

EARNINGS RELEASE

2Q19



alliar médicos à frente
sistema de diagnósticos de saúde

CONFERENCE CALL
IN PORTUGUESE

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TABLE OF CONTENTS

HIGHLIGHTS	2
REVENUE.....	3
GROSS PROFIT / GROSS MARGIN.....	7
EBITDA / EBITDA MARGIN.....	8
FINANCIAL RESULT AND DEBT	9
INCOME TAX AND SOCIAL CONTRIBUTION	10
NET INCOME	11
INVESTMENTS	12
OPERATING AND FREE CASH FLOW.....	12
RESTRICTED STOCK PROGRAM.....	13
FINANCIAL STATEMENTS.....	14

São Paulo, August 13, 2019 - 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 2019 (2Q19 and 6M19, respectively). The figures and their historical series (when available) can be obtained in excel format at <http://ir.alliar.com>

As of 2019, the adoption of IFRS 16 brought changes in the accounting of the fixed portion of rents (lease), requiring the recognition of future commitments as compensation for the usage rights. Rental costs and expenses, previously recorded under “Occupation”, are recognized in depreciation and financial expenses. For a better understanding, ‘Pro-forma’ columns were included throughout this report, disregarding these effects in the main accounts affected.

HIGHLIGHTS

- **Net income** (Shareholders) of **R\$9.6 million** in 2Q19, **up by 82.1%** (+108.4% pro-forma). Year to date, net income reached **R\$19.5 million**, up by **57.5%** (+85.0% pro-forma)
- **Adjusted EBITDA margin expanded by +526 bps**, reaching **26.9%** in 2Q19 (+71 bps pro-forma), with an adjusted EBITDA of **R\$73.1 million** (+23.0% vs 2Q18; +2.2% pro-forma). YTD adjusted EBITDA totaled **R\$145.6 million** (+22.5%), with a **27.3% margin** (pro-forma margin of 22.8%)
- **Net revenue¹** in the quarter registered **R\$272.4 million** (-1.0%), with **same-store-sales** (SSS) of **+2.0%** and impacted by units closed (mainly the sale of Hospital São Rafael’s operations). Year to date, **net revenue¹** reached **R\$534.0 million** (-0.7%)
- **Operating cash generation** of **R\$103.4 million** in 6M19 and cash conversion of **71.0%**. **YTD free cash flow** of **R\$68.9 million** once again demonstrates Alliar’s **strong cash generating capacity** (pro-forma free cash flow of **R\$44.9 million**)
- In May 2019, **distribution of R\$10.0 million in dividends**, a payout ratio of 25% out of the R\$40.1 million net income recorded in 2018
- **ROIC** without goodwill reached **13.9%**, up by **169 bps** vs 2Q18, reflecting the Company’s continuity with its **investment maturation strategy**
- Net promoter score (**NPS**) of **66.7%** at the end of 2Q19, increasing by **130 bps** in the quarter (**+190 bps** in the 1H19). The higher satisfaction scores continue to reflect the strive for improvement in **real-time management** of the patient flow at Alliar’s units
- **New long-term incentive program** linked to the **Company’s future performance** (2021 net income) - further details at the Restricted Stock Program section

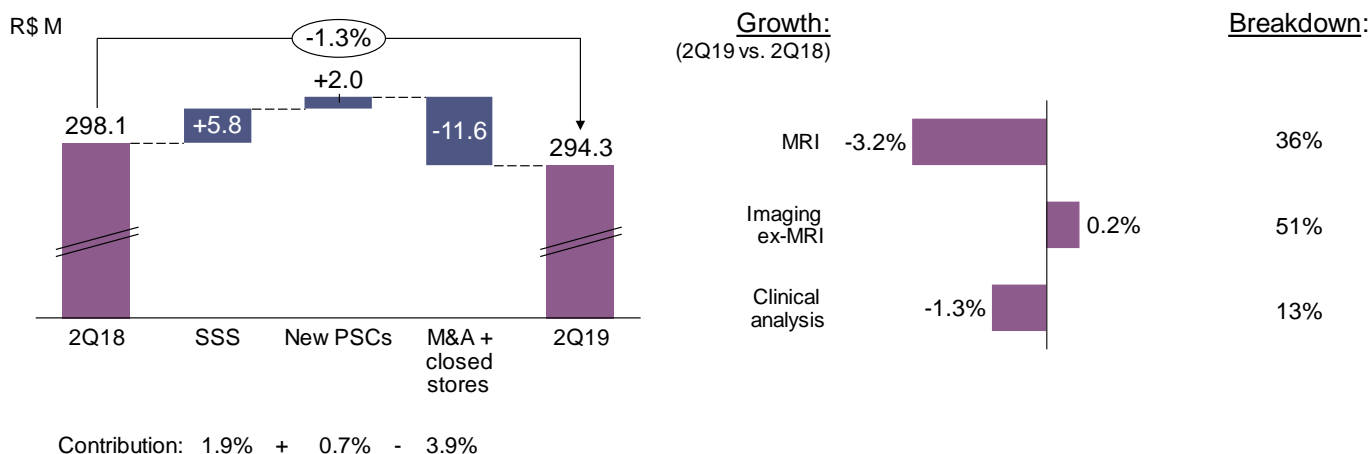
Quarterly KPIs (R\$ Million)	2Q19	2Q18	YoY			
				(IFRS 16)	2Q19 (Pro-forma)	YoY (Pro-forma)
Gross Revenue (ex-construction) ¹	294.3	298.1	-1.3%	-	294.3	-1.3%
Net Revenue (ex-construction) ¹	272.4	275.2	-1.0%	-	272.4	-1.0%
Gross Profit	72.8	72.7	0.2%	-0.1	72.7	0.1%
Gross Profit Margin ²	26.7%	26.4%	33 bps	-	26.7%	33 bps
EBITDA	65.3	51.7	26.4%	-12.4	53.0	2.4%
EBITDA Margin ²	24.0%	18.8%	520 bps	-	19.4%	66 bps
Adjusted EBITDA ³	73.1	59.4	23.0%	-12.4	60.8	2.2%
Adjusted EBITDA Margin ²	26.9%	21.6%	526 bps	-	22.3%	71 bps
Net Income (Shareholders)	9.6	5.3	82.1%	1.4	11.0	108.4%
Operating Cash Flow	62.6	54.9	14.0%	-12.4	50.2	-8.6%
Cash Conversion	85.5%	92.3%	-681 bps	-	82.6%	-976 bps
Free Cash Flow	44.4	30.9	43.4%	-12.4	32.0	3.4%
ROIC ⁴	13.9%	12.2%	169 bps	-	13.1%	92 bps
NPS	66.7%	65.4%	130 bps	-	66.7%	130 bps

YTD KPIs (R\$ Million)	6M19	6M18	YoY	(IFRS 16)	6M19 (Pro-forma)	YoY (Pro-forma)
Gross Revenue (ex-construction) ¹	576.9	582.1	-0.9%	-	576.9	-0.9%
Net Revenue (ex-construction) ¹	534.0	537.5	-0.7%	-	534.0	-0.7%
Gross Profit	142.9	145.4	-1.7%	0.2	143.1	-1.6%
Gross Profit Margin ²	26.8%	27.1%	-29 bps	-	26.8%	-29 bps
EBITDA	130.0	103.4	25.7%	-24.0	106.0	2.4%
EBITDA Margin ²	24.3%	19.2%	510 bps	-	38.9%	1966 bps
Adjusted EBITDA ³	145.6	118.8	22.5%	-24.0	121.5	2.3%
Adjusted EBITDA Margin ²	27.3%	22.1%	515 bps	-	22.8%	65 bps
Net Income (Shareholders)	19.5	12.4	57.5%	3.4	22.9	85.0%
Operating Cash Flow	103.4	87.7	17.9%	-24.0	79.4	-9.5%
Cash Conversion	71.0%	73.8%	-278 bps	-	65.3%	-850 bps
Free Cash Flow	68.9	43.8	57.3%	-24.0	44.9	2.5%
ROIC ⁴	13.9%	12.2%	169 bps	-	13.1%	92 bps
NPS	65.1%	63.2%	190 bps	-	65.1%	190 bps

- 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)

REVENUE

Gross revenue (ex-construction) reached **R\$294.3 million (-1.3%)** in the quarter with an SSS of **+2.0%** and a contribution of **+0.7%** from the new units, offset mainly by the sale of Hospital São Rafael's operations (Delfin brand, Bahia).

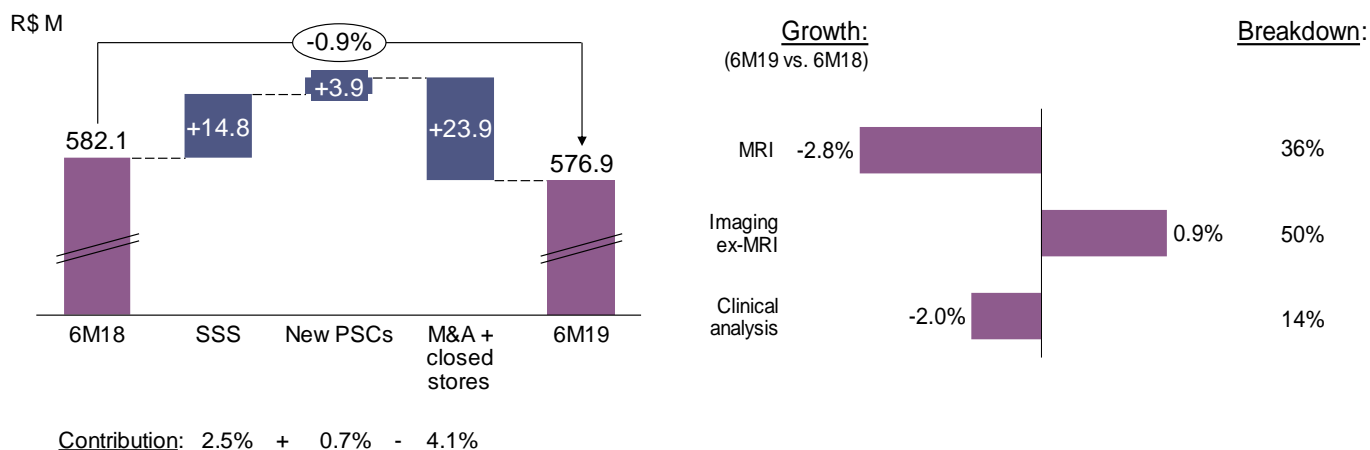


SSS growth mainly reflects the ramp-up of mega-units inaugurated in 2017 while the new units received the contribution of IDR initiatives. Revenue growth was mainly offset by the impact of the sale of Hospital São Rafael's operations (around R\$ 8million in the quarter), as well as the effect of stores closed.

The recovery in the generation of formal jobs (CAGED), which started in 3Q18, is happening at a slow monthly pace, resulting in a small increase in the number of health plan beneficiaries. As the economy returns to its regular growth pace, the increased number of health care beneficiaries, plus the increase in aging population, tends to benefit the diagnostic medicine industry.

We highlight the regional hub of São Paulo, in which both the CDB and Plani brands remain with sustainable growth rates (+5.6% YTD). The increase in demand for Alliar's brands in São Paulo has supported the regional growth and allowed the maturation of mega units inaugurated in 2017. On the other hand, the Company faces growth challenge in the Delfin brand (Bahia), due to the losses of beneficiaries by the main healthcare plans of the region.

The charts below illustrate revenue behavior on a YTD basis.



Gross Revenue (R\$ Million)	2Q19			2Q18			YoY		
	2Q19	2Q18	YoY	6M19	6M18	YoY			
Gross Revenue (ex-construction)	294.3	298.1	-1.3%	576.9	582.1	-0.9%			
Diagnostic imaging	255.2	258.5	-1.3%	498.3	501.9	-0.7%			
MRI Exams	106.6	110.1	-3.2%	208.0	214.0	-2.8%			
Other Imaging Exams	148.6	148.3	0.2%	290.3	287.9	0.9%			
Clinical analysis	39.1	39.6	-1.3%	78.6	80.3	-2.0%			
Construction revenue	0.4	0.3	2.8%	0.6	1.3	-51.5%			
Gross Revenue	294.6	298.4	-1.3%	577.5	583.4	-1.0%			
Deductions	-21.9	-22.9	-4.1%	-43.0	-44.7	-3.8%			
Net Revenue	272.7	275.6	-1.0%	534.6	538.7	-0.8%			
Net Revenue (ex-construction)	272.4	275.2	-1.0%	534.0	537.5	-0.7%			

Operational Highlights	Performance					
	2Q19	2Q18	YoY	6M19	6M18	YoY
Avg Revenue/MRI equipment (R\$ M)	0.91	0.88	3.4%	1.78	1.71	3.8%
Avg Rev./Clin. Analysis Room (R\$ M)	0.14	0.13	2.2%	0.27	0.27	1.4%
MRI exams ('000)	192.9	191.8	0.6%	372.5	372.5	0.0%
Clinical analysis exams ('000)	2,611	2,593	0.7%	5,233	5,210	0.4%
MRI Avg. Ticket (R\$)	552.9	574.3	-3.7%	558.3	574.4	-2.8%
Clinical analysis Avg. Ticket (R\$)	15.0	15.3	-2.0%	15.0	15.4	-2.5%
MRI exams / equipment / day	26.4	24.5	7.4%	25.5	23.8	6.8%
Clinical analysis / room / day	146.1	140.2	4.2%	146.4	140.8	4.0%

Operational KPIs	Assets					
	2Q19	1Q19	QoQ	2Q19	2Q18	YoY
End of period						
PSCs	107	108	-0.9%	107	116	-7.8%
Mega	17	17	0.0%	17	18	-5.6%
Standard	79	80	-1.3%	79	84	-6.0%
Collection Points	11	11	0.0%	11	14	-21.4%
MRI equipments	117	119	-1.7%	117	125	-6.4%
Clinical Analysis Rooms	286	287	-0.3%	286	296	-3.4%

The increase in the number of exams was offset by lower average tickets, still due to the trade-down seen in health plans (migration of diagnostic exams to plans with lower average tickets). Thus, year to date revenue from imaging tests reduced slightly (-0.7%), also affected by the sale of Hospital São Rafael's operations. Excluding this effect, **imaging revenue increased 2.4%** year to date.

Alliar continues to increase the productivity of its **MRI equipment**. In the quarter, **productivity gain reached 4.9%**, with an average of **26.4** exams/MRI/day at the units, and YTD productivity increased **4.3%** (to **25.5** exams/MRI/day), influenced by the lower number of machines operating in the period.

The **complementary offer of CA** also recorded productivity gains in the collection rooms (**+2.8%**, to an average **146.1** exams/room/day in the period). The number of exams increased by **0.7%** despite the removal of 10 collection rooms year-over-year. AC's representativeness reached **13.3%** of the gross revenue in the quarter and, at the end of June 2019, Alliar offered CA in **49** of its units.

Total deductions on Gross Revenue accounted for **8.0%** in the quarter, **an improvement by 24 bps** year-over-year, reflecting Alliar's efforts since 2018 to improve the processes related to its receipt cycle, reducing losses and deductions.

FINANCIAL PERFORMANCE

Alliar's **current growth cycle**, focused on **increasing profitability** through **investments maturation** and **productivity** gains with technology and innovation, started in January 2018 and continues to be favorably reflected in the Company's results.

In this quarter, starting from a slightly lower net revenue (-1.0%), **adjusted EBITDA** increased by **23.0%** and **Net income** (Shareholders) **increased 82.1%**, reaching **R\$ 9.6 million**. Excluding the adoption of IFRS 16, adjusted EBITDA (proforma) grew **2.2%** and **Net income (proforma) increased by 108.4%**.

Below EBITDA the highlights were **reduction of financial expenses** (-16.4% proforma) and the improvement in the **effective income tax** (137 bps proforma). The latter reflects the Company's efforts to reduce tax inefficiencies related to its corporate structure.

Quarterly Income Statement OVERVIEW	2Q19	2Q18	YoY	(IFRS 16)	2Q19 (Pro-forma)	YoY (Pro-forma)
Gross Revenue (ex-construction)	294.3	298.1	-1.3%	-	294.3	-1.3%
Deductions (ex)	(21.9)	(22.8)	-4.1%	-	(21.9)	-4.1%
Net Revenue (ex-construction)	272.4	275.2	-1.0%	-	272.4	-1.0%
Cost of services	(199.6)	(202.6)	-1.5%	(0.1)	(199.7)	-1.4%
Gross Profit	72.8	72.7	0.2%	-0.1	72.7	0.1%
<i>Gross Profit Margin</i>	26.7%	26.4%	33 bps	-	26.7%	29 bps
General and administrative expenses	(39.9)	(47.6)	-16.2%	(3.2)	(43.0)	-9.5%
Other income (expenses), net	(1.4)	0.0	n/a	-	(1.4)	n/a
Share of profit (loss) on investments	4.2	3.7	13.9%	-	4.2	13.9%
(+) Depreciation and Amortization	29.6	22.9	29.5%	-	29.6	29.5%
EBITDA	65.3	51.7	26.4%	(12.4)	53.0	2.4%
<i>(+/- adjustments)</i>	7.8	7.7	0.8%	-	7.8	0.8%
Adjusted EBITDA	73.1	59.4	23.0%	-12.4	60.8	2.2%
<i>Adjusted EBITDA Margin</i>	26.9%	21.6%	526 bps	-	22.3%	71 bps
(-) Depreciation and Amortization	(29.6)	(22.9)	29.5%	9.1	(20.5)	-10.3%
Finance income (expenses)	(20.7)	(18.7)	10.6%	5.1	(15.6)	-16.4%
EBT	15.1	10.2	48.1%	1.8	16.8	65.7%
Taxes	(3.3)	(2.4)	34.4%	(0.5)	(3.8)	56.2%
<i>Effective tax rate</i>	-21.6%	-23.8%	222 bps	-	-22.5%	137 bps
Attributable to non-controlling shareholders	(2.2)	(2.5)	-10.8%	0.1	(2.1)	-16.0%
Net Income (Shareholders)	9.6	5.3	82.1%	1.4	11.0	108.4%
<i>Net margin (Shareholders)</i>	3.5%	1.9%	161 bps	-	4.0%	212 bps

OPERATING LEVERAGE

The operational leverage and improved profitability in the quarter can also be observed in the year to date results and are in line with the Company's current strategy

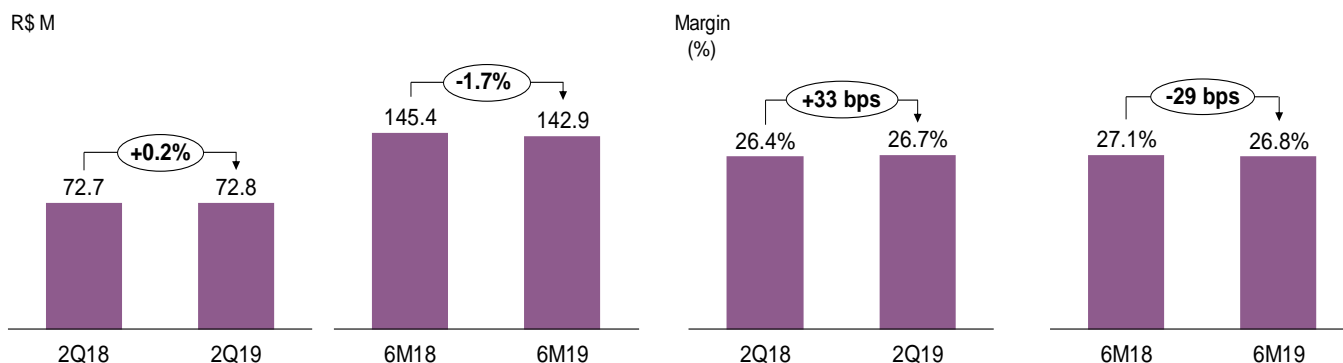
YTD Income Statement OVERVIEW	6M19	6M18	YoY	(IFRS 16)	6M19 (Pro-forma)	YoY (Pro-forma)
Gross Revenue (ex-construction)	576.9	582.1	-0.9%	-	576.9	-0.9%
Deductions (ex)	(42.9)	(44.6)	-3.7%	-	(42.9)	-3.7%
Net Revenue (ex-construction)	534.0	537.5	-0.7%	-	534.0	-0.7%
Cost of services	(391.1)	(392.1)	-0.3%	0.2	(390.9)	-0.3%
Gross Profit	142.9	145.4	-1.7%	0.2	143.1	-1.6%
<i>Gross Profit Margin</i>	26.8%	27.1%	-29 bps	-	26.8%	-26 bps
General and administrative expenses	(76.6)	(89.2)	-14.1%	(6.1)	(82.7)	-7.3%
Other income (expenses), net	(2.9)	(2.3)	24.1%	-	(2.9)	24.1%
Share of profit (loss) on investments	8.4	7.0	19.9%	-	8.4	19.9%
(+) Depreciation and Amortization	58.1	42.5	36.7%	-	58.1	36.7%
EBITDA	130.0	103.4	25.7%	(24.0)	106.0	2.4%
<i>(+/- adjustments)</i>	15.6	15.4	1.1%	-	15.6	1.1%
Adjusted EBITDA	145.6	118.8	22.5%	-24.0	121.5	2.3%
<i>Adjusted EBITDA Margin</i>	27.3%	22.1%	515 bps	-	22.8%	65 bps
(-) Depreciation and Amortization	(58.1)	(42.5)	36.7%	18.1	(40.1)	-5.8%
Finance income (expenses)	(41.4)	(35.4)	16.8%	10.5	(30.9)	-12.8%
EBT	30.4	25.5	19.6%	4.6	35.0	37.6%
Taxes	(7.1)	(8.1)	-11.6%	(1.3)	(8.5)	4.6%
<i>Effective tax rate</i>	-23.5%	-31.8%	830 bps	-	-24.2%	761 bps
Attributable to non-controlling shareholders	(3.8)	(5.0)	-23.6%	0.1	(3.7)	-26.5%
Net Income (Shareholders)	19.5	12.4	57.5%	3.4	22.9	85.0%
<i>Net margin (Shareholders)</i>	3.6%	2.3%	135 bps	-	4.3%	198 bps

OPERATING LEVERAGE

GROSS PROFIT / GROSS MARGIN

Gross profit reached **R\$72.8 million** in the quarter (**+0.2%**) with a gross margin of 26.7% (**+33 bps**).

Despite the lower revenue in the quarter, we highlight the Company's strong discipline in managing its cost structure, which resulted in an **increase in gross margin**. As evidenced on the following table, the IFRS 16 effect at the gross profit level is minimal, once the savings related to the 'occupation' account is offset by the higher depreciation level.



Quarterly Gross Profit (R\$ Million)	2Q19	2Q18	YoY	% NRev (2Q19)	% NRev (2Q18)	YoY	(IFRS 16)	2Q19 (Pro-forma)	YoY (Pro-forma)
Net Revenue (ex)	272.4	275.2	-1.0%	-	-	-	-	272.4	-1.0%
Costs (ex)	-199.6	-202.6	-1.5%	-73.3%	-73.6%	33 bps	-0.1	-199.7	-1.4%
Medical Services	-52.8	-53.2	-0.8%	-19.4%	-19.3%	-4 bps	-	-52.8	-0.8%
Employees	-50.7	-52.1	-2.7%	-18.6%	-18.9%	33 bps	-	-50.7	-2.7%
Supplies and Support Labs	-33.8	-34.0	-0.5%	-12.4%	-12.3%	-6 bps	-	-33.8	-0.5%
Maintenance	-7.5	-7.5	0.7%	-2.8%	-2.7%	-5 bps	-	-7.5	0.7%
Occupancy	-11.6	-23.8	-51.2%	-4.3%	-8.7%	439 bps	-8.9	-20.5	-13.8%
Third-party serv. and others	-15.9	-11.4	39.4%	-5.8%	-4.2%	-170 bps	-	-15.9	39.4%
Deprec. and amortization	-27.3	-20.6	32.5%	-10.0%	-7.5%	-253 bps	8.8	-18.5	-10.3%
Gross Profit	72.8	72.7	0.2%	26.7%	26.4%	33 bps	-0.1	72.7	0.1%
Construction cost	-0.3	-0.3	2.7%	-0.1%	-0.1%	0 bps	-	-0.3	2.7%

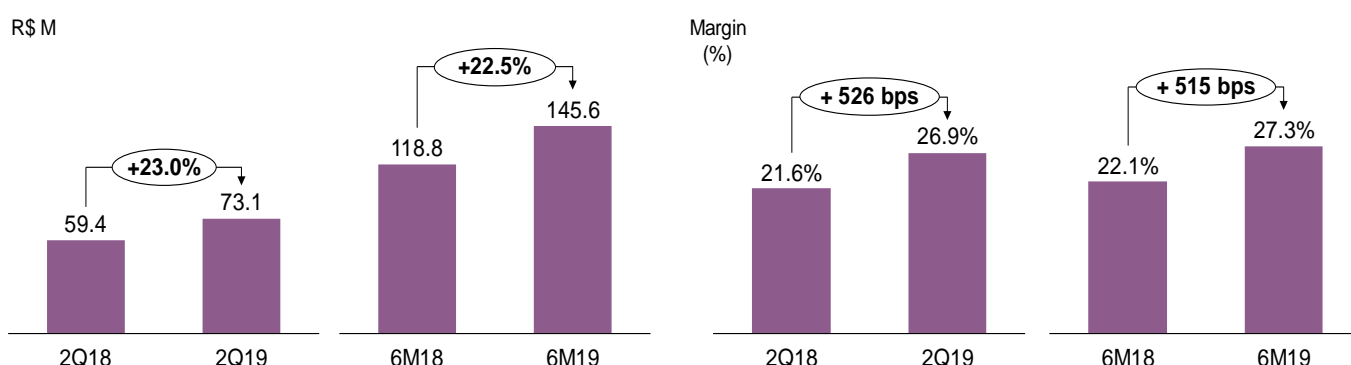
YTD **Gross profit** reached **R\$ 142.9 million**, with a gross margin of 26.8% (-29 bps).

YTD Gross Profit (R\$ Million)	6M19	6M18	YoY	% NRev (6M19)	% NRev (6M18)	YoY	(IFRS 16)	6M19 (Pro-forma)	YoY (Pro-forma)
Net Revenue (ex)	534.0	537.5	-0.7%	-	-	-	-	534.0	-0.7%
Costs (ex)	-391.1	-392.1	-0.3%	-73.2%	-72.9%	-29 bps	0.2	-390.9	-0.3%
Medical Services	-103.2	-103.4	-0.2%	-19.3%	-19.2%	-10 bps	-	-103.2	-0.2%
Employees	-100.7	-101.8	-1.1%	-18.9%	-18.9%	8 bps	-	-100.7	-1.1%
Supplies and Support Labs	-66.5	-64.6	2.9%	-12.4%	-12.0%	-43 bps	-	-66.5	2.9%
Maintenance	-13.6	-14.9	-8.8%	-2.5%	-2.8%	23 bps	-	-13.6	-8.8%
Occupancy	-23.6	-45.1	-47.7%	-4.4%	-8.4%	397 bps	-17.3	-40.9	-9.3%
Third-party serv. and others	-30.0	-24.0	24.7%	-5.6%	-4.5%	-114 bps	-	-30.0	24.7%
Deprec. and amortization	-53.5	-38.3	39.8%	-10.0%	-7.1%	-290 bps	17.5	-36.1	-5.8%
Gross Profit	142.9	145.4	-1.7%	26.8%	27.1%	-29 bps	0.2	143.1	-1.6%
Construction cost	-0.6	-1.2	-51.5%	0.0	0.0	11 bps	-	-0.6	-51.5%

EBITDA / EBITDA MARGIN

Adjusted EBITDA increased by **23.0%** in the quarter, reaching **R\$73.1 million**, with an EBITDA margin of **26.9% (+526 bps)**. The significant gain recorded mainly reflects the accounting of rents in accordance with IFRS 16. In the pro-forma view, adjusted EBITDA **increased 2.2%** in the quarter to reach **R\$60.8 million**, with a **growth in margin by +71 bps**.

We highlight the strong control in costs and expenses resulting from Alliar's **projects aimed at increasing productivity through the use of technology and innovation**, by which the Company has been able to combine operational efficiency with improved client experience, reflected in the increase in its NPS by **+130 bps**.



Quarterly EBITDA (R\$ Million)	2Q19			2Q18			YoY		
	2Q19	2Q18	YoY	% NRev (2Q19)	% NRev (2Q18)	YoY	(IFRS 16)	2Q19 (Pro-forma)	YoY (Pro-forma)
Net Revenue (ex)	272.4	275.2	-1.0%	-	-	-	-	272.4	-1.0%
Gross Profit	72.8	72.7	0.2%	26.7%	26.4%	33 bps	-0.1	72.7	0.1%
General and adm. expenses	-39.9	-47.6	-16.2%	-14.6%	-17.3%	264 bps	-3.2	-43.0	-9.5%
Employees	-21.2	-22.9	-7.4%	-7.8%	-8.3%	54 bps	-	-21.2	-7.4%
Occupancy, 3 rd party, other	-16.2	-21.3	-24.3%	-5.9%	-7.8%	183 bps	-3.5	-19.6	-8.1%
Depreciation (expense)	-2.4	-2.3	3.2%	-0.9%	-0.8%	-4 bps	0.3	-2.1	-10.3%
Long-term incentive	-0.2	-1.1	-82.3%	-0.1%	-0.4%	32 bps	-	-0.2	-82.3%
Other expenses, net	-1.4	0.0	n/a	-0.5%	0.0%	n/a	-	-1.4	n/a
Earnings of subsidiaries	4.2	3.7	13.9%	1.5%	1.3%	20 bps	-	4.2	13.9%
EBIT	35.7	28.8	23.9%	13.1%	10.5%	264 bps	-3.3	32.5	12.5%
(+) Depreciation and amort.	29.6	22.9	29.5%	10.9%	8.3%	257 bps	-9.1	20.5	-10.3%
EBITDA	65.3	51.7	26.4%	24.0%	18.8%	520 bps	-12.4	53.0	2.4%
(+) Write-down of financial asset	7.8	7.7	0.8%	2.9%	2.8%	5 bps	-	7.8	0.8%
Adjusted EBITDA	73.1	59.4	23.0%	26.9%	21.6%	526 bps	-12.4	60.8	2.2%

In addition to the gains in gross margin (already explained in the Gross Profit/Gross Margin section), in terms of expenses, we highlight the savings achieved in the occupancy, third party and other accounts (**saving of 8.1% proforma**), where the gains recorded in the period were beyond the effects expected solely from the adoption of IFRS 16.

With this, **the growth in the adjusted EBITDA margin** was recorded both in the accounting and the proforma views.

YTD **adjusted EBITDA** was **R\$145.6 million**, with a margin of **27.3%**, corresponding to a growth of **+515 bps** (pro-forma margin of 22.8%; up 65 bps).

YTD EBITDA (R\$ Million)	6M19	6M18	YoY	% NRev (6M19)	% NRev (6M18)	YoY	(IFRS 16)	6M19 (Pro-forma)	YoY (Pro-forma)
Net Revenue (ex)	534.0	537.5	-0.7%	-	-	-	-	534.0	-0.7%
Gross Profit	142.9	145.4	-1.7%	26.8%	27.1%	-29 bps	0.2	143.1	-1.6%
General and adm. expenses	-76.6	-89.2	-14.1%	-14.3%	-16.6%	225 bps	-6.1	-82.7	-7.3%
Employees	-42.5	-45.1	-5.6%	-8.0%	-8.4%	42 bps	-	-42.5	-5.6%
Occupancy, 3 rd party, other	-28.7	-37.8	-23.9%	-5.4%	-7.0%	165 bps	-6.7	-35.5	-6.1%
Depreciation (expense)	-4.6	-4.3	8.3%	-0.9%	-0.8%	-7 bps	0.6	-4.0	-5.8%
Long-term incentive	-0.7	-2.1	-66.5%	-0.1%	-0.4%	26 bps	-	-0.7	-66.5%
Other expenses, net	-2.9	-2.3	24.1%	-0.5%	-0.4%	-11 bps	-	-2.9	24.1%
Earnings of subsidiaries	8.4	7.0	19.9%	1.6%	1.3%	27 bps	-	8.4	19.9%
EBIT	71.8	60.9	18.0%	13.5%	11.3%	212 bps	-5.9	65.9	8.2%
(+) Depreciation and amort.	58.1	42.5	36.7%	10.9%	7.9%	297 bps	-18.1	40.1	-5.8%
EBITDA	130.0	103.4	25.7%	24.3%	19.2%	510 bps	-24.0	106.0	2.4%
(+) Write-down of financial asset	15.6	15.4	1.1%	2.9%	2.9%	5 bps	-	15.6	1.1%
Adjusted EBITDA	145.6	118.8	22.5%	27.3%	22.1%	515 bps	-24.0	121.5	2.3%

YTD accounting EBITDA totaled R\$130.0 million (+ 25.7%), impacted by the change of accounting rule according to IFRS 16. Pro-forma EBITDA grew by 2.4% year-to-date.

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 the quarter (vs. R\$ 7.7 million in 2Q18) and R\$ 15.6 million YTD.

FINANCIAL RESULT AND DEBT

Quarterly Financial Result (R\$ Million)	2Q19	1Q19	2Q18	YoY	(IFRS 16)	2Q19 (Pro-forma)	YoY (Pro-forma)
Financial income	0.4	0.5	0.3	64.2%	-	0.4	64.2%
Financial expenses	-16.0	-15.7	-17.2	-6.5%	-	-16.0	-6.5%
Lease interest	-5.1	-5.4	0.0	n/a	5.1	0.0	n/a
FX effect on USD debt	0.0	0.0	-1.8	-99.8%	-	0.0	-99.8%
Total Financial Result	-20.7	-20.7	-18.7	10.6%	5.1	-15.6	-16.4%

The increase in financial result by **10.6%** in the quarter is mainly attributable to interest according to IFRS 16. In the proforma view, total financial result reduced by **16.4%**, mainly reflecting a reduction in **net debt by 3.4% versus 2Q18** (see the 'Debt' table on the next page).

YTD Financial Result (R\$ Million)	6M19	6M18	YoY	(IFRS 16)	6M19 (Pro-forma)	YoY (Pro-forma)
Financial income	0.9	0.7	30.3%	-	0.9	30.3%
Financial expenses	-31.8	-34.3	-7.4%	-	-31.8	-7.4%
Lease interest	-10.5	0.0	n/a	10.5	0.0	n/a
FX effect on USD debt	0.0	-1.8	-97.9%	-	0.0	-97.9%
Total Financial Result	-41.4	-35.4	16.8%	10.5	-30.9	-12.8%

Year to date, the **16.8%** total financial result increase also reflects IFRS 16. In the proforma view, the **positive 12.8% variation** is mainly a consequence of lower financial expenses and lack of foreign exchange variation in the period.

Debt (R\$ Million)	2Q19	1Q19 (Pro-forma)	4Q18	2Q18	YoY	(IFRS 16)	2Q19 (Pro-forma)	YoY (Pro-forma)
Loans and debentures	599.5	608.3	605.5	609.2	-1.6%	-	599.5	-1.6%
Supplier 'drawee risk'	0.0	0.0	0.0	0.0	n/a	-	0.0	n/a
Derivative fin. instruments	-0.1	-2.9	-2.3	0.0	n/a	-	-0.1	n/a
Gross Bank Debt	599.4	605.4	603.2	609.2	-1.6%	-	599.4	-1.6%
Gross Bank Debt R\$ ¹	594.3	599.2	595.9	598.2	-0.7%	-	594.3	-0.7%
Gross Bank Debt US\$	5.1	6.2	7.3	11.0	-53.3%	-	5.1	-53.3%
Tax installment payments	9.9	10.3	10.7	8.9	10.8%	-	9.9	10.8%
Acquisitions of companies	41.7	42.4	46.8	56.3	-25.8%	-	41.7	-25.8%
Total Gross Debt	651.0	658.1	660.7	674.4	-3.5%	-	651.0	-3.5%
Cash and equivalents	63.9	67.0	75.9	66.8	-4.3%	-	63.9	-4.3%
Total Net Debt	587.1	591.1	584.8	607.6	-3.4%	-	587.1	-3.4%
Adjusted EBITDA LTM	277.6	252.2	250.8	232.8	19.2%	-24.0	253.5	8.9%
Total Net Debt / Adj. EBITDA	2.12 x	2.34 x	2.33 x	2.61 x	-19.0%	-	2.32 x	-11.3%

1) Approximately 30% of this BRL-based debt is exposed to foreign currency and is protected from exchange variation effects through hedge instruments

With the reduction in **total net debt to R\$587.1 million**, the **total net debt/adjusted EBITDA** ratio reached **2.12x** at the end of the quarter. In the pro-forma view, which reduces the EBITDA amount, the ratio registered **2.32x**.

The **19.0% reduction in the leverage ratio** (or 11.3% proforma) is a consequence of the Company's efforts to increase its free cash generation, a trend that should continue to be observed throughout 2019, in line with Alliar's financial deleveraging strategy.

INCOME TAX AND SOCIAL CONTRIBUTION

Quarterly Income Tax (R\$ Million)	Consolidated			(IFRS 16)	2Q19 (Pro-forma)	YoY (Pro-forma)
	2Q19	2Q18	YoY			
EBT	15.1	10.2	48.2%	1.8	16.8	65.7%
Income Tax	-3.3	-2.4	34.4%	-0.5	-3.8	56.2%
Current income tax	-7.9	-3.4	131.7%	-	-7.9	131.7%
Deferred income tax	4.6	1.0	370.9%	-0.5	4.1	317.2%
Effective Tax Rate (%)	21.6%	23.8%	-222 bps	-	22.5%	-137 bps

In **2Q19**, the recorded IR&CS of **R\$3.3 million**, corresponding to an effective rate of **21.6%**, an improvement of **+222 bps** in relation to 2Q18.

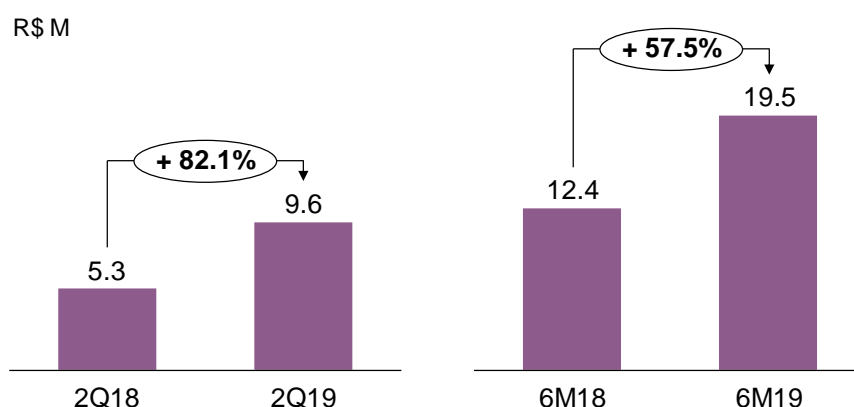
YTD Income Tax (R\$ Million)	Consolidated			(IFRS 16)	6M19 (Pro-forma)	YoY (Pro-forma)
	6M19	6M18	YoY			
EBT	30.4	25.5	19.6%	4.6	35.0	37.6%
Income Tax	-7.1	-8.1	-11.6%	-1.3	-8.5	4.6%
Current income tax	-10.9	-10.4	4.8%	-	-10.9	4.8%
Deferred income tax	3.7	2.3	62.8%	-1.3	2.4	5.6%
Effective Tax Rate (%)	23.5%	31.8%	-830 bps	-	24.2%	-761 bps

Year to date, the effective tax rate was **23.5%** (vs. 31.8% in 6M18), reflecting the Company's efforts to reduce the inefficiencies related to its corporate structure. In both the quarter and year to date, the impact by IFRS 16 on the effective IR&CS tax rate is small, as illustrated above.

NET INCOME

Net income (Shareholders) registered a **gain of 82.1%** in the quarter, **reaching R\$9.6 million** (margin of **3.5%**). Proforma net income in 2Q19 was **R\$11.0 million**, increasing by **108.4%**.

The **net income growth** mainly reflects the Company's current **operational leverage** and gains between EBITDA and net income, such as lower financial expenses in the pro-forma view.



Quarterly Net Income (R\$ Million)	2Q19	2Q18	YoY	(IFRS 16)	2Q19 (Pro-forma)	YoY (Pro-forma)
Net Income	11.8	7.7	52.5%	1.4	13.2	70.4%
(-) Attributable to noncontrolling interests	2.2	2.5	-10.8%	0.1	2.3	-5.5%
Net Income (Shareholders)	9.6	5.3	82.1%	1.4	11.0	108.4%
Net Income per share (in R\$)	0.08	0.04	82.1%	0.01	0.09	108.4%
Net Margin	4.3%	2.8%	152 bps	-	4.8%	203 bps
Net Margin (Shareholders)	3.5%	1.9%	161 bps	-	4.0%	212 bps

Year to date, net income **reached R\$19.5 million**, corresponding to a **57.5% growth** and a **3.6% margin**. In the pro-forma view, net income of **R\$22.9 million**, an **increase of 85.0%**, with a margin of **4.3%**

YTD Net Income (R\$ Million)	6M19	6M18	YoY	(IFRS 16)	6M19 (Pro-forma)	YoY (Pro-forma)
Net Income	23.3	17.4	34.2%	3.3	26.5	52.9%
(-) Attributable to noncontrolling interests	3.8	5.0	-23.6%	0.1	4.0	-20.7%
Net Income (Shareholders)	19.5	12.4	57.5%	3.4	22.9	85.0%
Net Income per share (in R\$)	0.16	0.10	57.5%	0.03	0.19	85.0%
Net Margin	4.4%	3.2%	113 bps	-	5.0%	174 bps
Net Margin (Shareholders)	3.6%	2.3%	135 bps	-	4.3%	198 bps

INVESTMENTS

Investments (R\$ Million)	2Q19	2Q18	YoY	6M19	6M18	YoY
Organic Expansion	4.9	5.2	-6.2%	11.3	13.6	-16.7%
Maintenance	11.2	16.9	-33.5%	19.2	25.1	-23.4%
Others	1.7	1.5	14.8%	3.4	4.0	-15.9%
Total CAPEX	17.9	23.6	-24.4%	33.9	42.7	-20.6%
Financial Asset (RBD)	0.4	0.3	3.0%	0.6	1.3	-51.4%
M&A / Investments ¹	0.0	0.0	n/a	0.0	12.5	-100.0%
TOTAL	18.2	24.0	-24.0%	34.5	56.4	-38.8%

¹⁾ M&A/Investments are in the accrual method (they differ from the cash flow amounts recorded)

CAPEX totaled **R\$17.9 million** in the quarter, **24.4%** lower than in 2Q18, mainly due to lower investments towards organic expansion and maintenance. Total investments reached **R\$18.2 million, down by 24.0%**.

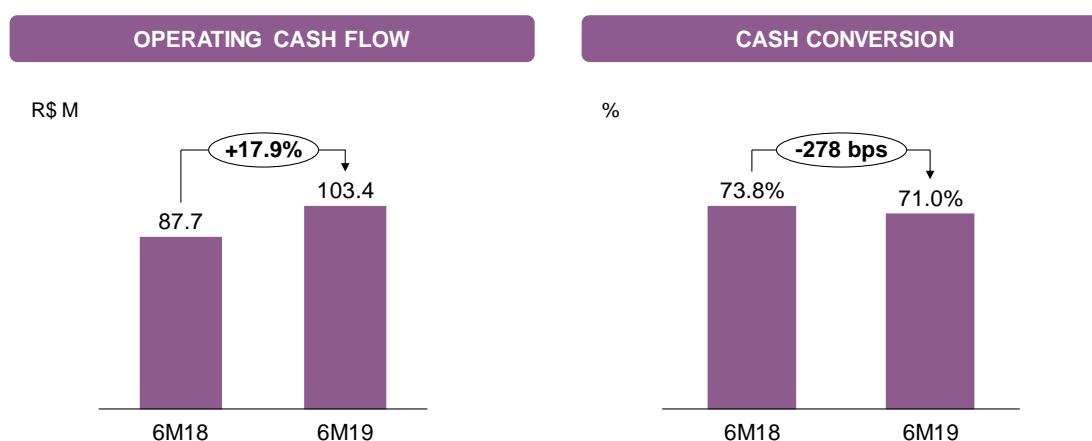
Total investments reached **R\$34.5 million YTD, down by 38.8%** against 6M18.

The reductions in the quarter and year to date also reflect the fact that the Company did not invest in M&A/Investments in 2019. These reductions are in line with the Company's strategy to improve the use of its current asset base and mature investments already made.

OPERATING AND FREE CASH FLOW

Operating cash generation reached **R\$103.4 million** year-to-date, **17.9%** higher than in 6M18, benefitting from the IFRS 16, with a **cash conversion rate** of **71.0%**.

Year to date positive free cash flow reached **R\$68.9 million** (+57.3% against 6M18), also benefited by IFRS 16 (see item 7 highlighted on the following table). Excluding this effect, the **free cash flow** reached **R\$44.9 million (+2.5% pro-forma growth)**.



YTD Cash Flow (R\$ Million)	6M19	6M18	YoY	(IFRS 16)	6M19 (Pro-forma)	YoY (Pro-forma)
(1) Adjusted EBITDA	145.6	118.8	22.5%	-24.0	121.5	2.3%
(2) Non-cash items	-20.2	-11.5	74.9%	-	-20.2	74.9%
(3) Working Capital ^a	-11.1	-9.2	20.7%	-	-11.1	20.7%
Clients	-13.8	-28.6	-51.9%	-	-13.8	-51.9%
Trade payables	-3.3	8.8	n/a	-	-3.3	n/a
Payroll and related taxes	3.4	0.6	512.5%	-	3.4	512.5%
Taxes payable and taxes in installments	10.4	17.4	-40.3%	-	10.4	-40.3%
Other	-7.9	-7.4	5.9%	-	-7.9	5.9%
(4) Current income tax	-10.9	-10.4	4.8%	-	-10.9	4.8%
(5) Operating Cash Flow [(1)+(2)+(3)+(4)]	103.4	87.7	17.9%	-24.0	79.4	-9.5%
(6) Investing Activities^b	-34.5	-43.9	-21.4%	-	-34.5	-21.4%
Purchase of PPE and intangible assets	-33.9	-42.7	-20.6%	-	-33.9	-20.6%
Financial Asset (Capex RBD)	-0.6	-1.3	-51.5%	-	-0.6	-51.5%
Acquisition of subsidiaries (M&A)	0.0	-12.5	-100.0%	-	0.0	-100.0%
(7) Free Cash Flow ex-M&A [= (5)+(6)]	68.9	43.8	57.3%	-24.0	44.9	2.5%
(8) Financing Activities^c	-80.9	-59.4	36.1%	24.0	-56.8	-4.4%
Dividends / IOC paid	-20.2	0.0	n/a	-	-20.2	n/a
Borrowings, leases and amortizations, net	-31.3	-33.1	-5.6%	24.0	-7.3	-78.1%
Financial expenses (cash)	-30.2	-31.4	-3.9%	-	-30.2	-3.9%
Treasury Shares	-1.1	0.0	n/a	-	-1.1	n/a
Related Parties	1.9	5.1	-63.3%	-	1.9	-63.3%
(9) Cash Increase (decrease) [= (7)+(8)]	-12.0	-28.1	-57.4%	-	-12.0	-57.4%
Conversion (Operating Cash Flow/Adjusted EBITDA)	71%	74%	-278 bps	-	65%	-850 bps
Adjusted EBITDA	145.6	118.8	22.5%	-24.0	121.5	2.3%

a) Excludes Financial Asset (RBD Capex), considered in Investing

b) Includes Financial Asset (RBD Capex) and excludes M&A, financial investments and related parties, considered in Financing

c) Includes debt from acquisitions (M&A), in addition to financial investments and related parties.

Note: Some of the 2018 accounts have been reclassified to allow comparability with the 2019 figures above.

RESTRICTED STOCK PROGRAM

Pursuant to the Company's Long-Term Incentive Plan, approved at the last General Meeting, the Board of Directors approved the **First Restricted Stock Program** within this new Plan, linking the long-term incentive of its main executives to the future performance of the Company.

Up to **1,923,720 shares** ("reference quantity") will be granted, which represents approximately 1.63% of Alliar's equity, subject to the **achievement of a minimum adjusted net income of R\$100 million in 2021**, where 50% of the reference will be distributed, and of **R\$ 200 million** for distribution of the total reference quantity. **No amount will be distributed if the minimum adjusted net income is not met.** Further details are available in the Company's minutes of general and board meetings.

FINANCIAL STATEMENTS
BALANCE SHEETS ON JUNE 30, 2019 AND DECEMBER 31, 2018
(R\$'000)

ASSETS	Consolidated		LIABILITIES AND EQUITY	Consolidated	
	06/30/2019	12/31/2018		06/30/2019	12/31/2018
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	61,185	73,165	Trade payables	57,501	60,803
Accounts receivable	239,313	228,961	Payroll and benefits	46,889	43,471
Inventories	6,278	5,435	Borrowings and financing	257,873	232,561
Financial assets	31,267	31,094	Leases	30,431	-
Taxes recoverable	44,167	40,770	Derivative financial instruments	1,913	-
Derivative financial instruments	2,018	2,313	Tax obligations	23,116	21,012
Other accounts receivable	18,245	17,998	Tax installment payments	2,207	2,277
Total current assets	402,473	399,736	Accounts payable - acquisition of companies	4,508	13,418
			Dividends payable	-	6,716
			Other accounts payable	3,098	4,477
			Total current liabilities	427,536	384,735
NONCURRENT ASSETS			NONCURRENT LIABILITIES		
Securities	2,759	2,712	Borrowings and financing	341,653	372,950
Escrow deposits	26,473	26,107	Leases	198,624	-
Contingency reimbursement guarantee	32,662	50,576	Related parties	1,025	1,025
Related parties	21,551	23,496	Tax installment payments	7,658	8,418
Deferred income and social contribution taxes	135,829	128,061	Accounts payable - acquisition of companies	37,232	33,368
Financial assets	77,644	79,854	Deferred income and social contribution taxes	14,225	10,294
Investments	8,318	6,625	Deferred PIS/COFINS/ISS	6,901	6,754
Property and equipment	519,500	525,020	Provision for legal contingencies	70,310	89,429
Intangible assets	966,401	967,239	Other accounts payable	2,791	2,741
Usage rights	221,854	-	Total non-current liabilities	680,419	524,979
Total noncurrent assets	2,012,991	1,809,690	EQUITY		
			Capital stock	612,412	612,412
			Capital reserves	621,915	622,280
			Treasury shares	(244)	(38)
			Profits reserve	38,349	22,151
			Other comprehensive income	(47)	141
			Controlling shareholders' equity	1,272,385	1,256,946
			Minority interest	35,124	42,766
			Total equity	1,307,509	1,299,712
TOTAL ASSETS	2,415,464	2,209,426	TOTAL LIABILITIES AND EQUITY	2,415,464	2,209,426

**INCOME STATEMENTS FOR THE QUARTERS ENDED JUNE 30, 2019 AND JUNE 30, 2018
(R\$'000)**

Consolidated	06/30/2019	06/30/2018	06/30/2019	06/30/2018
	Quarter	Quarter	Year	Year
NET SERVICE REVENUE	272,718	275,564	534,563	538,706
Cost of services	(199,900)	(202,899)	(391,678)	(393,303)
GROSS PROFIT	72,818	72,665	142,885	145,403
OPERATING (EXPENSES) INCOME				
General and administrative expenses	(39,870)	(47,561)	(76,599)	(89,222)
Other (expenses) income, net	(1,428)	49	(2,898)	(2,335)
Equity in the earnings (loss) of subsidiaries	4,211	3,698	8,443	7,040
OPERATING INCOME BEFORE FINANCIAL RESULT	35,731	28,851	71,831	60,886
FINANCIAL RESULT	(20,678)	(18,689)	(41,390)	(35,433)
Financial expenses	(21,105)	(18,949)	(42,292)	(36,125)
Financial income	427	260	902	692
OPERATING INCOME (LOSS) BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES	15,053	10,162	30,441	25,453
CURRENT AND DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES	(3,254)	(2,422)	(7,148)	(8,090)
NET INCOME (LOSS) FOR THE PERIOD	<u>11,799</u>	<u>7,740</u>	<u>23,293</u>	<u>17,363</u>
ATTRIBUTABLE TO CONTROLLING SHAREHOLDERS	9,596	5,269	19,482	12,372
ATTRIBUTABLE TO MINORITY INTEREST	2,203	2,471	3,811	4,991

CASH FLOW STATEMENTS ON JUNE 30, 2019 AND JUNE 30, 2018 (R\$'000)

	Consolidated	
	06/30/2019	06/30/2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income (loss) for the period	23,293	17,363
Adjustments to reconcile net income to net cash generated by (used in) operating activities:	75,907	61,181
Depreciation and amortization	58,150	42,548
Stock options granted and restricted stocks	708	2,114
Residual value of property, plant and equipment disposed of, and investments	203	69
Finance charges, foreign exchange effect and derivatives	36,404	31,993
Financial asset update	(12,940)	(13,343)
Income (loss) from subsidiaries	(8,443)	(7,040)
Allowance for doubtful debts	6,057	6,568
Provisions for civil, labor and tax risks	(631)	604
Deferred Taxes	(3,601)	(2,332)
	99,200	78,544
Decrease (increase) in operating assets	(6,169)	(27,413)
Decrease (increase) in clients	(825)	(15,272)
Decrease (increase) in inventories	(843)	550
Decrease (increase) in other assets	(3,894)	(11,439)
Decrease (increase) in Financial Asset	(607)	(1,252)
Increase (decrease) in operating liabilities:	4,762	20,238
Increase (decrease) in trade payables	(3,302)	8,841
Increase (decrease) in suppliers drawees risk	-	(11,652)
Increase (decrease) in payroll and related taxes	3,418	558
Increase (decrease) in taxes payable and taxes in installments	10,411	17,441
Increase (decrease) in other liabilities	(3,149)	3,445
Income Tax and Social Contribution paid	(9,366)	(4,072)
Dividends and interest on equity received	6,750	5,677
Net Cash generated by Operating Activities	97,793	71,369
CASH FLOW FROM INVESTING ACTIVITIES		
Short-term investments	-	1,053
Acquisition of subsidiaries, net of cash received	(4,657)	(35,184)
Related Parties	1,876	5,118
Increase in Investments	-	-
Purchase of property, plant and equipment and intangible assets	(33,906)	(42,682)
Net cash used in investing activities	(36,687)	(71,695)
CASH FLOW FROM FINANCING ACTIVITIES		
Treasury Shares	(1,085)	-
Dividends paid to non-controlling shareholders	(20,165)	-
Borrowings, net	141,357	110,997
Interest paid	(25,215)	(29,032)
Repayment of borrowings and financing and lease	(167,978)	(109,781)
Net cash used in financing activities	(73,086)	(27,816)
INCREASE IN CASH AND CASH EQUIVALENTS	(11,980)	(28,142)
CASH AND CASH EQUIVALENTS		
At the beginning of the period	73,165	91,597
At the end of the period	61,185	63,455