

Diagnósticos da América S.A.
(Publicly-held company)

Consolidated financial statements
December 31, 2008 and 2007
(With independent auditors' report thereon)

Diagnósticos da América S.A.

Consolidated financial statements

December 31, 2008 and 2007

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Management report

Dear Shareholder,

The year 2008 was highlighted by the consolidation of DASA's position in the diagnostic medicine market, by means of the investments in the organic expansion and acquisitions that enhanced the strategic basis of the company - multi-brand, multi-product, multi-region, multi-payer and multi-market.

The success in the implementation of the expansion strategy for each segment is reflected in each DASA's line of business. In the outpatient & inpatient segment we have closed the year with two important acquisitions to DASA's Strategy: (i) Maximagem laboratory, complementing the image services range of the Standard brands in São Paulo; (ii) CEDIC/CEDILAB laboratory, starting point of DASA entrance in the city of Cuiabá, offering clinical analysis and imaging services. Furthermore in this segment, we have signed a purchase agreement with Unimagem in the city of Fortaleza, finalized in January 2009. Besides, in the organic expansion front, we have opened 17 new PSCs, one of them in the largest private hospital in the city of Porto Alegre, and we continue introducing imaging services in the existing PSCs.

In the lab-to-lab segment, Alvaro has surpassed 3,000 laboratories attended, representing an increase of 26.6% of the existing base at the end of year, with an increase of 12.3% in the number of requisitions processed by lab.

In the public sector, we have extended our services with current clients, reaching 747 outpatient & inpatient collection points. During the year, we have expanded our services to the city of Vitória and we signed an agreement with the Government of Rio de Janeiro to operate the imaging services in 5 hospitals.

As a result, the Gross income of the year reached R\$ 1,237 million, representing an increase of 32.9% over 2007. This way, we have presented an increase in all lines of service and markets where we are acting: 58.7% in the public segment, 38.0% in the lab-to-lab segment and 21.9% in the outpatient & inpatient segment, highlighting the growth of 36.7% in imaging services.

In 2008, the cash gross profit totaled R\$ 441.5 million, an increase of 33.0% over 2007, and the gross margin of the period reached 38.8%, with earnings of 0.2 p.p.. This increase in our margins is derived, mainly, from the increase in the volume of patients and tests, a higher income per attendance, obtainment of synergies in the recent acquisitions and maturity of new PSCs.

Besides, the operational expenses have totaled R\$ 163.1 million in 2008, representing a dilution of 1.3 p.p. over last year, due to the dilution of the Parent company expenses (-1,2 p.p.).

As a result of the continuous dilution in costs and SG&A expenses, the adjusted EBITDA had an increase of 40.8% over last year, reaching R\$ 278.4 million in 2008, with a margin of 24.5%, representing an expansion of 1.5 p.p. year by year.

To support this increase in the next years, we are investing R\$ 148.9 million in CAPEX which are being, mostly, directed to: (i) construction of new PSCS, (ii) redesign the size and model of the existing PSCs to attend the demand, (iii) enlargement of the call center, (iv) purchasing of image equipment, (v) implantation and development of the production and attendance system, (vi) assembling of basic attendance PSCs in Rio de Janeiro (UPA - Unidade de Pronto Atendimento- Emergency Attendance Unit).

After the success of the issue of 10 year international notes in the amount of US\$ 250 million, at the end of 2008 we have reached the cash position of R\$ 502.7 million, which will be used to: (i) take advantage of the opportunities for the acquisition of new brands; (ii) continue the organic expansion of the existing brands; and (iii) overcome the challenges of the next years, facing the scenario of credit shortage. Furthermore, we will continue to be compromised with the integration of recent acquisitions, the consolidation of the production and administration areas, and with a continuous decrease in costs through a management focused in delivering solid results and in creating a sustainable value for the shareholders, in the future.

Our Company is aiming to attract and maintain our talents, investing in technology enabling our talents to carry out efficient and safe process, resulting in diagnostic tests above our clients' expectations, which are the source of our financial and economic success.

Economic Conjuncture

Sources: Instituto Brasileiro de Geografia e Estatística (IBGE) and Banco Central do Brasil

The year 2008 was stressed by the development of the financial crisis in the States, initiated in August 2007. The effects of the international financial crisis were not substantially apparent for the Brazilian economy during the first three quarters in 2008. But, in the middle of September, the financial crisis has generated a decrease in the global credit, rapidly reaching the Brazilian economy through the credit channel. Therefore, the international lines of credit were substantially reduced, leading the companies to search for internal resources, causing a liquidity problem in our financial system.

This situation, besides a larger flight of capital caused by risk averse investors, and profits and private dividend remittance abroad have created an unsteadiness in foreign currency offer and demand, leading to a devaluation in the exchange rate between Real and American dollar, pushing up the price of Real from R\$ 1.60/US\$ to close at R\$ 2.33/US\$ in December 2008. This effect, by its own, could lead to financial losses for the companies that have indebtedness in foreign currency or those that have their assets in foreign currency.

During 2008, despite the global financial crisis, the Brazilian economic activity continued growing in an accelerated way. According to IBGE, the Gross Domestic Product (GDP) rose 1.8% in the 2Q08 compared to the last quarter, expanding 6.9% in 12 months - the largest since 2004. The main component of this expansion was again the local demand that increased 6.9% in 12 months, and the investment that reached a growth of 20.1%.

The performance of the labor market remains favorable, but showing signals of accommodation in the generation of formal employment. The unemployment rate in the six metropolitan regions covered by the Monthly Employment Survey (PME) has been reduced from 7.6% in August and September to 7.5% in October, versus 8.7% in October 2007. The rate registered in October is the second lowest in the whole series, higher only of the last December rate, which was 7.4%. With this, the average unemployment rate in the first ten months of the year was 1.6 p.p. inferior to the rate observed in the same period in 2007. In the out of season series, the rate is 7.6%, the same percentage registered in September, a level historically reduced.

According to IBGE, the inflation measured by the main Consumer Price Index (IPCA) is decelerating and closed the year in 5.9%, i.e., within the target delimited by the National Monetary Council of 4.5% with an up or down interval of 2 p.p. However, the food price, with a weight of 22.76% in the index, has put pressure over the IPCA of the year, contributing with 2.42 pp, or similarly, 41% of the index in 2008.

COPOM considers that the consolidation of restrictive financial conditions for a longer period could highly enlarge the effects of the monetary policies over the demand, and in a long term, over the inflation. However, the evaluation of risks that proceed to the inflationary dynamics, derived from the persistency of an increase in the inflation rate observed in this year and from the consequences of the process of adjustment of the payment balance, are predominantly conditioning the different possibilities that arose to the monetary policy. Therefore, the majority of COPOM members have decided to maintain the Selic (market interest rate) in 13.75% per year, based on the risk balance for the economic activity and, consequently, for the inflationary scenario in 2009.

Comments about the sector of health and diagnostic medicine in Brazil

Sources: National Agency of Health (ANS) and IBGE

The demand for healthcare services in Brazil has been growing consistently. The first reason for this positive evolution is the increase in life expectation of the Brazilian population - from 54.6 years in 1960 and 62.6 in 1980, to 72.3 years in 2006, thanks to a wider access to healthcare, to vaccination campaign, to the enlargement of years of instruction, the prevention of illnesses and to the progress of Medicine. Besides, the increase in the population income and the access of a larger portion of the population to the healthcare plans, have intensified the demand for healthcare services.

According to the information of the magazine of supplementary health of ANS (Health National Association) published in December, the market of healthcare plans showed a growth of 4.6%, in the first nine months of 2008. The entrance of new beneficiaries in the market and the migration from old plans to new ones, have contributed for the increase in the participation of new plans (72.7% in September 2008 versus 70.5% in December 2007).

In the last years, the increase in number of beneficiaries linked to health care plans has surpassed the number of the Brazilian population, increasing the percentage of Brazilian that hold a healthcare plan from 19.7% in 2000 to 21.5% in 2008.

As for the healthcare plan assistance segmentation, it is observed the expressive majority of beneficiaries with inpatient intention, a characteristic that has been steady during these years. Another characteristic of the market is the predominance of collective contracts for healthcare plans. In September, 73.5% of beneficiaries of the healthcare assistance were linked to collective plans.

The distribution of beneficiaries, however, is still concentrated in the state capitals and in the South and Southeast regions, where the economy is more dynamic and the offer for formal

employment is larger. 60.2% of the current operators are acting in the Southeast region, 16.2% in the South, 14.5 in the Northeast and 9.1% in the North and Middle West regions.

The revenue of private healthcare companies' attendance is growing alongside the last years. In 2007, the total revenue of the private healthcare plan sector was of R\$ 51.0 billion Reais, representing a growth of 21.6% when compared to previous year.

The market of diagnostic medicine bears as its operational characteristic, the application of medical technology, and the large research centers are in charge of the research and development, which are dedicating their time to the improvement of new tests and equipment with higher processing capacity and higher precision in the results. The pulverization of the Brazilian market, where 19 thousand labs are in action, raises a series of opportunities for consolidation, organic expansion and rendering of support services from the side of the largest companies, which have better conditions to offer these new tests to smaller labs, as they have more access to high technology, less operational costs and better capacity to generate medical knowledge.

We are passing through a moment of great opportunities for the Diagnostic Medicine market. During the last decades, Medicine was focused in treatment of diseases and pain relief. With the growth and ageing of the population, the development of the economic situation and, mainly, with the easy dissemination of medical knowledge (by internet or other media), Medicine is moving the focus to the early detection, to the prevention of diseases and, more recently, to therapies adapted to the individual (customization of the use of drugs and medicines). This is a change that causes a substantial increase in the use of Diagnostic Medicine, leading to an improvement in the quality of life of people and to an important reduction in the cost of medical attendance

The pulverization of the Diagnostic Medicine market in Brazil raises a series of opportunities for consolidation, organic expansion and rendering of support services from the side of the largest companies, which have better access to high technology, less operational costs and better capacity to generate medical knowledge

Comments about the performance and investments

Gross Operational Revenue

In 2008, DASA has strengthened its position in the diagnostic medicine market with the consolidation of investment in the recent periods, in organic expansion as well as in acquisitions. With this, the gross revenue has reached R\$ 1,237 million, representing a yearly growth of 32.9%. The 4Q08 gross revenue reached R\$ 321.9 million, a growth of 28.4% over 4Q07.

In the outpatient and inpatient segment, the opening of PSCs, the introduction of new imaging tests and the acquisition of Med Imagem, Maximagem and Cedec/Cedilab laboratories have contributed to an increase of 21.9% in the revenue of this line of services over the same period of 2007. In the Quarter, the growth in this line of service reached 25.6% over the 4Q07. In the lab-to-lab segment, the expansion of new regions, the inclusion of new clients and a larger offer of tests have led Alvaro's operations to reach a yearly growth of 38.0%. In the 4Q08, the gross revenue of this laboratory increased 39.1% over the 4Q07. In the segment of public sector, the gross revenue of CientificaLab reached R\$150.3 million in 2008, representing a pro-forma growth of 58.7% versus 2007. In the 4Q08, this growth reached 41.6% versus the same period in 2007. The results obtained in the public sector reflect mainly the extension of the existing services, the addition of new attendance points to the existing contracts and the maintenance of the current base of clients.

The revenue of the same units increased 10.3% year by year and 13.5% over the 4Q08, reflecting the increase in the demand for our diagnostic services. This increase is based in a larger dissemination of health awareness, generating a demand for illness prevention (forethought diagnostics), ageing and social-economic development of the population.

In the last 12 months, we have opened 17 new PSCs, 1 Mega Unit and 16 Standard. One of these PSCs represented the first operation in the region of Porto Alegre rendering services to one of the largest private hospital of the region. In the 4Q08, 4 Standard PSCs were opened, totalizing 324 PSCs at the end of the quarter. Besides these, we are projecting the opening of 7 new PSCs, already under construction, during the year 2009. In the lab-to-lab segment, we have surpassed 3 thousand laboratories attended and in the public sector we have reached 747 points of collection.

As a consequence of the multi-region, multi-brand and multi-market strategy, we can note a diversification of the payer's base. As seen in 2008, the accelerated growth of the B2B segment has resulted in the dilution of the participation of other payers, reaching 20.6% of our gross revenue. Besides, the increase of 1.5 p.p. in the hospital share is due to the opening of new inpatient units, highlighting two hospitals of the São Camilo chain and Mãe de Deus (Porto Alegre). The maintenance of the private share was due to the Popular Lab project growth. At the same time, the maintenance of the group medicine share is related to the profile of payers from recent acquisitions, where those represent a high percentage of the revenue.

Costs and cash gross profit

In 2008, the costs of services totaled R\$ 696.0 million, equivalent to 61.2% of the net revenue. This percentage represents a dilution of 0.2 p.p. when compared to the 2007 costs. This result reflects the earnings obtained in the B2C segment with the maturity of the PSCs opened and the early obtainment of synergies in the acquired labs, as well as in the B2B segment with the integration of CientíficaLab operations acquired in July 2007. The variations on the line of personnel, materials, services and utilities and general expenditures are due to the evolution of each segment and to the difference between their costs structure. The main difference is in the attendance, where the B2C segment has collection units and all costs related to this operation, showing its main costs as personnel and services and utilities. At the B2B segment its main cost is material, as it does not have the collection unit, but only the processing of tests.

The B2C segment has shown an increment of 0.2 p.p. in the cash gross margin year by year. This dilution is a consequence of a more advanced stage in the maturity curve of the 35 new PSCs opened in the last 18 months, being 27 standards and 8 mega and the process in obtaining the synergies in the labs acquired, through the consolidation of their operations. As shown during the year, we can observe the dilution in fixed costs, caused by the opening of PSCs and new acquisitions, even considering a strong seasonality in the last quarter of 2008.

The B2B segment has shown a dilution of costs of 1.0 p.p. year by year, deriving from the growth of the volume of the tests attended and processed by Alvaro and CientíficaLab that has been generating gains in scale and synergies in the production platforms. It is important to point out that CientíficaLab was acquired and added to the structure of B2B segment in July 2007, influencing the comparison of costs year by year, as there is a difference in the attendance structure of these two laboratories. With this, the accelerated growth of CientíficaLab caused the dilution of 4.0 p.p. in 2008 to be diminished within the consolidated of the segment. In the same way, Alvaro lab showed a dilution of 1.5 p.p. in the cash costs when compared to 2007, certifying the gain in scale and the maturity of both laboratories operations.

In 2008, the cash gross profit totaled R\$ 441.5 million, an increase of 33.1% over 2007, and the gross margin of the period was of 38.8%, with earnings of 0.2 p.p.

Cash operating expenses

Operating expenses totaled R\$ 163.1 million in the 2008, representing a dilution of 1.3 p.p. over the last year, due to a dilution in the parent company's expenses, partially compensated by an increase in the subsidiaries' expenses (-1.2 p.p.).

EBITDA

In 2008, EBITDA totaled R\$ 245.4 million, versus R\$ 179.5 millions in 2007, with a margin of 36.7% moving up by 21.6%. Excluding non-recurring expenses, Adjusted EBITDA reached R\$ 278.4 million in this year, accompanied by a margin of 24.5% and an increase of 40.8% compared to the previous year.

Net Profit

In 2008, the net loss totaled R\$ 13.0 million, affected by the larger level of financial expenses deriving from new capitations and by the larger level of expenses with depreciation and goodwill amortization, caused by investments on acquisitions and organic expansion.

Investments

During 2008, the investments in CAPEX have totalized R\$ 148.9 million, R\$ 101.3 of which were directed to the parent company and R\$ 47.6 million to the subsidiaries.

The investments in 2008 were directed as follows: (i) Construction of new units; (ii) Enlargement and refurbishing of the existing PSCs to attend the demand; (iii) The enlargement of the call center; (iv) Purchase of imaging equipment, (v) Implementation and development of the production and attendance system; (vi) Set-up of attendance units in Rio de Janeiro (UPA - Unidade de Pronto Atendimento).

Indebtedness

DASA's net debt totaled R\$ 541.7 million in 2008. Around 81.6% of DASA's total indebtedness is long term and 60.7% are denominated in foreign currency.

From our net debt in 2008 of R\$ 238.9 million in foreign currency, 85.9% is hedged by swaps in order to avoid exposure to exchange rate fluctuation.

The increase in assets and indebtedness in foreign currency reflects the issue of 10 year international notes in the amount of US\$ 250 million in May 2008. The debt in foreign currency is also related to equipment financing, while the debt in local currency comes largely from debentures.

Information to Shareholders

DASA's shares closed the year at R\$ 22.48 millions, accumulating a fall of 39.20% in this year, versus 40.2% drop of the Ibovespa Index. Between January and December 2008, DASA shares were transacted on 100% of Bovespa's trading sessions, summing up to a financial volume of R\$ 2.2 billion (daily traded average of R\$ 8.2 million).

Highlights

Acquisition of equity interests in the Period

During the 4Q08, the Company has increased the number of subsidiaries under its control, through the acquisition of new companies.

1. Grupo Maximagem

In November 2008, DASA acquired the totality of representative quotas of Grupo Maximagem capital, a company that renders imaging diagnostic services in the cities of São Paulo and Santo André.

Maximagem is one of the largest companies of imaging diagnostics services in São Paulo. Its operations run in seven units: six in São Paulo, being 2 inpatients and one in Santo André, also inpatient. With the acquisition of Maximagem, DASA is strengthening its position in the State of São Paulo and increasing its market share of imaging diagnostics services.

2. CEDIC/CEDILAB

In December 2008, DASA acquired the totality of the representative quotas of Cedic Group ("Cedic"), and the Centro Médico de Diagnóstico Laboratorial Ltda. ("Cedilab") quota capitals, whose companies render imaging diagnostic services and clinical analysis in the cities of Cuiabá (Mato Grosso State) and Várzea Grande (Mato Grosso do Sul State), respectively.

Cedic and Cedilab are the largest companies of imaging diagnostics services and clinical analysis in the city of Cuiabá, besides being a reference in the medical area of the region. Their operations are run in seven units, three of them with imaging services.

With the acquisition of Cedic and Cedilab, DASA initiates its operations in the State of Mato Grosso and strengthens its market share in imaging diagnostics services and clinical analysis.

3. Unimagem

In December 2008, DASA signed an agreement to acquire the totality of the representative quotas of Unidade Cearense de Imagem Ltda. (“SOCIEDADE”) capital, a company that renders imaging diagnostic services in the city of Fortaleza.

The effectiveness of this acquisition is subject to the verification of some suspensive conditions, which were concluded in January 2009.

Unimagem is one of the largest companies of imaging diagnostics services in the city of Fortaleza. With this acquisition, DASA strengthens its position in the state of Ceará, where it already offers the services of clinical analysis through the brand LabPasteur, complementing its participation with the imaging diagnostics services.

DASA renovates the participation in the Corporate Sustainability Index - Índice de Sustentabilidade Empresarial da Bovespa (ISE)

In December 2008, DASA’s shares were confirmed to participate for the fourth year in the Bovespa’s portfolio of ISE - Corporate Sustainability Index. This index is designed to measure the return on a portfolio composed of shares of companies highly committed to social responsibility, corporate sustainability and good economic performance.

DASA is part of the index since its launching, in November 2005, together with the shares of other 28 companies.

Relationship with independent auditors

In accordance to CVM Instruction 381/2003, the Company has contracted services not related to external auditing in the amount of R\$ 174,1 thousand, representing 8.7% of the total fees of external auditing contracted in 2008. These short term services were carried out during the year and were related to the consulting in the description of profiles for the positions and assessment of the candidates for the final decision for the Company’s Administration. The Company, in discussions with its independent auditors, has concluded that these services did not affect their independence and objectivity. The Company adopts the policy of attending the rules that define the restriction of services of the independent auditors.

The financial information presented herewith are based on accounting practices adopted in Brazil and are an integral part of the audited financial statements. The non-financial information, as well as other operating information, was not subject to the auditing by our independent auditors.

Commitment Clause

The company is bound to the arbitration of the Market Arbitration Chamber, according to the commitment clause included in company Articles of Incorporation.

Independent auditors' report

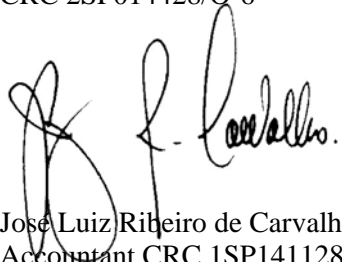
To
The Board of Directors and Shareholders
Diagnósticos da América S.A.
São Paulo - SP

1. We have audited the accompanying consolidated balance sheets of Diagnósticos da América S.A. and its subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of income, changes in shareholders' equity, cash flows and added value for the years then ended, which are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. We conducted our audits in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by the Management of the Company and its subsidiaries, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diagnósticos da América S.A. and the consolidated financial position of this Company and its subsidiaries as of December 31, 2008 and 2007, and the results of their operations, changes in shareholders' equity, cash flows and added values for the years then ended, in conformity with accounting practices adopted in Brazil.
4. As per Note 2, the accounting practices adopted in Brazil were altered and the modifications became effective as from January 1, 2008. The financial statements for the year ended December 31, 2007, which are presented for comparison with the financial statements for the year ended December 31, 2008, were prepared in accordance with the accounting practices adopted and effective in Brazil up to December 31, 2007 and, as allowed by Technical Pronouncement CPC 13 - Initial Adoption of Law 11638/07 and of Provisional Measure 449/08, they were not restated for the changes from the new accounting practices.

5. Accounting practices adopted in Brazil vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 30 to the consolidated financial statements.

March 12, 2009

KPMG Auditores Independentes
CRC 2SP014428/O-6

A handwritten signature in black ink, appearing to read "José Luiz Ribeiro de Carvalho". The signature is stylized and cursive.

José Luiz Ribeiro de Carvalho
Accountant CRC 1SP141128/O-2

Diagnósticos da América S.A.

Consolidated balance sheets

December 31, 2008 and 2007

(In thousand of Reais)

Assets	2008	2007	Liabilities and shareholders' equity	2008	2007
Current assets			Current liabilities		
Cash and banks	15.842	22.971	Accounts payable to suppliers	58.897	52.790
Marketable securities	476.382	23.398	Loans and financing	114.956	97.968
Trade accounts receivable, net	263.704	205.275	Taxes and contributions payable	18.654	9.899
Inventories	38.916	33.475	Income tax and social contribution	1.282	6.587
Recoverable and deferred taxes	68.965	37.843	Deferred income taxes	858	-
Derivatives	2.372	-	Salaries, social security charges and vacation payable	47.111	35.549
Other accounts receivable	13.066	11.132	Payment of taxes in installments	6.130	6.778
Prepaid expenses	2.232	1.678	Accounts payable from acquisition of subsidiaries	8.228	9.688
	<u>881.479</u>	<u>335.772</u>	Debentures	74.462	5.511
			Dividends payable	5	13.447
			Other accounts payable	<u>24.489</u>	<u>17.231</u>
				<u>355.072</u>	<u>255.448</u>
Noncurrent assets			Noncurrent liabilities		
Noncurrent assets			Loans and financing	690.529	100.310
Marketable securities	73.732	80.720	Payment of taxes in installments	16.179	15.083
Deferred taxes	74.838	48.529	Deferred income taxes	8.415	-
Prepaid expenses	1.346	2.249	Provision for contingencies	98.510	81.417
Judicial deposits	3.288	7.243	Accounts payable from acquisition of subsidiaries	67.764	50.630
Financial instruments	27.428	-	Debentures	<u>135.000</u>	<u>202.500</u>
	<u>180.632</u>	<u>138.741</u>			
Investments	216	117		<u>1.016.397</u>	<u>449.940</u>
Property and equipment	473.558	404.081	Non-controlling interests	<u>1.612</u>	<u>688</u>
Intangible assets	316.098	298.811	Shareholders' equity		
Deferred charges	-	40.934	Capital	402.091	402.091
	<u>789.872</u>	<u>743.943</u>	Capital reserves	65.427	65.427
	<u>1.851.983</u>	<u>1.218.456</u>	Retained earnings	<u>11.384</u>	<u>44.862</u>
				<u>478.902</u>	<u>512.380</u>
				<u>1.851.983</u>	<u>1.218.456</u>

See the accompanying notes to the financial statements

Diagnósticos da América S.A.

Consolidated statements of income

Years ended December 31, 2008 and 2007

(In thousand of Reais)

	2008	2007
Gross revenue	<u>1.237.008</u>	<u>930.687</u>
Deductions from gross revenue		
Sales taxes	(73.257)	(52.573)
Discounts	<u>(26.226)</u>	<u>(19.294)</u>
	(99.483)	(71.867)
Net operating revenues	<u>1.137.525</u>	<u>858.820</u>
Cost of services rendered	<u>(780.101)</u>	<u>(584.594)</u>
Gross profit	<u>357.424</u>	<u>274.226</u>
Other operating income (expenses)		
General and administrative	(211.474)	(171.587)
Financial expenses	(144.096)	(63.708)
Financial income	60.392	41.226
Goodwill amortization	(73.161)	(53.255)
Other net operating income	<u>6.380</u>	<u>2.099</u>
	<u>(361.959)</u>	<u>(245.225)</u>
(Loss) profit before income taxes	(4.535)	29.001
Income and social contribution taxes	<u>(7.519)</u>	<u>28.031</u>
Net income loss before non-controlling interests	(12.054)	57.032
Non-controlling interests	<u>(926)</u>	<u>(411)</u>
Net (loss)/income for the year	<u>(12.980)</u>	<u>56.621</u>
Net (loss)/income per share - R\$	<u>(0,23)</u>	<u>0,99</u>
Number of shares at year end	<u>57.402.935</u>	<u>57.402.935</u>

See the accompanying notes to the financial statements

Diagnósticos da América S.A.

(Public Company)

Statements of changes in shareholders' equity

Years ended on December 31, 2007 and 2008

(In thousand Reais)

	Capital	Capital reserves	Retained earnings		Accumulated Profits (Losses)	Total
			Legal	Profit Retention		
Balances at December 31, 2006	402.091	65.427	111	-	1.577	469.206
Net income for the year (as originally presented)	-	-	-	-	56.621	56.621
Distributions						
Legal reserve	-	-	2.831	(2.831)	-	-
Retained earnings reserve	-	-	-	58.198	(58.198)	-
Dividends	-	-	-	(13.447)	-	(13.447)
Balances at December 31, 2007	402.091	65.427	2.942	4.192	-	512.380
Adjustments to initial adoption of Law 11638/07	-	-	-	-	(20.498)	(20.498)
Balances at December 31, 2007 after adjustments of Law 11.638/07	402.091	65.427	2.942	41.920	(20.498)	491.882
Net loss for the year	-	-	-	-	(12.980)	(12.980)
Distributions						
Retained earnings reserve	-	-	-	(33.478)	33.478	-
Balances at December 31, 2008	<u>402.091</u>	<u>65.427</u>	<u>2.942</u>	<u>8.442</u>	<u>-</u>	<u>478.902</u>

See the accompanying notes to the financial statements

Diagnósticos da América S.A.

(Public Company)

Consolidated statements of cash flows - Indirect Method

Years ended December 31, 2007 and 2008

(In Thousand Reais)

	2008	2007
Cash flows of operating activities		
Net (loss)/income for the year	(12.980)	56.621
Adjustments to		
Depreciation and amortization	93.028	73.283
Amortization of goodwill	73.161	53.255
Additions to provision for contingencies	9.760	7.630
Deferred taxes	(19.499)	(57.850)
Interest and monetary variation on loans	255.852	27.826
Profit on sale of permanent assets	5.552	2.741
Non-controlling interests	926	411
Changes in Assets and Liabilities		
(Increase) in accounts receivable	(54.671)	(55.279)
Decrease in inventories	(23.667)	(21.629)
(Increase) other current assets	(4.969)	(1.099)
(Increase) other non-current assets	(9.805)	(59.838)
Increase in suppliers	3.037	12.149
Increase in accounts payable and provisions	22.881	52.185
Net cash provided by operating activities	<u>338.606</u>	<u>90.406</u>
Cash flows provided by investment activities		
Dividends paid	-	(13.447)
Acquisition of fixed assets	(133.207)	(173.882)
Acquisition of intangible assets	(15.784)	(14.947)
Additions to deferred assets	-	(25.189)
Acquisition of Maximagem subsidiary	(33.348)	-
Acquisition of Cedic subsidiary	(24.178)	-
Acquisition of Cedilab subsidiary	(7.834)	-
Acquisition of Exame subsidiary	-	(45.967)
Acquisition of CientificaLab subsidiary	-	(86.128)
Acquisition of Medimagem subsidiary	-	(44.680)
CientificaLab contract payment	(17.447)	(7.362)
Net cash used in investment activities	<u>(231.798)</u>	<u>(411.602)</u>
Cash flows from financing activities		
Loans	630.704	242.101
Payment of loan	(232.090)	(172.177)
Interests paid on loans	(59.567)	(35.021)
Net cash from financing activities	<u>339.047</u>	<u>34.903</u>
Increase (decrease) in cash and cash equivalent	<u>445.855</u>	<u>(286.293)</u>
Statement of Increase (decrease) in cash and cash equivalent		
At the beginning of the period	46.369	332.662
At the end of the period	492.224	46.369
	<u>445.855</u>	<u>(286.293)</u>

See the accompanying notes to the financial statements

Diagnósticos da América S.A.

(Public Company)

Consolidated statements of added value

Years ended in December 31, 2007 and 2008

(In thousand Reais)

	2008	2007
Revenues		
Sale of goods, products and services	1.237.008	930.687
Other revenues	6.380	2.099
Provision for doubtful accounts and disallowances	<u>(26.227)</u>	<u>(19.294)</u>
	1.217.161	913.492
Third party supplies (including ICMS and IPI)		
Cost of products, goods and services	205.229	152.752
Materials, energy, third party services and others	308.981	245.975
Loss/recovery of assets	<u>8.990</u>	<u>5.283</u>
	523.200	404.010
Gross value added	<u>693.961</u>	<u>509.482</u>
Depreciation and amortization	166.190	126.538
Net added value produced by the Company	<u>527.771</u>	<u>382.944</u>
Added value received as a transfer		
Financial revenues	<u>60.392</u>	<u>41.226</u>
	60.392	41.226
Total added value to be distributed	<u>588.163</u>	<u>424.170</u>
Distribution of added value		
Personnel		
Compensation, benefits and severance pay funds (FGTS)	273.189	202.724
Taxes		
Federal, state and municipal	134.749	65.998
Return on managed assets		
Interests and rents	192.279	98.416
Return on own assets		
Dividends	-	13.448
Retained earnings/loss for the year	(12.980)	43.173
Non-controlling interests in retained earnings	<u>926</u>	<u>411</u>
	<u>588.163</u>	<u>424.170</u>

See the accompanying notes to the financial statements

Diagnósticos da América S.A.

Notes to the financial statements

Years ended December 31, 2008 and 2007

(In thousands of Reais)

1 Operations

The Company is a publicly-held corporation with its registration granted by the Brazilian Securities and Exchange Commission (CVM) on November 5, 2004, and has been listed on the Bovespa Novo Mercado Segment since November 19, 2004.

The Company corporate purpose is that of providing health assistance services to company employees covered by health insurance plans, insurance companies, medical-hospital assistance companies, other legal entities and individuals in the following areas: (i) clinical analysis, directly, and through contracted laboratories; (ii) diagnostic medicine, through specialized clinics, including in the following areas: a) clinical pathology; b) cytology and pathological anatomy; c) diagnosis through imaging and graphic methods; d) immunization, rehabilitation and ophthalmology; e) nuclear medicine, and f) clinical trials; and (iii) environmental analysis, genetically modified organisms and toxicological analysis. The acquisition of Laboratório Alvaro Ltda. in December, 2005 enabled the Company to enter the lab-to-lab business (support laboratories), and the acquisition of CientíficaLab Produtos Laboratoriais e Sistemas Ltda. in July of 2007 enabled the Company to begin to offer services in the public health sector. The Company may also invest in other entities. The Company ended the year with 324 operational units(*):

Brands	Locality	2008	2007
Delboni Auriemo	São Paulo	38	35
Lavoisier	São Paulo	61	64
Bronstein	Rio de Janeiro	45	44
Lâmina	Rio de Janeiro	17	17
Santa Casa	Paraná	8	8
Pasteur	Brasília	26	23
Frischmann	Paraná	29	28
Image	Bahia	2	2
Laboratório Alvaro	Paraná	17	15
LabPasteur	Ceará	18	18
MedLabor	Brasília, Tocantins e Goiás	3	2
Vita - Lâmina	Santa Catarina	2	1
Atalaia	Goiás	16	14
Exame	Brasília	19	17
MedImagem	Rio de Janeiro	8	8
Hospital Mãe de Deus	Porto Alegre	1	-
Maximagem	São Paulo	7	-
Cedic / Cedilab	Mato Grosso	7	-
		<u>324</u>	<u>296</u>

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

As of December 31, 2008, Club DA brand had 22 units, with 18 units linked to the Delboni Auriemo brand and 4 units linked to Lâmina brand(*).

CientíficaLab operates in the public healthcare segment, and its major source of revenue is the contracts entered into with clients in the public healthcare sector. This operation is analyzed by management in terms of the number of customers assisted instead of the number of operating units.

CientíficaLab, the leading privately-held service provider in the public healthcare sector, served 36 clients when it was acquired and now has 45 clients, 37 of which are medium sized (up to 150,000 tests processed per month) and 8 of which are large (over 150,000 tests processed per month) (*).

The type and range of the services provided vary according to the needs and interest of the public entity requiring the service, and they may comprise three different models:

- Lab to lab (support): includes the transport of samples and central processing. In this case, CientíficaLab provides collection materials, training given to civil servants and sometimes refurbishment in PSCs to ensure the service quality;
- Outpatient: in addition to the support service, it comprises patient service and sample collection;
- Inpatient: refers to patient service, test collection, local collection for emergency tests, transport and central processing for the other exams.

(*). All non-financial data are not part of the auditors' examination of the financial statements.

2 Presentation of financial statements

The consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, which comprise the Brazilian Corporate Law, the Pronouncement, Guidelines and Interpretations issued by the Committee for Accounting Standards(CPC) and the rules of the Brazilian Securities and Exchange Commission (CVM).

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

For the elaboration of the 2008 consolidated financial statements, the Company has adopted, for the first time, the amendments to the Corporation Law introduced by Law number 11638, enacted on December 28, 2007 and the amendments introduced by the Provisional Measure number 449 dated December 3, 2008.

Law 11638 and the Provisional Measure 449/08 have altered Law 6404/76 in aspects related to the preparation of and disclosures to the financial statements.

The adjustments related to the initial adoption of Law 11638/07 and Provisional Measure 449/08 are detailed under Note 3.

The authorization for the conclusion of the accompanying financial statements was provided by the Board of Directors on March 06, 2009.

The accompanying consolidated financial statements derive from those originally published in Brazil, based on accounting practices adopted in Brazil. Certain reclassifications and changes in terminology have been made and certain notes have been expanded, in order to conform more closely to reporting practices prevailing pursuant to accounting principles generally accepted in the United States ("U.S. GAAP").

3 Description of significant accounting policies

3.1 Initial adoption of Law 11638/07

The Company has decided to prepare the transition balance sheet as of January 1, 2008, which is the starting point for the accounting in accordance with the Brazilian Corporate Law amended by Law 11638/07 and by Provisional Measure 449/08. The amendments introduced by the legislation referred to are characterized as a change in the accounting policies; however, as permitted by CPC Technical Pronouncement 13, Initial Adoption of Law 11638/07 and Provisional Measure 449/08, approved by CVM Resolution 565 dated December 17, 2008, all adjustment at transition date impacting the results were booked against retained earnings, under the terms of Article 186 of Law 6404/76, with no restatement of prior years financial statements.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

As a result of the amendments introduced to Law 6404/76, some 2007 balances were reclassified to enable the comparison with the 2008 financial statements. The reclassifications performed did not impact the results or the 2007 Shareholders' Equity.

The reclassifications are described below:

1. Reclassification of the non-operating income to operating income;
2. Reclassification of retained earnings to profit reserve;
3. Reclassification of deferred assets to other assets of permanent nature and retained earnings; and
4. Reclassification of investments (goodwill) to intangible assets.

See below the adjustments related to the initial adoption of Law 11638/07 and Provisional Measure 449/08, the summary of the accounting policies modified by the aforementioned legislation, the summary of the effects on the 2008 results and on Shareholders Equity as of December 31, 2008, resulting from the adoption of the legislation aforementioned.

Adjustments of the initial adoption of Law 11638/07 and Provisional Measure 449/08 in the Balance Sheet as of the transition date - January 1st, 2008

	12/31/07 Balances	Transition Date - 01/01/2008	
		Adjustments	Balances
Shareholders' equity	<u>512,380</u>	<u>(20,498)</u>	<u>491,882</u>
Capital	402,091	-	402,091
Capital reserve	65,427	-	65,427
Reserves	2,942	21,422 (a)	24,364
Retained earnings	41,920	(41,920) (b)	-

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

Summary of adjustments

{a} Adjustments in retained earnings	21,422
{a1} Financial instruments evaluated at the fair value based on income, net of tax effect	252
{a2} Write-off of preoperating expenses, net of tax effect	(20,750)
{a3} Reclassification of the balance from accumulated profit reserve	41,920
{b} Reclassification of the balance to retained earnings from profit reserve	(41,920)

Summary of the accounting practices modified by the initial adoption of Law 11638/07 and Provisional Measure 449/08

Financial instruments

The Company has contracted financial instruments whose balances on the transition date were reclassified to financial liabilities, measured at the fair value through profit and loss. The financial liabilities were initially recognized at fair value added to possible transition costs and are subsequently measured at the amortized cost.

As authorized by CPC Technical Pronouncement 13 - Initial Adoption of Law 11638/07 and Provisional Measure 449/08, approved by CVM Resolution 565, of December 17, 2008, the balance of financial instruments available for sale, measured at fair value through profit and loss, were re-measured at their fair value on the transition date.

The balances of the aforementioned financial instruments on the transition date are as follows:

	Book value	Fair value	Difference	Deferred taxes
Financial instruments				
Measured at fair value based on income	(14,477)	(14,095)	382	(130)

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

The difference between the book value and the fair value of the financial instruments measured at the fair value was allocated in the balance of retained earnings as of the transition date, net of tax effect, and represented by the amount of R\$ 252.

The operations with derivatives in 2007 were booked in the balance sheet at their amortized cost at the balance sheet date.

Non operating income

Due to the elimination of Non Operating Income line, established by Provisional Measure 449/08, the Company reclassified expenses, as of the transition date, in the amount of R\$ 1,525 to Other Operating Income.

Intangible asset

Certain intangible assets already recognized before the initial adoption of Law 11638/07 and Provisional Measure 449/08 and in compliance with the specific requirements of CPC Technical Pronouncement (PT) 04 - Intangible Asset approved by CVM Resolution 553, was reclassified from fixed assets and deferred charges to intangible assets.

Deferred charges- preoperating expenses

The balance of preoperating expenses as of December 31, 2008 had the following destinations:

- i. Write-off of the balance as of December 31, 2007 against retained earnings in the amount net of tax effect of R\$ 20,750.
- ii. Write-off of expenses incurred in 2008 against profit and loss for the year in the amount net of tax effect of R\$ 3,864.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

Statement of the effects on income and on shareholders' equity as of December 31, 2008, related to the initial adoption of Law 11638/07 and Provisional Measure 449/08

	2008	2007
Net (Loss) Income for the year ended December 31 with the effects of Law 11638/07 and PM 449/08	(12,980)	36,123
Adjustments of the effects related to the initial adoption of Law 11638/07 and Provisional Measure 449/08:		
Financial Instruments measured at fair value through profit and loss	(29,148)	(382)
Deferred Income Tax on Financial Instruments measured at fair value through profit and loss	9,143	130
Preoperating expenses	5,511	29,541
Deferred taxes on preoperating expenses	(1,647)	(8,791)
Reclassification of non operating income to other operating income	2,728	1,525
Other operating income - reclassification of non operating income	<u>(2,728)</u>	<u>(1,525)</u>
	<u>(16,141)</u>	<u>20,498</u>
Net (Loss) Profit for the year without the effects of Law 11638/07	<u>(29,121)</u>	<u>56,621</u>
Shareholders' Equity as of December 31	478,902	491,882
Adjustments on transition date recognized in:		
Accumulated profits - 2007	20,498	20,498
Accumulated profits - 2008	<u>(16,141)</u>	<u>-</u>
Shareholders' Equity as of December 31, without the effects of Law 11638/07 and Provisional Measure 449/08	<u>483,259</u>	<u>512,380</u>

3.2 *Description of significant accounting policies*

a. *Statement of income*

Income and expenses are recognized on an accrual basis.

Revenue from services is recognized in the statement of income when the service is rendered. Revenue is not recognized if there are significant uncertainties as to its realization.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

b. Accounting estimates

The preparation of the financial statements, in accordance to accounting practices adopted in Brazil, requires that Management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the estimated periods for recovery and consequent amortization of the goodwill originated from the acquisition of investments and other deferred charges, provision for doubtful accounts, provision for disallowances, provision for losses on inventories, provision for contingencies and valuation of derivative instruments, among others. The settlement of transactions involving these estimates may result in different amounts due to the lack of precision inherent to the process of their determination. The Company reviews the estimates and assumptions at least on a quarterly basis

c. Non-derivative financial instruments

Non-derivative financial instruments include financial applications, investments in equity instruments, account receivables and other receivables, cash and cash equivalent, loans and financing, as well as payables and other debts.

Non-derivative financial instruments are recognized initially at fair value added, for instruments that are not recognized at fair value through profit and loss, any transaction cost directly attributed. After the initial recognition, the non-derivative financial instruments are measured as follows:

Financial instruments at fair value through profit and loss

An instrument is classified at fair value through profit and loss if held for trading, i.e., designated as such at the initial recognition. The financial instruments were designated at the fair value through profit and loss if the Company manages those investments and makes purchase and sale decisions based on their fair value according to the investment strategy. After the initial recognition, attributable transaction costs were recognized in profit and loss when incurred. Financial instruments at fair value through profit and loss are measured by their fair value and their changes are recognized in profit and loss.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

Other Financial Instruments

Other non-derivative financial instruments are measured at amortized cost using the effective interest rate method, considering possible reductions in their recoverable value.

Derivative financial instruments

The Company holds derivatives in order to protect itself from risks related to foreign currency and interest rates.

Derivatives are initially recognized at fair value. Attributable transaction costs are recognized in profit and loss when incurred. Subsequently to the initial recognition, derivatives are measured at fair value and the changes are recorded in profit and loss.

d. Foreign currency

The Company's management has defined the Real as its functional currency, in accordance with the rules established in PT CPC 02 - Effects of the Changes on Exchange Rates and Translation of Accounting Statements, approved by CVM Resolution 534.

Transactions in foreign currency, i.e., all those transactions that are not held in the functional currency, are translated at the exchange rate on the dates of each transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency by the Exchange rate on the closing date. The Gains and losses from the exchange rate variations on the monetary assets and liabilities are recognized in profit and loss. Non monetary assets and liabilities acquired or contracted in foreign currency are translated based on the exchange rate on the dates of the transactions or on the dates of valuation at fair value when this is used.

e. Current and noncurrent assets

- **Trade accounts receivable**

Trade accounts receivable are recorded at the amounts invoiced, net of the respective taxes.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

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

- **Inventories**

Inventories are valued based on the historic cost, not exceeding the market value. Inventories are used in the performance of clinical and imaging exams and for diagnostics by imaging. A provision for obsolescence was recorded for items with no movement for more than 120 days.

- **Property and equipment**

Recorded at cost of acquisition, formation or construction. Depreciation is calculated using the straight-line method at the rates described in Note 10 and takes into account the estimated useful lives of the assets. Improvements in third party real estate are amortized based on term of the real estate lease agreement or on the useful lives of the assets, whichever is the shortest.

- **Financial leases**

Certain lease contracts transfer to the Company the risks and rewards inherent to the ownership of an asset. These contracts are presented as financial lease contracts and the assets are recognized at fair value or at present value of the minimum lease payments established in contract. The goods recognized as assets are depreciated at rates applicable to each group of assets in accordance with Note 10. The financial charges related to the financial lease contracts are appropriated to profit and loss during the term of the contract, based on the amortized cost method and the effective interest rate.

- **Operating leases**

Payments made during the operating lease contract are recognized as expenses in the statement of income for the term of the lease contract.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

- **Intangible assets**

Recorded at the cost of acquisition.

Goodwill determined in the acquisitions of interests are based on the expectations of future profitability of operations performed by the subsidiaries acquired in accordance with 5 -year profitability forecasts prepared by Management.

f. Impairment

The long-lived assets as property and equipment, intangible and deferred charges are tested at least once a year. The goodwill and intangible assets whose useful lives have not been defined are tested for impairment annually, irrespective of the existence of impairment indicators.

g. Current and noncurrent liabilities

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

h. Provisions for contingencies

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

i. Income tax and social contribution

Income and social contribution taxes for the current year are calculated by the Company and its subsidiaries at the rate of 15% on taxable income plus a surcharge of 10% on taxable income in excess of R\$ 240 for income tax and 9% on the taxable income for social contribution on net income, and consider the offsetting of tax loss carryforwards and negative basis of social contribution tax, limited to 30% of the taxable income, with the exception of DASA Real Estate Empreendimentos Imobiliários Ltda., Clínica Radiológica Brafer Ltda., Digirad Diagnósticos Médicos Ltda., Centro de Diagnósticos por Imagem de Cuiabá Ltda., Centro Médico de Imagenologia Ltda. and Ressonância Magnética Cuiabá Ltda., which opted for paying income taxes based on presumed profits.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

The Company opted for the use of Transitory Tax Regime (RTT) for determining the Income and Social Contribution Taxes related to the period ended on December 31, 2008.

The deferred tax assets and liabilities resulting from tax loss carryforwards, negative basis of social contribution and temporary differences were recorded in accordance with CVM Instruction 371 of June 27, 2002, and consider past profitability and expectations of future taxable income, based on a technical viability study.

4 Consolidated financial statements

The consolidated financial statements include the financial information of the Company and following subsidiaries:

	Ownership %	
	2008	2007
Laboratório Frischmann Aisengart Ltda.	99.99	100.00
Image Memorial Ltda.	99.99	100.00
Laboratório Alvaro Ltda.	99.99	100.00
Laboratório Louis Pasteur Patologia Clínica Ltda. - LabPasteur	99.99	99.99
DASA Real Estate Empreendimentos Imobiliários Ltda.	99.99	99.99
Laboratório Imuno Ltda. - MedLabor	99.99	99.99
Clínica Médica Vita Ltda.	99.99	100.00
Laboratório Atalaia Ltda.	99.99	99.99
Exame Laboratórios de Patologia Clínica Ltda.	85.71	85.71
CientíficaLab Produtos Laboratoriais e Sistemas Ltda.	99.99	100.00
Med Imagem Ultra-Sonografia e Radiologia Ltda.	99.99	100.00
Clínica Radiológica Brafer Ltda.	100.00	-
Cedimax Diagnósticos Médicos Ltda.	100.00	-
Clínica Radiológica Clira Ltda.	100.00	-
Digirad Diagnósticos Médicos Ltda.	100.00	-
Maxidiagnósticos Participações Ltda.	100.00	-
Centro de Diagnósticos por Imagem de Cuiabá Ltda.	100.00	-
Centro Médico de Diagnóstico Laboratorial Ltda.	100.00	-
Centro Médico de Imagenologia Ltda.	100.00	-
Ressonância Magnética Cuiabá Ltda.	100.00	-

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

The subsidiaries' accounting policies have been consistently applied in with those applied by the Company and in accordance with the accounting practices adopted in Brazil, considering the effects of Law 11638/07 and Provisional Measure 449/08.

Description of the main consolidation procedures

- a. Elimination of inter company asset and liability account balances;
- b. Elimination of investments in the capital, reserves and retained earnings of the subsidiaries; and
- c. Identification of non-controlling interests in the consolidated financial statements.

5 Marketable securities

	2008	2007
Marketable securities	550,114	104,118
Classified as current assets	<u>(476,382)</u>	<u>(23,398)</u>
Classified as noncurrent assets	<u>73,732</u>	<u>80,720</u>

The marketable securities classified as current assets in the amount of R\$ 13,486 (R\$ 23,398 as of December 31, 2007) related to fixed income funds bearing average interest rates of 88.8% of the Interbank Deposit Certificates (CDI) (99.9% of CDI as of December 31, 2007) and R\$ 462,896 refer to bonds of the American Government, under the custody of Unibanco Luxemburg, remunerated at a 0.20% p.a. rate plus the exchange rate variation.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

Long-term marketable securities in the amount of R\$ 73,732 (R\$ 80,720 as of December 31, 2007) earn interest at an average rate of 105.4% of the CDI rate as of December 31, 2008 (100.8% of CDI as of December 31, 2007), R\$ 63,240 of which (R\$ 48,771 as of December 31, 2007) serve as collateral for payments of obligations assumed in connection with the acquisition of a number of laboratories (Note 18), and R\$ R\$ 10,492 (R\$ 31,470 on December 31, 2007) guarantee the payment of the 8th installment of the acquisition price of CientificaLab.

6 Trade accounts receivable

	2008	2007
Current assets		
Trade notes receivable:		
Due	166,585	115,474
Overdue	<u>106,299</u>	<u>104,992</u>
	272,884	220,466
Other accounts receivable:		
Checks in collection	3,926	1,722
Credit cards	5,305	3,853
Returned cheques	<u>2,953</u>	<u>3,806</u>
	12,184	9,381
Less:		
Provision for disallowances and for doubtful accounts	(18,411)	(20,883)
Provision for losses on returned cheques	<u>(2,953)</u>	<u>(3,689)</u>
	<u>263,704</u>	<u>205,275</u>

The collection process for diagnostic medicine services provided by the Company is complex as a result of a variety of factors, including the large number of health plans used, different coverage offered, the information requested by these plans for approval of payment and questioning by the health plans as to the adequacy of the supporting documentation. All of these factors, historically, contribute for the average recovery period for payments being different from the periods defined in the contracts.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

Provisions for disallowances are established monthly based on estimated probable losses as a result of the amounts of the disallowances under discussion. These discussions refer mainly to: (i) operational issues, such as services provided to clients of health plans without previous authorization; (ii) sales issues, such as new price lists agreed on which have not been updated in both systems; and (iii) technical issues, such as different interpretations of examination requisitions.

All overdue receivables up to 360 days are in collection proceedings or under negotiation and Management do not expect material losses, and consequently a provision for doubtful accounts has not been recorded on these balances. The allowance for doubtful accounts has been exclusively recorded for the balances receivable with no prospects of being collected, or which are under litigious collection lawsuit.

As of December 31, 2008 the balances overdue for more 360 days, net of allowance for doubtful accounts, totaled approximately R\$ 16,400 (R\$ 14,000 as of December 31, 2007), R\$ 8,000 of which (R\$ 5,000 as of December 31, 2007) is related to an important health insurance entity, R\$ 4,400 are related to agreements and R\$ 4,000 are still in the collection stage. As it is a normal practice in this business, overdue credits receivable is subject to a procedure with the insured parties and health insurance entities in order to evidence that the services were provided to the patients and were duly authorized. Based on the background of negotiations, the Company's management expects no significant risks of loss in addition to those sums already provided for.

7 Inventories

	2008	2007
Domestic clinical analysis and diagnostic imaging materials	22,878	19,385
Import clinical analysis and diagnostic imaging materials	7,365	7,241
Domestic secondary clinical analysis and diagnostic imaging materials	6,258	3,227
Sundry materials	2,697	2,471
Inventories held by third parties	1,125	1,914
Provision for obsolescence	<u>(1,407)</u>	<u>(763)</u>
	<u>38,916</u>	<u>33,475</u>

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

8 Recoverable and deferred taxes

a. Recoverable taxes

	2008	2007
Withholding income tax (IRRF)	8,258	5,473
Income tax recoverable	10,133	7,523
Social contribution recoverable	11,283	6,167
COFINS (Tax for social security financing) and PIS (Social integration program) tax withheld	9,722	7,377
Others	<u>9,124</u>	<u>1,982</u>
Classified as current assets	<u>48,520</u>	<u>28,522</u>

b. Deferred taxes

The deferred income and social contribution taxes are recognized to reflect future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their respective book values.

In accordance with CVM Instruction 371, the Company, based on its profitability history and on the expectation of generating future taxable income considering the technical viability study approved by Management, recognized tax credits and debits on income tax loss carryforwards and the accumulated negative basis of social contribution tax, with no expiration date and that can be offset against a maximum of 30% of annual taxable income. The carrying amount of the deferred tax assets and liabilities is reviewed on a quarterly basis and projections are reviewed annually. If there are material factors that may modify the projections, these will be reviewed during the year by the Company.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

The origin of deferred income and social contribution taxes is presented below:

	2008	2007
Tax loss carryforward and negative basis	7,465	4,803
Provision for disallowances and for doubtful accounts	4,952	6,500
Obsolete items - Inventories	407	220
Goodwill amortization	50,246	29,351
Provision for specialized medical services	1,247	444
Sundry provisions	1,841	1,443
Provision for contingencies	18,687	15,089
Amortization preoperating expenses	<u>10,438</u>	<u>-</u>
	<u>95,283</u>	<u>57,850</u>
Classified as current assets	(20,445)	(9,321)
Classified as noncurrent assets	<u>74,838</u>	<u>48,529</u>

The following is a description of the estimated terms for realizing deferred tax credits in connection with income tax and social contribution on net profits, the origins of which are based on the temporary differences between the bookkeeping profit figures under the accrual system and the taxable profit figures, as well as on the tax losses and the negative social contribution base. Realization terms are based on future taxable profit projections, base-date of December 31, 2008, created as of the fiscal years in which the temporary differences become expenses deductible for tax purposes.

2009	20,445
2010	7,011
2011	10,747
2012 a 2014	33,101
2015 a 2017	<u>23,979</u>
	<u>95,283</u>

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

9 Investments

	2008	2007
Investments in subsidiaries	<u>216</u>	<u>117</u>
	<u>216</u>	<u>117</u>

10 Property and equipment

		2008		2007	
	Average depreciation rate % p.a.	Cost	Accumulated depreciation	Net	Net
Buildings	4	13,081	(1,801)	11,280	11,719
Leasehold Improvements	12	264,470	(131,146)	133,324	93,688
Machinery and equipment	10	408,357	(163,829)	244,528	209,661
Furniture and Fixture	10	42,520	(17,973)	24,547	19,210
Facilities	10	7,985	(3,855)	4,130	2,067
IT equipment	20	58,432	(32,708)	25,724	22,630
Vehicles	20	7,273	(2,822)	4,451	3,588
Library	10	155	(92)	63	56
Land		1,839	-	1,839	1,685
Construction in process		<u>23,672</u>	<u>-</u>	<u>23,672</u>	<u>39,777</u>
		<u>827,784</u>	<u>(354,226)</u>	<u>473,558</u>	<u>404,081</u>

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

Changes in cost

	Changes in the year					2008
	2007	Additions	Write-offs	Transfers	Other (a)	
Buildings	12,879	357	-	(155)	-	13,081
Leasehold improvements	190,511	29,709	(204)	32,525	11,929	264,470
Machinery and equipment	324,395	74,757	(8,532)	15,986	1,751	408,357
Furniture and fixture	33,622	5,837	(331)	3,184	208	42,520
Facilities	5,294	1,656	(2)	808	229	7,985
IT equipment	48,089	8,556	(1,153)	2,922	18	58,432
Vehicles	5,495	3,243	(1,351)	(114)	-	7,273
Library	118	31	-	(4)	10	155
Land	1,685	-	-	154	-	1,839
Construction in progress	<u>39,777</u>	<u>39,136</u>	<u>(60)</u>	<u>(55,306)</u>	<u>125</u>	<u>23,672</u>
	<u>661,865</u>	<u>163,282</u>	<u>(11,633)</u>	<u>---</u>	<u>14,270</u>	<u>827,784</u>

(a) Other - relates to transfers from deferred assets.

11 Intangible assets

	Average depreciation rate % p.a.	2008			2007
		Cost	Accumulated depreciation	Net	Net
Software	20	50,563	(24,038)	26,525	22,349
Rights of use of commercial area	20	219	(59)	160	119
Goodwill (a)	20	442,124	(173,037)	269,087	258,645
Interest Acquisition	20	27,738	(11,135)	16,603	12,182
System Deployment Project	20	9,043	(5,429)	3,614	5,428
Telephone lines		15	-	15	-
Trademarks and patents		<u>94</u>	<u>-</u>	<u>94</u>	<u>88</u>
		<u>529,796</u>	<u>(213,698)</u>	<u>316,098</u>	<u>298,811</u>

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

(a) Goodwill (negative goodwill) in business combination:

	2008	2007
Cost		
Laboratório de Patologia Clínica Curitiba S/C	2,785	2,785
CRL - Centro Radiológico da Lagoa Ltda.	9,280	9,280
Elkis e Furlanetto - Centro de Diagnósticos e Análises Clínicas Ltda.	21,130	21,130
Elkis e Furlanetto- Laboratório Médico S/C Ltda.	778	778
Laboratório Pasteur Patologia Clínica S/S Ltda.	7,883	7,883
Laboratório Frischmann Aisengart Ltda.	31,843	31,843
Image Memorial Ltda.	31,638	31,638
Laboratório Alvaro Ltda. (a)	36,777	32,694
Laboratório Louis Pasteur Patologia Clínica Ltda. - LabPasteur	13,936	13,936
Laboratório Imuno Ltda. - MedLabor	5,966	5,966
Clínica Médica Vita Ltda.	4,768	4,768
Laboratório Atalaia Ltda.	28,329	28,329
Exame Laboratórios de Patologia Clínica Ltda.	46,623	46,623
CientíficaLab Produtos Laboratoriais e Sistemas Ltda. (b)	97,554	80,107
Med Imagem Ultra-Sonografia e Radiologia Ltda.	40,760	40,760
Clínica Radiológica Brafer Ltda.	7,845	-
Cedimax Diagnósticos Médicos Ltda.	10,962	-
Clínica Radiológica Clira Ltda.	7,450	-
Digirad Diagnósticos Médicos Ltda.	8,113	-
Maxidiagnósticos Participações Ltda.	(1,923)	-
Centro de Diagnósticos por Imagem de Cuiabá Ltda.	17,931	-
Centro Médico de Diagnóstico Laboratorial Ltda.	8,262	-
Centro Médico de Imagenologia Ltda.	1,565	-
Ressonância Magnética Cuiabá Ltda.	1,869	-
	<u>442,124</u>	<u>358,520</u>

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

	2008	2007
Accumulated amortization		
Laboratório de Patologia Clínica Curitiba S/C	(2,785)	(2,739)
CRL - Centro Radiológico da Lagoa Ltda.	(9,280)	(7,579)
Elkis e Furlanetto - Centro de Diagnósticos e Análises Clínicas Ltda.	(19,562)	(15,336)
Elkis e Furlanetto- Laboratório Médico S/C Ltda.	(720)	(564)
Laboratório Pasteur Patologia Clínica S/S Ltda.	(5,895)	(4,318)
Laboratório Frischmann Aisengart Ltda.	(21,340)	(14,970)
Image Memorial Ltda.	(20,276)	(13,948)
Laboratório Alvaro Ltda.	(18,391)	(11,139)
Laboratório Louis Pasteur Patologia Clínica Ltda. - LabPasteur	(6,968)	(4,181)
Laboratório Imuno Ltda. - MedLabor	(2,883)	(1,690)
Clínica Médica Vita Ltda.	(2,145)	(1,192)
Laboratório Atalaia Ltda.	(12,275)	(6,610)
Exame Laboratórios de Patologia Clínica Ltda.	(15,541)	(6,216)
CientíficaLab Produtos Laboratoriais e Sistemas Ltda.	(23,463)	(6,676)
Med Imagem Ultra-Sonografia e Radiologia Ltda.	(10,869)	(2,717)
Clínica Radiológica Brafer Ltda.	(97)	-
Cedimax Diagnósticos Médicos Ltda.	(136)	-
Clínica Radiológica Clira Ltda.	(92)	-
Digirad Diagnósticos Médicos Ltda.	(100)	-
Maxidiagnósticos Participações Ltda.	-	-
Centro de Diagnósticos por Imagem de Cuiabá Ltda.	(135)	-
Centro Médico de Diagnóstico Laboratorial Ltda.	(58)	-
Centro Médico de Imagenologia Ltda.	(12)	-
Ressonância Magnética Cuiabá Ltda.	(14)	-
	<u>(173,037)</u>	<u>(99,875)</u>
	<u>269,087</u>	<u>258,645</u>

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

(a) Increase in purchase price acquisition (goodwill) - Laboratório Álvaro Ltda.

In December 2008, the Company recorded R\$ 4,083 as a supplement to the purchase price acquisition value of Laboratory Álvaro Ltda., on a variable portion basis of the acquisition price as a result of the company's performance in 2008, defined in accordance with the acquisition agreement signed between the Company and the company ex-quotaholders and it will be paid in May 2009.

(b) Increase in purchase price acquisition (goodwill) - Cientificalab Produtos Laboratoriais e Sistemas Ltda.

In October 2008, the Company recorded R\$ 17,447 corresponding to the second installment of the Cientificalab acquisition price, which calculated based on revenue obtained by the subsidiary, considering the period between July 1, 2007 and June 30, 2008, equivalent to 85% of the revenue exceeding R\$ 97,000. This amount was paid in October 2008 with the funds arising from financial investments made in July 2007, as reported in Note 5.

Changes in cost

	Changes in the year				
	2007	Additions	Write-offs	Other (a)	2008
Software	39,550	10,387	(286)	912	50,563
Commercial rights of use	137	82	-	-	219
Goodwill	358,520	83,604	-	-	442,124
Acquisition cost	18,469	5,393	-	3,876	27,738
System Deployment Project	9,043	-	-	-	9,043
Telephone lines	-	15	-	-	15
Trademarks and patents	<u>88</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>94</u>
	<u>425,807</u>	<u>99,487</u>	<u>(286)</u>	<u>4,788</u>	<u>529,796</u>

(a) Other - relates to transfers of deferred charges.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

12 Accounts payable to suppliers

	2008	2007
Domestic suppliers	51,647	47,370
Foreign suppliers	<u>7,250</u>	<u>5,420</u>
	<u>58,897</u>	<u>52,790</u>

The balance of foreign suppliers of US\$ 3,102 thousand (US\$ 3,060 thousand on December 31, 2007) refers to the purchase of imported materials used in clinical exams.

13 Loans and financing

	2008	2007
Local currency		
Loan secured accounts	26,321	22,684
Bank loans	79,103	65,756
Leases under local currency agreements	21,514	12,764
Equipment financing	775	-
Foreign currency		
Bank loans	2,863	8,708
Equipment financing	15,454	20,344
Leases of imortequipment	95,192	68,022
Notes (Senior Notes) (a)	<u>588,486</u>	<u>-</u>
	829,708	198,278
Transaction costs (Senior Notes)	<u>(24,223)</u>	<u>-</u>
	805,485	198,278
Short term portion in current liabilities	<u>(114,956)</u>	<u>(97,968)</u>
Noncurrent liabilities	<u>690,529</u>	<u>100,310</u>

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

- (a) In a meeting held on May 21, 2008 by the Board of Directors, the issuance of notes (Senior notes) was approved for the subsidiary abroad, DASA Finance Corporation, with the purpose of raising cash funds that shall primarily be used to finance the expansion of company's activities. The issuance of notes was completed on May 29, 2008 in the amount of US\$ 250 million, with a maturity date in May 2018, remunerated at interests of 8.75% p.a. The payment of interests is semi-annual, occurring on May 29 and November 29 of each year. Both the principal amount and the interest are guaranteed unconditionally and irrevocably by the Company. The notes were placed exclusively abroad.

Pursuant to the conditions established in the agreement, the early redemption option of such debt is exclusive of DASA Finance Corporation and begins as from the 5th year. The agreement establishes that the Company and its subsidiaries should comply with certain levels of indebtedness at the time of decision-making by the Company with respect to certain actions, such as the contracting of debts, payment of dividends, repurchase of quotas, consolidations, mergers, sale of subsidiaries and investments. Additionally, the agreement presents clauses with limitations/restrictions for the following transactions:

- Grant of guarantees, pledge or other guarantee over on assets;
- Sale of assets;
- Transactions with related parties; and
- Lease (sale and lease-back).

In order to avoid exposure to a possible exchange rate fluctuation of the amount of interest for a 5-year period, the Company entered into swap transactions at interest at 103.1% of CDI with Banco Merrill Lynch de Investimentos S.A. and Credit Suisse Próprio Fundo de Investimento Multimercado, institutions related to the banks responsible for the coordination of the issuance, on the same date of the confirmation of the Senior Notes.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

The bank loan and financing agreements do not have any clause of covenants for the noncompliance of goals.

12/31/2008					
Type	Banks	Amount in Reais	Maturity	Average interest rate	Guarantors
Local currency					
Guaranteed accounts	Other	<u>26,321</u>	-	110% to 143,2% of CDI	(2)
Bank loans	Banco Votorantin S.A.	3,839	2009	111.6% of CDI	(3)
Bank loans	Banco do Brasil S.A.	28,341	2010	105.6% of CDI	(2)
Bank loans	HSBC Bank Brasil S.A.	16,844	2010	106.0% of CDI	(3)
Bank loans	Banco Itaú S.A.	15,096	2011	115.0% of CDI	(4)
Bank loans	BNDES	2,977	2013	TJLP and UMBNDES	(2) e (4)
Bank loans	Unibanco S.A.	9,000	2011	111.8% of CDI	(4)
Bank loans	Banco Itaú S.A.	1,978	2009	134% of CDI	(4)
Bank loans	Diversos	<u>1,028</u>	2011	11.52% p.a.	(2)
		<u>79,103</u>			
Leases	Other	<u>21,514</u>	2011	CDI + 2.5% p.a.	-
Equipment financing	CETAC	<u>775</u>	2011	no charges	-

12/31/2008								
Type	Financial institutions/Suppliers	Amount in US\$	Amount in Reais	Swap	Total in Reais	Maturity	Average interest rate	Guarantors
Foreign currency								
Bank loans	Banco Itaú - BBA	719	1,680	1,183	<u>2,863</u>	2009	VC+13.06% p.a.	(3)
Equipment suppliers	G.E.	5,364	12,535	2,919	<u>15,454</u>	2011	VC+7.5% to 8.5% p.a.	(1)
Leases	G.E, Siemens, Philips e Oni Medical	40,733	95,192	-	<u>95,192</u>	2014	VC+7.20% to 9% p.a.	(3)
Notes (Senior Notes)		251,813	588,486	-	<u>588,486</u>	2018	8.75% p.a.	(4)

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

(1) Platypus S.A. and Balu 460 Participações S.A.

As a result of the merger of the subsidiaries Platypus S.A., Balu 460 Participações S.A. and DASA Participações S.A., approved at a shareholders' meeting held on July 6, 2007, which provided fidejussory guarantees in financial transactions involving the Company (guarantees and sureties), especially in agreements for the acquisition of diagnostic imaging equipment, for banking financing and real estate lease agreements, the Company is taking the necessary steps to replace the guarantees that were provided by the merged subsidiaries with guarantees of the Company's subsidiary DASA Real Estate Empreendimentos Imobiliários Ltda.

(2) DASA Real Estate Empreendimentos Imobiliários Ltda.

(3) Promissory Note of 125% of the contractual amount in the Company's name.

(4) Diagnósticos da América S.A.

Loans and financing classified as noncurrent liabilities will be paid as follows:

Maturity year	Amount
2010	59,529
2011	30,411
2012	17,212
2013	12,705
2014	6,051
2015	1,414
2016	59
2018	<u>584,250</u>
	<u>711,631</u>
Interest rate swaps (a)	<u>549</u>
	<u>712,180</u>

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

- (a) In order to protect itself from exchange variation, the Company has contracted interest rate swap operations in Reais, for the same amounts and maturities of the loan installments. As of December 31, 2008, these derivative transactions provided cover for a nominal amount of R\$ 30,808 and accumulated provisioned losses in the amount of R\$ 549.

The company granted sureties on behalf of its subsidiaries as follows:

Laboratório Frischmann Aisengart Ltda.	Banco Alfa S.A.	2,173
	Banco Bradesco S.A.	1,000
	Banco HSBC Bank Brasil	4,367
	General Eletric	535
Image Memorial Ltda.	Banco Alfa S.A.	3,305
	Banco Bradesco S.A.	4,000
	Banco do Brasil S.A.	2,660
	Banco Itaú S.A.	5,222
	General Eletric	3,195
	Unibanco S.A.	7,000
Laboratório Alvaro Ltda.	Banco Alfa S.A.	2,082
	Banco Itaú S.A.	877
	General Eletric	1,422
	Unibanco S.A.	478
Laboratório Louis Pasteur Patologia Clínica Ltda. - LabPasteur	Banco Alfa S.A.	340
	Banco Bradesco S.A.	500
Laboratório Imuno Ltda. - MedLabor	Banco Bradesco S.A.	1,500
Clínica Médica Vita Ltda.	Banco Alfa S.A.	2,723
	Banco Bradesco S.A.	2,000
	Banco Itaú S.A.	500
	Unibanco S.A.	9,000
	General Eletric	2,276
Laboratório Atalaia Ltda.	Unibanco S.A.	360
Exame Laboratórios de Patologia Clínica Ltda.	Banco Alfa S.A.	182
CientíficaLab Produtos Lab. e Sistemas Ltda.	Banco Alfa S.A.	7,615
	Banco Bradesco S.A.	7,000
	Banco Itaú S.A.	18,000
	Unibanco S.A.	7,193
Med Imagem Ultra-Sonografia e Radiologia Ltda.	Banco Alfa S.A.	136
	Unibanco S.A.	291
DASA Finance Corporation	Emissão de Bond	<u>563,599</u>
		<u>661,531</u>

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

14 Debentures

	2008	2007
Non-convertible debentures	202,500	202,500
Compensation interest	<u>6,962</u>	<u>5,511</u>
	<u>209,462</u>	<u>208,011</u>
Portion to amortize in the short term classified in current liabilities	(74,462)	(5,511)
Noncurrent liabilities	<u>135,000</u>	<u>202,500</u>

At a Board of Directors' Meeting held on April 7, 2006, the Board approved the public issuance of 20,250 (twenty thousand, two hundred fifty) non-convertible debentures, of its first issuance, in one single series, without guarantee nor right of first refusal, at a unit par value of R\$ 10, totaling R\$ 202,500, and the date for its issuance was April 1, 2006. The maturity of the debentures is five years, from the date of their issuance, with compensation interest of 103.6% p.a. of the ID rate. The payment of compensation interest is semi-annual, fact which occurs always on the first day of April and October, and the debit from the checking account of the Company occurs one day prior to the maturity date.

The principal amount has the following payment schedule:

	Amount (R\$)
Maturity date:	
April 01, 2009	67,500
April 01, 2010	67,500
April 01, 2011	<u>67,500</u>
Total	<u>202,500</u>

The debentures have covenants establishing maximum levels of indebtedness and leverage, based on the consolidated financial statements. At the end of the quarter, the Company was in compliance with these covenants.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

15 Salaries, social security charges and provision for vacation pay

	2008	2007
Salaries payable	8,440	5,844
Social Security charges payable	7,290	5,846
Provision for vacation pay and 13 th -month salary and social security charges	24,595	18,834
Provision for the profit sharing	6,231	4,176
Others	<u>555</u>	<u>849</u>
	<u>47,111</u>	<u>35,549</u>

16 Taxes payable in installments

	End of amortization	2008	2007
PPI - REFIS Municipal (a)	2011	2,784	3,484
PAES Program (b)	2013	7,190	8,983
COFINS - tax for social security financing (c)	2010	586	1,122
PIS (social integration program) (c)	2008	138	286
INSS (Brazilian National Institute of Social Security) (c)	2009	383	1,901
ISS (c)	2007	288	11
INSS - (Brazilian National Institute of Social Security) Vita (d)	2018	1,009	1,072
PIS (Social Integration Program)/COFINS (Tax for Social Security Financing)- Vita (d)	2018	1,058	1,210
ISS - Vita (d)	2009	50	147
ISS - Atalaia (e)	2018	1,259	1,405
PAES Program - INSS (Brazilian National Institute of Social Security) - Exame (f)	2013	1,564	1,799
IRPJ and CSLL - CientificaLab (g)	2013	5,360	-
Others		<u>640</u>	<u>441</u>
		<u>22,309</u>	<u>21,861</u>
Short-term portion in current liabilities		(6,130)	(6,778)
Noncurrent liabilities		<u>16,179</u>	<u>15,083</u>

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(In thousands of Reais)

- (a) On August 29, 2006, the Company joined the PPI - Installment Incentive Program, created by the government of the city of São Paulo with the enactment of Law 14129 dated January 11, 2006, regulated by Decree 47165 dated April 6, 2006. The tax debts which were part of the Tax Recovery Program (REFIS), created by Law 13092 dated December 7, 2000, to which the Company adhered on January 26, 2001, were included in the PPI program. The debt amount included in the PPI program shall be amortized in 60 monthly installments, plus interest at the SELIC rate. The amortizations shall take place up to August 2011, and the Company shall not collect based on the gross revenue, nor use, as it has not, tax credits for the amortization of fines and interest.
- (b) On July 29, 2003, the Company adhered to the PAES program (Law 10684), declaring tax debts related to PIS and COFINS which were being discussed judicially. The consolidated amount of the debt is divided into 120 monthly installments and updated using the long-term interest rate (TJLP). The payment of these installments extends to June 2013, considering that the Company does not make any payment based on gross revenue nor has utilized such tax credits to amortize fines and interest. The tax debts included by the Federal Revenue Department (SRF) on the validation date for the application by the Company for installment payments, was composed of debt included by the Company and also liabilities in connection with PIS and Cofins which were under discussion in the administrative and legal spheres, and withholding tax of which there was no proof of payment, all of these additional liabilities arising from the acquired companies. The sum of these additional liabilities rose to R\$ 1,291 on July 29, 2003, and by means of a management decision they were recorded fully on December 2007, plus accrued interest based on TJLP (long-term interest rate), in addition to interest and fine on the portions in arrears of the liabilities included.
- (c) Installments in the subsidiaries, incorporated at August 1, 2005, which have been formalized with the competent government agencies.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

- (d) **INSS** - Payment-in-installments program created by Provisional Measure (MP) 303: In September 2006, the subsidiary Vita adhered to the payment-in-installments program created by Provisional Measure 303 of June 29, 2006, which states that the debts with the Brazilian Social Security system (Instituto Nacional do Seguro Social - INSS) due up to February 28, 2003, situation which is addressed by Article 1 of the aforementioned Provisional Measure (MP) and includes a schedule of 130 monthly installments and corrected by TJLP, totaling R\$ 299 as of December 31, 2008 and the debits that became overdue between March 01, 2003 and December 31, 2005, situation which is addressed by Article 8 of the Provisional Measure (MP) aforementioned, including the schedule of 120 monthly installments and corrected by TJLP, totaling R\$ 1,009 as of December 31, 2008.

PIS/COFINS Payment-in-installments program created by Provisional Measure (MP) 303:

In September 2006, the subsidiary Vita adhered to the payment-in-installments program created by Provisional Measure 303 of June 29, 2006, declaring debts managed by the Federal Revenue Department (Secretaria da Receita Federal - SRF) which became overdue up to February 28, 2003, situation which is addressed by Article 1 of the PM aforementioned, including the schedule of 130 monthly installments and corrected by TJLP, totaling R\$ 524 on December 31, 2008 and the debits that became overdue between March 1, 2003 and December 31, 2005, situation which is addressed by Article 8 of the MP aforementioned, including the schedule of 120 monthly installments and corrected using the TJLP rate, totaling R\$ 1,058 as of December 31, 2008.

ISS - In 2006, the subsidiary Vita scheduled the payment in installments of ISS debits with the Municipality of Florianópolis, which resulted in Proceeding 009476/06 of August 24, 2006, to be paid in a schedule of 36 monthly installments plus interest at 1% per month, totaling R\$ 50 as of December 31, 2008

- (e) The subsidiary Atalaia scheduled the payment in installments of ISS debits with the Municipality of Aparecida de Goiânia, corresponding to the years of 1993, 1994, 1996, 1998, 1999 and 2001, resulting in 7 proceedings for the payment in installments to be paid in 180 monthly installments corrected at the TJLP rate, totaling R\$ 1,259 as of December 31, 2008, whose amortizations shall be made until 2018.
- (f) In May, 2003, the subsidiary Exame adhered to the PAES program (Law 10684), declaring tax debts related to INSS. The amount of the consolidated debt is divided into 120 monthly installments and corrected at the long-term interest rate (TJLP). Amortizations will occur until June 2013, and the Company does not make the payment based on gross revenue, nor used neither uses tax credits for the amortization of fines and interest.

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(g) On September 29, 2008, CientificaLab paid IRJP (Company Income Tax) and CSLL (Social Contribution over Net Profit) debts in installments with the Brazilian Internal Revenue Service, which resulted in the administrative process 113896.003764/2008-27, to be paid in 60 monthly installments, plus interest equivalent to the SELIC fee, totaling R\$ 5,360 as of December 31, 2008. The amortizations will take place until August 2013.

17 Accounts payable from the acquisition of subsidiaries

	2008	2007
Bio-Ciência Lavoisier de Análises Clínicas S.A. (a)	1,953	1,787
Laboratório Bronstein S.A (b)	1,866	1,758
Laboratório de Patologia Clínica Curitiba S/C Ltda. (c)	499	456
Centro Radiológico da Lagoa (CRL) e Presmedi Rio Serviços Médicos Ltda.	-	64
Elkis e Furlanetto C.D.A.C. Ltda. (d)	8,151	7,822
Laboratório Pasteur Patologia Clínica S/S Ltda. (e)	481	453
Laboratório Frischmann Aisengart Ltda. (f)	3,186	2,986
Image Memorial Ltda. (g)	10,303	9,227
Laboratório Alvaro Ltda. (h)	7,217	5,454
Laboratório Frischmann Aisengart Ltda. (Minority) (i)	2,086	2,108
Laboratório Louis Pasteur Patologia Clínica Ltda - LabPasteur (j)	4,326	3,925
Laboratório Imuno Ltda. - MedLabor (k)	840	769
Clínica Médica Vita Ltda. (l)	677	662
Laboratório Atalaia Ltda. (m)	3,032	2,801
Exame Laboratórios de Patologia Clínica Ltda. (n)	2,007	2,039
CientificaLab Produtos Laboratoriais e Sistemas Ltda. (o)	3,278	3,147
Med Imagem Ultra-Sonografia e Radiologia Ltda. (p)	11,221	14,860
Clínica Radiológica Brafer Ltda., Cedimax Diagnósticos Médicos Ltda., Clínica Radiológica Clira Ltda. e Digirad Diagnósticos Médicos Ltda. (q)	10,171	-
Centro de Diagnósticos por Imagem de Cuiabá Ltda., Centro Médico de Imagenologia Ltda. e Ressonância Magnética Cuiabá Ltda. (r)	4,095	-
Centro Médico de Diagnóstico Laboratorial Ltda. (s)	603	-
	<u>75,992</u>	<u>60,318</u>
Short term portion in current liabilities	(8,228)	(9,688)
Noncurrent liabilities	<u>67,764</u>	<u>50,630</u>

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Accounts payable from the acquisition of subsidiaries refer to the amounts due to the previous owners for the acquisition of shares or quotas representing the capital of these companies. The debts are updated, and fall due as follows:

- (a) **Lavoisier** - Corrected at the same rates as those used for the funds placed in investment funds managed by the financial institution, as reported in Note 5, with the purpose of securing the payment of contingencies which have been under litigation since the former management.
- (b) **Bronstein** - Corrected at the same rates as those used for the funds placed in investment funds managed by the financial institution, as reported in Note 5, with the purpose of securing the payment of contingencies which have been under litigation since the former management.
- (c) **Curitiba** - In connection with tax credits which arose during the period prior to the acquisition, and which were used by the Company, and have been retained with the purpose of securing the payment of contingencies which have been under litigation since the pre-acquisition period.
- (d) **Elkis** - Corrected at the same rates as those used for the funds placed in investment funds managed by the financial institution, as reported in Note 5, and will be settled in May 2011.
- (e) **Pasteur (DF)** - Corrected at the rates of the variation of the IPCA (inflation index), and which have been retained with the purpose of securing the payment of contingencies which have been under litigation since the pre-acquisition period.
- (f) **Frischmann** - Corrected at the same rates as those used for funds placed in investment funds, managed by financial institution, as reported in Note 5 and will be settled in July 2011.
- (g) **Image** - Corrected at the same rates of investment funds, managed by a financial institution, as reported in Note 5, and will be settled in October 2011.
- (h) **Alvaro** - Corrected at the same rates as those used for funds placed in investment funds, managed by financial institutions, as reported in Note 4 and will be settled in December 2011. In December 2008, the company recorded the variable portion of R\$ 5,566 (in December of 2007 it was R\$ 3,833).

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- (i) **Frischmann Aisengart (Minority interests)** - It is related to the acquisition of the totality of interest of the remaining quotaholder of Laboratório Frischmann Aisengart Ltda., which is being annually monetarily corrected by the IGP-M variation. Amortizations of the debt will be made until May 2016.
- (j) **LabPasteur (CE)** - Corrected at the same rates as those used for funds placed in investment funds, managed by financial institutions, as reported in Note 5 and will be settled in September 2012.
- (k) **MedLabor** - Corrected at the same rates as those used for funds placed in investment funds, managed by financial institutions, as reported in Note 5 and will be settled in July 2012.
- (l) **Vita** - Corrected at the same rates as those used for funds placed in investment funds, managed by financial institutions, as reported in Note 5 and will be liquidated in October 2012.
- (m) **Atalaia** Correct at the same rates as those used for funds placed in investment funds, managed by financial institutions, as reported in Note 5 and will be settled in October 2012.
- (n) **Exame** - Corrected at the same rates as those used for funds placed in investment funds, managed by financial institutions, as reported in Note 5 and will be settled in December 2012.
- (o) **CientificaLab** - Corrected at the same rates as those used for funds placed in investment funds, managed by financial institutions, as reported in Note 5 and will be settled in July 2013.
- (p) **MedImagem** - Corrected at the same rates as those used for funds placed in investment funds, managed by financial institutions, as reported in Note 5 and will be settled in August 2013. The second installment of the acquisition price in the amount of R\$ 4,473 was paid in August 2008.
- (q) **Brafer, Cedimax, Clira and Digirad** - The amount of R\$ 6,052 at the same rates as those used for funds placed in investment funds, managed by financial institutions, as reported in Note 5 and it will be settled in October 2014, R\$ 2,719 is being monetarily correct at by the IGP-M variation and will be settled in October 2010 and R\$ 1,400 will be settled in February 2009.

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(r) **Cedic, CMI e RMC** - Corrected at the same rates as those used for funds placed in investment funds, managed by financial institutions, as reported in Note 5 and will be settled in November 2014.

(s) **Cedilab** - Corrected at the same rates as those used for funds placed in investment funds, managed by financial institutions, as reported in Note 5 and will be settled in November 2014.

The installments classified in noncurrent liabilities have the following payment schedule:

With no maturity date - See Notes 18 (a) and (b)	3,819
2009	281
2010	3,000
2011	23,571
2012	11,163
2013 to 2016	<u>25,930</u>
Total	<u>67,764</u>

18 Other accounts payable

	2008	2007
Rentals	3,572	3,070
Third - Party services	9,229	5,686
Provision for specialized medical services	5,239	2,498
Franchisee commission payable	449	434
Other accounts payable	<u>6,000</u>	<u>5,543</u>
	<u>24,489</u>	<u>17,231</u>

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19 Provision for contingencies

	2008			2007
	Provision	Judicial Deposit	Net	Net
(a) ICMS on imports	78,723	(1,890)	76,833	57,485
(b) Provision for labor contingencies	4,582	(298)	4,284	4,974
(c) Provision for civil contingencies	4,130	(27)	4,103	4,169
(d) Provision for tax contingencies	<u>33,089</u>	<u>(19,799)</u>	<u>13,290</u>	<u>14,789</u>
	<u>120,524</u>	<u>(22,014)</u>	<u>98,510</u>	<u>81,417</u>

(a) ICMS on imports

The Company, based on the opinion of its legal advisors, has not been paying ICMS on the imports of inputs and equipment for use in the rendering of its services since February 2000, once there are still discussions whether the Company is an ICMS taxpayer in these transactions. For the ICMS amounts to be paid on imports of inputs and equipment performed after the issue of Supplementary Law 114 of December 16, 2002, external legal advisors believe that the chances of loss are probable. At of December 31, 2008, the amount provisioned for imports performed as from January 1, 2003 is R\$ 70,809 in the parent company (R\$ 55,643 as December 31, 2007) and 78,723 in the consolidated (R\$ 59,374 as of December 31, 2007), with judicial deposits in the amount of R\$ 1,890. The amount of R\$ 26,819 (R\$ 22,458 on December 31, 2007) is included in the amount provisioned, plus interest at the SELIC rate relating to the nationalization of equipment coming from abroad in the international leasing category, which, according to the legal advisors of the Company, is considered as having possible chances of loss as a result of an eventual judicial. Nevertheless, as the matter does not yet have a definite jurisprudential position, the provision was maintained.

(b) Provision for labor contingencies

As of December 31, 2008, the Company is party to 315 labor actions (266 as of December 31, 2007). Based on information provided by its legal advisors, the Company has recorded amounts of R\$ 3,622 in the parent company (R\$4,190 as of December 31, 2007) and R\$ 4,582 in the consolidated (R\$ 5,157 on December 31, 2007), and the Company does not expect any losses from the realization of the lawsuits beyond the amounts that have already been recorded.

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(c) Provision for civil contingencies

As of December 31, 2008, the Company is a party to 369 civil administrative and judicial actions (273 as of December 31, 2007). Based on the information provided by its legal advisors, the Company recorded amounts of R\$ 1,989 in the parent company (R\$ 2,029 as of December 31, 2007) and of R\$ 4,130 in the consolidated (R\$ 4,196 as of December 31, 2007), and the Company does not expect any losses from lawsuits beyond the amounts that have already been recorded.

(d) Provision for tax contingencies

Provisions for tax contingencies relate to (i) questionings for raises in rates, (ii) calculation basis for calculation of taxes and (iii) unconstitutionality of collection. . Such questionings comprise basically the contributions to PIS, COFINS, INSS and FGTS contributions. Of the consolidated amount of R\$ 33,089, R\$ 15,499 are related to taxes and contributions questioned by the companies acquired. Management, based on the opinion of its legal advisors, has recorded provisions in the amount of R\$17,590 in the parent company (R\$ 19,165 as of December 31, 2007) and R\$ 33,089 in the consolidated (R\$ 31,223 on December 31, 2007), and does not expect any losses beyond amounts already recorded.

Changes in provisions

	2007	Changes in the period			2008
	Opening balance	Additions	Utilization and/or reversal	Monetary Restatement	Closing balance
ICMS on imports	59,262	13,174	(183)	6,470	78,723
Provision for labor contingencies	5,054	40	(957)	445	4,582
Provision for civil contingencies	4,170	-	(281)	241	4,130
Provision for tax contingencies	<u>31,464</u>	<u>3,376</u>	<u>(4,355)</u>	<u>2,604</u>	<u>33,089</u>
	<u>99,950</u>	<u>16,590</u>	<u>(5,776)</u>	<u>9,760</u>	<u>120,524</u>

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20 Shareholders' equity

a. Capital

The Company's capital of R\$ 402,091 is represented by 57,402,935 (fifty-seven million, four hundred two thousand, nine hundred thirty-five) common shares, all nominative, without certificate and with no par value, with exclusion of rights of first refusal of the current shareholders of the Company in its subscription, in accordance with the stated in Article 172 of Law 6404, dated December 15, 1976, and in accordance with Article 9 of the Company's By-laws.

The authorized limit for the capital increase, irrespective of statutory reform, through the issuance of new shares, is 140,000,000 (one hundred forty million) common shares.

Through a resolution of the Board of Directors, within the limits authorized in the By-laws, the Company will be able to increase the capital irrespective of statutory reform. The Board of Directors will fix the terms for the share issuance, including price and time frame for payment.

The issuance of shares and debentures that are convertible into shares or a subscription bonus may be performed, at the of the Board of Directors' discretion, , without right of first refusal or with a reduction in the time frame addressed to by §4 of Article 171 of Law 6404/76, , the placement of which is carried out through sale on stock exchange or by public offering, or even through barter for shares in a takeover bid, in the terms established in law, within the limits of the authorized capital.

Within the limits of the authorized capital and in accordance with the Plan approved at the General Meeting, the Board of Directors may authorize the Company to grant a share purchase option to its management and employees, as well as to management and employees of the other companies that are directly or indirectly controlled by the Company, without right of first refusal for the shareholders.

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b. Shareholding structure (information not audited by the independent auditors)

Controllers, managers and outstanding shares

Shareholders	Situation at December 31st, 2008			
	Shares ON (Unit)	%	Total of Shares (Unit)	%
Board of Directors	3,642,234	6.35%	3,642,234	6.35%
Executive Board	1,547	0.00%	1,547	0.00%
Fiscal Board	1,500	0.00%	1,500	0.00%
Other shareholders	53,757,654	93.65%	53,757,654	93.65%
Total Shares	57,402,935	100.00%	57,402,935	100.00%
Outstanding Shares	53,759,154	93.65%	53,759,154	93.65%

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Shareholders	Situation at December 31st, 2007			
	Shares ON (Unit)	%	Total of Shares (Unit)	%
Board of Directors	3,727,419	6.50%	3,727,419	6.50%
Executive Board	1,547	0.00%	1,547	0.00%
Other shareholders	53,673,969	93.50%	53,673,969	93.50%
Total Shares	57,402,935	100.00%	57,402,935	100.00%
Outstanding Shares	53,673,969	93.50%	53,673,969	93.50%

At an Extraordinary Shareholder's Meeting held on March 25, 2008 the Company's Fiscal Board was formed. They took over on April 16th, 2008.

Commitment clause:

The company is committed to the arbitration at the Market Arbitration Chamber, in accordance with the commitment clause included in the Company's bylaws.

Shareholding structure at December 31, 2008 of the shareholders holding more than 5% of shares with voting privilege in the company

Name/Corporate	CNPJ/CPF	Nat	Shares ON (Unit)	%	Total Shares (Unit)	%
Brazilian Analysis and Diag. Private Inv LLP	07.060.073/0001-18	United Kingdom	5,819,985	10,14%	5,819,985	10,14%
Cao Roberto Chimenti Auriemo	098.182.948-15	Brazil	3,598.923	6,27%	3,598,923	6,27%
HSBC Global Investment	05.447.245/0001-85	Luxembourg	4,176,765	7,28%	4,176,765	7,28%
Credit Suisse Hedging-Griffo C.V. S.A. (1)	61.809.182/0001-30	Brazil	9,187,651	16,01%	9,187,651	16,01%
Other	-	-	34,619,611	60,31%	34,619,611	60,31%
Tota			57,402,935	100,00%	57,402,935	100,00%

(1) This institution manages or legally represents investment funds, investment clubs and non-resident investors.

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List of shareholders, who make up the stock position held by:

(¹) Credit Suisse Hedging-Griffo C.V. S.A. - CNPJ 61.809.182/0001-30

Corporate	CNPJ	Nat.	Shares ON	%
SKOPOS MASTER FUNDO DE INVESTIMENTOS EM AÇÕES	08.532.592/0001-02	Brazil	2,929,700	5,10%
HEDGING - GRIFFO SKOPOS FUND.LLC, - HEDGING - GRIFFO C.V. S.A.	05.599.610/0001-77	USA	2,012,300	3,51%
C SHG VERDE MASTER FUNDO DE INVESTIMENTO MULTIMERCADO	07.455.507/0001-89	Brazil	1,407,400	2,45%
GREEN HG FUND, LLC. - HEDGING-GRIFFO CORRETORA DE VALORES S.A.	05.520.773/0001-12	USA	708,700	1,23%
CSHG VERDE EQUITY MASTER FUNDO DE INVESTIMENTO EM AÇÕES	08.680.812/0001-37	Brazil	519,200	0,90%
SKOPOS HG BRK FUND, LLC - HEDGING GRIFFO CV S.A.	08.112.936/0001-16	USA	269,500	0,47%
CSHG STRATEGY II FUNDO INVEST.EM COTAS DE FUNDO INV.EM AÇÕES	03.408.336/0001-86	Brazil	261,700	0,46%
SKOPOS HG GREY CITY FUND, LLC - HEDGING-GRIFFO CV SA	07.688.402/0001-70	USA	162,100	0,28%
CSHG STRATEGY LONG SHORT FUNDO INV.COTAS DE FUNDO INV.MULT.	06.970.359/0001-78	Brazil	125,300	0,22%
HG GLOBAL MACRO MASTER FUND, LP.	06.105.256/0001-40	USA	110,300	0,19%
FAMA LONG SHORT HG MASTER FUNDO DE INVESTIMENTO MULT.	08.703.194/0001-01	Brazil	104,100	0,18%
STRATEGY HG LONG & SHORT FUND, LLC - HEDGING-GRIFFO CV S.A.	07.609.538/0001-47	USA	84,900	0,15%
FI EMERGING HG FUND, LLC - HEDGING-GRIFFO CV S.A.	07.043.339/0001-14	USA	82,800	0,14%
CSHG QUETZAL FUNDO DE INVESTIMENTO EM AÇÕES	07.072.864/0001-68	Brazil	77,000	0,13%
CSHG TOP 30 FUNDO DE INVEST. EM COTAS DE FUNDO DE INV.MULT.	06.871.308/0001-99	Brazil	65,500	0,11%
HG CARTEIRA ADMINISTRADA - REAL FUNDO DE INVEST.MULT.	03.074.954/0001-37	Brazil	53,000	0,09%
CSHG TOP FUNDO DE INVEST.EM COTAS DE FUNDO DE INVEST.MULT.	00.826.903/0001-26	Brazil	47,800	0,08%
M SQUARE ACOES HG MASTER FUNDO DE INVESTIMENTO EM AÇÕES	08.927.452/0001-25	Brazil	41,000	0,07%
CSHG STAR FUNDO DE INVESTIMENTO MULTIMERCADO	03.536.908/0001-02	Brazil	25,900	0,05%
VICTOIRE LONG SHORT CSHG MASTER FUNDO DE INVEST. MULT.	09.329.852/0001-00	Brazil	23,200	0,04%
CLUBE DE INVESTIMENTO HG REAL	06.975.138/0001-92	Brazil	21,600	0,04%
HG REMO MASTER FUNDO DE INVESTIMENTO MULTIMERCADO	08.811.837/0001-22	Brazil	13,451	0,02%
HG STRATEGY LONG SHORT MIX MASTER FUNDO DE INVEST.MULT.	08.297.677/0001-45	Brazil	11,200	0,02%
CSHG STRATEGY LONG SHORT MASTER FUNDO DE INVEST.MULT.	08.833.225/0001-30	Brazil	9,600	0,02%
CSHG BIZ DIVIDENDOS FUNDO DE INVESTIMENTO EM ACOES	08.541.525/0001-46	Brazil	8,300	0,01%
CLUBE DE INVESTIMENTO TCA	09.466.604/0001-00	Brazil	4,800	0,01%
HG AQUILA FUNDO DE INVESTIM.MULTIMERCADO LONGO PRAZO	07.455.417/0001-98	Brasil	2,800	0,00%
CLUBE DE INVESTIMENTO PERSEPOLIS	09.539.890/0001-89	Brazil	2,500	0,00%
CLUBE DE INVESTIMENTO MATRIX BCG	09.535.868/0001-60	Brazil	2,000	0,00%
			9,187,651	16,01%

(¹) This institution manages or legally represents investment funds, investment clubs and foreign investors.

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c. Dividends

In accordance with the Company's By-laws, the net profit for the year shall have the following distributions: (i) 5% allocated to a legal reserve, until it reaches 20% of the subscribed capital; and (ii) 25% of the remaining balance adjusted in accordance with Art. 202 of Law 6404/76, for the payment of mandatory dividends. Taking into consideration the losses that were incurred in the year ended December 31, 2008, the destinations aforementioned are not applicable.

As for the balance of retained earnings of previous years, we have performed its reclassification to profit reserve, under the terms stated in Law 11638/07, for which Management recommended their allocation for the realization of future investments.

d. Management remuneration

The management remuneration in the period was R\$ 8,024 (R\$ 6,707 in 2007).

21 Income tax and social contribution on net income

The reconciliation between the expense calculated through the use of combined tax rates and the income and social contribution tax expense charged to income is shown as follows:

	2008	2007
Accounting profit before the income and social contribution taxes	(4,535)	<u>29,001</u>
Combined tax rate	34%	
Income tax and social contribution: Through the combined tax rate	1,542	(9,860)
Permanent additions		
Negative income from branches abroad	(9,436)	-
Other additions	(831)	-
Permanent exclusions		
Other exclusions	-	267
Other adjustments		

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	2008	2007
Net Temporary Exclusions (additions)	1,069	(4,529)
Offset of tax loss carryforwards	78	290
Initial recognition of deferred Income Tax	-	37,685
Presumed profit in subsidiary	534	3,556
Others	(475)	<u>622</u>
Income and social contribution taxes	<u>(7,519)</u>	<u>28,031</u>
Effective rate	<u>166%</u>	<u>97%</u>

22 General and administrative expenses

	2008	2007
Personnel expenses	90,892	70,980
Services and utilities	56,572	52,380
Depreciation	22,442	15,580
Taxes	2,160	2,130
Sundry provisions	8,978	5,530
Expenses with issuance of debentures	958	958
General expenses	<u>29,472</u>	<u>24,010</u>
	<u>211,474</u>	<u>171,580</u>

23 Tax loss carryforwards

As of December 31, 2008, the Company had tax loss carryforwards on the following base values:

Tax losses carryforwards	21,025
Negative basis of social contribution	24,541

The offsetting of the tax loss carryforwards of income tax and the negative basis of social contribution is limited to 30% of annual taxable income, with no statute of limitations.

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24 Financial instruments

Classification of financial instruments

The financial instruments are classified as described below.

The Financial assets are classified in the following categories: (i) loans and receivables, (ii) measured at fair value through profit and loss, (iii) held to maturity and, (iv) available for sale. The classification is made based on the following criteria:

a. Loans and receivables

Financial assets with fixed or determined payment maturity dates, not marked to market. Such financial assets are recorded at their historical costs through the amortized cost method.

The company has the following main financial assets in this category: (i) accounts receivable from customers (Note 6).

b. Measured at fair value through profit and loss

The financial assets that are: (i) trading securities for a short-term period, (ii) assigned at the fair value with the objective of matching income and expense acknowledged effects in order to get a more consistent and relevant accounting information or, (iii) derivatives. These assets are recorded at their respective fair values and for any change in the subsequent fair value measurement the counter-entry is in profit and loss.

The main financial assets that the company has in this category are: (i) Cash and cash equivalents and financial investments (Note 5) and, (ii) derivatives.

c. Held to maturity

The non-derivatives financial assets with fixed or determined payment maturity dates, which the company intends keeping to the maturity date. The financial assets related to this classification are recorded at the historical cost through the amortized cost method.

The company does not have financial assets classified under this category.

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d. Available for sale

Financial assets that do not fit in any of the aforementioned classification or the financial assets that are being assigned as available for sale. These financial assets are recorded at their respective fair values and for any change in the subsequent fair value measurement, the counter-entry is in net equity.

The company does not have financial assets classified in this category.

Financial liabilities in the following categories: (i) measured at fair value through profit and loss and, (ii) measured at the amortized cost method. The classification is made in accordance with the following criteria:

a. Measured at fair values through profit and loss

The financial liabilities that: (i) are kept for short term negotiation, (ii) assigned at a fair value with the objective of matching income and expense acknowledged effects in order to get a more consistent and relevant accounting information or, (iii) derivatives. These liabilities are recorded at their respective fair values and for any change in the subsequent fair value measurement, the counter-entry is in profit and loss.

The company and its subsidiaries classified in this category the following financial liabilities: (i) derivatives.

b. Not stated at fair value through profit and loss

The other financial liabilities that do not fit in the above classification. The financial liabilities related to this classification are recognized and amortized applying essentially the amortized cost method.

The main financial liabilities classified in this category are: (i) accounts payable to suppliers (Note 13) (ii) loans and financing (Note 14), (iii) debentures (Note 15) and, (iv) other accounts payable (Note 19).

The table below identifies the company financial instruments. The assets classified as “not measured at fair value through profit and loss” did not show significant adjustments between the book value and the fair value.

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(In thousands of Reais)

Description	Consolidated	
	Accounting	Market value
Cash and cash equivalents	15,842	15,842
Financial investments	550,114	550,114
Accounts receivable from clients	263,704	263,704
Derivatives	<u>29,800</u>	<u>29,800</u>
Assets	<u>859,460</u>	<u>859,460</u>
Accounts payable to suppliers	58,897	58,897
Banking loans and financing	805,485	805,485
Debentures	209,462	209,462
Other accounts	<u>24,489</u>	<u>24,489</u>
Liabilities	<u>1,098,333</u>	<u>1,098,333</u>

Risks

The operations of the company and its subsidiaries are subject to the risk factors described below:

a. Credit risk

The Company and its subsidiaries are subordinated to the credit policies determined by the Management, aiming to minimize possible problems deriving from non-compliance with the Covenant on default. The company has a provision for disallowance and for doubtful accounts to face the credit risk in the amount of R\$ 18,411 (R\$ 20,883 as of December 31, 2007), accounting for 6.75% (9.47% as of December 31, 2007) of the balance of receivable accounts due.

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b. Exchange Rate Risk

This risk derives from possible variations in exchange rates for the currencies used by the Company for the acquisition of Equipment and for contracting Loans, which may incur in losses and cash restrictions due to the exchange rate volatility, increasing therefore the liabilities balance in foreign currency. The Company's exposure in financial transactions in foreign currency is substantially covered, since a great part of the funding is still in foreign currency, the US Dollar, and the interests are covered by swap financial operations, which enable the Company to swap the original risks of the operation for the risk related to CDI variation.

c. Interest rate risk

This risk arises from the possibility of the Company incurring in losses due to interest rates fluctuations that increase the loans, financing and debentures financial expenses.

- **Risk management**

The Company maintains internal control procedures to monitor transactions and the balance of financial instruments, for tracking purposes of the risks and the rates in force in relation to market rates, aiming at its assets liquidity, security and profitability. The Management is responsible for monitoring the internal control procedures, following the directions established by the Board of Directors, always presenting the required approvals and in compliance with the Company's Articles of Incorporation. The financial instruments contracted by the Company and supported by these tools have historically showed adequate results for risk mitigation. Additionally, the Company does not make any transactions involving exotic or speculative derivatives.

d. Estimated market value

The estimates for the market value of the financial instruments were made through pricing standards, individually applied to each transaction, taking into consideration future payments, based on the contracted terms and discounted at present value through rates obtained through market interest rate curves, which are based on information obtained at the Futures and Commodities Exchange (BM&F) and National Association of Open Market Institutions (Andima) sites.

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Therefore, the market value of a security corresponds to its due date value (redemption value) brought to present value through the discount factor (related to the due date of the security) obtained from the market interest rate curve in Reais.

e. Derivative instruments

As aforementioned, the contract for operations of swap derivative financial instruments has the objective of minimizing the risks of loans and financing in US dollar. According to the Company financial strategy, the operations involving instruments are contracted with the purpose of protecting (hedging) the risks arising from exchange rate variation and interest rate fluctuation, not having thus speculative objectives in the use of these derivatives.

The protection instruments contracted by the Company are interest rate or currency *swaps* with any leverage component, margin call clause, daily adjustments or periodical adjustments. The premises used in the calculation of the Purchased and Sold Swap position are stated below:

As of December 31, 2008 the Company had the following swap operations:

Company Strategy	Market Value (Booked)				Net Market Value	Cost Value	Mark-to-Market Gain (Loss)	Currency/ Ratio	Maturity Range	Notional	Trading Market	Counterpart
	Assets ratio	Assets	Liability Ratio	Liability								
Derivatives used for protection of debts not designated at fair value												
Swap - Hedge Exchange rate variation	Dollar + 13.06% p.a.	1,753	CDI less 2.0%	(2,936)	(1,183)	(1,238)	55 DOLLAR	08/2002 to 07/2009*	1,279	over-the counter	Itau BBA	
Swap - Hedge Exchange rate variation	Dollar + 8.50% p.a.	3,502	CDI less 0.7%	(6,421)	(2,919)	(3,003)	84 DOLLAR	05/2003 to 12/2010*	2,960	over-the counter	Banco Votorantim	
Swap - Hedge Exchange rate variation	Dollar + 8.75% p.a.	82,143	103.1% of CDI	(72,289)	9,854	(108)	9,962 DOLLAR	05/2008 to 05/2013**	166,300	over-the counter	Merryl Lynch	
Swap - Hedge Exchange rate variation	Dollar + 8.75% p.a.	123,214	103.1% of CDI	(103,268)	19,946	517	19,429 DOLLAR	05/2008 to 05/2013**	249,450	over-the counter	Credit Suisse	
Consolidated Total		210,612		(184,914)	25,698	(3,831)	29,529					

* Monthly Maturity
** Six Month Maturity

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The company recognized gains with its derivative instruments. However, since they are protection derivatives, such gains minimized the impacts arising from exchange rate variation and from the interest rate variation incurred in the respective protected indebtedness. In 2008 and 2007, the derivative instruments generated the following impacts on the consolidated result:

Derivatives	Risk	Account	Income (Expenses)	
			2008	2007
Itaú - BBA	Exchange rate variation/Interest	Financial expenses	329	(1,999)
	Fair value adjustment		55	111
Banco Votorantim	Exchange rate variation/Interest	Financial expenses	65	(3,927)
	Fair value adjustment		84	270
Merril Lynch	Exchange rate variation/Interest	Financial expenses	(1,474)	-
	Fair value adjustment		9,962	-
Credit Suisse	Exchange rate variation/Interest	Financial expenses	(782)	-
	Fair value adjustment		19,429	-
			<u>27,667</u>	<u>(5,545)</u>

f. Sensitivity analysis

In accordance with Instruction CVM 475/08, the Company carried out the sensitivity analysis for the main risks, to which its financial instruments (including derivatives) are exposed and which are basically represented by the risks related to exchange and interest rate variation, shown as follows:

Exchange rate variation

Considering the maintenance of the exposure (notional) and the dollar exchange rate quotation as of December 31st, 2008, the simulation for the effects of the dollar devaluation on the financial reports consolidated by type of financial instrument in two different scenarios would be the following:

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(In thousands of Reais)

			Market Value at 31/12/2008	Depreciation 25%	Depreciation 50%
	Exposure	Risk	Value	Value	Value
SWAP contract - Merrill Lynch Active Position- Exchange Rate variation	166,300	Dollar' s fall US\$	82,143	(20,536)	(41,071)
SWAP contract- Credit Suisse Active Position- Exchange rate variation	249,450	Dollar' s fall \$US\$	123,214	(30,803)	(61,607)
SWAP contract - Itaú BBA Active Position – Exchange rate variation	1,279	Dollar's Fall US\$	1,753	(438)	(877)
SWAP contract- Votorantim Active Position – Exchange rate variation	2,960	Dollar's Fall US\$	3,502	(876)	(1,751)
	419,989		210,612	(52,653)	(105,306)

Interest rate variation

Considering that the exposure scenario for the financial instruments indexed to the variable interest rates as of December 31, 2008 will remain the same, the effects of the Interbank Deposit Certificate (CDI) increase on the financial statements consolidated by type of financial instrument, for two different scenarios, would be the following:

			Market Value on 31/12/2008	Increase 25%	Increase 50%
	Exposure	Risk	Value	Value	Value
SWAP contract- Merrill Lynch Swap (sold) - Interest	166,300	CDI Increase I	(72,289)	(12,278)	(22,959)
SWAP contract- Credit Suisse Swap (sold) - Interest	249,450	CDI Increase	(103,268)	(18,713)	(35,002)
SWAP contract - Itaú BBA Swap (sold) - Interests	1,279	CDI Increase	(2,936)	(39)	(78)
SWAP contract - Votorantim Swap (sold) - Interests	2,960	CDI Increase I	(6,421)	(334)	(743)
	419,989		(184,914)	(31,364)	(58,783)

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25 Insurance coverage

The Company has a policy of contracting insurance coverage for assets subject to risks in amounts considered to be sufficient to cover possible casualties, considering the nature of its activity.

The Company has insurance policies taken out with the main insurance companies in Brazil, which were determined in accordance with the guidance of experts, and take into account the nature and the level of risk involved. The main insurance coverage are those against fire (R\$ 58,300), unearned profits (R\$ 9,500), civil liability (R\$ 1,000), civil liability of Officers and Administrators (R\$ 20,000), windstorm and smoke (R\$ 1,500), and electrical damages (R\$ 1,500), for amounts considered sufficient to cover possible losses.

The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements and, accordingly, were not examined by our independent auditors.

26 Related party transactions

Our By-laws require that related party transactions with related parties be performed on an arm's length basis. Additionally, any transaction or set of transactions with related parties in Brazilian Reais above the equivalent to US\$ 500 thousand must be approved by the Board of Directors, by at least 75% of the members attending the Meeting.

During the years ended at December 31, 2008, and, 2007, the Company maintained transactions included in the current operation with related parties, being the main transactions presented below (consolidated):

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Operations with non consolidated related parties

	2008		
	Expenses	Permanent assets	Prepaid expenses
Terra Molhada Participações Ltda. (a)	3,805	-	-
Companhia de Serviços e Participações. (b)	3,181	94	-
RMA Construtora Ltda. (d)	5,308	9,714	-
Touch Tecnologia e Informática Ltda. (e)	835	4,319	-
Refazenda Participações Ltda. (f)	685	-	-
DA Produções Artísticas Ltda. (g)	61	-	-
Pátria Assessoria Financeira Ltda. (h)	2,422	1,126	-
Família Chimenti Auriemo (i)	<u>139</u>	<u>-</u>	<u>-</u>
	<u>16,436</u>	<u>15,253</u>	<u>-</u>
	2007		
	Expenses	Permanent assets	Prepaid expenses
Terra Molhada Participações Ltda. (a)	3,602	-	-
Companhia de Serviços e Participações. (b)	6,466	150	-
Patrimônio Investimentos e Participações Ltda. (c)	179	-	-
RMA Construtora Ltda. (d)	3,631	10,709	-
Touch Tecnologia e Informática Ltda. (e)	854	2,780	-
Refazenda Participações Ltda. (f)	566	-	-
DA Produções Artísticas Ltda. (g)	36	-	12
Pátria Assessoria Financeira Ltda. (h)	<u>1,961</u>	<u>4,071</u>	<u>-</u>
	<u>17,295</u>	<u>17,710</u>	<u>12</u>

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(a) Terra Molhada Participações Ltda.

The Company rents four real estate properties (central laboratory and headquarters of the Company in Barueri, service units at Av. Brasil 762 and Rua Cardoso de Melo, 214 in São Paulo and offices at Rua Cardoso de Melo, 221 in São Paulo) from Terra Molhada Participações Ltda., which is controlled by Renato Magnanini Auriemo, Ricardo Magnanini Auriemo, Adriana Auriemo Miglorancia and Guilherme Magnanini Auriemo, sons and daughter of Doctor Caio Roberto Chimenti Auriemo, Chairman of the Board of Directors of the Company.

(b) Companhia de Serviços e Participações (successor of Parkbem Multiserviços S/C Ltda.)

Company controlled by José Auriemo Neto, nephew of Dr. Caio Auriemo, providing cleaning, security and parking services to the service units. On May 29, 2008, as per amendment to the contract, part of the cleaning services was terminated and the services of reception and parking were totally terminated. On August 3, 2008, the contract maintained by the parts was totally terminated.

(c) Patrimônio Investimentos e Participações Ltda.

It is a company related to Pátria - Banco de Negócios Assessoria. Gestão e Participações Ltda., the manager of certain funds and an indirect shareholder of the Company; it provides services related to financial advisory to the Company in order to assist it in mergers and acquisitions.

(d) RMA Construtora Ltda.

Construction company owned by Renato Magnanini Auriemo, Dr. Caio Auriemo's son, which provides civil engineering services for the construction or remodeling of the service units.

(e) Touch Tecnologia e Informática Ltda.

Software development and web design company owned by Ricardo Magnanini Auriemo, Dr. Caio Auriemo's son, which provides software development services.

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(f) Refazenda Participações Ltda.

Company that manages its own assets and business, which is controlled by Dr. Caio Auriemo (and, prior to the Company's 2007 corporate restructuring, controlled by Balu 460 Participações S.A., which controlled DASA Participações S.A., which in 2006 was the holder of general control of the Company).

The Company rents four real estates (service units in Chácara Flora and Mooca neighborhoods in the City of São Paulo, and in Ipanema and downtown neighborhoods in the City of Rio de Janeiro), from Refazenda. The lease agreements related to the real estates located in São Paulo were executed in November 2005 for a 10-year period, and the lease agreements related to the real estates located in Rio de Janeiro were executed in April 2004 for a 5-year period.

(g) DA Produções Artísticas Ltda.

Company owned by Dulce Magnanini Auriemo, wife of Dr. Caio Auriemo, which grants licenses to the Company for the use of trademarks, names and images related to children recreation.

(h) Pátria Assessoria Financeira Ltda. ("Pátria")

Fund management Company, indirect shareholders of the Company, related to Patrimônio Investimentos e Participações Ltda., which provides financial advisory services to the Company in order to assist it in mergers and acquisitions.

(i) Família Chimenti Auriemo.

The Company leases a real estate that belongs to the Auriemos, including 5% owned by Dr. Caio Auriemo, located at Avenida Brigadeiro Luiz Antônio, 3717, in the City of São Paulo.

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27 Leases

Local currency lease

The Company is a lessee of data processing equipment (hardware), machinery and equipment, vehicles, furniture and fixture, and software with a purchase option, totaling a payable balance until 2013 and an outstanding amount of R\$ 21,514, of which R\$ 9,988 is classified under current liabilities and R\$ 11,526 in the noncurrent liabilities. The average term of the contracts is 36 months and they are bound to interest rates that vary from CDI + 1,17 % per year to CDI + 3,19 % per year.

The accounts payable related to leasing contracts matures as follows:

	Amount
2009	9,988
2010	7,009
2011 to 2013	<u>4,517</u>
	<u>21,514</u>

The assets and the rights of these contracts are recorded in Property and Equipment assets and Intangible Assets, R\$ 29,211 of cost and R\$ 5,150 in accumulated depreciation.

Foreign lease

The Company is a leaseholder of equipment used in the rendering of the services, in accordance with lease agreements with purchase option. The payment term is 84 months, and for the first installment it was established a grace period of six months for its payment, and for the others it was established that they will be made on a quarterly and semi-annual basis. The quarterly and semi-annual installments fixed in U.S. Dollars are translated into Reais at the dollar market exchange rate quotation ruling on the payment date, plus interest which varies from 7.20% per annum to 9.00% per annum, which up to 2016 total a payable balance in the amount of R\$ 95,192, R\$ 21,900 of which is classified under the current liabilities and R\$ 73,292 under noncurrent liabilities.

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The accounts payable related to leases matures as follows:

	Amount
2009	21,900
2010	20,499
2011	17,841
2012	15,054
2013	12,375
2014	6,051
2015	1,414
2016	<u>58</u>
	<u>95,192</u>

The equipment related to these contracts is recorded as property and equipment, in the account Machinery and Equipment, R\$ 125,942 of which is cost and R\$ 26,099 is accumulated depreciation.

28 Stock option plan

In Extraordinary General Meeting held on March 25, the shareholders approved the Stock Option Plan to Company management's and employees', the effectiveness term of the plan is five (5) years as of its approval, as prior conditions announced to the shareholders. The call options shall confer acquisition rights over a total number of shares that shall not exceed the equivalent to 0.2% of the Company's capital in the year, and 1% of the total capital. The Board of Directors shall establish the price for the acquisition of the options granted in the terms of the Plan, respecting the floor price equivalent to the average price of the shares, by the end of the day, in five business days at Bovespa immediately before the date of the option granting. The granting date of options is in 2009. The contents of the Plan was announced to the market on March 25, 2008 at the CVM website (www.cvm.gov.br).

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29 Subsequent events

Acquisition of interest

On December 23rd, 2008, the company signed a contract to acquire all representative shares of the quota capital of the company Unidade Cearense de Imagem Ltda. - Unimagem that renders services of diagnosis by image in the city of Fortaleza (Ceará State). The effectiveness of the acquisition was subject to the checking of some condition precedent, which was completed on January 20, 2009. The cost of acquisition was R\$ 15,882, R\$ 12,682 of which were paid cash and R\$ 1,700, which corresponds to the second installment, will be paid in 2012, conditioned to the permanence of former managers. In addition to these amounts, R\$ 1,500 were retained in a deposit account related to the acquisition for a period of up to 5 years. With this other acquisition, the company strengthens its presence in the State of Ceará, where it already offers services of clinical analysis through the trademark LabPasteur, as a supplement to its market share in diagnostic services through imaging. The acquisition was approved at a Company's Board of Directors' meeting held on December 23, 2008, which was submitted to the approval of the Administrative Council for Economic Defense (CADE).

30 Summary of principal differences between Brazilian GAAP and U.S GAAP

I - Description of GAAP differences

The consolidated financial statements of the Company and its subsidiaries is prepared in accordance with accounting practices adopted in Brazil, which comply with those prescribed by Brazilian Corporate Law, the Pronouncement, Guidelines and Interpretations issued by the Committee for Accounting Statements(CPC) and the rules of the Brazilian Securities and Exchange Commission (CVM). Note 2 to the consolidated financial statements summarizes the accounting policies adopted by the Company, which differ significantly from U.S.GAAP, as summarized below.

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a. Deferred charges

Before Law 11638/07, the Company has capitalized certain preoperating, research and development costs under Brazilian Accounting Principles. Under U.S. GAAP, these costs are recorded as expenses when incurred. The U.S. GAAP adjustment represents the reversal of deferred costs capitalized and the related amortization recorded under Brazilian Accounting Principles.

According to Law 11638/07, beginning in 2009, the Brazilian Accounting Principles will be similar to U.S. GAAP, and the deferral of costs will not be allowed.

b. Capitalization of interest related to construction in progress

Under accounting practices adopted in Brazil, the Company is allowed to capitalize interest costs and other financial charges of borrowed funds as part of the cost of the related asset being constructed only if the borrowed funds are directly related to the asset under construction.

In accordance with U.S. GAAP, SFAS 34, "Capitalization of Interest Costs", interest incurred on borrowings is capitalized to the extent that the borrowings do not exceed construction in progress. Under U.S. GAAP, the amount of interest capitalized should not include foreign exchange gains and losses on foreign currency borrowings.

c. Accounting for derivative financial instruments

As discussed in Note 24, in order to minimize its financing costs and to manage interest and exchange rate exposure, the Company enters into cross currency swap agreements to effectively convert a portion of its U.S. dollar denominated variable-rate debt to Brazilian Reais accruing interest at the CDI rate (Inter-bank deposit rate).

Before Law nº 11,638/07, under Brazilian Accounting Principles, any differential to be paid or received under these contracts was recorded in an accrual basis as an asset or liability, with a corresponding adjustment to interest expense in the statement of income. The fair value of these contracts was not recognized in the consolidated financial statements.

However, in 2008 the Brazilian accounting principle related to this matter was changed and the derivative instruments are now recognized on the balance sheet as either an asset or a liability, measured at fair value, as demonstrated in note 24. Any change in the derivative's fair value is recognized currently in the statement of income, since the Company does not adopted hedging accounting.

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Since the current practice adopted in Brazil is similar to the accounting practice established by SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," and SFAS.149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," the 2008 reconciliation does not present any difference related to derivatives.

December 31, 2007				
Number of contracts outstanding	Type of derivative instruments	Book value under accounting practices adopted in Brazil	Fair value	U.S. GAAP Adjustment
39	Cross-currency interest swap	(14,477)	(14,095)	382

d. *Deferred income taxes*

Under accounting practices adopted in Brazil, deferred tax assets must be recorded when certain criteria defined by the CVM are met and to the extent that realization is probable (a valuation allowance is not recorded), while deferred tax liabilities must be recorded in full. Recognition of deferred tax assets from tax loss carryforwards is based on future taxable income brought at its present value. The Realization estimated period cannot exceed ten years.

Under U.S. GAAP, deferred taxes are recorded on all temporary differences, except for differences arising from re-measurement of non-monetary assets and liabilities from Brazilian Reais into US dollar at historical exchange rates. Valuation allowances are established when it is more likely than not that deferred tax assets will not be realized. Deferred tax assets and liabilities are classified as current or long-term based on the classification of the asset or liability underlying the temporary difference. Deferred income tax assets and liabilities in the same tax jurisdiction are netted rather than presented gross. Discounting is not permitted.

Deferred tax assets arising from tax loss carryforwards of an acquired entity are recognized directly in the statement of operations in the year when all conditions for recognition are met. Pursuant to US GAAP, these assets must be assessed at the date of acquisition and, if recorded, should have their effects on the amount assigned to goodwill.

The types of temporary differences that give rise to significant portions of the Company's net deferred tax liabilities as of December 31 are set forth below:

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	2008	2007
Deferred tax assets		
Tax loss carryforwards	7,465	4,803
Provision for disallowance and doubtful accounts	4,952	6,500
Obsolete items - inventories	407	220
Goodwill amortization	50,246	29,351
Provision for specialized medical services	1,247	444
Provision for contingencies	18,687	15,089
Deferred charges	-	12,072
Preoperating expenses	10,438	-
Other provisions	<u>1,841</u>	<u>1,443</u>
Total gross deferred tax assets	95,283	69,922
Less valuation allowance	<u>-</u>	<u>-</u>
Net deferred tax assets	<u>95,283</u>	<u>69,922</u>
Deferred tax liabilities		
Capitalization of interest	(1,853)	(1,952)
Fair value adjustments relating to derivatives	(9,273)	(131)
Differences in goodwill recognized under US GAAP	(27,109)	(25,415)
Intangible assets recorded under US GAAP	(70,283)	(70,384)
Other	<u>(1,340)</u>	<u>-</u>
Total gross deferred tax liabilities	<u>(109,858)</u>	<u>(97,882)</u>
Net deferred tax assets (liabilities)	<u>(14,575)</u>	<u>(27,960)</u>
Current portion	15,054	13,279
Noncurrent portion	(29,629)	(41,239)

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In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income of approximately R\$291 million. Taxable income for the years ended December 31, 2008 and 2007 was R\$8,506 and R\$29,001, respectively. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, and therefore, no valuation allowance was recorded as of December 31, 2008.

e. Acquisitions and business combinations

Before Law 11638/07, according to the accounting practice adopted in Brazil on the acquisition of subsidiaries, the difference between the purchase price paid and the book value was recorded as goodwill, when such goodwill was supported by future profitability of operations undertaken by the subsidiaries acquired, and it was amortized over the period estimated to be benefited. If the fair value of the property and equipment of the acquired company exceeds the book value, the goodwill relating to this excess was amortized over the remaining useful lives of the related assets. If the goodwill did not fall into one of the above categories, it was written off.

The enactment of Law 11638/07 and the publication of accounting pronouncements as “CPC 04 - Intangible Assets” and “CPC 13 - Initial Compliance with Law 11638/07 and Provisional Measure 449/08”, modified the Brazilian Accounting Principles regarding this matter basically through the recognition of a new subgroup under Noncurrent Assets called “Intangibles” which comprises (i) intangibles assets with finite useful lives subject to amortization, and (ii) intangible assets with indefinite useful lives subject annually to an impairment test (i.e. goodwill).

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Pursuant to the new law, the goodwill that was related to the acquisitions were reclassified to “intangible” and were amortized until December 31, 2008. As of January 1st, 2009, goodwill will no longer be amortized and will be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the goodwill or the intangible asset might be impaired.

Under U.S. GAAP, pursuant to SFAS 141, “Business Combinations” the cost of an acquired entity is allocated to assets acquired, including identifiable intangible assets, and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the cost of an acquired entity over the amounts assigned to assets acquired and liabilities assumed is recognized as goodwill. SFAS 141 requires disclosure of the primary reasons for a business combination and the allocation of the purchase price paid to the assets acquired and liabilities assumed by major balance sheet captions. SFAS 141 also requires that when the amounts of goodwill and intangible assets acquired are significant to the purchase price paid, disclosure of other information about those assets is required, such as the amount of goodwill by reportable segment and the amount of the purchase price assigned to each major intangible asset class.

Acquisitions

The Company acquired the following companies in 2008:

Maximagem

On November 19th, 2008, the Company completed its acquisition of the companies (i) Maxidiagnósticos Participações Ltda., (ii) Digirad Diagnósticos Médicos Ltda., (iii) Clínica Radiológica Clira Ltda., (iv) Cedimax Diagnósticos Médicos Ltda. and (v) Clínica Radiológica Brafer Ltda., which make up the group Maximagem (“Maximagem”). Maximagem renders imaging diagnostic services in the cities of Sao Paulo and Santo André. The acquisition will reinforce Company presence in the State of São Paulo and increases its participation in the imaging diagnostics services.

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(In thousands of Reais)

Maximagem became a wholly owned subsidiary of the Company in a transaction accounted for using the purchase method. The Company acquired 100% of the outstanding quotas of Maximagem for an initial purchase price of R\$ 35,655, from which R\$ 1,555 is related to acquisition costs, R\$ 25,163 were paid cash, R\$ 218 will be paid until March 20, 2009, R\$ 2,719 will be paid on November 19th, 2010 and R\$ 6,000 were placed in an escrow account to secure Maximagem's obligations under certain representation and warranty provisions. The escrow funds will be released six years from the closing date of the acquisition. The results of operations of Maximagem are included in the Company's Consolidated Statements of Operations beginning November 19, 2008, the closing date of the acquisition.

Under the purchase method of accounting, the initial purchase price as shown above is allocated to Maximagem's net tangible and intangible assets based on their estimated fair values as of the date of the completion of the acquisition. In addition, adjustments may be made to the allocation of the initial purchase price to reflect adjustments to the fair value of fixed assets, as well as the related deferred taxes.

The preliminary allocation of the initial purchase price as of December 31, 2008 is as follows:

Cash	752
Accounts receivable	3,193
Other accounts receivable	1,672
Property and equipment	6,185
Identifiable intangible assets	8,921
Goodwill	28,114
Suppliers	(1,052)
Loans and financing	(5,174)
Deferred taxes	(3,033)
Other accounts payable	(3,923)
Total initial purchase price	<u>35,655</u>

Identifiable intangible assets

Identifiable intangible assets, which consist non-contractual customer relationships and are amortized on a straight-line basis over their estimated useful lives of 30 years.

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(In thousands of Reais)

Goodwill

Approximately R\$ 28,114 of the initial purchase price has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and intangible assets. The goodwill was attributed to the premium paid to based on the expectation of future profitability. The total amount of goodwill recorded was assigned to the Company as there are no reporting segments or reporting units. The goodwill generated under accounting practices adopted in Brazil is normally deductible for tax purposes, upon incorporation of the acquired entities.

In accordance with SFAS 142, goodwill will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that management determines that the value of goodwill has become impaired, the Company would incur an accounting charge for the amount of impairment during the period in which the determination is made.

Deferred tax liability

Deferred tax liability of R\$ 3,033 related to tax effects of fair value adjustments related to intangible assets.

Cedic

On December 05, 2008 the Company completed its acquisition of the companies (i) Cedic - Centro de Diagnósticos por Imagem de Cuiabá Ltda.; (ii) Centro Médico de Imagenologia Ltda.; (iii) Ressonância Magnética Cuiabá Ltda., which make up the group Cedic (“Cedic”). Cedic renders imaging diagnostic services in the cities of Cuiabá e Várzea Grande. The acquisition is the starting point for the entrance in the city of Cuiabá, by offering imaging services.

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Notes to the financial statements

(In thousands of Reais)

Cedic became a wholly owned subsidiary of the Company in a transaction accounted for using the purchase method. The Company acquired 100% of the outstanding quotas of Cedic for an initial purchase price of R\$ 26,920, from which R\$ 1,239 is related to acquisition costs, R\$ 21,604 were paid cash, R\$ 577 will be paid two days upon the presentation of certain tax documentation and R\$ 3,500 were placed in an escrow account to secure Cedic's obligations under certain representation and warranty provisions. The escrow funds will be released six years from the closing date of the acquisition. The results of operations of Cedic are included in the Company's Consolidated Statements of Operations beginning December 05, 2008, the closing date of the acquisition.

Under the purchase method of accounting, the initial purchase price as shown above is allocated to Cedic net tangible and intangible assets based on their estimated fair values as of the date of the completion of the acquisition. In addition, adjustments may be made to the allocation of the initial purchase price to reflect adjustments to the fair value of fixed assets, as well as the related deferred taxes.

The preliminary allocation of the initial purchase price as of December 31, 2008 is as follows:

Cash	1,503
Accounts receivable	395
Other accounts receivable	9
Property and equipment	8,071
Identifiable intangible assets	7,321
Goodwill	17,773
Suppliers	(1,217)
Loans and financing	(3,332)
Deferred taxes	(2,489)
Other accounts payable	(1,114)
Total initial purchase price	<u>26,920</u>

Identifiable intangible assets

Identifiable intangible assets, which consist of brand and are amortized on a straight-line basis over their estimated useful lives of 30 years.

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(In thousands of Reais)

Goodwill

Approximately R\$ 17,773 of the initial purchase price has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and intangible assets. The goodwill was attributed to the premium paid to based on the expectation of future profitability. The total amount of goodwill recorded was assigned to the Company as there are no reporting segments or reporting units. The goodwill generated under accounting practices adopted in Brazil is normally deductible for tax purposes, upon incorporation of the acquired entities.

In accordance with SFAS 142, goodwill will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that management determines that the value of goodwill has become impaired, the Company would incur an accounting charge for the amount of impairment during the period in which the determination is made.

Deferred tax liability

Deferred tax liability of R\$ 2,489 related to tax effects of fair value adjustments related to intangible assets.

Cedilab

On December 05, 2008 the Company completed its acquisition of Centro Médico de Diagnóstico Laboratorial Ltda. (“Cedilab”). Cedilab renders clinical analysis services in the cities of Cuiabá e Várzea Grande. The acquisition is the starting point for the entrance in the city of Cuiabá, by offering clinical analysis.

Cedilab became a wholly owned subsidiary of the Company in a transaction accounted for using the purchase method. The Company acquired 100% of the outstanding quotas of Cedilab for an initial purchase price of R\$ 8,713, from which R\$ 151 is related to acquisition costs, R\$ 7,963 were paid cash and R\$ 600 were placed in an escrow account to secure Cedilab’s obligations under certain representation and warranty provisions. The escrow funds will be released six years from the closing date of the acquisition. The results of operations of Cedilab are included in the Company’s Consolidated Statements of Operations beginning December 05, 2008, the closing date of the acquisition.

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(In thousands of Reais)

Under the purchase method of accounting, the initial purchase price as shown above is allocated to Cedilab net tangible and intangible assets based on their estimated fair values as of the date of the completion of the acquisition. In addition, adjustments may be made to the allocation of the initial purchase price to reflect adjustments to the fair value of fixed assets, as well as the related deferred taxes.

The preliminary allocation of the initial purchase price as of December 31, 2008 is as follows:

Cash	728
Accounts receivable	170
Other accounts receivable	182
Property and equipment	361
Identifiable intangible assets	2,399
Goodwill	6,830
Suppliers	(801)
Loans and financing	(59)
Deferred taxes	(816)
Other accounts payable	(<u>281</u>)
Total initial purchase price	<u>8,713</u>

Identifiable intangible assets

Identifiable intangible assets, which consist of brand and are amortized on a straight-line basis over their estimated useful lives of 30 years.

Goodwill

Approximately R\$ 6,830 of the initial purchase price has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and intangible assets. The goodwill was attributed to the premium paid to based on the expectation of future profitability. The total amount of goodwill recorded was assigned to the Company as there are no reporting segments or reporting units. The goodwill generated under accounting practices adopted in Brazil is normally deductible for tax purposes, upon incorporation of the acquired entities.

In accordance with SFAS 142, goodwill will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). In the event

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(In thousands of Reais)

that management determines that the value of goodwill has become impaired, the Company would incur an accounting charge for the amount of impairment during the period in which the determination is made.

Deferred tax liability

Deferred tax liability of R\$ 816 related to tax effects of fair value adjustments related to intangible assets.

The following summary presents the Company's unaudited pro forma consolidated results of operations for the years ended December 31, 2008 and 2007, in accordance with accounting practices adopted in Brazil, as if Maximagem, CEDIC and CEDILAB acquisitions has been completed at the beginning of each period. The unaudited pro forma information is only presented for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition actually been made at such date, nor is it necessarily indicative of future operation results:

Amounts under accounting practices adopted in Brazil	2008	2007
Net services revenues	1,182,663	904,881
Operation income	21,020	38,417
Net income	25,467	62,422
Net income per share	0.44	1.09

f. *Transaction costs - Senior notes*

All expenses incurred with the issue of *Senior Notes* have been linearly amortized during the same term of the notes. According to the Technical Announcement - CPC 08, which defines the transaction costs and premiums in the issue of securities, the Company has reclassified the expenses incurred with the issue of notes, not amortized, to the line of Bank Loans and Financings, showing the net liability of its transaction costs in its consolidated financial statements elaborated according to BR GAAP.

Under US GAAP, transaction costs, not amortized, are presented as prepaid expenses.

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Notes to the financial statements

(In thousands of Reais)

g. Financial income (expenses)

Under accounting practices adopted in Brazil, financial income and expense, including foreign exchange and monetary variations, are required to be shown as part of operating income. Under U.S. GAAP, such financial income and financial expense should be shown after operating income.

h. Earnings per share

Under accounting practices adopted in Brazil, the Company determines earnings per share based on the number of shares outstanding at the end of each year in which earnings are reported. Subsequent changes in the Company's share capital are not retroactively reflected in the disclosure of the number of shares outstanding and in the calculation of earnings per share under accounting practices adopted in Brazil.

Under U.S. GAAP in accordance with SFAS 128, earnings per share are determined based upon the weighted average number of shares outstanding during the period, giving retroactive effect to stock dividends and stock splits. The calculation of earnings per share under U.S. GAAP is shown in Note III.h).

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(In thousands of Reais)

i. Recently issued accounting pronouncements

In December 2007, FASB issued SFAS 141 (revised 2007), "Business Combination", which replaces SFAS 141, Business Combinations. SFAS 141(R) retains the fundamental requirements in SFAS 141 that the acquisition method of accounting (which SFAS 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. SFAS 141(R) defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. SFAS 141(R) did not define the acquirer, although it included guidance on identifying the acquirer. SFAS 141(R)'s scope is broader than that of SFAS 141, which applied only to business combinations in which control was obtained by transferring consideration. The result of applying SFAS 141's guidance on recognizing and measuring assets and liabilities in a step acquisition was to measure them at a blend of historical costs and fair values. In addition, SFAS 141(R) requires to measure the noncontrolling interest in the acquirer at fair value which results in recognizing the goodwill attributable to the noncontrolling interest in addition to that attributable to the acquirer. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The Company will apply such pronouncement on a prospective basis for each new business combination.

In December 2007, FASB issued SFAS 160, Noncontrolling Interest in Consolidated Financial Statements - amendment to Accounting Research Bulletin 51, which clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. SFAS 160 shall be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented. The Company is currently evaluating the impact of such new pronouncement in its consolidated financial statements but believes that it will not generate a material impact on the Company's consolidated results of operations or financial position.

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In March 2008, FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment to FASB Statement 133* (“SFAS 161”). SFAS 161 requires enhanced disclosures about an entity’s derivative and hedging activities, and is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early application encouraged. The Company will adopt SFAS 161 in the first quarter of 2009. Since SFAS 161 requires only additional disclosures concerning derivatives and hedging activities, adoption of SFAS 161 is not expected to affect the Company’s financial condition, results of operations or cash flows.

In April 2008, FASB issued FASB Staff Position (FSP) FAS 142-3, *Determination of the Useful Lives of Intangible Assets*. FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141 (Revised 2007), *Business Combinations*. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008 and early adoption is prohibited. The Company will evaluate the impact the provisions of FSP FAS 142-3 and will adopt this standard on January 1, 2009.

j. Classification of cash flow items

Under Brazilian GAAP, in addition to the issues noted above, the classifications of certain items between cash flows activities are presented differently from US GAAP. The reclassification is summarized as follows:

- (i) Under Brazilian GAAP, cash and cash equivalents consist principally of highly liquid cash deposits and marketable securities, with no requirement that there is insignificant potential changes in value because of interest rate change nor is there a maximum 90 days original period to maturity. Under US GAAP Company’s marketable securities have original higher than 90 days, so these securities are subject to potential risk of change in value due to changes in interest rates. For US GAAP purposes these securities should be classified as short-term investments under investing activities.

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Notes to the financial statements

(In thousands of Reais)

II - Reconciliation of the differences between US GAAP and accounting practices adopted in Brazil

Description	Note I	2008	2007 Restated
Net (loss)/income as reported under accounting practices adopted in Brazil		(12,980)	56,621
Deferred charges	a)	(946)	(7,418)
Capitalization of interest:	b)		
Cost		1,441	2,452
Amortization expenses		(1,735)	(1,463)
Fair value adjustments relating to accounting for derivative instruments	c)	-	(571)
Reversal of deferred tax previously recognized under U.S. GAAP	d)	-	(30,131)
Deferred tax effects on adjustments above	d)	422	2,380
Business combinations:	e)		
Reversal of amortization of goodwill under BR GAAP		73,161	53,255
Tax benefit applied as a reduction of goodwill		(313)	(453)
Deferred income taxes on goodwill basis difference	d)	(1,730)	(2,394)
Goodwill difference related to contingent cost		(4,084)	(3,883)
Amortization of intangible assets recognized under U.S. GAAP		(18,942)	(12,083)
Deferred income tax effect on intangible assets	d)	<u>6,440</u>	<u>4,108</u>
Net income under U.S. GAAP		<u>40,734</u>	<u>60,420</u>
Comprehensive income		<u>40,734</u>	<u>60,420</u>
Basic and diluted earnings per common share under U.S. GAAP (*)		<u>0.71</u>	<u>1.05</u>

(*) The calculation of earnings per share is summarized in Note III.h).

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Notes to the financial statements

(In thousands of Reais)

Description	Note I	2008	2007 Restated
Shareholders' equity as reported under accounting practices adopted in Brazil		<u>478,902</u>	<u>512,380</u>
Deferred charges	a)	3,940	(26,551)
Capitalization of interest:	b)		
Cost		11,133	9,692
Accumulated amortization		(5,687)	(3,952)
Fair value adjustments relating to accounting for derivative instruments	c)	-	382
Deferred tax effects on adjustments above		(3,191)	6,946
Business combinations:	e)		
Different criteria in the determination of goodwill		(180,869)	(164,485)
Accumulated amortization of goodwill under U.S. GAAP		(3,217)	(3,217)
Accumulated amortization of goodwill under BR GAAP		273,422	200,261
Tax benefit applied as a reduction of goodwill		(19,756)	(19,443)
Deferred income taxes on goodwill basis difference	d)	(27,145)	(25,415)
Intangible assets recognized under U.S. GAAP		257,409	238,768
Accumulated amortization of intangible assets recognized under U.S. GAAP		(50,695)	(31,753)
Deferred income tax effect on intangible assets	d)	<u>(70,283)</u>	<u>(70,384)</u>
Shareholders' equity under U.S. GAAP		<u>663,963</u>	<u>623,229</u>

III - Restatement

Subsequent to the issuance of the Company's consolidated financial statements for the year ended December 31, 2007, the Company discovered an unintentional error related to the classification of certain transactions as deferred charges under BR GAAP. As described in Note 3.1, upon the initial adoption of Law 11638/07 certain transactions that were previously recorded as deferred charges were reclassified to property and equipment. Under US GAAP, such transactions were incorrectly expensed as incurred. Consequently, the Company restated its 2007 US GAAP reconciliation.

Set forth below is a comparison of the previously reported and restated income statements reconciliation for the year ended December 31, 2007:

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(In thousands of Reais)

**As of and for the year
ended December 31, 2007**

	Previously reported	Restated
Net income as reported under accounting practices adopted in Brazil	56,621	56,621
Deferred charges	(14,649)	(7,418)
Deferred tax effect on adjustment above	4,981	2,522
Others adjustments, net (net of deferred tax effects)	<u>8,695</u>	<u>8,695</u>
Net income under U.S. GAAP	55,648	60,420
Comprehensive income	55,648	60,420
Basic and diluted earnings per share	0.97	1.05

The effects of the restatement on the previously reported shareholders' equity reconciliation at December 31, 2007 were as follows:

	Previously reported	Restated
Shareholders' equity as reported under accounting practices adopted in Brazil	<u>512,380</u>	<u>512,380</u>
Deferred charges	(35,515)	(26,551)
Deferred tax effect on adjustment above	12,075	9,027
Others adjustments net of deferred tax effect	<u>128,374</u>	<u>128,374</u>
Shareholders' equity under U.S. GAAP	<u>617,314</u>	<u>623,230</u>

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Notes to the financial statements

(In thousands of Reais)

IV - Additional disclosures required by U.S. GAAP

a. Marketable investments

The Company classifies its marketable investments as trading investments, as the investments are bought and held principally for the purpose of selling them in the short term. These investments are recorded at fair value. Unrealized gains and losses are included in earnings.

b. Capitalized interest

The Company's policy is to capitalize interest cost incurred on debt during the construction of major projects exceeding one year. A reconciliation of total interest cost to "Interest Expense" as reported on in consolidated financial statements of income for December 31, 2008 and 2007, is as follows:

	2008	2007
Interest cost capitalized	1,441	2,452
Interest cost charged to income	<u>142,655</u>	<u>61,256</u>
Total interest expense	<u>144,096</u>	<u>63,708</u>

c. Long-lived assets

In accordance with FASB Statement 144 (Statement 144), Accounting for the Impairment or Disposal of Long-Lived Assets, long-lived assets, such as property and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

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Law 11638/07 provided additional requirements, similar to U.S. GAAP, regarding the recoverability of long lived assets, which are subject to impairment test at least annually (note 3.2.i). As of December 31, 2008, the recoverable value of these assets exceeds their book value recognized under Brazilian Accounting Principles and under U.S. GAAP. Therefore, no losses due to devaluation was recorded under any of these accounting principles.

d. Leasing transactions

Capital leases

The Company entered into certain capital lease transaction as a form to finance its acquisition of property and equipment.

The Company has capital lease arrangements for machines and equipment, data processing equipment (hardware) and vehicles, based on 100 local currency leases and 39 foreign lease contracts in force as of December 31, 2008.

The following table summarizes the assets recorded under capital leases:

	Depreciation rate - % p.a.	2008		
		Cost	Depreciation	Net
Machinery and equipment	10	142,874	29,231	113,643
Furniture and fixtures	10	984	89	895
Hardware	20	7,452	1,274	6,178
Vehicles	20	3,471	602	2,869
Software	20	<u>372</u>	<u>53</u>	<u>319</u>
		<u>155,153</u>	<u>31,249</u>	<u>123,904</u>

	Depreciation rate - % p.a.	2007		
		Cost	Depreciation	Net
Machinery and equipment	10	111,179	14,732	96,447
Furniture and fixtures	10	509	7	502
Hardware	20	912	152	760
Vehicles	20	<u>5,978</u>	<u>620</u>	<u>5,358</u>
		<u>118,578</u>	<u>15,511</u>	<u>103,067</u>

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The accounts payable related to capital leasing matures as follows:

Maturity year	Capital leases
2009	31,888
2010	27,508
2011	20,906
2012	16,298
2013	12,583
Later periods	<u>7,523</u>
Total minimum payments	<u>116,706</u>

Operating lease

Payments made during the operating lease contracts are presented as expenses in the statements income. If rental payments are not made on a straight-line basis, rental expense nevertheless is recognized on a straight-line basis unless.

Future minimum lease payments under non cancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments are:

Maturity year	Operating leases
2009	43,634
2010	36,960
2011	29,925
2012	22,045
2013	16,801
Later periods	<u>43,550</u>
Total minimum payments	<u>192,915</u>

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(In thousands of Reais)

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expenses for operating leases for the year ended December 31, 2008 and 2007 including contingent rentals, amount to R\$ 58,044 and R\$ 38,120, respectively.

e. Segment information

The Company has concluded that it operates in one segment and accordingly has provided only the required enterprise-wide disclosures. The Company operates in Brazil and derives its revenue from health assistance services rendered.

f. Revenue recognition

The Company recognizes revenue when the services are provided to its customers, collection of relevant receivables is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

g. Changes in number of shares

The following table presents changes in number of shares issued and outstanding at each period ended:

Amount of the period	Common
Shares at December 31, 2007 through December 31, 2008	<u>57,402,935</u>

h. Earnings per share

The following table provides a reconciliation of the numerators and denominators used in computing earnings per share as required by SFAS 128. Basic earnings per share are equal to diluted earnings per share for all periods presented since the Company did not have any potentially dilutive securities.

Description	2008	2007
Net income under U.S. GAAP	40,734	60,420
Weighted average shares outstanding - Basic and diluted	57,402,935	57,402,935
Basic and diluted earnings per share - R\$	0.71	1.05

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Notes to the financial statements

(In thousands of Reais)

i. Impairment of goodwill

Under U.S. GAAP, goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. Such impairment test is performed utilizing a two-step method. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the resulting fair value of the reporting unit's goodwill is lower than the carrying amount of such goodwill, an impairment loss is recognized.

The Company has recorded the following amounts of goodwill under the U.S. GAAP financial statements:

Goodwill description	2008	2007
Lavoisier acquisition	20,846	20,846
Broenstein acquisition	22,499	22,499
Lamina acquisition	1,208	1,208
Santa Casa acquisition	619	631
CRL acquisition	9,428	9,480
Elkis acquisition	20,414	20,545
Pasteur acquisition	6,279	6,398
Frischmann acquisition	28,861	28,861
Image acquisition	29,271	29,271
Álvaro acquisition	14,890	14,890
LabPasteur acquisition	7,961	7,961
MedLabor acquisition	4,213	4,213
Vita acquisition	2,382	2,382
Atalaia acquisition	23,525	23,525
Exame acquisition	35,579	35,579
CientificaLab acquisition (a)	50,630	33,183
MedImagem acquisition	26,401	26,401
Maximagem acquisition	28,114	-
CEDICacquisition	17,773	-
CEDILAB acquisition	<u>6,830</u>	<u>-</u>
	<u>357,723</u>	<u>287,873</u>

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Since the Company has no reportable segments or reporting units, the aggregate amount of goodwill was tested at the Company level under U.S. GAAP. No impairment loss was recognized during all periods presented.

The Company estimates the entire goodwill balance relating to these acquisitions will be deductible for tax purposes.

The carrying amount of goodwill by company for the years ended December 31, 2008 and 2007 are as follows:

Movement of the period	Goodwill
Balance as of December 31, 2007	<u>287,873</u>
Additions	70,163
Tax benefit applied to reduce goodwill	(313)
Balance as of December 31, 2008	<u>357,723</u>

(a) Increase of the purchase price acquisition (goodwill) - Cientificalab Produtos Laboratoriais e Sistemas Ltda.

In October 2008, the Company recorded R\$ 17,447 corresponding to the second installment of the Cientificalab acquisition payment, calculated based on revenue obtained by the subsidiary, considering the period from July 1, 2007 to June 30, 2008, equivalent to 85% of the revenue exceeding R\$ 97,000. This amount was paid in October 2008 with the yield from financial investments that had been made in July 2007.

j. Intangible assets subject to amortization

The Company's intangible assets subject to amortization, under U.S. GAAP, are mainly comprised of brands, government contracts, noncompetition agreements and client relationship acquired through business combinations.

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Notes to the financial statements

(In thousands of Reais)

	2008				
	Brands	Government contracts	Non-competition agreements	Client relationship	Total
Gross	188,709	49,242	10,537	8,921	257,409
Accumulated amortization	(24,144)	(18,667)	(7,834)	(50)	(50,695)
Net	<u>164,565</u>	<u>30,575</u>	<u>2,703</u>	<u>8,871</u>	<u>206,714</u>
Weighted- average amortization period (years)	22.4	2.3	3.3	29.9	-

	2007				
	Brands	Government contracts	Non-competition agreements	Total	
Gross	178,989	49,242	10,537	238,768	
Accumulated amortization	(18,230)	(6,507)	(7,017)	(31,754)	
Net	<u>160,759</u>	<u>42,735</u>	<u>3,520</u>	<u>207,014</u>	
Weighted- average amortization period (years)	22.8	3.3	4.3	-	

Under U.S. GAAP the aggregate amortization expense for the above intangible assets amounted to R\$ 18,942 and R\$ 12,083 for the years ended December 31, 2008 and 2007, respectively.

No significant residual value is estimated for these intangible assets. The following table represents the total estimated amortization of intangible assets for the next five consecutive years:

	Estimated amortization expenses
2009	19,484
2010	19,527
2011	11,559
2012	7,087
Thereafter	<u>149,057</u>
Total	<u>206,714</u>

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Notes to the financial statements

(In thousands of Reais)

k. Income tax

On January 1, 2007, the Company adopted FASB Interpretation 48, “Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement 109”, (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement 109, “Accounting for Income Taxes”. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return that results in a tax benefit. Additionally, FIN 48 provides guidance on de-recognition, statement of operations classification of interest and fines, accounting in interim periods, disclosure, and transition. The implementation of FIN 48 had no significant impact on the consolidated financial statements.

The Company recognizes interest and fines related to uncertain tax positions in interest expense.

The Company is subject to Brazilian income and social contribution taxes. The calendar years 2003 through 2007 remain open to examination. As of December 31, 2008, the Company does not expect any material changes to unrecognized tax positions within the next twelve months.

The following table summarizes the activity related to our gross unrecognized tax benefits and recorded in the local books under provision for contingencies, from January 1, 2008 to December 31, 2008:

Balance as of January 1, 2008	11,544
Decreases due to settlements	(4,618)
Increases related to prior year tax position	1,248
Balance as of December 31, 2008	8,174

All unrecognized tax benefits, if recognized, would affect the effective tax rate.

Interest expense recognized in the statement of income related to liabilities for unrecognized tax benefits for the year ended December 31, 2008 was R\$ 1,248.

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Notes to the financial statements

(In thousands of Reais)

l. Fair value measurements

As of December 31, 2008, the Company had certain financial assets and liabilities that were required to be measured and reported at fair value on a recurring basis. These assets and liabilities are listed in the table below and classified based on how their values were determined under the fair value hierarchy:

(in thousands of Reais)	Level 1	Level 2	Level 3	Total
Assets:				
Interest rate swaps	-	29,800	-	29,800
Marketable securities	462,896	-	-	462,896
Liabilities:				
Interest rate swaps	<u>-</u>	<u>(4,102)</u>	<u>-</u>	<u>(4,102)</u>
Net	<u>462,896</u>	<u>25,698</u>	<u>-</u>	<u>488,594</u>

Interest rate swaps

The fair values of interest rate swap contracts are determined based on dealer quotes using a discounted cash flow model matched to the contractual terms of each instrument. Since inputs to the model are observable and significant judgment is not required in determining the fair values, interest rate swaps are classified within Level 2 of the fair value hierarchy.

Marketable Securities

Company's marketable investments are comprised exclusively of highly liquid government bonds, which quoted prices are available in an active market.

m. Concentration of credit risk

Cash and cash equivalents and marketable investments are financial instruments which potentially subject the Company to credit risk. Based on the factors described below, the Company considers the risk of counterparty default to be minimal.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

The Company manages its credit risk with respect to cash equivalents and marketable investments by investing only in liquid instruments with highly-rated financial institutions. In addition, investments are diversified in several financial institutions, and credit limits are established for each individual institution. Additionally, the Company has entered into swaps contracts, managing its exchange rate risk.

The Company has a concentration of revenues and credit risk exceeding 10% of total revenues and accounts receivable, respectively, for Sul America Serviços Médicos and Bradesco Seguros.

n. Aggregate foreign currency transaction losses (gains)

Total aggregate foreign currency transaction losses (gains) included in financial expense, net amounted to R\$ 11,194 and R\$ (3,188) for the years ended December 31, 2008 and 2007, respectively.

V - Supplemental information

The following information is presented as supplemental information to the reconciliation of the differences between U.S. GAAP and accounting practices adopted in Brazil in shareholders' equity and net income (loss) presented in Note 29.

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

a. Consolidated balance sheets as of December 31, 2008 and 2007 under U.S. GAAP

Assets	12/31/08	12/31/07 Restated	Liabilities	12/31/08	12/31/07 Restated
Current assets			Current liabilities		
Cash and cash equivalents	29,328	26,196	Accounts payable to Suppliers	58,897	52,790
Marketable securities	462,896	20,173	Loans and financing	188,437	103,479
Trade accounts receivable	263,704	205,275	Taxes and contributions payable	19,934	16,485
Inventories	38,916	33,475	Salaries, social security charges and vacation payable	47,111	31,373
Taxes recoverable	48,520	28,522	Installments taxes	6,130	6,778
Deferred income taxes	15,054	13,279	Accounts payable from acquisition of subsidiaries	8,228	9,688
Derivatives	2,372	382	Derivatives	3,553	-
Prepaid expenses	4,804	1,680	Other accounts payable	<u>24,494</u>	<u>34,554</u>
Other accounts receivable	<u>13,017</u>	<u>11,132</u>			
	<u>878,611</u>	<u>340,114</u>		<u>356,784</u>	<u>255,147</u>
Noncurrent assets			Long-term liabilities		
Restricted cash	73,732	80,720	Loans and financing	846,631	303,111
Deposits in court	3,288	7,243	Installment taxes	16,179	15,083
Other accounts receivable	22,996	2,201	Accounts payable from acquisition of subsidiaries	66,264	49,089
Derivatives	27,428	-	Provision for contingencies	98,510	81,417
Investments	216	117	Derivatives	549	-
Goodwill	357,723	287,873	Deferred income taxes	<u>29,629</u>	<u>44,286</u>
Intangible assets, net	206,714	207,014			
Property and equipment, net	<u>509,413</u>	<u>446,768</u>	Minority interest	<u>1,612</u>	<u>688</u>
	<u>1,201,510</u>	<u>1,031,936</u>	Shareholders' equity		
			Capital	377,206	377,206
			Capital reserves	65,427	68,369
			Retained earnings	<u>221,330</u>	<u>177,654</u>
				<u>663,963</u>	<u>623,229</u>
Total	<u>2,080,121</u>	<u>1,372,050</u>	Total	<u>2,080,121</u>	<u>1,372,050</u>

Diagnósticos da América S.A.

Notes to the financial statements

(In thousands of Reais)

b. Consolidated statement of income for the years ended December 31, 2008 and 2007 under U.S. GAAP

	2008	2007 Restated
Net revenues	1,137,524	858,820
Cost of services rendered	(781,186)	(585,407)
Gross profit	356,338	273,413
Operating income (expense):		
Administrative and general	(217,151)	(185,064)
Amortization of intangible assets	(18,941)	(12,083)
Other, net	<u>6,379</u>	<u>3,624</u>
	(229,713)	(193,523)
Operating income	126,625	79,890
Financial expenses, net	(82,262)	(20,602)
Income before taxes	44,363	59,288
Income and social contribution taxes:		
Current	(27,017)	(29,819)
Deferred	<u>24,314</u>	<u>31,362</u>
Income before minority interest	41,660	60,831
Minority interest	(926)	(411)
Net income	<u>40,734</u>	<u>60,420</u>
Earnings per share- basic and diluted		



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