



KPMG Auditores Independentes

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Independent auditor's report in the individual and consolidated financial statements

To the Board of Directors and Stockholders of Fleury S.A.

São Paulo – SP

Opinion

We have audited the individual and consolidated financial statements of Fleury S.A. (“the Company”), respectively referred to as Parent and Consolidated, which comprise the statement of financial position as at December 31, 2019 the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of the Fleury S.A. as at December 31, 2019, and of its individual and consolidated financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics (“Código de Ética Profissional do Contador”) and in the professional standards issued by the Brazilian Federal Accounting Council (“Conselho Federal de Contabilidade”) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill recoverable value due to future earnings

See Notes 11 of individual and consolidated financial statement

The key audit matter

As of December 31, 2019, the Company's financial statements include goodwill deriving from acquisition of investments whose recoverable value must be analyzed on an annual basis and whose recoverability is based on estimated future earnings. On an annual basis, the Company evaluates probability of these future earnings, as well as assumptions that determine them. Due to relevance of and characteristics inherent to the process of determining future cash flow estimates and their assumptions, which are the basis for evaluation of goodwill recoverable value, judgment inherent in determining these estimates, that may impact the value of such this asset in individual and consolidated financial statements, we considered this matter as significant to our audit work.

How the matter was addressed in our audit

We evaluated internal controls related to preparation and review of technical studies and analysis of recoverable value made available by the Company. With the help of our corporate finance specialists, we evaluated the Company's assumptions, especially those related to growth of revenues, profit margins and discount rates applied to discounted cash flows and compared the Company's assumptions with data obtained from external sources, when available, such as projected economic growth, inflation of provided service costs, and discount rates. We compared the sum of discounted cash flows with the Company's market value, determined based on its publicly-traded shares in order to evaluate reasonability of these cash flows. We also analyzed reasonability of mathematical calculations included in studies and evaluated adequacy of disclosures made by the Company. With the help of our corporate finance specialists, we evaluated the main assumptions included in Company's impairment study and compared the assumptions with data obtained from external sources, such as projected economic growth, inflation of provided service costs and discount rates. We compared the sum of discounted cash flows with the Company's market value, determined based on its publicly traded shares. We compared the discounted cash flows with the goodwill by UGC. We also provided the conference of mathematical calculations included in studies and evaluated adequacy of disclosures made by the Company.

Based on audit procedures above resumed to test the measurement of Goodwill recoverable value prepared by Company, and in the audit evidence obtained, we considered that the Goodwill balance and disclosures are acceptable, in the context of individual and consolidated financial statement taken as a whole, relating to year ended on December 31, 2019.

Revenue recognition

See Notes 26 of individual and consolidated financial statement

The key audit matter

The Company's revenues derive from services and their recognition is based when the risks and benefits arising from the provision of services are transferred to the client, for which it is necessary to determine the amount of the revenue that the entity expects to have the right to be recognised, considering services provided and billed, and also those provided and unbilled.

Due to relevance of this transaction, including measurement of unbilled revenues that may impact value of revenue in individual and consolidated financial statements, we considered this matter as significant for our audit work.

How the matter was addressed in our audit

We evaluated the key main controls related to revenue recognition process, specifically those related to billing of services provided and measurement of services provided to be billed (unbilled revenues), as well as adequacy of accounting policies adopted by the Company. We provided documentary tests, on sample basis, on the existence and accuracy of billed services, as well documentary tests, on sample basis, evaluating the moment of billed and unbilled revenue recognition. In addition, we evaluated the adequacy of disclosures made in financial statements.

Based on audit procedures and evidences obtained through the procedures above resumed, we considered that the Company's revenue recognition is acceptable in the context of individual and consolidated financial statement taken as a whole, relating to year ended on December 31, 2019.

Others matters - Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2019, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial

statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and subsidiaries financial reporting process.

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical

requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 18, 2020

KPMG Auditores Independentes
CRC 2SP014428/O-6
(Original report in Portuguese signed by)
Marcos Antonio Boscolo
Contador CRC 1SP198789/O-0

FLEURY S.A. AND SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION
(In thousands of Brazilian reais - R\$)

Assets	Note	Parent Company		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
Current assets					
Cash and cash equivalents	5	5.514	52.340	8.966	55.231
Marketable securities	6	784.256	717.883	795.298	753.651
Trade receivables	7	542.332	487.991	570.086	505.424
Inventories	8	29.669	25.873	31.867	26.563
Taxes recoverable	9	16.737	11.919	17.514	12.267
IRPJ and CSLL to offset		44.766	66.720	49.804	68.284
Receivables from related parties		-	1.502	26	199
Other assets		10.308	10.937	11.639	12.587
Total current asset		1.433.582	1.375.165	1.485.200	1.434.206
Noncurrent assets					
Marketable securities	6	-	-	53.538	-
Other assets		22.618	10.892	23.155	11.135
Deferred income tax and social contribution	21	-	-	12.590	-
Judicial deposits	22	38.490	40.316	39.170	40.921
		61.108	51.208	128.453	52.056
Investments	10	459.945	168.179	16.828	12.280
Property and equipment	11	715.926	757.532	750.686	782.681
Intangible assets	11	1.532.587	1.510.873	1.920.808	1.629.225
Right of use	12	756.414	-	794.677	-
Total noncurrent assets		3.525.980	2.487.792	3.611.452	2.476.242
Total assets		4.959.562	3.862.957	5.096.652	3.910.448

Liabilities and equity	Note	Parent Company		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
Current liabilities					
Financing	13	30.603	32.612	31.220	33.252
Debentures	14	177.276	182.962	177.276	182.962
Finance lease	15	126.910	610	131.939	610
Derivative financial instruments, net		126	170	126	170
Trade payables	16	179.037	187.280	190.442	193.945
Labor liabilities	17	133.096	126.054	139.226	128.715
Taxes and contributions payable	18	28.303	27.929	30.941	29.405
IRPJ and CSLL payable		-	-	448	938
Accounts payable - company acquisition	19	526	260	8.991	15.039
Interest on equity		31.207	34.971	31.207	34.971
Other accounts payable	20	4.341	3.619	5.219	4.693
Total current liabilities		711.425	596.467	747.035	624.700
Noncurrent liabilities					
Financing	13	46.279	74.047	47.914	76.295
Debentures	14	1.300.000	966.667	1.300.000	966.667
Finance lease	15	655.867	6.176	690.940	6.176
Labor liabilities	17	218	-	218	-
Deferred income tax and social contribution	21	406.125	400.149	409.843	391.701
Provision for tax, labor and civil risks	22	37.456	26.089	37.947	26.583
Taxes paid in installments	18	20.281	24.247	21.527	24.338
Accounts payable - company acquisition	19	14.495	6.754	73.813	31.627
Other payables	20	8.440	12.400	8.439	12.400
Total noncurrent liabilities		2.489.161	1.516.529	2.590.641	1.535.787
Equity					
Share capital	24a	1.426.267	1.419.136	1.426.267	1.419.136
Capital reserve - options granted recognized	25	32.067	26.259	32.067	26.259
Legal reserve		102.877	87.261	102.877	87.261
Retained profit	24b	197.766	217.305	197.766	217.305
Total equity		1.758.976	1.749.961	1.758.976	1.749.961
Total liabilities and equity		4.959.562	3.862.957	5.096.652	3.910.448

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The notes are an integral part of the financial statements.

STATEMENT OF INCOME
TWELVE-MONTH PERIODS ENDED DECEMBER 31
(In thousands of Brazilian reais - R\$, except earnings per share)

	Note	<u>Parent Company</u>		<u>Consolidated</u>	
		<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Revenue from services rendered	26	2.785.549	2.582.228	2.905.107	2.664.463
Cost of services	27	(1.915.271)	(1.783.241)	(2.016.715)	(1.855.962)
Gross profit		870.278	798.987	888.392	808.501
Operating (expenses) income					
General and administrative	28	(311.595)	(293.728)	(320.387)	(295.571)
Other operating income (expenses), net	29	(12.468)	(6.675)	(7.839)	(8.015)
Reversal of (provision for) tax, labor and civil risks		(127)	(2.385)	346	(2.568)
Equity in the earnings (losses) of subsidiaries	10	8.407	8.667	(333)	900
Operating profit before financial result		554.495	504.866	560.179	503.247
Financial income	30	30.256	48.467	33.814	50.273
Financial expenses	30	(160.606)	(99.912)	(167.791)	(102.380)
Financial result		(130.350)	(51.445)	(133.977)	(52.107)
Earnings before income tax and social contribution		424.144	453.421	426.201	451.140
Income tax and social contribution					
Current	21	(105.852)	(87.130)	(109.120)	(91.281)
Deferred	21	(5.976)	(34.706)	(4.764)	(28.274)
Net profit for the period		312.317	331.585	312.317	331.585
Earnings per share attributable to the Company's shareholders					
Basic earnings per share (weighted average)	31	0,99	1,05	0,99	1,05
Diluted earnings per share (weighted average)	31	0,98	1,03	0,98	1,03

The notes are an integral part of the financial statements.

FLEURY S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
TWELVE-MONTH PERIODS ENDED DECEMBER 31
(In thousands of Brazilian reais - R\$)

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Net income for the period	<u>312.317</u>	<u>331.585</u>	<u>312.317</u>	<u>331.585</u>
Other comprehensive income				
Items that will be reclassified to profit (loss) in subsequent periods	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Items that will not be reclassified to profit (loss) in subsequent periods	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>312.317</u>	<u>331.585</u>	<u>312.317</u>	<u>331.585</u>

The notes are an integral part of the financial statements.

FLEURY S.A. AND SUBSIDIARIES

STATEMENT OF VALUE ADDED
 TWELVE-MONTH PERIODS ENDED DECEMBER 31
 (In thousands of Brazilian reais - R\$)

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Revenue	2.976.496	2.757.960	3.108.428	2.847.345
Gross revenue from services rendered (net of rebates)	3.010.783	2.789.629	3.140.759	2.878.710
Estimated losses with disallowances	(43.632)	(40.356)	(44.514)	(40.479)
Other revenue	9.345	8.687	12.183	9.114
Inputs acquired from third parties	(1.094.590)	(991.827)	(1.160.657)	(1.038.133)
Cost of services	(1.005.718)	(912.351)	(1.068.351)	(957.628)
Materials, electricity, outsourced services and others	(87.436)	(78.172)	(90.944)	(79.203)
Loss/recovery of asset values	(1.436)	(1.304)	(1.362)	(1.302)
Gross value added	1.881.906	1.766.133	1.947.771	1.809.212
Depreciation and amortization	(309.160)	(179.110)	(320.463)	(189.291)
Net value added	1.572.746	1.587.023	1.627.308	1.619.921
Value added received through transfer	40.112	59.436	35.079	53.578
Equity in the earnings (losses) of subsidiaries	8.407	8.667	(333)	900
Financial income (other than PIS and COFINS)	31.705	50.769	35.412	52.678
Total value added to distribute	1.612.858	1.646.459	1.662.387	1.673.499
Distribution of value added	(1.612.858)	(1.646.459)	(1.662.387)	(1.673.499)
Personnel and charges	(672.259)	(623.613)	(698.060)	(636.134)
Direct compensation	(458.407)	(425.053)	(477.630)	(434.798)
Benefits	(177.242)	(163.478)	(181.820)	(165.061)
Charges	(36.610)	(35.082)	(38.610)	(36.275)
Taxes, fees and contribution	(424.181)	(415.856)	(441.747)	(423.344)
Federal	(332.921)	(332.421)	(345.320)	(336.280)
Municipal	(91.260)	(83.435)	(96.427)	(87.064)
Interest, rental and other operating expenses	(204.101)	(275.405)	(210.263)	(282.436)
Rental	(11.233)	(157.807)	(12.043)	(160.340)
Interest	(160.606)	(99.913)	(167.792)	(102.381)
Other operating expenses	(32.262)	(17.685)	(30.428)	(19.715)
Interest on equity	(98.935)	(97.700)	(98.935)	(97.700)
Legal reserve	(15.616)	(16.580)	(15.616)	(16.580)
Retained earnings	(197.766)	(217.305)	(197.766)	(217.305)

The notes are an integral part of the financial statements.

FLEURY S.A. AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
 TWELVE-MONTH PERIODS ENDED DECEMBER 31
 (In thousands of Brazilian reais - R\$)

Note	Share capital			Capital reserve		Legal reserve	Retained earnings	Profit (loss) for the period	Total equity
	Share capital	Share issue expenses	Share capital, net	Options granted recognized	Revaluation reserve				
Balances on December 31, 2017	1.436.392	(22.784)	1.413.608	17.923	78	70.681	204.238	-	1.706.528
Realization of revaluation reserve	-	-	-	-	(78)	-	-	-	(78)
Capital increase	7.143	-	7.143	-	-	-	-	-	7.143
Capital to contribute	(1.615)	-	(1.615)	-	-	-	-	-	(1.615)
Stock option plan	-	-	-	8.336	-	-	-	-	8.336
Profit allocation	-	-	-	-	-	-	-	-	-
Creation of Legal Reserve	-	-	-	-	-	16.580	-	(16.580)	-
Net income for the period (R\$1.05 per share)	-	-	-	-	-	-	-	331.585	331.585
Interest on equity	-	-	-	-	-	-	-	(97.700)	(97.700)
Dividends paid (R\$0.65 per share)	-	-	-	-	-	-	(204.238)	-	(204.238)
Retained earnings	-	-	-	-	-	-	217.305	(217.305)	-
Balances on December 31, 2018	1.441.920	(22.784)	1.419.136	26.259	-	87.261	217.305	-	1.749.961
Capital increase	7.131	-	7.131	-	-	-	-	-	7.131
Stock option plan	-	-	-	5.808	-	-	-	-	5.808
Creation of Legal Reserve	-	-	-	-	-	15.616	-	(15.616)	-
Net income for the period (R\$1.00 per share)	-	-	-	-	-	-	-	312.317	312.317
Interest on equity	-	-	-	-	-	-	-	(98.935)	(98.935)
Dividends paid (R\$0.65 per share)	-	-	-	-	-	-	(217.305)	-	(217.305)
Retained earnings	-	-	-	-	-	-	197.766	(197.766)	-
Balances on December 31, 2019	1.449.051	(22.784)	1.426.267	32.067	-	102.877	197.766	0	1.758.976

The notes are an integral part of the financial statements.

FLEURY S.A. AND SUBSIDIARIES

STATEMENT OF CASH FLOWS
 TWELVE-MONTH PERIODS ENDED DECEMBER 31
 (In thousands of Brazilian reais - R\$)

	Note	Parent Company		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
Net profit		312.317	331.585	312.317	331.585
Items not affecting cash:					
Income tax and social contribution	21	111.828	121.836	113.884	119.555
Financial income and expenses	30	144.874	77.162	151.848	79.503
Depreciation and amortization	11/12	309.159	179.110	320.464	189.291
Equity in the earnings (losses) of subsidiaries		(8.407)	(8.667)	333	(900)
Stock option plan	25	5.808	8.336	5.808	8.336
Creation of provision for tax, labor and civil risks	22	127	(2.463)	778	(2.281)
Estimated losses with doubtful accounts and disallowances	26/29	43.632	40.356	44.514	40.479
Profit sharing	17	31.868	31.948	32.069	31.948
Other		3.257	(1.044)	1.313	2.136
Cash flow from operating activities before changes in assets and liabilities		954.463	778.159	983.327	799.652
(Increase) decrease in trade receivable	7	(97.974)	(25.524)	(96.835)	(33.662)
(Increase) decrease in inventories	8	(3.796)	(4.386)	(4.319)	(5.018)
(Increase) decrease in taxes recoverable	9	8.951	(29.504)	8.649	(31.264)
(Increase) decrease in judicial deposits		1.826	7.103	1.771	6.600
(Increase) decrease in other assets		(9.595)	10.641	(10.096)	10.443
Increase (decrease) in trade payables	16	(8.243)	40.429	(10.852)	45.460
Increase (decrease) in payroll and related charges	17	(29.431)	(5.638)	(30.677)	(3.587)
Increase (decrease) in tax liabilities	18	(4.133)	895	(4.403)	1.865
Increase (decrease) in taxes paid in installments	18	(3.896)	(11.982)	(3.890)	(13.432)
Increase (decrease) in other liabilities		8.003	13.521	6.701	14.486
Total changes in assets and liabilities		(138.289)	(4.445)	(143.951)	(8.109)
Income tax and social contribution paid		(103.354)	(87.130)	(107.060)	(90.058)
Net cash from operating activities		712.820	686.584	732.316	701.485
Acquisition of property and equipment and intangible assets	11	(189.025)	(311.836)	(207.856)	(326.343)
Sale of property and equipment		2	1.428	243	1.428
Transactions with marketable securities	6	(66.373)	(383.851)	(95.185)	(419.365)
Payments from companies acquired less cash and cash equivalents		(81.400)	-	(237.240)	(71.658)
Transaction with related parties (advance for future capital increase)		350	(3.459)	350	-
Acquisition of interest		(3.127)	(1.387)	(3.146)	(1.387)
Capital contribution in subsidiary		(189.720)	(107.500)	-	-
Income from financial investments (classified as cash)		70	11.357	207	11.593
Net cash used in investing activities		(529.223)	(795.248)	(542.626)	(805.732)
Funding of financing/debentures	14	500.000	500.000	500.000	500.000
Settlement (principal) of financing and debentures	14	(195.095)	(296.614)	(195.731)	(298.225)
Interest paid in financing and debentures	14	(73.940)	(82.400)	(74.030)	(82.515)
Financial fees and others		(2.428)	(3.124)	(2.428)	(3.125)
Derivative financial instruments		111	(358)	111	(358)
Lease payment	15	(157.438)	-	(162.270)	-
Capital increase	24	7.131	5.528	7.131	5.528
Dividends and/or interest on equity paid	24	(307.466)	(303.210)	(307.466)	(303.210)
Dividends received		-	26	26	26
Confirming operation		(1.298)	4.003	(1.298)	4.003
Net cash provided used in financing activities		(230.423)	(176.149)	(235.955)	(177.876)
Decrease of cash and cash equivalents		(46.826)	(284.813)	(46.265)	(282.123)
Cash and cash equivalents					
At the beginning of the period	5	52.340	337.153	55.231	337.354
At the end of the period	5	5.514	52.340	8.966	55.231
Changes in cash and cash equivalents		(46.826)	(284.813)	(46.265)	(282.123)

The notes are an integral part of the financial statements.

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Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

1. General information

1.1 The Company

Fleury S.A. ("Fleury", "Parent Company" or "Company" and, jointly with its subsidiaries, "Grupo Fleury" or "Group") is a publicly held company listed in the Novo Mercado special segment of B3 S.A. – Brasil, Bolsa e Balcão, under ticker "FLRY3", headquartered in the city of São Paulo, whose purpose is to render medical services in the diagnostic, treatment, clinical analysis, health management and medical care areas.

In 2019, Grupo Fleury made three acquisitions: Lafe, Centro de Procedimentos Diagnósticos (CPC) and Inlab (see more details in Note 3 – Business Combination. The Group carries out its activities by means of 245 patient service centers (including Inlab that income statement that is not included in this financial statements) and 24 operations in hospitals, as follows:

State	Brand	2018	2019
Rio de Janeiro	Labs a+, Felipe Mattoso	53	84
São Paulo	Fleury, a+SP. Campana	71	72
Rio Grande do Sul	Weinman / Serdil	22	22
Paraná	Weinman/a+	16	14
Pernambuco	A+	11	11
Rio Grande do Norte	IRN/ CPC	4	11
Bahia	Diagnosson a+	8	8
Distrito Federal	Fleury	2	2
Maranhão	Inlab	-	21
Total		187	245

2. Presentation of the financial statements

Grupo Fleury's financial statements were approved by the Fiscal Council and Board of Directors at meetings held on February 14 and 18, 2020, respectively.

2.1. Basis of presentation

In the preparation of the financial statements, Management is required to make certain crucial accounting estimates and judgments in the application of accounting practices.

On December 31, 2019, information on uncertainties related to assumptions and estimates that have a significant risk of resulting in material adjustment to the balances of assets and liabilities in the next fiscal year is included in the following notes:

- Note 7 – Estimated losses with doubtful accounts and disallowances: measurement of expected credit loss in trade receivable;
- Note 11 – Asset impairment: main assumptions regarding the assets' recoverable amounts;
- Note 22 – Provision for tax, labor and civil risks: recognition and measurement of provisions for contingencies: main assumptions about the probability and magnitude of fund outflows.

The parent company and consolidated financial statements were prepared and are being presented based on the accounting practices adopted in Brazil, which include the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS) – IAS 1, issued by the International Accounting Standards Board (IASB).

This is the first time the Group is adopting CPC 06 (R2) – Leases in its annual financial statements. Changes in the main accounting policies are described in item b (i).

All material information used by Management is evidenced in these Financial Statements in accordance with OCPC07.

The parent company and consolidated financial statements are presented in thousands of Brazilian reais (R\$), which is Grupo Fleury's functional currency.

**Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.**

a) Consolidation and joint venture

The consolidated financial information includes the balances of Fleury S.A., subsidiaries and special purpose entities represented by the exclusive investment funds. Additionally, the balance includes the interest held in the joint venture, accounted by the equity method, as shown below:

	Fleury S.A.'s interest (%)	
	12/31/2019	12/31/2018
Direct subsidiaries:		
Fleury Centro de Procedimentos Médicos Avançados S.A. ("Fleury CPMA")	100%	100%
Inlab – Investigação Laboratorial Ltda. ("Inlab")	100%	-
Indirect subsidiaries:		
Serdil Serviço Especializado em Radiodiagnóstico Ltda. ("Serdil")	100%	100%
Instituto de Radiologia de Natal Ltda. ("IRN")	100%	100%
Cardionuclear Natal Ltda. (Grupo IRN)	100%	100%
Radiodonto Natal Ltda. (Grupo IRN)	100%	100%
SantéCorp Ltda. ("SantéCorp")	100%	100%
CPC – Centro de Patologia Clínica Ltda.	100%	-
NewsScan Serviços Médicos S.A. ("Grupo Lafe")	100%	-
Exclusive investment funds:		
Bradesco Fundo de Investimento em cotas FI Renda Fixa Crédito Privado Exclusivo Beta	100%	100%
Santander FI Exclusivo Alpha Renda Fixa Crédito Longo Prazo	100%	100%
Joint venture:		
Papaiz Associados Diagnóstico por Imagem S/A Ltda. ("Papaiz")	51%	51%

Main activities:

Fleury CPMA: diagnostic imaging services in certain hospitals and in the orthopedic center Day Clinic.

Serdil: diagnostic imaging and clinical analysis services.

Grupo IRN: diagnostic imaging services.

Grupo SantéCorp: health management services.

Lafe, CPC and Inlab: clinical analysis laboratories.

Papaiz: dental radiology operation.

b) Changes in the main accounting policies

i) CPC 06 (R2) / IFRS 16 – Leases

The term of the revision of this pronouncement started on and was adopted by Grupo Fleury in the fiscal year beginning on January 1, 2019 with the simplified retrospective transition approach.

IFRS 16 establishes that lease agreements must be recognized as lease, constituting an asset classified as right of use versus a lease liability.

In adopting IFRS 16, the group recognized as liability leases that had already been classified as "operating leases", according to IAS 17 - Leases. These liabilities were measured at the present value of the remaining payments discounted through the Company's weighted average incremental borrowing rate on the adoption date, corresponding to 4.85% (real rate) and varying according to the term of each contract.

In December 2019, in order to adapt to market practices ensuring the best comparability of the Company's information with that from other companies, and in compliance with CVM Official Letter 02/19, the real incremental rate was changed to an average nominal incremental rate of 8.80%.

The balances recognized in the statement of financial position are shown in Notes 12 and 15.

ii) ICPC 22 - Uncertainty over income tax treatment

Effective as from January 1, 2019, ICPC 22 specifies disclosure requirements for uncertainties related to taxes on current and deferred income (assets and liabilities) and should be applied pursuant to the effective law. Management assessed the procedures adopted for calculation of the Company's and its subsidiaries' current and deferred income tax and social contribution and concluded that there are no uncertainties over the tax treatment in accordance with the effective tax law. There are no other IFRS standards or IFRIC interpretations not yet adopted that could have a material effect on the Company's financial statements.

c) Financial instrument policy

i) Financial Assets

i.i) Classification

The Company classifies its financial assets in the following categories: i) amortized cost and ii) fair value through profit or loss. These classifications are based on the business model adopted for asset management and on the characteristics of contractual cash flows.

Amortized cost: Financial assets held to generate contractual cash flows are recognized at amortized cost. These flows are received on specific dates and exclusively comprise payment of principal and interest. Some of the assets classified in this category are Trade receivables and Other receivables.

Fair value through profit or loss: Assets recognized at fair value through profit or loss comprise: i) those that do not fit the business models that allow the classification at amortized cost or fair value through other comprehensive income; ii) equity instruments at fair value through profit or loss; and iii) financial assets managed to obtain cash flow from the sale of assets. The following assets classified in this category are Cash and cash equivalents and Government bonds and Secured short-term investments classified as Securities and Derivative financial instruments.

i.ii) Initial measurement

Upon initial recognition, the Company's financial assets and liabilities are measured at fair value, taking into consideration the transaction costs attributable to the acquisition or issue of a financial asset or a financial liability. Trade receivables are initially measured at transaction cost.

i.iii) Subsequent measurement

Based on asset classification, subsequent measurement is as follows:

Amortized cost: Assets classified under this business model are accounted for using the effective interest rate method minus expected credit losses. In addition, the principal amount paid is included in the calculation of amortized cost.

Fair value through profit or loss: Assets classified under this business model are accounted for based on the recognition of gains or losses recorded in profit/loss for the period.

i.iv) Impairment

The Company records a provision for expected credit losses for assets classified at amortized cost. The impairment test is carried out prospectively, based on historical data and models created for such purpose. In addition, the financial assets' credit risk changes are tested for impairment every month in order to reflect the risk of default to which the Company is subject to and the amount to be used as base for the recognition of losses, i.e., if the credit risk does not significantly increase, a credit loss should be recognized on the outstanding balance for the next 12 months and, if the Company identifies a significant increase in credit risk, it records losses based on the total outstanding amount for the entire life of the financial instrument.

The following financial assets held by the Company are subject to the creation of a provision for impairment: Cash and cash equivalents (Note 5), Trade receivables (Note 7) and Receivables.

i) Financial Liabilities

i.i) Classification

The Company's financial liabilities are classified at:

- Amortized cost, represented by Accounts payable, Financing, Debentures and Finance lease;
- Fair value through profit or loss, represented by Derivative financial instruments.

i.ii) Initial recognition

Financial liabilities are initially recognized at fair value plus transaction costs (in the case of borrowings, financing, and accounts payable). The Company's financial liabilities comprise accounts payable, financing, financial guarantee agreements and derivative financial instruments.

i.iii) Subsequent measurement

Based on liability classification, subsequent measurement is as follows:

Amortized cost: Liabilities classified at amortized cost are accounted for using the effective interest rate method, in which gains and losses are recorded in profit or loss when liabilities are written-off and upon recognition of amortization.

Fair value through profit or loss: Liabilities classified at fair value through profit or loss are recognized through their gains or losses in profit/loss for the period.

The other Company policies are being presented jointly with the respective notes.

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

3. Business Combination

a) Grupo Lafe

On May 30, 2019, Grupo Fleury acquired 100% of the share capital of Newscan Serviços Médicos S.A., a company that holds an interest of 100% in Lafe Serviços Diagnósticos Ltda. (Grupo Lafe).

Grupo Lafe was acquired for R\$170,000, R\$137,000 of which was paid in cash and R\$33,000 was retained for purposes of adjusting the acquisition price/indemnification, generating the following entry in the acquiror Fleury CPMA:

	5/31/2019	12/31/2019
Current liabilities	3,000	1,776
Noncurrent liabilities	30,000	30,931

i) Identifiable net assets acquired and goodwill – Grupo Lafe

The estimated allocation of the amount paid was based on a preliminary assessment of the net assets acquired from Newscan/Lafe on May 30, 2019 (date in which the control was acquired).

The assets and liabilities acquired and recognized on the acquisition date, and after adjustments, are shown below. Adjustments correspond mainly to the reversal of revenue provision and post-inventory adjustments.

Assets	5/31/2019	Adjustment	5/31/2019	Liabilities	5/31/2019	Adjustment	5/31/2019
Cash and cash equivalents	138	(2)	136	Account Payable	4,826	(281)	4,545
Accounts Receivable	9,669	958	10,627	Tax liabilities	2,309	114	2,423
Other assets	7,066	201	7,267	Labor liabilities	2,050	-	2,050
Property, plants and equipment/ intangible assets	3,759	(1,723)	2,036	Other liabilities	277	-	277
Rights of use (IFRS16)	23,156	-	23,156	Lease (IFRS16)	23,401	-	23,401
				Liabilities	32,863	(167)	32,696
				Equity	10,925	(399)	10,526
Total assets	43,788	(566)	43,222	Total liabilities	43,788	(566)	43,222

ii) Allocation of the consideration transferred:

Gross acquisition price	170,000
(+/-) Adjustment to the acquisition price	(2,605)
Adjusted acquisition price	167,395
Equity	10,526
Positive and negative surplus value of property, plants and equipment, net	(499)
Provision for civil risks with possible loss	(171)
Equity – fair value	9,854
Goodwill	157,539

b) Centro de Patologia Clínica - CPC

On October 30, 2019, Fleury CPMA acquired 100% of the share capital and the control of Centro de Patologia Clínica Ltda. The company was acquired for R\$12,000, R\$5,000 of which was paid in cash and R\$7,000 was retained for the purpose of adjusting the acquisition price/indemnification, generating the following entry in the acquiror Fleury CPMA:

	10/31/2019	12/31/2019
Current liabilities	1,000	1,008
Noncurrent liabilities	6,000	5,560

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

i) Identifiable net assets acquired and goodwill - CPC

The estimated allocation of the amount paid was based on an assessment of fair value of the net assets acquired on the date in which the control was acquired.

The fair value of the identifiable assets acquired and the liabilities assumed in the business combination were estimated based on the present value adjustment method and replacement cost. The fair value was estimated using the discounted cash flow method based on a discount rate of 21.1% p.a.

The assets and liabilities acquired and recognized on the acquisition date are as follows:

Assets	10/31/2019	Liabilities	10/31/2019
Cash and cash equivalents	960	Accounts payable	708
Trade receivables	1,706	Tax liabilities	188
Other receivables	428	Labor liabilities	720
Property, plants and equipment/ intangible assets	524	Other liabilities	160
Rights of use (IFRS16)	3,341	Lease (IFRS16)	3,358
		Liabilities	5,134
		Equity	1,825
Total assets	6,959	Total liabilities	6,959

ii) Allocation of the consideration transferred:

Gross acquisition price	12,000
Equity	1,825
Positive surplus value of property and equipment/non-competes	48
Equity – fair value	1,873
Goodwill	10,127

c) Inlab

On November 28, 2019, Fleury SA acquired 100% of the share capital of Inlab – Investigação Laboratorial Ltda (“Inlab”). The company was acquired for R\$90,000, of which R\$82,360 was paid in cash and R\$7,640 was retained for purposes of adjusting the acquisition price/indemnification, generating the following entry.

	12/01/2019	12/31/2019
Current liabilities	250	251
Noncurrent liabilities	7,390	7,423

i) Identifiable net assets acquired and goodwill - Inlab

The estimated allocation of the amount paid was based on an assessment of the fair values of the net assets acquired from Inlab on November 28, 2019 (date in which the control was acquired).

The fair value of the identifiable assets acquired and the liabilities assumed in the business combination were estimated based on the present value adjustment method and replacement cost. It was estimated using the discounted cash flow method, based on a discount rate of 18.1% p.a.

The assets and liabilities acquired and recognized on the acquisition date are as follows:

Assets	11/30/2019	Liabilities	11/30/2019
Cash and cash equivalents	587	Accounts payable	1,815
Trade receivables	967	Tax liabilities	454
Other assets	849	Labor liabilities	1,471
Property and equipment/ intangible assets	3,089	Other liabilities	36
Right of use (IFRS16)	1,843	Lease (IFRS16)	1,909
		Liabilities	5,685
		Equity	1,660
Total assets	7,345	Total liabilities	7,345

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

ii) Allocation of the consideration transferred:

Gross acquisition price	90,000
(+/-) Adjustment to acquisition price	640
Adjusted acquisition price	90,640
Equity	1,660
Brand	1,238
Positive (negative) surplus value of property and equipment	145
Non-compete	127
Provision for civil risks with possible loss	(34)
Equity – fair value	<u>3,136</u>
Goodwill	<u>87,504</u>

d) Diagmax

On September 26, 2019, Fleury SA acquired 100% of the shares of Diagmax Participações Societárias S.A. and its subsidiaries ("Grupo Diagmax"). Grupo Diagmax provides diagnostic imaging and clinical analysis services through six patient service centers in the metropolitan region of Recife, state of Pernambuco. The completion of this acquisition was subject to certain conditions precedent, among which the approval by the Brazilian antitrust authority, which happened on January 10, 2020 (see Note 34 – Upcoming Events and, for this reason, this company is not consolidated in these financial statements).

4. Risk management - Consolidated

The main risk factors that the Company and its subsidiaries are exposed to are financial and operating risks, including market, foreign exchange, interest rate, credit and liquidity risks. These risks are inherent to the Company's activities and are managed through internal controls and policies.

The policies set forth are supervised and monitored through monthly managerial reports.

Fair value hierarchy

The fair value measurement hierarchy used by the Company to disclose financial instruments are:

- Level 1: prices quoted in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs that have a significant impact on the recorded fair value are observable, either directly or indirectly;

a) Accounting classification and fair values

	Level 1	Level 2	Total
Financial assets			
Cash equivalents and marketable securities	-	857,802	857,802
Financial liabilities			
Financing and debentures	-	(1,553,704)	(1,553,704)
Finance lease	-	(822,879)	(822,879)
Confirming operation	-	(2,705)	(2,705)
Derivative financial instruments	-	(126)	(126)
December 31, 2019	-	(1,521,612)	(1,521,612)
December 31, 2018	4,396	(461,646)	(457,250)

Given the nature of the balances, we assume that the fair value of the Company's financial instruments is close to the carrying amount. The comparison between the recorded amounts and the fair values did not show differences material enough to be disclosed.

b) Capital management

Grupo Fleury monitors its capital based on the consolidated financial leverage ratio, as shown below:

	12/31/2019	12/31/2018
Financing and debentures	1,553,704	1,255,173
Accounts payable from acquisitions	82,804	46,666
Confirming operation	2,705	4,003
Cash and cash equivalents	(8,966)	(55,231)
Short-term investments (marketable securities)	(848,836)	(753,651)
Net debt	781,411	496,960
Equity	1,758,976	1,749,961
Financial leverage ratio (Net debt/Equity)	0.44	0.28

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

c) Financial and market risks

Exchange rate risk

The Company and its subsidiaries have trade receivables and Accounts payable denominated in foreign currency (mainly in U.S. dollars). The risk related to these assets and liabilities arises from the possibility of incurring losses due to exchange rate variations and is monitored by the Finance Office.

These instruments are already recorded at fair value through profit or loss (probable scenario: US\$1.00 – R\$4.0307) and, therefore, there are no effects for this scenario. In the "Possible" and "Remote" scenarios of depreciation of the dollar against the real, the exchange rate was increased by 25% and 50%, respectively, before taxes as of December 31, 2019:

		12/31/2019			
		<u>US\$ ('000)</u>	<u>Probable 100%</u>	<u>Remote 50%</u>	<u>Possible 25%</u>
Trade receivables (Note 7)	US\$ depreciation	309	1.247	624	312
Accounts payable (Note 16)	US\$ appreciation	(119)	(479)	(240)	(120)
Derivatives	US\$ depreciation	(31)	(126)	(63)	(32)
Net exposure		159	642	321	160

Interest rate risk

The Company has financing in domestic currency subject to interest rates pegged to indices, including the CDI interbank rate, as well as balances of updated taxes paid in installments indexed to the benchmark interest rate (SELIC). The risk inherent in these liabilities arises from the possibility of fluctuations in these rates with an impact on cash flows. The Company and its subsidiaries do not have derivative contracts because they believe that the risk is mitigated by the existence of assets indexed to the CDI (short-term investments).

Credit risk

Grupo Fleury is exposed to credit risk in its operating activities, which is reflected in the statement of financial position under Trade receivables. See Note 7.

The Company and its subsidiaries are also subject to credit risks related to their operations with financial institutions, represented by bank deposits, short-term investments and derivative instruments. In Management's opinion, the risk is low since these operations are carried out with top-tier banks and there are treasury policies with specific limits for the allocation of funds.

Liquidity risk

Grupo Fleury's cash flow estimate is carried out by the Finance Department, which monitors the continuous estimates of liquidity requirements to ensure sufficient funds to meet its operating needs. It also maintains enough free space available in its credit lines at any time, so that Grupo Fleury is in compliance with the limits and covenants of financing and debentures (when applicable) in all its credit lines. This estimate takes into consideration the Group's financing plans, compliance with covenants and internal balance sheet ratio targets and, if applicable, legal or external regulatory requirements, such as currency restrictions.

The surplus cash maintained by the operating entities, in addition to the balance required to manage working capital, is used in investments with proper maturities or with liquidity sufficient to provide the necessary margin determined by the abovementioned estimates.

The table below analyzes Grupo Fleury's liabilities and financial instruments by maturity date, corresponding to the period remaining in the statement of financial position until the contractual maturity date. The amounts disclosed represent the undiscounted cash flows contracted and, therefore, cannot be reconciled with the carrying amounts.

December 31, 2019	Carrying amount	Contracted amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Debentures	1,477,276	1,738,040	237,580	459,528	707,593	333,339
Finance lease	822,879	1,206,945	160,922	383,169	368,144	294,710
Accounts payable	190,442	190,442	190,442	-	-	-
Financing	79,134	81,317	31,169	28,705	21,443	-
Accounts payable – company acquisition	82,804	82,804	8,242	29,755	44,311	496
Other liabilities	13,658	13,658	4,948	3,048	5,627	-
Derivatives	126	126	126	-	-	-
Confirming operation	2,705	2,705	2,705	-	-	-
	2,669,024	3,316,037	636,134	904,205	1,147,153	628,545

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

d) Management of operating risks

To properly manage its operating risks, Grupo Fleury has striven to establish a governance structure that involves the Senior Management, including the structuring of the Risk Management and Internal Audit departments and ensuring the involvement of all leadership positions in implementing initiatives to reduce the Company's exposure to this type of risk, ensuring this commitment through incentives suitable to the organization's reality.

The main initiatives carried out by the Company to properly manage operating risks include:

- a) Biannual cycle of internal audit, covering the Company's main processes;
- b) Mapping and documentation of internal controls and risks;
- c) Internal procedures and policies;
- d) Periodic review of the risk portfolio;
- e) Monitoring of internal controls;
- f) Business continuity plans;
- g) Training of employees and third parties;
- h) Clear definition of scopes; and
- i) Implementation of initiatives to reduce exposure to risks, including the contracting of insurance, when applicable.

All these measures are monitored and periodically reported to the Audit and Risk Management Committee established by Grupo Fleury's Board of Directors, which instructs and oversees Management during this process.

e) Environmental risk

The Company implements the following procedures in order to mitigate socio-environmental risks:

Waste: risks related to potential inappropriate disposal of waste generated by operations. In order to mitigate that, Fleury created a waste management system based on legal requirements and voluntary commitments assumed by the Company. The program includes the implementation of work policies and instructions focused on the issue, the setting of annual targets to reduce waste generation, training programs and campaigns to raise employees' awareness, and continuous monitoring of disposal processes through indicators and based on internal audits.

Natural resources: possible risks associated with reduced availability of natural resources. In this regard, the Company sets annual targets to reduce water and electricity consumption and implements employee continuing education programs and eco-efficiency measures designed to reduce the consumption of these resources, including the search for technology solutions to reduce water consumption and diversification of the Group's energy matrix. The Company's climate change program reinforces these initiatives.

Suppliers: in order to reduce supply chain risks, Grupo Fleury has defined socio-environmental and compliance criteria to qualify and evaluate suppliers, including the adoption of evaluation surveys and the search for legal documentation. Moreover, suppliers are required to sign the Citizenship and Sustainability agreement and the Anti-corruption attachment when they are contracted. The sustainability and compliance performance of critical suppliers is monitored through the Program of Excellence in Supply Chain Relationship (PERC).

f) Statement of sensitivity analysis

Sensitivity analysis for changes in interest rate

In order to calculate the probable scenario, the Company used the reference rates obtained from the BM&FBOVESPA on December 31, 2019. The "Possible" and "Remote" scenarios consider increases of 25% and 50%, respectively. The results, in nominal amounts, are as follows, and debenture interest expenses are calculated until the end of each indexed contract.

	Accounting balance	Probable	Possible	Remote
		4.40%	4.40% (25%)	4.40% (50%)
CDI (p.a.)				
Financial Bills – cash and cash equivalents	589	26	6	13
Short-term investments – marketable securities	848,836	37,349	9,337	18,674
Debentures	(1,477,276)	(65,000)	(16,250)	(32,500)
Net exposure in CDI	(627,851)	(27,625)	(6,907)	(13,813)

5. Cash and cash equivalents

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash and banks	5,514	4,413	8,377	4,396
Cash equivalents:				
Financial bills	-	4,700	589	4,726
Repurchase agreements	-	43,227	-	46,109
Subtotal (i)	-	47,927	589	50,835
Total	5,514	52,340	8,966	55,231

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

6. Marketable securities

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Government bonds (LFTN)	-	164,114	-	164,999
Fund quotas – indexed to the DI rate	782,196	552,323	844,571	587,206
Secured short-term investments	2,060	1,446	4,265	1,446
Total (ii)	784,256	717,883	848,836	753,651
Current	784,256	717,883	795,298	753,651
Noncurrent	-	-	53,538	-

a) Short-term investments balance activity schedule (*)

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Opening balance	765,810	670,094	804,486	670,566
Investment	2,033,551	1,962,721	2,138,596	2,061,173
Acquisition of subsidiary	-	-	211	18,523
Earnings	26,592	44,941	30,129	46,615
Redemption	(2,041,697)	(1,911,946)	(2,123,997)	(1,992,391)
Total (i + ii)	784,256	765,810	849,425	804,486

(*) corresponds to changes of fixed term deposits, repurchase agreements, government bonds and other short-term investments classified as cash and cash equivalents and marketable securities.

7. Accounts receivable

a) Policy

Trade receivables correspond to amounts receivable for services rendered during the normal course of Grupo Fleury's activities, less estimated loss with doubtful accounts and disallowances.

Estimates with expected credit losses (default) are recorded based on the historical average of loss. These percentages range between 0.1% and 1% (according with the business segment) for short-term receivables and 100% for receivables overdue more than 240 days.

The criterion to provision disallowances corresponds to 1% of the Group's gross revenue less revenue from the business segments that are not subject to disallowances.

The Company and its subsidiaries have a certain degree of concentration in their customer portfolio (legal entities). On December 31, 2019, the six main customers accounted for 65.38% of the total portfolio (63.93% on December 31, 2018).

b) Balance breakdown

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Billed amounts	480,783	432,177	497,569	438,521
Amounts to be billed	90,062	79,048	102,228	90,694
Subtotal	570,845	511,225	599,797	529,215
Estimated losses with doubtful accounts and disallowances	(28,513)	(23,234)	(29,711)	(23,791)
Total	542,332	487,991	570,086	505,424

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

c) Aging list

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Current	480,754	447,404	504,402	465,161
Past due				
Up to 120 days	44,398	29,973	48,132	30,170
121 to 360 days	29,338	24,345	30,523	24,357
Over 361 days	16,355	9,503	16,740	9,527
Total	570,845	511,225	599,797	529,215

d) Changes of estimated losses with doubtful accounts and disallowances

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Balance at the beginning of the year	(23,234)	(19,213)	(23,791)	(19,213)
Additions of doubtful accounts and disallowances (Notes 26 and 29)	(43,632)	(40,356)	(44,515)	(40,479)
Addition due to acquisition of subsidiary	-	-	(2,385)	(459)
Write-off of uncollectible instruments	38,353	36,335	40,980	36,360
Balance at the end of the year	(28,513)	(23,234)	(29,711)	(23,791)

8. Inventories

a) Policy

Inventories are stated at the lower of cost and net realizable value. Inventory costs are determined using the average cost method.

b) Balance breakdown

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Diagnostic kits	16,951	13,962	17,876	13,994
Collection and nursing material	6,276	6,383	7,095	7,013
Auxiliary laboratory materials	4,296	3,434	4,334	3,440
Administrative, promotional and other types of material	2,146	2,094	2,562	2,116
Total	29,669	25,873	31,867	26,563

9. Recoverable taxes

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Social Integration Program Tax on Revenue (PIS) and Social Security Financing Tax on Revenue (COFINS)	7,032	6,714	7,486	6,971
Social security tax (INSS)	6,052	2,549	6,066	2,575
Tax on services (ISS)	3,653	2,656	3,962	2,721
Total	16,737	11,919	17,514	12,267

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

10. Investments

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Fleury CPMA (direct subsidiary)	454,774	166,647	336	-
Papaiz (joint venture)	-	-	11,321	10,399
Subtotal	454,774	166,647	11,657	10,399
Others	5,171	1,532	5,171	1,881
Total	459,945	168,179	16,828	12,280

Significant information on investments

Subsidiaries and joint venture	Reference date	Interest in the paid-up capital (%)	Number of shares of capital stock	Equity	Profit (loss) for the period
Fleury CPMA	12/31/2019	100%	386,398	363,074	8,407
	12/31/2018	100%	204,640	165,296	8,667
Serdil	12/31/2019	100%	14,995	11,718	1,288
	12/31/2018	100%	13,773	9,242	(2,786)
Papaiz	12/31/2019	51%	2,081	5,439	(333)
	12/31/2018	51%	1,466	4,547	900
IRN	12/31/2019	100%	11,423	22,970	3,579
	12/31/2018	100%	7,000	17,319	4,393
Cardionuclear Natal	12/31/2019	100%	250	2,948	366
	12/31/2018	100%	250	2,581	(362)
Radiodonto Natal	12/31/2019	100%	10	36	44
	12/31/2018	100%	10	(8)	14
SantéCorp	12/31/2019	100%	484	1,222	32
	12/31/2018	100%	135	195	17
Grupo Lefe(*)	12/31/2019	100%	49,708	13,707	1,014
CPC (*)	12/31/2019	100%	665	1,823	(2)
Inlab (*)	12/31/2019	100%	3,889	1,660	-

(*) Acquisitions in 2019

Changes in investment balances

Investees		Balance on 12/31/2018	Acquisition	Capital payment	Equity in the earnings (losses) of subsidiaries	Other changes (a)	Balance on 12/31/2019
Fleury S.A.	Fleury CPMA	166,647	-	187,458	8,407	1,912	364,424
Fleury S.A.	Inlab	-	90,000	-	-	350	90,350
Fleury S.A.	Others (b)	1,532	3,264	-	-	375	5,171
Total Parent Company		168,179	93,264	187,458	8,407	2,637	459,945
Fleury CPMA	Papaiz	10,399	-	615	333	(26)	11,321
Fleury CPMA	Acquired	-	-	-	-	336	336
Fleury S.A.	Others (b)	1,881	3,264	-	-	26	5,171
Total Consolidated		12,280	3,264	615	333	336	16,828

(a) Substantially represented by advance for future capital increase (AFAC).

(b) Investment in the startup Qure and in Bem Care.

11. Property, plants and equipment and intangible assets

a) Policy

Recorded at acquisition cost less accumulated depreciation or amortization.

Depreciation and amortization are recognized based on the estimated useful life of each asset/components using the straight-line method.

Notes to the parent company and consolidated financial statements as of December 31, 2019.
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Grupo Fleury revises at least annually the book value of its tangible and intangible assets to determine if there is any indication that these assets were impaired.

b) Balance breakdown

Parent Company		12/31/2019			12/31/2018
	Average annual depreciation rate %	Cost	Accumulated depreciation	Net balance	Net balance
Machinery and equipment	10	693,949	(327,034)	366,915	334,502
Leasehold improvements	20	334,434	(165,689)	168,745	174,654
Facilities	10	281,531	(199,406)	82,125	97,833
IT equipment	20	94,642	(67,125)	27,517	26,678
Construction in progress	-	23,236	-	23,236	67,561
Properties	2	28,026	(5,982)	22,044	27,318
Land	-	13,637	-	13,637	16,123
Furniture and fixtures	10	49,173	(37,466)	11,707	12,863
Total		1,518,628	(802,702)	715,926	757,532

Consolidated		12/31/2019			12/31/2018
	Average annual depreciation rate %	Cost	Accumulated depreciation	Net balance	Net balance
Machinery and equipment	10	756,321	(371,874)	384,447	353,207
Leasehold improvements	20	343,211	(167,476)	175,735	176,898
Facilities	10	286,266	(201,195)	85,071	99,875
IT equipment	20	100,746	(70,360)	30,386	27,609
Construction in progress	-	25,223	-	25,223	68,084
	2	28,026	(5,982)	22,044	27,318
Furniture and fixtures	10	53,746	(39,782)	13,964	13,567
Land	-	13,637	-	13,637	16,123
Vehicles	20	433	(253)	180	-
Total		1,607,609	(856,922)	750,687	782,681

c) Changes in property and equipment

Parent Company (2018-2019)	Balance on 12/31/2018	Additions	Net write-offs	Depreciation	Reclass. / Transf. (a)	Balance on 12/31/2019
Machinery and equipment	334,502	49,132	(242)	(52,843)	36,366	366,915
Leasehold improvements	174,654	9,709	(97)	(50,979)	35,458	168,745
Facilities	97,833	5,162	(86)	(24,379)	3,595	82,125
IT equipment	26,678	7,769	(258)	(8,710)	2,038	27,517
Construction in progress	67,561	48,770	-	-	(93,095)	23,236
Properties	27,318	-	-	(467)	(4,807)	22,044
Land	16,123	-	-	-	(2,486)	13,637
Furniture and fixtures	12,863	728	(66)	(2,742)	924	11,707
Total	757,532	121,270	(749)	(140,120)	(22,007)	715,926

Consolidated (2018-2019)	Balance on 12/31/2018	Acquisition of subsidiary	(+/-) surplus value	Additions	Net write-offs	Deprec.	Reclass./ Transf. (a)	Balance on 12/31/2019
Machinery and equipment	353,207	888	157	49,973	(313)	(58,346)	38,881	384,447
Leasehold improvements	176,898	3,865	(1,134)	10,547	(97)	(52,079)	37,735	175,735
Facilities	99,875	195	100	5,464	(86)	(24,722)	4,245	85,071
IT equipment	27,609	464	11	9,071	(263)	(9,191)	2,685	30,386
Construction in progress	68,084	-	-	60,358	-	-	(103,219)	25,223
Properties	27,318	-	-	-	-	(467)	(4,807)	22,044
Furniture and fixtures	13,567	1,286	318	754	(67)	(2,283)	389	13,964
Land	16,123	-	-	-	-	-	(2,486)	13,637
Vehicles	-	148	40	-	-	(8)	-	180
Total	782,681	6,846	(508)	136,167	(826)	(147,096)	(26,547)	750,687

(a) The residual amount of approximately R\$7,000 refers to the reclassification of the existing finance lease in 2018 into Right of use.

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Parent Company (2017-2018)	Balance on 12/31/2017	Addition	Net write- offs	Depreciation	Reclass./ Transf.	Balance on 12/31/2018
Machinery and equipment	263,390	95,501	(642)	(47,015)	23,268	334,502
Leasehold improvements	162,564	40,721	(157)	(43,063)	14,589	174,654
Facilities	112,946	8,187	(321)	(24,757)	1,778	97,833
Construction in progress	17,499	95,063	-	-	(45,001)	67,561
Properties	27,867	-	-	(549)	-	27,318
IT equipment	21,534	11,257	(18)	(7,425)	1,330	26,678
Land	16,123	-	-	-	-	16,123
Furniture and fixtures	11,381	2,087	(125)	(2,758)	2,278	12,863
Total	633,304	252,816	(1,263)	(125,567)	(1,758)	757,532

Consolidated (2017-2018)	Balance on 12/31/2017	Acquisition of subsidiary	Positive surplus value	Additions	Net write-offs	Deprec. -	Reclass./ Transf.	Balance on 12/31/2018
Machinery and equipment	270,520	9,822	3,307	102,561	(642)	(56,042)	23,681	353,207
Leasehold improvements	162,564	11	-	43,625	(157)	(43,231)	14,086	176,898
Facilities	114,167	22	18	9,342	(321)	(24,909)	1,556	99,875
Construction in progress	17,499	-	-	95,586	-	-	(45,001)	68,084
IT equipment	21,651	96	(334)	12,502	(18)	(7,513)	1,225	27,609
Properties	27,867	-	-	-	-	(549)	-	27,318
Land	16,123	-	-	-	-	-	-	16,123
Furniture and fixtures	11,529	332	141	2,301	(125)	(2,789)	2,178	13,567
Total	641,920	10,283	3,132	265,917	(1,263)	(135,033)	(2,275)	782,681

d) Intangible asset balance breakdown

Parent Company	12/31/2019			12/31/2018
Average annual amortization rate -%	Cost	Accumulated amortization	Net balance	Net balance
Goodwill	-	1,342,222	(44,413)	1,297,809
Licenses and software	20	380,295	(218,505)	161,790
Intangible assets in progress	-	36,886	-	36,886
Customer contracts	10	154,387	(127,370)	27,017
Trademarks and patents	7	13,226	(8,663)	4,563
Products internally developed	-	4,522	-	4,522
Total		1,931,538	(398,951)	1,532,587

Consolidated	12/31/2019			12/31/2018
Average annual amortization rate -%	Cost	Accumulated amortization	Net balance	Net balance
Goodwill	-	1,714,178	(44,413)	1,669,765
Licenses and software	20	387,699	(220,315)	167,384
Intangible assets in progress	-	37,992	-	37,992
Customer contracts	10	159,933	(130,795)	29,138
Trademarks and patents	7	22,642	(10,635)	12,007
Products internally developed	-	4,522	-	4,522
Total		2,326,966	(406,158)	1,920,808

e) Changes in intangible assets

Parent Company (2018-2019)	Balance on 12/31/2018	Additions	Net write-offs	Amortization	Reclass./ Transf. (a)	Balance on 12/31/2019
Goodwill	1,297,809	-	-	-	-	1,297,809
Licenses and software	140,535	24,329	(20)	(43,874)	40,820	161,790
Intangible assets in progress	20,666	43,426	-	-	(27,206)	36,886
Customer contracts	42,456	-	-	(15,439)	-	27,017
Trademarks and patents	5,429	-	-	(866)	-	4,563

Notes to the parent company and consolidated financial statements as of December 31, 2019.
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Products internally developed	3,978	-	-	-	544	4,522
Total	1,510,873	67,755	(20)	(60,179)	14,158	1,532,587

Consolidated (2018-2019)	Balance on 12/31/2018	Acquisition (c)	Positive surplus value (b)	Additions	Net write- offs	Amorti- zation	Reclass./ Transf. (a)	Balance on 12/31/2019
Goodwill	1,409,631	255,170	-	-	-	-	4,964	1,669,765
Licenses and software	140,953	71	-	25,949	(20)	(44,126)	44,557	167,384
Intangible assets in progress	21,120	-	-	45,740	-	-	(28,868)	37,992
Customer contracts	42,457	-	2,536	-	-	(15,951)	96	29,138
Trademarks and patents	11,086	180	1,876	-	-	(1,040)	(95)	12,007
Products internally developed	3,978	-	-	-	-	-	544	4,522
Total	1,629,225	255,421	4,412	71,689	(20)	(61,117)	21,198	1,920,808

(a) Represented by changes between Property and equipment and Intangible assets, and additional related to the allocation of IRN's goodwill;

(b) Positive surplus value of SantéCorp;

(c) Acquisition of the control of Lafe/CPC/Inlab,

Parent Company (2017-2018)	Balance on 12/31/2017	Additions	Write-offs	Amortization	Reclass./ Transf. (c)	Balance on 12/31/2018
Goodwill	1,297,809	-	-	-	-	1,297,809
Licenses and software (a)	132,916	24,671	(295)	(37,174)	20,417	140,535
Customer contracts	57,895	-	-	(15,439)	-	42,456
Intangible assets in progress (b)	9,625	34,311	-	-	(23,270)	20,666
Trademarks and patents	6,360	-	-	(930)	(1)	5,429
Products internally developed	984	38	-	-	2,956	3,978
Total	1,505,589	59,020	(295)	(53,543)	102	1,510,873

Consolidated (2017-2018)	Balance on 12/31/2017	Acquisition	(+/-) surplus value IRN	Additio ns	Write- offs	Amorti- zation	Reclass./ Transf.	Balance on 12/31/2018
Goodwill	1,327,985	81,131	-	515	-	-	-	1,409,631
Licenses and software	133,062	-	-	24,889	(295)	(37,203)	20,500	140,953
Customer contracts	58,223	-	-	-	-	(15,766)	-	42,457
Intangible assets in progress	9,625	-	-	34,984	-	-	(23,489)	21,120
Trademarks and patents	7,430	-	4,952	-	-	(1,289)	(7)	11,086
Products internally developed	984	-	-	38	-	-	2,956	3,978
Total	1,537,309	81,131	4,952	60,426	(295)	(54,258)	(40)	1,629,225

f) Impairment testing

Goodwill arising from business combinations is a limited-life intangible asset and, therefore, it is not amortized but it is annually tested for impairment,

Goodwill calculated from a business combination is allocated to Cash Generating Units (CGU), defined according to the Company's accounting practices, see below goodwill allocation per CGU:

	2019	2018
Diagnostic medicine	1,454,855	1,194,721
Integrated medicine	214,910	214,910
Total	1,669,765	1,409,631

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On December 31, 2019, the Company assessed the impairment of goodwill based on its value in use using the discounted cash flow model for the cash-generating units (CGUs). The process to estimate the value in use involves the use of assumptions, judgments and estimates on future cash flows and represents the Company's best estimate. Said projections were approved by the Company's Management. The impairment testing of CGUs did not identify the need to recognize an impairment loss.

The following assumptions were used:

- The cash flow projection for the first year is based on the budget approved by Management. Management determined the budgeted gross margin based on its expectations for the development of the market and believes that any type of change reasonably possible in key assumptions, on which the recoverable value is based, would not cause the total carrying amount to exceed the CGU's total recoverable value;
- Revenues: projected from 2020 to 2024 considering the historical growth of the volume of services rendered and inflation projections based on banks' macroeconomic projections, excluding the opening of new units;
- Expenses: projected in the same period as revenues, according to business dynamics and the search for synergies;
- CAPEX: considers the average historical investment in asset maintenance;
- The cash flow projection comprised the five-year period plus the residual value calculated by perpetuating the cash balance in the fifth year, discounted to present value at the Weighted Average Cost of Capital (WACC) of 13,5% in 2019 (13,5% in 2018);
- Perpetuity growth rate: 2% p.a. on December 31, 2019 (2% p.a. on December 31, 2018);

12. Rights of use

a) Policy

The Company has lease operations of several assets, such as properties, medical supplies and vehicles. Vehicle lease agreements are usually carried out for fixed periods of five years. Medical equipment and vehicles have average terms of 2 and 10 years, respectively; however, they may be extended. Lease periods are individually negotiated and have a wide range of terms and conditions. Lease agreements do not have covenants, but the leased assets cannot be used to collateralize borrowings.

The Group adopts a systematic and linear allocation of the depreciation of right-of-use assets. Useful life will be periodically assessed to capture changes in the intention to continue the lease, whether due to the Company's strategic issues or the lessor's intention.

Grupo Fleury is a lessee in some contracts with indefinite term. Considering that both the lessor and the lessee have the right to cancel the contract at any time, the Group understands that these contracts should be addressed as lease, recording expense in profit (loss) for the year during the lease term;

Grupo Fleury does not have leases that meet the exception criteria or practical expedients established in CPC 06 (R2).

b) Breakdown of the right of use balance

Parent Company		12/31/2019			1/01/2019
	Average annual depreciation rate %	Cost	Accumulated depreciation	Net balance	First-time adoption
Properties	13	750,653	(90,037)	660,616	707,609
Machinery and equipment	20	98,631	(13,777)	84,854	75,791
IT equipment	25	9,842	(2,228)	7,614	9,842
Vehicles	50	6,148	(2,818)	3,330	6,148
Total		865,274	(108,860)	756,414	799,390

Consolidated		12/31/2019			1/01/2019
	Average annual depreciation rate %	Cost	Accumulated depreciation	Net balance	First-time adoption
Properties	13	794,244	(95,502)	698,742	716,722
Machinery and equipment	20	98,631	(13,777)	84,854	75,787
IT equipment	25	10,020	(2,269)	7,751	10,020
Vehicles	50	6,148	(2,818)	3,330	6,148
Total		909,043	(114,366)	794,677	808,677

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

c) Changes in the right of use

Parent Company	First-time adoption	Additions	Monetary restatement	Depreciation	Others (a)	Balance on 12/31/2019
Properties	707,609	-	38,258	(90,037)	6,786	660,616
Machinery and equipment	75,791	22,840	-	(13,777)	-	84,854
IT equipment	9,842	-	-	(2,228)	-	7,614
Vehicles	6,148	-	-	(2,818)	-	3,330
Total	799,390	22,840	38,258	(108,860)	6,786	756,414

Consolidated	First-time adoption	Additions	Monetary restatement	Depreciation	Others (a)	Balance on 12/31/2019
Properties (b)	716,722	29,239	39,382	(93,387)	6,786	698,742
Machinery and equipment	75,787	22,844	-	(13,777)	-	84,854
IT equipment	10,020	-	-	(2,269)	-	7,751
Vehicles	6,148	-	-	(2,818)	-	3,330
Total	808,677	52,083	39,382	(112,251)	6,786	794,677

(a) In 2017, the Company signed a built to suit lease agreement, At the time, the agreement was recorded under Property and equipment, pursuant to CPC 06 (R1) and, after adoption of CPC 06 (R2)/IFRS 16, it was reclassified to Right of use,

(b) The addition, in the amount of R\$29,281, refers to the acquisition of Life, CPC, Inlab,

13. Loans and Financing

Currency – R\$	Funding – Consolidated				
	Charges Fixed rate	Signature date	Contracted amount	Accumulated amount paid	Final maturity
FINEP PROMETHEUS I and II	4,00% p.a.	8/28/2014	155,444	152,444	9/2022
FINEP 2	4,00% p.a.	8/06/2012	10,752	10,752	8/2020
BNDES FINAME	3,55% p.a.	1/31/2013	4,876	4,876	11/2023

Changes – Parent Company	Balance on 12/31/2018	Incurred interest	Interest paid	Principal amortization	Other operations	Balance on 12/31/2019
FINEP PROMETHEUS I and II	100,304	3,453	(3,500)	(26,701)	-	73,556
Confirming operation (a)	4,003	-	-	-	(1,298)	2,705
FINEP 2	3,312	92	(96)	(1,983)	-	1,325
Subtotal	107,619	3,545	(3,596)	(28,684)	(1,298)	77,586
Capitalization cost (b)	(960)	-	-	256	-	(704)
Total	106,659	3,545	(3,596)	(28,428)	(1,298)	76,882

Current	32,612	30,603
Noncurrent	74,047	46,279

	Changes – Consolidated					
	Balance on 12/31/2018	Incurred interest	Interest paid	Principal amortization	Other operations	Balance on 12/31/2019
FINEP PROMETHEUS I and II	100,304	3,453	(3,500)	(26,701)	-	73,556
Confirming operation	4,003	-	-	-	(1,298)	2,705
BNDES FINAME (a)	2,887	90	(90)	(636)	-	2,251
FINEP 2	3,312	92	(96)	(1,983)	-	1,325
Subtotal	110,506	3,635	(3,686)	(29,320)	(1,298)	79,837
Capitalization cost (b)	(959)	-	-	256	-	(703)
Total	109,547	3,635	(3,686)	(29,064)	(1,298)	79,134

Current	33,252	31,220
Noncurrent	76,295	47,914

(a) Acquisition of medical supplies,

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In thousands of Brazilian reais, unless otherwise stated.

(b) Capitalization cost corresponds to the R\$1,721 disbursed by FINEP to cover inspection and supervision expenses related to the Prometheus I and Prometheus II projects,

On December 31, 2019, the noncurrent installments of the financings matured as follows:

	Parent Company	Consolidated
2021	26,445	27,029
2022	19,834	20,418
2023	-	467
Total	46,279	47,914

FINEP has a clause that requires the Company to ensure the payment of any liability arising from the agreement by issuing a bank guarantee letter in the amount of the entire financing, This clause is indispensable to the signature of the agreement,

Certain financings have covenants, including but not limited to the execution or formalization of collateral or personal guarantees, restrictions to the change, transfer or assignment of controlling interest, merger or spin-off without the creditor's prior consent, and the maintenance of financial and liquidity ratios measured every six months,

On December 31, 2019, the Company and its subsidiaries complied with all the above-mentioned financial ratios, as well as with all the covenants,

14. Debentures

a) Debentures breakdown

	Issued amount (R\$)	Number of debentures	Final maturity	Semi-annual interest	Total issued
2 nd Issue – Single Series	10,000	50,000	Feb/20	CDI + 0,85% p.a,	500,000
3 rd Issue – Single Series	10,000	30,000	Nov/22	CDI + 0,49% p.a,	300,000
4 th Issue – 1 st Series	10,000	25,000	Apr/21	CDI + 0,35% p.a,	250,000
4 th Issue – 2 nd Series	10,000	25,000	Apr/23	CDI + 0,60% p.a,	250,000
5 th Issue – 1 st Series	1,000	200,000	Dec/24	CDI + 0,90% p.a,	200,000
5 th Issue – 2 nd Series	1,000	300,000	Dec/27	CDI + 1,20% p.a,	300,000

The Company used the amounts raised with the debenture issues to strengthen its working capital, maintain its cash strategy, extend its debt profile and fund its investments and acquisitions in the coming years, The debentures issued are non-convertible and unsecured,

2nd Debenture Issue: This issue was carried out through a public offering for the distribution of simple debentures with restricted placement efforts, in a single series, concluded on February 19, 2013,

The debentures were/will be amortized in three equal and annual installments on February 15, 2018, 2019 and 2020, Payment of remuneration will occur every six months and no renegotiation is expected to happen,

3rd Debenture Issue: This issue was carried out through a public offering for the distribution of simple debentures with restricted placement efforts, in a single series, It consisted the issue of thirty thousand (30,000) debentures, all registered, book-entry, with nominal unit value of R\$10,000, totaling R\$300,000, The debentures will mature in five (5) years as of the issue date and will be amortized in two annual installments, 50% of which on November 24, 2021, and 50% on November 24, 2022,

4th Debenture Issue: The Company carried out its fourth debenture issue through a public offering for the distribution of simple debentures with restricted placement efforts, in two series amortized in a single payment on the maturity date,

5th Debenture Issue: The Company carried out by its fifth debenture issue through a public offering for the distribution of simple debentures with restricted placement efforts, in two series, The first series will be amortized in a single installment, in December 2024, The second series will be amortized in three annual installments, 33,33% of which in December 2025, 33,33% in December 2026 and 33,33% in December 2027, Remuneration will be paid semiannually and no renegotiation is expected to happen,

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b) Changes in debentures

Domestic currency – R\$	12/31/2018	Incurred interest	Interest paid	Principal amortization	Payment	12/31/2019
2 nd Issue – Single Series	342,117	12,855	(17,806)	(166,667)	-	170,499
3 rd Issue – Single Series	301,918	19,173	(19,586)	-	-	301,505
4 th Issue – 1 st Series	252,745	15,619	(16,156)	-	-	252,208
4 th Issue – 2 nd Series	252,849	16,263	(16,796)	-	-	252,316
5 th Issue – 1 st Series	-	289	-	-	200,000	200,289
5 th Issue – 2 nd Series	-	459	-	-	300,000	300,459
Total	1,149,629	64,658	(70,344)	(166,667)	500,000	1,477,276
Current	182,962					177,276
Noncurrent	966,667					1,300,000

The installments recorded under Noncurrent liabilities on December 31, 2019 mature as follows:

Maturity	3 rd Issue – Single Series	4 th Issue – 1 st Series	4 th Issue – 2 nd Series	5 th Issue – 1 st Series	5 th Issue – 2 nd Series	Consolidated
2021	150,000	250,000	-	-	-	400,000
2022	150,000	-	-	-	-	150,000
2023	-	-	250,000	-	-	250,000
2024	-	-	-	200,000	-	200,000
2025	-	-	-	-	100,000	100,000
2026	-	-	-	-	100,000	100,000
2027	-	-	-	-	100,000	100,000
Total	300,000	250,000	250,000	200,000	300,000	1,300,000

Covenants

The debentures have covenants, and all obligations related to them will mature early if the Company fails to comply with the following financial ratios:

- (a) Net financial debt/earnings before interest, depreciation and amortization (EBITDA) ratio lower than or equal to 3,0 times and/or;
- (b) EBITDA/Net financial expense ratio equal to or higher than 1,5 times,

On December 31, 2019, Grupo Fleury complied with all the financial ratios and all the covenants,

15. Leases

On December 31, 2019, the lease liabilities are as follows:

Minimum lease payments:

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Up to 1 year	152,711	1,352	160,880	1,352
Between 1 and 5 years	707,616	7,042	751,355	7,042
More than 5 years	287,533	6,681	294,710	6,681
	1,147,860	15,075	1,206,945	15,075
(-) Future financial charges	(365,083)	(8,289)	(384,066)	(8,289)
Present value of the minimum payments	782,777	6,786	822,879	6,786
Current	126,910	610	131,939	610
Noncurrent	655,867	6,176	690,940	6,176

Notes to the parent company and consolidated financial statements as of December 31, 2019.
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The maturities of noncurrent installments on December 31, 2019 are as follows:

	Parent Company	Consolidated
2021	82,500	84,162
2022	84,150	85,845
2023	85,833	87,562
2024 onwards	403,384	433,371
Total	655,867	690,940

As mentioned in Note 2, adhering to CVM's suggestion in its Official Letter 02/2019 and in order to adjust to market practices, the real incremental rate used in first-time adoption was changed to the nominal rate. Accordingly, contracts were recalculated for 2019, as follows:

	Parent Company	
	First-time adoption real rate	First-time adoption nominal rate
Properties	847,233	707,609
Machinery and equipment	90,372	75,791
IT equipment	10,619	9,842
Vehicles	6,428	6,148
Total	954,652	799,390

	Consolidated	
	First-time adoption real rate	First-time adoption nominal rate
Properties	866,756	716,722
Machinery and equipment	90,368	75,787
IT equipment	10,811	10,020
Vehicles	6,428	6,148
Total	974,363	808,677

The nominal incremental rate was obtained using the average of the Company's Debenture contracts, The table below shows the rates used vis-a-vis contract terms, as required by CPC 12, item 33,

Contract terms	Rate
2 years	7,39%
4 years	8,77%
5 years	9,18%
10 years	10,07%
Average	8,80%

Given that the Company has a cumulative tax regime, there are no potential PIS and COFINS to recover in consideration installments,

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The changes of the lease are shown below:

	Parent Company							Balance on 12/31/2019
	Balance on 12/31/2018	First-time adoption (new rate)	Additions	Interest accrual	Current inflation	Monetary restatement	Principal amortization	
Properties	6,786	707,609	-	45,235	20,971	36,257	(132,884)	683,974
Machinery and equipment	-	75,791	22,844	5,330	2,663	-	(19,214)	87,414
IT equipment	-	9,842	-	468	298	-	(2,677)	7,931
Vehicles	-	6,148	-	195	167	-	(3,052)	3,458
Total	6,786	799,390	22,844	51,228	24,099	36,257	(157,827)	782,777

	Consolidated							Balance on 12/31/2019
	Balance on 12/31/2018	First-time adoption (new rate)	Additions	Interest accrual	Current inflation	Monetary restatement	Principal amortization	
Properties	6,786	716,722	29,352	47,062	22,433	39,382	(137,795)	723,942
Machinery and equipment	-	75,787	22,844	5,330	2,661	-	(19,214)	87,408
IT equipment	-	10,020	-	477	301	-	(2,725)	8,073
Vehicles	-	6,148	-	195	165	-	(3,052)	3,456
Total	6,786	808,677	52,196	53,064	25,560	39,382	(162,786)	822,879

a) The addition of R\$29,352 mainly refers to the acquisition of Lafe, CPC and Inlab,

Misleading caused by the full application of CPC 06 (R2) - Consolidated

In compliance with CPC 06 (R2), when measuring and remeasuring its lease liability and rights of use, the Company used the discounted cash flow technique without considering the projected future inflation in the flows to be discounted, based on the prohibition imposed by CPC 06 (R2). Said prohibition causes significant distortions to the information to be provided, given the current reality of the long-term interest rates in the Brazilian economic scenario,

Therefore, in order to safeguard an accurate information and comply with the guidelines of CVM's technical areas with the aim to preserve investors of Brazilian market, the Company presents the comparative balances of lease liability, rights of use, financial expenses and depreciation expenses of the fiscal year ended and the previous year:

Impact analysis of the difference	
Balance Sheet	
Contract Lease	12/31/2019
Accordinging CPC 06 (R2)	822,879
Flows without Inflation	963,005
Rights of use	12/31/2019
Accordinging CPC 06 (R2)	794,677
Flows without Inflation	942,033

Impact analysis of the difference	
Income Statement	
Finance Expenses	2019
Accordinging CPC 06 (R2)	78,623
Flows without inflation	53,064
Depreciation	2019
Accordinging CPC 06 (R2)	112,251
Flows without inflation	130,619

16. Accounts payable

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Domestic	178,558	186,467	189,963	193,132
Foreign	479	813	479	813
Total	179,037	187,280	190,442	193,945

Notes to the parent company and consolidated financial statements as of December 31, 2019.
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17. Labor liabilities

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Provision for vacation and charges	53,971	48,642	57,118	50,093
Provision for profit sharing	35,579	32,688	35,747	32,688
Salaries and charges payable	18,043	17,124	20,112	17,978
Provision for health care	15,443	18,382	15,443	18,382
Commission and bonus	5,368	6,489	5,390	6,489
Loans to employees	1,114	1,275	1,151	1,289
Others	3,796	1,454	4,483	1,796
Total	133,314	126,054	139,444	128,715
Current	133,096	126,054	139,226	128,715
Noncurrent	218	-	218	-

18. Tax liabilities

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
REFIS installment – Law 11,941	24,582	28,317	26,094	28,317
PIS/COFINS on revenue	7,216	6,951	7,738	7,409
ISS on revenue	6,104	5,273	7,136	5,813
Withholding income tax (IRRF)	5,486	6,288	5,809	6,343
PIS, COFINS and withholding social contribution (CSRF)	2,513	2,214	2,913	2,462
INSS withheld	1,658	1,901	1,712	1,941
Others	1,025	1,232	1,066	1,458
Total	48,584	52,176	52,468	53,743
Current	28,303	27,929	30,941	29,405
Noncurrent	20,281	24,247	21,527	24,338

On December 31, 2019, noncurrent installments matured as follows:

	Consolidated
2021	4,831
2022	4,785
2023	4,610
2024	3,172
2025 onwards	4,129
Total	21,527

19. Accounts payable – Company acquisition

Refer to debts incurred due to acquisition of companies, to be paid in accordance with the contractual terms, which are monthly restated, mainly by the IGP-M (FGV) and the Extended Consumer Price Index (IPCA) (IBGE).

Notes to the parent company and consolidated financial statements as of December 31, 2019.
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	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Lafe	-	-	32,707	-
IRN	-	-	22,829	30,623
Inlab	7,674	-	7,674	-
CPC	-	-	6,568	-
Serdil	-	-	5,587	8,529
Lego and Biesp	4,788	4,519	4,788	4,519
Dignoson	1,903	1,835	1,903	1,835
Meneses da Costa	274	260	274	260
Centro de Mastologia	193	182	193	182
Weinman	189	179	189	179
Santécorp	-	-	92	500
Champagnat	-	39	-	39
Total	15,021	7,014	82,804	46,666
Current	526	260	8,991	15,039
Noncurrent	14,495	6,754	73,813	31,627

On December 31, 2019, the maturities of noncurrent installments are as follows:

	Consolidated
2021	18,649
2022	18,649
2023	18,649
2024	11,910
Others (*)	5,956
Total	73,813

(*) On December 31, 2019, the maturities of specific installments are subject to final and unappealable decisions. It is, therefore, not possible to estimate payment for the coming years.

20. Other liabilities

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Early revenue - Bradesco	11,252	15,500	11,252	15,500
Other accounts payable	1,100	138	1,977	1,212
Provision for waste fee	429	381	429	381
Total	12,781	16,019	13,658	17,093
Current	4,341	3,619	5,219	4,693
Noncurrent	8,440	12,400	8,439	12,400

21. Income tax and social contribution – Deferred

a) Policy

Taxes on deferred income are recognized on temporary differences on each reporting period between the balances of assets and liabilities recognized in the financial statements and the related tax bases used to calculate taxable income, including tax loss and tax loss carryforwards, where applicable. Deferred tax liabilities are usually recognized for taxable temporary exclusions and deferred tax assets are recognized over all deductible temporary additions only when it is probable that the Company will report future taxable income in an amount sufficient for these temporary differences to be used. Deferred tax assets or liabilities are not recognized on

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temporary differences arising from goodwill or first-time recognition, except for business combination, where applicable, of other assets and liabilities in a transaction not affecting taxable income or accounting profit,

Deferred tax and contribution assets are recognized to the extent that it is probable that future taxable income will be available to be used to offset temporary differences, based on projections of future results prepared and based on internal assumptions and future economic scenarios that may, therefore, change,

Deferred tax assets and liabilities are measured at the tax rates applicable in the year when it is expected that the liability will be settled or the asset will be realized, based on the tax rates provided for in the tax law in effect at the end of each year, or when a new law has been substantially approved. The measurement of deferred tax assets and liabilities reflects the tax consequences that would result from the manner in which each Grupo Fleury company expects to recover or settle the carrying amounts of these assets and liabilities at the end of each year,

Deferred tax assets and liabilities are presented net since they are related to taxes managed by the same tax authority,

b) Breakdown of current and deferred income tax and social contribution

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Provision for tax, labor and civil risks	47,414	34,767	47,650	34,767
Provision for stock options and others	37,978	37,008	37,979	37,008
Estimated losses and losses with disallowances	28,513	23,235	29,464	23,235
Tax loss	-	22,546	32,482	51,089
Effect of IFRS 16	26,363	-	28,059	-
Provision for profit sharing	9,282	32,688	9,316	32,688
Asset revaluation	84	84	84	84
Net assets acquired from business combination (a)	(5,578)	4,056	(14,882)	363
Goodwill amortization effects for tax purposes (b)	(1,338,542)	(1,331,293)	(1,338,542)	(1,331,296)
Tax base	(1,194,486)	(1,176,909)	(1,168,390)	(1,152,062)
Income tax and social contribution (~34%)	(406,125)	(400,149)	(397,253)	(391,701)
Income tax and social contribution – Assets (*)	=	-	12,590	-
Income tax and social contribution – Liabilities	(406,125)	(400,149)	(409,843)	(391,701)

(a) Goodwill amortization – non-deductible until 2008 and deductible for tax purposes in future periods,

(b) Goodwill from mergers, mainly Labs Cardiolab,

	Breakdown per company							Total
	Fleury S.A.	CPMA	Serdil	IRN	SantéCorp	Lafe	Inlab	
Assets (*)	59,688	9,791	143	440	5	2,212	-	72,279
Liabilities	(465,813)	(2,942)	-	-	-	-	(777)	(469,532)

(*) The balance of deferred assets corresponds to Serdil, IRN, Santécorp, Lafe and CPMA,

The estimated realization term of the deferred tax asset recorded in the Consolidated is as follows:

	Consolidated
2020	30,001
2021	13,896
2022	13,418
2023	7,433
2024 onwards	7,531
Total	72,279

Notes to the parent company and consolidated financial statements as of December 31, 2019.
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c) Reconciliation of current and deferred income tax and social contribution in profit (loss):

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Income before income tax and social contribution	424,144	453,421	426,202	451,140
(x) Combined rate	34%	34%	34%	34%
(=) Income tax and social contribution expenses	(144,209)	(154,163)	(144,909)	(153,388)
Interest on equity	33,638	33,218	33,638	33,218
Other permanent (additions) exclusions, net	(4,255)	(3,838)	(2,588)	309
Equity in the earnings (losses) of subsidiaries	2,998	2,947	(113)	306
Company adjustments – presumed profit	-	-	87	-
Income tax and social contribution expenses:	(111,827)	(121,836)	(113,884)	(119,555)
Current	(105,852)	(87,130)	(109,120)	(91,281)
Deferred	(5,976)	(34,706)	(4,764)	(28,274)
Effective rate - %	26.3%	26.9%	26.7%	26.5%

22. Provision for tax, labor and civil risks

a) Policy

Provisions for contingencies are accrued as the Company expects to disburse cash flows. Provisions are recorded for lawsuits when losses are assessed as probable and the amounts are reliably measurable. When these lawsuits are assessed as a possible loss, a description of the lawsuits and the amounts involved is disclosed in the notes to the financial statements. Provisions are recorded for labor lawsuits based on the historical percentage of disbursements. Provisions for contingencies assessed as a remote loss are neither recorded nor disclosed.

The Company's legal counsel assessed judicial deposit assets as remote or possible loss and therefore, a provision for contingencies has not been recorded. Among these claims is an amount of R\$11,200 related to ICMS tax levied on equipment imports.

Judicial deposit liabilities refer to lawsuits deemed as probable loss, thus reducing the balance of said provision.

Management periodically reviews known contingencies, assesses probable losses and adjusts the respective provision, taking into consideration its legal counsel's assessment and other data available at the end of the reporting periods, such as the nature of the lawsuits and past experience, based on an internal policy. On December 31, 2019, the balance and the change of the Provision for tax, labor and civil risks was as follows:

b) Balance breakdown

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Labor	26,881	19,983	27,221	20,192
Tax	14,912	11,739	14,994	11,995
Civil	5,621	3,045	5,690	3,074
Subtotal	47,414	34,767	47,905	35,261
Judicial deposits (probable loss)	(9,958)	(8,678)	(9,958)	(8,678)
Total	37,456	26,089	37,947	26,583

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c) Changes in the consolidated

	Balance on 12/31/2018	Acquisition	Addition/ Reversal (*)	Others (a)/(*)	Payment reclass,	Monetary restatement	Balance on 12/31/2019
Labor	20,192	396	3,829	138	(3,437)	6,103	27,221
Tax	11,995	-	(1,917)	(2,067)	4,753	2,230	14,994
Civil	3,074	34	983	(1,312)	1,958	953	5,690
Subtotal	35,261	430	2,895	(3,241)	3,274	9,286	47,905
Judicial deposits	(8,678)	-	-	-	(1,280)	-	(9,958)
Total	26,583	430	2,895	(3,241)	1,994	9,286	37,947

(a) Former shareholders are liable for part of the lawsuits, which will be refunded to the Company at a rate of 67% and, therefore, are reclassified under Other assets,

(*) This columns must be considered to compare with the statement of cash flow,

d) Lawsuits classified as probable loss and recorded as provisions:

Tax lawsuits

The main tax matter refers to the challenge related to the exemption of COFINS granted to companies that provide services related to professions regulated by law. Supplementary Law 70/91, which created COFINS, addressed the exemption granted to this kind of entity, Law 9,430/96, however, expressly revoked this exemption and required the contribution based on the service providers' gross revenue. The Company's legal counsel understands that, since Law 9,430/96 is an ordinary law, it could not have revoked the exemption granted by Supplementary Law 70/91. Nevertheless, given that the Federal Supreme Court has already issued an opinion contrary to said thesis, the Company had a provision to cover risks of R\$2,142 on December 31, 2019 (R\$2,096 on December 31, 2018).

e) Lawsuits classified as possible loss

The Company has tax, civil and labor claims that are not provisioned since they are classified as a possible loss by Management and its legal counsel.

On December 31, 2019, the consolidated amount was approximately R\$506,410 (R\$525,079 on December 31, 2018).

Tax lawsuits classified as a possible loss amounted to R\$293,151 (R\$283,211 on December 31, 2018), mainly comprising, in the federal sphere: (i) R\$136,361 (R\$130,540 on December 31, 2018), mainly related to discussions on exemption from income tax (IRPJ), social contribution (CSLL), social integration program tax on revenue (PIS), social security financing tax on revenue (COFINS) and import PIS/COFINS; (ii) social security contributions totaling R\$54,512 (R\$53,109 on December 31, 2018); and (iii) sundry federal lawsuits totaling R\$6,656 (R\$4,094 on December 31, 2018).

Regarding state taxes, lawsuits classified as a possible loss amounted to R\$21,399 (R\$25,047 on December 31, 2018) and mainly refer to state value-added tax (ICMS) on equipment imports.

In relation to municipal taxes, lawsuits classified as a possible loss reached R\$74,222 (R\$70,421 on December 31, 2018) and mainly refer to claims involving tax on services of any kind (ISSQN).

In the civil sphere, the Company's lawsuits classified as a possible loss totaled R\$24,732 (R\$40,714 on December 31, 2018), which R\$12,371 (R\$10,413 on December 31, 2018) mainly related to civil liability lawsuits claiming compensation for damages and pain and suffering due to, among others, alleged diagnostic errors or malpractice, and other lawsuits addressing different requests, totaling R\$12,361 (R\$30,301 on December 31, 2018).

Labor lawsuits classified as a possible loss amounted to R\$187,626 (R\$201,154 on December 31, 2018), which (i) R\$177,270 (R\$193,765 on December 31, 2018) refers to labor claims from former employees, class lawsuits, actions for annulment and tax foreclosure; (ii) R\$9,774 (R\$6,950 on December 31, 2018) refers to secondary liability lawsuits filed by employees of companies that render specialized

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services to the Company on an outsourced basis; and (iii) R\$582 (R\$439 on December 31, 2018) refers to ongoing administrative lawsuits.

Also, in the labor sphere, the Company was summoned in a public civil action suit pending at the Labor Court of Rio de Janeiro that essentially challenges the legality of hiring specialized medical companies. The Company is fighting this lawsuit by proving the legitimacy of its practice of hiring legal entities to provide medical services in accordance with the applicable laws, with favorable precedents from the Federal Supreme Court (ADPF 324 and RE 958,252, with general repercussion). To confirm this thesis, the lower court denied the claim; this decision was partially overruled by the 1st Region Appellate Labor Court. The Company filed an appeal at the Superior Labor Court, which, recently, by unanimous vote, partially overruled, the decision previously issued by the 1st Region Appellate Labor Court, in favor of the Company. The probability of loss changed to "remote" since, in the opinion of the external legal counsel, the remaining conviction over the Company is currently unenforceable, as it depends on the review of production of future evidence by the appellate court, making it impossible to indicate any conviction amount.

23. Related Parties

a) Impacts on the statement of income and statement of financial position (Consolidated)

Result	12/31/2019		12/31/2018	
	Revenue	Expense	Revenue	Expense
OdontoPrev S/A (a)	432	-	329	-
Transinc Fundo Inv, Imobiliário (b)	-	(11,172)	-	(9,034)
Amicabilis Participações e Empreendimentos Ltda, (b)	-	(4,392)	-	(3,566)
Harmonikos 32 Participações e Empreendimentos Ltda, (b)	-	(4,048)	-	(2,714)
Companies associated with Bradseg (c)	-	(179,314)	-	(157,768)
CM Médicos Associados Ltda (d)	-	(1,686)	-	-
Fund, Inst, De Moléstias Do Aparelho (e)	-	(5)	-	-
Subtotal	432	(200,617)	329	(173,082)
Total, net		(200,185)		(172,753)

Equity balance	12/31/2019		12/31/2018	
	Assets	Liabilities	Assets	Liabilities
Bradesco (f)	485,507	-	553,718	-
OdontoPrev S/A (a)	31	-	29	-
Administrative expenses	-	-	198	-
Transinc Fundo Inv, Imobiliário (b)	46,538	(46,884)	-	(758)
Amicabilis Participações e Empreendimentos Ltda, (b)	19,852	(20,012)	-	-
Harmonikos 32 Participações e Empreendimentos Ltda, (b)	18,304	(18,452)	-	-
Companies associated with Bradseg (c)	-	(17,739)	-	(21,347)
Subtotal	570,232	(103,087)	553,945	(22,105)
Total, net	467,145		531,840	

(a) SantéCorp provides health management services to OdontoPrev S/A.

(b) These real estate funds have shareholders who are direct and indirect shareholders of the Company (Grupo Fleury). The balances recorded in Assets refer to Right of use and, in Liabilities, to Finance lease. The amounts recorded in the result refer to the adoption of the new accounting standard CPC 06 (R2) – IFRS16, in which lease expenses were converted into depreciation and interest, as disclosed in Note 2,1 c.

(c) Bradseg, a shareholder with a significant interest in the Company, holds an interest in and/or control of health insurance operators and companies that have a business relationship with the Company. Bradseg also holds an indirect interest in Odontoprev S.A., a

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

dental care provider and parent company of Clidec Participações, partner of Fleury Centro de Procedimentos Médicos Avançados, subsidiary of the Company, in Papaiz Associados. These amounts refer to service agreements, mainly health insurance and food/meal and transportation vouchers, and private pension plans.

A group of companies associated with Bradseg is among the Company's main clients.

(d) CM Médicos provides medical services to Fleury.

(e) Sponsorship of Fleury during the disclosure of a partnership with Hospital Edmundo Vasconcelos.

(f) Grupo Fleury holds short-term investments and balances in bank accounts in Banco Bradesco. On December 31, 2019, investment operations consisted of an exclusive fund classified as fixed revenue and repurchase agreements.

b) Management compensation

For the period ended on December 31, 2019, Management compensation included salaries, management fees, benefits, payroll charges, stock options and bonus, totaling R\$25,674 (R\$23,871 on December 31, 2018), which is recorded under "General and administrative expenses" in the statement of income.

The compensation of Executive Officers and Management members did not exceed the maximum limit approved by the Meeting held on April 29, 2019.

Grupo Fleury offers profit sharing to its employees based on their annual performance and the established targets. This compensation is recognized as a liability and a profit-sharing expense based on a methodology that assumes said goals achievement. The provision for employee and Management profit sharing totaled R\$32,069 in the period ended December 31, 2019 (R\$31,948 on December 31, 2018).

Pursuant to CPC 33 – Employee Benefits, the Company offers post-employment benefits to its Management, comprising private pension and life insurance.

24. Equity

a) Share capital

On December 31, 2019, the fully paid-in share capital was R\$1,449,051, represented by 316,744,460 registered, book-entry common shares with no par value. The net amount of share issue expenses was R\$1,426,267,

The Company is authorized to increase its share capital, regardless of amendments to the Bylaws, upon resolution of the Board of Directors, up to the limit of 320,000,000 common shares.

In February 2019, the Company concluded the payment in the amount of R\$1,615, corresponding to the exercise of options approved on December 13, 2018.

On August 1, 2019, the Board of Directors approved a capital increase to meet the exercise of options under the Company's Stock Option Plan, of R\$5,516, by issuing 631,018 shares.

b) Dividends and interest on equity

On February 27, 2019, the Board of Directors approved and, on April 29, 2019, the Annual Shareholders' Meeting ratified the distribution of interim dividends to shareholders, in the amount of R\$217,305, corresponding to a gross value per share of R\$0,6874, referring to the profit for 2018, which was paid on May 31, 2019.

On July 25, 2019, the Board of Directors approved, *ad referendum* of the Annual Shareholders' Meeting, the payment of interest on equity, in the amount of R\$63,308, corresponding to a gross value per share of R\$0,2003, referring to earnings retained in the first half of 2019, paid on October 4, 2019,

On December 26, 2019, the Board of Directors, *ad referendum* of the Annual Shareholders' Meeting, approved the payment of interest on equity, in the amount of R\$35,627, corresponding to a gross value per share of R\$0,1125, referring to earnings retained in the first half of 2019, paid on January 17, 2020.

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

Calculation of interest on equity:

	1st payment	2nd payment	Total
Approval date	7/25/2019	12/26/2019	
Payment date	10/04/2019	1/17/2020	
Interest on equity, gross	63,308	35,627	98,935
(-) Withholding income tax (IRRF)	(8,105)	(4,436)	(12,541)
Interest on equity, net	55,203	31,191	86,394

25. Employee benefits

a) Private pension plan

The Company sponsors a private pension plan that is currently managed by Bradesco Vida e Previdência S.A., whose main purpose is to complement the government pension. This defined-contribution plan is optional for all Fleury S.A. employees. In the period ended December 31, 2019, the Company contributed R\$1,772 (R\$417 on December 31, 2018) to this plan, recorded under "Cost of services" and "General and administrative expenses".

b) Share-based compensation

Grupo Fleury offers share-based compensation plans to its executives, under which the Company receives its employees' services as consideration for the stock options granted.

The fair value of options at grant date is recorded on a straight-line basis as an expense for the year when the vesting conditions are met, based on Grupo Fleury's estimates of which stock options granted will vest, with a corresponding increase in equity. At the end of the reporting period, Grupo Fleury revises its estimates of the number of options that are expected to vest based on contractual conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss, so that the accumulated expense reflects the revised estimates with a corresponding adjustment to equity in the "Capital Reserve - options granted recognized" account that recognized the employee benefits.

The Company's Board of Directors is responsible for determining, at each grant, the participants of the plan, as well as the number of shares to be acquired when each option is exercised, the term, the exercise price, payment conditions and other conditions.

Under the current plans, no amount is paid or will be paid by the beneficiary when the option is received. The options do not grant voting rights or rights to dividends, until they are effectively exercised.

Due to the stock split resolved on by the Extraordinary Shareholders' Meeting of June 26, 2017, everyone (1) share issued by the Company is now represented by two (2) shares of the same kind.

(i) 2010 to 2014 Grants

The Extraordinary Shareholders' Meeting of November 12, 2009 approved the Company's Stock Option Plan, authorizing the grant of stock options to employees selected by the Board of Directors. The options granted under this plan will be limited to 3% of the total shares of the Company's subscribed and paid-in share capital.

Each stock option may be converted into one common share of Fleury S.A. upon the exercise of the option, which may occur at any moment from the date the right is acquired to six years after the grant date, when the options expire. No amount is paid or will be paid by the beneficiary when the option is received. The options do not grant voting rights or rights to dividends, until they are effectively exercised.

Participants had at the most six years to exercise the options, as of the date the options are granted, however they were totally exercised in 2019.

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

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

(ii) 2016 to 2018 Grants

The Extraordinary Shareholders' Meeting of July 25, 2016 approved the Company's new Stock Option Plan intended for its executives, management, and employees (beneficiaries).

The options granted under this Plan may not exceed, during the term of the Stock Option Plan, the maximum accumulated limit of two point five percent (2,5%) of the total shares of the Company's subscribed and paid-in share capital on this date. In this context, 1,822,767 options were granted.

Also, under this plan, the following stock options were approved.

Approval date	Approval	Number of options
July 27, 2016	Board of Directors	3,645,534 options
May 3, 2017	Extraordinary Shareholders' Meeting	550,000 options
October 25, 2017	Board of Directors	150,000 options
December 15, 2017	Extraordinary Shareholders' Meeting	235,000 options
March 1, 2018	Board of Directors	140,000 options
May 10, 2018	Board of Directors	375,000 options
June 20, 2018	Board of Directors	47,000 options

Each stock option may be converted into one common share of Fleury S.A. upon exercise of each portion of the option, which may occur at any moment from the date the right is acquired to two years after the exercise date, when the options expire. After exercising each portion of the option and subscribing the respective share, exercise prices are not adjusted, and the beneficiaries will only be able to sell or transfer them after six months of the date of subscription.

The option can be fully exercised by the beneficiaries within, at least, six years as of the signing of the respective adherence agreement. Each portion of the option can be exercised as follows: (i) 12,5% in the 24th month as of the signing of the adherence agreement; (ii) 25% in the 36th month; (iii) 25% in the 48th month; (iv) 25% in the 60th month; and (v) 12,5% after the end of the 72nd month as of the signing of the adherence agreement.

The exercise price of the options will be based on the average closing price of the share in the ninety (90) trading sessions prior to the Board of Directors' meeting that will resolve on said grant.

The changes in the number of stock options and corresponding weighted average exercise prices are as follows:

Grant date		2014	2016	2017			2018		
		10/05	7/27	5/03	10/25	12/15	3/01	5/10	6/20
Balance on 12/31/2018	# options	546	2,398,226	350,000	150,000	235,000	140,000	375,000	47,000
	Average exercise price	9,33	8,74	20,22	28,92	28,86	28,18	27,66	26,24
Expired	# options	-	(299,972)	-	(150,000)	-	-	-	-
Exercised	# options	-	(631,020)	-	-	-	-	-	-
Cancelled	# options	(546)	-	-	-	-	-	-	-
Balance on 12/31/2019	# options	-	1,467,234	350,000	-	235,000	140,000	375,000	47,000

From a total of 2,614,234 existing options on December 31, 2019 (3,695,772 options on December 31, 2018), 73,125 options can be exercised (none of them were exercisable on December 31, 2018).

On December 31, 2019, the Company recorded pro-rata expenses of R\$5,808 under General and administrative expenses (R\$8,336 in the period ended December 31, 2018).

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

On December 31, 2019, the market price of each share was R\$30,53 (R\$19,78 on December 31, 2018).

Options granted between 2011 and 2014 were priced based on the binomial model and the significant data included in the fair value pricing model of the stock options granted in the period were as follows:

	Vesting in 48 months
	Grant on 10/05/2014
Volatility	28.4%
Expected life for the exercise of the options	2 years
Risk-free annual interest rate	10,33%

Options granted between 2016 and 2018 were priced based on the Black & Scholes model and the significant data included in the fair value pricing model of the stock options granted in this period were as follows:

	Vesting in 48 months – Grant on						
	6/20/2018	5/10/2018	3/01/2018	12/15/2017	10/25/2017	5/03/2017	7/27/2016
Volatility	30.16%	29.49%	29.38%	28.97%	42.79%	29.12%	28.36%
Dividend yield	2.94%	3.22%	3.76%	3.17%	2.93%	3.09%	1.75%
Expected life for the exercise of the options	2 years	2 years	2 years	2 years	2 years	2 years	2 years
Risk-free annual interest rate	7.59%	7.59%	7.71%	8.20%	8.04%	9.54%	12.70%

c) Profit sharing

Grupo Fleury offers profit sharing to its employees based on their annual performance and established goals. This compensation is recorded as liability and a profit-sharing expense based on a methodology that considers that said goals will be met.

26. Revenue from services rendered

a) Policy

Revenue is recognized when control and all other rights and benefits arising from the provision of services flow to the client, i.e. when test results are issued, approximately at the same time as the test is performed.

The allocation of compensation for services provided mainly refers to clinical analysis that have a single defined performance obligation (tests and their analysis) and whose transaction price is agreed upon between the Company and its respective clients. In this case, there is no variable consideration, return or refund obligations, as well as no significant financing component or remaining performance obligations.

The agreements between the Company and its respective clients have a commercial substance since they are approved by the parties and include the rights of each party, and the payment conditions are identified.

The performance obligation in these agreements refers to the execution of clinical analysis tests, which begins with the collection of the material and ends with the issue of diagnostic test results that are available to users on the Company's website or in the patient service centers. Diagnostic medicine and integrated medicine do not differ regarding the performance obligations to be complied with.

Revenue from services rendered is already net of any estimated rebates, discounts and disallowances.

b) Main service lines

Diagnostic Medicine

Laboratory and image exams for clients assisted in Grupo Fleury's own units.

Integrated Medicine

It caters to hospitals that integrate diagnostic services with specialized clinical staff and clinical analysis exams, providing high added value diagnostic information to the physicians of said institutions. It also comprises check-up, reference laboratory (LARE) and health management services.

Dental

Dental imaging exams conducted by the joint venture Papaiz.

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

c) Expected remuneration

Services rendered to clients are remunerated as follows (amounts contractually agreed upon):

- i) clinical analysis services (analysis and diagnostics); and
- ii) defined clinical analysis packages, based on pre-defined procedure packages (check-up).

d) Estimated losses with disallowances (Consolidated)

On December 31, 2019, the Company recorded estimated losses with disallowance of 1,33% based on historical analysis and commercial trends over gross revenue from diagnostic medicine whose counterparties are health insurance companies (1,26% on December 31, 2018), billed or not. This estimate is reviewed by the Company at the end of each reporting period.

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Gross revenue	3,011,528	2,790,539	3,142,125	2,879,633
Taxes	(184,208)	(171,068)	(193,809)	(177,822)
Disallowances	(41,026)	(36,333)	(41,843)	(36,424)
Rebates	(745)	(910)	(1,366)	(924)
Net revenue	2,785,549	2,582,228	2,905,107	2,664,463

The breakdown of net revenue among the main lines of services provided for by the Company (Diagnostic Medicine, Integrated Medicine and Dental) are presented on Note 35 – Segment reporting.

27. Cost of services

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Personnel and medical services	(956,351)	(884,473)	(1,013,191)	(926,327)
Rent, occupancy and utility services (a)	(401,780)	(509,750)	(425,364)	(525,815)
Direct material and exam intermediation	(301,509)	(253,183)	(311,034)	(257,666)
Depreciation and amortization (a)	(249,630)	(128,752)	(260,834)	(138,782)
General expenses	(6,001)	(7,083)	(6,292)	(7,372)
Total	(1,915,271)	(1,783,241)	(2,016,715)	(1,855,962)

(a) In 2019, part of the leases presented under "Rent, occupancy and utilities services" were included under the scope of the CPC 06 (R2) – IFRS 16, as described in Note 2,1 b,

Another effect from the adoption of this standard is the increase in the Depreciation and amortization line (Right of use),

28. General and administrative expenses

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Personnel and benefits	(172,478)	(165,657)	(178,076)	(166,188)
Depreciation and amortization	(59,530)	(50,358)	(59,630)	(50,509)
Institutional and legal matters	(22,716)	(13,179)	(23,436)	(13,288)
Marketing	(22,031)	(21,713)	(22,956)	(21,746)
Other general and administrative expenses	(16,133)	(15,631)	(16,389)	(15,767)
Third-party services	(7,695)	(10,688)	(7,961)	(11,082)
Properties and utilities	(5,791)	(11,915)	(6,014)	(12,313)
IT and telecommunications	(5,221)	(4,587)	(5,925)	(4,678)
Total	(311,595)	(293,728)	(320,387)	(295,571)

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

29. Other operating income (expenses), net

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Other revenue (expenses)	(9,095)	(3,317)	(4,566)	(4,625)
Provision/loss with insolvent customers	(2,606)	(4,023)	(2,672)	(4,055)
Result on the write-off/sale of assets	(767)	665	(601)	665
Total	(12,468)	(6,675)	(7,839)	(8,015)

30. Financial result

a) Policy

Interest income and expenses are recorded on a time basis, using the effective interest rate over the outstanding principal.

For cash flow statement purposes, the Company adopted as accounting practice the presentation of interest accrued on financial investments and dividends received in investment activities, and interest paid on borrowings and debentures in financing activities, as it understands that this is the situation that best represents its financial flows, such presentation being based on paragraphs 33 to 34A of CPC 3 – Cash Flow Statements.

b) Financial result breakdown

	Parent Company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Financial income:				
Income from short-term investments – marketable securities	26,522	33,584	29,922	35,022
Monetary restatement of taxes and judicial deposits	4,335	4,349	4,480	4,335
Exchange variation and others	590	558	614	612
Income from short-term investments	70	11,357	207	11,787
Derivative financial instruments	188	920	189	920
PIS/COFINS on financial income	(1,449)	(2,301)	(1,598)	(2,403)
Total	30,256	48,467	33,814	50,273
Financial expenses:				
Interest on debentures	(64,658)	(75,931)	(64,658)	(75,931)
Interest from leases	(75,326)	-	(78,623)	-
Monetary restatement from contingencies	(9,268)	(4,420)	(9,287)	(4,513)
Monetary restatement from taxes and accounts payable	(1,571)	(2,599)	(4,702)	(4,034)
Interest on financing and other interest	(3,997)	(5,091)	(4,143)	(5,256)
Exchange variation and others	(3,232)	(8,110)	(3,824)	(8,884)
Financial fees	(2,428)	(3,124)	(2,428)	(3,125)
Derivative financial instruments	(126)	(637)	(126)	(637)
Total	(160,606)	(99,912)	(167,791)	(102,380)
Financial result, net	(130,350)	(51,445)	(133,977)	(52,107)

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

31. Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares issued in the period.

	<u>12/31/2019</u>	<u>12/31/2018</u>
Profit attributable to the Company's shareholders	312,317	331,585
Weighted average number of common shares issued/outstanding	<u>316,744,460</u>	<u>315,098,540</u>
Basic earnings per share – R\$	0,99	1,05

Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares to assume the conversion of all diluted potential common shares. The Company had outstanding dilutive potential common shares in the period, related to the Company's Stock Option Plan, as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Profit attributable to the Company's shareholders	312,317	331,585
Weighted average number of common shares issued/outstanding	316,744,460	315,098,540
(+) Adjustments due to stock options	3,435,613	7,402,552
(=) Weighted average number of common shares for diluted earnings per share	<u>320,180,073</u>	<u>322,501,092</u>
Basic earnings per share – R\$	0,98	1,03

32. Segment reporting

Grupo Fleury's Management carries out analyses based on three significant business segments: Diagnostic Medicine, Integrated Medicine and Dental. The segments presented in the financial statements are strategic business units that offer different products and services,

	<u>Period ended 12/31/2019</u>			
	Diagnostic Medicine	Integrated Medicine	Dental	Consolidated
Net revenue	2,437,486	467,621	-	2,905,107
EBITDA	806,552	74,423	-	880,975
Equity in the earnings (losses) of subsidiaries	-	-	(333)	(333)
Depreciation and amortization	-	-	-	(320,464)
Financial result	-	-	-	(133,977)
Income before income taxes	-	-	-	426,201
	<u>Period ended 12/31/2018</u>			
	Diagnostic Medicine	Integrated Medicine	Dental	Consolidated
Net revenue	2,230,845	433,302	316	2,664,463
EBITDA	620,789	70,823	26	691,638
Equity in the earnings (losses) of subsidiaries	-	-	900	900
Depreciation and amortization	-	-	-	(189,291)
Financial result	-	-	-	(52,107)
Income before income taxes	-	-	-	451,140

Notes to the parent company and consolidated financial statements as of December 31, 2019.
In thousands of Brazilian reais, unless otherwise stated.

Pursuant to accounting standard CPC 19 (R2) - Joint Arrangements, the indirect subsidiary Papaiz is accounted for by the equity accounting method because it is jointly controlled. Dental operations are broken down as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Net revenue	12,979	11,115
EBITDA	1,942	2,376
Depreciation and amortization	(686)	(576)
Financial result	(540)	(546)
Income (loss) before taxes	716	1,254
Income tax and social contribution	(413)	(354)
Profit	303	900

33. Insurance

The Company has the policy to contract insurance for possible risks related to its assets, loss of profit and/or liability in amounts sufficient to cover possible losses, considering the nature of its activities and in accordance with the assessment of Management and its specialized consultants. The net insurance premium of the Consolidated for the policies in effect on December 31, 2019 totaled R\$994.

The agreements are in effect until February 26, 2020.

The maximum amounts insured by the main insurance on December 31, 2019 were as follows:

	<u>Consolidated</u>
Operating risks	R\$614,725
Civil liability	R\$105,000
International transport – Imports	US\$ ('000) 750

34. Upcoming events

On January 10, 2020, the Company concluded the acquisition of 100% of the shares of Diagmax Participações Societárias S.A. and its subsidiaries. The transaction was closed after an appropriate fulfillment of conditions precedent, including the approval, without restrictions, by the Brazilian antitrust authority ("CADE").

The Company will pay R\$80,388 for the acquisition and earn-out of up to R\$31,598 in the future, provided that certain mutually agreed results are achieved.

Carlos Alberto Iwata Marinelli
 CEO

Fernando Augusto Rodrigues Leão Filho
 Chief Finance, Investor Relations and Legal Officer

Gisele Schneider
 Technical manager
 TCRC 1SP304488

Earnings 4Q19

Conference Call:

February 20th | 11:00AM (10:00AM EDT)

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Code: Fleury

Webcast: ir.fleury.com.br

In December 31st, 2019:

Total shares:

316.744.460

Market cap

R\$ 9.7 Bn | US\$ 2.4 Bn

Share price

R\$ 30.53 /US\$ 7.58

Fleury ON

B3: FLRY3



Investor Relations

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São Paulo, February 19th, 2020 – Grupo Fleury announces today its 4th quarter 2019 (4Q19) results. All figures are compared to the same period of the previous year, unless otherwise stated, and are rounded to the nearest thousand. However, there may be differences when compared to the financial statements due to decimal digits.

IFRS 16 Impacts – Leasing. For comparison purposes, the following numbers are presented without the effect of IFRS 16. In pages 16 and 17 the impacts with the adoption are detailed.

Highlights

- Gross Revenue of R\$ 778.6 MM (+10.2%). In 2019, R\$ 3.1 Bn (+9.1%). Highlight to the Fleury brand, that had an expansion of 10% in the period.
- Cancellations represented -1.3% (increase of 19 bps). In 2019, -1.4% (stable).
- EBITDA of R\$ 153.9 MM (+5.9%), with margin of 21.4% (-83 bps). Impact of 90 bps in margin due to extraordinary expenses with Consulting Services and M&A.
- In 2019, Recurring EBITDA of R\$ 737.7 MM (+6.7%) with a recurring margin of 25.4% (-56 bps).
- Net Income of R\$ 65.2 MM (+12.0%). In 2019, Recurring Net Income of R\$ 347.1 MM (+4.7%).
- Operating Cash Flow Generation of R\$ 160.7 MM (conversion on 104% of EBITDA). In 2019, R\$ 570.3 MM (conversion on 79% of EBITDA).
- Return on Invested Capital (ROIC¹) excluding goodwill reached 38.7%.
- The NPS² reached 77.2% (+40 bps).
- Announcement in Feb/2020 of the distribution of R\$ 197.8 MM in dividends for 2019 which, added to interest on capital already paid, totaled R\$ 296.7 MM over 2019 results, with a payout of 95% and a dividend yield of 2.9%³.

¹ Excludes the goodwill of the stockholder's equity. ² Net Promoter Score ³ Considers FLRY3 share price on 12/30/2019 and net value of distributions through IoC.

Main Financial Indicators

Financial Indicators (R\$ MM)	4Q19	4Q18	Variation	2019	2018	Variation
Gross Revenue	778.6	706.8	10.2%	3,142.1	2,879.6	9.1%
Net Revenue	720.1	654.8	10.0%	2,905.1	2,664.5	9.0%
Gross Profit	187.4	172.5	8.6%	838.6	808.5	3.7%
EBITDA	153.9	145.4	5.9%	719.6	691.6	4.0%
Net Income	65.2	58.2	12.0%	333.9	331.6	0.7%
Cancellations (% Gross Revenue)	-1.3%	-1.2%	-19 bps	-1.4%	-1.3%	-8 bps
Gross Margin %	26.0%	26.3%	-32 bps	28.9%	30.3%	-148 bps
EBITDA Margin %	21.4%	22.2%	-83 bps	24.8%	26.0%	-119 bps
Effective Tax Rate	-25.6%	-23.5%	-211 bps	-26.7%	-26.5%	-22 bps
Net Income Margin %	9.0%	8.9%	16 bps	11.5%	12.4%	-95 bps
Recurring EBITDA	NA	NA	NA	737.7	691.6	6.7%
Recurring Net Income	NA	NA	NA	347.1	331.6	4.7%
Recurring EBITDA Margin %	NA	NA	NA	25.4%	26.0%	-56 bps
Recurring Net Income Margin %	NA	NA	NA	11.9%	12.4%	-50 bps
Operating Cash Flow	160.7	212.1	-24.3%	570.3	701.5	-18.7%
CAPEX	77.8	141.4	-45.0%	207.9	323.8	-35.8%
Average Collection Period (Days)	67	65	2 days	66	64	2 days
ROE (LTM)	18.8%	19.2%	-37 bps	18.8%	19.2%	-37 bps
ROIC (LTM)	14.0%	15.3%	-129 bps	14.0%	15.3%	-129 bps
ROIC without goodwill (LTM)	38.7%	41.2%	-247 bps	38.7%	41.2%	-247 bps

Management Comments

We remain focused on the enhancement of our brands portfolio and advancing on the strategy of consolidation of the main markets.

We continue to advance in the expansion of our brands. In October 2019 we acquired Centro de Patologia Clínica (CPC), a traditional company of the clinical analysis segment located in the Metropolitan Region of Natal, State of Rio Grande do Norte. This way, we started to offer a complete portfolio, adding clinical analysis diagnostics to the imaging diagnostics already present in Instituto de Radiologia de Natal (IRN). In November 2019, we acquired Inlab - Investigação Laboratorial Ltda., that offers clinical analysis diagnostics in the Metropolitan Region of São Luís, marking our entry in the State of Maranhão and reinforcing our strategic position in the Northeast Region of the Country.

In organic expansion, we opened one new Patient Service Center of the a+ brand in Moema neighborhood, in São Paulo. Thereby, we ended the year of 2019 with a total opening of 54 Patient Service Centers since our Expansion Plan, announced by the end of 2016, that amounts 74% of the bottom point of the guidance of opening from 73 to 90 patient service centers until 2021.

In the brands portfolio, we ended 2019 with growth of 9.4% (8.2% organic) in the Patient Service Centers, a performance highly above the market, of which the level of 47 million of beneficiaries of healthcare private plans was stable in the same period.

In Precision and Personalized Medicine, expansion of services and growth of 59% in 2019.

In precision and personalized medicine, we ended the year with 59% of growth in the revenue generated by Genomics tests, totaling R\$ 60 million. Highlight to the e-commerce operation of Fleury Genomics website, that was responsible for 7% of the total revenue, being that more than 90% of this revenue had origin in locations where Grupo Fleury does not have Patient Service Centers.

Advance in the healthcare platform, SantéCorp reaches 900 thousand clients and launches the second primary care patient service center.

Grupo Fleury continues to evolve the healthcare platform. Through SantéCorp, it was launched the second unit of primary care services inside a Patient Service Center of a+ São Paulo, in Moema neighborhood, with the goal of increasing the capillarity and the capacity of services linked to the companies that hire the healthcare platform services.

Throughout 2019, SantéCorp advanced in the number of clients, from 200 thousand to 900 thousand clients. In 2020, we expect to expand even more the number of lives served, as well as to launch and stablish strategic partnerships to add even more products in the platform, maintaining the focus of having the patient in the center of care.

Launch of Campana até Você, the first 100% digital lab in Brazil

The first initiative online-to-offline of the market in diagnostics, of which the interaction between the client and the lab to schedule a test, and also the monitoring of test results is totally digital through an app. The clinical analysis test collection is made in the client's house or at the most convenient place, without the use of a physical Patient Service Center. "Campana até Você" launches a new segment of the Company to clients that do not have access to the brands of a+ and Fleury in São Paulo, a market estimated in 2.6 million of lives.

Recognition throughout the quarter shows off Grupo Fleury's focus on Environment, Sustainability, Governance, and in medical and services excellence.

In the quarter, Grupo Fleury was recognized with Guia Exame of Compliance, partnership between the Exame magazine and Fundação Dom Cabral, of which we were listed in the first position in the healthcare sector. We also

received the Selo Pró-Etica of the Federal Comptroller General, recognized by the commitment in the prevention, detection and remediation of acts of corruption and fraud.

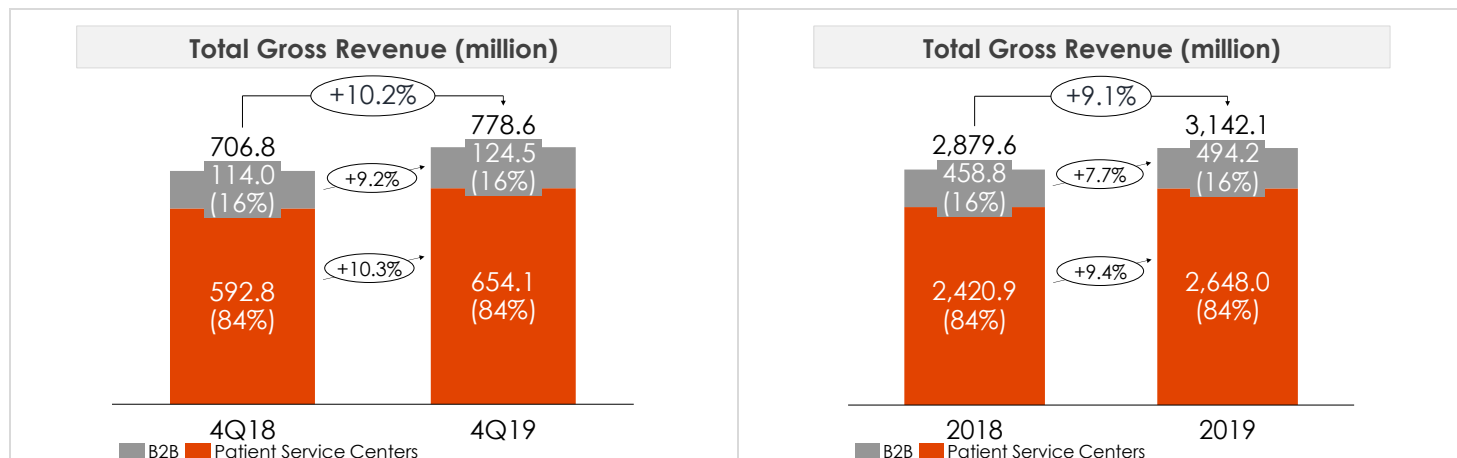
In November 2019, we were selected to integrate ISE 2020 (Corporate Sustainability Index of B3) for the seventh consecutive year. There were 30 companies selected with the best performance taking into account criteria that evaluate corporate sustainability practices, according to the general dimension, environmental, social, corporate governance, economic-financial nature of the product and climate change.

Finally, the IRN brand conquered the top award in the city of Natal, being recognized in first in the clinical imaging category.

These recognitions are also reflected in the high level of the consolidated Net Promoter Score (NPS) of the entire portfolio of brands of the Company, that reached 77.2%.

Consolidated Gross Revenue

In the 4Q19, the total Gross Revenue reached R\$ 778.6 million (+10.2%), with the Patient Service Centers maintaining the share of 84% in Gross Revenue. In 2019, the Gross Revenue reached R\$ 3.1 billion (+9.1%) with the Patient Service Centers with the stable share of 84%.

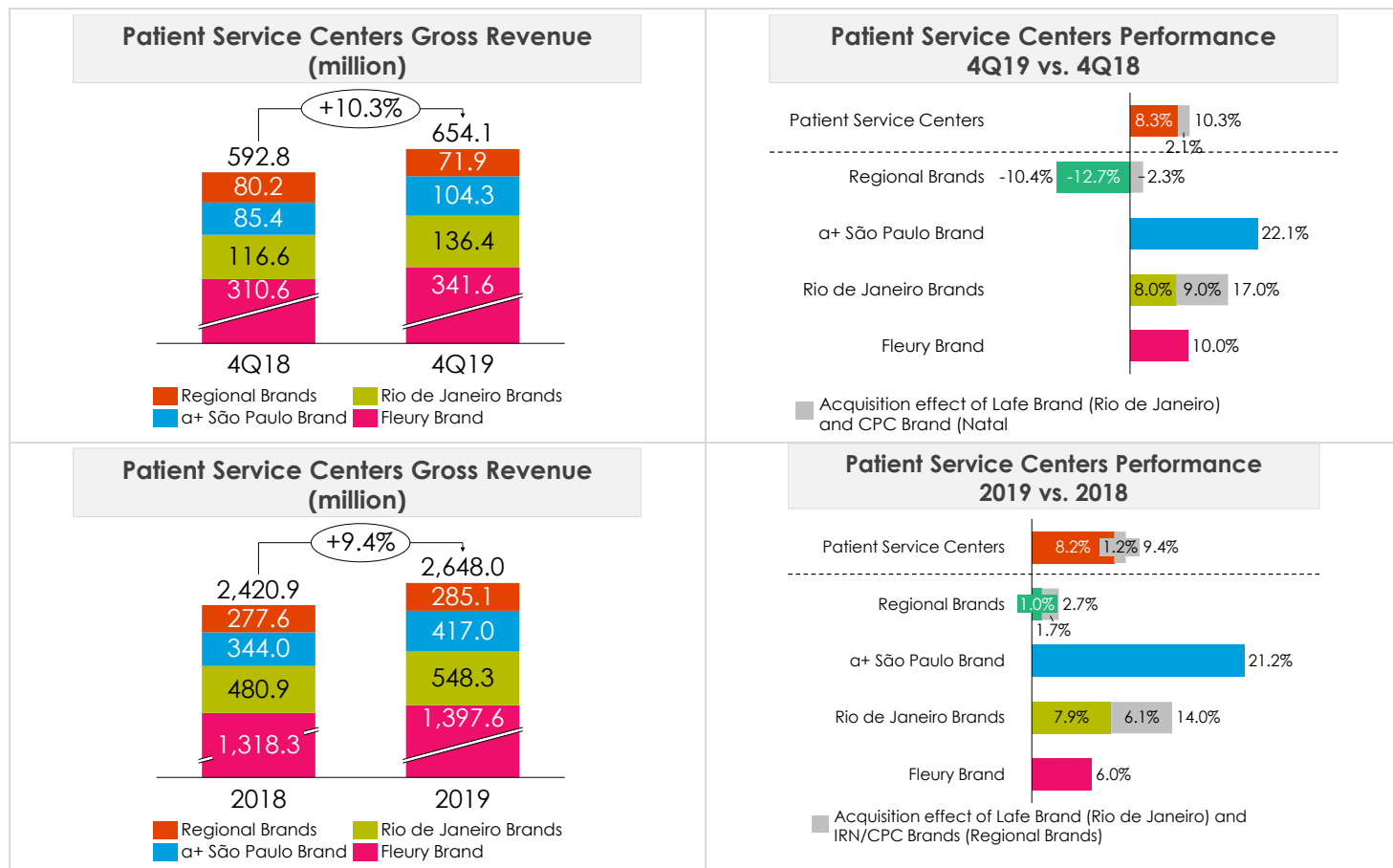


Patient Service Centers

Gross Revenue | Patient Service Centers

In 4Q19, the Gross Revenue of the Patient Service Centers presented an increase of 10.3% (+8.3% organic), reaching R\$ 654.1 million. Highlight to the a+ São Paulo brand (+22.1%), Rio de Janeiro brands (+17.0%) and Fleury brand (+10.0%).

In 2019, the Gross Revenue of the Patient Service Centers presented an increase of 9.4% (+8.2% organic), reaching R\$ 2.6 billion. Highlight to the a+ São Paulo brand (+21.2%) and Rio de Janeiro brands (+14.0%).



Volume and Gross Revenue per Test | Patient Service Centers

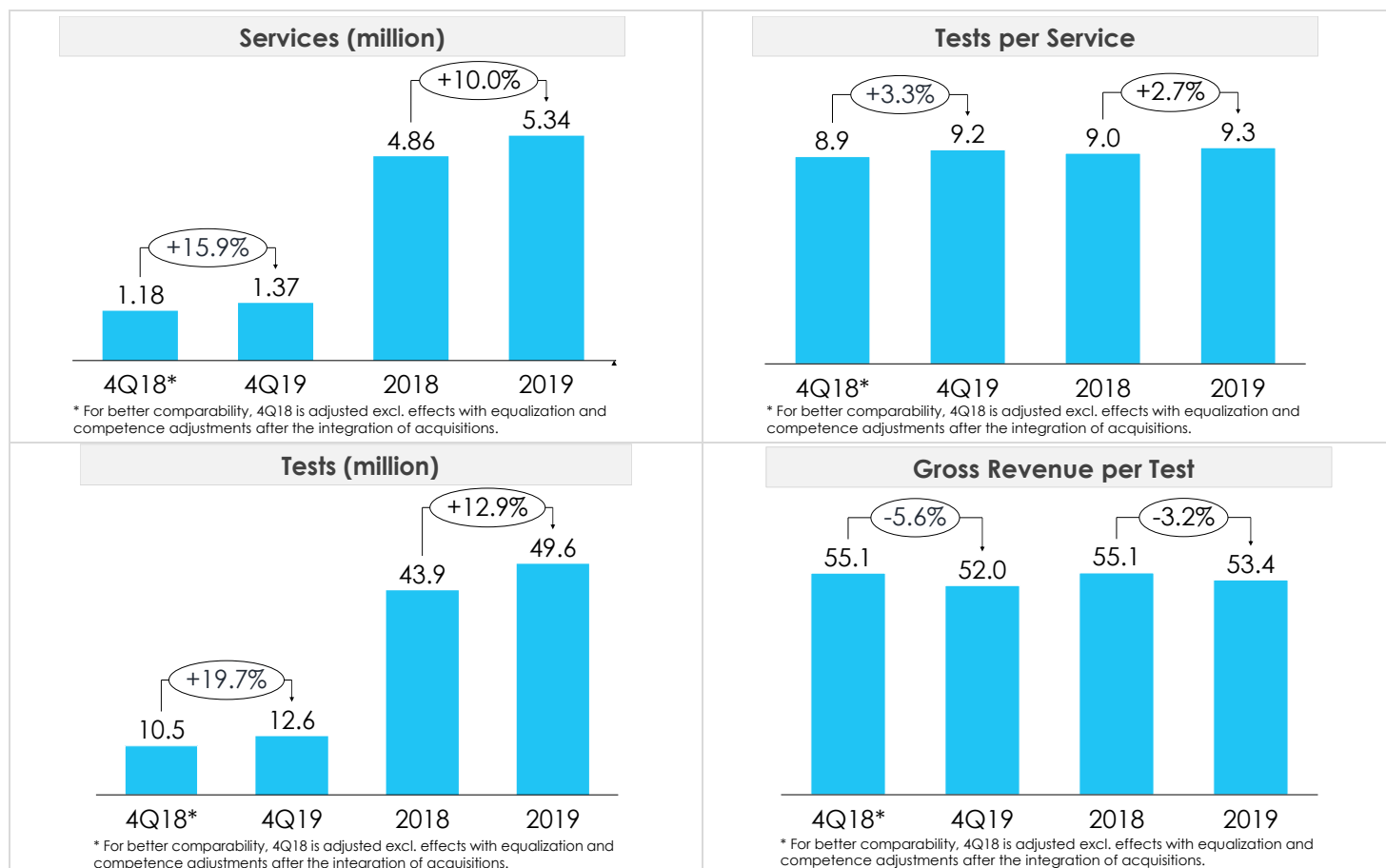
In 4Q19, the number of services in Grupo Fleury's Patient Service Centers reached 1.4 million, an increase of 15.9% compared to last year. The a+ São Paulo and Rio de Janeiro brands, presented the highest increase, followed by Fleury brand that has also presented growth in the number of services.

In the quarter, the number of tests per service presented an increase of 3.3%, reaching 9,2 tests per service. All segments presented growth, highlight to Rio de Janeiro brands, with the increase of clinical analysis tests penetration in services.

The volume of tests registered an increase of 19.7%, in the quarter, mainly impacted by the increase in the volume of services.

In 4Q19, the Gross Revenue per test presented a reduction of 5.6%, reaching R\$ 52.0. The observed reduction occurs only in Rio de Janeiro brands, where we presented an increase of share in clinical analysis tests, that has a lower average ticket versus imaging tests, and by the mix effect of healthcare operators. The mix between brands also impacts the Gross Revenue per test calculation, with the higher growth of the intermediate brands that present a lower ticket per test.

It is presented in the graphs below the same comparisons regarding the accrued 12 months of the year.



Gross Revenue and Same Store Sales | Patient Service Centers

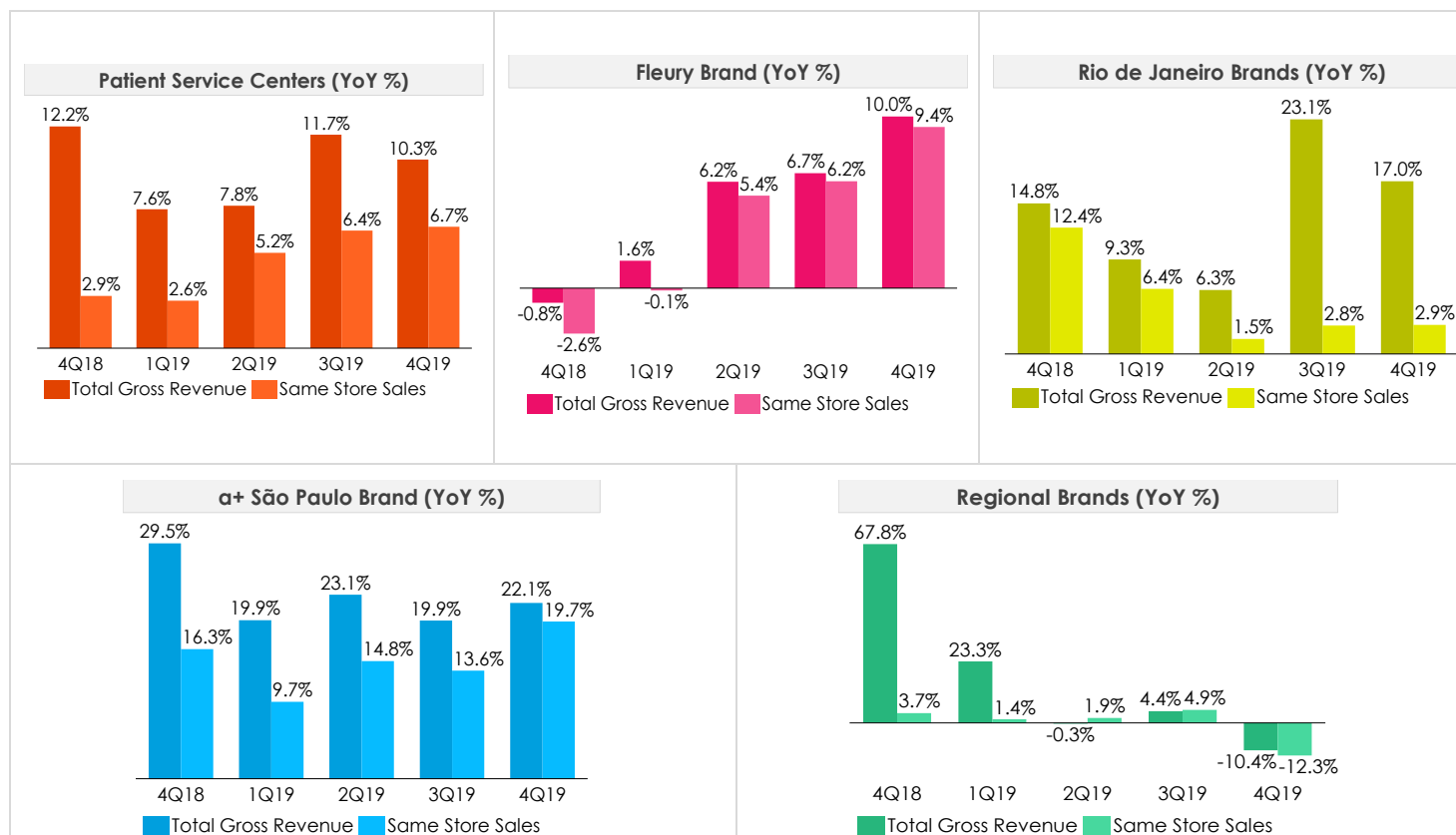
In 4Q19, the growth of the Patient Service Centers reached 10.3% (8.3% organic). The SSS presented acceleration, reaching 6.7% (vs. 6.4% in 3Q19). We highlight the positive number of working days in the quarter and the reduction of holiday bridges compared to the same period of last year. Within the initiatives, we continue to observe the strong growth of bloods collections at client's home services in all regions (São Paulo, Rio de Janeiro, South and Northeast) and market expansion with the growth of SSS and expansions.

Flery Brand (52% of PSCs Gross Revenue), for the fourth consecutive quarter there was an improvement in the brand, with an increase of 10.0% in Gross Revenue and 9.4% in SSS. As we previously highlighted, we had a positive effect with the higher number of working days compared to the previous year, reflecting a growth in the number of services. As the previous quarter, we continue to observe a positive result in several fronts, with highlight to genomic tests, the bloods collections at client's home services, increment of out of pocket and of specialties such as orthopedics and pediatrics. Such results are based on a series of initiatives carried out in the past months and on the legitimacy between the Flery brand, customers and the medical community.

Rio de Janeiro Brands (21% of PSCs Gross Revenue), Gross Revenue growth of 17.0% (8.0% organic). The improvement of the organic and SSS growth, that reached 2.9%, remained stable compared to 3Q19. The Gross Revenue growth reached 17.0% versus 23.1% in 3Q19, this reduction is a result of one less month of revenues from the Lafe brand (recently acquired), there were four months of revenues recognition in the 3Q19 in comparison with the three months this quarter.

a+ São Paulo Brand (16% of PSCs Gross Revenue), the increase of Gross Revenue reached 22.1% and of SSS reached 19.7%. Compared to the 3Q19, the growths presented an acceleration, reflecting the market capture with the growth of the Patient Service Centers opened in 2017 and 2018. We highlight that there was a positive effect referred to the number of working days compared to the previous year.

Regional Brands (11% of PSCs Gross Revenue), retraction of Gross Revenue of -10.4% (-12.7% organic) with SSS of -12.5%. The reduction presented is totally related to accounting effects occurred in the 4Q18 with the equalization and competency adjustments after the integration of acquisitions. Disregarding such effects, Regional brands would have presented growth of 7.7% (5.0% organic) with SSS of 5.5%.



B2B: Hospital Operations and Lab-to-lab

Volume and Gross Revenue | B2B

In 4Q19, B2B Operations presented growth of 9.2% in Gross Revenue, being 5.2% of increase in volume of Tests and 3.9% in Gross Revenue per Test.

In the quarter, Hospital Operations presented an increase of 7.8% in Gross Revenue (+3.1% SSS). The higher part of the growth is related to the increase in the volume of tests (+4.7%). The growth of Hospital Operations was driven by the new operations, contracts with less than 12 months, with the highlight to the hospitals: Casa de Saúde São José (Rio de Janeiro), Santa Joana (Recife) and Sírio Libanês (Brasília).

In 4Q19, Lab-to-lab operations presented a 25.0% growth in Gross Revenue. Most of the increase is due to the expansion in volume of tests (+16.6%). Following the trend of the previous quarter, we continue to present increments of tests related to Genomics and small size hospital operations, which the volume is considered in this line of business.

B2B Indicators	4Q19	4Q18	Variation	2019	2018	Variation
Gross Revenue (R\$ Million)						
B2B	124.5	114.0	9.2%	494.2	458.8	7.7%
Hospital Operations	112.5	104.4	7.8%	446.9	419.1	6.6%
Lab-to-Lab	12.0	9.6	25.0%	47.3	39.6	19.3%
Same Store Sales (R\$ Million)						
Hospital Operations	107.6	104.4	3.1%	NA	NA	NA
Tests (Million)						
B2B	8.1	7.7	5.2%	32.5	31.2	4.4%
Hospital Operations	7.8	7.4	4.7%	31.1	29.9	3.9%
Lab-to-Lab	0.3	0.3	16.6%	1.4	1.2	16.1%
Average Ticket per Test (R\$)						
B2B	15.4	14.8	3.9%	15.2	14.7	3.2%
Hospital Operations	14.5	14.1	2.9%	14.4	14.0	2.6%
Lab-to-Lab	34.5	32.2	7.3%	33.1	32.2	2.7%

Cost of Services

Bellow, the analysis of the main lines of costs in 4Q19 compared to 4Q18:

Personnel and Medical Services (+10.0%) composes the main cost of the company and represented 36.4% of the Net Revenue, stable compared to the previous year. The Salaries and Medical Assistance accounts grew less than the Net Revenue, gaining efficiency.

General Services, Rentals and Utilities (+10.9%) equivalent to 21.1% of the Net Revenue, increase of 17 bps. Costs related to IT Infrastructure, with Building Maintenance and Medical Equipment showed a greater increase.

Materials and Test Intermediation (+23.3%) represented 11.1% of the Net Revenue, an increase of 120 bps. The increase related to the Net Revenue is associated to the mix of tests and brands. Since the 1Q19 we have observed the increase of share of the Specialized Tests Section versus the Automatized Tests, that have higher margins. The Specialized Section has as its main acronyms the tests related to the Genomics area.

Depreciation and Amortization (-7.0%) totaled 5.3% of the Net Revenue, decrease of 96 bps. The reduction is related to a lower Depreciation of Medical Equipment and Real State improvements, result of a reduction in investments when comparing 2019 to 2018.

General Expenses (-25.3%) represented 0.2% of the Net Revenue, decrease of 9 bps.

Cost of Services breakdown	4Q19		4Q18		Variation	
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue	▲ %	▲ bps
Personnel and medical services	(261.8)	-36.4%	(238.0)	-36.3%	10.0%	0 bps
General services, rentals and utilities	(151.7)	-21.1%	(136.8)	-20.9%	10.9%	-17 bps
Materials and Test Intermediation	(79.9)	-11.1%	(64.8)	-9.9%	23.3%	-120 bps
Depreciation and Amortization	(37.9)	-5.3%	(40.7)	-6.2%	-7.0%	96 bps
General Expenses	(1.4)	-0.2%	(1.9)	-0.3%	-25.3%	9 bps
Cost of Services	-532.7	-74.0%	-482.2	-73.7%	10.5%	-32 bps

Cost of Services breakdown	2019		2018		Variation	
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue	▲ %	▲ bps
Personnel and medical services	(1,013.2)	-34.9%	(926.3)	-34.8%	9.4%	-11 bps
General services, rentals and utilities	(579.5)	-19.9%	(525.8)	-19.7%	10.2%	-21 bps
Materials and Exam Intermediation	(310.5)	-10.7%	(257.7)	-9.7%	20.5%	-102 bps
Depreciation and Amortization	(156.4)	-5.4%	(138.8)	-5.2%	12.7%	-18 bps
General Expenses	(6.9)	-0.2%	(7.4)	-0.3%	-6.8%	4 bps
Cost of Services	-2,066.5	-71.1%	-1,856.0	-69.7%	11.3%	-148 bps

Operating Expenses and Equity in Subsidiaries

Below, the analysis of the main lines of operating expenses in 4Q19 compared to 4Q18:

General and Administrative Expenses (+10.1%) represented -10.1% of the Net Revenue, an increase of 2 bps. The increase is regarding one-off effects of consulting services and expenses related to acquisitions that totaled R\$ 6.5 million this quarter.

Depreciation and Amortization (-2.6%) equals to -1.8% of the Net Revenue, improvement of 23 bps. The improvement is related to the reduction in depreciation of facilities and amortization of software.

Other Operating (Income)/Expenses (-49.7%) represented an improvement of 23 bps of the Net Revenue, due to other taxable operating income.

Provision (Reversal) for Contingency (+151.4%) represented an improvement of 24 bps.

Operating Expenses breakdown and Equity in Subsidiaries	4Q19		4Q18		Variation	
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue	▲ %	▲ bps
G&A	(73.1)	-10.1%	(66.3)	-10.1%	10.1%	-2 bps
Depreciation and Amortization	(13.0)	-1.8%	(13.3)	-2.0%	-2.6%	23 bps
Other Operating (Income) Expenses	(1.4)	-0.2%	(2.8)	-0.4%	-49.7%	23 bps
Provision (Reversal) for Contingency	3.1	0.4%	1.2	0.2%	151.4%	24 bps
Equity in Subsidiaries	(0.4)	-0.1%	0.1	0.0%	-540.6%	-6 bps
Operating Expenses and Equity in Sub.	-84.7	-11.8%	-81.1	-12.4%	4.4%	63 bps

Operating Expenses breakdown and Equity in Subsidiaries	2019		2018		Variation	
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue	▲ %	▲ bps
G&A	(268.0)	-9.2%	(245.1)	-9.2%	9.3%	-3 bps
Depreciation and Amortization	(51.8)	-1.8%	(50.5)	-1.9%	2.6%	11 bps
Other Operating (Income) Expenses	(7.8)	-0.3%	(8.0)	-0.3%	-2.2%	3 bps
Provision (Reversal) for Contingency	0.3	0.0%	(2.6)	-0.1%	-113.5%	11 bps
Equity in Subsidiaries	(0.3)	0.0%	0.9	0.0%	-135.9%	-4 bps
Operating Expenses and Equity in Sub.	-327.6	-11.3%	-305.3	-11.5%	7.3%	18 bps
Non-recurring	18.1	0.6%	0.0	0.0%	0.0%	62 bps
Recurring Operating Expenses and Equity in Sub.	-309.5	-10.7%	-305.3	-11.5%	1.4%	80 bps

Income Statement

The Net Revenue presented an increase of 10.0%, result of the Gross Revenue growth of 10.2% and of the Cancellations increase in 19 bps, reaching the level of 1.3%.

The Gross Profit presented a growth of 8.6% with gross margin of 26.0%, reduction of 32 bps compared to the 4Q18. The pressure on the gross margin is consequence of the mix of products and brands in the line of Materials and Test Intermediation.

The EBITDA grew 5.9% with EBITDA margin of 21.4%, decrease of 83 bps compared to the 4Q18. As previously detailed, the pressure observed in EBITDA margin has origin in the Cost of Services excluding Depreciation and Amortization (-128 bps), being partially offset by the efficiency gain in Operating Expenses excluding Depreciation and Amortization (+46 bps).

In the 4Q19, EBITDA was impacted by extraordinary expenses with Consulting services and M&A in the amount of R\$ 6.5 million. These effects impacted the EBITDA margin in 90 bps in the quarter, disregarding these effects the EBITDA margin would have presented a small evolution compared to the 4Q18.

The Net Income reached R\$ 65.2 million, increasing 12.0%. The result reflects the decrease of depreciation and amortization, with the reduction of CAPEX throughout 2019, as well as the stability of the financial expenses.

Income Statement (R\$ million)	4Q19	4Q18	Variation	2019	2018	Variation
Gross Revenue	778.6	706.8	10.2%	3,142.1	2,879.6	9.1%
Taxes on Gross Revenue	(48.0)	(43.8)	-9.5%	(193.8)	(177.8)	-9.0%
Cancellations	(10.5)	(8.2)	-28.0%	(43.2)	(37.3)	-15.7%
Cancellations (% Gross Revenue)	-1.3%	-1.2%	-19 bps	-1.4%	-1.3%	-8 bps
Net Revenue	720.1	654.8	10.0%	2,905.1	2,664.5	9.0%
Cost of Rendered Services	(532.7)	(482.2)	-10.5%	(2,066.5)	(1,856.0)	-11.3%
Gross Profit	187.4	172.5	8.6%	838.6	808.5	3.7%
Gross Margin	26.0%	26.3%	-32 bps	28.9%	30.3%	-148 bps
Operating Expenses and Equity in Subsidiaries	(84.7)	(81.1)	-4.4%	(327.6)	(305.3)	-7.3%
Financial Results	(15.1)	(15.3)	1.3%	(55.4)	(52.1)	-6.2%
Earnings Before Tax (EBIT)	87.6	76.1	15.2%	455.6	451.1	1.0%
Income Tax and Social Contribution	(22.4)	(17.9)	-25.5%	(121.8)	(119.6)	-1.8%
Effective Tax Rate	-25.6%	-23.5%	-211 bps	-26.7%	-26.5%	-22 bps
Net Income	65.2	58.2	12.0%	333.9	331.6	0.7%
Net Margin	9.0%	8.9%	16 bps	11.5%	12.4%	-95 bps
(+) Non-recurring to Net Income	NA	NA	NA	13.2	0.0	0.0%
Recurring Net Income	NA	NA	NA	347.1	331.6	4.7%
Recurring Net Margin	NA	NA	NA	11.9%	12.4%	-50 bps
EBITDA	153.9	145.4	5.9%	719.6	691.6	4.0%
EBITDA Margin	21.4%	22.2%	-83 bps	24.8%	26.0%	-119 bps
(+) Non-recurring to EBITDA	NA	NA	NA	18.1	0.0	0.0%
Recurring EBITDA	NA	NA	NA	737.7	691.6	6.7%
Recurring EBITDA Margin	NA	NA	NA	25.4%	26.0%	-56 bps

Indebtedness

Composition of Net Debt (R\$ MM)	4Q19	4Q18	Variation
Gross Debt (Debentures and Borrowings and Acquisitions)	1,639.2	1,305.8	25.5%
Cash, Cash Equivalents and Marketable Securities	857.8	808.9	6.0%
Net Debt	781.4	497.0	57.2%
Net Debt / EBITDA LTM	1.1x	0.7x	0.4x
EBITDA LTM / Financial Result LTM	13.0x	13.3x	-0.3x

Investments

In the quarter, the investments presented a decrease of 45.0%, reaching R\$ 77.8 million. The reduction observed can be explained, mainly by the decrease of investments due to the opening of new patient service centers and the expansion of services in the quarter.

CAPEX (R\$ million)	4Q19	4Q18	Variation	2019	2018	Variation
New PSC's, Offer Expansion in Existing Units and Technical Areas	22.2	72.4	-69.3%	60.1	184.8	-67.5%
Diagnostic Equipment Renewal and Maintenance	23.5	30.6	-23.1%	63.0	64.4	-2.2%
IT/Digital	32.1	38.5	-16.5%	84.7	74.6	13.6%
Total Capex	77.8	141.4	-45.0%	207.9	323.8	-35.8%

Cash Flow

In 4Q19, Operating Cash Flow totaled R\$ 160.7 million, a reduction of 24.3%. The observed reduction is explained by the lower contribution of working capital in comparison with the fourth quarter of 2018. The most important effects occur in accounts receivable due to a one-off increase in the Average Collections Period, from 65 to 67 days, and in others assets and liabilities with the registration of social security credits in the fourth quarter of 2019 versus positive effects occurred in 2018 with write-off of other accounts receivable.

The Cash Flow conversion (Operating Cash / EBITDA) was 104.4% compared to 146.0% in 4Q18.

In the quarter, the Company's Free Cash Flow presented expansion of 19.7%, with the reduction of CAPEX between periods.

At last, in 4Q19 the Free Cash Flow to Equity presented a growth of R\$ - 69.1 million to R\$ 549.3 million, after the issuance of R\$ 500 million through the Fifth Debentures Issuance.

Cash Flow (R\$ MM)	4Q19	4Q18	▲ %	2019	2018	▲ %
EBITDA	153.9	145.4	5.9%	719.6	691.6	4.0%
Provisions (reversions)	21.7	18.3	18.8%	83.2	78.5	6.0%
Income Tax Paid	(24.3)	(21.9)	-10.9%	(107.0)	(90.1)	-18.8%
Others Operating Results	(1.5)	9.0	-116.8%	19.8	29.5	-32.9%
Δ Working Capital:	10.9	61.4	-82.3%	(145.3)	(8.1)	-1692.2%
Trade Accounts Receivables	13.6	34.8	-60.9%	(96.8)	(33.7)	-187.6%
Suppliers	29.6	31.9	-7.2%	(16.7)	45.5	-136.8%
Salaries / Charges	(26.4)	(17.6)	-50.0%	(24.8)	(3.6)	-591.9%
Others Assets and Liabilities	(5.9)	12.4	-147.6%	(6.9)	(16.3)	57.5%
(=) Operating Cash Flow	160.7	212.1	-24.3%	570.3	701.5	-18.7%
(+) Capital Expenditures	(77.8)	(143.0)	45.6%	(207.9)	(326.3)	36.3%
(+) Others Investing Activities	0.4	0.4	3.6%	(3.2)	2.0	-264.0%
(=) Free Cash Flow to Firm (FCFF)	83.3	69.6	19.7%	359.2	377.1	-4.8%
Interest Paid / Received	(26.8)	(31.3)	14.5%	(73.8)	(70.9)	-4.1%
Change in Debt	492.7	(107.4)	558.9%	304.3	201.8	50.8%
(=) Free Cash Flow to Equity (FCFE)	549.3	(69.1)	895.0%	589.6	508.0	16.1%
Dividends and Interest on Capital	(55.2)	0.0	0.0%	(307.5)	(303.2)	-1.4%
(+) Payment of Acquisitions	(99.8)	(14.3)	-596.6%	(240.4)	(73.0)	-229.1%
Capital Increase (Stock Options)	0.0	2.5	-100.0%	7.1	5.5	29.0%
(=) Cash Flow	394.2	(80.9)	587.4%	48.9	137.2	-64.4%

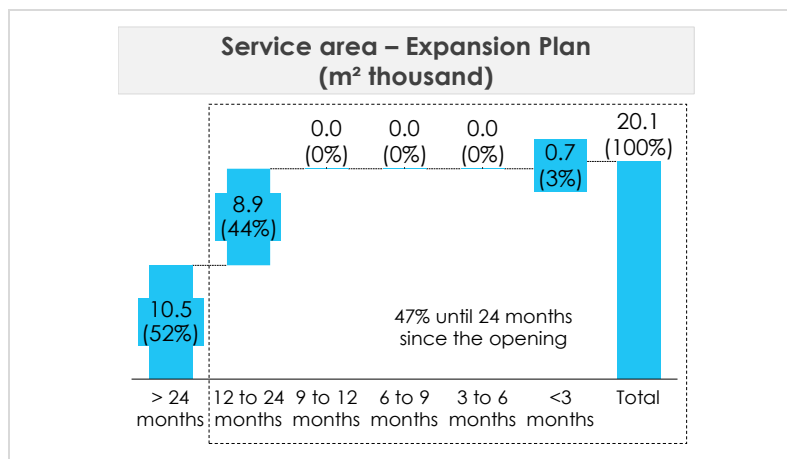
¹ It does not consider the variation in Marketable securities

Cash Flow Indicators	4Q19	4Q18	▲	2019	2018	▲
Average Collection Period	67	65	2 days	66	64	2 days
Average Payment Period	52	57	-5 days	54	59	-5 days
Cash Flow Conversion to EBITDA	104.4%	146.0%	-4157.0 bps	79.2%	101.4%	-2217.0 bps

Organic Expansion Plan

	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+ Canário	Grande	680	São Paulo	out/19
2	a+ Chácara Flora	Fast site	299	São Paulo	dec/18
3	a+ Verbo Divino	Fast site	196	São Paulo	dec/18
4	a+ Berrini	Fast site	199	São Paulo	dec/18
5	a+ São Bernardo do Campo	Fast site	517	São Paulo	sep/18
6	a+ Granja Viana	Fast site	231	São Paulo	aug/18
7	a+ Tatuapé	Large	1,483	São Paulo	aug/18
8	a+ Vila Andrade	Fast site	234	São Paulo	jul/18
9	a+ Brasil	Fast site	348	São Paulo	jul/18
10	a+ Alphaville Rio Negro	Fast site	230	São Paulo	jul/18
11	a+ Ipiranga	Medium	359	São Paulo	jun/18
12	a+ Funchal	Fast site	239	São Paulo	may/18
13	a+ Guarulhos	Large	832	São Paulo	apr/18
14	a+ Pedroso de Morais	Medium	421	São Paulo	dec/17
15	a+ Leôncio Magalhães	Medium	544	São Paulo	nov/17
16	a+ Queiroz Filho	Medium	673	São Paulo	oct/17
17	a+ Santo André	Medium	437	São Paulo	jul/17
18	a+ Augusto Tolle	Fast site	392	São Paulo	jul/17
19	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	Large	1009	Rio de Janeiro	nov/18
3	Labs a+ Carioca	Fast site	559	Rio de Janeiro	nov/18
4	Labs a+ Posto 6	Medium	318	Rio de Janeiro	nov/18
5	Labs a+ Freguesia	Medium	363	Rio de Janeiro	nov/18
6	Labs a+ Flamengo	Medium	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 54 PSCs			20,085 sqm		

Inaugurated Service Area Distribution



Acquisition

Company	PSC	Complexity	PSCs area (sqm)	State	Date
Serdil	Serdil	NA	1,213	Rio Grande do Sul	NA
IRN	Matriz	NA	1,697	Rio Grande do Norte	NA
IRN	Parnamirim	NA	453	Rio Grande do Norte	NA
IRN	Lagoa Nova	NA	1,193	Rio Grande do Norte	NA
IRN	Harmony Center	NA	98	Rio Grande do Norte	NA
LAFE	Alcantara	NA	217	Rio de Janeiro	NA
LAFE	Bairro de Fatima	NA	287	Rio de Janeiro	NA
LAFE	Barra I	NA	256	Rio de Janeiro	NA
LAFE	Barra II	NA	107	Rio de Janeiro	NA
LAFE	Barra III	NA	151	Rio de Janeiro	NA
LAFE	Belford Roxo	NA	202	Rio de Janeiro	NA
LAFE	Botafogo I	NA	442	Rio de Janeiro	NA
LAFE	Centro I	NA	308	Rio de Janeiro	NA
LAFE	Copacabana I	NA	207	Rio de Janeiro	NA
LAFE	Copacabana II	NA	212	Rio de Janeiro	NA
LAFE	Del Castilho	NA	303	Rio de Janeiro	NA
LAFE	Duque de Caxias I	NA	176	Rio de Janeiro	NA
LAFE	Duque de Caxias II	NA	257	Rio de Janeiro	NA
LAFE	Gavea	NA	132	Rio de Janeiro	NA
LAFE	Guadalupe	NA	120	Rio de Janeiro	NA
LAFE	Icarai	NA	522	Rio de Janeiro	NA
LAFE	Ilha do Governador I	NA	156	Rio de Janeiro	NA
LAFE	Ilha do Governador II	NA	268	Rio de Janeiro	NA
LAFE	Ipanema I	NA	251	Rio de Janeiro	NA
LAFE	Laranjeiras I	NA	211	Rio de Janeiro	NA
LAFE	Laranjeiras II	NA	84	Rio de Janeiro	NA
LAFE	Leblon	NA	117	Rio de Janeiro	NA
LAFE	Madureira	NA	154	Rio de Janeiro	NA
LAFE	Nilopolis	NA	170	Rio de Janeiro	NA
LAFE	Nova Iguacu I	NA	242	Rio de Janeiro	NA
LAFE	Nova Iguacu II	NA	88	Rio de Janeiro	NA
LAFE	Nova Iguacu III	NA	200	Rio de Janeiro	NA
LAFE	Sao Cristovão	NA	620	Rio de Janeiro	NA
LAFE	Tijuca	NA	318	Rio de Janeiro	NA
LAFE	Vila da Penha I	NA	209	Rio de Janeiro	NA
LAFE	Vila da Penha II	NA	175	Rio de Janeiro	NA
CPC	Matriz	N/D	838	Rio Grande do Norte	NA
CPC	Mirassol	N/D	94	Rio Grande do Norte	NA
CPC	Alexandrino	N/D	106	Rio Grande do Norte	NA
CPC	Clinorte	N/D	43	Rio Grande do Norte	NA
CPC	Cidade Verde	N/D	132	Rio Grande do Norte	NA
CPC	Lima e Silva	N/D	124	Rio Grande do Norte	NA
CPC	Parnamirim	N/D	77	Rio Grande do Norte	NA

Total 43 PSCs through acquisition

13,227 sqm

Performance Indicators

Operational Indicators	Description	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Income Statement											
Gross Revenue	Gross Revenue	R\$ MM	630.2	706.3	728.1	738.5	706.8	757.9	787.6	818.0	778.6
Net Revenue	Gross Revenue - Tax (ISS and PIS/COFINS) - Cancellations	R\$ MM	582.0	653.3	673.4	683.0	654.8	700.6	728.7	755.7	720.1
COGS	Personnel and Medical Services + Materials and Outsourcing + General Services, Rent and Utilities + General Expenses + Depreciation and Amortization	R\$ MM	(428.5)	(439.9)	(460.1)	(473.7)	(482.2)	(484.3)	(516.9)	(532.6)	(532.7)
SG&A	Does not include Other Operating Expenses / Revenues, Contingency Provisions and Equity in Subsidiaries	R\$ MM	(65.3)	(69.3)	(74.7)	(72.0)	(79.7)	(70.6)	(83.9)	(79.3)	(86.0)
EBIT	Earnings Before Interest and Taxes	R\$ MM	91.2	141.7	134.3	135.0	91.3	144.2	120.7	143.4	103.1
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization	R\$ MM	130.7	185.9	178.8	181.5	145.4	196.7	172.6	196.5	153.9
Net Finance Income	Interest Revenue - Interest Expenses	R\$ MM	(8.3)	(10.7)	(14.8)	(11.2)	(15.3)	(11.3)	(15.0)	(13.9)	(15.1)
Net Income	Net Income	R\$ MM	64.6	96.4	86.6	90.3	58.2	96.9	77.1	94.8	65.2
Net Cash Income	Net Income - Deferred income tax	R\$ MM	82.2	104.3	85.7	106.1	63.7	98.8	63.1	106.0	76.9
Result Indicators											
Cancellation Index	Cancellations / Gross Revenue	%	-1.5%	-1.3%	-1.3%	-1.4%	-1.2%	-1.4%	-1.3%	-1.4%	-1.3%
Gross Margin	Gross Profit / Net Revenue	%	26.4%	32.7%	31.7%	30.6%	26.3%	30.9%	29.1%	29.5%	26.0%
EBIT Margin	Earnings Before Interest and Tax / Net Revenue	%	15.7%	21.7%	19.9%	19.8%	13.9%	20.6%	16.6%	19.0%	14.3%
EBITDA Margin	Earnings Before Interest, Tax, Depreciation and Amortization / Net Revenue	%	22.4%	28.5%	26.6%	26.6%	22.2%	28.1%	23.7%	26.0%	21.4%
Effective Tax Rate	Current Tax / Earnings Before Tax	%	-21.8%	-26.6%	-27.6%	-27.2%	-23.5%	-27.0%	-27.0%	-27.0%	-25.6%
Net Margin	Net Profit / Net Revenue	%	11.1%	14.8%	12.9%	13.2%	8.9%	13.8%	10.6%	12.5%	9.0%
Net Cash Income Margin	(Net Income - Deferred income tax) / Net Revenue	%	14.1%	16.0%	12.7%	15.5%	9.7%	14.1%	8.7%	14.0%	10.7%
Financial Debt											
Cash & Equivalents	Cash, Equivalents and Marketable Securities	R\$ MM	671.8	470.5	883.6	889.8	808.9	602.0	300.4	463.6	857.8
Gross Debt	Short and Long Term Debts (Borrowings and Debentures)	R\$ MM	1,069.6	919.7	1,418.1	1,422.3	1,305.8	1,131.9	1,150.4	1,155.0	1,639.2
Net Debt	Gross Debt - Cash and Cash equivalents	R\$ MM	397.7	449.2	534.5	532.6	497.0	529.8	850.1	691.4	781.4
Net Debt / EBITDA LTM	(Gross Debt - Cash and Cash equivalents) / EBITDA LTM	Multiple	0.6x	0.7x	0.8x	0.8x	0.7x	0.8x	1.2x	1.0x	1.1x
Profitability and Return											
ROE (LTM)	Net Income LTM / Shareholders Equity	%	19.2%	19.8%	21.3%	20.0%	19.9%	19.2%	20.5%	18.8%	18.8%
ROIC without Goodwill (LTM)	NOPAT LTM (tax= 34%) / Capital Employed (Shareholders Equity + Net Debt - Goodwill)	%	43.8%	43.6%	41.9%	41.3%	41.2%	45.2%	35.8%	38.0%	38.7%
ROIC (LTM)	NOPAT LTM (tax= 34%) / Capital Employed (Shareholders Equity + Net Debt)	%	15.5%	15.5%	15.3%	15.4%	15.3%	15.8%	13.5%	14.0%	14.0%

IFRS 16 Impacts – Leasing

Grupo Fleury 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.

The following tables, the Company shows the main impacts of IFRS 16 in the Income Statement, Balance Sheet and Cash Flow. The main impact on the operations occurs in the accounting of real estate rental agreements (leases), where it is developed the 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)	4Q19	IFRS 16	4Q19 IFRS 16	2019	IFRS 16	2019 IFRS 16	Note
Net Revenue	720.1		720.1	2,905.1		2,905.1	
Personnel and medical services	(261.8)		(261.8)	(1,013.2)		(1,013.2)	
General services, rentals and utilities	(151.7)	39.1	(112.6)	(579.5)	153.2	(426.3)	1
Materials and Test Intermediation	(79.9)		(79.9)	(310.5)		(310.5)	
Depreciation and Amortization	(37.9)	(13.1)	(51.0)	(156.4)	(105.0)	(261.4)	2
General Expenses	(1.4)		(1.4)	(6.9)		(6.9)	
Cost of Services	(532.7)	25.9	(506.7)	(2,066.5)	48.2	(2,018.3)	
Gross Income	187.4	25.9	213.4	838.6	48.2	886.8	
Gross Margin	26.0%	360 bps	29.6%	28.9%	166 bps	30.5%	
G&A	(73.1)	2.1	(71.0)	(268.0)	8.2	(259.8)	1
Depreciation and Amortization	(13.0)	(1.7)	(14.6)	(51.8)	(7.2)	(59.0)	2
Other Operating (Income) Expenses	(1.4)		(1.4)	(7.8)		(7.8)	
Provision (Reversal) for Contingency	3.1		3.1	0.3		0.3	
Equity in Subsidiaries	(0.4)		(0.4)	(0.3)		(0.3)	
Operating Expenses and Subsidiaries'	(84.7)	0.4	(84.3)	(327.6)	1.0	(326.7)	
Financial Income	5.6		5.6	33.6	0.2	33.8	
Financial Expenses	(20.7)	(38.7)	(59.4)	(89.0)	(78.8)	(167.8)	3
Net Financial Income	(15.1)	(38.7)	(53.8)	(55.4)	(78.6)	(134.0)	
Income tax and social contribution - Current	(10.7)	(3.2)	(14.0)	(110.8)	1.7	(109.1)	4
Income tax and social contribution - Deferred	(11.7)	6.5	(5.2)	(10.9)	6.2	(4.8)	
Income tax and social contribution	(22.4)	3.3	(19.2)	(121.8)	7.9	(113.9)	
Net Income	65.2	(9.1)	56.1	333.9	(21.6)	312.3	
Net Margin	9.0%	-126 bps	7.8%	11.5%	-74 bps	10.8%	
Non-Recurring			3.8	NA		NA	5
Recurring Net Income	65.2	(5.3)	59.8	NA		NA	
Recurring Net Margin	9.0%	-74 bps	8.3%	NA		NA	
EBITDA	153.9	41.1	195.1	719.6	161.4	881.0	
EBITDA Margin	21.4%	571 bps	27.1%	24.8%	555 bps	30.3%	

- Rental costs and expenses were converted into Right of Use (Asset) and Financial Lease (Liabilities).
- The Right of Use is being depreciated according to the average term of lease contracts. Grupo Fleury adopted the average term of 10 years for real estate rental agreements.
- 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 lease contracts. The Price method was used to interest calculation.
- 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 the adoption.
- In accordance with CVM official letter 02/2019 and to adapt to market practice, the real incremental rate used in the initial adoption of IFRS 16 was changed to nominal rate. Accordingly, the contracts were recalculated for the year 2019 with full impact in 4Q19. For the benefit of comparability, we adjusted the Net Income of 4Q19 from the effects of the rate change in previous quarters.

Balance Sheet Impacts IFRS 16 (R\$ million)	4Q19	IFRS 16	4Q19 IFRS 16	Note
Other Current Assets	1,417.9		1,417.9	
Recovered Tax	80.4	(13.1)	67.3	1
Total current	1,498.3	(13.1)	1,485.2	
Other non-current	2,804.2		2,804.2	
Deffered tax	10.8	1.8	12.6	1
Right of use		794.7	794.7	2
Total non-current	2,815.0	796.5	3,611.5	
Total assets	4,313.3	783.3	5,096.7	
Other current Liabilities	424.2		424.2	
Financial lease		110.7	110.7	3
Trade accounts payable	190.3	0.1	190.4	
Tax Provision	0.8	(0.4)	0.4	1
Total current Liabilities	615.4	110.5	725.8	
Other non-current Liabilities	1,898.9		1,898.9	
Tax	409.1	0.8	409.8	1
Financial lease		712.2	712.2	3
Total non-current Liabilities	1,898.9	712.9	2,611.9	
Other Equity	1,561.5		1,561.5	
Net Income	237.6	(40.1)	197.5	4
Total Equity	1,799.0	(40.1)	1,759.0	
Total liabilities and equity	4,313.3	783.3	5,096.7	

1. 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.
2. 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).
3. 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 the rental contracts (90% are real estate) and renewal, in cases that there is "reasonable certainty" of continuity.
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.

FLEURY S.A. CONSOLIDATED BALANCE SHEET

Balance Sheet as of December 31th, 2019 and December 31th, 2018 (In R\$ thousand) – IFRS 16

Assets	Consolidated	
	12/31/2019	12/31/2018
Current		
Cash and cash equivalents	8,966	55,231
Marketable securities	795,298	753,651
Accounts receivable	570,086	505,424
Inventories	31,867	26,563
Taxes recoverable	17,514	12,267
IRPJ e CSLL recoverble	49,804	68,284
Credits receivable	-	240
Related Parties	26	199
Other assets	11,639	12,347
Total current	1,485,200	1,434,206
Non-current		
Marketable securities	53,538	-
Credits receivable	-	7,980
Other assets	23,155	3,155
Deferred income tax and social contribution	12,590	-
Judicial deposits	39,170	40,921
Total non-current	3,611,452	2,476,242
Total assets	5,096,652	3,910,448
Investments	16,828	12,280
Property and equipment	750,686	782,681
Intangible assets	1,920,808	1,629,225
Rights of use	794,677	-

Liabilities and equity	Consolidated	
	12/31/2019	12/31/2018
Current		
Financing	31,220	33,252
Debentures	177,276	182,962
Financial lease	131,939	610
Derivative financial instruments	126	170
Trade accounts payable	190,442	193,945
Payroll and related taxes payable	139,226	128,715
Taxes and contributions payable	30,941	29,405
IRPJ e CSLL payable	448	938
Accounts payable - company acquisition	8,991	15,039
Dividends payable	31,207	34,971
Other accounts payable	5,219	4,693
Total current	747,035	624,700
Non-current		
Financing	47,914	76,295
Debentures	1,300,000	966,667
Financial lease	690,940	6,176
Labor liabilities	218	-
Deferred income tax and social contribution, net	409,843	391,701
Provision for tax, labor and civil risks	37,947	26,583
Taxes and contributions payable	21,527	24,338
Accounts payable - company acquisition	73,813	31,627
Other accounts payable	8,439	12,400
Total non-current	2,590,641	1,535,787
Total equity	1,758,976	1,749,961
Total liabilities and equity	5,096,652	3,910,448
Share capital	1,426,267	1,419,136
Capital reserve - options granted recognized	32,067	26,259
Legal reserve	102,877	87,261
Retained earnings	197,766	217,305
Additional dividends proposed	-	-

FLEURY S.A. CONSOLIDATED INCOME STATEMENT

Income Statement as of December 31th, 2019 and December 31th, 2018 (In R\$ thousand, except Earnings per share) – IFRS 16

	Consolidated		Consolidated	
	4Q19	4Q18	2019	2018
			Reclassified	
Revenue from services rendered	720,114	654,755	2,905,107	2,664,463
Cost of services rendered	(506,719)	(482,230)	(2,016,715)	(1,855,962)
Gross Profit	213,395	172,525	888,392	808,501
Operating income (expenses)				
General and administrative	(85,626)	(79,657)	(320,387)	(295,571)
Other operating income (expenses), net	(1,407)	(2,796)	(7,839)	(8,015)
Provision for tax, labor and civil risks	3,076	1,223	346	(2,568)
Equity in the earnings (losses) of subsidiaries	(378)	83	(333)	900
Operating profit before financial result	129,060	91,378	560,179	503,247
Financial income	5,589	13,635	33,814	50,273
Financial expenses	(59,396)	(28,959)	(167,791)	(102,380)
Financial result	(53,807)	(15,324)	(133,977)	(52,107)
Earnings before income tax and social contribution	75,252	76,054	426,201	451,140
Income tax and social contribution:				
Current	(13,966)	(12,367)	(109,120)	(91,281)
Deferred	(5,210)	(5,504)	(4,764)	(28,274)
Profit for the period	56,076	58,183	312,317	331,585
Earnings per share attributable to owners of the Company				
Basic earnings per share (weighted average)	0.99	1.05	0.99	1.05
Diluted earnings per share (weighted average)	0.98	1.03	0.98	1.03

FLEURY S.A. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Statements of Changes in Equity as of December 31th, 2019 and December 31th, 2018 (In R\$ thousand) – IFRS
16

	Share Capital		Capital Reserve		Investment Reserve		Additional dividends proposed	Equity
	Share Capital	Share issue expenses	Options granted recognized	Revaluation reserve	Legal Reserve	Profit for the period		
Balances on December 31, 2017	<u>1,436,392</u>	<u>(22,784)</u>	<u>17,923</u>	<u>78</u>	<u>70,681</u>	<u>204,238</u>	<u>-</u>	<u>1,706,528</u>
Capital increase	7,143	-	-	-	-	-	-	7,143
	(1,615)	-	-	-	-	-	-	(1,615)
Stock option plan	-	-	8,336	-	-	-	-	8,336
Profit for the period (R\$0,87 per share)	-	-	-	-	-	-	331,585	331,585
Legal reserve	-	-	-	-	16,580	-	(16,580)	-
Dividends	-	-	-	-	-	(204,238)	-	(204,238)
Interest on own capital	-	-	-	-	-	-	(97,700)	(97,700)
Revaluation reserve	-	-	-	(78)	-	-	-	(78)
Intangible assets	-	-	-	-	-	217,305	(217,305)	-
Balances on December 31, 2018	<u>1,441,920</u>	<u>(22,784)</u>	<u>26,259</u>	<u>-</u>	<u>87,261</u>	<u>217,305</u>	<u>-</u>	<u>1,749,961</u>
Capital increase	7,131	-	-	-	-	-	-	7,131
Stock option plan	-	-	5,808	-	-	-	-	5,808
Profit for the period	-	-	-	-	-	-	312,317	312,317
Legal reserve	-	-	-	-	-	-	(15,616)	-
Dividends	-	-	-	-	-	(217,305)	-	(217,305)
Interest on own capital	-	-	-	-	-	-	(98,935)	(98,935)
Intangible assets	-	-	-	-	-	-	(197,766)	-
Balances on December 31, 2019	<u>1,449,051</u>	<u>(22,784)</u>	<u>32,067</u>	<u>-</u>	<u>87,261</u>	<u>-</u>	<u>-</u>	<u>1,758,976</u>

FLEURY S.A. CONSOLIDATED STATEMENTS OF CASH FLOW

Statements of Cash Flow as of December 31th, 2019 and December 31th, 2018 (In R\$ thousand) – IFRS 16

	Consolidated		Consolidated	
	4Q19	4Q18	2019	2018
Profit for the period	56,076	58,183	312,317	331,585
Items not affecting cash:				
Income tax and social contribution	19,176	17,872	113,884	119,555
Financial and expenses income	55,857	24,483	151,848	79,503
Depreciation and amortization	65,628	54,064	320,464	189,291
Equity in the earnings (losses) of subsidiaries	378	(83)	333	(900)
Stock option plan	1,430	2,182	5,808	8,336
Constitution of provision for tax, labor and civil risks	(1,952)	(2,350)	778	(2,281)
Estimated losses with doubtful accounts and disallowances	11,538	9,841	44,514	40,479
Profit sharing	11,804	8,583	32,069	31,948
Other	(3,394)	(121)	1,313	2,136
Cash flows from operating activities before changes in assets and liabilities	216,541	172,654	983,328	799,652
(Increase) decrease in accounts receivable	13,581	34,761	(96,835)	(33,662)
(Increase) decrease in inventories	(1,035)	(4,580)	(4,319)	(5,018)
(Increase) decrease in taxes recoverable	(3,330)	(10,793)	8,649	(31,264)
(Increase) decrease in judicial deposits	1,087	7,443	1,771	6,600
(Increase) decrease in other assets	(3,544)	11,889	(10,096)	10,443
Increase (decrease) in trade accounts payable	31,044	31,913	(10,852)	45,460
Increase (decrease) in labor liabilities	(26,727)	(17,626)	(30,677)	(3,587)
Increase (decrease) in tax liabilities	(1,539)	(4,261)	(4,403)	1,865
Increase (decrease) in taxes paid in installments	(856)	(2,307)	(3,890)	(13,432)
(Increase) decrease in other liabilities	3,844	14,969	6,701	14,486
Total variation in assets and liabilities	12,525	61,408	(143,951)	(8,109)
Income tax and social contribution paid	(24,370)	(21,913)	(107,060)	(90,058)
Net cash from operating activities	204,696	212,149	732,317	701,485
Acquisition of property and equipment and intangible assets	(77,780)	(142,958)	(207,856)	(326,343)
Sale of fixed assets	241	-	243	1,428
Marketable securities and interest earned	(391,747)	5,783	(95,185)	(419,365)
Payments	-	(14,329)	-	-
Payments excepted cash	(97,888)	-	(237,240)	(71,658)
Related parties increase	350	(129)	350	-
Acquisition of	(1,930)	-	(3,146)	(1,387)
Interest earned from financial investments	39	942	207	11,593
Net cash used in investing activities	(568,715)	(150,691)	(542,627)	(805,732)
Borrowings and debentures	500,000	-	500,000	500,000
Settlement (principal) of financing and debentures	(7,266)	(107,381)	(195,731)	(298,225)
Interest paid in financing and debentures	(26,821)	(32,254)	(74,030)	(82,515)
Financial expenses paid	(750)	(398)	(2,428)	(3,125)
Derivative financial instruments	4	59	111	(358)
Leasing	(44,272)	-	(162,270)	-
Capital integralization	-	2,533	7,131	5,528
Dividends and / or interest on shareholders' equity	(55,202)	-	(307,466)	(303,210)
Dividends	26	26	26	26
Related Parties	-	56	-	-
Other	-	550	-	-
Risk Withdrawn Operation	797	-	(1,298)	4,003
Net cash used in financing activities	366,516	(136,562)	(235,955)	(177,876)
(Decrease) increase in cash and cash equivalents	2,497	(75,104)	(46,265)	(282,123)
Cash and cash equivalents				
At the beginning of the period	6,469	130,335	55,231	337,354
At the end of the period	8,966	55,231	8,966	55,231
Variation in cash and cash equivalents	2,497	(75,104)	(46,265)	(282,123)

FLEURY S.A. CONSOLIDATED STATEMENTS OF VALUE ADDED

Statements of Value Added as of December 31th, 2019 and December 31th, 2018 (In R\$ thousand) – IFRS 16

	Consolidated	
	12/31/2019	12/31/2018
Revenues	3,108,428	2,847,345
Goods and products sold and services rendered	3,140,759	2,878,710
Estimated losses with doubtful accounts and disallowances	(44,514)	(40,479)
Other revenue	12,183	9,114
Inputs purchased from third parties	(1,160,657)	(1,038,133)
Cost of goods and products sold and services rendered	(1,068,351)	(957,628)
Materials, electricity, outsourced services and others	(90,944)	(79,203)
Loss/recovery of asset values	(1,362)	(1,302)
Gross value added	1,947,771	1,809,212
Depreciation and amortization	(320,463)	(189,291)
Net value added	1,627,308	1,619,921
Value added received through transfer	35,079	53,578
Equity in the earnings (losses) of subsidiaries	(333)	900
Financial income	35,412	52,678
	-	-
Total value added	1,662,387	1,673,499
	-	-
Distribution of value added	(1,662,387)	(1,673,499)
Personnel and charges	(698,060)	(636,134)
Direct remuneration	(477,630)	(434,798)
Benefits	(181,820)	(165,061)
Charges	(38,610)	(36,275)
Taxes, fees and contributions	(441,747)	(423,344)
Federal	(345,320)	(336,280)
Municipalities	(96,427)	(87,064)
Interest, rental and other operating expenses	(210,263)	(282,436)
Rental	(12,043)	(160,340)
Interest	(167,792)	(102,381)
Other operating expenses	(30,428)	(19,715)
Dividends and/or Interest on Equity	(98,935)	(97,700)
Legal Reserve	(15,616)	(16,580)
Retained earnings	(197,766)	(217,305)

BOARD OF EXECUTIVE DIRECTORS DECLARATION ABOUT FINANCIAL STATEMENTS

The Executive Directors of Fleury S.A. ("Company"), pursuant to item VI of Article 25 of CVM Instruction 480 of December 7th, 2009, declare that they reviewed, discussed and agreed with the Company's financial statements for the period ended on December 31, 2019, authorizing the completion on this date.

São Paulo, December 31st, 2019.

Board of Executive Directors

Carlos Alberto Iwata Marinelli

Chief Executive Officer

Fernando Augusto Rodrigues Leão Filho

Chief Financial, Investor Relations and Legal Officer

Jeane Mike Tsutsui

Brands Officer

José Roberto Araujo da Silva

Commercial and B2B Business Officer

Claudio Almeida Prado

Operations Support Officer

Edgar Gil Rizzatti

Medical, Technical and Process Officer

BOARD OF EXECUTIVE DIRECTORS DECLARATION ABOUT INDEPENDENT AUDITOR'S REPORT

The Executive Officers of Fleury S.A. ("Company"), in accordance with item V of Article 25 of CVM Instruction 480 of December 7th, 2009, declare that they reviewed, discussed and agreed with the opinions expressed in the independent auditors' report on the Company's financial statements for the period ended December 31, 2019, authorizing the completion on this date.

São Paulo, December 31st, 2019.

Board of Executive Directors

Carlos Alberto Iwata Marinelli

Chief Executive Officer

Fernando Augusto Rodrigues Leão Filho

Chief Financial, Investor Relations and Legal Officer

Jeane Mike Tsutsui

Brands Officer

José Roberto Araujo da Silva

Commercial and B2B Business Officer

Claudio Almeida Prado

Operations Support Officer

Edgar Gil Rizzatti

Medical, Technical and Process Officer

FLEURY S.A.
CNPJ/MF nº 60.840.055/0001-31
NIRE 35.300.197.534

Minutes of the Meeting of the Audit and Risk Management Committee
Held on February 14, 2020

Date, time and place: Held at 9:00 a.m., on February 14th, 2020, at the Company's headquarters, located in the city and state of São Paulo, at Av. General Valdomiro de Lima, nº 508, Jabaquara

Attendance: The integrality of the Committee members, Messrs. Luiz Carlos Vaini (coordinator), Marcio Pinheiro Mendes, and Haydewaldo Roberto Chamberlain and the guests: Carlos Marinelli – Chief Executive Officer, Fernando Augusto Rodrigues Leão Filho – Chief Executive Officer, Gisele Schneider - Controller, Jeferson Guilherme dos Santos - Internal Audit Manager, Marcos Boscolo - representative of KPMG Auditores Independentes.

Resolution: Meeting held to evaluate the Company's financial statements related to the fourth quarter of 2019, the management report and the independent auditors' report, the Committee requested KPMG representatives to provide clarification on the audit carried out, and the representatives informed that there was no disagreement between the audit and management; there were no facts or impediments to the work of the audit, that the estimates made by the Management are adequate; have no indication of fraud and unlawful acts involving members of the Management, and finally KPMG representatives have reaffirmed that they comply with all the independence requirements set forth in the rules and regulations. The committee was also informed that in the opinion of the auditors, the financial statements present fairly, in all material respects, the individual and consolidated financial position of Fleury S.A., the individual and consolidated financial statements and their respective individual and consolidated cash flows for the fourth quarter, in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Following the presentation, the conclusion of the external audit was for the approval of the Financial Statements without reservations.

In this way, the Committee recommends the Board of Directors to approve the financial statements - both parent company and consolidated – related to the year ended in December 31, 2019, prepared by the Company and audited by KPMG Auditores Independentes

Closing: With no further matters on the agenda and in the absence of any other expression, this meeting was closed. These minutes were drafted, having been read and approved, and signed by all.

Members of the Committee:

Luiz Carlos Vaini

Márcio Pinheiro Mendes

Haydewaldo Roberto Chamberlain