

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

**Financial statements**  
**December 31, 2010 and 2009**

(A free translation of the original financial statements in Portuguese, prepared in accordance with the International Financial Reporting Standards (IFRS), and with the accounting practices adopted in Brazil, and rules of the Brazilian Securities Commission (CVM))

# Diagnósticos da América S.A.

(Publicly-held company)

## Financial statements

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# Management report

Message from the Board of Directors and Executive Committee

The year 2010 was highlighted by the conclusion of the Company's restructuring and the preparation for a strongly growing, sustainable future.

Summarizing this year in one single concept, one can say that it can obviously be called Alignment.

We have aligned our organization with the establishment of consistent metrics, which have helped us make important decisions, such as: extracting efficiency gains derived from the management of PSCs portfolios and services, price renegotiation with the paying sources, cost reduction of services through the consolidation of central labs, revision of the logistics network, management of reductions and credit portfolio, development of risk management and reduction of administrative and general expenses. We have moved from a partial vision, oriented towards margins or growth, to an integrated vision: (ROIC) Return on Invested Capital.

Alignment with the paying sources, aiming at establishing ourselves as the best cost/benefit solution for the market, in all segments, was essential to reinforce our partnership and promote diagnostic support services, more and more appreciated by patients and the medical community. We shall specially continue being engaged and committed to reaching this objective.

We have aligned our staff in one single culture, which will enable the integration of all our brands and regional characteristics. We have started cultural sensitiveness, which has reached all our employees. The cultural liaison that joins us is formed by people who determine their actions based on ethics and integrity; who are moved by a dream - to be the best company worldwide, in its segment; who think and act as owners; who are proud of our company and our brands; who believe that results drive our growth; who work with excellence; who care about our clients and who want the best people and who lead by example. We have also aligned our incentives: we have promoted a new variable remuneration model, which stimulates people to aim beyond their objectives and is compatible with the market reality.

We continually align our process for maintaining our accreditations and certifications of national and international awards. In this portfolio are included the certificates, CAP - American College of Pathologists, PALC - Accreditations Program for Clinical Laboratories SBPC, DICQ SBAC, ISO 9001, ISO 14001, OHSAS 18001, ONA; besides the technical training awarded in hospitals where we operate, related to Joint Commission and Canadian Accreditation requirements. Additionally, we have reinforced the importance of the Quality area, reporting directly to the President and with constant follow up of the Knowledge Committee and the Management Committee, statutory organs liaised with the Board.

Aligned, we continue with the diversification of our risks, aiming at being balanced and having sustainable management. We continue diversifying our relationship with the paying sources, promoting more and better businesses. We have encouraged the growth of businesses such as Lab to Lab, Hospitals and Service to Government, as we understand that these are essential sources for strengthening our medical, institutional relationships and gaining scale of promotion.

Finally, we have aligned our vision for the future: We have entered into two important associations, which will enable important achievements. CERPE, through its tradition and medical recognition, has constructed a solid platform, thus becoming the largest clinical analysis laboratory in the Northeast. In connection with our operations in Bahia and Ceará, we have reinforced our presence in one of the fastest growing regions in the Country. MD1<sup>1</sup>, through its brands, medical and team quality, adds a platform to our business that will reinforce our growth in almost all business segments. Now, we shall march confidently, in fast, efficient integration, enabling expressive tangible and intangible gains for the Company.

Our results are proof of the strength of this alignment. Our EBITDA was R\$384.8, representing a growth of 29.1% compared to R\$298.1 when compared to the same period of last year, and a margin of 25.6% (expansion of 4.1 p.p. compared to last year). Excluding the effects of expenses with acquisitions in 4Q10, of R\$ 16.3 million, we reached an EBITDA of R\$ 401.1 million, with a margin of 26.7% over net income, 3.7 p.p. above the reported margin in 2009. Our net profit was R\$98.0 million, which is stable when compared to last year (R\$98.2 million).

Investments of R\$113.4 million, prioritizing the modernization of our system, infrastructure and medical equipment. We have reinforced the strength of our balance sheet, reducing the net debt, optimizing its structure and maintaining provisions at higher levels than the competition.

Naturally, recognition is derived from our actions. In 2010, we received two Agência Estado awards (4<sup>th</sup> Special Mention Agência Estado Companies - Ranking Agência Estado - Economatica and Special Mention Agência Estado Companies - Sustainability). Frost & Sullivan, a well-known consulting company, granted us the award “*Excellence in M&A Strategy 2010*” for our performance in acquisitions, in addition to the recognition of Informatica Hoje and Institutional Investor magazines.

Accordingly, we are facing 2011 with stronger proposals. We are being challenged to promote the rapid integration of MD1 and Cerpe, to assure a new organic rhythm of growth, to establish new business segments in our operations, to reinforce our knowledge and technical quality, as well as reinforce the alignment of our staff with DASA Culture.

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<sup>1</sup> The integration transaction with MD1 was completed after the Special General Meeting on January 5, 2011.

## Overview

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DASA is the largest diagnostic medicine service company in Latin America, ranked among the 4 largest open companies of the sector in the world<sup>2</sup>. The company operates in 13 Brazilian states and in the Federal District, through 20 different brands. In December 2010, DASA had 11,743 employees compared to 11,899 in December 2009 and 359 PSCs, including 40 Mega PSCs with more than 1,500m<sup>2</sup> each.

Its services can be divided into three lines of business:

- **Outpatient and Inpatient:** The company's most traditional segment, attending patients directly through 359 PSCs all over the country. It offers the following services:
  - Clinical Analysis;
  - Imaging Diagnostics;
  - Vaccines
- **Lab-to-lab:** With the brand Alvaro, DASA offers services to small and medium laboratories. It has 4,103 client laboratories, distributed throughout the country.
- **Public Sector:** It acts in the sector through CientificaLab, focused on offering diagnostic medicine services to the public sector. In December 2010, it had 626 collection points, between inpatient and outpatient, in 36 public clients in the states of São Paulo, Rio de Janeiro, Espirito Santo, Minas Gerais and Tocantins.

## Market conditions

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

In 2010 there was a strong recovery of the Brazilian economic activity after the global financial crisis, with a GDP growth projection of around 7.5%.

We realized, at the end of the last quarter, that the prospects were for continuity of economic expansion, but at a slower pace than this year, due to the growth in employment and income and the prospects of the adoption of a contractionary monetary policy, targeted to attack inflationary pressure.

With respect to the labor market, data issued by the Ministry of Labor and Employment (MTE) indicate expansion in the generation of openings during 2010, with more than 2.5 million new jobs.

According to IBGE, inflation measured by the Amplified Consumer Price Index (IPCA) has shown acceleration and closed the year at 5.9%.

The results of the accumulated trade balance over twelve months decreased compared to last year, reaching US\$20.3 billion. The higher dynamism of domestic versus foreign demand contributed towards narrowing the trade surplus. On the other hand, foreign investments totaled US\$48.5 billion in 2010.

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<sup>2</sup> Based on 2010 income

This scenario of recovery has contributed to the lower North-American dollar rate, which has dropped from \$1.74/US\$ in December 2009 to R\$ 1.66/US\$ in December 2010.

The expectations are that 2011 will be a year of continuity for Brazilian economic growth, maintaining the optimistic data for employment and investments.

### **Comments on the health sector and diagnostic medicine in Brazil**

*Source: National Health Agency (ANS), IBGE, OMS, PNAD.*

#### **Brief Description**

In Brazil, health care in general and diagnostic medicine, in particular, constitute a market of considerable size, in which is growing constantly. Seen from a wider concept, the consumption of products and services, the health care market shows even stronger numbers.

According to OMS, the total expenditure with health care represented 8.4% of the total Brazilian GDP in 2008. Demographic and economical factors explain the market evolution. Firstly, the Brazilian population is ageing more and more, thanks to advances in Medicine and to the development of better living conditions, as shown in IBGE studies. Life expectation at birth increased from 45.5 years, in 1940, to 73.1 in 2009. In 2050, according to official projections, it will reach 81.3 years - a level similar to Iceland, Hong Kong, China and Japan. Besides, there was an increase in the share of the so called active population, situated between 15 and 64 years, increasing from 57.8% of the total in 1980 to 62.1% in 2009, which is a factor that explains the larger consumption for diagnostic medicine services, as this group is the largest consumer of goods and services.

As a determinant for the larger demand for health care, we can also add the increase in income, after the stabilization of the economy, since the middle of the 1990s and, more recently, the improved situation of the population's lower classes. Other fundamental data are the recent growth in formal employment, where employees have access to health care plans, the large paying source for hospitals, physicians and tests. According to the IBGE Monthly Employment Research, from 2002 to 2010, the share of the working population has risen from 49.5% to 53.2% of the country's total population and average income has increased 10.9% in real terms.

#### **Diagnostic Medicine**

The market for Diagnostic Medicine includes clinical analysis tests as well as imaging diagnostics. We estimate the existence of 19 thousand laboratories in this segment, in Brazil. Up to the beginning of the 90s, clinical analysis tests in Brazil were conducted by physicians in a non-standard way, in their offices or in small and medium laboratories. The market was highly fragmented and dependent upon local brands.

From the middle of the 90s on, the clinical analysis market has undergone significant changes, as a result of the acceleration of technological development and the implementation of new techniques and services able to process diagnostic tests with high precision, efficiency and in larger volumes. Robotic and computing resources have been the differential in competitive strategies. The level of investment needed for the implementation of such technologies has increased the importance of reaching economies of scale, consequently reducing the movement of market consolidation.

## **Private Sector**

The number of beneficiaries of the healthcare plans, those who use medicine services and products more intensively, according to information of the Health National Agency (ANS), reached 44.8 million in September 2010, showing a 32.9% growth in the period from 2004 to 2009. Furthermore, according to ANS, 73.6% of the 44.8 million beneficiaries throughout the country have joined collective plans.

The beneficiaries are still mainly concentrated in the South and Southeast regions, where the economy is more developed, with a larger offer of formal employment. Around 65.2% of the beneficiaries of healthcare plans live in the Southeast, 61.0% of those are living in the State of São Paulo.

## **Popular Market**

Classes C and D are the company's main segments as, in general, these classes do not have healthcare plans and pay in cash. With the increase in lower class income and the scarcity of offer for diagnostic medicine services at popular prices, this market has shown large growth.

Despite the increase in the purchasing power of the lower class, according to ANS and IBGE data, in September 2010 only 23.4% of the Brazilian population had access to healthcare plans. Besides, the majority of classes C and D do not have access to this service. As a consequence, this segment of the population, which is the largest of the country, ends up having less access to preventive healthcare and the worst quality and expectations of a healthy life.

Based on ANS, Ministry of Planning, DATASUS, premises and internal data, DASA estimates that in its market, the revenue of the popular segment is around R\$247 million, broken down into private health plans, with R\$205 million, and popular health plans with R\$42 million.

## **Public Sector:**

The public healthcare sector in Brazil is administrated by the Unified Health System (SUS), created in 1988 and responsible for the public healthcare structure - hospitals, clinics, research centers and attendance centers.

To supplement the lack of attendance of the sector, private providers can integrate this network through contracts established by public bids. In this context, payment is determined by the service rendered: Clinical analysis, surgery or treatment.

In the last 10 years, as a consequence of the growth in the public demand for healthcare, the Brazilian government had to invest in the expansion of SUS and start hiring private institutions to provide services that were not offered by the chain.

In an attempt to offer public healthcare services at a lower cost and higher efficiency, the government has increased the number and types of services outsourced to private companies. Aware of this trend, DASA has invested strongly in this segment through its subsidiary CientíficaLab, which has shown 8.4% growth in its revenue when compared to 2009.

## **Our vision of the opportunities**

The dispersion of the Brazilian market, where around 19 thousand laboratories are functioning, stimulates a series of opportunities for consolidation, organic expansion and rendering of support from the larger companies, which have better conditions to offer these new tests to smaller laboratories, due to their larger access to technology, lower operating costs and greater capacity for generating medical knowledge.

## **Comments on performance and investments**

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### **Gross Operating Revenue**

In 2010, DASA strengthened its internal process, restructured areas aiming at synergy and an increase in productivity, such as optimization of its service and units portfolio, and in attendance schedules. The company also implemented a culture based on performance, allying the company's increase in efficiency with the quality of service and advanced in the consolidation of the market via acquisitions. We closed 2010 with a gross income of R\$1,632.0 million, representing an 8.2% growth when compared to the previous year. In the quarter, we have reached gross income of R\$402.8 million, representing a 7.6% increase when compared to 4Q09.

The Outpatient & Inpatient segment reached invoicing of R\$1,263.1 million in 2010, representing an increase of 5.9% year on year. This growth resulted from (i) projects aiming at increasing the efficiency of the services offered, (ii) the optimization of the PSCs portfolio and the opening of PSCs in the interior of the state of São Paulo, (iii) the addition of 2 new hospitals in the attendance base and (iv) the acquisition of Cerpe Laboratorios in the fourth quarter, accelerating the strategy for market consolidation. In 4Q10 growth was 7.9% compared to 4Q09, of which 5.7% was from organic growth.

We reached 10.6million requisitions in 2010; compared to the previous year the volume remained stable. In the last quarter of 2010 we attended 2.6 million requisitions, a 3.6% increase when compared to the same period in the previous year. The number of tests invoiced increased 4.1% year on year, reflecting a larger quantity of tests demanded by requisition.

The performance of the standard brands closed 2010 with a 7.9% increase and gross income of R\$467.6 million. This growth is derived from greater access of the low income population to diagnostic services and the expansion in income of Laboratório Popular. This project occurs currently in 126 PSCs of the segment, focusing on attendance of patients who do not have healthcare plans, through offering tests at popular prices.

Laboratório Alvaro closed 2010 with gross income of R\$182.9 million, representing the expressive growth of 27.5% compared to 2009. Considering only 4Q10, the lab-to-lab segment increased 21.1% when compared to 4Q09, reaching R\$47.3 million.

The performance of this segment presents a 19.4% increase in the number of requisitions in the year and 26.1% in the quarter. The average income per laboratory in this quarter increased 7.5% and the number of laboratories attended increased 12.6% compared to 4Q09. The average income per requisition showed a 6.8% growth year on year, proving that we have gotten a larger share in the portfolio of laboratory tests.

CientificaLab, a brand exclusively for the public sector, reached income of R\$186.1 million in 2010 and represented 8.4% growth compared to the previous year. In this quarter gross income was R\$40.6million, presenting a .6% downturn compared to 4Q09. This segment represented 11.4% of DASA's total invoicing, at the end of 2010.

We closed 2010 with 36 clients, which demanded 1.12 million requisitions. With the termination of some contracts in the second semester, due to the optimization of our portfolio, we reduced the volume of attendance held at the end of 2010. Late in 4Q10, we signed an agreement with the city of Florianopolis, continuing with the expansion of services offered to other regions of the country. Additionally, the public segment continues increasing the level of attendance for the existing agreements. During this year, it is important to point that that we started the Mobile MRI project with the Government of Rio de Janeiro. Accordingly, we finished the year attending 626 collection points (88 Inpatient and 538 Outpatient PSCs).

### **Costs and Gross Profit - Cash concept<sup>3</sup>**

In 2010, the cost of services totaled R\$887.4 million, equivalent to 59.1% of net revenue. This percentage represents a 3.1 p.p. dilution when compared to the costs of 2010.

In 2010, the cash gross profit was R\$614.6 million, a 17.1% growth when compared to the previous year, and the gross margin of the period reached 40.9%, representing an expansion of 3.1 p.p over the same period in 2009.

### **Operating Expenses - Cash concept**

At the end of 2010, operating expenses totaled R\$214.0 million. Compared to the percentage of the 2009 net income, there was an improvement of 0.6 p.p. in operating expenses.

### **EBITDA**

In 2010, EBITDA was R\$384.8, representing a growth of 29.1% compared to R\$298.1 when compared to the same period of the last year and a margin of 25.6% (expansion of 4.1 p.p. compared to last year).

Excluding the effects of expenses with acquisitions in 4Q10, of R\$ 16.3 million, we reached EBITDA of R\$ 401.1 million, with a margin of 26.7% over net income. This represents an expansion of 3.7 p.p. compared to the same period in 2009.

In the quarter EBITDA was R\$81.7 million, compared to R\$56.5 million in 4Q09. Excluding the effects of expenses with acquisitions in 4Q10, EBITDA was R\$98.0 million, compared R\$77.3 million in 4Q09, representing growth of 26.7%.

This expansion was a result of better administration of the net margin, in face of the events related to the already mentioned revenues, and the cut in costs and administrative expenses in accordance with management's plans.

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<sup>3</sup> The cash concept excludes the amounts related to depreciation and amortization from the operating cost and expenses.

Our commitment is focused on sustainability of the results achieved, even with the huge challenge of operational and administrative integration of the recent acquisitions. The recent achievement shall be preserved and our focus is on the concretization of a new cycle of growth, with quality and added value for our shareholders.

### **Net Profit**

In 2010, net profit was R\$98.0 million, stable when compared to the same period in 2009 (R\$ 98.2 million).

### **Indebtedness**

DASA's net debt totaled R\$ 552.2 million at the end of 2010. Of the total gross indebtedness, 51.4% is long term and around 45.3% is related to debts in foreign currency. In December 2010, the company offered the acquisition of the totality of notes issued by its integral subsidiary, DASA Finance Corporation. The company acquired around 87.1% of the total value of the notes. The debts in foreign currency are mainly formed by bank loans, besides equipment financing and International Notes which were not acquired in the acquisition offer. The debts in local currency are mainly related to Promissory Notes and Debentures.

### **Investments**

Investment in CAPEX in 2010 totaled R\$113.4 million; 21.84% higher than in 2009. The investments were mainly directed towards: (i) refurbishment and enlargement of the existing PSCs; (ii) acquisition of imaging equipment and (iii) implantation and development of the production and attendance system.

### **Information to shareholders - Capital Market**

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DASA's shares closed the year at R\$ 22.50, accumulating an increase of 57.3% in this year, compared to a 4.21% increase for Ibovespa. Between January and December 2010 DASA's shares were traded in 100% of the Bovespa trading sessions, totaling a financial volume of R\$ 4.5 billion (daily traded average of R\$ 18.4 million).

### **Remuneration to Shareholders**

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On December 27, 2010 the Board authorized the distribution of interest on equity capital to the shareholders in the gross amount of R\$30.0 million, referring to the period ended December 31, 2010.

## Board of Directors

The members of the Board were elected during the shareholder meetings of April and September 2009, and in October and December 2010 as follows:

Name	Position	Mandate	
		Starting	Duration
Luis Terepins	President (independent)	9/1/2009	Up to the April 2011 OGM
José Lucas Ferreira de Melo	Vice-President (independent)	9/1/2009	
Luis Guilherme Ronchel Soares	Counselor (independent)	9/1/2009	
Marcelo Marques Moreira Filho	Counselor	9/1/2009	
Luiz Gastão Mange Rosenfeld	Counselor	10/6/2010	
Dickson Esteves Tangerino	Counselor	12/7/2010	

Besides the Board of Directors, in June 2010, the Company's Committees were reorganized. Accordingly, there are three statutory committees (Audit, Management and Knowledge), consisting of members of the Board of Directors, DASA's Management and invited professionals, where at least one counselor participates in each one of the committees.

### Management

Below is the list of members of the current Management:

Name	Position	Mandate	
		Starting	Duration
Marcelo Noll Barboza	Chief Executive Officer	4/28/2010	Up to the Ordinary General Meeting which Will approve the 2012 accounts
Carlos Alberto Bezerra de Moura	Chief Financial Officer	4/28/2010	
Tharso Bossolani	Investor Relations Officer	8/12/2010	
Antonio Carlos Gaeta	Attendance Officer	4/28/2010	
Ronaldo Azevedo de Carvalho	Diagnostic Procedures Officer	4/28/2010	
Rodrigo Perazzi Musiello	Business Officer	4/28/2010	
Marcelo Rucker	Chief People Officer	4/28/2010	
Renato Adam Mendonça	Officer without specific designation	4/28/2010	
Octavio Fernandes da Silva Filho	Operation Vice President	4/28/2010	
Márcia Magalhães Marinho Manso de Castro	Marketing and Medical Relations Vice President	1/05/2011	
Romeu Côrtes Domingues	Corporate Image Vice President	1/05/2011	

## **Highlights**

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### **Acquisition of Laboratório Cerpe**

On October 25, 2010, DA Participações Ltda. (“DA Participações”), a company with 99% of its capital stock controlled by the Company, executed the Private Agreement of Stock Purchase and Sale and Other Agreements, for the acquisition of 100% of the capital stock of Instituto de Endocrinologia e Medicina Nuclear de Recife Ltda. (CERPE) a limited liability company, highly representative in the clinical analysis, bone densitometry and nuclear medicine segments, in the city of Recife, with gross income registered in 2009 in the amount of R\$39 million, where:

- i. 69.5% of CERPE’s stock capital, in the total amount of R\$ 36,488 million, is to be paid in two installments, one at sight and the other retained in a joint deposit account in the amount of R\$ 3 million (escrow) for a period of six years;
- ii. 30.5% of CERPE’s stock capital is to be sold for the amount of R\$16.012 million, where, in this case, the delivery of shares shall;
- iii. occur in 10 years at most, and the shareholder remains, during this period as CERPE’s shareholder, and DA Participações is entitled to demand from the aforementioned shareholder, from 01/10/2014 on, the anticipation of the transfer of the shares issued, and also in the same terms, this shareholder can demand from DA Participações acceptance in anticipation of the shares issued. In this case, the value of the acquisition of the abovementioned shares shall be paid in three installments, where one is at sight, another retained in a joint deposit account for the period of six years (escrow) in the amount of R\$1,316 Million and the last in the amount of R\$2.939 million is entailed to the effective transfer of shares.

On November 19, 2010, the Shareholders Agreement was signed between DA Participações and the remaining shareholder, detainer of 30.5% of CERPE’s capital stock, where the Company participated as Consenting Party and Guarantor, in which agreement are established, among others, the administration rules, dividend distribution, as well as the reciprocal right between the parties to demand from the other party, from 01/10/2014, the anticipation of the transfer of the shares issued by CERPE from the remaining shareholder to DA Participações.

### **Civil Association - ABRAMED**

On November 11, 2010, the participation of the Company, jointly with other companies, was approved as founder associated in the constitution of a civil association, organized for non-profit purposes, called Brazilian Association of Diagnostic Medicine - ABRAMED, with the main objective of promoting the associative congregation of organizations of private diagnostic, clinical and imaging medicine institutions, committed to ethics and quality of services offered to the community.

### **Incorporation of Shares - MDI**

On December 20, 2010, the company executed the agreements of purchase and sale of shares representing 16.5% of the voting and total capital of CDPI - Clínica de Diagnóstico por Imagem Ltda., 28% of the voting and total capital of Clínica de Ressonância e Multi Imagem Ltda., 10,0% of the voting and total capital of Pro Echo Cardiodata Serviços Médicos Ltda., for the total price of R\$ 88,232,263.45 under suspensive condition of realization of the incorporation of shares issued by MDI Diagnósticos S.A(MDI), which was approved by the Company's shareholders in the Special General Meeting held on January 5, 2011. As a result of the abovementioned incorporation of shares, (i) MDI has become DASA's integral subsidiary, (ii) the companies CDPI - Clínica de Diagnóstico por Imagem Ltda., Clínica de Ressonância, Multi Imagem Ltda., Pro Echo Cardiodata Serviços Médicos Ltda. and Laboratórios Médicos Dr. Sérgio Franco Ltda, shall have their capital integrally held, directly or indirectly by DASA, and (iii) the former MDI shareholders received DASA's shares representing 26.36% of its capital stock.

### **2011 Prospects**

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There are many expectations with respect to the year 2011. After the restructuring carried out in 2010, we are expecting a year of important growth in all our markets.

The Company's main expectations are:

Continuity and development of the changes started in 2010, targeting sustainable margins and returns;

Growth in all lines of business, with the opening of new PSCs and identification of opportunities in new markets;

To offer services that fulfill and surpass the client's expectations, promoting excellence in existing markets as well as in new areas of action:

To use the synergies and positive aspects of the business models of recent acquisitions to leverage the company's growth and make it even stronger.

### **Relationship with the Medical Community**

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Aware of the importance of a good relationship with the medical community for the company to continue offering services of excellence which are aligned with the scientific vanguard and the needs of its patients, DASA shall continue to develop its program of institutional medical communication aligned with the company's corporate strategy and to attend the specific needs of each region of the market.

The company shall emphasize scientific production and development of innovation projects, which generate new services and products to increase the generation of income.

Additionally, there shall be the consolidation of Regional Medical Directories, a project started in 2010, measuring its evolution through quality measurements.

### **Relationship with independent auditors**

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In accordance with CVM Instruction 381/2003, the Company contracted services not related to external auditing in the amount of R\$ 196.9 million (R\$ 213.7 million in 2009), representing 26.47% of the total external auditing fees contracted in 2010 (14.39% in 2009). These short term services were executed during the period and refer, basically to (i) advice on outplacement of executives in the market and (ii) advice for accessing the process of payment of tax debts in installments. In discussions with its independent auditors, the company concluded that these services did not affect their independence and objectivity. The Company complies with the policy to attend the regulations that define the restrictions on independent auditor services. The Company's financial information presented herein is in accordance with the accounting policies adopted in Brazil and is part of the audited financial information.

The non-financial information, as well as other operational information, was not reviewed by our independent auditors.

### **Commitment Clause**

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The company is bound by the arbitration of the Market Arbitration Chamber, in accordance with the commitment clause included in company's Articles of Incorporation.

### **Statement of the Board**

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Pursuant to the provisions established in the CVM instructions, the Board hereby declares that it has discussed, reviewed and agreed upon the opinions expressed by the independent auditors as well as the financial information related to the period ended December 31, 2010, thus authorizing its issue. These were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"), as required at CVM Instruction 457 of July 13, 2007. Historical results prior to 2009, eventually referred to during this report, do not include the adjustments established by the international financial standards (IFRS).

### **Acknowledgements**

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We express our gratitude to our employees for their dedication and talent, which has led us toward consistent results, and to our clients and shareholders for their trust in our operations.

## Independent auditors' report on the financial statements

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

We have audited the accompanying individual and consolidated financial statements of Diagnósticos da América S.A. ("Company"), identified as Parent company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2010 and the related statements of income, changes in shareholders' equity and cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility regarding the financial statements**

Management is responsible for the preparation and fair presentation of these individual financial statements in accordance with the accounting practices adopted in Brazil and of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB, and in accordance with the accounting practices adopted in Brazil as well as for the internal controls that it deemed necessary to enable the preparation of these financial statements free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit, which was conducted in accordance with the Brazilian and international auditing standards. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves the performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of these entities internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion on the individual financial statements**

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Diagnósticos da América S.A. as of December 31, 2010, the performance of its operations and its cash flows, for the year then ended, in accordance with the accounting practices adopted in Brazil.

#### **Opinion on the consolidated financial statements**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Diagnósticos da América S.A. as of December 31, 2010, the performance of its operations and its cash flows, for the year then ended, in conformity with International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

#### **Other issues**

##### **Emphasis**

As described in the note 3, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of Company, these practices differ from IFRS, as far as the individual financial statements are concerned, only as regards the valuation of investments in subsidiaries under the equity method, as, for IFRS purposes, they would be valued at cost or fair value.

**Statements of added value**

We have also audited the individual and consolidated statements of value added (DVA) for the year ended December 31, 2010, whose presentation is required by Brazilian Corporate Law for publicly-held companies and as supplementary information under IFRS, as these standards do not require the presentation of a statement of value added. These statements were submitted to the same audit procedures previously described and, in our opinion, these supplementary statements are adequately presented, in all material respects, in relation to the basic financial statements taken as a whole.

São Paulo, March 14, 2011

KPMG Auditores Independentes  
CRC 2SP014428/O-6

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

# Diagnósticos da América S.A.

(Publicly-held company)

## Balance sheets

December 31, 2010, 2009 and January 1, 2009

(In thousand of Reais)

Assets	Note	Parent Company			Consolidated		
		2010	(Adjusted) 2009	(Adjusted) 01/01/09	2010	(Adjusted) 2009	(Adjusted) 01/01/09
<b>Current assets</b>							
Cash and cash equivalents	9	280,478	17,161	13,872	328,670	277,920	492,224
Marketable securities	21	23,048	8,913	-	23,048	8,913	-
Trade accounts receivable	10	309,926	246,011	167,307	357,070	268,837	263,704
Inventories	11	47,152	42,600	18,570	52,390	46,812	38,916
Recoverable taxes	12.a	35,647	26,328	36,148	51,494	36,713	42,539
Prepaid expenses		2,449	1,310	1,128	2,489	1,365	1,274
Derivatives	27	-	4,481	2,372	-	4,481	2,372
Other accounts receivable		32,907	15,380	9,477	29,999	15,335	13,066
<b>Total current assets</b>		<b>731,607</b>	<b>362,184</b>	<b>248,874</b>	<b>845,160</b>	<b>660,376</b>	<b>854,095</b>
<b>Noncurrent assets</b>							
Deferred tax assets	12.b	106,848	115,374	95,283	131,048	143,815	95,283
Prepaid expenses		14	38	31	17	38	68
Judicial deposits		13,945	7,432	3,219	14,233	7,437	3,288
Related parties		11,103	-	1,196	-	-	-
Marketable securities	21	34,808	54,328	73,732	63,507	54,328	73,732
Derivatives	27	-	-	27,428	-	-	27,428
Investments	13	186,463	74,676	113,077	320	260	216
Property, plant and equipment	14	410,364	411,983	360,455	462,042	446,339	481,301
Intangible assets	15	349,788	341,153	332,182	428,612	344,265	336,150
<b>Total noncurrent assets</b>		<b>1,113,333</b>	<b>1,004,984</b>	<b>1,006,603</b>	<b>1,099,779</b>	<b>996,482</b>	<b>1,017,466</b>
<b>Total assets</b>		<b>1,844,940</b>	<b>1,367,168</b>	<b>1,255,477</b>	<b>1,944,939</b>	<b>1,656,858</b>	<b>1,871,561</b>

See the accompanying notes to the financial statements.

# Diagnósticos da América S.A.

(Publicly-held company)

## Balance sheets

December 31, 2010, 2009 and January 1, 2009

(In thousand of Reais)

Liabilities and shareholders' equity	Note	Parent Company			Consolidated		
		2010	(Adjusted) 2009	(Adjusted) 01/01/09	2010	(Adjusted) 2009	(Adjusted) 01/01/09
<b>Current liabilities</b>							
Accounts payable to suppliers	16	48,998	43,199	26,614	58,517	50,240	58,897
Loans and financing	17	331,148	72,348	79,842	335,867	82,529	114,956
Debentures	18	69,031	69,464	73,504	69,031	69,464	73,504
Taxes and contributions payable		12,806	13,612	13,053	15,799	14,721	19,936
Salaries, social security charges & vacations payable	19	60,772	41,113	30,418	68,733	47,132	47,111
Installment payment of taxes	20	5,289	8,625	3,983	7,412	11,175	6,130
Accounts payable from acquisition of subsidiaries	21	30,932	20,030	15,971	30,932	20,030	15,971
Dividends and interest on shareholders' equity	24.c	26,711	21,238	5	26,711	21,238	5
Derivative financial instruments	27	26,502	808	-	26,502	808,000	-
Unsecured liabilities		17,299	31,134	27,662	-	-	-
Other accounts payable	22	45,861	44,092	19,914	46,047	44,538	25,087
<b>Total current liabilities</b>		<b>675,349</b>	<b>365,663</b>	<b>290,966</b>	<b>685,551</b>	<b>361,875</b>	<b>361,597</b>
<b>Noncurrent liabilities</b>							
Loans and financing	17	354,165	50,621	90,523	402,138	477,645	690,529
Debentures	18	-	67,181	133,722	-	67,181	133,722
Installment payment of taxes	20	7,704	9,271	7,386	20,393	13,066	16,179
Deferred tax liabilities		23,901	13,790	10,719	24,045	15,294	9,191
Provision for contingencies	23	102,926	87,801	86,870	103,300	87,801	98,510
Accounts payable from acquisition of subsidiaries	21	53,819	73,227	81,476	61,084	73,227	81,476
Related parties	29	-	138,845	75,070	21,352	-	-
Financial instruments derivatives	27	12,189	7,130	-	12,189	7,130	-
<b>Total noncurrent liabilities</b>		<b>554,704</b>	<b>447,866</b>	<b>485,766</b>	<b>644,501</b>	<b>741,344</b>	<b>1,029,607</b>
<b>Shareholders' equity</b>							
Capital	24	402,091	402,091	402,091	402,091	402,091	402,091
Capital reserves		65,737	65,427	65,427	65,737	65,427	65,427
Profit reserves		150,821	82,447	7,145	150,821	82,447	7,145
Equity evaluation adjustment		3,266	3,674	4,082	3,266	3,674	4,082
Treasury stock		(7,028)	-	-	(7,028)	-	-
<b>Equity attributable to owners of the Company</b>		<b>614,887</b>	<b>553,639</b>	<b>478,745</b>	<b>614,887</b>	<b>553,639</b>	<b>478,745</b>
Non-controlling interest		-	-	-	-	-	1,612
<b>Total equity</b>		<b>614,887</b>	<b>553,639</b>	<b>478,745</b>	<b>614,887</b>	<b>553,639</b>	<b>480,357</b>
<b>Total equity and liabilities</b>		<b>1,844,94</b>	<b>1,367,168</b>	<b>1,255,477</b>	<b>1,944,939</b>	<b>1,656,858</b>	<b>1,871,561</b>

See the accompanying notes to the financial statements.

# Diagnósticos da América S.A.

(Publicly-held company)

## Statements of income

Years ended December 31, 2010 and 2009

(In thousand of Reais, except earnings per share)

	Note	Parent Company		Consolidated	
		2010	(Adjusted) 2009	2010	(Adjusted) 2009
Net operating income	32	1,359,348	895,919	1,501,967	1,388,313
Cost of services provided		(849,528)	(601,164)	(946,456)	(931,472)
<b>Gross profit</b>		<u>509,820</u>	<u>294,755</u>	<u>555,511</u>	<u>456,841</u>
Other income		3,403	1,426	4,497	4,671
Administrative expenses	26	(237,251)	(222,041)	(266,555)	(298,719)
<b>Income before net finance expenses, equity in income of subsidiaries and income taxes</b>		<u>275,972</u>	<u>74,140</u>	<u>293,453</u>	<u>162,793</u>
Finance income	33	105,495	104,995	223,698	129,450
Finance expenses	33	(272,082)	(135,494)	(377,060)	(171,556)
<b>Net finance expenses</b>		<u>(166,587)</u>	<u>(30,499)</u>	<u>(153,362)</u>	<u>(42,106)</u>
Equity in income of subsidiaries		25,700	50,011	-	-
<b>Income before income taxes</b>		<u>135,085</u>	<u>93,652</u>	<u>140,091</u>	<u>120,687</u>
Income and social contribution expense	25	(37,119)	4,573	(42,125)	(21,279)
<b>Net income for the year</b>		<u>97,966</u>	<u>98,225</u>	<u>97,966</u>	<u>99,408</u>
<b>Profit attributable to:</b>					
Owners of the Company		97,966	98,225	97,966	98,225
Non-controlling interest		-	-	-	1,183
<b>Net income for the year</b>		<u>97,966</u>	<u>98,225</u>	<u>97,966</u>	<u>99,408</u>
<b>Earnings per share</b>					
Basic earnings per share (Reais)		0.427513	0.428644	0.427513	0.433806
Diluted earnings per share (Reais)		0.426692	0.428644	0.426692	0.433806
Number of shares - basic		229,153	229,153	229,153	229,153
Number of shares - diluted		229,594	229,153	229,594	229,153

See the accompanying notes to the financial statements.

# Diagnósticos da América S.A.

(Publicly-held company)

## Statement of changes in shareholders' equity

Years ended on December 31, 2010 and 2009

(In thousand Reais)

	Attributable to owners of the Company						Total	Non-controlling interest	Total equity
	Share capital	Capital reserve	Profit reserves	Treasury Shares	Equity evaluation adjustments	Retained earnings			
<b>Balance at January 1, 2009</b>	402,091	65,427	7,145	-	4,082	-	478,745	1,612	480,357
Net income for the year	-	-	-	-	-	98,225	98,225	1,183	99,408
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(2,795)	(2,795)
Depreciation of deemed cost	-	-	408	-	(408)	-	-	-	-
Distributions:									
Legal reserve	-	-	4,191	-	-	(4,191)	-	-	-
Profit retention	-	-	70,703	-	-	(70,703)	-	-	-
Interest on shareholders' equity	-	-	-	-	-	(23,331)	(23,331)	-	(23,331)
<b>Balance at December 31, 2009</b>	<u>402,091</u>	<u>65,427</u>	<u>82,447</u>	<u>-</u>	<u>3,674</u>	<u>-</u>	<u>553,639</u>	<u>-</u>	<u>553,639</u>
Net income for the year	-	-	-	-	-	97,966	97,966	-	97,966
Depreciation of deemed cost	-	-	408	-	(408)	-	-	-	-
Distributions:									
Legal reserve	-	-	4,898	-	-	(4,898)	-	-	-
Profit retention	-	-	63,068	-	-	(63,068)	-	-	-
Interest on shareholders' equity	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Treasury Shares	-	-	-	(7,028)	-	-	(7,028)	-	(7,028)
Stock option plan	-	309	-	-	-	-	309	-	309
<b>Balance at December 31, 2010</b>	<u>402,091</u>	<u>65,737</u>	<u>150,821</u>	<u>(7,028)</u>	<u>3,266</u>	<u>-</u>	<u>614,887</u>	<u>-</u>	<u>614,887</u>

See the accompanying notes to the financial statements.

# Diagnósticos da América S.A.

(Publicly-held company)

## Statements of cash flows - Indirect method

Years ended December 31, 2010 and 2009

(In thousand Reais)

	Parent Company		Consolidated	
	2010	(Adjusted) 2009	2010	(Adjusted) 2009
<b>Cash flows from operating activities</b>				
Net income for the year	97,966	98,225	97,966	99,408
Adjustments for:				
Depreciation and amortization	84,049	66,535	91,321	87,880
Additions to provisions for contingencies	9,016	14,086	9,016	17,796
Deferred tax	18,600	(21,156)	21,513	(20,807)
Interest and monetary variation on loans	60,168	43,217	147,090	(57,613)
Write-off of PP&E	10,228	2,125	13,025	3,498
Non-controlling interest	-	-	-	(1,183)
Stock option plan	309	-	309	-
Equity in income of subsidiaries	(25,700)	(50,011)	-	-
(Increase) / Decrease in accounts receivable	(63,915)	0,056	(79,543)	(5,353)
(Increase) / Decrease in inventories	(4,552)	(6,327)	(5,116)	(7,807)
(Increase) / Decrease in other current assets	(50,396)	13,108	(43,946)	(5,743)
(Increase) / Decrease in other non-current assets	3,072	54,101	(15,730)	15,345
(Increase) / Decrease in accounts payable to suppliers	5,799	(5,456)	5,463	(8,947)
Increase / (Decrease) in accounts payable and provisions	(125,671)	40,390	16,853	28,466
Interest paid	(20,126)	(28,767)	(61,656)	(32,410)
Income tax and social contribution paid	(1,010)	-	(1,272)	(16,073)
<b>Net cash provided by operating activities</b>	<b>(2,163)</b>	<b>220,126</b>	<b>195,293</b>	<b>96,457</b>
<b>Cash flows from investment activities</b>				
Dividends received	510	-	9	-
Additions to property, plant and equipment	(84,358)	(37,280)	(94,289)	(67,343)
Additions to intangible assets	(30,379)	(23,783)	(31,626)	(24,781)
Additions to investments	(79,856)	-	-	(0,044)
Acquisition of Cerpe, net of cash	-	-	(48,230)	-
Acquisition of Unimagem, net of cash	-	(15,882)	-	(15,425)
Contingent payment from acquisitions	-	(3,939)	-	(3,939)
<b>Net cash used in investment activities</b>	<b>(194,083)</b>	<b>(80,884)</b>	<b>(174,136)</b>	<b>(111,532)</b>
<b>Cash flows from (used in) financing activities</b>				
Loans	649,515	115,096	583,470	147,061
Payment of loans	(159,593)	(240,907)	(523,518)	(338,943)
Dividends and interest on shareholder's equity paid	(23,331)	-	(23,331)	-
Acquisition of Exame non-controlling interest	-	(10,142)	-	(7,347)
Repurchase of own shares	(7,028)	-	(7,028)	-
<b>Net cash from (used in) financing activities</b>	<b>459,563</b>	<b>(135,953)</b>	<b>29,593</b>	<b>(199,229)</b>
<b>Increase (decrease) in cash and cash equivalent</b>	<b>263,317</b>	<b>3,289</b>	<b>50,750</b>	<b>(214,304)</b>
<b>Increase (decrease) in cash and cash equivalent</b>				
Cash and cash equivalents at 1 January	17,161	13,872	277,920	492,224
Cash and cash equivalents at 31 December	280,478	17,161	328,670	277,920
	<b>263,317</b>	<b>3,289</b>	<b>50,750</b>	<b>(214,304)</b>

See the accompanying notes to the financial statements.

# Diagnósticos da América S.A.

(Publicly-held company)

## Statements of added value

Years ended in December 31, 2010 and 2009

(In thousand Reais)

	<u>Parent Company</u>		<u>Consolidated</u>	
	<b>2010</b>	<b>(Adjusted) 2009</b>	<b>2010</b>	<b>(Adjusted) 2009</b>
<b>Revenues</b>				
Sale of goods, products and services	1,475,768	979,768	1,631,990	1,507,963
Other revenues	4,208	1,426	5,427	4,671
Provision for doubtful accounts and disallowances	(25,956)	(73,248)	(27,408)	(85,707)
<b>Third party supplier</b> (including ICMS, IPI, PIS and COFINS taxes)				
Cost of products, goods and services	(270,661)	(196,694)	(279,518)	(258,874)
Materials, energy, third party services and others	(309,488)	(213,601)	(354,346)	(369,050)
<b>Gross added value</b>	<u>873,872</u>	<u>497,651</u>	<u>976,145</u>	<u>799,003</u>
Depreciation and amortization	(84,049)	(66,535)	(91,321)	(87,880)
<b>Net added value produced by the Company</b>	<u>789,823</u>	<u>431,116</u>	<u>884,824</u>	<u>711,123</u>
<b>Transferred added value</b>				
Equity in income of subsidiaries	25,700	50,011	-	-
Financial income	105,495	104,995	223,698	129,450
<b>Total added value to be distributed</b>	<u>921,017</u>	<u>586,122</u>	<u>1,108,522</u>	<u>840,573</u>
<b>Distribution of added value</b>	<u>921,017</u>	<u>586,122</u>	<u>1,108,522</u>	<u>840,573</u>
<b>Personnel</b>	297,824	210,951	348,824	334,191
<b>Taxes, fees and contributions</b>	186,058	94,655	213,566	174,361
<b>Lenders</b>				
Interest and rents	<u>339,169</u>	<u>182,291</u>	<u>448,166</u>	<u>232,613</u>
<b>Return on own assets</b>				
Interest on shareholders' equity	30,000	23,331	30,000	23,331
Retained earnings for the year	67,966	74,894	67,966	74,894
Non-controlling interest in retained earnings	-	-	-	1,183

See the accompanying notes to the financial statements.

# Diagnósticos da América S.A.

**(Publicly-held company)**

## Notes to the consolidated financial statements

**December 31, 2010 and 2009**

*(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 Bovespa (São Paulo Stock Exchange) Novo Mercado (New Market) since November 19, 2004.

The Company's corporate purpose is to render services directly to individuals or through health insurance plans, insurance companies, 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 diagnostic support services (SAD), exclusively through specialized clinics, as, for instance, in the following areas : a) cytology and pathologic anatomy; b) diagnostics by imaging and graphic methods; and c) nuclear medicine. As the administration does not control them separately in their business process, they are not being recognized as reportable segments.

In addition, it explores activities related to: (i) tests on food and substances to evaluate risks for humans; (ii) importation, for its own use, of medical-hospital equipment, sets for diagnostics and related material in general; (iii) preparation, 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's activities; (iv) granting and administration of business franchising including an advertising and publishing fund, training and selection of labor, supplying of equipment and research material suppliers, among others. The Company operates in the lab-to-lab business (support laboratories) through the brand Alvaro, and began offering services in the public health sector through brand CientíficaLab. The Company may also participate in other entities.

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

As of December 31, 2010, the Company has 359 operational units (\*):

<b>Brands</b>	<b>Location</b>	<b>12/31/10</b>	<b>12/31/09</b>	<b>01/01/09</b>
Delboni Auriemo	São Paulo	37	37	38
Lavoisier	São Paulo	72	62	61
Bronstein	Rio de Janeiro	42	46	45
Lâmina	Rio de Janeiro	13	15	17
Santa Casa	Paraná	6	8	8
Pasteur	Brasília	24	28	26
Frischmann	Paraná	36	28	29
Image	Bahia	4	4	2
Laboratório Álvaro	Paraná	18	17	17
LabPasteur	Ceará	18	20	18
MedLabor	Brasília, Tocantins e Goiás	1	3	3
Vita-Lâmina	Santa Catarina	2	2	2
Atalaia	Goiás	14	16	16
Exame	Brasília	18	19	19
MedImagem	Rio de Janeiro	7	7	8
Hospital Mãe de Deus	Porto Alegre	1	1	1
Maximagem	São Paulo	-	-	7
Cedic/Cedilab	Mato Grosso	7	7	7
Unimagem	Ceará	1	1	-
CERPE	Pernambuco	<u>38</u>	<u>-</u>	<u>-</u>
		<u>359</u>	<u>321</u>	<u>324</u>

At December 31, 2010, the Club DA brand had 23 units, with 19 units linked to the Delboni Auriemo brand and 4 units linked to the Lâmina brand.

CientíficaLab operates in the public healthcare segment, and its major sources of revenue are the contracts formalized with clients in the public healthcare sector. This operation ended the year 2010 with 36 clients, with a demand of 1.1 million requisitions. CientíficaLab meets in 626 sampling points, with 88 inpatient and 538 outpatient clinics.

# Diagnósticos da América S.A.

**(Publicly-held company)**

## Notes to the consolidated financial statements

*(In thousands of Reais)*

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

- **Lab to lab (support):** Includes the transport of samples and central processing. In this case, CientíficaLab provides collection of 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 services and sample collection; and
- **Inpatient:** Refers to patient services, test collection, local collection for emergency tests, transport and central processing for the other exams.

## 2 Acquisition of subsidiaries

### *Instituto de Endocrinologia e Medicina Nuclear do Recife Ltda. - CERPE*

On October 25, 2010, DA Participações Ltda., a subsidiary of the Company, executed instruments for private buying and selling of shares for acquisition of equity interest equivalent to 100% of the capital stock of the Instituto de Endocrinologia e Medicina Nuclear do Recife Ltda. - CERPE, and 69.5% of the capital stock of CERPE was handed over in the act, and 30.5% of the capital stock of CERPE will be delivered in a maximum of 10 years.

The acquisition value of CERPE was R\$ 52.501, of which R\$ 45.246 was paid in cash and R\$ 7.255 will be retained in a deposit account entailed to the acquisition. Of this amount, R\$ 4.316 will be retained for six years as guarantee contingencies and R\$ 2.939 as a final installment to be paid within 10 years.

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

Below are summarized the values of recognized assets acquired and liabilities assumed on the acquisition date:

<u>Assets</u>		<u>Liabilities</u>	
<b>Current</b>	<b>14,173</b>	<b>Current</b>	<b>7,275</b>
Cash and cash equivalents	432	Suppliers	2,814
Marketable securities	3,839	Loans and financing	65
Trade accounts receivable	8,690	Taxes and contributions payable	1,367
Inventories	462	Income tax and social contribution	463
Other accounts receivable	750	Salaries, social security charges and vacation payable	1,829
		Payment of taxes in installments	95
		Other accounts payable	642
<b>Noncurrent</b>	<b>4,004</b>	<b>Noncurrent</b>	<b>33,178</b>
Judicial deposits	251	Loans and financing	-
Investments	42	Payment of taxes in installments	11,444
Property and equipment, net	3,567	Provision for contingencies	374
Intangible assets, net	144	Deferred income taxes	8
		Debts with Related Parties	21,352
		<b>Shareholders' e equity</b>	<b>(22,276)</b>
		Capital	122
		Capital reserves	(24,448)
		Profit reserves	2,050
<b>Total assets</b>	<b>18,177</b>	<b>Total liabilities</b>	<b>18,177</b>

The goodwill recognized as a result of the acquisition was identified as follows:

Investment value	52,501
Unsecured liabilities	<u>22,276</u>
Goodwill	<u>74,777</u>

The process for the allocation of premium will be finished during the next fiscal year, with the conclusion of the study to determine fair values for assets and liabilities acquired, which is being prepared by an independent appraiser.

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### Unidade Cearense de Imagem Ltda.

On January 20, 2009 the Company acquired the total amount of representative shares of the capital stock of Unidade Cearense de Imagem Ltda, which operates in the diagnostic by imaging services in the city of Fortaleza. The amount for the acquisition of Unimagem was R\$16,000, where R\$117 is related to net indebtedness. From the remaining amount, R\$12,683 was paid to the former Unimagem partners at sight and R\$3,200 will be paid in January 2012, when from this second part the amount of R\$1,500 shall be discounted and will be retained until January 2014 in a deposit account entailed to the acquisition.

Below are summarized the values of recognized assets acquired and liabilities assumed on the acquisition date:

<u>Assets</u>		<u>Liabilities</u>	
<b>Current</b>	<b>912</b>	<b>Current</b>	<b>2,395</b>
Cash and cash equivalents	98	Suppliers	290
Marketable securities	359	Loans and financing	943
Trade accounts receivable	96	Taxes and contributions payable	24
Inventories	90	Income tax and social contribution	139
Other accounts receivable	269	Salaries, social security charges and vacati	134
		Other accounts payable	865
<b>Noncurrent</b>	<b>18,336</b>	<b>Noncurrent</b>	<b>5,348</b>
Judicial deposits	45	Loans and financing	1,125
Other receivable	386	Payment of taxes in installments	88
Investments	89	Deferred income taxes	4,135
Property and equipment, net	5,655	<b>Shareholders' equity</b>	<b>11,505</b>
Intangible assets, net	12,161	Capital	4,100
		Profit reserves	7,405
<b>Total assets</b>	<b>19,248</b>	<b>Total liabilities</b>	<b>19,248</b>

### Identifiable intangible assets

Identifiable intangible assets, which consist of brands, are amortized on a linear basis during the estimated useful life of 30 years.

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## Notes to the consolidated financial statements

(In thousands of Reais)

### Goodwill

The premium result was recognized due to the acquisition, as follows:

Investment value	15,883
Net assets	11,505
Goodwill	4,378

## 3 Basis of preparation

### 3.1 Declaration of conformity (related to IFRS and CPC standards)

The present financial statements include:

- Consolidated financial statements prepared according to International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and also according to the accounting procedures adopted in Brazil and the accounting resolutions issued by the Committee of Accounting Procedures (CPC); and
- The individual financial statements of the Company, prepared according to the accounting procedures issued by the Accounting Procedures Committee (CPC).

The individual financial statements were prepared according to CPC, and in the case of the Company, those practices differ from the IFRS applicable to the separate financial statements, as the valuation of investments in the subsidiaries were made based on the equivalent net worth by the CPCs, while for IFRS it should be made based on cost or fair value.

However, there is no difference between the net worth and the result of the parent company in its individual financial statements. Therefore, the Company's consolidated financial statements and the parent company's individual financial statements are being presented side-by-side in one set of financial statements.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

These are the first consolidated statements prepared according IFRS where CPC 37 was applied.

The issue of individual and consolidated financial statements was authorized by the Board in a meeting held on March 14, 2011.

### **3.2 *Basis of measurement***

The individual and consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value.

### **3.3 *Functional and presentation currency***

These individual and consolidated financial statements are presented in Reais, the Company's functional currency. All financial information presented in Reais has been rounded to the nearest thousand, except if otherwise indicated.

### **3.4 *Use of estimates and judgments***

The preparation of the individual and consolidated financial statements in conformity with IFRS and with CPCs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods that are affected.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

The information on critical judgments in applying accounting policies that have an effect on the amounts recognized in the individual and consolidated financial statements is included in the following notes:

- Note 30 - Leasing

The information on uncertainties regarding assumptions and estimate that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 10 - Trade accounts receivable
- Note 23 - Provision for contingencies

### **3.5 *Statement of comprehensive income***

There were no transactions in equity, in all relevant aspects, which could lead to adjustments that could affect the statement of comprehensive income.

## **4 Significant accounting policies**

The detailed accounting policies below have been consistently applied by the Company and its subsidiaries in all periods shown in these individual and consolidated financial statements and in the preparation of the opening balance sheet obtained on January 1, 2009, for the transition to IFRS and CPC rules, except in the cases indicated otherwise.

The accounting policies have been consistently applied by the Company.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

### **4.1 Basis of consolidation**

#### **4.1.1 Business combinations**

For the acquisitions made on January 1, 2009 or after this date, the Company measures the premium as a fair value of the consideration transferred, including the value recognized of any non-controlled participation in the acquired company, reducing the net recognized value of the identifiable assets and identifiable liabilities, all measured on the acquisition date.

The costs of transaction, other than those associated to the issue of debt or equity security, which the Company incurs related to the business combination, are booked as expenses as incurred.

As part of the transition to IFRS and CPC, the Company opted for not presenting again the business combinations held before January 1, 2009. As for the acquisitions before January 1, 2009, the premium represents the amount booked under the accounting practices previously adopted. This premium was tested for reduction in its recovery value on the transition date.

#### **4.1.2 Subsidiaries**

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

#### **4.1.3 Transactions eliminated on consolidation**

Intra-group balances and transactions, and income and expenses arising from intra-group transactions, are eliminated on preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

### **4.2 Foreign currency**

#### *Foreign currency transactions*

Transactions in foreign currency, i.e., all those transactions that are not conducted 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 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.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into reais at the exchange rates on the reporting date. The income and expenses of foreign operations are translated into reais at the exchange rates on the dates of the transactions.

### **4.3 Financial instruments**

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trading date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, financial assets held-to-maturity, loans and receivables and assets available-for-sale financial.

### *Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes thereto are recognized in profit or loss.

### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise, trade accounts receivable and other receivables, including service concession receivables.

Cash and cash equivalents comprise cash balances and marketable securities with original maturities of three months or less.

# Diagnósticos da América S.A.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

### *Derivative financial instruments*

The Company and its subsidiaries value the derivative financial instruments at their fair value on the date of the Financial Statements and the main evidence of fair value is the consideration of prices obtained from market participants.

For all risks (except liquidity and credit risks) that Company will be exposed to in the execution of derivative financial instruments, the monthly preparation of stress tests is mandatory at rates of 50% and 100% variation related to the originals, in order to value the elasticity of these positions when submitted to large rate variations involved in these transactions.

It has to be highlighted that the whole operation with derivatives shall be submitted to the Company's Executive Committee and validated by the Board of Directors and/or their auxiliary advisory body.

### *Non-derivative financial liabilities*

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trading date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: Loans and financing, debentures, accounts payable to suppliers and other payables.

Such financial liabilities are initially recognized at their fair value added to any attributable transaction costs. After the initial booking, those financial liabilities are measured at the cost redeemed through the effective interests method.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

### *Share capital*

#### **Common shares**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

#### *Repurchase of share (treasury shares)*

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction are transferred to retained earnings.

#### **4.4 Property, plant and equipment**

##### *Recognition and measurement*

Items of property, plant and equipment are measured at historical cost of acquisition or construction less accumulated depreciation and accumulated impairment losses.

The Company opted for revaluing its fixed assets at the deemed cost on the opening date of fiscal year 2009. The effect of the deemed cost increased the fixed asset, considering the net worth, net of tax effects.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

The cost includes expenses directly attributable to the acquisition of an asset. The cost of assets constructed by the Company includes the cost of material and direct labor, any other costs for assembling the asset in the right place and the conditions needed for its operation as required by the management, the costs of disassembling and restoring the place where these assets are located, and the costs of loans on qualified assets for which the initial date for capitalization is January 1, 2009 or a later date.

The software bought to be as integral part of the equipment's functionality is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/other expenses in profit or loss.

### *Subsequent costs*

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

### *Depreciation*

Depreciation is calculated on the depreciable value, which is the cost of an asset or another value which substitutes the cost, deducted from the residual value.

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*(In thousands of Reais)*

Depreciation is recognized in the result, based on the linear method related to the estimated useful life of each part of a fixed asset, as this method is the one that best reflects the consumption level of the future economic benefits incorporated in the asset. The improvements in third party properties are depreciated based on the term of the rental agreement or on the useful life of the goods, whichever is lower. From January 2010 on, the Company has adopted new depreciation criteria for leasehold improvements, for better adequation to its results on expenses incurred in improvements during the occupation of those properties, considering as the term of depreciation the period of contractual occupation and its renewal for the same period as initially granted legally. The depreciation and amortization rates are stated in Note 14.

### **4.5 Intangible assets**

Intangible assets are comprised of assets acquired from third parties, stated at cost of acquisition. The disclosed intangible assets have a defined useful life and their amortization terms are stated in Note 15.

Goodwill resulting from expectations of future profitability are no longer amortized as from January 1, 2009, and their recoverable value is tested annually for impairment.

#### *Amortization*

Amortization is based on the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, as this is the method that best reflects the consumption level of the future economic benefits incorporated in the asset.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

### **4.6 Leased assets**

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as financial leases. Upon initial recognition the leased asset is valued at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognized in the Company's statement of financial position.

### **4.7 Inventories**

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

### **4.8 Impairment**

**4.8.1** A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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*(In thousands of Reais)*

- 4.8.2** The Company has valued the recovery of the accounting value of premiums and intangible assets with indefinite useful life based on its value in use, based on the cash flow model discounted from the unit generating the individual cash, representative of the set of tangible and intangible goods.

The recoverable premium of the subsidiaries is valued annually, regardless of the existence of evidence of impairment. Eventual determined impairment losses are recognized in the income statement. The recoverable value is determined based on the asset's value in use, calculated using valuation methodology, supported by discounted cash flow techniques, considering market conditions, the term, amount and business risks.

Based on this, for testing purposes, a set of assumptions was defined in order to determine the recoverable value of the main investments:

### **Cash generating unit: Diagnósticos da América S/A**

Determination of cash flow: Volume of income based on the maturation of existing PSCs, on feasibility studies approved for the new PSCs, synergies of income on acquisitions and improvement in Company imaging services; Term used for cash flow: Five years;

Cash flow growth rate in perpetuity: 3% per annum;

Discount rate used (net of taxes): weighted average rate of the Company's capital cost (13.3% per annum).

The recovery test for premium and intangible assets of indefinite useful life of the Company and its subsidiaries did not result in the need for recognizing losses in intangible assets.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

### **4.9 Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### **4.10 Revenue**

#### *Services*

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.

Income and expenses are recognized on an accrual basis.

### **4.11 Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under financial leases are apportioned between the financing expense and the reduction of the outstanding liability. The financing expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by reviewing the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### **4.12 Financial income and expenses**

Financial income basically comprises interest income on investment funds, gains on the alienation of financial assets available for sale, variation on the fair value of financial assets stated at fair value through losses and gains on hedge, which are recognized in the result.

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*(In thousands of Reais)*

Financial expenses basically comprise expenses with interest on bank loans, financing and tax paid in installments. Losses on hedge instruments are recognized in the income statement.

### **4.13 Income tax and social contribution**

Income and social contribution taxes for the current year are calculated by the Company and respective subsidiaries at the rate of 15% on taxable income plus a surcharge of 10% on taxable income in excess of R\$ 240 for income tax and 9% on the taxable income for social contribution on net income, and consider the offsetting of tax loss carry forwards and negative basis of social contribution tax, limited to 30% of the taxable income.

The Company and respective subsidiaries opted to use the Transitory Tax Regime (RTT) to determine the Income and Social Contribution Taxes related to the period ended on June 30, 2010 and for the year ended December 31, 2009.

Deferred tax assets and liabilities resulting from tax loss carry forwards, negative basis of social contribution and temporary differences were recorded in accordance with CPC 32 and IAS 12, and consider past profitability and expectations of future taxable income, based on a technical viability study, approved by local management.

Deferred income tax and social contribution are reviewed on each reporting date and reduced whenever it is likely that the related tax benefit will be realized.

### **4.14 Earnings per share**

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The diluted result per share is calculated through the related average of shares on the market, adjusted by instruments potentially convertible into shares, with a diluting effect in the periods presented, under the terms of CPC41 and IAS 33.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

### **4.15 Statement of added value**

The Company has prepared individual and consolidated Statements of Added Value in the terms of technical report CPC09 - Statement of added value, which are presented as an integral part of the financial statements, pursuant to requirements of the accounting policies adopted in Brazil applicable to publicly-held companies, while for IFRS they represent additional financial information.

### **4.16 New rules and interpretations not yet adopted.**

A number of rules, amendments to rules and IFRS interpretations issued by IASB are not yet in force for the year ended December 31, 2010:

- Limited exemption from Comparative IFRS 7 Disclosures for First-time Adopters.
- Improvements to IFRS 2010.
- IFRS 9 Financial Instruments
- Prepayment of a minimum fund requirement (Amendment to IFRIC 14)
- Amendments to IAS 32 Classification of rights issues

CPC has not yet issued pronouncements equivalent to the abovementioned IFRS, but it is expected to do so before the date required for them to come into force. The anticipated adoption of the IFRS pronouncements is conditioned to the previous approval in a normative act of the Brazilian Securities Commission (CVM).

The Company has not yet estimated the extent of the impact of these new rules on its financial statements.

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*(In thousands of Reais)*

### **4.17 Share-based remuneration**

The Plan in force is inserted in the Company's remuneration policy aiming at stimulating the performance of beneficiaries and enhancing their commitment to the Company's results, as well as aligning their interests with the shareholders'. Currently, the option plan is an additional bonus to regular remuneration and the amount to be earned by the beneficiary depends on the value the Company's shares on the date of exercise of the option, as its gain is represented by the difference between the exercise value and the market value.

The fair value of the options granted by the Company to the beneficiaries is recognized as an expense in the income statement, during the period when the right is acquired, after meeting specific conditions. On the dates of the financial statements, the Board reviews the estimates with regards to the number of options, the rights of which have to be acquired based on the conditions, and recognizes, whenever applicable, the effects resulting from the review of those initial estimates in the annual results as corresponding entries against shareholders' equity.

### **4.18 Short-term employee benefits**

Short-term employee benefit liabilities are stated on a non-discounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and if the obligation can be estimated reliably.

## **5 Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for valuation and/or disclosure purposes based on the following methods. When applicable, further information on the assumptions made in determining fair values is disclosed in the specific notes to that asset or liability.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

### **5.1 Property, plant and equipment**

The fair value of property, plant and equipment recognized as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

### **5.2 Intangible assets**

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

### **5.3 Inventories**

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated finishing and selling costs, and a reasonable profit margin based on the effort required to finish and sell the inventories.

# Diagnósticos da América S.A.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

### **5.4 *Investments in capital instruments and bonds.***

The fair value of financial assets stated at fair value through profit and loss, investments held to maturity and financial assets available for sale, is determined by reference to their closing prices, determined on the date of publication of the financial statements. The fair value of investments held to maturity is determined for release purposes, only.

### **5.5 *Derivatives***

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on brokers' quotations. Those quotations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument on the valuation date. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group entity and counterparty when appropriate.

### **5.6 *Non-derivative financial liabilities***

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest on the reporting date. With respect to the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For financial leases the market rate of interest is determined by reference to similar lease agreements.

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*(In thousands of Reais)*

### **5.7 Share-based payment transactions**

The fair value of employee share options and share appreciation rights is measured using the Black&Scholes formula. Valuation inputs include the share price on the valuation date, the exercise price of the instrument, expected volatility (based on an evaluation of the company's historical volatility, particularly over the historical period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

## **6 Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- market risk.
- liquidity risk
- credit risk
- operational risk

This note presents information on the Company's exposure to each of the above risks, the Company's objectives, policies and processes for assessing and managing risk, and the Company's management of capital.

### ***Risk management structure***

The Company maintains internal control procedures to monitor the transactions and the balance of financial instruments, in accordance with internal policy for the management of financial resources risks, with the objective of monitoring risks and current rates related to market practices, aiming at liquidity, security and profitability for its assets.

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*(In thousands of Reais)*

Monitoring of internal control procedures is carried out by management, following rules established by the Board of Directors, always with the due approval of the competent authority and following the levels defined in the Company's bylaws. Historically, the financial instruments used by the Company have shown results adequate to the mitigation of risks. Additionally, the Company does not perform transactions involving exotic or speculative derivatives.

- *Market risks*

These are risks related to assets and liabilities where cash flows or current values are exposed to:

- a. **Exchange rate risk:** Risk of gain or loss due to changes in foreign currency quotations. As in the exchange rate risk, the main tool for controlling risks related to the exchange rate are the daily position of the treasury, which is based on reports provided by BM&F Bovespa and other sources (for example, the Central Bank) for the control of exchange rate variations involving our operations.
- b. **Interest rate market risk:** Risk of fluctuations in interest rates that will result in an increase in income or decrease in financial expenses. Pre-fixed interest maintained up to the due date, permits assuring cash flows. Pre-fixed interest permits volatility regarding future disbursements for interest. As for the exchange rate risk, the main tool for controlling risks related to the exchange rate is the daily position of the treasury, which will be based on reports provided by BM&F Bovespa for the control of interest rates involved in our operations.

- *Liquidity risk*

Liquidity risk is the risk of occurrence of a non-predictable event or a miscalculation of a liquidity requirement, which will have an impact on the Company's investment decisions or daily activities. Minimally, the treasury values the aging of its assets and liabilities per contractual maturity, to be evidenced by monitoring tools in use for this type of risk, as follows:

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*(In thousands of Reais)*

- a. Short-term cash management - Management of net assets and lines of credit to cover immediate requests. Periodicity: Daily Term D+1 (in working days);
- b. Long-term cash management - Continuous process to ensure long-term funds, by analyzing the cash budget on a monthly basis, updating the budgeted premises according to business needs, and by comparing actual vs. budget. Periodicity: Monthly. Term: 5<sup>th</sup> working day of the month, subsequent to the report base date;
- c. Maintenance of minimum cash - Refers to the cash balance which the Company replaces within a very short term to provide for its urgent needs. In addition, criteria are adopted where the cash must have sufficient resources to cover the five worse daily flows of the month, without considering receipts;
- d. Exposure limits and risk mitigation - The treasury department maintains short-term lines between cash investments with immediate liquidity and working capital lines, with a volume sufficient to ensure at least a volume equal to the five consecutive worst days for the cash disbursement of the last 12 months.

For the medium and long term, the treasury maintains credit lines compatible with the Company's strategic planning, always with the objective of ensuring the availability of resources, informed by the Management Committee.

- *Credit risk*

It is the risk of loss resulting from the incapacity of the counterparty to comply with its contractual liabilities to pay the Company, as assumed in contract. The main risk mitigation is the credit analysis process, and risk assessment in the long-term is mainly based on determining the allowance for doubtful receivables.

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**(Publicly-held company)**

## Notes to the consolidated financial statements

*(In thousands of Reais)*

### **Credit risk valuation**

For all risks (except liquidity risk) that the Company is exposed to, the monthly preparation of stress tests is mandatory at rates of 50% and 100% variations related to the original rates, in order to assess the elasticity of these positions when submitted to large rate variations involved in these transactions.

- *Operating risk*

Operating risk is the direct or indirect risk of loss resulting from a variety of causes associated with Company law suits, personnel, technology and infrastructure and external factors, except credit, market and liquidity risks, such as those deriving from legal and regulatory requirements and from standards usually accepted in business behavior. Operating risks arise from all the Company's operations.

The Company's objective is to manage operating risk to avoid financial losses and damage to its reputation and to pursue cost efficiency and avoid control procedures that restrain initiative and creativity.

The main responsibility for developing and implementing controls to address operating risks is attributed to the senior management within each business unit. The responsibility is supported by development of the Company general standards for operating risk management in the following areas:

- Requirement for adequate segregation of functions, including independent authorization of operations;
- Requirement for reconciliation and monitoring of operations;
- Accomplishment of regulatory and legal requirements;
- Documentation of controls and procedures;
- Requirements for periodical assessment of operating risks faced and the adequacy of controls and procedures to address identified risks;
- Requirements for reporting operating losses and the proposed corrective actions;
- Development of contingency plans;
- Professional training and development;

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## Notes to the consolidated financial statements

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- Ethical and business standards;
- Risk mitigation, including insurance whenever effective.

Observance of the Company's rules is supported by periodic assessment of responsibilities by the Internal Audit. The results of the Internal Audit assessments are discussed with the management of the related business unit and reports are sent to the Auditing Committee and Company senior management.

### ***Capital management.***

The Company monitors the financial leverage to maintain a capital structure that is adequate for the operation and to reduce the cost of indebtedness. The leverage index used corresponds to the net debt divided by the total capital (net debt plus net worth).

The level of financial leverage at December 31, 2010 and December 31, 2009 is presented below:

	<b>2010</b>	<b>2009</b>
Total debt	967,385	816,100
Total cash and cash equivalents and financial investments	415,225	341,161
Net debt	552,160	474,939
Net worth	614,887	553,639
Total Capital	1,167,047	1,028.578
Index	0,47313	0,46174

The Company can modify its capital structure according to economical-financial, strategic or operating conditions, aiming at improving debt management. At the same time, the company is aiming to improve its Return on Invested Capital (ROIC), by implementing working capital management and an efficient investment program.

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### 7 Segment reporting

An operating segment is a component of the Company which develops business activities from which income may be obtained and expenses may incur, including income and expenses related to transactions with other Company components.

In the Company's business operation, Management understands that the similarities between the companies that form the DASA group, as they have the same economic and business characteristics, the same service and production process, similar types of client, supplier and logistic processes, define "Auxiliary diagnostic support services" as the sole operating segment and the sole reporting unit, due to the similarities that exist throughout the Company's business.

The concentration of net income is distributed in such a way that its major client does not surpass 10% of the total. Additionally, the geographic distribution of the net income does not show any relevant dispersion in volume that needs to be presented separately.

### 8 Consolidated financial statements

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

	% de participação		
	12/31/10	12/31/09	01/01/09
<b>Direct subsidiaries:</b>			
Laboratório Frischmann Aisengart Ltda. (b)	-	-	99.99%
Image Memorial Ltda. (b)	-	-	99.99%
Laboratório Álvaro Ltda. (b)	-	-	99.99%
Laboratório Louis Pasteur Patologia Clínica Ltda - LabPasteur (b)	-	-	99.99%
DASA Real Estate Empreendimentos Imobiliários Ltda.	99.99%	100.00%	99.99%
Laboratório Imuno Ltda. MedLabor (b)	-	-	99.99%
Clínica Médica Vita Ltda. (b)	-	-	99.99%
Laboratório Atalaia Ltda. (b)	-	-	99.99%
Exame Laboratórios de Patologia Clínica Ltda. (d)	-	-	85.71%
CientíficaLab Produtos Laboratoriais e Sistemas Ltda. (a)	99.99%	99.99%	99.99%
Med Imagem Ultra-Sonografia e Radiologia Ltda. (b)	-	-	99.99%
Centro Radiológico Brafer Ltda. (b)	-	-	100.00%

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

	% de participação		
	12/31/10	12/31/09	01/01/09
<b>Direct subsidiaries:</b>			
Cedimax Diagnósticos Médicos Ltda. <b>(b)</b>	-	-	100.00%
Clínica Radiológica Clara Ltda. <b>(b)</b>	-	-	100.00%
Digirad Diagnósticos Médicos Ltda. <b>(b)</b>	-	-	100.00%
Maxidiagnósticos Participações Ltda. <b>(b)</b>	-	-	100.00%
Centro de Diagnósticos por Imagem de Cuiabá Ltda. <b>(b)</b>	-	-	100.00%
Centro Médico de Diagnóstico Laboratorial Ltda. <b>(b)</b>	-	-	100.00%
Centro Médico de Imagenologia Ltda. <b>(a)</b>	-	-	100.00%
Ressonância Magnética Cuiabá Ltda. <b>(a)</b>	-	-	100.00%
Unidade Cearense de Imagem Ltda. <b>(b)</b>	-	-	-
DASA Finance Corporation	100.00%	100.00%	100.00%
DA Participações Ltda.	99.00%	99.00%	-
DASA Brasil Participações Ltda. <b>(c)</b>	99.00%	-	-
DASA Empreendimentos e Participações Ltda. <b>(e)</b>	99.00%	-	-
<b>Indirect subsidiaries:</b>			
Ressonância Magnética Cuiabá Ltda. <b>(a)</b>	-	-	99.99%
CientíficaLab Produtos Laboratoriais e Sistemas Ltda. <b>(a)</b>	-	-	99.99%
Instituto de Endocrinologia e Medicina Nuclear do Recife Ltda. CERPE <b>(f)</b>	100.00%		

**(a)** Acquired on December 1, 2009 from the subsidiary CientíficaLab Produtos Laboratoriais e Sistemas Ltda.

**(b)** Acquired on September 1, 2009 and December 1, 2009 from the parent company.

**(c)** On March 22, 2010 the company DASA Brasil Participações Ltda. was established, whose core business is investing in other associate entities, incorporated or not, as a partner or shareholder, in Brazil or overseas, as well as third party properties and assets management.

**(d)** Acquired on December 31, 2009 from the parent company.

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## Notes to the consolidated financial statements

(In thousands of Reais)

- (e) On June 09, 2010 the company DASA Empreendimentos e Participações Ltda was established, whose core business is investing in other associate entities, incorporated or not, as a partner or shareholder, in Brazil or overseas, as well as third party properties and assets management.
- (f) On October 25, 2010, DA Participações Ltda., a company controlled by the Company executed private instruments for purchase and sale of shares for purchase of a corporate interest equivalent to 100% of the capital of Instituto de Endocrinologia e Medicina Nuclear do Recife Ltda. - CERPE, where 69.5% of CERPE's capital was transferred immediately and 30.5% will be transferred within a maximum of 10 years.

### 9 Cash and cash equivalents

	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Cash and cash equivalents	3,205	15,018	8,542	6,833	17,611	15,842
Marketable securities	<u>277,273</u>	<u>2,143</u>	<u>5,330</u>	<u>321,837</u>	<u>260,309</u>	<u>476,382</u>
	<u>280,478</u>	<u>17,161</u>	<u>13,872</u>	<u>328,670</u>	<u>277,920</u>	<u>492,224</u>

Cash and cash equivalents classified as consolidated current assets are listed as follows:

	Currency	12/31/10		
		US\$ amount	R\$ amount	Annual interest rate
Cash and banks	R\$	-	6,833	-
Fixed income fund	R\$	-	295,430	101.02% do CDI
Brazilian Debt security (a)	US\$	10,257	17,090	4.48%
Private Debt security (a)	US\$	<u>5,592</u>	<u>9,317</u>	6.52%
		<u>15,849</u>	<u>328,670</u>	

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(In thousands of Reais)

					<u>12/31/09</u>	
	<b>Currency</b>	<b>US\$ amount</b>	<b>R\$ amount</b>	<b>Annual interest rate</b>		
Cash and banks	R\$	-	17,611	-		
Time deposits - overseas	US\$	29,985	52,209	97.0 % do CDI		
Fixed income fund	R\$	-	2,300	101.46 % do CDI		
Brazilian Debt security <b>(b)</b>	R\$	17,620	30,681	9.65%		
Brazilian Debt security <b>(b)</b>	US\$	95,760	166,738	4.88%		
US treasury bills <b>(b)</b>	US\$	<u>4,813</u>	<u>8,381</u>	3.68%		
		<u>148,178</u>	<u>277,920</u>			
					<u>01/01/09</u>	
	<b>Currency</b>	<b>US\$ amount</b>	<b>R\$ amount</b>	<b>Annual interest rate</b>		
Cash and banks	R\$	-	15,842	-		
Fixed income fund	R\$	-	13,486	88.8 % do CDI		
US treasury bills <b>(b)</b>	US\$	<u>198,073</u>	<u>462,896</u>	0.20%		
		<u>198,073</u>	<u>492,224</u>			

**(a)** Under the custody of Itaú BBA Nassau

**(b)** Under the custody of Unibanco Luxemburg.

# Diagnósticos da América S.A.

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## Notes to the consolidated financial statements

(In thousands of Reais)

### 10 Trade accounts receivable

	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
<b>Current assets</b>						
Trade notes receivable:						
Due	195,245	137,061	86,975	216,007	143,160	136,108
Overdue (a)	<u>116,358</u>	<u>128,169</u>	<u>78,894</u>	<u>134,438</u>	<u>140,707</u>	<u>106,299</u>
	311,603	265,230	165,869	350,445	283,867	242,407
Other accounts receivable:						
Checks in collection	2,225	2,584	970	2,084	3,208	3,926
Credit cards	5,205	5,666	4,514	5,265	5,669	5,305
Returned checks	4,807	4,697	2,041	4,824	4,833	2,953
Receivables - Health insurance	<u>43,359</u>	<u>34,058</u>	<u>8,475</u>	<u>58,279</u>	<u>43,075</u>	<u>30,477</u>
	55,596	47,005	16,000	70,452	56,785	42,661
<b>Less</b>						
Provision for disallowances and for doubtful accounts	(52,466)	(61,527)	(12,521)	(59,003)	(66,982)	(18,411)
Provision for losses on returned checks	<u>(4,807)</u>	<u>(4,697)</u>	<u>(2,041)</u>	<u>(4,824)</u>	<u>(4,833)</u>	<u>(2,953)</u>
	<u>309,926</u>	<u>246,011</u>	<u>167,307</u>	<u>357,070</u>	<u>268,837</u>	<u>263,704</u>

(a) The overdue invoices have the following breakdown:

	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
0 to 30 days	17,994	20,281	9,047	20,306	21,992	18,025
31 to 60 days	13,181	11,113	6,662	15,287	11,133	12,492
61 to 90 days	8,552	10,145	5,745	13,848	12,948	7,710
91 to 120 days	10,992	9,413	6,331	11,474	10,759	8,244
121 to 180 days	15,490	12,487	7,445	16,215	14,056	9,863
181 to 360 days	16,011	23,380	17,216	19,181	24,432	19,964
More than 360 days	<u>34,138</u>	<u>41,350</u>	<u>26,448</u>	<u>38,127</u>	<u>45,387</u>	<u>30,001</u>
	<u>116,358</u>	<u>128,169</u>	<u>78,894</u>	<u>134,438</u>	<u>140,707</u>	<u>106,299</u>

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The collection process for diagnostic medicine services provided by the Company is complex due to 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 on which have not been updated in both systems; and (iii) technical issues, such as different interpretations of examination requisitions.

As stated in Note 4, Management has a policy for bad debt provisions. The rule establishes a provision percentage of (i) 25% of the invoice amount overdue between 91 and 120 days, (ii) 50% between 121 and 180 days, (iii) 75% between 181 and 360 days and, (iii) 100% for more than 360 days. As an exception to this rule, the receivables of determined clients are analyzed separately.

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

Balance at January 1, 2009	<u>(18,411)</u>
Additions to provision for disallowances	(26,133)
Additions to bad debt provision	(62,886)
Write-off (use) of disallowances	31,116
Write-off (use) of bad debt provision	<u>9,332</u>
Balance at December 31, 2009	<u>(66,982)</u>
Additions to provision for disallowances	(32,983)
Additions to bad debt provision	(10,520)
Write-off (use) of disallowances	36,301
Write-off (use) of bad debt provision	<u>15,181</u>
Balance at December 31, 2010	<u>(59,003)</u>

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### 11 Inventories

	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Domestic clinical analysis and diagnostic imaging materials	22,243	18,551	6,987	25,431	21,062	22,878
Imported clinical analysis and diagnostic imaging materials	11,167	12,047	5,344	11,266	12,385	7,365
Domestic secondary clinical analysis and diagnostic imaging Materials	8,355	7,554	4,397	9,185	8,227	6,258
Sundry materials	4,405	3,584	1,922	5,266	4,051	2,697
Inventories held by third parties	3,224	2,339	1,118	3,571	2,649	1,125
Provision for obsolescence	(2,242)	(1,475)	(1,198)	(2,329)	(1,562)	(1,407)
	<u>47,152</u>	<u>42,600</u>	<u>18,570</u>	<u>52,390</u>	<u>46,812</u>	<u>38,916</u>

### 12 Recoverable taxes, deferred tax assets and liabilities

#### a. Recoverable taxes - Current

	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
INSS (National Institute of Social Insurance)	1,166	1,135	563	10,971	8,382	732
Withholding income tax (IRRF)	2,026	1,369	6,756	3,452	1,531	8,258
Income tax recoverable	7,225	3,090	9,398	7,927	3,541	10,133
Social contribution recoverable	8,469	4,221	10,237	8,849	4,440	11,283
COFINS (Tax for social security financing) and PIS (Social integration program) tax withheld	13,374	13,527	7,512	14,525	14,474	9,722
Others	<u>3,387</u>	<u>2,986</u>	<u>1,682</u>	<u>5,770</u>	<u>4,345</u>	<u>2,411</u>
	<u>35,647</u>	<u>26,328</u>	<u>36,148</u>	<u>51,494</u>	<u>36,713</u>	<u>42,539</u>

#### b. Deferred tax assets and liabilities

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.

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In accordance with CPC 32, the Company, based on its past profitability and on expectations of generating future taxable income considering the technical viability study approved by management, recognized tax credits on income tax loss carry forwards 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 by the Company during the year.

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

Deferred tax assets	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Tax loss carry forward and negative basis	6,134	14,081	7,465	6,495	15,159	7,465
Provision for doubtful accounts and disallowances	13,939	21,549	4,952	15,709	23,450	4,952
Provision for obsolescence - Inventories	751	490	407	781	520	407
Goodwill amortization	21,430	39,169	50,246	41,687	64,598	50,246
Provision for specialized medical services	1,699	1,897	1,247	1,699	1,897	1,247
Sundry provisions	6,390	4,428	1,841	8,172	4,431	1,841
Provision for contingencies	29,093	25,215	18,687	29,093	25,215	18,687
Amortization of pre-operating expenses	22,496	-	-	22,496	-	-
Tax loss carry forward and negative basis	<u>4,916</u>	<u>8,545</u>	<u>10,438</u>	<u>4,916</u>	<u>8,545</u>	<u>10,438</u>
	<u>106,848</u>	<u>115,374</u>	<u>95,283</u>	<u>131,048</u>	<u>143,815</u>	<u>95,283</u>

Deferred tax liabilities	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Goodwill amortization	7,419	1,830	-	7,556	1,830	-
Exchange rate	7,299	6,356	10,719	7,306	6,356	9,191
Provision for income tax	-	-	-	-	3,066	-
Adjustments from the adoption of IFRS	<u>9,183</u>	<u>5,604</u>	<u>-</u>	<u>9,183</u>	<u>4,042</u>	<u>-</u>
	<u>23,901</u>	<u>13,790</u>	<u>10,719</u>	<u>24,045</u>	<u>15,294</u>	<u>9,191</u>

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## Notes to the consolidated financial statements

(In thousands of Reais)

### 13 Investments

	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
<b>Investments in subsidiaries</b>						
Laboratório Frischmann Aisengart Ltda.	-	-	11,439	-	-	-
Image Memorial Ltda.	-	-	5,862	-	-	-
Laboratório Alvaro Ltda.	-	-	21,775	-	-	-
Laboratório Louis Pasteur Patologia Clínica Ltda. - LabPasteur	-	-	6,500	-	-	-
DASA Real Estate Empreendimentos Imobiliários Ltda.	26,841	13,996	12,903	-	-	-
Laboratório Imuno Ltda. - MedLabor	-	-	713	-	-	-
Clínica Médica Vita Ltda.	-	-	(3,632)	-	-	-
Laboratório Atalaia Ltda.	-	-	7,151	-	-	-
Exame Laboratórios de Patologia Clínica Ltda.	-	-	9,670	-	-	-
CientíficaLab Produtos Laboratoriais e Sistemas Ltda	85,715	60,442	20,680	-	-	-
Med Imagem Ultra Sonografia e Radiologia Ltda.	-	-	12,257	-	-	-
Clínica Radiológica Brafer Ltda.	-	-	439	-	-	-
Cedimax Diagnósticos Médicos Ltda.	-	-	(2,913)	-	-	-
Clínica Radiológica Clira Ltda.	-	-	1,581	-	-	-
Digirad Diagnósticos Médicos Ltda.	-	-	423	-	-	-
Maxidiagnósticos Participações Ltda.	-	-	1,923	-	-	-
Centro de Diagnósticos por Imagem de Cuiabá Ltda.	-	-	3,213	-	-	-
Centro Médico de Diagnóstico Laboratorial Ltda.	-	-	485	-	-	-
Centro Médico de Imagenologia Ltda.	-	-	1,697	-	-	-
Ressonância Magnética Cuiabá Ltda.	-	-	911	-	-	-
DA Participações Ltda.	<u>73,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>186,216</u>	<u>74,438</u>	<u>113,077</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other investments	<u>247</u>	<u>238</u>	<u>-</u>	<u>320</u>	<u>260</u>	<u>216</u>
	<u>186,463</u>	<u>74,676</u>	<u>113,077</u>	<u>320</u>	<u>260</u>	<u>216</u>

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The main information on the direct interest in the net capital of the invested companies is as follows:

	<b>DASA Real Estate Empreendimentos Imobiliários Ltda.</b>	<b>CientíficaLab Prod. Lab. e Sistemas Ltda.</b>	<b>DASA Finance Corporation</b>	<b>DA Participações Ltda.</b>
Capital shares or quotas	25,667,078	27,176,629	50,000	73,856,500
Amount of shares or quotas presented:	25,667,078	27,176,628	50,000	73,856,000
% of ownership	99.99%	99.99%	100%	99.00%
Shareholders' equity as of 31 December, 2010	26,841	85,715	-	73,660
The investment balances in its subsidiaries were classified as current liabilities (unsecured liabilities) as of December 31, 2010.	-	-	(17,299)	-
Assets:				
Current assets	1,626	75,483	29,762	13,393
Non-current assets	<u>25,333</u>	<u>51,028</u>	<u>-</u>	<u>107,403</u>
Total assets	<u>26,959</u>	<u>126,511</u>	<u>29,762</u>	<u>120,796</u>
Liabilities:				
Current liabilities	117	26,922	138	7,039
Non-current liabilities	<u>-</u>	<u>13,875</u>	<u>46,924</u>	<u>40,097</u>
Total liabilities	<u>117</u>	<u>40,797</u>	<u>47,062</u>	<u>47,136</u>
Shareholders' equity	<u>26,841</u>	<u>85,715</u>	<u>(17,299)</u>	<u>73,660</u>
Income:				
Revenues	1,905	151,806	-	5,873
Expenses (other income)	<u>(1,719)</u>	<u>(139,930)</u>	<u>13,835</u>	<u>(6,069)</u>
Profit (loss) for the year	<u>186</u>	<u>11,876</u>	<u>13,835</u>	<u>(196)</u>
Equity income for the year	186	11,876	13,835	(196)

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

	DASA RE	CientificaLab	DASA FC	DA Partic.	Total
Investment as of 31 December 2009	<u>13,996</u>	<u>60,442</u>	<u>-</u>	<u>-</u>	<u>74,438</u>
Investment liability as of 31 December 2009	<u>-</u>	<u>-</u>	<u>(31,134)</u>	<u>-</u>	<u>(31,134)</u>
Increase in capital	13,204	16,177	-	73,806	103,187
Establishment of the company	-	-	-	50	50
Profit distribution	(545)	(2,780)	-	-	(3,325)
Equity net income of subsidiaries	<u>186</u>	<u>11,876</u>	<u>13,835</u>	<u>(196)</u>	<u>25,700</u>
Investment as of 31 December 2010	<u>26,841</u>	<u>85,715</u>	<u>-</u>	<u>73,660</u>	<u>186,216</u>
Negative investment as of 31 December 2010	<u>-</u>	<u>-</u>	<u>(17,299)</u>	<u>-</u>	<u>(17,299)</u>

Main investment transactions in the quarter can be broken down as follows:

	Frischmann	Image	Alvaro	Lab Pasteur	DASA RE	Med Labor	Vita	Atalaia	Exame	Cientifica Lab	Med Imagem	DASA FC
Investment as of January 1, 2009	<u>11.439</u>	<u>5.862</u>	<u>21.775</u>	<u>6.500</u>	<u>12.903</u>	<u>713</u>	<u>(3.632)</u>	<u>7.151</u>	<u>9.670</u>	<u>20.680</u>	<u>12.257</u>	<u>-</u>
Investment liability as of January 1, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27.662)</u>
Acquisition of Subsidiaries (a)	-	-	-	-	-	-	-	-	2.795	-	-	-
Acquisition balance adjustment	-	-	-	-	-	(222)	-	-	-	-	-	-
Conveyance of membership interest between subsidiaries (b)	-	-	-	-	-	-	-	-	-	(31.262)	-	-
Merger of Subsidiaries (b)	(18.664)	(703)	(35.802)	(9.548)	-	(614)	4.559	(10.379)	(19.479)	-	(17.341)	-
Reverse merger (d)	-	-	-	-	-	-	-	-	-	65.959	-	-
ICVM provision 319/99 (e)	-	-	-	-	-	-	-	-	-	-	-	-
Investment as of 31 December 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,442</u>	<u>-</u>	<u>-</u>
Negative investment as of 31 December 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,134)</u>

# Diagnósticos da América S.A.

**(Publicly-held company)**

## Notes to the consolidated financial statements

*(In thousands of Reais)*

	Brafer	Cedimax	Clira	Digirad	Maxidiag	Cedic	CediLab	CMI	RMC	Unimagem	Total
Investment as of January 1, 2009	<u>439</u>	<u>(2.913)</u>	<u>1.581</u>	<u>423</u>	<u>1.923</u>	<u>3.213</u>	<u>485</u>	<u>1.697</u>	<u>911</u>	<u>---</u>	<u>113.077</u>
Investment liability as of January 1, 2009	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(27.662)</u>
Acquisition of Subsidiaries (a)	-	-	-	-	-	-	-	-	-	3.479	6.274
Acquisition balance adjustment	-	2.454	-	-	-	(157)	(157)	-	-	-	1.918
Conveyance of membership interest between subsidiaries (b)	-	-	-	-	-	-	-	32.578	(1.316)	-	-
Conveyance of membership interest between subsidiaries - Goodwill (b)	-	-	-	-	-	-	-	77.915	-	-	77.915
Merger of Subsidiaries (c)	( 535)	( 1.523)	( 1.030)	(1.395)	(1.923)	(4.624)	(1.518)	-	-	(7.708)	(128.227)
Reverse merger (d)	-	-	-	-	-	-	-	(65.959)	-	-	-
ICVM provision 319/99 (e)	-	-	-	-	-	-	-	(50.200)	-	-	(50.200)
Equity net income of subsidiaries	<u>96</u>	<u>1.982</u>	<u>(551)</u>	<u>972</u>	<u>---</u>	<u>1.568</u>	<u>1.190</u>	<u>3.969</u>	<u>405</u>	<u>4.229</u>	<u>50.011</u>
Investment as of 31 December 2009	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>74.438</u>
Negative investment as of 31 December 2009	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(31.134)</u>

(a) On January 20, 2009 the total acquisition related to the membership interest representing the stockholders' capital of Unidade Cearense de Imagem Ltda. - Unimagem was concluded. It provides diagnostic imaging services in the city of Fortaleza. The acquisition value was R\$ 15.882.

(b) The membership interest and premium conveyance between subsidiaries carried out on September 16, 2009, was approved in a meeting of the Board of Directors held on August 11, 2009, as disclosed in Note 8.

(c) Merged companies as disclosed in Note 8.

(d) The recognition of premiums in Cientificalab due to a reverse merger with stockholders' capital of its subsidiary CMI, in accordance with the guidelines provided in article 6 of CVM Instruction, 319/99.

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

- (e) Pursuant to the guidelines provided in Article 6 of CVM Instruction 319/99, a provision was posted in the amount of R\$ 50,200 (66% of R\$ 76,060) in CMI, net of tax benefits. The amount of the provision was based on the premium related to future expected earnings calculated due to the acquisition of the subsidiary CientíficaLab of R\$ 76,060. The subsidiary CientíficaLab took over the parent company CMI on December 1, 2009, as disclosed in Note 8.

### 14 Property and equipment, net

	Average depreciation Rate - % p.a.	Parent Company				
		12/31/2010			12/31/2009	01/01/2009
		Cost	Depreciation	Net	Net	Net
Buildings	4	1,045	(437)	608	639	68
Leasehold improvements	10	291,287	(180,498)	110,789	125,718	111,354
Machinery and equipment	10 a 20	410,892	(209,299)	201,593	203,923	184,800
Furniture and fixtures	8	48,967	(22,345)	26,622	26,695	18,143
Facilities	10	15,692	(5,683)	10,009	7,652	1,828
IT equipment	25	78,753	(44,859)	33,894	34,255	29,031
Vehicles	20	3,807	(2,333)	1,474	2,093	552
Library	10	147	(97)	50	61	62
Land	-	30	-	30	30	-
Construction in progress	-	<u>25,295</u>	<u>-</u>	<u>25,295</u>	<u>10,917</u>	<u>14,617</u>
		<u>875,915</u>	<u>(465,551)</u>	<u>410,364</u>	<u>411,983</u>	<u>360,455</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

	Average depreciation rate % p.a.	Consolidated				
		12/31/2010			12/31/2009	01/01/2009
		Cost	Depreciation	Net	Net	Net
Buildings	4	11,637	(2,252)	9,385	9,840	11,280
Leasehold improvements	10	311,345	(184,166)	127,179	129,545	137,470
Machinery and equipment	10 a 20	433,381	(216,811)	216,570	217,579	236,298
Furniture and fixtures	8	52,318	(23,354)	28,964	28,133	24,595
Facilities	10	16,613	(5,942)	10,671	8,284	4,130
IT equipment	25	85,350	(47,984)	37,366	37,410	37,503
Vehicles	20	6,006	(3,937)	2,069	2,863	4,451
Library	10	159	(104)	55	79	63
Land	-	4,487	-	4,487	1,689	1,839
Construction in progress	-	<u>25,296</u>	<u>-</u>	<u>25,296</u>	<u>10,917</u>	<u>23,672</u>
		<u>946,592</u>	<u>(484,550)</u>	<u>462,042</u>	<u>446,339</u>	<u>481,301</u>

The Company reviewed the useful life of fixed assets, based on reports by external consultants, which resulted in the following changes in the rates:

	Previous rate - % p.a.	Current rate - % p.a.
Machinery and equipment	10	10 a 20
Furniture and fixtures	10	8
IT equipment	20	25

(a) As of January 2010, the Company adopted new criteria for depreciation of leasehold improvements, to better adjust the expenses incurred on improvements to the results with the period of occupation of these properties, considering as the depreciation term the period of contracted occupation and its renewal for the same initial period that was legally granted.

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### Changes in cost

	Parent Company						12/31/10
	Changes in the period - 2010						
	12/31/09	Additions	Write off	Transfers	Others (a)	Transfers Subsidiary (b)	
Buildings	1,045	-	-	-	-	-	1,045
Leasehold improvements	295,779	18,373	(7,503)	5,706	(800)	(20,268)	291,287
Machinery and equipment	388,768	25,790	(10,206)	5,849	691	-	410,892
Furniture and fixtures	46,853	2,329	(202)	(13)	-	-	48,967
Facilities	12,587	3,853	(64)	(684)	-	-	15,692
IT equipment	72,109	8,571	(2,048)	121	-	-	78,753
Vehicles	3,781	26	-	-	-	-	3,807
Library	146	1	-	-	-	-	147
Land	30	-	-	-	-	-	30
Construction in progress	10,917	25,415	( 2)	(10,979)	(56)	-	25,295
	<u>832,015</u>	<u>84,358</u>	<u>(20,025)</u>	<u>-</u>	<u>(165)</u>	<u>(20,268)</u>	<u>875,915</u>

	Parent Company						12/31/09
	Changes in the period - 2009						
	01/01/09	Additions	Additions through merger	Write off	Transfers	Others (a)	
Buildings	145	-	2,495	-	( 1,595)	-	1,045
Leasehold improvements	239,292	7,557	42,858	( 4,380)	10,452	-	295,779
Machinery and equipment	299,320	12,983	101,931	( 28,314)	3,625	( 777)	388,768
Furniture and fixtures	32,596	1,142	11,517	( 49)	1,647	-	46,853
Facilities	4,477	938	5,029	( 43)	2,186	-	12,587
IT equipment	55,104	4,928	12,811	( 553)	( 184)	3	72,109
Vehicles	981	255	2,962	( 208)	( 209)	-	3,781
Library	135	10	20	-	( 19)	-	146
Land	-	-	30	-	-	-	30
Construction in progress	14,617	9,467	3,155	-	( 15,903)	( 419)	10,917
	<u>646,667</u>	<u>37,280</u>	<u>182,808</u>	<u>(33,547)</u>	<u>-</u>	<u>(1,193)</u>	<u>832,015</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

Consolidated								
Changes in the period - 2010								
	12/31/09	Acquisition for subsidiary	Additions	Write off	Transfers	Others (a)	Transfers Subsidiary (b)	12/31/10
Buildings	11,637		2,725	( 2,725)	-	-	-	11,637
Leasehold improvements	302,662	2,611	18,553	(10,560)	5,708	(800)	(6,829)	311,345
Machinery and equipment	405,782	2,491	28,799	(10,229)	5,847	691	-	433,381
Furniture and fixtures	48,682	1,182	2,722	( 269)	1	-	-	52,318
Facilities	13,381	4	3,977	( 65)	( 684)	-	-	16,613
IT equipment	76,860	1,155	9,272	( 2,057)	120	-	-	85,350
Vehicles	5,609	371	26	-	-	-	-	6,006
Library	165	6	2	-	( 14)	-	-	159
Land	1,689	-	-	-	2,798	-	-	4,487
Construction in progress	<u>10,917</u>	<u>-</u>	<u>28,213</u>	<u>( 2)</u>	<u>(13,776)</u>	<u>( 56)</u>	<u>-</u>	<u>25,296</u>
	<u>877,384</u>	<u>7,820</u>	<u>94,289</u>	<u>(25,907)</u>	<u>-</u>	<u>(165)</u>	<u>(6,829)</u>	<u>946,592</u>

Consolidated							
Changes in the period - 2009							
	01/01/09	Acquisitions for subsidiary	Additions	Write off	Transfer	Others (a)	12/31/09
Buildings	13,081	-	-	-	( 1,444)	-	11,637
Leasehold improvements	272,350	173	20,734	( 4,382)	13,873	( 86)	302,662
Machinery and equipment	400,127	9,418	20,268	( 30,900)	7,646	( 777)	405,782
Furniture and fixtures	42,568	388	3,968	( 61)	1,819	-	48,682
Facilities	7,985	494	2,601	( 70)	2,371	-	13,381
IT equipment	70,211	174	6,820	( 661)	379	( 63)	76,860
Vehicles	7,273	6	695	( 2,119)	( 246)	-	5,609
Library	155	-	15	-	( 5)	-	165
Land	1,839	-	-	-	( 150)	-	1,689
Construction in progress	<u>23,672</u>	<u>-</u>	<u>12,242</u>	<u>( 1)</u>	<u>(24,243)</u>	<u>( 753)</u>	<u>10,917</u>
	<u>839,261</u>	<u>10,653</u>	<u>67,343</u>	<u>(38,194)</u>	<u>-</u>	<u>(1,679)</u>	<u>877,384</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### Changes in cost

Parent Company							
Changes in the period - 2010							
	12/31/09	Additions	Write off	Transfers	Others (a)	Transfers Subsidiary (b)	12/31/10
Buildings	( 406)	(31)	-	-	-	-	(437)
Leasehold improvements	(170,061)	(24,305)	7,500	(461)	-	6,829	(180,498)
Machinery and equipment	(184,846)	(26,137)	1,895	(1)	(210)	-	(209,299)
Furniture and fixtures	( 20,158)	(2,553)	158	208	-	-	(22,345)
Facilities	( 4,935)	(1,044)	41	255	-	-	(5,683)
IT equipment	( 37,854)	(7,212)	208	(1)	-	-	(44,859)
Vehicles	( 1,688)	( 645)	-	-	-	-	(2,333)
Library	( 85)	( 12)	-	-	-	-	( 97)
	<u>(420,033)</u>	<u>(61,939)</u>	<u>9,802</u>	<u>-</u>	<u>(210)</u>	<u>6,829</u>	<u>(465,551)</u>

Parent Company							
Changes in the period - 2009							
	01/01/09	Additions	Additions through merger	Write off	Transfers	Others (a)	12/31/09
Buildings	( 77)	( 3)	( 833)	-	507	-	( 406)
Leasehold improvements	(127,940)	( 35,844)	( 10,925)	4,455	193	-	(170,061)
Machinery and equipment	(114,519)	(19,482)	( 57,483)	6,882	( 491)	247	(184,846)
Furniture and fixtures	( 14,453)	( 1,192)	( 4,171)	44	( 386)	-	( 20,158)
Facilities	( 2,649)	( 427)	( 1,566)	38	( 331)	-	( 4,935)
IT equipment	( 26,073)	( 5,070)	( 7,500)	552	270	( 33)	( 37,854)
Vehicles	( 429)	( 184)	( 1,381)	87	219	-	( 1,688)
Library	( 73)	( 12)	( 19)	-	19	-	( 85)
	<u>(286,213)</u>	<u>(62,214)</u>	<u>( 83,878)</u>	<u>12,058</u>	<u>-</u>	<u>214</u>	<u>(420,033)</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

<b>Consolidated</b>								
<b>Changes in the period - 2010</b>								
	<b>12/31/09</b>	<b>Acquisition for subsidiary</b>	<b>Additions</b>	<b>Write off</b>	<b>Transfers</b>	<b>Others (a)</b>	<b>Transfers Subsidiary (b)</b>	<b>12/31/10</b>
Buildings	( 1,797)	-	( 455)	-	-	-	-	( 2,252)
Leasehold improvements	(173,119)	( 792)	(27,178)	10,555	(461)	-	6,829	(184,166)
Machinery and equipment	(188,203)	(2,160)	(28,142)	1,905	( 1)	(210)	-	(216,811)
Furniture and fixtures	( 20,549)	( 359)	( 2,832)	179	207	-	-	( 23,354)
Facilities	( 5,097)	-	( 1,141)	41	255	-	-	( 5,942)
IT equipment	(39,450)	( 713)	( 8,031)	211	( 1)	-	-	( 47,984)
Vehicles	( 2,746)	( 223)	( 968)	-	-	-	-	( 3,937)
Library	( 86)	( 6)	( 13)	-	1	-	-	( 104)
Land	-	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-	-
	<u>(431.047)</u>	<u>(4.253)</u>	<u>(68.760)</u>	<u>12.891</u>	<u>=</u>	<u>(210)</u>	<u>6.829</u>	<u>(484.550)</u>

<b>Consolidated</b>							
<b>Changes in the period - 2009</b>							
	<b>01/01/09</b>	<b>Acquisition for subsidiary</b>	<b>Additions</b>	<b>Write off</b>	<b>Transfers</b>	<b>Others (a)</b>	<b>12/31/09</b>
Buildings	( 1,801)	-	( 512)	-	516	-	( 1,797)
Leasehold improvements	(134,882)	( 124)	(42,770)	4,460	189	8	(173,119)
Machinery and equipment	(163,829)	(4,531)	(20,805)	1,189	( 474)	247	(188,203)
Furniture and fixtures	( 17,973)	( 116)	( 2,237)	50	( 273)	-	( 20,549)
Facilities	( 3,855)	( 122)	( 810)	48	( 358)	-	( 5,097)
IT equipment	(32,708)	( 105)	( 7,468)	655	154	22	(39,450)
Vehicles	( 2,822)	( 1)	( 1,213)	1,063	227	-	( 2,746)
Library	( 92)	-	( 13)	-	19	-	( 86)
	<u>(357.962)</u>	<u>(4.999)</u>	<u>(75.828)</u>	<u>7.465</u>	<u>=</u>	<u>277</u>	<u>(431.047)</u>

(a) Other - Refers to reclassifications of intangible assets.

(b) Property given to subsidiary DASA Real Estate for capital increase and payment of intercompany loans:

Cost	20,268
Amortization	(6,829)
Net - Used for capital increase	10,479
Net - Used for payment of intercompany loans	2,960

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### *Deemed Cost*

The Company and its subsidiaries opted for the adoption of deemed cost, adjusting the opening balances on the transition date on January 1, 2009 for comparison purposes, under Adjustments in valuation of assets.

The fair values used in the adoption of deemed cost were estimated by external specialists (engineers) with professional experience and competence, objectivity and technical knowledge of the assets valued. To perform this valuation, the external specialists considered information related to the use of the valued assets, technological changes occurred and economic resources and environment where they operate, considering the planning and other peculiarities of the Company's business. As part of the adoption of deemed cost, management valued the classes of the fixed assets below, for the adoption of deemed cost at January 1, 2009. Additionally, the estimated useful life and residual value was reviewed.

The effects on the valued accounting groups resulting from the adoption of deemed cost on January 1, 2009 were:

	<b>Parent Company</b>			
	<b>Machinery and equipment</b>	<b>Furniture and fixtures</b>	<b>IT equipment</b>	<b>Total</b>
Balance at December 31, 2008	310,341	32,348	44,817	387,506
Adjustments from adoption of deemed cost	(11,021)	248	10,287	( 486)
Balance at January 1, 2009	299,320	32,596	55,104	387,020

  

	<b>Consolidated</b>			
	<b>Machinery and equipment</b>	<b>Furniture and fixture</b>	<b>IT equipment</b>	<b>Total</b>
Balance at December 31, 2008	408,357	42,520	58,432	509,309
Adjustments from adoption of deemed cost	(8,230)	47	11,779	3,596
Balance at January 1, 2009	400,127	42,567	70,211	512,905

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## Notes to the consolidated financial statements

(In thousands of Reais)

The new equity was decreased by R\$486 in the parent company and increased by R\$3,596 in consolidated.

Management estimated that the effects on the depreciation expense resulting from the adoption of deemed cost will be as follows:

	<b>Consolidated</b>					
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Após</b>
Increase in loss through depreciation	408	408	408	408	408	408

### 15 Intangibles assets, net

	Average Amortization rate - % p.a.	<b>Parent Company</b>					
		<b>12/31/10</b>			<b>12/31/09</b>		
		<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
Business acquisitions - Goodwill							
Goodwill (a)		<u>435,664</u>	<u>(149,548)</u>	<u>286,116</u>	<u>435,664</u>	<u>(149,548)</u>	<u>286,116</u>
Other intangible assets							
Software	20	94,287	(45,680)	48,607	69,615	(36,006)	33,609
Rights of use of commercial area	20	673	(231)	442	673	( 97)	576
Acquisition costs	20	820	(711)	109	820	( 548)	272
Systems Deployment Project	20	12,293	(12,090)	203	9,043	( 7,238)	1,805
Project Development	33	10,259	(6,045)	4,214	7,646	-	7,646
Brand and client list - Unimagem	3.3 - Brand 10 - Client list	<u>12,161</u>	<u>( 2,064)</u>	<u>10,097</u>	<u>12,161</u>	<u>( 1,032)</u>	<u>11,129</u>
		<u>130,493</u>	<u>(66,821)</u>	<u>63,672</u>	<u>99,958</u>	<u>( 44,921)</u>	<u>55,037</u>
		<u>566,157</u>	<u>(216,369)</u>	<u>349,788</u>	<u>535,622</u>	<u>(194,469)</u>	<u>341,153</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

<b>Parent company</b>							
<b>12/31/09</b>				<b>01/01/09</b>			
	<b>Average amortization rate %p.a.</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
Business acquisitions - Goodwill							
Goodwill (a)		435,664	(149,548)	286,116	477,045	(173,039)	304,006
Other intangible assets							
Software	20	69,615	( 36,006)	33,609	49,160	(24,844)	24,316
Rights of use of commercial area	20	673	( 97)	576	219	(53)	166
Acquisition costs	20	820	( 548)	272	-	-	-
Systems Deployment Project	20	9,043	( 7,238)	1,805	9,043	(5,429)	3,614
Project Development	33	7,646	-	7,646	80	-	80
Brand and client list - Unimagem	3.3 - Brand						
- Client list	10	<u>12,161</u>	<u>( 1,032)</u>	<u>11,129</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>99,958</u>	<u>( 44,921)</u>	<u>55,037</u>	<u>58,502</u>	<u>(30,326)</u>	<u>28,176</u>
		<u>535,622</u>	<u>(194,469)</u>	<u>341,153</u>	<u>535,547</u>	<u>(203,365)</u>	<u>332,182</u>
<b>Consolidated</b>							
<b>12/31/10</b>				<b>12/31/09</b>			
	<b>Average amortization rate - %p.a.</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
Business acquisitions - Goodwill							
Goodwill (a)		512,298	(149,548)	362,750	437,519	(149,548)	287,971
Other intangibles							
Software	20	97,671	( 46,875)	50,796	71,186	( 36,321)	34,865
Rights of use of commercial area	20	673	( 231)	442	673	( 97)	576
Acquisition costs	20	820	( 711)	109	820	( 548)	272
Systems Deployment Project	20	12,293	( 12,090)	203	9,043	( 7,237)	1,806
Project Development	33	10,260	( 6,045)	4,215	7,646	-	7,646
Brand and client list - Unimagem	3.3 - Brand						
- Client list	10	<u>12,161</u>	<u>( 2,064)</u>	<u>10,097</u>	<u>12,161</u>	<u>( 1,032)</u>	<u>11,129</u>
		<u>133,878</u>	<u>( 68,016)</u>	<u>65,862</u>	<u>101,529</u>	<u>( 45,235)</u>	<u>56,294</u>
		<u>646,176</u>	<u>(217,564)</u>	<u>428,612</u>	<u>539,048</u>	<u>(194,783)</u>	<u>344,265</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

		Consolidated					
		12/31/09			01/01/09		
	Average amortization rate %p.a.	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Business acquisitions - Goodwill							
Goodwill (a)		437,519	(149,548)	287,971	477,045	(173,039)	304,006
Other intangibles							
Software	20	71,186	(36,321)	34,865	53,813	( 25,995)	27,818
Rights of use of commercial area	20	673	( 97)	576	219	( 53)	166
Acquisition costs	20	820	( 548)	272	820	( 383)	437
Systems Deployment Project	20	9,043	( 7,237)	1,806	9,043	( 5,429)	3,614
Project Development	33	7,646	-	7,646	109	-	109
Brand and client list - Unimagem	3.3 - Brand 10 - Client list	12,161	( 1,032)	11,129	-	-	-
		101,529	( 45,235)	56,294	64,004	( 31,860)	32,144
		539,048	(194,783)	344,265	541,049	(204,899)	336,150

### (a) Net value of goodwill in business combination:

	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Elkis e Furlanetto - Centro de Diag. e Análises Clínicas Ltda.	1,703	1,703	1,703	1,703	1,703	1,703
Elkis e Furlanetto- Laboratório Médico S/C Ltda.	58	58	58	58	58	58
Laboratório Pasteur Patologia Clínica S/S Ltda.	2,226	2,226	2,226	2,226	2,226	2,226
Laboratório Frischmann Aisengart Ltda.	11,522	11,522	11,737	11,522	11,522	11,737
Image Memorial Ltda.	12,252	12,252	12,252	12,252	12,252	12,252
Laboratório Alvaro Ltda.	18,595	18,595	18,595	18,595	18,595	18,595
Lab. Louis Pasteur Patologia Clínica Ltda. - LabPasteur	7,231	7,231	7,231	7,231	7,231	7,231
Laboratório Imuno Ltda. - MedLabor	3,723	3,723	3,500	3,723	3,723	3,500
Clínica Médica Vita Ltda.	2,928	2,928	2,928	2,928	2,928	2,928
Laboratório Atalaia Ltda.	16,702	16,702	16,702	16,702	16,702	16,702
Exame Laboratórios de Patologia Clínica Ltda.	32,460	32,460	32,460	32,460	32,460	32,460
Med Imagem Ultra-Sonografia e Radiologia Ltda.	31,148	31,148	31,148	31,148	31,148	31,148
Clínica Radiológica Brafer Ltda.	7,694	7,694	8,135	7,694	7,694	8,135
Cedimax Diagnósticos Médicos Ltda.	9,865	9,865	11,244	9,865	9,865	11,244
Clínica Radiológica Clira Ltda.	7,303	7,303	7,713	7,303	7,303	7,713
Digirad Diagnósticos Médicos Ltda.	7,959	7,959	8,400	7,959	7,959	8,400
Maxidiagnosticos	-	-	(1,923)	-	-	(1,923)
Centro de Diagnósticos por Imagem de Cuiabá Ltda.	22,478	22,478	22,320	22,478	22,478	22,320
Centro Médico de Diagnóstico Laboratorial Ltda.	10,229	10,229	10,071	10,229	10,229	10,071
Centro Médico Imagenologia Ltda	-	-	1,553	-	-	1,553
Ressonância Magnética Cuiabá Ltda.	-	-	1,855	1,855	1,855	1,855
Unidade Cearense de Imagem Ltda.	4,385	4,385	8	4,385	4,385	8
Exame - Minoritário	7,347	7,347	-	7,347	7,347	-
CientíficaLab Produtos Laboratoriais e Sistemas Ltda.	68,308	68,308	94,090	68,308	68,308	94,090
Instituto de Endocrinologia e Medicina Nuclear do Recife Ltda. ("CERPE")	-	-	-	74,779	-	-
	286,116	286,116	304,006	362,750	287,971	304,006

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### Changes in cost

Parent Company							
Changes in the period - 2010							
	12/31/09	Acquisition by subsidiary	Additions	Write off	Transfers	Others	12/31/10
<b>Business acquisitions - Goodwill</b>							
Goodwill	435,664	-	-	-	-	-	435,664
<b>Others Intangible:</b>							
Software	69,615	-	27,766	(9)	(3,250)	165	94,287
Commercial rights of use	673	-	-	-	-	-	673
Other intangible assets	820	-	-	-	-	-	820
Systems deployment project	9,043	-	-	-	3,250	-	12,293
Project development	7,646	-	2,613	-	-	-	10,259
Brand and Client list - Unimagem	12,161	-	-	-	-	-	12,161
	<u>99,958</u>	<u>-</u>	<u>30,379</u>	<u>( 9)</u>	<u>-</u>	<u>165</u>	<u>130,493</u>
	<u>535,622</u>	<u>-</u>	<u>30,379</u>	<u>( 9)</u>	<u>-</u>	<u>165</u>	<u>566,157</u>

Parent Company								
Changes in the period - 2009								
	01/01/09	Acquisition by subsidiary	Additions	Additions through merger	Write off	Transfers	Others	12/31/09
<b>Business acquisitions - Goodwill</b>								
Goodwill	477,045	21,772	-	-	145	(63,298)	-	435,664
<b>Other intangible assets:</b>								
Software	49,160	-	14,694	4,551	-	18	1,192	69,615
Commercial rights of use	219	-	454	-	-	-	-	673
Other intangible assets	-	-	1,026	820	(1,029)	-	3	820
Systems deployment project	9,043	-	-	-	-	-	-	9,043
Project development	80	-	7,554	30	-	( 18)	-	7,646
Brand and Client list - Unimagem	-	-	55	-	-	12,106	-	12,161
	<u>58,502</u>	<u>-</u>	<u>23,783</u>	<u>5,401</u>	<u>(1,029)</u>	<u>12,106</u>	<u>1,195</u>	<u>99,958</u>
	<u>535,547</u>	<u>21,772</u>	<u>23,783</u>	<u>5,401</u>	<u>(884)</u>	<u>(51,192)</u>	<u>1,195</u>	<u>535,622</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

Consolidated							
Changes in the period - 2010							
	12/31/09	Acquisition by subsidiary	Additions	Write off	Transfers	Others	12/31/10
<b>Business acquisitions - Goodwill</b>							
Goodwill	437,519	-	74,779	-	-	-	512,298
<b>Other intangible assets:</b>							
Software	71,186	566	29,013	(9)	(3,250)	165	97,671
Commercial rights of use	673	-	-	-	-	-	673
Other intangible assets	820	-	-	-	-	-	820
Systems deployment project	9,043	-	-	-	3,250	-	12,293
Project development	7,646	1	2,613	-	-	-	10,260
Brand and Client list - Unimagem	12,161	-	-	-	-	-	12,161
	<u>101,529</u>	<u>567</u>	<u>31,626</u>	<u>( 9)</u>	<u>-</u>	<u>165</u>	<u>133,878</u>
	<u>539,048</u>	<u>567</u>	<u>106,405</u>	<u>( 9)</u>	<u>-</u>	<u>165</u>	<u>646,176</u>
Consolidated							
Changes in the period - 2009							
	01/01/09	Acquisition by subsidiary	Additions	Write off	Transfers	Others	12/31/09
<b>Business acquisitions - Goodwill</b>							
Goodwill	477,045	21,772	-	145	(61,443)	-	437,519
<b>Other intangible assets:</b>							
Software	53,813	-	15,693	(12)	17	1,675	71,186
Commercial rights of use	219	-	454	-	-	-	673
Other intangible assets	820	-	1,025	(1,029)	-	4	820
Systems deployment project	9,043	-	-	-	-	-	9,043
Project development	109	-	7,554	-	( 17)	-	7,646
Brand and Client list - Unimagem	-	-	55	-	12,106	-	12,161
	<u>64,004</u>	<u>-</u>	<u>24,781</u>	<u>(1,041)</u>	<u>12,106</u>	<u>1,679</u>	<u>101,529</u>
	<u>541,049</u>	<u>21,772</u>	<u>24,781</u>	<u>(896)</u>	<u>(49,337)</u>	<u>1,679</u>	<u>539,048</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### Changes in accumulated amortization

Parent Company							
Changes in the period - 2010							
	12/31/09	Acquisition by subsidiary	Additions	Write-offs	Transfer	Other	12/31/10
<b>Business acquisitions - Goodwill</b>							
Goodwill	(149,548)	—	—	—	—	—	(149,548)
<b>Other intangible assets</b>							
Software	( 36,006)	-	(12,813)	4	2,925	210	( 45,680)
Rights of use of commercial area	( 97)	-	( 134)	-	-	-	( 231)
Other intangible assets	( 548)	-	( 163)	-	-	-	( 711)
Systems deployment project	( 7,238)	-	( 1,927)	-	(2,925)	-	( 12,090)
Project development	-	-	( 6,045)	-	-	-	( 6,045)
Brand and Client list - Unimagem	( 1,032)	—	( 1,032)	—	—	—	( 2,064)
	<u>( 44,921)</u>	<u>—</u>	<u>(22,114)</u>	<u>4</u>	<u>—</u>	<u>210</u>	<u>( 66,821)</u>
	<u>(194,469)</u>	<u>—</u>	<u>(22,114)</u>	<u>4</u>	<u>—</u>	<u>210</u>	<u>(216,369)</u>

Parent Company						
Changes in the period - 2009						
	01/01/09	Additions	Additions through merger	Write-offs	Transfer	12/31/09
<b>Business acquisitions - Goodwill</b>						
Goodwill	(173,039)	—	—	—	23,491	(149,548)
<b>Other intangible assets</b>						
Software	( 24,845)	( 9,132)	(1,815)	-	(214)	(36,006)
Rights of use of commercial area	( 53)	( 44)	-	-	-	( 97)
Other intangible assets	-	( 141)	( 493)	86	-	( 548)
Systems deployment project	( 5,429)	( 1,809)	-	-	-	( 7,238)
Project development	-	( 1,032)	—	—	—	( 1,032)
	<u>( 30,327)</u>	<u>(12,158)</u>	<u>(2,308)</u>	<u>86</u>	<u>( 214)</u>	<u>( 44,921)</u>
	<u>(203,366)</u>	<u>(12,158)</u>	<u>(2,308)</u>	<u>86</u>	<u>23,277</u>	<u>(194,469)</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

Consolidated							
Changes in the period - 2010							
	12/31/09	Acquisition by subsidiary	Additions	Write-offs	Transfer	Other	12/31/10
<b>Business acquisitions - Goodwill</b>							
Goodwill	(149,548)	-	-	-	-	-	(149,548)
<b>Other intangible assets</b>							
Software	( 36,321)	(423)	( 13,270)	4	2,925	210	( 46,875)
Rights of use of commercial area	( 97)	-	( 134)	-	-	-	( 231)
Other intangible assets	( 548)	-	( 163)	-	-	-	( 711)
Systems deployment project	( 7,237)	-	( 1,928)	-	(2,925)	-	( 12,090)
Project development	-	-	( 6,045)	-	-	-	( 6,045)
Brand and Client list - Unimagem	( 1,032)	-	( 1,032)	-	-	-	( 2,064)
	( 45,235)	(423)	(22,572)	4	-	210	( 68,016)
	(194,783)	(423)	(22,572)	4	-	210	(217,564)
Consolidated							
Changes in the period - 2009							
	01/01/09	Additions	Write-offs	Transfer			12/31/09
<b>Business acquisitions - Goodwill</b>							
Goodwill	(173,039)	-	-	23,491			(149,548)
<b>Other intangible assets</b>							
Software	( 25,995)	( 10,051)	1	( 276)			( 36,321)
Software	( 53)	( 44)	-	-			( 97)
Rights of use of commercial area	( 383)	( 301)	136	-			( 548)
Other intangible assets	( 5,429)	( 1,808)	-	-			( 7,237)
Systems deployment project	-	(1,032)	-	-			(1,032)
	( 31,860)	(13,236)	137	( 276)			( 45,235)
	(204,899)	(13,236)	137	23,215			(194,783)

The additions to amortization presented in the changes in the period were recognized under general and administrative expenses and cost of services rendered.

Goodwill balances were submitted to impairment tests at the end of last fiscal year. During the period there were no events which required any revision in their fair value.

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### 16 Accounts payable to suppliers

	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Domestic suppliers	35,620	32,712	23,835	45,139	39,753	51,647
Foreign suppliers	<u>13,378</u>	<u>10,487</u>	<u>2,779</u>	<u>13,378</u>	<u>10,487</u>	<u>7,250</u>
	<u>48,998</u>	<u>43,199</u>	<u>26,614</u>	<u>58,517</u>	<u>50,240</u>	<u>58,897</u>

### 17 Loans and financing

	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
<b>Local currency</b>						
Loan secured accounts	-	13,007	12,970	-	13,007	26,321
Promissory Notes (a)	302,142	-	-	302,142	-	-
Bank loans	17,197	37,157	49,024	20,592	47,245	79,103
Leases agreements under local currency	15,231	11,857	10,089	16,681	15,380	21,514
Equipment financing	-	563	-	225	867	775
<b>Foreign currency</b>						
Bank loans (b)	310,547	-	2,863	310,547	-	2,863
Equipment financing	617	2,233	9,877	617	2,233	15,454
Leases of import equipment	39,579	58,152	85,542	40,140	59,117	95,192
Notes (Senior Notes) (c)	-	-	-	<u>48,638</u>	<u>438,457</u>	<u>588,486</u>
	<u>685,313</u>	<u>122,969</u>	<u>170,365</u>	<u>739,582</u>	<u>576,306</u>	<u>829,708</u>
Transaction costs (Senior Notes) (c)	-	-	-	<u>(1,577)</u>	<u>(16,132)</u>	<u>(24,223)</u>
	<u>685,313</u>	<u>122,969</u>	<u>170,365</u>	<u>738,005</u>	<u>560,174</u>	<u>805,485</u>
Short term portion in current liabilities	<u>(331,148)</u>	<u>(72,348)</u>	<u>(79,842)</u>	<u>(335,867)</u>	<u>(82,529)</u>	<u>(114,956)</u>
Noncurrent liabilities	<u>354,165</u>	<u>50,621</u>	<u>90,523</u>	<u>402,138</u>	<u>477,645</u>	<u>690,529</u>

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

# Diagnósticos da América S.A.

**(Publicly-held company)**

## Notes to the consolidated financial statements

*(In thousands of Reais)*

- (a) On December 10, 2010 the Company issued 300 Commercial Promissory Notes, related to the 1<sup>st</sup> issue for public distribution with restricted placement efforts, under the terms of Brazilian Securities Commission (CVM) Instruction 476, dated January 16, 2009, as amended (CVM Instruction 476 and Restricted Offer, respectively) in the unit face value of R\$1,000,000 (One million reais) and sole maturity date on December 5, 2011.

Remunerative interest will occur on the unit face value, corresponding to the accumulated variation of 100% of the variation of the daily interbank deposit rate plus a fixed rate (spread) of 1.10% per annum during the first 180 days after the emission date and, if there is no redemption of the Promissory Notes up to the 180<sup>th</sup> day after the Emission Date, interest of 1.20% per annum from the 180<sup>th</sup> day up to the maturity date.

The Promissory Notes have clauses determining maximum indebtedness and leverage levels, based on quarterly consolidated information. At the end of the fiscal year, the Company was in compliance with the contractual conditions.

- (b) With the objective of gathering funds to finance the public offer for the re-purchasing of notes, stated in item (c) of this Note, on December 16, 2010 the subsidiary DASA Finance Corporation integrally assigned the balance of the loan that it held with the Company to Banco Itaú BBA (NY branch). The balance of this debt at December 31, 2010 is R\$310,547, adjusted to present value in the amount of R\$66,164, due to the probability of debt re-purchase, recorded under financial expenses.
- (c) 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, for 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 maturity in May 2018, remunerated with interest of 9.45% p.a. The payment of interest 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.

# Diagnósticos da América S.A.

**(Publicly-held company)**

## Notes to the consolidated financial statements

*(In thousands of Reais)*

In a meeting held on November 11, 2010, the Company Board of Directors approved the offer of acquisition of part and/or the total amount of current notes by its fully owned subsidiary Dasa Finance Corporation, as well as the re-negotiation of certain covenants and, additionally authorized management to adopt all measures to permit funding instruments which provide an improvement in the Company's indebtedness profile.

As a final result of the Acquisition Offer, there was the adhesion of note holders which, together totalled the amount of US\$217,820,000 (two hundred and seventeen million, eight hundred and twenty thousand dollars), representing around 87.13% (eighty seven point one three percent) of the total value of the current notes. According to the conditions established in contract for the remaining balance of the notes, the early redemption option for this debt is exclusively for DASA Finance Corporation, from 2013 onwards. The premium paid on the repurchasing of the notes is R\$57,303 recorded under financial expenses.

**(d)** Transaction costs will be amortized as follows:

	<b>Consolidated</b>
2011	( 213)
2012	( 213)
2013	( 213)
2014	( 213)
2015 to 2018	<u>( 725)</u>
	<u>(1,577)</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

Parent Company						
Type	Banks	Amount in Reais	Maturity	Average interest rate	Guarantors	
<b>Local currency</b>						
Promissory Notes	Banco Itaú	<u>302,142</u>	2011	CDI + 1.1% p.a.	-	
Bank loans	Miscellaneous	<u>17,197</u>	2011 to 2013	TJLP to 111.8% p.a. of CDI	(1) (2)	
Leases	Miscellaneous	<u>15,231</u>	2013	CDI + 1.18 % p.a. to CDI + 2.10 % p.a.	(2)	
Type	Financial institutions/ Suppliers	Amount in US\$	Amount in Reais	Maturity	Average interest rate	Guarantors
<b>Foreign currency</b>						
Bank loans	Banco Itaú	186,380	<u>310,547</u>	2018	12.8% p.a	-
Equipment financing	G.E.	370	<u>617</u>	2012	VC+6.5% to 8.3% p.a.	-
Leases	Miscellaneous	23,754	<u>39,579</u>	2016	VC+7.20% to 9% p.a.	(2)
Consolidated						
Type	Banks	Amount in Reais	Maturity	Average interest rate	Guarantors	
<b>Local currency</b>						
Promissory Notes	Banco Itaú	<u>302,142</u>	2011	CDI + 1.1% p.a.	-	
Bank loans	Miscellaneous	<u>20,592</u>	2011 to 2013	TJLP to 115% of CDI	(1) (2) (3)	
Leases	Miscellaneous	<u>16,681</u>	2015	CDI + 1.18 % p.a. a CDI + 2.10 % p.a.	(2)	
Equipment financing	Miscellaneous	<u>225</u>	2013	5.0 % p.a.	-	

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

Type	Financial institutions/ Suppliers	Amount in US\$	Amount in Reais	Maturity	Average interest rate	Guarantors	Type	Financial institutions/ Suppliers
<b>Foreign currency</b>								
Bank loans	Banco Itaú	186,380	310,547	-	<u>310,547</u>	2018	12.8% p.a.	-
Equipment financing	G.E.	370	617	-	<u>617</u>	2012	VC+7.5% to 8.3% p.a.	-
Leases	Miscellaneous	24,091	40,140	-	<u>40,140</u>	2016	VC+7.20% to 9% p.a.	(2)
Notes ( <i>Senior Notes</i> )		29,191	48,638	(1,577)	<u>47,061</u>	2018	8.75% p.a.	(3)

(1) DASA Real Estate Empreendimentos Imobiliários Ltda.

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

(3) Diagnósticos da América S.A.

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

	Parent Company	Consolidated
2012	20,616	21,273
2013	13,831	14,223
2014	7,189	7,189
2015 to 2018	<u>312,529</u>	<u>360,817</u>
Long-term transaction cost	—	( 1,364)
	<u>354,165</u>	<u>402,138</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

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

CientíficaLab Produtos Lab. e Sistemas Ltda.	Banco Alfa S.A.	1,532
	Banco Itaú S.A.	15,000
	CSI Latina Financial	225
	Banco Pottencial	261
	Banco HSBC	2
	Banco Modal	48
DASA Finance Corporation	Issue of Bond	<u>47,061</u>
		<u>64,129</u>

### 18 Debentures

	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Non-convertible debentures	67,500	135,000	202,500	67,500	135,000	202,500
Compensation interest	<u>1,791</u>	<u>2,922</u>	<u>6,962</u>	<u>1,791</u>	<u>2,922</u>	<u>6,962</u>
	<u>69,291</u>	<u>137,922</u>	<u>209,462</u>	<u>69,291</u>	<u>137,922</u>	<u>209,462</u>
Transaction cost	<u>(260)</u>	<u>(1,277)</u>	<u>(2,236)</u>	<u>(260)</u>	<u>(1,277)</u>	<u>(2,236)</u>
Current portion	<u>(69,031)</u>	<u>(69,464)</u>	<u>(73,504)</u>	<u>(69,031)</u>	<u>(69,464)</u>	<u>(73,504)</u>
Noncurrent liabilities	<u>-----</u> -	<u>67,181</u>	<u>133,722</u>	<u>-----</u> -	<u>67,181</u>	<u>133,722</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

At a Board of Directors' Meeting held on April 7, 2006, the Board approved the public issuance of 20,250 (twenty thousand, two hundred and fifty) non-convertible debentures, of its first issuance, in one single series, without guarantee nor right of first refusal, at a unit par value of R\$ 10, totaling R\$ 202,500, and the date for its issuance was April 7, 2006. The debentures are subject to scheduled amortization, the unit nominal value is amortized in three equal installments, the first installment due in the 36<sup>th</sup> (thirty-sixth) month, the second in the 48<sup>th</sup> (forty-eighth) and the third in the 60<sup>th</sup> (sixtieth) month, from the date of their issuance, with compensation interest of 103.6% p.a. of the DI rate. The payment of compensation interest is semi-annual, and 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 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.

### 19 Salaries, social security charges and accrued vacation pay

	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Salaries payable	8,343	7,867	5,506	10,028	9,062	8,440
Social Security charges payable	9,094	7,975	4,423	10,576	9,167	7,290
Provision for vacation pay and 13 <sup>th</sup> -month salary and social security charges	25,024	23,587	14,919	29,753	27,200	24,595
Provision for profit sharing (a)	17,696	-	5,416	17,696	-	6,231
Other	<u>615</u>	<u>1,684</u>	<u>154</u>	<u>680</u>	<u>1,703</u>	<u>555</u>
	<u>60,772</u>	<u>41,113</u>	<u>30,418</u>	<u>68,733</u>	<u>47,132</u>	<u>47,111</u>

(a) The bonus program and profit sharing has as a basis for payment, the achievement of targets set by management and approved by the board of directors for the year 2010.

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### 20 Taxes payable in installments

	End of Amortization	Parent Company		
		12/31/10	12/31/09	01/01/09
PPI - REFIS Municipal (a)	2011	850	1,940	2,784
PAES Program (b)	2013	4,435	5,879	7,190
IRPJ and CSLL - CientíficaLab (e)	-	-	-	-
ISS - Town Hall of Barueri (c)	2011	642	4,379	-
REFIS IV - Federal (d)	2020	5,978	-	-
ISS - CERPE (f)	2029	-	-	-
Other		<u>1,088</u>	<u>5,698</u>	<u>1,395</u>
		<u>12,993</u>	<u>17,896</u>	<u>11,369</u>
Current portion		<u>(5,289)</u>	<u>(8,625)</u>	<u>(3,983)</u>
Noncurrent liabilities		<u>7,704</u>	<u>9,271</u>	<u>7,386</u>
	End of Amortization	Consolidated		
		12/31/10	12/31/09	01/01/09
PPI - REFIS Municipal (a)	2011	850	1,940	2,784
PAES Program (b)	2013	4,435	5,879	7,190
IRPJ and CSLL - CientíficaLab (e)	-	-	4,692	5,360
ISS - Town Hall. of Barueri (c)	2011	884	6,032	-
REFIS IV - Federal (d)	2020	18,241	-	-
ISS - CERPE (f)	2029	2,154	-	-
Other		<u>1,241</u>	<u>5,698</u>	<u>6,975</u>
		<u>27,805</u>	<u>24,241</u>	<u>22,309</u>
Current portion		<u>(7,412)</u>	<u>(11,175)</u>	<u>(6,130)</u>
Noncurrent liabilities		<u>20,393</u>	<u>13,066</u>	<u>16,179</u>

# Diagnósticos da América S.A.

**(Publicly-held company)**

## Notes to the consolidated financial statements

*(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 in court. 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 and has not used these tax credits to amortize fines and interest.
- (c) On September 25, 2009 the company adhered to a tax installment program created by Barueri's town hall. The Company opted to pay the ISSQN tax debt related to the 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 rate.
- (d) Federal debts special installment program - Law 11.941/09 (REFIS IV) A new installment program (REFIS IV) for federal debts was created in connection with the enactment of Law 11941, comprising all debts under the Brazilian Federal Tax Authorities (SRF, Procuradoria-Geral da Fazenda Nacional- PGFN e Instituto Nacional da Seguridade Social - INSS), declared or not, included or not among the debts recognized by the Brazilian IRS, whether executed or not, including those which were the object of prior programs. Given the favorable conditions related to the new Program, the company applied on November 27, 2009 by paying the first installment under the conditions expressed in the legislation.

# Diagnósticos da América S.A.

**(Publicly-held company)**

## Notes to the consolidated financial statements

*(In thousands of Reais)*

On March 31, 2010 the Company recognized in the P&L the effects caused by adhesion to the program, which comprises (i) Tax debts not previously recognized by the Company and (ii) current installments migrated to the program. The effect in the Company's P&L amounted to a loss of R\$ 670, R\$ 633 of it recognized as other operating income (expenses) and R\$ 1,303 as interest expenses.

This indebtedness was recognized in the quarter in the amount of R\$ 7,454 in current ongoing installments, and R\$ 2,862 in tax debts not previously recognized by the Company, both already net of the benefits derived from the reduction established by the program.

The company also included in the installment program tax debts under the responsibility of former owners of merged entities. These debts were not recorded as an installment tax incentive in the ledger, given that the review process with former owners was not yet finished, which will mean withdrawing, in proportion to the debts assumed by the prior management, the time deposit accounts which provide collateral for the settlement of liabilities assumed upon the acquisition of the entities (note 21).

Inclusion in the program has already been confirmed by the Brazilian IRS and, while the debt consolidation is not finalized, the company will continue paying the minimum installments required by the authorities to maintain its inclusion in the program.

- (e) On March 31, 2010, the CientificaLab IRPJ and CSLL debts were included in Federal debts special installment program - Law 11.941/09 (REFIS IV).

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

(f) On March 21, 2005, CERPE joined the Sector Tax Recuperation Program - PREFIS, instituted by Municipal Law 17029 of September 22, 2004 of the Municipality of Recife. The company made the option of dividing the ISSQN debts related to the period from January 1988 to December 2003, to be paid in installments equivalent to the minimum of 0.5% of monthly gross income. Later, on June 17, 2008 the company joined the Tax Recuperation Program - PREFISC, instituted by Municipal Law 17.240 of July 7, 200 at the same Municipality, with the objective of re-dividing the debts already being paid in installments in PREFISC. This new payment in installments foresees a reduction of 60% in the amount of the main restated debt and the total interest and fines and the payment of 20% of the existing debt balance, and the remaining balance in 240 monthly installments with the addition of 1% per annum in interest and annual monetary correction by IPCA (amplified consumer price index). On November 30, 2009 the company paid the 20% debt balance in a total amount of R\$2,955, formalizing the PREFISC payments in installments.

### 21 Accounts payable from the acquisition of subsidiaries

Accounts payable due to the acquisition of subsidiaries refer to the amounts due to the previous owners for the acquisition of shares or quotas representing the capital of these entities. The debts are updated in accordance with contractual terms and the following payment schedule:

	Interest rate	Maturity date	Parent Company		
			12/31/10	12/31/09	01/01/09
Not guaranteed by marketable securities	IPCA-IGPM-Selic	03/2011 to 05/2016	26,895	11,342	12,752
Marketable securities guarantee	(a)	05/2010 to 11/2014	<u>57,856</u>	<u>81,915</u>	<u>84,695</u>
			<u>84,751</u>	<u>93,257</u>	<u>97,447</u>
Short-term portion in current liabilities			<u>(30,932)</u>	<u>(20,030)</u>	<u>(15,971)</u>
Noncurrent liabilities			<u>53,819</u>	<u>73,227</u>	<u>81,476</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

			<b>Consolidated</b>		
	<b>Interest rate</b>	<b>Maturity date</b>	<b>12/31/10</b>	<b>12/31/09</b>	<b>01/01/09</b>
Not guaranteed by marketable securities	IPCA-IGPM-Selic	03/2011 to 05/2016	26,895	11,342	12,752
Marketable securities guarantee	(a)	05/2010 to 12/2016	<u>65,121</u>	<u>81,915</u>	<u>84,695</u>
			<u>92,016</u>	<u>93,257</u>	<u>97,447</u>
Short-term portion in current liabilities			<u>(30,932)</u>	<u>(20,030)</u>	<u>(15,971)</u>
Noncurrent liabilities			<u>61,084</u>	<u>73,227</u>	<u>81,476</u>

(a) Updated at 100.77% of CDI (interbank deposit certificates) in funds administered by financial institutions.

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

<b>Maturity</b>	<b>Parent Company</b>	<b>Consolidated</b>
2012	24,807	24,807
2013	15,727	15,727
2014	12,077	12,077
2015	142	142
2016	1,066	5,392
2020	<u>-</u>	<u>2,939</u>
Total	<u>53,819</u>	<u>61,084</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### 22 Other accounts payable

	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Rentals	4,122	4,830	2,962	4,365	4,887	3,572
Third - Party services	10,662	9,619	6,732	10,026	9,814	6,732
Provision for specialized medical services	5,842	6,425	3,668	5,842	6,493	5,239
Franchise commission payable	978	1,312	449	999	1,312	449
Other accounts payable	<u>24,257</u>	<u>21,906</u>	<u>6,103</u>	<u>24,815</u>	<u>22,032</u>	<u>9,095</u>
	<u>45,861</u>	<u>44,092</u>	<u>19,914</u>	<u>46,047</u>	<u>44,538</u>	<u>25,087</u>

### 23 Provision for contingencies

	Parent Company				
	12/31/10			12/31/09	01/01/09
	Provision	Judicial deposit	Net	Net	Net
(a) ICMS on imports	82,939	( 1,275)	81,664	64,661	69,248
(b) Provision for labor contingencies	3,559	( 249)	3,310	4,861	3,463
(c) Provision for civil contingencies	2,551	( 27)	2,524	3,262	1,977
(d) Provision for tax contingencies	<u>37,111</u>	<u>(21,683)</u>	<u>15,428</u>	<u>15,017</u>	<u>12,182</u>
	<u>126,160</u>	<u>(23,234)</u>	<u>102,926</u>	<u>87,801</u>	<u>86,870</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

	Consolidated				
	12/31/10		12/31/09	01/01/09	
	Provision	Judicial deposit	Net	Net	Net
(a) ICMS on imports	82,939	(1,275)	81,664	64,661	76,833
(b) Provision for labor contingencies	3,932	( 249)	3,683	4,861	4,284
(c) Provision for civil contingencies	2,551	( 27)	2,524	3,262	4,103
(d) Provision for tax contingencies	<u>37,187</u>	<u>(21,758)</u>	<u>15,429</u>	<u>15,017</u>	<u>13,290</u>
	<u>126,609</u>	<u>(23,309)</u>	<u>103,300</u>	<u>87,801</u>	<u>98,510</u>

### (a) ICMS on imports

The Company, based on the opinion of its legal advisors, has not been paying ICMS on the imports of inputs and equipment for use in the rendering of its services since February 2000, 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 made after the issue of Supplementary Law 114 of December 16, 2002, the external legal advisors believe that the chances of loss are probable.

At December 31, 2010, the amount recorded for imports performed as from January 1, 2003 is R\$ 82,939 (R\$ 66,762 at December 31, 2009 and R\$ 78,723 at January 1, 2009), with judicial deposits in the amount of R\$ 1,275.

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### (b) Provision for labor contingencies

At December 31, 2010, the Company is party to 566 labor actions (361 at December 31, 2009 and 315 at January 1, 2009). The Company records provisions based on the historic percentage of losses for processes with a probable risk.

### (c) Provision for civil contingencies

At December 31, 2010, the Company is party to 596 civil administrative and judicial actions (449 on December 31, 2009 and 369 on January 1, 2009). The Company records provisions based on the historic percentage of losses for process with a probable risk.

### (d) Provision for tax contingencies

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

### *Change in provision*

	Parent Company					12/31/10
	12/31/09	Changes in the period			12/31/09	
	Opening balance	Additions	Use and/or reversal	Monetary restatement	Transfer	Closing balance
ICMS on imports	66,762	10,080	( 827)	6,924	-	82,939
Provision for labor contingencies	5,110	2,035	(4,312)	216	510	3,559
Provision for civil contingencies	3,289	800	(1,209)	181	(510)	2,551
Provision for tax contingencies	<u>36,515</u>	<u>116</u>	<u>(1,215)</u>	<u>1,695</u>	<u>-</u>	<u>37,111</u>
	<u>111,676</u>	<u>13,031</u>	<u>(7,563)</u>	<u>9,016</u>	<u>-</u>	<u>126,160</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

Parent Company						
01/01/2009	Changes in the period					12/31/2009
Opening balance	Additions	Additions through merger	Use and/or reversal	Monetary restatement		Closing balance
ICMS on imports	70,809	6,073	13,908	(36,351)	12,323	66,762
Provision for labor contingencies	3,622	2,099	957	(1,809)	241	5,110
Provision for civil contingencies	1,989	1,210	174	(281)	197	3,289
Provision for tax contingencies	17,590	1,392	16,940	(732)	1,325	36,515
	<u>94,010</u>	<u>10,774</u>	<u>31,979</u>	<u>(39,173)</u>	<u>14,086</u>	<u>111,676</u>

Consolidated						
12/31/09	Changes in the period					12/31/10
Opening balance	Additions	Use and/or reversal	Monetary restatement	Transfer		Closing balance
ICMS on imports	66,762	10,080	(827)	6,924	-	82,939
Provision for labor contingencies	5,110	2,409	(4,313)	216	510	3,932
Provision for civil contingencies	3,289	800	(1,209)	181	(510)	2,551
Provision for tax contingencies	36,591	116	(1,215)	1,695	-	37,187
	<u>111,752</u>	<u>13,405</u>	<u>(7,564)</u>	<u>9,016</u>	<u>-</u>	<u>126,609</u>

Consolidated						
01/01/2009	Changes in the period					12/31/2009
Opening balance	Additions	Use and/or reversal	Monetary restatement			Closing balance
ICMS on imports	78,723	11,050	(38,598)	15,587		66,762
Provision for labor contingencies	4,582	2,099	(1,814)	243		5,110
Provision for civil contingencies	4,130	1,210	(2,249)	198		3,289
Provision for tax contingencies	33,089	2,511	(777)	1,768		36,591
	<u>120,524</u>	<u>16,870</u>	<u>(43,438)</u>	<u>17,796</u>		<u>111,752</u>

# Diagnósticos da América S.A.

**(Publicly-held company)**

## Notes to the consolidated financial statements

*(In thousands of Reais)*

There are other lawsuits classified by the legal advisors as possible risks without sufficiently secure measurement, whose amounts have not been regarded as relevant and thus are not subject to any type of provision, given that Brazilian generally accepted accounting principles do not require their inclusion in the ledger.

On July 15, 2010, 3 records of *in flagrante delicto* were drawn up by São Paulo State Secretary of Finance (PF-Osasco) against the subsidiary Cientificalab. The infractions against ICMS rules (RICMS), drawn up in the records refer to the period from 2006 to 2008, and correspond to the updated amount of R\$7,384. As it is related to the period under the partial responsibility of the management of the sellers of Cientificalab (acquisition of company on July 19, 2007), they were immediately notified, pursuant to the acquisition agreement, so they could decide on the external legal counsel that will provide the defense on the demurrer of the reports that were drawn up. As informed in Note 9, part of the acquisition value of Cientificalab is retained to ensure payment of eventual liabilities or contingencies during the period of the former management. These records of infraction were assessed by the legal consultants as being of possible risk.

## 24 Equity

### *a. Capital*

The Company's capital of R\$ 402,091 is represented by 229,611,740 (two hundred and twenty-nine million, six hundred and eleven thousand, seven hundred and forty) registered common shares, without certificates and with no par value, with exclusion of rights of first refusal of the current shareholders of the Company in their subscription, in accordance with that 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.

**(Publicly-held company)**

## Notes to the consolidated financial statements

*(In thousands of Reais)*

The authorized limit for the capital increase, irrespective of statutory reform, through the issuance of new shares, is 560,000,000 (five hundred and sixty 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 made, at the Board of Directors' discretion, without right of first refusal or a reduction in the time frame addressed by paragraph 4 of Article 171 of Law 6404/76, the placement of which is made through sale on the 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.

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### *b. Shareholding structure*

*Controllers, managers and outstanding shares*

<u>Shareholders</u>	<u>Situation at December 31, 2010</u>			
	<u>Common shares (Unit.)</u>	<u>%</u>	<u>Total shares (Unit.)</u>	<u>%</u>
Board of Directors	281,744	0.12%	281,744	0.12%
Executive Board	3,432	0.00%	3,432	0.00%
Treasury stock	459,035	0,20%	459,035	0,20%
Other shareholders	228,867,529	99.68%	228,867,529	99.68%
<b>Total Shares</b>	<b><u>229,611,740</u></b>	<b><u>100.00%</u></b>	<b><u>229,611,740</u></b>	<b><u>100.00%</u></b>

In the SGM held on February 1, 2010, the splitting of the Company's common shares was approved, and each common share would thereafter be represented by 4 common shares.

# Diagnósticos da América S.A.

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(In thousands of Reais)

At December 31, 2010, the Company did not have an Audit Committee.

<b>Shareholders</b>	<b>Situation at December 31, 2009</b>			
	<b>Common shares (Unit.)</b>	<b>%</b>	<b>Total shares (Unit.)</b>	<b>%</b>
Board of Directors	71,787	0.13%	71,787	0.13%
Executive Board	-	0.00%	-	0.00%
Audit committee	-	0.00%	-	0.00%
Other shareholders	57,331,148	99.87%	57,331,148	99.87%
<b>Total shares</b>	<b>57,402,935</b>	<b>100.00%</b>	<b>57,402,935</b>	<b>100.00%</b>

In the AGM held on April 28, 2009 the Company's Audit Committee was installed on a non-permanent basis, to work in fiscal year 2009. The investiture occurred on May 8, 2009.

<b>Shareholders</b>	<b>Situation at January 1st, 2009</b>			
	<b>Common shares ON (Unit.)</b>	<b>%</b>	<b>Total Shares (Unit.)</b>	<b>%</b>
Board of Directors	3,642,234	6.35%	3,642,234	6.35%
Executive Board	1,547	0.00%	1,547	0.00%
Audit committee	1,500	0.00%	1,500	0.00%
Other shareholders	53,757,654	93.65%	53,757,654	93.65%
<b>Total shares</b>	<b>57,402,935</b>	<b>100.00%</b>	<b>57,402,935</b>	<b>100.00%</b>
<b>Outstanding shares</b>	<b>53,759,154</b>	<b>93.65%</b>	<b>53,759,154</b>	<b>93.65%</b>

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### *Commitment clause*

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

### **c. Dividends and interest on shareholders' equity**

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 Article 202 of Law 6404/76, for the payment of mandatory dividends.

With respect to fiscal year 2010, on December 27, 2010, the Board of Directors authorized the payment of interest on own capital in the amount of R\$ 30,000 (U.S. \$ 0.13091706685 per share), charged in minimum mandatory dividends, net of income tax for the year ended December 31, 2010.

Net income for the period	97,966
Recording of legal reserve	<u>(4,898)</u>
Base for distribution of dividends	93,068
<b>Condition for distribution of dividends</b>	
Mandatory minimum dividends - 25%	23,267
Interest on shareholders' capital (net of income tax)	26,705
<b>Form of payment</b>	
Distribution to retained profit reserve	30,000
(-) Withholding income tax on interest on own capital	<u>(3,295)</u>
	<u>26,705</u>
Total shares at December 31, 2010 (ex -treasury)	229,152,705
Interest on shareholders' capital per share (net of income tax)	0.11653981231
Interest on shareholders' capital per share (gross value)	0.13091706685

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## Notes to the consolidated financial statements

(In thousands of Reais)

### *d. Capital budget and distribution to retained profit reserve*

With respect to the capital budget for fiscal year 2010, we inform that the Company has accomplished the budget approved in the AGM held on April 2010, where the funds were invested in organic expansion and the refurbishing of PSCs, technological modernization, systems development and others. Management shall submit to the stockholders, at the next Ordinary General Meeting, the proposal for the distribution of the retained earnings related to the fiscal year ended December 31, 2010, as well as the capital budget for fiscal year 2011, in compliance with current corporate legislation and pursuant to the company's bylaws, as follows:

**Investment:**

Organic expansion and reform of operational units	110,000
Technological change	30,000
Software development	7,000
Other	3,000
Total investment	<u>150,000</u>

**Source:**

Profit retention reserve from fiscal year 2009	63,068
Estimated net cash provided by operating activities during 2010	86,932
Total source	<u>150,000</u>

### *e. Treasury shares*

During the Board meeting held on April 9, 2010, the acquisition of up to 1,000,000 (one million) registered common shares with no par value issued by the Company, was approved to remain in the treasury and for further cancelation or sale. This acquisition aims at investing in resources available in the capital reserve account resulting from the premium on share issues, without a decrease in capital, and will have maximum validity of 365 (three hundred and sixty five) days, as from April 12, 2010, and due on April 11, 2011.

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(In thousands of Reais)

At December 31, 2010, the treasury shares presented the following breakdown:

<b>Breakdown of Operation</b>	<b>Number of Shares (unit)</b>	<b>Value</b>	<b>Average price per share</b>
Purchase	<u>459,035</u>	<u>7,028</u>	<u>15.31</u>
Balance at December 31, 2010	<u>459,035</u>	<u>7,028</u>	<u>15.31</u>

### 25 Income tax and social contribution

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 presented as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<b>12/31/10</b>	<b>12/31/09</b>	<b>12/31/10</b>	<b>12/31/09</b>
Profit before income and social contribution taxes	<u>135,085</u>	<u>93,652</u>	<u>140,091</u>	<u>120,687</u>
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution: Through the combined tax rate	(45,929)	(31,842)	(47,631)	(41,034)
<b>Permanent additions</b>				
Bonus	(2,032)	-	(2,032)	-
Income of subsidiary abroad	-	-	4,704	-
Reversal of swap derivatives	(6,650)	-	(6,288)	-
<b>Permanent exclusion</b>				
Equity accounting	8,738	17,004	-	-
Taxes in installments - REFIS IV				
<b>Other adjustments</b>				
Net temporary exclusions (additions)				
Initial recognition of deferred income tax of merged subsidiaries	-	12,197	-	12,197
Income taxes and social contribution of	-	-	-	8,243

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## Notes to the consolidated financial statements

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	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>12/31/10</u>	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/09</u>
subsidiaries taxed by the deemed profit system				
Interest on shareholders' capital	10,200	8,000	10,200	8,000
Losses with subsidiaries	-	-	-	(5,071)
Others	<u>( 1,446)</u>	<u>( 786)</u>	<u>( 1,078)</u>	<u>(3,614)</u>
	<u>(37,119)</u>	<u>4,573</u>	<u>(42,125)</u>	<u>(21,279)</u>
Income and social contribution taxes	(18,519)	(16,583)	(20,612)	(42,086)
Deferred taxes	(18,600)	21,156	(21,513)	20,807
Effective tax rate	<u>27%</u>	<u>- 5%</u>	<u>30%</u>	<u>18%</u>

## 26 General and administrative expenses

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>12/31/10</u>	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/09</u>
Personnel expenses	104,998	83,018	118,936	106,187
Profit sharing plan	22,919	4,671	24,130	6,003
Services and utilities	47,084	42,983	54,322	65,028
Depreciation and amortization	29,200	14,079	32,187	20,893
Taxes	402	414	637	948
Sundry provisions	14,309	10,855	14,533	14,174
Provision for doubtful accounts (Reversal)	(4,550)	49,187	(4,786)	53,254
General expenses	<u>22,889</u>	<u>16,834</u>	<u>26,596</u>	<u>32,232</u>
	<u>237,251</u>	<u>222,041</u>	<u>266,555</u>	<u>298,719</u>

# Diagnósticos da América S.A.

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## Notes to the consolidated financial statements

(In thousands of Reais)

### 27 Financial instruments

#### *Classification of financial instruments*

The financial instruments are classified as described below.

Financial assets are classified in the following categories: (a) loans and receivables, (b) measured at fair value through profit and loss, (c) held to maturity and, (d) available for sale. The classification is based on the following criteria:

#### **a. Loans and receivables**

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

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

#### **b. Stated at fair value through profit and loss**

The financial assets that are: (i) trading securities for a short-term period, (ii) assigned at fair value with the objective of matching acknowledged income and expense effects in order to obtain 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.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

### **c. Held to maturity**

The non-derivative financial assets with fixed or determined payment maturity dates, which the Company intends to hold until maturity date. The financial assets related to this classification are recorded at 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 into any of the aforementioned classifications or 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 and respective subsidiaries do not have financial assets classified in this category.

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

- **Stated at fair value through profit and loss**

The financial liabilities that: (i) are kept for short term negotiation, (ii) assigned at fair value with the objective of matching acknowledged income and expense effects in order to obtain 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 the following financial liabilities in this category: (i) derivatives.

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(In thousands of Reais)

- **Not stated at fair value through profit and loss**

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

The main financial liabilities classified in this category are: (i) accounts payable to suppliers (Note 12) (ii) loans and financing (Note 13), (iii) debentures (Note 14) and, (iv) other accounts payable (Note 18).

The table below identifies the financial instruments of the Company and respective subsidiaries. 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.

Description	Parent Company					
	12/31/2010		12/31/2009		01/01/2009	
	Fair value through profit and loss	Amortized cost	Fair value through profit and loss	Amortized cost	Fair value through profit and loss	Amortized cost
Cash and cash equivalents	280,478	-	17,161	-	13,872	-
Marketable securities	57,856	-	63,241	-	73,732	-
Trade accounts receivable	-	309,926	-	246,011	-	167,307
Derivatives	-	-	4,481	-	29,800	-
<b>Assets</b>	<b><u>338,334</u></b>	<b><u>309,926</u></b>	<b><u>84,883</u></b>	<b><u>246,011</u></b>	<b><u>117,404</u></b>	<b><u>167,307</u></b>
Accounts payable to suppliers	-	48,998	-	43,199	-	26,614
Bank loans and financing	-	685,313	-	122,969	-	170,365
Debentures	-	69,031	-	136,645	-	207,226
Derivatives	38,691	-	7,938	-	-	-
Other accounts	-	45,861	-	44,092	-	19,914
<b>Liabilities</b>	<b><u>38,691</u></b>	<b><u>849,203</u></b>	<b><u>7,938</u></b>	<b><u>346,905</u></b>	<b><u>-</u></b>	<b><u>424,119</u></b>

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Description	Consolidated					
	12/31/2010		12/31/2009		01/01/2009	
	Fair value through profit and loss	Amortized cost	Fair value through profit and loss	Amortized cost	Fair value through profit and loss	Amortized cost
Cash and cash equivalents	328,670	-	277,920	-	492,224	-
Marketable securities	86,555	-	63,241	-	73,732	-
Trade accounts receivable	-	357,070	-	268,837	-	263,704
Derivatives	-	-	4,481	-	29,800	-
<b>Assets</b>	<u>415,225</u>	<u>357,070</u>	<u>345,642</u>	<u>268,837</u>	<u>595,756</u>	<u>263,704</u>
Accounts payable to suppliers	-	58,517	-	50,240	-	58,897
Bank loans and financing	-	738,005	-	560,174	-	805,485
Debentures	-	69,031	-	136,645	-	207,226
Derivatives	38,691	-	7,938	-	-	-
Other accounts	-	46,047	-	44,538	-	25,087
<b>Liabilities</b>	<u>38,691</u>	<u>911,600</u>	<u>7,938</u>	<u>791,597</u>	<u>-</u>	<u>1,096,695</u>

### Risks

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

#### a. Credit risk

The Company and its subsidiaries are subordinated to the credit policies determined by Management, aiming at minimizing possible problems arising 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\$ 52,466 (R\$ 61,527 as of December 31, 2009 and R\$ 12,521 as of January 1, 2009), accounting for 16.84% (20.56% as of December 31, 2009 and 7.18% as of January 1, 2009) of the balance of outstanding receivables to face the credit risk, and in consolidated R\$59,003 (R\$ 66,982 as of December 31, 2009 and R\$ 18,411 as of January 1, 2009) representative of 16.51% (20.49% as of December 31, 2009 and 6.75% as of January 1, 2009) of the balance of outstanding receivables to face the credit risk.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

### **b. Exchange rate risk**

This risk arises from possible variations in exchange rates for the currencies used by the Company for the acquisition of equipment and for contracting loans, which may result in losses and cash restrictions due to the exchange rate volatility, increasing, therefore, the liabilities balance in foreign currency. The Company's exposure to financial transactions in foreign currency is substantially covered, since a great part of the funding is still in foreign currency, the US Dollar, and interest is covered by swaps, 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 losses due to interest rate fluctuations that increase the financial expenses of loans, financing and debentures.

- **Risk management**

The Company maintains internal control procedures to monitor transactions and the balance of financial instruments, for purposes of tracking the risks and the rates in force in relation to market rates, aiming at liquidity, security and profitability of its assets.

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 shown adequate results for risk mitigation. Additionally, the Company does not make any transactions involving exotic or speculative derivatives.

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## Notes to the consolidated financial statements

*(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 on the Futures and Commodities Exchange (BM&F) and National Association of Open Market Institutions (Anbima) sites.

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

### **e. Derivative instruments**

As mentioned above, the objective of the contract for derivative financial swaps is to minimize the risks of loans and financing in US dollars. Pursuant to the Company's financial strategy, the operations involving instruments are contracted for the purpose of hedging the risks arising from exchange rate variations and interest rate fluctuations, and therefore there are no 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 periodic adjustments. The premises used in the calculation of the Purchased and Sold Swap position are stated below:



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The Company recognized gains and losses with its derivative instruments. However, since they are hedge derivatives, these gains and losses minimized the impacts arising from exchange rate variations and from interest rate variations in the respective hedged indebtedness. As of December 31, 2010 and 2009, the derivative instruments generated the following impacts on the consolidated result:

Derivatives	Risk	Account	Income (Expense)	
			12/31/10	12/31/09
Merril Lynch	Exchange rate	Financial Revenues/		
	Interest Adjustment Fair Value	(Financial Expenses)	(6,979)	(13,584)
Credit Suisse	Exchange rate	Financial Revenues /		
	Interest Adjustment Fair Value	(Financial Expenses)	(9,521)	(20,599)
Banco HSBC (SWAP)	Exchange rate	Financial Revenues /		
	Interest Adjustment Fair Value	(Financial Expenses)	(4,542)	-
Banco Bradesco (NDF)	Exchange rate	Financial Revenues /		
	Interest Adjustment Fair Value	(Financial Expenses)	(13,844)	-
Banco HSBC (NDF)	Exchange rate	Financial Revenues /		
	Interest Adjustment Fair Value	(Financial Expenses)	(2,082)	-
Banco Itaú (NDF)	Exchange rate	Financial Revenues /		
	Interest Adjustment Fair Value	(Financial Expenses)	( 586)	-
			<u>(37,554)</u>	<u>(34,183)</u>

### f. Sensitivity analysis

In accordance with Instruction CVM 475/08, the Company carried out a 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 variations, shown as follows:

#### *Exchange rate variation*

The market value was calculated on the date of the financial statements according to projections of future quotations of the US dollar obtained from BM&FBovespa. In the case of the scenarios, according to the aforementioned instruction, stress percentages defined therein were added.

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Considering the maintenance of (notional) exposure and the aforementioned variations, the simulation of the effects of devaluation of the dollar on the financial statements, consolidated by type of financial tool, for two distinct scenarios would be:

Contract	Risk	Exposure	Market value at 12/31/2010	Depreciation 25%	Depreciation 50%
Swap Contract - Merrill Lynch Position - Exchange Variation	Fall in US\$	166,300	35,122	(8,780)	(17,561)
Swap Contract - Credit Suisse Position - Exchange Variation	Fall in US\$	249,450	52,683	(13,171)	(26,341)
Swap Contract - HSBC Position - Exchange Variation	Fall in US\$	35,281	43,409	(10,852)	(21,705)
NDF - Bradesco	Fall in US\$				
Asset position - Exchange Variation		75,000	124,395	(31,099)	(62,197)
NDF - HSBC	Fall in US\$				
Asset position - Exchange Variation		50,000	82,930	(20,732)	(41,465)
NDF - Itaú	Fall in US\$				
Asset position - Exchange Variation		<u>30,927</u>	<u>51,313</u>	<u>(12,828)</u>	<u>(25,656)</u>
		<u>606,958</u>	<u>389,852</u>	<u>(97,462)</u>	<u>(194,925)</u>

### *Interest rate variation*

The market value was calculated on the date of these financial statements according to projections of future quotations for each maturity of principal and interest, obtained from BM&FBovespa. In the case of the scenarios, according to the aforementioned instruction, the stress percentages defined therein were added.

Considering that the scenario of exposure of financial tools indexed to variable interest rates on December 31, 2010 is maintained, the effects of an increase in the CDI in the financial statements, consolidated by type of financial instrument, for two distinct scenarios would be:

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Contracts	Risk	Exposure	Value market at 12/31/10	Increase 25%	Increase 50%
Swap Contract - Merrill Lynch	CDI				
Liabilities Position - Interest	Increase	166,300	(43,687)	(8,253)	(15,795)
Swap Contract - Credit Suisse	CDI				
Liabilities Position - Interest	Increase	249,450	(62,322)	(12,491)	(23,908)
Swap Contract - HSBC	CDI				
Liabilities Position - Interest	Increase	35,281	(47,384)	185	355
NDF - Bradesco	CDI				
Liabilities Position - Interest	Increase	75,000	(138,239)	684	1,349
NDF - HSBC	CDI				
Liabilities Position - Interest	Increase	50,000	(85,012)	421	829
NDF - Itaú	CDI				
Liabilities Position - Interest	Increase	<u>30,927</u>	<u>(51,899)</u>	<u>257</u>	<u>506</u>
		<u>606,958</u>	<u>(428,543)</u>	<u>(19,197)</u>	<u>(36,664)</u>

## 28 Insurance coverage

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

The Company has insurance policies taken out with the main insurance companies in Brazil, which were determined in accordance with the guidance of experts, and take into account the nature and the level of risk involved. The main insurance coverage are those against fire (R\$ 100,000), unearned profits (R\$ 9,500), civil liability (R\$ 1,000), civil liability of Officers and Administrators (R\$ 50,000), gales 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 the audit of the consolidated financial statements and, accordingly, were not audited by our independent auditors.

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### 29 Related party transactions

Our by-laws require that any transaction, or set of transactions, whose amounts are superior to US\$500,000 (five hundred thousand North-American dollars), between the Company and (i) its controlling shareholders, as defined in the New Market Listing Rules, (ii) any individual, including spouses or relatives up to the third degree, or companies that detain, directly or indirectly, the control of the Company's controlling legal entity, or (iii) any legal entity in which any of the controlling shareholders, directly or indirectly, including the spouses and relatives up to the third degree, detain share participation, must be approved in a Board Meeting, by at least 75% of the members attending the meeting.

Within the periods ended December 31, 2010 and December 31, 2009 the company carried out operations within the context of normal operations with related parties, as shown below:

#### a. Operations involving the Company and its subsidiaries

##### *a.1 - Amounts related to intercompany loans contracted by the Company and its subsidiaries*

A Bad Debt Provision is not recorded for the existing amounts, and, hence, there are no guarantees given or received involving these transactions.

As of December 31, 2010 there were no balances related to payables and receivables.

#### Related party receivable - Company DASA

	12/31/2009	01/01/2009
Cedic (a)	-	776
Cedilab (a)	<u>-</u>	<u>420</u>
	<u>-</u>	<u>1,196</u>

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### Related party payable - Company DASA:

	12/31/2009	01/01/2009
CientíficaLab (a)	3,003	-
Frischmann (a)	-	800
Exame (a)	-	1,000
Maxidiagnósticos (a)	-	-
DASARE (a)	2,628	-
DAS AFC (b)	<u>133,214</u>	<u>73,270</u>
	<u>138,845</u>	<u>75,070</u>

- (a) Interest of 1% per month shall be levied on the value of loans granted between the Company and its subsidiaries. The due date stated in these loans is 90 days from the execution of the agreements.
- (b) The funds transferred by the subsidiary DASA Finance Corporation, raised through Senior Notes on May 29, 2008, are being used by the Company mainly to finance the expansion of its activities. On December 16, 2010 the subsidiary DASA Finance Corporation integrally assigned the balance of the loan that it has maintained with the Company to Banco Itaú BBA (NY branch), with the aim of raising funds to finance the public offer for re-purchasing notes, described in item (c) of Note 17.
- (c) The gain obtained in the granting of the loan is R \$ 75,051, recorded under financial income.

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(In thousands of Reais)

### a.2 - Amount of services rendered during in year 2010 involving the Company and its subsidiaries

A Bad debt provision is not recorded for the existing amounts, and, therefore, there are no guarantees given or received involving these transactions.

	December 31, 2010						
	Revenue						
	Parent Company - Dasa ( <sup>2</sup> )	Científica Lab ( <sup>2</sup> )	DASA RE ( <sup>1</sup> )	DASA FC ( <sup>3</sup> )		Total	
<b>Cost of services provided</b>							
Parent Company - Dasa	-	558	1,596	23,651		25,805	
CientíficaLab	<u>14,811</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>14,811</u>	
	<u>14,811</u>	<u>558</u>	<u>1,596</u>	<u>23,651</u>		<u>40,616</u>	
	December 31, 2009						
	Revenue						
	Parent Company- Dasa ( <sup>2</sup> )	Científic a Lab ( <sup>2</sup> )	DASA RE ( <sup>1</sup> )	DASA FC ( <sup>3</sup> )	Medlab or ( <sup>2</sup> )	CMI ( <sup>1</sup> )	Total
<b>Cost of services provided</b>							
Parent Company - Dasa	-	10,481	1,637	14,194	-	-	26,312
Exame	2,437	-	-	-	62	-	2,499
Cedic/Cedilab	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>615</u>	<u>615</u>
	<u>2,437</u>	<u>10,481</u>	<u>1,637</u>	<u>14,194</u>	<u>62</u>	<u>615</u>	<u>29,426</u>

(<sup>1</sup>) amount related to property leases.

(<sup>2</sup>) amount related to clinical analysis services rendered.

(<sup>3</sup>) amount related to financial operations.

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### *a.3 - Amounts related to inventory and loan receivables as of December 31, 2010 involving the company and respective subsidiaries*

A Bad Debt Provision is not recorded for the existing amounts, and, therefore, there are no guarantees given or received involving these transactions.

	<b>December 31, 2010</b>			
	<b>Suppliers</b>			
	<b>Parent Company - Dasa</b>	<b>DASA RE</b>	<b>Científica Lab</b>	<b>Total</b>
<b>Trade accounts receivable</b>				
Parent Company - DASA	-	227	76	303
CientíficaLab	<u>2,280</u>	<u>-</u>	<u>-</u>	<u>2,280</u>
	2,280	227	76	2,583
<b>Inventories - loans of materials</b>				
CientíficaLab	<u>1,266</u>	<u>-</u>	<u>-</u>	<u>1,266</u>
	<u>3,546</u>	<u>227</u>	<u>76</u>	<u>3,849</u>
	<b>December 31, 2009</b>			
	<b>Suppliers</b>			
	<b>Parent Company - Dasa</b>	<b>DASA RE</b>		<b>Total</b>
<b>Trade accounts receivable</b>				
Parent Company - DASA	-	165		165
CientíficaLab	<u>7,149</u>	<u>-</u>		<u>7,149</u>
	7,149	165		7,314
<b>Inventories - loans of materials</b>				
CientíficaLab	<u>665</u>	<u>-</u>		<u>665</u>
	<u>7,814</u>	<u>165</u>		<u>7,979</u>

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## Notes to the consolidated financial statements

(In thousands of Reais)

	January 1, 2009			
	Suppliers			
	Parent Company - Dasa	Alvaro	DASA RE	Total
<b>Trade accounts receivable</b>				
Parent Company - DASA	-	306	122	428
Frischmann	-	83	-	83
LabPasteur	-	20	-	20
MedLabor	17	-	-	17
Atalaia	-	50	-	50
Exame	-	31	-	31
CientíficaLab	-	119	-	119
Med Imagem	-	50	-	50
	17	659	122	798
<b>Inventories - loans of materials</b>				
Frischmann	242	-	-	242
LabPasteur	21	-	-	21
MedLabor	189	-	-	189
Atalaia	37	-	-	37
Exame	16	-	-	16
CientíficaLab	105	-	-	105
	610	-	-	610
	627	659	122	1,408

**a.4 - Balance pursuant to advances for future capital increases existing as of December 31, 2010 between the company and its subsidiaries.**

Advances for future capital increases made by the Company amounting to R\$ 100, aiming at increasing the capital of the subsidiary DA Participaçõess and R\$ 11,000, aiming at increasing the capital of the subsidiary CientíficaLab Produtos Laboratoriais e Sistemas Ltda.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

The parent Company and respective subsidiaries did not register any transactions with the subsidiaries DASA Brasil Participações Ltda. e DASA Empreendimentos e Participações Ltda.

### **b. Remuneration of key-personnel in local management**

Remuneration of key-personnel in local managements, including fixed and variable remuneration during 2010 amounted to R\$ 1,335 (R\$ 1,768 in 2009) to members of the Board of Directors, R\$ 9,141 (R\$ 7,282 in 2009) to the statutory executive board and R\$ 5,772 (R\$ 4,294 in 2009) to ordinary members of the executive board.

Share-based remuneration is disclosed in Note 31. There are no additional benefits for key-personnel in the company's general management.

### **c. Associations**

Instituto de Ensino e Pesquisa DASA (DASA Research and Training Institute).

During the General Meeting held on June 1, 2010, the establishment of a non-commercial association was approved, called Instituto de Ensino e Pesquisa DASA, where the Company and its subsidiary Cientificalab are its founding associates.

The association will have the corporate purpose:

I - to promote and execute, in the health area, educational, scientific and applied research and technological development activities;

II - to develop and implement environment protection and preservation programs.

The Institute's activities have not started yet.

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### d. Transactions between the Company and other related parties.

- *GN Serviços de Saúde S/S Ltda.*

A company controlled by Luiz Gastão Mange Rosenfeld, a member of the Company's Board of Directors, who provides specialized consulting services in the medical area, which covers his participation in the Company's Committees and Working Teams, as designated by the Board. With respect to these services, R\$406 was paid in fiscal year 2010. The term of the contract is from April 29, 2010 to November 30, 2011. After the initial term, it can be renewed for subsequent periods of one year, if there is no written communication otherwise with, at, least, thirty days notice prior the due date.

### e. Liabilities assumed with the acquisition of Instituto de Endocrinologia e Medicina Nuclear do Recife Ltda ("CERPE")

According to the acquisition agreement of CERPE by the parent company DA Participações Ltda and the shareholders' agreement executed on the closing date of November 19, 2010, the payment of a minimum dividends of R\$21,352 was assured. The full value is deposited in a fixed income fund, as stated in Note 21 and recognized in the acquisition balance sheet as of October 31, 2010.

## 30 Leases

### *Local currency lease*

The Company entered into a number of capital lease contracts, totalizing a balance payable until 2015 in the amount of R\$ 16,681 in consolidated, where R\$ 5,589 of this amount is classified in current liabilities and R\$ 11,092 in noncurrent liabilities. The average term of the contracts is 36 months and they are pegged to interest rates varying from CDI + 1.18 % p.a. to CDI + 2.10 % p.a.

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## Notes to the consolidated financial statements

(In thousands of Reais)

The minimum future payments recorded under loans and financings (see Note 17) are separated as follows:

	<b>12/31/10</b>					
	<b>Parent Company</b>			<b>Consolidated</b>		
	<b>Present value of minimum lease payments</b>	<b>Interest</b>	<b>Future minimum lease payments</b>	<b>Present value of minimum lease payments</b>	<b>Interest</b>	<b>Future minimum lease payments</b>
Up to one year	4,959	612	5,571	5,589	689	6,278
One to five years	<u>10,272</u>	<u>1,268</u>	<u>11,540</u>	<u>11,092</u>	<u>1,369</u>	<u>12,461</u>
	<u>15,231</u>	<u>1,880</u>	<u>17,111</u>	<u>16,681</u>	<u>2,058</u>	<u>18,739</u>
	<b>12/31/09</b>					
	<b>Parent Company</b>			<b>Consolidated</b>		
	<b>Present value of minimum lease payments</b>	<b>Interest</b>	<b>Future minimum lease payments</b>	<b>Present value of minimum lease payments</b>	<b>Interest</b>	<b>Future minimum lease payments</b>
Up to one year	7,535	956	8,491	9,203	1,168	10,371
One to five years	<u>4,322</u>	<u>548</u>	<u>4,870</u>	<u>6,177</u>	<u>783</u>	<u>6,960</u>
	<u>11,857</u>	<u>1,504</u>	<u>13,361</u>	<u>15,380</u>	<u>1,951</u>	<u>17,331</u>

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(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

	01/01/09					
	Parent Company			Consolidated		
	Present value of minimum lease payments	Interest	Future minimum lease payments	Present value of minimum lease payments	Interest	Future minimum lease payments
Up to one year	4,659	750	5,409	9,988	1,607	11,595
One to five years	<u>5,430</u>	<u>856</u>	<u>6,286</u>	<u>11,526</u>	<u>1,904</u>	<u>13,430</u>
	<u>10,089</u>	<u>1,606</u>	<u>11,695</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:

	Parent Company			Consolidated		
	12/31/10	12/31/09	01/01/09	12/31/10	12/31/09	01/01/09
Machinery and equipment	12,746	9,865	5,624	14,736	12,827	13,800
Furniture and fixtures	294	665	547	321	695	776
Vehicles	528	1,209	284	608	1,641	2,869
IT equipment	4,409	4,882	4,105	4,872	5,486	6,179
Construction in process	10	44	48	10	44	120
Facilities	78	-	-	78	-	-
IT system	<u>159</u>	<u>205</u>	<u>234</u>	<u>216</u>	<u>277</u>	<u>319</u>
	<u>18,224</u>	<u>16,870</u>	<u>10,842</u>	<u>20,841</u>	<u>20,970</u>	<u>24,063</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### *Foreign Lease*

The Company is a leaseholder of equipment used in the rendering of services, in accordance with lease agreements with a purchase option. The payment term is 84 months, and for the first installment a grace period of six months was established 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, for which, up to 2016, there is a total balance payable in the amount of R\$ 40,140, R\$ 13,783 of which is classified under current liabilities and R\$ 26,357 under noncurrent liabilities.

Minimum future leases payments are separated as follows:

	12/31/10					
	Parent Company			Consolidated		
	Present value of minimum lease payments	Interest	Future minimum lease payments	Present value of minimum lease payments	Interest	Future minimum lease payments
Up to one year	13,309	871	14,180	13,783	902	14,685
One to five years	26,217	1,717	27,934	26,304	1,717	28,021
Over five years	<u>53</u>	<u>3</u>	<u>56</u>	<u>53</u>	<u>3</u>	<u>56</u>
	<u>39,579</u>	<u>2,591</u>	<u>42,170</u>	<u>40,140</u>	<u>2,622</u>	<u>42,762</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

	<b>12/31/09</b>					
	<b>Parent Company</b>			<b>Consolidated</b>		
	<b>Present value of minimum lease payments</b>	<b>Interest</b>	<b>Future minimum lease payments</b>	<b>Present value of minimum lease payments</b>	<b>Interest</b>	<b>Future minimum lease payments</b>
Up to one year	17,253	1,130	18,383	17,689	1,159	18,848
One to five years	40,844	2,675	43,519	41,373	2,710	44,083
Over five years	<u>55</u>	<u>4</u>	<u>59</u>	<u>55</u>	<u>4</u>	<u>59</u>
	<u>58,152</u>	<u>3,809</u>	<u>61,961</u>	<u>59,117</u>	<u>3,873</u>	<u>62,990</u>

	<b>01/01/09</b>					
	<b>Parent Company</b>			<b>Consolidated</b>		
	<b>Present value of minimum lease payments</b>	<b>Interest</b>	<b>Future minimum lease payments</b>	<b>Present value of minimum lease payments</b>	<b>Interest</b>	<b>Future minimum lease payments</b>
Up to one year	19,327	1,266	20,593	21,822	1,429	23,251
One to five years	64,771	4,242	69,013	71,892	4,709	76,601
Over five years	<u>1,444</u>	<u>96</u>	<u>1,540</u>	<u>1,478</u>	<u>98</u>	<u>1,576</u>
	<u>85,542</u>	<u>5,604</u>	<u>91,146</u>	<u>95,192</u>	<u>6,236</u>	<u>101,428</u>

The international financial lease contracts are included in fixed assets under machinery and equipment R\$ 79,218 (R\$ 90,858 at December 31, 2009 and R\$ 90,544 at January 1, 2009) in Company and R\$ 80,826 (R\$ 92,709 at December 31, 2009 and R\$ 99,842 at January 1, 2009) in Consolidated.

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

### **31 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 shareholders, with an effective term of five years from the date of its approval. The Plan will be managed by the Company's Board of Directors, which may empower its duties, observing the restrictions provided by Law, to the Company's Management Committee. 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 Company's total 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 the Company's shares in the past five (5) trading sessions of the 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. 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 from the date of respective granting; and (ii) up to sixty-seven per cent (67%) of the 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. The content of the plan was disclosed to the market on March 25, 2008, through the Brazilian Securities Commission (CVM) information system ([www.cvm.gov.br](http://www.cvm.gov.br)).

During a meeting on April 9, 2010, the Directors decided to:

- a) Grant Company stock options on April 12, 2010;
- b) Set as beneficiaries the people listed in the meeting's minutes;
- c) Set 441,434 stocks (four hundred and forty one thousand, four hundred and thirty four) stocks as the maximum threshold for the acquisition of shares by the beneficiaries;
- d) Define as minimum price for exercising the right of acquiring the stock options the amount of R\$ 15.50 (fifteen reais and fifty cents) per share, according to item 6.1 of the acquisition plan;

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## Notes to the consolidated financial statements

(In thousands of Reais)

- e) Set, based on the authority established in the plan to the Board of Directors, the revaluation of the exercise price based on 100% of the variation of the CDI (Interbank Deposit Certificate) rate, previously fixed upon the signing of the option contract up to the time of exercising the right to the option.
- f) Approve restriction limits for the sale of stocks acquired with the exercise of the options so that the beneficiaries may sell, immediately after their exercise, up to 50% (fifty percentage points) of the stocks acquired and the remainder up to 30 (thirty) days later.
- g) Empower the Company Management Committee to establish, in compliance with the plan's instructions, the remaining applicable conditions, including terms, exercise and payment conditions, and provide information for the Board of Directors so as to enable them to check and confirm these conditions. Additionally, the Company's Management Committee will also be responsible for executing any type of actions and procedures within the scope of the plan.

The balance at December 31, 2010 booked under share purchasing option plan, in net worth, corresponds to the amount of R\$ 309.

	<b>Price of sale R\$ / share</b>	<b>Number of options</b>
Balance at December 31, 2009	—	—
Granted	<u>23.44</u>	<u>441,434</u>
Balance at December 31, 2010	<u>23.44</u>	<u>441,434</u>

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(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

	Price of sale R\$ / share	Sale value
Maximum Sale Value	23.44	10,347
Minimum Sale Value	18.29	8,074
Average remaining term (in years)		5 years

### Fair value of options granted in 2010

Average Share Price	
Option Sale Price	15.50
Expected Volatility	23.44
Option Term	27.80% a.a.
Risk-Free Interest Rate	5 12.12%
Effect on results	
Share Option Execution	
Maximum Sale Value	309

## 32 Operating income

The reconciliation between the gross income for tax purposes and the income presented in the income statement for the fiscal year is as follows:

	Parent Company		Consolidated	
	12/31/10	12/31/09	12/31/10	12/31/09
Gross revenue	1,475,768	979,768	1,631,990	1,507,963
Deductions:				
Sales taxes	( 85,915)	( 59,788)	( 97,829)	( 90,430)
Discounts	( 30,505)	( 24,061)	( 32,194)	( 29,220)
	<u>1,359,348</u>	<u>895,919</u>	<u>1,501,967</u>	<u>1,388,313</u>

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## Notes to the consolidated financial statements

(In thousands of Reais)

### 33 Financial income (expenses)

	Parent Company		Consolidated	
	12/31/10	12/31/09	12/31/10	12/31/09
<b>Financial expenses</b>				
Interest	(141,024)	( 48,356)	(241,887)	( 84,604)
Monetary and exchange variations	(112,039)	( 80,244)	(112,187)	( 75,001)
Other	<u>( 19,019)</u>	<u>( 6,894)</u>	<u>( 22,986)</u>	<u>( 11,951)</u>
	(272,082)	(135,494)	(377,060)	(171,556)
<b>Financial income</b>				
Interest	9,828	2,155	127,836	21,096
Monetary and exchange variations	95,332	102,820	95,507	107,564
Other	<u>335</u>	<u>20</u>	<u>355</u>	<u>790</u>
	105,495	104,995	223,698	129,450
	<u>(166,587)</u>	<u>( 30,499)</u>	<u>(153,362)</u>	<u>( 42,106)</u>

### 34 Adoption of International Financial Reporting Standards (IFRS)

On the transition date, on January 1, 2009, the retroactive application of optional exemptions was applied, pursuant to CPC 37 (IFRS1 ) referring to business combinations, whereby all acquisitions occurring until December 31,2008 were booked according to CVM instruction 247/96. On adopting CPC/IFRS, the company did not opt to apply, retroactively, the CPC15 requirements - Business Combinations (IFRS3).

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## Notes to the consolidated financial statements

*(In thousands of Reais)*

### **34.1 Change in accounting policies**

#### **34.1.1 Capitalization of interest**

Pursuant to IAS 23, the capitalization costs directly attributable to acquisition, construction and production of assets that necessarily take a substantial period of time to be prepared for their intended use or sale, should be capitalized up to the cost of these assets, up to the moment they are ready for its use or sale.

#### **34.1.2 Business combinations**

Pursuant to IFRS - 3 "Business Combinations", the cost of acquisition is allocated to assets acquired, including identifiable intangible assets and assumed liabilities, based on their acquisition date fair value. The excess of costs of an entity acquired, plus the amounts attributed to the acquired assets and presumed liabilities, are recognized as goodwill.

The company used the exemption related to the Business Combination rule, and the acquisition of Unidade Cearense de Imagem Ltda, acquired in 2009, is the sole acquisition to be re-valued by the rule.

At the transition date, the installments due to the former controllers of the acquired companies were provisioned as a counterpart to premiums, as stated below:

##### **a. Accounts Payable of acquisitions - Cientificalab**

The installments due from the acquisition of Cientificalab, in the gross amount of R\$23,158, and on these installments on the same date the adjustment to the current value in the amount of R\$6,704 was booked, resulting in net payable of R\$16,454, on the transition date. The installments due are based upon reaching the targets for invoicing and maintenance of contracts with the health public service, established in the acquisition agreement.

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*(In thousands of Reais)*

### **b. Accounts Payable of acquisitions - Cedic/Cedilab -**

The installments due from the acquisition of Cedic and Dedilab, in the amount of R\$5,001 (Cedic R\$3,134 and Cedilab R\$ 1,867), were submitted to tests for recognizing the adjustment to current value, and as the results were irrelevant no adjustment was booked. The installments due are based upon reaching the targets for invoicing established in the acquisition agreement.

### **c. Expenditure with acquisition of shares**

The residual amount of R\$12,650, initially booked under “Other intangible assets - Expenditure with acquisition of shares” was reclassified under “Premium on the acquisition of shares”

### *34.1.3 Estimated fixed assets*

The company adopted the deemed cost and has reviewed the residual useful economic life of fixed assets, based on reports prepared by external consultants engaged by the company. The items of fixed assets that had their residual useful economic life revised were allocated to Furniture, Fixtures and Equipment and IT Equipment.

The effects of these changes in the Estimated Useful Life of Fixed Assets were recognized as from the transition date January 1, 2009.

Recorded at cost of acquisition, formation or construction, plus interest capitalized during the construction period, whenever applicable, in case of qualified assets.

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. Leasehold improvements are amortized based on the shorter of the term of the real estate lease agreement or the useful lives of the assets.

Other costs are capitalized when there is an increase in the economic benefits of the item of property, plant and equipment.

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(In thousands of Reais)

### 34.1.4 Provision for the reduction of financial assets recovery value

This refers to provision of financial asset recovery value according to CPC38 (IAS 39).

### 34.1.5 Reclassification

Aiming at adjusting the differed income tax and social contribution, which were previously presented under non current assets and liabilities, both were reclassified under non current assets and liabilities.

## 34.2 Comparison of the adjustments to the Financial Statements:

### 34.2.1 Balance sheets

	Parent Company			
	01/01/2009 (*)		12/31/2009	
	Previously published	Adjusted to CPC	Previously published	Adjusted to CPC
<b>Assets</b>				
<b>Current assets</b>				
Deferred taxes (Note 35.1.5)	<u>20,445</u>	-	<u>52,168</u>	-
	269,319	248,874	414,352	362,184
<b>Noncurrent assets</b>				
<b>Long-term receivables</b>				
Deferred taxes (Note 35.1.5)	<u>74,838</u>	<u>95,283</u>	<u>63,206</u>	<u>115,374</u>
	180,444	200,889	125,004	177,172
Investments (Note 35.1.3)	116,040	113,077	77,824	74,676
Property and equipment (Note 35.1.3)	356,795	360,455	394,111	411,983
Intangible assets (Note 35.1.2)	<u>309,537</u>	<u>332,182</u>	<u>316,130</u>	<u>341,153</u>
	<u>782,372</u>	<u>805,714</u>	<u>788,065</u>	<u>827,812</u>
	<u>1,232,135</u>	<u>1,255,477</u>	<u>1,327,421</u>	<u>1,367,168</u>

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## Notes to the consolidated financial statements

(In thousands of Reais)

	<b>Parent Company</b>			
	<b>01/01/2009 (*)</b>		<b>12/31/2009</b>	
	<b>Previously published</b>	<b>Adjusted to CPC</b>	<b>Previously published</b>	<b>Adjusted to CPC</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Deferred taxes (Note 35.1.5)	858	-	-	-
Accounts payable from acquisition of subsidiaries (Note 35.1.2)	8,228	15,971	13,961	20,030
Others (Note 35.1.2)	<u>19,316</u>	<u>19,914</u>	<u>43,494</u>	<u>44,092</u>
	283,483	290,966	358,996	365,663
<b>Noncurrent liabilities</b>				
<b>Long-term liabilities</b>				
Deferred taxes (Note 35.1.5)	8,415	10,719	8,186	13,789
Accounts payable from acquisition of subsidiaries (Note 35.1.2)	<u>67,764</u>	<u>81,476</u>	<u>60,202</u>	<u>73,227</u>
	469,750	485,766	429,237	447,865
<b>Shareholders' Equity</b>				
Profit reserves (Note 35.2.2)	<u>11,384</u>	<u>11,227</u>	<u>71,670</u>	<u>86,122</u>
	<u>478,902</u>	<u>478,745</u>	<u>539,188</u>	<u>553,640</u>
	<u>1,232,135</u>	<u>1,255,477</u>	<u>1,327,421</u>	<u>1,367,168</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

	Consolidated			
	01/01/2009 (*)		12/31/2009	
	Previously published	Ajusted to IFRS	Previously published	Ajusted to IFRS
<b>Assets</b>				
<b>Current assets</b>				
Recoverable taxes (Note 35.1.4)	48.520	42.539	42.694	36.713
Deferred taxes (Note 35.1.5)	<u>20.445</u>	<u>-</u>	<u>58.569</u>	<u>-</u>
	880.521	854.095	724.926	660.376
<b>Noncurrent assets</b>				
<b>Long-term receivables</b>				
Deferred taxes (Note 35.1.5)	<u>74.838</u>	<u>95.283</u>	<u>85.246</u>	<u>143.815</u>
	179.354	199.799	147.049	205.618
Property and equipment (Note 35.1.3)	473.558	481.301	425.132	446.339
Intangible assets (Note 35.1.2)	<u>316.098</u>	<u>336.150</u>	<u>321.306</u>	<u>344.265</u>
	<u>789.872</u>	<u>817.667</u>	<u>746.698</u>	<u>790.864</u>
	<u>1.849.747</u>	<u>1.871.561</u>	<u>1.618.673</u>	<u>1.656.858</u>

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

	Consolidated			
	01/01/2009 (*)		12/31/2009	
	Previously published	Ajusted to IFRS	Previously published	Ajusted to IFRS
<b>Liabilities</b>				
<b>Current liabilities</b>				
Deferred taxes (Note 35.1.5)	858	-	3,066	-
Accounts payable from acquisition of subsidiaries (Note 35.1.2)	8,228	15,971	13,961	20,030
Others (Note 35.1.2)	<u>24,489</u>	<u>25,087</u>	<u>43,940</u>	<u>44,538</u>
	354,114	361,597	358,274	361,875
<b>Noncurrent liabilities</b>				
<b>Long-term liabilities</b>				
Deferred taxes (Note 35.1.5)	8,415	9,191	8,186	15,293
Accounts payable from acquisition of subsidiaries (Note 35.1.2)	<u>67,764</u>	<u>81,476</u>	<u>60,202</u>	<u>73,227</u>
	1,015,119	1,029,607	721,211	741,343
<b>Shareholders' Equity</b>				
Property reserve (Note 35.2.2 )	<u>11,384</u>	<u>11,227</u>	<u>71,670</u>	<u>86,122</u>
	<u>480,514</u>	<u>480,357</u>	<u>539,188</u>	<u>553,640</u>
	<u>1,849,747</u>	<u>1,871,561</u>	<u>1,618,673</u>	<u>1,656,858</u>

(\*) Inicial adoption date

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

### 34.2.2 Reconciliation of shareholders' equity of the parent company and consolidated

	01/01/2009 (*)	12/31/2009
Shareholders' equity previously published	<u>478,902</u>	<u>539,188</u>
Adjustments from the initial adoption of IFRS:		
Capitalization of interest (Note 35.1.1)	5,446	4,463
Business combination (Note 35.1.2)	(3,301)	(1,518)
Deemed cost of property and equipment (Note 35.1.3)	3,596	2,969
Decrease in recoverable value (Note 35.1.4)	(5,981)	(5,981)
Deferred tax effects on adjustments above	83	23
Estimated useful life of fixed assets (Note 35.1.3)	<u>-</u>	<u>14,496</u>
	<u>(157)</u>	<u>14,452</u>
Shareholders' equity determined by international standards	<u>478,745</u>	<u>553,640</u>

(\*) Inicial adoption date

### 34.2.3 Statements of income as of December 31, 2010:

	Parent company		Consolidated	
	Restated (a)	Ajusted to CPC	Restated (a)	Ajusted to CPC
<b>Net revenues</b>	<u>895,919</u>	<u>895,919</u>	<u>1,388,313</u>	<u>1,388,313</u>
Cost of services rendered	<u>(613,862)</u>	<u>(601,164)</u>	<u>(943,422)</u>	<u>(931,472)</u>
<b>Gross profit</b>	282,057	294,755	444,891	456,841
<b>Operating income/expenses</b>				
General and administrative	(225,380)	(222,411)	(302,287)	(299,089)
Financial expenses	(134,643)	(135,494)	(170,705)	(171,556)
Financial income	104,995	104,995	129,450	129,450
Equity in income of subsidiaries	50,394	50,011	-	-
Other operating income	<u>1,796</u>	<u>1,796</u>	<u>5,041</u>	<u>5,041</u>
	(202,838)	(201,103)	(338,501)	(336,154)

# Diagnósticos da América S.A.

(Publicly-held company)

## Notes to the consolidated financial statements

(In thousands of Reais)

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>Restated (a)</u>	<u>Ajusted to CPC</u>	<u>Restated (a)</u>	<u>Ajusted to CPC</u>
<b>Net profit before income and social contribution taxes</b>	<u>79,219</u>	<u>93,652</u>	<u>106,390</u>	<u>120,687</u>
Income taxes and social contribution - Current	(16,583)	(16,583)	(42,086)	(42,086)
Income taxes and social contribution - Deferred	<u>21,178</u>	<u>21,156</u>	<u>20,693</u>	<u>20,807</u>
	4,595	4,573	(21,393)	(21,279)
<b>Profit before minority interest</b>	<u>83,814</u>	<u>98,225</u>	<u>84,997</u>	<u>99,408</u>
Non-controlling interest	-	-	(1,183)	(1,183)
<b>Net profit for the period</b>	<u>83,814</u>	<u>98,225</u>	<u>83,814</u>	<u>98,225</u>

### 34.2.4 Statements of income parent company and consolidated

	<b>12/31/2009</b>	
	<b>Parent company</b>	<b>Consolidated</b>
Net income published previously	<u>83,814</u>	<u>83,814</u>
Capitalization of interest (Note 35.1.1)	(983)	(983)
Business combination (Note 35.1.2)	1,254	1,483
Deemed cost of property and equipment (Note 35.1.3)	-	(628)
Deferred tax effects on adjustments above	(92)	44
Estimated useful life of fixed assets (Note 35.1.3)	14,615	14,495
Effect of equity accounting for adjustments in the subsidiaries	<u>(383)</u>	<u>-</u>
	<u>14,411</u>	<u>14,411</u>
Net income determined by international standards	<u>98,225</u>	<u>98,225</u>

# Diagnósticos da América S.A.

**(Publicly-held company)**

## Notes to the consolidated financial statements

*(In thousands of Reais)*

### **35 Subsequent events**

**35.1** On August 29, 2010 MD1 Diagnósticos S.A., Messrs. Edson Godoy Bueno, Dulce Pugliese de Godoy Bueno, Luiz Alves Filho, Romeu Côrtes Domingues, Rômulo Côrtes Domingues, Roberto Côrtes Domingues, João Renato Côrtes de Barros Silveira, Evandro Miguelote Vianna and Heloísa de Mendonça H. Saad, JPLSPE Empreendimentos e Participações S.A. and the Company celebrated a binding memorandum of understanding (MoU) which regulates the main negotiating terms of the proposed merger by the Company, MD1 or all of the shares issued by MD1 ("Merger"), to be held under the Business Corporations Act. As a result of the merger, the Company's capital will be increased by issuing new shares to be delivered to the shareholders of MD1, and the exchange ratio shall be based on the MD1's economic value, estimated at 26.36% of Company's capital stock, calculated after the capital increase to be realized as a result of the merger, exposed to certain adjustments covered in the MoU.

On January 5, 2011 the take over of shares of MD1 Diagnósticos SA was approved by the Company shareholders, in the SGM, and thus MD1 became an integral subsidiary of the Company.

**35.2** In a Meeting held on February 9, 2011, the Board of Directors approved the raising of capital through the 2nd issue for public distribution, under the terms of CVM Instruction number 134, dated November 1, 1990, as amended, and Instruction CVM 155 dated August 7, 1991, as amended; with exemption of automatic registration under the terms of article 5, paragraph II of CVM Instruction 400 of December 29, 2003, as later amended (CVM Instruction 400/03) of a business Note, in a single, indivisible lot (Promissory Note), totaling, the amount of R\$100.000.000(One Hundred million reais) (Offer), on the date of the issue.

On February 18, 2011 the Company issued one Promissory Note in the face value of R\$100,000,000 (One hundred million reais) with a single maturity date on February 13, 2012.

# Diagnósticos da América S.A.

**(Publicly-held company)**

## Notes to the consolidated financial statements

*(In thousands of Reais)*

On the unit face value there will incur remunerative interest corresponding to 102% of the accumulated variation of the daily average rates of one day DI (Interbank Deposit).

The Promissory Note has clauses determining maximum indebtedness and leverage levels, based on quarterly consolidated information. The Promissory Note will have a secured guarantee represented by fiduciary assignment of creditor rights related to the income originated from the Issuer's activity, observing the specific terms and conditions established in this bond and in the Fiduciary Assignment Private Agreement in Guarantee CSBRA20110100193 (Fiduciary Assignment Agreement) executed between the Issuer and CreditSuisse (Brazil) Distribuidora de Títulos e Valores Mobiliários S.A, as a guarantee agent (Guarantee Agent). The Promissory Note shall not have the guaranty represented by collateral signature.

- 35.3** In a meeting held on March 16, 2011, the Company's Board of Directors approved funding by 2nd (second) issue of debentures, not convertible into Company shares, for public distribution in the total value of up to R\$810,000 with firm guarantee and best placement efforts, under the terms of CVM Instruction 476, of January 16, 2009.

The net resources obtained by the Company with the debentures shall be integrally used for: Total settlement of commercial Promissory Notes of the Company's first issue, effectively subscribed and fully paid-in; (ii) payment of other debts, including those held at financial institutions duly authorized to operate on the capital market for the intermediation of an Offer that shall be contracted by the Company (Lead Coordinator); and (iii) reinforcement of the Company's working capital.

\* \* \*

Marcelo Noll Barboza  
Chief Executive Officer

Carlos Alberto Bezerra de Moura  
Chief Financial Officer

Tharso Bossolani  
Investor Relations Officer

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