



Diagnósticos da América S.A.

**Consolidated quarterly
financial information
Three-month period ended
March 31, 2007**

(with independent auditor's report on special review)



Diagnósticos da América S.A.

Consolidated quarterly financial information

Three-month period ended March 31, 2007

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Management Report

Dear shareholder,

DASA hereby presents its results for the first quarter 2007, showing consistent results, solid revenue growth, EBITDA increase and higher net income. The Brazilian health sector thrived in early 2007, giving momentum to DASA's organic growth and initiatives geared at expanding the access to medical diagnostics services as a way to increase and consolidate its footprint in the markets where it already operates.

Brazilian health sector trends in the last three years have posed several challenges to the medical diagnostics market that must be overcome in the years ahead. Close to 5.2 million people (ANS - March 2007) have joined the private health sector in the period thanks to the increase in formal employment and the Brazilian average household income, as well as to initiatives to make health services affordable to the low-income population. This phenomenon opened a range of possibilities in line with DASA's segmented and multi-format strategy, optimizing competitive advantages to offer a wider range of services to a growing number of patients at affordable costs.

Already in the first quarter, it is possible to note that, in addition to acquisitions, organic growth has also been playing an important role in our expansion. Gross operating income rose by 22.8% in the quarter, reflecting the acceleration in the volume of requisitions processed in the outpatient and inpatient market, which climbed by 34.7%. This upturn results from organic expansion, acquisitions and successful negotiations with our main payers, who, in exchange for better price conditions, have been expanding participation among DASA's brands. Once again, in line with our strategic objectives, the benefits of volume expansion are more easily perceived among Standard brands, boosting same-unit revenue growth by 9.5% year-on-year.

Still in the outpatient and inpatient market, we have kept up the pace of expansion observed in the last few quarters, pushed by the same growth drivers. Revenue from the clinical analysis segment grew by 23.5%, greatly fueled by the acquisitions made in 2006. The expansion of imaging tests, the main organic growth driver, came to 18.1%. The purchase of new equipment allowed more patients to be attended in PSCs where capacity utilization was close to maximum levels, in addition to allowing the introduction of imaging services in the recently acquired brands.

The lab to lab (reference) segment sustained the recent strong pace of growth, moving up by 40.5% on the same period the year before thanks to the strong upturn in the number of requisitions processed (49.1%) as a result of initiatives aiming to increase our market share and widen the range of tests offered to client laboratories.

The increase in the number of equipment in operation and the four acquisitions carried out in 2006 pushed up depreciation costs, maintaining the gross margin slightly below the figure recorded in the 1Q06. Cash-costs, however, kept their dilution trends. Operating expenses have also declined, dragged down by non-recurring expenses, which included expenses related to capital market operations in the 1Q06. Hence, adjusted EBITDA climbed by 18.2%, followed by an EBITDA margin of 24.7%, just under the 25.6% recorded in the 1Q06. During the 1Q07, DASA accounted net income of R\$ 49.0 million, due, mainly to one time event adjustments in the Income Tax and Social Contribution lines that totaled R\$ 41.0 million. Excluding the extraordinary adjustments, net income would have stood at R\$ 8.0 million, reversing the R\$ 5.0 million loss posted in 1Q06.

The beginning of the year is not usually an auspicious time for the merger and acquisition market due to the final stages in the preparation of annual balance sheets and the validation of the fiscal year's management information. We are confident we will meet the objectives set for 2007 given the several opportunities available in the market. In addition, the company's expansion process remains in progress. The upgrade of the guidance for the number of PSCs to be opened in 2007 from 23 to 33 is DASA's response to strong demand for our operating model, which is targeted at providing high-quality diagnostics medical services to all social classes.

Economic scenario

Sources: The Brazilian Institute of Geography and Statistics (IBGE) and the Brazilian Central Bank

The Brazilian economy began 2007 maintaining price stability and the upward trend of its macroeconomic fundamentals. The stable inflation rates recorded in 2006 and during the first quarter of 2007, allowed the decrease in interest rates, contributing to recover on the country's economic activity and maintenance of sustainable growth trends.

The Extended Consumer Price Index (IPCA) recorded accumulated growth of 1.26% in the quarter, which, despite higher than market estimates set by the fourth quarter 2006, was below the 1.44% rate observed in the first quarter 2006. In the twelve-month period ended March 31, inflation came in as 2.96% (versus 5.32% in March 2006). Despite the increase in food prices, the slowdown in the increase in monitored prices and the stability in wholesale prices led to more moderate indices.

The downward cycle of the SELIC rate has remained, as well as the appreciation of the Real against the US Dollar. In March 2007, the interest rate stood at 12.75%, versus 15.25% in the same month of the year before. The Real appreciated by 6.6% against the US Dollar, coming to R\$2.05 per dollar, a direct consequence of the trade surplus, which reached US\$8.7 billion, building up to US\$45.5 billion in twelve months. This trade surplus is the result of the global economy's continued growth (which boosted commodity prices), the diversification of export products, and the search for new importers for Brazilian commodities.

According to the IBGE, industrial production grew in the last quarter of 2006, shrank in January 2007 and resumed growth in February, going up by 3.0% on the same period the year before. This behavior results from the growth of 1.2% in the production of durable consumption goods, 14.3% in the production of capital goods and 3.5% in intermediary goods. The production boost derives from the consolidation of favorable prospects of continued domestic demand growth as well as from the influence of favorable international prices in some sectors.

Although unemployment levels held at 9.9% in February, this figure may be attributable to seasonal trends. However, the number of employed people grew by 2.5% in the twelve-month period ended February 28, proof of the fast pace in which jobs have been created, recovering workers' purchasing power which rose by 6.1% compared to the same month in 2006. This vitality is also reflected in real wages, which grew by 8.1% compared to February 2006, sustaining the upside trend and supporting demand growth. Finally, according to the Labor Ministry, formal employment continued rising, closing the first two months with an increase of 4.7% (4.8% in twelve months).

The consistency of the main macroeconomic indicators points towards the trend of continued growth in the fundamentals necessary to foster economic growth in the next months of 2007. The increasing flexibility of the monetary policy should contribute positively to the economy, enabling greater domestic market growth in 2007, job creation, exchange rate stability and controlled inflation, important elements for the progress of DASA's operations.

Comment on the Brazilian private medical diagnostics and health sector

Sources: ANS- the National Private Health Agency and IBGE - the Brazilian Institute of Geography and Statistics

During 2006, close to 1.8 million new people joined the Brazil's private health sector, building up to a total of 36.6 million beneficiaries. Between 2005 and 2006 the sector grew by close to 5.1%, higher than the 2.4% average recorded in the last 4 years, thanks to a higher number of contracts, mainly collective contracts, as a result of the increase in formal employment.

Although the market has not undergone any major changes compared to the first quarter in the previous year when only 19.9% of the country's 185 million population was covered by private health plans, the prospects of access to health assistance hold steady. The population covered by health plans is still concentrated in the Southeast region, where 31.1% of the population has some kind of private health insurance. If we consider only this region's capitals, the percentage of the population covered goes to 54%, versus an average of a mere 5% in 72% of the country's main municipalities.

The medical diagnostics market has the characteristic of using intensively medical technology; research and development are the responsibility of major research centers, which have been working to develop new tests and equipment with larger processing capacity and greater result accuracy. The Brazilian market segmentation remains, with close to 15,000 laboratories in operation, leading to a several opportunities for consolidation and provision of support services by large-scale companies, which have better conditions to offer these new tests than small laboratories thanks to the increased access to cutting-edge technology, lower operating costs and capacity to generate medical knowledge.

Gross Operating Revenue

Gross operating revenue stood at R\$ 206.2 million in the 1Q07, up by 22.8% on the 1Q06, boosted by the several fronts of organic growth, leveraged by the acquisitions made in 2006, which added R\$ 16.2 million to the quarter's revenue.

Organic growth was fueled by the accelerated increase of same-units revenue growth (9.5% in the 1Q07), result of the maturity of the PSCs opened in the last few years and the expansion of imaging services. In addition, 25 new PSCs were opened (16 in 2006 and 9 in the 1Q07) and lab to lab (reference) operations, represented by Laboratório Alvaro, have maintained its strong growth.

Same-unit revenue moved up by 9.5% year-on-year, mirroring the growth of 18.1% in the imaging segment fueled by the introduction of new equipment in the existing PSCs and the maturity of PSCs opened in previous years. The purchase of new equipment allowed more patients to be attended in PSCs where capacity utilization was close to maximum levels, in addition to allowing the provision of imaging services in the most recently acquired brands.

Premium and Executive segments' revenue moved up by 23.8%, accounting for 65.9% of outpatient and inpatient revenue. This performance is related to the acquisitions made in the last few years, considering that five of the eight new brands were in this segment. The services provided by Standard brands grew by 17.1%, to R\$ 64.5 million.

Alvaro's operations continued to record accelerated growth, with revenue of R\$ 17.1 million, accounting for 8.3% of DASA's total gross revenue and up by 40.5% over the 1Q06.

Gross profit totaled R\$ 64.5 million, up by 21.7%. Although depreciation costs moved up, this was partially offset by the dilution of the other lines, resulting in a gross margin of 34.2%, slightly under the 34.4% recorded in the same period of the previous year. Considering only cash costs, i.e. excluding depreciation and amortization, this line increased by 0.3 p.p.

EBITDA

Higher revenue, combined with the benefits arising from the dilution of the cost of services provided, boosted the Company's operating cash generation (EBITDA). In the 1Q07, EBITDA came to R\$43.4 million, 91.3% up on the previous year. Excluding non-recurring expenses, adjusted EBITDA rose by 18.2% year-on-year, to R\$46.6 million, followed by a 24.7% margin.

Net Income

Pursuant to CVM Instruction 371, the three-year record of profitability supported by future profitability forecasts, led DASA to recognize in its financial statements tax credits on fiscal losses and negative social contribution basis from previous years.

Based on this instruction, DASA accounted R\$ 47,5 million of differed income tax and social contribution, that together with extraordinary additions impacted the quarterly net income by R\$ 41.0 million. Thus, the Income Tax and Social Contribution line accounted for R\$ 33.4 million in 1Q07. Net income totaled R\$ 49.0 million (R\$ 8.0 million excluding one time events), reversing the R\$5.0 million loss reported in the 1Q06.

CAPEX

First-quarter investments totaled R\$ 34.4 million and were mostly directed to organic expansion, purchase of equipment and the acquisition and refurbishment of patient service centers. Investments were distributed as follows: (i) R\$ 15.9 million went to the acquisition of medical equipment to expand our range of imaging services; (ii) R\$ 13.1 million to improvements, refurbishments and the construction of new patient service centers; (iii) R\$ 3.6 million to hardware, software licenses and the development of information systems; (iv) R\$ 1.8 million to pre-operational investments.

Information to shareholders

DASA's shares closed the quarter at R\$ 45.49, recording a slight depreciation of 0.4% in 2007, versus the Ibovespa's 3.0% appreciation. Between January and March, the Company's shares were traded in 100% of the Bovespa's trading sessions and total traded volume came to R\$ 516.0 million (daily average of R\$ 8.5 million).

On April 11 2007, the shareholders of DASA approved the Management's proposal for distribution of minimum compulsory dividend for the fiscal year of 2006, in the total amount of R\$ 525,568.58, corresponding to 25% of the net income recorded in the Company's Balance Sheet for the fiscal year of 2006, after the due adjustments. The payment was made on April 30 2007, in the amount of R\$ 0.0091557789 for each common share.

SUBSEQUENT EVENTS

US GAAP Quarterly Results Release

As of this quarter, DASA will publish BR GAAP and US GAAP results simultaneously. In the 1Q07, EBITDA remained flat; there were adjustments only in depreciation, goodwill amortization and income tax lines, leading to net income of R\$ 25.0 million, as shown below.

Statements of Income R\$ Million	03/31/2007			GAAP Adjustments
	BRGAAP	USGAAP	Varição	
Gross Operating Revenue	206.2	206.2	-	
Net Operating Revenue	188.9	188.9	-	
GROSS PROFIT	64.5	64.5	-	
Gross Margin	0.3	0.3	-	
EBITDA	43.4	43.4	-	
(-) Depreciation and Amortization	(15.5)	(17.7)	(2.2)	Reversion of pre-operating expenses and fixed assets accrued as costs
(-) Goodwill Amortization	(9.4)	(1.6)	7.8	Reversion of Goodwill Amortization
(+) Other	(2.9)	(2.8)	0.2	Financial Earnings Reallocation
EBIT	15.5	21.3	5.8	
(-) Income Tax and Social Contribution	33.4	3.7	(29.8)	Income Tax adjustment accounted in 2006 US GAAP Earnings
(=) NET INCOME	49.0	25.0	(24.0)	

New Organic Growth Targets for 2007

In light of the favorable scenario in the medical diagnostics market leading to increasing demand for the Company's services, DASA decided to upgrade its guidance for the opening of PSCs in 2007, as shown in the table below.

ORGÂNICO GROWTH - 2007			
	Standard	Mega	Total
Opened*	09	00	09
To Be Opened	16	08	24
New Target	25	08	33
Former Target	15	08	23

* Up to 03/31/2007



KPMG Auditores Independentes
R. Dr. Renato Paes de Barros, 33
04530-904 - São Paulo, SP - Brasil
Caixa Postal 2467
01060-970 - São Paulo, SP - Brasil

Central Tel 55 (11) 2183-3000
Fax Nacional 55 (11) 2183-3001
Internacional 55 (11) 2183-3034
Internet www.kpmg.com.br

Independent auditors' report on special review

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

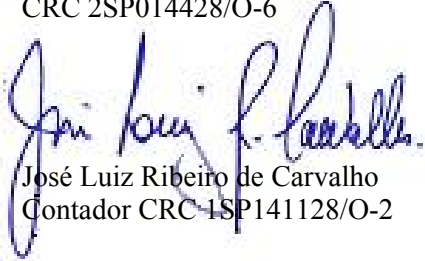
1. We have performed a special review of the consolidated quarterly financial information (ITR) of Diagnósticos da América S.A. and its subsidiaries, for the quarter ended March 31, 2007, comprising the consolidated balance sheets, consolidated income statements, management's performance report and other 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 quarterly 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 quarterly 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 Quarterly Financial Information.
4. Our special review was performed with the objective of issuing a special review report of the consolidated quarterly financial information mentioned in the first paragraph. The statement of cash flows is supplementary to the aforementioned consolidated quarterly financial information, is not required by accounting practices adapted 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 quarterly financial information referred to above.



5. Accounting practices adopted in Brazil vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 27 to the consolidated quarterly financial information.

May 4, 2007

KPMG Auditores Independentes
CRC 2SP014428/O-6

A handwritten signature in blue ink, appearing to read 'José Luiz Ribeiro de Carvalho'.

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

Diagnósticos da América S.A.

Consolidated balance sheets

March 31, 2007 and December 31, 2006

(in thousand of Reais)

Assets	(Unaudited) 03/31/2007	12/31/2006	Liabilities and shareholders' equity	(Unaudited) 03/31/2007	12/31/2006
Current assets			Current liabilities		
Cash and cash equivalents	4,706	7,172	Suppliers	27,478	34,038
Marketable securities	292,268	325,490	Bank loans and financing	45,373	59,210
Trade accounts receivable, net	153,104	138,615	Taxes and contributions payable	6,532	5,195
Inventories	20,996	20,717	Income tax and social contribution	6,769	969
Taxes recoverable	25,455	16,749	Salaries, social security charges and vacation payable	29,702	26,058
Other accounts receivable	8,113	6,325	Tax payable	5,362	5,532
Prepaid expenses	3,898	5,217	Accounts payable from acquisition of subsidiaries	9,981	18,107
			Debentures	-	6,557
			Dividends payable	2,210	527
			Other accounts payable	17,147	13,257
	<u>508,540</u>	<u>520,285</u>		<u>150,554</u>	<u>169,450</u>
Noncurrent assets			Noncurrent liabilities		
Marketable securities	30,422	28,225	Bank loans and financing	74,948	73,444
Taxes recoverable	43,011	-	Tax payable	16,014	16,974
Other accounts receivable	2,967	12	Provision for contingencies	67,573	55,891
Judicial deposits	2,240	2,123	Accounts payable from acquisition of subsidiaries	33,354	31,214
			Debentures	202,500	202,500
	<u>78,640</u>	<u>30,360</u>		<u>394,389</u>	<u>380,023</u>
Permanent assets			Shareholders' equity		
Investments	113,545	120,860	Capital	402,091	402,091
Tangible and Intangible fixed assets	305,416	289,494	Capital reserves	65,427	65,427
Deferred charges	56,996	57,680	Profit reserves	111	111
			Retained earning (accumulated losses)	50,565	1,577
	<u>475,957</u>	<u>468,034</u>		<u>518,194</u>	<u>469,206</u>
Total assets	<u>1,063,137</u>	<u>1,018,679</u>	Total liabilities and shareholders' equity	<u>1,063,137</u>	<u>1,018,679</u>

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

Diagnósticos da América S.A.

Consolidated statements of income

Three-month period ended March 31, 2007 and 2006

(in thousand of Reais)

	(Unaudited) 03/31/2007	12/31/2006
Gross revenue		
Services rendered	206,201	167,881
Deductions from gross revenue		
Value-added and other taxes	(11,553)	(9,371)
Discounts	(5,750)	(4,555)
	<u>(17,303)</u>	<u>(13,926)</u>
Net operating revenues	188,898	153,955
Cost of services rendered	(124,368)	(100,950)
Operating revenue	64,530	53,005
Other operating income (expenses)		
General and administrative	(36,918)	(42,061)
Financial income	(15,008)	(6,384)
Financial expenses	(12,595)	-
Goodwill amortization	(9,408)	(7,596)
Other operating income	293	195
	<u>(48,446)</u>	<u>(55,846)</u>
Operating income	(16,084)	(2,841)
Non-operating loss	(535)	(8)
Net income for the year before income tax and social contribution	15,549	(2,849)
Income tax and social contribution	33,439	(2,126)
Net income before minority interest	48,988	(4,975)
Minority interest	-	(57)
Net income	<u>48,988</u>	<u>(5,032)</u>
Earnings per thousand shares at year end	0.85	(0.09)
Number of shares outstanding at year-end	<u>57,402,935</u>	<u>53,607,935</u>

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

Diagnósticos da América S.A.

Consolidated statements of cash flows

Three-month period ended March 31, 2007 and 2006

(In thousand of Reais)

	(Unaudited) 03/31/2007	(Unaudited) 3/31/2006
Cash flows from operating activities:		
Net income	48,988	(5,032)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	24,933	19,134
Loss on disposal of permanent assets	1,570	9
Interest and unrealized exchange loss	7,775	2,242
Deferred income taxes	(47,530)	-
Minority interest	-	57
Decrease (increase) in operating assets		
Marketable for trading securities	31,025	(136,198)
Trade accounts receivable	(14,489)	(16,052)
Inventories	(279)	976
Taxes recoverable	(4,188)	(1,878)
Other accounts receivable	(587)	(1,470)
Prepaid expenses	(2,837)	(1,629)
Legal deposits	(256)	(152)
Increase (decrease) in operating liabilities		
Suppliers	(6,560)	(2,976)
Taxes and contributions payable	7,137	2,175
Income tax and social contribution	4,643	2,126
Salaries, social security charges and vacation payable	1,998	(810)
Other accounts payable	(3,417)	6,331
Taxes in installment	(1,122)	(1,107)
Provision for contingencies	11,821	6,960
Net cash provided by operating activities	<u>58,625</u>	<u>(127,294)</u>
Cash flows from investing activities:		
Additions to deferred charges	(3,512)	(778)
Additions to property, plant and equipment	(30,915)	(29,443)
Net cash used in investing activities	<u>(34,427)</u>	<u>(30,221)</u>
Cash flows from financing activities:		
Proceeds from loan and Financing	27,962	30,107
Issuances	(59,693)	(39,997)
Repayment of loans and financing	-	-
Loans from parent company	5,067	5,578
Capital increase	-	161,700
Net cash provided by financing activities	<u>(26,664)</u>	<u>157,388</u>
Net increase (decrease) in cash and cash equivalents:	(2,466)	(127)
Cash and cash equivalents, beginning of year	7,172	4,452
Cash and cash equivalents, end of year	<u><u>4,706</u></u>	<u><u>4,325</u></u>
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest paid	8,824	847

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

Diagnósticos da América S.A.

Notes to the consolidated quarterly financial information

Three-month period ended March 31, 2007

(In thousands of Reais)

1 Operations

The Company is public since November 19, 2004, and is listed in Bovespa's Novo Mercado segment.

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 Company can also invest in other entities. As of March 31, 2007, December 31, 2006, the company had the following operational units:

Brands	Locality	03/31/07	12/31/06	03/31/06
Delboni Auriemo	São Paulo	32	32	29
Lavoisier	São Paulo	60	54	53
Bronstein	Rio de Janeiro	40	39	35
Lâmina	Rio de Janeiro	16	16	16
Santa Casa	Paraná	8	8	8
Delboni Paraná	Paraná	-	-	7
Pasteur	Brasília	16	15	13
Frischmann	Paraná	25	25	17
Image	Bahia	2	2	2
Laboratório Alvaro	Paraná	14	14	12
LabPasteur	Ceará	17	16	-
MedLabor	Brasília, Tocantins and Goiás	9	9	-
Vita	Santa Catarina	2	2	-
Atalaia	Goiás	<u>12</u>	<u>12</u>	<u>-</u>
		<u>253</u>	<u>244</u>	<u>192</u>

At March 31, 2007, the Club DA brand had 15 units, with 13 units under the Delboni Auriemo brand and 2 units under the Lâmina brand.

Diagnósticos da América S.A.

Notes to the consolidated quarterly financial information

(In thousands of Reais)

2 Presentation of the consolidated quarterly financial information

The consolidated quarterly 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 quarterly 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 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 quarterly 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.

Diagnósticos da América S.A.

Notes to the consolidated quarterly financial information

(In thousands of Reais)

b. Accounting estimates

The Preparation of consolidated quarterly financial information in accordance with accounting practices adopted in Brazil requires that Management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the 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\$ 2.0504 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.

- **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.

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

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

- **Inventories**

Inventories are 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 five days.

- **Other current and noncurrent assets**

Presented at the net realizable amount.

e. Permanent assets

- **Investments**

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.

Diagnósticos da América S.A.

Notes to the consolidated quarterly financial information

(In thousands of Reais)

- **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 consolidated quarterly financial information date.

g. Provision for contingencies

A provision is recognized in the consolidated quarterly 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. Goodwill from the merger of the parent company

The goodwill recorded previously by the controlling company Platypus Holdings Ltda. was classified after its merger against the capital reserve account in the shareholders' equity of the Company that resulted from the merger. Later, the amortization of goodwill, for a maximum of five years, has been credited to this capital reserve account, with the corresponding entry recorded as income for the year. This procedure was supported by tax legislation, article 11 of Law 9718 of November 27, 1998. The amortization ended in February, 2006.

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

i. 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 surplus taxable income of R\$ 60 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., 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 quarterly financial information

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

	(Unaudited)	
	03/31/07	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	100.00%	100.00%
DASA Real Estate Empreendimentos Imobiliários Ltda.	99.99%	99.99%
Laboratório Imuno Ltda. - MedLabor	100.00%	100.00%
Clinica Médica Vita S.A.	100.00%	100.00%
Laboratório Atalaia Ltda.	100.00%	100.00%

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

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

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)	
	03/31/07	12/31/06
Financial investments	322,690	353,715
Classified as current assets	(292,268)	(325,490)
Classified as noncurrent assets	<u>30,422</u>	<u>28,225</u>

The marketable securities classified as current assets as of March 31, 2007 refers to fixed income funds with average interest rate of 99.3% of CDI (99.8% of CDI on December, 31 2006). The purpose of the fixed income funds wherein the Company invests is to provide profitability to 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.

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(In thousands of Reais)

Non-current financial investments, in the amount of R\$ 30,422 (R\$ 28,225 at December 31, 2006), R\$ 29,980 (R\$ 27,796 at December 31, 2006) earning an average interest rate of 99.7% of CDI at March 31, 2007 (99.9% of the CDI at December 31, 2006), guarantee to former shareholders of Laboratório Bio-Ciência Lavoisier de Análises Clínicas S.A., Laboratório Bronstein S.A. e Bronstein Administradora Laboratorial S.A., Elkis e Furlanetto - Centro de Diagnósticos e Análises Clínicas Ltda., Elkis e Furlanetto - Laboratório Médico Ltda., L.A.C. - Laboratório de Análises Clínicas S/C Ltda., Laboratório Frischmann Aisengart S.A., Laboratório Álvaro Análises e Pesquisas Clínicas S.A., Image Memorial S.A., Laboratório Louis Pasteur Patologia Clínica S/C Ltda. - LabPasteur, Laboratório Imuno Ltda. - MedLabor, Clinica Médica Vita S.A. and Laboratório Atalaia Ltda. the payment for assumed liabilities when shares of the same companies were acquired, and R\$ 442 at March 31, 2007 (R\$ 429 at December 31, 2006) regarding the financial investment in CDBs (Certificates of bank deposits) of the subsidiary Image Memorial S.A., remunerated at 100% of CDI, with Banco do Nordeste do Brasil S.A., as guarantee of transactions with commercial credit certificate registered in the item of bank loans and financing (Note 13).

5 Trade accounts receivable

	(Unaudited)	
	03/31/07	12/31/06
Current assets		
Trade notes receivable:		
Not yet due	92,626	77,830
Overdue	<u>95,805</u>	<u>95,962</u>
	188,431	173,792
Other accounts receivable:		
Checks in collection	945	1,063
Credit cards	3,157	2,730
Returned checks	<u>3,626</u>	<u>3,449</u>
	7,728	7,242
Less:		
Provision for disallowances and for doubtful accounts	(40,050)	(39,480)
Provision for losses from returned checks	<u>(3,005)</u>	<u>(2,939)</u>
	<u>153,104</u>	<u>138,615</u>

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(In thousands of Reais)

The collection process for diagnostic medicine services provided by the Company is complex as a result of a variety of factors, including the large number of health plans used, different coverage offered, the information requested by these plans for approval of payment and questioning by the health plans as to the adequacy of 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) 03/31/07	12/31/06
National clinical analysis and diagnostic imaging materials	10,760	11,437
Imported clinical analysis and diagnostic imaging materials	3,632	3,951
National secondary clinical analysis and diagnostic imaging materials	3,138	3,335
Consumption material	2,189	1,819
Inventories held by third parties	2,095	1,013
Provision for obsolescence	<u>(818)</u>	<u>(838)</u>
	<u>20,996</u>	<u>20,717</u>

Diagnósticos da América S.A.

Notes to the consolidated quarterly financial information

(In thousands of Reais)

7 Taxes recoverable and deferred taxes

a. Taxes recoverable

	(Unaudited) 03/31/07	12/31/06
Withholding income tax (IRRF)	413	6,255
Income tax recoverable	8,786	1,253
Social Contribution recoverable	5,434	3,732
COFINS and PIS tax withheld	5,685	5,033
Others	<u>618</u>	<u>476</u>
	<u>20,936</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 tax credits on income tax loss carry-forwards and the negative bases of social contribution tax, with no statutory limitation period and that can be offset against a maximum of 30% of annual 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.

Diagnósticos da América S.A.

Notes to the consolidated quarterly financial information

(In thousands of Reais)

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

	(Unaudited)	
	03/31/07	12/31/06
Assets		
Net operating loss carryforwards	2,083	-
Provision for doubtful accounts	13,297	-
Obsolescence itens - Inventories	220	-
Goodwill amortization	17,496	-
Provision for specialized medical services	896	-
Other provisions - Nondeductible	2,088	-
Provision for contingencies	<u>11,450</u>	-
	<u>47,530</u>	-
Current assets	<u>(4,519)</u>	-
Noncurrent assets	<u>43,011</u>	-

The periods of which the deferred tax assets are expected to be realized are presented bellow. Deferred tax assets comprises 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	4,519
2008	5,657
2009	4,482
2010	4,131
2011	5,942
2012 to 2014	9,571
2015 to 2016	<u>13,228</u>
Total	<u>47,530</u>

Diagnósticos da América S.A.

Notes to the consolidated quarterly financial information

(In thousands of Reais)

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.

8 Investments

	(Unaudited) 03/31/07	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.	28,811	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.	<u>28,329</u>	<u>28,329</u>
	<u>145,291</u>	<u>145,291</u>
Accumulated amortization		
Laboratório Frischmann Aisengart S.A.	(10,194)	(8,602)
Image Memorial S.A.	(9,202)	(7,620)
Laboratório Alvaro S.A.	(6,652)	(5,161)
Laboratório Louis Pasteur Patologia Clínica S/C Ltda - LabPasteur	(2,091)	(1,394)
Laboratório Imuno Ltda. - MedLabor	(796)	(497)
Clínica Médica Vita S.A.	(477)	(238)
Laboratório Atalaia Ltda.	<u>(2,361)</u>	<u>(944)</u>
	<u>(31,773)</u>	<u>(24,456)</u>
Others	<u>27</u>	<u>25</u>
	<u>113,545</u>	<u>120,860</u>

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

9 Tangible and intangible fixed assets

	Average depreciation rate % p.a.	(Unaudited) 03/31/07			12/31/06
		Cost	Depreciation	Net	Net
Tangible assets					
Buildings	4	11,822	(797)	11,025	11,002
Leasehold improvements	12	148,259	(78,415)	69,844	69,953
Machinery and equipment	10	231,858	(88,527)	143,331	139,606
Furniture and fixture	10	26,000	(11,741)	14,259	14,298
Facilities	10	3,861	(2,654)	1,207	1,235
IT equipment	20	34,897	(19,994)	14,903	14,788
Vehicles	20	2,625	(1,099)	1,526	1,455
Library	10	115	(55)	60	57
Land		1,685	-	1,685	1,685
Construction in process		33,779	-	33,779	21,974
Intangible assets					
IT systems	20	26,688	(12,983)	13,705	13,349
Trademarks and patents		81	-	81	81
Telephone lines		11	-	11	11
		<u>521.681</u>	<u>(216.265)</u>	<u>305.416</u>	<u>289.494</u>

Cost movement

	(Unaudited) Movement in the quarter				03/31/07
	12/31/06	Additions	Write-offs	Other (a)	
Tangible assets					
Buildings	11,684	138	-	-	11,822
Leasehold improvements	143,507	4,796	-	(44)	148,259
Machinery and equipment	223,037	9,169	(351)	3	231,858
Furniture and fixture	25,525	474	(4)	5	26,000
Facilities	3,838	23	-	-	3,861
IT equipment	33,467	1,439	(6)	(3)	34,897
Vehicles	2,451	47	(33)	160	2,625
Library	110	18	-	(13)	115
Land	1,685	-	-	-	1,685
Construction in process	21,974	13,368	(1,248)	(315)	33,779
Intangible assets					
IT systems	25,368	1,442	(44)	(78)	26,688
Trademarks and patents	81	-	-	-	81
Telephone lines	11	-	-	-	11
	<u>492.738</u>	<u>30.914</u>	<u>(1.686)</u>	<u>(285)</u>	<u>521.681</u>

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

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

10 Deferred charges

	End of amortization	Amortization rate % p.a.	(Unaudited)			12/31/06
			03/31/07			Net
			Cost	Amortization	Net	Net
Preoperating expenses			69,088	(29,690)	39,398	37,989
Goodwill in the takeover of a subsidiary:						
Lab.de Patologia Clínica Curitiba S/C	Jan/08	20	2,785	(2,321)	464	603
Centro Radiológico da Lagoa Ltda.	Nov/08	20	9,280	(6,186)	3,094	3,558
Elkis e Furlanetto C.D.A.C. Ltda.	May/09	20	21,130	(12,167)	8,963	10,020
Elkis e Furlanetto L.M. S/C Ltda.	May/09	20	778	(448)	330	369
Lab. Pasteur Patologia Clínica S/S Ltda.	Apr/10	20	<u>7,883</u>	<u>(3,136)</u>	<u>4,747</u>	<u>5,141</u>
			<u>110,944</u>	<u>(53,948)</u>	<u>56,996</u>	<u>57,680</u>

11 Suppliers

	(Unaudited)	12/31/06
	03/31/07	
Domestic suppliers	22,675	29,735
Foreign suppliers	<u>4,803</u>	<u>4,303</u>
	<u>27,478</u>	<u>34,038</u>

The balance of foreign suppliers of US\$2,342 thousand (US\$2,013 thousand at December 31, 2006) refers to the purchase of imported materials used in clinical exams.

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

12 Bank loans and financing

	(Unaudited) 03/31/07	12/31/06
Local currency		
Loans guaranteed accounts	6,321	20,974
Bank loans	14,958	14,054
Leasing under local currency agreements	7,083	5,133
Foreign currency		
Bank loans	14,878	14,403
Equipment suppliers	30,216	33,492
Leasing of imported equipment	<u>46,865</u>	<u>44,598</u>
	<u>120,321</u>	<u>132,654</u>
Portion to amortize in the short term classified in current liabilities	(45,373)	(59,210)
Noncurrent liabilities	<u>74,948</u>	<u>73,444</u>

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

(Unaudited) 03/31/2007					
Description	Banks	Reais	Maturity	Average interest rate	Guarantors
Local currency					
Guaranteed accounts	Other	6,321	-	106.7% of CDI	(1)
Bank loans	Banco Votorantin S.A.	11,885	2009	110.9% of CDI	(1)
Bank loans	Others	<u>3,073</u>	2008	1.5% p.m.	(1)
		<u>14,958</u>			
Leasing	Other	7,083	2008	CDI + 1.5% p.a.	(2)

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(In thousands of Reais)

(Unaudited) 03/31/2007								
Description	Financial institutions/ Suppliers	US\$	Reais	Swap	Total Reais	Maturity	Average interest rate	Guarantors
Foreign currency								
Bank loans	Banco Itaú - BBA	3,710	7,606	7,272	14,878	2009	EV+13.06% p.a.	(1)
Equipment suppliers	G.E. and Philips	8,390	17,202	13,014	30,216	2011	EV+7.5% to 8.5% p.a.	(1)
Leasing	G.E, Siemens, Philips and Oni Medical	22,857	46,865	-	46,865	2013	EV+7.20% to 9% p.a.	(2)

(1) Platypus S.A. and Balu 460 Participações S.A., shareholders of DASA Participações S.A., holder of general control of the Company.

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

Guarantees and sureties

The Company granted guarantees on behalf of its subsidiary Laboratório Frischmann Aisengart S.A., with Banco Bradesco S.A. in the amount of R\$1,500, with Banco Alfa S.A. in the amount of US\$ 1,050 thousand; on behalf of subsidiary of Image Memorial S.A., with Banco Bradesco S.A. in the amount of R\$ 1,310, with Banco Itaú S.A. in the amount of R\$ 1,000, with Banco Alfa S.A. in the amount of US\$ 645 thousand; on behalf of subsidiary Laboratório Alvaro S.A., with Banco Itaú S.A. in the amount of R\$ 2,000, with Banco Bradesco S.A. in the amount of R\$ 2,000, with Banco do Brasil S.A. in the amount of R\$ 350 and with Banco Alfa S.A. in the amount of 890; on behalf of subsidiary Laboratório Imuno Ltda. - MedLabor, with Banco Bradesco S.A. in the amount of R\$ 1,500, and on behalf of Clinica Médica Vita S.A., with Banco Bradesco S.A. in the amount of R\$ 600, and with Banco Alfa S.A. in the amount of R\$ 2,218.

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

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

Maturity	Amount (R\$)
2008	21,046
2009	16,994
2010	8,987
2011	6,966
2012	6,252
2013	3,689
2014	649
	64,583
“Swap” (a)	10,365
	<u>74,948</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 March 31, 2007, these derivative transactions resulted in a provisioned loss of R\$ 10,365.

13 Debentures

	(Unaudited) 03/31/07	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>

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

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.

The portions classified in noncurrent 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) 03/31/07	12/31/06
Salaries payable	3,758	4,047
Social security charges payable	4,181	4,350
Provision for vacation, 13th salary and social security charges	15,411	13,406
Provision for the profit sharing and equity income (a)	5,687	4,037
Others	<u>665</u>	<u>218</u>
	<u>29,702</u>	<u>26,058</u>

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

- (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.

15 Tax payable

	End of amortization	(Unaudited) 03/31/07	12/31/06
PPI - REFIS Municipal (a)	2011	3,792	3,957
PAES Program (b)	2013	7,811	8,024
COFINS (c)	2010	1,477	1,583
PIS (c)	2008	385	415
INSS (c)	2009	3,131	3,633
ISS (c)	2006	11	11
INSS - Vita (d)	2018	1,501	1,536
PIS/COFINS - Vita (d)	2018	1,315	1,326
ISS - Vita (d)	2009	233	252
ISS - Atalaia (e)	2018	1,513	1,550
Others		<u>207</u>	<u>219</u>
		<u>21,376</u>	<u>22,506</u>
Portion to amortize in the short term classified in current liabilities		(<u>5,362</u>)	(<u>5,532</u>)
Noncurrent liabilities		<u>16,014</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 n° 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 n° 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.

Diagnósticos da América S.A.

Notes to the consolidated quarterly financial information

(In thousands of Reais)

(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 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\$ 752 at March 31, 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\$ 553 at March 31, 2007.

INSS - Installments for administrative proceedings:

In March 2006, the company scheduled debt with the INSS totaling R\$ 40 at March 31, 2007 to be paid in 16 monthly installments. In September 2006 the company scheduled payments of the debt with the INSS totaling R\$ 408 at March 31, 2007, to be paid in 60 monthly installments and updated by TJLP.

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\$ 762 at March 31, 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\$ 553 at March 31, 2007.

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

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\$ 15 at March 31, 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\$ 12 at March 31, 2007, and (iii) proceeding n° 009476/06 of August 24, 2006, with the schedule of 36 monthly installments with interest at 1% per month, totaling R\$ 206 at March 31, 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\$ 1,513 at March 31, 2007; the amortizations shall be made until 2018.

16 Accounts payable from acquisition of subsidiaries

	(Unaudited) 03/31/07	12/31/06
Bio-Ciência Lavoisier de Análises Clínicas S.A. (a)	1,692	1,643
Laboratório Bronstein S.A (b)	1,596	7,042
Lâmina - Laboratório de Análises Médicas e Investigações Anátomo- Patológicas S.A.(c)	4,089	5,431
Laboratório de Patologia Clínica Curitiba S/C Ltda.(d)	428	423
Centro Radiológico da Lagoa (CRL) e Presmedi Rio Serviços Médicos Ltda. (e)	344	341
Elkis e Furlanetto C.D.A.C. Ltda. (f)	7,733	7,773
Laboratório Pasteur Patologia Clínica S/S Ltda. (g)	406	626
Laboratório Frischmann Aisengart S.A. (h)	3,275	3,210
Image Memorial S.A.(i)	8,515	8,320
Laboratório Alvaro S.A.(j)	5,667	5,155
Laboratório Frischmann Aisengart S.A. (Minority interests) (k)	2,200	2,260
Laboratório Louis Pasteur Patologia Clínica S/C Ltda - LabPasteur (l)	3,652	3,545
Laboratório Imuno Ltda. - MedLabor (m)	752	730
Clinica Médica Vita S.A. (n)	364	278
Laboratório Atalaia Ltda.(o)	<u>2,622</u>	<u>2,544</u>
	<u>43,335</u>	<u>49,321</u>
Installments to amortize in the short term classified under the current liabilities	(9,981)	(18,107)
Noncurrent liabilities	<u>33,354</u>	<u>31,214</u>

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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 fall due as follows:

- (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) **Lâmina** - Updated by the variation in the IGP-M inflation index, plus interest of 12% per annum. Payments will be made until March 2007. The debt amortization that was scheduled to occur in March 2007 will occur in April 2007.
- (d) **Curitiba** - Refers to tax credits that will have to be transferred to the previous partners, when the Company uses these credits.
- (e) **CRL and Presmedi** - Updated by the variation in the IGP-M inflation index. Payments of the debt, which was due in November 2005, have been suspended in guarantee for payment of possible contingencies that are being legally disputed.
- (f) **Elkis** - A portion of this debt, R\$5,994, is updated using the same rates of the investment funds, managed by financial institutions, as reported in note 4 and R\$1,739, which is updated by the variation in the IGP-M inflation index. Payments will be made until May 2011.
- (g) **Pasteur (DF)** - Updated by the variation in the IPCA inflation index. Payments will be made until May 2007.
- (h) **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.
- (i) **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.

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- (j) **Alvaro** - Part of this debt, R\$ 1,518 is updated by the same rates of the investment funds managed by financial institutions, as reported in Note 4, and will be settled in December of 2011, and R\$ 4,149 refer to an addition to the acquisition price due to the Company's performance in 2006, in accordance with the purchase agreement between the Company and the former shareholder's of the acquired Company. This amount will be paid in May 2007.
- (k) **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.
- (l) **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.
- (m) **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.
- (n) **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.
- (o) **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.

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)	3,288
2008	240
2009	240
2010	7,648
2011	13,547
2012	7,630
2013 to 2016	<u>761</u>
Total	<u>33.354</u>

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17 Other accounts payable

	(Unaudited) 03/31/07	12/31/06
Rentals	2,886	2,570
Third-party services	4,185	4,203
Provision for specialized medical services	2,636	777
Franchisee commission payable	704	632
Other accounts payable	<u>6,736</u>	<u>5,075</u>
	<u>17.147</u>	<u>13,257</u>

18 Provision for contingencies

	(Unaudited) 03/31/07			12/31/06
	Provision	Judicial deposit	Net	Net
(a) ICMS on imports	42,611	1,889	40,722	36,719
(b) Labor contingencies	4,651	56	4,595	4,229
(c) Civil contingencies	2,480	15	2,465	2,399
(d) Tax contingencies	<u>32,784</u>	<u>12,993</u>	<u>19,791</u>	<u>12,544</u>
	<u>82,526</u>	<u>14,953</u>	<u>67,573</u>	<u>55,891</u>

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(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 nº 114, effective on December 16, 2002, external legal advisors believe that the chances of success are probable. At March 31, 2007, amounts recorded regarding imports from January 1, 2003 onwards in the company R\$ 42,611 (R\$ 37,578 at December 31, 2006), with related judicial deposits amounts of R\$ 1,561 at March 31, 2007 (R\$ 859 at December 31, 2006). The sum of R\$ 13,242 (R\$ 11,193 on December 31, 2005) 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 eventual judicial dispute as possible. However, as the matter does not yet have a definite jurisprudential position, the provision was maintained.

(b) Provision for civil and labor contingencies

At March 31, 2007, the Company is a part to 226 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\$ 4,651 (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 March 31, 2007, the Company is a part to 238 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\$ 2,480 (R\$ 2,414 on December 31, 2006), and does not expect any losses from lawsuits above amounts already recorded.

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(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\$ 32,784, R\$ 9,394 refer to taxes and contributions challenged by the acquired companies. Management, based on legal advisors opinion, has recorded provisions in the amount of R\$ 32,784 (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>03/31/07</u>	
	Opening balance	Addition to provision	Usage	Revaluation	Closing balance
ICMS on imports	37,578	4,087	-	946	42,611
Provision for labor contingencies	4,285	314	(52)	104	4,651
Provision for civil contingencies	2,414	-	(1)	67	2,480
Provision for tax contingencies	<u>25,328</u>	<u>7,859</u>	<u>(902)</u>	<u>499</u>	<u>32,784</u>
	<u>69,605</u>	<u>12,260</u>	<u>(955)</u>	<u>1,616</u>	<u>82,526</u>

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 no. 6,404, dated December 15, 1976, and pursuant to Article 9 of the Company's Bylaws.

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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.

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\$525,568.58, 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\$ 1,332 for the three-month period ended March 31, 2007 (R\$ 1,170 in 2006).

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(In thousands of Reais)

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) 03/31/07	03/31/06
Profit before income and social contribution taxes	<u>15,549</u>	<u>(2,849)</u>
Combined statutory rates	34%	34%
Income and social contribution taxes calculated at the statutory rates	(5,287)	969
Permanent additions, net	(9,111)	(1,473)
Temporary additions, net	-	(2,032)
Tax compensation	-	381
Deferred tax initial recognized	47,627	-
Composition of tax loss		
Adjustment by the determination of deemed profit at subsidiary	419	-
Other adjustments	(209)	29
Income tax and social contribution of the year	<u>33,439</u>	<u>(2,126)</u>
Effective rate	<u>(215)%</u>	<u>(75)%</u>

21 General and administrative expenses

	(Unaudited) 03/31/07	03/31/06
Personnel expenses	16,143	10,579
Services and utilities	11,381	7,510
Depreciation	3,041	2,218
Taxes	328	404
Sundry provisions	563	885
Public offering expenses	-	14,823
Expenses with issuance of debentures (a)	240	-
General expenses	<u>5,222</u>	<u>5,643</u>
	<u>36,918</u>	<u>42,062</u>

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- (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 March 31, 2007, the Company had tax loss carryforward on the following base values:

a. Income tax losses; and	5,195
b. Negative social contribution base.	8,712

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 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.

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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 March 31, 2007 (unaudited) are shown below:

Description	<u>Book value</u>	<u>Market value</u>
Cash and cash equivalent	4,706	4,706
Marketable securities	293,865	293,865
Taxes recoverable	23,019	23,019
Investments valued using the equity method	<u>113,518</u>	<u>113,518</u>
Assets	<u>435,108</u>	<u>435,108</u>
Loans and financing:		
Local currency	28,362	28,362
Foreign currency	71,673	77,257
Derivatives (Swap)	<u>20,286</u>	<u>19,534</u>
Liabilities	<u>120,321</u>	<u>125,153</u>

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.

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Investments

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.

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 88% 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.

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Liabilities	(Unaudited)	
	03/31/07	12/31/06
Bank loans	14,878	14,403
Equipment suppliers	30,216	33,492
Leasing of imported equipment	46,865	44,598
Foreign suppliers	<u>4,803</u>	<u>4,303</u>
	<u>96,762</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 are those against fires (R\$ 58,300), loss of earnings (R\$ 9,500), torts (R\$ 1,066), torts of Officers and Administrators (R\$ 15,000) and miscellaneous risks for assets of premises and equipment and stocks (R\$ 500), for amounts considered sufficient to cover any losses.

The risk assumptions, due to their nature, are out of the scope of the special review of three-month period financial information, and therefore were not reviewed by our independent auditors.

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.

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During the period ended at March 31, 2007 and 2006, the Company maintained operations in the context of its regular business with related parties, as follows (consolidated):

	(Unaudited)			
	03/31/07		03/31/06	
	Expenses	Permanent assets	Expenses	Permanent assets
Terra Molhada Participações Ltda. (a)	875	-	1,057	-
Parkbem Multiserviços S/C Ltda. (b)	1,649	25	2,497	-
Patrimônio Investimentos e Participações Ltda. (c)	65	-	74	-
RMA Construtora Ltda. (d)	339	1,932	320	1,142
Touch Tecnologia e Informática Ltda (e)	341	637	-	612
Pátria - Banco de Negócios Assessoria, Gestão e Participação Ltda (f)	<u>129</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,398</u>	<u>2,594</u>	<u>3,948</u>	<u>1,754</u>

(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 and controlling shareholder of Balu 460 Participações S.A., which controls DASA Participações S.A., holder of general control 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.

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(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.

26 Leases

Local currency lease

The Company is a lessee of data processing equipment (*hardware*) machinery and equipment with purchase option, pursuant to 21 leasing agreements in effect on March 31, 2007, totaling a payable balance until 2011 in the sum of R\$ 7,083, of which R\$ 3,141 are classified under the current liabilities and R\$ 3,942 in the noncurrent 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.

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The accounts payable related to leasing matures as follows:

Maturity	Amount (R\$)
2007	2,772
2008	1,873
2009	1,293
2010 to 2012	<u>1,145</u>
	<u>7,083</u>

The equipment related to these contracts are registered in the fixed asset account as machinery and equipment, of which R\$8,702 being cost and R\$ 1,389 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 2013 in the sum of R\$ 46,865, of which R\$ 8,230 are classified under the current liabilities and R\$ 38,635 under the noncurrent liabilities.

The accounts payable related to leasing matures as follows:

Maturity	Amount (R\$)
2007	6,093
2008	8,975
2009	7,784
2010	7,454
2011	6,229
2012	5,992
2013	<u>4,338</u>
	<u>46,865</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\$63,270 being cost and R\$ 8,461 as accumulated depreciation.

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

I - Description of GAAP differences

The consolidated quarterly 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 quarterly financial information summarizes 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:

March 31, 2007				
Number of contracts outstanding	Type of derivative instruments	Book value under accounting practices adopted in Brazil	Fair value	U.S. GAAP adjustment
50	Cross-currency interest swap	(20,286)	(19,534)	752

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.

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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 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.

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(In thousands of Reais)

Acquisitions

The Company acquired the following companies in 2006:

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"	100.00%
July 27, 2006	Laboratório Imuno Ltda - "MedLabor"	100.00%
October 5, 2006	Clínica Médica Vita S.A. - "Vita Medicina Diagnóstica"	100.00%
October 26, 2006	Laboratório Atalaia Ltda - "Atalaia"	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%)	LabPasteur	MedLabor	Vita	Atalaia
Current assets	8,051	1,613	788	1,3444	4,152
Property, plant and equipment	3,289	484	-	234	2,523
Intangible assets	8,673	7,594	3,425	4,4422	8,768
Other assets	<u>252</u>	<u>16</u>	<u>453</u>	<u>66</u>	<u>-</u>
Total assets acquired	<u>20,266</u>	<u>9,707</u>	<u>4,666</u>	<u>6,0266</u>	<u>15,443</u>
Current liabilities	4,268	3,087	2,149	2,1755	4,685
Long-term liabilities	<u>4,204</u>	<u>2,620</u>	<u>1,301</u>	<u>5,4877</u>	<u>5,107</u>
Liabilities assumed	8,472	5,707	3,450	7,6622	9,792
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>
Interest acquired	7.08%	100.00%	100.00%	100.00%	100.00%
Net assets (liabilities) acquired (assumed)	835	4,000	1,216	(1,636)	5,651
Total cost of acquisition	<u>6,634</u>	<u>11,961</u>	<u>5,429</u>	<u>746</u>	<u>29,176</u>
Goodwill recorded under U.S. GAAP	5,799	7,961	4,214	2,382	23,526
Goodwill recorded under accounting practices adopted in Brazil	4,970	13,936	5,966	4,768	28,328

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(In thousands of Reais)

The intangible assets recorded by the Company are as follows:

	Frischmann	LabPasteur	MedLabor	Vita	Atalaia
Description	Amount assigned	Amount assigned	Amount assigned	Amount assigned	Amount assigned
Brand	8,673	7,594	3,425	4,442	8,768

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 March 31, 2007 and December 31, 2006, the consolidated balance of cash and cash equivalents under U.S. GAAP is R\$ 7,541 and R\$19,031, respectively.

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

j. Operating income

Non-operating losses in the amount of R\$ 535 and R\$ 8 presented for the periods ended March 31, 2007 and March 31, 2006 under accounting practices adopted in Brazil, relate mainly to losses on disposal of property plant and equipment and amortization of certain goodwill which would 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 would 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.

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

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.

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.

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(In thousands of Reais)

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.

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

Description	Note I	03/31/2007	03/31/2006
Net income as reported under accounting practices adopted in Brazil		48,998	(5,032)
Inflation accounting - Property, plant and equipment	a)	-	(379)
Deferred charges	b)	(1,863)	1,415
Capitalization of interest:	c)		
Cost		362	94
Amortization expenses		(353)	(305)
Fair value adjustments relating to accounting for derivative instruments	d)	(201)	(4,734)
Deferred tax effects on adjustments above		699	1,329
Deferred tax asset on temporary differences and tax loss carryforwards		-	23,629
Shares issuance costs	f)	-	14,778
Business combinations:	g)		
Reversal of amortization of goodwill under BR GAAP		8,914	6,304
Tax benefit applied as a reduction of goodwill		(112)	(113)
Deferred income taxes on goodwill basis difference		(599)	(598)
Amortization of intangible assets recognized under U.S. GAAP		(1,100)	(946)
Deferred income tax effect on intangible assets		387	319
Reversal of amortization of goodwill generated from corporate reorganization	h)	-	1,291
Reversal of deferred tax asset previously recognized under U.S. GAAP		(30,131)	-
Net income under U.S. GAAP		<u>25,001</u>	<u>37,052</u>
Comprehensive income		<u>25,001</u>	<u>37,052</u>
Basic and diluted earnings per common share under U.S. GAAP (*)		0.44	0.69

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

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

Description	Note I	03/31/07	12/31/06
Shareholders' equity as reported under accounting practices adopted in Brazil		<u>518,194</u>	<u>469,206</u>
Deferred charges	b)	(22,728)	(20,865)
Capitalization of interest:	c)		
Cost		5,113	7,240
Accumulated amortization		(353)	(2,489)
Fair value adjustments relating to accounting for derivative instruments	d)	752	953
Deferred tax effects on adjustments above		5,779	5,081
Deferred tax asset on temporary differences and tax loss carryforwards	o)	-	30,131
Business combinations:	g)		
Goodwill difference		(80,535)	(80,548)
Accumulated amortization of goodwill under U.S. GAAP		(3,217)	(3,217)
Accumulated amortization of goodwill under BR GAAP		155,930	147,006
Tax benefit applied as a reduction of goodwill		(19,102)	(18,990)
Deferred income taxes on goodwill basis difference		(23,547)	(22,948)
Intangible assets recognized under U.S. GAAP		117,481	117,481
Accumulated amortization of intangible assets recognized under U.S. GAAP		(20,770)	(19,670)
Deferred income tax effect on intangible assets		<u>(32,882)</u>	<u>(33,256)</u>
Shareholders' equity under U.S. GAAP		<u>600,115</u>	<u>575,114</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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Notes to the consolidated quarterly financial information

(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 consolidated statements of income for March 31, 2007 and 2006 is as follows:

	03/31/07	03/31/06
Interest cost capitalized	362	94
Interest cost charged to income	<u>14,646</u>	<u>13,317</u>
Total interest expense	<u>15,008</u>	<u>13,411</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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The Company has leasing arrangements for machines and equipment and data processing equipment (hardware) with a purchase option, based on 21 local currency leasing contracts in force as of March 31, 2007.

The following table summarizes the assets recorded under capital leases:

		<u>03/31/07</u>		
	Depreciation rate - % p.a.	Cost	Depreciation	Net
Machinery and equipment	10	70,434	9,318	61,116
Hardware	20	<u>1,539</u>	<u>532</u>	<u>1,007</u>
		<u>71,973</u>	<u>9,850</u>	<u>61,123</u>
		<u>12/31/06</u>		
	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 March 31, 2007 are:

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(In thousands of Reais)

Period ending	Capital leases	Operating leases
2007	8,865	12,552
2008	10,848	1,033
2009	9,077	4,746
2010	7,746	4,005
2011	6,302	4,027
Later periods	<u>11,110</u>	<u>5,264</u>
Total minimum payments	<u>53,948</u>	<u>31,627</u>
Less amount representing interest (at rates ranging from 7.20% to 8.35% per annum)	<u>(692)</u>	
Total principal amount to be paid	<u>53,256</u>	

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 three months ended March 2007 and 2006 including contingent rentals, amount to R\$7,786 and R\$8,967, 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.

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(In thousands of Reais)

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>
Shares at December 31, 2006	<u>57,402,935</u>
Shares at March 31, 2007	<u>57,402,935</u>

h. Earnings per share

The following table provides a reconciliation of the numerators and denominators used in computing earnings per share as required by SFAS n° 128. The calculation of earnings per share as summarized below is retroactively adjusted for stock split of 1 to 10 shares and for the conversion of preferred shares into common shares both occurred in November 2004. 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	03/31/07	03/31/06
Net income under U.S. GAAP	25,001	37,052
Weighted average shares outstanding - Basic and diluted	57,402,935	53,937,935
Basic and diluted earnings per share - R\$	0.44	0.69

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(In thousands of Reais)

i. Impairment of goodwill

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

Goodwill description	03/31/07	12/31/06
Lavoisier acquisition	20,846	20,846
Broenstein acquisition	22,499	22,499
Lamina acquisition	1,208	1,208
Santa Casa acquisition	742	779
CRL acquisition	9,522	9,535
Elkis acquisition	20,594	20,676
Pasteur acquisition	6,487	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	<u>23,525</u>	<u>23,525</u>
	<u>193,001</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.

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(In thousands of Reais)

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

The carrying amount of goodwill by company for the period ended March 31, 2007, December 31, 2005 and 2006 are as follows:

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>
Tax benefit applied to reduce goodwill	(162)
Balance as of March 31, 2007	<u>193,001</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.

	03/31/07			12/31/06		
	Brands	Non-compete agreements	Total	Brands	Non-compete agreements	Total
Gross	106,944	10,537	117,481	106,944	10,537	117,481
Accumulated amortization	(14,366)	(6,404)	(20,770)	(13,472)	(6,199)	(19,671)
Net	92,578	4,133	96,711	93,472	4,338	97,810
Weighted- average amortization period (years)	20.0	5.1	-	20.1	5.3	-

Under U.S. GAAP the aggregate amortization expense for the above intangible assets amounted to R\$1,099 and R\$945 for the year ended March 31, 2007 and March 31, 2006, respectively.

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(In thousands of Reais)

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 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 consolidated quarterly 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 tax years 2002 through 2006 remain open to examination. As of March 31, 2007, the Company does not expect any material changes to unrecognized tax positions within the next twelve months.

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.

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Notes to the consolidated quarterly financial information

(In thousands of Reais)

m. Aggregate foreign currency transaction losses (gains)

Total aggregate foreign currency transaction losses (gains) included in financial expense amounted to R\$(631), and R\$999 for the periods ended March 31, 2007 and March 31, 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 March 31, 2007 and December 31, 2006 under U.S. GAAP

Assets	03/31/2007	12/31/2006	Liabilities	03/31/2007	12/31/2006
Current assets			Current liabilities		
Cash and cash equivalents	7,541	19,031	Suppliers	27,478	34,038
Marketable securities	298,434	313,630	Loans and financing	45,373	65,767
Trade accounts receivable	153,104	138,615	Taxes and contributions payable	13,301	6,164
Inventories	20,996	20,717	Salaries, social security charges and vacation payable	24,015	26,058
Taxes recoverable	20,891	16,749	Installments taxes	5,362	5,532
Other accounts receivable	8,112	6,328	Accounts payable from acquisition of subsidiaries	9,981	18,107
Fair value of derivatives	752	953	Other accounts payable	<u>25,044</u>	<u>13,785</u>
Prepaid expenses	<u>3,901</u>	<u>5,217</u>			
	<u>504,731</u>	<u>521,240</u>		<u>150,554</u>	<u>169,451</u>
Noncurrent assets			Long-term liabilities		
Marketable securities	30,422	28,225	Loans and financing	277,448	275,944
Other accounts receivable	5,207	2,123	Installment taxes	15,962	16,914
Related parties	-	12	Accounts payable from acquisition of subsidiaries	32,284	29,714
Investments	26	26	Provision for contingencies	67,626	55,950
Goodwill	193,001	193,163	Deferred income taxes	<u>3,077</u>	<u>20,995</u>
Intangible assets, net	96,711	97,811			
Property, plant and	<u>316,968</u>	<u>301,482</u>			
	<u>642,335</u>	<u>622,842</u>	Shareholders' equity		
			Capital	377,206	377,206
			Capital reserves	65,538	65,538
			Retained earnings	<u>157,371</u>	<u>132,370</u>
				<u>600,115</u>	<u>575,114</u>
Total	<u>1,147,066</u>	<u>1,144,082</u>	Total	<u>1,147,066</u>	<u>1,144,082</u>

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(In thousands of Reais)

b. Consolidated statement of income for the years ended March 31, 2007 and 2006 under U.S. GAAP

Description	03/31/07	03/31/06
Net service revenues	188,898	153,955
Cost of services provided	<u>(124,559)</u>	<u>(94,123)</u>
Gross profit	64,339	59,832
Operating income (expense):		
Administrative and general	(38,944)	(33,368)
Amortization of intangible assets	(1,571)	(948)
Other, net	<u>293</u>	<u>195</u>
Subtotal	<u>(40,222)</u>	<u>(34,121)</u>
Operating income	24,117	25,711
Financial expenses, net	<u>(2,786)</u>	<u>(11,044)</u>
Income before taxes	21,331	14,667
Income tax and social contribution:		
Current	(14,091)	(2,126)
Deferred	<u>17,761</u>	<u>24,568</u>
Income before minority interest	25,001	37,109
Minority interest	<u>-</u>	<u>(57)</u>
Net income	<u>25,001</u>	<u>37,052</u>
Earnings per share	0.44	0.69