**Operator:**

Good afternoon, ladies and gentlemen. Welcome to Alliar – Centro de Imagem Diagnósticos S.A., 3Q18 earnings conference call. Present here are Mr. Fernando Terni, Chief Executive Officer, and Mr. Frederico de Aguiar Oldani, Chief Financial Officer and Investor Relations Officer.

The live webcast of this call is available at Alliar's investor relations website at ir.alliar.com, where the presentation is also available for download. As a reminder, questions will be taken by telephone and by the platform.

Also, this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After the Company's remarks are completed, there will be a question and answer session. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Alliar management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Alliar and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Fernando Terni. Mr. Terni, you may proceed.

**Fernando Terni:**

Thank you. Good morning to all, and thank you for participating in our results for the 3Q18. As you will see during our presentation, in general, our result was positive in this quarter.

We remain confident with the different efficient initiatives we have been working on. Those projects have led us to important expansions in our EBITDA and our net margins, as you will see during our presentation.

Specifically regarding top line, which was practically stable in this period, in October, we already saw some improvement. It is very likely, therefore, that we will see top line growth during the 4Q18. This will be important to us to continue leveraging the Company on the operational level.

By design in this new cycle, despite of a modest revenue growth, we will see the Company present a robust growth in EBITDA and in profit.

We remain focused on the purpose of increasing the profitability of the Company through the maturation of investment already made and the productivity gains with technology and innovation. In this cycle, we are also working to reduce Alliar's financial leverage to a more comfortable level. And on further reduction in investment, this has been an important driver for the Company's free cash flow generation.

Having made those initial comments, I invite everybody to go to page three, where we will present the highlights for this quarter. We start with the net revenue, which presented a slight reduction of 0.3% in the quarter, with same-store sales increase of 0.1%. Year-to-date revenue reached R$816.8 million, an increase of 3.8%, with same-store sales of 2.4% growth.

EBITDA margin expansion reached 169 bps to a margin of 24%, with adjusted EBITDA of R$67 million, an increase of 7.3% in the quarter and 8.5% year-to-date.

Net income for the shareholders of Alliar reached R$11.2 million, an increase of 10.1% year-to-date. Net income for the shareholders reached R$23.6 million, an increase of 18.4%.

Our operating cash flow generation was R$11.7 million in the quarter, and R$-6 million in the year. Free cash flow in the year totaled approximately R$21 million.

The net promoter score, which indicates the patient satisfaction with our services appointed 68.6% at the end of the 3Q, an important evolution of almost 320 bps in relation to the previous quarter. That is a reflection of our continuous improvement in our patient flow in our units.

In the next page, I would like to highlight the evolution of our operating assets. We can see in this image our strategy of focusing on maturing the current assets, based of Alliar increasing the profitability of our operations.

At the end of the 3Q, we operated 114 units, which is a reduction of five collection points for clinical analysis and three small image centers, typically low-performing stores that were closed in this quarter. On the other hand, we continue with 18 mega units in operation, and it is important to remember that part of them are still in ramp-up phase.

Regarding MRIs machines, we ended the quarter with 124 machines, one machine more than in the previous period. We also continued with our clinical analysis expansions, but it is also important to mark that we reduced two collection points in the last 12 months. With that, we closed the month of September operating clinical analysis in 52 out of the 114 stores.

Turning now to page five, I will further detail the evolution of our revenue in this quarter. Initially, let us look into the chart at left, where we opened the contribution per growth. Same-store sales contributed R$0.4 million in revenue, which is practically stable, and if we see the existing stores, the growth was R$0.2 million.

As we had mentioned, we closed some low-performance stores in this comparative period. This has led us to a revenue pretty much in line with the same quarter of 2017.

This fact is also impacted by the fact that we had less working days in this period, and also we had the World Cup in July. The positive aspect is that we already saw reversal of this scenario in October, and we are expecting growth again in top line during the 4Q18.

When we look to the revenue per region, we saw in São Paulo a good growth, with the new megastores still ramping-up, pretty much in line with our plan. The challenge here was in Salvador, in Bahia, where Delfin brand is facing challenging situations in the market there, mostly not because of the competition, but mainly because of the plants that we do not have contracts with, they are gaining market share in the region. And also, the region there is going through some difficulties in the macroeconomic scenario.

Looking now to the right chart, we can see that, despite the negative factors, we still grew in MRI, that is very important, because it is where we have the highest margins, and also growing in the clinical analysis.

By design, we shut down some small units, and the impact was this reduction in all the services other than in MRI. I see this picture as a very positive trend when we see midterm and long-term.

With that being said, I will hand over to Fred, who is going to go through some more details, and I will be back here for the Q&A. Thank you.

**Frederico Oldani:**

Hi, everyone. I am going to comment on Alliar's financial performance, starting on slide six. Here, it is important to highlight again that in the 3Q, the Company continued to deliver positive operating leverage throughout the P&L, and for a flat revenue performance, we were able to grow adjusted EBITDA by 7.3%, while growing net income by 10.1%.

Looking at the numbers for the year, we also see a very important operating leverage with, net revenue growing 3.8%, while adjusted EBITDA grew 8.5%, and bottom line 18.4%. This is very in line with the new Company strategy, where we are focusing on maturing our existing assets, and focusing on increasing productivity throughout our activities.

Going to the slide number seven, going into further the details into the P&L. Gross profit and gross margin, we saw a slight reduction in gross margin in the quarter, 36 bps reduction, mainly explained by an increase in depreciation and amortization, which does not affect EBITDA. Disregarding that, gross margin expansion was 132 bps positive.

Here we want to highlight the positive impact of the strategic sourcing initiative, mainly in support lab for the quarter, which is yielding very important results. It is also important to mention that, on the strategic sourcing front, we have already negotiated other important categories, which will yield positive results in the 4Q and throughout next year as well.

Going to slide number eight now, on adjusted EBITDA and EBITDA margin, it is important to highlight the 169 bps improvement in the EBITDA margin for the quarter, which reached 24%.

It is important to highlight the very tight expense control in an environment where our top line stayed flat, which yields very positive results given the current market and macro conditions, and also an important expansion we are seeing in the full year, with the adjusted EBITDA margin reaching 22.8%, 99 bps of expansion.

It is important to mention that those margins are not yet in what we consider the sustainable levels, given that we still have some important units under maturation, and we have not extracted all the productivity gains that we think we can from technology and innovation.

Going into the slide number nine, I will comment on the below EBITDA lines. Financial results were a positive highlight in the quarter as well, with financial expenses going down by 9.6%, despite the R$1.9 million positive FX gain in 3Q17.

It was an important reduction as a consequence of lower interest rates on the market, and also a lower cost of debt given the liability (…) management implemented on the 4Q17.

Net debt on the end of the quarter reached R$624.8 million, a net debt-to-EBITDA ratio of 2.63x, flat compared to the 2Q18, and in comfortable levels, even though still higher than what we consider our normalized levels, which we think we are moving towards below 2x throughout next year.

Going into the slide number ten, here, we have a very positive figure from a lower effective tax rate, which reached 28.4% in the quarter, an important reduction compared to 3Q17. For the full year, the effective tax rate has reached 30.3%, significantly lower than previous year.

Here, it is important to mention the relevant contribution from the lower tax rate and the lower financial results for this year P&L growth. Also important to mention that with effective tax rate, even though now in normalized levels, we still see a very big room for further improvement after 2020, given the plans that we are to implement next year on simplifying our Company, our corporate structure. This should yield very important results after we have implemented the simplification, once we are able to distribute dividends through ROC.

Having said that, net income reached R$11.2 million in the quarter, 10.1% increase, while for the 9M18, P&L reached R$23.6 million, 18.4% growth. Both figures are in line with the Company's new strategy of focusing on improving profitability, productivity and maturing the existing assets, but still in a minor scale, given the lack of top line growth on this quarter.

Moving into slide number 11, to comment on investments. Through both charts, we can see that investments were reduced dramatically, both in the quarter, with 47% reduction, and in the year, with 70% reduction.

It is important to mention that this reduction on investment is a consequence of this new phase where we think that there is no need to further invest in new capacity. But it is important to mention that the Company is still investing significantly on technology and innovation, where we think we can still capture significant sources of growth. We think that, with the existing asset base, we can extract way much more value from those assets.

It is important to mention that this reduction in investment has freed up significantly free cash flow for the Company. And going into slide 12, we can see the importance of this change on investments through the Company cash flow generation.

While operating cash flow has always been very positive for the Company, free cash flow has been negative over the last few years, because the Company was investing way ahead of its operating cash flow, given the market opportunity that we took advantage over the last year.

But in this new phase, we have freed up significantly cash from the operation. As you can see in the right-hand chart, our free cash flow for the 9M17 has reached R$-137 million, while for the 9M18, it reached around R$21 million of positive free cash flow generation, a very big improvement and we think that this improvement will be even more pronounced in the coming quarters.

Moving to slide 13, moving towards the closing remarks, Alliar is still very focused on improving profitability of its operation and the uses of assets. The investments made on the megastores are ramping-up accordingly. The mega units we have invested, we did mostly in CDB brand in São Paulo, where we are still facing a very important growth. It is our best performing brand, and our position in this market is very strong, and we continue to gain share on this region.

It is also important to highlight the continued improvement in productivity of the equipment, where we have reached 25.2 MRI exams per machine per day. It is important, but still way below where we think we can get. We think that there is room for extracting way much more productivity from existing equipment, and this is one of the important reasons why we do not think we will need to invest that much in the future to continue to grow.

It is also important to highlight that, even in a tough macro environment, we have been able to deliver strong margin expansion, positive cash flow generation and important bottom line growth, given all the investments we have made in productivity and technology. There is still much more to capture in the coming future given the comps (…) that we have already implemented.

It is important to mention that we will have our Investor Day next week, where we are going to discuss several of those initiatives that will be very important drivers of value for the Company in the coming years.

With that, I finish with presentation of the 3Q results and I open for Q&A session. Thank you very much.

**Operator:**

This concludes the question-and-answer session. At this time, I would like to turn the floor back to Mr. Fernando Terni for any closing remarks.

**Fernando Terni:**

Thank you everybody for being present in our call, for your time. As Fred just mentioned, we are going to have Alliar's Day next week, where we will be able to go into details on what we are planning for next year.

There will be a lot of information on what we have been doing this year as to innovation, as to improvements in our protocols, improvements in the algorithms in the call center. There is a lot of details that we are not able to go through during this call here, but if you have, by chance, the possibility of being in the call, you will see all that we are doing in the Company.

We are very confident that we are on the right track, especially on innovation. We have created the second engine in the Company that will allow us to go back to growth in the top line. I think we have reached the spot on the costs, but we do have to improve the top line, and we will be covering those aspects during our Alliar Day.

With that being said, thank you very much again for your presence here, and looking forward to meet you again. Thank you. Bye.

**Operator:**

Thank you. This thus conclude today's presentation. You may disconnect your line at this time, and have a nice day.