



**Diagnósticos da América S.A.**

Unaudited consolidated quarterly  
financial information for the  
nine-month periods ended  
September 30, 2009 and 2008

(With Independent Auditors' review report)



## Diagnósticos da América S.A.

### Unaudited consolidated quarterly financial information

**Nine-month periods ended September 30, 2009 and 2008**

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# Management report

Dear Shareholder,

We have reached the end of the 2009 third quarter reporting the results obtained with investments on the strengthening of Dasa's strategy - multi-brand, multi-product, multi-payer, multi-region and multi-market.

In the 2009 third quarter, the company has reached gross revenues of R\$ 400.3 million, representing a 19.9% growth compared to the same period in 2008.

This result is mainly due to a strong increase in the outpatient & inpatient segments (+19.2%) compared to 3Q08 and 3.3% higher than the last quarter. This segment represents 78.6% of our total revenue and continues showing excellent results, as a consequence of our continuous expansion strategy. The lab-to-lab segment is also a highlight in the 3Q09, increasing 30.6% compared to 3Q08, having reached R\$ 38.2 million. The public sector has contributed with 11.8% of DASA's total revenue, with R\$47.4 million in this quarter, an increase of 16.3% in relation to 3Q08.

In this quarter, based on feasibility studies, DASA has closed at the end of October with a total of 325 PSCs. This slight difference, in relation to 3Q09 refers to PSCs that were incorporated by larger ones located nearby, thus generating a higher gain in scale and cost reduction, besides providing all demand with maximum quality. The brands of the B2B segment continue presenting an excellent performance. In the lab-to-lab market, Alvaro has reached 3,537 laboratories served, at the end of 3Q09. At the public sector, Científica has processed 1.390 million requisitions in 43 clients in this quarter, confirming the potential of this sector.

In this quarter, the cash gross profit totaled R\$ 143.7 million, an increase of 20.4% over 3Q08, and the gross margin of the period reached 38.8%.

The operating expenses totaled R\$ 59.0 million in 3Q09, an increase of 16.6p.p. over 3Q08. On the other hand, if we compare the percentage over the Net Revenue of each period, in 3Q09 there was a dilution of 0.6% in operating expenses.

As a result of the continuous control over costs and SG&A expenses, in 3Q09 EBITDA totaled R\$ 84.7 million, versus R\$ 68.7 in 3Q08, with a margin of 22.9% and a 25.7% growth. These amounts are already adjusted for the inclusion of the pre-operating expenses.

To sustain this growth in the next years, we have invested R\$21.8 million in CAPEX that were directed to: (i) construction of new PSCs; (ii) purchasing of imaging equipment for organic expansion; and (iii) investments in IT.

We have finished 3Q09 with a comfortable cash position of R\$299.8 million. The company is capitalized and prepared to continue growing through the acquisition of new brands as well as through expansion of the existing brands.

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**

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

By the end of the first semester of 2009, we could realize the extraordinary recovery of the country in face of the crisis. In the third quarter we realized that a significant increase in the demand added to the economy had occurred, besides the level of loans being led to thresholds previous to the crisis. The people's confidence in relation to Brazil has been growing even more, attracting foreign capital and new investments.

The expectation of the market related to the improvement in the current and future economic situation has been reflecting the consumer confidence recovery. Official data disclosed by FGV show that, at the end of September there has been stabilization in the Consumer Confidence Index to 110.0 points, after five consecutive months of advance, remaining 3.5 points above the disclosures in June 2009. The consumer confidence signalizes the disposition of people in general to consume now and in the future, due to the maintenance of employment and income, being one of the main variables to be followed in this current conjuncture. As for the GDP, Brazil has started the race and has advanced 1.91% in the 2nd quarter. The forecast for 2009 has improved, leading to 0.10% increase. But, since March, the market was anticipating a retraction in the economy. For 2010, the economists foresee now a 4.80% growth, versus a previous estimate of 4.50%.

According to IBGE, in August 2009, the industrial production had a 1.2% advance versus the previous month, in the series free of seasonal influences. The growth observed from July to August has maintained the sequence of eight positive rates, in this type of comparison, accumulating expansion of 13.5% in the comparison of August 09/December 08. The expansion was supported by several sectors, being particularly significant in the sector of automotive vehicles (3.2%) - which has also advanced for the eight consecutive month - petrol refinery and alcohol production (3.5%), electronic material and communication equipment (9.1%) and basic metallurgy (2.7%). The sectors that put pressure negatively were: Other transport equipment (+4.2%), pharmaceuticals (-2.4%) and perfumeries, soaps and cleansing products (-3.6%), all of them with positive rates in the last month: 3.4%, 2.8% and 5.6%, respectively.

In this same line, loans have been recovering strengths in this 3Q09, almost reaching the last year numbers. The effect of the crisis is no longer frightening as in the beginning of the year, when there was a lot of uncertainty. The real state loan is currently one of the strongest, where the numbers represent the best monthly performance in 2009 (September) and confirm the previsions that the loans, in this year, shall repeat the levels of 2008, which have exceeded R\$30 billion per year, a record of the Brazilian System of Savings and Loans (SBPE).

The National Confederation of Industry (CNI) stated that the utilization of the installed capacity has reached 80.1% in August/09, 2.6% below the number shown in the same period in last year. It is important to have in mind that this index shows how the production could expand with or without the need of investments. The levels of this index were reaching historically high levels, but the stoppage in the production and the decrease in the industrial job positions have affected the utilization of the industry installed capacity. The Central Bank uses this important variable to evaluate the interest rates.

According to IBGE, the Ample Consumer Price Index (IPCA) in September has shown a variation of 0.24% and stands 0.09 p.p. above the August rate (0.15%). With the September results, the yearly accrual closed in 3.21%, quite lower than the rate of 4.76% related to the same period in 2008. Considering the last twelve months, the result stands in 4.34%, very close to the previous twelve months (4.36%). In September 2008 the rate was 0.26%. The groups of housing, clothing and personal expenses contributed mostly to form the index of the last month of the quarter.

According to FGV studies, the inflation based on the General Price Index - Internal Availability (IGPDI) has accelerated in September, due to higher costs in wholesales and in the construction sector. The rate was slightly below the average market forecast. The index rose 0.25 % in September, versus 0.09% increase in August. Among the IGPDI components, the Wholesale Price Index (IPA) increased 0.29% in September, following the increase of 0.07% in the former month.

The agricultural IPA closed the month with a decrease of 0.76%, versus a former positive variation of 0.01%, but the industrial IPA had a faster advance of 0.63% versus an increase of 0.10% in August. In the year, the IGPDI accumulates a 1.35% drop and in the last 12 months until September it has a decrease of 0.65%.

At the end of September 09, the IGP-M registered an advance of 0.42%, after a decrease of 0.36% in August. According to FGV, the inflation is due to acceleration in all the three components (IPA, IPC and INCC). In the year, the IGP-M accumulates a decrease of 1.61% and 0.40% in the last 12 months.

The General Records of Employed and Unemployed (CAGED) of the Ministry of Labor and Employment showed that, in September, the creation of more than 252 thousand formal positions was registered, in the economy. Thus, the number of formal positions increased 0.77% versus August, in the country. The industrial sector showed the highest rate in the month of September, registering 123,318 openings. According to CAGED data, from the beginning of the year up to September, the industry has shown a positive balance of 62,759 positions of formal work. Still, in the same month, the second best performance was in the service sector, with 62,768 openings, followed by commerce with 50,301 openings. The agricultural sector is CAGED's negative highlight in September, by eliminating 17,064 positions.

The fear for unemployment, a quarterly index informed by the National Confederation of Industry (CNI) was practically stable in September, when compared to June and also with the same period in the last year. In September, the index reached 89.2 points, 0.2 p.p. higher than in both reference bases. Despite the slight increase in this quarter, CNI's projection of the fear for unemployment shall continue in a consistent decrease trend in the next report, in December, due to factors such as seasonality in the commerce sector.

In relation to the Dollar (Exchange rate), in 3Q09 there was a huge devaluation in the American currency, which was traded at R\$1.77 (sale) in the last Sept/09 call, accumulating a loss of 6.14% in the same month. When compared to the last call in the second quarter, we have a negative variation of 9.69%, according to Economática data. One factor that helped to push the currency down was the economical contraction in the US during the second quarter, which was softer than previously forecasted. The North-American GDP retreat was of 0.7%.

For the next year, Central Bank economists revised upward their GDP growth forecasts for that year, thus expecting also an increase in the interest rates for the end of 2010, projected to 10.25% per year. For the end of this year, the forecast continues in 8.75% per year, the current rate.

### **Comments about the sector of health and diagnostic medicine in Brazil**

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*Source: National Agency of Health (ANS) and IBGE*

The worldwide financial crisis has reflected over the employment and the industrial production in the country. However, the private healthcare plan market has remained stable. 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 72.7 years in 2008, 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.

Within a wider concept, the consumption of products and services, the healthcare market has shown outstanding numbers. The expenses of final consumption with health goods and services, according to IBGE, in 2005 were of 171.6 billion, equivalent to 8% of the GDP in that period. Maintained the same proportion, in 2008 the market surpassed R\$230 billion. During a historical series surveyed by IBGE (2000 to 2005), the main expense with final consumption of the families with healthcare - 1.8% of GDP or R\$ 52 billion in the 2008 GDP - was represented by consultations and outpatient tests.

As for the Supplementary Health market, according to the information of the magazine of supplementary health of ANS (Health National Association) published in September 2009, the market of healthcare plans showed a growth of 10.9%, in the first semester of the year. Between December 2004 and December 2008, there was a 22.3% growth in the number of beneficiaries of the healthcare plans, and for the same period, IBGE estimated a 5.9% growth in the Brazilian population.

As for the healthcare plan assistance segmentation, it is observed the expressive majority of beneficiaries with plans with hospitalization, a characteristic that has been steady during these years. Another characteristic of the market is the predominance of collective contracts for healthcare plans. In June 2009, 73.4% of beneficiaries of the healthcare assistance were linked to collective plans, 0.9% higher than in the end of March.

The distribution of beneficiaries, at the end of June 2009, 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. 66.2% of the beneficiaries are located in the Southeast region, 13.5% in the South, 12.4 in the Northeast and 4.8% in the Middle West and only 3.1% in the North region.

The revenue of private healthcare companies' attendance is growing alongside the last years. In 2008, the total revenue of the private healthcare plan sector was higher than R\$ 60.0 billion, thus representing a growth of 16.6% when compared to previous year. 98.1% of this total revenue derives from the medical-hospital operators, while only 1.9% stays in the account of the exclusively dental operators. In the 2009 second quarter, the revenue of private healthcare companies' attendance is already close to R\$30.0 billion, showing a great chance of closing the year higher than the numbers registered in 2008.

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 going 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 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 Brazilian market raises a series of opportunities for consolidation, organic expansion and rendering of support services from the side of the largest companies as they have more access to high technology, less operational costs and better capacity to generate medical knowledge.

## **Comments about the performance and investments**

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### **Gross operating revenue**

We have reached the end of the 2009 third quarter reporting the results obtained with investments on the strengthening of Dasa's strategy - multi-brand, multi-product, multi-payer, multi-region and multi-market.

In the 2009 third quarter, the company has reached gross revenues of R\$ 400.3 million, representing a 19.9% growth versus the same period in 2008.

This result is mainly due to a strong increase in the outpatient & inpatient segments (+19.2%) compared to 3Q08 and 3.3% higher than the last quarter. This segment represents 78.6% of our total revenue and continues showing excellent results, as a consequence of our continuous expansion strategy. The lab-to-lab segment is also a highlight in the 3Q09, increasing 30.6% compared to 3Q08, having reached R\$ 38.2 million. The public sector has contributed with 11.8% of DASA's total revenue, with R\$47.4 million in this quarter, an increase of 16.3% in relation to 3Q08.

The Same Unit sales revenue has increased 12.1% compared to 3Q08 aligned with our expectations.

In this quarter, based on feasibility studies, DASA has closed at the end of September with a total of 325 PSCs. This slight difference, in relation to 2Q09 refers to PSCs that were incorporated by larger ones, located nearby, thus generating a higher gain in scale and cost reduction, besides providing all demand with maximum quality. The brands of the B2B segment continue presenting an excellent performance. In the lab-to-lab market, Alvaro has reached 3,537 laboratories served, at the end of 3Q09. At the public sector, Científica has processed 1.390 million requisitions in 43 clients in this quarter, confirming the potential of this sector.

The multi-region, multi-brand and multi-market strategy results in the diversification of the payer's base. The strong growth in the Lab-to-lab sector has resulted in an increase in our payers' base, with their share increasing 0.8 p.p from 3Q08 to 3Q09. The Hospital sector has also shown a strong growth of 1.5 p.p, which is a result from the increase in service to new inpatient PSCs,

derived from the last acquisitions and organic expansion. The private segment continued increasing its share (0.5 p.p) due to the good results of Laboratório Popular. It is important to highlight that the dilution in the insurance companies is exclusively resulting from the diversification of payers, with the acquisitions.

### **Costs and cash gross profit**

In this quarter, the costs of services totaled R\$ 226.3 million or 61.2% of the net revenue. This percentage represents a concentration of 0.2 p.p. when compared to the 3Q08 costs.

The B2C segment showed a growth of 0.1 p.p. on margin, year on year. The small concentration observed is related mainly to the services/utilities line which was negatively impacted by the production centralization initial efforts, thus affecting B2B productions costs.

The B2B segment includes the operations in the lab-to-lab and public sectors. This segment showed a 1.6 p.p. dilution, mainly in Services and Utilities and also in Cost of Materials.

In this quarter, the cash gross profit totaled R\$ 143.7 million, an increase of 20.4% over 3Q08, and the gross margin of the period reached 38.8%.

### **Cash operating expenses**

The operating expenses totaled R\$ 59.0 million in 3Q09, an increase of 16.6p.p. over 3Q08. On the other hand, if we compare the percentage over the Net Revenue of each period, in 3Q09 there was a dilution of 0.6% in operating expenses.

### **EBITDA**

In 3Q09, EBITDA totaled R\$ 84.7 million, versus R\$ 68.7 in 3Q08, with a margin of 22.9% moving up by 25.7%. These amounts are already adjusted for the inclusion of the pre-operating expenses.

### **Net profit**

In 3Q09, net profit totaled R\$ 35.0 million, reflecting the elimination of goodwill amortization, according to the current legislation. Considering the differed Income Tax, the Adjusted Net Profit totaled R\$ 58.2 million.

### **Investments**

During the third quarter, the investments in CAPEX totaled R\$ 21.8 million. The investments were directed to: (i) construction of new PSCs; (ii) purchasing of imaging equipment for organic expansion; and (iii) investments in IT.

## **Indebtedness**

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DASA net debt totaled R\$ 468.8 million in 3Q09. Around 80.5% of DASA's total gross indebtedness is long term and around 63.1% are denominated in foreign currency. Most of the debt in foreign currency refers to our International Notes, but are also related to equipment financing. The debt in local currency comes largely from debentures.

## **Information to shareholders**

DASA shares closed the quarter at R\$ 45.82, accumulating an increase of 34.2% in this quarter, versus 19.4% increase of the Ibovespa Index. Between July and September 2009, DASA shares were transacted on 100% of Bovespa's trading sessions, summing up to a financial volume of R\$ 1.1 billion (daily traded average of R\$ 17.1 million).

## **Highlights**

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### **Change in the board**

On September 1st, 2009 in Diagnosticos da América S.A headquarters, the Extraordinary General Meeting was held with the presence of 38.6% of the Company's net worth. Among other matters the new Board of Directors of the Company was unanimously defined. Six (6) members of the Board of Directors were elected, with a mandate up to the Ordinary General Meeting that will examine the balance at the closing of 2010.

The following members were confirmed in the composition of the Company's Board: Mr. Luis Terepins (President); 2) José Lucas Ferreira de Mello (Vice-President); 3) Mr. Marcelo Marques Moreira Filho; 4) Mr. Luis Guilherme Ronchel Soares; 5) Mr Giovanni Guido Cerri; and 6) Mr. Alvaro Largura.

### **Incorporation**

On September 1st, 2009 DASA incorporated the following subsidiaries: Laboratório Imuno Ltda., Clínica Médica Vita Ltda., Laboratório Louis Pasteur Patologia Clínica Ltda., Maxidiagnósticos Participações Ltda., Cedimax Diagnósticos Médicos Ltda., Clínica Radiológica Clira Ltda., Digirad Diagnósticos Médicos Ltda. and Clínica Radiológica Brafer Ltda. that jointly integrate the brands: MedLabor, Vita, LabPasteur and MaxImagem.

The incorporation shall bring administrative and economic benefits, enabling the rationalization and unification of activities currently being performed, resulting in the operational simplification, reduction of administrative cost and expenses, optimizing the current administrative structure and attending the interests of the Company, of the subsidiaries as well as of its partners. The union of efforts and assets will enable a better utilization of the resources of the Subsidiaries involved in the operation and a perspective of expansion for the social business.

### **Commitment clause**

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

### **Relation with independent auditors**

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In this quarter, the Company has not contracted its independent auditors for other services than those related to independent auditing.

The statements contained in this document related to the business perspectives, financial and operating results projections and those related to the Company growth perspectives are merely projections and, as such, are exclusively based on the Board's expectations about the future of the business. This performance report includes accountable and non accountable data such as operating, financial and projections based on the Company Management expectations. The non accountable data, including EBITDA, were not revised by the Company independent auditors.



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## Independent auditors' review report

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

1. We have reviewed the accounting information contained in the consolidated Quarterly Financial Information of Diagnósticos da América S.A. and its subsidiaries for the quarter ended September 30, 2009, comprising the balance sheet and the statements of income, changes in shareholders' equity and the cash flows, the management report and the notes to the financial statements, which are the responsibility of its management.
2. Our review was conducted in accordance with the specific rules established by the Brazilian Institute of Independent Auditors (IBRACON) and the Federal Accounting Council (CFC), and consisted mainly of: (a) inquiries and discussions with the management responsible for the accounting, financial and operating areas of the Company and its subsidiaries, with respect to the criteria adopted in the preparation of the Quarterly Financial Information; and (b) a review of the post-balance sheet information and events that have or could have significant effects on the financial position and operations of the Company and its subsidiaries.
3. Based on our review, we are not aware of any significant modification that should be made in the aforementioned Quarterly Financial Information for it to be in accordance with accounting practices adopted in Brazil and the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information.
4. As mentioned in Note 2, as a result of the changes in the accounting practices adopted in Brazil in 2008, the consolidated Quarterly Financial Information for the quarter ended September 30, 2008, presented for comparison purposes, was adjusted and was restated as required by NPC 12 - Accounting Practices, Changes in the Accounting Estimates and Correction of an Error as endorsed by the CVM Resolution 506.



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 31 to the consolidated Quarterly Financial Information.

November 06, 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 written in a cursive style with a large initial 'J'.

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

# Diagnósticos da América S.A.

## Consolidated balance sheets

September 30, 2009 and December 31, 2008

(In thousand of Reais)

<b>Assets</b>	<b>09/30/2009</b>	<b>12/31/2008</b>	<b>Liabilities and shareholders' equity</b>	<b>09/30/2009</b>	<b>12/31/2008</b>
	<b>(Unaudited)</b>			<b>(Unaudited)</b>	
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and cash equivalents	15,950	15,842	Accounts payable to suppliers	61,466	58,897
Marketable securities	283,403	476,382	Loans and financing	81,400	114,956
Trade accounts receivable, net	288,303	263,704	Taxes and contributions payable	11,798	18,654
Inventories	41,151	38,916	Income tax and social contribution	15,331	1,282
Recoverable taxes	53,889	48,520	Deferred income taxes	470	858
Deferred taxes	24,633	20,445	Salaries, social security charges and vacation payable	59,033	47,111
Derivatives	2,734	2,372	Payment of taxes in installments	11,407	6,130
Prepaid expenses	2,823	2,232	Accounts payable from acquisition of subsidiaries	1,298	8,228
Other accounts receivable	18,338	13,066	Debentures	66,542	74,462
	<u>731,224</u>	<u>881,479</u>	Dividends payable	20,005	5
			Derivatives	1,423	-
<b>Noncurrent assets</b>			Other accounts payable	<u>36,356</u>	<u>24,489</u>
Marketable securities	63,195	73,732		<u>366,529</u>	<u>355,072</u>
Deferred taxes	78,220	74,838	<b>Noncurrent liabilities</b>		
Prepaid expenses	79	1,346	Loans and financing	499,307	690,529
Judicial deposits	7,312	3,288	Payment of taxes in installments	15,236	16,179
Derivatives	480	27,428	Deferred income taxes	6,182	8,415
	<u>149,286</u>	<u>180,632</u>	Provision for contingencies	81,571	98,510
Investments	342	216	Accounts payable from acquisition of subsidiaries	70,328	67,764
Property and equipment, net	431,037	473,558	Debentures	66,941	135,000
Intangible assets, net	331,877	316,098	Derivatives	2,245	-
	<u>763,256</u>	<u>789,872</u>		<u>741,810</u>	<u>1,016,397</u>
			<b>Non-controlling interests</b>	<u>2,629</u>	<u>1,612</u>
			<b>Shareholders' equity</b>		
			Capital	402,091	402,091
			Capital reserves	6,5427	65,427
			Profit reserves	11,384	11,384
			Retained earnings	53,896	-
				<u>532,798</u>	<u>478,902</u>
	<u>1,643,766</u>	<u>1,851,983</u>		<u>1,643,766</u>	<u>1,851,983</u>

See the accompanying notes to the financial statements.

# Diagnósticos da América S.A.

## Consolidated statements of income

Nine-month periods ended September 30, 2009 and 2008

(In thousand of Reais)

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>Unaudited</u>		<u>Unaudited</u>	
	<u>09/30/2009</u>	<u>09/30/2008</u>	<u>09/30/2009</u>	<u>09/30/2008</u>
<b>Gross revenue</b>	400,310	333,894	1,133,622	915,069
<b>Deductions from gross revenue</b>				
Sales taxes	(24,222)	(19,512)	(67,988)	(54,204)
Discounts	(6,117)	(8,368)	(20,872)	(19,886)
	<u>(30,339)</u>	<u>(27,880)</u>	<u>(88,860)</u>	<u>(74,090)</u>
<b>Net operating revenues</b>	<u>369,971</u>	<u>306,014</u>	<u>1,044,762</u>	<u>840,979</u>
<b>Cost of services provided</b>	<u>(242,740)</u>	<u>(206,738)</u>	<u>(703,999)</u>	<u>(575,975)</u>
<b>Gross profit</b>	<u>127,231</u>	<u>99,276</u>	<u>340,763</u>	<u>265,004</u>
<b>Other operating income (expenses)</b>				
General and administratives	(66,336)	(57,746)	(224,482)	(150,233)
Financial expenses	(49,911)	(12,548)	(150,443)	(113,498)
Financial income	43,784	6,164	126,970	22,763
Goodwill amortization	-	(17,965)	-	(53,942)
Other net operating income (expenses)	4,461	8	6,398	3,445
	<u>(68,002)</u>	<u>(82,087)</u>	<u>(241,557)</u>	<u>(291,465)</u>
<b>Income before income taxes</b>	59,229	17,189	99,206	(26,461)
Income and social contribution expense	<u>(23,805)</u>	<u>(10,149)</u>	<u>(24,293)</u>	<u>4,956</u>
<b>Net income before non-controlling interests</b>	35,424	7,040	74,913	(21,505)
<b>Non-controlling interests</b>	<u>(455)</u>	<u>(308)</u>	<u>(1,017)</u>	<u>(890)</u>
<b>Net income for the period</b>	<u>34,969</u>	<u>6,732</u>	<u>73,896</u>	<u>(22,395)</u>
<b>Net income per share - R\$</b>	0.61	0.12	1.29	-0.39
<b>Number of shares at the end of the period</b>	<u>57,403</u>	<u>57,403</u>	<u>57,403</u>	<u>57,403</u>

See the accompanying notes to the financial statements.

# Diagnósticos da América S.A.

(Public Company)

## Statement of changes in shareholders' equity (unaudited)

Nine-month period ended September 30, 2009

(In thousand Reais)

			<u>Profit reserves</u>			
	<b>Capital</b>	<b>Capital reserves</b>	<b>Legal reserve</b>	<b>Profit retention</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at December 31,2008</b>	402,091	65,427	2,942	8,442	-	478,902
Net Income	-	-	-	-	73,896	73,896
Interest on own capital	-	-	-	-	(20,000)	(20,000)
<b>Balance at September 30, 2009</b>	<u>402,091</u>	<u>65,427</u>	<u>2,942</u>	<u>8,442</u>	<u>53,896</u>	<u>532,798</u>

See the accompanying notes to the financial statements.

# Diagnósticos da América S.A.

(Public Company)

## Consolidated statements of cash flows - Indirect method

Nine-month periods ended September 30, 2009 and 2008

(In thousand Reais)

	<b>09/30/2009</b>	<b>09/30/2008</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Cash flows from operating activities</b>		
<b>Net income for the period</b>	73,896	(22,395)
<b>Adjustments to</b>		
Depreciation and amortization	75,096	73,837
Amortization of goodwill	-	53,942
Additions to provisions for contingencies	15,523	6,487
Deferred taxes	(10,190)	(17,168)
Interest and monetary variation on loans	(66,304)	167,576
Written-off of P&E	1,796	5,297
Non-controlling interests	1,017	890
Negative goodwill - Maxidiagnosticos merger	(1,923)	-
<b>Changes in assets and liabilities</b>		
Increase in accounts receivable	(24,819)	(57,263)
Decrease (increase) in inventories	(2,146)	3,176
Increase in other current assets	(1,833)	(30,352)
Decrease (increase) other non-current assets	7,063	(18,085)
Decrease (increase) in suppliers	2,279	(5,817)
Decrease in accounts payable and provisions	33,384	47,613
Interest paid on loans	(29,305)	(31,818)
Income tax and social contribution paid	(11,155)	(14,874)
<b>Net cash provided by operating activities</b>	<u>62,379</u>	<u>161,046</u>
<b>Cash flows from investing activities</b>		
Additions in property and equipment	(45,882)	(100,020)
Additions in intangible assets	(16,943)	(4,776)
Additions in investments	(37)	(99)
Acquisition of Unimagem, net of cash	(15,425)	-
<b>Net cash used in investment activities</b>	<u>(78,287)</u>	<u>(104,895)</u>
<b>Cash flows by financing activities</b>		
Proceeds from loans	115,843	583,880
Payment of loans	(292,806)	(166,654)
Dividends	-	(13,443)
<b>Net cash (used in) provided by financing activities</b>	<u>(176,963)</u>	<u>403,783</u>
<b>Increase (decrease) in cash and cash equivalent</b>	<u>(192,871)</u>	<u>459,934</u>
<b>Statement of increase (decrease) in cash and cash equivalent</b>		
At the beginning of the period	492,224	46,369
At the end of the period	<u>299,353</u>	<u>506,303</u>
	<u>192,871</u>	<u>(459,934)</u>

See the accompanying notes to the financial statements.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

### Nine-month periods ended September 30, 2009 and 2008

*(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's corporate purpose is to render services directly to individuals or through covenant companies, insurance companies, entities of medical-hospital assistance entities, other entities for healthcare financing, in the following areas : (i) clinical analysis, directly or through contracted laboratories; and (ii) other auxiliary services of diagnostic support (SAD), exclusively through specialized clinics, as, for instance, in the following areas : a) cytology and pathologic anatomy; b) diagnostic by imaging and graphic methods; and c) nuclear medicine. In addition, it explores activities related to: (i) tests in food and substances to evaluate risks for the human being; (ii) importation, for its own use, of medical-hospital equipment, sets for diagnostics and related material in general; (iii) elaboration, editing, publishing and distribution of newspapers, books, magazines, periodicals and other written media designated for scientific publication or other activities within the segment of the Company activities; (iv) granting and administration of business franchising including advertising and publishing fund, training and selection of labor, supplying of equipment and research material suppliers, among others. 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, 2007 enabled the Company to begin offering services in the public health sector. The Company also invests in other entities.

As of September 30, 2009, the Company has 325 operational units (\*):

<b>Brands</b>	<b>Locality</b>	<b>09/30/2009</b>	<b>12/31/2008</b>	<b>09/30/2008</b>
Delboni Auriemo	São Paulo	38	38	38
Lavoisier	São Paulo	64	61	61
Bronstein	Rio de Janeiro	45	45	45
Lâmina	Rio de Janeiro	16	17	17
Santa Casa	Paraná	8	8	8
Pasteur	Brasília	28	26	22
Frischmann	Paraná	29	29	29
Image	Bahia	4	2	2
Laboratório Alvaro	Paraná	17	17	16
LabPasteur	Ceará	20	18	18

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

<b>Brands</b>	<b>Locality</b>	<b>09/30/2009</b>	<b>12/31/2008</b>	<b>09/30/2008</b>
MedLabor	Brasília, Tocantins e Goiás	3	3	4
Vita-Lâmina	Santa Catarina	2	2	2
Atalaia	Goiás	16	16	16
Exame	Brasília	19	19	19
MedImagem	Rio de Janeiro	7	8	8
Hospital Mãe de Deus	Porto Alegre	1	1	1
Maximagem (a)	São Paulo	-	7	-
Cedic/Cedilab	Mato Grosso	7	7	-
Unimagem	Ceará	<u>1</u>	<u>-</u>	<u>-</u>
		<u>325</u>	<u>324</u>	<u>306</u>

(a) The operational units under Maximagem trade mark were transferred to Lavoisier trade mark.

On September 30, 2009, the Club DA brand had 30 units, with 23 units linked to the Delboni Auriemo brand and 4 units linked to Lâmina brand (\*).

CientificaLab 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.

CientificaLab, the leading privately-held service provider in the public healthcare sector, served 36 clients when it was acquired and now has 43 clients (\*).

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, CientificaLab 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;

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

- Inpatient: refers to patient service, test collection, local collection for emergency tests, transport and central processing for the other exams.
- (\*) Non-financial data has not been subject to review of independent auditors and thus is not part of the auditors' review of the quarterly information.

### **2 Presentation of unaudited quarterly financial information**

The quarterly financial information was authorized for conclusion by management in the meeting held by the Board of Directors on November 05, 2009, is presented in thousands of Reais, except as otherwise stated and was prepared in accordance with accounting practices adopted in Brazil which are derived from Brazilian Corporate Law, Pronouncements, Guidelines and Interpretation of the Accounting Pronouncements Committee (CPC) and the rules of the Brazilian Security Commission (CVM). These practices are consistent with the ones adopted in the quarterly financial information of March 31, 2009, June 30, 2009 and in the financial statements of December 31, 2008, published on March 13, 2009.

The company adopted the Corporate Law amendments, introduced by Law nº 11.638, enacted on December 28, 2007 and the amendments introduced by the Provisional Measure nº 449, dated December 3, 2008, with date of transition on January 1<sup>st</sup>, 2008.

For disclosure purposes of the comparative quarterly information, the Company followed the guidance set forth in the Deliberation CVM nº 506, dated June 19<sup>th</sup>, 2006, considering the retrospective effects of the amendments to the Law 11.638/07 and the Provisional Measure 449/08. The impacts on the restated net income for the nine month period ended September 30, 2008 are as follows:

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

	<b>09/30/2008</b>
Quarterly net income with the effects of Law 11.638/07 and Provisional Measure 449/08	( <u>22,395</u> )
Adjustments of the effects resulting from the initial adoption of Law 11.638/07 and Provisional Measure 449/08:	
Financial instruments measured at the fair value through profit and loss	26,700
Deferred taxes on financial instruments measured at the fair value through profit and loss	( 9,078 )
Pre-operating income	12,411
Deferred taxes on pre-operating expenses	( 4,220 )
Reclassification of non-operating results to other operating income	1,236
Other operating income - Reclassification from non-operating expense	( <u>1,236</u> )
Quarterly net income without the effects of the Law 11.638/07 and Provisional Measure 449/08	<u>3,418</u>

### 3 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.

#### b. Accounting estimates

The preparation of the unaudited quarterly financial information, in accordance with 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 provision for doubtful accounts, provision for losses on returned checks 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 on at least a quarterly basis.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### ***c. Non-derivative financial instruments***

Non-derivative financial instruments include cash and cash equivalents, marketable securities, account receivables and other receivables, loans and financing, as well as payables and other debts.

Non-derivative financial instruments are recognized initially at fair value added by, 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 are 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.

#### **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.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### **d. Foreign currency**

The Company's management has defined the Real as its functional currency, in accordance with the rules established in 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**

- *Cash and cash equivalents*

It includes cash, bank deposits, short term investments with immediate liquidity, registered by the values of cost added by the yield gained up to the date of the financial information, which do not exceed the market value or realization.

The high liquidity short term investments are promptly convertible into a known amount of cash and are subject to an insignificant change in value risk.

- *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 unaudited consolidated quarterly financial information

*(In thousands of Reais)*

Management has adopted a new policy for bad debt provision. The rule defined by Management establishes a percentage to be applied in accordance with the aging of overdue invoices, considering the ranges as stated in Explanatory Note 6, except for some health care entities that are analyzed separately. Regarding provision for disallowances, there were no amendments in the policy defined by Management, which is considered sufficient to cover eventual losses in the realization of credits.

### **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 the shortest of the term of the real estate lease agreement or on the useful lives of the assets.

Other costs are capitalized when there is an increase in the economic benefits of the item.

- *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 items 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.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

- *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 on a straightline basis.

- *Intangible assets*

Intangible assets are comprised of assets acquired from third parties, booked at the cost of acquisition. The disclosed intangible assets have a defined useful life and their amortization notes are stated in Note 11.

Goodwill resulting from future profitability expectations, are no longer amortized from January 1, 2009 on, and have their recoverable value tested annually for impairment. The company has not identified nay circumstance that indicates the need of impairment test on September 30, 2009.

- *Present value adjustment*

The Company and its subsidiaries analyze the long term asset and liability, and the short term whenever relevant, and have not identified the applicability of present value adjustment in the operations.

***f. Impairment***

Long-lived assets such as property and equipment, intangible and deferred charges are tested for impairment 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 quarterly information date.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### ***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\$ 180 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., Laboratório Atalaia Ltda., Exame Laboratórios de Patologia Clínica Ltda., Med Imagem Ultra-Sonografia e Radiologia Ltda., Centro de Diagnósticos por Imagem de Cuiabá Ltda., Centro Médico de Diagnóstico Laboratorial Ltda., Centro Médico de Imagenologia Ltda., and Unidade Cearense de Imagem Ltda. which opted for paying income taxes based on presumed profits.

The Company opted to use the Transitory Tax Regime (RTT) to determine the Income and Social Contribution Taxes related to the period ended on September 30, 2009 and for the year ended December 31, 2008.

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.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### 4 Consolidated quarterly financial information

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

	<u>Ownership interest (%)</u>	
	<b>09/30/09</b> (Unaudited)	<b>12/31/08</b>
<b>Direct subsidiaries</b>		
Laboratório Frischmann Aisengart Ltda.	99.99	99.99
Image Memorial Ltda.	99.99	99.99
Laboratório Álvaro Ltda.	99.99	99.99
Laboratório Louis Pasteur Patologia Clínica Ltda. - LabPasteur	-	99.99
DASA Real Estate Empreendimentos Imobiliários Ltda.	99.99	99.99
Laboratório Imuno Ltda - MedLabor	-	99.99
Clínica Médica Vita Ltda.	-	99.99
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
Med Imagem Ultra-Sonografia e Radiologia Ltda.	99.99	99.99
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.	99.99	100.00
Centro Médico de Diagnóstico Laboratorial Ltda.	99.99	100.00
Centro Médico de Imagenologia Ltda.	99.99	100.00
Ressonância Magnética Cuiabá Ltda.	-	100.00
Unidade Cearense de Imagem Ltda.	100.00	-
<b>Indirect subsidiaries:</b>		
Ressonância Magnética Cuiabá Ltda. (a)	99,99	-
CientíficaLab Produtos Laboratoriais e Sistemas Ltda. (a)	99,99	-

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### (a) Centro Médico de Imagenologia Ltda. capital increase

On August 11, 2009, the Board of Directors approved a capital increase in the Subsidiary Centro Médico de Imagenologia Ltda in the amount of R\$ 133,970, fully paid by Diagnósticos da América S.A. through the transfer of its equity interest in Cientificalab Produtos Laboratoriais e Sistemas Ltda and Ressonância Magnética Cuiabá Ltda. This transaction was carried out between companies under common control at the assets book values.

### (b) Merger of subsidiaries

During the Extraordinary General Meeting held on September 1, 2009, the merger of the subsidiaries Laboratório Louis Pasteur Patologia Clínica Ltda - LabPasteur, Laboratório Imuno Ltda - MedLabor, Clínica Médica Vita Ltda., Clínica Radiológica Brafer Ltda., Cedimax Diagnósticos Médicos Ltda., Clínica Radiológica Clira Ltda., Digirad Diagnósticos Médicos Ltda., Maxidiagnósticos Participações Ltda., with the Company was approved by the shareholders as indicated in the Merger Protocol and Justification.

The Appraisals were prepared by an independent specialized firm, which were based on the subsidiaries net assets book value as of June 30, 2009, as demonstrated below:

(Unaudited)	Pasteur	Med Labor	Vita	Brafer	Cedimax	Clira	Digirad	Maxidiag
<b>Assets</b>								
Cash	919	161	266	9	97	133	128	1
Marketable securities	1,344	-	-	-	462	-	-	-
Trade accounts receivable, net	4,880	450	1,653	286	2,439	329	375	-
Inventories	1,241	-	170	-	-	-	-	-
Recoverable taxes	103	391	384	43	68	202	33	-
Other accounts receivable	131	15	118	2	45	227	9	-
Judicial deposits	5	14	22	-	-	-	-	-
Related party transaction	786	-	-	78	260	-	532	1,922
Investments	43	-	-	-	-	-	-	-
Property and equipment, net	2,062	746	9,146	455	3,317	1,392	498	-
Intangible assets, net	<u>471</u>	<u>15</u>	<u>249</u>	<u>18</u>	<u>3</u>	<u>44</u>	<u>24</u>	<u>-</u>
	11,985	1,792	12,008	891	6,691	2,327	1,599	1,923

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

(Unaudited)	Pasteur	Med Labor	Vita	Brafer	Cedimax	Clira	Digirad	Maxidiag
<b>Liabilities</b>								
Accounts payable to suppliers	1,402	235	569	51	353	118	12	-
Loans and financing	219	-	11,076	-	1,158	30	3	-
Salaries and social security charges	1,609	101	466	-	5	-	-	-
Taxes and contributions payable	160	327	35	16	106	175	30	-
Payment of taxes in installments	-	-	1,992	-	57	156	74	-
Provision for contingenceis	43	-	1,100	-	-	-	-	-
Related party transaction	=	<u>827</u>	<u>969</u>	<u>96</u>	<u>2,507</u>	<u>859</u>	=	=
Others accounts payable	167	25	164	22	189	24	-	-
	<u>3,600</u>	<u>1,515</u>	<u>16,371</u>	<u>185</u>	<u>4,375</u>	<u>1,362</u>	<u>119</u>	=
<b>Net worth / (Unsecured) liabilities</b>	<u>8,385</u>	<u>277</u>	<u>(4,363)</u>	<u>706</u>	<u>2,316</u>	<u>965</u>	<u>1,480</u>	<u>1,923</u>

The subsidiaries' accounting policies are consistent with those applied by the Company and in accordance with the accounting practices adopted in Brazil, considering the effects of Law 11.638/07 and Provisional Measure 449/08.

### *Description of the main consolidation procedures*

- a. Elimination of intercompany 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 quarterly financial information.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### 5 Cash and cash equivalents

	09/30/09 (Unaudited)	12/31/08
Cash and banks	15,950	15,842
Marketable securities	<u>346,598</u>	<u>550,114</u>
	362,548	565,956
Classified as current assets	<u>(299,353)</u>	<u>(492,224)</u>
Classified as noncurrent assets	<u>63,195</u>	<u>73,732</u>

The marketable securities classified as current assets in the amount of R\$56,644 (R\$13,486 as of December 31, 2008) related to fixed income funds bearing average interest rates of 97.0% of the Interbank Deposit Certificates (CDI) (88.8% of CDI as of December 31, 2008), R\$ 28,134 refer to bonds of the American Government, under the custody of Unibanco Luxemburg, remunerated at a 3.1% p.a. rate plus the exchange rate variation and R\$198,625 refer to Brazilian government bonds (Republic of Brazil) remunerated at a weighted average rate of 6.91%% p.a. added by exchange rate variation, also under custody of Unibanco Luxemburgo.

Long-term marketable securities in the amount of R\$63,195 (R\$73,732 as of December 31, 2008) earn interest at an average rate of 104.3% of the CDI rate on September 30, 2009 (100.8% of CDI as of December 31, 2008), R\$62,785 of which (R\$63,240 as of December 31, 2008) serve as collateral for payments of obligations assumed in connection with the acquisition of several laboratories (Note 17).

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### 6 Trade accounts receivable

	<b>09/30/09</b> <b>(Unaudited)</b>	<b>12/31/08</b>
<b>Current assets</b>		
Trade notes receivable:		
Due	204,620	166,585
Overdue	<u>136,111</u>	<u>106,299</u>
	340,731	272,884
Other accounts receivable:		
Checks in collection	2,505	3,926
Credit cards	6,433	5,305
Returned checks	<u>4,510</u>	<u>2,953</u>
	13,448	12,184
Less:		
Provision for disallowances and for doubtful accounts	( 61,366)	( 18,411)
Provision for losses on returned checks	<u>( 4,510)</u>	<u>( 2,953)</u>
	<u>288,303</u>	<u>263,704</u>

(a) The overdue invoices have the following composition:

	<b>09/30/09</b> <b>(Unaudited)</b>	<b>12/31/08</b>
0 - 30	31,163	18,397
31 - 60	14,741	12,433
61 - 90	7,444	6,979
91 - 120	6,046	8,223
121 - 180	13,391	9,907
181 - 360	22,633	18,070
Over 360	<u>40,693</u>	<u>32,290</u>
	<u>136,111</u>	<u>106,299</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

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 to the average recovery period for payments being different from the periods defined in the contracts.

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 of which have not been updated in both systems; and (iii) technical issues, such as different interpretations of examination requisitions.

The company recognized expenses in the amount of R\$18,225 related to provisions for disallowances.

Since the second quarter of 2009, Management has adopted, a new policy for bad debt provision. The rule establishes a percentage of provision at (i) 25% of the invoice amount overdue in the period between 91 and 120 days, (ii) 50% between 121 and 180 days, (iii) 75% between 181 and 360 days and, (iii) 100% above 360 days. As an exception to this rule, the receivables of important health care entities are analyzed separately.

The movement in the period related to provision for disallowances and bad debts are as follows:

Balance on December 31, 2008	18,411
Additions to provision for disallowances	23,251
Write-off (utilization) of provision for disallowances	(23,502)
Additions to bad debt provision	52,328
Write-off (utilization) of bad debt provision	(9,122)
Balance on September 30, 2009	<u>61,366</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### 7 Inventories

	09/30/09 (Unaudited)	12/31/08
Domestic clinical analysis and diagnostic imaging materials	21,302	22,878
Import clinical analysis and diagnostic imaging materials	6,230	7,365
Domestic secondary clinical analysis and diagnostic imaging materials	6,341	6,258
Sundry materials	3,877	2,697
Inventories held by third parties	4,661	1,125
Provision for obsolescence	( 1,260)	( 1,407)
	<u>41,151</u>	<u>38,916</u>

### 8 Recoverable and deferred taxes

#### a. Recoverable taxes - Current

	09/30/09 (Unaudited)	12/31/08
Withholding income tax (IRRF)	1,339	8,258
Income tax recoverable	13,056	10,133
Social contribution recoverable	10,449	11,283
COFINS (Tax for social security financing) and PIS (Social integration program) tax withheld	13,366	9,722
Others	<u>15,679</u>	<u>9,124</u>
	<u>53,889</u>	<u>48,520</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### **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 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.

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

	<b>09/30/09</b> <b>(Unaudited)</b>	<b>12/31/08</b>
Tax loss carryforward and negative basis	5,261	7,465
Provision for interest on capital	6,800	-
Provision for doubtful accounts and disallowances	17,675	4,952
Provision for obsolescence - Inventories	408	407
Goodwill amortization	40,959	50,246
Provision for specialized medical services	2,460	1,247
Sundry provisions	1,030	1,841
Provision for contingencies	19,999	18,687
Amortization pre-operating expenses	<u>8,261</u>	<u>10,438</u>
	<u>102,853</u>	<u>95,283</u>
Classified as current assets	( <u>24,633</u> )	( <u>20,445</u> )
Classified as noncurrent assets	<u>78,220</u>	<u>74,838</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

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, created as of the fiscal years in which the temporary differences become expenses deductible for tax purposes.

2009	6,158
2010	30,746
2011	13,832
2012 - 2014	30,628
2015 - 2017	<u>21,489</u>
	<u>102,853</u>

### 9 Investments

	<b>09/30/09</b> <b>(Unaudited)</b>	<b>12/31/08</b>
Investments in subsidiaries	<u>342</u>	<u>216</u>
	<u>342</u>	<u>216</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### 10 Property and equipment, net

	Average depreciation rate % p.a.	09/30/09 (Unaudited)			12/31/08
		Cost	Accumulated depreciation	Net	Net
Buildings	4	12,724	( 2,036)	10,688	11,280
Leasehold improvements	12	291,634	(160,548)	131,086	133,324
Machinery and equipment	10	409,116	(189,376)	219,740	244,528
Furniture and fixture	10	47,619	( 21,243)	26,376	24,547
Facilities	10	11,622	( 4,604)	7,018	4,130
IT equipment	20	62,913	( 38,715)	24,198	25,724
Vehicles	20	5,320	( 2,489)	2,831	4,451
Library	10	163	( 82)	81	63
Land		1,839	-	1,839	1,839
Construction in process		<u>7,180</u>	<u>-</u>	<u>7,180</u>	<u>23,672</u>
		<u>850,130</u>	<u>(419,093)</u>	<u>431,037</u>	<u>473,558</u>

### Changes in cost

	Changes in the period (unaudited)					09/30/09
	12/31/08	Additions	Write-offs	Transfers	Other (a)	
Buildings	13,081	-	-	( 357)	-	12,724
Leasehold improvements	264,470	14,384	( 123)	12,989	( 86)	291,634
Machinery and equipment	408,357	24,485	(30,814)	6,972	116	409,116
Furniture and fixture	42,520	3,563	( 54)	1,590	-	47,619
Facilities	7,985	2,485	( 43)	1,195	-	11,622
IT equipment	58,432	4,538	( 270)	276	( 63)	62,913
Vehicles	7,273	432	( 2,120)	( 265)	-	5,320
Library	155	13	-	( 5)	-	163
Land	1,839	-	-	-	-	1,839
Construction in progress	<u>23,672</u>	<u>6,636</u>	<u>( 1)</u>	<u>(22,395)</u>	<u>( 732)</u>	<u>7,180</u>
	<u>827,784</u>	<u>56,536</u>	<u>(33,425)</u>	<u>-</u>	<u>( 765)</u>	<u>850,130</u>

(a) Other - relates to transfers to intangible assets.

(b) As reported in Note 19.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### 11 Intangible assets, net

	Average depreciation rate % p.a.	09/30/09 (Unaudited)		
		Cost	Accumulated depreciation	Net
<b>Transaction costs - Goodwill</b>				
Goodwill (a)		<u>456,286</u>	<u>(173,037)</u>	<u>283,249</u>
<b>Others intangibles</b>				
Software	20	63,146	( 30,843)	32,303
Rights of use of commercial area	20	219	( 92)	127
Transaction costs	20	28,852	( 15,009)	13,843
System Deployment Project	20	9,043	( 6,781)	2,262
Telephone lines		-	-	-
Trademarks and patents		<u>93</u>	<u>-</u>	<u>93</u>
		<u>101,353</u>	<u>( 52,725)</u>	<u>48,628</u>
		<u>557,639</u>	<u>(225,762)</u>	<u>331,877</u>
		12/31/08		
	Average depreciation rate % p.a.	Cost	Accumulated depreciation	Net
<b>Transaction costs - Goodwill</b>				
Goodwill (a)	20	<u>442,124</u>	<u>(173,037)</u>	<u>269,087</u>
<b>Others intangibles</b>				
Software	20	50,563	( 24,038)	26,525
Rights of use of commercial area	20	219	( 59)	160
Transaction costs	20	27,738	( 11,135)	16,603
System Deployment Project	20	9,043	( 5,429)	3,614
Telephone lines		15	-	15
Trademarks and patents		<u>94</u>	<u>-</u>	<u>94</u>
		<u>87,672</u>	<u>( 40,661)</u>	<u>47,011</u>
		<u>529,796</u>	<u>(213,698)</u>	<u>316,098</u>

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

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

	<b>09/30/09</b> <b>(Unaudited)</b>	<b>12/31/08</b>
<b>Cost</b>		
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.	36,777	36,777
Laboratório Louis Pasteur Patologia Clínica Ltda. - LabPasteur	13,936	13,936
Laboratório Imuno Ltda. - MedLabor	6,189	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.	99,522	97,554
Med Imagem Ultra-Sonografia e Radiologia Ltda.	40,760	40,760
Clínica Radiológica Brafer Ltda.	7,791	7,845
Cedimax Diagnósticos Médicos Ltda.	8,454	10,962
Clínica Radiológica Clira Ltda.	7,396	7,450
Digirad Diagnósticos Médicos Ltda.	8,059	8,113
Maxidiagnósticos Participações Ltda.	-	( 1,923)
Centro de Diagnósticos por Imagem de Cuiabá Ltda.	18,089	17,931
Centro Médico de Diagnóstico Laboratorial Ltda.	8,419	8,262
Centro Médico de Imagenologia Ltda.	1,565	1,565
Ressonância Magnética Cuiabá Ltda.	1,869	1,869
Unidade Cearense de Imagem Ltda.	<u>12,403</u>	<u>-</u>
	<u>456,286</u>	<u>442,124</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

	<b>09/30/09</b> <b>(Unaudited)</b>	<b>12/31/08</b>
<b>Accumulated amortization</b>		
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.	(19,562)	( 19,562)
Elkis e Furlanetto- Laboratório Médico S/C Ltda.	( 720)	( 720)
Laboratório Pasteur Patologia Clínica S/S Ltda.	( 5,895)	( 5,895)
Laboratório Frischmann Aisengart Ltda.	(21,340)	( 21,340)
Image Memorial Ltda.	(20,276)	( 20,276)
Laboratório Alvaro Ltda.	(18,391)	( 18,391)
Laboratório Louis Pasteur Patologia Clínica Ltda. - LabPasteur	( 6,968)	( 6,968)
Laboratório Imuno Ltda. - MedLabor	( 2,883)	( 2,883)
Clínica Médica Vita Ltda.	( 2,145)	( 2,145)
Laboratório Atalaia Ltda.	(12,275)	( 12,275)
Exame Laboratórios de Patologia Clínica Ltda.	(15,541)	( 15,541)
CientíficaLab Produtos Laboratoriais e Sistemas Ltda.	(23,463)	( 23,463)
Med Imagem Ultra-Sonografia e Radiologia Ltda.	(10,869)	( 10,869)
Clínica Radiológica Brafer Ltda.	( 97)	( 97)
Cedimax Diagnósticos Médicos Ltda.	( 136)	( 136)
Clínica Radiológica Clira Ltda.	( 92)	( 92)
Digirad Diagnósticos Médicos Ltda.	( 100)	( 100)
Centro de Diagnósticos por Imagem de Cuiabá Ltda.	( 135)	( 135)
Centro Médico de Diagnóstico Laboratorial Ltda.	( 58)	( 58)
Centro Médico de Imagenologia Ltda.	( 12)	( 12)
Ressonância Magnética Cuiabá Ltda.	( 14)	( 14)
	<u>(173,037)</u>	<u>(173,037)</u>
	<u>283,249</u>	<u>269,087</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### Changes in cost

	12/31/08	Movement in the period (Unaudited)			09/30/09
		Additions	Write-offs	Other	
<b>Transaction costs - goodwill</b>					
Goodwill	<u>442,124</u>	<u>14,470</u>	<u>( 266)</u>	<u>( 42)</u>	<u>456,286</u>
<b>Others intangibles</b>					
Software	50,563	11,815	( 13)	781	63,146
Commercial rights of use	219	-	-	-	219
Transaction costs	27,738	3,158	(2,045)	1	28,852
System Deployment Project	9,043	-	-	-	9,043
Telephone lines	15	-	-	( 15)	-
Trademarks and patents	<u>94</u>	<u>1</u>	<u>-</u>	<u>( 2)</u>	<u>93</u>
	<u>87,672</u>	<u>14,974</u>	<u>(2,058)</u>	<u>765</u>	<u>101,353</u>
	<u>529,796</u>	<u>29,444</u>	<u>(2,324)</u>	<u>723</u>	<u>557,639</u>

### Changes in accumulated amortization

	12/31/08	Movement in the period (Unaudited)			09/30/09
		Additions	Write-offs	Other	
<b>Transaction costs - goodwill</b>					
Goodwill	<u>(173,037)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(173,037)</u>
<b>Others intangibles</b>					
Software	( 24,038)	( 6,770)	1	( 36)	( 30,843)
Commercial rights of use	( 59)	( 39)	-	6	( 92)
Transaction costs	( 11,135)	( 4,410)	536	-	( 15,009)
System Deployment Project	<u>( 5,429)</u>	<u>( 1,352)</u>	<u>-</u>	<u>-</u>	<u>( 6,781)</u>
	<u>(40,661)</u>	<u>(12,571)</u>	<u>537</u>	<u>( 30)</u>	<u>( 52,725)</u>
	<u>(213,698)</u>	<u>(12,571)</u>	<u>537</u>	<u>( 30)</u>	<u>(225,762)</u>

The additions to amortization during the nine-month period ended September 30, 2009 were recognized within general and administrative expenses and cost of services rendered.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### 12 Accounts payable to suppliers

	<b>09/30/09</b> <b>(Unaudited)</b>	<b>12/31/08</b>
Domestic suppliers	49,161	51,647
Foreign suppliers	<u>12,305</u>	<u>7,250</u>
	<u>61,466</u>	<u>58,897</u>

### 13 Loans and financing

	<b>09/30/09</b> <b>(Unaudited)</b>	<b>12/31/08</b>
<b>Local currency</b>		
Loan secured accounts	-	26,321
Bank loans	54,409	79,103
Leases under local currency agreements	16,744	21,514
Equipment financing	550	775
<b>Foreign currency</b>		
Bank loans	-	2,863
Equipment financing	5,116	15,454
Leases of import equipment	63,324	95,192
Notes (Senior Notes) <b>(a)</b>	<u>457,526</u>	<u>588,486</u>
	597,669	829,708
Transaction costs (Senior Notes) <b>(b)</b>	<u>( 16,962)</u>	<u>( 24,223)</u>
	<u>580,707</u>	<u>805,485</u>
Short term portion in current liabilities	<u>( 81,400)</u>	<u>(114,956)</u>
Noncurrent liabilities	<u>499,307</u>	<u>690,529</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

- (a) In a Board of Directors meeting held on May 21, 2008 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 the 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 9.45% 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 over the amount of interest for a 5-year period, the Company entered into swap transactions with 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 unaudited consolidated quarterly financial information

(In thousands of Reais)

(b) Transaction costs will be amortized.

2009	( 490)
2010	( 1,957)
2011	( 1,957)
2012	( 1,957)
2013 a 2018	(10,601)
	<u>(16,962)</u>

The bank loan and financing agreements do not have any restrictive clauses (“covenants”) relating to the noncompliance of ratios.

### 09/30/2009 (Unaudited)

Type	Banks	Amount in Reais	Maturity	Average interest rate	Guarantors
<b>Local currency</b>					
Bank loans	Banco Votorantin S.A.	3,907	2009	111,6% do CDI	(3)
Bank loans	Banco do Brasil S.A.	15,136	2010	105,6% do CDI	(2)
Bank loans	HSBC Bank Brasil S.A.	9,106	2010	106,0% do CDI	(3)
Bank loans	Unibanco S.A.	8,124	2011	111,8% do CDI	-
Bank loans	Banco Itaú S.A.	11,817	2011	115,0% do CDI	(4)
Bank loans	BNDES	2,350	2013	TJLP e UMBNDES	(2) e (4)
Bank loans	Banco Itaú S.A.	2,069	2009	134% do CDI	(4)
Bank loans	Banco do Nordeste S.A.	1,440	2012	10% a 12% a.a.	(4)
Bank loans	Diversos	<u>460</u>	2013	11,52% a.a.	(2)
		<u>54,409</u>			
Leases	Diversos	<u>16,744</u>	2013	CDI + 2,5 % a.a.	-
Equipment financing	CETAC	<u>550</u>	2011	no charges	-

### 09/30/2009 (Unaudited)

Type	Financial institutions/Suppliers	Amount in US\$	Amount in Reais	Transaction costs	Total in Reais	Maturity	Average interest rate	Guarantors
<b>Foreign currency</b>								
Equipment suppliers	G.E.	2,877	5,116	-	<u>5,116</u>	2012	VC+7,5% a 8,5% a.a.	(1)
Leases	G.E, Siemens, Philips e Oni Medical	35,613	63,324	-	<u>63,324</u>	2016	VC+7,20% a 9% a.a.	(3)
Notes (Senior Notes)		257,312	457,526	(16,962)	<u>440,564</u>	2018	8,75% a.a.	(4)

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(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 fiduciary 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:

2010	12,916
2011	26,042
2012	14,404
2013	10,164
2014 to 2018	<u>450,787</u>
Transaction cost long term	( <u>15,006</u> )
	<u>499,307</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

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

Laboratório Frischmann Aisengart Ltda.	Banco Alfa S.A.	1.778
	Banco HSBC Bank Brasil	4.367
	Banco Itaú S.A.	381
	General Eletric	407
Image Memorial Ltda.	Banco Alfa S.A.	3.275
	Banco Bradesco S.A.	4.000
	Banco do Brasil S.A.	1.796
	Banco Itaú S.A.	2.722
	General Eletric	2.802
	Unibanco S.A.	7.000
Laboratório Alvaro Ltda.	Banco Alfa S.A.	1.245
	Banco Itaú S.A.	603
	General Eletric	1.082
	Unibanco S.A.	123
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.	5.678
	Banco Bradesco S.A.	7.000
	Banco Itaú S.A.	15.000
	Unibanco S.A.	193
	CSI Latina Financial	240
Med Imagem Ultra-Sonografia e Radiologia Ltda.	Banco Alfa S.A.	230
	Unibanco S.A.	291
DASA Finance Corporation	Emissão de Bond	<u>444.525</u>
		<u>505.598</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### 14 Debentures

	<b>09/30/09</b> (Unaudited)	<b>12/31/08</b>
Non-convertible debentures	135,000	202,500
Compensation interest	<u>-</u>	<u>6,962</u>
	135,000	<u>209,462</u>
Transaction cost	( <u>1,517</u> )	<u>-</u>
Current portion	( <u>66,542</u> )	( <u>74,462</u> )
Noncurrent liabilities	<u>66,941</u>	<u>135,000</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 on April 1, 2006. The debentures are subject to scheduled amortization, the unit nominal value are amortized in three equal installments, the first installment due in the 36° (thirty sixth) month, and, the installments to pay in the 48° (forty eighth) and 60° (sixty) months, 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 transaction cost will be recognized in expenses in the statement of income on a monthly basis until April 2011 in a fixed amount of R\$ 79.

The principal amount has the following payment schedule:

	<b>Amount (R\$)</b>
Maturity date:	
April 01, 2010	67,500
April 01, 2011	<u>67,500</u>
Total	<u>135,000</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

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

### 15 Salaries, social security charges and provision for vacation pay

	<b>09/30/09</b> <b>(Unaudited)</b>	<b>12/31/08</b>
Salaries payable	8,364	8,440
Social Security charges payable	7,364	7,290
Provision for vacation pay and 13 <sup>th</sup> -month salary and social security charges	42,997	24,595
Provision for the profit sharing	8	6,231
Others	<u>300</u>	<u>555</u>
	<u><b>59,033</b></u>	<u><b>47,111</b></u>

### 16 Taxes payable in installments

	<b>End of</b> <b>amortization</b>	<b>09/30/09</b> <b>(Unaudited)</b>	<b>12/31/08</b>
PPI - REFIS Municipal (a)	2011	2,185	2,784
PAES Program (b)	2013	6,221	7,190
ISS - Atalaia (c)	2018	1,151	1,259
PAES Program - INSS (Brazilian National Institute of Social Security) - Exame (d)	2013	1,396	1,564
IRPJ and CSLL - CientificaLab (e)	2013	4,841	5,360
ISS - Municipality of Barueri (f)	2011	7,325	-
Others		<u>3,524</u>	<u>4,152</u>
		<u><b>26,643</b></u>	<u><b>22,309</b></u>
Current portion		<b>(11,407)</b>	<b>( 6,130)</b>
Noncurrent liabilities		<u><b>15,236</b></u>	<u><b>16,179</b></u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(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 in 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)** The subsidiary Atalaia scheduled the payment in installments of the ISS tax debts 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\$ 1,151 on September 30, 2009, whose amortizations shall be made until 2018.
- (d)** 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 tax credits for the amortization of fines and interest.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

- (e) On September 29, 2008, CientificaLab paid 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, totaling R\$ 4,841 on September 30, 2009. The amortizations will take place until August 2013.
- (f) On September 25, 2009 the company adhered to a tax installment program created by Barueri's cityhall. The Company opted to pay the ISSQN tax debt related to period from September 2007 to December 2008, included in the ordinary installment enrolled on January 29, 2009, in 18 monthly installments, plus interest equivalent to the SELIC, totaling R\$7,325 on September 30, 2009, whose amortizations shall be made until February 2011.

### 17 Accounts payable from the acquisition of subsidiaries

Accounts payable from the acquisition of subsidiaries refer to the amounts due to the previous owners for the acquisition of share or quotes representing the capital of these companies. The debts are updated in accordance with contract terms, and following payment schedule:

	Updated - Interest rate	Maturity Date	09/30/09 (Unaudited)	12/31/08
Laboratório de Patologia Clínica Curitiba S/C Ltda.	n/a	(b)	510	499
Laboratório Pasteur Patologia Clínica S/S Ltda.	IPCA	(b)	496	481
Laboratório Alvaro Ltda	IPCA	05/2009	-	5,567
Laboratório Frischmann Aisengart Ltda. (Minoritários)	IGPM	05/2016	1,943	2,086
Clínica Radiológica Brafer Ltda., Cedimax Diagnósticos Médicos Ltda., Clínica Radiológica Clira Ltda. e Digirad Diagnósticos Médicos Ltda.	IGPM	10/2014	2,691	4,119
Unidade Cearense de Imagem Ltda. - Unimagem	SELIC	01/2012	<u>3,200</u>	<u>-</u>
			<u>8,840</u>	<u>12,752</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

	Updated - Interest rate	Maturity Date	09/30/09 (Unaudited)	12/31/08
<b>Marketable securities guarantee:</b>				
Bio-Ciência Lavoisier de Análises Clínicas S.A.	(a)	(b)	1,353	1,953
Laboratório Bronstein S. A.	(a)	-	-	1,866
Elkis e Furlanetto C.D.A.C. Ltda.	(a)	05/2011	8,722	8,151
Laboratório Frischmann Aisengart Ltda.	(a)	07/2011	3,360	3,186
Image Memorial Ltda.	(a)	10/2011	11,027	10,303
Laboratório Alvaro Ltda	(a)	12/2011	1,477	1,650
Laboratório Louis Pasteur Patologia Clínica Ltda - LabPasteur	(a)	09/2012	3,180	4,326
Laboratório Imuno Ltda. - MedLabor	(a)	07/2012	899	840
Clínica Médica Vita Ltda.	(a)	10/2012	688	677
Laboratório Atalaia Ltda.	(a)	10/2012	3,246	3,032
Exame Laboratórios de Patologia Clínica Ltda.	(a)	12/2012	1,981	2,007
CientíficaLab Produtos Laboratoriais e Sistemas Ltda.	(a)	07/2013	3,482	3,278
Med Imagem Ultra-Sonografia e Radiologia Ltda.	(a)	08/2013	11,959	11,221
Clínica Radiológica Brafer Ltda., Cedimax Diagnósticos Médicos Ltda., Clínica Radiológica Clira Ltda. e Digirad Diagnósticos Médicos Ltda.	(a)	10/2014	6,377	6,052
Centro de Diagnósticos por Imagem de Cuiabá Ltda., Centro Médico de Imagenologia Ltda. e Ressonância Magnética Cuiabá Ltda.	(a)	11/2014	4,389	4,095
Centro Médico de Diagnóstico Laboratorial Ltda.	(a)	11/2014	<u>646</u>	<u>603</u>
			62,786	63,240
			<u>71.626</u>	<u>75.992</u>
Short-term portion in current liabilities			<u>(1.298)</u>	<u>( 8.228)</u>
Noncurrent liabilities			<u>70.328</u>	<u>67.764</u>

(a) Updated 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) No term for payment, are retained with the purpose of securing the payment of contingencies which have been under litigation since the pre-acquisition period.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

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

2010	2,979
2011	24,873
2012	13,482
2013 to 2016	<u>28,994</u>
Total	<u>70,328</u>

### 18 Other accounts payable

	<b>09/30/09</b> <b>(Unaudited)</b>	<b>12/31/08</b>
Rentals	4,310	3,572
Third - Party services	10,944	9,229
Provision for specialized medical services	9,591	5,239
Franchisee commission payable	913	449
Other accounts payable	<u>10,598</u>	<u>6,000</u>
	<u>36,356</u>	<u>24,489</u>

### 19 Provision for contingencies

	<u>09/30/09 (Unaudited)</u>			<u>12/31/08</u>
	<b>Provision</b>	<b>Judicial deposit</b>	<b>Net</b>	<b>Net</b>
(a) ICMS on imports	61,817	2,770	59,047	76,833
(b) Provision for labor contingencies	4,765	249	4,516	4,284
(c) Provision for civil contingencies	2,731	27	2,704	4,103
(d) Provision for tax contingencies	<u>36,009</u>	<u>20,705</u>	<u>15,304</u>	<u>13,290</u>
	<u>105,322</u>	<u>23,751</u>	<u>81,571</u>	<u>98,510</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### **(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, as 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 September 30, 2009, the amount recorded for imports performed as from January 1, 2003 is R\$61,817 (R\$ 78,723 on December 31, 2008), with judicial deposits in the amount of R\$ 2,770.

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

At September 30, 2009, the Company is party to 385 labor actions (315 on December 31, 2008).

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

At September 30, 2009, the Company is a party to 429 civil administrative and judicial actions (369 on December 31, 2008).

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

Provisions for tax contingencies relate to (i) questionings for raises in rates, (ii) calculation basis and (iii) unconstitutionality of collection. Such questionings comprise primarily the contributions to PIS, COFINS, INSS and FGTS contributions.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### Changes in provisions

	<u>12/31/08</u>	<u>Movement in the period (Unaudited)</u>			<u>09/30/09</u>
	<b>Opening balance</b>	<b>Additions</b>	<b>Utilization and/or reversal</b>	<b>Monetary Restatement</b>	<b>Closing balance</b>
ICMS on imports	78,723	7,775	(38,468) (a)	13,787	61,817
Provision for labor contingencies	4,582	678	( 691)	196	4,765
Provision for civil contingencies	4,130	536	( 2,084)	149	2,731
Provision for tax contingencies	<u>33,089</u>	<u>2,305</u>	<u>( 777)</u>	<u>1,392</u>	<u>36,009</u>
	<u>120,524</u>	<u>11,294</u>	<u>(42,020)</u>	<u>15,524</u>	<u>105,322</u>

#### (a) ICMS on imports

The amount related to ICMS on the imports of inputs and equipment under lease contracts (international lease) was fully reverted this quarter. The decision taken by management is based on the opinion of the Company's external legal advisors, which assessed the chance of success as possible. The Company reverted R\$29,620 as historical ICMS on import with corresponding contra entry against Machinery and Equipment (see note 10). The historical amount was monthly updated by the SELIC rate, the reversion of the related interest expenses during the quarter was recognized in the statement of income under the financial expenses (interests) line in the amount of R\$6,530.

## 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.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

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.

### ***b. Dividends and interest on own capital***

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.

The Board of Directors shall deliberate on the payment or credit of interests on own capital, ad referendum to the General Ordinary Meeting that will appreciate the financial statements relative to the period in which such interests were paid or credited.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

From the total amount of compulsory dividends that will be calculated based on the net income for the year, which shall be proposed by the Management according to the Company's By-laws, R\$20,000 were recognized on September 30, 2009, as interests on own capital. Management considers this appropriation irreversible, which is subject to the homologation by the Board of Directors.

### 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:

	09/30/09 (Unaudited)	09/30/08 (Unaudited)
Profit before income and social contribution taxes	<u>99,206</u>	<u>(26,461)</u>
Combined tax rate	34%	34%
Income tax and social contribution: Through the combined tax rate	(33,730)	8,997
<b>Permanent additions</b>		
Loss from foreign branches	( 336)	-
Other additions	( 648)	( 1,961)
<b>Other adjustments</b>		
Net temporary exclusions (additions)	( 1,357)	1,960
Income taxes and social contribution from subsidiaries taxed by the deemed profit system	5,869	144
Interest on own capital	6,800	-
Others	<u>( 891)</u>	<u>( 4,184)</u>
	<u>(24,293)</u>	<u>4,956</u>
Income and social contribution taxes	(34,484)	(12,213)
Deferred taxes	10,191	17,169
Effective tax rate	<u>( 24%)</u>	<u>( 19%)</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### 22 General and administrative expenses

	<b>09/30/09</b> <b>(Unaudited)</b>	<b>06/30/08</b> <b>(Unaudited)</b>
Personnel expenses	79,332	67,741
Services and utilities	49,775	40,585
Depreciation	18,319	16,445
Taxes	742	2,137
Sundry provisions	6,890	2,877
Provision for doubtful accounts	45,349	( 37)
General expenses	<u>24,075</u>	<u>20,485</u>
	<u>224,482</u>	<u>150,233</u>

### 23 Tax loss carryforwards

At September 30, 2009, the Company had tax loss carryforwards on the following base values:

Tax losses carryforwards	14,541
Negative basis of social contribution	18,058

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.

### 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 made is based on the following criteria:

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### **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 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.

### **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.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

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

**e. 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.

**f. 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.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

Description	09/30/2009 (Unaudited)		12/31/2008	
	Fair value through profit and loss	Amortized cost	Fair value through profit and loss	Amortized cost
Cash and cash equivalents	15,950	-	15,842	-
Marketable securities	346,598	-	550,114	-
Accounts receivable from clients	-	288,303	-	263,704
Derivatives	<u>3,214</u>	<u>-</u>	<u>29,800</u>	<u>-</u>
<b>Assets</b>	<b><u>365,762</u></b>	<b><u>288,303</u></b>	<b><u>595,756</u></b>	<b><u>263,704</u></b>
Accounts payable to suppliers	-	61,466	-	58,897
Bank loans and financing	-	580,707	-	805,485
Debentures	-	133,483	-	209,462
Derivatives	3,668	-	-	-
Other accounts	<u>-</u>	<u>36,356</u>	<u>-</u>	<u>24,489</u>
<b>Liabilities</b>	<b><u>3,668</u></b>	<b><u>812,012</u></b>	<b><u>-</u></b>	<b><u>1,098,333</u></b>

### 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\$ 61,366 (R\$ 18,411 as of December 31, 2008), accounting for 18.01% (6.75% as of December 31, 2008) of the balance of receivable accounts due.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### **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.

Management is responsible for monitoring the internal control procedures, following the directions established by the Board of Directors, 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.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### **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.

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:

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

As of September 30, 2009 the Company had the following swap operations:

### Financial Instruments - Derivatives receivable

Company strategy	Index rate asset	Asset	Index rate liability	Ind liability	Market values (accounting) (unaudited)			Currency/ index rate	Range of maturity date	National	Negotiation market	Contract
					Market value net	Values cost	Gain (loss) in mark -to-market					
<b>Derivatives of debts protection, not assigned at fair values</b>												
Swap - Hedge foreign exchange variation	Dólar + 8,75% a.a.	88,654	103,1% on CDI	( 85,954)	2,700	813	1,887	Dólar	05/2008 to 05/2013 **	249,450	Counter	Credit Suisse
Swap - Hedge foreign exchange variation	Dólar + 8,75% a.a.	<u>15,434</u>	103,1% on CDI	( 14,920)	<u>514</u>	<u>-</u>	<u>514</u>	Dólar	05/2008 to 05/2013 **	166,300	Counter	Merril Lynch
		<u>104,088</u>		<u>(100,874)</u>	<u>3,214</u>	<u>813</u>	<u>2,401</u>					
Short term portion in current liabilities					<u>2,734</u>							
Noncurrent liabilities					<u>480</u>							

\*\*Quarterly Maturity Date

### Financial Instruments - Derivatives payable

Company strategy	Index rate asset	Asset	Index rate liability	Ind liability	Market values (accounting) (unaudited)			Currency/ index rate	Range of maturity date	National	Negotiation market	Contract
					Market value net	Values cost	Gain (loss) in mark -to-market					
<b>Derivatives of debts protection, not assigned at fair values</b>												
Swap - Hedge Foreign Exchange Variation	Dólar + 8,50% a.a.	1,080	CDI less 0,7%	(2,695)	(1,615)	(1,627)	12	Dól	05/2003 to 12/2010 *	2,960	Counter	Banco Votorantim
Swap - Hedge Foreign Exchange Variation	Dólar + 8,75% a.a.	<u>43,668</u>	103,1% on CDI	(45,721)	<u>(2,053)</u>	<u>(1)</u>	<u>(2,052)</u>	Dól	05/2008 to 05/2013 **	166,300	Counter	Merril Lynch
		<u>44,748</u>		<u>(48,416)</u>	<u>(3,668)</u>	<u>(1,628)</u>	<u>(2,040)</u>					
Short term portion in current liabilities				<u>(1,423)</u>								
Noncurrent liabilities				<u>(2,245)</u>								

\* Monthly Maturity Date

\*\*Quarterly Maturity Date

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

The company recognized gains and losses 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 the nine-month periods ended September 30, 2009 and 2008, the derivative instruments generated the following impacts on the consolidated result:

Derivatives	Risk	Booking account	Revenue (expenses) (Unaudited)	
			09/30/09	09/30/08
Banco Votorantim	Exchange variation / Interests fair value adjustment	Financial revenue	( 700)	(526)
Merril Lynch	Exchange variation / Interests fair value adjustment	Financial revenue	(12,583)	-
Credit Suisse	Exchange variation / Interests fair value adjustment	Financial revenue	(18,283)	—
			<u>(31,566)</u>	<u>(526)</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 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 at September 30, 2009, the simulation for the effects of the dollar devaluation on the unaudited quarterly financial reports consolidated by type of financial instrument in two different scenarios would be the following:

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## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

Contract	Risk	Exposure	Market value on 09/30/2009	Depreciation 25%	Depreciation 50%
Swap contract - Banco Votorantim Asset Position - Exchange Variation	Dollar's fall US\$	2,960	1,080	( 270)	( 540)
Swap contract - Merrill Lynch Asset Position - Exchange Variation	Dollar's fall US\$	166,300	59,102	(14,776)	(29,551)
Swap contract - Credit Suisse Asset Position - Exchange Variation	Dollar's fall US\$	<u>249,450</u>	<u>88,654</u>	<u>(22,163)</u>	<u>(44,327)</u>
		<u>418,710</u>	<u>148,836</u>	<u>(37,209)</u>	<u>(74,418)</u>

### Interest rate variation

Considering that the exposure scenario for the financial instruments indexed to the variable interest rates at September 30, 2009 will remain the same in future, the effects of the Interbank Deposit Certificate (CDI) increase on the unaudited consolidated quarterly financial information by type of financial instrument, for two different scenarios, would be the following:

Contract	Risk	Exposure	Market Value on 09/30/2009	Increase 25%	Increase 50%
Swap contract - Banco Votorantim Asset Position - Exchange Variation	Dollar's fall US\$	2,960	( 2,695)	( 204)	( 285)
Swap contract - Merrill Lynch Asset Position - Exchange Variation	Dollar's fall US\$	166,300	( 60,641)	(11,513)	(14,114)
Swap contract - Credit Suisse Asset Position - Exchange Variation	Dollar's fall US\$	<u>249,450</u>	<u>( 85,954)</u>	<u>(17,468)</u>	<u>(21,552)</u>
		<u>418,710</u>	<u>(149,290)</u>	<u>(29,185)</u>	<u>(35,951)</u>

## 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.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

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\$ 71,600), unearned profits (R\$ 9,500), civil liability (R\$ 1,000), civil liability of Officers and Administrators (R\$ 50,000), 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 quarterly financial information and, accordingly, were not reviewed 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 Thousands must be approved by the Board of Directors, by at least 75% of the members attending the Meeting.

### **27 Leases**

#### *Local currency lease*

The Company has entered into some capital lease contracts, totalizing a payable balance until 2013 in the amount of R\$ 16,744, being R\$ 8,699 of this amount classified in the current liability and R\$ 8,045 in the noncurrent liability. The average term of the contracts is 36 months and they are bound to interest rates varying from CDI + 1.17 % p.a. to CDI + 8.80 % p.a.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

Minimum future leases payments are segregated as follows:

	<b>09/30/2009</b>		<b>12/31/2008</b>			
	<b>(Unaudited)</b>					
	<b>Present Value of minimum leases payments</b>	<b>Interest</b>	<b>Future minimum leases payments</b>	<b>Present value of minimum leases Payments</b>	<b>Interest</b>	<b>Future minimum leases Payments</b>
Up to one year	8,699	1,108	9,807	9,988	1,607	11,595
One and up to five years	<u>8,045</u>	<u>1,025</u>	<u>9,070</u>	<u>11,526</u>	<u>1,904</u>	<u>13,340</u>
	<u>16,744</u>	<u>2,133</u>	<u>18,877</u>	<u>21,514</u>	<u>3,511</u>	<u>25,025</u>

The assets stated below are included in the fixed assets of the Company and its subsidiaries.

Net book value of the assets obtained by contracts of local financial lease:

	<b>09/30/09</b>	<b>12/31/08</b>
	<b>(Unaudited)</b>	
Machinery and equipment	13,449	13,800
Furniture and fixture	1,146	776
Vehicles	1,396	2,869
IT equipment	5,863	6,179
Construction in process	298	120
IT system	<u>118</u>	<u>319</u>
	<u>22,270</u>	<u>24,063</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### 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\$ 63,324, R\$ 18,567 of which is classified under the current liabilities and R\$ 44,757 under noncurrent liabilities.

Minimum future leases payments are segregated as follows:

	09/30/2009 (Unaudited)		12/31/2008			
	Present value of minimum leases payments	Interest	Future minimum leases payments	Present value of minimum leases payments	Interest	Future minimum leases Payments
Up to one year	18,567	1,216	19,783	21,822	1,429	23,251
One and up to five years	43,360	2,840	46,200	71,892	4,709	76,601
Over five years	<u>1,397</u>	<u>91</u>	<u>1,488</u>	<u>1,478</u>	<u>98</u>	<u>1,576</u>
	<u>63,324</u>	<u>4,147</u>	<u>67,471</u>	<u>95,192</u>	<u>6,236</u>	<u>101,428</u>

The international financial lease contracts are included in the fixed asset under machinery and equipment R\$ 96,057 ( R\$ 99,842 on December 31, 2008).

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### **28 Stock option plan**

On March 25, 2008 in the General Meeting the shareholders approved the implementation of the Stock option plan for officers and employees of the Company, subject to conditions previously disposed to shareholder, with effective term of five years from the date of its approval. The Plan shall be managed by the Board of Directors of the Company, which may empower its duties, observing the restrictions provided for by Law, to the People Management and Compensation Committee of the Company. The stock options may grant acquisition rights over a total number of Shares not exceeding zero point two per cent (0.2%) of the Company's capital stock per year and one per cent (1.0%) of the total Company's capital stock. The Board of Directors shall be responsible for defining the strike price of options granted pursuant to the Plan, observing the minimum price corresponding to the average value of Company's shares in the past five (5) trading sessions of São Paulo Stock Exchange (BOVESPA) immediately preceding the option granting date. The options granted pursuant to the Plan may be exercised, fully or partially, observing the determinations of the Board of Directors and the terms and conditions provided for in the respective Option Agreements, and should the Option Agreement do provide for differently, the exercise shall occur as follows: (i) up to thirty-three per cent (33%) of the options granted may be exercised after two (2) years of the date of respective granting; and (ii) up to sixty-seven per cent (67%) of options granted plus eventual unsubscribed shares not exercised during the preceding exercise period may be exercised after three (3) years of the respective granting date; observing the maximum limit of five (5) years as of the granting date for the exercise of options.

There were no contracts granting option executed in 2008. The content of the plan was disclosed to the market on 03/25/08, through the CVM - Securities and Exchange Commission information system ([www.cvm.gov.br](http://www.cvm.gov.br)). The granting of stock options is foreseen to start in 2010.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### 29 Statement of cash flows

Cash and cash equivalents are constituted as follows:

	<b>09/30/09</b> <b>(Unaudited)</b>	<b>12/31/08</b>
Cash and cash equivalents	15,950	15,842
Marketable securities	<u>283,403</u>	<u>476,382</u>
	<u>299,353</u>	<u>492,224</u>

#### *Acquisitions of subsidiaries*

In January 2009, the Company acquired the subsidiary Unidade Cearense de Imagem Ltda. - Unimagem. The values of the acquired asset and of the assumed liabilities are shown below:

	<b>Unimagem</b>
Cash	457
Trade accounts receivable, net	96
Inventories	89
Recoverable taxes	251
Judicial deposits	45
Marketable securities	386
Other accounts receivable	19
Investments	89
Property, equipment and intangible assets, net	5,655
Suppliers	( 290)
Loans and financing	( 2,068)
Other accounts payable	<u>( 1,250)</u>
	3,479
Total price of acquisition	15,882
Cash	<u>( 457)</u>
Acquisition cash flow	<u>15,425</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### 30 Financial income (expense)

	09/30/09	09/30/08
<b>Financial expenses</b>		
Interests	( 76,860)	( 50,848)
Monetary and exchange variations	( 64,403)	( 57,826)
Other	( 9,180)	( 4,824)
	(150,443)	(113,498)
<b>Financial revenues</b>		
Interests	28,051	10,005
Monetary and exchange variations	98,319	11,969
Other	<u>600</u>	<u>789</u>
	126,970	22,763
	( <u>23,473</u> )	( <u>90,735</u> )

For the nine-month period ended September 30, 2009 the financial expenses totalled R\$150,433, a 32.5% increase when compared to the same period in 2008, mainly due to the Senior Notes interests. Financial revenues totalled R\$ 126,970, an increase of 457,8% when compared to the same period in 2008, reflecting the exchange variation on foreign financing and loan contracts.

### 31 Summary of principal differences between Brazilian GAAP and U.S. GAAP

#### *I - Description of GAAP differences*

The unaudited consolidated quarterly financial information of the Company and its subsidiaries is prepared in accordance with accounting practices adopted in Brazil (Brazilian GAAP), which comprises 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 unaudited consolidated quarterly financial information summarizes the accounting policies adopted by the Company, which differ significantly from U.S.GAAP, as summarized below.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### *a. Capitalization of interest related to construction in progress*

Under BRGAAP, the Company is required to capitalize interest costs and other financial charges on borrowed funds as part of the cost of the related asset under construction 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.

### *b. Deferred income taxes*

Under BRGAAP, 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 can not 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.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### *c. Acquisitions and business combinations*

Prior Law 11638/07, according to BR GAAP 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 such as “CPC 04 - Intangible Assets” and “CPC 13 - Initial Compliance with Law 11638/07 and Provisional Measure 449/08”, modified BR GAAP 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).

Pursuant to the new law, the goodwill that was related to the acquisitions were reclassified to “intangibles” and were amortized until December 31, 2008. As of January 1<sup>st</sup>, 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.

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## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

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 applied such pronouncement on a prospective basis.

### **Acquisitions**

The Company acquired the following companies in 2009 and 2008:

#### **Maximagem**

On November 19, 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 São 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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## Notes to the unaudited consolidated quarterly financial information

*(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\$ 25,381 were paid cash, 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 the acquisition date 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.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### **Goodwill**

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 unaudited consolidated quarterly financial information

*(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 the acquisition date 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.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### **Goodwill**

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 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 in 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.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(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 the acquisition date 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	( 281)
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**

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.

# Diagnósticos da América S.A.

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

### ***Unimagem***

On January 20, 2009 the Company completed the acquisition of all representative quotas of the capital of the company Unidade Cearense de Imagem Ltda. - Unimagem that renders services of diagnosis by image in the city of Fortaleza (Ceará State). Unimagem 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 Unimagem for an initial purchase price of R\$15,882 from which R\$12,682 of which were paid in cash, R\$ 1,700 will be paid in 2012 and R\$1,500 were placed in an escrow account to secure Unimagem obligations under certain representations and warranty provisions. The results of operation of Unimagem are included in the Company's Consolidated Statements of operations beginning January 20, 2009, the closing date of the acquisition.

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).

Under the acquisition method of accounting, the initial purchase price as shown above is allocated to Unimagem'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 assets and liabilities as well as the related deferred taxes.

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## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

The preliminary allocation of the initial purchase price as of the acquisition date is as follows:

Cash	457
Accounts receivable	96
Inventories	89
Recoverable and deferred taxes	251
Marketable securities	386
Other accounts receivable	64
Investments	89
Property, plant, equipment	5,655
Identifiable intangible assets	3,987
Goodwill	9,772
Suppliers	( 290)
Loans and financing	( 2,068)
Deferred taxes	( 1,356)
Other accounts payable	( 1,250)
Total initial purchase price	<u>15,882</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**

R\$ 9,772 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.

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## Notes to the unaudited consolidated quarterly financial information

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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\$1,356 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 nine-month periods ended September 30, 2009 and 2008, in accordance with accounting practices adopted in Brazil, as if Unimagem 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:

<b>Amounts under accounting practices adopted in Brazil</b>	<b>09/30/2009</b>	<b>09/30/2008</b>
Net operating revenues	1.051,533	849,767
Operating income	105,809	( 23,590)
Net income	67,492	( 19,524)
Net income per share	1.18	( 0.34)

### d. Transaction costs - Senior notes

All expenses incurred with the issue of *Senior Notes* have been amortized on a straight line basis during the 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 prepared in accordance with BR GAAP.

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

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### *e. Noncontrolling interest*

Under BR GAAP noncontrolling interest is reported as a independent line in the consolidated financial statements separated were item between liabilities and Equity.

Under US GAAP SFAS 160 Noncontrolling Interests in Consolidated Financial Statements, determines that the noncontrolling interest should be reported as equity in the consolidated financial statements.

### *f. Financial income (expenses)*

Under BR GAAP, 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.

### *g. Earnings per share*

Under BR GAAP, the Company determines earnings per share based on the number of shares outstanding at the end of each period 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 BR GAAP.

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 31 IV.g).

### *h. Classification of cash flow items*

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.

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## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

For US GAAP purposes these securities should be classified as short-term investments under investing activities.

*i. Recently issued in accounting pronouncements*

In December 2008, the FASB issued Staff Position No. (“FSP”) FAS 132(R)-1, Employers’ Disclosures about Postretirement Benefit Plan Assets. The FSP will require additional disclosures about the major categories of plan assets and concentrations of risk, as well as disclosure of fair value levels, similar to the disclosure requirements of SFAS 157. The adoption of the provisions of SFAS will not have an impact on our Consolidated Financial Statements.

In June 2009, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 167, “Amendments to FASB Interpretation 46(R).” SFAS 167, among other things, requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a variable interest entity (“VIE”); requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE; enhances disclosures about an enterprise’s involvement with a VIE; and amends certain guidance for determining whether an entity is a VIE. SFAS No. 167 will be effective for our Company on January 1, 2010, and will be applied prospectively. Under SFAS No. 167, a VIE must be consolidated if the enterprise has both (a) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance, and (b) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company does not expect the adoption of SFAS No. 167 to have a material impact on our consolidated financial statements.

In June 2009, the FASB issued SFAS 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles . SFAS 168 identifies the source of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. The adoption of the provisions of SFAS will not have an impact on our Consolidated Financial Statements.

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

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

Description	Note I	Three months ended on	
		09/30/09 (Unaudited)	09/30/08 (Unaudited) Restated
Net income as reported under accounting practices adopted in Brazil		34,969	6,732
Deferred charges		( 946)	750
Capitalization of interest:	a)		
Cost		231	119
Amortization expenses		( 463)	( 431)
Deferred tax effects on adjustments above	b)	400	( 149)
Business combinations:	c)		
Reversal of amortization of goodwill under BR GAAP		-	17,965
Tax benefit applied as a reduction of goodwill		( 192)	( 76)
Deferred income taxes on goodwill basis difference		( 336)	( 588)
Amortization of intangible assets recognized under U.S. GAAP		( 4,906)	( 4,716)
Deferred income tax effect on intangible assets		<u>1,668</u>	<u>1,599</u>
Net income under U.S. GAAP		<u>30,425</u>	<u>21,205</u>
Net income attributable to noncontrolling interest under US GAAP	e)	<u>455</u>	<u>308</u>
Consolidated net income before noncontrolling interest		<u>30,880</u>	<u>21,513</u>
Consolidated comprehensive income		<u>30,880</u>	<u>21,513</u>
Basic and diluted earnings per common share under U.S. GAAP (*)		<u>0.53</u>	<u>0.37</u>

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## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

Description	Note I	Nine months ended on	
		09/30/09 (Unaudited)	09/30/08 (Unaudited) Restated
Net income as reported under accounting practices adopted in Brazil		73,896	(22,395)
Deferred charges		2,972	2,235
Capitalization of interest:	a)		
Cost		670	1,209
Amortization expenses		( 1,387)	( 1,264)
Deferred tax effects on adjustments above	b)	( 767)	( 741)
Business combinations:	c)		
Reversal of amortization of goodwill under BR GAAP		-	53,942
Tax benefit applied as a reduction of goodwill		( 300)	( 241)
Deferred income taxes on goodwill basis difference		( 1,588)	( 1,733)
Amortization of intangible assets recognized under U.S. GAAP		( 14,715)	(14,148)
Deferred income tax effect on intangible assets		<u>5,004</u>	<u>4,810</u>
Net income under U.S. GAAP		<u>63,785</u>	<u>21,674</u>
Net income attributable to noncontrolling interesting under US GAAP	e)	<u>1,017</u>	<u>890</u>
Consolidated net income before noncontrolling interest		<u>64,802</u>	<u>22,564</u>
Consolidated comprehensive income		<u>64,802</u>	<u>22,564</u>
Basic and diluted earnings per common share under U.S. GAAP (*)		<u>1.13</u>	<u>0.38</u>

(\*) The calculation of earnings per share is summarized in Note 31 IV.g).

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## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

Description	Note I	09/30/09 (Unaudited)	12/31/08
Shareholders' equity as reported under accounting practices adopted in Brazil		<u>532,797</u>	<u>478,902</u>
Deferred charges		6,912	3,940
Capitalization of interest:	a)		
Cost		11,804	11,133
Accumulated amortization		( 7,074)	( 5,687)
Deferred tax effects on adjustments above	b)	( 3,958)	( 3,191)
Business combinations:	c)		
Different criteria in the determination of goodwill		(183,502)	(180,869)
Accumulated amortization of goodwill under U.S. GAAP		( 3,217)	( 3,217)
Accumulated amortization of goodwill under BR GAAP		273,422	273,422
Tax benefit applied as a reduction of goodwill		( 20,056)	( 19,756)
Deferred income taxes on goodwill basis difference		( 28,733)	( 27,145)
Intangible assets recognized under U.S. GAAP		261,396	257,409
Accumulated amortization of intangible assets recognized under U.S.GAAP		( 65,409)	( 50,695)
Deferred income tax effect on intangible assets		<u>( 66,635)</u>	<u>( 70,283)</u>
Shareholders' equity under U.S. GAAP		<u>707,747</u>	<u>663,963</u>
Noncontrolling interesting under US GAAP		<u>2,629</u>	<u>1,612</u>
Total Shareholders' equity under U.S. GAAP		<u>710,376</u>	<u>665,575</u>

### III - Restatement

Subsequent to the issuance of the Company's consolidated quarterly financial information for the period ended September 30, 2008, the Company discovered an unintentional error related to the classification of certain transactions as deferred charges under BR GAAP. 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 reconciliation to US GAAP for the period end on September 30, 2008.

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## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

Set forth below is a comparison of the previously reported and restated income statements reconciliation for the period ended September 30, 2008:

<b>Consolidated net income previously reported for the period ended September 30, 2008</b>	29,241
Law 11.638 adjustments (see note 2(*))	( 8,191)
Deferred charges	2,294
Deferred tax effect on adjustment above	( 780)
<b>Consolidated net income as restated for the period ended September 30, 2008</b>	<u>22,564</u>
Basic and diluted earnings per share	0.38

(\*) Excludes the effect of Financial instruments measured at the fair value through profit and loss, net of deferred tax.

### ***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 our unaudited consolidated statements of income for September 30, 2009 and 2008, is as follows:

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## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

	<u>Three months ended on</u>		<u>Nine months ended on</u>	
	<u>09/30/09</u> Unaudited	<u>09/30/08</u> Unaudited	<u>09/30/09</u> Unaudited	<u>09/30/08</u> Unaudited
Interest cost capitalized	231	119	670	1,209
Interest cost charged to income	<u>49,680</u>	<u>48,952</u>	<u>149,773</u>	<u>85,589</u>
Total interest expense	<u>49,911</u>	<u>49,071</u>	<u>150,443</u>	<u>86,798</u>

### c. Long-lived assets

In accordance with FASB 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.

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. As of September 30, 2009, 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. 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.

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## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### e. 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.

### f. Changes in number of shares

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

<b>Amount of the period</b>	<b>Common</b>
Shares at December 31, 2007 through September 30, 2009	<u>57,402,935</u>

### g. 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.

<b>Description</b>	<b>Three months ended on</b>		<b>Nine months ended on</b>	
	<b>09/30/09</b> (Unaudited)	<b>09/30/08</b> (Unaudited) <b>Restated</b>	<b>09/30/09</b> (Unaudited)	<b>09/30/08</b> (Unaudited) <b>Restated</b>
DASA net income under U.S. GAAP	26,590	21,205	59,949	21,674
Weighted average shares outstanding - Basic and diluted	57,402,935	57,402,935	57,402,935	57,402,935
Basic and diluted earnings per share - R\$	0.46	0.37	1,04	0.38

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## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

### *h. 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:

<b>Goodwill description</b>	<b>09/30/09 (Unaudited)</b>	<b>12/31/08</b>
Lavoisier acquisition	20,846	20,846
Broenstein acquisition	22,499	22,499
Lamina acquisition	1,208	1,208
Santa Casa acquisition	619	619
CRL acquisition	9,428	9,428
Elkis acquisition	20,365	20,414
Pasteur acquisition	6,189	6,279
Frischmann acquisition	28,861	28,861
Image acquisition	29,271	29,271
Álvaro acquisition	14,890	14,890
LabPasteur acquisition	7,884	7,961
MedLabor acquisition	4,193	4,213
Vita acquisition	2,350	2,382
Atalaia acquisition	23,525	23,525
Exame acquisition	35,579	35,579
CientificaLab acquisition (a)	52,599	50,630
MedImagem acquisition	26,401	26,401
Maximagem acquisition	28,080	28,114
CEDICacquisition	17,773	17,773
CEDILAB acquisition	6,830	6,830
Unimagem acquisition	<u>9,772</u>	<u>-</u>
	<u>369,162</u>	<u>357,723</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 detail of the movement in goodwill is as follows:

<b>Movement of the period</b>	<b>Goodwill</b>
<b>Balance as of December 31, 2008</b>	<u>357,723</u>
Additions	11,743
Tax benefit applied to reduce goodwill	( 300)
<b>Balance as of September 30, 2009</b>	<u>369,166</u>

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

It refers mainly to the third installment of the Cientificalab acquisition price.

### i. 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.

	<b>09/30/09 (Unaudited)</b>				
	<b>Brands</b>	<b>Government contracts</b>	<b>Non-competition agreements</b>	<b>Client relationship</b>	<b>Total</b>
Gross	192,696	49,242	10,537	8,922	261,397
Accumulated amortization	( 28,903)	(27,786)	( 8,447)	( 274)	( 65,410)
Net	<u>163,793</u>	<u>21,456</u>	<u>2,090</u>	<u>8,648</u>	<u>195,987</u>
Weighted- average amortization period (years)	21.9	1.6	2.6	29.1	-

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## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

	<u>12/31/2008</u>				
	<b>Brands</b>	<b>Government contracts</b>	<b>Non-competition agreements</b>	<b>Client relationship</b>	<b>Total</b>
Gross	188,709	49,242	10,537	8,921	257,409
Accumulated amortization	<u>(24,144)</u>	<u>(18,667)</u>	<u>(7,834)</u>	<u>(50)</u>	<u>(50,695)</u>
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	-

Under U.S. GAAP the aggregate amortization expense for the above intangible assets amounted to R\$ 14,714 and R\$ 14,148 for the nine month periods ended September 31, 2009 and 2008, 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:

	<b>Estimated amortization expenses</b>
2009	4,904
2010	19,660
2011	11,692
2012	7,220
Thereafter	<u>152,511</u>
Total	<u>195,987</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

*(In thousands of Reais)*

### *j. 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 unaudited consolidated interim financial information.

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 2004 through 2008 remain open to examination. As of September 30, 2009, 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, 2009 to September 30, 2009:

Balance as of January 1, 2009	8,174
Increases related to prior year tax position	700
Balance as of September 30, 2009	8,874

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 nine-month period ended September 30, 2009 was R\$ 700.

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### k. Fair value measurements

As of September 30, 2009, 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:

<b>Financial itens</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets:				
Interest rate swaps	-	3,214	-	3,214
Marketable securities	280,075	-	-	280,075
Liabilities:				
Interest rate swaps	<u>-</u>	<u>(3,668)</u>	<u>-</u>	<u>(3,668)</u>
Net	<u>280,075</u>	<u>(454)</u>	<u>-</u>	<u>279,621</u>
<b>Non financial itens</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets:				
Intangible (brand of Unimagem)	<u>-</u>	<u>3,987</u>	<u>-</u>	<u>3,987</u>
Net	<u>-</u>	<u>3,987</u>	<u>-</u>	<u>3,987</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.

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*(In thousands of Reais)*

### **Intangible**

The fair value of the intangible related to Unimagem brand was determined based on a discounted cash flow model matched to the projected revenue over a 5 years period. Since inputs to the model are observable and significant judgment is not required in determining the fair values, intangible were classified within Level 2 of the fair value hierarchy.

#### *l. 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.

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.

#### *m. Aggregate foreign currency transaction losses (gains)*

Total aggregate foreign currency transaction losses (gains) included in financial expense, net amounted to R\$ (33,916) and R\$ (6,977) for the nine-month periods ended September 30, 2009 and 2008, 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 31.

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## Notes to the unaudited consolidated quarterly financial information

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### a. Consolidated balance sheets as of September 30, 2009 and December 31, 2008 under U.S. GAAP

Assets	09/30/09	12/31/08	Liabilities and equity	09/30/09	12/31/08
Current assets			Current liabilities		
Cash and cash equivalents	17,235	29,328	Accounts payable to Suppliers	61,466	58,897
Marketable securities	280,075	462,896	Loans and financing	150,857	188,437
Trade accounts receivable	288,303	263,704	Taxes and contributions payable	27,129	19,934
Inventories	41,151	38,916	Salaries, social security charges and vacation payable	59,033	47,111
Taxes recoverable	53,889	48,520	Installments taxes	11,407	6,130
Deferred income taxes	32,397	15,054	Accounts payable from acquisition of subsidiaries	1,298	8,228
Derivatives	2,734	2,372	Derivatives	1,423	3,553
Prepaid expenses	5,739	4,804	Other accounts payable	<u>56,362</u>	<u>24,494</u>
Other accounts receivable	<u>18,290</u>	<u>13,017</u>			
	<u>739,813</u>	<u>878,611</u>		<u>368,975</u>	<u>356,784</u>
Noncurrent assets			Long-term liabilities		
Restricted cash	65,239	73,732	Loans and financing	581,812	846,631
Deposits in court	7,312	3,288	Installment taxes	15,236	16,179
Other accounts receivable	15,643	22,996	Accounts payable from acquisition of subsidiaries	68,828	66,264
Derivatives	480	27,428	Provision for contingencies	81,571	98,510
Investments	342	216	Derivatives	2,245	549
Goodwill	369,162	357,723	Deferred income taxes	<u>35,488</u>	<u>29,629</u>
Intangible assets, net	195,987	206,714		<u>785,180</u>	<u>1,057,762</u>
Property and equipment, net	<u>470,553</u>	<u>509,413</u>	Shareholders' equity		
	<u>1,124,718</u>	<u>1,201,510</u>	Capital	377,206	377,206
			Capital reserves	65,427	65,427
			Retained earnings	<u>265,114</u>	<u>221,330</u>
			Shareholders' equity	<u>707,747</u>	<u>663,963</u>
			Noncontrolling interest	<u>2,629</u>	<u>1,612</u>
			Total Shareholders' equity	<u>710,376</u>	<u>665,575</u>
Total	<u>1,864,531</u>	<u>2,080,121</u>	Total	<u>1,864,531</u>	<u>2,080,121</u>

# Diagnósticos da América S.A.

## Notes to the unaudited consolidated quarterly financial information

(In thousands of Reais)

b. *Unaudited consolidated statement of income for the periods ended September 30, 2009 and 2008 under U.S. GAAP*

Description	Three months ended on		Nine months ended on	
	09/30/09	09/30/08	09/30/09	09/30/08
Net revenues	369,971	306,014	1,044,762	840,979
Cost of services rendered	(243,041)	(203,875)	(704,899)	(574,457)
Gross profit	126,930	102,139	339,863	266,522
Operating income (expense):				
Administrative and general	( 67,444)	( 60,474)	(221,998)	(152,016)
Amortization of intangible assets	( 4,905)	( 4,716)	( 14,714)	( 14,148)
Other, net	4,462	154	6,400	4,681
	( 67,887)	( 65,036)	(230,313)	(161,483)
Operating income	59,043	37,103	109,551	105,039
Financial expenses, net	( 5,896)	( 6,266)	( 22,803)	( 89,526)
Income before taxes	53,147	30,837	86,748	15,513
Income and social contribution taxes:				
Current	( 10,433)	-	( 34,484)	( 29,819)
Deferred	(11,834)	( 9,324)	12,538	36,870
Net income before noncontrolling interest	30,880	21,513	64,802	22,564
Less net income attributable to noncontrolling interest	455	308	1,017	890
Net income	30,425	21,205	63,785	21,674
Earnings per share- basic and diluted	0.53	0.37	1.11	0.38