

**Operator:**

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everyone to the DASA 2Q09 earnings results conference call.

Today we have a simultaneous webcast that may be accessed through the website, www.dasa3.com.br. A slide presentation maybe downloaded from the website as well. There will be a replay facility for this call on the website for a week.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumption of DASA and on information currently available to the Company. They involve risks, uncertainties, and assumptions, because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions, and other operating factors could also affect the future results of DASA and could cause results to differ materially from those expressed in such forward-looking statements.

Today with us we have Mr. Marcelo Barboza, CEO, Mr. Fernando Janikian, CFO, Mr. Tharso Bossolani, Financial Director, and Mr. Felipe Rodrigues, Investor Relations Manager.

Now, I would like to turn the conference over to Mr. Marcelo Barboza, CEO. Mr. Barboza, you may begin your conference.

Marcelo Barboza:

Good morning and good afternoon, and welcome. Our performance was very strong in the 2Q, with gross revenue reaching R\$380 million, up 26%. The inpatient and outpatient market improved 27%, with same-store sales up 17%, as a consequence of higher equipment utilization.

An important highlight of the quarter was popular projects, up 88%. In the Lab-to-Lab market, sales were up 39%. In the public sector, we grew 12% and were able to land five new contracts. Even with the impacts of exchange rate devaluation and the costs of operational efficiency project, our EBITDA was up 21%. An important highlight of the quarter that indicates a new management focus is strong cash generation that led to net debt reductions of R\$61 million.

Now, I would like to ask our Vice-President and CFO, Fernando Janikian, to provide more details of our financial results.

Fernando Janikian:

Good morning. Starting with operating revenue, page four, please. You can note in the graph on the left that gross revenue has reached R\$379.9 million, 26.2% over the same period in 2008. Despite operating lower economic growth scenario now, the demand for our diagnostic services continues to grow.

Through the graph on the right, we can see the breakdown of the gross per line of business. Revenues, 27% increase in the outpatient and inpatient segments, 38.9% in Alvaro operation Lab-to-Lab, and 12.1% in Científica/Lab that is in the public sector.



The gross revenue growth in same-patient service centers was 16.7% and the organic growth, excluding acquisition, was 19.7% when compared to the same period in 2008.

Now, moving to the next slide, page five, operational revenue of inpatient and outpatient segment averages. Starting from the graph on the left, the revenue increased 27%, pushed by 41% growth in imaging services and 16.7% in clinical analysis. The imaging services revenue already represents 46.9% of the B2C segment revenue, showing an increase of 470 b.p. over the same period of 2008.

This performance growth reflects our investments in 16 new patient service centers in the last 12 months, the increase of the imaging equipment installed base, the recent acquisition of Maximagem, Cedec/Cedilab, and Unimagem companies, and the performance of existing patient service centers.

In the table on the right, you can observe from the yellow bars an increase in number of requisitions, reaching 2.7 million clients in the quarter, a new record for DASA, a growth of 17.4% over last year. There was also an increase of 8.2% in the average value per requisition, as we can see in the red line of the graph.

In the next slide, page six, operating revenue Lab-to-Lab and public segment B2B. As we have already seen in the first slide in the lab-to-lab segment, Alvaro's revenue has increased 38.9% over 2008, with an increase in its client base and also the growth in the average revenue per client. Alvaro has been offering a larger range of tests and also covering larger geographic areas.

In the gray bar on the left, we can see that Alvaro has surpassed the number of 3,300 client laboratories, increasing 17.9% over last year. We can also observe in the blue line of the graph an important growth of 17.8% in the average revenue per laboratory. This growth comes from an increase in requisition volume per laboratories.

In the public segment, Cientifica/Lab had increased its revenue in 12.1% in this quarter. Cientifica/Lab has widened the services within the existing clients, reaching a growth in revenue per client of 21.6%, as compared to the same period of 2008. In this quarter, five new contracts were added to the client base.

We are going to next slide, page seven, gross margin and cash costs. In this quarter the gross margin increased 10 b.p. when compared to last year. The graphs below show a reduction in cost in the B2C segment of 50 b.p. and then an increase of 170 b.p. in the B2B segment. This increasing in the segment comes from Lab-to-Lab operation, Alvaro, as we have said in the last quarter conference calls, the impact on Alvaro's margin is related to a lower flexibility to repay suppliers and production platforms. As a remainder, Alvaro has a mix of tests of higher complexity and we look forward to improvements in the margins during the 2H.

The next page, number eight, cash expenses. As you can see in the chart below, there was a concentration of 100 b.p. in expenses. This concentration comes from other revenues and operating expenses and is related to the recovering of expenses and some provisions reversal, which were much lower than compared to the same period of last year. G&A expenses showed a dilution of 20 b.p., even considering a larger investment in cost serving, call center, and in medical knowledge.



Next slide, page nine. From this quarter on, we are creating a policy for doubtful account provisioning in order to be more conservative regarding our credits. The new policy is demonstrated in the table below and led to an additional charge of R\$45.7 million to doubtful accounts reserve, booked in this quarter's results. The new policy consists in a percentage of provision according to the aging of overdue grosses from 91 days on. Due to the high complexity in payment and collections in the health care sector, DASA's transactions volume and the high number of clients, the rule is applied in a generic way to all overdue, except for large clients, which are individually analyzed.

This new policy will be more transparent and objective to allow us to measure the performance in the accounts receivable area. We would like to remind that this is a one-time non-cash event.

Next slide EBITDA, EBITDA in the quarter has reached R\$80.3 million, an increase of 20.9% over the same period of last year. EBITDA margin reached 23% in this quarter.

Please, moving to next slide, page 11, CAPEX. Investment in CAPEX has totaled R\$19.4 million in the quarter, mainly directed to new patient service centers, medical equipment, and IT. The cumulative CAPEX for the year is R\$41 million.

Now, please, go to slide 12, net debt. Average net debt reduced to R\$512.1 million in the quarter due to the appreciation of the Real against USD and also by a higher cash generation of R\$86.6 million. The working capital has shown an important improvement in the quarter, R\$31.2 million, as a result of the collection efforts and improvement of processes with large clients. The higher cash generation allows us to repay short-term debt with higher costs.

In this quarter, we changed the cash investment policy in order to reduce financial costs. Until last quarter we were concentrated on the United States T-Bills. In the lower chart on the right we demonstrate the new investment profile. This new profile has an average yield of 5.7%.

On the next page, we demonstrate the net financial expenses straight down. Here we highlight the positive exchange rate variation of R\$45.8 million and expansion in international notes of R\$43.6 million, including the negative impact of mark-to-market of default swap in the amount of R\$31.3 million.

OK. I would like to call in Marcelo.

Marcelo Barboza:

The 2Q, a great amount of energy was dedicated to a few projects that will increase our operational efficiency. One important project is the strategic and operational diagnostics that we are running with the support of Galeazzi & Associados. We also advanced in the project to integrate our central labs, with the support of the consulting firm Integration. Another very important initiative aims to improve the utilization of our imaging assets. This is a project that is important in the way we operate our call center and the mindset and message of the patient service center managers, who are now focusing on the return on invested capital.

Strategic management of prices marked the departure from the way the Company operated in the past. We understand that this will be a major and difficult task, but we



are determined to approach in an organized and analytic way. Two other key projects are IT management and working capital and invoicing. It is important to make this clear that this management team is not satisfied with DASA's current level of performance. Over the last two months, I personally met with over 200 doctors and managers, communicating the needs of a higher sense of urgency and better return on invested capital.

DASA has dispersed ownership, and a company without clear owners needs to have an owner mindset in working managers. And to have an owner mindset, you need the right metrics and incentives and a greater level of accountability. We are determined to move in this direction and confident in the results.

We will now go to the Q&A session. Thank you.

Lucy Miller, Blue Bay:

Hi. Thank you very much for the call. I just wanted to ask a couple of questions. Firstly, whether you are sticking to your original projections for 2009 and what your feelings were. Whether you are going to grow 18% to 24% over last year, and if so how you expect the next two quarters to shape up in terms of revenues? And also, if you could just talk me through the reasons behind your cash balance, your cash balance decreasing over the quarter, that would be great. Thank you.

Marcelo Barboza:

Hi. We are still indicating that we will grow within the range that we have indicated in the past, the 18% to 24%. We will probably be very close to the top of this range. We saw strong growth in the 1H, but in the 2H we are seeing that we are going to grow a little slower, and so the overall 2009 growth will be close to the top of the range. OK. I did not quite listen to your second question, because the call was not so clear. Could you repeat, please?

Lucy Miller:

Yeah, sure. No problem. Typically, your cash balance, I think, your cash decreased from R\$395 million at the end of the 1Q to R\$314 million at the end of the 2Q. I was just wondering if you could talk me through where that cash is going, because I see that you have actually been positive with your cash generation over the quarter?

Marcelo Barboza:

Cash generation has been a very important focus since the beginning of the year. We not only want to manage our margin, but also our balance sheet. Where we have been restructuring our receivables area, putting service centers in place, and because of this very good result in the 2Q, we expect to have also good results in the rest of the year.

Lucy Miller:

OK. Thank you.



Fernando Janikian:

Just complementing Marcelo's answer, we have kept most of the money from the bond issuance of 2008 in USD, and the Real appreciated over the last quarters. So, this is the main reason why we see a cash reduction from the 1Q to the 2Q.

Lucy Miller:

Great. Thank you very much.

Jason Santos, Merrill Lynch:

Good morning, everyone. I was just wondering, Marcelo, if you could comment a little bit on the very strong growth that you have in the number of requisitions, part of it coming from the maturation of some units and efficient as well. But on a more broader perspective of the growth in demand at the market as a whole, we see that people are discussing the possibility for you to have part of this growth coming from the fact that people were willing to utilize your healthcare plans and to make more exams, which is the so-called "moral hazard". Do you see that for the remainder of the year this additional demand should continue? How are you seeing the evolution of requests in the 3Q and what are your expectations for the next 12 months? Thank you.

Marcelo Barboza:

Yeah, the "moral hazard" point is always tough for us to measure. It is much easier for the insurance companies, because they know the level of usage by customer. We did not see any slowdown yet, as I mentioned in the previous answer. We believe that the 2H is not going to be as strong as the 1H, but we are still seeing very strong volumes.

And the volume, because when you think about volume, there are two important things. One thing is the volume that comes from the market, which is that the demand that you see in the market, and the second important thing is how you capture this demand, and these things are very important factor in the imaging business. We were working with not optimal no-show levels. We are reducing that. We are re-working our call center. So, we want to make sure we use the demand and capture the demand that is coming from the marketplace. But no, we are not seeing any major slowdown; volumes have been good. July, again, we saw good volumes.

Jason Santos:

Thanks, Marcelo. And the second question would be on the margins, you were saying here in the presentation that you see much better position in terms of margins for the next 18 to 24 months, you have discussed with us before that the Company always had this kind of long-term speech of reaching margins closer to the 27% to maybe 30% levels. Do you see that this level of margins could be achievable in this timeframe here of 18 to 24 months?

Marcelo Barboza:

Yeah, you know, this has been a recurring comment, but what I can tell you is that we have very clear projects. We have two new projects, we are working with outside consulting firms. We have already identified the potential gains from each project and



we are reviewing this project on a weekly basis, and so we are making sure we are executing on them. So, we have a clear road map and we are very confident, all of us being very confident. I believe the Board is also very confident that we will be able to deliver what we are promising.

Jason Santos:

OK. Thank you.

Operator:

This concludes the question and answer session. At this time, I would like to turn the floor back to Mr. Marcelo Barboza, CEO, for any closing remarks.

Marcelo Barboza:

Well, thank you very much for your participation. We look forward to see you in the 3Q call with even better results, we are confident on that. Thank you very much.

Operator:

Thank you. This concludes today's DASA 2Q09 earnings results conference call. You may now disconnect your lines.

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