

Earnings 2Q19

Conference call:

July 26th | 11AM (10AM EDT)

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Code: Fleury

Webcast: www.fleury.com.br/ir

In June 28th, 2019:

Total shares

316,113,442

Market cap

R\$ 6,7 Bn | US\$ 1,7 Bn

Share price

R\$ 21.35 /US\$ 5.57

Fleury ON

B3: FLRY3

Bloomberg: FLRY3 BZ

Thomson Reuters: FLRY3-BR

Debentures

BRFLRYDBS023

BRFLRYDBS031

BRFLRYDBS049

BRFLRYDBS056



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São Paulo, July 25th, 2019 – Grupo Fleury announces today its 2nd quarter 2019 (2Q19) results. All figures are compared to the same period of the previous year, unless otherwise stated, and are rounded to the nearest thousand, but may have differences when compared to the financial statements due to decimal digits.

Highlights

- Gross Revenue of R\$ 787.6 MM (+8.2%). Highlight for the Fleury brand, with growth of 6.2%.
- Cancellations represented 1.3% (stable).
- Recurring EBITDA of R\$ 190.6 MM (+6.6%), with margin of 26.2%.
- Recurring Net Income of R\$ 90.3 MM (+4.2%).
- Return on Invested Capital (ROIC¹), excluding goodwill, reached 35.8%, impacted by non-recurring effects and conclusion of the acquisition of Lafe Serviços Médicos
- NPS Reached 76.4% (stable).
- 82% of the new area inaugurated with less than 24 months and 47% less than 12 months.
- In April 2019, was launched the operation of Fleury Day Clinic in Orthopedics.
- In July 2019, we announced a distribution of Interest on Capital in the amount of R\$ 63.3 million related to 6M 2019, corresponding to R\$ 0.2003 per share.
- Non-recurring effects (R\$ 18.1 million): Provision for write-off of other accounts receivable, M&A expenses and organizational structure redesign project.
- Implementation of IFRS 16 - Leasing. For comparison purposes the following numbers are presented without the effect of IFRS 16. On pages 18 to 20 we detail the impacts with the adoption of this rule.

¹ Excludes the goodwill of the stockholder's equity.

Financial Indicators

Financial Indicators (R\$ MM)	2Q19	2Q18	Variation	6M 2019	6M 2018	Variation
Gross Revenue	787.6	728.1	8.2%	1,545.5	1,434.4	7.7%
Net Revenue	728.7	673.4	8.2%	1,429.3	1,326.7	7.7%
Gross Profit	211.8	213.3	-0.7%	428.1	426.7	0.3%
EBITDA	172.6	178.8	-3.5%	369.2	364.8	1.2%
Net Income	77.1	86.6	-11.1%	174.0	183.1	-5.0%
Net Cash Income ¹	63.1	85.7	-26.3%	162.0	190.0	-14.8%
Operating Cash Flow	127.1	211.9	-40.0%	196.9	315.8	-37.7%
Cancellations (% Gross Revenue)	-1.3%	-1.3%	-07 bps	-1.4%	-1.3%	-07 bps
Gross Margin %	29.1%	31.7%	-261 bps	30.0%	32.2%	-221 bps
EBITDA Margin %	23.7%	26.6%	-288 bps	25.8%	27.5%	-166 bps
Effective Tax Rate	-27.0%	-27.6%	63 bps	-27.0%	-27.1%	08 bps
Net Income Margin %	10.6%	12.9%	-229 bps	12.2%	13.8%	-163 bps
Recurring EBITDA	190.6	178.8	6.6%	387.3	364.8	6.2%
Recurring Net Income	90.3	86.6	4.2%	187.2	183.1	2.3%
Recurring EBITDA Margin %	26.2%	26.6%	-39 bps	27.1%	27.5%	-40 bps
Recurring Net Margin %	12.4%	12.9%	-48 bps	13.1%	13.8%	-70 bps
Net Cash Income / Net Revenue	8.7%	12.7%	-406 bps	11.3%	14.3%	-299 bps
Operating Cash Flow / Net Revenue	73.6%	118.5%	-4.487 bps	53.3%	86.6%	-3.326 bps
ROE (LTM)	19.0%	20.0%	-108 bps	19.0%	20.0%	-108 bps
ROIC (LTM)	13.5%	15.3%	-175 bps	13.5%	15.3%	-175 bps
ROIC without goodwill (LTM)	35.8%	41.9%	-610 bps	35.8%	41.9%	-610 bps

¹ "Net Cash Income": excludes the impact of deferred income tax

Management Comments

We progressed in the maturation of the new patient service units and concluded the acquisition of the Lafe brand in Rio de Janeiro

In this quarter, we continued to focus our efforts on the maturation of the 53 patient service units inaugurated within the Expansion Plan announced in December 2016, that estimates the opening of 73 to 90 units by 2021. The maturation of these new operations has played a key role in the organic growth of 8.2% that the Company presented in this quarter compared to the same period of 2018.

On May 30th, we concluded the acquisition of the operation of Lafe Serviços Médicos, a clinical analysis laboratory that operates 31 patient service units in Rio de Janeiro. The acquisition of Lafe strengthens our presence in the second largest diagnostic medicine market in the country, adding even more complementarity to our operations of the Labs a+ and Felipe Mattoso brands, which now total 85 patient service units in Rio de Janeiro. Lafe's integration process began in June, and the impact on the Company's results will begin in 3Q19. In this first phase, we expect to internalize the entire processing of clinical analysis tests in our Regional Central Lab, double the current portfolio of tests, increase the accreditation of the units with partner healthcare providers and strengthen the relationship with the local physician community. In addition to these initiatives, we are performing the systemic integration to benefit the operation with all the technical, service and management processes for which we are recognized.

Advancement in the healthcare business platform with the launch of the Fleury Day Clinic in Orthopedics

Within the strategic front of transformation of the Fleury brand into a healthcare business platform, we inaugurated in April the operation of the Fleury Day Clinic in Orthopedics. Linked to our diagnostic excellence in the orthopedic area, we started offering lower complexity surgical procedures, that can be done in an ambulatorial environment (which represents 70% of the orthopedic procedures performed in the Brazilian population). The value proposition of this new business line brings relevant efficiency gains to physicians, healthcare operators and patients. With a structure dimensioned for this level of complexity, it allows patient discharge on the same day of the procedure and delivers a premium experience, with a cost per procedure below the market. The structure has two surgery rooms, as well as a structure for the pre and post-surgery. The initial offer has 21 different procedures, but with plans to expand its portfolio.

Major Advance in Precision & Personalized Medicine Test Portfolio

We launched two important tests in genomics in partnership with startups in 2Q19, Mir Thype and the Pharmacogenomic Panel. Mir Thype assesses the need for surgery in cases of thyroid nodules and can avoid up to 84% of unnecessary surgeries. The Pharmacogenomic Panel assists in the therapeutic choice for various clinical conditions, assisting the physician in choosing the best drug for each patient.

The technical, medical and service excellence for our clients continues to be one of our pillars of market share expansion

With continued growth in the face of a reducing number of lives in recent years in the private healthcare market, which is beginning to show signs of recovery, the Company's excellence and differentiation positioning continues to be reflected in public opinion.

The Weinmann brand received the Top of Mind award in clinical analysis laboratory in Porto Alegre, highlighting once again the high reputation of the brand among the population of Rio Grande do Sul.

For the 18th time, Fleury brand was recognized by the Consumidor Moderno Award for Customer Service Excellence as the best in the Diagnostic Medicine category.

In its new edition, the BrandZ Brasil ranking, conducted by the consulting company Kantar, listed the Fleury brand as the 44th most valuable brand in Brazil.

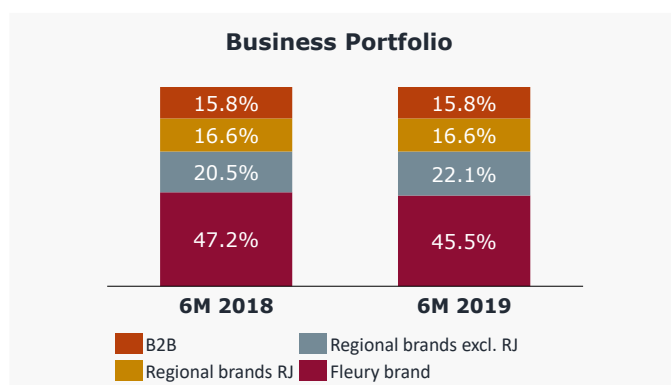
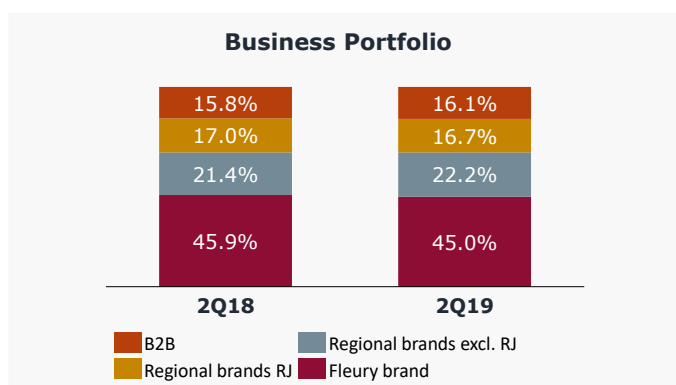
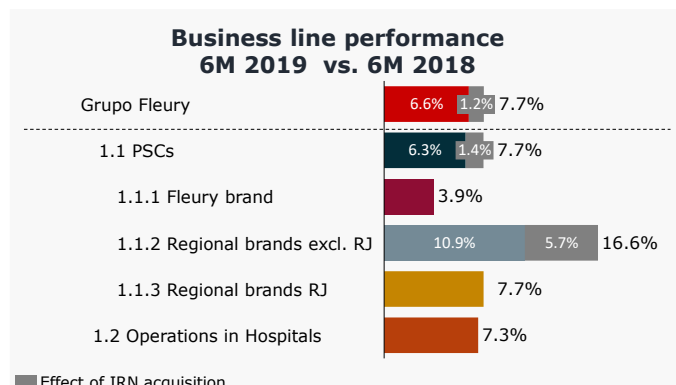
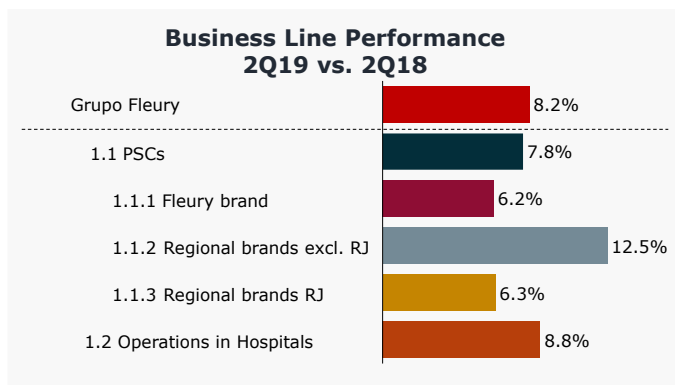
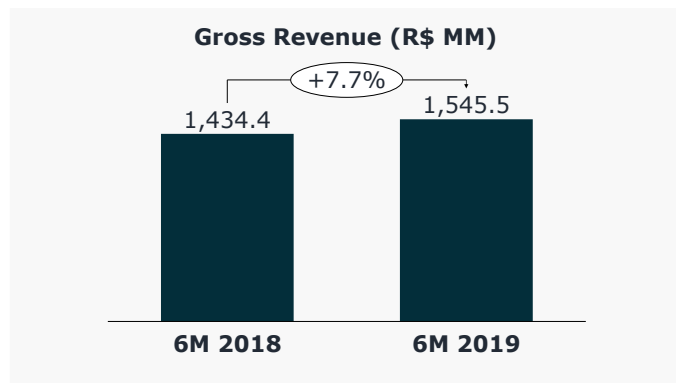
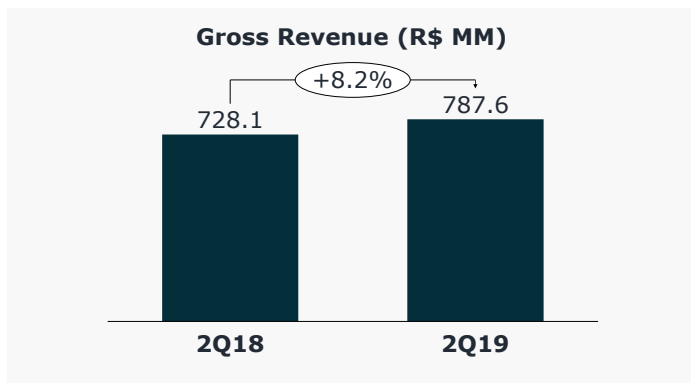
These recognitions are also reflected in the high level of consolidated Net Promoter Score (NPS) of our entire portfolio of brands, which reached 76.4%.

Financial Performance

Gross Revenue

Revenue reached R\$ 787.6 million in the quarter, an organic increase of 8.2%. Highlight for the Fleury brand, which showed recovery in comparison to the last quarters with an increase of 6.2% and regional brands excluding Rio de Janeiro with growth of 12.5%.

In the first half of 2019, Revenue grew 7.7%. Disregarding the PSCs from the acquisition of the Instituto de Radiologia de Natal (IRN), consolidated as of 2Q18, Gross Revenue presented an organic growth of 6.6%.



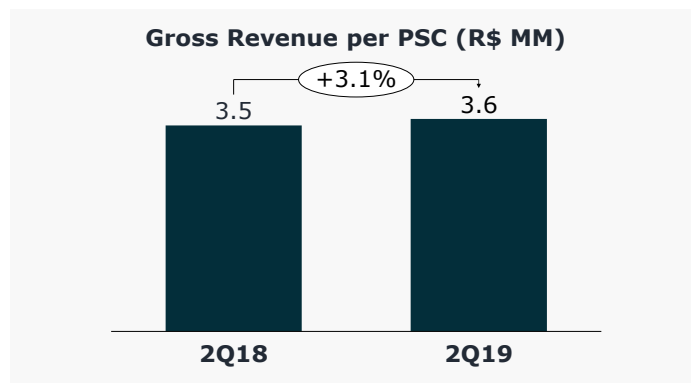
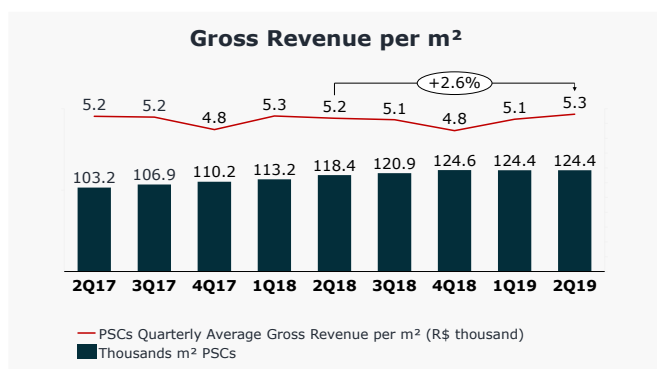
Gross Revenue and Asset Efficiency from Patient Service Center (PSC's)

The Gross Revenue of PSCs reached R\$ 661.2 million in 2Q19, an organic growth of 7.8%.

Year-to-date, Gross Revenue from PSCs reached R\$ 1.3 billion, an increase of 7.7%. Excluding the PSCs from the acquisitions of IRN, consolidated as of 2Q18, Gross Revenue of the PSCs showed an organic growth of 6.3%.

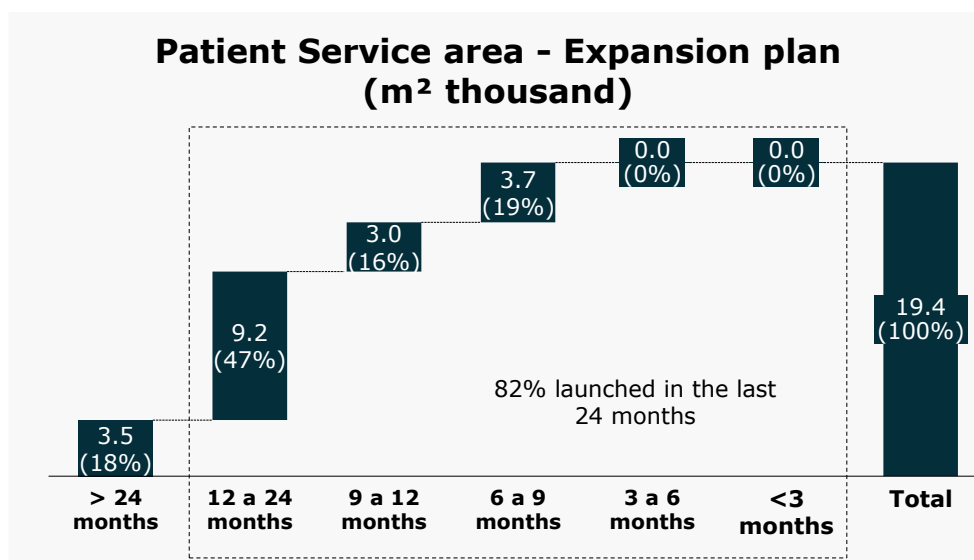
The efficiency indicators, measured by Gross Revenue per square meter and number of PSCs, reflect the Expansion Plan, which added a significant service area to our portfolio of brands. The new PSCs are advancing in the maturation curves established in our planning to reach the potential of revenue and profitability.

In 2Q19, asset efficiency measured by the Gross Revenue per square meter increased by 2.6% compared to the same period of 2018, while the efficiency of the Gross Revenue per PSC increased by 3.1%, reaching R\$ 3.6 million per PSC.



Since the announcement of our Expansion Plan in the last quarter of 2016 until December 2018, we have inaugurated 53 PSCs, corresponding to a gross increase of 19.4 thousand square meters of patient service area. Of this area, 82% were inaugurated less than 24 months ago, which means that the significant part of these PSCs is still in the early stage of the maturation curve.

In addition to the PSCs inaugurated by the Expansion Plan, we added 5 new PSCs through acquisitions, of which 1 in the Serdil brand (Porto Alegre) and 4 in the IRN brand (Natal), representing 4,800 square meters of service area.



Gross Revenue per Test

The Gross Revenue per Test for the Fleury Group presented a growth of 0.6% in the quarter. This growth reflects the mix of tests, brands and segments carried out in the period, as well as the new price table resulting from the annual readjustment. Year-to-date, growth was also 0.6%.

- PSC's: Gross Revenue per test decreased by 1.5% in the quarter and 0.8% year-to-date. The observed reduction stems from the mix of brands and realized tests in the period, Fleury brand and Regional brands excluding Rio de Janeiro individually presented evolution of Gross Revenue per Test. The brands in Rio de Janeiro had a decrease in Gross Revenue per Test due to the higher growth of clinical analysis tests, which have a lower price;
- Hospital Operations: Gross Revenue per test recorded growth of 4.2% in the quarter and 2.5% year-to-date. The increase in the quarter is a result of the mix of hospital operations, realized tests, as well as the maturation process of the mix of tests of the new hospital operations;
- Lab-to-Lab: presented an increase of 9.5% in the quarter and 1.6% year-to-date. The increase in the quarter is related to the enrichment of the mix of tests with the growth in contracts with small hospitals.

Gross Revenue per test	2Q19	2Q18	Variation	6M 2019	6M 2018	Variation
Grupo Fleury	38.6	38.4	0.6%	38.6	38.4	0.6%
- Patient Service Centers	54.9	55.7	-1.5%	54.7	55.1	-0.8%
- Hospital Operations	14.3	13.8	4.2%	14.3	13.9	2.5%
- Lab to Lab	37.3	34.1	9.5%	35.9	35.4	1.6%

Gross Revenue from PSCs

In 2Q19, PSC's grew organically 7.8%. In the period Same Store Sales (SSS) increased 5.2%. In 2019, the PSC's grew 7.7% e 6.3% (organic), excluding PSCs from IRN.

Fleury Brand

Fleury's gross revenue increased by 6.2% in the quarter and 3.9% year-to-date.

For the second consecutive quarter, we saw an improvement in the growth of the brand, despite the economic scenario that it has not yet shown signs of improvement. We believe that this quarter's growth reflects the stabilization of the number of beneficiaries in the premium market, following a downturn in 2018, and the comparison base with 2Q18, which showed a reduction in demand caused by the truckers' strike and the World Cup of soccer. Note that even considering these factors, the Fleury brand grew by 4.1% in 2Q18.

We continue to develop new product and service offerings that should broaden our participation in the healthcare market and increase the occupancy of existing assets, as well as capture new customers in the current product and service offerings, in a design of a differentiated healthcare platform.

Regional Brands excluding Rio de Janeiro



The Gross Revenue of the Regional Brands, excluding Rio de Janeiro, increased by 12.5%, mainly due to the increase in Gross Revenue in the a+ brand in São Paulo (+23.1%), and Rio Grande do Sul (+10.2%). Year-to-date, the increase was of 16.6% and 10.9% (organic), excluding the PSC's from the IRN acquisition.

In the quarter, due to the lower number of units opened in the last 12 months, most of the growth came from the units already open for more than 12 months, *Same Store Sales* (+7.9%). We emphasize that this quarter all the growth of regional brands was organic.

Rio de Janeiro Brands



The Gross Revenue of Rio de Janeiro Brands grew 6.3% in the quarter and 7.7% year-to-date.

In the quarter, we continued to see strong demand for our services, but we had a negative and timely effect with the suspension of services from two healthcare operators in the region, impacting the volume of Labs a+ services. This effect should be mitigated from 3Q19 onwards with the expansion of services in other partner healthcare operators, which includes the entry of new healthcare plans with coverage of our services.

Gross Revenue Indicators 2Q19 vs. 2Q18	Fleury Brand	Regional Brands excl. RJ	Brands RJ	Total (PSCs)
Indicators				
- Gross Revenue	6.2%	12.5%	6.3%	7.8%
- SSS	5.4%	7.9%	1.5%	5.2%
- Gross Revenue / m ² *	6.2%	4.8%	-4.0%	2.6%
- Gross Revenue / PSC*	6.2%	10.0%	-5.7%	3.1%

* The Gross Revenue per sqm and Gross Revenue per PSC indicators are impacted by the Expansion Plan since the new PSCs are at the beginning of the maturation curve.

Gross Revenue from B2B

Hospital Operations

The Gross Revenue from Operations in Hospitals reached R\$ 114.3 million in the quarter, an increase of 8.8%. Growth in Same Hospital Sales (SHS) was 5.3% on the same period. Total growth was impacted by the new operations: Vera Cruz (Campinas), Casa de Saúde São José (Rio de Janeiro), Sírio Libanês (Brasília) e Vila Nova Star (São Paulo).

Year-to-date, Gross Revenue increased by 7.3%.

Lab-to-lab

Gross Revenue was R\$ 10.4 million in the quarter, an increase of 26.4%. In this quarter we saw a considerable increase in genomics tests, as well as growth from small hospital operations served by this business line.

Year-to-date, Gross Revenue increased by 12.7%.

Preventive medicine

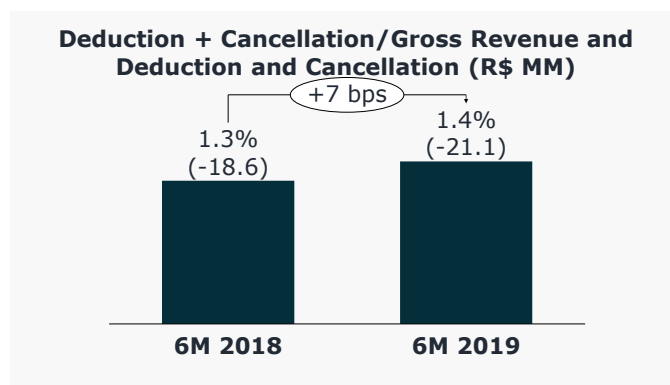
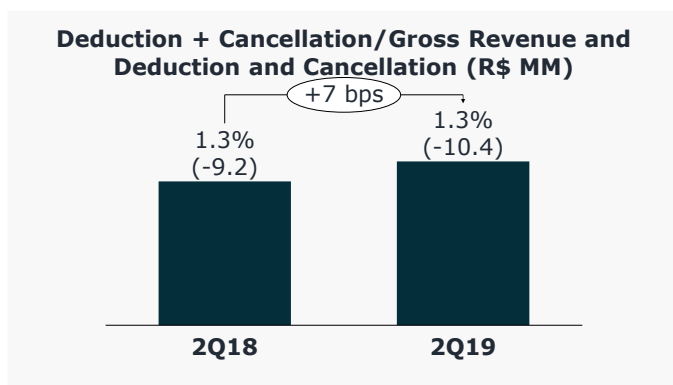
Gross Revenue reached R\$ 1.7 million in the quarter and R\$ 3.2 million year-to-date.

Revenue Tax and Cancellations/Deductions

Taxes on Gross Revenue represented 6.2% in the quarter, a stable percentage compared to the same period in 2018.

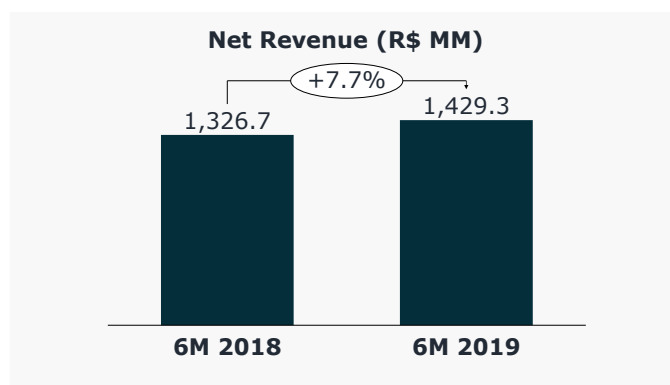
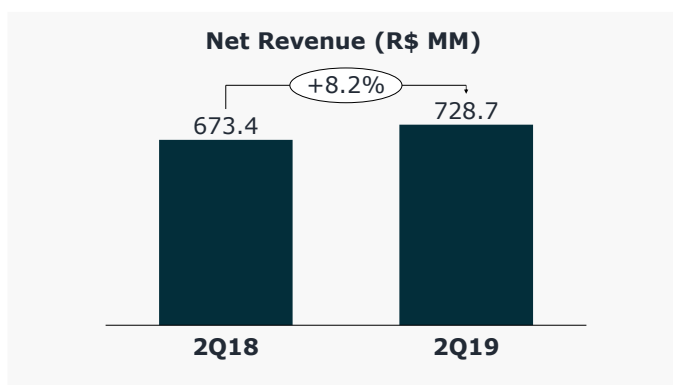
In the quarter, the cancellations and deductions accounted for 1.3% of gross revenue, R\$ -10.4 million, and remained stable versus 2Q18.

Year-to-date, the cancellations and deductions indicator totaled 1.4% of gross revenue, R\$ -21.1 million, and presented slightly increase of 7 bps compared to the same period of the previous year.



Net Revenue

Net Revenue totaled R\$ 728.7 million in the quarter, growth of 8.2%. Year-to-date, the increase was 7.7%.



Cost of Services

Cost of Services in 2Q19 totaled R\$ 516.9 million, showing an increase of 12.3%. In relation to Net Revenue, costs represented 70.9%, an increase of 261 bps compared to the same period of the previous year.

Year-to-date, there was a 11.2% growth, with an increase of 221 bps in relation to Net Revenue.

Cost of Services breakdown	2Q19		2Q18		Variation	
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue	▲ %	▲ bps
Personnel and medical services	253.9	34.8%	229.8	34.1%	10.5%	72 bps
General services, rentals and utilities	143.9	19.8%	131.6	19.5%	9.4%	21 bps
Materials and Test Intermediation	77.9	10.7%	64.5	9.6%	20.9%	112 bps
Depreciation and Amortization	39.1	5.4%	32.2	4.8%	21.4%	59 bps
General Expenses	2.0	0.3%	2.1	0.3%	-4.4%	-4 bps
Cost of Services	516.9	70.9%	460.1	68.3%	12.3%	261 bps

Cost of Services breakdown	6M 2019		6M 2018		Variation	
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue	▲ %	▲ bps
Personnel and medical services	492.9	34.5%	454.2	34.2%	8.5%	25 bps
General services, rentals and utilities	280.5	19.6%	254.0	19.1%	10.4%	48 bps
Materials and Test Intermediation	145.6	10.2%	124.2	9.4%	17.2%	82 bps
Depreciation and Amortization	78.7	5.5%	63.9	4.8%	23.0%	68 bps
General Expenses	3.5	0.2%	3.6	0.3%	-3.0%	-3 bps
Cost of Services	1,001.2	70.0%	900.0	67.8%	11.2%	221 bps

Below is the analysis of the main Cost of Service in 2Q19 compared to 2Q18:

- **Personnel and Medical Services (+10.5%)** are the main cost of the company and accounted for 34.8% of Net Revenue, an increase of 72 bps. The increase of this line is related to the increase in the number of employees, due to the inauguration of new units, and provision for annual labor readjustment in salaries with an impact of 4% in year-to-date (versus 1.7% in 2018), being 2% from May 2019 and 2% from September 2019 onwards.
- **General Services, Rentals and Utilities (+9.4%)** corresponded to 19.8% of Net Revenue, an increase of 21 bps. Part of the observed impact is explained by the shift from hiring IT support services, which changed from the personnel account to outsourced services. We also had a higher growth of the electricity bill and rentals account, impacted by the launch of 15 new PSCs in the period.
- **Materials and Tests Intermediation (+20.9%)** accounted for 10.7% of Net Revenue, an increase of 112 bps. The increase in the relation with Net Revenue is associated to the mix of tests realized in the quarter, with an increase of the portfolio of specialized tests, as well as growth in the volume of intermediation of genomic tests, where the cost matrix is more concentrated in this line.
- **Depreciation and Amortization (+21.4%)** amounted to 5.4% of Net Revenue, an increase of 59 bps in comparison with the previous period. The growth is the result of the Company's Expansion Plan with the opening of new service units and consequent impact of the increase in depreciation with medical equipment and improvements in the new units.
- **General Expenses (-4.4%)** represented 0.3% of Net Revenue, a reduction of 4 bps. The reduction can be explained by lower labor lawsuit costs.

Gross Profit

Gross Profit reached R\$ 211.8 million, which represents a decrease of 0.7%. The gross margin in turn reached 29.1%, a reduction of 261 bps versus the same period of the last year.

Year-to-date, Gross Profit increased by 0.3%. Gross margin reached 30.0%, a reduction of 221 bps.

Operating Expenses and Equity in Subsidiaries

Operating Expenses totaled R\$ 91.2 million in the quarter, which represents an increase of 15.9%. Disregarding the non-recurring effects, expenses totaled R\$ 73.1 million in the quarter, a reduction of 7.1%. Related to Net Revenue, disregarding non-recurring effects, this line represented a reduction of 166 bps compared to the same period of 2018.

Year-to-date, it presented growth of 9.0%. disregarding the non-recurring effects, there was a decrease of 3.1% and reduction of 114 bps in relation to Net Revenue.

Operating Expenses breakdown and Equity in Subsidiaries	2Q19		2Q18		Variation	
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue	▲ %	▲ bps
G&A	71.2	9.8%	62.4	9.3%	14.1%	50 bps
Depreciation and Amortization	12.8	1.8%	12.3	1.8%	3.9%	-7 bps
Other Operating (Income) Expenses	7.8	1.1%	3.2	0.5%	143.1%	59 bps
Provision (Reversal) for Contingency	(0.5)	-0.1%	1.1	0.2%	-149.4%	-24 bps
Equity in Subsidiaries	0.1	0.0%	(0.2)	0.0%	-147.9%	4 bps
Operating Expenses and Subsidiaries'	91.2	12.5%	78.8	11.7%	15.9%	83 bps
Non Recurring	(18.1)	-2.5%	0.0	0.0%	0.0%	-248 bps
Recurring Operating Expenses and Subsidiaries' Share of Profits	73.1	10.0%	78.8	11.7%	-7.1%	-166 bps

Operating Expenses breakdown and Equity in Subsidiaries	6M 2019		6M 2018		Variação	
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue	▲ %	▲ bps
G&A	128.8	9.0%	119.1	9.0%	8.1%	3 bps
Depreciation and Amortization	25.8	1.8%	24.8	1.9%	4.0%	-7 bps
Other Operating (Income) Expenses	7.8	0.5%	4.6	0.3%	71.0%	20 bps
Provision (Reversal) for Contingency	1.0	0.1%	2.1	0.2%	-54.6%	-9 bps
Equity in Subsidiaries	0.2	0.0%	(0.5)	0.0%	-138.7%	5 bps
Operating Expenses and Subsidiaries'	163.5	11.4%	150.1	11.3%	9.0%	13 bps
Non-recurring	(18.1)	-2.5%	0.0	0.0%	0.0%	-248 bps
Operating Expenses and Subsidiaries'	145.4	10.2%	150.1	11.3%	-3.1%	-114 bps

Below, the analysis of the main lines of operating expenses in 2Q19 compared to 2Q18:

- **General and Administrative Expenses (+14.1%), disregarding the non-recurring effects (-1.8%).** The recurring result accounted for 8.4% of Net Revenue, an improvement of 86 bps. Contributed to the improvement of the recurring result the reduction in expenses of healthcare for employees and technical services contracted.
Non-recurring effects: R\$ 4.8 million related to labor indemnities as a result of the organizational structure redesign project and R\$ 5.1 million related to M&A expenses.
- **Depreciation and Amortization (+3.9%)** amounted to 1.8% of Net Revenue, a reduction on 7 bps.
- **Other operational Income/Revenues (+143.1%), disregarding non-recurring effects (-112.8%).** The recurring result accounted for -0.1% of Net Revenue, an increase of 53 bps.
Non-recurring effects: R\$ 8.2 million related to the provision for write-off of other accounts receivable from PSC's sold in Rio de Janeiro after CADE's determination as per Material Fact disclosed in 4Q15 ([see here](#)).
- **Provision for Contingencies (-149.4%)** represented -0.1% of Net Revenue, a reduction of 24 bps, due to the reversal of tax provisions.

Equity in Subsidiaries

Grupo Papaiz, a dental diagnostics company in São Paulo, was acquired by the Fleury and Odontoprev at the end of 2012. The figures have been reported by equity equivalence method, considering the form of a Joint Venture in which Grupo Fleury holds a 51% stake of the business. Below is the performance in the 2Q19 and year-to-date:

Equity in Subsidiaries Papaiz	2Q19		2Q18		Variation	
	R\$ thousand	% Net Revenue	R\$ thousand	% Net Revenue	▲ %	▲ bps
Net Revenue	6,650.5		5,797.4		14.7%	
EBITDA	634.7	9.5%	1,132.8	19.5%	-44.0%	-1000 bps
Net Income	-189.4	-2.8%	395.5	6.8%	-147.9%	-967 bps
Net Income attributed to Grupo Fleury (51%)	(96.6)		201.7		-147.9%	

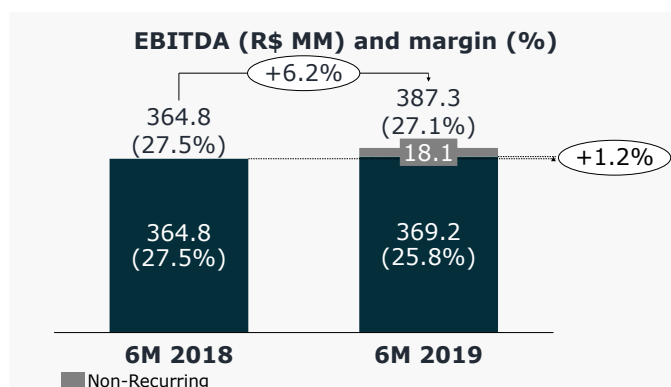
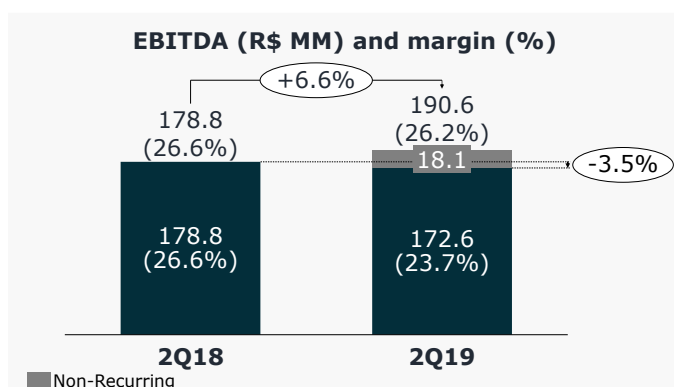
Equity in Subsidiaries Papaiz	6M 2019		6M 2018		Variation	
	R\$ thousand	% Net Revenue	R\$ thousand	% Net Revenue	▲ %	▲ bps
Net Revenue	12,149.2		11,369.2		6.9%	
EBITDA	1,266.0	10.4%	2,448.4	21.5%	-48.3%	-1111 bps
Net Income	-396.1	-3.3%	1,024.2	9.0%	-138.7%	-1227 bps
Net Income attributed to Grupo Fleury (51%)	(202.0)		522.4		-138.7%	

EBITDA

Recurring EBITDA reached R\$ 190.6 million in the quarter, an increase of 6.6%. The Recurring EBITDA margin reached 26.2% versus 26.6% in 2Q18, reduction of 39 bps, despite impacts related to the expansion of new units and higher participation of regional brands in the result.

Year-to-date, Recurring EBITDA increased by 6.2%, recording a recurring EBITDA margin of 27.1%, reduction of 40 bps compared to the same period of 2018.

In the quarter, we recorded the impact of R\$ 18.1 million of non-recurring operating expenses, of which: (i) R\$ 8.2 million related to the provision for write-off of other accounts receivable from PSC's sold in Rio de Janeiro, following CADE's determination according to Material Fact disclosed in 4Q15 ([see here](#)), (ii) R\$ 5.1 million related to M&A expenses and (iii) R\$ 4.8 million related to labor indemnities provisions as a result of the organizational structure redesign project.



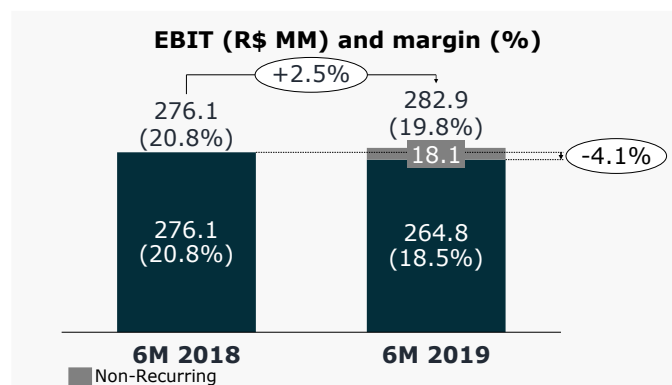
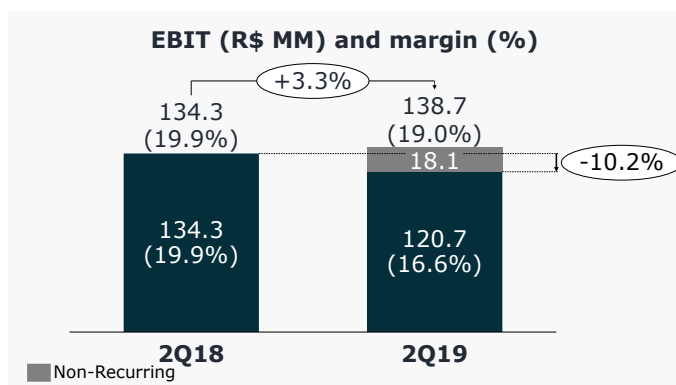
EBITDA	2Q19		2Q18		Variation	
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue	▲ %	▲ bps
Net Income	77.1	10.6%	86.6	12.9%	-11.1%	-229 bps
Financial Result	15.0	2.1%	14.8	2.2%	1.2%	-14 bps
Depreciation and Amortization	51.9	7.1%	44.5	6.6%	16.6%	51 bps
Income Tax and Social Contribution	28.5	3.9%	33.1	4.9%	-13.8%	-100 bps
Equity in Subsidiaries	0.1	0.0%	(0.2)	0.0%	-147.9%	4 bps
EBITDA	172.6	23.7%	178.8	26.6%	-3.5%	-288 bps
Non-recurring	18.1	2.5%	0.0	0.0%	0.0%	248 bps
Recurring EBITDA	190.6	26.2%	178.8	26.6%	6.6%	-39 bps

EBITDA	6M 2019		6M 2018		Variation	
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue	▲ %	▲ bps
Net Income	174.0	12.2%	183.1	13.8%	-5.0%	-163 bps
Financial Result	26.3	1.8%	25.6	1.9%	2.9%	-9 bps
Depreciation and Amortization	104.4	7.3%	88.7	6.7%	17.7%	62 bps
Income Tax and Social Contribution	64.3	4.5%	68.0	5.1%	-5.4%	-62 bps
Equity in Subsidiaries	0.2	0.0%	(0.5)	0.0%	-138.7%	5 bps
EBITDA	369.2	25.8%	364.8	27.5%	1.2%	-166 bps
Non-Recurring	18.1	1.3%	0.0	0.0%	0.0%	127 bps
Recurring EBITDA	387.3	27.1%	364.8	27.5%	6.2%	-40 bps

EBIT (Operational Income)

Recurring EBIT reached R\$ 138.7 million in the quarter, an increase of 3.3% versus 2Q18. The recurring margin was 19.0%, a reduction of 91 bps.

Year-to-date, recurring EBIT expanded 2.5%, reaching a recurring margin of 19.8%, a reduction of 102 bps.



Financial Result

The financial result reached R\$-15.0 million, representing an increase of 1.9%. Financial revenues decreased 25.6%, while financial expenses decreased 9.3%. Year-to-date, the financial result reached R\$-26.3 million, an increase of 3.1% compared to the last year.

Financial Result (R\$ MM)	2Q19	2Q18	Variation	6M 2019	6M 2018	Variation
Net financial income	(15.0)	(14.7)	1.9%	(26.3)	(25.5)	3.1%
Financial income	7.6	10.2	-25.6%	19.7	20.2	-2.7%
Earnings on financial investments	7.8	9.3	-16.9%	18.5	18.6	-0.4%
Interest and inflation adjustment	(0.2)	0.8	-122.8%	1.1	1.6	-28.7%
Financial expenses	(22.6)	(24.9)	-9.3%	(46.0)	(45.7)	0.5%
Interest on debentures and financing	(17.2)	(19.9)	-13.4%	(35.9)	(35.9)	0.0%
Interest and inflation adjustment	(5.4)	(5.0)	7.0%	(10.1)	(9.8)	2.5%

Indebtedness

In the quarter, the net debt/LTM EBITDA ratio reached 1.2x compared to 0.8x in the same period of 2018.

Composition of Net Debt (R\$ MM)	2Q18	1Q19	2Q19	Next 12 months
Gross Debt (Debentures and Borrowings and Acquisitions)	1,418.1	1,131.9	1,150.4	224.7
Cash, Cash Equivalents and Marketable Securities	(883.6)	(602.0)	(300.4)	
Net Debt	534.5	529.8	850.1	
Net Debt / EBITDA LTM	0.8x	0.8x	1.2x	
EBITDA LTM / Financial Result LTM	14.6x	13.3x	13.2x	

In the quarter, we amortized R\$ 8.2 million referred to financing. We have also paid R\$ 27.5 million of interest, related to debentures and financing.

Additionally, we paid R\$ 217.3 million in dividends and R\$ 135.7 million related to the acquisition of Lufe Serviços Médicos in Rio de Janeiro.

Year-to-date, there was the amortization of R\$ 166.7 million related to the second debentures issuance and R\$ 15.5 million related to financing. We also paid R\$ 40.5 million in interest, related to debentures and financing.

Income Tax and Social Contribution

In the quarter, income tax and social contribution on net income totaled R\$ -28.5 million. The effective rate was 27.0% compared to 27.6% in 2Q18.

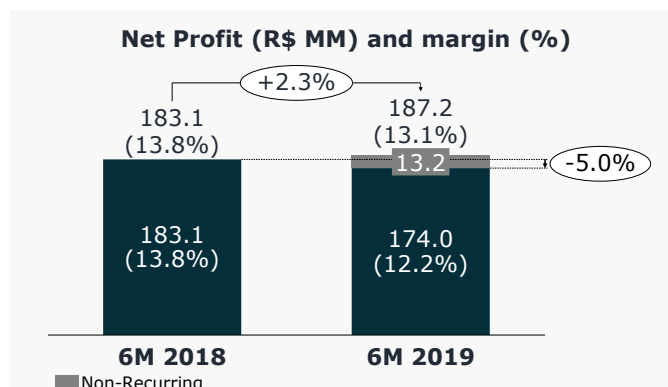
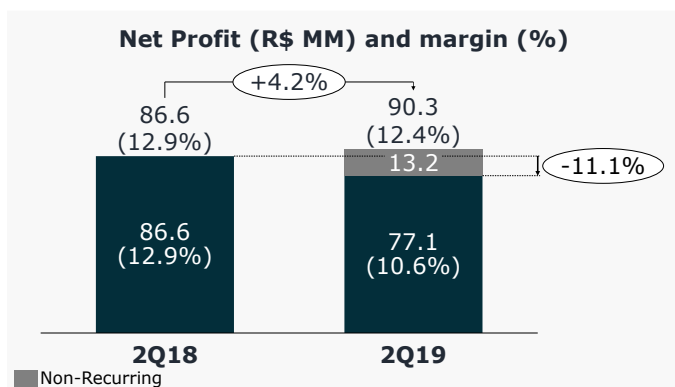
Year-to-date, income tax and social contribution on net income totaled R\$ -64.3 million. The effective tax rate was 27.0% compared to 27.1% in the same period of 2018.

Income Tax and Social Contribution (R\$ MM)	2Q19	2Q18	Variation	6M 2019	6M 2018	Variation
Earnings Before Tax (EBIT)	105.5	119.7	-11.8%	238.3	251.0	-5.1%
Expected taxes	(35.9)	(40.7)	-11.8%	(81.0)	(85.3)	-5.1%
Non-deductible expenses and incentives	2.0	0.2	991.9%	0.4	2.6	-84.0%
Effective taxes linearization	5.4	6.5	-17.0%	16.4	13.8	18.2%
Subsidiaries' share of profits	(0.0)	0.9	-103.5%	(0.1)	0.9	-107.4%
Income tax and social contribution	(28.5)	(33.1)	-13.8%	(64.3)	(68.0)	-5.4%
% EBIT (Effective Tax Rate)	27.0%	27.6%	-63 bps	27.0%	27.1%	-8 bps
Current	(42.4)	(34.0)	24.7%	(76.3)	(61.0)	25.2%
Deferred	13.9	0.9	1398.6%	12.0	(7.0)	-271.9%

Net Income

Recurring Net Income reached R\$ 90.3 million, an increase of 4.2%. The net margin was 12.4%, a decrease of 48 bps.

Year-to-date, Recurring Net Income reached R\$ 187.2 million, an increase of 2.3%. Net margin reached 13.1%, a reduction of 70 bps.



Cash Flow

In the quarter, the Operating Cash Flow recorded R\$ 127.1 million, which represents a decrease of 40.0%. The conversion (Operating Cash Flow/EBITDA) was 73.6%, compared to 118.5% in 2Q18.

The increase on average collection period (ACP), that reached 70 days versus 67 days in the 2Q18, resulted in higher accounts receivable cash consumption, which totaled R\$ 52.9 million. This effect, which increases the ACP, is an one-off and is related to an adverse effect with the improved billing process of one of our main paying sources. In 3Q19 the process is already normalized, and we no longer observed the negative impact on the ACP.

Also, in Operating Cash Flow, we highlight the growth in the cash impact of Income Tax/Social Contribution, which is due to the lower use of goodwill generated by acquisitions whose amortization reduces the payment of this tax.

In the quarter, Investment activities recorded R\$ 125.5 million compared to R\$ -451.3 million in 2Q18. Excluding the effect of investments in marketable securities, we presented an increase in investment activities of 2.6x as a result of the payment of the acquisition of Lafe Serviços Médicos in Rio de Janeiro.

In 2Q19, financing activities recorded R\$ -249.6 million compared to R\$ 270.2 million in the same period of last year. This variation is mainly explained by raising of R\$ 500.0 million with the Fourth Debenture Issuance occurred in 2Q18.

Year-to-date, Operating Cash Flow registered R\$ 196.9 million, a reduction of 37.7%. The conversion (Operating Cash Flow/EBITDA) was 53.3%. Investment activities reached R\$ 231.3 million compared to R\$ -462.4 million in 2018. Financing activities recorded R\$ -474.4 million versus R\$ 31.5 million in 2018.

Cash Flow (R\$ MM)	2Q19	2Q18	Variation	6M 2019	6M 2018	Variation
Net Income	77.1	86.6	-11.1%	174.0	183.1	-5.0%
Items not affecting cash:						
Financial revenues and expenses	19.3	19.7	-2.0%	38.5	32.3	19.1%
Depreciation and amortization	51.9	44.5	16.6%	104.4	88.7	17.7%
Income tax and social contribution	28.5	33.1	-14.0%	64.3	68.0	-5.4%
Provisions (Reversals)	19.3	21.8	-11.5%	39.2	43.7	-10.2%
Others	2.2	0.9	133.8%	4.0	1.5	164.8%
Net Income before non-cash effects	198.3	206.7	-4.1%	424.3	417.2	1.7%
Δ Working capital:						
Accounts receivables	(52.9)	13.6	-488.5%	(113.9)	(40.1)	-183.8%
Inventories	(7.7)	(11.6)	34.3%	(4.0)	(6.7)	40.0%
Taxes recoverable	14.2	(1.5)	1065.4%	2.8	(9.4)	130.2%
Suppliers	(3.7)	20.8	-117.7%	(30.8)	14.1	-317.9%
Salaries / Charges	16.9	18.9	-10.4%	(5.4)	4.8	-212.4%
Others Assets and Liabilities	5.7	(3.9)	246.3%	(9.5)	(15.2)	37.4%
Other Operating Cash Flow:						
Income tax and social contribution	(43.8)	(31.0)	-41.1%	(66.7)	(48.8)	-36.6%
Cash Flow from Operating Activities	127.1	211.9	-40.0%	196.9	315.8	-37.7%
Investment Activities:						
Acquisition of fixed and intangible assets	(41.7)	(53.5)	22.1%	(89.7)	(86.0)	-4.3%
Interest income and dividends received	0.0	3.3	-99.8%	0.0	8.3	-99.7%
Marketable Securities	304.6	(382.3)	179.7%	462.2	(327.1)	241.3%
Acquisitions Payments	(136.9)	(17.5)	-682.3%	(140.7)	(57.3)	-145.4%
Others Investment Activities	(0.6)	(1.3)	52.5%	(0.6)	(0.3)	-103.1%
Cash Flow from Investing Activities	125.5	(451.3)	127.8%	231.3	(462.4)	150.0%
Financing Activities						
Borrowings and Debentures Issue	0.0	500.0	-100.0%	0.0	500.0	0.0%
Others Financing Activities	(32.3)	(25.6)	-26.0%	(223.7)	(222.8)	-0.4%
Dividends and/or interest on capital	(217.3)	(204.2)	-6.4%	(252.3)	(245.6)	-2.7%
Capital increase	0.0	0.0	0.0%	1.6	0.0	0.0%
Cash Flow from Financing Activities	(249.6)	270.2	-192.4%	(474.4)	31.5	-1605.2%
Cash Flow	3.0	30.8	-90.4%	(46.3)	(115.1)	59.8%
Cash Flow Adjusted by Marketable Securities	(301.7)	413.1	-173.0%	(508.5)	212.0	-339.9%
Conversion (Operating Cash Flow / EBITDA)	73.6%	118.5%	-4487 bps	53.3%	86.6%	-3326 bps

Account Receivables

In 2Q19, outstanding balances on total receivables reached 84.4%, compared to 87.1% in 2Q18. The amount overdue over 121 days increased from 5.0% in 2Q18 to 6.4% in 2Q19 and Accounts Receivable (CR) provisions over 121 days accounted for 66.5% of this amount (71.2% in 2Q18).

The increase in outstanding balances of up to 120 days is explained by the adverse effect of the improvement of the billing process of one of our main paying sources. In 3Q19 the process is already normalized.

Aging Account Receivable R\$ MM	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Trade Receivables	495.0	508.7	531.5	579.8	552.9	574.0	529.2	580.1	634.5
- Current	427.7	437.1	464.6	515.3	481.3	505.8	465.2	508.6	535.5
- Up to 120 days past due	34.1	42.1	35.9	34.6	44.1	37.7	30.2	35.9	58.5
- 121 to 360 days past due	22.1	20.7	24.8	26.0	22.1	21.4	24.4	23.5	25.9
- Over 361 days past due	11.2	8.8	6.1	4.0	5.4	9.1	9.5	12.1	14.6
Sales Deductions Provisions	(28.0)	(23.0)	(19.2)	(21.4)	(19.5)	(23.4)	(23.8)	(24.4)	(27.0)
Total	467.0	485.7	512.2	558.5	533.3	550.6	505.4	555.7	607.6
Current / Trade Receivables	86.4%	85.9%	87.4%	88.9%	87.1%	88.1%	87.9%	87.7%	84.4%
Up to 120 days past due / Trade Receivables	6.9%	8.3%	6.8%	6.0%	8.0%	6.6%	5.7%	6.2%	9.2%
Over 121 days past due / Trade Receivables	6.7%	5.8%	5.8%	5.2%	5.0%	5.3%	6.4%	6.1%	6.4%
Provisions / Over 121 days past due	84.2%	77.9%	62.0%	71.3%	71.2%	76.6%	70.2%	68.5%	66.5%

Expansion Plan

In 2Q19 there were no inauguration of new units. Since the beginning of the expansion plan, in October 2016 and until June 2019, 53 service PSCs were inaugurated. These inaugurations correspond to 73% of the minimum and 59% of the maximum ranges of the Company's Expansion Plan guidance, which foresees the inauguration of 73 to 90 PSCs by 2021.

PSCs inaugurated by brand

	Fleury Brand	Complexity	Patient Service Area (sqm)	State	Date
1	Fleury Santo André	Medium	587	São Paulo	feb/18
2	Fleury Carlos Weber	Medium	681	São Paulo	oct/17
3	Fleury Alameda Jaú	Fast site	380	São Paulo	set/17
4	Fleury Morumbi	Large	1,988	São Paulo	jul/17
5	Fleury Anália Franco	Large	1,214	São Paulo	jun/17
6	Fleury Heitor Penteado	Fast site	183	São Paulo	jun/17
7	Fleury São Caetano do Sul	Fast site	411	São Paulo	may/17
8	Fleury Cerro Corá	Fast site	233	São Paulo	apr/17
9	Fleury Ipiranga	Fast site	206	São Paulo	mar/17
10	Fleury Brasil	Fast site	235	São Paulo	jan/17
11	Fleury Moema	Fast site	126	São Paulo	dec/16
	Regional South	Complexity	Patient Service Area (sqm)	State	Date
1	a+ João Bettega	Small	128	Paraná	dec/17
2	a+ Água Verde	Small	171	Paraná	may/17
3	Weinmann General Vitorino	Small	113	Rio Grande do Sul	may/17
4	a+ Ecoville	Small	47	Paraná	feb/17
5	a+ Champagnat	Small	81	Paraná	feb/17
6	a+ Centro	Small	29	Paraná	feb/17
7	a+ Batel	Small	134	Paraná	dec/16
8	a+ Nossa Saúde	Small	79	Paraná	oct/16
	a+ São Paulo	Complexity	Patient Service Area (sqm)	State	Date
1	a+ Chácara Flora	Fast site	299	São Paulo	dec/18
2	a+ Verbo Divino	Fast site	196	São Paulo	dec/18
3	a+ Berrini	Fast site	199	São Paulo	dec/18
4	a+ São Bernardo do Campo	Fast site	517	São Paulo	sep/18
5	a+ Granja Viana	Fast site	231	São Paulo	aug/18
6	a+ Tatuapé	Large	1,483	São Paulo	aug/18
7	a+ Vila Andrade	Fast site	234	São Paulo	jul/18
8	a+ Brasil	Fast site	348	São Paulo	jul/18
9	a+ Alphaville Rio Negro	Fast site	230	São Paulo	jul/18
10	a+ Ipiranga	Medium	359	São Paulo	jun/18
11	a+ Funchal	Fast site	239	São Paulo	may/18
12	a+ Guarulhos	Large	832	São Paulo	apr/18
13	a+ Pedrosa de Moraes	Medium	421	São Paulo	dec/17
14	a+ Leôncio Magalhães	Medium	544	São Paulo	nov/17
15	a+ Queiroz Filho	Medium	673	São Paulo	oct/17
16	a+ Santo André	Medium	437	São Paulo	jul/17
17	a+ Augusto Tolle	Fast site	392	São Paulo	jul/17
18	a+ Itaim Bibi	Fast site	207	São Paulo	may/17
	Regional RJ	Complexity	Patient Service Area (sqm)	State	Date
1	Felippe Mattoso Mena Barreto	Fast site	276	Rio de Janeiro	dec/18
2	Felippe Mattoso Av. das Américas	Grande	1009	Rio de Janeiro	nov/18
3	Labs a+ Carioca	Fast site	559	Rio de Janeiro	nov/18
4	Labs a+ Posto 6	Média	318	Rio de Janeiro	nov/18
5	Labs a+ Freguesia	Média	363	Rio de Janeiro	nov/18
6	Labs a+ Flamengo	Média	478	Rio de Janeiro	nov/18
7	Felippe Mattoso Ipanema	Fast site	239	Rio de Janeiro	dec/17
8	Labs a+ Catete	Fast site	145	Rio de Janeiro	dec/17
9	Labs a+ Shopping Santa Cruz	Fast site	131	Rio de Janeiro	dec/17
10	Labs a+ Mariz e Barros	Fast site	134	Rio de Janeiro	dec/17
11	Labs a+ Uruguai	Fast site	129	Rio de Janeiro	nov/17
12	Labs a+ Santa Rosa	Fast site	148	Rio de Janeiro	oct/17
13	Labs a+ Campo Grande	Fast site	281	Rio de Janeiro	set/17
	Regional Brasília	Complexity	Patient Service Area (sqm)	State	Date
1	a+ Asa Sul	Fast site	58	Brasília	aug/17
2	a+ Sudoeste	Fast site	119	Brasília	aug/17
	Regional Pernambuco	Complexity	Patient Service Area (sqm)	State	Date
1	a+ Casa Forte	Small	151	Pernambuco	may/18
Total 53 PSCs			19,405 sqm		

Additionally, we listed below the 5 PSCs from the acquisitions, being 4 PSCs of the Institute of Radiology of Natal (IRN) and 1 of Serdil.

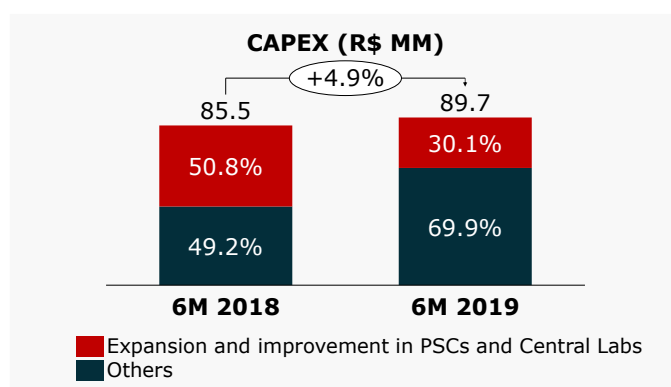
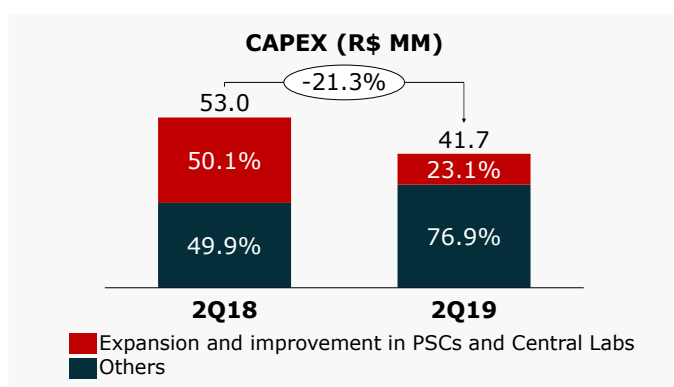
PSC	Complexity	Patient Service Area (sqm)	State	Date
1 IRN - Instituto de Radiologia Matriz	NA	1,697	Rio Grande do Norte	NA
2 IRN - Instituto de Radiologia Parnamirim	NA	477	Rio Grande do Norte	NA
3 IRN - Instituto de Radiologia Zona Sul	NA	1,317	Rio Grande do Norte	NA
4 IRN - Harmony Center	NA	98	Rio Grande do Norte	NA
5 Serdil	NA	1,213	Rio Grande do Sul	NA
Total 5 PSCs by acquisition		4,801		

Investments

Investments (additions to fixed and intangible assets) totaled R\$ 41.7 million in the quarter, with a reduction of 21.3% compared to 2Q18. Of the investments made during the quarter, 76.9% were concentrated in Others, that consists in IT, infrastructure, digital projects and equipment renovation; and 23.1% in Expansion and Improvements in PSCs.

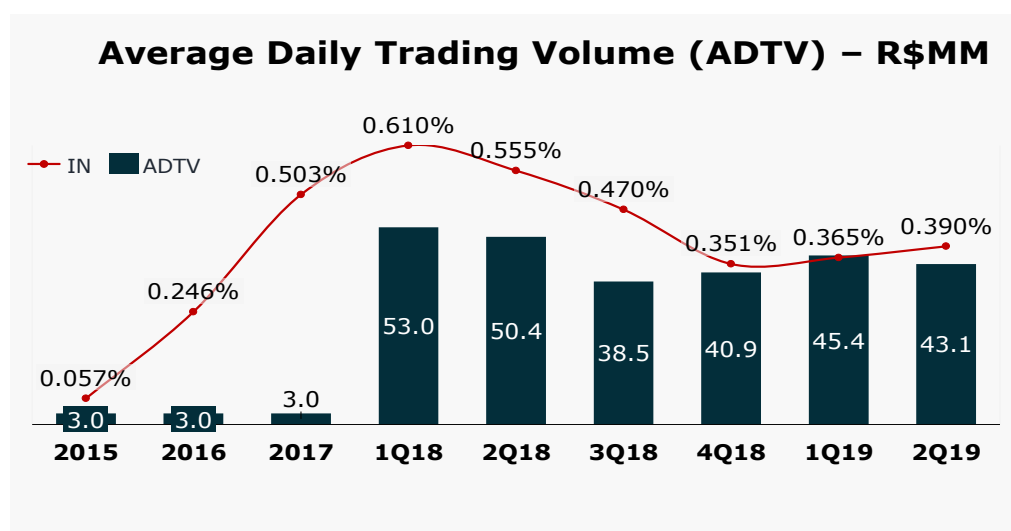
In Other investments, the highlights were investments in technology and digital projects. In Expansion and PSCs improvements, the most relevant investments were related to the implementation of Fleury Day Clinic and the expansion of the MRI service in two units of the a+ brand in São Paulo.

Year-to-date, investments reached R\$ 89.7 million, with an increase of 4.9% versus 2018.



Stock Market Performance

Fleury shares (B3: FLRY3) at the end of 2Q19 were quoted at R\$ 21.35. The Average Daily Trading Volume (ADTV) for the period was R\$ 43.1 million, an amount 14.5% lower than that registered in the same period of 2018.



* Negotiability Index

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Performance Indicators

Operational Indicators	Description	Unit	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Income Statement											
Gross Revenue	Gross Revenue	R\$ MM	646.5	667.7	630.2	706.3	728.1	738.5	706.8	757.9	787.6
Net Revenue	Gross Revenue - Tax (ISS and PIS/COFINS) - Cancellations	R\$ MM	597.6	615.6	582.0	653.3	673.4	683.0	654.8	700.6	728.7
COGS	Personnel and Medical Services + Materials and Outsourcing + General Services, Rent and Utilities + General Expenses + Depreciation and Amortization	R\$ MM	-410.9	-422.4	-428.5	-439.9	-460.1	-473.7	-482.2	-484.3	-516.9
SG&A	Does not include Other Operating Expenses / Revenues, Contingency Provisions and Equity in Subsidiaries	R\$ MM	-67.2	-65.5	-65.3	-69.3	-74.7	-72.0	-79.7	-70.6	-83.9
EBIT	Earnings Before Interest and Taxes	R\$ MM	117.5	127.5	91.2	141.7	134.3	135.0	91.3	144.2	120.7
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization	R\$ MM	151.4	163.4	130.7	185.9	178.8	181.5	145.4	196.7	172.6
Net Finance Income	Interest Revenue - Interest Expenses	R\$ MM	-12.7	-11.2	-8.3	-10.7	-14.8	-11.2	-15.3	-11.3	-15.0
Net Income	Net Income	R\$ MM	87.9	86.6	64.6	96.4	86.6	90.3	58.2	96.9	77.1
Net Cash Income	Net Income - Deferred income tax	R\$ MM	92.2	112.7	82.2	104.3	85.7	106.1	63.7	98.8	63.1
Result Indicators											
Cancellation Index	Cancellations / Gross Revenue	%	-1.4%	-1.7%	-1.5%	-1.3%	-1.3%	-1.4%	-1.2%	-1.4%	-1.3%
Gross Margin	Gross Profit / Net Revenue	%	31.3%	31.4%	26.4%	32.7%	31.7%	30.6%	26.3%	30.9%	29.1%
EBIT Margin	Earnings Before Interest and Tax / Net Revenue	%	19.7%	20.7%	15.7%	21.7%	19.9%	19.8%	13.9%	20.6%	16.6%
EBITDA Margin	Earnings Before Interest, Tax, Depreciation and Amortization / Net Revenue	%	25.3%	26.5%	22.4%	28.5%	26.6%	26.6%	22.2%	28.1%	23.7%
Effective Tax Rate	Current Tax / Earnings Before Tax	%	-16.4%	-25.8%	-21.8%	-26.6%	-27.6%	-27.2%	-23.5%	-27.0%	-27.0%
Net Margin	Net Profit / Net Revenue	%	14.7%	14.1%	11.1%	14.8%	12.9%	13.2%	8.9%	13.8%	10.6%
Net Cash Income Margin	(Net Income - Deferred income tax) / Net Revenue	%	15.4%	18.3%	14.1%	16.0%	12.7%	15.5%	9.7%	14.1%	8.7%
Financial Debt											
Cash & Equivalents	Cash, Equivalents and Marketable Securities	R\$ MM	433.8	482.7	671.8	470.5	883.6	889.8	808.9	602.0	300.4
Gross Debt	Short and Long Term Debts (Borrowings and Debentures)	R\$ MM	837.5	858.4	1,069.6	919.7	1,418.1	1,422.3	1,305.8	1,131.9	1,150.4
Net Debt	Gross Debt - Cash and Cash equivalents	R\$ MM	403.7	375.7	397.7	449.2	534.5	532.6	497.0	529.8	850.1
Net Debt / EBITDA LTM	(Gross Debt - Cash and Cash equivalents) / EBITDA LTM	Multiple	0.7x	0.6x	0.6x	0.7x	0.8x	0.8x	0.7x	0.8x	1.2x
Profitability and Return											
ROIC without Goodwill (LTM)	NOPAT LTM (tax= 34%) / Capital Employed (Shareholders Equity + Net Debt - Goodwill)	%	39.8%	43.6%	43.8%	43.6%	41.9%	41.3%	41.2%	45.2%	35.8%
ROIC (LTM)	NOPAT LTM (tax= 34%) / Capital Employed (Shareholders Equity + Net Debt)	%	13.9%	14.9%	15.5%	15.5%	15.3%	15.4%	15.3%	15.8%	13.5%

IFRS 16 Impacts – leasing

We adopted the IFRS 16 - Leases as of January 1, 2019 and choose for the simplified retrospective transition approach, so to give better comparability within previous periods, we adopted the presentation of the results without the effect of IFRS 16, except when indicated.

In the following tables we show the main impacts of IFRS 16 in the Income Statement, Balance Sheet and Cash Flow. The main impact on our operations occurs in the accounting of real estate rental agreements (leases), where we develop our administrative, technical and service operations. Equipment and vehicles rental contracts also had an impact (for more information see explanatory note 2.2).

Income Statement Impacts IFRS 16 (R\$ million)	2Q19	IFRS 16	2Q19 IFRS 16	6M 2019	IFRS 16	6M 2019 IFRS 16	Note
Net Revenue	728.7		728.7	1,429.3		1,429.3	
Personnel and medical services	-253.9		-253.9	-492.9		-492.9	
General services, rentals and utilities	-143.9	37.6	-106.3	-280.5	74.1	-206.4	1
Materials and Test Intermediation	-77.9		-77.9	-145.6		-145.6	
Depreciation and Amortization	-39.1	-30.6	-69.7	-78.7	-60.2	-138.8	2
General Expenses	-2.0		-2.0	-3.5		-3.5	
Cost of Services	-516.9	7.0	-509.9	-1,001.2	14.0	-987.2	
Gross Income	211.8	7.0	218.8	428.1	14.0	442.1	
Gross Margin	29.1%	97 bps	30.0%	30.0%	98 bps	30.9%	
G&A	-71.2	1.7	-69.4	-128.8	3.9	-124.9	1
Depreciation and Amortization	-12.8	-1.8	-14.5	-25.8	-3.5	-29.2	2
Other Operating (Income) Expenses	-7.8		-7.8	-7.8		-7.8	
Provision (Reversal) for Contingency	0.5		0.5	-1.0		-1.0	
Equity in Subsidiaries	-0.1		-0.1	-0.2		-0.2	
Operating Expenses and Subsidiaries'	-91.2	-0.0	-91.3	-163.5	0.4	-163.1	
Financial Income	7.6		7.8	19.7		19.9	
Financial Expenses	-22.6	-13.3	-35.9	-46.0	-26.6	-72.6	3
Net Financial Income	-15.0	-13.1	-28.2	-26.3	-26.4	-52.7	
Income tax and social contribution - Current	-42.4	2.0	-40.3	-76.3	3.6	-72.7	4
Income tax and social contribution - Deferred	13.9		13.5	12.0		11.6	
Income tax and social contribution	-28.5	1.6	-26.8	-64.3	3.3	-61.0	
Net Income	77.1	-4.5	72.6	174.0	-8.8	165.2	
Net Margin	10.6%	-61 bps	10.0%	12.2%	-62 bps	11.6%	
EBITDA	172.6	39.4	211.9	369.2	78.0	447.2	
EBITDA Margin	23.7%	540 bps	29.1%	25.8%	546 bps	31.3%	

1. Rental costs and expenses were converted into Right of Use (Asset) and Financial Lease (Liabilities).
2. The Right of Use is being depreciated according to the average term of the lease contracts. We have adopted the average term of 10 years for real estate rental agreements.
3. The interest is calculated based on the obligation constituted in the Liabilities – Financial Lease. The percentage of interest is based on the debts issued by the company and the term of the lease contracts. The Price method was used to calculate interest.
4. The Current Income Tax and Social Contribution are impacted by the temporary reduction of Profit before Taxes and Social Contribution. The effective tax rate is not impacted by adoption.

Balance Sheet Impacts IFRS 16 (R\$ million)	2Q19	IFRS 16	2Q19 IFRS 16	Note
Total current	1,042		1,042.4	
Other non-current	58.1		58.1	
Investments				
Property and Equipment	756.3	0.0	756.3	
Intangible				
Right of use	0.0	996.9	996.9	1
Total non-current	2,628.5	997.4	3,625.9	
Total assets	3,670.9	997.4	4,668.3	
Other current Liabilities	394.7		394.7	
Financial lease	0.0	112.2	112.2	2
Trade accounts payable	173.7	0.1	173.8	
Tax Provision	9.1	-1.6	7.4	3
Total current Liabilities	577.5	110.7	688.2	
Other non-current Liabilities	1,381.4		1,381.4	
Financial lease	0.0	896.2	896.2	2
Total non-current Liabilities	1,381.4	896.2	2,277.6	
Other Equity	1,537.4		1,537.4	
Net Income	174.7	-9.5	165.2	4
Total Equity	1,712.1	-9.5	1,702.6	
Total liabilities and equity	3,670.9	997.5	4,668.3	

1. Rental agreements must be recognized as a lease, constituting an asset, classified as Right of Use (see explanatory note 15). The depreciation term was stipulated based on the validity of our rental and renewal contracts, for the cases that we have "reasonable certainty" of continuity (90% are real estate).
2. Rental agreements must be recognized as a financial lease, constituting a Lease liability, taking into account the obligations of future payments, both of which are brought to present value (see explanatory note 18). The term of amortization of the lease was stipulated based on the validity of our rental contracts (90% are real estate) and renewal, in cases that we have "reasonable certainty" of continuity.
3. Income Tax and Social Contribution impacted by temporary effect on net income mainly due to the recognition of interest and monetary adjustments associated to the leases.
4. Net income for the year is impacted by the temporary effects, mainly due to interest recognition (Price method) and monetary adjustments associated to the leases.

Cash Flow Impacts IFRS 16 (R\$ million)	2Q19	IFRS 16	2Q19 IFRS 16	6M 2019	IFRS 16	6M 2019 IFRS 16	Note
Net Income Before Change in Assets and Liabilities	198.3	37.0	235.3	424.3	76.6	500.9	1
Change in Assets and Liabilities	-27.4	-0.3	-27.7	-160.8	-0.3	-161.1	2
Income tax and social contribution paid	-43.8		-43.8	-66.7		-66.7	
Operating Cash Flow	127.1	36.7	163.8	196.9	76.3	273.2	
Total Investment Activities	125.5		125.5	231.1		231.1	
Total Financing Activities	-249.6	-36.7	-286.2	-474.4	-76.3	-550.7	1
Cash Flow	3.0		3.0	-46.4		-46.4	

1. Reclassification of leases (rentals) from operating activities to financing activities.

FLEURY S.A. CONSOLIDATED

Balance Sheet as of June 30, 2019 and December 31, 2018 (In R\$ thousands) – IFRS16

	Consolidated	
Assets	6/30/2019	12/31/2018
Current		
Cash and cash equivalents	8,960	55,231
Marketable securities	291,410	753,651
Accounts receivable	607,591	505,424
Inventories	30,728	26,563
Taxes recoverable	24,447	12,267
IRPJ e CSLL recoverible	56,804	68,284
Credits receivable	-	240
Related Parties	199	199
Other assets	22,233	12,347
Total current	1,042,372	1,434,206
Non-current		
Credits receivable	-	7,980
Other assets	8,935	3,155
Deferred income tax and social contribution	8,665	-
Judicial deposits	40,462	40,921
Total non-current	3,625,868	2,476,242
Total assets	4,668,240	3,910,448
Liabilities and equity	6/30/2019	12/31/2018
Current		
Financing	32,255	33,252
Debentures	178,431	182,962
Financial lease	112,240	610
Derivative financial instruments	150	170
Trade accounts payable	173,846	193,945
Payroll and related taxes payable	136,906	128,715
Taxes and contributions payable	28,139	29,405
IRPJ e CSLL payable	7,423	938
Accounts payable - company acquisition	14,052	15,039
Dividends payable	28	34,971
Other liability payable	4,715	4,693
Total current	688,185	624,700
Non-current		
Financing	61,763	76,295
Debentures	800,000	966,667
Financial lease	896,212	6,176
Deferred income tax and social contribution	389,344	391,701
Provision for tax, labor and civil risks	32,737	26,583
Taxes and contributions payable	23,635	24,338
Accounts payable - company acquisition	63,934	31,627
Other liability payable	9,846	-
Total non-current	2,277,471	1,535,787
Equity		
Share capital	1,420,751	1,419,136
Capital reserve - options granted recognized	29,401	26,259
Legal reserve	87,261	87,261
Retained earnings	-	217,305
Additional dividends proposed	165,171	-
Total equity	1,702,584	1,749,961
Total liabilities and equity	4,668,240	3,910,448

FLEURY S.A. CONSOLIDATED

Income Statement as of as of June 30, 2019 and June 30, 2018 (In R\$ thousands, except Earnings per share) – IFRS16

	Consolidated	
	2Q19	2Q18
Revenue from services rendered	728,692	673,417
Cost of services rendered	(509,857)	(460,138)
	-	-
Gross Profit	218,835	213,279
Operating income (expenses)		
General and administrative	(83,929)	(74,652)
Other operating income (expenses), net	(7,771)	(3,197)
Provision for tax, labor and civil risks	545	(1,103)
Equity in the earnings (losses) of subsidiaries	(97)	202
	-	-
Operating profit before financial result	127,583	134,529
Financial income	7,777	10,057
Financial expenses	(35,930)	(24,901)
	-	-
Financial result	(28,153)	(14,844)
Earnings before income tax and social contribution	99,430	119,685
Income tax and social contribution:		
Current	(40,345)	(33,982)
Deferred	13,513	928
	-	-
Profit for the period	72,598	86,631
Earnings per share attributable to owners of the Company		
Basic earnings per share (weighted average)	0.23	0.28
Diluted earnings per share (weighted average)	0.23	0.27

FLEURY S.A. CONSOLIDATED

Statements of Changes in Equity as of as of June 30, 2019 and June 30, 2018 (In R\$ thousands) – IFRS16

	Share Capital		Capital Reserve			Investment Reserve			Additional dividends proposed	Total Equity
	Share Capital	Share issue expenses	Options granted recognized	Revaluation reserve	Legal Reserve	Profit Reserve	Investment Reserve	Profit for the period		
Balances on December 31, 2017	1,436,392	(22,784)	17,923	78	70,681	204,238	-	-	-	1,706,528
Stock option plan	-	-	4,187	-	-	-	-	-	-	4,187
Profit for the period (R\$0,87 per share)	-	-	-	-	-	-	-	183,060	-	183,060
'Dividends	-	-	-	-	-	(204,238)	-	-	-	(204,238)
Balances on December 31, 2018	1,441,920	(22,784)	26,259	-	87,261	217,305	-	-	-	1,749,961
Capital increase	1,615	-	-	-	-	-	-	-	-	1,615
Legal reserve	-	-	3,142	-	-	-	-	-	-	3,142
Profit for the period	-	-	-	-	-	-	-	165,171	-	165,171
	-	-	-	-	-	(217,305)	-	-	-	-
	1,443,535	(22,784)	29,401	-	87,261	-	-	165,171	-	1,702,584

FLEURY S.A. CONSOLIDATED

Statements of Cash Flow as of June 30, 2019 and June 30, 2018 (In R\$ thousands) – IFRS16

	Consolidated	
	2019	2018
Profit for the period	72,598	86,631
Items not affecting cash:		
Income tax and social contribution	26,833	33,098
Financial and expenses income	32,448	19,702
Depreciation and amortization	84,237	44,510
Equity in the earnings (losses) of subsidiaries	97	(201)
Stock option plan	1,465	2,032
Constitution (reversal) of provision for tax, labor and civil risks	(545)	1,102
Estimated losses with allowance for doubtful accounts	10,709	9,743
Profit sharing	6,565	8,938
Other	2,040	1,150
Cash flows from operating activities before changes in assets and liabilities	236,446	206,705
(Increase) decrease in accounts receivable	(52,939)	13,627
(Increase) decrease in inventories	(7,650)	(11,640)
(Increase) decrease in taxes recoverable	14,249	(1,476)
(Increase) decrease in judicial deposits	(419)	(217)
(Increase) decrease in other assets	5,963	(109)
Increase (decrease) in trade accounts payable	735	20,813
Increase (decrease) in payroll and related charges	11,032	18,859
Increase (decrease) in tax liabilities	(247)	(1,690)
Increase (decrease) in taxes paid in installments	(1,002)	(1,026)
(Increase) decrease in other liabilities	2,562	(876)
Total variation in assets and liabilities	(27,716)	36,265
Income tax and social contribution paid	(43,805)	(31,046)
Net cash from operating activities	164,925	211,924
Acquisition of property and equipment and intangible assets	(41,659)	(53,470)
Sale of fixed assets	2	768
Operations Marketable securities and interest earned	304,611	(382,336)
Redemption of marketable securities	-	-
Payments	(136,905)	(17,500)
Payments excepted cash	-	-
Related parties increase	(740)	(2,031)
Acquisition of	118	-
Interest earned from financial investments	7	3,255
Net cash used in investing activities	125,434	(451,314)
Borrowings and debentures	-	500,000
Settlement (principal) of financing and debentures	(7,266)	(8,770)
Interest paid in financing and debentures	(27,491)	(15,160)
Financial expenses paid	(516)	(1,336)
Derivative financial instruments	-	(269)
Leasing payments	(37,855)	-
Capital integralization	-	-
Dividends and / or interest on shareholders' equity	(217,304)	(204,238)
Dividends	-	-
Related parties increase	-	(56)
Operation risk taken out	3,023	-
Net cash used in financing activities	(287,409)	270,171
(Decrease) increase in cash and cash equivalents	2,950	30,781
Cash and cash equivalents		
At the beginning of the period	6,010	191,491
At the end of the period	8,960	222,272
Variation in cash and cash equivalents	2,950	30,781

FLEURY S.A. CONSOLIDATED

Statements of Value Added as of June 30, 2019 and June 30, 2018 (In R\$ thousands) – IFRS16

	Consolidated	
	30/06/2019	30/06/2018
Revenues	1,528,228	1,413,679
Goods and products sold and services rendered	1,544,716	1,434,049
Estimated losses with allowance for doubtful accounts	(21,401)	(22,842)
Other revenue	4,913	2,472
Inputs purchased from third parties	(553,717)	(502,459)
Cost of goods and products sold and services rendered	(513,992)	(465,072)
Materials, electricity, outsourced services and others	(39,024)	(36,585)
Loss/recovery of asset values	(701)	(802)
Gross value added	974,511	911,220
Depreciation and amortization	(168,075)	(88,714)
Net value added	806,436	822,506
Value added received through transfer	20,619	21,288
Equity in the earnings (losses) of subsidiaries	(202)	522
Financial income	20,821	20,766
	-	-
Total value added	827,055	843,794
	-	-
Distribution of value added	(827,055)	(843,794)
Personnel and charges	(342,708)	(313,374)
Direct remuneration	(233,764)	(214,605)
Benefits	(88,967)	(80,120)
Charges	(19,977)	(18,649)
Taxes, fees and contributions	(221,929)	(217,554)
Federal	(174,379)	(174,775)
Municipalities	(47,550)	(42,779)
Interest, rental and other operating expenses	(97,247)	(129,806)
Interest	(72,610)	(45,370)
Rental	(9,943)	(77,439)
Other operating expenses	(14,694)	(6,997)
Retained earnings	(165,171)	(183,060)