EARNINGS RELEASE

3Q18

alliar médicos à frente
sistema de diagnósticos de saúde

CONFERENCE CALL
IN PORTUGUESE

November 14, 2018
12h30 pm (Brasília)
09h30 am (New York)
Telephone: +55(11) 2188-0155
Code: Alliar

CONFERENCE CALL
IN ENGLISH

November 14, 2018
1h30 pm (Brasília)
10h30 am (New York)
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Code: Alliar

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São Paulo, Nov 13, 2018 - Centro de Imagem Diagnósticos S.A. ("Alliar" or "Company") (B3: AALR3), one of Brazil's largest diagnostic medicine companies, announces today its earnings results for the third quarter and the nine months of 2018 (3Q18 and 9M18, respectively). The figures and their historical series (when available) can be obtained in excel format at http://ir.alliar.com

HIGHLIGHTS

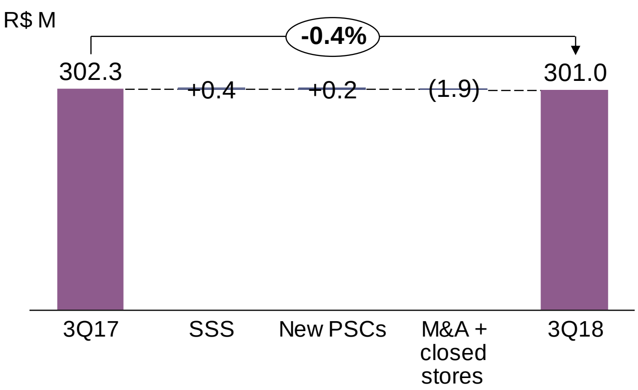
- Stable **net revenue**[1] when compared to 3Q17 (**-0.3%**), with same-store-sales (SSS) of **0.1%**. In 9M18, revenue reached R$ **816.8** million, a **3.8%** increase with SSS of **2.4%**
- **Expansion of +169 bps** in adjusted EBITDA margin, reaching **24.0%** in the quarter, with adjusted EBITDA of R$ **67.0** million (**+7.3%**). YTD adjusted EBITDA of R$ **185.9** million (**+8.5%**), with margin of **22.8%** (**+99 bps**)
- **Net Income** (Shareholders) of R$ **11.2** million in the quarter (**+10.1%**) and R$ **23.6** million in 9M18 (**+18.4%**)
- **Operating cash flow** of R$ **11.7** million in 3Q18 and R$ **96.0** million YTD. **Positive free cash flow** of R$ **20.9** million YTD demonstrates the Company's new cycle
- Net promoter score (**NPS**) of **68.6%** at the end of 3Q18, an important evolution of **320 bps** when compared to 2Q18, reflecting the ongoing improvements in **real-time management** of the patients' flow in our units

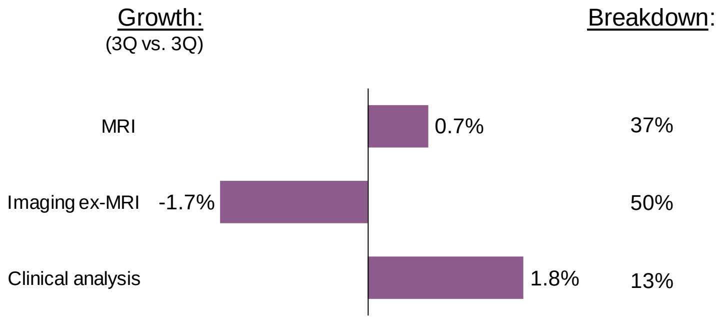
KPIs (R$ Million)	3Q18	3Q17	YoY	9M18	9M17	YoY
Gross Revenue (ex-construction)[1]	301.0	302.3	-0.4%	883.1	848.9	4.0%
Net Revenue (ex-construction)[1]	279.3	280.1	-0.3%	816.8	787.2	3.8%
Gross Profit	75.9	77.1	-1.5%	221.3	212.8	4.0%
Gross Profit Margin[2]	27.2%	27.5%	-36 bps	27.1%	27.0%	4 bps
EBITDA	59.3	55.6	6.6%	162.7	154.4	5.4%
EBITDA Margin	21.2%	19.9%	136 bps	19.9%	19.6%	31 bps
Adjusted EBITDA[3]	67.0	62.5	7.3%	185.9	171.3	8.5%
Adjusted EBITDA Margin[2]	24.0%	22.3%	169 bps	22.8%	21.8%	99 bps
Net Income (Shareholders)	11.2	10.2	10.1%	23.6	19.9	18.4%
Operating Cash Flow	11.7	48.4	-75.8%	96.0	121.0	-20.7%
Cash Conversion	17.5%	77.4%	-5997 bps	51.6%	70.6%	-1902 bps
Free Cash Flow	-6.9	13.2	n/a	20.9	-137.0	n/a
ROIC[4]	11.9%	13.0%	-114 bps	11.9%	13.0%	-114 bps
NPS[5]	68.6%	n/a	n/a	65.3%	n/a	n/a

1) Excludes "construction revenue", accounting entry referring to the investment made at RBD (PPP Bahia)
2) Margins are calculated on net revenue (ex-construction)
3) Excludes write-down of financial asset (see chapter on EBITDA)
4) ROIC without goodwill (adjusted NOPAT divided by average invested capital without goodwill)
5) Comparison of Net Promoter Score vs 3Q17 is not applicable: Alliar concluded in 1Q18 an automation process that improves the methodology of capturing data on patient's satisfaction.

REVENUE

Gross revenue (ex-construction) reached R$ **301.0** million (-0.4%) in the quarter with SSS performance of **+0.1%**, impacted by the closing of units when compared to 3Q17.





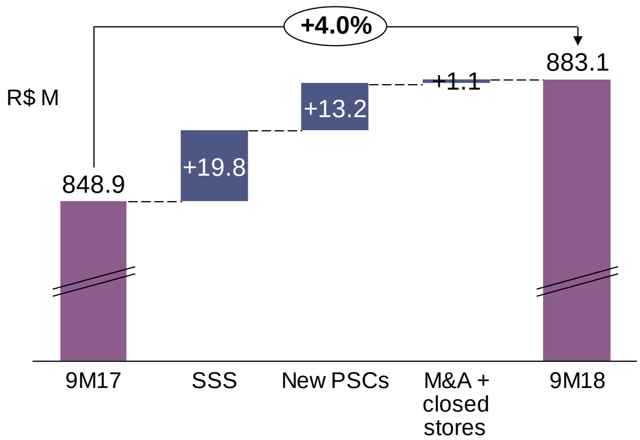
Contribution: 0.1% + 0.0% - 0.6%

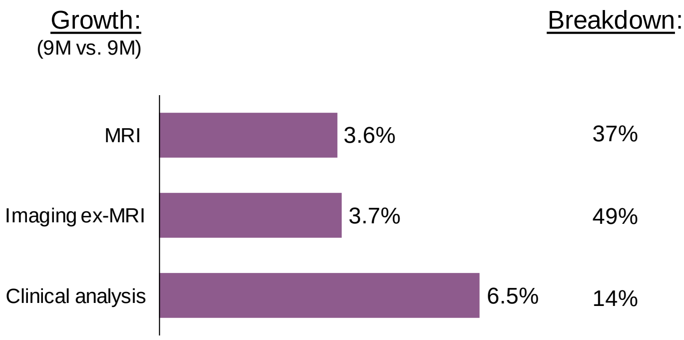
The performance was impacted by the stabilization of the number of beneficiaries and the trade down of health plans. In this sense, the increase in the volume of exams in the quarter was offset by the decrease in average ticket, both in clinical (CA) and magnetic resonance imaging (MRI). This trend in lower ticket should last a few more quarters. The period was also characterized by a lower number of business days, in addition to the negative effect caused by the world cup, in July.

In addition, the increased exams volume during the quarter should benefit revenue performance in 4Q18. The creation of formal jobs also began to improve (CAGED), which tends to revert into an increase in the number of healthcare beneficiaries, after a long cycle of stabilization.

In terms of brands, we highlight our CDB brand (São Paulo), which continues to show the best growth among the Company's brands. The latest mega-units inaugurated in São Paulo continue to mature and are the main source of growth for the CDB brand. The city of Salvador (Delfin brand) is the most challenging location due to losses of insured lives by the main payers (HMOSs) of the region, as well as a higher number of broken machines (parts of machines) during the quarter, negatively impacting the volume of exams.

In 9M18, revenue reached R$ **883.1** million (+4.0%) with **SSS of 2.4%,** as illustrated below:





Contribution: 2.3% + 1.6% + 0.1%

Gross Revenue (R$ Million)	3Q18	3Q17	YoY	9M18	9M17	YoY
Gross Revenue (ex-construction)	301.0	302.3	-0.4%	883.1	848.9	4.0%
Diagnostic imaging	260.5	262.4	-0.7%	762.3	735.6	3.6%
MRI Exams	111.2	110.5	0.7%	325.2	313.9	3.6%
Other Imaging Exams	149.3	151.9	-1.7%	437.1	421.7	3.7%
Clinical analysis	40.5	39.8	1.8%	120.7	113.4	6.5%
Construction revenue	0.2	13.4	-98.8%	1.4	37.3	-96.2%
Gross Revenue	301.1	315.5	-4.6%	884.5	886.2	-0.2%
Deductions	-21.6	-22.8	-5.2%	-66.3	-63.8	3.8%
Net Revenue	279.5	292.7	-4.5%	818.2	822.4	-0.5%
Net Revenue (ex-construction)	279.3	280.1	-0.3%	816.8	787.2	3.8%

Operational Highlights	Performance					
	3Q18	3Q17	YoY	9M18	9M17	YoY
Avg Revenue/MRI equipment	0.90	0.90	-0.1%	2.62	2.55	2.8%
Avg Revenue/Clinical Analysis Room	0.14	0.14	2.5%	0.41	0.39	7.2%
MRI exams ('000)	195	191	2.3%	567	543	4.5%
Clinical analysis exams ('000)	2,677	2,536	5.5%	7,887	7,232	9.1%
MRI Avg. Ticket (R$)	571	580	-1.6%	573	578	-0.9%
Clinical analysis Avg. Ticket (R$)	15.1	15.7	-3.6%	15.3	15.7	-2.3%
MRI exams / equipment / day	25.2	24.8	1.5%	24.4	23.5	3.7%
Clinical analysis / room / day	146.7	138.0	6.3%	144.1	131.2	9.8%

Operational KPIs	Assets					
End of period	3Q18	2Q18	QoQ	9M18	9M17	YoY
PSCs	114	116	-1.7%	114	122	-6.6%
Mega	18	18	0.0%	18	18	0.0%
Standard	83	84	-1.2%	83	86	-3.5%
Collection Points	13	14	-7.1%	13	18	-27.8%
MRI equipments	124	125	-0.8%	124	123	0.8%
Clinical Analysis Rooms	292	296	-1.4%	292	294	-0.7%

Despite the challenging growth scenario, we continued to increase MRI equipment productivity, reaching **25.2** exams/MRI/day (+1.5% in the quarter). In 9M18, **productivity gain** reached **3.7%**.

The **complementary offer of CA** continues its maturing process, recording a **5.5%** growth in the number of exams performed in the quarter and **9.1%** in 9M18, reflecting a productivity increase in the collection rooms to **146.7** CA exams/room/day . As a result, the share of CA came in at **13.7%** of gross revenue (versus 13.4% in 9M17). At the end of September 2018, Alliar offered CA exams in **52** of its units.

FINANCIAL PERFORMANCE

Alliar's **new growth cycle**, focused on **increased profitability** through the **maturation of investments** and **productivity** gains with technology and innovation, continues to be reflected in the Company's results.

In 3Q18, Alliar presented, once again, good operating leverage (despite revenue performance) with a **7.3% growth** in **adjusted EBITDA** and **10.1% growth in Net Income (Shareholders).** In 9M18, **adjusted EBITDA increased 8.5% and Net Income 18.4%.**

We highlight the reduction in financial expenses and the **effective tax rate (IR&CS)**, which reached 30.3% YTD as part of the Company's efforts to reduce tax inefficiencies associated with its corporate structure.

Income Statement Overview	3Q18	3Q17	YoY	9M18	9M17	YoY
Gross Revenue (ex-construction)	301.0	302.3	-0.4%	883.1	848.9	4.0%
Deductions	(21.6)	(22.2)	-2.5%	(66.2)	(61.7)	7.3%
Net Revenue (ex-construction)	**279.3**	**280.1**	**-0.3%**	**816.8**	**787.2**	**3.8%**
Cost of services	(203.4)	(203.0)	0.2%	(595.6)	(574.4)	3.7%
Gross Profit	75.9	77.1	-1.5%	221.3	212.8	4.0%
Gross Profit Margin	*27.2%*	*27.5%*	-36 bps	*27.1%*	*27.0%*	4 bps
General and administrative expenses	(44.1)	(43.3)	1.8%	(133.3)	(126.6)	5.3%
Other income (expenses), net	0.2	(0.3)	n/a	(2.1)	(2.9)	-27.3%
Share of profit (loss) on investments	3.8	3.9	-2.2%	10.8	10.8	0.2%
(+) Depreciation and Amortization	23.5	18.3	28.1%	66.1	60.3	9.6%
EBITDA	59.3	55.6	6.6%	162.7	154.4	5.4%
(+/- adjustments)	7.8	*6.8*	*13.6%*	23.2	*16.9*	*36.9%*
Adjusted EBITDA	**67.0**	**62.5**	**7.3%**	**185.9**	**171.3**	**8.5%**
Adjusted EBITDA Margin	*24.0%*	*22.3%*	169 bps	*22.8%*	*21.8%*	99 bps
(-) Depreciation and Amortization	(23.5)	(18.3)	28.1%	(66.1)	(60.3)	9.6%
Finance income (expenses)	(16.8)	(18.6)	-9.6%	(52.2)	(50.3)	3.7%
EBT	**19.0**	**18.7**	**1.4%**	**44.5**	**43.8**	**1.6%**
Taxes	(5.4)	(5.7)	-4.8%	(13.5)	(17.2)	-21.6%
Effective tax rate	*-28.4%*	*-30.2%*	187 bps	*-30.3%*	*-39.3%*	896 bps
Attributable to non-controlling shareholders	(2.4)	(2.9)	-17.1%	(7.4)	(6.6)	11.1%
Net Income (Shareholders)	**11.2**	**10.2**	**10.1%**	**23.6**	**19.9**	**18.4%**
Net margin (Shareholders)	*4.0%*	*3.6%*	38 bps	*2.9%*	*2.5%*	36 bps

OPERATING LEVERAGE

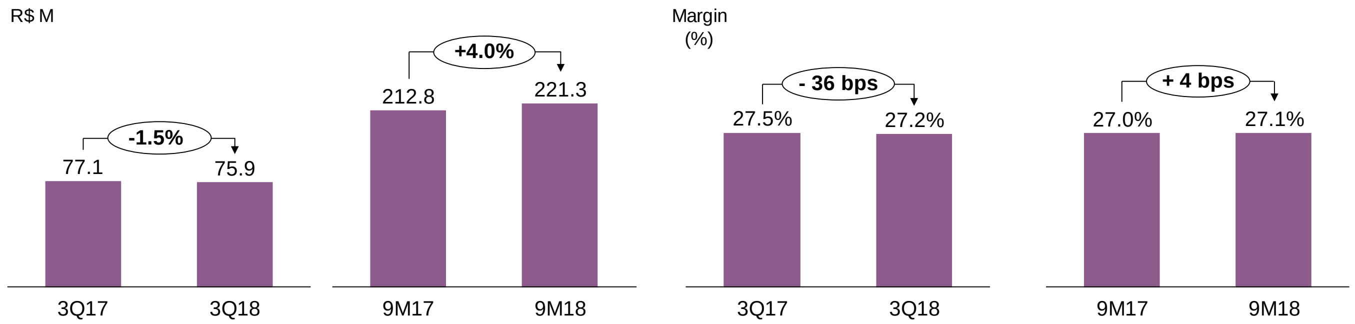
GROSS PROFIT / GROSS MARGIN

Gross Profit totaled R$ **75.9** million in the quarter (**-1.5%**) with a gross margin of **27.2%** (-36 bps). The variation is explained by the higher depreciation due to the replacement of equipment parts in the quarter. Excluding depreciation, gross margin expanded by **+132 bps**.

The strategic sourcing initiative combined with cost reduction plans generated significant benefits, with emphasis on contract renegotiations for supplies and support labs. Part of the benefits are already reflected in current results, however additional benefits in these lines are expected for 2019 due to the negotiations already carried out.

Growth in medical services is related to the mix of exams given the greater participation of ultrasound exams in the Company's revenue.

GROSS PROFIT AND GROSS MARGIN



Gross Profit (R$ Million)	3Q18	3Q17	YoY	% NRev (3Q18)	% NRev (3Q17)	YoY	9M18	9M17	YoY	% NRev (9M18)	% NRev (9M17)	YoY
Net Revenue (ex)	**279.3**	280.1	**-0.3%**	-	-	-	**816.8**	787.2	**3.8%**	-	-	-
Costs (ex)	**-203.5**	-203.0	**0.2%**	**-72.8%**	-72.5%	**-36 bps**	**-595.6**	-574.4	**3.7%**	**-72.9%**	-73.0%	**4 bps**
Medical Services	-53.0	-50.1	5.8%	-19.0%	-17.9%	-109 bps	-156.4	-138.9	12.5%	-19.1%	-17.6%	-150 bps
Employees	-51.6	-52.1	-1.0%	-18.5%	-18.6%	12 bps	-153.4	-150.0	2.3%	-18.8%	-19.1%	26 bps
Supplies and Support Labs	-34.2	-35.7	-4.3%	-12.3%	-12.8%	50 bps	-98.8	-103.5	-4.5%	-12.1%	-13.2%	104 bps
Maintenance	-6.3	-9.3	-31.6%	-2.3%	-3.3%	103 bps	-21.2	-24.7	-14.1%	-2.6%	-3.1%	53 bps
Occupancy	-23.6	-23.2	1.7%	-8.4%	-8.3%	-17 bps	-68.6	-62.6	9.6%	-8.4%	-8.0%	-46 bps
Third-party serv. and others	-13.7	-16.2	-15.6%	-4.9%	-5.8%	88 bps	-37.7	-40.5	-6.8%	-4.6%	-5.1%	51 bps
Deprec. and amortization	-21.2	-16.5	28.1%	-7.6%	-5.9%	-169 bps	-59.5	-54.2	9.6%	-7.3%	-6.9%	-40 bps
Gross Profit	**75.9**	77.1	**-1.5%**	**27.2%**	27.5%	**-36 bps**	**221.3**	212.8	**4.0%**	**27.1%**	27.0%	**4 bps**
Construction cost	-0.1	-12.6	-98.8%	-	-	-	-1.3	-35.2	-96.2%	-	-	-

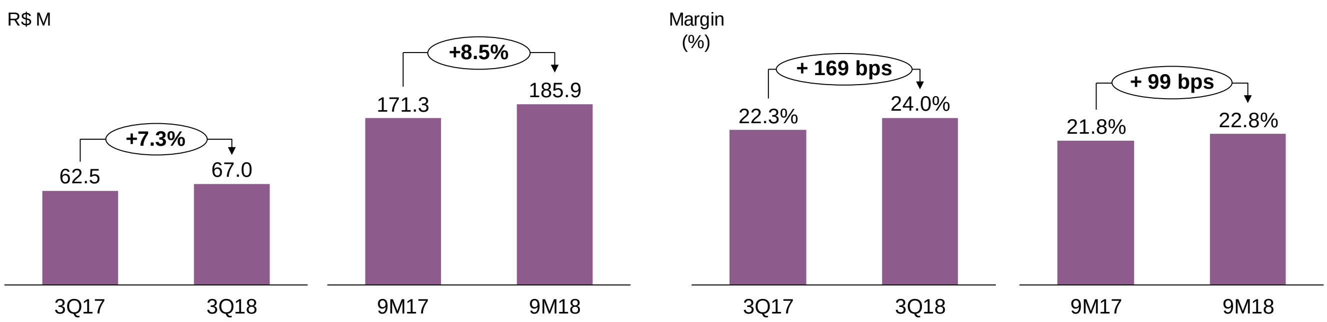
Note: The costs and expenses for 2017, as presented in the 2017 financial statements, were reclassified in this report to equalize with the cost structure utilized for all Alliar brands in 2018.

EBITDA / EBITDA MARGIN

Adjusted EBITDA increased **7.3%** in the quarter (**+8.5% YTD**) and reached R$ **67.0** million with an EBITDA margin of **24.0%** (+169 bps). The gain registered in the quarter mainly reflects the good cost discipline and expense management combined with the strategic sourcing efforts discussed above. The results were achieved despite the shy revenue performance, demonstrating the effectiveness of the improvement actions we implemented throughout the year.

In 9M18, **adjusted EBITDA** reached R$ **185.9** million, with a margin of **22.8%**, an **expansion** of **99 bps**.

ADJUSTED EBITDA AND ADJUSTED MARGIN



EBITDA (R$ Million)	3Q18	3Q17	YoY	% NRev (3Q18)	% NRev (3Q17)	YoY	9M18	9M17	YoY	% NRev (9M18)	% NRev (9M17)	YoY
Net Revenue (ex)	**279.3**	280.1	**-0.3%**	-	-	-	**816.8**	787.2	**3.8%**	-	-	-
Gross Profit	**75.9**	77.1	**-1.5%**	**27.2%**	27.5%	**-36 bps**	**221.3**	212.8	**4.0%**	**27.1%**	27.0%	**4 bps**
General and adm. expenses	-44.1	-43.3	1.8%	-15.8%	-15.5%	-33 bps	-133.3	-126.6	5.3%	-16.3%	-16.1%	-25 bps
Employees	-23.4	-24.1	-3.1%	-8.4%	-8.6%	23 bps	-68.4	-69.4	-1.3%	-8.4%	-8.8%	42 bps
Occupancy, 3rd party, other	-17.3	-15.0	15.1%	-6.2%	-5.4%	-84 bps	-55.1	-44.2	24.6%	-6.7%	-5.6%	-114 bps
Long-term incentive	-1.1	-2.3	-54.5%	-0.4%	-0.8%	44 bps	-3.2	-7.0	-54.5%	-0.4%	-0.9%	49 bps
Depreciation and amort.	-2.4	-1.8	28.2%	-0.8%	-0.7%	-20 bps	-6.6	-6.0	9.6%	-0.8%	-0.8%	-5 bps
Other expenses, net	0.2	-0.3	n/a	0.1%	-0.1%	n/a	-2.1	-2.9	-27.3%	-0.3%	-0.4%	10 bps
Earnings of subsidiaries	3.8	3.9	-2.2%	1.4%	1.4%	-4 bps	10.8	10.8	0.2%	1.3%	1.4%	-6 bps
EBIT	**35.8**	37.3	**-4.1%**	**12.8%**	13.3%	**-52 bps**	**96.7**	94.1	**2.7%**	**11.8%**	12.0%	**-13 bps**
(+) Depreciation and amort.	23.5	18.3	28.1%	8.4%	6.5%	186 bps	66.1	60.3	9.6%	8.1%	7.7%	42 bps
EBITDA	**59.3**	55.6	**6.5%**	**21.2%**	19.9%	**135 bps**	**162.7**	154.4	**5.4%**	**19.9%**	19.6%	**30 bps**
Write-down of financial asset	7.8	6.8	13.6%	2.8%	2.4%	33 bps	23.2	16.9	36.9%	2.8%	2.2%	68 bps
Adjusted EBITDA	**67.0**	62.5	**7.3%**	**24.0%**	22.3%	**169 bps**	**185.9**	171.3	**8.5%**	**22.8%**	21.8%	**99 bps**

YTD accounting EBITDA was R$ 162.7 million (**+5.4%**). The following summary describes the adjustment made for a better understanding of Alliar's EBITDA.

- Write-down of Financial Asset: A recurring entry concerning the depreciation of investments made by RBD (PPP Bahia), which reached R$ **7.8** million in 3Q18 (vs. R$ **6.8** million in 3Q17) and R$ **23.2** million YTD.

FINANCIAL RESULT AND DEBT

Financial Result (R$ Million)	3Q18	2Q18	3Q17	YoY	9M18	9M17	YoY
Financial income	0.4	0.3	0.3	34.8%	1.1	3.9	-73.0%
Financial expenses	-17.0	-17.2	-20.8	-18.2%	-51.3	-55.5	-7.6%
FX effect on USD debt	-0.2	-1.8	1.9	n/a	-2.0	1.2	n/a
Total Financial Result	**-16.8**	**-18.7**	**-18.6**	**-9.6%**	**-52.2**	**-50.3**	**3.7%**

The **9.6%** improvement in the financial result during the quarter is mainly explained by the financial expenses **18.2%** lower in the period. The result was recorded despite the gain in exchange variation effect posted in the previous year.

In 9M18, the **3.7%** increase in results reflects lower financial income due to a lower cash balance during the period, in addition to a small effect from exchange variation due to the strong devaluation of the Real in 2018.

Debt (R$ Million)	3Q18	2Q18	4Q17	3Q17	YoY
Loans and debentures	618.6	609.2	599.3	514.0	20.4%
Supplier 'drawee risk'	0.0	0.0	11.7	0.0	n/a
Derivative fin. instruments	-2.8	0.0	1.3	25.1	-111.3%
Gross Bank Debt	**615.8**	**609.2**	**612.2**	**539.0**	**14.2%**
Gross Bank Debt R$	606.4	598.2	598.6	496.1	22.2%
Gross Bank Debt US$	9.4	11.0	13.5	42.9	-78.1%
Tax installment payments	8.6	8.9	9.2	9.6	-9.8%
Acquisitions of companies	50.8	56.3	85.3	90.6	-44.0%
Total Gross Debt	**675.2**	**674.4**	**706.6**	**639.1**	**5.6%**
Cash and equivalents	**50.4**	**66.8**	**95.3**	**56.3**	**-10.5%**
Total Net Debt	**624.8**	**607.6**	**611.3**	**582.9**	**7.2%**
Adjusted EBITDA LTM	237.4	232.8	224.9	229.0	3.7%
Total Net Debt / Adj. EBITDA	**2.63 x**	**2.61 x**	**2.72 x**	**2.54 x**	**3.4%**

Note: Adjusted LTM EBITDA including acquisitions

At the end of the quarter, **total net debt** was R$ **624.8** million, a 7.2% increase YoY, representing a **total net debt/LTM adjusted EBITDA** ratio of **2.63x.**

The leverage reduction compared to 4Q17 is a consequence of the Company's efforts to increase free cash generation, a trend that should continue to be observed over the upcoming periods, in line with the financial deleveraging strategy.

INCOME TAX AND SOCIAL CONTRIBUTION

Income Tax	Consolidated					
(R$ Million)	3Q18	3Q17	YoY	9M18	9M17	YoY
EBT	**19.0**	**18.7**	**1.4%**	**44.5**	**43.8**	**1.6%**
Income Tax	**-5.4**	**-5.7**	**-4.8%**	**-13.5**	**-17.2**	**-21.6%**
Current income tax	*-2.5*	*-5.7*	*-55.7%*	*-12.9*	*-17.3*	*-25.5%*
Deferred income tax	*-2.9*	*0.0*	*n/a*	*-0.6*	*0.1*	*n/a*
Effective Tax Rate (%)	**28.4%**	**30.2%**	**-187 bps**	**30.3%**	**39.3%**	**-896 bps**

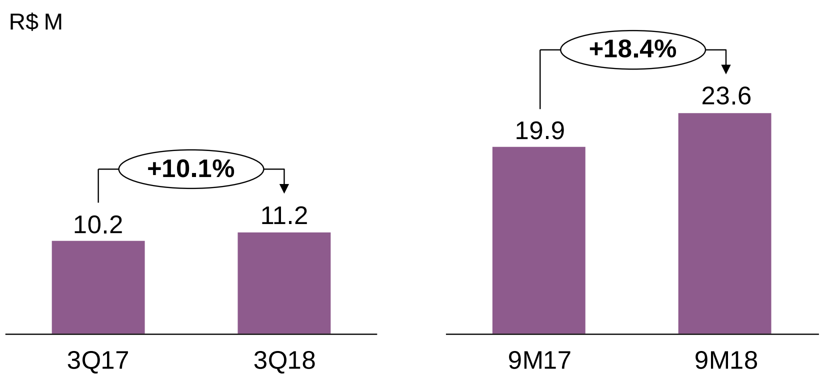
In **3Q18,** the Company recorded a tax & social contribution in the amount of R$ **5.4** million, equivalent to an effective tax rate of **28.4%,** an improvement of **187 bps**. In **9M18**, the effective tax rate came in at **30.3%** (versus 39.3% in 9M17), reflecting Alliar's efforts to reduce tax inefficiencies associated to its current corporate structure and to normalize its effective tax rate. We highlight the reduction in current income tax for the quarter and YTD, which shows a better use of deferred taxes that result in lower cash disbursement for tax payments by the Company.

NET INCOME

Net Income (Shareholders) **reached** R$ **11.2** million (margin of 4.0%), a **10.1% growth** in the quarter. In 9M18, the amount **reached** R$ **23.6** million (margin of **2.9%**), an **18.4% growth**.

The **increase in net income** for the quarter mainly reflects the **operating leverage** of the Company's current phase. Between EBITDA and Net Income, it also reflects the improved levels of financial results (lower cost of debt) and of income tax & social contribution (reduction of tax inefficiencies). The sum of these effects more than compensated the higher depreciation posted by the Company.

NET INCOME (Shareholders)



Net Income (R$ Million)	3Q18	3Q17	YoY	9M18	9M17	YoY
Net Income	13.6	13.1	4.1%	31.0	26.6	16.6%
Attributable to noncontrolling interests	2.4	2.9	-17.1%	-7.4	-6.6	11.1%
Net Income (Shareholders)	**11.2**	**10.2**	**10.1%**	**23.6**	**19.9**	**18.4%**
Net Income per share (in R$)	0.09	0.09	10.1%	0.20	0.17	16.9%
Net Margin	**4.9%**	**4.7%**	21 bps	**3.8%**	**3.4%**	42 bps
Net Margin (Shareholders)	**4.0%**	**3.6%**	**38 bps**	**2.9%**	**2.5%**	**36 bps**

INVESTMENTS

Investments (R$ Million)	3Q18	3Q17	YoY	9M18	9M17	YoY
Organic Expansion	6.1	11.5	-47.0%	19.7	87.1	-77.4%
Maintenance	10.9	6.3	72.8%	35.9	20.7	73.6%
Others	1.5	3.7	-59.2%	5.5	15.2	-63.7%
Total CAPEX	**18.5**	**21.5**	**-14.1%**	**61.2**	**123.0**	**-50.3%**
Financial Asset (RBD)	0.2	13.4	-98.8%	1.4	37.3	-96.2%
M&A / Investments	0.0	0.0	n/a	12.5	92.0	-86.4%
Total	**18.6**	**34.9**	**-46.6%**	**75.1**	**252.3**	**-70.2%**

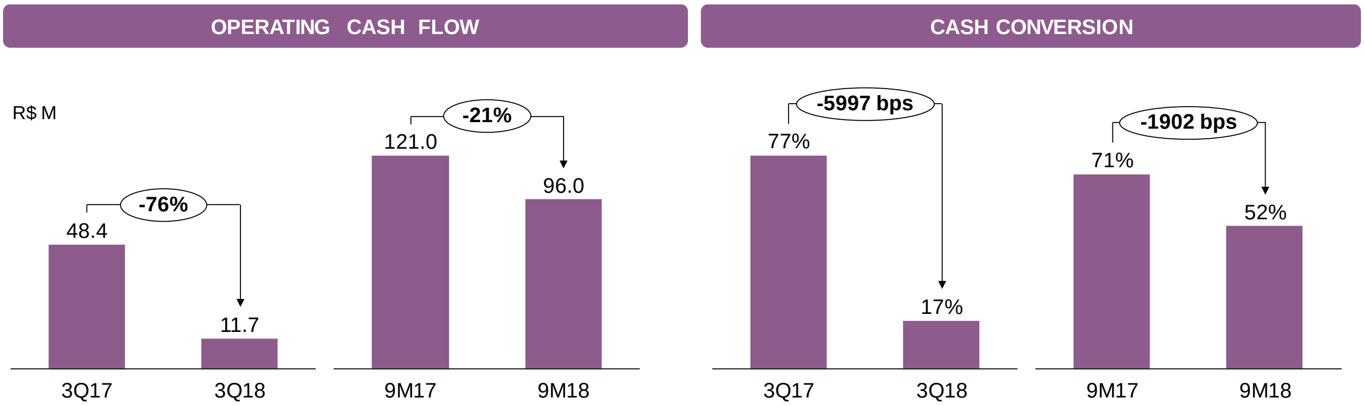
Note: M&A/Investments are in the accrual method (they differ from the cash flow amounts).

Total investments reached R$ **18.6** million in 3Q18 (a 46.6% reduction vs 3Q17), in spite of higher maintenance investments as a function of an atypical volume of equipment parts' replaced in the quarter (mainly for our Delfin brand). Despite higher investments, it is worth noticing that more equipment parts replaced do not affect the Company's cash disbursements since maintenance contracts are signed under fixed amounts, regardless of the volume of replaced parts.

YTD, the strong reduction of **70.2%** in total investments when compared to the same period of the previous year reflects the end of the large investment cycle held until 2017. It is in line with the Company’s strategy to improve the use of its current asset base and mature the investments already made.

CASH FLOW

Operating cash generation totaled R$ **96.0** million YTD (-21%), and **cash conversion** reached **52%**. In 3Q18, operating cash generation totaled R$ **11.7** million.



The reduction in operating cash generation in the quarter versus the previous year is a result of two punctual factors:

i. Hospital São Rafael - The Company has a services agreement with the Hospital (to perform its imaging exams), which was sold in the third quarter. During the transition period to the new controller, the payments were temporarily suspended. The Company is renegotiating this agreement for an eventual exit of the operation and receipt of overdue amounts.

ii. Suppliers - Due to the Company’s more comfortable financial leverage position, Alliar stopped negotiating with suppliers extended terms that incurred additional costs. The current payments terms are likely to continue for the next quarters.

In 9M18, with the continued maturation of Alliar’s operations and mainly due to the reduction in investments, operating cash flow exceeded investment cash flow, **resulting in a positive free cash flow of R$ 20.9 million** despite the one-off impacts recorded in 3Q18.

Since the Company's new cycle, its high operational cash generation capacity has also transformed into an **important evolution in the generation of free cash flow**.

Cash Flow (R$ Million)	3Q18	3Q17	YoY	9M18	9M17	YoY
(1) Adjusted EBITDA	**67.0**	**62.5**	**7.3%**	**185.9**	**171.3**	**8.5%**
(2) Non-cash items	-21.2	-15.5	37.0%	-61.5	-48.0	28.0%
(3) Working Capital[a]	-33.6	3.8	n/a	-23.8	4.2	n/a
Clients	-16.3	-14.2	15.5%	-31.6	-38.3	-17.5%
Trade payables	-10.2	14.7	n/a	-1.4	17.3	n/a
Payroll and related taxes	-0.9	5.1	n/a	-0.4	7.5	n/a
Taxes payable and taxes in installments	-1.8	1.7	n/a	15.7	24.8	-36.7%
Other	-4.3	-3.5	25.2%	-6.1	-7.0	-12.6%
(4) Income tax paid	**-0.6**	**-2.5**	**-76.1%**	**-4.7**	**-6.5**	-27.8%
(5) Operating Cash Flow [=(1)+(2)+(3)+(4)]	**11.7**	**48.4**	**-75.8%**	**96.0**	**121.0**	**-20.7%**
(6) Investing Activities[b]	**-18.6**	**-35.2**	**-47.0%**	**-75.1**	**-258.0**	**-70.9%**
Investments	-18.5	-21.8	-15.1%	-73.7	-220.7	-66.6%
Purchase of PPE and intangible assets	-18.5	-21.5	-14.1%	-61.2	-123.0	-50.3%
Acquisition of subsidiaries, net of cash received	0.0	0.0	n/a	-12.5	-92.0	-86.4%
Increase in Investments	0.0	-0.3	-100.0%	0.0	-5.7	-100.0%
Financial Asset (Capex RBD)	-0.2	-13.4	-98.8%	-1.4	-37.3	-96.2%
(7) Free Cash Flow [= (5)+(6)]	**-6.9**	**13.2**	**n/a**	**20.9**	**-137.0**	**n/a**
(8) Financing Activities[c]	**-9.5**	**-13.5**	**-29.6%**	**-65.5**	**28.5**	**n/a**
Financing	-10.8	-12.2	-11.9%	-72.9	-7.5	868.4%
Short-term investments	0.3	0.1	114.2%	1.4	41.9	-96.7%
Related parties	0.9	-1.4	n/a	6.1	-5.9	n/a
(9) Cash Increase (decrease) [= (7)+(8)]	**-16.5**	**-0.3**	**4623.6%**	**-44.6**	**-108.5**	**-58.9%**
Conversion (Operating Cash Flow/Adjusted EBITDA)	**17%**	**77%**	**-5997 bps**	**52%**	**71%**	**-1902 bps**
Adjusted EBITDA	67.0	62.5	7.3%	185.9	171.3	8.5%

a) Excludes Financial Asset (RBD Capex) and suppliers drawee risk, considered in Investing and Financing, respectively
b) Includes Financial Asset (RBD Capex) and excludes financial investments and related parties (see Financing). Acquisition of subsidiaries presented in the accrual method (differs from the accounting cash flow statements)
c) Includes supplier's drawee risk and debt from acquisitions (sellers' financing), in addition to financial investments and related parties.

FINANCIAL STATEMENTS
BALANCE SHEETS AT SEPTEMBER 30, 2018 AND DECEMBER 31, 2017
(R$'000)

ASSETS	Consolidated	
	09/30/2018	12/31/2017
CURRENT ASSETS		
Cash and cash equivalents	46,970	91,597
Securities	-	10
Accounts receivable	264,753	219,178
Inventories	4,945	4,650
Financial assets	31,060	30,676
Taxes recoverable	52,618	41,153
Derivative financial instruments	2,833	-
Other accounts receivable	20,726	14,290
Total current assets	**423,905**	**401,554**
NONCURRENT ASSETS		
Securities	3,384	3,692
Escrow deposits	26,000	25,817
Contingency reimbursement guarantee	66,449	104,389
Related parties	27,499	38,406
Deferred income and social contribution taxes	129,139	123,127
Financial assets	80,975	83,164
Investments	6,376	5,364
Property and equipment	527,952	532,523
Intangible assets	966,570	966,949
Total noncurrent assets	**1,834,344**	**1,883,431**
TOTAL ASSETS	**2,258,249**	**2,284,985**

LIABILITIES AND EQUITY	Consolidated	
	09/30/2018	12/31/2017
CURRENT LIABILITIES		
Trade payables	60,389	61,758
Supplier 'drawee risk'	-	11,652
Payroll and benefits	52,292	52,652
Borrowings and financing	223,486	167,044
Derivative financial instruments	-	1,260
Tax obligations	35,511	23,524
Tax installment payments	1,968	2,212
Accounts payable - acquisition of companies	17,539	36,488
Other accounts payable	11,828	5,463
Total current liabilities	**403,013**	**362,053**
NONCURRENT LIABILITIES		
Borrowings and financing	395,152	432,208
Related parties	1,025	5,881
Tax installment payments	6,651	6,960
Accounts payable - acquisition of companies	33,216	48,790
Deferred income and social contribution taxes	11,856	5,161
Deferred PIS/COFINS/ISS	8,030	8,033
Provision for legal contingencies	105,560	140,045
Other accounts payable	3,302	5,598
Total non-current liabilities	**564,792**	**652,676**
EQUITY		
Capital stock	612,412	612,412
Capital reserves	626,093	620,222
Other comprehensive income	188	-
Treasury shares	(1,954)	(1,954)
Accumulated profits	12,374	(11,220)
Controlling shareholders' equity	1,249,113	1,219,460
Minority interest	41,331	50,796
Total equity	**1,290,444**	**1,270,256**
TOTAL LIABILITIES AND EQUITY	**2,258,249**	**2,284,985**

INCOME STATEMENTS FOR THE QUARTERS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017 (R$'000)

Consolidated	09/30/2018 Quarter	09/30/2017 Quarter	09/30/2018 9M18	09/30/2017 9M17
NET SERVICE REVENUE	279,462	292,674	818,168	822,356
Cost of services	(203,589)	(204,620)	(596,892)	(571,948)
GROSS PROFIT	75,873	88,054	221,276	250,408
OPERATING (EXPENSES) INCOME				
General and administrative expenses	(44,056)	(54,283)	(133,278)	(164,154)
Other (expenses) income, net	194	(334)	(2,141)	(2,946)
Equity in the earnings (loss) of subsidiaries	3,772	3,857	10,812	10,792
OPERATING INCOME BEFORE FINANCIAL RESULT	35,783	37,294	96,669	94,100
FINANCIAL RESULT	(16,785)	(18,564)	(52,218)	(50,347)
Financial expenses	(17,145)	(18,831)	(53,270)	(54,245)
Financial income	360	267	1,052	3,898
OPERATING INCOME (LOSS) BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES	18,998	18,730	44,451	43,754
CURRENT AND DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES	(5,390)	(5,664)	(13,480)	(17,187)
NET INCOME (LOSS) FOR THE PERIOD	13,608	13,066	30,971	26,567
ATTRIBUTABLE TO CONTROLLING SHAREHOLDERS	11,222	10,189	23,594	19,929
ATTRIBUTABLE TO MINORITY INTEREST	2,386	2,877	7,377	6,637

Note: The costs and expenses for 2017 presented in this table follow the financial statements. For a comparable basis, refer to pages 6 and 7.

CASH FLOW STATEMENTS FOR QUARTERS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

(R$'000)

	Consolidated	
	09/30/2018	09/30/2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income (loss) for the period	**30,971**	**26,567**
Adjustments to reconcile net income to net cash generated by (used in) operating activities:	93,434	96,685
Depreciation and amortization	66,057	60,255
Stock options granted and restricted stocks	3,172	6,977
Residual value of property, plant and equipment disposed of, and investments	69	1,846
Finance charges, foreign exchange effect and derivatives	44,986	48,786
Financial asset update	(19,963)	(14,399)
Income (loss) from subsidiaries	(10,812)	(10,792)
Allowance for doubtful debts	9,220	10,127
Provisions for civil, labor and tax risks	142	(3,311)
Income Tax and Social Contribution	563	(2,804)
	124,405	123,252
Decrease (increase) in operating assets	(51,373)	(93,299)
Decrease (increase) in clients	(31,621)	(38,319)
Decrease (increase) in inventories	(295)	408
Decrease (increase) in other assets	(18,051)	(18,116)
Decrease (increase) in Financial Asset	(1,406)	(37,272)
Increase (decrease) in operating liabilities:	**9,885**	**53,781**
Increase (decrease) in trade payables	(1,369)	17,262
Increase (decrease) in suppliers drawees risk	(11,652)	-
Increase (decrease) in payroll and related taxes	(360)	7,464
Increase (decrease) in taxes payable and taxes in installments	15,688	24,789
Increase (decrease) in other liabilities	2,438	1,064
Income Tax and Social Contribution paid	(4,660)	(6,450)
Dividends and interest on equity received	9,800	9,652
Net Cash generated by Operating Activies	**82,917**	**83,734**
CASH FLOW FROM INVESTING ACTIVITIES		
Short-term investments	1,370	41,937
Acquisition of subsidiaries, net of cash received	(40,799)	(42,430)
Related Parties	6,051	(5,928)
Increase in Investments	-	(5,719)
Purchase of property, plant and equipment and intangible assets	(61,177)	(122,992)
Net cash used in investing activities	**(94,555)**	**(135,132)**
CASH FLOW FROM FINANCING ACTIVITIES		
Capital Increase	-	708
Treasury Shares	-	(7,010)
Borrowings, net	186,913	207,398
Interest paid	(47,456)	(35,178)
Repayment of borrowings and financing	(172,446)	(223,047)
Net cash used in financing activities	**(32,989)**	**(57,129)**
INCREASE IN CASH AND CASH EQUIVALENTS	(44,627)	(108,527)
CASH AND CASH EQUIVALENTS		
At the beginning of the priod	91,597	159,333
At the end of the period	46,970	50,806