Message from Management

2011 was a year of many challenges:

We held our IPO in June 2011 and were listed in the Novo Mercado trading segment of the Brazilian stock market, which contains only those companies with the highest level of corporate governance.

The IPO was a major strategic step towards the consolidation and expansion of the Company's businesses, accelerating the process of creating administrative, financial, operational and commercial solutions that add value to our shareholders, consumers and partners. We also believe our IPO will help strengthen the supplemental health care industry in Brazil.

We concentrated our efforts on expanding our client base by doing everything possible to both raise the number of professional associations and increase our share and penetration of existing associations, thereby ensuring organic growth of the base, as well as expanding our activities into other regions where we do not have a presence as yet. The success of our organic growth strategy was confirmed by our sales, which reached the record level of 733,613 lives in all segments, 58.6% more than in 2010. [1]

Finally, we celebrated a year of excellent results with robust portfolio growth and balanced revenue and expenses, resulting in adjusted EBITDA of R$251.3 million, fueled by organic growth, market consolidation and new investment opportunities.

In 2012, we will be maintaining our focus on organic growth, consolidation of the market and new opportunities for investments. We therefore believe that part of our expansion will come from specific opportunities for acquiring companies or strategic assets related to the Qualicorp Group's activities.

[1]The 2010 figures were taken from the unaudited, pro forma financial statements for comparative purposes, except the 4Q10 figures, which come from the statements of Qualicorp S.A. For more details, see section 3.9 of our IPO Final Prospectus .

The Company's Businesses

Qualicorp is a health care benefits service provider and manager in Brazil. With around 3.8 million beneficiaries at the close of 2011, we also believe we are the leader in these segments. We were founded in 1997 to improve access to high-quality private health care plans with 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, clients (beneficiaries and corporate clients) and partners (health insurance companies, health care plan operators and professional associations and/or institutions).

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

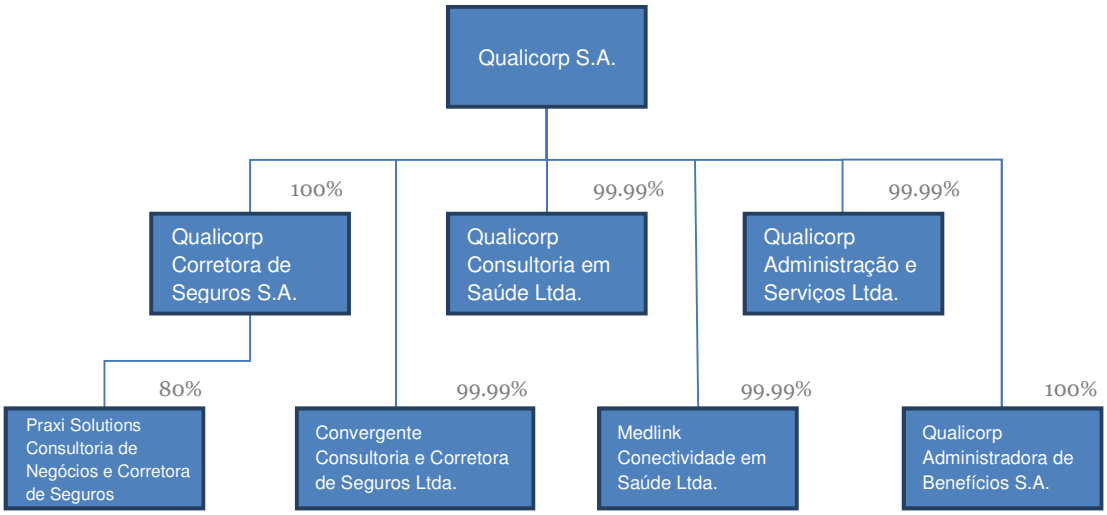
Affinity

We negotiate with health insurance companies and group health care operators on behalf of professional associations and/or institutions and act 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 care plan. 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 clients.

Qualicorp S.A. and its subsidiaries (on 12/31/2011)



Medlink Conectividade em Saúde became a member of the Qualicorp Group on April 1, 2011, when it was acquired by us, while Praxisolutions Consultoria de Negócios e Corretora de Seguros, in which we retain an 80% interest, joined the Group on July 26, 2011.

2011 Highlights

In 2011, Qualicorp held its IPO and its shares were listed in the Novo Mercado trading segment of the Brazilian stock market, which contains only those companies with the highest level of corporate governance.

Highlights:

In July, we strengthened our partnerships with health plan operators in the C and D income groups, in order to expand our line of products and services and reach this consumer segment, which has proved to be one of the most promising in the country. In regard to reinforcing our operations in other regions and with other types of partner, we acquired the rights to manage and sell the contracts of the following companies: (i) Afinidade Administradora de Benefícios and Equilibrar Corretora, which operate in Brasília, Espírito Santo, Minas Gerais and Rio de Janeiro; (ii) Divicom Administradora de Benefícios, which operates in São Paulo and Rio de Janeiro; and (iii) Newport Consultoria e Corretagem de Seguros e NWP Assessoria em Negócios Comerciais e Corretagem de Seguros, which operates in the corporate segment. On the market consolidation front, we acquired: (i) 100% of Medlink Conectividade em Saúde, which allowed us to improve our portfolio risk management and connectivity service performance, thereby complementing our existing businesses in the TPA and health management segments; and (ii) 80% of Praxisolutions Consultoria de Negócios e Corretora de Seguros, in order to invest in new opportunities, thereby offering new products and services to current and future clients.

To the Shareholders

We are pleased to submit for your appreciation the main numbers and the individual and consolidated accounting information of Qualicorp S.A. (formerly QC Holding I Participações S.A.) ("Company") and its subsidiaries for the fiscal year ended December 31, 2011.

The main operating and financial highlights are shown below:

- ✓ Annual net revenue and adjusted EBITDA increased by 43.8% and 44.4%, respectively, over 2010. [1]

- ✓ Our total beneficiaries portfolio, including the Affinity and Corporate & Others segments grew by 27.3% in 4Q11 over 4Q10, reflecting the following:

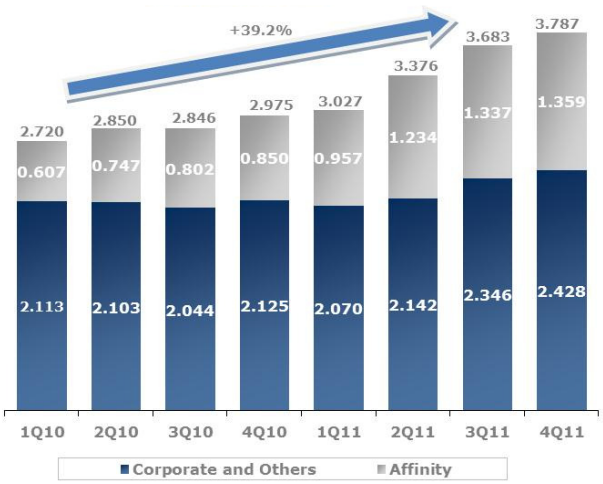
    - Affinity Segment beneficiaries recorded growth of 59.8% over 2010, while our Corporate & Others beneficiaries moved up by 14.3% in the same period.

- ✓ Total consolidated net revenue grew by 43.8% in 2011 over 2010.

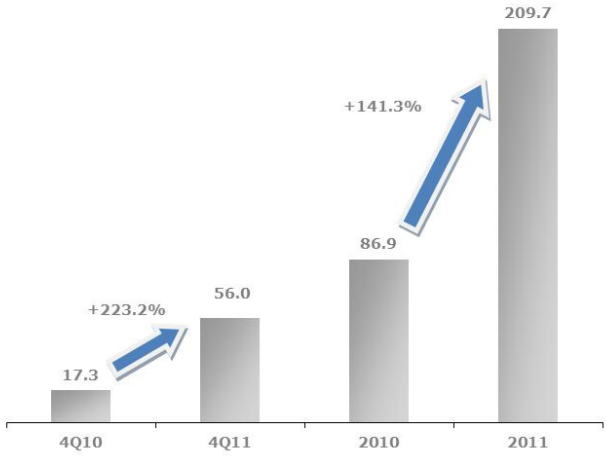
- ✓ Consolidated adjusted EBITDA[2] in 2011 climbed by 44.4% over the year before, while 4Q11 cash earnings improved by 223.4% over 4Q10. Cash earnings were adjusted for: (i) non-recurring expenses; (ii) the amortization of certain intangible assets; (iii) business combination transactions; and (iv) the amortization of deferred assets related to the acquisition of portfolios.

[2] We have presented EBITDA and adjusted EBITDA because management believes them to be accurate indicators of financial performance. However, EBITDA and adjusted EBITDA are not measures of financial performance according to IFRS, 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 a measure of liquidity. EBITDA and adjusted EBITDA correspond to net income before income and social contribution taxes, the financial result, depreciation and amortization expenses, and other adjustments. "Other adjustments" include items such as expenses from acquisitions and associations, expenses from corporate restructuring and expenses from the IPO.

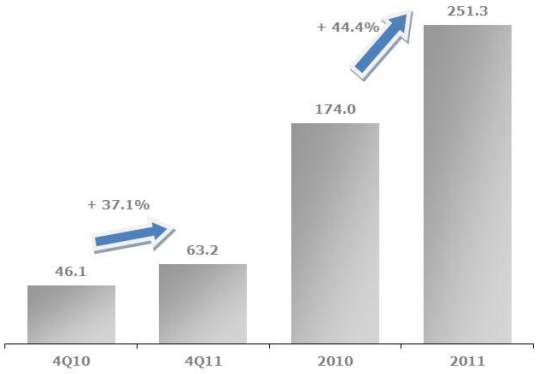
BENEFICIARIES (MM)



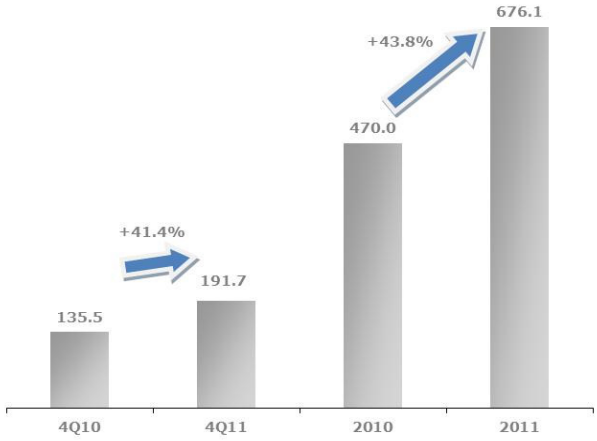
CASH EARNINGS (R$ MM)



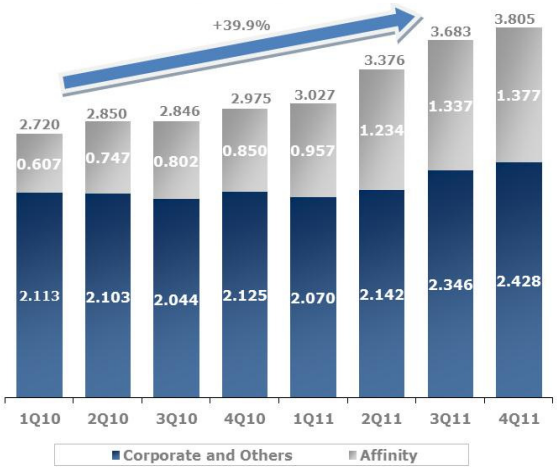
ADJUSTED EBITDA (R$ MM)



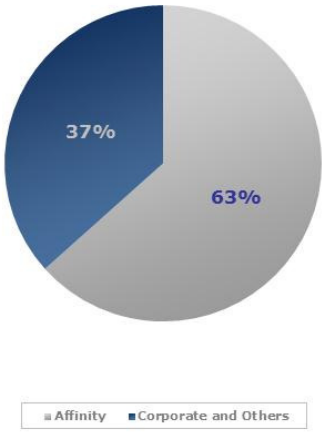
NET REVENUE (R$ MM)



BENEFICIARIES (MM)



NEW BENEFICIARIES IN 2011 BREAKDOWN



Total beneficiaries in 2011 grew by 27.2% over 2010, equivalent to a net addition of 811,000, reflecting: (i) the increase of 508,000 beneficiaries in the Affinity segment (62.6% of the total); and (ii) the addition of 303,000 beneficiaries in the Corporate & Others segment (37.4% of the total).

Our Affinity beneficiary portfolio expanded by 59.8% in 2011 (39.7% in the Health segment and 133.7% in New Products).

Our Corporate & Others portfolio moved up by 14.3% in 2011 (59.5% in the Corporate segment, 4,5% in Self-Management, 26.4% in Small and Medium Enterprises and 56.0% in Health Management).

Our Performance and Financial Statements

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, respectively identified as Consolidated – IFRS and 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 Executive Board declares that that it has discussed, reviewed and agreed with the independent auditor's report regarding the financial statements for the fiscal year ended December 31, 2011.

Income Statement	4Q11	4Q10	Inc (Dec) 4Q11/4Q10	2011	2010	Inc (Dec) 2011/2010
Net Revenues	191.706	135.536	41,4%	676.058	470.034	43,8%
COGS	(50.300)	(34.318)	46,6%	(180.229)	(119.798)	50,4%
Operating Expenses	(125.190)	(108.342)	15,6%	(484.498)	(323.032)	50,0%
Other Financial Information						
Adjusted EBITDA	63.190	46.083	37,1%	251.273	173.978	44,4%
Adjusted EBITDA Margin	33,0%	34,0%	-3,1%	37,2%	37,0%	0,4%
Cash Earnings	56.028	17.338	223,2%	209.728	86.899	141,3%

Balance Sheet	2011	2010	Inc (Dec) 2011/2010
Equity	1.938.120	1.611.846	20,2%
Net Debt	1.527	271.699	-99,4%

Other	2011	2010	Inc (Dec) 2011/2010
Net Debt / Equity	0.00 x	0.16 x	0,0%
Net Debt / Adjusted EBITDA LTM	0.01 x	1.52 x	0,0%

The main decision-making bodies of the Qualicorp Group in its constant pursuit of the highest standards of transparency, equity and quality in regard to accountability, are the Board of Directors (comprising 12 sitting members, 20% of whom independent members) and its committees (comprising Board members and independent advisors), namely:

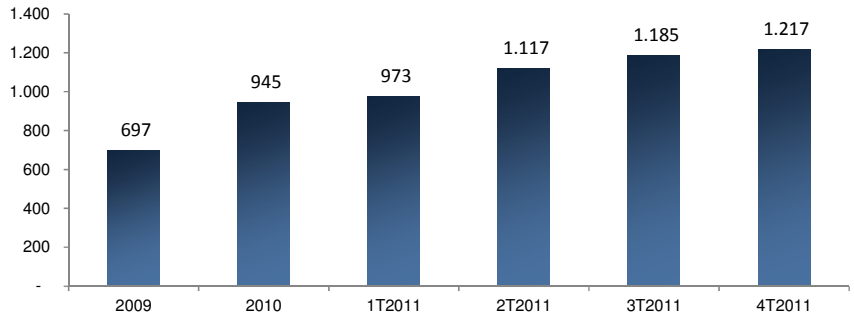
- Audit Committee: the Annual Shareholders' Meeting of March 3, 2011 approved the installation of the Audit Committee, made up of five members, all of whom members of the Board of Directors. Its responsibilities involve determining the scope of the internal and external audit, overseeing the work of 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.

- Compensation Committee: the Annual Shareholders' Meeting of March 3, 2011 also approved the installation of the Compensation Committee, made up of three members, all of whom members of the Board of Directors. Its responsibilities involve overseeing the compensation policies adopted by the Qualicorp Group in accordance with market practices and in line with the Company's short and long-term strategies. It meets twice a year to discuss these matters.

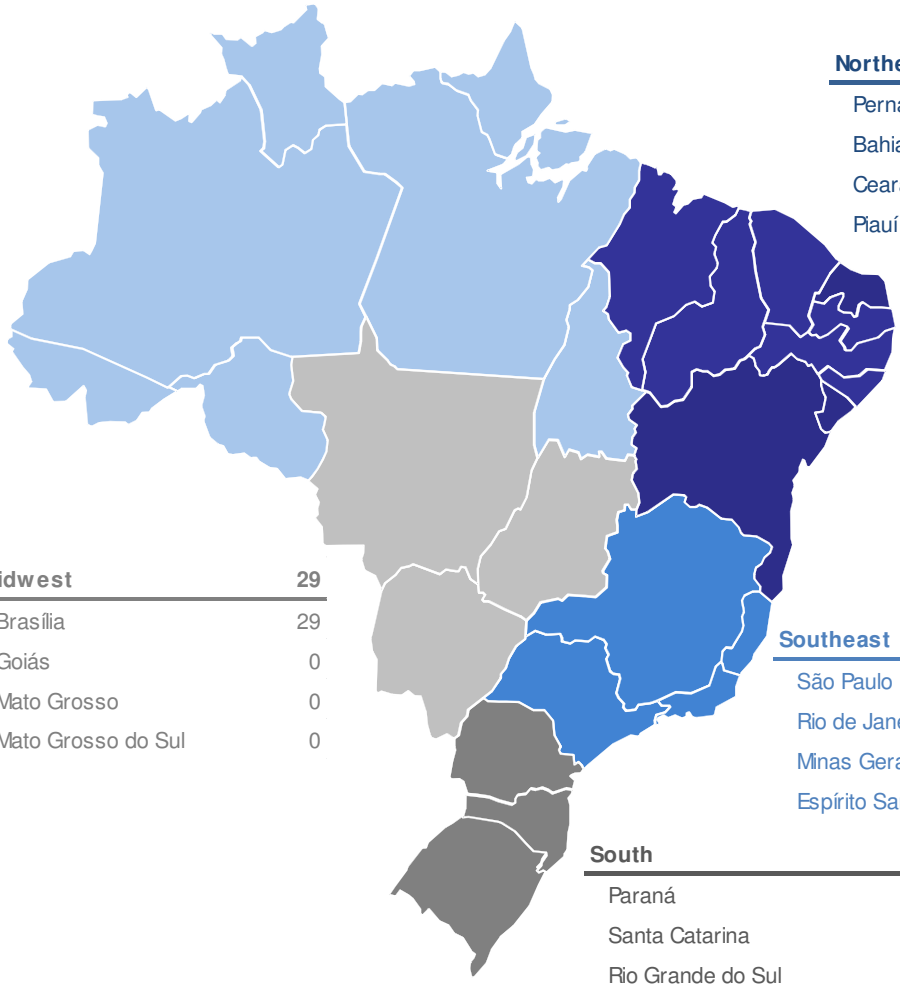
- Code of Ethics and Professional Conduct: The Qualicorp Group's Code of Ethics and Professional Conduct was approved by the Board of Directors' Meeting of June 27, 2011. It consolidates those guidelines and standards of behavior that are considered ethically correct in order to regulate the conduct 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 for consultation on our website: www.qualicorp.com.br

Human Resources

We closed 2011 with 1,217 employees. The following chart shows the growth of our workforce between 2009 and 2011.



Of this total, the substantial majority (85%) are based in the state of São Paulo:



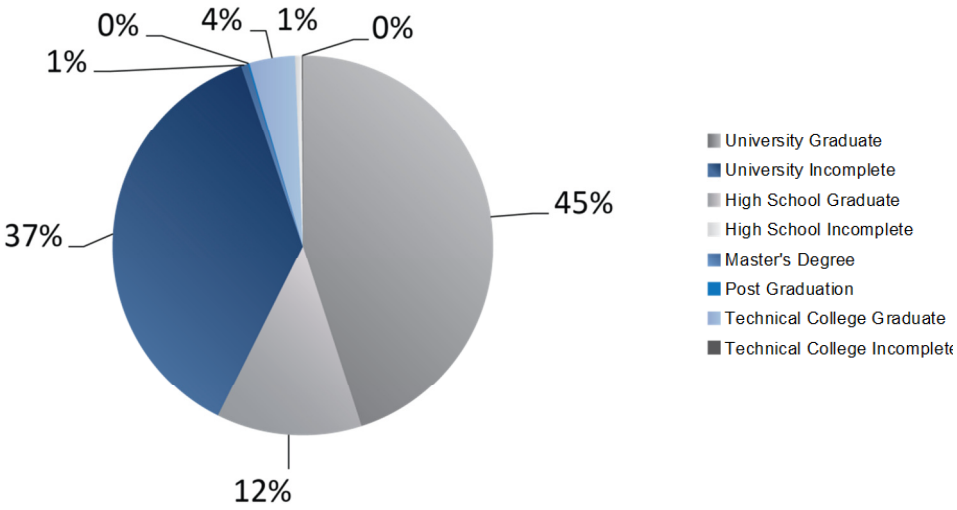
Northeast	13
Pernambuco	3
Bahia	10
Ceará	0
Piauí	0

Midwest	29
Brasília	29
Goiás	0
Mato Grosso	0
Mato Grosso do Sul	0

Southeast	1.173
São Paulo	1.039
Rio de Janeiro	123
Minas Gerais	8
Espírito Santos	3

South	2
Paraná	2
Santa Catarina	0
Rio Grande do Sul	0

And 45% are university graduates:



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 as per the applicable Brazilian legislation and their compensation consists of their basic salary, commissions (if applicable) and a share of the profits, within the average parameters of our operational market.

All employees are eligible to receive a share of the Company's profits (PPR), which is directly related to compliance with the goals established by management.

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) a share of the profits; and (vii) a stock option plan.

In addition, our training policy encourages the development of our employees' skills. Incentives include: (i) scholarships for specialization courses (MBAs and graduate courses); and (ii) internal and external courses and training programs for the Company's various areas.

Economic Scenario

The domestic economic scenario remained favorable for our segments throughout 2011, despite the more conservative global scenario.

Domestic GDP growth slowed in the final quarter and the government has been adopting a series of measures to fuel the resumption of economic expansion and improve the distribution of wealth, whose benefits for growth should become apparent in 2012.

Supplemental Health Scenario in Brazil

According to the National Supplemental Health Agency (ANS), health plan penetration in Brazil has increased by around 48% in the last eight years, reaching 47 million individuals at the close of September 2011. However, this represented only 24.6% of the Brazilian population.

In July 2009, 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 in the case of professional or trade associations. They 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 ourselves. We believe the new regulatory framework makes group health plans an attractive option for people who are not covered by a corporate plan to gain access to the private health system.

Active operators / insurers by type and size – Brazil (September 2011)

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	**1.618**	**222**	**988**	**307**	**101**
Benefit managers	74	74	-	-	-
Self-management	235	28	166	31	10
Health care cooperative	332	7	169	119	37
Dental care cooperative	127	9	92	22	4
Philanthropic	94	4	67	21	2
Group health care	439	50	273	89	27
Group dental care	304	50	219	22	13
Specialized health care	13	-	2	3	8

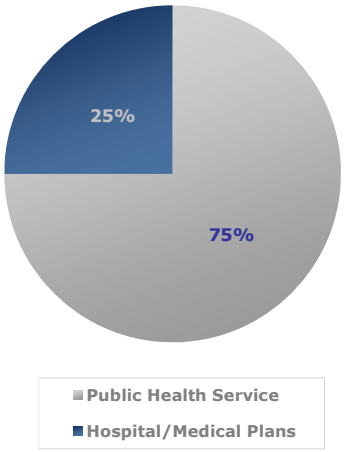
Source: ANS/ Beneficiary Information System (SIB) / Ministry of Health (MS) – September 2011

It is worth noting that the private health care market is highly fragmented and mostly consists of small-scale operators/insurers, who jointly account for 61.1% 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 September 2011, approximately 47.0 million beneficiaries (0.17% more than in the second quarter) were registered with the ANS. In other words, around 24.4% of the Brazilian population was covered by some kind of health care plan. Of these 47.0 million beneficiaries, 25% were covered by private plans with coverage for medical consultations, complementary medical tests and hospital admissions.

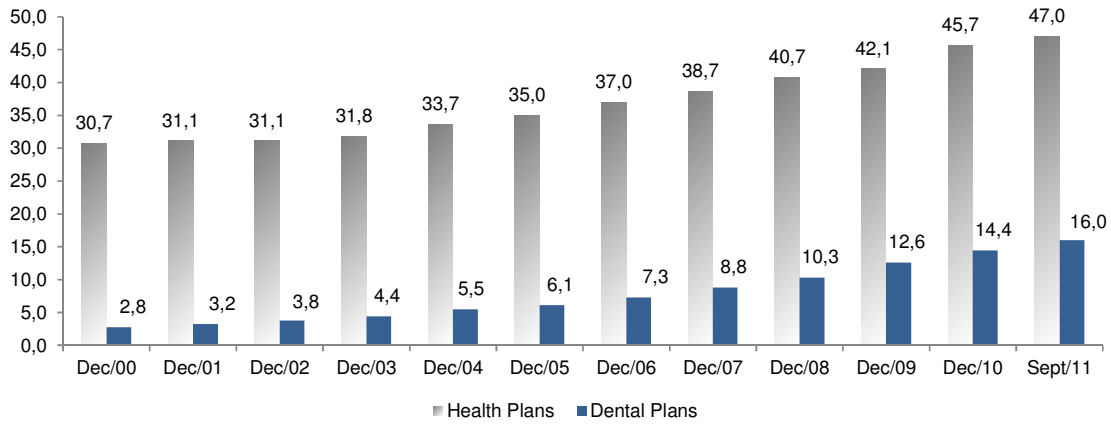
Distribution of health plans in Brazil (2011)



Source: Health Supplement - PNAD (Brazilian Household Survey) / IBGE

- 25% contributed to private health care plans with coverage for medical consultations, additional medical tests and hospital admissions (full-coverage);

Beneficiaries of private health care plans in Brazil by type of plan (2000-2011 - million)

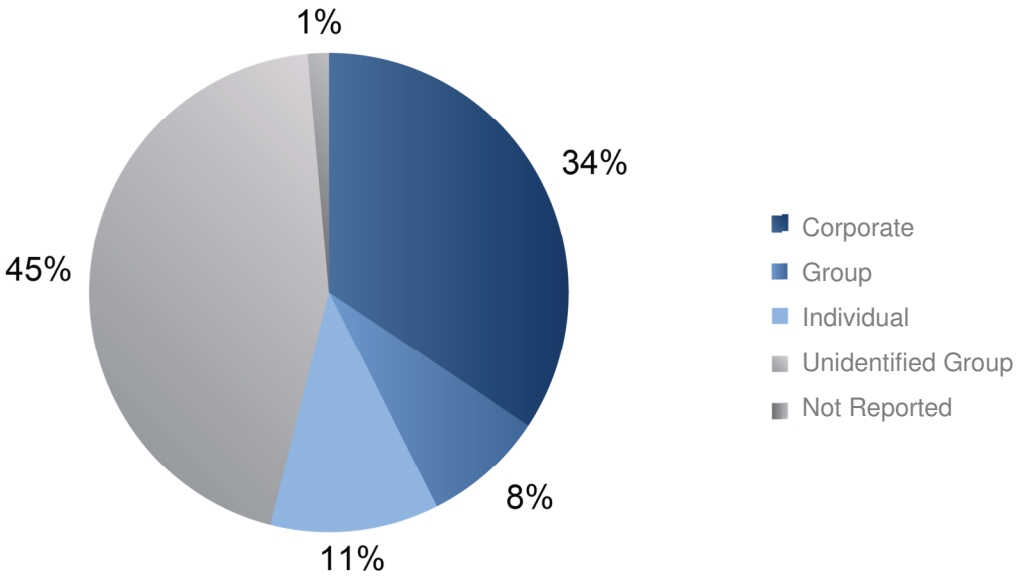


Source: ANS/ Beneficiary Information System (SIB) / Ministry of Health (MS) – September 2011

- At the close of 3Q11, there were 47 million health plan beneficiaries and 16 million exclusive dental care plan beneficiaries, representing growth of 0.17% and 1.60%, respectively, over the previous quarter.

- According to the ANS, revenue from operators/insurers through 3Q11 totaled R$59.2 billion, 9.1% more than in the first nine months of 2010.

Distribution of beneficiaries by plan coverage in Brazil (September 2011)



Source: ANS/ Beneficiary Information System (SIB)/Ministry of Health (MS) – September 2011

Of the health plan beneficiaries, 45% were in group plans (around 21 million beneficiaries) and 16 million were in corporate plans.

Brazilian health care operators/insurers - revenue from premiums and expenses by size of operator

Size of Operator	Revenue (R$)	Medical/dental expenses (R$)	Administrative expenses (R$)	Beneficiaries (1)	Loss ratio (%)	Average monthly revenue (R$)
Total	**74.838.390.176**	**59.994.354.895**	**11.977.698.060**	**60.145.191**	**80,2**	**103,69**
Health care plan operators	**73.166.459.294**	**59.226.395.645**	**11.436.507.763**	**47.727.588**	**80,9**	**127,75**
Smalll (up to 20,000 beneficiaries)	6.063.213.190	4.779.290.626	2.307.080.610	4.518.527	78,8	111,82
Medium (20,000 to 100,000 beneficiaries)	16.615.930.331	13.506.180.795	3.346.829.401	11.529.213	81,3	120,10
Large (more than 100,000 beneficiaries)	50.487.315.773	40.940.924.224	5.782.597.752	31.679.848	81,1	132,81
Exclusive dental care operators	**1.671.930.882**	**767.959.250**	**541.190.297**	**12.417.603**	**45,9**	**11,22**
Smalll (up to 20,000 beneficiaries)	251.872.893	122.571.695	124.767.095	1.566.092	48,7	13,40
Medium (20,000 to 100,000 beneficiaries)	314.620.677	166.343.081	106.742.201	2.004.948	52,9	13,08
Large (more than 100,000 beneficiaries)	1.105.437.312	479.044.474	309.681.001	8.846.563	43,3	10,41

Source: ANS/ Beneficiary Information System (SIB)/Ministry of Health (MS) - 06/2011 - September 2011)

- Through September 2011, health care operators/insurers recorded R$73.2 billion in revenue from premiums.
- Monthly revenue per beneficiary averaged R$103.69.
- Loss ratios did not vary significantly by operator size, although average revenue did, increasing proportionally to the size of the operator.

Distribution of health care plans by type

Health care plans are classified by the ANS as follows:

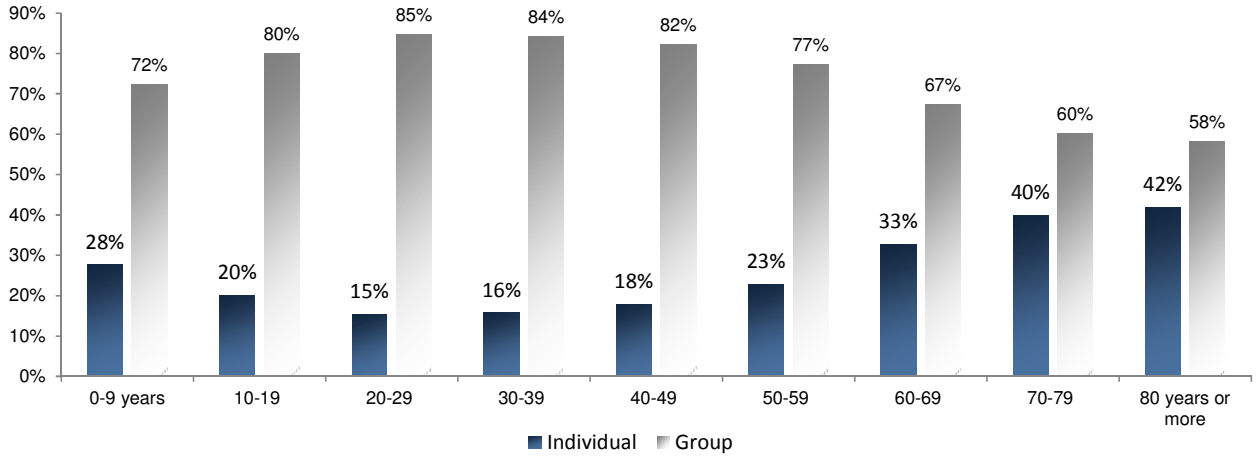
Individual/family: Agreement entered into between an individual and a health care plan operator for the provision of health care services to said individual (individual plan) or pensioner and his or her dependents (family plan)..

Group: Agreement entered into between a company and a health care plan provider 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 enactment of Law 9656/98. The plan details were not reported to ANS.

Source: ANS

Breakdown of health plan beneficiaries by age (Brazil – September 2011)



Source: ANS/ Beneficiary Information System (SIB)/Ministry of Health (MS) - 06/2011 - September 2011)

Around 11.0% of health plan beneficiaries are elderly, i.e. 60 years or older.

However, only 6.63% of group health plan beneficiaries are aged 60 or older.

Changes in shareholders' equity

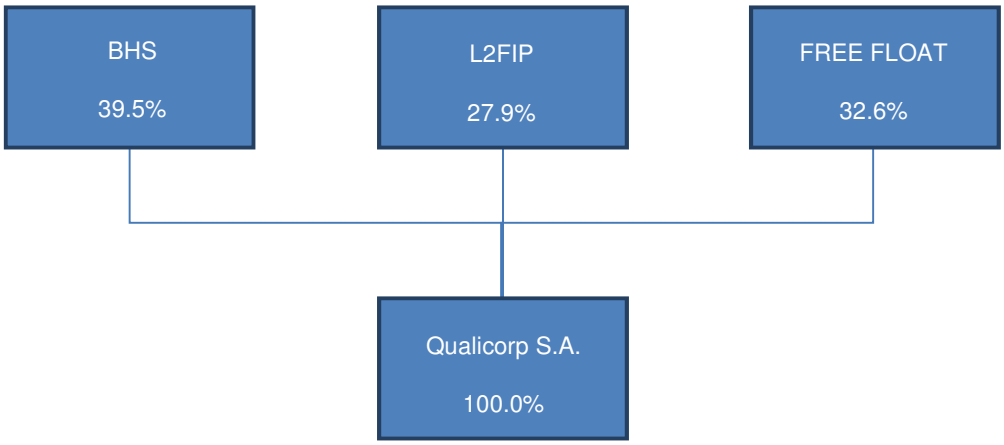
On May 30, 2011, the Company's Board of Directors approved a 7:1 reverse split of the Company's common shares. As a result, the Company's the capital stock then comprised 231,411,805 registered common shares with no par value

On June 29, 2011, through its IPO, the Company issued 27,219,429 shares via a primary public offering, raising R$337 million net of commissions and other related expenses. Settlement was on July 1, 2011.

At the Extraordinary Shareholders' Meeting of December 20, 2011, the Company's Board of Directors approved a capital increase of R$4,141 thousand through the issue of 1,452,229 new registered common shares with no par value, due to the exercise of stock options within the scope of the stock option plan.

Corporate Structure on 12/31/2011

At the close of 2011, there were 260,083,462 common shares, structured as follows:



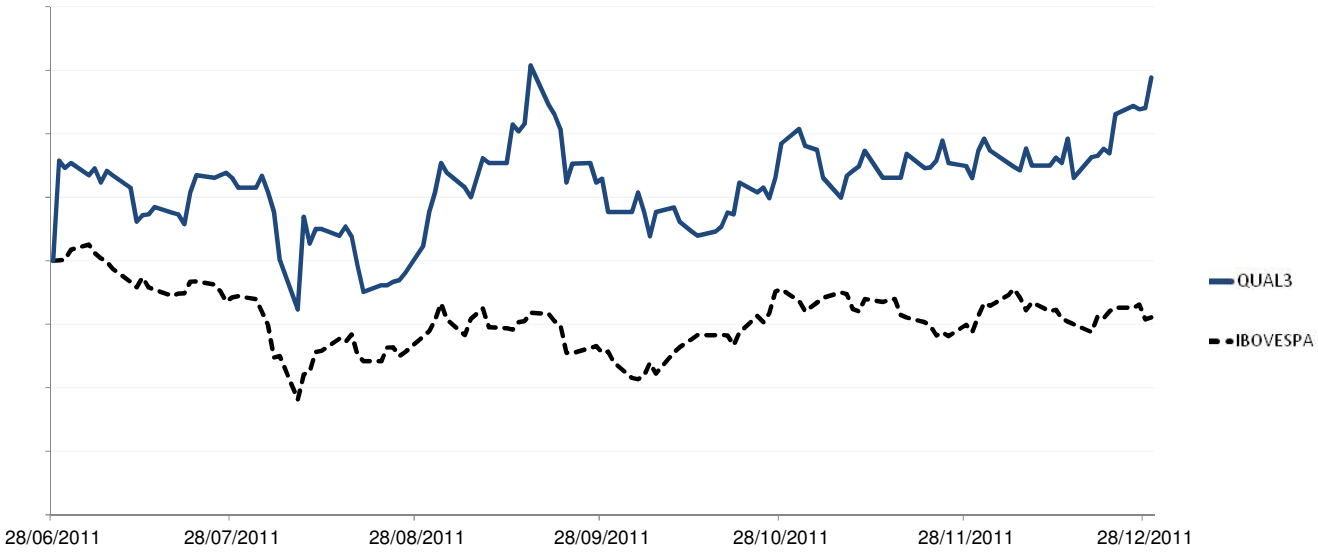
The following table shows the changes in the number of common shares in the 12 months ended December 31, 2011:

Number of common shares on December 31, 2010	1,614,882,635
Capital increase on May 30, 2011	5,000,000
Total number of shares before the reverse split	1,619,882,635
Reverse stock split (7:1) on May 30, 2011	231,411,805
Issue of new shares on June 29, 2011, settled on July 1, 2011	27,219,429
Capital increase on December 20, 2011	1,452,229
Number of common shares on December 31, 2011	260,083,463

Share price trends

Since the launch of the Company's shares on the Securities, Commodities and Futures Exchange (BM&FBovespa) at the end of 2011, they have consistently outperformed the IBOVESPA index.

The chart below shows the performance of the Company's shares against that of the IBOVESPA since their launch.



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 discretion, declare interim dividends on accrued income or profit reserves in the last annual or six-monthly balance sheet.

Relations with the independent auditors

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

Deloitte Touche Tohmatsu Auditores Independentes were hired by the Company to provide external audit services in connection with the financial statements. In accordance with CVM Instruction 381, we hereby declare that the auditors did not provide any other services in the fiscal year ended December 31, 2011 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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Qualicorp S.A. (Formerly QC Holding I Participações S.A.) and Subsidiaries

Financial Statements for the Year Ended December 31, 2011 and Independent Auditors' Report

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

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04719-030 - São Paulo - SP
Brasil

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www.deloitte.com.br

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT

To the Management and Shareholders of
Qualicorp S.A. (formerly QC Holding I Participações S.A.)
São Paulo - SP

We have audited the accompanying individual and consolidated financial statements of Qualicorp S.A. (formerly QC Holding I Participações S.A.) ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2011 and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB, and in accordance with accounting practices adopted in Brazil, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion on the individual financial statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Qualicorp S.A. (formerly QC Holding I Participações S.A.) as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Qualicorp S.A. (formerly QC Holding I Participações S.A.) as of December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs issued by IASB and accounting practices adopted in Brazil.

Emphasis of matter

We draw attention to note 2.1 to the financial statements, which states that the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Qualicorp S.A. these accounting practices differ from the IFRSs, applicable to separate financial statements, only with respect to the measurement of investments in subsidiaries, associates and joint ventures by the equity method of accounting, which for purposes of IFRSs would be measured at cost or fair value. Our opinion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added ("DVA") for the year ended December 31, 2011, prepared under the responsibility of the Company's Management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRSs that does not require a presentation of DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 27, 2012

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

José Barbosa da Silva Junior
Engagement Partner

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

QUALICORP S.A. (FORMERLY QC HOLDING I PARTICIPAÇÕES S.A.) AND SUBSIDIARIES

BALANCE SHEETS AS OF DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais - R$)

		12/31/2011		12/31/2010				12/31/2011		12/31/2010	
ASSETS	Note	Company (BR GAAP)	Consolidated (IFRS and BR GAAP)	Company (BR GAAP)	Consolidated (IFRS and BR GAAP)	LIABILITIES AND EQUITY	Note	Company (BR GAAP)	Consolidated (IFRS and BR GAAP)	Company (BR GAAP)	Consolidated (IFRS and BR GAAP)
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	9.1	135,311	369,668	-	139,094	Debentures	18	-	75,622	-	56,719
Short-term investments	9.2	-	12,233	-	6,521	Taxes payable	19	229	19,243	-	9,561
Trade receivables	11	-	49,028	-	16,085	Premiums to be transferred	20	-	36,127	-	8,764
Other assets		547	31,876	-	15,691	Financial transfers payable	21	-	8,151	-	4,384
Other financial assets	12.1	381	29,446	-	12,388	Payroll and related taxes	22	113	21,843	-	17,876
Other nonfinancial assets	12.2	166	2,430	-	3,303	Transferable prepayments	23	-	42,317	-	28,268
Related parties	14.1	1,894	1,894	-	-	Related parties	14.1	1,894	-	-	1,221
Total current assets		137,752	464,699	-	177,391	Other payables	24	44	81,620	49	26,909
						Total current liabilities		2,280	284,923	49	153,702
Long-term assets:											
Trade receivables		-	946	-	421	NONCURRENT LIABILITIES					
Deferred income tax and social contribution	13	-	273,645	-	17,200	Debentures	18	-	295,574	-	354,074
Other assets		-	3,913	-	4,315	Taxes payable	19	-	4,487	-	-
Other financial assets	12.1	-	3,913	-	4,315	Deferred income tax and social contribution	13	-	269,477	-	288,446
Total long-term assets		-	278,504	-	21,936	Provision for risks	25	-	51,007	-	44,537
				-		Deferred income	26	-	5,818	-	526
Investments	15	1,808,500	66	1,611,895	66	Options on noncontrolling interest liability	8.c	-	5,871	-	-
Property, plant and equipment	16	-	18,833	-	9,400	Others liabilities		-	29	-	-
Intangible assets:						Total noncurrent liabilities		-	632,263	-	687,583
Goodwill	17	-	1,032,301	-	1,298,601						
Other intangible assets	17	-	1,060,903	-	945,737	EQUITY					
Total noncurrent assets		1,808,500	2,390,607	1,611,895	2,275,740	Capital	27	1,809,341	1,809,341	1,466,630	1,466,630
						Capital reserves	27	40,505	40,505	17,192	17,192
						Valuation adjustments to equity	27	145,044	145,044	145,044	145,044
						Accumulated losses		(50,918)	(50,918)	(17,020)	(17,020)
						Shareholders' equity attributable to parent company's owers		1,943,972	1,943,972	1,611,846	1,611,846
						Noncontrolling interest in subsidiaries		-	(5,852)	-	-
						Total equity		1,943,972	1,938,120	1,611,846	1,611,846
TOTAL ASSETS		1,946,252	2,855,306	1,611,895	2,453,131	TOTAL LIABILITIES AND EQUITY		1,946,252	2,855,306	1,611,895	2,453,131

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

QUALICORP S.A. (FORMERLY QC HOLDING I PARTICIPAÇÕES S.A.) AND SUBSIDIARIES

STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011 AND
FOR THE PERIOD FROM JULY 1 TO DECEMBER 31, 2010
(In thousands of Brazilian reais - R$, except loss per share)

		01/01/2011 to 12/31/2011		07/01/2010 to 12/31/2010	
	Note	Company (BR GAAP)	Consolidated (IFRS and BR GAAP)	Company (BR GAAP)	Consolidated (IFRS and BR GAAP)
NET OPERATING REVENUE	36.d	-	676,058	-	178,097
COST OF SERVICES	29	-	(180,229)	-	(45,187)
OPERATING INCOME (EXPENSES)					
Administrative expenses	30	(115,347)	(290,719)	(50)	(71,042)
Selling expenses	31	-	(155,504)	-	(46,922)
Losses on uncollectible receivables	32	-	(35,185)	-	(9,711)
Equity in subsidiaries	15	53,136	-	(17,313)	-
Other operating income (expenses), net	34	14	(3,090)		(760)
INCOME (LOSS) FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)		(62,197)	11,331	(17,363)	4,475
Financial income	33	8,690	52,746	-	10,130
Financial expenses	33	(413)	(64,613)	-	(19,576)
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(53,920)	(536)	(17,363)	(4,971)
INCOME TAX AND SOCIAL CONTRIBUTION	35	20,022	(33,134)	-	(12,392)
Current		-	(20,021)	-	(18,399)
Deferred		20,022	(13,113)	-	6,007
NET LOSS FOR THE YEAR/PERIOD		(33,898)	(33,670)	(17,363)	(17,363)
ATTRIBUTABLE TO					
Controlling interest		(33,898)	(33,898)	-	-
Noncontrolling interest		-	228	-	-
		(33,898)	(33,670)	(17,363)	(17,363)
LOSS PER SHARE - R$					
Basic (Brazilian reais per share)		(0.1383)	(0.1383)	(0.0750)	(0.0750)
Diluted (Brazilian reais per share)		(0.1383)	(0.1383)	(0.0750)	(0.0750)

Note: The Company has no other comprehensive income in the current and prior years, and therefore does not present its statement of comprehensive income.

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

QUALICORP S.A. (FORMERLY QC HOLDING I PARTICIPAÇÕES S.A.) AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY (COMPANY)
FOR THE YEAR ENDED DECEMBER 31, 2011 AND
FOR THE PERIOD FROM JULY 1 TO DECEMBER 31, 2010
(In thousands of Brazilian reais - R$)

	Note	Capital		Capital reserves	Valuation adjustments to equity		Company owners (BR GAAP)	Noncontrolling interests	Consolidated total (IFRS and BR GAAP)
		Paid-in capital	Expenses on shares issuance	Stock options granted	Fair value of merged shares	Accumulated losses			
BALANCE AS OF JULY 1, 2010		1	-	-	-	-	1	-	1
Capital increase - September 1, 2010	27	1,107,704	-	-	-	-	1,107,704	-	1,107,704
Merger of 31.41% of QC II shares - September 1, 2010	27	362,625	-	-	145,044	-	507,669	-	507,669
Share issuance costs	27	-	(3,700)	-	-	-	(3,700)	-	(3,700)
Buyback of granted shares - September 1, 2010		-	-	(10,145)	-	-	(10,145)	-	(10,145)
Granted shares - right expiration		-	-	(343)	-	343	-	-	-
Recognized granted options		-	-	23,334	-	-	23,334	-	23,334
Adjustment to granted options resulting from business combination	1.b	-	-	4,346	-	-	4,346	-	4,346
Loss for the period		-	-	-	-	(17,363)	(17,363)	-	(17,363)
BALANCES AS OF DECEMBER 31, 2010		1,470,330	(3,700)	17,192	145,044	(17,020)	1,611,846	-	1,611,846
Recognized options granted	28	-	-	23,313	-	-	23,313	-	23,313
Net loss (profit) of the year		-	-	-	-	(33,898)	(33,898)	228	(33,670)
Capital increase:									
Shares subscribed on June 29, 2011 and paid-in on July 1, 2011	27	353,853	(17,283)	-	-	-	336,570	-	336,570
Exercise of stock options in the year, paid-in	27 and 28	6,141	-	-	-	-	6,141	-	6,141
Noncontrolling interest - business acquisition		-	-	-	-	-	-	(209)	(209)
Granted options on noncontrolling interest	8.c	-	-	-	-	-	-	(5,871)	(5,871)
BALANCES AS OF DECEMBER 31, 2011		1,830,324	(20,983)	40,505	145,044	(50,918)	1,943,972	(5,852)	1,938,120

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

QUALICORP S.A. (FORMERLY QC HOLDING I PARTICIPAÇÕES S.A.) AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND
FOR THE PERIOD FROM JULY 1 TO DECEMBER 31, 2010
(In thousands of Brazilian reais - R$)

		01/01/2011 to 12/31/2011		07/01/2010 to 12/31/2010	
	Note	Company (BR GAAP)	Consolidated (IFRS and BR GAAP)	Company (BR GAAP)	Consolidated (IFRS and BR GAAP)
CASH FLOW FROM OPERATING ACTIVITIES					
Loss before income tax and social contribution		(53,920)	(536)	(17,363)	(4,971)
Adjustments by:					
Depreciation and amortization	30	58,889	129,772	-	34,754
Equity in subsidiaries	15	(53,136)	-	17,313	-
Gain (loss) on sale of property, plant and equipment and other assets		-	40	-	(59)
Stock options granted recognized	28	-	23,313	-	23,334
Payments to executives under stock option plan		-	-	-	(10,145)
Financial income and expenses		317	64,320	-	17,393
Provision for risks		-	3,666	-	1,040
		(47,850)	220,575	(50)	61,346
Increase in trade receivables		-	(35,584)	-	(538)
Increase in other assets		(547)	(15,100)	-	(11,785)
Increase (decrease) in taxes payable		(88)	7,649	-	(3,480)
Increase in premiums to be transferred		-	27,363	-	5,795
Increase in financial transfers payable		-	3,767	-	415
Increase (decrease) in payroll and related taxes		113	2,037	-	(8,675)
Decrease (increase) in other payables		(5)	(9,567)	49	11,818
Increase in transferable prepayments		-	14,049	-	5,198
Decrease in related parties		-	(3,115)	-	-
Increase (decrease) in deferred income		-	5,292	-	(60)
Increase in others		-	29	-	-
Cash provided by (used in) operating activities		(48,377)	217,395	(1)	60,034
Interest paid		-	(55,801)	-	(57)
Dividends received from subsidiaries		11,540	-	-	-
Income tax and social contribution paid		-	(23,195)	-	(18,882)
Net cash provided by (used in) operating activities		(36,837)	138,399	(1)	41,095
CASH FLOW FROM INVESTING ACTIVITIES					
Capital increase in subsidiaries		(170,388)	-	-	-
Acquisition of investments		(175)	-	(1,104,004)	-
Increase in short-term investments		-	(4,662)	-	(6,410)
Investments in intangible assets		-	(168,501)	-	(1,299,574)
Purchase of property, plant and equipment		-	(13,423)	-	(1,180)
Amount paid in acquisition (Medlink), less cash acquired	8.c	-	(435)	-	-
Noncontrolling interest		-	19	-	-
Amount paid in acquisition (Praxis), less cash acquired	8.c	-	(23,534)	-	-
Net cash used in investing activities		(170,563)	(210,536)	(1,104,004)	(1,307,164)
CASH FLOW FROM FINANCING ACTIVITIES					
(Payment of) amounts received upon issuance of debentures		-	(40,000)	-	301,158
Receipt by the issuance of shares		342,711	342,711	1,104,004	1,104,004
Net cash provided by financing activities		342,711	302,711	1,104,004	1,405,162
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, NET		135,311	230,574	(1)	139,093
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		-	139,094	1	1
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	9.1	135,311	369,668	-	139,094

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

QUALICORP S.A. (FORMERLY QC HOLDING I PARTICIPAÇÕES S.A.) AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2011 AND
FOR THE PERIOD FROM JULY 1 TO DECEMBER 31, 2010
(In thousands of Brazilian reais - R$)

	01/01/2011 to 12/31/2011		07/01/2010 to 12/31/2010	
	Company	Consolidated	Company	Consolidated
REVENUES				
Revenue from services	-	769,318	-	203,266
Other operating income	-	(3,089)	-	-
Allowance for doubtful accounts, cancellations and returns	-	(39,921)	-	(11,710)
Total revenue	-	726,308	-	191,556
INPUTS PURCHASED FROM THIRD PARTIES				
Cost of services	-	(134,983)	-	(21,115)
Supplies, power, outside services and other	(7,266)	(134,654)	(50)	(31,452)
Other operating expenses	(2,096)	(25,251)	-	(8,137)
Total inputs purchased from third parties	(9,362)	(294,887)	(50)	(60,704)
GROSS VALUE ADDED	(9,362)	431,421	(50)	130,852
RETENTIONS				
Depreciation and amortization (Note 30)	(58,889)	(129,772)	-	(34,754)
VALUE ADDED CREATED BY THE COMPANY	(68,251)	301,649	(50)	96,098
VALUE ADDED RECEIVED IN TRANSFER				
Financial income	8,690	52,746	-	10,130
Equity in subsidiaries	53,136	-	(17,313)	-
Total value added received in transfer	61,826	52,746	(17,313)	10,130
DISTRIBUTION OF VALUE ADDED	(6,425)	354,394	(17,363)	106,228
VALUE ADDED DISTRIBUTED				
Employees	39,293	178,793	-	60,399
Taxes and contributions	(12,377)	147,306	-	43,121
Interest on third parties' capital	557	61,965	-	20,071
Loss of the year	(33,898)	(33,670)	(17,363)	(17,363)
Value added distributed	(6,425)	354,394	(17,363)	106,228

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

1. GENERAL INFORMATION

a) Operations

Qualicorp S.A. ("Company", whose corporate name was QC Holding I Participações S.A. until March 3, 2011) is a corporation that was established on May 19, 2010 and started operations on July 1, 2010, with headquarters in the State of São Paulo. The Company is engaged in holding equity interests, as partner or shareholder, in other companies, unincorporated or incorporated, in commercial projects of any nature.

The Company and its subsidiaries ("Group" or "Qualicorp Group") are engaged in brokerage, intermediation, consulting, management and stipulation through its direct subsidiaries. Its activities comprise: (a) private healthcare plans, whose service providers include group medical organizations, specialized health insurers, medical cooperatives, self-managed entities, charity institutions, dental cooperatives and group dentists (healthcare operators); and (b) sale and management of other health insurance and supplementary services. Private health plans and other insurances and supplementary services are collectively referred to as "benefits". The Qualicorp Group develops its activities in the market segments known as Affinity and Corporate Groups. The Affinity Groups segment has activities related to the support, management, stipulation, brokerage and/or intermediation of collective adhesion benefits focused on professional associations (unions, associations, regional councils, etc.) and Corporate segment ("Corporate") is related to the brokerage and intermediation of collective corporate benefits and also operates in this segment as a provider of specialized services in the consulting area, helping manage the benefits contracted by its clients.

Beginning April 1, 2011, with the acquisition of 100% of the capital of Medlink Conectividade em Saúde Ltda. (see note 8.c) for further details), the Qualicorp Group started to offer capture, routing, authorization, and billing services of medical, hospital and related services provided by service providers accredited by healthcare plan operators, by making available information online and in real time, permitting the management of the portfolio risk through monitoring and controls before the services are provided, and consisting of a network of data collection devices that, through an electronic transaction, simplifies and expedites the capture of information on services, issuing a previous service authorization and processing of the relevant billing.

Beginning July 26, 2011, with the acquisition of 80% of the share capital of PraxiSolutions Consultoria de Negócios e Corretora de Seguros Ltda. ("Praxis") (see note 8.c) for further details), the Qualicorp Group started to operate as a broker specialized in the development and distribution of mass insurance through retail channels, such as life insurance, capitalization certificates, home insurance, extended warranty, financial protection insurance, etc.

The operations are conducted by the Company and its subsidiaries as a group of companies ("Qualicorp Group"), operating through integrated processes in the benefits market, using the same operating structure.

b) General information on the startup of activities

The Company started operations after indirectly acquiring 100% of the controlling interest in Qualicorp Participações S.A. ("Qualicorp Participações"), through its wholly-owned subsidiary QC Holding II Participações S.A.

Qualicorp Participações was the direct controller of Qualicorp Administradora de Benefícios S.A., Qualicorp Corretora de Seguros S.A., Qualicorp Consultoria em Saúde Ltda., Qualicorp Administração e Serviços Ltda. and Convergente Consultoria e Corretora de Seguros Ltda., whose equity investments represent basically all its assets.

On July 12, 2010, a stock purchase agreement was entered into with Qualicorp S.A. (formerly QC Holding I Participações S.A. ("QC I)" and QC Holding II Participações S.A. ("QC II"), the Carlyle Group companies (a U.S. asset management group). The acquisition was completed on September 1, 2010, subject to the satisfaction of certain conditions set forth in the Stock Purchase Agreement, thus generating the following financial and corporate impacts on Qualicorp Group:

On August 17, 2010, QC II issued simple, nonconvertible debentures in the amount of R$308 million, intended for the acquisition of Qualicorp Participações shares and the payment of costs and expenses relating to such acquisition, with characteristics similar to the issue mentioned in note 18, whose guarantors were subsidiaries Qualicorp Corretora de Seguros S.A., Qualicorp Administração e Serviços Ltda. and Qualicorp Administradora de Benefícios S.A., whose funds were received on August 31, 2010.

Seripatri Participações Ltda. withdrew as shareholder of Qualicorp Corretora de Seguros S.A., Qualicorp Administradora de Benefícios S.A., Qualicorp Administração e Serviços Ltda., Qualicorp Consultoria em Saúde Ltda. and Convergente Consultoria e Corretora de Seguros Ltda. in August 2010.

The capital stock of the subsidiaries in now fully held by Qualicorp Participações.

Pursuant to the Extraordinary Shareholders' Meeting and Board of Directors' Meeting of Qualicorp Participações, both held on September 1, 2010: (a) the preferred shares of Qualicorp Participações were converted into common shares, totaling 8,329,172 common shares; and (b) the shareholders authorized the issue of new common shares (80,377 shares) due to the accelerated exercise of the options by certain beneficiaries and also the buyback and cancellation of such shares based on the price and conditions described in the respective exercise deeds.

Immediately prior to the transaction, on September 1, 2010, BHCS Fundo de Investimento em Participações increased the Company's capital by the amount of approximately R$1,107,704. Thereafter, also on September 1, 2010, this amount was contributed by the Company to its subsidiary QC II through capital increase, as approved at the Annual Shareholders' Meeting (AGE) held at that date.

By using the funds contributed through capital increase and a portion of the funds obtained through the issuance of debentures, QC II acquired a 72.96% interest in Qualicorp Participações, at the amount of R$1,407,133, including an escrow deposit of R$52,704.

At the same date, the remaining shares of Qualicorp Participações were merged into QC II at the fair value of R$507,669 (31.41% of the fair value of QCII's shareholders' equity) and, immediately thereafter, these shares held by QC II were merged into the Company, a swap ratio through which the former controlling shareholder of Qualicorp Participações, after the aforementioned acquisition, that held a 27.04% interest in the Company started to hold at the end of the transaction a 31.41% stake in the Company - the new holding company of Qualicorp Group after the transaction with Carlyle.

The controlling shareholder of Qualicorp Participações became a noncontrolling shareholder in the Company; however, it assumed the positions of Chairman of the Board of Directors and Chief Executive Officer for the Company.

The Company understands that all contractual commitments related to the acquisition have been fulfilled, and there will be no future financial or accounting adjustments that may change business combination amounts.

QCII, based on a financial and economic appraisal report: (i) and purchase price allocation study - PPA; and (ii) prepared by a specialized firm, allocated the fair value of the assets acquired and liabilities assumed in Qualicorp Participações according to the methodology above, as follows:

Net assets (liabilities) acquired	Carrying amount	Adjustments	Fair value at acquisition date
Current assets, including cash and cash equivalents of R$145,362	172,590	-	172,590
Noncurrent assets	271,149	-	271,149
Fair value of intangible assets - relationship with customers (note 17)	-	785,000	785,000
Current liabilities	(108,216)	-	(108,216)
Noncurrent liabilities	(153,822)	-	(153,822)
Noncurrent liabilities - deferred income tax and social contribution on the fair value of intangible assets - relationship with customers - 34%	-	(266,900)	(266,900)
Net assets (liabilities) acquired	181,701	518,100	699,801
Goodwill - future earnings	-	1,215,000	1,215,000
Total	181,701	1,733,100	1,914,801

(i) Methodology used: discounted cash flow.

(ii) The methodology used considered the analysis of the business model, business plan, existing rights and licenses, value drivers, future economic benefits, and definition, identification and estimate of the value of intangible assets and goodwill.

The Meeting of the Board of Directors (RCA) was also held on September 1, 2010 to replace of the Stock Option Plan for Qualicorp Participações officers transferred to the Company. The previous remaining plan, calculated at R$24,481, for a period of ten years, was transferred to the Company at a fair value of R$45,854, considering the new assumptions for the replaced plan, and the difference in the fair value corresponding to the vesting portion already incurred through September 1, 2010 in the amount of R$4,346 was recorded under the caption "Goodwill" as a contra entry to "Capital reserve - options granted and recognized", and the remaining amount will be recognized over the Plan's useful life.

c) Subsidiaries' corporate restructuring in March 2011

On March 31, 2011, the following corporate events were conducted in the Company's direct and indirect wholly-owned subsidiaries:

- Downstream merger of QC Holding II into its wholly-owned subsidiary Qualicorp Participações. The effects of the downstream merger, among others, were the dissolution of QC Holding II and the assumption of debenture debt by Qualicorp Participações, originally assumed by QC Holding II.

- Total spin-off of Qualicorp Participações on the same date. The spun-off portions of its net equity were transferred to operating companies directly controlled by Qualicorp Participações: Qualicorp Administradora de Benefícios S.A., Qualicorp Corretora de Seguros S.A., Qualicorp Consultoria em Saúde Ltda. and Qualicorp Administração e Serviços Ltda., the effects of which, among others, are the dissolution of Qualicorp Participações and the assumption of debts by Qualicorp Administradora de Benefícios S.A. and Qualicorp Corretora de Seguros S.A., which were originally assumed by QC Holding II and transferred to Qualicorp Participações due to the merger mentioned above.

The main objectives and events arising from this merger and spin-off according to Agreements for the Merger and Spin-Off of Shares, respectively, are:

- The merger of QC Holding II into Qualicorp Participações, and the total spin-off of Qualicorp Participações to its operating subsidiaries, comply with the interests of Qualicorp Participações, QC Holding II, the subsidiaries, as well as their shareholders, given that the merger and spin-off will enable the streamlining and consolidation of activities currently performed by the companies, simplifying operations, improving synergies and reducing costs and expenses by optimizing the current administrative structure, in addition to facilitating the access to capital markets of the other companies of the Group.

- Furthermore, given that QC Holding II assumed several debts, the merger and the following total spin-off of Qualicorp Participações aimed at transferring such debts to direct subsidiaries Qualicorp Administradora de Benefícios and Qualicorp Corretora, which are more capable of generating cash flow.

- The implementation of the proposed transaction will allow the establishment of global goals for the activities performed by the subsidiaries of Qualicorp Group. Currently, the maintenance of QC Holding II and Qualicorp Participações in the corporate structure is not justified, given that, after the events mentioned above, both companies were dissolved and their equity interests are now directly and fully held by the Company, which previously controlled these companies fully and indirectly.

- As a result of the merger followed by the total spin-off, operating subsidiaries will succeed Qualicorp Participações, and, consequently, QC Holding II, in all of their assets, rights and obligations, as prescribed by article 227 of the Brazilian Corporate Law, in accordance with the respective spun-off portions of net equity transferred to one of the subsidiaries.

- The shareholders' equity of the subsidiary involved in the merger and spin-off transactions was valued at the carrying amount of its assets and liabilities, based on the balance sheet as of December 31, 2010, pursuant to the Merger Appraisal Reports approved by the Extraordinary Shareholders Meeting held on March 31, 2011.

- Changes in QC Holding II's equity between the reporting date and the date of the merger have been reflected and allocated into Qualicorp Participações. Changes in Qualicorp Participações' equity between the reporting date and the date of the spin-off have been reflected and allocated into one of the operating subsidiaries, according to the spun-off portion of the net equity transferred to each subsidiary.

- The main accounting effects from the merger and total spin-off were:

  – At operating subsidiaries: due to the downstream merger and spin-off mentioned above, subsidiaries received net assets of R$22,508, net of the adjusted tax benefit of R$294,134, corresponding to the difference between goodwill paid and the provision recorded pursuant to the CVM Instruction 319/1999 and CVM Resolution 618/2009 - technical interpretation ICPC 09(the effects of the merger and spin-off are shown in note 15.a)).

  – At the Company: the effects of the merger and spin-off were eliminated to maintain the carrying amounts of investments without the effects of adjustments arising from the corporate restructuring of its subsidiaries, so that the Company's individual and consolidated financial statements would not be changed, except the transfer of the portion of the tax benefit for deferred income tax and social contribution in the consolidated.

2. PRESENTATION OF FINANCIAL STATEMENTS

2.1. Statement of compliance

The Company's financial statements comprise:

- The consolidated financial statements prepared in accordance with International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB, and in accordance with accounting practices adopted in Brazil, identified as Consolidated (IFRS and BR GAAP).

- The individual financial statements of the parent company prepared in accordance accounting practices adopted in Brazil, identified as Company (BR GAAP).

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

The individual financial statements present the valuation of investments in subsidiaries under the equity method, pursuant to prevailing Brazilian law. Therefore, these individual financial statements do not comply with IFRSs, which requires that these investments be stated at fair value or cost in the Parent's separate financial statements.

Since there is no difference between the consolidated shareholders' equity and the consolidated net income recorded in the consolidated financial statements prepared under IFRSs and the Company's shareholders' equity and net income recorded in the individual financial statements prepared in accordance with accounting practices adopted in Brazil, the Company opted to present the individual and consolidated financial statements in one single set, side by side.

2.2. Basis of presentation

The financial statements have been prepared based on the historical cost, except for certain financial instruments measured at their fair values, as described in the following accounting practices. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

The main accounting practices adopted by the Company and its subsidiaries are disclosed in note 3 to the financial statements.

The financial statements for the period ended December 31, 2010 are being presented for comparative purposes and are related to the period beginning July 1 (start of the operations) to the December 31, 2010. The Company effectively started its operations on September 1, 2010, as mentioned in the explanatory note nº 1.b).

2.3. Statements of value added

These statements shows the wealth generated by the Company and its distribution during a specific period and is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of its financial statements information and supplementary information to the consolidated financial statements, since these statements are neither required nor mandatory under the IFRSs.

The statements of value added were prepared based on information obtained in the same accounting records used to prepare the financial statements information and pursuant to the provisions of CPC 09 - Statement of Value Added. The first part of these statements presents the wealth generated by the Company, represented by revenues, inputs acquired from third parties and the value added received from third parties.

The second part of the statements of value added presents the distribution of wealth among personnel, taxes, fees and contributions, lenders and lessors, and shareholders.

3. SIGNIFICANT ACCOUNTING PRACTICES

The significant accounting practices adopted by the Company and its subsidiaries are as follows:

a) General principles

Assets, liabilities, income and expenses are stated on the accrual basis. Sales revenue is recognized in the income statement when services are provided. Sales revenue is stated net of deductions, including tax on sales.

Receivables and payables with maturities of more than 12 months are recorded in noncurrent assets and liabilities, respectively.

Financial instruments

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

Financial assets and financial liabilities are initially recognized at their notional amounts, which approximate the fair value, considering that transactions mature within up to 30 days, thus having an immaterial impact on the financial statements.

The financial liabilities related to acquisitions of portfolios and exclusivity rights (see note 17, items (e) and (f), respectively) are recognized and adjusted, when applicable, based on the underlying agreements.

The other financial liabilities are initially recognized at their notional amounts, which approximate the fair value, considering that transactions mature within up to 30 days, thus having an immaterial impact on the financial statements.

The fair value of financial assets and liabilities is added to or deducted from the transaction costs directly attributable to the purchase or issue of such financial assets and liabilities (except for financial assets and liabilities recognized at fair value in profit or loss) after initial recognition, when applicable.

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

Financial assets

Financial assets are classified in the following specific categories: financial assets measured at fair value trough profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. Such classification depends on the nature and purpose of the financial assets and is determined upon initial recognition. All regular way purchases or sales of financial assets are recognized or derecognized on the trade date. Regular way purchases or sales of financial assets correspond to those requiring the delivery of assets within a period established by standard or market practices.

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading or designated at fair value through profit or loss.

A financial asset is classified as held for trading if it is:

- Acquired mainly for being sold in the short term; or
- At initial recognition, part of a portfolio of identified financial instruments jointly managed by the Company and for which there is a recent actual pattern of short-term profit-taking; or
- A derivative that is not designated as an effective hedging instrument.

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

Held-to-maturity investments

Held-to-maturity investments refer to nonderivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has a positive intention or ability to hold to maturity. After initial recognition, held-to-maturity investments are stated at amortized cost using the effective interest rate method, less possible impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets correspond to nonderivative financial assets designated as “available for sale” or not classified as: (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

Available-for-sale short-term investments are stated at fair value at the reporting date. Interest income calculated under the effective interest method is recognized in profit or loss.

Other changes in the carrying amount of available-for-sale financial assets are recognized as “Other comprehensive income (loss)”, when applicable. When the investment is sold or impaired, cumulative gains or losses, previously recognized under the caption “Investment revaluation reserve” is reclassified to income (loss).

Loans and receivables

Loans and receivables are represented by nonderivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets classified by the Group as receivables comprise mainly cash and cash equivalents, trade receivables and other receivables.

Financial liabilities

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

The Company has no liabilities classified as “financial liabilities at fair value through profit or loss”.

Other financial liabilities

Other financial liabilities (including debentures) are measured at the amortized cost using the effective interest method.

The effective interest method is used to calculate the amortized cost of a financial liability and allocate its interest expense to the related period. The effective interest rate is the rate that discounts precisely the future cash flows (including fees paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) throughout the estimated useful life of the financial liability or, when applicable, over a shorter period, for the initial recognition of the net carrying amount.

The Company derecognizes financial liabilities only when the Company's obligations are discharged and cancelled or when they expire. The difference between the carrying amount of the derecognized financial liability and consideration paid and payable is recognized in the statement of income.

b) Cash and cash equivalents

Include cash and short-term investments that are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

c) Trade receivables, allowance for doubtful accounts, premiums to be transferred and financial transfers payable

In managing group adhesion agreements executed by third parties and stipulating group adhesion agreements (in which subsidiary Qualicorp Administradora de Benefícios is the policyholder), the Qualicorp Group collects amounts from clients by the are transfers them to healthcare operators and insurance companies, by settling the related invoices, regardless of the receipt (such transactions involve a credit risk of Qualicorp Group client default), except cases where the credit risk remains with the insurance and healthcare companies. These transactions, with and without credit risk, are recorded under the caption "Trade receivables", in assets, as a balancing item of "Premiums to be transferred" (amounts payable to healthcare and insurance companies) and "Financial transfers payable' (amounts payable to entities) in liabilities, and in statement of income accounts related to administration fees and financial transfers, as mentioned in note 3.k).

Advances from customers are recorded under the caption "Transferable prepayments", in liabilities.

d) The allowance for doubtful accounts is recognized based on estimated losses in an amount considered sufficient to cover any losses on the realization of trade receivables. On transactions in which the Company and/or its subsidiaries assume the credit risk, accounts over 60 days past due are written off as losses on uncollectible receivables when they are not expected to be collected, and recorded as revenue from recovered receivables when actually received.

e) Business combination and investments in subsidiaries

Consolidated financial statement information

Business acquisitions are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated by adding the fair values of the transferred, including the fair value of intangible assets relating to customers' relationship and computer software, the liabilities incurred on the date of acquisition to the former owners of the acquiree and the equity issued by the Company in exchange for the control of the acquiree.

Noncontrolling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of noncontrolling interests are measured at fair value or, when applicable, on the basis specified in another IFRS and CPC.

Goodwill corresponds to an asset corresponding to future economic benefits ("future earnings") arising from other assets acquired in a business combination, which are not identified individually or recognized separately; accordingly, it is measured as the excess of the sum of the consideration transferred over the net amounts on the acquisition date of the identifiable assets acquired and liabilities assumed.

If, after measurement, the net amounts of identifiable assets acquired and liabilities assumed on acquisition date are higher than the sum of the consideration transferred, the gain is immediately recognized in profit.

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

These provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognize to reflect new information obtained about facts and circumstances that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognized as at that date.

For business combination transactions, which included option agreements that allow the Company's controlling shareholders to require the Company to purchase a noncontrolling interest are treated as financial liabilities and are recorded in the consolidated balance sheet at expected settlement amount and based on the present value of expected cash outflows and remeasured at each period end. The movement in the financial liability is recognized as income or expense within in the consolidated statement of income.

Individual financial statements information

In the individual financial statements information, the Company applies the requirements of the technical interpretation ICPC 09, which requires that any amount in excess of the acquisition cost on the Company's interest in the fair value of identifiable assets, liabilities and contingent liabilities of the acquired company on the acquisition date is recognized as goodwill. Goodwill is added to the investment's carrying amount. Any amount of the Company's interest in the fair value of identifiable assets, liabilities and contingent liabilities in excess of the acquisition cost, after revaluation, is immediately recognized as income.

Consideration transferred and the net fair value of assets and liabilities are measured using the same criteria applicable to the consolidated financial statement information, described above.

Investments in subsidiaries are accounted for under the equity method in the Company's individual financial statement information.

f) Property, plant and equipment

Stated at cost of purchase. Stated at cost, less accumulated depreciation calculated under the straight-line method based on the estimated useful lives of the assets, except for leasehold improvements, which are amortized over the lease term. See note 16.

The residual value of property, plant and equipment is written off immediately at their recoverable value when the residual balance exceeds the recoverable value, as established in note 3.h).

g) Intangible assets

Mainly represented by: (i) goodwill amounts paid in the acquisition of subsidiaries (*); (ii) amounts allocated in view of relationship with customers paid in the acquisition of investments of subsidiaries (*); (iii) expenses on the acquisition of portfolios from third parties; and (iv) software license, software for use and development of software paid to third parties.

Intangible assets are stated at acquisition cost, less cumulative amortization and impairment losses, when applicable. The amortization of intangible assets with definite useful lives is calculated under the straight-line method based on the term over which the asset will generate future economic benefits, as mentioned in note 17.

The residual value of intangible assets is written off immediately at their recoverable value when the residual balance exceeds the recoverable value, as established in note 3.h).

(*) In the individual financial statement information, these amounts are stated under the caption "Investments in subsidiaries", net of amortization and write-offs.

h) Impairment of assets

Fixed assets and intangibles assets with finite useful lives

At the end of each year and on or when there are indications of impairment loss, Qualicorp Group reviews the carrying amount of its tangible and intangible assets with definite useful lives to determine whether there is any indication of impairment loss. If such indication exists, the recoverable amount of the asset is estimated to measure the impairment loss, if any. When it is not possible to estimate the recoverable amount of an asset, the Group calculates the recoverable amount of the cash-generating unit of the asset. When a reasonable and consistent allocation basis can be identified, corporate assets are also allocated to the individual cash-generating unit or 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 the fair value less costs to sell or the value in use. Estimated future cash flows are discounted to present value to determine the value-in-use at the pretax discount rate that reflects a current market assessment rate of the time value of money and the specific risks for the asset for which the future cash flow estimate was not adjusted.

If the calculated recoverable value of an asset (or cash generating unit) is lower than its carrying amount, then the carrying amount is reduced to its recoverable amount. Impairment losses are immediately recognized in the income statement.

Impairment losses on goodwill are not reversed in subsequent periods. However, for other tangible and intangible assets, when an impairment loss is subsequently reversed, the carrying amount of the asset (or cash generating unit) increases to match the revised estimate of its recoverable value, provided that it does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset (or cash generating unit) in prior years.

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

Goodwill

The cash-generating unit in which goodwill is allocated is submitted to impairment test annually or when and if there is an indication the cash-generating unit is impaired. If the recoverable amount of the cash-generating unit is lower than its carrying amount, the impairment loss is first allocated to reduce any goodwill amount and than other assets of the cash-generating unit. Impairment losses on goodwill are not reversed in subsequent periods.

i) Transaction costs incurred in fund raising

The transaction costs incurred and directly attributable to the activities exclusively required for the raising of own funds are directly recorded in shareholders' equity as a deduction of capital - "Expenses on share issuance".

j) Debentures

Debentures is represented by funds raised through the issue of debentures, which are stated at the adjusted amount of financial charges, calculated based on the interest rates, plus transaction costs.

The transaction costs incurred and directly attributable to the activities exclusively required for raising capital through the contracting of debt instruments - debentures are directly recorded to debentures and amortized in income for the transaction term.

k) Revenue and expense recognition

1. Revenue from the intermediation of sales of insurance policies and healthcare and dental plans to beneficiaries are recorded when sales are realized, that is in the month the amounts payable by insurance and healthcare companies are settled. The main revenues are as follows:

   - Revenue from agency services: refers to the single payment directly made by insurance and healthcare companies on the amount of new sales, including the registration fee paid by the beneficiaries to subsidiary Qualicorp Corretora de Seguros S.A. when they join the plan (revenue from group adhesion contracts) when the sale is made by the Company's own team, which allocated and received by said subsidiary.

   - Revenue from brokers' fees: refers to brokerage on insurance and healthcare and dental plan (Qualicorp Corretora) and distribution of mass insurance through retail channels, such as life insurance, capitalization certificates, home insurance, extended warranty and financial protection insurance (Praxis), which are recognized on a monthly basis.

2. Revenue from financial transfers with contract stipulation: refers to the monthly payment made by healthcare and insurance companies related to insurance stipulation services or contracting of benefit plans, which is allocated and received on a monthly basis by subsidiaries Qualicorp Administradora de Benefícios S.A. and Qualicorp Administração e Serviços Ltda.

3. Revenue from management fees: refers to the monthly payment made and/or stipulation of the health care and dental lines of group adhesion agreements, carried out by subsidiary Qualicorp Administradora de Benefícios S.A. and the monthly consideration of the life, bodily injury, and pension fund insurance stipulation activity carried out by Qualicorp Administração e Serviços Ltda.

4. Revenue from benefit management and health prevention consulting services: refers to the monthly consideration for health management services provided by subsidiary Qualicorp Consultoria em Saúde Ltda.

5. Revenue from benefit management consulting: refers to the monthly consideration for consulting services provided to corporate clients by subsidiaries Qualicorp Administração e Serviços Ltda., Qualicorp Corretora de Seguros S.A. and PraxiSolutions Consultoria de Negócios e Corretora de Seguros Ltda.

6. Connectivity Systems Revenue: corresponds to the monthly consideration for connectivity systems architecture services provided to corporate clients by subsidiary Medlink Conectividade em Saúde Ltda.

l) Taxation

Income tax is calculated at the rate of 15%, plus a 10% surtax on annual taxable income exceeding R$240. Social contribution is calculated at the rate of 9% on adjusted net income.

Certain subsidiaries follow the deemed income regime, at the rate of 32% on gross operating revenue plus financial income.

Additionally, we recognize: (i) a provision for income tax and social contribution and on temporary differences; and (ii) tax credits on temporary differences based on the assumption that the Company will be capable of generating sufficient future taxable income to offset these credits, as mentioned in note 13. An allowance for losses is recorded when there is no strong evidence of realization of balances.

The Company and its subsidiaries opted for the Transitional Tax Regime (RTT) created by Law 11941/09, under which the calculation of corporate income tax (IRPJ) and social contribution on net income (CSLL) continues to be based on the methods and criteria set out by Law 6404/76, before the amendments introduced by Law 11638/07. Taxes on temporary differences resulting from the adoption of the new Brazilian Corporate Law were recorded as deferred tax assets and liabilities, when applicable.

m) Provision for tax, civil and labor risks

Provisions for risks are recognized in the financial statements when the risk of loss on a judicial or administrative proceeding is assessed by the in-house legal counsel and Management as probable, with probable outflow of funds to settle obligations, and when the amounts involved can be reliably measured.

Legal, tax and social security obligations refer to lawsuits challenging the legality and constitutionality of certain taxes. The amounts in dispute are recorded in the financial statements and adjusted in accordance with tax legislation.

n) Profit sharing and stock options

Management and employee compensation that is not defined directly and proportionally based on the Company's profit is classified as operating cost or expense. The Company and its subsidiaries, based on these requirements, adopt the following procedures: (i) they classify employee and management profit sharing expenses in administrative expenses; and (ii) they calculate the proportional allocation to each subsidiary and recognize in administrative expenses all estimated costs for stock options granted under share-based payment contracts existing (see note 28). These administrative expenses are carried as a balancing item to "Capital reserve - options granted and recognized".

The fair value determined at the grant date of the equity-settled share-based payments is recorded as expense on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments 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 profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

o) Basic and diluted earnings per share

Basic earnings per share is determined by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

For the purpose of calculating diluted earnings per share, the Company adjusts profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

As a result of the net loss presented in the year ended December 31, 2011 and period ended December 31, 2010 the stock options described in note 28 are nondilutive.

p) Accounting for dividends

The proposal for dividend distribution made by Management of the Company and its subsidiaries within the parcel that is equivalent to the minimum mandatory dividend is recorded as liabilities in the group "Other liabilities", to be regarded as a legal obligation under the bylaws of the Group; however, the portion of dividends above the minimum mandatory dividend, declared after the accounting period referred to in the financial statements, but before the date of authorization for the issuance of the financial statements, is recorded in equity. As a result of the losses calculated for the year/period ended December 31, 2011 and 2010, there was no recognition neither payment of dividends.

q) Operating segments

The information for operating segments are presented in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, responsible for resource allocation and performance assessment of the operating segments, is represented by the President of the Company and its subsidiaries.

4. MAIN ESTIMATES AND JUDGMENTS

In applying Qualicorp Group's accounting practices described in note 3, Management makes judgments and estimates regarding the reported assets' and liabilities' carrying amounts, which are not easily obtained from other sources.

Estimates and respective assumptions are based on past experience and other factors deemed relevant. Actual results may differ from these estimates.

Underlying estimates and assumptions are constantly reviewed. The effects from reviews of accounting estimates are recognized in the period the estimates are reviewed, if the review affects only that period, or also in subsequent periods, if the review affects both current and future periods.

a) The areas that involve judgment or use of estimates material to the financial statement information are disclosed below. The financial statement information has been prepared based on the historical cost and, when applicable, adjusted to reflect the fair value of transactions.

b) In this context, estimates and assumptions are continually assessed by Qualicorp Group's Management and are based on past experience and several other factors that are considered as reasonable and material.

The Qualicorp Group uses assumptions and makes forward-looking estimates to provide an understanding of how the Company forms its judgments about future events, including the variables and assumptions underlying the estimates, which require the use of judgments about the effects of inherently uncertain issues relating to the carrying amount of its assets and liabilities. Actual results usually differ from estimates.

In applying the abovementioned accounting practices, the Company's and its subsidiaries' Management adopted the following assumptions that could have an impact on the financial statement information:

a) Deferred income tax and social contribution

The liability method (according to the concept described in IAS 12 - Liability Method, equivalent to CPC 32) of accounting for income tax and social contribution is used for deferred income tax arising from temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred income tax assets are revised on each reporting date and decreased by the amount that is no longer realizable through future taxable income. Deferred income tax assets and liabilities are calculated using tax rates applicable to taxable income in the years in which those temporary differences are expected to be realized. Future taxable income may be higher or lower than estimates made when determining whether it is necessary to record a tax asset and the amount to be recorded.

b) Tax credits on tax loss carryforwards are based on projected taxable income, pursuant to technical feasibility studies, annually submitted to Board of Directors. These studies consider the historical profitability of the Company and its subsidiaries and the expectation of continuous profitability and estimated the recovery of credits in future years.

The other tax credits arising from temporary differences, mainly reserve for tax contingencies, and provision for losses, were recognized according to their estimate of realization.

c) Impairment of long-lived assets

There are specific rules to test the impairment of long-lives assets, in particular property, plant and equipment, goodwill and other intangible assets.

At the year-end, and/or when there are indications of impairment loss, the Company makes an assessment to determine if there is any evidence that long-lived assets may be impaired. No evidence of impairment was identified through the reporting dates.

The recoverable amount of an asset is the higher of: (i) its fair value less estimated costs to sell; and (ii) its value in use. Value in use is measured based on the pretax discounted cash flows arising from the continuous use of an asset until the end of its useful life. No asset presented a recoverable amount higher than its residual amount through the reporting dates.

d) The Company tests annually goodwill on investments for impairment, using reasonable market practices, including discounted cash flows, in order to compare the carrying amount with the recoverable amount of assets.

Goodwill and intangible assets are tested for impairment based on the analysis and identification of facts and circumstances that could result in the need to advance the annual test. The test is advanced if any fact or circumstance indicates that the impairment testing of goodwill is affected.

For the year ended December 31, 2011, the Company did not identify the need to recognize new impairment losses on goodwill and other intangible assets.

e) Provisions for tax, civil and labor risks

The Company is a party to several lawsuits and administrative proceedings and is subject to potential risks for which no lawsuit was filed, as mentioned in note 25. Provisions are recognized for all contingent liabilities arising from lawsuits and potential risks that represent probable losses that can be reliably estimated. The likelihood of loss is assessed based on available evidences, the hierarchy of laws, jurisprudence available, most recent court decisions, and their relevance within the legal system, and the assessment made by our outside legal counsel. Management believes that these provisions for tax, civil, and labor risks are fairly presented in the financial statement information.

f) Allowance for doubtful accounts

The allowance for doubtful accounts, as stated in note 3.d), is considered sufficient by Management to cover probable losses.

5. FINANCIAL INSTRUMENTS

a) Classification and fair value of financial instruments

Due to the nature of its activities, and financial instruments present as of December 31, 2011 and 2010, Management understands that the carrying amounts of financial assets and liabilities recognized in the financial statement information approximate their fair values.

Receivables from customers and other short-term financial liabilities

It is estimated that the carrying amounts of accounts receivable and accounts payable (to transfer awards, financial transfers payable and advances to pass) are close to their fair market values, as they are represented by short-term transactions.

Debentures

The book values of the debentures are close to their fair values because they are tied to an interest rate post-fixed in the case, the CDI.

Derivatives

As of December 31, 2011 and 2010, the Company did not operate contracts for derivative financial instruments to protect their positions or for speculation purposes.

The financial instruments classification as presented as follows:

	Consolidated					
	12/31/2011			12/31/2010		
	Loan and receivables	Hold to maturity	Amortized cost	Loan and receivables	Hold to maturity	Amortized cost
Financial assets:						
Cash and cash equivalents	369,668		-	139,094	-	-
Short-term investment	-	12,233	-	-	6,521	-
Receivables from clients	49,975		-	16,506	-	-
Other financial assets	35,253		-	16,703	-	-
Financial liabilities:						
Debentures	-	-	371,196	-	-	410,793
Premiums to be transferred	-	-	36,127	-	-	8,764
Financials transfers payables	-	-	8,151	-	-	4,384
Transferable prepayments	-	-	42,317	-	-	28,268
Other financial liabilities	-	-	81,620	-	-	28,130

b) Management of the main risks

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

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

The Company has internal controls that guarantee compliance with these strategies and policies, the results obtained meet the objectives established by its Management.

Credit risk

The credit risk arises from the fact that the Company and its direct subsidiaries may be required to pay the healthcare/insurance companies' invoices in view of plan/insurance installments past due and not paid by beneficiaries. In order to mitigate such risk, the Company cancels defaulting beneficiaries pursuant to the contract term, which are mostly cancelled after 30 days of default counted from the maturity date.

The method adopted to calculate the allowance for doubtful accounts and write-off of uncollectible amounts is described in note 3.d).

Financial instruments interest rate risk

This risk arises from the possibility of the Company incurring losses (or gains) due to fluctuations in the interest rates applicable to its assets and liabilities raised (invested) in the market.

As of December 30, 2011 and 2010, assets and liabilities subject to interest rate variation, based on the interbank deposit rate (CDI) variation, are as follows:

Caption	Balance sheet accounts	Notes	December 2011 Company (BR GAAP)	December 2011 Consolidated (BR GAAP)	December 2010 Company (BR GAAP)	December 2010 Consolidated (BR GAAP)
Short-term investments and highly liquid	Current assets	9.1	135,309	355,087	-	136,293
Short-term investments	Current assets	9.2	-	12,233	-	6,521
Debentures	Current and noncurrent liabilities	18	-	(371,196)	-	(410,793)
Total exposure			135,309	(3,876)	-	(267,979)

i) Short-term investments are mainly realized based on effectively negotiated yield rates pegged to the interbank deposit rate (CDI) rate and reflect usual market conditions on the balance sheet dates, as described in note 9.

The policy for short-term investments adopted by the Company's Management establishes financial institutions with which the Company and its subsidiaries can do business, fund allocation limits, and objectives. The Company uses the criterion of investing its funds in sound institutions with "AAA" to "BBB" rating, i.e., banks that present financial soundness from exceptional to adequate. It does this through direct asset purchases, such as private sector securities and investment fund units seeking a return close to the CDI rate on highly liquid and safe investments.

ii) Debentures issued by the Qualicorp Group yield interest corresponding to 100% of the accumulated variation of the daily over average rates of Interbank Deposits (DI) expressed in percentage rates per year, corresponding to 252 business days (CETIP), plus a spread of 2.75% until December 29, 2011 and 1.675% from December 30, 2011, being due six months from the date of issue, as described in note 18.

iii) Interest rate sensitivity analysis

Fluctuations in interest rates, e.g. CDI, can positively or negatively affect the consolidated financial statement information as a result of an increase or decrease in the balances of short-term investments, cash equivalents and debentures.

As of December 31, 2011, had CDI rates been 10% per year higher/lower and all other variables remained unchanged net income (loss) for the period ended December 31, 2010 would increase/decrease by R$2,354.

Supplementary sensitivity analysis on financial instruments, pursuant to CVM Instruction 475/08

Pursuant to CVM Instruction 475, of December 17, 2008, as of December 31, 2011 Management estimated for 2012, based on the quotations contained in the Focus report issued by the Central Bank of Brazil (BACEN), future interest rates (10.50%), plus spread on debentures (2.75% until December 29, 2011 and 1.675% beginning December 30, 2011), showing in each scenario the effect of the changes in the fair value, as follows:

		Scenario		
	2011	Probable	Possible	Remote
Assumptions		CDI - 10.50%	CDI - 13.13%	CDI - 15.75%
Liabilities - debentures	(371,196)	(417,042)	(426.968)	(436,856)
Short-term investments and highly-				
-liquid short-term investments	367,320	405,889	415,,549	425,173
Net asset exposure	(3,876)	(11,153)	(11,419)	(11,683)

	Assumptions		
	Probable	Possible	Remote
CDI	Focus report - BACEN (12/30/11)	25% on probable rate	50% on probable rate

- In the probable scenario, the Company would present a net liability exposure of R$11,153 through 2012, arising from future estimated CDI rates for interest on debentures plus a surcharge of 1.675% per year.

  As of December 31, 2011, the same future estimated CDI rates on the Company's investments were taken into account for short-term investments. In the possible and remote scenarios, using the same criteria described in the probable scenario, estimates would give rise to an increase in net liability exposure of R$266 and R$530, respectively, compared to the probable scenario.

- Possible scenario: assumption adopted by Management with a decrease of 25% in the risk variable.

- Remote scenario: assumption adopted by Management with a decrease of 50% in the risk variable.

Capital risk

Qualicorp Group manages its capital to ensure that both the Parent and subsidiaries can continue as a going concern, and at the same time maximizes the return of all its stakeholders by optimizing the balance debt and equity.

Qualicorp Group's equity structure consists of its net debt (debentures detailed in note 18, less cash and banks detailed in note 9), and shareholders' equity (note 27).

The Company and its subsidiaries are subject to certain leverage ratios as stated in note 18 (Debentures). Additionally, the subsidiary Qualicorp Administradora de Benefícios S.A. is required to comply with minimum funding requirements, as prescribed in ANS Regulatory Resolution (RN) 209, which set out rules for the minimum capital requirements and operational dependence.

As of December 31, 2011, that subsidiary's shareholders' equity amounted to R$69,440, whereas the minimum adjusted capital in accordance with the aforementioned Resolution amounted to R$112.

The gearing ratio at end of the reporting period was as follows:

	Consolidated	
	12/31/2011	12/31/2010
Debt (debentures)	371,196	410,793
Cash and cash equivalents	(369,668)	(139,094)
Net debt	1,528	271,699
Shareholders' equity	1,938,120	1,611,846
Net debt to equity ratio	0.08%	16.86%

Liquidity risk

Based on the Qualicorp Group's activities, the liquidity risk management aims at monitoring the terms for settling the receivables and payables in order to maintain a highly--liquid cash position to settle the commitments assumed.

The Company and its subsidiaries provide analysis of projected cash flow and review periodically the obligations and financial instruments used. The expected cash flow for financial instruments liabilities is shown as follows:

	Consolidated					
	Interest rate	Less than six months	From six months to 1 year	1 - 2 years	More than 2 years	Total
	%	R$	R$	R$	R$	R$
December 31, 2011:						
Debentures	1.675%	24,280	83,755	118,300	263,494	489,829
Other financial liabilities (*)	-	41,527	20,594	1,649	10,000	73,771
		65,807	104,349	119,949	273,494	563,600

(*) Refers mainly to acquisitions of intangibles assets, restated where applicable.

6. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

As part of improvements to IFRSs, standards are constantly reviewed and possibly amended and new standards are issued by the IASB. The main changes and effects of the latest revisions and modifications are listed below:

1. New and revised IFRSs in force relating to the financial statements disclosures and presentation.

   Amendments to IAS 1 - Presentation of Financial Statements (as part of improvements to IFRSs issued in 2010): the amendments to IAS 1 clarifies that an entity may choose to disclose an analysis of other comprehensive income for each item in the statement of changes in equity or in notes to financial statements. Because of Qualicorp not present transactions that qualify for recognition in comprehensive income, this modification did not affect the presentation of financial statements for the current year and prior period.

IAS 24 - Related-party Disclosures (as adopted by the CPC): IAS 24 (revised 2009) modified two aspects: (a) it introduces the partial exemption from disclosure requirements for governmental entities; and (b) it amended the definition of related party. The Company and its subsidiaries are not government entities. The adoption of the revised definition of related party in accordance with IAS 24 (revised 2009) for the current year allows the identification of related parties not identified as such in accordance with the previous standard. Specifically, the holding company affiliates of the Company are classified as related parties of the Group in accordance with the revised standard. The related-party disclosures of the Company already include these changes as they already consider the CPC 5 (R1) - Related-party Disclosures.

2. New and revised. The adoption of these new and revised IFRSs had no material effect on reported values for the current year and prior period; however, may affect the accounting for future transactions or arrangements:

   Amendments to IAS 32 Classification of Rights: the amendments deal with the classification of certain rights denominated in a foreign currency instruments as assets or liabilities. Under the changes, the rights, options or warrants issued by an entity to which the holders may purchase a fixed amount of equity instruments of the entity for a fixed value in any currency are classified as equity instruments in the entity's financial statements since the offer is made proportionately to all existing holders of the same class of non-derivative equity instruments. Prior to the amendments to IAS 32, the rights, options or warrants to purchase a fixed amount of equity instruments of an entity for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective adoption. The adoption of the amendments did not affect the amounts reported in the current and previous financial years since the Qualicorp not issued such instruments.

   Amendments to IFRIC 14 - Advance Payments Minimum Funding Requirement: modifications determine when refunds or reductions in future contributions should be regarded as available in accordance with IAS 19.58; as the minimum funding can affect the availability of reductions in future contributions and when the minimum funding may result in a liability. With modifications, the standard started to allow recognition of an asset in the form of advance payment of minimum funding requirements. The implementation of the changes had no effect on the consolidated financial statements of the Company.

3. The Company and its subsidiaries have not adopted new and revised IFRSs below, as issued and not yet in force:

Amendments to IFRS 7 (*)	Disclosure - Transfers of Financial Assets	Applicable to annual periods beginning on or after July 1, 2011
IFRS 9 (as amended in 2010)	Financial Instruments	Applicable to annual periods beginning on or after January 1, 2013
Amendments to IAS 12	Deferred Taxes - Recovery of Underlying Assets When Activity Is Measured at Fair Value Model of IAS 40	Applicable to annual periods beginning on or after January 1, 2012

IFRS 10,11, 12 and 27R e IAS 28R	New or revised standards - accounting treatment for consolidation, involvement in joint agreements and disclosure of involvement with other entities	Applicable to annual periods beginning on or after January 1, 2013
IFRS 13	This standard defines fair value, sees in a single standard aspects of measuring fair value and establishes the disclosure requirements related to fair value	Applicable to annual periods beginning on or after January 1, 2013
IAS 19	The amendment to IAS 19 deals with aspects related to accounting and disclosure for employee benefits	Applicable to annual periods beginning on or after January 1, 2013

(*) Increase the disclosure requirements of transactions involving financial assets. These changes are intended to provide greater transparency of risk exposures when a financial asset is transferred, but the transferor continues to retain a certain level of exposure in the asset. The amendments also require disclosure of the transfer of financial assets when they are not equally distributed in the period. Qualicorp Group's Management not expect these amendments to IFRS 7 have a significant effect on the Group's disclosures with respect to transfers of receivables. However, if the Group performs other types of transfers of financial assets in the future, the disclosures relating to such transfers may be affected.

Considering the current operations of the Company and its subsidiaries, Management does not expect that these new standards, interpretations and amendments have a material effect on the financial statements from its adoption.

The CPC has not yet issued their pronouncements and changes related to new and revised IFRSs listed above. Due to the commitment of the CPC and the CVM to keep updated set of standards issued based on the updates made by the IASB, it is expected that these pronouncements and changes are published by the CPC and approved by the CVM to the date of mandatory application.

7. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the financial statements of the Company and its subsidiaries and have been prepared based on financial statements as of the same reporting date, consistent with the accounting practices previously described. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In the Company's individual financial statements, the financial statements on subsidiaries are recognized under the equity method.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the actual acquisition date up to the actual disposal date, as applicable.

The main consolidation procedures are as follows:

- Elimination of intercompany balances and transactions.
- Elimination of investment account balances and related ownership interest, reserves and retained earnings or accumulated losses.

The direct and indirect subsidiaries included in the consolidation are the following:

As of December 31, 2011:

Companies	Adjusted shareholders' equity	Total assets	Net income (loss) for the year (adjusted)	Direct equity interest - %	Main activities
Company's direct subsidiaries:					
Qualicorp Corretora de Seguros S.A.	316,744	596,104	29,277	100	Insurance and healthcare brokerage
Convergente Consultoria e Corretora de Seguros Ltda.	823	868	139	99.99	Insurance and healthcare brokerage and consulting
Qualicorp Administração e Serviços Ltda.	15,612	24,080	(1,128)	99.99	Insurance portfolio management
Qualicorp Administradora de Benefícios S.A.	69,440	436,380	42,995	100	Stipulation of insurance policies and contracting healthcare plans, benefit management
Qualicorp Consultoria em Saúde Ltda.	25,202	33,970	(975)	99.99	Benefit and health management consulting services
Medlink Conectividade em Saúde Ltda.(a)	(6.184)	5,316	(4,221)	99.99	Provider of connectivity services to health care and insurance companies
Company's indirect subsidiaries:					
PraxiSolutions Consultoria de Negócios e Corretora de Seguros Ltda. (b)	1,003	7,457	1,138	80	Consulting and mass insurance broker: life, capitalization certificates, home, financial protection, extended warranty, and insured annuity

(a) Net income for the period from April 1 to December 31, 2011.

(b) Net income for the period from August 1 to December 31, 2011.

As of December 31, 2010:

Companies	Adjusted shareholders' equity	Total assets	Net income (loss) for the period	Direct equity interest - %	Main activities
Direct Company's subsidiary:					
QC Holding II Participações S.A.	1,611,895	2,448,785	(17,313)	100	Holding
Direct subsidiary of QC II (Indirect of QC I)-					
Qualicorp Participações S.A. and its subsidiaries	189,308	474,930	25,229	100	Brokerage, consulting and managing benefit and healthcare managing and healthcare holding
Direct subsidiary of Qualicorp Participações:					
Qualicorp Corretora de Seguros S.A. (formerly Qualicorp Corretora de Seguros Ltda.)	126,136	216,729	4,978	100	Insurance and healthcare brokerage
Convergente Consultoria e Corretora de Seguros Ltda.	684	1,164	(10)	100	Insurance and healthcare brokerage and consulting
Qualicorp Administração e Serviços Ltda. (formerly Access Administração e Serviços Ltda.)	9,717	18,803	1,140	100	Insurance portfolio management
Qualicorp Administradora de Benefícios S.A. (formerly Access Clube de Benefícios Ltda.)	7,887	197,824	12,214	100	Stipulation of insurance policies and contracting healthcare plans, benefit management
Qualicorp Consultoria em Saúde Ltda.	26,177	33,796	(851)	100	Benefit and health management consulting services

8. ACQUISITIONS AND MERGERS OF SUBSIDIARY QUALICORP PARTICIPAÇÕES

a) Acquisitions of subsidiaries in 2009

Acquisition of "Brüder SP", "Brüder RJ" and "Athon"

On June 10, 2009, Qualicorp Participações, through its direct subsidiaries Qualicorp Corretora de Seguros S.A. ("Qualicorp Corretora") and Qualicorp Consultoria em Saúde Ltda., acquired a 99.99% interest in the capital stock of Brüder SP Corretora de Seguros Ltda. ("Brüder SP"), of Brüder Corretora de Seguros Ltda. ("Brüder RJ") and Amenti Assistência Médica Ltda. ("Athon"), whose ownership interests were fully held by shareholders not related to the Qualicorp Group.

Brüder SP and Brüder RJ, whose core business is insurance brokerage, and Amenti, which engages in the provision consulting services in the health area, were acquired with the purpose of expanding the Qualicorp Group's activities in the corporate segment.

As of December 28, 2009, these interests represented 100% of these subsidiaries' capitals. The amount traded in these acquisitions amounted R$40,477, R$28,000 of which was paid in June 2009 and the difference of R$12,477 was subsequently paid in February 2010 upon confirmation of the revenue targets for 2009 contractually established between the parties. After these payments, Qualicorp Participações believes that all contractual commitments related to this acquisition will have been met and that there will be no future financial or accounting adjustments to be made that may change business combination amounts. Qualicorp Participações, based on a financial and economic valuation report (i) and purchase price allocation study - PPA (ii) prepared by a specialized firm allocated the fair value of assets acquired and liabilities assumed in these transactions, as follows:

Net assets (liabilities) acquired	Book value	Adjustments	Fair value on acquisition date
Current assets, including cash and cash equivalents of R$179	1,178	-	1,178
Noncurrent assets	338	-	338
Fair value of intangible assets - relationship with clients, according to the criteria established in said PPA (note 17)	-	21,625	21,625
Current liabilities	(1,398)	-	(1,398)
Noncurrent liabilities - deferred income tax and social contribution on the fair value of intangible assets - relationship with customers - 34% (a)	-	(7,353)	(7,353)
Other noncurrent liabilities	(1,164)	-	(1,164)
Net assets (liabilities) acquired	(1,046)	14,272	13,226
Goodwill - future earnings	-	27,251	27,251
Total	(1,046)	41,523	40,477

(a) When recording the acquisitions made, Management considered the fair value of the acquisition of investments allocated to intangible assets - relationship with customers - is not deductible for the purposes of calculation of Qualicorp Participações income tax and social contribution payable and, therefore, recognized a provision for deferred income tax and social contribution. These deferred amounts have been amortized to income proportionally to the amortization of intangible assets in the year.

(*) Methodology used: discounted cash flows.

(**) The methodology used considered the analysis of the business model, business plan, existing rights and licenses, value drivers, future economic benefits and definition, identification and estimate of the value of intangible assets and goodwill.

Acquisition of Salutar

On December 30, 2009, pursuant to a Sale and Purchase Agreement and Other Covenants, the subsidiary Qualicorp Corretora acquired a 100% interest in the capital stock of Salutar Consultoria e Corretora de Seguros Ltda. ("Salutar"), whose ownership interests were jointly held by shareholders, including Seripar's controlling shareholder, which owned 49.998%.

Salutar sells collective adhesion agreements and provides insurance brokerage services in Rio de Janeiro. It was acquired with the purpose of expanding the Qualicorp Group's activities in the affinity segment.

The amount negotiated in this acquisition was R$87,493, R$86,400 of which were paid on December 30, 2009 and the difference corresponding to the final price adjustment of R$1,093 was paid in February 2010.

After these payments, Qualicorp Participações believes that all contractual commitments related to this acquisition will have been met and that there will be no future financial or accounting adjustments to be made that may change business combination amounts.

Qualicorp Participações, based on a financial and economic valuation report and purchase price allocation (PPA) study prepared by a specialized firm, according to the methodology above, allocated the fair value of the assets acquired and liabilities assumed in these transactions as follows:

Net assets (liabilities) acquired	Book value	Adjustments	Fair value on acquisition date
Current assets, including cash and cash equivalents of R$748	1,043	-	1,043
Noncurrent assets	149	-	149
Fair value of intangible assets - relationship with clients (note 17)	-	53,316	53,316
Current liabilities	(804)	(88)	(892)
Noncurrent liabilities - deferred income tax and social contribution on the fair value of intangible assets - relationship with customers - 34% (*)	-	(18,127)	(18,127)
Net assets (liabilities) acquired	388	35,101	35,489
Goodwill - future earnings	-	52,004	52,004
Total	388	87,105	87,493

(*) See note (a) above.

b) Merger of subsidiaries

As of December 31, 2009, the subsidiaries Salutar, Brüder SP and Brüder RJ were merged into subsidiary Qualicorp Corretora de Seguros, and subsidiary Athon was merged with and into subsidiary Clube de Saúde (currently Qualicorp Consultoria).

c) Acquisition of subsidiary in 2011

Medlink Conectividade em Saúde Ltda.

On April 1, 2011, pursuant to a Sale and Purchase Agreement and Other Covenants, the Company acquired 100% of the capital of Medlink Conectividade em Saúde Ltda. ("Medlink"), which became a wholly-owned subsidiary of the Company.

This acquisition totaled R$483. The acquisition of Medlink is aligned with the diversification of Qualicorp Group's activities as a major provider of solution to its clients, which now include connectivity services that should complement the business already carried out in the TPA segment.

After these payments, the Company believes that all contractual commitments related to this acquisition will have been met and that there will be no future financial or accounting adjustments to be made that may change business combination amounts.

The Company, based on a financial and economic valuation report (i) and purchase price allocation study - PPA (ii) prepared by a specialized firm allocated, based on estimated data, the fair value of assets acquired and liabilities assumed in these transactions, as follows:

Net assets (liabilities) acquired	Book value	Adjustments	Fair value on acquisition date
Current assets, including cash and cash equivalents of R$48	1,596	-	1,596
Noncurrent assets	5,359	-	5,359
Fair value of intangible assets - relationship with clients (note 17)	-	182	182
Current liabilities	(13,685)	-	(13,685)
Noncurrent liabilities	(5,873)	-	(5,873)
Noncurrent liabilities - deferred income tax and social contribution on the fair value of intangible assets - relationship with customers - 34%	-	(62)	(62)
Net assets (liabilities) acquired	(12,603)	120	(12,483)
Goodwill - future earnings	-	12,966	12,966
Total	(12,603)	13,086	483

(*) Methodology used: discounted cash flows.

(**) The methodology used considered the analysis of the business model, business plan, existing rights and licenses, value drivers, future economic benefits and definition, identification and estimate of the value of intangible assets and goodwill

Income (loss) for the year includes losses of R$4,221 attributable to additional businesses generated by Medlink. Consolidated net operating income for the year include R$6,359 relating to Medlink.

PraxiSolutions Consultoria de Negócios e Corretora de Seguros Ltda.

On July 26, 2011, the Company entered into, through its direct subsidiary Qualicorp Corretora de Seguros S.A., a Share Purchase and Sale Agreement and Other Covenants for the acquisition of 80% of the share capital of PraxiSolutions Consultoria de Negócios e Corretora de Seguros Ltda. ("Praxis") for R$24,000.

The acquisition of Praxis is aligned with the Company's strategy of investing in new business opportunities to offer new products and services to the Company's current and future customers. Praxis is a broker specialized in the development and distribution of mass insurance, such as life insurance, capitalization certificates, home insurance, financial protection insurance, extended warranty and insured annuity.

The Company, based on preliminary available data, allocated the fair value of these companies' assets acquired and liabilities assumed as follows:

Net assets (liabilities) acquired	Book value	Adjustments	Fair value on acquisition date
Current assets, including cash and cash equivalents amounting to R$466	1,760	-	1,760
Noncurrent assets	16	-	16
Fair value of intangible assets - relationship with clients (note 17)	-	16,312	16,312
Current liabilities	(1,683)		(1,683)
Noncurrent liabilities - deferred income tax and social contribution on the fair value of intangible assets - relationship with customers - 34% (i)	-	(5,546)	(5,546)
Acquired assets (liabilities), net	93	10,766	10.859
Noncontrolling interests	-	-	(2,172)
Net assets acquired (ii)	-	-	8,687
Goodwill	-	-	15,313
Total	-	-	24,000

(i) Deferred tax effect on intangible assets determination.

(ii) Refers to the 80% interest in the capital acquired by the Company through the direct subsidiary Qualicorp Corretora de Seguros S.A.

In order to comply with CPC 15 the Company will engage a specialized firm to prepare a business valuation report and a final allocation of acquisition price study. This work is expected to be completed by the end of March 2012.

The acquisition agreement includes a call and put option clause that will entitle the Company to buy or the sellers to sell the remaining 20% (noncontrolling interest), which becomes exercisable after 36 months from the date acquisition of control. The amount of the purchase value of such noncontrolling interest will be determined through multiple of gross revenues related to the period of 12 months prior to the option exercise date. On December 31, 2011, the estimated financial liability for the financial liability is R$5,871, with a counterpart in the noncontrolling interest in shareholders' equity.

Net income for the year includes a R$1,138 profit attributable to the additional business generated by Praxis. Consolidated net operating revenues for the year include R$2,264 generated by Praxis.

Had the Medlink and Praxis business combination been completed on January 1, 2011, the Group's consolidated net operating revenue from continuing operations would amount approximately to R$682,093 (unaudited) and loss for the year ended December 31, 2011 would be R$39,301 (unaudited). The Group's Management believes that these "pro forma" amounts represent an approximate measure of the Group's combined performance for the period, and should be used as reference for comparison with future periods.

9. CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS

9.1. Cash and cash equivalents

Broken down as follows:

Description	12/31/2011 Company	12/31/2011 Consolidated	12/31/2010 Consolidated
Cash	-	30	30
Banks - deposit account (a)	2	14,551	2,771
Highly-liquid short-term investments (b)	135,309	355,087	136,293
Total	135,311	369,668	139,094

(a) As of December 31, 2011 and 2010 in consolidated, includes mainly amounts received from clients on the last day of the month.

(b) Management makes investments that may be redeemed in advance regardless of their maturity. The breakdown of these investments is as follows:

Per type of investment

Description	Fair value and carrying amount 12/31/2011 Company	12/31/2011 Consolidated	12/31/2010 Consolidated
Bank Certificates of Deposit (CDBs) (i)	135,309	355,049	97,646
Debentures (i)	-	6	38,457
Other investments (ii)	-	32	190
Total	135,309	355,087	136,293

(i) These securities are adjusted from 100% to 105% of the interbank deposit rate (CDI) and registered with CETIP S.A. - Balcão Organizado de Ativos e Derivativos. They are highly liquid and redeemable in advance, regardless of their maturities.

(ii) Represent mainly funds temporarily held in a bank deposit account - investment account.

9.2. Short-term investments

Description	12/31/2011 Consolidated	12/31/2010 Consolidated
Nonexclusive investment fund (*)	12,233	6,521

(*) Refers to an investment used as guarantee by the indirect subsidiary Qualicorp Administradora de Benefícios S.A., as required by ANS Regulatory Instruction 33, of October 5, 2009. The fair value of fixed-income mutual fund unit is measured based on the unit values disclosed by the managers of the fund where the Company invests its funds.

Short-term investments, including cash equivalents, are under the custody of the following financial institutions:

	12/31/2011 Company	12/31/2011 Consolidated	12/31/2010 Consolidated
Banco Bradesco S.A.	131,167	149,489	47,268
Banco Santander (Brasil) S.A.	4,142	109,110	45,479
Banco Itaú S.A.	-	108,721	50,067
Total	135,309	367,320	142,814

10. NONCASH TRANSACTIONS

Broken down as follows:

Description	12/31/2011 Consolidated	12/31/2010 Consolidated
Amount payable for the purchase of:		
Property, plant and equipment (see note 24)	378	75
Intangible assets (see note 24)	69,088	15,570
Noncontrolling interest option (see note 8.c))	5,871	-

11. TRADE RECEIVABLES

Broken down as follows:

	12/31/2011 Consolidated	12/31/2010 Consolidated
Premiums to be transferred - without risk of default (a)	335	1,474
Recoverable premiums - with risk of default (b)	32,362	8,555
Benefit management consulting (c)	8,531	2,311
Trade receivables (d)	7,995	3,926
Postdated checks	123	174
Credit cards	141	130
Unidentified deposits	(459)	(485)
Total	49,028	16,085

(a) Refer mainly to accounts receivable from customers, whose default is assumed by the healthcare companies, which are transferred only when received (see note 20.(b)).

(b) Refer to amounts receivable from beneficiaries whose corresponding healthcare plan or insurance policy invoice amounts were paid to healthcare or insurance companies by the Company on their maturity date. As of December 31, 2011, R$15,785 refer to receivables from Abrigo do Marinheiro, whose payment is postponed to the month the plan become effective. The maturities of recoverable premiums are as follows:

	12/31/2011 Consolidated	12/31/2010 Consolidated
Current (i)	15,808	2,261
Past-due:		
Up to 30 days	11,300	4,975
31 to 60 days	5,114	1,110
Over 60 days (ii)	140	209
Total	32,362	8,555

(i) The variation is basically due to the inclusion of Abrigo do Marinheiro, as mentioned above.

(ii) 2011 amounts were fully received by January 16, 2012.

(c) Refers to the outsourcing services to support the activities related to the consulting and advisory on management of healthcare plans, connectivity services, advisory on management of benefits and advisory on healthcare receivable from customers. The aging of trade receivables is as follows:

	12/31/2011 Consolidated	12/31/2010 Consolidated
Current	8,442	1,884
Past-due:		
Up to 30 days	4	148
31 to 60 days	85	28
Over 60 days	-	251
Total	8,531	2,311

(d) Refer basically to amounts receivable from customers from agency and brokerage services. The aging of trade receivables is as follows.

	12/31/2011 Consolidated	12/31/2010 Consolidated
Current	6,796	1,850
Past-due:		
Up to 30 days	1,023	1,969
31 to 60 days	123	71
Over 60 days (*)	53	36
Total	7,995	3,926

(*) 2011 amounts were fully received by February 10, 2012.

Changes in the allowance for doubtful accounts:

	Consolidated	
	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010
Balance at beginning of year/period	-	-
Recognitions in the year/period	35,185	9,711
Write-offs for the year/period (see note 32)	(35,185)	(9,711)
Balance at end of year/period	-	-

12. OTHER ASSETS

12.1. Other financial assets

Broken down as follows:

	12/31/2011 Company	12/31/2011 Consolidated	12/31/2010 Consolidated
Current			
Recoverable checks	-	112	169
Advances to suppliers	-	2,476	488
Recoverable taxes (a)	362	21,606	5,556
Advance from transfer of contracts (b)	-	965	2,602
Advances to executives (c)	-	1,907	1,909
Advance to employees	19	680	790
Unidentified amounts - operators/insurers (d)	-	-	874
Others (e)	-	1,710	-
Total current	381	29,446	12,388
Noncurrent			
Advances to executives (c)	-	2,384	4,293
Other receivables	-	1,529	22
Total noncurrent	-	3,913	4,315
Grand total	381	33,359	16,703

(a) The amounts are broken down as follows:

	12/31/2011 Consolidated	12/31/2010 Consolidated
Social security tax (INSS)	247	147
Corporate income tax (IRPJ)	16,678	4,604
Social contribution on net profit (CSLL)	3,773	568
Tax on revenue (PIS)	88	20
Tax on revenue (COFINS)	435	67
Withholding income tax (IRRF)	31	149
Other recoverable taxes	354	1
Total	21,606	5,556

(b) Refer to the prepayment of monthly fees and premium of beneficiaries of healthcare/dental plan agreements.

(c) Refers to prepaid expenses incurred by the Company in hiring executive officers on April 30, 2010. This amount will be amortized on a straight-line basis up to March 2014, considering the employment contract terms and conditions, including reimbursement rules in case of early withdrawal.

(d) Refer basically to the temporary difference between the list of beneficiaries included in the Company's system/internal controls and the analytical list of beneficiaries included in the paid and/or payable invoices of the healthcare and dental plan operators/insurance companies, which are regularized subsequently, after processing the transactions sent by the Company.

(e) Refer basically to amounts received by Divicom relating to July 2011 payments. This amount was fully received by January 19, 2012.

12.2. Other nonfinancial assets

Broken down as follows:

	12/31/2011		12/31/2010
	Company	Consolidated	Consolidated
Current			
Advances to suppliers (*)	-	-	2,000
Advertising material	-	1,553	1,210
Prepaid expenses	166	877	93
Total current	166	2,430	3,303

(*) Refer to advance for the acquisition of a new customer portfolio, whose negotiation was concluded on April 18, 2011. For more information on the transaction, see note 17.(e).

13. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

Broken down as follows:

	12/31/2011	12/31/2010
	Consolidated	Consolidated
Deferred income tax and social contribution assets (a)	273,645	17,200
Deferred income tax and social contribution liabilities (b)	269,477	288,446

(a) Refer to deferred income tax and social contribution recorded mainly on deductible temporary differences of future taxable income, as follows:

Items	12/31/2011	12/31/2010
Allowance for doubtful accounts and write off of uncollectible amounts - short-term amount	6,975	3,954
Other provisions	1,025	1,225
Provision for tax, civil and labor risks - portion related to the companies and/or periods subject to the actual profit regime	10,999	9,450
Tax benefit on goodwill merged (see note 1.c))	250,014	-
Subsidiaries' tax losses (*)	24,818	22,549
Total tax credits	293,881	37,178
(-) Unrecognized tax credits (*)	(20,236)	(19,978)
Total tax credits recorded	273,645	17,200

(*) The Company has tax loss carryforwards totaling R$3,375 in 2011, for which deferred tax credits of approximately R$1,147 were not recognized, as no actions have been taken to date to recover this amount from future earnings.

The direct subsidiary Qualicorp Consultoria em Saúde Ltda. has tax loss carryforwards totaling R$32,396, for which deferred tax credits of approximately R$11,015 were not recognized, as no actions have been taken up to date to recover this amount from future earnings.

The direct subsidiary Qualicorp Administração e Serviços Ltda. has tax loss carryforwards totaling R$13,476, for which deferred tax credits were recognized in the amount of R$4,582, as future earnings are likely to be recorded.

The direct subsidiary Medlink Conectividade em Saúde Ltda. has tax loss carryforwards totaling R$23,746, for which deferred tax credits were not recognized in the amount of R$8,074, due to the history of retained losses.

Expected realization and present value of tax credits

Deferred income tax and social contribution are realized as temporary differences are reversed or qualify for tax deductibility. Below is the expected tax credit realization period based on expected future taxable income:

	Deferred income tax and social contribution	
Year	12/31/2011 Consolidated	12/31/2010 Consolidated
2011	-	5,179
2012	66,877	-
2013	62,545	3,718
2014	63,207	4,380
2015	62,750	3,923
2016	18,266	-
Total	273,645	17,200

The total present value of tax credits is R$246,239, calculated based on the expected realization of temporary differences.

(b) Break down of deferred income tax and social contribution liabilities

	12/31/2011 Consolidated	12/31/2010 Consolidated
On the fair value of the acquisition of investments allocated to intangible assets - relationship with customers (see note 17)	256,641	280,506
Temporary differences on the portion of goodwill of merged companies amortized in the year/period, for tax purposes, as discussed in note 17	10.767	5,383
Others	2,069	2,557
Total	269,477	288,446

14. RELATED PARTIES

14.1. Related-party balances and transactions

Indirect subsidiary Qualicorp Administradora de Benefícios S.A. performs all back office activities for the Qualicorp Group companies (Finance, Controlling, Legal, Administrative, Human Resources, and Information Technology), whose service costs are apportioned among and reimbursed by the other Group companies.

Transactions with related parties, consolidated, are as follows:

	12/31/2011		12/31/2010	
	Payables	Expenses	Payables	Expenses (*)
Other related parties (c)	(1,894)	-	-	-
Shareholders (a)	-	44,513	1,221	1,221
Member of the Board of Directors (b)	-	1,330	-	450
Qualicorp Administradora de Benefícios S.A.(c)	1,894	-	-	-
Seripatri Participações Ltda. (d)	-	484	-	666
Balances	-	46,327	1,221	2,337

(*) Period from July 1 to December 31, 2010.

(a) For 2010 - The Company's shareholders entered into agreements with subsidiaries Qualicorp Administradora de Benefícios S.A. and Qualicorp Corretora de Seguros S.A. to provide consulting and advisory services relating to: (i) the Company's and its subsidiaries' operations; (ii) strategic planning; (iii) marketing; and (iv) supervision The services contracted for the period from September 1, 2010 to June 15, 2011 were paid in June 2011; the agreement was not renewed and, since then, such services have no longer been provided.

For 2011 - Additionally, on May 31, 2011 the Board of Directors authorized the Company to grant a bonus equivalent to the Brazilian real equivalent of US$23,448 to the noncontrolling shareholder, as a bonus for his performance as a Company's officer. This amount was paid on July 19, 2011, with the total expense for the Company, including financial charges, amounting to R$44,514.

(b) Agreement entered into between subsidiary Qualicorp Corretora de Seguros S.A. and M2 Participações Ltda., a company with a shareholder who is a member of the Board of Directors, to provide commercial and corporate consulting and advisory services, focused on evaluating and acquiring new businesses relating to the corporate purpose of the subsidiary or any other Group's company. The service contracted from September 2, 2010 to September 2, 2011 amounts to approximately R$1,200, net of taxes and automatically renewable every six months. This agreement was renewed until March 2012, keeping the same characteristics.

(c) The Company shall reimburse the subsidiary Qualicorp Administradora de Benefícios S.A. in the amount of R$1,894 on the tax assessment regarding federal oversight that ranged between 2007 and 2008, this amount will be reimbursed by the escrow account given under the escrow agreement signed in September 2010, between the Carlyle Group and its shareholders at the time.

(d) On January 1, 2010, the Company entered into a contract of sharing and reimbursement of transport expenses with Seripatri Participações Ltda. to meet the needs of their managers, and Seripatri is who bears all costs and common costs of these goods.

14.2. Compensation of Management key personnel

Management key personnel refers to the members of the Board of Directors, the CEO, the superintendent, and statutory and nonstatutory officers. Compensation paid or payable is as follows.

	Company		Consolidated	
	Payables	Expenses	Payables	Expenses
Short-term benefits to managers (*)	113	49,262	6,907	68,225
Share-based compensation	-	22,062	-	22,062
Balances at 2011	113	71,324	6,907	90,287

(*) Management compensation expenses comprise only a fixed portion approved by the Board of Directors. For officers and employees, these expenses comprise a fixed and a variable portion based on their performance and annual overall goals and a one-time payment approved on May 31, 2011 as mentioned in note 14.1. (a).

15. INVESTMENTS

Broken down as follows:

	Company		Consolidated	
	12/31/2011	12/31/2010	12/31/201	12/31/2010
Equity interests:				
QC Holding II Participações S.A.	-	1,611,895	-	-
Qualicorp Administradora de Benefícios S.A.	735,055	-	-	-
Qualicorp Administração e Serviços Ltda.	47,462	-	-	-
Qualicorp Consultoria em Saúde Ltda.	65,409	-	-	-
Qualicorp Corretora de Seguros S.A.	952,859	-	-	-
Convergente Consultoria e Corretora de Seguros Ltda.	823	-	-	-
Medlink Conectividade em Saúde Ltda.	6,892	-	-	-
Total equity interests	1,808,500	1,611,895	-	-
Other investments-				
Other investments	-	-	66	66
Total other investments	-	-	66	66
Total investments	1,808,500	1,611,895	66	66

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a) Effects of the merger of QC II into Qualicorp Participações and spin-off to the operating subsidiaries (see note 1.(c))

	Net assets of QC II merged into Qualicorp Participações								Net assets from the spin-off transferred to the operating subsidiaries				
Description	QC II	Qualicorp Partic.	Elimination of investment at cost of QC II as a contra entry to the shareholders' equity of Qualicorp Participações	Intercompany eliminations	Allowance for intangible assets in the downstream merger	Goodwill provision in the downstream merger	QC II balance merged into Qualicorp Partic. after merger	Qualicorp Partic. shareholders' equity after merger	Qualicorp Administradora de Benefícios S.A.	Qualicorp Administração e Serviços Ltda.	Qualicorp Consultoria em Saúde Ltda.	Qualicorp Corretora de Seguros S.A.	Closing balances of Qualicorp Partic. investments in operating subsidiaries
Other current assets and long-term receivables	20,900	39,600	-	(20,879)	-	-	21	39,621	31,336	-	-	8,285	-
Property, plant and equipment and others	-	357	-	-	-	-	-	357		-	-	357	-
Debentures	(316,402)		-	-	-	-	(316,402)	(316,402)	(169,117)	-	-	(147,285)	-
Deferred income tax on intangible assets - customer portfolio	(258,003)	-	-	-	258,003	-	-	-	-	-	-	-	-
Other liabilities	(2,088)	(21,257)	-	20,879	-	-	18,791	(2,466)	(1,564)	-	-	(902)	-
Tax credit recognition - merger	-	-	-	-	-	301,398	301,398	301,398	146,811	7,023	7,263	140,301	-
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
QC II	-	-	-	-	-	-	-	-	-	-	-	-	-
Qualicorp Participações:													
Cost	189,309	-	(189,309)	-	-	-	-	-	-	-	-	-	-
Goodwill	1,215,000	-	-	-	-	(1,215,000)	-	-	-	-	-	-	-
Goodwill adjustment - SOP	4,346	-	-	-	-	(4,346)	-	-	-	-	-	-	-
Goodwill - balance allocated to customer portfolio	758,833	-	-	-	(758,833)	-	-	-	-	-	-	-	-
			-	-	-	-	-		-	-	-	-	
Qualicorp Administradora de Benefícios S.A.	-	7,888	-	-	-	-	-	7,888	-	-	-	-	7,888
Qualicorp Administração e Serviços Ltda.	-	9,717	-	-	-	-	-	9,717	-	-	-	-	9,717
Qualicorp Consultoria em Saúde Ltda.	-	26,177	-	-	-	-	-	26,177	-	-	-	-	26,177
Qualicorp Corretora de Seguros S.A.	-	126,136	-	-	-	-	-	126,136	-	-	-	-	126,136
Convergente Consultoria e Corretora de Seguros Ltda.	-	684	-	-	-	-	-	684	-	-	-	-	684
Other	-	7	-	-	-	-	-	7	-	-	-	-	7
Equity	1,611,895	189,309	(189,309)	-	(500,830)	(917,948)	3,808	193,117	7,466	7,023	7,263	756	170,609

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b) Investment recovery after spin-off

	QC II	Qualicorp Administradora de Benefícios S.A.	Qualicorp Administração e Serviços Ltda.	Qualicorp Consultoria em Saúde Ltda.	Qualicorp Corretora de Seguros S.A.	Convergente Consultoria e Corretora de Seguros Ltda.	Other	Total
Balance as of December 31, 2010	1,611,895	-	-	-	-	-	-	1,611,895
Merger of QC II into Qualicorp Participações	(1,611,895)	-	-	-	-	-	-	(1,611,895)
Intangible assets recovery -customer relationship, net of tax credit effects from the merger/spin-off	-	243,955	11,669	12,070	233,136	-	-	500,830
Goodwill recovery, net of tax credit effects from the merger/spin-off	-	447,133	21,387	22,123	427,305	-	-	917,948
Net assets received from the spin-off of Qualicorp Participações	-	7,466	7,023	7,263	756	-	-	22,508
Opening balance of investments received from the spin-off by Qualicorp S.A.	-	7,888	9,717	26,177	126,136	684	7	170,609
Balance reclassified after the merger and spin-off, as mentioned in note 1.c)	-	706,442	49,796	67,633	787,333	684	7	1,611,895

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c) The main information on investments accounted for under the equity method is as follows:

	Qualicorp Administradora de Benefícios S.A.	Qualicorp Administração e Serviços Ltda.	Qualicorp Consultoria em Saúde Ltda.	Qualicorp Corretora de Seguros S.A.	Convergente Consultoria e Corretora de Seguros Ltda.	Medlink Conectividade em Saúde Ltda.	Other	Total
Information on investees as of December 31, 2011								
Capital	11,967	14,023	52,402	241,986	581	12,820	-	-
Equity adjusted	69,440	15,612	25,202	316,744 (e)	823	(6,184)	-	-
Adjusted profit (loss) for the year	42,995	(1,128)	(975)	29,277	139	(4,221) (b)	-	-
Information on investments								
Number of shares	7,490,118	14,022,567	52,401,586	241,718,603	580,950	12,820,438	-	-
Equity interest - %	100	99.99	99.99	100	99.99	99.99	-	-
Changes in investments								
Opening balance of investments received from the spin-off by Qualicorp S.A.	7,888	9,717	26,177	126,137	684	-	7	170,610
Net assets received from the spin-off of Qualicorp Participações, net	7,467	7,023	7,263	756	-	-	-	22,509
Spin-off adjustments	-	-	(7,263)	-	-	-	(7)	(7,270)
Provision for shareholders' deficit in subsidiaries (note 8.c))	-	-	-	-	-	(12,603)	-	(12,603)
Goodwill on acquisition of subsidiary (note 8.c))	-	-	-	-	-	13,086 (d)	-	13,086
Capital increase in subsidiaries	-	-	-	159,750	-	10,638 (c)	-	170,388
Distribution of dividends (*)	(1,500)	-	-	(9,900)	-	-	-	(11,400)
Equity in subsidiaries	42,995	(1,128)	(975)	29,278	139	(4,221)	-	66,088
Equity reserve - Stock Option Plan - SOP	12,590	-	-	10,723	-	-	-	23,313
Total	69,440	15,612	25,202	316,744	823	6,900	-	434,721
Intangible assets recovery - customer relationship, net of tax credit effects from the merger/spin-off								
Goodwill recovery, net of tax credit effects from the merger/spin-off	243,954	11,670	12,070	233,136	-	-	-	500,830
Reversal of the adjustment of allowance for net assets	447,133	21,387	22,123	427,305	-	-	-	917,948
Equity in subsidiaries adjustment - intangible assets amortization - customer relationship, net - from January through March 2011	(237)	-	7,263	(209)	-	-	-	6,817
Amortization of intangible assets - customer relationship - gross amount of R$58,889 (note 30), with tax effects of R$20,022 being recorded in the statement of income, in the caption "Deferred income tax and social contribution", for the period from April to December 2011	(6,309)	(302)	(312)	(6,029)	-	-	-	(12,952)
Total investments	(18,926)	(905)	(937)	(18,088)	-	(8)	-	(38,864)
Total de investimentos	735,055	47,462	65,409	952,859	823	6,892	-	1,808,500

(a) Does not include dividends received from merged subsidiaries (Qualicorp Participações S.A. and QC Holding II Participações S.A.) in the first quarter of 2011, in the amount of R$140.

(b) Subsidiary acquired on April 1, 2011. Refers to income (loss) from April 1 to December 31, 2011.

(c) Includes the advance for future capital increase of R$6,242 made by the Company in Medlink Conectividade em Saúde Ltda.

(d) See note 8.c).

(e) Equity adjusted by effect of options on noncontrolling interest liability in the amount of R$5,871 on December 31, 2011.

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16. PROPERTY, PLANT AND EQUIPMENT

Broken down as follows:

	Annual amortization rate - %	12/31/2011 Adjusted cost	12/31/2011 Accumulated depreciation	12/31/2011 Total	12/31/2010 Adjusted cost	12/31/2010 Accumulated depreciation	12/31/2010 Total
Telephone and communication equipment	20	566	(166)	400	204	(98)	106
Sound and image equipment	10	159	(93)	66	129	(69)	60
Security equipment	10	91	(39)	52	77	(23)	54
Furniture and fixtures	10	3,408	(1,164)	2,244	2,740	(837)	1,903
Facilities	10	762	(224)	538	573	(147)	426
Vehicles	20	562	(253)	309	501	(160)	341
IT equipment	20	15,120	(4,003)	11,117	4,135	(2,119)	2,016
Machinery and equipment	10	2,605	(1,539)	1,066	407	(94)	313
Leasehold improvements	(*)	7,650	(4,609)	3,041	6,119	(1,938)	4,181
Total		30,923	(12,090)	18,833	14,885	(5,485)	9,400

(*) Leasehold improvements are amortized based on the related lease agreements. The average amortization rate was 34.69%.

The Company reviews the estimated useful lives of fixed assets annually at the end of each year. During the current year, Management did not identify events or circumstances that would require changes in estimates of useful lives for the items presented in the group of property, plant and equipment.

Changes in property, plant and equipment are as follows:

	Consolidated
Balances as of December 31, 2010	9,400
Additions:	
Telephone and communication equipment	345
Safety equipment	14
Sound and image equipment	30
Facilities	617
Furniture and fixtures	173
IT equipment	3,012
Machinery and equipment	268
Leasehold improvements	1,846
Total additions	6,305
Write-offs, net	(329)
Depreciation	(5,198)
Balances of acquired companies (a)	959
Transfers (b)	7,696
Balance as of December 31, 2011	18,833

(a) Refer to opening balances of the acquired company Medlink Conectividade em Saúde Ltda., as mentioned in note 8.c).

(b) Represented by expenses on hardware acquired from third parties that were recorded in the caption “Software under development”. On July 1, 2011, this amount was transferred to the caption “Data processing equipment” (see note 17).

17. INTANGIBLE ASSETS

Broken down as follows:

	Annual amortization rate - %	12/31/2011 Adjusted cost	12/31/2011 Accumulated depreciation	12/31/2011 Total	12/31/2010 Adjusted cost	12/31/2010 Accumulated depreciation	12/31/2010 Total
Goodwill on the acquisition of investments allocated as future earnings:							
Athon, Brüder SP and Brüder RJ merged by their controllers (g)	-	27,251	-	27,251	27,251	-	27,251
Salutar merged by its controller	-	52,004	-	52,004	52,004	-	52,004
Qualicorp Participações S.A. (d)	-	-	-	-	1,219,346	-	1,219,346
Qualicorp Administradora de Benefícios S.A. (d)	-	446,896	-	446,896	-	-	-
Qualicorp Administração e Serviços Ltda. (d)	-	21,387	-	21,387	-	-	-
Qualicorp Consultoria em Saúde Ltda. (d).	-	29,386	-	29,386	-	-	-
Qualicorp Corretora de Seguros S.A. (d).	-	427,098	-	427,098	-	-	-
PraxiSolutions Consultoria de Negócios e Corretora de Seguros Ltda.(g)	-	15,313	-	15,313			
Medlink Conectividade em Saúde Ltda. (g)	-	12,966	-	12,966	-	-	-
Total goodwill		1,032,301	-	1,032,301	1,298,601	-	1,298,601
Software (a)	20	40,046	(10,370)	29,676	5,795	(2,276)	3,519
Software under development (b)	-	14,353	-	14,353	34,643	-	34,643
Acquisition of portfolios - Corporate segment (c)	20	3,565	(2,952)	613	3,564	(2,502)	1,062
Acquisition of portfolios - Affinity segment (e)	20	192,644	(30,774)	161,870	62,818	(9,423)	53,395
Exclusivity right (f)	10 a 20	113,570	(11,857)	101,713	28,570	(477)	28,093
Trademarks and patents	-	4	-	4	6	-	6
Fair value on intangible assets - relationship with customers paid in the acquisition of investments (g):							
Athon, Brüder SP e Brüder RJ	10	21,625	(5,130)	16,495	21,625	(2,967)	18,658
Salutar	10	53,316	(11,120)	42,196	53,316	(5,788)	47,528
Qualicorp Participações S.A. (d)	10	-	-	-	785,000	(26,167)	758,833
Qualicorp Administradora de Benefícios S.A. (d)	10	382,374	(50,983)	331,391	-	-	-
Qualicorp Administração e Serviços Ltda. (d)	10	18,290	(2,439)	15,851	-	-	-
Qualicorp Consultoria em Saúde Ltda. (d)	10	18,919	(2,522)	16,397	-	-	-
Qualicorp Corretora de Seguros S.A.(d)	10	365,418	(48,722)	316,696	-	-	-
PraxiSolutions Consultoria de Negócios e Corretora de Seguros (g)	10	14,158	(679)	13,479	-	-	-
Medlink Conectividade em Saúde Ltda. (g)	20	182	(13)	169	-	-	-
Total other intangible assets		1,238,464	(177,561)	1,060,903	995,337	(49,600)	945,737
Total		2,270,765	(177,561)	2,093,204	2,293,938	(49,600)	2,244,338

(a) Expenses on the acquisition of software licenses by Qualicorp Group and operating software for use.

(b) Represented by expenses on the development of a new operating system acquired from a vendor. On July 1, 2011, with the completion and go-live of some system modules, the amount of R$20,384 was transferred to the caption “Computer software”.

(c) Payments made to third parties on the acquisition of a portfolio of the Small and Medium-sized Entities (SME) Corporate segment.

(d) See note 15.(a).

(e) Rights and Obligations Assignment Agreements entered into in 2010 and 2011.

The Company, through its subsidiaries, entered into two agreements for the assignment and transfer of the rights and obligations in client portfolios of the companies: (i) Unni Administradora de Benefícios Ltda. and Vectorial Consultoria e Representações Ltda. (“Vectorial”); and (ii) Med Company Consultoria e Corretora de Seguros Ltda. and Priority Administradora de Planos de Saúde Ltda. (“Med Company”), respectively.

Vectorial

On April 15, 2010, the Company acquired, through its subsidiaries Qualicorp Corretora de Seguros S.A. and Qualicorp Administradora de Benefícios S.A., the rights and obligations arising from several group adhesion contracts entered into and/or managed by each assignor with its clients, whose recurring monthly revenues at the acquisition date total R$3,000 (broken down into R$1,600 from brokerage fees and R$1,400 from stipulation fees), totaling 66 thousand lives insured, distributed among 25 contracts, of which 23 contracts are entered as stipulation contracts and 2 as management contracts.

Total transaction price amounted to R$51,000, out of which R$47,500 relating to the portfolio price and R$3,500 relating to assignments of rights on the management, brokerage and agency of the two contracts managed (Additional Portfolio).

On May 19, 2010, 50% of the portfolio price, totaling R$23,750, and the amount of R$3,500 relating to the Additional Portfolio price were settled. The residual balance was divided into seven equal, monthly and consecutive installments, plus inflation adjustment based on CDI and the last installment was paid on December 20, 2010.

On April 1, 2011, the Company acquired, through its subsidiary Qualicorp Corretora de Seguros S.A., 25% of the remaining rights held by Vectorial on a certain group of the affinity segment clients. In May 2010, the Qualicorp Group had already acquired 75% of the rights and obligations related to this group of clients. The 25% share in this group of clients' rights represented, on acquisition date, approximately R$1 million per month in revenue, for which the Qualicorp Group will pay R$52 million, of which R$15 million in cash, and the remaining balance (as adjusted for inflation using the CDI fluctuation) will be paid by July 14, 2011 in the amount of R$53,210.

Med Company

On April 19, 2010, the Company entered into, through its subsidiaries Qualicorp Corretora de Seguros S.A. and Qualicorp Administradora de Benefícios S.A., a business intermediation, assignment and transfer of rights and obligations agreement and other covenants related to several group adhesion contracts stipulated and/or managed by the assignor/intermediary with its customers, whose recurring monthly revenues at the acquisition date total R$530, totaling 33,000 lives insured, distributed among four contracts. The total transaction price amounted to R$12,000, 50% of the portfolio price paid on June 28, 2010. The remaining balance will be settled in five installments, settled according to the following schedule: four equal, consecutive monthly installments of R$1,000, starting on the date contracts are delivered; and R$2,000 ten months after the contract delivery date (April 27, 2011), including monetary adjustment and price negotiation.

The amount of the five installments will be adjusted based on the positive variation of general market price index (IGP-M) and on the changes in the portfolio (lives insured) included in the contract on the transaction date. The adjustment to the acquisition price using the portfolio variation was R$419, R$ 182, accounted for in December 2010 and R$237 in April 2011, and the acquisition price decreased from R$12,000 to R$11,581.

On December 7, 2011 the Company through its subsidiaries Qualicorp Corretora de Seguros S.A. and Qualicorp Administradora de Benefícios S.A. celebrated the first amendment to the contract of brokerage business, trade and transfer of rights and obligations and other agreements relating to collective agreements for accession classes of entities migrated at the time of the first contract signed in April 2010 between the Company and Operadora Unimed-BH Cooperativa de Trabalho Médico Ltda. The acquisition price was R$280 being paid in cash in January 2012. The value of this additive is being amortized over five years retroactive to the migration period in April 2010.

Divicom Administradora de Benefícios Ltda.

On April 18, 2011, the Company entered into, through its subsidiaries Qualicorp Administradora de Benefícios S.A. and Qualicorp Corretora de Seguros S.A., a rights and obligations assignment and transfer, and brokerage agreement and other covenants with Divicom Administradora de Benefícios Ltda. ("Divicom") to acquire the rights to the management and sale of certain Affinity segment contracts that, on agreement execution date, totaled approximately 60,000 insurees, representing estimated revenue of approximately R$1.2 million per month. Divicom received from the Qualicorp Group R$16 million, which can be adjusted based on the number of insurees that actually migrate to the Company on the date the transaction is completed. As vidas foram migradas para a Companhia em 24 de outubro de 2011. The price was settled in two installments, consisting of 70% in cash and the remaining balance within 12 months from the migration date, a payment that includes the acquisition of 100% of Qualicorp Administradora de Benefícios S.A. rights and 50% of Qualicorp Corretora de Seguros S.A. rights; as a result, Divicom will continue to receive 50% of the annual contracts' brokerage fees. Additionally, the price can be adjusted by no more than R$5 million. The payment is contingent upon the compliance with two annual sales goals of 36 thousand lives, totaling 72 thousand lives by the end of the second year of the agreement. The maximum payment of R$5 million will be divided in two annual installments of R$2.5 million each, adjusted as the goal is achieved, up to R$5 million. As of June 30, 2011, the Company recorded R$16,159 relating to this assignment agreement. Out of this amount, R$11,911 had already been paid by June 28, and the remaining balance of R$4,248, prior to any adjustments to the portfolio, if applicable, will be paid was in up to 1 year as adjusted using the CDI fluctuation, as of the date of payment of the first installment.

On January 10, 2012, subsidiary Qualicorp Corretora de Seguros S.A acquired the remaining 50% brokerage rights on Divicom's existing agreements.

On November 9, 2011, subsidiaries Qualicorp Administradora de Benefícios S.A. and Qualicorp Corretora de Seguros S.A. entered into a contractual amendment for the rights and obligations assignment and transfer, brokerage and other covenants whereby 2,974 lives relating to 13 entities were added. The amount involved in this assignment of rights was R$892, out of which the first 70% (R$624) were already paid on November 11, 2011 while the remaining 30% (R$268) were paid on April 18, 2011.

On January 10, 2012, a document of rescission was signed in connection with the Commercial Services Agreement and Other Covenants whereby rights and obligations had been assigned to Qualicorp Corretora de Seguros S.A. and Qualicorp Administradora de Benefícios S.A. A price adjustment was stipulated on the lives transferred under the 1st contractual amendment made on April 18, 2011 in the amount of R$5,000, covering the lives migrated in the period from November 25, 2010 to June 20, 2011, in the amount of R$12,333, totaling R$17,333. Out of this amount, a discount was made in the amount of R$1,720 (see note 12.1.(e)) which has been recorded as an advance to Divicom, already adjusted for inflation using the CDI fluctuation, by subsidiary Qualicorp Administradora de Benefícios S.A. This additional portfolio acquisition was settled on January 13, 2012 by subsidiary Qualicorp Corretora de Seguros S.A.

Adplan Administração e Planejamento de Benefícios Ltda.

On September 1, 2011, subsidiary Qualicorp Administradora de Benefícios S.A entered into a rights and obligations assignment agreement with Adplan Administração e Planejamento de Benefícios Ltda.("Adplan") to acquire management and trading rights for the provision of medical and hospital assistance involving diagnosis and therapy, thus becoming the holders for professionals registered with Rio de Janeiro´s Regional Council of Real Estate Brokers (CRECI/RJ).827 lives were transferred, in the amount of R$225, which was fully settled in September 2011. The amortization period is five years.

Newport Consultoria e Corretora de Seguros Ltda. e NWP Assessoria em Negócios Comerciais e Corretagem de Seguros Ltda.

On October 17, 2011, the Company entered into, through its direct subsidiary Qualicorp Corretora de Seguros S.A., a rights and obligations assignment and transfer agreement and other covenants to acquire 75% of the current portfolio of Newport Consultoria e Corretora de Seguros Ltda. ("Newport") and NWP Assessoria em Negócios Comerciais e Corretagem de Seguros Ltda. ("NWP") for the amount of R$19,793, payable in 12 equal monthly installments bearing no inflation adjustments after the assignments that will begin in February 2012, and the monthly amortization thereof, become effective.

Once the 12 months as of the assignment date have elapsed, Qualicorp will be able to exercise the option to purchase the remaining portfolio of 25% while Newport and NWP will continue to perform their commercial operations in partnership with Qualicorp and have right to 25% co-brokerage fees on the current portfolio as well as on any new customers that may be added to Qualicorp's portfolio as a function of the sales effort that will be made.|

These companies operate in the brokerage business relating to health insurance and medical assistance plans, either individual and/or collective (medical and dental assistance), life insurance, car insurance/RE and pension plans. In the aggregate, Newport and NWP customers total approximately 83 thousand lives, out of which 41 thousand in the health, 33 thousand in the dental assistance and 9 thousand in the life insurance lines.

Afinidade Administradora de Benefícios Ltda. ("Afinidade Administradora") e a Equilibrar Corretora de Seguros Ltda. ("Equilibrar Corretora")

Whereas, Equilibrar Corretora operates in representation, brokerage, agency, commissioning and brokerage services involving casualty insurance lines and health care plans (medical and dental assistance), in addition to other supplementary health assistance services and brokerage of health and insurance plans (health and dental assistance). Equilibrar Corretora will continue to perform its operating activities under an exclusive partnership with Qualicorp. Afinidade Group manages approximately 30 thousand lives, has 40 entities in its customer portfolio, and sells and manages products of approximately 10 health care operators. The Group's operations are primarily concentrated in the Federal District but it also operates in the States of Rio de Janeiro, Minas Gerais, Ceará and Bahia. The total transaction amount, provided that the minimum assignment occurs within the assignment term, will be R$38,000, subject to price adjustment. Under these conditions, the down payment of R$5,700 made in November 2011, and the payment of R$27,300 on the rights assignment date, and the payment of R$5,000 contingent upon the assignor's projected minimum revenue in the amount of R$1,800 for a period of 12 months subsequent to the assignment date, and, in case this amount is not achieved, the price adjustment to the portfolio assignment will be attributed.

(f) Exclusivity right

Unimed Rio

On November 30, 2010, the Company entered into a business agreement with Unimed Rio - Cooperativa de Trabalho Médico do Rio de Janeiro Ltda. ("Unimed Rio"), ensuring exclusivity in the provision of benefit manager services, as policyholder, under a collective contract by adhesion over a five-year period. The deal amounted R$20,000, of which R$10,000 was paid on December 1, 2010, and the R$10,000 remain payable (see note 24). The remaining balance will be paid after the proof the expenses incurred using the advance made in December 2010 and the presentation of an action schedule for 2011, to be developed together with the Company.

On April 28, 2011, subsidiary Qualicorp Corretora de Seguros S.A. entered into a sales agreement with Unimed Rio, in order to ensure exclusivity over a specific customers' portfolio represented by collective adhesion and corporate agreements.

This negotiation ensures Qualicorp the right to prospect this customers' base for cross-selling of various services, including the provision of benefit management services for collective adhesion agreements. Additionally, the Company was engaged by Unimed Rio to provide management services to these portfolios, for which we will receive a compensation of 10% on monthly premiums relating to these agreements. This transaction will allow the exclusive and strategic access to a selected customers' base in Rio de Janeiro, thus consolidating Qualicorp Group's operations in this region. The transaction amounted to R$85,000, out of which R$17,000 was paid in April 2011 and the remaining R$68,000 was paid in July 2011, adjusted based on the CDI-CETIP rate. This asset will be amortized over ten years.

Abrigo do Marinheiro/ Yeld Corretora de Seguros

Refers to the use of logotype Abrigo for any promotional action to be published in the Company's publicity materials during the term of the agreement with Unimed Rio, in the amount of R$1,500. The amortization period of this prepaid expense will be five years. Additionally, on November 1, 2010, an agreement between subsidiary Qualicorp Corretora de Seguros and Yeld Corretora de Seguros ("Yeld Corretora") was signed regarding the commission for intermediation of the negotiation with Abrigo do Marinheiro and affiliate company Qualicorp Administradora de Benefícios as policyholder and the consequent appointment of Qualicorp Corretora de Seguros as broker. Subsidiary Qualicorp Corretora paid R$3,570 to Yeld Corretora as a commission for the intermediation, which also has been amortized in five years.

Unimed Norte Nordeste and Central Norte Nordeste

On September 10, 2010, an agreement was entered into between subsidiary Qualicorp Corretora de Seguros and Vectorial Corretora de Seguros ("Vectorial") for intermediation of the negotiation with healthcare plan operators Unimed Norte Nordeste and Central Norte Nordeste and subsidiary Qualicorp Administradora de Benefícios as policyholder and the consequent appointment of Qualicorp Corretora de Seguros as broker. On November 30, 2010, Qualicorp Administradora de Benefícios entered into a commercial agreement with Unimed Norte Nordeste - Confederação das Sociedades Cooperativas de Trabalho Médico ("Unimed Norte Nordeste") and Central Operadora de Planos de Saúde Norte-Nordeste ("Central Norte Nordeste"), ensuring the exclusivity for rendering benefit management services in the capacity of policyholder and, consequently, the appointment of Qualicorp Corretora de Seguros as broker, through Vectorial Corretora de Seguros intermediation. Subsidiary Qualicorp Corretora paid Vectorial as a commission for the intermediation the amount of R$3,500, which will be settled in December 2010. This intermediation will be amortized in five years, that is, the term of effectiveness of the agreement.

(g) See note 8.c).

Changes in intangible assets are as follows:

	Consolidated
Balances as of December 31, 2010	2,244,338
Additions:	
Goodwill	28,279
Software	6,061
Software under development	8,511
Portfolio acquisition	144,405
Exclusivity right	85,000
Total de additions	272,256
Amortization	(124,574)
Tax credit from the total spin-off of Qualicorp Participações (as mentioned in notes 1 and 15, reclassified in long-term assets)	(294,134)
Write-offs, net	(1,403)
Transfers (*)	(7,696)
Balances of acquired companies (**)	4,417
Balances as of December 31, 2011	2,093,204

(*) Represented by expenses on hardware acquired from third parties that were recognized in the caption "Software under development". On July 1, 2011, this amount was transferred to the caption "Data processing equipment" (see note 16).

(**) Refers to opening balances of the acquired company Medlink Conectividade em Saúde Ltda., as mentioned in note 8.c).

This balance refers mainly to the software used in the Connectivity operations of the acquired company that on March 31, 2011 was R$4 million, net of monthly depreciation.

Goodwill on acquisition of investments

Pursuant to CPC 01, goodwill on companies acquired should be tested for impairment, at least annually. The Company made this test for the acquisitions occurred up to December 31, 2011. The test was based on the recoverable amount of cash-generating units of Qualicorp Group, which was determined based on the value in use by using the cash flow supported by financial projections approved by Management and a discount rate of 13.70% per year. Management believes that potential additional changes in the main assumptions on which recoverable amounts were based would not cause its carrying amount to exceed recoverable amount.

18. DEBENTURES

On August 17, 2010, the Board of Directors' members approved the 1st issuance of registered, book-entry debentures, nonconvertible into shares in its subsidiaries QC Holding II Participações S.A. (R$308,000), Qualicorp Administradora de Benefícios S.A. (R$56,000) and Qualicorp Corretora de Seguros S.A.(R$36,000).

The debentures were distributed through public offerings with restrict placements efforts, in conformity with CVM Instruction 476/2009.

Funds raised by QC II through the 1st issue of debentures amounting to R$308,000 were used to acquire Qualicorp Participações S.A. shares and to pay costs and expenses related to such acquisition, according to note 1.

Funds raised by other subsidiaries through the 1st issue of debentures amounting to R$92,000 will be used to carry out acquisitions in general, pay the related acquisition costs and expenses, increase working capital and meet other Company's subsidiaries' obligations.

On September 3, 2010, the Company notified the CVM of the closing of the public offering with restricted efforts to place the debentures issued by its associates Qualicorp Administradora de Benefícios S.A. and Qualicorp Corretora de Seguros S.A.

On March 31, 2011, the Extraordinary Shareholders' Meeting ("AGE") of QC Holding II held on March 31, 2011 approved the merger of QC Holding II into Qualicorp Participações S.A., which was duly submitted to debenture holders' approval, as prescribed by article 231 of the Brazilian Corporate Law, through the Minutes of the Debenture holders' Meeting held on March 31, 2011 ("AGD").

Thereafter, Qualicorp Participações was spun-off and its debentures debt was transferred to Qualicorp Corretora de Seguros S.A. ("QC Corretora") and to Qualicorp Administradora, Qualicorp Group's companies.

At the Debenture holders' Meeting mentioned above, debenture holders expressly approved: (a) the cancellation of debentures and the creation of new credit, represented by debentures issued by Qualicorp Participações, as prescribed by the Indenture for the 1st Issue of Simple, Unsecured Debentures, with Collateral ("Qualicorp Participações Indenture" and "Qualicorp Participações Debentures", respectively), and (b) the cancellation of Qualicorp Participações Debentures and the creation of new credit, represented by debentures issued by QC Corretora through Indenture for the 2nd Issue of Simple, Unsecured Debentures, with Collateral and Additional Security, and by QC Administradora, through the Indenture for the 2nd Issue of Simple, Unsecured Debentures, with Collateral and Additional Security ("QC Corretora Debentures" and "QC Administradora Debentures", respectively), which will constitute two new subjective debenture issues, which initially, due to the merger mentioned above, replaced the debentures' issuer by Qualicorp Participações and, thereafter, due to the spin-off mentioned above, debentures' issuer was again replaced by the companies that received Qualicorp Participações' equity, in the following proportion: (i) 143 debentures from QC Corretora; and (ii) 165 debentures from QC Administradora. Therefore, the debentures of 2nd Issue were already placed through public offering, with restricted placement efforts, in accordance with CVM Instruction 476/2009, upon the 1st issue by QC Holding II.

On December 20, 2011, was approved in AGD, the celebration of the First Amendment to Private Deed of 2nd Issue of Debentures of subsidiaries Qualicorp Corretora de Seguros S.A. and Qualicorp Administradora de Benefícios S.A., changing the conditions of remuneration of debentures corresponding to interest equal to 100% of average daily interbank deposits - over extra DI rate group, expressed as a percentage per year of 252 days increased exponentially surcharge equivalent to 1.675% per year, which came into force from of December 30, 2011, date of registration at CETIP, without changing other rules set forth above for issuers.

The debentures issued in the 1st issuance have the following characteristics:

Number/Type

Issuer	Debenture	Type	12/31/2011	12/31/2010
QC Holding II Participações S.A.	1st issue	Unsecured	-	308
Qualicorp Administradora de Benefícios S.A.	1nd issue	Floating	56	56
Qualicorp Administradora de Benefícios S.A.	2nd issue	Unsecured	165	-
Qualicorp Corretora de Seguros S.A.	1st issue	Unsecured	36	36
Qualicorp Corretora de Seguros S.A.	2nd issue	Unsecured	143	-
Total			400	400

Date of Issue: August 25, 2010.

Unit Par Value: R$1,000 per debenture.

Term and Maturity: 60 months, with final maturity on August 25, 2015.

Yield: exponential and cumulative, on pro rata basis per number of business days elapsed, based on a 252-business-day year, on the balance of the Unit Par Value of the Debentures from the Issue Date or the maturity date of the immediately preceding Capitalization Period, as the case may be, up to the payment date. The balance of the Unit Par Value of the Debentures bear interest of 100% of the daily average DI rate, “over extra group”, expressed as percentage per year, based on a 252-business-day year, calculated and disclosed by CETIP, plus a spread of 1.675% beginning December 30, 2011 (2.75% until December 29, 2011), payable on semiannual basis from the issue date, always on the 25th day of February and August of each year.

Additionally, in September 2010, financial intermediation costs on the placement/issue of debentures, equivalent to approximately 2%, were paid for amortization over the transaction term on an exponential basis.

Amortization: amortizable in five annual installments, on the following dates and percentage rates: August 25, 2011 (10.0%), August 25, 2012 (15.0%), August 25, 2013 (20.0%), August 25, 2014 (25.0%) and August 25, 2015 (30.0%), as shown below:

Maturities and debt composition

	12/31/2011 Consolidated	12/31/2010 Consolidated	Maturity
Interest payable	17,282	18,313	February 25, 2012
Deferrable financial intermediation cost on the issue/placement of debentures - short term	(1,660)	(1,594)	
Debentures - 1st installment	-	40,000	August 25, 2011
Debentures - 2nd installment	60,000	-	August 25, 2012
Current	75,622	56,719	
Deferrable financial intermediation cost on the issue/placement of debentures - short term	(4,426)	(5,926)	
Debentures - 2nd installment	-	60,000	August 25, 2012
Debentures - 3rd installment	80,000	80,000	August 25, 2013
Debentures - 4th installment	100,000	100,000	August 25, 2014
Debentures - 5th installment	120,000	120,000	August 25, 2015
Noncurrent	295,574	354,074	
Total	371,196	410,793	

Guarantee

Qualicorp S.A., Qualicorp Corretora de Seguros S.A., Qualicorp Administração e Serviços Ltda. and Qualicorp Administradora de Benefícios S.A. are the guarantors of the transaction and, additionally, the shares issued by Qualicorp Participações S.A. have been pledged as collateral.

Optional Early Redemption: the subsidiaries may, on own discretion and at any time, redeem the Debentures in advance, in whole or in part.

The amount to be paid to debentureholders as Optional Early Redemption will correspond to the balance of the Unit Par Value of the Debentures subject to redemption, plus the compensation payable and not paid until the Optional Early Redemption date, plus a premium on the balance of the Unit Par Value of the Debentures subject to redemption based on the following percentage rates: (a) 0.50% if the Optional Early Redemption occurs until August 25, 2012, including; (b) 0.25% if the Optional Early Redemption occurs between August 26, 2012 and August 25, 2014, including; and (c) 0.00%, i.e., no premium payable by the subsidiary, if the Optional Early Redemption occurs on or after August 26, 2014.

Accelerated maturity

The Trustee may declare the accelerated maturity of all obligations set forth in the Debenture Indenture and require the Issuer to immediately pay the balance of the unit face value of outstanding debentures, plus interest calculated on a “pro rata” basis, from the issuance date, or the maturity date of the last capitalization period, i.e., the payment date of the immediately previous interest, as the case may be, up to the actual payment date, in the following events, among others:

(a) Prior to a corporate restructuring (spin-off, merger, consolidation, disposal of equity interest or any other corporate restructuring of the Issuer and/or its parent company, including Public Offering of Shares) if the issuer's current shareholders no longer hold the control, through direct or indirect equity interest, of at least 50% plus one share of the issuer's voting, and after a corporate restructuring, if any third party acquires the control of the issuer, through direct or indirect equity interest of at least 35.0% of shares of the issuer's voting and, cumulatively, if the current shareholders no longer hold the control of the issuer.

(b) Moreover, the Company and its subsidiaries have financial commitments related to the maintenance of specific performance, liquidity and debt ratios pegged to debentures, which, if not met, may cause the accelerated maturity. As of December 31, 2011, the Company and its subsidiaries meet the required ratios.

Changes in debentures:

	Consolidated
Balance at beginning of year	410,793
Recognition of expenses (funding costs)	1,434
Repayment of principal	(40,000)
Interest payments	(55,666)
Recognition of interest (note 33)	54,635
Balance at end of year	371,196

19. TAXES PAYABLE

Broken down as follows:

	12/31/2011 Company	12/31/2011 Consolidated	12/31/2010 Consolidated
Current:			
Tax on revenue (COFINS)	24	4,553	3,015
Mandatory and voluntary union dues	-	4	13
Social contribution on net profit (CSLL)	-	525	123
Severance pay fund (FGTS)	-	746	477
Corporate income tax (IRPJ)	-	10	83
Withholding income tax (IRRF)	157	4,910	1,824
Service tax (ISS)	-	2,945	1,594
Social security tax (INSS)	40	3,361	1,317
Tax on revenue (PIS)	5	915	603
Payment in installments - RFB - PAES (a)	-	-	415
Medlink's federal and county (ISS) taxes in installments (b)	-	1,119	-
Withholding PIS, CSLL and COFINS	3	155	97
Total	229	19,243	9,561

	12/31/2011 Company	12/31/2011 Consolidated	12/31/2010 Consolidated
Noncurrent-			
Medlink's federal and county (ISS) taxes in installments (b)	-	4,487	-
Grand total	229	23,730	9,561

(a) Refers to PAES program - Law 10684/03, concerning the consolidation of prior years' PIS, COFINS, CSLL and IRRF debts, made in July 2003, divided into 180 monthly installments. These taxes were regularly paid and were subject to inflation adjustment based on the long-term interest rate (TJLP). Amounts were payable in monthly installments, and the total debt were expected to be settled by 2018. In November 2009, the Company fully settled the PAES by benefiting from the reduction in interest and fine established by Law 11941/09.

The remaining balance payable, as shown above, totaling R$415, refers to the difference between the amount accrued before the enactment of Law 11941/09 and the PAES settlement calculation.

On May 30, 2011, the Company paid R$243 corresponding to the remaining balance after debt consolidation. In January 5, 2012, the Company obtained the final confirmation regarding the settlement of such liability.

(b) The subsidiary filed an application to the federal tax (PIS, COFINS, IRRF, IRPJ and CSLL) installment plan to refinance the entire federal tax debt outstanding on November 30, 2008. The Government confirmed the granting of the application on November 16, 2009. From November 2009 to March 2011, the Company paid the minimum amount stipulated by the Federal Service Revenue until the installment plan request could be considered and approved. On July 29, 2011, upon the request approval, the Company paid the first installment, in the amount of R$13. The outstanding tax debt will be paid in 160 months and adjusted on a monthly basis by SELIC rate.

Also the Company submitted for the subdivision of the ISS before the municipalities of São Paulo and Rio de Janeiro, which they refinanced municipal tax debts where they were granted in November 2010 and May 2011 and was approved in 60 months, adjusted monthly by the IPCA.

Beginning April 1, 2011, both current taxes and taxes in installments are regularly settled on their maturities.

20. PREMIUMS TO BE TRANSFERRED

Broken down as follows:

	12/31/2011	12/31/2010
	Consolidated	Consolidated
Premiums to be transferred - with risk of default (a)	35,804	7,293
Premiums to be transferred - without risk of default (b)	323	1,471
Total premiums to be transferred	36,127	8,764

(a) Refers to healthcare plan invoices to be paid to the healthcare companies on the maturity date of invoices, regardless of receipt by beneficiaries, which were paid on January 2011. (for amounts referring to December 2010) and January 2012 (for amounts referring to December 2011). The variation between December 30, 2011 and December 31, 2010 is basically related to the new customer's transfers (see note 11.(b)), under a post-payment agreement, i.e., customers first use the healthcare plan and then pay the amount due in the following month.

(b) Refer to healthcare plan invoices to be paid to the healthcare companies when the respective receivables are received from customers (see note 11.(a)).

21. FINANCIAL TRANSFERS PAYABLE

Refer to fees received payable by subsidiaries Qualicorp Administradora de Benefícios S.A. and Qualicorp Administração e Serviços Ltda. to be transferred/paid to entities that hold the insurance and healthcare plan agreements:

	12/31/2011	12/31/2010
	Consolidated	Consolidated
Financial transfers payable (*)	8,151	4,384

(*) These amounts were/will be transferred in full to the entities through January 31, 2011 for amounts referring to December 2010 and through January 31, 2012 for amounts referring to December 2011.

22. PAYROLL AND RELATED TAXES

Broken down as follows:

	12/31/2011		12/31/2010
	Company	Consolidated	Consolidated
Payroll	-	2,793	1,895
Accrued vacation	-	9,652	6,904
Profit sharing program (PPR) (*)	-	8,928	8,974
Other	113	470	103
Total	113	21,843	17,876

(*) Refers to the accrual for profit sharing calculated in accordance with the profit sharing plan estimated based on the Company's policies after its approval by the trade unions.

23. TRANSFERABLE PREPAYMENTS

Broken down as follows:

	12/31/2011 Consolidated	12/31/2010 Consolidated
Insurance premiums and collection processing agreements (a)	36,706	24,127
Prepaid management fees (b)	4,192	2,960
Prepaid financial transfers (c)	1,047	843
Prepaid contract management fees	372	338
Total	42,317	28,268

(a) Refer to prepayments related to collections of beneficiaries of healthcare plans and insurance agreements. The amount collected is transferred to healthcare operators and insurers upon maturity of the related invoices. The amounts were fully transferred to the healthcare operators and insurers by January 31, 2011 for amounts referring to December 2010 and by January 31, 2012 for amounts referring to December 2011.

(b) Refers to the management fee received in advance from beneficiaries and recognized as revenue for the accrual month.

(c) Refers to financial transfers due to trade associations. The amounts received in advance are transferred as established by the agreements, when applicable. The amounts were fully transferred to the professional associations on January 31, 2011 for amounts referring to December 2010 and by January 31, 2011 for amounts referring to December 2011.

24. OTHER PAYABLES

Broken down as follows:

	12/31/2011		12/31/2010	
	Company	Consolidated	Company	Consolidated
Current:				
Commissions payable (b)	-	2,238	-	1,393
Sundry suppliers	-	3,500	-	950
Acquisitions of property, plant and equipment payable	-	378	-	75
Sales material payable	-	277	-	294
Publicity and advertising payable	-	352	-	4,780
Consulting and auditing payable	6	380	49	1,599
IT services payable	-	809	-	852
Purchase of intangible assets (a)	-	69,088	-	15,570
Amounts identifiable healthcare/insurance companies (c)	-	1,079	-	-
Advances from clients	-	272	-	-
Others	38	3,247	-	1,396
Total current	44	81,620	49	26,909

(a) Refers mainly to the balance payable relating to agreements for the assignment of rights on Newport/NWP, Afinidade Administradora e Divicom customers by subsidiaries Qualicorp Corretora and Qualicorp Administradora de Benefícios, as mentioned in note 17.(e) and balance payable to Unimed Rio, as mentioned in note 17.(f).

(b) Refers mainly to the balance payable to outside brokers from sales made and corresponding amounts already received from beneficiaries.

(c) Refers basically to a timing difference 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 is regularized in a subsequent period, after changes sent by the Company are processed.

25. PROVISION FOR RISKS - CONSOLIDATED

During the normal course of business, the Company and its subsidiaries have tax, labor, social security and civil contingencies for which, based on the opinion of their in-house and outside legal counsel and Management estimates, provision for risks was recognized, as follows:

Description	12/31/2011	12/31/2010
Tax (b)	34,203	33,081
Labor and social security (a)	12,977	10,723
Civil (c)	3,827	733
Total	51,007	44,537

Description of the main lawsuits and/or risks:

(a) The Company and its subsidiaries are defendants in labor lawsuits at the administrative and/or judicial levels that involve mainly: (i) the payment of the variation in the percentage of commissions 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 at the moment these services began to be provided by outside companies. The provision for contingencies recognized for potential losses arising from said labor lawsuits totals R$724. Reserves were also recognized to cover potential risks arising from the procedures adopted by the Company, for which there are no judicial lawsuits or other questionings filed, totaling R$12,253. No provisions were recognized for the risks whose likelihood of loss was considered as possible, totaling R$18,650.

(b) Refer primarily to the reserves recognized to cover possible exposure related to tax matters for which there are no lawsuits or other questionings filed. No provisions were recognized for the risks whose likelihood of loss was considered as possible, totaling R$7,598.

(c) The Company and its subsidiaries are defendants in ongoing civil lawsuits, with R$3,827 considered as a probable loss, for which a provision for risks was recognized, and R$18,604 considered as a possible loss, for which no provisions were recognized. The main lawsuits address the following matters: (i) requirement of coverage for medical procedures not included in the group health plan adhesion contract or in the list of procedures of the National Supplementary Healthcare Agency (ANS), whose responsibility is solely and exclusively incumbent upon health plan operators, pursuant to the prevailing legislation; (ii) questioning of the application of a price increase in the health plan's price as a result of the individual's ageing; and (iii) requests for the reactivation of health plans canceled due to the lack of payment of monthly fees are being discussed at the administrative and/or judicial levels.

The changes in such provisions are as follows:

	Balances at 12/31/2010	Additions	Payments	Lawsuits of Medlink	Balances at 12/31/2011
Tax	33,081	1,122	-	-	34,203
Labor and social security	10,723	106	(190)	2,338	12,977
Civil	733	2,630	-	464	3,827
Total	44,537	3,858	(190)	2,802	51,007

26. DEFERRED INCOME

Broken down as follows:

	12/31/2011	12/31/2010
Exclusive right (*)	5,473	-
Other deferred income	345	526
Total	5,818	526

(*) According to the contract signed on December 27, 2011, the subsidiary Qualicorp Administração e Serviços Ltda. ("Holdere") and the indirect PraxiSolutions Consultoria de Negócios e Corretora de Seguros Ltda. (Broker) signed a contract with third parties to provide services, and exclusive distribution and development of insurance. The contract value is R$5,550, with a term of six years, must be received in the first quarter of 2012, after complying with certain formalities. The appropriation of the result will be made during the contract period of exclusivity.

27. EQUITY

Capital

As mentioned in note 1, on September 1, 2010, the Extraordinary Shareholders' Meeting approved: (a) a capital increase amounting to R$1,107,704 with the issuance of 1,107,704,146 registered common shares, without par value; and (b) merger of shares of QC Holding II Participações S.A., at the carrying amount of R$362,625 (fair value of R$507,669) with the issuance of 507,177,489 registered common shares, without par value. Transaction costs amounting to R$3,700 incurred in raising these funds were recorded in shareholders' equity, under the caption "Expenses on share issuance", by subsidiary QC II.

At the Extraordinary Shareholders' Meeting held on May 30, 2011, the Company's Board of Directors approved: (a) a capital increase of R$2,000 through the issuance of 5,000,000 new common registered shares, without par value; (b) the reverse split of common shares at the ratio of 7-for-1, resulting in share capital being represented by 231,411,805 common registered shares, without par value; and (c) an amendment to the stock options grant agreements entered into with the beneficiaries to the reverse split of all shares referred to item (b).

On April 28, 2001, the terms and conditions of the primary and secondary public distribution of Qualicorp S.A. common shares with preemptive rights to the current shareholders were approved at the Company's Board of Directors' meeting.

On June 29, 2011, the Company went public through an initial public offering where 83,472,914 common shares were offered, of which 27,219,429 shares corresponded to the primary shares and 56,253,485 to the secondary shares, settled on July 1, 2011. The proceeds from the offering (primary) totaled R$353,853, accounted for as subscribed capital increase, and commissions and other related costs totaled R$17,283, accounted for as share issuance costs.

The offering was made in Brazil and abroad at the price of R$13.00 per share, totaling a gross amount of R$1,085,148, as shown below:

Offering	Settlement date	Gross amount	Commission	Net amount
Primary	July 1, 2011	353,853	14,721	339,132
Secondary	July 1, 2011	589,754	22,977	566,777
Overallotment - secondary	July 20, 2011	141,541	5,483	136,058
		1,085,148	43,181	1,041,967

During the Extraordinary General Meeting on December 20, 2011, the Board of Directors of the Company approved the increase of capital stock of R$4,141, with the issuance of 1,452,229 new ordinary shares, all nominative, without par value, in result of the exercise of stock options purchases included in the program options described in note 28.

On December 31, 2011, the capital subscribed and paid was R$1,830,324, consisting of 260,083,463 common shares, all nominative, without par value. The Company is authorized to increase its capital independent statutory amendment, by resolution and in terms of issue to be fixed by the Board of Directors, until the limit of 350,000,000 new ordinary shares.

Capital shares are held as follows:

	Common shares	
Shareholders	12/31/2011	12/31/2010
BHCS Fundo de Investimentos em Participações	102,704,390	1,107,705,138
José Seripieri Filho	1	507,177,488
L2 Participações Fundo de Investimento	72,453,925	-
Heráclito de Brito Gomes Junior	1,452,229	
Market (*)	83,472,913	-
Other shareholders	5	9
Total	260,083,463	1,614,882,635

(*) Refers to shares traded on the stock exchange (BM&FBOVESPA).

The movement during the year is demonstrated s follows:

Total common shares as of December 31, 2010	1,614,882,635
Capital increase as of May 30, 2011	5,000,000
Total before reverse split	1,619,882,635
Reverse split (ratio of 7-for-1) as of May 30, 2011	231,411,805
Issuance of new share as of June 29, 2011, paid-as of July 1, 2011	27,219,429
Capital increase as of December 20, 2011	1,452,229
Total common shares as of December 31, 2011	260,083,463

Legal reserve, distribution of profits and other earnings reserves

Mandatory minimum dividends will correspond to 25% of the Company's net income, determined in accordance with the accounting practices adopted in Brazil and adjusted, when applicable, after the allocation of: (a) 5% of the net income annually allocated to the legal reserve, up to the limit of 20% of paid-in capital; this allocation will not be required when the balance of this reserve, plus any capital reserve set forth in paragraph 1, article 182, of the Brazilian Corporate Law, exceeds 30% of capital; (b) unrealized earnings reserve; or (c) provision for contingencies.

The Company shall prepare quarterly balance sheets, as required by the Brazilian Corporate Law and CVM instructions applicable, and, at the Board of Directors' discretion, also prepare semiannual, quarterly or shorter balance sheets and: (a) declare interim dividends; and (b) pay interest on capital against profits or earnings reserve recorded in these balance sheets.

The dividends distributed as described in the paragraph above may be included in the mandatory dividends. The Company may pay interest on capital as annual or interim dividends.

Valuation adjustments to equity

Valuation adjustments to equity correspond to the difference between the carrying amount and the fair value of merged shares of subsidiary QC Holding II Participações S.A. (equivalent to 27.04% of Qualicorp Participações' shares received in exchange for 31.41% shares issued by QC II), as mentioned in notes 1.b) and 1.c).

28. QUALICORP GROUP'S STOCK OPTION PLAN

a) Stock option plan - Company

Qualicorp Group offers a stock option plan. Management, employees and service providers are eligible to these plans. 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. In 2011, expenses on the granting of shares by the Company and/or its subsidiaries in the amount of R$23,313 have been recorded.

b) Stock option plan of Qualicorp Group effective through August 31, 2010

Subsidiary Qualicorp Participações S.A. approved at the Extraordinary Shareholders' Meeting held on February 20, 2009 the stock option plan for its management executives, employees, and service providers. All compensation relating to the stock option grants were recorded and settled by Qualicorp Participações. The Plan was managed by the Board of Directors of Qualicorp Group, which had authority to take the required actions for its maintenance, according to the approved guidelines. The main characteristics of the plan are as follows:

The total shares set aside for the plan could not exceed 7% of the total shares of the subsidiary Qualicorp Participações, represented by 583,042 shares, which could be exercised through the issue of new shares, and generate a dilution of capital of up to 6.54%, or sale of treasury shares.

Options may be exercised in 25% of the shares eligible for purchase as from the 12th month from the date of execution of the stock option agreement, and 6.25% could be exercised quarterly, from the 16th to the 52nd month, at the contractual price. On May 1, 2010, a stock option grant agreement become effective under options could be exercised annually in 25% of the shares eligible for purchase as from the 13th month, and as from the 49th month, the executive may exercise 100% of his/her options. In case of dismissal or termination of the beneficiary without cause, not yet exercisable rights on the termination date automatically became exercisable and vesting periods were accelerated.

The maximum period for exercising the options granted, for each vesting period was up to ten years.

The exercise price of the options granted was equivalent to their market value on the grant date or a price defined by the Board of Directors.

The following share-based payment agreements were effective until August 31, 2010:

Option series	Number	Grant date	Expiration date	Exercise price (i)	Fair value on the grant date (ii)
				R$	R$
Granted in Qualicorp Participações S.A.					
(1) Issued on February 20, 2009	49,976	02/20/09	05/30/13	89.39	41.40
(2) Issued on May 1, 2009	83,292	05/01/09	08/08/13	89.39	41.28
(3) Issued on May 25, 2009	41,646	05/25/09	09/01/13	89.39	40.99
(4) Issued on June 15, 2009	83,292	06/15/09	09/22/13	89.39	41.81
(5) Issued on October 1, 2009	20,823	10/01/09	01/08/14	89.39	41.70
(6) Issued on January 4, 2010	20,823	01/04/10	04/13/14	117.58	47.68
(7) Issued on February 4, 2010	7,500	02/04/10	01/14/14	117.58	49.61
(8) Issued on March 1, 2010	20,823	03/01/10	06/08/14	117.58	51.83
(9) Issued on May 1, 2010	291,522	05/01/10	05/10/14	0.01	83.98
Total	619,697				

(i) Subject to inflation adjustment based on the IGP-M, as from the Option Agreement date up to the exercise date**.**

(ii) The fair value of the stock option plan benefit was estimated based on the Black-Scholes-Merton option valuation model, Earnings Before Interest, Taxes, Depreciation and Amortization - EBITDA of Qualicorp Participações S.A., estimated historic volatility of domestic companies with similar operations, and other management's estimates as mentioned above.

Option series	Estimated volatility of the share price	Expected share dividend yield	Risk-free return rate	Estimated period to maturity
Granted in Qualicorp Participações S.A.				
(1) Issued on February 20, 2009	57.13%	2.09%	6.56%	10 years
(2) Issued on May 1, 2009	56.65%	2.09%	6.51%	10 years
(3) Issued on May 25, 2009	56.43%	2.09%	5.98%	10 years
(4) Issued on June 15, 2009	55.99%	2.09%	6.06%	10 years
(5) Issued on October 1, 2009	55.99%	2.09%	5.60%	10 years
(6) Issued on January 4, 2010	52.96%	1.57%	6.09%	10 years
(7) Issued on February 4, 2010	53.84%	1.57%	5.29%	10 years
(8) Issued on March 1, 2010	53.59%	1.57%	5.85%	10 years
(9) Issued on May 1, 2010	49.56%	1.57%	5.66%	10 years
Total				

Changes in stock options in the period from January 1 to August 31, 2010

The table below reconciles the stock options outstanding at the beginning and the end of the period:

	Number of options	Weighted average exercise price
		R$
Balance at beginning of period	145,761	89.39
Granted during the period	340,668	16.97
Exercised during the period	(101,200)	97.28
Substitution of the assets' plan to the indirect controlling shareholder (*)	(291,522)	0.01
Cancelled during the period	(93,707)	95.65
Balances at end of period	-	-

(*) On September 1, 2010, the active beneficiary has migrated his/her plan from the direct controlling shareholder (Qualicorp Participações S.A.) to the indirect controlling shareholder (QC Holding I Participações S.A.).

Stock options exercised from January 1 to August 31, 2010

Option series	Number exercised	Exercise date	Share price on exercise date
			R$
(1) Issued on February 20, 2009	20,822	09/01/10	94.72
(2) Issued on May 25, 2009	20,823	05/05/10	91.96
(3) Issued on June 15, 2009	31,233	09/01/10	95.38
(4) Issued on January 4, 2010	10,411	09/01/10	126.20
(5) Issued on February 4, 2010	7,500	09/01/10	124.60
(6) Issued on March 1, 2010	10,411	09/01/10	123.95
	101,200		

Based on the shareholder structure as of August 31, 2010, the maximum interest dilution percentage to which current shareholders would be exposed, had all Plan shares been subscribed and maintained after the vesting period, would be lower than 3.5%.

c) New stock option plan effective beginning September 1, 2010

At the Extraordinary Shareholders' Meeting held on September 1, 2010, The Company approved the migration of the stock option plan based on the same criteria adopted by Qualicorp Participações S.A., with the plan being managed by Qualicorp Group's Board of Directors with authority to take the necessary measures for the plan's maintenance in accordance with approved guidelines. The main characteristics of the plan are as follows:

- The total shares set aside for the plan cannot exceed 7% of all the shares of the Company, represented by 16,148,826 shares (113,041,784 shares in 2010), which may be exercised through the issue of new Company shares.

- Options may be exercised in 25% of the shares eligible for purchase as from the 12th month from the date of execution of the stock option agreement, and 6.25% may be exercised quarterly, from the 16th to the 52nd month, at the contractual price.

- The beneficiary's plan, which migrated from the direct parent company, was transferred with the same characteristics, maintaining the original grant date of May 1, 2010. Accordingly, the options may be exercised annually in 25% of the shares eligible for purchase as from the 13th month, and as from the 49th month, the executive may exercise 100% of his/her options. In case of dismissal or termination of the beneficiary without cause, all rights not yet exercisable on the termination date automatically become exercisable, and vesting periods are accelerated.

- The maximum period for exercising the options granted, for each vesting period, is up to ten years.

- The exercise price of the options granted shall be equivalent to their market value on the grant date or a price defined by the Board of Directors.

The Extraordinary Shareholders' Meeting held on March 3, 2011 approved the migration of the stock option plan to the plan proposed on September 1, 2010, which is managed by the Board of Directors of the Qualicorp Group, which has powers to implement the necessary measures to maintain it within the approved guidelines. The main characteristics of the migrated plan are as follows:

- Options can be exercised for 25% of shares that can be acquired through the exercise of options as of each grant anniversary.

- Options granted, for each vesting period, should be exercised within up to five years.

- The exercise price of the options granted shall be equivalent to its fair value on the grant date or a price defined by the Board of Directors.

Below is information on the options granted from September 1, 2010 to December 31, 2011, adjusted as a result of the reverse stock split mentioned in note 27:

Option series	Number	Grant date	Expiration date	Exercise price	Fair value on the grant date
				R$	R$
(1) Issued on September 1, 2010	9,380,345	09/01/10	05/01/20	0.001	4.95
(2) Issued on March 3, 2011	3,814,707	03/03/11	03/03/16	7.21	4.12
(3) Issued on May 31, 2011	33,475	05/31/11	03/03/16	9.52	3.84

The stock options granted in the period are as follows:

Total number of stock options granted (i)	9,380,345
Exercise price of the options granted until December 31, 2010 (i)	R$0.001
Estimated volatility of share price	45.27%
Expected share dividend yield	0.03%
Risk-free return rate	5.66%
Estimated period to maturity	10 years
Unit cost of granted shares (ii)	R$4.95
Total number of stock options granted (ii)	3,814,707
Exercise price of the options granted until March 31, 2011	R$7.21
Estimated volatility of share price	42.91%
Expected share dividend yield	0.03%
Risk-free return rate	11.89%
Estimated period to maturity	5 years
Unit cost of granted shares (ii)	R$4.12
Total number of stock options granted	33.475
Exercise price of the options granted until May 31, 2011	R$9.52
Estimated volatility of share price	43.67%
Expected share dividend yield	0.03%
Risk-free return rate	11.67%
Estimated period to maturity	5 years
Unit cost of granted shares (ii)	R$3.84

(i) Subject to inflation adjustment based on the IGP-M, as from the Option Agreement date up to the exercise date**.**

(ii) The fair value of the stock option plan benefit was estimated based on the Black-Scholes-Merlon model, the Qualicorp Group's EBITDA, the estimated historical volatility of domestic companies with similar operations and other Management's estimates as mentioned above.

Through December 31, 2011, changes in stock options granted at the Company in the year are as follows:

	Number of options	Weighted average exercise price
Balance at beginning of year	9,380,345	0.001
(+) Granted	3,848,182	7.23
(-)Exercised	(2,166,515)	2.83
(-) Canceled as a result of forfeiture	(571,428)	7.21
Balance at end of year	10,490,584	1.68

The options outstanding at the end of the year had a weighted average exercise price of R$1.68 and weighted average remaining period of 2,492 days.

29. COST OF SERVICES

Broken down as follows:

	Consolidated	
	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010
Personnel expenses and management compensation	45,246	12,036
Outside services	28,999	5,619
Office supplies	2,010	434
Occupancy expenses	7,752	2,436
Mailing expenses	7,514	1,742
Cost of other services	4,384	1,306
Financial transfers from adhesion contracts (a)	77,246	19,282
Reimbursement of membership and monthly fees (b)	7,078	2,332
Total	180,229	45,187

(a) Refer to expenses on financial transfers incurred in the agreements executed with professional associations for the sale of group adhesion plans.

(b) Refers to reimbursement of monthly fees related to annual contributions owed by beneficiaries of Qualicorp Administração e Serviços Ltda. and Qualicorp Administradora de Benefícios S.A. to associations, unions and trade associations to which the beneficiaries are affiliated.

30. ADMINISTRATIVE EXPENSES

Broken down as follows:

	Company	
	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010
Personnel expenses and management compensation	46,942	-
Outside services (*)	6,432	50
Office supplies	7	
Occupancy expenses	408	-
Contributions and donations	86	-
Other administrative expenses	2,583	-
Depreciation and amortization (notes 16 and 17)	58,889	-
Total	115,347	50

	Consolidated	
	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010
Personnel expenses and management compensation	110,908	24,100
Outside services (*)	28,265	6,014
Office supplies	1,482	112
Occupancy expenses	3,947	916
Contributions and donations	509	722
Mailing expenses	4,700	13
Other administrative expenses	11,136	4,411
Depreciation and amortization (notes 16 and 17)	129,772	34,754
Total	290,719	71,042

(*) Refer basically to consulting, audit, IT services and legal fees.

31. SELLING EXPENSES

Broken down as follows:

	Consolidated	
	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010
Personnel expenses	43,328	17,787
Outside services	9,682	5,079
Office supplies	2,458	844
Occupancy expenses	3,855	1,097
Mailing expenses	3,688	709
Other selling expenses	13,806	3,582
Sponsorships (a)	9,681	2,335
Discounts granted	272	179
Third-party commission (b)	29,203	3,190
Publicity and advertising (c)	30,860	9,458
Sales campaign	8,671	2,662
Total	155,504	46,922

(a) Sponsorships are expenses incurred for the promotion of Qualicorp Group in events organized by the clients, entities, or in specific brand exposure situations.

(b) Refers to variable compensation due to the distribution channel (insurance brokers). This compensation is calculated according to the sales volume for a certain period, provided that effective settlement of amounts owed by the beneficiary is verified.

(c) Refer to expenses with institutional disclosure, as well as all expenses with publicity, marketing, TV and other expenses of this nature.

32. LOSSES ON UNCOLLECTIBLE RECEIVABLES

Broken down as follows:

	01/01/2011 to 12/31/2011	07/01/201 to 12/31/2010
	Consolidated	Consolidated
Losses on uncollectible receivables (*)	35,185	9,711

(*) Refer to the write-off of past-due receivables resulting from administration transactions and stipulation of adhesion group benefits in which the Company assumes the risk of default of payment to the healthcare and dental operators and insurers.

During the year ended December 31, 2011, R$11,645 were recovered from receivables previously written off (R$2,293 in 2010).

33. FINANCIAL INCOME (EXPENSES)

	Company	Consolidated	
	01/01/2011 to 12/31/2011	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010
Financial income:			
Income from short-term investments	8,690	31,100	5,272
Interest and fine on late payment of health care plan and insurance agreements, managed by the Company, resulting from agreements with default risk (*)	-	20,565	4,691
Discounts obtained	-	19	3
Other income	-	1,062	164
Total financial income	8,690	52,746	10,130
Financial expenses:			
Tax on financial transactions (IOF)	(317)	(1,209)	(304)
Tax on banking transactions (CPMF)	-	(135)	(126)
Inflation adjustment on debentures (note 18)	-	(54,635)	(17,504)
Banking expenses	(1)	(386)	(1,582)
Registry office costs	-	(90)	(27)
Discounts granted	-	(1,100)	(33)
Other financial expenses	(95)	(201)	-
Fee collection	-	(3,173)	-
Inflation adjustment to acquired intangibles	-	(3,684)	-
Total financial expenses	(413)	(64,613)	(19,576)
Financial income (expenses)	(8.277)	(11,867)	(9,446)

(*) Refer to the interest and fines paid by subsidiaries Qualicorp Administração e Serviços and Qualicorp Administradora de Benefícios on management and stipulation transactions of group adhesion benefits and complementary products. These amounts are received by the beneficiaries who settle their fees after maturity date.

34. OTHER OPERATING INCOME (EXPENSES), NET

Broken down as follows:

	Consolidated	
	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010
Recognition (reversal) of provision for risks (note 25)	(3,858)	(1,040)
Other income	768	280
Total	(3,090)	(760)

35. INCOME TAX AND SOCIAL CONTRIBUTION

Expenses on taxes are broken down as follows:

	Company		Consolidated	
	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010
Loss before income tax and social contribution	(53,920)	(17,363)	(536)	(4,971)
Equity in investees	(53,136)	17,313	-	-
Subtotal	(107,056)	(50)	(536)	(4,971)
Income tax and social contribution at statutory rate	34%	34%	34%	34%
Expected income tax and social contribution income (expense) at statutory rate	36,399	17	182	1,690
Nondeductible expenses - other	(13,672)	-	(15,472)	(7,271)
Stock options granted	-	-	(7,926)	-
Losses on uncollectible receivables	-	-	(1,553)	-
Expenses from companies taxed under deemed income	-	-	449	(13)
(Recognition) reversal, net of temporary additions without recognition of tax credits	(642)	-	(770)	(113)
Tax incentive	-	-	279	697
Tax loss without recognition of tax credit	(2,019)	(17)	(8,241)	(8,624)
Other	(44)	-	(82)	1,242
Total income tax and social contribution expenses	20,022	-	(33,134)	(12,392)

36. INSURANCE

The Company and its subsidiaries have insurance coverage for its assets against potential losses, as follows:

Items	Type of coverage	Insured amount
Buildings, facilities, machinery, furniture and fixtures	Any damages to buildings and loss of profits due to fire, facilities, machinery and equipment, civil liability from operations and of employer.	47,194
D&O	Errors and omissions (E&O) of officers and directors (D&O)	17,500
D&O (after IPO)	Coverage of liabilities of officers and directors (D&O)	79,165
Public Offering of Securities Insurance (POSI)	Coverage of risks from information disclosed by the Company on the IPO (prospectus and road show)	79,165

37. SEGMENT REPORTING

a) Description of the services accounting for the revenues from each reportable segment

The Company, through its subsidiaries, has one reportable segment, the Affinity segment, and operates in this segment through its subsidiaries Qualicorp Administradora de Benefícios Ltda. (“Benefit Management Company”), Qualicorp Administração e Serviços Ltda. (“Qualicorp Administração”) and Qualicorp Corretora de Seguros Ltda. (“Broker”). Beginning 2010, the activities related to the Affinity segment, which, until then, were performed by subsidiary Qualicorp Administração have been transferred to the subsidiary Qualicorp Administradora de Benefícios Ltda. (details on this change are included in note 1).

The Benefit Management Company is responsible for managing group adhesion benefits related to health and/or dental care private plans, and the main activities developed are: meeting contracting legal entities; contracting of a group health care private plan, as policyholder; offer of plans to the associates of contracting legal entities; technical support for the discussion of operating matters; support to the human resources area in the management of plan benefits; outsourcing of administrative services; changes to master files; checking of trade notes; collection of the beneficiary by delegation; market prospection consulting, suggest plan design and management model.

The Broker, in turn, is responsible for distributing (sale) of group adhesion plans, and main its activities are: identification of the target public, the associates of entities and/or people eligible to association; definition of a marketing strategy and distribution model; offer of collective adhesion plans to potential customers through own distribution channel or network of other accredited insurance broker companies.

b) Measurement of earnings, assets and liabilities per operating segment

The accounting policies and practices of the Affinity segment are the same as described in note 3. The Company assesses the performance of the reportable segment based on income before interest, financial income/expenses, depreciation, amortization, and provisions for income tax and social contribution on net income. The provisions for tax, civil and labor risks have not been included in profit or loss per segment. Shared administrative expenses are not allocated.

c) Factors used by management to identify the segment

The Affinity segment is the business unit that accounts for 91% of the Company and its subsidiaries' gross operating revenue. This unit is separately managed within the management model used by the Company's managers.

The Affinity segment uses most of the operating and financial resources of the Qualicorp Group, for example, changes in the healthcare operator/insurer master files of the beneficiaries, billing and collection of benefits, write-off of receipts and amounts transferred to trade associations. All direct revenues and expenses of segments are identified in the ERP - RM System, whose cost center structure is directed solely towards the identification of segments and other unallocated shared expenses.

d) Gross and net revenue by type of service

	Consolidated	
	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010
GROSS OPERATING REVENUE		
Management fee	318,875	87,944
Financial transfers from stipulation of contracts	61,913	15,954
Brokers' fees	300,819	74,659
Agency services	55,848	18,183
Provision of medical services in general	5,338	2,251
Connectivity services	7,328	-
Benefit management consulting	19,196	4,275
Total gross operating revenue	769,317	203,266
DEDUCTIONS FROM GROSS OPERATING REVENUE		
Taxes on revenue	(88,794)	(23,349)
Returns and cancelations	(4,465)	(1,820)
Total deductions from gross operating revenue	(93,259)	(25,169)
NET OPERATING REVENUE	676,058	178,097

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

The charts below show the breakdown of items related to the reportable segment, unallocated expenses and/or revenues are presented in item f), reconciliation of revenues, earnings, assets and liabilities.

Consolidated	01/01/2011 to 12/31/2011			07/01/2010 to 12/31/2010		
	Affinity segment	Other segments	Total	Affinity segment	Other segments	Total
NET REVENUE	615,600	60,458	676,058	163,445	14,652	178,097
COST OF SERVICES	(113,850)	(66,379)	(180,229)	(34,091)	(11,096)	(45,187)
OPERATING INCOME (EXPENSES)	(128,869)	(17,216)	(146,085)	(38,848)	(4,123)	(42,971)
Selling expenses	(114,249)	(17,216)	(131,465)	(33,828)	(4,123)	(37,951)
Losses on uncollectible receivables	(35,185)	-	(35,185)	(9,711)	-	(9,711)
Other operating income, net	20,565	-	20,565	4,691	-	4,691
PROFIT (LOSS) BEFORE UNALLOCATED EXPENSES	372,881	(23,137)	349,744	90,506	(567)	89,939

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

- Corporate and SME segments: concentrate all activities related to insurance brokerage or plan intermediation, as well as advisory on benefits to customers of large corporations or SMEs.

- Health Risk Management segment: concentrates the activities of preventive health care and management of patients.

- Service Outsourcing segment: concentrates the activities of previous release and medical events' regulation, management of medical service providers networks, processing and analysis of claims and connectivity of medical information (processing).

- New Products: concentrate sales activities of all products not related to health care plans.

f) Reconciliation of revenue, earnings, assets and liabilities

	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010
Unallocated items:		
Administrative expenses	(290,719)	(71,042)
Selling expenses	(24,039)	(8,971)
Financial income (expenses)	(32,432)	(14,137)
Provision for risks	(3,858)	(1,040)
Other income (expenses)	768	280
Total	(350,280)	(94,910)
Loss before income tax and social contribution	(536)	(4,971)
(-) Income tax and social contribution	(33,134)	(12,392)
Noncontrolling interest	228	-
Net loss consolidated	(33,670)	(17,363)

Assets	12/31/2011	12/31/2010
Total reportable segment	1,771,372	1,968,222
Other segments	280,727	199,735
Unallocated items	803,207	285,174
Total	2,855,306	2,453,131

Liabilities	12/31/2011	12/31/2010
Total reportable segment	193,580	86,487
Other segments	5,542	-
Unallocated items	2,656,184	2,366,644
Total	2,855,306	2,453,131

g) Geographical information of the reported segment

The Company and its subsidiaries conduct their activities in the domestic market and the distribution of the Affinity segment billing per State is as follows:

Segmentation per State (consolidated)	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010
SP	489,208	141,170
RJ	135,944	27,722
BA	41,299	11,606
DF	27,463	4,821
PE	5,003	1,193
Other	1,037	200
Total Affinity segment	699,954	186,712
Total other segments	69,363	16,554
Total gross operating revenue	769,317	203,266

h) Information on major customers

For the year ended December 31, 2011, the major customers of the Affinity segment originated revenue of R$58,810, R$54,444 and R$46,937, which accounts for 9.70%, 8.89% and 7.74% of the segment's revenue, and 8.81%, 8.15% e 7.03% of the consolidated revenue, respectively.

38. EXPENSES BY NATURE

The statement of income is presented by function. Breakdown of the consolidated statement of income of by nature:

	Consolidated	
	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010
Personnel expenses and management compensation	199,482	53,923
Depreciation and amortization	129,772	34,754
Outside services	66,946	16,712
Financial transfers from adhesion contracts	77,246	19,282
Advertising and publicity	30,860	9,458
Other	24,942	7,993
Occupancy expenses	15,554	4,449
Third-party commission	29,203	3,190
Sales campaign	8,671	2,662
Reimbursement to associates	7,078	2,332
Mailing expenses	15,902	2,464
Sponsorships	9,681	2,335
Office supplies	5,950	1,390
Cost of other services	4,384	1,306
Contributions and donations	509	722
Discounts granted	272	179
	626,452	163,151
As per statement of income:		
Cost of services	180,229	45,187
Administrative expenses	290,719	71,042
Selling expenses	155,504	46,922
	626,452	163,151

39. COMMITMENTS

As of December 31, 2011, the Company has the following material commitments:

a) Lease agreements of its offices: the commitments already assumed total approximately R$6,888 in 2012, R$5,910 in 2013 and R$4,577 in 2014.

   Expenses incurred on such agreements in the year ended December 31, 2011 amounted to R$6,277.

b) Budgeted plans for the purchase of intangible assets (software under development) total approximately R$14,291 in 2012, R$10,271 in 2013 and R$2,838 in 2014 (unaudited).

c) Commitments for the provision of call center services already assumed totaling approximately R$17,153 for 2012.

   The agreement is adjusted on an annual basis and 70% of the prices are adjusted using a percentage of the salary increases (according to the category of professionals) and 30% using the IGP-M.

Up to the 36th month of effectiveness, the party that terminates the contract without cause must notify the other party 90 days in advance and will pay a fine corresponding to 50% of the amounts budgeted through the end of the contract, based on the average valuable consideration receivable until the termination date. No other penalties apply under this contract.

d) Consulting agreement for assessment of legal proceedings provided by a legal entity, of R$1.279 in 2011 and R$2,515 in 2012.

40. LOSS PER SHARE

	Company and Consolidated	
	01/01/2011 to 12/31/2011	07/01/2010 to 12/31/2010
Net loss attributable to shareholders	(33.898)	(17.363)
Weighted average number of common shares for purposes of calculating basic earnings per share	245.142.539	231.412.000
Basic loss per share	(0.1883)	(0.0750)
Diluted loss per share	(0.1883)	(0.0750)

As a result of net loss being presented by the Company for the years ended December 31, 2011 and 2010, the effect of stock options (as detailed in note 28) has a anti-diluted effect and therefore have no effect in the determination of the diluted loss per share.

As described in note 27, on May 30, 2011 the Company effected a reverse stock split (ratio of 7 to 1). The weighted average number of shares reflects such reverse stock split for all presented periods.

41. EVENTS AFTER THE REPORTING PERIOD

a) Business acquisitions

The Company has also entered into exclusivity/confidentiality agreements for the acquisition of businesses or certain assets; however, to date the Company has not made firm purchase offers and, therefore, there is no guarantee that all or even part of the negotiations will result in actual acquisitions, while the Company has made unbinding offers totaling approximately R$100 million (unaudited). There is no guarantee that these transactions will be completed since the Company has to satisfactorily complete the entire negotiation and due diligence processes.

b) Material fact

On February 23, 2012, the Company published the following material fact: “In compliance with CVM Instruction No. 358, dated January 3, 2002, Qualicorp S.A. (BM&FBovespa: QUAL3) announces to its investors and to the market that it was informed by its controlling shareholders, BHCS FIP e L2 FIP, about their intention to make a secondary public offering of shares (the “Offer”), in order to enhance liquidity to the Company’s shares. The Offer is subject to appropriate market conditions. Additional information about the Offer will be disclosed to the market in accordance with current legislation”.

42. CONCLUSION OF THE FINANCIAL STATEMENTS

The Company’s individual and consolidated financial statements was approved by Management on February 23, 2012 and includes events occurred after the reporting date of December 31, 2011. They will be submitted to the Annual Meeting in March 2012 for approval.