GAEC Educação S.A. and subsidiaries

Financial Statements for the Year Ended
December 31, 2016 and
Independent Auditor's Report
On the Parent Company and Consolidated
Financial Statements

Deloitte Touche Tohmatsu Auditores Independentes

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INDEPENDENT AUDITOR'S REPORT ON THE
PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of GAEC Educação S.A.

Opinion

We have reviewed the parent company and consolidated financial statements of GAEC Educação S.A. ("Company"), comprising the statement of financial position as at December 31, 2016 and the respective statements of operations, comprehensive income, changes in equity and cash flows for the fiscal year then ended, including a summary of the main accounting practices and other notes.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the parent company and consolidated financial position of the Company on December 31, 2016, the parent company and consolidated performance of its operations and its parent company and consolidated cash flows for the year then ended, in conformity with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for our opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities, pursuant to these standards, are described in the section called "Auditors' Responsibility for the Audit of the Parent Company and Consolidated Financial Statements" below. We are independent of the Company and its subsidiaries, in compliance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by the Brazilian Federal Accounting Council, and we have also fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Recognition of tuition fee revenue

As per Note 26 to the financial statements, the Company's main source of revenue comes from tuition fees. Due to the significance of the balances, the high volume of records and issuance of payment slips and the importance of computer systems for the recognition of this revenue in the financial statements, tuition fee revenue was considered a key audit matter.

We addressed this matter in our audit by using the following main audit procedures: (i) to obtain an understanding of the internal controls adopted by Management to capture the transactions, considering their use, integrity, accuracy, classification, recognition in the reporting period and compliance with revenue recognition criteria; (ii) to assess the design, implementation and effectiveness of internal controls applicable to the recognition of tuition fee revenue; (iii) to perform audit tests, which consist of analyzing operational data and making independent estimated calculations based on annual tuition fee revenue from the most relevant institutions and courses; and (iv) select tuition fee revenue transactions during the year based on statistical criteria in order to obtain documentary evidence of the integrity and accuracy of revenue, as well as compliance with the Company's business goals and recognition in the appropriate reporting period.

Evaluation of recoverability of goodwill of subsidiaries with recurring accounting losses

The Company recorded goodwill of R$81,250 thousand under intangible assets related to goodwill paid in the acquisition of the subsidiary HSM do Brasil S.A., based on the expected future profitability of its business. In accordance with CPC 4 – Intangible Assets (equivalent to IAS 38 – Intangible Assets), the Company must annually evaluate the recoverability of goodwill, and, if necessary, record a provision for impairment. The process for evaluating this intangible asset's recoverability is complex and involves significant judgment by Management to determine the discount rate, projected revenue and the economic and financial evaluation model used. Given that the subsidiary's actual results have been lower than expected, this asset has been considered a key audit matter.

The procedures used to obtain appropriate audit evidence were as follows: (i) participation of our specialists in the review of the methodology and procedures used by the Company's Management in its recoverability analysis; (ii) analysis of the mathematical consistency of the economic and financial evaluation model; (iii) assessment of the reasonableness of the assumptions used to project future results and the discount rate adopted; and (iv) sensitivity analyses in the study prepared by the Company's Management to support the goodwill recognized in the financial statements.

We have also assessed the appropriateness of the content disclosed by Management in Note 14.2 to the financial statements.

Emphasis

Restatement of the amounts corresponding to the year ended December 31, 2015

As mentioned in Note 5, due to changes in the accounting policies, the amounts corresponding to the statement of income for the fiscal year and the statement of value added referring to the year ended December 31, 2015, presented for comparison purposes, were adjusted and are being restated pursuant to CPC 23/IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors and CPC 26 (R1)/IAS 1 - Presentation of Financial Statements. Our opinion remains unchanged regarding this matter.

Other matters

Statement of value added

The parent company and consolidated statements of value added for the year ended December 31, 2016, which are the responsibility of the Company's management and are presented as supplementary information for IFRS purposes, were subject to audit procedures performed together with the audit of the Company's financial statements. In order to form our opinion, we have verified if these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in compliance with the criteria set forth in the Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these statements of value added were fairly prepared, in all material respects, in accordance with the criteria established in this 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 independent auditor's report

The Company's Management is responsible for this and other information comprising the management report.

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Our opinion on the parent company and consolidated financial statements does not cover the management report. Accordingly, we do not express any form of audit conclusion on this report.

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 it is materially inconsistent with the parent company and consolidated financial statements or the knowledge we 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 this 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 the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of parent company and consolidated 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.

The persons charged with governance at the Company are those responsible for overseeing the process of preparation of the parent company and consolidated financial statements.

Auditor's responsibility for the parent company and consolidated financial statements

Our objective is to obtain reasonable assurance that the parent company and consolidated financial statements as a whole are free from material misstatements, 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 controls.

- 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 controls of the Group.

- 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 Group's ability 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether the parent company and consolidated 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 controls 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 communicate all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

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

Belo Horizonte, March 14, 2017

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Antonio Marcos Lima Dultra
Accountant
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GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016
Amounts in thousands of Brazilian reais R$

ASSETS	Note	Parent Company 31/12/2016	Parent Company 31/12/2015	Consolidated 31/12/2016	Consolidated 31/12/2015
CURRENT ASSETS					
Cash and cash equivalents	7	8.663	1.411	39.568	25.480
Short-term investments	7	7.003	153.482	141.931	159.058
Trade receivables	8 and 31	12.205	8.280	195.710	165.855
Sundry advances	9	1.532	671	37.355	19.001
Dividends receivable		140.617	56.858	-	-
Recoverable taxes	10	3.630	2.029	11.154	8.288
Derivatives	32	-	12.093	-	12.093
Other current assets		56	56	8.324	4.349
Total current assets		173.706	234.880	434.042	394.124
NONCURRENT ASSETS					
Trade receivables	8	-	-	89.893	123.397
Sundry advances	9	-	-	12.449	2.983
Escrow deposits	23	34	42	36.292	27.915
Credits with related parties	31	-	-	147	12
Recoverable taxes	10	1.279	3.590	6.001	7.525
Derivatives	32	-	10.725	-	10.725
Other noncurrent assets		-	-	16.366	10.534
Investments	12	811.261	716.985	-	-
Property and equipment	13	5.248	3.901	223.530	145.958
Intangible assets	14	16.132	12.132	569.132	452.604
Total noncurrent assets		833.954	747.375	953.810	781.653
TOTAL ASSETS		1.007.660	982.255	1.387.852	1.175.777

LIABILITIES AND EQUITY	Note	Parent Company 31/12/2016	Parent Company 31/12/2015	Consolidated 31/12/2016	Consolidated 31/12/2015
CURRENT LIABILITIES					
Trade payables	15	4.032	3.315	23.688	19.606
Loans and borrowings	16	99.824	109.399	124.126	124.192
Labor and related taxes	18	6.853	7.097	58.359	46.358
Taxes payable	19	1.058	901	14.772	10.690
Advances from clients	20	-	-	19.177	21.042
Taxes and contributions paid in installments	21	-	-	550	180
Notes payable	22	-	-	9.133	-
Dividends payable		4.967	15.266	4.967	15.266
Derivatives	32	13.061	-	13.061	-
Other current liabilities		202	11	456	730
Total current liabilities		129.997	135.989	268.289	238.064
NONCURRENT LIABILITIES					
Loans and borrowings	16	230.301	201.820	253.506	230.263
Debt to related parties	31	22	-	-	-
Notes payable	22	-	-	64.551	-
Taxes and contributions paid in installments	21	-	-	4.470	3.387
Deferred income tax and social contribution	11	-	-	52.180	15.320
Provision for labor, tax and civil risks	23	1.290	2.328	98.473	46.092
Derivatives	32	9.641	-	9.641	-
Other noncurrent liabilities		717	-	1.050	533
Total noncurrent liabilities		241.971	204.148	483.871	295.595
TOTAL LIABILITIES		371.968	340.137	752.160	533.659
EQUITY					
Capital stock	24	496.411	496.411	496.411	496.411
Capital reserve		6.533	1.231	6.533	1.231
Profit reserve		212.266	217.191	212.266	217.191
Treasury shares		(9.952)	(3.149)	(9.952)	(3.149)
Goodwill from capital transaction		(69.566)	(69.566)	(69.566)	(69.566)
Total equity		635.692	642.118	635.692	642.118
TOTAL EQUITY AND LIABILITIES		1.007.660	982.255	1.387.852	1.175.777

The notes are an integral part of the financial statements.

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2016
Amounts in thousands of Brazilian reais R$

	Note	Parent Company		Consolidated	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015 (restated)
NET REVENUE	26	2.519	2.318	960.434	834.944
Cost of products and services	27	(16.912)	(15.370)	(611.583)	(492.616)
GROSS INCOME (LOSS)		(14.393)	(13.052)	348.851	342.328
OPERATING INCOME (EXPENSES)					
Selling expenses	27	(1.839)	(1.053)	(75.394)	(66.765)
General and administrative expenses	27	(1.712)	(54.608)	(191.213)	(199.897)
Equity in the earnings (losses) of subsidiaries	12	87.569	137.944	-	-
Other net operating income (expenses)	27	(7.827)	1.924	(26.155)	(5.995)
		76.191	84.207	(292.762)	(272.657)
EARNINGS BEFORE FINANCIAL RESULT		61.798	71.155	56.089	69.671
Financial result	29	(40.953)	(10.740)	(36.771)	(11.202)
PROFIT BEFORE INCOME TAXES		20.845	60.415	19.318	58.469
Current and deferred income tax and social contribution	11	-	3.788	1.527	5.734
PROFIT FOR THE YEAR		20.845	64.203	20.845	64.203
EARNINGS PER SHARE (in thousands of shares)	24	0,26	0,77	0,26	0,77

The notes are an integral part of the financial statements.

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016
Amounts in thousands of Brazilian reais R$

	Parent Company		Consolidated	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
PROFIT FOR THE YEAR	20.845	64.203	20.845	64.203
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	20.845	64.203	20.845	64.203

The notes are an integral part of the financial statements.

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016
Amounts in thousands of Brazilian reais R$

					Profit reserves				
	Note	Capital stock	Capital reserve	Treasury shares	Legal reserve	Profit retention	Goodwill on capital	Retained earnings	Total equity
BALANCES AT DECEMBER 31, 2014		496.411	1.232	(11)	10.168	158.068	(69.566)	-	596.302
Incentive plan		-	(1)	1	-	-	-	-	-
Mandatory dividends		-	-	-	-	-	-	(15.248)	(15.248)
Legal reserve		-	-	-	3.210	-	-	(3.210)	-
Profit reserve		-	-	-	-	45.745	-	(45.745)	-
Acquisition of treasury shares		-	-	(3.139)	-	-	-	-	(3.139)
Profit for the year		-	-	-	-	-	-	64.203	64.203
BALANCES AT DECEMBER 31, 2015		496.411	1.231	(3.149)	13.378	203.813	(69.566)	-	642.118
Share-based compensation		-	5.302	-	-	-	-	-	5.302
Mandatory dividends		-	-	-	-	-	-	(4.951)	(4.951)
Legal reserve		-	-	-	1.042	-	-	(1.042)	-
Profit reserve		-	-	-	-	14.852	-	(14.852)	-
Acquisition of treasury shares	24.c	-	-	(27.622)	-	-	-	-	(27.622)
Cancellation of common shares		-	-	20.819	-	(20.819)	-	-	-
Profit for the year		-	-	-	-	-	-	20.845	20.845
BALANCES AT DECEMBER 31, 2016		496.411	6.533	(9.952)	14.420	197.846	(69.566)	-	635.692

The notes are an integral part of the financial statements.

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016
Amounts in thousands of Brazilian reais R$

	Note	Parent Company		Consolidated	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015
CASH FLOW FROM OPERATING ACTIVITIES					
Profit for the year		20.845	64.203	20.845	64.203
Adjustments:					
Allowance for doubtful accounts	27	-	-	45.554	38.352
Restatement of escrow deposits	23	3	(3)	(1.660)	(2.301)
Depreciation and amortization	27	4.814	3.096	42.121	27.862
Write-off of the residual value of property and equipment and intangible assets	13/14	102	102	4.477	889
Equity income	12	(87.569)	(137.944)	-	-
Investment loss		-	-	36	-
Allowance for impairment loss	14	10.300	-	19.000	-
Expenses with interest from loans, borrowings and tax installments		50.284	21.386	60.716	30.216
Recognition, restatement and reversal of the provision for labor, tax and civil risks	27	(599)	19	12.060	9.724
Expenses with adjustment to present value and inflation adjustments of securities	29	-	166	8.706	7.991
Restatement of loans to third parties		-	-	(1.128)	-
Share-based compensation	31.2	-	-	5.302	-
Expenses with adjustment to present value and FIES recovery		-	-	(16.338)	-
Current and deferred income tax and social contribution	11	-	(3.788)	(1.527)	(5.734)
		(1.820)	(52.763)	198.164	171.202
Variation in operating assets and liabilities:					
Decrease (increase) in trade receivables		(3.925)	476	(5.750)	(178.234)
Decrease (increase) in sundry advances		(861)	5.785	(25.203)	5.377
Decrease (increase) in escrow deposits	23	5	(7)	(8.653)	(8.146)
Decrease (increase) in recoverable taxes and contributions		710	1.279	(339)	1.735
Decrease (increase) in other assets		-	(29)	1.951	91
(Decrease) increase in trade payables		717	1.272	439	4.014
(Decrease) increase in payroll and related taxes		(87)	(1.376)	6.104	1.573
(Decrease) increase in advances from clients		-	-	(4.000)	(5.156)
(Decrease) increase in taxes and contributions paid in installments		-	-	(474)	(600)
(Decrease) increase in provision for tax, civil and labor risks	23	(439)	(52)	(14.407)	(10.402)
(Decrease) increase in other liabilities		909	10	243	(524)
		(2.971)	7.358	(50.089)	(190.272)
Interest paid		(15.397)	(4.362)	(25.627)	(13.554)
Income tax and social contribution paid		-	-	(364)	-
Net cash (used in) generated by operating activities		(20.188)	(49.767)	122.084	(32.624)
CASH FLOW FROM INVESTING ACTIVITIES					
Concessions		-	-	(135)	-
Capital increase in subsidiary	12	(165.197)	(83.935)	-	-
Acquisition of subsidiaries net of cash acquired		-	-	(8.019)	-
Redemption (investment) of short-term investments		157.348	(107.968)	40.695	(23.591)
Yields from short-term investments		(10.869)	(10.329)	(23.361)	(15.474)
Acquisition of property and equipment	13	(4.026)	(1.938)	(38.397)	(43.699)
Acquisition of intangible assets	14	(6.237)	(8.234)	(13.227)	(12.990)
Dividends received		69.732	92.690	-	-
Net cash (used in) generated by investing activities		40.751	(119.714)	(42.444)	(95.754)
CASH FLOW FROM FINANCING ACTIVITIES					
Loans with related parties					
Funding		1.671	-	-	-
Amortizations		(1.649)	-	-	-
Loans and borrowings					
Funding		142.978	230.000	142.978	230.000
Amortizations		(94.849)	(16.962)	(143.395)	(46.559)
Gains (losses) on derivatives		(18.590)	(3.144)	(18.590)	(3.144)
Amortization of notes payable in the acquisition of subsidiaries		-	-	(3.673)	-
Treasury shares		(27.623)	(3.139)	(27.623)	(3.139)
Dividends paid		(15.249)	(39.167)	(15.249)	(39.167)
Net cash (used in) generated by financing activities		(13.311)	167.588	(65.552)	137.991
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		7.252	(1.893)	14.088	9.613
VARIATION OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at the beginning of the year		1.411	3.304	25.480	15.867
Cash and cash equivalents at the end of the year		8.663	1.411	39.568	25.480
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		7.252	(1.893)	14.088	9.613

The notes are an integral part of the financial statements.

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF VALUE ADDED FOR THE YEAR ENDED DECEMBER 31, 2016
Amounts in thousands of Brazilian reais R$

		Parent Company		Consolidated	
	Note	31/12/2016	31/12/2015	31/12/2016	31/12/2015 (restated)
REVENUE					
Revenue from products and services	26	2.819	2.534	982.258	854.830
Other revenue		131	-	10.237	7.029
Allowance for doubtful accounts	27	-	-	(45.554)	(38.352)
INPUTS ACQUIRED BY THIRD PARTIES					
Cost of products and services		(25)	(5)	(11.493)	(6.384)
Materials, electricity, outsourced services and other		(14.750)	(56.586)	(178.291)	(173.663)
GROSS VALUE ADDED		(11.825)	(54.057)	757.157	643.460
Depreciation and amortization	27	(4.814)	(3.096)	(42.121)	(27.862)
NET VALUE ADDED		(16.639)	(57.153)	715.036	615.598
VALUE ADDED RECEIVED IN TRANSFER					
Equity in the earnings (losses) of subsidiaries	12	87.569	137.944	-	-
Finance income	29	77.619	34.745	119.143	55.163
TOTAL VALUE ADDED TO DISTRIBUTE		148.549	115.536	834.179	670.761
VALUE ADDED DISTRIBUTION		148.549	115.536	834.179	670.761
Personnel					
Direct Compensation		4.575	6.367	392.205	332.690
Share-based compensation		-	-	5.302	-
Benefits		956	704	23.456	17.826
Severance pay fund (FGTS)		351	193	41.962	32.586
Taxes and contributions					
Federal		3.115	(1.884)	99.295	79.488
State		-	-	697	6
Municipal		81	87	22.695	23.112
Value distributed to providers of capital					
Interest	29	118.572	45.486	155.914	66.365
Rental		54	380	71.808	54.485
Value distributed to shareholders		20.845	64.203	20.845	64.203
Dividends		4.951	15.248	4.951	15.248
Retained profit for the year		15.894	48.955	15.894	48.955

The notes are an integral part of the financial statements.

2016 MANAGEMENT REPORT

Dear shareholders,

We are very pleased to present our Management Report and Financial Statements for the fiscal year ended December 31, 2016 and the comparisons with 2015. The individual financial statements are prepared in accordance with the Brazilian accounting practices, including the pronouncements issued by the Accounting Pronouncements Committee (CPC) and the rules issued by the Brazilian Securities and Exchange Commission. The consolidated financial statements have been prepared and are presented in accordance with International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB).

About ANIMA

Anima is one of Brazil's largest private higher education organizations, both in terms of revenue and the number of enrolled students, according to Hoper Educação. We closed 2016 with approximately 91 thousand students enrolled in on-campus and distance-learning undergraduate, graduate, K12 and vocational programs in 32 campuses in the states of Minas Gerais, São Paulo, Santa Catarina, Paraná and Goiás. We are uniquely positioned with respect to other companies in the industry, including publicly held educational firms, which means we are able to combine scale with high quality teaching. We have 14 years of experience in Brazil's post-secondary education sector, with two university centers in Belo Horizonte (UNA and UniBH), one university center in Santos (Unimonte), Universidade São Judas Tadeu (São Judas) in São Paulo and eight colleges in Betim, Contagem, Sete Lagoas, Pouso Alegre, Divinópolis, Bom Despacho, Uberlândia (Minas Gerais) and Catalão (Goiás). At the end of 2015, we acquired Sociesc, present in the most important cities of Santa Catarina state and in Curitiba, with a brand that is well recognized by students, professors and the market. In 2016, with approximately 4.3 thousand students distributed among a portfolio of diversified and high value-added programs, Faculdade Faceb de Bom Despacho and Faculdade de Educação de Bom Despacho, headquartered in Bom Despacho (Minas Gerais), were integrated into the Anima Group. In the same year, we also incorporated Faculdade Politécnica de Uberlândia and Faculdade Politécnica de Goiás, based in the cities of Uberlândia and Catalão, in the states of Minas Gerais and Goiás, respectively, with approximately 2.3 thousand enrolled students, distributed among 14 on-campus undergraduate programs. We believe that, by having traditional brands renowned for quality, we are on the right track to achieving our goal of Transforming the Country through Education.

The portfolio also includes HSM, one of the most renowned corporate education institutions in Brazil. We believe HSM is also the leader in the organization of major business management events in terms of participant numbers, with an average annual audience of between eight and nine thousand participants, most of them senior executives of large companies. The events organized by HSM in Brazil aim to stimulate the discussion of the issues at the forefront of global management, and include the participation of world-renowned speakers, such as Jim Collins, Ram Charan, Michael Porter and Philip Kotler. HSM, founded 30 years ago, also offers educational solutions, including in-company courses and HSM Performance, which combine a unique methodology and monitoring to meet the needs of companies in relation to developing their employees and leaders. HSM also has its own publishing house, which is responsible for publishing select management titles and HSM Management Magazine, as well as HSM Experience, our digital management content platform.

Message from Management

"It is not our abilities that show what we truly are. It is our choices."

Cinema is undoubtedly an endless source of inspiration, which is why we are beginning this annual message with this quote from the movie *Harry Potter and the Chamber of Secrets*. Albus Dumbledore, the headmaster of the wizarding school Hogwarts and the mentor of the lead character Harry Potter, expresses, to a large extent, Anima's current situation and the tone of this letter. In the movie, the old wizard, who is dedicated to educating young Harry, teaches him that, even in times of difficulties and adversities, the right choices show where we should focus all our potential.

There is no doubt that 2015-16 was one of the most challenging periods for the Brazilian economy, marked by a severe recession, combined with a policy of extremely high interest rates, out-of-control inflation, rising unemployment and low confidence levels. All this was aggravated by an institutional and fiscal crisis in the government, which, among other things, has halted the student financing program (FIES). In this scenario, we have chosen the difficult path of adjusting our company to the new reality without interrupting our value creation journey based on academic quality, our students' success and the creation of growth opportunities for our faculty and employees.

We are certain that all education projects should be long term and we have to bear this in mind when we think about our most important efforts and initiatives. That is why we have deliberately chosen to maintain our investments in innovation and quality intact and we firmly believe that this decision is crucial to support our purpose and market positioning. We also continue carrying out our expansion projects, which will guarantee a new growth cycle for Anima, especially when the economy begins to recover in a more consistent manner.

More than simple choices, therefore, we believe that quality and growth are true commitments of Anima's management team to its faculty, employees, students, investors and stakeholders in general. These commitments should also consequently translate into attractive returns for our shareholders.

Quality as an essential element

The evaluation results disclosed this month by the Ministry of Education (MEC) for 2015 confirm that we are in the right direction. In this evaluation cycle, especially, we are very pleased about the improvement of IGC in all our institutions. One of the highlights was São Judas, which reached its goal of achieving an IGC of 4 and was ranked among the top five private universities in the country.

Alongside São Judas, UNA consolidated its position as the leader in the Belo Horizonte metropolitan region, as all its post-secondary institutions (UNA Belo Horizonte, Contagem and Betim) had an IGC of 4, coming once again on top of the ranking of the private universities and university centers in Minas Gerais. We also highlight the substantial improvement of Unimonte's results, which are now in line with other Anima institutions, as Unimonte recorded a 40-point increase on its continuous IGC, which also positioned it as one of the leaders in its region. It is worth to mention Sociesc's results: three of its units achieved an IGC of 4. Although the indicators refer to the pre-Anima period, they make us even more certain about the strategic importance of this acquisition, which reinforces our quality positioning and marks the beginning of our expansion to new regions.

A more detailed analysis of individual program grades and CPC and ENADE results, which will be presented later on in this report, shows even more positive data. Anima's programs are often among the regional leaders in terms of quality and our performance (79% of programs with a CPC grade of 4 or 5) is substantially better than the results obtained by Brazilian public universities.

Unlike in the Harry Potter saga, which is full of magical spells, nothing happened by magic at Anima. The results are the consequence of a serious academic project, which is obsessed by quality and values the classroom, professors and their relationship with students. We began implementing the project in 2008 and it has been evolving year after year thanks to the tireless efforts of all our teams. We would like to express our appreciation to professors, course coordinators and academic managers who believe in the university's power of transformation and the key assumptions that support our academic base.

The initiatives do not stop there. We are very pleased with the progress of Projeto de Vida (Life Ploject) as an important element of our programs. A space where we encourage students to reflect on their dreams and life goals, in addition to effectively integrating the development of behavioral skills, also known as soft skills, into the curriculums. In 2016, 9.4 thousand students (in 51 different programs) and 107 professors have had this experience. Our next development frontier is the evolution of our programs and campuses, with a more intensive use of technology and active learning methods, focused on the development of competencies.

The discussion of quality should evolve towards what we internally call our Proprietary Definition of Quality, which will include not only the MEC's indicators, but also metrics related to student satisfaction and graduate success (employability, income, etc.), so that, at the end, we can measure the much-dreamed-of student ROI, whose results we will present throughout 2017. We know we have raised the bar and now need to be prepared to do even more.

Growth: increasing our impact on society

Regarding the expansion projects, we made important progress on all the fronts in 2016. As we mentioned in the last few quarters, we worked intensely on the acquisition front. We added around 22 thousand new students to our base, entered the South region of Brazil with Sociesc (February 2016), and accelerated our expansion into the countryside of Minas Gerais state with the acquisitions of Alis (July 2016), now UNA Bom Despacho, and Instituto Politécnico (October 2016), with one campus in Uberlândia and another in Catalão (Goiás). The integration projects are on schedule and we expect these institutions to make a substantial contribution over the next two years both to student base growth (especially with the expansion of Sociesc's program portfolio) and to the recovery of our operating margins through the capture of mapped synergies.

On the organic growth front, we began 2017 with three new UNA operations in the countryside of Minas Gerais authorized by the MEC: Sete Lagoas (August 2016), Pouso Alegre (February 2017) and Divinópolis (March 2017). As a result, UNA's on-campus operations are now available in eight municipalities in Minas Gerais state. We will also continue with our efforts to structure and review our commercial strategies in order to attract more new students and increase enrollments in the upcoming intake cycles.

Financial results: doing our homework

The 2016 results reflected the challenging times we are living in and the set of measures taken to minimize the effects of the loss of scale in our operating margins. In 2016, we optimized the programs/campuses offering, worked hard on the implementation of a new version of the academic model with faculty productivity gains, and managed our budgets in a responsible manner. Unfortunately, we had to reduce our footprint in the Belo Horizonte metropolitan region, with a decline in the number of campuses. We have also restructured HSM, making it leaner and more focused. These decisions were necessary to adjust our cost structure to a new reality. As almost all the measures were executed in 2016, we expect this to actually translate into margin recovery from now on.

As a result, we closed the year with consolidated net revenue of R$960.4 million, a 15.0% increase over 2015, despite the macro environment. Excluding the period's acquisitions, our net revenue totaled R$835.1 million, relatively stable compared with 2015, mainly impacted by the decline in the undergraduate student base and the end of Pronatec (-R$8.2 million versus 2015).

Consolidated EBITDA adjusted for non-recurring items (unaudited) came to R$153.6 million in 2016, with a margin of 16.0%, 6.5 pp lower than in 2015. The period's acquisitions represented a substantial 2.3 pp dilution in our margins in the first year of integration. We will gradually eliminate this effect as we capture the mapped synergies. From an organic point of view, despite the 4.2 pp decline in our 2016 adjusted EBITDA margin, there was a gross margin improvement during the year.

Our business is *Transforming the Country through Education*

In 2017, we will continue working hard on our priority fronts: resume organic growth, guarantee the full integration of the recent acquisitions, expand the use of technology and distance learning as a new driver of quality and growth, and continue investing in innovation and the quality of our academic model. As a natural consequence of this process, we expect to rebuild our margins and return on invested capital (ROIC), while preserving an excellent place to work for faculty and employees and, more importantly, improving the quality of the services provided to our students.

As in all previous years, our view of 2017 is once again optimistic. 2016 represented an important test of resilience for all of us at Anima. It was a year of tough decisions, at times difficult, but always necessary. At the same time, it was a period of reaffirmation, a moment to revisit our beliefs, projects and strategic options, and focus on what makes us unique. We are unstoppable in the pursuit of building a collective quality education project, a space where people can fully develop and transform themselves, as all education projects should be.

Operational Performance

- ✓ Student Base

At the end of 2016, we had 90.8 thousand students, including the new acquisitions, an increase of 15.3% over 4Q15. This base comprises 80.5 thousand on-campus undergraduate students, 5.5 thousand on-campus graduate students, 0.9 thousand K12 and vocational education students and 3.9 thousand distance-learning students.

- ✓ Student Financing

Since the beginning of 2015, when there were drastic changes to the FIES program for the education sector as a whole, we have reinforced our strategy of promoting and developing private student financing solutions. We have created the AMPLIAR program in order to centralize all public and private student financing processes and requests. In recent intake processes, we have been able to gradually increase the penetration of private financing in our student base, focusing mainly on our PraValer program. At the same time, we continue exploring and testing new alternatives, both internally and through partners. Our purpose in doing so is to give students access to our institutions, while maintaining our quality positioning. It is also worth pointing out that the pursuit of new solutions includes controlled working capital commitments and responsible risk management.

The number of students with financing (FIES or PraValer) totaled 33.6 thousand this semester, representing 41.4% of our undergraduate base, including the acquisitions. This includes a decline in the penetration of FIES, which fell from 38.7% in 4Q15 to 34.6% in 4Q16. On the other hand, PraValer continued to grow, having reached 6.8% of our base in 4Q16, versus 4.7% in 4Q15.

- ✓ Academic Quality

At the beginning of 2017, the Ministry of Education (MEC) disclosed the result of the evaluation of Brazilian education institutions for 2015. We continued to record a consistent improvement in our academic indicators, reinforcing our confidence in the effectiveness of our academic model and our commitment to remaining focused on constantly improving the quality of the education we provide our students.

In this evaluation cycle, we were very pleased with the improvement in IGC in all our institutions. The main highlight was São Judas, which was ranked among the top five best private post-secondary institutions in the country and the second best private university in São Paulo city. In addition, most of our post-secondary institutions were in the 4 range and it is worth noting that only 16% of the country's institutions are in this range, according to the MEC's most recent data.

UNA's results in the Belo Horizonte metropolitan region consolidate the institution as the region's leader, given that all its units obtained an IGC of 4. We have thus further consolidated our presence in Minas Gerais as UNA remained at the top of the ranking of private universities and university centers in Minas Gerais

and UNIBH continued as the second best private university center in Belo Horizonte.

Finally, we would like to mention the evolution of Unimonte, whose result was close to the Brazilian average in the last two years and increased by 40 points to reach an IGC of 2.88 in 2015, constantly improving and getting close to an IGC of 4.

Financial Performance

- ✓ Net Revenue

Net revenue totaled R$960.4 million in 2016, R$125.5 million or 15.0% higher than in 2015. The consolidation of the results of Sociesc (February 16), UNA Bom Despacho (July 2016) and Instituto Politécnico (October 2016) contributed R$125.3 million to the net revenue increase in 2016.

Excluding the acquisitions, net revenue remained fairly stable, mainly as a result of the decline in the undergraduate (-7.5% versus 2015) and Pronatec student bases (-R$8.2 million). We also saw an increase in our average discount, chiefly due to a larger share of students with Prouni partial scholarships in our base and early enrollment discounts in the 2016 mid-term intake and the transfer of 2% expenses with FIES financial agents from the government to education institutions. These effects were partially offset by a 10% average annual increase in tuition fees (inflation adjustment), in addition to an improvement in our program mix.

- ✓ Total Costs and Gross Profit

The cost of services totaled R$611.6 million in 2016, 24.2% higher than in 2015. As a result, gross profit came to R$348.9 million, accompanied by a gross margin of 36.3%, 4.7 pp down from 2015. The margin decline was due to the consolidation of the results of the recent acquisitions, the increase in our average discounts and the transfer of 2% expenses with FIES financial agents from the government to education institutions. Despite the decline in the annual comparison, we can see an improvement from the first to the second half of 2016 in all our business units. This improvement in the second half was directly related to our margin recovery efforts, mainly driven by increased academic (average number of students per classroom) and infrastructure efficiency (capacity utilization in our campuses).

- ✓ Operating Expenses
    - o Selling Expenses

In 2016, selling expenses totaled R$75.4 million, or 7.8% of net revenue. While there was a 0.3 pp gain in marketing expenses compared with 2015, the provision for doubtful accounts (PDA) increased 0.1 pp. We are adopting a more conservative approach to the provisioning of each aging level of our accounts receivable, reflecting the deterioration of the macroeconomic environment.

- o General and Administrative Expenses

General and administrative expenses totaled R$191.2 million in 2016, 4.3% less than in 2015, already including the effect of the acquisitions. It is also worth mentioning that we recorded a non-recurring expense of R$53.7 million related to the cancellation of the transaction with Whitney in the second quarter of 2015.

- o Other Operating Revenues (Expenses)

Other operating expenses totaled R$26.2 million in 2016 (+336.3% vs. 2015), or 2.7% of net revenue, 2.0 pp up from 2015. In addition to the increased need for provisions for contingencies compared with 2015, we recorded a R$19 million loss related to HSM's impairment test. During 2016, we restructured HSM's operations, thus reducing its product lines, focusing only on the most relevant events and products. This allowed a simplification of HSM's operations and consequently cost reductions. We have been very disciplined on the execution of the plan, and so far have met all the key milestones. However, revisiting its business plan, and after discussions with our auditors, we have agreed to use more conservative future growth assumptions. Therefore, we are recognizing a R$19.0 million loss on that asset after the impairment test. As it is a provision in the financial statement, it has a non cash effect.

- ✓ Adjusted EBITDA (Unaudited)

Adjusted EBITDA totaled R$153.6 million in 2016, with a margin of 16.0%. This result represented a reduction of R$34.5 million, or 18.3%, compared with 2015 and a margin decline of 6.5 pp. Excluding non-recurring items and late payment fees, totaling R$45.1 and R$11.0 million, respectively, 2016 accounting EBITDA came to R$97.6 million. Non-recurring items comprise R$24.6 million in restructuring expenses, R$3.6 million in FIES accounts receivable adjustments (which represented a positive impact in 2016), R$5.1 million in share-based compensation and R$19.0 million related to HSM's impairment test.

- ✓ Financial Result

In 2016, the net financial result came to a negative R$36.8 million against a negative R$11.2 million in 2015. This variation was due to an increase in expenses with interest subsidies for our students enrolled in the PraValer private financing program and higher interest expenses on bank loans.

- ✓ Net Income

In 2016, net income totaled R$20.8 million, 67.5% lower than in 2015. This represented a 5.5 pp decline as a percentage of net revenue (2.2% in 2016 versus 7.7% in 2015), mainly explained by the gross margin loss, the increase in other operating expenses and the lower financial result, as described above.

- ✓ Net Debt

At the end of 4Q16, cash and cash equivalents totaled R$181.5 million, while loans and financing came to R$400.3 million (considering the net amount adjusted for the swap). We settled three short-term loans totaling R$80.0 million and paid the recurring amortization of other loans. At the beginning of the year, we borrowed R$140.2 million from the IFC, due in 8 years.

The other short- and long-term obligations represented by acquisitions and tax installments, which totaled R$78.7 million, increased mainly due to the acquisitions of Sociesc, Faceb Educacional (UNA Bom Despacho) and Instituto Politécnico. This net debt represented a leverage of 1.9 times (net debt ÷ LTM adjusted EBITDA), within the parameters considered and approved by our Board of Directors.

- ✓ Trade receivables and DSO

We ended 2016 with net accounts receivable of R$285.6 million. For management and DSO calculation purposes, we are adjusting the accounts receivable balance by R$4.2 million, comprising the R$7.8 million adjustment recorded in 4Q15 less the R$3.6 million that have already been recognized in 2016.

As a result, adjusted accounts receivable totaled R$289.8 million, a decline of R$7.3 million compared with 4Q15. In 4Q16, the amendments related to the second semester of 2016 were settled, thus reducing our FIES accounts receivable balance.

We closed 2016 with a DSO (Days of Sales Outstanding) of 107 days, a reduction of 20 days compared with 2015.

Breaking down our accounts receivable, we recorded a DSO of 215 days for FIES receivables, an annual reduction of 6 days. For non-FIES receivables, our DSO stood at 51 days in 4Q16, a year-on-year reduction of 12 days. In the other businesses line, we closed the quarter with a DSO of 61 days.

- ✓ Investments (Capex)

In 2016, CAPEX totaled R$51.6 million, or 5.4% of net revenue, down from R$56.7 million, or 6.8% of net revenue, in 2015. This figure includes investments in our campuses and amounts allocated to the development of education systems and technology.

Dividend Distribution Policy

The Company's Bylaws guarantee shareholders minimum dividends corresponding to 25% of annual net income less the legal reserve. These dividends totaled R$5.0 million in 2016. The dividend amount and the payment date will be resolved by the next Shareholders' Meeting.

Relationship with Independent Auditors

Pursuant to CVM Instruction 381/03, we hereby report that Deloitte Touche Tohmatsu Auditores Independentes was engaged to provide the following services in 2016: audit of the financial statements in accordance with the Brazilian accounting practices and International Financial Reporting Standards ("IFRS") and review of the interim financial information in accordance with Brazilian and international standards for the review of interim information (NBC TR 2410 - Review of Interim Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). The fees related to these services totaled R$723,000.

Statement of the Executive Board

The Company's Executive Officers declare that they have reviewed, discussed and are in agreement with the opinions included in the independent auditor's report;

and

The Company's Executive Officers declare that they have reviewed, discussed and are in agreement with the financial statements.

1. GENERAL INFORMATION

GAEC EDUCAÇÃO S.A. ("GAEC" or "Company"), with registered head office in the city of São Paulo, State of São Paulo, is a publicly-held corporation registered at the Brazilian Securities, Commodities and Futures Exchange ("BMF&BOVESPA S.A."), under the ticker ANIM3 engaged in providing advisory, consulting and business administration services and holding direct and indirect interests in companies engaged in:

(a) Management of education institutions and provision of assistance to education support activities.

(b) Provision of K-12 and post-secondary education services, including free, undergraduate, graduation, masters, doctorate, university extension, specialization, and distance-learning courses, and research.

(c) Organization of congresses, seminars, lectures, cultural events, publishing and printing of books, newspapers and other publications, and the provision of online information services, such as portals, content providers, and other media, video and TV program distribution.

(d) Consultancy services in the area of technological innovation and technical testing and analysis, including calibration laboratory and testing of electrical equipment, measuring equipment, materials, founding and tooling.

The Company's direct and indirect subsidiaries are summarized in Note 2.3.

The subsidiaries MGE and Sociesc offer distance-learning courses at technical level and for undergraduate and graduate studies throughout the country. In the year ended December 31, 2016, these subsidiaries had a total of 201 centers.

Acquisition of Sociedade Educacional de Santa Catarina "Sociesc"

On February 1, 2016, after approval by the CADE (Brazil's antitrust agency), the Company, through its subsidiary PGP Educação S.A., concluded the transaction agreed under a Private Deed for Investment, Restructuring of Sociesc and Other Covenants, signed on December 18, 2015, whereby it acquired all the rights of Sociedade Educacional de Santa Catarina ("Sociesc"), one of the renowned learning institutions in southern Brazil, with nearly 15,600 students in on-campus undergraduate, graduate, elementary school and high school courses, in addition to distance-learning programs.

Corporate Restructuring

On March 30, 2016, the subsidiary Sociesc undertook a partial spinoff of its assets and liabilities, to a net value of R$36, with the aim of improving the allocation of certain research and innovation activities directly carried out by Sociesc, and which are now carried out by a partner Institute which performs the same activities to other schools in the group. Since Sociesc is a non-profit organization, the net assets were recognized in profit or loss for the year.

The spun off portion is as follows:

	Amounts transferred
Assets	
Other current assets	31
Financial funds relating to research projects	4,122
Liabilities	
Research projects to be undertaken and others	4,117
Net assets spun off	36

Acquisition of FACEB Educação Ltda. "FACEB"

On July 1, 2016, the Company, through its subsidiary Posse Gestão Patrimonial S.A. "PGP Gestão", entered into a Private Instrument for the Acquisition of Interest and Other Covenants, whereby it acquired all the rights of FACEB Educação, one of the most important reference institutions in education innovation, management quality and post-secondary education in the countryside of Minas Gerais, with around 4,300 students enrolled in on-campus undergraduate courses. The transaction did not require approval by the Brazilian antitrust authority (CADE).

Acquisition of GKT Treinamento, Consultoria e Editora Ltda. "ACAD"

On September 1, 2016, the Company, through its subsidiary HSM do Brasil S.A., entered into a Private Instrument for the Acquisition of Interest in GKT Treinamento, Consultoria e Editora Ltda. "ACAD" and Other Covenants, whereby it acquired all the rights of ACAD, a reference in corporate education in the Brazilian market, which has received several awards and was recognized by Gestão&RH magazine in 2015 and 2016 as one of the top 300 contributors to the Human Resources and employee development area, having also received the ABT Award from the Brazilian Teleservices Association, in the Innovation in People category for its Supertraining project, which consists of effective training sessions to accelerate learning. The transaction did not require approval by the Brazilian antitrust authority (CADE).

Formation of Le Cordon Bleu Ânima Educação Ltda "Le Cordon Bleu"

On September 6, 2016, the Company and Le Cordon Bleu International B.V. formed this new entity. The capital stock of R$6,272 is divided into 6,271,600 shares at R$1.00 each, in the proportion of 50% for each partner. With registered head office in the city and state of São Paulo, this entity's purpose is to manage activities of post-secondary (offering undergraduate and graduate programs), vocational education, training, research and consulting, continuing education and distance-learning institutions, as well as to produce, promote and disseminate culture.

Acquisition of Politécnico Participações Ltda. and Instituto Politécnico Ltda. "Politécnico"

On October 3, 2016, the Company, through its subsidiary Posse Gestão Patrimonial S.A. "PGP Gestão", entered into a Private Instrument for the Acquisition of Interest and Other Covenants, whereby it acquired all the shares and rights of Politécnico Participações Ltda. and Instituto Politécnico Ltda. ("Instituto Politécnico"), which control Faculdade Politécnica de Uberlândia and Faculdade Politécnica de Goiás, headquartered in the cities of Uberlândia (Minas Gerais state) and Catalão (Goiás state), respectively. Instituto Politécnico is currently one of the main education institutions in Uberlândia, with around 2,300 students enrolled in 14 on-campus undergraduate courses. The transaction did not require approval by the Brazilian antitrust authority (CADE).

Comparability

The income statement for the year ended December 31, 2015 does not include the full results of the investees Sociesc, FACEB, ACAD and Politécnico, which are being consolidated as of February 1, 2016, July 1, 2016, September 1, 2016 and October 3, 2016, respectively.

Therefore, the readers of this financial information should take this aspect into consideration.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Statement of compliance (with IFRSs and CPCs)

The Company's financial statements comprise:

- The parent company and consolidated financial statements, which were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

The accounting practices adopted in Brazil comprise the policies set out in Brazilian Corporate Law and the pronouncements, guidance, and interpretations issued by the Accounting Pronouncements Committee ("CPC"), and approved by the Federal Accounting Council ("CFC") and the Brazilian Securities and Exchange Commission ("CVM").

All significant information of the financial statements, and only this information, is being evidenced in the financial statements mentioned above and corresponds to information used by the Company's Management in the course of its duties.

2.2. Basis of preparation

The financial statements have been prepared based on the historical cost, except for certain financial instruments measured at their fair values. The historical cost is generally based on the fair value of the consideration paid in exchange for an asset on the acquisition date.

2.3. Basis of consolidation and investments in subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The subsidiaries are fully consolidated as of the date when control is transferred to the Group and it is interrupted when control ends.

For the years ended December 31, 2016 and 2015, the Company held the following direct and indirect subsidiaries:

Subsidiary	Equity interest % 12/31/2016	Equity interest % 12/31/2015
Direct subsidiaries		
Minas Gerais Educação S.A. ("MGE")	100	100
Instituto Mineiro de Educação e Cultura Uni-BH S.A. ("IMEC")	100	100
Instituto de Educação e Cultura Unimonte S.A. ("Unimonte")	100	100
VC Network Educação S.A. ("VC Network")	100	100
BR Educação Executiva S.A. ("BR Educação")	100	100
Posse Gestão Patrimonial S.A. ("PGP Gestão")	100	99.99
Le Cordon Bleu Anima Ltda ("Le Cordon Bleu")	50	-
Indirect subsidiaries		
UNA Gestão Patrimonial S.A. ("UNA GP")	100	100
HSM do Brasil S.A. ("HSM Brasil")	100	100
PGP Educação S.A. ("PGP Educação") (*)	100	100
AMC Serviços Educacionais Ltda. ("USJT")	100	100
Sociedade Educacional de Santa Catarina ("Sociesc")	100	-
GKT Treinamento, Consultoria e Editora Ltda ("ACAD")	100	-
FACEB Educacão Ltda ("FACEB")	100	-
Politécnico Participações Ltda ("Politécnico")	100	-
Instituto Politécnico Ltda ("Politécnico")	100	-

2.4. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments: the Board of Directors, also responsible for making the Company's strategic decisions.

2.5. Functional and reporting currency

The line items included in the financial statements of each Company subsidiary are measured using the currency of the main economic environment in which the Company operates ("functional currency"). The financial statements are presented in reais - R$, which is the Company's functional currency and its presentation currency as well. All financial information presented has been rounded to the nearest thousand, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company in the preparation of the financial statements are as follows:

3.1. Cash and cash equivalents - these include amounts held as cash, bank accounts and highly-liquid short-term investments, whose original maturity does not exceed 90 days and are exposed to immaterial risk of change in fair value. They are recognized at cost plus income earned to the end of each reporting period, on a *pro rata* basis, which does not exceed their realizable values.

3.2. Short-term investments – these include the amounts held in fixed income investment funds and Bank Deposit Certificates (CDBs) with yield pegged to the CDI, which the Company does not intend to use in its operating activity. They are recognized at cost plus income earned to the end of each reporting period, on a *pro rata* basis, which does not exceed their realizable values.

3.3. Trade receivables - these are stated at the nominal values of the securities plus, when applicable, the earnings and monetary variations on a *pro rata temporis* basis, less the allowance for doubtful accounts, calculated in an amount considered sufficient by Management to cover eventual losses in the realization of the credits and by the discount to present value adjustment, calculated based on the balance of long-term receivables and significant short-term receivables.

3.4. Income tax and social contribution - current and deferred income tax for the year is calculated at the rate of 15%, plus a surtax of 10% on taxable income exceeding R$240,000, and current and deferred social contribution is calculated at the rate of 9% on taxable income; this calculation takes into consideration tax loss carryforwards, limited to 30% of taxable income.

The subsidiaries MGE, IMEC, Unimonte, AMC, FACEB and Politécnico calculate income tax and social contribution also taking into account the criteria set out in Federal Revenue Service Regulatory Instruction 456, especially the University for All Program (PROUNI), and the operating profit generated by tax-exempt operations. Income tax and social contribution are calculated at the rates of 25% and 9%, respectively, levied on taxable income adjusted pursuant to specific legislation.

Current income tax and social contribution expenses are calculated using the laws and regulations enacted at the end of the reporting year, pursuant to Brazilian tax regulations.

3.5. Investments in the parent company financial statements - represented by investments in subsidiaries measured by the equity method, whose amounts are disclosed in Note 12. Other investments are recognized and carried at cost.

3.6. Property and equipment - these are stated at acquisition cost, less accumulated depreciation and impairment losses, when applicable, calculated on a straight-line basis, at the rates determined based on the useful lives of the assets, disclosed in Note 13.

The estimated useful lives, the residual values and the depreciation methods are reviewed at the end of the reporting period, and the effects from any change in estimates are recorded prospectively.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or derecognition of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3.7. Intangible assets - these are stated at acquisition or development cost, less accumulated amortization and impairment losses, when applicable. The amortization of intangible assets with finite useful lives is calculated on a straight-line basis, at rates based on the estimated useful lives of the assets, disclosed in Note 14. Intangible assets with indefinite useful lives consist of trademarks, patents, licenses and goodwill based on future earnings, which are not amortized and are instead annually tested for impairment

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss when the asset is derecognized.

Intangible assets acquired in a business combination - in the consolidated financial statements, intangible assets acquired in a business combination are recognized separately from goodwill and recorded at fair value on the acquisition date.

3.8. Provisions - recognized for present obligations (legal or constructive) as a result of past events, when the amount of the obligation can be reliably estimated, and its settlement is probable.

The increase in the obligation as a result of the time elapsed is recognized as finance expenses.

The amount recognized as a provision is the best estimate of the outflows required to settle a present obligation at the end of each period, taking into account the risks and uncertainties surrounding the obligation.

3.9. Credits and debits with related parties - correspond to rights and obligations contracted between the Company and its related parties, arising from loan operations, whose financial conditions are established between the Company and the related parties, as mentioned in Note 31.

3.10. Other current and noncurrent assets and liabilities - stated at their realizable/settlement amounts and known or determinable amounts, plus interest or contractual charges incurred through the end of the reporting period.

3.11. Capital stock - represented by common shares classified as equity. Additional costs directly attributable to the issue of shares are recognized as a deduction from equity, net of taxes.

Repurchased shares are classified as treasury shares and stated as a deduction of total equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Company’s own equity instruments. Any difference between the carrying amount and the consideration is recognized in capital reserves.

3.12. Funding cost of the issue of securities - transaction costs incurred when raising funds through the issue of securities are booked, separately, as a net equity reduction account, less any tax effects.

3.13. Capital transactions - in the financial statements, the changes in the Group’s equity interests in subsidiaries that do not result in the loss of control of the subsidiaries by the Group are recognized as capital transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their interests in the subsidiaries. The difference between the amount based on which non-controlling interests are adjusted and the fair values of amounts paid or received are recognized directly in equity and attributed to the owners of the Company.

3.14. Dividend distribution - the distribution of dividends to the Company's shareholders is recognized as a liability in its financial statements at the end of the reporting period, as set forth in the Company's bylaws. Any amounts in excess of the mandatory minimum dividend can only be accrued on the date they are approved at an Annual Shareholders' Meeting.

3.15. Share-based compensation - the Company and its subsidiaries have programs to encourage employees to acquire Ânima shares. If the employees retain the shares for the period set forth in the program, Ânima will grant them 20% of the shares as a bonus for the shares acquired and held by employees. This program was initially offered in 2013 and 2016.

Agreements entered into with executives, subject to the achievement of financial, operational and other goals, are also classified as share-based compensation. See Note 31.2.

3.16. Basic and diluted earnings/losses per share - basic earnings/losses per share are calculated by dividing the profit attributable to the Company's owners by the weighted average number of outstanding common shares. Diluted earnings/losses per share are calculated by means of the average number of shares outstanding, adjusted by instruments potentially convertible into shares, with diluting effect, in the reported period and year.

3.17. Revenue recognition - revenue is measured at the fair value of the consideration received or receivable, less any expected returns and/or trade discounts and other similar deductions. Revenue related to services rendered is only recognized when the services are provided to the customer. Property lease revenue is only recognized when the leased line items are used by the customer, according to the underlying lease agreements. Revenue from the sale of products is recognized when the risks and benefits related to the ownership of the product are transferred. Revenue amount can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company and its subsidiaries.

3.18. Finance income and expenses - finance income is recognized according to the period elapsed, under the effective interest method. When an impairment loss is recognized with regard to a receivable, the Company reduces the carrying amount to its recoverable amount, which corresponds to the estimated future cash flows, discounted at the original effective interest rate of the instrument. Subsequently, based on the time elapsed, interest is incorporated to trade receivables as a corresponding entry to finance income. This finance income is calculated at the same effective interest rate used to calculate the recoverable amount, i.e., the original rate of the receivables.

3.19. Finance expenses comprise interest expenses on loans, bank credit notes (CCBs), taxes in installments, and other financial liabilities, net of the discount to present value of provisions, and impairment losses recognized in financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are measured through profit or loss under the effective interest method.

Effective interest method:

The effective interest method is used to calculate the amortized cost of a debt instrument and allocate its interest income over the related period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the debt instrument or, where appropriate, over a shorter period, to the net carrying amount on initial recognition date.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified at fair value through profit or loss.

3.20. Business combination - in the financial statements, business acquisitions are accounted for using the acquisition method. The consideration transferred to acquire a subsidiary is the fair value of the assets transferred, liabilities incurred, and equity instruments issued by the Company. Acquisition-related costs are recognized in profit or loss, as incurred. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at their fair values on the acquisition date.

Goodwill is measured as the excess of the sum of consideration transferred of non-controlling interest in investee and the fair value of the acquirer's interest previously held in investee (if any) over the net amounts on the acquisition date of assets acquired and identifiable assumed liabilities. If, after valuation, these values are higher than the transferred consideration, the value of the non-controlling interests in the acquired company and the fair value of the interest previously held by the buyer in the acquired company (if any), said excess is immediately recognized in profit or loss as a gain.

All intragroup transactions, balances and unrealized gains are eliminated. Unrealized losses are also eliminated, except when the transaction shows evidence of an impairment loss of the transferred asset. The subsidiaries' accounting policies are changed, when necessary, to ensure their consistency with the accounting policies adopted by the Company.

Parent company financial statements

The Company applies to its parent company financial statements the criteria set out in Interpretation ICPC 09 (R1), which requires that any amount exceeding the acquisition cost over the Company's interest in the net fair value of the acquiree's assets, liabilities and contingent liabilities on the acquisition date be recognized as goodwill. Goodwill is added to the carrying amount of the investment. The Company's interests in the fair value of the identifiable assets, liabilities and contingent liabilities exceeding the acquisition cost, after revaluation, are immediately recognized in profit or loss.

3.21. Goodwill - goodwill arising on a business combination is stated at cost on the date of the business combination, net of accumulated impairment loss, if any.

For impairment test purposes, goodwill is allocated to each one of the cash generating units of the Company and its subsidiaries (or groups of cash generating units) that will benefit from the business combination synergies.

The cash-generating unit in which goodwill is allocated is submitted to impairment test annually or when and if there is an indication that a cash-generating unit is impaired. If the recoverable amount of the cash-generating unit is lower than its carrying amount, the impairment loss is first allocated to reduce any goodwill amount and other assets of the cash-generating unit and subsequently to other unit's assets, proportionally to the carrying amount of each asset. Any impairment loss of goodwill is recognized in profit or loss. Impairment losses allocated to goodwill are not reversed in subsequent periods.

When the related cash-generating unit is sold, the amount corresponding to the goodwill is included in the calculation of the gains or losses on the sale.

3.22. Impairment - at the end of each year, the Company and its subsidiaries revise the carrying amount of their tangible and intangible assets to determine whether there is any objective evidence that these assets are impaired. If such indication exists, the recoverable amount of the asset is estimated in order to measure the amount of such loss, if any. When it is not possible to estimate the individual recoverable amount of an asset, the Company calculates the recoverable amount of the cash-generating unit of the asset. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment at least once a year and whenever there is any indication that the asset may be impaired.

The recoverable amount of an asset is the higher of its fair value less costs to sell or its value in use. Estimated future cash flows are discounted to present value to determine the value in use at the pretax discount rate that reflects a current market assessment rate of the time value of money and the risks specific to the asset for which the future cash flow estimate was not adjusted.

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

When the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) increases to the revised estimate of its recoverable value provided that it does not exceed the carrying amount that would have been obtained had no impairment losses been recognized for the asset (or cash-generating unit) in prior years. The reversal of an impairment loss is immediately recognized in profit or loss.

3.23. Present value adjustment - assets and liabilities resulting from short- (if material) and long- term transactions, without yield or subject to: (i) fixed interest; (ii) interest rates clearly below market rates for similar transactions; and (iii) inflation adjustment only, with no interest, are adjusted at their present value based on market rates and their realization is recognized in profit or loss for the period.

3.24. Statement of value added ("DVA") - the purpose of this financial statement is to disclose the wealth created by the Company and its distribution over a certain reporting period, and is presented by the Company, as required by the Brazilian Corporate Law for publicly-held companies, as part of its parent company financial statements and as supplementary information to the consolidated financial statements, as this financial statement is not either prescribed nor required by IFRSs

The statement of value added has been prepared using information obtained in the same accounting records used for the preparation of the financial statements and pursuant to the provisions of CPC 09 - Statement of Value Added.

3.25. Financial instruments - are initially measured at fair value. The transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, where applicable, after initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

- Non-derivative financial assets: financial assets are classified at the time they are originated as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

The Company ceases to recognize a financial asset when the contractual rights to the asset's cash flows expire or when it transfers such rights to receiving contractual cash flows from a financial asset under a transaction that transfers substantially all the risks and rewards of ownership of the financial asset. Any interests created or retained by the Company in financial assets are recognized as an individual asset or liability.

The following is a summary of the significant accounting policies adopted to account for and disclose the Company's and its subsidiaries' financial assets:

(i) <u>Loans and receivables</u> - represented by non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After their initial measurement, these financial assets (including trade receivables, cash and cash equivalents, receivables from related parties, etc.) are measured at amortized cost using the effective interest method (effective interest rate), less impairment losses. The amortized cost is calculated considering any discount or premium on acquisition and fees or costs incurred. The amortization of the effective interest method is recognized in finance income item, in the income statement. Impairment losses are recognized in profit or loss for the year.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of the discount using the effective rate is immaterial.

- Non-derivative financial liabilities: When not otherwise specified, the financial liabilities are classified on their initial recognition as other financial liabilities measured at amortized cost using the effective interest method. The Company's and its subsidiaries' financial liabilities include borrowings and financing, trade payables, and payables and debts to related parties, as described in Note 32.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The following is a summary of the significant accounting policies adopted to account for and disclose the Company's and its subsidiaries' financial liabilities:

(i) <u>Borrowings and financing</u> - initially recognized when funds are received, net of transaction costs. At the end of the reporting period, they are carried at their initial recognition, less amortization of installments of principal, when applicable, plus the related charges incurred. Transaction costs are presented as a reduction of current and noncurrent liabilities, and are allocated to profit or loss over the same repayment, term of the financing from which they were originated based on the effective rate of each transaction.

- Derivative financial instruments: derivatives are initially recognized at fair value on the contracting date. Any gains or losses are immediately recognized in profit or loss.

- Equity instruments: an equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized when the funds are received, net of direct issue costs.

The buyback of Company's own equity instruments is recognized and directly deducted from equity. No gain or loss is recognized in income or losses due to the purchase, sale, issuance or cancellation of Company's equity instruments.

- Financial liabilities:
  financial liabilities are classified at fair value through profit or loss when they are either held for trading or designated at fair value through profit or loss.

A financial liability is classified as held for trading if:

(i) It has been acquired principally for the purpose of repurchasing it in the near term;

(ii) It is part of a portfolio of identified financial instruments jointly managed by the Group and for which there is a recent actual pattern of short-term profit-taking; and

(iii) It is a derivative that has not been designated as an effective hedge instrument.

A financial liability not held for trading may be designated at fair value through profit or loss upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

(ii) the financial liability is part of a group of financial assets, financial liabilities or both and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy of the Company, and information about the Group is provided internally on that basis; or

(iii) the financial assets forms part of a contract containing one or more embedded derivatives and IAS 39 Financial Instruments: Recognition and Measurement (corresponding to CPC 38) permits the entire combined contract (asset or liability) to be designated at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value and the related gains or losses are recognized in profit or loss. Net gains or losses recognized in profit or loss include interest paid on the financial liability, and are included in line item 'Other gains and losses' under the income statement. The fair value is determined as described in Note 32.

3.26. Accounting estimates - the preparation of the parent company and consolidated financial statements pursuant to IFRSs and CPC standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Underlying estimates and assumptions are constantly reviewed. The effects of revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The main assumptions related to the sources of estimate uncertainties in the future and other key sources of estimate uncertainties at the end of the reporting period involving the risk of material adjustments to the carrying amounts of assets and liabilities in the next year are discussed below.

- Estimated impairment of goodwill, trademarks and licensing: assets with indefinite lives, such as goodwill, trademarks and licenses, are not amortized and are instead annually tested for impairment to identify if they are impaired, using a methodology known as impairment test. Goodwill is recorded at cost less accumulated impairment losses. For the year ended December 31, 2016, the Company recognized R$19,000 as impairment losses (for the year ended December 31, 2015, there were no impairment losses on goodwill, trademarks and licenses). See Note 14.

- Provision for labor, tax and civil risks: the Company is a defendant in several judicial and administrative proceedings. Provisions are recognized for all lawsuits that represent probable losses. The chances of loss take into consideration available evidence, including the opinion of the Company's in-house and outside legal counsels, the nature of the lawsuits, and past experience. Management believes that this provision is adequate and accurately presented in the financial statements. See Note 23.

- Allowance for doubtful accounts: stated as a reduction of trade receivables and is recognized in an amount considered sufficient by Management to cover potential losses from trade receivables related to its activities, taking into account the involved risks. The Company recognizes the allowance for doubtful accounts on a monthly basis by analyzing monthly receivables and the respective breakdown by days in arrears. See Note 8.

- Income tax and social contribution: income tax and social contribution expense comprises current and deferred taxes and contributions.

  (i) Current taxes and contributions: The provision for income tax and social contribution is calculated individually for the Company and its subsidiaries in accordance with their tax regime and based on effective rates and prevailing laws.

  (ii) Deferred taxes and contributions: these are recognized over temporary differences at the end of each year, between the balances of assets and liabilities in the related financial statements and tax bases.

    - Deferred tax assets: the Company and its subsidiaries recognize the deferred tax and contribution assets over deductible temporary differences and tax loss carryforwards only if future taxable income is probably available and/or if this can be used.

    - Deferred tax liabilities: the Company and its subsidiaries recognize the deferred tax and contribution liabilities over taxable temporary differences.

- Present value adjustment: The Company's Management and its subsidiaries assess and recognize, when necessary, the effects of the present value adjustment taking into consideration the value of money in time, for (significant) long- and short-term assets and liabilities.

4. ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The new standards and amendments to IFRS or IFRIC interpretations not effective yet will not pose relevant impact on the financial statements of the Company and its subsidiaries.

4.1. New and revised standards and interpretations already issued but not yet adopted

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
Amendments to IAS 12	Recognition of deferred tax assets for unrealized losses
Amendments to IAS 7	Cash flow
Amendments to IAS 1 / CPC 26 (R1)	Disclosure Initiative
IAS 38 / CPC 04	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IFRS 10 / CPC 36 IFRS 12 / CPC 45 and IAS 28 / CPC 18	Investment Entities: Applying the Consolidation Exception

5. NET REVENUE RESTATEMENT

For a better reporting of our financial statements for the year ended December 31, 2016, and for comparison purposes between the years, we reclassified the amounts of Pravaler and FIES (FGEDUC) student financing commissions to net revenue. We present below the reclassification in the statement of income and statement of value added in the comparative period ended December 31, 2015. This change had no effect on our statement of financial position and other financial statements as of December 31, 2015 and January 1, 2015.

In the statement of income, we reclassified this amount from the general and administrative expenses line to net revenue, as shown in the restatement below:

		Consolidated		
		Previously stated	Adjustment	Restated
	Item	12/31/2015	12/31/2015	12/31/2015
NET REVENUE	26	856,620	(21,676)	834,944
COST OF SERVICES RENDERED		(492,616)	-	(492,616)
GROSS INCOME (LOSS)		364,004	(21,676)	342,328
OPERATING INCOME (EXPENSES)				
Selling expenses		(66,765)	-	(66,765)
General and administrative expenses	27	(221,573)	21,676	(199,897)
Other net operating income (expenses)		(5,995)	-	(5,995)
		(294,333)	21,676	(272,657)
EARNINGS BEFORE FINANCIAL RESULT		69,671	-	69,671

In the statement of value added, we reclassified this amount from the materials, electricity, services and others line to revenue from products and services, as shown in the restatement below:

Consolidated

	Item	Previously stated 12/31/2015	Adjustment 12/31/2015	Restated 12/31/2015
REVENUE				
Revenue form products and services	26	876,506	(21,676)	854,830
Other revenue		7,029	-	7,029
Allowance for doubtful accounts		(38,352)	-	(38,352)
INPUTS ACQUIRED BY THIRD PARTIES				
Cost of products and services		(6,384)	-	(6,384)
Materials, electricity, outsourced services and other		(195,339)	21,676	(173,663)
GROSS VALUE ADDED		643,460	-	643,460

6. BUSINESS COMBINATION

6.1. Acquisition of Sociedade Educacional de Santa Catarina (Sociesc)

6.1.1. Consideration transferred

PGP Educação will disburse R$52,500 for the business, to be settled in 180 equal and successive monthly installments, adjusted by the INPC on an annual basis, as of the date when the business was concluded (February 1, 2016), maturing on the 10th of each month. The present value of this transaction was R$28,727 on the date when it was executed, calculated at a discount rate of 17% p.a.

6.1.2. Assets acquired and liabilities recognized on the acquisition date

In the second quarter, the Company and its consultants finalized the fair value calculation of the assets and liabilities, and, consequently, goodwill arising from the transaction. These amounts were adjusted in relation to the preliminary amounts that had been recorded in the first quarter.

	Carrying amount	Preliminary acquisition adjustments	Goodwill adjustments (i)	Fair value
Assets				
Cash and cash equivalents	5,542	-	-	5,542
Other current assets	17,183	-	(1,525)	15,658
Other noncurrent assets	12,450	-	-	12,450
Property and equipment	35,184	29,428	-	64,612
Intangible assets	1,890	29,108	-	30,998
Liabilities				
Other current liabilities	31,117	-	-	31,117
Other noncurrent liabilities	21,603	-	-	21,603
Deferred/current income tax and social contribution liabilities	-	38,537	-	38,537
Provision for labor, tax and civil risks	106,897	(54,807)	3,907	55,997
Net assets acquired	(87,368)	74,806	(5,432)	(17,994)

(i) Amounts referring to labor and civil contingencies and canceled tuition fees from Pronatec, which had not been recognized in the opening statement of financial position, but were recognized as goodwill adjustments in the period ended June 30, 2016.

6.1.3. Goodwill generated in the acquisition

	2/1/2016 Acquired value
Consideration to be transferred at the acquisition	28,727
(-) Fair value of net liabilities / (assets) identifiable	17,994
Goodwill generated in the acquisition	46,721

Sociesc’s acquisition generated goodwill resulting from the consideration paid for the transaction, which included amounts related to future synergy gains, future revenue growth, future market development, certificate of technical capacity and workforce. These benefits are not recognized separately from goodwill because they do not meet the criteria for the recognition of identifiable intangible assets.

6.1.4. Net cash outflow in the acquisition of subsidiary

	2/1/2016
Consideration paid in cash	291
(-) Balances of cash and cash equivalents acquired	(5,542)
Net cash disbursement	(5,251)

The transaction was agreed upon based on an estimated net debt of R$30,000, which in fact totaled R$37,493 on the closing date. The difference will be reimbursed by the vendors, as agreed in the contract governing the transaction between the parties.

6.2. Acquisition of FACEB Educação Ltda. (FACEB)

6.2.1. Consideration transferred

PGP Gestão will disburse R$42,245 for the business, adjusted for the net cash position, R$16,245 of which to be settled on the closing date of the transaction, i.e. July 1, 2016, and R$26,000 payable in 10 annual installments, adjusted for the simple average of the IGPM, IPCA and INPC monetary restatement indices, with the first installment maturing twelve (12) months after the closing date. The Transaction also envisages earn-out payments of up to R$8,000 between 2018 and 2023, based on the achievement of financial and operating targets. The present value of this transaction was R$37,327, calculated at a discount rate of 17% p.a.

6.2.2. Assets acquired and liabilities recognized on the acquisition date

The Company and its consultants have not yet finalized the fair value calculation of all the assets and liabilities, especially intangible assets, and in consequence have not yet determined the final amount of goodwill or discount on the transaction.

6.2.3. Goodwill generated in the acquisition (preliminary estimate)

	7/1/2016 Acquired value
Consideration to be transferred at the acquisition	37,327
(-) Book value of acquired identifiable net liabilities / (assets)	(6,746)
Preliminary goodwill generated in the acquisition	30,581

As mentioned in the previous item, a preliminary amount of goodwill on the acquisition of FACEB has been ascertained for the year ended December 31, 2016. The Company is still calculating possible values for licenses, the client portfolio and expected synergies, expected future revenue growth, future market and workforce development, as well as potential tax benefits deriving from the corporate restructuring.

6.2.4. Net cash outflow in the acquisition of subsidiary

	7/1/2016
Consideration paid in cash	16,245
(-) Balances of cash and cash equivalents acquired	(2,209)
Net cash disbursement	14,036

6.3. Acquisition of GKT Treinamento, Consultoria e Editora Ltda. (ACAD)

6.3.1. Consideration transferred

HSM Brasil disbursed R$30 for the business and assumed net debt of R$2,970. On the closing date of the transaction, i.e. September 1, 2016, debt totaled R$3,150; the difference was reimbursed by the vendors on the closing date of the transaction, as agreed in the contract governing the transaction between the parties. The transaction also envisages earn-out payments of up to R$2,203 between 2018 and 2021, based on the achievement of financial and operating targets. The present value of this transaction was R$1,288, calculated at a discount rate of 17% p.a.

6.3.2. Assets acquired and liabilities recognized on the acquisition date

The Company and its consultants have not yet finalized the fair value calculation of all the assets and liabilities, especially intangible assets, and in consequence have not yet determined the final amount of goodwill or discount on the transaction.

6.3.3. Goodwill generated in the acquisition (preliminary estimate)

	9/1/2016 Acquired value
Consideration to be transferred at the acquisition	1,288
(-) Book value of acquired identifiable net liabilities / (assets)	2,335
Preliminary goodwill generated in the acquisition	3,623

As mentioned in the previous item, a preliminary amount of goodwill on the acquisition of ACAD has been ascertained for the year ended December 31, 2016. The Company is still calculating possible values for trademarks, licenses, the client portfolio and expected synergies, expected future revenue growth, future market and workforce development, as well as potential tax benefits deriving from the corporate restructuring.

6.3.4. Net cash outflow in the acquisition of subsidiary

	9/1/2016

Consideration received in cash	(150)
(-) Balances of cash and cash equivalents acquired	(579)
Net cash disbursement	(729)

6.4. Acquisition of Politécnico Participações Ltda. and Instituto Politécnico Ltda.

6.4.1. Consideration transferred

PGP Posse will disburse R$19,132 for the business, adjusted for the net cash position on the closing date of the transaction, i.e. September 3, 2016, to be settled in 73 monthly installments, restated at 12% p.a. plus TR. The present value of this transaction was R$17,671, calculated at a discount rate of 17% p.a.

6.4.2. Assets acquired and liabilities recognized on the acquisition date

The Company and its consultants have not yet finalized the fair value calculation of all the assets and liabilities, especially intangible assets, and in consequence have not yet determined the final amount of goodwill or discount on the transaction.

6.4.3. Goodwill generated in the acquisition (preliminary estimate)

	10/3/2016 Acquired value
Consideration to be transferred at the acquisition	17,671
(-) Book value of acquired identifiable net liabilities / (assets)	(657)
Preliminary goodwill generated in the acquisition	17,014

As mentioned in the previous item, a preliminary amount of goodwill on the acquisition of Politécnico has been ascertained for the year ended December 31, 2016. The Company is still calculating possible values for trademarks, licenses, the client portfolio and expected synergies, expected future revenue growth, future market and workforce development, as well as potential tax benefits deriving from the corporate restructuring.

6.4.4. Net cash outflow in the acquisition of subsidiary

	10/3/2016
Consideration paid in cash	-
(-) Balances of cash and cash equivalents acquired	(37)
Net cash disbursement (increase)	(37)

7. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Cash and banks	200	34	7,303	1,772
Short-term investments – Operations	8,463	1,377	32,265	23,708
Total cash and cash equivalents	8,663	1,411	39,568	25,480
Short-term investments – Investment	7,003	153,482	141,931	159,058
Total short-term investments	7,003	153,482	141,931	159,058

Short-term investments are classified as loans and receivables in the financial instruments category. These consist of Bank Deposit Certificates (CDBs), which yield between 82.77% and 100.00% of the CDI, and vary according to the amount of time these funds remain in the account and by exclusive investment funds for GAEC's companies, which yielded between 100.89% and 102.25% of the CDI in the last twelve months, all highly liquid.

8. TRADE RECEIVABLES

	Consolidated	
	12/31/2016	12/31/2015
FIES - student loan (a)	207,819	219,293
Tuition fees receivable (b)	172,502	142,030
Financing (Ampliar and Pravaler) (c)	1,962	-
Events	2,995	3,026
Leases, services and other	12,898	4,301
Total	398,176	368,650
Allowance for doubtful accounts - Other trade receivables (d)	(96,450)	(67,428)
Allowance for doubtful accounts - FIES (e)	(16,123)	(11,970)
Total	(112,573)	(79,398)
Overall total trade receivables	285,603	289,252
Current assets	195,710	165,855
Noncurrent assets	89,893	123,397

The Company and its subsidiaries have the accounting policy of writing off notes past due for more than two years, even though they maintain their efforts to collect them.

(a) Refers to monthly tuitions financed under the government program FIES (Student Loan Fund), net of the present value adjustment and commissions (FGEDUC and financial agent). The National Education Development Fund (FNDE) transfers these amounts via credits that are offset against federal taxes. These credits can also be repurchased by the Fund. In December 2015, the Company, through the Brazilian Association for the Development of Post-Secondary Education (ABRAES), entered into a judicial agreement where the Ministry of Education (MEC) and the FNDE committed to transfer 100% of the remaining balance due in three installments adjusted by the inflation index: 25% of the balance until June 30, 2016, 25% until June 30, 2017 and 50% until June 30, 2018. On August 3, 2016, we settled the portion due on June 30, 2016. The present value adjustment was calculated based on trade receivables that comprises the agreement entered into, the coming due amounts of which adjusted to present value at the rate of 3.2% p.a. (free of risk), and is being reversed in proportion to the agreed balances and transfer dates.

(b) Refers to tuition fees, negotiations through payment slips, collection firms, post-dated checks, credit cards and returned checks.

(c) Refers to tuition fees financed through the Ampliar (directly managed by the Company) and Pravaler (managed by Ideal Invest) programs, net of the present value adjustment, in which students pay between 33% and 65% of the nominal tuition fee amount while they are studying and the remaining amount after graduation in a period of up to twice the time of their courses. Financing rates vary between 0% and 5% p.a., depending on the type of program chosen by the students, plus adjustments for inflation. The present value adjustment is calculated based on trade receivables adjusted to present value using Anima's weighted average cost of capital.

(d) The Company and its subsidiaries recognized an allowance for doubtful accounts after analyzing the balance of trade receivables per portfolio and the aging list, and taking into account the history of default and the negotiations in progress and future estimates of receivables in a conservative scenario. Under such methodology, each default range per portfolio is assigned a percentage of likelihood of loss, which is recurrently accrued. The Company's Management constantly assesses the need to adjust the percentages of the allowance for losses and, whenever necessary, we increase the percentages to reflect the increase in receipt terms and the worsening of Brazil's economic scenario.

(e) The Company's subsidiaries recognize allowances for doubtful accounts for amounts under the FIES according to the likelihood of loss associated with the students included in the Program. For agreements not covered by FGEDUC and 10% of the agreements covered by FGEDUC, we recorded an allowance of 3% of the financed amount, estimating a 20% default rate in relation to the Company's 15% exposure to credit risk. Balances related to FGEDUC are directly deducted from revenue and trade receivables (R$20,151 on December 31, 2016 and R$18,786 on December 31, 2015).

The aging list of trade receivables is as follows, which also includes the average percentages of the portfolios' estimated losses by aging level adopted in our policy:

	Consolidated				
	12/31/2016				
	Receivables	Allowance for doubtful accounts	% loss per default rate	Net balance	% (*)
FIES					
Current	207,819	-	-	207,819	72.76%
Loss of FIES credit	-	(16,123)	-	(16,123)	(5.65%)
Credit card	3,463	-	-	3,463	1.21%
Pronatec	71	-	-	71	0.02%
Current	32,193	(3,949)	12.27%	28,244	9.89%
Past due:					
0 to 90 days	41,854	(8,344)	19.94%	33,510	11.73%
91 to 180 days	22,171	(7,977)	35.98%	14,194	4.97%
181 to 360 days	30,027	(19,813)	65.98%	10,214	3.59%
361 to 720 days	60,578	(56,367)	93.05%	4,211	1.48%
Total	398,176	(112,573)	28.27%	285,603	100%

(*) Refers to the percentage share of total trade receivable per maturity term.

	Consolidated 12/31/2015				
	Receivables	Allowance for doubtful accounts	% loss per default rate	Net balance	% (*)
FIES					
Current	165,944	-	-	165,944	57.37%
Past due	53,349	-	-	53,349	18.44%
Loss of FIES credit	-	(11,970)	-	(11,970)	(4.14%)
Credit card	1,314	-	-	1,314	0.45%
Pronatec	427	-	-	427	0.15%
Current	25,941	(3,729)	14.37%	22,212	7.68%
Past due:					
0 to 90 days	33,923	(6,094)	17.96%	27,829	9.62%
91 to 180 days	20,073	(7,051)	35.13%	13,022	4.50%
181 to 360 days	40,798	(26,423)	64.77%	14,375	4.97%
361 to 720 days	26,881	(24,131)	89.77%	2,750	0.96%
Total	368,650	(79,398)	21.54%	289,252	100%

(*) Refers to the percentage share of total trade receivable per maturity term.

Changes in the allowance for doubtful accounts in the year were as follows:

	Consolidated 12/31/2016	12/31/2015
Opening balance	79,398	52,201
Allowance for doubtful accounts for the period	45,554	38,352
Business combination - Sociesc, FACEB and ACAD	11,914	-
Notes written off in the period (i)	(24,293)	(13,121)
Notes recovered in the period (ii)	-	1,966
Closing balance	112,573	79,398

(i) Refers to notes written off in the period, past due for more than two years.

(ii) Refers to notes written off in the period and that were recovered.

9. SUNDRY ADVANCES

	Parent Company 12/31/2016	Parent Company 12/31/2015	Consolidated 12/31/2016	Consolidated 12/31/2015
Rent (a)	-	-	21,448	9,957
Trade payables	1,003	357	12,331	1,915
Employees - vacations	529	314	15,495	9,475
Other	-	-	530	637
Total	1,532	671	49,804	21,984
Current assets	1,532	671	37,355	19,001
Noncurrent assets	-	-	12,449	2,983

(a) Refers mainly to rent advances related to MGE, IMEC and Sociesc.

10. RECOVERABLE TAXES AND CONTRIBUTIONS

	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Withholding income tax (IRRF) (a)	4,710	5,446	10,672	9,196
Taxes on revenue (PIS/COFINS)/social contribution	194	169	2,672	2,240
Prepaid income tax (b)	-	-	2,125	2,646
Prepaid social contribution (b)	-	-	374	928
Other	5	4	1,312	803
Total	4,909	5,619	17,155	15,813
Current assets	3,630	2,029	11,154	8,288
Noncurrent assets	1,279	3,590	6,001	7,525

(a) It mainly refers to withholding income tax on short-term investments.

(b) Refer mainly to amounts to be offset related to prepaid 2000 and 2001 income tax and social contribution of the subsidiary UNA, for which a tax return request was filed at the Brazilian Internal Revenue Service (IRS).

11. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

11.1. Deferred income tax and social contribution

Assets - The Company and its subsidiaries hold income tax and social contribution credits on tax loss carryforwards. Recognition of these deferred tax assets only occurs when it is reasonably certain that these credits will be realized. These tax credits amounted to R$166,545 (R$101,810 at December 31, 2015) in the Parent Company and R$274,827 (R$199,569 at December 31, 2015) on a consolidated basis, which can be carried forward indefinitely, on which no deferred tax assets were recognized.

Liabilities - deferred income tax and social contribution refers to:

(i) Taxes and contributions calculated on the revaluation of properties in 2007 and capital gains on properties in 2009.

(ii) Taxes and contributions calculated on the difference between the carrying amount and the fair value of the assets allocated to the business combination upon acquisition, which generated a deferred tax liability to be settled when the business is sold or in the realization of the allocated assets.

The change of liabilities for the year ended December 31, 2016 was as follows:

	Consolidated			
	Opening balance	Change		Closing balance
	12/31/2015	Business combination	Effect on profit (loss)	12/31/2016
Income tax	11,264	28,336	(1,233)	38,367
Social contribution	4,056	10,201	(444)	13,813
Total	15,320	38,537	(1,677)	52,180

11.2. Effective rate reconciliation

Reconciliation of income tax and social contribution statutory and effective tax rates:

	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Income before income tax and social contribution	20,845	60,415	19,318	58,469
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution by combined tax rate	(7,087)	(20,541)	(6,568)	(19,879)
Adjustments to profit or loss:				
Equity income	29,773	46,901	-	-
Tax incentive - PROUNI	-	-	43,710	58,500
Unrecognized tax credits	(21,658)	(26,330)	(33,945)	(31,094)
Tax credits recognized in previous years (a)	-	3,788		3,788
Other additions and exclusions	(1,028)	(30)	(1,670)	(5,581)
Calculated income tax and social contribution	-	3,788	1,527	5,734
Current income tax and social contribution for the period	-	-	(150)	1,856
Deferred income tax and social contribution for the period	-	3,788	1,677	3,878

(a) The Company recognized deferred tax credits over income tax loss and social contribution tax loss carryforwards, which were used to settle litigations with the INSS.

12. INVESTMENTS

The investments in subsidiaries are measured by the equity method of accounting, as shown below:

	Parent Company			Parent Company		
	12/31/2016			12/31/2015		
	Investment	Equity income	Equity interest	Investment	Equity income	Equity interest
Assets:						
IMEC	97,683	79,806	100%	81,199	75,961	100%
MGE	484,739	61,108	100%	447,822	81,724	100%
BR Educação	75,368	(42,895)	100%	47,610	(13,798)	100%
Unimonte	40,245	(8,403)	100%	42,648	(5,829)	100%
PGP Gestão	25,822	(2,052)	100%	7	(70)	99.99%
VC Network	77	7	100%	70	5	100%
Allocated fair value	52,301	(2)		52,303	(49)	
Goodwill	35,026	-		45,326	-	
Total	811,261	87,569		716,985	137,944	

	Number of total shares/ quotas held	
	12/31/2016	12/31/2015
Direct subsidiaries:		
IMEC	8,789,479	7,717,479
MGE	4,532,699	4,036,199
VC Network	4,023,145	4,023,145
Unimonte	91,942,323	91,928,323
BR Educação	125,700,000	119,400,000
PGP Gestão	555,784	255,774

	Number of total shares/ quotas held	
	12/31/2016	12/31/2015
Le Cordon Bleu	3,135,800	-

	Number of total shares/ quotas held	
	12/31/2016	12/31/2015
Indirect subsidiaries:		
Una Gestão	32,564	32,564
HSM Brasil	2,489,860	2,452,360
PGP Educação	339,260	214,360
USJT	462,228	232,228
Sociesc	2	-
FACEB	30,000	-
ACAD	100,000	-
Politécnico Participações	10,000,000	-
Instituto Politécnico	1,098,417	-

The financial statements of the subsidiaries are as follows:

	12/31/2016						
	IMEC	MGE	VC Network	Unimonte	PGP Gestão	BR Educação	
Statement of financial position							
Current assets	117,078	221,933	77	13,422	9,223	53,329	
Noncurrent assets	94,718	429,546	-	50,559	64,672	225,064	
Current liabilities	91,049	144,094	-	7,297	12,097	38,486	
Noncurrent liabilities	23,064	22,646	-	16,439	35,976	143,795	
Equity	97,683	484,739	77	40,245	25,822	96,112	(*)
Profit (loss)							
Net revenue	231,039	506,881	-	50,758	21,997	149,759	
Cost of services	(123,684)	(327,013)	-	(32,277)	(11,577)	(117,032)	
Operating expenses	(37,517)	(130,985)	-	(24,503)	(8,416)	(65,568)	
Financial result	9,968	12,225	8	(2,420)	(3,907)	(11,692)	
Deferred/current income tax and social contribution	-	-	(1)	39	(149)	1,638	
Profit (loss) for the period	79,806	61,108	7	(8,403)	(2,052)	(42,895)	

	12/31/2015						
	IMEC (restated)	MGE (restated)	VC Network	Unimonte (restated)	PGP Gestão	BR Educação	
Statement of financial position							
Current assets	80,994	122,511	70	10,998	-	10,866	
Noncurrent assets	93,176	449,494	-	49,412	7	82,290	
Current liabilities	55,792	94,433	-	7,341	-	10,705	
Noncurrent liabilities	37,179	29,750	-	10,421	-	14,097	
Equity	81,199	447,822	70	42,648	7	68,354	(*)
Profit (loss)							
Net Revenue	236,267	517,939	-	48,260	-	32,479	
Cost of services	(123,428)	(317,404)	-	(30,408)	-	(21,376)	
Operating expenses	(40,988)	(119,035)	(1)	(21,817)	(70)	(23,906)	
Financial result	4,110	(1,632)	7	(1,902)	-	(1,046)	
Deferred income tax and social contribution	-	1,856	(1)	39	-	51	
Profit (loss) for the period	75,961	81,724	5	(5,828)	(70)	(13,798)	

(*) The equity of BR Educação includes the allocated goodwill amounting to R$20,744, as shown in the breakdown of the Parent Company's investment table in the columns of allocated fair value.

	Parent Company								
	IMEC	MGE	VC Network	Unimonte	PGP Gestão	BR Educação	Allocated fair value	Goodwill	Total
Closing balance at December 31, 2014	48,476	378,403	65	33,010	1	42,283	52,352	45,326	599,916
Capital increase	13,005	40,050	-	15,467	76	19,125	-	-	87,723
Equity in the earnings (losses) of subsidiaries	75,961	81,724	5	(5,829)	(70)	(13,798)	(49)	-	137,944
Dividend distribution	(56,243)	(52,355)	-	-	-	-	-	-	(108,598)
Closing balance at December 31, 2015	81,199	447,822	70	42,648	7	47,610	52,303	45,326	716,985
Capital increase	13,600	52,370	-	6,000	27,867	65,360	-	-	165,197
Equity in the earnings (losses) of subsidiaries	79,806	61,108	7	(8,403)	(2,052)	(42,895)	(2)	-	87,569
Capital reserve	-	9	-	-	-	5,293	-	-	5,302
Dividend distribution	(76,922)	(76,570)	-	-	-	-	-	-	(153,492)
Allowance for impairment losses	-	-	-	-	-	-	-	(10,300)	(10,300)
Closing balance at December 31, 2016	97,683	484,739	77	40,245	25,822	75,368	52,301	35,026	811,261

13. PROPERTY AND EQUIPMENT

		Parent Company			
	Annual	12/31/2016			12/31/2015
	depreciation rates	Acquisition cost	Accumulated depreciation	Net property and equipment	Net property and equipment
Computers and peripherals	20%	3,959	(1,809)	2,150	1,382
Leasehold improvements	10%	2,151	(307)	1,844	1,434
Furniture and fixtures	10%	944	(261)	683	583
Machinery and equipment	10%	373	(112)	261	321
Other	10% and 20%	465	(304)	161	181
Construction in progress	-	149	-	149	-
Total		8,041	(2,793)	5,248	3,901

		Consolidated			
	Annual	12/31/2016			12/31/2015
	depreciation rates	Acquisition cost	Accumulated depreciation	Net property and equipment	Net property and equipment
Leasehold improvements	2.86% to 10%	90,097	(26,734)	63,363	55,451
Buildings	1.43% to 4%	51,535	(4,797)	46,738	12,655
Land	-	28,396	-	28,396	13,110
Machinery and equipment	10%	70,724	(48,588)	22,136	20,231
Library and video library	10%	39,135	(19,692)	19,443	14,025
Furniture and fixtures	10%	44,517	(29,116)	15,401	13,100
Computers and peripherals	20%	48,402	(35,515)	12,887	10,510
Other	10% and 20%	26,793	(15,817)	10,976	6,876
Construction in progress	-	4,190	-	4,190	-
Total		403,789	(180,259)	223,530	145,958

Below, the changes in property and equipment of the Parent Company and Consolidated:

	Parent Company						
	Net balance on 12/31/2015	Additions	Write-offs	Depreciation	Transfer	Reclassification	Net balance on 12/31/2016
Computers and peripherals	1,382	1,285	(37)	(584)	-	104	2,150
Leasehold improvements	1,434	-	(57)	(155)	81	541	1,844
Furniture and fixtures	583	225	-	(80)	-	(45)	683
Machinery and equipment	321	70	-	(32)	-	(98)	261
Other	181	18	-	(77)	-	39	161
Construction in progress	-	2,428	(8)	-	(1,730)	(541)	149
Total	3,901	4,026	(102)	(928)	(1,649)	-	5,248

	Parent Company					
	Net balance on 12/31/2014	Additions	Write-offs	Depreciation	Transfer (*)	Net balance on 12/31/2015
Computers and peripherals	931	752	(45)	(389)	133	1,382
Leasehold improvements	643	1	-	(87)	877	1,434
Furniture and fixtures	485	169	(4)	(69)	2	583
Machinery and equipment	202	196	(2)	(31)	(44)	321
Other	250	7	(1)	(75)	-	181
Construction in progress	302	813	-	-	(1,115)	-
Total	2,813	1,938	(52)	(651)	(147)	3,901

	Consolidated							
	Net balance on 12/31/2015	Additions	Business combination (iii)	Write-offs	Depreciation	Transfer	Reclassification	Net balance on 12/31/2016
Leasehold improvements (i)	55,451	225	6,791	(3,977)	(7,661)	(1,394)	13,928	63,363
Buildings	12,655	-	36,618	-	(1,386)	(366)	(783)	46,738
Land	13,110	-	15,282	-	-	4	-	28,396
Machinery and equipment	20,231	2,937	3,755	(70)	(3,902)	108	(923)	22,136
Library and video library	14,025	5,102	2,827	(39)	(2,452)	(10)	(10)	19,443
Furniture and fixtures	13,100	2,049	2,760	(23)	(2,605)	249	(129)	15,401
Computers and peripherals	10,510	2,363	3,418	(65)	(4,782)	781	662	12,887
Other	6,876	4,732	1,206	(179)	(2,152)	87	406	10,976
Construction in progress (ii)	-	20,989	541	(79)	-	(4,110)	(13,151)	4,190
Total	145,958	38,397	73,198	(4,432)	(24,940)	(4,651)	-	223,530

	Consolidated					
	Net balance on 12/31/2014	Additions	Write-offs	Transfer (ii)	Depreciation	Net balance on 12/31/2015
Leasehold improvements (i)	39,492	3	(19)	21,566	(5,591)	55,451
Buildings	12,821	-	-	-	(166)	12,655
Land	13,110	-	-	-	-	13,110
Machinery and equipment	15,618	7,656	(107)	39	(2,975)	20,231
Library and video library	11,869	4,183	-	14	(2,041)	14,025
Furniture and fixtures	11,725	3,966	(594)	66	(2,063)	13,100
Computers and peripherals	8,819	5,080	(67)	131	(3,453)	10,510
Other	5,996	2,340	(5)	12	(1,467)	6,876
Construction in progress (ii)	2,127	20,471	(20)	(22,578)	-	-
Total	121,577	43,699	(812)	(750)	(17,756)	145,958

(i) Expenses with leasehold improvements refer to campus improvements carried out by the Company's subsidiaries in order to expand their facilities and give more comfort to students.

(ii) Construction in progress mainly refers to the disbursements made by the Company's subsidiaries to build and expand its units. The amounts will be transferred to leasehold improvements and start to be depreciated after the completion of the construction works.

(iii) Additions shown in this column refer to additions arising from the business combination from the acquisition of Sociesc, FACEB, ACAD and Politécnico.

13.1. Assets pledged as collateral

The Company and its subsidiaries have pledged property and equipment items as collateral in lawsuits. The Group's pledged assets amount approximately to R$75,134 (R$25,765 at December 31, 2015) in such lawsuits.

14. INTANGIBLE ASSETS

		Parent Company			
	Annual	12/31/2016			12/31/2015
	Annual amortization rates	Acquisition cost	Accumulated amortization	Net intangible assets	Net intangible assets
Software	20%	24,925	(8,793)	16,132	12,132
Total		24,925	(8,793)	16,132	12,132

		Consolidated			
		12/31/2016			12/31/2015
	Annual amortization rates	Acquisition cost	Accumulated amortization	Net intangible assets	Net intangible assets
Goodwill (a)		330,844	-	330,844	244,642
Trademarks and patents (b)		143,116	-	143,116	121,956
Licenses (c)		55,595	-	55,595	54,600
Customer portfolio (d)	22% to 60%	33,152	(22,702)	10,450	12,384
Mailing list	38%	533	(533)	-	-
Total		563,240	(23,235)	540,005	433,582
Software	20%	49,336	(26,566)	22,770	16,109
Other	10% to 33%	14,513	(8,156)	6,357	2,913
Total		63,849	(34,722)	29,127	19,022
Total intangible assets		627,089	(57,957)	569,132	452,604

(a) Refers to goodwill paid upon the acquisitions of IMEC, HSM Brasil, PGP Educação and USJT which has not been allocated in identified assets, as per valuation report. This item also includes preliminary goodwill on the acquisitions of Sociesc, FACEB, ACAD and Politécnico, whose allocation report of acquired assets and assumed liabilities is still being prepared. Pursuant to the criteria set forth by ICPC 09 (R2), goodwill recognized by the Parent Company must be reclassified to intangible assets in the consolidated financial statements.

(b) Refers to the amounts paid for the acquisition of the trademarks "UNA", "UNI-BH", "HSM", "USJT" and "SOCIESC", whose Operating License (certificate granted by the Ministry of Education that authorizes higher education institutions to operate) is held by the Company through its investees.

(c) Refers to a portion of licenses paid in the acquisition of USJT and Sociesc, whose Operating License is held by the Company through its investees.

(d) Refers to the amount of the customer portfolio paid upon to the acquisition of the Operating Licenses of IMEC, HSM, USJT, Sociesc and the acquisition of the Operating License of UNA Betim.

Changes in the Parent Company are as follows:

	Parent Company				
	Net balance on 12/31/2015	Additions	Amortization	Transfer	Net balance on 12/31/2016
Software	12,132	6,237	(3,886)	1,649	16,132
Total	12,132	6,237	(3,886)	1,649	16,132

	Parent Company						
	Net balance on 12/31/2014	Additions	Write-offs	Transfer	Transfer - related parties (i)	Amortization	Net balance on 12/31/2015
Software	5,914	8,234	(50)	147	332	(2,445)	12,132
Total	5,914	8,234	(50)	147	332	(2,445)	12,132

(i) Sale of MGE and IMEC software to GAEC as debt compensation between the subsidiaries and the Parent Company.

The table below shows the changes on a consolidated basis:

	Consolidated								
	Net balance on 12/31/2015	Additions	Write-offs	Transfer (i)	Reclassification	Amortization	Impairment loss	Business combination (ii)	Net balance on 12/31/2016
Goodwill	244,642	-	-	-	-	-	(19,000)	105,202	330,844
Trademarks and patents	121,956	-	-	-	-	-	-	21,160	143,116
Licenses	54,600	-	-	-	-	-	-	995	55,595
Customer portfolio	12,384	-	-	-	-	(8,887)	-	6,953	10,450
Software	16,109	7,958	(21)	2,040	855	(6,028)	-	1,834	22,747
Projects in progress	-	451	-	433	(861)	-	-	-	23
Other	2,913	4,818	(24)	251	6	(2,266)	-	659	6,357
Total	452,604	13,227	(45)	2,724	-	(17,181)	(19,000)	136,803	569,132

	Consolidated						
	Net balance on 12/31/2014	Additions	Write-offs	Transfer (i)	Reclassification	Amortization	Net balance on 12/31/2015
Goodwill	244,768	-	-	-	(126)	-	244,642
Trademarks and patents	121,371	3	-	-	-	582	121,956
Licenses	54,600	-	-	-	-	-	54,600
Customer portfolio	18,673	-	-	-	15	(6,304)	12,384
Software	9,162	9,983	(77)	745	-	(3,704)	16,109

Other	473	3,004	-	5	111	(680)	2,913
Total	449,047	12,990	(77)	750	-	(10,106)	452,604

(i) Transfers from construction in progress for presentation purposes.

(ii) Additions shown in this column refer to additions arising from the business combination, as described in Note 6.

14.1. Intangible assets identified in acquisitions

Part of the goodwill paid on the acquisition of subsidiaries was allocated to identifiable intangible assets with finite and indefinite useful lives, after an analysis of the acquired assets and the calculation of the future earnings projection, as follows:

	Consolidated								
	12/31/2016								
	IMEC	USJT	HSM	SOCIESC	FACEB	ACAD	Politécnico	Other	Total
Amortizable intangible assets:									
Customer portfolio	-	7,350	8	3,092	-	-	-	-	10,450
Total	-	7,350	8	3,092	-	-	-	-	10,450
Non-amortizable intangible assets:									
Trademarks and patents	24,380	34,900	59,872	21,160	-	-	-	2,804	143,116
Licenses	-	54,600	-	995	-	-	-	-	55,595
Goodwill	29,825	174,445	21,370	46,721	30,581	3,623	17,014	7,265	330,844
Total	54,205	263,945	81,242	68,876	30,581	3,623	17,014	10,069	529,555
Overall Total	54,205	271,295	81,250	71,968	30,581	3,623	17,014	10,069	540,005

	Consolidated				
	12/31/2015				
	IMEC	USJT	HSM	Other	Total
Amortizable intangible assets:					
Customer portfolio	-	12,250	18	116	12,384
Total	-	12,250	18	116	12,384
Non-amortizable intangible assets:					
Trademarks and patents	24,380	34,900	59,872	2,804	121,956
Licenses	-	54,600	-	-	54,600
Goodwill	29,825	174,445	40,370	2	244,642
Total	54,205	263,945	100,242	2,806	421,198
Overall Total	54,205	276,195	100,260	2,922	433,582

14.2. Allocation of non-amortizable intangible assets to the Cash-Generating Units

Goodwill, licenses trademarks and patents were allocated, for impairment-testing purposes, to the cash-generating units ("CGUs"), identified according to the operating segment, as detailed below:

	Consolidated	
	12/31/2016	12/31/2015
Higher education (i)	444,690	320,956
Other businesses (ii)	84,865	100,242
	529,555	421,198

As at December 31, 2016, goodwill, trademarks and licenses were tested for impairment and no need to adjust goodwill, trademarks and licenses was identified, except for the need to adjust goodwill related to HSM, as detailed below.

(i) The recoverable value of the Education cash-generating unit was determined based on the value in use calculation, using cash flow projections based on the five-year financial budget approved by Management and an annual discount rate of 16%. The calculation considers a five-year projection of a specific flow, adding a perpetuity value with growth between 4.5% and 10% per year, depending on the business line, operating market and the respective maturity level. Annual inflation was estimated at 4.5%. Management believes that no reasonably possible change to the key assumptions, on which the recoverable value is based, would cause the total carrying amount to exceed the total recoverable value of the cash-generating unit.

(ii) The recoverable value of the Other Businesses cash-generating unit was determined based on the value in use calculation, using cash flow projections based on the five-year financial budget approved by Management and an annual discount rate of 16%. The calculation considers a ten-year projection of a specific flow. This term was chosen considering that a significant share of expected revenue will arise from new products in our digital business unit and from corporate education activities, which were restructured and had their operating scope expanded to include middle management education. These changes are significant and require more than five years to become mature enough for the perpetuity calculation to be made on a stable basis.

The main assumptions used when calculating the value in use of this cash-generating unit were:

- Revenue growth of 18.7% p.a. between 2017 and 2026 based on a business plan that considers: a) moderate growth in our business unit related to events; b) expansion and consolidation of our corporate education business unit, also covering middle management, which used to be served by ACAD; and c) expansion and consolidation of our digital business unit related to content curation, taking full advantage of the materials developed in events, HSM Magazine’s news articles and books published by HSM.

- Expense growth at 14.5% p.a., considering future economies of scale from the maturation of activities, gains from restructuring in 2016 and economies of scale from the absorption of ACAD’s activities. As a result, the gross margin will increase from 44.6% in 2016 to 55.1% in 2026 and the operating margin will grow from -6.5% in 2016 to 25.8% in 2026, which Management believes to be feasible.

The above-mentioned revenue and expense growth percentages consider an inflation rate of 4.5% p.a. for the coming years.

Cash flows for the years after the five-year term have been extrapolated at a constant growth rate of 5.5% p.a., which considers expected inflation of 4.5% p.a. Management believes that this real growth rate is feasible and in line with the market in which this cash-generating unit operates.

Finally, Management concluded that, although HSM's restructuring is generating the expected benefits, there is a possibility that the revenue growth curves outlined in the business plan will not be fully reached. As a result, the Company recorded a provision for asset impairment in the amount of R$19,000, reducing goodwill from the acquisition of this subsidiary, an amount sufficient to cover revenue up to 20% lower than those envisaged in the business plan, with a consequent proportional decline in the respective costs.

This impairment loss was recorded this year under "Other expenses" in the income statement and presented in the same line and in the "Management and Technology Innovation Vertical" group, as per Note 28.

Management believes that, in addition to the above-mentioned revenue reduction assumption, no reasonably possible change to the key assumptions, on which the recoverable value is based, would cause the operations' carrying amount to exceed their recoverable value.

15. TRADE PAYABLES

Consisting basically of leases, payables to IT vendors, services providers, suppliers of consumables, and infrastructure builders. The outstanding balances in the Parent Company and on a consolidated basis for the year ended December 31, 2016 was R$4,032 (R$3,315 as at December 31, 2015) and R$23,688 (R$19,606 as at December 31, 2015), respectively.

16. BORROWINGS AND FINANCING

	Parent Company					
	12/31/2016			12/31/2015		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Local currency						
HSBC	4,329	1,073	5,402	4,356	5,364	9,720
Santander	14,375	18,401	32,776	4,515	28,719	33,234
Caixa Geral	2,508	625	3,133	2,517	3,125	5,642
IFC	6,245	139,080	145,325	-	-	-
Other borrowings	344	3,987	4,331	-	-	-
Foreign currency						
HSBC - Credit Facility 4131	47,335	-	47,335	57,422	54,587	112,009
Itaú - Credit Facility 4131	24,688	67,135	91,823	40,589	110,025	150,614
Total	99,824	230,301	330,125	109,399	201,820	311,219

	Consolidated					
	12/31/2016			12/31/2015		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Local currency						
Banco do Brasil	6,090	10,909	16,999	5,572	16,364	21,936
HSBC	17,178	7,560	24,738	13,471	17,083	30,554
Santander	18,345	21,797	40,142	4,515	28,719	33,234
Caixa Geral	2,508	625	3,133	2,517	3,125	5,642
IFC	6,245	139,080	145,325	-	-	-

Other borrowings	1,737	6,400	8,137	106	360	466
Foreign currency						
HSBC - Credit Facility 4131	47,335	-	47,335	57,422	54,587	112,009
Itaú - Credit Facility 4131	24,688	67,135	91,823	40,589	110,025	150,614
Total	124,126	253,506	377,632	124,192	230,263	354,455

The main contractual conditions are as follows:

	Consolidated				
	Guarantees	Average interest rate (annual)	Index	Start date	End date
Working capital domestic currency	25% to 100% of receivables from students and cross-guarantee with group companies	1.80% to 4.60%	CDI	10/28/2010	5/29/2023
Working capital foreign currency	Promissory notes and cross-guarantee with group companies	2.78% to 3.89%	USD (*)	8/26/2015	8/26/2020
IFC	Fiduciary sale of AMC Serviços' quotas and receivables; guarantees of all subsidiaries; specific permanence commitment of five officers and one shareholder with a minimum interest of 25% of the capital stock on the contracting date.	1.49%	CDI	5/12/2016	3/15/2024
Other borrowings	Bank surety and cross-guarantee with group companies/ 100% of the goods acquired through financing/ 30% of student receivables	7.00% to 22.56%	-	12/30/2011	1/15/2026
Other borrowings					
Other borrowings	100% of the assets acquired with financing	12.00% to 15.90%	TR	10/28/2009	10/28/2019
	100% of the assets acquired with financing	3.5% to 5.50%	TJLP	3/23/2011	12/15/2023

(*) The Company manages its exchange rate volatility risk through swap instruments, as described in Note 32.1 item (c), which details the rates and indices of borrowings taken out for working capital in foreign currency alleviated by the CDI swap plus fixed rates of 1.0% p.a. and 2.40% p.a.

Borrowings and financing basically refer to working capital used to finance the operations of the Company and its subsidiaries.

The Company and its subsidiaries have certain borrowings and financing containing restrictive covenants defined contractually on December 31, 2016, as follows:

Restrictive Covenant	Required ratio
Current ratio (i)	> 1.2
Net financial debt/EBITDA (ii)	< 3.0
EBITDA/Net finance expenses (iii)	> 1.3

(i) Current ratio = current assets divided by current liabilities.

(ii) Net financial debt = sum of the balances of borrowings and financing less cash and cash equivalents.

(iii) EBITDA = Earnings before interest, income taxes, depreciation, and amortization. Some agreements provide for specific EBITDA calculation criteria with some variations to this formula.

The above-mentioned analyses are annual and, in the year ended December 31, 2016, the Company and its subsidiaries complied with all said restrictive covenants.

The maturities of amounts recognized in noncurrent liabilities for the years ended December 31, 2016 and 2015 are as follows:

	Parent Company		Consolidated	
	12/31/2016		12/31/2016	
	Payment	Face	Payment	Face

	schedule	value	schedule	value
2018	29,860	66,278	45,222	86,022
2019	53,690	86,035	61,342	94,183
2020	47,491	72,103	47,550	71,445
After 2020	99,260	142,848	99,392	139,996
Total	230,301	367,264	253,506	391,646

	Parent Company		Consolidated	
	12/31/2015		12/31/2015	
	Payment schedule	Face value	Payment schedule	Face value
2017	95,194	120,840	109,635	138,671
2018	35,513	45,313	43,839	55,030
2019	33,816	40,269	39,315	46,220
After 2019	37,297	55,905	37,474	56,094
Total	201,820	262,327	230,263	296,015

In 2015, the Company took out US-dollar denominated loans with Itaú Unibanco S.A. Nassau Branch and HSBC Bank Brasil S.A Banco Múltiplo, Grand Cayman Branch. In addition, aiming at mitigating the impact of exchange rate variation on its results, the Company contracted a cash flow swap with Banco Itaú S.A. and HSBC Bank Brasil S.A.

Proceeds will be applied to reinforce cash and carry on the Company's expansion plan.

17. EXPENSES RELATED TO THE INNOVATION PLAN - FINEP FINANCING

On December 16, 2015, the Company and its subsidiaries MGE, IMEC, Unimonte and USJT entered into a financing agreement with FINEP.

The purpose of the agreement is to finance technological innovation in order to develop new or significantly improved processes (at least in the domestic market) that involve technological risk and market opportunity, as well as to finance technological innovation on a systematic basis, thus expanding innovative capabilities. The agreement comprises investments in tangible capital assets, including physical infrastructure, and in intangible capital assets.

Pursuant to this agreement, no. 0/9/15/0046/00, the Company is obliged to present the expenditures incurred during the year:

Expenditures	2016
Internal research and development	2,955
Acquisition of external research and development	3,860
Software acquisition	480
Training	553
Machinery and equipment acquisition	29
Pioneering production and other preparations for production and distribution:	431
i. Construction works and facilities for pioneering production	431
	8,308

18. PAYROLL AND RELATED TAXES

	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Payroll	1,883	1,364	18,603	16,108
Accrued vacation pay	3,913	2,734	25,408	16,590
Social security tax (INSS)	712	545	10,246	7,784

Severance pay fund (FGTS)	262	192	3,363	2,620
Variable remuneration	-	2,199	-	2,707
Other	83	63	739	549
Total	6,853	7,097	58,359	46,358

19. TAXES PAYABLE

	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Withholding income tax (IRRF)	874	688	11,762	8,121
Service tax (ISS)	49	15	1,895	1,706
Taxes on revenue (PIS and COFINS)	121	188	635	719
Other	14	10	480	144
Total	1,058	901	14,772	10,690

20. ADVANCES FROM CUSTOMERS

	Consolidated	
	12/31/2016	12/31/2015
Advances from students (a)	13,973	13,085
Customer prebilling (b)	2,644	3,827
Research projects (c)	2,393	3,563
Other	167	567
Total	19,177	21,042

(a) Refer to prepaid enrollment fees and monthly tuitions, which will be recognized in profit or loss on an accrual basis and the Pravaler receivables, student loans awarded entered into between students and financial company Ideal Invest S.A., under terms that stipulate that a student can extend the payment maturity and pay the double amount thus reducing the monthly installment. The loan agreement is renewed semiannually between Ideal Invest S.A. and student loses the financial bidding with the school to have a link only with Pravaler. Every time a service is engaged and a loan is renewed, Pravaler prepays approximately 90% of the student’s payable financed for the six-month period to the Company’s subsidiaries, which record these receipts on an accrual basis as the service is provided.

(b) Refer to prepayments of services related to the organization of trade shows, congresses, and exhibitions to be provided after receiving. Revenue from this type of payment is recognized when the services are provided.

(c) Refer to funds from agreements entered into between government companies and MGE, UNIMONTE and IMEC to cover the costs incurred on the performance research, development, and scientific and technology qualification projects. These advances are recognized as these project costs are incurred and are broken down as follows:

	Consolidated	
	12/31/2016	12/31/2015
CEMIG	1,217	1,229
FAPEMIG	394	1,725
British embassy	405	405
Petrocoque	151	151
Apexbrasil	157	-
Settaport	50	50
Other	19	3
Overall Total	2,393	3,563

21. TAXES IN INSTALLMENTS

	Consolidated	
	12/31/2016	12/31/2015
FGTS (a)	2,802	2,847
Ordinary installment payments - Brazilian Internal Revenue Service (RFB)	1,489	685
REFIS IV	367	-
Other installments	362	35
Total	5,020	3,567
Current liabilities	550	180
Noncurrent liabilities	4,470	3,387

(a) Government severance indemnity fund (FGTS): This amount refers to FGTS installment payments of the subsidiaries Unimonte and IMEC to Caixa Econômica Federal. As of July 2015, Unimonte now collects the remaining amounts through escrow deposit, since the parent company is waiting for Caixa Econômica Federal to send the list of employees who still have FGTS amounts to be deposited.

22. NOTES PAYABLE

	Consolidated
	12/31/2016
Acquisition of Sociesc	31,839
Acquisition of FACEB	22,653
Acquisition of ACAD	1,500
Acquisition of Politécnico	17,692
Total	73,684
Current liabilities	9,133
Noncurrent liabilities	64,551

	Consolidated
	12/31/2016
2018	11,556
2019	9,171
2020	9,041
After 2020	34,783
Total	64,551

23. ESCROW DEPOSITS AND PROVISION FOR TAX, CIVIL AND LABOR RISKS

Management monitors the progress of lawsuits and, based on the opinion of its in-house and external legal counsels and in-company policies, a provision is recognized for the lawsuits whose likelihood of loss is considered as probable, including principal and charges.

	Escrow deposits			
	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Labor (a)	34	42	11,521	10,699
Tax (b)	-	-	16,590	10,264
Civil (c)	-	-	8,181	6,952
Total	34	42	36,292	27,915

	Provision for risks			
	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Labor provisions (a)	1,290	2,328	31,912	43,844
Tax provisions (b)	-	-	56,000	200
Civil provisions (c)	-	-	10,561	2,048
Total	1,290	2,328	98,473	46,092

The changes in the Parent Company's provisions were as follows:

	12/31/2015	Reversal	Payments	Inflation adjustment	12/31/2016
Labor (a)	2,328	(714)	(439)	115	1,290
Total	2,328	(714)	(439)	115	1,290

	12/31/2014	Addition/ Reversal	Payments	Inflation adjustment	12/31/2015
Labor (a)	2,361	(149)	(52)	168	2,328
Total	2,361	(149)	(52)	168	2,328

The changes in the consolidated provisions were as follows:

	12/31/2015	Addition/Reversal	Business combination (d)	Payments	Inflation adjustment	Offsetting of escrow deposits	Reclassification	12/31/2016
Labor (a)	43,844	(1,985)	2,709	(12,870)	1,274	(2,094)	1,034	31,912
Tax (b)	200	4,142	51,900	(242)	-	-	-	56,000
Civil (c)	2,048	8,629	1,860	(1,295)	-	(681)	-	10,561
Total	46,092	10,786	56,469	(14,407)	1,274	(2,775)	1,034	98,473

	12/31/2014	Addition/Reversal	Payments	Inflation adjustment	Reclassification	Offsetting of escrow deposits	12/31/2015
Labor (a)	49,171	(2,503)	(6,549)	2,446	1,279	-	43,844
Tax (b)	1,269	5,975	(1,720)	-	(1,536)	(3,788)	200
Civil (c)	2,925	1,200	(2,133)	-	56	-	2,048
Total	53,365	4,672	(10,402)	2,446	(201)	(3,788)	46,092

(a) Labor provisions are recognized based on the individual analysis of the lawsuits, of the claims made in each lawsuit, and an updated analysis of the previous court rulings, and refer mainly to claimed overtime, salary equalization, reversal of salary reductions, and payroll taxes, at administrative and court levels, by employees, former employees, service providers or public authorities, and the interpretation of the labor law to discuss whether or not there is an employment relationship with such service providers.

(b) The provisions for labor litigation risks refer mainly to the risks of lawsuits filed by tax authorities regarding discussions and interpretations of prevailing tax legislation, at the administrative and court levels.

(c) The civil provisions refer mainly to lawsuits filed by former students, in relation to the disagreement with contractual clauses, in relation to collection, indemnities, amongst other issues.

(d) In the acquisition of Sociesc, the Company assumed the discussion of tax liabilities arising from the tax authorities' challenge of Sociesc's tax exemption status. In the opinion of the legal advisors, there is a "possible" risk of loss inherent in the case, which under normal circumstances would not require provisioning. However, in accordance with paragraphs 23 and 56 of CPC 15, which govern the assessment of contingences in business combinations, this claim has been adjusted to fair value, in the amount of R$ 51.900, and will be recorded at the same amount, unless in the opinion of the legal advisors the risk of loss increases to "probable" and the estimated amount rises, or unless there is a final and unappealable decision in favor of Sociesc. In these cases, respectively, the provision will be increased or reversed. The Company also assumed the risk of possible labor and civil liabilities existing on the acquisition date up to the maximum limit of R$4,096. The treatment to supplement or reverse this provision is the same as the one mentioned above for tax liabilities.

The Company and its subsidiaries are parties to other lawsuits to which Management, based on the assessment of its in-house and external legal counsels, did not recognize a provision for labor, tax and civil risks, as they believe that there is a possible risk of loss, as follows, highlighting disputes in the administrative and court levels related to interpretations of the law on tax immunity of subsidiaries in periods prior to their changes into for-profit entities. Sociesc's tax-exempt status is being challenged by the tax authorities, and the risk of loss is classified by the legal advisors as "possible", for a total R$ 54,807 higher than the amount of the provision, as mentioned in item "d" above.

Lawsuits classified as possible:

	Consolidated	
	12/31/2016	12/31/2015
Labor	9,015	12,836
Tax	150,946	81,723
Civil	11,632	18,059
Total	171,593	112,618

The escrow deposits are disclosed in noncurrent assets and, similarly to the provision for labor, tax, and civil risks, are adjusted by the official indices established for their adjustment.

Changes in the consolidated escrow deposits were as follows:

	12/31/2015	Additions	Business combination	Redemption	Contingency set-off	Restatement / Reversal	Reallocation	12/31/2016
Labor	10,699	3,889	548	(2,012)	(2,094)	195	296	11,521
Tax	10,264	4,741	-	-	-	1,585	-	16,590
Civil	6,952	3,106	291	(1,071)	(681)	(120)	(296)	8,181
Total	27,915	11,736	839	(3,083)	(2,775)	1,660	-	36,292

	12/31/2014	Additions	Write-offs	Inflation adjustment	Reallocation	Provision for contingency	12/31/2015
Labor	8,628	3,050	(408)	1,012	3	(1,586)	10,699
Tax	3,906	5,513	-	845	-	-	10,264

Civil	7,540	1,175	(1,184)	444	(3)	(1,020)	6,952
Total	20,074	9,738	(1,592)	2,301	-	(2,606)	27,915

24. EQUITY

(a) Capital stock

Subscribed and paid-in capital stock for the year ended December 31, 2016 consists of 80,944,571 (82,866,371 for the year ended December 31, 2015) registered common shares with no par value, both corresponding to R$496,411, which is broken down as follows:

	Common Shares	
	12/31/2016	12/31/2015
Total outstanding shares	80,027,482	82,592,482
Treasury shares	917,089	273,889
Overall total shares	80,944,571	82,866,371

(b) Capital reserves and cost of issuing securities

For the year ended December 31, 2016, the capital reserve and cost of issuing securities balance totaled R$6,533 (R$1,231 as at December 31, 2015). The changes refer to share-based compensation, as described in Note 31.2.

(c) Treasury shares

From January to December 2016, the Company repurchased 2,565,000 common shares totaling R$27,622 at an average cost of R$10.77 to maximize the generation of value to shareholders, as approved by the Board of Directors on December 18, 2015.

On October 21, 2016, the Company cancelled 1,921,800 common shares with no par value, with no reduction in the capital stock.

The amount written off referring to the cancellation of shares came to R$20,819 as a counter-entry to the profit reserve.

On December 31, 2016, the balance of treasury shares was 917,089 common shares totaling R$9,952 (273,889 common shares totaling R$3,149 at December 31, 2015).

(d) Profit reserve

(i) Legal reserve

The Company must allocate 5% of the profit for the year to the legal reserve, limited to 20% of the capital stock. The allocation is optional when the legal reserve plus the capital reserves exceed 30% of the capital stock. For the year ended December 31, 2016, the legal reserve balance totaled R$14,420.

(ii) Profit retention reserve

This reserve is represented by the undistributed profit for the year after recognizing the legal reserve, distributing the minimum mandatory dividends and cancelling the treasury shares, which was carried out on October 21, 2016. Under the Company's Bylaws, the allocation of these amounts is pending approval by the Annual Shareholders' Meeting. For the year ended December 31, 2016, the profit retention reserve balance totaled R$197,846.

(e) Dividends

In accordance with the Company´s Bylaws, every year shareholders are guaranteed minimum mandatory dividends, equivalent to 25% of profit for the year, after deducting the legal reserve. In the year ended December 31, 2016, the Company recorded the amount of R$4,951 to be ratified by the Annual Shareholders' Meeting.

(f) Earnings per share

As prescribed by IAS 33 (equivalent to CPC 41), the Company must calculate basic earnings or loss per share attributable to its controlling shareholders and, if disclosed, the profit or loss resulting from continuing operations attributable to these holders of common shares.

(i) Basic earnings per share:

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average of common shares outstanding during the period, less common shares bought back by the Company and held as treasury shares, if any.

	Parent Company	
	12/31/2016	12/31/2015
Profit for the year	20,845	64,203
Weighted average of common shares (in thousands)	80,400	82,853
Basic earnings per common share – R$	0.26	0.77

(ii) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of outstanding common shares to assume conversion of all potential dilutive common shares. In the year ended December 31, 2016, the Company had only one instrument with dilutive effect, related to the bonus agreement of up to 900,000 Company shares, subject to the achievement of targets, as described in Note 31.2.

	Parent Company	
	12/31/2016	12/31/2015
Earnings for the year attributable to the Company's shareholders	20,845	64,203
Weighted average number of shares	80,400	82,853
Weighted average number of shares (in thousands) - diluted	835	-
Weighted average number of common shares for diluted earnings per share - thousands	81,235	82,853
Diluted earnings per share - R$	0.26	0.77

25. UNIVERSITY FOR ALL PROGRAM (ProUNI)

The Program is focused on granting scholarships to undergraduate and specific graduate students with monthly household income per capita that does not exceed three minimum wages.

Thus, by signing the adhesion agreement and in compliance with Law 11096, of January 13, 2005 and Decree 5493, of July 18, 2005, the Company's subsidiaries offer full and partial scholarships according to the selection criteria established by the PROUNI legislation, benefiting from the income tax, social contribution, COFINS and PIS exemptions, as prescribed by Article 8 of Law 11096/2005. This exemption refers only to taxes levied on profit and revenue earned on higher education activities, namely graduate degrees. This exemption is renewed semiannually through the digital signature of an adhesion agreement entered into with the MEC.

The number of scholarships awarded in the years ended December 31, 2016 and 2015 is consistent with PROUNI rules related to the minimum number of students per place, as prescribed by Law 12431, of June 24, 2011.

26. NET REVENUE FROM PRODUCTS AND SERVICES

	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015 (restated)
Gross revenue from products and services	2,819	2,534	1,037,660	825,484
Net FIES revenue	-	-	367,656	376,939
Discounts on monthly tuitions	-	-	(398,674)	(318,109)
Taxes on revenue	(300)	(216)	(21,824)	(19,886)
Commissions (a)	-	-	(27,812)	(21,676)
Present value adjustment	-	-	3,428	(7,808)
Net revenue	2,519	2,318	960,434	834,944

(a) Refers to Pravaler, distance-learning centers and FIES (FGEDUC and financial agent) financing commissions.

The discounts on monthly tuitions consist of discounts granted by the Company's subsidiaries, as shown below:

	Consolidated	
	12/31/2016	12/31/2015
PROUNI gratuity	(214,174)	(168,950)
Scholarships and discounts	(154,718)	(116,856)
Graduate degrees	(3,989)	(6,772)
Arrangements with companies	(4,987)	(5,051)
Refunding, rebates and other	(20,806)	(20,480)
Total	(398,674)	(318,109)

27. INCOME AND (EXPENSES) BY NATURE

	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015 (restated)
Advertising and publicity	(1,839)	(1,054)	(29,840)	(28,413)
Allowance for doubtful accounts (Note 8)	-	-	(45,554)	(38,352)
Taxes and fees	(1,860)	(527)	(4,714)	(3,084)
Provision for labor, tax, and civil risks (Note 23)	599	(19)	(12,060)	(9,724)
Other operating income	3,733	2,469	4,442	4,556
Revenue from lease of rooms and stores	-	-	5,176	2,257
Personnel expenses (a)	(7,505)	(8,424)	(543,226)	(454,384)
Outsourced service expenses (b)	(4,498)	(3,409)	(59,147)	(40,286)
Expenses on leases and occupancy	(95)	(440)	(92,671)	(73,358)
Depreciation expenses (Note 13)	(928)	(651)	(24,940)	(17,756)
Amortization expenses (Note 14)	(3,886)	(2,445)	(17,181)	(10,106)
Allowance for impairment losses (Note 14)	(10,300)	-	(19,000)	-
Maintenance	(227)	(30)	(14,108)	(8,751)
Commuting	(1,031)	(871)	(9,649)	(5,489)
Whitney agreement termination (c)	-	(53,658)	-	(53,658)
Other expenses	(453)	(48)	(41,873)	(28,725)
Total	(28,290)	(69,107)	(904,345)	(765,273)
Classified as:				
Cost	(16,912)	(15,370)	(611,583)	(492,616)
Selling expenses	(1,839)	(1,053)	(75,394)	(66,765)
General and administrative expenses	(1,712)	(54,608)	(191,213)	(199,897)
Other operating income (expenses), net	(7,827)	1,924	(26,155)	(5,995)

(a) The amount recognized as personnel expenses includes payroll and related taxes.

(b) The amount recognized as outside services refers mainly to consulting, information technology, security, and outsourced labor.

(c) It refers to a non-recurring expense due to contractual termination with Whitney do Brasil Holding Ltda.

The amounts of materials, power, outsourced services and other expenses disclosed in the Statement of Value Added, are stated above in the outsourced services, maintenance, commuting, occupancy and other expenses lines.

28. SEGMENT REPORTING

The Company's Management elected to organize the Group based on the two different services provided, as follows:

(a) Education - Activity performed by the subsidiaries MGE, IMEC, UNA, Unimonte, USJT, PGP Educação, Sociesc, FACEB and Politécnico, which are engaged in the provision of education services by offering elementary school and high school courses, college degrees and professional specialization courses, including undergraduate, graduate, masters, doctorate, and extension degrees, in addition to Pronatec, both formal and distance education.

(b) Management and Technology Innovation Vertical - Activity performed by the subsidiaries HSM do Brasil, Sociesc and ACAD focused on the development of corporate leaders and companies through congresses, forums, seminars, specialization courses, in-company courses, publishing books and magazines specifically focused of management and business, consultancy services in the area of technological innovation and technical testing and analysis, including a calibration laboratory and testing of electrical equipment, measuring equipment, materials, founding and tooling.

(i) The Company believes that the allocation of expenses through apportionment among the operating segments does not produce any additional benefit to the business analysis and management and, therefore, said expenses are not allocated. The Company does not analyze reports on the equity amounts per segment.

	12/31/2016			
	Consolidated			
	Education	Management and Technology Innovation Vertical	Unallocated amount	Total
NET REVENUE	914,124	46,310	-	960,434
COST OF PRODUCTS AND SERVICES	(579,639)	(31,944)	-	(611,583)
GROSS PROFIT	334,485	14,366	-	348,851
OPERATING INCOME (EXPENSES)				
Selling expenses	(70,682)	(2,727)	-	(73,409)
General and administrative expenses	(114,267)	(16,088)	-	(130,355)
Corporate (i)	-	-	(64,370)	(64,370)
Other operating income (expenses)	(5,261)	(19,366)	(1)	(24,628)
EARNINGS BEFORE FINANCE INCOME (EXPENSES)	144,275	(23,815)	(64,371)	56,089
Financial result	7,709	(1,214)	(2,313)	4,182
Corporate finance income (expenses)	-	-	(40,953)	(40,953)
PROFIT (LOSS) BEFORE INCOME TAXES	151,984	(25,029)	(107,637)	19,318
Current and deferred income tax and social contribution	1,525	3	(1)	1,527
PROFIT (LOSS) FOR THE PERIOD	153,509	(25,026)	(107,638)	20,845

	12/31/2015			
	Consolidated (restated)			
	Education	Management and Technology Innovation Vertical	Unallocated amount	Total
NET REVENUE	802,465	32,479	-	834,944
COST OF SERVICES RENDERED	(471,240)	(21,376)	-	(492,616)
GROSS PROFIT	331,225	11,103	-	342,328
OPERATING INCOME (EXPENSES)				
Selling expenses	(60,974)	(4,431)	-	(65,405)
General and administrative expenses	(75,827)	(18,527)	(53,729)	(148,083)
Corporate	-	-	(54,302)	(54,302)
Other operating income (expenses)	(4,494)	(372)	(1)	(4,867)
EARNINGS BEFORE FINANCE INCOME (EXPENSES)	189,930	(12,227)	(108,032)	69,671
Financial result	576	(1,046)	8	(462)
Corporate finance income (expenses)	-	-	(10,740)	(10,740)
PROFIT (LOSS) BEFORE INCOME TAXES	190,506	(13,273)	(118,764)	58,469
Current and deferred income tax and social contribution	1,895	51	3,788	5,734
PROFIT (LOSS) FOR THE PERIOD	192,401	(13,222)	(114,976)	64,203

The unallocated amount is basically related to the group's administrative activities performed by GAEC.

29. FINANCE INCOME (EXPENSES), NET

	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Finance income:				
Income from short-term investments	10,331	10,273	22,790	15,466
Income from monthly tuition interest rates	-	-	10,987	8,272
Exchange gain variation	8	1,251	155	1,315
Currency variation on loans	45,520	-	45,520	-
Realized gains on derivatives	2,406	-	2,406	-
Income from derivatives	-	22,818	-	24,814
Monetary restatement and present value adjustment	751	253	15,813	3,591
Discounts	13	150	1,684	1,667
Other	-	-	1,198	38
Total	59,029	34,745	100,553	55,163
Finance expenses:				
Loan interest expense	(50,283)	(21,386)	(60,487)	(29,994)
Interest from Pravaler financing	-	-	(13,415)	(5,629)
Realized losses on derivatives	(8,579)	-	(8,579)	-
Currency variation on loans	(39,347)	(22,818)	(39,347)	(23,487)
Exchange losses	(7)	-	(130)	-
Expenses with adjustment to present value and inflation adjustments of securities	-	(166)	(8,706)	(183)
Banking expenses	(1,597)	(873)	(1,806)	(1,082)
Other	(169)	(242)	(4,854)	(5,990)
Total	(99,982)	(45,485)	(137,324)	(66,365)
Financial result	(40,953)	(10,740)	(36,771)	(11,202)

30. EMPLOYEE BENEFITS

Variable compensation – The Company and its subsidiaries MGE, IMEC, Unimonte and USJT are included in the Compostella program, which offers variable compensation to their key management personnel, provided that the entity meets its overall goals and each member of management meets his or her individual goals. No amount was paid related to this benefit in the year ended December 31, 2016 (R$5,068 on December 31, 2015).

Food benefit - The Company and its subsidiaries offer two alternative types of benefit to their employees: a meal card or a food card, except for Unimonte, which only grants food cards, and Sociesc, which only grants meal cards. In the year ended December 31, 2016, the expenses incurred on this benefit came to R$8,353 (R$7,160 at December 31, 2015).

Health and dental insurance plan - The Company and its subsidiaries offer a health and dental insurance plan with co-payment requirements to its employees, according to the criteria established in their policy. In the year ended December 31, 2016, the cost of this benefit came to R$8,648 (R$5,442 at December 31, 2015).

Scholarships - The Company and its subsidiaries offer to all their employees scholarships ranging from 50% to 100%, depending on the salary bracket, course selected and academic performance and can be transferred to an employee’s dependent in turn. In addition, spouses and offspring are entitled to a 50% scholarship and the Anima Community (other employee family members), are entitled to a 30% scholarship. In the year ended December 31, 2016, scholarships totaling R$19,938 were awarded to employees and their dependents (R$17,275 at December 31, 2015).

Day care center benefit - Sociesc offers its employees with children up to one year old, who attend a private day care center, up to 50% of the minimum wage. USJT offers its employees 100% of day care center benefits.

Transportation allowance - Sociesc offers its corporate officers and unit directors monthly transportation allowance and a fuel and toll card.

Funeral assistance - Sociesc offers its employees funeral assistance if a member of the staff dies, in which case children over 14 years of age have the right to payment of funeral expenses and indemnity of R$5,000, while children younger than 14 are entitled to funeral expenses alone, up to a maximum amount of R$5,000.

Private pension plan - Sociesc provides its employees a private pension plan, contracted with Bradesco, contributing up to 70% of the cost, with a maximum of 10% of the employee's salary in the case of those with salaries exceeding R$7,000, and 100% for employees earning less than R$7,000. In the year ended December 31, 2016, the cost of this benefit amounted to R$704.

Life insurance - ACAD offers life insurance to its employees without salary discounts or coinsurance.

31. RELATED-PARTY TRANSACTIONS

	Parent Company						
	12/31/2016				12/31/2015		
	Assets	Liabilities		Profit (loss)	Assets	Liabilities	Profit (loss)
	Trade receivables	Trade payables	Loan	Revenue	Trade receivables	Trade payables	Revenue
MGE	4,672	380	-	2,095	3,278	476	1,882
IMEC	3,219	292	-	-	2,260	248	-
AMC	2,832	91	-	-	1,753	83	651
Unimonte	1,270	258	22	724	844	235	-
HSM Brasil	144	73	-	-	77	-	-
Other	68	70	-	-	68	69	-
Total	12,205	1,164	22	2,819	8,280	1,111	2,533

	Consolidated						
	12/31/2016			12/31/2015			
	Assets		Profit (loss)	Assets		Liabilities	Profit (loss)
	Trade receivables	Loan	Expenses	Trade receivables	Loan	Trade payables	Expenses
Santa Antonieta Gestão Patrimonial (a)	-	-	3,482	-	-	270	3,178
Instituto UNA	32	147	-	32	12	-	-
Virtual	36	-	-	36	-	-	-
Total	68	147	3,482	68	12	270	3,178

(a) Refers to the rent of the Aimorés Campus used by MGE.

31.1. Key management personnel compensation

Key management personnel include the Company's officers and board members.

	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Short-term benefits	3,649	4,344	11,186	11,777
Long-term benefits	-	-	5,288	-

31.2. Share-based compensation

After the acquisition of Sociesc, in order to maintain its main executive, the Company entered into a share bonus agreement subject to the achievement of certain financial, operational, academic performance and people management goals for the next five years, which may result in bonuses of up to 900,000 Company shares (ANIM3).

The shares granted will be settled with equity instruments (Company shares) only, and the Company is under no obligation to change settlement to payment in cash.

As defined in the rules governing the departure of the executive, during the bonus agreement's effective period, the executive is entitled to 450,000 shares, which is why the Company has already recognized the amount corresponding to these shares in profit or loss.

In 2016, due to the partial achievement of the financial goal, the executive was entitled to another 54,000 shares.

The fair value of the shares granted was determined based on their average price in 2016, at the average price of R$10.48.

The fair value of the shares granted was recognized as an expense, in the "personnel expenses" line, with a counter-entry in equity, in the "capital reserve" line, in the amount of R$5,288 in the year ended December 31, 2016.

32. FINANCIAL INSTRUMENTS

32.1. Financial risk management:

In the normal course of its operations, the Company and its subsidiaries are exposed to the following risks related to their financial instruments:

(a) Liquidity risk – is the risk the Company and its subsidiaries are exposed to of not having the necessary funds to meet their obligations when they become due.

The Company and its subsidiaries manage the liquidity risk by maintaining proper reserves, bank and other credit facilities to raise new borrowings that they consider appropriate, based on the continuous monitoring of budgeted and actual cash flows, and the combination of the maturity profiles of financial assets and liabilities.

The table below shows the Company's financial liabilities:

	Consolidated			
	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
At December 31, 2016:				
Borrowings and financing (Note 16)	124,126	106,564	146,942	377,632
Derivatives	13,061	-	9,641	22,702
Trade payables (Note 15)	23,688	-	-	23,688
Notes payable (Note 22)	9,133	20,728	43,823	73,684
At December 31, 2015:				
Borrowings and financing (Note 16)	124,192	153,474	76,789	354,455
Derivatives	(12,093)	(2,131)	(8,594)	(22,818)
Trade payables (Note 15)	19,606	-	-	19,606

(b) Credit risk - is the risk the Company and its subsidiaries are exposed to regarding a counterparty's failure to comply with an obligation related to a financial instrument or customer agreement, thus resulting in financial losses. The Company recognizes an allowance for doubtful accounts in an amount considered sufficient by Management to cover potential losses.

(i) Trade receivables: The Company and its subsidiaries' sales policy is closely related to the level of credit risk that they are willing to assume in the ordinary course of their businesses, limited to Federal Government rules (Law 9870/99, which provides for total school annual tuitions). Enrollment for the next school year is blocked whenever a student is in default with the institution, requiring students to renegotiate their debt. The diversification of its receivables portfolio and the selectivity of students, as well as monitoring of payment terms, are procedures adopted to minimize any default on the collection of receivables.

In 2016, the Company introduced financing solutions through the Ampliar and Pravaler programs (see Note 8), in which students pay between 33% and 65% of their tuition fee and the remaining amount after graduation in a period of up to twice the time of their courses. For this portfolio, the Company adopted more conservative estimated losses, in which receivables not yet due have an allowance of 40%, while receivables overdue for more than 90 days have an allowance of 100%.

The Company recorded an allowance for losses of 50% for those students who were not able to amend their FIES contracts on time.

(ii) Financial instruments: The Company restricts its exposure to credit risks related to banks and short-term investments by investing through prime financial institutions, based on the rating awarded by Fitch Ratings, and in accordance with previously established limits.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk on the reporting dates was:

		Parent Company		Consolidated	
	Notes	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Cash and cash equivalents	7	8,663	1,411	39,568	25,480
Short-term investments	7	7,003	153,482	141,931	159,058
Trade receivables	8	12,205	8,280	285,603	289,252
Sundry advances	9	1,532	671	49,804	21,984
Credits with related parties	31	-	-	147	12
Total		29,403	163,844	517,053	495,786

(c) Market risk - it is the risk that the Company and its subsidiaries are exposed to related to fluctuations in the fair value or future cash flows of a given financial instrument due to changes in interest rates and inflation adjustment indices.

(i) Foreign exchange risk - The Company and its subsidiaries use derivative financial instruments, recorded in the statement of financial position and in the income statement, in order to manage market risks arising from the mismatch between currencies and indices. Derivative transactions are carried out in accordance with the Company's annual business plan previously approved by the Board of Directors.

The Company took US dollar-denominated loans and contracted a SWAP to ensure the US dollar quote, aiming at mitigating the foreign exchange variation risk. These derivative transactions are recorded in the Company's statement of financial position at their fair value and the respective gains or losses are immediately recognized in the finance income (expenses).

These derivative operations were contracted with Itaú Unibanco S.A. and HSBC Bank Brasil S.A., under the following amounts and conditions:

Consolidated						
Contracting date	Maturity date	Pegged amount (USD thousand)	Contracted Quote	Fair value adjustment (R$ thousand)	Closing Quote	SWAP Rate
Swap operations						
8/28/2015	8/17/2017	13,793	3.6250	13,061	3.893% p.a.	CDI + 1.00% p.a.
8/26/2015	8/26/2020	28,090	3.5600	9,641	2.788% p.a.	CDI + 2.40% p.a.
Total		41,883		22,702		
Current liabilities				13,061		
Noncurrent liabilities				9,641		

For the year ended December 31, 2016, the variation between the reference amounts of derivatives contracted and related calculations of fair value were recorded under "finance expenses" totaling R$45,520 against "derivatives".

The Company's Management permanently monitors the derivative financial instruments contracted.

(ii) Interest rate risk - the Company has borrowings and financing denominated in local currency subject to interest rates linked to indices (mainly the CDI). The risk related to these liabilities is linked to the possibility of changes in interest rates.

The Company does not have any contract to hedge against this type of exposure; however it continually monitors market interest rates to assess the need to enter into hedging transactions against the risk of volatility in these rates.

Interest rates in current and non-current liabilities are as follows:

		Consolidated	
	Note	12/31/2016	12/31/2015
Borrowings and financing:			
Interbank Deposit Certificate - CDI	16	361,992	353,989
Derivatives	32	22,702	(22,818)
TJLP and TR	16	3,485	466
Other (i)	16	12,155	-
Notes payable:			
INPC	22	33,339	-
Average - INPC/IGPM/IPCA	22	22,653	-
TR	22	17,692	-
Total		474,018	331,637

(i) Borrowings and financing with no index.

32.2. Capital management

The Company and its subsidiaries manage their capital to ensure their going concern and, at the same time, maximize return to all stakeholders or parties involved in their operations, by optimizing the debt and equity balance.

Management reviews the Company's and its subsidiaries' capital structure on a regular basis. Management considers the cost of capital, asset liquidity, the risks associated to each class of equity, and the debt-to-equity ratio on a consolidated basis by adopting a financial leverage ratio.

The table below shows the financial leverage ratios:

		Parent Company		Consolidated	
	Note	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Borrowings and financing	16	330,125	311,219	377,632	354,455
Derivatives	32.1	22,702	(22,818)	22,702	(22,818)
Cash and cash equivalents	7	(8,663)	(1,411)	(39,568)	(25,480)
Short-term investments	7	(7,003)	(153,482)	(141,931)	(159,058)
Net debt (cash)		337,161	133,508	218,835	147,099
Equity	24	635,692	642,118	635,692	642,118
Financial leverage ratio		53.04%	20.79%	34.42%	22.91%

32.3. Fair value measurements recognized in the statement of financial position and/or disclosed:

(a) Fair value versus carrying amount

It was identified that in the transactions involving financial instruments the carrying amounts and the fair values of borrowings and financing are different because such borrowings and financing have extended maturities.

The fair values of borrowings and financing were calculated by projecting the future cash flows of borrowings and financing using the interest rates agreed for each transaction (Note 16), subsequently discounted to present value using the average funding rates incurred at the end of each period, which are in conformity with the rates used by the market on each date and in each type of funding. The discount rate used in financial liabilities for the year ended December 31, 2016 was 15.82% (16.15% on December 31, 2015).

The estimated fair values are as follows:

		Parent Company			
		12/31/2016		12/31/2015	
	Note	Fair value	Carrying amount	Fair value	Carrying amount
Net financial liabilities					
Borrowings and financing	16	330,077	330,125	288,301	311,219
Derivatives	32.1	22,702	22,702	(22,818)	(22,818)
Total		352,779	352,827	265,483	288,401

	Consolidated			
	12/31/2016		12/31/2015	
Note	Fair value	Carrying amount	Fair value	Carrying amount

Net financial liabilities					
Borrowings and financing	16	372,776	377,632	331,177	354,455
Derivatives	32.1	22,702	22,702	(22,818)	(22,818)
Notes payable	22	73,684	73,684	-	-
Total		469,162	474,018	308,359	331,637

(b) Fair value hierarchy

For the years ended December 31, 2016 and 2015, the Company and its subsidiaries adopted Level 2 for derivatives and all borrowings and financing and notes payable.

32.4. Credit quality of financial assets:

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Trade receivables				
Counterparties without external credit rating	12,205	8,280	285,603	289,252
	12,205	8,280	285,603	289,252
Cash at bank and short-term bank deposits (i) AAA	77	30	2,300	1,682
Short-term investments (i) AAA	-	-	173,020	
Cash at bank and short-term bank deposits (i) AA+	119	-	4,884	
Short-term investments (i) AA+	15,466	154,859	1,176	182,766
	15,662	154,889	181,380	184,448

(i) National rating assigned by risk rating agency Fitch Ratings.

The residual balance of "cash and cash equivalents" of the statement of financial position is cash on hand.

33. SENSITIVITY ANALYSIS

The following is the sensitivity analysis table of the financial instruments that might produce material losses for the Company and its subsidiaries, shown in the probable scenario (indices used: CDI – 13.63%, INPC – 6.58%, IPCA - 6.29%, IGPM – 7.19% and TR – 2.01%), taking into account a 12-month time horizon. Additionally, two other scenarios are provided, therefore showing a 25% and 50% stress at the risk variable considered, respectively.

	Parent Company			
	12/31/2016			
			Effect on profit (loss)	
			Possible	Remote

	Index	Risk	Value	Probabl e scenario	scenari o (25%)	scenario (50%)
Short-term investments	CDI	CDI increase	(15,466)	(2,108)	(2,635)	(3,162)
Borrowings and financing (domestic currency)	CDI	CDI increase	190,967	26,029	32,536	39,043
Borrowings and financing (foreign currency)	CDI	CDI increase	139,158	18,967	23,709	28,451
Derivatives	CDI	CDI increase	22,702	3,094	3,868	4,641
Net exposure - loss			337,361	45,982	57,478	68,973

	Consolidated					
	12/31/2016					
				Effect on profit (loss)		
	Index	Risk	Value	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Short-term investments	CDI	CDI increase	(174,196)	(23,743)	(29,679)	(35,614)
Borrowings and financing (domestic currency)	CDI	CDI increase	238,473	32,504	40,630	48,756
Borrowings and financing (foreign currency)	CDI	CDI increase	139,158	18,967	23,709	28,451
Derivatives	CDI	CDI increase	22,702	3,094	3,868	4,641
Notes payable	INPC	INPC increase	33,338	2,194	2,742	3,290
Notes payable	Average - INPC/IGPM/IPCA	Average increase	22,653	1,515	1,893	2,272
Notes payable	TR	TR increase	17,693	356	445	534
Net exposure - loss			299,821	34,887	43,608	52,330

For the year ended December 31, 2016, we carried out a sensitivity analysis considering the "index increase" scenario, given that this is the scenario that would most negatively impact the Company in the current period considering that we have more borrowings than investments.

Gains and losses on these transactions are consistent with the policies and strategies designed by the Company's Management and its subsidiaries.

The rates used for the projections described above were based on the CDI estimate disclosed by Cetip, the INPC, IPCA and IGPM estimates disclosed by the Brazilian Institute of Geography and Statistics (IBGE), and the TR estimate disclosed by BACEN, deemed by Management as independent external and reliable sources.

No sensitivity analysis was carried out on the US dollar variation impact, given that the Company's Management contracted hedging instruments in an amount deemed to be sufficient to minimize the impacts from the exchange variation.

34. INSURANCE

The Company and its subsidiaries have the policy of obtaining insurance coverage considering the type of its operations, risks involved and advice from insurance brokers. All insurance policies were obtained with Brazilian insurers.

For the years ended December 31, 2016 and 2015, the Company had insurance policies, which cover, but not limited to, fire, floods, occupational accidents, electrical damages, riots, window breaking, electronic equipment, robbery, lightening, explosions, windstorms, and vehicle and plane crashes.

35. STATEMENTS OF CASH FLOWS - MAIN NON-CASH TRANSACTIONS

For the correct analysis of the statements of cash flows for the year ended December 31, 2016, it is necessary to appraise the transactions below, which did not affect cash:

(a) On February 1, 2016, the subsidiary PGP Educação disbursed R$291 for the acquisition of Sociesc and took over Sociesc with a cash balance of R$5,542, having a net positive effect of R$5,251 on cash flow.

(b) On July 1, 2016, the subsidiary PGP Gestão disbursed R$16,245 for the acquisition of Faceb and took over Faceb with a cash balance of R$2,209, having a net positive effect of R$14,036 on cash flow.

(c) On September 1, 2016, the subsidiary HSM disbursed R$30 for the acquisition of ACAD, received R$180 as net debt reimbursement, and took over ACAD with a cash balance of R$579, having a net positive effect of R$729 on cash flow.

(d) On October 3, 2016, the subsidiary PGP Gestão did not disburse any amount for the acquisition of Instituto Politécnico, given that the amount was deducted from net debt, and took over Instituto Politécnico with a cash balance of R$37, affecting cash flow by this amount.

(e) On October 21, 2016, the Company cancelled 1,921,800 shares totaling R$26,329, with no reduction in the capital stock and no impact on the cash flow.

(f) In 2016, the Company’s subsidiaries offset the amount of R$2,775 related to escrow deposits and provision for risks.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for disclosure by the Board of Directors on March 13, 2017.

BOARD OF EXECUTIVE OFFICERS

DANIEL FACCINI CASTANHO
Chief Executive Officer

GABRIEL RALSTON CORREA RIBEIRO
Chief Financial Officer

TECHNICAL MANAGER

MARY AFONSO MOUSINHO
Accountant
CRC/MG 088.391/O-8

2017 CAPITAL BUDGET

Pursuant to article 196 of Law 6,404, the purpose of this Capital Budget is to plan the sources and allocation of funds to meet the Company's capital needs during 2017, with a proposed amount of two hundred and sixty million, five hundred and seventy-five thousand reais (R$260,575,000.00). It will be submitted for approval by the Shareholders' Meeting and comprises the following sources and application of funds:

Planned Capital Application:

Short-term loans and financing	99,824,000.00
Cash needs of subsidiaries due to the additional term granted to the Federal Government for the payment of Fies	94,122,000.00
Laboratories and books	21,122,000.00
Production of distance-learning content	9,027,000.00
IT equipment	11,893,000.00
Expansion and maintenance	20,587,000.00
Infrastructure	1,999,000.00
Accreditation	2,001,000.00
	260,575,000.00

Planned Sources of Funds:

- Retained earnings totaling one hundred and ninety-seven million reais, eight hundred and forty-six thousand reais (R$197,846,000.00), as follows:

Retained earnings for the year	14,852,000.00
Cancellation of common shares held in treasury	(20,819,000.00)
Retained earnings from previous years	203,813,000.00
	197,846,000.00

- Third-party capital totaling sixty-two million, seven hundred and twenty-nine thousand reais (62,729,000.00).

Term: Up to one year.