

Diagnósticos da América S.A.

Unaudited consolidated interim
financial information for the
nine-month periods ended
September 30, 2007 and 2006
(with independent auditor's report on special review)

Diagnósticos da América S.A.

Unaudited consolidated interim financial information

Nine-month period ended September 30, 2007 and 2006

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Management Report

Dear shareholders,

The third quarter achievements represented an important step in strategy of consolidation of Brazil's medical diagnostic market.

Considering the acquisition of CientíficaLab (São Paulo state, July 2007) and MedImagem (Rio de Janeiro state, August 2007), we have unveiled a new front of growth and surpassed our commitment of R\$300.0 million in acquisitions of annualized revenues within three years (2005-2007).

Through the acquisition of CientíficaLab, DASA began providing services to the public health sector in São Paulo, Minas Gerais and Rio de Janeiro and has potential to expand to other localities.

The acquisition of MedImagem strengthened our presence in the Rio de Janeiro Metropolitan Area and substantially expanded our offering of diagnostic imaging services.

The organic expansion was even more intense, with the opening of 11 new units in the third quarter, of which two were mega units under the Delboni Auriemo brand, located in Santo André and São Paulo. In all, 36 new units were inaugurated over the past 12 months.

DASA gross operating revenue was R\$ 254.5 million in the period, an increase of 29.8% in relation to the same period of 2006, and marking an all-time high for quarterly gross operating revenue growth against the prior quarter since the IPO of Diagnósticos da América in 2004. The main drivers of this strong revenue growth are the organic expansion and acquisitions in the outpatient and inpatient segment (+17.7%); the growth in lab-to-lab operations (Alvaro +19.5%); and the launch of services to the public healthcare system through the acquisition of CientíficaLab.

The acceleration in revenue growth, however, has not yet translated into better margins, since the synergies and scale gains expected with the absorption of acquired labs, maturation of new units and the new imaging test schedules have not been fully achieved.

As a result, DASA registered gross margin of 32.8%, down 4.6 percentage points from the 3Q06. Meanwhile, operating expenses have maintained their trend of dilution as a percentage of net revenue, fueled by the dilution of 2.0 percentage points in expenses at the parent company, mainly due to the efforts to achieve greater post-acquisition synergies.

This resulted in growth in Adjusted EBITDA of 11.5%, with Adjusted EBITDA margin of 23.8%. Net income in the period was R\$7.8 million, due to the higher expenses with the amortization of goodwill generated by the acquisition of CientíficaLab.

We enter into the fourth quarter confident in the performance projected for the year. Even with the established acquisition targets for 2007 already fully achieved, the wide range of options available in the market still allow us to reinforce our pursuit of consolidation opportunities. In addition, the company's organic expansion remains active and ambitious, with new units been opened in practically all states in which we

have a presence, as well as the expansion of our operations in hospitals and the increased number of laboratories served in the lab-to-lab segment. Our expectation is that demand will remain strong and receptive to our operating model, driven by the perception that the diagnostic medicine services offered by DASA are more accessible to all social classes with each passing day.

Economic scenario

Sources: Brazilian Geographic and Statistics Institute (IBGE) and Brazilian Central Bank

The third quarter of 2007 was marked by continued price stability as well as continued improvement in Brazil's macroeconomic fundamentals. This scenario allowed for continued cuts in the Selic basic interest rate, helping to spur economic activity and pave the way for sustainable economic growth.

Inflation rate measured by the IPCA index accumulated an increase of 0.89% in the quarter, brisker than the 0.45% registered in 3Q06. Despite acceleration in some commodity and food prices, the deceleration in administered-price inflation and the stronger Brazilian real pointed to annual IPCA inflation ending the year at 4.0%, below the inflation target for 2007 of 4.5%.

As a result, the monetary-easing cycle, with continued decrease in the Selic rate, remained in place, accompanied by continued appreciation in the Brazilian real against the U.S. dollar. At the last meeting of the Monetary Policy Committee (Copom) in October, the Selic basic interest rate was kept steady at 11.25%, compared to 14.25% in the third quarter of 2006.

The appreciation in the real against the dollar, which ended the quarter at R\$1.83/US\$1.00, helped to narrow the trade surplus, which contracted by 9.6% in the first nine months of the year versus the same period a year ago. The smaller surplus was due to import growth outpacing export growth, supported by the stronger local currency as well as the country's high economical activity.

Driven by the favorable external environment and strong domestic demand, industrial production grew in the third quarter, registering growth of 5.3% year-on-year in the January-August period and of 4.4% year-on-year in the trailing 12 months (Sep-06 through Aug-07).

The growth in industrial output underpinned the decline in the unemployment rate in the country's major metropolitan areas, which stood at 9.5% in August, in line with previous months. The number of formally registered employees increased by 2.5%, with contraction of 0.7% in the informally employed population, corroborating the trend of qualitative improvement in formal employment and in the general conditions of the labor market. In addition, the average real monthly salary of the employed population rose to R\$1,109.40 in August, and grew by 3.8% year to date through August. The contracting of new healthcare plans and the increased spending on healthcare are a direct result of these factors, given that the growth in formal employment allows for contracting this benefit and higher income levels mean higher projected demand for healthcare services.

The better macroeconomic fundamentals have resulted in improved employment and income indicators, pointing to continued economic growth. The austere monetary policy, controlled public spending, and favorable external environment should remain in place to help keep inflation under control and boost economic growth through yearend, increasing the opportunities for DASA to expand its operations.

Comments on Brazil's private healthcare and medical diagnostic industry

Sources: National Health Agency (ANS) and IBGE

Based on the information in the private healthcare report (*caderno de saúde suplementar*) published by the ANS (September 2007), the growth trend in the number of plan members of the past few years remains in place. In the first half of the year, the growth in new healthcare plan members was 1.6%, which increased the coverage rate of Brazil's population to 20.3% (from 19.9% in at end 2006).

The distribution of plan members, however, is still concentrated in major cities and in the South and Southeast regions, where economic growth is higher and the supply of formally registered jobs is higher.

The medical diagnostic market has the use of medical technology as one of its operational characteristics. The research and development centers are responsible for perfecting new tests and equipments with higher processing capacity and more accurate results. The highly fragmented nature of the Brazilian market, where 18,000 laboratories are currently operating, represents a host of opportunities for consolidation, organic expansion and the provision of lab-to-lab services by larger-sized companies, which are in a better position to offer new tests to smaller laboratories, given the better access to cutting-edge technology, lower operating costs, and higher capacity to generate medical knowledge.

Comments on performance and investments

Gross Operating Revenue

Total gross revenue in the quarter climbed by 29.8% over the 3Q06, with growth of 19.5% in the lab-to-lab segment and of 17.7% in the inpatient and outpatient segment. Same-unit revenue moved up by 2.2%, below the average for the last few quarters given that the months of July and August of 2006 represented an extremely high comparison base due to pent-up demand during the World Cup.

In the last 12 months, DASA opened 36 new PSCs and acquired five new laboratories (Vita and Atalaia in 2006 and Exame, CientíficaLab and Medmagem in 2007), which shows there is still excellent potential for revenue growth in the coming quarters. These acquisitions also confirm the company's strategy of relying less on payers with the highest weightings.

Regarding performance by segment, premium and executive brands increased revenue by 25.1% in the quarter, fueled by the acquisition of Vita, Atalaia and Exame and the strong growth of Club DA. Standard brands' revenue moved up by 4.8% year-on-year, boosted by the expansion of Laboratório Popular (targeting lower-income populations), which offers tests at affordable prices for people without private healthcare plans. This initiative already has monthly revenue of over R\$1.1 million. In

addition, with the inclusion of revenue from MedImagem (as of September 2007), the standard segment should post higher growth.

Alvaro revenue continued growing substantially, accounting for 7.9% of DASA's total revenue in the 3Q07. Compared to the 3Q06, Alvaro grew by 19.5%, closing the quarter with gross revenue of R\$20.0 million.

This trend results from the upturn of 34.6% in the number of requisitions processed. Alvaro has been introducing several initiatives to increase its market share since the second half of 2006, including: (i) expansion of the range of tests offered, including less complex tests; and (ii) higher geographic penetration. This strategy of expansion resulted in consistent growth in the number of requisitions per laboratory and expansion in the laboratory base served.

With the acquisition of CientificaLab in July 2007, DASA began providing clinical analysis services to the public health sector, a market in which the company did not have operations and which now represents a new front of growth in its strategic planning. The expansion of CientificaLab services, which currently operates in São Paulo, Minas Gerais and Rio de Janeiro, envisages an increase in the number of tests per existing contract and the opening of new bids in new states and municipalities in the coming years.

CientificaLab, the leading privately-owned service provider in the public healthcare sector, served 36 clients when it was acquired and now has more than 40 clients, ranging from medium scale (up to 150,000 tests processed per month) and large scale (over 150,000 tests processed per month).

In the quarter, Cientifica's revenue of R\$23.4 million accounted for 9.2% of total gross revenue. The acquisition of new clients and the increased use of services by existing clients after perceiving the quality of services provided, drove revenue up 193.4% over the previous year.

Costs and Gross profit

Cost of services totaled R\$157.3 million, up by 39.6% on the R\$112.7 million recorded in the previous quarter, dragging the period's gross margin down by 4.6 p.p. to 32.8%.

The loss of margin compared to the previous year is due to the fixed costs generated by the aggressive strategy of inaugurating new units, the increased contribution from the business-to-business operation (Alvaro and Cientifica) and the new inpatient service centers, featuring central laboratories where urgent tests are carried out.

Cash costs, i.e. excluding depreciation and amortization, edged up by 4.7 p.p. over the same period in 2006.

Gross profit totaled R\$76.7 million, up by 14.0% on the 3Q06. The effects of organic expansion and acquisitions diluted gross margin by 4.6 p.p. compared to the same period of 2006, which ended the 3Q07 at 32.8%.

Operational Expenses

Operating expenses amounted to R\$65.0 million in the 3Q07, declining by 3.8 p.p. versus the 3Q06, reflecting the higher expenses with amortization of goodwill, lower financial revenue, and interest payments for the debentures. On the other hand, expenses that impact EBITDA were down by 0.4 p.p. due to the dilution of 2.0 p.p. in

the parent company expenses partially offset by an increase of 1.7 p.p. in subsidiary expenses, in consequence of the five acquisitions done in the last 12 months.

EBITDA

In the 3Q07, EBITDA stood at R\$52.1 million, with margin of 22.3% (over net operating revenue). Excluding non-recurring expenses, adjusted EBITDA came to R\$ 55.6 million, 11.5% higher than in the 3Q06, accompanied by a margin of 23.8%.

Net Profit (Loss)

Net income totaled R\$ 7.8 million in the 3Q07, 47.3% lower than in the 3Q06, due to the higher expenses with amortization of goodwill generated by the acquisition of CientíficaLab.

Capex

Quarterly CAPEX totaled R\$56.9 million, most of which going to organic expansion for the purchase of imaging equipment and construction and refurbishment of PSCs. In the year, CAPEX amounted to R\$143.6 million.

The investment of R\$143.6 million is composed of: (i) R\$ 52.6 million (R\$18.0 million in the 3Q07) went to the acquisition of medical equipment to expand our range of imaging services; (ii) R\$ 49.7 million (R\$20.4 million in the 3Q07) to improvements, refurbishments and the construction of new patient service centers; (iii) R\$ 20.2 million (R\$8.4 million in the 3Q07) to hardware, software licenses and the development of information systems, (iv) R\$ 15.1 million (R\$7.1 million in 3T07) to pre-operational investments (v) R\$ 6.0 million (R\$3.0 million in the 3Q07) to other investments.

Information for Shareholders

DASA shares closed the quarter at R\$42.0, declining by 8.0% in 2007, versus the 36.0% gain in the Ibovespa Index. Between July and September, the Company's shares were traded in 100% of the trading sessions on the Bovespa and total traded volume came to R\$1.0 billion (daily average of R\$15.9 million).

Important Events

3Q07 Results in US GAAP

There were no differences between EBITDA in BR GAAP and US GAAP in the first nine months of 2007. The R\$6.5 million difference in net income refers only to adjustments in depreciation, goodwill amortization and the income tax line as shown below:

Description	09/30/2007			Coments
	BRGAAP	USGAAP	Change	
Gross Operating Revenue	679.890	679.890	-	
Net Operating Revenue	626.166	626.166	-	
(=) GROSS PROFIT	232.341	232.341	-	
(=) EBITDA	123.437	123.437	-	
(-) Depreciation	(10.421)	(21.947)	(11.526)	Reduction of Pre-operating expenses
(-) Depreciation and Costs Amortization	(26.596)	(27.181)	(585)	Amortization of fixed assets capitalized in costs.
(-) Goodwill Amortization	(35.355)	(4.115)	31.240	Subsidiary goodwill amortization reversal.
(+/-) Financial Result	(11.551)	(11.295)	254	Reclassification of -R\$ 1.484 of non-operating expenses, added from mark-to-market of derivative instruments of -R\$ 43, diminished by revenues from capitalization of fixed assets interest of R\$ 1.695.
(+/-) Non-operating Result	(1.484)	-	1.484	Reallocated to financial result.
(-) Minority Shareholders	(245)	(245)	-	
(=) EBIT	37.785	58.654	20.867	
(-) Income Tax and Social Contribution	27.500	159	(27.341)	Refers to Goodwill Income tax of -R\$ 736, subtracted from income tax over the differences of GAAP criteria of R\$ 3.526; Reversal of R\$ 30.131 due to the adjust from 12/31/2006.
(-) NET INCOME	65.285	58.813	(6.474)	

Acquisition of Laboratório CientíficaLab

On July 19, 2007, Diagnósticos da América S.A. acquired 100% of the capital stock of CientíficaLab Produtos Laboratoriais e Sistemas S.A., which provides clinical analysis services to the public healthcare system (SUS- Sistema Único de Saúde) in São Paulo, Rio de Janeiro and Minas Gerais. The acquisition price was R\$ 85.0 million, including the assumed net debt and the non-competition agreement with the former owners.

CientíficaLab was founded in 2001, in Barueri (São Paulo), and is the leading private service provider in the public healthcare market. Since 2003, CientíficaLab collects and processes clinical analysis samples for SUS hospitals and public health centers in São Paulo, Minas Gerais and, recently, Rio de Janeiro. CientíficaLab is certified by the Brazilian Clinical Analysis Society - SBAC and by the Medical Laboratory Excellence Program - PELM.

With the acquisition of CientíficaLab, DASA began providing services to the public health sector, a market in which it did not have operations and which now represents a new growth front within DASA's strategic planning, which envisages the expansion of CientíficaLabLab services to other Brazilian states and municipalities in the coming years.

Acquisition of Laboratório MedImagem

On August 29, 2007, Diagnósticos da América S.A. acquired 100% of the capital stock of MEDIMAGEM ULTRA-SONOGRAFIA E RADIOLOGIA LTDA., which provides imaging diagnostic services in the municipalities of Niterói (RJ), São Gonçalo (RJ) and Rio de Janeiro. The acquisition price was R\$47.0 million, including the assumed net debt.

MedImagem is the largest imaging company in Niterói (Rio de Janeiro state). Founded in 1992, it has eight PSCs, six of which are located in Niterói, one in São Gonçalo (Greater Niterói) and one in Copacabana (Rio de Janeiro). Its highly-qualified medical team is composed of 67 physicians who helped build the strong reputation the clinic enjoys with the local community.

With the acquisition of MedImagem, DASA leveraged its presence in the Niterói and São Gonçalo regions and complemented the multi-product strategy in Rio de Janeiro, increasing the revenue from imaging services by over 100%. The expansion program comprises the introduction of new imaging tests and the opening of new units, integration with the report centers in Rio de Janeiro and the expansion to neighboring towns: São Gonçalo, Região dos Lagos, Cabo Frio and Macaé.

Market Maker

Diagnósticos da América S.A. hired Banco UBS Pactual S.A. to act as market maker for the Company's registered common shares as of August 8, 2007. The contracting of this service aims to increase liquidity, reduce volatility and ensure that the price of DASA shares better reflect supply and demand conditions. The general conditions of the contract provide for the daily inclusion of firm purchase and sale orders, in accordance with the following parameters:

Ticker	DASA3
Maximum Spread	3.0%
Minimum lot per offer	5,000 shares
Duration	6 months, renewable for a further 6 months
Start	August 8, 2007

Independent Auditors' Report on Special Review

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

- 1.** We have performed a special review of the consolidated interim financial information (ITR) of Diagnósticos da América S.A. and its subsidiaries, for the quarter ended September 30, 2007, comprising the consolidated balance sheets, consolidated income statements, management's performance report and other relevant information, prepared in accordance with accounting practices adopted in Brazil.
- 2.** Our review was conducted in accordance with the specific standards established by IBRACON - Brazilian Institute of Independent Auditors, in conjunction with the Federal Accounting Council (CFC), and consisted, mainly, of: (a) inquires and discussion with management responsible for the accounting, financial and operating areas of the Company and its subsidiaries, with respect to the main criteria adopted in the preparation of the consolidated interim financial information; and (b) review of the information and the subsequent events that have, or might have, significant effects on the financial situation and the operations of the Company and its subsidiaries.
- 3.** Based on our special review, we are not aware of any significant modifications which should be made to the consolidated interim financial information referred to above, for it to be in accordance with accounting practices adopted in Brazil and the rules of the Brazilian Securities Commission (CVM), specifically applicable to the preparation of the consolidated interim Financial Information.
- 4.** Our special review was performed with the objective of issuing a special review report of the consolidated interim financial information mentioned in the first paragraph. The statement of cash flows is supplementary to the aforementioned consolidated interim financial information, is not required by accounting practices adopted in Brazil, and has been included to facilitate additional analysis. This supplementary information was subject to the same review procedures as applied to the aforementioned consolidated interim financial information referred to above.

5. The balance sheet as at December 31, 2006, included for comparison purposes was audited by us on which we issued an unqualified opinion dated February 16, 2007.
6. Accounting practices adopted in Brazil vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 27 to the consolidated quarterly financial information. The Company has not disclosed pro-forma financial information related to the acquired entities disclosed in Note 8, as required by SFAS 141 (“Business combinations”).

November 5, 2007

KPMG Auditores Independentes
CRC 2SP014428/O-6

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

Diagnósticos da América S.A.

Consolidated balance sheets

September 30, 2007 and December 31, 2006

(in thousand of Reais)

Assets	(Unaudited) 09/30/2007	12/31/2006	Liabilities and shareholders' equity	(Unaudited) 09/30/2007	12/31/2006
Current assets			Current liabilities		
Cash and cash equivalents	6,863	7,172	Suppliers	44,935	34,038
Marketable securities	27,824	325,490	Bank loans and financing	66,144	59,210
Trade accounts receivable, net	205,566	138,615	Taxes and contributions payable	5,346	5,195
Inventories	28,195	20,717	Income tax and social contribution	11,560	969
Taxes recoverable	34,996	16,749	Salaries, social security charges and vacation payable	44,735	26,058
Other accounts receivable	14,054	6,325	Tax payable	5,691	5,532
Prepaid expenses	2,378	5,217	Accounts payable from acquisition of subsidiaries	5,673	18,107
	<hr/>	<hr/>	Debentures	-	6,557
	319,876	520,285	Dividends payable	-	527
	<hr/>	<hr/>	Other accounts payable	22,653	13,257
				<hr/>	<hr/>
				206,737	169,450
Noncurrent assets			Noncurrent liabilities		
Restricted cash	78,982	28,225	Bank loans and financing	71,919	73,444
Taxes recoverable	44,267	-	Tax payable	15,376	16,974
Other accounts receivable	2,490	12	Provision for contingencies	71,008	55,891
Judicial deposits	2,531	2,123	Accounts payable from acquisition of subsidiaries	49,775	31,214
	<hr/>	<hr/>	Debentures	202,500	202,500
	128,270	30,360		<hr/>	<hr/>
				410,578	380,023
			Minority interest	<hr/>	<hr/>
				427	-
Permanent assets			Shareholders' equity		
Investments	255,139	120,860	Capital	402,091	402,091
Tangible and Intangible fixed assets	380,408	289,494	Capital reserves	65,427	65,427
Deferred charges	68,540	57,680	Profit reserves	111	111
	<hr/>	<hr/>	Retained earning (accumulated losses)	66,862	1,577
	704,087	468,034		<hr/>	<hr/>
				534,491	469,206
Total assets	<u>1,152,233</u>	<u>1,018,679</u>	Total liabilities and shareholders' equity	<u>1,152,233</u>	<u>1,018,679</u>

The accompanying notes are an integral part of these consolidated financial statements.

Diagnósticos da América S.A.

Unaudited consolidated statements of income

Nine-month periods ended September 30, 2007 and 2006

(in thousand of Reais)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2007	2006	2007	2006
Gross revenue				
Services rendered	254,553	196,061	679,890	539,696
Deductions from gross revenue				
Value-added and other taxes	(14,471)	(11,059)	(37,851)	(30,351)
Discounts	(6,060)	(5,030)	(15,873)	(14,334)
	(20,531)	(16,089)	(53,724)	(44,685)
Net operating revenues	234,022	179,972	626,166	495,011
Cost of services rendered	(157,258)	(112,686)	(420,421)	(320,159)
Operating revenue	76,764	67,286	205,745	174,852
Other operating income (expenses)				
General and administrative	(43,727)	(33,837)	(122,369)	(112,870)
Financial income	11,100	14,346	37,124	36,939
Financial expenses	(18,170)	(16,547)	(48,675)	(47,954)
Goodwill amortization	(14,965)	(7,419)	(35,355)	(21,404)
Other operating income	709	329	3,044	688
	(65,053)	(43,128)	(166,231)	(144,601)
Operating income	11,711	24,158	39,514	30,251
Non-operating loss	(977)	(3)	(1,484)	(75)
Net income for the year before income tax and social contribution	10,734	24,155	38,030	30,176
Income tax and social contribution	(2,907)	(9,350)	27,500	(15,274)
Net income before minority interest	7,827	14,805	65,530	14,902
Minority interest	(18)	1	(245)	(75)
Net income	7,809	14,806	65,285	14,827
Earnings per thousand shares at year end	0.14	0.26	1.14	0.26
Number of shares outstanding at year-end	57,402,935	57,402,935	57,402,935	57,402,935

The accompanying notes are an integral part of these consolidated financial statements

Diagnósticos da América S.A.

Consolidated statements of cash flows

Nine-month periods ended September 30, 2007 and 2006

(In thousand of Reais)

	(Unaudited) 9/30/2007	(Unaudited) 9/30/2006
Cash flows from operating activities:		
Net income	65,285	14,827
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	94,667	60,973
Loss on disposal of permanent assets	3,226	993
Interest and unrealized exchange loss	21,249	10,663
Deferred income taxes	(49,689)	-
Minority interest	427	76
Decrease (increase) in operating assets		
Marketable for trading securities	295,691	(355,541)
Trade accounts receivable	(51,060)	(35,436)
Inventories	(5,948)	1,201
Taxes recoverable	(18,247)	(6,592)
Other accounts receivable	(66,782)	(14,489)
Prepaid expenses	(356)	(84)
Legal deposits	(407)	3,019
Increase (decrease) in operating liabilities		
Suppliers	4,568	1,303
Taxes and contributions payable	23,397	13,967
Income tax and social contribution	10,591	3,403
Salaries, social security charges and vacation payable	1,647	5,934
Other accounts payable	1,546	27,799
Taxes in installement	(12,795)	(38,424)
Provision for contingencies	15,117	29,688
Net cash provided by operating activities	<u>332,127</u>	<u>(276,720)</u>
Cash flows from investing activities:		
Business combination, net of cash acquired	(160,509)	(17,844)
Additions to property, plant and equipment	(130,374)	(76,330)
Additions to deferred charges	(22,160)	(17,151)
Net cash used in investing activities	<u>(313,043)</u>	<u>(111,325)</u>
Cash flows from financing activities:		
Additions of long-term debts	132,674	301,066
Payments of long-term debts	(156,888)	(146,393)
Capital increase	-	185,955
Net cash provided by financing activities	<u>(24,214)</u>	<u>340,628</u>
Net increase (decrease) in cash and cash equivalent:	(5,130)	(47,417)
Cash and cash equivalents, beginning of year	9,749	5,206
Cash and cash equivalents, end of year	<u>4,619</u>	<u>(42,211)</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest paid	7,243	5,499

The accompanying notes are an integral part of these consolidated financial statements

Diagnósticos da América S.A.

Notes to the unaudited consolidated interim financial information

Nine-month periods ended September 30, 2007 and 2006

(In thousands of Reais)

1 Operations

The Company is a public corporation with its registration granted by the Brazilian Securities Exchange Commission - CVM on November 5, 2004, and is listed in Bovespa's Novo Mercado Segment since November 19, 2004. The Company provides health assistance services to company employees covered by health insurance plans, insurance companies, medical-hospital assistance companies, other corporate entities and individuals in the following areas: (i) clinical analysis, directly, or as a supplementary nature, through the intermediation of contracted laboratories; and (ii) diagnostic medicine, exclusively through third parties and specialized clinics, in the following areas: a) clinical pathology; b) cytology and pathological anatomy; c) diagnosis by images and graphic methods; d) immunization, rehabilitation and ophthalmology; e) nuclear medicine, and f) clinical trials. The acquisition of Laboratorio Frischmann Aisengart in July of 2005 represented for the Company the entrance in a new segment of market with new products in environmental analysis, genetically modified organisms and toxicology analysis, the acquisition of Laboratório Alvaro S.A. in December of 2005 represented for Company the entrance in the Reference Market (support laboratories), and the acquisition of CientíficaLab Produtos Laboratoriais e Sistemas S.A. in July of 2007 represented for the Company the beginning of services for public health sector. The Company can also invest in other entities. As of September 30, 2007 the company had the following operational units:

Brands	Locality	
Delboni Auriemo	São Paulo	32
Lavoisier	São Paulo	62
Bronstein	Rio de Janeiro	42
Lâmina	Rio de Janeiro	16
Santa Casa	Paraná	8
Pasteur	Brasília	16
Frischmann	Paraná	28
Image	Bahia	2
Laboratório Alvaro	Paraná	15
LabPasteur	Ceará	18
MedLabor	Brasília, Tocantins and Goiás	8
Vita	Santa Catarina	1
Atalaia	Goiás	12
Exame	Brasília	18
MedImagem	Rio de Janeiro	<u>8</u>
	Total	<u>286</u>

Diagnósticos da América S.A.

Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

At September 30, 2007, the Club DA brand had 18 units, with 16 units under the Delboni Auriemo brand and 2 units under the Lâmina brand.

CientificaLab operates in the segment of "Business to Business ", its major source of revenue is customers contracts of the health public sector, by that management will analyze this operation in function of the number of customers assisted instead of number of operating units.

CientificaLab, the leading privately-owned service provider in the public healthcare sector, served 36 clients when it was acquired and now has 40 clients, ranging between Medium Size (up to 150,000 tests processed per month) and Large Size (over 150,000 tests processed per month).

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

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

2 Presentation of the unaudited consolidated interim financial information

The consolidated interim financial information was prepared in accordance with accounting practices derived from the Brazilian Corporation Law and rules of the Brazilian Securities Exchange Commission - CVM.

The accompanying consolidated interim financial information is an adaptation from those originally issued in Brazil, based on accounting practices adopted in Brazil. Certain reclassifications and changes in terminology have been made and these notes have been expanded, in order to conform more closely to reporting practices prevailing pursuant to accounting principles generally accepted in the United States ("U.S. GAAP"). In this regard, the statements of cash flows prepared in accordance with the Brazilian Institute of Independent

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Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

Accountants - IBRACON, disclosed under accounting practices adopted in Brazil, have been replaced by the statements of cash flows prepared in the format required by U.S. GAAP, with amounts determined under accounting practices adopted in Brazil.

Certain reclassifications, presentation of accounts and adaptations to the consolidated interim financial information were made to comply with the determinations of CVM Deliberation 488, of October 3, 2005, in pursuit of the adequate fulfillment of aforesaid rule.

Description of significant accounting practices

a. Income statement

Income and expenses are recognized on the accrual basis.

b. Accounting estimates

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

c. Foreign currency

Monetary liabilities denominated in foreign currencies (Dollar) were translated into Brazilian reais at the foreign exchange rate of US\$ 1.8389 prevailing at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement.

d. Current and noncurrent assets

• Cash and cash equivalents

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

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Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

- **Marketable securities**

Marketable securities are recorded at cost plus income accrued up to the balance sheet date.

- **Trade accounts receivable**

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

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

- **Inventories**

Inventories are stated at the average cost that does not exceed the market value. Inventories are used entirely in the performance of clinical and imaging exams and for diagnostics by imaging. Obsolescence reserve was recorded for items without movement for more than one hundred twenty days.

- **Other current and noncurrent assets**

Presented at the net realizable amount.

- **Restricted cash**

Restricted cash consists of an escrow account to secure the acquired companies' obligations under certain representation and warranty provisions. The escrow account is earning an interest rate in 100.9% of CDI at September 30, 2007 (99.9% of CDI at December 31, 2006).

e. Permanent assets

- **Investments**

Diagnósticos da América S.A.

Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

Goodwill is supported by the future profitability from operations undertaken by the subsidiary companies, in accordance with profitability forecasts prepared by management for the next five years.

- **Tangible and intangible fixed assets**

Property, plant and equipment is stated at acquisition, formation or construction cost. Depreciation is calculated using the straight-line method at rates described in Note 9, which take into account the estimated useful lives of the assets. Leasehold improvements are amortized over the lower of the remaining lease term or the useful life of the improvement.

- **Deferred charges**

Pre-operating expenses refer to expenses for expansion of the patient service centers and are amortized using the straight-line method over a period from 5 to 10 years. The goodwill calculated from the mergers of investments is supported by future profitability of operations undertaken by the subsidiary companies in accordance with profitability forecasts prepared by Management for the next 5 years.

f. Current and noncurrent liabilities

Stated at the known amounts or estimated, plus, when applicable, the corresponding charges and monetary and exchange variations incurred up to the unaudited consolidated interim financial information date.

g. Provision for contingencies

A provision is recognized in the unaudited consolidated interim financial information as a result of a past event, and when it is probable that a payment will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk specific to the liability.

h. Deferred income tax and social contribution

Income tax and social contribution of the current year are calculated by the Company and its subsidiaries at the rate of 15% over taxable income plus the additional charge of 10% on the

Diagnósticos da América S.A.

Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

surplus taxable income of R\$ 180 for income tax and 9% on the taxable income for social contribution on net income, and consider the offsetting of tax loss and negative social contribution tax basis, limited to 30% of the taxable income, with the exception of the subsidiary Laboratório Atalaia Ltda., DASA Real Estate Empreendimentos Imobiliários Ltda. and Med Imagem Ultra-Sonografia e Radiologia Ltda, which utilizes presumed profit criterion in the calculation of taxable income.

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

3 Consolidated interim financial information

The unaudited consolidated interim financial information includes the financial information of the Company and the following subsidiaries:

Diagnósticos da América S.A.

Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

	(Unaudited) 09/30/07	12/31/06
Laboratório Frischmann Aisengart S.A.	100.00%	100.00%
Image Memorial S.A.	100.00%	100.00%
Laboratório Alvaro S.A.	100.00%	100.00%
Laboratório Louis Pasteur Patologia Clínica S/C Ltda. – LabPasteur	99.99%	100.00%
DASA Real Estate Empreendimentos Imobiliários Ltda.	99.99%	99.99%
Laboratório Imuno Ltda. – MedLabor	99.99%	100.00%
Clinica Médica Vita S.A.	100.00%	100.00%
Laboratório Atalaia Ltda.	99.99%	100.00%
Exame Laboratórios de Patologia Clínica Ltda.	85.71%	-
CientíficaLab Produtos Laboratoriais e Sistemas S.A.	100.00%	-
Med Imagem Ultra-Sonografia e radiologia Ltda.	100.00%	-

The accounting policies have been consistently applied by the consolidated companies.

The consolidation process for assets, liabilities and profit and loss accounts comprises totaling the balances of assets, liabilities, revenues and expenses accounts according to their nature, with the following main eliminations:

- Investment interests in capital, reserves and accumulated results;
- Inter-company balances of assets, liabilities, revenues and expenses accounts.

4 Marketable securities

	(Unaudited) 09/30/07	12/31/06
Financial investments	106,806	353,715
Classified as current assets	<u>(27,824)</u>	<u>(325,490)</u>
Classified as noncurrent assets	<u>78,982</u>	<u>28,225</u>

The marketable securities classified as current assets as of September 30, 2007 refers to fixed income funds with average interest rate of 100.1% of CDI (99.8% of CDI at December, 31 2006). The purpose of the fixed income funds wherein the Company invests is to provide profitability to

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(In thousands of Reais)

shareholders by investing their funds in shares (quotas) of investment funds of which investment policy has the option to concentrate their investments in securities and bonds issued by public and private entities.

The marketable securities (restrict cash) classified as non-current assets in R\$ 78,528 on September 30, 2007, (R\$ 27,796 at December 31, 2006) refers to guarantee accounts payable from the acquisitions of several subsidiaries (Note 16), in fixed income funds with average interest rate of 100.9% of CDI (99.9% of CDI at December 31, 2006).

The Amount of R\$ 454 on September 30, 2007 (R\$ 429 on December 31, 2006) refers to investment funds on CDB (Bank certificate of depositary) in Banco do Nordeste do Brasil S.A., this amount is from Image Memorial S.A. subsidiary, with interest rate of 100.0% of CDI to guarantee commercial bank note classified on Bank loans and financing (Note 12).

5 Trade accounts receivable

	(Unaudited) 09/30/07	12/31/06
Current assets		
Trade notes receivable:		
Not yet due	132,033	77,830
Overdue	<u>92,473</u>	<u>95,962</u>
	224,506	173,792
Other accounts receivable:		
Checks in collection	1,063	1,063
Credit cards	3,818	2,730
Returned checks	<u>3,724</u>	<u>3,449</u>
	8,605	7,242
Less:		
Provision for disallowances and for doubtful accounts	(24,502)	(39,480)
Provision for losses from returned checks	<u>(3,043)</u>	<u>(2,939)</u>
	<u>205,566</u>	<u>138,615</u>

The collection process for diagnostic medicine services provided by the Company is complex as a result of a variety of factors, including the large number of health plans used, different coverage

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Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

offered, the information requested by these plans for approval of payment and questioning by the health plans as to the adequacy of supporting documentation. All of these factors, historically, have contributed 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 from the unaccepted amounts being discussed. These discussions refer mainly to: (i) operational questions, such as services provided to clients from health plans without previous authorization; (ii) sales questions, such as new price lists agreed which have not been updated in both systems; and (iii) technical questions, such as different interpretations of examination requisitions.

Provisions for doubtful accounts are established by means of a thorough analysis, considering the credit risks specific to each client.

6 Inventories

	(Unaudited)	
	09/30/07	12/31/06
National clinical analysis and diagnostic imaging materials	14,231	11,437
Imported clinical analysis and diagnostic imaging materials	7,866	3,951
National secondary clinical analysis and diagnostic imaging materials	2,842	3,335
Consumption material	2,282	1,819
Inventories held by third parties	1,892	1,013
Provision for obsolescence	<u>(918)</u>	<u>(838)</u>
	<u>28,195</u>	<u>20,717</u>

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Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

7 Taxes recoverable and deferred taxes

a. Taxes recoverable

	(Unaudited)	
	09/30/07	12/31/06
Withholding income tax (IRRF)	3,918	6,255
Income tax recoverable	9,654	1,253
Social Contribution recoverable	8,102	3,732
COFINS and PIS tax withheld	6,338	5,033
Others	<u>1,562</u>	<u>476</u>
	<u>29,574</u>	<u>16,749</u>

b. Deferred taxes recoverable

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

In accordance with CVM Instruction 371, of June 27, 2002, the company, based on its expectation of generating future taxable income determined by a technical viability study approved by management, recognized on the first semester of this year tax credits on income tax loss carry-forwards and the negative bases accumulated of social contribution tax, with no statutory limitation period and that can be offset against a maximum of 30% of taxable income. The carrying amount of deferred tax assets is reviewed periodically and projections are reviewed annually. If there are relevant factors that modify the projections, these are reviewed during the year by the Company.

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

	(Unaudited)	
	09/30/07	12/31/06
Assets		
Net operating loss carryforwards	2,368	-
Provision for doubtful accounts	7,396	-

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Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

	(Unaudited) 09/30/07	12/31/06
Obsolete items - Inventories	220	-
Goodwill amortization	24,317	-
Provision for specialized medical services	503	-
Other provisions - Nondeductible	1,695	-
Provision for contingencies	<u>13,190</u>	-
	<u>49,689</u>	<u>-</u>
Current assets	<u>(5,422)</u>	<u>-</u>
Noncurrent assets	<u>44,267</u>	<u>-</u>

The periods of which the deferred tax assets are expected to be realized are presented bellow. Deferred tax assets comprises on addition and deductions of temporary differences between accounting on accrual basis and fiscal basis, as well as tax loss carryforwards. The realization period is based on the estimated future profit before tax and the expected timing that the temporary differences will become deductible.

Maturity	Amount
2007	2,915
2008	5,731
2009	4,108
2010	3,730
2011	6,305
2012 to 2014	12,298
2015 to 2016	<u>14,602</u>
Total	<u>49,689</u>

Management considers that deferred tax assets resulting from timing differences will be realized in proportion to the final resolution of contingencies and events.

Based on the projections for future taxable income, prepared in accordance with CVM Instruction 371, the Company expects to offset the tax credits resulting from accumulated losses in the following year 2007.

Diagnósticos da América S.A.

Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

8 Investments

	(Unaudited)	
	09/30/07	12/31/06
Goodwill from acquired shares		
Laboratório Frischmann Aisengart S.A.	31,843	31,843
Image Memorial S.A.	31,638	31,638
Laboratório Alvaro S.A.	28,861	28,811
Laboratório Louis Pasteur Patologia Clínica S/C Ltda. - LabPasteur	13,936	13,936
Laboratório Imuno Ltda. - MedLabor	5,966	5,966
Clínica Médica Vita S.A.	4,768	4,768
Laboratório Atalaia Ltda.	28,329	28,329
Exame Laboratórios de Patologia Clínica Ltda.	47,196	-
CientíficaLab Produtos Laboratoriais e Sistemas S.A.	75,258	-
Med Imagem Ultra-Sonografia e radiologia Ltda.	<u>40,760</u>	<u>-</u>
	<u>308,555</u>	<u>145,291</u>
Accumulated amortization		
Laboratório Frischmann Aisengart S.A.	(13,377)	(8,602)
Image Memorial S.A.	(12,366)	(7,620)
Laboratório Alvaro S.A.	(9,644)	(5,161)
Laboratório Louis Pasteur Patologia Clínica S/C Ltda. - LabPasteur	(3,484)	(1,394)
Laboratório Imuno Ltda. - MedLabor	(1,392)	(497)
Clínica Médica Vita S.A.	(954)	(238)
Laboratório Atalaia Ltda.	(5,194)	(944)
Exame Laboratórios de Patologia Clínica Ltda.	(3,933)	(-)
CientíficaLab Produtos Laboratoriais e Sistemas S.A.	(2,509)	(-)
Med Imagem Ultra-Sonografia e radiologia Ltda.	<u>(679)</u>	<u>(-)</u>
	<u>(53,532)</u>	<u>(24,456)</u>
Others	<u>116</u>	<u>25</u>
	<u>255,139</u>	<u>120,860</u>

Diagnósticos da América S.A.

Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

Acquisitions of investment interest during the period

- (a) **Exame** - On May 24, 2007, Diagnósticos da América S.A. acquired 100% of the capital stock of Laboratório Exame Ltda., which provides clinical analysis services in Brasília, Distrito Federal.

The amount of the acquisition of all the shares is R\$56 million. Out of the amount to be paid to Exame's former shareholders, R\$54 million will be fully paid upfront, with our own funds, and the remaining R\$2 million will be retained in an escrow account for a period of up to 6 years. On the date of the acquisition, Exame had a net cash of R\$0.7 million. Part of Exame shares, corresponding to 14.29% of the capital stock, were sold by the estate of a former Exame shareholder, and transfer of these shares to DASA depends on court authorization.

The results of Exame have been included in the consolidated financial statements since April 2007.

- (b) **CientíficaLab** - On July 19, 2007, the company acquired 11 million shares representing 100% of the capital stock in CientíficaLab Produtos Laboratoriais e Sistemas S.A., ("CientíficaLab"), which provides clinical analysis services to the public health network (SUS - Sistema Único de Saúde) in São Paulo, Rio de Janeiro and Minas Gerais. The total value of the share acquisition is R\$86,373, of which R\$83,373 were paid in full using own resources, and the remaining R\$3,000 shall be held in an escrow account for a period of six years. Furthermore, the selling shareholders will be entitled to an amount comprising a variable price, based on future income (earn-out) equivalent to 85% of gross revenues exceeding R\$97,000 in the period between July 1, 2007 and June 30, 2008. Between 2008 and 2012, the program shall include annual payments equivalent to 10% on incremental income accruing from the preceding year. As a guarantee from the second to eighth installment payments for the acquisition price, the company deposited an amount of R\$30,000 in an unassigned account at Banco Alfa S.A. CientíficaLab was founded in 2001, in Barueri (São Paulo) and is the leading privately held provider to the public health sector. CientíficaLab has been collecting and processing samples of clinical analyses for hospitals and health centers in the SUS system in Sao Paulo, Minas Gerais and recently Rio de Janeiro, since 2003. The transaction was approved at a meeting of the Board of Directors held on July 19, 2007. The CientíficaLab acquisition will be subject to approval from the Administrative Board Economic Defence [*Conselho Administrativo de Defesa Econômica*] (CADE).

The results of CientíficaLab have been included in the consolidated financial statements since July 2007.

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(In thousands of Reais)

- (c) **Med Imagem** - On August 29, 2007, the company acquired 1,109,203 shares representing 100% of the capital stock in Med Imagem Ultra-Sonografia e Radiologia Ltda. (“Med Imagem”), a company providing imaging services in the cities of Niterói (RJ), São Gonçalo (RJ) and Rio de Janeiro. The total value of the share acquisition is R\$44,731, of which R\$30,258 were paid in full using own resources, in cash, R\$4,473 will be paid in August 2008 and R\$10,000 was held in escrow account for a period of six years. Med Imagem is the largest imaging company in Niterói (RJ), founded in 1992, and owns eight units, 6 in Niterói, 1 in São Gonçalo (Grande Niterói) and 1 in Copacabana (RJ). The transaction was approved at a meeting of the Board of Directors held on August 29, 2007. The Med Imagem acquisition will be subject to approval from the Administrative Board Economic Defence [*Conselho Administrativo de Defesa Econômica*] (CADE).
The results of Med Imagem have been included in the consolidated financial statements since September 2007.

9 Tangible and intangible fixed assets

	Average Depreciation rate % p.a.	(Unaudited)			12/31/06
		Cost	09/30/07 Depreciation	Net	Net
Tangible assets					
Buildings	4	12,955	(1,043)	11,912	11,002
Leasehold improvements	12	166,703	(90,277)	76,426	69,953
Machinery and equipment	10	286,701	(108,026)	178,675	139,606
Furniture and fixture	10	31,027	(13,700)	17,327	14,298
Facilities	10	4,697	(3,145)	1,552	1,235
IT equipment	20	43,720	(23,709)	20,011	14,788
Vehicles	20	4,657	(1,716)	2,941	1,455
Library	10	118	(60)	58	57
Land		1,685	-	1,685	1,685
Construction in process		49,385	-	49,385	21,974
Intangible assets					
IT systems	20	35,889	(15,665)	20,224	13,349
Commercial rights of use	20	137	(12)	125	-
Trademarks and patents		87	-	87	81
Telephone lines		-	-	-	11
		<u>637,761</u>	<u>(257,353)</u>	<u>380,408</u>	<u>289,494</u>

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Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

Cost movement

	Movement (Unaudited)				09/30/07
	12/31/06	Additions	Write-offs	Other (a)	
Tangible assets					
Buildings	11,684	1,271	-	-	12,955
Leasehold improvements	143,507	18,132	(962)	6,026	166,703
Machinery and equipment	223,037	56,143	(2,270)	9,791	285,701
Furniture and fixture	25,525	4,909	(28)	621	31,027
Facilities	3,838	843	-	16	4,697
IT equipment	33,467	9,766	(36)	523	43,720
Vehicles	2,451	2,141	(90)	155	4,657
Library	110	21	-	(13)	118
Land	1,685	-	-	-	1,685
Construction in process	21,974	44,896	(2)	(17,483)	49,385
Intangible assets					
IT systems	25,368	10,097	(44)	468	35,889
Commercial rights of use	-	137	-	-	137
Trademarks and patents	81	6	-	-	87
Telephone lines	<u>11</u>	<u>-</u>	<u>(11)</u>	<u>-</u>	<u>-</u>
	<u>492,738</u>	<u>148,362</u>	<u>(3,443)</u>	<u>104</u>	<u>637,761</u>

(a) Other - Movements regarding transfers of Deferred Pre-operational Expenses.

10 Deferred charges

	End of amortization	Amortization rate % p.a.	(Unaudited)			12/31/06
			Cost	Amortization	Net	
Preoperating expenses			89,626	(34,498)	55,128	37,989
Goodwill in the takeover of a subsidiary:						
Lab.de Patologia Clínica Curitiba S/C	Jan/08	20	2,785	(2,600)	185	603
Centro Radiológico da Lagoa Ltda.	Nov/08	20	9,280	(7,115)	2,165	3,558
Elkis e Furlanetto C.D.A.C. Ltda.	May/09	20	21,130	(14,280)	6,850	10,020
Elkis e Furlanetto L.M. S/C Ltda.	May/09	20	778	(525)	253	369
Lab. Pasteur Patologia Clínica S/S Ltda.	Apr/10	20	<u>7,883</u>	<u>(3,924)</u>	<u>3,959</u>	<u>5,141</u>
			<u>131,482</u>	<u>(62,942)</u>	<u>68,540</u>	<u>57,680</u>

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Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

11 Suppliers

	(Unaudited) 09/30/07	12/31/06
Domestic suppliers	33,982	29,735
Foreign suppliers	<u>10,953</u>	<u>4,303</u>
	<u>44,935</u>	<u>34,038</u>

The balance of foreign suppliers of US\$5,956 thousand (US\$2,013 thousand at December 31, 2006) refers to the purchase of imported materials used in clinical exams.

12 Bank loans and financing

	(Unaudited) 09/30/07	12/31/06
Local currency		
Loans guaranteed accounts	7,463	20,974
Bank loans	36,889	14,054
Leasing under local currency agreements	9,435	5,133
Foreign currency		
Bank loans	11,956	14,403
Equipment suppliers	23,870	33,492
Leasing of imported equipment	<u>48,450</u>	<u>44,598</u>
	<u>138,063</u>	<u>132,654</u>
Portion to amortize in the short term classified in current liabilities	(66,144)	(59,210)
Noncurrent liabilities	<u>71,919</u>	<u>73,444</u>

The loans and financing contracts registered in Company's Liabilities do not have restrictive clauses (covenants).

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Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

(Unaudited)
09/30/2007

Description	Banks	Reais	Maturity	Average interest rate	Guarantors
Local currency					
Guaranteed accounts	Other	7,463	-	105.0% of CDI	(2)
Bank loans	Banco Votorantin S.A.	11,844	2009	110.9% of CDI	(1)
Bank loans	Banco Safra S.A.	15,864	2007	105,0% of CDI	(2)
Bank loans	Banco do Brasil S.A.	5,797	2008	105,0% of CDI	
Bank loans	Others	<u>3,384</u>	2010	1.6% p.m.	(2)
		<u>36,889</u>			
Leasing	Other	9,435	2011	CDI + 1.5% p.a.	(2)

(Unaudited)
09/30/2007

Description	Financial institutions/ Suppliers	US\$	Reais	Swap	Total Reais	Maturity	Average interest rate	Guarantors
Foreign currency								
Bank loans	Banco Itaú - BBA	2,971	5,463	6,493	11,956	2009	EV+13.06% p.a.	(1)
Equipment suppliers	G.E.	6,942	12,765	11,105	23,870	2011	EV+7.5% to 8.5% p.a.	(1)
Leasing	G.E, Siemens, Philips and Oni Medical	26,347	48,450	-	48,450	2014	EV+7.20% to 9% p.a.	(2)

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

Following company incorporation of the corporations Platypus S.A., Balu 460 Participações S.A. and DASA Participações S.A., approved at a meeting of shareholders held on July 6, 2007, which provided fidejussory guarantees in financial transactions involving our company (bonds and surety), especially in agreements to acquire diagnostic imaging equipment, bank financing and real estate leases, the company is seeking to substitute the guarantees that were provided by the Inc corporations through our subsidiary DASA Real Estate Empreendimentos Imobiliários Ltda.

(2) DASA Participações S.A., Platypus S.A. and Balu 460 Participações S.A.

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Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

Guarantees and sureties

Loans and financing classified as noncurrent liabilities will mature as follows:

Maturity	Amount (R\$)
2008	12,631
2009	20,567
2010	10,937
2011	7,251
2012	6,571
2013	4,897
2014	<u>1,537</u>
	64,391
“Swap” (a)	<u>7,528</u>
	<u><u>71,919</u></u>

(a) Company has invested cash (assets) in swap transactions in Reais in order to protect its exposure of liabilities indexed in foreign currencies, for the same amounts and maturities. At September 30, 2007, these derivative transactions resulted in a provisioned loss of R\$ 7,528.

The Company granted guarantees on behalf of its subsidiary as follows

Subsidiary	Bank Institution	Amount (R\$)	
Laboratório Frischmann Aisengart S.A	Banco Alfa S.A.	2,050	
	Banco Bradesco S.A.	1,500	
	Banco HSBC Bank Brasil	1,441	
Image Memorial S.A.	Banco Alfa S.A	1,645	
	Banco Bradesco S.A.	700	
	Banco do Brasil S.A.	1,310	
	Banco Itaú S.A.	1,000	
Laboratório Alvaro S.A	Banco Alfa S.A.	1,150	
	Banco Bradesco S.A.	2,000	
	Banco do Brasil S.A.	350	
	Banco Itaú S.A.	2,000	
Laboratório Louis Pasteur Patologia Clínica S/C	Unibanco S.A.	523	
	Banco Alfa S.A.	1,276	
	Banco Bradesco S.A.	1,500	
Laboratório Imuno Ltda. – MedLabor	Banco Bradesco S.A	1,500	
	Clinica Médica Vita S.A	Banco Alfa S.A.	3,388
	Banco Bradesco S.A.	600	
CientíficaLab Produtos Laboratoriais e Sistemas S.A.	Banco Itaú S.A.	300	
	Banco Alfa S.A.	3,000	
	Med Imagem Ultra-Sonografia e radiologia Ltda.	Banco Alfa S.A.	<u>1,000</u>
		<u><u>28,233</u></u>	

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(In thousands of Reais)

13 Debentures

	(Unaudited)	
	09/30/07	12/31/06
Non-convertible debentures	202,500	202,500
Interest accrued	<u>-</u>	<u>6,557</u>
	<u>202,500</u>	<u>209,057</u>
Portion to amortize in the short term classified in current liabilities	<u>-</u>	<u>(6,557)</u>
Noncurrent liabilities	<u>202,500</u>	<u>202,500</u>

In a Board of Directors' Meeting held on April 7, 2006, the public issuance of 20,250 (Twenty Thousand, Two Hundred and Fifty) non-convertible debentures, of its first issuance, of single series, without guarantee nor preference, with unit face value, of R\$ 10, totaling the sum of R\$ 202,500, was approved with the date of issuance being April 1, 2006. The maturity of the debentures is five years, as of the date of issuance, with interest of 103.6% per year of the DI rate. The payment of interest is biannual, to be held always on the first day of the months of April and October. The debit from the bank account of the Company occurs one day prior to the due date; the first took place on October 1, 2006, and the last shall be on April 1, 2011.

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The portions classified in non-current liabilities have the following payment schedule:

Year of maturity	Amount (R\$)
2009	67,500
2010	67,500
2011	<u>67,500</u>
Total	<u>202,500</u>

The debentures have clauses setting forth maximum levels of indebtedness and leverage, based on the three month period financial information. At the end of the quarter, the Company was in compliance with the contractual clauses.

14 Salaries, social security charges and provision for vacation payable

	(Unaudited)	
	09/30/07	12/31/06
Salaries payable	5,874	4,047
Social security charges payable	5,108	4,350
Provision for vacation, 13th salary and social security charges	27,706	13,406
Provision for the profit sharing and equity income (a)	4,375	4,037
Others	<u>1,672</u>	<u>218</u>
	<u>44,735</u>	<u>26,058</u>

(a) In a Board of Directors' Meeting held on March 31, 2005, the implementation of an Employee Profit and Income Sharing Plan ("PLR") of the Company was approved pursuant to the provisions in Law 10,101/2000 and in article 7, Item XI, of the Federal Constitution Federal, which encompasses all the employees. The purpose of the PLR plan is to encourage teamwork and employee commitment to the Company's business.

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15 Tax payable

	End of amortization	(Unaudited) 09/30/07	12/31/06
PPI - REFIS Municipal (a)	2011	3,546	3,957
PAES Program (b)	2013	7,291	8,024
COFINS (c)	2010	1,248	1,583
PIS (c)	2008	320	415
INSS (c)	2009	2,261	3,633
INSS - Vita (d)	2006	1,076	1,536
PIS/COFINS - Vita (d)	2018	1,219	1,326
ISS - Vita (d)	2018	173	252
ISS - Atalaia (e)	2009	1,441	1,550
INSS - Exame (f)	2018	1,854	-
Others		<u>638</u>	<u>230</u>
		<u>21,067</u>	<u>22,506</u>
Portion to amortize in the short term classified in current liabilities		(5,691)	(5,532)
Noncurrent liabilities		<u>15,376</u>	<u>16,974</u>

- (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 nº 14,129 dated January 11, 2006, regulated by Decree no. 47,165 dated April 6, 2006. The tax debt which was part of the Tax Recovery Program- REFIS, created by Law nº 13,092 dated December 7, 2000, adhered by the Company on January 26, 2001, was included in the PPI. The debt amount selected in the PPI shall be amortized in 60 monthly installments, accrued by interest at the SELIC rate. The amortizations shall take place up to August of 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 10,684), declaring tax debt related to PIS and COFINS which were being discussed judicially. The consolidated amount of the debt is divided into 120 monthly installments and updated by the long-term interest rate (TJLP). Payment of these installments extends to June 2013, considering that the

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Company does not make any payment based on gross revenue neither has utilized such tax credits to amortize fines and interest.

- (c) Installments from affiliated companies, incorporated at August 1, 2005, dully formalized at competent government agencies.
- (d) **INSS** - Installment program created by Provisional Measure (MP) 303:
In September of 2006, the company adhered to the installment program created by provisional measure no. 303 of June 29, 2003, stating the debt with the Brazilian Social Security (Instituto Nacional do Seguro Social - INSS) due up to February 28, 2003, dealt with in article 1 of the MP, with the schedule of 130 monthly installments and updated by TJLP, totaling R\$ 353 at September 30, 2007, and the debt due between March 01, 2003 and December 31, 2005, dealt with in article 8 of the MP, with the schedule of 120 monthly installments and updated by TJLP, totaling R\$ 723 at September 30, 2007.

PIS/COFINS - Installment program created by MP 303:

In September of 2006, the company adhered to the installment program created by provisional measure no. 303 of June 29, 2006, stating the debt administered by the Federal Revenue Office (Secretaria da Receita Federal - SRF) due up to February 28, 2003, dealt with in article 1 of the MP, with the schedule of 130 monthly installments and updated by TJLP, totaling R\$ 606 at September 30, 2007, and the debt due between March 1, 2003 and December 31, 2005, dealt with in article 8 of the MP, with the schedule of 120 monthly installments and updated by TJLP, totaling R\$ 613 at September 30, 2007.

ISS

In 2006, the company scheduled ISS debt with the city government of Florianópolis, resulting in 3 (three) proceedings, stated as follows: (i) proceeding no.005407/06 of July 7, 2006, with the schedule of 24 monthly installments with interest at 1% per month, totaling R\$ 10 at September 30, 2007, (ii) proceeding no. 005408/06 of July 7, 2006, with the schedule of 24 monthly installments with interest at 1% per month, totaling R\$ 8 at September 30, 2007, and (iii) proceeding nº 009476/06 of August 24, 2006, with the schedule of 36 monthly installments with interest at 1% per month, totaling R\$ 155 at September 30, 2007.

- (e) The company scheduled ISS debt with the city government of Aparecida de Goiânia, corresponding to the years of 1993, 1994, 1996, 1998, 1999 and 2001, resulting in 7 installment proceedings to be paid in 180 monthly installments updated by the TJLP, totaling R\$ 1,441 at September 30, 2007; the amortizations shall be made until 2018.

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(In thousands of Reais)

- (f) In May 2003, Laboratório Exame adhered to the PAES Program (Law 10,684), declaring tax debits relating to INSS, with the amount of the debt divided into 120 monthly installments and restated by the long-term interest rate - TJLP. Amortizations will occur until June 2013, whereas Laboratório Exame does not make the payment with a basis on gross revenue, and neither used nor uses tax credits for the amortization of fines and interest.

16 Accounts payable from acquisition of subsidiaries

	(Unaudited)	
	09/30/07	12/31/06
Bio-Ciência Lavoisier de Análises Clínicas S.A. (a)	1,774	1,643
Laboratório Bronstein S.A. (b)	1,713	7,042
Lâmina - Laboratório de Análises Médicas e Investigações Anátomo-Patológicas S.A. (c)	-	5,431
Laboratório de Patologia Clínica Curitiba S/C Ltda. (d)	441	423
Centro Radiológico da Lagoa (CRL) e Presmedi Rio Serviços Médicos Ltda. (e)	61	341
Elkis e Furlanetto C.D.A.C. Ltda. (f)	7,651	7,773
Laboratório Pasteur Patologia Clínica S/S Ltda. (g)	447	626
Laboratório Frischmann Aisengart S.A. (h)	3,063	3,210
Image Memorial S.A. (i)	8,996	8,320
Laboratório Alvaro S.A. (j)	1,593	5,155
Laboratório Frischmann Aisengart S.A. (Minority interests) (k)	2,172	2,260
Laboratório Louis Pasteur Patologia Clínica S/C Ltda. - LabPasteur (l)	3,828	3,545
Laboratório Imuno Ltda. - MedLabor (m)	745	730
Clinica Médica Vita S.A. (n)	580	278
Laboratório Atalaia Ltda. (o)	2,749	2,544
Exame Laboratórios de Patologia Clínica Ltda. (p)	2,045	-
CientíficaLab Produtos Laboratoriais e Sistemas S.A. (q)	3,067	-
Med Imagem Ultra-Sonografia e radiologia Ltda. (r)	<u>14,523</u>	<u>-</u>
	<u>55,448</u>	<u>49,321</u>
Installments to amortize in the short term classified under the current liabilities	(5,673)	(18,107)
Noncurrent liabilities	<u>49,775</u>	<u>31,214</u>

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

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Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

- (a) **Lavoisier** - Updated using the same rates of investment funds, managed by financial institutions, as reported in Note 4, to guarantee the payment of possible contingencies.
- (b) **Bronstein** - Updated using the same rates of investment funds, managed by financial institutions, as reported in Note 4 to guarantee the payment of possible contingencies.
- (c) **Curitiba** - Refers to tax credits that will have to be transferred to the previous partners, when the Company uses these credits.
- (d) **CRL and Presmedi** - Updated by the variation in the IGP-M inflation index. Payments of the debt, which was due in November 2005, will be settled in September 2007.
- (e) **Elkis** - Updated using the same rates of investment funds, managed by financial institutions, as reported in Note 4, and will be settled in May 2011.
- (f) **Pasteur (DF)** - Updated by the variation in the IPCA inflation index, to guarantee the payment of possible contingencies.
- (g) **Frischmann** - Updated using the same rate of the investment funds, managed by financial institution, as reported in Note 4, and will be settled in July 2011.
- (h) **Image** - Updated using the same rate of investment funds, managed by a financial institution, as reported in Note 4, and will be settled in October 2011.
- (i) **Alvaro** - Updated using the same rate of investment funds, managed by a financial institution, as reported in Note 4, and will be settled in May 2008.
- (j) **Frischmann (Minority)** - Relate to the acquisition of the totality of equity of the remaining shareholder of Laboratório Frischmann Aisengart S.A., which is being annually updated by the IGP-M inflation Index. Payments will be made until May 2016.
- (k) **LabPasteur (CE)** - Updated using the same rate of the investment funds, managed by financial institutions, as reported in Note 4, and will be settled in September 2012.
- (l) **MedLabor** - Updated using the same rate of the investment funds, managed by financial institutions, as reported in Note 4, and will be settled in July 2012.
- (m) **Vita** - Updated using the same rate of the investment funds, managed by financial institutions, as reported in Note 4, and will be settled in October 2012.

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- (n) **Atalaia** - Updated using the same rate of the investment funds, managed by financial institutions, as reported in Note 4, and will be settled in October 2012.
- (o) **Exame** - Updated using the same rate of the investment funds, managed by financial institutions, as reported in Note 4, and will be settled in May 2013.
- (p) **CientificaLab** - Updated using the same rate of the investment funds, managed by financial institutions, as reported in Note 4, and will be settled in May 2013
- (a) **Med Imagem** – Of the total amount of the deaths of R\$14,523, part corresponds to the withheld portion of the price in the amount of R\$10,050, restated applying the same rates as those used to amounts invested investment funds, managed by financial institutions, as stated in explanatory note number four, which shall be settled by August 2013, and R\$4,473 corresponds to the second installment of the purchase price, restated at the same rates as the withheld portion and payment thereof is subject to duration of the agreement to render services entered into with Medical Diagnósticos for a period of one year, from the acquisition date.

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

Maturity	Amount (R\$)
With no maturity date - See to note 16 (a) and (b)	3,487
2008	1,844
2009	251
2010	251
2011	19,961
2012	8,153
2013 to 2016	<u>15,828</u>
Total	<u>49,775</u>

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17 Other accounts payable

	(Unaudited)	
	09/30/07	12/31/06
Rentals	3,096	2,570
Third-party services	6,051	4,203
Provision for specialized medical services	2,193	777
Franchisee commission payable	724	632
Other accounts payable	<u>10,589</u>	<u>5,075</u>
	<u>22,653</u>	<u>13,257</u>

18 Provision for contingencies

	(Unaudited)			12/31/06
	09/30/07			
	Provision	Judicial deposit	Net	Net
(a) ICMS on imports	50,357	1,889	48,468	36,719
(b) Labor contingencies	7,418	2,667	4,751	4,229
(c) Civil contingencies	4,099	27	4,072	2,399
(d) Tax contingencies	<u>27,389</u>	<u>13,672</u>	<u>13,717</u>	<u>12,544</u>
	<u>89,263</u>	<u>18,255</u>	<u>71,008</u>	<u>55,891</u>

(a) ICMS on imports

The Company based on the opinion of its legal counsel, has not been paying ICMS (Value-Added Tax) on imports of inputs and equipment for use in the rendering of its services since February 2000, as discussions are in process regarding whether the Company is an ICMS taxpayer in these operations. In relation to ICMS amounts to be paid on imports occurred after issuance of Complementary Law 114, effective on December 16, 2002, external legal advisors believe that the chances of success are probable. At September 30, 2007, amounts recorded regarding imports from January 1, 2003 onwards in the company R\$ 50,357 (R\$37,578 at December 31, 2006), with related judicial deposits amounts of R\$ 1,889 at September 30, 2007 (R\$ 859 at December 31, 2006). The sum of R\$ 17,073 (R\$ 11,193 on December 31, 2006) is included in the accrued amount, plus interest at the SELIC rate relating to the nationalization of equipment coming from abroad in the international leasing category. The legal counsel of the Company considers the chance of loss, as a result of an

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eventual judicial dispute as possible. However, as the matter does not yet have a definite jurisprudential position, the provision was maintained.

(b) Provision labor contingencies

At September 30, 2007, the Company is a part to 259 labor and judicial lawsuits (211 at December 31, 2006). Based on information provided by its legal advisors, the Company has recorded an amount of R\$ 7,418 (R\$ 4,285 on December 31, 2006), and does not expect any losses from lawsuits above amounts already recorded.

(c) Provision for civil contingencies

At September 30, 2007, the Company is a part to 270 labor and judicial lawsuits (228 at December 31, 2006). Based on information provided by its legal advisors, the Company has recorded an amount of R\$ 4,099 (R\$ 2,414 on December 31, 2006), and does not expect any losses from lawsuits above amounts already recorded.

(d) Provision for tax contingencies

Provisions for tax contingencies relate to challenges for increases in rates that are the basis for calculation of taxes and alleged to be unconstitutional of the law. Such challenges refer, basically to contributions to PIS, COFINS, INSS and FGTS. From the total amount of R\$ 27,389, R\$ 9,387 refer to taxes and contributions challenged by the acquired companies. Management, based on legal advisors opinion, has recorded provisions in the amount of R\$ 27,389 (R\$ 25,328 on December 31, 2006), and does not expect any losses above amounts already recorded.

Movement of the provision (unaudited)

	<u>12/31/06</u>	<u>Movement in the period</u>			<u>09/30/07</u>
	<u>Opening</u>	<u>Addition to</u>	<u>Usage</u>	<u>Revaluation</u>	<u>Closing</u>
	<u>balance</u>	<u>provision</u>			<u>balance</u>
ICMS on imports	37,578	9,769	-	3,010	50,357
Provision for labor contingencies	4,285	3,318	(442)	257	7,418
Provision for civil contingencies	2,414	1,970	(418)	133	4,099
Provision for tax contingencies	<u>25,328</u>	<u>8,924</u>	<u>(8,149)</u>	<u>1,286</u>	<u>27,389</u>
	<u>69,605</u>	<u>23,981</u>	<u>(9,009)</u>	<u>4,686</u>	<u>89,263</u>

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(In thousands of Reais)

19 Shareholders' equity

a. Capital

The capital of the Company is R\$402,091, represented by 57,402,935 (Fifty-Seven Million, Four Hundred and Two Thousand, Nine Hundred and Thirty-Five) common shares, all nominative, without certificate and with no par value, with the exclusion of the right of preference of the current shareholders of the Company of its subscription, pursuant to the provision in Article 172 of Law n° 6,404, dated December 15, 1976, and pursuant to Article 9 of the Company's Bylaws.

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

Through a resolution of the Board of Directors, within the limits authorized in the Articles of Association, the Company will be able to increase the capital independently of statutory reform. The Board of Directors will fix the conditions for the share issue, including price and time frame for payment.

At the criteria of the Board of Directors, share issuances may be made, without right of preference or with a reduction of the time frame addressed by §4 of article 171 of Law 6404/76, of shares and debentures that are convertible into shares or a subscription bonus, the flotation of which is made through a sale on the stock exchange or by public subscription, or even through an exchange 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 by the General Meeting, the Board of Directors will be able to authorize the Company to grant a share purchase option to the administrators and employees of other companies that are directly or indirectly controlled by the Company, without right of preference for the shareholders.

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(In thousands of Reais)

Corporate Restructuring approved in AGE held on 06 July 2007 at 10:30 hours

On June 19, 2007, the Directors of the Company and the companies Platypus S.A., DASA Participações S.A. and Balu 460 Participações S.A. (“Other Companies”) , after concluding studies relating to the Company and to the Other Companies established, in the manner and for the purposes referred to in articles 223 to 227 of Law 6,404, of December 15, 1976, and submitted to the examination of DASA and Other Companies’ shareholders at an extraordinary general meeting held on July 6, 2007 at 10:30 a.m., the MERGER PROTOCOL AND JUSTIFICATION, to realize the terms and conditions for the merger of all the net equity of the Other Companies by the Company, without any continuity solution. The merger was motivated by the evaluation of the officers of the Company and the Other Companies that the adoption by the Company of a pulverized capital structure (true corporation) and the increase in its share dispersion will provide substantial advantages to all the shareholders.

As a result of the merger, shareholders’ agreements were signed by direct and indirect shareholders of DASA Participações S.A., and the current group of controlling shareholders was discontinued, which converted the Company into a true corporation and provoked a significant increase in share dispersion and increase of liquidity.

There was no increase in the capital of the Company as a result of the merger. There was no substitution of shares of the non-controlling shareholders of the Company, which continued with their respective shares and interest unaltered. No statutory alterations were organized at the Company and the political and equity advantages and other rights of the Company’s shareholders did not undergo any modification.

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(In thousands of Reais)

We present below the share dispersion of the Company before and after the corporate restructuring.

Dispersion share before restructuring approved at the corporate AGE from 06th July 2007				
Shareholders	Shares ON (Unit)	%	Total Shares (Unit)	%
Holder of control diffuse	21.526.099	37,50%	21.526.099	37,50%
Shareholders tied to drivers	642.360	1,12%	642.360	1,12%
	<u>22.168.459</u>	<u>38,62%</u>	<u>22.168.459</u>	<u>38,62%</u>
Board of Directors	7	0,00%	7	0,00%
Directors	1.547	0,00%	1.547	0,00%
Shares on the market	35.232.922	61,38%	35.232.922	61,38%
	<u>57.402.935</u>	<u>100,00%</u>	<u>57.402.935</u>	<u>100,00%</u>

Dispersion share after restructuring in the corporate approved AGE from 06th July 2007				
Shareholders	Shares ON (Unit)	%	Total Shares (Unit)	%
Board of Directors	4.106.519	7,15%	4.106.519	7,15%
Directors	1.547	0,00%	1.547	0,00%
Shares on the market	53.294.869	92,85%	53.294.869	92,85%
	<u>57.402.935</u>	<u>100,00%</u>	<u>57.402.935</u>	<u>100,00%</u>

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b. Dividends

In accordance with the by-laws, net income has the following destination: (i) 5% for profit reserve up to the limit of 20% of capital; and (ii) 25% of the remaining balance adjusted in accordance with art. 202 of Law 6,404/76, for the payment of dividends.

Management's proposal for use of income of the year 2006, corresponding to R\$ 527, was examined and unanimously approved at ordinary and Extraordinary General meetings held on April 11, 2007, thus guaranteeing the payment of dividends in the sum of R\$0.0091557789 for each ordinary share issued by the firm, the payment of which was made on April 30, 2007.

c. Management remuneration

Management remuneration was R\$ 5,025 for the three-month period ended September 30, 2007 (R\$ 4,920 in 2006).

20 Income tax and social contribution

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expense charged to net income is presented below:

	(Unaudited)	
	9 month period ended on:	
	09/30/07	09/30/06
Profit before income and social contribution taxes	<u>38,030</u>	<u>30,176</u>
Combined statutory rates	34%	34%
Income and social contribution taxes calculated at the statutory rates	(12,930)	(10,260)
Permanent additions, net	(9,770)	(5,115)
Temporary additions, net	(1,133)	(4,295)
Tax compensation	283	4,207
Deferred tax initial recognized	47,912	-
Composition of tax loss		
Adjustment by the determination of deemed profit at subsidiary	2,279	-
Other adjustments	859	189
Income tax and social contribution of the year	<u>27,500</u>	<u>(15,274)</u>
Effective rate	<u>-72%</u>	<u>51%</u>

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21 General and administrative expenses

	(Unaudited) 3 month period ended on:		(Unaudited) 9 month period ended on:	
	2007	2006	2007	2006
Personnel expenses	19,082	14,831	52,916	37,533
Services and utilities	13,267	8,490	36,306	26,217
Depreciation	3,926	2,716	10,421	8,057
Taxes	161	151	772	744
Sundry provisions	1,249	1,220	3,277	2,338
Public offering expenses	-	-	-	14,874
Expenses with issuance of debentures (a)	240	-	719	4,792
General expenses	<u>5,802</u>	<u>6,249</u>	<u>17,958</u>	<u>18,315</u>
	<u>43,727</u>	<u>33,657</u>	<u>122,369</u>	<u>112,870</u>

(a) Total costs with the issuance of debentures amounted to R\$ 4,792, which was classified in the account of Prepaid Expenses on current assets and noncurrent assets, and is being amortized on a monthly basis up to April 2011.

22 Tax loss carry-forwards

At September 30, 2007, the Company had tax loss carryforward on the following base values:

a. Income tax losses; and	6,035
b. Negative social contribution base.	9,551

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

23 Financial instruments

The Company has a policy of reducing market risks, avoiding positions which may be exposed to fluctuations in market values and operating only with derivative financial instruments which

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(In thousands of Reais)

permit control over risks. The major part of contracts involving derivatives is with “swap” transactions involving pre-fixed rates. The Company does not expect to have losses from these operations, besides those already disclosed in the financial statements.

The market values were estimated at the date of closing of financial statements, based on “relevant market information”. Any changes in the assumption could significantly affect the estimates presented.

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

a. Composition of balances

In compliance with CVM Instruction 235/95, the accounting balances and the market values of the financial instruments included in the balance sheet at September 30, 2007 (unaudited) are shown below:

Description	Book value	Market value
Cash and cash equivalent	6,863	6,863
Marketable securities	27,824	27,824
Taxes recoverable	34,996	34,996
Investments valued using the equity method	<u>255,023</u>	<u>255,023</u>
Assets	<u>324,706</u>	<u>324,706</u>
Loans and financing:		
Local currency	53,787	53,787
Foreign currency	66,678	73,097
Derivatives (Swap)	<u>17,598</u>	<u>16,601</u>
Liabilities	<u>138,063</u>	<u>143,485</u>

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b. Criteria, assumptions and limitations used in the calculation of market value

Cash and banks and marketable securities

Current accounts held in banks have market values similar to the book values.

For short-term marketable securities, the market value was calculated based on the market quotations of these securities.

Taxes recoverable

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

Marketable securities

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

Bank loans and financing

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

Derivatives (swap)

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

Limitations

The market values were estimated at the date of three-month period financial information, based on “relevant market information”. Any changes in the assumptions could significantly affect the estimates presented.

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c. Exchange rate risk

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

As a strategy for the prevention and reduction of the effects of fluctuations in the exchange rate of the Brazilian Real, the indebtedness in foreign currency is subject to “swap” transactions with financial institutions, and indebtedness with suppliers of equipment denominated in foreign currency is protected by swaps by up to 81% of the aggregate principal amount outstanding. For indebtedness related to Leasing of foreign equipment denominated in foreign currency for equipment and foreign suppliers, the Company does not have instruments in effect that protect against related exchange rate risks.

Liabilities	(Unaudited)	
	09/30/07	12/31/06
Bank loans	11,956	14,403
Equipment suppliers	23,870	33,492
Leasing of imported equipment	48,450	44,598
Foreign suppliers	<u>10,953</u>	<u>4,303</u>
	<u>95,229</u>	<u>96,796</u>

24 Insurance coverage

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

The Company has insurance policies taken out with the main insurance companies in Brazil, which were determined in accordance with the orientation of experts, and take into consideration the nature and the level of risk involved. The main insurance coverage is held against fire (R\$58,300), loss of profits (R\$9,500), civil liability (R\$1,066), civil liability of the senior managers and directors (R\$15,000) and a variety of risks involving fixed assets and inventory (R\$500), in amounts considered sufficient to cover possible losses. The risk assumptions, due to their nature, are out of the scope of the special review of nine-month period financial information, and therefore were not reviewed by our independent auditors.

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25 Related parties

Our by-laws require related party transactions to be performed in arms-length basis. Additionally, any operation or operations in aggregate with related parties in Brazilian reais over US\$ 500 thousand must be approved by the Board of Directors, by at least 75% of the members who attended the Meeting.

During the three-month and nine-month period ended at September 30, 2007 and 2006, the Company maintained operations in the context of its regular business with related parties, as follows (Unaudited):

	3 month period ended:					
	2007			2006		
	Expenses	Permanent assets	Prepaid Expenses	Expenses	Permanent assets	Prepaid Expenses
Terra Molhada Participações Ltda. (a)	909	-	-	875	-	-
Parkbem Multiserviços S/C Ltda. (b)	1,610	35	-	1,421	15	-
Patrimônio Investimentos e Participações Ltda. (c)	47	-	-	76	-	-
RMA Construtora Ltda. (d)	1,126	1,914	-	398	1,664	-
Touch Tecnologia e Informática Ltda. (e)	153	659	-	-	671	-
Pátria - Banco de Negócios Assessoria, Gestão e Participação Ltda. (f)	97	2,392	-	742	-	-
D.A. Produções Artísticas Ltda (g)	<u>36</u>	<u>-</u>	<u>(36)</u>	<u>93</u>	<u>-</u>	<u>(30)</u>
	<u>3,978</u>	<u>5,000</u>	<u>(36)</u>	<u>3,605</u>	<u>2,350</u>	<u>(30)</u>

	9 month period ended:					
	2007			2006		
	Expenses	Permanent assets	Prepaid Expenses	Expenses	Permanent assets	Prepaid Expenses
Terra Molhada Participações Ltda. (a)	2,659	-	-	2,724	-	-
Parkbem Multiserviços S/C Ltda. (b)	4,954	134	-	5,175	15	-
Patrimônio Investimentos e Participações Ltda. (c)	179	-	-	342	-	-
RMA Construtora Ltda. (d)	2,040	7,085	-	917	4,248	-
Touch Tecnologia e Informática Ltda. (e)	494	2,202	-	-	1,953	-
Pátria - Banco de Negócios Assessoria, Gestão e Participação Ltda. (f)	383	4,071	-	1,688	586	-
D.A. Produções Artísticas Ltda (g)	<u>36</u>	<u>-</u>	<u>12</u>	<u>93</u>	<u>-</u>	<u>10</u>
	<u>10,745</u>	<u>13,492</u>	<u>12</u>	<u>10,939</u>	<u>6,802</u>	<u>10</u>

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(a) Terra Molhada Participações Ltda.

The Company leases three real estate properties (central laboratory and headquarters and service units on Av. Brasil and Rua Baluarte, in São Paulo) from Terra Molhada Participações Ltda., controlled by Renato Magnanini Auriemo, Ricardo Magnanini Auriemo, Adriana Auriemo Miglorancia and Guilherme Magnanini Auriemo, sons and daughter of Dr. Caio Roberto Chimenti Auriemo, Chairman of the Board of Directors of the Company. The lease agreements related to the three properties were renewed in May 2004 for an additional period of 10 years.

(b) Parkbem Multiserviços S/C Ltda.

Company controlled by José Auriemo Neto, nephew of Dr. Caio Auriemo, providing cleaning, security and parking services to the service units.

(c) Patrimônio Investimentos e Participações Ltda.

Company connected to Pátria - Banco de Negócios Assessoria, Gestão e Participação Ltda., manager of certain funds, indirect shareholders of the Company, provides services related to financial consulting in order to assist the Company in mergers and acquisitions.

(d) RMA Construtora Ltda.

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

(e) Touch Tecnologia e Informática Ltda.

Software development and web Design Company owned by Ricardo Magnanini Auriemo, son of Dr. Caio Auriemo, provides software development services.

(f) Pátria - Banco de Negócios Assessoria, Gestão e Participação Ltda.

Fund management firm, indirect shareholders of the Company, provides services for the assistance of the Company in mergers and acquisitions.

(g) DA Produções Artísticas Ltda.

Company owned by Dulce Magnanini Auriemo, wife of Dr. Caio Auriemo, provides license to the company for marks, names and images used rights related for infantile recreation

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26 Leases

Local currency lease

The Company is a lessee of data processing equipment (*hardware*) machinery and equipment with purchase option, totaling a payable balance until 2011 in the sum of R\$ 9,435, of which R\$3,935 are classified under the current liabilities and R\$ 3,582 in the non-current liabilities. The average term of the agreements are 36 months and interest rates bearing from CDI plus 1.59 % per annum to CDI plus 3.20 % per annum. The accounts payable related to leasing matures as follows:

Maturity	Amount (R\$)
2007	1,069
2008	3,690
2009	2,826
2010 to 2011	<u>1,850</u>
	<u>9,435</u>

The equipment related to these contracts are registered in the fixed asset account as machinery and equipment, of which R\$10,679 being cost and R\$ 1,012 as accumulated depreciation.

Foreign currency lease

The Company is a lessee of equipment used in the services rendered, in accordance with leasing agreements with purchase option. Payment term is 84 months, and the first installment would be paid six months after the date of the agreement, and for the other installments payments it will be paid in quarterly and semestral basis. Quarterly and biannual installments set in US Dollars are converted into Reais by the market price on the payment date, plus interest which vary from 7.20% per year to 8.35% per year, totaling a payable balance until 2014 in the sum of R\$ 48,450, of which R\$ 9,524 are classified under the current liabilities and R\$ 38,926 under the noncurrent liabilities.

The accounts payable related to leasing matures as follows:

Maturity	Amount (R\$)
2007	2,348
2008	10,209
2009	8,640
2010	7,725
2011	6,589
2012	6,505
2013	4,897
2014	<u>1,537</u>
	<u>48,450</u>

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The equipment related to these contracts are registered in the fixed asset account as machinery and equipment, of which R\$83,585 being cost and R\$ 11,664 as accumulated depreciation.

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

I - Description of GAAP differences

The unaudited consolidated interim financial information of the Company and subsidiaries is prepared in accordance with accounting practices adopted in Brazil, which comply with those prescribed by Brazilian Corporate Law and specific standards established by the Brazilian Securities Commission (CVM). Note 2 to the consolidated interim financial information summarize the accounting policies adopted by the Company. Accounting policies, which differ significantly from U.S.GAAP, are summarized below.

a. Monetary restatement of 1996 and 1997

Under accounting practices adopted in Brazil, the Company was required to discontinue accounting for the effects of inflation in Brazil as of December 31, 1995. As of January 1, 1996, the carrying value of all non-monetary assets and liabilities became their historical cost basis. Under U.S. GAAP, Brazil was still considered to be a highly inflationary economy until July 1, 1997, and consequently, the Company continued to record the effects of inflation using the Market General Price Index (IGP-M) up to 1997.

The U.S. GAAP adjustment on the income statement is represented by the amortization of the restatements of fixed assets, which resulted from the inflation accounting applied during 1996 and 1997, while the U.S. GAAP adjustment on the shareholder's equity reflects the remain net effect of property, plant and equipment restatement.

b. Deferred charges

Under accounting practices adopted in Brazil, the Company defers pre-operating costs incurred in the construction or expansion of new service units until the service units begin its operations. Deferred charges are amortized on a straight-line basis over a period of five to ten years.

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Under U.S. GAAP, pre-operating costs are expensed as incurred. Consequently, the U.S. GAAP adjustment represents the reversal of (i) pre-operating costs capitalized and (ii) the related amortization recorded under accounting practices adopted in Brazil.

c. Capitalization of interest related to construction in progress

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

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

d. Accounting for derivative financial instruments

The Company enters into cross currency swap agreements to effectively convert a portion of its U.S. dollar denominated variable-rate debt to Brazilian reais accruing interest at the CDI rate (Inter-bank deposit rate). Under accounting practices adopted in Brazil, any differential to be paid or received under these contracts is recorded as an asset or liability with a corresponding adjustment to interest expense in the income statement. The fair value of these contracts is not recognized in the interim financial information.

Under U.S. GAAP, the Company accounts for its derivative contracts in accordance with SFAS n° 133, “Accounting for Derivative Instruments and Hedging Activities”. SFAS n° 133, as amended, establishes accounting and reporting standards requiring that all derivative instruments be recorded on the balance sheet as either an asset or liability and measured at fair value. SFAS n° 133 requires that changes in the derivative fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. SFAS n° 133 must be applied to (a) derivative instruments and (b) certain derivative instruments embedded in hybrid contracts.

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Since the Company's derivative contracts do not qualify for hedge accounting, under U.S. GAAP, changes in fair value of these contracts are recognized in earnings in the current period.

The following table provides a detail of the derivative financial instruments outstanding at the end of each period:

September 30, 2007 (unaudited)				
Number of contracts outstanding	Type of derivative instruments	Book value under accounting practices adopted in Brazil	Fair value	U.S. GAAP adjustment
43	Cross-currency interest swap	(17,598)	(16,602)	996
December 31, 2006				
Number of contracts outstanding	Type of derivative instruments	Book value under accounting practices adopted in Brazil	Fair value	U.S. GAAP adjustment
53	Cross-currency interest swap	(20,236)	(19,283)	953

e. Leasing transactions

Under accounting practices adopted in Brazil, leases were recorded as an expense in the income statement over the lease term on a straight-line basis. As from January 1, 2005, the Company records leasing in the same manner as it accounts for U.S. GAAP capital lease accounting. Operating leases are recorded in the income statement.

Under U.S. GAAP, pursuant to SFAS No. 13, "Accounting for Leases," leasing is classified as a capital lease if it transfers substantially all the benefits and risks incident to ownership. All other leases are classified as operating leases. In a lease that transfers substantially all of the benefits and risks of ownership, the economic effect on the parties is similar, in many respects, to that of a financed purchase.

Under U.S. GAAP, capital leases are recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments and depreciated consistently with the Company's own assets. If there is no reasonable certainty that the Company will obtain ownership at the end of the lease - the asset is depreciated over the shorter of the lease term or the life of the asset.

Under U.S. GAAP, operating leases are recorded as an expense in the income statement over

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the lease term on a straight-line basis.

The disclosures of leasing transactions required by SFAS No. 13 are included in Note.III.d).

f. Share issuance costs

Under accounting practices adopted in Brazil, costs related to public offering of shares are charged to expenses as incurred. Under U.S. GAAP, costs related to public offering of shares are deducted from the proceeds received from such offering.

This difference has no net effect on shareholders' equity.

g. Acquisitions and business combinations

Under accounting practices adopted in Brazil, assets and liabilities of acquired entities are reflected at book values. Goodwill is represented by the excess of purchase price paid over the book value of net assets and is amortized on a straight-line basis over the periods estimated to be benefited.

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

Acquisitions

The Company acquired the following companies in 2006 and 2007:

Acquisition date	Company	Interest acquired
May 23, 2006	Laboratório Frischmann Aisengart S.A. - Minority Interest - "Frischmann"	7.08%
June 15, 2006	Laboratório Louis Pasteur Centro de Medicina Laboratorial Ltda. - "LabPasteur"	99.99%
July 27, 2006	Laboratório Imuno Ltda. - "MedLabor"	99.99%
October 5, 2006	Clínica Médica Vita S.A. - "Vita Medicina Diagnóstica"	100.00%
October 26, 2006	Laboratório Atalaia Ltda. - "Atalaia"	99.99%

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May 24, 2007	Laboratório Exame Ltda. - "Exame"	85.71%
July 19, 2007	CientíficaLab Produtos Laboratoriais e Sistemas S.A.	100.00%
August 28, 2007	Med Imagem Ultra-Sonografia e radiologia Ltda.	100.00%

The results of the acquired companies operations have been included in the consolidated financial statements since the acquisition date. Those companies provide health assistance services performing medical diagnostic tests to patients that pay through their health plans - including insurance companies, medical cooperatives, HMOs and direct contractors - or individuals paying by themselves. As a result of these acquisitions, the Company increased its market share in the area of providing such services.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition and the cost of acquisition of these companies:

	Frischmann (7.08%)	Lab Pasteur	MedLabor	Vita	Atalaia	Exame (85.71%)	Científica Lab	Med Imagem
Current assets	8,051	1,613	788	1,344	4,152	5,788	15,839	495
Property, plant and equipment	3,289	484	-	234	2,523	3,125	6,162	6,941
Intangible assets	8,673	7,594	3,425	4,442	8,768	26,293	41,009	10,838
Other assets	<u>252</u>	<u>16</u>	<u>453</u>	<u>6</u>	<u>-</u>	<u>2,240</u>	<u>-</u>	<u>15</u>
Total assets acquired	<u>20,266</u>	<u>9,707</u>	<u>4,666</u>	<u>6,026</u>	<u>15,443</u>	<u>37,446</u>	<u>63,010</u>	<u>18,289</u>
Current liabilities	4,268	3,087	2,149	2,175	4,685	3,826	9,794	3,236
Long-term liabilities	<u>4,204</u>	<u>2,620</u>	<u>1,301</u>	<u>5,487</u>	<u>5,107</u>	<u>14,995</u>	<u>14,435</u>	<u>3,929</u>
Liabilities assumed	8,472	5,707	3,450	7,662	9,792	18,821	24,229	7,165
Net assets (liabilities) acquired (assumed)	<u>11,794</u>	<u>4,000</u>	<u>1,216</u>	<u>(1,636)</u>	<u>5,651</u>	<u>18,625</u>	<u>38,781</u>	<u>11,124</u>
Interest acquired	7.08%	99.99%	99.99%	100.00%	99.99%	85.71%	100.00%	100.00%
Net assets (liabilities) acquired (assumed)	835	4,000	1,216	(1,636)	5,651	15,963	38,781	11,124
Total cost of acquisition	<u>6,634</u>	<u>11,961</u>	<u>5,429</u>	<u>746</u>	<u>29,176</u>	<u>50,152</u>	<u>92,221</u>	<u>45,078</u>
Goodwill recorded under U.S. GAAP	5,799	7,961	4,214	2,382	23,526	34,189 (a)	53,440 (a)	33,954 (a)
Goodwill recorded under accounting practices adopted in Brazil	4,970	13,936	5,966	4,768	28,329	47,196 (b)	75,258 (b)	40,760 (b)

(a) The allocation of Goodwill recorded on Exame, CientíficaLab and Medimagem under U.S. GAAP are preliminary depending on the conclusion of the valuation report on intangible assets which will be finalized until December 2007. Certain intangible assets related to non compete agreements and customer relationship may have a significant impact in the amount of Goodwill preliminary recognized.

(b) See note 8.

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The intangible assets recorded by the Company are as follows:

Description	Frischmann	LabPasteur	MedLabor	Vita	Atalaia	Exame	Cientifica Lab	Med Imagem
	Amount assigned	Amount assigned	Amount assigned	Amount assigned	Amount assigned	Amount assigned	Amount assigned	Amount Assigned
Brand	8,673	7,594	3,425	4,442	8,768	26,293	38,709	10,838
Non compete agreement	-	-	-	-	-	-	2,300	-

The amortization period for all intangible assets recorded is 360 months.

The total amount of goodwill recorded was assigned to the Company as there are no reporting segments or reporting units. The goodwill generated under accounting practices adopted in Brazil is normally deductible for tax purposes, upon incorporation of the acquired entities.

h. Corporate reorganization - Special reserve

The Company merged certain of its holding companies in prior years as a result of a corporate reorganization. The goodwill originating from these mergers is classified as a capital reserve account within shareholders equity and was amortized in the income statement on a straight-line basis over a period of 5 years until February 2006.

Under U.S. GAAP, this corporate reorganization is accounted for at the historical book values of the respective companies merged, since these companies were under common control. This U.S. GAAP difference has no net effect on shareholders' equity.

i. Cash and cash equivalents

Under accounting practices adopted in Brazil, highly liquid investments with original maturities of three months or less are recorded as short-term investments. Under U.S. GAAP, these investments are recorded together with cash and banks under the caption "Cash and cash equivalents". At September 30, 2007 and December 31, 2006, the consolidated balance of cash and cash equivalents under U.S. GAAP is R\$ 7,093 and R\$ 19,031, respectively.

j. Operating income

Non-operating losses in the amount of R\$ 1,484 and R\$ 75 presented for the nine month

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periods ended September 30, 2007 and September 30, 2006 under accounting practices adopted in Brazil, relate mainly to losses on disposal of property plant and equipment and amortization of certain goodwill which should be classified within operating income for U.S. GAAP purposes.

k. Financial income (expense)

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

l. Earnings per share

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

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

m. Disclosures in the notes to financial statement

Under accounting practices adopted in Brazil, a certain set of information is required to be disclosed in the notes to the financial statements. The additional disclosures required by U.S. GAAP, which are relevant to the accompanying financial statements, are included herein.

n. Deferred income taxes

Under accounting practices adopted in Brazil, deferred tax assets must be recorded when certain criteria defined by the CVM are met and to the extent that realization is probable (a valuation allowance is not recorded), while deferred tax liabilities must be recorded in full. Recognition of deferred tax assets from tax losses carry-forwarded is based on future taxable earnings brought to their present value. Realization estimate period cannot exceed ten years.

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

Deferred tax assets arising from tax losses carried-forward of an acquired entity are recognized directly in the statement of operations in the period when all conditions for recognition are met. Pursuant to US GAAP, these assets must be assessed at the date of acquisition and, if recorded, affect the value assigned to goodwill.

o. Recently issued accounting pronouncements

In September 2006, the FASB issued FASB Statement no. 157, Fair Value Measurement (Statement 157). SFAS 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The Statement does not require any new fair value measures. The Statement is effective for fair value measures already required or permitted by other standards for fiscal years beginning after November 15, 2007. The Company is required to adopt Statement 157 beginning on January 1, 2008. The Company is currently evaluating the impact of adopting Statement 157 on its results of operations and financial position.

In February 2007, the FASB issued SFAS no. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”. SFAS 159 includes an amendment of FASB Statement n° 115, “Accounting for Certain Investments in Debt and Equity Securities”. The Statement permits companies to choose to measure many financial instruments and certain other items at fair value in order to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for the Company’s fiscal year ending January 31, 2009. The Company is currently assessing the impact of this statement on its consolidated financial statements.

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II - Reconciliation of the differences between U.S. GAAP and accounting practices adopted in Brazil

Description	Note I	Three month periods ended September 30,	
		2007	2006
Net income as reported under accounting practices adopted in Brazil		7,808	14,806
Inflation accounting - Property, plant and equipment	a)	-	-
Deferred charges	b)	(4,428)	(5,412)
Capitalization of interest:	c)		
Cost		822	101
Amortization expenses		(362)	(344)
Fair value adjustments relating to accounting for derivative instruments	d)	840	5,883
Deferred tax effects on adjustments above		1,064	(78)
Deferred tax asset on temporary differences and tax loss carryforwards		-	(785)
Shares issuance costs	f)	-	-
Business combinations:	g)		
Reversal of amortization of goodwill under BR GAAP		14,965	7,419
Tax benefit applied as a reduction of goodwill		(113)	(113)
Deferred income taxes on goodwill basis difference		(598)	(598)
Amortization of intangible assets recognized under U.S. GAAP		(1,793)	(1,038)
Deferred income tax effect on intangible assets		610	352
Reversal of amortization of goodwill generated from corporate reorganization	h)	-	-
Reversal of deferred tax asset previously recognized under U.S. GAAP		-	-
Net income under U.S. GAAP		<u>18,815</u>	<u>20,193</u>
Comprehensive income		<u>18,815</u>	<u>20,193</u>
Basic and diluted earnings per common share under U.S. GAAP (*)		<u>0.33</u>	<u>0.99</u>

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

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(In thousands of Reais)

Description	Note I	Nine month periods ended September 30,	
		2007	2006
Net income as reported under accounting practices adopted in Brazil		65,285	14,827
Inflation accounting - Property, plant and equipment	a)	-	(379)
Deferred charges	b)	(11,038)	(3,092)
Capitalization of interest:	c)		
Cost		1,695	289
Amortization expenses		(1,072)	(1,008)
Fair value adjustments relating to accounting for derivative instruments	d)	43	(2,524)
Deferred tax effects on adjustments above		3,527	2,283
Deferred tax asset on temporary differences and tax loss carryforwards		-	21,799
Shares issuance costs	f)	-	14,778
Business combinations:	g)		
Reversal of amortization of goodwill under BR GAAP		35,355	20,112
Tax benefit applied as a reduction of goodwill		(340)	(340)
Deferred income taxes on goodwill basis difference		(1,795)	(1,795)
Amortization of intangible assets recognized under U.S. GAAP		(4,115)	(2,961)
Deferred income tax effect on intangible assets		1,399	1,006
Reversal of amortization of goodwill generated from corporate reorganization	h)	-	1,292
Recognition of deferred tax assets under Brazilian GAAP which were already recognized under U.S. GAAP		(30,131)	-
Net income under U.S. GAAP		<u>58,813</u>	<u>64,287</u>
Comprehensive income		<u>58,813</u>	<u>64,287</u>
Basic and diluted earnings per common share under U.S. GAAP (*)		<u>1.02</u>	<u>1.14</u>

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

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(In thousands of Reais)

Description	Note I	09/30/07	12/31/06
Shareholders' equity as reported under accounting practices adopted in Brazil		<u>534,491</u>	<u>469,206</u>
Deferred charges	b)	(31,903)	(20,865)
Capitalization of interest:	c)		
Cost		8,286	7,240
Accumulated amortization		(2,913)	(2,489)
Fair value adjustments relating to accounting for derivative instruments	d)	997	953
Deferred tax effects on adjustments above		8,681	5,155
Deferred tax asset on temporary differences and tax loss carryforwards	o)	-	30,131
Business combinations:	g)		
Goodwill difference		(128,191)	(80,549)
Accumulated amortization of goodwill under U.S. GAAP		(3,217)	(3,217)
Accumulated amortization of goodwill under BR GAAP		180,881	147,006
Tax benefit applied as a reduction of goodwill		(19,329)	(18,990)
Deferred income taxes on goodwill basis difference		(24,818)	(23,022)
Intangible assets recognized under U.S. GAAP		195,622	117,481
Accumulated amortization of intangible assets recognized under U.S. GAAP		(23,785)	(19,670)
Deferred income tax effect on intangible assets		<u>(58,425)</u>	<u>(33,256)</u>
Shareholders' equity under U.S. GAAP		<u><u>636,377</u></u>	<u><u>575,114</u></u>

III - Additional disclosures required by U.S. GAAP

a. Marketable securities

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

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(In thousands of Reais)

b. Capitalized interest

The Company's policy is to capitalize interest cost incurred on debt during the construction of major projects exceeding one year. A reconciliation of total interest cost to "Interest Expense" as reported on our unaudited consolidated statements of income for September 30, 2007 and 2006 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Interest cost capitalized	822	101	1,695	289
Interest cost charged to income	<u>17,348</u>	<u>15,963</u>	<u>46,980</u>	<u>47,183</u>
Total interest expense	<u>18,170</u>	<u>16,064</u>	<u>48,675</u>	<u>47,472</u>

c. Long-lived assets

In accordance with FASB Statement No. 144 (Statement 144), Accounting for the Impairment or Disposal of Long-Lived Assets, long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

d. Leasing transactions

Capital leases

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

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Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

The Company has capital leasing arrangements for machines and equipment and data processing equipment (hardware), based on 34 local currency leasing and 29 foreign leasing contracts in force as of September 30, 2007.

The following table summarizes the assets recorded under capital leases:

	Depreciation rate - % p.a.	09/30/07 (unaudited)		
		Cost	Depreciation	Net
Machinery and equipment	10	90,088	12,259	77,829
Hardware	20	4,062	412	3,650
Vehicles	20	<u>114</u>	<u>5</u>	<u>109</u>
		<u>94,264</u>	<u>12,676</u>	<u>81,588</u>
		12/31/06		
	Depreciation rate - % p.a.	Cost	Depreciation	Net
Machinery and equipment	10	66,269	8,775	57,494
Hardware	20	<u>1,539</u>	<u>379</u>	<u>1,160</u>
		<u>67,808</u>	<u>9,154</u>	<u>58,654</u>

Future minimum lease payments under non cancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of September 30, 2007 are:

Period ending	Capital leases	Operating Leases
2007	3,417	6,187
2008	13,899	1,775
2009	11,466	6,243
2010	9,522	5,762
2011	6,642	4,638
Later periods	<u>12,939</u>	<u>12,787</u>
Total minimum payments	<u>57,885</u>	<u>37,392</u>

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(In thousands of Reais)

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expenses for operating leases for nine months ended September 30, 2007 and for the year ended December 31, 2006 including contingent rentals, amount to R\$29,269 and R\$22,428, respectively.

e. Segment information

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

f. Revenue recognition

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

g. Changes in number of shares

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

Amount of the period	Common
Shares at December 31, 2005	<u>53,607,935</u>
Issuance of new shares	<u>3,300,000</u>
Shares at March 31, 2006	<u>56,907,935</u>
Issuance of new shares	<u>495,000</u>
Shares at June 30, 2006 through September 30, 2007	<u>57,402,935</u>

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Notes to the unaudited consolidated interim financial information

(In thousands of Reais)

h. Earnings per share

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

Description	Three Months ended September 30, (unaudited)		Nine Months ended September 30, (unaudited)	
	2007	2006	2007	2006
Net income under U.S. GAAP	18,815	20,193	58,813	64,287
Weighted average shares outstanding - Basic and diluted	57,402,935	57,402,935	57,402,935	56,257,641
Basic and diluted earnings per share - R\$	0.33	0.99	1.02	1.14

i. Impairment of goodwill

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

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

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(In thousands of Reais)

Goodwill description	(unaudited)	
	09/30/07	12/31/06
Lavoisier acquisition	20,846	20,846
Broenstein acquisition	22,499	22,499
Lamina acquisition	1,208	1,208
Santa Casa acquisition	668	779
CRL acquisition	9,494	9,535
Elkis acquisition	20,578	20,676
Pasteur acquisition	6,430	6,517
Frischmann acquisition	28,861	28,861
Image acquisition	29,271	29,271
Álvaro acquisition	14,890	14,890
LabPasteur acquisition	7,961	7,961
MedLabor acquisition	4,214	4,214
Vita acquisition	2,381	2,381
Atalaia acquisition	23,525	23,525
Exame acquisition	34,189	-
CientificaLab acquisition	53,440	-
MedImagem acquisition	<u>33,954</u>	<u>-</u>
	<u>314,409</u>	<u>193,163</u>

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

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

The allocation of goodwill recorded on Exame, CientificaLab and MedImagem under U.S. GAAP are preliminary as it depends on the conclusion of a valuation report on intangible assets which will be finalized until December 2007. The valuation of certain intangible assets related to non compete agreements and customers relationship may have a significant impact in the amount of goodwill preliminarily recognized.

The carrying amount of goodwill by company for the nine month periods ended September 30, 2007, for the years ended December 31, 2005 and 2006 are as follows:

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(In thousands of Reais)

Movement of the period	Goodwill
Balance as of December 31, 2005	<u>149,022</u>
Additions	44,447
Tax benefit applied to reduce goodwill	(306)
Balance as of December 31, 2006	<u>193,163</u>
Additions	121,586
Tax benefit applied to reduce goodwill	(340)
Balance as of September 30, 2007 (unaudited)	<u>314,409</u>

j. Intangible assets subject to amortization

The Company's intangible assets subject to amortization, under U.S. GAAP, are mainly comprised of brands and non-compete agreements acquired through business combinations.

	09/30/07 (unaudited)			12/31/06		
	Brands	Non-compete agreements	Total	Brands	Non-compete agreements	Total
Gross	182,785	12,837	195,622	106,944	10,537	117,481
Accumulated amortization	(16,858)	(6,927)	(23,785)	(13,472)	(6,198)	(19,670)
Net	165,927	5,910	171,837	93,472	4,339	97,811
Weighted- average amortization period (years)	23.0	5.0	-	20.1	5.3	-

Under U.S. GAAP the aggregate amortization expense for the above intangible assets amounted to R\$3,998 and R\$4,109 for the nine month period ended September 30, 2007 and for the year ended December 31, 2006, respectively.

k. Income tax

On January 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109", (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes". FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be

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taken in a tax return that results in a tax benefit. Additionally, FIN 48 provides guidance on de-recognition, statement of operations classification of interest and penalties, accounting in interim periods, disclosure, and transition. The implementation of FIN 48 had no significant impact in the unaudited consolidated interim financial information.

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

The Company is subject to Brazilian income tax and social contribution. The calendar years 2002 through 2006 remain open to examination. As of September 30, 2007, the Company does not expect any material changes to unrecognized tax positions within the next twelve months.

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(In thousands of Reais)

l. Concentration of credit risk

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

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

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

m. Aggregate foreign currency transaction losses (gains)

Total aggregate foreign currency transaction losses (gains) included in financial expense amounted to R\$(6,977), and R\$1,379 for the nine month periods ended September 30, 2007 and September 30, 2006, respectively.

IV - Supplemental information

The following information is presented as supplemental information to the reconciliation of the differences between U.S. GAAP and accounting practices adopted in Brazil in shareholders' equity and net income (loss) presented in Note 27.

a. Consolidated balance sheets as of September 30, 2007 and December 31, 2006 under U.S. GAAP

Assets	(unaudited) 09/30/2007	12/31/2006	Liabilities	(unaudited) 09/30/2007	12/31/2006
Current assets			Current liabilities		
Cash and cash equivalents	7,093	19,031	Suppliers	44,935	34,038
Marketable securities	27,593	313,630	Loans and financing	66,144	65,767
Trade accounts receivable	205,566	138,615	Taxes and contributions payable	16,906	6,164
Inventories	28,195	20,717	Salaries, social security charges and vacation payable	44,735	26,058
Taxes recoverable	34,996	16,749	Installments taxes	5,691	5,532
Other accounts receivable	14,054	6,328	Accounts payable from acquisition of subsidiaries	5,673	18,107
Fair value of derivatives	997	953	Other accounts payable	21,324	13,785
Prepaid expenses	2,381	5,217			
	<u>320,875</u>	<u>521,240</u>		<u>205,408</u>	<u>169,451</u>

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Assets	(unaudited) 09/30/2007	12/31/2006	Liabilities	(unaudited) 09/30/2007	12/31/2006
Noncurrent assets			Long-term liabilities		
Restricted cash	78,982	28,225	Loans and financing	275,808	275,944
Other accounts receivable	5,021	2,124	Installment taxes	15,316	16,914
Related parties	-	12	Accounts payable from		
Investments	116	25	acquisition of subsidiaries	48,275	29,714
Goodwill	314,409	193,163	Provision for contingencies	71,008	55,950
Intangible assets, net	171,837	97,811	Deferred income taxes	30,294	20,995
Property, plant and					
equipment	<u>391,673</u>	<u>301,482</u>	Minority interest	427	-
	<u>962,038</u>	<u>622,842</u>	Shareholders' equity		
			Capital	377,206	377,206
			Capital reserves	65,538	65,538
			Retained earnings	<u>193,633</u>	<u>132,370</u>
				<u>636,377</u>	<u>575,114</u>
Total	<u>1,282,913</u>	<u>1,144,082</u>	Total	<u>1,282,913</u>	<u>1,144,082</u>

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(In thousands of Reais)

b. Unaudited consolidated statement of income for the periods ended September 30, 2007 and 2006 under U.S. GAAP

Description	Three months ended September, 30		Nine months ended September, 30	
	2007	2006	2007	2006
Net service revenues	234,022	179,972	626,166	495,010
Cost of services provided	<u>(157,457)</u>	<u>(112,867)</u>	<u>(421,006)</u>	<u>(321,059)</u>
Gross profit	76,565	67,105	205,160	173,951
Operating income (expense):				
Administrative and general	(48,318)	(39,412)	(133,895)	(101,672)
Amortization of intangible assets	(1,793)	(1,038)	(4,115)	(2,961)
Other, net	<u>709</u>	<u>329</u>	<u>3,044</u>	<u>688</u>
Subtotal	<u>(49,402)</u>	<u>(40,121)</u>	<u>(134,966)</u>	<u>(103,945)</u>
Operating income	27,163	26,984	70,194	70,006
Financial expenses, net	<u>(6,384)</u>	<u>3,779</u>	<u>(11,295)</u>	<u>(13,325)</u>
Income before taxes	20,779	30,763	58,899	56,681
Income tax and social contribution:				
Current	-	(9,350)	(15,155)	(15,274)
Deferred	<u>(1,946)</u>	<u>(1,220)</u>	<u>15,314</u>	<u>22,955</u>
Income before minority interest	18,833	20,193	59,058	64,362
Minority interest	<u>(18)</u>	<u>-</u>	<u>(245)</u>	<u>(75)</u>
Net income	<u>18,815</u>	<u>20,193</u>	<u>58,813</u>	<u>64,287</u>
Earnings per share	0.33	0.99	1.02	1.14