2016 Management Report

To our Shareholders,

Ser Educacional S.A. presents its Management Report and Financial Statements for the fiscal year ended December 31, 2016. The consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC) and the standards issued by the Brazilian Securities and Exchange Commission (CVM), and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The comparisons refer to the fiscal year ended on December 31, 2015, and the results of Universidade de Guarulhos (UNG), are consolidated as of February 2015.

Message from Management

2016 was a year of recovering financial and operational results for Ser Educacional, despite the adverse economic environment, mainly as of 2015, with a sharp reduction in the federal government's student financing program (FIES) and the economic deterioration, combined with a significant slowdown in economic activity throughout the country, as well as high inflation and unemployment rates.

This recovery was mainly influenced by the projects to improve the Company's operating efficiency, such as the Ser Retention System (SRS), the new tuition negotiation scale, the new curriculum matrix, the review of the organizational structure and the market intelligence cell for enrollment (enrollment BI) and renegotiation of expenses and costs with suppliers and landlords. All these factors were essential to help the Company consistently improve its operating efficiency indicators. Another major factor contributing to the recovery in our results was the successful consolidation of the recent acquisitions, enabling synergy gains and revenue expansion: Universidade da Amazônia (UNAMA) and Universidade de Guarulhos (UNG).

The Company's Management moved on with Ser Educacional's organic growth plan, bringing important development for the long-term growth of the student base. In 2016, 253 new courses in existing units were approved, an increase of 27.9% compared to 2015 and four new on-campus education units were also approved in the cities of Cabo de Santo Agostinho/PE, João Pessoa/PB, Jaboatão dos Guararapes/PE, and Maceió/AL, increasing from 44 units in 2015 to 48 units in 2016. In addition, new well-located units were fully restructured and gained good quality infrastructure, such as the new buildings in Aracaju/SE and Salvador/BA, expansions in Caruaru/PE, Fortaleza/CE and the new Medicine Block in Recife/PE.

The Company moved on with its distance-learning growth plan and finalized the creation of its service structure in Recife (PE), with a fully revamped education platform, featuring the most modern functionalities in the sector, including adaptive learning methodologies and inverted classroom in a teaching environment focused on encouraging interaction and socialization between students and faculty. We also created new content and a complete infrastructure

with studios, individual booths for web conferences, dressing rooms and editing stations, in addition to a modern structure to provide services and support to students. The conclusion of these activities is crucial for the plan to expand the portfolio from the 15 distance-learning centers in operation to 400 centers. The requests for approval of these new centers were filed in 4Q15 and are currently pending authorization by the Ministry of Education (MEC).

The growth of the base is only sustainable with quality education, satisfied students and good academic level, allowing students to enter the labor market and improve their income. In order to obtain these results, the academic goals of Ser Educacional focus on employability and good performance in the IGC (General Course Index) and CPC (Preliminary Course Concept) indicators.

One hundred percent of the Company's institutions had satisfactory performance in the IGC and CPC indicators (IGC equal to or higher than 3) in 2015, indicating their good quality, with a positive evolution year after year. In relation to the CPC, 92% of our courses evaluated in 2015 were rated higher than 3, a significant increase in positive grades over the 84% recorded in 2012, when the same group of courses was compared (humanity courses).

The Company believes that quality of education must go beyond good grades in student and institution evaluations and, in 2016, UNAMA was recognized by Guia do Estudante (Student's Guide), of Editora Abril, one of the most renowned publications in the sector, as the Best Private University in Northern Brazil. In addition to MEC's indicators, the Company's Maurício de Nassau unit in Maceió was recognized as a University Center, which in addition to being a recognition for the institution's quality, gives us autonomy for opening new units and courses in the city.

Social responsibility practices are embedded in the values and the day-to-day activities of Ser Educacional. The Company directly invests and encourages its students, faculty and staff to engage in activities that benefit society and the population where it operates. These activities are subdivided into four main pillars: culture, sports, communities, and social and environmental initiatives. They foster students' feeling of belonging to regional communities and the institution which promotes them, creating a connection between students, society, the government and the institution, which is extremely beneficial for all involved. The Company promotes these activities through its institutions and with the coordination of Instituto Ser Educacional, responsible for more than 10,000 social assistance calls in the four areas mentioned above.

In recognition of these efforts, UNINASSAU was ranked first among the most remembered private institutions by Pernambuco people for the seventh consecutive time. The Recall de Marcas Award is the result of a survey conducted by Jornal do Commercio in partnership with Instituto Harrop de Pesquisa. The Group also received certifications from the Brazilian Association of Higher Education Supporters (ABMES) attesting to the institution's commitment to social responsibility and community development, due to its work to assist in the development of society through its brands.

Despite all the changes in the regulatory framework and economic uncertainties, the Company once again managed to successfully implement its expansion plan and conducted a number of

relevant projects to improve operating efficiency, helping Ser Educacional become more competitive and ready to face the persisting challenging scenario.

Operating and Financial Performance

Ser Educacional Group ended the year of 2016 with a total base of 147.9 thousand students, an increase of 5.1% compared to 140.7 thousand students at the end of 2015, of which 131.1 thousand corresponded to on-campus undergraduate courses, an increase of 5.7% compared to December 2015. There were 58.8 thousand FIES students enrolled, representing 39.8% of the total number of students, or 44.9% of the on-campus undergraduate students. The increase in the student base is mainly due to the Company's organic growth, with the opening of new units and courses in existing units, as well as to the successful implementation of the market intelligence area to attract students.

In the distance-learning segment (EAD), the Company ended the year with 6,900 undergraduate and graduate students, an increase of 108.0% compared to the 3.3 thousand students enrolled at the end of 2015. In the post-graduate segment, the group ended the year with 9,500 students, presenting a reduction of 8.5%, when compared to 10.4 thousand students in 2015. Pronatec's student base closed the year with 0.4 thousand students and fell by 88.0% compared to the 3.0 thousand students attending the vocational courses at the end of 2015. This decrease is due to the significant reduction in the number of Pronatec positions offered by the Federal Government during the year of 2015.

Gross Revenue

Ser Educacional Group ended 2016 with gross revenue of R$1,426.0 million, an increase of 10.6% over 2015, mainly due to the combined effect of organic growth of the student base in on campus teaching and distance-learning and an increase in the average ticket.

Net revenue reached R$1,125.4 million, an increase of 10.3%, smaller growth compared to gross revenue due primarily to the increase in the volume of sales deductions related to the increase in the student base of the University for All (PROUNI) Program and promotional discounts.

Cost of services

Cost of services totaled R$511.4 million, representing 45.4% of net revenue in 2016, a reduction of 1.4 pp compared to 2015. The reduction in costs is mainly due to the gain in synergies obtained with the consolidation of UNG and UNAMA operations, and reduction in rental costs, despite the increases in tariffs for concession public services, the impact of collective bargaining agreements on wages and charges, and the reallocation of expenses related to the student relationship center to the costs of services provided.

Gross Income and Gross Margin

Gross income was R$614.0 million in 2016, an increase of 13.1% over the previous year, with gross margin of 54.6%, 1.4 pp higher than in 2015, mainly due to the factors already mentioned in revenue and costs.

Operating Expenses

In 2016, operating expenses totaled R$322.1 million, which corresponds to 28.6% of net revenue, a reduction of 2.1 pp over the previous year. This decrease in operating expenses as a percentage of net revenue is mainly due to the execution of projects to increase operating efficiency, which allowed the reduction of personnel expenses and third-party services. This effect was partially offset by higher advertising expenses, to face the opening of new units and courses and the increase in taxes and other expenses.

Adjusted EBITDA

The Company reached adjusted EBITDA of R$354.1 million and margin of 31.5%, an increase of 2.3 pp, when compared to the same period of the previous year, due to the combined effect of organic growth of the student base , the maintenance of the average ticket at levels close to inflation, the gain of synergies with the consolidation of UNG and UNAMA and the execution of projects aimed at increasing the Company's operating efficiency, despite the increases in public tariffs, the impact of collective bargaining agreements and increased spending on advertising.

Financial Result

The financial result for 2016 represented a net financial expense of R$61.1 million, an increase of R$15.5 million, representing 34%, compared to the net financial expense of R$45.6 million recorded in 2015. Despite the increase in cash, which only occurred in December 2016, due to the normalization of FIES receipts, this increase in net financial expenses was mainly due to the issue of debentures and long-term financing from IFC during the third quarter of 2015, making net debt higher throughout 2016, compared to only 5 months in 2015.

Income Tax and Social Contribution

The amount of Income Tax and Social Contribution totaled R$5.4 million, a decrease of 52.6% compared to R$11.5 million in 2015, due to the increase in PROUNI's participation in the Company's student base, as well as the amortization of tax losses from prior acquisitions.

Net profit

As a result of the factors mentioned above, net profit was R$230.5 million, an increase of 43.1% over 2015.

Debt

Ser Educacional ended 2016 with a net debt of R$118.1 million, compared to a net debt of R$280.0 million, a decrease of 57.8%. This lower indebtedness is mainly due to the increase in the Company's cash balance due to the increase in operating cash flow caused by the Company's increased efficiency, the reduction of 8% in gross debt, due to the amortization of financing financial commitments and commitments to be paid during the year, the normalization of payments related to FIES and the payment by the Federal Government of the first installment of the agreement with the Company related to the debit balance of 2015. This agreement provides that FIES tuition fees related to unpaid amounts in 2015 will be paid in 3 years, 25% of the balance until June 2016, 25% until June 2017, and the remaining 50% until June 2018, adjusted for inflation (IPCA).

Investments

The volume of investments made in the year was R$109.8 million, a decrease of 35.5% compared to 2015. These resources included renovation and construction of units to support growth in the coming years, investments in libraries and computers, in addition to payments related to the acquired institutions.

Corporate Governance

In 2016, the Company received an award for being chosen as one of the companies with the best Corporate Governance practices through a survey conducted by the O Estado de São Paulo newspaper together with FIA. The Company also received the highest evolution in Brazil award from IR Magazine for its Investor relations practices.

Independent Audit

Pursuant to CVM Instruction 381 of January 14, 2003, we hereby declare that PriceWaterhouseCoopers Auditores Independentes (PwC), the company hired to audit our financial statements for the fiscal year ended December 31, 2016, was contracted to provide the following services for Ser Educacional Group:

Services	Fees	Deadline	Nature
Audit	R$ 935,000	Apr/16 - Mar/17	Quarterly and the 2016 financial statements reviews.

In addition, the Company hired the services of Strategy& (a company from the PwC group), to give support to Grupo Ser's strategic review, through a mapping of Brazil's higher education market. This service is allowed by the current independence standards.

The contracting of the independent auditors is grounded in principles that preserve their independence, i.e. (a) the auditors must not audit their own work; (b) the auditors must not occupy managerial positions in their client's companies; and (c) the auditors must not provide

any services prohibited by the regulations in force. In addition, Management obtained a declaration by the independent auditors that any special services provided by them did not affect their professional independence. Non-financial information, as well as other operating information, was not audited by our independent auditors.

Declaration of the Board of Executive Officers

Pursuant to CVM Instruction 480 of December 7, 2009, the Company's executive officers hereby declare that they have discussed, reviewed and are in full agreement with (i) the opinions expressed in the report drawn up by PwC, issued on March 13, 2017; and (ii) the financial statements for the fiscal year ended December 31, 2016, accompanied by a favorable opinion of the Fiscal Council.

Adherence to the Arbitration Chamber

The Company, its Shareholders, Board of Directors, Board of Executive Officers and members of its Fiscal Council, are committed to resolving, by means of arbitration, any and all disputes or controversies that may arise among them related to, or arising from, especially, the application, validity, effectiveness, interpretation, violation, and their effects, of the provisions of the Novo Mercado Participation Agreement; the Novo Mercado Listing Regulations; the Company's Bylaws; the Shareholders' Agreements filed at the Company's headquarters; Brazilian Corporation Law; the regulations issued by the National Monetary Council, the Brazilian Central Bank, the Brazilian Securities and Exchange Commission (CVM) and the BM&FBOVESPA; all other regulations governing the functioning of the securities market in general; the Arbitration Clauses; and the Regulations of the Market Arbitration Chamber, pursuant to the latter.

Acknowledgements

The Management of Ser Educacional would like to thank its students, faculty, employees, shareholders and service providers for their confidence and assistance throughout the year and is certain that it will receive the same dedication in 2017.

Management

FISCAL COUNCIL OPINION

The members of the Fiscal Council of Ser Educacional S.A. ("Company"), in the exercise of their legal and statutory duties, pursuant to Article 163 of Law 6,404/76 and its subsequent amendments, analyzed management's annual report and the Company's individual and consolidated financial statements for the year ended December 31, 2016, together with the respective explanatory notes, prepared in accordance with the current legislation, and analyzed the proposed dividend distribution submitted by the Company's management.

Based on the documents analyzed, the clarifications provided by representatives of the Company's management and the report of PricewaterhouseCoopers Auditores Independentes on these financial statements issued without restrictions on this date, unanimously concluded that said documents, together with management's annual report and the proposal for the distribution of dividends, are able to be submitted to the Company's Annual Shareholders' Meeting.

Recife, PE, March 13, 2017

Reginaldo Ferreira Alexandre
Board Member

Fernando Eduardo Ramos dos Santos
Board Member

Francisco de Assis Gomes Silva
Board Member

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Ser Educacional S.A.

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

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Independent auditor's report

To the Board of Directors and Stockholders
Ser Educacional S.A.

Opinion

We have audited the accompanying parent company financial statements of Ser Educacional S.A. (the "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 Ser Educacional S.A. and its subsidiaries ("Consolidated" or the "Group"), 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ser Educacional S.A. and of Ser Educacional S.A. and its subsidiaries as at December 31, 2016, and the financial performance and cash flows for the years then ended, as well as the consolidated financial performance and cash flows, for the year then ended, in accordance with accounting practices adopted in Brazil and with 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.

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Key audit matters

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



Why it is a key audit matter	How the matter was addressed in the audit

Revenue recognition and Provision for impairment of trade receivables (Notes 21 and 10 to the financial statements, respectively)

The main source of revenue for the Company and its subsidiaries comes from the collection of tuition fees directly from individuals (students) enrolled every six months in regular undergraduate, graduate and technical courses. In the context of the Company's operations, the following main aspects required special attention in our audit:

(a) Revenues arise from a large volume of individually low value transactions, greatly increasing the significance of the internal controls established, notably the maintenance of an adequate student register.

(b) The significance of students enrolled in connection with the Education Student Financing Program (FIES) promoted by the Federal Government, which is responsible for approximately 45% of the student basis, requires complex judgments by management regarding the probability of future receipt of tuition from these students.

As an audit response, we performed the following key procedures in this regard:

We identified, evaluated and tested the main internal controls adopted by the Company and its subsidiaries for the process of enrollment, definition of the price lists, issuance of collections and accounting of monthly payments. In addition, we conducted tests on tuition samples, based on accounting entries recorded, reviewed some contracts established and student registration documents, which included students enrolled as FIES, as well as checked the subsequent receipt of certain monthly fees.

With regard to the provision for impairment of receivables, we checked whether the provisioning policy established by Management is being used uniformly for the entire student basis and we performed recalculations. In addition, we inspected the agreements entered into, on a sample basis, in order to check the adherence of the accrued provisions with the criteria defined by Management.

Why it is a key audit matter	How the matter was addressed in the audit
c) Due to the six-month enrollment cycle, students who remain defaulted at the end of each semester have a higher risk of losses on accounts receivable, which requires agreements to recover overdue credits and the exercise of judgment to determine the provision for impairment of receivables, which includes not only defaulting students but also those who have signed payment agreements, which may not be fully paid.	Our tests have shown that revenue recognition, including those related to tuition fees as students linked to the FIES, is supported by proper documentation, with the correct amounts, and that the criteria and assumptions adopted by Management provide a reasonable basis for determining the provision for losses in the context of the financial statements.

Impairment of intangible assets with indefinite useful lives (Note 12 to the financial statements)

As a result of the business combination transactions carried out between 2014 and 2015, the Company accumulated goodwill and certain intangible assets with indefinite useful lives that represent approximately 12% of total assets in the Parent Company and 9% in the Consolidated, subject to annual impairment assessments.

This area required special audit attention based on the amounts involved, as well as due to the subjectivity and complexity of the judgments required for the preparation of the models, definition of the assumptions and discount rate used in the projections of the cash flows.

As an audit response, we performed the following key procedures:

(i) We evaluated, with the support of our corporate valuation specialists, the reasonableness of the main assumptions and methodology used by management for cash flow projections, notably with respect to growth assumptions, monthly price, default rate and discount rate used.

(ii) We compared the projections with recent financial results and with budgets approved by the Board of Directors, checked sensitivity analyzes for the main data and assumptions of the projections, as well as the main aspects of the disclosure of this matter in the Notes

Based on the audit procedures performed, we did not identify any evidence of impairment of intangible assets with indefinite useful lives.

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.

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

The Company's management 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 report that fact. We have nothing to report in this regard.

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

Management 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 International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company 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 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these 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.

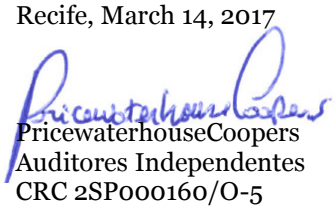
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ser Educacional S.A.

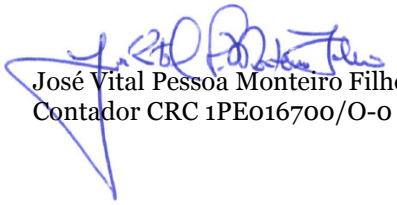
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Recife, March 14, 2017



PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5



José Vital Pessoa Monteiro Filho
Contador CRC 1PE016700/O-0

Ser Educacional S.A.

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

Ser Educacional S.A.

Balance sheet

All amounts in thousands of reais unless when otherwise stated **(A free translation of the original in Portuguese)**

Assets	Note	Parent Company		Consolidated	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Current assets					
Cash and cash equivalents	8	54,477	62,539	62,036	69,999
Marketable securities	8	337,547	213,135	337,547	213,135
Accounts receivable - students	9	95,154	65,919	272,773	192,251
Taxes recoverable	10	6,319	3,534	10,758	7,308
Advances to suppliers		408	833	3,250	5,599
Related parties	25.a		16,323		
Other assets		4,900	4,689	15,831	9,168
		498,805	366,972	702,195	497,460
Non-current assets					
Long term receivables					
Accounts receivable - students	9	52,476	74,385	132,483	189,102
Other assets		1,949	999	12,509	5,406
Indemnification assets	26.d	3,249	3,249	112,015	112,015
Investments	6	594,547	533,140		
Intangible assets	11	29,681	23,649	434,845	432,106
Property and equipment	12	370,538	361,121	624,517	612,499
		1,052,440	996,543	1,316,369	1,351,128
Total assets		1,551,245	1,363,515	2,018,564	1,848,588

Liabilities and equity	Note	Parent Company		Consolidated	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Current liabilities					
Suppliers	13	12,805	9,634	29,734	18,219
Borrowing	15	53,257	40,977	55,764	44,450
Debentures	16	43,495	5,034	43,495	5,034
Salaries and social charges	17	34,459	28,130	71,873	66,406
Taxes payable	10	3,993	3,010	14,620	16,209
Income tax and social contribution payable	24		735	1,852	11,609
Commitments payable	14	2,132	6,019	80,047	70,736
Lease commitments	18	9,642	3,369	15,737	4,691
Related parties	25.a	11,191	2,320		
Interest on capital and dividends payable	19.g	34,234	20,070	34,234	20,070
Other liabilities		4,938	4,045	17,692	13,342
		210,146	123,343	365,048	270,766
Non-current liabilities					
Borrowing	15	139,920	182,475	140,534	185,591
Debentures	16	108,995	147,649	108,995	147,649
Commitments payable	14		244	88,888	109,675
Lease commitments	18	134,501	144,143	233,798	249,534
Taxes payable	10	1,100	128	1,661	331
Income tax and social contribution payable	24			3,902	
Provision for contingencies	26	1,201	1,744	120,346	121,253
Other liabilities		4,982	6,556	4,992	6,556
		390,699	482,939	703,116	820,589
Equity	19				
Attributable to stockholders of parent company					
Share capital		377,048	377,048	377,048	377,048
Revenue reserve		579,806	386,639	579,806	386,639
Treasury shares		(6,454)	(6,454)	(6,454)	(6,454)
Total equity		950,400	757,233	950,400	757,233
Total liabilities and equity		1,551,245	1,363,515	2,018,564	1,848,588

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

	Note	Parent Company			
		10/01/2016 to 12/31/2016	01/01/2016 to 12/31/2016	10/01/2015 to 12/31/2015	01/01/2015 to 12/31/2015
Net revenue from services	20	94,243	378,580	79,106	360,189
Cost of services	21	(35,863)	(155,645)	(28,830)	(152,561)
Gross profit		58,380	222,935	50,276	207,628
General and administrative expenses	22	(55,314)	(184,085)	(49,291)	(163,330)
Other operating income (expenses), net		(661)	(4,565)	(1,069)	(3,698)
Equity in the results of subsidiaries	6.a	36,755	227,028	10,171	145,660
Operating profit		39,160	261,313	10,087	186,260
Finance income	23	9,351	49,061	17,457	34,032
Finance costs	23	(16,286)	(78,358)	(21,639)	(56,724)
Finance income (costs), net		(6,935)	(29,297)	(4,182)	(22,692)
Profit before income tax and social contribution		32,225	232,016	5,905	163,568
Income tax and social contribution	24	756	(5,463)	(861)	(8,851)
Tax incentive - PROUNI	24	(826)	3,895	15	6,348
Net income for the year		32,155	230,448	5,059	161,065

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

Ser Educacional S.A.

Statement of income
Years and periods ended December 31
All amounts in thousands of reais unless when otherwise stated **(A free translation of the original in Portuguese)**

	Note	Consolidated			
		10/01/2016 to 12/31/2016	01/01/2016 to 12/31/2016	10/01/2015 to 12/31/2015	01/01/2015 to 12/31/2015
Net revenue from services	20	277,400	1,125,380	236,323	1,020,261
Cost of services	21	(138,533)	(511,386)	(131,201)	(477,456)
Gross profit		138,867	613,994	105,122	542,805
General and administrative expenses	22	(89,109)	(322,072)	(81,162)	(313,726)
Other operating income (expenses), net		687	5,073	(3,238)	(10,981)
Operating profit		50,445	296,995	20,722	218,098
Finance income	23	12,725	78,166	26,606	61,811
Finance costs	23	(30,382)	(139,268)	(37,804)	(107,366)
Finance income (costs), net		(17,657)	(61,102)	(11,198)	(45,555)
Profit before income tax and social contribution		32,788	235,893	9,524	172,543
Income tax and social contribution	24	(15,569)	(87,783)	(12,468)	(68,775)
Tax incentive - PROUNI	24	14,850	81,992	7,599	56,893
Deferred income tax and social contribution		86	346	404	404
Net income for the year		32,155	230,448	5,059	161,065
Attributable to					
Stockholders of the parent company		32,155	230,448	5,059	161,065
		32,155	230,448	5,059	161,065
Weighted average of outstanding common shares at the end of the year (in thousands)		124,836	124,836	124,836	125,038
Earnings per share attributable to stockholders of the parent company during the year (in R$ per share)		0.26	1.85	0.04	1.29

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

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Net income for the year	230,448	161,065	230,448	161,065
Other components of comprehensive income for the year				
Comprehensive income for the year	230,448	161,065	230,448	161,065

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

Ser Educacional S.A.

Statement of changes in equity

All amounts in thousands of reais unless when otherwise stated **(A free translation of the original in Portuguese)**

		Attributable to stockholders of the parent company								
				Revenue reserve						
	Note	Capital	Carrying value adjustments	Tax incentives	Legal	Retention	Proposed dividends	Treasury shares	Profit for the year	Total equity
At January 1, 2015		377,048	(586)	34,324	16,010	199,856				626,652
Net income for the year	27								161,065	161,065
Tax incentive reserve	19.d			6,348					(6,348)	
Legal reserve	19.e				8,053				(8,053)	
Distribution of dividends	19.g								(20,070)	(20,070)
Treasury shares acquired	19.b							(6,454)		(6,454)
Interest on capital	19.g								(3,960)	(3,960)
Retained earnings reserve	19.g					119,001	3,047		(122,048)	
Realization of deemed cost adjustment	19.g		586						(586)	
At December 31, 2015		377,048		40,672	24,063	318,857	3,047	(6,454)		757,233
At January 1, 2016		377,048		40,672	24,063	318,857	3,047	(6,454)		757,233
Net income for the year	27								230,448	230,448
Tax incentive reserve	19.d			3,895					(3,895)	
Legal reserve	19.e				11,522				(11,522)	
Distribution of dividends	19.g						(3,047)		(34,234)	(37,281)
Retained earnings reserve	19.f					180,797			(180,797)	
At December 31, 2016		377,048		44,567	35,585	499,654		(6,454)		950,400

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

	Note	Parent Company		Consolidated	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Cash flow from operating activities					
Net income before income tax and social contribution		232,016	163,568	235,893	172,543
Adjustments for					
Depreciation and amortization	11 and 12	31,952	28,344	60,277	56,100
Provision (reversal) for contingencies		(543)	(5)	(907)	986
Equity in results of subsidiaries	6.a	(227,028)	(145,660)		
Allowance for doubtful accounts	9.e	14,028	15,098	48,732	47,659
Loss on write-off of non-current assets	12	2,152		3,950	
Interest, monetary and exchange variations, net	23	66,431	46,887	89,331	72,222
		119,008	112,957	437,276	361,697
Changes in assets and liabilities					
Accounts receivable - students		(13,784)	(70,289)	(52,539)	(228,435)
Taxes recoverable		(2,785)	(2,060)	(3,450)	(4,015)
Advances to suppliers		425	1,230	2,349	3,481
Other assets		(1,161)	948	(13,766)	657
Suppliers		3,171	(965)	11,515	519
Salaries and social charges		6,329	(1,171)	5,467	1,453
Taxes payable		1,955	(817)	(259)	2,568
Income tax and social contribution payable		(1,685)	1,051	(459)	5,377
Other liabilities		(2,294)	9,006	2,786	5,159
Cash generated from operations		109,179	49,890	388,920	148,461
Interest paid on Borrowing and leases		(74,194)	(45,146)	(90,309)	(62,366)
Income tax and social contribution paid		(618)	(3,485)	(10,841)	(9,035)
Net cash provided by (used in) operating activities		34,367	1,259	287,770	77,060
Cash flow from investing activities					
Marketable securities		(124,412)	(149,717)	(124,412)	(149,717)
Capitalization of investments	6	(27,187)	(91,694)		(18,840)
Dividends received from investees		194,421	93,274		
Additions to property and equipment	12	(37,810)	(26,101)	(64,551)	(72,042)
Additions to intangible assets	11.a	(13,862)	(14,625)	(16,552)	(26,971)
Payables for acquisition of subsidiaries		(2,012)		(28,668)	
Acquisition of subsidiaries, net of cash obtained on acquisition					(52,269)
Net cash generated from (used in) investing activities		(10,862)	(188,863)	(234,183)	(319,839)
Cash flow from financing activities					
Acquisition of debentures			147,649		147,649
Borrowing	15		137,213		137,213
Amortization of Borrowing	15	(30,275)	(19,492)	(33,743)	(22,653)
Amortization of leases	18	(3,369)	(3,010)	(4,690)	(4,033)
Related parties	25.a	25,194	(32,592)		
Treasury shares			(6,454)		(6,454)
Dividends and interest on capital paid to Company stockholders		(23,117)	(12,192)	(23,117)	(12,192)
Cash flow generated from (used in) financing activities		(31,567)	211,122	(61,550)	239,530
Increase (decrease) in cash and cash equivalents		(8,062)	23,518	(7,963)	(3,249)
Cash and cash equivalents					
At the beginning of the period		54,477	62,539	62,036	69,999
At the end of the period		62,539	39,021	69,999	73,248
Increase (decrease) in cash and cash equivalents		(8,062)	23,518	(7,963)	(3,249)
Main transactions with no cash effect					
Leasing and FINAME			2,023		6,373
Amortization of leasing and FINAME					36,911

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

Ser Educacional S.A.

Statement of value added
Years ended December 31
All amounts in thousands of reais unless when otherwise stated (A free translation of the original in Portuguese)

	Note	Parent Company		Consolidated	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Revenue					
Services	20	477,585	447,001	1,426,045	1,289,286
Allowance for doubtful accounts and actual loss on accounts receivable	22	(14,028)	(15,098)	(48,732)	(47,659)
Revenue deductions	20	(84,040)	(68,656)	(258,190)	(225,527)
		379,517	**363,247**	**1,119,123**	**1,016,100**
Inputs acquired from third parties					
Services provided by individuals and corporations	21 and 22	(24,048)	(22,030)	(40,403)	(37,766)
Electricity, water and telephone	21	(11,935)	(10,893)	(30,126)	(28,849)
Publicity and advertising	22	(35,334)	(24,839)	(66,191)	(51,249)
Service materials	22	(6,655)	(7,357)	(15,295)	(14,385)
Other		(20,832)	(16,379)	(25,104)	(33,397)
		(98,804)	**(81,498)**	**(177,119)**	**(165,646)**
Gross value added		**280,713**	**281,749**	**942,004**	**850,454**
Depreciation and amortization	21 and 22	(31,952)	(28,344)	(60,277)	(56,100)
Net value added generated by the entity		**248,761**	**253,405**	**881,727**	**794,354**
Finance income	23	53,460	34,032	85,367	61,811
Equity in the results of subsidiaries	6.a	227,028	145,660		
Total value added to distribute		**529,249**	**433,097**	**967,094**	**856,165**
Distribution of value added					
Salaries and social charges	21 and 22	(162,794)	(152,582)	(469,485)	(468,096)
Taxes, fees and contributions		(25,250)	(22,708)	(63,315)	(59,745)
Federal taxes		(6,546)	(3,535)	(13,562)	(14,124)
Municipal taxes		(18,704)	(19,173)	(49,753)	(45,621)
Remuneration of third party capital		(110,757)	(96,742)	(203,846)	(167,259)
Finance costs	23	(78,358)	(56,724)	(139,268)	(107,366)
Rentals	21	(32,399)	(40,018)	(64,578)	(59,893)
Net income for the year		(230,448)	(161,065)	(230,448)	(161,065)
Value added distributed		**(529,249)**	**(433,097)**	**(967,094)**	**(856,165)**

Section A – General information

1 General information

Ser Educacional S.A. (the "Company") and its subsidiaries (jointly, the "Group") are principally involved in development and management activities for on-campus and distance learning undergraduate courses, graduate courses, professional training and other areas of education, and in participation, as partner or shareholder, in other partnerships and companies in Brazil.

The Group also owns twenty-four private limited liability companies, including two universities, three university centers, 33 colleges and 15 distance learning centers. It is one of Brazil's largest private education groups and the leader in the North and Northeast regions in terms of number of students enrolled. The Company is present in 15 states, with a consolidated base of more than 147,500 students, operating under the following brands: Faculdades Maurício de Nassau, UNINASSAU – Centro Universitário Maurício de Nassau, Faculdades Joaquim Nabuco, Escolas Técnicas Joaquim Nabuco and Maurício de Nassau, FIT – Faculdades Integradas dos Tapajós, UNG (Universidade Guarulhos), UNAMA (Universidade da Amazônia) and UNIVERITAS, through which it offers more than 1,150 courses.

The Company is a publicly-held company headquartered in Recife, State of Pernambuco, listed with the São Paulo Stock Exchange (BM&FBOVESPA S.A.) in the Novo Mercado segment, where its shares are traded under code SEER3. On July 8, 2016, Fitch Ratings granted the Company an "A+(bra)" Initial Long Term National Rating with a stable outlook.

The Board of Directors authorized the issuance of these financial statements after the Audit Committee issued its opinion on March 13, 2017.

2 Summary of significant accounting policies

The main accounting policies applied in the preparation of these financial statements are set on Setion F, Note 29. These policies have been consistently applied in the years presented.

2.1 Basis of preparation

The financial statements were prepared based on the historical cost convention, with certain financial assets and liabilities measured at fair value.

The financial statements, Parent company and consolidated, have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC),) and the standards issued by the Brazilian Securities and Exchange Commission (CVM). Since the accounting practices adopted in Brazil applied in the individual financial statements as of 2014 do not differ from the IFRS applicable to the separate financial statements, since it started to allow the application of the equity method in subsidiaries, associated companies and jointly In the separate financial statements, they are also in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Which are consistent with those used by management in its management.

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 high degree of judgment or complexity, and areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, while it is not required by IFRS. Therefore, under the IFRS, the presentation of such statements is considered supplementary information, and not part of the set of financial statements.

Section B - Risks

3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for contingencies

The Company recognizes provision for civil, tax and labor actions. The assessment of the probability of loss includes an appraisal of the available evidence, the hierarchy of laws, the available case law, the most recent court decisions and their relevance in the judicial system, as well as the opinion of external and internal legal counsel. Provision for contingencies (labor, civil and tax) are recognized when: (i) there is a present or non-formalized obligation as a result of events that have already occurred; (ii) it is probable that an outflow of resources will be necessary to settle the obligation; and (iii) the amount can be reliably estimated based on the judgment of legal counsel. The provision is reviewed and adjusted to take into account changes in circumstances, such as the applicable period for the statute of limitation, the conclusions of tax inspections or any additional exposure identified on the basis of new evidence or court decisions. See Note 26.

(b) Impairment of goodwill

The Group tests annually, at the end of the year, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 29.10. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations, based on estimates prepared by external experts and reviewed by management. They consider discount rate and revenue growth estimates, among others, as shown in Note 11 (e).

(c) Allocation of fair value in business combinations

The Company analyses on the business combination dates the identifiable assets and liabilities arising from business combinations, in accordance with CPC 15, Business combinations, and identifies those that must be recorded. Judgment is used for the purpose of identifying the intangible assets acquired and contingent liabilities assumed. Estimates are used to determine the fair value of the assets and liabilities arising from the combination and of the residual goodwill.

(d) Allowance for doubtful accounts

The Company carries out analyses to cover any losses on the collection of monthly fees and checks receivable, taking into account the risks involved, and records them when objective evidence of losses is identified.

(e) Intangible assets with definite and indefinite useful lives

The Company has identified intangible assets arising from business combinations (licenses) that have indefinite useful lives, and course licenses and brands that have defined useful lives. Annually, the Group tests the identified intangible assets that have indefinite useful lives for impairment in accordance with the accounting policy presented in Note 29.10. The recoverable amounts for the CGUs are determined based on the estimated value in use. Management estimates the useful life of certain intangible assets based on past history and its experience with respect to the use of these intangible assets.

(f) Leases

The assessment of the classification between operating leases and financial leases considers estimates of the fair value of the properties leased for the Company's activities, as well as their estimated useful lives considering their use. The fair value and useful life estimates are based on expert reports rendered by third-party experts.

(g) Determination of adjustment to present value of certain assets and liabilities

Management evaluates, and recognizes upon initial recording, the effects of the adjustment to present value of certain financial assets and liabilities that are part of the Company's operations, taking into account the time value of money and the uncertainties associated with them.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow or fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposure.

Risk management is carried out by the Group's central treasury department. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for risk management, as well as for specific areas.

(a) Market risk

(i) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short term and long term borrowing and temporary cash investments substantially linked to interbank deposit certificate (CDI) floating rates.

The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into

consideration refinancing and the renewal of existing positions. Based on this evaluation, the Group monitors the risk of significant changes in interest rates and calculates the impact on income.

(b) Credit risk

Credit risk is managed at a Group level. Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and other financial institutions, as well as from exposure to student credit, including outstanding accounts receivable.

The sales policy of the Company and its subsidiary companies is directly related to the level of credit exposure experienced in the course of its business. Enrollment for the next semester is not permitted if a student is in default with the institution. In order to minimize the effects of defaults on its accounts receivable, the Company has diversified its receivables portfolio, has selection procedures in place for its students and follows up on due dates. In the segment of on-campus higher education, a substantial portion of the Company's credits is guaranteed by the Higher Education Student Financing Program (*Programa de Financiamento ao Estudante de Ensino Superior* or FIES).

The Company sets up Allowance for doubtful accounts to cover credit risk, including the possible risk of default on the unguaranteed portion of the debt of the students who benefit from FIES. This credit analysis considers the credit quality of the students based on their payment history, the duration of their relationship with the institution and their default situation (SPC and Serasa).

Management monitors specific credit risks and does not expect any losses due to defaults by counterparties additional to the amounts already provided for in Note 9 (e), which reflect the changes in the Allowance for doubtful accounts in the period.

With respect to credit risk related to financial institutions, the Company and its subsidiaries act in accordance with their financial policy, which establishes that cash and cash equivalent amounts and securities should be invested with financial institutions and investment funds with minimum BBB credit risk in accordance with ratings from Standard & Poor's - brBBB, Fitch Ratings – BBB(br) and Moody's – Baa1.br.

(c) Liquidity risk

Liquidity risk is the risk of the Company not having sufficient funds to meet its financial commitments, on account of mismatches in maturities or volumes between expected revenue and payments.

Assumptions regarding future disbursements and receipts are made in order to manage cash liquidity and are monitored daily by the treasury department.

The following table gives a breakdown of financial liabilities, grouped according to their due dates, for the remaining period from the balance sheet date to their contracted maturities. The amounts shown in the table represent the contractual undiscounted cash flow.

	Parent Company			
	Up to one year	Between one and two years	Between two and five years	More than five years
At December 31, 2016				
Borrowing	53,257	43,012	80,087	16,821
Debentures	43,495	42,168	66,827	
Leases	22,426	22,426	67,278	228,042
Commitments payable	2,132			
	121,310	107,606	214,192	244,863
At December 31, 2015				
Borrowing	40,977	46,171	72,423	63,881
Debentures	5,034	35,140	84,338	28,171
Leases	22,428	44,856	67,284	228,031
Commitments payable	6,019	244		
	74,458	126,411	224,045	320,083

	Consolidated			
	Up to one year	Between one and two years	Between two and five years	More than five years
At December 31, 2016				
Borrowing	55,764	43,626	80,087	16,821
Debentures	43,495	42,168	66,827	
Leases	38,998	38,998	116,994	434,394
Commitments payable	75,627	37,742	81,826	
	213,884	162,534	345,734	451,215
At December 31, 2015				
Borrowing	64,796	68,043	109,159	69,454
Debentures	5,034	35,140	84,338	28,171
Leases	39,000	78,000	117,000	434,383
Commitments payable	61,736	45,819	120,468	
	170,566	227,002	430,965	532,008

(d) Regulatory risk

The analysis of regulatory risks in the education sector serves as a decision-making instrument for the supporting entity, aiming to improve the institution's performance by identifying opportunities of gains and reductions in the probability and impact of losses.

The Company periodically analyzes regulatory risks, mainly (i) the reduction or loss of places related to FIES, (ii) the extinction of PROUNI and (iii) the revocation of accreditation of maintenances and/or courses, aiming to mitigate or minimize their impact, and it does not expect any losses from changes in the regulatory environment.

4.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistently with others in the industry, the Group monitors its capital on the basis of the leveraging ratio. This ratio corresponds to the net debt expressed as a percentage of the sum of net debt and equity. Net debt is calculated as total borrowing (including short- and long term borrowing as shown in the consolidated balance sheet) less cash and cash equivalents and marketable securities.

The leveraging ratios at December 31, 2016 and 2015 were as follows:

	Consolidated	
	December 31, 2016	**December 31, 2015**
Total bank borrowing	196,298	230,041
Total debentures	152,490	152,683
Total commitments payable	168,935	180,411
Cash and cash equivalents	(62,036)	(69,999)
Marketable securities	(337,547)	(213,135)
Net debt	118,140	280,001
Total equity	950,400	757,233
Equity plus net debt (total capital)	1,068,540	1,037,234
Financial leverage ratio	11%	27%

Below, we present the adjusted financial leverage ratios, considering FIES credits in installments (Note 9(b)) as a liquidity item because this receivable results from a judicial settlement:

	Consolidated	
	December 31, 2016	**December 31, 2015**
Total bank borrowing	196,298	230,041
Total debentures	152,490	152,683
Total commitments payable	168,935	180,411
Cash and cash equivalents	(62,036)	(69,999)
Marketable securities	(337,547)	(213,135)
FIES credits in installments	(190,498)	(249,149)
Net debt /(cash)	(72,358)	30,852
Total equity	950,400	757,233
Equity plus net debt (total capital)	950,400	788,085
Financial leverage ratio	Not Applicable	4%

In this context, on December 31, 2016, the Company recorded net cash.

4.3 Additional sensitivity analysis required by the Brazilian Securities and Exchange Commission (CVM)

CVM Deliberation 550 of October 17, 2008, provides that publicly held companies must issue explanatory notes with specific qualitative and quantitative information on all their financial instruments, whether or not they are recognized as assets or liabilities in the balance sheet.

The Group's financial instruments consist of cash and cash equivalents, accounts receivable and payable, judicial deposits and borrowing, and are recorded at cost adjusted by revenue or charges incurred, which was close to their market value at December 31, 2016 and December 31, 2015. The principal risks underlying the Group’s operations are linked to changes in the CDI rate.

CVM Instruction No. 475 of December 17, 2008 provides that specific information on financial instruments must be shown in an explanatory note, and that a table must be included giving details of the sensitivity analysis.

Borrowing operations are shown at values approximating the market values of the corresponding financial instruments. Investments in CDIs are recorded at market value, based on the prices issued by the corresponding financial institutions, and other investments relate mainly to bank certificates of deposit, buyback operations and investment funds, where the book value is the same as the market value.

Different scenarios were used to verify the Company's sensitivity to the index on the base date of December 31, 2016, using the latest interest rates and indicators of accumulated inflation over the last twelve months (Scenario I); variations of 25% (Scenario II) and 50% (Scenario III) were calculated on this basic rate, reflecting the increase and decline of the indices.

For each scenario, the net position (financial income less financial expenses) was calculated, excluding tax effects. The base date used was December 31, 2016, with a projection period of one year. The sensitivity of the CDI rate, the official long term interest rate (TJLP), and the IGP-M was tested for each scenario.

		Index increase scenario		
Operations	**Risk**	**(I)**	**(II)**	**(III)**
Assets				
Financial investments	CDI	13.63%	17.04%	20.45%
56,905		7,756	9,695	11,634
Marketable securities	CDI	13.63%	17.04%	20.45%
337,547		46,008	57,510	69,011
Liabilities				
Financing - working capital	CDI	13.63%	17.04%	20.45%
51,874		7,070	8,838	10,606
FINAME	TJLP	7.50%	9.38%	11.25%
16,693		1,252	1,565	1,878
IFC	CDI	13.63%	17.04%	20.45%
122,670		16,720	20,900	25,080
Debentures	CDI	13.63%	17.04%	20.45%
152,490		20,784	25,980	31,177
Commitments payable	CDI	13.63%	17.04%	20.45%
41,670		5,680	7,100	8,519
Commitments payable	IGP-M	7.19%	8.99%	10.79%
127,265		9,150	11,438	13,726
Net position		6,893	8,616	10,339

		Index decrease scenario		
Operations	**Risk**	**(I)**	**(II)**	**(III)**
Assets				
Financial investments	CDI	13.63%	10.22%	6.82%
56,905		7,756	5,817	3,878
Marketable securities	CDI	13.63%	10.22%	6.82%
337,547		46,008	34,506	23,004
Liabilities				
Financing - working capital	CDI	13.63%	10.22%	6.82%
51,874		7,070	5,303	3,535
FINAME	TJLP	7.50%	5.63%	3.75%
16,693		1,252	939	626
IFC	CDI	13.63%	10.22%	6.82%
122,670		16,720	12,540	8,360
Debentures	CDI	13.63%	10.22%	6.82%
152,490		20,784	15,588	10,392
Commitments payable	CDI	13.63%	10.22%	6.82%
41,670		5,680	4,260	2,840
Commitments payable	IGP-M	7.19%	5.39%	3.60%
127,265		9,150	6,863	4,575
Net position		6,893	5,170	3,446

Considering the economic projections disclosed by the government, which include a decline in the official interest and inflation rates, and supported by the opinion of financial market economists, the Company believes Scenario II of index decrease, to be the most likely one.

Section C – Segment reporting

5 Evaluation of information by segment

Since its activities are concentrated in on-campus higher education, the Group is organized into a single business unit. The courses offered by the Group, although intended for a diverse customer audience, are not monitored and managed by Management as independent segments. The results of the Group are monitored and assessed as an integrated whole.

Section D – Group structure

6 Subsidiaries

The consolidated financial statements include the operations of the Group and of the following subsidiary companies, which are shown with a summary of the Company's interest in each of them:

	Direct %		Indirect %	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Instituto Campinense de Ensino Superior Ltda	99.99	99.99	100.00	100.00
União de Ensino Superior do Pará – UNESPA (i)			100.00	100.00
Instituto Santareno de Educação Superior – ISES (i)			100.00	100.00
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	99.99	100.00	100.00
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	99.99	99.99	100.00	100.00
Centro de Educação Profissional BJ Ltda.	99.99	99.99	100.00	100.00
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	99.99	99.99	100.00	100.00
Sociedade Educacional Carvalho Gomes Ltda.	99.99	99.99	100.00	100.00
CENESUP - Centro Nacional de Ensino Superior Ltda.	99.99	99.99	100.00	100.00
Sociedade Paulista de Ensino e Pesquisa S/S Ltda. (ii)			100.00	100.00
Sociedade Universitária Mileto Ltda. (ii)			100.00	100.00
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99.99	99.99	100.00	100.00
Educred - Administradora de Crédito Educativo e Cobrança Ltda.	99.99	99.99	100.00	100.00
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	99.99	100.00	100.00
Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda - SESPS	99.99	99.99	100.00	100.00
Faculdade Maurício de Nassau de Belém Ltda	99.99	99.99	100.00	100.00
Centro de Ensino Superior Piauiense - CESP	99.99	99.99	100.00	100.00
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	99.99	99.99	100.00	100.00
Sociedade de Ensino Superior Piauiense Ltda.	99.99	99.99	100.00	100.00
Uninassau Participações S.A.	99.99	99.99	100.00	100.00
Nassau Escola de Aviação Civil Ltda.	99.99	99.99	100.00	100.00
Instituto de Ensino Superior Juvêncio Terra Ltda.	99.99	99.99	100.00	100.00
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda	99.99	99.99	100.00	100.00
Faculdade Joaquim Nabuco de Olinda Ltda	99.99	99.99	100.00	100.00

(i) União de Ensino Superior do Pará (UNESPA) and Instituto Santareno de Educação Superior (ISES) are indirect subsidiaries of the Company through Instituto Campinense de Ensino Superior Ltda.
(ii) Sociedade Paulista de Ensino e Pesquisa S/S Ltda. and Sociedade Universitária Mileto Ltda. are indirect subsidiaries of the Company through Centro Nacional de Ensino Superior Ltda. (CENESUP).

The period covered by the financial statements of the subsidiaries included in the consolidation is the same as that of the parent company. Uniform accounting policies were applied to all of the companies consolidated, and they are consistent with those used for the previous year.

The consolidation process of the balance sheet and income accounts corresponds to the sum of the balances of assets, liabilities, revenue and expenses, as appropriate, eliminating transactions between the consolidated companies. In the case of income accounts, the amounts are consolidated only from the date on which control was acquired by the Company.

(a) Investments (parent company)

	Direct interest	Indirect interest	Equity	Equity in subsidiaries	12/31/2016 Investment amount	12/31/2016 Goodwill (Note 11(c))	12/31/2016 Total
Direct subsidiaries							
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	99.99	100.00	10,758	4,152	10,758	4,140	14,898
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99.99	100.00	309	89	309		309
CENESUP - Centro Nacional de Ensino Superior Ltda.	99.99	100.00	93,756	23,204	93,756		93,756
Educred - Administradora de Crédito Educativo e Cobrança Ltda.	99.99	100.00	2,123	999	2,123		2,123
Sociedade Educacional Carvalho Gomes Ltda.	99.99	100.00	24,971	14,175	24,971	4,362	29,333
Instituto Campinense de Ensino Superior Ltda	99.99	100.00	217,121	101,502	217,121		217,121
Centro de Educação Profissional BJ Ltda.	99.99	100.00	1,834	3,355	1,834		1,834
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	99.99	100.00	29,392	17,596	29,392	5,125	34,517
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	100.00	49,642	5,395	49,642	8,405	58,047
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	100.00	1,014	(2,153)	1,014		1,014
Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda - SESPS	99.99	100.00	37,665	2,816	38,188	1,043	39,231
Faculdade Maurício de Nassau de Belém Ltda	99.99	100.00	21,947	23,245	23,208	959	24,167
Centro de Ensino Superior Piauiense - FAP Teresina	99.99	100.00	9,317	9,872	12,798	8,662	21,460
Centro Integrado de Educação Superior do Piauí Ltda. - FAP Aliança	99.99	100.00	8,794	11,142	8,794		8,794
Sociedade de Ensino Superior Piauiense Ltda. - Fap Parnaíba	99.99	100.00	12,435	14,461	16,825	5,360	22,185
Uninassau Participações S.A.	99.99	99.99					
Nassau Escola de Aviação Civil Ltda.	99.99	100.00				120	120
Instituto de Ensino Superior Juvêncio Terra Ltda.	99.99	100.00	4,408	691	6,868	573	7,441
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda. - FAL	99.99	100.00	1,338	(811)	1,338	2,232	3,570
Faculdade Joaquim Nabuco de Olinda Ltda. - FASE	99.99	100.00	3,078	(2,082)	6,018	3,521	9,539
Acquisition of operating licenses							
Faculdade Decisão - FADE				(20)	2,260	1,028	3,288
Faculdades COC de Maceió - FACOCMA				(600)	1,800		1,800
Total direct subsidiaries			529,902	227,028	549,017	45,530	594,547
Indirect subsidiaries							
União de Ensino Superior do Pará - UNAMA		100.00	58,824	60,362	117,224	92,134	209,358
Instituto Santareno de Educação Superior - FIT		100.00	8,362	5,480	16,662	5,320	21,982
Sociedade Paulista de Ensino e Pesquisa S/S Ltda. - UNG		100.00	24,527	11,073	138,127	43,591	181,718
Sociedade Universitária Mileto Ltda. - FAMIL		100.00	818	207	5,318	1,346	6,664
Total indirect subsidiaries			92,531	77,122	277,331	142,391	419,722
Total goodwill						187,921	

					12/31/2015		
	Direct interest	Indirect interest	Equity	Equity in subsidiaries	Investment amount	Goodwill (Note 11(c))	Total
Direct subsidiaries							
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	99.99	100.00	6,103	(675)	6,103	4,140	10,243
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99.99	100.00	222	76	222		222
CENESUP - Centro Nacional de Ensino Superior Ltda.	99.99	100.00	85,620	21,355	85,620		85,620
Educred - Administradora de Crédito Educativo e Cobrança Ltda.	99.99	100.00	2,142	1,683	2,142		2,142
Sociedade Educacional Carvalho Gomes Ltda.	99.99	100.00	23,869	9,350	23,869	4,362	28,231
Instituto Campinense de Ensino Superior Ltda	99.99	100.00	186,025	68,183	186,025		186,025
Centro de Educação Profissional BJ Ltda.	99.99	100.00	1,421	2,112	1,421		1,421
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	99.99	100.00	30,225	17,562	30,225	5,125	35,350
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	100.00	45,769	(737)	45,769	8,405	54,174
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	100.00	646	1,201	646		646
Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda - SESPS	99.99	100.00	25,895	(2,812)	26,562	1,043	27,605
Faculdade Maurício de Nassau de Belém Ltda	99.99	100.00	22,030	10,886	23,291	959	24,250
Centro de Ensino Superior Piauiense - FAP Teresina	99.99	100.00	8,626	6,257	12,208	8,662	20,870
Centro Integrado de Educação Superior do Piauí Ltda. - FAP Aliança	99.99	100.00	8,492	6,799	8,492		8,492
Sociedade de Ensino Superior Piauiense Ltda. - Fap Parnaíba	99.99	100.00	12,301	10,510	16,830	5,360	22,190
Uninassau Participações S.A.	99.99	99.99					
Nassau Escola de Aviação Civil Ltda.	99.99	100.00				120	120
Instituto de Ensino Superior Juvêncio Terra Ltda.	99.99	100.00	3,377	(2,371)	5,857	573	6,430
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda. - FAL	99.99	100.00	1,358	(1,377)	1,358	2,232	3,590
Faculdade Joaquim Nabuco de Olinda Ltda. - FASE	99.99	100.00	3,370	(1,623)	6,390	3,521	9,911
Acquisition of operating licenses							
Faculdade Decisão - FADE				(20)	2,280	1,028	3,308
Faculdades COC de Maceió - FACOCMA				(700)	2,300		2,300
Total direct subsidiaries			467,491	145,600	487,610	45,530	533,140
Indirect subsidiaries							
União de Ensino Superior do Pará - UNAMA		100.00	36,580	38,931	94,980	92,135	149,639
Instituto Santareno de Educação Superior - FIT		100.00	523	(512)	8,823	5,320	12,476
Sociedade Paulista de Ensino e Pesquisa S/S Ltda. - UNG		100.00	11,877	7,580	125,477	42,622	155,574
Sociedade Universitária Mileto Ltda. - FAMIL		100.00	(2)	346	(2)	5,840	5,838
Total indirect subsidiaries			48,978	46,345	229,278	145,917	323,527
Total goodwill						191,447	

(b) Changes in investments in subsidiaries (parent company)

	Parent Company	
	December 31, 2016	December 31, 2015
At the beginning of the year	533,140	400,625
Capital increase	27,187	80,770
Interest in the profits of subsidiaries	227,028	145,660
Distribution of profits from subsidiaries	(194,421)	(93,274)
Business combinations		(829)
Other	1,613	188
At the end of the year	594,547	533,140

In July 2016, the Company homologated the capital increase of the subsidiaries by using current account balances. On the same date, it approved the distribution of the profits of subsidiaries through the offsetting of current account balances with them. The amounts capitalized and distributed are as follows:

Subsidiary	Capital Increase	Distribution of dividends
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	476	
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	11	(18,439)
Instituto Campinense de Ensino Superior Ltda	21	(70,438)
Instituto de Ensino Superior Juvêncio Terra Ltda.	320	
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda	791	
Faculdade Joaquim Nabuco de Olinda Ltda	1,474	
Sociedade de Ensino e Pesquisa de Sergipe - SESPS	8,809	
CENESUP - Centro Nacional de Ensino Superior Ltda.	10,707	(26,132)
ABES - Sociedade Baiana de Ensino Superior Ltda.	2,856	(4,376)
Sociedade Educacional Carvalho Gomes Ltda.	8	(13,077)
Faculdade Maurício de Nassau de Belém Ltda	64	(23,388)
Centro de Ensino Superior Piauiense - CESP		(9,279)
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	20	(10,972)
Sociedade de Ensino Superior Piauiense Ltda.	9	(14,361)
Centro de Educação Continuada Maurício de Nassau Ltda.	1,621	
EDUCRED - Adm de Crédito Educ. e Cobrança		(1,016)
Centro de Educação Profissional BJ Ltda.		(2,943)
Total 2016	27,187	(194,421)
Total 2015	80,770	(93,274)

Section E – Selected significant notes

7 Financial instruments by category

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Loans and receivables				
Cash and cash equivalents	1,190	2,829	5,131	7,945
Accounts receivable - students	147,630	140,304	405,256	381,353
Related parties		16,323		
	148,820	159,456	410,387	389,298
Measured at fair value				
Cash and cash equivalents	53,287	59,710	56,905	62,054
Marketable securities	337,547	213,135	337,547	213,135
	390,834	272,845	394,452	275,189
	539,654	432,301	804,839	664,487
Financial liabilities recorded at amortized cost				
Borrowing	193,177	223,452	196,298	230,041
Debentures	152,490	152,683	152,490	152,683
Leases	144,143	147,512	249,535	254,225
Related parties	11,191	2,320		
Suppliers	12,805	9,634	29,734	18,219
Commitments payable	2,132	6,263	168,935	180,411
	515,938	541,864	796,992	835,579

The fair value of the financial instruments approximates their carrying amounts.

8 Cash and cash equivalents and securities

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Cash	55	42	171	125
Banks - current account	1,135	2,787	4,960	7,820
Financial investments	53,287	59,710	56,905	62,054
Cash and cash equivalents	54,477	62,539	62,036	69,999
Financial investments	337,547	213,135	337,547	213,135
Marketable securities	337,547	213,135	337,547	213,135
Total	392,024	275,674	399,583	283,134

Cash and cash equivalents consist of the Company's cash on hand, deposits in banks and short term financial investments with daily liquidity, maintained to meet short term commitments and not for investment or other purposes, and that are readily convertible into a known amount of cash and subject to an immaterial risk of changes in value.

Financial investments comprise: fixed income investment funds, which are conservative, with securities indexed to the DI rate and portfolios mostly invested in government bonds and securities issued by financial institutions; repo agreements backed by debentures, belonging to the portfolio of financial institutions, without risk to the group; and Bank Deposit Certificates (CDBs), which are securities issued by financial institutions, all of which are presented below:

		Parent Company		Consolidated	
Type	Remuneration	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Buyback oper.	From 99.2% to 100% of CDI	36,547	52,664	39,520	54,096
CDB	From 100.0% to 100.7% of CDI	16,740	7,046	17,385	7,958
	Financial investments	53,287	59,710	56,905	62,054
Buyback oper.	From 99.5% to 102% of CDI	192,800	213,135	192,800	213,135
Investment Funds	From 100.33% to 101.80% of CDI - 12M	144,747		144,747	
	Marketable securities	337,547	213,135	337,547	213,135

9 Accounts receivable – students

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Students' tuition (a)	26,221	18,099	84,309	69,965
FIES receivable (b)	107,731	108,532	281,518	285,311
PRONATEC	4,174	6,707	5,474	10,023
Agreements receivable (c)	16,743	14,597	60,889	46,789
Educational credits receivable (d)	5,714	6,079	10,799	9,020
Other	1,886	1,604	6,880	5,988
Total	162,469	155,618	449,869	427,096
(-) Allowance for doubtful accounts (e)	(14,839)	(15,314)	(44,613)	(45,743)
	147,630	140,304	405,256	381,353
(-) Current	(95,154)	(65,919)	(272,773)	(192,251)
Noncurrent	52,476	74,385	132,483	189,102

Non-current receivables refer to educational credits receivable and the renegotiated FIES balance, as per Note 9 (b), with terms over 365 days.

(a) Student tuition

At December 31, 2016 and 2015, the maturity analysis of student tuition is as follows:

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Overdue up to 30 days	6,563	3,057	18,639	12,091
Overdue from 31 to 60 days	4,474	2,490	14,472	9,867
Overdue from 61 to 90 days	4,141	2,420	13,245	8,972
Overdue from 91 to 180 days	5,189	3,492	18,015	12,601
Overdue more than 180 days	5,854	6,640	19,938	26,434
	26,221	18,099	84,309	69,965

(b) FIES receivable

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Credit amounts in installments (i)	75,211	96,591	190,498	249,149
Credit amounts not in installments (ii)	32,520	11,941	91,020	36,162
FIES credits receivable	107,731	108,532	281,518	285,311
(-) Current	(57,622)	(36,925)	(154,605)	(100,606)
Non-current	50,109	71,607	126,913	184,705

Educational credits receivable (the FIES system) represent educational credits the financing of which is contracted by the students with Caixa Econômica Federal (CEF) and the National Fund for Education Development (FNDE). The financial resources are transferred monthly from CEF and Banco do Brasil to a specific bank account, and are used for the payment of withheld social security contributions – "INSS" on salaries of Company employees, and are also converted into cash by means of auctions of National Treasury Bonds.

(i) On February 3, 2016, the Company signed the court settlement agreement entered into between the higher education institution (IES) members of the Brazilian Association for the Development of Higher Education and the Federal Government in order to receive the FIES credits not settled by the FNDE during 2015. The amounts will be received in three annual installments maturing up to June of each year, restated based on the IPCA variation from the date of maturity in 2015 up to actual receipt. The first transfer was made in June 2016, and funds were actually available in the bank account in August 2016. After the process of repurchasing the notes issued by the FNDE (CFTEs), a statement was provided detailing the calculation of the monetary restatement for each student, resulting in the revision and adjustment of the calculations made by the Company.

(ii) Refer to FIES installments pending transfer by the government, basically comprising a portion of the tuition fees for November and December 2016.

The balances of the parent company and the consolidated at December 31, 2015 are presented net of adjustments to present value of R$4,725 and R$12,187 respectively. The table below shows the restated amount of the installments in accordance with their maturities:

	Parent Company	Consolidated
December/2015	96,591	249,149
FIES loans received	(25,259)	(63,961)
Restatement	8,707	22,310
Reclassification (*)	(4,828)	(17,000)
December/2016	75,211	190,498
(-) Current	(25,102)	(63,585)
Non-current	50,109	126,913

(*) Refers to the amounts in the initial base which were not part of the agreement and were identified after an analysis of the data provided by the government, and which were reclassified and received in the regular flow of the first semester of 2016.

(c) Receivable agreements

The Company' management imposes strict criteria preventing debt rollover from one semester to the next. The Company offers many different forms and means of payment to students; however, it considers the respective credit limits for each student, and, if necessary, requests the assignment of a guarantor for the credit granted. At December 31, 2016 and 2015, the analysis of the balance due from agreements to be received is as follows:

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Falling due	3,704	3,416	14,923	14,872
Overdue up to 30 days	2,255	1,724	8,092	5,847
Overdue from 31 to 60 days	1,936	1,462	7,035	4,702
Overdue from 61 to 90 days	1,670	1,503	6,157	4,456
Overdue from 91 to 180 days	3,605	2,947	12,258	8,395
Overdue more 180 days	3,573	3,545	12,424	8,517
	16,743	14,597	60,889	46,789

(d) Educational credits

Other educational credits receivable include those from Fundação Aplub de Crédito Educativo and Educred. These offer financing for students are subject to approval by the Company and are recorded at their current value. These financial resources will be transferred to the Company and its subsidiaries after the graduation of the respective students.

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Educational credit receivable				
Fundaplub and Educred	5,714	6,079	10,799	9,020
	5,714	6,079	10,799	9,020
(-) Current	(3,347)	(3,301)	(5,229)	(4,623)
Non-current	2,367	2,778	5,570	4,397

At December 31, 2016 and 2015, the maturity of educational credits receivable was as follows:

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Falling due	4,476	5,050	8,879	7,390
Overdue up to 30 days	193	159	331	254
Overdue from 31 to 60 days	138	115	208	184
Overdue from 61 to 90 days	107	107	169	153
Overdue from 91 to 180 days	300	257	466	407
Overdue more than 180 days	500	391	746	632
	5,714	6,079	10,799	9,020

(e) Allowance for doubtful accounts

The Allowance for doubtful accounts considers notes overdue for more than 180 days, considering the semester cycle of registration, except for educational credits from programs with the federal government. The Allowance for doubtful accounts is made at an amount considered adequate by management to cover losses from payment of tuition fees, negotiation to be received and other assets receivable, considering any objective evidence of losses incurred.

The Allowance for doubtful accounts for students who have FIES educational credit was calculated as follows:

(i) For FIES students with guarantors and without the Guarantee Fund for Educational Credit Operations (FGEDUC): provision was set up for 4.05% of the accounts receivable, based on an assumption of 15% credit risk and 27% risk of default.
(ii) For financing guaranteed by FGEDUC: for the non-covered risk provision was made for the 10% of supporting entities' responsibility on the 15% credit risk, based on an estimate of 27% default, that is 0.405%.

In addition to the policy mentioned above, the Company has carried out a detailed analysis of accounts receivable and no unrecoverable items have been identified. The Company writes off notes past due for more than 360 days, considered non-collectible, on a quarterly basis.

Changes in the Allowance for doubtful accounts related to accounts receivable from Company students are as follows:

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
At the beginning of the year	15,314	9,794	45,743	27,744
Write-off of uncollectible/renegotiated receivables	(14,503)	(9,578)	(49,862)	(29,660)
Provision for doubtful accounts	14,028	15,098	48,732	47,659
At the end of the year	14,839	15,314	44,613	45,743

There are also amounts overdue for less than 181 days which do not satisfy the criteria for provision, and are, therefore, not yet subject to provisioning for losses, as follows:

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Overdue up to 30 days	9,011	4,940	27,062	18,192
Overdue from 31 to 60 days	6,548	4,067	21,715	14,753
Overdue from 61 to 90 days	5,918	4,030	19,571	13,581
Overdue from 91 to 180 days	9,094	6,696	30,739	21,403
	30,571	19,733	99,087	67,929

10 Taxes recoverable and payable

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Taxes recoverable (Current)				
Income tax and social contribution for offset	3,699	1,522	4,721	3,052
Service tax (ISS)	1,521	520	4,170	1,734
PIS and COFINS for offset	1,090	1,484	1,786	2,441
Other	9	8	81	81
	6,319	3,534	10,758	7,308
Taxes payable				
Withholding income tax (IRRF)	1,362	1,054	6,125	6,200
ISS	1,871	1,768	6,628	7,789
PIS and COFINS	264	113	559	1,105
Taxes payable in installments	1,526	139	2,488	705
Municipal Real Estate Tax (IPTU)			30	23
Other	70	64	451	718
	5,093	3,138	16,281	16,540
(-) Current	(3,993)	(3,010)	(14,620)	(16,209)
Noncurrent	1,100	128	1,661	331

11 Intangible assets

(a) Parent company

	Trademarks and patents	Software licenses and deployment	Operating licenses	Agreements	Portfolio of students	Digital content	Going concern value	Total
At December 31, 2015								
Opening balance	531	7,517	2,406	2,005		432	359	13,250
Acquisitions	7	9,053	1,754	709		2,564	538	14,625
Amortization		(2,612)	(1,330)	(12)		(272)		(4,226)
Carrying amount, net	538	13,958	2,830	2,702		2,724	897	23,649
At December 31, 2015								
Cost	538	20,560	5,773	3,624	828	3,186	897	35,406
Accumulated amortization		(6,602)	(2,943)	(922)	(828)	(462)		(11,757)
Carrying amount, net	538	13,958	2,830	2,702		2,724	897	23,649
At December 31, 2016								
Opening balance	538	13,958	2,830	2,702		2,724	897	23,649
Acquisitions	29	5,628	2,877	1,275		2,821	1,232	13,862
Write-offs			(814)					(814)
Amortization		(4,312)	(1,512)	(65)		(815)	(312)	(7,016)
Carrying amount, net	567	15,274	3,381	3,912		4,730	1,817	29,681
At December 31, 2016								
Cost	567	26,188	7,836	4,899	828	6,007	2,129	48,454
Accumulated amortization		(10,914)	(4,455)	(987)	(828)	(1,277)	(312)	(18,773)
Carrying amount, net	567	15,274	3,381	3,912		4,730	1,817	29,681
Amortization annual average rates %		20	33	25	25	20	20	

(b) Consolidated

	Trademarks and patents	Software licenses and deployment	Operating licenses	Agreements	Portfolio of students	Digital content	Going concern value	Goodwill	Intangible assets identified on acquisitions	Total
At December 31, 2015										
Opening balance	573	7,910	5,423	2,051	197	433	359	133,741	91,128	241,815
Acquisitions	7	10,408	13,628	727		2,562	556	57,706	113,600	199,194
Acquisitions arising from business combinations		751								751
Accumulated amortization arising from business combinations		(13)								(13)
Amortization		(3,112)	(3,132)	(12)		(272)			(3,113)	(9,641)
Carrying amount, net	580	15,944	15,919	2,766	197	2,723	915	191,447	201,615	432,106
At December 31, 2015										
Cost	580	27,984	22,045	3,688	1,025	3,185	915	191,447	204,728	455,597
Accumulated amortization		(12,040)	(6,126)	(922)	(828)	(462)			(3,113)	(23,491)
Carrying amount, net	580	15,944	15,919	2,766	197	2,723	915	191,447	201,615	432,106
At December 31, 2016										
Opening balance	580	15,944	15,919	2,766	197	2,723	915	191,447	201,615	432,106
Acquisitions	30	5,898	4,255	1,342		2,821	1,232	974		16,552
Reclassifications arising from business combinations								(4,500)	4,500	
Write-offs			(932)							(932)
Amortization		(4,867)	(3,185)	(71)		(815)	(316)		(3,627)	(12,881)
Carrying amount, net	610	16,975	16,057	4,037	197	4,729	1,831	187,921	202,488	434,845
At December 31, 2016										
Cost	610	33,882	25,368	5,030	1,025	6,006	2,147	187,921	209,228	471,217
Accumulated amortization		(16,907)	(9,311)	(993)	(828)	(1,277)	(316)		(6,740)	(36,372)
Carrying amount, net	610	16,975	16,057	4,037	197	4,729	1,831	187,921	202,488	434,845
Amortization annual average rates %		20	33	25	25	20	20		20	

(c) Goodwill

At December 31, 2016 and 2015, goodwill recorded on the acquisition of investments was as follows:

	December 31, 2016	December 31, 2015
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	4,140	4,140
ABES - Sociedade Baiana de Ensino Superior Ltda.	8,405	8,405
Sociedade Educacional Carvalho Gomes Ltda.	4,362	4,362
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	5,125	5,125
Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda - SESPS	1,043	1,043
Faculdade Maurício de Nassau de Belém Ltda	959	959
Centro de Ensino Superior Piauiense - CESP	8,662	8,662
Sociedade de Ensino Superior Piauiense	5,360	5,360
Nassau Escola de Aviação Civil Ltda.	120	120
Faculdade Decisão - FADE	1,028	1,028
Instituto de Ensino Superior Juvêncio Terra Ltda.	573	573
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda	2,232	2,232
União de Ensino Superior do Pará – UNESPA	92,135	92,135
Instituto Santareno de Educação Superior – ISES	5,320	5,320
Sociedade Paulista de Ensino e Pesquisa S/S Ltda. (i)	43,590	42,622
Faculdade Joaquim Nabuco de Olinda Ltda	3,521	3,521
Sociedade Universitária Mileto Ltda(i)	1,346	5,840
	187,921	191,447

The goodwill recorded on the acquisition of investments has an indefinite useful life, and is therefore tested for impairment on an annual basis. See item (e) to this Note.

(i) Changes in goodwill that occurred between December 31, 2015 and December 31, 2016 were due to variations in preliminary assessments of liabilities assumed on the acquisition of UNG, and on the reclassification of intangibles identified on the acquisition of FAMIL. These adjustments occurred within the purchase price revision period provided for in the business combination.

(d) Intangible assets identified on acquisitions

At December 31, 2016 and 2015, intangible assets identified on investment acquisitions were as follows:

	December 31, 2016				December 31, 2015			
	Course licenses (i)	Brands (ii)	Portfolio of students (ii)	Total	Course licenses (i)	Brands (ii)	Portfolio of students (ii)	Total
Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda - SESPS	667			667	667			667
Faculdade Maurício de Nassau de Belém Ltda	1,261			1,261	1,261			1,261
Centro de Ensino Superior Piauiense - CESP	4,404	508		4,912	4,404	508		4,912
Sociedade de Ensino Superior Piauiense Ltda.	5,996	692		6,688	5,996	692		6,688
Faculdade Decisão - FADE	2,200	100		2,300	2,200	100		2,300
Instituto de Ensino Superior Juvêncio Terra Ltda.	2,400	100		2,500	2,400	100		2,500
Faculdades COC de Maceió - FACOCMA	3,000			3,000	3,000			3,000
Faculdade Joaquim Nabuco de Olinda Ltda	2,700	400		3,100	2,700	400		3,100
União de Ensino Superior do Pará – UNESPA	45,500	12,100	800	58,400	45,500	12,100	800	58,400
Instituto Santareno de Educação Superior – ISES	7,600	700		8,300	7,600	700		8,300
Sociedade Universitária Mileto Ltda	4,500			4,500				
Sociedade Paulista de Ensino e Pesquisa S/S Ltda.	90,600	17,400	5,600	113,600	90,600	17,400	5,600	113,600
Total	170,828	32,000	6,400	209,228	166,328	32,000	6,400	204,728
Accumulated amortization	(1,383)	(2,830)	(2,527)	(6,740)	(619)	(1,367)	(1,127)	(3,113)
	169,445	29,170	3,873	202,488	165,709	30,633	5,273	201,615

(i) The course licenses acquired through business combinations are recognized initially at fair value. These intangible assets identified on acquisitions have indefinite useful lives and are subject to annual impairment tests.

(ii) Brands and portfolios of students acquired through business combinations are recognized initially at fair value. These intangible assets identified on acquisitions have defined useful lives and are subject to amortization.

(e) Impairment of goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets identified with indefinite useful lives are allocated to CGUs identified in accordance with the respective units that benefit from the transaction and that do not generate economic benefits to the Group.

The recoverable amount of a CGU is determined based on calculations of the value in use. Those calculations use estimates of cash flow, before income tax (IRPJ) and social contribution (CSLL), based on financial assumptions approved by management. The amounts concerning the cash flow subsequent to the five-year period are extrapolated based on the estimated growth rates shown below. The growth rate does not exceed the average long term growth rate for the sector in which a CGU operates.

(a) Budgeted gross margin: this relates to net revenue less personnel costs, rental costs, concessionaire costs, and service costs among other factors.

(b) Stable nominal growth rate, used to project perpetuity.

(c) Pre-tax discount rate applied to the cash flow projections based on the nominal weighted average cost of capital including the effects of inflation.

Management determines the budgeted gross margin based on past performance and on its market development expectations. The weighted average growth rates used are consistent with the estimates included in the reports of

the industry. The discount rate used corresponds to the rate before taxes and reflects the risks specific to the business, as follows:

	2016	2015
Gross margin (a)	57.98%	55.6%
Growth rate (b)	5.46%	8.4%
Discount rate (c)	18.22%	17.1%

The asset impairment test performed on December 31, 2016 did not indicate the need to recognize losses.

12 Property and equipment

(a) Balance composition – parent company

	Computers	Buildings and improvements	Leased properties	Equipment and facilities	Vehicles and aircraft	Furniture and fittings	Books	Land	Total in operation	Construction in progress	Total property and equipment
At December 31, 2015											
Opening balance	11,356	120,926	126,989	17,201	25,775	9,486	14,274	3,797	329,804	23,209	353,013
Acquisitions	3,829	9,061		4,238	22	1,779	3,305		22,234	9,992	32,226
Reclassification		20,545							20,545	(20,545)	
Depreciation	(3,851)	(5,067)	(7,360)	(2,192)	(1,710)	(1,594)	(2,344)		(24,118)		(24,118)
Carrying amount, net	11,334	145,465	119,629	19,247	24,087	9,671	15,235	3,797	348,465	12,656	361,121
At December 31, 2015											
Cost	19,400	164,730	149,668	27,422	26,167	13,933	25,177	3,797	430,294	12,656	442,950
Accumulated depreciation	(8,066)	(19,265)	(30,039)	(8,175)	(2,080)	(4,262)	(9,942)		(81,829)		(81,829)
Carrying amount, net	11,334	145,465	119,629	19,247	24,087	9,671	15,235	3,797	348,465	12,656	361,121
At December 31, 2016											
Opening balance	11,334	145,465	119,629	19,247	24,087	9,671	15,235	3,797	348,465	12,656	361,121
Acquisitions	2,576	13,065		4,187	151	1,347	2,301		23,627	12,064	35,691
Transfers		7,116							7,116	(7,116)	
Reclassification	416	(20,768)		(416)				20,768		(1,006)	(1,006)
Cost write-offs	(1,099)								(1,099)		(1,099)
Write-off of depreciation	767								767		767
Depreciation	(3,586)	(5,993)	(7,361)	(2,593)	(1,753)	(1,519)	(2,131)		(24,936)		(24,936)
Carrying amount, net	10,408	138,885	112,268	20,425	22,485	9,499	15,405	24,565	353,940	16,598	370,538
At December 31, 2016											
Cost	21,293	164,143	149,668	31,193	26,318	15,280	27,478	24,565	459,938	16,598	476,536
Accumulated depreciation	(10,885)	(25,258)	(37,400)	(10,768)	(3,833)	(5,781)	(12,073)		(105,998)		(105,998)
Carrying amount, net	10,408	138,885	112,268	20,425	22,485	9,499	15,405	24,565	353,940	16,598	370,538
Amortization annual average rates %	20	4	4.3	10	7.0	10	20				

(b) Balance composition - consolidated

	Computers	Buildings and improvements	Leased properties	Equipment and facilities	Vehicles and aircraft	Furniture and fittings	Books	Land	Total in operation	Construction in progress	Total property and equipment
At December 31, 2014											
Opening balance	17,321	171,341	196,030	39,476	26,198	17,359	29,698	3,837	501,260	24,527	525,787
Acquisitions	7,106	33,743	36,911	14,367	65	4,934	6,258		103,384	16,043	119,427
Acquisitions arising from business combinations	944			9,178		883	2,870		13,875		13,875
Reclassification		23,022							23,022	(23,022)	
Accumulated depreciation arising from business combinations	(16)			(84)		(7)	(24)		(131)		(131)
Depreciation	(6,408)	(6,337)	(13,033)	(8,404)	(1,930)	(3,640)	(6,707)		(46,459)		(46,459)
Carrying amount, net	18,947	221,769	219,908	54,533	24,333	19,529	32,095	3,837	594,951	17,548	612,499
At December 31, 2015											
Cost	43,326	251,453	258,242	87,170	27,315	33,475	61,513	3,837	766,331	17,548	783,879
Accumulated depreciation	(24,379)	(29,684)	(38,334)	(32,637)	(2,982)	(13,946)	(29,418)		(171,380)		(171,380)
Carrying amount, net	18,947	221,769	219,908	54,533	24,333	19,529	32,095	3,837	594,951	17,548	612,499
At December 31, 2016											
Opening balance	18,947	221,769	219,908	54,533	24,333	19,529	32,095	3,837	594,951	17,548	612,499
Acquisitions	3,607	24,240		10,783	268	3,770	4,152		46,820	15,612	62,432
Transfers		7,812							7,812	(7,812)	
Reclassification	323	(20,768)		(323)				20,768		(2,640)	(2,640)
Cost write-offs	(1,114)				(212)				(1,326)		(1,326)
Write-off of depreciation	767				181				948		948
Depreciation	(5,857)	(9,688)	(12,800)	(8,528)	(1,855)	(3,027)	(5,641)		(47,396)		(47,396)
Carrying amount, net	16,673	223,365	207,108	56,465	22,715	20,272	30,606	24,605	601,809	22,708	624,517
At December 31, 2016											
Cost	46,142	262,737	258,242	97,630	27,371	37,245	65,665	24,605	819,637	22,708	842,345
Accumulated depreciation	(29,469)	(39,372)	(51,134)	(41,165)	(4,656)	(16,973)	(35,059)		(217,828)		(217,828)
Carrying amount, net	16,673	223,365	207,108	56,465	22,715	20,272	30,606	24,605	601,809	22,708	624,517
Amortization annual average rates %	20	4	4.3	10	7.5	10	20				

Investments in construction in progress mainly refer to the construction of the medical school building and the renovation of the Trianon block in Recife, and the renovation and construction of new blocks in the Fortaleza and Caruaru campuses.

(c) Other information

(c.i) Leased properties

The Company and the Group have lease agreements classified as finance leases under property and equipment, with a corresponding entry in liabilities, as follows:

			December 31, 2016		December 31, 2015
Type	Amortization term	Cost	Accumulated depreciation	Net balance	Net balance
Buildings - parent company	20 years	149,668	(37,400)	112,268	119,629
Buildings - consolidated	20 years	258,242	(51,134)	207,108	219,908

(c.ii) Guarantees

The Company has borrowing agreements (leases and FINAME financing) related to vehicles, aircraft, machinery and equipment and computer equipment, with a fiduciary lien on the assets acquired. At December 31, 2016, the parent company had R$ 30,279 (December 31, 2015 – R$ 31,941) and the consolidated Group had R$ 31,635 (December 31, 2015 – R$ 44,348) related to guarantees for these agreements. Additionally, we have buildings, machinery and equipment and IT equipment pledged as a guarantee for lawsuits totaling R$ 12,334.

(d) Capitalized borrowing costs

The Group has new projects under construction involving new units and renovations. Two borrowing were obtained in 2015 to finance these enterprises and the capitalized borrowing costs in the period ended December 31, 2016 amounted to R$ 2,796, deducting interest expenses (2015 – R$ 4,102 recorded as financial income). The rate used to determine the capitalized borrowing costs is the weighted average of the borrowing concerned.

13 Suppliers

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Domestic suppliers	12,765	9,604	29,529	18,103
Domestic service providers	40	30	205	116
	12,805	9,634	29,734	18,219

14 Commitments payable

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Payables for acquisitions of properties (a)	200	2,319	200	2,319
Payables for acquisitions of investments (b)	1,932	3,944	168,735	178,092
	2,132	6,263	168,935	180,411
(-) Current	(2,132)	(6,019)	(80,047)	(70,736)
Noncurrent		244	88,888	109,675

(a) Commitment arising from the acquisition of property located in the city of Fortaleza and property in the city of Recife, where new units will be implemented.

(b) Commitments arising from the following acquisitions:

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
FAPs (Teresina; Parnaíba and Aliança)		1,379		1,379
FADE		633		633
FAL	1,185	1,185	1,185	1,185
FASE	747	747	747	747
UNAMA and FIT			41,670	41,670
UNG			124,233	120,948
FAMIL			900	2,530
Bennett maintenance				9,000
	1,932	3,944	168,735	178,092

The installments mature as follows:

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Up to one year	1,932	3,944	79,847	59,661
Between one and two years			28,058	33,672
Between two and three years			29,601	26,739
Between three and four years			31,229	27,915
More than four years				30,105
	1,932	3,944	168,735	178,092

15 Borrowing

(a) Breakdown

		Parent Company		Consolidated	
Type	Financial charges	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
IFC (i)	CDI + 2.05% p.a.	122,670	122,825	122,670	122,825
Working capital	CDI + 2.5% p.a. to 3.04% p.a.	51,874	76,300	51,874	76,305
FINAME	TJLP + 2.50% to 3.50% p.a.	16,362	18,798	16,693	19,430
Leasing	0.90% to 1.73% p.m.	2,271	5,529	5,061	11,481
		193,177	223,452	196,298	230,041
(-) Current		(53,257)	(40,977)	(55,764)	(44,450)
Noncurrent		139,920	182,475	140,534	185,591

(i) Borrowing agreement with the International Finance Corporation (IFC)

On June 30, 2015, the Company signed a financing agreement with the IFC to cover the building costs of the Aracaju (Sergipe) and Fortaleza (Ceará) campuses, the modernization and remodeling of existing campuses and new acquisitions. The financing amounted to R$ 120,000, released on August 3, 2015, with borrowing costs amounting to R$ 1,335. The borrowing is payable in seven years, including two years' grace for the principal and payment of interest in April and October of each year.

Although the funds were obtained abroad in US dollars, IFC established the transaction in reais with no foreign exchange risk to the Company.

There are no borrowing amounts in foreign currency.

(b) Guarantees

The working capital is backed by financial investments made on August 4, 2015, totaling between 5 and 7.5% of the principal amount, with an updated balance of R$ 8,608 on December 31, 2016. Finame financing and Leases relate mainly to IT equipment, vehicles, televisions, air conditioners and aircraft, among other items, guaranteed by the chattel mortgage of the respective asset and/or receivable (Note 12 (c.ii)). To the IFC, the Company has pledged as guarantee the fiduciary assignment of a portion of the monthly tuition paid by the students of the Company and its subsidiaries.

(c) Breakdown by year of maturity

The long term installments fall due as shown below:

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Between one and two years	43,012	46,171	43,626	48,697
Between two and three years	33,027	40,576	33,027	41,166
Between three and four years	23,530	31,847	23,530	31,847
Between four and five years	23,530	23,529	23,530	23,529
More than five years	16,821	40,352	16,821	40,352
	139,920	182,475	140,534	185,591

The fair value of borrowing approximates their carrying amounts, since the impact of the discount is not significant. The fair values are based on the discounted cash flow, using the Company's cost of capital, which is similar to the rate of the agreements executed.

(d) Covenants

The borrowing from IFC requires the maintenance of covenant financial indices. The covenants are calculated based on the financial statements of the Company, which is the guarantor of the issue, related to the quarters ended on March 31, June 30, September 30, and December 31 of each year, and will be demanded up to final maturity. The financial indices are:

- Result of the division of current assets less prepaid expenses by current liabilities, current ratio of at least 1.2;
- Result of the division of net debt by Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) adjusted not higher than 2.75; and
- Future debt service index of at least 1.2. This index is calculated based on the result of the division of profit (less adjustments with no cash effect) by the projected payment of interest and amortization of gross debt in the next 12 months.

In the year ended December 31, 2016, the covenants related to the borrowing agreements were observed and did not present amounts higher or lower than the limits imposed.

In the case of working capital, it is only required compliance with one of the covenants, the net debt to EBITDA ratio, which should not be higher than 2.

16 Debentures

On July 13, 2015, the Board of Directors approved the first issue of simple debentures of the Company, of the subordinated type, not convertible into shares, in a single series, in accordance with CVM Instruction 476. The funds obtained will be used to finance investments in the Company´s projects and the balance will be used to increase working capital. The nominal unit price of the debentures will be subject to interest corresponding to the accumulated variation of the DI rate plus a surcharge of 2.50% per year.

The issue of the debentures was completed on July 24, 2015. The nominal unit price of the debentures on the issue date is R$1,000, with a total amount of R$ 150,000. The costs incurred with the issue total R$ 2,351. The payment term is five years including the grace period of eighteen months for the principal, with quarterly payment of interest.

The debentures issued by the Company require the maintenance of covenant financial indices. The covenants are calculated based on the financial statements of the Company, which is the guarantor of the issue, related to each year ended on December 31, and are required starting in 2015 through final maturity. The main financial index is the result of the division of net debt by adjusted EBITDA, withthe resulting amount not to be higher than 2.75.

In the year ended on December 31, 2016, the covenants related to the debenture issue agreements were observed and did not present amounts higher than the limits imposed.

The long term installments fall due as shown below:

	Parent Company and Consolidated	
	December 31, 2016	December 31, 2015
Current		
Less than one year	43,495	5,034
Non-current		
Between one and two years	42,168	35,140
Between two and three years	42,168	42,169
Between three and four years	24,659	42,169
More than four years		28,171
	108,995	147,649
	152,490	152,683

The fair value of debentures approximates their carrying amounts, since the impact of the discount is not significant. The fair values are based on the discounted cash flow, using the Company's cost of capital, which is similar to the rate of the agreements executed.

17 Salaries and social charges

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Profit sharing	8,007	3,945	8,007	3,945
Salaries payable	6,674	6,006	17,675	17,189
Provision for vacation pay and payroll charges	15,512	14,554	34,055	33,612
Social charges	4,109	3,491	11,512	11,146
Other	157	134	624	514
	34,459	28,130	71,873	66,406

18 Obligations under lease-purchase agreements

The Company and the Group have lease agreements which are classified as lease-purchase agreements in property and equipment and in obligations for lease-purchase agreements, as discussed in Note 12.

The agreements are for a period of ten years and may be renewed based on conditions to be negotiated at the end of the term. The agreements are payable monthly at fixed amounts, which are adjusted annually by the civil construction index or the IGP-M disclosed by Fundação Getúlio Vargas. There are no restrictions or clauses that depend on income or the distribution of dividends by the Company.

The agreements were considered by the Company as essencialy lease-purchase agreements as the terms of the lease agreements represent most of the economic life of the assets or because the fair values of the buildings and land are lower than the present value of the minimum payment of the leases.

The agreements were calculated at their present value at rates equivalent to the borrowing rate of transactions of a similar risk and nature.

The due date for payments of the minimum lease of the lease-purchase agreements are as follows:

Parent Company			December 31, 2016	December 31, 2015
Maturity	Minimum payments	Discount to present value	Present value of minimum payments	Present value of minimum payments
Current				
Less than one year	22,426	(12,784)	9,642	3,369
Non-current				
Between one and two years	22,426	(12,784)	9,642	3,771
Between two and three years	22,426	(12,784)	9,642	4,224
Between three and four years	22,426	(12,784)	9,642	4,736
More than four years	250,468	(144,893)	105,575	131,412
	317,746	(183,245)	134,501	144,143
	340,172	(196,029)	144,143	147,512

Consolidated			December 31, 2016	December 31, 2015
Maturity	Minimum payments	Discount to present value	Present value of minimum payments	Present value of minimum payments
Current				
Less than one year	38,998	(23,261)	15,737	4,691
Non-current				
Between one and two years	38,998	(23,261)	15,737	5,294
Between two and three years	38,998	(23,261)	15,737	5,981
Between three and four years	38,998	(23,261)	15,737	6,761
More than four years	473,392	(286,805)	186,587	231,498
	590,386	(356,588)	233,798	249,534
	629,384	(379,849)	249,535	254,225

The Company revised the classification methodology of the leases based on signed contracts and reclassified the amounts of R$ 5,871 in the parent company and R$ 10,442 in the consolidated accounts between short and long term, thus changing the maturity of the installments.

19 Share capital and reserves

(a) Share capital

Capital is divided into 125,213,244 common shares, nominative and with no par value, amounting to R$ 377,048 at December 31, 2016.

(b) Treasury shares

On January 12, 2015, the acquisition of up to 3,752,237 nominative registered common shares, with no par value, issued by the Company, was approved, to be held, cancelled in treasury or replaced in the market, with no capital reduction, within 365 days from January 12, 2015, and closing on January 11, 2016, as a repurchase program.

Up to December 31, 2016, 377,500 shares were purchased at a total amount of R$ 6,454, deducted from equity in "Treasury shares". The weighted average cost of these shares acquired during the year was R$ 17.09.

On January 9, 2017, the Company's Board of Directors approved the renewal of the share repurchase program up to January 9, 2018.

(c) Capital reserve

At December 31, 2016 and 2015, the Company had no amount recorded as capital reserve.

(d) Reserve for tax incentives

At December 31, 2016, the Company had a reserve for tax incentives of R$ 44,567 (R$ 40,672 - 2015). This reserve was set up as provided by Article 195-A of the Brazilian Corporate Law (amended by Law 11.638, of 2008). This reserve receives the portion of tax incentives recognized in the statement of income and allocated to it from the retained earnings account.

Due to its adherence to the "University for All" Program (*Programa Universidade para Todos* or PROUNI), the Company records as income for the period the IRPJ and CSLL amounts not paid by virtue of the tax incentive, reducing the expenses of the taxes. To avoid distributing dividends, the tax relief granted, after passing through the statement of income, is recorded in the account "Reserve for tax incentives" in equity. This revenue reserve can only be used for capital increases or for the absorption of losses. These amounts may not be distributed to stockholders by means of capital amortization or reduction for five years from the date on which the capitalization took place.

(e) Legal reserve

At December 31, 2016, the Company had a legal reserve of R$ 35,585 (R$ 24,063 - 2015). The legal reserve takes 5% of profit for the year or the remaining balance, up to the limit of 20% of capital. The purpose of the legal reserve is to ensure the integrity of capital and it may only be used to offset losses and to increase capital.

(f) Retained earnings

At December 31, 2016, the Company's retained earnings amounted to R$ 499,654 (R$ 318,857 - 2015). Retained earnings represent the portion of profit allocated to the retained earnings reserve account for future capital investment subject to the approval of shareholders at the Shareholders' General Meeting.

(g) Dividends and interest on capital

Shareholders are entitled to mandatory minimum dividend of 25% of profit for the year adjusted by the recognition of legal reserve, in accordance with the Corporate Law. The incentives described in item 20.d. are not included in the calculation basis of the mandatory minimum dividend. Based on a legal opinion, the Company has adopted the practice of not distributing tax incentive reserves, as they are intended to be used exclusively to increase capital.

At the Board of Directors meeting held on July 31, 2015, management approved the distribution to stockholders of interest on capital in the amount of R$ 3,960, equivalent to R$ 0.03 per common share, calculated based on the TJLP variation, which was attributed to the amount of minimum mandatory dividend upon its distribution.

In 2016 there was no distribution of interest on equity.

Management prepared the proposed distribution of dividends as follows:

	December 31, 2016	December 31, 2015
Profit for the year	230,448	161,065
(-) Tax incentive reserve	(81,992)	(56,893)
	148,456	104,172
Legal reserve	(11,522)	(8,053)
Profit after appropriation of legal reserve	136,934	96,119
Mandatory minimum dividend calculated - 25%	34,234	24,030
Interest on capital distributed		(3,960)
Supplementary dividends		3,047
Dividends to be distributed	34,234	23,117
Total dividends distributed/to be distributed	34,234	27,077
Weighted average of outstanding shares	124,836	125,038
Dividends distributed/to be distributed per share (in reais)	0.27	0.22

Dividends for 2015 were approved by the Annual Shareholders' Meeting on April 20, 2016, including the supplementary dividends recorded under revenue reserve in equity.

20 Net income from services rendered

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Gross revenue from services rendered				
Undergraduate tuition	452,205	398,808	1,364,367	1,198,066
Graduate tuition	2,426	3,983	23,462	28,879
Technical course tuition (i)	1,421	29,349	5,838	39,653
Distance education tuition (ii)	16,658	9,430	18,316	9,430
Other revenue	4,875	5,431	14,062	13,258
	477,585	447,001	1,426,045	1,289,286
Gross revenue deductions				
Discounts, scholarships and rebates (iii)	(84,040)	(63,931)	(258,190)	(213,340)
Adjustment to present value of receivables (iv)		(4,725)		(12,187)
Taxes on services	(14,965)	(18,156)	(42,475)	(43,498)
	(99,005)	(86,812)	(300,665)	(269,025)
	378,580	360,189	1,125,380	1,020,261

(i) The decrease relates to the discontinuation of PRONATEC (a program for technical students) by the federal government;

(ii) Refers to the increase arising from the opening of six new distance learning centers authorized by the MEC at the beginning of 2016.

(iii) In the consolidated, these include R$ 30,115 (2015 - R$ 25,577) of contributions to FGEDUC, R$ 119,317 (2015 - R$ 78,740) of PROUNI scholarships and R$ 5,779 of FIES educational charges of 2% over the transfer amounts as of the second semester, pursuant to Provisional Measure 741 ("MP 741").
(iv) Adjustment to present value related to the legal settlement to receive the FIES credits not paid by the FNDE during 2015 (Note 9 (b)).

21 Cost of services rendered

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Payroll and social charges	100,757	94,679	360,429	343,197
Services rendered by individuals and companies	6,011	4,341	13,683	9,141
Electricity, water and telephone	11,935	10,893	30,126	28,849
Depreciation and amortization	17,927	15,654	37,137	34,205
Rentals	16,469	26,075	64,578	59,893
Other	2,546	919	5,433	2,171
	155,645	152,561	511,386	477,456

22 General and administrative expenses

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Payroll and social charges (i)	62,037	57,903	109,056	124,899
Services rendered by individuals and companies	18,037	17,689	26,720	28,625
Publicity and advertising (ii)	35,334	24,839	66,191	51,249
Provision for and actual losses on doubtful accounts	14,028	15,098	48,732	47,659
Rentals	15,930	13,943		
Depreciation and amortization	14,025	12,690	23,140	21,895
Service materials	6,655	7,357	15,295	14,385
Taxes	4,318	2,049	8,194	4,769
Other	13,721	11,762	24,744	20,245
	184,085	163,330	322,072	313,726

(i) The decrease in the consolidated amount was due basically to the synergy resulting from the integration of the activities of UNAMA and UNG in the Shared Services Center in Recife, Pernambuco.
(ii) The increase was due to student intake for the first half of 2017, which involved a greater number of units compared to 2015.

23 Finance income and costs

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Finance income				
Interest on tuition and agreements	8,250	7,322	25,941	24,393
Earnings from financial investments (i)	36,738	19,340	37,023	20,621
Discounts obtained	503	437	1,540	2,263
Capitalization of interest		4,102		4,102
Monetary variation of assets (ii)	7,570	2,755	20,096	7,553
(-) Social Integration Program (PIS) and Social Contribution on Revenue (COFINS) on finance income (iii)	(4,399)		(7,201)	
Other	399	76	767	2,879
	49,061	34,032	78,166	61,811
Finance costs				
Interest expenses (iv)	(53,032)	(33,998)	(56,094)	(36,400)
Capitalization of interest				
Interest on leases	(19,058)	(19,415)	(34,308)	(34,242)
Discounts granted (v)	(4,808)	(2,189)	(22,318)	(17,646)
Monetary variation of liabilities (vi)	(60)		(18,882)	(14,957)
Other	(1,400)	(1,122)	(7,666)	(4,121)
	(78,358)	(56,724)	(139,268)	(107,366)
Finance costs, net	(29,297)	(22,692)	(61,102)	(45,555)

(i) The upturn refers to income from the financial investment of the funds raised by the Company in July and August 2015 (Notes 15 and 16) and receipt of the first installment of the FIES settlement, as per Note 9 (c);
(ii) The increase refers to the monetary restatement of the balance of FIES credits not settled by the FNDE in 2015 (Note 9 (b));
(iii) Provision for PIS and COFINS on financial revenue was due to the lifting, on September 22, 2016, of the injunction exempting the Company from these taxes;
(iv) The increase refers mainly to charges arising from borrowing that occurred in July and August 2015 (Notes 15 and 16);
(v) Refers mainly to the students' renegotiation campaign relating to amounts in arrears or overdue for more than 180 days;
(vi) Refers mainly to financial remuneration of commitments payable from acquisitions.

24 IRPJ and CSLL

In accordance with Law 11,096/2005 regulated by Decree 5,493/2005 and by Normative Instruction of the Federal Revenue Office 456/2004, under the terms of Article 5 of Provisional Measure 213/2004, higher education institutions adhering to PROUNI are exempted, during the term of the adhesion instrument, from taxes including IRPJ and CSLL. The accounting for this exemption must be based on the profit arising from the exempted activities. The reconciliation of the taxes determined, according to the nominal rates, and the amount of taxes recorded in the years ended December 31, 2016 and 2015, is as follows:

(i) Taxable Income

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Profit before income tax and social contribution	232,016	163,568	229,721	168,064
Nominal combined rate of income tax and social contribution - %	34%	34%	34%	34%
Income tax and social contribution based on current legislation rates	78,885	55,613	78,105	57,142
Adjustments for calculations at the effective rate				
Equity in subsidiaries	(77,190)	(49,524)		
Adjustment to present value of accounts receivable		1,607		4,144
Leases	1,357	1,479	2,757	2,148
Allowance for doubtful accounts	1,556	304	3,922	1,165
Nondeductible expenses	973	786	1,971	1,369
Interest on capital		(1,346)		(1,346)
Reversal of contingencies	(185)		(308)	
Unused expenses related to losses among the quarters	554	235	3,309	8,140
Offsetting of tax loss	(487)	(303)	(4,071)	(5,112)
	5,463	8,851	85,685	67,650
Tax incentive from exploration - PROUNI	(3,895)	(6,348)	(81,992)	(56,893)
Income tax and social contribution on income for the year	1,568	2,503	3,693	10,757

(ii) Presumed Profit

	Consolidated	
	December 31, 2016	December 31, 2015
Gross sales	7,750	10,339
Projected 32%	2,480	3,308
Other revenue	3,692	1,171
Profit before income tax and social contribution	6,172	4,479
Income tax and social contribution - 34%	2,098	1,125

Part of the post-graduate and professional education operations are carried out under the presumed profit regime of the Company's investees.

(iii) Consolidated reconciliation of IRPJ and CSLL

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Taxable income	232,016	163,568	229,721	168,064
Presumed profit			6,172	4,479
Profit before income tax and social contribution	232,016	163,568	235,893	172,543
Income tax and social contribution				
Companies opting for the taxable income system	1,568	2,503	3,693	10,757
Companies opting for the presumed profit system			2,098	1,125
	1,568	2,503	5,791	11,882
Effective rate	0.68%	1.53%	2.45%	6.89%

25 Related parties

(a) Current accounts with subsidiaries

	December 31, 2016	December 31, 2015
Assets		
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.		297
ABES - Sociedade Baiana de Ensino Superior Ltda.		819
CENESUP - Centro Nacional de Ensino Superior Ltda.		6,177
Faculdade Maurício de Nassau de Belém Ltda		501
Sociedade de Ensino Superior e de Pesquisa de Sergipe - SESPS		1,724
Instituto Campinense de Ensino Superior		6,039
Instituto de Pesquisa Maurício de Nassau		2
Instituto de Ensino Superior Juvêncio Terra Ltda.		294
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda		108
Faculdade Joaquim Nabuco de Olinda Ltda		285
Centro de Educação Continuada Mauricio de Nassau Ltda.		77
		16,323

	December 31, 2016	December 31, 2015
Liabilities		
Educred Administ. de Crédito Educativo e Cobrança Ltda.	1,917	
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	3,764	
Sociedade Educacional Carvalho Gomes Ltda.		613
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.		296
Sociedade de Ensino Superior Piauiense Ltda. – SIESPI		312
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	287	153
Faculdade Maurício de Nassau de Belém Ltda		506
Centro de Ensino Superior Piauiense - CESP		72
Centro de Educação Profissional BJ Ltda.		333
Sociedade de Ensino Superior e de Pesquisa de Sergipe - SESPS	1,572	
Instituto de Ensino Superior Juvêncio Terra Ltda.	688	
ABES - Sociedade Baiana de Ensino Superior Ltda.	2,963	33
Instituto de Pesquisa Maurício de Nassau		2
	11,191	2,320

(b) Remuneration of key management personnel

Key management personnel include the Company's directors and officers. The compensation paid or payable to key management is as follows:

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Total remuneration of key management personnel	7,059	4,201	7,059	4,201

(c) Other transactions

	Parent Company and Consolidated			
	December 31, 2016		December 31, 2015	
	Expense	(Assets)/ Liabilities	Expense	(Assets)/ Liabilities
Rent - Oktus Participações Ltda (i)	36,814	142,017	27,304	145,310
Construction of buildings (ii)			224	
Social actions (iii)	321		727	
Publicity and advertising (iv)			152	
	37,135	142,017	28,407	145,310

(i) The Company entered into commercial lease agreements for real estate with Oktus Participações Ltda., now called JJ Participações Ltda., owned by the stockholder José Janguiê Bezerra Diniz, for a ten-year term, which can be extended for an equal period.

(ii) The Company has agreements for the construction and renovation of its units with Vão Livre S.A., which belonged to the majority shareholder José Janguiê Bezerra Diniz until October 5, 2015, and ceased to be a related party after this date.

(iii) The Company supports Instituto Ser Educacional, a non-profit institution, to perform activities related to corporate social responsibility. In addition, from time to time the Company disburses funds for the development of support activities in areas including research, outreach and arts, market research,

scholarships, and community integration actions, among others. The expenditure incurred is recorded in the Company's expenses.

(iv) By mid-2015, the Company had agreements with Sistema de Comunicação Leia Já, a company owned by members of the family of the stockholder José Janguiê Bezerra Diniz. The transactions with this company were related to the provision of advertising and publicity services, the amounts of which were recorded in the Company's expenses.

The related-party transactions are carried out at market value.

26 Provision for contingencies

Management, based on the opinion of its legal counsel, has set up provisions considered sufficient to cover potential losses from pending litigation.

	Parent Company		Consolidated	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Civil (a)	808	1,235	4,107	6,034
Labor (b)	393	509	4,224	3,204
	1,201	1,744	8,331	9,238
Indemnity contingencies (d)			112,015	112,015
	1,201	1,744	120,346	121,253

(a) Civil

The Company, with the support of its legal advisors, has performed a study, valuation and quantification of its civil lawsuits to determine the probable outflow of funds related to them. Management has set up provisions of R$ 808 (2015 - R$ 1,235) in the parent company and R$ 4,107 in the consolidated (2015 -R$ 6,034). The major lawsuits classified as probable losses involve indemnity for pain and suffering and damage to property. There are no debts to institutions of the Company.

The Company has also performed a study, evaluation and quantification of the civil lawsuits classified as possible losses, for which no provision has been made, and which amounted to R$ 2,714 (2015 - R$ 4,409) in the parent company and R$ 24,047 (2015 - R$ 16,623) in the consolidated at December 31, 2016. The main claims relate to: (i) lawsuits for undue blacklisting with credit reporting agencies and undue maintenance of clients' names on the blacklist; (ii) lawsuits for delay in issuing graduating degrees; (iii) lawsuits for problems in the validation of, enrollment into, and the refunding (not enough students to form a class) and transfer of amounts under FIES.

(b) Labor

The Company, with the support of its legal advisors, has performed a study, valuation and quantification of its various labor lawsuits to determine the probable outflow of funds related to them. Management has made a provision of R$ 393 (2015 -R$ 509) in the parent company and R$ 4,224 in the consolidated (2015 -R$ 3,204).

The Company has also performed a study, evaluation and quantification of the various labor lawsuits classified as representing possible losses, for which there is no provision. At December 31, 2016, these amounted to R$ 8,546 (2015 -R$ 7,973) in the parent company and R$ 31,660 (2015 - R$ 15,331) in the consolidated, with the main claims related to overtime, unused vacation, the recognition of employment relationships, salary parity and salary differences resulting from the reduction of working hours.

(c) Tax

The Company's legal advisors have performed a study, valuation and quantification of tax lawsuits. Management has not made provision to support probable losses with these lawsuits, as there are no lawsuits classified as probable losses.

Likewise, the legal advisors have also performed a study, evaluation and quantification of the Company's tax lawsuits classified as possible losses, for which no provision has been made. At December 31, 2016, these amounted to R$ 8,545 (2015 -R$ 9,183) in the parent company and R$ 125,659 (2015 - R$ 126,274) in the consolidated.

Among the main tax lawsuits, the following are highlighted:

(i) 0019270-28.2014.8.14.0301 - This relates to a tax collection lawsuit brought by the Municipality of Belém related to the collection of Service Tax (ISS) due to UNESPA's supposed loss of tax exemption. The issue deals with the ISS tax exemption granted to UNESPA by the municipal government through a municipal decree. The exemption was later withdrawn and the tax credit related to the last five years was assessed. UNESPA filed an action for annulment, registered under No. 0057879-84.2009.8.14.0301, to annul the tax assessment notices that authorized the filing of the present tax collection lawsuit. The term for the defense (appeals against the collection lawsuit) has not started yet, pending the acceptance of the asset offered as guarantee by UNESPA. The loss risk classification attributed by the external legal advisors is possible, and the amount is R$ 103,000. Despite the possible loss, which does not require the constitution of a provision, the lawsuit is recorded at the amount of the contingent liability arising from the business combination with UNESPA (see Note 26 (d)).

(ii) 10480.727015/2011-88 - These are administrative proceedings due to divergences in the information provided in relation to income tax withholding for calendar years 2008, 2009 and 2010. The loss risk classification attributed by the external legal advisors is possible and the amount is R$ 2,496.

(iii) 0020993-62.2013.8.17.0001 - This is an action for annulment against the Municipality of Recife, challenging the tax assessment that included PROUNI scholarships in the ISS tax calculation base. An injunction has been granted, in view of the full deposit, to suspend the enforceability of the tax credit, still pending judgment. The loss risk classification attributed by the external legal advisors is possible and the amount is R$ 305.

(d) Labor contingencies for indemnity purposes resulting from business combination

Among the main labor claims provided for, a contingent liability for indemnity of R$ 3,249 is highlighted, which was recognized in relation to the labor exposure of Centro de Ensino Superior Piauiense Ltda, Sociedade de Ensino Superior Piauiense Ltda. and of its subsidiary Centro Integrado de Educação Superior do Piauí Ltda., as a result of their business combination in 2013.

Another major tax claim provided for is a contingent liability of R$ 108,766, which was recognized for the labor exposure of UNESPA and ISES, as a result of their business combination in 2014.

The selling stockholders have contractually agreed to indemnify Ser Educacional for the amount that may become due with respect to the lawsuits mentioned above. The withholding of a portion of the purchase amounts has been fixed contractually, as well as discounts on the future rents of the units, and the properties have been mortgaged in favor of the Company to guarantee that amount. An indemnity asset equivalent to the fair value of the indemnified liability has been recognized by the Company.

In addition to the lawsuits provisioned for, with indemnity assets recognized by the Company, we also have the following contingencies under discussion:

(i) A case relating to the use of software licenses for distance learning, which is still under consideration by the court, brought by the company Centro de Estratégia Operacional Propaganda, Publicidade e Comércio Ltda. against Rede Brasileira de Educação à Distância (RBED), in which União de Ensino Superior do Pará (UNESPA) is a partner, together with nine other teaching institutions in Brazil, who are joint defendants in the case. The amount currently under discussion, without the accounting provision, is R$ 76,075. The purchase and sale agreement of UNESPA by Instituto Campinense de Ensino Superior Ltda. (ICES), a direct subsidiary of the Company, provides for the transfer of this holding by the selling shareholders of UNESPA, which should have taken place by the closing date of the transaction.

(ii) Tax deficiency notices for the collection of social security contributions and contributions to entities and funds by Sociedade Paulista de Ensino e Pesquisa (SOPEP), UNG's current supporting entity, from January 2011 to December 2012, totaling R$ 90,945. The Federal Revenue Service understood that the activities undertaken by Associação Paulista de Eduação e Cultura (APEC), UNG's former supporting entity, did not meet the non-profit requirements and, even though the transfer of UNG's maintenance occurred only in January 2015, the Federal Revenue Service also fined SOPEP for lack of payment of said contributions.

(iii) Administrative proceeding in which the Federal Revenue Service is charging from UNESPA the amounts offset as employer social security contribution on indemnity funds, vacation bonus and leaves, related to fiscal year 2009 in the amount of R$ 5,491. The merit of the legality of the exclusion of employer social security contribution from the calculation base of these funds is pending judgment by the Federal Supreme Court, awaiting decision on general repercussion.

In both cases, because the contingencies are prior to the acquisition, the agreement establishes that possible losses will be guaranteed by withholding of the purchase amounts, discounts on the future rents of the units, and properties mortgaged in favor of the Company. The lawyers in charge of these lawsuits were contracted by the selling shareholders and are monitored by the Group's lawyers.

27 Basic and diluted earnings per share

The basic earnings per share are calculated by dividing the profit attributable to the stockholders of the Company by the weighted average number of common shares issued during the period. The Company does not have potential common shares with dilutive effects.

	December 31, 2016	December 31, 2015
Profit attributable to stockholders of the parent company	230,448	161,065
Weighted average number of outstanding common shares (thousands)	124,836	125,038
Basic and diluted earnings per share - R$	1.85	1.29

28 Insurance

Insurance coverage at December 31, 2016 was contracted at the amounts shown below, which are in accordance with the insurance policies:

Type	Amounts insured
Property and equipment (buildings/contents) against fire	R$62,848
Accident, fire and crash - aircraft body	US$11,733
Accident, fire and crash - aeronautical *R.E.T.A.*	R$908
Civil liability of employees and third parties	R$2,500
Fire/third parties/bodies of light and heavy vehicles	100% Fipe
Civil liability of managers	R$30,000

Section F – Accounting policies

29 Summary of significant accounting policies

The main accounting policies applied to the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

29.1 Consolidation

The following accounting policies are applied to the preparation of the consolidated financial statements.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. They are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date on which that control ceases.

Identifiable assets acquired and liabilities and contingent liabilities assumed on the acquisition of subsidiaries in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. Non-controlling interests are determined on each acquisition. Acquisition-related costs are expensed as they are incurred.

Transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of the impairment of the asset being transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

29.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short term highly liquid investments with original maturities of three months or less, and with an immaterial risk of changes in value.

29.3 Financial assets

29.3.1 Classification

The Group classifies its financial assets, upon initial recognition, in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets are acquired.

29.3.2 Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are assets held for trading. A financial asset is classified in this category if it was acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets and are presented in Note 7.

29.3.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities exceeding 12 months from the balance sheet date (which are classified as non-current assets). The Group's loans and receivables comprise "Receivables from students and other receivables" and "Cash and cash equivalents" (Notes 29.4 and 29.2).

29.3.4 Recognition and measurement

Purchases and sales of financial assets are usually recognized on the trading date.
Investments are recognized initially at fair value plus transaction costs for all financial assets not classified at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to the statement of income. Financial assets are written off when the rights to receive cash flow have expired or have been transferred, in this case, provided that the Group has transferred substantially all of the risks and benefits of ownership. Financial assets measured at fair value through profit or loss are subsequently recorded at fair value. Loans and receivables are initially recorded at fair value, and subsequently at amortized cost using the effective interest rate method.

Gains or losses arising from variations in the fair value of financial assets measured at fair value through profit or loss are presented in the statement of income under "Other operating expenses, net" in the period in which they occur.

The fair values of publicly quoted investments are based on actual purchase prices. If the market for a financial asset (or for unlisted securities) is not active, the Group establishes the fair value through valuation techniques. These techniques include the use of recent transactions carried out with third parties, reference to other substantially similar instruments, an analysis of discounted cash flow and option pricing models that make maximum use of information generated by the market and minimum use of information generated by the entity's management.

29.3.5 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when there is a legal right to offset the recognized amounts and the intention to settle them on a net basis, or to realize the asset and settle the liability simultaneously. The legal right should not be contingent on future events and should be applicable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or counterparty.

29.4 Accounts receivable – students

Accounts receivable are the result of teaching services provided and do not include amounts for services provided after the balance sheet date. Services paid for but not provided prior to the balance sheet date are recorded as monthly fees received in advance, and are recognized as income in the corresponding period on an accrual basis.

Bills receivable from students are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less an allowance for doubtful accounts or impairment.

29.5 Allowance for doubtful accounts

This provision appears as a deduction from accounts receivable and is set at an amount considered by management to be sufficient to meet any losses on the collection of monthly fees and checks receivable based on the risks involved. It is calculated by management when there is objective evidence that a loss may occur, on the basis of the expected cash flow discounted at the effective interest rate.

29.6 Investments in subsidiaries (applicable only for parent company financial statements)

Investments in subsidiary companies are recorded in the parent company's financial statements using the equity accounting method.

Corporate interests in subsidiaries are shown in the parent company's statement of income as equity income, representing the net income attributable to the stockholders of the subsidiaries. Goodwill related to expected future profitability is presented in the parent company's financial statements as part of the investment. The same adjustments made in the consolidated financial statements are made in the financial statements to reach the same values of equity and results.

29.7 Intangible assets

(a) Goodwill

Goodwill consists of the positive difference between the amount paid and/or payable for the acquisition of a business and the net amount of the fair value of its assets and liabilities. Goodwill on acquisitions of subsidiaries is recorded under intangible assets in the consolidated financial statements. Goodwill is tested for impairment annually. It is recorded in the books at cost less accumulated impairment losses. Impairment losses recognized on goodwill cannot be reversed.

Gains and losses on the disposal of an entity include the book value of the goodwill corresponding to the entity sold.

(b) Portfolio of students

Contractual relationships with students acquired in business combinations are recognized at their fair value on the date of acquisition. The contractual relationships have a defined useful life and are booked at cost less accumulated amortization. Amortization is calculated using the straight line method over the expected period of the relationship with the student.

(c) Software licenses and installation

Software licenses are capitalized on the basis of the costs incurred to acquire the software plus the costs of making it ready for use. *These costs are amortized over the estimated useful life of the software, which is from three to five years*.

Software maintenance costs are recognized as expenses at the time when they are incurred.

Other development costs that do not meet these criteria are recognized as expenses when incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent periods.

Software development costs recognized as assets are amortized over the estimated useful life of the software, which does not exceed three years.

(d) Accreditation and operating licenses

Accreditation and operating licenses are capitalized on the basis of the costs incurred to obtain from the Ministry of Education authorization for and recognition of the courses offered, plus the renewal of licenses for course units. Accreditation and licenses have a defined useful life and are recorded at cost less accumulated amortization. Amortization is calculated using the straight line method during the period of validity of the licenses obtained from the Ministry of Education.

(e) Digital content

Digital content is capitalized at the amount of the costs incurred to acquire the right to use the digital content as part of the services provided by the Company. These costs are amortized over the contract period.

(f) Agreements

Agreements are capitalized at the amounts of the costs incurred to execute contracts with partner companies, giving the Group's students the right to undertake supplementary undergraduate activities required for their academic education. These costs are amortized over the period of the respective agreements.

(g) Goowill

Intangible assets with a defined useful lives, representing amounts paid upon the acquisition of new business premises (goodwill), are amortized on a straight-line basis over the lease term of the properties rented.

(h) Intangible assets identified on acquisitions – course licenses

Course licenses identified on acquisitions relate basically to the amounts of licenses and the accreditation of courses by the Ministry of Education, and are first recorded at fair value based on appraisal reports supporting the amounts allocated as part of business combinations. These intangible assets identified on acquisitions have indefinite useful lives and are subject to annual impairment testing.

(i) Intangible assets identified on acquisitions – trademarks and portfolios of students

Trademarks and portfolios of students identified on acquisitions are first recorded at fair value based on appraisal reports supporting the amounts allocated in business combinations. These intangible assets identified on acquisitions have defined useful lives and are subject to amortization calculated using the straight line method to allocate the cost over their estimated useful lives.

29.8 Property and equipment

Property and equipment are measured at historical cost, less accumulated depreciation and impairment losses. Historical costs include expenses directly attributable to the acquisition of the items.

Land is not depreciated. The depreciation of other assets is calculated using the straight line method, so as to allocate their costs, less residual value, over their useful lives.

Property and equipment in progress refers to the construction of new buildings and adaptation of third-party buildings to the Company's activities. These balances are reviewed every semester and, when the works are concluded, they are transferred to their respective accounts and depreciation begins.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and they can be measured reliably. The carrying amount of the replaced item is derecognized. All other repair and maintenance costs are charged to the statement of income as they are incurred.

An item of property and equipment is written off when it is sold, or when no future economic benefit is anticipated from its use or sale. The eventual profit or loss resulting from the asset write-off (calculated as the difference between the net amount of the disposal and the residual value of the asset) are recorded in the statement of income for the period during which the asset is written off.

Residual values, useful lives and depreciation methods for assets are reviewed and adjusted, if necessary, when there is an indication of a significant change since the date of the last balance sheet.

29.9 Capitalized borrowing costs

The historical costs of property and equipment include interest on borrowing directly related to the acquisition, construction or production of an asset that requires a significant amount of time to prepare for use or sale. These historical costs are capitalized as part of the cost of the corresponding asset. All other borrowing costs are expensed for the period during which they are incurred. Borrowing costs include interest and other costs related to the borrowing incurred by the entity.

29.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flow (cash generating unit or CGU level). Non-financial assets other than goodwill that have been adjusted due to impairment are subsequently reviewed for the possible reversal of the impairment at the balance sheet date.

29.11 Suppliers and commitments payable

Accounts payable are liabilities owing for goods or services acquired from suppliers in the ordinary course of business, and commitments payable are liabilities for the acquisition of property and amounts payable under business combinations. They are classified as current liabilities if payment is due within a year. Otherwise, accounts and commitments payable are shown as non-current liabilities.

Accounts and commitments payable are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.

29.12 Leases

Leasing agreements under which a significant portion of the risks and benefits of ownership is held by the lessor are classified as operating leases. Payments for operating leases (net of any incentives received from the lessor) are recognized in the statement of income using the straight line method over the lease period.

The Group leases certain property and equipment assets. Property and equipment leases under which the Group holds substantially all of the risks and benefits of ownership are classified as financial leases. Financial leases are capitalized at the beginning of the lease period at the lower of the fair value of the leased asset and the present value of the minimum payments on the lease as a counter-entry to a lease liability payables.

A portion of each lease installment paid is allocated to liabilities, and a portion to financial charges, in order to obtain a constant rate on the outstanding debt balance. The corresponding obligations, net of financial charges, are included in lease obligations. Interest on financial charges is recognized in the statement of income over the lease period, to give a constant periodic interest rate on the outstanding liabilities balance for each period. Property and equipment acquired through financial leasing is depreciated over the useful life of the asset.

29.13 Borrowing

Borrowing is recognized initially at fair value, net of transaction costs incurred, and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the borrowing using the effective interest rate method. Borrowing is classified within current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Both general and specific borrowing costs directly related to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to prepare for its intended use or sale are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. Other borrowing costs are recognized as finance costs in the period in which they are incurred.

29.14 Debentures

Debentures are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period during which the debentures are current, using the effective interest method.
Debentures are classified as current liabilities, unless the Company has an unconditional right to defer settlement for at least 12 months after the reporting period.

The general and specific debenture costs directly related to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to prepare for its intended use or sale are capitalized as part of the cost of that asset when it is probable that future economic benefits will flow to the Company and such costs can be measured reliably. Other debenture costs are recognized as expenses in the period during which they are incurred.

29.15 Provisions

Provisions for contingencies (labor, civil and tax) are recognized when: (i) the Group has a present or non-formalized obligation as a result of events that have already occurred; (ii) it is probable that an outflow of resources will be necessary to settle the obligation; and (iii) the amount can be reliably estimated based on the judgment of legal advisors.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized within interest expense.

29.16 Taxation

(a) Current IRPJ and CSLL

The cost of IRPJ and CSLL for the period includes current tax. Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized directly in equity. In this case, the tax is also recognized in equity. The undergraduate teaching activities by the units that have PROUNI, are exempt from IRPJ and CSLL during the term of their membership.

(b) Social Integration Program (PIS) and Contribution to Social Security Financing (COFINS)

For revenue from teaching activities, except for undergraduate teaching by units that have joined the PROUNI, PIS and COFINS are payable at the rates of 0.65% and 3%, respectively. PIS is payable on revenue from non-teaching activities at a rate of 1.65% and COFINS at 7.6%.

Undergraduate teaching by units that have joined the PROUNI are exempt from PIS and from COFINS.

(c) PROUNI

Units that have joined PROUNI are exempt from the following federal taxes for as long as they are members:

- IRPJ and CSLL, introduced by Law 7.689 of December 15, 1988;
- COFINS, introduced by Supplementary Law 70 of December 29, 1991; and
- PIS, introduced by Supplementary Law 7 of September 7, 1970.

The above-mentioned exemptions are originally calculated on the amount of revenue received from the provision of higher education services, including undergraduate courses and specific training associated with degrees.

(d) ISS

Revenue from teaching activities is subject to ISS, as established in Supplementary Law 116/2003, at rates from 3% to 5%, depending on the municipality. The tax is recognized in accordance with the recognition of the Company's revenue.

29.17 Earnings per share

The Company calculates earnings per lot of 1,000 shares using the weighted average number of total common shares outstanding during the period, corresponding to income, in accordance with Technical Pronouncement CPC 41 (IAS 33).

29.18 Share capital

Common shares are classified in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

29.19 Recognition of revenue, costs and expenses

Revenue, costs and expenses are recognized on an accrual basis.

(a) Revenue from services

Revenue consists of the fair value of consideration received or receivable from business relating to higher education, graduate courses, short courses and related educational activities. Revenue is shown net of tax and after returns, rebates and discounts. Revenue from services provided is recognized based on services carried out prior to the balance sheet date.

Monthly payments for courses and the discounts granted on them vary depending on the course, the unit and the academic term. Revenue is generated from fixed-price contracts, and recognized monthly as the services are provided.

In October 2013, the Company joined the National Program for Access to Technical Education, created by the Ministry of Education to broaden the offering of medium-level technical and professional courses, and basic and continuing training courses for Brazilian workers. Revenue is generated from scholarships and is recognized monthly based on the services provided, and the confirmation of each student's attendance in accordance with the conditions and requirements of the program.

The Company records as discounts the educational charges arising from financing agreements guaranteed by the students who adhere to the FGEDUC, in accordance with Regulatory Ordinance 21 of October 21, 2010, Regulatory Ordinance 14 of June 28, 2012 and Regulatory Ordinance 3 of January 3, 2014. The educational charges total 5.63% of revenue arising from students who have adhered to FGEDUC through FIES. Additionally, as of 2016, a new 2% deduction was included, related to FIES charges, pursuant to Provisional Measure No. 741 ("MP 741").

(b) Finance income and costs

Finance income is recognized in accordance with the time elapsed on an accruals basis, using the effective interest method.

29.20 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Company´s stockholders is recognized as a liability in the Group's financial statements at the end of the year pursuant to the Company's bylaws, which establish a mandatory minimum of 25% and the dividends and interest on capital paid in advance during the year. Any amount exceeding the mandatory minimum is provided for only on the date on which it is approved by the stockholders at the General Meeting.

The tax effect of interest on capital is recognized in the statement of income.