Operator:

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everyone to DASA 1Q13 earning results conference call.

Today we have a simultaneous webcast that may be accessed through the website at www.dasa3.com.br. The slide presentation may be downloaded from that website as well. There will be replay facility for this call on the website for a week.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of DASA and on information currently available to the Company. They involve risks, uncertainties, and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions, and other operating factors could also affect the future results of DASA and could cause results to differ materially from those expressed in such forward-looking statements.

Today with us we have Dr. Romeu Cortes Domingues, Chairman; Mr. Dickson Tangerino, CEO; Ms. Cynthia May Hobbs, CFO; Dr. Octávio Fernandes, VP of Operations, and Dr. Emerson Gasparetto, Director of Imaging, and Mr. Paulo Bokel, Director of Investor Relations.

Now, I will turn the conference over to Dr. Romeu Cortes Domingues, Chairman. Dr. Domingues, you may begin your conference.

Romeu Cortes Domingues:

Thank you very much, sir. Good morning, good afternoon, ladies and gentleman, and welcome to our 1Q earnings call. Let us start with slide number three. We highlight aspects of growth, quality and shareholders' return. We have reached a gross revenue R$640 million in the 1Q, with a growth of 5.1% in comparison to the 1Q12, even with three working days less than the previous year and with a deceleration of health plan beneficiaries growth.

We continue opening patience service centers. This quarter we have opened six new PSCs, which one of these was the mega PSC of Alta brand, with a full range of services, including high-end equipment such as 3D MRI, 128 channels and PET CT which will help to position our brand in the premium market that will allow us to attract and retain the top HRs of Brazil.

One of the remaining five opening units, two were in São Paulo, strengthening Delboni brand and three in center region of Brazil, in Exame and Pasteur brands.

In the 1Q we continue improving our PSEs, including two completely refurbished units and 13 under ongoing reform in order to increase service quality and capacity. Additionally, we have installed two new MRI equipment and we have already started operation of two new hospitals in Brazil, one in Rio de Janeiro, UNIMED Hospital and the other one in Brasilia, Brasilia Hospital.

We are focusing in growth and profitably, aligned with costs. Regarding quality, in the 1Q13 we promoted an intensification of the medical relationship program reaching almost 1,000 refund positions in São Paulo. DASA doctors have ministered 35 lectures at Sao Paulo Radiology Meeting in May, one of the biggest congress of the world in the radiology area.

We had to admit 160 abstracts in the biggest congress of the world in the radiology area. Sorry, we had to admit 160 abstract to evaluation by the RSNA, Radiology Society of North America, to be presented at the end of this year. We have also the participation in the Congress of International Society of Magnetic Resonance in Seattle, last April.

We launched the second conveyor belt in Rio de Janeiro, in the central area of Rio de Janeiro, what makes this lab one of the largest full automated of the world, which allows us to increase our capacity and productivity. Concerning clinical analysis we will present 50 abstracts in the AC Meeting, which is the largest clinical congress in the world, which will be held in Houston next July. Regarding our first system in DASA Day has reached the minimum that we have implemented equivalent of 20% of DASA's revenues.

In terms of return to shareholders, our EBITDA in the 1Q was R$99 million with an operating cash flow of R$43 million. I will now return to our CFO, Cynthia Hobbs, to comment on our operational results.

Cynthia May Hobbs:

Thank you Romeo, moving on to slide four, gross revenue reached R$640 million this quarter, a 5.1% growth in the quarter compared with last year. In Clinical Analysis growth was of 7.3% this quarter, and we have made progress in the PSEs as well as in hospitals and lab-to-lab.

In imaging the growth rate was just below 1% this quarter, and we will talk more about imaging growth in this call. This was knowing that in the 1Q13 there were 60 business days while 1Q last year there were was 63 business days, and it was 5%.

The revenue per business day reached R$10.7 million this year, compared to R$9.7 million last year, a growth of 10.3% per business day. For next quarter we will have the opposite situation that will be 63 business days this year, compared to 60 business days in the 2Q12.

In this respect, the perspective for the year is very good. There are more business days than we had in the same period of 2012.

Moving on to slide five, PSC Units had a 4.4% growth in the 1Q13. In imaging, that revenue was in line with last year. In clinical analysis we had a 7.2% growth this quarter. The increase of MRI and CT exam in the mix grows the average revenue per requisition by R$10 compared to 1Q12. The growth in imaging exam was affected by the ultrasound exam, which represents approximately 30% of total imaging revenue. Now I will transfer to Emerson, who will comment on imaging exam development.

Emerson Gasparetto:

Thank you very much. First of all to evaluate the slack growth of imaging this quarter, it is important to keep in mind the composition of our product mix. Today's ultrasound is composed of around 32% of our gross revenues, while MRI and CT together represent 35%, and the remaining modalities, 32%. CT, ultrasound and MR are the main mix that we have.

During the last year we have a great demand for ultrasound doctors in the market. For that we ended up having a reduction of schedules, and as a result revenues of the modalities. Also, trying to schedule ultrasounds in our call centers has negatively affected the call center, which was already overloaded and impacted the results of Image.

We worked through the review of salaries and mainly carrer plan of ultrasound doctors, and in the 1Q we still suffered the consequence of this reduction of agenda, but in April the ultrasound growth was at the same level expected for this modality.

On the other hand, the performance of new equipment of Computed tomography and magnetic personal imaging installed in the last 18 months is doing very well, as you see in the chart. So, in these two charts we see the ramp-up of these new equipment is very good, and in the first six months we have already reached average occupancy rate of this modalities in the Company.

Finally, the satisfaction through this showed that we already started getting the results of our initiatives regarding medic relationships along with the improvement of perception of quality.

Cynthia May Hobbs:

Thank you. Moving on to slide seven, the revenue from the gross market were R$61 million, a growth of 12.5% compared to the 1Q12. We are committed to recover profitability in this market.

This year we already have contracts with seven less profitable hospitals. The process to recover profitability is in its final stage. On the other hand, we began operations at Unimed Rio hospital, with clinical analysis and image services, in addition to the hospital Brasilia, which will more than compensate for the revenue from hospitals that were casted off.

Moving on to slide eight, revenue from labs market reached R$64.4 million, a 7.5% growth in relation to the 1Q12. The number of labs increased by 173 and the number of tests increased by 10.9% compared to the previous year.

Our objective is still to increase the number of laboratories and also revenue from existing labs, and thus maximizing the business profitability. The growth of revenues for labs this quarter was 3.8% in terms of the number of acquisitions, we grew by 7.3%. The competitive dynamic in this market is improving compared to last quarter.

Moving on to slide nine, in the public market, we have revenue of R$43.7 million, in line with last year. We have a revenue growth opportunity due to new contracts, but this quarter the increase was offset by the cancellation of small lab possible contracts.

On slide ten, in terms of costs, it is important to notice that this quarter we worked with a high fixed cost and expense structure as percentage of net sales. On average, of past quarters, these fixed costs and expenses represented approximately 62% of net revenues.

If we consider only the costs of personnel and occupancy, it represents on average 40% of net revenues. This quarter the costs of services amounted to R$374 million, a 10% increase compared to the same period of the previous year, and reaching 64.4% of net revenues. Services and Utilities were the main ones responsible for this.

The personnel costs in relation to revenues remained stable at 19.1% of net revenues. In comparison to the 1Q12, the personnel costs dropped by 7%, basically because we postponed hiring the replacement during January and February, which are seasonally weaker months.

The cost of materials went up by 2.5% in the quarter, despite the number of clinical analysis exams having increased by 9%, due to the cost of productivity gains in our labs, and the strong partnership with buyers. The cost of this materials net revenues were reduced from 17.6% in the 1Q12 to 17.3% in the 1Q13 due to productivity gains.

In the cost of services and utilities there was an increase of almost 20% in comparison to last year, due to an increase in doctor's fees, cost of data links to provide redundancy, and system contingencies and occupancy costs. Rent has increased more than the inflation rate.

The cost of services and utilities increased from 23.1% of net revenues in the 1Q12 to 27% in the 1Q13.

I will now turn to Dr. Octavio, who will comment on costs.

Octavio Fernandes:

Thank you, Cynthia. Going to slide 11. In clinical analysis, comparing the 1Q13 with 2009, we have a growing number of tests in the order of 68% and a cost for test 5% lower. This can only be achieved with the implementation of technological innovation and efficiency in the production area, which increased our productivity by 22%. This quarter we are not affected by price or USD increase. Indeed, we suffered pressure to increase prices of reagents from some suppliers, which we understand to be a bias of the whole diagnostic industry.

However, the policy adopted since 2009 pursuing a better distribution of the share among suppliers, brought us a greater possibility of negotiation, since the dependence of a specific vendor was mitigated. We come to a new round of negotiation with all major suppliers in a transparent manner, ensuring that we have no impact on our variable costs throughout the year.

The second Conveyor sold in late March 2013 in the central area of Rio de Janeiro, collaborated in the maintenance and even increased in productivity in the area of clinical analysis of the company, as well as contributed permanently to the variable cost of the patience service unit of Rio de Janeiro, because consolidations in the number of collection tubes per patient has been achieved. Since the conveyor consolided five suppliers of different tests and therefore no longer need to collect separate tubes for extended testing portfolios.

After having delivered the complete automation at the central laboratory in São Paulo, and now at the laboratory in Rio de Janeiro, we started to implement the same approach in Cascavel, in the business to business central-lab. We estimate to deliver this task by the end of 2013. Now, back to Cynthia.

Cynthia May Hobbs:

Thank you, Octavio. Moving now to slide 12, our G&A cash was R$107 million in the 1Q13 compared to R$93.7 million in the 1Q12. In the administrative and general expenses we have

R$101 million compared to R$93.8 million last year. This increase compared to last year, is due to the higher headcount at the call center.

In comparison with 4Q12, there was a decrease of 6.8%, affected by a whole of not replacement of employees in January and February this year. This quarter we made an accurate paid of profit share program in the value of R$7.6 million.

Moving on to slide 13, our EBITDA reach R$99.1 million in the 1Q, a margin of 17% compared to 22% last year.

Running up to slide 14, income tax and social security compensations with 34% rate, with real amortization and tax benefit that allowed us to work with an effective rate of 24.6%.

It is important to know that though we are gaining benefits from goodwill in the purchase of MD1, some companies have not yet been incorporated, awaiting a decision from CADE, and are still paying interests. This effective rate is basically the result of taxes paid in companies originating from MD1.

Moving now to slide 15, we have maintained our provision policy, we are maintaining our coverage ratio for payment overdue by 120 days ex-loan We have reduced the numbers of unbilled services from R$128 million in the 1Q12 to R$93 million this year. Therefore the quality of our accounts receivable improve a lot in relation to previous year. Having increased significantly the number of invoices issued. The level of accruals for deductions, promotional discounts and bad debt provision this quarter was of 3.6%.

Now, going to slide 16, our operating cash flow this quarter reached R$46 million. This quarter, our working capital was impacted by an increase in receivables, consistent increase of revenues and benefited by inventory reduction, due to an improvement in our capital employed. We are very focus to have the CAPEX align with our operational cash flow, which has allowed us to keep the net debt stable at R$850 million, and our covenants ended this quarter at 2.2x EBITDA.

Moving up to slide 17, our return on invested capital in the quarter was of 7.6%, still impacted mainly by the increase in investments made in the last quarter. These investments have middle-term maturity rate.

Now, moving to slide 18, our CAPEX this quarter was of R$42 million. Six new units began operation this quarter, and we installed a new MRI.

And now I will turn back to Romeu, who will make the closing comments.

Romeu Cortes Domingues;

Thank you very much, Cynthia. In the last 12 months we have focused in the knowledge of our operation and the implementation of our priorities. We continue with the challenge of improving the clinical center, which is evolving, but it is still not in the operational level that we desire. We are focusing in preparing DASA for the next years.

We are investing in technology and new image equipment. Implementation of full automation in our center lab has increased the productivity. Regarding people, our focus is to reduce the turnover and make employers aligned with the values of the Company. We have already seen improvements in the medical relationship, their base with these acquisitions showed a perception of improvement of our service. In the end, I would like to emphasize that we have a motivated and aligned team that is capable to deliver what is expected for this Company.

We are very confident that we are creating a solid foundation for a sustainable growth of DASA. Thank you very much for you attention. Now, I would like to open for questions.

Clarissa Berman, Credit Suisse:

Hi. Thank you for taking the questions. I want to explore a little bit more, the lab to lab segment. We saw robust growth on that line, and it was a line that historically at least in the last year, we have seen higher competition really affecting the profitability of this. Can you comment a little bit on the dynamics of this segment, and what can we expect for 2013? Thank you.

Octavio Fernandes;

We are very used to see a very fierce competition regarding prices in this segment, and we have put a lot of effort during 2012, in our commercial area in order to increase the number of affiliated labs, and also the number of tests by requisitions, and we are pretty sure that we have aimed that goal.

We have seen that we have beat our production record in our central lab in Cascavel. That is the reason that we are creating further, the capacity in that segment, in order to bare all this growth that we are seeing these days in Brazil.

You have to consider, that the labs these days in Brazil, the 16,000 labs that we have here, they cannot cope anymore with the costs for producing their own path, because they do not have volume in the scale in order to compete with the major players in this business.

Kharissa Bermain:

Thank you. Just a follow up, is it a matter of the whole sector kind of shifting the competitor dynamic, and becoming more rational, or do you think it was a specific positioning that you guys took in 2012?

Octavio Fernandes:

I think that with the efforts put in the process of the commercial area for this lab, and also because we have seen that there is more rational in the whole segment in Brazil, like I told you, and seeing the movements that have happened with our major competitors, that these days we assume that are producing 6x less tests than we are.

Kharissa Bermain:

Ok. Thank you.

Brad Wiles, Trilogy Global Advisers:

Hi. Thanks for taking my question. I wanted to ask you, if you could please, I had a bad connection, just explain to me again and what you said about your personnel costs for the quarter.

Did I hear you correctly, that you said you postponed hiring in the months of January and February, and that is why your personal costs were so low? Your basis in services and utilities, again I apologize, I had trouble hearing the gentleman, what he discussed, I was trying to understand, he went on to some explanation to why the services and utilities were roughly 20% year over year. I was wondering if you would not mind just giving me a quick synopsis to why that was again. I know you went in details in the explanation, but I could not hear you very well.

Cynthia May Hobbs:

Thank you for your question. In terms of personnel, you were right, so we have held off retention increase in January and February, the 1Q is typically weaker for us, in our business, particular this year. We were able to do that during these two months.

We have already in March replaced these positions. We have also, in terms of costs, services and utilities, in these lines, typically what we have is doctor's fees, links, maintenance, as well with the occupancy cost. So what happened is this quarter there was basically an increase in doctor's fees and also in occupancy costs, where we have range in Brazil ranging a bit above inflation.

Brad Wiles:

OK. Great. And then, I just wanted to ask you, in your release and also in your comments in the call, a few minutes ago, you gave an indication that you had trouble hiring doctors, specialized doctor for your ultrasound exams. And I was wondering if that had a big impact upon your patient service center growth this quarter? Is that part of the reason why your requisitions declined, year over year, in the out patience business?

Emerson Gasparetto:

Thanks for the question, this is Emerson, and you were right. We had an impact on hiring doctors for the ultrasound modality, this was a specific problem that we had with the ultrasound. And as you see in the news, we have many societies, such as Abramed and Brazilian College of Radiology talking about that, researching this problem that not us, but everybody is having now, and we worked hard on that in the beginning of this year, so we have already impacted this product. So, in april we see that our numbers of ultrasound are back on what we consider good numbers.

Brad Wiles:

OK. So, in terms of my thinking about going forward, should I expect to see your requisition growth improve in the 2Q and 3Q? The last three quarters in you ambulatory business, your requisitions have declined, each of the last three quarters. Should we expect to start to increase over your basis going forward, or can you give that guidance?

Emerson Gasparetto:

It is hard to guarantee the quarter now, from the numbers that we have now, we believe. Also regarding, we solved the main problem that we had in the end of the year, so I think we are back on the number. Also, what we are expecting for the next quarters, we are going to have more working days, so basically the numbers that you can see in this spreadsheet, with less working days, that is something that was against us. Going forward, this is going to help a lot in terms of the number for acquisitions, for each quarter.

Brad Wiles:

I see. Thank you for reminding me. That probably had a big impact as well. Thank you so much for answering my questions, I appreciate it.

Josh Milburg, Deutsche Bank:

Good day, everyone, thanks for the questions. I have one question on the issue of your call center. I know you suggested that is still an issue, but I was hoping you would give just a little more color on the timing to really have that fully resolved. When is that no longer going to be a problem for you? That is my first question.

Cynthia May Hobbs:

We are still having problems with the call center and we operated with a drop off rate. In this quarter they were a bit low compared to what we had at the end of last year. In Sao Paulo, we worked with 20% drop off rate; in Rio it was around 30%.

What I can tell you is that this rates were worse than the 1Q because all the problems we had with the drops in Ultrasounds, which made the calls a bit longer. The problems with the drops with the call centers were a bit worst during this period.

What I can tell you is that during the 2Q we have recovered, so we are working right now in Sao Paulo with a drop off rate of around 15%, and in Rio de Janeiro with around 20%. So, we expect to achieve keep our to have a drop off rate of around 4% in Rio de Janeiro and Sao Paulo by the end of this year.

Josh Milburg:

OK. That is great. And then another capacity related issue, you showed on slide six, that your some of your new MRI, and other imaging equipment is getting pretty close to average utilization rate. So, I just wanted to understand what that meant for, or what the implications of that were for your ability to continue growing, in the subsequent quarters.

Emerson Gasparetto:

First of all, what we try to show was that the ramp up of this new equipment is doing well, and we reached in the first six months close to our numbers of average of occupancy that we had for this scanners. We still have capacity for growing in terms of number of patient, these equipment are not a full, but for sure, we have strategy for the next two years, or even more in these equipment. We need that.

But, we are pretty sure that we have enough slots during this year. So, we will not depend on new investments in MRI and CT to grow this year, but, for sure, we have to work on that, for the growth of 2014, 2015.

Josh Milburg:

That is great. Just finally, you know, putting these imaging issues aside, and then just talking about the patience service centers, at the level of the patience service level, I just wanted to understand if you are where you want to be in terms of wait times, and your capacity to address your demand.

Cynthia May Hobbs:

Well, in terms of the quality at the PSEs and wait time, as you were mentioning, we are improving the quality of the service that we are providing, in our brand. We have not reached the level, that we think we are able to provide, so what we are improving, but they are still ways to go, so there are a few challenges that will have to be tackled in the future.

Josh Milburg:

Ok, thank you.

Cynthia May Hobbs:

Thank you.

Operator:

This concludes the question answering session at this time. I would like to turn the floor back to Romeu Cortez Domingues, chairman, for any closing remarks.

Romeu Cortez Domingues:

Thank you very much everybody and I look forward to meet you in the next conference call in August. Thank you. Bye.

Operator

Thank you, this concludes today's DASA's 1Q13 earnings results conference call. You may disconnect your line at this time.