Comments about Performance

2016: Better expenses control and EBITDA growth.

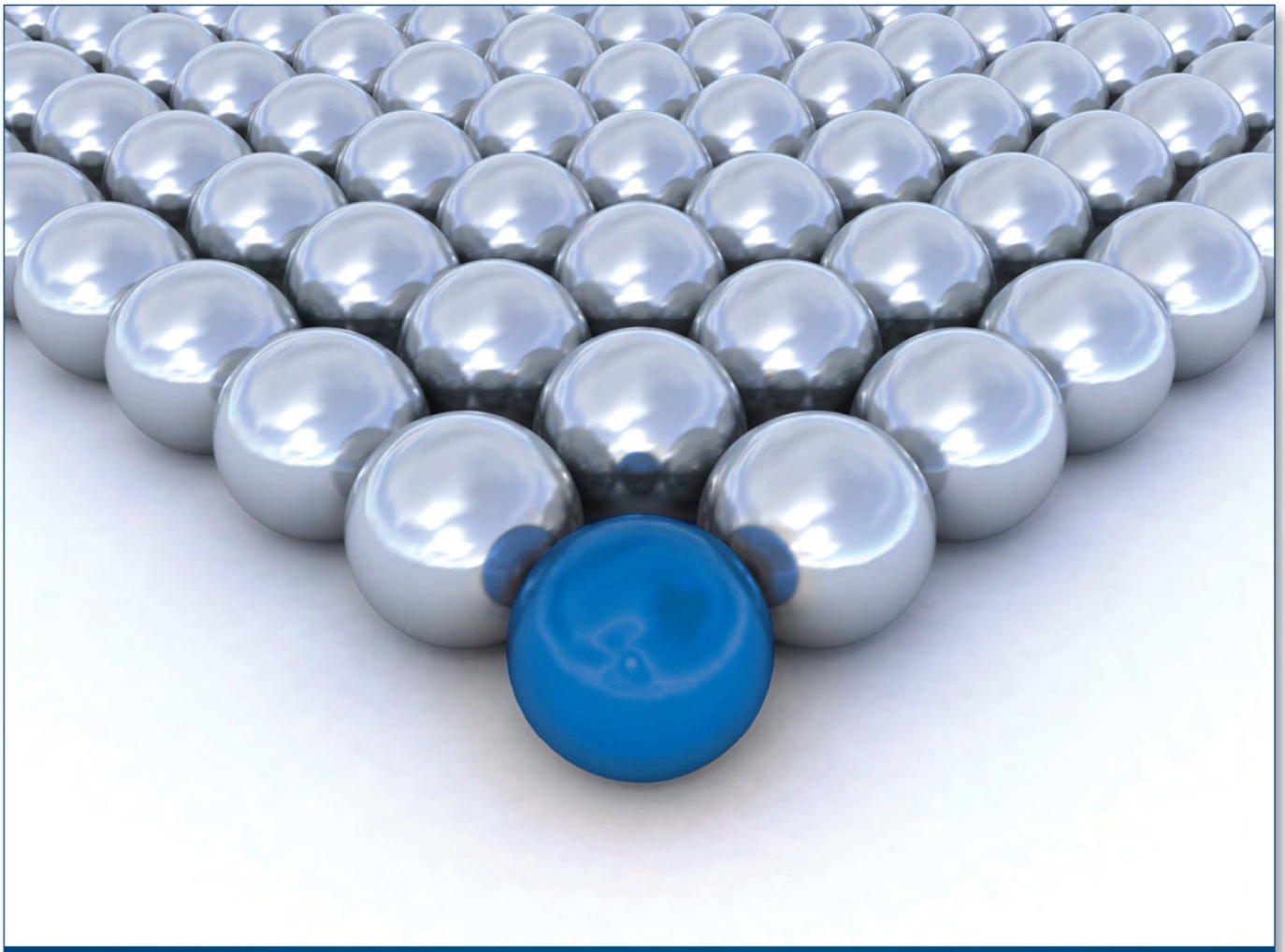
In another extremely challenging year in the macroeconomic scenario, we were able to stand out in several indicators, closing 2016 with R$420.6 million in consolidated net income, an increase of 74.6% when compared to the R$240.9 million reported in 2015. This performance evolution combined with a strong operating cash generation, enabled us to pay interim dividends in November 2016.

The positive highlight this year is the Company's ability to rationalize the use of its commercial expenses that remained stable compared with 2015 and administrative expenses that grew less than revenue.

Our total Net Revenues grew 13.5% y/y reaching R$1,964.4 million in 2016, and our adjusted EBITDA, grew 16.7% y/y, reaching R$789.1 million, which represents 40.2% adjusted EBITDA margin in 2016 (109bps growth vs. 2015).

The performance of our total beneficiaries' portfolio of approximately 4.6 million lives (including all segments) which decreased only 10.2% y/y mainly due to corporate contracts reduction (-56.7% y/y).

The Company's total portfolio is the result of our Affinity segment portfolio, with 1.8 million lives, which remained flat y/y combined with our Corporate & Others portfolio, which decreased 15.7% y/y totaling 2.8 million lives.



The Company

The Company's Businesses

Qualicorp is a health care benefits service provider and administrator in Brazil. With more than 4.6 million beneficiaries on December 31, 2016, we also believe we are the leader in these segments. We were founded in 1997 to improve the access to high-quality private health care plans at attractive and competitive prices and conditions, without being exposed to any of the risks associated with the provision of health care. By means of an innovative approach to managing health benefits, together with a wide range of solutions for reducing medical and administrative costs, we seek to add value to our shareholders, customers (beneficiaries and corporate clients) and partners (health insurance companies, health care plan operators and professional associations and/or institutions).

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

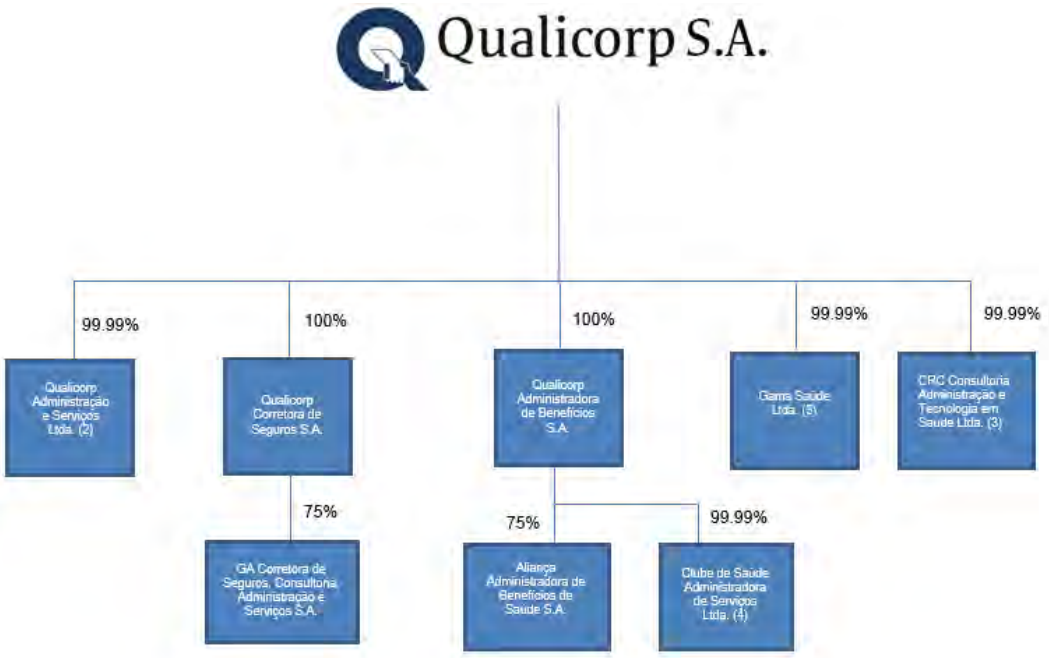
Affinity

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

Corporate and Others

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

Qualicorp S.A. and its subsidiaries (on 12/31/2016)



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



Our performance

To the Shareholders

We are pleased to submit for your appreciation the main numbers and accounting information of Qualicorp S.A. ("Company") and its subsidiaries for the period ending on December 31, 2016.

These are the main operational and financial highlights:

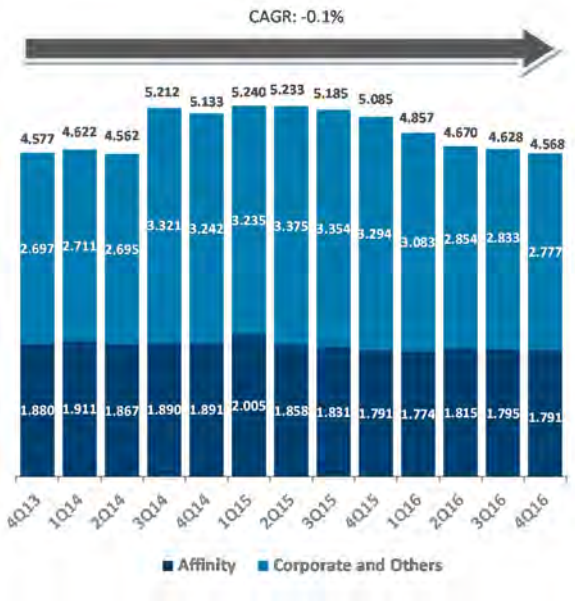
- ✓ In 4Q16, our Consolidated Recurring Net Revenues and our adjusted recurring EBITDA[1] grew 10.8% and 27.5% respectively when compared with 4Q15. For the full year 2016, the growth was 13.5% for Consolidated Recurring Net Revenues and 16.7% for adjusted recurring EBITDA, when compared to 2015.

    - Our total portfolio of beneficiaries of 4.6 million lives, including all segments decreased 10.2% y/y in 2016. This amount is the result of the combination of our portfolio of beneficiaries in the Affinity segment, which remained stable in 2016 with 1.8 million lives, and our portfolio of beneficiaries in the Corporate and Others Segment, which decreased 15.7% y/y to approximately 2.8 million lives.

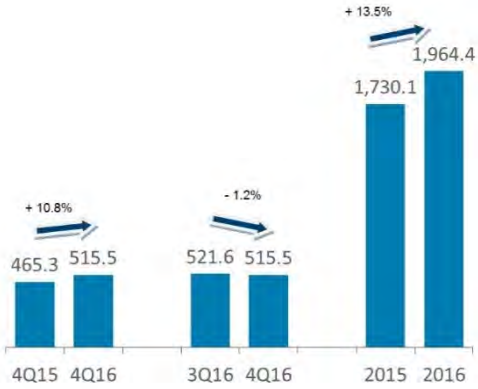
In 4Q16, our net income reached R$78.4 million, which represents 27.6% increase when compared to 4Q15. In 2016 the total net earnings was R$420.6 million, 74.6% higher than 2015. It is worth mentioning that 2016 was directly impacted by the net effect of the positive constitution of deferred income tax and social contribution in the amount of R$ 137.7 million, as a result of certain intangibles tax bases revision, related to historical transactions carried out by Company with tax specialists support of in 1Q16.

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

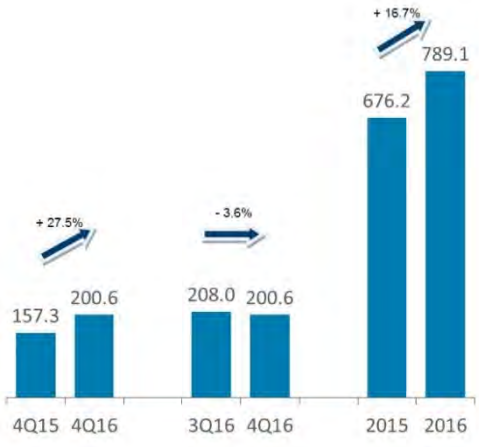
Beneficiaries (MM)



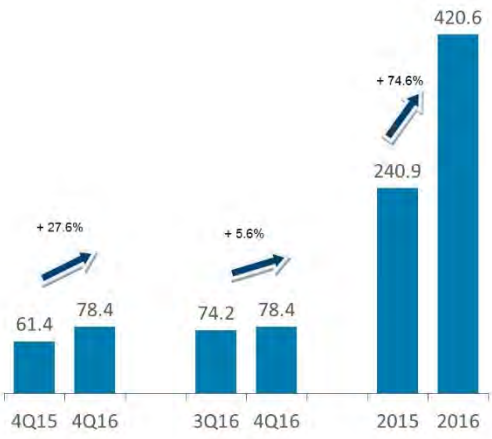
Recurring Net Revenue (R$ MM)



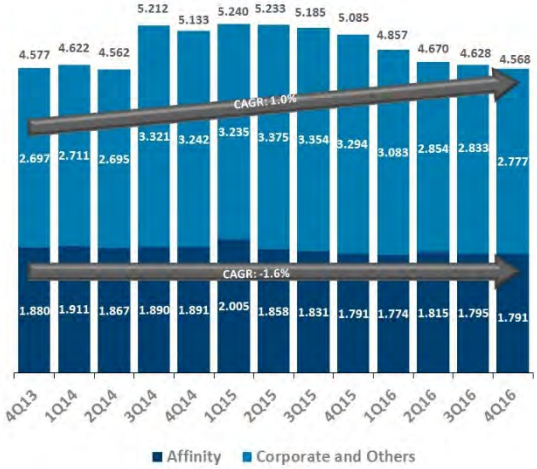
Recurring Adjusted EBITDA (R$ MM)



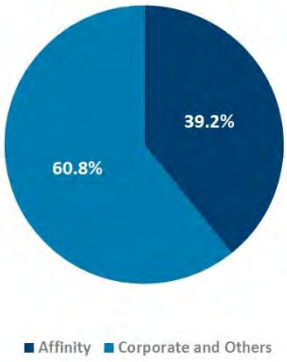
Net (loss) Income (R$ MM)



Beneficiaries (MM)



Beneficiaries Portfolio Breakdown



The total number of beneficiaries reached 4.6 million lives in the end of the year, which represents a 10.2% y/y drop. Thereby, out of the 4.6 million beneficiaries, 1.8 million are in the Affinity segment and 2.8 million in the Corporate and Others segment.

Our Affinity Medical Care portfolio, which closed 2016 with 1.8 million lives, remained flat y/y. We reached 446.6k gross additions in 2016, a 7.8% growth over the previous year, even with price readjustments and a challenging macroeconomic environment. In addition, in 4Q16, we acquired a portfolio of 26.7k lives from ASBEN.

Our total portfolio of beneficiaries in the Corporate and Others segment decreased 15.7% y/y in 2016 (-2.0% vs. 3Q16), achieving 2.8 million lives, mainly due to corporate contracts reduction.

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

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

In accordance with CVM Instruction 480/09, the Company's Statutory Management declares that it has discussed, reviewed and agreed with the independent auditor's report regarding the period ended on December 31, 2016.

Consolidated Income Statement - (R$ MM)	4Q16	4Q15	% Change 4Q16/4Q15	3Q16	% Change 4Q16/3Q16	2016	2015	% Change 2016/2015
Net Revenues	515.5	465.3	10.8%	521.6	-1.2%	1,964.4	1,730.1	13.5%
Total Expenses (Ex-Depreciation and amortization)	(337.1)	(319.2)	5.6%	(337.2)	0.0%	(1,254.5)	(1,222.3)	2.6%
Adjustments to EBITDA	22.2	11.2	98.5%	23.6	-6.2%	79.3	32.4	144.9%
Adjusted EBITDA	200.6	157.3	27.5%	208.0	-3.6%	789.1	676.2	16.7%
Adjusted EBITDA Margin	38.9%	33.8%	511bps	39.9%	-97bps	40.2%	39.1%	109bps
Net Income (Loss)	**78.4**	**61.4**	**27.6%**	**74.2**	**5.6%**	**420.6**	**240.9**	**74.6%**

Balance Sheet	2016	2015	% Change 2016/2015
Equity	2,067.8	1,993.9	3.7%
Net Debt[1]	439.0	416.7	5.3%

Other	2016	2015	% Change 2016/2015
Net Debt / Equity	0.21x	0.21x	1.6%
Net Debt / Adjusted EBITDA LTM	0.56x	0.62x	-9.7%

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

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA (R$ MM)	4Q16	4Q15	% Change 4Q16/4Q15	3Q16	% Change 4Q16/3Q16	2016	2015	% Change 2016/2015
Net Income	78.4	61.4	27.6%	74.2	5.6%	420.6	240.9	74.6%
(+) Taxes	40.4	6.8	489.4%	49.6	-18.6%	39.9	159.9	-75.1%
(+) Depreciation and Amortization	52.6	57.2	-8.1%	52.7	-0.2%	216.3	221.9	-2.5%
(+) Financial Expense	48.5	51.7	-6.1%	46.4	4.6%	178.5	159.4	12.0%
(-) Financial Income	(41.4)	(31.1)	33.3%	(38.5)	7.6%	(145.3)	(138.2)	5.2%
EBITDA	**178.4**	**146.1**	**22.1%**	**184.4**	**-3.2%**	**709.9**	**643.8**	**10.3%**
EBITDA Margin	**34.6%**	**31.4%**	**321bps**	**35.3%**	**-74bps**	**36.1%**	**37.2%**	**-107bps**
Non-cash Stock Option Plan Expense	7.4	(0.5)	-1478.6%	8.0	-7.3%	22.4	27.7	-19.2%
Interest and fine on late payment of health plans	14.7	11.7	26.0%	15.6	-5.6%	56.9	46.0	23.7%
Adjusted EBITDA	**200.6**	**157.3**	**27.5%**	**208.0**	**-3.6%**	**789.1**	**676.2**	**16.7%**
Adjusted EBITDA Margin	**38.9%**	**33.8%**	**511bps**	**39.9%**	**-97bps**	**40.2%**	**39.1%**	**109bps**

Our Adjusted EBITDA grew 27.5% y/y reaching R$200.6 million in 4Q16 (-3.6% q/q). This performance results from our operational efforts, mainly related to costs and commercial expenses good control and due to the ISS tax reduction after the transfer of three subsidiaries to Barueri, which more than offsets Bad Debts losses on the period. Our consolidated Adjusted EBITDA margin reached 38.9% in 4Q16 which represents a 511bps increase when compared with 4Q15 (-97bps q/q).

In 2016 EBITDA reached R$789.1 million and 40.2% margin, reflects the efficiency gains in volume and margin, explained by reasons already exposed above.

Corporate Governance

Qualicorp Group in its constant pursuit of the highest standards of transparency, equity and quality in regard to accountability, has the Board of Directors (comprising 9 sitting members, with 2 independent members), by its Auditing committee (comprising 3 Board members, being 2 independent advisors), and other operational committees with the participation of Board members in their respective area of expertise, namely:

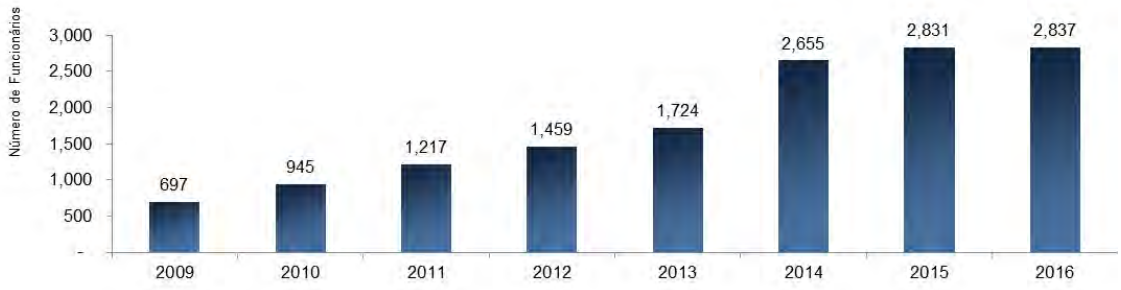
- Audit Committee: the Annual Shareholders' Meeting of March 3, 2011 approved the installation of the Audit Committee, made up of 3 members, all of whom members of the Board of Directors. Its responsibilities involve determining and the scope of the internal and external audit, overseeing the work of the auditors and reporting any potential matters that need attention to the Board of Directors. It meets on a quarterly basis to discuss these issues.

- Code of Ethics and Professional Conduct: The Qualicorp Group's Code of Ethics and Professional Conduct was approved by the Board of Directors' Meeting of June 27, 2011. It consolidates those guidelines and standards of behavior that are considered ethically correct in order to regulate the conduct and actions of all employees (regardless of their hierarchical position), partners, service providers and suppliers, establishing their ethical commitments to the company and consolidating its cultural identity, values and principles. The Code is available on our website: www.qualicorp.com.br

- Our operational committee, such as Technology, sales and churn, among others, where the Board members can contribute with the Company's management in their expertise areas.

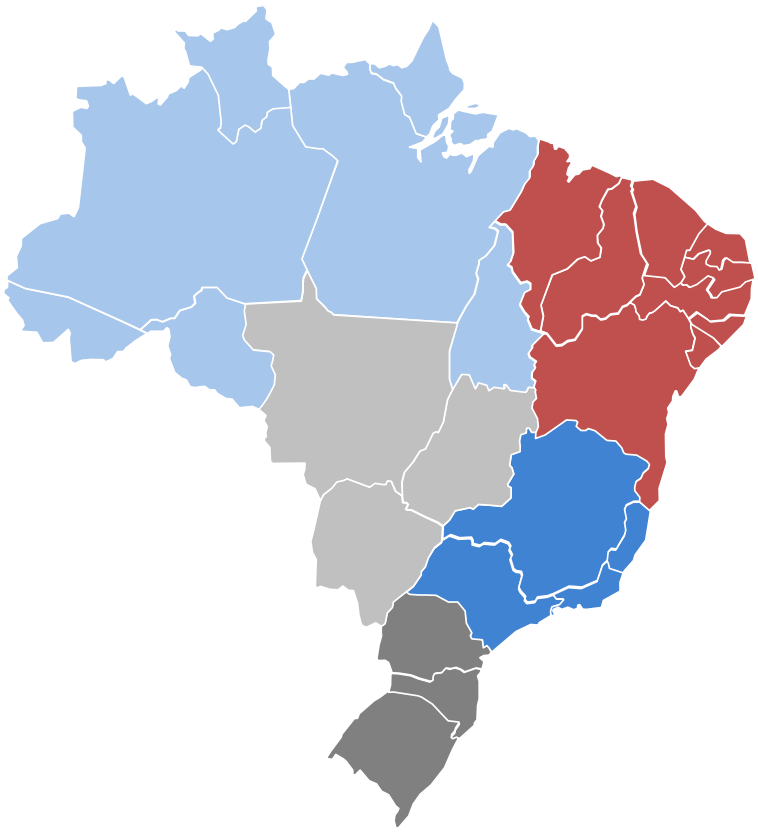
Human Resources

On December 31, 2016 we had 2,837 employees. The following chart shows the growth of our workforce since 2009.

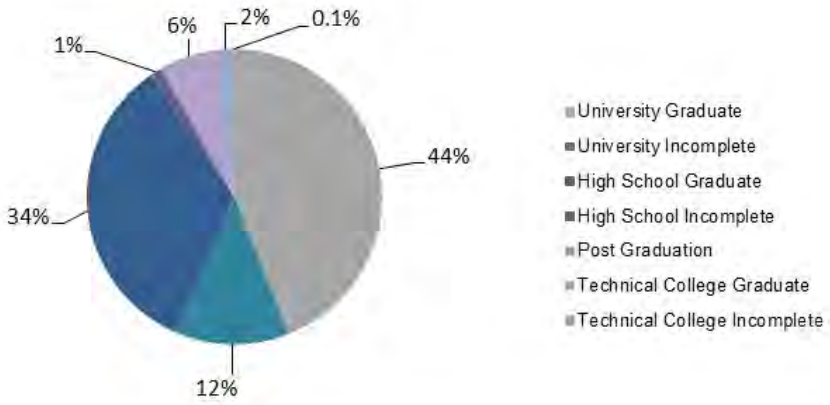


The substantial majority of employees (83.5%) are based in the Southeast:

Southeast	**2,516**
São Paulo	2,370
Rio de Janeiro	103
Minas Gerais	40
Espiríto Santo	3
Central-West	**261**
Brasília	234
Goiás	27
Northeast	**40**
Pernambuco	8
Bahia	25
Maranhão	2
Ceará	5
South	**20**
Paraná	4
Rio Grande do Sul	16
Total:	**2,837**



And 44% have college degree:



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

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

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

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



The Market

Economic Scenario

After a challenging 2015, when the indicators of delinquency and indebtedness of the population were high, and the GPD growth was lower than the expectations, with 3.8% drop, the worst performance in the past 5 years, 2016 definitely did not bring the desired recovery by Brazilians.

In 2016, the Brazilian economy reached series of negative records in almost all sectors, and as a result, a 3.6% GDP lower than reported in 2015. This second consecutive decline only occurred in 1930 and 1931. In 2016, Brazil suffered its worst recession in history, when for the first time all sectors contracted.

In addition, naturally, other important indicators as the level indebtedness of the customer, which reached the record of 59 million (approximately 40% of the adult population), an increase of over 9.1% y/y and the inflation (specially the medical inflation), which reached 19.0% in the past 12 months, ended in March 2016, according to the Institute of Supplementary Health Studies), were above expectations.

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

The implementation of more proactive retention practices, the addition of new products to the portfolio, the development of new distribution channels and new measures implemented to mitigate the effects of the economic crisis, contributed to our continued growth in 2016 and remain actives and in constant development in order to lead us to another year of solid growth.

Supplemental Health Scenario in Brazil

According to the National Supplemental Health Agency (ANS), health plan penetration in Brazil has increased by around 12.5% in the last 8 years, reaching almost 47.9 million individuals at the close of December 2015, which means that only 24.3% of the Brazilian population had private health plans. Compared to December 2016, however, we observed a 3.7% decrease in the number of beneficiaries, which means that more than 1,3 million Brazilians no longer have private health insurance in 2016, reflecting the difficult economic scenario.

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

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

Active Operators and Benefit Administrators by size – Brazil (December 2016)

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	**1,301**	**206**	**701**	**299**	**95**
Benefit Managers	133	133	0	0	0
Self-management	177	14	124	30	9
Health care cooperative	305	1	143	124	37
Dental care cooperative	109	0	77	27	5
Philanthropic	55	4	38	11	2
Group health care	276	14	157	82	23
Group dental care	236	39	161	23	13
Specialized health care	10	1	1	2	6

Source: ANS/ Caderno de Informação da Saúde Suplementar – (December/2016)

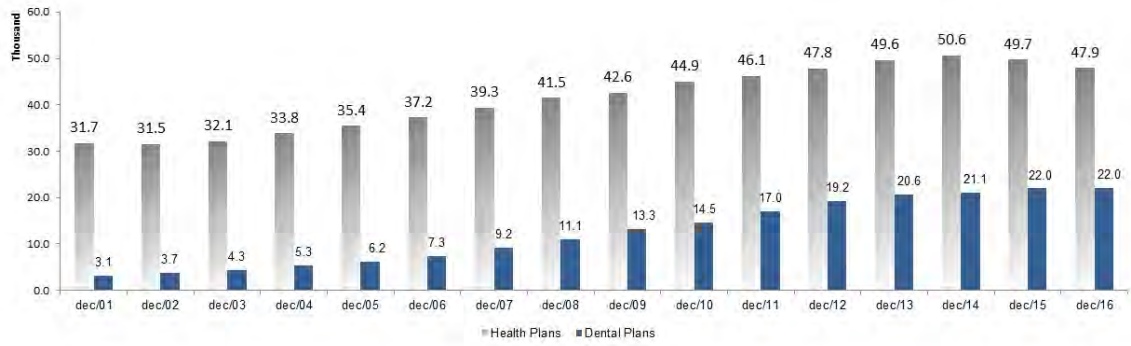
It is worth noting that the private health care market is highly fragmented and mostly consists of small-scale operators/benefit managers, representing 53.9% of the total.

Market data according to the Supplemental Health Care Information Book

Information on the distribution of health care plans included in this ANS report indicates that, in December 2016, approximately 47.9 million beneficiaries were registered with the ANS, about 23.1% of the Brazilian population, as mentioned. In dental care, this number was 22.0 million people linked exclusively to dental plans, representing 10.6% of Brazilian population.

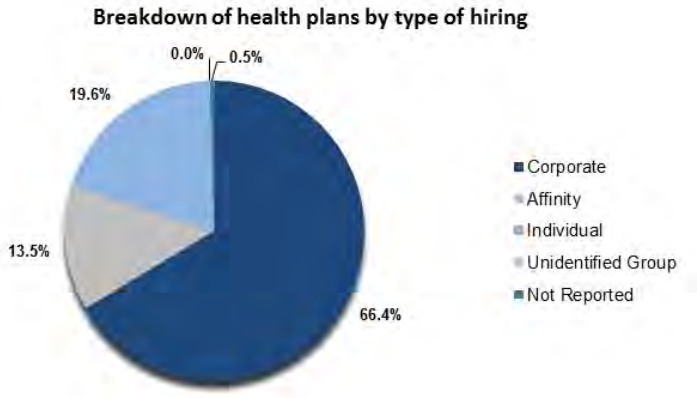
Out of the beneficiaries of health plans, 13.5% were covered by affinity plans (about 6.5 million beneficiaries) and 66.4% (31.8 million beneficiaries) were covered by corporate plans.

Beneficiaries of private health care plans in Brazil by type of plan (2001-December 2016)



Source: ANS/ Caderno de Informação da Saúde Suplementar – (December/2016)

Distribution of beneficiaries by plan coverage in Brazil (December 2016)



Source: ANS/ Caderno de Informação da Saúde Suplementar – (December /2016)

Revenues from premiums and expenses of Brazilian health care operators, by size of operator (September 2016)

Size of Operator	Revenue (R$)	Medical/Dental expenses (R$)	Administrative Expenses (R$)	Beneficiaries (1)	Loss Ratio (%)	Average Monthly Revenue (R$)
Total	**118,314,994,651**	**101,184,907,683**	**13,544,355,617**	**69,930,129**	**85.5**	**140.99**
Health care plan operators	116,227,967,169	100,159,304,156	13,048,441,890	47,898,787	86.2	202.21
Exclusive dental care operators	2,087,027,482	1,025,603,527	495,913,727	22,031,342	49.1	7.89

Source: ANS/ Caderno de Informação da Saúde Suplementar – (September/2016)

- According to ANS, the revenues of the health and dental plan operators until September 2016 recorded R$118.3 billion, 11.7% more than the same period in 2015. However, the increase in expenses in the same period was 12.8% y/y (R$101.2 billion);

- The monthly revenue per beneficiary was R$140.99, an increase of 14.5% y/y;

- The MLR rate decreased by 83bps when compared to 2015. The average rate of 85.5% is still considered high and demonstrates the pressure on costs that the industry has suffered over the years.

Distribution of health care plans by type

Health care plans are classified by the ANS as follows:

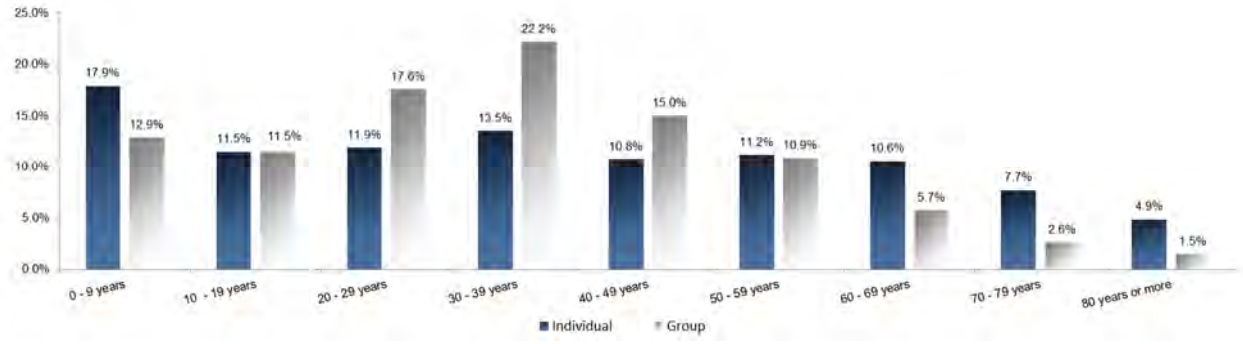
Individual/family: Agreement between an individual and a health care plan operator for the provision of health care services to the policyholder (individual plan) or pensioner and his or her dependents (family plan).

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

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

Source: ANS

Breakdown of health plan beneficiaries by age (Brazil –September 2016)



Source: ANS/ Caderno de Informação da Saúde Suplementar –(September/2016)

About 23.1% of health plan beneficiaries are elderly, i.e. 60 years or older. However, considering the beneficiaries of group plans, only 9.9% is 60 years old or older, due to sales growth lower than the corporate plans.

Corporate Structure on 12/31/2016

The numbers of shares on December 31, 2016 was 278.794.088 common shares, structured as follows:

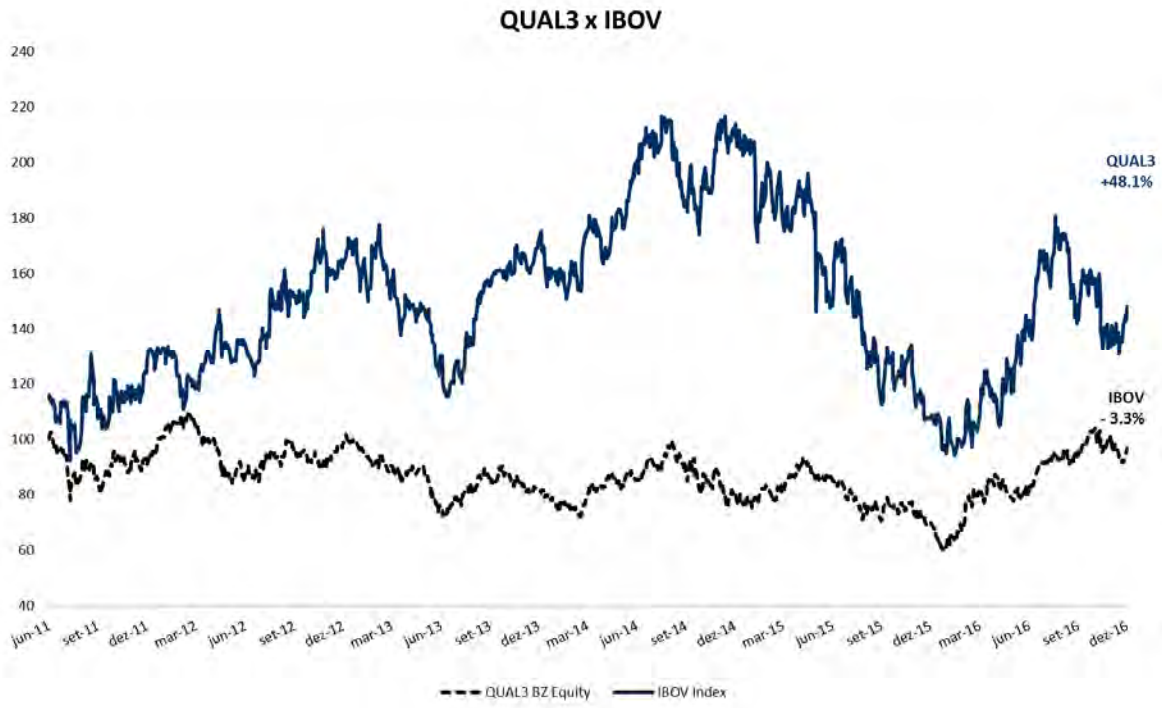


(1) 100% of the shares held by L2 Fundo de Investimento em Participações are held by Citi 831 Fundo de Investimento Multimercado, and 100% of the shares held by Citi 831 Fundo de Investimento Multimercado are owned by our founder and CEO, Mr. José Seripieri Filho.

Share price performance

Since the launch of the Company's shares on the Securities, Commodities and Futures Exchange (BM&FBovespa) up to the end of December 2016, they have consistently outperformed the IBOVESPA index.

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



Periodicity of dividend payments

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

Dividend Payment Proposal - 2016 (Ref. FY 2015)		
Net Income		227,124,978.45
Legal Reserve	5%	(11,356,248.92)
Income to distribute		**215,768,729.53**
Mandatory Dividends	25%	53,942,182.38
Dividend Proposal[1]	75%	161,826,547.15
Amount of Dividends		**215,768,729.53**
Earnings per share		**0.796007688**
Number of shares on April 30th 2015		271,063,625

[1] Amount approved and ratified in General Shareholders Meeting on April, 30th, 2016

(*) Consolidated Net Earnings (DF): R$240.9 MM
(-) Noncontrolling interest: R$13.7 MM
(=) Holding Earnings: R$227.1 MM

Yield ~ 5.3%
Frequency of Payment: annually
Minimum of 50% of accumulated income
Maintenance of gross cash of 10% of estimated net revenues for the period.

Dividend Payment Proposal (Ref. 1S16)		
Net Income		260,181,419.82
Legal Reserve	5%	(13,009,070.99)
Income to distribute		**247,172,348.83**
Mandatory Dividends	25%	61,793,087.21
Dividend Proposal[1]	75%	185,379,261.62
Amount of Dividends		**247,172,348.83**
Earnings per share		**0.897071078**
Number of shares on November 7th 2016		275,532,625

[1] Regarding Notice to Shareholders November 7th 2016

(*) Consolidated Net Earnings (DF): R$267.9 MM
(-) Noncontrolling interest: R$7.8 MM
(=) Holding Earnings: R$260.2 MM

Yield ~ 4.3%
Frequency of Payment: annually
Minimum of 50% of accumulated income
Maintenance of gross cash of 10% of estimated net revenues for the period.

Relationship with independent auditors

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

PricewaterhouseCoopers Auditores Independentes was hired by the Company to provide external audit services for the financial statements and in accordance with CVM Instruction 381/2003, we hereby declare that the auditors did not provide any other services in the period ending on December 31, 2016 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

(A free translation of the original in Portuguese)

Qualicorp S.A.

Parent company and consolidated financial statements at December 31, 2016 and independent auditor's report



(A free translation of the original in Portuguese)

Independent auditor's report on the parent company and consolidated financial statements

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

Opinion

We have audited the accompanying parent company financial statements of Qualicorp S.A. ("Company"), which comprise the balance sheet as at December 31, 2016 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Qualicorp S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

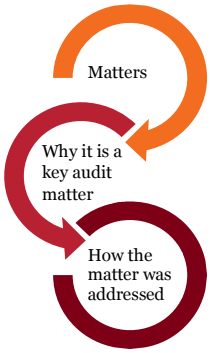
In our opinion, the parent company and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Qualicorp S.A. and of Qualicorp S.A. and its subsidiaries as at December 31, 2016, and their parent company and consolidated financial performance and their parent company and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

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



Why it is a Key Audit Matter	How the matter was addressed in the audit
Revenue recognition (Notes 3 xiv and 32)	
Management service fees are one of the Company's main sources of revenue, and are recognized monthly based on the internal policy management system. A natural feature on the Company's business model are the temporary differences which arise between the billing of the services rendered and the amount received from the operators, which are monitored through the Company's internal control. The brokerage fee is also a significant source of revenue, and is recognized in two ways: (i) at the time of contract execution (upon the sale of a new plan) or (ii) over the duration of the life of the contract (accounted for monthly as services are received by beneficiaries). The monthly accrual is recorded based on data available up to the 10th day of the subsequent month, which poses a risk of timing of recognition. A potential accruals basis revenue recognition risk exists due to the temporary differences in relation to the billing bases.	Our audit procedures considered, among other matters: (a) the evaluation of the design and operational effectiveness of the controls for the billing and accounts receivable cycles, including the involvement of information technology specialists, focusing on the billing and receipt of management service and brokerage fees; (b) understanding the criteria for recognizing revenues that support the recognition of revenue from management service and brokerage fees throughout the year; (c) analysis, on a sample basis, of the respective contracts with the beneficiaries and their respective operators; (d) analysis of balances and adjustments related to the controls over temporary differences; and (e) review of issues after the balance sheet date for brokerage services recorded in December 2016. We believe that the criteria and assumptions adopted by Management for the recognition of revenue in the correct period, as well as the disclosures made, are appropriate in all material respects in the context of the financial statements taken as a whole.
Realization of intangible assets with an indefinite useful life (Notes 3 ix and 15)	
Intangible assets with an indefinite or uncertain useful life that are not subject to amortization are tested for impairment by Management at least annually. In addition to the materiality of the balance, the models and assumptions used in the impairment tests of goodwill and other intangible assets require the exercise of significant judgments with respect to certain assumptions. These assumptions include the expected cash	With the support of our internal valuation specialists, the key procedures of our audit response involved, among others: (a) a review of the report prepared by Management's internal specialists, as well as our evaluation of these specialists and the valuation methodology used by them; (b) assessment of the overall logic and arithmetic consistency of future cash flow projections,

Why it is a Key Audit Matter	How the matter was addressed in the audit
flows and the risk-adjusted interest rate for each cash-generating unit or group of cash-generating units. We considered this as an area of focus in our audit, since it involves the ability to forecast results for each cash-generating unit or group of cash-generating units. Additionally, the use of a different set of assumptions in projecting results could significantly change the estimates for realization of these assets and the need to record an impairment, with a consequential impact on the financial statements.	validating the consistency of the projections with budgets approved by the Board of Directors and a retrospective assessment of past budgets as a means of assessing the accuracy of Management's forecasting process; (c) comparison of discount and perpetuity growth rates used with market and industry standards and expectations; and (d) reperformance of calculations of the present value of cash flows, as well as sensitivity analyses to assess the extent a possible change in assumptions could result in unrecognized losses. We believe that, in the context of the financial statements taken as a whole, the assumptions adopted by Management are reasonable and consistent with the disclosures in the Notes.
Information technology environment	
Qualicorp S.A. and its subsidiaries rely on their technological infrastructure to process their operations and prepare the financial statements. Over recent years the acquisitions of companies with different information processing and information technology systems, has created a more complex information technology environment with corresponding internal controls. The technological infrastructure environment, reflects the legacy, history and the size of each acquisition, resulting in numerous technology solutions with different processes and segregated controls. Failure to embed the information technology and the supporting general controls could lead to incorrect processing of critical information used in the preparation of the financial statements. For this reason, this was an area of focus during our audit work.	During our audit, we applied procedures to the information technology environment, including to automated controls of the application systems that perform significant functions in generating data for the preparation of the financial statements. The procedures involved combining tests of significant controls and, where necessary, testing compensating controls, as well as performing tests of data security, including access controls and segregations of duties. The results of these procedures have provided us with appropriate and sufficient audit evidence in the context of the financial statements taken as a whole.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2016, prepared under the responsibility of the Company's Management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

Audit of prior-year information

The financial statements of the Company for the year ended December 31, 2015 were audited by another firm of independent auditors whose report, dated March 29, 2016, expressed an unqualified opinion on those statements.

As part of our audit of the financial statements for 2016, we also have audited the adjustments described in Note 2.3 that were made to restate the financial statements for 2015, presented for comparison purposes. In our opinion, these adjustments are appropriate and were correctly recorded. We were not engaged to audit, review or apply any other procedures to the Company's financial statements for 2015 and, therefore, we do not express any opinion or any form of assurance on the financial statements for 2015 taken as a whole.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

São Paulo, March 20, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Ivan Michael Clark
Contador CRC 1MG061100/O-3 "S" SP

QUALICORP S.A. AND SUBSIDIARIES

BALANCE SHEET AT DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais

(A free translation of the original in Portuguese)

ASSETS	Note	2016 Parent company	2016 Consolidated	2015 Parent company	2015 Consolidated
CURRENT ASSETS					
Cash and cash equivalents	8.1	98	125.361	110	285.790
Financial investments	8.2	-	370.890	-	121.001
Amounts receivable from customers	9	-	230.874	-	148.301
Other assets		34.436	165.659	32.450	155.856
Other financial assets	10.1	26.676	150.695	24.651	139.880
Other non-financial assets	10.2	7.760	14.964	7.799	15.976
Related parties	12.1	27.513	-	40.410	-
Total current assets		62.047	892.784	72.970	710.948
NON-CURRENT ASSETS					
Long-term receivables:					
Deferred income tax and social contribution	11	-	217.146	-	136.769
Related parties	12.1	15.819	2.469	2.063	3.833
Other assets		36.048	41.612	52.280	59.803
Other financial assets	10.1	30.400	35.214	39.203	44.673
Other non-financial assets	10.2	5.648	6.398	13.077	15.130
Total long-term receivables		51.867	261.227	54.343	200.405
Investments	13	1.984.684	262	2.273.889	262
Property and equipment	14	-	73.172	-	70.271
Intangible assets:					
Goodwill	15	-	1.624.223	-	1.624.223
Other intangible assets	15	-	738.119	-	828.323
Total non-current assets		2.036.551	2.697.003	2.328.232	2.723.484
TOTAL ASSETS		2.098.598	3.589.787	2.401.202	3.434.432

LIABILITIES AND EQUITY	Note	2016 Parent company	2016 Consolidated	2015 Parent company	2015 Consolidated (Restated)
CURRENT LIABILITIES					
Debentures	16	-	11.145	11.815	22.893
Borrowings		-	-	-	5.795
Taxes and contributions payable	17	4.462	40.716	5.842	34.060
Technical reserves for healthcare operations		-	14.891	-	4.874
Premiums to be transferred	18	-	132.310	-	110.015
Financial transfers payable		-	15.472	-	13.412
Payroll and related charges	19	6.468	63.041	5.407	62.628
Transferable prepayments	20	-	54.771	-	72.874
Related parties	12.1	-	1.583	53.942	53.954
Other payables	21	7.317	161.369	8.726	96.326
Options for acquisition of non-controlling interests	7	-	233.352	-	-
Total current liabilities		18.247	728.650	85.732	476.831
NON-CURRENT LIABILITIES					
Debentures	16	-	606.360	299.967	518.972
Taxes and contributions payable	17	-	6.601	-	6.998
Deferred income tax and social contribution	11	12.876	129.590	15.672	162.591
Provision for contingencies	22	-	43.470	206	61.936
Options for acquisition of non-controlling interests	7	-	-	-	203.446
Other payables	21	3.965	7.340	9.775	9.775
Total non-current liabilities		16.841	793.361	325.620	963.718
EQUITY					
Share capital	23	1.592.790	1.592.790	1.537.249	1.537.249
Capital reserves		147.005	147.005	124.612	124.612
Revenue reserves		178.671	178.671	182.945	182.945
Carrying value adjustments		145.044	145.044	145.044	145.044
Total equity attributable to owners of the Parent company		2.063.510	2.063.510	1.989.850	1.989.850
Non-controlling interests in the equity of subsidiaries		-	4.266		4.033
Total equity		2.063.510	2.067.776	1.989.850	1.993.883
TOTAL LIABILITIES AND EQUITY		2.098.598	3.589.787	2.401.202	3.434.432

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

QUALICORP S.A. AND SUBSIDIARIES

STATEMENT OF INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais, except earnings per share (A free translation of the original in Portuguese)

	Note	2016		2015	
		Parent company	Consolidated	Parent company	Consolidated
NET OPERATING REVENUE	32.d	-	1.964.404	-	1.730.159
COST OF SERVICES	25 and 33	-	(502.642)	-	(455.801)
OPERATING INCOME (EXPENSES)					
Administrative expenses	26 and 33	(25.497)	(499.726)	(30.939)	(472.195)
Selling expenses	27 and 33	-	(332.340)	-	(332.346)
Losses on uncollectible receivables	9	-	(139.614)	-	(99.369)
Equity in results of investees	13	453.192	-	277.127	-
Other income, net	29	235	3.535	45.651	51.499
OPERATING PROFIT BEFORE FINANCE RESULT		427.930	493.617	291.839	421.947
Finance income	28	1.889	145.326	2.179	138.200
Finance costs	28	(27.888)	(178.509)	(51.557)	(159.364)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		401.931	460.434	242.461	400.783
INCOME TAX AND SOCIAL CONTRIBUTION	30	2.796	(39.857)	(15.336)	(159.923)
Current		-	(145.400)	-	(126.124)
Deferred		2.796	105.543	(15.336)	(33.799)
PROFIT FOR THE YEAR		404.727	420.577	227.125	240.860
ATTRIBUTABLE TO					
Owners of the parent		404.727	404.727	227.125	227.125
Non-controlling interests		-	15.850		13.735
		404.727	420.577	227.125	240.860
EARNINGS PER SHARE					
Basic (R$ per share)	35	1,46892	1,46892	0,82860	0,82860
Diluted (R$ per share)	35	1,39523	1,39523	0,78064	0,78064

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

QUALICORP S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais (A free translation of the original in Portuguese)

	2016		2015	
	Parent company	Consolidated	Parent company	Consolidated
PROFIT FOR THE YEAR	404.727	420.577	227.125	240.860
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	404.727	420.577	227.125	240.860
ATTRIBUTABLE TO				
Owners of the parent	404.727	404.727	227.125	227.125
Non-controlling interests	-	15.850	-	13.735

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

QUALICORP S.A. AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Share capital					Revenue reserves		Carrying value adjustment			Interest		
	Note	Paid-up capital	Unpaid capital	Treasury shares	Share issue costs	Capital reserve	Legal	Other	Fair value of merged investments	Retained earnings (accumulated deficit)	Attributable to owners of the parent (BR GAAP)	Non- controlling interests	Share options - non-controlling interests	Total consolidated (IFRS and BR GAAP)
AT DECEMBER 31, 2014 (Restated)		1.982.997	6.062	-	(20.983)	144.379	6.122	90.877	145.044	-	2.354.498	90.342	(88.006)	2.356.834
Exercise of share options - subscribed and partially paid-up		-	16.394	-	-	-	-	-	-	-	16.394	-	-	16.394
Payment of prior periods' options		22.456	(22.456)	-	-	-	-	-	-	-	-	-	-	-
Options granted	24	-	-	-	-	27.733	-	-	-	-	27.733	-	-	27.733
Payment of subscription warrant - CRC-Gama	23	-	-	-	-	(47.500)	-	-	-	-	(47.500)	-	-	(47.500)
Payment of proposed additional dividend		-	-	-	-	-	-	(87.237)	-	-	(87.237)	-	-	(87.237)
Treasury shares		-	-	(47.221)	-	-	-	-	-	-	(47.221)	-	-	(47.221)
Capital reduction		(400.000)	-	-	-	-	-	-	-	-	(400.000)	-	-	(400.000)
Profit for the year		-		-	-	-	-	-	-	227.125	227.125	13.735	-	240.860
Transfer to legal reserve		-	-	-	-	-	11.356	-	-	(11.356)	-	-	-	-
Distribution of mandatory dividends	23	-	-	-	-	-	-	-	-	(53.942)	(53.942)	-	-	(53.942)
Proposed additional dividend	23	-	-	-	-	-	-	161.827	-	(161.827)	-	-	-	-
Distribution of dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(12.038)	-	(12.038)
AT DECEMBER 31, 2015		1.605.453	-	(47.221)	(20.983)	124.612	17.478	165.467	145.044	-	1.989.850	92.039	(88.006)	1.993.883
Options granted	13 and 24	-	-	-	-	22.393	-	-	-	-	22.393	-	-	22.393
Capital payment and exercise of options granted	1 b) viii and 23	67.723	-	-	-	-	-	-	-	-	67.723	-	-	67.723
Payment of proposed additional dividend	23	-	-	-	-	-	-	(161.827)	-	-	(161.827)	-	-	(161.827)
Treasury shares	23	-	-	(12.182)	-	-	-	-	-	-	(12.182)	-	-	(12.182)
Distribution of interim dividends	1 b) xiv and 23	-	-	-	-	-	-		-	(247.174)	(247.174)	-	-	(247.174)
Profit for the year		-	-	-	-	-	-	-	-	404.727	404.727	15.850	-	420.577
Transfer to legal reserve		-	-	-	-	-	20.236	-	-	(20.236)	-	-	-	-
Distribution of dividends to non-controlling interests	23	-	-	-	-	-	-	-	-	-	-	(15.617)	-	(15.617)
Proposed additional dividend		-	-	-	-	-	-	137.317	-	(137.317)	-	-	-	-
AT DECEMBER 31, 2016		1.673.176	-	(59.403)	(20.983)	147.005	37.714	140.957	145.044	-	2.063.510	92.272	(88.006)	2.067.776

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

STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Note	2016		2015	
		Parent company	Consolidated	Parent company	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax and social contribution		401.931	460.434	242.461	400.783
Adjustments for:					
Depreciation and amortization	26 and 33	-	216.259	-	221.852
Impairment losses	29	-	(2.624)	-	7.705
Equity in results of investees	13	(453.192)	-	(277.127)	-
Result on disposal of property and equipment	14	-	274	-	893
Options granted	24	-	22.393	-	27.733
Finance income/costs		22.503	122.880	47.261	110.336
Taxes to offset - Social Integration Program (PIS) / Social Contribution on Revenues (COFINS)		-	-	-	45.555
Gain on sale of Potencial		-	-	(45.672)	(45.672)
Provision for (reversal of) tax, civil and labor contingencies		(206)	(4.086)	15	6.783
		(28.964)	815.530	(33.062)	775.968
Changes in operating assets and liabilities:					
Increase in amounts receivable from customers		-	(81.997)	-	(358)
(Increase) decrease in other assets		14.246	4.696	(475)	40.290
Increase (decrease) in taxes and contributions payable		(3.972)	(37.398)	5.093	(31.641)
Increase (decrease) in premiums to be transferred		-	22.295	-	(10.550)
Increase in financial transfers payable		-	2.060	-	1.184
Increase (decrease) in technical reserves for healthcare operations		-	10.017	-	(125)
Increase (decrease) in payroll and related charges		1.061	413	1.699	(4.367)
Increase (decrease) in other payables		(2.659)	56.949	1.262	2.803
Decrease in transferable prepayments		-	(18.103)	-	(5.570)
Increase (decrease) in related parties		(18.378)	1.583	14.141	1.806
Increase (decrease) in financial investments (restricted cash)		-	75.622	-	(5.056)
Cash (used in) provided by operations		(38.666)	851.667	(11.342)	764.384
Interest paid on debentures	16	(12.205)	(96.113)	(40.424)	(70.409)
Dividends received from subsidiaries	13	724.140	-	275.287	-
Dividends paid to non-controlling interests	23	-	(15.617)	-	(12.026)
Income tax and social contribution paid		-	(118.644)	-	(111.770)
Net cash provided by operating activities		673.269	621.293	223.521	570.179
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital increase in subsidiaries	13	(59.350)	-	(63.630)	-
Additions to intangible assets		-	(113.076)	-	(118.341)
Purchases of property and equipment		-	(15.990)	-	(14.720)
Increase in financial investments		-	(325.511)	-	(80.000)
Non-competition agreement	21	(6.529)	(6.529)	(6.529)	(6.529)
Amount paid on acquisition of Connectmed-CRC and Gama Saúde		-	-	(7.484)	(7.484)
Payment of subscription warrant - Connectmed-CRC and Gama Saúde		-	-	(47.500)	(47.500)
Capital reduction in subsidiaries	13	100.000	-	400.000	-
Net cash provided by (used in) investing activities		34.121	(461.106)	274.857	(274.574)
CASH FLOWS FROM FINANCING ACTIVIITES					
Repayments of borrowings		-	(5.795)	-	(7.281)
Payments for issuance of debentures	16	(300.000)	(831.000)	-	-
Proceeds from issuance of debentures	16	-	922.000	-	-
Share capital reduction		-	-	(400.000)	(400.000)
Share capital increase	23	67.723	69.304	22.456	22.456
Purchase of treasury shares	23	(12.182)	(12.182)	(47.221)	(47.221)
Dividends paid	23	(462.943)	(462.943)	(116.316)	(116.316)
Net cash used in financing activities		(707.402)	(320.616)	(541.081)	(548.362)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(12)	(160.429)	(42.703)	(252.757)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	8.1	110	285.790	42.813	538.547
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8.1	98	125.361	110	285.790

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

STATEMENT OF VALUE ADDED
YEARS ENDED DECEMBER 31, 2016 AND 2015
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	2016		2015	
	Parent company	Consolidated	Parent company	Consolidated
REVENUE				
Services revenue	-	2.129.850	-	1.901.421
Other operating income	55	8.839	40.512	68.435
Provision for impairment of trade receivables, cancelations and returns	-	(147.108)	-	(107.909)
Total revenue	55	1.991.581	40.512	1.861.947
INPUTS ACQUIRED FROM THIRD PARTIES				
Cost of services	-	(335.711)	-	(303.308)
Materials, electricity, outsourced services and other	3.105	(339.680)	(8.855)	(312.624)
Impairment/recovery of assets	-	(4.388)	-	(4.332)
Other operating expenses	(27.770)	(111.382)	(4.433)	(112.078)
Total inputs acquired from third parties	(24.665)	(791.161)	(13.288)	(732.342)
GROSS VALUE ADDED	(24.610)	1.200.420	27.224	1.129.605
DEPRECIATION, AMORTIZATION AND DEPLETION				
Depreciation and amortization	-	(216.259)	-	(221.852)
NET VALUE ADDED GENERATED (CONSUMED) BY THE ENTITY	(24.610)	984.161	27.224	907.753
VALUE ADDED RECEIVED THROUGH TRANSFER				
Finance income	1.889	145.326	2.179	138.200
Share of profit of investees	453.193	-	277.127	-
Total value added received through transfer	455.082	145.326	279.306	138.200
TOTAL VALUE ADDED TO DISTRIBUTE	430.472	1.129.487	306.530	1.045.953
DISTRIBUTION OF VALUE ADDED				
Personnel and social charges	19.596	359.177	18.506	346.026
Taxes and contributions	(2.796)	201.334	15.336	328.655
Creditors and lenders	8.945	148.399	45.563	130.412
Stockholders	404.727	420.577	227.125	240.860
Total value added distributed	430.472	1.129.487	306.530	1.045.953

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

1. General information

a) Operations

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

The Company and its subsidiaries ("Qualicorp Group") are engaged in the brokerage, intermediation, consulting, management, stipulation as well as deductibles, through its direct subsidiaries. The Company's and its subsidiaries' activities are divided into the following segments: (a) private healthcare plans, whose service providers include group medical organizations, specialized health insurers, medical cooperatives, self-managed entities, charitable institutions, dental cooperatives and group dentists ("healthcare plan operators"); (b) sale and management of other health insurance and supplementary services. Private health plans and other insurances and supplementary services are collectively referred to as "benefits". Qualicorp Group develops its activities in two main market segments known as the Affinity and Corporate segments. The Affinity segment has activities related to the support, management, stipulation, brokerage and/or intermediation of collective membership benefits focused on professional organizations (unions, associations, regional councils, etc.) and the Corporate segment engages in the brokerage and intermediation of collective corporate benefits, and in the provision of specialized consulting services, helping to manage the benefits contracted by its clients; (c) services rendered for the capture, routing, authorization and billing of medical and hospital services, as well as medical audit services, processing of medical bills, call center, claims and hospital network management system licensing, and other outsourced healthcare support services; and (d) group insurance brokerage through retail channels, such as life insurance, capitalization certificates, home insurance, extended warranty, financial protection insurance, among others; (e) provision of access for clients to their credentialed service providers network; and (f) specialized care management services.

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

b) Main events in 2016

i. Early settlement of debentures from the first issue (Note 16)

The proceeds from the third issue of debentures of Qualicorp Corretora de Seguros S.A. ("Qualicorp Corretora") were used to early settle the first issue debentures of the Company.

On January 19, 2016, upon the release of funds by the financial institution, R$ 314,378 was used for the early redemption of the debentures from the first issue, thus settling the existing obligation on that date.

On that same date, a loan agreement was signed between the Company and Qualicorp Corretora, in the amount of R$ 165,211, maturing on January 16, 2017. Early settlement is permitted, and the maturity and interest rate are the same as those for the third issue of Qualicorp Corretora. The loan agreement was paid off on December 30, 2016.

ii. Recognition of tax credit

Due to changes in the tax legislation following the enactment of Law 12,973/14 that came into force in 2015, Management, with the support of subject matter experts and their respective tax reports, revised certain tax positions of historical transactions. As a result of this process, the Company identified supplementary tax benefits that were recorded in the first half of 2016, following the reprocessing and refiling of tax declarations for the last years. In 2016, the Company used credits totaling R$ 54,862.

iii. Change in the PIS/COFINS tax burden on Qualicorp Corretora

On March 21, 2016, the Brazilian Federal Revenue Service published Normative Instruction (IN) 1,628, which removes Insurance Brokerage companies from the list of companies similar to financial institutions from the Cumulative System of PIS/COFINS (4.65%).

On April 20, 2016, Qualicorp Corretora obtained a favorable injunction to keep the payments under the Cumulative System during the 90-day period. Therefore, from June 2016 tax period, it started to pay under the Non-cumulative System (9.25%), enabling it to benefit from tax credits.

iv. Corporate restructuring of subsidiaries on March 31, 2016 (Note 13)

On March 31, 2016, the Company approved the merger of the subsidiary Qualicorp Consultoria em Saúde Ltda. ("Qualicorp Consultoria") into the subsidiary Connectmed-CRC Consultoria, Administração e Tecnologia em Saúde Ltda. ("Connectmed-CRC"), both under common control. This corporate transaction did not have any impact on the Company's balance sheet and results of operations. According to the Protocols and Justification of the Merger, the merger will benefit the companies involved and their quotaholders, because it will generate administrative and economic benefits, allowing better use of the resources of the companies involved, as well as the operational and administrative optimization, which will result in synergies and savings arising from operational, corporate and structural efforts. The valuation methodology for the equity of Qualicorp Consultoria for the merger was the book value of its assets and liabilities, based on the balance sheets as at January 31, 2016, according to the appraisal report approved at March 31, 2016.

	Net assets merged of QC Consultoria
Current assets:	
Cash and cash equivalents	61
Securities and amounts receivable	897
Tax credits	183
Prepaid expenses	43
Total current assets	1,184
Non-current assets:	
Securities and amounts receivable	525
Property and equipment	2,919
Investments	26
Intangible assets	22,984
Total non-current assets	26,454
Total assets (A)	27,638

	Net assets merged of QC Consultoria
Current liabilities:	
Payables for healthcare operations	1
Taxes and social charges payable	151
Payroll and related charges	1,095
Trade payables	98
Other payables	385
Total current liabilities (B)	1,730
Non-current liabilities:	
Provision for deferred taxes	7,731
Provision for contingencies	100
Total non-current liabilities (C)	7,831
Net assets (A) – (B) – (C)	18,077

v. Corporate restructuring of subsidiaries on April 30, 2016 (Note 13)

The merger of Medlink Conectividade em Saúde Ltda. ("Medlink") into ConnectMed CRC, both under common control, was approved on April 30, 2016. This corporate transaction did not have any impact on the Company's balance sheet and results of operations. According to the Protocols and Justification of the Merger, the merger will benefit the companies involved and their quotaholders, because it will bring administrative and economic benefits, allowing better use of the resources of the companies involved, as well as the operational and administrative optimization, which will result in synergies and savings arising from operational, corporate and structural efforts. The valuation methodology for the equity of Medlink on the merger was the book value of Medlink's assets and liabilities, based on the balance sheets as at February 29, 2016, according to the appraisal report approved at April 30, 2016.

	Net assets merged of Medlink
Current assets:	
Cash and cash equivalents	107
Securities and amounts receivable	807
Tax credits	626
Prepaid expenses	1
Total current assets	1,541
Non-current assets:	
Property and equipment	515
Intangible assets	7,770
Total non-current assets	8,285
Total assets (A)	9,826

	Net assets merged of Medlink
Current liabilities:	
Taxes and social charges payable	727
Payroll and related charges	972
Trade payables	1
Other payables	160
Total current liabilities (B)	1,860
Non-current liabilities:	
Taxes and social charges payable	1,731
Provision for contingencies	133
Total non-current liabilities (C)	1,864
Net assets (A) – (B) – (C)	6,102

vi. Corporate restructuring of subsidiaries on May 19, 2016 (Note 13)

On May 19, 2016, the National Regulatory Agency for Private Health Insurance and Plans (ANS) approved the merger of Multicare Saúde Ltda. ("Multicare") into Gama Saúde Ltda. ("Gama"), both under common control. This corporate transaction did not have any impact on the Company's balance sheet and results of operations. According to the Protocols and Justification of the Merger, the merger will benefit the companies involved and their quotaholders, because it will generate administrative and economic benefits, allowing better use of the resources of the companies involved, as well as the operational and administrative optimization, which will result in synergies and savings arising from operational, corporate and structural efforts. The valuation methodology for the equity of Multicare on the merger was the book value of Multicare's assets and liabilities, based on the balance sheets as at November 30, 2015, according to the appraisal report approved at May 31, 2016.

	Net assets merged of Multicare
Current assets:	
Cash and cash equivalents	48
Financial investments	5,442
Other receivables	17
PSL – SUS transfers	16
Tax credits	1,030
Total current assets	6,553
Non-current assets:	
Property and equipment	6
Total non-current assets	6
Total assets (A)	6,559
Current liabilities:	
Trade payables	15
Taxes and contributions payable	100
PSL – SUS transfers	16
Total current liabilities (B)	131
Non-current liabilities:	
Provision for contingencies	2,442
Total non-current liabilities (C)	2,442
Net assets (A) – (B) – (C)	3,986
Change in the period from May 31, 2015 (base date of the merger report) to May 31, 2016 (base date of effective merger) (D)	2,669
Accounting effect of the merger at May 31, 2016 (A) – (B) – (C) + (D)	6,655

vii. Corporate restructuring of subsidiaries on June 30, 2016 (Note 13)

The partial spin-off of Connectmed-CRC into Gama was approved on June 30, 2016. This corporate transaction did not have any impact on the Company's balance sheet and results of operations. According to the Protocols and Justification of the Merger, the merger will benefit the companies involved and their quotaholders, because it will generate administrative and economic benefits, allowing better use of the resources of the companies involved, as

well as the operational and administrative optimization, which will result in synergies and savings arising from operational, corporate and structural efforts. The valuation methodology for the equity of CRC on the partial spin-off was the book value of CRC's assets and liabilities, based on the balance sheets as at April 30, 2016, according to the appraisal report approved at June 30, 2016.

	Net assets spun off from CRC into Gama
Current assets:	
Cash and cash equivalents	924
Trade receivables	569
Total current assets	1,493
Total assets (A)	1,493
Current liabilities:	
Other payables	(82)
Total current liabilities (B)	(82)
Net assets via capital increase (A) – (B)	1,575
Change in the period from April 30, 2016 (base date of the partial spin-off report) to June 30, 2016 (base date of the effective partial spin-off) – increase in retained earnings	2,142

viii. Capital payment and new grants under existing Share Option Plan (Note 23)

At a meeting held on July 8, 2016, the Board of Directors approved the election of new beneficiaries of the Share Option Plan and the number of share options to be granted, with the issue of 3,170,000 new common shares.

At a meeting held on July 20, 2016, the Board of Directors approved an increase in the Company's share capital of R$ 27,517 with the issue of 1,920,000 new common shares pursuant to the terms of article 5 of the Company's bylaws upon the exercise of share options granted under the Share Option Plan. This amount was fully paid up on August 20, 2016.

At a meeting held on August 29, 2016, the Board of Directors approved an increase in the Company's share capital of R$ 40,206 with the issue of 2,549,000 new common shares pursuant to the terms of article 5 of the Company's bylaws upon the exercise of share options granted under the Share Option Plan. This amount was fully paid up on September 29, 2016.

ix. Share repurchase program (Note 23)

In 2016, the Board of Directors approved share repurchase programs. A total of 946,200 shares was repurchased for R$ 12,182 in the first quarter of 2016.

x. Total redemption of held-to-maturity investments (Note 8.2)

On August 26, 2016, the direct subsidiary Qualicorp Administradora de Benefícios S.A. liquidated the total balance of held-to-maturity investments amounting to R$ 80,000.

xi. Capital reduction (Notes 12.1 and 23)

The Extraordinary General Meeting held on September 12, 2016 approved a reduction in the share capital of the direct subsidiary Qualicorp Corretora in the amount of R$ 100,000. The balance owing to the Company was settled through repayment of the total loan amount (R$ 84,730) in December 2016 and the remainder (R$ 15,270) was paid in January 2017.

xii. Impairment of advances to brokers (Notes 10.1 iv and 29)

After performing an impairment test for advances to brokers at September 30, 2016, the direct subsidiary Qualicorp Corretora de Seguros S.A. recorded a provision against this asset and charged an impairment loss of R$ 3,692.

xiii. Issue of simple debentures of Qualicorp Corretora and Qualicorp Benefícios (Note 16)

On October 19, 2016, the direct subsidiaries Qualicorp Corretora and Qualicorp Benefícios entered into an indenture agreement for the 4th issue and 3rd issue, respectively, of non-convertible debentures in an unsecured, single series, with an additional real guarantee. These placements were approved at the Extraordinary General Meeting held on that same date. The subsidiaries used the proceeds to early pay in full the current debenture issues and the remainder was destined for working capital.

xiv. Distribution of interim dividends (Note 23)

At a meeting held on November 7, 2016, the Board of Directors approved the proposal for distribution of interim dividends by the Company in the amount of R$ 247,173. This amount refers to total profit determined as of June 30, 2016 less 5% of legal reserve.

The interim dividends were paid on November 25, 2016 to stockholders of record as of November 11, 2016.

2. Presentation of financial statements

I. Statement of compliance

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by Management in the performance of its duties.

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

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

II. Basis of preparation

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

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

III. Restatement due to adjustments, reclassifications and format of presentation

a) Reclassification of the balances of technical reserves for healthcare operations to other payables

At December 31, 2015, the balances of current liabilities related the credentialed network of customers served under "network rental" of direct subsidiary Gama Saúde were incorrectly recorded in the account "technical reserves for healthcare operations" instead of the "other payables" account also in current liabilities. A summary of the reclassification in the balance sheet is as follows:

CONSOLIDATED Account	12/31/2015 Previously reported	Reclassification	Restated
Current liabilities – Technical reserves for healthcare operations	24,914	(20,040)	4,874
Current liabilities – Other payables	76,286	20,040	96,326

b) Geographical information of the reported segment

In its efforts to continually improve the presentation of its financial reports, the Company changed the disclosure table for "Geographical information of the reported segment" in the note "Segment Reporting".

Consistent with accounting pronouncement CPC 22 – Segment Reporting, the Company opted to replace the table of revenue by geographic area with a table of covered beneficiaries by region, which are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Thus, the figures reported at December 31, 2015 have restated only for the Affinity segment as shown below:

Table originally reported

Breakdown by State (Consolidated)	12/31/2015
São Paulo	1,020,361
Rio de Janeiro	297,588
Federal District	168,695
Bahia	73,653
Minas Gerais	28,443
Pernambuco	27,938
Other	116,099
Total – Affinity segment	1,732,777
Total – Other segments	168,644
Total gross operating revenue	1,901,421

Table restated – in covered beneficiaries and market share (%)

Breakdown by Region of Brazil (Consolidated)	12/31/2015	
	Lives	Market share -%
Southeast	1,362,684	76.10%
Northeast	222,813	12.40%
Central-West	139,808	7.80%
South	44,660	2.50%
North	20,807	1.20%
Total – Affinity segment	1,790,772	100.00%

3. *Significant accounting principles*

The accounting practices adopted were as follows:

I. General principles

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

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

Financial instruments

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

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

Financial liabilities related to acquisitions of assignment of rights and exclusivity rights (Note 17, items (iii) and (v), respectively) are recognized and adjusted, when applicable, based on agreements signed.

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

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

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

Financial assets

Financial assets are classified in the following categories: at fair value through profit or loss, held to maturity, available for sale, and loans and receivables. The classification depends on the nature and purpose of the

financial assets and is determined on initial recognition. Normal purchases and sales of financial assets are typically recognized on the trade date. A normal purchase or sale is a purchase or sale of a financial asset that require delivery of the asset within the time frame established by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

a) it is acquired principally for the purpose of selling in the near term.

b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

c) it is a derivative (except for a derivative that is a designated and effective hedging instrument).

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

Held-to-maturity investments

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

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

Available-for-sale financial assets

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

Available-for-sale financial assets at stated at fair value at the end of the reporting period. Interest income is recognized in the statement of income using the effective interest rate method.

Other changes in the carrying amount of the available-for-sale financial assets are recognized in "Other comprehensive income", when applicable.

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

Loans and receivables

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

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

Financial liabilities

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

i. Other financial liabilities

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

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

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

II. Cash and cash equivalents

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

III. Financial investments

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

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

IV. Trade receivables, premiums to be transferred, financial transfers payable and transferable prepayments

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

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

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

V. Provision for impairment of trade receivables

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

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

Aging buckets	Provision %
61- 90 days	10%
91-120 days	30%
121-150 days	50%
151-180 days	70%
Over 180 days	100%

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

VI. Business combination and investments in subsidiaries

i. Consolidated financial statements

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

Non-controlling interests that reflect 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 at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

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

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

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

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

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

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

ii. Parent company financial statements

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

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

VII. Property and equipment

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

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

VIII. Intangible assets

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

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

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

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

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

IX. Impairment of property and equipment and intangible assets

Property and equipment and intangible assets with a finite useful life

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

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

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

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

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

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

Goodwill

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

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

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

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

XI. Technical reserves for healthcare operations

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

XII. Debentures

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

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

XIII. Deferred income tax and social contribution

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

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

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

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

XIV. Revenue recognition

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

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

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

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

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

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

e) Revenue from benefit management and health promotion consulting: refers to the monthly remuneration for health management services provided by the subsidiary Qualicorp Consultoria in 2015 and Connectmed- CRC in 2016.

f) Revenue from consulting and benefit management: refers to the monthly remuneration for consulting services provided to corporate clients by the subsidiaries Qualicorp, Gama Saúde, Qualicorp Corretora and to the Affinity segment clients by the subsidiary GA Corretora.

g) Connectivity systems Revenue: refers to the monthly remuneration for connectivity system services provided to corporate clients by the subsidiary Connectmed-CRC in 2016 and Medlink in 2015.

XV. Taxation method

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

The subsidiary GA Corretora chose the presumed profit method to calculate income tax and social contribution at a rate of 32% on gross operating revenue plus finance income. In 2015, the subsidiary Aliança changed its taxation method from the presumed profit to the actual profit regime.

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

XVI. Provision for contingencies

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

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

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

XVII. Profit sharing and share options

The remuneration paid to employees and management that is not directly determined based on the Company's profit is classified as operating cost or expense. Based on such provisions, the Company and its subsidiaries adopt the following procedures: (i) classify management and employee profit sharing expenses as administrative expenses; and (ii) make the calculation, proportionate allocation to each subsidiary and recognition, in administrative expenses, of all estimated costs of share options related to share-based payment contracts (Note 24). The account "Capital reserve – options granted" is the contra entry of these administrative expenses.

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

XVIII. Basic and diluted earnings per share

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

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

XIX. Accounting for dividends

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

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

XX. Segment reporting

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

4. Significant estimates and judgments

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

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

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

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

To apply the previously described accounting practices, the Company's and its subsidiaries' Management adopted the following assumptions that may affect the financial statements. The areas involving judgment or use of estimates relevant to the financial statements are disclosed below:

(i) Deferred income tax and social contribution; (ii) Impairment testing for long-lived assets; (iii) Provisions for contingencies; (iv) Provision for impairment of trade receivables; and (v) Technical reserves.

5. Financial instruments

a) Classification and fair value of financial instruments

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

Consolidated										
	12/31/2016					12/31/2015				
	Loans and receivables	Financial assets measured at fair value through profit or loss	Held to maturity	Amortized cost	Financial liabilities measured at fair value through profit or loss	Loans and receivables	Financial assets measured at fair value through profit or loss	Held to maturity	Amortized cost	Financial liabilities measured at fair value through profit or loss
Financial assets:										
Cash and cash equivalents – highly liquid financial investments	-	110,261	-	-	-	-	242,470	-	-	-
Financial investments	-	370,890	-	-	-	-	40,398	80,603	-	-
Amounts receivable from customers	230,874	-	-	-	-	148,301	-	-	-	-
Other financial assets – current	150,695	-	-	-	-	139,880	-	-	-	-
Other financial assets – non-current	35,214	-	-	-	-	44,673	-	-	-	-
Financial liabilities:										
Debentures	-	-	-	617,505	-	-	-	-	541,865	-
Premiums to be transferred	-	-	-	132,310	-	-	-	-	110,015	-
Technical reserves for healthcare operations	-	-	-	14,891	-	-	-	-	24,913	-
Borrowings	-	-	-	-	-	-	-	-	5,795	-
Financial transfers payable	-	-	-	15,472	-	-	-	-	13,412	-
Transferable prepayments	-	-	-	54,771	-	-	-	-	72,874	-
Payroll and related charges	-	-	-	63,041	-	-	-	-	62,628	-
Related parties	-	-	-	-	-	-	-	-	53,954	-
Other payables – current	-	-	-	161,369	-	-	-	-	76,286	-
Other payables – non-current	-	-	-	7,340	-	-	-	-	9,775	-
Share options of non-controlling interests – current	-	-	-	-	233,352	-	-	-	-	-
Share options of non-controlling interests – non-current	-	-	-	-	-	-	-	-	-	203,446

Measurement of fair value recognized in the balance sheet

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

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

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

Description	12/31/2015			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss – cash and cash equivalents (i)	242,470	-	-	242,470
Financial assets at fair value through profit or loss – financial investments (ii)	40,398	-	-	40,398
Financial liabilities at fair value through profit or loss:				
Share options of non-controlling interests	-	-	203,446	203,446

There were no transfers between the Levels during the year.

(i) Includes highly liquid financial investments as per Note 8.1.
(ii) Does not include financial investments linked to ANS, as described in Note 8.2.

Reconciliation of Level 3 fair value measurements for financial liabilities

	Fair value profit or loss
At December 31, 2015	203,446
Total gains and losses - Inflation-indexation and accruals adjustments of obligations payable and share options of non-controlling interests – Aliança and GA Corretora (Note 7)	29,906
At December 31, 2016	233,352

The table below shows the sensitivity of the fair values of possible alternative assumptions to variations in the discount and growth rates, which are the main assumptions that determined financial liabilities at fair value through profit or loss. If these assumptions were to vary by +/- 1.00% of their estimated amount, a positive amount indicates an increase in profit and equity, while a negative amount indicates that there would be a negative impact on profit and equity:

	Assumption used	12/31/2016	Increase	Decrease
Share options of non-controlling interests	+/- 1%	233,352	(1,682)	1,709

With respect to the financial liabilities at fair value through profit or loss at December 31, 2016 and 2015, the Company had the following financial liabilities:

Share options of non-controlling interests – non-current liabilities

The Company has commitments contracted through share options on non-controlling interests relating to the acquisition of equity interests in Aliança and GA Corretora (Note 7).

The acquisition price of the non-controlling interests is determined based on multiples of EBITDA (earnings before interest, taxes, depreciation and amortization) or of revenue, both for the twelve-month period before the exercise of the option. This liability is measured based on the fair value of the non-controlling interests, under the discounted cash flow approach, using as key assumptions a discount rate of 14.7% and a long-term sustainable growth rate of 15.3% (2014-2017 CAGR).

Derivative instruments

At December 31, 2016 and 2015, the Company and its subsidiaries had no derivative financial instrument contracts for hedging or speculative purposes.

b) Management of the main risks

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

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

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

Credit risk

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

In order to mitigate this risk, the Company cancels defaulting beneficiaries pursuant to the contract term, which are mostly canceled after 30 or 60 days of default from payment due date. The method adopted to calculate the provision for the impairment of trade receivables and the write-off of uncollectible receivables is described in Note 3.iv.

Interest rate risk of financial instruments

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

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

Account	Consolidated			
	Asset and liability account	Note	12/31/2016	12/31/2015
Cash and cash equivalents (i)	Current assets	8.1	110,261	242,470
Financial investments (i)	Current assets	8.2	370,890	121,001
Debentures (ii)	Current and non-current liabilities	16	(617,505)	(541,865)
Borrowings	Current liabilities		-	(5,795)
Total exposure			(136,354)	(184,189)

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

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

According to the internal policy, financial investments are concentrated on low-risk investments, particularly fixed-income investments and fixed-income investment fund units, multi-market and federal government securities. Cash investment is permitted only in highly-rated institutions with ratings from "AAA" to "BBB", within the limit of 100%, and with ratings from "BBB" to "BBB+" within the limit of 20%. Part of the amounts invested is centralized in funds dedicated to the National Regulatory Agency for Private Health Insurance and Plans (ANS) and the Bank Deposit Certificates (CDB), with yields based on the Interbank Deposit Certificate (CDI) rate.

ii. Debentures issued by Qualicorp Group pay interest at 100% of the accumulated variation of the daily average overnight rates of Interbank Deposits (DI), expressed as a percentage rate per year, corresponding to 252 business days (CETIP), plus a spread of 1.30% p.a. (1.60% p.a. from January 1, 2015 to November 4, 2016). For further details refer to Note 16.

Sensitivity analysis of variations in interest rates

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

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

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

Management estimated for 2016, based on the quotations contained in the Focus report issued by the Brazilian Central Bank, the future interest rates (13.75% p.a.) plus a spread on debentures of 1.30% p.a., showing in each scenario the effect of the changes in the fair value, as follows:

	Scenario			
	12/31/2016	Probable	Possible	Remote
Assumptions		CDI – 0.25% to 13.75% p.a.	CDI – 0.31% to 13.75% p.a.	CDI – 0.38% to 13.75% p.a.
Highly liquid financial investments and financial investments	481,151	479,948	479,647	479,347
Liabilities – debentures	(617,505)	(623,969)	(623,578)	(623,187)
Liabilities – borrowings	-	-	-	-
Net exposure	(136,354)	(144,021)	(143,931)	(143,840)

	Assumptions		
	Probable	Possible	Remote
CDI	Brazilian Central Bank Focus report (12/29/2016)	25% on probable rate	50% on probable rate

- Under the probable scenario, the Company would present a net exposure of R$ 144,021 through December 31, 2016, arising from the difference in the estimated future CDI rates for interest on debentures plus a surcharge of 1.30% p.a.

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

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

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

Capital risk

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

Qualicorp Group's capital structure consists of net debt (debentures detailed in Note 18 and borrowings less cash and cash equivalents detailed in Note 9), and equity (Note 23).

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

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

Under ANS Normative Resolution (RN) 209, of December 22, 2009, the base capital to be considered by the subsidiaries at December 31, 2016 is R$ 158 for benefits management companies (Aliança, Clube de Saúde and Qualicorp Benefícios), R$ 7,908 for Gama Saúde, and these amounts must be greater than the adjusted minimum equity.

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

At December 31, 2016, the adjusted minimum equity is R$ 82,271 (Qualicorp Benefícios), R$ 10,266 (Aliança), R$28,898 (Clube de Saúde) and R$ 4,614 (Gama Saúde), all under the provisions of the respective Normative Instruction. The solvency margin is R$ 2,537 (Gama Saúde), and is thus sufficient to maintain the total equity at an amount that is adequate to meeting the legal solvency margin requirements and to cover non-operating liabilities.

The Company´s indebtedness ratio is as follows:

	Consolidated	
Description	12/31/2016	12/31/2015
Debt (debentures and borrowings)	(617,505)	(541,865)
Cash and cash equivalents and financial investments	481,151	285,790
Net debt	(136,354)	(256,075)
Equity	2,067,776	1,993,883
Net (surplus/deficit) debt to equity ratio	(6.59%)	(12.84%)

Liquidity risk

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

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

	Consolidated (IFRS and BR GAAP)					
	Estimated interest rate – per month	Less than six months	From six months to one year	From one to two years	More than two years	Total
	%	R$	R$	R$	R$	R$
December 31, 2016:						
Debentures	CDI + 1.30% (a)	35,275	35,275	70,550	681,550	822,650
Premiums to be transferred	-	132,310	-	-	-	132,310
Transferable prepayments	-	54,771	-	-	-	54,771
Technical reserves for healthcare operations	-	14,891	-	-	-	14,891
Payroll and related charges	-	63,041	-	-	-	63,041
Intangible assets payable	-	28,370	563	1,125	1,499	31,577
Other payables	-	126,934	-	-	-	126,934
Non-competition agreement payable	-	-	6,529	6,529	-	13,058
Related parties (dividends)	-	-	-	-	-	-
Call options (Aliança and GA)	-	-	233,352	-	-	233,352
Total	-	455,592	275,719	78,204	683,049	1,492,564

(a) Considering the total estimated debt at December 31, 2016 not calculated at present value.

6. Adoption of new and revised international financial reporting standards

As part of the IFRS improvement process, the existing standards are continually reviewed and revised and new standards are issued by IASB. The Company and its subsidiaries have not adopted the following new and revised standards that are not yet effective:

Standard	Description	Effective date
IFRS 9 / CPC 48	"Financial Instruments". IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The classification of financial assets depends on the entity's business model and the financial asset's contractual cash flow characteristics. For financial liabilities, the standard retains most of the IAS 39 requirements. One major change introduced by IFRS 9 relates to cases in which the fair value of the financial liabilities must be segregated so that the part of the fair value that is related to the entity's own credit risk is presented in other comprehensive income instead of profit or loss. The standard retains the guidance in IAS 39 with respect to impairment of financial assets and hedge accounting.	2018
IFRS 15 / CPC 47	"Revenue from Contracts with Customers". This new standard introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. It replaces IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations.	2018
IFRS16	"Leases". This new standard establishes a new accounting treatment for leases and eliminates the current dual accounting model, which distinguishes between finance lease and operating lease.	2019

The Company intends to adopt the applicable standards when they become effective. Management is evaluating the impacts of adopting the new standards and to date has not yet determined their qualitative and quantitative effects.

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

7. Acquisition of subsidiaries

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

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

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

At December 31, 2016, the financial liability related to this call option amounted to R$ 233,352 (R$ 203,446 at December 31, 2015). The variation in the period of R$ 29,906 refers to the fair value adjustment of this liability.

In 2016, there were no changes in assumptions and estimates in relation to adjusted EBITDA, which is used to calculate this financial liability.

8. Cash and cash equivalents and financial investments

8.1. Cash and cash equivalents

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Highly liquid financial investments (ii)	17	11	110,261	242,470
Bank deposits (i)	78	99	15,051	43,260
Cash	3	-	49	60
Total	98	110	125,361	285,790

i) At December 31, 2016 and 2015, consolidated balances include mainly the receipts from customers that occurred on the last business day of the month.

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

Type of investment

	Market and carrying value			
	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Bank Deposit Certificates (CDBs) (iii)	17	11	32,554	136,778
Investments in purchase and sale commitments (iv)	-	-	77,665	92,646
Other investments	-	-	42	13,046
Total	17	11	110,261	242,470

iii) These financial instruments pay interest of 95.15% to 101% of the CDI and are in custody of CETIP S.A. - Balcão Organizado de Ativos e Derivativos. They are highly liquid and can be redeemed before their maturity date.

iv) Refers to a highly liquid repurchase transaction backed by debentures. The yield is based on the Interbank Deposit (DI) rate from 50% to 99.80% on operations conducted with Banco Itaú S.A, Banco Safra S.A, Banco Santander and Banco do Brasil S.A.

8.2. Financial investments

	Consolidated	
	12/31/2016	12/31/2015
Non-exclusive financial investment fund (i)	45,379	40,398
Exclusive financial investment fund (ii)	325,511	-
Held-to-maturity financial investments	-	80,603
Total	370,890	121,001

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

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

	Market and carrying value – Exclusive investment funds
	Consolidated
	12/31/2016
Financial Treasury Bills (LFT)	219,347
National Treasury Bills (LTN) - over	71,928
Financial Bills - LFS Eligible – level II	12,531
Debentures	10,910
Certificates of Deposit (CDB) – floating rate	5,117
National Treasury Bills (LTN)	3,886
Fixed-income investment funds	2,278
Reserve	8
Amounts payable	(494)
Total	325,511

9. Amounts receivable from customers

	Consolidated	
	12/31/2016	12/31/2015
Premiums recoverable - with risk of default (i)	190,348	111,264
Trade receivables (ii)	28,070	24,926
Benefit management consulting (iii)	12,288	12,016
Other receivables from customers	168	95
Total current	230,874	148,301

i. The aging of premiums recoverable is as follows:

	Consolidated	
	12/31/2016	12/31/2015
Not yet due	137,103	51,159
Past due:		
Up to 30 days	40,180	50,283
31-60 days	12,695	9,481
Over 60 days (*)	370	341
Total	190,348	111,264

(*) Amounts at December 31, 2016 were received in full up to January 16, 2017, and the amounts at December 31, 2015 were received in full up to January 16, 2016.

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

	Consolidated	
	12/31/2016	12/31/2015
Not yet due	21,334	23,419
Past due:		
Up to 30 days	5,647	661
31-60 days	820	733
Over 60 days	269	113
Total	28,070	24,926

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

	Consolidated	
	12/31/2016	12/31/2015
Not yet due	10,601	6,821
Past due:		
Up to 30 days	1,638	2,872
31-60 days	49	533
Over 60 days	-	1,790
Total	12,288	12,016

Change in the provision for impairment of trade receivables

	Consolidated	
	Accumulated at 12/31/2016	Accumulated at 12/31/2015
At the beginning of the period	-	-
Provisions, net (*)	139,614	99,369
Write-offs	(139,614)	(99,369)
At the end of the period	-	-

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

10. Other assets

10.1. Other financial assets

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Current				
Taxes recoverable/to offset (i)	14,069	12,171	102,337	93,317
Accounts receivable – sale of Potencial (ii)	12,380	12,380	12,380	12,380
Amounts to identify from operators/insurers (iii)	-	-	11,531	12,877
Advances from transfer of contracts (iv)	-	-	9,284	2,200
Advances to employees	-	-	2,354	1,782
Advances to suppliers	78	-	2,001	1,355
Advances to brokers (v)	-	-	1,331	5,401
Demapo (Note 21)	-	-	729	4,280
Checks recoverable	-	-	88	138
Other current assets	149	100	8,660	6,150
Total current	26,676	24,651	150,695	139,880
Non-current				
Accounts receivable – sale of Potencial (ii)	30,400	39,203	30,400	39,203
Advances from transfer of contracts	-	-	2,970	3,304
Advances to brokers (v)	-	-	504	1,981
Other non-current assets	-	-	1,340	185
Total non-current	30,400	39,203	35,214	44,673
Total	57,076	63,854	185,909	184,553

i) Taxes recoverable/to offset are as follows:

	Consolidated	
	12/31/2016	12/31/2015
Corporate Income Tax (IRPJ)	56,509	56,103
Social Contribution on Net Income (CSLL)	16,721	12,844
National Institute of Social Security (INSS)	14,580	11,249
Social Contribution on Revenues (COFINS) and Social Integration Program (PIS)(i)	14,359	12,951
Other taxes recoverable	168	170
Total	102,337	93,317

ii) Refers to the balance receivable for the sale of Potencial. On May 8, 2016, an addendum was signed to postpone the payments due in May, June and July 2016 to the end of the contract, with resumption of payments in August 2016 and the end of the contract in June 2020. Up to the completion of these financial statements, the Company had received nine installments.

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

iv) At December 31, 2016, this refers basically to advances to entities and operators, from which the Company has been deducting financial transfers and premiums to be transferred.

v) Agreements were entered into with outsourced brokers for the sale of private healthcare plans, collective membership plans and other healthcare services for individuals related to legal entities. The balance of this asset is R$ 1,835, of which R$ 1,331 is in current and R$ 504 in non-current. Additionally, at September 30, 2016 the Company performed an impairment test for this asset and determined an impairment loss of R$ 3,692.

10.2. Other non-financial assets

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Current				
Prepaid expenses (i)	860	899	7,914	8,473
Advances to executives (ii)	6,900	6,900	6,900	7,042
Sundry materials	-	-	150	461
Total current	7,760	7,799	14,964	15,976
Non-current				
Prepaid expenses (i)	2,773	3,302	3,523	5,351
Advances to executives (ii)	2,875	9,775	2,875	9,779
Total non-current	5,648	13,077	6,398	15,130
Total	13,408	20,876	21,362	31,106

(i) Refers to prepaid expenses that will be amortized as the services are provided. Prepaid expenses consist of advertising services, information technology services, consulting services and insurance.

(ii) Refers to prepaid expenses incurred when an executive is hired; these expenses are amortized within four years, depending on each executive's contract. If an executive leaves the Group before the agreed date, the balance is normally reimbursed by this executive, prorated to the remaining contractual period.

11. Deferred income tax and social contribution

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

	12/31/2016		12/31/2015	
	Parent company	Consolidated	Parent company	Consolidated
Deferred income and social contribution – assets	-	217,146	-	136,769
Deferred income and social contribution – liabilities (*)	(12,876)	(129,590)	(15,672)	(162,591)
Deferred income and social contribution, net	(12,876)	87,556	(15,672)	(25,822)

(*) In the parent company, this balance at December 31, 2016 refers to the sale of Potencial.

The consolidated amounts above are broken down as follows:

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

	12/31/2015						
	Qualicorp S.A.	Qualicorp Consultoria	Qualicorp Corretora	Qualicorp Benefícios	Aliança	CRC	Consolidated
Deferred income tax and social contribution – assets (i)	-	-	44,801	155,271	1,943	-	202,015
Deferred income tax and social contribution – liabilities (ii)	(154,985)	(7,606)	(39,761)	(25,485)	-	-	(227,837)
Deferred income tax and social contribution, net	(154,985)	(7,606)	5,040	129,786	1,943	-	(25,822)

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

Breakdown of income tax and social contribution – assets

	Consolidated	
Item	12/31/2016	12/31/2015
Provision for inflation-indexation and accruals adjustment on the acquisition of Aliança Group	152,281	142,118
Tax benefit on goodwill from corporate restructuring (i)	82,634	14,355
Income tax and social contribution losses (ii) and (iii)	48,532	73,885
Provision for impairment of trade receivables and write-off of uncollectible amounts – short-term amount	24,158	17,155
Provision for profit sharing program	12,437	9,866
Provisions for contingencies – portion related to the companies and/or periods subject to the taxable income system	4,245	10,845
Provision for impairment	4,964	4,964
Other provisions	2,875	2,712
Total tax credits	332,126	275,900
(-) Unrecorded tax credits (iii)	(48,532)	(73,885)
Total recorded tax credits	283,594	202,015

(i) Following the enactment of Law 12,973 (conversion of Provisional Measure 627/13), published on May 14, 2014, the Company reviewed the tax bases of certain intangible assets arising from past business combinations and recognized tax credits in the first half of 2016 (Note 1.b ii).

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

Companies	Base 12/31/2016	IRPJ/CSLL (34%)	Base 12/31/2015	IRPJ/CSLL (34%)
Qualicorp S.A.	78,805	26,794	69,493	23,628
Medlink Conectividade em Saúde Ltda.	-	-	52,328	17,792
Qualicorp Consultoria em Saúde Ltda. (a)	-	-	34,681	11,792
Connectmed-CRC Consultoria, Administração e Tecnologia em Saúde Ltda.	31,960	10,866	31,239	10,621
Qualicorp Administração e Serviços Ltda.	24,324	8,270	19,207	6,530
Clube de Saúde Administradora de Benefícios Ltda.	7,652	2,602	4,450	1,513
Gama Saúde Ltda.	-	-	5,502	1,871
Multicare Saúde Ltda.	-	-	406	138
Total	142,741	48,532	217,306	73,885

(a) At the dates of the respective mergers, unrecorded tax losses were written off as follows:

Merged company	Merging company	Date of merger	Base	IRPJ/CSLL (34%)
Qualicorp Consultoria	Connectmed-CRC	3/31/2016	39,559	13,450
Medlink	Connectmed-CRC	4/30/2016	55,649	18,921
Multicare	Gama	5/31/2016	322	109
Connectmed-CRC	Gama	6/30/2016	48,665	16,546
Total			144,195	49,026

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

Estimate of realization and present value of tax credits

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

(a) Income tax and social contribution

	Consolidated	
Year	12/31/2016	12/31/2015
2016	-	49,153
2017	103,495	8,339
2018	55,970	403
2019	32,761	31,310
2020	30,456	30,456
From 2021 to 2024	60,912	82,354
Total	283,594	202,015

The present value of total tax credits at September 30, 2016 is R$ 250,526, calculated using Brazil's base interest rate (SELIC), based on the estimated period of realization of temporary differences.

Breakdown of deferred income tax and social contribution liabilities:

	Consolidated	
	12/31/2016	12/31/2015
On fair value of acquisition of investments allocated to intangible assets – customer relationships	121,804	157,907
Temporary differences on the portion of goodwill of merged companies amortized during the year, for tax purposes	66,581	58,938
Sale of Potencial	12,876	15,529
Provision for impairment losses on the fair value of acquisition of investments allocated to intangible assets – customer relationships	(5,016)	(5,016)
Other	(207)	479
Total	196,038	227,837

12. Related parties

12.1. Balances and transactions with related parties

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

From April 1, 2016, these activities started to be performed by the direct subsidiary Qualicorp Corretora.

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

	Parent company 12/31/2016		Parent company 12/31/2015	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Current				
Mandatory dividends payable (i)	-	-	-	53,942
Dividends receivable (ii)	27,513	-	40,410	-
Total current	27,513	-	40,410	53,942
Non-current				
Qualicorp Corretora de Seguros S.A. (iii)	15,819	-	308	-
Qualicorp Administração e Serviços Ltda.	-	-	810	-
Qualicorp Administradora de Benefícios S.A.	-	-	945	-
Total non-current	15,819	-	2,063	-
Balance	43,332	-	42,473	53,942

	Consolidated 12/31/2016			Consolidated 12/31/2015		
	Accounts receivable	Accounts payable	Expenses	Accounts receivable	Accounts payable	Expenses
Current						
Seripatri Participações Ltda. (iv)	-	-	(1,550)	-	-	(2,958)
Associação Nacional das Administradoras de Benefícios – ANAB (v)	-	-	(2,792)	-	-	(2,997)
Mandatory dividends payable (i)	-	1,583	-	-	53,954	
Total current	-	1,583	(4,342)	-	53,954	(5,955)
Non-current						
Reimbursement of provision for contingencies (vi)	2,469	-	-	3,833	-	-
Total non-current	2,469	-	-	3,833	-	-
Balance	2,469	1,583	(4,342)	3,833	53,954	(5,955)

i) Refers to the mandatory dividends payable of R$ 1,583 to the non-controlling stockholder relating to fiscal year 2016, which will be paid by December 31, 2017 (R$53,942 in 2015 in the parent company, which was paid in May 2016).

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

iii) At December 31, 2016, this refers mainly to the balance receivable from the capital reduction in the subsidiary Qualicorp Corretora in the amount of R$ 15,270 (Note 13).

iv) On January 1, 2010, the Company entered into a cost sharing and reimbursement agreement for the use of aircraft owned by Seripatri Participações Ltda. ("Seripatri") to support, when necessary, its officers, whereby Seripatri is responsible for the payment of all costs and expenses related to such assets. Total expenses incurred in the period were R$ 1,550 (R$ 2,958 in 2015).

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

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

Total expenses incurred in the twelve-month period were R$ 2,792 (R$ 2,997 in 2015).

vi) The indirect subsidiaries Aliança and GA Corretora are entitled to a reimbursement related to provisions for contingencies from their former controlling stockholder, which is payable, irrespective of willful misconduct or fault, for a five-year term from January 1 of the year subsequent to the closing date of the transaction. At December 31, 2016, the amount to be settled is R$ 2,469.

12.2. Key Management compensation

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

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

	2016			
	Parent company		Consolidated	
	Accounts payable	Expenses	Accounts payable	Expenses
Short-term compensation to Management (*)	6,468	17,755	16,317	61,412
Share-based compensation	-	-	-	20,507
At December 31, 2016	6,468	17,755	16,317	81,919

	2015			
	Parent company		Consolidated	
	Accounts payable	Expenses	Accounts payable	Expenses
Short-term compensation to Management (*)	4,518	18,264	15,143	49,738
Share-based compensation	-	-	-	25,749
At December 31, 2015	4,518	18,264	15,143	75,487

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

13. Investments

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Investments in subsidiaries:				
Qualicorp Administradora de Benefícios S.A.	976,831	1,017,453	-	-
Qualicorp Administração e Serviços Ltda.	51,576	47,619	-	-
Qualicorp Consultoria em Saúde Ltda.	-	54,009	-	-
Qualicorp Corretora de Seguros S.A.	626,739	907,486	-	-
Medlink Conectividade em Saúde Ltda.	-	18,623	-	-
Gama Saúde e Connectmed CRC	329,538	228,699	-	-
Total investments in subsidiaries	1,984,684	2,273,889	-	-
Other investments	-	-	262	262
Total other investments	-	-	262	262
Total investments	1,984,684	2,273,889	262	262

	Qualicorp Administradora de Benefícios S.A.	Qualicorp Administração e Serviços Ltda.	Qualicorp Consultoria em Saúde Ltda.	Qualicorp Corretora de Seguros S.A.	Medlink Conectividade em Saúde Ltda.	Gama Saúde and Connectmed - CRC	Total
Information on the investees at December 31, 2016							
Capital (i) and (iii)	276,365	26,663	-	7,736	-	192,987	
Equity (i), (ii)	439,853	25,762	-	114,607	-	153,445	
Profit (loss) for the year	332,392	5,164	(1,672)	197,340	(2,721)	(18,132)	512,371
Information on investments:							
Number of shares/quotas (v)	496,715,989	26,662,567	-	287,468,603	-	19,298,692,912	-
Equity interest - %	100	99,99	-	100	-	99,99	-
Changes in investments:							
Total investment at December 31, 2015	1,017,453	47,619	54,009	907,486	18,623	228,699	2,273,889
Capital increase in subsidiaries (i)	-	-	990	-	3,205	55,155	59,350
Capital reserve – share option plan	10,077	-	-	12,316	-	-	22,393
Recognition of interest on capital	(21,452)	-	-	(10,916)	-	-	(32,368)
Profit distribution	-	-	-	(150,284)	-	-	(150,284)
Capital reduction to stockholders (Note 1.b-xi)	-	-	-	(100,000)	-	-	(100,000)
Prepaid dividends	(336,403)	-	-	(205,085)	-	-	(541,488)
Transfer of customer relationships due to merger, net of tax credit	-	-	(5,515)	-	-	5,515	-
Transfer of goodwill due to merger	-	-	(29,386)	-	(12,966)	42,352	-
Capital increase with net assets merged (Note 1 b)	-	-	(18,077)	-	(6,102)	24,179	-
Other amounts	-	-	(37)	-	(39)	76	-
Equity in results of investees	307,156	3,957	(1,984)	173,222	(2,721)	(26,438)	453,192
Equity in results of investees from investments in subsidiaries	332,392	5,164	(1,672)	197,340	(2,721)	(18,132)	512,371
Amortization of intangible assets (iv)	(38,237)	(1,829)	(473)	(36,542)	-	(12,585)	(89,666)
Deferred income tax and social contribution on amortization of intangible assets	13,001	622	161	12,424	-	4,279	30,487
Total investment at December 31, 2016	976,831	51,576	-	626,739	-	329,538	1,984,684

i) Includes advances for future capital increase of R$ 3,205 referring to Medlink Conectividade em Saúde Ltda., R$ 990 referring to Qualicorp Consultoria em Saúde Ltda., R$ 55,155 referring to Connectmed-CRC in 2016.
ii) The equity of the subsidiaries Qualicorp Benefícios and Qualicorp Corretora, presented herein, considers the effects of the consolidation of their investments in subsidiaries. For Gama Saúde and Connectmed-CRC, the equity amounts are R$ 95,027 and R$ 58,418, respectively.
iii) For Gama Saúde and Connectmed-CRC, the share capital amounts are R$ 68,873 and R$ 124,114, respectively.
iv) Refers to the amortization of intangible assets related to customer relationships, trademarks, non-compete agreements and software for the period.
v) For Gama Saúde and Connectmed-CRC, they refer to 6,887,297,424 and 12,411,395,488 quotas, respectively.

14. Property and equipment

Consolidated	Annual depreciation rate - %	12/31/2016 Adjusted cost	12/31/2016 Accumulated depreciation	12/31/2016 Total	12/31/2015 Adjusted cost	12/31/2015 Accumulated depreciation	12/31/2015 Total
Leasehold improvements (*)	(*)	68,142	(16,012)	52,130	59,034	(9,661)	49,373
Data processing equipment	20	26,093	(18,629)	7,464	21,077	(13,941)	7,136
Furniture and fittings	10	12,508	(3,585)	8,923	11,601	(2,333)	9,268
Machinery and equipment	10	3,297	(1,293)	2,004	3,215	(2,080)	1,135
Facilities	10	2,763	(1,380)	1,383	2,760	(1,135)	1,625
Telephone and communications equipment	20	1,647	(979)	668	1,812	(687)	1,125
Vehicles	20	927	(525)	402	1,017	(625)	392
Sound and image equipment	10	399	(201)	198	394	(179)	215
Security equipment	10	4	(4)	-	5	(3)	2
Total		115,780	(42,608)	73,172	100,915	(30,644)	70,271

(*) Leasehold improvements are amortized over the period of the lease. The average amortization rate at December 31, 2016 was 36.44% (41.14% in 2015).

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

Changes in property and equipment are as follows:

	Consolidated
At December 31, 2015	70,271
Additions:	
Leasehold improvements	9,109
Data processing equipment	3,562
Machinery and equipment	1,250
Furniture and fittings	899
Vehicles	190
Telephone and communications equipment	129
Sound and image equipment	59
Facilities	3
Total additions	15,201
Depreciation	(12,026)
Write-offs, net	(274)
At December 31, 2016	73,172

15. Intangible assets

Consolidated	Annual amortization rate - %	12/31/2016 Cost	12/31/2016 Accumulated amortization	12/31/2016 Total	12/31/2015 Cost	12/31/2015 Accumulated amortization	12/31/2015 Total
Goodwill arising from acquisition of investments based on expected future profitability:							
Qualicorp Administradora de Benefícios S.A. (i)	-	446,895	-	446,895	446,895	-	446,895
Qualicorp Corretora de Seguros S.A. (i)	-	427,098	-	427,098	427,098	-	427,098
Aliança Administradora de Benefícios de Saúde S.A. (ii)	-	249,420	-	249,420	249,420	-	249,420
Padrão Group – merged into subsidiary	-	184,675	-	184,675	184,675	-	184,675
Connectmed-CRC and Gama Saúde (ii)	-	107,881	-	107,881	107,881	-	107,881
Salutar Consultoria e Corretora de Seguros Ltda. merged	-	52,004	-	52,004	52,004	-	52,004
GA Consultoria, Administração e Serviços S.A. (ii)	-	44,075	-	44,075	44,075	-	44,075
Qualicorp Consultoria em Saúde Ltda.(i) – merged into subsidiary	-	29,386	-	29,386	29,386	-	29,386
Athon, Brüder SP and Brüder RJ - merged into subsidiary	-	27,251	-	27,251	27,251	-	27,251
Qualicorp Administração e Serviços Ltda. (i)	-	21,388	-	21,388	21,388	-	21,388
PraxiSolutions Consultoria de Negócios e Corretora de Seguros Ltda. - merged into subsidiary	-	21,184	-	21,184	21,184	-	21,184
Medlink Conectividade em Saúde Ltda.	-	12,966	-	12,966	12,966	-	12,966
Total goodwill		1,624,223	-	1,624,223	1,624,223	-	1,624,223
Acquisition of assignment of rights -Affinity segment (iv)	20	332,233	(268,563)	63,670	316,188	(230,623)	85,565
Software in use (v)	20	246,900	(126,045)	120,855	220,237	(91,072)	129,165
Exclusive rights (vii)	10 to 25	217,019	(116,444)	100,575	176,993	(95,108)	81,885
Software under development (vi)	-	109,512	-	109,512	82,018	-	82,018
Trademarks and patents	-	12	-	12	7	-	7
Fair value of intangible assets - customer relationships paid on acquisition of investments merged:							
Qualicorp Administradora de Benefícios S.A. (i)	10	382,374	(242,170)	140,204	382,374	(203,933)	178,441
Qualicorp Corretora de Seguros S.A. (i)	10	365,418	(231,431)	133,987	365,418	(194,889)	170,529
Salutar	10	53,316	(37,321)	15,995	53,316	(31,990)	21,326
Aliança Administradora de Benefícios de Saúde S.A. (ii)	20	33,598	(29,678)	3,920	33,598	(22,959)	10,639
Qualicorp Consultoria em Saúde Ltda. (i)	10	18,919	(11,982)	6,937	18,919	(10,090)	8,829
Qualicorp Administração e Serviços Ltda. (i)	10	18,291	(11,584)	6,707	18,291	(9,755)	8,536
Padrão Group	20	13,393	(12,054)	1,339	13,393	(9,375)	4,018
Connectmed-CRC (iii)		10,134	(4,898)	5,236	10,134	(2,871)	7,263
Athon, Bruder SP and Bruder RJ	10	7,775	(6,307)	1,468	7,775	(5,700)	2,075
GA Consultoria, Administração e Serviços S.A. (ii)	20	5,929	(5,237)	692	5,929	(4,052)	1,877
Fair value of other intangible assets Connectmed-CRC:							
Non-competition agreement (iii)		39,428	(19,057)	20,371	39,428	(11,171)	28,257
Software (iii)		7,758	(1,875)	5,883	7,758	(1,099)	6,659
Trademark (iii)		1,911	(1,155)	756	1,911	(677)	1,234
Total other intangible assets		1,863,920	(1,125,801)	738,119	1,753,687	(925,364)	828,323
Total		3,488,143	(1,125,801)	2,362,342	3,377,910	(925,364)	2,452,546

i) Amounts relating to corporate restructuring on March 31, 2011.

ii) Amounts relating to the acquisition of Aliança and GA on August 8, 2012.

iii) Amounts relating to the acquisition of CRC and Gama on August 13, 2014.

iv) Assignment of Rights and Obligations Agreements signed in 2016:

Assignment of rights and obligations - ASBEN / Health Club

At December 30, 2016, an agreement for assignment of rights and obligations was signed by the subsidiaries Qualicorp Benefícios and Qualicorp Corretora with Health Club Administradora de Benefícios and ASBEN Corretora de Seguros.

The agreement signed by the parties amounts to R$ 16,200, and 90% of the total value of payments was paid by Qualicorp Benefícios and 10% by Qualicorp Corretora, for a healthcare plan for 26,742 lives with monthly billing of R$ 1,453.

The amount of the agreement will be amortized over a period of five years.

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

vi) Represents mainly costs related to the development of a new operating system acquired from third parties. In 2016, with the completion and start of use of several modules, the amount of R$ 25,320 (R$ 51,489 in 2015) was transferred to "software in use". In 2017, up to the date of approval of these financial statements, R$ 69,308 was put into use and began to be amortized.

vii) Exclusivity rights and commercial reciprocity agreements made in 2016:

Associação Paulista de Medicina

On January 15, 2016, the agreement between the subsidiary Qualicorp Benefícios and Associação Paulista de Medicina was renewed, extending the exclusivity in the rendering of services of assignor or contracting party in health and dental care agreements with the participation of any healthcare plan operator.

The agreement entered into by the parties amounts to R$ 4,500 and the payments are made bimonthly, in the amount of R$ 187. The value of the agreement is being amortized over the period of four years, which coincides with the duration of the agreement.

Unimed Fortaleza

On June 6, 2016, an agreement was signed between the subsidiary GA Corretora de Seguros and Unimed Fortaleza granting GA Corretora exclusivity in the sale of collective healthcare corporate plans and collective membership contracts. The agreement signed by the parties amounts to R$ 526 and the value of the agreement is being amortized over the period of two years, which coincides with the duration of the agreement.

Reciprocity - Unimed FESP

On December 16, 2016, a commercial reciprocity agreement was signed between the subsidiary Qualicorp Corretora de Seguros S.A and Unimed do Estado de São Paulo – Federação Estadual das Cooperativas Médicas, to give the subsidiary exclusivity for sales of its products. The agreement signed by the parties amounts to R$ 35,000 and the value of the agreement is being amortized over the period of five years, which coincides with the duration of the agreement.

Changes in intangible assets are as follows:

	Consolidated
At December 31, 2015	2,452,546
Additions:	
Software under development	52,943
Exclusivity rights	40,026
Acquisition of assignment of rights	16,200
Software	5,552
Trademarks and patents	5
Total additions	114,726
Amortization	(204,233)
Write-off due to impairment (i)	(697)
At December 31, 2016	2,362,342

(i) During 2016, the Company detected the need for assessing the recoverability of software under development, software in use and acquisition of assignment of right Newport. The impairment testing for these assets revealed the need to recognize an impairment loss of R$ 697, of which R$ 560 relates to software in use, R$ 130 to software under development, and R$ 7 to Newport. For the other intangible assets having a finite or indefinite useful life, the Company performed an impairment testing and did not detect any need to record an impairment loss.

16. Debentures

Quantity/Type

Issuer	Debentures	Quantity	Unit face value	Effective term	Interest rate
Qualicorp Administradora de Benefícios S.A.	1st issue	56	1,000	10/25/2010 to 8/25/2018	100% of the CDI + spread of 1.60% p.a.
Qualicorp Administradora de Benefícios S.A.	2nd issue	165	1,000	10/25/2010 to 8/25/2018	100% of the CDI + spread of 1.60% p.a.
Qualicorp Corretora de Seguros S.A.	1st issue	36	1,000	10/25/2010 to 8/25/2018	100% of the CDI + spread of 1.60% p.a.
Qualicorp Corretora de Seguros S.A.	2nd issue	143	1,000	10/25/2010 to 8/25/2018	100% of the CDI + spread of 1.60% p.a.
Qualicorp Corretora de Seguros S.A.	3rd issue	31,100	10	12/15/2015 to 1/16/2017	100% of the CDI + spread of 1.35% p.a.
Qualicorp Administradora de Benefícios S.A. (i)	3rd issue	35,000	10,000	11/4/2016 to 11/4/2019	100% of the CDI + spread of 1.30% p.a.
Qualicorp Corretora de Seguros S.A. (i)	4th issue	26,100	10,000	11/4/2016 to 11/4/2019	100% of CDI + spread of 1.30% p.a.

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

The placements have the following characteristics:

The debenture indenture was entered into on October 19, 2016, and the settlement occurred on November 7, 2016. The unit face value of the debentures was R$ 10, with the issue of 26,100 debentures for Qualicorp Corretora, amounting to R$ 261,000, and 35,000 debentures for Qualicorp Benefícios, amounting to R$ 350,000, with a total debt of R$ 611,000.

Duration and maturity: 36 months, falling due on November 7, 2019.

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

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

Guarantees:

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

Optional early redemption:

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

Accelerated maturity:

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

At December 31, 2016, the Company is compliant with the required limits.

Schedule of maturities and breakdown of the debt

	Parent company		Consolidated		
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	Maturity
Interest payable	-	12,205	13,548	25,880	
Interest received from debentures (i)	-	-	-	(1,999)	
Cost of financial intermediation on issue/placement to defer on the maturity date	-	(390)	(2,403)	(988)	
Current	-	11,815	11,145	22,893	
Cost of financial intermediation on issue/placement to defer on the maturity date	-	(33)	(4,640)	(1,028)	
Debentures – single payment (i) and (ii)	-	300,000	-	611,000	January 16, 2017
Proceeds receivable (i)	-	-	-	(311,000)	January 19, 2016
Debentures – 4th installment (ii)	-	-	-	100,000	August 25, 2017
Debentures – 5th installment (ii)	-	-	-	120,000	August 25, 2018
Debentures – single payment (ii)	-	-	611,000	-	November 4, 2019
Non-current	-	299,967	606,360	518,972	
Total	-	311,782	617,505	541,865	

(i) At the Company´s option, the 1st issue of debentures was early redeemed, amounting to R$ 314,378, thus extinguishing the obligation on that date. The proceeds from the 3rd issue of debentures of Qualicorp Corretora were used for this early redemption.

(ii) At the Management's option, the debentures of the 1st and 2nd issue of subsidiaries Qualicorp Administradora de Benefícios S.A. and of the 3rd issue of Qualicorp Corretora were early redeemed on November 7, 2016, amounting to R$ 542,968, thus extinguishing

the obligation on that date. The proceeds from the 3rd issue of debentures of Qualicorp Administradora de Benefícios S.A. and from the 4th issue of debentures of Qualicorp Corretora were used for this early redemption.

Changes in debentures

	Parent company	Consolidated
At the beginning of the period	311,782	541,865
Issue of new debentures	-	922,000
Early redemption	(300,000)	(831,000)
Cost of funding	-	(8,553)
Allocation of expenses (cost of funding)	423	3,526
Payment of interest	(12,205)	(96,113)
Allocation of interest (Note 28)	-	83,781
Interest received from debentures	-	1,999
At the end of the period	-	617,505

17. Taxes and contributions payable

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Social Contribution on Revenues (COFINS)	2,463	4,461	12,244	11,367
Withholding Income Tax (IRRF)	1,299	265	9,045	5,190
National Institute of Social Security (INSS)	137	90	4,109	4,715
Corporate Income Tax (IRPJ)		-	4,043	881
Service Tax (ISS)	-	-	3,276	5,705
Social Integration Program (PIS)	541	997	2,988	2,987
Social Contribution on Net Income (CSLL)	-	-	2,651	540
Government Severance Indemnity Fund for Employees (FGTS)	22	29	1,384	1,310
Federal and municipal taxes payable in installments (*)	-	-	966	1,352
Mandatory and voluntary union dues	-	-	10	13
Total	4,462	5,842	40,716	34,060
Non-current:				
Federal and municipal taxes payable in installments	-	-	6,601	6,998
Total	4,462	5,842	47,317	41,058

(*) The Company applied to the government for a tax amnesty and installment payment plan for federal taxes (PIS, COFINS, IRRF, INSS, IRPJ and CSLL) for the subsidiary Medlink (merged into Connectmed-CRC as stated in Note 1), which refinanced all federal tax debts owed on November 30, 2008. The confirmation of acceptance of the Company's application was issued by the government on November 16, 2009. The Company also applied for a tax installment payment plan for ISS with the São Paulo and Rio de Janeiro municipal authorities, which refinanced these municipal tax debts, as approved in November 2010 and May 2011, for 60 months, to be adjusted monthly based on the Amplified Consumer Price Index (IPCA). The subsidiary Connectmed-CRC applied for a tax installment payment plan for federal taxes (PIS/PASEP, COFINS, IRPJ and CSLL), and refinanced all federal tax debts owed for the period from 2006 to October 2008. They were properly consolidated by the Brazilian Federal Revenue Service (RFB) in July 2011.

18. Premiums to be transferred

	Consolidated	
	12/31/2016	12/31/2015
Premiums to be transferred – with risk of default (i)	132,310	110,015
Total	132,310	110,015

i) Refers to healthcare insurance invoices to be paid to the insurance/healthcare companies on the maturity date of the invoices, regardless of whether the beneficiaries have paid their invoices. The payments were made up to January 31, 2017 for amounts at December 31, 2016 and up to January 31, 2016 for amounts at December 31, 2015.

19. Payroll and related charges

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Provision for profit sharing program (i)	6,191	4,626	44,327	37,890
Provision for vacation pay and related charges	245	676	12,549	19,145
Salaries payable	32	105	5,857	5,156
Other	-	-	308	437
Total	6,468	5,407	63,041	62,628

(i) Refers to a provision for the payment of a share of the Company's profits based on the Company's policies. The balance relating to 2015 was paid by April 30, 2016. The amount for fiscal year 2016 will be paid by April 15, 2017.

20. Transferable prepayments

	Consolidated	
	12/31/2016	12/31/2015
Insurance premiums and collection processing agreements (i)	51,653	67,838
Prepaid management service fees (ii)	2,382	4,012
Prepaid financial transfers (iii)	736	1,024
Total	54,771	72,874

i) Refers to prepayments related to collections from the beneficiaries of healthcare plans and insurance contracts. The amounts collected are transferred to healthcare operators and insurers upon maturity of the related invoices. The amounts were basically transferred to the healthcare operators and insurers by January 31, 2017 for amounts due at December 31, 2016 and by January 31, 2016 for amounts at December 31, 2015.

ii) Refers to management service fees received in advance from beneficiaries and recognized as revenue in the month to which the fees relate.

iii) Refers to financial transfers due to trade associations. The amounts received in advance are transferred on maturity as established by the agreements, when applicable. The amounts were substantially transferred to the trade associations through January 31, 2017 for amounts at December 31, 2016 and through January 31, 2016 for the amounts at December 31, 2015.

21. Other payables

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015 (Restated)
Current:				
Healthcare services payable (i) – Note 2.3 a	-	-	81,337	20,040
Purchases of intangible assets payable	-	-	24,432	16,235
Amounts to identify – operators/insurers (ii)	-	-	14,135	21,508
Non-competition agreement payable (iii)	7,218	5,969	7,218	5,969
Advances from customers	-	-	6,892	1,770
Commissions payable (iv)	-	-	5,378	5,681
Rental payable	78	1,364	4,257	1,554
Sundry suppliers	-	36	3,841	5,375
Demapo (v)	-	-	717	3,766
Other	21	1,357	13,162	14,428
Total current	7,317	8,726	161,369	96,326
Non-current:				
Non-competition agreement payable (iii)	3,965	9,775	3,965	9,775
Purchases of intangible assets payable	-	-	3,375	-
Total non-current	3,965	9,775	7,340	9,775
Total	11,282	18,501	168,709	106,101

i) Refers basically to amounts payable to service providers from the credentialed network of direct subsidiary Gama Saúde for the provision of medical and hospital services for other operators/self-managed entities ("network rental"). The increase compared to 2015 is mainly due to the inclusion of new lives of customers of Gama, in the amount of R$ 61,297.

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

iii) For the balances at December 31, 2016, R$ 7,218 in current liabilities and R$ 3,965 in non-current liabilities refer to the acquisition of Gama Saúde and Connectmed-CRC. The following table shows the breakdown of the balance:

Opening balance – non-competition agreement payable (*)	32,645
Non-competition agreement paid – 1st installment paid in 2014	(6,529)
Non-competition agreement paid – 2nd installment paid in 2015	(6,529)
Non-competition agreement paid – 3rd installment paid in 2016	(6,529)
Residual balance payable	13,058
(-) Non-competition agreement – present value adjustment	(1,875)
Liability balance at December 31, 2016	11,183

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

iv) At December 31, 2016 and 2015, this refers mainly to the balance payable to outside brokers for sales made and already received from beneficiaries.

v) Refers to the balances of the subsidiary Gama Saúde relating to dismissed and retired employees of this subsidiary's customers, who opted for the continuity of the healthcare plan, assuming the payment of the monthly fee. ANS Normative Resolution 279 guarantees dismissed and retired employees the right to continuation of the corporate healthcare plan, with the same coverage they enjoyed during the employment contract.

22. Provisions for contingencies

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

	Consolidated	
	12/31/2016	12/31/2015
Civil (i)	18,957	15,547
Regulatory / ANS (ii)	10,071	10,771
Labor and social security (iii)	8,262	12,385
Tax (iv)	3,180	23,233
Provision for claims - Gama GSP (v)	3,000	-
Total	43,470	61,936

Description of the main lawsuits and/or contingencies:

i) The Company and its subsidiaries are defendants in ongoing civil lawsuits, where R$ 18,957 (R$ 15,547 in 2015) is assessed as probable losses, for which a provision for contingencies was recognized, and R$ 102,790 (R$ 57,293 in 2015) is assessed as possible losses, for which no provisions were recognized. The main lawsuits address the following matters: (i) coverage requirements for medical procedures not included in the collective healthcare membership contract or in the list of procedures of the ANS, responsibility for which is solely and exclusively incumbent upon healthcare plan operators, pursuant to the prevailing legislation; (ii) questioning the application of an increase in the healthcare plan's price as a result of the individual's age and also annual price adjustment; (iii) requests for the reactivation of healthcare plans canceled due to the non-payment of monthly fees are being discussed at the administrative and/or judicial levels; and (iv) annual adjustment; and (v) questioning by beneficiaries of the collection of past-due and unpaid monthly fees that had been protested for non-payment by the credit protection agency.

ii) The Company and its subsidiaries are defendants in ongoing regulatory proceedings with the National Regulatory Agency for Private Health Insurance and Plans (ANS), in which the amount of R$ 10,071 (R$ 10,771 in 2015) is assessed as probable loss, for which a provision for contingencies was recognized, and R$ 31,727 (R$ 66,217 in 2015) is assessed as possible loss, for which no provision was recognized.

iii) The Company and its subsidiaries are defendants in labor and social security proceedings under discussion at the administrative and/or judicial levels, involving mainly: (i) the payment of the variations in the percentage of commissions paid to internal consultants; and (ii) the additional payment for the double role exercised by call center operators who provided services to the Company and its subsidiaries and who were dismissed when these services were outsourced. The provisions for contingencies recorded for probable losses arising from said labor lawsuits totaled R$ 5,494 (R$ 6,061 in 2015).

Provisions were also recognized to cover contingences arising from the procedures adopted by the Company, for which there are no lawsuits or other proceedings filed, totaling R$ 2,767 (R$ 6,324 in 2015).

For contingencies involving risks of loss classified as possible, totaling R$ 46,155 (R$ 37,778 in 2015), no provision was recognized.

iv) Refers mainly to provisions recognized for tax matters that may be taken to a law court, for which there are no lawsuits or other actions filed, totaling R$ 3,180 (R$ 23,233 in 2015).

For contingencies involving risks of loss classified as possible, amounting to R$ 221,811 (of which R$ 186,956 refers to an infraction notice for the utilization of tax credit arising goodwill relating to 2011), no provisions for possible losses have been recognized (R$ 28,309 in 2015).

Additionally, on February 3, 2017, the Company received a tax delinquency notice for social security contribution and withholding income tax on share option plan relating to 2013 in the amount of R$ 22,197, which is assessed as possible loss by the external legal advisors.

v) As from April 1, 2016, the subsidiary Gama established a new healthcare plan called Gama Saúde GSP, in which part of Qualicorp Group employees are participating and are therefore the exclusive beneficiaries of this new plan. Based on the historical claims ratio of the prior plan and on actuarial data, a provision has been recognized for this plan to cover future claims costs of such employees. This provision will be reversed as the actual claims costs of this plan are determined. The effective expense is recorded in the benefits account, in personnel costs.

The table below presents the changes in such provisions:

	12/31/2015	Additions	Reversals	Payments	Changes in reimbursable contingencies	12/31/2016
Civil (i)	15,547	9,830	(6,830)	-	410	18,957
Regulatory	10,771	6,673	(7,616)	-	243	10,071
Labor and social security	12,385	3,259	(5,719)	-	(1,663)	8,262
Tax (ii)	23,233	861	(6,201)	(14,380)	(333)	3,180
Provision for claims - Gama GSP	-	3,000	-	-	-	3,000
Total	61,936	23,623	(26,366)	(14,380)	(1,343)	43,470

(i) Additions refer basically to changes in the likelihood of loss on lawsuits from possible to probable due to changes in estimates and the increase in administrative contingencies.

(ii) On March 4, 2016, Qualicorp Corretora withdrew its lawsuit that discussed the increase in COFINS for the entities similar to financial entities (change from 3% to 4%), settling payment for the period from November 2013 to February 2016 at March 28, 2016. Therefore, this contingency was reversed.

23. Equity

Share capital

At December 31, 2016, capital was R$ 1,673,176 (R$ 1,605,453 at December 31, 2015), represented by 278,794,088 (274,325,088 at December 31, 2015) registered common shares with no par value.

At a meeting held on July 20, 2016, the Board of Directors approved an increase in the Company's share capital of R$ 27,517 with the issue of 1,920,000 new common shares pursuant to the terms of article 5 of the Company's bylaws upon the exercise of share options granted under the Share Option Plan. This amount was fully paid up by August 20, 2016.

At a meeting held on August 29, 2016, the Board of Directors approved an increase in the Company's share capital of R$ 40,206 with the issue of 2,549,000 new common shares pursuant to the terms of article 5 of the Company's bylaws upon the exercise of share options granted under the Share Option Plan. This amount was fully paid up by September 29, 2016.

Therefore, the share capital increase in 2016 totaled R$ 67,723 and 4,469,000 shares.

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

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

	Common shares	
Stockholders	12/31/2016	12/31/2015
José Seripieri Filho	-	403,401
L2 Participações Fundo de Investimento	53,272,286	55,563,286
Market (i)	222,260,103	216,042,748
Treasury shares (ii)	3,261,463	2,315,263
Other stockholders	236	390
Total	278,794,088	274,325,088

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

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

The balance of the Company's treasury shares is as follows:

	Treasury shares	
	Quantity	Amount
At December 31, 2015	2,315,263	47,221
Purchase of shares in the period	946,200	12,182
At December 31, 2016	3,261,463	59,403

Share price				
Minimum	Maximum	Weighted average	Last quotation (12/29/2016)	Market value at 12/29/2016
18.51	19.25	18.21	19.25	62,783

Distribution of dividends to stockholders

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

At the Annual General Meeting held on April 30, 2016, the stockholders approved the distribution of total profits, comprising R$ 53,942 of mandatory minimum dividends after the transfer to the legal reserve, and R$ 161,827 of proposed additional dividend, totaling R$ 215,769 of total profits for 2015, which were paid on May 24, 2016.

At a meeting held on November 7, 2016, the Board of Directors approved the proposal for distribution of interim dividends by the Company in the amount of R$ 247,174. This amount refers to total profit determined as of June 30, 2016 less 5% of legal reserve. The interim dividends were paid on November 25, 2016 to stockholders on record as of November 11, 2016.

On March 20, 2017, the Company's Management proposed a profit distribution after transfer to the legal reserve and mandatory minimum dividends, in the amount of R$ 137,317 out of the profit for FY 2016, to be submitted for approval to the Stockholders' General Meeting to be held by April 28, 2017. This amount was recorded as "Proposed additional dividend", according to CVM Resolution 601/09.

Legal reserve, distribution of dividends and other revenue reserves

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

The indirect subsidiaries Aliança and GA Corretora distributed dividends of R$ 15,617 to their non-controlling stockholders and of R$ 46,856 to controlling stockholders (Qualicorp Benefícios and Qualicorp Corretora, respectively), both direct subsidiaries of the Company. The dividends were distributed to stockholders according to the proportion of shares that they own, i.e. 25% to minority stockholders and 75% to majority stockholders.

The Company files quarterly financial information according to applicable corporate regulation and CVM normative instructions, and also may, by resolution of the Board of Directors, prepare interim financial statements for six-months, three-months or smaller periods, and declare dividends, including interim dividends, and pay interest on capital in the "Profit" or "Revenue reserve" account based in those financial statements.

Capital reserve

The Company issued on August 13, 2015 a subscription warrant, totaling 2,994,367 common shares in the amount of R$ 79,920, to Tempo Participações S.A., related to the acquisition of Connectmed-CRC and Gama Saúde. On September 8, 2015, this subscription warrant was extinguished and the Company paid the amount of R$ 47,500 instead of delivering common shares. This amount was recorded against capital reserve as "Subscription warrant – CRC-Gama", and the difference of R$ 32,420 between the issue and cancellation was included in the balance of the capital reserve.

24. Share option plan

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

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

At December 31, 2016, expenses associated with the granting of share options by the Company and/or its subsidiaries were recognized in the amount of R$ 22,393 (R$ 27,733 in 2015). In 2015, the estimated calculation included the history and planning of the distribution of dividends of the Company.

Up to December 31, 2016, the change in the share options granted during the year is as follows:

At December 31, 2016, the weighted average contractual vesting period is 464 days.

Grant date	Weighted average exercise price	Estimated weighted average volatility of share price	Expected dividend yield	Fair value at grant date	Risk-free rate of return	Abandonment rate	Expiry date	Quantity of options	Exercised	Canceled	Balance
3/3/2011	7.21	42.91%	0.03%	4.12	11.89%	0%	3/3/2016	3,814,707	(3,028,993)	(785,714)	-
5/31/2011	9.52	43.67%	0.03%	3.84	11.67%	0%	5/31/2016	33,475	-	(33,475)	-
4/30/2012	16.58	39.54%	0.00%	4.91	3.07%	5%	4/30/2017	1,352,663	(1,033,474)	(319,189)	-
10/22/2012	19.2	37.67%	0.00%	4.37	2.34%	35.67%	10/22/2017	142,857	(142,857)	-	-
10/30/2012	2.8	37.55%	0.00%	16.87	3.12%	0%	10/22/2017	1,172,543	(1,172,543)	-	-
11/16/2012	21.3	36.99%	0.00%	4.4	2.34%	35.67%	11/16/2017	350,000	(87,500)	(262,500)	-
10/31/2013	16.79	33.71%	2.37%	8.63	4.51%	23.70%	10/31/2017	10,333,000	(5,429,000)	(2,975,000)	1,929,000
2/18/2014	16.79	32.81%	0.00%	7.65	5.27%	23.70%	2/18/2017	200,000	(50,000)	(150,000)	-
3/7/2014	18.41	32.64%	2.37%	7.83	5.19%	23.70%	3/31/2018	1,650,000	(662,500)	(987,500)	-
6/13/2014	20	33.00%	2.37%	9.72	5.17%	23.70%	6/13/2018	6,680,000	(1,170,000)	-	5,510,000
8/12/2014	26.39	32.70%	2.37%	8.8	5.07%	23.70%	8/12/2018	650,000	-	(300,000)	350,000
11/4/2014	25.8	32. 01%	2.37%	8.23	5.45%	23.70%	11/4/2018	4,000,000	-	(1,000,000)	3,000,000
12/16/2015	15.95	33.32%	2.37%	3.55	7.05%	23.70%	12/16/2019	750,000	(57,500)	(100,000)	592,500
7/8/2016	16.18	43.98%	2.37%	19.35	5.85%	23.70%	4/30/2017	3,170,000	-	-	3,170,000
Total	13.66							34,299,245	(12,834,367)	(6,913,378)	14,551,500

25. *Cost of services*

	Consolidated	
	Accumulated 12/31/2016	Accumulated 12/31/2015
Financial transfers from membership contracts (i)	186,882	158,736
Personnel costs and Management compensation (ii)	166,931	152,493
Outsourced services (iii)	96,078	84,117
Office expenses	13,245	16,973
Other costs of services (iv)	39,506	43,482
Total	502,642	455,801

i) Refers to financial transfer costs incurred on the special agreements entered into with professional organizations for the stipulation and sale of collective membership plans. The increase in such costs compared to the same period of 2015 was mainly due to the annual adjustment to the collective membership plans in the month of July and subsequent adjustments to the financial transfers.

ii) The increase in this cost compared to the same period in 2015 was primarily due to the increase in CRC Gama expenditure due to new hires to implement and expand new customers in this segment. As a result, there was an increase in revenue of CRC Gama.

iii) The increase in this cost compared to the same period in 2015 was mainly due to an increase in expenditure related to IT and technology to support new systems, mainly in the Affinity segment, increase in expenses of the call center dedicated to retaining customers, and the adjustment of the back-office costs of the indirect subsidiary Clube de Saúde due to its portfolio growth.

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

26. Administrative expenses

	Parent company		Consolidated	
	Accumulated 12/31/2016	Accumulated 12/31/2015	Accumulated 12/31/2016	Accumulated 12/31/2015
Depreciation and amortization	-	-	216,259	221,852
Personnel costs and Management compensation (i)	19,802	18,491	131,334	121,617
Outsourced services (ii)	1,265	6,547	80,562	70,090
Office expenses	2,332	3,950	18,348	14,882
Postage	-	-	1,363	3,848
Office supplies	-	-	1,412	1,670
Contributions and donations	-	-	93	108
Other administrative expenses (iii)	2,098	1,951	50,355	38,128
Total	25,497	30,939	499,726	472,195

(i) The increase in the consolidated balance of personnel costs was mainly due to the increase in the provision for goal-driven profit sharing.

(ii) The increase in the consolidated balance of outsourced services was mainly due to the increase in CRC Gama's system support expenses related to the expansion of new projects.

(iii) The change in other administrative expenses refers mainly to ANS infraction notices paid (regulatory contingencies).

27. Selling expenses

	Consolidated	
	Accumulated 12/31/2016	Accumulated 12/31/2015
Third-party commissions (i)	139,781	118,129
Personnel costs (ii)	62,814	72,729
Sales campaigns	56,666	53,249
Advertising and publicity (iii)	25,554	33,255
Outsourced services	14,870	12,699
Other selling expenses (iv)	32,655	42,285
Total	332,340	332,346

(i) The increase in third-party commissions is mainly due to the higher volume of sales and sales premium of the external sales channel.

(ii) The decrease in personnel costs is mainly due to the lower volume of sales and premium of the internal sales channel and the reduction in the Company's fixed sales force expenses.

iii) The decrease in advertising and publicity expenses was due to the Company's efforts to focus on investing in the sales channel.

iv) The decrease in other selling expenses is mainly due to the reduction in expenses related to events, office supplies, gifts, travels and lodging.

28. Finance income (costs)

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Finance income:				
Interest income on financial investments	628	1,148	73,194	81,545
Interest and fine on late payment of healthcare plan and insurance contracts managed by the Company, arising from contracts with risk of default (i)	-	-	56,872	45,980
Interest on taxes to offset	1,254	332	10,102	3,608
Reversal of inflation-indexation and accruals adjustment of payables for the acquisition of the stake in subsidiaries	-	693	-	837
Other income	7	6	5,158	6,230
Total finance income	1,889	2,179	145,326	138,200
Finance costs:				
Inflation-indexation and accruals adjustment of debentures (Note 16)	(2,173)	(42,421)	(83,781)	(76,271)
Inflation-indexation and accruals adjustment of payables for the acquisition of the stake in subsidiaries	(1,969)	(3,619)	(31,876)	(29,692)
Collection fee	-	-	(23,946)	(24,228)
Tax on Financial Transactions (IOF)	(2,592)	(69)	(13,482)	(693)
Discounts granted	-	-	(11,460)	(16,849)
PIS and COFINS on interest on capital	(2,994)	(5,154)	(2,994)	(5,154)
Finance costs – loan	(17,519)	-	-	-
Other finance costs	(641)	(294)	(10,970)	(6,477)
Total finance costs	(27,888)	(51,557)	(178,509)	(159,364)
Finance result	(25,999)	(49,378)	(33,183)	(21,164)

i. Refers to the interest and penalties received by the subsidiaries Qualicorp Administração e Serviços and Qualicorp Benefícios on the management and stipulation of collective membership benefits and complementary products. These amounts are received from the beneficiaries who pay their invoices after the original due date.

29. Other income (expenses), net

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Sale of Potencial	-	45,672	-	45,672
(Recognition) reversal of expenses related to provisions for tax, civil and labor contingencies	206	(15)	5,743	(6,783)
Operating (losses) gains (ii)	-	-	(7,349)	7,640
PIS and COFINS on other income	-	(9)	-	(463)
Impairment (i)	-	-	2,624	(7,705)
Other income (expenses), net	29	3	2,517	13,138
Total	235	45,651	3,535	51,499

i. For 2016, this refers mainly to: (i) R$ 7,119 of reversal of the impairment of tax credit; (ii) R$(697) impairment of software (Note 15); and (iii) R$(3,692) impairment of advances to brokers (Note 10.1). For 2015, the Company detected the need to recognize impairment losses on the Newport portfolio in the amount of R$ 4,332.

ii. Refers to timing differences with insurers/operators (Note 18).

30. Income tax and social contribution

Income tax and social contribution expense is as follows:

	Parent company		Consolidated	
	Accumulated 12/31/2016	Accumulated 12/31/2015	Accumulated 12/31/2016	Accumulated 12/31/2015
Profit before income tax (IRPJ) and social contribution (CSLL)	401,931	242,461	460,434	400,783
Equity in the results of subsidiaries	(453,192)	(277,127)	-	-
Subtotal	(51,261)	(34,666)	460,434	400,783
Statutory rate of IRPJ and CSLL	34%	34%	34%	34%
Expected income tax and social contribution expense (credit) at the statutory rate	17,429	11,786	(156,548)	(136,266)
Tax losses without recognition of tax credits (i)	(14,171)	(7,830)	(27,359)	(21,788)
Share options granted	-	-	-	-
Losses on uncollectible receivables	-	-	(6,217)	(8,086)
Expenses of companies that are taxed under the presumed profit system	-	-	10,746	4,228
Non-deductible expenses – other	-	-	(5,730)	(1,988)
(Recognition) /reversal of temporary additions without recognition of tax credits, net	(462)	(368)	4,310	1,692
Tax incentive	-	-	3,396	2,267
Interest on capital	-	(18,944)	-	-
Amortization of goodwill (ii)	-	-	138,083	-
Other	-	20	(538)	18
Total income tax and social contribution expense	2,796	(15,336)	(39,857)	(159,923)
Effective rate of IRPJ/CSLL (%)	5.45%	72.84%	8.66%	39.90%

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

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

(ii) After the enactment of Law 12,973 (conversion of Provisional Measure 627/13), published on May 14, 2014, the Company reviewed the tax bases of certain intangible assets arising on business combinations (Note 1).

31. Insurance

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

Items	Type of coverage	Sum insured
Buildings, facilities, machinery, furniture and fittings	Any damage to buildings and loss of profits due to fire, facilities, machinery and equipment, civil liability in relation to operations and employer's liability	197,332
Civil liability of directors and officers (POSI) (after IPO)	Coverage of liabilities of officers and directors (D&O)	170,000
Civil liability of officers	Directors and Officers Liability Insurance (D&O) and errors and omissions (E&O)	98,247
Construction warranty	Non-structural warranty for construction - new Qualicorp head office	16,692
Insurance against administrative proceedings	Insurance covering losses in administrative proceedings filed by government authorities	2,577

32. Segment Reporting

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

The Company, through its subsidiaries, has only one reportable segment, the Affinity segment, and operates in this segment as a benefit manager through its subsidiaries Qualicorp Benefícios, Clube de Saúde, Aliança, Potencial (up to May 31, 2015), Qualicorp Administração e Serviços Ltda. ("Qualicorp Administração"), and through the brokerage business of the subsidiaries Qualicorp Corretora de Seguros S.A. ("Corretora") and GA Corretora.

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

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

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

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

c) Factors used by Management to identify the segment

The Affinity segment is the business unit that accounts for 90.74% of the Company's and its subsidiaries' net operating revenue. This unit is separately managed under the management model used by the Company's officers.

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

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

d) Gross and net revenue by type of service

	Consolidated	
	Accumulated 12/31/2016	Accumulated 12/31/2015
Management service fees	1,155,836	959,547
Brokerage fees	617,313	600,290
Agency services	142,488	138,770
Financial transfers from stipulation of contracts	109,361	112,680
Connectivity services	60,890	41,073
Benefit management consulting	42,561	46,472
Provision of medical services in general	1,371	2,589
Revenue from franchises	30	-
Total gross operating revenue	2,129,850	1,901,421
Deductions from gross operating revenue:		
Taxes on billings	(164,663)	(170,119)
Returns and cancelations	(783)	(1,143)
Total deductions	(165,446)	(171,262)
Net operating revenue	1,964,404	1,730,159

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

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

Consolidated	12/31/2016			12/31/2015		
	Affinity segment	Other segments	Total	Affinity segment	Other segments	Total
Net revenue	1,782,434	181,970	1,964,404	1,576,872	153,287	1,730,159
Cost of services	(371,619)	(131,023)	(502,642)	(337,470)	(118,331)	(455,801)
Operating income (expenses)	(457,847)	(6,871)	(464,718)	(298,497)	(20,806)	(319,303)
Selling expenses	(308,987)	(13,909)	(322,896)	(305,940)	(16,475)	(322,415)
Reversal of (losses on) uncollectible receivables	(139,614)	-	(139,614)	(99,369)	-	(99,369)
Provision for impairment	(4,285)	6,909	2,624	-	(4,331)	(4,331)
Other operating income, net	(4,961)	129	(4,832)	106,812	-	106,812
Profit before unallocated expenses	952,968	44,076	997,044	940,905	14,150	955,055

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

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

f) Reconciliation of revenue, profit, assets and liabilities

	Consolidated	
	12/31/2016	12/31/2015
Unallocated items:		
Administrative expenses	(499,726)	(472,195)
Finance result	(33,183)	(67,144)
Provisions for contingencies	5,743	(6,783)
Selling expenses	(9,444)	(9,930)
Other income (expenses)	-	1,780
Total	(536,610)	(554,272)
Profit before income tax and social contribution	460,434	400,783
(-) Income tax and social contribution	(39,857)	(159,923)
Non-controlling interests	(15,850)	(13,735)
Profit attributable to owners of the parent	404,727	227,125

	12/31/2016	12/31/2015
Assets:		
Total of reportable segment	2,170,945	2,153,327
Other segments	279,925	277,112
Unallocated items	1,138,917	1,003,993
Total	3,589,787	3,434,432

	12/31/2016	12/31/2015
Liabilities:		
Total of reportable segment	1,275,317	1,062,205
Other segments	18,486	40,484
Unallocated items	2,295,984	2,331,743
Total	3,589,787	3,434,432

g) Geographic information of the reported segment

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

Breakdown by Region (Consolidated)	12/31/2016		12/31/2015	
	Lives	Market share %	Lives	Market share %
Southeast	1,352,922	75.50%	1,362,684	76.10%
Northeast	243,292	13.60%	222,813	12.40%
Central-West	125,132	7.00%	139,808	7.80%
South	46,721	2.60%	44,660	2.50%
North	22,930	1.30%	20,807	1.20%
Total – Affinity segment	1,790,997	100.00%	1,790,772	100.00%

Information on main customers

For the year ended December 31, 2016, the three main customers of the Affinity segment provided revenue of R$ 144,938, R$ 133,226 and R$ 113,708, which accounted for 7.51%, 6.90% and 5.89% of the segment's revenue.

33. Expenses by nature

Breakdown of the consolidated statement of income by nature:

	Consolidated	
	Accumulated 12/31/2016	Accumulated 12/31/2015
Personnel costs and Management compensation	361,078	346,839
Depreciation and amortization	216,257	221,852
Outsourced services	191,510	166,906
Financial transfers from membership contracts	186,882	158,736
Third-party commissions	139,781	118,129
Sales campaigns	56,666	53,249
Office expenses	40,266	39,197
Advertising and publicity	25,554	33,255
Office supplies	9,287	13,451
Postage	11,919	13,193
Sponsorships	9,511	11,226
Reimbursement of bills and monthly tuitions	10,511	9,993
Contributions and donations	93	108
Other administrative expenses	50,358	38,128
Other costs of services	18,804	23,811
Other selling expenses	6,231	12,269
Total	1,334,708	1,260,342
As per statement of income:		
Administrative expenses	499,726	472,195
Cost of services	502,642	455,801
Selling expenses	332,340	332,346
Total	1,334,708	1,260,342

34. Commitments

At December 31, 2016, the Company has the following significant commitments:

a) Office lease agreements: the commitments already assumed are R$ 23,730 for 2017, R$ 22,584 for 2018 and R$ 21,103 for 2019 (unaudited).

The expenses incurred under these agreements for 2016 totaled R$ 23,889 (R$ 24,096 at December 31, 2015).

These agreements are basically represented by the following two individual agreements:

i) An agreement entered into for a ten-year period beginning on August 1, 2013 and ending on July 1, 2023, providing for monthly lease payments of R$ 1,321, to be adjusted annually based on the accumulated IGP-M (General Market Price Index) variance. This agreement was renegotiated in October 2016 because seven floors were vacated after some companies moved to the city of Barueri and, consequently, as from October 2016 the monthly lease value is R$ 869 without any adjustment until August 2018.

ii) An agreement entered into for a five-year period beginning on August 1, 2015 and ending on July 1, 2020, providing for monthly lease payments of R$ 294, to be adjusted annually based on the accumulated IGP-M variance.

b) The budgeted purchases of intangible assets (software under development) are R$ 50,000 for 2017, R$ 50,000 for 2018, and R$ 50,000 for 2019 (unaudited).

c) Commitments for the provision of call center services already assumed in the amount of approximately R$ 48,111 for 2017.

The expenses incurred on call center agreements for the fiscal year 2016 totaled R$ 51,121 (R$ 59,203 in 2015).

35. Earnings per share

	Parent company	
	Accumulated 12/31/2016	Accumulated 12/31/2015
Profit for the period attributable to owners of the parent	404,727	227,125
Weighted average number of common shares used to calculate basic earnings per share	275,527,128	274,108,594
Weighted average number of common shares adjusted for share options to calculate diluted earnings per share	290,078,628	290,948,819
Basic earnings per share - R$	1.46892	0.82860
Diluted earnings per share - R$	1.39523	0.78064

36. Events after the reporting period

On February 15, 2017, the direct subsidiary Qualicorp Administradora de Benefícios S.A. entered into an agreement for purchase and sale of quotas and other covenants with Uniconsult Administradora de Benefícios ("Uniconsult"), acquiring 75% of Uniconsult's quotas for R$ 6,500, of which R$ 1,500 was paid as a down payment and R$ 5,000 will be paid after the transaction is closed, which is contingent on the approval of ANS and other conditions precedent.

At that same date, a stockholders' agreement was signed that, among other provisions, guarantees Qualicorp Administradora de Benefícios S.A. the option to buy the remaining interest (25%), after the fifth year of signature of the agreement or when the portfolio reaches 100 thousand lives, whichever occurs first.

Uniconsult is a benefit management company focused on the selling of collective membership products, with operations in the interior of the State of São Paulo. In January 2017, Uniconsult posted revenue of R$ 746 and had 17.5 thousand active lives.

37. Approval of the financial statements

The parent company and consolidated financial statements were approved by the Board of Directors on March 20, 2017, and disclose the events occurring after the date of the balance sheet, i.e. December 31, 2016.