequently, expansion of our strategy has enabled us to strengthen our market position, and the results presented during the first quarter reflect the operational gains achieved. Therefore, we will continue to seek strategic alignment and operational excellence, believing that a lot more still needs to be done to improve our performance.

### **Net income and income per share**

Between January and March 2005, net profit reached R\$ 5.6 million, compared to R\$ 0.4 million net income recorded for the same period in the previous year. This trend reflects (i) the increase in our adjusted EBITDA, (ii) the reduction in our net financial debt and increase in financial income, generated from investing funds derived from the public floating of shares; and (iii) reduction of amortization of goodwill, as a result of the end of the amortization period for acquisitions made in 1999. Excluding amortization of goodwill and assuming a theoretical income tax and social contribution rate of 34%, we arrive at a pro-forma net profit of R\$ 10.8 million for the first quarter of 2005.

Based on the results of R\$ 5.6 million net income reported by DASA for the period January to March 2005, income per share was R\$ 0.10. Based on a pro-forma net profit of R\$ 10.8 million in 2004 the income per Company share would be R\$ 0.20.

### **Human Resources**

At March 31, 2005, Diagnósticos da América S.A. had approximately 4,150 employees, distributed between our operations in São Paulo, Rio de Janeiro and Curitiba. This year, we intend to intensify our investments in training for our employees, and we have already invested approximately R\$ 184.0 thousand during the quarter in programs that focus mainly on developing internal leaders aligned with our vision, mission, strategies and values.

Seeking to motivate and continually improve the quality of our staff, we use a skills evaluation model to accompany the individual performance of our employees. In addition, on March 31, 2005, our Board of Directors approved the proposal to introduce a Program for Participation in the Company's Profits and Results (PPLR), which is currently being implemented. In line with this initiative, we started to record a provision, on an accruals basis, for future expenses, and during the first quarter of 2005, a provision of R\$ 900.0 thousand was recorded to the heading for general and administrative expenses. These amounts will only be paid provided certain global and individual performance goals are achieved.

### **Information for Shareholders**

DASA's shares closed the quarter negotiated at the price of R\$ 27.00 (closing quotation on March 31, 2005), representing a valuation of 13.0% since December 2004. In comparison, the IBOVESPA index registered an increase of 1.6% for the same period. A total of 7,093 negotiations were registered during the period, involving approximately R\$ 299.9 million. DASA's shares were negotiated on all of Bovespa's exchanges.

## Independent accountants' review report

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

We have reviewed the interim financial information of Diagnósticos da América S.A. and the consolidated interim financial information of Diagnósticos da América S.A. and its subsidiaries, for the three-month period ended March 31, 2005, which comprises the balance sheets, the statements of income, management report and other relevant information, prepared in accordance with the accounting practices adopted in Brazil.

Our review was prepared in accordance with the review standards established by IBRACON - Brazilian Institute of Independent Auditors and the Federal Accounting Council, and included, basically: (a) inquiry and discussion with management responsible for the accounting, financial and operating areas of the Company and its subsidiaries, regarding the main criteria adopted in the preparation of the quarterly information; and (b) review of the information and subsequent events, which have, or may have, a material effect on the financial situation and the operations of the Company and its subsidiaries.

Based on our special review, we are not aware of any material changes which should be made to the interim financial information above for it to be in accordance with accounting practices adopted in Brazil and regulations issued by the Brazilian Securities and Exchange Commission (CVM), specifically applicable to the preparation of interim financial information.

May 5, 2005

KPMG Auditores Independentes  
CRC 2SP014428/O-6

Adelino Dias Pinho  
Accountant CRC 1SP097869/O-6

# Diagnósticos da América S.A.

## Balance sheets (Unaudited)

**March 31, 2005 and December 31, 2004**

*(In thousands of Reais)*

<b>Assets</b>	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>3/31/2005</b>	<b>12/31/2004</b>	<b>3/31/2005</b>	<b>12/31/2004</b>
<b>Current assets</b>				
Cash and cash equivalents	3,834	2,630	4,046	2,903
Interest earning bank deposits	127,358	123,234	127,379	123,255
Trade accounts receivable	113,771	103,916	113,958	104,109
Inventories	14,282	15,125	14,282	15,125
Taxes recoverable	17,976	16,777	19,372	18,173
Prepaid expenses	1,883	901	1,883	901
Other receivables	5,320	5,861	9,155	9,913
	<u>284,424</u>	<u>268,444</u>	<u>290,075</u>	<u>274,379</u>
<b>Noncurrent assets</b>				
Interest earning bank deposits	8,031	7,824	8,031	7,824
Legal deposits	3,637	3,616	3,706	3,696
Related parties	14,605	13,420	-	-
Other receivable	1,327	1,529	1,327	1,529
	<u>27,600</u>	<u>26,389</u>	<u>13,064</u>	<u>13,049</u>
<b>Permanent assets</b>				
Investments	2,511	2,933	24,882	26,324
Property, plant and equipment	169,241	170,280	173,514	174,885
Deferred charges	39,825	42,960	39,828	42,964
	<u>211,577</u>	<u>216,173</u>	<u>238,224</u>	<u>244,173</u>
	<u><u>523,601</u></u>	<u><u>511,006</u></u>	<u><u>541,363</u></u>	<u><u>531,601</u></u>

See the accountants' review report and the accompanying notes to the interim financial information.

# Diagnósticos da América S.A.

## Balance sheets (Unaudited)

**March 31, 2005 and December 31, 2004**

*(In thousands of Reais)*

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>3/31/2005</u>	<u>12/31/2004</u>	<u>3/31/2005</u>	<u>12/31/2004</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Suppliers	18,548	20,829	18,548	20,829
Loans and financing	30,591	25,811	32,413	27,978
Taxes and contributions payable	6,941	4,179	8,372	7,188
Salaries, social security charges and vacation payable	14,607	13,992	14,607	13,992
Installment taxes	1,912	1,870	7,206	6,202
Accounts payable from acquisition of subsidiaries	20,741	19,983	20,741	19,983
Unsecured liabilities in subsidiaries	4,934	2,427	-	-
Other accounts payable	11,964	11,374	15,777	15,186
	<u>110,238</u>	<u>100,465</u>	<u>117,664</u>	<u>111,358</u>
<b>Long-term liabilities</b>				
Loans and financing	100,514	105,207	100,514	105,207
Installment taxes	12,135	12,348	19,039	18,448
Accounts payable from acquisition of subsidiaries	18,094	19,657	18,094	19,657
Provision for contingencies	29,888	29,067	33,320	32,669
	<u>160,631</u>	<u>166,279</u>	<u>170,967</u>	<u>175,981</u>
<b>Shareholders' equity</b>				
Capital	216,136	216,136	216,136	216,136
Capital reserves	55,468	52,579	55,468	52,579
Accumulated losses	(18,872)	(24,453)	(18,872)	(24,453)
	<u>252,732</u>	<u>244,262</u>	<u>252,732</u>	<u>244,262</u>
	<u>523,601</u>	<u>511,006</u>	<u>541,363</u>	<u>531,601</u>

See the accountants' review report and the accompanying notes to the interim financial information.

# Diagnósticos da América S.A.

## Income statements (Unaudited)

March 31, 2005 and December 31, 2004

(In thousands of Reais, except for earnings per share)

### Consolidated statement of operations for the periods ended March 31, 2005 and December 31, 2004

Account description	Parent Company		Consolidated	
	3/31/05	12/31/04	3/31/05	12/31/04
Gross services income	129.541	111.028	129.541	113.422
Deduction from gross income	<u>(9.809)</u>	<u>(13.851)</u>	<u>(9.809)</u>	<u>(14.165)</u>
Net income	119.732	97.177	119.732	99.257
Cost of services rendered	<u>(82.613)</u>	<u>(69.508)</u>	<u>(82.613)</u>	<u>(70.788)</u>
Gross profit	<u>37.119</u>	<u>27.669</u>	<u>37.119</u>	<u>28.469</u>
Operational income (expenses)				
Administrative and general	(15.675)	(11.324)	(16.016)	(12.142)
Financial income (expenses), net	(3.340)	(5.947)	(4.662)	(6.112)
Equity in subsidiaries	(1.486)	(506)	-	-
Amortization of goodwill	(7.750)	(11.223)	(7.750)	(11.223)
Other operational income	<u>(58)</u>	<u>2.653</u>	<u>113</u>	<u>2.653</u>
	<u>(28.309)</u>	<u>(26.347)</u>	<u>(28.315)</u>	<u>(26.824)</u>
Operational income	8.810	1.322	8.804	1.645
Nonoperational result	<u>(215)</u>	<u>(18)</u>	<u>(209)</u>	<u>(341)</u>
Net profit for the period before taxes	8.595	1.304	8.595	1.304
Income tax and social contribution	<u>(3.013)</u>	<u>(876)</u>	<u>(3.013)</u>	<u>(876)</u>
Net income for the period	<u>5.582</u>	<u>428</u>	<u>5.582</u>	<u>428</u>
Earnings per share - R\$	<u>0,10</u>	<u>0,09</u>		
Number of shares	<u>53.607.935</u>	<u>4.730.112</u>		

# Diagnósticos da América S.A.

## Notes to the interim financial information

### Three-month period ended March 31, 2005 (Unaudited)

(In thousands of Reais)

#### 1 Operations

The Company provides health assistance services to company employees covered by health insurance plans, insurance companies, medical-hospital assistance companies, other corporate entities and individuals in the following areas: (i) clinical analysis, directly, or as a supplementary nature, through the intermediary of contracted laboratories; and (ii) diagnostic medicine, exclusively through third parties and specialized clinics, in the following areas, as well as others that medical development determines in the future: a) clinical pathology; b) cytology and pathological anatomy; c) diagnosis by images and graphic methods; d) immunization, rehabilitation and ophthalmology; e) nuclear medicine and f) clinical trials. The company can also invest in others companies, business or non-business, as a partner, quotaholder or shareholder.

The Company has service units in São Paulo and Rio de Janeiro, and is extending its services to the city of Curitiba. The Company has adopted an aggressive approach to expanding the number of units, especially in São Paulo, including adopting the concept of mega units. The Company closed period with 148 operational units (134 in 2004), as it follows:

<b>Brands</b>	<b>03/31/2005</b>	<b>03/31/2004</b>
Delboni Auriemo	30	29
Lavoisier	50	39
Bronstein	37	39
Lâmina	18	17
Santa Casa	8	9
Delboni Paraná	<u>5</u>	<u>1</u>
	<u>148</u>	<u>134</u>

At March 31, 2005 Club DA had 10 units annexed to Delboni Auriemo and 1 unit annexed to Lâmina.

#### 2 Preparation and presentation of the interim financial information

The interim financial information was prepared in accordance with Brazilian Corporation Law and the rules of the Brazilian Securities and Exchange Commission - CVM, which are consistent with those applied at December 31, 2004.

# Diagnósticos da América S.A.

## Notes to the interim financial information

*(In thousands of Reais)*

### **Summary of the principal accounting practices**

#### ***a. Income statement***

Income and expenses are recognized on the accrual basis. Revenue from services rendered is recognized in the income statement in function of its realization.

#### ***b. Accounting estimates***

The accounting estimates were established considering objective and subjective factors, based on management's opinion of the appropriate amount to be recorded in the quarterly informations. Significant items subject to these estimates and assumptions include estimated time periods for recovery and consequent amortization of the goodwill originating from the acquisition of investments and other deferred expenses, provision for doubtful accounts, provision for rejections to clarify, provision for inventories, recoverability of deferred income tax assets, provision for contingencies and valuation of derivative instruments. The settlement of transactions involving these estimates may result in different amounts due to the lack of precision inherent to the process for determining such. The Company reviews the estimates and assumptions quarterly.

#### ***c. Foreign currency***

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

#### ***d. Current and noncurrent assets***

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and bank deposits. Overdrafts are presented as liabilities as loans and financing.

- **Interest earning bank deposits**

Interest earning bank deposits are recorded at cost plus income accrued up to the balance sheet date.

# Diagnósticos da América S.A.

## Notes to the interim financial information

*(In thousands of Reais)*

- **Provision for doubtful accounts and provision for rejections to clarify**

The provisions for doubtful accounts and rejections to clarify have been recorded at amounts considered sufficient by the management to cover eventual losses from the realization of credits and take into consideration the economic scenario, past experience and the specific and global risks in the accounts receivable portfolio.

- **Inventories**

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

- **Other current and noncurrent assets**

Other current and noncurrent assets are presented at the net realization value.

*e. Permanent assets*

- **Investments**

Investments in subsidiary companies are valued using the equity method. Goodwill calculated at the time of purchasing an investment in companies with negative shareholders' equity were recorded by the Company, adopting the accounting criteria established in item 17.1.9 of Official Notice/CVM/SNC/SEP 01/2004. The goodwill is based on future profitability from operations undertaken by the target company, with profitability forecasts prepared by management projected for 5 years.

- **Property, plant and equipment**

Demonstrated at acquisition cost and/or construction. Depreciation is calculated using the straight-line method at the rates described in Note 11 and takes into consideration the estimated useful life of the assets. Leasehold improvements are amortized over the lower of the remaining lease term or the useful life of the improvement.

# Diagnósticos da América S.A.

## Notes to the interim financial information

*(In thousands of Reais)*

- **Deferred charges**

Deferred charges are related to expenses for expansion of the patient service centers and are amortized using the straight-line method over a period between 5 and 10 years. The goodwill calculated from the mergers of investments is based on the future profitability of operations undertaken by these companies, according to profitability forecasts prepared by management projected over 5 years.

***f. Current and noncurrent liabilities***

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

***g. Provisions***

Provision is recognized on the balance sheet when the Company has a legal obligation resulting from a past event, and it is probable and estimable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded using the best estimates of the loss incurred.

***h. Goodwill from the merger of the parent company***

The goodwill recorded previously by the controlling company was classified after the merger against the capital reserve account in shareholders' equity of the Company that resulted from the merger. Later, the amortization of goodwill, for a maximum of five years, has been credited to this capital reserve account, with the corresponding entry recorded to income for the quarter. This procedure was supported by tax legislation, article 11 of Law 9718 of November 27, 1998, since the Brazilian Corporation Law does not deal with this matter.

***i. Current and deferred income tax and social contribution***

Current income tax and social contribution are calculated based on the effective rates of income tax and social contribution on net profit and take into account the compensation of tax losses and the negative basis for social contribution, limited to 30% of taxable income.

# Diagnósticos da América S.A.

## Notes to the interim financial information

*(In thousands of Reais)*

The Company has tax losses carryforwards negative basis of social contribution and temporary differences in balance sheet date. 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 profits being reported in recent years.

### **3 Consolidated financial information**

The consolidated financial information include the subsidiary companies Centro Radiológico da Lagoa Ltda. and Presmedi Rio Serviços Médicos Ltda. with a 99.99% investment interest purchased on November 13, 2003 and the subsidiary companies Elkis e Furlanetto Centro de Diagnósticos e Análises Clínicas Ltda., Elkis e Furlanetto Laboratório Médico S/C Ltda. and L.A.C. Laboratório de Análises Clínicas S/C Ltda., with a 100% investment interest purchased on May 14, 2004.

The process for consolidating the assets and liabilities and the profit and loss account is by totaling the balances in the asset and liability accounts and the expense accounts according to their nature, with the following eliminations:

- Investment interests in the capital, reserves and accumulated results maintained between them, it should be noted that there are no reciprocal investment interests;
- Inter-company balances in the assets and liabilities and revenue accounts.

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### 4 Interest earnings bank deposits

	Parent Company		Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Opening fund				
- BankBoston - rate of 99,57% do CDI	4,827	4,671	4,827	4,671
- ABN AMRO Real - rate of 102,75% do CDI	4,348	4,203	4,348	4,203
- Banco Votorantim - rate of 99,25% do CDI	9,011	8,722	9,011	8,722
- Banco Pátria - rate of 55% do CDI	3,404	3,341	3,404	3,341
Exclusive fund				
- Banco Votorantim - rate of 100% do CDI	40,144	-	40,144	-
- Banco Itaú - rate of 100% do CDI	69,028	105,638	69,028	105,638
Bank Deposit Certificates - CDB:				
- Unibanco - rate of 99,7% do CDI	2,210	2,122	2,210	2,122
- Unibanco - rate of 100% do CDI	2,417	2,361	2,417	2,361
Others investments	<u>-</u>	<u>-</u>	<u>21</u>	<u>21</u>
	135,389	131,058	135,410	131,079
Amount classified to current assets	<u>(127,358)</u>	<u>(123,234)</u>	<u>(127,379)</u>	<u>(123,255)</u>
Noncurrent assets				
Restrict deposits	<u>8,031</u>	<u>7,824</u>	<u>8,031</u>	<u>7,824</u>

The interest earnings bank deposit classified to current assets refer to variable income funds, earning an average rate of 100.5% as of March 31, 2005 (99.7% as of December 31, 2004) of the CDI. The objective of the funds in which the Company invests, is to provide the shareholders with profitability by investing their funds in investment fund quotas, whose investment policy includes the possibility of concentrating investments in public and private securities.

The interest earnings bank deposit - restricted cash comprise the following:

**Unibanco S.A.** - Bank Deposit Certificates (CDB) - remunerated at the average rate of 99.7% and 100% of the interbank certificate deposit (CDI), guarantee, respectively, payment of the obligations assumed, from purchasing the total shares in the following companies, to the previous shareholders of Laboratório Bronstein S.A., Bronstein Administradora Laboratorial S.A., Elkis e Furlanetto - Centro de Diagnósticos e Análises Clínicas Ltda., Elkis e Furlanetto - Laboratório Médico S/C Ltda. and L.A.C. - Laboratório de Análises Clínicas S/C Ltda.

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

**Pátria Hedge Funds Administração de Recursos Ltda.** - Multi market fund called *Pátria Hedge Funds*, remunerated at the average rate of 55 % of CDI, guarantees payment of the obligations assumed to the previous shareholders of Laboratório Bronstein S.A. e Bronstein Administradora Laboratorial S.A.

According to the deposit contracts dated December 12, 2000 (Unibanco), April 13, 2004 (Pátria) and May 14, 2004 (Unibanco), agreed between the parties involved and financial institutions, it was established that the amounts deposited would be invested until December 12, 2006, April 13, 2006 and May 14, 2010, respectively, in liquid, low risk, fixed income securities.

### 5 Trade accounts receivable

	Parent Company		Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Current:				
Trade notes receivable - health plans	115,866	107,786	116,852	108,987
Trade notes receivable - individuals	1,822	1,611	1,822	1,611
Rejections to clarify	16,836	16,202	16,836	16,202
Checks in collection	2,391	1,062	2,391	1,062
Credit cards	897	680	897	680
Returned checks	<u>1,985</u>	<u>1,918</u>	<u>1,985</u>	<u>1,918</u>
	139,797	129,259	140,783	130,460
Less:				
Provision for rejections to clarify	(16,942)	( 16,337)	(17,741)	( 16,337)
Provision for losses from individuals	(166)	( 305)	(166)	( 305)
Provision for doubtful accounts	(6,933)	( 6,783)	(6,933)	( 7,791)
Provision for losses from returned checks	<u>( 1,985)</u>	<u>( 1,918)</u>	<u>( 1,985)</u>	<u>( 1,918)</u>
	<u>113,771</u>	<u>103,916</u>	<u>113,958</u>	<u>104,109</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### 6 Inventories

	Parent Company		Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Inventories:				
National direct material	3,903	4,135	3,903	4,135
Imported direct material	6,135	6,460	6,135	6,460
National secondary material	2,070	2,571	2,070	2,571
Consumption material	2,349	2,176	2,349	2,176
Inventories held by third parties	<u>313</u>	<u>271</u>	<u>313</u>	<u>271</u>
	14,770	15,613	14,770	15,613
Less:				
Provision for obsolescence	( 488)	( 488)	( 488)	( 488)
	<u>14,282</u>	<u>15,125</u>	<u>14,282</u>	<u>15,125</u>

### 7 Taxes recoverable

	Parent Company		Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Income tax recoverable	6,770	2,806	6,934	2,970
Social contribution recoverable	5,651	4,879	5,854	5,082
IRRF recoverable on revenue	-	3,878	603	4,481
IRRF recoverable on marketable securities	1,181	672	1,181	672
COFINS and PIS tax withheld	4,338	4,509	4,764	4,935
Others	<u>36</u>	<u>33</u>	<u>36</u>	<u>33</u>
	<u>17,976</u>	<u>16,777</u>	<u>19,372</u>	<u>18,173</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### 8 Other accounts receivable

	<u>Parent Company</u>		<u>Consolidated</u>	
	<b>March 31, 2005</b>	<b>December 31, 2004</b>	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Credits with previous owners:				
Bio-Ciência Lavoisier de Análises Clínicas S/C Ltda.	3,238	3,052	3,238	3,052
Elkis e Furlanetto C.D.A.C. Ltda.	196	98	196	98
Lâmina - Laboratório de Análises Médicas e Investigações Anátomo- Patológicas Ltda.	1,327	1,529	1,327	1,529
Assets and rights from previous owners	-	-	3,813	3,813
Various advances	1,138	1,715	1,138	1,715
Others	<u>748</u>	<u>996</u>	<u>770</u>	<u>1,235</u>
	<u>6,647</u>	<u>7,390</u>	<u>10,482</u>	<u>11,442</u>
Amount classified to current assets	<u>(5,320)</u>	<u>(5,861)</u>	<u>(9,155)</u>	<u>(9,913)</u>
Noncurrent assets	<u>1,327</u>	<u>1,529</u>	<u>1,327</u>	<u>1,529</u>

The credits with previous owners refer to payments made by Diagnósticos da América S.A. between 1999 and 2005 and refer to expenses incurred prior to purchasing these companies and represent obligations of the previous owners. These credits will be negotiated or compensated against balances payable to the previous management, as reported in Note 17.

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### 9 Related parties

	<u>Parent Company</u>	
	<b>March 31, 2005</b>	<b>December 31, 2004</b>
<b>Subsidiary companies</b>		
Centro Radiológico da Lagoa Ltda.		
Current accounts with related companies ( <b>a</b> )	6,534	6,456
Presmedi Rio Serviços Médicos Ltda.		
Current accounts with related companies	93	53
Elkis e Furlanetto Centro de Diagn. E Análises Clín. Ltda.		
Current accounts with related companies ( <b>b</b> )	2,428	1,485
Advanced for future capital increase ( <b>c</b> )	4,879	4,879
Elkis e Furlanetto Laborat. Médico S/C Ltda.		
Current accounts with related companies	231	107
Advanced for future capital increase	<u>440</u>	<u>440</u>
	<u>14,605</u>	<u>13,420</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

*(In thousands of Reais)*

The most significant balances involving related parties are presented below:

### **Subsidiary companies**

- Centro Radiológico da Lagoa Ltda. - CRL

#### **a. Current accounts with related parties**

On April 26, 2004, through a Private Instrument for the Assignment and Transfer of Rights and Obligations agreed between the companies CIM - Centro de Estudos Médicos e Científicos e Diagnósticos por Imagem, the subsidiary Centro Radiológico da Lagoa Ltda. and Philips Medical Systems (Cleveland), Inc., given that the company CIM did not have the financial resources to settle the debt with the company Philips, it was agreed that the subsidiary CRL would assume the rights and obligations arising from the loan contract, replacing the company CIM as the debtor. As a result, of this agreement the Company assumed this debt on behalf of its subsidiary CRL, reported under the heading loans and financing (note 14d) and, as the corresponding entry, for purposes of recording this liability, a current account was constituted representing the operation between the Company and its subsidiary, for the sum of R\$ 5,155, with no interest or monetary correction being charged on this amount, and with no maturity date defined.

On May 19, 2004, through a Private Instrument for the Assignment and Transfer of Rights and Obligations agreed between the companies GE Medical Systems, CIM - Centro de Estudos Médicos and the Company, it was agreed that CIM would assign and transfer the rights and obligations arising from the financing contract to the subsidiary CRL, replacing the company CIM as the debtor. As a result of this agreement, the Company assumed the debt assumed by its subsidiary CRL, included in the heading loans and financing (note 14d), and as the corresponding entry, for purposes of recording this obligation, a current account was recorded representing the operation between the Company and its subsidiary, for the sum of R\$ 983, with no interest or monetary correction being charged on this amount, and with no maturity date defined.

At March 31, 2005, the total from these obligations amounted to R\$ 6,534 (R\$ 6,456 at December 31, 2004).

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

- Elkis e Furlanetto Centro de Diagnósticos e Análises Clínicas Ltda.

### b. Current accounts with related parties

As from September 2004, the Company has assumed the obligations of its subsidiary for paying tax liabilities and creditors, and has recorded these amounts to the current account, with no maturity date specified. No interest or monetary correction is charged on this amount, and the balance at March 31, 2005 was R\$ 2,428 (R\$ 1,485 at December 31, 2004).

### c. Advance for future capital increase

The Company granted its subsidiary, Elkis e Furlanetto C.D.A.C. Ltda. advances for future capital increases, and during the Board of Directors' meeting held on July 01, 2004, an increase in the subsidiary's capital was authorized, not yet paid in, of R\$ 4,879.

The amounts involving other operations with related parties have been summarized below, with the more significant amounts presented as follows:

	March 31, 2005			December 31, 2004	
	Expenses	Permanent assets	Prepaid Expenses	Expenses	Permanent assets
<b>Related parties</b>					
Terra Molhada Participações Ltda. ( a )	810	-	-	739	-
Leandra Schwam Auriemo EPP	193	-	-	101	-
Parkbem Multiserviços S/C Ltda. ( b )	1,432	14	-	479	-
Patrimônio Investimentos e Participações Ltda.	621	-	-	40	-
Refazenda Participações Ltda	36	-	-	-	-
RMA Construtora Ltda. ( c )	346	535	-	107	503
Touch Tecnologia e Informática Ltda	-	496	-	-	115
D.A. Produções Artísticas Ltda	-	-	45	-	-
	<u>3,438</u>	<u>1,045</u>	<u>45</u>	<u>1,466</u>	<u>618</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

*(In thousands of Reais)*

### **Related parties**

#### ***(a) Terra Molhada Participações Ltda.***

The Company rented three properties from Terra Molhada Participações Ltda., a company controlled by Dr. Caio Roberto Chimenti Auriemo, Director President and President of Company's Board of Directors and controlling shareholder of Balu 460 Participações S.A., which controls DASA Participações S.A., the Company's parent company. As from September 2004, the monthly amount due to Terra Molhada is respect of rental of the building where the central laboratory is located, as well as the Company's headquarters in Alphaville, in the town of Barueri, state of São Paulo, is R\$ 164. For the building located on Avenida Brasil, in the city of São Paulo which is used as a service unit, the rental is R\$ 48, and for the building which is also used as a service unit at Rua Baluarte, in the city of São Paulo, the rent is R\$ 58. The rental contracts in respect of the three properties were renewed in May 2004 for an additional period of 10 years. With regard to these rentals, R\$ 810 was paid in the three-month period ended March 31, 2005 (R\$ 739 in the 3 months ended March 31, 2004).

#### ***(b) Parkbem Multiserviços S/C Ltda.***

This company, controlled by José Auriemo Neto, nephew of Dr. Caio Auriemo, supplies cleaning, security and parking services to the service units. With regard to these services, a total of R\$ 1,446 was paid in the 3 month period ended March 31, 2005, being R\$ 14 for pre-operational costs recorded to permanent assets and R\$ 1,432 (R\$ 479 to March 31, 2004) recorded to expenses in the period .

#### ***(c) RMA Construtora Ltda.***

This construction company owned by Renato Magnanini Auriemo, son of Dr. Caio Auriemo, supplies civil engineering services for the construction and refurbishment of the service units. With regard to these services, a total of R\$ 881 was paid in the 3 month period ended March 31, 2005, of which R\$ 535 (R\$ 503 to March 31, 2004) was recorded to fixed assets and R\$ 346 (R\$ 107 to March 31, 2004) charged to expenses in the period.

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### 10 Investments

	Parent Company		Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
<b>Investments in subsidiary companies:</b>				
Centro Radiológico da Lagoa Ltda.	(6,805)	( 6,827)	-	-
Elkis e Furlanetto C.D.A.C. Ltda.	(17,415)	(18,472)	-	-
Elkis e Furlanetto LM S/C Ltda.	1,868	1,927	-	-
<b>Goodwill on the purchase of subsidiaries:</b>				
Centro Radiológico da Lagoa Ltda.	9,280	9,130	9,280	9,130
Elkis e Furlanetto C.D.A.C. Ltda.	21,130	21,130	21,130	21,130
Elkis e Furlanetto LM S/C Ltda.	777	777	777	777
<b>Accumulated amortization:</b>				
Centro Radiológico da Lagoa Ltda.	(2,475)	( 1,978)	(2,475)	( 1,978)
Elkis e Furlanetto C.D.A.C. Ltda.	(3,715)	( 2,658)	(3,715)	( 2,658)
Elkis e Furlanetto LM S/C Ltda.	(136)	( 98)	(136)	( 98)
Work of art	2	2	2	2
Investment in gold	<u>-</u>	<u>-</u>	<u>19</u>	<u>19</u>
	<u>2,511</u>	<u>2,933</u>	<u>24,882</u>	<u>26,324</u>

The main information on the investments in the shareholders' equity of these investments is as follows:

	CRL	Presmedi	Elkis CDAC	Elkis LM	Elkis LAC	Total
Capital quotas	815,000	10,000	4,600,000	900,000	1,600	
Number of quotas held	814,998	9,999	4,600,000	900,000	1,600	
Investment interest	99.99%	99.99%	100.00%	100.00%	100.00%	
Shareholders' equity at March 31, 2005	(7,710)	(1,101)	(19,923)	1,868	( 420)	
Loss in the investment for the period	( 883)	( 30)	( 515)	( 59)	-	
Balances for investments in subsidiaries classified as investments at March 31, 2005	(6,805)	-	(17,415)	1,868	-	(22,352)
Balances for investments in subsidiaries classified to current liabilities (unsecured liabilities) at March 31 2005	( 905)	( 1,101)	( 2,508)	-	( 420)	(4,934)
Equity in income of subsidiaries	( 883)	( 30)	( 515)	( 59)	-	(1,487)

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

The unsecured liabilities for the companies Centro Radiológico da Lagoa Ltda., Presmedi Rio Serviços Médicos Ltda., Elkis e Furlanetto Centro de Diagnósticos e Análises Clínicas Ltda. And L.A.C. Laboratório de Análises Clínicas S/C Ltda. for the amounts of R\$ R\$ 905, R\$ 1.101, R\$ 2.508 and R\$ 420, respectively, which amount to R\$ 4,934 (R\$ 2,428 at December 31, 2004) are classified in the Company's balance sheet as unsecured liabilities in subsidiaries.

The main movements on the investment accounts for the quarter are presented below:

	<b>CRL</b>	<b>Presmedi</b>	<b>Elkis CDAC</b>	<b>Elkis LM</b>	<b>Elkis LAC</b>	<b>Total</b>
Balance for investments at December 31, 2004	(6,827)	(1,071)	( 19,408)	1,927	( 420)	(25,798)
Equity in income of subsidiaries	( 883)	( 30)	( 515)	( 59)	—	( 1,487)
Balance for investments at March 31, 2005	<u>(7,710)</u>	<u>(1,101)</u>	<u>(19,923)</u>	<u>1,868</u>	<u>( 420)</u>	<u>(27,285)</u>
Classified in the Company's balance sheet as:						
- Investments	(6,805)	-	(17,415)	1,868	-	( 22,352)
- Unsecured liabilities	( 905)	( 1,101)	( 2,508)	—	( 420)	( 4,934)
	<u>(7,710)</u>	<u>(1,101)</u>	<u>(19,923)</u>	<u>1,868</u>	<u>( 420)</u>	<u>(27,285)</u>

## 11 Property, plant and equipment

	<b>Parent Company</b>				
	<b>Depreciation Rate % p.a.</b>	<b>March 31, 2005</b>			<b>December 31, 2004</b>
		<b>Cost</b>	<b>Depreciation</b>	<b>Net</b>	<b>Net</b>
Leasehold improvements	12	104,379	(41,163)	63,216	57,817
Machinery and equipment	10	110,843	(41,034)	69,809	70,722
Furniture and fixtures	10	15,927	( 5,724)	10,203	9,622
Facilities	10	1,827	( 1,096)	731	760
Hardware and software	20	29,086	(14,480)	14,606	14,215
Vehicles	20	142	( 65)	77	84
Library	10	56	( 26)	30	31
Other fixed assets		88	-	88	86
Constructions in process (a)		<u>10,481</u>	—	<u>10,481</u>	<u>16,943</u>
		<u>272,829</u>	<u>(103,588)</u>	<u>169,241</u>	<u>170,280</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

	<b>Consolidated</b>				
	<b>Depreciation Rate % p.a.</b>	<b>March 31, 2005</b>			<b>December 31, 2004</b>
		<b>Cost</b>	<b>Depreciation</b>	<b>Net</b>	<b>Net</b>
Leasehold improvements	12	107,572	(43,524)	64,048	58,746
Machinery and equipment	10	118,133	(45,893)	72,240	73,310
Furniture and fixtures	10	16,837	(6,407)	10,430	9,894
Facilities	10	2,942	(1,850)	1,092	1,148
Hardware and software	20	30,063	(15,188)	14,875	14,486
Vehicles	20	236	(150)	86	94
Library	10	71	(39)	32	33
Other fixed assets		88		88	88
Constructions in process (a)		<u>10,623</u>	-	<u>10,623</u>	<u>17,086</u>
		<u>286,565</u>	<u>(113,051)</u>	<u>173,514</u>	<u>174,885</u>

- (a) The construction in progress includes ICMS (VAT) on imports recognized by the Company, amounting to R\$ 6,439 at March 31, 2005 in the parent company and on consolidation (R\$ 6,439 at December 31, 2004) with the corresponding entry made to the provision for contingencies, classified at non current liabilities. This refers to the ICMS on the import of equipment that was not paid since the Company has legally questioned this payment. For further information on ICMS on imports see Note 19.

The depreciation and amortization charges have been recognized to results as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>March 31, 2005</b>	<b>December 31, 2004</b>	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Costs of services sold	8,059	5,980	8,059	5,980
General and administrative expenses	<u>993</u>	<u>579</u>	<u>1,325</u>	<u>716</u>
	<u>9,052</u>	<u>6,559</u>	<u>9,384</u>	<u>6,696</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### 12 Deferred charges

	End of Amortization	Amortization rate % p.a.	Parent company			
			March 31, 2005			December 31, 2004
			Cost	Amortization	Net	Net
Pre-operating expenses			40.953	(11.725)	29.228	29.094
Goodwill on merger of subsidiary: Atacama S.A.	dez/05	20	55.967	(46.948)	9.019	12.149
Laboratório de Patologia Clínica Curitiba S/C	jan/08	20	2.785	(1.207)	1.578	1.717
			<u>99.705</u>	<u>(59.880)</u>	<u>39.825</u>	<u>42.960</u>

	End of Amortization	Amortization rate % p.a.	Consolidated			
			March 31, 2005			December 31, 2004
			Cost	Amortization	Net	Net
Pre-operating expenses			40.960	(11.729)	29.231	29.098
Goodwill on merger of subsidiary: Atacama S.A.	dez/05	20	55.967	(46.948)	9.019	12.149
Laboratório de Patologia Clínica Curitiba S/C	jan/08	20	2.785	(1.207)	1.578	1.717
			<u>99.712</u>	<u>(59.884)</u>	<u>39.828</u>	<u>42.964</u>

### 13 Suppliers

	Parent Company		Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Domestic suppliers	15,247	16,264	15,247	16,264
Foreign suppliers	<u>3,301</u>	<u>4,565</u>	<u>3,301</u>	<u>4,565</u>
	<u>18,548</u>	<u>20,829</u>	<u>18,548</u>	<u>20,829</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

The balance for foreign suppliers of US\$ 1,238 (US\$ 1,720 at December 31, 2004) refers to the purchase of imported materials used in clinical exams.

### 14 Loans and financing

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>March 31, 2005</u>	<u>December 31, 2004</u>	<u>March 31, 2005</u>	<u>December 31, 2004</u>
Local currency:				
Loans guaranteed accounts (a)	1,379	553	3,201	2,720
Bank loans (b)	44,973	43,504	44,973	43,504
Foreign currency				
Bank loans (c)	29,812	29,248	29,812	29,248
Equipment suppliers (d)	<u>54,941</u>	<u>57,713</u>	<u>54,941</u>	<u>57,713</u>
	<u>131,105</u>	<u>131,018</u>	<u>132,927</u>	<u>133,185</u>
Short term installments to amortize classified as current liabilities	( <u>30,591</u> )	( <u>25,811</u> )	( <u>32,413</u> )	( <u>27,978</u> )
Long-term liabilities	<u>100,514</u>	<u>105,207</u>	<u>100,514</u>	<u>105,207</u>

#### (a) Loans guaranteed accounts

The financings in local currency refer to guaranteed current accounts, with interest varying between 107.0% and 111.0% of CDI. The resources are used for maintaining the Company's cash flow, with Platypus S.A. and Balu 460 Participações S.A. providing the guarantees.

#### (b) Bank loans - local currency

1. This loan was obtained in October 2004, from Banco Votorantim S.A. for the sum of R\$ 12,000 bearing interest of 110.0% of the CDI. At March 31, 2005, the debt was R\$ 12,821 (R\$ 12,487 at December 31, 2004) , with R\$ 821 (R\$ 487 at December 31, 2004) classified to current liabilities and R\$ 12,000 (R\$ 12,000 at December 31, 2004) to long-term liabilities, with the due date for a single payment forecast for 2006.

The loan is guaranteed by the companies Platypus S.A. and Balu 460 Participações S.A.

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

2. This loan was obtained in November 2004 from Banco Votorantim S.A. for the sum of R\$ 15,000, bearing interest of 111.0% of CDI. At March 31, 2005, the debt was R\$ 15,868 (R\$ 15,450 at December 31, 2004), with R\$ 868 (R\$ 450 at December 31, 2004) classified to current liabilities and R\$ 15,000 (R\$ 15,000 at December 31, 2004) to long-term liabilities, with payments falling due as follows:

<b>Maturity date</b>	<b>March 31, 2005</b>	<b>December 31, 2004</b>
2005	868	450
2006	3,750	3,750
2007	3,750	3,750
2008	3,750	3,750
2009	<u>3,750</u>	<u>3,750</u>
	<u>15,868</u>	<u>15,450</u>

The loan is guaranteed by the companies Platypus S.A. and Balu 460 Participações S.A.

3. This loan obtained in October 2004 from Banco Itaú - BBA for the sum of R\$ 15,000, bearing interest of 110.6% of CDI. At March 31, 2005, the debt was R\$ 16,284 (R\$ 15,567 at December 31, 2004), with R\$ 2,951 (R\$ 2,234 at December 31, 2004) classified to current liabilities and R\$ 13,333 (R\$ 13,333 at December 31, 2004) to noncurrent liabilities, with payments falling due as follows:

<b>Maturity date</b>	<b>March 31, 2005</b>	<b>December 31, 2004</b>
2005	2,951	2,234
2006	3,333	3,337
2007	3,333	3,333
2008	3,333	3,333
2009	<u>3,334</u>	<u>3,334</u>
	<u>16,284</u>	<u>15,567</u>

The loan is guaranteed by the companies Platypus S.A. and Balu 460 Participações S.A.

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### (c) Bank loans - Foreign currency (US\$ 000)

1. The foreign currency loan was obtained in August 2002 from Banco Itaú - BBA for the sum of US\$ 10,000 fixed in U.S. dollars, valued at the PTAX on the payment date of each installment plus interest of 13.06% p.a. At March 31, 2005, the debt was US\$ 6,676 (US\$ 6,466 as of December 31, 2004), of which US\$ 1,676 (US\$ 1,466 as of December 31, 2004) is classified to current liabilities and US\$ 5,000 (US\$ 5,000 as of December 31, 2004) is classified to long-term liabilities, with payment dates as follows:

Maturity date	March 31, 2005	December 31, 2004
2005	1,676	1,466
2006	1,429	1,429
2007	1,428	1,428
2008	1,428	1,428
2009	<u>715</u>	<u>715</u>
	<u>6,676</u>	<u>6,466</u>

The foreign currency loan is guaranteed by Platypus S.A. and Balu 460 Participações S.A. and also by promissory notes of US\$ 12,000 issued by the Company. In order to protect itself against foreign currency variations, the Company has contracted “swap” operations for the same value and with the same maturity terms as the loan. At March 31, 2005, these derivative operations resulted in a loss of R\$ 6, 695 (R\$ 6,317 as of December 31, 2004), recognized to loans and financing, and in the quarter a loss of R\$ 378 ( R\$ 118 in 2004) was recognized.

2. The foreign currency loan was raised by the Company through ABN AMRO Real S.A. Bank in May 2004. The loan amounts to US\$ 2,000, valued at the PTAX rate on the date of payment of each installment plus interest of 5.21% p.a. As of March 31, 2005, the debt amounted to US\$ 1,617 (US\$ 1,820 as of December 31, 2004), of which US\$ 1,117 (US\$ 820 as of December 31, 2004) was classified as a current liability and US\$ 500 (US\$ 1,000 as of December 31, 2004) as a long-term liability, maturing as a single payment forecast for 2006.

The foreign currency loan has as guarantors the companies Platypus S.A. and Balu 460 Participações S.A., represented by promissory notes totaling US\$ 2,500, for which, in order to obtain protection against exchange variation, the Company contracted a “swap” operation with the same values and due dates as the loan installments. At March 31, 2005 these operations with derivatives resulted in a loss of R\$ 1,005 (R\$ 937 as of December 31, 2004), recorded as loans and financing, and in the quarter a loss of R\$ 69 was recognized.

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### (d) Suppliers of equipment - Foreign currency (US\$ 000)

The balance for suppliers of equipment was US\$ 16,581 (US\$ 17,793 at December 31, 2004), with US\$ 4,180 (US\$ 4,187 as at December 31, 2004) classified to current liabilities and US\$ 12,401 (US\$ 13,606 as at December 31, 2004) to long-term liabilities, arising from the import of machines and equipments. The interest due is calculated at a rate between 7.5% and 8.5% p.a..

The long-term installments are due for payment as follows:

Maturity date	March 31, 2005	December 31, 2004
2005	4,180	4,187
2006	3,069	4,274
2007	4,126	4,126
2008	3,212	3,212
2009	1,318	1,318
2010	479	479
2011	<u>197</u>	<u>197</u>
	<u>16,581</u>	<u>17,793</u>

In order to avoid exposure to foreign exchange rates, the Company contracted derivative instruments, “swap”, with the bank Votorantim S.A., amounting to R\$ 34,110, and the contracts will be settled by December 2010. At March 31, 2005, these derivative instruments resulted in a loss of R\$ 10,734 (R\$ 10,483 at December 31, 2004), and in the quarter a loss of R\$ 252 (R\$ 274 in 2004) was recognized.

### 15 Salaries, social security charges and vacation payable

	Parent Company		Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Salaries payable	2,240	2,385	2,240	2,385
Social security charges	2,312	2,579	2,312	2,579
Provision for vacation, and social security charges	9,575	8,681	9,575	8,681
Others	<u>480</u>	<u>347</u>	<u>480</u>	<u>347</u>
	<u>14,607</u>	<u>13,992</u>	<u>14,607</u>	<u>13,992</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### 16 Installment taxes

	Maturity Date	Parent Company		Consolidated	
		March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Installment taxes - REFIS municipal (a)	2010	5,033	5,124	5,033	5,124
Installment taxes - PAES program (b)	2013	9,014	9,094	9,014	9,094
Centro Radiológico da Lagoa Ltda. :					
- COFINS	2008	-	-	1,317	968
- INSS	2009	-	-	1,418	1,446
- PIS	2008	-	-	443	378
- CSLL	2008	-	-	234	174
- IRPJ	2008	-	-	35	38
- IRRF	2005	-	-	207	150
- ISS	2008	-	-	86	85
Elkis e Furlanetto C.D.A.C. Ltda. :					
- INSS	2008	-	-	3,863	4,182
- PIS (c)	2010	-	-	343	-
- COFINS (c)	2010	-	-	1,423	-
- ISS	2006	-	-	1,096	1,234
Elkis e Furlanetto L.M. Ltda. :					
- INSS	2009	-	-	1,163	1,198
Presmedi Rio Serviços Médicos Ltda. :					
- INSS	2009	-	-	542	551
- ISS	2005	-	-	11	11
- COFINS	2008	-	-	15	15
- PIS	2008	-	-	2	2
		<u>14,047</u>	<u>14,218</u>	<u>26,245</u>	<u>24,650</u>
Installments due in the short term classified as current liabilities		( 1,912)	( 1,870)	( 7,206)	( 6,202)
Noncurrent liabilities		<u>12,135</u>	<u>12,348</u>	<u>19,039</u>	<u>18,448</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

- (a) Taxes payable by the Company in installments under the municipal Tax Recovery Program (REFIS) (Municipal law nº 13.092 of December 7, 2000) totaling R\$ 5,033 as of March 31, 2005 (R\$ 5,124 thousand as of December 31, 2004) refer to taxes due to the municipality of São Paulo. The tax debt was divided into 120 monthly installments, indexed by the long-term interest rate (TJLP) and the installments extend until December 2010.
- (b) On May 30, 2003, the government enacted Law 10,684 (PAES Program), allowing taxpayers to divide their tax debts with the federal revenue department, the attorney general of the national revenue and the national social security institute, into up to 180 monthly installments.

On July 29, 2003, the Company adhered to the PAES program (Law 10,684), declaring tax debts related to PIS and COFINS (programs of the federal government for social integration) which were being discussed judicially. The consolidated amount of the debt as of July 29, 2003 was R\$ 9,329. On March 31, 2005 the total of the installments was R\$ 9,014 (R\$ 9,094 at December 31, 2004), which is divided into 120 monthly installments and updated by the TJLP. Payment of these installments extends to June 2013, with the payments distributed as follows:

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
2005	818	1,070
2006	1,093	1,070
2007	1,093	1,070
2008	1,093	1,070
2009	1,093	1,070
2010	1,093	1,070
2011	1,093	1,070
2012	1,093	1,070
2013	<u>545</u>	<u>534</u>
	<u>9,014</u>	<u>9,094</u>

The debits consolidated by the Company in the program are:

<b>Description of tax</b>	<b>Principal sum</b>	<b>Charges to 07/29/03</b>	<b>Total consolidated debit at 07/29/03</b>
PIS	4,772	1,517	6,289
COFINS	<u>2,194</u>	<u>846</u>	<u>3,040</u>
	<u>6,966</u>	<u>2,363</u>	<u>9,329</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

The Company has complied with the agreements with the PAES Program, settling the monthly installments. In addition, it should be noted that all of the taxes covered by the PAES program have been paid on the due dates since joining the program, which is an essential condition for obtaining the terms provided in the program.

- (c) On March 24, 2005, the subsidiary Elkis e Furlanetto C.D.A.C. Ltda., registered with the Federal Internal Revenue Secretary, its request to make installment payments of debts, identified by the process 13807.001987/2005-69, to pay the following taxes in 60 (sixty) monthly installments:

Tax	Original sum	Consolidated sum at 03/17/05	Total consolidated debit at 03/31/05
- PIS	250	349	343
- COFINS	1,044	1,447	1,423

### 17 Accounts payable from acquisition of subsidiaries

	Parent Company		Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Previous owners Bio-Ciência Lavoisier Analises Clínicas S/C Ltda. (a)	13,611	13,099	13,611	13,099
Previous owners Laboratório Bronstein S.A. (b)	5,614	5,464	5,614	5,464
Previous owners Lâmina - Laboratório de Análises Médicas e Investigações Anátomo-Patológicas S.A. (c)	11,049	12,649	11,049	12,649
Previous owners Laboratório de Patologia C. Curitiba S/C Ltda. (d)	404	397	404	397
Previous owners Centro Radiológico da Lagoa e Presmedi Rio Serviços Médicos Ltda. (e)	756	763	756	763
Previous owners Elkis e Furlanetto C.D.A.C. Ltda. (f)	<u>7,401</u>	<u>7,268</u>	<u>7,401</u>	<u>7,268</u>
	<u>38,835</u>	<u>39,640</u>	<u>38,835</u>	<u>39,640</u>
Installments due in the short term classified as current liabilities	<u>(20,741)</u>	<u>(19,983)</u>	<u>(20,741)</u>	<u>(19,983)</u>
Noncurrent liabilities	<u>18,094</u>	<u>19,657</u>	<u>18,094</u>	<u>19,657</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

*(In thousands of Reais)*

- (a) This balance represents an accounts payable to the previous owners of Bio-Ciência Lavoisier Análises Clínicas S.A. at the time of purchasing 100% of this company's capital, made through the intermediation of Solimões S.A. and Javari S.A. The debt balance is being monetarily corrected by the IGP-M inflation rate, plus interest of 10% p.a.. The debt amortizations will be made until October 2005.
- (b) This balance represents an accounts payable to previous owners of the companies Laboratório Bronstein S.A. and Bronstein Administradora Laboratorial S.A., upon the acquisition of 100% of the capital of these companies, made through the intermediation of Pads do Brasil Ltda. This debt is updated using the same rates as the resources that are invested in funds administered by financial institutions, as mentioned in Note 4 to the consolidated financial statements, and will be settled in 2006.
- (c) This balance represents an accounts payable to the previous owners of Lâmina - Laboratório de Análises Médicas e Investigações Anátomo-Patológicas S.A., at the time of purchasing 100% of the capital of this company, made through the intermediation of Stantibus S.A. and Sinalagma S.A. The debt balance is being monetarily corrected by the IGP-M, plus interest of 12% p.a.. The debt amortizations will be made until March 2007.
- (d) This balance represents an accounts payable to previous owners of Laboratório de Patologia Clínica Curitiba S/C (Laboratório Santa Casa), which are: 1) R\$ 404 thousand, (R\$ 397 at December 31, 2004) in respect of tax credits which must be transferred to the previous owners as and when the Company effectively realizes such credits in its accounting and tax.
- (e) This balance represents an accounts payable to the previous owners of Centro Radiológico da Lagoa Ltda. and Presmedi Rio Serviços Médicos Ltda. at the time of purchasing 99.99% of the capital in these companies. The debt amortizations will be made until 2005, and the debt balance is being corrected monthly by the variation in the IGP-M.
- (f) This balance represents an accounts payable to the previous owners of the companies Elkis e Furlanetto - Centro de Diagnósticos e Análises Clínicas Ltda., Elkis e Furlanetto - Laboratório Médico S/C Ltda. and L.A.C. - Laboratório de Análises Clínicas S/C Ltda. as of the acquisition of 100% of the Capital of these companies. Part of this debt is updated using the same rates as those at which the resources are invested in funds administered by a financial institution, as commented in Note 4, which will be paid in 2010.

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### 18 Other accounts payable

	Parent Company		Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Rentals payable	1,706	1,794	1,706	1,794
Third-party services	2,853	2,941	2,853	2,941
Provisions for freelance professionals	3,937	3,113	3,937	3,113
Franchisee commission payable	1,115	1,053	1,115	1,053
Account receivable from previous owners (a)	-	-	3,813	3,813
Third party services - public placing	-	1,452	-	1,452
Other accounts payable	<u>2,353</u>	<u>1,021</u>	<u>2,353</u>	<u>1,020</u>
	<u>11,964</u>	<u>11,374</u>	<u>15,777</u>	<u>15,186</u>

#### (a) Account receivable from previous owners

According to the private contract of sale and transfer of quotas and others matters signed on May 14, 2004 by the Company and the companies Elkis e Furlanetto C.D.A.C.Ltda. and Elkis e Furlanetto Laboratório Médico S/C Ltda, the tax credits and the land and buildings listed in the abovementioned contract will be returned to the previous management. This obligation is represented by an amount of R\$ 3,813 which corresponds to R\$ 1,084 in respect of the land and buildings those companies and R\$ 2,729 is in respect of tax credits.

### 19 Provision for contingencies

	Parent Company		Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
ICMS on imports (a)	20,266	18,507	20,266	18,507
INSS - processes 1993 to 1999 (b)	1,847	1,822	1,847	1,822
Provision for labor contingencies (c)	2,559	3,080	2,718	3,450
Provision for civil contingencies (d)	1,755	2,219	1,759	2,219
Provision for tax contingencies (e)	598	576	3,775	3,716
Processes with legal deposits (f)	<u>2,863</u>	<u>2,863</u>	<u>2,955</u>	<u>2,955</u>
	<u>29,888</u>	<u>29,067</u>	<u>33,320</u>	<u>32,669</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

*(In thousands of Reais)*

### **(a) ICMS on imports**

The Company, based on the opinion of its legal advisors, has not paid ICMS on the import of goods and equipment since February 2000, since it is not a taxpayer for this tax, thus preventing it from being compensated, and thus not observed the principle of non accumulation.

### **(b) INSS freelance professionals - 1993 to 1999**

Refers to the charges for contributions due to the National Institute for Social Security supposedly due on the payments made to freelance doctors at Bio-Ciência Lavoisier Análises Clínicas S.A., due to the non-characterization of these doctors as freelancers, prior to its acquisition by the Company during the period from August 1993 to September 1999. This suit has already been judged in a court of summary jurisdiction and the decision was against the Company. On December 11, 2003, the Company was informed of the decision, which, unanimously, judged the appeal and on merit rejected the petition, retaining the debt with the INSS. Thus, given that the matter will be discussed in the legal sphere, it is possible that a contingency will arise, consequently, the Company has made a provision for the amounts involved, plus a fine and interest.

### **(c) Provision for labor contingencies**

The consolidated provision for labor contingencies totaling R\$ 2,718 at March 31, 2005 (R\$ 3,450 at December 31, 2004) was recorded based on information in respect of the labor cases, provided by the legal advisors. The Company adopts the criteria of recording provisions for all cases with a probability of loss and in addition, adopts a more conservative posture, making provisions of 50% for the cases with a possible risk, in accordance with the classification of risk provided by the legal advisors.

### **(d) Provision for civil contingencies**

The consolidated provisions for civil contingencies totaling R\$ 1,759 at March 31, 2005 (R\$ 2,219 at December 31, 2004) refer basically to errors in diagnosis R\$ 1,178, problems with customer service R\$ 113 and others R\$ 468. The Company adopts the criteria of recording provisions for all cases with probable risk of loss and in addition, adopting a more conservative posture, records provisions of 50% for possible risk of loss, according to the classification of risk provided by the legal advisors.

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### (e) Provision for tax contingencies

Provisions for tax contingencies refer basically to the following:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<b>March 31, 2005</b>	<b>December 31, 2004</b>	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Taxes and dues - Municipality of São Paulo	598	576	598	576
COFINS - increase in rate	-	-	2,123	2,123
INSS	-	-	100	60
Administrative proceedings - Federal Revenue Department	-	-	206	207
Lawyers' fees related to legal proceedings regarding tax	-	-	748	750
	<u>598</u>	<u>576</u>	<u>3,775</u>	<u>3,716</u>

### (f) Processes with legal deposits

	<u>Parent Company</u>		<u>Consolidated</u>	
	<b>March 31, 2005</b>	<b>December 31, 2004</b>	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Labor	35	35	127	127
Tax	2,816	2,816	2,816	2,816
Civil	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>
	<u>2,863</u>	<u>2,863</u>	<u>2,955</u>	<u>2,955</u>

At March 31, 2005, the Company was a party to various tax and administrative legal proceedings. The most significant of these proceedings are:

#### **Deductibility of amounts registered as goodwill and other operational costs and expenses (Process 10882.001031/2004-95)**

The Federal Internal Revenue office at Osasco/SP filed an assessment on May 27, 2004, disallowing a significant amount of the amortization of goodwill arising from the purchase of subsidiaries in 1999. At March 31, 2005, the corrected value is approximately R\$ 42,000, and in the opinion of our legal advisors, the chances of an unfavorable outcome are remote.

# Diagnósticos da América S.A.

## Notes to the interim financial information

*(In thousands of Reais)*

### **ICMS tax on imports (before Constitutional Amendment 33/01)**

The Company believes that it was not obliged to pay ICMS, a state value-added tax, on imports of materials and equipment because it was not a taxpayer covered by the applicable law. The Company has filed a lawsuit for each import before Constitutional Amendment 33/01, and the state of São Paulo has initiated an administrative proceeding such that, at March 31, 2005, 133 legal proceedings were pending regarding this issue. At March 31, 2005, the total amount in question was approximately R\$ 9,300 but the company has not recorded provisions for these proceedings. Based on the advice of their external legal counsel, the chances of losing these proceedings are remote and, therefore, the company has not recorded provisions for these amounts.

### **ICMS tax on imports (after Constitutional Amendment 33/01)**

For ICMS taxes on imports after the publication of Constitutional Amendment 33/01, the Company's external legal counsel believes that the chances of loss are possible. At March 31, 2005 there was only one administrative proceeding for approximately R\$ 3,500. However, there is one administrative proceeding filed against the customs agent that may have direct consequences on all the imports that the Company made through him. The total amount is approximately R\$ 18,507 at March 31, 2005 (R\$ 21,106 at December 31, 2004).

### **ISSQN - Service tax**

In 2001, the City of São Paulo tax authorities initiated administrative proceedings seeking payment of the ISS tax, a municipal tax on services, on certain clinical tests. The tax authorities asserted that the clinical tests are rendered in the municipalities where they collect blood and other samples for clinical tests and that the ISS tax is due on that service. The Company has consistently paid the ISS on their performance of clinical tests to the municipality of Barueri, where their Alphaville central laboratory is located and where their clinical tests effectively occur. There are 212 administrative proceedings pending on this matter since the tax is payable monthly and several separate proceedings are opened each month. At March 31, 2005, the total amount in question was approximately R\$ 25,600, but the Company has not recorded provisions for these proceedings. Based on the advice of their external legal counsel, it believes the chances of losing these proceedings are remote. Additionally, there is a proceeding pending against Elkis e Furlanetto in which the ISS charged by the municipality of Santo André is being challenged. At March 31, 2005, the total amount under discussion was R\$ 5,900 and, based on the advice of external counsel the chance of the companies receiving an unfavorable decision in these proceedings and processes is remote.

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

Approximately R\$ 17,800 in tax proceedings claimed against the Company relate to companies that have been acquired. The amounts claimed in those proceedings refer to events incurred whilst these companies were controlled by the previous shareholders. Future payments are due on the purchase of these companies, payable to the previous owners, which could be reduced to compensate these tax liabilities.

### 20 Shareholders' equity

#### a. Capital

As at March 31 2005, total capital and paid in capital amounted to R\$ 216,136, represented by 53,607,935 ordinary shares with no par value.

#### b. Special reserve for goodwill on merger

The goodwill originating from the merger of the parent companies, classified under capital reserves accounts, has an amortization period of 5 years and as at March 31, 2005 consisted of the following:

	End of amortization	Amortization rate % p.a.	3/31/05			12/31/04
			Cost	Amortization	Residual	Residual
Platypus Holdings Ltda	Feb/2006	20	<u>50,023</u>	<u>(40,064)</u>	<u>9,959</u>	<u>12,849</u>

#### c. Dividends

The statutes guarantee the shareholders the right to receive a minimum dividend of 25% of the net profit for the year, adjusted in accordance with Article 202 of Law 6.404/76.

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### 21 Income tax and social contribution

#### a. Income tax

	<u>Parent Company</u>	
	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Income before income tax	7,796	1,058
Adjustments to the profit for the three-month period		
Permanent additions	1,593	556
Temporary additions	3,295	2,024
Taxable profit before compensation of tax loss	<u>12,684</u>	<u>3,638</u>
Compensation of tax loss (30%)	( 3,805)	( 1,091)
Taxable income for the period	<u>8,879</u>	<u>2,547</u>
Income tax expense for the period	<u>2,214</u>	<u>631</u>

#### b. Social contribution

	<u>Parent Company</u>	
	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Book profit	8,595	1,303
Adjustments to the income for the period		
Permanent additions	1,593	550
Temporary additions	2,496	2,030
Calculation base for CSL before compensation of tax loss	<u>12,684</u>	<u>3,883</u>
Compensation of tax loss (30%)	(3,805)	(1,165)
Calculation base for CSL for the period	<u>8,879</u>	<u>2,718</u>
Social contribution expense for the period	<u>799</u>	<u>245</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

*(In thousands of Reais)*

### 22 Tax loss carry-forwards

At March 31, 2005, the Company had the following tax loss carry-forwards:

a. Income tax losses	31,015
b. Negative social contribution base	34,532

Compensation of the tax losses for income tax and the negative social contribution base is limited to 30% of annual taxable profits, with no limitation period.

### 23 Financial instruments

The Company has a policy of reducing market risks, avoiding positions which may be exposed to fluctuations in market values and operating only with derivative financial instruments which permit control over risks. The major part of contracts involving derivatives is with swap transactions involving pre-fixed rates. The Company does not expect to incur any losses with these transactions beyond those already recorded in the consolidated financial statements.

The market values were estimated at the balance sheet date based on relevant market information. Changes in the assumptions may significantly affect the estimates presented.

The management of these instruments is implemented through operating strategies, aimed at liquidity, profitability and security. The control policy consists of permanent follow-up of the rates engaged versus those in force in the market. The Company does not invest in derivatives or any other risk assets on a speculative basis.

#### *a. Composition of balances*

In compliance with CVM Instruction 235/95, the accounting balances and the market values of the financial instruments included in the consolidated balance sheet at March 31, 2005 are presented below:

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

Description	Accounting		Market value	
	Parent Company	Consolidated	Parent Company	Consolidated
Cash and cash equivalents	3,835	4,046	3,835	4,046
Marketable securities	135,389	135,410	135,389	135,410
Taxes recoverable	17,976	19,372	17,976	19,372
Related parties	9,193	-	9,193	-
Advances for future capital increase	5,319	-	5,319	-
Investments valued using the equity method	<u>2,509</u>	<u>24,861</u>	<u>2,509</u>	<u>24,861</u>
<b>Assets</b>	<u>174,221</u>	<u>183,689</u>	<u>174,221</u>	<u>183,689</u>
Loans and financing				
In local currency	46,352	48,174	46,352	48,174
In foreign currency	66,319	66,319	61,837	61,837
Swap	<u>18,434</u>	<u>18,434</u>	<u>14,241</u>	<u>14,241</u>
<b>Liabilities</b>	<u>131,105</u>	<u>132,927</u>	<u>122,430</u>	<u>124,252</u>

### *b. Criteria, premises and limitations used to calculate the market value*

#### *Cash and cash equivalents and interest earnings bank deposits*

Current accounts held with banks have market values identical to the book values.

For interest earnings bank deposits, the market value was calculated based on the market quotations of these securities.

#### *Taxes recoverable*

Taxes recoverable are presented at book values, since there is no information to determine their market value.

#### *Related parties and advances for future capital increases*

Presented at book values, since there are no similar instruments on the market and they refer to operations with related parties.

# Diagnósticos da América S.A.

## Notes to the interim financial information

*(In thousands of Reais)*

### ***Investments***

The market values for interests in companies were calculated based on the book value. The market values for other investments are identical to the book values, since they have no market quotations.

### ***Loans and financing***

The market values of loans and financing were calculated based on their present value calculated based on the future cash flows and using interest rates applicable to instruments of a similar nature, with similar terms and risks, or based on the market quotations of these securities.

### ***Derivatives***

The Company operates only with derivative instruments, not for speculative purposes, aimed to protect against foreign exchange variations.

### ***Limitations***

The market values were estimated at the balance sheet date, based on “relevant market information”. Changes in the assumptions may significantly affect the estimates presented.

### ***c. Exchange rate risk***

The Company’s results and those of its subsidiaries are subject to significant variations, as their liabilities are linked to exchange rate fluctuations, especially the US dollar.

As a strategy for the prevention and reduction of the effects of fluctuations in the exchange rate, the indebtedness in foreign currency is protected by means of swap transactions with financial institutions.

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

Liability	Parent Company		Consolidated	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Foreign currency loans and financing	84,753	86,961	84,753	86,961
Foreign suppliers	<u>3,301</u>	<u>4,565</u>	<u>3,301</u>	<u>4,565</u>
	<u>88,054</u>	<u>91,526</u>	<u>88,054</u>	<u>91,526</u>

### 24 Insurance coverage (unreviewed)

The Company had insurance taken out with the major insurance companies in Brazil, which were determined in accordance with the advice from experts, and considering the nature and the level of risk involved. The main insurance coverage is against fire, theft, loss of profit and various risks for the fixed assets and inventories, at values considered sufficient to cover possible losses.

Coverage	Value Insured R\$
Fire	43,308
Wind/hurricane/falling aircraft	1,500
Electrical damage	1,500
Electronic equipment	1,000
Glass/illuminated ads	100
Theft	1,000
Business interruption	9,500
Installations in a new location	1,000
General civil responsibility	<u>600</u>
	<u>59,508</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### 25 Leasing transactions

#### *National Leasing*

The Company has leasing arrangements for machines and equipment and data processing equipment (hardware) with a purchase option, based on 16 leasing contracts in force as of March 31, 2005. The average term of the contracts is 36 months at rates varying from CDI + 1.59 % p.a. to CDI + 3,20 % p.a..

Rental expense recorded for the period ended March 31, 2005 amounted to R\$ 200 (R\$ 622 at March 31, 2004).

The position of the amounts payable arising from lease contracts by year of disbursement is as follows:

	<u>Parenty Company</u>	
	<b>March 31, 2005</b>	<b>December 31, 2004</b>
2005	1,792	2,255
2006	2,005	1,827
2007	969	792
2008	<u>45</u>	<u>-</u>
	<u>4,811</u>	<u>4,874</u>

#### *International Leasing*

The company is the lease for equipment used to provide services with the option to purchase, according to the lease contract effective as from February 28, 2005, valid for a period of 84 months, with a grace period of six months for paying the first installment, fixed in North American dollars, with the dollar valued at market on the payment date for each quarterly installment, plus interest of 7.85% p.a..

The position of the amounts payable arising from lease contracts by year of disbursement is as follows:

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

	<b>Parent Company (US\$ 000)</b>
	<b>March 31, 2005</b>
2005	97
2006	195
2007	195
2008	195
2009	194
2010	194
2011	194
2012	<u>49</u>
	<u>1,313</u>

### **26 Guarantees and sureties**

The Company granted sureties to its subsidiary Elkis e Furlanetto C.D.A.C. Ltda., with Banco Safra S.A. and Banco Bradesco S.A. for the sum of R\$ 4,500.

### **27 Subsequent events**

On April 4, 2005, the Company purchased 100% of the capital in Laboratório Pasteur Patologia Clínica S/S Ltda., for the sum of R\$ 6,000. The payment will be made in full using the company's own funds. Laboratório Pasteur has been operating for more than 29 years in the Brasília-DF region, and is recognized by its clients and the middle class for its quality services. It currently has 12 small units, which attend on average 7 thousand requisitions for clinical examinations per month. In 2004, Laboratório Pasteur recorded gross operational income of R\$ 8,400. The laboratory acquired has a minority interest of 14.3% in Laboratórios Clínicos Associados - LCA, which processes some of the examinations collected at the Pasteur attendance units. The operation has to be approved by the Council for the Defense of Economic Rights - CADE.

### **28 Cashflow statements - indirect method [optional supplementary information]**

The company has presented the statement of cashflow as supplementary information, prepared in accordance with NPC 20 - Statement of Cashflow, issued by IBRACON -Institute of Independent auditors in Brazil.

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### Three-months period ended March 31, 2005 and 2004

(In thousands of Reais)

	Parent Company		Consolidated	
	3/31/05	3/31/04	3/31/05	3/31/04
<b>Cashflow from operational activities</b>				
<b>Net income for the period</b>	5,582	427	5,582	427
<b>Adjustments to reconcile the results to the cash generated from operational results</b>				
Depreciation and amortization	9,053	6,656	9,385	6,794
Amortization of goodwill on investments	4,861	5,391	4,861	5,391
Amortization of goodwill on shareholders' equity	2,889	5,832	2,889	5,832
Results from writing off permanent assets	62	4	62	4
Equity in net income of subsidiaries	1,486	506	0	0
<b>Changes in assets and liabilities</b>				
(Increase) in trade accounts receivable	(9,855)	(11,846)	(9,849)	(11,606)
Decrease in inventories	843	2,848	843	2,848
(Increase) in recoverable taxes	(1,199)	(4,464)	(1,199)	(4,561)
Decrease (increase) in other accounts receivable	656	(1,795)	885	(1,941)
(Increase) in current accounts with related parties	(1,184)	(575)	0	(51)
(Increase) decrease in advances to suppliers	(142)	300	(142)	134
(Increase) in prepayments	(982)	(253)	(982)	(253)
(Decrease) in suppliers	(2,281)	(1,515)	(2,281)	(1,482)
Increase in salaries, social security charges and vacation payable	615	786	615	808
(Decrease) increase in installment taxes	(171)	(86)	1,595	(119)
Increase in taxes and contributions payable	2,762	3,837	1,185	4,025
Increase in provision for contingencies	821	2,312	651	2,312
Increase in accounts payable	591	1,472	591	1,334
<b>Net bank and cash generated from operational activities</b>	<b>14,407</b>	<b>9,837</b>	<b>14,691</b>	<b>9,896</b>
<b>Cashflow from investment activities</b>				
(Increase) from fixed asset purchases	(6,858)	(15,209)	(6,858)	(15,270)
(Increase) in goodwill on purchase of investments	(149)	0	(149)	0
(Increase) in deferred charges	(1,352)	(882)	(1,352)	(882)
<b>Net bank and cash applied in investment activities</b>	<b>(8,359)</b>	<b>(16,091)</b>	<b>(8,359)</b>	<b>(16,152)</b>
<b>Cashflow from financing activities</b>				
(Decrease) increase in borrowings and financing	(719)	7,201	(1,065)	7,201
<b>Net bank and cash (invested) generated from financing activities</b>	<b>(719)</b>	<b>7,201</b>	<b>(1,065)</b>	<b>7,201</b>
Increase in bank and cash equivalents	5,329	947	5,267	945
Bank and cash equivalents at start of period	125,864	28,565	126,158	28,615
<b>Bank and cash equivalents at end of period</b>	<b>131,193</b>	<b>29,512</b>	<b>131,425</b>	<b>29,560</b>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### 29 EBITDA

	<u>Parent Company</u>		<u>Consolidated</u>	
	<b>March 31, 2005</b>	<b>December 31, 2004</b>	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Operational results	8,810	1,322	8,804	1,645
Adjustments:				
- Depreciation and amortization (costs)	8,059	5,980	8,059	5,980
- Depreciation and amortization (general and admin.)	993	579	1,325	716
- Net financial expenses	3,340	5,947	4,662	6,112
- Equity in income of subsidiaries	1,486	506	-	-
- Amortization of goodwill	<u>7,750</u>	<u>11,223</u>	<u>7,750</u>	<u>11,223</u>
EBITDA	<u>30,438</u>	<u>25,557</u>	<u>30,600</u>	<u>25,676</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

### 30 Shareholding at March 31, 2005

#### *Quarterly information at March 31, 2005 - Other material information*

##### *Shareholding*

The shareholding of the shareholders with more than 5% of shares with voting rights at March 31, 2005.

Name/Corporate name	Nationality	Common shares	%	Total shares	%
DASA Participações S.A.	Brazilian	30,745,723	57.35%	30,745,723	57.35%
Other shareholders	-	1,193,011	2.23%	1,193,011	2.23%
Outstanding shares in the market	-	<u>21,669,201</u>	<u>40.42%</u>	<u>21,669,201</u>	<u>40.42%</u>
Total		<u>53,607,935</u>	<u>100.00%</u>	<u>53,607,935</u>	<u>100.00%</u>

Distribution of the capital of the controlling company DASA Participações S.A. at March 31, 2005.

Name/Corporate name	Nationality	Common shares	%	Preferred shares	%	Total shares	%
Balu 460 Participações S.A.	Brazilian	28,519,986	51.00%	-	0.00%	28,519,986	36.96%
Platypus S.A.	Brazilian	27,401,562	49.00%	21,250,140	100.00%	48,651,702	63.04%
Caio Roberto Chimenti Auriemo	Brazilian	1	0.00%	-	0.00%	1	0.00%
Other shareholders	-	<u>8</u>	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>	<u>8</u>	<u>0.00%</u>
Total		<u>55,921,557</u>	<u>100.00%</u>	<u>21,250,140</u>	<u>100.00%</u>	<u>77,171,697</u>	<u>100.00%</u>

Distribution of the capital of the controlling company Balu 460 Participações S.A. at March 31, 2005.

Name/Corporate name	Nationality	Common shares	%	Total shares	%
Caio Roberto Chimenti Auriemo	Brazilian	1,748,594	100.00%	1,748,594	100.00%
Other shareholders	-	<u>1</u>	<u>0.00%</u>	<u>1</u>	<u>0.00%</u>
Total		<u>1,748,595</u>	<u>100.00%</u>	<u>1,748,595</u>	<u>100.00%</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

Distribution of the capital of the controlling company Platypus S.A. at March 31, 2005.

Name/Corporate name	Nationality	Common shares	%	Preferred shares	%	Total shares	%
Patrimônio Brasil Private Equity FMIA-CL	Brazilian	12,868,919	31.32%	-	0.00%	12,868,919	10.44%
Brazilian Analysis and Diag. Private Inv LLP	United Kingdom	11,248,270	27.38%	41,608,989	50.65%	52,857,259	42.89%
Latin Healthcare Fund LP	United States	3,637,303	8.85%	0,643,037	12.95%	14,280,340	11.59%
PP Participações S.A.	Brazilian	3,174,277	7.73%	-	0.00%	3,174,277	2.58%
OPCO Brazil Private Equity LLC	Cayman Islands	2,782,382	6.77%	1,147,820	1.40%	3,930,202	3.19%
Other shareholders	-	<u>7,378,289</u>	<u>17.96%</u>	<u>28,754,335</u>	<u>35.00%</u>	<u>36,132,624</u>	<u>29.32%</u>
Total		<u>41,089,440</u>	<u>100.00%</u>	<u>82,154,181</u>	<u>100.00%</u>	<u>123,243,621</u>	<u>100.00%</u>

Distribution of the capital of the controlling company PP Participações S.A. at March 31, 2005.

Name/Corporate name	Nationality	Common shares	%	Total shares	%
JRS Empreendimentos e Participações Ltda.	Brazilian	63,524	28.87%	63,524	28.87%
GB & Associados Adm.Consultoria Ltda.	Brazilian	55,490	25.22%	55,490	25.22%
Carol Administração Consult.Ltda	Brazilian	54,283	24.67%	54,283	24.67%
Lorema Administração Consult.Ltda	Brazilian	16,281	7.40%	16,281	7.40%
Asaigh Administração Consult.Ltda	Brazilian	11,039	5.02%	11,039	5.02%
CHR Empreendimentos e Participações Ltda.	Brazilian	11,000	5.00%	11,000	5.00%
Other shareholders	-	<u>8,383</u>	<u>3.81%</u>	<u>8,383</u>	<u>3.81%</u>
		<u>220,000</u>	<u>100.00%</u>	<u>220,000</u>	<u>100.00%</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

Distribution of the capital of the controlling company JRS Empreendimentos e Participações Ltda. at March 31, 2005.

<b>Name/Corporate name</b>	<b>Nationality</b>	<b>Quotas</b>	<b>%</b>	<b>Total shares</b>	<b>%</b>
Jair Ribeiro Silva Neto	Brazilian	2,269,402	99.97%	2,269,402	99.97%
Other shareholders	-	<u>598</u>	<u>0.03%</u>	<u>598</u>	<u>0.03%</u>
Total		<u>2,270,000</u>	<u>100.00%</u>	<u>2,270,000</u>	<u>100.00%</u>

Distribution of the capital of GB & Associados Adm.Consultoria Ltda. at March 31, 2005.

<b>Name/Corporate name</b>	<b>Nationality</b>	<b>Quotas</b>	<b>%</b>	<b>Total shares</b>	<b>%</b>
Giampaolo Maria Sisto Felice Baglioni	Brazilian	1,875,090	99.99%	1,875,090	99.99%
Other shareholders	-	<u>210</u>	<u>0.01%</u>	<u>210</u>	<u>0.01%</u>
Total		<u>1,875,300</u>	<u>100.00%</u>	<u>1,875,300</u>	<u>100.00%</u>

Distribution of the capital of the controlling company Carol Administração Consult.Ltda. at March 31, 2005.

<b>Name/Corporate name</b>	<b>Nationality</b>	<b>Quotas</b>	<b>%</b>	<b>Total shares</b>	<b>%</b>
Olimpio Matarazzo Neto	Brazilian	1,498,899	99.99%	1,498,899	99.99%
Other shareholders	-	<u>201</u>	<u>0.01%</u>	<u>201</u>	<u>0.01%</u>
Total		<u>1,499,100</u>	<u>100.00%</u>	<u>1,499,100</u>	<u>100.00%</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

(In thousands of Reais)

Distribution of the capital of the controlling company Lorema Administração Consult.Ltda. at March 31, 2005.

<b>Name/Corporate name</b>	<b>Nationality</b>	<b>Quotas</b>	<b>%</b>	<b>Total shares</b>	<b>%</b>
Luiz Otavio Reis de Magalhães	Brazilian	584,526	99.92%	584,526	99.92%
Other shareholders	-	<u>474</u>	<u>0.08%</u>	<u>474</u>	<u>0.08%</u>
Total		<u>585,000</u>	<u>100.00%</u>	<u>585,000</u>	<u>100.00%</u>

Distribution of the capital of the controlling company Asaigh Administração e Consult.Ltda. at March 31, 2005.

<b>Name/Corporate name</b>	<b>Nationality</b>	<b>Quotas</b>	<b>%</b>	<b>Total shares</b>	<b>%</b>
Round Mountain International Ltd.	British Virgin	4,813,626	97.95%	4,813,626	97.95%
Alexandre Teixeira de Assumpção Saigh	Brazilian	100,469	2.04%	100,469	2.04%
Other shareholders	-	<u>90</u>	<u>0.00%</u>	<u>90</u>	<u>0.00%</u>
Total		<u>4,914,185</u>	<u>100.00%</u>	<u>4,914,185</u>	<u>100.00%</u>

Distribution of the capital of the controlling company CHR Empreendimentos e Participações Ltda. at March 31, 2005.

<b>Name/Corporate name</b>	<b>Nationality</b>	<b>Quotas</b>	<b>%</b>	<b>Total shares</b>	<b>%</b>
Luiz Chrysostomo de Oliveira Filho	Brazilian	162,800	99.88%	162,800	99.88%
Other shareholders	-	<u>200</u>	<u>0.12%</u>	<u>200</u>	<u>0.12%</u>
Total		<u>163,000</u>	<u>100.00%</u>	<u>163,000</u>	<u>100.00%</u>

# Diagnósticos da América S.A.

## Notes to the interim financial information

*(In thousands of Reais)*

### *Shareholding at March 31, 2005*

#### *Controllers and Administrators*

<b>Shareholders:</b>	<b>Common shares</b>	<b>%</b>	<b>Total shares</b>	<b>%</b>
Controllers	31,938,730	59.58%	31,938,730	59.58%
Members of the board of directors	<u>4</u>	<u>0.00%</u>	<u>4</u>	<u>0.00%</u>
Total	31,938,734	59.58%	31,938,734	59.58%
Outstanding shares	<u>21,669,201</u>	<u>40.42%</u>	<u>21,669,201</u>	<u>40.42%</u>
Total shares	<u>53,607,935</u>	<u>100.00%</u>	<u>53,607,935</u>	<u>100.00%</u>