2Q14 Results – FLRY3

August 2014

Disclaimer

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

All figures are compared to 2Q13 except when stated otherwise

2Q14 Highlights

- **The dilution of fixed costs was hindered** by the comparison basis of RJ and additional events and holidays in 2Q14. **Consolidated gross revenue decreases 4.9%**.

- **Fleury brand grows 7.1%,** Same Hospital Sales grows 6.7%, and regional brands (excl-RJ) remained at the 2Q13 level.

For the upcoming periods, additional adjustments are under way, mainly in RJ, targeting profitability recovery in the region.

Maturation of Fleury brand investments, together with the installed capacity, will capture the increasing demand – diluting fixed costs and improving profitability.

- **Average revenue per test grows 10.7% in PSCs** as a result of enrichment in the mix - exams and services, brands and payers - and the realignment of prices.

- **The effects of the adjustments** made in late **2013**, the selection of health plans and services offering (and diagnostic hospital operations) **continue advancing** positively.

- **Improvement on cost and expenses management** offset the inflationary impacts resulting from payroll readjustments and from the offering expansion in premium brands.

- Fleury brand expansion plan accelerates the offering of top quality services: 1,700 m² added and expansion of services portfolio (i) Relocation and expansion of Fleury Braz Leme PSC; (ii) addition of another floor in Fleury Rochaverá PSC.

2Q14 Highlights

- **EBITDA of R$ 70 MM**, 17.0% margin on net revenue (vs. 19.4% in 2Q13).
- **Net income of R$ 16 MM,** 4.0% on net revenue. **Cash net income of R$ 26MM**, 6,3% on net revenue.
- **Operating cash flow of R$ 92 MM,** the best quarterly value registered, due to a better performance in working capital (primarily suppliers and accounts receivable).
- **Begin of operations at Hospital Santa Luzia**, in Brasília, in late May 2014.
- **Fleury Medicina e Saúde brand winner, for the 14th time, of award for Excellence in Customer Services,** from "Consumidor Moderno" magazine.
- **Grupo Fleury received the award "25 Most Admired Companies by HRs" (Gestão&RH)** and was listed in the ranking of the "1000 Biggest and Best Companies in Brazil" (Exame).
- **Fleury nominated as one of the 50 strongest and most valuable Brazilian brands** according to the Brazilian magazine Isto é Dinheiro.

Grupo Fleury's goal for 2014 is to restore the profitability of its business portfolio, ensuring the delivery of service excellence, recognized by customers and physicians as relevant differentiating factor.

Braz Leme PSC relocation and expansion (+1.3 thousand m²).













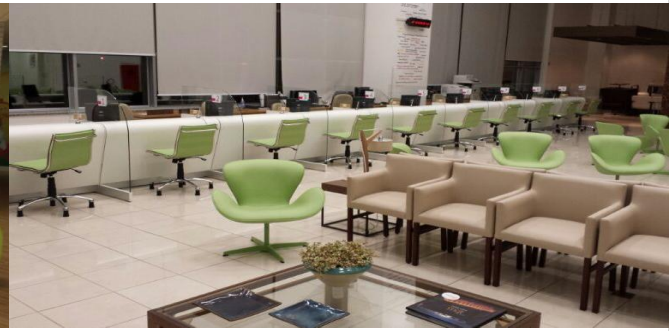


Rochaverá PSC expansion, added a new floor (+0.4 thousand m²)



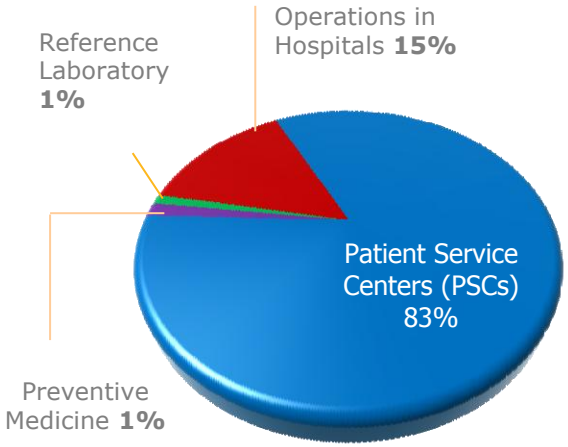




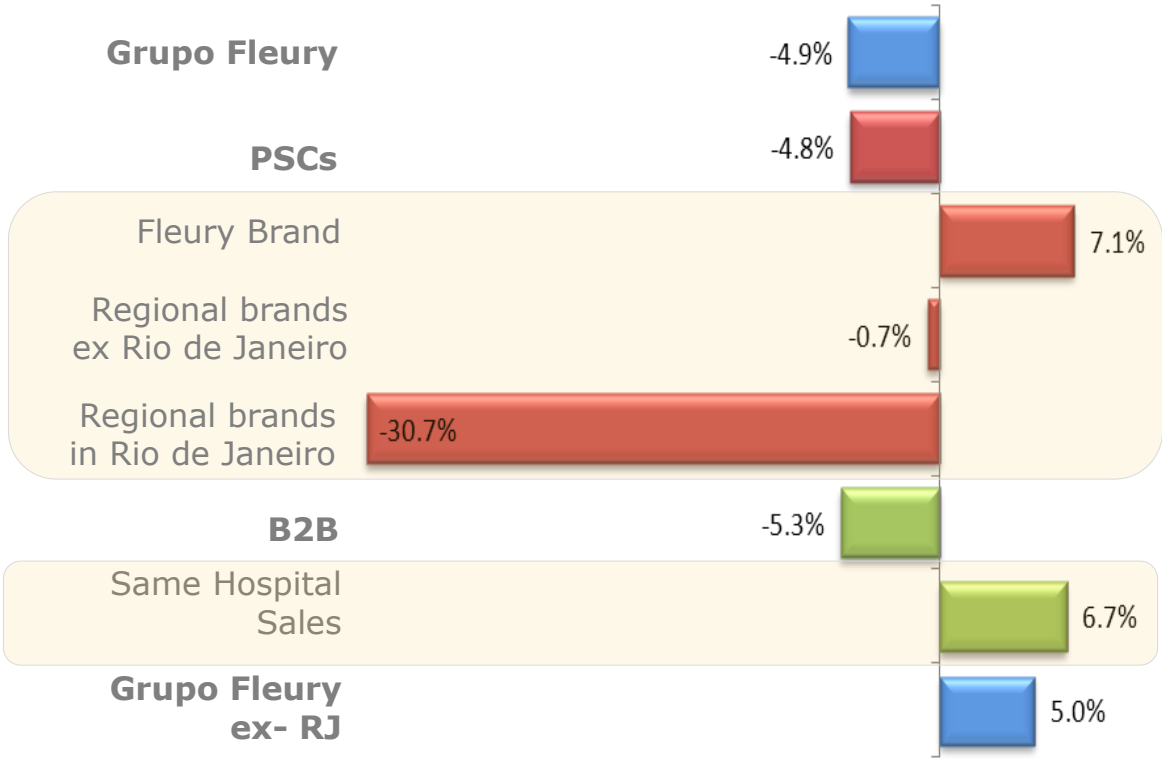


Gross revenue: 2Q14 breakdown

Gross revenue: R$ 462MM



Business line growth | 2Q14 *vs* 2Q13



Patient Service Centers – PSCs (1)

- **Fleury brand:** growth of 7.1%, even with the impacts related to the holidays and breaks during the World Cup. Addition of 1.7 thousand m², continuing the brand's expansion plan: (i) Relocation and expansion of Fleury Braz Leme, expanding its portfolio with new services for clinical analysis and imaging in the region, in addition to the *Núcleo da Mulher* (Women's Center), *Gestar* (for pregnant women) and *Vila da Saúde* (Village Health); (ii) Fleury Rochaverá adds another floor and extends service offering.

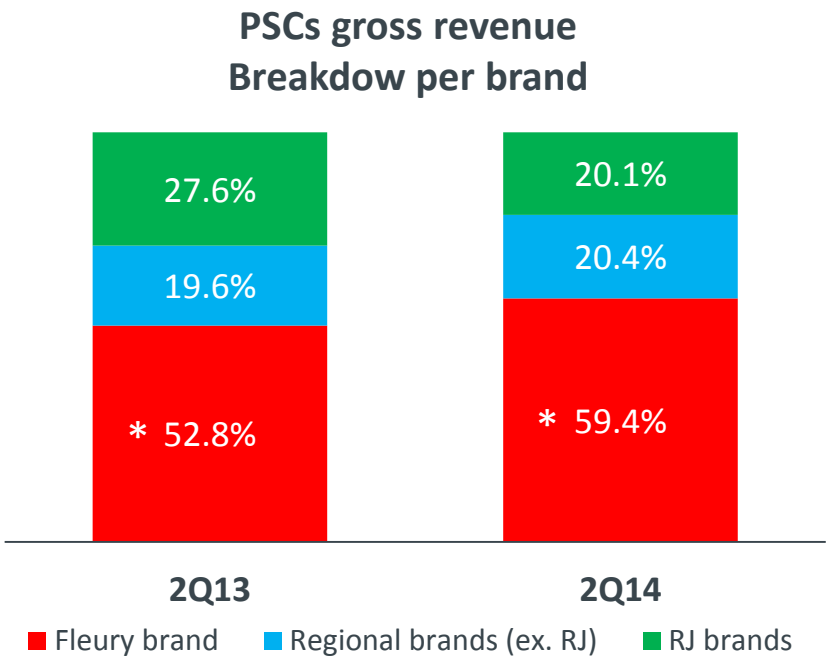
- **Regional brands:** Down 18.2% as a result of health plans and services offering selection , especially in Rio de Janeiro, besides the impact of the quarter calendar (World Cup mainly). Regional brands excl-RJ remained stable.

	2Q14 vs 2Q13			
	Fleury Brand	Regional Brands	Total (PSCs)	Total (-) PSCs in RJ
Indicators PSCs				
- Gross Revenue	7.1%	-18.2%	-4.8%	5.0%
- SSS	3.3%	-5.0%	-0.3%	5.0%
- Gross Revenue / Number of Tests	4.7%	0.7%	10.7%	9.4%
- Gross Revenue / Sq. Meter	-10.7%	-13.9%	-8.2%	-6.0%
- Gross Revenue / PSC	-1.8%	-2.1%	9.8%	9.2%

** Fleury brand added a total of 4.7 thousand m² in 1H14, expanding its services offering, to capture demand gradually in the upcoming periods*

Patient Service Centers – PSCs (2)

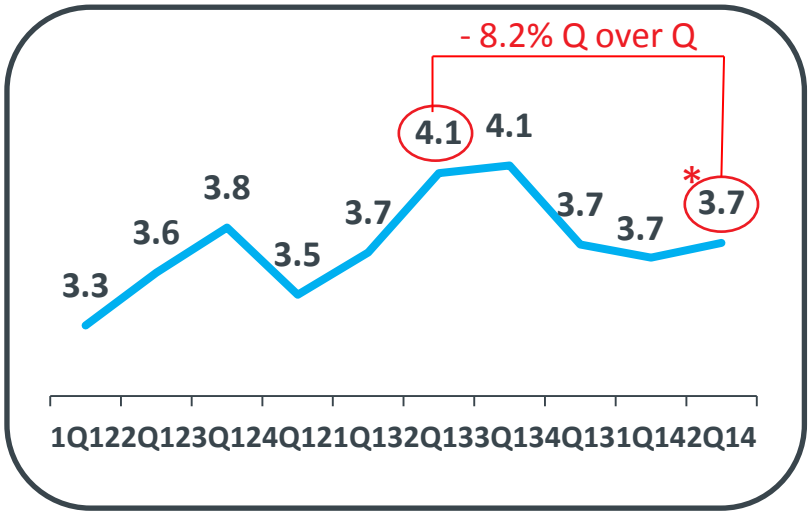
- In 2Q14, Fleury brand increased its share in the PSCs Gross Revenue in 660 bps vs. 2Q13.
- Repositioning and rebalance of the portfolio, added adjustments, and progressive recovery of volume in RJ shall improve future profitability of the Company.



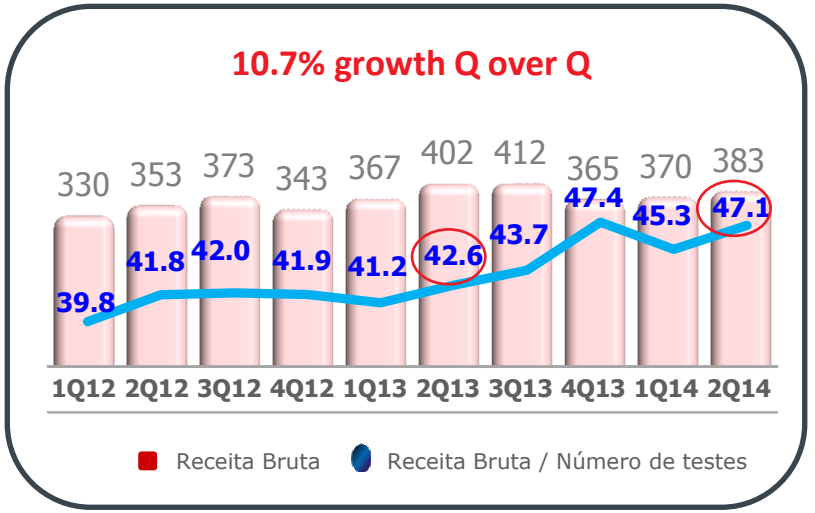
* Participation of Fleury brand on the consolidated result (including B2B) was 44% in 2Q13 and 49% in 2Q14.

Patient Service Centers – PSCs (3)
Business Line performance

PCSs Gross Revenue per m² (R$ thousands)

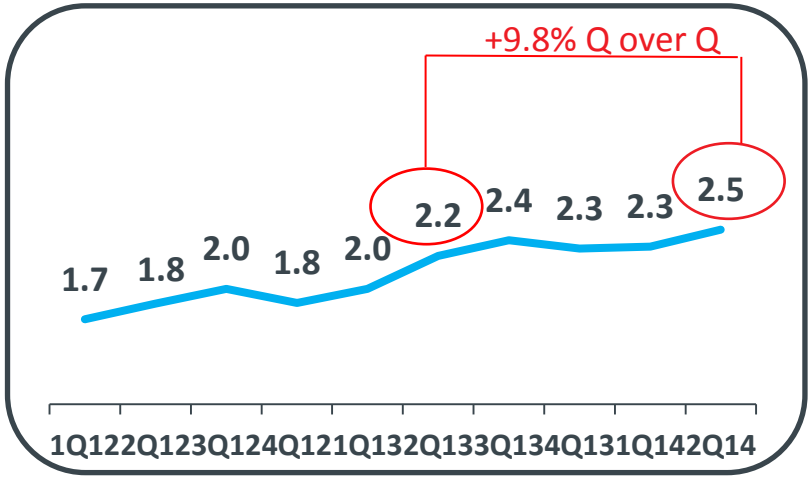


Gross Revenue (R$ MM) and Average Price



* Addition of 4.7 thousand m² in Fleury brand (to mature), + calendar effects, + repositioning in RJ, impacted the indicator in 2Q14.

Gross Revenue per PSC (R$ MM)



B2B
Business line performance

Diagnostic Operations in Hospitals

- Gross revenue decreases 3.2%.
- Highlight to the **Same Hospital Sales: +6.7%**.
- Gross Revenue reaches R $ 67.2 million in the quarter.
- **Begin of operations in Hospital Santa Luzia, in late May 14 (potential ~ 3% additional in GR)**
- 11 small diagnostic operations in hospitals discontinued in 4Q13, in line with the company's position, affects business growth YoY.

Reference Lab (Lab-to-lab)

- Gross revenue of R$ 6.6 MM, -3,2% vs. 2Q13.
- Improvement of margins, consistent with the plan.

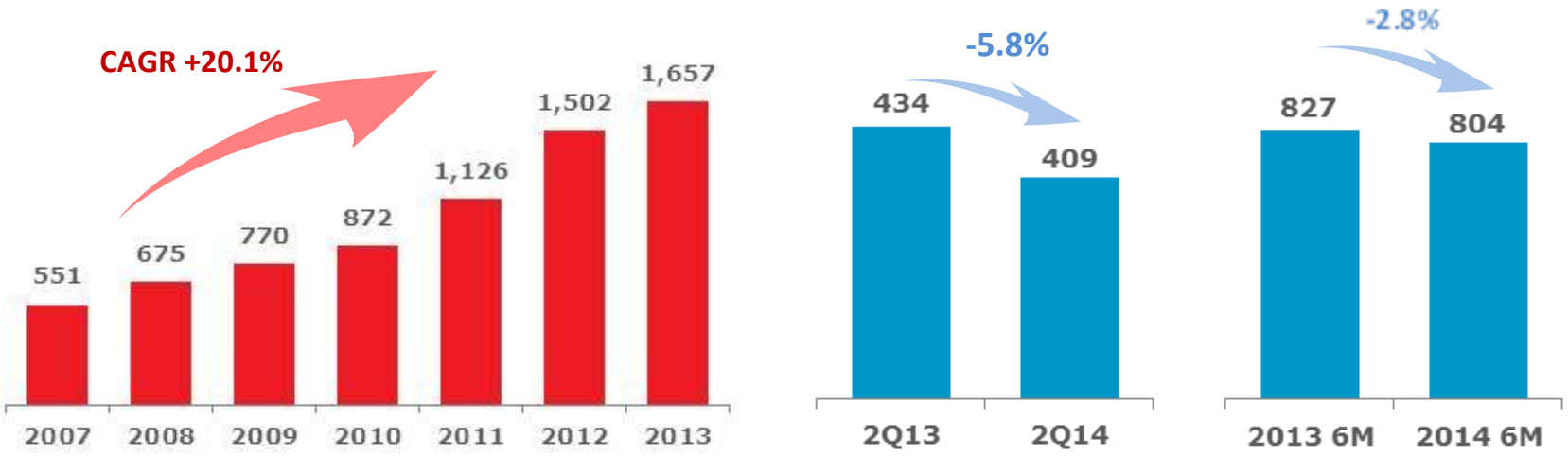
Preventive Medicine

- **Health Assessment: 8.9% growth.**
- **Chronic Disease** Management was discontinued during 2H13 – (R$ 1.4 MM in 2Q13).

Revenue's Tax and Cancellations/Deductions

- **Cancellations and Deductions (glosas and PDD)** amounts to R$ 23.6 MM in 2Q14 (5.1% of GR).
  - Cancellations amounts R$ 21.4 MM (4.6% of GR) in 2Q14 compared to R$ 19.8 MM (4.1% of GR) in 2Q13.
  - Increase in provisions related to canceled contracts, negotiating the payment.
- Taxes on income are stable at 6.4%.
- As a result, net sales declined 5.8% in 2Q14.

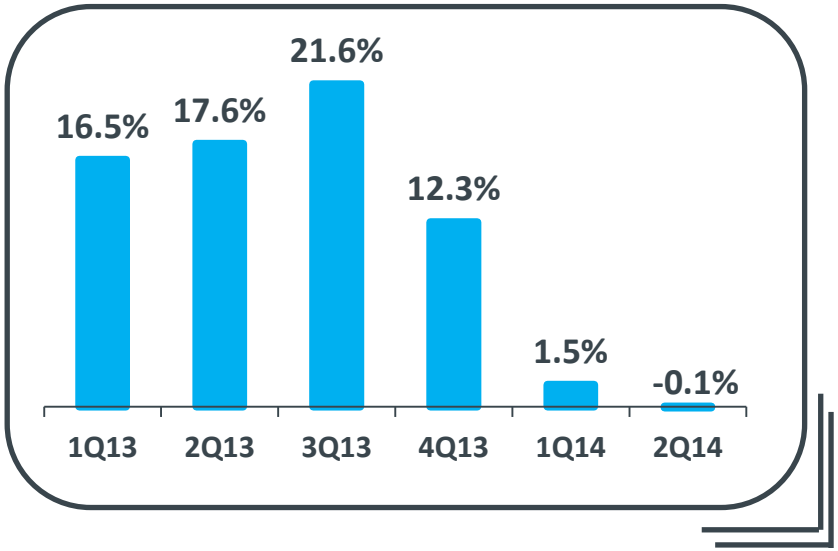
Net Revenue (R$ MM)



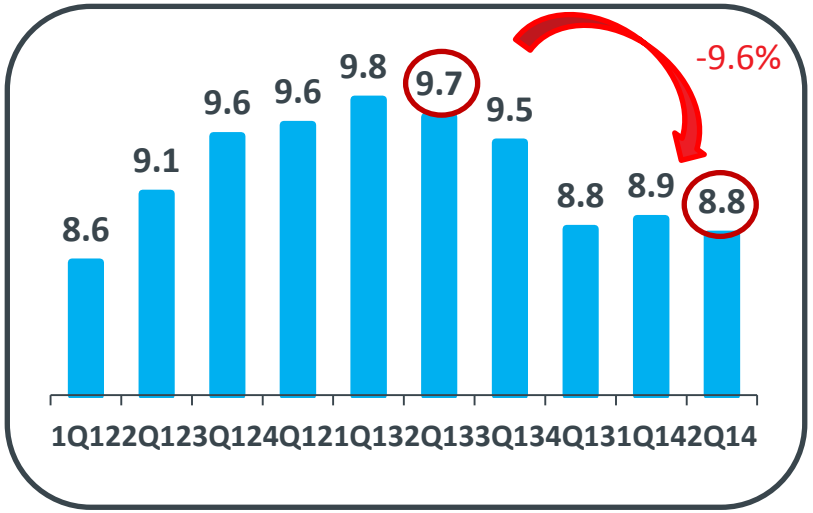
Cost of Services (Indicators 1/2)

GrupoFleury

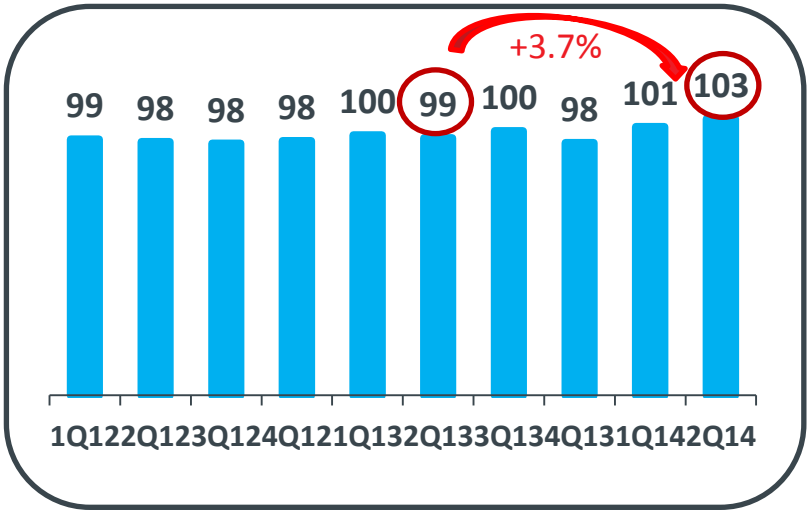
Costs Growth (YoY)



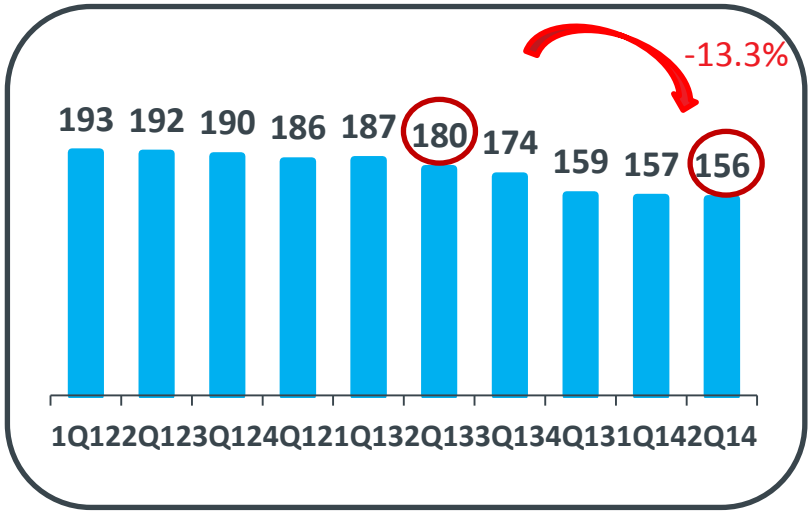
Number of Employees (Thousand)



Thousand m2 – PSCs



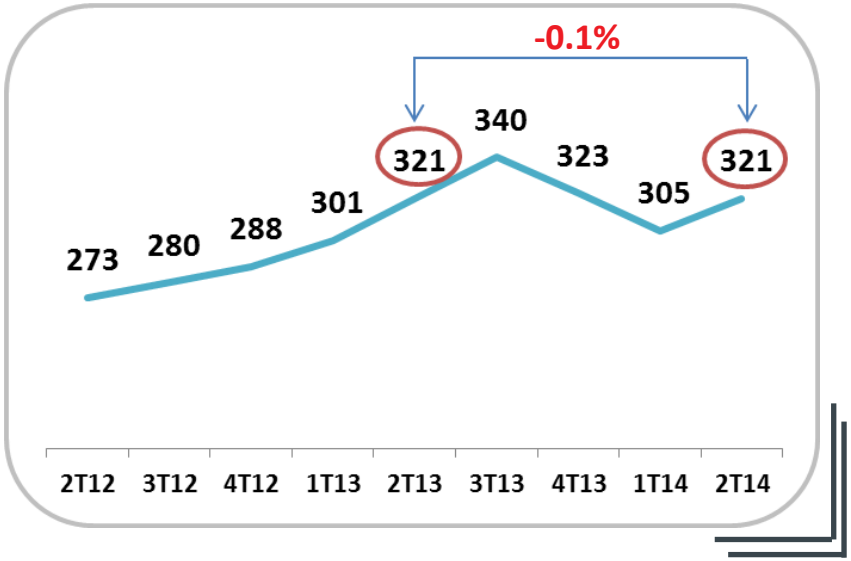
Fixed Assets: Number of PSCs



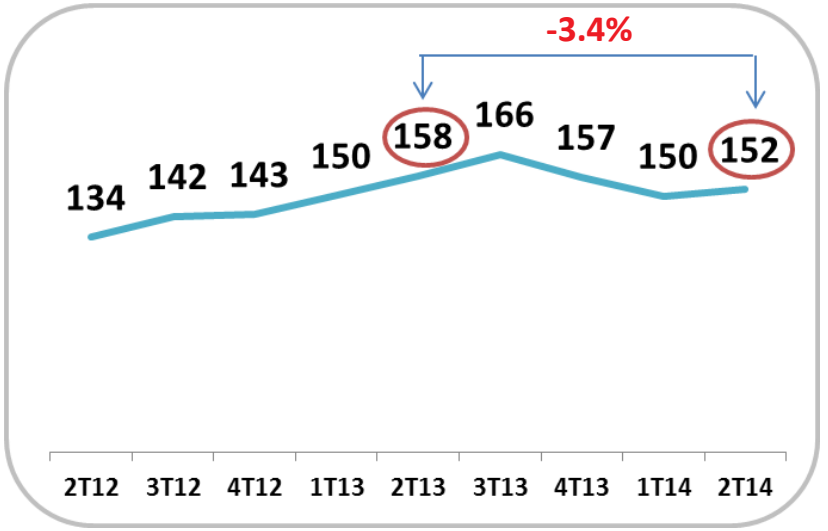
Cost of Services (Indicators 2/2)

GrupoFleury

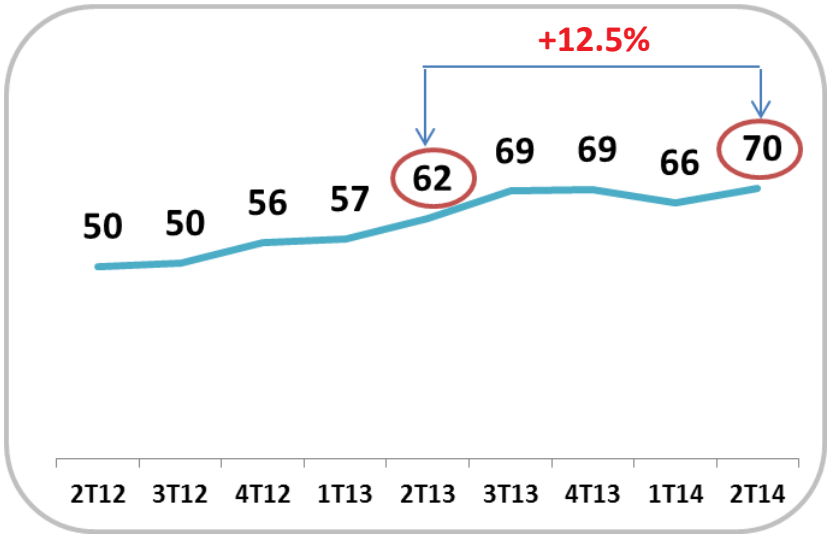
Evolution of Costs (R$ MM)



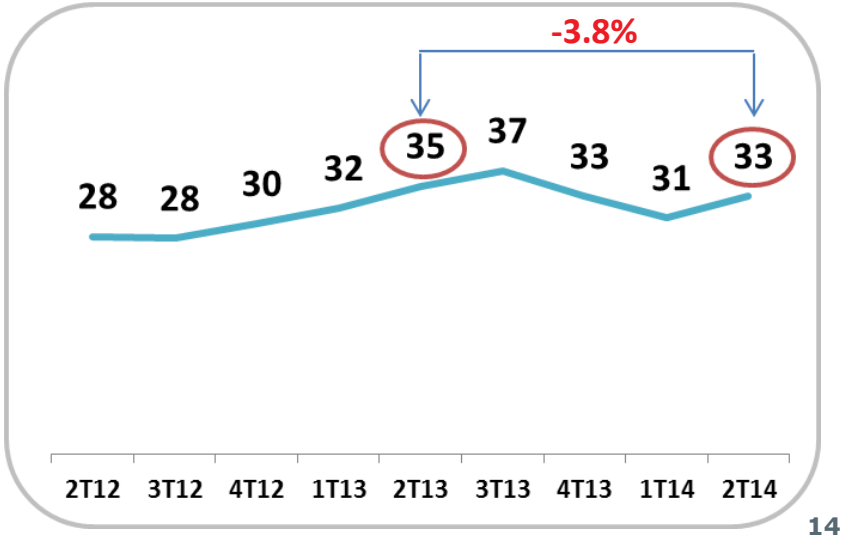
Personnel and Medical Services (R$ MM)



General Services. Rentals and Utilities (R$ MM)



General Expenses (R$ MM)



Cost of Services (as % of Net Revenue)

	2Q14		2Q13		2014 6M	2013 6M
	R$ thousand	% Net Revenue	R$ thousand	% Net Revenue	% Net Revenue	
Personnel and medical services (1)	152.435	37.3%	157.836	36.4%	37.6%	37.2%
Materials and outsourcing	43.045	10.5%	45.459	10.5%	9.9%	10.5%
General services, rent and utilities	69.576	17.0%	61.839	14.3%	16.9%	14.3%
General expenses	33.379	8.2%	34.706	8.0%	7.9%	8.0%
Depreciation and Amortization	22.145	5.4%	20.895	4.8%	5.5%	5.1%
Cost of Services	320.580	78.5%	321	74.0%	77.8%	75.1%

- Expenses regarding PSCs pre-operational costs (mainly rental) add up 84bps in 2Q14.

(1) The salary increase negotiated was 6% in São Paulo and 5.5% in Rio de Janeiro, fully applied in May /14. Wage adjustment in 2013 was implemented as the following: 50% in May/13 and and 50% in Aug/13.

Operating Expenses (as % of Net Revenue)

	2Q14		2Q13		2014 6M	2013 6M
	R$ thousand	% Net Revenue	R$ thousand	% Net Revenue	% Net Revenue	
General and Administrative (Excl. Depreciation)	40.449	9.9%	48.705	11.2%	10.8%	10.4%
Depreciation and Amortization	6.147	1.5%	6.531	1.5%	1.5%	1.7%
Other Operating Income (Expenses), net	-1.368	-0.3%	-380	-0.1%	-1.1%	0.2%
Provision for Contingency	1.396	0.3%	1.456	0.3%	0.3%	0.3%
Subsidiaries' share of profits	-45	0.0%	-91	0.0%	0.0%	0.0%
Operating Expenses	46.579	11.4%	56.221	13.0%	11.5%	12.6%

- **General and administrative expenses (excluding depreciation)** expenses totaled R$ 40.5 million in 2Q14 (R$ 48.7 million in 2Q13), 9.9% of net revenue (11.2% in 2Q13). Marketing expenses in 2Q14 were R$ 6.2 million lower than 2Q13;
- **Provision for Contingency** of **R$ 1,4 MM.**

Debt and Financial Result

R$ million	2Q14	2Q13
Gross Financial Debt	**1,006.9**	**1,030.3**
- Loans and Financing	984.7	1,002.4
- Acquisition	22.2	27.9
Cash & Cash Equivalents	(481.8)	(635.4)
Net Debt	**525.1**	**394.9**
Net Financial Debt / EBITDA LTM	**2.0**	**1.3**
EBITDA / Net Financial Expenses	**5.3**	**5.9**

1st Company's Debenture Issuance in Dec/2011

1st Series: R$ 150MM (CDI+0.94%)
Amortization in installments: 2014. 2015. 2016

2nd Series: R$ 300MM (CDI+1.2%)
Amortization in installments: 2016. 2017. 2018

2nd Company's Debenture Issuance in Feb/2013

R$ 500MM (CDI + 0.85%)
Amortization in installments: 2018. 2019. 2020

R$ million	2Q14	2Q13	2014 6M	2013 6M
Financial income (expenses), net	**(15.7)**	**(13.6)**	**(19.6)**	**(28.2)**
Interest and inflation adjustment	(29.6)	(23.6)	(57.4)	(41.9)
Exchange rate change and hedge	0.0	(0.3)	(0.1)	(1.0)
Interest received	13.4	12.0	26.1	19.0
Bank fees and other expenses	**0.5**	**(1.7)**	**11.8**	**(4.3)**
Financial income	**15.1**	**15.4**	**29.7**	**26.3**
Financial expenses	**(30.9)**	**(29.0)**	**(49.3)**	**(54.5)**

Impact (R$10.7 million) due to reversal of interest on provisions of ICMS in 1Q14

Reconciling EBITDA and EBIT

	2Q14		2Q13		Var.
	R$ mm	% NR	R$ mm	% NR	
Net Income	**16.3**	**4.0%**	**22.1**	**5.1%**	**-26.2%**
Deferred Income Tax and Social Contribution	9.3	2.3%	20.9	4.8%	-55.3%
Cash Net Income	**25.6**	**6.3%**	**43.0**	**9.9%**	**-40.4%**
Current Income Tax and Social Contribution	-	-	-	-	-
Financial Expenses (Income)	15.7	3.9%	13.6	3.1%	15.6%
Subsidiaries' share of profits	0.0	0.0%	-0.1	0.0%	
EBIT	**41.3**	**10.1%**	**56.5**	**13.0%**	**-26.9%**
Depreciation and Amortization	28.3	6.9%	27.4	6.3%	3.2%
EBITDA	**69.6**	**17.0%**	**84.0**	**19.4%**	**-17.1%**

Cash has not been impacted by taxes mainly due to goodwill amortization for fiscal purposes.

Expected Amortization of Goodwill

Period	R$ million
2014	206
2015	176
2016	168
2017	161

Tax Calculation

(R$ million)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	2014 6M
Earnings Before Taxes (EBT)	30.5	43.0	35.1	2.6	40.5	25.8	66.3
Standard (34%)	10.4	14.6	11.9	0.9	13.8	8.8	22.5
Non-Deductable Expenses	2.0	1.7	2.7	5.2	0.9	0.6	1.5
Recurring Taxes	12.4	16.3	14.6	6.1	14.7	9.4	24.0
% EBT	40.6%	38.0%	41.7%	233.3%	36.2%	36.3%	36.3%
Interest on Capital	-	-	-	-	-	-	-
Hedge Income	-	3.8	-	0.1	-	-	-
Adjustment between quartres	(2.7)	-	2.7	-	-	-	-
Others	(0.8)	0.8	(0.5)	(2.7)	(0.3)	0.1	(0.2)
Accounting Taxes	8.9	20.9	16.8	3.4	14.4	9.5	23.8
% EBT	29.2%	48.6%	47.9%	130.2%	35.5%	36.7%	36.0%
Current Taxes	-	-	-	-	-	-	-
Deferred Taxes	8.9	20.9	16.8	3.4	14.4	9.5	23.8

Cash Flow

R$ thousand	2Q14	2Q13	2014 6M	2013 6M
Net Income	**16,297**	**22,088**	**42,409**	**43,646**
Deferred Income Tax	9,336	20,902	23,703	29,800
Cash Net Income	**25,633**	**42,989**	**66,112**	**73,446**
Depreciation and amortization	28,291	27,426	55,972	55,607
Δ Provisions	17,803	32,799	31,629	65,987
Δ Working Capital	5,179	-63,492	-50,259	-128,618
Others	14,807	12,115	17,943	24,177
Operational Cash Flow	**91,713**	**51,838**	**121,396**	**90,599**
Changes in PP&E and IT System	-19,921	-24,651	-51,484	-56,567
Acquisitions	-80	-343	-2,159	-15,375
Financing Activities	-112,129	-66,973	-125,881	435,964
Cash Flow	**-40,417**	**-40,128**	**-58,127**	**454,621**
Conversion (Operational Cash Flow / EBITDA)	**132%**	**62%**	**86%**	**58%**
Δ Working Capital / Gross revenue	**1.1%**	**-13.1%**	**-5.6%**	**-13.9%**

Receivables Profile

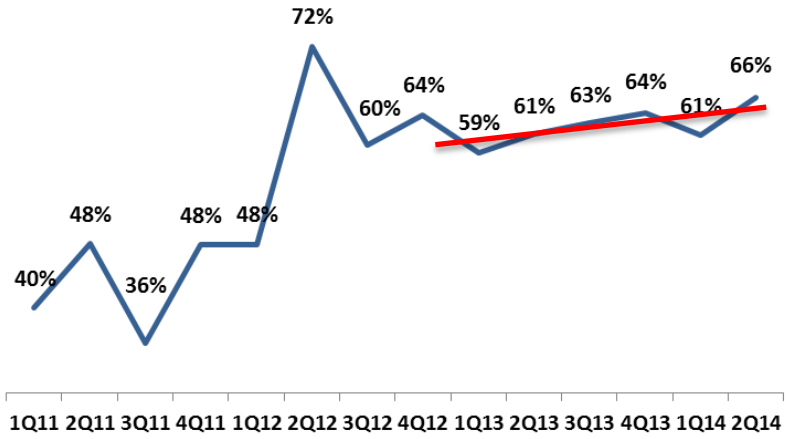
Account Receivable (R$ MM)	2Q13	1Q14	2Q14
Trade receivables	499	510	497
Sales Deductions Provisions	(70)	(87)	(104)
Total	**428**	**423**	**393**

Aging Acc. Receivable (R$ MM)	2Q13	1Q14	2Q14
Current	312	261	259
Up to 120 days past due	71	106	80
Over 120 days past due	115	143	158
121 to 360 days past due	*70*	*65*	*68*
Over 360 days past due	*45*	*79*	*90*

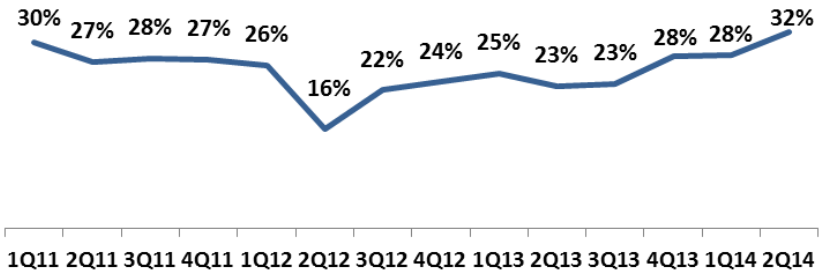
Improvements in the "order to cash" process.

"Past due" account related under way negotiation to payment, with provisions according to the policy. Write-off will be taken after the negotiation end, with no expectation of affecting results (values already provisioned).

Provision Coverage Index (receivables due for more than 120 days)

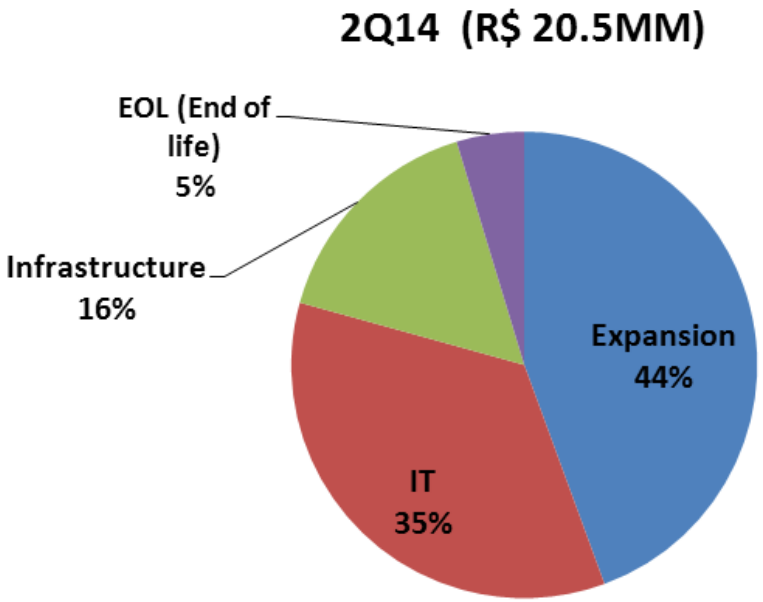


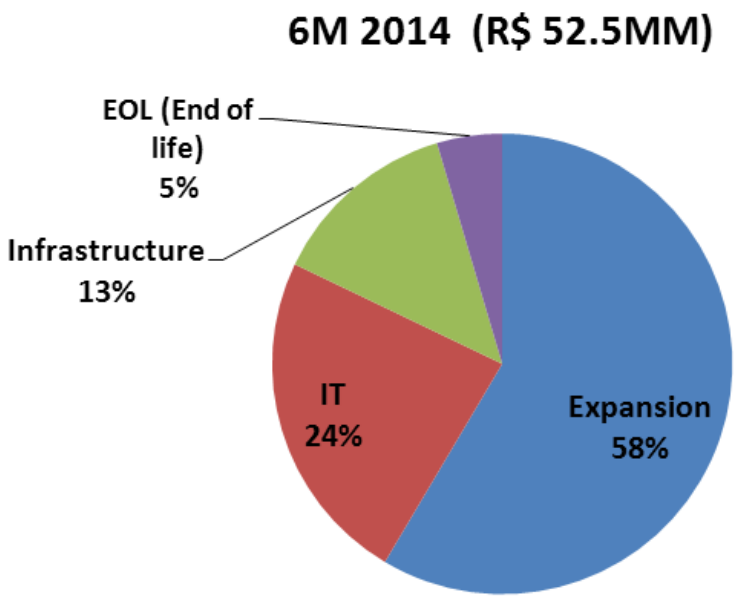
Receivables due over 120 days / Total Receivables



Capex: 2Q14

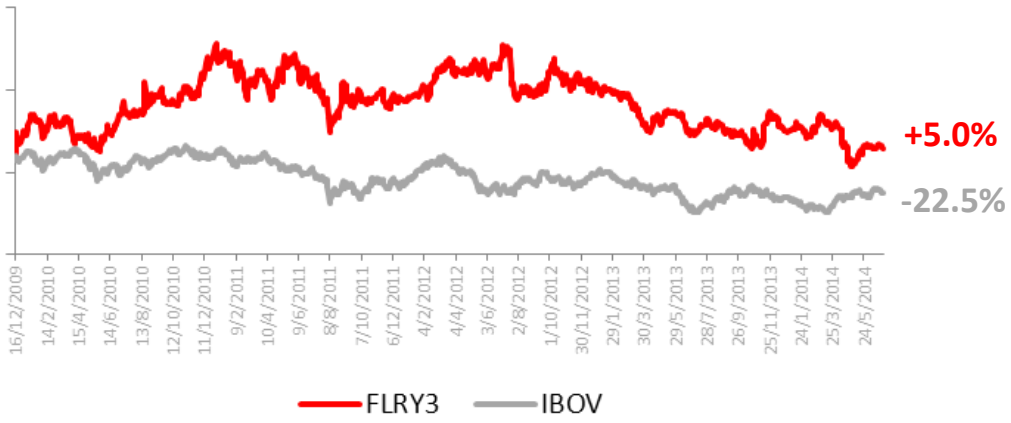
- R$ 20.5 MM in 2Q14, mainly focused on the expansion of PSCs (44%) and IT (35%).





Stock Market Performance

Shares and Market Cap - 06/30/2014	
Number of Shares	156,293.356
Free Float	39.9%
Market Cap	R$ 2,6 bn
Closing Price	R$ 16.80



	IN*	ADTV – R$ MM
2011	0.0656%	4.49
2012	0.0745%	5.33
2013	0.1132%	7.63
2Q13	0.1129%	8.9
2Q14	0.0661%	6.0

Stock Performance	
1Q14	-12.7%
2013	-20.2%
Since IPO	+5.0%

Total Shareholder Return (TSR)	
Since IPO	+16.7%

* Negotiability Index

2Q14 Results – FLRY3

August 2014