

# EARNINGS RELEASE

## 3Q19



**alliar médicos à frente**  
sistema de diagnósticos de saúde

CONFERENCE CALL  
IN PORTUGUESE

November 13, 2019  
12h30 p.m. (Brasilia)  
10h30 a.m. (New York)  
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**São Paulo, November 12, 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 third quarter and first nine months of 2019 (3Q1 9 and 9M19, 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) totaled R\$**14.4** million in 3Q19, **up by 28.1%** (+44.3% pro-forma). Year to date, net income reached R\$**33.9** million, up by **43.5%** (+65.6% pro-forma).
- Adjusted EBITDA margin **expanded by +446 bps**, reaching **28.5%** in 3Q19 (+4 bps pro-forma), with an adjusted EBITDA of R\$**78.5** million (**+17.0%** vs. 3Q18). YTD adjusted EBITDA totaled R\$**224.0** million (**+20.5%**), with a **27.7% margin** (pro-forma margin of 23.2%; **+44 bps**).
- **Net revenue**<sup>1</sup> totaled R\$**275.7** million in the quarter (-1.3%), with **same-store sales** (SSS) growth of **+2.0%** and impacted by units closed (mainly the sale of Hospital São Rafael’s operations). Year to date, **net revenue**<sup>1</sup> reached R\$**809.7** million (-0.9%).
- Operating **cash generation** came to R\$**159.7** million in 9M19 and the cash conversion rate was **71.3%**. YTD **free cash flow** increased by **157.6%**, to R\$**104.6** million, once again demonstrating Alliar’s **strong cash generating capacity** (pro-forma FCF of R\$**68.4** million, up by +68.5%).
- **Completion of the second debenture issue**, totaling **R\$350 million**, intended to lengthen the debt profile (mostly exchanging the first issue) and reinforce working capital.
- **ROIC** without goodwill reached **14.3%**, up by **243 bps** vs. 3Q18, as the Company continued its **investment maturation strategy**.
- Alliar’s net promoter score (**NPS**) was **66.3%** in 9M19, increasing by **100 bps**. The higher satisfaction scores reflected the pursuit of continuous improvement in **real-time management of patient flow** at Alliar’s units

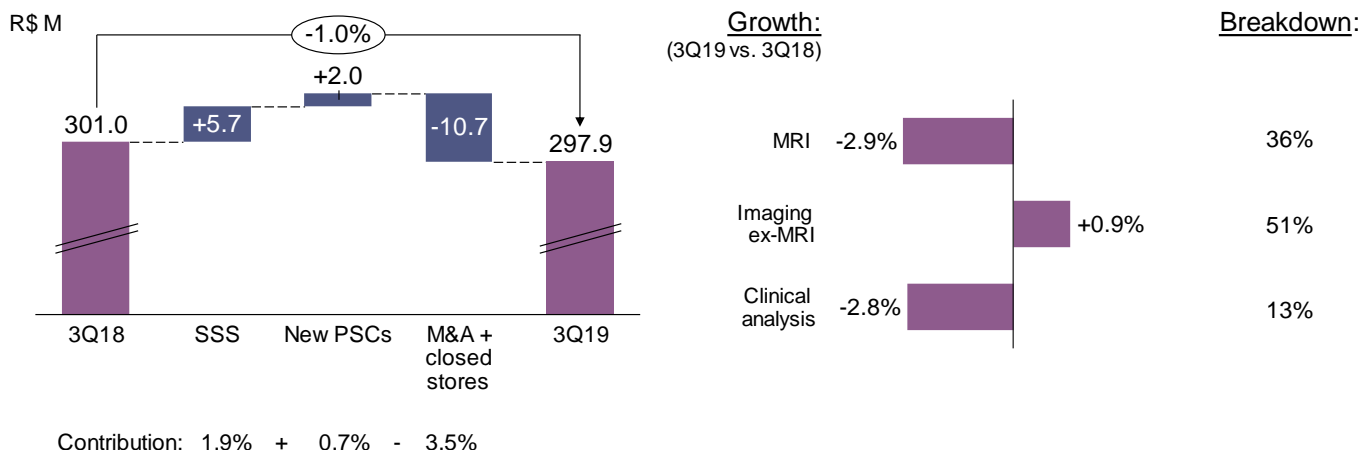
| Quarterly KPIs<br>(R\$ Million)              | 3Q19  | 3Q18  | YoY      | (IFRS 16)           |                    |          |
|--|-------|-------|----------|---------------------|--------------------|----------|
|  |       |       |          | 3Q19<br>(Pro-forma) | YoY<br>(Pro-forma) |          |
| Gross Revenue (ex-construction) <sup>1</sup> | 297.9 | 301.0 | -1.0%    | -                   | 297.9              | -1.0%    |
| Net Revenue (ex-construction) <sup>1</sup>   | 275.7 | 279.3 | -1.3%    | -                   | 275.7              | -1.3%    |
| Gross Profit                                 | 74.2  | 75.9  | -2.2%    | -2.4                | 71.8               | -5.4%    |
| Gross Profit Margin <sup>2</sup>             | 26.9% | 27.2% | -25 bps  | -                   | 26.0%              | -113 bps |
| EBITDA                                       | 70.6  | 59.3  | 19.2%    | -12.2               | 58.5               | -1.4%    |
| EBITDA Margin <sup>2</sup>                   | 25.6% | 21.2% | 440 bps  | -                   | 21.2%              | -2 bps   |
| Adjusted EBITDA <sup>3</sup>                 | 78.5  | 67.0  | 17.0%    | -12.2               | 66.3               | -1.1%    |
| Adjusted EBITDA Margin <sup>2</sup>          | 28.5% | 24.0% | 446 bps  | -                   | 24.0%              | 4 bps    |
| Net Income (Shareholders)                    | 14.4  | 11.2  | 28.1%    | 1.8                 | 16.2               | 44.3%    |
| Operating Cash Flow                          | 56.3  | 15.5  | 263.7%   | -12.2               | 44.2               | 185.1%   |
| Cash Conversion                              | 71.8% | 23.1% | 4871 bps | -                   | 66.6%              | 4353 bps |
| Free Cash Flow                               | 35.8  | -3.2  | n/a      | -12.2               | 23.6               | n/a      |
| ROIC <sup>4</sup>                            | 14.3% | 11.9% | 243 bps  | -                   | 13.2%              | 133 bps  |
| NPS  | 68.3% | 68.6% | -30 bps  | -                   | 68.3%              | -30 bps  |

| YTD KPIs<br>(R\$ Million)                    | 9M19  | 9M18  | YoY      | (IFRS 16) | 9M19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|--|-------|-------|----------|-----------|---------------------|--------------------|
| Gross Revenue (ex-construction) <sup>1</sup> | 874.9 | 883.1 | -0.9%    | -         | 874.9               | -0.9%              |
| Net Revenue (ex-construction) <sup>1</sup>   | 809.7 | 816.8 | -0.9%    | -         | 809.7               | -0.9%              |
| Gross Profit                                 | 217.1 | 221.3 | -1.9%    | -2.2      | 214.9               | -2.9%              |
| Gross Profit Margin <sup>2</sup>             | 26.8% | 27.1% | -28 bps  | -         | 26.5%               | -55 bps            |
| EBITDA                                       | 200.6 | 162.7 | 23.3%    | -36.2     | 164.4               | 1.1%               |
| EBITDA Margin <sup>2</sup>                   | 24.8% | 19.9% | 486 bps  | -         | 20.3%               | 39 bps             |
| Adjusted EBITDA <sup>3</sup>                 | 224.0 | 185.9 | 20.5%    | -36.2     | 187.8               | 1.0%               |
| Adjusted EBITDA Margin <sup>2</sup>          | 27.7% | 22.8% | 491 bps  | -         | 23.2%               | 44 bps             |
| Net Income (Shareholders)                    | 33.9  | 23.6  | 43.5%    | 5.2       | 39.1                | 65.6%              |
| Operating Cash Flow                          | 159.7 | 103.2 | 54.8%    | -36.2     | 123.5               | 19.7%              |
| Cash Conversion                              | 71.3% | 55.5% | 1578 bps | -         | 65.8%               | 1025 bps           |
| Free Cash Flow                               | 104.6 | 40.6  | 157.6%   | -36.2     | 68.4                | 68.5%              |
| ROIC <sup>4</sup>                            | 14.3% | 11.9% | 243 bps  | -         | 13.2%               | 133 bps            |
| NPS  | 66.3% | 65.3% | 100 bps  | -         | 66.3%               | 100 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) totaled **R\$297.9** million (-1.0%) in the quarter with SSS growth of **2.0%** and a positive **0.7%** contribution from the new units, mostly offset by the sale of Hospital São Rafael's operations (Delfin brand, Bahia).



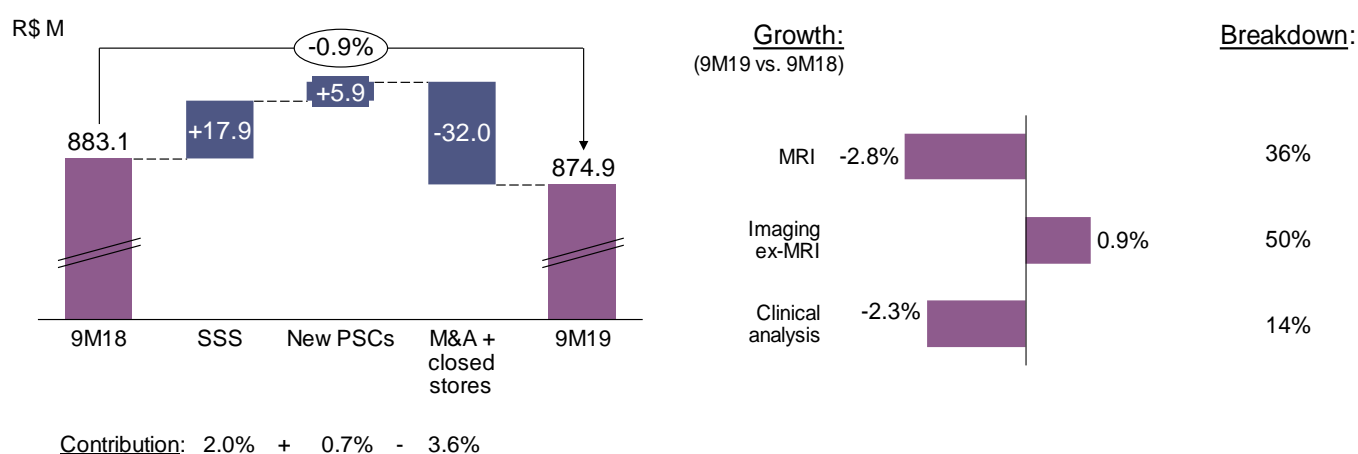
SSS growth continues to reflect mainly the ramp-up of mega units inaugurated by Alliar in 2017, with the highlight to a higher share of revenues coming from private clients, while the R\$2.0 million contribution came from IDR initiatives. Revenue growth was mainly offset by the impact of the sale of Hospital São Rafael's operations (around R\$7-8 million per quarter), as well as the effect of stores closed, which affected the comparison basis.

**The recovery in the creation of formal jobs (CAGED), albeit slow, has been intensifying throughout 2019.** However, it is possible to observe a delay between jobs creation and the increase in

the number of health plan beneficiaries (ANS), which remained virtually stable. As the economy picks up pace, the combination of improved employment levels (which increase the number of health care beneficiaries) and the aging population tends to significantly benefit the diagnostic medicine industry.

**The São Paulo (SP) regional unit continues to present a good performance, with revenue growth of 4.8% YTD. It is also worth noting the growth under the Axial brand (Minas Gerais state), which reached +7.1% in the year-to-date comparison, benefitted by a higher SSS in the last quarter and by higher revenue from private clients. On the other hand, the Company remains with growth challenges in the Delfin brand (Bahia state), due to an unfavorable comparison base in the period (sale of Hospital São Rafael's operations) and the situation faced by the main healthcare plans of the region.**

The charts below illustrate revenue behavior on a YTD basis.



| Gross Revenue<br>(R\$ Million)  | 3Q19  | 3Q18  | YoY    | 9M19  | 9M18  | YoY    |
|---------------------------------|-------|-------|--------|-------|-------|--------|
| Gross Revenue (ex-construction) | 297.9 | 301.0 | -1.0%  | 874.9 | 883.1 | -0.9%  |
| Diagnostic imaging              | 258.6 | 260.5 | -0.7%  | 756.9 | 762.3 | -0.7%  |
| MRI Exams                       | 108.0 | 111.2 | -2.9%  | 316.0 | 325.2 | -2.8%  |
| Other Imaging Exams             | 150.5 | 149.3 | 0.9%   | 440.9 | 437.1 | 0.9%   |
| Clinical analysis               | 39.3  | 40.5  | -2.8%  | 118.0 | 120.7 | -2.3%  |
| Construction revenue            | 0.5   | 0.2   | 198.2% | 1.1   | 1.4   | -24.1% |
| Gross Revenue                   | 298.4 | 301.1 | -0.9%  | 875.9 | 884.5 | -1.0%  |
| Deductions                      | -22.2 | -21.6 | 2.7%   | -65.2 | -66.3 | -1.6%  |
| Net Revenue                     | 276.1 | 279.5 | -1.2%  | 810.7 | 818.2 | -0.9%  |
| Net Revenue (ex-construction)   | 275.7 | 279.3 | -1.3%  | 809.7 | 816.8 | -0.9%  |

| Operational Highlights               | Performance |       |       |       |       |       |
|--------------------------------------|-------------|-------|-------|-------|-------|-------|
|                                      | 3Q19        | 3Q18  | YoY   | 9M19  | 9M18  | YoY   |
| Avg Revenue/MRI equipment (R\$ M)    | 0.92        | 0.90  | 2.9%  | 2.70  | 2.62  | 3.0%  |
| Avg Rev./Clin. Analysis Room (R\$ M) | 0.13        | 0.14  | -3.5% | 0.40  | 0.41  | -2.9% |
| MRI exams ('000)                     | 199.2       | 194.9 | 2.2%  | 571.6 | 567.5 | 0.7%  |
| Clinical analysis exams ('000)       | 2,645       | 2,677 | -1.2% | 7,878 | 7,887 | -0.1% |
| MRI Avg. Ticket (R\$)                | 542.4       | 570.6 | -4.9% | 552.8 | 573.1 | -3.5% |
| Clinical analysis Avg. Ticket (R\$)  | 14.9        | 15.1  | -1.6% | 15.0  | 15.3  | -2.2% |
| MRI exams / equipment / day          | 27.2        | 25.2  | 8.3%  | 26.1  | 24.4  | 6.8%  |
| Clinical analysis / room / day       | 144.0       | 146.7 | -1.8% | 142.9 | 144.1 | -0.8% |

| Operational KPIs        | Assets |      |       |      |      |       |
|-------------------------|--------|------|-------|------|------|-------|
|                         | 3Q19   | 2Q19 | QoQ   | 3Q19 | 3Q18 | YoY   |
| End of period           |        |      |       |      |      |       |
| PSCs                    | 107    | 107  | 0.0%  | 107  | 114  | -6.1% |
| Mega                    | 17     | 17   | 0.0%  | 17   | 18   | -5.6% |
| Standard                | 78     | 79   | -1.3% | 78   | 83   | -6.0% |
| Collection Points       | 12     | 11   | 9.1%  | 12   | 13   | -7.7% |
| MRI equipments          | 117    | 117  | 0.0%  | 117  | 124  | -5.6% |
| Clinical Analysis Rooms | 294    | 286  | 2.8%  | 294  | 292  | 0.7%  |

The increase in the number of imaging 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 fell slightly in the quarter and year to date (-0.7%), also affected by the sale of Hospital São Rafael's operations. Excluding this effect, **imaging revenue increased 2.3%** year to date.

Alliar continues to increase the productivity of its **MRI equipment**. In the quarter, **productivity gain reached 8.3%**, with an average of **27.2** exams/MRI/day at the units, while YTD productivity increased **6.8%** (to **26.1** exams/MRI/day), influenced by the lower number of machines operating in the period.

In clinical analysis (**CA**), revenue totaled R\$**118.0** million, down by 2.3% from 9M18, mainly influenced by lower average tickets. As a result, collection room productivity averaged **142.9** exams/room/day in the period (-0.8%). CA's share of year-to-date gross revenue came to **13.5%**. At the end of September 2019, Alliar offered **CA** in **50** of its units.

## FINANCIAL PERFORMANCE

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

In this quarter, starting from a slightly lower net revenue (-1.3%), **adjusted EBITDA** increased by **17.0%** and **net income** (shareholders) **moved up by 28.1%**, reaching R\$**14.4** million. Excluding the adoption of IFRS 16, adjusted EBITDA (pro-forma) remained virtually stable (-1.1%). Nevertheless, **net income moved up significantly (+44.3%)**, totaling R\$**16.2** million.

Below EBITDA, the highlights were a **decline in financial expenses** (-16.2% pro-forma) and the significant improvement in the **effective income tax and social contribution rate** (719 bps pro-forma). The latter reflects the Company's efforts to reduce tax inefficiencies related to its corporate structure.

| Quarterly Income Statement OVERVIEW          | 3Q19         | 3Q18         | YoY          | (IFRS 16)    | 3Q19 (Pro-forma) | YoY (Pro-forma) |
|--|--------------|--------------|--------------|--------------|------------------|-----------------|
| Gross Revenue (ex-construction)              | 297.9        | 301.0        | -1.0%        | -            | 297.9            | -1.0%           |
| Deductions (ex)                              | (22.2)       | (21.6)       | 2.6%         | -            | (22.2)           | 2.6%            |
| <b>Net Revenue (ex-construction)</b>         | <b>275.7</b> | <b>279.3</b> | <b>-1.3%</b> | -            | <b>275.7</b>     | <b>-1.3%</b>    |
| Cost of services                             | (201.5)      | (203.4)      | -0.9%        | (2.4)        | (203.9)          | 0.2%            |
| Gross Profit                                 | 74.2         | 75.9         | -2.2%        | -2.4         | 71.8             | -5.4%           |
| <i>Gross Profit Margin</i>                   | 26.9%        | 27.2%        | -25 bps      | -            | 26.0%            | -113 bps        |
| General and administrative expenses          | (39.6)       | (44.1)       | -10.1%       | (0.4)        | (40.0)           | -9.2%           |
| Other income (expenses), net                 | 1.3          | 0.2          | 556.5%       | -            | 1.3              | 556.5%          |
| Share of profit (loss) on investments        | 4.5          | 3.8          | 18.6%        | -            | 4.5              | 18.6%           |
| (+) Depreciation and Amortization            | 30.3         | 23.5         | 29.0%        | (9.4)        | 20.9             | -11.0%          |
| EBITDA                                       | 70.6         | 59.3         | 19.2%        | (12.2)       | 58.5             | -1.4%           |
| <i>(+/- adjustments)</i>                     | 7.8          | 7.8          | 0.8%         | -            | 7.8              | 0.8%            |
| <b>Adjusted EBITDA</b>                       | <b>78.5</b>  | <b>67.0</b>  | <b>17.0%</b> | <b>-12.2</b> | <b>66.3</b>      | <b>-1.1%</b>    |
| <i>Adjusted EBITDA Margin</i>                | 28.5%        | 24.0%        | 446 bps      | -            | 24.0%            | 4 bps           |
| (-) Depreciation and Amortization            | (30.3)       | (23.5)       | 29.0%        | 9.4          | (20.9)           | -11.0%          |
| Finance income (expenses)                    | (19.1)       | (16.8)       | 13.7%        | 5.0          | (14.1)           | -16.2%          |
| <b>EBT</b>                                   | <b>21.2</b>  | <b>19.0</b>  | <b>11.8%</b> | 2.2          | 23.5             | 23.5%           |
| Taxes  | (4.5)        | (5.4)        | -16.1%       | (0.5)        | (5.0)            | -7.8%           |
| <i>Effective tax rate</i>                    | -21.3%       | -28.4%       | 709 bps      | -            | -21.2%           | 719 bps         |
| Attributable to non-controlling shareholders | (2.3)        | (2.4)        | -1.6%        | 0.0          | (2.3)            | -3.4%           |
| <b>Net Income (Shareholders)</b>             | <b>14.4</b>  | <b>11.2</b>  | <b>28.1%</b> | <b>1.8</b>   | <b>16.2</b>      | <b>44.3%</b>    |
| <i>Net margin (Shareholders)</i>             | 5.2%         | 4.0%         | 120 bps      | -            | 5.9%             | 186 bps         |

OPERATING LEVERAGE

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

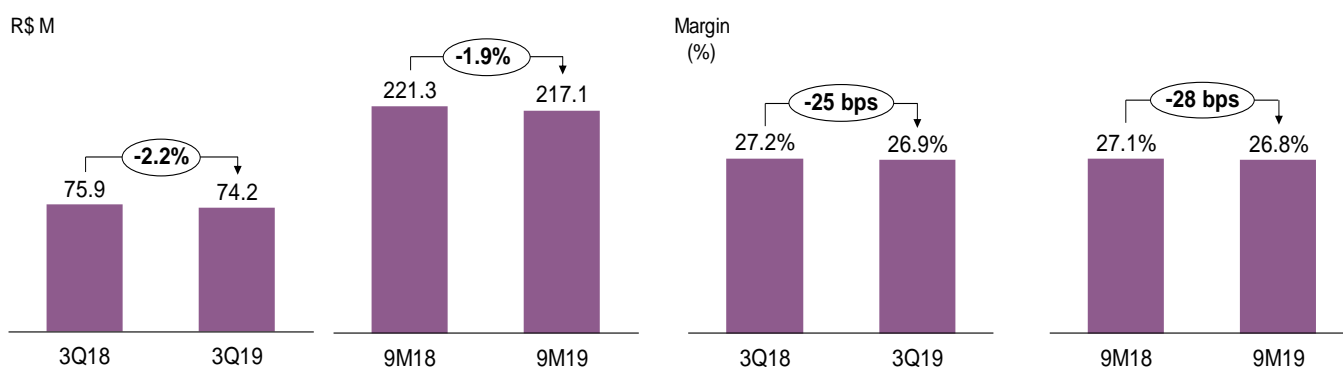
| YTD Income Statement OVERVIEW                | 9M19         | 9M18         | YoY          | (IFRS 16)    | 9M19 (Pro-forma) | YoY (Pro-forma) |
|--|--------------|--------------|--------------|--------------|------------------|-----------------|
| Gross Revenue (ex-construction)              | 874.9        | 883.1        | -0.9%        | -            | 874.9            | -0.9%           |
| Deductions (ex)                              | (65.2)       | (66.2)       | -1.6%        | -            | (65.2)           | -1.6%           |
| <b>Net Revenue (ex-construction)</b>         | <b>809.7</b> | <b>816.8</b> | <b>-0.9%</b> | -            | <b>809.7</b>     | <b>-0.9%</b>    |
| Cost of services                             | (592.6)      | (595.6)      | -0.5%        | (2.2)        | (594.8)          | -0.1%           |
| Gross Profit                                 | 217.1        | 221.3        | -1.9%        | -2.2         | 214.9            | -2.9%           |
| <i>Gross Profit Margin</i>                   | 26.8%        | 27.1%        | -28 bps      | -            | 26.5%            | -55 bps         |
| General and administrative expenses          | (116.2)      | (133.3)      | -12.8%       | (6.5)        | (122.7)          | -7.9%           |
| Other income (expenses), net                 | (1.6)        | (2.1)        | -24.0%       | -            | (1.6)            | -24.0%          |
| Share of profit (loss) on investments        | 12.9         | 10.8         | 19.5%        | -            | 12.9             | 19.5%           |
| (+) Depreciation and Amortization            | 88.5         | 66.1         | 33.9%        | (27.5)       | 61.0             | -7.7%           |
| EBITDA                                       | 200.6        | 162.7        | 23.3%        | (36.2)       | 164.4            | 1.1%            |
| <i>(+/- adjustments)</i>                     | 23.4         | 23.2         | 1.0%         | -            | 23.4             | 1.0%            |
| <b>Adjusted EBITDA</b>                       | <b>224.0</b> | <b>185.9</b> | <b>20.5%</b> | <b>-36.2</b> | <b>187.8</b>     | <b>1.0%</b>     |
| <i>Adjusted EBITDA Margin</i>                | 27.7%        | 22.8%        | 491 bps      | -            | 23.2%            | 44 bps          |
| (-) Depreciation and Amortization            | (88.5)       | (66.1)       | 33.9%        | 27.5         | (61.0)           | -7.7%           |
| Finance income (expenses)                    | (60.5)       | (52.2)       | 15.8%        | 15.5         | (45.0)           | -13.9%          |
| <b>EBT</b>                                   | <b>51.7</b>  | <b>44.5</b>  | <b>16.3%</b> | 6.8          | 58.5             | 31.6%           |
| Taxes  | (11.7)       | (13.5)       | -13.4%       | (1.8)        | (13.4)           | -0.3%           |
| <i>Effective tax rate</i>                    | -22.6%       | -30.3%       | 775 bps      | -            | -23.0%           | 735 bps         |
| Attributable to non-controlling shareholders | (6.2)        | (7.4)        | -16.5%       | 0.2          | (6.0)            | -19.1%          |
| <b>Net Income (Shareholders)</b>             | <b>33.9</b>  | <b>23.6</b>  | <b>43.5%</b> | <b>5.2</b>   | <b>39.1</b>      | <b>65.6%</b>    |
| <i>Net margin (Shareholders)</i>             | 4.2%         | 2.9%         | 129 bps      | -            | 4.8%             | 194 bps         |

OPERATING LEVERAGE

## GROSS PROFIT / GROSS MARGIN

**Gross profit** reached R\$74.2 million in the quarter, with a gross margin of 26.9% (-25 bps). The change in the gross margin reflects higher maintenance and employees' costs, in addition to the slightly decreased revenue in the quarter. On the other hand, the highlights are the savings registered in the supplies and support labs account.

As evidenced in the following table, the IFRS 16 effect at the gross profit level is low, once the savings recorded in 'occupancy' are mostly offset by the higher depreciation.



| Quarterly Gross Profit<br>(R\$ Million) | 3Q19          | 3Q18          | YoY          | % NRev<br>(3Q19) | % NRev<br>(3Q18) | YoY            | (IFRS 16)   | 3Q19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|---|---------------|---------------|--------------|------------------|------------------|----------------|-------------|---------------------|--------------------|
| <b>Net Revenue (ex)</b>                 | <b>275.7</b>  | <b>279.3</b>  | <b>-1.3%</b> | -                | -                | -              | -           | <b>275.7</b>        | <b>-1.3%</b>       |
| <b>Costs (ex)</b>                       | <b>-201.5</b> | <b>-203.4</b> | <b>-0.9%</b> | <b>-73.1%</b>    | <b>-72.8%</b>    | <b>-25 bps</b> | <b>-2.4</b> | <b>-203.9</b>       | <b>0.2%</b>        |
| Medical Services                        | -53.4         | -53.0         | 0.9%         | -19.4%           | -19.0%           | -42 bps        | -           | -53.4               | 0.9%               |
| Employees                               | -53.1         | -51.6         | 3.0%         | -19.3%           | -18.5%           | -80 bps        | -           | -53.1               | 3.0%               |
| Supplies and Support Labs               | -32.5         | -34.2         | -5.0%        | -11.8%           | -12.2%           | 46 bps         | -           | -32.5               | -5.0%              |
| Maintenance                             | -8.2          | -6.3          | 30.0%        | -3.0%            | -2.3%            | -72 bps        | -           | -8.2                | 30.0%              |
| Occupancy                               | -11.3         | -23.6         | -52.0%       | -4.1%            | -8.4%            | 433 bps        | -11.5       | -22.8               | -3.2%              |
| Third-party serv. and others            | -15.1         | -13.7         | 10.4%        | -5.5%            | -4.9%            | -58 bps        | -           | -15.1               | 10.4%              |
| Deprec. and amortization                | -27.9         | -21.2         | 31.6%        | -10.1%           | -7.6%            | -253 bps       | 9.1         | -18.8               | -11.2%             |
| <b>Gross Profit</b>                     | <b>74.2</b>   | <b>75.9</b>   | <b>-2.2%</b> | <b>26.9%</b>     | <b>27.2%</b>     | <b>-25 bps</b> | <b>-2.4</b> | <b>71.8</b>         | <b>-5.4%</b>       |
| Construction cost                       | -0.4          | -0.1          | 198.8%       | -0.2%            | -0.1%            | -11 bps        | -           | -0.4                | 198.8%             |

YTD **Gross profit** reached R\$ 217.1 million, with a gross margin of 26.8% (-28 bps).

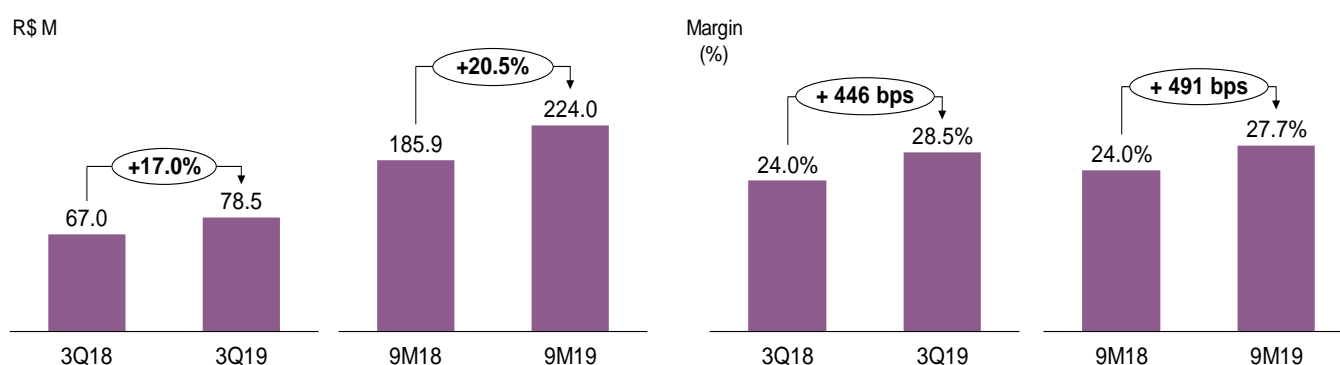
| YTD Gross Profit<br>(R\$ Million) | 9M19          | 9M18          | YoY          | % NRev<br>(9M19) | % NRev<br>(9M18) | YoY            | (IFRS 16)   | 9M19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|-----------------------------------|---------------|---------------|--------------|------------------|------------------|----------------|-------------|---------------------|--------------------|
| <b>Net Revenue (ex)</b>           | <b>809.7</b>  | <b>816.8</b>  | <b>-0.9%</b> | -                | -                | -              | -           | <b>809.7</b>        | <b>-0.9%</b>       |
| <b>Costs (ex)</b>                 | <b>-592.6</b> | <b>-595.6</b> | <b>-0.5%</b> | <b>-73.2%</b>    | <b>-72.9%</b>    | <b>-28 bps</b> | <b>-2.2</b> | <b>-594.8</b>       | <b>-0.1%</b>       |
| Medical Services                  | -156.7        | -156.4        | 0.2%         | -19.3%           | -19.1%           | -21 bps        | -           | -156.7              | 0.2%               |
| Employees                         | -153.8        | -153.4        | 0.3%         | -19.0%           | -18.8%           | -22 bps        | -           | -153.8              | 0.3%               |
| Supplies and Support Labs         | -99.0         | -98.8         | 0.2%         | -12.2%           | -12.1%           | -13 bps        | -           | -99.0               | 0.2%               |
| Maintenance                       | -21.8         | -21.2         | 2.8%         | -2.7%            | -2.6%            | -10 bps        | -           | -21.8               | 2.8%               |
| Occupancy                         | -34.9         | -68.6         | -49.2%       | -4.3%            | -8.4%            | 409 bps        | -28.8       | -63.7               | -7.2%              |
| Third-party serv. and others      | -45.1         | -37.7         | 19.5%        | -5.6%            | -4.6%            | -95 bps        | -           | -45.1               | 19.5%              |
| Deprec. and amortization          | -81.4         | -59.5         | 36.9%        | -10.1%           | -7.3%            | -277 bps       | 26.6        | -54.8               | -7.8%              |
| <b>Gross Profit</b>               | <b>217.1</b>  | <b>221.3</b>  | <b>-1.9%</b> | <b>26.8%</b>     | <b>27.1%</b>     | <b>-28 bps</b> | <b>-2.2</b> | <b>214.9</b>        | <b>-2.9%</b>       |
| Construction cost                 | -1.0          | -1.3          | -24.1%       | -0.1%            | -0.2%            | 4 bps          | -           | -1.0                | -24.1%             |



## EBITDA / EBITDA MARGIN

**Adjusted EBITDA** increased by **17.0%** in the quarter, reaching **R\$78.5** million, with an adjusted EBITDA margin of **26.9% (+446 bps)**. The significant gain recorded mainly reflects the accounting of rental costs and expenses in accordance with IFRS 16. On a pro-forma basis, adjusted EBITDA remained virtually flat (-1.1%) at **R\$66.3** million, with a modest margin gain **(+4 bps)** to **24.0%**.

We highlight Alliar's **strict control of costs and expenses**, resulting from its continuous focus on **increasing profitability and delivering operating leverage**.



| Quarterly EBITDA<br>(R\$ Million)       | EBITDA       |              |              | Margin (%)       |                  |                | (IFRS 16)    | Margin (%)          |                    |
|---|--------------|--------------|--------------|------------------|------------------|----------------|--------------|---------------------|--------------------|
|   | 3Q19         | 3Q18         | YoY          | % NRev<br>(3Q19) | % NRev<br>(3Q18) | YoY            |              | 3Q19<br>(Pro-forma) | YoY<br>(Pro-forma) |
| <b>Net Revenue (ex)</b>                 | <b>275.7</b> | <b>279.3</b> | <b>-1.3%</b> | -                | -                | -              | -            | <b>275.7</b>        | <b>-1.3%</b>       |
| <b>Gross Profit</b>                     | <b>74.2</b>  | <b>75.9</b>  | <b>-2.2%</b> | <b>26.9%</b>     | <b>27.2%</b>     | <b>-25 bps</b> | <b>-2.4</b>  | <b>71.8</b>         | <b>-5.4%</b>       |
| General and adm. expenses               | -39.6        | -44.1        | -10.1%       | -14.4%           | -15.8%           | 141 bps        | -0.4         | -40.0               | -9.2%              |
| Employees                               | -18.6        | -23.4        | -20.3%       | -6.8%            | -8.4%            | 161 bps        | -            | -18.6               | -20.3%             |
| Occupancy, 3 <sup>rd</sup> party, other | -17.2        | -17.3        | -0.3%        | -6.3%            | -6.2%            | -7 bps         | -0.7         | -17.9               | 3.7%               |
| Depreciation (expense)                  | -2.5         | -2.4         | 4.9%         | -0.9%            | -0.8%            | -5 bps         | 0.3          | -2.2                | -8.5%              |
| Long-term incentive                     | -1.3         | -1.1         | 20.7%        | -0.5%            | -0.4%            | -8 bps         | -            | -1.3                | 20.7%              |
| Other expenses, net                     | 1.3          | 0.2          | 556.5%       | 0.5%             | 0.1%             | 39 bps         | -            | 1.3                 | 556.5%             |
| Earnings of subsidiaries                | 4.5          | 3.8          | 18.6%        | 1.6%             | 1.4%             | 27 bps         | -            | 4.5                 | 18.6%              |
| <b>EBIT</b>                             | <b>40.3</b>  | <b>35.8</b>  | <b>12.7%</b> | <b>14.6%</b>     | <b>12.8%</b>     | <b>182 bps</b> | <b>-2.8</b>  | <b>37.5</b>         | <b>4.9%</b>        |
| (+) Depreciation and amort.             | 30.3         | 23.5         | 29.0%        | 11.0%            | 8.4%             | 258 bps        | -9.4         | 20.9                | -11.0%             |
| <b>EBITDA</b>                           | <b>70.6</b>  | <b>59.3</b>  | <b>19.2%</b> | <b>25.6%</b>     | <b>21.2%</b>     | <b>440 bps</b> | <b>-12.2</b> | <b>58.5</b>         | <b>-1.4%</b>       |
| (+) Write-down of financial asset       | 7.8          | 7.8          | 0.8%         | 2.8%             | 2.8%             | 6 bps          | -            | 7.8                 | 0.8%               |
| <b>Adjusted EBITDA</b>                  | <b>78.5</b>  | <b>67.0</b>  | <b>17.0%</b> | <b>28.5%</b>     | <b>24.0%</b>     | <b>446 bps</b> | <b>-12.2</b> | <b>66.3</b>         | <b>-1.1%</b>       |

Despite the slight reduction in the gross margin, accounting under IFRS 16 was the main driver behind the significant **increase in the adjusted EBITDA margin (+446 bps)**. Excluding this effect, **expense discipline** enabled Alliar to deliver **a modest gain in the adjusted EBITDA margin (pro-forma)**.

The highlights were the **savings in employees' expenses** and the **R\$1.3 million** recorded in **"other expenses, net"**, related to a revenue coming from PDD recovery.

Year to date, **adjusted EBITDA** totaled **R\$224.0** million, with an adjusted EBITDA margin of **27.7%**, up by **491 bps (23.2% margin, +44 bps, pro-forma)**.

| YTD EBITDA<br>(R\$ Million)             | 9M19         | 9M18         | YoY          | % NRev<br>(9M19) | % NRev<br>(9M18) | YoY            | (IFRS 16)    | 9M19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|---|--------------|--------------|--------------|------------------|------------------|----------------|--------------|---------------------|--------------------|
| <b>Net Revenue (ex)</b>                 | <b>809.7</b> | <b>816.8</b> | <b>-0.9%</b> | -                | -                | -              | -            | <b>809.7</b>        | <b>-0.9%</b>       |
| <b>Gross Profit</b>                     | <b>217.1</b> | <b>221.3</b> | <b>-1.9%</b> | <b>26.8%</b>     | <b>27.1%</b>     | <b>-28 bps</b> | <b>-2.2</b>  | <b>214.9</b>        | <b>-2.9%</b>       |
| General and adm. expenses               | -116.2       | -133.3       | -12.8%       | -14.4%           | -16.3%           | 196 bps        | -6.5         | -122.7              | -7.9%              |
| Employees                               | -61.2        | -68.4        | -10.6%       | -7.6%            | -8.4%            | 82 bps         | -            | -61.2               | -10.6%             |
| Occupancy, 3 <sup>rd</sup> party, other | -46.0        | -55.1        | -16.5%       | -5.7%            | -6.7%            | 106 bps        | -7.4         | -53.4               | -3.1%              |
| Depreciation (expense)                  | -7.1         | -6.6         | 7.1%         | -0.9%            | -0.8%            | -6 bps         | 0.9          | -6.2                | -6.8%              |
| Long-term incentive                     | -2.0         | -3.2         | -37.4%       | -0.2%            | -0.4%            | 14 bps         | -            | -2.0                | -37.4%             |
| Other expenses, net                     | -1.6         | -2.1         | -24.0%       | -0.2%            | -0.3%            | 6 bps          | -            | -1.6                | -24.0%             |
| Earnings of subsidiaries                | 12.9         | 10.8         | 19.5%        | 1.6%             | 1.3%             | 27 bps         | -            | 12.9                | 19.5%              |
| <b>EBIT</b>                             | <b>112.2</b> | <b>96.7</b>  | <b>16.0%</b> | <b>13.9%</b>     | <b>11.8%</b>     | <b>202 bps</b> | <b>-8.7</b>  | <b>103.4</b>        | <b>7.0%</b>        |
| (+) Depreciation and amort.             | 88.5         | 66.1         | 33.9%        | 10.9%            | 8.1%             | 284 bps        | -27.5        | 61.0                | -7.7%              |
| <b>EBITDA</b>                           | <b>200.6</b> | <b>162.7</b> | <b>23.3%</b> | <b>24.8%</b>     | <b>19.9%</b>     | <b>486 bps</b> | <b>-36.2</b> | <b>164.4</b>        | <b>1.1%</b>        |
| (+) Write-down of financial asset       | 23.4         | 23.2         | 1.0%         | 2.9%             | 2.8%             | 5 bps          | -            | 23.4                | 1.0%               |
| <b>Adjusted EBITDA</b>                  | <b>224.0</b> | <b>185.9</b> | <b>20.5%</b> | <b>27.7%</b>     | <b>22.8%</b>     | <b>491 bps</b> | <b>-36.2</b> | <b>187.8</b>        | <b>1.0%</b>        |

YTD accounting EBITDA totaled R\$**200.6** million (+ **23.3%**), impacted by the change of the accounting rule according to IFRS 16. Pro-forma EBITDA grew by 1.1% 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 (stable vs. 3Q18) and R\$ 23.4 million YTD.

## FINANCIAL RESULT AND DEBT

| Quarterly Financial Result<br>(R\$ Million) | 3Q19         | 2Q19         | 3Q18         | YoY          | (IFRS 16)  | 3Q19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|---|--------------|--------------|--------------|--------------|------------|---------------------|--------------------|
| Financial income                            | 0.7          | 0.4          | 0.4          | 105.6%       | -          | 0.7                 | 105.6%             |
| Financial expenses                          | -14.8        | -16.0        | -17.0        | -12.7%       | -          | -14.8               | -12.7%             |
| Lease interest                              | -5.0         | -5.1         | 0.0          | n/a          | 5.0        | 0.0                 | n/a                |
| FX effect on USD debt                       | 0.0          | 0.0          | -0.2         | n/a          | -          | 0.0                 | n/a                |
| <b>Total Financial Result</b>               | <b>-19.1</b> | <b>-20.7</b> | <b>-16.8</b> | <b>13.7%</b> | <b>5.0</b> | <b>-14.1</b>        | <b>-16.2%</b>      |

The increase of **13.7%** in financial results in the quarter was mainly attributable to lease interest according to IFRS 16. On a pro-forma basis, the total financial result fell by **16.2%**, mainly reflecting a reduction in **net debt by 7.7% versus 3Q18** (see the 'Debt' table on the next page).

| YTD Financial Result<br>(R\$ Million) | 9M19         | 9M18         | YoY          | (IFRS 16)   | 9M19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|---------------------------------------|--------------|--------------|--------------|-------------|---------------------|--------------------|
| Financial income                      | 1.6          | 1.1          | 56.1%        | -           | 1.6                 | 56.1%              |
| Financial expenses                    | -46.6        | -51.3        | -9.1%        | -           | -46.6               | -9.1%              |
| Lease interest                        | -15.5        | 0.0          | n/a          | 15.5        | 0.0                 | n/a                |
| FX effect on USD debt                 | 0.0          | -2.0         | -99.6%       | -           | 0.0                 | -99.6%             |
| <b>Total Financial Result</b>         | <b>-60.5</b> | <b>-52.2</b> | <b>15.8%</b> | <b>15.5</b> | <b>-45.0</b>        | <b>-13.9%</b>      |

Year to date, the **15.8%** increase in the total financial result also reflects the adoption of IFRS 16. On a pro-forma basis, the **favorable 13.9% variation** is mainly a consequence of lower financial expenses and no foreign exchange variation in the period.

| Debt<br>(R\$ Million)               | 3Q19          | 2Q19<br>(Pro-forma) | 4Q18          | 3Q18          | YoY           | (IFRS 16) | 3Q19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|-------------------------------------|---------------|---------------------|---------------|---------------|---------------|-----------|---------------------|--------------------|
| Loans and debentures                | 642.3         | 599.5               | 605.5         | 618.6         | 3.8%          | -         | 642.3               | 3.8%               |
| Supplier 'drawee risk'              | 0.0           | 0.0                 | 0.0           | 0.0           | n/a           | -         | 0.0                 | n/a                |
| Derivative fin. instruments         | -16.5         | -0.1                | -2.3          | -2.8          | 483.1%        | -         | -16.5               | 483.1%             |
| <b>Gross Bank Debt</b>              | <b>625.8</b>  | <b>599.4</b>        | <b>603.2</b>  | <b>615.8</b>  | <b>1.6%</b>   | -         | <b>625.8</b>        | <b>1.6%</b>        |
| Gross Bank Debt R\$ <sup>1</sup>    | 621.4         | 594.3               | 595.9         | 606.4         | 2.5%          | -         | 621.4               | 2.5%               |
| Gross Bank Debt US\$                | 4.4           | 5.1                 | 7.3           | 9.4           | -53.2%        | -         | 4.4                 | -53.2%             |
| Tax installment payments            | 9.4           | 9.9                 | 10.7          | 8.6           | 9.0%          | -         | 9.4                 | 9.0%               |
| Acquisitions of companies           | 41.9          | 41.7                | 46.8          | 50.8          | -17.5%        | -         | 41.9                | -17.5%             |
| <b>Total Gross Debt</b>             | <b>677.1</b>  | <b>651.0</b>        | <b>660.7</b>  | <b>675.2</b>  | <b>0.3%</b>   | -         | <b>677.1</b>        | <b>0.3%</b>        |
| <b>Cash and equivalents</b>         | <b>100.2</b>  | <b>63.9</b>         | <b>75.9</b>   | <b>50.4</b>   | <b>99.0%</b>  | -         | <b>100.2</b>        | <b>99.0%</b>       |
| <b>Total Net Debt</b>               | <b>576.9</b>  | <b>587.1</b>        | <b>584.8</b>  | <b>624.8</b>  | <b>-7.7%</b>  | -         | <b>576.9</b>        | <b>-7.7%</b>       |
| Adjusted EBITDA LTM                 | 289.0         | 253.5               | 250.8         | 237.4         | 21.7%         | -36.2     | 252.8               | 6.5%               |
| <b>Total Net Debt / Adj. EBITDA</b> | <b>2.00 x</b> | <b>2.32 x</b>       | <b>2.33 x</b> | <b>2.63 x</b> | <b>-24.1%</b> | -         | <b>2.28 x</b>       | <b>-13.3%</b>      |

1) Approximately 41% 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\$**576.9** million, the **total net debt/adjusted EBITDA ratio** reached **2.00x** at the end of the quarter. On a pro-forma basis, which reduces the EBITDA amount, the ratio came to **2.28x**.

The **24.1% reduction in the leverage ratio** (or 13.3% on a pro-forma basis) is a consequence of the Company's efforts to increase its free cash generation, a trend that should continue to be observed in the coming quarters, in line with Alliar's ongoing financial deleveraging strategy.

## INCOME TAX AND SOCIAL CONTRIBUTION

| Quarterly Income Tax<br>(R\$ Million) | Consolidated |              |                 | (IFRS 16)   | 3Q19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|---------------------------------------|--------------|--------------|-----------------|-------------|---------------------|--------------------|
|                                       | 3Q19         | 3Q18         | YoY             |             |                     |                    |
| <b>EBT</b>                            | <b>21.2</b>  | <b>19.0</b>  | <b>11.8%</b>    | 2.2         | <b>23.5</b>         | <b>23.5%</b>       |
| <b>Income Tax</b>                     | <b>-4.5</b>  | <b>-5.4</b>  | <b>-16.1%</b>   | <b>-0.5</b> | <b>-5.0</b>         | <b>-7.8%</b>       |
| Current income tax                    | -5.0         | -2.5         | 98.6%           | -           | -5.0                | 98.6%              |
| Deferred income tax                   | 0.5          | -2.9         | n/a             | -0.5        | 0.0                 | n/a                |
| <b>Effective Tax Rate (%)</b>         | <b>21.3%</b> | <b>28.4%</b> | <b>-709 bps</b> | -           | <b>21.2%</b>        | <b>-719 bps</b>    |

In **3Q19**, the Company recorded income tax and social contribution in the amount of R\$**4.5** million, equivalent to an effective rate of **21.3%**, an improvement of **709 bps** versus 3Q18 (a pro-forma improvement of **719 bps**).

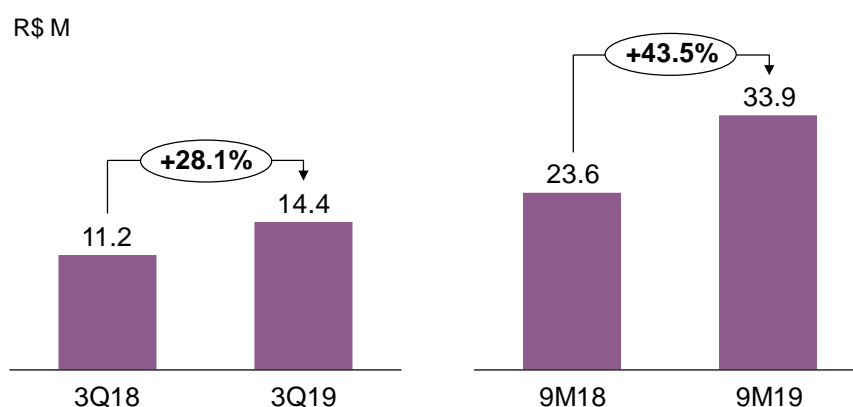
| YTD Income Tax<br>(R\$ Million) | Consolidated |              |                 | (IFRS 16)   | 9M19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|---------------------------------|--------------|--------------|-----------------|-------------|---------------------|--------------------|
|                                 | 9M19         | 9M18         | YoY             |             |                     |                    |
| <b>EBT</b>                      | <b>51.7</b>  | <b>44.5</b>  | <b>16.3%</b>    | 6.8         | <b>58.5</b>         | <b>31.6%</b>       |
| <b>Income Tax</b>               | <b>-11.7</b> | <b>-13.5</b> | <b>-13.4%</b>   | <b>-1.8</b> | <b>-13.4</b>        | <b>-0.3%</b>       |
| Current income tax              | -15.9        | -12.9        | 23.2%           | -           | -15.9               | 23.2%              |
| Deferred income tax             | 4.2          | -0.6         | n/a             | -1.8        | 2.5                 | n/a                |
| <b>Effective Tax Rate (%)</b>   | <b>22.6%</b> | <b>30.3%</b> | <b>-775 bps</b> | -           | <b>23.0%</b>        | <b>-735 bps</b>    |

**Year to date**, the effective tax rate was **22.6%** (vs. 30.3% in 9M18), reflecting the Company's efforts to reduce inefficiencies related to its corporate structure. In both quarterly and year-to-date terms, the impact of IFRS 16 on the effective income tax and social contribution rate is small, as illustrated above.

## NET INCOME

Net income (shareholders) **increased** by **28.1%** in the quarter, **reaching R\$14.4 million (margin of 5.2%)**. Pro-forma net income in 3Q19 was R\$16.2 million, increasing by **44.3%**.

The **net income growth** mainly reflects the Company's current cycle of **operating leverage** and gains between EBITDA and net income, such as lower financial expenses (pro-forma).



| Quarterly Net Income<br>(R\$ Million)        | 3Q19        | 3Q18        | YoY            | (IFRS 16)  | 3Q19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|--|-------------|-------------|----------------|------------|---------------------|--------------------|
| Net Income                                   | 16.7        | 13.6        | 22.9%          | 1.8        | 18.5                | 36.3%              |
| (-) Attributable to noncontrolling interests | 2.3         | 2.4         | -1.6%          | 0.0        | 2.4                 | 0.3%               |
| <b>Net Income (Shareholders)</b>             | <b>14.4</b> | <b>11.2</b> | <b>28.1%</b>   | <b>1.8</b> | <b>16.2</b>         | <b>44.3%</b>       |
| Net Income per share (in R\$)                | 0.12        | 0.09        | 28.1%          | 0.02       | 0.14                | 44.3%              |
| Net Margin                                   | 6.1%        | 4.9%        | 119 bps        | -          | 6.7%                | 185 bps            |
| <b>Net Margin (Shareholders)</b>             | <b>5.2%</b> | <b>4.0%</b> | <b>120 bps</b> | -          | <b>5.9%</b>         | <b>186 bps</b>     |

Year to date, net income **reached R\$33.9 million**, corresponding to a **43.5% increase** and a **4.2%** margin. On a pro-forma basis, net income totaled R\$39.1 million, a **significant increase of 65.6%**, with a margin of **4.8%**.

| YTD Net Income<br>(R\$ Million)              | 9M19        | 9M18        | YoY            | (IFRS 16)  | 9M19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|--|-------------|-------------|----------------|------------|---------------------|--------------------|
| Net Income                                   | 40.0        | 31.0        | 29.2%          | 5.0        | 45.0                | 45.4%              |
| (-) Attributable to noncontrolling interests | 6.2         | 7.4         | -16.5%         | 0.2        | 6.4                 | -13.9%             |
| <b>Net Income (Shareholders)</b>             | <b>33.9</b> | <b>23.6</b> | <b>43.5%</b>   | <b>5.2</b> | <b>39.1</b>         | <b>65.6%</b>       |
| Net Income per share (in R\$)                | 0.29        | 0.20        | 43.5%          | 0.04       | 0.33                | 65.6%              |
| Net Margin                                   | 4.9%        | 3.8%        | 115 bps        | -          | 5.6%                | 177 bps            |
| <b>Net Margin (Shareholders)</b>             | <b>4.2%</b> | <b>2.9%</b> | <b>129 bps</b> | -          | <b>4.8%</b>         | <b>194 bps</b>     |

## INVESTMENTS

| Investments<br>(R\$ Million) | 3Q19        | 3Q18        | YoY          | 9M19        | 9M18        | YoY           |
|------------------------------|-------------|-------------|--------------|-------------|-------------|---------------|
| Organic Expansion            | 6.8         | 6.1         | 10.6%        | 18.1        | 19.7        | -8.3%         |
| Maintenance                  | 11.6        | 10.9        | 6.4%         | 30.8        | 35.9        | -14.4%        |
| Others                       | 1.8         | 1.5         | 19.4%        | 5.2         | 5.5         | -6.2%         |
| <b>Total CAPEX</b>           | <b>20.1</b> | <b>18.5</b> | <b>8.8%</b>  | <b>54.0</b> | <b>61.2</b> | <b>-11.7%</b> |
| Financial Asset (RBD)        | 0.5         | 0.2         | 198.1%       | 1.1         | 1.4         | -24.1%        |
| M&A / Investments            | 0.0         | 0.0         | n/a          | 0.0         | 12.5        | -100.0%       |
| <b>TOTAL</b>                 | <b>20.6</b> | <b>18.6</b> | <b>10.4%</b> | <b>55.1</b> | <b>75.1</b> | <b>-26.6%</b> |

CAPEX totaled R\$**20.1** million in the quarter, **8.8%** higher than in 3Q18, mainly due to higher investments in maintenance. Total investments, which include the financial asset (RBD), amounted to R\$**20.6** million (+10.4%).

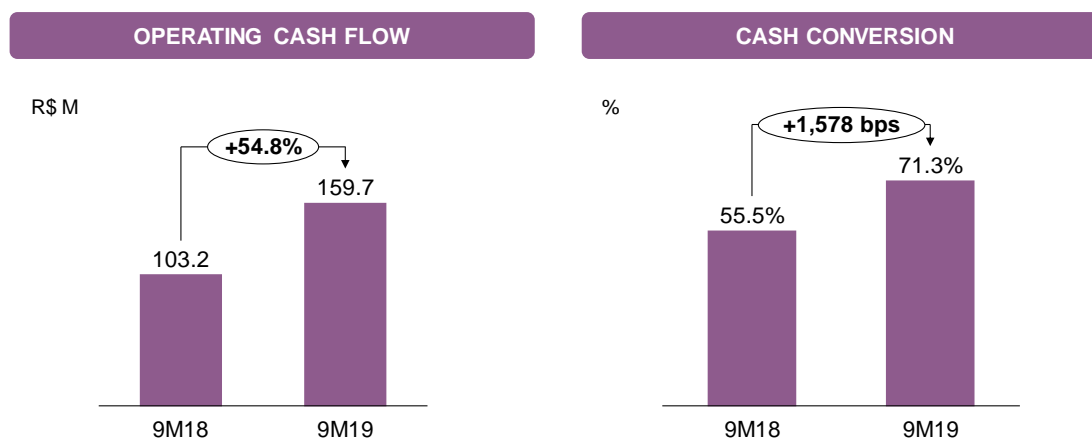
On the other hand, year-to-date investments **fell by a significant 26.6%** from 9M18, to R\$**55.1** million, driven by lower investments in maintenance. **The year-to-date reductions** also reflect the fact that the Company did not invest in M&A transactions in 2019.

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\$**159.7** million year to date, **54.8%** higher than in 9M18, benefiting from IFRS 16, with a **cash conversion** rate of **71.3%**.

As a result of the continued maturation of the operation and, especially, lower investments, **positive free cash flow jumped by 157.6%, to R\$104.6 million**, also benefiting from IFRS 16 (item 7 in the chart on the next page). Excluding this effect, the **free cash flow generation increased by 68.5%, to R\$68.4 million** (on a pro-forma basis).



| YTD Cash Flow<br>(R\$ Million)                     | 9M19         | 9M18         | YoY             | (IFRS 16)    | 9M19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|--|--------------|--------------|-----------------|--------------|---------------------|--------------------|
| <b>(1) Adjusted EBITDA</b>                         | <b>224.0</b> | <b>185.9</b> | <b>20.5%</b>    | <b>-36.2</b> | <b>187.8</b>        | <b>1.0%</b>        |
| (2) Non-cash items                                 | -29.4        | -17.7        | 65.9%           | -            | -29.4               | 65.9%              |
| (3) Working Capital <sup>a</sup>                   | -19.0        | -53.5        | -64.5%          | -            | -19.0               | -64.5%             |
| Clients  | -20.4        | -51.6        | -60.5%          | -            | -20.4               | -60.5%             |
| Trade payables                                     | -5.5         | -1.4         | 298.3%          | -            | -5.5                | 298.3%             |
| Payroll and related taxes                          | 6.3          | -0.4         | n/a             | -            | 6.3                 | n/a                |
| Taxes payable and taxes in installments            | 12.8         | 15.7         | -18.4%          | -            | 12.8                | -18.4%             |
| Other  | -12.2        | -15.9        | -23.1%          | -            | -12.2               | -23.1%             |
| (4) Current income tax                             | <b>-15.9</b> | <b>-11.4</b> | <b>39.2%</b>    | -            | -15.9               | 39.2%              |
| <b>(5) Operating Cash Flow [= (1)+(2)+(3)+(4)]</b> | <b>159.7</b> | <b>103.2</b> | <b>54.8%</b>    | <b>-36.2</b> | <b>123.5</b>        | <b>19.7%</b>       |
| <b>(6) Investing Activities<sup>b</sup></b>        | <b>-55.1</b> | <b>-62.6</b> | <b>-12.0%</b>   | -            | <b>-55.1</b>        | <b>-12.0%</b>      |
| Purchase of PPE and intangible assets              | -54.0        | -61.2        | -11.7%          | -            | -54.0               | -11.7%             |
| Financial Asset (Capex RBD)                        | -1.1         | -1.4         | -24.1%          | -            | -1.1                | -24.1%             |
| Acquisition of subsidiaries (M&A)                  | 0.0          | -12.5        | -100.0%         | -            | 0.0                 | -100.0%            |
| <b>(7) Free Cash Flow ex-M&amp;A [= (5)+(6)]</b>   | <b>104.6</b> | <b>40.6</b>  | <b>157.6%</b>   | <b>-36.2</b> | <b>68.4</b>         | <b>68.5%</b>       |
| <b>(8) Financing Activities<sup>c</sup></b>        | <b>-80.6</b> | <b>-72.8</b> | <b>10.7%</b>    | <b>36.2</b>  | <b>-44.4</b>        | <b>-39.0%</b>      |
| Dividends / IOC paid                               | -20.7        | 0.0          | n/a             | -            | -20.7               | n/a                |
| Borrowings, leases and amortizations, net          | -11.2        | -25.5        | -56.1%          | 36.2         | 25.0                | n/a                |
| Financial expenses (cash)                          | -50.6        | -53.3        | -5.1%           | -            | -50.6               | -5.1%              |
| Treasury Shares                                    | -1.1         | 0.0          | n/a             | -            | -1.1                | n/a                |
| Related Parties                                    | 3.0          | 6.1          | -50.2%          | -            | 3.0                 | -50.2%             |
| <b>(9) Cash Increase (decrease) [= (7)+(8)]</b>    | <b>24.1</b>  | <b>-44.6</b> | <b>n/a</b>      | -            | <b>24.1</b>         | <b>n/a</b>         |
| <b>Conversion</b>                                  |              |              |                 |              |                     |                    |
| <b>(Operating Cash Flow/Adjusted EBITDA)</b>       | <b>71%</b>   | <b>56%</b>   | <b>1578 bps</b> | -            | <b>66%</b>          | <b>1025 bps</b>    |
| Adjusted EBITDA                                    | 224.0        | 185.9        | 20.5%           | -36.2        | 187.8               | 1.0%               |

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.

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

| ASSETS  | Consolidated     |                  | LIABILITIES AND EQUITY                        | Consolidated     |                  |
|---|------------------|------------------|---|------------------|------------------|
|   | 09/30/2019       | 12/31/2018       |   | 09/30/2019       | 12/31/2018       |
| <b>CURRENT ASSETS</b>                         |                  |                  | <b>CURRENT LIABILITIES</b>                    |                  |                  |
| Cash and cash equivalents                     | 97,428           | 73,165           | Trade payables                                | 55,350           | 60,803           |
| Accounts receivable                           | 247,053          | 228,961          | Payroll and benefits                          | 49,733           | 43,471           |
| Inventories                                   | 7,684            | 5,435            | Borrowings and financing                      | 267,260          | 232,561          |
| Financial assets                              | 31,400           | 31,094           | Leases  | 30,957           | -                |
| Taxes recoverable                             | 43,744           | 40,770           | Derivative financial instruments              | -                | -                |
| Derivative financial instruments              | 16,503           | 2,313            | Tax obligations                               | 23,471           | 21,012           |
| Other accounts receivable                     | 21,552           | 17,998           | Tax installment payments                      | 2,115            | 2,277            |
| <b>Total current assets</b>                   | <b>465,364</b>   | <b>399,736</b>   | Accounts payable - acquisition of companies   | 4,194            | 13,418           |
|   |                  |                  | Dividends payable                             | -                | 6,716            |
|   |                  |                  | Other accounts payable                        | 3,819            | 4,477            |
|   |                  |                  | <b>Total current liabilities</b>              | <b>436,899</b>   | <b>384,735</b>   |
| <b>NONCURRENT ASSETS</b>                      |                  |                  | <b>NONCURRENT LIABILITIES</b>                 |                  |                  |
| Securities                                    | 2,794            | 2,712            | Borrowings and financing                      | 375,048          | 372,950          |
| Escrow deposits                               | 26,441           | 26,107           | Leases  | 196,830          | -                |
| Contingency reimbursement guarantee           | 28,237           | 50,576           | Related parties                               | 1,226            | 1,025            |
| Related parties                               | 20,685           | 23,496           | Tax installment payments                      | 7,284            | 8,418            |
| Deferred income and social contribution taxes | 137,571          | 128,061          | Accounts payable - acquisition of companies   | 37,692           | 33,368           |
| Financial assets                              | 76,523           | 79,854           | Deferred income and social contribution taxes | 15,414           | 10,294           |
| Investments                                   | 8,838            | 6,625            | Deferred PIS/COFINS/ISS                       | 6,935            | 6,754            |
| Property and equipment                        | 518,573          | 525,020          | Provision for legal contingencies             | 64,962           | 89,429           |
| Intangible assets                             | 966,136          | 967,239          | Other accounts payable                        | 2,823            | 2,741            |
| Usage rights                                  | 218,707          | -                | <b>Total non-current liabilities</b>          | <b>708,214</b>   | <b>524,979</b>   |
| <b>Total noncurrent assets</b>                | <b>2,004,505</b> | <b>1,809,690</b> | <b>EQUITY</b>                                 |                  |                  |
|   |                  |                  | Capital stock                                 | 612,412          | 612,412          |
|   |                  |                  | Capital reserves                              | 623,191          | 622,280          |
|   |                  |                  | Treasury shares                               | (244)            | (38)             |
|   |                  |                  | Profits reserve                               | 52,725           | 22,151           |
|   |                  |                  | Other comprehensive income                    | (177)            | 141              |
|   |                  |                  | Controlling shareholders' equity              | 1,287,907        | 1,256,946        |
|   |                  |                  | Minority interest                             | 36,849           | 42,766           |
|   |                  |                  | <b>Total equity</b>                           | <b>1,324,756</b> | <b>1,299,712</b> |
| <b>TOTAL ASSETS</b>                           | <b>2,469,869</b> | <b>2,209,426</b> | <b>TOTAL LIABILITIES AND EQUITY</b>           | <b>2,469,869</b> | <b>2,209,426</b> |

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

| Consolidated   | 09/30/2019 | 09/30/2018 | 09/30/2019 | 09/30/2018 |
|--|------------|------------|------------|------------|
|  | Quarter    | Quarter    | Year       | Year       |
| NET SERVICE REVENUE  | 276,146    | 279,461    | 810,709    | 818,168    |
| Cost of services   | (201,948)  | (203,588)  | (593,626)  | (596,892)  |
| GROSS PROFIT   | 74,198     | 75,872     | 217,083    | 221,275    |
| OPERATING (EXPENSES) INCOME  |            |            |            |            |
| General and administrative expenses                                    | (39,612)   | (44,055)   | (116,211)  | (133,278)  |
| Other (expenses) income, net   | 1,270      | 194        | (1,627)    | (2,141)    |
| Equity in the earnings (loss) of subsidiaries                          | 4,473      | 3,773      | 12,916     | 10,812     |
| OPERATING INCOME BEFORE FINANCIAL RESULT                               | 40,330     | 35,784     | 112,161    | 96,669     |
| FINANCIAL RESULT   | (19,084)   | (16,785)   | (60,473)   | (52,219)   |
| Financial expenses   | (19,824)   | (17,145)   | (62,115)   | (53,271)   |
| Financial income   | 740        | 360        | 1,642      | 1,052      |
| OPERATING INCOME (LOSS) BEFORE<br>INCOME AND SOCIAL CONTRIBUTION TAXES | 21,247     | 18,997     | 51,688     | 44,450     |
| CURRENT AND DEFERRED INCOME AND SOCIAL<br>CONTRIBUTION TAXES           | (4,520)    | (5,390)    | (11,669)   | (13,480)   |
| NET INCOME (LOSS) FOR THE PERIOD                                       | 16,726     | 13,607     | 40,020     | 30,971     |
| ATTRIBUTABLE TO CONTROLLING SHAREHOLDERS                               | 14,376     | 11,221     | 33,858     | 23,594     |
| ATTRIBUTABLE TO MINORITY INTEREST                                      | 2,349      | 2,386      | 6,160      | 7,377      |



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

|  | Consolidated    |                 |
|--|-----------------|-----------------|
|  | 09/30/2019      | 09/30/2018      |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   |                 |                 |
| <b>Net Income (loss) for the period</b>  | <b>40,019</b>   | <b>30,971</b>   |
| Adjustments to reconcile net income to net cash generated by (used in) operating activities: | 113,811         | 93,434          |
| Depreciation and amortization  | 88,467          | 66,057          |
| Stock options granted and restricted stocks  | 1,984           | 3,172           |
| Residual value of property, plant and equipment disposed of, and investments                 | 597             | 69              |
| Finance charges, foreign exchange effect and derivatives                                     | 53,612          | 44,986          |
| Financial asset update   | (19,313)        | (19,963)        |
| Income (loss) from subsidiaries  | (12,916)        | (10,812)        |
| Allowance for doubtful debts   | 6,351           | 9,220           |
| Provisions for civil, labor and tax risks  | (911)           | 142             |
| Deferred Taxes   | (4,060)         | 563             |
|  | <b>153,830</b>  | <b>124,405</b>  |
| Decrease (increase) in operating assets  | <b>(11,157)</b> | <b>(51,373)</b> |
| Decrease (increase) in clients   | (1,038)         | (31,621)        |
| Decrease (increase) in inventories   | (2,249)         | (295)           |
| Decrease (increase) in other assets  | (6,803)         | (18,051)        |
| Decrease (increase) in Financial Asset   | (1,067)         | (1,406)         |
| Increase (decrease) in operating liabilities:  | <b>9,316</b>    | <b>9,885</b>    |
| Increase (decrease) in trade payables  | (5,453)         | (1,369)         |
| Increase (decrease) in suppliers drawees risk  | -               | (11,652)        |
| Increase (decrease) in payroll and related taxes   | 6,262           | (360)           |
| Increase (decrease) in taxes payable and taxes in installments                               | 12,797          | 15,688          |
| Increase (decrease) in other liabilities   | (3,181)         | 2,438           |
| Income Tax and Social Contribution paid  | (11,812)        | (4,660)         |
| Dividends and interest on equity received  | 10,703          | 9,800           |
| <b>Net Cash generated by Operating Activities</b>  | <b>151,989</b>  | <b>82,917</b>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>   |                 |                 |
| Short-term investments   | -               | 1,370           |
| Acquisition of subsidiaries, net of cash received  | (5,062)         | (40,799)        |
| Related Parties  | 3,012           | 6,051           |
| Purchase of property, plant and equipment and intangible assets                              | (54,036)        | (61,177)        |
| <b>Net cash used in investing activities</b>   | <b>(56,086)</b> | <b>(94,555)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>   |                 |                 |
| Treasury Shares  | (1,085)         | -               |
| Dividends paid   | (20,668)        | -               |
| Borrowings and bonds, net  | 562,151         | 186,913         |
| Interest paid  | (43,755)        | (47,456)        |
| Repayment of borrowings and financing and lease  | (568,283)       | (172,446)       |
| <b>Net cash used in financing activities</b>   | <b>(71,640)</b> | <b>(32,989)</b> |
| <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>24,263</b>   | <b>(44,627)</b> |
| <b>CASH AND CASH EQUIVALENTS</b>   |                 |                 |
| At the beginning of the period   | 73,165          | 91,597          |
| At the end of the period   | 97,428          | 46,970          |