

# Earnings Release

## 1Q16



**Fleury ON (Bovespa FLRY3) (Bloomberg FLRY3 BZ; Thomson FLRY3-BR)**

**Debentures:**  
**BRFLRYDBS007,**  
**BRFLRYDBS015 e**  
**BRFLRYDBS023**

**On March 31<sup>st</sup> 2016**

**Shares Outstanding**  
156,293,356 shares

**Shares Outs Diluted**  
157,986,100 shares

**Share price**  
R\$ 21.55 /US\$ 6.06

**Market cap**  
R\$ 3,368 MM / US\$ 946 MM

**Cash and Cash Equivalents**  
R\$ 651 MM / US\$ 183 MM

**Investor Relations**

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**Conference Call**  
**April 29<sup>th</sup> 2016**

**Portuguese with simultaneous translation into English**

11:00 (10:00 EDT)

**Phones**

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**Code:** Fleury  
**Webcast:**  
www.fleury.com.br/ir

**São Paulo, April 28<sup>th</sup> 2016** – Grupo Fleury (BM&FBOVESPA: FLRY3) announces today its 1<sup>st</sup> quarter (1Q16) results.

All figures are compared to the same period of 2015, unless otherwise stated.

**Management comments:**

Grupo Fleury enters 2016 completing 90 years, a history initiated in 1926 with the Fleury brand. This history has as one of its most important achievements the build of a valuable reputation, anchored in technical, medical and service excellence and that has been continuously increasing its excellence in management, a factor that has expanded the Company's competitiveness and growth potential.

Driven by this context, in the first quarter of 2016 Grupo Fleury recorded a 12.5% increase in gross revenue (13.8% excluding the effect of the PSCs' sale due to CADE agreement<sup>1</sup>), reaching R\$ 558.6 MM, a record in the Company's history. This growth was achieved in all markets and business segments, especially Operations in Hospitals (+17.7%), Regional brands excluding Rio de Janeiro (+16.0%), Fleury brand (+12.3%) and Rio de Janeiro brands (+12.1%) excluding the effect of PSCs' sale due to CADE agreement.

Compared to the 1Q15, the cancellations index continues its evolution and reaches 2.9%, an 87 bps decrease, demonstrating the Company's discipline and focus on turning its services in cash. This advance, therefore, is reflected in net revenues, which expanded 13.7%.

This continuing effort of qualified growth, associated with productivity gains and efficient management of costs and expenses, resulted in a R\$ 121.7 MM EBITDA, with a 24.0% margin, corresponding to a growth of 25.8% with an evolution of 231 bps, respectively.

Given this operational performance, net income expanded 40.6% in the quarter compared to the same period last year, reaching R\$ 44.7 MM. Operating cash flow reached R\$ 74.0 MM, an increase of 11.7 times compared to the 1Q15 .

The return, measured by ROIC without goodwill, showed strong growth, reaching 23.7% compared to 17.0% in 1Q15, reflecting the ongoing commitment of the Company to get the highest optimization possible of its assets. In addition, it's important to emphasize, the customer satisfaction rates continue to expand. Grupo Fleury's Net Promoter Score (NPS), which measures the level of recommendation to family and friends after the use of services, reached 72.7%, compared to 68.2% in 1Q15.

It is important to point out that the background for this performance has both the Fleury brand remaining as a highlight in the Company's operations, as well as an increasing contribution of regional brands (a+, Clinica Felipe Mattoso, Diagnoson a+, Labs a+ and Weinmann), which are increasingly protagonists of their segments, disseminating the excellence, culture and values of the Group and continuously delivering better results.

The combined evolution of financial and customer's satisfaction indicators, as well as the trust of the medical community, reflects the sustainability of Grupo Fleury's value proposition, and the confidence that the adopted strategy allows us to face a challenging 2016 and to build the base for the Company's next 90 years.

1. Effect of the PSCs' sale due to CADE agreement: effect of the sale of five PSCs in Rio de Janeiro (material fact of November 11th 2015) in compliance with the agreement signed with CADE in 2014.

## **Financial highlights 1Q16:**

- Gross revenue of R\$ 558.6 MM, a 12.5% growth (+13.8% excluding the effect of the PSCs' sale due to CADE agreement<sup>1</sup>).
- Patient Service Centers: gross revenue of R\$ 466.2 MM, an 11.5% growth or 13.0% excluding the effect of the Patient Service Centers' (PSCs) sale due to CADE agreement (+12.7% in Same Store Sales).
  - Fleury brand grows 12.3%.
  - Regional brands excluding RJ grow 16.0%.
  - RJ expands 4.5% or 12.1% excluding the effect of the PSCs' sale due to CADE agreement.
- Diagnostic Operations in Hospitals: gross revenue of R\$ 84.4 MM, a 17.7% expansion (18.8% in *Same Hospital Sales*).
- Gross Income reaches R\$ 152.9 MM (+22.5%) with a 30.1% (+217 bps).
- EBITDA of R\$ 121.7 MM (+25.8%), a 24.0% margin (+231 bps).
- Net income of R\$ 44.7 MM (+40.6%) and "Net Cash Income"<sup>2</sup> of R\$ 64.2 MM (+56.4%).
- Operating cash flow of R\$ 74.0 MM (+11.7x).

## **Quarterly financial indicators**

R\$ MM	Excluding non-recurring item <sup>3</sup>			Reported
	1T16	1T15	Δ	1T15
Gross Revenue	558.6	496.7	12.5%	496.7
Net Revenue	507.9	446.9	13.7%	446.9
Gross Profit	152.9	124.9	22.5%	124.9
EBITDA	121.7	96.7	25.8%	72.7
Net Income	44.7	31.8	40.6%	13.4
Net Cash Income <sup>2</sup>	64.2	41.1	56.4%	22.7
Operating Cash Flow	74.0	6.3	1074.7%	6.3
Gross Margin %	30.1%	27.9%	217 bps	27.9%
EBITDA Margin %	24.0%	21.6%	231 bps	16.3%
Effective Tax Rate	-38.5%	-44.6%	608 bps	-44.6%
Net Income Margin	8.8%	7.1%	169 bps	3.0%
Net Cash Income / Net Revenue	12.6%	9.2%	346 bps	5.1%
Operating Cash / Net Revenue	14.6%	1.4%	1316 bps	1.4%
EV/EBITDA (LTM)	9.1	9.2	-1.2%	9.9
P/E (LTM)	17.0	17.3	-2.0%	19.9
ROE (LTM)	8.4%	5.5%	286 bps	4.4%
ROIC (LTM)	8.8%	6.6%	220 bps	5.9%
Adjusted ROIC (LTM)	23.7%	17.0%	677 bps	15.1%

1. Effect of the PSCs' sale due to CADE agreement: effect of the sale of five PSCs in Rio de Janeiro (material fact of November 11th 2015) in compliance with the agreement signed with CADE in 2014.
2. "Net Cash Income": excludes the impact of deferred income tax
3. Non-recurring item: 1Q15 results were impacted by the joining of the Company to the Installment Incentive Program of São Paulo City Hall to settle debts related to Health's Solid Waste Tax (TRSS). The agreement covered the debts from 2003 to 2013 and recognized the 2014 year liabilities, totaling R\$ 27.2MM, already considered the discounts of 75% fine and 85% interest set out in that program.

## General highlights:

- Fleury brand, which initiated Grupo Fleury's history, turns 90 years old in 2016.
- In April, Grupo Fleury launched the new version of its Code of Conduct, a document whose aim is to emphasize the values that must rule the conduct of all employees of the Company in the development of their professional activities. Additionally, since 2015, we offer an independent communication channel for reporting facts and behaviors that are inconsistent with the Company's principles. These actions reflect the ongoing commitment of Grupo Fleury with the best Corporate Governance practices and transparency for all stakeholders. Code of Conduct and the Conduct Channel are available [here](#).
- In March, Grupo Fleury completed the moving and expansion of Rio de Janeiro's central laboratory. Responsible for processing the clinical analysis exams for Felipe Mattoso Labs a+ brands and located in Del Castilho neighborhood, in the north of the city, the new space has 750m<sup>2</sup>, 150m<sup>2</sup> larger than the previous one. With this change, the processing capacity was increased by approximately 50% in the automation line. In addition, the technology park has become more robust and modern, with a change of equipment. [Click here](#) for more information.
- In February, Fleury brand launched the second phase of the República do Líbano II PSC, which already holds the Advanced Diagnostic Center for Women. With 831m<sup>2</sup>, the new space has services to all kind of public with a complete and diverse portfolio of clinical analysis and imaging.
- In the first quarter of this year, Grupo Fleury won awards and certifications that attest its technical and service excellence.
  - ✓ The Company was the first and only Latin American to receive international certification IFCC (International Federation of Clinical Chemistry and Laboratory Medicine) for dosage Hemoglobin Glycated methodology for Mass Spectrometry.
  - ✓ Grupo Fleury was elected the most hospitable company in Brazil for the seventh consecutive year by the Brazilian Institute of Corporate Hospitality (IBHE). Fleury was the brand with the highest number of citations, 43%.
  - ✓ For the 17<sup>th</sup> consecutive time, the Weinmann brand is the most remembered in "who decides brands" survey in Clinical Analysis category. The a+ brand appeared in the research for the first time and ranked third in the survey, which is conducted annually by the Jornal do Comércio, a newspaper from Rio Grande do Sul State.

## **Economic scenario and sector**

### **Macroeconomics**

- The Focus survey, released by the Brazilian Central Bank on April 22<sup>nd</sup>, points out that GDP will decrease 3.88% in 2016. According to the same survey, the inflation rate should reach 6.98% in the year.
- The Broad Consumer Price Index, which anticipates the expectation for the inflation rate, is 2.8% in the first quarter of the year. In the last 12 months, the rate is 9.95%.
- On April 27, the Central Bank Monetary Policy Committee (Copom) announced the maintenance of the basic interest rate (Selic) at 14.25% per annum for the sixth consecutive meeting.

### **Employment**

Data released by the General Register of Employed and Unemployed show that Brazil closed 319,200 formal jobs in the quarter. In the last 12 months, the value is negative in 1.8 million jobs.

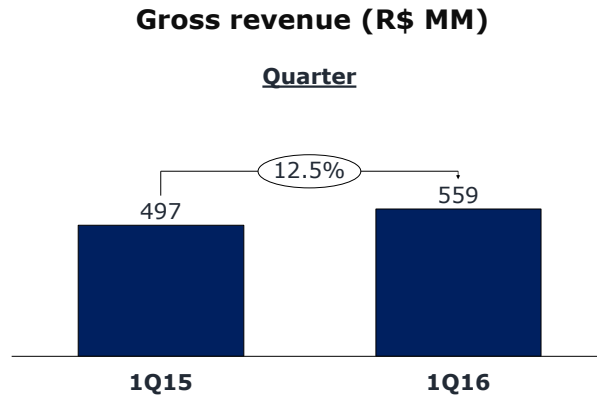
### **Sector**

- Also in March, the National Health Agency released the list of hospitals that will receive from the insurance companies' price increases between 85% and 105% of the inflation rate, as defined by Law 13.003. The definition of the adjustment percentage is set according to the quality factor assigned to hospitals by the Agency and is valid if there is no successful negotiations between hospitals and providers within 90 days and when there is no readjustment index in the contract.

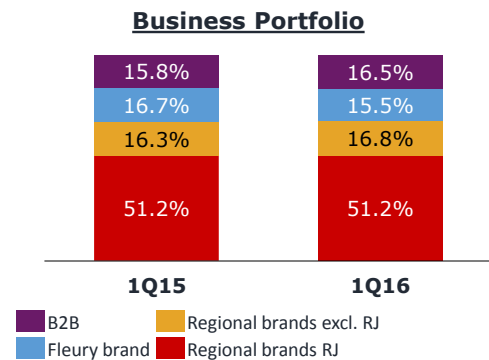
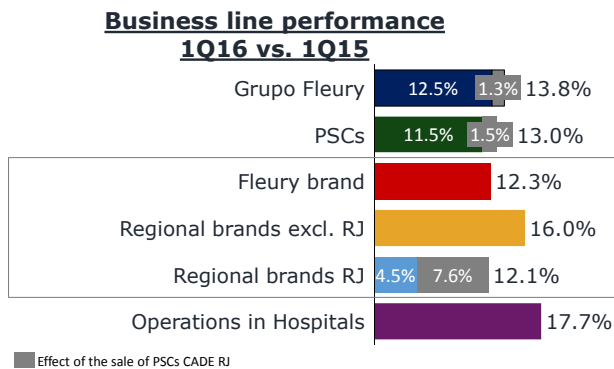
## Financial Performance

### Gross revenue

Gross revenue reaches R\$ 558.6 MM in the quarter, a 12.5% growth over 1Q15.



- Grupo Fleury's all segments presented double-digit growth, with emphasis on the Diagnostic Operations in Hospitals, which expanded 17.7%, and regional brands excluding Rio de Janeiro, that grew 16.0%.
- In 4Q15, the sale of five PSCs in Rio de Janeiro, called Cruzeiro do Sul, was completed (Effect of the PSCs' sale due to CADE agreement) as material fact released on November 5<sup>th</sup> 2015, fulfilling the performance agreement term signed with CADE in 2014. Due to this sale, the 1Q16's revenue was impacted by the non-occurrence of revenue from these PSCs in November and December. For a better understanding of the growth of our operations, we show below the PSCs' growth excluding this effect.



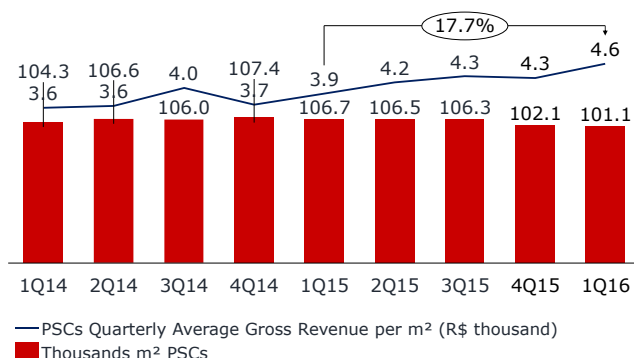
## Patient Service Centers (PSCs) and PSCs Assets Efficiency

PSCs' revenue reached R\$ 466.2 MM in 1Q16.

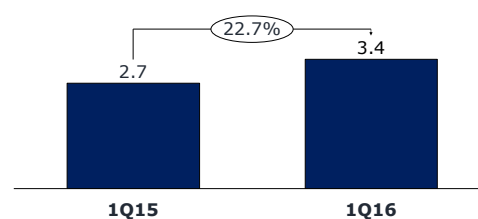
The asset efficiency measured by gross revenue per square meter grew by 17.7% in 1Q16 compared to the same period in 2015, while the efficiency of gross revenue by PSC expanded 22.7% to R\$ 3.4 million per PSC in the quarter.

During the 1Q16, the Fleury brand inaugurated the expansion of República do Líbano II PSC, adding 831m<sup>2</sup> in its service area, and Labs a+ brand expanded the Campo Grande PSC adding 460m<sup>2</sup> in service area. In regional brands, we ended the activities of one PSC in a+ SP and four PSCs in Labs a+ brand. This movement have occurred in order to increase asset utilization and had no prejudice to the total revenue in the brands, as the demand of the PSCs closed was captured by nearby ones.

### Gross Revenue per m<sup>2</sup> per quarter



### Gross Revenue per PSC (R\$ million)



Gross revenue per test from Grupo Fleury's PSCs increased by 6.8%, reflecting the mix of tests registered in the quarter and the price increases negotiated with health insurance operators in the second half of 2015.

The lab to lab segment expanded 20.4% in the average price, due to the business repositioning with improvement in the mix of exams (ennobling) and price adjustments.

Diagnostics Operations in Hospitals expanded 8.5% in the average price, explained by the enrichment of Clinical Analysis and Imaging tests.

### **Average Gross Revenue per test (R\$)**

	1Q16	1Q16	Δ
Grupo Fleury	37.4	35.0	6.8%
- Patient Service Centers	52.5	48.7	7.8%
- Operations in Hospitals	14.5	13.4	8.5%
- Lab to Lab	35.9	29.9	20.4%

**In the 1Q16, the PSCs grew 11.5% (13,0% excl. the effect of PSCs' sale due to CADE agreement), with a 12.7% increase in Same Store Sales (SSS).**

Highlight to SSS in regional brands excluding Rio de Janeiro (+17.2%) and Rio de Janeiro brands (+14.5%).



In 1Q16, the Fleury brand reported a 12.3% growth in gross revenue driven by the growth in Same Store Sales (+10.2%) with the maturation of existing PSCs, expansion in the offering of services with openings on Sundays in some PSCs, providing more agenda for imaging tests and continuous adjustment in the mix of exams and price adjustments. In the last 12 months, the Fleury brand launched República do Líbano II PSC, which also holds the Advanced Diagnostic Center for Women, and expanded Jundiaí PSC, adding a total of 1,788m<sup>2</sup> in service area.



In regional brands excluding Rio de Janeiro, highlight to the increase in gross revenue of a+ SP brand (+16.7%) and brands in South region (+16.2%).

In 1Q16, a 16.0% growth in gross revenue and 17.2% in SSS. In the period, the average price per exam showed an increase of 11.8%.



Gross revenue from Rio de Janeiro brands grew 12.1% in the quarter, excluding the effect of the PSCs' sale due to CADE agreement. The SSS indicator increased by 16.3% reflecting the improvement in asset efficiency in Labs a+ and Clinica Felipe Mattoso brands.

The average price per exam showed a 2.4% rise been impacted by Clinical Analysis tests increase in the gross revenue mix, which have lower average prices.

### Comparison 1Q16 vs. 1Q15

Indicators PSCs	1Q16 vs 1Q15			
	Fleury Brand	Regional Brands excl. RJ	Brands RJ	Total (PSCs)
- Gross Revenue	12.3%	16.0%	4.5%	11.5%
- Gross Revenue (excl. effect of the sale of PSCs CADE RJ)	12.3%	16.0%	12.1%	13.0%
- SSS	10.2%	17.2%	16.3%	12.7%
- Gross Revenue / Number of Tests	7.9%	11.8%	2.4%	7.8%
- Gross Revenue / Sq. Meter	7.9%	22.8%	25.4%	17.7%
- Gross Revenue / PSC	7.7%	24.0%	28.8%	22.7%

## **B2B**

### **1. Diagnostic Operations in Hospitals**

Gross revenue of R\$ 84.4 MM in 1Q16, a 17.7% increase. In the concept of Same Hospital Sales (SHS), gross revenue growth was 18.8% in the period. The strong growth of Diagnostic Operations in Hospitals' indicators was impacted by the increase in volume of tests and average price with the enrichment of tests performed in Clinical Analysis and Imaging.

### **2. Reference laboratory (Lab-to-lab)**

Gross revenue reaches R\$ 7.0 MM in the quarter, a 14.6% growth.

### **3. Preventive Medicine**

Health Promotion reaches R\$ 835.7 thousand in gross revenue.

## **Revenue's Tax and Cancellations/Deductions**

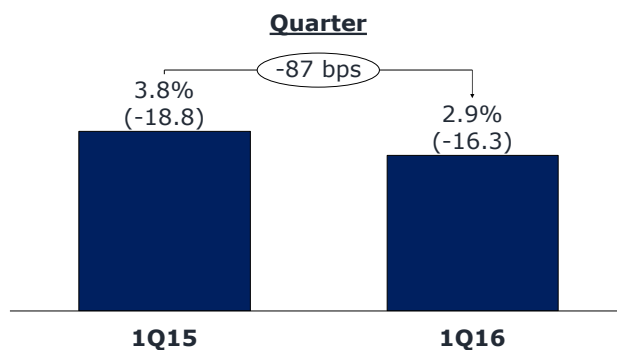
Revenue's taxes remained stable: 6.1% in the 1Q16 compared to 6.2% in the 1Q15.

Allowances and deductions amount to 2.9% of gross revenue, R\$ (16.3 MM), presenting a 87 bps reduction compared to 1Q15.

Provisions related to over 121 days past due cover 66.5% of the amount (65.4% in 1Q15). Accounts unpaid for more than 121 days represent 13.6% of total receivables (17.7% in 1Q15).

Provisions can be reverted if a payment related to receivables due to more than 121 days is identified.

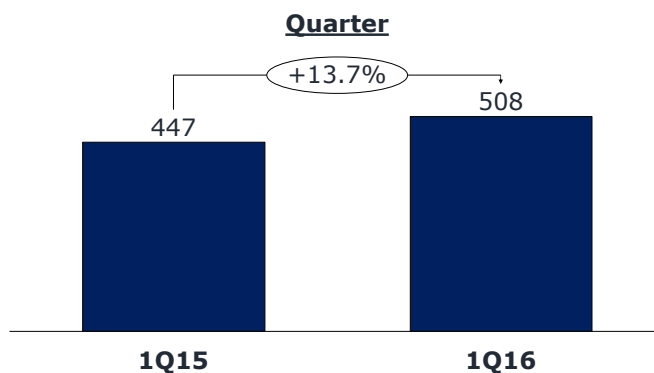
### **Cancellations and deductions (R\$ MM) e Cancellations and deductions/Gross revenue (%)**



### **Net revenue**

Net revenue of R\$ 507.9 MM in the quarter, a 13.7% growth.

### **Net revenue (R\$ MM)**



As a result of growth in gross revenue and deductions in taxes and the reduction of cancellations, the composition of net revenues by business line is as follows:

### **Net revenue breakdown**

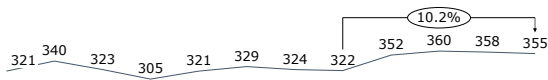
	1Q16		1Q15		△
	R\$ MM	%	R\$ MM	%	
<b>Patient Service Centers</b>	422.4	83.2%	374.2	83.7%	12.9%
<b>Operations in Hospitals</b>	78.1	15.4%	66.5	14.9%	17.5%
<b>Lab to Lab</b>	6.6	1.3%	5.6	1.3%	16.7%
<b>Preventive Medicine</b>	0.9	0.2%	0.6	0.1%	50.5%
<b>Total Net Revenue</b>	<b>507.9</b>	<b>100%</b>	<b>446.9</b>	<b>100%</b>	<b>13.7%</b>

## Cost of Services

The cost of services in the 1Q16 amounted R\$ 355.0 MM, representing 69.9% of net revenue, a 217 bps reduction over the same period in 2015.

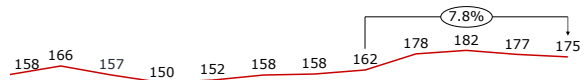
Cost control and productivity improvements reflected in the dilution of fixed costs, mainly in the costs relating to 'Personnel and Medical Services' and 'General Services, Rents and Utilities'.

**Cost of services (R\$ MM)**



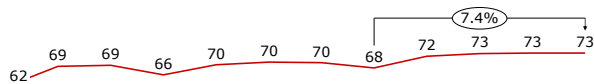
2Q13 3Q13 4Q13 1Q14 2Q14 3Q14 4Q14 1Q15 2Q15 3Q15 4Q15 1Q16

**Personnel and Medical Services (R\$ MM)**



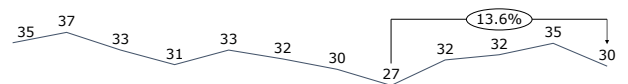
2Q13 3Q13 4Q13 1Q14 2Q14 3Q14 4Q14 1Q15 2Q15 3Q15 4Q15 1Q16

**General Services, rentals and public. (R\$ MM)**



2Q13 3Q13 4Q13 1Q14 2Q14 3Q14 4Q14 1Q15 2Q15 3Q15 4Q15 1Q16

**General (R\$ MM)**



2Q13 3Q13 4Q13 1Q14 2Q14 3Q14 4Q14 1Q15 2Q15 3Q15 4Q15 1Q16

The analysis of the main lines of costs follows below:

- **Personnel and Medical Services (+7.8%)** are the Company's main cost and represent 34.4% of net revenue in the quarter, a 187 bps reduction. Salaries, payroll taxes and medical expenses grew less than revenues and were mainly responsible for the gain in efficiency.
- **General Services, Rentals and Utilities (+7.4%)** represented 14.5% of net revenue, an 84 bps reduction. The efficiency gain in this account can be explained by: (i) the maintenance of values related to PSCs rentals, (ii) maintenance of materials transport-related services and (iii) an increase of only 2.0% of in cleaning and security services.
- **Materials and Outsourcing (+16.3%)** represented 9.7% of net revenue, a 22 bps increase. The increase in relation to net revenue reflects the FX rate impact on the intermediation of tests with laboratories abroad and a higher growth of more sophisticated tests.
- **General expenses (+13.6%)** represented 6.0% of net revenue, the same level registered in 2015.
- **Depreciation and amortization (+21.1%)** amounted 5.3% of net revenue, a 30 bps increase compared to the previous period.

## Cost of Services

	1Q16		1Q15	
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue
Personnel and medical services	175.0	34.4%	162.3	36.3%
General services, rentals and utilities	73.5	14.5%	68.4	15.3%
Materials and outsourcing	49.3	9.7%	42.4	9.5%
General expenses	30.3	6.0%	26.7	6.0%
Depreciation and Amortization	26.9	5.3%	22.2	5.0%
Cost of Services	355.0	69.9%	322.0	72.1%

### Gross profit

Gross profit grew 22.5%, amounting R\$ 152.9 MM, with a 30.1% margin, 217 bps above the margin in 1Q15.

### Operating Expenses

Operating Expenses amount to R\$ 66.1 MM in 1Q16 (13.0% of net revenue vs. 12.9% in 1Q15).

	Excluding non recurring item				Reported
	1Q16		1Q15		1T15
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue	% Net Revenue
General and Administrative (Excl. Depreciation)	44.9	8.8%	44.1	9.9%	9.9%
Depreciation and Amortization	8.2	1.6%	7.4	1.7%	1.7%
Other Operating Income (Expenses), net	8.7	1.7%	4.9	1.1%	6.5%
Provision for Contingency	4.5	0.9%	1.4	0.3%	0.3%
Subsidiaries' share of profits	(0.2)	0.0%	0.1	0.0%	0.0%
Operating Expenses	66.1	13.0%	57.8	12.9%	18.3%

- **General and administrative expenses, excluding depreciation and amortization (+1.8%)** represented 8.8% of net revenue, a 102 bps reduction compared to 1Q15. The reduction in this line is mainly related to efficiency improvement in salaries and payroll taxes that decreased 17.0%.
- **Other income/(expenses)** accumulated R\$ 8.7 MM and represented 1.7% of the net revenue vs. 1.1% in the 1Q15. The main impacts in the 1Q16 were non-cash and related with the review of the taxes recoverable account resulting in a write-off of R\$ 4.6 million
- **Provision for contingencies** accumulated R\$ 4.5 million, impacted by provisions related to labor and tax legal suits.

**Consolidation by the equity equivalence method:** Grupo Papaiz, a dental diagnostic company in São Paulo, was acquired by Grupo Fleury and Odontoprev in the end of 2012. The figures have been reported by the equity equivalence method because the operation is characterized as a Joint Venture and Grupo Fleury holds a 51% stake of the business. Find below the performance in 1Q16:

	1Q16	
	R\$ thousand	% Net Revenues
Net Revenue	3,988.1	
EBITDA	774.8	19.4%
Net Income	443.1	11.1%

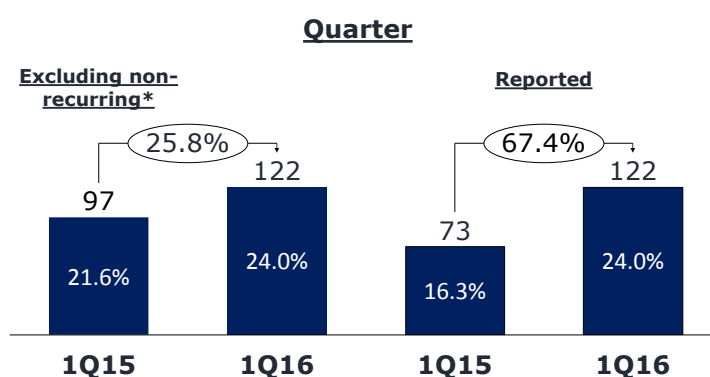


Net Income attributed to Grupo Fleury (51%)	226.0
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### EBITDA

EBITDA reaches R\$ 121.7 MM, with a 24.0% margin, 231 bps higher than 1Q15 when adjusted due to the non-recurring item related to the Health's Solid Waste Tax.

### EBITDA (R\$ MM) and Margin (%)



\* Non-recurring item related to expenditure with the Health's Solid Waste Tax in 1Q15.

	1Q16		1Q15		△
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue	
Net Income	44.7	8.8%	13.4	3.0%	578.9 bps
Financial Result	14.2	2.8%	18.7	4.2%	-140.1 bps
Depreciation and Amortization	35.1	6.9%	29.7	6.6%	27.5 bps
Income Tax and Social Contribution	28.0	5.5%	10.8	2.4%	308.7 bps
Subsidiaries' share of profits	(0.2)	0.0%	0.1	0.0%	-5.8 bps
Reported EBITDA	121.7	24.0%	72.7	16.3%	769.2 bps
Non-recurring	0.0	0.0%	24.1	5.4%	-538.2 bps
EBITDA excluding non-recurring items	121.7	24.0%	96.7	21.6%	231.0 bps

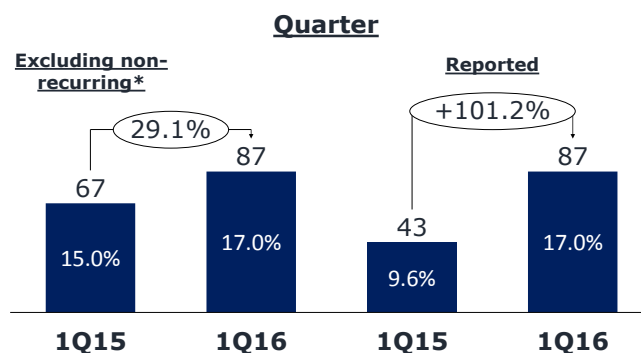
### Segment analysis:

- In PSCs, EBITDA reaches R\$ 106.0 MM in the quarter.
- B2B (Integrated Medicine) EBITDA amounts to R\$ 15.7 MM in the quarter.

## EBIT

It amount R\$ 86.6 MM in 1Q16, a 17.0% margin (15.0% in 1Q15).

### EBIT (R\$ MM) and Margin (%)



\* Non-recurring item related to expenditure with the Health's Solid Waste Tax in 1Q15.

## Financial result

Financial result reaches R\$ (14.2) MM vs. R\$ (15.6) MM in 1Q15. The improvement reflects the Company's increase in its cash position and the consequent rise in revenue from interest on investments.

R\$ MM	Ex. non-recurring item		Reported
	1Q16	1Q15	1Q15
Net financial result	(14.2)	(15.6)	(18.7)
Financial income	22.7	16.8	16.8
Interest and inflation adjustment	2.5	2.5	2.5
Exchange rate change and hedge	0.1	0.0	0.0
Interest received	21.3	14.2	14.2
Other	(1.1)	0.1	0.1
Financial expenses	(36.9)	(32.3)	(35.5)
Interest and inflation adjustment	(36.0)	(31.2)	(34.4)
Exchange rate change and hedge	(0.1)	(0.2)	(0.2)
Other expenses	(0.9)	(0.9)	(0.9)

## Financing

The Company issued three series of debentures, amounting to R\$ 950 million to be paid until February, 2020 as follows:

1st Issuance (First Series): R\$ 150 MM; maturity in 2016; remuneration of CDI + 0.94% per year.

1st Issuance (Second Series): R\$ 300 MM; maturity in 2018; remuneration of CDI + 1.20% per year.

2nd Issuance: R\$ 500 MM; maturity in 2020; remuneration of CDI + 0.85% per year.

The amortization of the 1<sup>st</sup> issuance's principals occurred in the 4Q14 and 4Q15, corresponding to R\$ 100 million. Additionally, it accumulated R\$ 58.2 million and R\$ 133.4 million related to amortization of interest on the 1<sup>st</sup> and 2<sup>nd</sup> series, respectively.

In August 2014, the Company signed a contract for a loan of R\$ 155 MM with FINEP (Funding of Studies and Projects). Of this amount, R\$ 101.7 MM was released in October 2014. The payment of the loan will be done in 97 months (24 months of grace period and 73 months for principal repayments), from the signing the contract, with an annual interest rate of 4%.

This loan is related to projects like: (i) expansion plan; (ii) technologies to increase productivity; (iii) development of the attendance process; (iv) education and staff development.

R\$ MM	1Q15	4Q15	1Q16	Next 12 months
Gross Debt (Loans and Financing )	1,035.2	990.0	983.7	186.9
Cash & Cash Equivalents	(471.0)	(624.6)	(651.4)	
<b>Net Debt debt - Cash and Cash Equivalents</b> (Gross)	<b>564.2</b>	<b>365.4</b>	<b>332.3</b>	
Net Debt / EBITDA LTM	1.8	1.0	0.8	
EBITDA LTM / Financial Result LTM	4.7	5.7	6.9	
Net Debt / Adjusted EBITDA LTM	1.7	1.0		
Adjusted EBITDA LTM / Adjusted Financial Result LTM	5.3	6.4		

## Income Tax and Social Contribution

The effective rate of income tax and social contribution was 38.5% (vs. 44.6 % in 1Q15) totaling an R\$ 28.0 MM tax (R\$ 8.4 MM current). In 1Q16 the effective rate was negatively impacted by 206 bps due to non-deductible expense related to the review in the recoverable taxes account.

(R\$ MM)	1Q16	1Q15
Earnings Before Taxes (EBT)	72.6	24.2
Expected taxes (standard rate of 34%)	24.7	8.2
Non-deductible expenses	3.0	2.3
Subsidiaries' share of profits	0.2	0.3
Income tax and social contribution	28.0	10.8
% EBT	38.5%	44.6%
Current	8.4	1.5
Deferred	19.6	9.3

The Company has been taking benefit for tax purposes of the amortization of goodwill from acquisitions and tax losses. Below we inform the expectation for the amortization of goodwill for tax purposes.

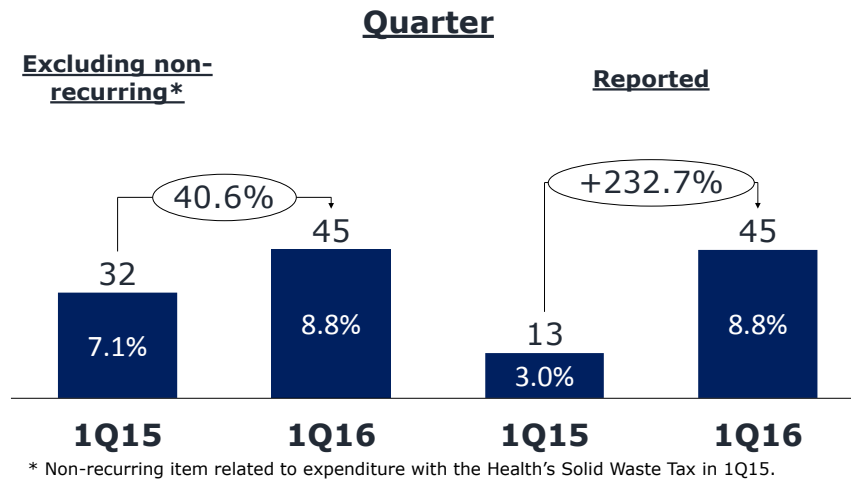
Expected Amortization of Goodwill	
Period	Balance R\$ MM
9M16	123
2017	159

## Net income

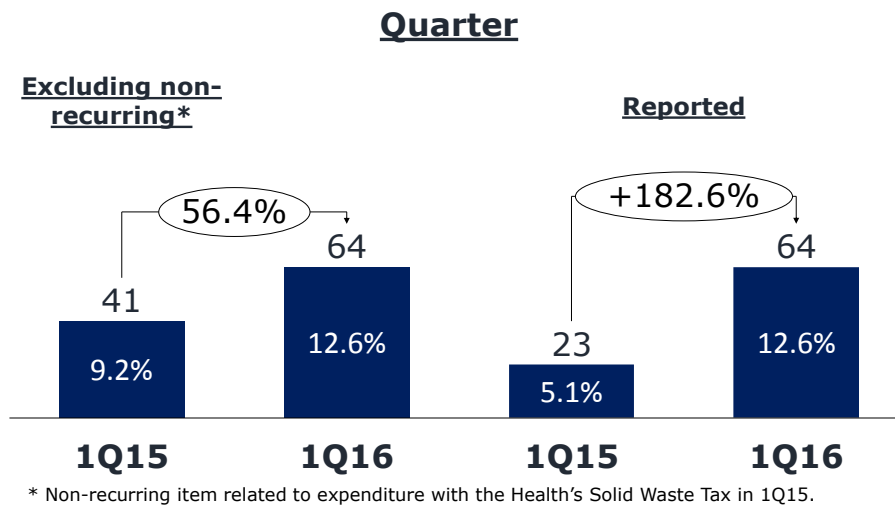
Net income expanded 40.6% in the comparison between quarters, reaching R\$ 44.7 MM and an 8.8% margin (7.1% in 1Q15).

Excluding the impact of deferred taxes (net cash income), the result is R\$ 64.2 MM with a 12.6% margin.

### Net income (R\$ MM) and Margin (%)



### Net cash income (R\$ MM) and Margin (%)



## Cash flow

The operating cash flow was R\$ 74.0 million in the quarter with a growth of 11.7 times compared to the same period last year.

This result is positively impacted by the expansion of 64.7% in the net income before non-cash effects and the improvement in working capital, mainly in the accounts receivable, which reflected the reduction in average collection period of 87 days in the 1Q15 to 73 days in 1Q16.

R\$ MM	1Q16	1Q15	Δ
<b>Net Income</b>	<b>44.7</b>	<b>13.4</b>	<b>233%</b>
<b>Items not affecting cash:</b>			
Finance Income	14.2	18.7	-24.3%
Depreciation and amortization	35.1	29.7	18.4%
Income tax and social contribution	28.0	10.8	158.9%
Provisions (Reversals)	28.1	18.8	49.9%
Others	8.7	5.0	74.7%
<b>Net Income before non-cash effects</b>	<b>158.7</b>	<b>96.4</b>	<b>64.7%</b>
<b>Δ Working capital:</b>			
Trade accounts receivables	(56.5)	(89.1)	36.5%
Suppliers	(8.3)	(19.0)	56.3%
Salaries / Charges	(17.5)	5.8	-403.6%
Others Assets and Liabilities	4.7	13.2	-64.5%
<b>Other Operating Cash Flow:</b>			
Financial Expenses paid	(1.0)	(0.8)	-24.1%
Income tax and social contribution paid with credits	(6.2)	(0.2)	-3745.3%
<b>Operating Cash Flow</b>	<b>74.0</b>	<b>6.3</b>	<b>1074.7%</b>
<b>Investment Activities:</b>			
Others Investments Activities	(25.6)	(17.2)	-48.7%
Acquisitions	(5.2)	(5.2)	0.1%
<b>Financing Activities</b>			
Others Financing Activities	(16.3)	(18.2)	10.3%
Dividends and/or interest on own capital	0.0	0.0	0.0%
<b>Cash Flow</b>	<b>26.9</b>	<b>(34.3)</b>	<b>178.3%</b>
<b>Conversion (Operating Cash Flow / EBITDA)</b>	<b>61%</b>	<b>9%</b>	<b>5213.8 bps</b>

## Account Receivables

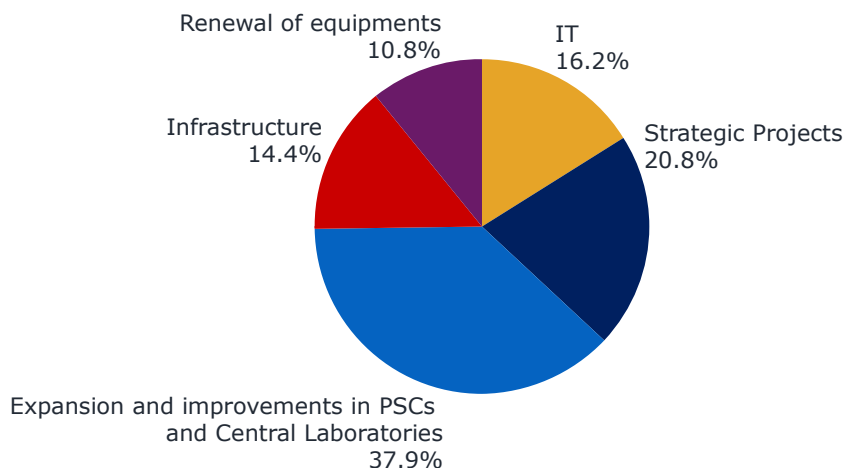
Comparing quarters, there is an improvement in the aging profile with current receivables accounting for 75.1% of the total compared to 60.1% in 1Q15. The amount over 121 days decreased from 17.7% to 13.6% in this quarter.

R\$ MM	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Trade Receivables	497.0	495.0	440.4	524.6	497.9	482.5	442.7	481.9
- Current	259.2	281.4	258.3	315.2	334.1	352.2	323.6	362.1
- Up to 120 days past due	79.7	103.0	102.4	116.6	77.3	57.8	54.0	54.2
- 121 to 360 days past due	68.2	59.2	50.6	54.8	50.6	42.7	37.8	40.9
- Over 360 days past due	89.9	51.4	29.1	37.9	35.9	29.7	27.3	24.8
Sales Deductions Provisions	(103.9)	(73.3)	(50.2)	(60.7)	(60.3)	(49.6)	(45.1)	(43.7)
Total	393.1	421.7	390.2	463.9	437.6	432.8	397.5	438.3
Current / Trade Receivables	52.2%	56.9%	58.6%	60.1%	67.1%	73.0%	73.1%	75.1%
Up to 120 days past due/ Trade Receivable	16.0%	20.8%	23.3%	22.2%	15.5%	12.0%	12.2%	11.3%
Over 121 days past due / Trade Receivable	31.8%	22.3%	18.1%	17.7%	17.4%	15.0%	14.7%	13.6%
Provisions / Over 121 days past due	65.7%	66.3%	63.0%	65.4%	69.7%	68.6%	69.3%	66.5%

## Investments

CAPEX (additions to fixed and intangible assets) totaled R\$ 25.1 MM, mainly concentrated in (i) expansion and improvements in PSCs and central laboratories, (ii) strategic projects and (iii) IT.

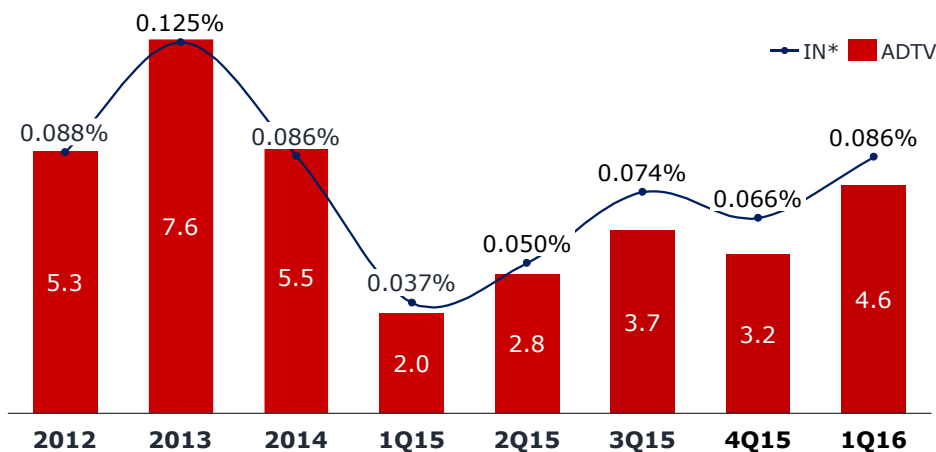
### 1Q16 (R\$ 25.1 MM)



## Stock Market Performance

Fleury shares (BM&FBOVESPA: FLRY3) end up the 1Q16 at R\$ 21.55, a 34.7% increase when compared to 1Q15. Average Daily Trade Volume (ADTV) in period was R\$ 4.6 MM, 130% higher than the same period in 2015.

### Average Daily Trade Volume (ADTV) – R\$ MM



\* Negotiability Index

## Investor Relations Department

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## Performance Indicators

Income Statement	Description	Unit	2Q14	3Q14	4Q14	1Q15*	2Q15	3Q15	4Q15	1Q16
Gross Revenue	Gross Revenue	R\$ MM	462	505	470	497	532	547	522	559
Net Revenue	Gross Revenue - Tax (ISS and PIS/COFINS) - Cancellations	R\$ MM	409	452	423	447	480	496	473	508
COGS	Personnel and Medical Services + Materials and Outsourcing + General Services, Rent and Utilities + General Expenses + Depreciation and Amortization	R\$ MM	(321)	(329)	(324)	(322)	(352)	(360)	(358)	(355)
SG&A	Does not include Other Operating Expenses / Revenues neither Contingency Provisions	R\$ MM	(47)	(50)	(61)	(52)	(54)	(58)	(59)	(53)
EBIT	Earnings Before Interest and Taxes	R\$ MM	41.3	68.6	39.8	67.1	67.5	70.6	54.4	86.6
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization	R\$ MM	70	98	69	97	98	102	85	122
Net Finance Income	Interest Revenue - Interest Expenses	R\$ MM	(15.7)	(16.5)	(14.4)	(15.6)	(15.0)	(15.9)	(13.4)	(14.2)
Net Income	Net Income	R\$ MM	16	31	12	32	33	35	26	45
Net Cash Income	Net Income - Deferred income tax		26	52	25	41	46	50	38	64

Cancellation Index	Cancellations / Gross Revenue	%	-5.1%	-4.0%	-3.8%	-3.8%	-3.6%	-3.2%	-3.1%	-2.9%
Gross Margin	Gross Profit / Net Revenue	%	21.5%	27.2%	23.3%	27.9%	26.7%	27.3%	24.3%	30.1%
EBIT Margin	Earnings Before Interest and Tax / Net Revenue	%	10.1%	15.2%	9.4%	15.0%	14.1%	14.3%	11.5%	17.0%
EBITDA Margin	Earnings Before Interest, Tax, Depreciation and Amortization / Net Revenue	%	17.0%	21.6%	16.3%	21.6%	20.5%	20.6%	18.0%	24.0%
Effective Tax Rate	Current Tax / Earnings Before Tax	%	-36.4%	-40.6%	-51.0%	-44.6%	-37.4%	-35.8%	-36.8%	-38.5%
Net Margin	Net Profit / Net Revenue	%	4.0%	6.9%	2.9%	7.1%	6.9%	7.1%	5.5%	8.8%
Net Cash Income Margin	(Net Income - Deferred income tax) / Net Revenue	%	6.3%	11.5%	6.0%	9.2%	9.7%	10.1%	8.0%	12.6%

### Market and Multiples

Price	Closing price in the last day of the quarter	R\$	16.8	14.2	16.3	16.0	18.3	16.3	16.0	21.6
P/E LTM (Price-to-Earnings Ratio)	Quarter Closing Price / Net Cash Income LTM	Multiple	28.9	20.5	19.5	17.3	17.4	15.6	14.3	17.0
P/B (Price-to-Book Ratio)	Quarter Closing Price / (Asset excl. Intangibles)	Multiple	1.6	1.3	1.6	1.5	1.6	1.4	1.5	1.9
EV / EBITDA LTM	(Market Capitalization + Short and Long Term Debt - Cash and Equivalents) / EBITDA LTM	Multiple	12.3	9.7	10.3	9.2	9.3	8.1	7.5	9.1

### Financial Debt

Cash & Equivalents	Cash & Equivalents	R\$ MM	482	519	505	471	544	617	625	651
Gross Debt	Short and Long Term Debts (Borrowings and Debentures)	R\$ MM	985	985	1,039	1,035	1,039	1,038	990	984
Net Debt	Gross Debt - Cash and Cash equivalents	R\$ MM	503	466	534	564	494	421	365	332
Net Debt / EBITDA LTM	(Gross Debt - Cash and Cash equivalents) / EBITDA LTM	R\$ MM	2.0	1.7	1.8	1.7	1.4	1.1	1.0	0.8

### Profitability and Return

ROIC without Goodwill (LTM)	NOPAT LTM (tax= 34%) / Capital Employed (Shareholders Equity + Net Debt - Goodwill and Customer Contracts)	%	11.8%	13.4%	15.3%	17.0%	20.0%	20.7%	22.9%	23.7%
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\* 1Q15 results were adjusted by non-recurring item: joining of the Company to the Installment Incentive Program of São Paulo City Hall to settle debts related to Health's Solid Waste Tax (TRSS). The agreement covered the debts from 2003 to 2013 and recognized the 2014 year liabilities, totaling R\$ 27.2MM, already considered the discounts of 75% fine and 85% interest set out in that program. Impact in EBITDA was R\$ (24.1MM) and in net profit it was R\$ (18.3MM).

**FLEURY S.A. CONSOLIDATED  
BALANCE SHEETS AS AT MARCH 31, 2016 AND MARCH 31, 2015  
(In thousands of Brazilian - R\$)**

	Consolidated	
	3/31/2016	12/31/2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	651,448	624,586
Derivative financial Instruments	3	
Marketable Securities	5,220	4,703
Trades receivables	438,256	397,521
Inventories	12,780	16,406
Taxes recoverable	71,276	74,913
Other assets	26,717	14,081
<b>Total current assets</b>	<b>1,205,700</b>	<b>1,132,211</b>
<b>Non-current Assets</b>		
Taxes recoverable	-	14,758
Judicial deposits	42,079	42,238
Receivables	31,052	31,052
Other assets	19,452	19,205
<b>Total long-term assets</b>	<b>92,583</b>	<b>107,253</b>
<b>Fixed Assets</b>		
Investments	7,860	7,634
Property and equipment	435,480	443,183
Intangible assets	1,510,440	1,513,717
<b>Total non-current assets</b>	<b>2,046,362</b>	<b>2,071,789</b>
<b>Total Assets</b>	<b>3,252,063</b>	<b>3,203,999</b>
<b>Equity and Liabilities</b>		
<b>Current Liabilities</b>		
Debentures	173,893	179,343
Financing	12,997	9,080
Derivative Financial Instruments	25	-
Trade payables	102,298	104,517
Payroll and related taxes	73,709	83,890
Taxes and contributions payable	28,076	24,949
Payables - business acquisitions	306	4,616
Other payables	10,755	11,263
<b>Total current liabilities</b>	<b>402,059</b>	<b>417,658</b>
<b>Non-current Liabilities</b>		
Debentures	700,000	700,000
Financing	96,813	101,604
Deferred income tax and social contribution	260,534	240,951
Provision for tax, labor and civil risks	35,921	33,759
Taxes and contributions payable	47,558	48,095
Payables - business acquisitions	8,681	6,491
<b>Total non-current liabilities</b>	<b>1,149,506</b>	<b>1,130,900</b>
<b>Equity</b>		
Share capital	1,379,747	1,379,747
Capital reserve - stock options	5,670	5,709
Revaluation reserve	225	242
Legal reserve	43,213	43,213
Investment reserve	216,215	215,762
Period Profit	44,661	-
Additional dividend proposed	10,766	10,766
<b>Total Equity</b>	<b>1,700,497</b>	<b>1,655,439</b>
<b>Total Liabilities and Equity</b>	<b>3,252,063</b>	<b>3,203,997</b>

**FLEURY S.A. CONSOLIDATED  
NET INCOME STATEMENT FOR THE PERIODS ENDED MARCH 31, 2016 AND MARCH 31, 2015  
(In thousands of Brazilian - R\$)**

	<b>Consolidated</b>	
	<b><u>1Q16</u></b>	<b><u>1Q15</u></b>
<b>Service revenue</b>	<b>507,945</b>	<b>446,896</b>
Cost of services	(355,006)	(322,030)
<b>Gross Profit</b>	<b>152,939</b>	<b>124,866</b>
Operating (expenses) income		
General and administrative expenses	(44,915)	(44,074)
Depreciation and Amortization	(8,195)	(7,441)
Other operating income (expenses), net	(8,747)	(28,977)
Provision for tax, labor and civil risks	(4,506)	(1,354)
Share of profits (losses) of subsidiaries/ investees	226	(59)
<b>Operating profit before finance income (costs)</b>	<b>86,802</b>	<b>42,962</b>
Finance income	22,724	16,773
Finance costs	(36,915)	(35,517)
<b>Finance costs, net</b>	<b>(14,190)</b>	<b>(18,744)</b>
<b>Profit before income tax and social contribution</b>	<b>72,612</b>	<b>24,218</b>
Income tax and social contribution:		
Current	(8,368)	(1,481)
Deferred	(19,584)	(9,313)
<b>Profit for the period</b>	<b>44,661</b>	<b>13,424</b>
<b>Earnings per share attributable to owners of the Company</b>		
Basic earnings per share (weighted average)	<b>0.29</b>	<b>0.09</b>
Diluted earnings per share (weighted average)	<b><u>0.28</u></b>	<b><u>0.09</u></b>

**FLEURY S.A. CONSOLIDATED  
STATEMENTS OF CHANGES IN EQUITY (CONSOLIDATED) FOR THE PERIOD ENDED MARCH  
31, 2016 (In thousands of Brazilian - R\$)**

	Capital		Capital Reserve			Investment Reserve		Additional dividend proposed	Equity
	Capital	Share issue costs	Stock options	Revaluation reserve	Legal Reserve	Investment Reserve	Period Net Profit		
<b>Balances at 12/31/2015</b>	<b>1,402,531</b>	<b>(22,784)</b>	<b>5,709</b>	<b>242</b>	<b>43,213</b>	<b>215,762</b>	<b>-</b>	<b>10,766</b>	<b>1,655,439</b>
Realization of revaluation reserve	-	-	-	(17)	-	17	-	-	-
Stock option plan	-	-	(39)	-	-	436	-	-	397
Profit for the period (R\$ 0.29 per share)	-	-	-	-	-	-	44,661	-	44,661
<b>Balances at 03/31/2016</b>	<b>1,402,531</b>	<b>(22,784)</b>	<b>5,670</b>	<b>225</b>	<b>43,213</b>	<b>216,215</b>	<b>44,661</b>	<b>10,766</b>	<b>1,700,497</b>

**FLEURY S.A. CONSOLIDATED  
STATEMENTS OF CASH FLOWS  
FOR THE PERIODS ENDED MARCH 31, 2016 AND MARCH 31, 2015  
(In thousands of Brazilian - R\$)**

	<b>Consolidated</b>	
	<b>1Q16</b>	<b>1Q15</b>
<b>Profit for the period</b>	<b>44,661</b>	<b>13,424</b>
<b>Items not affecting cash:</b>		
Income tax and social contribution	27,951	10,795
Finance income (costs)	14,190	18,744
Depreciation and amortization	35,120	29,671
Share of profits (losses) of subsidiaries/ investees	(226)	59
<b>Earnings before interest, taxes, depreciation and amortization</b>	<b>121,696</b>	<b>72,693</b>
Stock option plan	397	682
Recognition (reversal) of provision for tax, labor and civil risks	4,506	1,354
Allowance for doubtful debts and disallowances	15,793	15,353
Profit sharing	7,430	1,379
Others	8,924	4,920
<b>Cash flows from operating activities before changes in assets and liabilities</b>	<b>158,747</b>	<b>96,381</b>
Trade receivables	(56,536)	(89,097)
Inventories	3,508	3,367
Trade payables	(8,307)	(18,990)
Payroll and related taxes	(17,461)	5,751
Changes in other assets	4,546	(14,424)
Changes in other liabilities	(3,357)	24,271
<b>Total changes in assets and liabilities</b>	<b>(77,607)</b>	<b>(89,122)</b>
Finance costs paid	(993)	(800)
Income tax and social contribution paid	(6,153)	(160)
<b>Net cash provided by operating activities</b>	<b>73,996</b>	<b>6,299</b>
Purchase of property and equipment and IT systems	(25,107)	(17,228)
Marketable Securities	(516)	-
Payments of acquired businesses	(5,205)	(5,208)
<b>Net cash (used in) investing activities</b>	<b>(30,828)</b>	<b>(22,436)</b>
Amortization borrowings and debentures	(909)	(909)
Interest paid on borrowings	(1,114)	(1,149)
Interest paid on debentures	(35,538)	(30,294)
Interest received on financial investments	21,255	14,174
<b>Net cash (used in) financing activities</b>	<b>(16,305)</b>	<b>(18,178)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>26,862</b>	<b>(34,315)</b>
<b>Cash and cash equivalents</b>		
At the beginning of the period	624,586	505,274
At the end of the period	651,448	470,959
<b>Increase (decrease) in cash and cash equivalents</b>	<b>26,862</b>	<b>(34,315)</b>

**FLEURY S.A. CONSOLIDATED  
STATEMENTS OF VALUE ADDED  
FOR THE PERIODS ENDED MARCH 31, 2016 AND MARCH 31, 2015  
(In thousands of Brazilian - R\$)**

	<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/03/2015</b>
<b>Revenues</b>	<b>548,189</b>	<b>480,806</b>
Sales of goods and services	558,561	496,650
Allowance for doubtful debts and disallowances	(15,794)	(16,952)
Other revenues	5,422	1,108
<b>Inputs purchased from third parties</b>	<b>(198,388)</b>	<b>(177,901)</b>
Cost of sales and services	(148,773)	(135,519)
Materials, electric power, outsourcing services and other	(49,498)	(42,308)
Losses/Recovery of assets	(117)	(74)
<b>Gross value added</b>	<b>349,801</b>	<b>302,905</b>
Depreciation and amortization	(35,122)	(29,672)
<b>Net value added</b>	<b>314,679</b>	<b>273,233</b>
<b>Value added received through transfer</b>	<b>22,950</b>	<b>16,714</b>
Share of profits (losses) of subsidiaries/ investees	226	(59)
Finance income	22,724	16,773
<b>Total value added</b>	<b>337,629</b>	<b>289,947</b>
<b>Distribution of value added</b>	<b>(337,629)</b>	<b>(289,947)</b>
Personnel and payroll charges	(138,829)	(131,592)
Taxes and contributions	(64,329)	(43,624)
Interest, rentals and other operating expenses	(89,810)	(101,307)
Retained earnings	(44,661)	(13,424)

