2Q10 Results

FLRY3

NOVO MERCADO BOVESPA BRASIL

Índice de Ações com Governança Corporativa Diferenciada IGC

"The most valuable brand in the Brazilian healthcare industry
The 6th most valuable brand among the service companies
The 25th most valuable Brazilian brand"

Millward Brand / BrandAnalytics



August, 2010

Grupo FLEURY

TODOS OS DIREITOS RESERVADOS – 2010

Disclaimer

This presentation may contain forward-looking statements. Such statements are not statements of historical facts and reflect the beliefs and expectations of the Company s management. The words “anticipates”, “believes”, “estimates”, “expects”, “forecasts”, “plans”, “predicts”, “project”, “targets” and similar words are intended to identify these statements, which necessarily involve known and unknown risks and uncertainties. Known risks and uncertainties include but are not limited to the impact of competitive services and pricing market acceptance of services, service transactions by the Company and its competitors, regulatory approval, currency fluctuations, changes in service mix offered, and other risks described in the Company s registration statement. Forward-looking statements speak only as of the date they are made and the Fleury Group does not undertake any obligation to update them in light of new information or future developments.

All mentioned comparisons are against the same period in 2009 – 2Q09 - except when stated differently.

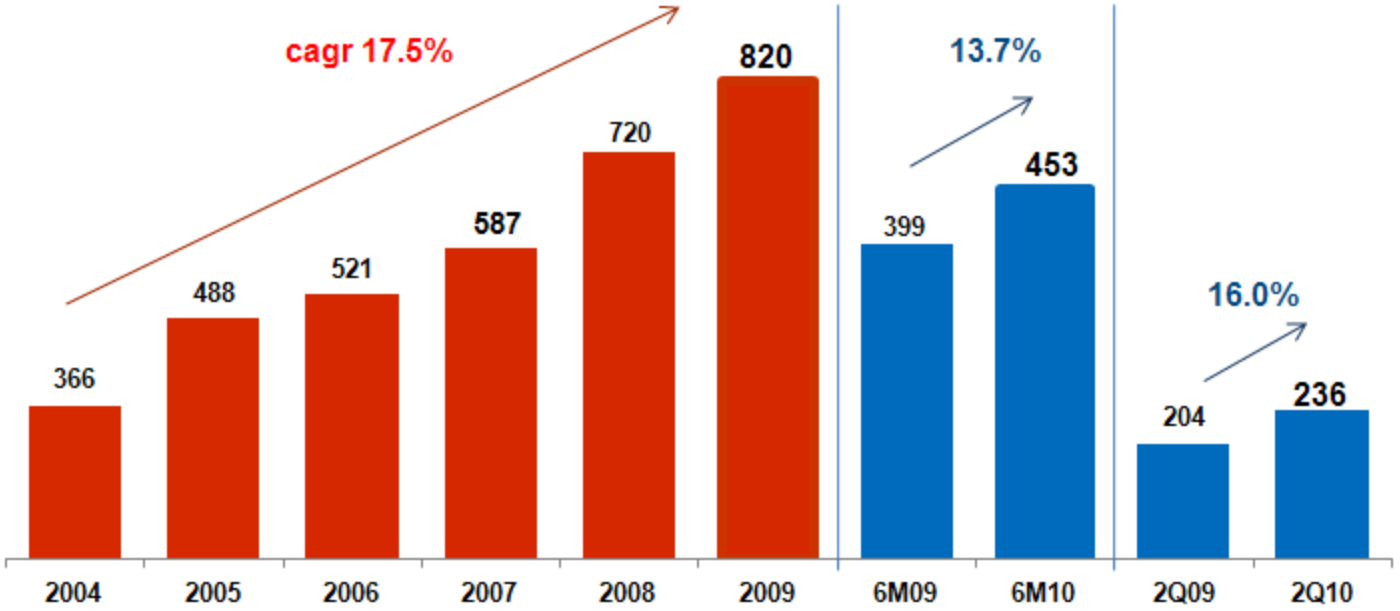
Highlights

R$ million	2Q10	2Q09	Δ	1Q10	Δ
Gross Revenue	236.3	203.6	16.0%	217.2	8.8%
Net Revenue	217.8	191.0	14.0%	203.9	6.8%
Gross Profit	91.0	84.2	8.0%	86.0	5.7%
% margin	41.8%	44.1%		42.2%	
EBITDA	53.4	46.2	15.6%	44.9	19.1%
% margin	24.5%	24.2%		22.0%	
Net Income	31.6	18.1	74.4%	23.5	34.3%
% margin	14.5%	9.5%		11.5%	
Return on Investment (LTM)	22.3%	21.0%		21.5%	

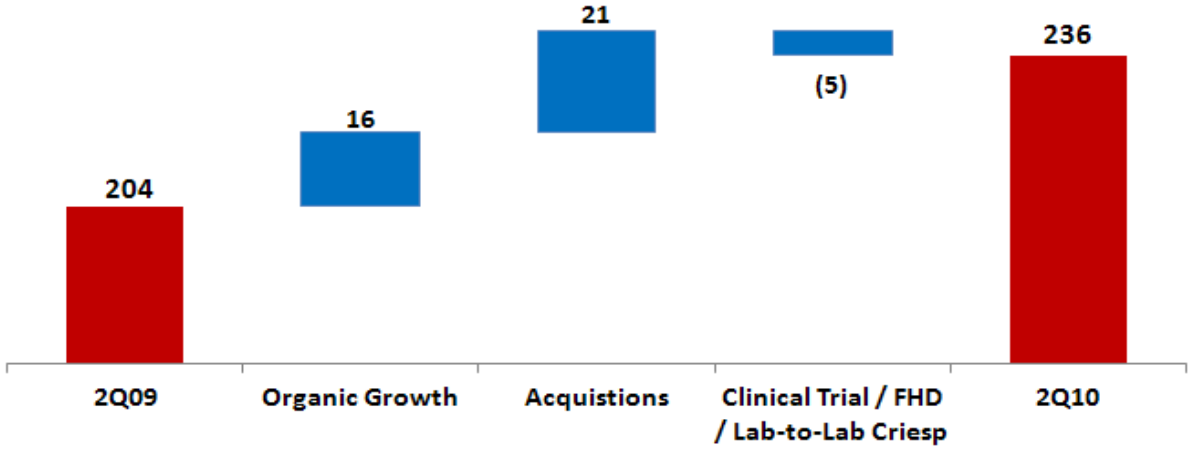
- **Acquisition of Di, adding 60 highly qualified and highly recognized physicians to the Group's staff.**
- **As part of the Expansion Plan, there were movements (new PSCs, relocation or remodeling/expansion) involving 24 PSCs during the first half of 2010.** In addition, working hours were extended and Imaging and other specialties services were added to the PSCs portfolios.

Gross Revenue

(R$ million)



Gross Revenue Breakdown



Gross Revenue - Breakdown by Business Line

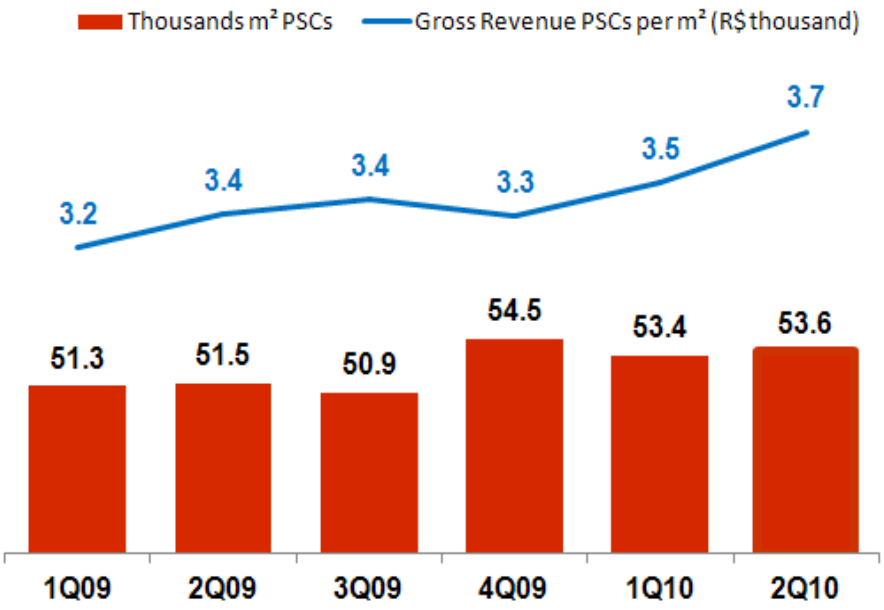
- **Patient Service Centers, a 15.2% increase in revenues.**
  - The average revenue **per PSC grew 11.8%,** the average revenue **per square meter grew 10.5%.**
  - 10.4% increase in the number of patients.
- **50.3% growth in Diagnostic Operations in Hospitals.**
- **Preventive and Therapeutic Medicine (ex-FHD) has increased by 64.0%.**

Gross Revenue breakdown by business line	2Q10		2Q09		
	R$ million	%	R$ million	%	△
Patient Service Centers	**198.9**	**84.2%**	**172.7**	**84.8%**	**15.2%**
Diagnostic Operations in Hospitals	**23.0**	**9.7%**	**15.3**	**7.5%**	**50.3%**
Lab-to-lab and Clinical Trials	**9.9**	**4.2%**	**10.8**	**5.3%**	**-8.6%**
Lab-to-lab	8.7	3.7%	8.6	4.2%	0.6%
Clinical Trials	1.2	0.5%	2.2	1.1%	-45.3%
Preventive and Therapeutic Medicine	**4.6**	**1.9%**	**4.9**	**2.4%**	**-6.5%**
MPT (ex-FHD)	4.6	1.9%	2.8	1.4%	64.0%
Fleury Hospital-Dia (Day-Hospital)	0.0	0.0%	2.1	1.0%	-97.9%

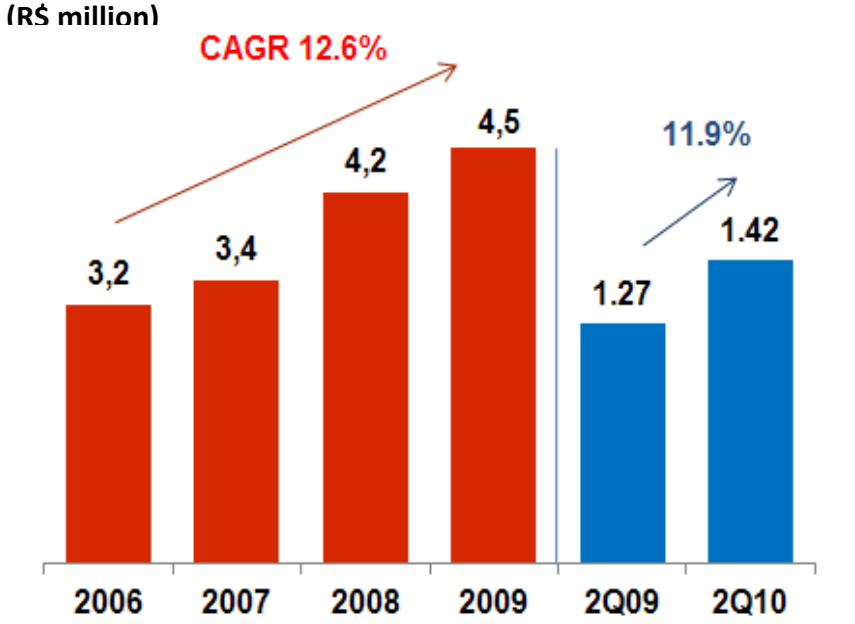
Patient Service Centers

- **15.2% increase in gross revenue** (14.1% in 1H10), amounting **R$ 199 million** in the quarter.
- **The average revenue per square meter grew 10.5%. The average size of PSCs increased 1.2%**
- Expansion in the **number of patients by 10.4%** compared to 2Q09.
- "Same store sales" (only same existing PSCs during the comparison period), has grown 9%.

Average revenue per square meter and total square meters



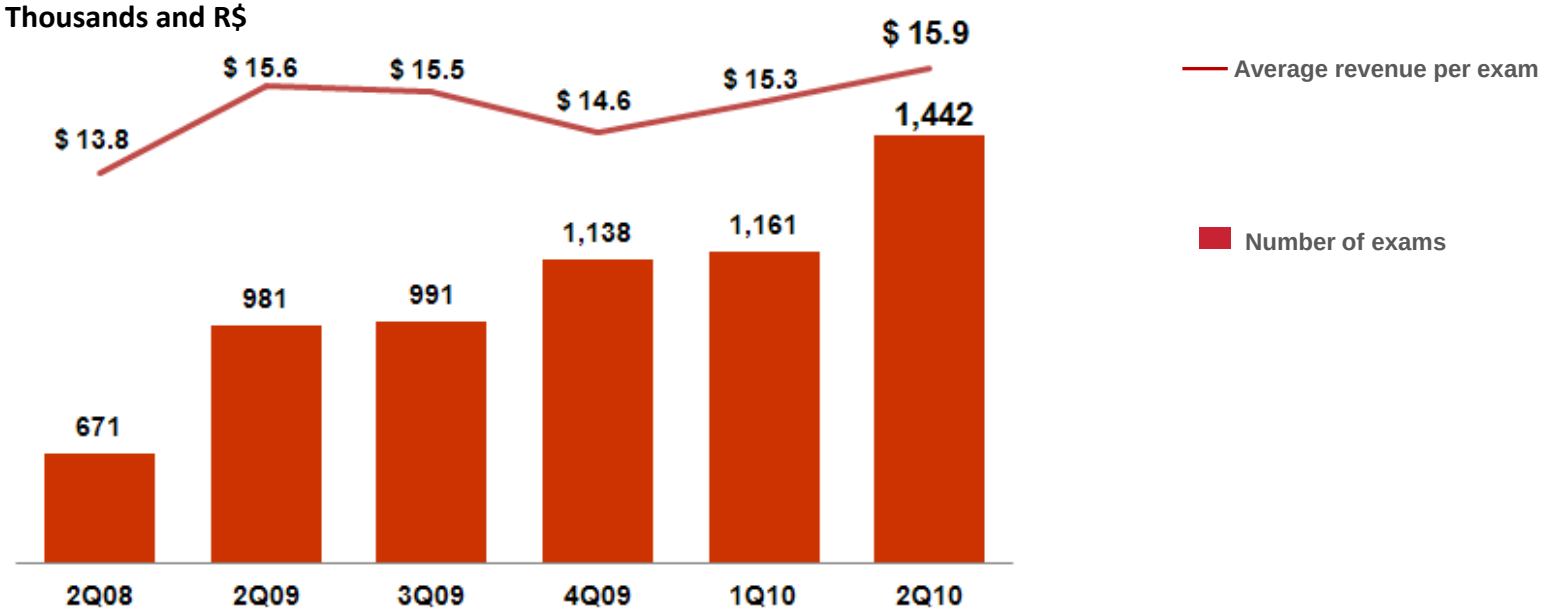
Average revenue per PSC



Diagnostic Operations in Hospitals

- **Revenues of R$ 23 million, achieving a 9.7% share** in the total revenue of Fleury Group, **a 50.3% increase in the 2Q10** compared to the 2Q09, due to:
  - **Expansion of the hospital operations;**
  - Operations in hospitals located in Porto Alegre, after the **acquisition of Weinmann, and the acquisition of Di,** responsible for imaging services at Hospital Alemão Oswaldo Cruz (São Paulo). Higher average revenue per exam due to the addition of imaging services.

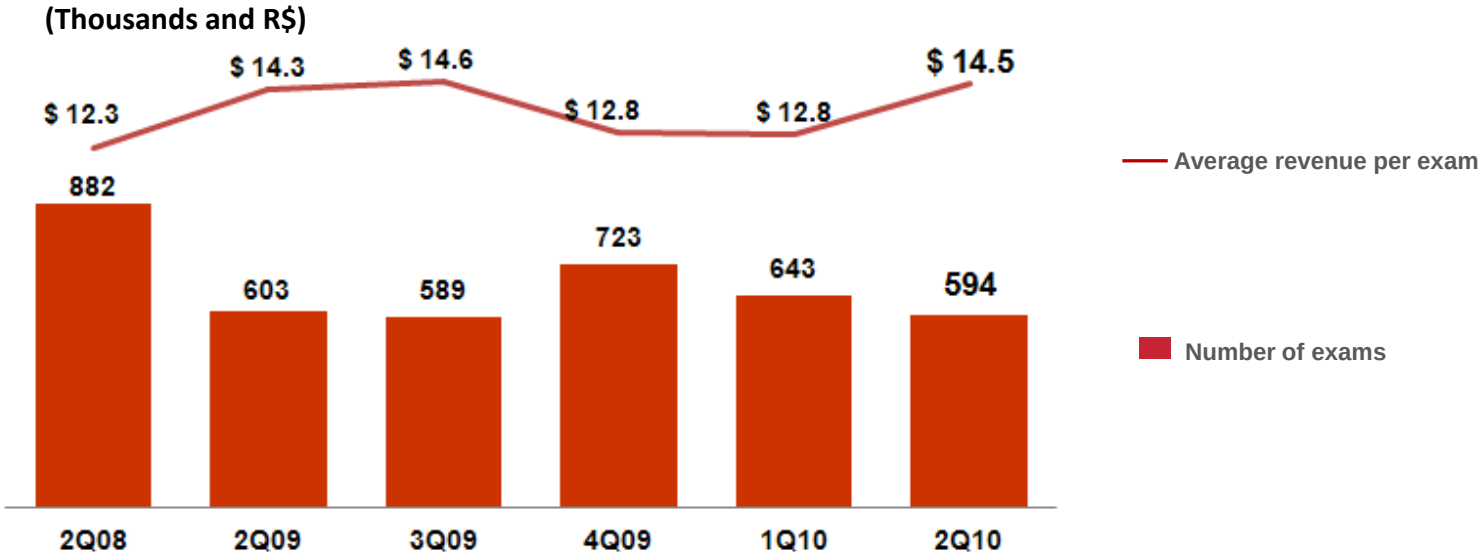
Number of exams and average revenue per exam



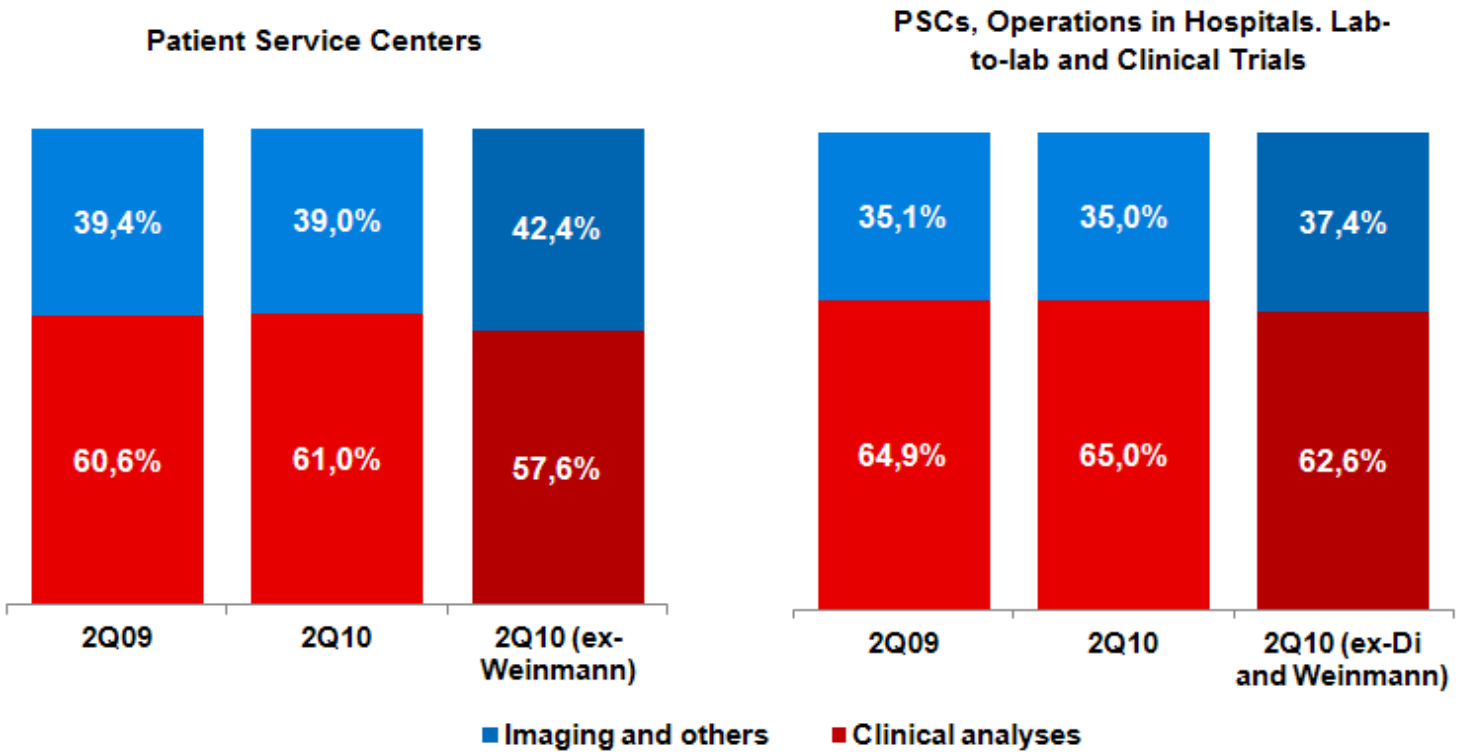
Lab-to-Lab and Clinical Trials

- **0.6% variation in the 2Q10** compared to 2Q09 **in Lab-to-Lab, R$ 8.7 million in the quarter**. There was a 5.5% increase compared to the previous quarter.
- **Progressive discontinuation of the Clinical Trials business.** The R$ 2.2 million revenue of the 2Q09 decreased to R$ 1.2 million in the 2Q10.
- The total revenue considering both business lines decreased 8.6%.

Number of exams and average revenue per exam (ex-Clinical Trials)



Gross Revenue – breakdown by type of exam/test



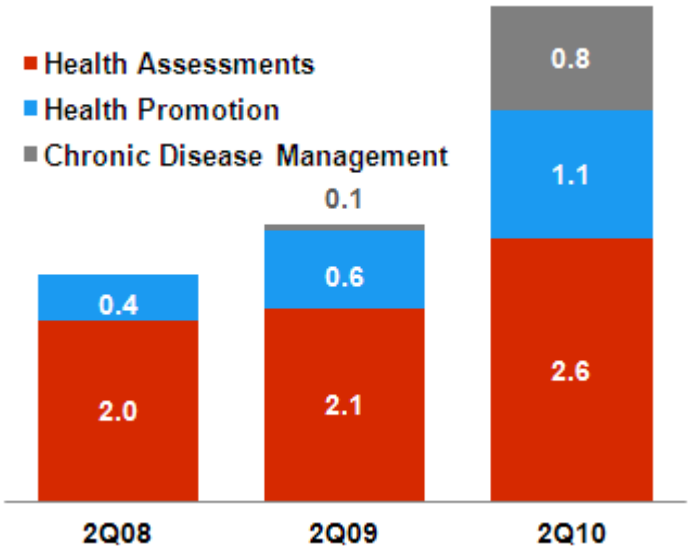
- **Imaging tests & Other Diagnostic Specialties increased 17.2%,** driven by continuous organic expansion of Imaging Services in the PSCs.
  - +10.5% in number of exams.
- **Clinical Analysis' revenue grew 16.8%,** mainly driven by Weinmann's acquisition.
  - +21.4% in number of exams.

Preventive and Therapeutic Medicine

- **64.0% increase** excluding Fleury Hospital-Dia operations**.**
- **The Chronic Disease Management service has reached 24.5 thousand lives under contract.**
- **The Executive Health Assessment revenue increased by 28%,** with a 29% growth in the number of assessments.
- **The Health Promotion services** in companies increased by **63% in revenues**.

Quarterly gross revenue – Preventive and Therapeutic Medicine

(R$ millions)

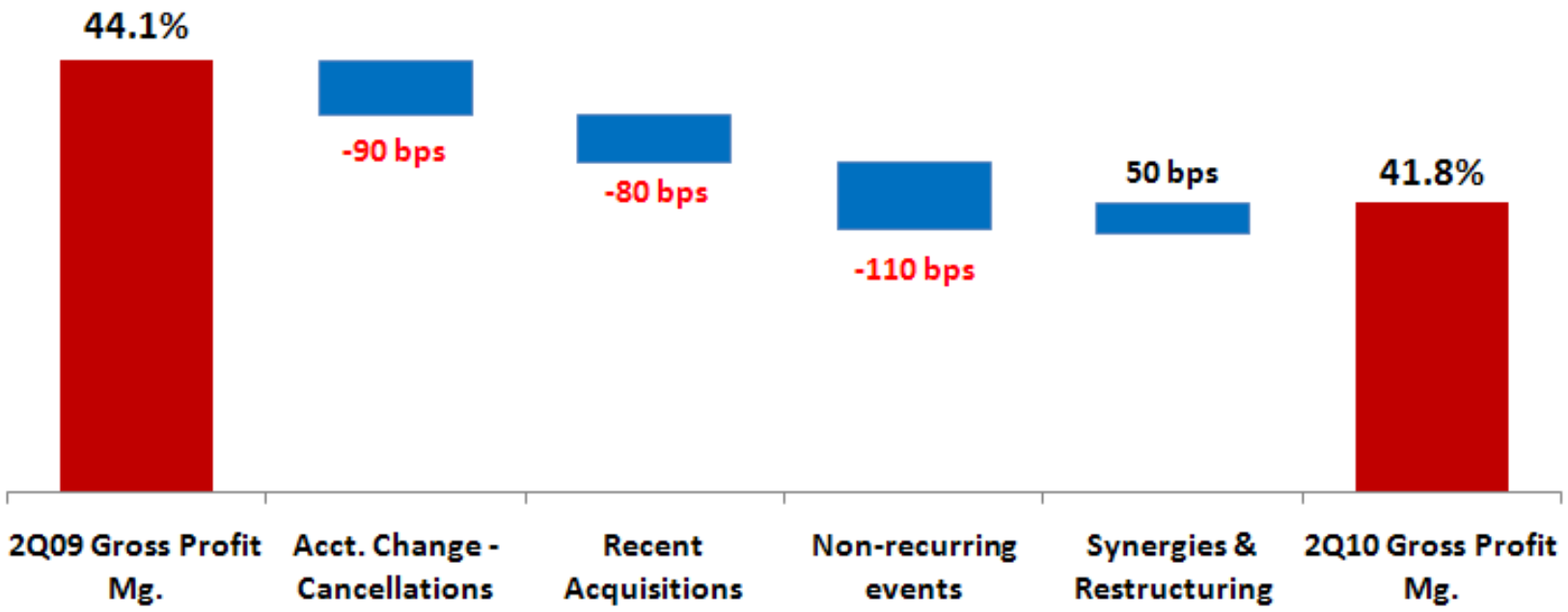


Costs of Services

	R$ Million 2Q10	% Net Revenue		2Q09 % Net Revenue
		New criterion	Previous criterion	
Personnel and medical services	66.9	30.7%	*30.2%*	*26.0%*
General services, Rent and Utilities	26.6	12.2%	*12.0%*	*12.0%*
Materials and Outsourcing	20.4	9.4%	*9.2%*	*12.9%*
General Expenses	13.0	6.0%	*5.9%*	*5.1%*
TOTAL 2Q10	**126.9**	**58.2%**	*57.4%*	**106.8** *55.9%*

Gross Margin

(% of Net Revenue)

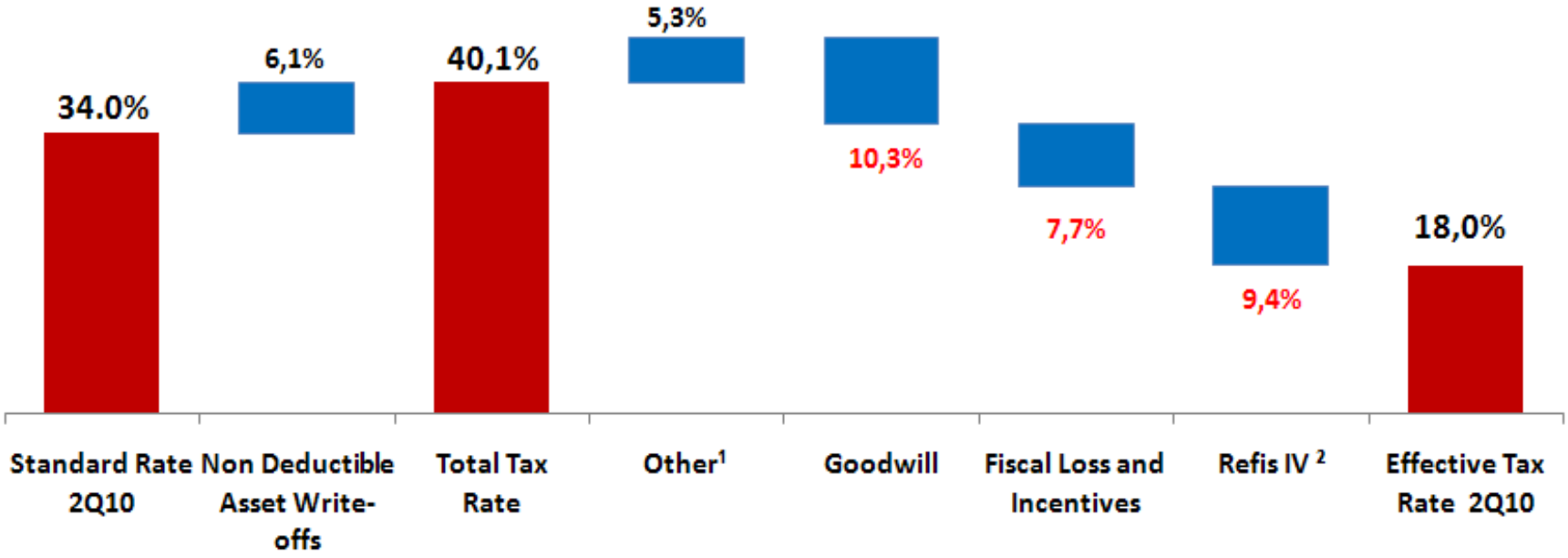


Operational Expenses

- **General and Administrative Expenses**, excluding the provisions for Profit Sharing Plan (PSP) and Depreciations, amounted to **R$37.4 million,** 17.2% of the Net Revenue, **a dilution of 61 basis points compared to 2Q09.**
- **Depreciations** amounted R$ 7.0 million, **PSP** R$ 2.9 million.
- **Other Operational Revenues (Expenses), net** amounted R$3.8 million:
  - R$ 14.6 million (revenue): tax credit, "REFIS IV" federal program;
  - R$ 5.9 million (expense): recoverable taxes write-off;
  - R$ 4.5 million (expense): bad debt provisions;
  - R$ 1.1 million (expense): net effect of assets and liabilities write-offs;
  - R$ 0.8 million (revenue): change in accounting procedure of Cancellations.

	2Q10		2Q09		1Q10	
	R$ million	% Net Revenue	R$ million	% Net Revenue	R$ million	% Net Revenue
General and Administrative	37.4	17.2%	34.0	17.8%	32.9	16.2%
Profit Sharing Plan (PSP)	2.9	1.3%	2.4	1.2%	2.5	1.2%
Other operating expenses (revenue), net	-3.8	-1.8%	1.7	0.9%	6.0	2.9%
Contingency provision	1.1	0.5%	0.2	0.1%	-0.2	-0.1%
Operating Expenses (ex-depreciation)	37.6	17.2%	38.2	20.0%	41.2	20.2%

Income Tax and Social Contribution

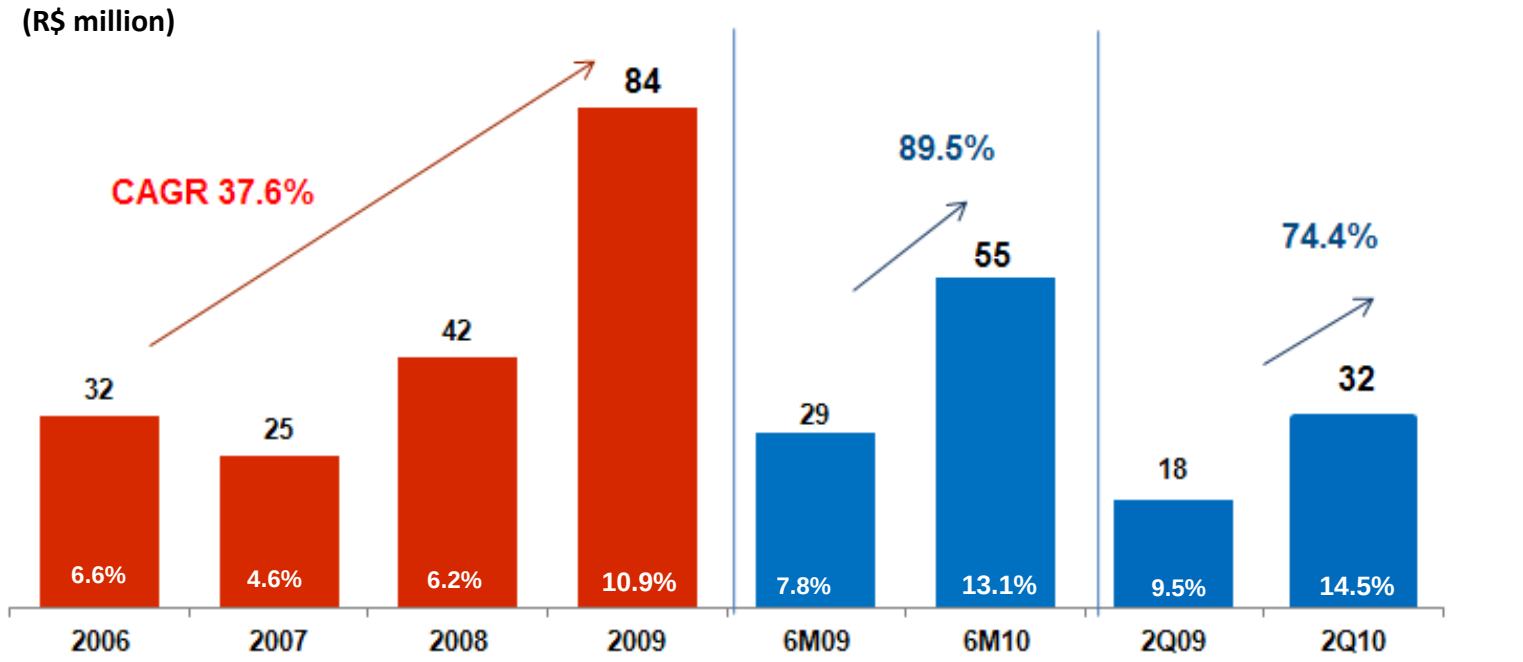


1- Other: Non Recurring Provisions, Non-Deductible Expenses, Equity in Subsidiaries
2- Refis IV: non recurring

Net Income

- **74.4% growth**, totaling **R$ 31.6 million.**
- **The profit margin** represented **14.5%** of net revenue**.**

Net Income and Profit Margin

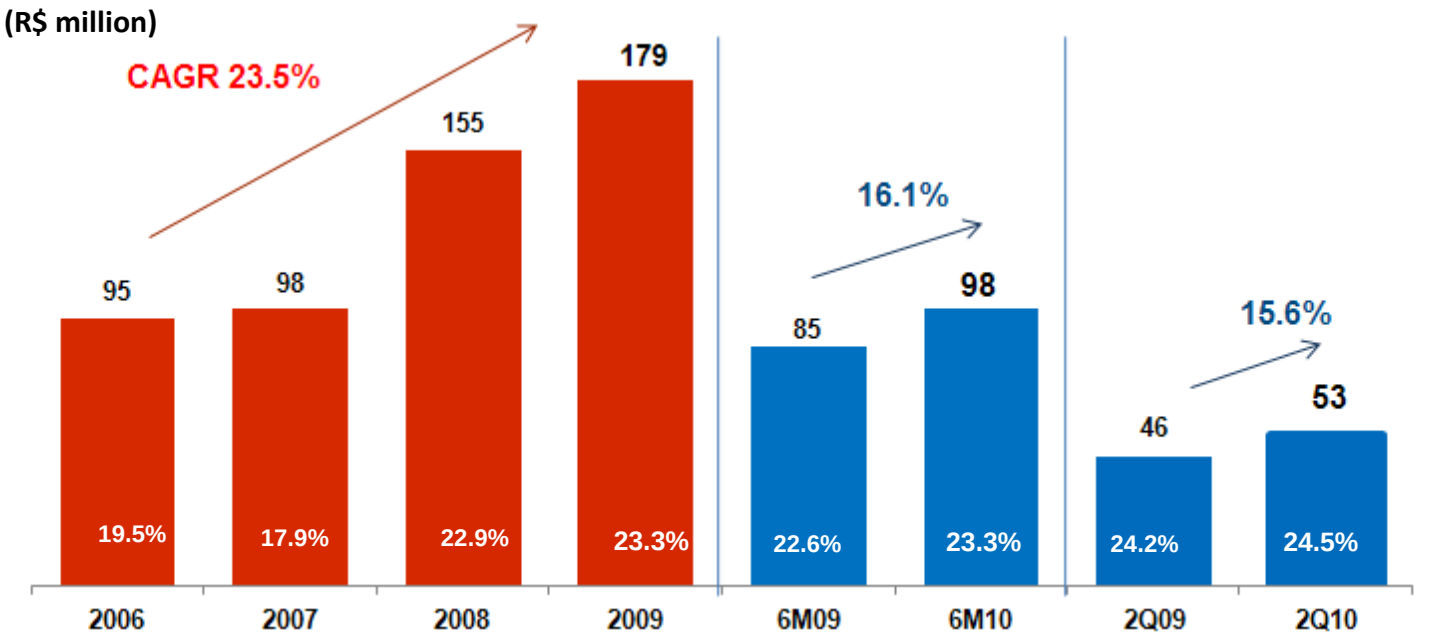


EBITDA

- **15.6% increase,** totaling **R$ 53.4 million.**
- **EBITDA margin** on net revenue of **24.5%, 34 basis points higher than 2Q09.**

	R$ million	% net revenue
Net Income	31.6	14.5%
Financial Expenses (Income)	(6.4)	(2.9%)
Depreciation and amortization	7.0	3.2%
Income Tax and Social Contribution	21.2	9.7%
EBITDA (not adjusted)	**53.4**	**24.5%**

EBITDA and EBITDA margin on net revenue



EBITDA Analysis

Item	% of Net Revenue
EBITDA Reported	**24.5%** ***R$ 53.4 MM***
Acquisitions	+80 *bps* *R$ 1.8 MM*
Cost of Services – Non recurring	+110 *bps* *R$ 2.4 MM*
Administrative Expenses – Non recurring	+46 *bps* *R$ 1.0 MM*
Other Operating – Recoverable taxes write-off	+271 *bps* *R$ 5.9 MM*
Other Operating – Balance Sheet adjustments	+ 50 *bps* *R$ 1.1 MM*
Reserve for contingencies	+50 *bps* *R$ 1.1 MM*
ADD-BACK TOTAL	***+ 607 bps*** *R$ 13.3 MM*
Refis IV	-670 *bps* *R$ 14.6 MM*
Total non recurring impact	**-0.6%**

Cash Flow, Accounts Receivable and Debt

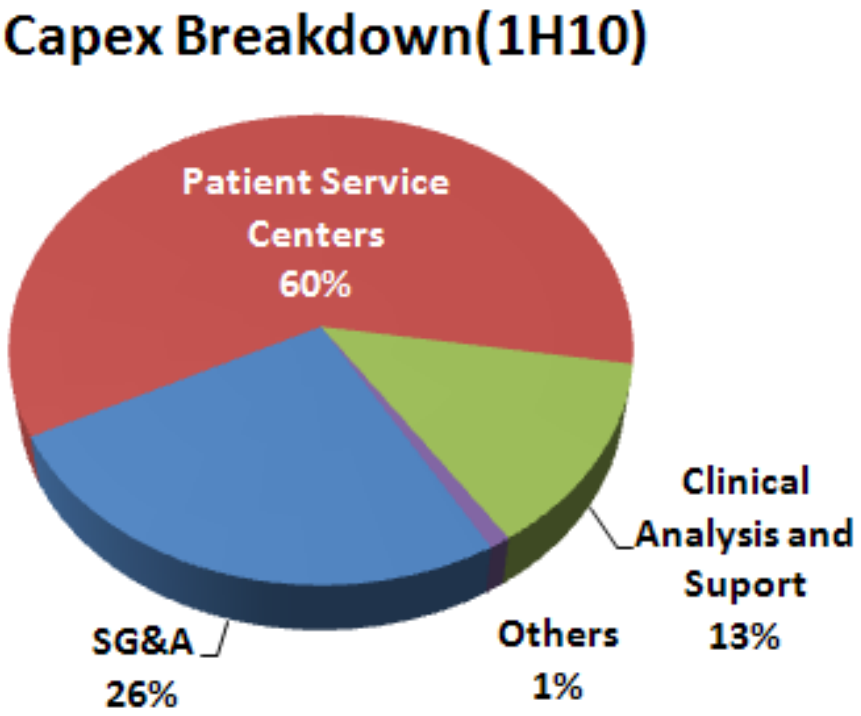
Cash Flow	R$ MM
Net Income	31.6
Op. Cash Flow	44.9
Net Cash Flow	(7.6)

Accounts Receivable	R$ MM
March 31st	205.2
Quarter´s Revenue	236.3
Collection from Customers	(241.5)
June 30th	200.1
Bad Debt Provision	(27.3)
Accounts Receivable (net)	172.8

Debt Position	Total (R$ MM)	Next 12m
Loans	99.4	34.1
Acquisitions	42.2	9.3
Taxes	87.3	12.8
TOTAL DEBT	229.0	56.2
Cash and Equivalents	568.1	

Investments 2Q10

- Capex amounted R$ 17 million in 2Q10.
- Investments in Acquisitions amounted R$ 12 million.



Investments – Expansion Plan

- **Movements related to investments in PSCs and total square meters involved, which includes expansion in services, are planned as below:**

	1H10	2H10	2011	2012
Movements in PSCs*	24	25	34	20
Square meters(thousands)	5.0	6.0	24.6	20.4
Square meters net addition (thousands)	-0.8	1.0	17.5	17.6

* New PSCs, relocation or remodeling/expansion

Payment of Interest on Capital

- **Anticipation of Interest on Capital** (Board Meeting, August 10th)
  - Refers to 1H10 results;
  - **Tax benefit to be accrued on 3Q10: R$ 5.5 million**;

Total amount: R$ 16,227,910.51

Per share amount: R$ 0.12359550

  - Payment will be on August 30th;
  - Based on the Company's ownership structure as of August 11 2010;
  - Company's shares will be traded "ex" interest as from August 12, 2010.

Capital Market

FLRY3	
Close (06/30/2010)	R$ 19.99
2Q10 High	R$ 19.99
2Q10 Low	R$ 16.01

Shares Outstanding (06/30/10)
131,298,550 shares

Free float (06/30/10)
41,792,510 shares(31.8%)

Market Cap (06/30/10)
R$2.62 billion

