

Management Report

2017



Summary

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Message from Management

With a consolidated position in medical, technical and customer service excellence, built throughout its 90-year history, Fleury Group focused, in 2017, on the execution of its expansion plan aimed to integrate into the Company's portfolio, strategic units that would increase its offering of differentiated quality services along with brand convenience for our clients and medical community.

Within this context, during 2017 we added 30 new Patient Service Centers (PSCs) in the Fleury and a+ brands in São Paulo, the Felipe Mattoso and Labs a+ brands in Rio de Janeiro, the a+ brand in Paraná, the a+ brand in Brasília, and the Weinmann brand in Rio Grande do Sul. Since the beginning of our expansion plan in October 2016 up until February 2018, we opened 34 new PSCs. These launches correspond to one new unit every 11 days, demonstrating the strong execution capacity that will surely allow us to complete the plan that foresees the launch of 73 to 90 units by the year 2021.

This increase in capillarity is aligned with our continuous investments in our already recognized medical, technical and service excellence. Within this context, we continue to develop operational efficiency projects, such as the Lean, Workforce Management and Telemetry projects, which, by redesigning processes within the units, optimizes customer services, reduces waiting times and improves our clients' overall experience. As a result, we noticed a significant increase in NPS (Net Promoter Score), a metric that evaluates the recommendation of our services by our clients. In 2017, this indicator improved by 455 bps when compared to the previous year, reaching 76.8%.

At the same time, we continue to develop innovative projects in the healthcare segment, such as the launch of the Genômica portal (www.fleurygenomica.com.br), which offers access to Grupo Fleury's genetic tests to clients nationwide and also provides extensive technical content, with access to medical publications prepared by Grupo Fleury's medical team upon request by physicians. This is an important step that further consolidates the Company's leading position in the personalized and precision medicine segment, with a complete portfolio of exams, a dedicated medical team that provides advice to requesting physicians, and a digital platform to offer these exams.

Looking forward, we continue to consolidate our digital positioning, offering our clients and doctors solutions that optimize services and access to our services through different platforms. Among them, we highlight the apps available for online scheduling of exams, access to test results and with detailed information about our portfolio of exams.

Regarding capital markets, we highlight the divestiture of the 14.5% stake held by the private equity fund, Advent International (Advent), in the share capital of Grupo Fleury. The transaction was carried out through a block trade at the Brazilian Stock Exchange ("B3") on September 20, 2017 with the subsequent resignation of the two members of the Board of Directors appointed by Advent. The shares that made up the block trade were widely distributed in the market, mostly among local funds, increasing the adjusted free float, from 44.9% to 59.4%, of our total outstanding shares. The equity stake held by Bradesco Seguros (Bradseg) and the founding physicians remained unchanged with the transaction, at 16.3% and 24.3%, respectively.

Surely, our firm commitment to management excellence, based on robust corporate governance and high execution capacity, will continue to benefit current and new shareholders.

Still during the year, in November 2017, we raised R\$300 million through our 3rd debentures issue, reinforcing our cash positioning to face the expansion plan. The Board of Directors approved, in meetings held on July 27, 2017, December 26, 2017 and March 3, 2018, a total of R\$304.6 million in shareholder remuneration, of which R\$204.2 million as dividends and R\$100.3 million as interest on shareholder's equity, corresponding to a payout ratio of 95% and dividend yield of 3.1%

The past year was also marked by important acknowledgments, such as the 2017 Pro-Ethics seal, issued by the Pro-Ethics Executive Secretariat attached to the Federal Controller's Office, recognizing our commitment to ethics, integrity and transparency in the management of the Company. Only 23 companies were awarded the seal, including public and privately-held companies, which endorses the many actions developed internally to disseminate the concepts and practices of Compliance and Ethics among employees and physicians. For the second consecutive year, we were voted by the National Association of Finance, Administration and Accounting Executives (ANEFAC) one of the leading companies for clarity and disclosure of financial information. These recognitions demonstrate our constant performance towards a more ethical and transparent corporate environment.

We also announced, in September 2017, the acquisition of 100% of Serdil, a company with 45 years of experience and recognized reputation in medical imaging exams in the city of Porto Alegre, Rio Grande do Sul. This acquisition allows us to complement the services currently offer in the region and reinforces our positioning with a complete portfolio in the medical diagnostics segment.

As a result of these initiatives, Grupo Fleury ended the year with increases throughout its income statement. Gross revenue was up by 12.4%, reaching R\$2.6 billion, and net revenue increased 13.7%, due to a reduction in cancellations, which was 1.7% for the period. EBITDA increased 28.1% in the period, with EBITDA margin increasing by 292 bps, reaching 26.0%. Net income was R\$320.2 million, a 40.2% increase compared to the previous year.

In view of a macroeconomic scenario that is initiating a recovery, we believe that the increase in capillarity and supply offered by the opening of new PSCs will allow us to continue to expand our differentiation strategy by offering technical, medical and service excellence which has characterized our services for over nine decades.

This consolidated position, combined with the development of innovative products that deliver precision and personalized medical care, will further enhance our competitive capacity, generating value to all stakeholders in the healthcare chain.

Marcos Bosi Ferraz
Chairman of the Board of Directors

Carlos Marinelli
Chief Executive Officer of Grupo Fleury

Macroeconomic and healthcare industry scenario

Although the Brazilian economic environment is still challenging and the number of private health plan beneficiaries has declined, revenue grew in all our operating segments

According to the National Regulatory Agency for Private Health Insurance and Plans (ANS), as of November 2017, the number of private healthcare plan beneficiaries fell by approximately 420 thousand when compared to 2016. According to the Brazilian Institute of Geography and Statistics (IBGE), 13 million individuals were unemployed in the end of 2017, corresponding to an unemployment rate of 12.7%. Despite the record figures, improvement in quarterly unemployment indicators have been reported. The decline in the number of healthcare plan beneficiaries was related to the unemployment rate, as most plans are corporate, i.e. offered by companies to their employees.

The number of private healthcare beneficiaries totaled 47.3 million in November 2017, down 0.8% compared to 2016, according to the ANS. According to data provided by ANS, as of September 2017, 66.5% of the beneficiaries had a corporate group plan, 19.5% had an individual or family plan, 13.6% had a collective membership plan; and 0.4% did not say the type of plan they had. In 2017, the ANS authorized a price increase of up to 13.55% in individual or family healthcare plans, related to the period between May 2017 and April 2018.

Although the economic environment and the private health sector scenario deteriorated in 2017, we continued to record growth in all our brands and business lines. The Group's gross revenue grew by 12.4%, with increases of 12.5% in PSCs and 12.3% in hospital operations. We attribute this performance to the fact that we are positioned in the intermediary and premium segments, which we consider to be more resilient within the private healthcare sector, and to the excellent products and services we offer.

About Grupo Fleury

"To be present in people's day-to-day lives, welcoming them and providing them with integrated medical and healthcare solutions through knowledge and the constant pursuit of excellence."

With this underlying purpose, Grupo Fleury is one of the most traditional medical and health organizations in the country. With more than 90 years of history, the Company is considered a reference by the medical community, patients and public opinion for its medical and healthcare excellence, innovation and sustainable development.

The Company has three main business segments:

- **Patient Service Centers:** There are 168 units in the states of São Paulo, Rio de Janeiro, Rio Grande do Sul, Pernambuco, Bahia, Paraná and the Federal District, providing private medical diagnostics for premium and upper-intermediary healthcare plans.
- **Diagnostic Operations in Hospitals:** Diagnostics services for 22 partner hospitals, more focused on clinical analysis, providing high value-added diagnostics for the physicians of these institutions.
- **Reference Laboratory (Lab2Lab):** High complexity tests for laboratories, hospitals and clinics throughout Brazil, enabling these customers to expand their offerings with unique diagnostic quality.

Grupo Fleury in numbers of 2017:

R\$2.6 billion revenue and **R\$320.6 million** net income;

68.5 million exams performed, **213.7 thousand** medical advisory consultations and **78.9 thousand** integrated reports;

+ **3,5 thousand** tests offered in 37 areas;

8,7 thousand employees and **2 thousand** physicians;

7 brands present in the major metropolitan areas of Brazil and positioned in the premium, intermediate-high and intermediate segments



clinica felippe mattoso



Corporate sustainability

Grupo Fleury acts as a supportive agent and advisor in the individuals' relationship with their health, as well as driving innovation, integration and efficient use of resources and healthcare services in Brazil.

For Grupo Fleury, sustainability has a direct link with the Company's mission and is understood as the integrated and balanced management of the elements of the triple bottom line concept: economic activity, environment and society's well-being, combined with quality process .

The strategic sustainability agenda aims to leverage the sustainability value through proprietary issues of the healthcare segment. These were selected together with our main stakeholders in order to generate organizational learning, business opportunities, innovation and competitive advantage - concepts that are already present in Grupo Fleury's business strategy. The agenda addresses current challenges of the Brazilian healthcare market, transforming them into motivators to create shared value among stakeholders.



Grupo Fleury maps, monitors and clearly knows its responsibilities towards society in the regions where it operates, seeking to strengthen its relationship and minimize any possible [negative] impacts of its operations through several social programs. In this context, it highlights the *Voluntários do Sertão* project, organized by the Non-Government Organization of the same name, which promotes social welfare, health, nutrition and food safety for communities in the Brazilian countryside. In 2017, Grupo Fleury volunteers went to Irecê, in the State of Bahia, and provided more than 4,000 exams to the population. The exams offered included mammograms, ultrasounds, electrocardiograms, clinical analysis, in addition to exams for women, such as colposcopy and vulvoscopy.

The volunteers were also present at regional schools, applying the *Conecta Saúde* game to 325 young individuals. The *Conecta Saúde* project aims to raise awareness in public school students on issues related to teenage pregnancy and STDs (Sexually Transmitted Diseases). The project is operating in São Paulo, Paraná, Bahia, Pernambuco and Rio Grande do Sul, reaching over 700 people in 2017.

Another initiative by the Company, the DOM project, is focused on the dissemination of knowledge and health education, which is in line with the Group's corporate social responsibility efforts. This

initiative is divided into three fronts - individuals, the third sector and society - the program seeks to improve healthcare services, to train qualified professionals and make a broader contribution to improving the healthcare scenario. In 2017, 11 institutions were trained under the DOM project.

It is also worth mentioning the Company's medical volunteer programs, in partnerships with two institutions, Doutores de Águas and Amigos do Bem. The first, involved voluntary analyzes of parasitological exams to the riverside population of Rio Negro, in the Amazon, and the second aimed at a health task force in pediatrics in the Catimbau valley, in the countryside of Pernambuco, in the northeast. Together, these initiatives carried out 2,5 thousand tests for the populations served in the programs.

Another highlight was the realization of healthcare efforts in the cities in which the Company operates. In October, the month that marks the fight against breast cancer, the regional offices of Rio de Janeiro, Bahia and São Paulo opened the doors of their PSCs for the voluntary care of patients from the public healthcare chain, including federal and state public hospitals and philanthropic institutions, performing a total of 1,3 thousand exams. In November, as a way to reinforce the importance of preventive exams in the prevention of prostate cancer, our PSCs in Pernambuco performed a total of 224 exams for male patients of the public healthcare network.

Environment

Grupo Fleury monitors and controls the segregation, disposal, storage and transportation of hazardous and non-hazardous waste from its operations. Waste is disposed of in accordance with its type and based on criteria in line with the procedures of the Environmental Management System and with the current law.

Since 2008, the Company prepares and publishes, in the Public Registry of Emissions of the GHG Protocol, the annual inventory of its direct and indirect emissions of greenhouse gases (GHGs). Each year, there are advances in the collection of data and an expansion of the reported scope, which includes emissions from air travel and fuel consumption in the transport of materials, paper consumption in the administrative areas and outsourced transportation.

The inventory of 2017 will be published in the first half of 2018. In 2016, there was an increase in emissions of Scope 1, a result of the exchange of air-conditioning chillers at the technical headquarters in São Paulo for equipment that uses gas and also because of the increase in the scope of upstream transportation. However, Scope 2 emissions declined by 43% compared to 2015. This reflects the Group's investment in the reduction of emissions related to energy consumption, as well as initiatives to reduce the volume of GHG emissions in transport, such as the reduction of air travel, the use of bicycles to transport administrative documents and the reduction of logistics routes.

Since 2014, Grupo Fleury Group has been adopting a series of measures aimed at energy efficiency. Among such measures, we highlight the purchase of renewable energies, advances in telemetry, installation of LED lighting, exchange of equipment for models with lower energy consumption or Energy Star seal, purchase of energy in the free market and initiatives to raise employee awareness on the need for rational use of resources. Other measures are being studied, such as the installation of solar energy.

We also present below a comparison of energy, water consumption and waste generation indicators. In comparison with 2016, there was an absolute increase of 4% in energy consumption and 7% in water consumption, as a result of the accelerated organic expansion of the Company in 2017. As for the total generation of waste, there was a reduction of 22%, resulting from actions such as the improvement in the measurement process in the Rio de Janeiro units and the "Sustainable Challenge" project, a competition among the units with the lowest generation of waste, which started in São Paulo in 2016, and expanded to Pernambuco and Rio Grande do Sul in 2017. In 2018, this program will be implemented in the regions of Bahia and Paraná.

Indicator	2017	2017 vs. 2016	2016	2016 vs. 2015	2015
Electricity (KWh)	45,678,455.76	4%	43,833,823	-4%	45,676,156
Water consumption (m3)	132,818.30	7%	124,100	4%	118,800
Waste generation - Total (kg)	1,585,791.10	-13%	1,827,077	-39%	2,977,707
Common waste (kg)	922,706.41	-20%	1,150,786	-35%	1,772,197
Infectious waste (kg)	663,084.69	-2%	676,291	-44%	1,205,510

Certifications, voluntary commitments and reports

Grupo Fleury was a pioneer in the area of diagnostic medicine in the implementation of an Integrated Management System certified by ISO 9001 (Quality Management) and ISO14001 (Environmental Management), which reflects its concern with quality, the environment, the continuous improvement of procedures and sustainability. It is also worth noting that the São Paulo technical area has been accredited by the College of American Pathologists (CAP), both in the accreditation program and in the quality control program, the National Glycohemoglobin Standardization Program (NGSP) and the Brazilian Clinical Pathology and Laboratory Medicine Society (SBPC/ML). All of the Group's regional branches are also accredited by the PALC (Clinical Laboratory Accreditation Program) of the Brazilian Clinical Pathology Society. Grupo Fleury is the first company in Brazil to obtain accreditation by the American College of Radiology (ACR) for the stereotactic procedures at Fleury Paraíso and República do Líbano II PSCs. We also have ACR accreditation for Mammography, Breast Biopsy, Nuclear Medicine, PET-CT and Magnetic Resonance Services at Fleury Itaim, Paraíso and Higienópolis units. The Fleury Ponte Estaiada, Rochaverá and Alphaville units are certified by LEED - Leadership in Energy & Environmental Design.

The group's concern and engagement with sustainable development is also reflected in its adherence to a series of voluntary initiatives, which are undertaken with national and international entities. These include:

Sustainable Development Objectives (ODS): The agreement reached in 2015 by the members of the United Nations brings together 17 objectives and 169 goals to be achieved by 2030, involving eradication of poverty, education, climate change, sustainable cities, employment and inclusive economic growth, among others. The themes covered by the 17 objectives are pointed out with ODS icons. Grupo Fleury participates in the discussions on the subject with working groups of Rede Brasil of the Global Compact of the United Nations (UN).

United Nations Global Compact: As a signatory of the Global Compact since 2013, the Group maintains its commitment towards promoting actions of social and environmental responsibility of the 10 Universal Principles of the Global Compact. The initiatives by the United Nations (UN) aim to mobilize the international business community to adopt, in its business practices, fundamental values in the areas of human rights, labor relations, the environment and the fight against corruption.

Principles of Women Empowerment: In 2017, the Company adhered to the commitment of the UN Women and the Global Compact to promote gender equality in all social and economic activities. By signing the document, Grupo Fleury reaffirmed its commitment to ensuring a healthy and equal work environment, with opportunities for all employees.

Ethics and Integrity Commitment Term: By joining the commitment in 2017, we publicly declare the company's willingness to act and contribute to a more ethical, integrated and transparent corporate environment.

Corporate Pact for Integrity and Against Corruption: Signed by the Company in 2010, the document conceived by the Instituto Ethos, the Brazilian Committee of the Global Compact and the

United Nations Office on Drugs and Crime (UNODC) addresses issues such as corruption of public officials, organized crime, tax evasion and money laundering.

United Nations Development Program (UNDP): Since 2010, the Company has participated in the Program, which, in synergy with the Global Compact, aims to consolidate basic concepts of citizenship, as well as to improve the quality of life on the planet. Grupo Fleury participates in meetings held by the working group on human rights and climate change of Rede Brasil of the UN Global Compact.

Carbon Disclosure Project (CDP): Grupo Fleury has been part of this initiative since 2015 on a voluntary basis. The CDP's goal is to foster a new way of companies doing business, preventing damage caused by climate change and depletion of natural resources.

The complete list of certifications and awards received by Grupo Fleury and the full version of the 2016 Annual Sustainability Report can be accessed on the Company's Investor Relations website (www.fleury.com.br/ri).

Grupo Fleury: Knowledge and Innovation

Scientific knowledge and medical advances are core competencies in Grupo Fleury's strategic positioning

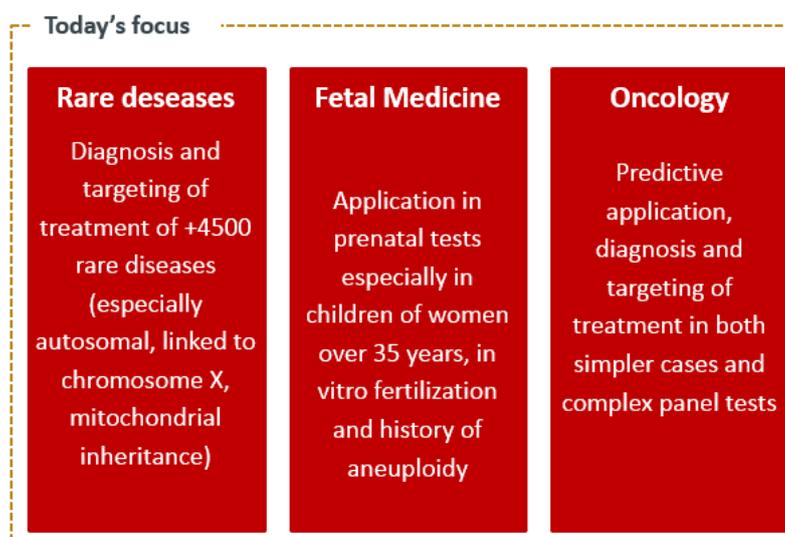
One of Grupo Fleury's pillars, is the investment in innovation and research and development (R&D) which is the Company's competitive advantage, that enables the development of new pioneering skills in the health sector.

The incorporation of new tests in Grupo Fleury begins with the mapping of opportunities brought by the medical team in a structured flow of projects with measured results. This process allows the Company to select the initiatives, considering the use of new technologies, market needs and medical knowledge. This structured R&D process also facilitates obtaining financing focused on innovation, such as from the Studies and Project Funding Agency (FINEP), which allocated around R\$155 million to Grupo Fleury for these initiatives in 2014.

In 2017, 138 new products and methodology changes and insourcing of laboratory medicine and diagnostic center tests were implemented, increasing the portfolio of tests on different segments of medical specialties. During the year, the Company invested R\$15.6 million in R&D, an increase of 73.0% when compared to 2016. Currently, the Company maintains 65 ongoing research projects.

One of the innovations focuses of Grupo Fleury is in the search for solutions that increases precision in personalized medicine. One of the initiatives was the launching of the Genômica portal (www.fleurygenomica.com.br), in 2017, which offers access to Grupo Fleury's genetic tests to clients nationwide and also provides extensive technical content, with access to medical publications prepared by Grupo Fleury's medical team upon request by physicians. This is an important step that further consolidates the Company's leading position in the personalized and precision medicine segment, with a complete portfolio of exams, a dedicated medical team that provides advice to requesting physicians, and a digital platform to offer such exams.

Grupo Fleury focuses on the following precision medicine segments:



In the rare diseases segment, Grupo Fleury specifically developed the most complete and integrated cardiology solution in the market, focused on clinical outcome with the launching of 13 panels.

In fetal medicine, the Company offers a noninvasive prenatal test, the NIPT, with volumes that have been growing 100% per year. With this test, it is possible to search for the baby's cells within the mother's blood, and thus avoid an invasive test called amniocentesis, an exam that has high chances of abortion.

In hereditary oncology, we have launched a complete solution with wide and specific panels by type of cancer. Some of them, such as the panel for colon cancer, will ensure that patients increase their monitoring frequency and may even prevent cancer by removing polyps.

In somatic oncology, we apply solutions, such as Watson, for complete investigation of treatments available in literature and clinical studies, and Oncotype Mama which reduces the need for chemotherapy for over 60% of in situ cases (when cancer has not spread to other parts of the breast).

Precision medicine has multiple applications, with increasing market potential with each new product being released.

Another highlight of the year is the development of the Technical Area of the Future project, which will increase the Company's technological and production capacity, as well as its operational efficiency in the medium and long term. In 2017, the Company finalized the RFP (request for proposal) with leading technology and diagnostic medicine suppliers. In 2018, the Company will continue to develop the project based on recurring investments in medical knowledge and innovation.

Medical relationship

Medical knowledge is the competitive advantage that adds value to health

In order to stimulate the generation and sharing of medical knowledge, the Company promotes internal scientific study initiatives, in addition to supporting the participation of physicians in national and international conferences. The main activities of the year were:

- 24 scientific newsletters
- 104 update and medical specialty meetings
- 244 papers gathered in the 27th *Jornada do Conhecimento* (Journey of Knowledge) an internal event that disseminates scientific and knowledge management

Grupo Fleury disseminates knowledge by producing medical publications. All brands launched scientific newsletters in 2017, with three editions of the regional bulletins (a+, Weinmann, Felipe Mattoso, Diagnoson, Labs a+) and three editions of the medical magazine Fleury Medicina e Saúde. In total there were 24 publications and about 60 thousand physicians impacted. All the publications are also available on the brands' websites. In addition, Grupo Fleury participated in 127 events in 2017, including the Congress of the São Paulo State Society of Cardiology (SOCESP), in which we promoted our cardiogeriatric symposium "Caring for the Heart of the Elderly" and launched 13 new genetic tests in cardiology, expanding our portfolio in genomics and strengthening our leadership position in precision medicine.

These initiatives allow Grupo Fleury to get closer to medical customers and strengthen the communication channels with them, presenting its competitive advantages, processes and use of internal knowledge that guarantee its historical technical excellence. This technical excellence, based on medical knowledge, is one of the operating pillars of the Company, whose purpose is to deliver conclusive diagnoses for physicians and clients. In order to achieve this, the Group has services such as advisory consultations, in which Grupo Fleury's clinical staff supports the requesting physician in understanding cases with more complex diagnoses. In 2017, it provided 213,7 thousand advisory consultations, an increase of 14,2% when compared to 2016. Meanwhile, the number of integrated reports sent to our clients' doctors in 2017 reached 78,9 thousand, up by 8.7% when compared to the previous year. The reports covered diagnostic cases considered highly complex and are evaluated using a multidisciplinary approach.

Grupo Fleury ended 2017 with 1,966 physicians, a 15% increase when compared to the previous year. This increase in the Company's clinical staff reflects the opening of new PSCs and the expansion of imaging exams schedules in existing units.

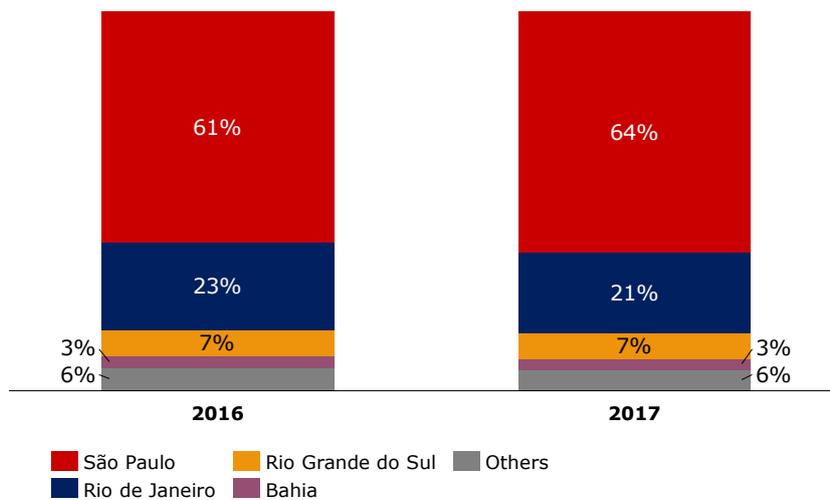
Human Resources

The Company's employees, which are the base of our culture, reflect the characteristics of our values such as excellence, respect and enthusiasm

Grupo Fleury believes that the recognition that makes the Company stand out as a benchmark in medical, service and management excellence is due to the qualification of its team of professionals. They are the ones responsible for delivering on a daily basis, the care that has made the organization a benchmark, even for other industry segments.

In 2017, the Company ended the year with 8,7 thousand employees, an increase of 3.4% when compared to 2016. The increase in the number of employees is due to the Company's expansion plan and the growing demand in new activities. The Company's total turnover came to 20.8%, a 389 bps increase (17.9% in 2016), while voluntary turnover came to 7.3%, up 135 bps (5.9% in 2016).

Employees by region



In 2017, the Company invested R\$3.5 million in training and updating of professionals. There were 638 thousand hours of training conducted by the Corporate University, resulting in an average of 71 training hours per employee, a 12.7% increase from 2016.

Corporate Governance

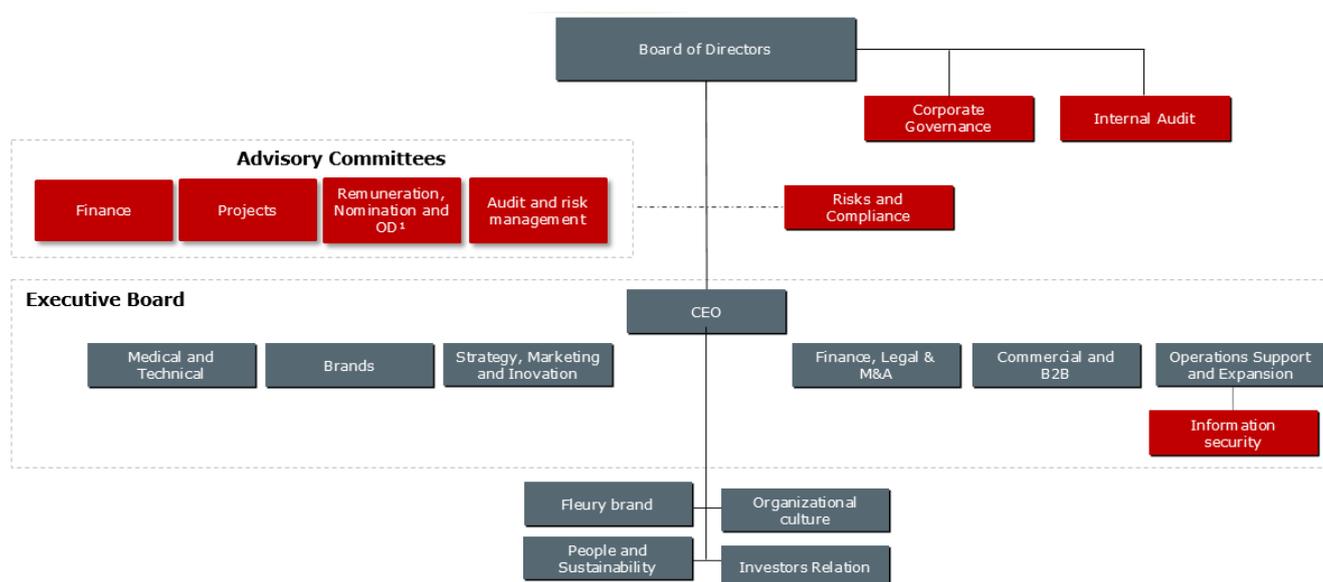
Listed in the Novo Mercado segment, the Company's performance is guided by the highest Corporate Governance standards

Grupo Fleury's shares are traded under the ticker FLRY3 in the Novo Mercado segment, a special segment of the BM&FBOVESPA that requires the adoption of the highest standards of Corporate Governance. Grupo Fleury has practices and processes aligned with the highest principles of transparency, fairness, accountability and socio-environmental and corporate responsibility. This was a natural process for the Company, given that, even before the listing in the stock exchange, Fleury's management was shared between executives and the Board of Directors, with the participation of independent board members.

As a result of the development of these practices, Grupo Fleury won, for the second consecutive year, the Transparency award promoted by the National Association of Finance, Administration and Accounting Executives (ANEFAC), Fipecafi and Serasa Experian in the category for companies with net revenue under R\$5 billion. This is an annual survey that recognizes Brazil's most transparent companies based on public information.

The corporate organizational chart of the Company is in line with best market practices and corporate governance is supported by the structures that make up our Internal Control System: Internal Audit, Compliance, Risk Management and Information Security.

Grupo Fleury's Organizational Chart



¹ OD: Organizational Development

Created in 1998, Grupo Fleury's Board of Directors is composed of a minimum of seven and a maximum of 11 members, with up to eight alternate members. The Board of Directors aims to establish the general business guidelines and to elect the Statutory Executive Board, among other powers conferred by law and the Bylaws. The Board of Directors has Internal Regulations governing its operation and its Advisory Committees. The board members have a two-year term of office and reelection is allowed.

Composition of the Board of Directors

Board Members	Position	End of term of office
Marcos Bosi Ferraz	Chairman	ASM in 2019
Marcio Pinheiro Mendes	Vice-Chairman	ASM in 2019
Marcio Serôa de Araujo Coriolano	Director	ASM in 2019
Samuel Monteiro dos Santos Junior	Director	ASM in 2019
Fernando Lopes Alberto	Director	ASM in 2019
Flávio Benício Jansen Ferreira	Independent director	ASM in 2019
José Rogério Luiz	Independent director	ASM in 2019
Luiz Antonio de Moraes Carvalho	Independent director	ASM in 2019
Manoel Antonio Peres	Alternate director	ASM in 2019
Maria de Lourdes Lopes Ferrari Chauffaille	Alternate director	ASM in 2019
Octavio de Lazari Junior	Alternate director	ASM in 2019

Currently, the Board of Directors has eight members (10 members in 2016) three of whom are independent. In 2017, two members appointed by Advent International (Advent) resigned due to the sale of their entire stake in the Company. The Board of Directors is supported by four Advisory Committees: Audit and Risk Management, Finance, Projects, and Compensation, Nomination and Organizational Development. The committees are permanent, meet every month and have at least one member of the Board of Directors in their composition.

Audit and Risk Management Committee

This Committee recommends the conditions for the engagement of the independent external auditors and proposes the audit objectives; analyzes and evaluates the internal audit works, ensures and enhances internal controls; recommends procedures to be adopted in case of non-compliance with the best accounting practices; monitors the mapping of risks to which the Company is exposed and the respective preventive and mitigating actions.

Finance Committee

This Committee monitors budget guidelines and the management of receivables and disallowances. It also analyzes measures to reduce costs and expenses and improve profitability, in addition to studying investment opportunities.

Projects Committee

It is responsible for discussing the major corporate guidelines, in the evaluation, prioritization and follow-up of the most relevant projects in the Company.

Compensation, Nomination and Organizational Performance Committee

This Committee evaluates, appoints and removes executive officers; monitors the organization's evolution in face of strategic business and management challenges; assesses performance evaluation systems, salary policies and staff development programs; proposes guidelines and criteria for variable compensation programs; and monitors and proposes organizational climate assessment initiatives.

Grupo Fleury's Executive Officers Board ended 2017 with eight members (seven members in 2016, three of whom are statutory) all statutory. In 2017, the Finance and Investor Relations areas were separated and there was a redistribution of responsibilities within the Marketing and Commercial departments. As a result, the composition of the Company's Board of Executive Officers ended the year as described below:

Composition of the Statutory Executive Board

Name	Position
Carlos Alberto Iwata Marinelli	CEO
Claudio Almeida Prado	Suport to Operations Executive Officer
Fernando Augusto Rodrigues Leão Filho	Financial Chief Financial Officer and Chief Legal Officer
Galeno Jung	Strategy, Marketing and Innovation Executive Officer
Jeane Tsutsui	Fleury Brand Executive Officer
José Roberto Araújo	Commercial and B2B Business Executive Officer
Paulo Pedote	Regional Brands Business Excutive Officer
Viviane Behar de Castro	Investor Relations Officer

Grupo Fleury declares that KPMG Auditores Independentes is responsible for the Company's external audit and did not provide any services other than said audit services in 2017.

Capital Markets

2.5x growth in the average daily trading volume versus 2016 and present in the key Brazilian Stock Exchange indexes

Grupo Fleury's shares ended 2017 at a price of R\$29.61. The average daily trading volume of the shares reached R\$57.5 million¹ at the end of the year, 2.5x higher versus the same period of 2016. As a result of this volume and business evolution, the Negotiability Index reached 0.541% for the year.

The year was marked by the change in the Company's ownership structure with the exit of Advent International (Advent), a private equity fund, which held 14.5% of Grupo Fleury. The transaction was carried out through a block trade at the Brazilian Stock Exchange ("B3") on September 20, 2017. The shares of the block trade were widely distributed in the market, mostly among local funds, which increased the adjusted free float from 44.9% to 59.4% of the Company's total shares. The shareholding position of Bradesco Seguros (Bradseg) and the founding physicians remained unchanged, at 16.3% and 24.3%, respectively.

The Company ended the year with 315,312,192 shares resulting from a stock split and two capital increases due to the exercise of share purchases related to the Stock Option Plan approved in 2009. In June 2017, the Company's Extraordinary Shareholders' Meeting approved the stock split in the proportion of 2 shares for each existing one. Consequently, the total shares of Fleury Group doubled in the period, but without impact on the financial value of the capital stock.

Since April, the Company has a dedicated Investor Relations Officer to better serve its shareholders and potential investors in light of the increase in liquidity and demand. As a result, we recorded a 47% increase in interactions with capital market's representatives, which includes meetings in the 23 conferences and Healthcare Days and 21 Non-Deal Roadshows that had the Company's participation. The Fleury Group ended the year with 11 sell-side coverages, consisting of seven Buy recommendations and four Neutral.

In 2017, the Company was included, for the fourth consecutive year, in the B3's Corporate Sustainability Index (ISE). In addition to ISE, Grupo Fleury was also included in the IBr-X 100, SmallCap, IGC (Differentiated Corporate Governance Stock Index) and ITAG (Differentiated Tag Along Stock Index) indices. In 2018, the Company will join ISE for the fifth consecutive year, and the MidLarge Cap index. Also in 2018, the Company will be included in the Ibovespa index, with a weight of 0.701%, ranking at the 37th position. The announcement marks the entry of the diagnostic medicine sector in the Ibovespa, considered the most important indicator of the average performance of the most traded shares in the Brazilian stock market. The shares that make up the index account for more than 70% of the financial volume on the largest stock exchange in Latin America.

In November 2017, the Company approved the 3rd non-convertible debentures issue, in the total amount of R\$300 million. The funding will be used for working capital and extension of the Company's debt profile. The maturity of the debentures is 5 years, with a remuneration of 100% of CDI plus 0.49% per year.

¹ Average of the financial volume between January 10, 2017 and December 28, 2017.

Economic and Financial Performance

Net revenue grew 12.4%, EBITDA increased 28.1%, reaching a 26.0% EBITDA margin, and net income grew 40.2% in comparison to the previous year

Gross revenue

Grupo Fleury's consolidated gross revenue totaled R\$2.6 billion, a 12.4% growth in relation to 2016. Patient Service Centers grew 12.5%, reaching R\$2.2 billion in revenue. We highlight the double-digit growth in all segments, including regional brands excluding Rio de Janeiro (+17.4%), brands in Rio de Janeiro (+13.0%), Hospital Operations (+12.3%) and the Fleury brand (+10.8%).

In B2B, Diagnostic Operations in Hospitals increased 12.3% to R\$381.4 million. Grupo Fleury ended the year providing services to 22 hospitals, including the following new hospitals: the BP Complex (3 hospitals), São Luiz São Caetano, Instituto Brasileiro do Controle do Câncer (IBCC) and Edmundo Vasconcelos.

Taxes and cancellations

Taxes on gross revenue remained constant compared with the previous year, at 6.1%. Cancellations were reduced from 2.7% to 1.7%, due to improved processes and systems to optimize the receivables cycle and reduce disallowances with operators.

Net revenue

Given the improvement in the receivables cycle mentioned above, net revenue grew more than gross revenue, with an increase of 13.7% over the previous year, reaching R\$2.4 billion.

Cost of services

The cost of services - including expenses with personnel and medical services, rentals, utilities, materials, depreciation/amortization and general expenses - totaled R\$1.6 billion, representing 69.1% of net revenue (versus 71.3% in 2016).

Cost of Services - 2017 vs. 2016

Cost of Services breakdown	2017		2016		Variation	
	R\$ MM	% Net Revenue	R\$ MM	% Net Revenue	▲ %	▲ bps
Personnel and medical services	843.9	35.4%	742.8	35.4%	13.6%	-2,4 bps
General services, rentals and utilities	460.7	19.3%	424.5	20.3%	8.5%	-91,8 bps
Materials and Exam Intermediation	233.6	9.8%	208.4	9.9%	12.1%	-14,3 bps
Depreciation and Amortization	100.2	4.2%	111.9	5.3%	-10.5%	-113,7 bps
General Expenses	8.6	0.4%	7.4	0.4%	16.2%	0,8 bps
Cost of Services	1,646.9	69.1%	1,495.1	71.3%	10.2%	-221,4 bps

Total service costs were diluted by 221 bps as a result of improved cost management and greater operational efficiency, even with the execution of the expansion plan during the period.

Gross profit

Gross profit reached R\$736.1 million, with a gross margin of 30.9%, a 221 bps increase over 2016.

Operating income and expenses

General and administrative expenses came to R\$259.2 million, including R\$42.6 million in depreciation and amortization expenses.

EBITDA

EBITDA totaled R\$618.7 million, with a margin of 26.0%, a 292 bps increase compared to 2016.

Financial result

The financial result was a net expense of R\$49.1 million, versus a net expense of R\$44.5 million in the previous year.

Income tax and social contribution

In 2017, income tax and social contribution totaled R\$107.1 million, with an effective rate of 25.0%, versus 22.3% in 2016.

Net income and earnings per share

The Company's net income grew 40.2% to R\$320.6 million, with a net income margin of 13.5%. Earnings per share came to R\$1.02.

Capex

In 2017, Grupo Fleury's capex totaled R\$295.6 million, of which 60.6% of this amount was related to the Expansion Plan.

Debt

Composition of Net Debt (R\$ MM)	4Q16	3Q17	4Q17	Next 12 months
Gross Debt (Debentures and Financing)	832.0	850.4	1,054.9	315.6
Cash, Cash Equivalents and Marketable Securities	(406.8)	(482.7)	(671.8)	
Net Debt	425.2	367.7	383.1	
Net Debt / EBITDA LTM	0.9x	0.6x	0.6x	
EBITDA LTM / Financial Result LTM	10.9x	12.4x	12.6x	

In November, we raised R\$300 million through our 3rd debenture issue and R\$50.7 million through FINEP. We amortized R\$100 million referring to the second series of the 1st debenture issue and R\$20.8 million referring to FINEP. We also paid R\$92.0 million in interest, including debentures.

Rating

According to the latest report issued by Moody's rating agency, released on June 1, 2017, Fleury SA's corporate rating was Ba2/Aa. The outlook was classified as negative, following the downgrade of Brazil's sovereign rating by Moody's.

Dividends and Interest on Equity

At meetings held on July 27, 2017, December 26, 2017 and March 01, 2018, the Board of Directors approved the payment of shareholder remuneration totaling R\$304.6 million, composed of R\$204.2 million in dividends and R\$100.3 million in interest on equity. These distributions are equivalent to R\$0.97 per share or a payout of 95% of 2017 net income.