(A free translation of the original in Portuguese)

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Ser Educacional S.A.

Parent company and consolidated financial statements at December 31, 2017 and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

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

Opinion

We have audited the accompanying parent company financial statements of Ser Educacional S.A. ("Company" or "Parent company"), which comprise the balance sheet as at December 31, 2017 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Ser Educacional S.A. and its subsidiaries ("Consolidated" or "Group"), which comprise the consolidated balance sheet as at December 31, 2017 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ser Educacional S.A. and of Ser Educacional S.A. and its subsidiaries as at December 31, 2017, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

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



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We planned and performed our audit for the year ended December 31, 2017 considering that the operations of Ser Educacional S.A. and its subsidiaries in the year then ended remained substantially the same in relation to the prior year. In this context, the key audit matters and our audit approach remained substantially aligned with those from the prior year.

Why it is a key audit matter	How the matter was addressed in the audit
Revenue recognition and Provision for impairment of trade receivables (Notes 20 and 9 to the financial statements, respectively)	
The main source of revenue for the Company and its subsidiaries is the monthly tuition fees charged from individuals (students) who are enrolled, on a six-month basis, on regular undergraduate, graduate, and technical courses. In the context of the operations of the Company and its subsidiaries, the main aspects below required particular attention in our audit: (a) Revenue arises from the significant volume of individual, low-value transactions, which further increases the relevance of the related internal controls established, especially the maintenance of a proper student registration and pricing of courses offered. (b) The relevance of students who are enrolled under the Student Financing Program (FIES) offered by the Federal Government, responsible for approximately 42% of the student base, requires that management apply complex judgment referring to the likelihood of future receipt of the tuition fees paid by those students. (c) Because the student enrollment happens on a six-month basis, those students who are in default at the end of each six-month period or who are no longer enrolled represent a higher risk of losses in trade receivables, which requires the execution of overdue receivable recovery agreements as well as judgment when establishing the provision for impairment of trade receivables. This provision comprises not only default students, but also students who executed agreements for the payment of overdue tuition fees but whose payment might not be fully honored.	As an audit response, we performed the following key procedures related to this matter: We obtained an updated understanding of, and tested the, relevant internal controls that the Company and its subsidiaries implemented over the enrollment process, price list definition, issue of collection notes, and tuition fee accounting record. On a sample basis, we analyzed contracts entered into with students, including students enrolled via the FIES, concerning the contractual conditions and registration documents. We also verified the subsequent receipt of tuition fees selected in the sample. For amounts recorded as provision for impairment of trade receivables, we verified whether the related policy that management established was applied equally throughout the student base. We also tested the mathematical accuracy of the calculations of the provision at December 31, 2017. Furthermore, we analyzed on a sample basis the agreements executed in order to check the compliance of the provisions accounted for with management-established criteria. We identified and reported adjustments to management, which are considered as not being relevant in the context of the financial statements. The results of our procedures indicated that the revenue recognition, including revenue from tuition fees of FIES students, is supported by proper documentation. Also, management's criteria and assumptions provide a reasonable basis for determining the provision for impairment of trade receivables in the context of the financial statements.

Why it is a key audit matter	How the matter was addressed in the audit
Impairment of intangible assets with indefinite useful lives(Note 11 to the financial statements)	
Because of the business combinations made in prior years, the Company accumulated goodwill and certain intangible assets with indefinite useful lives, which represent approximately 16% of total assets in the consolidated financial statements. They are tested annually for impairment. This matter continues to be a key audit matter because of the amounts involved as well as the subjectivity and complexity of the judgment necessary to prepare templates and to define the assumptions and discount rates used in the cash flow projections.	As an audit response, we performed the following key procedures: We assessed, in the specific context of each Cash-generating Unit, the impairment calculations that management prepared, more specifically regarding the integrity of the calculation methodology in relation to the template used. With the support of our valuation experts, we discussed with management the main assumptions used, such as: projected growth and discount rates, volumes, and tuition fees. We compared the projections with recent finance results and with Board-approved budgets, in addition to performing independent sensitivity analysis concerning the main data and assumptions related to the projections. We also analyzed the Company's disclosures on the more sensitive assumptions used in the impairment tests, that is, those whose who have the most significant effects on the determination of the recoverable amount of the goodwill and of intangible assets with indefinite useful lives. Our audit procedures showed the reasonableness of the judgments and assumptions that management used as well as of the presented disclosures.

Other matters

Statements of value added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2017, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Added Value". In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.



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

The Company's management is responsible for the other information that comprises the Management Report.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

Ser Educacional S.A.

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

Recife, March 22, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

Ser Educacional S.A.

Statement of financial position
At December 31
All amounts in thousands of Reais, except when otherwise stated

Assets	Note	Parent Company 2017	Parent Company 2016	Consolidated 2017	Consolidated 2016
Current assets					
Cash and cash equivalents	8	269,739	54,477	279,286	62,036
Marketable securities	8	617,772	337,547	632,427	337,547
Accounts receivable - students	9	111,151	95,154	317,358	272,773
Taxes recoverable	10	4,944	6,319	11,544	10,758
Other assets		7,546	5,308	24,846	19,081
		1,011,152	498,805	1,265,461	702,195
Non-current assets					
Long term receivables					
Accounts receivable - students	9	3,465	52,476	11,709	132,483
Judicial deposits and blocked escrows		2,837	1,949	23,343	12,509
Indemnification assets	26.d	3,249	3,249	112,015	112,015
Investments	6	655,499	594,547		
Intangible assets	11	31,087	29,681	428,511	434,845
Property and equipment	12	398,413	370,538	666,835	624,517
		1,094,550	1,052,440	1,242,413	1,316,369
Total assets		2,105,702	1,551,245	2,507,874	2,018,564

Liabilities and equity	Note	Parent Company 2017	Parent Company 2016	Consolidated 2017	Consolidated 2016
Current liabilities					
Suppliers	13	12,363	12,805	31,422	29,734
Borrowing	15	25,938	53,257	26,569	55,764
Debentures	16	2,636	43,495	2,636	43,495
Salaries and social charges	17	34,432	34,459	74,831	71,873
Taxes payable	10	4,203	3,993	16,220	16,472
Commitments payable	14	862	2,132	80,720	80,047
Lease commitments	18	10,069	9,642	16,446	15,737
Related parties	25.a	51,561	11,191		
Dividends payable	19.g	27,034	34,234	27,034	34,234
Other liabilities		7,368	4,938	19,309	17,692
		176,466	210,146	295,187	365,048
Non-current liabilities					
Borrowing	15	87,410	139,920	87,410	140,534
Debentures	16	198,245	108,995	198,245	108,995
Commitments payable	14			63,566	88,888
Lease commitments	18	130,303	134,501	227,794	233,798
Taxes payable	10	793	1,100	1,777	5,563
Provision for contingencies	26	446	1,201	121,845	120,346
Other liabilities		3,649	4,982	3,660	4,992
		420,846	390,699	704,297	703,116
Equity	19				
Attributable to stockholders of parent company					
Share capital		987,549	377,048	987,549	377,048
Revenue reserve		527,295	579,806	527,295	579,806
Treasury shares		(6,454)	(6,454)	(6,454)	(6,454)
Total equity		1,508,390	950,400	1,508,390	950,400
Total liabilities and equity		2,105,702	1,551,245	2,507,874	2,018,564

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

Ser Educacional S.A.

Statement of income
Years ended December 31
All amounts in thousands of Reais, except when otherwise stated

	Note	Parent Company 2017	Parent Company 2016	Consolidated 2017	Consolidated 2016
Net revenue from services	20	416.668	378.580	1.231.785	1.125.380
Cost of services	21	(183.898)	(155.645)	(556.645)	(511.386)
Gross profit		232.770	222.935	675.140	613.994
Selling expenses	22	(45.861)	(35.334)	(92.517)	(66.191)
General and administrative expenses	22	(175.346)	(148.751)	(325.047)	(255.881)
Other operating income (expenses), net	22.1	331	(4.565)	(1.541)	5.073
Equity in the results of subsidiaries	6	198.992	227.028	-	
Operating profit		210.886	261.313	256.035	296.995
Finance income	23	54.250	49.061	80.607	78.166
Finance expenses	23	(68.276)	(78.358)	(134.727)	(139.268)
Finance income (expenses), net		(14.026)	(29.297)	(54.120)	(61.102)
Profit before income tax and social contribution		196.860	232.016	201.915	235.893
Income tax and social contribution	24	(5.554)	(5.463)	(83.156)	(87.783)
Tax incentive - PROUNI	24	6.169	3.895	79.467	81.992
Deferred income tax and social contribution	24			(751)	346
Net income for the year		197.475	230.448	197.475	230.448
Attributable to					
Stockholders of the parent company		197.475	230.448	197.475	230.448
		197.475	230.448	197.475	230.448
Weighted average of outstanding common shares at the end of the year (in thousands)		127.225	124.836	127.225	124.836
Earnings per share attributable to stockholders of the parent company during the year (in R$ per share)		1,55	1,85	1,55	1,85

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

Ser Educacional S.A.

Statement of comprehensive income
Years ended December 31
All amounts in thousands of Reais, except when otherwise stated

	Parent Company		Consolidated	
	2017	2016	2017	2016
Net income for the year	197,475	230,448	197,475	230,448
Other components of comprehensive income for the year				
Comprehensive income for the year	197,475	230,448	197,475	230,448

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

Ser Educacional S.A.

Statement of changes in equity

All amounts in thousands of Reais, except when otherwise stated

		Attributable to stockholders of the parent company								
		Capital		Revenue reserve						
	Note	Capital	Share issue costs	Tax incentives	Legal	Retention	Proposed dividends	Treasury shares	Profit for the year	Total equity
At January 1, 2016		377,048		40,672	24,063	318,857	3,047	(6,454)		757,233
Net income for the year	27								230,448	230,448
Tax incentive reserve	19.d			3,895					(3,895)	
Legal reserve	19.e				11,522				(11,522)	
Distribution of dividends	19.g						(3,047)		(34,234)	(37,281)
Retained earnings reserve	19.g					180,797			(180,797)	
At December 31, 2016		377,048	-	44,567	35,585	499,654		(6,454)		950,400
At January 1, 2017		377,048	-	44,567	35,585	499,654		(6,454)		950,400
Net income for the year	27								197,475	197,475
Capital increase	19.a	614,596				(222,952)				391,644
Share issue costs			(4,095)							(4,095)
Tax incentive reserve	19.d			6,169					(6,169)	
Legal reserve	19.e				9,874				(9,874)	
Distribution of dividends	19.g					(10,813)	10,813		(27,034)	(27,034)
Retained earnings reserve	19.g					154,398			(154,398)	
At December 31, 2017		991,644	(4,095)	50,736	45,459	420,287	10,813	(6,454)		1,508,390

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

Ser Educacional S.A.

Statement of cash flows
Years ended December 31
All amounts in thousands of Reais, except when otherwise stated

	Note	Parent Company		Consolidated	
		2017	2016	2017	2016
Cash flow from operating activities					
Net income before income tax and social contribution		196,860	232,016	201,915	235,893
Adjustments for					
Depreciation and amortization	11 and 12	37,568	31,952	65,090	60,277
(Reversal) provision for contingencies		(755)	(543)	1,499	(907)
Equity in results of subsidiaries	6.a	(198,992)	(227,028)		
Allowance for doubtful accounts	9.e	19,624	14,028	64,195	48,732
Loss on write-off of non-current assets	12	3,526	2,152	9,092	3,950
Interest, monetary and exchange variations, net	23	54,422	66,431	78,239	89,331
		112,253	119,008	420,030	437,276
Changes in assets and liabilities					
Accounts receivable - students		17,036	(13,784)	21,228	(52,539)
Taxes recoverable		1,375	(2,785)	(786)	(3,450)
Advances to suppliers			425		2,349
Other assets		(3,126)	(1,161)	(16,599)	(13,766)
Suppliers		(442)	3,171	1,688	11,515
Salaries and social charges		(27)	6,329	2,958	5,467
Taxes payable		(97)	1,955	(4,038)	(259)
Income tax and social contribution payable		628	(1,685)	2,197	(459)
Other liabilities		1,097	(2,294)	285	2,786
Cash generated from operations		128,697	109,179	426,963	388,920
Interest paid on borrowing and leases		(48,679)	(74,194)	(63,728)	(90,309)
Income tax and social contribution paid		(13)	(618)	(6,637)	(10,841)
Net cash provided by operating activities		80,005	34,367	356,598	287,770
Cash flow from investment activities					
Marketable securities		(280,225)	(124,412)	(294,880)	(124,412)
Capital increase in subsidiaries	6	(35,717)	(27,187)		
Dividends received from investees		173,757	194,421		
Additions to property and equipment	12	(59,483)	(37,810)	(98,035)	(64,551)
Additions to intangible assets	11.a	(11,092)	(13,862)	(12,331)	(16,552)
Payables for acquisition of subsidiaries		(1,112)	(2,012)	(38,548)	(28,668)
Net cash used in investment activities		(213,872)	(10,862)	(443,794)	(234,183)
Cash flow from financing activities					
Net proceeds from the share issue		387,549		387,549	
Acquisition of debentures		196,335		196,335	
Amortization of debentures		(153,510)		(153,510)	
Amortization of borrowing	15	(83,610)	(30,275)	(86,399)	(33,743)
Amortization of leases	18	(3,771)	(3,369)	(5,295)	(4,690)
Related parties	25.a	40,370	25,194		
Dividends and interest on capital paid to Company stockholders		(34,234)	(23,117)	(34,234)	(23,117)
Cash flow generated from (used in) financing activities		349,129	(31,567)	304,446	(61,550)
Increase (decrease) in cash and cash equivalents		215,262	(8,062)	217,250	(7,963)
Cash and cash equivalents					
At the beginning of the period		269,739	54,477	279,286	62,036
At the end of the period		54,477	62,539	62,036	69,999
Increase (decrease) in cash and cash equivalents		215,262	(8,062)	217,250	(7,963)

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

Ser Educacional S.A.

Statement of value added
Years ended December 31
All amounts in thousands of Reais, except when otherwise stated

	Note	Parent Company		Consolidated	
		2017	2016	2017	2016
Revenue					
Services	20	549,799	477,585	1,640,922	1,426,045
Allowance for doubtful accounts and actual loss on accounts receivable	22	(19,624)	(14,028)	(64,195)	(48,732)
Revenue deductions	20	(118,542)	(84,040)	(365,249)	(258,190)
		411,633	379,517	1,211,478	1,119,123
Inputs acquired from third parties					
Services provided by individuals and corporations	21 and 22	(28,225)	(24,048)	(47,214)	(40,403)
Electricity, water and telephone	21	(13,548)	(11,935)	(33,394)	(30,126)
Publicity and advertising	22	(45,861)	(35,334)	(92,517)	(66,191)
Service materials	22	(9,272)	(6,655)	(18,003)	(15,295)
Other		(31,938)	(20,832)	(54,521)	(25,104)
		(128,844)	(98,804)	(245,649)	(177,119)
Gross value added		282,789	280,713	965,829	942,004
Depreciation and amortization	21 and 22	(37,568)	(31,952)	(65,090)	(60,277)
Net value added generated by the entity		245,221	248,761	900,739	881,727
Finance income	23	56,698	53,460	84,044	85,367
Equity in the results of subsidiaries	6	198,992	227,028		
Total value added to distribute		500,911	529,249	984,783	967,094
Distribution of value added					
Salaries and social charges	21 and 22	(188,582)	(162,794)	(513,721)	(469,485)
Taxes, fees and contributions		(19,824)	(25,250)	(59,119)	(63,315)
Federal taxes		(2,008)	(6,546)	(8,950)	(13,562)
Municipal taxes		(17,816)	(18,704)	(50,169)	(49,753)
Remuneration of third party capital		(95,030)	(110,757)	(214,468)	(203,846)
Finance costs	23	(68,276)	(78,358)	(134,727)	(139,268)
Rentals	21	(26,754)	(32,399)	(79,741)	(64,578)
Net income for the year		(197,475)	(230,448)	(197,475)	(230,448)
Value added distributed		(500,911)	(529,249)	(984,783)	(967,094)

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

Section A — General information

1 General information

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

The Group also owns 24 private limited liability companies, including two universities, five university centers, 57 accredited colleges (40 of which operational) and 567 distance-learning centers (119 of which operational), constituting one of Brazil's largest private education groups, with a leading presence in the North and Northeast regions in terms of number of enrolled students. The Company is present in 26 states and the Federal District, with a consolidated base of approximately 152,400 students, operating under the following brands: UNINASSAU – Centro Universitário Maurício de Nassau, UNINABUCO – Centro Universitário Nabuco, UNG - Universidade Guarulhos, UNAMA -Universidade da Amazônia, UNIVERITAS - Centro Universitario Universus Veritas, Faculdades Maurício de Nassau, Faculdades Joaquim Nabuco and Escolas Técnicas Joaquim Nabuco and Maurício de Nassau, through which it offers more than 1,491 courses*.(Unaudited)

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. In July 2017, Fitch Ratings raised the Company's long-term national rating from "A+(bra)" to "AA-(bra)", with a stable outlook.

The Board of Directors authorized the issuance of these financial statements after the Audit Committee issued an opinion on March 22, 2018.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements for the year ended December 31, 2017 were prepared on the historical cost convention, with certain financial assets and liabilities measured at fair value.

The financial statements, Parent company and consolidated, have been prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and the standards issued by the Brazilian Securities and Exchange Commission (CVM). Since the accounting practices adopted in Brazil applied to the individual financial statements for 2014 do not differ from the IFRS applicable to the separate financial statements, since it started to allow the application of the equity method to subsidiaries, associated companies and joint ventures in the separate financial statements, they are also in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). These statements show 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 financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, and areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

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

2.2 Standards, amendments and interpretations not yet in effect

- **IFRS 9 – Financial Instruments (CPC 48)**

IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities and replaces the guidelines of IAS 39/CPC38 concerning the classification and measurement of financial instruments. IFRS 9 includes the following main changes: (i) new criteria for the classification of financial assets; (ii) new impairment model for financial assets, hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) flexibilization of requirements to adopt hedge accounting. This standard became effective on January 1, 2018.

The Company did not early adopt this standard in the financial statements for the year ended December 31, 2017.

In order to assess the impact of the adoption of this standard on its financial position, the Company calculated estimated losses on doubtful accounts based on the hybrid model of expected and incurred losses, with a simplified approach that will record expected losses throughout the entire accounts receivable cycle.

As a result, based on the analyses carried out, the estimated impact on the allowance for doubtful accounts recorded under current assets on December 31, 2017, would total R$18,681, representing 11.5% of the accounts receivable balance reported on the same date, as follows:

	Monthly tuition		Agreements		Total	
Accounts receivable aging	Estimated loss	% of accounts receivable	Estimated loss	% of accounts receivable	Estimated loss	% of accounts receivable
Current			4,726	32.1%	4,726	32.1%
Overdue						
1 - 30 days	5,742	32.4%	1,858	27.5%	7,600	31.1%
31 - 60 days	4,339	32.2%	2,256	33.6%	6,595	32.6%
61 - 90 days	4,282	34.5%	2,143	33.7%	6,425	34.2%
91 - 180 days	8,329	41.6%	6,505	44.9%	14,834	42.9%
More than 181 days	13,300	46.8%	14,870	70.1%	28,170	56.7%
Total	35,992	39.1%	32,358	46.0%	68,351	42.1%
Allowance for doubtful accounts	28,445	30.9%	21,225	38.2%	49,670	33.6%
Impact from the change to CPC 48	**7,547**	**8.2%**	**11,133**	**15.8%**	**18,681**	**11.5%**

The Company plans to adopt the new interpretation not restating previous periods. As a result, the Company will recognize any difference between the previous carrying amount and the carrying amount calculated pursuant to the new standard in the opening balance of retained earnings on January 1, 2018.

Regarding other financial instruments, the Company did not identify any changes from the current structure.

- **IFRS 15 – Revenue from Contracts with Customers (CPC 47)**

IFRS 15 is a result of a joint project between the IASB and FASB, replacing IAS 11/ CPC 17 – Construction Contracts and IAS 18/ CPC 30 – Revenue and respective interpretations, to converge the standard for the recognition and disclosure of revenues applied to contracts with customers. This standard is based on the principle that revenue is recognized when control of goods or services is transferred to customers, replacing the principle of transfer of risks and benefits, establishing the moment and amount that represent the Company's expectation of receiving, in exchange of the rights to those goods or services. This standard became effective on January 1, 2018.

The Company did not early adopt this standard in the financial statements for the year ended December 31, 2017.

After analyzing the changes introduced by this standard, the Company concluded that there are no significant changes regarding revenue recognition process for the year.

- **IFRS 16 – Leases**

This pronouncement replaces IAS 17 - Leases, as well as related interpretations (IFRIC 4, SIC 15 and SIC 27). It eliminates the accounting of operating leases by the lessee, presenting a single lease model, which consists of: (a) recognizing leases with a term of more than 12 months and with high value; (b) initially recognizing leases in assets and liabilities at present value; and (c) recognizing depreciation and interest rates separately in profit or loss. For lessors, the recognition is still divided into operating and finance leases. This standard will become effective on January 1, 2019. The Company is assessing the possible impacts arising from the adoption of this standard and will conclude its analysis before the standard becomes effective.

The Company currently has significant lease agreements already disclosed in the financial statements that are under review, pursuant to the new standard. The Company does not believe that the adoption of this standard will bring significant impacts.

There are no other IFRS standards or IFRIC interpretations not yet in effect that could have a significant impact on the parent company and consolidated financial statements of the Company.

Section B – Risks

3 Critical accounting estimates and judgments

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

3.1 Critical accounting estimates and assumptions

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

(a) Provision for contingencies

The Company recognizes provision 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, the most recent court decisions and their relevance in the judicial system, as well as the opinion of external and internal legal counsel. Provision for contingencies (labor, civil and tax) are recognized when: (i) there is a present or non-formalized obligation as a result of events that have already occurred; (ii) it is probable that an outflow of resources will be necessary to settle the obligation; and (iii) the amount 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 limitation, findings of tax inspections or any additional exposure identified based on new evidence or court decisions (Note 26).

(b) Impairment of goodwill

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

(c) Allocation of fair value in business combinations

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

(d) Allowance for doubtful accounts

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

(e) Intangible assets with definite and indefinite useful lives

The Company has identified intangible assets arising from business combinations (licenses) that have indefinite useful lives, and portfolios of students and brands that have defined useful lives. Licenses refer to certificates granted by regulatory authorities on a permanent basis, and therefore considered as having indefinite useful lives, in order to authorize institutions to provide education activities. The useful life of the brands and portfolios of students is similar to the students' intake and graduation cycle, i.e. from 4 to 5 years.

Annually, the Group tests the identified intangible assets that have indefinite useful lives for impairment in accordance with the accounting policy presented in Note 30.10. The recoverable amounts for the CGUs are determined based on the estimated value in use. Management estimates the useful life of certain intangible assets based on historical experience with respect to the use of these intangible assets.

(f) Leases

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

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

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

4 Financial risk management

4.1 Financial risk factors

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

Risk management is carried out by the Group's central treasury department, which 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

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 analyses its interest rate exposure on a dynamic basis, simulating various scenarios and taking into consideration the refinancing and the renewal of existing positions. Based on this evaluation, the Group monitors the risk of significant changes in interest rates and calculates the impact on income (Note 4.3).

(b) Credit risk

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

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

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

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

With respect to credit risk related to financial institutions, the Company and its subsidiaries invest cash, cash equivalents and securities with financial institutions and investment funds with credit ratings of at least brBBB, by Standard & Poor's; BBB(br), by Fitch Ratings; and Baa1.br, by Moody's.

(c) Liquidity risk

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

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

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

	Parent Company			
	Up to one year	Between one and two years	Between two and five years	More than five years
At December 31, 2017				
Borrowing	33,750	31,114	69,374	4,325
Debentures		116,317	129,675	
Leases	23,438	24,495	52,353	350,753
Commitments payable	862			
	58,050	171,926	251,402	355,078
At December 31, 2016				
Borrowing	53,257	43,012	80,087	16,821
Debentures	43,495	42,168	66,827	
Leases	23,565	24,763	53,363	418,241
Commitments payable	2,132			
	122,449	109,943	200,277	435,062

	Consolidated			
	Up to one year	Between one and two years	Between two and five years	More than five years
At December 31, 2017				
Borrowing	34,404	31,114	69,374	4,325
Debentures		116,317	129,675	
Leases	40,757	42,595	91,040	684,302
Commitments payable	80,720	39,818	42,008	
	155,881	229,844	332,097	688,627
At December 31, 2016				
Borrowing	55,764	43,626	80,087	16,821
Debentures	43,495	42,168	66,827	
Leases	40,979	43,061	92,796	811,522
Commitments payable	75,627	37,742	81,826	
	215,865	166,597	321,536	828,343

(d) Regulatory risk

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

The Company periodically analyses its regulatory risks aiming to mitigate or minimize their impact, mainly those related to the availability of PROUNI and FIES and the understanding of these programs' rules, as well as the monitoring of maintenances and/or courses. The Company does not expect any significant losses arising from changes in the regulatory environment, except in relation to the new FIES, which still awaits the end of the student enrollment process.

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 shareholders 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 balance sheet) less cash and cash equivalents and marketable securities.

The financial leverage ratios at December 31, 2017 and December 31, 2016 were as follow:

	Consolidated	
	2017	2016
Total bank borrowing	113,979	196,298
Total debentures	200,881	152,490
Total commitments payable	144,286	168,935
Cash and cash equivalents	(279,286)	(62,036)
Marketable securities	(632,427)	(337,547)
Net debt / (Net cash)	(452,567)	118,140
Total equity	1,508,390	950,400
Equity plus net debt (total capital)	1,508,390	1,068,540
Financial leverage ratio	Não Aplicável	11.1%

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

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

The Group's financial instruments consist of cash and cash equivalents, accounts receivable and payable, judicial deposits and borrowings, and are recorded at cost adjusted by revenue or charges incurred, which was close to their market value at December 31, 2017 and December 31, 2016. The principal risks underlying the Group's operations are linked to changes in the CDI (Certificate of Interbank Deposit) rate.

CVM Instruction 475 of December 17, 2008 provides that specific information on financial instruments must be shown in an explanatory note, and that a table must be included giving details of the sensitivity analysis.

Borrowing operations are shown at values approximating the market values of the corresponding financial instruments. Investments in CDIs are recorded at market value, based on the prices issued by the corresponding financial institutions, and other investments relate mainly to bank deposit certificates, repurchase operations and investment funds, 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 December 31, 2017, using the latest interest rates and indicators of accumulated inflation over the last twelve months (Scenario I), and based on that, we calculated variations of 25% (Scenario II) and 50% (Scenario III), reflecting the increase and decline of the indices. For each scenario, we calculated the net position (financial income less

financial expenses), excluding the tax effect. The base date used was December 31, 2017, 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 were tested for each scenario.

		Index increase scenario		
Operations	**Risk**	**(I)**	**(II)**	**(III)**
Assets				
Financial investments	CDI	6.89%	8.61%	10.34%
271,792		18,726	23,408	28,090
Marketable securities	CDI	6.89%	8.61%	10.34%
632,427		43,574	54,468	65,361
Liabilities				
FINAME	TJLP	7.00%	8.75%	10.50%
(13,975)		(978)	(1,223)	(1,467)
IFC	CDI	6.89%	8.61%	10.34%
(99,054)		(6,825)	(8,531)	(10,237)
Debentures	CDI	6.89%	8.61%	10.34%
(200,881)		(13,841)	(17,301)	(20,761)
Commitments payable	CDI	6.89%	8.61%	10.34%
(41,670)		(2,871)	(3,589)	(4,307)
Commitments payable	IGP-M	0.89%	1.11%	1.34%
(102,616)		(913)	(1,142)	(1,370)
Net position		36,873	46,091	55,309

		Index decrease scenario		
Operations	Risk	(I)	(II)	(III)
Assets				
Financial investments	CDI	6.89%	5.17%	3.45%
271,792		18,726	14,045	9,363
Marketable securities	CDI	6.89%	5.17%	3.45%
632,427		43,574	32,681	21,787
Liabilities				
FINAME	TJLP	7.00%	5.25%	3.50%
(13,975)		(978)	(734)	(489)
IFC	CDI	6.89%	5.17%	3.45%
(99,054)		(6,825)	(5,119)	(3,412)
Debentures	CDI	6.89%	5.17%	3.45%
(200,881)		(13,841)	(10,381)	(6,920)
Commitments payable	CDI	6.89%	5.17%	3.45%
(41,670)		(2,871)	(2,153)	(1,436)
Commitments payable	IGP-M	0.89%	0.67%	0.45%
(102,616)		(913)	(685)	(457)
Net position		36,873	27,654	18,436

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

Section C – Segment reporting

5 Evaluation of information by segment

Since its activities are concentrated in on-campus higher education, the Group is organized and managed in 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 statements for the year ended December 31, 2017 include 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 %		Indirect %	
	2017	2016	2017	2016
Instituto Campinense de Ensino Superior Ltda	99.99	99.99		
UNESPA - União de Ensino Superior do Pará (i)			100.00	100.00
ISES - Instituto Santareno de Educação Superior (i)			100.00	100.00
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	99.99		
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	99.99	99.99		
Centro de Educação Profissional BJ Ltda.	99.99	99.99		
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	99.99	99.99		
Sociedade Educacional Carvalho Gomes Ltda.	99.99	99.99		
CENESUP - Centro Nacional de Ensino Superior Ltda.	99.99	99.99		
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		
Educred - Administradora de Crédito Educativo e Cobrança Ltda.	99.99	99.99		
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	99.99		
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda	99.99	99.99		
Faculdade Maurício de Nassau de Belém Ltda	99.99	99.99		
CESP - Centro de Ensino Superior Piauiense	99.99	99.99		
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	99.99	99.99		
Sociedade de Ensino Superior Piauiense Ltda.	99.99	99.99		
Uninassau Participações S.A.	99.99	99.99		
Nassau Escola de Aviação Civil Ltda.	99.99	99.99		
Instituto de Ensino Superior Juvêncio Terra Ltda.	99.99	99.99		
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda	99.99	99.99		
Faculdade Joaquim Nabuco de Olinda Ltda	99.99	99.99		

(i) União de Ensino Superior do Pará (UNESPA) and Instituto Santareno de Educação Superior (ISES) were indirect subsidiaries of the Company, through Instituto Campinense de Ensino Superior Ltda. until December 31, 2017.

(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.

In December 2017, the Company began its corporate restructuring process, through the merger of UNESPA and ISES by their parent company ICES. The purpose of this process is to simplify management structure, thus improving performance and capturing operating synergies.

(a) Investments (Parent Company):

					2017		
	Direct interest	Indirect interest	Equity	Equity in subsidiaries	Investment amount	Goodwill (Note 11(c))	I Total
Direct subsidiaries							
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	99.99	100.00	16,362	5,601	16,362	4,140	20,502
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99.99	100.00	338	281	338		338
CENESUP - Centro Nacional de Ensino Superior Ltda.	99.99	100.00	113,237	(11,897)	113,237		113,237
Educred - Administradora de Crédito Educativo e Cobrança Ltda.	99.99	100.00	310	1,266	310		310
Sociedade Educacional Carvalho Gomes Ltda.	99.99	100.00	25,552	12,473	25,552	4,362	29,914
Instituto Campinense de Ensino Superior Ltda	99.99	100.00	229,327	99,034	229,327		229,327
Centro de Educação Profissional BJ Ltda.	99.99	100.00	2,189	2,735	2,189		2,189
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	99.99	100.00	33,108	9,401	33,108	5,125	38,233
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	100.00	43,310	4,225	43,310	8,405	51,715
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	100.00	1,085	(2,372)	1,085		1,085
Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda - SESPS	99.99	100.00	45,176	7,457	45,649	1,043	46,692
Faculdade Maurício de Nassau de Belém Ltda	99.99	100.00	22,792	23,756	24,053	959	25,012
Centro de Ensino Superior Piauiense - FAP Teresina	99.99	100.00	13,767	11,186	17,146	8,662	25,808
Centro Integrado de Educação Superior do Piauí Ltda. - FAP Aliança	99.99	100.00	10,059	14,370	10,059		10,059
Sociedade de Ensino Superior Piauiense Ltda. - Fap Parnaíba	99.99	100.00	20,388	17,925	24,640	5,360	30,000
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	8,725	4,296	11,225	573	11,798
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda. - FAL	99.99	100.00	1,408	(398)	1,348	2,232	3,580
Faculdade Joaquim Nabuco de Olinda Ltda. - FASE	99.99	100.00	2,931	(1,527)	5,791	3,521	9,312
Acquisition of operating licenses							
Faculdade Decisão - FADE				(20)	2,240	1,028	3,268
Faculdades COC de Maceió - FACOCMA				1,200	3,000		3,000
Total direct subsidiaries			590,064	198,992	609,969	45,530	655,499
Indirect subsidiaries							
União de Ensino Superior do Pará - UNAMA		100.00	66,834	61,233	125,234	87,136	212,370
Instituto Santareno de Educação Superior - FIT		100.00	10,623	12,345	18,923	5,320	24,243
Sociedade Paulista de Ensino e Pesquisa S/S Ltda. - UNG		100.00	15,425	(13,155)	129,025	43,591	172,616
Sociedade Universitária Mileto Ltda. - FAMIL		100.00	459	(358)	4,959	1,346	6,305
Acquisition of indirect operating licenses							
Sociedade Metodista Bennet					10,000		
Total indirect subsidiaries			93,341	60,065	278,141	137,393	415,534
Total goodwill						182,923	

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

(b) Changes in investments in subsidiaries (Parent Company)

	Parent Company	
	2017	2016
At the beginning of the year	594,547	533,140
Capital increase	35,717	27,187
Interest in the profits of subsidiaries	198,992	227,028
Dividends from subsidiaries	(173,757)	(194,421)
Other		1,613
At the end of the year	655,499	594,547

The Company approved the capital increase of the subsidiaries and the distribution of dividends by the profits of subsidiaries through the offsetting of current account balances with them on November 7, 2017. The amounts capitalized and distributed are shown as follows:

Subsidiary	Capital Increase	Distribution of dividends
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	3	(5,688)
Instituto Campinense de Ensino Superior Ltda	8	(86,838)
Instituto de Ensino Superior Juvêncio Terra Ltda.	1	
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda	470	
Faculdade Joaquim Nabuco de Olinda Ltda	1,300	
Sociedade de Ensino e Pesquisa de Sergipe - SESPS	5	
CENESUP - Centro Nacional de Ensino Superior Ltda.	31,378	
ABES - Sociedade Baiana de Ensino Superior Ltda.	78	(10,636)
Sociedade Educacional Carvalho Gomes Ltda.	5	(11,897)
Faculdade Maurício de Nassau de Belém Ltda	17	(22,929)
CESP - Centro de Ensino Superior Piauiense		(6,838)
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	5	(13,111)
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.		(251)
Sociedade de Ensino Superior Piauiense Ltda.	2	(10,112)
CETEBA - Centro de Ensino e Tecnologia da Bahia	3	
Centro de Educação Continuada Maurício de Nassau Ltda.	2,442	
EDUCRED - Adm de Crédito Educ. e Cobrança		(3,078)
Centro de Educação Profissional BJ Ltda.		(2,379)
Total 2017	35,717	(173,757)
Total 2016	27,187	(194,421)

Section E – Selected significant notes

7 Financial instruments by category

	Parent Company		Consolidated	
	2017	2016	2017	2016
Loans and receivables				
Cash and cash equivalents	1,107	1,190	7,494	5,131
Accounts receivable - students	114,616	147,630	329,067	405,256
	115,723	148,820	336,561	410,387
Measured at fair value				
Cash and cash equivalents	268,632	53,287	271,792	56,905
Marketable securities	617,772	337,547	632,427	337,547
	886,404	390,834	904,219	394,452
	1,002,127	539,654	1,240,780	804,839
Financial liabilities recorded at amortized cost				
Borrowing	113,348	193,177	113,979	196,298
Debentures	200,881	152,490	200,881	152,490
Leases	140,372	144,143	244,240	249,535
Related parties	51,561	11,191		
Suppliers	12,363	12,805	31,422	29,734
Commitments payable	862	2,132	144,286	168,935
	519,387	515,938	734,808	796,992

The fair value of the financial instruments approximates their carrying amounts, since the impact of the discount to present value, using market interest rates as of December 31, 2017, is not significant. The fair values are based on the discounted cash flow, using the Company's cash cost, which approximates to the rate used in the respective agreements.

8 Cash and cash equivalents and securities

	Parent Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Cash	63	55	180	171
Banks - current account	1,044	1,135	7,314	4,960
Financial investments	268,632	53,287	271,792	56,905
Cash and cash equivalents	269,739	54,477	279,286	62,036
Financial investments	617,772	337,547	632,427	337,547
Marketable securities	617,772	337,547	632,427	337,547
Total	887,511	392,024	911,713	399,583

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

The increase in cash and cash equivalents in 2017 was due to the capital increase through the issuance of shares in November 2017 (Note 19(a)).

Financial investments comprise conservative Fixed Income investment funds, with securities indexed to the DI rate and portfolios that invested mostly in government bonds and securities issued by financial institutions, in addition to repo agreements backed by debentures, belonging to the portfolio of financial institutions, without risk to the group, and Bank Deposit Certificates (CDB), which are securities issued by financial institutions, as follows:

			Parent Company		Consolidated	
Type	**Average remuneration**		**2017**	**2016**	**2017**	**2016**
Buyback oper. (i)	97.6% of CDI		10,681	36,547	13,707	39,520
CDB	99.4% of CDI		257,951	16,740	258,085	17,385
		Financial investments	268,632	53,287	271,792	56,905
Buyback oper.	97.6% of CDI		232,850	192,800	247,505	192,800
Investment Funds	98.5% of CDI		384,922	144,747	384,922	144,747
		Marketable securities	617,772	337,547	632,427	337,547

9. Accounts receivable – students

	Parent Company		Consolidated	
	2017	2016	2017	2016
Students' tuition (a)	29,201	26,221	92,106	84,309
FIES receivable (b)	76,397	107,731	206,600	281,518
Agreements receivable (c)	20,135	16,743	70,315	60,889
Educational credits receivable (d)	6,283	5,714	16,857	10,799
Other	5,553	6,060	8,904	12,354
Total	137,569	162,469	394,782	449,869
(-) Allowance for doubtful accounts (e)	(22,953)	(14,839)	(65,715)	(44,613)
	114,616	147,630	329,067	405,256
(-) Current	(111,151)	(95,154)	(317,358)	(272,773)
Non-current	3,465	52,476	11,709	132,483

Non-current receivables relate to educational credits receivable with terms over 365 days, as per Note 9 (d).

(a) Student tuition

At December 31, 2017 and December 31, 2016, the maturity analysis of student tuition was as follows:

	Parent Company		Consolidated	
	2017	2016	2017	2016
Overdue up to 30 days	6,069	6,563	17,708	18,639
Overdue from 31 to 60 days	4,097	4,474	13,493	14,472
Overdue from 61 to 90 days	3,667	4,141	12,419	13,245
Overdue from 91 to 180 days	6,332	5,189	20,041	18,015
Overdue more than 180 days	9,036	5,854	28,445	19,938
	29,201	26,221	92,106	84,309

Part of the monthly inflow from accounts receivable for student tuitions is pledged as collateral for the Company's borrowings with the International Finance Corporation (IFC) (Note 15(b)) in amounts equivalent to 25% of the outstanding debt.

(b) FIES receivable

	Parent Company		Consolidated	
	2017	2016	2017	2016
Credit amounts in installments (i)	52,714	75,211	133,554	190,498
Credit amounts not in installments (ii)	23,683	32,520	73,046	91,020
FIES credits receivable	76,397	107,731	206,600	281,518
(-) Current	(76,397)	(57,622)	(206,600)	(154,605)
Non-current		50,109		126,913

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 to receive the FIES credits not settled by the FNDE during 2015. The amounts will be received in three annual installments maturing up to June of each year, restated based on the IPCA variation from the date of maturity in 2015 up to actual receipt. The first two installments were received in August 2016 and 2017.

(ii) Refer to FIES installments pending transfer by the government, basically comprising a portion of the monthly tuitions of December 2017 and residual values from previous months, mostly paid in February 2018.

The balances of credits paid in installments by the parent company and the consolidated at December 31, 2017 are presented net of adjustment to present value of R$656 and R$1,661, respectively (2016 – R$2,269 and R$5,747). The table below shows the changes in the balances paid in installments during the year:

	Parent Company	Consolidated
December/2016	75.211	190.498
Restatement	3.646	9.235
FIES loans received	(26.143)	(66.179)
December/2017	52.714	133.554

On July 6, 2017, the Federal Government issued an executive decree (MP 785/2017) that addresses the amendments to Law 10,260 of July 12, 2001, related to the Higher Education Student Financing Program (FIES). Executive Decree 785/2017 was approved by the House of Representatives and the Senate and later converted into Law 13,530, of December 7, 2017, already sanctioned by the President. The new law will only affect new agreements entered into as of 2018.

Among the main changes, the following are highlighted:

- Creation of new interest and income ranges for new student contracts;
- Exclusion of the grace period to begin paying the financing installments and change in the financing payment term;
- Creation of regional development funds and use of regional constitutional funds to finance the program;
- Recognition of (i) the Public FIES, with resources from FNDE and managed by Caixa Econômica Federal and Banco do Brasil; (ii) the Regional Private FIES, with resources from regional constitutional funds; and (iii) the National Private FIES, with resources from BNDES. Both the Regional Private FIES and the National Private FIES are managed by financial institutions; and
- Increase in the percentage of contribution to the guarantee fund and the liability limit of each educational institution, based on individual default generated by the portfolio of students, for the Public FIES.

(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 different 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 December 31, 2017 and December 31, 2016, the analysis of the balance due from agreements to be received is as follows:

	Parent Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Falling due	3,563	3,704	14,744	14,923
Overdue up to 30 days	1,799	2,255	6,756	8,092
Overdue from 31 to 60 days	1,834	1,936	6,720	7,035
Overdue from 61 to 90 days	1,734	1,670	6,368	6,157
Overdue from 91 to 180 days	4,144	3,605	14,502	12,258
Overdue more 180 days	7,061	3,573	21,225	12,424
	20,135	16,743	70,315	60,889

(d) Educational credits

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

	Parent Company		Consolidated	
	2017	2016	2017	2016
Educred	6,137	5,425	16,711	10,510
Fundacred	146	289	146	289
	6,283	5,714	16,857	10,799
(-) Current	(2,818)	(3,347)	(5,148)	(5,229)
Non-current	3,465	2,367	11,709	5,570

At December 31, 2017 and December 31, 2016, the maturity of educational credits receivable was as follows:

	Parent Company		Consolidated	
	2017	2016	2017	2016
Falling due	5,141	4,476	14,613	8,879
Overdue up to 30 days	144	193	311	331
Overdue from 31 to 60 days	102	138	232	208
Overdue from 61 to 90 days	96	107	215	169
Overdue from 91 to 180 days	269	300	515	466
Overdue more than 180 days	531	500	971	746
	6,283	5,714	16,857	10,799

(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 from 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 set up for 4.05% of the accounts receivable, based on an assumption of 15% credit risk and 27% risk of default.
(ii) For financing guaranteed by FGEDUC: for the non-covered risk, provision was set up 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 the Company's students are

as follows:

	Parent Company		Consolidated	
	2017	2016	2017	2016
At the beginning of the year	14,839	15,314	44,613	45,743
Write-off of uncollectible receivables	(11,510)	(14,503)	(43,093)	(49,862)
Provision for doubtful accounts	19,624	14,028	64,195	48,732
At the end of the year	22,953	14,839	65,715	44,613

There are also balances overdue for less than 180 days, which do not meet provisioning criteria, and are, therefore, not yet subject to provisioning for losses, as follows:

	Parent Company		Consolidated	
	2017	2016	2017	2016
Overdue up to 30 days	8,012	9,011	24,775	27,062
Overdue from 31 to 60 days	6,033	6,548	20,445	21,715
Overdue from 61 to 90 days	5,497	5,918	19,002	19,571
Overdue from 91 to 180 days	10,745	9,094	35,058	30,739
	30,287	30,571	99,280	99,087

10 Taxes recoverable and payable

	Parent Company		Consolidated	
	2017	2016	2017	2016
Taxes recoverable (Current)				
Income tax and social contribution for offsetting	2,603	3,699	5,760	4,721
Service tax (ISS)	1,376	1,521	4,265	4,170
PIS and COFINS for offsetting	965	1,090	1,519	1,786
Other		9		81
	4,944	6,319	11,544	10,758
Taxes payable				
Income tax and social contribution (i)			1,564	5,754
Withholding income tax (IRRF)	1,659	1,362	6,818	6,125
ISS	1,810	1,871	6,586	6,628
Taxes payable in installments	1,197	1,526	2,100	2,488
PIS and COFINS	267	264	440	559
Municipal Real Estate Tax (IPTU)				30
Other	63	70	489	451
	4,996	5,093	17,997	22,035
(-) Current	(4,203)	(3,993)	(16,220)	(16,472)
Non-current	793	1,100	1,777	5,563

(i) See Note 11 (c).

11 Intangible assets

(a) Parent Company

	Trademarks and patents	Software licenses and deployment	Operating licenses	Agreements	Portfolio of students	Digital content	Trade Fund	Total
At December 31, 2016								
Opening balance	538	13.958	2.830	2.702		2.724	897	23.649
Acquisitions	29	5.628	2.877	1.275		2.821	1.232	13.862
Write-offs			(814)					(814)
Amortization		(4.312)	(1.512)	(65)		(815)	(312)	(7.016)
Carrying amount, net	567	15.274	3.381	3.912		4.730	1.817	29.681
At December 31, 2016								
Cost	567	26.506	7.836	4.808	828	6.007	2.129	48.681
Accumulated amortization		(11.232)	(4.455)	(896)	(828)	(1.277)	(312)	(19.000)
Carrying amount, net	567	15.274	3.381	3.912		4.730	1.817	29.681
At December 31, 2017								
Opening balance	567	15.274	3.381	3.912		4.730	1.817	29.681
Acquisitions		4.982	3.351	425		714	1.620	11.092
Cost write-offs		(190)	(248)		(828)	(11)	(80)	(1.357)
Amortization write-offs					828			828
Amortization		(5.224)	(1.908)	(110)		(1.282)	(633)	(9.157)
Carrying amount, net	567	14.842	4.576	4.227		4.151	2.724	31.087
At December 31, 2017								
Cost	567	31.298	10.939	5.233		6.710	3.669	58.416
Accumulated amortization		(16.456)	(6.363)	(1.006)		(2.559)	(945)	(27.329)
Carrying amount, net	567	14.842	4.576	4.227		4.151	2.724	31.087
Amortization annual average rates %		20	33	25	25	20	20	

(b) Consolidated

	Trademarks and patents	Software licenses and deployment	Operating licenses	Agreements	Portfolio of students	Digital content	Trade Fund	Goodwill	Intangible assets identified on acquisitions	Total
At December 31, 2016										
Opening balance	580	15.944	15.919	2.766	197	2.723	915	191.447	201.615	432.106
Acquisitions	30	5.898	4.255	1.342		2.821	1.232	974		16.552
Reclassifications arising from business combinations								(4.500)	4.500	
Write-offs			(932)							(932)
Amortization		(4.867)	(3.185)	(71)		(815)	(316)		(3.627)	(12.881)
Carrying amount, net	610	16.975	16.057	4.037	197	4.729	1.831	187.921	202.488	434.845
At December 31, 2016										
Cost	610	34.489	25.368	4.944	1.025	6.006	2.147	187.921	209.228	471.738
Accumulated amortization		(17.514)	(9.311)	(907)	(828)	(1.277)	(316)		(6.740)	(36.893)
Carrying amount, net	610	16.975	16.057	4.037	197	4.729	1.831	187.921	202.488	434.845
At December 31, 2017										
Opening balance	610	16.975	16.057	4.037	197	4.729	1.831	187.921	202.488	434.845
Acquisitions		4.982	4.400	614		715	1.620			12.331
Transfers (i)			(10.000)						10.000	
Reclassification									1.350	1.350
Cost write-offs		(190)	(522)	(45)	(828)	(11)	(80)	(4.998)		(6.674)
Amortization write-offs					828					828
Amortization		(5.739)	(3.471)	(123)		(1.282)	(637)		(2.917)	(14.169)
Carrying amount, net	610	16.028	6.464	4.483	197	4.151	2.734	182.923	210.921	428.511
At December 31, 2017										
Cost	610	39.281	19.246	5.513	197	6.710	3.687	182.923	219.228	477.395
Accumulated amortization		(23.253)	(12.782)	(1.030)		(2.559)	(953)		(8.307)	(48.884)
Carrying amount, net	610	16.028	6.464	4.483	197	4.151	2.734	182.923	210.921	428.511
Amortization annual average rates %		20	33	25	25	20	20		20	

(i) The Company revised the classification of the operating license for Sociedade Metodista Bennett, which has been recorded as Intangible assets identified on acquisitions since March 31, 2017.

(c) Goodwill

At December 31, 2017 and December 31, 2016, goodwill recorded on the acquisition of investments was as follows:

	2017	2016
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	4,140	4,140
ABES - Sociedade Baiana de Ensino Superior Ltda.	8,405	8,405
Sociedade Educacional Carvalho Gomes Ltda.	4,362	4,362
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	5,125	5,125
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda	1,043	1,043
Faculdade Maurício de Nassau de Belém Ltda	959	959
CESP - Centro de Ensino Superior Piauiense	8,662	8,662
Sociedade de Ensino Superior Piauiense	5,360	5,360
Nassau Escola de Aviação Civil Ltda.	120	120
FADE - Faculdade Decisão	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
UNESPA - União de Ensino Superior do Pará (i)	87,137	92,135
ISES - Instituto Santareno de Educação Superior	5,320	5,320
Sociedade Paulista de Ensino e Pesquisa S/S Ltda.	43,590	43,590
Faculdade Joaquim Nabuco de Olinda Ltda	3,521	3,521
Sociedade Universitária Mileto Ltda	1,346	1,346
	182,923	187,921

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

(i) In December 2017, the Company recorded a reversal of R$4,998 related to deferred income tax and social contribution liabilities from the acquisition of Unespa.

(d) Intangible assets identified on acquisitions

At December 31, 2017 and December 31, 2016, intangible assets identified on investment acquisitions were as follows:

	2017				2016			
	Course licenses (i)	Brands (ii)	Portfolio of students (ii)	Total	Course licenses (i)	Brands (ii)	Portfolio of students (ii)	Total
Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda - SESPS	467		200	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	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
Sociedade Metodista Bennett	10,000			10,000				
Total	180,628	32,000	6,600	219,228	170,828	32,000	6,400	209,228
Accumulated amortization		(4,353)	(3,954)	(8,307)	(1,383)	(2,830)	(2,527)	(6,740)
	180,628	27,647	2,646	210,921	169,445	29,170	3,873	202,488

(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, with the annual rate averaging 4% for brands and 20% for portfolios of students.

(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 to 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 financial assumptions approved by Management. The amounts concerning the cash flow subsequent to the five-year period are extrapolated based on the estimated growth rates. The growth rate does not exceed the average long-term growth rate for the sector, in which a CGU operates.

Follow the assumptions considered in the projections:

	2017	2016
Gross margin (a)	55.5%	58.0%
Growth rate (b)	6.6%	5.5%
Discount rate (c)	12.8%	18.2%

(a) Budgeted gross margin: this relates to net revenue less personnel costs, rental costs, concessionaire costs and service costs, among other factors. Management determined this margin based on past performance and market development expectations;

(b) Stable nominal growth rate, used to project revenues and other costs, whose weighted average rates used are consistent with the macroeconomic projections disclosed by the Brazilian Central Bank (Time Series Management System); and

(c) Pre-tax discount rate applied to the cash flow projections based on the nominal weighted average cost of capital, including the effects of inflation. The discount rate used corresponds to the rate before taxes and reflects the risks specific to the business.

The asset impairment test performed on December 31, 2017 did not indicate any need to recognize losses.

For impairment testing sensitivity scenarios, the working capital, growth rate, discounted rate and margin assumptions were altered and, even so, the Group did not record any impairment loss.

12 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, 2016											
Opening balance	11,334	145,465	119,629	19,247	24,087	9,671	15,235	3,797	348,465	12,656	361,121
Acquisitions	2,576	13,065		4,187	151	1,347	2,301		23,627	12,064	35,691
Transfers		7,116							7,116	(7,116)	
Reclassification	416	(20,768)		(416)				20,768		(1,006)	(1,006)
Depreciation	(3,586)	(5,993)	(7,361)	(2,593)	(1,753)	(1,519)	(2,131)		(24,936)		(24,936)
Carrying amount, net	10,408	138,885	112,268	20,425	22,485	9,499	15,405	24,565	353,940	16,598	370,538
At December 31, 2016											
Cost	21,293	164,143	149,668	31,193	26,318	15,280	27,478	24,565	459,938	16,598	476,536
Accumulated depreciation	(10,885)	(25,258)	(37,400)	(10,768)	(3,833)	(5,781)	(12,073)		(105,998)		(105,998)
Carrying amount, net	10,408	138,885	112,268	20,425	22,485	9,499	15,405	24,565	353,940	16,598	370,538
At December 31, 2017											
Opening balance	10,408	138,885	112,268	20,425	22,485	9,499	15,405	24,565	353,940	16,598	370,538
Acquisitions	3,387	11,350		8,907	424	2,542	3,070		29,680	29,603	59,283
Transfers	231	17,761		(237)		117		692	18,564	(18,564)	
Cost write-offs					(62)				(62)	(2,968)	(3,030)
Write-off of depreciation					33				33		33
Depreciation	(3,863)	(8,172)	(7,360)	(3,172)	(1,788)	(1,671)	(2,385)		(28,411)		(28,411)
Carrying amount, net	10,163	159,824	104,908	25,923	21,092	10,487	16,090	25,257	373,744	24,669	398,413
At December 31, 2017											
Cost	24,911	193,254	149,668	39,863	26,680	17,939	30,548	25,257	508,120	24,669	532,789
Accumulated depreciation	(14,748)	(33,430)	(44,760)	(13,940)	(5,588)	(7,452)	(14,458)		(134,376)		(134,376)
Carrying amount, net	10,163	159,824	104,908	25,923	21,092	10,487	16,090	25,257	373,744	24,669	398,413
Annual average rates %	20	4	4	10	7	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, 2016											
Opening balance	18,947	221,769	219,908	54,533	24,333	19,529	32,095	3,837	594,951	17,548	612,499
Acquisitions	3,607	24,240		10,783	268	3,770	4,152		46,820	15,612	62,432
Transfers		7,812							7,812	(7,812)	
Reclassification	323	(20,768)		(323)				20,768		(2,640)	(2,640)
Cost write-offs	(1,114)				(212)				(1,326)		(1,326)
Write-off of depreciation	767				181				948		948
Depreciation	(5,857)	(9,688)	(12,800)	(8,528)	(1,855)	(3,027)	(5,641)		(47,396)		(47,396)
Carrying amount, net	16,673	223,365	207,108	56,465	22,715	20,272	30,606	24,605	601,809	22,708	624,517
At December 31, 2016											
Cost	46,142	262,737	258,340	97,630	27,371	37,245	65,665	24,605	819,735	22,708	842,443
Accumulated depreciation	(29,469)	(39,372)	(51,232)	(41,165)	(4,656)	(16,973)	(35,059)		(217,926)		(217,926)
Carrying amount, net	16,673	223,365	207,108	56,465	22,715	20,272	30,606	24,605	601,809	22,708	624,517
At December 31, 2017											
Opening balance	16,673	223,365	207,108	56,465	22,715	20,272	30,606	24,605	601,809	22,708	624,517
Acquisitions	5,466	21,390		24,946	495	5,610	9,374		67,281	30,554	97,835
Transfers	246	22,653		(298)		204		692	23,497	(23,497)	
Cost write-offs	(472)			(26)	(86)			(40)	(624)	(3,148)	(3,772)
Write-off of depreciation	453			17	56				526		526
Depreciation	(6,353)	(12,575)	(12,799)	(9,561)	(1,863)	(3,461)	(5,659)		(52,271)		(52,271)
Carrying amount, net	16,013	254,833	194,309	71,543	21,317	22,625	34,321	25,257	640,218	26,617	666,835
At December 31, 2017											
Cost	51,382	306,780	258,340	122,252	27,780	43,059	75,039	25,257	909,889	26,617	936,506
Accumulated depreciation	(35,369)	(51,947)	(64,031)	(50,709)	(6,463)	(20,434)	(40,718)		(269,671)		(269,671)
Carrying amount, net	16,013	254,833	194,309	71,543	21,317	22,625	34,321	25,257	640,218	26,617	666,835
Annual average rates %	20	4	4	10	8	10	20				

Investments in works in progress mainly refer to the remodeling of the distance-learning head office in Recife and the renovation and construction of new buildings atFortaleza and Caruaru campuses. The write-off of cost refers to costs with works not included in the Company's property and equipment.

(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 follows:

				2017	2016
Type	Amortization term	Cost	Accumulated depreciation	Net balance	Net balance
Buildings - parent company	20 years	149,668	(44,760)	104,908	112,268
Buildings - consolidated	20 years	258,340	(64,031)	194,309	207,108

(c.ii) Guarantees

The Company has borrowing agreements (leases and FINAME financing) of vehicles, aircraft, machinery and equipment and IT equipment, which allow for the fiduciary sale of the assets acquired. On December 31, 2017, the Company recorded R$22,887 in the parent company and R$28,116 on a consolidated basis in guarantees related to these agreements. In addition, buildings, machinery and IT equipment pledged as collateral in legal proceedings amounting to R$12,925.

(d) Capitalized borrowing costs

The Group has new projects under construction involving new units and renovations. Two borrowings were obtained in 2015 to finance these enterprises, and the capitalized borrowing costs in the period ended December 31, 2017 amounted to R$2,427, excluding interest expenses (2016 – R$2,796). The rate used to determine the capitalized borrowing costs is the weighted average of the referred borrowing.

13 Suppliers

	Parent Company		Consolidated	
	2017	2016	2017	2016
Domestic suppliers	12,282	12,765	31,156	29,529
Domestic service providers	81	40	266	205
	12,363	12,805	31,422	29,734

14 Commitments payable

	Parent Company		Consolidated	
	2017	2016	2017	2016
Payables for acquisitions of properties		200		200
Payables for acquisitions of investments (i)	862	1,932	144,286	168,735
	862	2,132	144,286	168,935
(-) Current	(862)	(2,132)	(80,720)	(80,047)
Non-current			63,566	88,888

(i) Commitments arising from the following acquisitions:

	Parent Company		Consolidated	
	2017	2016	2017	2016
FAL	115	1,185	115	1,185
FASE	747	747	747	747
UNAMA and FIT (*)			41,670	41,670
UNG			100,854	124,233
FAMIL			900	900
	862	1,932	144,286	168,735

(*) The balance includes amounts related to differences in the recognition of net debt reimbursements and pre-established contingencies, which are being discussed by the legal authority and may not be fully paid by the Company.

The installments mature as follows:

	Parent Company		Consolidated	
	2017	2016	2017	2016
Up to one year	862	1,932	80,720	79,847
Between one and two years			30,932	28,058
Between two and three years			32,634	29,601
Between three and four years				31,229
	862	1,932	144,286	168,735

15 Borrowings

(a) Breakdown

		Parent Company		Consolidated	
Type	Financial charges	2017	2016	2017	2016
IFC (i)	CDI + 2.05% p.a.	99,054	122,670	99,054	122,670
Working capital (ii)	CDI + 3.04% p.a.		51,874		51,874
FINAME	TJLP + 2.50% to 3.50% p.a.	13,937	16,362	13,975	16,693
Leasing	CDI + 0.45% to 1.73% p.m.	357	2,271	950	5,061
		113,348	193,177	113,979	196,298
(-) Current		(25,938)	(53,257)	(26,569)	(55,764)
Non-current		87,410	139,920	87,410	140,534

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

On June 30, 2015, the Company signed a financing agreement with the IFC to cover the building costs of the Aracaju (Sergipe) and Fortaleza (Ceará) campuses, the modernization and remodeling of existing campuses and new acquisitions. The financing amounted to R$120,000, released on August 3, 2015, with borrowing costs totaling R$1,335 and a seven-year payment term, including a two-year grace period for the principal, with interest payment in April and October 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. There are no borrowing amounts in foreign currency.

(ii) The working capital loan was settled using proceeds from the second debenture issue (Note 16).

(b) Collaterals

Finame and Leasing agreements mainly refer to IT equipment, vehicles, televisions, air conditioners, aircraft, among other items, guaranteed by the chattel mortgage of the respective asset and/or receivables (Note 12 (c.ii)). For the IFC agreement, the Company has pledged as guarantee the fiduciary assignment of a portion of the monthly tuition payment by the students of the Company and its subsidiaries, representing 25% of the total borrowing debt.

(c) Classification by year of maturity

The long-term installments fall due as shown below:

	Parent Company		Consolidated	
	2017	2016	2017	2016
Between one and two years	23,530	43,012	23,530	43,626
Between two and three years	23,530	33,027	23,530	33,027
Between three and four years	23,530	23,530	23,530	23,530
Between four and five years	12,753	23,530	12,753	23,530
More than five years	4,067	16,821	4,067	16,821
	87,410	139,920	87,410	140,534

The fair value of borrowings approximates the carrying amounts, since the impact of discounting is not significant. The fair value are based on the discounted cash flow, using the Company's cash cost, which approximates the rate used in the respective agreements.

(d) Covenants

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 issue, for the quarters ended on March 31, June 30, September 30, and December 31 of each year, and will be required until final maturity. The financial indices are as follows:

- 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 adjusted by Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) - not higher than 2.5; 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 year ended December 31, 2017, the covenants related to the borrowing agreements were observed and did not present amounts outside the contractual limits.

16 Debentures

On August 10, 2017, the Board of Directors approved the Company's second issue of simple, unsecured debentures, not convertible into shares, in two equal series, in accordance with CVM Instruction 476. The funds obtained were used to settle the first issue of debentures and other financing entered into by the Issuer. The remaining balance was 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 spread of 0.65% per year for First Series Debentures and of 1.35% per year for Second Series Debentures.

The issue of the debentures was completed on October 3, 2017. The nominal unit price of the debentures on the issue date was R$1,000, with a total amount of R$200,000. The costs incurred with the issue totaled R$3,302. The payment term of the First Series is two years with a single installment on September 15, 2019, and the payment term of the Second Series is four years with four equal half-yearly installments, the first maturity on March 15, 2020 and final on September 15, 2021.

The debentures issued by the Company require the maintenance of covenant financial indices. The covenants are calculated based on the financial statements of the Company, which is the guarantor of the issue, related to each fiscal year ended on December 31, and are required starting in 2017 through final maturity. The main financial indices are as follows:

- the result of the division of net debt by adjusted EBITDA, which must not be higher than 2.5, but which may be higher than 0.5 for four consecutive quarters, in the case of acquisition of interest in a company with a similar corporate purpose; and
- the result of the division of EBITDA by net financial expenses, considering bank debt charges, deducted from gains with financial investments, which must not be lower than 2.0.

In the year ended December 31, 2017, the covenants related to the debenture agreements were observed and there were no amounts in excess of the contractual limits imposed.

If the Company acquires an interest in a another company with a similar corporate purpose, the net debt/EBITDA ratio may increase by up to 0.5 for four consecutive quarters, as of the quarter in which the debt related to the acquisition is contracted.

The long-term installments fall due as shown below:

	Parent Company and Consolidated	
	2017	**2016**
Current		
Less than one year	2,636	43,495
Non-current		
Between one and two years	98,968	42,168
Between two and three years	49,587	42,168
Between three and four years	49,690	24,659
	198,245	108,995
	200,881	152,490

The fair value of debentures approximates their carrying amounts, since the contractual rate reflects the restated amount to settle the transaction.

17 Salaries and social charges

	Parent Company		Consolidated	
	2017	2016	2017	2016
Profit sharing	3,825	8,007	3,825	8,007
Salaries payable	7,905	6,674	19,838	17,675
Social charges	4,750	4,109	12,933	11,512
Provision for vacation pay and payroll charges	17,733	15,512	37,498	34,055
Other	219	157	737	624
	34,432	34,459	74,831	71,873

18 Lease obligations

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

The agreements are for a period of ten years, and may be automatically renewed at the lessee's request 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 lease purchase agreements, either because the terms of the lease agreements represent most of the economic life of the assets, or because the fair values of the buildings and land are lower than the present value of the minimum payments of the leases. The present value of the agreements was calculated at rates equivalent to the borrowing rates of transactions with similar risk and nature.

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

Parent Company			2017	2016
Maturity	Minimum payments	Discount to present value	Present value of minimum payments	Present value of minimum payments
Current				
Less than one year	22,426	(12,357)	10,069	9,642
Non-current				
Between one and two years	22,426	(12,357)	10,069	9,642
Between two and three years	22,426	(12,357)	10,069	9,642
Between three and four years	22,426	(12,357)	10,069	9,642
More than four years	228,041	(127,945)	100,096	105,575
	295,319	(165,016)	130,303	134,501
	317,745	(177,373)	140,372	144,143

Consolidated			2017	2016
Maturity	Minimum payments	Discount to present value	Present value of minimum payments	Present value of minimum payments
Current				
Less than one year	38,998	(22,552)	16,446	15,737
Non-current				
Between one and two years	38,998	(22,552)	16,446	15,737
Between two and three years	38,998	(22,552)	16,446	15,737
Between three and four years	38,998	(22,552)	16,446	15,737
More than four years	434,395	(255,939)	178,456	186,587
	551,389	(323,595)	227,794	233,798
	590,387	(346,147)	244,240	249,535

19 Share capital and reserves

(a) Share capital

The Shareholders' Meeting of August 15, 2017 approved the share capital increase from R$377,048 to R$600,000, through the capitalization of R$222,952 from retained earnings reserve, without issuing new shares and maintaining the current 125,213,244 registered common shares with no par value. At the same date, the authorized capital increased from R$600,000 to R$1,200,000.

The Board of Directors' meeting of September 12, 2017 approved the increase in the Company's share capital, within the authorized capital limit, of at least R$236,587 and at most R$400,000, through the issue of book-entry, registered common shares with no par value, for private placement, corresponding to at least 8,214,815 shares and at most 13,888,889 shares, at the minimum issue price of R$28.80 per share, pursuant to article 170 of the Brazilian Corporate Law.

On November 7, 2017, the Board of Directors approved the share capital increase from R$600,000 to R$991,644, through the capitalization of R$391,644 from the subscription of 13,598,756 shares. The Company's share capital currently consists of 138,812,000 registered common shares with no par value. Costs incurred by the Company for this issue totaled R$4,095, deducted from the share capital.

The proceeds obtained will be used to strengthen the Company's capital structure, including financing the expansion of its business, through: (i) acquisitions; and (ii) investments in organic growth, including the expansion and infrastructure of distance-learning centers and investments to set up new campus units.

(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, nominative registered, common shares issued by the Company, was approved, to be held, cancelled in treasury or replaced in the market, with no capital reduction, within 365 days from January 12, 2015, and closing on January 11, 2016, as a repurchase program, extended for another 365 days on January 9, 2016.

On January 9, 2017, the Company's Board of Directors approved the renewal of the Share Repurchase Program up to January 9, 2018, when it was terminated.

During the term of the Program, the Company acquired three hundred and seventy-seven thousand and five hundred (377,500) common shares, totaling R$6,454, at a weighted average cost of R$17.09. The common shares acquired will be held in treasury for subsequent cancellation or allocation to other plans that may be approved in the future by the Company's Shareholders' Meeting.

(c) Capital reserve

At December 31, 2017 and December 31, 2016, the Company had no amount recorded as a capital reserve.

(d) Reserve for tax incentives

At December 31, 2017, the Company had a reserve for tax incentives of R$50,736 (R$44,567 - 2016). This reserve was set up as provided 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 tax expenses. The parent company's tax relief granted, after passing through the statement of income, is recorded in the account "Reserve for tax incentives" in equity.

(e) Legal reserve

At December 31, 2017, the Company had a legal reserve of R$45,467 (R$35,585 - 2016). The legal reserve takes 5% of profit for the year or the remaining balance, up to the limit of 20% of capital. The purpose of the legal reserve is to ensure the integrity of capital, and it may only be used to offset losses and to increase capital.

(f) Retained earnings

At December 31, 2017, the Company's retained earnings amounted to R$321,269 (R$499,654 - 2016). 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' General Meeting.

(g) Dividends

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 Corporate Law. The incentives described in item 20(d) are not included in the calculation basis of the mandatory minimum dividend. Based on legal opinion, the Company adopts the practice of not distributing tax incentive reserves, as they are intended exclusively to increase capital.

Management prepared the proposed distribution of dividends as follows:

	2017	2016
Profit for the year	197,475	230,448
(-) Tax incentive reserve	(79,467)	(81,992)
(-) Legal reserve	(9,874)	(11,522)
Adjusted profit	108,134	136,934
Mandatory minimum dividend calculated (25%) to be distributed	27,034	34,234
Supplementary dividends (a)	10,813	
Total dividends to be distributed	37,847	34,234
Weighted average of outstanding shares	127,225	124,836
Dividends distributed/to be distributed per share (in reais)	0.30	0.27

(a) Additional dividends were approved by the Annual Shareholders' Meeting and were recorded under revenue reserve in equity on December 31, 2017.

20. Net income from services rendered

	Parent Company		Consolidated	
	2017	2016	2017	2016
Gross revenue from services rendered				
Undergraduate tuition	514,354	452,205	1,566,726	1,364,367
Graduate tuition	3,333	2,426	24,857	23,462
Distance education tuition	28,215	16,658	32,984	18,316
Other revenue	3,897	6,296	16,355	19,900
	549,799	477,585	1,640,922	1,426,045
Gross revenue deductions				
Discounts and scholarships (i)	(53,488)	(30,051)	(181,873)	(102,979)
PROUNI	(48,772)	(40,320)	(138,585)	(119,317)
FGEDUC and FIES charges (ii)	(16,282)	(13,669)	(44,791)	(35,894)
Taxes on services	(14,589)	(14,965)	(43,888)	(42,475)
	(133,131)	(99,005)	(409,137)	(300,665)
	416,668	378,580	1,231,785	1,125,380

(i) The increase is due to the higher volume of discounts and scholarships, as a result of student intake campaigns every semester; and

(ii) The increase was mainly due to educational charges established by Executive Decree No. 741 ("MP 741"), which imposes on educational institutions an additional deduction of 2% over the amount of student charges released from the second half of 2016 on.

21 Cost of services rendered

	Parent Company		Consolidated	
	2017	2016	2017	2016
Payroll and social charges	108,931	100,757	377,659	360,429
Services rendered by individuals and companies	7,130	6,011	14,761	13,683
Electricity, water and telephone	13,548	11,935	33,394	30,126
Depreciation and amortization	19,998	17,927	39,717	37,137
Rentals (i)	26,754	16,469	79,741	64,578
Other	7,537	2,546	11,373	5,433
	183,898	155,645	556,645	511,386

(i) Refers to rent of new units and contract adjustments, in addition to the transfer of some properties' lease from the parent company to the associates, reclassifying them from expenses to costs (Note 22 (iii)).

22 General and administrative expenses

	Parent Company		Consolidated	
	2017	2016	2017	2016
Payroll and social charges (i)	79,651	62,037	136,062	109,056
Services rendered by individuals and companies	21,095	18,037	32,453	26,720
Selling, marketing and advertising expenses (ii)	45,861	35,334	92,517	66,191
Provision for and actual losses on doubtful accounts (iii)	19,624	14,028	64,195	48,732
Rentals (iv)		15,930		
Depreciation and amortization	17,570	14,025	25,373	23,140
Service materials	9,272	6,655	18,003	15,295
Taxes	3,402	4,318	7,354	8,194
Other (v)	24,732	13,721	41,607	24,744
	221,207	184,085	417,564	322,072

(i) The increase is due to the implementation of distance-learning activities and the structuring of new units, in addition to the collective labor agreement;

(ii) The increase is due to the student intake cycles in 2017 and first half of 2018, which involved a greater number of units compared to 2016. It also refers to the intensification of marketing campaigns to enroll students in the distance-learning segment;

(iii) The increase in the allowance for doubtful accounts was mainly due to the country's economic crisis, which resulted in higher dropout and default, as well as the adoption of a stricter policy for students in arrears;
(iv) Reclassification of rents from the parent company to other associates in 2017 (Note 21 (ii));
(v) In 2016, the Company received an indemnity payment for the return of the UNG unit at Shopping Light (R$5 million net of removal expenses). In addition, travel expenses grew during 2017, due to the structuring of distance-learning activities, which included prospecting, preparing and training personnel to manage the centers (R$1.5 million), a higher volume of renovations related to the building maintenance, equipment and facilities (R$4.7 million), and also additional provision for contingencies (R$3.0 million).

23 Finance income and expenses

	Parent Company		Consolidated	
	2017	2016	2017	2016
Finance income				
Interest on tuition and agreements	8.466	8.250	27.854	25.941
Earnings from financial investments (i)	41.853	36.738	42.444	37.023
Discounts obtained	2.024	503	3.529	1.540
Monetary variation of assets (ii)	3.646	7.570	9.234	20.096
(-) Social Integration Program (PIS) and Social Contribution on Revenue (COFINS) on finance income (iii)	(2.448)	(4.399)	(3.437)	(7.201)
Other	709	399	983	767
	54.250	49.061	80.607	78.166
Finance expense				
Interest expenses (iv)	(35.777)	(53.032)	(36.469)	(56.094)
Interest on leases	(18.655)	(19.058)	(33.704)	(34.308)
Discounts granted (v)	(10.600)	(4.808)	(34.743)	(22.318)
Monetary variation of liabilities (vi)		(60)	(14.100)	(18.882)
Other (vii)	(3.244)	(1.400)	(15.711)	(7.666)
	(68.276)	(78.358)	(134.727)	(139.268)
Finance costs, net	(14.026)	(29.297)	(54.120)	(61.102)

(i) The increase refers to income from the financial investment of the funds held by the Company, plus cash generation in 2017, and the receipt of proceeds from the issue, for private subscription, of common shares in order to increase the Company's share capital;
(ii) The decline refers to the reduction in monetary restatement, due to the receipt of the second installment of the FIES agreement in 2017 (Note 9 (b)), and the reduction in the IPCA - Consumer Price Index in 2017;
(iii) 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;
(iv) The reduction refers to the decline in the CDI rate, the beginning of amortization of IFC borrowings in 2017 and the settlement of first issue debentures;
(v) The increase refers to renegotiation campaigns with students in default and discounts on the pre-payment of UNG students prior to the acquisition of the institution;
(vi) Refers mainly to financial remuneration of commitments payable from acquisitions, which fell due to the decline in inflation rates; and

(vii) Refers mainly to Educred's adjustment to present value and Pravaler's subsidy.

24 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 Executive Decree 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 determined, according to the nominal rates, and the amount of taxes recorded in the years ended December 31, 2017 and 2016, were as follows:

(a) Breakdown of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)

	Parent Company		Consolidated	
	2017	2016	2017	2016
Income tax and social contribution - current				
Presumed profit			1,724	2,098
Taxable income	5,876	5,463	82,228	85,685
Tax incentive	(5,586)	(3,895)	(77,545)	(81,992)
Total income tax and social contribution	290	1,568	6,407	5,791
Adjustments from previous periods (i)				
Income tax and social contribution	(322)		(796)	
Tax incentive - PROUNI	(583)		(1,922)	
Total from previous periods	(905)		(2,718)	
Total income tax and social contribution, net of incentive	(615)	1,568	3,689	5,791

(i) Refers to the recovery of income tax and social contribution from previous years, which were revaluated based on the tax advisors' opinion.

(b) Companies under the presumed profit regime

	Consolidated	
	2017	2016
Gross sales	5,756	7,750
Projected 32%	1,842	2,480
Other revenue	3,230	3,692
Profit before income tax and social contribution	5,072	6,172
Income tax and social contribution - 34%	1,724	2,098

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

(c) Companies under the taxable income regime

	Parent Company		Consolidated	
	2017	2016	2017	2016
Profit before income tax and social contribution	196,860	232,016	196,843	229,721
Nominal combined rate of income tax and social contribution - %	34%	34%	34%	34%
Income tax and social contribution based on current legislation rates	66,932	78,885	66,927	78,105
Adjustments for calculations at the effective rate				
Adjustments under Law 11,638/2007				
Equity in subsidiaries	(67,657)	(77,190)		
Adjustment to present value of accounts receivable	(117)		(1,390)	
Leases	1,221	1,357	2,551	2,757
Allowance for doubtful accounts	480	1,556	1,213	3,922
Non-deductible expenses	1,422	973	4,293	1,971
Interest on capital				
Reversal of contingencies	(257)	(185)	510	(308)
Unused expenses related to losses among the quarters (i)	5,116	554	10,897	3,309
Offsetting of tax losses	(1,264)	(487)	(2,773)	(4,071)
	5,876	5,463	82,228	85,685
Tax incentive from exploration - PROUNI	(5,586)	(3,895)	(77,545)	(81,992)
Income tax and social contribution on income for the year	290	1,568	4,683	3,693
Effective rate - %	0.15%	0.68%	2.38%	1.61%

(i) The Company calculates income tax and social contribution based on quarterly taxable income, through which losses incurred in one quarter are only offset in subsequent quarters.

(d) Breakdown of the effective tax rate

	Parent Company		Consolidated	
	2017	2016	2017	2016
Profit before income tax and social contribution				
Presumed profit			5,072	6,172
Taxable income	196,860	232,016	196,843	229,721
	196,860	232,016	201,915	235,893
Income tax and social contribution				
Companies opting for the presumed profit system			1,724	2,098
Companies opting for the taxable income system	290	1,568	4,683	3,693
Total current income tax and social contribution	290	1,568	6,407	5,791
Effective rate	0.15%	0.68%	3.17%	2.46%

25. Related parties

(a) Current accounts with subsidiaries

	2017	2016
Liabilities		
Educred Administ. de Crédito Educativo e Cobrança Ltda.		1,917
CENESUP - Centro Nacional de Ensino Superior Ltda.	2,969	
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	8,842	3,764
Sociedade Educacional Carvalho Gomes Ltda.	2,235	
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	6,614	
SIESPI - Sociedade de Ensino Superior Piauiense Ltda.	9,525	
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	334	287
Faculdade Maurício de Nassau de Belém Ltda.	1,584	
CESP - Centro de Ensino Superior Piauiense Ltda.	5,121	
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe ltda.	9,723	1,572
Instituto de Ensino Superior Juvêncio Terra Ltda.	4,614	688
ABES - Sociedade Baiana de Ensino Superior Ltda.		2,963
	51,561	11,191

(b) Remuneration of key management personnel

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

	Parent Company		Consolidated	
	2017	2016	2017	2016
Total key management remuneration	9,061	7,059	9,061	7,059

(c) Other transactions

	Consolidated					
	2017			2016		
	Expenses	Payment	Liabilities	Expenses	Payment	Liabilities
Rents - Oktus Participações Ltda (i)	26,843	48,890	138,332	26,646	48,693	142,017
Social actions (ii)	546			319		
	27,389	48,890	138,332	26,965	48,693	142,017

(i) The Company entered into commercial lease agreements for real estate with Oktus Participações Ltda., now called JJ Participações Ltda., owned by shareholder José Janguiê Bezerra Diniz, for a ten-year term, which can be extended for an equal period. The difference between the expense and the payments refers to the minimum lease payment, which is amortized in liabilities. In the first half of 2016, the Company and Oktus agreed to suspend payments of the leases on two properties in Recife, starting on March 2016.

(ii) The Company supports the Instituto Ser Educacional, a nonprofit institution, to perform activities related to corporate social responsibility.

Related-party transactions are negotiated at market value.

26 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	
	2017	2016	2017	2016
Civil (a)	306	808	3,446	4,107
Labor (b)	140	393	6,384	4,224
	446	1,201	9,830	8,331
Indemnity contingencies (d)			112,015	112,015
	446	1,201	121,845	120,346

(a) Civil

The Company, with the support of its legal advisors, has performed a study, valuation and quantification of its civil lawsuits to determine the probable outflow of funds related to them. At December 31, 2017, management made a provision of R$306 (2016 - R$808) in the parent company and R$3,446 (2016 - R$4,107) in the consolidated. 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$4,138 (2016 - R$2,714) in the parent company and R$23,099 (2016 - R$24,047) in the consolidated at December 31, 2017. The main claims relate to: (i) lawsuits arising from undue blacklisting in credit protection bodies and undue maintenance of said negative entry; (ii) lawsuits due to delays in issuing diplomas; (iii) lawsuits due to problems in amendment, enrollment, refund (class not created) and transfer related to FIES.

(b) Labor

The Company, with the support of its legal advisors, has performed a study, valuation and quantification of its labor lawsuits to determine the probable outflow of funds related to them. At December 31, 2017, management made a provision of R$140 (2016 - R$393) in the parent company and R$6,384 (2016 - R$4,224) in the consolidated.

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 recorded. At December 31, 2017, these amounted to R$11,317 (2016 -R$8,546) in the parent company and R$39,726 (2016 - R$31,660) 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 faculty working hours.

(c) Tax

The Company, with the support of its legal advisors, has performed a study, valuation and quantification of its tax lawsuits to determine the probable outflow of funds related to them. Management has not made provision for the parent company, as there were no lawsuits classified as probable losses on that date.

The Company has also performed a study, evaluation and quantification of the various tax lawsuits classified as representing possible losses, for which there is no provision. At December 31, 2017, these amounted to R$8,534 (2016 - R$8,545) in the parent company and R$28,608 (2016 - R$22,577) in the consolidated (See note 26 (d)).

Among the main tax lawsuits whose likelihood of loss is classified as possible by the legal counsel, the following are highlighted:

a. 07.51613.0.15 - This refers to a tax deficiency notice issued by the finance department of Recife for the alleged non-payment of Service Tax (ISS) on the Company's educational service revenues related to PROUNI scholarships. This notice is the object of an action for annulment in which a provisional remedy for suspension of the tax credit was granted. The estimated amount is R$3,679.
b. 10480.727015/2011-88 - This is an administrative proceeding due to divergences in the information provided about withholding income tax for calendar years 2008, 2009 and 2010. The estimated amount is R$2,496.
c. 0801528-36.2017.8.18.0140 - This refers to a tax foreclosure carried out by the municipality of Teresina against CIESPI – Fap Teresina for the alleged non-payment of ISS on the Company's educational service revenues in 2010. This period is the exclusive responsibility of the sellers; a property was pledged to the court as collateral. The estimated amount is R$1,839.
d. 07.51986.1.15 - This refers to a tax deficiency notice issued by the finance department of Recife for the alleged non-payment of ISS on 5% of the Company's educational service revenues related to vocational programs. A defense has been filed requesting the nullity of the notice, given that the percentage of the tax to be paid is 3%, in accordance with the law. The estimated amount is R$1,705.

(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. (CIESPI), as a result of their business combination in 2013.

Another major tax claim provided for is a contingent liability of R$108,766, which was recognized for the 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. Other tax claims include:

a. 0019270-28.2014.8.14.0301 - This relates to a tax collection lawsuit brought by the Municipality of Belém related to the collection of ISS due to UNESPA's supposed loss of tax exemption. The matter is related to the ISS tax exemption granted to UNESPA by the 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 deficiency notices that authorized the filing of the present tax collection lawsuit. Motions to stay execution have been filed and the process is currently in the evidentiary stage. The loss risk classification attributed by the external legal advisors is possible, and the amount is R$103,082. Nevertheless, the lawsuit is recorded at the amount of the contingent liability arising from the business combination with UNESPA.

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 rents of the units, and the properties have been mortgaged in favor of the Company to guarantee that amount. An indemnity asset equivalent to the fair value of the indemnified liability has been recognized by the Company.

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

a. Case relating to the use of software licenses for distance learning, 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 and it has not been provided for.

b. Tax deficiency notices for the collection of social security contributions and contributions to entities and funds, from January 2011 to December 2012, totaling R$90,945, bySociedade Paulista de Ensino e Pesquisa (SOPEP), the current supporting entity of UNG. The Federal Revenue Office understood that the activities carried out by Associação Paulista de Educação e Cultura (APEC), the former supporting entity of UNG, were not classified as non-profit, and even though the maintenance of UNG was only transferred in January 2015, SOPEP was issued a notice of secondary liability for the lack of payment of said contributions.

In both the cases, because the contingencies are prior to the acquisition, the agreement establishes that any losses will be guaranteed by the retention of purchase and sale amounts, discounts in the future rent of units and mortgages of properties in favor of the Company. The lawyers in charge of these proceedings were contracted by the selling shareholders and are monitored by the Group's lawyers, and classified these lawsuits as possible losses.

27 Basic and diluted earnings per share

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.

	2017	2016
Profit attributable to the shareholders of the Parent Company	197,475	230,448
Weighted average number of outstanding common shares (in thousands)	127,225	124,836
Earnings per share - basic and diluted - R$	1.55	1.85

28 Insurance

Insurance coverage at December 31, 2017 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$ 130,000
Accident, fire and crash - aircraft hull	US$ 11,270
Accident, fire and crash - aeronautical R.E.T.A.	R$ 951
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$ 30,000

Section F - Accounting policies

29 Summary of significant accounting policies

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

29.1 Consolidation

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

(a) Subsidiaries

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

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

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

29.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, 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.

29.3 Financial assets

29.3.1 Classification

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

29.3.2 Financial assets at fair value through profit or loss

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

29.3.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities exceeding 12 months from the balance sheet date (which are classified as non-current assets). The Group's loans and receivables comprise "Receivables from students and other receivables" and "Cash and cash equivalents" (Notes 30.4 and 30.2).

29.3.4 Recognition and measurement

Purchases and sales of financial assets are usually recognized on the trading date.
Investments are recognized initially at fair value plus transaction costs for all financial assets not classified at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to the statement of income. Financial assets are written off when the rights to receive cash flow have expired or have been transferred, 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 current purchase prices. If the market for a financial asset (or for unlisted securities) is not active, the Group establishes the fair value through valuation techniques. These techniques include the use of recent transactions carried out with third parties, reference to other substantially similar instruments, an analysis of discounted cash flow and option pricing models that make maximum use of information generated by the market and minimum use of information generated by the entity's management.

29.3.5 Offsetting of financial instruments

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

29.4 Accounts receivable – students

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

29.5 Allowance for doubtful accounts

This provision appears as a deduction from accounts receivable and is set at an amount considered by management to be sufficient to meet any losses on the collection of 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.

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

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

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

29.7 Intangible assets

(a) Goodwill

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

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

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

29.8 Property and equipment

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

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

Property and equipment in progress refers to the construction of new buildings and the renovation of third-party buildings to adapt them to the Company's activities. Every six months, these balances are reviewed and transferred to their specific accounts, if concluded, so that depreciation can begins.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and they can be measured reliably. The carrying amount of the replaced item is derecognized. All other repair and maintenance costs are charged to the statement of income as they are incurred.
An item of property and equipment is written off when it is sold, or when no future economic benefit is anticipated from its use or sale. The eventual profit or loss resulting from the asset write-off (calculated as the difference between the net amount of the disposal and the residual value of the asset) are recorded in the statement of income for the period during which the asset is written off.

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

29.9 Capitalized borrowing costs

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

29.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less 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.

29.11 Suppliers and commitments payable

Accounts payable are liabilities owing for goods or services acquired from suppliers in the ordinary course of business, and commitments payable are liabilities for the acquisition of property and amounts payable under business combinations. They are classified as current liabilities if payment is due within a year. Otherwise, accounts and commitments payable are shown as non-current liabilities.
Accounts and commitments payable are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.

29.12 Leases

Leasing agreements underwhich a significant portion of the property's risks and benefits is held by the lessor are classified as operating leases. The payments made for operating leases (net of any incentives received from the lessor) are recognized in the income statement using the straight-line method over the term of the lease.

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 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.

29.13 Borrowings

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 finance costs in the period in which they are incurred.

29.14 Debentures

Debentures are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period during which the debentures are current using the effective interest 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.
Both 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 associated with the item 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.

29.15 Provisions

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 advisors.

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

29.16 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, PIS and COFINS are payable at the rates of 0.65% and 3%, respectively. PIS is payable on revenue from non-teaching activities at a rate of 1.65% and COFINS at 7.6%.

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

(c) PROUNI

Units that have joined 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 29, 1991; and
- PIS, introduced by Supplementary Law 7 of September 7, 1970.

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

29.17 Earnings per share

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

29.18 Share capital

Common shares are classified in equity.

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

29.19 Recognition of revenue, costs and expenses

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

(a) Service revenue

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

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

In October 2013, the Company joined the National Program for Access to 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. Additionally, as of 2016, a new discount of 2% related to FIES charges was included, as per Executive Decree No. 741 ("MP 741").

(b) Finance income and expenses

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

29.20 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 the 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 Shareholders' Meeting.

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

2017 Management Report

To our Shareholders,

Grupo Ser Educacional S.A. presents its Management Report and Financial Statements for the fiscal year ended December 31, 2017. The consolidated financial statements have been prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC), the standards issued by the Brazilian Securities and Exchange Commission (CVM) and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Message from Management

Grupo Ser Educacional's 2017 fiscal year was marked by the beginning of a new organic growth cycle aimed at expanding on-campus and distance learning higher education operations through a relevant expansion plan, with the goal of making the Company, which currently has a strong presence in the Northeast and North regions of Brazil, reach national coverage, with a strong presence in its regions of origin and in the Southeast, Midwest and Southern regions of Brazil.

In this environment, the Company had a record number of 26 new units accredited by the Ministry of Education (MEC), jumping from 46 units in operation on December 31, 2016 to 73 units on December 31, 2017, a 58.7% increase, becoming one of the companies with greater capillarity in the Brazilian private higher education sector.

Also in the on-campus higher education segment, Ser Educacional's Joaquim Nabuco, in Recife, was accredited as a University Center, allowing the now called UNINABUCO to open new courses and units throughout the city.

The on-campus courses base was also a highlight in the fiscal year and went from 1,159 courses to 1,491 courses, a 28.6% growth in the period. The increase in the courses base was mainly to support new operations, as well as units with less than 4 years of existence – In this case, accredited courses were more relevant in areas related to health and engineering.

The Company's activities within the Distance Learning segment had a very significant development: 2 units were accredited as university centers (UNINASSAU in Maceió and UNAMA in Belém), improving the Company's position to maximize its expansion and take advantage of the new regulation, established by the New Regulatory Framework for the Distance Learning segment and implemented through MEC's Regulatory Ordinance No. 11, published on June 20, 2017, which set out standards for the accreditation and offer of Distance Learning courses, in accordance with Presidential Decree No. 9,057 of May 25, 2017. The New Regulatory Framework for the Distance Learning segment, among other rules, granted autonomy to the Education Institutions (IES) accredited by MEC for the expansion of its Distance Learning centers, in order to follow certain education quality standards. As a result, the Company significantly increased its number of operating centers, from 15 to 119 centers

with effective intake of students between December 31, 2016 and December 31, 2017, a 693% growth in its network in only 12 months and, consequently, the Company significantly expanded its coverage and capillarity in this higher education segment.

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

The institutions' performance in the IGC and CPC indicated good quality. In relation to the CPC, 89% of our courses evaluated in 2015 were rated higher than 3, and virtually all units were rated 3 or higher in the IGC.

Social responsibility practices are embedded in the values and the day-to-day activities of Ser Educacional. The Company invests directly in activities that benefit society and the communities where the Company's units are located, while also encouraging its students, faculty and employees to engage in these activities, which are divided into four main pillars: culture, sports, groups and socio and environmental initiatives. These activities foster students' feeling of belonging to regional communities and the institution which promotes these activities, creating a connection between students, the community, the government and the institution which is extremely beneficial for all involved. The Company's institutions promote these activities, which are coordinated by Instituto Ser Educational and have served thousands of people in the four areas mentioned above.

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

Regarding the financial environment, the Company has made significant progress towards a more efficient capital structure that enables the successful performance of its cycle of growth, whether organic or through acquisitions. Therefore, on November 1, 2017, the Company announced the Partial Approval of its Capital Increase, in the amount of R$391.6 million, disclosed on September 12, 2017, and, on October 4, concluded its 2nd issue of simple debentures whose objective was to reduce its cost of capital by fully paying its 1st issue held in 2015, as well as improving the cash flow for the payment of its financial commitments. These two operations put the Company in a comfortable financial position, capable of sustaining its strategy of growing organically and also through acquisitions.

Based on the above, the 2017 fiscal year was marked by significant changes in the Company's operations, even in a challenging economic environment, although already showing its first signs of improvement with greater control of inflation, a slight improvement in GDP and unemployment rate and higher confidence among businesses and consumers, which allowed the Company's Management to start a new expansion cycle.

Ser Educacional's Management is aware of the reduction in the Company's operating and financial margins during a year dedicated to the expansion of its operations, investments in marketing, qualified professionals and physical and technological infrastructure, in order to expand its student base in the future, which it believes to be in line with the current costs and expenses structure.

Operating and Financial Performance

Grupo Ser Educacional closed 2017 with a total base of 152,400 students, 3.1% up on the 147,900 students recorded at the end of 2016, 134,000 of which corresponding to on-campus undergraduate courses, an increase of 2.2% when compared to December 2016. At year-end, we had 55,600 FIES students, accounting for 36.5% of total students, or 41.5% of on-campus undergraduate students. The increase in the student base was mainly due to the Company's organic growth, with the opening of new units and courses in existing units, as well as the successful implementation of the market intelligence area for student intake.

In the distance learning segment, the Company closed the year with 11,800 students in the undergraduate, graduate and vocational segments, an increase of 71.1% when compared to the 6,900 students recorded at the end of 2015.

In the on-campus graduate segment, the Group closed the year with 6,400 students, a drop of 32.3% when compared to the 9,500 students recorded in 2016. The vocational course base closed the year with 200 students, 37.0% down from 400 students at the end of 2016, due to the significant reduction in the number of places offered by the federal government through the Pronatec program as of 2015.

Gross Revenue

Grupo Ser Educacional's gross revenue totaled R$1,640.9 million in 2017, 15.1% up on 2016, mainly fueled by the combined effect of the higher average ticket and organic growth in the on-campus and distance learning student base.

Net revenue totaled R$1,231.8 million, up by 9.5%, lagging behind the gross revenue increase, mainly due to higher sales deductions related to the increase in promotional discounts and the PROUNI student base.

Cost of services rendered

The cost of services rendered totaled R$556.6 million, representing 45.2% of net revenue in 2017, 0.3 p.p. down from 2016. The decline in costs was mainly due to synergy gains from the consolidation of UNG's and UNAMA's operations and increased productivity in classrooms as a result of the new curriculum matrix implemented in 2016, partially offset by the upturn of 23.5% in rent expenses and 36.7% in third-party services due to the increase in the number of operating units from 46 to 73 units in the same comparison period.

Gross Profit and Gross Margin

Gross profit totaled R$675.1 million in 2017, 10.0% up year on year, with a gross margin of 54.8%, 0.2 p.p. up on 2016, mainly due to the effects already mentioned in revenue and costs.

Operating Expenses

In 2017, operating expenses reached R$419.1 million, corresponding to 33.9% of net revenue, 5.3 p.p. up year on year, mainly due to higher personnel and advertising expenses, up by 24.8% and 39.8%, respectively, in the period. In addition, the allowance for doubtful accounts grew by 31.7% in the period, due to the higher student default as a result of Brazil's current economic scenario.

Adjusted EBITDA

The Company's adjusted EBITDA came to R$331.5 million, with a margin of 26.9%, 4.6 p.p. down year on year, due to higher publicity and marketing, personnel and rent expenses, in order to sustain the Company's new organic growth cycle, and the increase in the allowance for doubtful accounts, as a result of Brazil's current economic scenario and a higher volume of discounts granted in the student intake processes carried out in the year.

Financial Result

The financial result was a net financial expense of R$54.1 million in 2017, a reduction of R$7.0 million, or 11.4%, versus a net financial expense of R$61.1 million in 2016. This improvement was mainly due to the increase in the average cash position, which closed 2017 at R$911.7 million, versus R$399.6 million in 2016, primarily as a result of the capital increase of R$391.6 million, free cash flow in the year and the 11.3% decline in gross debt from R$517.7 million in 2016 to R$459.1 million in 2017, in addition to the drop in interest rates and inflation.

Income and social contribution taxes

Income and social contribution taxes totaled R$4.4 million, 18.5% less than the R$5.5 million recorded in 2016, mainly due to the 14.4% reduction in income before income taxes from R$235.9 million in 2016 to R$201.9 million.

Net income

As a result of the above-mentioned effects, net income totaled R$197.5 million, 14.3% down from 2016.

Indebtedness

Ser Educacional closed 2017 with net cash of R$452.6 million, versus net debt of R$118.1 million. This change in profile was mainly due to the capital increase carried out by the Company in November 2017, in the amount of R$391.6 million, the normalization of FIES payments and the payment by the federal government of the second installment of its agreement with the Company regarding the outstanding balance of 2015. This agreement establishes that FIES monthly tuition related to terms unpaid in 2015 will be settled within three years: 25% of the balance to be paid by June 2016, 25% by June 2017, and the remaining

50% by June 2018, adjusted for inflation (IPCA). The amortization of gross debt throughout the year also helped reduce net debt.

Investments

Investments totaled R$110.4 million in the year, 108% up on 2016. These funds were allocated to renovations and construction of units in order to sustain growth in the coming years, investments in libraries and computers, as well as payments related to the acquired institutions.

Corporate governance

In 2017, the Company was recognized as one of the companies with the best corporate governance practices by the O Estado de São Paulo newspaper, in the Business Management category, in a survey conducted together with FIA.

Independent audit

Pursuant to CVM Instruction 381 of January 14, 2003, we announce that PricewaterhouseCoopers Auditores Independentes (PwC), the company hired to audit the financial statements for the fiscal year ended December 31, 2017, was hired to provide the following services to Grupo Ser Educacional:

Services	Fees	Term	Nature
Audit	R$1,054,780	April 2017 - March 2018	Quarterly reviews and analysis of the 2017 financial statements.
Consulting	R$910,520	January 2017 - December 2017	Accounting consulting services related to the analysis of the impacts of the new international standards (IFRS), the review of the tax procedures adopted by the Company, the issue of comfort letters for the issue of shares and training.
Total	R$1,965,300	January 2017 - March 2018	

The process of hiring independent auditors is based on the principles that guarantee auditors' independence, including: (a) auditors shall not audit their own work; (b) auditors shall not perform management activities; and (c) auditors shall not provide any services that may be considered forbidden by existing standards. In addition, Management requires independent auditors to provide a statement declaring that special services rendered do not affect their professional independence. Non-financial information, as well as other operating information, was not the object of our independent auditors' audit.

Statement from Management

Ser Educacional's Management declares that, pursuant to CVM Instruction 480 of December 7, 2009, it has reviewed, discussed and agreed with (i) the content and opinion expressed in PwC's report of March 22, 2018; and (ii) the financial statements for the fiscal year ended December 31, 2017, together with a favorable opinion by the Fiscal Council.

Adherence to the Arbitration Chamber

The Company and its Shareholders, Management and members of the Fiscal Council are required to settle, through arbitration, any and all disputes or controversies that may arise between them, especially those related to or arising from the application, validity, effectiveness, interpretation, violation and respective effects of the Novo Mercado Listing Agreement, the Novo Mercado Listing Regulations, the Company's Bylaws, the shareholders' agreements filed at the Company's headquarters, Brazilian Corporate Law, the rules issued by the National Monetary Council (CMN), the Central Bank of Brazil and the CVM, the regulations of the BOVESPA, other regulations applicable to the functioning of capital markets in general, the Arbitration Clauses and the Rules of the Market Arbitration Chamber, conducted in accordance with said rules.

Acknowledgements

Ser Educacional's Management would like to thank its students, faculty, employees, shareholders and service providers for their trust and partnership during the year and hopes to be able to continue relying on their dedication in 2018.

Management

FISCAL COUNCIL'S OPINION

The members of the Fiscal Council of Ser Educacional S.A. ("Company"), in the exercise of their legal and statutory duties and in compliance with article 163 of Law 6,404/76 and subsequent amendments, have examined the Management report and the Company's parent company and consolidated financial statements for the year ended December 31, 2017, accompanied by the respective notes and prepared in accordance with the current legislation, as well as the dividend distribution proposal presented by the Company's Management.

Based on the documents examined, the clarifications provided by the Company's Management representatives and PricewaterhouseCoopers Auditores Independentes' report on the financial statements, issued with no restrictions on this date, the members of the Fiscal Council unanimously concluded that such documents, together with the Management report and the dividend distribution proposal, are fit to be submitted to the Company's Annual Shareholders' Meeting.

Recife, March 22, 2018.

Reginaldo F. Alexandre
Board member

Fernando Eduardo R. Santos
Board member

Nazareno Habib O. Bichara
Board member