Ser Educacional S.A.

Quarterly financial information (ITR)
at September 30, 2016
and report on the review of
quarterly financial information

Independent auditor's report

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Ser Educacional S.A. (" Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2016, comprising the balance sheet as at that date and the statements of income and comprehensive income for the quarter and nine-month periods then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with Technical Pronouncement CPC 21 – "Interim Financial Statements" and International Accounting Standard (IAS) 34 – "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the Quarterly Information Form (ITR). Our responsibility is to express an opinion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on review of interim financial information (NBC TR 2410 and ISRE 2410 – "Review of Interim Financial Information Performed by the Independent Auditor of the Entity"). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially narrower in scope than an audit conducted in accordance with the standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim financial information included in the quarterly financial information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information Form (ITR), and presented in accordance with the standards issued by the CVM.

PricewaterhouseCoopers Auditores Independentes, Rua Padre Carapuceiro 733, 8º andar, Recife, PE, Brasil CEP 51020-280
T: (81) 3464-5000, F: (81) 3465-5098, www.pwc.com.br

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Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the nine-month periods ended September 30, 2016, prepared under the Management's responsibility, the presentation of which in the interim financial information is required by the standards issued by the CVM applicable to the preparation of the Quarterly Information Form (ITR), and are considered supplementary information by IFRS, which do not require the presentation of the statement of value added. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, consistently with the overall parent company and consolidated interim financial information taken as a whole.

Recife, November 3, 2016

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

Ser Educacional S.A.

Statement of financial position
All amounts in thousands of Reais

Assets	Note	Parent Company		Consolidated	
		September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current assets					
Cash and cash equivalents	9	91,429	62,539	100,742	69,999
Securities	9	271,140	213,135	271,140	213,135
Accounts receivable	10	113,957	65,919	321,650	192,251
Taxes recoverable	11	8,292	3,534	13,599	7,308
Advances to suppliers		468	833	1,169	5,599
Related parties	26.a	1,680	16,323		
Other assets		5,814	4,689	12,034	9,168
		492,780	366,972	720,334	497,460
Non-current assets					
Long-term receivables					
Accounts receivable	10	52,008	74,385	130,621	189,102
Other assets		1,570	999	9,299	5,406
Indemnification assets	27.d	3,249	3,249	112,015	112,015
Investments	6	693,846	533,140		
Intangible assets	12	29,011	23,649	435,257	432,106
Property and equipment	13	363,006	361,121	615,680	612,499
		1,142,690	996,543	1,302,872	1,351,128
Total assets		1,635,470	1,363,515	2,023,206	1,848,588

Liabilities and equity	Note	Parent Company		Consolidated	
		September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current liabilities					
Suppliers	14	12,449	9,634	26,603	18,219
Commitments payable	15	2,433	6,019	86,046	70,736
Borrowing	16	51,157	40,977	53,886	44,450
Debentures	17	33,240	5,034	33,240	5,034
Payroll and related charges	18	37,694	28,130	85,307	66,406
Taxes payable	11	6,549	3,010	17,934	16,209
Income tax and social contribution payable	25	1,011	735	3,912	11,609
Lease commitments	19	9,540	3,369	15,568	4,691
Related parties	26.a	104,251	2,320		
Interest on capital and dividends payable	20.g		20,070		20,070
Other liabilities		6,142	4,045	17,872	13,342
		264,466	123,343	340,368	270,766
Non-current liabilities					
Borrowing	16	155,260	182,475	156,354	185,591
Debentures	17	119,537	147,649	119,537	147,649
Lease commitments	19	135,481	144,143	235,194	249,534
Commitments payable	15		244	85,735	109,675
Taxes payable	11	1,300	128	2,081	331
Income tax and social contribution payable	25			3,977	
Provision for contingencies	27	1,627	1,744	122,128	121,253
Other liabilities		5,320	6,556	5,353	6,556
		418,525	482,939	730,359	820,589
Equity	20				
Attributable to shareholders of parent company					
Capital stock		377,048	377,048	377,048	377,048
Revenue reserve		398,228	386,639	398,228	386,639
Treasury shares		(6,454)	(6,454)	(6,454)	(6,454)
Retained earnings		183,657		183,657	
Total equity		952,479	757,233	952,479	757,233
Total liabilities and equity		1,635,470	1,363,515	2,023,206	1,848,588

The accompanying notes are an integral part of the quarterly information (ITR).

	Note	Parent Company			
		7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016	7/1/2015 to 9/30/2015	1/1/2015 to 9/30/2015
Net revenue from services	21	93,437	284,337	85,721	281,083
Cost of services	22	(38,709)	(119,782)	(41,747)	(123,731)
Gross profit		54,728	164,555	43,974	157,352
General and administrative expenses	23	(45,943)	(128,771)	(37,534)	(114,039)
Other operating income (expenses), net		(768)	(3,904)	(1,470)	(2,629)
Equity in income of subsidiaries	6.a	49,422	190,273	25,528	135,489
Operating profit		57,439	222,153	30,498	176,173
Financial income	24	12,883	39,710	10,252	16,575
Financial expenses	24	(20,601)	(62,072)	(17,225)	(35,085)
Financial income (expenses), net		(7,718)	(22,362)	(6,973)	(18,510)
Profit before taxation		49,721	199,791	23,525	157,663
Income tax and social contribution	25	(2,147)	(6,219)	1,340	(7,990)
Tax incentive - PROUNI	25	1,047	4,721	(709)	6,333
Net income for the period		48,621	198,293	24,156	156,006
		48,621	198,293	24,156	156,006

The accompanying notes are an integral part of the quarterly information (ITR).

Ser Educacional S.A.

Interim statement of income
Quarters and nine-month period ended September 30
All amounts in thousands of Reais, except when otherwise stated

	Note	Consolidated			
		7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016	7/1/2015 to 9/30/2015	1/1/2015 to 9/30/2015
Net revenue from services	21	273,255	847,980	241,276	783,938
Cost of services	22	(118,966)	(372,853)	(115,962)	(346,255)
Gross profit		154,289	475,127	125,314	437,683
General and administrative expenses	23	(87,350)	(232,963)	(80,011)	(232,564)
Other operating income (expenses), net		436	4,386	(3,405)	(7,743)
Operating profit		67,375	246,550	41,898	197,376
Financial income	24	18,789	65,441	16,614	35,205
Financial expenses	24	(36,515)	(108,886)	(32,328)	(69,562)
Financial income (expenses), net		(17,726)	(43,445)	(15,714)	(34,357)
Profit before taxation		49,649	203,105	26,184	163,019
Income tax and social contribution	25	(22,080)	(72,214)	(9,524)	(56,307)
Tax incentive - Prouni	25	20,965	67,142	7,496	49,294
Deferred income tax and social contribution		87	260		
Net income for the period		48,621	198,293	24,156	156,006
Attributable to					
Shareholders of the parent company		48,621	198,293	24,156	156,006
		48,621	198,293	24,156	156,006
Weighted average of outstanding common shares at the end of the period (in thousands)		124,836	124,836	124,864	125,038
Earnings per share attributable to shareholders of the Parent Company during the period (in R$ per share)		0.39	1.59	0.19	1.25

The accompanying notes are an integral part of the quarterly information (ITR).

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net income for the period	198,293	156,006	198,293	156,006
Other components of comprehensive income for the period				
Comprehensive income for the period	198,293	156,006	198,293	156,006

The accompanying notes are an integral part of the quarterly information (ITR).

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Interim statement of changes in equity
All amounts in thousands of Reais

		Attributable to shareholders of parent company								
				Profit reserve						
	Note	Capital stock	Equity valuation adjustments	Tax incentives	Legal	Retention	Proposed dividends	Treasury shares	Net income for the period	Total equity
As of January 1, 2015		377,048	(586)	34,324	16,010	199,856				626,652
Net income for the period	28								156,006	156,006
Tax incentive reserve	20.d			6,333					(6,333)	
Legal reserve	20.e				7,800				(7,800)	
Treasury shares acquired								(6,217)		(6,217)
Interest on capital	20.g								(3,960)	(3,960)
Realization of deemed cost	20.g		586						(586)	
As of September 30, 2015		377,048		40,657	23,810	199,856		(6,217)	137,327	772,481
As of January 1, 2016		377,048		40,672	24,063	318,857	3,047	(6,454)		757,233
Net income for the period	28								198,293	198,293
Tax incentive reserve	20.d			4,721					(4,721)	
Legal reserve	20.e				9,915				(9,915)	
Dividend distribution							(3,047)			(3,047)
As of September 30, 2016		377,048		45,393	33,978	318,857		(6,454)	183,657	952,479

The accompanying notes are an integral part of the quarterly information (ITR).

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Interim statement of cash flow
Nine-month period ended September 30
All amounts in thousands of Reais

	Note	Parent Company		Consolidated	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Cash flow from operations					
Profit before income tax and social contribution		199,791	157,663	203,105	163,019
Adjustments for					
Depreciation and amortization	12 e 13	23,310	21,539	44,594	41,833
Provision for (reversal of) contingencies		(117)	(181)	875	424
Equity in the results of subsidiaries	6.a	(190,273)	(135,489)		
Allowance for doubtful accounts	10.e	9,246	9,857	34,297	29,504
Loss on write-off of non-current assets	13			377	
Interest, monetary and foreign exchange variations, net	24	47,581	36,848	63,539	56,760
		89,538	90,237	346,787	291,540
Changes in assets and liabilities					
Accounts receivable		(2,630)	(55,265)	(17,046)	(171,987)
Taxes recoverable		(4,758)	1,342	(6,291)	1,703
Advances to suppliers		365	350	4,430	5,759
Other assets		(1,696)	393	(3,522)	(64)
Suppliers		2,815	1,237	8,384	3,457
Payroll and related charges			5,992	18,901	20,591
Taxes payable		4,711	(231)	3,475	4,508
Income tax and social contribution payable		(905)		(56)	
Other liabilities		(1,349)	(19)	(2,011)	(7,983)
Cash from operations		86,091	44,036	353,051	147,524
Interest paid on borrowing and leases		(56,300)	(33,692)	(68,489)	(54,270)
Income tax and social contribution paid		(317)	(2,965)	(8,476)	(8,658)
Net cash provided by operations		29,474	7,379	276,086	84,596
Cash flow from investing activities					
Securities		(58,005)	(193,479)	(58,005)	(193,479)
Capitalization and acquisition of investments	6 e 7	(24,435)	1,723		
Dividends received from investees		56,211			
Additions to property and equipment	13	(20,079)	(24,605)	(40,925)	(48,102)
Additions to intangible assets	12.a	(10,100)	(10,197)	(12,263)	(13,266)
Payables for acquisition of subsidiaries		(2,011)		(16,851)	
Acquisition of subsidiaries, net of cash obtained on acquisition	7				(62,371)
Cash flow provided by (used in) investing activities		(58,419)	(226,558)	(128,044)	(317,218)
Cash flow from financing activities					
Funding through debentures			148,375		148,375
New borrowing	16		140,191		141,431
Repayments of borrowing	16		(15,847)		(22,602)
Amortization of leases	19	(2,491)	(5,520)	(3,463)	(9,444)
Related parties	26.a	116,574	1,824		
Acquisition of treasury shares			(6,217)		(6,217)
Dividends and interest on capital paid to Company shareholders		(23,116)	(9,345)	(23,117)	(9,345)
Cash flow used in financing activities		90,967	253,461	(26,580)	242,198
Increase in cash and cash equivalents		62,022	34,282	121,462	9,576
Cash and cash equivalents		28,890	34,282	30,743	9,576
At the beginning of the period		62,539	39,021	69,999	73,248
At the end of the period		91,429	73,303	100,742	82,824
Main transactions not affecting cash					
New leases and FINAME					4,733

The accompanying notes are an integral part of the quarterly information (ITR).

Ser Educacional S.A.

Interim statement of value added
Nine-month period ended September 30
All amounts in thousands of Reais

	Note	Parent Company		Consolidated	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenue					
Services	21	357.546	342.517	1.070.536	976.229
Allowance for doubtful accounts and actual loss on accounts receivable	23	(9.246)	(9.857)	(34.297)	(29.504)
Revenue deductions	21	(61.747)	(46.630)	(190.216)	(158.106)
		286.553	**286.030**	**846.023**	**788.619**
Inputs acquired from third parties					
Services provided by individuals and companies	22 and 23	(17.403)	(17.384)	(29.475)	(28.519)
Electricity, water and telephone	22	(8.733)	(7.591)	(21.777)	(19.641)
Publicity and advertising	23	(25.126)	(19.045)	(47.452)	(38.436)
Service materials	23	(4.800)	(5.313)	(11.122)	(10.507)
Other		(16.411)	(12.398)	(17.734)	(24.436)
		(72.473)	**(61.731)**	**(127.560)**	**(121.539)**
Gross value added		**214.080**	**224.299**	**718.463**	**667.080**
Depreciation and amortization	22 and 23	(23.310)	(21.539)	(44.594)	(41.833)
Net value added generated by the entity		**190.770**	**202.760**	**673.869**	**625.247**
Financial income	24	39.710	16.575	65.441	35.205
Equity in the results of subsidiaries	6.a	190.273	135.489		
Total value added to distribute		**420.753**	**354.824**	**739.310**	**660.452**
Distribution of value added					
Payroll and related charges	22 and 23	(118.461)	(116.012)	(342.026)	(345.768)
Taxes, charges and contributions		(15.650)	(18.262)	(42.571)	(44.726)
Federal taxes		(1.966)	(1.850)	(5.460)	(7.336)
Municipal taxes		(13.684)	(16.412)	(37.111)	(37.390)
Third-party capital remuneration		(88.349)	(64.544)	(156.420)	(113.952)
Financial expenses	24	(62.072)	(35.085)	(108.886)	(69.562)
Rents payments	22	(26.277)	(29.459)	(47.534)	(44.390)
Net income for the period		(198.293)	(156.006)	(198.293)	(156.006)
Value added distributed		**(420.753)**	**(354.824)**	**(739.310)**	**(660.452)**

The accompanying notes are an integral part of the quarterly information (ITR).

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 the undergraduate, graduate, professional training and other areas of education, and in participation, as a partner or shareholder, in other partnerships and companies in Brazil.

Ser Educacional is a publicly held company headquartered in Recife, in the state of Pernambuco, listed on the Securities, Commodities and Futures Exchange ("BM&FBOVESPA"), in the Novo Mercado special segment, where its shares are traded under the ticker SEER3. Fitch Ratings granted the Company an "A+(bra)" Initial Long Term National Rating with a stable outlook.

The Group owns 24 private limited liability companies and manages two universities, two university centers and 27 colleges, located in 12 different states.

The Board of Directors authorized the issuance of this interim financial information on November 3, 2016, after the Audit Committee issued its opinion on the same date.

2 Summary of significant accounting policies

The main accounting policies applied to the preparation of this quarterly financial information are detailed below. These accounting policies have been applied in a consistent manner in all the periods shown, except where otherwise indicated.

2.1 Basis of preparation

The interim financial information for the quarter and nine month period ended September 30, 2016 was prepared on a historical cost basis, with financial assets and liabilities measured at fair value.

The interim financial information was prepared in accordance with Technical Pronouncement CPC 21 – "Interim Financial Statements", as well as in compliance with IAS 34 – "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB), and shows all material information that is relevant to the financial statements, and only such information, which is consistent with that used by management.

The preparation of interim financial information 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. Those areas involving a high degree of judgment or complexity, and areas where assumptions and estimates are significant to the interim financial information are disclosed in Note 3.

The accounting policies adopted for the preparation of this quarterly financial information as of September 30, 2016 and presented in Note 31 are the same as those described in Note 30 to the annual audited financial statements for the year ended December 31, 2015, and thus this interim financial information must be read together with the annual audited financial statements of the Group.

The presentation of the parent company and consolidated statements of value added (DVA) 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 IFRS, the presentation of these 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 judgments

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 carry 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) Provisions for contingencies

The Company recognizes provisions for civil, tax and labor lawsuits. The assessment of the probability of loss includes an appraisal of the available evidence, the hierarchy of laws, the available case law, recent court decisions and their relevance in the judicial system, as well as the opinion of external and internal legal counsel. Provisions 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 of this outflow 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 limitations, the conclusions of tax inspections or any additional exposure identified on the basis of new evidence or court decisions. See Note 27.

(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 31.10. 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 12(f) to the financial statements for the year ended December 31, 2015.

(c) Allocation of fair value in business combinations

On the dates of business combinations, the Company analyzes the identifiable assets and liabilities arising from said transactions, 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 values of the assets and liabilities arising from the combination, and of the residual goodwill. The estimates and methodologies used are described in Note 7.

(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 intangible assets that have indefinite useful lives for impairment in accordance with the accounting policy presented in Note 31.10. The recoverable amounts for the CGUs are determined based on the estimated value in use. Management estimates the useful lives of certain intangible assets based on historical experience with respect to the use of these intangible assets.

(f) Leases

The assessment of the classification between operating 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 given their use. The fair value and useful life estimates are based on reports from third party experts.

(g) Determination of adjustments 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 any potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge certain risk exposures.

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 overall 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- and long term borrowing and financial 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 the refinancing and renewal of existing positions. Based on this evaluation, the Group monitors the risk of significant changes in interest rates and calculates the impact on profit or loss.

(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 subsidiaries 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 provisions for doubtful accounts to cover credit risk, including the possible risk of default on the unguaranteed portion of the debts 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 10 (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, cash equivalents and securities should be invested with financial institutions 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 by maturity, 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
As of September 30, 2016				
Borrowing	51,157	42,748	84,414	28,098
Debentures	33,240	42,168	77,369	
Leases	22,426	22,426	67,279	233,648
Commitments payable	2,433			
	109,256	107,342	229,062	261,746
As of 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
As of September 30, 2016				
Borrowing	53,886	43,786	84,470	28,098
Debentures	33,240	42,168	77,369	
Leases	38,998	38,998	116,994	444,144
Commitments payable	86,046	37,742	81,826	
	212,170	162,694	360,659	472,242
As of December 31, 2015				
Borrowing	64,796	68,043	109,159	69,454
Debentures	29,520	61,781	137,413	
Leases	39,000	78,000	117,000	434,383
Commitments payable	61,736	45,819	120,468	
	195,052	253,643	484,040	503,837

4.2 Capital management

The Group's objectives when managing capital are to safeguard its 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 based on the financial leverage 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 statement of financial position) less cash and cash equivalents.

The financial leverage ratios at September 30, 2016 and December 31, 2015 were as follow:

	Consolidated	
	September 30, 2016	December 31, 2015
Total borrowing from banks	210,240	230,041
Total debentures	152,777	152,683
Total commitments payable	171,781	180,411
Cash and cash equivalents	(100,742)	(69,999)
Securities	(271,140)	(213,135)
Net debt	162,916	280,001
Total equity	952,479	757,233
Equity plus net debt (total capital stock)	1,115,395	1,037,234
Financial leverage ratio	15%	27%

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

CVM Resolution 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 statement of financial position.

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 September 30, 2016 and December 31, 2015. The main risks underlying the Group's operations are linked to changes in the CDI (Interbank Deposit Certificate) rate.

CVM Instruction 475 of December 17, 2008 provides that specific information on financial instruments must be shown in an explanatory note, including a table 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 deposit certificates and repurchase operations, where the book value is the same as the market value.

Three different scenarios were used to verify the Company's sensitivity to the index on the base date of September 30, 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 based on that rate.

For each scenario, gross financial revenue was calculated, excluding the effects of tax on earnings from the investments. The base date used was September 30, 2016, with a projection period of one year. The sensitivity of the CDI, the long term interest rate (TJLP) and the General Market-Price (IGP-M) index was tested for each scenario.

Transactions	Risk	CDI, TJLP and IGP-M increase scenario Probable (I)	Scenario (II)	Scenario (III)
Assets				
Financial investments 92,277	CDI	14.15% 13,057	17.69% 16,321	21.23% 19,586
Securities 271,140	CDI	14.15% 38,366	17.69% 47,958	21.23% 57,549
Liabilities				
Borrowing - Working capital 58,818	CDI	14.15% 8,323	17.69% 10,403	21.23% 12,484
FINAME 17,373	TJLP	7.50% 1,303	9.38% 1,629	11.25% 1,954
IFC 127,724	CDI	14.15% 18,073	17.69% 22,591	21.23% 27,109
Debentures 152,777	CDI	14.15% 21,618	17.69% 27,022	21.23% 32,427
Commitments payable 37,250	CDI	14.15% 5,271	17.69% 6,589	21.23% 7,906
Commitments payable 134,531	IGP-M	10.68% 14,368	13.35% 17,960	16.02% 21,552
Net Position		17,532	21,915	26,298

Transactions	Risk	CDI and TJLP decrease scenario Probable (I)	Scenario (II)	Scenario (III)
Assets				
Financial investments 92,277	CDI	14.15% 13,057	10.61% 9,793	7.08% 6,529
Securities 271,140	CDI	14.15% 38,366	10.61% 28,775	7.08% 19,183
Liabilities				
Borrowing - Working capital 58,818	CDI	14.15% 8,323	10.61% 6,242	7.08% 4,161
FINAME 17,373	TJLP	7.50% 1,303	5.63% 977	3.75% 651
IFC 127,724	CDI	14.15% 18,073	10.61% 13,555	7.08% 9,036
Debentures 152,777	CDI	14.15% 21,618	10.61% 16,213	7.08% 10,809
Commitments payable 37,250	CDI	14.15% 5,271	10.61% 3,953	7.08% 2,635
Commitments payable 134,531	IGP-M	10.68% 14,368	8.01% 10,776	5.34% 7,184
Net Position		17,532	13,149	8,766

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 Company, 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 information includes the operations of the Group and of the following subsidiaries, which are shown below with a summary of the Company's interest in each of them:

	Direct interest (%)		Indirect interest (%)	
	September 30, 2016	December 31, 2015	September 30, 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
Sociedade Baiana de Ensino Superior Ltda. (ABES)	99.99	99.99	100.00	100.00
Sociedade de Desenvolvimento Educacional Avançado Ltda. (ADEA)	99.99	99.99	100.00	100.00
Centro de Educação Profissional BJ Ltda.	99.99	99.99	100.00	100.00
Centro de Ensino e Tecnologia da Bahia Ltda. (CETEBA)	99.99	99.99	100.00	100.00
Sociedade Educacional Carvalho Gomes Ltda.	99.99	99.99	100.00	100.00
Centro Nacional de Ensino Superior Ltda. (CENESUP)	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
Administradora de Crédito Educativo e Cobrança Ltda. (Educred)	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
Centro Integrado de Educação Superior do Piauí Ltda. (CIESPI)	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)

					09/30/2016		
	Direct interest	Indirect interest	Net Equity	Equity pick-up	Investment amount	Goodwill (Note 10(c))	Total
Direct subsidiaries							
Centro de Ensino e Tecnologia da Bahia Ltda. (CETEBA)	99.99	100.00	9,619	3,016	9,619	4,140	13,759
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99.99	100.00	278	58	278		278
Centro Nacional de Ensino Superior Ltda. (CENESUP)	99.99	100.00	125,810	29,151	125,810		125,810
Administradora de Crédito Educativo e Cobrança Ltda. (Educred)	99.99	100.00	3,007	864	3,007		3,007
Sociedade Educacional Carvalho Gomes Ltda.	99.99	100.00	32,614	11,322	32,614	4,362	36,976
Instituto Campinense de Ensino Superior Ltda	99.99	100.00	237,100	78,621	237,100		237,100
Centro de Educação Profissional BJ Ltda.	99.99	100.00	1,788	2,053	1,788		1,788
Sociedade de Desenvolvimento Educacional Avançado Ltda. (ADEA)	99.99	100.00	39,290	15,031	39,290	5,125	44,415
Sociedade Baiana de Ensino Superior Ltda. (ABES)	99.99	100.00	53,660	5,133	53,660	8,405	62,065
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	100.00	228	(1,725)	228		228
Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda (SESPS)	99.99	100.00	37,299	2,472	37,835	1,043	38,878
Faculdade Maurício de Nassau de Belém Ltda	99.99	100.00	34,529	18,660	35,790	959	36,749
Centro de Ensino Superior Piauiense - FAP Teresina	99.99	100.00	12,695	7,652	16,201	8,662	24,863
Centro Integrado de Educação Superior do Piauí Ltda. - FAP Aliança	99.99	100.00	13,304	8,442	13,304		13,304
Sociedade de Ensino Superior Piauiense Ltda. - Fap Parnaíba	99.99	100.00	18,727	11,204	23,152	5,360	28,512
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	4,303	591	6,768	573	7,341
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda. (FAL)	99.99	100.00	1,340	(500)	1,340	2,232	3,572
Faculdade Joaquim Nabuco de Olinda Ltda. (FASE)	99.99	100.00	3,357	(1,307)	6,317	3,521	9,838
Acquisition of operating licenses							
Faculdade Decisão (FADE)				(15)	2,265	1,028	3,293
Faculdades COC de Maceió (FACOCMA)				(450)	1,950		1,950
Total direct subsidiaries			628,948	190,273	648,316	45,530	693,846
Indirect subsidiaries							
União de Ensino Superior do Pará (UNAMA)		100.00	63,644	46,626	122,044	92,134	214,178
Instituto Santareno de Educação Superior (FIT)		100.00	7,109	4,228	15,409	5,320	20,729
Sociedade Paulista de Ensino e Pesquisa S/S Ltda. (UNG)		100.00	35,598	17,492	149,198	43,591	192,789
Sociedade Universitária Mileto Ltda. (FAMIL)		100.00	1,079	266	5,579	1,346	6,925
Total indirect subsidiaries			107,430	68,612	292,230	142,391	434,621
Total goodwill						187,921	

					12/31/2015		
	Direct interest	Indirect interest	Net Equity	Equity pick-up	Investment amount	Goodwill (Note 10(c))	Total
Direct subsidiaries							
Centro de Ensino e Tecnologia da Bahia Ltda. (CETEBA)	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
Centro Nacional de Ensino Superior Ltda. (CENESUP)	99.99	100.00	85,620	21,355	85,620		85,620
Administradora de Crédito Educativo e Cobrança Ltda. (Educred)	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
Sociedade de Desenvolvimento Educacional Avançado Ltda. (ADEA)	99.99	100.00	30,225	17,562	30,225	5,125	35,350
Sociedade Baiana de Ensino Superior Ltda. (ABES)	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	145,660	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	46,346	229,278	145,917	323,527
Total goodwill						191,447	

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

	Parent Company	
	September 30, 2016	December 31, 2015
At the beginning of the period	533,140	400,625
Capital increase	24,435	80,770
Equity in the results of subsidiaries	190,273	145,660
Distribution of profits of subsidiaries	(56,211)	(93,274)
Business combinations		(829)
Other	2,209	188
At the end of the period	693,846	533,140

In July 2016, the Company approved the capital increase of its subsidiaries through the use of checking account balances. On the same date, it also approved the distribution of dividends from the subsidiaries through the offsetting of checking account balances with them. The amounts capitalized and distributed are shown as follow:

Subsidiary	Capital increase	Dividend distribution
Centro de Ensino e Tecnologia da Bahia Ltda. (CETEBA)	476	
Sociedade de Desenvolvimento Educacional Avançado Ltda. (ADEA)		(5,972)
Instituto Campinense de Ensino Superior Ltda		(27,573)
Instituto de Ensino Superior Juvêncio Terra Ltda.	320	
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda	477	
Faculdade Joaquim Nabuco de Olinda Ltda	1,000	
Sociedade de Ensino e Pesquisa de Sergipe (SESPS)	8,718	
Centro Nacional de Ensino Superior Ltda. (CENESUP)	10,625	
Sociedade Baiana de Ensino Superior Ltda. (ABES)	2,413	
Sociedade Educacional Carvalho Gomes Ltda.		(2,584)
Faculdade Maurício de Nassau de Belém Ltda		(6,205)
Centro de Ensino Superior Piauiense (CESP)		(3,660)
Centro Integrado de Educação Superior do Piauí Ltda. (CIESPI)		(3,756)
Sociedade de Ensino Superior Piauiense Ltda.		(4,775)
Centro de Educação Continuada Maurício de Nassau Ltda.	406	
Centro de Educação Profissional BJ Ltda.		(1,686)
Total as of September 30, 2016	24,435	(56,211)

7 Business combinations

Identifiable assets acquired and liabilities and contingent liabilities assumed for the acquisition of subsidiaries in a business combination are measured initially at their fair values on the acquisition date. Acquisition-related costs are expensed as they are incurred.

In accordance with the material fact disclosed on June 30, 2015, the Company signed, on that date, a Quota Purchase Agreement and Other Covenants through its subsidiary CENESUP, to acquire the total capital of Sociedade Universitária Mileto Ltda., a supporting entity of Faculdade Talles de Mileto ("FAMIL").

The agreement establishes a total payment of R$6,000, of which approximately R$3,900 is payable in up to 15 days from its execution, three semi-annual installments counted from the date of execution of approximately R$400, and a final installment of R$900 payable in August 2017, less all debts and/or retainable contingencies identified. These amounts will be restated based on the IGP-M up to their respective payment dates.

The Company considers the combination date to be July 2, 2015, which is when it effectively assumed control of FAMIL. This is based on the requirements of CPC-15 - "Business Combinations", which establishes the date on which control of the acquiree is obtained as the acquisition date. Accordingly, the acquisition date is the moment when the new owner assumes responsibility for and establishes the accounting and administrative policies of the business.

The amount of R$3,469, related to the first installment, was paid on July 7, 2015.

The table below summarizes the consideration paid or payable to FAMIL's former owners and the fair values of the assets acquired and liabilities assumed recognized on the acquisition date:

	Sociedade Universitária Mileto Ltda - FAMIL
Total consideration	**6.000**
Operating assets	31
Property and equipment	247
Intangible assets identified - Licenses	4.500
Other liabilities assumed	(124)
Identifiable assets acquired and liabilities assumed	4.654
Goodwill	1.346
	6.000

The estimated fair value of the assets purchased and liabilities assumed, as calculated by management with the support of its independent consultants, took into account the following methodologies:

(a) **Accreditation and operating licenses:** the operating licenses are associated with the qualifying courses and their maintenance. They are interdependent and, therefore, fulfill the criterion of separability under CPC 04 when jointly considered. The assessment of operating license intangible assets was performed using the income approach methodology and the "With or Without Method" (WOWM). The fundamental principle of the WOWM is to assess the following scenarios: (i) cash flow generated with the licenses purchased; (ii) cash flow generated without the licenses purchased.

Section E - Selected significant notes

8 Financial instruments by category

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Loans and receivables				
Cash and cash equivalents	1,531	2,829	8,465	7,945
Accounts receivable	165,965	140,304	452,271	381,353
Related parties	1,680	16,323		
	169,176	159,456	460,736	389,298
Measured at fair value				
Cash and cash equivalents	89,898	59,710	92,277	62,054
Securities	271,140	213,135	271,140	213,135
	361,038	272,845	363,417	275,189
	530,214	432,301	824,153	664,487
Financial liabilities carried at amortized cost				
Borrowing	206,417	223,452	210,240	230,041
Debentures	152,777	152,683	152,777	152,683
Leases	145,021	147,512	250,762	254,225
Related parties	104,251	2,320		
Suppliers	12,449	9,634	26,603	18,219
Commitments payable	2,433	6,263	171,781	180,411
	623,348	541,864	812,163	835,579

The fair values of the financial instruments approximate their carrying amounts.

9 Cash and cash equivalents and securities

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Cash on hand	78	42	369	125
Banks - current account	1,453	2,787	8,096	7,820
Financial investments	89,898	59,710	92,277	62,054
Cash and cash equivalents	91,429	62,539	100,742	69,999
Debentures from financial institutions	271,140	213,135	271,140	213,135
Securities	271,140	213,135	271,140	213,135
Total	362,569	275,674	371,882	283,134

Cash and cash equivalents consist of the Company's cash on hand, deposits in banks and short term financial investments that have a maturity date of no longer than 90 days, 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.

Investments and debentures are products included in the portfolios of the financial institutions, without risk for the group, as follow:

			Parent Company		Consolidated	
Type	Return		September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Debentures	From 99% to 102% of CDI		78,852	52,664	78,852	54,096
CDB	From 100% to 100.3% of CDI		11,046	7,046	13,425	7,958
		Financial investments	89,898	59,710	92,277	62,054
Debentures	From 99% to 102% of CDI		271,140	213,135	271,140	213,135
		Securities	271,140	213,135	271,140	213,135

10 Accounts receivable — students

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Monthly tuition fees (a)	17,214	18,099	60,406	69,965
FIES receivable (b)	132,152	108,532	342,054	285,311
Pronatec	4,185	6,707	6,021	10,023
Agreements receivable (c)	17,711	14,597	64,647	46,789
Educational loans receivable (d)	5,288	6,079	9,333	9,020
Other	2,901	1,604	10,664	5,988
Total	179,451	155,618	493,125	427,096
(-) Allowance for doubtful accounts (PDD) (e)	(13,486)	(15,314)	(40,854)	(45,743)
	165,965	140,304	452,271	381,353
(-) Current	(113,957)	(65,919)	(321,650)	(192,251)
Non-current	52,008	74,385	130,621	189,102

Non-current receivables relate to educational credits receivable and the renegotiated FIES balance with terms over 365 days.

(a) Student tuition

At September 30, 2016 and December 31, 2015, the tuition maturity breakdown was as follows:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Overdue up to 30 days	4,581	3,057	16,918	12,091
Overdue 31 - 60 days	3,095	2,490	9,528	9,867
Overdue 61 - 90 days	283	2,420	1,255	8,972
Overdue 91 - 180 days	4,563	3,492	14,982	12,601
Overdue more than 180 days	4,692	6,640	17,723	26,434
	17,214	18,099	60,406	69,965

(b) FIES receivable

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Credits paid in installments (i)	74.311	96.591	188.219	249.149
Amounts not paid in installments (ii)	57.841	11.941	153.835	36.162
FIES credits receivable	132.152	108.532	342.054	285.311
(-) Current	(82.643)	(36.925)	(216.660)	(100.606)
Non-current	49.509	71.607	125.394	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 on the 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 (ABRAES) and the federal government in order to receive from the federal government 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.

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
June/2016	99,355	251,729
FIES loans received	(25,259)	(63,961)
Restatement	1,527	3,863
Adjustment	(1,312)	(3,412)
September/2016	74,311	188,219
(-) Current	(24,802)	(62,825)
Non-current	49,509	125,394

(ii) Most of this balance relates to students prior to the second semester of 2016 whose contracts had not yet been added to the database. On October 19, 2016, the National Congress approved a supplementary credit for the payment of Banco do Brasil's 2% administration fee, and the process of amendment of these students' contracts was then initiated.

(c) Receivable agreements

The Company's management imposes strict criteria preventing debt rollover from one semester to the next. Student agreement receivables refer to renegotiations with students who are in debt to the Company, which offers many different forms and means of payment to students, observes the respective credit limits for each student, and, if necessary, requests the assignment of a guarantor for the credit granted. At September 30, 2016 and December 31, 2015, the maturity analysis of the balances due from agreements was as follows:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current	6,645	3,416	27,083	14,872
Overdue up to 30 days	2,506	1,724	9,146	5,847
Overdue 31 - 60 days	1,722	1,462	5,533	4,702
Overdue 61 - 90 days	733	1,503	2,654	4,456
Overdue 91 - 180 days	2,353	2,947	8,411	8,395
Overdue more than 180 days	3,752	3,545	11,820	8,517
	17,711	14,597	64,647	46,789

(d) Educational credits

Other educational credits receivable include those from Fundação Aplub de Crédito Educativo (Fundaplub) and Educred, referring to financing contracted by students and approved by the Company, recorded at present value. These financial resources are transferred to the Company and its subsidiaries after the graduation of the respective students.

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Educational loans receivable				
Fundaplub and Educred	5,288	6,079	9,333	9,020
	5,288	6,079	9,333	9,020
(-) Current	(2,789)	(3,301)	(4,106)	(4,623)
Non-current	2,499	2,778	5,227	4,397

At September 30, 2016 and December 31, 2015, the maturity of educational credits receivable was as follows:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current	4,106	5,050	7,558	7,390
Overdue up to 30 days	152	159	237	254
Overdue 31 - 60 days	129	115	194	184
Overdue 61 - 90 days	109	107	164	153
Overdue 91 - 180 days	301	257	442	407
Overdue more than 180 days	491	391	738	632
	5,288	6,079	9,333	9,020

(e) Allowance for doubtful accounts

The allowance for doubtful accounts considers notes overdue for more than 180 days, in accordance with 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 on the payment of tuition fees, amounts to be received currently under negotiation and other assets receivable, considering any objective evidence of losses incurred.

The allowance for doubtful accounts for students who have FIES educational credits was calculated as follows:

(i) For FIES students with guarantors and without the Guarantee Fund for Educational Credit Operations (FGEDUC): provision was made for 4.05% of accounts receivable, based on an assumption of 15% credit risk from 27% defaults.
(ii) For financing guaranteed by FGEDUC: for the non-covered risk, provision was made for the 10% of the supporting entities' responsibility for 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's students were as follow:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
At the beginning of the period/year	15,314	9,794	45,743	27,744
Write-off of uncollectible/renegotiated receivables	(11,074)	(9,578)	(39,186)	(29,660)
Allowance for doubtful accounts	9,246	15,098	34,297	47,659
At the end of the period/year	13,486	15,314	40,854	45,743

There are also balances overdue for less than 181 days, which do not meet provisioning criteria, and are, therefore, not yet subject to provisioning for losses, as follow:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Overdue up to 30 days	7,239	4,940	26,301	18,192
Overdue 31 - 60 days	4,946	4,067	15,255	14,753
Overdue 61 - 90 days	1,125	4,030	4,073	13,581
Overdue 91 - 180 days	7,217	6,696	23,835	21,403
	20,527	19,733	69,464	67,929

11 Taxes recoverable and payable

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Taxes recoverable (Current)				
Income tax and social contribution to offset	5,658	1,522	7,668	3,052
Service Tax (ISS)	1,535	520	3,928	1,734
PIS and COFINS to offset	1,090	1,484	1,924	2,441
Other	9	8	79	81
	8,292	3,534	13,599	7,308
Taxes payable				
Withholding income tax	836	1,054	4,883	6,200
Service tax - ISS	1,922	1,768	6,811	7,789
PIS and COFINS	2,931	113	4,105	1,105
Taxes payable in installments	124	139	1,208	705
Municipal Real Estate Tax (IPTU)	474		995	23
Other	1,562	64	2,013	718
	7,849	3,138	20,015	16,540
(-) Current	(6,549)	(3,010)	(17,934)	(16,209)
Non-current	1,300	128	2,081	331

12 Intangible assets

(a) Parent company

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)
Accounting balance, 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)
Accounting balance, net	538	13,958	2,830	2,702		2,724	897	23,649
At September 30, 2016								
Opening balance	538	13,958	2,830	2,702		2,724	897	23,649
Acquisitions		4,805	1,760	1,177		2,189	983	10,914
Write-offs			(814)					(814)
Reclassification								
Amortization		(2,856)	(1,077)	(34)		(534)	(237)	(4,738)
Accounting balance, net	538	15,907	2,699	3,845		4,379	1,643	29,011
At September 30, 2016								
Cost	538	25,365	6,719	4,801	828	5,375	1,880	45,506
Accumulated amortization		(9,458)	(4,020)	(956)	(828)	(996)	(237)	(16,495)
Accounting balance, net	538	15,907	2,699	3,845		4,379	1,643	29,011
Average annual amortization rates (%)		20	33	25	25	20	20	

(b) Consolidated

	Trademarks and Patents	Software Licenses and Installation	Operating Licenses	Agreements	Portfolio of students	Digital Content	Premium	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)
Accounting balance, 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)
Accounting balance, net	580	15,944	15,919	2,766	197	2,723	915	191,447	201,615	432,106
At September 30, 2016										
Opening balance	580	15,944	15,919	2,766	197	2,723	915	191,447	201,615	432,106
Acquisitions	1	5,061	2,836	1,192		2,190	983	974		13,237
Acquisitions arising from business combinations										
Reclassifications arising from business combinations								(4,500)	4,500	
Write-offs			(903)							(903)
Reclassification										
Accumulated amortization arising from business combinations										
Amortization		(3,274)	(2,353)	(38)		(534)	(240)		(2,744)	(9,183)
Accounting balance, net	581	17,731	15,499	3,920	197	4,379	1,658	187,921	203,371	435,257
At September 30, 2016										
Cost	581	33,045	23,978	4,880	1,025	5,375	1,898	187,921	209,228	467,931
Accumulated amortization		(15,314)	(8,479)	(960)	(828)	(996)	(240)		(5,857)	(32,674)
Accounting balance, net	581	17,731	15,499	3,920	197	4,379	1,658	187,921	203,371	435,257
Average annual amortization rates (%)		20	33	25	25	20	20		20	

(c) *Goodwill*

At September 30, 2016 and December 31, 2015, goodwill recorded on the acquisition of investments was as follows:

	September 30, 2016	December 31, 2015
Centro de Ensino e Tecnologia da Bahia Ltda. (CETEBA)	4,140	4,140
Sociedade Baiana de Ensino Superior Ltda. (ABES)	8,405	8,405
Sociedade Educacional Carvalho Gomes Ltda.	4,362	4,362
Sociedade de Desenvolvimento Educacional Avançado Ltda. (ADEA)	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 September 30, 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, as described in Note 7.

(d) Intangible assets identified on acquisitions

At September 30, 2016 and December 31, 2015, intangible assets identified on investment acquisitions were as follow:

	September 30, 2016				December 31, 2015			
	Course Licenses (i)	Brands (ii)	Customer Portfolio (ii)	Total	Course Licenses (i)	Brands (ii)	Customer Portfolio (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
	170,828	32,000	6,400	209,228	166,328	32,000	6,400	204,728

(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 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 for the Group.

The recoverable amount of a CGU is determined based on the calculation of its value in use. Those calculations use estimates of cash flow, before income tax (IRPJ) and social contribution (CSLL), based on finance budgets approved by management for a period of five years.

An impairment test was performed on December 31, 2015. No factors indicated a need to repeat the test for the quarter ended September 30, 2016.

13 Property and equipment

(a) Balance breakdown - 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)
Accounting balance, 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)
Accounting balance, net	11,334	145,465	119,629	19,247	24,087	9,671	15,235	3,797	348,465	12,656	361,121
At September 30, 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	1,110	7,482		2,369		1,243	2,048		14,252	7,542	21,794
Reclassification		(13,653)						20,768	7,115	(7,115)	
Transfers										(1,006)	(1,006)
Cost write-offs	(1,099)								(1,099)		(1,099)
Write-off of depreciation	768								768		768
Depreciation	(2,675)	(4,394)	(5,521)	(1,948)	(1,318)	(1,122)	(1,594)		(18,572)		(18,572)
Accounting balance, net	9,438	134,900	114,108	19,668	22,769	9,792	15,689	24,565	350,929	12,077	363,006
At September 30, 2016											
Cost	19,411	158,559	149,668	29,791	26,167	15,176	27,225	24,565	450,562	12,077	462,639
Accumulated depreciation	(9,973)	(23,659)	(35,560)	(10,123)	(3,398)	(5,384)	(11,536)		(99,633)		(99,633)
Accounting balance, net	9,438	134,900	114,108	19,668	22,769	9,792	15,689	24,565	350,929	12,077	363,006
Average annual depreciation rates (%)	20	4	4.3	10	6.9	10	20				

(b) Balance breakdown - 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, 2015											
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)
Accounting balance, 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)
Accounting balance, net	18,947	221,769	219,908	54,533	24,333	19,529	32,095	3,837	594,951	17,548	612,499
At September 30, 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	1,430	16,340		6,956		3,155	3,650		31,531	9,772	41,303
Reclassification		(12,955)						20,768	7,813	(7,813)	
Transfers										(2,334)	(2,334)
Cost write-offs	(1,114)				(211)				(1,325)		(1,325)
Write-off of depreciation	767				181				948		948
Depreciation	(4,381)	(7,128)	(9,601)	(6,402)	(1,404)	(2,244)	(4,251)		(35,411)		(35,411)
Accounting balance, net	15,649	218,026	210,307	55,087	22,899	20,440	31,494	24,605	598,507	17,173	615,680
At September 30, 2016											
Cost	43,642	254,838	258,242	94,126	27,104	36,630	65,163	24,605	804,350	17,173	821,523
Accumulated depreciation	(27,993)	(36,812)	(47,935)	(39,039)	(4,205)	(16,190)	(33,669)		(205,843)		(205,843)
Accounting balance, net	15,649	218,026	210,307	55,087	22,899	20,440	31,494	24,605	598,507	17,173	615,680
Average annual depreciation rates (%)	20	4	4.3	10	7.4	10	20				

(c) Other information

(c.i) Leased properties

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

				September 30, 2016	December 31, 2015
Type	Amortization term	Cost	Accumulated depreciation	Net balance	Net balance
Buildings - Parent company	20 years	149,668	(35,560)	114,108	119,629
Buildings - Consolidated	20 years	258,242	(47,935)	210,307	219,908

(c.ii) Guarantees

The Company has borrowing agreements (leases and FINAME financing) which allow for the fiduciary sale of the assets acquired. These assets include vehicles, aircraft, machinery and equipment and computer equipment. At September 30, 2016, the parent company had a chattel mortgage of R$30,279 (December 31, 2015 - R$31,941), and the consolidated Group had a chattel mortgage of R$31,635 (December 31, 2015 - R$44,348).

(d) Capitalized borrowing costs

The Group has new projects under construction involving new units and renovations. Two sets of borrowing were obtained in 2015 to finance these enterprises, and the capitalized borrowing costs in the period ended September 30, 2016 amounted to R$2,197 (2015 – R$4,102). The rate used to determine the capitalized borrowing costs is the weighted average of the borrowing concerned.

14 Suppliers

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Domestic suppliers	12,195	9,604	25,981	18,103
Domestic service providers	254	30	622	116
	12,449	9,634	26,603	18,219

15 Commitments payable

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Payables for acquisition of properties (a)	501	2,319	501	2,319
Payables for acquisition of investments (b)	1,932	3,944	171,280	178,092
	2,433	6,263	171,781	180,411
(-) Current	(2,433)	(6,019)	(86,046)	(70,736)
Non-current		244	85,735	109,675

(a) Commitment arising from the acquisition of property located in the city of Fortaleza and property in the city of Recife for the opening of new campuses.

(b) Commitments arising from the following acquisitions:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 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			37.250	41.670
UNG			119.834	120.948
FAMIL			1.300	2.530
Operating license of Bennett			10.964	9.000
	1.932	3.944	171.280	178.092

The installments mature as follow:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Up to one year	1,932	3,944	85,545	59,661
Between one and two years			26,464	33,672
Between two and three years			28,540	26,739
Between three and four years			30,730	27,915
More than four years				30,105
	1,932	3,944	171,280	178,092

16 Borrowing

		Parent Company		Consolidated	
Type	Financial charges	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Working capital (i)	CDI + 2.5% p.a.	58,818	76,300	58,818	76,305
FINAME (ii)	TJLP + 3.18% to 4.50% p.a.	16,968	18,798	17,373	19,430
Leasing (ii)	0.90% to 1.73% p.m.	2,907	5,529	6,325	11,481
IFC (i)	CDI + 2.05% p.a.	127,724	122,825	127,724	122,825
		206,417	223,452	210,240	230,041
(-) Current		(51,157)	(40,977)	(53,886)	(44,450)
Non-current		155,260	182,475	156,354	185,591

(i) Guaranteed by securities for collection.
(ii) Relates mainly to the leasing of IT equipment, vehicles, televisions and air conditioners, among other items, guaranteed by the chattel mortgage of the respective asset and/or a promissory note.

There are no borrowing amounts in foreign currency.

The long term installments fall due as shown below:

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Between one and two years	42,748	46,171	43,786	48,697
Between two and three years	37,354	40,576	37,410	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	28,098	40,352	28,098	40,352
	155,260	182,475	156,354	185,591

The fair value of borrowing classified as current approximates the carrying amounts, since the impact of discounting is not significant. The fair values are based on the discounted cash flow, using a borrowing rate based on the respective agreements.

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 amounts to R$120,000 and will be settled in in semiannual installments beginning in 2017 through 2022. 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.

On August 3, 2015, funds arising from this operation were released. The borrowing costs amounted to R$1,335. The borrowing is payable over seven years, including two years' grace for the principal, and the payment of interest occurs in April and October of each year.

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

The borrowing from the 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 borrowing, for each year ended December 31, and will be payable up to the final maturity. The financial indices are as follow:

- 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 gross debt by adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) - not higher than 2.75; and
- Future debt service cost ratio 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 period ended September 30, 2016 and the year ended December 31, 2015, the covenants related to the borrowing agreement were complied with and there were no amounts in excess of the limits imposed.

17 Debentures

On July 13, 2015, the Company's Board of Directors approved the first issue of simple, unsecured, non-convertible debentures, 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 remaining balance will be used to strengthen working capital. The nominal unit price of the debentures will be subject to interest corresponding to the accumulated variations 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 was R$1,000, with a total amount of R$150,000. The costs incurred on the issue totaled 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, for the quarters ended on March 31, June 30, September 30, and December 31 of each year, 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, with the resulting amount not to be higher than 3.

In the period ended September 30, 2016 and the year ended December 31, 2015, the covenants related to the debenture issue agreements were complied with and did not present amounts higher than the limits imposed.

The long term installments fall due as shown below:

	Parent company and Consolidated	
	September 30, 2016	December 31, 2015
Current		
Less than one year	33,240	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	35,201	42,169
More than four years		28,171
	119,537	147,649
	152,777	152,683

The fair value of debentures classified as current approximate their carrying amounts, since the impact of the discount is not significant. The fair values are based on the discounted cash flow, using rates set out in the respective agreements.

18 Salaries and social charges

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Salaries payable	13,226	9,951	25,179	21,134
Provision for vacation pay and charges	13,491	14,554	28,535	33,612
Provision for 13th month's salary and charges	7,246		20,563	
Social charges	3,581	3,491	10,552	11,146
Other	150	134	478	514
	37,694	28,130	85,307	66,406

19 Lease obligations

The Company and the Group have rental agreements that are classified as lease agreements in property and equipment and in obligations for lease agreements, as discussed in Note 13.

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 the Getulio Vargas Foundation. 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 essentially lease agreements, either because the terms of the rental agreements cover 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 payments of the leases.

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

The due dates for the payments of the minimum lease of the lease agreements are as follow:

Parent Company			September 30, 2016	December 31, 2015
Maturity	Minimum payments	Discount at present value	Present value of minimum payments	Present value of minimum payments
Current				
Less than one year	22,426	(12,886)	9,540	3,369
Non-current				
Between one and two years	22,426	(12,886)	9,540	3,771
Between two and three years	22,426	(12,886)	9,540	4,224
Between three and four years	22,426	(12,886)	9,540	4,736
More than four years	256,075	(149,214)	106,861	131,412
	323,353	(187,872)	135,481	144,143
	345,779	(200,758)	145,021	147,512

Consolidated			September 30, 2016	December 31, 2015
Maturity	Minimum payments	Discount at present value	Present value of minimum payments	Present value of minimum payments
Current				
Less than one year	38,998	(23,430)	15,568	4,691
Non-current				
Between one and two years	38,998	(23,430)	15,568	5,294
Between two and three years	38,998	(23,430)	15,568	5,981
Between three and four years	38,998	(23,430)	15,568	6,761
More than four years	483,142	(294,652)	188,490	231,498
	600,136	(364,942)	235,194	249,534
	639,134	(388,372)	250,762	254,225

The Company revised the classification methodology of the leases based on signed contracts and reclassified the amounts of R$5,874 in the parent company and R$10,431 in the consolidated accounts between short and long term, thus changing the maturity of the installments.

20 Share capital and reserves

(a) Share capital

Capital is divided into 125,213,244 non-par, registered, common shares, amounting to R$377,048 at September 30, 2016.

(b) Treasury shares

On January 12, 2015, the acquisition of up to three million, seven hundred and fifty-two thousand, two hundred and thirty-seven (3,752,237) non-par, book-entry, registered, common shares issued by the Company, was approved, to be held, cancelled in treasury or offered on the market again, with no capital reduction, within 365 days from January 12, 2015, and closing on January 11, 2016, as a repurchase program.

Up to September 30, 2016, 377,500 shares had been 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 11, 2016, the Company's Board of Directors approved the renewal of the share repurchase program up to January 9, 2017.

(c) Capital reserve

At September 30, 2016 and December 31, 2015 the Company had no amount recorded as a capital reserve.

(d) Reserve for tax incentives

At September 30, 2016, the Company had a reserve for tax incentives of R$45,392 (R$40,672 - 2015). This reserve was set up as provided for by Article 195-A of the Brazilian Corporate Law (amended by Law 11638 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 tax expenses. 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 profit 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 September 30, 2016, the Company had a legal reserve of R$34,144 (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 increase capital.

(f) Retained earnings

At September 30, 2016, the Company's retained earnings amounted to R$318,857 (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 Annual Shareholders' Meeting.

(g) Dividends and interest on equity

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

21 Net income from services rendered

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Gross revenue from services				
Undergraduate tuition	338.823	300.693	1.024.019	902.313
Graduate tuition	1.812	3.248	17.933	21.631
Technical course tuition (i)	1.421	27.391	5.288	35.545
Distance Education (EAD) tuition	11.717	6.853	12.788	6.853
Other revenue	3.773	4.332	10.508	9.887
	357.546	342.517	1.070.536	976.229
Deductions from gross revenue				
Discounts, scholarships and rebates (ii)	(61.747)	(46.630)	(190.216)	(158.106)
Taxes on services	(11.462)	(14.804)	(32.340)	(34.185)
	(73.209)	(61.434)	(222.556)	(192.291)
	284.337	281.083	847.980	783.938

(i) The decrease relates to the discontinuation of PRONATEC (a program for technical students) by the federal government;
(ii) The consolidated amount includes R$22,661 (R$18,592 - 2015) related to FGEDUC discounts, R$88,110 (R$53,232 - 2015) related to PROUNI discounts and R$2,936 related to FIES educational charges (*).

(*) Educational charges were calculated in accordance with Provisional Measure No. 741 ("MP 741"), which imposes on educational institutions an additional deduction of 2% on the amount of student charges released from the second half of 2016.

22 Cost of services rendered

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Payroll and social charges	73,464	71,257	262,267	248,516
Services rendered by individuals and companies	4,224	3,163	9,502	6,317
Electricity, water and telephone	8,733	7,591	21,777	19,641
Depreciation and amortization	13,207	11,455	27,733	25,633
Rents	18,143	29,459	47,534	44,390
Other	2,011	806	4,040	1,758
	119,782	123,731	372,853	346,255

23 General and administrative expenses

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Payroll and social charges (i)	44,997	44,755	79,759	97,252
Services rendered by individuals and companies	13,179	14,221	19,973	22,202
Publicity and advertising (ii)	25,126	19,045	47,452	38,436
Allowance for and actual loss on doubtful accounts	9,246	9,857	34,297	29,504
Rentals	8,134			
Depreciation and amortization	10,103	10,084	16,861	16,200
Office supplies	4,800	5,313	11,122	10,507
Taxes	2,690	1,801	5,419	3,528
Other	10,496	8,963	18,080	14,935
	128,771	114,039	232,963	232,564

(i) The decrease in the consolidated amount was due mainly to the synergies resulting from the integration of the activities of UNAMA and UNG in the Shared Services Center in Recife, Pernambuco.
(ii) Increase due to student intake for the second half of 2016, which involved a greater number of units compared to the first half of 2015.

24 Financial income and costs

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Financial income				
Interest on tuition and agreements	6.742	5.702	21.741	17.272
Earnings from financial investments (i)	26.523	9.214	26.726	10.448
Discounts obtained	374	327	1.120	1.647
Gains on monetary variations	6.616		17.251	469
Capitalization of interest	2.197	1.305	2.197	1.971
(-) Social Integration Program (PIS) and Social Contribution on Revenue (COFINS) on finance income (ii)	(2.897)		(3.813)	
Other	155	27	219	3.398
	39.710	16.575	65.441	35.205
Financial expenses				
Interest expenses (iii)	(42.777)	(19.099)	(45.429)	(21.330)
Interest on leases	(14.329)	(14.593)	(25.785)	(25.579)
Discounts granted (iv)	(3.432)	(887)	(16.569)	(9.914)
Monetary variation losses (v)			(14.326)	(10.670)
Other	(1.534)	(506)	(6.777)	(2.069)
	(62.072)	(35.085)	(108.886)	(69.562)
Finance costs, net	(22.362)	(18.510)	(43.445)	(34.357)

(i) Refers to income from the financial investment of the funds raised by the Company in July and August 2015 (Notes 16 and 17) and used in the period;
(ii) Provision for PIS and COFINS on financial revenue due to the lifting, on September 22, 2016, of the injunction exempting the Company from these taxes.
(iii) Refers mainly to charges arising from borrowing that occurred in July and August 2015 (Notes 16 and 17);
(iv) Refers mainly to the students' renegotiation campaign relating to amounts in arrears or overdue for more than 180 days;
(v) Refers mainly to financial remuneration of commitments payable from acquisitions.

25 Income Tax (IRPJ) and Social Contribution (CSLL)

In accordance with Law 11096/2005 regulated by Decree 5493/2005 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 that join PROUNI are exempted, during the term of the membership agreement, 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 recorded, in accordance with the nominal rates, and the amount of taxes recorded in the periods ended September 30, 2016 and 2015, were as follow:

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Profit before income tax and social contribution	199.791	157.663	200.503	158.263
Combined nominal rate of income tax and social contribution - %	34%	34%	34%	34%
Income tax and social contribution based on current legislation rates	67.929	53.605	68.171	53.809
Adjustments for the calculation at the effective rate:				
Adjustments introduced by Law 11638/2007		451		1.575
Equity in subsidiaries	(64.693)	(46.066)		
Leases	1.030		2.086	
Allowance for doubtful accounts and contingencies	407		1.018	
Non-deductible expenses	1.586		4.687	
Reversal of contingencies	(40)		(40)	
Offsetting of tax loss			(4.426)	
	6.219	7.990	71.496	55.384
Tax incentive from exploration profit - PROUNI	(4.721)	(6.333)	(67.142)	(49.294)
Income tax and social contribution expenses on the results for the period	1.498	1.657	4.354	6.090
Effective rate - %	0,75%	1,05%	2,17%	3,85%

(i) Consolidated reconciliation of IRPJ and CSLL expenses for companies under the presumed profit regime

	Consolidated	
	September 30, 2016	September 30, 2015
Gross sales revenue	6.605	8.485
Presumption 32% - Income Tax	2.114	2.715
Presumption 32% - Social Contribution	2.114	2.715
Profit before income tax and social contribution	2.602	4.756
Income Tax - Presumed	528	679
Social Contribution - Presumed	190	244
Income tax and social contribution	718	923
Effective rate - %	27,59%	19,41%

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

(ii) Consolidated reconciliation of IRPJ and CSLL

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Income tax and social contribution for the current period - companies opting for the taxable income system	1,498	1,657	4,354	6,090
Income tax and social contribution for the current period - companies opting for the presumed income system			718	923
	1,498	1,657	5,072	7,013
Taxable income	199,791	157,663	200,503	158,263
Presumed profit			2,602	4,756
Profit before income tax and social contribution	199,791	157,663	203,105	163,019
Effective rate - %	0.75%	1.05%	2.50%	4.30%

26 Related parties

(a) Current accounts with subsidiaries

	September 30, 2016	December 31, 2015
Assets		
Centro de Ensino e Tecnologia da Bahia Ltda. (CETEBA)		297
Sociedade Baiana de Ensino Superior Ltda. (ABES)	810	819
Centro Nacional de Ensino Superior Ltda. (CENESUP)		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	235	108
Faculdade Joaquim Nabuco de Olinda Ltda		285
Centro de Educação Continuada Mauricio de Nassau Ltda.	635	77
	1.680	16.323
Liabilities		
Educred Administ. de Crédito Educativo e Cobrança Ltda.	2.568	
Centro Nacional de Ensino Superior Ltda. (CENESUP)	25.442	
Instituto Campinense de Ensino Superior Ltda. (ICES)	31.515	
Sociedade Educacional Carvalho Gomes Ltda.	1.818	613
Sociedade de Desenvolvimento Educacional Avançado Ltda. (ADEA)	8.036	296
Faculdade Joaquim Nabuco de Olinda Ltda	5.599	
Sociedade de Ensino Superior Piauiense Ltda. (SIESPI)	9.314	312
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	190	153
Faculdade Maurício de Nassau de Belém Ltda	8.869	506
Centro de Ensino Superior Piauiense (CESP)	3.159	72
Centro de Educação Profissional BJ Ltda.	431	333
Sociedade de Ensino Superior e de Pesquisa de Sergipe (SESPS)	1.064	
Instituto de Ensino Superior Juvêncio Terra Ltda.	195	
Sociedade Baiana de Ensino Superior Ltda. (ABES)	5.965	33
União de Ensino Superior do Pará (UNESPA)	86	
Instituto de Pesquisa Maurício de Nassau		2
	104.251	2.320

The greatest impact was due to the receipt of the judicial settlement of FIES (PN 23) as described in Note 10 (b), transferred from the subsidiaries to the parent company.

(b) Remuneration of key management personnel

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

	Parent Company		Consolidated	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Total key management remuneration	4,276	3,865	4,276	3,865

(c) Other transactions

	Parent Company and Consolidated			
	September 30, 2016		September 30, 2015	
	Expenses	(Assets) / Liabilities	Expenses	(Assets) / Liabilities
Rents - Oktus Participações Ltda (i)	34,294	142,875	39,726	146,077
Construção de edificações (ii)				
Buildings - construction			224	
Social actions (ii)	290		583	
Publicity and advertising (iii)			152	
	34,584	142,875	40,685	146,077

(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 Januiê Bezerra Diniz, for a ten-year term, which can be extended for an equal period.
The amount relates to the payment made, including interest of R$290 (R$583 - 2015)

(ii) 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 donates funds for the development of support activities in areas including research, outreach and arts, market research, research scholarships, and community integration actions. The expenditure incurred is recorded in the Company's expenses.

(iii) The Company has signed agreements with Sistema de Comunicação Leia Já, a company owned by members of the family of the stockholder José Januiê Bezerra Diniz. The transactions with this company are related to the provision of advertising and publicity services. The expenditure incurred is recorded in the Company's expenses.

27 Provision for contingencies

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

	Parent Company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Civil (a)	974	1,235	4,854	6,034
Labor (b)	653	509	4,871	3,204
	1,627	1,744	9,725	9,238
Indemnity contingencies (d)			112,403	112,015
	1,627	1,744	122,128	121,253

(a) Civil

The Company, with the support of its legal advisors, has performed a study, evaluation and quantification of its civil lawsuits to determine the probable outflow of funds related to them. Management has set up provisions of R$974 (2015 - R$1,235) in the parent company and R$4,854 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 the Company and its subsidiaries.

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$5,625 (2015 - R$4,409) in the parent company and R$25,171 (2015 - R$16,623) in the consolidated at September 30, 2016. The main claims relate to: (i) disputes over the amounts of tuition payments, fees for cancellation and related demands, as well as failure to return additional amounts considered not to be due, (ii) difficulty in issuing graduation degrees, validating graduation ceremonies and in enrollment, (iii) the regularization of academic issues, and (iv) the validation of, enrollment into, and the refunding and transfer of amounts under FIES.

(b) Labor

The Company, with the support of its legal advisors, has performed a study, evaluation and quantification of its various labor lawsuits to determine the probable outflow of funds related to them. Management has made a provision of R$653 (2015 -R$509) in the parent company and R$4,871 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 September 30, 2016 these amounted to R$7,818 (2015 -R$7,973) in the parent company and R$26,691 (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, evaluation and quantification of tax lawsuits. Management has not made a provision to support probable losses on 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 September 30, 2016, these amounted to R$8,545 (2015 -R$9,183) in the parent company and R$129,864 (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 filed by the Municipality of Belém related to the collection of Service Tax (ISS) due to UNESPA's alleged loss of tax exemption. The matter 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, generating this lawsuit. Before this lawsuit was filed, 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, and therefore no provision being recorded, the lawsuit is recorded at the amount of the contingent liability arising from the business combination with UNESPA (see Note 27 (d)).

(ii) 10480.727015/2011-88 - These are administrative proceedings in which the tax authority pointed out an alleged violation of the tax legislation characterized by divergences in the information provided in relation to the payment of withholding income tax for the 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, due to the illegality of a tax notification against the Company. An injunction has been granted, given that a full deposit was made, to suspend the enforceability of the tax credit, and is still pending judgment. The matter relates to the fact that the Company is a beneficiary of the educational programs of the federal government, specifically PROUNI, which does not generate revenue for the Company and, therefore, should not be liable to taxation. Nevertheless, contrary to the legislation, the Municipality of Recife considers the amount of tax benefit granted to IES under PROUNI to be a form of revenue therefore increasing the Company's tax calculation base. The loss risk classification attributed by the external legal advisors is remote, and the amount is R$305.

(iv) (v) 0801234-75.2016.4.05.8300S - This action relates to a writ of *mandamus*, the object of which is the non-levying of PIS and COFINS taxes on financial income as established by Decree 8426/2015. On February 25, 2016 a preliminary injunction was granted to stop the collection of PIS and COFINS on financial income, preventing the federal government from demanding these taxes. Considering that this matter has not yet been decided by the Higher Courts (Federal Supreme Court and Higher Court of Justice), and although the arguments in favor of the non-levying of these taxes are significant, the risk of losing this action has been evaluated as possible.

(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.)CESPI), Sociedade de Ensino Superior Piauiense Ltda.)SIESPI) and its subsidiary Centro Integrado de Educação Superior do Piauí Ltda., as a result of their business combination in 2013.

Another major labor claim provided for is a contingent liability of R$108,766, which was recognized for the tax exposure of União de Ensino Superior do Pará (UNESPA) and Instituto Santareno de Ensino Superior (ISES), as a result of their business combination in 2014.

The selling shareholders 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 rental 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.

There is also 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 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. However, since the transfer did not take place, under the terms of the agreement, the selling shareholders will remain jointly liable to the Purchaser and to UNESPA for any loss arising from or related to the ownership of UNESPA's holding in RBED, guaranteed under the agreement by the retention of amounts payable for the purchase and sale, discounts on the future rental of the units, and mortgages of property in favor of the Company.

28 Basic and diluted earnings per share

The basic earnings per share are calculated by dividing the profit attributable to the shareholders 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.

	September 30, 2016	September 30, 2015
Profit attributable to the shareholders of the Parent Company	198,293	156,006
Weighted average number of outstanding common shares (in thousands)	124,864	125,038
Earnings per share - basic and diluted - R$	1.59	1.25

29 Insurance

Insurance coverage at September 30, 2016 was contracted at the amounts shown below, which are in accordance with the insurance policies:

Lines	Insured amounts
Fire of property and equipment (Buildings/Contents)	R$ 30,000
Accident, fire and crash - aircraft hull	US$ 13.620
Accident, fire and crash - aeronautical R.E.T.A.	R$ 636
Civil liability of employees and third parties	R$ 2,500
Fire/third parties/bodies of light and heavy vehicles	100% Fipe
D&O liability	R$ 20,000

30 Events after the reporting period

Faculdade São Camilo – Minas Gerais

In accordance with the material fact disclosed on October 13, 2016, the Company signed, on that date, a Non-Onerous Assignment Agreement for the Operating License of Faculdade São Camilo (FASC). The institution was not operational, meaning that the Company's only expenses were legal expenses and normal transaction costs of an operation of this nature, involving the handling of documentation with the Ministry of Education for the transfer of control, among other things, for the sum of R$220. The Company did not take over any assets or liabilities of the business.

The opening of the Ser Educacional group in the city of Belo Horizonte will be part of this process of expansion in 2017.1, based on the terms of Normative Ordinance No. 19 of September 28, 2016, under the name of Univeritas, which will be the Group's new brand name in the South, Southeast and Midwest regions of the country.

Section F - Accounting policies

31 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 periods presented, unless otherwise stated.

31.1 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, 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.

31.2 Cash and cash equivalents

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

31.3 Financial assets

31.3.1 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.

31.3.2 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 8.

31.3.3 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 31.4 and 31.2).

31.3.4 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, 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.

31.3.5 Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position 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.

31.4 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 accruals basis.

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

31.5 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 student receivables, including monthly fees and post-dated checks, 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.

31.6 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 subsidiaries' shareholders. 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 parent company financial statements to reach the same values of equity and results.

31.7 Intangible assets

(a) Goodwill

Goodwill consists of the positive difference between the fair value 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) Student portfolio

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 based on the costs incurred to obtain authorization for and recognition of the courses offered from the Ministry of Education, 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 the supplementary undergraduate activities required for their academic education. These costs are amortized over the periods of the respective agreements.

(g) Goodwill

Intangible assets with 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 initially 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.

31.8 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.

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 reliably measured. The residual value of the replaced item is written off. 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 statement of financial position.

31.9 Capitalized borrowing costs

The historical costs of property and equipment include the costs of 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 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.

31.10 Impairment of non-financial assets

Assets that have an indefinite useful life, e.g. goodwill, are not subject to amortization and are tested annually for impairment. Assets 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 sale costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level 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.

31.11 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 recorded as non-current liabilities.

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

31.12 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 lease payments 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 expenses 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.

31.13 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, which 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 reliably measured. Other borrowing costs are recognized as expenses in the period in which they are incurred.

31.14 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 outstanding, using the effective interest rate 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, which 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 reliably measured. Other debenture costs are recognized as expenses in the period during which they are incurred.

31.15 Provisions

Provisions for contingencies (labor, civil and tax) are recognized when: (i) the Group has a present but 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 opinion 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 financial expenses.

31.16 Taxation

(a) Current income tax (IRPJ) and social contribution (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 Tax on Revenue (PIS) and Social Security Financing Tax on Revenue (COFINS)

For revenue from teaching activities, except for undergraduate teaching by units that have joined the PROUNI program, 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 program are exempt from PIS and from COFINS.

(c) PROUNI

Units that have joined the PROUNI program are exempt from the following federal taxes while they are members:

- IRPJ and CSLL, introduced by Law 7689 of December 15, 1988;
- COFINS, introduced by Supplementary Law 70 of December 30, 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 and specific training courses.

(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.

31.17 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).

31.18 Share capital

Common shares are classified as equity.

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

31.19 Recognition of revenue, costs and expenses

Revenue, costs and expenses are recognized on an accruals 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. Monthly dues received in advance are recorded as "Advances from students" and recognized in the month when the corresponding services are provided.

In October 2013, the Company joined the National Program for Access to Vocational Training (PRONATEC), created by the Ministry of Education to broaden the offering of high-school 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 joined 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 joined FGEDUC through FIES.

(b) Financial income and expenses

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

31.20 Distribution of dividends and interest on equity

The distribution of dividends and interest on equity to the Company's shareholders 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 any dividends and interest on equity 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 shareholders at a General Meeting.

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

Message from Management

2016 is proving to be an important year for Grupo Ser Educacional, with progress in four fundamental areas of the business: (i) organic growth, (ii) operational processes, (iii) acquisitions and expansions, and (iv) track record with the financial community.

Regarding organic growth, the third quarter was marked by major events, most notably the accreditation of Maceió as a University Center, which was an important milestone in the Group's history. For a company focused on the high quality post-secondary education segment, authorization by the Ministry of Education of its autonomy to launch units and courses in a city is not only a financial objective, but also represents recognition of the Company's years of dedication and commitment to providing its students with the best possible education, as well as its investments in brands that are becoming increasingly recognized by the job market, and in infrastructure that is well-located and fully prepared to provide students with a unique academic environment, all of which structured to offer high level knowledge at competitive prices. These are the fundamental pillars making up Ser Educacional's unique value proposition for its students, which gives them the confidence that they will see a return on their investment.

The third quarter also saw the accreditation of the Faculdade Joaquim Nabuco in Jaboatão dos Guararapes. This was the second unit in the city to be approved this year, ensuring the Group's presence there with its two strong Northeast region brands, which can meet the needs of virtually all the city's income groups. Approval of new courses in existing units continues to accelerate – in 3Q16 alone, 71 new courses received the green light, giving a total of 1,062 in the year to date, 35% up on the first nine months of 2015. This organic growth has played an essential role in increasing student intake and will certainly be one of the main intake development factors in the first semester of 2017.

The operational process improvement projects have also played a major role in 2016's results. The synergy gains from the consolidation of back-office operations and curriculum matrices at UNG and UNAMA, as well as the recovery of growth in both institutions due to the Company's stepped-up sales efforts, are abundantly clear.

In addition, looking at the consolidated figures, we can see an overall improvement in such key operating indicators as the dropout rate and the number of students per class, thanks to the new processes introduced in 2015 to the Shared Service Center and Student Relationship Center, which are now in their third stage of process development, permitting the execution of projects that combine analyses of complex databases with the management of integrated processes involving various departments. In this context, it is worth noting that the projects to prevent dropout, such as the Ser Retention System (SRS), the application of business intelligence to the student intake process and the new negotiation scale are currently moving ahead at full capacity, generating scalability gains whose impact on this year's results are apparent.

The academic area has been no different. The implementation of the new curriculum matrix as of December 2015 increased the number of core subjects and introduced a series of other teaching benefits for students. The result not only improved operating efficiency but also made the courses more modern and interesting to the students, thereby reducing their chances of dropping out.

On the acquisition and expansion front, the Company continues to actively pursue opportunities and this quarter announced a non-onerous transfer of maintenance in Belo Horizonte, underlining its ability to access new markets rapidly with modest investments. The focus in this area continues to be on transactions that may become transformational and which permit the accelerated growth of the student base. However, one-off operations are also important, as part of Ser Educacional's long-term strategy of becoming a major player outside the Northeast and North regions, exemplified by construction of the new UNIVERITAS brand, which should play a major part in this process.

Finally, in November the Group will complete the third year since its IPO in 2013, during which time Management believes it has been consistently acting in accordance with the business plan presented to the shareholders, while adapting successfully to the sometimes abrupt changes in the sector and recording consistent margins. It also has a relevant plan for the coming years.

We would like to take advantage of this opportunity to thank our investors, analysts and other members of the financial community for their vote of confidence during these years of public trading and for all that they have invested in tracking the Company's progress so far, and we hereby renew the invitation to continue accompanying our growth project. At Ser Educacional, we are creating the future.

OPERATING PERFORMANCE

Intake

Status of 3Q16 Student Enrollment			
	Reported 09/30/16	Reported 09/30/15	% Chg
Undergraduate Enrollments	18,391	15,970	15.2%
On-campus	15,167	14,551	4.2%
Distance Learning	3,224	1,419	127.2%
Graduate Enrollments	1,770	1,382	28.1%
On-campus	1,642	1,165	40.9%
Distance Learning	128	217	-41.0%
Total New Enrollments	**20,161**	**17,352**	**16.2%**

In 3Q16, 18,400 new undergraduate students were enrolled, 15.2% up on the 16,000 recorded in the same period in 2015.

A total number of 3,100 new FIES contracts have been finalized until September 30 (2,300 freshmen and 800 senior), filling around 54.2% of the 5,700 places allocated to the Company by the federal government.

The distance learning segment was the quarter's undoubted highlight, with intake of 3,200 students, 127.2% more than the 1,400 recorded in 3Q15. This growth was chiefly due to the Company's commercial efforts to enter this segment, with the stepping up of marketing and product positioning initiatives, resulting in an increasing number of enrollments, especially in the nine UNINASSAU centers, located in the Northeast region. The UNG centers, located in the Southeast and approved in November 2015, are still in the initial phase of operations, but already accounted for approximately 18% of the quarter's total distance-learning intake, demonstrating their great potential for penetration in this segment in their region, even though activities are still in the opening months.

The on-campus graduate segment also recorded substantial intake growth of 40.9%, closing 3Q16 with student base growth of 3.8% over the same period last year. This expansion was primarily fueled by the reorganization of the department throughout 2015, aiming to seek new sources of revenue to offset the reduced share of PRONATEC, which until now has shown no signs of opening sufficient places in 2016 to be an important part of the Company's plans.

Dropout Rate

The third-quarter dropout rate stood at 11.1%, 3.3 p.p. less than the 14.4% recorded in 3Q15, mainly due to the non-recurring dropout of approximately 3,600 students in 3Q15 who did not have access to FIES and had to abandon their courses due to inability to pay. These students had expected to gain access to the financing program, but could not due to the rule changes introduced in 2015.

If we adjust the 3Q15 dropout rate for this non-recurring effect, it comes to 11.8%, i.e. 0.7 p.p. higher than the figure recorded this quarter. This improvement was in turn mainly due to the implementation of the Ser Retention System (SRS) since mid-2015, a dropout prevention program based on an analysis of student behavior using more than 600 variables and the new negotiation scale, which allows for more proactive financial relations with students. It also increases collection capacity regarding students in default and results in more fruitful negotiations with students who need to resolve their pending financial issues during the re-enrollment process.

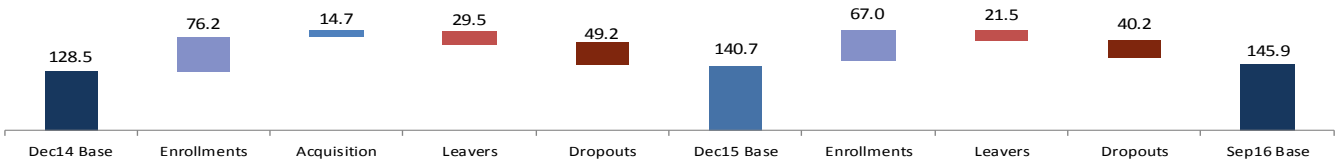
Student Growth Trends

Number of Students	Undergraduate		Graduate		Vocational	Total
3Q16	**On Campus**	**Distance Learning**	**On Campus**	**Distance Learning**	**Total**	**Total**
Jun16 Base	**136,400**	**5,006**	**9,861**	**395**	**772**	**152,434**
Enrollments	15,167	3,224	1,642	128	-	20,161
Leavers	(6,055)	(50)	(1,217)	-	(374)	(7,696)
Dropouts	(16,183)	(1,845)	(919)	-	(32)	(18,979)
Sep16 Base	**129,329**	**6,335**	**9,367**	**523**	**366**	**145,920**
% Sep16 Base / Jun16 Base	*-5.2%*	*26.5%*	*-5.0%*	*32.4%*	*-52.6%*	*-4.3%*
% Sep16 Base / Sep15 Base	*6.0%*	*130.2%*	*3.8%*	*161.5%*	*-92.2%*	*5.2%*

The 3Q16 re-enrollment ratio reached 90.4% of the renewable student base, accompanied by an improvement in the dropout rate, thanks to the initiatives presented in the Dropout Rate section.

Thus, the on-campus undergraduate student base totaled 129,300 students, 6.0% more than the 122,000 reported in 3Q15.

The total student base increased by 5.2% over the 138,700 students reported in the third quarter of 2015.



Average Net Ticket

Average Ticket (R$)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	2Q16	% Chg. 3Q16 x 2Q16
Undergraduate Students (On Campus)	684.06	639.98	6.9%	678.86	0.8%

The average ticket in 3Q16 was R$684.06, 6.9% up year-on-year, mainly due to the pass through of inflation and the improvement in the course mix, exemplified by the gradually increasing share of engineering and health courses. Another contributing factor to the improved ticket was the increased number of enrollments in cities where the Company maintains more recognized brands. These factors offset the higher volume of discounts and scholarships and especially the impact of R $ 2.9 million in MP 741 which increased by 2% discount on tuition FIES, passed directly to financial agents. If we exclude that the effect of increasing average ticket would have been 8.1%.

Student Financing

STUDENT LOANS	Dec/12	Dec/13	Dec/14	3Q15	Dec/15	1Q16	2Q16	3Q16
Students	**48,670**	**70,255**	**101,195**	**122,048**	**123,988**	**135,359**	**136,400**	**129,329**
FIES Students	15,916	31,432	48,048	52,486	56,089	57,842	61,408	58,802
% of FIES Students	32.7%	44.7%	47.5%	43.0%	45.2%	42.7%	45.0%	45.5%
EDUCRED Students				505	754	921	1,021	1,914
% of EDUCRED Students				0.4%	0.6%	0.7%	0.7%	1.5%
PRAVALER Students				814	954	1,114	1,561	1,178
% of PRAVALER Students				0.7%	0.8%	0.8%	1.1%	0.9%
PRAVALER Students				53,805	57,797	59,877	63,990	61,894
% of PRAVALER Students				44.1%	46.6%	44.2%	46.9%	47.9%

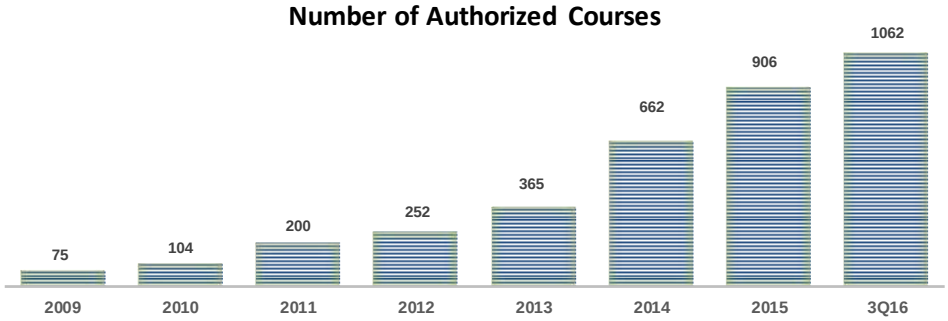
On September 30, 2016, students adhering to the FIES program accounted for 45.5% of the undergraduate student base, 2.5 p.p. up on the 43.0% recorded in 3Q15. As of April 2015, the Company launched two new student financing plans.

The first was PraValer, one of Brazil's largest private student financing programs. The second option was the re-launch of Educred, the Company's own loan program that finances approximately 50% of tuition with interest. In 3Q16, 300 students were financed by PraValer and 200 by Educred.

Organic Growth

In 3Q16, 71 new courses were authorized, giving a total of 1,062, and the number of places in certain courses also expanded. As a result, in September 2016, the Company had more than 346,000 places per year, 111,400 of which in the distance learning segment. Ser Educacional continues to develop its organic growth strategy based on the accreditation of new units and the authorization of new courses.

In this context, the highlight was the state of Pará, which obtained authorization for 12 new courses, four of which in FIT (Faculdades Integradas do Tapajós), seven in UNAMA (Universidade da Amazônia) and one in Maurício de Nassau in Belém, including Nursing, Nutrition, Physical Education, and Electrical and Mechanical Engineering. Through these three brands, Ser Educacional already has a portfolio of more than 135 courses in Pará, 35 of which approved within the last 12 months.



FINANCIAL PERFORMANCE

Gross Revenue

Gross Revenue (R$ '000)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	2Q16	% Chg. 3Q16 x 2Q16	9M16	9M15	% Chg. 9M16 x 9M15
Gross Operating Revenue	**349,492**	**305,960**	**14.2%**	**368,981**	**-5.3%**	**1,070,536**	**976,229**	**9.7%**
Undergraduate Monthly Tuition	332,300	288,267	15.3%	355,613	-6.6%	1,024,019	902,313	13.5%
Graduate Monthly Tuition	6,754	7,821	-13.6%	5,459	23.7%	17,933	21,631	-17.1%
Vocational Courses Revenues	665	5,010	-86.7%	866	-23.2%	5,288	35,545	-85.1%
Distance Learning Revenues	5,845	2,141	173.0%	3,989	46.5%	12,788	6,853	86.6%
Others	3,928	2,721	44.4%	3,054	28.6%	10,508	9,887	6.3%
Deductions from Gross Revenue	**(76,237)**	**(64,684)**	**17.9%**	**(79,381)**	**-4.0%**	**(222,556)**	**(192,291)**	**15.7%**
Discounts and Scholarships	(66,791)	(53,726)	24.3%	(68,818)	-2.9%	(190,216)	(158,106)	20.3%
Taxes	(9,446)	(10,958)	-13.8%	(10,563)	-10.6%	(32,340)	(34,185)	-5.4%
% Discounts and Scholarships/ Net Oper. Rev.	*19.1%*	*17.6%*	*1.6 p.p.*	*18.7%*	*0.5 p.p.*	*17.8%*	*16.2%*	*1.6 p.p.*
Net Operating Revenue	**273,255**	**241,276**	**13.3%**	**289,600**	**-5.6%**	**847,980**	**783,938**	**8.2%**

In 3Q16, gross revenue totaled R$349.5 million, 14.2% up on 3Q15, thanks to the combined effect of organic growth and the addition of the recently acquired UNG and UNAMA, which increased the total undergraduate student base, as well as the upturn in the average ticket, the pass through of inflation and the improved course mix.

For the same reasons, gross revenue in the undergraduate segment increased by 15.3% year-on-year, reaching R$332.3 million in 3Q16, representing 95.1% of the total.

The graduate segment recorded revenue of R$6.8 million, or 1.9% of the total, 13.6% down on 3Q15, due to the postponement of the beginning of classes to ensure a more efficient distribution of students per classroom, which reduced the total number of students and, consequently, revenue.

Revenue from vocational courses/Pronatec amounted to R$0.7 million, accounting for 0.2% of the total and 86.7% down on 3Q15, due to the graduation of Pronatec students during the semester who were not replaced as a result of the reduction in the program by the federal government.

Distance learning, a segment in which the Company began operating in 2014, already accounted for 1.7% of total revenue, or R$5.8 million, an increase of 173.0% in relation to 3Q15, reflecting the 130.2% year-on-year upturn in the segment's student base.

Deductions from gross revenue increased by 17.9% in 3Q16, due to the increase in sales discounts and scholarships, in turn mainly due to (i) the higher number of PROUNI students as a result of the allocation of this type of scholarship to UNG and UNAMA in 2015, given that they were originally nonprofit institutions and therefore had little exposure to PROUNI; (ii) a R$2.9 million increase as a result of the additional 2% deduction on freed student charges, transferred directly to the financial agents, pursuant to FIES Executive Decree 741; and (iii) an increase in the volume of discounts and scholarships to attract regular students.

Net revenue increased by 13.3% from R$241.3 million in 3Q15 to R$273.3 million in 3Q16.

On September 30, 2016, discounts, scholarships and rebates contained R$22.7 million in FGEDUC discounts, versus R$11.9 million on September 30, 2015. On the same date, 92.5% of FIES students were with FGEDUC and 7.5% had guarantors.

Cost of Services Rendered

Breakdown of Cost of Services Rendered[1] - Accounting (R$ '000)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	2Q16	% Chg. 3Q16 x 2Q16	9M16	9M15	% Chg. 9M16 x 9M15
Cash Cost of Services Rendered	**(109,517)**	**(107,082)**	**2.3%**	**(128,680)**	**-14.9%**	**(345,120)**	**(320,622)**	**7.6%**
Payroll and Charges	(82,814)	(81,547)	1.6%	(96,929)	-14.6%	(262,267)	(248,516)	5.5%
Rent	(15,493)	(15,565)	-0.5%	(16,842)	-8.0%	(47,534)	(44,390)	7.1%
Concessionaires (Electricity, Water and Telephone)	(6,800)	(7,231)	-6.0%	(8,988)	-24.3%	(21,777)	(19,641)	10.9%
Third-Party Services and Others	(4,410)	(2,739)	61.0%	(5,921)	-25.5%	(13,542)	(8,075)	67.7%

The cash cost of services rendered (excluding depreciation and amortization) totaled R$109.5 million in 3Q16, 2.3% more than in 3Q15. The main components of this line all recorded a year-on-year upturn for the following reasons:

a) Payroll and charges increased by 1.6% over 3Q15 and fell by 14.6% over 2Q16. The fact that the year-on-year upturn was below the average 8% pay rise increase was chiefly due to non-recurring costs and expenses incurred in previous quarters related to the synergy gains from the consolidation of UNG and UNAMA, as well as higher classroom productivity and the rationalization of teaching staff. These non-recurring effects become easier to analyze if we compare the payroll lines in the "accounting" and "managerial" tables, the latter of which excludes such impacts. Here we can see that the increase in payroll costs in the managerial analysis is close to the average pay rise granted by the Company following the collective bargaining agreement. In fact, the result of this analysis reflects the 3.8% reduction in the number of academic staff, given the positive impact on productivity of the resulting increase in the average number of students per class (the student base expanded by 5.2% between the two periods), which was offset by the pay rise and the transfer of some of the Company's activities from expenses to costs during the UNG and UNAMA integration process.

b) The 0.5% reduction in the rent line over 3Q15 was due to the inflationary adjustment of contracts and rent of the new units, partially offset by the return of properties in 2015 and the suspension of leasing agreements for 12 months in properties belonging to the Company in which the controlling shareholder retains a majority stake, as announced in the 1Q16 Earnings Release. In addition, variable rents paid or provisioned for payment to the owners of the UNAMA and UNG properties generated an additional non-recurring effect of R$1.6 million in 2Q16, given that these amounts involved the period between October 2014 and March 2016.

c) The concessionaires line fell by 6.0%, due to the tariff reduction, return of properties last year, as well as the electricity cost reduction initiatives announced in December 2015, besides the reduction in phone costs mainly in UNAMA. These effects were partially offset by the increased number of operational units (Petrolina, Jaboatão dos Guararapes, Olinda, Feira de Santana, João Pessoa and Cabo de Santo Agostinho) and the inauguration of new buildings to expand operations, as in Aracaju and Salvador.

d) Third-party services increased by 61.0% from R$2.7 million, in 3Q15, to R$4.4 million, due to the hiring of a larger number of service providers to implement improvements to the Company's processes and activities, including distance learning, the Ser Retention System (SRS), student service and internal procedures, among others.

The table below shows managerial operating costs, which are net of non-recurring effects.

Breakdown of Cost of Services Rendered[1] - Managerial (R$ '000)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	2Q16	% Chg. 3Q16 x 2Q16	9M16	9M15	% Chg. 9M16 x 9M15
Cash Cost of Services Rendered	**(109,517)**	**(101,914)**	**7.5%**	**(124,464)**	**-12.0%**	**(340,542)**	**(314,548)**	**8.3%**
Payroll and Charges	(82,814)	(76,703)	8.0%	(94,330)	-12.2%	(259,306)	(242,767)	6.8%
Rent	(15,493)	(15,240)	1.7%	(15,224)	1.8%	(45,916)	(44,065)	4.2%
Concessionaires (Electricity, Water and Telephone)	(6,800)	(7,231)	-6.0%	(8,988)	-24.3%	(21,777)	(19,641)	10.9%
Third-Party Services and Others	(4,410)	(2,739)	61.0%	(5,921)	-25.5%	(13,542)	(8,075)	67.7%

Gross Profit

Gross Profit - Accounting (R$ '000)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	2Q16	% Chg. 3Q16 x 2Q16	9M16	9M15	% Chg. 9M16 x 9M15
Net Operating Revenue	**273,255**	**241,276**	**13.3%**	**289,600**	**-5.6%**	**847,980**	**783,938**	**8.2%**
Cost of Services Rendered	(118,966)	(115,962)	2.6%	(137,909)	-13.7%	(372,853)	(346,255)	7.7%
Gross Profit	**154,289**	**125,314**	**23.1%**	**151,691**	**1.7%**	**475,127**	**437,683**	**8.6%**
Gross Margin	56.5%	51.9%	4.5 p.p.	52.4%	4.1 p.p.	56.0%	55.8%	0.2 p.p.
(-) Depreciation	9,449	8,880	6.4%	9,229	2.4%	27,733	25,633	8.2%
Cash Gross Profit	**163,738**	**134,194**	**22.0%**	**160,920**	**1.8%**	**502,860**	**463,316**	**8.5%**
Cash Gross Margin	59.9%	55.6%	4.3 p.p.	55.6%	4.4 p.p.	59.3%	59.1%	0.2 p.p.

Cash gross profit increased by 22.0%, from R$134.2 million in 3Q15 to R$163.7 million in 3Q16, while the cash gross margin widened from 55.6% to 59.9%.

The upturn in the gross margin was primarily due to the resumption of the Company's operating efficiency, which had been jeopardized in 2015 by a non-recurring loss of students as a result of the abrupt changes in the FIES rules. In that year, the Company was also involved in the integration of its recent acquisitions, whose operating margins were lower, generating a reduction in the consolidated margin. In this context, 3Q16 was an important period in that it marked almost two year of UNAMA's and one and a half year of UNG's integration process and was therefore the first quarter in which the combined effect of synergy gains and the recovery of operating efficiency as a whole became more apparent, thanks to the more effective distribution of students in classrooms and the results of the projects to generate efficiency gains as of 2015, such as the new curriculum matrix, the Ser Retention System, the new negotiation scale and student intake BI, among others.

The table below shows managerial gross profit, which is net of non-recurring effects.

Gross Profit - Managerial (R$ '000)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	2Q16	% Chg. 3Q16 x 2Q16	9M16	9M15	% Chg. 9M16 x 9M15
Net Operating Revenue	**273,255**	**241,276**	**13.3%**	**289,600**	**-5.6%**	**847,980**	**783,938**	**8.2%**
Cost of Services Rendered	(118,966)	(110,794)	7.4%	(133,693)	-11.0%	(368,275)	(340,181)	8.3%
Adjusted Gross Profit	**154,289**	**130,482**	**18.2%**	**155,907**	**-1.0%**	**479,705**	**443,757**	**8.1%**
Gross Margin	56.5%	54.1%	2.4 p.p.	53.8%	2.6 p.p.	56.6%	56.6%	0.0 p.p.
(-) Depreciation	9,449	8,880	6.4%	9,229	2.4%	27,733	25,633	8.2%
Adjusted Cash Gross Profit	**163,738**	**139,362**	**17.5%**	**165,136**	**-0.8%**	**507,438**	**469,390**	**8.1%**
Cash Gross Margin	59.9%	57.8%	2.2 p.p.	57.0%	2.9 p.p.	59.8%	59.9%	0.0 p.p.

Operating Expenses (Selling, General and Administrative)

Operating Expenses - Accounting (R$ '000)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	2Q16	% Chg. 3Q16 x 2Q16	9M16	9M15	% Chg. 9M16 x 9M15
General and Administrative Expenses	**(87,350)**	**(80,011)**	**9.2%**	**(75,672)**	**15.4%**	**(232,963)**	**(232,564)**	**0.2%**
Payroll and Charges	(27,025)	(28,984)	-6.8%	(26,566)	1.7%	(79,759)	(97,252)	-18.0%
Third-Party Services	(5,842)	(8,158)	-28.4%	(7,325)	-20.2%	(19,973)	(22,202)	-10.0%
Advertising	(18,394)	(16,922)	8.7%	(13,381)	37.5%	(47,452)	(38,436)	23.5%
Materials	(3,929)	(3,076)	27.7%	(4,028)	-2.5%	(11,122)	(10,507)	5.9%
PDA	(14,849)	(10,670)	39.2%	(13,058)	13.7%	(34,297)	(29,504)	16.2%
Others	(11,489)	(6,538)	75.7%	(5,732)	100.4%	(23,499)	(18,463)	27.3%
Depreciation and Amortization	(5,822)	(5,663)	2.8%	(5,582)	4.3%	(16,861)	(16,200)	4.1%
Operating Income	**67,375**	**41,898**	**60.8%**	**80,169**	**-16.0%**	**246,550**	**197,376**	**24.9%**
General and Administrative Expenses (Ex-Depreciation and Amortization)	**(81,528)**	**(74,348)**	**9.7%**	**(70,090)**	**16.3%**	**(216,102)**	**(216,364)**	**-0.1%**

Third-quarter general and administrative expenses increased by 9.2%, from R$80.0 million, in 3Q15, to R$87.4 million, mainly due to:

a) A 6.8% year-on-year reduction in payroll and charges, despite the pay rises following the collective bargaining agreements in 2H15 and 1H16, with an average 4% increase in the salary base of the Company's administrative staff. This reduction was chiefly due to the integration of UNG and UNAMA and the organizational restructuring begun in 2H15. It is worth noting that, although the total number of employees remained stable in comparison with both periods, the student base moved up by around 5%. Consequently, the nominal reduction in G&A expenses was due to the transfer of UNG and UNAMA activities previously treated as expenses to costs, apparently leading to a lower gross margin gain. However, the Company is providing substantial improvement in the EBITDA margin, given that the consolidated effect of the synergy gains from payroll costs and expenses resulted in the centralization of all the Group's integrated back-office operations, so that a single employee can now serve all the brands, increasing scale gains with administrative expenses in the units, while generating only marginal increases in operating costs.

b) Increased advertising expenses due to the beginning of the 2016.2 student intake process, which involved more units than in the previous year. However, the upturn lagged overall revenue growth and was therefore in line with the policy adopted by the Company.

c) The 39.2% increase in the provision for doubtful accounts (PDA) from R$10.7 million, or 4.4% of net revenue, in 3Q15, to R$14.8 million, or 5.4% of net revenue, in 3Q16, mainly due to higher default from paying students as a result of the deterioration in the economic scenario. There was also an increase in the student base and the average ticket, which naturally increases nominal PDA. However, it is worth noting that in 3Q15 there was a reversal of R$5.2 million in gross revenue related to 2,100 students who dropped out between 2Q15 and 3Q15 in expectations of receiving FIES financing, without advising the Company, and therefore registered a high number of absences and did not sit their exams. If we consider this effect as well as PDA, 2Q15 total goes to R$ 15.9 million, representing a decrease of 6.9% and as a percentage of net revenue in the 3Q15 would 6.6%, which would be a down 1.2 percentage point compared to 3Q16.

d) The 75.7% reduction in other expenses from R$6.5 million, in 3Q15, to R$11.5 million, due to the update of contingencies and expenses for services and trips in the quarter.

In percentage of net revenue terms, in both the quarterly and year-on-year comparisons, the reductions in payroll and charges and third-party services demonstrate the streamlining of the Company's expenses and point to the beginning of operational synergy gains from the recent acquisitions. The table below shows managerial general and administrative expenses, which are adjusted for non-recurring effects.

Operating Expenses - Managerial (R$ '000)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	2Q16	% Chg. 3Q16 x 2Q16	9M16	9M15	% Chg. 9M16 x 9M15
General and Administrative Expenses	**(87,350)**	**(77,403)**	**12.9%**	**(74,561)**	**17.2%**	**(230,686)**	**(221,917)**	**4.0%**
Payroll and Charges	(27,025)	(28,389)	-4.8%	(26,566)	1.7%	(79,759)	(96,127)	-17.0%
Third-Party Services	(5,842)	(6,145)	-4.9%	(6,927)	-15.7%	(18,889)	(17,559)	7.6%
Advertising	(18,394)	(16,922)	8.7%	(13,381)	37.5%	(47,452)	(38,436)	23.5%
Materials	(3,929)	(3,076)	27.7%	(4,028)	-2.5%	(11,122)	(10,507)	5.9%
PDA	(14,849)	(10,670)	39.2%	(13,058)	13.7%	(34,297)	(24,625)	39.3%
Others	(11,489)	(6,538)	75.7%	(5,020)	128.9%	(22,306)	(18,463)	20.8%
Depreciation and Amortization	(5,822)	(5,663)	2.8%	(5,582)	4.3%	(16,861)	(16,200)	4.1%
Managerial Operating Income	**67,375**	**49,675**	**35.6%**	**80,496**	**-16.3%**	**248,405**	**214,097**	**16.0%**
General and Administrative Expenses (Ex-Depreciation and Amortization)	**(81,528)**	**(71,740)**	**13.6%**	**(68,979)**	**18.2%**	**(213,825)**	**(205,717)**	**3.9%**

EBITDA and Adjusted EBITDA

EBITDA (R$ '000)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	2Q16	% Chg. 3Q16 x 2Q16	9M16	9M15	% Chg. 9M16 x 9M15
Net Income (Loss)[1]	**48,621**	**24,156**	**101.3%**	**63,759**	**-23.7%**	**198,293**	**156,006**	**27.1%**
(+) Net financial expense[2]	17,726	15,714	12.8%	14,696	20.6%	43,445	34,357	26.5%
(+) Income and social contribution taxes	1,028	2,028	-49.3%	1,714	-40.0%	4,812	7,013	-31.4%
(+) Depreciation and amortization	15,271	14,543	5.0%	14,811	3.1%	44,594	41,833	6.6%
EBITDA[3]	**82,646**	**56,441**	**46.4%**	**94,980**	**-13.0%**	**291,144**	**239,209**	**21.7%**
EBITDA Margin	30.2%	23.4%	6.9 p.p.	39.8%	-9.6 p.p.	34.3%	30.5%	3.8 p.p.
(+) Revenue from interest and fines on tuition[5]	8,506	6,955	22.3%	5,444	56.2%	21,741	17,272	25.9%
(+) Non-recurring costs and expenses[6]	-	7,777	-100.0%	327	-100.0%	1,855	16,721	-88.9%
(-) Minimum rent paid[7]	(9,750)	(9,750)	0.0%	(9,750)	0.0%	(29,250)	(28,779)	1.6%
Adjusted EBITDA[4]	**81,402**	**61,423**	**32.5%**	**91,001**	**-10.5%**	**285,490**	**244,423**	**16.8%**
Adjusted EBITDA Margin	29.8%	25.5%	4.3 p.p.	31.4%	-1.6 p.p.	33.7%	31.2%	2.5 p.p.

1. Due to our adherence to PROUNI, we are entitled to certain tax benefits that affect net income.
2. Corresponds to the difference between financial revenue and expenses.
3. EBITDA is not an official accounting measurement.
4. Adjusted EBITDA corresponds to EBITDA plus financial revenue from fines and interest on tuition, non-recurring costs and expenses, and minimum rent paid.
5. Revenue from interest and fines on tuition corresponds to the net financial result from interest income and tuition fines corresponding to financial charges on renegotiated and overdue tuition fees.
6. Non-recurring costs and expenses are mainly related to costs and expenses from mergers and acquisitions, which would not affect normal cash flow.
7. Minimum rent refers to rental agreements recorded under financial leasing in accordance with CPC 6. The expenses from such leasing are not recorded under EBITDA, but are part of adjusted EBITDA.

Cash generation as measured by adjusted EBITDA totaled R$81.4 million in 3Q16, 32.5% up on the R$61.4 million reported in 3Q15.

The adjusted EBITDA margin closed the quarter at 29.8%, a 4.3 p.p. improvement over 3Q15.

The increase in the EBITDA margin was due to operational synergy gains resulting from the gains in scale following the recent acquisitions and the Company's organic growth, as well as the projects specifically designed to improve operating efficiency implemented throughout 2015. These effects were further augmented by growth of the student base, which led to more efficient numbers of students per class.

Financial Result

Financial Result - Accounting (R$ '000)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	2Q16	% Chg. 3Q16 x 2Q16	9M16	9M15	% Chg. 9M16 x 9M15
(+) Financial Revenue	**18,789**	**16,614**	**13.1%**	**19,955**	**-5.8%**	**65,441**	**35,205**	**85.9%**
Interest on Tuition and Agreements	8,506	6,955	22.3%	5,444	56.2%	21,741	17,272	25.9%
Returns on Financial Investments	12,015	7,374	62.9%	6,847	75.5%	26,726	10,448	155.8%
Others	(1,732)	2,285	-175.8%	7,664	-122.6%	16,974	7,485	126.8%
(-) Financial Expenses	**(36,515)**	**(32,328)**	**13.0%**	**(34,651)**	**5.4%**	**(108,886)**	**(69,562)**	**56.5%**
Interest Expenses	(14,770)	(12,817)	15.2%	(15,713)	-6.0%	(45,429)	(21,330)	113.0%
Interest on Leasing	(8,561)	(8,695)	-1.5%	(8,593)	-0.4%	(25,785)	(25,579)	0.8%
Discounts Granted	(4,460)	(5,772)	-22.7%	(3,990)	11.8%	(16,569)	(9,914)	67.1%
Monetary Variation Expenses	(6,207)	(4,130)	50.3%	(4,049)	53.3%	(14,326)	(10,670)	N.M.
Others	(2,517)	(914)	175.4%	(2,306)	9.2%	(6,777)	(2,069)	227.5%
Financial Result	**(17,726)**	**(15,714)**	**12.8%**	**(14,696)**	**20.6%**	**(43,445)**	**(34,357)**	**26.5%**

Financial revenue increased by 13.1%, from R$16.6 million in 3Q15 to R$18.8 million in 3Q16, mainly due to the variation in the returns on financial investments line, due to the higher cash and securities balance, which increased from R$283.1 million at the end of 3Q15 to R$371.9 million in 3Q16.

In this quarter the line of other financial income was impacted by two non-recurring effects:

(i) an adjustment of R$3.4 million in the monetary variation due to the restatement by the IPCA consumer price index of the balance of outstanding FIES accounts receivable related to 2015. Thus, the amount calculated for the quarter of R$4.5 million was booked at only R$1.1 million. This adjustment was due to the alignment of calculation criteria with the FNDE – National Education Development Fund, regarding the amounts recognized in 1H16, which only occurred now, given that since the debt payment agreement, no clear criteria had been defined, which was only possible on payment of the first installment of the agreement in August 2016. Now that the criteria have been duly aligned, the Company does not expect significant adjustments in the future.

(ii) The provisioning of PIS and Cofins taxes on financial revenue between June 2015 and September 2016 totaling R$3.8 million, R$3.0 million of which non-recurring arising from previous quarters and R$1.6 million from 2015. The provisions were booked because this quarter the courts lifted an injunction protecting the Company against the collection of PIS and Cofins established by Decree 8426 of April 1, 2015. Although the decision is continuing to be discussed in the courts, the Company deemed it prudent to begin provisioning these amounts as of this quarter.

Financial expenses increased from R$32.3 million in 3Q15 to R$36.5 million in 3Q16, mainly due to:

a) The 15.2% upturn in interest expenses from R$12.8 million, in 3Q15, to R$14.8 million, primarily due to the debenture issue and the IFC loan, both of which took place in July and August, 2015 and whose interest was not therefore fully booked in 3Q15. In 3Q16, however, 100% of the interest was recognized.

b) Interest on leasing related to rented properties, which fell by 1.5% from R$8.7 million, in 3Q15, to R$8.6 million, due to the reduction in the leasing principal, given that the interest rate is constant.

c) Discounts granted, which fell by 22.7% from R$5.8 million, in 3Q15, to R$4.5 million, due to the lower number of UNG and UNAMA students who prepaid their monthly tuition and the reduced volume of student renegotiations in the re-enrollment process and agreements for students in arrears for more than 360 days.

d) Monetary variation expenses, corresponding to financial remuneration related to amounts payable, mainly impacted by the acquisition of UNG, which rose from R$4.1 million, in 3Q15, to R$6.2 million, as a result of their restatement in line with the IGPM general market price index for the acquisitions of UNG and Talles de Milleto.

As a result of the increase in financial expenses, the 3Q16 net financial result was an expense of R$17.7 million, versus an expense of R$15.7 million in 3Q15.

The table below shows managerial financial result, which is adjusted for non-recurring effects.

Financial Result - Managerial (R$ '000)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	2Q16	% Chg. 3Q16 x 2Q16	9M16	9M15	% Chg. 9M16 x 9M15
(+) Financial Revenue	**25,152**	**16,014**	**57.1%**	**17,480**	**43.9%**	**67,041**	**34,205**	**96.0%**
Interest on Tuition and Agreements	8,506	6,955	22.3%	5,444	56.2%	21,741	17,272	25.9%
Returns on Financial Investments	12,015	7,374	62.9%	6,847	75.5%	26,726	10,448	155.8%
Others	4,631	1,685	174.8%	5,189	-10.8%	18,574	6,485	186.4%
(-) Financial Expenses	**(36,515)**	**(32,328)**	**13.0%**	**(34,651)**	**5.4%**	**(108,886)**	**(69,562)**	**56.5%**
Interest Expenses	(14,770)	(12,817)	15.2%	(15,713)	-6.0%	(45,429)	(21,330)	113.0%
Interest on Leasing	(8,561)	(8,695)	-1.5%	(8,593)	-0.4%	(25,785)	(25,579)	0.8%
Discounts Granted	(4,460)	(5,772)	-22.7%	(3,990)	11.8%	(16,569)	(9,914)	67.1%
Monetary Variation Expenses	(6,207)	(4,130)	50.3%	(4,049)	53.3%	(14,326)	(10,670)	34.3%
Others	(2,517)	(914)	175.4%	(2,306)	9.2%	(6,777)	(2,069)	227.5%
Financial Result	**(11,363)**	**(16,314)**	**-30.3%**	**(17,171)**	**-33.8%**	**(41,845)**	**(35,357)**	**18.3%**

Net Income

Net Income - Accounting (R$ 000)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	2Q16	% Chg. 3Q16 x 2Q16	9M16	9M15	% Chg. 9M16 x 9M15
Operating Income	**67,375**	**41,898**	**60.8%**	**80,169**	**-16.0%**	**246,550**	**197,376**	**24.9%**
(+) Financial Result	(17,726)	(15,714)	12.8%	(14,696)	20.6%	(43,445)	(34,357)	26.5%
(+) Income and Soc. Contrib. Taxes	(1,115)	(2,028)	-45.0%	(1,887)	-40.9%	(5,072)	(7,013)	-27.7%
(+) Deferred Income and Soc. Contrib. Taxes	87	-	0.0%	173	-49.7%	260	-	0.0%
Net Income (Loss)	**48,621**	**24,156**	**101.3%**	**63,759**	**-23.7%**	**198,293**	**156,006**	**27.1%**
Net Margin	17.8%	10.0%	7.8 p.p.	22.0%	-4.2 p.p.	23.4%	19.9%	3.5 p.p.

Operating income increased by 60.8%, from R$41.9 million in 3Q15 to R$67.4 million in 3Q16.

Income tax and social contributions fell by 45.0% over 3Q15 to R$1.1 million, due to compensation of R$0.9 million related to tax losses in units acquired previously.

The Company posted net income of R$48.6 million, 101.3% up on the R$24.2 million recorded in 3Q15 and equivalent to 17.8% of net revenue, 7.8 p.p. higher than the 10.0% reported in the same period last year.

Net income adjusted for non-recurring effects in the quarter that impacted the financial result would have been R$54.9 million, and the 9M16 R$201.7 million, a net margin of 23.8% and 21.8%, respectively.

The table below shows managerial net income, which is adjusted for non-recurring effects. It is worth noting that the Company continues to calculate its dividend payments in accordance with the results presented in IFRS.

Net Income - Managerial (R$ 000)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	2Q16	% Chg. 3Q16 x 2Q16	9M16	9M15	% Chg. 9M16 x 9M15
Operating Income	**67,375**	**49,675**	**35.6%**	**80,496**	**-16.3%**	**248,405**	**214,097**	**16.0%**
(+) Financial Result	(11,363)	(16,314)	-30.3%	(17,171)	-33.8%	(41,845)	(35,357)	18.3%
(+) Income and Soc. Contrib. Taxes	(1,247)	(2,584)	-51.7%	(1,831)	-31.9%	(5,154)	(7,689)	-33.0%
(+) Deferred Income and Soc. Contrib. Taxes	87	-	0.0%	173	-49.7%	260	-	0.0%
Adjusted Net Income (Loss)	**54,852**	**30,777**	**78.2%**	**61,667**	**-11.1%**	**201,667**	**171,050**	**17.9%**
Managerial Net Margin	20.1%	12.8%	7.3 p.p.	21.3%	-1.2 p.p.	23.8%	21.8%	2.0 p.p.

Accounts Receivable and Average Collection Period

Accounts Receivable and Average Receivable Days (R$ '000)	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
Gross Accounts Receivable	**139,205**	**195,489**	**180,626**	**233,415**	**333,900**	**396,996**	**387,611**	**427,096**	**555,192**	**558,237**	**493,125**
Monthly tuition fees	33,970	43,577	35,479	74,099	103,462	93,071	66,214	69,965	73,334	76,245	60,406
FIES	69,776	109,410	101,518	107,340	156,316	234,269	241,670	285,311	397,502	391,752	342,054
PRONATEC	6,639	15,347	12,893	19,610	30,309	17,408	12,111	10,023	7,791	6,343	6,021
Negotiated agreements receivable	15,839	16,361	19,050	17,736	29,020	33,320	47,533	46,789	58,411	54,861	64,647
Education credits receivable	10,376	9,628	9,023	8,730	8,171	8,202	7,380	9,020	10,229	9,616	9,333
Others	2,605	1,166	2,663	5,900	6,622	10,726	12,703	5,988	7,925	19,420	10,664
PDA balance	(18,459)	(18,344)	(19,829)	(27,744)	(25,595)	(31,129)	(37,319)	(45,743)	(41,330)	(37,029)	(40,854)
Net Accounts Receivable	**120,746**	**177,145**	**160,797**	**205,494**	**308,305**	**365,867**	**350,292**	**381,353**	**513,862**	**521,208**	**452,271**
Net Revenue (Last 12 Months - FIES+Ex-FIES+Pronatec)	**504,304**	**566,308**	**625,762**	**705,067**	**820,035**	**917,581**	**987,799**	**1,032,448**	**1,048,075**	**1,064,511**	**1,096,490**
Net Receivable Days (FIES+Ex-FIES+Pronatec)	86	113	93	105	135	144	128	133	177	176	148
Net Revenue FIES (Last 12 Months)	230,853	266,072	306,304	351,278	372,502	391,635	433,248	478,890	505,215	522,979	542,526
Net Receivable Days (FIES)	**109**	**148**	**119**	**110**	**151**	**215**	**201**	**224**	**283**	**270**	**227**
Net Receivable Days (Monthly tuition fees + Negotiated agreements receivable)	**78**	**83**	**83**	**115**	**137**	**102**	**88**	**58**	**72**	**79**	**81**
Net Receivable Days (Monthly tuition fees + Negotiated agreements receivable + Education credits receivable)	94	96	96	125	145	108	93	63	77	85	87

Net accounts receivable climbed by R$70.9 million over 4Q15, mainly due to the upturn in FIES accounts receivable. Despite settlement of the first installment of the agreement with the federal government in 3Q16, there have been no payments for second semester tuition as yet due to the delays in the opening of the reenrollment process. Settlement of these amounts is expected in 4Q16 and 1Q17.

The turnover of accounts receivable from non-FIES students remains under control and within the Company's policy of provisioning 100% of receivables overdue by more than 180 days, plus FIES provisions. The total receivables period related to monthly tuition, negotiated agreements and education credits closed 3Q16 at 87 days, a 5,9% improvement over 3Q15.

Aging of Monthly tuition fees (R$ '000)	3Q16	% Chg.	4Q15	% Chg.
Overdue by up to 30 day	16,918	28.0%	12,091	17.3%
Overdue from 31 to 60 days	9,528	15.8%	9,867	14.1%
Overdue from 61 to 90 days	1,255	2.1%	8,972	12.8%
Overdue from 91 to 180 days	14,982	24.8%	12,601	18.0%
Overdue more than 180 days	17,723	29.3%	26,434	37.8%
TOTAL	**60,406**	**100.0%**	**69,965**	**100.0%**
% of Gross Accounts Receivable	12.2%		16.4%	

Aging of Negotiated Agreements (R$ '000)	3Q16	% Chg.	4Q15	% Chg.
Not yet due	27,083	41.9%	14,872	31.8%
Overdue by up to 30 day	9,146	14.1%	5,847	12.5%
Overdue from 31 to 60 days	5,533	8.6%	4,702	10.0%
Overdue from 61 to 90 days	2,654	4.1%	4,456	9.5%
Overdue from 91 to 179 days	8,411	13.0%	8,395	17.9%
Overdue more than 180 days	11,820	18.3%	8,517	18.2%
TOTAL	**64,647**	**100.0%**	**46,789**	**100.0%**
% of Gross Accounts Receivable	13.1%		11.0%	

Accounts receivable from students refers to renegotiations with students in debt to the Company. The table above shows that 41.9% of the agreements were falling due.

The table below shows the evolution of our provision for doubtful accounts from December 31, 2015 to September 30, 2016:

Constitution of Provision for Doubtful Accounts in the Income Statement (R$ '000)	12/31/2015	Gross Increase in Provision for Doubtful Accounts	Write-off	09/30/2016
Total	45,743	34,297	(39,186)	40,854

Investments (CAPEX)

CAPEX (R$ ('000))	9M16	% of Total	12M15	% of Total
CAPEX Total	**53,188**	**100.0%**	**98,948**	**100.0%**
Property acquisition / Construction / Maintenance of campuses	27,931	52.5%	45,685	46.2%
Equipment / Library / IT	12,994	24.4%	26,292	26.6%
MEC Licenses	2,836	5.3%	13,628	13.8%
Software Licenses	5,061	9.5%	8,912	9.0%
Partnerships	1,192	2.2%	729	0.7%
Intangibles and Others	3,174	6.0%	3,702	3.7%
Acquisitions Debt Payment	**16,851**		**71,109**	
Total CAPEX + Aquisitions Payables	**70,039**		**170,057**	

In 9M16, the Company invested R$27.9 million in campus reforms. In the third quarter, it was delivered the new medicine block of UNINASSAU Recife and delivered laboratories in units. In 2Q16, the new Aracaju and Salvador buildings were delivered and a number of works were executed, most notably the expansion of the number of classrooms in the Fortaleza unit, conclusion of the Medicine block in the UNINASSAU unit in Recife and completion of the parking lot in Aracaju. In 1Q16, there were expansions in João Pessoa and Caruaru.

Of the R$16.9 million in debt payments related to previous acquisitions (payment commitments) recorded under cash flow with investing activities, R$15.8 million was allocated to the payment of the UNG acquisition and R$1.0 million was related to the acquisition of Talles de Mileto.

Indebtedness

Indebtedness (R$ '000)	09/30/2016	12/31/2015	% Chg. Sep16 x dec15
Cash and cash equivalents	100,742	69,999	43.9%
Securities	271,140	213,135	27.2%
Gross debt	**(534,798)**	**(563,135)**	**-5.0%**
Loans and financing	(363,017)	(382,724)	-5.1%
Short term	(87,126)	(49,484)	76.1%
Long term	(275,891)	(333,240)	-17.2%
Aquisitions Payables*	(171,781)	(180,411)	-4.8%
Net debt	**(162,916)**	**(280,001)**	**-41.8%**
Net debt / Adjusted EBITDA (LTM)	0.47	0.95	
* Acquisitions payables refer to acquisition scheduled payments			

Ser Educacional closed September 2016 with gross debt of R$534.8 million, 5.0% down on the R$563.1 million in 4Q15, due to the settlement of commitments related to the acquisition of UNG. The Company's indebtedness is primarily due to the increase in commitments related to the acquisitions and the taking out of two long-term loans with the following characteristics: (i) financing from the IFC over seven years, totaling R$120.0 million at the CDI+2.05% p.a., payable semi-annually as of April 15, 2017 and maturing on April 15, 2022, (ii) the issuance of non-convertible debentures with a term of 5 years totaling R$150.0 million at the CDI+2.5% p.a., with monthly payments as of February 2017 until final maturity in July 2020.

On the same date, the Company's net debt stood at R$162.9 million, representing a leverage ratio (net debt / LTM EBITDA) of 0.47x, versus 0.95x in 4Q15.

Debt Amortization Schedule (R$ '000)	Loans and Financing	A.V. (%)	Aquisitions Payables	A.V. (%)	Debentures	A.V. (%)	Total	A.V. (%)
Short Term	**53,886**	**25.6%**	**86,046**	**50.1%**	**33,240**	**21.8%**	**173,172**	**32.4%**
Total Long Term	**156,354**	**74.4%**	**85,735**	**49.9%**	**119,537**	**78.2%**	**361,626**	**67.6%**
1-2 years	43,786	20.8%	26,464	15.4%	42,168	27.6%	112,418	21.0%
2-3 years	37,410	17.8%	28,540	16.6%	42,168	27.6%	108,118	20.2%
3-4 years	23,530	11.2%	30,730	17.9%	35,201	23.0%	89,461	16.7%
4-5 years	23,530	11.2%	-	0.0%	-	0.0%	23,530	4.4%
After five years	28,098	13.4%	-	0.0%	-	0.0%	28,098	5.3%
Total Loans, Financing and Acquisitions payables	**210,240**	**100.0%**	**171,781**	**100.0%**	**152,777**	**100.0%**	**534,798**	**100.0%**

Regarding the debt payment schedule, 32.4% corresponds to short-term debt, showing that the Company has adequate debt amortization terms, as well as a comfortable level of financial leverage.

Cash Flow

In 3Q16, the Company's cash flow increased by R$123.1 million, resulting in period cash generation of R$148.3 million from operating activities. This increase in excess of EBITDA in the same period was due to the combined effect of recurring cash generation from paying students and reception of the net amount of R$166 million related to amounts due from FIES for 1H16 and the first installment of the 2015 debt. This was partially offset by the use of R$5.2 million in financing activities and R$20.0 million in investing activities (as mentioned in the CAPEX section).

Cash Flow (R$ '000)	3Q16	3Q15	% Chg. 3Q16 x 3Q15	9M16	9M15	% Chg. 9M16 x 9M15
Cash flow from operating activities						
Net cash from operating activities	148,338	64,015	131.7%	205,168	84,596	142.5%
(-) Cash flow allocated to investing activities	(20,053)	(11,170)	79.5%	(70,039)	(123,739)	-43.4%
(+) Securities	(88,103)	(256,897)	-65.7%	(58,005)	(193,479)	-70.0%
(+) Cash flow allocated to financing activities	(5,205)	252,748	-102.1%	(46,381)	242,198	-119.2%
Financing Actvities	(5,205)	104,373	-105.0%	(23,264)	103,168	-122.5%
Dividends	-	-	0.0%	(23,117)	(9,345)	147.4%
Increase in cash and cash equivalents	**34,977**	**48,696**	**-28.2%**	**30,743**	**9,576**	**221.0%**
Net increase in cash and cash equivalents						
Beginning of period	-	-	0.0%	69,999	73,248	-4.4%
End of period	34,977	48,696	-28.2%	100,742	82,824	21.6%
Increase in cash and cash equivalents	**34,977**	**48,696**	**-28.2%**	**30,743**	**9,576**	**221.0%**
Cash changes and Securities	**123,080**	**305,593**	**-59.7%**	**88,748**	**203,055**	**-56.3%**

ABOUT GRUPO SER EDUCACIONAL

Founded in 2003 and headquartered in Recife, Grupo Ser Educacional (BM&FBOVESPA SEER3, Bloomberg SEER3:BZ and Reuters SEER3.SA) is one of the largest private education groups in Brazil and the leader in the Northeast and North regions in terms of number of students enrolled. It offers undergraduate, graduate, vocational and distance learning courses in 13 states, with a consolidated base of more than 146,000 students. The Company operates 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 1,060 courses.

This notice may contain forward-looking statements related to business prospects, estimates of operating and financial results and the growth prospects of Grupo Ser Educacional. These are merely projections and, as such, are

solely based on the expectations of the Management of Grupo Ser Educacional. Such forward-looking statements are substantially dependent on external factors, in addition to the risks presented in the disclosure documents filed by Grupo Ser Educacional and are therefore subject to change without prior notice.

ATTACHMENTS

Income Statement - Accounting

Income Statement - Accounting R$ ('000)	3Q16	3Q15	Var. (%) 3Q16 x 3Q15	2Q16	Var. (%) 3Q16 x 2Q16	9M16	9M15	Var. (%) 9M16 x 9M15
Gross Operating Revenue	**349,492**	**305,960**	**14.2%**	**368,981**	**-5.3%**	**1,070,536**	**976,229**	**9.7%**
Undergraduate Monthly Tuition	332,300	288,267	15.3%	355,613	-6.6%	1,024,019	902,313	13.5%
Graduate Monthly Tuition	6,754	7,821	-13.6%	5,459	23.7%	17,933	21,631	-17.1%
Vocational Courses Revenues	665	5,010	-86.7%	866	-23.2%	5,288	35,545	-85.1%
Distance Learning Revenues	5,845	2,141	173.0%	3,989	46.5%	12,788	6,853	86.6%
Others	3,928	2,721	44.4%	3,054	28.6%	10,508	9,887	6.3%
Deductions from Gross Revenue	**(76,237)**	**(64,684)**	**17.9%**	**(79,381)**	**-4.0%**	**(222,556)**	**(192,291)**	**15.7%**
Discounts and Scholarships	(66,791)	(53,726)	24.3%	(68,818)	-2.9%	(190,216)	(158,106)	20.3%
Taxes	(9,446)	(10,958)	-13.8%	(10,563)	-10.6%	(32,340)	(34,185)	-5.4%
Net Operating Revenue	**273,255**	**241,276**	**13.3%**	**289,600**	**-5.6%**	**847,980**	**783,938**	**8.2%**
Cash Cost of Services Rendered	**(118,966)**	**(115,962)**	**2.6%**	**(137,909)**	**-13.7%**	**(372,853)**	**(346,255)**	**7.7%**
Payroll and Charges	(82,814)	(81,547)	1.6%	(96,929)	-14.6%	(262,267)	(248,516)	5.5%
Rent	(15,493)	(15,565)	-0.5%	(16,842)	-8.0%	(47,534)	(44,390)	7.1%
Concessionaires (Electricity, Water and Telephone)	(6,800)	(7,231)	-6.0%	(8,988)	-24.3%	(21,777)	(19,641)	10.9%
Third-Party Services	(4,410)	(2,739)	61.0%	(5,921)	-25.5%	(13,542)	(8,075)	67.7%
Depreciation and Amortization	(9,449)	(8,880)	6.4%	(9,229)	2.4%	(27,733)	(25,633)	8.2%
Managerial Gross Profit	**154,289**	**125,314**	**23.1%**	**151,691**	**1.7%**	**475,127**	**437,683**	**8.6%**
Gross Margin	*56.5%*	*51.9%*	*4.5 p.p.*	*52.4%*	*4.1 p.p.*	*56.0%*	*55.8%*	*0.2 p.p.*
Operating Expenses/Revenue	**(86,914)**	**(83,416)**	**4.2%**	**(71,522)**	**21.5%**	**(228,577)**	**(240,307)**	**-4.9%**
General and Administrative Expenses	(87,350)	(80,011)	9.2%	(75,672)	15.4%	(232,963)	(232,564)	0.2%
Payroll and Charges	(27,025)	(28,984)	-6.8%	(26,566)	1.7%	(79,759)	(97,252)	-18.0%
Third-Party Services	(5,842)	(8,158)	-28.4%	(7,325)	-20.2%	(19,973)	(22,202)	-10.0%
Advertising	(18,394)	(16,922)	8.7%	(13,381)	37.5%	(47,452)	(38,436)	23.5%
Materials	(3,929)	(3,076)	27.7%	(4,028)	-2.5%	(11,122)	(10,507)	5.9%
PDA	(14,849)	(10,670)	39.2%	(13,058)	13.7%	(34,297)	(29,504)	16.2%
Others	(11,489)	(6,538)	75.7%	(5,732)	100.4%	(23,499)	(18,463)	27.3%
Depreciation and Amortization	(5,822)	(5,663)	2.8%	(5,582)	4.3%	(16,861)	(16,200)	4.1%
Other Operating Expenses/Revenue	436	(3,405)	-112.8%	4,150	-89.5%	4,386	(7,743)	-156.6%
Managerial Operating Income	**67,375**	**41,898**	**60.8%**	**80,169**	**-16.0%**	**246,550**	**197,376**	**24.9%**
Operating Margin	*24.7%*	*17.4%*	*7.3 p.p.*	*27.7%*	*-3.0 p.p.*	*29.1%*	*25.2%*	*3.9 p.p.*
(+) Depreciation and Amortization	15,271	14,543	5.0%	14,811	3.1%	44,594	41,833	6.6%
EBITDA	**82,646**	**56,441**	**46.4%**	**94,980**	**-13.0%**	**291,144**	**239,209**	**21.7%**
EBITDA Margin	*30.2%*	*23.4%*	*6.9 p.p.*	*32.8%*	*-2.6 p.p.*	*34.3%*	*30.5%*	*3.8 p.p.*
(+) Non-recurring costs and expenses	-	7,777	-100.0%	327	-100.0%	1,855	16,721	-88.9%
(+) Interest on tuition and agreements	8,506	6,955	22.3%	5,444	56.2%	21,741	17,272	25.9%
(-) Minimum rent paid	(9,750)	(9,750)	0.0%	(9,750)	0.0%	(29,250)	(28,779)	1.6%
Adjusted EBITDA	**81,402**	**61,423**	**32.5%**	**91,001**	**-10.5%**	**285,490**	**244,423**	**16.8%**
Adjusted EBITDA Margin	*29.8%*	*25.5%*	*4.3 p.p.*	*31.4%*	*-1.6 p.p.*	*33.7%*	*31.2%*	*2.5 p.p.*
(-) Depreciation and Amortization	(15,271)	(14,543)	5.0%	(14,811)	3.1%	(44,594)	(41,833)	6.6%
Adjusted EBIT	**66,131**	**46,880**	**41.1%**	**76,190**	**-13.2%**	**240,896**	**202,590**	**18.9%**
Adjusted EBIT Margin	*24.2%*	*19.4%*	*4.8 p.p.*	*26.3%*	*-2.1 p.p.*	*28.4%*	*25.8%*	*2.6 p.p.*
Financial Result	(17,726)	(15,714)	12.8%	(14,696)	20.6%	(43,445)	(34,357)	26.5%
(+) Financial Revenue	18,789	16,614	13.1%	19,955	-5.8%	65,441	35,205	85.9%
Interest on Tuition and Agreements	8,506	6,955	22.3%	5,444	56.2%	21,741	17,272	25.9%
Returns on Financial Investments	12,015	7,374	62.9%	6,847	75.5%	26,726	10,448	155.8%
Others	(1,732)	2,285	-175.8%	7,664	-122.6%	16,974	7,485	126.8%
(-) Financial Expenses	(36,515)	(32,328)	13.0%	(34,651)	5.4%	(108,886)	(69,562)	56.5%
Interest Expenses	(14,770)	(9,592)	54.0%	(15,713)	-6.0%	(45,429)	(21,330)	113.0%
Interest on Leasing	(8,561)	(8,695)	-1.5%	(8,593)	-0.4%	(25,785)	(25,579)	0.8%
Discounts Granted	(4,460)	(5,772)	-22.7%	(3,990)	11.8%	(16,569)	(9,914)	67.1%
Monetary Variation Expenses	(6,207)	(7,355)	-15.6%	(4,049)	53.3%	(14,326)	(10,670)	34.3%
Others	(2,517)	(914)	175.4%	(2,306)	9.2%	(6,777)	(2,069)	227.5%
Income Before Income Taxes	**49,649**	**26,184**	89.6%	**65,473**	-24.2%	**203,105**	**163,019**	24.6%
Income and Social Contribution Taxes	(1,028)	(2,028)	-49.3%	(1,714)	-40.0%	(4,812)	(7,013)	-31.4%
Current	(22,080)	(9,524)	131.8%	(21,865)	1.0%	(72,214)	(56,307)	28.3%
Tax Incentive - Prouni	20,965	7,496	179.7%	19,978	4.9%	67,142	49,294	36.2%
Deferred	87	-	-100.0%	173	-49.7%	260	-	-100.0%
Consolidated Net Income/Loss	**48,621**	**24,156**	**101.3%**	**63,759**	**-23.7%**	**198,293**	**156,006**	**27.1%**
Net Margin	*17.8%*	*10.0%*	*7.8 p.p.*	*22.0%*	*-4.2 p.p.*	*23.4%*	*19.9%*	*3.5 p.p.*

Income Statement - Managerial

Income Statement - Managerial R$ ('000)	3Q16	3Q15	Var. (%) 3Q16 x 3Q15	2Q16	Var. (%) 3Q16 x 2Q16	9M16	9M15	Var. (%) 9M16 x 9M15
Gross Operating Revenue	**349,492**	**305,960**	**14.2%**	**368,981**	**-5.3%**	**1,070,536**	**976,229**	**9.7%**
Undergraduate Monthly Tuition	332,300	288,267	15.3%	355,613	-6.6%	1,024,019	902,313	13.5%
Graduate Monthly Tuition	6,754	7,821	-13.6%	5,459	23.7%	17,933	21,631	-17.1%
Vocational Courses Revenues	665	5,010	-86.7%	866	-23.2%	5,288	35,545	-85.1%
Distance Learning Revenues	5,845	2,141	173.0%	3,989	46.5%	12,788	6,853	86.6%
Others	3,928	2,721	44.4%	3,054	28.6%	10,508	9,887	6.3%
Deductions from Gross Revenue	**(76,237)**	**(64,684)**	**17.9%**	**(79,381)**	**-4.0%**	**(222,556)**	**(192,291)**	**15.7%**
Discounts and Scholarships	(66,791)	(53,726)	24.3%	(68,818)	-2.9%	(190,216)	(158,106)	20.3%
Taxes	(9,446)	(10,958)	-13.8%	(10,563)	-10.6%	(32,340)	(34,185)	-5.4%
Net Operating Revenue	**273,255**	**241,276**	**13.3%**	**289,600**	**-5.6%**	**847,980**	**783,938**	**8.2%**
Cash Cost of Services Rendered	**(118,966)**	**(110,794)**	**7.4%**	**(133,693)**	**-11.0%**	**(368,275)**	**(340,181)**	**8.3%**
Payroll and Charges	(82,814)	(76,703)	8.0%	(94,330)	-12.2%	(259,306)	(242,767)	6.8%
Rent	(15,493)	(15,240)	1.7%	(15,224)	1.8%	(45,916)	(44,065)	4.2%
Concessionaires (Electricity, Water and Telephone)	(6,800)	(7,231)	-6.0%	(8,988)	-24.3%	(21,777)	(19,641)	10.9%
Third-Party Services	(4,410)	(2,739)	61.0%	(5,921)	-25.5%	(13,542)	(8,075)	67.7%
Depreciation and Amortization	(9,449)	(8,880)	6.4%	(9,229)	2.4%	(27,733)	(25,633)	8.2%
Managerial Gross Profit	**154,289**	**130,482**	**18.2%**	**155,907**	**-1.0%**	**479,705**	**443,757**	**8.1%**
Managerial Gross Margin	***56.5%***	***54.1%***	***2.4 p.p.***	***53.8%***	***2.6 p.p.***	***56.6%***	***56.6%***	***0.0 p.p.***
Operating Expenses/Revenue	**(86,914)**	**(80,808)**	**7.6%**	**(75,411)**	**15.3%**	**(231,300)**	**(229,660)**	**0.7%**
General and Administrative Expenses	(87,350)	(77,403)	12.9%	(74,561)	17.2%	(230,686)	(221,917)	4.0%
Payroll and Charges	(27,025)	(28,389)	-4.8%	(26,566)	1.7%	(79,759)	(96,127)	-17.0%
Third-Party Services	(5,842)	(6,145)	-4.9%	(6,927)	-15.7%	(18,889)	(17,559)	7.6%
Advertising	(18,394)	(16,922)	8.7%	(13,381)	37.5%	(47,452)	(38,436)	23.5%
Materials	(3,929)	(3,076)	27.7%	(4,028)	-2.5%	(11,122)	(10,507)	5.9%
PDA	(14,849)	(10,670)	39.2%	(13,058)	13.7%	(34,297)	(24,625)	39.3%
Others	(11,489)	(6,538)	75.7%	(5,020)	128.9%	(22,306)	(18,463)	20.8%
Depreciation and Amortization	(5,822)	(5,663)	2.8%	(5,582)	4.3%	(16,861)	(16,200)	4.1%
Other Operating Expenses/Revenue	436	(3,405)	-112.8%	(850)	-151.3%	(614)	(7,743)	-92.1%
Managerial Operating Income	**67,375**	**49,675**	**35.6%**	**80,496**	**-16.3%**	**248,405**	**214,097**	**16.0%**
Managerial Operating Margin	***24.7%***	***20.6%***	***4.1 p.p.***	***27.8%***	***-3.1 p.p.***	***29.3%***	***27.3%***	***2.0 p.p.***
(+) Depreciation and Amortization	15,271	14,543	5.0%	14,811	3.1%	44,594	41,833	6.6%
(+) Interest on tuition and agreements	8,506	6,955	22.3%	5,444	56.2%	21,741	17,272	25.9%
(-) Minimum rent paid	(9,750)	(9,750)	0.0%	(9,750)	0.0%	(29,250)	(28,779)	1.6%
Adjusted EBITDA	**81,402**	**61,423**	**32.5%**	**91,001**	**-10.5%**	**285,490**	**244,423**	**16.8%**
Adjusted EBITDA Margin	***29.8%***	***25.5%***	***4.3 p.p.***	***31.4%***	***-1.6 p.p.***	***33.7%***	***31.2%***	***2.5 p.p.***
(-) Depreciation and Amortization	(15,271)	(14,543)	5.0%	(14,811)	3.1%	(44,594)	(41,833)	6.6%
Adjusted EBIT	**66,131**	**46,880**	**41.1%**	**76,190**	**-13.2%**	**240,896**	**202,590**	**18.9%**
Adjusted EBIT Margin	***24.2%***	***19.4%***	***4.8 p.p.***	***26.3%***	***-2.1 p.p.***	***28.4%***	***25.8%***	***2.6 p.p.***
Financial Result	(11,363)	(16,314)	-30.3%	(17,171)	-33.8%	(41,845)	(35,357)	18.3%
(+) Financial Revenue	25,152	16,014	57.1%	17,480	43.9%	67,041	34,205	96.0%
Interest on Tuition and Agreements	8,506	6,955	22.3%	5,444	56.2%	21,741	17,272	25.9%
Returns on Financial Investments	12,015	7,374	62.9%	6,847	75.5%	26,726	10,448	155.8%
Others	4,631	1,685	174.8%	5,189	-10.8%	18,574	6,485	186.4%
(-) Financial Expenses	(36,515)	(32,328)	13.0%	(34,651)	5.4%	(108,886)	(69,562)	56.5%
Interest Expenses	(14,770)	(9,592)	54.0%	(15,713)	-6.0%	(45,429)	(21,330)	113.0%
Interest on Leasing	(8,561)	(8,695)	-1.5%	(8,593)	-0.4%	(25,785)	(25,579)	0.8%
Discounts Granted	(4,460)	(5,772)	-22.7%	(3,990)	11.8%	(16,569)	(9,914)	67.1%
Monetary Variation Expenses	(6,207)	(7,355)	-15.6%	(4,049)	53.3%	(14,326)	(10,670)	34.3%
Others	(2,517)	(914)	175.4%	(2,306)	9.2%	(6,777)	(2,069)	227.5%
Income Before Income Taxes	**56,012**	**33,361**	67.9%	**63,325**	-11.5%	**206,560**	**178,740**	15.6%
Income and Social Contribution Taxes	(1,160)	(2,584)	-55.1%	(1,658)	-30.0%	(4,894)	(7,689)	-36.4%
Current	(22,212)	(10,080)	120.4%	(21,809)	1.8%	(72,296)	(56,983)	26.9%
Tax Incentive - Prouni	20,965	7,496	179.7%	19,978	4.9%	67,142	49,294	36.2%
Deferred	87	-	-100.0%	173	-49.7%	260	-	-100.0%
Managerial Consolidated Net Income/Loss	**54,852**	**30,777**	**78.2%**	**61,667**	**-11.1%**	**201,667**	**171,050**	**17.9%**
Managerial Net Margin	***20.1%***	***12.8%***	***7.3 p.p.***	***21.3%***	***-1.2 p.p.***	***23.8%***	***21.8%***	***2.0 p.p.***

Balance Sheet

Balance Sheet - ASSETS (R$ '000)	09/30/2016	12/31/2015	% Chg. Sep16 x dec15	09/30/2015	% Chg. Sep16 x Sep15
Total Assets	**2,023,206**	**1,848,588**	**9.4%**	**1,843,160**	**9.8%**
Current Assets	**720,334**	**497,460**	**44.8%**	**702,275**	**2.6%**
Cash and cash equivalents	100,742	69,999	43.9%	82,824	21.6%
Securities	271,140	213,135	27.2%	256,897	5.5%
Accounts receivable	321,650	192,251	67.3%	347,646	-7.5%
Taxes recoverable	13,599	7,308	86.1%	2,229	510.1%
Advances to suppliers	1,169	5,599	-79.1%	4,125	-71.7%
Other assets	12,034	9,168	31.3%	8,554	40.7%
Non-Current Assets	**1,302,872**	**1,351,128**	**-3.6%**	**1,140,885**	**14.2%**
Long-Term Assets	1,302,872	1,351,128	-3.6%	1,140,885	14.2%
Accounts receivable	130,621	189,102	-30.9%	2,646	4836.5%
Other assets	9,299	5,406	72.0%	4,685	98.5%
Indemnifications	112,015	112,015	0.0%	112,015	0.0%
Intangible assets	435,257	432,106	0.7%	414,252	5.1%
Property, plant and equipment	615,680	612,499	0.5%	607,287	1.4%

Balance Sheet - LIABILITIES (R$ '000)	09/30/2016	12/31/2015	% Chg. Sep16 x dec15	09/30/2015	% Chg. Sep16 x Sep15
Total Liabilities	**1,070,727**	**1,091,355**	**-1.9%**	**1,070,679**	**0.0%**
Current Liabilities	**340,368**	**270,766**	**25.7%**	**249,679**	**36.3%**
Suppliers	26,603	18,219	46.0%	21,157	25.7%
Accounts payable	86,046	70,736	21.6%	67,404	27.7%
Loans and financing	53,886	44,450	21.2%	41,407	30.1%
Debentures	33,240	5,034	560.3%	4,461	645.1%
Payroll and charges	85,307	66,406	28.5%	84,371	1.1%
Taxes payable	17,934	16,209	10.6%	15,688	14.3%
Income and social contribution taxes payable	3,912	11,609	-66.3%	3,112	25.7%
Tax installments	-	-	0.0%	564	-100.0%
Leasing	15,568	4,691	231.9%	4,548	242.3%
Dividends payable	-	20,070	-100.0%	-	0.0%
Other liabilities	17,872	13,342	34.0%	6,967	156.5%
Non-Current Liabilities	**730,359**	**820,589**	**-11.0%**	**821,000**	**-11.0%**
Loans and financing	156,354	185,591	-15.8%	194,372	-19.6%
Debentures	119,537	147,649	-19.0%	148,375	-19.4%
Leasing	235,194	249,534	-5.7%	250,761	-6.2%
Accounts payable	85,735	109,675	-21.8%	106,160	-19.2%
Taxes payable	2,081	331	528.7%	645	222.6%
Tax installments	3,977	-	N.M.	-	N.M.
Provision for contingencies	122,128	121,253	0.7%	120,687	1.2%
Provision for contingencies	5,353	6,556	-18.3%	-	N.M.
Consolidated Shareholders' Equity	**952,479**	**757,233**	**25.8%**	**772,481**	**23.3%**
Capital Realized	377,048	377,048	0.0%	377,048	0.0%
Income Reserve	398,228	386,639	3.0%	264,323	50.7%
Retained income	183,657	-	N.M.	137,327	33.7%
Treasury shares	(6,454)	(6,454)	0.0%	(6,217)	3.8%
Total Liabilities and Shareholders' Equity	**2,023,206**	**1,848,588**	**9.4%**	**1,843,160**	**9.8%**

Cash Flow

Cash Flow Statement (R$ '000)	09/30/2016	09/30/2015	% Chg. Sep16 x Sep15	12/31/2015	% Chg. Sep16 x dec15
Consolidated Net Income for the Period before IncomeTaxes	**203,105**	**163,019**	**24.6%**	**172,543**	**17.7%**
Depreciation and amortization	44,594	41,833	6.6%	56,100	-20.5%
Provisions	875	424	106.4%	986	-11.3%
Adjustment present value of accounts receivable	-	-	0.0%	12,187	-100.0%
Provision for doubtful accounts	34,297	29,504	16.2%	47,659	-28.0%
Write-off of Non-Current Assets	377	-	0.0%	-	0.0%
Interest and exchange variation, net	63,539	56,760	11.9%	72,222	-12.0%
Adjusted Net Income	**346,787**	**291,540**	**19.0%**	**361,697**	**-4.1%**
Changes in Assets and Liabilities	**(64,654)**	**(144,016)**	**-55.1%**	**(213,236)**	**-69.7%**
Accounts receivable	(87,964)	(171,987)	-48.9%	(228,435)	-61.5%
Taxes recoverable	(6,291)	1,703	-469.4%	(4,015)	56.7%
Advances	4,430	5,759	-23.1%	3,481	27.3%
Other assets	(3,522)	(64)	5403.1%	657	-636.1%
Suppliers	8,384	3,457	142.5%	519	1515.4%
Payroll and charges	18,901	20,591	-8.2%	1,453	1200.8%
Taxes payable	3,475	4,508	-22.9%	2,568	35.3%
Income and social contribution taxes payable	(56)	-	0.0%	5,377	-101.0%
Other liabilities	(2,011)	(7,983)	-74.8%	5,159	-139.0%
Cash generated from operations	**282,133**	**147,524**	**91.2%**	**148,461**	**90.0%**
Other	**(76,965)**	**(62,928)**	**22.3%**	**(71,401)**	**7.8%**
Interest on loans	(68,489)	(54,270)	26.2%	(62,366)	9.8%
Income and social contribution taxes paid	(8,476)	(8,658)	-2.1%	(9,035)	-6.2%
Net Cash from Operating Activities	**205,168**	**84,596**	**142.5%**	**77,060**	**166.2%**
Net Cash from Investing Actvities	**(128,044)**	**(317,218)**	**-59.6%**	**(319,839)**	**-60.0%**
Securities	(58,005)	(193,479)	-70.0%	(149,717)	-61.3%
Additions of Investments	-	-	0.0%	(18,840)	-100.0%
Additions to property, plant and equipment	(40,925)	(48,102)	-14.9%	(72,042)	-43.2%
Additions to intangible assets	(12,263)	(13,266)	-7.6%	(26,971)	-54.5%
Acquisition of subsidiaries Payments	(16,851)	-	N.M.	-	N.M.
Acquisition of subsidiaries	-	(62,371)	-100.0%	(52,269)	-100.0%
Net Cash from Financing Actvities	**(46,381)**	**242,198**	**-119.2%**	**239,530**	**-119.4%**
Debentures	-	148,375	-100.0%	147,649	-100.0%
Loans and financing	-	141,431	-100.0%	137,213	-100.0%
Amortization of loans and financing	(19,801)	(22,602)	-12.4%	(22,653)	-12.6%
Amortization of leasing	(3,463)	(9,444)	-63.3%	(4,033)	-14.1%
Treasury Shares	-	(6,217)	-100.0%	(6,454)	-100.0%
Dividends	(23,117)	(9,345)	147.4%	(12,192)	89.6%
Increase (Reduction) in Cash and Cash Equivalents	**30,743**	**9,576**	**221.0%**	**(3,249)**	**-1046.2%**
Cash and Cash Equivalents at Beginning of Period	69,999	73,248	-4.4%	73,248	-4.4%
Cash and Cash Equivalents at End of Period	100,742	82,824	21.6%	69,999	43.9%
Cash changes and Securities	**88,748**	**203,055**	**-56.3%**	**146,468**	**-39.4%**