Management Report 2009

Message from the Management

2009 was a year of great achievements for Grupo Fleury, despite the globally intense macroeconomic adversities and challenges.

Initial Public Offering

The company's IPO stands out among the year's main events, with the listing of its shares in the Novo Mercado of BM&FBOVESPA, accomplishing a 14.1% price rise on the first day of trading, December 17, 2009, compared to a 2.3% decrease of the Ibovespa index. This was considered Brazil's best IPO performance in 2009. We should point out that the price remained steady throughout the following days: on Dec 30, 2009 – the very last trade day of the year -, Grupo Fleury's share price was 14.9% higher than IPO value.

Grupo Fleury's 83-year history of robustness and consistent results, plus the high growth potential of the sector and the company in particular, catch the attention of national and international investors .As a result,,the IPO raised R$630 million, including the Greenshoe carried out on January 4, amounting 39,389,570 shares sold at R$16.00 each, right in the middle of the proposed price range. The resulting free float was 30%.

Differentiation, Diversification and Growth with Profitability

According to its strategy, Grupo Fleury strengthened its differentiation strategy by offering increasingly more complete and integrated solutions in all of its business lines.

For the 3rd consecutive year Grupo Fleury maintained a two-digit increase in Gross Revenues, reaching R$820 million in 2009 with a 14.0% growth over 2008, boosted by the organic growth in Medical Diagnostics, powered by recent acquisitions and by the new business in Preventive and Therapeutic Medicine.

Despite the recession in the first months of the year and the negative impact of Influenza A/H1N1, which reduced the flow of people in patient service centers, Grupo Fleury was not only able to absorb all operating and non-recurring expenses but also gave continuity to the progressive improvement in profitability of its operations (further details below).

Among the operational initiatives conducted in 2009, which allowed Grupo Fleury to increase operational and administrative efficiency and to prepare the foundation for the continuous expansion planned for the coming years, emphasis is given to:

- Integration of the management and operations of all companies acquired in previous years;

- Conclusion of the unification of front-end IT platform and of sample processing facilities, and unification of sample processing facilities in São Paulo, which was concluded in 1Q10;
- Incorporation of all companies of Grupo Fleury except for Laboratório Weinmann, incorporated in March 2010, and Fleury CPMA (see below);
- Implementation and Execution of the Investment Plan established for the period, which expanded the scope of services provided and optimized the chain of patient service centers through the expansion, readjustment and opening of new units;
- The change in the scope of activities of Fleury Hospital Dia, now called Fleury CPMA [Fleury Advanced Medical Procedures Center] – whose corporate purpose consists in drug infusion and diagnostic activities and therapy complementation services, as well as the provision of material sterilization services;
- First year of operation of the Chronic Disease Management service.

Acquisitions

Grupo Fleury continued to make acquisitions in order to expand its activities in strategic geographical areas and to complement the portfolio of products.

In 2009, the following were added to Grupo Fleury:

- Centro de Mastologia do Rio de Janeiro (as of July), increasing the offering of imaging services in the state of Rio de Janeiro;
- Laboratório Weinmann (as of October), a leading company in Medical Diagnostics in the state of Rio Grande do Sul, expanding our presence in one of the most important economic centers of the country.

Excellence in Qualification and Innovation

Investments in professional qualification and innovation continued to generate significant returns for Grupo Fleury's offering of products and services across its 15 brands. An extensive education program was implemented in 2009, seeking to develop Grupo Fleury's personnel, totaling 58 hours of training per employee per year.

In 2009, the company launched 103 new products, a record amount in a single year (in 2008, 80 products were launched), including molecular tests to detect the Influenza A H1N1 virus. We should point out that Grupo Fleury was the first private company in the country to develop molecular tests, helping hospitals in the São Paulo´s state government network to treat patients with symptoms of the influenza.

Acknowledgements to the management and the excellence of services provided

2009 Valuable Executive Award – Grupo Fleury's CEO, Mauro Figueiredo, received for the second consecutive year the "2009 Valuable Executive" award as the best executive in the health sector, an initiative promoted by the newspaper *Valor Econômico*;

Company of the Decade, CEO of the Decade and Relationship Personality of the Decade – magazine *Consumidor Moderno* granted the award "Company of the Decade" to Grupo Fleury, as well as the awards "CEO of the Decade" to Grupo Fleury's CEO and "Relationship Personality of the Decade" to the Regional Operations Officer of São Paulo, Wilson Pedreira, for his activity as Service Director in previous years before taking a new position in Grupo Fleury;

ABRAREC Award – Company of the Year Award granted by the Brazilian Association of Company Client Relations;

Top Hospital Award – IT Mídia granted Grupo Fleury the Top Hospital award in the Medical Diagnostics Center category .

Financial Performance of Operations

The service differentiation strategy and maximization of the value proposal to patients, in each of the brands and business lines, in 2009 resulted in significant advances in the structuring of its operations, such as:

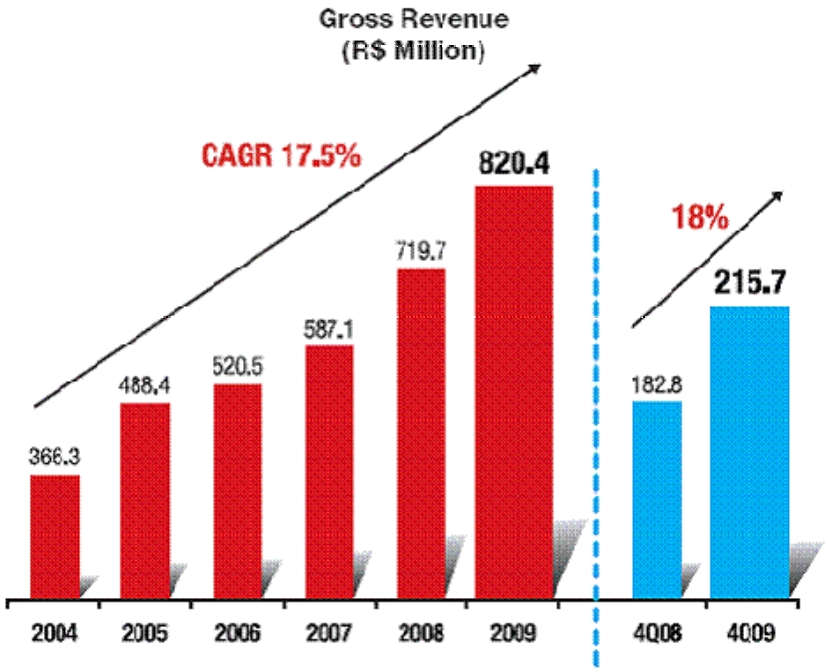
- Adjustment of the service offering at patient service centers with the opening of more complete units and readjustment or shut-down of the less profitable units;
- Expansion of partnerships with hospitals, strengthening Grupo Fleury's brands responsible for processing and technical responsibility;
- Expansion of offering imaging test offering with higher value added;
- Intensification of negotiations with health insurance operators and companies with new agreements in Chronic Disease Management.

Gross Revenue – Similarly to previous years, gross revenue showed an increase in the end of 2009, amounting to R$820 million, a 14.0% increase when compared to 2008 (10.0% resulting from organic growth and 4.0% as a result of the acquisitions made in 2009).

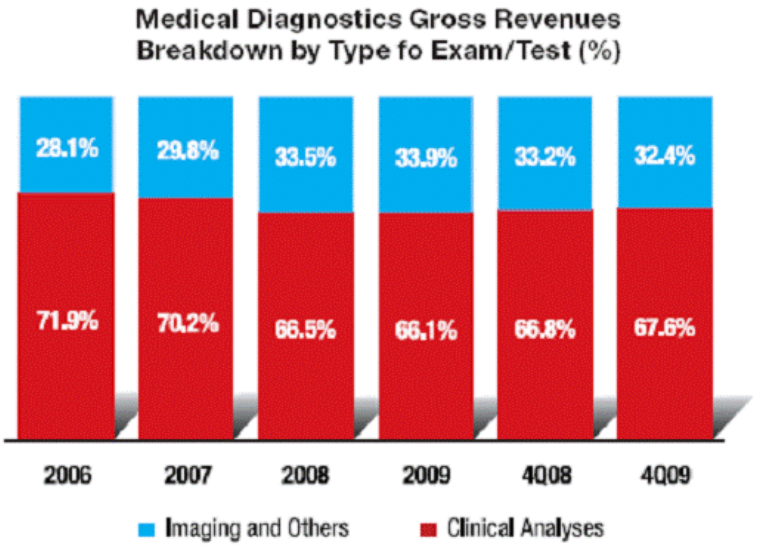
Business Units:

- **Medical Diagnostics:** Comprised of the patient service centers of the 15 brands in Grupo Fleury, operations in hospitals and lab-to-lab, this business unit increased by 13.7% compared to 2008, reaching R$800 million in revenues.

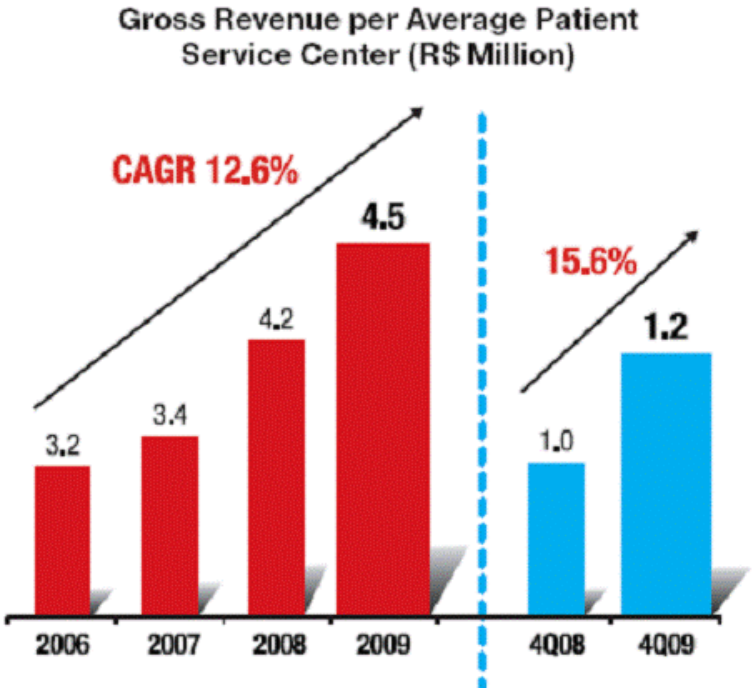
- **Preventive and Therapeutic Medicine:** Increased by 27.5% in 2009, reaching revenues of R$20.4 million.



Medical Diagnostics, revenues from imaging tests and other reached R$272 million in 2009, representing a 15.3% increase over the previous year; revenues from clinical analysis tests amounted to R$528 million, a 12.9% increase when compared to 2008.



Patient service centers increased by 6.0% in the number of patients and by 9% in the average revenue per unit in 2009 (as compared to 2008), as a result of the optimization in services offering, better use of the scheduling offering in our network and organic increase in higher value added tests (imaging and others and highly complex). As a result, the gross revenue of this business unit increased by 13.4%, a two-digit increase both in the Fleury brand and regional brands.



The revenues of operations in hospitals were mainly driven by the increase of hospitals that already used Grupo Fleury's services – hospitals Sírio-Libanês (SP), Oswaldo Cruz (SP), Samaritano (SP), Santa Joana (PE) and Unicordis (PE) – but also by the start-up of hospitals Santa Catarina (SP), in February 2009, and Moinhos de Vento and Ernesto Dornelles, both in Porto Alegre, resulting from the acquisition of Laboratório Weinmann in October 2009.

Lab-to-Lab suffered an intentional reduction in gross revenues due to the rationalization of the Lab-to-Lab client portfolio, focusing on large size operations and on offering higher value added tests. Also, Clinical Trial services (currently corresponding to 1% of Grupo Fleury's Gross Revenue) are being gradually discontinued due to an administrative decision, only providing services to studies currently in progress. In this scenario, the volume of Lab-to-lab services was reduced by 26%, while revenues decreased by 13%, resulting in a profitability improvement.

The **Preventive and Therapeutic Medicine** Business Unit also showed positive results. Revenues were generated from new agreements for Chronic Disease Management services, providing a reduction in costs with insurance operators and improving the beneficiaries quality of. The Executive Health Assessment and Health Promotion segments, where Grupo Fleury has consolidated a leadership position, suffered a minor impact from the economic crisis and maintained the levels verified in 2008.

The day hospital (Fleury Hospital Dia) increased it's gross revenue by 44% in relation to 2008. Despite the strong increase, due to legislation issues, it's operations were gradually suspended as of October 2009, and its scope of activities was revised, causing a change in its corporate name to Fleury CPMA [Advanced Medical Procedures Center].

Costs and Expenses – Cost of services increased by 15.1% in 2009, reaching R$452 million, due to the organic increase of operations and acquisitions. In addition, there were non-recurring expenses deriving from the process of integrating the acquired companies, the closing of deficit Patient Service Centers, the unification of the sample processing plant in São Paulo, and the expenses with he unification of front-end IT platform and of sample processing facilities.

Gross Profit – In 2009 Grupo Fleury recorded a Gross Profit of R$318 million, 12.6% higher than in 2008. This figure represents a Gross Margin of 41.3% in relation to the Net Revenue, 60 basis points lower than last year.

Operating Expenses and Revenue

The general and administrative expenses increased by 15.8% in 2009, reaching R$182 million in consolidated figures, mainly due to non-recurring expenses that will allow the use of synergies with the acquired companies.

During the 2H we conducted reversions in Reserves for Contingencies, especially in tax and social security not materialized.

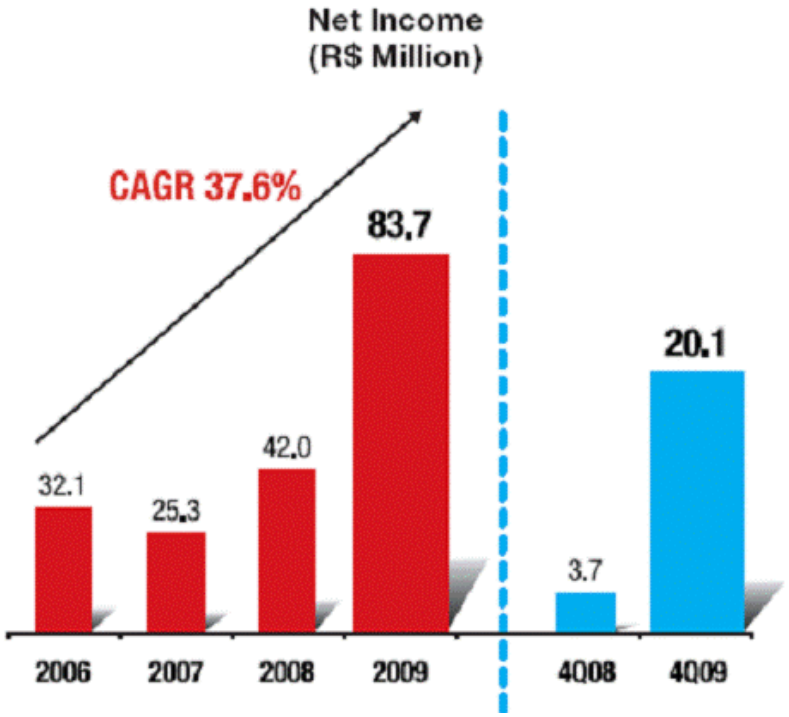
In order to adjust to new accounting standards, we no longer acknowledge the Amortization of Goodwill verified in the acquisition of subsidiaries in the accounting income statement, reducing our operational expenses by R$27.5 million when compared to 2008.

Financial results – Financial results showed net expenses of R$21.2 million in 2009, representing a reduction of 47.8% as compared to 2008. This reduction is due to the decrease and improvement in the debt profile. It should be emphasized that we have a balance of R$527.8 million in cash and cash equivalents since December 31, 2009, as a result of the initial public offering, incurring in net cash (difference between cash and debt) of R$327.8 million. Grupo Fleury considers as debt the loans and financing obtained from financial institutions added to amounts payable referring to the acquisition of companies (whose consolidated figures at the end of 2009 represented R$132 million and R$68 million respectively).

Income Tax and Social Contribution – Income tax and social contribution were adapted to the new accounting standards and are accounted for deferred income tax based on temporary differences under the effect of amortization of goodwill in the calculation of the costs of tax and social contribution. Therefore, the carrying value was R $ 43.5 million, of which only $ 21.1 million million affects the year's effective cash-flow .

Net Earnings and Net Earnings per Share – Net earnings reached R$83.7 million, representing a 99.4% increase over 2008. It is important to highlight that, as mentioned above, this figure was positively affected by a change originating from the new accounting standards, which establish the end of amortization of goodwill deriving from the acquisition of investments, which will now be evaluated on an annual basis to determine its recoverability (impairment). For reference purposes only, the amortization of goodwill

amount in 2008 was of R$27.5 million (R$18.2 million net from Income Tax and Social Contribution).

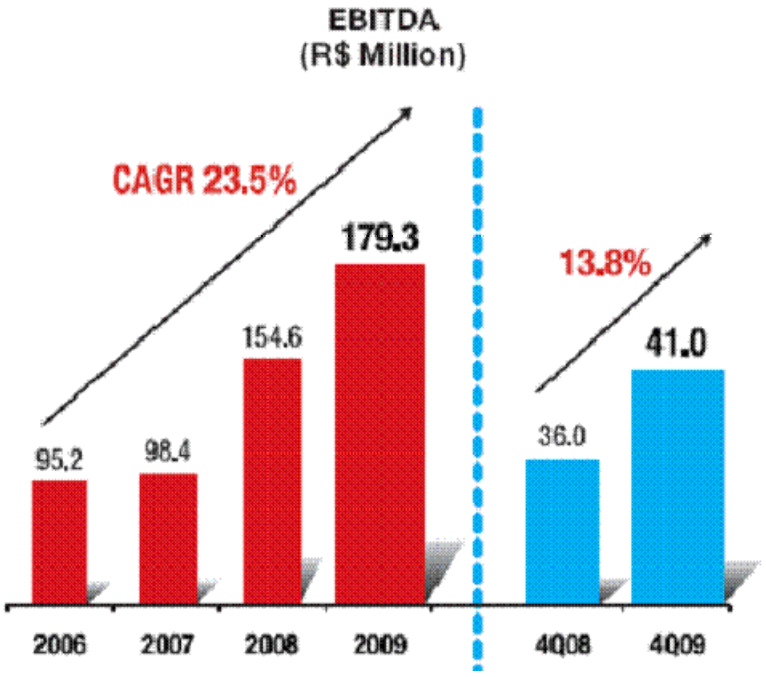


Net Earnings per Share was R$0.66. For a comparison with the figure reported in 2008 (R$17.39) we need to adjust the number of shares, so as to reflect the Capital increase approved in January 19, 2009, the Initial Public Offering (mentioned previously) and the developments that occurred throughout the year (at the proportion of 1:20). Considering these adjustments, Net Earnings per Share in 2008 would have been R$0.87.

EBITDA – The EBITDA (unaudited financial indicator) reached R$179.3 million, 16.0% higher than in 2008, representing a margin of 23.3% of net revenue, 40 basis points higher than last year.

It is important to highlight that the figures related to non-recurring expenses incurred in 2009 with integrations, system unifications and closing of deficit units totaled R$5.9 million, and this amount was not used in any adjustments in the EBITDA calculation mentioned above.

It is worth pointing out that the EBITDA is the net profit before income tax and social contribution, net financial expenses and depreciation and amortization expenses. The EBITDA is not a financial performance measure according to the accounting practices adopted in Brazil, nor should it be considered separately or as an alternative to net earnings as a measure of operational performance, an alternative to operational cash flows, or as a liquidity measure. Other companies may use a different EBITDA calculation.



Outlook

Grupo Fleury is implementing plans to enable the continuity of its organic growth, in line with the performance presented in recent years. These plans include extending the patient service center optimization program, as well as expanding and opening new units associated with new investments to increase the offering of imaging services and other high added-value services. In addition, the company will continue to analyze acquisition opportunities that can add value for our shareholders by increasing its presence in new places and/or offering a broader service portfolio.

The acceleration of Chronic Disease Management service contracts, the advancement of the preventive medicine business and the constant innovations implemented by Grupo Fleury in new products and solutions for diagnostic, preventive and therapeutic medicine will continue to contribute to the growth of its revenues and to bring solutions with return on investments to the Brazilian health sector.

We believe that the initiatives undertaken in recent years will enable us to improve the company's return on invested capital in the coming years – through synergies, the maturity curve of new PSC's and new businesses, and cost savings from the unification and integration of areas and systems.

Grupo Fleury will maintain its high standards of corporate governance, meritocracy and commitment to ethics, sustainability, the advancement of medicine and social welfare.

Independent Auditors

Pursuant to CVM Normative Ruling 381/03 of the Brazilian Securities and Exchange Commission, we hereby inform that our auditors, Deloitte Touche Tohmatsu Auditores Independentes, have not rendered us any other services except for those related to external auditing and/or special revision of the financial statements of the companies of Grupo Fleury.

Acknowledgment

We would like to express our appreciation to all our employees for their dedication and commitment to our mission; to our patientts and the medical community for their trust on our services; to the shareholders for their trust in the company's administrative management; to our suppliers for the partnership in the constant pursuit of better quality; and to the Brazilian society as a whole for being part of our history and our future.

São Paulo, March 30, 2010

FLEURY S.A. AND SUBSIDIARIES

BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008
(In thousans of Brazilian - R$)

		Company		Consolidated	
ASSETS	Note	12/31/2009	12/31/2008	12/31/2009	12/31/2008
CURRENT ASSETS					
Cash and cash equivalents	4	526.735	12.282	527.828	18.401
Trade accounts receivable	5	135.142	64.611	152.596	107.254
Inventories	6	9.116	6.976	12.450	11.850
Recoverable taxes	7	15.693	6.479	16.307	12.346
Prepaid expenses		1.617	510	1.837	342
Deferred income tax and social contribution	26	11.217	4.457	11.217	4.248
Derivative financial instruments	17	-	850	-	1.530
Other		8.035	3.282	8.650	6.918
Total current assets		707.555	99.447	730.885	162.889
NONCURRENT ASSETS					
Long-term assets:					
Related parties	21	6.131	41.378	-	-
Trade accounts receivable	5	63	-	63	50
Recoverable taxes	7	15.109	366	15.109	15.461
Judicial deposits	14	3.657	9.924	3.657	10.928
Deferred income tax and social contribution	26	34.940	20.115	36.551	31.315
Securities		-	-	-	534
Other		1.893	16	1.893	3.488
Total long-term assets		61.793	71.799	57.273	61.776
Investments	8	10.323	26.288	246	-
Property and equipment	9	148.816	117.553	158.246	152.457
Intangible assets	10	316.796	66.256	317.819	239.638
Total noncurrent assets		537.728	281.896	533.584	453.871
TOTAL ASSETS		1.245.283	381.343	1.264.469	616.760

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Company		Consolidated	
		12/31/2009	12/31/2008	12/31/2009	12/31/2008
CURRENT LIABILITIES					
Loans and financing	11	37.975	19.162	39.424	52.611
Derivative financial instruments	17	13	-	13	-
Trade accounts payable	12	39.692	25.279	44.239	46.773
Payroll and related taxes	13	37.648	26.321	40.858	35.481
Provision for income tax and social contribution		970	7.722	970	10.796
Deferred income tax and social contribution	26	590	610	590	1.318
Taxes payable	15	19.322	4.399	19.682	25.341
Accounts payable - business acquisitions	16	35.187	8.030	35.187	21.112
Other payables		702	46	5.672	117
Total current liabilities		172.099	91.569	186.635	193.549
NONCURRENT LIABILITIES					
Loans and financing	11	92.608	66.689	92.834	124.949
Deferred income tax and social contribution	26	12.651	2.106	12.651	601
Reserve for contingencies	14	15.587	41.382	17.183	57.896
Taxes payable	15	72.228	12.068	74.996	61.800
Accounts payable - business acquisitions	16	32.607	16.856	32.607	25.780
Other		1.164	-	1.224	346
Total noncurrent liabilities		226.845	139.101	231.495	271.372
NON-CONTROLLING INTERESTS		-	-	-	1.166
SHAREHOLDERS' EQUITY					
Capital	20	750.420	94.439	750.420	94.439
Capital reserve		1	1	1	1
Revaluation reserve		4.107	5.272	4.107	5.272
Earnings reserves		91.811	50.961	91.811	50.961
Total shareholders' equity		846.339	150.673	846.339	150.673
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1.245.283	381.343	1.264.469	616.760

FLEURY S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In thousans of Brazilian reais - R$, except earnings per share)

	Note	Company		Consolidated	
		12/31/2009	12/31/2008	12/31/2009	12/31/2008 (*)
SERVICE REVENUE	22	651.503	512.631	820.439	719.723
TAXES		(37.386)	(29.047)	(48.668)	(43.150)
CANCELLATIONS		(883)	(1.119)	(1.662)	(1.293)
NET REVENUE		613.234	482.465	770.109	675.280
COST OF SERVICES	23	(327.444)	(240.273)	(451.685)	(392.519)
GROSS PROFIT		285.790	242.192	318.424	282.761
OPERATING EXPENSES (INCOME)					
General and administrative expenses	24	(153.586)	(114.925)	(182.038)	(157.252)
Amortization of goodwill	10	-	(8.820)	-	(27.546)
Other operating income (expenses), net		3.863	(374)	(2.580)	6.327
Reversal (reserve) for contingencies		19.045	(600)	14.642	(600)
Equity in subsidiaries	8	(17.471)	(28.626)	-	-
INCOME FROM OPERATIONS BEFORE FINANCIAL EXPENSES		137.641	88.847	148.448	103.690
FINANCIAL INCOME (EXPENSES)	25	(12.225)	(17.086)	(21.244)	(40.695)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		125.416	71.761	127.204	62.995
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	26	(32.803)	(35.429)	(35.545)	(39.424)
Deferred	26	(8.928)	5.630	(7.974)	17.418
INCOME BEFORE NON-CONTROLLING INTERESTS		83.685	41.962	83.685	40.989
NON-CONTROLLING INTERESTS		-	-	-	973
NET INCOME		83.685	41.962	83.685	41.962
Number of shares outstanding at year end (**)		126.160.780	2.412.765		
EARNINGS PER SHARE - R$		0,66	17,39		

(*) Restated balances.

(**) The increase in number of shares from 2008 to 2009 was due to the issuance of new shares and the split of existing shares, as described in note 20.

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

FLEURY S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (COMPANY)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In thousands of Brazilian reais - R$, except dividends and interest on capital per share proposed and paid)

		Capital				Earnings reserves			
	Note	Capital	Shares issuance costs	Capital reserve	Revaluation reserve	Legal reserve	Profit reserve	Retained earnings	Total
BALANCES AS OF DECEMBER 31, 2007		70.439	-	1	6.549	7.360	-	12.336	96.685
Capital increase	20	24.000	-	-	-	-	-	-	24.000
Realization of revalution reserve		-	-	-	(1.277)	-	-	1.277	-
Net income (R$17.39 per share)		-	-	-	-	-	-	#REF!	#REF!
Allocation of income:									
Recognition of legal reserve	20	-	-	-	-	2.098	-	(2.098)	-
Dividends paid (R$2.98 per share)	20	-	-	-	-	-	-	(7.196)	(7.196)
Interest on capital (1.98 per share)	20	-	-	-	-	-	-	(4.778)	(4.778)
Allocation to earnings reserve		-	-	-	-	-	41.503	(41.503)	-
BALANCES AS OF DECEMBER 31, 2008		94.439	-	1	5.272	9.458	41.503	-	150.673
Capital increase	20	678.199	-	-	-	-	-	-	678.199
Share issue costs		-	(22.218)	-	-	-	-	-	(22.218)
Realization of revaluation reserve		-	-	-	(1.165)	-		1.165	-
Net income (R$0.66 per share)		-	-	-	-	-	-	83.685	83.685
Allocation of income:									
Dividends paid, ESM* of August 12, 2009 (R$1.96 per share)	20	-	-	-	-	-	-	(9.000)	(9.000)
Dividends paid, ESM* of October 19, 2009 (R$7.62 per share)	20	-	-	-	-	-	-	(35.000)	(35.000)
Recognition of legal reserve	20	-	-	-	-	4.185	-	(4.185)	-
Allocation to earnings reserve		-	-	-	-	-	36.665	(36.665)	-
BALANCES AT DECEMBER 31, 2009		772.638	(22.218)	1	4.107	13.643	78.168	-	846.339

* ESM - Extraordinary Shareholders' Meeting

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

FLEURY S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008 (*)
CASH FLOW FROM OPERATING ACTIVITIES				
Net income	83.685	41.962	83.685	41.962
Items not affecting net cash provided by operating activities:				
Depreciation and amortization	24.859	16.751	30.874	22.351
Discounts on joining tax installment payment program	(8.814)	-	(8.814)	-
Amortization of goodwill on investment acquisition	-	8.820	-	27.546
Net book value of property and equipment disposed of	1.304	604	1.721	604
Non-controlling interests	-	-	-	(973)
Equity in subsidiaries	17.471	28.626	-	-
Interest and inflation adjustment	19.166	12.660	23.876	15.750
Deferred taxes	8.928	(5.630)	7.974	(17.418)
Recognition (reversal) of reserve for contingencies	(19.045)	600	(14.642)	600
Allowance for doubtful accounts	3.828	934	9.613	5.017
(Increase) decrease in assets:				
Trade accounts receivable	(13.361)	(17.747)	(37.691)	(30.913)
Inventories	(91)	(1.748)	1.814	(2.502)
Other current assets	(14.123)	(3.657)	(16.224)	2.973
Noncurrent assets	(1.836)	(1.548)	1.278	(9.736)
Increase (decrease) in liabilities:				
Trade accounts payable	(12.267)	7.532	(6.343)	16.413
Accounts payable and provisions	4.451	6.021	889	9.816
Income tax and social contribution	(8.196)	513	(5.811)	2.565
Other noncurrent liabilities	(17.673)	1.560	(32.712)	(3.710)
Other-				
Interest paid	(11.325)	(4.031)	(15.456)	(7.947)
Net cash provided by operating activities	56.961	92.222	24.031	72.398
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to property and equipment	(20.395)	(43.338)	(27.123)	(59.271)
Additions to intangible assets	(7.237)	(9.214)	(9.335)	(21.287)
Additions to investments and goodwill on business acquisitions	(130.484)	(47.445)	(41.473)	(34.364)
Net cash of acquired companies	-	-	(1.772)	-
Merged net cash	62.853	588	-	-
Net cash used in investing activities	(95.263)	(99.409)	(79.703)	(114.922)
CASH FLOW FROM FINANCING ACTIVITIES				
Capital increase	678.199	24.000	678.199	24.000
Share issue costs	(22.218)	-	(22.218)	-
Borrowings	5.501	36.312	5.501	54.697
Loans and financing repaid	(27.049)	(14.006)	(52.383)	(34.016)
Interest on capital and dividends	(44.000)	(12.717)	(44.000)	(12.717)
Related parties	(37.678)	(38.309)	-	(512)
Net cash provided by (used in) financing activities	552.755	(4.720)	565.099	31.452
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	514.453	(11.907)	509.427	(11.072)
CASH AND CASH EQUIVALENTS				
At beginning of year	12.282	24.189	18.401	29.473
At end of year	526.735	12.282	527.828	18.401
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	514.453	(11.907)	509.427	(11.072)

(*) Restated balances.

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

FLEURY S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In thousands of Brazilian - R$)

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008 (*)
(=) 1. Revenues	647.675	511.697	810.826	714.706
1.1. Sales of goods, products and services	651.503	512.631	820.439	719.723
1.2. Allowance for doubtul accounts	(3.828)	(934)	(9.613)	(5.017)
(=) 2. Inputs purchased from third parties	(252.320)	(177.335)	(342.809)	(303.517)
2.1. Raw materials consumed	(66.637)	(44.210)	(96.714)	(90.228)
2.2. Cost of sales and services	(124.864)	(87.939)	(170.164)	(143.137)
2.3. Materials, electric power, third-party services and other	(59.865)	(44.940)	(74.125)	(68.931)
2.4. Impairment/recovery of assets	(954)	(246)	(1.806)	(1.221)
3. = (1-2) Gross value added	395.355	334.362	468.017	411.189
4. Depreciation, amortization and depletion	(24.859)	(25.571)	(30.874)	(49.897)
5. = (3-4) Wealth created	370.496	308.791	437.143	361.292
(=) 6. Wealth received in transfer	(6.679)	(19.368)	13.970	16.395
6.1. Equity in subsidiaries	(17.471)	(28.626)	-	-
6.2. Financial income	10.792	9.258	13.970	15.422
6.3. Non-controlling interests	-	-		973
7. = (5+6) Total wealth	363.817	289.423	451.113	377.687
(=) 8. Wealth distributed	(363.817)	(289.423)	(451.113)	(377.687)
8.1. Personnel and related taxes	(170.161)	(134.557)	(202.185)	(188.584)
8.2. Taxes	(82.314)	(60.775)	(96.856)	(69.199)
8.3. Interest, rentals and other operating expenses	(27.657)	(52.129)	(68.387)	(77.942)
8.4. Interest on capital and dividends	(44.000)	(11.974)	(44.000)	(11.974)
8.5. Retained earnings	(39.685)	(29.988)	(39.685)	(29.988)

(*) Restated balances.

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

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

Fleury S.A. and Subsidiaries

Financial Statements for the Years Ended December 31, 2009 and 2008 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 Board of Directors,
Shareholders and Officers of
Fleury S.A.
São Paulo - SP

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Fleury S.A. and subsidiaries as of December 31, 2009 and 2008, and the related statements of income, changes in shareholders' equity (Company), cash flows and value added for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed; and (c) evaluating the significant accounting practices and estimates adopted by the Management of the Company and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of Fleury S.A. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations, the changes in their shareholders' equity (Company), their cash flows and the value added in operations for the years then ended, in conformity with accounting practices adopted in Brazil.

4. As mentioned in note 3, the consolidated statements of income, cash flows and value added for the year ended December 31, 2008 are being restated.

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

São Paulo, February 12, 2010

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Maurício Pires de Andrade Resende
Engagement Partner

1. OPERATIONS

Fleury S.A. ("Fleury", "Company", or together with its direct and indirect subsidiaries, "Group Fleury") 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 Company's direct and indirect subsidiaries are summarized below, as well as the Company's total (direct and interest) interest in these subsidiaries:

		Ownership interest - %	
		12/31/2009	12/31/2008
Rio de Janeiro			
NKB Rio S.A. ("NKB Rio") (b)	Acquired in September 2002	Merged into Fleury in August 2009	95.32
Centro de Mastologia do Rio de Janeiro Ltda. ("CMRJ")	Acquired in July 2009	Merged into NKB Rio in August 2009	-
São Paulo			
NKB São Paulo Laboratório de Análises Clínicas Ltda. ("NKB São Paulo") (b)	Acquired in November 2004	Merged into Fleury in August 2009	95.32
Biesp - Instituto Paulista de Patologia Clínica Ltda. ("Biesp Instituto")	Acquired in October 2008	Merged into NKB São Paulo in August 2009	95.32
Biesp - Laboratório Clínico Ltda. ("Biesp Laboratório")	Acquired in October 2008	Merged into NKB São Paulo in August 2009.	95.32
Centro de Patologia Clínica Campana Ltda. ("Campana")	Acquisition completed in August 2008 (see note 3)	Merged into Fleury in September 2009	95.32
Fleury Centro de Procedimentos Médicos Avançados ("Fleury CPMA") (b)	Established in June 2003	100.00	100.00
Paraná			
Champagnat Laboratório de Análises Clínicas Ltda. ("Champagnat")	Acquired in July 2008	Merged into NKB São Paulo in January 2009	95.32
GR Análises Clínicas & Toxicológicas Ltda. ("GR")	Acquired in July 2008	Merged into NKB São Paulo in January 2009	95.32
Rio Grande do Sul			
Laboratório Weinmann S.A. ("Weinmann")	Acquired in October 2009	99.99	-

(a) Up to August 31, 2009, NKB Rio and NKB São Paulo were direct 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, as of December 31, 2008 the Company indirectly held 95.32% 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 (see note 28).

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. 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 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)
Loans and financing	(42,640)
Accounts payable - business acquisitions	(39,181)
Other payables	(137,139)
Merged net assets	137,358

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)
Loans and financing	(28,237)
Other payables	(50,151)
Merged net liabilities	(39,214)

On October 15, 2009, Fleury completed the acquisition of 100% of Weinmann's capital, 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 (see note 28).

2. PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

The financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, provisions of the Brazilian Corporate Law, and standards of the Brazilian Securities Commission (CVM) and consider the changes introduced by Law 11638/07 and Law 11941/09.

The significant accounting practices adopted by the Company and its subsidiaries are as follows:

a) Cash and cash equivalents

Include cash, bank demand deposits, and short-term investments. These short-term investments are stated at cost plus income earned through the balance sheet date, are highly liquid, and are subject to an insignificant risk of changes in value.

b) Trade accounts receivable

Refer to medical services provided to laboratories, private clients, and healthcare plan members, less the "Allowance for doubtful accounts". They are recognized based on their original amounts and are not discounted to present value due to their short-term maturities and because they do not have material effects on the financial statements.

c) Allowance for doubtful accounts

Recognized based on the analysis of receivables, in view of the risks involved, in an amount considered by Management sufficient to cover probable losses.

d) Inventories

Stated at average cost of acquisition, which does not exceed replacement value. Imports in transit are stated at the specific costs incurred on each import. The allowance for losses is recognized for items that remain unchanged for more than 180 days.

e) Investments

In the Company's financial statements, investments in subsidiaries are accounted for under the equity method of accounting. Other investments are stated at cost, which does not exceed their realizable value.

f) Property and equipment

Stated at cost of acquisition, construction or revalued amount, less depreciation calculated under the straight-line method at the rates mentioned in note 9.

g) Revaluation reserve

Recognized for the machinery and equipment revalued in 2003 and 2005, realized through the depreciation, disposal or sale of the related revalued assets and transferred to retained earnings, at the net amount of the effects of deferred income tax and social contribution.

h) Intangible assets

Refer basically to software licenses and goodwill arising on the acquisition of subsidiaries. Intangible assets are stated at cost of acquisition, less accumulated amortization and impairment losses, when applicable. Goodwill recorded was calculated based on expected future earnings of the investments acquired and its amortization, for the year ended December 31, 2008, is related to the projected realization and timing, not exceeding ten years. Starting January 1, 2009, goodwill is no longer amortized for accounting purposes and is measured based on its expected realization, as regulated by CVM Resolution 527/07, which approved Technical Pronouncement CPC 01 - Impairment of Assets, issued by the Accounting Pronouncements Committee. Software licenses are amortized under the straight-line method, based on projections of future economic benefits, over a period not exceeding five years. Licenses are expensed when there is evidence that a license or a right related to the asset no longer generates benefits.

i) Lease

Lease transactions in which the risks and rewards of ownership are substantially transferred to the lessor are classified as finance leases. If there is no significant transfer of risks and rewards of ownership, transactions are classified as operating leases. Finance lease agreements are recognized in property and equipment and in liabilities at the lower of the present value of the mandatory minimum installments of the agreement or the fair value of the asset, plus, when applicable, the initial direct costs incurred in the transaction. The amounts recorded in property and equipment are depreciated over the estimated useful lives of assets and interest in liabilities is charged to the income statement over the life of the agreement. Operating lease agreements are recognized as expense over the lease term.

j) Impairment of assets

Property and equipment are tested for impairment whenever there is an indication that assets may be impaired. Intangible assets with indefinite useful lives, including goodwill based on expected future earnings, are tested for impairment at least annually or whenever there is an indication that assets may be impaired. When the carrying amount of these assets exceeds their recoverable amount, defined as the higher of the asset’s value in use and its net selling price, such difference is expensed. For the years ended December 31, 2009 and 2008, there was no need to recognize an allowance for impairment loss.

k) Revenues and expenses

Recorded on the accrual basis. Service revenue is recognized when services are provided, regardless of billing to clients. At the balance sheet date, services provided and not yet billed are recorded under “Unbilled serivces”, which is included in the trade accounts receivable balance. Loans are measured at amortized cost, i.e., they are adjusted for inflation and changes in foreign exchange rates, plus contractual interest incurred through the balance sheet date. This interest and other borrowing costs are recorded in the income statement as financial expenses.

l) Income tax and social contribution

Income tax was calculated at the rate of 15%, plus a 10% surtax on taxable income exceeding R$240. Social contribution was calculated at the rate of 9% on adjusted net income. Certain subsidiaries, prior to their merger, opted for taxation based on deemed income.

Deferred income tax and social contribution were calculated based on tax loss carryforwards, temporary differences between the carrying amount and the tax base of income and expenses, and the balance of the “revaluation reserve”. The Company recognizes an allowance for losses whenever there is no strong evidence that these balances will be realized.

The Company and its subsidiaries opted for the Transitional Tax Regime (RTT) created by 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 the social security funding tax on revenue (COFINS) continues to be based on the accounting methods and criteria set out by Law 6404/2009, in effect on December 31, 2007.

m) Accounts payable - business acquisitions

Adjusted for inflation incurred through the balance sheet date.

n) Interest on capital

Originally recorded as financial income in the Company’s accounting and tax books, when declared by the subsidiaries, and as financial expenses upon the allocation of the amounts payable to shareholders. However, for purpose of presentation of these financial statements, the substance of the transaction is used and, therefore, interest on capital is considered as dividends received and paid, not recorded through profit or loss. As a result, interest on capital received or receivable is credited to “Investments” and interest on capital paid and or payable is charged to “Retained earnings”.

o) Earnings per share

Calculated based on the number of shares outstanding at the balance sheet date.

p) Reserve for contingencies

Recorded for lawsuits assessed by the Company's legal counsel and Management as probable losses, considering the nature of lawsuits and Management's experience in similar cases.

For financial statement presentation purposes, the reserve is stated net of related judicial deposits. The bases and nature of the reserves for tax, civil, and labor risks are described in note 14.

q) Use of estimates

Accounting estimates were based on objective and subjective factors, as well as on Management's judgment to determine the amount of certain assets, liabilities and transactions to be recorded in the financial statements. Material items subject to estimates and assumptions include determining the useful lives of property and equipment, the allowance for doubtful accounts, the allowance for unserviceable or obsolete inventories, the reserve for contingencies, the preparation of projections and analyses of the recoverable amount of goodwill, intangible assets with indefinite useful lives, and the realization of the deferred income tax asset balance. Actual results could differ from these estimates due to imprecisions inherent to the estimation process. These estimates are periodically reviewed by Management.

r) Derivative financial instruments

Derivative transactions are initially stated at cost of acquisition on the date they are contracted and are subsequently remeasured at their fair value, with changes in fair value recorded in the income statement. The Company's treasury uses specific models to calculate the fair value of each financial instrument, based on information of each transaction and related market information at the balance sheet dates, such as interest rates and foreign exchange rate coupon.

Even though the Company and its subsidiaries use derivatives for hedging purposes, they do not use hedge accounting.

3. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared and are presented in conformity with accounting practices adopted in Brazil – the significant accounting practices are described in note 2 above – and include the financial statements of the Company and its subsidiaries, as follows:

	Ownership interest - %	
	12/31/2009	12/31/2008
Direct subsidiaries:		
Campana (a)	-	0.01
Fleury CPMA.	100.00	100.00
NKB: (b)	-	95.33
Weinmann	99.99	-

(a) Merged into Fleury on September 30, 2009. Refers to the direct interest in the subsidiary, since the Company had also an indirect interest of 95.32%.

(b) Merged into Fleury on August 31, 2009

At December 31, 2009 and 2008, the Company held the following direct and indirect interests:

		12/31/2009		13/31/2008	
		Ownership interest - %		Ownership interest - %	
		Direct	Indirect	Direct	Indirect
NKB Rio	Acquired in September 2002	(i)	(i)	0.01	95.32
NKB São Paulo	Acquired in November 2004	(i)	(i)	0.01	95.32
Campana	Acquired in August 2008	(ii)	(ii)	0.01	95.32
Biesp Laboratório	Acquired in October 2008	(i)	(i)	0.01	95.32
Biesp Instituto	Acquired in October 2008	(i)	(i)	0.01	95.32
Champagnat	Acquired in July 2008	(iii)	(iii)	0.01	95.32
GR	Acquired in July 2008	(iii)	(iii)	0.01	95.32
Fleury CPMA	Established in June 2003	100.00	-	100.00	-
Weinmann	Acquired in October 2009	99.99	-	-	-

(i) Merged into NKB on August 31, 2009.

(ii) Merged into Fleury on September 30, 2009

(iii) Merged into NKB São Paulo on January 31, 2009.

On October 1, 2004, NKB entered into a Share Purchase Option Agreement and Other Covenants (“Share Purchase Option Agreement”) with the shareholders of Campana, under which it held the option to purchase all the shares of the capital stock of Campana during 36 months from that date. On September 27, 2007, the Share Purchase Option Agreement was amended to extend the option term for five years from this date, set the purchase option price at R$2 million, subject to adjustment based on the General Market Price Index (IGP-M) fluctuation, and establish that Campana’s management would start to follow NKB’s guidelines through the appointment of its officers by NKB. Subsequently, on August 28, 2008, NKB exercised and formalized its purchase option, completing the acquisition of Campana. Considering the guidance of CVM Instruction 408/04, which addresses the inclusion of special purpose entities in consolidated financial statements, the Company started to include the balances and transactions of Campana in its consolidated financial statements starting October 1, 2007. Accordingly, the consolidated statements of income,

cash flows and value added for the year ended December 31, 2008 are being restated to give appropriate consideration to this consolidation practice.

The consolidated financial statements have been prepared based on financial statements as of the same reporting date, consistent with the accounting practices described above. The significant consolidation procedures include: (i) elimination of intercompany balances and transactions; (ii) elimination of intercompany investments and related ownership interests, reserves, and retained earnings; and (iii) segregation of the portion of equity and income attributed to non-controlling interests, disclosed in specific line items of the balance sheets and income statements.

4. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Cash and banks	7,090	8,280	8,183	14,399
Short-term investments	519,645	4,002	519,645	4,002
	526,735	12,282	527,828	18,401

Short-term investments are readily converted to known amounts of cash and are subject to an insignificant risk of changes 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. Both investments yielded 100% to 106% of the interbank deposit rate (CDI) fluctuation at December 31, 2009 and 2008.

Short-term investments are readily converted to cash and their fair values approximate their carrying amounts.

5. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Billed amounts	144,257	74,117	163,006	115,529
Unbilled services	27,296	1,266	27,296	20,987
Credit card receivables	1,762	213	2,381	287
Checks for collection	1,475	105	1,556	618
Allowance for doubtful accounts	(39,585)	(11,090)	(41,580)	(30,117)
	135,205	64,611	152,659	107,304
Current	135,142	64,611	152,596	107,254
Noncurrent	63	-	63	50

The aging list of trade accounts receivable, which includes line items “Billed amounts” and “Unbilled services”, in current and noncurrent, is as follows:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	13/31/2008
Current (*)	61,924	44,647	76,262	59,962
Up to 60 days past-due	22,116	10,731	23,952	18,715
60 to 120 days past-due	11,265	7,453	12,260	27,863
Over 120 days past due	76,248	12,552	77,828	29,976
	171,553	75,383	190,302	136,516

(*) These receivables fall due within 59 days on average.

Changes in the allowance for doubtful accounts:

	12/31/2009	
	Company	Consolidated
Opening balances	(11,090)	(30,117)
Additions, less reversals	(3,828)	(9,613)
Addition due to business acquisition	-	(1,850)
Transfer due to mergers	(24,667)	-
Closing balances	(39,585)	(41,580)

	12/31/2008	
	Company	Consolidated
Opening balances	(9,038)	(25,075)
Additions, less reversals	(934)	(5,017)
Transfer due to mergers	(1,118)	(25)
Closing balances	(11,090)	(30,117)

The Company and its subsidiaries have a certain degree of concentration in their client bases. At December 31, 2009, the concentration on the four major clients is 35% (32% at December 31, 2008), Company, and 29% (29% at December 31, 2008), consolidated. The table below shows the concentration by client:

	12/31/2009	
	Company	Consolidated
Client A	15%	13%
Client B	12%	10%
Client C	5%	4%
Client D	3%	2%

6. INVENTORIES

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Diagnosis kits	5,244	3,292	7,437	5,999
Harvest and nursing material	1,323	1,328	1,447	1,862
Diagnostic chemicals and reagents	340	139	340	440
Auxiliary lab supplies	996	495	1,528	1,025
Hospital supplies	-	-	-	270
Advances to suppliers	313	1,165	327	1,166
Office supplies	285	174	400	263
Other	754	522	1,110	964
	9,255	7,115	12,589	11,989
Allowance for inventory losses	(139)	(139)	(139)	(139)
	9,116	6,976	12,450	11,850

7. RECOVERABLE TAXES

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

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Withholding income tax (IRRF) (a)	9,217	3,233	9,272	7,985
Social contribution on net income (CSLL) (b)	7,974	971	8,160	8,212
Business income tax (IRPJ) (b)	5,335	-	5,708	5,648
Service tax (ISS)	967	200	967	651
Tax on revenue (PIS) (c)	590	25	590	601
Tax on revenue (COFINS) (c)	2,630	617	2,630	1,913
Social security contribution (INSS) (d)	3,261	1,757	3,261	2,192
Other	828	42	828	605
	30,802	6,845	31,416	27,807
Current	15,693	6,479	16,307	12,346
Noncurrent	15,109	366	15,109	15,461

(a) Corresponds basically to IRRF on the redemption of short-term investments and services provided to health maintenance organizations.

(b) The consolidated balances of recoverable CSLL and IRPJ refer primarily to amounts from business acquisitions, arising from its normal operations. The amounts will be used for offsetting against taxes payable.

(c) Refer basically to PIS and COFINS paid on the purchase of sterilization services.

(d) INSS withheld on invoices related to the various services rendered by providers to the Company.

8. INVESTMENTS

	Company	
	12/31/2009	12/31/2008
Investments in subsidiaries:		
NKB	-	23,787
Fleury CPMA	4,790	2,501
Weinmann	5,342	-
	10,132	26,288
Other investments	191	-
	10,323	26,288

Changes in investments and in the allowance for investment losses:

a) Year ended December 31, 2009

	NKB (i)	Fleury: CPMA (ii)	Weinmann (iii)	Total
Opening balances	23,787	2,501	-	26,288
Capital increase in subsidiary	78,866	9,966	-	88,832
Acquisitions of non-controlling interests	2,482	-		2,482
Acquisition of subsidiaries	-	-	4,950	4,950
Loss on interest percentage change	(875)	-	-	(875)
Equity in subsidiaries	(10,186)	(7,677)	392	(17,471)
Merger	(94,074)	-	-	(94,074)
Closing balances	-	4,790	5,342	10,132

b) Year ended December 31, 2008

	NKB (i)	Fleury: CPMA (ii)	URP	Total
Opening balances	20,158	24	(321)	19,861
Capital increase in subsidiary	20,686	10,213	-	30,899
Acquisitions of non-controlling interests	2,848	-	-	2,848
Equity in subsidiaries	(19,905)	(7,736)	(985)	(28,626)
Merger	-	-	1,306	1,306
Closing balances	23,787	2,501	-	26,288

(i) The main data on NKB are as follows:

	12/31/2009	12/31/2008
Ownership interest - %	-	95.33 (*)
Paid-in capital	-	114,603
Shareholders' equity	-	24,954
Loss for the year	-	(20,881)

(*) NKB was merged into the Company on August 31, 2009.

(ii) The main data on Fleury CPMA are as follows:

	12/31/2009	12/31/2008
Ownership interest - %	100.00	100.00
Paid-in capital	39,101	34,158
Shareholders' equity	4,790	2,501
Loss for the year	(7,677)	(7,736)

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

	12/31/2009	12/31/2008
Ownership interest - %	100.00	-
Paid-in capital	5,501	-
Shareholders' equity	5,342	-
Net income	392	-

(**) Calculated from September to December 2009.

9. PROPERTY AND EQUIPMENT

		Company			
	Annual average depreciation rate - %	12/31/2009			12/31/2008
		Cost	Accumulated depreciation	Net	Net
Properties	4	183	-	183	-
Land	-	8,266	-	8,266	8,266
Vehicles	20	691	(226)	465	-
Facilities	10	60,488	(13,889)	46,599	8,888
Machinery and equipment	9	112,196	(51,268)	60,928	51,955
Furniture and fixtures	10	24,771	(16,041)	8,730	6,412
IT equipment	20	23,166	(19,000)	4,166	1,675
Leasehold improvements	20	43,113	(32,321)	10,792	6,321
Property and equipment in progress	-	8,687	-	8,687	34,036
		281,561	(132,745)	148,816	117,553

		Consolidated			
	Annual average depreciation rate - %	12/31/2009			12/31/2008
		Cost	Accumulated depreciation	Net	Net
Properties	4	183	-	183	176
Land	-	8,266	-	8,266	8,266
Vehicles	20	696	(231)	465	553
Facilities	10	66,928	(17,994)	48,934	14,596
Machinery and equipment	9	122,159	(56,445)	65,714	62,638
Furniture and fixtures	10	27,442	(17,556)	9,886	9,908
IT equipment	20	24,758	(19,976)	4,782	3,744
Leasehold improvements	20	45,197	(33,899)	11,298	16,114
Property and equipment in progress	-	8,718	-	8,718	36,462
		304,347	(146,101)	158,246	152,457

Changes in property and equipment are as follows:

	Company	Consolidated
Opening balances	117,553	152,457
Additions		
Buildings and constructions	7	7
Vehicles	-	157
Facilities	5,207	11,896
Machinery and equipment	9,910	11,841
Furniture and fixtures	732	2,307
IT equipment	2,908	4,449
Property and equipment in progress	1,631	1,631
Total additions	20,395	32,288
Disposals, net	(1,304)	(1,721)
Depreciation	(20,365)	(24,778)
Merged balance	32,537	-
Closing balances	148,816	158,246

Some of the Company's property and equipment items have been pledged as collateral, as described in note 11.

At December 31, 2009, the Company records a revaluation balance of machinery and equipment, less depreciation, in the amount of R$6,223 (R$7,988 at December 31, 2008). 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, 2009 is as follows:

	Annual average depreciation rate - %	12/31/2009			12/31/2008
		Cost	Accumulated depreciation	Net	Net
Machinery and equipment	10	230	(28)	202	-
IT equipment	20	78	(12)	66	-
		308	(40)	268	-

At December 31, 2009, leased assets were pledged as collateral for the related financing transactions. Depreciation expenses of assets acquired under lease for the year ended December 31, 2009, recorded under "Cost of services", amounted to R$9.

10. INTANGIBLE ASSETS

		Company			
		12/31/2009			12/31/2008
	Annual amortization rate - %	Cost	Accmulated amortization	Net	Net
Goodwill	N/A (*)	339,398	(44,413)	294,985	51,553
Software licenses	20	34,751	(17,331)	17,420	14,400
Trademarks and patents	-	509	-	509	12
Goodwill (fees paid for use of commercial location)	20	2,550	-	2,550	-
Other	10	2,301	(969)	1,332	291
		379,509	(62,713)	316,796	66,256

		Consolidated			
		12/31/2009			12/31/2008
	Annual amortization rate - %	Cost	Accmulated amortization	Net	Net
Goodwill	N/A (*)	339,398	(44,413)	294,985	220,719
Software licenses	20	36,088	(18,086)	18,002	17,007
Trademarks and patents	-	509	-	509	501
Goodwill (fees paid for use of commercial location)	20	2,550	-	2,550	-
Other	10	5,061	(3,288)	1,773	1,411
		383,606	(65,787)	317,819	239,638

(*) Up to December 31, 2008, goodwill was amortized over a period of up to ten years. In 2008, goodwill amortization amounted to R$8,820, Company (R$27,546, consolidated). As a result of the changes in accounting practices adopted in Brazil, 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, 2009 and 2008, there was no need to recognize an allowance for impairment loss.

Changes in intangible assets are as follows:

	Company	Consolidated
Opening balances	66,256	239,638
Additions		
Goodwill on acquisitions	67,839	74,029
Software licenses	4,670	6,617
Goodwill (fees paid for use of commercial location)	2,550	2,550
Other	17	1,081
Total additions	75,076	84,277
Amortization	(4,494)	(6,096)
Merged balance	179,958	-
Closing balances	316,796	317,819

Goodwill (consolidated)

	12/31/2009			12/31/2008
	Cost	Accumulated amortization	Net	Net
NKB (a)	32,303	(3,603)	28,700	20,253
Fleury CPMA (b)	1,911	(560)	1,351	1,351
Weinmann (c)	53,669	-	53,669	-
Unidade Radiológica Paulista - Clínica de Diagnósticos por Imagem S.C. Ltda. ("URP") (d)	35,234	(5,285)	29,949	29,949
Centro de Medicina Laboratorial Ltda. ("CML") (e)	456	(143)	313	313
Qualitech Laboratório de Análises Clínicas Ltda. ("Qualitech") (e)	1,402	(393)	1,009	1,009
Laboratório Dirceu Ferreira Ltda. ("Dirceu") (e)	1,619	(163)	1,456	1,456
Lego Serviços Médicos Ltda. ("Lego Serviços") (e)	1,824	(214)	1,610	1,610
Lego Laboratório Especializado em Ginecologia e Obstetrícia Ltda. ("Lego Laboratório") (e)	11,618	(1,360)	10,258	10,258
Dilab Diagnóstico Laboratorial em Medicina Interna Endocrinológica Ltda. ("Dilab") (e)	7,760	(1,793)	5,967	5,967
Loureiro Análises Clínicas Ltda. ("Loureiro") (e)	12,024	(2,846)	9,178	9,178
Dalmo Oliveira Patologia Clínica Ltda. ("Dalmo") (e)	2,870	(666)	2,204	2,204

	12/31/2009			12/31/2008
	Cost	Accumulated amortization	Net	Net
Hormocentro Laboratório de Dosagens Hormonais e Análises Clínicas Ltda. ("Hormocentro") (e)	2,147	(467)	1,680	1,680
GR (f)	1,141	(46)	1,095	1,095
Champagnat (f)	2,802	(140)	2,662	2,662
Campana (f)	97,893	(8,730)	89,163	87,272
Biesp Laboratório (f)	6,748	(76)	6,672	6,672
Biesp Instituto (f)	14,856	(181)	14,675	10,663
CMRJ	5,655	-	5,655	-
NKB Rio (e)	19,868	(10,507)	9,361	8,768
NKB São Paulo (e)	25,598	(7,240)	18,358	18,359
Total consolidated	339,398	(44,413)	294,985	220,719

(a) Goodwill arise on: (i) subscription of subsidiary NKB's new shares in 2005 and acquisition of shares from non-controlling shareholders in 2007, 2008 and 2009; (ii) goodwill from companies merged into the Company on August 31, 2009 (see note 1). Up to December 31, 2008, goodwill was amortized over a ten-year period.

(b) Acquisition, in 2006 and 2008, of shares in Fleury CPMA, owned by Brasil Memorial S.A.

(c) On October 15, 2007, the Company acquired all the shares in Weinmann. Goodwill is based on expected future earnings.

(d) In October 2007, the Company acquired all the shares in URP. Goodwill is based on expected future earnings. Up to December 31, 2008, goodwill was amortized over a five-year period. On March 31, 2008, URP was merged into the Company.

(e) Goodwill arising on the acquisitions of the laboratories in Bahia (Qualitech, CML and Dirceu), Pernambuco (NKB Pernambuco), Rio de January (merged into NKB Rio), and Paraná and São Paulo (merged into NKB São Paulo). This goodwill was determined based on expected future earnings, and up to December 31, 2008 was amortized over a ten-year period.

(f) In 2008, the subsidiary NKB acquired all the ownership interest of GR, Champagnat, Biesp Laboratório, and Biesp Instituto. Goodwill arising on these acquisitions was based on expected future earnings, and up to December 31, 2008 was amortized over a period of up to ten years.

(g) As discussed in note 3, even though formally the acquisition of Campana was completed on August 28, 2008, for consolidation purposes it was considered as carried out on September 27, 2007, date when the amendment to the Share Purchase Option Agreement entered into by NKB and the shareholders of Campana established that

Campana's management would start to follow NKB's guidelines through the appointment of its officers by NKB. In light of the provisions of CVM Instruction 408/04, which addresses the inclusion of special purpose entities in consolidated financial statements, NKB started to recognize Campana as investment in subsidiary, accounted for under the equity method, and started to determine goodwill arising on its acquisition as of the same date (September 27, 2007). This goodwill was determined based on expected future earnings, and up to December 31, 2008 was amortized over a ten-year period.

As a result of the changes in accounting practices, starting January 1, 2009 goodwill based on expected future earnings, with indefinite useful life, will no longer be amortized. Amortization of the remaining intangible assets is charged to "General and administrative expenses" in the statements of income.

The Company's and subsidiaries' Management understands, based on a budget approved by their Board of Directors, that the acquired businesses will be able to generate sufficient future earnings to realize the recorded goodwill. Based on the result of studies conducted, it was not necessary to recognize an allowance for impairment at December 31, 2009 and 2008.

Software licenses refer mainly to the systems SAP, Weblogic/ Aqualogic and Oracle, as well as to the Company's Intranet development. At December 31, 2009 the net book value of SAP amounts to R$6,692 and its remaining useful life is 39 months; the net book value of Weblogic/Aqualogic amounts to R$545 and its remaining useful life is 33 months; the net book value of Oracle amounts to R$855 with a remaining useful life of 54 months; and the net book value of the Intranet development amounts to R$1,692 with a remaining useful life of 43 months.

11. LOANS AND FINANCING

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

	Charges - (a)	Company		Consolidated		Maturity
		12/31/2009	12/31/2008	12/31/2009	12/31/2008	
Local currency:						
Bradesco - working capital	109.6 p.a. of CDI (b)	12,491	17,147	12,491	31,242	February 2011 to March 2013
Unibanco - working capital	107.5 of CDI (b)	27,750	-	27,750	34,541	October 2013 to January 2014
Banco Real - working capital	CDI (b) +1 p.a.	22,996	-	22,996	28,696	October 2014
Banco Itaú - secured account	135 of CDI (b)	-	-	-	7,953	May 2009
BNDES	TJLP (c) +3.3 p.a.	7,404	8,728	8,190	10,448	June 2010 to February 2013
Banco do Brasil	TJLP (c) +5.2 p.a.	-	-	-	43	October 2009
Banco Itaú	107 of CDI (b)	51,545	46,591	51,909	46,654	May 2010 to October 2014
Banrisul	CDI + 8.08	-	-	167	-	May 2010
Citibank	14.92 p.a.	-	-	158	-	July 2011
FINEP	4.3 p.a.	2,505	-	2,505	-	September 2017
Lease	1.89% p.a.	-	-	182	-	March 2012

	Charges - (a)	Company		Consolidated		Maturity
		12/31/2009	12/31/2008	12/31/2009	12/31/2008	
Other		140	68	158	153	
Total - local currency		124,831	72,534	126,506	159,730	
Foreign currency (US$):						
Votorantim - Resolution 2770	Forex + 7 p.a.	-	4,230	-	4,230	January 2009
Unibanco - Resolution 2770	Forex + 6.5 p.a.	-	-	-	2,411	June 2009
Banco Real - Resolution 2770	Forex + 5.8 p.a.	-	-	-	1,402	January 2009
Banco Real - Finimp	Forex + 7.8 p.a.	566	1,517	566	1,517	December 2010
Banco Itaú - Finimp	Forex + 1.3 p.a.	3,463	5,275	3,463	5,275	July 2013
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
Total - foreign currency		5,752	13,317	5,752	17,830	
		130,583	85,851	132,258	177,560	
Current		37,975	19,162	39,424	52,611	
Noncurrent		92,608	66,689	92,834	124,949	

(a) Weighted average rate.

(b) Interbank Certificates of Deposit (CDI), equivalent to 8.55% per year at December 31, 2009 and 13.62% per year at December 31, 2008.

(c) Long-Term Interest Rate (TJLP), equivalent to 6.00% per year at December 31, 2009 and 6.5% at December 31, 2008.

The noncurrent portion matures as follows at December 31, 2009:

	Consolidated
2011	36,255
2012	23,516
2013	20,177
2014	11,867
2015 thereafter	1,019
	92,834

In February 2005, the subsidiary Fleury CPMA obtained a financing line from the National Bank for Economic and Social Development (BNDES) for the construction of its basic structure, which includes the reception, rooms for advanced medical procedures, etc. This financing is guaranteed by the Company through the collateralization of receivables equivalent to 130% of the principal and interest installments falling due, which total R$539 at December 31, 2009 (R$1,615 at December 31, 2008). In addition, Fleury CPMA pledged as collateral property and equipment items, whose carrying amounts, less depreciation, total R$354 at December 31, 2009 (R$402 at December 31, 2008).

Certain loans 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 financing totaling R$40,637 at December 31, 2009

(R$36,710 at December 31, 2008), 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 (loans and financing less cash and cash equivalents) and guarantees. At December 31, 2009, the Company and its subsidiaries are compliant with these covenants.

12. TRADE ACCOUNTS PAYABLE

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Domestic suppliers	39,409	23,478	43,956	44,963
Foreign suppliers	283	1,801	283	1,810
	39,692	25,279	44,239	46,773

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

13. PAYROLL AND RELATED TAXES

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Payroll	2,447	984	2,607	1,517
Accrued vacation and 13th salary	16,942	11,272	18,423	17,099
Accrued profit sharing	11,136	9,268	12,066	11,217
Payroll taxes and other taxes payable	7,123	4,797	7,762	5,648
	37,648	26,321	40,858	35,481

14. CONTINGENCIES

The Company and its subsidiaries are subject to tax, labor, civil and other contingencies, 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 balance sheet date, such as the nature of lawsuits and past experience. At December 31, 2009 and 2008, the reserve for contingencies is broken down as follows:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Tax and social security	14,338	38,699	16,779	54,315
Civil	2,196	324	2,671	1,016
Labor	6,484	4,013	6,743	8,383
	23,018	43,036	26,193	63,714
Judicial deposits	(7,431)	(1,654)	(9,010)	(5,818)
	15,587	41,382	17,183	57,896

Changes in the reserve for contingencies for the years ended December 31, 2009 and 2008 are as follows:

	Company						
	Balance at 12/31/2008	Additions	Uses and 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
Civil	324	-	(640)	2,414	-	98	2,196
Labor	4,013	600	(1,065)	2,638	(525)	823	6,484
	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 12/31/2008	Additions	Uses and reversal	Increase due to mergers	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
Civil	1,016	-	(640)	461	1,722	112	2,671
Labor	8,383	600	(1,065)	-	(1,998)	823	6,743
	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

a) 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:

(i) Social Security Funding Tax on Revenue (COFINS) - rate increase - the Company is challenging at the administrative and judicial levels the constitutionality of the changes introduced by Law 9718/98, which broadened the tax base of COFINS and increased its tax rate from 2% to 3%. In the first case, Management and its legal counsel understand that there is no risk, as the decision of the Federal Supreme Court on the broadened tax base was favorable to taxpayers, resulting in the recent enactment of Law 11914/09, which revoked the Article of Law 9718/98 that had determined the broadening of the tax base. As regards the increase of the tax rate, Management and its legal counsel understand that the likelihood of an unfavorable outcome is probable. Up to December 31, 2008, the Company recorded a reserve for this matter in its financial statements, in the amount of R$22,956. After reviewing this matter, Management and its legal counsel noted that R$19,061 referred to amounts no longer payable due to the expiration of the statute of limitations, and the tax authorities' right to require the tax has elapsed. Accordingly, such amount was reversed as a credit to the income statement for the year ended December 31, 2009, under line item "Reserve for contingencies", in operating expenses. Regarding the period from January to December 2002, the payment of debts related to this matter totaling R$5,120 at December 31, 2009 is suspended in view of the presentation of an administrative appeal against the tax assessment notice issued by the tax authorities. Therefore, the Company maintained a reserve for this amount but reclassified it to line item "Taxes payable". The lawsuit awaits a court decision on the appeal filed by the Federal Government since December 4, 2007. The tax assessment notice awaits a decision on the annulment action filed by the Company on January 5, 2007.

(ii) Social Security Funding Tax on Revenue (COFINS) – business undertakings - challenges in connection with the exemption from this tax granted to providers of services related to legally regulated professions, involving URP, Lego Laboratório. Biesp Instituto, CMRJ, GR and NKB Rio merged into Fleury. Supplementary Law 70/91, which created COFINS, addressed the exemption granted to these entities, such as medical, architecture, engineering, security brokerage, and accountancy partnerships, etc. However, Law 9430/96 expressly revoked said exemption to require the payment of this tax on gross revenue of service providers. The legal counsel understands that as an ordinary law, Law 9430/96 could not have revoked the exemption granted by Supplementary Law 70/91. However, as the Federal

Supreme Court has already issued a decision contrary to these arguments, at December 31, 2009 the Company recognizes a reserve to cover risks totaling R$8,169 (R$6,146 at December 31, 2008), and related judicial deposits total R$7,431 (R$6,294 at December 31, 2008). In consolidated, at December 31, 2009, there is a reserve of R$10,498 and related judicial deposits total R$9,010.The lawsuit filed by URP awaits a decision on the appeal filed by the Company since September 30, 2004. The lawsuit filed by Lego Laboratório awaits a decision on the bill of review filed against the decision denying the extraordinary appeal since December 3, 2005. In the case of the lawsuit filed by Biesp Instituto, a special appeal and an extraordinary appeal were filed on August 12, 2009. In the lawsuit filed by CMRJ, a decision was issued on September 13, 2009 rejecting the appeal filed by the Company. As for GR, the extraordinary appeal filed in its name was denied. There is an administrative proceeding in the name of NKB Rio, where the tax credit requirement was suspended in view of the filling of a voluntary appeal.

(iii) Service tax (ISS) - The defense argues that as a professional partnership, the entity 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. The Company has 1 execution proceeding in the name of NKB Rio, company merged into the Company on August 31, 2009, in the amount of R$432 at December 31, 2009, awaiting the Rio de Janeiro Municipal Government analysis of the execution filed on behalf of NKB Rio. There is also an administrative proceeding in the name of NKB Rio for collection of allegedly due ISS for the periods December 2001-October 2002, August-October 2005 and December 2004- January 2005, based on this company's revenue at a 5% rate, in the amount of R$2,606, at December 31, 2009. The Company awaits judgment of the motion to deny filed in April 2006. A total amount of R$3,038 is accrued by the Company at December 31, 2009.

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.

The most significant of these lawsuits are the three lawsuits filed by doctors, partners of partnerships with which Fleury has entered into service agreements, who allege the existence of an employment relationship between them and the Company; so far two court decisions were favorable to the Company, and are awaiting a decision on the appeals filed with the Regional Labor Court, and one decision by a lower court was unfavorable to the Company.

Civil

The accrued lawsuit refers to NKB Rio, in which it is a defendant, involving the payment of fees to the claimant of R$42 per month, from September 2002 to January 2006. The sentence was issued in August 2009, and the court established the payment of fees of R$18 for each required month.

b) Lawsuits classified as possible losses

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

At December 31, 2009, the Company has approximately R$164 million, consolidated, related to lawsuits classified as possible losses by its legal counsel, of which R$134 million refers to tax and social security contingencies, R$11 million to civil contingencies, and R$36 million to labor contingencies. The main matters whose individual amount exceeds R$2 million are summarized below:

Tax and social security:

(i) Tax notification claiming the payment of 11% social security contribution that should have been withheld on Fleury Imagem S.A. services provided to the Company in the period from June 2003 to June 2006, as tax authorities understood them as assignment of labor. Fleury Imagem S.A. was a provider of medical and medical procedures and imaging diagnosis consulting services, merged into the Company on July 27, 2006. At December 31, 2009, there was an administrative proceeding related to this matter. On the same date, the total amount under litigation was approximately R$25,103. The legal counsel understands that in this case the levy of 11% is illegal as the services qualify under the statutory exemption as they were provided solely and exclusively by the partners of Fleury Imagem S.A. Additionally, the social security contributions due by Fleury Imagem S.A. were fully paid directly by this company. The Company is currently preparing a special appeal to be filed with the Administrative Board of Tax Appeals.

(ii) Tax assessment notification issued by the City of Santo André collecting alleged unpaid ISS (period from January 2002 to May 2007), which would be due by the Company's service unit located in this municipality. In its defense, the Company alleges that the services are provided in the city of São Paulo, where its technical unit is located, i.e., where the harvested material is actually tested. This argument of the City with jurisdiction to collect the tax is also challenged in courts, where it is argued that the harvesting of material for testing is just a means for the actual provision of the clinical testing services, the core business of the Company. The amount under litigation totals R$4,945 at December 31, 2009. As to the lawsuit, the Company obtained a favorable outcome after the decision that denied the appeal filed by the São Paulo Municipal Government, for which a final and unappealable decision was issued on August 20, 2009, and awaits the return of the lawsuit to the lower court. At the administrative level, the Company awaits a decision on the appeal filed with the higher courts since August 25, 2008.

(iii) Disqualification of contracts as legal entities: tax assessment notices issued by INSS against URP and Lego Laboratório, which disqualified medical contractors as legal entities for the recognition of an employment relationship. At December 31, 2009, the total amount under litigation was R$31,463. The defense argues that these contractors do not meet the employment relationship requirements (Article 3 of the Brazilian Labor Code), as their services were not regular and personally provided, since the doctors provided services to other diagnostic medicine companies. Further, the service was provided by legal entities properly established to provide regulated professional services (for example, doctors, lawyers, etc.), an arrangement recognized by social security legislation, under Article 129, of Law 11196/05 and Regulatory Instruction 03/05. Currently, the Company awaits a decision on the administrative appeals and the annulment action filed with lower courts. The administrative lawsuits filed against URP await a decision on the voluntary appeal filed since April 2007. Lego Laboratório was granted on May 21, 2003 an injunction related to the annulment action filed, which suspended the payment of the claimed taxes and currently awaits the lower court decision.

(iv) Solid waste rate for health services - the Company is a party to 15 lawsuits claiming tax credits related to the Solid Waste Rate for Health Services imposed to the Company's establishments located in the city of São Paulo. These lawsuits amount to approximately R$7.1 million. In spite of the mentioned lawsuits, the Company is a party to a Collective Writ of Mandamus filed by the Trade Association of Hospitals, Clinics, Nursing Homes, Survey and Clinical Testing Laboratories of the State of São Paulo challenging the constitutionality, lawfulness and legality of the collection of this rate. The lawsuit, in summary, challenges the imposition of a rate for such purpose, that is, the removal of solid waste. In this connection, the rates, according to the National Tax Code, can only be charged if specific and divisible public services are used, provided to taxpayers or placed at their disposal. The removal of solid waste could not be considered as divisible since it is intended for all citizens. Another controversial issue refers to the fact that not all health services generate contaminating residues, although the Municipal Law defines that everybody must pay the rate under litigation. Therefore, regarding this litigation, the chances of an unfavorable outcome are classified as possible.

For lawsuits whose risk of an unfavorable outcome is considered as possible no reserve for contingencies is recognized at December 31, 2009 and 2008.

c) Judicial deposits

When required, the Company makes judicial deposits as guarantee for pending litigation. These deposits total R$3,657 at December 31, 2009 (R$9,924 at December 31, 2008), Company, and R$3,657 at December 31, 2009 (R$10,928 at December 31, 2008), consolidated, 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.

15. TAXES PAYABLE

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Service tax (ISS)	1,557	790	1,696	1,703
Tax on revenue (PIS)	784	174	807	683
Tax on revenue (COFINS) in installments (a)	16,294	-	16,294	9,702
Tax on revenue (COFINS) (b)	5,120	-	5,184	-
Withholding income tax (IRRF)	805	632	907	863
Social security contribution (INSS) in installments (c)	7,127	-	7,127	9,694
Service tax (ISS) in installments (d)	27,015	14,190	27,045	29,118
Service tax (ISS) included in the Industry Tax Refinancing Program (Prefis) (e)	12,676	-	12,676	12,223
Tax in installments (PAES) (f)	11,827	-	13,287	16,691
State VAT (ICMS) on imports (i)	8,957	-	8,957	-
Judicial deposits (ICMS) (i)	(8,503)	-	(8,503)	-
Social security contribution (INSS) (g)	2,005	-	2,005	-
Other (h)	5,886	681	7,196	6,464
	91,550	16,467	94,678	87,141
Current	19,322	4,399	19,682	25,341
Noncurrent	72,228	12,068	74,996	61,800

(a) Refers mainly to COFINS installment payment of Campana, which during several years claimed the unconstitutionality of Law 9430/96, which revoked the exemption from this tax granted to professional partnerships by Supplementary Law 70/91. However, the court decision was unfavorable to Campana. The Company applied to the Federal Revenue Service for the installment payment provided for by Law 11941/09, which was authorized in December 2009, and awaits the consolidation and ratification of the balances.

(b) This balance refers mainly to the reserve recorded to support the Company's challenge of the broadening of the COFINS tax base. The adjusted balance of this reserve at December 31, 2009 is R$5,045. See further details in note 14.

(c) The Company is paying social security contributions in installments totaling R$7,127, adjusted for inflation based on the TJLP or Brazil’s base rate (SELIC). At December 31, 2009, the total amount of R$6,307 was included in the installment payment provided for by Law 11941/09, since the application for the installment payment was authorized in December 2009. The Company awaits the consolidation and ratification of the balances and is already paying the minimum installments imposed by this new installment payment. The amount of R$820 refers to the installment payment of NKB Pernambuco with the following payment flow: R$135 (80 remaining installments) and R$685 (90 remaining installments).

(d) ISS installment payments: the Company filed defense against the tax notifications issued by the São Paulo City Department of Finance in periods prior to 1993, claiming the payment of ISS for the period from 1980 to 1993, as allegedly the operations conducted by the Company qualified it as an ISS taxpayer. In 2005, after an unfavorable decision, the Company negotiated with tax authorities the installment payment of R$8,633, which was recorded under taxes payable. Additionally, in 2005 the Company recognized a reserve for contingencies totaling R$13,663 for the periods still under litigation, based on an assessment of Management at the time.

On May 12, 2006, the Company negotiated the total debt with tax authorities and joined the Tax Installment Payment Program (PPI), created by the São Paulo City Department of Finance. This debt is being settled since May 2006 in 120 monthly installments, subject to interest corresponding to Brazil's base rate (SELIC).

These debts are being settled in 120 installments, adjusted for inflation based on Brazil's base rate (SELIC). At December 31, 2009, the balance payable is R$21,801. Additionally, the Company has other tax installment payment programs with the municipal governments of Curitiba, Rio de January, Salvador, and São Paulo, adjusted for inflation based on various indices. At December 31, 2009, the amount payable related to these tax installment payment programs totals R$5,214 (R$5,106 at December 31, 2008).

(e) Prefis was created by the City of Recife, under Law 17029, of September 22, 2004, for taxpayers operating in the services industry with debts to the City. The outstanding debts, including debts arising from lawsuits with a probable unfavorable outcome, have been included in this program. The debit balance of R$12,676 at December 31, 2009 (R$12,223 at December 31, 2008) is adjusted for inflation based on the Extended Consumer Price Index (IPCA) and bears interest of 12% per year, of which R$100 is classified in current liabilities and R$12,576 in noncurrent liabilities.

(f) PAES was created by Law 10684/03, and is intended for entities with debts to the Federal Government and INSS. The outstanding debts, including debts arising from lawsuits with a probable unfavorable outcome, have been included in this program, and the option occurred on July 30, 2003. The debit balance, less payments made in 2009, was monthly adjusted based on the TJLP, and at December 31, 2009 totals R$11,827, which was included in the installment payment provided for by Law 11941/09. The application for installment payment has already been authorized by the Brazilian Federal Revenue, and the Company awaits the consolidation and ratification of the balances. The net effects of the option for the PAES (principal, fine and interest) were fully considered in the income for 2003. The remaining balance of R$1,460 refers to the installment payment of Weinmann.

(g) The amount refers mainly to challenges involving the levy of social security contribution on payments to service cooperatives, not collected on payments made to them from August 2001 to February 2008. The lawsuit claims the unconstitutionality of the provision of Law 9876/99 which requires, by inserting section IV in Article 22 of Law 8212/91, that receivers of services provided by individuals, through labor cooperatives, shall withhold social security contribution of 15% of the gross amount of the invoice. The unconstitutionality of this contribution is based on the provisions of Article 195, I, of the Federal Constitution that prescribes that the social security contribution shall be levied only on the compensation paid or credited to individuals, while the new contribution is levied on payments made to legal entities. After reviewing this matter in 2009, Management and its legal counsel noted that R$3,429 referred to amounts no longer payable due to the expiration of the statutes of limitation, and that the tax authorities' right to require the tax has elapsed.

Therefore, this amount was reversed to the income statement for the year ended December 31, 2009, under "Reserve for contingencies", in operating expenses. For the remaining balance adjusted at December 31, 2009, in the total amount of R$1,569, the reserve was maintained and is the principal amount included in the balance of R$2,005 shown in the table previously presented. The lawsuit awaits a court decision on the extraordinary appeal filed by the National Social Security Institute (INSS) on February 12, 2007.

(h) Relates mainly to the Special Tax Installment Program (PAEX). Provisional Act 303/06 approving the PAEX was published on the Federal Official Gazette on June 30, 2006, and comprises three arrangements: (i) payment in cash or in 6 installments; (ii) payment in 130 monthly installments; and (iii) payment in 120 monthly installments. Installments are adjusted based on the TJLP. The consolidated balance refers to the installment payment programs joined by the Company, which opted for payment in 120 and 130 monthly installments. At December 31, 2009, the outstanding balance was R$1,308 (90 remaining installments) and R$1,221, which was included in the application for the installment payment provided for by Law 11941/09. The application was authorized by the Brazilian Federal Revenue in December 2009. The remaining balance of R$1,311 refers to the installment payment ofWeinmann.

(i) 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 legal counsel argues that this levy is undue as the Company is not an ICMS taxpayer, and because this type of import is not qualified as a commercial transaction. The Company understands that the likelihood of an unfavorable outcome is remote in lawsuits filed before the enactment of Constitutional Amendment 33/01, which reworded the Constitution to require the payment of ICMS on imports conducted by taxpayers that usually are not subject to such tax. On the same date, the total amount under litigation was R$3 million, for which there is judicial deposit of R$897 and there is no reserve recognized in the Company's financial statements. The Company filed a lawsuit for each import carried out after the enactment of said Constitutional Amendment and in some cases the State of São Paulo initiated an administrative proceeding. Considering that: (i) in 2009 a special appeal filed by a different taxpayer on the same matter awaits decision of the Federal Supreme Court; (ii) on June 13, 2009 the Federal Supreme Court recognized the existence of case law on the matter; and (iii) the constant change in the member of the Federal Supreme Court, the Company started to accrue the amount under litigation, totaling R$8,957 at December 31, 2009, classified under line item "Taxes payable", of which R$2,404 was charged to line item "Reserve for contingencies", in operating expenses. At the same date, the Company has judicial deposits of R$8,503 for the total amount accrued.

As mentioned, Law 11941/09 created a new federal tax installment payment program called REFIS IV, with more favorable conditions and terms. The Company opted to pay federal tax debts already paid in installments under previous programs, as well as new debts under this program. The Company joined the program on the website of the Federal Revenue Service, and the Company also filed an administrative request with this agency to utilize tax loss carryforwards outstanding in August 2009 to reduce fines and interest and the payment of principal in 180 months with a 60% reduction in fines, 25% reduction in interest, and 100% reduction in legal charges, as permitted by Article 1, of Law 11941/09, and Articles 15 and 17 of Joint PGFN/RFB Administrative Rule 06/09. Currently, the Company awaits the consolidation of REFIS IV installments and until such consolidation is completed, it pays the minimum installments required by this new tax installment payment program. In December 2009, the Brazilian Federal Revenue authorized all applications for installment payment filed by the Company and, therefore, the Company recorded the discounts related to fine and interest under the program, generating a total gain of R$8,814 recorded in the income statement for the year, of which R$7,750 under line item "Other operating income (expenses)" and R$1,064 under "Financial income (expenses)". After the consolidation of

the debts under the program, the Company intends to offset part of the remaining fines and interest against unrecorded tax credits, in the amount of R$6,993.

The noncurrent portion matures as follows as of December 31, 2009:

	Consolidated
2011	7,893
2012	7,862
2013	7,853
2014	7,853
2015 thereafter	43,535
	74,996

16. 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$67,794 (R$35,187 in current liabilities and R$32,607 in noncurrent liabilities), consolidated, at December 31, 2009 (R$46,892 at December 31, 2008). In the event of non-payment, these debts are subject to arrears penalty of 5% of the overdue amount, plus interest of 1% per month.

The noncurrent portion matures as follows at December 31, 2009:

Maturity	Company and Consolidated
2011	13,176
2012	8,394
2013	8,596
2014	2,368
2015	53
2016	20
	32,607

17. FINANCIAL INSTRUMENTS

Based on their substance, financial instruments may involve known or unknown risks, requiring the assessment of risk potential. Thus, there may exist risks with or without guarantees depending on circumstantial or legal aspects. The main market risk factors that may affect the Company's and its subsidiaries' business are, as follows:

a) Risk management

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

The Company also has a financial instrument and risk management policy approved by the Board of Directors. The Company considers as foreign exchange exposure foreign currency-denominated sales flows and payments from suppliers, and loans.

The oversight and monitoring of the policies in place are carried out using monthly management reports.

(i) Credit risk

The client base of the Company and its subsidiaries has a certain degree of concentration in some major clients, as discussed in note 5. The Company and its subsidiaries constantly monitor accounts receivable through internal controls, thus limiting the risk of default. Management recognizes an allowance for doubtful accounts for losses considered probable.

(ii) Foreign exchange rate risk

The Company and its subsidiaries have trade accounts receivable, loans and financing, and trade account payable denominated in foreign currency. 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, 2009 account for approximately 4.39% of total consolidated loans and financing and 0.7% of total consolidated trade accounts payable. In order to reduce this foreign exchange exposure, the Company and its subsidiaries have contracted foreign exchange swaps, swapping the US dollar fluctuation plus interest for the CDI fluctuation. In addition to the swap transactions, the Company has trade accounts receivable denominated in foreign currency that account for 0.8% of total consolidated trade accounts receivable, which reduces its exposure from financing installments and trade accounts payable.

At December 31, 2009 the Company had the following net exposure:

	US$'000	
	Company	Consolidated
Current assets-		
Trade accounts receivable	908	908
Total current assets	908	908
Current liabilities:		
Loans and financing - current	(1,101)	(1,101)
Loans and financing - noncurrent	(2,202)	(2,202)
Trade accounts payable	(161)	(161)
Total liabilities	(3,464)	(3,464)
Net exposure	(2,556)	(2,556)

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, 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$)		2,030		2,537	3,044
Instruments subject to hedge:					
Trade accounts payable	2010	(46)	Raise in US$	(128)	(210)
NDFs	2010	115	US$ depreciation	369	623
Net effect		69	Raise in US$	241	413
Instruments not subject to hedge:					
Trade accounts receivable	2010	262	US$ depreciation	723	1.183
Loans and financing	2010	(317)	Raise in US$	(876)	(1,433)
Loans and financing	2011	(209)	Raise in US$	(576)	(944)
Loans and financing	2012	(202)	Raise in US$	(557)	(913)
Loans and financing	2013	(202)	Raise in US$	(557)	(913)
Loans and financing	2014	(22)	Raise in US$	(62)	(101)

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

(iii) Interest rate risk

The Company and its subsidiaries have loans 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. 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 loans 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, 2009, 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.)	8.55%	10.69%	12.83%
Projected interest (*)	21,017	25,980	30,894
TJLP rate (p.a.)	6.00%	7.50%	9.00%
Projected interest (*)	1,005	1,165	1,324

(*) Calculated up to the end of the contract.

b) Derivatives

The Company has derivative financial instruments contracted to hedge against foreign exchange rate fluctuations on the purchase of services and loan 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 controls over their derivative instruments which, in Management's opinion, are appropriate to control the related risks and ensure they are accurately recorded in their financial statements. Hedging has met its objective of safeguarding monetary assets and the profitability of the main transactions.

The fair value of these instruments at the balance sheet date, by counterparty, classified under "Derivative financial instruments", is as follows:

Type	Notional amount (US$'000)	Currency	Counterparty	Forex rate (average) - R$	Maturity	Balances 12/31/2008	Results 12/31/2009	Settlement	Balances 12/31/2009
Swap (a)	567	US$	Banco Real	1,7628	01/05/2009	270	(4)	266	-
Swap (a)	1,696	US$	Banco Votorantim	1,7687	01/21/2009	850	23	873	-
Swap (a)	1,032	US$	Unibanco	1,9388	06/29/2009	410	(356)	54	-
NDF (b)	375	US$	Itaú BBA	2,1560	06/29/2009	-	(81)	(81)	-
NDF (b)	500	US$	Itaú BBA	2,1980	09/28/2009	-	(198)	(198)	-
NDF (b)	500	US$	Itaú BBA	1,8570	12/31/2009	-	(52)	(52)	-
NDF (b)	500	US$	Itaú BBA	1,7990	03/29/2010	-	(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 S.A. - Balcão Organizado de Ativos e Derivativos, subject to 106.3% to 109% of CDI and dollar plus interest of 5.8% to 7% per year. These transactions aim at hedging the foreign exchange variation to the Brazilian real and were made with Banco Real, Votorantim and Unibanco, and are traded in over-the-counter market.

(b) The Company entered into NDF (non-deliverable forward) transactions, under the custody of CETIP, as a means to hedge its future U.S. dollar cash flows, arising from payments to suppliers, in the amount of US$500 thousand and with maturity on March 29, 2010, against losses resulting from fluctuations in foreign exchange rates which may increase trade accounts payable in reais. These transactions were made with Banco Itaú BBA and are traded in over-the-counter market.

For the year ended December 31, 2009, there is a net loss of R$218, Company, and R$681, consolidated (net gain of R$2,763, Company, and R$4,564, consolidated, for the year ended December 31, 2008) recognized in the income statements under line item "Derivative financial instruments".

Swap and NDF contacts settled in 2009 presented a total gain of R$862 and had an impact on the Company's cash position of R$584, net of taxes. At December 31, 2009, the Company does not have outstanding swap balances for its loans and financing.

In compliance with 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 underlying instrument, calculated based on the notional amount of the contract.

As prescribed 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
Unfavorable fluctuation	-	-25%	-50%
US$ depreciation (rate in R$)	1.7735	1.3301	0.8867

		Unfavorable fluctuation - Company and consolidated		
Transaction	Scenario I (probable) loss	Risk (*)	Scenario II loss	Scenario III loss
NDF	(13)	US$ depreciation	(234)	(456)
Trade accounts payable	(5)	Raise in US$	66	138
Net effect	(18)		(168)	(318)

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

c) Valuation of financial instruments

The Company's and its subsidiaries main asset and liability financial instruments at December 31, 2009 and the measurement criteria used are described below:

(i) Short-term investments

Contracted with immediate liquidity, the yield rates reflect usual market conditions and terms at December 31, 2009 and correspond to 100% to 106% of the CDI fluctuation.

(ii) Trade accounts receivable, other current assets and trade accounts payable

Their carrying amounts approximate their fair values at the balance sheet date, considering their nature and maturity dates.

(iii) Investments

Consist principally of investments in privately-held subsidiaries, accounted for under the equity method, in which the Company holds strategic interests.

(iv) Loans and financing

The fair values of loans and financing at December 31, 2009 do not differ materially from their carrying amounts, as described in note 11.

d) Fair value measurement

The Company and its subsidiaries measure the fair value of their assets and liabilities using available information and appropriate methods, which requires considerable judgment and reasonable estimates to determine the most appropriate fair value.

The fair value of derivative financial instruments was calculated based on the discounted cash flows of the underlying contracts, using indices and interest rates applicable to instruments with similar nature, terms, and risks, obtained mainly on BM&FBOVESPA.

18. INSURANCE (UNAUDITED INFORMATION)

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, 2009 is R$766. The insurance contracts are effective until July and September 2010. The table below shows the maximum sum insured (MSI) of the main insurance coverage at December 31, 2009:

	Consolidated
Named perils	R$87,636
General civil liability	R$500
Professional civil liability	R$3,500
Professional civil liability – directors and officers	R$30,000
International freight - imports	US$1,200

19. COMMITMENTS

The Company has operating lease agreements of equipment and at December 31, 2009 future installments totaled R$1,446 (R$825 at December 31, 2008). Consolidated operating lease commitments of equipment totaled R$1,658 (R$1,154 at December 31, 2008). The position of commitments made, stated at their fair value, is as follows:

	Company	Consolidated
2010	914	1,046
2011	515	596
2012	16	16
	1,445	1,658

In 2009, expenses with operating leases of equipment, consolidated and Company, totaled R$290 (R$777 at December 31, 2008). The agreements are adjusted for inflation at a fixed rate of 10.82% per year or using the CDI fluctuation plus a fixed rate ranging from 0.37% to 4.00% per year. At the end of the contractual term, the Company may choose to extend the contract, acquire or return the assets under conditions to be agreed with by the parties based on the fair market value of the assets at the date of such agreements. The lease contracts do not have any covenants the Company may be subjected to.

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. In 2009, property lease expense totaled R$27,557 (R$21,524 at December 31, 2008), Company, and R$39,304 (R$34,535 at December 31, 2008), consolidated. The agreements are adjusted for inflation after the original maturity date (annually in general) based on the IGP-M fluctuation. Consolidated property lease commitments at December 31, 2009 totaled R$97,071 (R$105,220 at December 31, 2008). The consolidated position of commitments made is as follows:

	Consolidated
2010	25,956
2011	23,499
2012	18,336
2013	9,319
2014 thereafter	19,961
	97,071

20. SHAREHOLDERS' EQUITY

Fully paid-in capital at December 31, 2009 is represented by 126,160,780 registered common shares without par value (2,412,765 registered common shares without par value at December 31, 2008). 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 December 18, 2008 approved an increase in the Company's capital by R$24,000, through the issuance of 402,431 registered common shares without par value.

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$41,962 calculated at December 31, 2008 as follows; R$2,098 to the legal reserve, R$7,196 as dividends, R$4,778 as interest on capital in the form of dividends, 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.

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. The costs incurred in this capital increase transaction, of R$22,218, net of tax effects, were recorded in an account reducing capital and stated in a separate caption in the statement of changes in shareholders' equity.

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	83,685
(-) Legal reserve	(4,185)
Profit to be distributed	79,500
Dividends paid	(44,000)
	35,500

The Board of Directors' meetings held on August 12 and October 13, 2009 approved the payment of interim dividends of R$9,000 and R$35,000, respectively, both related to 2009, which will be submitted for final approval at the Extraordinary Shareholders' Meeting to be held in April 2010. The sum of the amounts already paid as dividends accounts for 52% of the net income for the year, in compliance with the provision in article 202 of Law 6404/76 and 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$36,665, 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 2010.

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, since they involve risks, uncertainties and assumptions.

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 2009, totaling R$78,168 at December 31, 2009, under line item "Earnings reserve for investments and expansion".

Capital budget - use of funds

	2010 Projection
Investments in fixed assets:	
Machinery and equipment	100,585
IT systems	32,914
Renovations and refurbishments	60,689
Other	13,676
	207,864

21. RELATED PARTIES

Balances and transactions with related parties at December 31, 2009 are as follows:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Transactions:				
With subsidiary-				
Service revenue -				
NKB (b)	8,295	6,185	-	-
With other companies-				
Rentals-				
Transinc Serviços Médicos S.A. (a)	5,516	4,973	5,516	4,973
Balances-				
With subsidiaries-				
Noncurrent assets and liabilities-				
Loans receivable and advances for future capital increase:				
Laboratório Weinmann S.A.	3,870	-	-	-
Fleury CPMA (c)	2,261	1,730	-	-
NKB	-	39,648	-	-
	6,131	41,378	-	-

(a) Transinc Serviços Médicos S.A. owns and manages some properties used by the Company 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.

(b) Refers to clinical testing services provided.

(c) Refer to administrative support services provided by Fleury to the subsidiary, for which there are no guarantees and the risk of loss is considered as remote by the Company.

Management compensation includes salaries and fees in the amount of R$3,138 and compensation to the Company's Board members in the amount of R$1,152 (R$3,635 and R$496, respectively, at December 31, 2008). Said compensation is recorded in the income statements as "General and administrative expenses". The Company does not grant to its Management any type of post-employment or lay-off benefits, nor any other type of long-term benefits.

The Company recorded provision for profit sharing totaling R$11,142 for the year ended December 31, 2009, R$9,727 of which to employees and R$1,415 to Management (R$11,217, R$10,181 and R$1,036, respectively, at December 31, 2008). These amounts are charged to "General and administrative expenses".

22. SERVICE REVENUE

	Company		Consolidated	
	2009	2008	2009	2008
Diagnostic medicine:				
Clinical testing	390,620	294,000	528,487	468,145
Imaging diagnosis center	244,127	204,383	263,181	228,587
Other	4,196	3,674	8,349	6,975
	638,943	502,057	800,017	703,707
Diagnostic medicine:				
Service units	563,216	449,015	693,594	611,526
Hospital operations (*)	49,788	30,029	62,165	41,188
Diagnostic medicine solutions	25,939	23,013	44,258	50,993
Subtotal	638,943	502,057	800,017	703,707
Preventive and therapeutic medicine	12,560	10,574	20,422	16,016
	651,503	512,631	820,439	719,723

(*) Hospital services, samples harvested or images captured inside hospitals.

23. COST OF SERVICES

	Company		Consolidated	
	2009	2008	2009	2008
General expenses	24,063	20,311	33,194	33,181
Materials and outside services	71,323	59,576	98,389	97,326
Staff and doctors	156,492	111,810	215,878	182,657
General services, leases and public services	75,566	48,576	104,224	79,355
	327,444	240,273	451,685	392,519

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Company		Consolidated	
	2009	2008	2009	2008
General expenses				
Depreciation and amortization	24,859	16,075	30,874	21,996
Consulting services	28,001	15,447	33,161	21,136
Events and promotions	9,860	6,279	11,677	8,591
Telecommunication	4,782	2,223	5,663	3,041
Other	14,219	13,697	15,557	18,743
	81,721	53,721	96,932	73,507
Materials and outside services	709	707	839	968
Staff and doctors	60,508	51,816	71,657	70,899
General services, leases and public services	10,648	8,681	12,610	11,878
	153,586	114,925	182,038	157,252

25. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
	2009	2008	2009	2008
Financial income:				
Interest received from clients	60	44	186	1,551
Short-term investments	6,447	1,225	8,585	1,246
Exchange rate change	4,060	3,858	4,857	5,361
Derivative financial instruments	51	4,033	110	6,581
Other	174	98	232	683
	10,792	9,258	13,970	15,422

	Company		Consolidated	
	2009	2008	2009	2008
Financial expenses:				
Interest and inflation adjustment on loans, financing and tax installment payments	(15,226)	(13,257)	(25,076)	(28,974)
Interest and inflation adjustment on reserve for contingencies	(3,071)	(2,354)	(3,157)	(2,354)
Interest paid to suppliers	(77)	(141)	(410)	(4,537)
Bank fees and expenses	(859)	(373)	(1,358)	(788)
Exchange rate change	(1,660)	(8,306)	(1,816)	(13,744)
Derivative financial instruments	(269)	(1,270)	(791)	(2,017)
Other	(1,855)	(643)	(2,606)	(3,703)
	(23,017)	(26,344)	(35,214)	(56,117)
	(12,225)	(17,086)	(21,244)	(40,695)

26. INCOME TAX AND SOCIAL CONTRIBUTION – CURRENT AND DEFERRED

Deferred income tax and social contribution at December 31, 2009 are as follows:

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Tax loss carryforwards	21,854	-	21,854	8,092
Reserve for contingencies	38,396	43,036	41,571	46,690
Allowance for doubtful accounts	39,585	7,732	41,150	21,487
Foreign exchange gains (losses) - taxed on a cash basis	(189)	2,344	(189)	2,344
Revaluation reserve	(6,223)	(7,988)	(6,223)	(7,988)
Effects of goodwill amortization	(32,534)	-	(32,534)	-
Amortization of nondeductible goodwill up to December 31, 2008	24,782	4,774	24,782	12,565
Accrued profit sharing	11,000	10,624	11,000	10,624
Other	141	3,760	139	5,139
Tax base	96,812	64,282	101,550	98,953
Deferred income tax and social contribution at the combined tax rate of 34%	32,916	21,856	34,527	33,644
Distribution:				
Current assets	11,217	4,457	11,217	4,248
Long-term assets	34,940	20,115	36,551	31,315
Current liabilities	(590)	(610)	(590)	(1,318)
Noncurrent liabilities	(12,651)	(2,106)	(12,651)	(601)

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

	Company		Consolidated	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Income before income tax and social contribution	125,416	71,761	127,204	62,995
Approximate combined income tax and social contribution rate	34%	34%	34%	34%
Income tax and social contribution	(42,641)	(24,399)	(43,249)	(21,418)
Additions of nondeductible expenses:				
Fines, gifts and donations	(262)	(156)	(262)	(1,185)
Equity in subsidiaries	(5,940)	(9,733)	-	-
Recognition of deferred income tax and social contribution on temporary differences of merged subsidiaries	6,259		6,259	4,010
Discounts arising from the application for installment payment under Law 11941/09	2,997	-	2,997	-
Write-off of tax losses due to merger	-	-	(2,727)	-
Effect of non-recognition of deferred taxes in subsidiaries	-	-	(5,346)	(5,371)
Effect of income tax on interest on capital	-	1,624	-	1,624
Other	(2,144)	2,865	(1,191)	334
Income tax and social contribution expense	(41,731)	(29,799)	(43,519)	(22,006)
Current	(32,803)	(35,429)	(35,545)	(39,424)
Deferred	(8,928)	5,630	(7,974)	17,418

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:

Year	Company	Consolidated
2011	3,280	3,431
2012	4,920	5,147
2013	6,561	6,864
2014	8,201	8,579
2015	11,978	12,530
	34,940	36,551

The tax credit recovery estimates were based on taxable income projections taking into consideration several financial and business assumptions at yearend. 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 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.

As discussed in note 1, in 2009 corporate restructurings were implemented to concentrate operations in fewer legal entities for the purpose of cutting costs. As a result of these restructurings and based on the expected generation of taxable income, the Company recognized R$6,259 as deferred income tax and social contribution assets on temporary differences.

At December 31, 2008, subsidiaries Biesp Laboratório, Biesp Instituto, NKB Rio, NKB São Paulo, and NKB had R$164,649 in tax loss carryforwards. From this amount, R$8,092 met the terms and conditions set out in CMV Instruction 371/02 for the recognition of deferred tax assets, recognized in 2008 and totaling R$2,727. In order to concentrate operations in fewer legal entities, these subsidiaries were merged into the Company on August 31, 2009 and the related deferred tax assets were written off. In view of the above, the deferred income tax and social contribution recognized on such tax loss carryforwards were reversed against the income statement for the year ended December 31, 2009. On August 27, 2009, with the enactment of Law 11941/09. these subsidiaries requested to the Federal Revenue Service authorization to offset these tax loss carryforwards against federal taxes included in the installment payment program; however, so far this offset has not been authorized and no tax credit in connection with this matter was recorded in the financial statements for 2009.

27. PENSION PLAN AND STOCK OPTION PLAN

Pension plan

The Company sponsors a pension plan called Unibanco AIG S.A. Seguros e Previdência, 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 subsidiarys Fleury CPMA, and the plan is managed by Unibanco AIG S.A. Seguros e Previdência. Said plan is a defined contribution pension plan and for the year ended December 31, 2009 the Company made contributions totaling R$1,438 (R$993 at December 31, 2008), fully charged to "General and administrative expenses".

All employees and officers with an employment relationship with the Company or the subsidiary 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 subsidiaries’ 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

The companies acquired by the Company did not have any pension plan. The Company and its subsidiaries do not grant any post-employment benefits to their current and former employees.

For the year ended December 31, 2009, the Company recorded expenses on healthcare to its employees totaling R$7,961, R$6,348 of which charged to "Cost of services" and R$1,613 to "General and administrative expenses" (R$6,744, R$5,249 and R$1,495, respectively, at December 31, 2008).

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.

The Company's Board of Directors will determine the plan participants, as well as the number of shares to be acquired in the year of each option, the term, exercise price, payment terms and other conditions. The option contracts will be established individually for each participant, and the Board of Directors can establish differentiated terms for each contract, without the need for isonomy between the participants.

The exercise price of the first grant options will be equivalent to the price established in the first primary public offering of Fleury shares and will be adjusted based on the IPCA fluctuation. 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 first grant of 552,625 share options and the appointment of participants.

28. BUSINESS ACQUISITIONS

As described in note 1, the Company, through its indirect subsidiary NKB Rio, acquired CMRJ and the process was completed on July 2, 2009. Net assets acquired are presented below. Goodwill arising on such acquisition is R$5,655.

	R$
Cash and cash equivalents	449
Trade accounts receivable	843
Other receivables	1,879
Property and equipment and intangible assets	1,964
Trade accounts payable	(32)
Loans and financing	(500)
Other payables	(1,257)
Net assets acquired	3,346

Also as described in note 1, on October 15, 2009, the Company entered into an agreement for the acquisition of all 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 shown below, the acquired net assets totaled R$4,951 on August 31, 2009 and the goodwill arising on such transaction was R$53,669.

	R$
Cash and cash equivalents	1,323
Trade accounts receivable	16,421
Other receivables	7,295
Property and equipment and intangible assets	3,804
Trade accounts payable	(3,706)
Loans and financing	(4,182)
Other payables	(16,005)
Net assets acquired	4,950

29. SUBSEQUENT EVENTS

a) Corporate events

On January 4, 2010, the Board of Directors approved the distribution, subscription and payment of an overallotment of 5,137,770 registered common shares without par value, to meet the excess demand in view of the primary public offering of common shares. The price of this overallotment was R$16.00 per share, resulting in a capital increase, within the Company's authorized capital limit, by R$82,204. The Company's capital was increased to R$854,842, represented by 131,298,550 registered common shares without par value.

b) Business acquisition

On January 26, 2010, the Federal Gazette published the authorization of the Administrative Council of Economic Defense (CADE) related to the process for acquiring all the shares in Weinmann.

c) Merger of Weinmann

In February 2010, the Company's management approved the merger of its wholly-owned subsidiary Weinmann. On March 1, 2010, the merger proposal will be submitted for approval at the Company's Extraordinary Shareholders' Meeting.

30. NEW PRONOUNCEMENTS ISSUED IN 2009 AND THAT WILL BECOME EFFECTIVE IN 2010

With the enactment of Law 11638/07, which amended the Brazilian corporate law to enable the convergence of accounting practices adopted in Brazil with those contained in the International Financial Reporting Standards (IFRS), new accounting standards and pronouncements have been issued in conformity with such international accounting standards by the Accounting Pronouncements Committee (CPC).

By the date these financial statements were prepared, 42 new technical pronouncements (CPCs) and 12 technical interpretations (ICPCs) had been issued by CPC and approved by CVM Resolutions for mandatory application beginning in 2010. The CPCs and ICPCs that will be applicable to the Company, considering its operations, are:

CPC	Title
15	Business Combinations
16	Inventories
20	Borrowing Costs
21	Interim Financial Reporting
22	Segment Reporting
23	Accounting Policies, Changes in Accounting Estimates and Errors
24	Events after the Reporting Period
25	Provisions, Contingent Liabilities and Contingent Assets
26	Presentation of Financial Statements
27	Property, Plant and Equipment
30	Revenue

CPC	Title
31	Noncurrent Assets Held for Sale and Discontinued Operations
32	Income Taxes
33	Employee Benefits
36	Consolidated Financial Statements
37	First-time Adoption of IFRSs
38	Financial Instruments: Recognition and Measurment
39	Financial Instruments: Presentation
40	Financial Instruments: Disclosure
43	First-time Adoption of Technical Pronouncements CPC 15 to CPC 40

ICPC	Title
03	Supplementary Aspects of Lease Transactions
08	Accounting for Proposed Dividend Payments
09	Individual, Separate and Consolidated Financial Statements and Application of the Equity Method
10	Clarifications on Technical Pronouncements CPC 27 - Property, Plant and Equipment and CPC 28 - Investment Property

The Company's management is analyzing the impacts arising from the adoption of these new technical pronouncements issued by CPC. In the event of adjustments arising from the adoption of new accounting practices starting January 1, 2010, the Company will assess the need for remeasuring the effects on its 2009 financial statements, for comparative purposes, as if such procedures were in effect since the beginning of the year ending December 31, 2009.

31. STATEMENTS OF CASH FLOWS

a) Cash and cash equivalents

The breakdown of the cash and cash equivalents balances included in the statements of cash flows is presented in note 4.

b) Supplemental information

Transactions not involving cash and cash equivalents:

	Company		Consolidated	
	2009	2008	2009	2008
Loans between capitalized companies	-	74,365	-	-
Acquisition of subsidiaries with deferred payment	32,744	13,154	32,744	13,154

Capital Budget Proposed by the Administration

(R$ thousands)

In compliance with Normative Instruction 480/09 published by the CVM on December 7th ,2009, the Company reports below a demonstration of the proposed capital budget for fiscal year 2010.

Market conditions, macro-economic situations and other operational factors, because they involve risks, uncertainties and assumptions may affect the projections and business prospects and, consequently, the amount of values provided in this capital budget.

As one of the sources of funds to finance the investments in this capital budget, the Administration is proposing to retain 44% of 2009 net income, amounting to R $36,665. In December 31, 2009 the Reserve Account of Profits for Investment and Expansion amounted to R$ 78,168.

The difference between the resources needed for investments (as shown below) and the amount available in the Earnings Reserve Account will be financed by funds raised through the Initial Public Offering of Shares held in December 2009.

Capital Budget - Use of Resources

Investment in Fixed Assets	2010 Forecast
Machinery and Equipment	100.585
Information Technology	32.914
Relocations and remodelling	60.689
Others	13.676
Total	207.864

São Paulo, March 30, 2010

Board of Directors

Aparecido Bernardo Pereira
President
Board of Directors

José Gilberto Henriques Vieira
Vice-President
Board of Directors

Ewaldo Mário Kuhlmann Russo
Counselor

Mauro Silverio Figueiredo
Counselor

Milton Almicar Silva Vargas
Counselor Counselor

Heraclito de Brito Gomes Junior

Marcelo Pereira Malta de Araujo
Counselor

Luiz Carlos Vainer
Counselor

Joseph Rossetti Paschoal
Counselor

Samuel Monteiro dos Santos Junior
Counselor

Márcio Serôa de Araújo CoriolanoCounselor

Management

Mauro Silverio Figueiredo
President

Fabio Tadeu Marchiori Range
Chief Financial Officer

Omar Magid Hauache
Executive Director Preventive and Therapeutic Medicine

Maria Lucia Cardoso Gomes Ferraz
Executive Director of People

Vivien Bouzan Gomez Navarro Rosso
Executive Director of Diagnostic Medicine