

EARNINGS RELEASE

2Q18



alliar médicos à frente
sistema de diagnósticos de saúde

CONFERENCE CALL IN PORTUGUESE

August 14, 2018
12h30 pm (Brasília)
11h30 am (New York)
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CONFERENCE CALL IN ENGLISH

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São Paulo, Aug 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 second quarter and first half of 2018 (2Q18 and 6M18, respectively). The figures and their historical series (when available) can be obtained in excel format at <http://ir.alliar.com>

HIGHLIGHTS

- **Organic net revenue¹ growth of 5.7%** in the quarter, with same-store-sales (SSS) of 5.0% and ramp-up of the new mega-units. YTD growth of 6.0% to reach R\$ 537.5 million, with SSS of 3.5%
- **Adjusted EBITDA of R\$ 59.4 million (+0.5%)** in the quarter and an adjusted EBITDA margin of 21.6%. For the first half of 2018, adjusted EBITDA reached R\$ 118.8 million (+9.2%), with an adjusted EBITDA margin of 22.1%
- **Net income (Shareholders) of R\$ 5.3 million in the quarter (+33.2%)** and R\$ 12.4 million during the first half of 2018 (+27.0%)
- **Operating cash generation growth of 5.6%**, reaching R\$ 53.2 million in the quarter, with a **cash conversion rate of 89% (+433 bps)**, demonstrating, once again, Alliar’s high operating cash generating capacity
- **Positive free cash flow of R\$ 29.2 million in the quarter** and beginning of the deleveraging process evidence **Alliar’s new growth cycle**
- Net promoter score (**NPS**) of **65.4%** at the end of 2Q18, an important evolution of nearly **500 bps** when compared to 1Q18, reflecting the stabilization of our centralized contact center and ongoing improvements in the **real-time management** of the patients’ flow in our units

KPIs (R\$ Million)	2Q18	2Q17	YoY	6M18	6M17	YoY
Gross Revenue (ex-construction) ¹	298.1	281.1	6.0%	582.1	546.8	6.5%
Net Revenue (ex-construction) ¹	275.2	260.5	5.7%	537.5	507.1	6.0%
Gross Profit	72.7	71.0	2.3%	145.4	135.8	7.1%
Gross Profit Margin ²	26.4%	27.3%	-88 bps	27.1%	26.8%	27 bps
EBITDA	51.7	52.9	-2.2%	103.4	98.7	4.8%
EBITDA Margin	18.8%	20.3%	-151 bps	19.2%	19.5%	-22 bps
Adjusted EBITDA ³	59.4	59.2	0.5%	118.8	108.8	9.2%
Adjusted EBITDA Margin ²	21.6%	22.7%	-113 bps	22.1%	21.5%	64 bps
Net Income (Shareholders)	5.3	4.0	33.2%	12.4	9.7	27.0%
Operating Cash Flow	53.2	50.4	5.6%	84.3	72.6	16.0%
Cash Conversion	89%	85%	433 bps	71%	67%	415 bps
Free Cash Flow	29.2	-19.0	n/a	27.8	-150.2	n/a
ROIC ⁴	12.2%	15.8%	-358 bps	12.2%	15.8%	-358 bps
NPS ⁵	65.4%	n/a	n/a	63.2%	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)

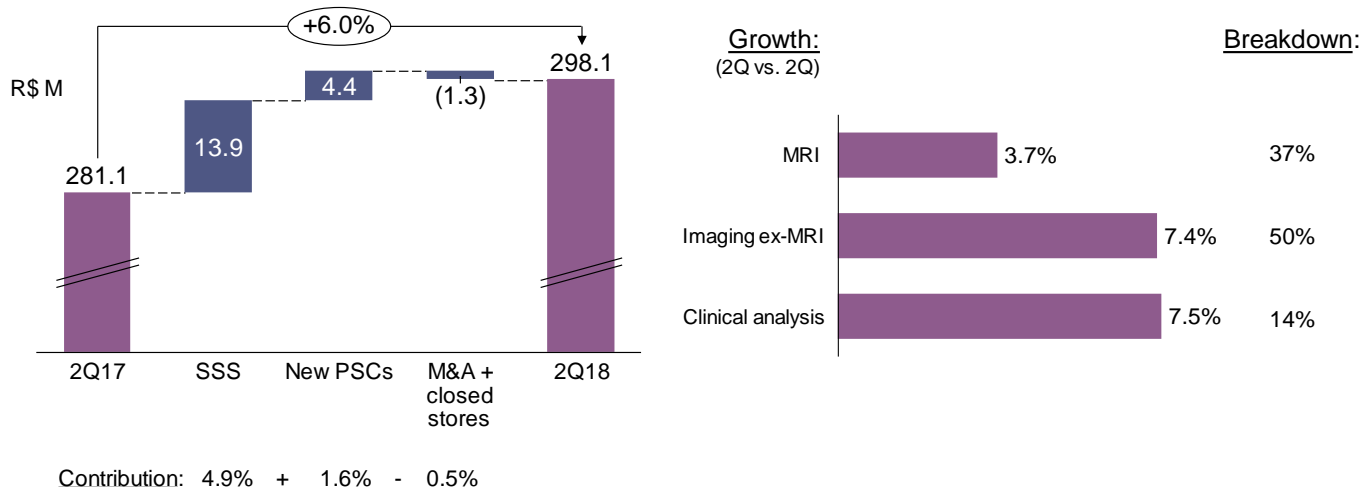
3) Excludes write-down of financial asset (see chapter on EBITDA)

4) ROIC without goodwill (adjusted NOPAT divided by average invested capital without goodwill)

5) Comparison of Net Promoter Score vs 2Q17 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) grew **6.0%** in the quarter, reaching **R\$ 298.1 million**.



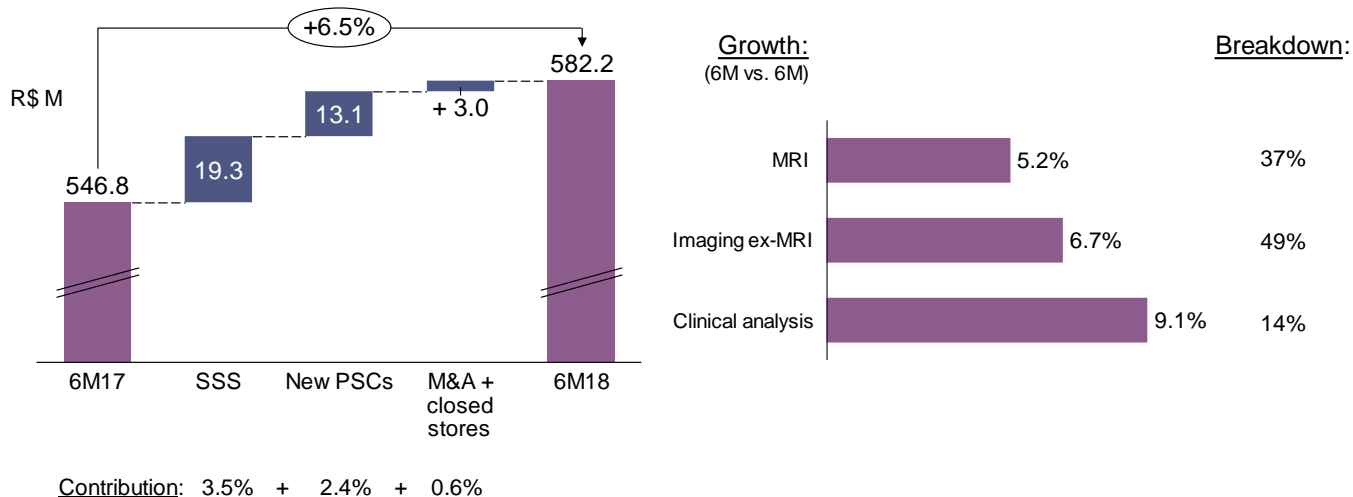
The revenue growth is mainly explained by the combination of same-store-sales of **+5.0%** and the opening of mega-units, in line with the Company's strategy to prioritize **organic growth** fronts and to **mature investments** made.

It is important to mention that **SSS growth already considers some of the mega-units opened** in the last investment cycle, such as CDB Ana Rosa (inaugurated in 4Q16) and CDB Morumbi (opened in March 2017). Nearly 40% of the SSS growth comes from mega-units currently in **maturation process**. In 2Q18, the Morumbi and Mooca mega-units (this one launched in May 2017), began to operate their second resonance machine after surpassing the mark of 30 Exams/MRI/day.

The Company's performance was negatively impacted by the national truck drivers' strike (May) and by the soccer world cup (June), two one-off events that affected the revenue growth in the quarter by approximately 220 bps.

From 2Q18, acquisitions' contribution to revenue growth decreases, given that the latest relevant M&A concluded (Multiscan) is already fully considered in the quarterly comparison basis.

The figure below shows the **YTD growth** per revenue driver.



Gross Revenue (R\$ Million)	2Q18			2Q17			YoY		
	2Q18	2Q17	YoY	6M18	6M17	YoY	6M18	6M17	YoY
Gross Revenue (ex-construction)	298.1	281.1	6.0%	582.1	546.8	6.5%			
Diagnostic imaging	258.5	244.3	5.8%	501.9	473.2	6.1%			
MRI Exams	110.1	106.2	3.7%	214.0	203.5	5.2%			
Other Imaging Exams	148.3	138.1	7.4%	287.9	269.8	6.7%			
Clinical analysis	39.6	36.8	7.5%	80.3	73.6	9.1%			
Construction revenue	0.3	10.5	-96.7%	1.3	23.9	-94.8%			
Gross Revenue	298.4	291.7	2.3%	583.4	570.7	2.2%			
Deductions	-22.9	-21.3	7.5%	-44.7	-41.0	8.9%			
Net Revenue	275.6	270.4	1.9%	538.7	529.7	1.7%			
Net Revenue (ex-construction)	275.2	260.5	5.7%	537.5	507.1	6.0%			

Operational Highlights	Performance					
	2Q18	2Q17	YoY	6M18	6M17	YoY
Avg Revenue/MRI equipment	0.88	0.87	1.2%	1.71	1.67	2.6%
Avg Revenue/Clinical Analysis Room	0.13	0.13	4.3%	0.27	0.26	5.7%
MRI exams ('000)	192	183	4.7%	373	352	5.7%
Clinical analysis exams ('000)	2,593	2,308	12.3%	5,210	4,696	10.9%
MRI Avg. Ticket (R\$)	574	580	-0.9%	574	577	-0.5%
Clinical analysis Avg. Ticket (R\$)	15.3	16.0	-4.3%	15.4	15.7	-1.7%
MRI exams / equipment / day	24.5	24.0	2.2%	23.8	23.1	3.2%
Clinical analysis / room / day	140.2	128.7	8.9%	140.8	130.9	7.6%

Operational KPIs	Assets					
	2Q18	1Q18	QoQ	6M18	6M17	YoY
End of period						
PSCs	116	118	-1.7%	116	122	-4.9%
Mega	18	18	0.0%	18	17	5.9%
Standard	84	84	0.0%	84	87	-3.4%
Collection Points	14	16	-12.5%	14	18	-22.2%
MRI equipments	125	122	2.5%	125	122	2.5%
Clinical Analysis Rooms	296	292	1.4%	296	287	3.1%

The Company registered growth in all its exams. The **growth** in the number of magnetic resonance (MRI) exams performed, which constitutes the main exam offered by the Company, was driven by a **2.2% increase in equipment productivity**, leading to an average of **24.5** exams/MRI/day in the quarterly average, **even after the addition of 3 machines** (+2.5%). In the first half of 2018, **productivity** increased by **3.2%** (reaching **23.8** exams/MRI/day).

Highlight to the **complementary offer of cyclical analysis (CA)**, which continues to ramp-up. The CA exams presented growth of **12.3%** in the quarter (+10.9% in the first half of 2018), driven by the higher number of collection rooms (**+3.1%**), and partially offset by lower average ticket. Thus, the CA exams registered a **13.8%** share of our ex-construction gross revenue (vs. 13.5% in 1H17). At the end of June 2018, Alliar offered CA exams in **53** of its units.

The lower average tickets mainly reflect an effect of coverage downgrades, where it is possible to notice diagnostic exams migrating to lower average ticket plans.

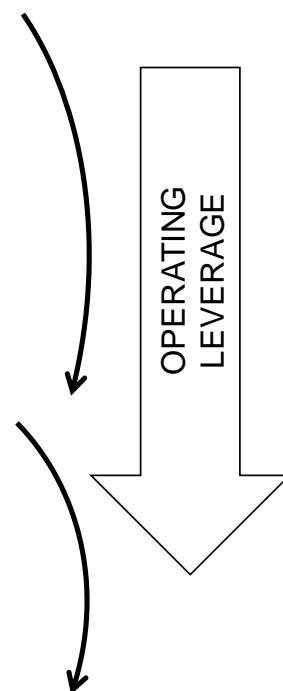
FINANCIAL PERFORMANCE

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 2Q18, even with the negative impacts of one-off events (mainly the national truck drivers' strike), Alliar was able to post a **+33.2%** growth in **Net Income (Shareholders)** when net revenue growth was significantly lower at **+5.7%**. Highlight to the decrease in the **effective tax rate**, which reflects the Company's initiatives to reduce tax inefficiencies associated with its corporate structure.

Also in the first half of 2018 it is worth noticing Alliar's **operating leverage** and **higher profitability**, in line with the Company's current strategy

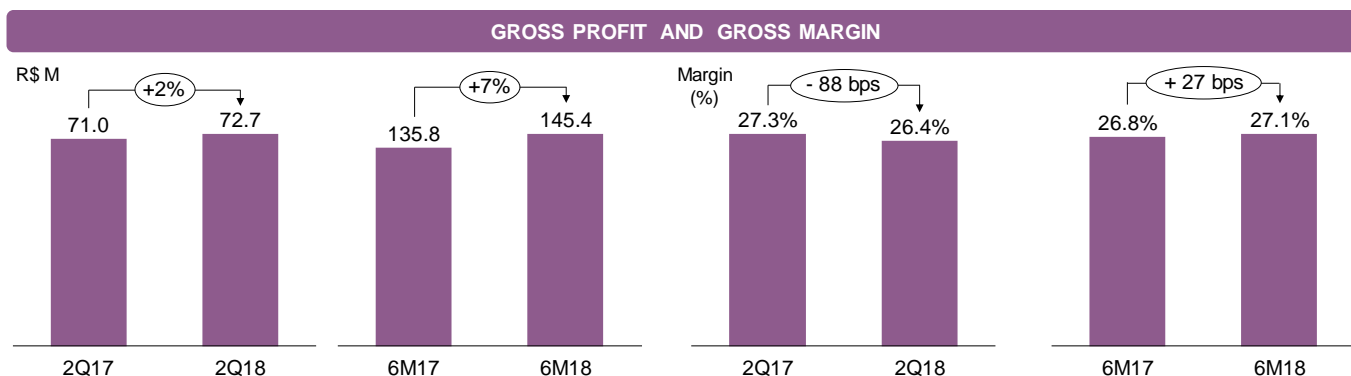
Income Statement Overview	2Q18	2Q17	YoY	6M18	6M17	YoY
Gross Revenue (ex-construction)	298.1	281.0	6.1%	582.1	546.7	6.5%
Deductions	(22.8)	(20.5)	11.2%	(44.6)	(39.5)	12.8%
Net Revenue (ex-construction)	275.2	260.5	5.7%	537.5	507.1	6.0%
Cost of services	(202.6)	(189.4)	6.9%	(392.1)	(371.4)	5.6%
Gross Profit	72.7	71.0	2.3%	145.4	135.8	7.1%
<i>Gross Profit Margin</i>	26.4%	27.3%	-88 bps	27.1%	26.8%	27 bps
General and administrative expenses	(47.6)	(41.5)	14.6%	(89.2)	(83.3)	7.1%
Other income (expenses), net	0.0	(1.1)	n/a	(2.3)	(2.6)	-10.6%
Share of profit (loss) on investments	3.7	3.5	6.7%	7.0	6.9	1.5%
(+) Depreciation and Amortization	22.9	21.0	9.0%	42.5	41.9	1.5%
EBITDA	51.7	52.9	-2.2%	103.4	98.7	4.8%
<i>(+/- adjustments)</i>	7.7	6.3	22.9%	15.4	10.1	52.7%
Adjusted EBITDA	59.4	59.2	0.5%	118.8	108.8	9.2%
<i>Adjusted EBITDA Margin</i>	21.6%	22.7%	-113 bps	22.1%	21.5%	64 bps
(-) Depreciation and Amortization	(22.9)	(21.0)	9.0%	(42.5)	(41.9)	1.5%
Finance income (expenses)	(18.7)	(22.0)	-15.0%	(35.4)	(31.8)	11.5%
EBT	10.2	9.9	2.7%	25.5	25.0	1.7%
Taxes	(2.4)	(5.2)	-53.0%	(8.1)	(11.5)	-29.8%
<i>Effective tax rate</i>	-23.8%	-52.1%	2824 bps	-31.8%	-46.1%	1425 bps
Attributable to non-controlling shareholders	(2.5)	(0.8)	215.0%	(5.0)	(3.8)	32.8%
Net Income (Shareholders)	5.3	4.0	33.2%	12.4	9.7	27.0%
<i>Net margin (Shareholders)</i>	1.9%	1.5%	39 bps	2.3%	1.9%	37 bps



GROSS PROFIT / GROSS MARGIN

Gross profit increased **2.3%** in the quarter and reached R\$ **72.7** million. Gross margin decrease compared to 2Q17 (-88 bps), mainly reflects: i) increased medical services (driven by full operation phase of the PPP hospitals and different mix of exams), and (ii) increased occupancy (new mega-units), partially offset by savings registered in employees, support labs and third party services.

Additionally, the strategic sourcing initiative continues ongoing and additional benefits are expected for the upcoming quarters.



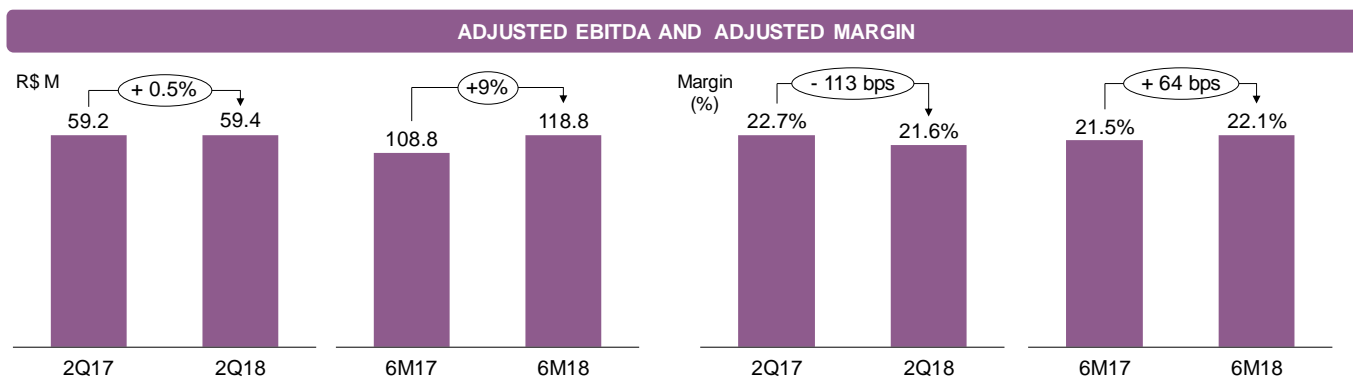
Gross Profit (R\$ Million)	2Q18			2Q17			6M18			6M17		
	2Q18	2Q17	YoY	% NRev (2Q18)	% NRev (2Q17)	YoY	6M18	6M17	YoY	% NRev (6M18)	% NRev (6M17)	YoY
Net Revenue (ex)	275.2	260.5	5.7%	-	-	-	537.5	507.1	6.0%	-	-	-
Costs (ex)	-202.6	-189.4	6.9%	-73.6%	-72.7%	-88 bps	-392.1	-371.4	5.6%	-72.9%	-73.2%	27 bps
Medical Services	-53.2	-44.9	18.5%	-19.3%	-17.2%	-209 bps	-103.4	-88.9	16.4%	-19.2%	-17.5%	-172 bps
Employees	-52.1	-51.7	0.9%	-18.9%	-19.8%	89 bps	-101.8	-97.9	4.0%	-18.9%	-19.3%	35 bps
Supplies and Support Labs	-34.0	-34.6	-1.8%	-12.3%	-13.3%	92 bps	-64.6	-67.8	-4.7%	-12.0%	-13.4%	134 bps
Maintenance	-7.5	-8.1	-7.4%	-2.7%	-3.1%	37 bps	-14.9	-15.4	-3.6%	-2.8%	-3.0%	26 bps
Occupancy	-23.8	-19.4	22.6%	-8.7%	-7.5%	-120 bps	-45.1	-39.4	14.3%	-8.4%	-7.8%	-62 bps
Third-party serv. and others	-11.4	-11.9	-4.1%	-4.2%	-4.6%	41 bps	-24.0	-24.3	-0.9%	-4.5%	-4.8%	30 bps
Deprec. and amortization	-20.6	-18.9	9.0%	-7.5%	-7.2%	-24 bps	-38.3	-37.7	1.5%	-7.1%	-7.4%	30 bps
Gross Profit	72.7	71.0	2.3%	26.4%	27.3%	-88 bps	145.4	135.8	7.1%	27.1%	26.8%	27 bps
Construction cost	-0.3	-10.0	-96.7%	-	-	-	-1.2	-22.6	-94.8%	-	-	-

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 by **0.5%** in the quarter (**+9.2% YTD**) reaching R\$ **59.4** million with an adjusted EBITDA margin of **21.6%** (**-113 bps**). The temporary loss in margin in the quarter mainly reflects: i) comparison basis favored by R\$4.6 million provision reversal in 2Q17, and ii) higher concentration of marketing expenses in 2Q18.

In the first half of 2018, **adjusted EBITDA** reached R\$ **118.8** million, with an adjusted EBITDA margin of **22.1%**, an expansion of **64 bps**.



EBITDA (R\$ Million)	2Q18			2Q17			YoY			6M18			6M17			YoY		
	2Q18	2Q17	YoY	% NRev (2Q18)	% NRev (2Q17)	YoY	6M18	6M17	YoY	% NRev (6M18)	% NRev (6M17)	YoY						
Net Revenue (ex)	275.2	260.5	5.7%	-	-	-	537.5	507.1	6.0%	-	-	-						
Gross Profit	72.7	71.0	2.3%	26.4%	27.3%	-88 bps	145.4	135.8	7.1%	27.1%	26.8%	27 bps						
General and adm. expenses	-47.6	-41.5	14.6%	-17.3%	-15.9%	-135 bps	-89.2	-83.3	7.1%	-16.6%	-16.4%	-19 bps						
Employees	-22.9	-22.3	2.5%	-8.3%	-8.6%	25 bps	-45.1	-45.3	-0.4%	-8.4%	-8.9%	53 bps						
Occupancy, 3 rd party, other	-21.3	-14.8	44.7%	-7.8%	-5.7%	-210 bps	-37.8	-29.2	29.5%	-7.0%	-5.8%	-129 bps						
Long-term incentive	-1.1	-2.3	-54.5%	-0.4%	-0.9%	50 bps	-2.1	-4.7	-54.5%	-0.4%	-0.9%	51 bps						
Depreciation and amort.	-2.3	-2.1	8.9%	-0.8%	-0.8%	-3 bps	-4.3	-4.2	1.5%	-0.8%	-0.8%	3 bps						
Earnings of subsidiaries	0.0	-1.1	n/a	0.0%	-0.4%	n/a	-2.3	-2.6	-10.6%	-0.4%	-0.5%	7 bps						
Other expenses, net	3.7	3.5	6.7%	1.3%	1.3%	0 bps	7.0	6.9	1.5%	1.3%	1.4%	-7 bps						
EBIT	28.8	31.9	-9.5%	10.5%	12.2%	-177 bps	60.9	56.8	7.2%	11.3%	11.2%	12 bps						
(+) Depreciation and amort.	22.9	21.0	9.0%	8.3%	8.1%	24 bps	42.5	41.9	1.5%	7.9%	8.3%	-36 bps						
EBITDA	51.7	52.9	-2.2%	18.8%	20.3%	-152 bps	103.4	98.7	4.8%	19.2%	19.5%	-23 bps						
Write-down of financial asset	7.7	6.3	22.9%	2.8%	2.4%	38 bps	15.4	10.1	52.7%	2.9%	2.0%	87 bps						
Adjusted EBITDA	59.4	59.2	0.5%	21.6%	22.7%	-113 bps	118.8	108.8	9.2%	22.1%	21.5%	64 bps						

General expenses totaled R\$ **47.6** million in the quarter (**+14.6%**), negatively influenced mainly by the unfavorable comparison basis and the anticipation of marketing expenses (reflected in the occupation, third party services and others account). These effects aren't expected to occur in the upcoming quarters.

On the other hand, the Company continues to present strict discipline in expenses, especially in employees, still reflecting the adjustment efforts in the personnel structure at the holding office and shared-services-center (implemented since the 4Q17).

YTD accounting EBITDA was R\$ 103.4 million (**+4.8%**). 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\$ **7.7** million in 2Q18 (vs. R\$ **6.3** million in 2Q17) and R\$ **15.4** million YTD.

FINANCIAL RESULT AND DEBT

Financial Result (R\$ Million)	2Q18	1Q18	2Q17	YoY	6M18	6M17	YoY
Financial income	0.3	0.4	0.3	-6.9%	0.7	3.6	-80.9%
Financial expenses	-17.2	-17.1	-20.2	-15.2%	-34.3	-34.7	-1.2%
FX effect on USD debt	-1.8	0.0	-2.1	-12.7%	-1.8	-0.7	160.4%
Total Financial Result	-18.7	-16.7	-22.0	-15.0%	-35.4	-31.8	11.5%

The 15.0% improvement in financial results for the quarter is mainly explained by the 15.2% reduction in financial expenses, reflecting a lower cost of debt and in line with the levels observed in the previous quarter (1Q18). The foreign exchange effect in the quarter reflects the depreciation of Brazilian Real (BRL) from March to June 2018.

In first half of 2018, the worsening by 11.5% in the total financial result reflects a lower average cash balance in the period and also the above mentioned BRL depreciation.

Debt (R\$ Million)	2Q18	1Q18	4Q17	2Q17	YoY
Loans and debentures	609.2	631.3	599.3	497.5	22.5%
Supplier 'drawee risk'	0.0	4.3	11.7	0.0	n/a
Derivative fin. instruments	0.0	1.0	1.3	27.9	-100.0%
Gross Bank Debt	609.2	636.6	612.2	525.4	16.0%
Gross Bank Debt R\$	598.2	625.0	598.6	478.8	25.0%
Gross Bank Debt US\$	11.0	11.7	13.5	46.6	-76.4%
Tax installment payments	8.9	9.3	9.2	9.5	-5.8%
Acquisitions of companies	56.3	62.2	85.3	88.8	-36.6%
Total Gross Debt	674.4	708.2	706.6	623.6	8.1%
Cash and equivalents	66.8	71.8	95.3	56.5	18.2%
Total Net Debt	607.6	636.3	611.3	567.0	7.2%
Adjusted EBITDA LTM	232.8	232.5	224.9	227.5	2.3%
Total Net Debt / Adj. EBITDA	2.61 x	2.74 x	2.72 x	2.49 x	4.7%

Note: Adjusted LTM EBITDA including acquisitions

At the end of the quarter, **total net debt** was R\$ **607.6** million, a 4.5% reduction to 1Q18, with a **2.61x** ratio of **total net debt/LTM adjusted EBITDA**. The decrease in leverage is a consequence of the Company's' efforts to generate free cash flow, a trend that is expected to continue in the upcoming quarters.

INCOME TAX AND SOCIAL CONTRIBUTION

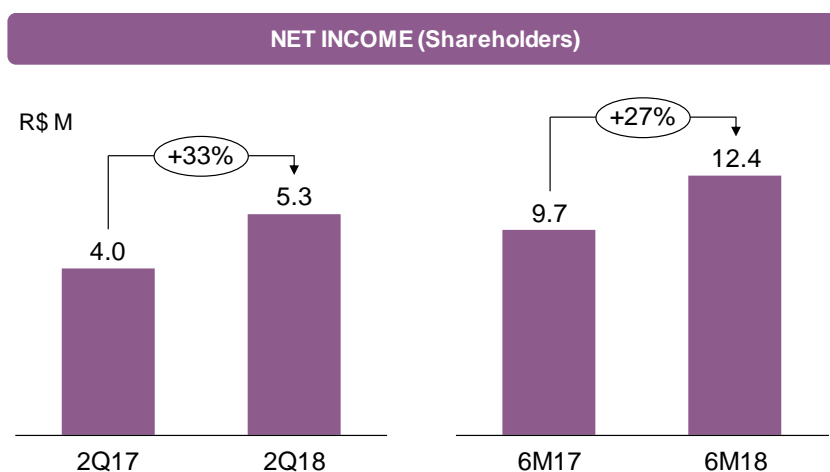
(R\$ Million)	2Q18	2Q17	YoY	6M18	6M17	YoY
EBT	10.2	9.9	2.7%	25.5	25.0	1.7%
Income Tax	-2.4	-5.2	-53.0%	-8.1	-11.5	-29.8%
Current income tax	-3.4	-2.7	25.2%	-10.4	-11.6	-10.7%
Deferred income tax	1.0	-2.4	n/a	2.3	0.1	2006.7%
Effective Tax Rate (%)	23.8%	52.1%	-2826 bps	31.8%	46.0%	-1427 bps

In **2Q18**, the Company recorded income tax & social contribution in the amount of R\$ **2.4** million, equivalent to an effective rate of **23.8%**, an improvement of 2.826 bps versus 2Q17. For **the first half of 2018** (a longer time horizon), the effective tax rate was **31.8%** (versus 46.0% recorded in 1H17), reflecting the Company's efforts to reduce the tax inefficiencies of its current corporate structure and normalize its effective tax rate.

NET INCOME

Net Income (Shareholders) **reached R\$ 5.3** million (margin of 1.9%), a **33.2% growth** in the period. In the first half of 2018, it **reached R\$ 12.4** million (margin of **2.3%**), a **27.0% growth**.

The **increase in net income** in the quarter, achieved despite the non-recurring decrease in adjusted EBITDA margin, continues to reflect the **operating leverage** of the Company's current phase. Specifically between EBITDA and Net Income, the expansion of the latter is due to the better levels of financial result (lower cost of debt) and income tax & social contribution (lower tax inefficiencies), which more than compensated the higher level of depreciation.



Net Income (R\$ Million)	2Q18	2Q17	YoY	6M18	6M17	YoY
Net Income	7.7	4.7	63.3%	17.4	13.5	28.6%
Attributable to noncontrolling interests	2.5	0.8	215.0%	-5.0	-3.8	32.8%
Net Income (Shareholders)	5.3	4.0	33.2%	12.4	9.7	27.0%
Net Income per share (in R\$)	0.04	0.03	32.0%	0.10	0.08	24.6%
Net Margin	2.8%	1.8%	99 bps	3.2%	2.7%	57 bps
Net Margin (Shareholders)	1.9%	1.5%	40 bps	2.3%	1.9%	38 bps

INVESTMENTS

Investments (R\$ Million)	2Q18	2Q17	YoY	6M18	6M17	YoY
Organic Expansion	5.2	38.0	-86.3%	13.6	75.6	-82.0%
Maintenance	16.9	7.1	136.7%	25.1	14.4	73.9%
Others	1.5	5.4	-72.1%	4.0	11.5	-65.2%
Total CAPEX	23.6	50.6	-53.3%	42.7	101.5	-57.9%
Financial Asset (RBD)	0.3	10.5	-96.7%	1.3	23.9	-94.8%
M&A / Investments	0.0	0.0	n/a	12.5	92.0	-86.4%
Total	24.0	61.1	-60.8%	56.4	217.4	-74.0%

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

Capex reached R\$ **23.6** million in 2Q18, registering a strong reduction compared to the same period of last year, after the end of the large investments cycle held until 2017 and in line with the Company's strategy of maturing the investments made.

At RBD, the Company invested R\$ **0.3** million in Financial Asset (Capex PPP Bahia), again registering a strong reduction compared to the previous year once its hospitals are already fully operational.

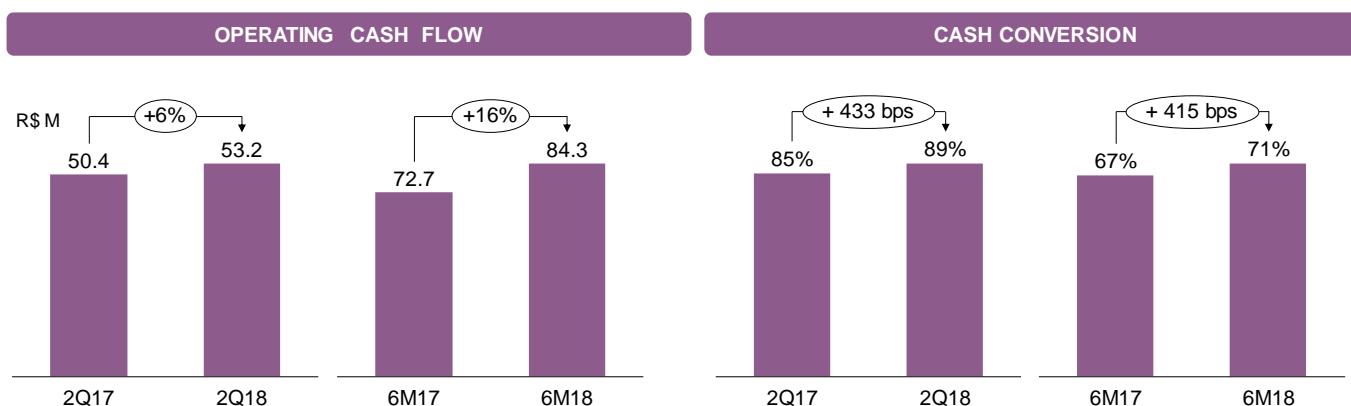
As expected, reflecting a greater concentration of investments at the beginning of the year, Capex amounted to R\$ **42.7** million YTD. For 2018, investments in Capex should be up to R\$ 75 million, as no investments are expected in the opening of new units or in new acquisitions.

CASH FLOW

Operating cash generation totaled R\$ **53.2** million in the quarter (+5.6%) and **cash conversion** reached **89%**.

With the continued maturation of Alliar's operations and mainly the reduction in investments, the operating cash flow exceeded the investment cash flow, **resulting in a positive free cash flow of R\$ 29.2 million** (item 7 of the table below). In the first half of 2018, operating cash generation increased by 16% and the cash conversion gain was above **400 bps**, achieving 71%.

These results demonstrate once again the Company's strong capacity of operating cash flow. As of Alliar's new growth cycle, is also starts to convert into an important free cash generation.



Cash Flow (R\$ Million)	2Q18	2Q17	YoY	6M18	6M17	YoY
(1) Adjusted EBITDA	59.4	59.2	0.5%	118.8	108.8	9.2%
(2) Non-cash items	-23.2	-34.2	-32.2%	-40.3	-32.6	23.8%
(3) Working Capital ^a	19.5	28.0	-30.3%	9.8	0.4	2486.0%
Clients	-0.4	-8.1	-95.1%	-15.3	-24.2	-36.8%
Trade payables	6.6	9.4	-29.6%	8.8	2.6	240.0%
Payroll and related taxes	8.5	1.9	351.3%	0.6	2.4	-76.5%
Taxes payable and taxes in installments	4.9	23.7	-79.3%	17.4	23.1	-24.5%
Other	-0.1	1.1	n/a	-1.8	-3.5	-49.9%
(4) Income tax paid	-2.6	-2.6	-1.1%	-4.1	-4.0	2.2%
(5) Operating Cash Flow [= (1)+(2)+(3)+(4)]	53.2	50.4	5.6%	84.3	72.6	16.0%
(6) Investing Activities^b	-24.0	-69.3	-65.5%	-56.4	-222.8	-74.7%
Investments	-23.6	-55.0	-57.1%	-55.2	-198.9	-72.3%
Purchase of PPE and intangible assets	-23.6	-51.6	-54.3%	-42.7	-101.5	-57.9%
Acquisition of subsidiaries, net of cash received	0.0	0.0	n/a	-12.5	-92.0	-86.4%
Increase in Investments	0.0	-3.4	-100.0%	0.0	-5.5	-100.0%
Financial Asset (Capex RBD)	-0.3	-14.3	-97.6%	-1.3	-23.9	-94.8%
(7) Free Cash Flow [= (5)+(6)]	29.2	-19.0	n/a	27.8	-150.2	n/a
(8) Financing Activities^c	-34.3	16.6	n/a	-56.0	42.0	n/a
Financing	-47.7	19.7	n/a	-62.2	4.7	n/a
Short-term investments	0.2	3.9	-94.4%	1.1	41.8	-97.5%
Related parties	13.2	-7.0	n/a	5.1	-4.5	n/a
(9) Cash Increase (decrease) [= (7)+(8)]	-5.1	-2.3	115.7%	-28.1	-108.2	-74.0%
Conversion						
(Operating Cash Flow/Adjusted EBITDA)	89%	85%	433 bps	71%	67%	415 bps
Adjusted EBITDA	59.4	59.2	0.5%	118.8	108.8	9.2%

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 JUNE 30, 2018 AND DECEMBER 31, 2017
(R\$'000)

ASSETS	Consolidated		LIABILITIES AND EQUITY	Consolidated	
	06/30/2018	12/31/2017		06/30/2018	12/31/2017
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	63,455	91,597	Trade payables	70,599	61,758
Securities	-	10	Supplier 'drawee risk'	-	11,652
Accounts receivable	243,297	219,178	Payroll and benefits	53,210	52,652
Inventories	4,100	4,650	Borrowings and financing	206,496	167,044
Financial assets	31,018	30,676	Derivative financial instruments	-	1,260
Taxes recoverable	48,000	41,153	Tax obligations	37,257	23,524
Derivative financial instruments	1,200	-	Tax installment payments	1,522	2,212
Other accounts receivable	18,113	14,290	Accounts payable - acquisition of companies	24,580	36,488
Total current assets	409,183	401,554	Other accounts payable	10,831	5,463
			Total current liabilities	404,495	362,053
NONCURRENT ASSETS			NONCURRENT LIABILITIES		
Securities	3,341	3,692	Borrowings and financing	402,713	432,208
Escrow deposits	26,585	25,817	Related parties	1,025	5,881
Contingency reimbursement guarantee	80,802	104,389	Tax installment payments	7,382	6,960
Related parties	28,432	38,406	Accounts payable - acquisition of companies	31,673	48,790
Deferred income and social contribution taxes	126,707	123,127	Deferred income and social contribution taxes	6,438	5,161
Financial assets	82,002	83,164	Deferred PIS/COFINS/ISS	8,004	8,033
Investments	6,727	5,364	Provision for legal contingencies	120,740	140,045
Property and equipment	532,497	532,523	Other accounts payable	4,259	5,598
Intangible assets	967,039	966,949	Total non-current liabilities	582,234	652,676
Total noncurrent assets	1,854,132	1,883,431	EQUITY		
			Capital stock	612,412	612,412
			Capital reserves	625,035	620,222
			Other comprehensive income	(15)	-
			Treasury shares	(1,954)	(1,954)
			Accumulated profits	1,152	(11,220)
			Controlling shareholders' equity	1,236,630	1,219,460
			Minority interest	39,956	50,796
			Total equity	1,276,586	1,270,256
TOTAL ASSETS	2,263,315	2,284,985	TOTAL LIABILITIES AND EQUITY	2,263,315	2,284,985

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

Consolidated	06/30/2018	06/30/2017	06/30/2018	06/30/2017
	Quarter	Quarter	6M18	6M17
NET SERVICE REVENUE	275,564	270,405	538,706	529,682
Cost of services	(202,899)	(184,524)	(393,303)	(367,328)
GROSS PROFIT	72,665	85,881	145,403	162,354
OPERATING (EXPENSES) INCOME				
General and administrative expenses	(47,561)	(56,365)	(89,222)	(109,871)
Other (expenses) income, net	49	(1,099)	(2,335)	(2,612)
Equity in the earnings (loss) of subsidiaries	3,698	3,466	7,040	6,935
OPERATING INCOME BEFORE FINANCIAL RESULT	28,851	31,883	60,886	56,806
FINANCIAL RESULT	(18,689)	(21,992)	(35,433)	(31,783)
Financial expenses	(18,949)	(22,271)	(36,124)	(35,414)
Financial income	260	279	692	3,631
OPERATING INCOME (LOSS) BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES	10,162	9,891	25,453	25,023
CURRENT AND DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES	(2,422)	(5,153)	(8,090)	(11,523)
NET INCOME (LOSS) FOR THE PERIOD	<u>7,740</u>	<u>4,738</u>	<u>17,363</u>	<u>13,500</u>
ATTRIBUTABLE TO CONTROLLING SHAREHOLDERS	5,269	3,954	12,372	9,740
ATTRIBUTABLE TO MINORITY INTEREST	2,471	784	4,991	3,760

Note: The costs and expenses for 2017 presented in this table follow the financial statements. For a comparable basis, refer to pages 7 and 8.

CASH FLOW STATEMENTS FOR QUARTERS ENDED JUNE 30, 2018 AND JUNE 30, 2017 (R\$'000)

	Consolidated	
	06/30/2018	06/30/2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income (loss) for the period	17,363	13,500
Adjustments to reconcile net income to net cash generated by (used in) operating activities:	61,181	62,753
Depreciation and amortization	42,548	41,912
Stock options granted and restricted stocks	2,114	4,652
Residual value of property, plant and equipment disposed of, and investments	69	1,302
Finance charges, foreign exchange effect and derivatives	31,993	29,575
Financial asset update	(13,343)	(8,361)
Income (loss) from subsidiaries	(7,040)	(6,935)
Allowance for doubtful debts	6,568	7,988
Provisions for civil, labor and tax risks	604	(4,612)
Income Tax and Social Contribution	(2,332)	(2,768)
	78,544	76,253
Decrease (increase) in operating assets	(27,413)	(64,286)
Decrease (increase) in clients	(15,272)	(24,158)
Decrease (increase) in inventories	550	623
Decrease (increase) in other assets	(11,439)	(16,849)
Decrease (increase) in Financial Asset	(1,252)	(23,902)
Increase (decrease) in operating liabilities:	20,238	36,778
Increase (decrease) in trade payables	8,841	2,600
Increase (decrease) in suppliers drawees risk	(11,652)	-
Increase (decrease) in payroll and related taxes	558	2,374
Increase (decrease) in taxes payable and taxes in installments	17,441	23,088
Increase (decrease) in other liabilities	3,445	6,059
Income Tax and Social Contribution paid	(4,072)	(3,985)
Dividends and interest on equity received	5,677	6,642
Net Cash generated by Operating Activities	71,369	48,745
CASH FLOW FROM INVESTING ACTIVITIES		
Short-term investments	1,053	41,789
Acquisition of subsidiaries, net of cash received	(35,184)	(42,430)
Related Parties	5,118	(4,482)
Increase in Investments	-	(5,454)
Purchase of property, plant and equipment and intangible assets	(42,682)	(101,463)
Net cash used in investing activities	(71,695)	(112,040)
CASH FLOW FROM FINANCING ACTIVITIES		
Capital Increase	-	595
Treasury Shares	-	(7,016)
Borrowings, net	110,997	113,701
Interest paid	(29,032)	(24,685)
Repayment of borrowings and financing	(109,781)	(127,478)
Net cash used in financing activities	(27,816)	(44,883)
INCREASE IN CASH AND CASH EQUIVALENTS	(28,142)	(108,178)
CASH AND CASH EQUIVALENTS		
At the beginning of the period	91,597	159,333
At the end of the period	63,455	51,155