Qualicorp
administradora de benefícios

Earnings Release 2Q18

August 15th, 2018

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Legal Warning

Forward-looking statements

This release may contain forward-looking statements concerning the business outlook, estimates of operating and financial results and growth prospects of Qualicorp S.A. These statements are based exclusively on the expectations of the management of Qualicorp S.A. regarding the prospects of the business and its continued ability to access capital markets to finance its business plan. These forward-looking statements are highly sensitive to changes in the capital markets, government regulations, competitive pressures, the performance of the industry and the Brazilian economy and other factors, as well as to the risk factors highlighted in documents previously filed by Qualicorp S.A., and therefore are subject to change without prior notice.

Main Indicators

Consolidated Income Statement - (R$ MM)	2Q18	2Q17	% Change 2Q18/2Q17	1Q18	% Change 2Q18/1Q18	1H18	1H17	% Change 1H18/1H17
Net Revenues	482.8	487.6	-1.0%	479.2	0.7%	962.0	968.9	-0.7%
Total Expenses (Ex-Depreciation and amortizatio	(257.2)	(288.3)	-10.8%	(230.9)	11.4%	(488.1)	(538.8)	-9.4%
Adjustments to EBITDA	(11.2)	38.3	-129.2%	(11.7)	-4.7%	(22.9)	43.2	-152.9%
Adjusted EBITDA	214.4	237.5	-9.7%	236.6	-9.4%	451.0	473.4	-4.7%
Adjusted EBITDA Margin	44.4%	48.7%	-430bps	49.4%	-496bps	46.9%	48.9%	-197bps
Net Income (Loss)	**88.6**	**71.4**	**24.1%**	**102.7**	**-13.8%**	**191.3**	**181.9**	**5.2%**

Balance Sheet	2Q18	2017	Change 1Q17/2017
Equity	2,178.7	2,415.4	-9.8%
Net Debt[1]	241.3	134.8	79.0%

Other	2Q18	2017	Change 1Q17/2017
Net Debt / Equity	0.11x	0.06x	98.5%
Net Debt / Adjusted EBITDA LTM	0.26x	0.14x	83.4%

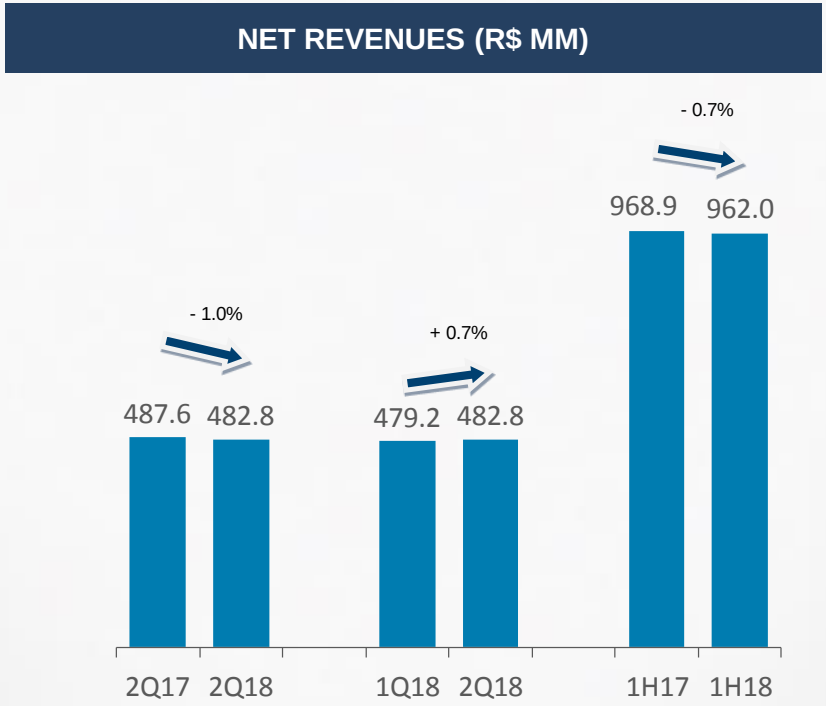
(1) *Includes acquisition payables recognized as "other payables". It does not include the investment retained as a guaranteed asset in the direct subsidiary Qualicorp Administradora de Benefícios S.A. and Clube de Saúde Administradora de Benefícios Ltda., according to the 33rd normative instruction by the ANS, from October 5, 2009.*

Portfolio Evolution (cont.)

Portfolio	2Q18	2Q17	% Change 2Q18/2Q17	1Q18	% Change 2Q18/1Q18	1H18	1H17	% Change 1H18/1H17
Affinity Health Lives								
Total Portfolio (BOP)	1,222,706	1,349,630	-9.4%	1,211,591	0.9%	1,211,591	1,369,676	-11.5%
(+) Gross Adds	98,981	124,581	-20.5%	97,805	1.2%	196,786	209,210	-5.9%
(-) Churn	(93,927)	(128,433)	-26.9%	(97,602)	-3.8%	(191,529)	(233,108)	-17.8%
(+) Portfolio Acquisition	-	-	N.A.	10,912	N.A.	10,912	-	N.A.
New Lives Added (net)	5,054	(3,852)	-231.2%	11,115	-54.5%	16,169	(23,898)	-167.7%
Total Portfolio (EOP)	1,227,760	1,345,778	-8.8%	1,222,706	0.4%	1,227,760	1,345,778	-9.1%
Affinity Other Products Lives								
Total Portfolio (BOP)	121,607	406,897	-70.1%	346,635	-64.9%	346,635	421,321	-17.7%
New Lives Added (net)	(1,385)	(16,500)	-91.6%	(225,028)	-99.4%	(226,413)	(30,924)	632.2%
Total Portfolio (EOP)	120,222	390,397	-69.2%	121,607	-1.1%	120,222	390,397	-69.2%
Affinity Portfolio	1,347,982	1,736,175	-22.4%	1,344,313	0.3%	1,347,982	1,736,175	-22.4%
Corporate	**326,869**	**483,576**	**-32.4%**	**762,634**	**-57.1%**	**326,869**	**483,576**	**-32.4%**
TPA	**806,295**	**2,203,490**	**-63.4%**	**793,695**	**1.6%**	**806,295**	**2,203,490**	**-63.4%**
Small/Medium Enterprises	**146,081**	**26,695**	**447.2%**	**146,889**	**-0.6%**	**146,081**	**26,695**	**447.2%**
Corporate and Others Portfolio	1,279,245	2,713,761	-52.9%	1,703,218	-24.9%	1,279,245	2,713,761	-52.9%
Total Portfolio	2,627,227	4,449,936	-41.0%	3,047,531	-13.8%	2,627,227	4,449,936	-41.0%

Net Revenues

Net Revenues (R$ MM)	2Q18	2Q17	% Change 2Q18/2Q17	1Q18	% Change 2Q18/1Q18	1H18	1H17	% Change 1H18/1H17
Affinity	444.2	448.8	-1.0%	440.4	0.8%	884.6	887.6	-0.3%
% on Total Net Revenues	92.0%	92.0%	-4bps	91.9%	9bps	92.0%	91.6%	35bps
Corporate and Other	38.6	38.8	-0.5%	38.8	-0.4%	77.4	81.3	-4.9%
% on Total Net Revenues	8.0%	8.0%	4bps	8.1%	-9bps	8.0%	8.4%	-35bps
Total Consolidated	482.8	487.6	-1.0%	479.2	0.7%	962.0	968.9	-0.7%



Cost of Services

Cost of Services (R$ MM)	2Q18	2Q17	% Change 2Q18/2Q17	1Q18	% Change 2Q18/1Q18	1H18	1H17	% Change 1H18/1H17
Personnel expenses	(33.4)	(38.1)	-12.4%	(30.3)	10.2%	(63.7)	(79.8)	-20.2%
Third Party Services	(26.1)	(24.8)	5.3%	(24.8)	5.1%	(50.9)	(47.4)	7.3%
Occupancy expenses	(3.8)	(2.8)	37.5%	(4.0)	-5.3%	(7.8)	(5.7)	37.1%
Royalties (a)	(22.2)	(24.5)	-9.7%	(24.2)	-8.3%	(46.3)	(49.3)	-6.1%
Others (b)	(8.9)	(7.3)	21.7%	(8.7)	2.2%	(17.6)	(16.3)	7.7%
Total Consolidated	**(94.3)**	**(97.5)**	**-3.3%**	**(92.0)**	**2.5%**	**(186.3)**	**(198.6)**	**-6.2%**
Gross Margin	**80.5%**	**80.0%**	**46bps**	**80.8%**	**-34bps**	**80.6%**	**79.5%**	**113bps**

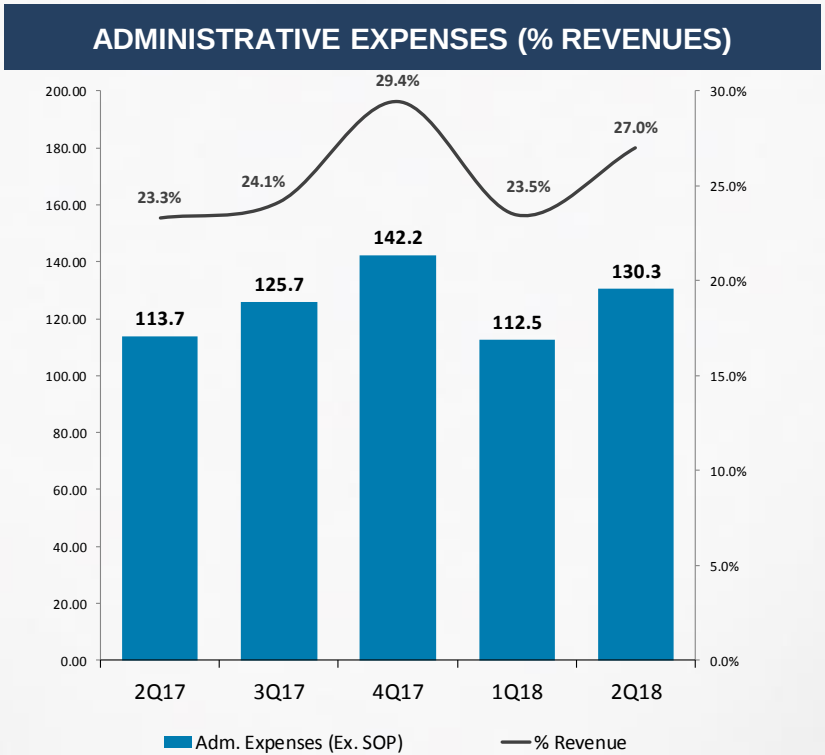
a) Refers to expenses from financial 'pass through' incurred in connection with the agreements signed with professional associations for the contracting and selling of affinity plans (called royalties).

b) Refers primarily to mailing expenses and annual membership fees paid by the Company to associations, unions and councils on behalf of the beneficiaries / members of the professional associations.



Administrative Expenses

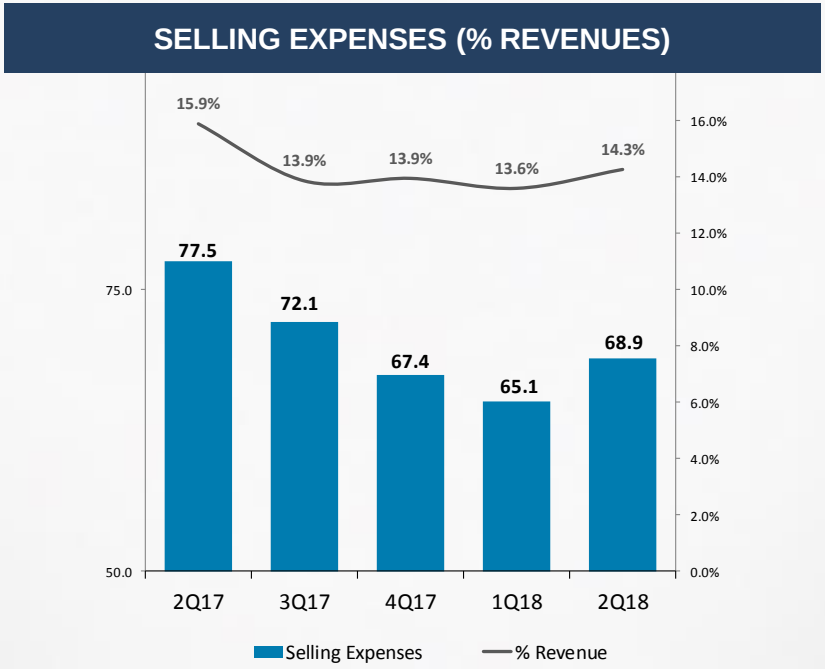
Administrative expenses (R$ MM)	2Q18	2Q17	% Change 2Q18/2Q17	1Q18	% Change 2Q18/1Q18	1H18	1H17	% Change 1H18/1H17
Personnel expenses	(35.7)	(24.8)	44.4%	(22.7)	57.8%	(58.4)	(54.7)	6.7%
Third Party services	(13.8)	(20.6)	-32.9%	(11.7)	17.8%	(25.5)	(39.5)	-35.3%
Occupancy expenses	(2.7)	(3.8)	-28.6%	(2.6)	4.4%	(5.4)	(7.9)	-32.2%
Depreciation and amortization	(61.2)	(58.0)	5.4%	(60.1)	1.7%	(121.3)	(116.2)	4.4%
Others	(17.2)	(8.9)	93.1%	(15.7)	9.7%	(32.9)	(19.4)	69.3%
Total Consolidated	**(130.7)**	**(116.1)**	**12.5%**	**(112.8)**	**15.8%**	**(243.5)**	**(237.7)**	**2.4%**
(+) Stock Options Expenses	0.3	2.5	-87.1%	0.3	0.0%	0.6	9.5	-93.3%
Total Recurring Adm. Expenses	**(130.3)**	**(113.7)**	**14.7%**	**(112.5)**	**15.9%**	**(242.8)**	**(228.2)**	**6.4%**
Recurring Adm. Expenses/ Net Revenue %	**27.0%**	**23.3%**	**369bps**	**23.5%**	**352bps**	**25.2%**	**23.5%**	**169bps**



Selling Expenses

Selling Expenses (R$ MM)	2Q18	2Q17	% Change 2Q18/2Q17	1Q18	% Change 2Q18/1Q18	1H18	1H17	% Change 1H18/1H17
Personnel expenses	(14.4)	(11.6)	24.1%	(13.7)	4.7%	(28.1)	(24.5)	14.6%
Third Party services	(3.4)	(3.4)	-0.6%	(3.9)	-13.9%	(7.3)	(6.4)	13.7%
Occupancy expenses	(1.9)	(1.6)	18.2%	(1.9)	0.4%	(3.7)	(3.2)	14.9%
Sales campaign	(4.9)	(11.6)	-57.6%	(4.8)	2.9%	(9.7)	(21.2)	-54.1%
Sponsorships	(1.1)	(2.1)	-48.3%	(1.4)	-23.9%	(2.5)	(3.7)	-32.4%
New sales comission amortization	(17.8)	(18.4)	-3.1%	(18.1)	-1.7%	(35.9)	(35.8)	0.3%
Third-party commission	(15.3)	(21.3)	-28.1%	(14.5)	5.5%	(29.8)	(39.9)	-25.4%
Publicity and advertising	(5.2)	(4.8)	7.4%	(4.7)	9.3%	(9.9)	(9.0)	10.2%
Others (a)	(5.0)	(2.8)	79.8%	(2.0)	142.3%	(7.0)	(5.3)	31.7%
Total Consolidated	**(68.9)**	**(77.5)**	**-11.2%**	**(65.1)**	**5.8%**	**(134.0)**	**(149.1)**	**-10.2%**
Selling/Net Revenue %	**14.3%**	**15.9%**	**-163bps**	**13.6%**	**68bps**	**13.9%**	**15.4%**	**-146bps**

(a) Considers office supplies, mailing and discounts.



Bad Debt (Uncollectible Receivables) and Other Operating Income (Expense)

Bad Debt (R$ MM)	2Q18	2Q17	% Change 2Q18/2Q17	1Q18	% Change 2Q18/1Q18	1H18	1H17	% Change 1H18/1H17
Bad Debt/Uncollectible Receivables	(35.3)	(28.5)	24.1%	(34.9)	1.3%	(70.2)	(57.0)	23.2%
% Net Revenue	7.3%	5.8%	148bps	7.3%	4bps	7.3%	5.9%	142bps

Breakdown	2Q18	2Q17	% Change 2Q18/2Q17	1Q18	% Change 2Q18/1Q18	1H18	1H17	% Change 1H18/1H17
Bad Debt	(42.1)	(32.5)	29.7%	(40.2)	4.8%	(82.3)	(65.1)	26.4%
Recovering	6.8	4.0	70.2%	5.3	27.7%	12.1	8.1	48.4%

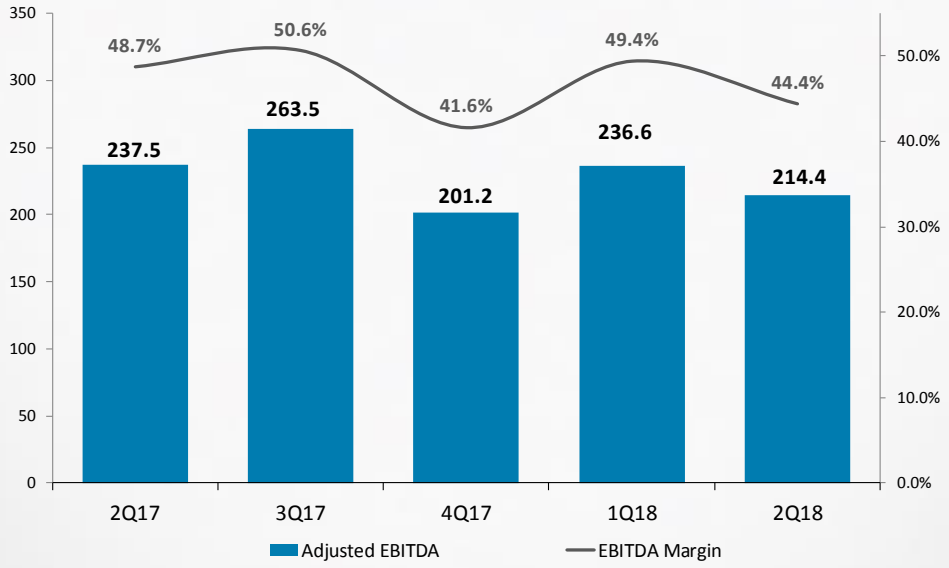
Other Operating Income/Expenses (R$ MM)	2Q18	2Q17	% Change 2Q18/2Q17	1Q18	% Change 2Q18/1Q18	1H18	1H17	% Change 1H18/1H17
Expenses related to contingencies	(5.1)	(4.0)	30.0%	(5.9)	-12.6%	(11.0)	(7.9)	40.0%
Impairment	0.5	0.5	16.0%	0.7	-24.4%	1.3	1.0	21.6%
Operational Losses	(3.3)	(1.8)	82.9%	5.8	-156.5%	2.5	(2.0)	-224.7%
Potencial Sale	-	(40.6)	N.A.	-	N.A.	-	(40.6)	N.A.
Other income (expenses)	0.9	0.8	9.4%	(5.0)	-118.6%	(4.0)	1.1	-452.6%
Total Consolidated	**(7.0)**	**(45.1)**	**-84.5%**	**(4.3)**	**61.9%**	**(11.3)**	**(48.4)**	**-76.7%**
(-) One-time revenues	-	-	N.A.	-	N.A.	-	-	N.A.
(+) One-time expenses	-	40.6	N.A.	-	N.A.	-	40.6	N.A.
Total Consolidated	**(7.0)**	**(4.5)**	**56.8%**	**(4.3)**	**61.9%**	**(11.3)**	**(7.7)**	**45.8%**

Financial Income (Expense)

Financial Income (Expenses) (R$MM)	2Q18	2Q17	% Change 2Q18/2Q17	1Q18	% Change 2Q18/1Q18	1H18	1H17	% Change 1H18/1H17
Financial income								
Income from short-term investments	8.6	18.2	-52.7%	9.2	-6.2%	17.7	35.9	-50.6%
Interest and fine on late payment of health plans	6.4	13.6	-53.1%	6.1	4.4%	12.4	28.9	-56.9%
Other income	0.7	2.5	-71.4%	1.1	-37.4%	1.9	8.8	-78.9%
Total	**15.7**	**34.2**	**-54.3%**	**16.4**	**-4.5%**	**32.0**	**73.6**	**-56.5%**
Financial expenses								
Debentures Interest	(11.6)	(17.8)	-34.6%	(11.8)	-1.5%	(23.4)	(38.8)	-39.6%
Monetary adjustment from acquisition payables	-	(8.8)	-100.0%	(0.2)	-100.0%	(0.2)	(17.3)	-98.8%
Other financial expenses	(11.2)	(11.3)	-0.7%	(10.6)	6.5%	(21.8)	(22.4)	-2.8%
Total	**(22.9)**	**(37.9)**	**-39.7%**	**(22.6)**	**1.4%**	**(45.4)**	**(78.6)**	**-42.2%**
Total Consolidated	**(7.2)**	**(3.7)**	**95.0%**	**(6.2)**	**16.9%**	**(13.4)**	**(4.9)**	**170.6%**

Adjusted EBITDA

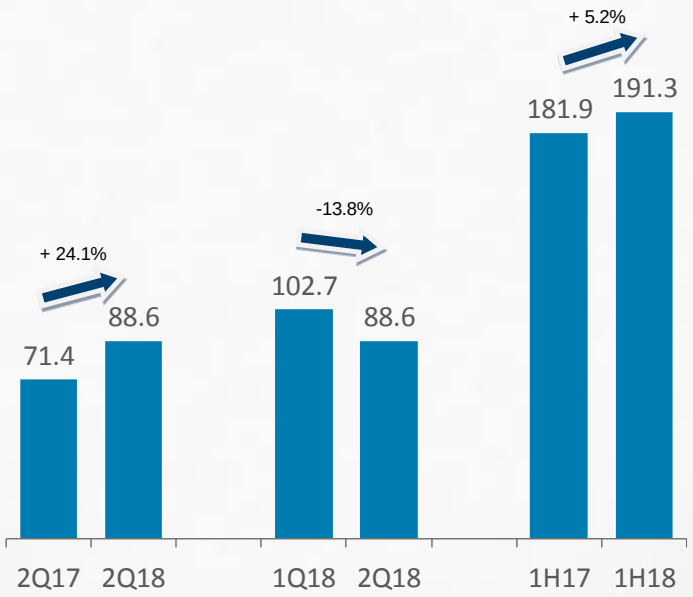
EBITDA and Adjusted EBITDA (R$ MM)	2Q18	2Q17	% Change 2Q18/2Q17	1Q18	% Change 2Q18/1Q18	1H18	1H17	% Change 1H18/1H17
Net Income	88.6	71.4	24.1%	102.7	-13.8%	191.3	181.9	5.2%
(+) Taxes	50.8	47.8	6.4%	61.2	-17.0%	112.0	91.3	22.7%
(+) Depreciation and Amortization	79.0	76.4	3.4%	78.2	0.9%	157.2	152.0	3.4%
(+) Financial Expense	22.9	37.9	-39.7%	22.6	1.4%	45.4	78.5	-42.2%
(-) Financial Income	(15.6)	(34.2)	-54.3%	(16.4)	-4.5%	(32.0)	(73.6)	-56.5%
EBITDA	**225.6**	**199.3**	**13.2%**	**248.3**	**-9.2%**	**473.9**	**430.1**	**10.2%**
EBITDA Margin	**46.7%**	**40.9%**	**585bps**	**51.8%**	**-509bps**	**49.3%**	**44.4%**	**487bps**
Non-cash Stock Option Plan Expense	0.3	2.5	-87.1%	0.3	0.0%	0.6	9.5	-93.3%
Potencial Sale	-	40.6	N.A.	-	N.A.	-	40.6	N.A.
Interest and fine on late payment of health plans	6.3	13.6	-53.3%	6.1	4.0%	12.4	28.9	-57.0%
New sales comission amortization	(17.8)	(18.4)	-3.1%	(18.1)	-1.7%	(35.9)	(35.8)	N.A.
Adjusted EBITDA	**214.4**	**237.5**	**-9.7%**	**236.6**	**-9.4%**	**451.0**	**509.2**	**-11.4%**
Adjusted EBITDA Margin	**44.4%**	**48.7%**	**-430bps**	**49.4%**	**-496bps**	**46.9%**	**52.5%**	**-566bps**



Net Income (Loss)

Net Income (Loss) (R$ MM)	2Q18	2Q17	% Change 2Q18/2Q17	1Q18	% Change 2Q18/1Q18	1H18	1H17	% Change 1H18/1H17
Net Income	88.6	71.4	24.1%	102.7	-13.8%	191.3	181.9	5.2%

NET INCOME (LOSS) R$



Investments[1] (CAPEX) and Capital Structure

Capex (R$ MM)	2Q18	2Q17	% Change 2Q18/2Q17	1Q18	% Change 2Q18/1Q18
Capex in IT	18.1	10.5	72.0%	12.5	44.6%
Other Capex	0.2	0.5	-57.4%	0.3	-30.3%
Right Assignment Agreeement / Exclusivity	10.0	-	0.0%	13.6	-26.5%
TOTAL	28.3	11.0	157.2%	26.4	7.1%

Capital Structure (R$ MM)	2Q18	4Q17	Var. 2Q18/4Q17
Current Debt	21.4	39.2	-45.5%
Long Term Debt[(1)]	619.9	613.3	1.1%
TOTAL	641.2	652.5	-1.7%
Cash and cash equivalents[(2)]	400.0	517.7	-22.7%
TOTAL NET DEBT	241.3	134.8	79.0%

(1) Includes acquisition payables.
(2) Includes acquisition payables recognized as “other payables”. 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 subsidiarie *Clube de Saúde Administradora de Benefícios Ltda.*, according to the 33rd normative instruction by the ANS, from October 5, 2009.

Cash Flow

Cash Flow	2Q18	1Q18	2017	4Q17	3Q17	2Q17
Income adjusted by non-cash effects	236,158	260,110	1,054,840	225,286	293,744	266,345
Working Capital	(49,100)	67,827	(204,997)	(123,585)	(30,340)	(89,595)
Interest paid	(23,740)	-	(73,960)	(32,769)	-	(41,191)
Dividends received/paid	-	-	(19,072)	(9,440)	(2,245)	(6,242)
Income tax and social contribution paid	(33,111)	(33,744)	(148,075)	(47,321)	(41,504)	(33,962)
Cash Flow from Operating Activities	**130,207**	**294,193**	**608,736**	**12,171**	**219,655**	**95,355**
Capex (TI)	(20,168)	(10,644)	(40,603)	(13,024)	(10,814)	(7,160)
PP&E	(196)	(429)	(8,825)	(7,301)	(650)	(504)
New Sales Comissions	(16,674)	(14,247)		(16,378)	(16,904)	(18,787)
Intangible (M&A + Portfolio + Deals)	(10,375)	(25,340)	(356,024)	(315,617)	(7,316)	(374)
Cash Flow from Investment Activities	**(47,413)**	**(50,660)**	**(405,452)**	**(352,320)**	**(35,684)**	**(26,825)**
Cash Flow from Operating Activities (-) Capex	**82,794**	**243,533**	**203,284**	**(340,149)**	**183,971**	**68,530**
Cash Flow from Financing Activities	**(192,091)**	**(233,031)**	**(79,689)**	**4,852**	**(57,024)**	**(27,517)**
Other Investments	**39,120**	**21,434**	**(50,154)**	**199,720**	**(124,783)**	**13,669**
Total Cash Flow	**(70,177)**	**31,936**	**73,441**	**(135,577)**	**2,164**	**54,682**
Cash Flow on the begining of the period	**178,669**	**146,733**	**125,361**	**282,310**	**280,146**	**225,464**
Cash Flow on the end of the period	**108,492**	**178,669**	**146,733**	**146,733**	**282,310**	**280,146**

Thank you!

IR Contact

Tel: +55 11 3191-3829
E-mail: ri@qualicorp.com.br