2010 Management Report

Message from Management

2010 was a year of great accomplishments for Fleury Group. In its first year as a publicly-held company, the company posted considerable revenue growth, which reached R$935 million, 13.9% higher than in 2009. It was the fourth consecutive year with a double-digit growth, and in the last six years our revenue was up 2.5-fold. The revenue increase came accompanied by an even steeper expansion of net income, which reached the record amount of R$130 million, 56% higher than in 2009, or a four-fold increase in the past four years.

All business lines had a highly favorable performance, in particular the Patient Service Centers, Diagnostic Operations in Hospitals, Chronic Disease Management, and Health Assessment. The expansions were the result of strong organic growth, in particular in the last two quarters of 2010, coupled with acquisitions.

The strategic positioning of differentiation was once again evidenced by innovative services and products, such as the creation of the "Integrated Medical Centers" and by substantial investments in research and development, which resulted in more than 100 new products launched during 2010. We should also highlight the sizable investments in qualification and training for the entire Group's staff. During 2010 there were conducted an average of more than 60 hours of training per employee.

Fleury Group shares (BOVESPA: FLRY3) appreciated by 45% in 2010 and 67% since the IPO, in December 2009.

Acquisitions

In May 2010, the 24th acquisition of the Group was completed: DI *Diagnóstico por Imagem*. This acquisition allowed the incorporation into the Group of 60 renowned, highly qualified physicians, specialized in imaging tests and other diagnosis procedures in hospital environments.

In December, the Group signed a Memorandum of Understandings (MoU) for the acquisition of Labs D'Or. When completed, this transaction will increase the Group's revenue and gross profit by approximately 40%, as well as reinforce Fleury Group's presence in Rio de Janeiro and boost even further the diagnostic operations in hospitals business line.

Excellence in Qualification and Innovation

Investments in the qualification of the staff and innovation have resulted in significant returns on the service and product offerings, for all brands.

A comprehensive education program, totaling, on average, 65 hours of training per employee per year was initiated in 2010.

Investments in research and development allowed the launching of 107 new products throughout 2010 (103 in 2009).

In the context of a constant innovation and pioneering process, “Integrated Medical Centers” were created, offering multidisciplinary services for specific areas or diseases, which benefit from a comprehensive and integrated approach. For the physician client, this represents an even more efficient diagnosis-support service. For the patient, this means a more accurate, safer diagnosis, in a single location, outside the hospital environment. The first four centers opened were the Specialized Lymphoma Patient Service Center, the Urinary Disorder Support and Rehabilitation Center, the Advanced Digestive Endoscopy Center, and the Integrated Neurology and Sleep Medicine Diagnosis Center.

Acknowledgment for Management and Excellence of Services Provided

In 2010, Fleury Group received important awards, recognizing the management and the excellence of the services provided:

The 2010 IBGC Corporate Governance Award, Category Listed Companies – In its first year as a publicly-held company, Fleury Group received the 2010 IBGC Corporate Governance Award, for listed companies, an award already received in 2007 in the unlisted companies category.

Based on IBGC’s assessment, which granted the award to only one company, Fleury Group excelled in the following fundamentals: strict rules in the interaction with related parties, corporate model that minimizes succession issues in the company, a structured assessment system of executives and employees at all levels, differentiated variable compensation that includes a stock option plan, and a Board of Directors with a highly developed strategic focus.

A highly important recognition that strengthens even more the management’s long history of commitment to maintain and promote the highest standards of corporate governance.

The most valuable brand of the healthcare industry in Brazil – the Fleury brand was ranked as the most valuable brand in Brazil among all in the healthcare industry, the sixth most valuable brand among service providers, and the 25th most valuable Brazilian brand, according to a survey conducted by BrandAnalytics and Millward Brown, one of the world's leading experts in advertising and marketing communication.

Company of the year – Human Resources Managemet - The publisher *Gestão & RH* granted our Group the title of Company of the Year in people management practices.

First in Value Generation and Operating Margin among the industry's companies – *Valor 1000* publication (*Valor Economic* newspaper).

First in Financial Sustainability and Corporate Governance among the industry's companies – *Melhores da Dinheiro* publication (*Istoé Dinheiro*).

Certification "Leed - Leadership in Energy and Environmental Design", Gold Standard, for Rochaverá Morumbi service center, under the Fleury brand. First company in the sector to be awarded the Gold Standard in Brazil.

Operating Performance

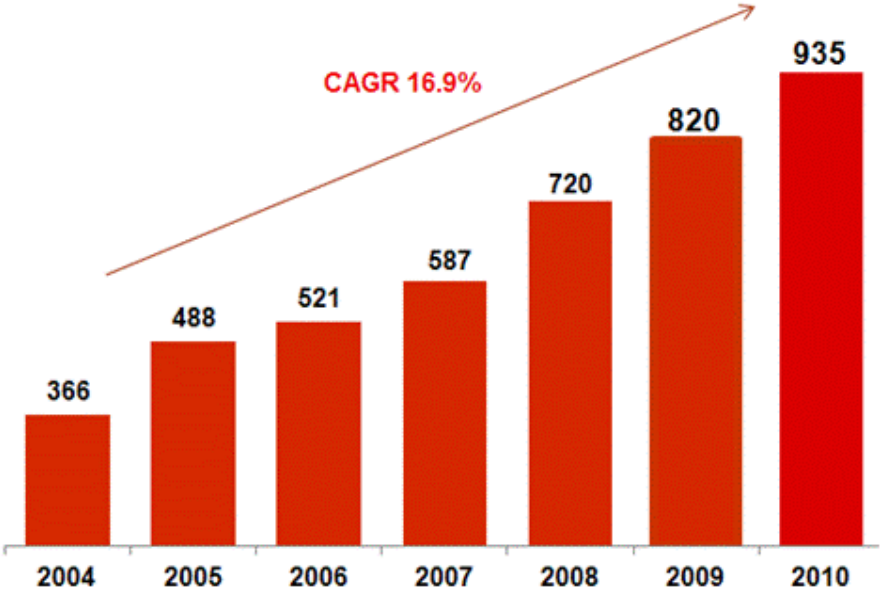
As in prior years, consolidated gross revenue posted double-digit growth in 2010, totaling R$935 million, or a 13.9% increase over 2009.

The differentiation strategy in services and the maximizing of the value proposition to the customer, in each individual brand and business line, resulted in significant progresses in operational structuring throughout 2010, been highlighted:

- Expansion and adaptation of the range of services offered in the patient service centers, by opening more complete units and remodeling or closing loss-making ones;
- Accelerated expansion of imaging test and other high value-added tests and procedures offerings;
- Expansion of partnerships with hospitals;
- Strengthening of negotiations to generate new Chronic Diseases Management contracts.

Gross Revenue Evolution

R$ million



Breakdown of Revenue by Business Line

	2010		2009		
	R$ million	% GR[1]	R$ million	% GR[1]	Δ
Patient Service Centers	**785.6**	**84.1%**	**693.6**	**84.5%**	**13.3%**
Diagnostic Operations in Hospitals	**92.2**	**9.9%**	**62.2**	**7.6%**	**48.4%**
Lab-to-lab and Clinical Trials	**37.9**	**4.1%**	**44.3**	**5.4%**	**-14.4%**
Lab-to-lab	33.7	3.6%	36.0	4.4%	-6.4%
Clinical Trials	4.2	0.4%	8.2	1.0%	-49.5%
Preventive Medicine	**18.8**	**2.0%**	**20.4**	**2.5%**	**-7.8%**
Preventive Medicine (ex- FHD)	18.6	2.0%	12.6	1.5%	48.0%
Fleury Hospital-Dia (Day-Hospital) [2]	0.2	0.0%	7.9	1.0%	-96.9%
Gross Revenue	**934.5**	**100.0%**	**820.4**	**100.0%**	**13.9%**

1- Percentage (%) of consolidated Total Gross Revenue

2- Service discontinued in October 2009 due to regulatory issues.

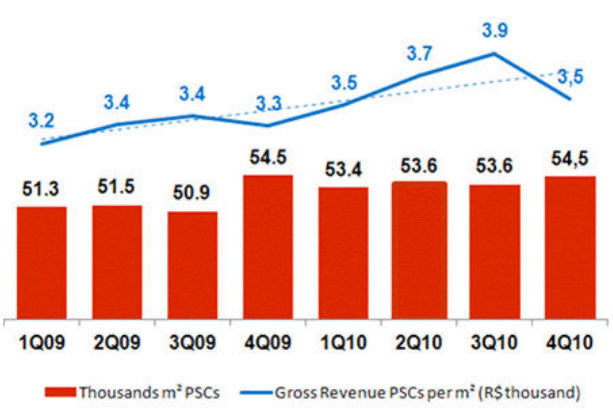
Performance by Business Line

Patient Service Centers (PSCs)

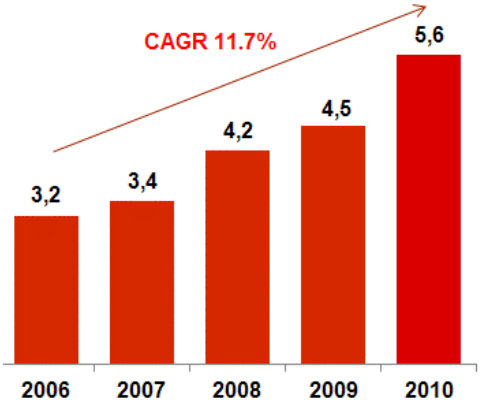
Consist of 141 service centers located in six Brazilian states and the Federal District that provide complete and integrated clinical analysis solutions, imaging, and other diagnosis procedures in over 30 medical areas. In 2010, revenue from this business line totaled R$786 million, 13.3% higher than in 2009, a growth boosted mainly by our organic expansion and acquisitions.

Average revenue by square meter grew 6.0% over 4Q09, to R$3.5,thousands as a result of the expansion of the services portfolio, chain optimization, and increased utilization of the installed capacity. Average revenue by PSC grew 22.9%.

Gross Revenue by square meter and total by square meters



Gross Revenue by Patient Service Center (R$ million)



Diagnostic Operations in Hospitals

Provides diagnostic services to major hospitals in São Paulo, Porto Alegre and Recife, achieving a substantial 48%expansion over 2009, up to R$92 million in 2010, representing 10% of the Group's revenue. The number of analyses processed increased 39%.

Both organic growth and acquisitions contributed strongly to this expansion.

Preventive Medicine

Comprising Health Assessment, Health Promotion and Chronic Disease Management services, achieved highly positive results, with a revenue growth of 48%, up to R$19 million or 2.0% of the Group's revenue.

The Health Assessment service, a personalized service provided in a non-hospital environment, grew its revenue by 23.9% in 2010, increasing by 24.6%the number of check-ups performed. Revenue from Health Promotion services grew 28% in the year, mainly due to new contracts. The Chronic Diseases Management, service, which focuses on the monitoring and prevention of complication for chronic patients, reached 29 thousand insured lives, totaling R$3.6 million in revenue in 2010. An important feature of this business is its recurring and cumulative revenue, since it entails continuous services.

Lab-to-lab and Clinical Trials

Lab-to-lab conducts clinical analyses and anatomy-pathology tests for approximately 3,000 labs and hospitals in the entire national territory. Lab-to-lab revenue achieved R$34 million in 2010, 6.4% below 2009 as a consequence of the rationalization of the services portfolio.

Additionally, also at the end of 2009, the Group decided to gradually discontinue the **Clinical Trials** service and maintain only the previously contracted studies. As a result, revenue from this service decreased to R$4.2 million in 2010 from R$8.2 million in 2009.

Cost of Services - The cost of services provided totaled R$507 million, 12.3% above 2009, accounting for 58.2% of net revenue (over 58.7% in 2009), an improvement that results from the dilution of overhead and negotiations with suppliers.

Gross Profit - In 2010, Fleury Group recorded Gross Profit of R$364 million, 14.4% higher than in 2009. This amount represents Gross Margin of 41.8% over Net Revenue.

Operating Income and Expenses

General and administrative expenses increased 7.7% in 2010, reaching R$196 million on a consolidated basis, including R$16.1 million in Marketing expenses.

Other net operating income (expenses) totaled an income of R$2.2 million—consisting basically of tax credits generated by the negotiation of tax debts—over an expense of R$2.6 million in 2009.

In 2010 reserves for fiscal, civil and labor risks, where the likelihood of loss in lawsuits is assessed as probable by our legal counsel and management, were recognized, totaling an expense of R$1.6 million. In 2009 the reserves totaled income of R$14.6 million, represented basically by reversals of contingencies recognized in prior periods.

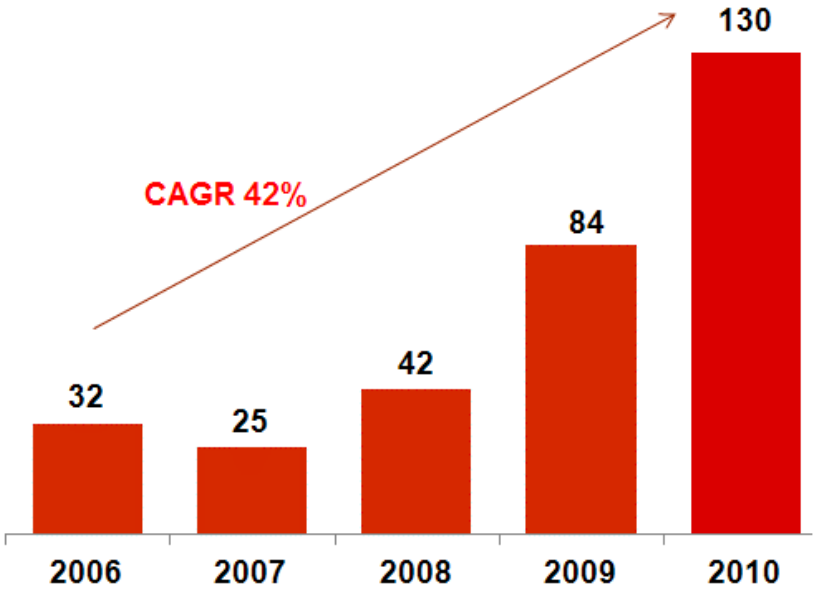
Financial income (expenses) and net cash (indebtedness) – The financial result recorded was a R$26.7 million net revenue in 2010, over financial expenses of R$21.2 million in 2009. This change is mainly due to the proceeds from the IPO conducted in December 2009. In December 31, 2010, we posted R$543 million in cash and cash equivalents, resulting in a net finacial cash (difference between cash and loans) of R$453 million.

Income Tax and Social Contribution - Income tax and social contribution were adjusted to the new accounting standards and were accounted for based on temporary differences due to the effect of the amortization of goodwill on the calculation of income tax and social contribution expenses. As a result, the amounts accounted for in 2010 was R$65.3 million. Taking into account the current tax amount recorded, the effective tax rate was 13.4%.

Net Income and Earnings per Share - The Group achieved a net income of R$130 million, 55.5% higher than in 2009. This amount represents a margin of 14.9% over Net Revenue, 406 basis points higher than the prior year.

Evolution of Net income

R$ millions



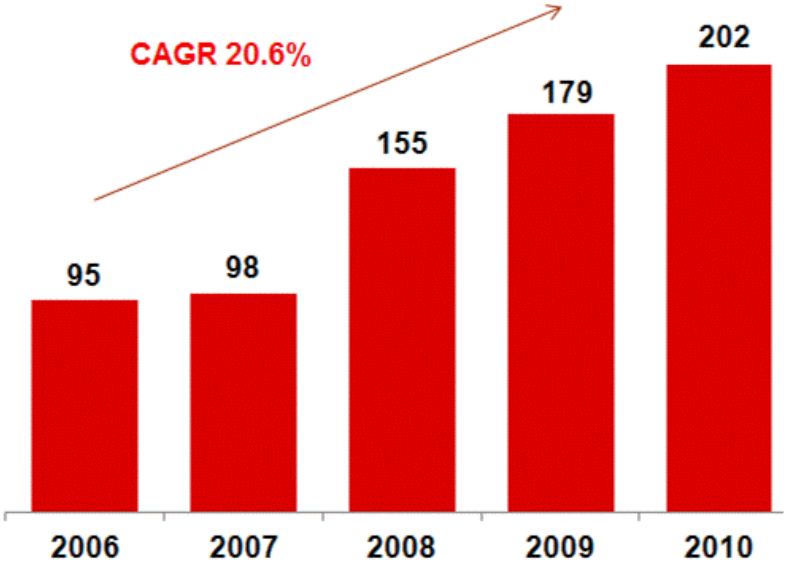
Earnings per share achieved R$0.99. In order to compare this figure with the earnings per share reported in 2009 (R$0.66), adjustments to the number of shares must be made to reflect the capital increase approved on January 4, 2010, related to the issuance and subscription of a share overallotment ("green-shoe"). Considering this adjustment, earnings per share in 2009 was R$0.92.

EBITDA[1] – EBITDA reached R$201.6 million, 12.4% higher than in 2009, representing a margin of 23.1% of net revenue.

It is worth emphasizing that the amounts of nonrecurring expenses incurred in 2010 on integrations, systems unification, closing of loss-making units, adjustments to provisions, tax credits, and reversals of reserves for contingencies totaled R$6.5 million, an amount that not used as an adjustment to the calculation of EBITDA above.

Evolution of EBITDA[1]

R$ million



[1] *EBITDA is an unaudited financial indicator, equal to net income (loss) before income tax and social contribution, net financial expenses, and depreciation and amortization expenses. EBITDA is not a financial performance measure in accordance with Brazilian accounting practices, it should not be considered separately or as an alternative to net income as an operating performance measure, or an alternative to cash flows from operating activities or any other liquidity measure. Other companies may calculate EBITDA differently from us.*

Capital Market

Our shares (BOVESPA: FLRY3) closed 2010 quoted at R$26.65, a 66.6% increase since the IPO and a 44.9% increase in the year.

Outlook

Brazil's macroeconomic scenario, in particular the strong generation of formal jobs, the trend for an increased use of medical services, and the increasing life expectancy of the population, has created a very favorable environment for all healthcare companies. Fleury Group seeks an outstanding organic expansion, at levels compatible with our performance in recent years. Projects currently in progress include the expansion plan of our service center's total square meters and investments to increase the services offerings in the diverse regions we operate. Additionally, it will be carried on the acquisitions program to expand our presence in new locations or increase service offerings in currently served regions.

The increase in the pace of new contracts in the Chronic Disease Management service and in other Preventive Medicine services, and the continuous product and solution innovations, will continue to contribute to the revenue expansion.

We believe that the actions carried out in recent years will permit an improvement of the return on invested capital in the coming years, through synergies, the maturity curve of the new centers and new businesses, and savings obtained by unifying and integrating divisions and systems.

The Group will maintain the high corporate governance standards, meritocracy and commitment to ethics, sustainability, evolution of medicine, and the wellbeing of individuals for the progress of society as a whole.

Independent Auditors

In compliance with Brazilian Securities Commission (CVM) Instruction 381/03, we hereby inform that our auditor, Deloitte Touche Tohmatsu Auditores Independentes, has not been engaged to provide any services other than the external audit and/or special review of our financial statements.

Acknowledgements

We wish to express our appreciation to all our employees for their dedication and commitment to our mission, to our patients and the medical community for their trust in our services, to our shareholders for their continuous support and guidance, to our suppliers for the partnership, and to the Brazilian society as a whole for being part of our history and our future.

São Paulo, February 24, 2011

Aparecido Bernardo Pereira	Mauro Figueiredo
Chairman of the Board of Directors	CEO

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Fleury S.A.

Individual and Consolidated Financial Statements for the Year Ended December 31, 2010 and Independent Auditors' Report

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Management and Shareholders of
Fleury S.A.
São Paulo - SP

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

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance the accounting practices adopted in Brazil and the consolidated financial statements in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil, as well as for the internal controls considered by them as necessary to allow the preparation and fair presentation of the financial statements, that are free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion on the individual financial statements

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

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fleury S.A. as of December 31, 2010 and its consolidated operating performance and consolidated cash flows for the year then ended in accordance with the IFRS issued by IASB and the accounting practices adopted in Brazil.

Emphasis of matter

As described in note 2.1, the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. For Fleury S.A., these practices differ from the international financial reporting standards (IFRS), applicable to the separate financial statements, only with respect to the accounting for investments in subsidiaries under the equity method, whereas for IFRS purposes these investments would be stated at cost or fair value.

Other issues

Statements of value added

We have also audited the individual and consolidated statements of value added for the year ended December 31, 2010, whose presentation by publicly-held companies is required by Brazilian corporate law and considered supplemental information by IFRS. These statements have been subjected to the same auditing procedures described above and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 22, 2011

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Maurício Pires de Andrade Resende
Engagement Partner

FLEURY S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands of Brazilian reais - R$)

	Note	Company			Consolidated		
Assets		**12/31/10**	**12/31/09**	**1/1/2009**	**12/31/10**	**12/31/09**	**1/1/2009**
Current Assets							
Cash and cash equivalents	6	543.336	526.735	12.282	543.451	527.828	18.401
Derivative financial instruments	5	19	-	850	19	-	1.530
Trade accounts receivable	7	200.697	135.142	64.611	203.380	152.596	107.254
Inventories	8	8.551	9.116	6.976	9.512	12.450	11.850
Recoverable taxes	9	17.204	15.693	6.479	17.379	16.307	12.346
Prepaid expenses		2.564	1.617	510	2.564	1.837	342
Other		6.932	8.035	3.282	7.021	8.650	6.918
Total current assets		779.303	696.338	94.990	783.326	719.668	158.641
Noncurrent Assets							
Long-term assets							
Related parties	21	7.568	6.131	41.378	-	-	-
Trade accounts receivable	7	-	63	-	-	63	50
Recoverable taxes	9	7.584	15.109	366	7.584	15.109	15.461
Judicial deposits	16	4.652	3.657	9.924	4.655	3.657	10.928
Deferred income tax and social contribution	27	28.905	46.157	24.572	28.905	47.768	35.563
Marketable securities		-	-	-	-	-	534
Other		27	1.838	16	27	1.893	3.488
Total long-term assets		48.736	72.955	76.256	41.171	68.490	66.024
Investments	10	7.959	64.412	47.892	246	246	-
Property and equipment	11	173.614	148.816	117.553	179.361	158.246	152.457
Intangible assets	12	310.775	254.424	44.652	324.064	309.481	239.638
Total noncurrent assets		541.084	540.607	286.353	544.842	536.463	458.119
Total assets		1.320.387	1.236.945	381.343	1.328.168	1.256.131	616.760

	Note	Company			Consolidated		
Liabilities and Shareholders' Equity		**12/31/10**	**12/31/09**	**1/1/2009**	**12/31/10**	**12/31/09**	**1/1/2009**
Current Liabilities							
Borrowings and financing	13	35.164	37.975	19.162	35.164	39.424	52.611
Derivative financial instruments	5	507	13	-	507	13	-
Trade accounts payable	14	41.196	39.692	25.279	41.022	44.239	46.773
Payroll and related taxes	15	34.296	37.648	26.321	34.318	40.858	35.481
Provision for income tax and social contribution		2.328	970	7.722	2.496	970	10.796
Taxes payable	17	11.599	19.322	4.399	11.736	19.682	25.341
Accounts payable – business acquisitions	18	3.578	35.187	8.030	7.427	35.187	21.112
Other payables		244	702	46	412	5.672	117
Total current liabilities		128.912	171.509	90.959	133.082	186.045	192.231
Noncurrent Liabilities							
Borrowings and financing	13	55.243	92.608	66.689	55.243	92.834	124.949
Deferred income tax and social contribution	27	33.258	13.241	2.716	33.258	13.241	1.919
Reserve for contingencies	16	7.817	15.587	41.382	7.817	17.183	57.896
Taxes payable	17	64.264	72.228	12.068	64.264	74.996	61.800
Accounts payable – business acquisitions	18	19.089	31.639	16.856	22.700	31.639	25.780
Other		1	1.164	-	1	1.224	346
Total noncurrent liabilities		179.672	226.467	139.711	183.283	231.117	272.690
Shareholder's equity							
Capital	20	832.058	750.420	94.439	832.058	750.420	94.439
Capital reserve		1	1	1	1	1	1
Capital reserve - Recognized options granted		1.195	-	-	1.195	-	-
Revaluation reserve		3.142	4.107	5.272	3.142	4.107	5.272
Legal reserve		20.137	13.637	9.458	20.137	13.637	9.458
Earnings reserve		155.270	70.804	41.503	155.270	70.804	41.503
Equity attributable to parent's equity holders		1.011.803	838.969	150.673	1.011.803	838.969	150.673
Non-controlling interests		-	-	-	-	-	1.166
Total Shareholders' Equity		1.011.803	838.969	150.673	1.011.803	838.969	151.839
Total liabilities and shareholders' equity		1.320.387	1.236.945	381.343	1.328.168	1.256.131	616.760

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

FLEURY S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of Brazilian reais – R$, except earnings per share)

	Note	Company		Consolidated	
		12/31/10	**12/31/09**	**12/31/10**	**12/31/09**
Net revenue	22	**853.589**	**613.234**	**871.541**	**770.109**
Cost of services	23	(493.595)	(327.444)	(507.387)	(451.685)
Gross profit		**359.994**	**285.790**	**364.154**	**318.424**
Operating Expenses (Income)					
General and administrative expenses	24	(190.705)	(153.694)	(196.234)	(182.146)
Other operating income (expenses)	25	1.744	3.863	2.242	(2.580)
Reversal of (reserve for) contingencies	16	(1.243)	19.045	(1.557)	14.642
Equity in subsidiaries	10	(2.675)	(17.471)	-	-
Income from operations before financial income (expenses)		**167.115**	**137.533**	**168.605**	**148.340**
Financial income	26	56.192	10.792	56.216	13.970
Financial expenses	26	(29.141)	(23.017)	(29.511)	(35.214)
Financial income (expenses)		**27.051**	**(12.225)**	**26.705**	**(21.244)**
Income before income tax and social contribution		**194.166**	**125.308**	**195.310**	**127.096**
Income tax and social contribution		(24.968)	(32.803)	(26.113)	(35.545)
Current	27	(39.196)	(8.928)	(39.196)	(7.974)
Deferred	27				
Net income		**130.001**	**83.577**	**130.001**	**83.577**
Net income		130.001	83.577	130.001	83.577
Attributable to:					
Company's equity holders		130.001	83.577	130.001	83.577
Non-controlling interests		-	-	-	-
		130.001	**83.577**	**130.001**	**83.577**
Earnings per share attributable to Company's equity holders during the year (expressed in R$ per share)					
- Basic earnings per share	30	**0,99**	**0,92**	**0,99**	**0,92**
- Diluted earnings per share	30	**0,99**	**0,92**	**0,99**	**0,92**

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

FLEURY S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of Brazilian reais - R$)

	Capital		Capital Reserve			Earnings Reserves					
	Capital	Shares issuance costs	Capital reserve	Capital reserve - granted options recognizes	Revaluation reserve	Legal reserve	Profit reserve	Retained earnings	Equity attributable to the controllers	Acquisition of non-controlling interest	Total
Balances at January 1, 2009	94.439	-	1	-	5.272	9.458	41.503	-	150.673	1.166	151.839
Capital increase	678.199	-	-	-	-	-	-	-	678.199	-	678.199
Share issuance costs	-	(22.218)	-	-	-	-	-	-	(22.218)	-	(22.218)
Realization of revaluation reserve	-	-	-	-	(1.165)	-	-	1.165	-	-	-
Net income (R$ 0.66 per share)	-	-	-	-	-	-	-	83.577	83.577	-	83.577
Allocation of income:											-
Dividends distributed, ASM of August 12, 2009 (R$ 1.96 per share)	-	-	-	-	-	-	-	(9.000)	(9.000)	-	(9.000)
Dividends distributed, ASM of August 12, 2009 (R$ 7.62 per share)	-	-	-	-	-	-	-	(35.000)	(35.000)	-	(35.000)
Recognition of legal reserve	-	-	-	-	-	4.179	-	(4.179)	-	-	-
Allocation to earnings reserve	-	-	-	-	-	-	36.563	(36.563)	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	(7.262)	-	(7.262)	(1.166)	(8.428)
Balances at December 31, 2009	772.638	(22.218)	1	-	4.107	13.637	70.804	-	838.969	-	838.969
Capital increase	82.204	-	-	-	-	-	-	-	82.204	-	82.204
Realization of revaluation reserve	-	-	-	-	(965)	-	-	965	-	-	-
Share issuance costs	-	(566)	-	-	-	-	-	-	(566)	-	(566)
Stock option plan	-	-	-	1.195	-	-	-	-	1.195	-	1.195
Net income (R$ 0.99 per share)	-	-	-	-	-	-	-	130.001	130.001	-	130.001
Allocation of income:											
Interest on capital proposed (R$ 0.30 per share)								(40.000)	(40.000)	-	(40.000)
Recognition of legal reserve						6.500	-	(6.500)	-	-	-
Allocation to earnings reserve	-	-	-	-	-	-	84.466	(84.466)	-	-	-
Balances at December 31, 2010	854.842	(22.784)	1	1.195	3.142	20.137	155.271	-	1.011.803	-	1.011.803

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

FLEURY S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	2010	**2009**	**2010**	**2009**
Cash Flows From Operating Activities				
Net income	130.001	83.577	130.001	83.577
Items not affecting net cash provided by operating activities				
Depreciation and amortization	31.626	24.967	32.972	30.982
Stock option plan	1.195	-	1.195	-
Net book value of property, plant and equipment disposed of	1.577	1.304	1.577	1.721
Interest and inflation adjustment	2.675	17.471	-	-
Interest received (investment)	20.831	19.166	21.189	23.876
Interest received (financial application)	(53.351)	(8.585)	(53.351)	(8.585)
Deferred taxes	39.195	8.928	39.195	7.974
Use of tax credits and benefits from tax shield	(23.883)	(8.814)	(23.883)	(8.814)
Allowance (reversal) for tax, labor and civil	1.243	(19.045)	1.557	(14.642)
Allowance for doubtful accounts	21.421	3.828	21.463	9.613
Prescribing low taxes	7.662	-	7.662	-
Increase (decrease) in assets:				
Trade accounts receivable	(73.583)	(13.361)	(71.180)	(37.691)
Inventories	2.939	(91)	2.567	1.814
Other current assets	(3.293)	(14.123)	(3.920)	(16.224)
Noncurrent assets	634	(1.836)	2.464	1.278
Increase (decrease) in liabilities:				
Trade accounts payable	(1.310)	(12.267)	(1.181)	(6.343)
Accounts payable and provisions	6.293	4.451	5.144	889
Income tax and social contribution	937	(8.196)	978	(5.811)
Other noncurrent liabilities	(25.205)	(17.673)	(30.398)	(32.712)
Other				
Interest paid	(25.248)	(11.325)	(25.262)	(15.456)
Interest received (financial application)	53.351	8.585	53.351	8.585
Settlement of financial instruments	779	-	779	-
Net cash provided by operating activities	**116.486**	**56.961**	**112.919**	**24.031**
Cash Flows From Investing Activities				
Additions to property and equipment	(49.652)	(20.395)	(49.818)	(27.123)
Additions to intangible assets	(8.380)	(7.237)	(10.152)	(9.335)
Additions to (disposals of) investments and goodwill on acquisition of subsidiaries, net of cash acquired	-	(130.484)	(604)	(43.245)
Accounts payable – business acquisitions	(42.820)	-	(47.409)	-
Merged net assets	336	62.853	-	-
Net cash used in investing activities	**(100.516)**	**(95.263)**	**(107.983)**	**(79.703)**
Cash Flow From Financing Activities				
Capital increase	82.204	678.199	82.204	678.199
Share issuance costs	(566)	(22.218)	(566)	(22.218)
Borrowings and financing from financial institutions	2.299	5.501	2.299	5.501
Borrowings and financing repaid	(36.232)	(27.049)	(36.767)	(52.383)
Interest on capita l and dividends	(36.483)	(44.000)	(36.483)	(44.000)
Related parties	(10.591)	(37.678)	-	-
Net cash (used in) provided by financing activities	631	552.755	10.687	565.099
Increase in cash and cash equivalents	16.601	514.453	15.623	509.427
Cash and cash equivalents				
At beginning of year	526.735	12.282	527.828	18.401
At end of year	543.336	526.735	543.451	527.828
Increase in cash and cash equivalents	**16.601**	**514.453**	**15.623**	**509.427**

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

FLEURY S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	31/12/2010	**31/12/2009**	**31/12/2010**	**31/12/2009**
Revenues	**895.316**	**647.734**	**914.364**	**812.463**
Sales of goods and services	915.565	651.503	934.514	820.439
Allowance for doubtful accounts	(21.421)	(3.828)	(21.463)	(9.613)
Other revenues	1.172	59	1.313	1.637
Inputs purchased from third parties	**(357.462)**	**(252.319)**	**(369.180)**	**(342.844)**
Cost of goods and services sold	(273.445)	(191.500)	(283.822)	(266.913)
Materials, electric power, outside services and other	(83.130)	(59.865)	(84.438)	(74.125)
Loss/Recovery of asset values	(887)	(954)	(920)	(1.806)
Gross value added	**537.854**	**395.415**	**545.184**	**469.619**
Depreciation, amortization and depletion	(31.626)	(24.968)	(32.972)	(30.983)
Net value added	**506.228**	**370.447**	**512.212**	**438.636**
Value added received through transfer	**53.517**	**(6.678)**	**56.216**	**13.970**
Equity income	(2.675)	(17.470)	-	-
Financial income	56.192	10.792	56.216	13.970
Total value added	**559.745**	**363.769**	**568.428**	**452.606**
Distribution of value added	**(559.745)**	**(363.769)**	**(568.428)**	**(452.606)**
Personnel and payroll charges	(243.843)	(170.161)	(247.755)	(202.185)
Taxes and contributions	(121.852)	(82.313)	(124.096)	(96.855)
Interest, rentals and other operating expenses	(64.049)	(27.718)	(66.576)	(69.989)
Interest on capital and dividends	(40.000)	(44.000)	(40.000)	(44.000)
Retained profits	(90.001)	(39.577)	(90.001)	(39.577)

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

1. OPERATIONS

Fleury S.A. ("Fleury" or the "Company"), or together with its subsidiaries, "Fleury Group", is engaged in the provision of medical services in the diagnosis, treatment, and clinical testing area, and may hold investments in other companies as partner or shareholder, as well as create proper conditions for the good performance of the medical profession and fostering of research and studies for the scientific progress of medicine.

The Consolidated Financial Statements of Fleury S.A. Group and subsidiaries were approved by the Board of Directors on February 22, 2011.

2. SIGNIFICANT ACCOUNTING PRACTICES

2.1. Statement of conformity

The financial statements of Fleury Group comprise:

The consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, identified as Consolidated - IFRS and BR GAAP; and.

The Company's individual financial statements, prepared in accordance with accounting practices adopted in Brazil, identified as Company - BR GAAP.

The accounting practices adopted in Brazil comprise those included in the Brazilian Corporate Law and the Pronouncements, Guidance and Interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities Commission (CVM).

The Company's individual financial statements present investments in subsidiaries accounted for under the equity method, in accordance with prevailing Brazilian legislation. Therefore, these individual financial statements are not considered as being in conformity with IFRSs, which require the recognition of these investments in the parent's separate financial statements at their fair value or cost.

As there is no difference between consolidated equity and consolidated income attributable to Company's equity holders, included in the consolidated financial statements prepared in accordance with IFRss and accounting practices adopted in Brazil, and equity and income included in the Company's individual financial statements prepared in accordance with accounting practices adopted in Brazil, Fleury Group elected to present these individual and consolidated financial statements as a single set, one next to the other.

2.2. Basis of preparation

The financial statements have been prepared under the historical cost model, except for certain financial instruments measured at their fair values, as described in the following accounting practices. The historical cost is generally based on the fair value of the consideration paid for the assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and the exercise of judgment by Fleury Group management in the application of accounting policies. Those areas that involve a higher degree of judgment or complexity, or areas where assumptions and estimates are significant tor the consolidated financial statements, are disclosed in note 3.

These consolidated financial statements are the first statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). The effects of the adoption of IFRSs and new pronouncements issued by CPC are presented in note 34.

2.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries.

Subsidiaries are all entities whose financial and operating policies may be governed by the Company. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and de-consolidated from the date that control ceases. The control is obtained when the Company has the power to govern an entity's financial and operating policies so as to obtain benefits from its activities.

Fleury Group intercompany balances and transactions, as well as unrealized gains and losses are eliminated on consolidation.

2.4. Financial assets

Financial assets may be classified into the following specific categories: financial assets through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables. The classification depends upon the nature and purpose of the financial assets and is determined on initial recognition.

At December 31, 2010, December 31, 2009 and January 1, 2009, Fleury Group had financial instruments classified in the categories of "financial assets measured at fair value through profit or loss" and "Receivables".

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments and that are not priced in an active market. The financial assets classified by Fleury Group in the category of loans and receivables comprise mainly cash and cash equivalents, trade accounts receivable and other receivables, and judicial deposits. These assets are measured at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when they are held for trading or designated at fair value through profit or loss.

A financial asset is classified as held for trading if it is purchased mainly to be sold in the near term, or on initial recognition it is part of a portfolio of identified financial instruments that are managed together by Fleury Group and for which there is evidence of a recent pattern of short-term profit-taking, or it is a derivative that has not been designated as an effective hedging instrument. Financial assets at fair value through profit or loss are measured at fair value, and any resulting gains or losses are recognized in profit or loss.

Impairment of financial assets

Financial assets, except those designated at fair value through profit or loss, are assessed for impairment at the end of each reporting period. Impairment losses are recognized if, and only if, there is objective evidence that the financial asset is impaired as a result of one or more events that occurred after its initial recognition, with impact on the estimated future cash flows of this asset.

For certain categories of financial assets, such as trade receivables, assets that are individually assessed as not impaired may, subsequently, be collectively assessed as impaired. Objective evidence of impairment for a receivables portfolio may include Fleury Group past experience in collection of payments, and observable changes in the national or local economic conditions that correlate with default on the receivables.

The carrying amount of the financial asset is directly reduced by any impairment loss for all financial assets, except for accounts receivable, in which the carrying amount is reduced by the use of a provision. Subsequent recoveries of amounts previously derecognized are credited to the provision. Any changes in the fair value of the provision are recognized in profit or loss.

2.5. Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined under the average cost method. The net realizable value is determined by the estimated selling prices, net of all related costs to complete and dispose.

2.6. Business combination

Consolidated financial statements

In the consolidated financial statements, business acquisitions are accounted for under the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Fleury Group, the liabilities incurred to the former owners of the acquiree and the equity interests issued in exchange for the control of the acquiree.

Assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the acquisition date. Any excess of the acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is lower than the fair value of the identifiable net assets, the difference is recorded as a gain in the income statement for the year in which the acquisition occurs. Non-controlling interests are presented as a proportion of the fair value of the identifiable assets and liabilities.

When the consideration transferred in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at the acquisition-date fair value as part of the consideration transferred in a business combination. The changes in the fair value of the contingent consideration classified as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments to goodwill. Measurement period adjustments correspond to adjustments resulting from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) related to facts and circumstances existing at the acquisition date.

The subsequent recognition of changes in the fair value of the contingent consideration not classified as measurement period adjustments depends upon the classification of the contingent consideration. The contingent consideration classified as equity is not remeasured in subsequent reporting periods and its settlement is accounted for within equity. The contingent consideration classified as asset or liability is remeasured in subsequent reporting periods, and the related gain or loss is recognized in profit or loss.

Transaction costs other than those associated with the issuance of debt securities or equity interests incurred by Fleury Group in a business combination are recognized as expenses as incurred.

Individual financial statements

In the individual financial statements, Fleury Group applies the requirements of Technical Interpretation ICPC - 09, which establish that the excess of the acquisition cost over Fleury Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date be recognized as goodwill. The goodwill is added to the carrying amount of the investment. Any amount of Fleury Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities that exceeds the acquisition cost, after revaluation, is immediately recognized in profit or loss. Consideration transferred, as well as the net fair value of assets and liabilities are measured using the same criteria applicable to the consolidated financial statements previously described.

The goodwill related to an investment that was incorporated by the Company is reclassified from "investments" to "intangible assets".

2.7. Goodwill

For impairment testing purposes, goodwill is allocated to each of Fleury Group's cash generating units, or groups of cash generating units, as long as not larger than the operating segments that are expected to benefit from the synergies of the combination.

The cash generating units to which goodwill is allocated are tested for impairment annually, or whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit and, then, to the other assets of the unit, proportionaly to the carrying amount of each of its assets. Any impairment loss for goodwill is recognized in profit or loss. The impairment loss may not be reversed in subsequent periods.

2.8. Property and equipment

Property and equipment items are stated at their historical cost, less depreciation. The historical cost includes costs directly attributable to the acquisition of items and financing costs related to the acquisition of qualifying assets.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repair and maintenance costs are recognized in profit or loss, when incurred.

Depreciation is recognized based on the estimated useful life of each asset or components of assets under the straight-line method, so that its cost less its residual value after its useful life is fully derecognized (except for land and construction in progress). The estimated useful life, residual values and depreciation methods are reviewed at the end of the reporting period and the effect of any changes in estimates is accounted for prospectively.

Classes of Property and Equipment	**Useful life (years)**
Properties	60
Vehicles	5
Facilities	10
Machinery and equipment	5 to 20
Furniture and fixtures	10
IT equipment	5
Leasehold improvements	5

The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount.

A property and equipment item is derecognized on disposal or when no future economic benefits are expected from the continuing use of the asset. Any gains or losses on sale or disposal of a property and equipment item are determined by the difference between the proceeds from the sale and the carrying amount of the asset and are recognized in profit or loss, under “other operating income / expenses”.

2.9. Intangible assets

Separately acquired intangible assets

Intangible assets with definite useful life acquired separately are carried at cost, less amortization and accumulated impairment losses. The amortization is recognized on a straight-line basis based on the estimated useful life of the assets. The estimated useful life and the amortization method are reviewed at the end of each reporting period and the effect of any changes in estimates is accounted for prospectively. Separately acquired intangible assets with indefinite useful life are carried at cost, less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are recognized at the acquisition-date fair value, which is equivalent to their cost. Subsequent to initial recognition, intangible assets acquired in a business combination are carried at cost, less amortization and accumulated impairment losses, as well as separately acquired intangible assets. The amortization is recognized on a straight-line basis based on the estimated useful life of the assets. The estimated useful life and the amortization method are reviewed at the end of each reporting period and the effect of any changes in estimates is accounted for prospectively.

Write-off of intangible assets

An intangible asset is written-off on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses resulting from the write-off of an intangible asset, measured as the difference between net revenues from disposal and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2.10. Impairment of tangible and intangible assets, except goodwill

At the end of each reporting period, Fleury Group reviews the carrying amount of its tangible and intangible assets to determine where there is an evidence that these assets are impaired. If there is such evidence, the recoverable amount of the asset is estimated in order to measure the amount of this loss, if any. When it is not possible to estimate the recoverable amount of an asset individually, Fleury Group calculates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent allocation basis may be identified, corporate assets are also allocated to the individual cash generating units or to the smallest group of cash generating units to which a reasonable and consistent allocation basis may be identified.

Intangible assets with indefinite useful life or not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the highest of an asset's fair value less costs to sell or its value in use. In the assessment of the value in use, estimated future cash flows are discounted to present value at the discount rate, before taxes, that reflects a current market assessment of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is lower than its carrying amount, the carrying amount of the asset (or cash generating unit) is written down to its recoverable amount. The impairment loss is recognized in profit or loss.

When an impairment loss is reversed subsequently, there is an increase in the carrying amount of the asset (or cash generating unit) for the revised estimate of its recoverable amount, as long as it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. The reversal of the impairment loss is recognized in profit or loss.

2.11. Transactions and non-controlling interests

Fleury Group recognize transaction with non-controlling interests as transactions with Fleury Group´s owners. In aquisictions of non-controlling interests, the difference between the consideration paid and the net value of assets acquired is recorded in shareholder´s equity.

2.12. Financial liabilities

Non-derivative financial liabilities

Financial liabilities are recognized on the date Fleury Group becomes a party to the contractual provisions of the instrument. Fleury Group writes-off a financial liability when its obligations specified in the contract are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, Fleury Group has a legally enforceable right to set off the amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fleury Group has the following non-derivative financial liabilities: borrowings and financing, accounts payable for business acquisitions, trade accounts payable and other payables. These financial liabilities are initially recognized at fair value, plus any attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

Derivative financial instruments

Fleury Group has derivative financial instruments to manage its exposure to interest rate and foreign exchange risks, including forward and currency swap contracts. Note 5 includes more detailed information on derivative financial instruments.

Derivatives are initially recognized at the contracting-date fair value and are subsequently measured at the fair value at the end of the reporting period. Any gains or losses are recognized in profit or loss, unless they are designated and effective as hedging instruments; in this case, the timing of the recognition depends upon the nature of the hedging relationship. For the periods presented in the financial statements there were no designated hedging instruments.

2.13. Employee benefits

Defined contribution pension plan

Payments of defined contribution pension plan are recorded as expense when the services that entitle rights to these payments are provided.

Share-based payment

Fleury Group offers to its executives share-based payment plans under which it receives employee services as consideration for share options granted.

The fair value of options granted at grant date is recorded on a straight-line basis as expense for the period in which the vesting conditions are met, based on the Group's estimates of which stock options granted will be eventually acquired, with corresponding increase in equity. At the end of each year, the Group reviews its estimates of the number of equity instruments that will be acquired. The impact of the review of the original estimates, if any, is recognized in profit or loss, so that the cumulative expense reflects the revised estimates, with the corresponding adjustment to equity, in the account "Capital Reserve - stock options granted" that recorded the employee benefit.

Profit sharing

Fleury Group pays profit sharing to its employees, based on their performance for the period. This profit sharing is recorded as a liability and a profit sharing expense in the income statement when the employee meets the performance conditions established.

2.14. Taxation

The income tax and social contribution expense represents the sum of current and deferred taxes.

Current taxes

The provision for income tax and social contribution is based on the taxable income for the year. The taxable income differs from the income reported in the income statement because it excludes revenues or expenses taxable or deductible in future years, and excludes items not taxable or not deductible on a permanent basis. The provision for income tax and social contribution is calculated individually for each Fleury Group company based on rates in effect at the end of the year.

Deferred taxes

The deferred income tax ("deferred tax") is recorded based on temporary differences at the end of each year between the asset and liability balances recognized in the financial statements and the related tax bases used in the taxable income calculation, including the tax losses balance, when applicable. Deferred tax liabilities are generally recorded on all temporarily taxable differences and deferred tax assets are recognized on all temporarily deductible differences only when it is probable that the company will generate sufficient future taxable income against which temporarily deductible differences may be utilized. Deferred tax assets or liabilities are not recognized on temporary differences resulting from goodwill or initial recognition (except for business combinations, if applicable, of other assets and liabilities in a transaction that does not affect the taxable income nor the book income).

The recovery of the deferred tax assets balance is reviewed at the end of each year and, when it is no longer probable that future taxable income will be available to allow the recovery of the entire asset, of part of it, the asset balance is adjusted by the amount expected to be recovered.

Deferred tax assets and liabilities are measured at the applicable rates in the period in which the liability is expected to be settled or the asset is expected to be realized, based on rates established by prevailing tax legislation at the end of each year, or when a new legislation has been substantially approved. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which Fleury Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the current tax asset against the current tax liability and when they relate to taxes levied by the same tax authority and Fleury Group intends to settle its current tax assets and liabilities on a net basis.

2.15. Provisions

Provisions are recognized for present (legal or constructive) obligations as a result of past events in which a reliable estimate of the amounts can be made and for which settlement is probable.

The amount recognized as a provision is the best estimate of considerations required to settle the obligation at the end of each year, considering the risks and uncertainties related to the obligation. When the provision is measured based on estimated cash flows to settle the obligation, its carrying amount corresponds to the present value of these cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, an asset is recognized if, and only if, the reimbursement is virtually certain and the amount can be reliably measured.

The provisions for lawsuits are recognized when Fleury Group have a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the obligation can be made. They are updated through the end of the reporting period based on the estimated amount of probable losses, considering their nature and supported by the opinion of the attorneys of the Company and its subsidiaries. The bases and nature of the reserves for tax, civil, and labor risks are described in note 16.

2.16. Leases

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are recognized on a straight-line basis over the lease term.

Leases of property and equipment items in which the Company retains substantially all risks and rewards of ownership are classified as finance leases. These are capitalized at the inception of the lease at the lower of the fair value of the leased asset and the present value of minimum lease payments. Each lease payment is allocated partly to liabilities and partly to financial charges, in order to achieve a constant rate on the outstanding debt balance. The related obligations, net of financial charges, are included as “loans”. Interest is charged to the income statement during the lease term, to achieve a constant periodic interest rate on the remaining balance of the liability for each period. Property and equipment items purchased under finance leases are depreciated over the useful life of the asset.

2.17. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of Fleury Group’s activities. Revenue is presented net of taxes, returns, rebates and discounts.

Sales of services

Revenue from services provided is recognized for services rendered until the end of the reporting period. At the end of the reporting period, services provided and not yet billed are recorded under "Unbilled amounts", within the "Trade accounts receivable" balance.

The Group recognizes revenue when: (i) the amount of revenue can be reliably measured; (ii) it is probable that future economic benefits will flow to the entity; and (iii) specific criteria have been met for each of the Fleury Group's activities as described below. The amount of revenue is not considered reliably measurable until all contingencies related to the sale have been resolved. Fleury Group bases its estimates on historical results, taking into consideration the type of customer, type of transaction, and specifications of each sale.

Interest income

Interest income is recorded when it is probable that future economic benefits will flow to the Group and the amount of the revenue can be reliably measured. Interest income is recognized under the straight-line method based on the term and effective interest rate on the outstanding principal amount.

Dividend income

Investment dividend income is recognized when the shareholder's right to receive such dividends is established (as long as it is probable that future economic benefits will flow to Fleury Group and the amount of revenue can be reliably measured).

2.18. Dividend distribution

The distribution of dividends to the Company's shareholders is recorded as a liability in the Group's financial statements at the end of the reporting period, based on the minimum dividend established in the Company's bylaws. Any amount above the minimum requirement is accrued at the date when it is approved by the board of directors.

The tax benefit of interest on capital is recognized in the income statement.

2.19. Statement of value added

This statement is intended to evidence the wealth created by Fleury Group and its distribution during a certain period and is presented by Fleury Group, as required by Brazilian corporate law, as part of its individual financial statements and as supplemental information to the consolidated financial statements.

The statement of value added was prepared based on information obtained from the accounting records used as a basis for the preparation of the financial statements and following the requirements in CPC 09 - Statement of Value Added. In its first part it presents the wealth created by Fleury Group, represented by revenues, inputs purchased from third parties and the value added received in transfer. The second part of the statement of value added presents the distribution of wealth among personnel, taxes and contributions, remuneration on third parties' capital and remuneration on own capital.

2.20. New and revised standards and interpretations of standards issued but not yet adopted

Fleury Group has not adopted the following new and revised IFRSs, already issued but not yet adopted. The main modifications and Management's expectations are described below:

IFRS 9 - Financial Instruments - Issued in November 2009 and amended in October 2010, introduces new requirements for classification, measurement and derecognition of financial assets and liabilities.

IFRS 9 establishes that all financial assets recognized that are within the scope of IAS 39 - Financial Instruments: Recognition and Measurement (equivalent to CPC 38) shall be subsequently measured at amortized cost or fair value. Specifically, debt instruments that are held under a business model, with the purpose of receiving contractual cash flows, and that have contractual cash flows related exclusively to payments of principal and interest on the principal amount due are generally measured at amortized cost at the end of the subsequent accounting periods. All other debt instruments and investments in equity securities are measured at fair value at the end of the subsequent accounting periods.

The most significant effect of IFRS 9 related to the classification and measurement of financial liabilities refers to accounting for changes in the fair value of a financial liability (designated at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities measured at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recorded in "Other comprehensive income", unless the recognition of the effects of changes in the credit risk of the liability on "Other comprehensive income" results in, or increases, the accounting mismatch in the income statement. The changes in the fair value attributable to the credit risk of a financial liability are not reclassified in the income statement. Previously, in accordance with IAS 39 and CPC 38, the total amount of change in the fair value of the financial liability measured at fair value through profit or loss was recorded in profit or loss.

IFRS 9 is applicable for annual periods beginning on or after January 1, 2013.

Amendments to IFRS 7 - Disclosures - Transfers of Financial Assets (equivalent to CPC 40) increase the requirements for disclosure of transactions involving transfers of financial assets. These amendments are intended to provide greater transparency in relation to risk exposure when a financial asset is transferred, but the transferor retains a certain level of continuing exposure in the asset. The amendments also require disclosures in circumstances when transfers of financial assets are not proportionally distributed during the period.

Management does not expect that these amendments to IFRS 7 will have a material effect on Fleury Group's disclosures related to previous transfers of accounts receivable. However, in the event that Fleury Group conducts other types of transfers of financial assets in the future, the disclosures related to these transfers may be impacted.

Amendments to IAS 32 - Classification of Rights Issues (equivalent to CPC 39) addresses the classification of certain rights denominated in foreign currency as equity instrument or financial liability. To date, the Group has not entered into any agreement that would fall within the scope of the amendments. However, if Fleury Group does not acquire rights within the scope of the amendments in future accounting periods, the amendments to IAS 32 and CPC 39 will have effect on the classification of these rights.

Amendment to IAS 12 on deferred taxes (recovery of underlying assets): on December 20, 2010, IASB issued the amendment to IAS 12 - Income Taxes named Deferred Tax: Recovery of Underlying Assets. IAS 12 requires that an entity measures deferred taxes related to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. When an asset is measured under the fair value model of IAS 40 - Investment Property, it can be difficult and subjective to assess whether the asset will be recovered through use or sale.

The amendment presents a practical solution to the problem, introducing the presumption that the recovery of the carrying amount will normally be through sale. As a result of the amendments, SIC 21 - Income Tax - Recovery of Revalued Nondepreciable Assets will no longer will be applicable to investment properties held at fair value. The amendments shall be mandatorily adopted for annual periods beginning on or after January 1, 2010 and earlier adoption is permitted.

Amendment to IFRS 1 on the elimination of fixed dates for first-time adopters of IFRSs: on December 20, 2010, IASB issued amendment to IFRS 1 - First-time Adoption of International Financial Reporting Standards (IFRSs), which addresses the elimination of fixed dates for first-time adopters of IFRSs. The amendment replaces the fixed date for prospective adoption from January 1, 2004 to the date of transition to IFRSs, so that first-time adopters of IFRSs do not have to adopt the derecognition requirements of IAS 39 retrospectively. The amendment shall be mandatorily adopted for annual periods beginning on or after January 1, 2010 and earlier adoption is permitted.

The Accounting Pronouncements Committee has not yet issued the pronouncements and amendments correlated with the new and revised IFRSs described above. In view of the commitment of the CPC and the Brazilian Securities Commission (CVM) of keeping updated the set of standards issued based on updates made by the International Accounting Standards Board - (IASB), it is expected that these pronouncements and amendments will be issued by CPC and approved by CVM until the date of their mandatory adoption.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities, at the end of the reporting period. However, the uncertainty related to these estimates and assumptions could lead to results that would require a significant adjustment to the carrying amount of the affected asset or liability in future periods.

The main assumptions related to sources of uncertainty in future estimates and other important sources of uncertainty in estimates at the end of the reporting period are as follows:

Income tax

A significant judgment is required in determining the provision for income taxes. In many transactions, the final determination of the tax is uncertain. The recognition of deferred income tax assets requires assessing whether it is probable that sufficient future taxable income will be generated to allow the compensation of such deferred income tax asset. The assessment requires considering the history of taxable income, expectations of future taxable income, and the timing of the reversal of temporary differences. In the event the Company or its subsidiaries are not able to generate future taxable income or if there is a significant change in the tax structure or in the period in which temporary differences will be utilized, it is possible that the assessment of probability will change, requiring of the impairment of some or all of the deferred income tax asset.

Provision for tax, labor and civil riks

Fleury Group recognized provision for tax, labor and civil risks. The assessment of likelihood of loss includes the assessment of available evidence, hierarchy of laws, former court decisions, recent court decisions and their significance in the legal system, as well as the assessment made by third party attorneys. The provision is reviewed and adjusted to take into consideration changes in circumstances, such as the applicable prescription period, conclusions of tax inspections or additional exposures identified based on new issues or court decisions.

Impairment of goodwill

In order to determine whether goodwill is impaired, it is necessary to estimate the value in use of the cash generating units to which the goodwill was allocated. The calculation of the value in use requires Management to estimate expected future cash flows of cash generating units and an appropriate discount rate for the present value calculation.

Allowance for doubtful accounts

Fleury Group monitors constantly receivables' level, reducing the risk of doubtful accounts. Management records an allowance for doubtful accounts for probable trade receivable losses.

4. CONSOLIDATED FINANCIAL STATEMENTS

The Company's subsidiaries are summarized below, as well as the Company's total (direct and interest) interest in these subsidiaries:

	Acquisition date	Equity interest - %		
		12/31/2010	12/31/2009	1/1/2009
DI Médicos Associados - SP	May 2010	Merged into CPMA in November 2010	-	-
DI Serviços Médicos - SP	May 2010	100	-	-
Centro de Mastologia do Rio de Janeiro Ltda. - RJ - ("CMRJ") (c)	July 2009	-	Merged into NKB Rio in August 2009	-
Laboratório Weinmann S.A. - RS ("Weinmann")	October 2009	Merged into Fleury in March 2010	99.99	-
Biesp - Instituto Paulista de Patologia Clínica Ltda. - SP- ("Biesp Instituto")	October 2008	-	Merged into NKB São Paulo in August 2009	95.32
Biesp - Laboratório Clínico Ltda. - SP - ("Biesp Laboratório")	October 2008	-	Merged into NKB São Paulo in August 2009	95.32
Centro de Patologia Clínica Campana Ltda. ("Campana") - SP	Augus 2008	-	Merged into Fleury in September 2009	95.32
Champagnat Laboratório de Análises Clínicas Ltda. ("Champagnat") - PR	July 2008	-	Merged into NKB São Paulo in January 2009	95.32
GR Análises Clínicas & Toxicológicas Ltda. ("GR") - PR	July 2008	-	Merged into NKB São Paulo in January 2009	95.32
NKB São Paulo Laboratório de Análises Clínicas Ltda. ("NKB São Paulo") - SP - (a)	November 2004	-	Merged into Fleury in August 2009	95.32
Fleury Centro de Procedimentos Médicos Avançados ("Fleury CPMA") - SP - (b)	Established in June 2003	100	100	100
NKB Rio S.A. - RJ - ("NKB Rio") (a)	September 2002	-	Merged into Fleury in August 2009	95.32

(a) Up to August 31, 2009, NKB Rio and NKB São Paulo were indirect subsidiaries of NKB S.A. ("NKB"). NKB held a 99.99% direct interest in NKB Rio and NKB São Paulo and the Company was the controlling shareholder of NKB, with a 95.33% interest. NKB was engaged in providing business consulting, advisory and management services and holding investments as partner or shareholder in other business undertakings or any type of projects in Brazil and or abroad, as well as in managing own or third-party assets. Therefore, at December 31, 2008 the Company indirectly held 95.32%t of the companies: NKB Rio, NKB São Paulo, Campana, Biesp Instituto, Biesp Laboratório, Champagnat and GR.

(b) Created in June 2003, it is engaged in the provision of diagnostic and therapeutic supplementation services. This company started to operate on August 1, 2005 in the city of São Paulo and up to November 19, 2009 operated under the name Fleury Hospital Dia S.A., which was subsequently changed to Fleury CPMA.

(c) On July 2, 2009, the indirect subsidiary NKB Rio acquired all the capital of CMRJ.

Corporate restructuring

On November 30, 2010, CPMA, company controlled by Fleury S.A., merged all the net assets of the subsidiary DI Associados Médicos Ltda, as follows:

	R$
Cash and cash equivalents (merged net cash)	83
Recoverable taxes	5
Related parties	975
Payables to former shareholders	(18)
Related parties	(733)
Taxes payable	(8)
Reserve for tax, labor and civil risks	(11)
Merged net assets	293

On October 15, 2009, Fleury S.A. completed the acquisition of 100% of the capital of Weinmann, the largest laboratory medicine company in the State of Rio Grande do Sul. Consolidated net assets merged into Fleury S.A. are as follows:

	R$
Cash and cash equivalents (merged net cash)	872
Trade accounts receivable	16,860
Other receivables	7,039
Property and equipment and intangible assets	3,700
Trade accounts payable	(3,581)
Borrowings and financing	(3,680)
Other payables	(15,922)
Merged net assets	5,288

On September 30, 2009 the Company merged all the net liabilities of the subsidiary Campana, broken down as follows:

	R$
Cash and cash equivalents (merged net cash)	15,253
Trade accounts receivable	8,404
Other receivables	8,371
Property and equipment and intangible assets	10,521
Trade accounts payable	(3,375)
Borrowings and financing	(28,237)
Other payables	(50,151)
Merged net liabilities	(39,214)

On August 31, 2009, the Company completed a corporate restructuring under which the net assets of the subsidiary NKB and its subsidiaries (except Campana) were merged into Fleury S.A.. After the corporate restructuring, the Company had only two subsidiaries (Fleury CPMA and Campana), and held all their capital.

Consolidated net assets merged into Fleury S.A. are as follows:

	R$
Cash and cash equivalents (merged net cash)	47,600
Trade accounts receivable	57,741
Other receivables	67,575
Property and equipment and intangible assets	207,434
Trade accounts payable	(24,032)
Borrowings and financing	(42,640)
Accounts payable - business acquisitions	(39,181)
Other payables	(137,139)
Merged net assets	137,358

Business combinations

On May 12, 2010, Fleury Group completed the acquisition of all of the shares in DI Diagnóstico por Imagem. DI has been operating in São Paulo for 22 years, at Hospital Alemão Oswaldo Cruz, providing imaging diagnosis and nuclear medicine services. As a result of the acquisition, the Group expects to increase its presence in this market. It also expects to reduce costs by means of economies of scale.

On October 15, 2009, the Company entered into an agreement for the acquisition of all of the shares in Laboratório Weinmann S.A., the largest laboratory medicine company in the State of Rio Grande do Sul. This entity operates mainly in the metropolitan area of Porto Alegre and the Serra Gaúcha region, under two brand names: Weinmann and Failace. As a result of the acquisition, the Group expects to increase its presence in this market. It also expects to reduce costs by means of economies of scale.

On July 2, 2009, the Company entered into an agreement for the acquisition of 100% of Centro de Mastologia do Rio de Janeiro Ltda., specialized in imaging diagnosis focused on women's health. This entity operates mainly in the central region of Rio de Janeiro. As a result of the acquisition, the Group expects to increase its presence in this market. It also expects to reduce costs by means of economies of scale.

The analysis of recognition and measurement of assets acquired and liabilities assumed resulted in the following adjustments to the carrying amount of the acquired companies:

- Asset not previously recognized by the acquiree - Intangible Trademarks and Patents with useful life of 25 years: Weinmann (R$6,529);

- Asset not previously recognized by the acquiree - Intangible Trademarks and Patents with useful life of 10 years: Faillace (R$1,117);

- Asset not previously recognized by the acquiree - Intangible Trademarks and Patents with useful life of 10 years: CMRJ (R$915);

- Asset not previously recognized by the acquiree - Intangible Trademarks and Patents with useful life of 10 years: DI (R$1,737).

The group used the "Relief from Royalty" method to calculate the trademark value in business combinations. The method is based on the principle that the owner of the brand grants the use of the brand to a third party. The price paid by the third party is expressed as a royalty fee. The net present value of royalties applied to future revenue assumptions is considered as the brand value. Future cash flows from the brand were defined based on future profitability calculations used in the acquisition studies and discounted to present value at the discount rate used in Fleury Group's goodwill impairment testing.

The effects of all business combinations, at the acquisition date, on Fleury Group's balance sheet were:

	2010			2009		
	Carrying amount of acquired companies	Fair value adjustments and recognition	Fair values of acquired companies	Carrying amount of acquired companies	Fair value adjustments and recognition	Fair values of acquired companies
Total assets	2,447	1,737	4,184	29,438	8,562	38,000
Total liabilities	2,855	-	2,855	20,421	-	20,421
Net carrying amount	(408)			9,017		
Net value adjustments		1,737			8,562	
Net value of assets acquired and liabilities assumed			**1,329**			**17,579**
Goodwill			9,990			49,072
Cash consideration			4,100			17,230
Consideration payable			7,219			49,421
Contingent consideration			-			-
Consideration transferred			**11,319**			**66,651**

Goodwill arising on acquisitions represents the expected future economic benefit of synergies arising from business combinations. Expected goodwill deductable for tax reasons is R$10,958 for business acquisition in 2010 (R$59,325 in 2009)..

Expenses on outside attorney fees and due diligence related to business combinations were included in administrative expenses in the statement of income.

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

According to their nature, financial instruments may involve known or unknown risks and a potential risk assessment is important. The main market risk factors that may affect the Company's and its subsidiaries' businesses are as follows:

Financial risk management

The main risk factors to which the Company and its subsidiaries are exposed are: market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. These risks are inherent to their operations and are managed through policies and internal controls.

The Company has a financial risk management policy. The oversight and monitoring of the policies in place are carried out using monthly management reports.

Market risks

Foreign exchange rate risk. The Company and its subsidiaries have trade accounts receivable, borrowings and financing, and trade accounts payable denominated in foreign currency (mainly the US dollar). The risk associated to these assets and liabilities arises from the possibility of the Company and its subsidiaries incurring losses due to fluctuations in foreign exchange rates. Liabilities exposed to this risk at December 31, 2010 account for approximately 2.75% of total consolidated borrowings and financing and 2.52% of total consolidated trade accounts payable. The Company has trade accounts receivable denominated in foreign currency that account for 0.70% of total consolidated trade accounts receivable, which reduces its exposure to financing installments and trade accounts payable.

At December 31, 2010 the Company had the following net exposure:

	US$'000	
	Company	Consolidated
Current assets-		
Trade accounts receivable	855	855
Total current assets	855	855
Liabilities:		
Borrowings and financing - current	(503)	(503)
Borrowings and financing - noncurrent	(986)	(986)
Trade accounts payable	(622)	(622)
Total liabilities	(2,111)	(2,111)
Net exposure	(1,256)	(1,256)

For financial instruments, the Company and its subsidiaries consider as probable scenario (scenario I) the weighted average of future exchange rates of the Brazilian real in relation to the US dollar, obtained on the São Paulo Stock, Futures and Mercantile Exchange (BM&FBOVESPA) for the maturity of the instrument, and calculated based on the notional amount of the contract.

In compliance with the provisions of CVM Instruction 475/08, the Company and its subsidiaries adopted the minimum unfavorable fluctuation scenarios set out in said Instruction, equivalent to 25% (scenario II) and 50% (scenario III) of the related foreign exchange rates used, to determine the probable scenario to measure the impacts of the fair value of financial instruments and financial position arising from an unfavorable fluctuation of foreign exchange rates.

The amounts below include income tax and social contribution:

		Scenario I	Unfavorable fluctuation - consolidated		
	Maturity	(probable) (loss) gain	Risk (*)	Scenario II (loss) gain	Scenario III (loss) gain
Foreign exchange rate (in R$)		1,8850		2,3563	2,8276
Trade accounts receivable	2011	187	US$ depreciation	590	994
Trade accounts payable	2011	(136)	US$ appreciation	(429)	(722)
Loans and financing	2011	(108)	US$ appreciation	(340)	(573)
Loans and financing	2012	(108)	US$ appreciation	(340)	(573)
Loans and financing	2013	(108)	US$ appreciation	(340)	(573)
Net effect		(273)		(859)	(1.447)

(*) Risk to which the Company is exposed considering the nature of each financial instrument.

Interest rate risk

The Company and its subsidiaries have borrowings and financing denominated in local currency subject to interest rates pegged to indices such as TJLP and CDI, and taxes payable bearing interest equivalent to TJLP and SELIC. The risk inherent to these liabilities arises from the possibility of fluctuations in these rates that impact their cash flows. The Company and its subsidiaries have not entered into derivative contracts to hedge this risk as they understand that the risk is mitigated by the existing assets pegged to CDI.

The sensitivity analysis of interest on borrowings and financing used as probable scenario the benchmark tax rates obtained on the São Paulo Stock, Futures and Mercantile Exchange (BM&FBOVESPA) at December 31, 2010, and scenarios I and II take into consideration a 25% and 50% increase in these rates, respectively. The sensitivity analysis is as follows:

Scenarios	Probable	Scenario I	Scenario II
CDI rate (p.a.)	10.64%	13.26%	15.92%
Projected interest (*)	13,589	16,855	20,750
TJLP rate (p.a.)	6.00%	7.50%	9.00%
Projected interest (*)	443	514	371

(*) Calculated up to the end of the contract

Credit risk

Credit risk arises from the possibility of the Company and its subsidiaries incurring losses due to non-settlement of financial instruments or contractual terms with a third party. Fleruy Group is exposed to credit risk in operational (mainly due to trade receivables) and financing activities, including short-term investments, foreign currency transactions and other financial instruments. When there is evidence of risk of loss in those assets, the Group records provisions to adequate them to the probable amount that will be collected.

Liquidity risk

The Group's cash flow forecast is made by the Treasury area. This area monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. There is also sufficient availability in its committed credit lines (note 13) at any time, to prevent the Group from surpassing the limits or violating loan clauses (when applicable) in any of its credit lines. This forecast takes into consideration the Group's debt financing plans, compliance with clauses, compliance with balance sheet ratio goals and, if applicable, compliance with legal or foreign regulatory requirements - for example, currency restrictions.

The excess cash maintained by operating units, as well as the balance required for working capital management, is transferred to the Treasury area. The Treasury area invests the excess cash in Bank Certificates of Deposit (CDB) and Debenture transactions (repurchase agreements), choosing instruments with appropriate maturities or sufficient liquidity to provide the necessary margin, as determined by the forecasts mentioned above. At December 31, 2010, the Group had short-term investments of R$534,160 (R$519,645 at December 31, 2009 and R$4,002 at January 1, 2009).

The table below provides an analysis of the Group's derivative and non-derivative financial liabilities, by maturity, related to the remaining period in the balance sheet up to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of temporary cash flows. The amounts disclosed in the table are undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2010				
Borrowings and financing	35,164	21,485	32,301	1,457
Derivative financial instruments	507	-	-	-
Trade accounts payable	41,022	-	-	-
Accounts payable - business acquisitions	7,427	11,193	11,440	67
At December 31, 2009				
Borrowings and financing	39,424	36,255	43,693	12,886
Derivative financial instruments	13	-	-	-
Trade accounts payable	44,239	-	-	-
Accounts payable - business acquisitions	35,187	13,176	16,990	1,473
At January 1, 2009				
Borrowings and financing	52,611	34,600	58,501	31,848
Derivative financial instruments	-	-	-	-
Trade accounts payable	46,773	-	-	-
Accounts payable - business acquisitions	21,112	9,042	10,285	6,453

Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce its cost.

To maintain or adjust the capital structure, the Group may review the dividend payment policy, return capital to shareholders or, also, issue new shares or sell assets to reduce, for example, the indebtedness level.

In line with other companies of the same industry, the Group monitors the capital based on the financial leverage ratio. This ratio corresponds to net debt divided by total capital. Net debt corresponds to total borrowings (including short- and long-term borrowings, as stated in the consolidated balance sheet), less cash and cash equivalents. Total capital is determined by the sum of equity, as stated in the consolidated balance sheet, and net debt.

Financial leverage ratios at December 31, 2010 and 2009 can be summarized as follows:

	12/31/2010	12/31/2009
Total borrowings	(90,407)	(132,258)
Less: Cash and cash equivalents	543,451	527,828
Net debt	453,044	395,570
Total equity	1,019,065	846,231
Total capital	1,472,109	1,241,801

In the periods analyzed above there was surplus cash because of the funds raised in the Company's IPO. Therefore, it was not necessary to calculate the financial leverage.

Derivatives

The Company has derivative financial instruments to hedge against foreign exchange rate fluctuations on the purchase of services and borrowing and financing agreements denominated in foreign currency.

The Company and its subsidiaries do not enter into derivative transactions for speculative purposes. Derivative contracts do not include any guarantee margin.

The Company and its subsidiaries have internal policies for their derivative instruments which, in Management's opinion, are appropriate to manage the related risks and to ensure that they are accurately recorded in their financial statements.

The fair value of these instruments at the end of the reporting period, by counterparty, classified in 'Derivative financial instruments', is as follows:

Type	Notiona amount (US$'000)	Currency	Counterparty	Forex rate (average) - R$	Maturity	Balance at 12/31/2009	Results for the quarter	Settlement	Balance at 12/31/2010
NDF (a)	4,619	US$	Itaú BBA	1.821	3/29/2010 to 12/28/2011	(13)	(385)	(183)	(216)
NDF (a)	825	US$	BTG Pactual	1.8051	8/24/2010 to 12/24/2010	-	(62)	(62)	0
NDF (a)	2,859	US$	Votorantim	1.8055	10/15/2010 to 9/15/2011	-	(329)	(58)	(271)
NDF (a)	221	US$	HSBC	1.8193	7/27/2011 to 8/15/2011	-	(20)	-	(20)
NDF (a)	283	US$	Santander Real	1.7028	1/31/2011	-	19	-	19
Total Company and consolidated						(13)	(777)	(303)	(488)

Type	Notional amount (US$'000)	Currency	Counterparty	Forex rate (average) -R$	Maturity	Balance at 1/1/2009	Results in 2009	Settlement	Balance at 12/31/2009
Swap (a)	567	US$	Banco Real	1.7628	1/5/2009	270	(4)	266	-
Swap (a)	1,696	US$	Banco Votorantim	1.7687	1/21/2009	850	23	873	-
Swap (a)	1,032	US$	Unibanco	1.9388	6/29/2009	410	(356)	54	-
NDF (b)	375	US$	Itaú BBA	2.156	6/29/2009	-	(81)	(81)	-
NDF (b)	500	US$	Itaú BBA	2.198	9/28/2009	-	(198)	(198)	-
NDF (b)	500	US$	Itaú BBA	1.857	12/31/2009	-	(52)	(52)	-
NDF (b)	500	US$	Itaú BBA	1.799	3/29/2010	-	(13)	-	(13)
Total Company and consolidated						1,530	(681)	862	(13)

(a) During the year the Company entered into swap transactions, under the custody of CETIP, with short position of 106.3% to 109% of CDI and long position of dollar plus interest of 5.8% to 7% per year. These transactions were made with banks Real, Votorantim and Unibanco.

(b) The Company entered into NDF (non-deliverable forward) transactions, under the custody of CETIP, as a means to hedge its future U.S. cash flows, referring to payments to suppliers, against possible losses resulting from fluctuations in foreign exchange rates which may increase trade accounts payable in reais. These transactions were made with Banco Itaú BBA, Votorantim, Santander Real, HSBC and BTG Pactual.

At December 31, 2010, the Society has derivatives positions to foreign exchange rate fluctuations on the purchase of services and borrowing and financing agreements of US$4.514 million, there is a net loss of R$488 Company, and R$488 consolidated (net loss of R$13 Company, and R$13 consolidated, for the year ended December 31, 2009) recognized in the Company's balance sheet in line item "Derivative financial instruments".

The swap and NDF contracts settled in 2009 presented a total gain of R$862 and had an impact of R$584 on the Company's cash position, net of taxes.

In compliance with the provisions of CVM Instruction 475/08 for derivative financial instruments, the Company and its subsidiaries consider as probable scenario (scenario I) the future exchange rates of the Brazilian real in relation to the US dollar, obtained on the São Paulo Stock, Futures and Mercantile Exchange (BM&FBOVESPA) for the maturity of the instruments, calculated based on the notional amount of the contract.

As determined by CVM Instruction 475/08, the Company and its subsidiaries adopted the scenarios equivalent to 25% (scenario II) and 50% (scenario III) of the related foreign exchange rates used to determine the probable scenario.

Status	Scenario I	Scenario II	Scenario III	Scenario IV	Scenario V
Unfavorable fluctuation	0%	-25%	-50%	25%	50%
US$ depreciation (rate in R$)	1,885	1,41375	0,9425	-	-
US$ appreciation (rate in R$)	1,885	-	-	2,35625	2,8275

			Unfavorable fluctuation Company and Consolidated			
Transaction	Scenario I (probable) loss	Risk (*)	Scenario II loss	Scenario III loss	Scenario IV gain	Scenario V gain
Non-Deliverable Forwards (NDF)	244	US$ depreciation	(1,766)	(3,777)	2,255	4,266
Financing in US$	(324)	US$ appreciation	373	1,070	(1,021)	(1,718)
Trade accounts payable	(136)	US$ appreciation	157	450	(429)	(722)
Net effect	(216)		(1,236)	(2,257)	805	1,826

(*) Risk to which the Company is exposed considering the nature of each financial instrument.

6. CASH AND CASH EQUIVALENTS

	Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Cash and banks	9,176	7,090	8,280	9,291	8,183	14,399
Short-term investments	534,160	519,645	4,002	534,160	519,645	4,002
	543,336	526,735	12,282	543,451	527,828	18,401

Short-term investments are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. These short-term investments refer to Bank Certificates of Deposit (CDB) and repurchase agreements, which consist of commitments by the seller (bank) to buy a security back from the purchaser (customer), who commits to resell it in the future. Investments yielded 100% to 103% of the CDI (interbank deposit rate) at December 31, 2010, 100% to 106% of CDI at December 31, 2009, and 103% of CDI at January 1, 2009.

7. TRADE ACCOUNTS RECEIVABLE

	Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Trade receivables						
Billed amounts	205,683	144,257	74,117	208,535	163,006	115,529
Unbilled services	25,761	27,296	1,266	25,761	27,296	20,987
	231,444	171,553	75,383	234,296	190,302	136,516
Other receivables						
Credit card receivables	672	1,762	213	721	2,381	287
Checks for collection	1,471	1,475	105	1,402	1,556	618
	2,143	3,237	318	2,123	3,937	905
Allowance for doubtful accounts	(32,890)	(39,585)	(11,090)	(33,039)	(41,580)	(30,117)
Total trade accounts receivable	200,697	135,205	64,611	203,380	152,659	107,304
Current	200,697	135,142	64,611	203,380	152,596	107,254
Noncurrent	-	63	-	-	63	50

The aging list of trade accounts receivable is as follows:

	Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Current (*)	107,731	61,924	44,647	108,046	76,262	59,962
Up to 60 days past due	35,761	22,116	10,731	36,121	23,952	18,715
60 to 120 days past due	11,760	11,265	7,453	12,466	12,260	27,863
Over 120 days past due	76,192	76,248	12,552	77,663	77,828	29,976
	231,444	171,553	75,383	234,296	190,302	136,516

(*) These receivables fall due within 35 days on average.

Changes in the allowance for doubtful accounts:

	Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Opening balance	(39,585)	(11,090)	(41,580)	(30,117)
Write-offs of uncollectible receivables	29,966	-	29,966	-
Additions, less reversals (allowance for doubtful accounts)	(13,599)	(3,828)	(13,603)	(9,613)
Addition due to business acquisition	-	-	-	(1,850)
Transfer due to mergers	(1,850)	(24,667)	-	-
Additions, less reversals (disallowances)	(7,822)	-	(7,822)	-
Closing balance	(32,890)	(39,585)	(33,039)	(41,580)

The Company and its subsidiaries have a certain degree of concentration in their customer bases. At December 31, 2010, the concentration on the four major customers is 33% of the total portfolio (25% at December 31, 2009 and 32% at January 1). At December 31, 2010 service revenue´s concentration on the four major customers is 35% of the total service revenue (38% at December, 31 2009).

8. INVENTORIES

	Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Diagnosis kits	4,596	5,244	3,292	4,596	7,437	5,999
Harvest and nursing material	1,825	1,323	1,328	1,826	1,447	1,862
Auxiliary lab supplies	1,384	1,649	1,799	2,302	2,195	2,901
Administrative, promotional and other supplies	746	1,039	696	788	1,510	1,227
	8,551	9,255	7,115	9,512	12,589	11,989
Allowance for inventory losses	-	(139)	(139)	-	(139)	(139)
	8,551	9,116	6,976	9,512	12,450	11,850

9. RECOVERABLE TAXES

Represent prepaid taxes, calculated using estimates and withheld taxes, most of which can be offset against future taxes, as follows:

	Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Withholding income tax (IRRF) (a)	6,846	9,217	3,233	6,936	9,272	7,985
Social contribution on net income (CSLL) (b)	6,185	7,974	971	6,232	8,160	8,212
Business income tax (IRPJ) (b)	3,647	5,335	-	3,647	5,708	5,648
Service tax (ISS) (c)	2,172	967	200	2,172	967	651
Social security contribution (INSS) (d)	2,102	3,261	1,757	2,102	3,261	2,192
Tax on revenue (COFINS):	1,468	2,630	617	1,498	2,630	1,913
Tax on revenue (PIS)	144	590	25	151	590	601
Other	2,224	828	42	2,225	828	605
	24,788	30,802	6,845	24,963	31,416	27,807
Current	17,204	15,693	6,479	17,379	16,307	12,346
Noncurrent	7,584	15,109	366	7,584	15,109	15,461

(a) IRRF on redemption of short-term investments and services provided to health maintenance organizations and other Legal Entities.

(b) The balances refer mainly to amounts derived from acquired businesses. These amounts will be utilized to offset taxes payable.

(c) ISS withheld on invoices related to services rendered to accredited network.

(d) INSS withheld on invoices related to services rendered mainly to hospitals.

10. INVESTMENTS

	Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Investments in subsidiaries:						
Fleury CPMA						
Cost	6,362	4,790	2,501	-	-	-
Goodwill	1,351	1,351	1,351	-	-	-
	7,713	6,141	3,852	-	-	-
Laboratório Weinmann						
Cost	-	5,342	-	-	-	-
Goodwill	-	45,145	-	-	-	-
Intangible assets	-	7,538	-	-	-	-
	-	58,025	-	-	-	-
NKB						
Cost	-	-	23,787	-	-	-
Goodwill	-	-	20,253	-	-	-
	-	-	44,040	-	-	-
	7,713	64,166	47,892	-	-	-
Other investments	246	246	-	246	246	-
	7,959	64,412	47,892	246	246	-

Changes in investments and in the allowance for investment losses of the parent company:

	Fleury CPMA (a)	Weinmann (c)	Total
Period ended December 31, 2010			
Opening balances	6,141	58,025	64,166
Goodwill on acquisitions:			
Merger	-	(45,145)	(45,145)
	-	(45,145)	(45,145)
Intangible assets:			
Merger	-	(7,538)	(7,538)
	-	(7,538)	(7,538)
Investments:			
Equity in subsidiaries	(3,485)	810	(2,675)
Capital contribution	5,057	-	5,057
Merger	-	(6,152)	(6,152)
	1,572	(5,342)	(3,770)
Closing balances	7,713	-	7,713

	Fleury CPMA (a)	NKB (b)	Weinmann (c)	Total
Period ended December 31, 2009				
Opening balances	3,852	44,040	-	47,892
Goodwill on acquisitions:				
Transfer of incorporation	-	(20,253)	-	(20,253)
Additions	-	-	45,145	45,145
	-	(20,253)	45,145	24,892
Intangible assets-				
Additions	-	-	7,538	7,538
	-	-	7,538	7,538
Investments:				
Capital increase in subsidiary	9,966	78,866	-	88,832
Acquisitions of non-controlling interests	-	2,482	-	2,482
Business acquisitions	-	-	4,950	4,950
Loss on interest percentage change	-	(875)	-	(875)
Equity in subsidiaries	(7,677)	(10,186)	392	(17,471)
Merger	-	(94,074)	-	(94,074)
	2,289	(23,787)	5,342	(16,156)
Closing balances	6,141	-	58,025	64,166

(a) The main data on Fleury CPMA is as follows:

	12/31/2010	12/31/2009	1/1/2009
Equity interest - %	100,00	100,00	100,00
Paid-in capital	44,158	39,101	34,158
Shareholders' equity	6,391	4,790	2,501
Loss for the year	(3,456)	(7,677)	(7,736)

(b) The main data on NKB is as follows:

	12/31/2010	12/31/2009	1/1/2009
Equity interest - %	-	-	95,33
Paid-in capital	-	-	114,603
Shareholders' equity	-	-	24,954
Loss for the year	-	-	(20,881)

(c) The main data on Weinmann are as follows:

	12/31/2010	12/31/2009	1/1/2009
Equity interest - %	-	100,00	-
Paid-in capital	-	5,501	-
Shareholders' equity	-	5,342	-
Net income for the period (*)	-	392	-

(*) Calculated from September to December 2009.

11. PROPERTY AND EQUIPMENT

		Company				
	Annual average depreciation rate - %	12/31/2010 Cost	Accumulated depreciation	Net	12/31/2009 Net	1/1/2009 Net
Machinery and equipment	5 to 20	135,307	(64,228)	71,079	60,928	51,955
Facilities	10	58,328	(19,566)	38,762	23,023 (*)	8,888
Leasehold improvements	20	42,736	(34,289)	8,447	10,792	6,321
IT equipment	20	31,183	(23,207)	7,976	4,166	1,675
Furniture and fixtures	10	28,602	(19,096)	9,506	8,730	6,412
Properties	2	28,208	(3,740)	24,468	23,759 (*)	-
Land	-	11,488	-	11,488	8,266	8,266
Property and equipment in progress	-	1,440	-	1,440	8,687	34,036
Vehicles	20	697	(249)	448	465	-
		337,989	(164,375)	173,614	148,816	117,553

		Consolidated				
	Annual average depreciation rate - %	12/31/2010 Cost	Accumulated depreciation	Net	12/31/2009 Net	1/1/2009 Net
Machinery and equipment	5 to 20	141,149	(66,312)	74,837	65,714	62,638
Facilities	10	60,101	(20,432)	39,669	25,358*	14,596
Leasehold improvements	20	44,879	(36,134)	8,745	11,298	16,114
IT equipment	20	31,770	(23,673)	8,097	4,782	3,744
Furniture and fixtures	10	29,707	(19,569)	10,138	9,886	9,908
Properties	2	28,208	(3,740)	24,468	23,759*	176
Land	-	11,488	-	11,488	8,266	8,266
Property and equipment in progress	-	1,471	-	1,471	8,718	36,462
Vehicles	20	697	(249)	448	465	553
		349,470	(170,109)	179,361	158,246	152,457

(*) Reclassification between classes of property and equipment items in 2009.

Changes in property and equipment are as follows:

	Company		Consolidated	
	2010	2009	2010	2009
Opening balances	148,816	117,553	158,246	152,457
Additions		-		-
Machinery and equipment	19,885	9,910	19,885	11,841
Facilities	16,789	5,207	16,789	11,896
Leasehold improvements	221	-	221	-
IT equipment	5,258	2,908	5,258	4,449
Furniture and fixtures	1,322	732	1,322	2,307
Properties	3,296	7	3,296	7
Vehicles	-	-	-	157
Other	2,881	1,631	3,047	1,631
Total additions	49,652	20,395	49,818	32,288
Transfers	(2,401)	-	(2,401)	-
Disposals, net	(1,256)	(1,304)	(1,256)	(1,721)
Depreciation	(24,187)	(20,365)	(25,130)	(24,778)
Business acquisition balance	-	-	84	-
Merger balance	2,990	32,537	-	-
Closing balances	173,614	148,816	179,361	158,246

The impact of the adoption of new accounting practices as to the assessment of new useful lives is as follows:

	Policy under prior accounting practices		Política de acordo com as novas práticas contábeis		Result of the change in 2010
	Annual average depreciation rate - %	Useful life (years)	Annual average depreciation rate - %	Useful life (years)	Value
Properties	4	25	1,67	60	642
Machinery and equipment	9	11	20 a 5	5 a 20	(1.030)

At December 31, 2010, the Company records a revaluation balance of machinery and equipment, less depreciation, of R$3,142 (R$4,107 at December 31, 2009). The depreciation of revaluation is not included in the basis used for the payment of dividends.

Finance lease

The breakdown of finance lease transactions by category of assets at December 31, 2010 is as follows:

		Consolidated				
	Annual average depreciation rate - %	12/31/2010 Cost	Accumulated depreciation	Net	12/31/2009 Net	1/1/2009 Net
Machinery and equipment	10	135	(12)	123	202	-
IT equipment	20	78	(34)	44	66	-
		213	(46)	167	268	-

Leased assets were pledged as collateral for the underlying lease transactions. Expenses on the depreciation of assets acquired under leases for the year ended December 31, 2010, recorded in line item "Cost of services", total R$52 (R$9 in 2009).

12. INTANGIBLE ASSETS

		Company				
	Annual amortization rate - %	12/31/2010 Cost	Accumulated amortization	Net	12/31/2009 Net	1/1/2009 Net
Goodwill on acquisitions	-	321,169	(44,414)	276,755	224,160	29,949
Software licenses	20	44,631	(23,564)	21,067	17,420	14,400
Trademarks and patents	4 to 10	9,071	(573)	8,498	8,962	12
Franchises	-	2,550	-	2,550	2,550	-
Other	10	2,184	(279)	1,905	1,332	291
		379,605	(68,830)	310,775	254,424	44,652

		Consolidated				
	Annual amortization rate - %	12/31/2010 Cost	Accumulated amortization	Net	12/31/2009 Net	1/1/2009 Net
Goodwill on acquisitions	-	332,510	(44,413)	288,097	278,194	220,719
Software licenses	20	44,948	(23,861)	21,087	18,002	17,007
Trademarks and patents	4 to 10	10,809	(602)	10,207	8,962	501
Franchises	-	2,550	-	2,550	2,550	-
Other	10	5,028	(2,905)	2,123	1,773	1,411
		395,845	(71,781)	324,064	309,481	239,638

Changes in intangible assets are as follows:

	Company		Consolidated	
	2010	2009	2010	2009
Opening balances	254,424	44,652	309,481	239,638
Additions				
Goodwill on acquisitions	-	6,927	9,990	57,238
Software licenses	7,810	4,670	7,804	6,617
Trademarks and patents	-	-	1,737	8,562
Franchises	-	2,550	-	2,550
Other	570	17	611	1.081
Total additions	8,380	14,164	20,142	76,048
Transfers	55,084	-	2,401	-
Write-offs, net	(321)	-	(321)	-
Amortization	(7,439)	(4,603)	(7,842)	(6,205)
goodwill of merged companies	-	20,253	-	-
Business acquisition balance	-	-	203	-
Merged balance	647	179.958	-	-
Closing balances	310,775	254,424	324,064	309,481

(*) Mostly due to goodwill from subsidiaries merged during the period and previously classified as investments.

The amortization of intangible assets is recorded in line item ‘General and administrative expenses’, in the statements of income.

Goodwill

Until December 31, 2008, goodwill was amortized over a period of ten years. As a result of the changes in Brazilian accounting practices, starting January 1, 2009 goodwill is no longer amortized and instead it is tested for impairment annually or whenever there is an indication that it may be impaired. For the years ended December 31, 2010 and 2009, there was no need to recognize an allowance for impairment losses.
Goodwill arising on acquisition is based on expected future earnings.

Reversal of impairment loss

Goodwill arising in a business combination is an intangible asset with indefinite useful life and, therefore, it is not amortized and instead it is tested for impairment annually.

Goodwill arising in a business combination is allocated to Cash Generating Units, defined under the Group's accounting practices. Below we present the allocation of goodwill by Cash Generating Unit:

	12/31/2010	12/31/2009	1/1/2009
Diagnostic medicine	278,107	278,194	220,719
Hospitals	9,990	-	-
	288,097	278,194	220,719

The recoverable amount of those cash generating units is determined based on the calculation of the value in use using cash flow projections based on a financial budget of five years approved by Management and the discount rate of 13% per year (13% per year in 2009).

Cash flow projections for the budgeted period are based on the same gross margins expected for the period and on the inflation of the raw material price for the period. Cash flows after the five-year period were extrapolated to a constant annual growth rate of 5% (2009: 5%), which corresponds to the average long-term growth rate projected for the industry. Management understands that any type of change reasonably possible in key assumptions, on which the recoverable amount is based, would not lead the total carrying amount to exceed the total recoverable amount of the cash generating unit.

Software licenses

Software licenses refer to systems and intranet development. Software licenses are intangible assets with definite useful life; the estimated useful life of this class of assets is 5 years.

Trademarks and patents

Trademarks and patents refer mainly to trademarks and patents acquired in business combinations. Trademarks and patents are intangible assets with definite useful life; the estimated useful life of this class of assets is 10 to 25 years.

13. BORROWINGS AND FINANCING

Borrowings and financing were raised basically for business acquisitions, purchase of equipment, and working capital purposes, and are as follows:

	Charges - % (a)	Company			Consolidated			Maturity
		12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009	
Local currency:								
Banco Itaú	106.7 of CDI (b)	38,045	51,545	46,591	38,045	51,909	46,654	March 2011 to October 2014
Unibanco - working capital	107.5 of CDI (b)	20,554	27,750	-	20,554	27,750	34,541	October 2013 to January 2014
Banco Real - working capital	CDI (b) +1 p.a.	18,465	22,996	-	18,465	22,996	28,696	October 2014
FINEP	4.3 p.a.	5,787	2,505	-	5,787	2,505	-	September 2017
BNDES	TJLP (c) +3.3 p.a.	4,994	7,404	8,728	4,994	8,190	10,448	April 2012 to February 2013
Finance lease	1.26% p.a.	80	-	-	80	182	-	March 2012
Other		-	140	68	-	158	153	

	Charges - % (a)	Company			Consolidated			Maturity
		12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009	
Banco Itaú - overdraft account	135 of CDI (b)	-	-	-	-	-	7,953	May 2009
Banco do Brasil	TJLP (c) +5.2 p.a.	-	-	-	-	-	43	October 2009
Banrisul	CDI + 8.08	-	-	-	-	167	-	May 2010
Citibank	14.92 p.a.	-	-	-	-	158	-	July 2011
Bradesco - working capital	109.6 p.a. of CDI	-	12,491	17,147	-	12,491	31,242	February 2011 to March 2013
Foreign currency (US$):				-				
Banco Itaú - Finimp	Forex + 1.3 p.a.	2,482	3,463	5,275	2,482	3,463	5,275	July 2013
Votorantim - Resolution 2770	Forex + 7 p.a.	-	-	4,230	-	-	4,230	January 2009
Banco Real - Resolution 2770	Forex + 5.8 p.a.	-	-	-	-	-	1,402	January 2009
Unibanco - Resolution 2770	Forex + 6.5 p.a.	-	-	-	-	-	2,411	June 2009
Banco Real - Finimp	Forex + 7.8 p.a.	-	566	1,517	-	566	1,517	December 2010
Philips Medical	Forex + 8.5 p.a.	-	1,355	2,295	-	1,355	2,295	May 2011 to April 2014
UPS Capital Business Credit	Forex + 8.4 p.a.	-	368	-	-	368	700	December 2014
		90,407	130,583	85,851	90,407	132,258	177,560	
Current		35,164	37,975	19,162	35,164	39,424	52,611	
Noncurrent		55,243	92,608	66,689	55,243	92,834	124,949	

(a) Weighted average rate.

(b) Interbank Certificates of Deposit (CDI), equivalent to 10.64% per year at December 31, 2010 and 8.55% per year at December 31, 2009.

(c) Long-Term Interest Rate (TJLP), equivalent to 6.00% per year at December 31, 2010 and 6.00% at December 31, 2009.

The noncurrent portion matures as follows at December 31, 2010:

	Consolidated
2012	21,485
2013	19,644
2014	11,801
2015	856
2016 and thereafter	1,457
	55,243

Certain borrowings include restrictive financial covenants, such as, but not limited to: (a) pledging of collateral or liens on assets; (b) restrictions as to the change, transfer, or assignment of shareholding control, merger, takeover, or spin-off without the previous consent of the creditor; and (c) compliance with financial and liquidity ratios measured semiannually (June and December), The Company has a working capital financing from Banco Itaú totaling R$38,045 at December 31, 2010 (R$51,909 at December 31, 2009 and R$46,654 at January 1, 2009), subject to covenant for compliance with financial and liquidity ratios measured semiannually (June and December) based on “Earnings Before Interest, Taxes, Depreciation and Amortization” - EBITDA equal to or higher than 0.5 times net indebtedness (borrowings and financing less cash and cash equivalents) and guarantees. At December 31, 2010, the Company and its subsidiaries are compliant with these covenants.

The financing from Financiadora de Estudos e Projetos - FINEP has a clause that requires the Company to ensure the payment of any obligations derived from the contract through the issuance of a bank letter of guarantee in the amount of the financing. The letter was issued by bank HSBC for the total amount of R$7,098, on July 1, 2009, and generated an expense of R$208 in income for 2010 (R$104 in 2009).

The carrying amounts of the Group's borrowings are maintained in the following currencies:

	Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Real	87,925	124,691	72,534	87,925	126,348	159,730
U.S. dollar	2,482	5,752	13,317	2,482	5,910	17,830

14. TRADE ACCOUNTS PAYABLE

	Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Domestic suppliers	40,160	39,409	23,478	39,986	43,956	44,963
Foreign suppliers	1,036	283	1,801	1,036	283	1,810
	41,196	39,692	25,279	41,022	44,239	46,773

The balance of "Domestic suppliers" refers mostly to suppliers of reagents, diagnosis kits and materials.

15. PAYROLL AND RELATED TAXES

	Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Payroll	2,009	2,447	984	2,009	2,607	1,517
Accrued vacation and 13th salary	16,952	16,942	11,272	16,968	18,423	17,099
Accrued profit sharing	8,846	11,136	9,268	8,852	12,066	11,217
Payroll taxes and other taxes payable	6,489	7,123	4,797	6,489	7,762	5,648
	34,296	37,648	26,321	34,318	40,858	35,481

16. PROVISION FOR TAX, LABOR AND CIVIL RISKS

The Company and its subsidiaries are subject to tax, labor and civil risks, arising in the normal course of their operations. Periodically, Management reviews known contingencies, assesses the likelihood of probable losses and adjusts the related reserve based on the opinion of their legal counsel and other data available at the end of the reporting period, such as the nature of lawsuits and past experience. At December 31, 2010, December 31, 2009 and January 1, 2009, the provision for tax, labor and civil risks is broken down as follows:

	Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Tax and social security	9,105	14,338	38,699	9,105	16,779	54,315
Labor	7,327	6,484	4,013	7,327	6,743	8,383
Civil	1,027	2,196	324	1,027	2,671	1,016
	17,459	23,018	43,036	17,459	26,193	63,714
Judicial deposits	(9,642)	(7,431)	(1,654)	(9,642)	(9,010)	(5,818)
	7,817	15,587	41,382	7,817	17,183	57,896

Changes in the provision for tax, labor and civil risks for the years ended December 31, 2010 and 2009 are as follows:

	Company						
	Balance at 12/31/2009	Additions	Reversal	Increase due to merger	Reclassifications and payments	Inflation adjustment	Balance at 12/31/2010
Tax and social security	14,338	3,114	(5,105)	655	(5,716)	1,819	9,105
Labor	6,484	5,358	(2,432)	-	(2,911)	827	7,327
Civil	2,196	377	(70)	-	(1,654)	178	1,027
	23,018	8,849	(7,606)	655	(10,280)	2,824	17,459
Judicial deposits	(7,431)	(153)	-	(1,576)	-	(482)	(9,642)
	15,587	8.696	(7,606)	(921)	(10,280)	2,342	7,817

	Company						
	Balance at 1/1/2009	Additions	Reversal	Increase due to merger	Reclassifications and payments	Inflation adjustment	Balance at 12/31/2009
Tax and social security	38,699	13,125	(31,065)	15,343	(23,914)	2,150	14,338
Labor	4,013	600	(1,065)	2,638	(525)	823	6,484
Civil	324	-	(640)	2,414	-	98	2,196
	43,036	13,725	(32,770)	20,395	(24,439)	3,071	23,018
Judicial deposits	(1,654)	(2,491)	-	(4,566)	1,540	(260)	(7,431)
	41,382	11,234	(32,770)	15,829	(22,899)	2,811	15,587

	Consolidated						
	Balance at 12/31/2009	Additions	Reversal	Increase due to merger	Reclassifications and payments	Inflation adjustment	Balance at 12/31/2010
Tax and social security	16,779	3,174	(5,424)	-	(7,264)	1,840	9,105
Labor	6,743	5,987	(2,432)	-	(3,799)	827	7,327
Civil	2,671	377	(124)	-	(2,077)	181	1,027
	26,193	9,538	(7,980)	-	(13,140)	2,848	17,459
Judicial deposits	(9,010)	(153)	3	-	-	(482)	(9,642)
	17,183	9,385	(7,977)	-	(13,140)	2,366	7,817

	Consolidated						
	Balance at 1/1/2009	Additions	Reversal	Increase due to merger	Reclassifications and payments	Inflation adjustment	Balance at 12/31/2009
Tax and social security	54,315	17,528	(31,065)	2,371	(28,592)	2,222	16,779
Labor	8,383	600	(1,065)	-	(1,998)	823	6,743
Civil	1,016	-	(640)	461	1,722	112	2,671
	63,714	18,128	(32,770)	2,832	(28,868)	3,157	26,193
Judicial deposits	(5,818)	(4,070)	-	-	1,540	(662)	(9,010)
	57,896	14,058	(32,770)	2,832	(27,328)	2,495	17,183

Lawsuits classified as probable losses

Refer to lawsuits whose likelihood of an unfavorable outcome is assessed as probable, of which we highlight the following involving the Company and its subsidiaries:

Tax and social security:

Service tax (ISS) - Lawsuits filed by acquired businesses merged into the Company arguing that as professional partnerships, such entities would be subject to fixed amount taxes, calculated according to the number of partners and employees with medical professional qualification and not based on revenue at a 5% tax rate. A total amount of R$3,279 is accrued by the Company in December 2010.

COFINS: the challenges involve the exemption from contribution for service companies that provide services related to legally regulated professions. Supplementary Law 70/91, which established COFINS, addresses the exemption granted for these types of companies; however, Law 9430/96 expressly revoked it, requiring the contribution based on the gross revenue of service companies. The legal counsel understands that as an ordinary law, Law 9430/96 could not have revoked the exemption established by Supplementary Law 70/91. Nevertheless, as the Federal Supreme Court has already expressed its position contrary to the above thesis, the Company records a reserve to cover risks in the amount of approximately R$4,300 at December 31, 2010.

Labor:

In general, the claims made in labor lawsuits are as follows: (i) overtime; (ii) health hazard premium; (iii) job reinstatement due to tenure arising from occupational disease or occupational accident; (iv) joint liability; and (v) compensation for pain and suffering and damages. Based on the history of losses actually settled, the Company's management considers that the recognized reserve is sufficient to cover expected losses on ongoing lawsuits.

Lawsuits classified as possible losses

At December 31, 2010, the Company has approximately R$175,000, consolidated, related to lawsuits classified as possible losses by its legal counsel, of which R$111,000 refers to tax and social security contingencies, R$16,000 to civil contingencies, and R$48,000 to labor contingencies.

The main matters classified as possible losses are: (i) administrative lawsuit claiming the payment of 11% social security contribution that should have been in the period from June 2003 to June 2006 (R$27,000). The Company is currently preparing a special appeal to be filed with the Administrative Board of Tax Appeals; (ii) administrative lawsuit which disqualified medical contractors as legal entities for the recognition of an employment relationship (R$23,000). Currently, the Company awaits a decision on the administrative appeals and the annulment action filed with lower courts; e (iii) administrative lawsuit which City of Santo André alleges unpaid municipal taxes (R$5,000). At the administrative level, the Company awaits a decision on the appeal filed with the higher courts since August 25, 2008. Management does not expect to incur significant cash out flows or expenses on matters related to these lawsuits.

Judicial deposits

When required, the Company makes judicial deposits as guarantee for pending litigation. These deposits total R$4,652, Company, and R$4,655, consolidated at December 31, 2010 (R$3,657 at December 31, 2009), classified in noncurrent assets, and refer to lawsuits considered by the Company's legal counsel as remote or possible risks of loss. Judicial deposits related to lawsuits considered as probable risks of loss are classified in noncurrent liabilities, reducing the related reserve.

17. TAXES PAYABLE

	Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Tax Refinancing Program (REFIS) - Law 11941(a)	29,651	16,294	-	29,651	16,294	9,702
Service tax (ISS) in installments (b)	20,120	27,015	14,190	20,120	27,045	29,118
State VAT (ICMS) on imports (c)	13,333	8,957	-	13,333	8,957	-
Judicial deposits (ICMS) (c)	(9,240)	(8,503)	-	(9,240)	(8,503)	-
Tax on revenue (COFINS) (d)	6,520	5,120	-	6,536	5,184	-
Withholding income tax (IRRF) (e)	4,241	805	632	4,248	907	863
Service tax (ISS) included in the Industry Tax Refinancing Program (Prefis) (f)	3,791	12,676	-	3,791	12,676	12,223
Service tax (ISS)	2,361	1,557	790	2,452	1,696	1,703
Social security contribution (INSS)	2,159	2,005	-	2,161	2,005	-
Tax on revenue (PIS)	712	784	174	733	807	683
Tax in installments (PAES) (g)	-	11,827	-	-	13,287	16,691
Social security contribution (INSS) in installments	-	7,127	-	-	7,127	9,694
Other	2,215	5,886	681	2,215	7,196	6,464
	75,863	91,550	16,467	76,000	94,678	87,141
Current	11,599	19,322	4,399	11,736	19,682	25,341
Noncurrent	64,264	72,228	12,068	64,264	74,996	61,800

(a) The Company elected to apply for the federal tax debts installment program called REFIS IV, governed by Law 11941/09, in view of its more favorable terms and conditions. The adhesion applications concern both the debts in other previous installment programs and new tax debts. The adhesion was made under the program disclosed in the Federal Revenue Service's website and the Company also filed with this Service an administrative request for the utilization of tax loss carryforwards recorded in August 2009 for offset against fine and interest, and the payment of principal in 120 monthly installments with a 60% decrease in fines, a 25% decrease in interest, and a 100% decrease in legal charges, as provided for by Article 1 of Law 11941/09 and Articles 15 and 17 of PGFN/RFB Joint Administrative Rule 06/09. Currently, the Company awaits the consolidation of the debts in installments included in REFIS IV, while already paying the minimum installments required by this new installment program. In December 2009, the Federal Revenue Service approved all the adhesion applications of the Company. In the quarter ended June 30, 2010, the Company completed the analysis of tax loss carryforwards to be offset against debts included in REFIS IV and confirmed with the Federal Revenue Service, in August 2010, the amounts to be utilized. Accordingly, in June 2010 the Company offset previously unrecognized tax credits, corresponding to tax loss carryforwards of subsidiaries totaling R$14,632, against part of the remaining fines and interest, and credited the amounts corresponding to the decrease in liabilities to net income for 2010, in 'Other operating (expenses) income'.

(b) The Company joined the installment program of the municipal government of São Paulo named Tax Installment Incentive Program (PPI) and at December 31, 2010 the balance payable is R$20,120 (R$27,015 at December 31, 2010). Additionally, the Company has other tax installment programs with the municipal governments of Curitiba, Salvador and Rio de Janeiro that were settled in 2010), adjusted for inflation using Brazil's base rate (SELIC).

(c) State VAT (ICMS) - the Company is required to pay ICMS on the acquisition of machinery and equipment intended to be included in its property and equipment. The Company has filed a lawsuit against the State of São Paulo because it understands that this collection is unfair. Of the amount accrued by the Company, R$9,240 is deposited in courts (R$8,503 at December 31, 2009).

(d) This balance refers mainly to the reserve recorded to support the Company's challenge of the broadening of the COFINS tax base.

(e) Of the total balance, R$3,449 refers to withholding income tax on the "Interest on Capital" paid on December 29, 2010.

(f) The entirety of the balance refers to installment payment of ISS debt with the municipal government of Recife included in the Industry Tax Refinancing Program (PREFIS), pursuant to Law 17029/2004. As permitted by Law 17384/07, the Company waived to participate in such installment payment, which granted it remission of the partial amount of the principal debt, adjusted for inflation in conformity with the municipal legislation, and the entirety of the tax credits related to interest and fine and for tax infringement. In September 2010, a gain of R$9,251 was recorded in line item 'Other operating income (expenses)'.

(g) PAES installment payment program established by Law 10684/03 under which the Company applied for paying the balance in installments, as provided for in Law 11941/09, this balance was reclassified to Refins installment payment program.

The noncurrent portion matures as follows at December 31, 2010:

	Consolidated
2012	3,701
2013	3,701
2014	3,701
2015 and thereafter	53.161
	64,264

18. ACCOUNTS PAYABLE - BUSINESS ACQUISITIONS

Refer to debts assumed on the acquisition of businesses, to be paid monthly according to contractual maturities and adjusted on a quarterly basis using the IGP-M released by Fundação Getúlio Vargas - FGV and the IPCA released by Instituto Brasileiro de Geografia e Estatística - IBGE. These amounts total R$30,127 (R$7,427 in current liabilities and R$22,700 in noncurrent liabilities), consolidated, at December 31, 2010 (R$35,187 in stock R$31,639 not in stock at December 31, 2009).

The noncurrent portion matures as follows at December 31, 2010:

Maturity	Company	Consolidated
2012	7,723	11,193
2013	6,128	6,175
2014	4,353	4,401
2015	818	864
2016	67	67
	19,089	22,700

Net present value adjustment for Di Medicos Associados e Di Serviços Médicos in 2010 is R$670.

19. COMMITMENTS

Fleury Group has operating lease agreements of equipment and at December 31, 2010 future installments totaled R$532 (R$1,446 at December 31, 2009). Consolidated operating lease commitments of equipment totaled R$532 at December 31, 2010 (R$1,658 at December 31, 2009).

The position of commitments made, stated at their fair value, is as follows

	Company and Consolidated
2011	515
2012	17
	532

A significant portion of the properties used in operating activities is leased, under terms and conditions set out in agreements effective for periods ranging from four to six years. Property lease expenses totaled R$40,071 at December 31, 2010 (R$27,557 at December 31, 2009), Company, and R$41,593 (R$39,304 at December 31, 2009), consolidated. The agreements are adjusted for inflation after the original maturity date (generally annual), and the adjustment is calculated based on the IGP-M variation. Consolidated property lease commitments totaled R$142,420 at December 31, 2010 (R$97,071 at December 31, 2008). The consolidated position of commitments made is as follows:

	Consolidated
2011	39,899
2012	34,168
2013	26,760
2014	19,984
2015 and thereafter	21,609
	142,420

20. SHAREHOLDERS' EQUITY

Capital

Fully paid-in capital at December 31, 2010 is represented by 131,298,550 registered common shares without par value (126,160,780 at December 31, 2009). The Company is authorized to increase its capital by up to 150,000,000 common shares, regardless of any amendment to its bylaws.

The Extraordinary Shareholders' Meeting held on January 19, 2009 approved an increase in the Company's capital by R$130,170, through the issuance of 2,182,684 registered common shares without par value, made by the controlling shareholder Integritas Participações S.A.

The Annual and Extraordinary Shareholders' Meeting held on April 24, 2009 approved the allocation of income totaling R$41,963 calculated at December 31, 2008 to the legal reserve, R$2,098, R$7,196 as dividends, R$4,778 as interest on capital, and the remaining balance to the "Earnings reserve".

The Extraordinary Shareholders' Meeting held on November 26, 2009 approved the split of all the Company's shares, so that for each registered common share without par value the holder received 19 new common shares, with the same rights and advantages of the previous shares. Therefore, the Company's capital is represented by 91,908,980 registered common shares without par value.

The Board of Directors' Meeting held on December 15, 2009 approved a capital increase by R$548,029, through the issuance of 34,251,800 registered common shares without par value, within the authorized capital limit, from R$224,609 to R$772,638, arising from the initial public offering.

O January 4, 2010, the Board of Directors approved the distribution of an overallotment of 5,137,770 registered common shares without par value, within the authorized capital limit, for the price of R$16.00 per share, resulting in a capital increase of R$82,204, from R$772,638 represented by 126,160,780 shares to R$854,842 represented by 131,298,550 registered common shares without par value.

The Annual and Extraordinary Shareholders' Meeting held on April 30, 2010 approved the allocation of R$4,179 to the legal reserve, R$44,000 to dividends, already distributed during the year as interim dividends, and the remaining R$36,563 to the earnings reserve for investments and expansion.

Dividends and Interest on capital

On August 30, 3010, compensation, in the form of interest on capital, was paid in advance to shareholders. The gross amount paid of R$16,228 corresponds to R$0.12 per share, based on the shareholding position on August 11, 2010.

On December 29, 3010, compensation, in the form of interest on capital, was paid in advance to shareholders. The gross amount paid of R$23,772 corresponds to R$0.18 per share, based on the shareholding position on December 17, 2010.

At the end of each fiscal year, shareholders are entitled to mandatory minimum dividends of 25% of net income adjusted as per Corporate Law.

Net income	130,001
(-) Legal reserve	(6,500)
Profit to be distributed	123,501
Mandatory minimum dividends	30,875
Interest on capital paid (R$36,483 net of withholding income tax, corresponding to R$0.30 per share)	(40,000)
	83,501

The total amount of dividends dsitributed, paid as interest on capital, represents 31% of net income for the year, in accordance with the provisions in article 202 of Law 6404/76 and article 34 of the Company's bylaws.

From the remaining balance of net income for the year, after the allocation to the legal reserve, the payment of dividends and the realization of the revaluation reserve, a profit reserve is being recorded for investments and expansion, in the amount of R$84,466, as provided for in article 34 of the Company's bylaws, to cover part of the investments defined in the capital budget for 2010.

Pursuant to article 199 of Law 6404/76, the balance of this reserve cannot exceed the Company's capital.

Capital budget proposed by Management

In compliance with Regulatory Instruction 480/09, published by CVM on December 7, 2009, the Company presents below a table showing the capital budget for 2011.

Market conditions, macro-economic situations and other operational factors may affect the business projections and prospects and, consequently, the amounts foreseen in this capital budget.

As one of the sources for funding the investments foreseen in this capital budget, Management is proposing the retention of the remaining net income for 2010 in the amount of R$84,466, totaling R$155.270 at December 31, 2010, in line item "Earnings reserve for investments and expansion".

Capital budget - use of funds

	2011 - Projection
Investments in fixed assets	
Machinery and equipment	56,351
IT systems	52,491
Improvements	49,652
Other	15,630
	174,124

Statement of comprehensive income

There were no transactions in equity, in all material aspects, that would cause adjustments that might be included in the statement of comprehensive income.

21. RELATED PARTIES

The balances and transactions with related parties at December 31, 2010 are as follows:

	Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Transactions:						
With subsidiary-						
Service revenue- NKB (b)	-	8,295	-	-	-	-
Fleury CPMA (c)	77	531	-	-	-	-
With other companies-						
Rentals-						
Transinc Serviços Médicos S.A. (a)	5,784	5,516	-	5,784	5,516	-
Balances-						
With subsidiaries-						
Noncurrent assets and liabilities-						
Loans receivable, payable, and advances for future capital increase:						
Laboratório Weinmann	-	3,870	-	-	-	-
Fleury CPMA (c)	7,568	2,261	1,730	-	-	-
NKB	-	-	39,648	-	-	-
	7,568	6,131	41,378	-	-	-

(a) Transinc Serviços Médicos S.A. owns and manages some properties used by Fleury S.A. and its shareholders are individuals who also hold interests in the Company's parent, Integritas Participações S.A. The lease agreement amounts payable to this entity have been determined based on market prices, calculated by independent consultants and are monetarily adjusted based on the average of IGP-M, IPCA and INPC.

(b) Refers to clinical testing services provided.

(c) R$2,339, refers to administrative support services provided by Fleury to the subsidiary for which there are no guarantees and whose risk of loss is considered remote by the Company. R$5,229 refers to advances for future capital increase (AFAC).

Management compensation includes salaries and fees in the amount of R$5,536 and compensation to the Company's Board members in the amount of R$1,320 (R$3,138 and R$1,152, respectively, at December 31, 2009), and is recorded in the statements of income as 'General and administrative expenses'. The Company does not grant to its Management any type of post-employment or lay-off benefits, nor any type of long-term benefits.

The Company recorded a provision for profit sharing, totaling R$8,852 for the year ended December 31, 2010, R$7,701 of which to employees and R$1,151 to Management (R$11,142, R$9,727 and R$1,415, respectively, in 2009), recorded in line item "General and administrative expenses".

22. SERVICE REVENUE

	Company		Consolidated	
	2010	2009	2010	2009
Gross Revenue analysis:				
Breakdown by type of service				
Clinical testing	597,131	390,620	607,295	528,487
Imaging diagnosis center	293,823	244,127	302,361	263,181
Other services	24,611	16,756	24,858	28,771
	915,565	651,503	934,514	820,439
Breakdown by business line				
Service units	777,363	563,216	785,563	693,594
Hospital operations	82,558	49,788	92,237	62,165
Diagnostic medicine solutions	37,055	25,939	37,879	44,258
	896,976	638,943	915,679	800,017
Preventive medicine	18,589	12,560	18,835	20,422
	915,565	651,503	934,514	820,439

	Company		Consolidated	
	2010	2009	2010	2009
Gross-net revenue reconciliation:				
Gross revenue	915,565	651,503	934,514	820,439
Cancellations	(9,138)	(883)	(9,365)	(1,662)
Taxes	(52,838)	(37,386)	(53,608)	(48,668)
Net revenue	853,589	613,234	871,541	770,109

23. COST OF SERVICES

	Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
General expenses	(48,464)	(24,063)	(49,056)	(33,194)
Materials and outside services	(93,849)	(71,323)	(96,646)	(98,389)
Staff and medical services	(249,943)	(156,492)	(259,464)	(215,878)
General services, leases and public services	(101,339)	(75,566)	(102,221)	(104,224)
	(493,595)	(327,444)	(507,387)	(451,685)

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
General expenses				
Depreciation and amortization	(31,626)	(24,967)	(32,972)	(30,982)
Consulting services	(25,786)	(28,001)	(25,822)	(33,161)
Events and promotions	(16,952)	(9,860)	(17,005)	(11,677)
Telecommunication	(3,723)	(4,782)	(3,765)	(5,663)
Other	(18,375)	(14,219)	(19,248)	(15,555)
	(96,462)	(81,829)	(98,812)	(97,038)
Materials and outside services	(1,280)	(709)	(1,526)	(839)
Staff and medical services	(79,239)	(60,508)	(80,463)	(71,659)
General services, leases and public services	(13,724)	(10,648)	(15,433)	(12,610)
	(190,705)	(153,694)	(196,234)	(182,146)

25. OTHER OPERATING INCOME (EXPENSES), NET

	Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Utilization of tax credits (Law 11941) - (Note 17)	14,632	8,814	14,632	8,814
Benefit for tax reduction - Prefis (Note 17)	9,251	-	9,251	-
Gain on interest in investments	-	359	-	359
Net results on write-offs and sale of assets	(1,577)	(1,304)	(1,577)	(1,721)
Expiration of recoverable taxes	(7,662)	-	(7,662)	-
Allowance for doubtful accounts	(13,833)	(3,828)	(13,837)	(9,613)
Other	933	(178)	1,435	(419)
	1,744	3,863	2,242	(2,580)

26. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Financial income:				
Interest received from customers	107	60	118	186
Short-term investments	53,351	6,447	53,351	8,585
Exchange rate change	2,363	4,060	2,363	4,857
Derivative financial instruments	154	51	154	110
Other	217	174	230	232
	56,192	10,792	56,216	13,970

	Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Financial expenses				
Interest and inflation adjustment on borrowings and financing	(19,182)	(15,226)	(19,252)	(25,076)
Interest and inflation adjustment on reserve for tax, labor and civil risks	(2,866)	(3,071)	(2,903)	(3,157)
Interest paid to suppliers	(19)	(77)	(271)	(410)
Bank fees and expenses	(2,558)	(859)	(2,600)	(1,358)
Exchange rate change	(1,127)	(1,660)	(1,127)	(1,816)
Derivative financial instruments	(1,002)	(269)	(1,001)	(791)
Other	(2,387)	(1,855)	(2,357)	(2,606)
	(29,141)	(23,017)	(29,511)	(35,214)
	27,051	(12,225)	26,705	(21,244)

27. INCOME TAX AND SOCIAL CONTRIBUTION - CURRENT AND DEFERRED

Deferred income tax and social contribution at December 31, 2010 are as follows:

	Company			Consolidated		
	12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
Reserve for tax labor and civil risk	40,033	38,396	43,036	40,033	41,571	46,690
Amortization of nondeductible goodwill up to December 31, 2008	24,782	24,782	4,774	24,782	24,782	12,565
Allowance for doubtful accounts	11,355	39,585	7,732	11,355	41,150	21,487
Accrued profit sharing	8,846	11,136	10,624	8,846	11,136	10,624
Foreign exchange gains (losses) - taxed on a cash basis	526	(189)	2,344	526	(189)	2,344
Tax loss carryforwards	-	21,854	-	-	21,854	8,092
Revaluation reserve	(4,761)	(6,223)	(7,988)	(4,761)	(6,223)	(7,988)
Effects of goodwill amortization for tax purposes	(94,512)	(32,534)	-	(94,512)	(32,534)	-
Other	929	5	3,760	929	3	5,139
Tax base	(12,802)	96,812	64,282	(12,802)	101,550	98,953
Deferred income tax and social contribution at the combined tax rate of 34%	(4,353)	32,916	21,856	(4,353)	34,527	33,644
Distribution:						
Noncurrent assets	28,905	46,157	24,572	28,905	47,768	35,563
Noncurrent liabilities	(33,258)	(13,241)	(2,716)	(33,258)	(13,241)	(1,919)

Current and deferred income tax and social contribution charged in the income statement are reconciled as follows:

	Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Income before income tax and social contribution	194,166	125,308	195,310	127,096
Approximate combined income tax and social contribution rate	34%	34%	34%	34%
Income tax and social contribution	(66,016)	(42,605)	(66,405)	(43,213)
Effect of non-recognition of deferred taxes in subsidiaries	-	-	-	(5,346)
Write-off of tax losses due to merger	-	-	-	(2,727)
Deferred income tax and social contribution on temporary differences of merged subsidiaries	-	6,259	-	6,259
Write-off of uncollectible receivables	(7,513)	-	(7,513)	-
Nondeductible expenses	(3,074)	(262)	(3,074)	(262)
Write-off of prescribed credit	(2,865)	-	(2,864)	-
Equity in subsidiaries	(929)	(5,940)	-	-
Benefit of adhesion to REFIS IV	4,975	2,997	4,975	2,997
Interest on capital	13,600	-	13,600	-
Other	(2,343)	(2,144)	(4,028)	(1,227)
Income tax and social contribution expense	(64,164)	(41,731)	(65,309)	(43,519)
Current	(24,968)	(32,803)	(26,113)	(35,545)
Deferred charges	(39,196)	(8,928)	(39,196)	(7,974)

Based on the technical study of taxable income projections calculated pursuant to CVM Instruction 371/02, the Company estimates that tax credits arising from tax loss carryforwards and temporary differences will be recovered in the following years/periods:

Year/period	Company and Consolidated
2011	2,890
2012	4,336
2013	5,781
2014	7,226
2015	8,672
	28,905

The tax credit recovery estimates were based on taxable income projections taking into consideration several financial and business assumptions at the end of the reporting period. As a result, estimates may not materialize in the future in view of the uncertainties inherent to such forecasts.

The Company opted for the Transitional Tax Regime (RTT) created by Provisional Act 449/08, subsequently converted into Law 11941/09, under which the calculation of business income tax (IRPJ), social contribution on net income (CSLL), social integration program tax on revenue (PIS), and social security funding tax on revenue (COFINS) continues to be based on the methods and criteria defined by Law 6404/76 in effect at December 31, 2007.

When applicable, deferred income tax and social contribution calculated on the adjustments arising from the adoption of the new accounting practices introduced by Law 11638/07 and Law 11941/09 were recorded in the Company's financial statements.

28. EMPLOYEE BENEFITS

The Company sponsors a pension plan called Itaú Vida e Previdência S.A., the main purpose of which is to supplement social security benefits; participation in this plan is optional for all employees of the Company and its subsidiary Fleury CPMA, and the plan is managed by Itaú Vida e Previdência S.A. . The mentioned plan is a defined contribution pension plan and for the year ended December 31, 2010 the Company made contributions totaling R$1,648 (R$1,438 at December 31, 2009), fully charged to 'General and administrative expenses'.

All employees and officers with an employment relationship with the Company or Fleury CPMA above are eligible for the plan. The age limit to join the plan is 60 years old and the age limit to leave the plan is 70 years old.

Plan participants can make basic contributions corresponding to 1% to 5% of their contribution salary, to be paid monthly, limited to a minimum contribution of R$20.00. Participants can also make voluntary contributions, at their sole discretion, at any time and at amounts above R$20.00

Company's and subsidiary's contributions are made as follows:

Employment relationship time or plan participation time	Sponsor contribution
4 years or less	50% of the participant's basic contribution
From 5 to 9 years	75% of the participant's basic contribution
10 years or higher	100% of the participant's basic contribution

For the year ended December 31, 2010, the Company recorded expenses on healthcare to its employees totaling R$16,694, R$13,943 of which charged to "Cost of services" and R$2,751 to "General and administrative expenses" (R$7,961, R$6,348 and R$1,613, respectively, at December 31, 2009).

Stock option plan

The Extraordinary Shareholders' Meeting held on November 12, 2009 approved the Company's Stock Option Plan, authorizing the granting of share options to employees chosen by the Board of Directors. The options granted under the plan are limited to 3% of the total shares of the Company's subscribed and paid-up capital.

Each stock option granted to employees can be converted into a common share of Fleury S.A. when vested, and can be exercised at any time after the vesting date within up to six years after the grant date, after which they expire. No amount is paid or will be paid by the beneficiary when receiving the stock options. The stock options do not entitle their holders to dividends or votes until they are exercised.

The Company's Board of Directors is responsible for determining, on each grant date, the employees eligible to the plan and the number of shares to be acquired upon the exercise of each option, the effective period, the exercise price, the payment terms, and other conditions.

The total exercise of the shares can be made in, at least, four years from the option contract signing date, in portions defined as follows: (a) up to 33% of the total shares subject to the option as from the end of the second year; (b) up to 33%, deducting the ones already exercised, as from the end of the third year, or up to 66% of the total shares, deducting the ones already exercised; and (c) remaining 34% or up to 100% of the total shares as from the fourth year.

The Board of Directors' Meeting held on February 9, 2010 approved the grant of 552,625 share options and the appointment of participants. The exercise price of the first grant options was set at R$16.00, equivalent to the price established in the first primary public offering of Fleury shares and will be adjusted based on the IPCA fluctuation.

The Company calculated and recognized an expense for year December 31, 2010, prorated since the grant date, totaling R$1,195, fully charged to 'General and administrative expenses'.

The exercise price of options will be based on the weighted average of the trading sessions for the month immediately prior to the signing of the option contract. Exceptionally for the first grant, the exercise price of options will be equivalent to the price per share established in the first primary public offering of common shares issued by the Company ("IPO").

The number of options granted corresponds to the target remuneration for each participant and share appreciation scenarios initially established at 15% to 25% per year.

Participants will have a maximum term of 6 years to exercise the options, counted from the option grant date.

In this model ("Expected Growth") it was not necessary to estimate the volatility or risk-free interest rate since these risk factors are already included in the share appreciation estimate.

Changes in stock options granted during the year:

The table below reconciles outstanding call options at the beginning and at the end of the year:

	Number	Exercise price
Opening balance	-	-
Granted during the year	552,624	16.00
Prescribed due to conditions not met during the year	105,039	16.36
Closing balance	447,585	16.80

Outstanding options at the end of the year had an exercise price of R$16.80.

29. STATEMENTS OF CASH FLOWS

Cash and cash equivalents

The breakdown of cash and cash equivalents included in the statements of cash flows is stated in note 6.

Supplemental information

	Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Acquisition of subsidiaries with deferred payment	-	32,744	7,857	32,744
Loans between capitalized companies	-	8,077	-	-
Advances for future capital increase capitalized	5,057	39,356	5,057	-
Withholding income tax on interest on capital not yet paid	3,518	-	3,518	-
Transfer of reserve for tax, labor and civil risks and taxes payable	-	26,625	-	31,029
Payment of fines and interest on taxes in installments with tax credits and benefit for tax reduction	23,883	8,814	23,883	8,814

30. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Company's equity holders by the weighted average number of common shares issued during the year, excluding common shares purchased by the Company and held as treasury shares.

	2010	2009
Profit attributable to the Company's equity holders	130,001	83,577
Weighted average number of shares issued	131,298,550	90,923,373
Weighted average number of treasury shares	-	-
Weighted average number of common shares outstanding	131,298,550	90,923,373
Basic earnings per share - R$	0,99	0,92

Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding, to presume the conversion of all potential ordinary shares diluted, The Company had potential diluting common shares outstanding during the period according to the Company's Stock Option Plan as follows:

	2010	2009
Profit attributable to Company's equity holders	130,001	83,577
Weighted average number of common shares outstanding	131,298,550	90,923,373
Adjustment for share call options	77,560	-
Weighted average number of common shares for diluted earnings per share	131,376,110	90,923,373
Diluted earnings per share - R$	0.99	0.92

31. SEGMENT REPORTING

The Company performs Group analyses based on two significant business segments: (i) Diagnostic Medicine and (ii) Integrated Medicine. The segments presented in the financial statements are strategic business units that offer distinct products and services. Sales between segments are made at prices similar to those that could be charged from third parties.

	2010			2009		
	Diagnostic medicine (DM):	Integrated medicine (IM)	Consolidated	Diagnostic medicine (DM):	Integrated medicine (IM)	Consolidated
Net revenue	**736,572**	**134,969**	**871,541**	**653,929**	**116,180**	**770,109**
Segment income	**188,361**	**13,216**	**201,577**	**167,020**	**12,302**	**179,322**
Depreciation and amortization			(32,972)			(30,982)
Financial income (expenses)			26,705			(21,244)
Net income			195,310			127.096
Total assets			1,335,430	-	-	1,263,393
Total assets includes						
Goodwill	278,107	9,990	288,097	278,194	-	278,194
Brands	7,989	1,708	9,697	8,453	-	8,453
Non-allocated assets			1,037,636			976,746
Total liabilities			316,365			417,162

Assets and liabilities from Fleury Group, except goodwill and acquired brands, are not used in the decision making process of those segments.

32. INSURANCE

The Company and its subsidiaries contract blanket insurance coverage for its assets, loss of profits and/or liabilities, in amounts considered sufficient to cover potential losses, in view of the type of operations of the companies, and according to the assessment of Management and its insurance consultants. The net premium of the insurance policies in effect at December 31, 2010 is R$879. The insurance contracts are effective until August and October 2011. The table below shows the maximum sum insured (MSI) of the main insurance coverage at December 31, 2010:

	Consolidated
Named perils	R$ 130,072
General civil liability	R$ 2,000
Professional civil liability	R$ 3,500
Professional civil liability - directors and officers	R$ 30,000
International freight - imports	US$ 1,200

33. SUBSEQUENT EVENTS

On February 3, 2011, the Company signed an agreement for the acquisition of 100% of the quotas of Diagnoson Ultrasonografia e Densitometria Óssea S/S Ltda ("Diagnoson"), diagnostic medicine company that is a reference for imaging diagnosis in the city of Salvador, State of Bahia. The transaction is expected to be concluded by the end of May 2011, after the split of Diagnoson's assets, and will be submitted for approval of the Economic Defense Council (CADE). The estimated gross revenue for 2010 is R$27,400 (information not reviewed by the independent auditors). The total purchase price is R$53,200 and may have an additional amount of R$8,000, contingent on the achievement of net revenue and operating margin targets ("earn-out") in the period between 2011 and 2013. The Company will perform the purchase price allocation to assets and liabilities acquired and determine any goodwill that might result from these transactions, pursuant to technical pronouncement CPC 15 - Businss Combination.

At December, 15 2010, the Society has signed a Memorandum of Understanding with Labs D'Or shareholders, establishing the main terms and conditions to potentially acquire all their diagnostic medicine assets. The confirmation of the deal is subject to (amongst other pre-established conditions defined in the Memorandum of Understanding) a successful Due Diligence process. At this date, the Due Diligence process has not been completed.

34. EFFECTS OF THE FIRST-TIME ADOPTON OF THE NEW ACCOUNTING PRONOUNCEMENTS CPCSs

Application of the new pronouncements CPCs

The consolidated financial statements for the year ended December 31, 2010 are the first financial statement presented in accordance with the new accounting pronouncements CPCs. The Group applied the accounting policies defined in note 2 to all reporting periods, which include the balance sheet at the transition date, defined as January 1, 2009. In the first-time adoption of the new accounting pronouncements CPCs, converging with IFRSs, the Company follows the assumptions defined in CPC 37(R1) - First-time Adoption of International Financial Reporting Standards and CPC 43 - First-time Adoption of Technical Pronouncements CPC 15 to 41.

In order to measure the adjustments to opening balances and prepare the balance sheet at the transition date, the Company applied the mandatory exceptions and certain optional exemptions of retrospective application provided for in CPC 37(R1) - First-Time Adoption of International Financial Reporting Standards, as described below.

Business combinations

The Group applied the business combination exemption described in CPC 37 and, therefore, it is not restating the business combinations that occurred before January 1, 2009, transition date.

The main business combinations carried out by the Group before the transition date were Campana and NKB in 2008 and 2004, respectively. Goodwill arising on these business combinations was tested for impairment at the transition date.

Fair value as deemed cost of property and equipment items

The Group elected not to measure its property and equipment items at fair value as deemed cost at the transition date, considering that: (i) the Group's property and equipment items are segregated into well defined classes and related to its operating activities; (ii) the services provided by the Group are significantly impacted by technological development, which requires Management to perform frequent reviews of recoverable amounts; and (iii) Fleury Group's accounting practices on property and equipment are consistent with CPC 27 requirements.

Exception of estimates

Fleury applied the mandatory exception for the retrospective application of IFRSs related to estimates. Estimates used in the preparation of the financial statements in accordance with the new accounting standards at January 1, 2009 are consistent with the estimates made for the same dates in conformity with previous BR GAAP.

Reconciliations for the previous accounting practices

The transition to the new accounting pronouncements issued by CPCs resulted in the following changes in accounting practices:

34.1. Business combinations

Under previous accounting practices, goodwill was calculated as the difference between the purchase price and the acquired entity's equity, based on goodwill on assets, future profitability or other reasons.

Note 4 describes the business combinations occurred after the transition date. These business combinations had the following impact on the Group's balance sheet:

The discount to present value of the consideration transferred resulted in a decrease, at the acquisition date, of R$1,496 (R$968 at December 31, 2009) in the recognition of the fair value of the consideration transferred.

The analysis of recognition and measurement of assets acquired and liabilities assumed resulted in the following adjustments to the carrying amount of the acquiree:

- Asset not previously recognized by the acquiree - Intangible Trademarks and Patents with useful life of 25 years: Weinmann (R$6,529);

- Asset not previously recognized by the acquiree - Intangible Trademarks and Patents with useful life of 10 years: Faillace (R$1,117);

- Asset not previously recognized by the acquiree - Intangible Trademarks and Patents with useful life of 10 years: CMRJ (R$915);

The effect of this change is an increase of R$10,298 (R$8,453 at December 31, 2009) in consolidated assets acquired at the transition date, and an increase of R$108 in amortization expense for 2009.

As a result of the increase in assets acquired and goodwill and the discount to present value of the consideration transferred, goodwill arising on business combinations was reduced by R$11,794 at the acquisition date (R$9,421 at December 31, 2009). Goodwill arising on these combinations is attributable to synergies and economies of scale expected from the business combinations.

34.2. Deferred income tax and social contribution

Reclassification of amounts presented in current assets and current liabilities to non-current assets and non-current liabilities.

34.3. Aquisition of non-controlling interests

Under previous accounting practices, acquisition of non-controlling interests were recognized as business combination and the difference between the purchase price and the acquired entity's equity were accounted as goodwill.

In 2009, six transactions of non-controlling interests occured (in total the acquisition of 4.67% of NKB shares). Total purchase price for these transactions were R$9,389, resulting in the recognition of R$7,262 as goodwill.

The adoption of the new accounting practices requires that the difference between the consideration paid and the net value of assets acquired must be registered as shareholder's equity. The effect of this change is the reclassification of R$7.262 from "intangibles" to "shareholder's equity".

Balance Sheet as of January 1, 2009

	Ref.	Company			Consolidated		
		As presented	Adjustments and reclassifications	As adjusted	As presented	Adjustments and reclassifications	As adjusted
Assets							
Current Assets							
Cash and cash equivalents		12,282	-	12,282	18,401	-	18,401
Derivative financial instruments		850	-	850	1,530	-	1,530
Trade accounts receivable		64,611	-	64,611	107,254	-	107,254
Inventories		6,976	-	6,976	11,850	-	11,850
Recoverable taxes		6,479	-	6,479	12,346	-	12,346
Prepaid expenses		510	-	510	342	-	342
Deferred income tax and social contribution	34.2	4,457	(4,457)	-	4,248	(4,248)	-
Other		3,282	-	3,282	6,918	-	6,918
Total current assets		99,447	(4,457)	94,990	162,889	(4,248)	158,641
Noncurrent Assets							
Long-term assets							
Related parties		41,378	-	41,378	-	-	-
Trade accounts receivable		-	-	-	50	-	50
Recoverable taxes		366	-	366	15,461	-	15,461
Judicial deposits		9,924	-	9,924	10,928	-	10,928
Deferred income tax and social contribution	34.2	20,115	4,457	24,572	31,315	4,248	35,563
Marketable securities		-	-	-	534	-	534
Other		16	-	16	3,488	-	3,488
Total long-term assets		71,799	4,457	76,256	61,776	4,248	66,024
Investments		26,288	21,604	47.892	-	-	-
Property and equipment		117,553	-	117,553	152,457	-	152,457
Intangible assets		66,256	(21,604)	44,652	239,638	-	239,638
Total noncurrent assets		281,896	4.457	286,353	453,871	4,248	458,119
Total Assets		381,343	-	381,343	616,760	-	616,760
Liabilities and Shareholders' Equity							
Current Liabilities							
Borrowings and financing		19,162	-	19,162	52,611	-	52,611
Derivative financial instruments		-	-	-	-	-	-
Trade accounts payable		25,279	-	25,279	46,773	-	46,773
Payroll and related taxes		26,321	-	26,321	35,481	-	35,481
Income tax and social contribution		7,722	-	7,722	10,796	-	10,796
Deferred income tax and social contribution	34.2	610	(610)	-	1,318	(1,318)	-
Taxes payable		4,399	-	4,399	25,341	-	25,341
Accounts payable - business acquisitions		8,030	-	8,030	21,112	-	21,112
Other payables		46	-	46	117	-	117
Total current liabilities		91,569	(610)	90,959	193,549	(1,318)	192,231
Noncurrent Liabilities							
Borrowings and financing		66,689	-	66,689	124,949	-	124,949
Deferred income tax and social contribution	34.2	2,106	610	2,716	601	1,318	1,919
Reserve for contingencies		41,382	-	41,382	57,896	-	57,896
Taxes payable		12,068	-	12,068	61,800	-	61,800
Accounts payable - business acquisitions		16,856	-	16,856	25,780	-	25,780
Other		-	-	-	346	-	346
Total noncurrent liabilities		139,101	610	139,711	271,372	1,318	272,690
						-	
Non-controlling Interests		-	-	-	1,166	-	1,166
Shareholders' Equity							
Capital		94,439	-	94,439	94,439		94,439
Capital reserve		1	-	1	1	-	1
Revaluation reserve		5,272	-	5,272	5,272	-	5,272
Legal reserve		9,458	-	9,458	9,458	-	9,458
Earnings reserve		41,503	-	41,503	41,503	-	41,503
Total shareholders' equity		150,673	-	150,673	150,673	-	150,673
Total Liabilities and Shareholders' Equity		381,343	-	381,343	616,760	-	616,760

Balance Sheet as of December 31, 2009

	Ref.	Company			Consolidated		
		As presented	Adjustments and reclassifications	As adjusted	As presented	Adjustments and reclassifications	As adjusted
Assets							
Current Assets							
Cash and cash equivalents		526,735	-	526,735	527,828	-	527,828
Trade accounts receivable		135,142	-	135,142	152,596	-	152,596
Inventories		9,116	-	9,116	12,450	-	12,450
Recoverable taxes		15,693	-	15,693	16,307	-	16,307
Prepaid expenses		1,617	-	1,617	1,837	-	1,837
Deferred income tax and social contribution	34.2	11,217	(11,217)	-	11,217	(11,217)	-
Other		8,035	-	8,035	8,650	-	8,650
Total current assets		707,555	(11,217)	696,338	730,885	(11,217)	719,668
Noncurrent Assets							
Long-term assets							
Related parties		6,131	-	6,131	-	-	-
Trade accounts receivable		63	-	63	63	-	63
Recoverable taxes		15,109	-	15,109	15,109	-	15,109
Judicial deposits		3,657	-	3,657	3,657	-	3,657
Deferred income tax and social contribution	34.2	34,940	11,217	46,157	36,551	11,217	47,768
Other		1,893	(55)	1,838	1,893	-	1,893
Total long-term assets		61,793	11,162	72,955	57,273	11,217	68,490
Investments		10,323	54,089	64,412	246	-	246
Property and equipment		148,816	-	148,816	158,246	-	158,246
Intangible assets	34.1 e 34.3	316,796	(62,372)	254,424	317,819	(8,338)	309,481
Total noncurrent assets		537,728	2,879	540,607	533,584	2,879	536,463
Total Assets		1,245,283	(8,338)	1,236,945	1,264,469	(8,338)	1,256,131
Liabilities and Shareholders' Equity							
Current Liabilities							
Borrowings and financing		37,975	-	37,975	39,424	-	39,424
Derivative financial instruments		13	-	13	13	-	13
Trade accounts payable		39,692	-	39,692	44,239	-	44,239
Payroll and related taxes		37,648	-	37,648	40,858	-	40,858
Income tax and social contribution		970	-	970	970	-	970
Deferred income tax and social contribution	34.2	590	(590)	-	590	(590)	-
Taxes payable		19,322	-	19,322	19,682	-	19,682
Accounts payable - business acquisitions		35,187	-	35,187	35,187	-	35,187
Other payables		702	-	702	5,672	-	5,672
Total current liabilities		172,099	(590)	171,509	186,635	(590)	186,045
Noncurrent Liabilities							
Borrowings and financing		92,608	-	92,608	92,834	-	92,834
Deferred income tax and social contribution	34.2	12,651	590	13,241	12,651	590	13,241
Reserve for contingencies		15,587	-	15,587	17,183	-	17,183
Taxes payable		72,228	-	72,228	74,996	-	74,996
Accounts payable - business acquisitions	34.1	32,607	(968)	31,639	32,607	(968)	31,639
Other		1,164	-	1,164	1,224	-	1,224
Total noncurrent liabilities		226,845	(378)	226,467	231,495	(378)	231,117
Non-controlling Interests		-	-	-	-	-	-
Shareholders' Equity							
Capital		750,420	-	750,420	750,420	-	750,420
Capital reserve		1	-	1	1	-	1
Revaluation reserve		4,107	-	4,107	4,107	-	4,107
Legal reserve	34.1	13,643	(6)	13,637	13,643	(6)	13,637
Earnings reserve	34.1, 34.2 and 34.3	78,168	(7,364)	70,804	78,168	(7,364)	70,804
Total shareholders' equity		846,339	(7,370)	838,969	846,339	(7,370)	838,969
Total Liabilities and Shareholders' Equity		1,245,283	(8,338)	1,236,945	1,264,469	(8,338)	1,256,131

Statement of Income for the year ended December 31, 2009

		Company			Consolidated		
	Re:	As presented	Adjustments and reclassifications	As adjusted	As presented	Adjustments and reclassifications	As adjusted
Net revenue		613,234	-	613,234	770,109	-	770,109
Cost of services		(327,444)	-	(327,444)	(451,685)	-	(451,685)
Gross profit		285,790	-	285,790	318,424	-	318,424
General and administrative expenses	34.1	(153,586)	(108)	(153,694)	(182,038)	(108)	(182,146)
Other operating income (expenses)		3,863	-	3,863	(2,580)	-	(2,580)
Reversal of (reserve for) contingencies		19,045	-	19,045	14,642	-	14,642
Equity in subsidiaries		(17,471)	-	(17,471)	-	-	-
Income from operations		137,641	(108)	137,533	148,448	(108)	148,340
Financial income (expenses)		(12,225)	-	(12,225)	(21,244)	-	(21,244)
Income before income tax and social contribution		125,416	(108)	125,308	127,204	(108)	127,096
Income tax and social contribution							
Current		(32,803)	-	(32,803)	(35,545)	-	(35,545)
Deferred		(8,928)	-	(8,928)	(7,974)	-	(7,171)
Net income		83,685	(108)	83,577	83,685	(108)	83,577

Summary of effects on shareholders' equity

		Company		Consolidated	
	Re:	1/1/2009	12/31/2009	1/1/2009	12/31/2009
Shareholders' equity reported under previous accounting practices		**150,673**	**846,339**	**150,673**	**846,339**
Adjustments:					
Business combinations	34.1	-	(108)	-	(108)
Acquisition of non-controlling interest	34.3	-	(7,262)	-	(7,262)
Total adjustments		**-**	**(7,370)**	**-**	**(7,370)**
Shareholders' equity under CPCs/IFRS		**150,673**	**838,969**	**150,673**	**838,969**

Summary of effects on net income

	Re:	Company 2009	Consolidated 2009
Net income reported under previous accounting practices		**83,685**	**83,685**
Adjustments:			
Business combinations	34,1	(108)	(108)
Total adjustments		**(108)**	**(108)**
Net income under CPCs/IFRS		**83,577**	**83,577**

Capital Expenditure Budget Proposed by the Management

In compliance with Regulatory Instruction 480/09, published by CVM on December 7, 2009, the Company presents below a table showing the capital expenditures budget for 2011.

Market conditions, macro-economic situations and other operational factors, which comprehend risks, uncertainties and premises, may affect the business projections and prospects and, consequently, the amounts foreseen in this capital budget.

As one of the sources for funding the investments foreseen in this capital budget, Management is proposing the retention of the remaining net income for 2010 in the amount of R$ 84.5 million, totaling R$ 162.5 million on December 31, 2010 in the line item "Earnings reserve for investments and expansion".

The additional resources needed for the Capex Budget proposed (referred in table below) will be financed by the generation of operating cash during 2011.

Capex Budget – Use of funds

Investment Projection in Fixed Assets (R$ thousand)	2011
Improvements	49,652
Machinery and Equipments	56,351
IT systems	52,491
Other	15,630
Total	174,124

Sao Paulo, February 22, 2011

Board of Directors

Aparecido Bernardo Pereira
Chairman of the
Board of Directors

José Gilberto Henriques Vieira
Vice-chairman of the
Board of Directors

Ewaldo Mário Kuhlmann Russo
Member of the
Board of Directors

Mauro Silvério Figueiredo
Member of the
Board of Directors

Milton Almicar Silva Vargas
Member of the
Board of Directors

Márcio Serôa de Araújo Coriolano
Member of the
Board of Directors

Marcelo Pereira Malta de Araújo
Member of the
Board of Directors

Luiz Carlos Vaini
Member of the
Board of Directors

José Paschoal Rossetti
Member of the
Board of Directors

Board of Executive Directors

Mauro Silvério Figueiredo
CEO

Fábio Tadeu Marchiori Gama
CFO

Omar Magid Hauache
Executive Director for Integrated Medicine

Maria Lúcia Cardoso Gomes Ferraz
Executive Director for Human Resources

Wilson Leite Pedreira Junior
Executive Director for Diagnostic Medicine

BOARD OF EXECUTIVE DIRECTORS DECLARATION
ABOUT FINANCIAL STATEMENTS

Pursuant to subsection VI of Article 25 of CVM Instruction 480 of December 7 2009, the Board of Executive Directors declares that it has reviewed, discussed and agreed with the Company's Financial Statements for the year 2010, authorizing its conclusion on this date.

Sao Paulo, February 22, 2011

Board of Executive Directors
Mauro Silvério Figueiredo - CEO
Fábio Tadeu Marchiori Gama – CFO and Head of IR
Maria Lúcia Cardoso Gomes Ferraz - Executive Director for Human Resources
Omar Magid Hauache - Executive Director for Integrated Medicine
Wilson Leite Pedreira Junior- Executive Director for Diagnostic Medicine

BOARD OF EXECUTIVE DIRECTORS DECLARATION
ABOUT INDEPENDENT AUDITOR´S REPORT

In compliance with the Instruction 480/09, published by CVM on December 7 2009, the Board of Executive Directors declares that it has reviewed, discussed and agreed with the contents and opinions expressed in the Independent Auditor´s Report on the Company's Financial Statements for the year 2010 issued on February 22, 2011.

Sao Paulo, February 22, 2011

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