Management Report



2017: Better expenses control and EBITDA growth.

In another challenging year in the macroeconomic scenario, we closed 2017 with R$358.8 million in consolidated net income, -8.3% decrease when compared 2016. This variation was directly impacted by the net effect of the positive income tax constitution and social contribution taxes of R$137.7 million, in 1Q16. If we were to exclude this effect, the variation would be a 36.4% growth.

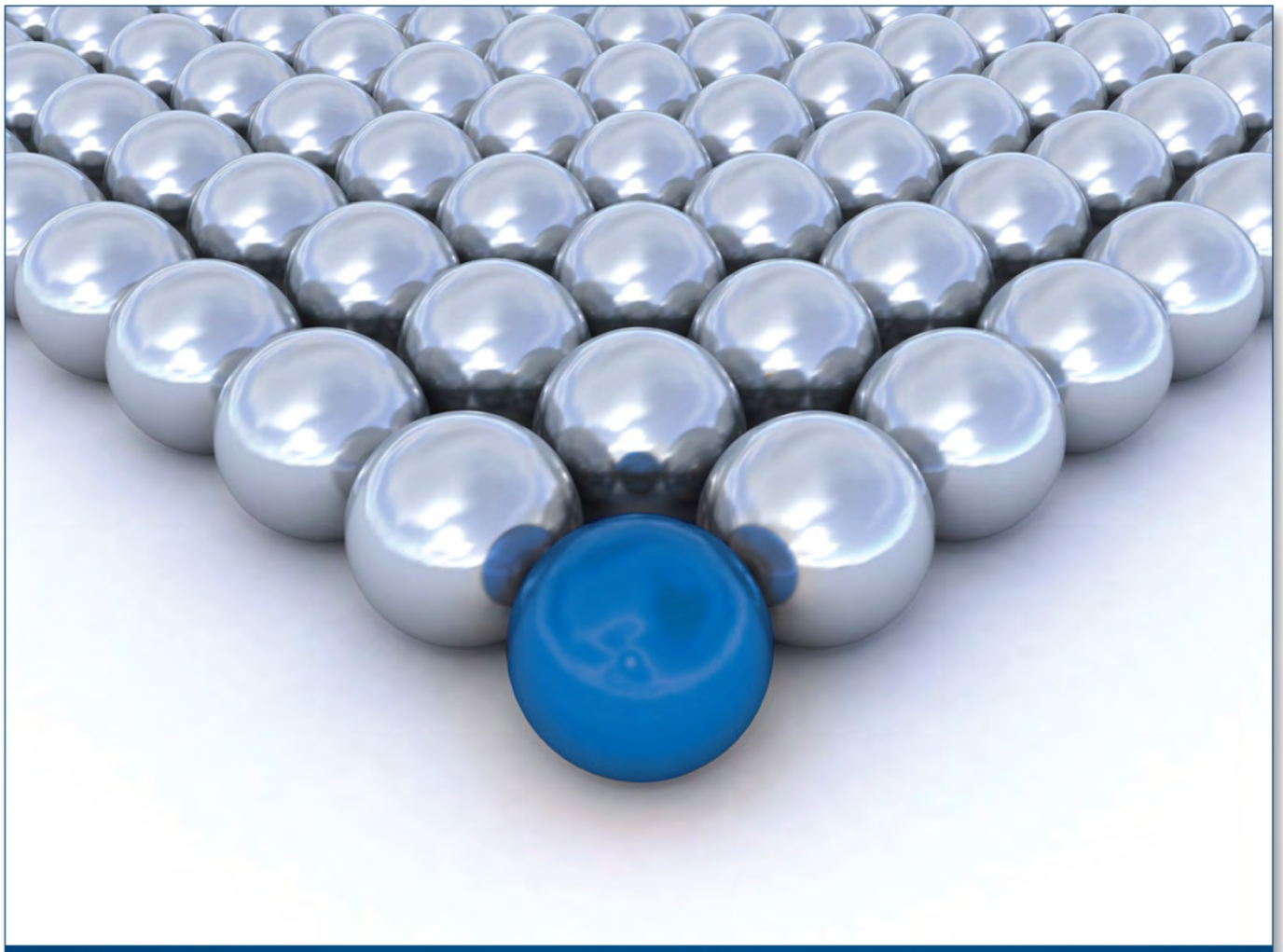
The highlight is the margin gain obtained due to operational expenses efficiency reduction, which closed 2017 over 2 bps lower than last year result of higher revenues leverage.

Our total Net Revenues grew 5.6% y/y reaching R$2.1 billion in 2017, and our adjusted EBITDA, grew 19.3% y/y, reaching R$941.8 million, which represents 45.4% adjusted EBITDA margin in 2017 (521bps growth vs. 2016).

The performance of our total beneficiaries' portfolio of approximately 4.5 million lives (including all segments) remained relatively stable related to last year (-1.2% y/y). It is worth mentioning the Affinity segment performance, which decreased due to the churn growth of 15.8% y/y, reflected by the macroeconomic scenario and the unemployment readjustment rate of 22% in 2017.

The Affinity segment portfolio closed 2017 with 1.6 million lives, -13.0% y/y. The Corporate and Others portfolio increased 6.6% y/y totaling 2.9 million lives.

The company keeps focus in client retention, leading efforts not only to obtain more affordable products, but also regarding high quality services and delinquency solutions.



The Company

The Company's Businesses

Qualicorp is a health care benefits service provider and administrator in Brazil. With more than 4.5 million beneficiaries on December 31st, 2017, we also believe we are the leader in these segments. We were founded in 1997 to improve the access to high-quality private health care plans at attractive and competitive prices and conditions, without being exposed to any of the risks associated with the provision of health care. By means of an innovative approach to managing health benefits, together with a wide range of solutions for reducing medical and administrative costs, we seek to add value to our shareholders, customers (beneficiaries and corporate clients) and partners (health insurance companies, health care plan operators and professional associations and/or institutions).

Our main goal is to assist our beneficiaries in gaining access to affordable private health care plans that meet their needs. Our services include benefit management, benefit planning advisory, brokerage of health insurance plans, health risk prevention and management, loss ratio monitoring and analysis, connectivity services and third-party administration (TPA). We provide these services through two segments:

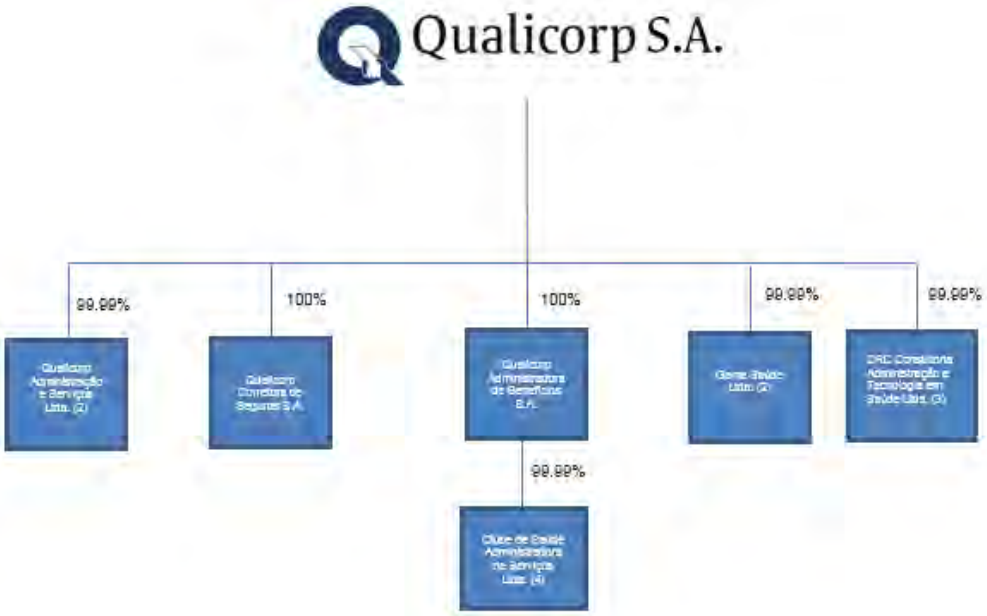
Affinity

We negotiate with health insurance companies and group health and dental care operators on behalf of professional associations and/or institutions and work as an exclusive intermediary in the offer of these plans directly to members of these associations/institutions. Our beneficiaries can save up to 50% on the price they would pay for a similar individual health and dental care plans. We also offer a number of valuable services to beneficiaries, health insurers, health care plan operators and professional associations and/or institutions, including registration, monitoring of the medical services used, monthly billing and collection, streamlined reimbursements and medical concierge services.

Corporate and Others

We operate as consultants, brokers and providers of outsourced benefit, connectivity and risk management services for leading national and international companies, as well as government bodies. In this segment, we provide high-quality customized services that strengthen our relations with operators, insurers and customers.

Qualicorp S.A. and its subsidiaries (on 12/31/2017)



(1) 100% of *L2 Participações Fundo de Investimento em Participações* quotas are held by Citi 831 Multimarket Investment Fund, of which 100% of this fund quotas are held by the Board of Directors' member and Chief Executive Officer, Mr. José Seripieri Filho.
(2) *Qualicorp Corretora* holds 0.01% of each company.
(3) *Qualicorp Administração e Serviços* holds 0.01% of each company.
(4) *Qualicorp S.A.* holds 0.01% of each company.

On October 2017, we completed Aliança's acquisition, with R$273 million payment. The Company now holds 100% of the Aliança Administradora de Benefícios and GA Corretora.



Our performance

To the Shareholders

We are pleased to submit for your appreciation the main numbers and accounting information of Qualicorp S.A. ("Company") and its subsidiaries for the period ending on December 31st, 2017.

These are the main operational and financial highlights:

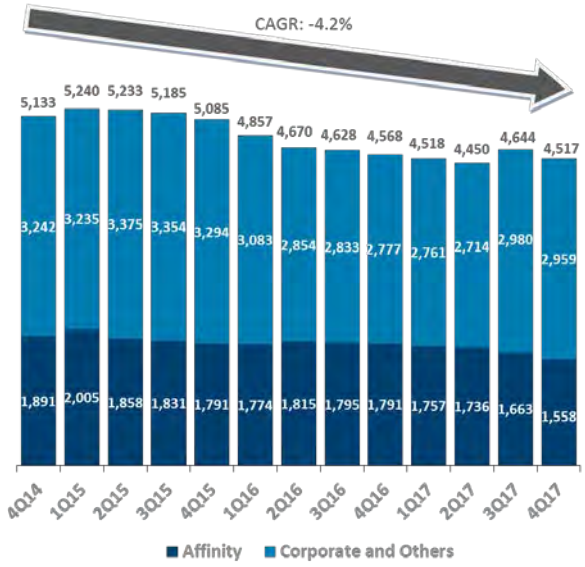
- ✓ In 2017 our Consolidated Net Revenues grew 5.6% y/y and the adjusted EBITDA[1] 19.3% y/y.

    - Our total portfolio of beneficiaries of 4.5 million lives, including all segments decreased 1.2% y/y in 2017. This amount is the result of the combination of our portfolio of beneficiaries in the Affinity segment, with 1.6 million lives, -13.0% y/y and our portfolio of beneficiaries in the Corporate and Others Segment, which increased 6.6% y/y to approximately 2.9 million lives.

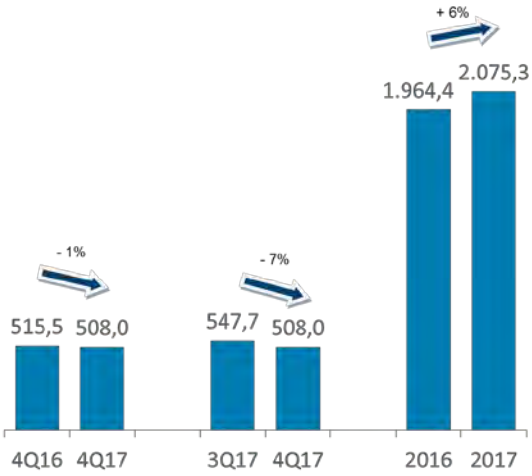
In 2017, our net income reached R$385.8 million, which represents -8.3% y/y. It is worth mentioning that 2016 was directly impacted by the net effect of the positive constitution of deferred income tax and social contribution in the amount of R$137.7 million, as a result of certain intangibles tax bases revision, related to historical transactions carried out by Company with tax specialists support of in 1Q16.

[1] We have presented EBITDA and adjusted EBITDA because management believes them to be significant indicator of financial performance. However, EBITDA and adjusted EBITDA are not measures for financial performance according to IFRS, they do not represent cash flow for the periods in question and should not be considered as an alternative to net income as a measure of operating performance or as an alternative to operating cash flow as expenses with acquisitions and partnerships and expenses with corporate restructuring.

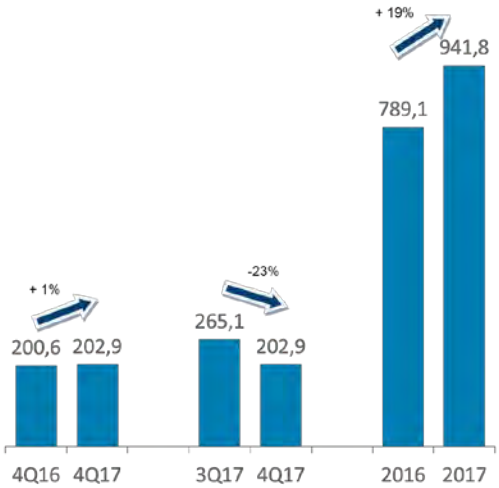
Beneficiaries (MM)



Recurring Net Revenue (R$ MM)



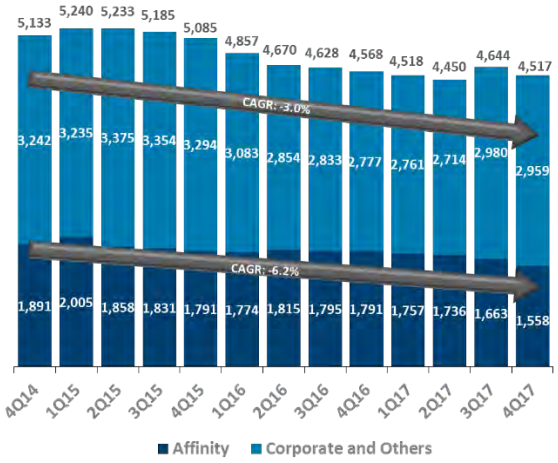
Recurring Adjusted EBITDA (R$ MM)



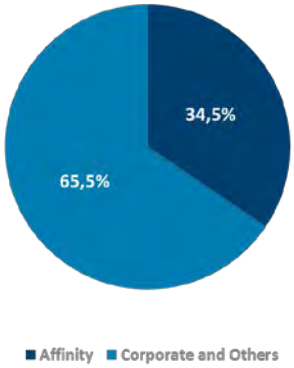
Net (loss) Income (R$ MM)



Beneficiaries (MM)



Beneficiaries Portfolio Breakdown



The total number of beneficiaries reached 4.5 million lives in the end of the year, relatively stable in the annual comparison (-1.1% y/y). Thereby, out of the 4.5 million beneficiaries, 1.6 million are in the Affinity segment and 2.9 million in the Corporate and Others segment.

Our Affinity Medical Care portfolio, which closed 2017 with 1.6 million lives, decreased 13.0% y/y, mainly due to the macroeconomic scenario and the price readjustment, which for the second year consecutive remained high, over 22%.

Our total portfolio of beneficiaries in the Corporate and Others segment increased 6.6% y/y in 2017, achieving 2.9 million lives, mainly due to new corporate contracts.

The Company continues to work on the retention of its clients, directing efforts not only to obtain more affordable products, but also in qualified services, which offers solutions to those who find it difficult to pay for their health plan.

The financial statements were prepared in accordance with international financial reporting standards (FIRS), issued by the International Accounting Standards Board (IASB), and the accounting practices adopted in Brazil, named as BR GAAP.

The accounting practices adopted in Brazil comprise those determined by Brazilian Corporate Law and the pronouncements, instructions and interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM).

In accordance with CVM Instruction 480/09, the Company's Statutory Management declares that it has discussed, reviewed and agreed with the independent auditor's report regarding the period ended on December 31, 2017.

Consolidated Income Statement - (R$ MM)	4Q17	4Q16	% Change 4Q17/4Q16	3Q17	% Change 4Q17/3Q17	2017	2016	% Change 2017/2016
Net Revenues	508,0	515,5	-1,4%	547,7	-7,2%	2.075,3	1.964,4	5,6%
Total Expenses (Ex-Depreciation and amortizatic	(312,5)	(337,1)	-7,3%	(301,0)	3,8%	(1.238,4)	(1.254,5)	-1,3%
Adjustments to EBITDA	7,4	22,2	-66,6%	18,5	-59,8%	104,9	79,3	32,3%
Adjusted EBITDA	202,9	200,6	1,2%	265,1	-23,5%	941,8	789,1	19,3%
Adjusted EBITDA Margin	39,9%	38,9%	103bps	48,4%	-847bps	45,4%	40,2%	521bps
Net Income (Loss)	**90,4**	**78,4**	**15,3%**	**113,3**	**-20,2%**	**385,8**	**420,6**	**-8,3%**

Balance Sheet	4Q17	2016	Var. 1Q17/2016
Equity	2.366,9	2.067,8	14,5%
Net Debt[1]	134,8	438,9	-69,3%

Other	4Q17	2016	Var. 1Q17/2016
Net Debt / Equity	0,06x	0,21x	-73,2%
Net Debt / Adjusted EBITDA LTM	0,14x	0,56x	-74,3%

[1] It does not include the investment retained as a guaranteed asset in the direct subsidiary Qualicorp Administradora de Benefícios S.A., and in the indirect subsidiaries Aliança Administradora de Benefícios de Saúde S.A and CRC/Gama, according to the 33rd normative instruction by the ANS, from October 5, 2009.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA (R$ MM)	4Q17	4Q16	% Change 4Q17/4Q16	3Q17	% Change 4Q17/3Q17	2017	2016	% Change 2017/2016
Net Income	90,4	78,4	15,3%	113,3	-20,2%	385,8	420,6	-8,3%
(+) Taxes	44,3	40,4	9,7%	61,7	-28,2%	197,3	39,9	395,1%
(+) Depreciation and Amortization	55,4	52,6	5,3%	56,8	-2,5%	228,4	216,3	5,6%
(+) Financial Expense	25,9	48,5	-46,7%	52,4	-50,6%	156,8	178,5	-12,2%
(-) Financial Income	(20,4)	(41,4)	-50,7%	(37,4)	-45,4%	(131,5)	(145,3)	-9,5%
EBITDA	**195,5**	**178,4**	**9,6%**	**246,7**	**-20,7%**	**836,9**	**709,9**	**17,9%**
EBITDA Margin	**38,5%**	**34,6%**	**387bps**	**45,0%**	**-656bps**	**40,3%**	**36,1%**	**419bps**
Non-cash Stock Option Plan Expense	1,4	7,4	-81,1%	1,1	25,1%	12,1	22,4	-46,1%
Interest and fine on late payment of health plans	6,0	14,7	-59,2%	17,3	-65,3%	52,2	56,9	-8,2%
Potencial Sale	-	-	N.A.	-	N.A.	40,6	-	N.A.
Adjusted EBITDA	**202,9**	**200,6**	**1,2%**	**265,1**	**-23,5%**	**941,8**	**789,1**	**19,3%**
Adjusted EBITDA Margin	**39,9%**	**38,9%**	**103bps**	**48,4%**	**-847bps**	**45,4%**	**40,2%**	**521bps**

Our Adjusted EBITDA grew 19.3% y/y reaching R$941.7 million in 2017.The growth was higher than the increase in revenue, in the same period. This performance is a result of the Company's operating evolution during the year and will allow us to leverage results even further when the market recovers.

In 2017, EBITDA margin reached 45.4%, which represents a 521bps when compared to 2016, explained by reasons already exposed above.

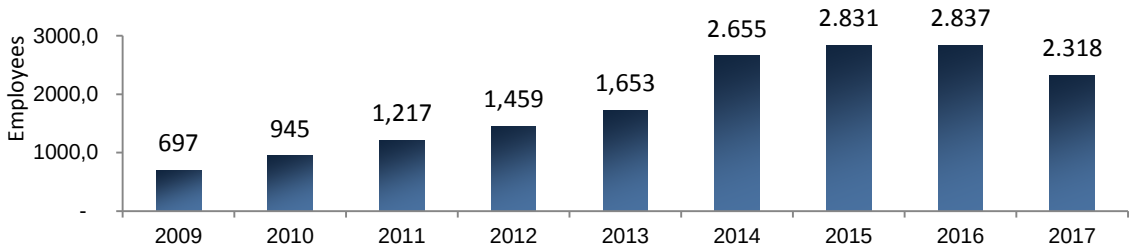
Corporate Governance

Qualicorp Group in its constant pursuit of the highest standards of transparency, equity and quality in regard to accountability, has the Board of Directors (comprising 8 sitting members, with 3 independent members), by its Auditing committee (comprising 3 Board members), and other operational committees with the participation of Board members in their respective area of expertise, namely:

- Audit Committee: the Annual Shareholders' Meeting of March 3, 2011 approved the installation of the Audit Committee, made up of 3 members, all of whom members of the Board of Directors. Its responsibilities involve determining and the scope of the internal and external audit, overseeing the work of the auditors and reporting any potential matters that need attention to the Board of Directors. It meets on a quarterly basis to discuss these issues.
- Code of Ethics and Professional Conduct: The Qualicorp Group's Code of Ethics and Professional Conduct was approved by the Board of Directors' Meeting of June 27, 2011. It consolidates those guidelines and standards of behavior that are considered ethically correct in order to regulate the conduct and actions of all employees (regardless of their hierarchical position), partners, service providers and suppliers, establishing their ethical commitments to the company and consolidating its cultural identity, values and principles. The Code is available on our website: www.qualicorp.com.br
- Remuneration Committee: According to the Board of Directors' Meeting held on March 30th, 2011, the creation of the Qualicorp Remuneration Committee was approved. This committee was installed on September 28th, 2017 and is composed by 4 members: 3 members from the Board of Directors and 1 from the Statuary Directory. The purpose is to assist the Board of Directors in the analysis of remuneration policies and practices adopted by companies with the same profile, in order to define the best strategies. Moreover to examine, discuss and formulate policies, to assist the Board in defining the philosophy of direct or indirect remuneration of the Company's managers, the payment of bonuses, benefits and incentives; performance evaluation, hiring and severance packages. In addition, to detect succession needs, monitor compensation programs and propose readjustments. Therefore, aiming to stimulate commitment, engage, and retain high-qualified professionals.
- Our operational committee, such as Technology, sales and churn, among others, where the Board members can contribute with the Company's management in their expertise areas.

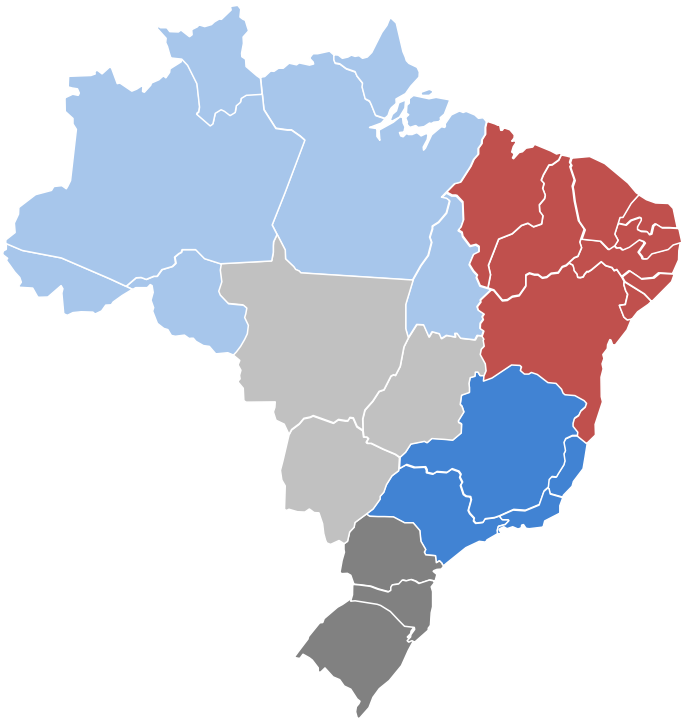
Human Resources

On December 31, 2017, we had 2,318 employees. The following chart shows the growth of our workforce since 2009.

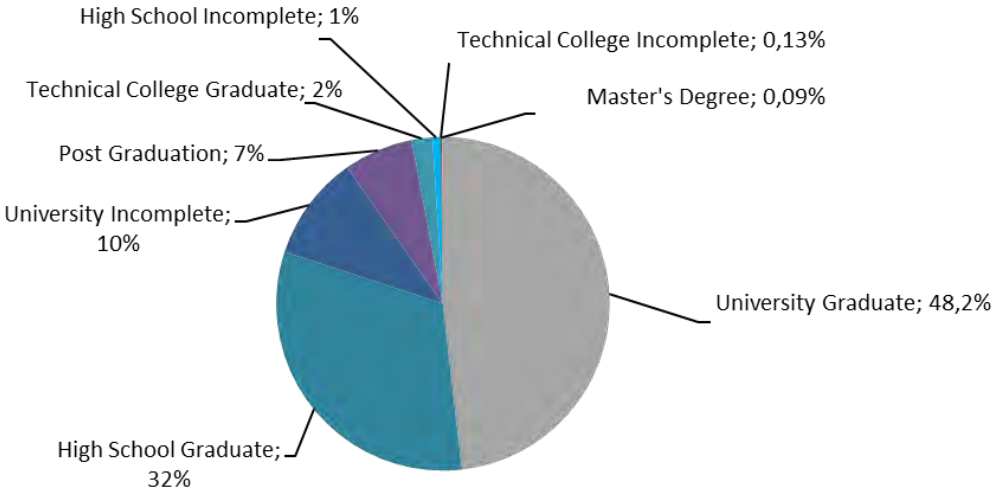


The substantial majority of employees (84.9%) are based in the Southeast:

Southeast	**2.069**
São Paulo	1.970
Rio de Janeiro	71
Minas Gerais	25
Espiríto Santo	3
Central-West	**190**
Brasília	170
Goiás	20
Northeast	**51**
Pernambuco	18
Bahia	28
Ceará	5
South	**8**
Paraná	3
Rio Grande do Sul	5
Total:	**2.318**



And 48.2% have college degree:



We seek to adequately compensate the skills and responsibilities of our professionals by adopting a compensation policy focusing on the growth of individual and collective values. Our employees' salaries are calculated in compliance with Brazilian legislation and their compensation consists of their basic salary, commissions (if applicable) and a share of the profits, within the average parameters of the market we work.

All employees are eligible to receive a profit sharing (PPR), which is directly related to compliance with the goals established by management and approved by the Board of Directors are split in corporate objectives, team and individual goals.

We are committed to promoting the well-being of our employees, whose benefits include: (i) transport vouchers; (ii) meal vouchers; (iii) a medical and dental plan; (iv) fuel vouchers; (v) life insurance; (vi) profit sharing; and (vii) a stock option plan.

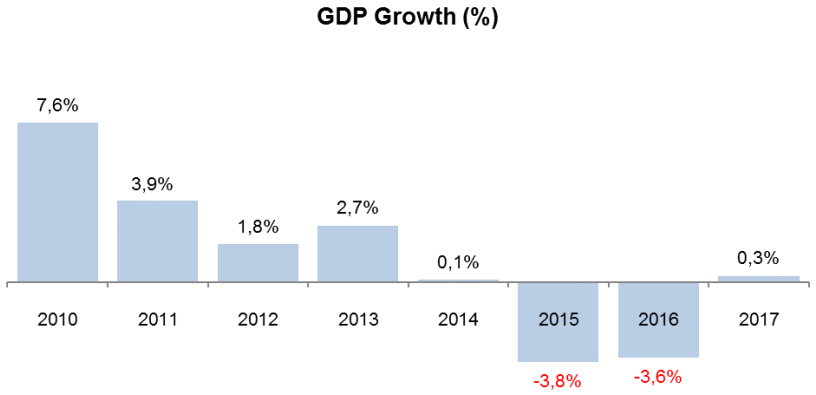
In addition, our training policy encourages the development of our employees' skills. Incentives include internal and external courses and training programs for the Company’s several areas.



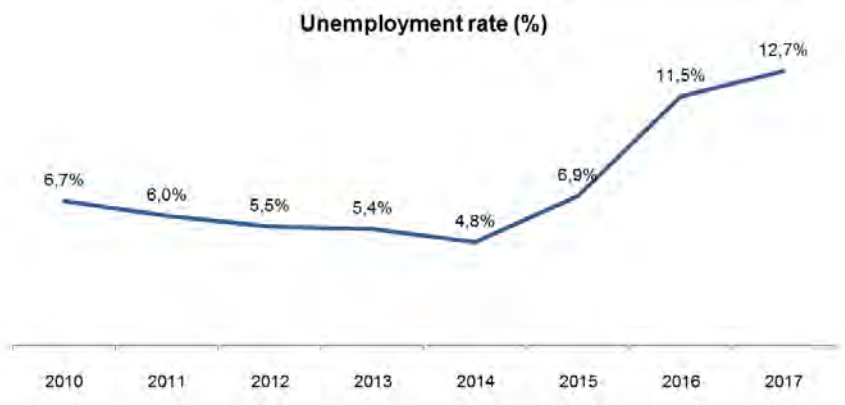
The Market

Economic Scenario

After a challenging 2015 and 2016, when the indicators of delinquency and indebtedness of the population were high, and the GPD growth was lower than the expectations, with 3.5% drop, the GDP in 2017 grew 1.0% y/y, according to IBGE. This shows that the Brazilian economy has begun to recover, but it is important to take into account that in 2016 Brazil suffered its worst recession in history, when for the first time all sectors contracted. In general terms, this increase is a result of the 0.9% increase in value added at basic prices and 1.3% in taxes on products net of subsidies.



The strong reduction of formal jobs in Brazil in the last three years has represented the loss of more than two million covered lives in the sector. The level of unemployment in Brazil reached 13.2 million in the average of 2017, an increase of 12.5% over the average of the previous year (11.7 million). The average annual rate of 2017 was 12.7% (IBGE), the highest historical rate.



Another important indicator, as the level indebtedness of the customer, decelerated in 2017, with 2.95%, according to IBGE. It was the first time the official inflation index decreased over the Brazilian Central Bank (3%), since this measurement was adopted in 1999.

Qualicorp, inserted in this context has made every effort to contain the products price increases, churn and bad debt levels, as well as to maintain good sales performance through the initiatives of geographic expansion, product diversification and distribution channels. Moreover, to tax reviews in order to minimize impacts to the Company.

Supplemental Health Scenario in Brazil

According to the National Supplemental Health Agency (ANS), health plan penetration in Brazil has increased by around 20.6% in the last 10 years, reaching almost 47.3 million individuals at the close of December 2017, which means that only 22.7% of the Brazilian population had private health plans. Compared to December 2016, however, we observed a 1.3% decrease in the number of beneficiaries, which means that more than 0.6 million Brazilians no longer have private health insurance in 2017, reflecting the difficult economic scenario.

From July 2009 on, the ANS approved the first specific regulations for the Affinity segment and Benefit Management companies. The regulations imposed clear and rigid standards for defining which types of legal entity would be eligible to contract group health plans, that is, professional or trade associations.

In addition, it was also established that certain health-plan-related administrative and operating services must be provided to the beneficiaries by the professional association and/or institution (if it has the necessary funds, infrastructure and capacity to do so) or by Benefit Management companies like us. We believe the new regulatory framework makes group health plans an attractive option for people who are not covered by a private plan to gain access to the private health system (Corporate or SME).

Active Operators and Benefit Administrators by size – Brazil (September 2017)

Type of Operator	Total	Without Beneficiaries	Small (up to 20,000 beneficiaries)	Medium (20,000 to 100,000 beneficiaries)	Large (more than 100,000 beneficiaries)
Total	**1,284**	**216**	**677**	**296**	**95**
Benefit Managers	143	143	0	0	0
Self-management	173	12	121	32	8
Health care cooperative	299	3	139	122	35
Dental care cooperative	109	3	75	25	6
Philanthropic	46	1	31	12	2
Group health care	274	12	157	79	26
Group dental care	230	41	153	23	13
Specialized health care	10	1	1	3	5

Source: ANS/ Caderno de Informação da Saúde Suplementar – (September2017)

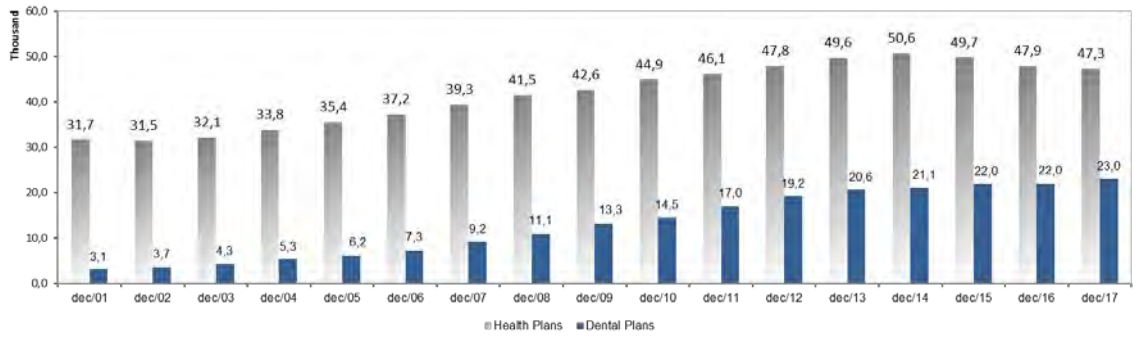
It is worth noting that the private health care market is highly fragmented and mostly consists of small-scale operators/benefit managers, representing 52.7% of the total.

Market data according to the Supplemental Health Care Information Book

Information on the distribution of health care plans included in this ANS report indicates that, in December 2016, approximately 47.3 million beneficiaries were registered with the ANS, about 22.7% of the Brazilian population, as mentioned. In dental care, this number was 23.0 million people linked exclusively to dental plans, representing 11.0% of Brazilian population.

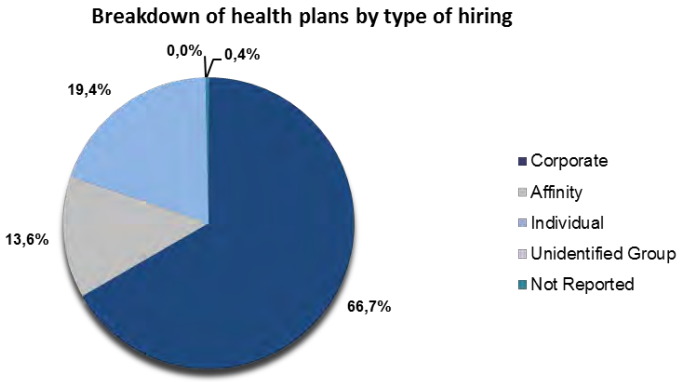
Out of the beneficiaries of health plans, 13.6% were covered by affinity plans (about 6.4 million beneficiaries) and 66.7% (31.5 million beneficiaries) were covered by corporate plans.

Beneficiaries of private health care plans in Brazil by type of plan (2001-December 2017)



Source: ANS/ Caderno de Informação da Saúde Suplementar – (December/2017)

Distribution of beneficiaries by plan coverage in Brazil (December 2017)



Source: ANS/ Caderno de Informação da Saúde Suplementar – (December /2017)

Revenues from premiums and expenses of Brazilian health care operators, by size of operator (September 2017)

Size of Operator	Revenue (R$)	Medical/Dental expenses (R$)	Administrative Expenses (R$)	Beneficiaries (1)	Loss Ratio (%)	Average Monthly Revenue (R$)
Total	**132.002.352.414**	**111.462.927.242**	**13.981.463.630**	**70.302.778**	**84,4**	**156,47**
Health care plan operators	129.826.936.818	110.446.620.226	13.464.532.999	47.288.972	85,1	228,78
Exclusive dental care operators	2.175.415.596	1.016.307.016	516.930.631	23.013.806	46,7	7,88

Source: ANS/ Caderno de Informação da Saúde Suplementar – (September/2017)

- According to ANS, the revenues of the health and dental plan operators until September 2017 recorded R$132 billion, 11.6% higher than the same period in 2016. However, the increase in expenses in the same period was 10.2% y/y (R$111.5 billion);
- The monthly revenue per beneficiary was R$156.5, an increase of 11.0% y/y;
- The MLR rate decreased by 108bps when compared to 2016. The average rate of 84.4% is still high and demonstrates the pressure on costs that the industry has suffered over the years.

Distribution of health care plans by type

Health care plans are classified by the ANS as follows:

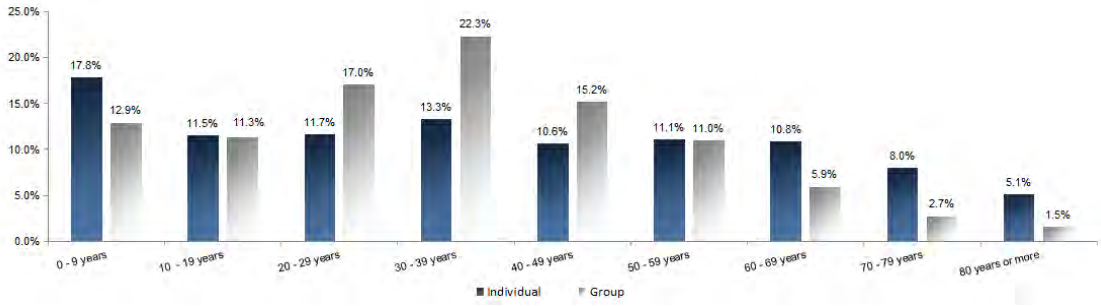
Individual/family: Agreement between an individual and a health care plan operator for the provision of health care services to the policyholder (individual plan) or pensioner and his or her dependents (family plan).

Group: Agreement between a company and an operator for the provision of health care services to a company's current/former employees/management, or members of a trade association and/or institution.

Not reported: Term used to describe plans acquired by beneficiaries prior to the Law 9656/98. The plan details were not reported to ANS.

Source: ANS

Breakdown of health plan beneficiaries by age (Brazil – March 2017)



Source: ANS/ Caderno de Informação da Saúde Suplementar – (March 2017)

About 24.0% of health plan beneficiaries are elderly, i.e. 60 years or older. However, considering the beneficiaries of group plans, only 10.2% is 60 years old or older, due to sales growth lower than the corporate plans.

Corporate Structure on 12/31/2017

The numbers of shares on December 31, 2017 was 288.967.088 common shares, structured as follows:

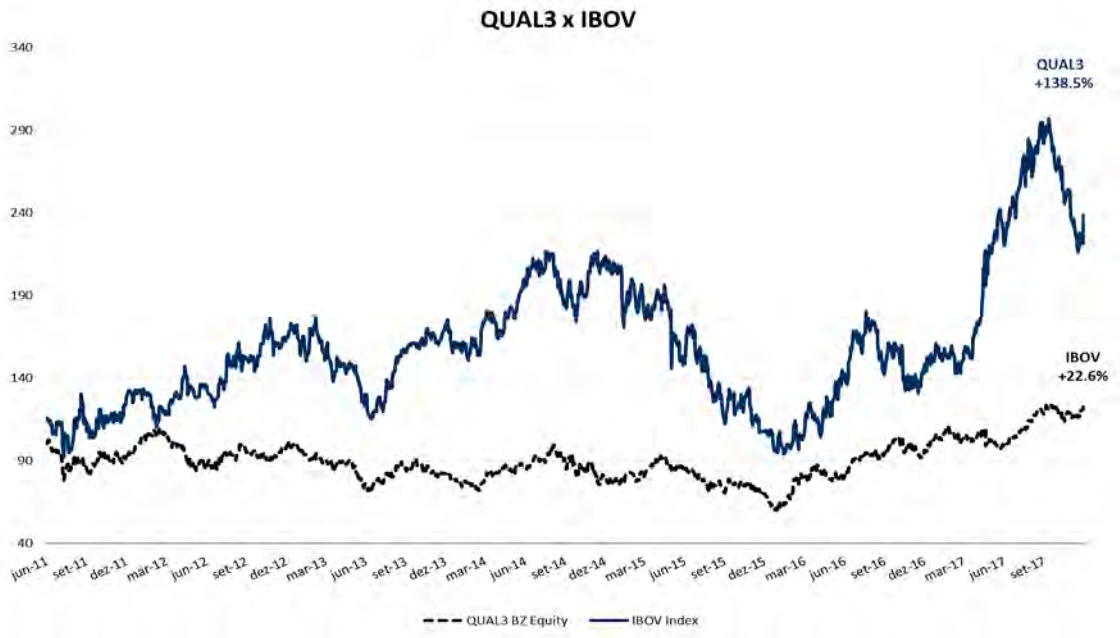


(1) 100% of the shares held by L2 Fundo de Investimento em Participações are held by Citi 831 Fundo de Investimento Multimercado, and 100% of the shares held by Citi 831 Fundo de Investimento Multimercado are owned by our founder and CEO, Mr. José Seripieri Filho.

Share price performance

Since the launch of the Company's shares on the Securities, Commodities and Futures Exchange (BM&FBovespa) up to the end of December 2017, they have consistently outperformed the IBOVESPA index.

The chart below shows the performance of the Company's shares compared with IBOVESPA since the IPO.



Periodicity of dividend payments

The Company, at the Executive Board's discretion, may prepare six-monthly, quarterly or monthly financial statements and declare dividends on the income reported in these statements. The Company may also, at the Executive Board's direction, declare interim dividends on accrued income or profit reserves in the last annual or six-monthly balance sheet.

Dividend Payment Proposal - 2017 (Ref. 2016)		
Net Income		404.726.709,65
Legal Reserve	5%	(20.236.335,48)
Income to distribute		**384.490.374,17**
Dividend payed in 2016		247.172.125,30
Dividend payed in 2017		137.318.248,87
Amount of Dividends		**137.318.248,87**
Dividends per share		**0,498250795**
Number of shares on April 28th 2017		275.600.662

[1] Amount approved and ratified in General Shareholders Meeting on April, 28th, 2017

(*) Consolidated Net Earnings (DF): R$420.6 MM
(-) Noncontrolling interest: R$15.9 MM
(=) Holding Earnings: R$404.7 MM

Yield ~ 2.2%
Annually Frequency of Payment defined by the Executive Board's direction

Dividend Payment Proposal - 2017 (Ref. 1S17)	
Interim Dividens Payed	**100.000.000,00**
Dividends per share	**0,350789649**
Number of shares on September 1st 2017	285.071.125

[1] Regarding Notice to Shareholders September 1st 2017

(*) Consolidated Net Earnings (DF): R$182.1 MM
(-) Noncontrolling interest: R$11.0 MM
(=) Holding Earnings: R$171.1 MM

Yield ~ 1.0%
Annually Frequency of Payment defined by the Executive Board's direction

Dividend Payment Proposal - 2017 (Ref. 3Q17)	
Interim Dividens Payed	**150.000.000,00**
Dividends per share	**0,525371917**
Number of shares on November 7th 2016	285.512.025

[1] Regarding Notice to Shareholders November 7th 2016

(*) Consolidated Net Earnings (DF): R$295.4 MM
(-) Noncontrolling interest: R$16.2 MM
(=) Holding Earnings: R$279.1 MM

Yield ~ 1,8%

Annually Frequency of Payment defined by the Executive Board's direction

Relationship with independent auditors

Pursuant to CVM Instruction 381/2003, our policy for contracting independent auditors to provide external audit, due diligence or tax advisory services are based on best governance principles that preserve the auditors' independence in accordance with internationally accepted standards.

PricewaterhouseCoopers Auditores Independentes was hired by the Company to provide external audit services for the financial statements and in accordance with CVM Instruction 381/2003, we hereby declare that the auditors did not provide any other services in the period ending on December 31, 2017 that could impair their professional independence.

Acknowledgements

We would like to thank our shareholders, Board members, employees, clients, partners and health plan operators and insurers, all of whom contributed, directly or indirectly, to the Company's excellent performance, for their support and collaboration

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Qualicorp S.A.

Parent company and consolidated financial statements at December 31, 2017 and independent auditor's report

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Independent auditor's report

To the Board of Directors and Stockholders
Qualicorp S.A.

Opinion

We have audited the accompanying parent company financial statements of Qualicorp S.A. ("Company"), which comprise the balance sheet as at December 31, 2017 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Qualicorp S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2017 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

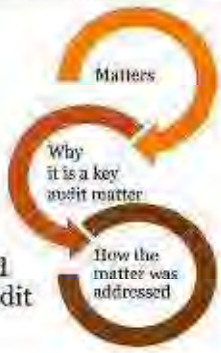
In our opinion, the parent company and consolidated financial statements referred to above present fairly in all material respects, the financial position of Qualicorp S.A. and of Qualicorp S.A. and its subsidiaries as at December 31, 2017, and their parent company and consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the parent company and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



We planned and performed our audit for the year ended December 31, 2017 considering that the operations of the Company and its subsidiaries remained substantially the same in relation to the prior year. In this context, the key audit matters as well as our audit approach remained substantially aligned to those from the prior year.

Why it is a key audit matter	How the matter was addressed in the audit
Revenue recognition (Notes 3 (xiv) and 30(d))	
Management service fees are one of the Company's main sources of revenue. They are recognized monthly based on the internal policy management system. Because of the nature of the business, there are temporary differences between the billing of the services rendered and the amount payable recognized by operators, which are monitored through the Company's internal controls. The brokerage fee is also a significant source of revenue. It is recognized in two ways: (i) upon the contract execution (the sale of a new plan) or (ii) over the lifecycle brokerage fee (accounted for monthly on existing operations and maintained during the effectiveness of the contracts entered with the respective beneficiaries). In order to ensure that the brokerage fee will be recorded on the correct accrual basis, the amount to be recognized is not determined before the tenth day of the subsequent month. The main risk identified refers to recognition of revenue on an incorrect accrual basis, taking into consideration the temporary differences related to the billing for services rendered.	Our audit procedures considered, among other matters: (a) the evaluation of the design and operational effectiveness of the controls for the billing and account receivable cycles, including the testing of the procedures related to the billing and receipt of management service and brokerage fees; (b) an updated understanding of the criteria for recognizing revenue adopted by management that support the recognition of management service and brokerage fees throughout the year; (c) testing, on a sample basis, of the respective contracts entered into with the beneficiaries and their respective operators; (d) testing of the reconciliation of balances and adjustments related to the controls over temporary differences related to the billing upon rendering of services; and (e) Comparison of receipts that occurred after December 2017 with the respective supporting documentation. We believe that the criteria and assumptions that management adopted for recognizing revenue on the correct accrual basis, as well as the disclosures made, are appropriate in all material respects in the context of the parent company and consolidated financial statements.
Test of impairment of goodwill (Notes 3 (ix) and 15)	
At December 31, 2017, the Company presented in its consolidated financial statements a balance of goodwill based on the expectation of future profitability amounting to R$ 1.046 billion, related to acquisitions made in prior years.	With the support of our internal valuation specialists, we applied the following key audit procedures:

Why it is a key audit matter	How the matter was addressed in the audit
Management tests the goodwill for impairment on an annual basis. We considered this impairment test as a key audit matter because of the significance of the goodwill and because it requires that the Company's management apply critical judgment regarding the projected future cash flows related to the Cash-generating Units (CGUs) to which the goodwill is allocated. Changes in the main assumptions used, such as the growth rate for revenue and the discount rate, average healthcare plan prices, and claims ratio, among others, may have a significant impact on the projected cash flows and the recoverable amount of the goodwill and, as a result, on the parent company and consolidated financial statements. At December 31, 2017, management reviewed the recoverable amount of the goodwill and determined that it was not necessary to recognize any losses.	(a) obtaining an updated understanding and assessment of the methodology that management used to project the discounted cash flows, mainly concerning the discount rate, the revenue and margin growth rates over the projected period and into perpetuity, and comparing the calculations with the available market information, with the effective performance, and with the historical data, when applicable. (b) assessment of the overall logic and arithmetic consistency of future cash flow projections, validating the consistency of the projections used with budgets approved by the Board of Directors, and a retrospective assessment of past budgets as a means of assessing the accuracy of Management's forecasting process; (c) recalculation of the present value of cash flows, as well as performance of sensitivity analyses to assess the extent to which individual or cumulative changes could result in the recording of unrecognized losses. We believe that, in the context of the parent company and consolidated financial statements taken as a whole, the criteria and assumptions adopted by management in the impairment test of goodwill are reasonable and consistent with the disclosures made in the notes.

Information technology environment	
Qualicorp S.A. and its subsidiaries rely on their technological infrastructure to process their operations and prepare the parent company and consolidated financial statements. Over recent years, the acquisitions of companies with different information processing and information technology systems have resulted in significantly more complex information technology environment and their corresponding internal controls in general, with different processes and fragmented controls. The complexity and diversity of the general technology control environments and the related dependent controls may result in incorrect	In the context of our audit, we applied procedures to the information technology environment, mainly including certain automated controls of the application systems relevant to the preparation of the financial statements. The procedures involved combining tests of significant controls and, where necessary, testing compensating controls, as well as performing tests of information security, including segregations of duty and access management. The results of these procedures provided appropriate and sufficient audit evidence in the context of the financial statements.

Why it is a key audit matter	How the matter was addressed in the audit
processing of critical information that is used in the preparation of the parent company and consolidated financial statements and, for this reason, we considered the technology environment as a key audit matter and decided to focus on this area in our audit.	

Other matters

Statements of value added

The parent company and consolidated Statements of value added for the year ended December 31, 2017, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Added Value". In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

Management of Qualicorp S.A. and of Qualicorp S.A. and its subsidiaries is responsible for other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management of Qualicorp and of Qualicorp S.A. and its subsidiaries is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the IFRS as issued by the IASB and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the ability of the Company and its subsidiaries to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these parent company and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance (Audit Committee and management) regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 15, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Fábio Cajazeira Mendes
Contador CRC 1SP196825/O-0

BALANCE SHEET AT DECEMBER 31, 2017 AND 2016

All amounts in thousands of reais

(A free translation of the original in Portuguese)

ASSETS	Note	2017 Parent company	2017 Consolidated	2016 Parent company	2016 Consolidated
CURRENT ASSETS					
Cash and cash equivalents	8.1	12.293	146.733	98	125.361
Financial investments	8.2	-	421.044	-	370.890
Amounts receivable from customers	9	-	217.326	-	230.874
Other assets		14.071	249.078	34.436	165.659
Other financial assets	10.1	12.934	245.718	26.676	150.695
Other non-financial assets		1.137	3.360	7.760	14.964
Related parties	12.1	15.770	-	27.513	-
Total current assets		42.134	1.034.181	62.047	892.784
NON-CURRENT ASSETS					
Long-term receivables:					
Deferred income tax and social contribution	11	-	155.230	-	217.146
Related parties	12.1	127	-	15.819	2.469
Other assets		2.399	14.045	36.048	41.612
Other financial assets	10.1	154	8.800	30.400	35.214
Other non-financial assets		2.245	5.245	5.648	6.398
Total long-term receivables		2.526	169.275	51.867	261.227
Investments	13	2.327.460	262	1.984.684	262
Property and equipment	14	-	67.755	-	73.172
Intangible assets:					
Goodwill	15	-	1.624.223	-	1.624.223
Other intangible assets	15	3.217	635.662	-	738.119
Total non-current assets		2.333.203	2.497.177	2.036.551	2.697.003
TOTAL ASSETS		2.375.337	3.531.358	2.098.598	3.589.787

LIABILITIES AND EQUITY	Note	2017 Parent company	2017 Consolidated	2016 Parent company	2016 Consolidated
CURRENT LIABILITIES					
Debentures	16	-	5.009	-	11.145
Taxes and contributions payable		2.165	33.711	4.462	40.716
Technical reserves for healthcare operations		-	13.287	-	14.891
Premiums to be transferred	17	-	128.710	-	132.310
Financial transfers payable		-	14.609	-	15.472
Payroll and related charges	18	-	50.002	6.468	63.041
Transferable prepayments		-	47.700	-	54.771
Related parties	12.1	-	-	-	1.583
Other payables	19	6.277	114.436	7.317	161.369
Options for acquisition of non-controlling interests	7	-	-	-	233.352
Total current liabilities		8.442	407.464	18.247	728.650
NON-CURRENT LIABILITIES					
Debentures	16	-	608.781	-	606.360
Taxes and contributions payable		-	5.939	-	6.601
Deferred income tax and social contribution	11	-	86.227	12.876	129.590
Provision for contingencies	20	-	53.802	-	43.470
Other payables	19	-	2.250	3.965	7.340
Total non-current liabilities		-	756.999	16.841	793.361
EQUITY					
Share capital	21	1.750.721	1.750.721	1.592.790	1.592.790
Capital reserves		159.066	159.066	147.005	147.005
Revenue reserves		312.064	312.064	178.671	178.671
Carrying value adjustments		145.044	145.044	145.044	145.044
Total equity attributable to owners of the Parent company		2.366.895	2.366.895	2.063.510	2.063.510
Non-controlling interests in the equity of subsidiaries		-	-	-	4.266
Total equity		2.366.895	2.366.895	2.063.510	2.067.776
TOTAL LIABILITIES AND EQUITY		2.375.337	3.531.358	2.098.598	3.589.787

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INCOME
YEARS ENDED DECEMBER 31, 2017 AND 2016
All amounts in thousands of reais, except earnings per share (A free translation of the original in Portuguese)

	Note	2017		2016	
		Parent company	Consolidated	Parent company	Consolidated
NET OPERATING REVENUE	30.d	-	2.075.289	-	1.964.404
COST OF SERVICES	23 and 31	-	(497.382)	-	(502.642)
OPERATING INCOME (EXPENSES)					
Administrative expenses	24 and 31	(15.121)	(508.287)	(25.497)	(499.726)
Selling expenses	25 and 31	-	(284.582)	-	(332.340)
Losses on uncollectible receivables	9	-	(127.161)	-	(139.614)
Equity in results of investees	13	414.050	-	453.192	-
Other income (expenses), net	27	(40.612)	(49.400)	235	3.535
OPERATING PROFIT BEFORE FINANCE RESULT		358.317	608.477	427.930	493.617
Finance income	26	4.274	131.485	1.889	145.326
Finance costs	26	(3.780)	(156.808)	(27.888)	(178.509)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		358.811	583.154	401.931	460.434
INCOME TAX AND SOCIAL CONTRIBUTION	28	11.899	(197.335)	2.796	(39.857)
Current		(977)	(175.856)	-	(145.400)
Deferred		12.876	(21.479)	2.796	105.543
PROFIT FOR THE YEAR		370.710	385.819	404.727	420.577
ATTRIBUTABLE TO					
Owners of the parent		370.710	370.710	404.727	404.727
Non-controlling interests		-	15.109	-	15.850
		370.710	385.819	404.727	420.577
EARNINGS PER SHARE					
Basic (R$ per share)	33	1,28489	1,28489	1,46892	1,46892
Diluted (R$ per share)	33	1,27183	1,27183	1,39523	1,39523

The accompanying notes are an integral part of these financial statements.

QUALICORP S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2017 AND 2016
All amounts in thousands of reais (A free translation of the original in Portuguese)

	2017		2016	
	Parent company	Consolidated	Parent company	Consolidated
PROFIT FOR THE YEAR	370.710	385.819	404.727	420.577
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	370.710	385.819	404.727	420.577
ATTRIBUTABLE TO				
Owners of the parent	370.710	370.710	404.727	404.727
Non-controlling interests	-	15.109	-	15.850

The accompanying notes are an integral part of these financial statements.

QUALICORP S.A. AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2017 AND 2016
All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Share capital				Revenue reserves		Carrying value adjustments			Non-controlling interests		
	Note	Paid-up capital	Treasury shares	Share issue costs	Capital reserve	Legal	Other	Fair value of merged investments	Retained earnings (accumulated deficit)	Attributable to owners of the parent (BR GAAP)	Non-controlling interests	Share options - non-controlling interests	Total consolidated (IFRS and BR GAAP)
AT DECEMBER 31, 2015		1.605.453	(47.221)	(20.983)	124.612	17.478	165.467	145.044	-	1.989.850	92.039	(88.006)	1.993.883
Increase in share capital due to exercise of options granted	21	67.723	-	-	-	-	-	-	-	67.723	-	-	67.723
Options granted	13 and 22	-	-	-	22.393	-	-	-	-	22.393	-	-	22.393
Payment of proposed additional dividend	21	-	-	-	-	-	(161.827)	-	-	(161.827)	-	-	(161.827)
Treasury shares	21	-	(12.182)	-	-	-	-	-	-	(12.182)	-	-	(12.182)
Distribution of interim dividends	1 b) xiv and 21	-	-	-	-	-	-	-	(247.174)	(247.174)	-	-	(247.174)
Profit for the year		-	-	-	-	-	-	-	404.727	404.727	15.850	-	420.577
Transfer to legal reserve		-	-	-	-	20.236	-	-	(20.236)	-	-	-	-
Proposed additional dividend	21	-	-	-	-	-	137.317	-	(137.317)	-	-	-	-
Distribution of dividends to non-controlling interests	21	-	-	-	-	-	-	-	-	-	(15.617)	-	(15.617)
AT DECEMBER 31, 2016		1.673.176	(59.403)	(20.983)	147.005	37.714	140.957	145.044	-	2.063.510	92.272	(88.006)	2.067.776
Options granted	13 and 22	-	-	-	12.061	-	-	-	-	12.061	-	-	12.061
Increase in share capital due to exercise of options granted	21	163.575	-	-	-	-	-	-	-	163.575	-	-	163.575
Payment of proposed additional dividend	21	-	-	-	-	-	(137.317)	-	-	(137.317)	-	-	(137.317)
Treasury shares	21	-	(5.644)	-	-	-	-	-	-	(5.644)	-	-	(5.644)
Distribution of interim dividends	21	-	-	-	-	-	-	-	(100.000)	(100.000)	-	-	(100.000)
Profit for the year		-	-	-	-	-	-	-	370.710	370.710	15.109	-	385.819
Transfer to legal reserve		-	-	-	-	18.536	-	-	(18.536)	-	-	-	-
Distribution of dividends to non-controlling interests	21	-	-	-	-	-	-	-	-	-	(19.072)	-	(19.072)
Proposed additional dividend	21	-	-	-	-	-	252.174	-	(252.174)	-	-	-	-
Exercise of share options	1.b) ii	-	-	-	-	-	-	-	-	-	(88.309)	88.006	(303)
AT DECEMBER 31, 2017		1.836.751	(65.047)	(20.983)	159.066	56.250	255.814	145.044	-	2.366.895	-	-	2.366.895

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

All amounts in thousands of reais (A free translation of the original in Portuguese)

	Note	2017		2016	
		Parent company	Consolidated	Parent company	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax and social contribution		358.811	583.154	401.931	460.434
Adjustments for:					
Depreciation and amortization	24 and 31	6.342	228.370	-	216.259
Impairment losses	27	40.612	38.833	-	(2.624)
Equity in results of investees	13	(414.050)	-	(453.192)	-
Result on disposal of property and equipment	14	-	1.055	-	274
Options granted	22	-	12.061	-	22.393
Finance income/costs		2.624	111.300	22.503	122.880
Present value adjustment of sale of Potencial		-	-	-	-
Provision for (reversal of) contingencies	20	-	10.332	(206)	(4.086)
		(5.661)	985.105	(28.964)	815.530
Changes in operating assets and liabilities:					
Increase in amounts receivable from customers		-	13.548	-	(81.997)
(Increase) decrease in other assets		3.961	(105.188)	14.246	4.696
Increase (decrease) in taxes and contributions payable		(3.274)	(38.374)	(3.972)	(37.398)
Increase (decrease) in premiums to be transferred		-	(3.600)	-	22.295
Increase in financial transfers payable		-	(863)	-	2.060
Increase (decrease) in technical reserves for healthcare operations		-	(1.604)	-	10.017
Increase (decrease) in payroll and related charges		(6.468)	(13.039)	1.061	413
Increase (decrease) in other payables		(1.102)	(49.356)	(2.659)	56.949
Decrease in transferable prepayments		-	(7.071)	-	(18.103)
Increase (decrease) in related parties		27.435	886	(18.378)	1.583
Increase (decrease) in financial investments (restricted cash)		-	(4.689)	-	75.622
Cash from operations		14.891	775.755	(38.666)	851.667
Interest paid on debentures	16	-	(73.960)	(12.205)	(96.113)
Dividends received from subsidiaries	13	121.135	-	724.140	-
Dividends paid to non-controlling interests	21	-	(19.072)	-	(15.617)
Income tax and social contribution paid		-	(148.075)	-	(118.644)
Net cash inflow from operating activities		136.026	534.648	673.269	621.293
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital increase in subsidiaries	13	(37.800)	-	(59.350)	-
Additions to intangible assets		(116)	(99.690)	-	(113.076)
Acquisition of property and equipment		-	(8.825)	-	(15.990)
Acquisition of shares in Aliança	7	-	(273.078)	-	-
Increase in financial investments - exclusive financial investment fund	8.2 ii)	-	(45.465)	-	(325.511)
Non-competition agreement	19	(6.529)	(6.529)	(6.529)	(6.529)
Capital reduction in subsidiaries	13	-	-	100.000	-
Net cash (outflow) inflow from investing activities		(44.445)	(433.587)	34.121	(461.106)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of borrowings		-	-	-	(5.795)
Payments for issuance of debentures		-	-	(300.000)	(831.000)
Proceeds from issuance of debentures		-	-	-	922.000
Share capital increase	21	163.575	163.272	67.723	69.304
Purchase of treasury shares	21	(5.644)	(5.644)	(12.182)	(12.182)
Dividends paid	21	(237.317)	(237.317)	(462.943)	(462.943)
Net cash outflow from financing activities		(79.386)	(79.689)	(707.402)	(320.616)
NET DECREASE IN CASH AND CASH EQUIVALENTS		12.195	21.372	(12)	(160.429)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	8.1	98	125.361	110	285.790
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8.1	12.293	146.733	98	125.361

The accompanying notes are an integral part of these financial statements.

STATEMENT OF VALUE ADDED
YEARS ENDED DECEMBER 31, 2017 AND 2016
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	2017		2016	
	Parent company	Consolidated	Parent company	Consolidated
REVENUE				
Services revenue	-	2.259.455	-	2.129.850
Other operating income	-	15.148	55	8.839
Provision for impairment of trade receivables, cancelations and returns	-	(143.709)	-	(147.108)
Total revenue	-	2.130.894	55	1.991.581
INPUTS ACQUIRED FROM THIRD PARTIES				
Cost of services	-	(342.577)	-	(335.711)
Materials, electricity, outsourced services and other	(1.720)	(317.979)	3.105	(339.680)
Impairment/recovery of assets	(40.612)	(42.026)	-	(4.388)
Other operating expenses	(5.447)	(124.332)	(27.769)	(111.382)
Total inputs acquired from third parties	(47.779)	(826.914)	(24.664)	(791.161)
GROSS VALUE ADDED	(47.779)	1.303.980	(24.609)	1.200.420
DEPRECIATION, AMORTIZATION AND DEPLETION				
Depreciation and amortization	(6.342)	(228.370)	-	(216.259)
NET VALUE ADDED GENERATED (CONSUMED) BY THE ENTITY	(54.121)	1.075.610	(24.609)	984.161
VALUE ADDED RECEIVED THROUGH TRANSFER				
Finance income	4.274	131.485	1.889	145.326
Share of profit of investees	414.050	-	453.192	-
Total value added received through transfer	418.324	131.485	455.081	145.326
TOTAL VALUE ADDED TO DISTRIBUTE	364.203	1.207.095	430.472	1.129.487
DISTRIBUTION OF VALUE ADDED				
Personnel and social charges	3.828	322.154	19.596	359.177
Taxes and contributions	(11.899)	374.002	(2.796)	201.334
Creditors and lenders	1.564	125.120	8.945	148.399
Stockholders	370.710	385.819	404.727	420.577
Total value added distributed	364.203	1.207.095	430.472	1.129.487

The accompanying notes are an integral part of these financial statements.

1. General information

a) Operations

Qualicorp S.A. (the "Company") is a corporation headquartered in São Paulo, Brazil, that was incorporated on May 19, 2010, and which commenced its operations on July 1, 2010. The Company's objective is to hold equity interests, as a partner or stockholder, in other companies, both unincorporated and incorporated, and in business projects of any nature.

The Company and its subsidiaries ("Qualicorp Group") are engaged in the brokerage, intermediation, consulting, management, stipulation as well as deductibles, through its direct subsidiaries. The Company's and its subsidiaries' activities are divided into the following segments: (a) private healthcare plans, whose service providers include group medical organizations, specialized health insurers, medical cooperatives, self-managed entities, charitable institutions, dental cooperatives and group dentists ("healthcare plan operators"); (b) sale and management of other health insurance and supplementary services; (c) services rendered for the capture, routing, authorization and billing of medical and hospital services, as well as medical audit services, processing of medical bills, call center, claims and hospital network management system licensing, and other outsourced healthcare support services; (d) group insurance brokerage through retail channels, such as life insurance, capitalization certificates, home insurance, extended warranty, financial protection insurance, among others; (e) provision of access for clients to their credentialed service providers network; and (f) specialized care management services.

Private health plans and other insurances and supplementary services are collectively referred to as "benefits". Qualicorp Group develops its activities in two main market segments known as the Affinity and Corporate segments. The Affinity segment has activities related to the support, management, stipulation, brokerage and/or intermediation of collective membership benefits focused on professional organizations (unions, associations, regional councils, etc.) and the Corporate segment engages in the brokerage and intermediation of collective corporate benefits, and in the provision of specialized consulting services, helping to manage the benefits contracted by its clients.

The Company trades Level I American Depositary Receipts (ADRs), according to the program approved by the Brazilian Securities Commission (CVM). These ADRs are traded at the ratio of one ADR to one common share of the Company traded on the stock exchange.

b) Main events in 2017

i. Share repurchase program (Note 21)

On August 21, 2017, the Board of Directors of the Company approved a share repurchase program that authorizes the Company to repurchase up to 6,820,000 shares of its common stock over the next 18 months through February 20, 2019. The Company has repurchased a total of 193,600 shares for R$ 5,644 in the fourth quarter of 2017.

ii. Acquisition of subsidiaries Aliança Administradora de Benefícios de Saúde S.A. and GA Corretora de Seguros, Consultoria, Administração e Serviços S.A. (Note 7)

As approved by the Board of Directors on September 4, 2017, the Company exercised the call option to acquire the remaining 25% interest held by a non-controlling interest stockholder, with payment on October 3, 2017. The payment of the financial liability for the call option was R$ 273,078.

From that date on, Qualicorp Group no longer has non-controlling stockholders and thus derecognized the following equity accounts: (i) "Non-controlling interests" in the amount of R$ 88,309 and (ii) "Share options - non-controlling interests" in the amount of R$ 88,006.

iii. Corporate restructuring of subsidiaries Aliança Administradora de Benefícios de Saúde S.A. and GA Corretora de Seguros, Consultoria, Administração e Serviços S.A. (Note 13)

On December 31, 2017, GA Corretora and Aliança Administradora were merged into Qualicorp Corretora and Qualicorp Benefícios, respectively, with the extinction of the merged companies.

According to the Protocols and Justification of the Merger, the merger will benefit the companies involved and their shareholders, because it will generate administrative and economic benefits, allowing better use of the resources of the companies involved, as well as the operational and administrative optimization, which will result in synergies and savings arising from operational, corporate and structural efforts.

The valuation methodology for the equity of GA Corretora and Aliança Administradora for the merger was the book value of their assets and liabilities, based on the balance sheets as at August 31, 2017, according to the appraisal report approved at the Extraordinary Shareholders' Meeting on September 4, 2017.

The prior approval of the National Regulatory Agency for Private Health Insurance and Plans (ANS) was required for the merger of Aliança which is regulated by ANS. The regulatory agency's approval was received on November 24, 2017.

The net assets merged were as follows:

	Net assets merged of Aliança Administradora	Net assets merged of GA Corretora
Current assets:		
Cash and cash equivalents	320	100
Financial investments	19,831	12,380
Accounts receivable	18,301	3,225
Other assets	136	18
Tax and social security credits	17,532	-
Recoverable amounts	-	2,046
Total current assets	56,120	17,769
Non-current assets:		
Accounts receivable	238	-
Judicial deposits	1,766	-
Tax credits	2,884	-
Other receivables	336	-
Property and equipment	605	-
Intangible assets	565	11,019
Investments	33	-
Total non-current assets	6,427	11,019
Total assets (A)	62,547	28,788

Current liabilities:

	Net assets merged of Aliança Administradora	Net assets merged of GA Corretora
Payables for healthcare operations	14,931	-
Taxes and social charges payable	16,850	215
Provisions	-	1,067
Other payables	25,569	27,494
Total current liabilities (B)	57,350	28,776
Non-current liabilities:		
Provisions	3,997	-
Total non-current liabilities (C)	3,997	-
Net assets (A) - (B) - (C)	1,200	12
Change in net assets from August 31, 2017 (base date of the merger report) to December 31, 2017 (base date of effective merger) (D)	13,363	8,507
Accounting effect of the merger at December 31, 2017 (A) - (B) - (C) + (D)	14,563	8,519

2. *Presentation of financial statements*

Statement of compliance

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and standards of the Brazilian Securities Commission (CVM), and disclose all the applicable significant information related to the financial statements.

Since there is no difference between the consolidated equity and the consolidated profit attributable to the owners of the Parent company in the consolidated financial statements prepared in accordance with IFRS and the accounting practices adopted in Brazil, and the parent company's equity and profit in the parent company financial statements prepared in accordance with the accounting practices adopted in Brazil, the Company opted to present these parent company and consolidated financial statements as a single set of information, side by side.

The information presented in these financial statements is the same as that used by Management to manage the Company's businesses.

Basis of preparation

The financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value, as described below in the accounting principles section. The historical cost is generally based on the fair value of the consideration paid in exchange for the assets. The main accounting practices adopted by the Company and its subsidiaries are set out in Note 3.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Restatement due to adjustments, reclassifications and format of presentation

a) Reclassification and restatement of balances

In the 2016 financial statements there was the reclassification of income statement items for the indirect subsidiary Clube de Saúde and consequently for the indirect subsidiary Clube de Saúde and direct subsidiary Qualicorp Benefícios to correct the classification of the account "Other operating gains/losses" in the statement of income, as shown in Note 11.i)b .

This reclassification did not impact the statement of income of the Company and the restated balances are as follows:

	12/31/2016 (Original balance)	Adjustment	12/31/2016 (Restated)
(-) Unrecorded tax credits	(2,602)	(1,013)	(3,615)
Total	(2,602)	(1,013)	(3,615)

3. Significant accounting principles

The main accounting practices adopted were as follows:

I. General principles

Assets, liabilities, income and expenses are determined on an accrual basis. Sales revenue is recognized in the statement of income when services are effectively rendered. Revenue is shown net of deductions, including tax on sales.

Assets expected to be realized and liabilities extinguished more than 12 months after the reporting period are classified as non-current assets and non-current liabilities, respectively.

Financial instruments

Financial assets and liabilities are recognized when an entity of Qualicorp Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognized at nominal value, which approximates fair value, also considering that transactions have maturities of 30 days or less and which therefore result in immaterial effects on the financial statements.

Financial liabilities related to acquisitions of assignment of rights and exclusivity rights (Note 15) are recognized and adjusted, when applicable, based on agreements signed.

Other financial liabilities are initially recognized at nominal value, which approximates fair value, also considering that transactions have maturities of 30 days or less and which therefore result in immaterial effects on the financial statements.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (except for financial assets and liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities, if applicable, after initial recognition.

Transaction costs that are directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in the statement of income.

Financial assets

Financial assets are classified in the following categories: at fair value through profit or loss, held to maturity, available for sale, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined on initial recognition. Normal purchases and sales of financial assets are typically recognized on the trade date. A normal purchase or sale is a purchase or sale of a financial asset that require delivery of the asset within the time frame established by regulation or convention in the marketplace concerned.

i. Financial assets at fair value through profit or loss

Financial assets are classified into the category of financial assets at fair value through profit or loss when they are held for trading or designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it is acquired principally for the purpose of selling in the near term; and
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets at fair value through profit or loss are stated at fair value and any resulting gains or losses are recognized in the statement of income.

ii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate method, less any impairment loss.

iii. Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables; (b) held-to-maturity investments; or (c) financial assets at fair value through profit or loss.

When the investment is sold or impaired, any cumulative gain or loss that had been recognized in "Investment revaluation reserve" is reclassified to profit or loss.

iv. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Company's loans and receivables comprise principally cash and cash equivalents, and trade and other receivables.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities.

The Company does not have liabilities classified as financial liabilities at fair value through profit or loss.

Other financial liabilities are measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, when appropriate, a shorter period to the net carrying amount of the financial liability.

The Company derecognizes a financial liability only when the obligation is extinguished or cancelled or discharged. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

II. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and highly liquid investments with original maturities of three months or less from the date of purchase, which are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. They are stated at cost plus income earned through the balance sheet date, which does not exceed market or realizable value. Highly liquid investments follow the same internal policy and are not held to maturity or other purposes.

III. Financial investments

Financial investments include exclusive private credit multi-market investment fund and funds dedicated to ANS as a guarantee asset.

Pursuant to the internal policy, financial investments are concentrated in low-risk, fixed-income investments and fixed-income investment fund units, multi-market investment funds, Interbank Deposit Certificates (CDIs) and federal government securities. The financial investments are held only at solid institutions with a rating of "AAA" to "BBB" within the limit of 100% and of "BBB" to "BBB+" within the limit of 20%.

IV. Amounts receivable from customers, premiums to be transferred, financial transfers payable and transferable prepayments

In managing collective membership contracts on behalf of third parties and collective membership contracts where the policyholder is Qualicorp Benefícios and Clube de Saúde, the Qualicorp Group collects payments from the beneficiaries and passes these on to the health operators and insurance companies via invoices, regardless of cash received (operations involving credit risk of beneficiaries for Qualicorp Group), unless the credit risk lies with the health insurance company/operator. These operations, with and without credit risk, are recorded in assets as "Amounts receivable from customers" with a contra entry to "Premiums to be transferred" (amounts owed to operators and insurance companies) and "Financial transfers payable" (amounts owed to

entities) in liabilities and to the statement of income accounts related to management service fees and financial transfers.

Advances from customers are recorded in liabilities as "transferable prepayments".

Qualicorp Group is engaged in the brokerage and intermediation of collective membership benefits and collective corporate benefits. Additionally, it provides specialized consulting services, helping to manage the benefits contracted by its clients, and engages in the development and distribution of group insurance such as life insurance, capitalization certificates, home insurance, financial protection insurance, extended warranty and guaranteed income insurance.

V. Provision for impairment of trade receivables

For the subsidiary Gama Saúde, the provision for impairment of trade receivables is recorded according to ANS Normative Resolution 290/12 and subsequent amendments thereto, for receivables that are more than 90 days past due, plus other remaining amounts of the respective contract.

For the subsidiary Connectmed-CRC, the provision for impairment of trade receivables is recorded based on estimated losses and its amount is considered sufficient to cover probable losses on uncollectible accounts. The provision is recorded for receivables that are more than 60 days past due, segmented into aging buckets.

For the other companies, where the Company and/or its subsidiaries assume the credit risk, the amounts that are more than 60 days past due are written off as losses on uncollectible receivables when there is no expectation of recovering the funds and are recorded as recovery of past-due debt when cash is actually received.

Management understands that the provision for impairment of trade receivables calculated under the criteria described above complies with the accounting practices adopted in Brazil as well as with IFRS and ANS resolutions.

VI. Business combination and investments in subsidiaries

i. Consolidated financial statements

Each business combination is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred and the liabilities incurred to former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree.

Non-controlling interests that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction by transaction basis. All other components of non-controlling interests are measured at fair value or in accordance with other applicable IFRS and CPCs.

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized, and is therefore measured as the excess of the aggregate of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, such excess is recognized immediately in profit or loss as a gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its financial statements the provisional amounts for the items for which the accounting is incomplete.

During the measurement period (12 months), these provisional amounts are adjusted or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date.

The business acquisition contracts containing put option clauses that oblige the Company to purchase shares that are held by non-controlling interest stockholders are treated as financial instruments and recognized in the financial statements at the present value of the estimated obligation and measured in each reporting period. The estimated amount of the obligation is determined based on the expected cash outflow at present value and the change in the liability is recognized in the statement of income.

ii. Parent company financial statements

In the parent company financial statements, the Company applies the requirements of technical interpretation ICPC 09 (R2) - Individual Financial Statements, Separate Financial Statements, Consolidated Financial Statements and Application of the Equity Method, which requires that any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the date of acquisition be recognized as goodwill. The goodwill is included in the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The consideration transferred and the net fair value of the assets and liabilities are measured using the same criteria applied to the consolidated financial statements as described above. In the parent company financial statements, the investments in subsidiaries are accounted for using the equity method.

VII. Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets and any residual amounts, except for leasehold improvements, which are amortized over the period of the lease (Note 14).

An asset's residual value is written down immediately to the recoverable amount when it is greater than its estimated recoverable amount (Note 3.ix).

VIII. Intangible assets

Intangible assets comprise mainly: (i) the amounts of goodwill paid on the acquisition of subsidiaries (*); (ii) the amounts of contractual customer relationships paid on the acquisition of subsidiaries (*); (iii) the acquisition of assignment of rights from third parties; and (iv) software licenses and software in use and under development, acquired from third parties.

These assets are stated at acquisition cost, less accumulated amortization and impairment losses, if applicable.

Amortization of intangible assets with a finite useful life is calculated using the straight-line method based on the period in which the asset is expected to generate future economic benefits (Note 15).

An asset's residual value is written down immediately to the recoverable amount when it is greater than its estimated recoverable amount (Note 3.ix).

(*) In the parent company financial statements, these amounts are included in "Investments in subsidiaries", net of amortization and write-offs.

IX. Impairment of property and equipment and intangible assets

Property and equipment and intangible assets with a finite useful life

At the end of each year and/or when there are indications of impairment, Qualicorp Group reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that such assets are impaired. If any such indication exists, the asset's recoverable amount is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units or to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which future cash flow estimates have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognized immediately in profit or loss.

When a previously recognized impairment loss is reversed in a subsequent period, other than for goodwill, the carrying amount of the asset (or cash-generating unit) is increased to its estimated recoverable amount provided that the increased amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

The reversal of the previously recorded loss is recognized immediately in the statement of income.

Goodwill

The cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently if impairment indicators are present.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and, then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The impairment loss on goodwill is charged directly to the statement of income and is not reversed.

X. Transaction costs incurred in issuing new shares to raise capital

Transaction costs that are directly attributable to the activities required to issue new shares are charged directly to equity as "share issue costs".

XI. Technical reserves for healthcare operations

Upon the acquisition of the direct subsidiary Gama Saúde and the indirect subsidiary Multicare, the Company began to recognize technical reserves for healthcare operations in its consolidated financial statements. A provision is recognized for the full amount informed by the provider or beneficiary, based on the notices that report the occurrence of events covered by the contracts in force and which have been received by the date of the financial statements.

XII. Debentures

Debentures are represented by proceeds from issuance of debentures, which are stated at the amount of finance charges, calculated based on interest rates plus transaction costs.

Transaction costs that are directly attributable to the issue of debt instruments - debentures - to raise capital are charged to debentures and amortized in the income statement over the period of the transaction.

XIII. Deferred income tax and social contribution

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced by the amount that is no longer realizable against future taxable profit. Deferred tax assets and liabilities are calculated using the enacted tax rates expected to apply to taxable income in the periods in which the temporary differences are expected to be realized. Future taxable profit may be higher or lower than estimates made when determining whether it is appropriate to record a tax asset and the amount to be recorded.

Deferred tax assets recognized for tax losses are supported by projections of future taxable profits, based on technical feasibility studies. Such studies consider the Company's and its subsidiaries' history of profitability and projections of future profitability, so as to estimate the amount expected to be recovered in the future years.

The other deferred tax assets arising from temporary differences, mainly provision for tax liabilities and provision for losses, were recognized when there was a reasonable expectation of realization.

XIV. Revenue recognition

Revenue arising from the intermediation of sales of insurance policies, health and dental care plans to the beneficiaries is recognized when the sale is completed, which usually occurs by the month following that of the settlement of amounts owed by the insurers and operators. The main revenues are as follows:

a) Revenue from agency services: refers to a single payment for new sales made, which is paid directly by the insurance companies and operators and also includes the joining fee paid by the beneficiary to the subsidiary Qualicorp Corretora and GA Corretora (merged) at the time of enrolling in the plan (revenue arising from collective membership contracts) when the sale is made by the Company's own team or outside brokers, which is recognized by the subsidiary.

b) Revenue from brokerage services: relates to brokerage fees on the selling of insurance and health and dental care plans (Qualicorp Corretora and GA Corretora (merged)) and distribution of group insurance through retail channels, such as life insurance, capitalization certificates, home insurance, extended warranty and final protection insurance, which are recognized on a monthly basis.

c) Revenue from financial transfers with contract stipulation: refers to the monthly compensation owed by operators and insurers for insurance stipulation services or contracting of healthcare plans, which is recognized and received monthly by the subsidiaries Qualicorp Benefícios and Qualicorp Administração e Serviços Ltda.

d) Revenue from management service fee: refers to the monthly remuneration paid for management and/or stipulation of health care and dental lines of collective membership agreements, to the subsidiaries Qualicorp Benefícios, Aliança (merged) and Clube de Saúde, and the monthly remuneration paid for stipulation of life insurance, personal accident insurance and private pension plan, to Qualicorp Administração e Serviços Ltda.

The revenue of the subsidiary Gama Saúde is also recognized in this account. This revenue is derived from earned premiums and is recognized over the coverage period according to the provisions of the contracts, i.e. at the date the entity has an effective right to the amount to be billed, when the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the companies. Revenue comprises the fair value of the consideration received or receivable for the sale of medical and hospital care plans.

XV. Taxation method

The provision for income tax is recorded at the rate of 15% plus a surcharge of 10% on annual taxable income in excess of R$ 240. Social contribution is calculated at the rate of 9% on adjusted accounting profit.

Until its merger, the subsidiary GA Corretora chose the presumed profit method to calculate income tax and social contribution at a rate of 32% on gross operating revenue plus finance income.

Furthermore, the following are recorded: (i) provision for income tax and social contribution on temporary differences; and (ii) tax credits arising from temporary differences based on the assumption that there will be sufficient future taxable profit to utilize the tax credits. A provision for loss is recorded when there is no clear evidence that the balances are realizable.

XVI. Provision for contingencies

Provisions for tax, civil and labor claims are recorded in the financial statements when Management, based on the positions of the Group's internal and external legal counsel, believes that the risk of loss in a judicial or administrative proceeding is probable, and it is probable that an outflow of resources will be required to settle the obligation, and the amounts involved can be reliably estimated.

The legal, tax and social security obligations include lawsuits in which the legality and constitutionality of some taxes and contributions are being challenged. The amounts are recorded in the financial statements and adjusted to conform to tax legislation.

The provision for claims ratio is recorded based on the beneficiary data together with actuarial calculations to cover future claims costs of Qualicorp Group employees who are plan beneficiaries.

XVII. Profit sharing and share options

The remuneration paid to employees and management that is not directly determined based on the Company's profit is classified as operating cost or expense. Based on such provisions, the Company and its subsidiaries adopt the following procedures: (i) classify management and employee profit sharing expenses as administrative expenses; and (ii) make the calculation, proportionate allocation to each subsidiary and recognition, in administrative expenses, of all estimated costs of share options related to share-based payment contracts (Note 22). The account "Capital reserve - options granted" is the contra entry of these administrative expenses.

The fair value determined at the grant date of the options is expensed on a straight-line basis over the vesting period based on the Company's estimate of the number of options that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the statement of income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the "reserve" account in equity in which the employee benefit was recorded.

XVIII. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to stockholders of the Company by the weighted average number of shares outstanding at the end of the year.

Diluted earnings per share is calculated by adjusting the profit and the weighted average number of shares outstanding to assume conversion of all potential shares with dilutive effects. Potential shares are financial instruments or contracts that could potentially be converted into stock, such as convertible bonds and options, including share options.

XIX. Accounting for dividends

The dividend distribution proposal made by the Company's and its subsidiaries' Management that is within the amount of the mandatory minimum dividend is recorded in current liabilities as it is considered a legal obligation provided for in the Group's bylaws.

However, any amount that exceeds the mandatory minimum dividends and is declared by Management after the reporting period to which the financial statements relate but before the date that the financial statements are authorized for issue is recorded in equity in the account "Proposed additional dividend".

XX. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO of the Company and its subsidiaries.

4. Significant estimates and judgments

In applying the Group's accounting practices, which are described in Note 3, Management is required to make judgments and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and the future periods if the revision affects both current and future periods.

In this context, accounting estimates and assumptions are continually evaluated by the Group's Management and are based on historical experience and other factors, which are believed to be reasonable and relevant.

The Group adopts assumptions and makes estimates concerning the future in order to obtain an understanding of how the Company forms its judgments about future events, including variables and assumptions used in the estimates, which require the use of judgments as to the effects of relatively uncertain issues about the carrying amounts of assets and liabilities, and the actual results will seldom equal the related estimates.

To apply the previously described accounting practices, the Company's and its subsidiaries' Management adopted estimates and assumptions that may affect the financial statements. The areas involving a higher degree of judgment or use of estimates that are significant to the financial statements are as follows: (i) Deferred income tax and social contribution; (ii) Impairment of assets; (iii) Provision for contingencies; and (iv) Provision for impairment of trade receivables.

5. *Financial instruments*

a) Classification and fair value of financial instruments

Due to the nature of its operations and of its financial instruments as at December 31, 2017 and 2016, Management believes that the carrying amounts of the financial assets and financial liabilities stated at amortized cost and recognized in the financial statements approximate their fair values. The financial instruments and their respective classifications are presented below:

	Consolidated							
	12/31/2017				12/31/2016			
	Loans and receivables	Financial assets measured at fair value through profit or loss	Amortized cost	Financial liabilities measured at fair value through profit or loss	Loans and receivables	Financial assets measured at fair value through profit or loss	Amortized cost	Financial liabilities measured at fair value through profit or loss
Financial assets:								
Cash and cash equivalents - highly liquid financial investments	-	101,242	-	-	-	110,261	-	-
Financial investments	-	421,044	-	-	-	370,890	-	-
Amounts receivable from customers	217,326	-	-	-	230,874	-	-	-
Other financial assets - current	245,718	-	-	-	150,695	-	-	-
Other financial assets - non-current	8,800	-	-	-	35,214	-	-	-
Financial liabilities:								
Debentures	-	-	613,790	-	-	-	617,505	-
Premiums to be transferred	-	-	128,710	-	-	-	132,310	-
Technical reserves for healthcare operations	-	-	13,287	-	-	-	14,891	-
Financial transfers payable	-	-	14,609	-	-	-	15,472	-
Transferable prepayments	-	-	47,700	-	-	-	54,771	-
Payroll and related charges	-	-	50,002	-	-	-	63,041	-
Other payables - current	-	-	114,436	-	-	-	161,369	-
Other payables - non-current	-	-	2,250	-	-	-	7,340	-
Share options of non-controlling interests - current	-	-	-	-	-	-	-	233,352

Measurement of fair value recognized in the balance sheet

The table below provides an analysis of the financial instruments that are measured at fair value after the initial recognition, grouped in Levels 1, 2 and 3, based on the degree to which fair values are based on observable inputs:

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 fair value measurements are based on valuation techniques that use inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	12/31/2017				12/31/2016			
Description	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - cash and cash equivalents (i)	101,242	-	-	101,242	110,261	-	-	110,261
Financial assets at fair value through profit or loss - financial investments	421,044	-	-	421,044	370,890	-	-	370,890
Share options of non-controlling interests	-	-	-	-	-	-	233,352	233,352

There were no transfers between the Levels during the year.

(i) Includes highly liquid financial investments as per Note 8.1.

Reconciliation of Level 3 fair value measurements for financial liabilities

	Fair value through profit or loss
At December 31, 2016	233,352
Total gains and losses - Inflation-indexation and accruals adjustments of obligations payable and share options of non-controlling interests - Aliança and GA Corretora (Note 7)	38,591
Additional call option over non-controlling interest	1,135
Payment of call option over non-controlling interests - Aliança and GA Corretora (Note 7)	(273,078)
At December 31, 2017	-

With respect to the financial liabilities at fair value through profit or loss, in 2016 the Company kept as financial liabilities the share options over non-controlling interests that were exercised on October 3, 2017, as discussed in Note 7.

Derivative instruments

In 2017 and 2016, the Company and its subsidiaries had no derivative financial instrument contracts for hedging or speculative purposes.

b) Management of the main risks

The Company conducts benefit stipulation and healthcare plan management, including self-management, brokerage, and consulting transactions through its direct subsidiaries, basically in the health insurance, health and dental care plan segments.

The main risks arising from the business of the Company and its subsidiaries are credit risk, interest rate risk, liquidity risk and capital risk. The management of these risks involves different departments and comprises a series of funds allocation strategies and policies that are considered appropriate.

The Company and its subsidiaries have internal controls to ensure compliance with existing policies and strategies so that the results obtained meet the objectives established by Management.

Credit risk

Credit risk arises from the possibility that the Company and its subsidiaries may be required to pay the operators/insurance companies for plan/insurance bills that are past due and not paid by the beneficiaries.

In order to mitigate this risk, the Company and its subsidiaries cancel defaulting beneficiaries pursuant to the contract term, which are mostly canceled after 30 days of default from payment due date. The method adopted to calculate the provision for the impairment of trade receivables and the write-off of uncollectible receivables is described in Note 3.iv.

Interest rate risk of financial instruments

This risk arises from the possibility that the Company and its subsidiaries may incur losses due to fluctuations in the interest rates applicable to their liabilities and assets raised (invested) in the market.

As the average term of receipts/payments of the Company and its subsidiaries is 30 days, Management uses the variation in the CDI (Interbank Deposit Certificate) rate as an assumption to analyze fluctuations in the interest rate, as follows:

	Consolidated			
Account	Asset and liability account	Note	12/31/2017	12/31/2016
Cash and cash equivalents (i)	Current assets	8.1	101,242	110,261
Financial investments (i)	Current assets	8.2	421,044	370,890
Debentures (ii)	Current and non-current liabilities	16	(613,790)	(617,505)
Total exposure			(91,504)	(136,354)

i. Highly liquid financial investments are mainly made based on negotiated yield rates pegged to the CDI rate, and reflect normal market conditions during the year, as described in Note 8.

The policy for financial investments adopted by the Company's Management establishes those financial institutions with which the Company and its subsidiaries may do business, and the fund allocation limits and objectives, as stated in Note 3.iii.

ii. Debentures issued by Qualicorp Group pay interest at 100% of the accumulated variation of the daily average overnight rates of Interbank Deposits (DI), expressed as a percentage rate per year, corresponding to 252 business days (CETIP), plus a spread of 1.30% p.a. See Note 16 for further details.

Sensitivity analysis of variations in interest rates

Fluctuations in interest rates, e.g. the CDI, can have a positive or adverse impact on the consolidated financial statements as a result of an increase or decrease in the balances of financial investments and cash equivalents, and payables for debentures and borrowings.

At December 31, 2017, if the CDI rate had been 10% per year higher/lower with all other variables held constant, profit for the year before taxes would have been R$ 133 (2016 - R$ 1,059) higher/lower.

Supplementary sensitivity analysis of financial instruments (CVM Instruction 475/08)

Management estimated for 2017, based on the quotations contained in the Focus report issued by the Brazilian Central Bank, the future interest rates (7% p.a.) plus a spread on debentures of 1.30% p.a., showing in each scenario the effect of the changes in the fair value, as follows:

	Scenario			
	12/31/2017	Probable	Possible	Remote
Assumptions		CDI - (2.93)% of 7% p.a.	CDI - (3.66)% of 7% p.a.	CDI - (4.40)% of 7% p.a.
Highly liquid financial investments and financial investments	522,286	506,983	503,157	499,332
Liabilities - debentures	(613,790)	(603,551)	(598,997)	(594,443)
Net exposure	(91,504)	(96,568)	(95,840)	(95,111)

	Assumptions		
	Probable	Possible	Remote
CDI	Brazilian Central Bank Focus report (12/27/2017)	25% on probable rate	50% on probable rate

- Under the probable scenario, the Company would present a net exposure of R$ 96,568 through December 31, 2017, arising from the difference in the estimated future CDI rates for interest on debentures plus a surcharge of 1.30% p.a.

At December 31, 2017, the same differences in the estimated future CDI rates on the Company's investments were taken into account for financial investments. For possible and remote scenarios, using the same criteria as for the probable scenario, estimates would give rise to an increase in net exposure of R$ 729 (2016 - R$ 90) and R$ 1,458 (2016 - R$ 180), respectively, compared to the probable scenario.

- Possible stressed scenario: Management assumed a deterioration of 25% in the risk variable.
- Remote stressed scenario: Management assumed a deterioration of 50% in the risk variable.

Capital risk

Qualicorp Group manages its capital so as to ensure that both the Company and subsidiaries can continue as going concerns, while maximizing returns for stockholders and stakeholders by optimizing the balance of debt and equity.

Qualicorp Group's capital structure consists of net debt (debentures detailed in Note 16 less cash and cash equivalents detailed in Note 8), and equity (Note 21).

The Company and its subsidiaries are subject to certain leverage ratios, as stated in Note 16.

Additionally, the subsidiaries Qualicorp Benefícios, Clube de Saúde and Gama Saúde are subject to minimum funding requirements, as prescribed by ANS.

Under ANS Normative Resolution (RN) 209, of December 22, 2009, the base capital to be considered by the subsidiaries at December 31, 2017 is R$ 163 for benefits management companies (Clube de Saúde and Qualicorp Benefícios), R$ 8,146 for Gama Saúde, and these amounts must be greater than the adjusted minimum equity.

The adjusted minimum equity represents the equity adjusted for economic effects according to Normative Instruction (IN) 50 of November 30, 2012.

At December 31, 2017, the adjusted minimum equity is R$ 120,010 (2016 - R$ 82,271) for Qualicorp Benefícios, R$ 32,136 (2016 - R$ 28,898) for Clube de Saúde and R$ 72,954 (2016 - R$ 4,614) for Gama Saúde, all under the provisions of the respective Normative Instruction. The solvency margin is R$ 55,631 (2016 - R$ 2,537) (Gama Saúde) and is thus sufficient to maintain the total equity at an amount that is adequate to meeting the legal solvency margin requirements and to cover non-operating liabilities.

The Company´s indebtedness ratio is as follows:

	Consolidated	
Description	12/31/2017	12/31/2016
Debt (debentures and borrowings)	(613,790)	(617,505)
Cash and cash equivalents and financial investments	522,286	481,151
Net debt	(91,504)	(136,354)
Equity	2,366,895	2,067,776
Net (surplus/deficit) debt to equity ratio	(3.87%)	(6.59%)

Liquidity risk

Considering Qualicorp Group's activities, the liquidity risk management consists of monitoring the terms for the settlement of receivables and payables so as to help maintain a highly liquid cash position that is sufficient to fulfill the commitments assumed.

The Company and its subsidiaries conduct analyses of projected cash flow and periodically review the commitments assumed and financial instruments used. The expected cash flows for financial liabilities are shown below:

	Consolidated (IFRS and BR GAAP)					
	Estimated interest rate - per month	Less than six months	From six months to one year	From one to two years	More than two years	Total
	%	R$	R$	R$	R$	R$
December 31, 2017:						
Debentures	CDI + 1.30% (a)	25,351	25,351	661,703	-	712,405
Premiums to be transferred	-	128,710	-	-	-	128,710
Transferable prepayments	-	47,700	-	-	-	47,700
Technical reserves for healthcare operations	-	13,287	-	-	-	13,287
Payroll and related charges	-	50,002	-	-	-	50,002
Intangible assets payable (b)	-	30,840	750	1,125	-	32,715
Other payables	-	80,038	-	-	-	80,038
Non-competition agreement payable (b)	-	-	6,529	-	-	6,529
Financial transfers payable	-	14,609	-	-	-	14,609
Total	-	390,537	32,630	662,828	-	1,085,995

(a) Considering the total estimated debt at December 31, 2017 not calculated at present value.

(b) These amounts are included in the account "Other payables" (Note 19).

6. Adoption of new and revised international financial reporting standards

The Company did not adopt the following new and revised standards that are not yet effective:

Standard	Description
IFRS 9 / CPC 48	"Financial Instruments". IFRS 9/CPC 48 introduces changes relating to the requirements for classification and measurement of financial instruments, especially financial assets, and also contains a new impairment model that is based on expected losses rather than incurred losses. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.
IFRS 15 / CPC 47	"Revenue from Contracts with Customers". This new standard introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.
IFRS16	"Leases". The new standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company's office lease agreements amount to R$ 18,049 for fiscal year 2018 (unaudited).
IFRIC23	IFRIC 23 is an interpretation of IAS 12/CPC 32 - Income Taxes and is to be applied to reflect uncertainty in accounting for current and deferred income tax as from January 1, 2019. Accounting for daily transactions of the entity as well as procedures adopted by the entity for determination and calculation of taxes that conflict with the legislation in force (tax laws subject to different interpretations, errors and failure to fulfill any accessory obligation, etc.) may give rise to uncertain tax treatments. IFRIC 23 also reinforces the need to comply with existing disclosure requirements about judgments made, and assumptions and other estimates used.
IFRS17	"Insurance Contracts". This new standard establishes the new accounting treatment for insurance contracts covering both measurement of insurance contract liabilities and recognition of profit. IFRS 17 is effective as from January 1, 2021.

IFRS 9 and IFRS 15, which were issued by IASB and are effective as from January 1, 2018, will be reflected in the financial statements for fiscal year 2018.

IFRS 9 - Financial Instruments - Classification and Measurement (CPC 48)

The Company made an evaluation and concluded that the loss on uncollectible receivables shall be recognized on an estimated basis as a percentage of sales, defined in an actuarial technical note, where no material impacts were detected in relation to the loss provisioning which is currently measured for accounts over 60 days past due using the incurred loss model and which will begin to be calculated under expected credit loss model in the same period as sale is recognized.

IFRS 15 - Revenue from Contracts with Customers - Measurement and Recognition (CPC 47)

The Company made an evaluation and expects the following impacts from the adoption of this standard:

i. The "financial transfers with contract stipulation", which are currently recognized as revenue in the income statement, do not meet the criteria for recognition of revenue and will begin to be recognized as a deduction from the account "Financial transfers from membership contracts" within cost of services, with no impact on the Company's profit or loss, but only on its disclosure; and

ii. Under the standard, costs directly related to obtaining new contracts must be capitalized. Thus, variable costs related to third-party commissions, including internal brokers, will be capitalized as intangible assets and amortized over the average period the beneficiaries remain in our portfolio, with an impact on the Company's profit or loss.

Impacts from the adoption of IFRS 9 (CPC 48) and IFRS 15 (CPC 47) together on the consolidated financial statements

	December 31, 2017			
Balance sheet	Disclosed	IFRS 9	IFRS 15	After adopting IFRS 9 and IFRS 15
Current assets	1,034,181	(4,888)	-	1,029,293
Non-current assets	2,497,177	-	53,098	2,550,275
Total assets	3,531,358	(4,888)	53,098	3,579,568
Current liabilities	407,464	-	-	407,464
Non-current liabilities	756,999	-	-	756,999
Equity	2,366,895	(4,888)	53,098	2,415,105
Total liabilities and equity	3,531,358	(4,888)	53,098	3,579,568
Statement of income				
Net operating revenue	2,075,289	-	(102,435)	1,972,854
Cost of services	(497,382)	-	102,435	(394,947)
Losses on uncollectible receivables	(127,161)	(4,888)	-	(132,049)
Selling expenses	(284,582)	-	53,098	(231,484)
Other expenses	(780,345)	-	-	(780,345)
Profit for the year	385,819	(4,888)	53,098	434,029

To date, ANS has not approved the application of these financial reporting standards. In this context, the entities regulated by ANS must continue applying the standards in effect until 2017. In the consolidated financial statements, the Company will adopt as from January 1, 2018 these new standards not approved by ANS.

There are no other standards and interpretations that are not yet adopted that, in the opinion of Management, would be expected to have a material impact on the Company's reported profit or equity.

7. Acquisition of subsidiaries

Aliança Administradora de Benefícios de Saúde S.A. and GA Corretora de Seguros, Consultoria, Administração e Serviços S.A.

On August 8, 2012, the Company, through its direct subsidiaries Qualicorp Benefícios and Qualicorp Corretora, signed an Agreement for Share Purchase and Sale and Other Covenants to acquire a stake of 60% in Aliança and GA Corretora, and for a call option for the Company and a put option for non-controlling stockholders over the remaining 40%. On April 2, 2014, the amount of R$ 378,639 was paid for the acquisition of the 60% stake.

On September 1, 2014, the Company reached an agreement with the non-controlling stockholders to early exercise the option to buy 15% of the remaining 40% for R$ 155,000. This amount was paid in full by October 1, 2014.

As approved by the Board of Directors, the Company exercised the call option to acquire the remaining 25% from a non-controlling interest stockholder for R$ 273,078, which was paid on October 3, 2017.

After that payment was made, the Company understands that all contractual commitments related to this acquisition were met and that there are no future financial or accounting adjustments to be made that could change the amounts of the business combination.

At December 31, 2017, there were corporate events in the Company's direct and indirect subsidiaries, as stated in Note 1iii.

8. Cash and cash equivalents and financial investments

8.1. Cash and cash equivalents

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Highly liquid financial investments (i)	2,844	17	101,242	110,261
Bank deposits (ii)	9,447	78	45,449	15,051
Cash	2	3	42	49
Total	12,293	98	146,733	125,361

i) The management's strategy is to make investments that can be redeemed before their maturity dates. These investments are comprised of the following:

Type of investment

	Market and carrying value			
	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Bank Deposit Certificates (CDBs) (a)	2,394	17	16,403	32,554
Investments in purchase and sale commitments (b)	450	-	84,790	77,665
Other investments	-	-	49	42
Total	2,844	17	101,242	110,261

a. These financial instruments pay interest of 88.50% to 97.00% of the CDI and are in custody of CETIP S.A. - Balcão Organizado de Ativos e Derivativos. They are highly liquid and can be redeemed before their maturity date.

b. Refers to a highly liquid repurchase transaction backed by debentures. The yield is based on the Interbank Deposit (DI) rate of 50% on operations conducted with Banco Santander.

ii) At December 31, 2017 and 2016, consolidated balances include mainly the receipts from customers that occurred on the last business day of the month.

8.2. Financial investments

	Consolidated	
	12/31/2017	12/31/2016
Non-exclusive financial investment fund (i)	50,068	45,379
Exclusive financial investment fund (ii)	370,976	325,511
Total	421,044	370,890

i) Refers to a financial investment held as a guarantee asset in the Company's direct subsidiaries Qualicorp Benefícios and Gama Saúde and indirect subsidiary Clube de Saúde, which are regulated by ANS. The market value of the non-exclusive fixed-income investment fund units is measured based on the unit's value disclosed by the manager of the fund in which the Company invests its money.

ii) Refers to an exclusive private credit multi-market investment fund, which invests in government debt securities and repurchase transactions seeking the best yield rate. These investments can be redeemed before their maturity dates without penalties. They are composed of the following:

	Market and carrying value - Exclusive investment funds	
	Consolidated	
	12/31/2017	12/31/2016
LF252	176,543	-
Financial Treasury Bills (LFT)	61,395	219,347
Financial Bills - LFS Eligible - level II	34,746	12,531
Debentures	52,841	10,910
Certificates of Deposit (CDB) - floating rate	37,165	5,117
Other investments	8,338	78,092
Reserve	1	8
Amounts payable	(53)	(494)
Total	370,976	325,511

Further, there are no significant transactions involving cash and cash equivalents or financial investments to be disclosed that impact cash flows.

9. *Amounts receivable from customers*

	Consolidated	
	12/31/2017	12/31/2016
Payments receivable - Gama Saúde (i)	65,874	108,862
Premiums recoverable with risk of default - benefit management companies (ii)	99,261	81,486
Trade receivables (iii)	38,543	28,070
Benefit management consulting (iv)	12,812	12,288
Other receivables from customers	836	168
Total current	217,326	230,874

i. The aging of payments receivable is as follows:

	Gama	
	12/31/2017	12/31/2016
Not yet due	54,066	103,782
Past due:		
Up to 30 days	8,127	3,022
31-60 days	2,429	1,918
61-90 days	747	125
Over 90 days (a)	505	15
Total	65,874	108,862

(a) Amounts at December 31, 2017 were substantially received up to January 31, 2018.

ii. The aging of premiums recoverable is as follows:

	Other benefit management companies	
	12/31/2017	12/31/2016
Not yet due	42,974	33,320
Past due:		
Up to 30 days	43,292	37,159
31-60 days	12,576	10,777
Over 60 days (b)	419	230
Total	99,261	81,486

(b) Amounts at December 31, 2017 were received in full up to January 11, 2018 and amounts at December 31, 2016 were received in full up to January 16, 2017.

iii. Refers basically to amounts receivable for agency and brokerage services. The aging of trade receivables is as follows:

	Consolidated	
	12/31/2017	12/31/2016
Not yet due	36,447	21,334
Past due:		
Up to 30 days	1,501	5,647
31-60 days	538	820
Over 60 days (c)	57	269
Total	38,543	28,070

(c) Amounts at December 31, 2017 were received in full up to January 31, 2018 and amounts at December 31, 2016 were received in full up to January 16, 2017.

iv. Refers to amounts receivable from customers for outsourcing services to support the activities related to the consulting and advice on the management of healthcare plans, connectivity services, benefit management consulting and healthcare consulting. The aging of these receivables is as follows:

	Consolidated	
	12/31/2017	12/31/2016
Not yet due	10,825	10,601
Past due:		
Up to 30 days	1,858	1,638
31-60 days	129	49
Total	12,812	12,288

Change in the provision for impairment of trade receivables

	Consolidated	
	Accumulated 12/31/2017	Accumulated 12/31/2016
At the beginning of the period	-	-
Provisions, net (*)	127,161	139,614
Write-offs	(127,161)	(139,614)
At the end of the period	-	-

(*) Refers basically to the provision for impairment of trade receivables from management and stipulation of collective membership benefits where the Company and its subsidiaries assume the risk of default on payments to healthcare and dental operators and insurers. This amount is net of recoveries as a result of collection suits against customers canceled due to default.

10. Other assets

10.1. Other financial assets

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Current				
Amounts to identify from operators/insurers (i)	-	-	82,142	11,531
Advances from transfer of contracts (ii)	-	-	76,508	9,284
Taxes recoverable/to offset (iii)	12,815	14,069	66,022	102,337
Accounts receivable from sale of Potencial (iv)	-	12,380	-	12,380
Other current assets	119	227	21,046	15,163
Total current	12,934	26,676	245,718	150,695
Non-current				
Judicial deposits	154	-	7,203	1,340
Advances from transfer of contracts	-	-	1,332	2,970
Accounts receivable from sale of Potencial (iv)	-	30,400	-	30,400
Other non-current assets	-	-	265	504
Total non-current	154	30,400	8,800	35,214
Total	13,088	57,076	254,518	185,909

i. Refers mainly to timing differences between the listing of beneficiaries in the Company's system/internal control and the detailed listing of beneficiaries included in the paid and/or payable bills of health and dental plan operators/insurers, which are regularized in subsequent periods, after information sent by the Company is processed.

ii. Refers to advances to entities and operators, from which the Company has been deducting financial transfers and premiums to be transferred.

iii. Taxes recoverable/to offset are as follows:

	Consolidated	
	12/31/2017	12/31/2016
Corporate Income Tax (IRPJ)	30,829	56,509
Social Contribution on Net Income (CSLL)	3,387	16,721
National Institute of Social Security (INSS)	16,203	14,580
Social Contribution on Revenues (COFINS) and Social Integration Program (PIS)	15,437	14,359
Other taxes recoverable	166	168
Total	66,022	102,337

iv. Refers to the balance receivable from the sale of Potencial under a sale contract signed on March 20, 2015. On May 15, 2017, the contract for the sale of Potencial was canceled and as a result, the accounts receivable were written off.

11. Deferred income tax and social contribution

For the purposes of disclosure under CPC 32 (IAS 12) and ICPC 09, the amounts are broken down as follows:

	12/31/2017		12/31/2016	
	Parent company	Consolidated	Parent company	Consolidated
Deferred income and social contribution - assets	-	155,230	-	217,146
Deferred income and social contribution - liabilities	-	(86,227)	(12,876)	(129,590)
Deferred income and social contribution, net	-	69,003	(12,876)	87,556

The consolidated amounts above are broken down as follows:

	12/31/2017					
	Qualicorp S.A.	Qualicorp Corretora	Qualicorp Benefícios	Aliança (merged)	CRC	Consolidated
Deferred income tax and social contribution - assets (i)	-	51,865	183,547	-	-	235,412
Deferred income tax and social contribution - liabilities (ii)	(78,340)	(40,220)	(39,962)	-	(7,887)	(166,409)
Deferred income tax and social contribution, net	(78,340)	11,645	143,585	-	(7,887)	69,003

	12/31/2016					
	Qualicorp S.A.	Qualicorp Corretora	Qualicorp Benefícios	Aliança	CRC	Consolidated
Deferred income tax and social contribution - assets	-	80,578	199,286	3,730	-	283,594
Deferred income tax and social contribution - liabilities	(121,703)	(33,987)	(32,461)	-	(7,887)	(196,038)
Deferred income tax and social contribution, net	(121,703)	46,591	166,825	3,730	(7,887)	87,556

Refers to deferred income tax and social contribution recorded mainly from temporary differences deductible against future taxable profits.

i) Breakdown of income tax and social contribution assets

Item	Consolidated	
	12/31/2017	12/31/2016 (Restated)
Provision for inflation-indexation and accruals adjustment on the acquisition of Aliança Group (merged)	165,789	152,281
Income tax and social contribution losses (b) and (c)	62,502	49,545
Tax benefit on goodwill from corporate restructuring (a)	25,210	82,634
Provision for impairment of trade receivables and write-off of uncollectible amounts - short-term amount	19,396	24,158
Provision for profit sharing program	13,496	12,437
Provisions for contingencies - portion related to the companies and/or periods subject to the taxable income system	8,729	4,245
Other provisions	2,792	2,875
Provision for impairment	-	4,964
Total tax credits	297,914	333,139
(-) Unrecorded tax credits (c)	(62,502)	(49,545)
Total recorded tax credits	235,412	283,594

a) Following the enactment of Law 12,973 (conversion of Provisional Measure 627/13), published on May 14, 2014, the Company reviewed the tax bases of certain intangible assets arising from past business combinations and recognized tax credits in 2016.

b) The unrecorded income tax (IRPJ) and social contribution (CSLL) losses are as follows:

Companies	Base 12/31/2017	IRPJ/CSLL (34%)	Base 12/31/2016 (Restated)	IRPJ/CSLL (34%)
Qualicorp S.A.	77,544	26,365	78,805	26,794
Connectmed-CRC Consultoria, Administração e Tecnologia em Saúde Ltda.	62,805	21,354	31,960	10,866
Qualicorp Administração e Serviços Ltda.	31,113	10,578	24,324	8,270
Clube de Saúde Administradora de Benefícios Ltda.	12,369	4,205	10,633	3,615
Total	183,831	62,502	145,722	49,545

c) The Company and some of its direct and indirect subsidiaries have tax losses carryforward for which no deferred tax credits have been recognized because to date they were not in a position to generate taxable profits that would allow them to recognize tax credits.

Estimate of realization and present value of tax credits

Deferred income tax and social contribution are realized as the temporary differences reverse or become deductible for tax purposes. Based on expected future taxable profits, tax credits are estimated to be utilized as follows:

Income tax and social contribution

Year	Consolidated	
	12/31/2017	12/31/2016
2017	-	103,495
2018	100,173	55,970
2019	33,460	32,761
2020	35,463	30,456
From 2021 to 2026	66,316	60,912
Total	235,412	283,594

The present value of total tax credits at December 31, 2017 is R$ 188,405, calculated using Brazil's base interest rate (SELIC), based on the estimated period of realization of temporary differences.

ii) Breakdown of deferred income tax and social contribution liabilities:

	Consolidated	
	12/31/2017	12/31/2016
On fair value of acquisition of investments allocated to intangible assets - customer relationships	87,274	121,804
Temporary differences on the portion of goodwill of merged companies amortized during the year, for tax purposes	84,151	66,581
Sale of Potencial	-	12,876
Provision for impairment losses on the fair value of acquisition of investments allocated to intangible assets - customer relationships	(5,016)	(5,016)
Other	-	(207)
Total	166,409	196,038

12. Related parties

12.1. Balances and transactions with related parties

In 2017, the direct subsidiary Qualicorp Corretora performed all corporate services for Qualicorp Group companies (Finance, Controllership, Legal, Administrative, Human Resources and Information Technology), whose service costs are apportioned among and reimbursed by the other operating companies of the Group. Up to March 31, 2016, these services were performed by Qualicorp Benefícios and, as from April 1, 2016, were transferred to the direct subsidiary Qualicorp Corretora.

In addition, as described in Note 20iv, the Company has provided legal aid to the executives involved in the tax delinquency notice related to the share option program of 2013 to help them with the matter.

The related-party balances in current and non-current assets and liabilities and in the income statement are composed of the following:

	Parent company 12/31/2017		Parent company 12/31/2016	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Current				
Dividends receivable (i)	15,770	-	27,513	-
Total current	15,770	-	27,513	-
Non-current				
Qualicorp Corretora de Seguros S.A.	127	-	15,819	-
Total non-current	127	-	15,819	-
Total	15,897	-	43,332	-

	Consolidated 12/31/2017			Consolidated 12/31/2016		
	Accounts receivable	Accounts payable	Expenses	Accounts receivable	Accounts payable	Expenses
Current						
Associação Nacional das Administradoras de Benefícios -ANAB (ii)	-	-	(2,108)	-	-	(2,792)
M2 Participações Ltda. (iii)	-	-	(2,000)	-	-	-
Acayaba Intermediação de Negócios e Assessoria Empresarial Ltda. (iv)	-	-	(878)	-	-	-
Seripatri Participações Ltda. (v)	-	-	(716)	-	-	(1,550)
Mandatory dividends payable	-	-	-	-	1,583	-
Total current	-	-	(5,702)	-	1,583	(4,342)
Non-current						
Reimbursement of provision for contingencies	-	-	-	2,469	-	-
Total non-current	-	-	-	2,469	-	-
Total	-	-	(5,702)	2,469	1,583	(4,342)

i. Refers to interest on capital receivable from subsidiaries, net of taxes.

ii. The Brazilian Association of Benefit Management Organizations (ANAB) is a not-for-profit entity created on September 2, 2010 to represent and defend the interests of benefit management companies affiliated with ANAB, before media and public institutions (ANS), contributing to the sustainable growth of the management companies by promoting the ethics and good management practices.

The monthly fee paid to this Association was 0.03% of the annual gross revenue up to June 2016. As from July 2016, the fee rate was reduced to 0.015% of the annual gross revenue of the subsidiaries Qualicorp Benefícios and Clube de Saúde.

Total expenses incurred in the twelve-month period were R$ 2,108 (2016 - R$ 2,792).

iii. Refers to an agreement signed between the Company and M2 Participações Ltda., which has one of its quotaholders occupying a seat on our Board of Directors, for the purpose of providing the Company with consulting services and advice on evaluation of operational, corporate and strategic planning processes.

iv. Refers to the agreement signed between the Company and Acayaba Intermediação de Negócios e Assessoria Empresarial Ltda., which has one of its quotaholders serving as an executive for ANAB, for the provision of business and legal advisory services.

v. On January 1, 2010, the Company entered into a cost sharing and reimbursement agreement for the use of aircraft owned by Seripatri Participações Ltda. ("Seripatri"), whose quotaholder is the controlling stockholder of the Company, to carry the Company's officers as needed, with Seripatri being responsible for the payment of all costs and expenses related to such assets. Total expenses incurred in 2017 were R$ 716 (2016 - R$ 1,550). These expenses declined significantly after the Board of Directors authorized the purchase of a helicopter from the same related party for R$ 7,000.

12.2. Key Management compensation

Key management includes members of the Board of Directors, the CEO, and the statutory and non-statutory officers.

The compensation paid or payable to key Management is as follows:

	2017			
	Parent company		Consolidated	
	Accounts payable	Expenses	Accounts payable	Expenses
Short-term compensation to Management (*)	-	3,725	1,618	51,938
Share-based compensation	-	-	-	11,208
At December 31, 2017	-	3,725	1,618	63,146

	2016			
	Parent company		Consolidated	
	Accounts payable	Expenses	Accounts payable	Expenses
Short-term compensation to Management (*)	7,096	14,042	21,201	52,998
Share-based compensation	-	-	-	20,507
At December 31, 2016	7,096	14,042	21,201	73,505

(*) The compensation to the Board of Directors consists of a fixed pay, and the compensation to officers and employees consists of a fixed and variable pay based on their performance and annual overall goals, as approved by the Board.

13. Investments

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Investments in direct subsidiaries:				
Qualicorp Administradora de Benefícios S.A.	1,242,596	976,831	-	-
Qualicorp Administração e Serviços Ltda.	56,437	51,576	-	-
Qualicorp Corretora de Seguros S.A.	719,063	626,739	-	-
Gama Saúde e Connectmed CRC	309,364	329,538	-	-
Total investments in subsidiaries	2,327,460	1,984,684	-	-
Other investments	-	-	262	262
Total other investments	-	-	262	262
Total investments	2,327,460	1,984,684	262	262

	Qualicorp Administradora de Benefícios S.A.	Qualicorp Administração e Serviços Ltda.	Qualicorp Corretora de Seguros S.A.	Gama Saúde e Connectmed - CRC	Total
Information on the investees at December 31, 2017					
Capital (i) and (iii)	276,365	26,663	7,736	229,367	540,131
Equity (i), (ii)	728,403	31,830	227,651	141,889	1,129,773
Profit (loss) for the year	358,612	6,068	132,972	(24,422)	473,229
Information on investments:					
Number of shares/quotas (v)	496,715,989	26,662,567	287,468,603	22,936,692,912	-
Equity interest - %	100	99,99	100	99,99	-
Changes in investments:					
Total investment at December 31, 2016	976,831	51,576	626,739	329,538	1,984,684
Capital increase in subsidiaries (i)	-	-	-	37,800	37,800
Capital reserve - share option plan	5,427	-	6,634	-	12,061
Recognition of interest on capital	(21,113)	-	(1,810)	-	(22,923)
Profit distribution	(46,943)	-	(21,313)	(24,934)	(93,192)
Prepaid dividends	(4,980)	-	(40)	-	(5,020)
Equity in results of investees	333,376	4,862	108,854	(33,040)	414,050
Equity in results of investees from investments in subsidiaries	358,612	6,068	132,972	(24,422)	473,230
Amortization of intangible assets (iv)	(38,237)	(1,829)	(36,542)	(13,058)	(89,666)
Deferred income tax and social contribution on amortization of intangible assets	13,001	623	12,424	4,440	30,488
Total investment at December 31, 2017	1,242,596	56,437	719,063	309,364	2,327,460

i) Includes advance for future capital increase of R$ 37,800 referring to Connectmed-CRC in 2017.

ii) The equity of the subsidiaries Qualicorp Benefícios and Qualicorp Corretora, presented herein, considers the effects of the consolidation of their investments in subsidiaries. For Gama Saúde and Connectmed-CRC, the equity amounts are R$ 75,189 and R$ 66,700, respectively.

iii) For Gama Saúde and Connectmed-CRC, the share capital amounts are R$ 68,873 and R$ 160,494, respectively.

iv) Refers to the amortization of intangible assets related to customer relationships, trademarks, non-compete agreements and software for the period.

v) For Gama Saúde and Connectmed-CRC, they refer to 6,887,297,424 and 16,049,395,489 quotas, respectively.

14. Property and equipment

The Company did not report significant changes in 2017, with R$ 8,700 of additions (2016 - R$ 15,201), R$ 1,054 of net write-offs (2016 - R$ 274) and R$ 13,090 of depreciation (2016 - R$ 12,026) in the consolidated financial statements. The consolidated net total is R$ 67,755 (2016 - R$ 73,172). The Company reviews the estimated useful lives of its property and equipment at least yearly.

Leasehold improvements are amortized based on current lease agreements. The average amortization rate at December 31, 2017 was 37.74% (2016 - 36.44%).

During the current period, Management did not identify any events or circumstances that would require changes in the estimates of the economic useful lives for assets included in property and equipment.

15. Intangible assets

		Cost and amortization	
Consolidated	Annual amortization rate - %	12/31/2016	12/31/2017
Goodwill arising from acquisition of investments based on expected future profitability:	-		
Qualicorp Administradora de Benefícios S.A. (i) and (viii)	-	446,895	446,895
Qualicorp Corretora de Seguros S.A. (i) and (viii)	-	427,098	427,098
Aliança Adminstradora de Benefícios de Saúde S.A. (ii) and (viii) - merged into subsidiary	-	249,420	249,420
Padrão Group (viii) - merged into subsidiary	-	184,675	184,675
Connectmed-CRC and Gama Saúde (ii) and (viii)	-	107,881	107,881
Salutar merged (viii)	-	52,004	52,004
GA Consultoria, Adminstração e Serviços S.A. (ii) and (viii) - merged into subsidiary	-	44,075	44,075
Qualicorp Consultoria (i) and (viii)- merged into subsidiary	-	29,386	29,386
Athon, Bruder SP and Bruder RJ *merged into subsidiary* (viii)	-	27,251	27,251
Qualicorp Administração e Serviços Ltda. (i) and (viii)	-	21,388	21,388
Praxisolutions Consul. Neg. Corre. Seg. - merged into subsidiary (viii)	-	21,184	21,184
Medlink Conectividade em Saúde Ltda. - merged into subsidiary (viii)	-	12,966	12,966
Total goodwill		1,624,223	1,624,223

Consolidated	Annual amortization rate - %	Cost					Amortization				Net balance
		Balance at 12/31/2016	Additions	Transfers	Write-offs	Balance at 12/31/2017	Balance at 12/31/2016	Additions	Write-offs	Balance at 12/31/2017	
Other intangible assets	-										
Acquisition of rights assignment - Affinity segment (vii)	20	332,233	55,600	-	-	387,833	(268,563)	(21,209)	(148)	(289,920)	97,913
Software in use (iv)	20	246,900	5,479	97,449	(2,210)	347,618	(126,045)	(55,531)	2,199	(179,377)	168,241
Exclusive rights	20	217,019	-	-	-	217,019	(116,444)	(31,225)	-	(147,669)	69,350
Software under development (v)	-	109,512	35,153	(97,449)	(5)	47,211	-	-	-	-	47,211
Trademarks and patents	-	12	116	-	-	128	-	-	-	-	128
Fair value of intangible assets - customer relationships paid on acquisition of investments:											
Qualicorp Administradora de Benefícios S.A.	10	382,374	-	-	-	382,374	(242,170)	(38,237)	-	(280,407)	101,967
Qualicorp Corretora de Seguros S.A.	10	365,418	-	-	-	365,418	(231,431)	(36,542)	-	(267,973)	97,445
Salutar (merged)	10	53,316	-	-	-	53,316	(37,321)	(5,332)	-	(42,653)	10,663
Aliança Adminstradora de Benefícios de Saúde S.A. (merged)	20	33,598	-	-	-	33,598	(29,678)	(3,920)	-	(33,598)	-
Qualicorp Consultoria em Saúde Ltda. (merged)	10	18,919	-	-	-	18,919	(11,982)	(1,892)	-	(13,874)	5,045
Qualicorp Administração e Serviços Ltda.	10	18,291	-	-	-	18,291	(11,584)	(1,829)	-	(13,413)	4,878
Customer relationships - Padrão Group (merged)	20	13,393	-	-	-	13,393	(12,054)	(1,339)	-	(13,393)	-
Connectmed-CRC		10,134	-	-	-	10,134	(4,898)	(2,027)	-	(6,925)	3,209
Athon, Bruder SP and Bruder RJ (merged)	10	7,775	-	-	-	7,775	(6,307)	(608)	-	(6,915)	860
GA Consultoria, Adminstração e Serviços S.A. (merged)	20	5,929	-	-	-	5,929	(5,237)	(692)	-	(5,929)	-
Fair value of other intangible assets - Connectmed-CRC:											
Non-compete agreement (iii)	20	39,428	-	-	-	39,428	(19,057)	(7,886)	-	(26,943)	12,485
Software (iii)	10	7,758	-	-	-	7,758	(1,875)	(776)	-	(2,651)	5,107
Trademark (iii)	25	1,911	-	-	-	1,911	(1,155)	(478)	-	(1,633)	278
Non-compete agreement (vi)	20	-	17,639	-	-	17,639	-	(6,757)	-	(6,757)	10,882
Total other intangible assets		1,863,920	113,987	-	(2,215)	1,975,692	(1,125,801)	(216,280)	2,051	(1,340,030)	635,662
Total intangible assets		3,488,143	113,987	-	(2,215)	3,599,915	(1,125,801)	(216,280)	2,051	(1,340,030)	2,259,885

i. Amounts arising from the corporate restructuring which occurred on March 31, 2011.

ii. Amounts arising from the acquisition of Aliança (merged) and GA (merged) on August 8, 2012.

iii. Amounts arising from the acquisition of CRC and Gama on August 13, 2014.

iv. Refers to costs incurred to acquire software licenses and software already placed into operation.

v. Represents costs of development of a new operating system acquired from third parties. In 2017, with the completion and put into use of several modules, the amount of R$ 97,449 (2016 - R$ 25,320) was transferred to "software in use".

vi. On January 18, 2017, the Company signed a non-compete agreement with a former executive in the amount of R$ 9,441, which is being amortized over a period of 17 months, according to the terms of the agreement. On September 28, 2017, the Company signed a non-compete agreement with Divicom Administradora de Benefícios in the amount of R$ 7,198, to be amortized over a period of 60 months, which coincides with the duration of the agreement. On October 1, 2017. The Company signed a non-compete agreement with a former executive in the amount of R$ 1,000, which is being amortized over a period of 36 months, according to the terms of the agreement.

vii. Assignment of Rights and Obligations Agreements signed in 2017:

Assignment of rights and obligations - Cabe

On May 17, 2017, the additional payment of R$ 600 was capitalized for addenda signed for assignment of rights and obligations between the Company and Via Benefícios Consultoria Empresarial e Gestão de Benefícios Ltda., to assume stipulation of Caixa Beneficente da Polícia Militar do Distrito Federal ("CABE"), dated September 24, 2014. The amortization period of this intangible asset is 26 months.

Assignment of rights and obligations - Vision Med

On December 26, 2017, an agreement for assignment and transfer of rights and obligations and other covenants was signed between the subsidiary Qualicorp Benefícios and Vision Med Assistência Médica Ltda. The amount of the agreement entered into between the parties is R$ 55,000, offering the product Golden - Clube de Vantagens to private collective health plan contracts covering up to 29 lives, where the Company assumes stipulation of 77,625 lives in health plans and 40,677 lives in dental plans with annual revenue of approximately R$ 20,000, as well as new lives to be covered by this contract in the next 24 months.

The payment schedule is as follows: (i) R$ 30,000 was paid on December 29, 2017 and (ii) R$ 25,000 will be paid by March 31, 2018 subject to the variable price adjustment clause which depends on the number of beneficiaries.

This intangible asset will be amortized over a period of two years.

viii. Impairment test for goodwill

As described in Note 3.ix, in 2017 the Company's Management tested whether goodwill that is allocated to the cash-generating units (CGUs) of the Affinity and Health segments has suffered any impairment, calculating the value in use based on discounted future cash flow projections for a period of 10 years using the following assumptions:

Revenue	For fiscal 2018, analyses were based mainly on the Company's budgets considering factors that affect revenue growth between 2018 and 2028 and that were calculated pro rata using market growth projections for the segment of sale and management of collective health plans and health services.
Expenses	Fixed expenses, which are those that do not fluctuate in proportion to revenue, such as payroll (personnel expenses), outsourced services and rent expenses, among others, considered in the 2018-2028 projections, were estimated based on the inflation increase forecast for the period.
Taxes	Income taxes were calculated based on Earnings Before Taxes (EBT), deducting non-deductible expenses and non-taxable income, as per LALUR (Taxable Income Control Register).
Discount rate	The discount rate used for cash flows was 13% p.a., after taxes, considering the weighted average cost of capital (WACC).
Perpetuity	The Company considered a nominal growth rate of 3% p.a. in perpetuity, long-term inflation of 4.25% p.a. plus expected GDP growth of 3%, based principally on Central Bank's projections.
Sources	The measurement work used as a basis historical financial and operational information, public information on the business segment of the Company as well as economic information published by institutions like IPEA, Central Bank of Brazil and Bloomberg.

The Company performed impairment tests at December 31, 2017 and 2016 and concluded that there is no indication of impairment loss to be reassessed since the value in use exceeded the carrying value.

16. Debentures

Quantity/Type

Issuer	Debentures	Quantity	Unit face value	Effective term	Interest rate
Qualicorp Administradora de Benefícios S.A. (i)	3rd issue	35,000	10,000	11/4/2016 to 11/4/2019	100% of the CDI + spread of 1.30% p.a.
Qualicorp Corretora de Seguros S.A. (i)	4th issue	26,100	10,000	11/4/2016 to 11/4/2019	100% of the CDI + spread of 1.30% p.a.

i. New issue: On October 19, 2016, the direct subsidiaries Qualicorp Corretora and Qualicorp Benefícios entered into an indenture agreement for the 4th issue and 3rd issue, respectively, of non-convertible debentures in an unsecured, single series, with an additional real guarantee. These placements were approved at the Extraordinary General Meeting held on that same date.

The issues have the following characteristics:

The debenture indenture was entered into on October 19, 2016. The unit face value of the debentures was R$ 10, with the issue of 26,100 debentures for Qualicorp Corretora, amounting to R$ 261,000, and 35,000 debentures for Qualicorp Benefícios, amounting to R$ 350,000, with a total debt of R$ 611,000.

Duration and maturity: 36 months, falling due on November 4, 2019.

Amortization: The face value of the debentures will not be amortized and will be paid in full on the maturity date of the debentures.

Interest rate: 100% of the CDI + spread of 1.30% p.a. Interest will be payable on a semiannual basis, in the months of May and November of each year.

Guarantees:

Qualicorp S.A. is the guarantor for this operation and, additionally, there are pledges of shares in Qualicorp Corretora de Seguros S.A. and Qualicorp Administradora de Benefícios S.A., owned by Qualicorp S.A.

Optional early redemption:

It was agreed for this issue that optional early redemption may occur only as from May 4, 2017. The amount to be paid to the debenture holders for optional early redemption will be equivalent to the balance of the unit face value of the debentures redeemed, plus premium, according to the respective indenture.

Accelerated maturity:

All obligations arising from this issue may be declared due to require the issuers to immediately pay the balance of the unit face value of the outstanding debentures plus interest calculated on a pro rata basis.

At December 31, 2017, the Company is compliant with the required limits.

Schedule of maturities and breakdown of the debt

	Consolidated		
	12/31/2017	12/31/2016	Maturity
Interest payable	7,430	13,548	Every six months - May and November
Cost of financial intermediation on issue/placement to defer on the maturity date	(2,421)	(2,403)	
Current	5,009	11,145	
Cost of financial intermediation on issue/placement to defer on the maturity date	(2,219)	(4,640)	
Debentures - single payment (i)	611,000	611,000	November 4, 2019
Non-current	608,781	606,360	
Total	613,790	617,505	

i. At the Management's option, the debentures of the 1st and 2nd issue of subsidiary Qualicorp Administradora de Benefícios S.A. and of the 3rd issue of Qualicorp Corretora were early redeemed on November 7, 2016, amounting to R$ 542,968, thus extinguishing the obligation on that date. The proceeds from the 3rd issue of debentures of Qualicorp Administradora de Benefícios S.A. and from the 4th issue of debentures of Qualicorp Corretora were used for this early redemption.

Changes in debentures

	Consolidated
At the beginning of the period	617,505
Cost of funding	(17)
Allocation of expenses (cost of funding)	2,421
Payment of interest	(73,960)
Allocation of interest (Note 26)	67,841
At the end of the period	613,790

17. Premiums to be transferred

For fiscal 2017, the balance is R$ 128,710 (2016 - R$ 132,310). These refer to healthcare insurance invoices to be paid to the insurance/healthcare companies on the maturity date of the invoices, regardless of whether the beneficiaries have paid their invoices. The payments were substantially made up to January 31, 2018 for amounts at December 31, 2017 and up to January 31, 2017 for amounts at December 31, 2016.

18. Payroll and related charges

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Provision for profit sharing program (i)	-	6,191	38,730	44,327
Provision for vacation pay and related charges	-	245	5,339	12,549
Salaries payable	-	32	5,694	5,857
Other	-	-	239	308
Total	-	6,468	50,002	63,041

I. Refers to a provision for the payment of a share of the Company's profits based on the Company's policies. The balance relating to fiscal year 2016 was paid on April 4, 2017. The amount relating to fiscal year 2017 will be paid by April 15, 2018.

19. Other payables

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
CURRENT:				
Healthcare services payable (i)	-	-	31,648	81,337
Purchases of intangible assets payable (ii)	-	-	28,215	24,432
Sundry suppliers (iii)	82	15	15,455	3,814
Commissions payable	-	-	6,483	5,378
Non-compete agreement payable (iv)	5,967	7,218	5,967	7,218
Pending refunds	-	-	5,615	3,234
Amounts to identify - operators/insurers (v)	-	-	5,110	14,135
Unidentified deposits	-	-	3,636	331
Rental payable	-	-	2,706	3,841
Other	228	84	9,604	17,649
TOTAL CURRENT	6,277	7,317	114,436	161,369
NON-CURRENT:				
Non-compete agreement payable (iv)	-	3,965	-	3,965
Purchases of intangible assets payable	-	-	2,250	3,375
TOTAL NON-CURRENT	-	3,965	2,250	7,340
TOTAL	6,277	11,282	116,686	168,709

i. Refers basically to amounts payable to service providers from the credentialed network of subsidiary Gama Saúde for the provision of medical and hospital services for other operators/self-managed entities ("network rental").

ii. In 2017, this refers mainly to the balance of R$ 25,000 relating to the agreement for assignment of rights and obligations between the subsidiary Qualicorp Benefícios and Vision Med (Note 15.vii). The balance relating to 2016 was substantially paid on January 10, 2017 in the amount of R$ 15,200.

iii. The balance of this account in 2017 consists substantially of consulting services payable, other suppliers, advertising and publicity, information technology services and call center. The balance of this account at December 31, 2016 consisted mainly of various suppliers.

iv. For the balances at December 31, 2017, R$ 5,967 (2016 - R$ 11,182) in current liabilities refers to the acquisition of Gama Saúde and Connectmed-CRC. The following table shows the breakdown of the balance:

Opening balance - non-compete agreement payable (*)	32,645
4 installments paid, according to annual flow	(26,116)
Residual balance payable	6,529

(-) Non-compete agreement - present value adjustment	(562)
Liability balance at December 31, 2017	5,967

(*) The amount of this obligation at present value at the acquisition date was R$ 25,427, based on the final business valuation report and the purchase price allocation (PPA) study.

v. Refers mainly to timing differences between the listing of beneficiaries in the Company's system/internal control and the detailed listing of beneficiaries included in the paid and/or payable bills of healthcare and dental plan operators/insurers, which are regularized in subsequent periods, after information sent by the Company is processed.

20. Provisions for contingencies

The Company and its subsidiaries are subject to tax, labor, social security, civil and health plan claims contingencies arising in the ordinary course of business for which provisions were recorded, based on the positions of their in-house and outside legal counsel and Management's estimates, as shown in the table below.

	Consolidated	
	12/31/2017	12/31/2016
Civil (i)	32,207	18,957
Regulatory / ANS (ii)	13,731	10,071
Labor and social security (iii)	7,864	8,262
Tax (iv)	-	3,180
Provision for claims - Gama GSP (v)	-	3,000
Total	53,802	43,470

Description of the main lawsuits and/or contingencies:

i) The Company and its subsidiaries are defendants in ongoing civil lawsuits, where R$ 32,207 (2016 - R$ 18,957) is assessed as probable losses, for which a provision for contingencies was recognized, and R$ 65,588 (2016 - R$ 46,644) is assessed as possible losses, for which no provisions were recognized. The main lawsuits address the following matters: (i) coverage requirements for medical procedures not included in the collective healthcare membership contract or in the list of procedures of the ANS, responsibility for which is solely and exclusively incumbent upon healthcare plan operators, pursuant to the prevailing legislation; (ii) questioning the application of an increase in the healthcare plan's price as a result of the individual's age and also annual price adjustment; (iii) requests for the reactivation of healthcare plans canceled due to the non-payment of monthly fees are being discussed at the administrative and/or judicial levels; and (iv) annual adjustment; and (v) questioning by beneficiaries of the collection of past-due and unpaid monthly fees that had been protested for non-payment by the credit protection agency.

ii) The Company and its subsidiaries are defendants in ongoing regulatory proceedings with the National Regulatory Agency for Private Health Insurance and Plans (ANS), in which the amount of R$ 13,731 (2016 - R$ 10,071) is assessed as probable loss, for which a provision for contingencies was recognized, and R$ 49,200 (2016 - R$ 66,217) is assessed as possible loss, for which no provision was recognized.

iii) The Company and its subsidiaries are defendants in labor and social security proceedings under discussion at the administrative and/or judicial levels, involving mainly: (i) the payment of the variations in the percentage of commissions paid to internal consultants; and (ii) the additional payment for the double role exercised by call center operators who provided services to the Company and its subsidiaries and who were dismissed when these services were outsourced. The provisions for contingencies recorded for probable losses arising from said labor lawsuits totaled R$ 7,189 (2016 - R$ 5,494).

Provisions were also recognized to cover contingences arising from the procedures adopted by the Company, for which there are no lawsuits or other proceedings filed, totaling R$ 675 (2016 - R$ 2,768).

For contingencies involving risks of loss classified as possible, totaling R$ 66,618 (2016 - R$ 45,635), no provision was recognized.

iv) Refers mainly to provisions recognized for tax matters that may be taken to a law court, for which there are no lawsuits or other actions filed (2016 - R$ 3,180).

For contingencies involving risks of loss classified as possible, amounting to R$ 910,763 (2016 - R$ 221,811), of which R$ 871,830 (2016 - R$ 186,956) refers to an infraction notice for the utilization of tax credit arising from goodwill relating to 2011 to 2014, no provisions for possible losses have been recognized.

Additionally, on February 3, 2017, the Company received a tax delinquency notice for social security contribution and withholding income tax on share option plan relating to 2013 in the amount of R$ 23,683, which is assessed as possible loss by the external legal advisors.

v) As from April 1, 2016, the subsidiary Gama established a new healthcare plan called Gama Saúde GSP, in which part of Qualicorp Group employees are participating and are therefore the exclusive beneficiaries of this new plan. Based on the historical claims ratio of the prior plan and on actuarial data, a provision has been recognized for this plan to cover future claims costs of such employees. This provision was reversed as the actual claims costs of this plan were determined, demonstrating that this provision was not necessary.

The table below presents the changes in such provisions:

	12/31/2016	Additions	Reversals	Changes in reimbursable contingencies	12/31/2017
Civil (a)	18,957	17,240	(3,721)	(269)	32,207
Regulatory (b)	10,071	10,215	(6,419)	(136)	13,731
Labor and social security	8,262	11,859	(11,170)	(1,087)	7,864
Tax	3,180	102	(3,250)	(32)	-
Provision for claims - Gama GSP	3,000	-	(3,000)	-	-
Total	43,470	39,416	(27,560)	(1,524)	53,802

a) Additions refer mainly to the inclusion of new lawsuits and revision of the likelihood of loss from possible to probable to reflect the current status of the litigation.

b) Additions refers mainly to changes in estimates and the increase in administrative contingencies. Reversals refer mainly to: (i) enrollment in the ANS payment program to pay off non-tax debt (special payment plan) and (ii) execution of a conduct adjustment agreement with ANS to charge beneficiaries with monthly fees in arrears a penalty of 2% instead of 10%.

21. Equity

Share capital

At December 31, 2017, capital was R$ 1,836,751 (December 31, 2016 - R$ 1,673,176), represented by 288,967,088 (December 31, 2016 - 278,794,088) registered common shares with no par value. The increase of R$ 163,575 in the year is due to the following:

Consolidated		
Date	Amount (R$)	Number of shares
April 4, 2017	27,259	1,757,500
April 26, 2017	29,880	1,822,000
May 11, 2017	41,714	2,617,500
June 5, 2017	10,948	500,000
August 11, 2017	3,440	200,000
July 10, 2017	18,056	1,112,500
September 4, 2017	21,480	1,529,000
December 5, 2017	10,798	634,500
Total	163,575	10,173,000

According to the Company's bylaws, the Company is authorized to increase its share capital, irrespective of any amendment to its bylaws, subject to the approval from and the conditions for issue to be determined by the Board of Directors, up to the limit of 350,000,000 new common shares.

The interest held by stockholders in the Company's capital is as follows:

	Common shares	
Stockholders	12/31/2017	12/31/2016
L2 Participações Fundo de Investimento	39,555,386	53,272,286
Citi 831 Fundo de Investimento Multimercado	3,500,000	-
Market (i)	242,456,395	222,260,103
Treasury shares (ii)	3,455,063	3,261,463
Other stockholders	244	236
Total	288,967,088	278,794,088

(i) Refers to shares traded on the Brazilian Stock Exchange (BM&FBOVESPA).

(ii) The Company's shares acquired under the Share Repurchase Program have the objective of creating value for stockholders, and may be subsequently canceled, sold and/or used in satisfying the exercise of share options granted by the Company.

	Treasury shares	
	Quantity	Amount
At December 31, 2016	3,261,463	59,403
Purchase of shares in the period (Note 1b.i)	193,600	5,644
At December 31, 2017	3,455,063	65,047

At December 31, 2017, the effect of treasury shares is as follows:

Share price				
Minimum paid	Maximum paid	Weighted average paid	Last quotation (12/28/2017)	Market value at 12/28/2017
12.42	29.96	18.81	31.00	107,107

Distribution of dividends to stockholders

Pursuant to the Company's bylaws, the mandatory minimum dividend is 25% of the profit for the year, adjusted as prescribed by the Brazilian Corporate Law.

At the Annual General Meeting held on April 28, 2017, the stockholders approved the distribution of R$ 137,317 as proposed additional dividends for 2016, which were paid on May 24, 2017.

On September 4, 2017, the Board of Directors approved at its meeting the proposal for distribution of interim dividends of R$ 100,000. The interim dividends were paid on September 19, 2017 to stockholders on record as of September 8, 2017.

On March 14, 2018, the Company's Management proposed to distribute the Company's profit remaining after the transfer to the legal reserve and the payment of interim dividends of R$ 100,000 on September 19, 2017 and R$ 150,000 on January 16, 2018, resulting in a distribution of R$ 102,174 out of the profit earned in FY 2017, to be submitted for approval to the Stockholders' General Meeting to be held by April 30, 2018. This amount was recorded as "Proposed additional dividend", according to CVM Resolution 601/09.

Legal reserve, distribution of dividends and other revenue reserves

The mandatory minimum dividend is 25% of the Company's profit after the transfer of: (a) 5% of the profit for the year to the legal reserve, which cannot exceed 20% of the capital, considering that this transfer is not mandatory when the balance of the legal reserve, plus any capital reserve set forth in paragraph 1 of article 182 of the Brazilian corporate legislation, exceeds 30% of the share capital; (b) realizable revenue reserve; or (c) contingency reserve.

The indirect subsidiaries Aliança (merged) and GA Corretora (merged) distributed dividends to their non-controlling stockholders, in the total amounts of R$ 19,072 and R$ 57,216 to Qualicorp Benefícios and Qualicorp Corretora, which are both direct subsidiaries of the Company. The dividends were distributed to stockholders according to the proportion of shares that they own, i.e. 25% to minority stockholders and 75% to majority stockholders up to September 30, 2017, and 100% to direct subsidiaries from October 1 to December 31, 2017.

22. Share option plan

Qualicorp Group offers a share option plan for managers, employees and service providers. The Plan is managed by the Board of Directors, which has the power to take the required actions for its maintenance, according to the approved guidelines.

The total shares set aside for the plan is 8% of the Company's total shares, equivalent to 21,427,370 shares as approved at the Extraordinary General Meeting held on June 13, 2014, which can be exercised through the issue of new shares or the disposal of treasury shares.

At December 31, 2017, expenses associated with the granting of share options by the Company and/or its subsidiaries were recognized in the amount of R$ 12,061 (2016 - R$ 22,393).

Up to December 31, 2017, the change in the share options granted during the year is as follows:

Grant date	Weighted average exercise price	Estimated weighted average volatility of share price	Expected dividend yield	Fair value at grant date	Risk- free rate of return	Abandonment rate	Expiry date	Quantity of options	Exercised	Canceled	Balance
3/3/2011	7.21	42.91%	0.03%	4.12	11.89%	0%	3/3/2016	3,814,707	(3,028,993)	(785,714)	-
5/31/2011	9.52	43.67%	0.03%	3.84	11.67%	0%	5/31/2016	33,475	-	(33,475)	-
4/30/2012	16.58	39.54%	0.00%	4.91	3.07%	5%	4/30/2017	1,352,663	(1,033,474)	(319,189)	-
10/22/2012	19.2	37.67%	0.00%	4.37	2.34%	35.67%	10/22/2017	142,857	(142,857)	-	-
10/30/2012	2.8	37.55%	0.00%	16.87	3.12%	0%	10/22/2017	1,172,543	(1,172,543)	-	-
11/16/2012	21.3	36.99%	0.00%	4.4	2.34%	35.67%	11/16/2017	350,000	(87,500)	(262,500)	-
10/31/2013	16.79	33.71%	2.37%	8.63	4.51%	23.70%	10/31/2017	10,333,000	(7,183,000)	(3,025,000)	125,000
2/18/2014	16.79	32.81%	0.00%	7.65	5.27%	23.70%	2/18/2017	200,000	(50,000)	(150,000)	-
3/7/2014	18.41	32.64%	2.37%	7.83	5.19%	23.70%	3/31/2018	1,650,000	(662,500)	(987,500)	-
6/13/2014	20	33.00%	2.37%	9.72	5.17%	23.70%	6/13/2018	6,680,000	(4,314,000)	(2,366,000)	-
8/12/2014	26.39	32.70%	2.37%	8.8	5.07%	23.70%	8/12/2018	650,000	(212,500)	(300,000)	137,500
11/4/2014	25.8	32. 01%	2.37%	8.23	5.45%	23.70%	11/4/2018	4,000,000	(1,637,500)	(1,000,000)	1,362,500
12/16/2015	15.95	33.32%	2.37%	3.55	7.05%	23.70%	12/16/2019	750,000	(350,000)	(100,000)	300,000
7/8/2016	16.18	43.98%	2.37%	19.35	5.85%	23.70%	4/30/2017	3,170,000	(3,132,500)	-	37,500
1/18/2017	18.81	46.52%	2.37%	19.72	5.67%	32.22%	1/18/2021	1,000,000	-	-	1,000,000
Total	16.12							35,299,245	(23,007,367)	(9,329,378)	2,962,500

At December 31, 2017, the weighted average contractual vesting period is 600 days (2016 - 464 days).

23. Cost of services

	Consolidated	
	Accumulated 12/31/2017	Accumulated 12/31/2016
Financial transfers from membership contracts (i)	205,129	186,882
Personnel costs and Management compensation (ii)	154,806	166,931
Outsourced services (iii)	92,367	96,078
Office expenses	12,043	13,245
Other costs of services (iv)	33,037	39,506
Total	497,382	502,642

i. Refers to financial transfer costs incurred on the special agreements entered into with professional organizations for the stipulation and sale of collective membership plans. The increase in such costs compared to the same period of 2016 was mainly due to the annual adjustment to the collective membership plans in the month of July and subsequent adjustments to the financial transfers.

ii. The decrease in these costs compared to the same period of 2016 was mainly due to the staff restructuring.

iii. The decrease in these costs compared to the same period of 2016 was mainly due to the renegotiation of agreements and optimization of call center resources to handle customer service.

iv. The decrease in these costs was mainly due to the decrease in money spent on legal proceedings.

24. Administrative expenses

	Parent company		Consolidated	
	Accumulated 12/31/2017	Accumulated 12/31/2016	Accumulated 12/31/2017	Accumulated 12/31/2016
Depreciation and amortization	6,342	-	228,370	216,259
Personnel costs and Management compensation (i)	3,828	19,802	112,420	131,334
Outsourced services (ii)	1,449	1,265	88,198	80,562
Infraction notices (iii)	-	-	27,750	10,230
Office expenses	1,737	2,332	15,665	18,348
Other administrative expenses	1,765	2,098	35,884	42,993
Total	15,121	25,497	508,287	499,726

v. The decrease in consolidated personnel costs was due to the staff restructuring.

vi. The increase in the consolidated balance of outsourced services was mainly due to the new services contracted to support the expansion of new corporate and information technology projects.

vii. The increase in infraction notice expenses was mainly due to the amount of R$ 20,142 paid to ANS for the debt payment program and the conduct adjustment agreement.

25. Selling expenses

	Consolidated	
	Accumulated 12/31/2017	Accumulated 12/31/2016
Third-party commissions (i)	136,653	139,781
Personnel costs (ii)	53,510	62,814
Sales campaigns (iii)	34,663	56,666
Advertising and publicity (iv)	20,263	25,554
Outsourced services	12,151	14,870
Other selling expenses (v)	27,342	32,655
Total	284,582	332,340

i. The decrease in third-party commissions was mainly due to the renegotiation of agreements and cancelation of some lifetime contracts.

ii. The decrease in personnel costs was mainly due to the reduction in the Company's fixed sales force expenses.

iii. The decrease in sales campaign expenses was mainly due to the lower volume of sales and sales premiums.

iv. The decrease in advertising and publicity expenses was due to the Company's strategy to focus investments on the sales channel.

v. The decrease in other selling expenses compared to the same period of 2016 is the result of actions implemented to reduce and control expenses related principally to events, gifts, graphic material, travels and lodging.

26. Finance income (costs)

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Finance income:				
Interest income on financial investments	3,338	628	66,514	73,194
Interest and fine on late payment of healthcare plan and insurance contracts managed by the Company, arising from contracts with risk of default (i)	-	-	52,193	56,872
Interest on taxes to offset	925	1,254	11,698	10,102
Other income	11	7	1,080	5,158
Total finance income	4,274	1,889	131,485	145,326
Finance costs:				
Inflation-indexation and accruals adjustment of debentures (Note 16) (ii)	-	(2,173)	(67,841)	(83,781)
Inflation-indexation and accruals adjustment of payables for the acquisition of the stake in subsidiaries	(1,312)	(1,969)	(41,038)	(31,876)
Collection fee	-	-	(24,229)	(23,946)
Tax on Financial Transactions (IOF) (iii)	(57)	(2,592)	(742)	(13,482)
Discounts granted	-	-	(13,380)	(11,460)
PIS and COFINS on interest on capital	(2,120)	(2,994)	(2,120)	(2,994)
Finance costs - loan (iii)	-	(17,519)	-	-
Other finance costs	(291)	(641)	(7,458)	(10,970)
Total finance costs	(3,780)	(27,888)	(156,808)	(178,509)
Finance result	494	(25,999)	(25,323)	(33,183)

i. Refers to the interest and penalties received by the subsidiaries Qualicorp Administração e Serviços and Qualicorp Benefícios on the management and stipulation of collective membership benefits and complementary products. These amounts are received from the beneficiaries who pay their invoices after the original due date. The decrease in the 2017 balance was due to the reduction in the interest rate charged on past-due accounts.

ii. The decrease in interest expense on debentures in 2017 was mainly due to the reduction in Selic rate and the reduction in Cetip interest rate on November 4, 2016 to CDI+1.30% p.a. from CDI+1.60% p.a. in 2016, as stated in Note 16.

iii. In 2016, the Company and its subsidiary Qualicorp Corretora entered into a loan agreement of R$ 165,211, which matured on January 16, 2017, generating IOF expenses and interest expenses.

27. Other income (expenses), net

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Impairment (i)	(40,612)	-	(38,833)	2,624
(Recognition) reversal of expenses related to provisions for tax, civil, regulatory and labor contingencies (ii)	-	206	(14,634)	5,743
Operating gains (losses) (iii)	-	-	7,053	(7,349)
Other income (expenses), net	-	29	(2,986)	2,517
Total	(40,612)	235	(49,400)	3,535

i. The balance for 2017, both Parent company and Consolidated, refers mainly to the write-off of the balance receivable from the sale of Potencial (Note 10.1). For 2016, this refers mainly to: (i) R$ 7,119 of reversal of the impairment of tax credit; (ii) R$(697) impairment of software; and (iii) R$(3,692) impairment of advances to brokers.

ii. In 2017, this refers mainly to the revision of the likelihood of loss on lawsuits from possible to probable due to changes in estimates and the increase in administrative contingencies (Note 20).

iii. Operating gains result principally from the improvement of operational processes with respect to financial management of timing differences between the list of beneficiaries in the Company's internal systems and the detailed list of beneficiaries in the bills paid/payables.

28. Income tax and social contribution

Income tax and social contribution expense is as follows:

	Parent company		Consolidated	
	Accumulated 12/31/2017	Accumulated 12/31/2016	Accumulated 12/31/2017	Accumulated 12/31/2016
Profit before income tax (IRPJ) and social contribution (CSLL)	358,811	401,931	583,154	460,434
Equity in the results of subsidiaries	(414,050)	(453,192)	-	-
Subtotal	(55,239)	(51,261)	583,154	460,434
Statutory rate of IRPJ and CSLL	34%	34%	34%	34%
Expected income tax and social contribution expense (credit) at the statutory rate	18,781	17,429	(198,272)	(156,548)
Non-deductible expense from write-off of accounts receivable from sale of Potencial	(13,808)	-	(13,808)	-
Non-deductible expenses - other	-	-	(6,940)	(5,730)
Tax losses without recognition of tax credits (i)	429	(14,171)	(12,957)	(27,359)
Interest on capital	(7,794)	-	(7,794)	-
Tax incentive	-	-	3,826	3,396
(Recognition) /reversal of temporary additions without recognition of tax credits, net	2,041	(462)	5,295	4,310
Expenses of companies that are taxed under the presumed profit system	-	-	9,244	10,746
Losses on uncollectible receivables	-	-	9,846	(6,217)
Write-off of deferred income tax and social contribution (sale of Potencial)	12,226	-	12,226	-
Amortization of goodwill (ii)	-	-	-	138,083
Other	24	-	1,999	(538)
Total income tax and social contribution expense	11,899	2,796	(197,335)	(39,857)
Effective rate of IRPJ/CSLL (%)	21.54%	5.45%	33.84%	8.66%

i. The Company and some of its direct and indirect subsidiaries have tax losses carryforward, for which no deferred tax credits

have been recognized because to date they have not been in a position to generate taxable profits that would allow them to recognize tax credits (Note 11).

ii. After the enactment of Law 12,973 (conversion of Provisional Measure 627/13), published on May 14, 2014, the Company reviewed the tax bases of certain intangible assets arising on business combinations. As a result, the Company identified additional tax benefits which were recorded in the first half of 2016, with rectification of respective accessory tax obligations for the last years. These benefits were utilized in 2016.

29. Insurance

The Company and its subsidiaries have insurance coverage for their assets. The insurance amounts are considered sufficient by Management to cover possible losses, as shown below:

Items	Type of coverage	Sum insured
Insurance against administrative proceedings (i)	Insurance covering losses in administrative proceedings filed by government authorities	995,773
Buildings, facilities, machinery, furniture and fittings	Any damage to buildings and loss of profits due to fire, facilities, machinery and equipment, civil liability in relation to operations and employer's liability	203,654
Civil liability of directors and officers (POSI) (after IPO)	Coverage of liabilities of officers and directors (D&O)	170,000
Civil liability of officers	Directors and Officers Liability Insurance (D&O) and errors and omissions (E&O)	96,000
Construction warranty	Non-structural warranty for construction - new Qualicorp head office	14,930

i. The Company and its subsidiaries obtained new judicial bonds, which promise payment solely of debts arising from the dispute about the deduction of goodwill expenses relating to the period from 2015 to 2017 from the income tax and social contribution calculation basis.

30. Segment reporting

a) Description of services from which the reportable segment derives revenue

The Company, through its subsidiaries, has only one reportable segment, the Affinity segment, and operates in this segment as a benefit manager through its subsidiaries Qualicorp Benefícios, Clube de Saúde, Aliança (merged), Qualicorp Administração e Serviços Ltda. ("Qualicorp Administração"), and through the brokerage business of the subsidiaries Qualicorp Corretora de Seguros S.A. ("Corretora") and GA Corretora (merged).

The benefit management companies are responsible for managing collective membership benefits related to health and/or dental care private plans, and the main activities developed are: (a) gathering contracting legal entities; (b) contracting of a group healthcare private plan, as policyholder, to be provided to the legal entities that are entitled to contract it; (c) offering of plans to the associates of contracting legal entities; (d) technical support for the discussion of operating matters; (e) support for the human resources area in the management of plan benefits; (f) outsourcing of administrative services; (g) changes to master files; (h) checking of invoices; (i) collection of the beneficiary by delegation; and (j) market prospection consultancy, suggesting plan design and management models.

The brokerage companies are responsible for the distribution (sale) of collective membership plans, and the main activities developed are: (a) identification of the target market, which is composed of the associates of entities and/or people eligible to join the association; (b) definition of a marketing strategy and distribution model; (c) offering of group membership plans to potential clients through their own distribution channels or through networks of other accredited insurance brokerage companies.

b) Measurement of profit, assets and liabilities by operating segment

The accounting policies and practices of the Affinity segment are the same as those described in Note 3. The Company assesses the performance of the reportable segment based on the profit before interest, finance income (costs), depreciation, amortization and provisions for income tax and social contribution. The provisions for civil and labor contingencies have not been included in the profit or loss per segment. Shared administrative expenses are not allocated to the segments.

c) Factors used by Management to identify the segment

The Affinity segment is the business unit that accounts for 91.95% of the Company's and its subsidiaries' net operating revenue. This unit is separately managed under the management model used by the Company's officers.

The Affinity segment uses most of the operating and financial resources of the Qualicorp Group, for example, healthcare operator/insurer master files of beneficiaries, billing and collection of benefits, write-off of receipts and payments of invoices, and amounts transferred to professional associations.

All direct revenue and expenses of segments are identified in the ERP - RM, SAP and Protheus systems, whose cost center structure is designed for the identification of segments and other unallocated expenses.

d) Gross and net revenue by type of service

	Consolidated	
	Accumulated 12/31/2017	Accumulated 12/31/2016
Management service fees	1,270,278	1,155,836
Brokerage fees	632,764	617,313
Agency services	138,614	142,488
Financial transfers from stipulation of contracts	109,732	109,361
Other revenue	108,067	104,852
Total gross operating revenue	2,259,455	2,129,850
Deductions from gross operating revenue:		
Taxes on billings	(177,888)	(164,663)
Returns and cancelations	(6,278)	(783)
Total deductions	(184,166)	(165,446)
Net operating revenue	2,075,289	1,964,404

e) Information on profit, assets and liabilities of the reportable segment

The table below shows the breakdown of items related to the reportable segment; unallocated expenses and/or revenue are presented in item (f) below:

Consolidated	12/31/2017			12/31/2016		
	Affinity segment	Other segments	Total	Affinity segment	Other segments	Total
Net revenue	1,908,287	167,002	2,075,289	1,782,434	181,970	1,964,404
Cost of services	(391,266)	(106,116)	(497,382)	(371,619)	(131,022)	(502,642)
Operating income (expenses), net	(357,329)	(24,286)	(381,615)	(406,778)	(3,584)	(410,363)
Selling expenses	(250,765)	(22,220)	(272,985)	(308,987)	(13,909)	(322,896)
Losses on uncollectible receivables	(124,966)	(2,195)	(127,161)	(139,035)	(579)	(139,614)
Finance result	52,193	-	52,193	56,872		56,872
Impairment of receivables from the sale of Potencial	(40,612)	-	(40,612)	-	-	-
Provision for impairment	(148)	-	(148)	(4,285)	6,909	2,624
Other operating income, net	6,969	129	7,098	(11,343)	3,995	(7,348)
Profit before unallocated expenses	1,159,692	36,600	1,196,292	1,004,037	47,363	1,051,399

Information on profit, assets and liabilities of segments that are not reportable (other segments) is attributable to five business units, which separately do not represent more than 10% of the Company's revenue:

- Corporate segment: all activities related to the insurance brokerage or plan intermediation, as well as advice on benefits to large corporate clients or small and medium-sized businesses (SMEs).
- Health Management segment: focus on preventive medicine and patient management activities, prior authorization and regulation of medical events, management of medical service provider network, and medical information processing activities.
- Group Market segment: focuses on marketing activities of all products not related to healthcare plans.

f) Reconciliation of revenue, profit, assets and liabilities

	Consolidated	
	12/31/2017	12/31/2016
Unallocated items:		
Administrative expenses	(508,287)	(499,726)
Finance result	(77,516)	(90,055)
Provisions for contingencies	(14,634)	5,743
Selling expenses	(11,597)	(9,444)
Other (expenses) income	(1,104)	2,517
Total	(613,138)	(590,965)
Profit before income tax and social contribution	583,154	460,434
(-) Income tax and social contribution	(197,335)	(39,857)
Non-controlling interests	(15,109)	(15,850)
Profit attributable to owners of the parent	370,710	404,727

	12/31/2017	12/31/2016
Assets:		
Total of reportable segment	1,942,315	2,170,945
Other segments	255,281	279,925
Unallocated items	1,333,762	1,138,917
Total	3,531,358	3,589,787

	12/31/2017	12/31/2016

Liabilities:		
Total of reportable segment	878,756	1,275,317
Other segments	19,254	18,486
Unallocated items	2,633,348	2,295,984
Total	3,531,358	3,589,787

g) Geographic information of the reported segment

The Company and its subsidiaries conduct all of their activities in the domestic market and the Affinity segment presents below the lives managed and the market share:

Breakdown by Region (Consolidated)	12/31/2017		12/31/2016	
	Lives	Market share	Lives	Market share
Southeast	1,142,857	73.34%	1,352,922	75.50%
Northeast	244,865	15.71%	243,292	13.60%
Central West	107,378	6.89%	125,132	7.00%
South	42,659	2.74%	46,721	2.60%
North	20,467	1.31%	22,930	1.30%
Total - Affinity segment	1,558,226	100.00%	1,790,997	100.00%

Information on main customers

For the year ended December 31, 2017, the three main customers of the Affinity segment provided revenue of R$ 131,807 (2016 - R$ 144,938), R$ 126,530 (2016 - R$ 133,226) and R$ 122,244 (2016 - R$ 113,798), which accounted for 6.36%, 6.11% and 5.90% of the segment's revenue.

31. Expenses by nature

Breakdown of the consolidated statement of income by nature:

	Consolidated	
	Accumulated 12/31/2017	Accumulated 12/31/2016
Personnel costs and Management compensation	320,736	361,078
Depreciation and amortization	228,370	216,257
Financial transfers from membership contracts	205,129	186,882
Outsourced services	192,717	191,510
Third-party commissions	136,653	139,781
Sales campaigns	34,663	56,666
Office expenses	33,982	40,266
Advertising and publicity	20,263	25,554
Other costs of services, other administrative expenses and other selling expenses	117,738	116,714
Total	1,290,251	1,334,708
As per statement of income:		
Administrative expenses	508,287	499,726
Cost of services	497,382	502,642
Selling expenses	284,582	332,340
Total	1,290,251	1,334,708

32. Commitments

At December 31, 2017, the Company and its subsidiaries have the following significant commitments:

a) Office lease agreements: the commitments already assumed are R$ 18,049 for 2018, R$ 17,397 for 2019 and R$ 16,966 for 2020 (unaudited).

The expenses incurred under these agreements for 2017 totaled R$ 21,054 (2016 - R$ 23,889).

b) The budgeted purchases of intangible assets (software under development) are R$ 58,910 for 2018, R$ 36,200 for 2019 and R$ 36,200 for 2020 (unaudited).

c) Commitments for the provision of call center services already assumed in the amount of approximately R$ 34,309 for 2018 (2017 - R$ 48,111) (unaudited).

The expenses incurred on call center agreements for 2017 totaled R$ 44,000 (2016 - R$ 51,121).

d) On December 28, 2017, the Company signed a service agreement for the implementation of ERP SAP S/4 Hana Hec for a term of 5 years. This agreement has a grace period of 14 months and will start to be paid as from 2019. The related commitments are R$ 1,386 for 2019, R$ 1,663 for 2020 and R$ 5,818 for 2021 (unaudited).

33. Earnings per share

	Parent company	
	Accumulated 12/31/2017	Accumulated 12/31/2016
Profit for the year attributable to owners of the parent	370,710	404,727
Weighted average number of common shares used to calculate basic earnings per share	288,515,410	275,527,128
Weighted average number of common shares adjusted for share options to calculate diluted earnings per share	291,477,910	290,078,628
Basic earnings per share - R$	1,28489	1,46892
Diluted earnings per share - R$	1,27183	1,39523

34. Events after the reporting period

a) Distribution of interim dividends

On January 16, 2018, the Company paid interim dividends of R$ 150,000, which had been proposed based on the record date of December 21, 2017. The Company shares trade ex-dividend on and after December 22, 2017.

35. Approval of the financial statements

The parent company and consolidated financial statements were approved by the Board of Directors on March 14, 2018 and disclose the events occurring after the date of the balance sheet, i.e. December 31, 2017.