

GAEC Educação S.A. and subsidiaries

Parent Company and Consolidated
Interim Financial Information
For the Three- and Nine-Month Periods
Ended September 30, 2017 and
Report on the Review of Interim Financial
Information

Deloitte Touche Tohmatsu Auditores Independentes

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders and Management of
GAEC Educação S.A.
São Paulo - SP

Introduction

We have reviewed the accompanying parent company and consolidated interim financial information of GAEC Educação S.A. ("Company"), identified as parent company and consolidated, respectively, included in the Interim Financial Information Form (ITR) for the quarter ended September 30, 2017, which comprises the statement of financial position as of September 30, 2017 and the related statements of income, comprehensive income for the three- and nine-month periods then ended, changes in equity and cash flows for the nine-month period then ended, including the explanatory notes.

The Company's Management is responsible for the preparation of the parent company and consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) - Interim Financial Information and with international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion on the interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim financial information included in the ITR referred to previously was not prepared, in all material respects, in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34, applicable to the preparation of Interim Financial Information (ITR), and presented in accordance with the standards issued by the CVM.

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Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added (DVA) for the nine-month period ended September 30, 2017, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by the CVM applicable to the preparation of Interim Financial Information (ITR) and considered as supplemental information for International Financial Reporting Standards - IFRS, which does not require the presentation of DVA. These statements were subject to the same review procedures described above, and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the interim financial information taken as a whole.

Belo Horizonte, November 6, 2017

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GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2017

Amounts in thousands of Brazilian reais – R\$

ASSETS	Note	Company		Consolidated		LIABILITIES AND EQUITY	Note	Company		Consolidated	
		9/30/2017	12/31/2016	9/30/2017	12/31/2016			9/30/2017	12/31/2016	9/30/2017	12/31/2016
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	6	2,990	8,663	37,548	39,568	Trade payables	14	3,391	4,032	24,808	23,688
Short-term investments	6	15,623	7,003	109,371	141,931	Borrowings and financing	15	32,976	99,824	52,315	124,126
Trade receivables	7 and 29	29,697	12,205	278,350	195,710	Labor and related taxes	16	10,679	6,853	78,199	58,359
Sundry advances	8	1,044	1,532	22,921	37,355	Taxes payable	17	872	1,058	12,683	14,772
Dividends receivable		56,840	140,617	-	-	Advances from clients	18	-	-	30,634	19,177
Recoverable taxes	9	3,477	3,630	12,744	11,154	Taxes and contributions paid in installments	19	-	-	646	550
Other current assets		997	56	13,947	8,324	Notes payable	20	-	-	10,891	9,133
Total current assets		<u>110,668</u>	<u>173,706</u>	<u>474,881</u>	<u>434,042</u>	Dividends payable		16	4,967	16	4,967
NONCURRENT ASSETS						Derivatives	30	6,610	13,061	6,922	13,061
Trade receivables	7	-	-	141	89,893	Other current liabilities		898	202	1,139	456
Sundry advances	8	-	-	7,032	12,449	Total current liabilities		<u>55,442</u>	<u>129,997</u>	<u>218,253</u>	<u>268,289</u>
Escrow deposits	21	45	34	38,966	36,292	NONCURRENT LIABILITIES					
Loans with related parties	29	-	-	154	147	Borrowings and financing	15	220,304	230,301	231,345	253,506
Recoverable taxes	9	8,027	1,279	13,817	6,001	Debts with related parties	29	5,147	22	-	-
Other noncurrent assets		350	-	19,074	16,366	Notes payable	20	-	-	61,237	64,551
Investments	11	850,949	811,261	2,938	-	Taxes and contributions paid in installments	19	-	-	4,019	4,470
Property and equipment	12	7,568	5,248	236,634	223,530	Deferred income tax and social contribution	10	-	-	54,914	52,180
Intangible assets	13	<u>18,578</u>	<u>16,132</u>	<u>571,675</u>	<u>569,132</u>	Provision for labor, tax and civil risks	21	1,277	1,290	81,079	98,473
Total noncurrent assets		<u>885,517</u>	<u>833,954</u>	<u>890,431</u>	<u>953,810</u>	Derivatives	30	4,931	9,641	4,931	9,641
						Other noncurrent liabilities		<u>3,250</u>	<u>717</u>	<u>3,700</u>	<u>1,050</u>
						Total noncurrent liabilities		<u>234,909</u>	<u>241,971</u>	<u>441,225</u>	<u>483,871</u>
						TOTAL LIABILITIES		<u>290,351</u>	<u>371,968</u>	<u>659,478</u>	<u>752,160</u>
						EQUITY					
						Capital stock	22	496,411	496,411	496,411	496,411
						Capital reserve	22	6,594	6,533	6,594	6,533
						Profit reserve	22	212,266	212,266	212,266	212,266
						Treasury shares	22	(14,213)	(9,952)	(14,213)	(9,952)
						Goodwill from capital transaction	22	(69,566)	(69,566)	(69,566)	(69,566)
						Retained earnings		<u>74,342</u>	<u>-</u>	<u>74,342</u>	<u>-</u>
						Total equity		<u>705,834</u>	<u>635,692</u>	<u>705,834</u>	<u>635,692</u>
TOTAL ASSETS		<u>996,185</u>	<u>1,007,660</u>	<u>1,365,312</u>	<u>1,387,852</u>	TOTAL EQUITY AND LIABILITIES		<u>996,185</u>	<u>1,007,660</u>	<u>1,365,312</u>	<u>1,387,852</u>

The notes are an integral part of the interim financial information.

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF INCOME
FOR THE THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017
Amounts in thousands of Brazilian reais – R\$

	Note	Company				Consolidated			
		7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
NET REVENUE	24	451	1,805	630	1,889	252,440	769,395	231,171	701,965
COST OF PRODUCTS AND SERVICES	25	(5,586)	(16,204)	(4,479)	(12,591)	(157,616)	(457,357)	(153,331)	(434,881)
GROSS INCOME (LOSS)		(5,135)	(14,399)	(3,849)	(10,702)	94,824	312,038	77,840	267,084
OPERATING INCOME (EXPENSES)									
Selling expenses	25	(722)	(1,745)	(741)	(1,576)	(18,921)	(54,953)	(16,145)	(48,726)
General and administrative expenses	25	(768)	(1,547)	(336)	(1,220)	(58,160)	(168,257)	(47,229)	(133,282)
Equity in the earnings (losses) of subsidiaries	11	22,738	105,833	21,103	97,822	(193)	(198)	-	-
Other operating income (expenses)	25	1,410	3,356	776	2,079	(1,776)	(1,143)	(529)	(4,729)
		22,658	105,897	20,802	97,105	(79,050)	(224,551)	(63,903)	(186,737)
EARNINGS BEFORE FINANCIAL RESULT		17,523	91,498	16,953	86,403	15,774	87,487	13,937	80,347
Finance income (expenses)	27	(7,853)	(32,220)	(11,390)	(29,121)	(6,961)	(30,351)	(8,613)	(23,618)
PROFIT (LOSS) BEFORE INCOME TAXES		9,670	59,278	5,563	57,282	8,813	57,136	5,324	56,729
Current and deferred income tax and social contribution	10	427	15,064	-	-	1,284	17,206	239	553
PROFIT (LOSS) FOR THE PERIOD		10,097	74,342	5,563	57,282	10,097	74,342	5,563	57,282
BASIC EARNINGS (LOSS) PER SHARE – R\$	22	0.13	0.93	0.07	0.71				
DILUTED EARNINGS PER SHARE - R\$	22	0.13	0.92	0.07	0.70				

The notes are an integral part of the interim financial information.

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017
Amounts in thousands of Brazilian reais – R\$

	Note	Capital stock	Capital reserve	Treasury shares	Profit reserves		Goodwill on capital transactions	Retained earnings	Company's equity
					Legal reserve	Profit retention			
BALANCES AS AT DECEMBER 31, 2015		<u>496,411</u>	<u>1,231</u>	<u>(3,149)</u>	<u>13,378</u>	<u>203,813</u>	<u>(69,566)</u>	<u>-</u>	<u>642,118</u>
Share-based compensation		-	4,630	-	-	-	-	-	4,630
Acquisition of treasury shares	22.c	-	-	(27,459)	-	-	-	-	(27,459)
Profit (loss) for the period		-	-	-	-	-	-	57,282	57,282
BALANCES AS AT SEPTEMBER 30, 2016		<u>496,411</u>	<u>5,861</u>	<u>(30,608)</u>	<u>13,378</u>	<u>203,813</u>	<u>(69,566)</u>	<u>57,282</u>	<u>676,571</u>
BALANCES AS AT DECEMBER 31, 2016		<u>496,411</u>	<u>6,533</u>	<u>(9,952)</u>	<u>14,420</u>	<u>197,846</u>	<u>(69,566)</u>	<u>-</u>	<u>635,692</u>
Share-based compensation		-	61	-	-	-	-	-	61
Acquisition of treasury shares	22.c	-	-	(4,261)	-	-	-	-	(4,261)
Profit (loss) for the period		-	-	-	-	-	-	74,342	74,342
BALANCES AS AT SEPTEMBER 30, 2017		<u>496,411</u>	<u>6,594</u>	<u>(14,213)</u>	<u>14,420</u>	<u>197,846</u>	<u>(69,566)</u>	<u>74,342</u>	<u>705,834</u>

The notes are an integral part of the interim financial information.

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017
Amounts in thousands of Brazilian reais – R\$

	Company				Consolidated			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
PROFIT (LOSS) FOR THE PERIOD	10,097	74,342	5,563	57,282	10,097	74,342	5,563	57,282
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>10,097</u>	<u>74,342</u>	<u>5,563</u>	<u>57,282</u>	<u>10,097</u>	<u>74,342</u>	<u>5,563</u>	<u>57,282</u>

The notes are an integral part of the interim financial information.

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017
Amounts in thousands of Brazilian reais – R\$

		Company		Consolidated	
	Note	9/30/2017	9/30/2016	9/30/2017	9/30/2016
CASH FLOW FROM OPERATING ACTIVITIES					
Profit for the period		74,342	57,282	74,342	57,282
Adjustments:					
Allowance for doubtful accounts	7/25	-	-	31,066	28,279
Restatement (reversal) of escrow deposits	21	(2)	4	(1,569)	(1,239)
Depreciation and amortization	12/13/25	4,655	3,478	37,787	28,900
Write-off of the residual value of property and equipment and intangible assets	12/13	-	95	120	3,348
Equity income	11	(105,833)	(97,822)	198	-
Investment loss		-	-	-	36
Expenses with interest from loans, borrowings and tax installments		20,018	37,871	23,881	46,224
Recognition and restatement of the provision for labor, tax and civil risks	25	(13)	(465)	6,167	8,398
Present value adjustment expenses and restatement of notes	27	-	-	6,119	6,093
Revenue from adjustment to present value and FIES, Ampliar and Pravalier inflation adjustments		-	-	(5,129)	(14,652)
Restatement of loans to third parties		-	-	(1,315)	-
Share-based compensation		7	-	61	4,630
Fair value from derivatives		10,438	-	10,664	-
Write-off of inventory and net assets		-	-	1,194	-
Current and deferred income tax and social contribution	10	(15,064)	-	(17,206)	(553)
		(11,452)	443	166,380	166,746
Variation in operating assets and liabilities:					
Decrease (increase) in trade receivables		(17,490)	(448)	(18,826)	(10,729)
Decrease (increase) in sundry advances		488	(205)	19,851	(12,452)
Decrease (increase) in escrow deposits	21	(9)	(1)	(4,566)	(6,769)
Decrease (increase) in recoverable taxes and contributions		1,999	40	(610)	250
Decrease (increase) in other assets		(1,287)	(3)	(7,355)	(2,567)
(Decrease) increase in trade payables		(641)	(778)	1,120	(65)
(Decrease) increase in payroll and related taxes		4,436	(240)	18,699	20,290
(Decrease) increase in advances from clients		-	-	11,457	5,639
(Decrease) increase of taxes and contributions paid in installments		-	-	(731)	82
(Decrease) increase of provision for tax, civil and labor risks	21	-	(421)	(12,482)	(12,581)
(Decrease) increase in other liabilities		3,226	(10)	3,335	(259)
		(9,278)	(2,066)	9,892	(19,161)
Interest paid		(26,842)	(23,184)	(30,660)	(31,700)
Income tax and social contribution paid		-	-	(15)	(299)
Net cash (used in) generated by operating activities		(47,572)	(24,807)	145,597	115,586
CASH FLOW FROM INVESTING ACTIVITIES					
Concession of loans to related parties		-	-	(7)	-
Capital increase in subsidiary	11	(34,442)	(133,688)	(3,136)	-
Acquisition of subsidiaries net of cash acquired		-	-	-	(8,056)
Redemption (investment) of financial investments		(7,139)	143,159	45,146	(14,251)
Yields from financial investments		(1,481)	(10,372)	(12,586)	(18,019)
Acquisition of property and equipment	12	(3,229)	(2,559)	(36,867)	(27,716)
Acquisition of intangible assets	13	(6,192)	(4,254)	(11,873)	(9,201)
Dividends received		190,088	31,000	-	-
Net cash (used in) generated by investing activities		137,605	23,286	(19,323)	(77,243)
CASH FLOW FROM FINANCING ACTIVITIES					
Loans with related parties					
Funding		21,183	-	-	-
Amortizations		(16,058)	-	-	-
Borrowings and financing					
Funding		5,351	142,978	5,351	142,978
Amortizations		(69,399)	(98,405)	(86,299)	(140,670)
Gain (loss) on derivatives		(27,571)	-	(27,571)	-
Amortization of notes payable in the acquisition of subsidiaries		-	-	(10,563)	-
Treasury shares	22.c	(4,261)	(27,459)	(4,261)	(27,459)
Dividends paid		(4,951)	(15,249)	(4,951)	(15,249)
Net cash (used in) generated by financing activities		(95,706)	1,865	(128,294)	(40,400)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(5,673)	344	(2,020)	(2,057)
VARIATION OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at the beginning of the period	6	8,663	1,411	39,568	25,480
Cash and cash equivalents at the end of the period	6	2,990	1,755	37,548	23,423
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(5,673)	344	(2,020)	(2,057)

The notes are an integral part of the interim financial information.

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF VALUE ADDED
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017
Amounts in thousands of Brazilian reais – R\$

		Company		Consolidated	
	Note	9/30/2017	9/30/2016	9/30/2017	9/30/2016
REVENUE					
Revenue from products and services	24	2,018	2,114	789,893	717,120
Other revenue		569	48	6,930	7,073
Allowance for doubtful accounts	25	-	-	(31,066)	(28,279)
INPUTS ACQUIRED BY THIRD PARTIES					
Cost of products and services		(107)	(25)	(8,074)	(7,421)
Materials, electricity, outsourced services and other		(3,186)	(3,373)	(121,523)	(104,352)
GROSS VALUE ADDED		(706)	(1,236)	636,160	584,141
Depreciation and amortization	25	(4,655)	(3,478)	(37,787)	(28,900)
NET VALUE ADDED		(5,361)	(4,714)	598,373	555,241
VALUE ADDED RECEIVED IN TRANSFER					
Equity in the earnings (losses) of subsidiaries	11	105,833	97,822	(198)	-
Financial income	27	5,526	78,476	33,987	111,695
TOTAL VALUE ADDED TO DISTRIBUTE		105,998	171,584	632,162	666,936
VALUE ADDED DISTRIBUTION		105,998	171,584	632,162	666,936
Personnel					
Direct compensation		6,208	3,418	305,573	285,836
Share-based compensation		7	-	52	4,630
Benefits		230	754	19,380	17,128
Severance pay fund (FGTS)		326	302	33,024	27,752
Taxes and contributions					
Federal		(13,168)	2,113	58,733	71,217
State		-	(2)	528	526
Municipal		71	63	22,985	16,510
Value distributed to providers of capital					
Interest	27	37,746	107,597	64,338	135,313
Rent		236	57	53,207	50,742
Value distributed to shareholders		74,342	57,282	74,342	57,282
Profit for the period		74,342	57,282	74,342	57,282

The notes are an integral part of the interim financial information.

MESSAGE FROM MANAGEMENT

Resume growth, with lower dropout rates and stable average ticket

Throughout this year we have talked at length about the importance of focusing on our choices and certain priorities, as well as improving our execution in order to boost results. These priorities include resuming organic growth, which has been a key element of our plan. After a period of internal adjustments, we have started to see the first results of our efforts. We ended the last intake cycle with 13.5 thousand new students, 35% above the same period last year, or +31% excluding Una Uberlândia, which has been consolidated since October 2016. We are very pleased about this intake cycle not only because of growth itself, but also because of its quality. We grew in virtually all our brands and units, underlining the success of structural efforts from the commercial area. The launch of new programs (including blended programs) and the opening of new academic units also contributed to this improvement.

All the growth recorded during this quarter came from students without financial aid, which confirms our thesis that Education is an investment for life and that there are students willing to pay for higher quality education, despite of limited access to both public (FIES) and private student financing options in Brazil. We met our intake targets without jeopardizing our pricing, sustaining our quality positioning. Although we are still seeing higher discounts in our financial results, our net average ticket stood at R\$841/month in 3Q17, 5% higher than in 3Q16 and virtually in line with 1Q17. Finally, it is important to point out that this growth is taking place during a still incipient phase of economic recovery in the country, in which an inflation under control and decreasing interest rates indicate the worst is already behind us.

Retaining and engaging existing students is just as important as acquiring new students. We are very pleased with the results of our retention area, since we ended the last semester cycle with a 2.3pp decline in our dropout rates (versus 1S16). Therefore, we are beginning the second semester of 2017 with 95.1 thousand students (+2.1% versus 3Q16). Thanks to these advances, we ended the quarter with Net Revenue of R\$251.8 million, which represents a year-on-year growth of 9.3% in the quarter and 9.7% year-to-date.

We also continue making progress in the pursuit of efficiency and margin recovery. We ended 3Q17 with a gross margin of 42.7%, a 4.1pp growth compared to the same period last year. The development of the “Convergence Curriculum” in all our units has helped us continue increasing faculty productivity. Additionally, during this semester we began implementing Anima’s Learning Ecosystem (E2A) - “Competency-Based Curriculum”. In this first stage, it is only available to freshmen in the communications and management areas, but we expect to extend it to the other areas in 2018. We believe that the development of our academic model is a long-term journey in the relentless pursuit of quality. Technology and innovation should be at the service of the learning process and any resulting productivity gains are a mere natural and welcome consequence, but not an end in themselves. The new curriculum serves this purpose.

Financial Performance	Consolidated								
	1S17	1S16	% YA	3Q17	3Q16	% YA	9M17	9M16	% YA
Net Revenue	515.2	468.9	9.9%	251.8	230.3	9.3%	767.0	699.2	9.7%
Gross Profit (exclud. deprec/amort)	232.7	200.9	15.8%	107.6	88.9	20.9%	340.2	289.8	17.4%
<i>Gross Margin</i>	<i>45.2%</i>	<i>42.8%</i>	<i>2.3pp</i>	<i>42.7%</i>	<i>38.6%</i>	<i>4.1pp</i>	<i>44.4%</i>	<i>41.4%</i>	<i>2.9pp</i>
Adjusted EBITDA	110.2	99.8	10.5%	40.4	35.7	13.2%	150.6	135.5	11.2%
<i>EBITDA Margin</i>	<i>21.4%</i>	<i>21.3%</i>	<i>0.1pp</i>	<i>16.0%</i>	<i>15.5%</i>	<i>0.5pp</i>	<i>19.6%</i>	<i>19.4%</i>	<i>0.3pp</i>
Adjusted Net Income	61.3	60.4	1.5%	17.6	13.6	29.1%	78.9	74.0	6.5%
<i>Net Margin</i>	<i>11.9%</i>	<i>12.9%</i>	<i>-1.0pp</i>	<i>7.0%</i>	<i>5.9%</i>	<i>1.1pp</i>	<i>10.3%</i>	<i>10.6%</i>	<i>-0.3pp</i>

The integration of the units acquired last year also have also contributed significantly to our results. The new units added R\$133.7 million in Net Revenue and R\$21.9 million in Operating Result year-to-date, which represent a 12.2pp year-on-year margin improvement. We still have a long way to go before these operations record the same margin levels observed in our more mature units, but we are confident we are on the right track.

Education	Excl Acquisitions ¹			Acquisitions ¹		
	9M17	9M16	% YA	9M17	9M16	% YA
Net Revenue	605.9	593.0	2.2%	133.7	86.9	53.9%
Gross Profit (exclud. deprec/amort)	281.3	263.8	6.6%	47.9	21.2	126.0%
<i>Gross Margin</i>	<i>46.4%</i>	<i>44.5%</i>	<i>1.9pp</i>	<i>35.8%</i>	<i>24.4%</i>	<i>11.4pp</i>
Operating Result	207.4	183.6	13.0%	21.9	3.7	17911.0%
<i>Operating Margin</i>	<i>34.2%</i>	<i>31.0%</i>	<i>3.3pp</i>	<i>16.4%</i>	<i>4.2%</i>	<i>12.2pp</i>

¹ Acquisitions include Sociesc Feb-16, Una Bom Despacho Jul-16 and Una Uberlândia Oct-16

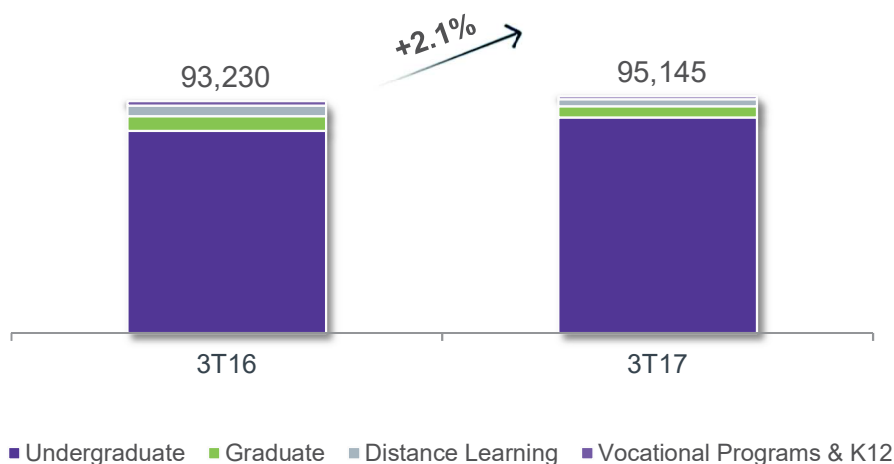
We closed 9M17 with an Adjusted EBITDA of R\$150.6 million and 19.6% of margin (+0.3pp vs. 9M16). Clear operational improvements are being translated into gradual EBITDA margin gains. The rollout of the new curriculum, the continuous achievement of synergies from acquisitions and the reversal of the operational deleveraging cycle should accelerate this process from now on. As expected, the third quarter was marked by strong Free Cash Flow generation (R\$111.7 million), explained both by the positive operating cash flow in the period and working capital reduction, largely related to the FIES receivables. As a result, our Net Debt reduced to 1.3x our adjusted EBITDA (vs. 1.9x in June 2017).

At Anima, we believe in high-quality education! The one that makes a positive change in our students' lives and drive them to achieve their life goals. This gives us strength to overcome challenges without losing sight of our purpose and DNA. We believe that quality is built over time, and requires diligence and resilience, so as we increasingly focus on execution we will be able to continue recording improvements in all our performance metrics. That way we are accomplishing our mission of Transforming the Country Through Education.

OPERATIONAL PERFORMANCE

EDUCATION

In the third quarter of 2017, we had 95.1 thousand students, an increase of 2.1% over 3Q16, already including the consolidation of the recent acquisitions in 2016. Excluding the impact of Una Uberlândia (acquired in October 2016), our student base totaled 92.8 thousand students, a 0.5% year-on-year decline, mainly due to a reduction of 1.5 thousand graduate students, 0.8 thousand Pronatec students and 1.5 thousand distance-learning students.



Student Base	3Q16	4Q16	1Q17	2Q17	3Q17	% 3Q17/3Q16	% 3Q17/2Q17
Undergraduate ¹	81,303	80,507	88,423	84,517	86,742	6.7%	2.6%
Graduate	5,954	5,508	5,321	5,596	4,491	-24.6%	-19.7%
Distance Learning	4,241	3,949	4,164	3,651	2,789	-34.2%	-23.6%
Vocational Programs & K12	1,732	878	1,046	1,341	1,123	-35.2%	-16.3%
Total	93,230	90,842	98,954	95,105	95,145	2.1%	0.0%

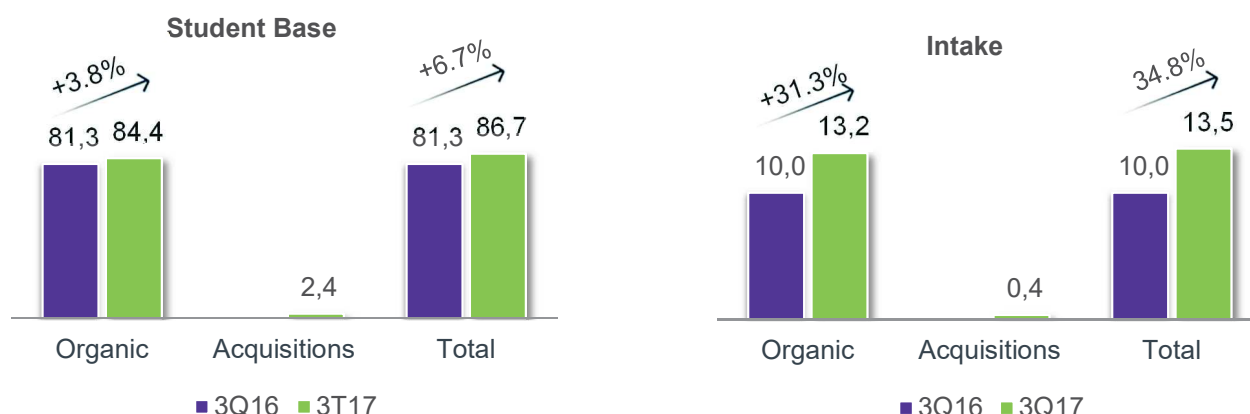
Student Base (Excl. Acquisition) ²	3Q16	4Q16	1Q17	2Q17	3Q17	% 3Q17/3Q16	% 3Q17/2Q17
Undergraduate ¹	81,303	78,387	85,838	82,014	84,357	3.8%	2.9%
Graduate	5,954	5,508	5,321	5,596	4,491	-24.6%	-19.7%
Distance Learning	4,241	3,949	4,164	3,651	2,789	-34.2%	-23.6%
Vocational Programs & K12	1,732	878	1,046	1,341	1,123	-35.2%	-16.3%
Total	93,230	88,722	96,369	92,602	92,760	-0.5%	0.2%

¹ Includes blended programs

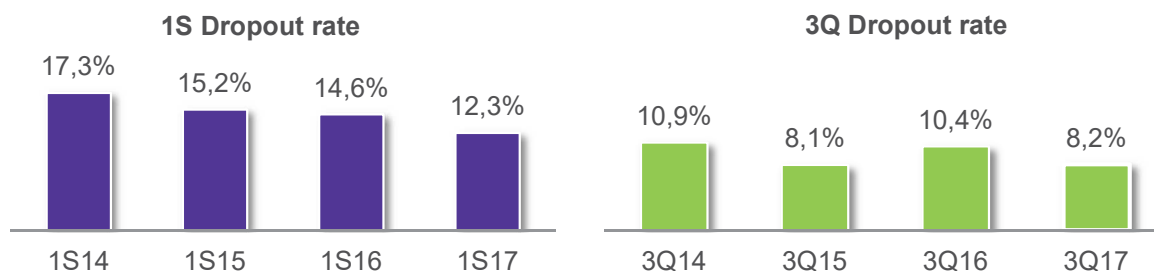
² Excludes acquisition of Una Uberlândia (Oct-16)

Undergraduate Student Base

Our undergraduate student base totaled 86.7 thousand students in 3Q17, a 6.7% growth compared to 3Q16, including the consolidation of the recent acquisitions. Excluding Una Uberlândia, our student base totaled 84.4 thousand students, a 3.8% expansion year on year.

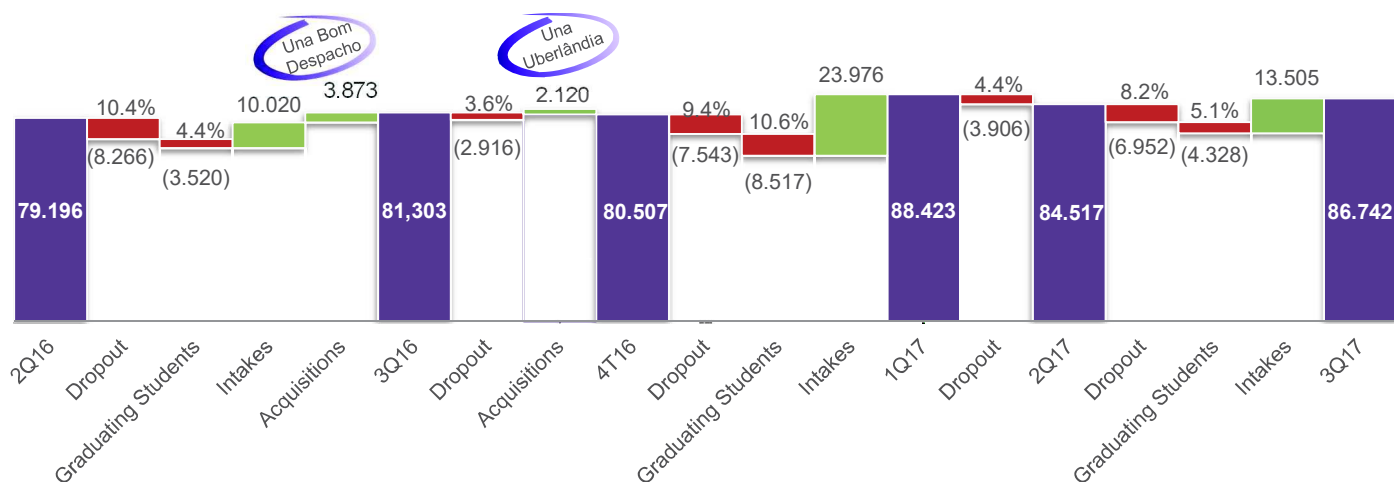


We enrolled 13.5 thousand new students, 34.8% above the number reported in 3Q16. Excluding 0.4 thousand new students from Una Uberlândia, enrollments grew by 31.3%. The results reflected our internal efforts, as well as important changes to our commercial strategy, which is now based on a more focused and assertive approach. The numbers also confirm the thesis that investing in quality pays off. We can see a growing number of students willing to invest in their education, who come to our education institutions to change their lives, despite the still challenging political and economic environment and limited access to student financing (FIES).

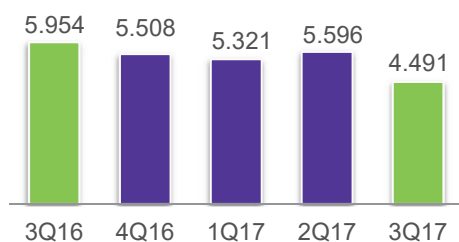


At the turn of the semester, 7.0 thousand students dropped out. This represented a reduction of 12.3% of our student base in 1S17, a 2.3pp improvement over 1S16, mainly due to the efforts and results of the Student Service Executive Area.

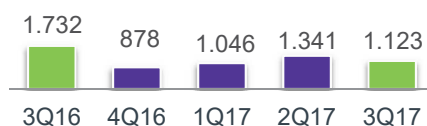
Student Flow - Undergraduate Programs



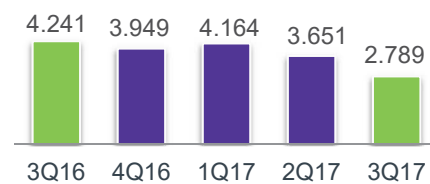
Graduate Programs



K12 & Vocational



Distance Learning



Graduate Student Base - The number of students enrolled in our graduate programs came to 4.5 thousand in 3Q17, a 24.6% year-on-year reduction.

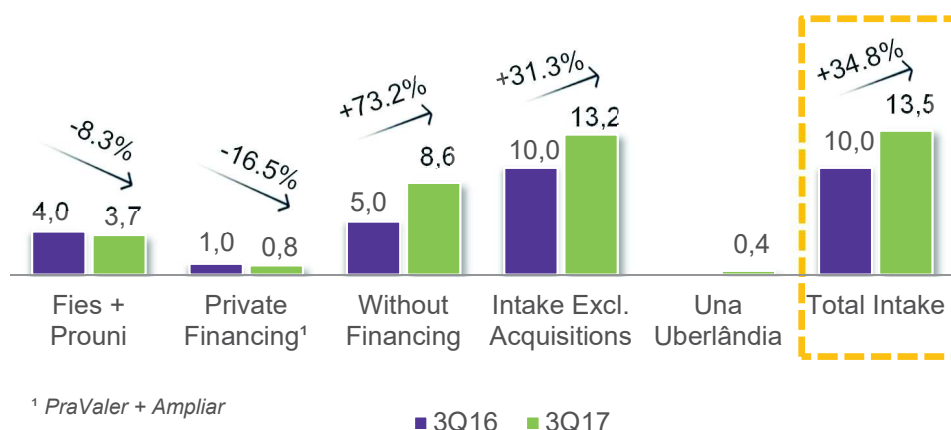
K12 and Vocational Student Base - We ended the quarter with 1.1 thousand K12 and Vocational education students, including Florianópolis International School, Colégio Tupy (COT) and Escola Técnica Tupy (ETT). The reduction observed throughout 2016 was solely due to the end of Pronatec.

Distance-Learning Student Base – We ended 3Q17 with 2.8 thousand distance-learning students in the undergraduate, graduate and vocational programs, 34.2% down year-on-year. It is worth noting that, since the beginning of this year, we have been prioritizing blended programs, which are being consolidated into the undergraduate student base for management purposes. We have thus stopped enrolling new students in distance-learning undergraduate programs.

Student Financing

As observed in the first semester of 2017, the growth in the last intake cycle is referred to students without financial aid, with a 73% year-on-year increase in these number of students. We once

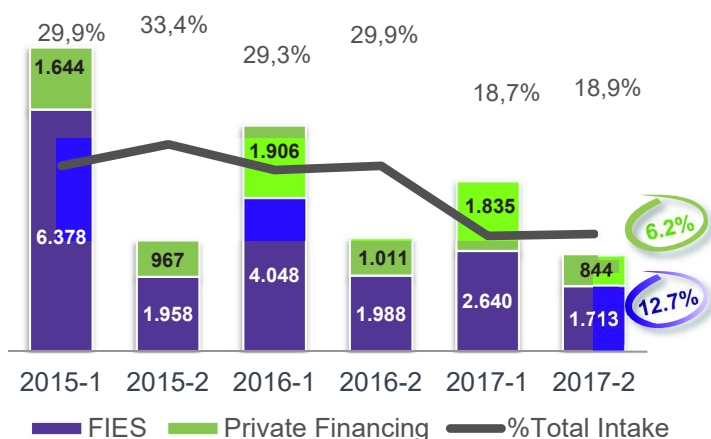
again saw a reduction in the number of new students with public (Prouni and FIES) and private (PraValer + Ampliar) financing.



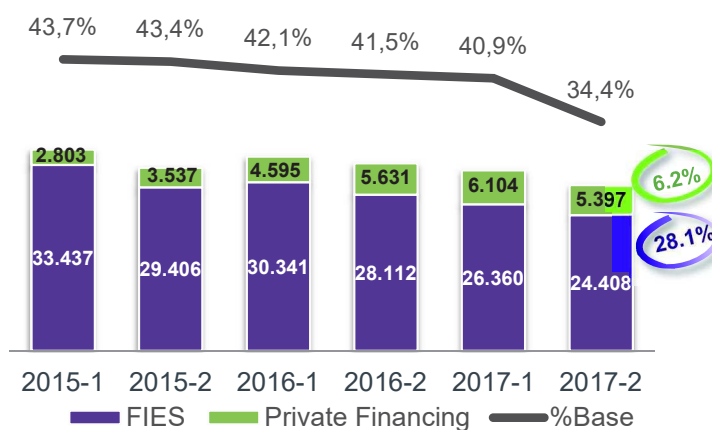
As regards to FIES, we ended the quarter with 1.7 thousand new contracts (-13.8% vs. 3Q16), accounting for 12.7% of the total intake. This includes both new contracts made available by the government this semester and students who transferred from other institutions. As a result, we ended 3Q17 with 24.4 thousand FIES students, or 28.1% of the base.

Nowadays, in addition to the traditional PraValer products, in which the receivables' credit risk is fully transferred to Ideal Invest, we have also been testing a type of financing in which students go through PraValer's entire credit scoring process, but we decide to approve an additional number of students and, therefore, maintain the credit risk in our balance sheet. During this quarter, all these private financing products together totaled 0.8 thousand new students, corresponding to 6.2% of the total intake, 84 of whom using our own balance sheet. We currently have 5.4 thousand students with private financing (6.2% of the undergraduate base), only 0.6 thousand of whom use our own balance sheet. It is worth noting that the process to issue new contracts and the renewal of contracts from the previous semester continues through 4Q17.

Student Financing*-- Total Intake --



Student Financing*-- Student Base--



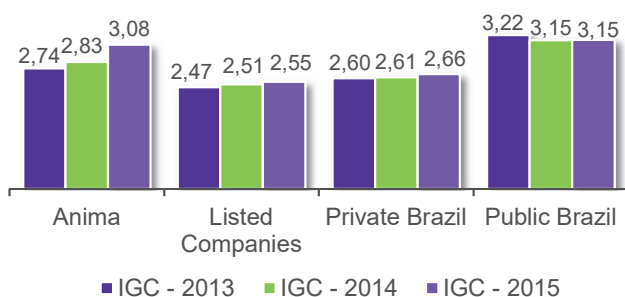
* With Sociesc as of 2016-1 and UNA Bom Despacho and Una Uberlândia as of 2016-2.

Academic Quality

As disclosed in 4Q16, our academic indicators disclosed by the Ministry of Education (MEC) confirm Ânima's superior quality positioning, as most of its programs and institutions obtained a grade of 4 (scale of 1 to 5). Ânima has the highest quality standards in the Brazilian post-secondary education market, outperforming even the country's public institutions, reinforcing the effectiveness of our academic model and our commitment to constantly improve the quality of the education we provide our students.

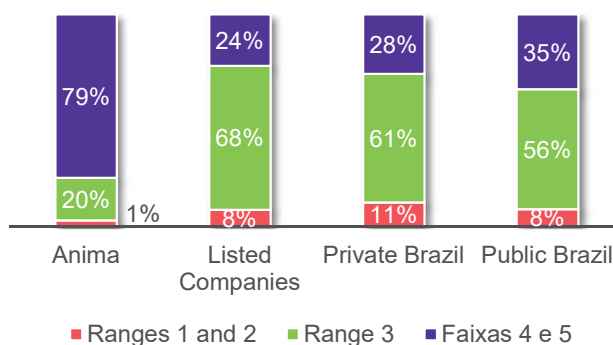
Please see below a summary of the main academic* indicators:

Weighted IGC¹

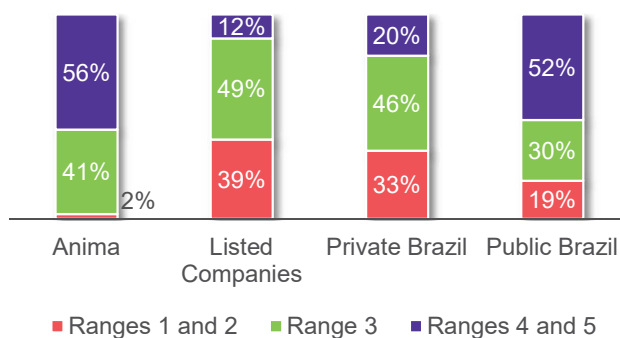


¹ IGC weighted by the number of students.

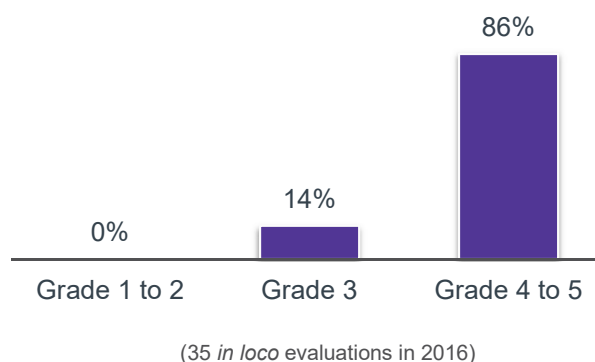
CPC 2015



Enade 2015



Anima's Course Concept (CC)



* Excluding 2016 acquisitions

FINANCIAL PERFORMANCE

The Company's financial results are divided into two segments:

- i) **Education** – which includes, in addition to post-secondary education (undergraduate and graduate), K12 and vocational programs.
- ii) **Other Businesses** – which includes HSM, Sociesc's Management and Technology Innovation (GIT) area and Escola Brasileira de Direito (EBRADI - Brazilian Law School).

3Q17 RESULTS

R\$ (million)	3Q17					
	Consolidated	% Net Revenue	Education	% Net Revenue	Others	% Net Revenue
Gross Revenue	407.4	161.8%	394.9	164.5%	12.4	105.9%
Discounts, Deductions & Scholarships	(149.1)	-59.2%	(148.7)	-61.9%	(0.4)	-3.1%
Taxes	(6.4)	-2.6%	(6.1)	-2.5%	(0.3)	-2.8%
Net Revenue	251.8	100.0%	240.1	100.0%	11.7	100.0%
Cash Cost of Services	(144.3)	-57.3%	(138.3)	-57.6%	(5.9)	-50.7%
- Personnel	(102.3)	-40.6%	(101.5)	-42.3%	(0.8)	-6.6%
- Services from Third Parties	(10.2)	-4.0%	(7.2)	-3.0%	(3.0)	-25.2%
- COGS	(0.4)	-0.2%	0.0	0.0%	(0.4)	-3.7%
- Rental & Utilities	(21.5)	-8.5%	(21.0)	-8.8%	(0.5)	-4.0%
- Others	(9.9)	-3.9%	(8.6)	-3.6%	(1.3)	-11.2%
Gross Profit (exclud. deprec. /amort.)	107.6	42.7%	101.8	42.4%	5.8	49.3%
Sales Expenses	(18.2)	-7.2%	(16.1)	-6.7%	(2.1)	-18.2%
- Provision for Doubtful Accounts (PDA)	(9.0)	-3.6%	(8.2)	-3.4%	(0.8)	-7.0%
- Marketing	(9.2)	-3.6%	(7.8)	-3.3%	(1.3)	-11.2%
General & Administrative Expenses	(26.0)	-10.3%	(19.7)	-8.2%	(6.2)	-53.1%
- Personnel	(18.0)	-7.1%	(12.8)	-5.3%	(5.1)	-43.9%
- Third Party Services	(1.7)	-0.7%	(1.4)	-0.6%	(0.3)	-2.5%
- Rental & Utilities	(1.0)	-0.4%	(0.8)	-0.3%	(0.3)	-2.2%
- Others	(5.3)	-2.1%	(4.8)	-2.0%	(0.5)	-4.5%
Other Operating Revenues (Expenses)	(2.0)	-0.8%	(1.9)	-0.8%	(0.1)	-1.3%
- Provisions	(3.4)	-1.4%	(3.4)	-1.4%	(0.0)	0.0%
- Taxes	(0.3)	-0.1%	(0.2)	-0.1%	(0.1)	-0.6%
- Other Operating Revenues	1.6	0.7%	1.7	0.7%	(0.1)	-0.7%
Late Payment Fees	3.7	1.5%	3.7	1.6%	0.0	0.0%
Operating Result	65.1	25.9%	67.9	28.3%	(2.7)	-23.3%
- Corporate Expenses	(24.7)	-9.8%				
Adjusted EBITDA	40.4	16.0%				
(-) Late Payment Fees	(3.7)	-1.5%				
(-) Non-Recurring Items - EBITDA	(7.4)	-2.9%				
EBITDA	29.3	11.6%				
Depreciation & Amortization	(13.3)	-5.3%				
Equity Equivalence	(0.2)	-0.1%				
EBIT	15.8	6.3%				
Net Financial Result	(6.9)	-2.7%				
EBT	8.9	3.5%				
Income Tax and Social Contribution	1.3	0.5%				
Net Income	10.2	4.0%				
(-) Non-Recurring Items - EBITDA	7.4	2.9%				
(-) Non-Recurring Items - Net Income	0.0	0.0%				
Adjusted Net Income	17.6	7.0%				

9M17 RESULTS

R\$ (million)	9M17					
	Consolidated	% Net Revenue	Education	% Net Revenue	Others	% Net Revenue
Gross Revenue	1,212.6	158.1%	1,182.8	159.9%	29.8	108.8%
Discounts, Deductions & Scholarships	(425.0)	-55.4%	(424.4)	-57.4%	(0.6)	-2.3%
Taxes	(20.5)	-2.7%	(18.7)	-2.5%	(1.8)	-6.4%
Net Revenue	767.0	100.0%	739.7	100.0%	27.4	100.0%
Cash Cost of Services	(426.8)	-55.6%	(410.5)	-55.5%	(16.3)	-59.6%
- Personnel	(307.6)	-40.1%	(305.0)	-41.2%	(2.6)	-9.5%
- Services from Third Parties	(26.7)	-3.5%	(19.8)	-2.7%	(6.8)	-25.0%
- COGS	(2.3)	-0.3%	0.0	0.0%	(2.3)	-8.4%
- Rental & Utilities	(64.0)	-8.3%	(62.7)	-8.5%	(1.3)	-4.7%
- Others	(26.3)	-3.4%	(23.0)	-3.1%	(3.3)	-12.0%
Gross Profit (exclud. deprec. /amort.)	340.2	44.4%	329.2	44.5%	11.1	40.4%
Sales Expenses	(53.3)	-6.9%	(48.2)	-6.5%	(5.1)	-18.5%
- Provision for Doubtful Accounts (PDA)	(31.1)	-4.1%	(29.5)	-4.0%	(1.6)	-5.8%
- Marketing	(22.2)	-2.9%	(18.7)	-2.5%	(3.5)	-12.7%
General & Administrative Expenses	(81.0)	-10.6%	(62.2)	-8.4%	(18.8)	-68.5%
- Personnel	(54.9)	-7.2%	(40.3)	-5.4%	(14.7)	-53.6%
- Third Party Services	(8.3)	-1.1%	(6.8)	-0.9%	(1.5)	-5.5%
- Rental & Utilities	(3.1)	-0.4%	(2.3)	-0.3%	(0.8)	-3.1%
- Others	(14.7)	-1.9%	(12.9)	-1.7%	(1.8)	-6.4%
Other Operating Revenues (Expenses)	1.5	0.2%	1.0	0.1%	0.5	1.7%
- Provisions	(3.6)	-0.5%	(3.6)	-0.5%	(0.0)	-0.1%
- Taxes	(1.5)	-0.2%	(1.2)	-0.2%	(0.3)	-1.0%
- Other Operating Revenues	6.6	0.9%	5.8	0.8%	0.8	2.9%
Late Payment Fees	9.5	1.2%	9.5	1.3%	0.0	0.0%
Operating Result	217.0	28.3%	229.3	31.0%	(12.3)	-44.9%
- Corporate Expenses	(66.4)	-8.7%				
Adjusted EBITDA	150.6	19.6%				
(-) Late Payment Fees	(9.5)	-1.2%				
(-) Non-Recurring Items - EBITDA	(15.9)	-2.1%				
EBITDA	125.2	16.3%				
Depreciation & Amortization	(37.8)	-4.9%				
Equity Equivalence	(0.2)	0.0%				
EBIT	87.2	11.4%				
Net Financial Result	(30.0)	-3.9%				
EBT	57.2	7.5%				
Income Tax and Social Contribution	17.2	2.2%				
Net Income	74.4	9.7%				
(-) Non-Recurring Items - EBITDA	15.9	2.1%				
(-) Non-Recurring Items - Net Income	(11.5)	-1.5%				
Adjusted Net Income	78.9	10.3%				

FINANCIAL PERFORMANCE – Education

R\$ (million)	Education									
	3Q17	% Net Revenue	3Q16	% Net Revenue	% YA	9M17	% Net Revenue	9M16	% Net Revenue	% YA
Gross Revenue	394.9	164.5%	337.5	150.8%	17.0%	1,182.8	159.9%	1,010.1	148.6%	17.1%
Discounts, Deductions & Scholarships	(148.7)	-61.9%	(109.2)	-48.8%	36.3%	(424.4)	-57.4%	(316.5)	-46.6%	34.1%
Taxes	(6.1)	-2.5%	(4.6)	-2.0%	33.5%	(18.7)	-2.5%	(13.8)	-2.0%	36.0%
Net Revenue	240.1	100.0%	223.8	100.0%	7.3%	739.7	100.0%	679.9	100.0%	8.8%
Cash Cost of Services	(138.3)	-57.6%	(136.4)	-61.0%	1.4%	(410.5)	-55.5%	(394.9)	-58.1%	4.0%
- Personnel	(101.5)	-42.3%	(101.6)	-45.4%	-0.1%	(304.9)	-41.2%	(295.3)	-43.4%	3.2%
- Services from Third Parties	(7.2)	-3.0%	(7.1)	-3.2%	1.6%	(19.8)	-2.7%	(20.7)	-3.0%	-4.3%
- COGS	0.0	0.0%	0.0	0.0%	0.0%	0.0	0.0%	0.0	0.0%	-100.0%
- Rental & Utilities	(21.0)	-8.8%	(20.1)	-9.0%	4.3%	(62.7)	-8.5%	(58.5)	-8.6%	7.2%
- Others	(8.6)	-3.6%	(7.6)	-3.4%	13.2%	(23.0)	-3.1%	(20.4)	-3.0%	12.8%
Gross Profit (exclud. deprec. /amort.)	101.8	42.4%	87.4	39.0%	16.5%	329.2	44.5%	285.0	41.9%	15.5%
Sales Expenses	(16.1)	-6.7%	(14.1)	-6.3%	14.0%	(48.2)	-6.5%	(44.7)	-6.6%	7.9%
- Provision for Doubtful Accounts (PDA)	(8.2)	-3.4%	(8.2)	-3.7%	0.4%	(29.5)	-4.0%	(27.5)	-4.0%	7.3%
- Marketing	(7.8)	-3.3%	(5.9)	-2.6%	32.7%	(18.7)	-2.5%	(17.2)	-2.5%	9.0%
General & Administrative Expenses	(19.7)	-8.2%	(21.8)	-9.7%	-9.4%	(62.2)	-8.4%	(58.8)	-8.6%	5.8%
- Personnel	(12.8)	-5.3%	(14.3)	-6.4%	-10.6%	(40.3)	-5.4%	(39.3)	-5.8%	2.4%
- Third Party Services	(1.4)	-0.6%	(2.6)	-1.2%	-46.1%	(6.8)	-0.9%	(7.3)	-1.1%	-7.3%
- Rental & Utilities	(0.8)	-0.3%	(1.3)	-0.6%	-42.2%	(2.3)	-0.3%	(3.3)	-0.5%	-31.2%
- Others	(4.8)	-2.0%	(3.5)	-1.6%	33.9%	(12.9)	-1.7%	(8.8)	-1.3%	45.9%
Other Operating Revenues (Expenses)	(1.9)	-0.8%	(0.3)	-0.1%	460.3%	1.0	0.1%	(3.8)	-0.6%	-127.5%
- Provisions	(3.4)	-1.4%	(2.5)	-1.1%	39.0%	(3.6)	-0.5%	(8.9)	-1.3%	-59.3%
- Taxes	(0.2)	-0.1%	(0.5)	-0.2%	-64.2%	(1.2)	-0.2%	(1.5)	-0.2%	-18.6%
- Other Operating Revenues	1.7	0.7%	2.6	1.2%	-34.5%	5.8	0.8%	6.5	1.0%	-10.1%
Late Payment Fees	3.7	1.6%	3.5	1.6%	6.5%	9.5	1.3%	9.5	1.4%	0.2%
Operating Result	67.9	28.3%	54.7	24.4%	24.2%	229.3	31.0%	187.2	27.5%	22.5%

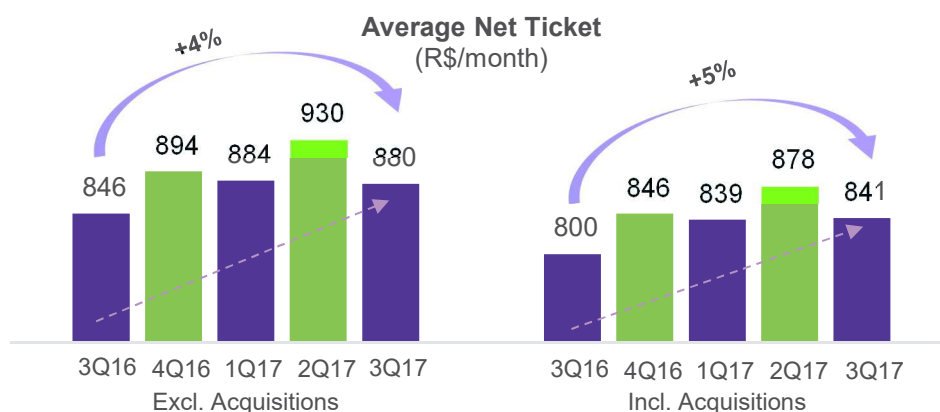
R\$ (million)	3Q17					
	Education	% YA	Education Ex. Acquisitions ¹	% YA	Acquisitions ¹	% YA
Net Revenue	240.1	7.3%	196.1	4.1%	44.0	24.3%
Cash Cost of Services	(138.3)	1.4%	(107.8)	-1.7%	(30.5)	14.1%
Gross Profit (exclud. deprec. /amort.)	101.8	16.5%	88.3	12.2%	13.5	56.0%
% Gross Margin	42.4%	3.4pp	45.0%	3.2pp	30.6%	6.2pp
Operating Result	67.9	24.2%	62.5	14.8%	5.4	2275.0%
% Operating Margin	28.3%	3.8pp	31.9%	3.0pp	12.2%	11.6pp

R\$ (million)	9M17					
	Education	% YA	Education Ex. Acquisitions ¹	% YA	Acquisitions ¹	% YA
Net Revenue	739.7	8.8%	605.9	2.2%	133.7	53.9%
Cash Cost of Services	(410.5)	4.0%	(324.6)	-1.4%	(85.9)	30.7%
Gross Profit (exclud. deprec. /amort.)	329.2	15.5%	281.3	6.6%	47.9	126.0%
% Gross Margin	44.5%	2.6pp	46.4%	1.9pp	35.8%	11.4pp
Operating Result	229.3	22.5%	207.4	13.0%	21.9	500.0%
% Operating Margin	31.0%	3.5pp	34.2%	3.3pp	16.4%	12.2pp

¹ Acquisitions include Sociesc Feb-16, UNA Bom Despacho Jul-16 and Una Uberlândia Oct-16

Net Revenue

Net revenue totaled R\$240.1 million in 3Q17, R\$16.3 million or 7.3% higher than in 3Q16, influenced by the new acquisitions (+3.2%), a slight increase in our organic student base (+0.1%) and higher average net ticket (+4.0%).



We continue to see a healthy growth in our net ticket, which averaged R\$880/month in 3Q17 (or R\$841/month including the acquisitions), around 4.0% higher than in 3Q16 and virtually in line with 1Q17. In addition to the average annual increase in tuition fees, we continued to see an improvement in our program mix (+3.1%), partially offset by higher discounts (-8.1%).

In the first nine months of 2017, net revenue came to R\$739.7 million, 8.8% up on 9M16.

Total Costs and Gross Profit

We ended 3Q17 with gross profit of R\$101.8 million and a gross margin of 42.4%, 3.4pp higher than in 3Q16.

Excluding the acquisitions, gross profit came to R\$88.3 million in the quarter, with a margin of 45.0% (+3.2pp vs. 3Q16). This improvement was directly related to our margin recovery efforts. We saw a 7.2pp improvement driven by an increase in academic efficiency (average number of students per classroom and convergence curriculum) and infrastructure (capacity utilization in our campuses), partially offset by the increase in the average discount (-4.0pp of gross margin).

Operating Result

We ended 3Q17 with an Operating Result of R\$67.9 million, 24.2% higher than in 3Q16, with an operating margin of 28.3% (+3.8pp vs. 3Q16). Excluding the acquisitions, our Operating Result came to R\$62.5 million, a 14.8% growth versus 3Q16, with an operating margin of 31.9% (+3.0pp vs. 3Q16).

In the first nine months of 2017, our operating result reached R\$229.3 million, 22.5% above 9M16.

Selling Expenses

Selling Expenses totaled R\$16.1 million in 3Q17 (+14.0% vs. 3Q16, influenced by the acquisitions), or 6.7% of Net Revenue (+0.4pp vs. 3Q16). While the provision for doubtful accounts remained virtually in line as a percentage of net revenue (-0.3pp), we saw an increase in marketing expenses (+0.7pp).

General and Administrative Expenses

General and Administrative Expenses totaled R\$19.7 million (-9.4% vs. 3Q16), or 8.2% of Net Revenue (-1.5pp vs. 3Q16). We saw an improvement in the personnel, third-party services and rental lines (-1.1pp, -0.6pp and -0.3pp respectively), mainly due to our expense reduction efforts, the integration of the acquired units and the centralization of certain areas under corporate expenses, partially offset by an increase in other expenses (+0.4pp).

Other Operating Revenues (Expenses)

Other Operating Revenues (expenses), including fines and interest on tuition fees, came to a positive R\$1.9 million in 3Q17, or 0.8% of net revenue. The 0.7pp year-on-year decline as a percentage of net revenue was mainly due to an increase in provisions for risk and a reduction in other operating revenues.

FINANCIAL PERFORMANCE – Other Businesses

R\$ (million)	Others									
	3Q17	% Net Revenue	3Q16	% Net Revenue	% YA	9M17	% Net Revenue	9M16	% Net Revenue	% YA
Gross Revenue	12.4	105.9%	7.1	108.3%	75.7%	29.8	108.8%	21.3	110.2%	39.6%
Discounts, Deductions & Scholarships	(0.4)	-3.1%	(0.0)	-0.2%	2723.7%	(0.6)	-2.3%	(0.6)	-3.1%	7.6%
Taxes	(0.3)	-2.8%	(0.5)	-8.1%	-37.1%	(1.8)	-6.4%	(1.4)	-7.1%	27.6%
Net Revenue	11.7	100.0%	6.5	100.0%	79.7%	27.4	100.0%	19.3	100.0%	41.5%
Cash Cost of Services	(5.9)	-50.7%	(4.9)	-75.7%	20.3%	(16.3)	-59.6%	(14.6)	-75.2%	12.1%
- Personnel	(0.8)	-6.6%	(1.3)	-19.5%	-39.2%	(2.6)	-9.5%	(3.1)	-16.0%	-16.4%
- Services from Third Parties	(3.0)	-25.2%	(1.6)	-24.2%	87.0%	(6.8)	-25.0%	(5.8)	-29.9%	18.3%
- COGS	(0.4)	-3.7%	(0.5)	-7.4%	-10.4%	(2.3)	-8.4%	(2.0)	-10.2%	16.6%
- Rental & Utilities	(0.5)	-4.0%	(0.5)	-7.8%	-6.7%	(1.3)	-4.7%	(1.5)	-7.7%	-13.9%
- Others	(1.3)	-11.2%	(1.1)	-16.8%	19.3%	(3.3)	-12.0%	(2.2)	-11.4%	49.4%
Gross Profit (exclud. deprec. /amort.)	5.8	49.3%	1.6	24.3%	264.5%	11.1	40.4%	4.8	24.8%	130.6%
Sales Expenses	(2.1)	-18.2%	(1.3)	-19.5%	68.3%	(5.1)	-18.5%	(2.4)	-12.5%	108.8%
- Provision for Doubtful Accounts (PDA)	(0.8)	-7.0%	(0.5)	-7.8%	62.5%	(1.6)	-5.8%	(0.8)	-4.1%	100.3%
- Marketing	(1.3)	-11.2%	(0.8)	-11.7%	72.1%	(3.5)	-12.7%	(1.6)	-8.4%	113.0%
General & Administrative Expenses	(6.2)	-53.1%	(3.8)	-57.8%	65.0%	(18.8)	-68.5%	(10.4)	-53.9%	80.0%
- Personnel	(5.1)	-43.9%	(2.9)	-45.0%	75.4%	(14.7)	-53.6%	(7.9)	-40.8%	85.6%
- Third Party Services	(0.3)	-2.5%	(0.2)	-3.7%	21.7%	(1.5)	-5.5%	(0.7)	-3.4%	123.9%
- Rental & Utilities	(0.3)	-2.2%	(0.3)	-4.1%	-3.2%	(0.8)	-3.1%	(0.8)	-4.1%	7.9%
- Others	(0.5)	-4.5%	(0.3)	-5.1%	59.6%	(1.8)	-6.4%	(1.1)	-5.5%	64.3%
Other Operating Revenues (Expenses)	(0.1)	-1.3%	0.0	0.5%	-548.9%	0.5	1.7%	(0.1)	-0.3%	-800.9%
- Provisions	(0.0)	0.0%	(0.0)	0.0%	-2.4%	(0.0)	-0.1%	(0.0)	0.0%	4110.1%
- Taxes	(0.1)	-0.6%	(0.1)	-1.0%	-3.7%	(0.3)	-1.0%	(0.3)	-1.6%	-11.5%
- Other Operating Revenues	(0.1)	-0.7%	0.1	1.6%	-180.6%	0.8	2.9%	0.2	1.3%	217.6%
Late Payment Fees	0.0	0.0%	0.0	0.0%	0.0%	0.0	0.0%	0.0	0.0%	0.0%
Operating Result	(2.7)	-23.3%	(3.4)	-52.5%	-20.3%	(12.3)	-44.9%	(8.1)	-41.9%	51.4%

The other businesses area is composed of HSM, Sociesc's Management and Technological Innovation (GIT) and EBRADI – Escola Brasileira de Direito. HSM is an integrated educational solution platform that promotes the continuing education and professional development of executives and managers from all over Brazil through customized products that foster learning, the exchange of experience and networking. GIT provides consulting and business solutions for companies in the engineering field, in addition to a laboratory structure to support the development of technological solutions (foundry, tooling and others). EBRADI is a new Ânima brand launched at the end of last year to offer online legal education and training to students from all over the country. Its portfolio includes preparatory courses for the Brazilian Bar exam, as well as graduate and extension programs.

In 9M17, we reached Net Revenue of R\$27.4 million, a 41.5% growth versus 9M16. This growth derives mainly from the acceleration of sales of HSM *in-company* courses, GIT and EBRADI (which did not exist in 9M16). Our efforts to improve product portfolio have resulted in gross margin gains, so we ended the period with a Gross Profit of R\$11.1 million, or a 40.4% margin (+15.6pp vs. 9M16). Lastly, the Operating Result in 9M17 stood at negative R\$12.3 million (-3,0pp vs 9M16). Despite the worsening versus the same period of last year, we started to see an improvement in 3Q17 (vs. 3Q16) in both HSM and GIT. EBRADI will still represent an investment in this first year of operations, but we are in line with the business plan in terms of net revenue, and slightly better in terms of its operating result.

CONSOLIDATED PERFORMANCE

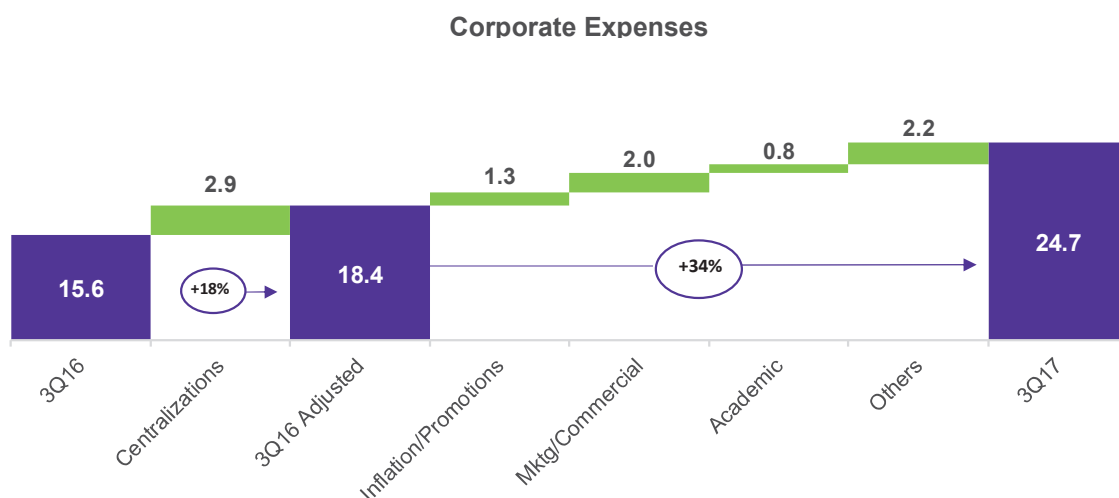
R\$ (million)	Consolidated Anima									
	3Q17	% Net Revenue	3Q16	% Net Revenue	% YA	9M17	% Net Revenue	9M16	% Net Revenue	% YA
Gross Revenue	407.4	161.8%	344.6	149.6%	18.2%	1,212.6	158.1%	1,031.5	147.5%	17.6%
Discounts, Deductions & Scholarships	(149.1)	-59.2%	(109.2)	-47.4%	36.6%	(425.0)	-55.4%	(317.1)	-45.3%	34.0%
Taxes	(6.4)	-2.6%	(5.1)	-2.2%	26.2%	(20.5)	-2.7%	(15.2)	-2.2%	35.2%
Net Revenue	251.8	100.0%	230.3	100.0%	9.3%	767.0	100.0%	699.2	100.0%	9.7%
Cash Cost of Services	(144.3)	-57.3%	(141.4)	-61.4%	2.1%	(426.8)	-55.6%	(409.4)	-58.6%	4.3%
- Personnel	(102.3)	-40.6%	(102.9)	-44.7%	-0.6%	(307.6)	-40.1%	(298.4)	-42.7%	3.1%
- Services from Third Parties	(10.2)	-4.0%	(8.7)	-3.8%	17.2%	(26.7)	-3.5%	(26.5)	-3.8%	0.7%
- COGS	(0.4)	-0.2%	(0.5)	-0.2%	-10.4%	(2.3)	-0.3%	(2.0)	-0.3%	17.1%
- Rental & Utilities	(21.5)	-8.5%	(20.6)	-9.0%	4.1%	(64.0)	-8.3%	(60.0)	-8.6%	6.7%
- Others	(9.9)	-3.9%	(8.7)	-3.8%	14.0%	(26.3)	-3.4%	(22.6)	-3.2%	16.4%
Gross Profit (exclud. deprec. /amort.)	107.6	42.7%	88.9	38.6%	20.9%	340.2	44.4%	289.8	41.4%	17.4%
Sales Expenses	(18.2)	-7.2%	(15.4)	-6.7%	18.5%	(53.3)	-6.9%	(47.1)	-6.7%	13.1%
- Provision for Doubtful Accounts (PDA)	(9.0)	-3.6%	(8.7)	-3.8%	4.0%	(31.1)	-4.1%	(28.3)	-4.0%	9.9%
- Marketing	(9.2)	-3.6%	(6.7)	-2.9%	37.3%	(22.2)	-2.9%	(18.8)	-2.7%	18.0%
General & Administrative Expenses	(26.0)	-10.3%	(25.6)	-11.1%	1.6%	(81.0)	-10.6%	(69.2)	-9.9%	17.0%
- Personnel	(18.0)	-7.1%	(17.3)	-7.5%	4.1%	(54.9)	-7.2%	(47.2)	-6.8%	16.3%
- Third Party Services	(1.7)	-0.7%	(2.8)	-1.2%	-40.2%	(8.3)	-1.1%	(8.0)	-1.1%	3.7%
- Rental & Utilities	(1.0)	-0.4%	(1.6)	-0.7%	-35.6%	(3.1)	-0.4%	(4.1)	-0.6%	-23.6%
- Others	(5.3)	-2.1%	(3.9)	-1.7%	36.1%	(14.7)	-1.9%	(9.9)	-1.4%	47.9%
Other Operating Revenues (Expenses)	(2.0)	-0.8%	(0.3)	-0.1%	572.4%	1.5	0.2%	(3.9)	-0.6%	-139.1%
- Provisions	(3.4)	-1.4%	(2.5)	-1.1%	39.0%	(3.6)	-0.5%	(8.9)	-1.3%	-58.9%
- Taxes	(0.3)	-0.1%	(0.6)	-0.3%	-57.2%	(1.5)	-0.2%	(1.8)	-0.3%	-17.4%
- Other Operating Revenues	1.6	0.7%	2.7	1.2%	-39.9%	6.6	0.9%	6.7	1.0%	-1.8%
Late Payment Fees	3.7	1.5%	3.5	1.5%	6.5%	9.5	1.2%	9.5	1.4%	0.2%
Operating Result	65.1	25.9%	51.2	22.2%	27.1%	217.0	28.3%	179.1	25.6%	21.2%
- Corporate Expenses	(24.7)	-9.8%	(15.6)	-6.8%	59.1%	(66.4)	-8.7%	(43.6)	-6.2%	52.1%
Adjusted EBITDA	40.4	16.0%	35.7	15.5%	13.2%	150.6	19.6%	135.5	19.4%	11.2%
(-) Late Payment Fees	(3.7)	-1.5%	(3.5)	-1.5%	6.5%	(9.5)	-1.2%	(9.5)	-1.4%	0.2%
(-) Non-Recurring Items - EBITDA	(7.4)	-2.9%	(8.0)	-3.5%	0.0%	(15.9)	-2.1%	(16.7)	-2.4%	0.0%
EBITDA	29.3	11.6%	24.1	10.5%	21.3%	125.2	16.3%	109.2	15.6%	14.6%
Depreciation & Amortization	(13.3)	-5.3%	(10.2)	-4.4%	30.4%	(37.8)	-4.9%	(28.9)	-4.1%	30.8%
Equity Equivalence	(0.2)	-0.1%	0.0	0.0%	0.0%	(0.2)	0.0%	0.0	0.0%	0.0%
EBIT	15.8	6.3%	13.9	6.1%	13.3%	87.2	11.4%	80.3	11.5%	8.6%
Net Financial Result	(6.9)	-2.7%	(8.6)	-3.7%	-20.1%	(30.0)	-3.9%	(23.6)	-3.4%	27.0%
EBT	8.9	3.5%	5.3	2.3%	67.2%	57.2	7.5%	56.7	8.1%	0.9%
Income Tax and Social Contribution	1.3	0.5%	0.2	0.1%	438.7%	17.2	2.2%	0.6	0.1%	3012.9%
Net Income	10.2	4.0%	5.6	2.4%	83.1%	74.4	9.7%	57.3	8.2%	29.9%
(-) Non-Recurring Items - EBITDA	7.4	2.9%	8.0	3.5%	0.0%	15.9	2.1%	16.7	2.4%	0.0%
(-) Non-Recurring Items - Net Income	0.0	0.0%	0.0	0.0%	0.0%	(11.5)	-1.5%	0.0	0.0%	0.0%
Adjusted Net Income	17.6	7.0%	13.6	5.9%	29.1%	78.9	10.3%	74.0	10.6%	6.5%

¹ Non-Recurring Items impacting EBITDA

² Non-Recurring Items impacting Net Income

Corporate Expenses

Corporate expenses totaled R\$24.7 million in 3Q17, or 9.8% of net revenue, a 3.0pp increase versus 3Q16. It is worth noting that last year we started a process to centralize certain activities, increasing the scope of our corporate departments and shared service center. This implies on the transferring of personnel and budgets from our business units to corporate cost centers, always aiming at gains of scale. These transfers accounted for R\$2.9 million of total corporate expenses in 3Q17, an 18% growth, as shown below.



Considering this adjusted basis, we saw a 34% increase directly related to priority areas. The investment in a commercial area and the reinforcement of the student service area are already showing results in terms of both number of new students and student retention rates. We also reinforced the corporate academic area with dedicated staff and technology services. In 9M17, corporate expenses came to R\$66.4 million, or 8.7% of net revenue, a 2.5pp increase versus 9M16.

Adjusted EBITDA

Adjusted EBITDA totaled R\$40.4 million in 3Q17 (+13.2% vs. 3Q16), with a margin of 16.0%, a 0.5pp year-on-year increase. In 9M17, Adjusted EBITDA came to R\$150.6 million, with margin of 19.6%, 0.3pp above 9M16.

Non-Recurring Items

R\$ (million)	EBITDA				Net Income	
	3Q17	3Q16	9M17	9M16	9M17	9M16
Restructuring Expenses	(8.0)	(8.9)	(14.5)	(14.9)	(14.5)	(14.9)
Account Receivables Adjustments - FIES	0.6	0.9	2.4	2.7	2.4	2.7
Provision for inventory losses	0.0	0.0	(1.2)	(4.6)	(1.2)	(4.6)
2017 Refis Program (Executive Decree 766 - 1,687)	0.0	0.0	(2.5)	0.0	9.0	0.0
Total Non Recurring Items	(7.4)	(8.0)	(15.9)	(16.7)	4.4	(16.7)

¹ For further information, please go to the 2Q17 Earnings Release

Restructuring Expenses Non-recurring restructuring expenses totaled R\$8.0 million in 3Q17, due to the severance pay of professors and administrative staff following the restructuring process and the integration of the new acquisitions.

Adjustment of FIES accounts receivable As reported in the 4Q15 earnings release, in February 2016, we entered into an agreement with the government establishing that the outstanding FIES tuition fees related to 2015 would be paid in the next three years adjusted for inflation (IPCA). As a result, in 2015, we adjusted our FIES accounts receivable and gross revenue by R\$7.8 million, reflecting the spread between the SELIC interest rate and inflation (IPCA). This adjustment, which had a negative impact on the 2015 result, has had a positive effect since 2016. In this quarter, we excluded the positive impact of this adjustment, in the amount of R\$0.6 million (R\$2.4 million in 9M17).

Financial Result

R\$ (million)	Consolidated Anima					
	3Q17	3Q16	9M17	9M16	1S17	1S16
(+) Financial Revenue	9.7	16.5	30.2	43.2	20.5	26.7
Late payment fees	3.7	3.5	9.5	9.5	5.8	6.0
Interest on financial investments	3.8	7.6	12.6	17.6	8.8	10.0
Inflation adjustment - PN23 FIES acc. rec.	1.1	4.3	5.0	14.3	3.9	9.9
Other financial revenues	1.1	1.0	3.1	1.8	2.0	0.8
(-) Financial Expense	(16.7)	(25.1)	(60.5)	(66.8)	(43.9)	(41.7)
Financial debt interest expense ¹	(9.8)	(17.2)	(34.3)	(46.1)	(24.5)	(28.9)
Tax debt interest expenses	(0.2)	(0.2)	(3.7)	(0.4)	(3.4)	(0.2)
PraValer interest expenses	(4.1)	(4.2)	(12.9)	(9.2)	(8.8)	(5.1)
Accounts payable interest expenses (acquisitions)	(1.4)	(2.5)	(6.1)	(6.1)	(4.7)	(3.6)
Other financial expenses	(1.1)	(1.0)	(3.6)	(5.0)	(2.5)	(3.9)
Financial Result	(7.0)	(8.6)	(30.4)	(23.6)	(23.4)	(15.0)

¹Includes gains and losses on derivatives related to foreign currency loan swap contracts

In 3Q17, the net Financial Result came to a negative R\$7.0 million, versus a negative R\$8.6 million in the same period of 2016. Financial revenue totaled R\$9.7 million, R\$6.8 million below 3Q16, mainly due to lower income from financial investments and from the inflation adjustment of the FIES accounts receivable balance related to the PN23 agreement (R\$1.1 million in 3Q17 vs. R\$4.3 million in 3Q16).

On the other hand, the financial expense stood at R\$16.7 million, R\$8.4 million below 3Q16, mostly due to the reduction in loan interest expenses as a result of the settlement of a bank debt, which reduced the debt balance, and the decline in the CDI interest rate in the period.

In 9M17, the net Financial Result came to a negative R\$30.4 million, versus a negative R\$23.6 million in the same period of 2016.

Income Tax and Social Contribution

We continue benefiting from Prouni, which guarantees income tax and social contribution exemption for most of our business. In 3Q17, income tax and social contribution credits totaled R\$1.3 million.

We closed 9M17 with income tax credits of R\$17.2 million, R\$14.6 million of which refers to the Refis 2017 program in 2Q17, classified as non-recurring.

Adjusted Net Income

Adjusted Net Income totaled R\$17.6 million in 3Q17 (+29.1% vs. 3Q16), with a margin of 7.0% (+1.1pp vs. 3Q16). In 9M17, adjusted Net Income totaled R\$78.9 million (+6.5% vs. 9M16), with a margin of 10.3% (-0.3pp vs. 9M16).

Cash and Net Debt

R\$ (million)	Consolidated Anima		
	SEP 17	JUN 17	SEP 16
(+) Cash and Cash Equivalents	146.9	139.5	215.0
Cash	37.5	30.8	23.4
Financial Investments	109.4	108.6	191.5
(-) Loans and Financing ¹	295.5	379.0	400.8
Short Term	59.2	139.5	109.7
Long Term	236.3	239.5	291.1
(=) Net (Debt) Cash ²	(148.6)	(239.5)	(185.9)
(-) Other Short and Long Term Obligations	76.8	79.3	58.9
(=) Net (Debt) Cash ³	(225.4)	(318.8)	(244.8)

¹ Net of swap adjustment

² Considering financial debt (bank loans) only.

³ Including obligations related to tax debt and acquisitions payables.

At the end of September 2017, cash and cash equivalents totaled R\$146.9 million. It is worth noting that we received the second installment related to PN23, totaling R\$48.5 million, in accordance with the schedule. Loans and financing fell R\$83.5 million from June 2017, mainly due to the amortization of bank loans.

Other short and long-term obligations represented by acquisitions and tax installments amounted to R\$76.8 million. As a result, we ended 9M17 with net debt of R\$225.4 million, representing leverage (net debt ÷ LTM adjusted EBITDA) of 1.3x.

Accounts Receivable and Days Sales Outstanding (DSO)

We ended 9M17 with net Accounts Receivable of R\$278.5 million. For management and DSO calculation purposes, we are adjusting Accounts Receivable by R\$1.8 million, comprising the R\$7.8 million adjustment recorded in 4Q15 minus the R\$6.0 million write-offs since then.

As a result, Adjusted Accounts Receivable totaled R\$280.3 million, a decline of R\$40.9 million compared to 3Q16. It is worth noting that during 3Q17 we converted FIES receivables totaling R\$75.0 million into cash, already including the second installment of the PN23.

	9M17	1S17	1Q17	2016*	9M16*	Δ 9M17 / 9M16
Net Accounts Receivable	278.5	344.5	321.0	285.6	304.0	(25.5)
Adjusted Accounts Receivable FIES	(1.8)	(2.5)	(3.3)	(4.2)	(5.1)	3.2
Adjusted Net Accounts Receivable	280.3	346.9	324.4	289.8	309.0	(40.9)
to mature	221.1	282.5	265.7	227.7	258.5	(48.0)
until 180 days	46.9	51.2	45.1	45.5	37.7	7.8
between 180 and 360 days	8.0	8.5	9.1	12.4	8.7	(1.2)
between 361 and 720 days	4.4	4.7	4.5	4.2	4.0	0.5
more than 721 days	0.0	0.0	0.0	0.0	0.0	0.0

We ended 9M17 with DSO (Days of Sales Outstanding) of 99 days, representing a 19-day decline from the same period last year. Breaking down our Accounts Receivable, we recorded a DSO of 182 days for FIES receivables, a reduction of 46 days versus 9M16. For non-FIES receivables, our DSO stood at 59 days in 9M17, a year-on-year increase of 6 days. In the other businesses line, we closed the period with a DSO of 123 days.

Total	9M17	1H17	1Q17	2016*	9M16*	Δ 9M17 / 9M16
Net Accounts Receivable	278.5	344.5	321.0	285.6	304.0	(25.5)
Adjusted Accounts Receivable FIES	(1.8)	(2.5)	(3.3)	(4.2)	(5.1)	3.2
Adjusted Net Accounts Receivable	280.3	346.9	324.4	289.8	309.0	(28.7)
Net Revenue (accumulative)	767.0	515.2	255.2	956.8	699.2	67.8
DSO	99	121	114	107	118	(19)

FIES	9M17	1S17	1Q17	2016*	9M16*	Δ 9M17 / 9M16
Net Accounts Receivable	157.0	231.4	207.1	191.7	210.4	(53.4)
Adjusted Accounts Receivable FIES	(1.8)	(2.5)	(3.3)	(4.2)	(5.1)	3.2
Adjusted Net Accounts Receivable	158.9	233.9	210.5	195.9	215.5	(56.6)
Net Revenue (accumulative)	236.1	165.5	79.0	336.4	254.9	(18.8)
DSO	182	254	240	208	227	(46)

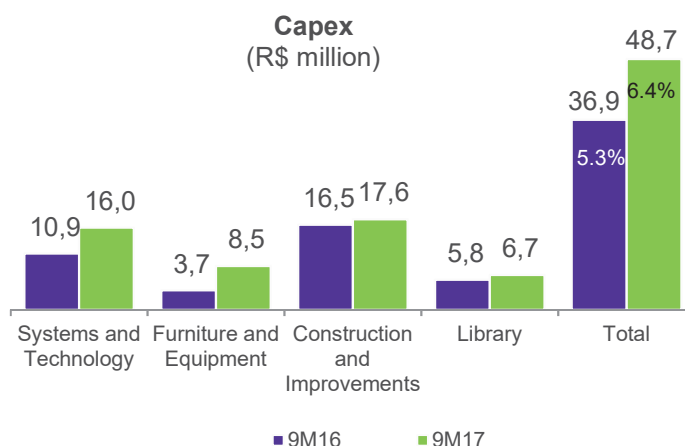
Non FIES	9M17	1S17	1Q17	2016*	9M16*	Δ 9M17 / 9M16
Net Accounts Receivable	109.0	103.6	103.9	83.7	85.0	24.0
Net Revenue (accumulative)	503.4	333.9	170.2	567.5	419.3	84.1
DSO	59	56	55	52	53	6

Others	9M17	1S17	1Q17	2016*	9M16*	Δ 9M17 / 9M16
Net Accounts Receivable	12.5	9.5	10.0	10.2	8.6	3.9
Net Revenue (accumulative)	27.5	15.8	6.0	53.0	25.0	2.5
DSO	123	108	149	61	83	39

*Weighted average DSO considering acquisitions in the last 12 months

Investments (CAPEX)

In 9M17, CAPEX totaled R\$48.7 million, or 6.4% of net revenue, a 1.1pp increase compared with the 5.3% reported in 9M16. This figure includes investments in our academic units (expansion and maintenance), new academic labs and development of our educational systems and technological platforms.



Cash Flow

	3Q17	3Q16	9M17	9M16
Net Income	10.1	5.6	74.3	57.3
Depreciation & Amortization	13.3	10.2	37.8	28.9
Interest expenses/revenues	5.0	15.7	24.9	37.7
Provisions for labor, tax and civil risks	2.8	1.6	4.6	7.2
Other non-cash adjustments	9.2	1.4	(6.3)	7.5
Contract Cancelation Whitney - Account Impact	0.0	0.0	0.0	0.0
Operating Cash Flow	40.4	34.4	135.3	138.5
Δ Accounts receivable/PDA	67.1	86.7	12.2	17.6
Δ Other assets/liabilities	21.3	5.0	29.4	(8.8)
Working Capital Variance	88.4	91.7	41.7	8.7
Free Cash Flow before CAPEX	128.9	126.1	177.0	147.2
CAPEX - Fixed and Intangible	(17.2)	(10.2)	(48.7)	(36.9)
Free Cash Flow	111.7	115.9	128.2	110.3
Financing/Investments activities	(99.1)	(88.6)	(139.9)	(27.6)
Shares held in treasury	(0.6)	0.0	(4.3)	(27.5)
Acquisitions	(4.6)	(14.2)	(10.6)	(9.8)
Dividends	(0.0)	0.0	(5.0)	(15.2)
Capital Increase LCB - Anima	0.0	0.0	(3.1)	0.0
Net Cash Flow from Financing Activities	(104.2)	(102.7)	(162.8)	(80.1)
Net Increase (Reduction) of Cash and Cash Equivalents	7.5	13.1	(34.6)	30.2
Cash at the begging of the period	139.5	201.8	181.5	184.5
Cash at the end of the period	146.9	215.0	146.9	215.0

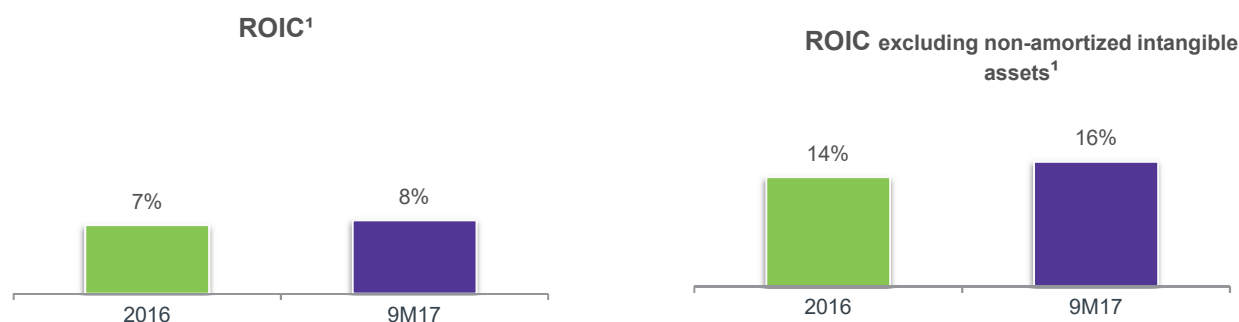
Operating Cash Flow before working capital and CAPEX came to R\$40.4 million. Our working capital was a positive R\$88.4 million, mainly due to the FIES receivables, while CAPEX came to R\$17.2 million. As a result, we ended the quarter with Free Cash Flow of R\$111.7 million.

Financing activities absorbed R\$99.1 million in 3Q17, mainly due to the settlement of a bank loan totaling R\$65.0 million, in addition to the payment of loans and bank interest. We continued executing the share buyback program, which totaled R\$0.6 million during the quarter. Accounts payable related to acquisitions (Sociesc, Una Uberlândia and Una Bom Despacho) absorbed R\$4.6 million.

As a result, we ended 3Q17 with cash and cash equivalents of R\$146.9 million, which represents positive cash flow of R\$7.5 million in relation to the position at the beginning of the period.

Return on Invested Capital (ROIC)

We monitor our financial performance through our return on invested capital (ROIC), among other metrics. At the end of 3Q17, we had a ROIC for the last twelve months of 8%. Although the improvement is still modest compared with our ambitions, we continue improving after an inflection point in our return rate in the first quarter. We can see the same effect when we analyze our ROIC excluding non-amortized intangible assets, which climbed from 14% in 2016 to 16% in the last twelve months ended on September 30, 2017.



¹ ROIC = LTM EBIT* (1- effective tax rate) ÷ avg. invested capital.
Invested Capital = net working capital + long-term FIES accounts receivable + net fixed assets
2016 EBIT adjusted for the impairment of HSM.

APPENDIX 1 – Reconciliation of the 3Q17 Income Statement

Ânima Consolidated R\$ (million)	3Q17							IFRS Income Statement
	Release Income Statement	Depreciation & Amortization	Equity Equivalence	Corporate Expenses	Late Payment Fees	Non- Recurring Items	HSM Reclass.	
Gross Revenue	407.4							407.4
Discounts, Deductions & Scholarships	(149.1)					0.6		(148.5)
Taxes	(6.4)							(6.4)
Net Revenue	251.8					0.6		252.4
Cash Cost of Services	(144.3)	(6.9)	0.0	0.0	0.0	(6.5)	0.1	(157.6)
- Personnel	(102.3)					(6.5)		(108.8)
- Services from Third Parties	(10.2)						0.1	(10.1)
- COGS	(0.4)							(0.4)
- Rental & Utilities	(21.5)							(21.5)
- Others	(9.9)	(6.9)						(16.8)
Gross Profit (exclud. deprec. /amort.)	107.6	(6.9)	0.0	0.0	0.0	(5.9)	0.1	94.8
Sales Expenses	(18.2)	0.0	0.0	(0.7)	0.0	0.0	0.0	(18.9)
- Provision for Doubtful Accounts (PDA)	(9.0)			(0.0)				(9.0)
- Marketing	(9.2)			(0.7)				(9.9)
General & Administrative Expenses	(26.0)	(6.4)	(0.2)	(25.2)	0.0	(0.6)	0.0	(58.3)
- Personnel	(18.0)			(18.6)		(0.4)		(37.0)
- Third Party Services	(1.7)			(2.7)				(4.4)
- Rental & Utilities	(1.0)			(0.4)				(1.4)
- Others	(5.3)	(6.4)	(0.2)	(3.5)		(0.1)		(15.6)
Other Operating Revenues (Expenses)	(2.0)	0.0	0.0	0.2	0.0	0.0	0.0	(1.8)
- Provisions	(3.4)			0.0		0.0		(3.4)
- Taxes	(0.3)			0.1				(0.2)
- Other Operating Revenues	1.6			0.1				1.8
Late Payment Fees	3.7				(3.7)			0.0
Operating Result	65.1	(13.3)	(0.2)	(25.7)	(3.7)	(6.5)	0.1	15.8
- Corporate Expenses	(24.7)			25.7		(0.9)		(0.0)
Adjusted EBITDA	40.4	(13.3)	(0.2)	0.0	(3.7)	(7.4)	0.1	15.8
(-) Late Payment Fees	(3.7)				3.7			0.0
(-) Non-Recurring Items - EBITDA	(7.4)					7.4		0.0
EBITDA	29.3	(13.3)	(0.2)	0.0	0.0	(0.0)	0.1	15.8
Depreciation & Amortization	(13.3)	13.3						0.0
Equity Equivalence	(0.2)	0.0	0.2					0.0
EBIT	15.8	0.0		0.0	0.0	(0.0)	0.1	15.8
Net Financial Result	(6.9)						(0.1)	(7.0)
EBT	8.9	0.0		0.0	0.0	(0.0)	0.0	8.9
Income Tax and Social Contribution	1.3							1.3
Net Income	10.2	0.0	0.0	0.0	0.0	(0.0)	0.0	10.1
Before Non-Controlling Interest								
Non-Controlling Interest	0.0							0.0
Net Income	10.2	0.0	0.0	0.0	0.0	(0.0)	0.0	10.1
(-) Non-Recurring Items - EBITDA	7.4					(7.4)		0.0
(-) Non-Recurring Items - Net Income	0.0					0.0		0.0
Adjusted Net Income	17.6	0.0	0.0	0.0	0.0	(7.5)	0.0	10.1

¹ Non-Recurring Items impacting EBITDA

² Non-Recurring Items impacting Net Income

APPENDIX 2 – Reconciliation of the 9M17 Income Statement

Consolidated Anima R\$ (million)	9M17							IFRS Income Statement
	Release Income Statement	Depreciation & Amortization	Equity Equivalence	Corporate Expenses	Late Payment Fees	Non- Recurring Items	HSM Reclas.	
Gross Revenue	1,212.6							1,212.6
Discounts, Deductions & Scholarships	(425.0)					2.4		(422.7)
Taxes	(20.5)							(20.5)
Net Revenue	767.0					2.4		769.4
Cash Cost of Services	(426.8)	(19.7)	0.0	0.0	0.0	(11.2)	0.4	(457.4)
- Personnel	(307.6)					(11.2)		(318.8)
- Services from Third Parties	(26.7)						0.4	(26.3)
- COGS	(2.3)							(2.3)
- Rental & Utilities	(64.0)							(64.0)
- Others	(26.3)	(19.7)						(46.0)
Gross Profit (exclud. deprec. /amort.)	340.2	(19.7)	0.0	0.0	0.0	(8.8)	0.4	312.0
Sales Expenses	(53.3)	0.0	0.0	(1.7)	0.0	0.0	0.0	(55.0)
- Provision for Doubtful Accounts (PDA)	(31.1)			(0.0)				(31.1)
- Marketing	(22.2)			(1.7)				(23.9)
General & Administrative Expenses	(81.0)	(18.0)	(0.2)	(65.8)	0.0	(3.5)	0.0	(168.5)
- Personnel	(54.9)			(48.2)		(2.1)		(105.2)
- Third Party Services	(8.3)			(7.3)		(0.1)		(15.6)
- Rental & Utilities	(3.1)			(1.0)				(4.1)
- Others	(14.7)	(18.0)	(0.2)	(9.3)		(1.3)		(43.5)
Other Operating Revenues (Expenses)	1.5	0.0	0.0	(0.1)	0.0	(2.5)	0.0	(1.1)
- Provisions	(3.6)			0.0		(2.5)		(6.2)
- Taxes	(1.5)			(0.3)				(1.7)
- Other Operating Revenues	6.6			0.2				6.8
Late Payment Fees	9.5				(9.5)			0.0
Operating Result	217.0	(37.8)	(0.2)	(67.6)	(9.5)	(14.8)	0.4	87.5
- Corporate Expenses	(66.4)			67.6		(1.2)		(0.0)
Adjusted EBITDA	150.6	(37.8)	(0.2)	0.0	(9.5)	(16.0)	0.4	87.5
(-) Late Payment Fees	(9.5)				9.5			0.0
(-) Non-Recurring Items - EBITDA	(15.9)					15.9		0.0
EBITDA	125.2	(37.8)	(0.2)	0.0	0.0	(0.1)	0.4	87.5
Depreciation & Amortization	(37.8)	37.8						0.0
Equity Equivalence	(0.2)		0.2					0.0
EBIT	87.2	0.0	0.0	0.0	0.0	(0.1)	0.4	87.5
Net Financial Result	(30.0)						(0.4)	(30.4)
EBT	57.2	0.0	0.0	0.0	0.0	(0.1)	0.0	57.1
Income Tax and Social Contribution	17.2							17.2
Net Income Before Non-Controlling Interest	74.4	0.0	0.0	0.0	0.0	(0.1)	0.0	74.3
Non-Controlling Interest	0.0							0.0
Net Income	74.4	0.0	0.0	0.0	0.0	(0.1)	0.0	74.3
(-) Non-Recurring Items - EBITDA	15.9					(15.9)		0.0
(-) Non-Recurring Items - Net Income	(11.5)					11.5		0.0
Adjusted Net Income	78.9	0.0	0.0	0.0	0.0	(4.5)	0.0	74.3

¹ Non-Recurring Items impacting EBITDA

² Non-Recurring Items impacting Net Income

APPENDIX 3 – Income Statement – IFRS

	3Q17	3Q16	9M17	9M16
Net Revenue	252.4	231.2	769.4	702.0
COST OF SERVICES	(157.6)	(153.3)	(457.4)	(434.9)
Gross (Loss) Profit	94.8	77.8	312.0	267.1
OPERATING (EXPENSES) / INCOME	(79.1)	(63.9)	(224.6)	(186.7)
Commercial	(18.9)	(16.1)	(55.0)	(48.7)
General and administrative	(58.2)	(47.2)	(168.3)	(133.3)
Equity income	(0.2)	-	(0.2)	-
Other operating (expenses) revenues	(1.8)	(0.5)	(1.1)	(4.7)
Income before Financial Result	15.8	13.9	87.5	80.3
Financial interest income	18.1	40.8	55.4	108.5
Financial interest expenses	(25.1)	(49.4)	(85.8)	(132.1)
Net (Loss) Income before Taxes	8.8	5.3	57.1	56.7
Income tax and social contribution, current and deferred	1.3	0.2	17.2	0.6
Net Income or Loss for the Period	10.1	5.6	74.3	57.3

APPENDIX 4 – Balance Sheet - IFRS

Assets	SEP 17	SEP 16	JUN 17
Current Assets	474.9	476.6	442.6
Cash and cash equivalents	37.5	23.4	30.8
Cash & financial investments	109.4	191.5	108.6
Accounts receivable	278.4	215.2	251.8
Prepaid expenses	22.9	24.8	28.2
Recoverable taxes	12.7	9.7	12.1
Derivatives	-	-	-
Other current assets	13.9	12.1	11.1
Non-Current Assets	890.4	947.0	980.6
Accounts receivable	0.1	88.8	92.7
Prepaid expenses	7.0	12.2	11.5
Judicial deposits	39.0	34.1	38.5
Credit with related parties	0.2	0.1	0.2
Recoverable taxes	13.8	6.8	14.3
Derivatives	-	-	-
Other non-current assets	19.1	15.9	18.5
Investments	2.9	-	3.1
Fixed	236.6	216.8	230.8
Intangible	571.7	572.3	571.0
Total Assets	1,365.3	1,423.6	1,423.1

Liabilities	SEP 17	SEP 16	JUN 17
Current Liabilities	218.3	252.7	283.2
Supplier	24.8	22.5	23.1
Loans	52.3	97.3	121.8
Personnel	78.2	75.1	74.6
Taxes payable	12.7	9.5	13.5
Advances from clients	30.6	29.2	20.6
Tax debt installments	0.6	0.3	0.6
Accounts payables	10.9	5.8	10.8
Dividends payables	0.0	0.0	0.0
Derivatives	6.9	12.4	17.7
Other current liabilities	1.1	0.6	0.4
Non-Current Liabilities	441.2	494.4	443.7
Loans	231.3	281.1	234.7
Accounts payables	61.2	49.2	63.7
Tax debt installments	4.0	3.7	4.2
Deferred income tax and social contribution	54.9	53.2	53.7
Provisions for risks	81.1	96.8	81.5
Derivatives	4.9	10.0	4.8
Other non-current liabilities	3.7	0.4	1.1
Shareholder Equity	705.8	676.6	696.3
Capital Stock	496.4	496.4	496.4
Capital reserve	6.6	5.9	6.6
Earnings reserve	212.3	217.2	212.3
Shares in treasury	(14.2)	(30.6)	(13.6)
Asset valuation adjustment	(69.6)	(69.6)	(69.6)
Retained earnings	74.3	57.3	64.2
Minority shareholders interest	-	-	-
Total Liabilities and Shareholder Equity	1,365.3	1,423.6	1,423.1

APPENDIX 5 – Cash Flow – IFRS

	3Q17	3Q16	9M17	9M16
Net Income for the period	10.1	5.6	74.3	57.3
Adjustments:				
Allowance for doubtful accounts	9.0	8.7	31.1	28.3
Reversal (restatement) of escrow deposits	(0.5)	(0.7)	(1.6)	(1.2)
Depreciation and amortization	13.3	10.2	37.8	28.9
Decrease in residual value of fixed and intangible assets	0.1	1.6	0.1	3.3
Equity income	0.2	-	0.2	-
Third party loans update	(0.5)	-	(1.3)	-
Losses from Loans with related parties	-	-	-	-
PUT option premium adjustment	-	-	-	-
Interest on loans, financing and tax installments	4.7	17.2	23.9	46.2
Constitution, reversal and update of provision for labor, tax and civil risks	3.4	2.3	6.2	8.4
Present value adjustments to accounts payable	1.4	2.5	6.1	6.1
FIES revenues regarding present value adjustments and monetary restatement	(1.1)	(4.0)	(5.1)	(14.7)
Share repurchase program bonuses	0.0	0.0	0.1	4.6
Shares granted to employees (Dádiva)	-	-	-	-
Alienation of treasury shares	-	-	-	-
Interest on loans with related parties	-	-	-	-
Deferred income tax and social contribution	(1.3)	(0.2)	(17.2)	(0.6)
Losses with investments	-	-	-	0.0
Losses with provision for impairment	-	-	-	-
Losses from the sale of fixed and intangible assets	-	-	-	-
Interest on tax expenses	-	-	-	-
Gain on acquisition of investment / installment	-	-	-	-
Inventory and net assets write-off	-	-	1.2	-
fair value of derivatives	10.7	-	10.7	-
	49.5	43.1	166.4	166.7
Change in operating assets and liabilities				
Decrease (increase) in trade receivables	58.0	78.0	(18.8)	(10.7)
Decrease (increase) in sundry advances	9.7	2.6	19.9	(12.5)
Decrease (increase) in escrow deposits	(0.1)	(2.2)	(4.6)	(6.8)
Decrease (increase) in recoverable taxes and contributions	0.0	(0.4)	(0.6)	0.3
Decrease (increase) in other assets	(3.0)	(1.7)	(7.4)	(2.6)
Increase (decrease) in trade payables	1.7	(0.3)	1.1	(0.1)
Increase (decrease) in payroll and related taxes	2.9	4.2	18.7	20.3
Increase (decrease) in advances from clients	10.0	4.5	11.5	5.6
Increase (decrease) of taxes and contributions paid in installments	(0.4)	0.3	(0.7)	0.1
Increase (decrease) in accounts payable	-	-	-	-
Increase (decrease) of provision for tax, civil and labor risks	(3.2)	(1.9)	(12.5)	(12.6)
Increase (decrease) in other liabilities	3.3	0.0	3.3	(0.3)
Cash from operations	79.0	83.3	9.9	(19.2)
Interest paid	(19.3)	(16.0)	(30.7)	(31.7)
Income tax and social contribution paid	(0.0)	(0.0)	(0.0)	(0.3)
	109.1	110.4	145.6	115.6
Net cash flow from operating activities				
Cash Flow from Investment Activities				
Loans with related parties	-	-	(0.0)	-
Concessions	-	-	-	-
Receipts	-	-	-	-
Subsidiary capital increase	-	-	(3.1)	-
Acquisitions net of cash and equivalents	-	(13.3)	-	(8.1)
(Redemption) investment of financial investments	2.4	(4.2)	45.1	(14.3)
Yields from financial investments	(3.2)	(8.1)	(12.6)	(18.0)
Acquisition of property and equipment	(13.2)	(8.4)	(36.9)	(27.7)
Acquisition of intangible assets	(4.0)	(1.8)	(11.9)	(9.2)
	(17.9)	(35.8)	(19.3)	(77.2)
Net cash flow (applied) from investment activities				
Cash Flow from Financial Activities				
Loans with related parties				
Funding	-	-	-	-
Amortizations	-	-	-	-
Loans and financing				
Funding	-	-	5.4	143.0
Amortizations	(57.2)	(73.7)	(86.3)	(140.7)
Gains (Losses) with Derivatives	(22.1)	-	(27.6)	-
Accounts payable amortization on controlling acquisitions	(4.6)	-	(10.6)	-
IPO costs	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-
Capital increase	-	-	-	-
Shares held in treasury	(0.6)	-	(4.3)	(27.5)
Dividends paid	(0.0)	-	(5.0)	(15.2)
	(84.4)	(73.7)	(128.3)	(40.4)
Net cash (applied to) flow from financing activities				
Cash (Applied) Flow for the Period	6.7	0.9	(2.0)	(2.1)
Change in Cash and Cash Equivalents				
Cash and cash equivalents at the beginning of the period	30.8	22.5	39.6	25.5
Cash and cash equivalents at the end of the period	37.5	23.4	37.5	23.4
Increase (Decrease) of Cash and Cash Equivalents	6.7	0.9	(2.0)	(2.1)

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

NOTES TO THE PARENT COMPANY AND CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

(In thousands of Brazilian reais - R\$, unless otherwise stated)

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 interests in other entities 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.

Comparability

The income statement for the nine-month period ended September 30, 2016 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 INTERIM FINANCIAL INFORMATION

2.1 Statement of compliance (with IFRSs and CPCs)

The parent company and consolidated interim financial information identified as company and consolidated comprise:

- The parent company and consolidated interim financial information prepared and presented in accordance with the Brazilian Technical Pronouncement CPC 21 (R1) – Interim Financial Statement and the International Standard IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board - IASB, and in conformity with the rules issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of the Quarterly Information Form - ITR, identified as "Parent Company" and "Consolidated".
- 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").

2.2. Basis of preparation

The interim financial information has 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.

The Company's Management declares that all relevant information pertaining to the interim financial information is being addressed, and that it corresponds to the information used in the Company's management.

2.3. Basis of consolidation and investments in subsidiaries and joint venture

The consolidated interim financial information includes the interim financial information 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 nine-month period ended September 30, 2017 and year ended December 31, 2016, the Company held the following direct and indirect subsidiaries and joint venture:

<u>Subsidiary</u>	<u>Equity interest %</u>	
	<u>9/30/2017</u>	<u>12/31/2016</u>
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	100
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	100
GKT Treinamento, Consultoria e Editora Ltda ("ACAD")	100	100
FACEB Educação Ltda ("FACEB")	100	100
Politécnico Participações Ltda ("Politécnico")	100	100
Instituto Politécnico Ltda ("Politécnico")	100	100
Instituto Ânima de Extensão Universitária	100	-
Joint venture		
Le Cordon Bleu Anima Ltda ("LCB") (*)	50	50

(*) A joint venture is a joint agreement in which the parties that have joint control over the agreement have rights over the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control, applicable only when the decisions on relevant activities require the unanimous consent of the parties sharing the control. The associate's results, assets and liabilities are included in this consolidated interim financial information under the equity method. The Company continues to use the equity method when an investment in an associate becomes an investment in a joint venture or when an investment in a joint venture becomes an investment in an associate.

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, is the Board of Directors, which is also responsible for making Company's strategic decisions.

3. SIGNIFICANT ACCOUNTING POLICIES

No changes occurred in the accounting policies of parent company or consolidated interim financial information in relation to those presented in the financial statements for the year ended December 31, 2016.

This interim financial information should be read jointly with the annual Financial Statements published.

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

Regarding the new standards and amendments to IFRS or IFRIC interpretations not effective yet, the Company's Management is evaluating possible impacts on the interim financial information 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	Investment Entities: Applying the Consolidation Exception
IFRS 12 / CPC 45 and IAS 28 / CPC 18	

5. BUSINESS COMBINATION

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

5.1.1. 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 at a discount rate of 17% p.a.

5.1.2. Assets acquired and liabilities recognized on the acquisition date

In the first quarter of 2017, the Company and its consultants reviewed the fair value calculation of the assets and liabilities, and, consequently, goodwill arising from the transaction. These amounts were adjusted in relation to the initial amounts that had been recorded in the second quarter of 2016.

	Carrying amount	Acquisition adjustments	Goodwill adjustments (i)	Fair value
<u>Assets</u>				
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	26,628	-	61,812
Intangible assets	1,890	31,558	-	33,448
<u>Liabilities</u>				
Other current liabilities	31,117	-	-	31,117
Other noncurrent liabilities	21,603	-	-	21,603
Deferred income tax and social contribution liabilities	-	39,370	-	39,370
Provision for labor, tax and civil risks	106,897	(57,607)	3,907	53,197
Net assets acquired	<u>(87,368)</u>	<u>76,423</u>	<u>(5,432)</u>	<u>(16,377)</u>

- (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.

5.1.3. Goodwill generated in the acquisition

	<u>2/1/2016</u> Acquired value
Consideration to be transferred at the acquisition	28,727
(-) Fair value of net liabilities / (assets) identifiable	<u>16,377</u>
Goodwill generated in the acquisition	<u>45,104</u>

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.

5.1.4. Net cash outflow in the acquisition of subsidiary

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

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.

5.2. Acquisition of FACEB Educação Ltda. (FACEB)

5.2.1. Consideration transferred

"PGP Gestão" will disburse R\$42,245 for the business, adjusted for the net cash position, R\$16,245 of which was settled on the closing date of the transaction, i.e. July 1, 2016, and R\$26,000 will be paid 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 is R\$38,998 at the Selic rate.

5.2.2. Assets acquired and liabilities recognized on the acquisition date

In the second quarter of 2017, the Company and its consultants completed the fair value calculation of the assets and liabilities and, consequently, the goodwill arising from the transaction.

	Carrying amount	Acquisition adjustments	Goodwill adjustments (i)	Fair value
<u>Assets</u>				
Cash and cash equivalents	2,209	-	-	2,209
Other current assets	3,855	-	(260)	3,595
Other noncurrent assets	265	-	-	265
Property and equipment	3,346	-	-	3,346
Intangible assets	7,680	5,926	-	13,606
<u>Liabilities</u>				
Other current liabilities	9,876	-	-	9,876
Other noncurrent liabilities	473	-	-	473
Deferred income tax and social contribution liabilities	-	2,015	-	2,015
Net assets acquired	<u>7,006</u>	<u>3,911</u>	<u>(260)</u>	<u>10,657</u>

- (i) Amounts referring to loss of tuition fees from years prior to the acquisition date not recognized in the opening statement of financial position, but recognized as goodwill adjustment in October 2016.

5.2.3. Goodwill generated in the acquisition

	<u>7/1/2016</u> <u>Acquired</u> <u>value</u>
Consideration to be transferred at the acquisition	38,998
(-) Equity value of net liabilities / (assets) identifiable	(10,657)
(+) Additional consideration transferred due to the acquisition	380
Goodwill generated in the acquisition	<u>28,721</u>

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

5.2.4. Net cash outflow in the acquisition of subsidiary

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

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

5.3.1. 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, which 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 is R\$622 at a discount rate of 13.46% p.a.

5.3.2. Assets acquired and liabilities recognized on the acquisition date

In the third quarter of 2017, the Company and its consultants completed the fair value calculation of the assets and liabilities and, consequently, the goodwill arising from the transaction.

	<u>Carrying amount</u>	<u>Acquisition adjustments</u>	<u>Goodwill adjustments (i)</u>	<u>Fair value</u>
<u>Assets</u>				
Cash and cash equivalents	579	-	-	579
Other current assets	1,263	-	-	1,263
Property and equipment	386	-	-	386
Intangible assets	105	1,081	-	1,186
<u>Liabilities</u>				
Other current liabilities	4,087	-	27	4,114
Other noncurrent liabilities	554	-	-	554
Deferred income tax and social contribution liabilities	-	368	-	368
Net assets acquired	<u>(2,308)</u>	<u>713</u>	<u>(27)</u>	<u>(1,622)</u>

(i) Amount referring to the return of insurance on the loan previously settled, not recognized in the opening statement of financial position, but recognized as goodwill adjustment in October 2016.

5.3.3. Goodwill generated in the acquisition

	<u>9/1/2016</u>
	<u>Acquired value</u>
Consideration to be transferred at the acquisition	662

(-) Equity value of net liabilities / (assets) identifiable	<u>1,622</u>
Goodwill generated in the acquisition	<u><u>2,284</u></u>

ACAD's acquisition generated goodwill resulting from the consideration paid for the transaction, which includes amounts related to future synergy gains, future revenue growth and workforce. These benefits are not recognized separately from goodwill because they do not meet the criteria for the recognition of identifiable intangible assets.

5.3.4. Net cash outflow in the acquisition of subsidiary

	<u>9/1/2016</u>
Consideration received in cash	(150)
(-) Balances of cash and cash equivalents acquired	<u>(579)</u>
Net cash disbursement	<u><u>(729)</u></u>

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

5.4.1. 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., October 3, 2016, to be settled in 73 monthly installments, restated at 12% p.a. plus TR. The present value of this transaction is R\$19,132, given that the transaction incurs market interest.

5.4.2. Assets acquired and liabilities recognized on the acquisition date

In the third quarter of 2017, the Company and its consultants completed the fair value calculation of the assets and liabilities and, consequently, the goodwill arising from the transaction.

	<u>Carrying amount</u>	<u>Acquisition adjustments</u>	<u>Fair value</u>
<u>Assets</u>			
Cash and cash equivalents	37	-	37
Other current assets	2,525	-	2,525
Other noncurrent assets	77	-	77
Property and equipment	4,854	-	4,854
Intangible assets	82	4,443	4,525
<u>Liabilities</u>			
Other current liabilities	4,758	-	4,758
Other noncurrent liabilities	2,160	-	2,160
Deferred income tax and social contribution liabilities	-	1,511	1,511
Net assets acquired	<u><u>657</u></u>	<u><u>2,932</u></u>	<u><u>3,589</u></u>

5.4.3. Goodwill generated in the acquisition

	<u>10/3/2016</u> Acquired value
Consideration to be transferred at the acquisition	19,132
(-) Equity value of net liabilities / (assets) identifiable	<u>(3,589)</u>
Goodwill generated in the acquisition	<u>15,543</u>

Instituto Politécnico's acquisition generated goodwill resulting from the consideration paid for the transaction, which includes amounts related to future synergy gains, future revenue growth and workforce. These benefits are not recognized separately from goodwill because they do not meet the criteria for the recognition of identifiable intangible assets.

5.4.4 Net cash outflow in the acquisition of subsidiary

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

6. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	Company		Consolidated	
	<u>9/30/2017</u>	<u>12/31/2016</u>	<u>9/30/2017</u>	<u>12/31/2016</u>
Cash and banks	121	200	5,838	7,303
Short-term investments -				
Operations	<u>2,869</u>	<u>8,463</u>	<u>31,710</u>	<u>32,265</u>
Total cash and cash equivalents	<u>2,990</u>	<u>8,663</u>	<u>37,548</u>	<u>39,568</u>
Short-term investments -				
Investment	<u>15,623</u>	<u>7,003</u>	<u>109,371</u>	<u>141,931</u>
Total short-term investments	<u>15,623</u>	<u>7,003</u>	<u>109,371</u>	<u>141,931</u>

Short-term investments are classified as loans and receivables in the financial instruments category. These consist of Bank Deposit Certificates (CDBs), which yield between 80.50% and 100.00% of the CDI, and vary according to the amount of time these funds remain in the account, all highly liquid, and by exclusive investment funds for GAEC's companies, which yielded between 101.07% and 103.86% of the CDI in the last twelve months.

7. TRADE RECEIVABLES

	Consolidated	
	9/30/2017	12/31/2016
FIES - student loan (a)	177,571	207,819
Accounts receivable – tuition fees (b)	185,863	172,502
Financing (Ampliar and Pravalor) (c)	6,439	1,962
Events	5,108	2,995
Leases, services and other	13,360	12,898
Total	<u>388,341</u>	<u>398,176</u>
Allowance for doubtful accounts - Other trade receivables (b)	(89,298)	(96,450)
Allowance for doubtful accounts - FIES (e)	(20,552)	(16,123)
Total	<u>(109,850)</u>	<u>(112,573)</u>
Overall total trade receivables	<u>278,491</u>	<u>285,603</u>
Current assets	278,350	195,710
Non-current assets	141	89,893

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) not yet received, 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. On December 2015, the Company, through the Brazilian Association for the Development of Post-Secondary Education (ABRAES), entered into a judicial agreement in which the Ministry of Education (MEC) and the FNDE committed to transfer 100% of the due remaining balance 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. The installments received comprise the amount of R\$92,657. 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 monthly tuition fees, negotiated amounts payable 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 Pravalor (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 at the rate of 14.14% p.a.
- (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 continually assesses the need to change the percentages of the allowance for losses in order to reflect the impact caused by Brazil's macroeconomic scenario.
- (e) The Company's subsidiaries recognize an allowance for doubtful accounts for amounts under the FIES according to the likelihood of loss associated with the students included in the Program. Regarding agreements not covered by FGEDUC and the 10% of agreements covered by FGEDUC, we recognized an allowance of 6% over the financed amount, in which we estimate a 20% default rate in relation to the Company's 15% exposure to credit risk. The balances related to FGEDUC are directly deducted from revenue and accounts receivable (R\$12,527 on September 30, 2017 and R\$15,223 on September 30, 2016). In addition to the allowance for loss of FIES receivables, the Company's subsidiaries recognize, on a monthly basis, an allowance for losses on possible agreements not amended by students with the FNDE for the current semester (R\$957 on September 30, 2017).

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 the Company's policy:

Consolidated 9/30/2017					
	Receivables	Allowance for doubtful accounts	% Loss per default rate	Net receivables	% (*)
FIES					
Current	177,571	(957)	0.54%	176,614	63.42%
Loss of FIES credit	-	(19,595)	-	(19,595)	(7.04%)
Credit card	17,403	-	-	17,403	6.25%
Current	52,353	(7,557)	14.43%	44,796	16.09%
Past due:					
0 to 90 days	44,086	(10,794)	24.48%	33,292	11.95%
91 to 180 days	21,582	(7,996)	37.05%	13,586	4.88%
181 to 360 days	27,458	(19,434)	70.78%	8,024	2.88%
361 to 720 days	47,888	(43,517)	90.87%	4,371	1.57%
Total	388,341	(109,850)	28.29%	278,491	100%

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

Consolidated 12/31/2016					
	Receivables	Allowance for doubtful accounts	% Loss per default rate	Net receivables	% (*)
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 accounts receivable per maturity term.

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

	Consolidated	
	9/30/2017	9/30/2016
Opening balance	112,573	79,398
Allowance for doubtful accounts for the period	31,066	28,279
Business combination - Sociesc, FACEB and ACAD	-	11,914
Notes written off in the period (i)	(33,789)	(19,276)
Closing balance	<u>109,850</u>	<u>100,315</u>

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

8. SUNDRY ADVANCES

	Company		Consolidated	
	9/30/2017	12/31/2016	9/30/2017	12/31/2016
Rent (a)	-	-	18,850	21,448
Trade payables	729	1,003	7,318	7,755
Employees - vacations	315	529	1,448	15,495
Prepayment - acquisition	-	-	1,951	4,576
Other	-	-	386	530
Total	<u>1,044</u>	<u>1,532</u>	<u>29,953</u>	<u>49,804</u>
Current assets	1,044	1,532	22,921	37,355
Non-current assets	-	-	7,032	12,449

(a) Refers to rent advances related to IMEC, Sociesc and Politécnico units.

9. RECOVERABLE TAXES AND CONTRIBUTIONS

	Company		Consolidated	
	9/30/2017	12/31/2016	9/30/2017	12/31/2016
Withholding income tax (IRRF)				
(a)	3,368	4,710	11,686	10,672
Taxes on revenue (PIS/COFINS)/social contribution	100	194	3,066	2,672
Prepaid income tax (b)	-	-	2,092	2,125
Prepaid social contribution (b)	-	-	329	374
Other (c)	8,036	5	9,388	1,312
Total	<u>11,504</u>	<u>4,909</u>	<u>26,561</u>	<u>17,155</u>
Current assets	3,477	3,630	12,744	11,154
Non-current assets	8,027	1,279	13,817	6,001

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

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

- (c) It refers mainly to credits from negative balance of the 2012 and 2014 income and social contribution taxes recorded due to the cancelation of PERDCOMP for inclusion in the Tax Regularization Program (PRT) – MP 766 – IN 1687. See Note 19).

10. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

10.1. Deferred income tax and social contribution

Assets - The Company and its subsidiaries hold income tax and social contribution on tax loss carryforwards. Recognition of deferred tax assets only occurs when it is reasonably certain that these credits will be realized. The parent company holds income tax amounting to R\$139,406 (R\$166,545 on December 31, 2016) and R\$272,264 (R\$274,827 on December 31, 2016) in consolidated, which can be carried forward indefinitely, on which no deferred tax assets were recognized. In May and August 2017, the Company recorded R\$14,637 and R\$427, respectively, which were subsequently used to settle the Tax Regularization Program (PRT- MP 766 – IN 1687. See Note 19).

Liabilities - deferred income tax and social contribution refers to:

- (i) Taxes and contributions calculated on the property revaluation made in 2007 and the property surplus value realized in 2009.
- (ii) Taxes and contributions calculated on the difference between the carrying amount and the fair value of assets allocated to the business combination in the 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 nine-month period ended September 30, 2017 was as follows:

	Consolidated		
	Opening balance	Change	Closing balance
	12/31/2016	Business combination	Effect on profit (loss)
			9/30/2017
Income tax	38,367	3,476	(1,463)
Social contribution	13,813	1,250	(529)
Total	52,180	4,726	(1,992)
			54,914

Effective Rate Reconciliation

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

	Company			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
Income before income tax and social contribution	9,670	59,278	5,563	57,282
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution by combined tax rate	(3,288)	(20,155)	(1,892)	(19,476)

	Company			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
Adjustments to profit or loss:				
Equity income	7,731	35,983	7,175	33,259
Unrecognized tax credits	1,207	(15,449)	(8,417)	(16,861)
Offsetting of tax loss carryforwards	427	15,064	-	-
Other additions and exclusions	(5,650)	(379)	3,134	3,078
Calculated income tax and social contribution	<u>427</u>	<u>15,064</u>	<u>-</u>	<u>-</u>
Deferred income tax and social contribution for the period	427	15,064	-	-
	Consolidated			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
Income before income tax and social contribution	8,813	57,136	5,324	56,729
Combined tax rate	<u>34%</u>	<u>34%</u>	<u>34%</u>	<u>34%</u>
Income tax and social contribution by combined tax rate	<u>(2,996)</u>	<u>(19,426)</u>	<u>(1,810)</u>	<u>(19,288)</u>
Adjustments to profit or loss:				
Tax incentive - PROUNI (a)	6,680	42,118	10,291	39,706
Unrecognized tax credits	(4,168)	(24,316)	(10,086)	(19,713)
Other exemptions, additions and exclusions	1,341	3,766	-	-
Recognition of tax credits from previous years	427	15,064	1,844	(152)
Calculated income tax and social contribution	<u>1,284</u>	<u>17,206</u>	<u>239</u>	<u>553</u>
Current income tax and social contribution for the period	151	151	10	(61)
Deferred income tax and social contribution for the period	1,133	17,055	229	614

11. INVESTMENTS

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

Subsidiaries:

	Company 9/30/2017			Company 9/30/2016		
	Investment	Equity income	Equity interest	Investment	Equity income	Equity interest
Assets:						
IMEC	107,850	70,646	100%	161,911	67,112	100%
MGE	496,445	51,826	100%	562,519	62,322	100%
BR Educação	72,864	(15,715)	100%	66,808	(29,486)	100%
Unimonte	46,333	348	100%	43,308	(2,840)	100%
PGP Gestão	37,113	(1,076)	100%	20,875	710	100%
VC Network	81	4	100%	76	6	100%
Allocated fair value	52,299	(2)		52,301	(2)	
Goodwill	35,026	-		45,326	-	
Total	<u>848,011</u>	<u>106,031</u>		<u>953,124</u>	<u>97,822</u>	

Joint venture:

	Subsidiary and Consolidated 9/30/2017			Subsidiary and Consolidated 9/30/2016		
	Investment	Equity income	Equity interest	Investment	Equity income	Equity interest
Assets:						
LCB	2,938	(198)	50%	-	-	-
Total	<u>2,938</u>	<u>(198)</u>		<u>-</u>	<u>-</u>	
	<u>850,949</u>	<u>105,833</u>		<u>953,124</u>	<u>97,822</u>	

The number of shares/quotas is as follows:

	Number of shares/quotas held	
	9/30/2017	12/31/2016
Direct subsidiaries:		
IMEC	8,789,479	8,789,479
MGE	4,586,219	4,532,699
VC Network	4,023,145	4,023,145
Unimonte	25,840,970	91,942,323
BR Educação	128,200,000	125,700,000
PGP Gestão	705,784	555,784
Indirect subsidiaries:		
Una Gestão	32,564	32,564
HSM Brasil	2,527,360	2,489,860
PGP Educação	389,260	339,260
USJT	462,228	462,228
Sociesc	2	2
FACEB	30,000	30,000
ACAD	100,000	100,000
Politécnico Participações	10,000,000	10,000,000
Instituto Politécnico	1,098,417	1,098,417
Instituto Anima de Extensão Universitária	10,000	-
Joint venture:		
LCB	3,135,800	3,135,800

The interim financial information of the subsidiaries and joint venture are as follows:

	9/30/2017						Joint venture
	Direct subsidiaries						
	IMEC	MGE	VC Network	Unimonte	PGP Gestão	(*) BR Educação	LCB
Statement of financial position							
Current assets	127,136	244,953	81	14,105	16,609	51,216	5,937
Non-current assets	69,955	369,238	-	49,645	74,252	228,400	45
Current liabilities	71,105	101,139	-	9,806	18,731	51,916	106
Noncurrent liabilities	18,136	16,607	-	7,611	35,017	134,092	-
(-) Non-controlling interest	-	-	-	-	-	-	2,938
Controlling shareholders' equity	107,850	496,445	81	46,333	37,113	93,608	2,938
Profit (loss)							
Net revenue	181,820	389,656	-	38,226	44,618	115,075	-
Cost of services	(88,520)	(239,440)	-	(23,549)	(23,439)	(82,410)	-
Operating expenses	(29,051)	(104,766)	-	(12,345)	(19,108)	(44,745)	(715)
Finance income (expenses)	6,397	6,376	4	(2,013)	(4,062)	(4,833)	319
Deferred/current income tax and social contribution	-	-	-	29	915	1,198	-
Non-controlling interest	-	-	-	-	-	-	198
Profit (loss) for the period	70,646	51,826	4	348	(1,076)	(15,715)	(198)

(*) 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.

	Company							Allocated fair value	Goodwill	Total
	IMEC	MGE	VC Network	Unimonte	PGP Gestão	BR Educação	LCB			
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	-	3,500	20,158	44,060	-	-	-	133,688
Equity in the earnings (losses) of subsidiaries	67,112	62,322	6	(2,840)	710	(29,486)	-	(2)	-	97,822
Capital reserve	-	5	-	-	-	4,624	-	-	-	4,629
Closing balance at September 30, 2016	161,911	562,519	76	43,308	20,875	66,808	-	52,301	45,326	953,124
Closing balance at December 31, 2016	97,683	484,739	77	40,245	25,822	75,368	-	52,301	35,026	811,261
Capital increase	-	5,673	-	5,739	12,367	13,200	3,136	-	-	40,115
Equity in the earnings (losses) of subsidiaries	70,646	51,826	4	348	(1,076)	(15,715)	(198)	(2)	-	105,833
Capital reserve	1	37	-	1	-	11	-	-	-	50
Dividend distribution	(59,440)	(45,830)	-	-	-	-	-	-	-	(105,270)
Interest on equity	(1,040)	-	-	-	-	-	-	-	-	(1,040)
Closing balance at September 30, 2017	<u>107,850</u>	<u>496,445</u>	<u>81</u>	<u>46,333</u>	<u>37,113</u>	<u>72,864</u>	<u>2,938</u>	<u>52,299</u>	<u>35,026</u>	<u>850,949</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation rates	Company			
		Acquisition cost	9/30/2017		12/31/2016
			Accumulated depreciation	Net PP&E	Net PP&E
Computers and peripherals	20%	4,491	(2,330)	2,161	2,150
Leasehold improvements	10%	4,125	(510)	3,615	1,844
Furniture and fixtures	10%	1,428	(346)	1,082	683
Machinery and equipment	10%	618	(148)	470	261
Other	10% and 20%	503	(368)	135	161
Construction in progress	-	105	-	105	149
Total		11,270	(3,702)	7,568	5,248

	Annual depreciation rates	Consolidated			12/31/2016
		Acquisition cost	9/30/2017 Accumulated depreciation	Net PP&E	
Leasehold improvements	2.86% to 10%	107,809	(33,634)	74,175	63,363
Buildings	1.43% to 4%	48,735	(5,735)	43,000	46,738
Land	-	28,395	-	28,395	28,396
Machinery and equipment	10%	73,937	(51,144)	22,793	22,136
Library and video library	10%	41,175	(21,821)	19,354	19,443
Furniture and fixtures	10%	48,274	(31,141)	17,133	15,401
Computers and peripherals	20%	52,353	(39,157)	13,196	12,887
Other	10% and 20%	32,524	(17,702)	14,822	10,976
Construction in progress	-	3,766	-	3,766	4,190
Total		436,968	(200,334)	236,634	223,530

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

	Company				
	Net balance on 12/31/2016	Additions	Depreciation	Reclassification	Net balance on 9/30/2017
Computers and peripherals	2,150	532	(521)	-	2,161
Leasehold improvements	1,844	-	(203)	1,974	3,615
Furniture and fixtures	683	484	(85)	-	1,082
Machinery and equipment	261	245	(36)	-	470
Other	161	38	(64)	-	135
Construction in progress	149	1,930	-	(1,974)	105
Total	5,248	3,229	(909)	-	7,568

	Company					
	Net balance on 12/31/2015	Additions	Write-offs	Depreciation	Transfer	Reclassification
Computers and peripherals	1,382	1,080	(30)	(419)	-	104
Leasehold improvements	1,434	-	(57)	(113)	80	-
Furniture and fixtures	583	60	-	(56)	-	(45)
Machinery and equipment	321	12	-	(24)	-	(98)
Other	181	14	-	(60)	-	39
Construction in progress	-	1,393	(8)	-	(1,285)	-
Total	3,901	2,559	(95)	(672)	(1,205)	-

	Consolidated						
	Net balance on 12/31/2016	Additions	Business combination (iii)	Write-offs	Depreciation	Transfer	Reclassification
Leasehold improvements (i)	63,363	-	-	(5)	(6,911)	1,370	16,358
Buildings	46,738	-	(2,800)	-	(938)	-	-
Land	28,396	-	-	-	-	(1)	-
Machinery and equipment	22,136	3,727	-	(36)	(3,030)	4	(8)
Library and video library	19,443	2,061	-	(12)	(2,133)	1	(6)
Furniture and fixtures	15,401	3,836	-	(15)	(2,088)	-	(1)
Computers and peripherals	12,887	4,094	-	(3)	(3,784)	2	-
Other	10,976	5,780	-	(2)	(1,938)	(5)	11
Construction in progress (ii)	4,190	17,369	-	(30)	-	(1,409)	(16,354)
Total	223,530	36,867	(2,800)	(103)	(20,822)	(38)	-

	Consolidated						
	Net balance on 12/31/2015	Additions	Business combination (iii)	Write -offs	Depreciation	Transfer	Net balance on 9/30/2016
Leasehold improvements (i)	55,451	200	2,975	(2,938)	(5,483)	(1,394)	60,325
Buildings	12,655	-	36,618	-	(1,017)	(366)	47,107
Land	13,110	-	15,282	-	-	4	28,396
Machinery and equipment	20,231	1,734	3,611	(43)	(2,886)	108	21,832
Library and video library	14,025	3,408	2,362	(39)	(1,778)	(10)	17,953
Furniture and fixtures	13,100	1,327	2,539	(15)	(1,915)	249	15,156
Computers and peripherals	10,510	1,667	3,210	(51)	(3,530)	800	13,272
Other	6,876	3,077	1,206	(167)	(1,553)	87	9,928
Construction in progress (ii)	-	16,303	541	(71)	-	(3,208)	2,833
				(3,324)			
Total	145,958	27,716	68,344	(3,324)	(18,162)	(3,730)	216,802

- (i) Expenses with leasehold improvements mainly refer to campus improvements in 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 adjustment of the business combination from the acquisition of Sociesc, Faceb and Politécnico.

12.1. Assets pledged as collateral

The Company and its subsidiaries have pledged property, plant and equipment items as collateral in lawsuits. The Group's pledged assets amount approximately to R\$71,395 (R\$75,134 on December 31, 2016) in such lawsuits.

13. INTANGIBLE ASSETS

	Annual	Company			
		9/30/2017			12/31/2016
	amortization rates	Acquisition cost	Accumulated amortization	Net intangible assets	Net intangible assets
Software	20%	31,075	(12,497)	18,578	16,132
Total		31,075	(12,497)	18,578	16,132
	Annual	Consolidated			
		9/30/2017			12/31/2016
	amortization rates	Acquisition cost	Accumulated amortization	Net intangible assets	Net intangible assets
Goodwill (a)		317,293	-	317,293	330,844
Trademarks and patents (b)		143,116	-	143,116	143,116
Licenses (c)		69,066	-	69,066	55,595
Customer portfolio (d)	22% to 60%	40,134	(32,607)	7,527	10,450
Non-competition agreement	12%	2,098	(309)	1,789	-
Mailing list	38%	533	(533)	-	-
Total		572,240	(33,449)	538,791	540,005
Software	20%	55,542	(31,136)	24,406	22,770
Other	10% to 33%	19,055	(10,577)	8,478	6,357
Total		74,597	(41,713)	32,884	29,127
Total intangible assets		646,837	(75,162)	571,675	569,132

- (a) Refers to the goodwill paid upon the acquisition of IMEC, HSM Brasil, PGP Educação, USJT, Sociesc, FACEB, ACAD and Politécnico, which have not been allocated in identified assets, as per valuation report. 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 interim financial information.
- (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, Sociesc, FACEB and Politécnico, 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 IMEC, HSM, USJT, Socies, FACEB, ACAD and Politécnico, and the acquisition of the Operating License of UNA Betim.

Changes in Parent Company are as follows:

	Company			
	Net balance on 12/31/2016	Additions	Amortization	Net balance on 9/30/2017
Software	16,132	6,192	(3,746)	18,578
Total	16,132	6,192	(3,746)	18,578

	Company				
	Net balance on 12/31/2015	Additions	Amortization	Transfer	Net balance on 9/30/2016
Software	12,132	4,254	(2,806)	1,205	14,785
Total	12,132	4,254	(2,806)	1,205	14,785

	Consolidated						Net balance on 9/30/2017
	Net balance on 12/31/2016	Additions	Write -offs	Transfers (i)	Amortization	Business combination (ii)	
Goodwill	330,844	-	-	(7,263)	-	(6,288)	317,293
Trademarks and patents	143,116	-	-	-	-	-	143,116
Licenses	55,595	-	-	7,263	-	6,208	69,066
Customer portfolio	10,450	-	-	-	(8,519)	5,596	7,527
Non-competition agreement	-	-	-	-	(309)	2,098	1,789
Software	22,770	7,135	(17)	-	(5,482)	-	24,406
Other	6,357	4,738	-	38	(2,655)	-	8,478
Total	569,132	11,873	(17)	38	(16,965)	7,614	571,675

	Consolidated							Net balance on 9/30/2016
	Net balance on 12/31/2015	Additions	Write -offs	Transfers (i)	Reclassification	Amortization	Business combination (ii)	
Goodwill	244,642	-	-	-	-	-	87,901	332,543
Trademarks and patents	121,956	-	-	-	-	-	21,160	143,116
Licenses	54,600	-	-	-	-	-	995	55,595
Customer portfolio	12,384	-	-	-	-	(4,827)	6,953	14,510
Software	16,109	6,239	-	1,802	(6)	(4,358)	1,821	21,607
Other	2,913	2,962	(24)	-	6	(1,553)	591	4,895
Total	452,604	9,201	(24)	1,802	-	(10,738)	119,421	572,266

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

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

13.1. 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								
	9/30/2017								
	IMEC	USJT	HSM	SOCIESC	FACEB	ACAD	Politécnico	Other	Total
Amortizable intangible assets:									
Customer portfolio	-	3,675	2	12	2,238	921	679	-	7,527
Non-competition agreement	-	-	-	-	1,789	-	-	-	1,789
Total	-	3,675	2	12	4,027	921	679	-	9,316
Non-amortizable intangible assets:									
Trademarks and patents	24,380	34,900	59,872	21,160	-	-	-	2,804	143,116
Licenses	-	54,600	-	3,787	7,255	-	3,424	-	69,066
Goodwill	29,825	174,445	21,370	45,104	28,721	2,283	15,544	1	317,293
Total	54,205	263,945	81,242	70,051	35,976	2,283	18,968	2,805	529,475
Overall Total	54,205	267,620	81,244	70,063	40,003	3,204	19,647	2,805	538,791

13.2. 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	
	9/30/2017	12/31/2016
Education	445,950	444,690
Other businesses	83,525	84,865
	529,475	529,555

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

14. TRADE PAYABLES

Consisting basically of leases, payables to IT vendors, services providers, suppliers of consumables, and infrastructure builders. Outstanding balance in the Parent Company and on a consolidated basis for the nine-month period ended September 30, 2017 is R\$3,391 (R\$4,032 as at December 31, 2016) and R\$24,808 (R\$23,688 as at December 31, 2016), respectively.

15. BORROWINGS AND FINANCING

	Company					
	9/30/2017			12/31/2016		
	Current	Non-current	Total	Current	Non-current	Total
Local currency						
HSBC	2,156	-	2,156	4,329	1,073	5,402
Santander	5,248	26,052	31,300	14,375	18,401	32,776
Caixa Geral	1,252	-	1,252	2,508	625	3,133
IFC	721	139,080	139,801	6,245	139,080	145,325
Other borrowings	384	9,155	9,539	344	3,987	4,331
Foreign currency						
HSBC – Credit Facility 4131	-	-	-	47,335	-	47,335
Itaú – Credit Facility 4131	23,215	46,017	69,232	24,688	67,135	91,823
Total	32,976	220,304	253,280	99,824	230,301	330,125

	Consolidated					
	9/30/2017			12/31/2016		
	Current	Non-current	Total	Current	Non-current	Total
Local currency						
Banco do Brasil	5,620	6,818	12,438	6,090	10,909	16,999
HSBC	10,428	2,418	12,846	17,178	7,560	24,738
Santander	9,343	26,394	35,737	18,345	21,797	40,142
Caixa Geral	1,252	-	1,252	2,508	625	3,133
IFC	721	139,080	139,801	6,245	139,080	145,325
Other borrowings	1,736	10,618	12,354	1,737	6,400	8,137
Foreign currency						
HSBC – Credit Facility 4131	-	-	-	47,335	-	47,335
Itaú – Credit Facility 4131	23,215	46,017	69,232	24,688	67,135	91,823
Total	52,315	231,345	283,660	124,126	253,506	377,632

The main contractual conditions are as follows:

	Guarantees	Consolidated			
		Average interest rates (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 3.59%	CDI	10/28/2010	5/29/2023
Working capital foreign currency	Promissory notes and cross-guarantee with group companies	2.78%	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%	-	11/22/2013	1/15/2026
Other borrowings	100% of the assets acquired with financing	12.00% to 15.90%	TR	10/28/2009	10/28/2019
Other borrowings	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 30.1 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 2.40% p.a.

Borrowings and financing refer basically 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 September 30, 2017, as follows:

<u>Restrictive Covenant</u>	<u>Required ratio</u>
Current ratio (i)	> 1.2
Net financial debt/EBITDA (ii)	> 2.75
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 quarterly, and for the nine-month period ended September 30, 2017, the Company and its subsidiaries complied with all said restrictive covenants.

The maturities of amounts recognized in noncurrent liabilities for the nine-month period ended September 30, 2017 and for the year ended December 31, 2016 are as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>9/30/2017</u>		<u>9/30/2017</u>	
	<u>Payment schedule</u>	<u>Face value</u>	<u>Payment schedule</u>	<u>Face value</u>
2018	7,506	29,686	10,311	36,809
2019	54,889	81,645	62,934	94,652
2020	49,709	62,066	49,768	69,740
After 2020	108,200	137,583	108,332	187,576
Total	220,304	310,980	231,345	388,777

	<u>Company</u>		<u>Consolidated</u>	
	<u>12/31/2016</u>		<u>12/31/2016</u>	
	<u>Payment schedule</u>	<u>Face value</u>	<u>Payment schedule</u>	<u>Face value</u>
2017	29,860	66,278	45,222	86,022
2018	53,690	86,035	61,342	94,183
2019	47,491	72,103	47,550	71,445
After 2019	99,260	142,848	99,392	139,996
Total	230,301	367,264	253,506	391,646

16. PAYROLL AND RELATED TAXES

	Company		Consolidated	
	9/30/2017	12/31/2016	9/30/2017	12/31/2016
Payroll	2,562	1,883	18,742	18,603
Accrued vacation pay	4,515	3,913	22,004	25,408
Accrued Christmas bonus	2,302	-	25,360	-
Social security tax (INSS)	959	712	9,202	10,246
Severance pay fund (FGTS)	254	262	2,299	3,363
Other	87	83	592	739
Total	10,679	6,853	78,199	58,359

17. TAXES PAYABLE

	Company		Consolidated	
	9/30/2017	12/31/2016	9/30/2017	12/31/2016
Withholding income tax (IRRF)	706	874	6,881	11,762
ISS	51	49	3,908	1,895
Taxes on revenues (PIS and COFINS)	91	121	525	635
Other	24	14	1,369	480
Total	872	1,058	12,683	14,772

18. ADVANCES FROM CUSTOMERS

	Consolidated	
	9/30/2017	12/31/2016
Advances from students (a)	14,754	12,902
Customer prebilling (b)	10,711	2,644
Research projects (c)	2,945	2,393
Other	2,224	1,238
Total	30,634	19,177

- (a) Refer to prepaid enrollment fees and monthly tuitions, which will be recognized in profit or loss on an accrual basis and the Pravalier 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 the student who loses the financial bidding with the school to have a link only with Pravalier. Every time a service is engaged and a loan is renewed, Pravalier 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, IMEC and Politécnico to cover the costs incurred on the performance of 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	
	9/30/2017	12/31/2016
CEMIG	1,524	1,217
FAPEMIG	458	394
British embassy	405	405
Petrocoque	151	151
Apexbrasil	335	157
Settaport	50	50
Other	22	19
Overall Total	<u>2,945</u>	<u>2,393</u>

19. TAXES IN INSTALLMENTS

	Consolidated	
	9/30/2017	12/31/2016
FGTS (a)	2,687	2,802
ORDINARY - RFB (Brazilian Federal Revenue Office)	1,564	1,607
REFIS IV	354	367
Other installments	60	244
Total	<u>4,665</u>	<u>5,020</u>
Current liabilities	646	550
Noncurrent liabilities	4,019	4,470

- (a) Severance pay fund (FGTS): Refer to severance pay fund (FGTS) installments of the subsidiaries Unimonte and IMEC with Caixa Econômica Federal. As of July 2015, Unimonte now collects the remaining amounts through escrow deposit, since the subsidiary is awaiting for Caixa Econômica Federal to send the list of employees who still have FGTS amounts to be deposited.

In May 2017, the Company and its subsidiary MGE used debts recovered from the cancelation of PERDCOMP and INSS debts (notified and legally questioned) in the PRT installment plan (Tax Regularization Program – MP 766 – IN 1687), which allowed settling the debt as follows: 80% of the balance was offset with accumulated tax loss carryforwards from the Company or from companies from the same economic group, declared until December 31, 2015, and 20% of the balance was paid in cash. Credits from income and social contribution taxes on tax losses are recorded in the income and social contribution taxes account in the Company's net income.

20. NOTES PAYABLE

	Consolidated	
	9/30/2017	12/31/2016
Acquisition of Sociesc	32,199	31,839
Acquisition of FACEB	21,338	22,653
Acquisition of Politécnico	17,665	17,692
Acquisition of ACAD	926	1,500
Total	<u>72,128</u>	<u>73,684</u>
Current liabilities	10,891	9,133
Noncurrent liabilities	61,237	64,551

	Consolidated	
	9/30/2017	12/31/2016
2018	1,651	11,556
2019	9,681	9,171
2020	9,519	9,041
After 2020	40,386	34,783
Total	61,237	64,551

21. 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			
	Company		Consolidated	
	9/30/2017	12/31/2016	9/30/2017	12/31/2016
Labor (a)	45	34	12,878	11,521
Tax (b)	-	-	19,865	16,590
Civil (c)	-	-	6,223	8,181
Total	45	34	38,966	36,292

	Provision for risks			
	Company		Consolidated	
	9/30/2017	12/31/2016	9/30/2017	12/31/2016
Labor provisions (a)	1,277	1,290	28,466	31,912
Tax provisions (b)	-	-	49,304	56,000
Civil provisions (c)	-	-	3,309	10,561
Total	1,277	1,290	81,079	98,473

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

	12/31/2016	Reversal	Restatement	9/30/2017
Labor (a)	1,290	(87)	74	1,277
Total	1,290	(87)	74	1,277

	12/31/2015	Reversal	Payments	Restatement	9/30/2016
Labor (a)	2,328	(549)	(421)	84	1,442
Total	2,328	(549)	(421)	84	1,442

The changes in the consolidated provisions were as follows:

	12/31/2016	Business combination (d)	Addition/reversal	Payments	Restatement	Reclassification	Offsetting of escrow deposits	Offsetting (e)	9/30/2017
Labor (a)	31,912	-	723	(4,153)	404	855	(1,275)	-	28,466
Tax (b)	56,000	(2,800)	3,192	(1,415)	-	-	-	(5,673)	49,304
Civil (c)	10,561	-	1,848	(6,914)	-	-	(2,186)	-	3,309
Total	98,473	(2,800)	5,763	(12,482)	404	855	(3,461)	(5,673)	81,079

	12/31/2015	Business combination (d)	Addition/reversal	Payments	Restatement	Reclassification	Offsetting of escrow deposits	9/30/2016
Labor (a)	43,844	2,710	(1,344)	(11,448)	949	943	(2,094)	33,560
Tax (b)	200	51,900	4,014	(242)	-	-	-	55,872
Civil (c)	2,048	1,859	4,779	(891)	-	-	(461)	7,334
Total	46,092	56,469	7,449	(12,581)	949	943	(2,555)	96,766

- (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. 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 contingencies in business combinations, this claim has been adjusted to fair value, in the amount of R\$49,100, 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.
- (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 first quarter of 2017, the Company and its advisors reviewed the fair value calculation of the assets and liabilities, generating a R\$2,800 reduction after the valuation was completed.
- (e) Offsetting related to the adhesion to the Tax Regularization Program (PRT – MP 766 – IN 1687).

Lawsuits classified as possible losses:

	Consolidated	
	9/30/2017	12/31/2016
Labor	12,920	9,015
Tax	156,056	150,946
Civil	22,482	11,632
Total	191,458	171,593

The escrow deposits are disclosed in non-current 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:

	<u>12/31/2016</u>	<u>Additions</u>	<u>Redem ption</u>	<u>Contingency set-off</u>	<u>Restatement/ Reversal</u>	<u>9/30/2017</u>
Labor	11,521	2,742	(487)	(1,275)	377	12,878
Tax	16,590	2,068	-	-	1,207	19,865
Civil	8,181	256	(13)	(2,186)	(15)	6,223
Total	<u>36,292</u>	<u>5,066</u>	<u>(500)</u>	<u>(3,461)</u>	<u>1,569</u>	<u>38,966</u>

	<u>12/31/2015</u>	<u>Additions</u>	<u>Business combination</u>	<u>Write -offs</u>	<u>Contingency set-off</u>	<u>Restatement</u>	<u>Reallocation</u>	<u>9/30/2016</u>
Labor	10,699	2,213	496	(976)	(2,094)	(26)	66	10,378
Tax	10,264	3,586	-	-	-	1,092	-	14,942
				(1,026)				
Civil	6,952	2,972	266	(2,002)	(461)	173	(66)	8,810
Total	<u>27,915</u>	<u>8,771</u>	<u>762</u>	<u>(2,002)</u>	<u>(2,555)</u>	<u>1,239</u>	<u>-</u>	<u>34,130</u>

22. EQUITY

a) Capital stock

Subscribed and paid-in capital for the nine-month period ended September 30, 2017 is represented by 80,944,571 (80,944,571 in the fiscal year ended December 31, 2016) registered common shares without par value, both corresponding to R\$496,411, which is broken down as follows:

	<u>Common Shares</u>	
	<u>9/30/2017</u>	<u>12/31/2016</u>
Total outstanding shares	79,756,582	80,027,482
Treasury shares	<u>1,187,989</u>	<u>917,089</u>
Overall total shares	<u>80,944,571</u>	<u>80,944,571</u>

b) Capital reserves

For the nine-month period ended September 30, 2017, the capital reserve balance totaled R\$6,594 (R\$6,533 as at December 31, 2016). The balance mainly refers to the constitution of share-based compensation, as described in note 29.2.

c) Treasury shares

From January to September 2017, the Company repurchased 270,900 common shares totaling R\$4,261 (R\$27,459 from January to September 2016) at an average cost of R\$15.73 to maximize the generation of value to shareholders, as approved by the Board of Directors on December 18, 2015.

At September 30, 2017, the balance of treasury shares was 1,187,989 common shares totaling R\$14,213 (917,089 common shares totaling R\$9,952 at December 31, 2016).

d) Profit reserve

(i) Legal reserve

The Company must allocate 5% of its annual net income up to the limit of 20% of the capital stock to the legal reserve; this is optional when the sum of the legal reserve and the capital reserve exceed 30% of the capital stock. For the nine-month period ended September 30, 2017, the balance of the legal reserve totaled R\$14,420.

(ii) Retained earnings reserve

It is represented by net income not distributed after the constitution of the legal reserve, mandatory minimum dividends and the cancellation of treasury shares, carried out on October 21, 2016. Pursuant to Bylaws, these amounts await authorization of the Shareholders' Meeting to be allocated. For the period ended September 30, 2017, the balance of the retained earnings reserve totaled R\$197,846.

e) Goodwill from capital transaction

In December 2012, the Company acquired shares from its subsidiaries held by minority shareholders, through a stock purchase agreement. The difference between the amount paid and the equity value of the shares (goodwill) of the transaction above was recognized in equity.

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.

	Company			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
Profit (loss) for the period	10,097	74,342	5,563	57,282
Weighted average of common shares (in thousands)	79,762	79,770	80,041	81,046
Basic earnings per common share – R\$	0.13	0.93	0.07	0.71

(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 nine-month period ended September 30, 2017, 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 29.2.

	Company			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
Earnings for the period attributable to the Company's shareholders	10,097	74,342	5,563	57,282
Weighted average number of shares	79,762	79,770	80,041	81,046
Weighted average number of shares (in thousands) - diluted	900	900	900	807
Weighted average number of common shares for diluted earnings per share - thousands	80,662	08,670	80,941	81,853
Diluted earnings per share - R\$	0.13	0.92	0.07	0.70

23. 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 11,096, of January 13, 2005 and Decree 5,493, 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 11,096/2005. 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 nine-month period ended September 30, 2017 and year ended December 31, 2016 is consistent with PROUNI rules related to the minimum number of students per place, as prescribed by Law 12431, of June 24, 2011.

24. NET REVENUE FROM PRODUCTS AND SERVICES

	Company			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
Gross revenue from services provided	504	2,018	704	2,114
Taxes on revenue	(53)	(213)	(74)	(225)
Net revenue	451	1,805	630	1,889

	Consolidated			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
Gross revenue from services provided	328,142	952,155	253,642	754,302
FIES revenue	79,143	260,348	90,925	277,163
Discounts on monthly tuitions	(141,155)	(401,346)	(100,768)	(296,488)
Taxes on revenue	(6,427)	(20,498)	(5,092)	(15,155)
Commissions (a)	(7,969)	(23,566)	(8,306)	(20,510)
Present value adjustment	706	2,302	770	2,653
Net revenue	252,440	769,395	231,171	701,965

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

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

	Consolidated			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
PROUNI gratuity	(59,915)	(181,881)	(54,571)	(159,514)
Scholarships and discounts	(73,734)	(199,691)	(42,291)	(114,011)
Graduate degrees	(1,127)	(2,962)	(920)	(3,318)
Arrangements with companies	(2,191)	(5,586)	(1,030)	(3,431)
Refunding, rebates and other	(4,188)	(11,226)	(1,956)	(16,214)
Total	<u>(141,155)</u>	<u>(401,346)</u>	<u>(100,768)</u>	<u>(296,488)</u>

25. INCOME AND (EXPENSES) BY NATURE

	Company			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
Advertising and publicity	(725)	(1,745)	(741)	(1,576)
Taxes and fees	156	(257)	(303)	(1,035)
Provision for labor, tax, and civil risks (Note 21)	18	13	151	465
Other operating income	2,915	3,600	926	2,649
Personnel expenses (a)	(2,583)	(8,326)	(2,184)	(5,839)
Outsourced services expenses (b)	(1,087)	(2,958)	(1,046)	(3,179)
Expenses on leases and occupancy	(218)	(264)	1	(94)
Depreciation expenses (Note 12)	(335)	(909)	(240)	(672)
Amortization expenses (Note 13)	(1,362)	(3,746)	(1,007)	(2,806)
Maintenance	(82)	(214)	(38)	(161)
Commuting	(465)	(1,014)	(228)	(713)
Other costs	(1,898)	(320)	(71)	(347)
Total	<u>(5,666)</u>	<u>(16,140)</u>	<u>(4,780)</u>	<u>(13,308)</u>
Classified as:				
Cost	(5,586)	(16,204)	(4,479)	(12,591)
Selling expenses	(722)	(1,745)	(741)	(1,576)
General and administrative expenses	(768)	(1,547)	(336)	(1,220)
Other operating income, net	<u>1,410</u>	<u>3,356</u>	<u>776</u>	<u>2,079</u>
	<u>(5,666)</u>	<u>(16,140)</u>	<u>(4,780)</u>	<u>(13,308)</u>

	Consolidated			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
Advertising and publicity	(9,881)	(23,887)	(7,455)	(20,447)
Allowance for doubtful accounts (Note 7)	(9,040)	(31,066)	(8,690)	(28,279)
Taxes and fees	(151)	(1,746)	(901)	(2,891)
Provision for labor, tax, and civil risks (Note 21)	(3,390)	(6,167)	(2,301)	(8,398)
Other operating income	96	1,990	1,203	3,330
Revenue from lease of rooms and stores	1,671	4,780	1,467	3,230
Personnel expenses (a)	(145,796)	(423,978)	(136,724)	(389,773)
Outsourced services expenses (b)	(14,523)	(41,913)	(13,205)	(39,873)
Expenses on leases and occupancy	(22,877)	(68,111)	(23,463)	(65,651)
Depreciation expenses (Note 12)	(7,297)	(20,822)	(6,383)	(18,162)
Amortization expenses (Note 13)	(5,990)	(16,965)	(3,800)	(10,738)
Maintenance	(4,076)	(13,143)	(3,977)	(10,035)
Commuting	(4,833)	(10,795)	(2,427)	(6,487)
Other costs	(10,386)	(29,887)	(10,578)	(27,444)
Total	<u>(236,473)</u>	<u>(681,710)</u>	<u>(217,234)</u>	<u>(621,618)</u>
Classified as:				
Cost	(157,616)	(457,357)	(153,331)	(434,881)
Selling expenses	(18,921)	(54,953)	(16,145)	(48,726)
General and administrative expenses	(58,160)	(168,257)	(47,229)	(133,282)
Other net operating income (expenses)	<u>(1,776)</u>	<u>(1,143)</u>	<u>(529)</u>	<u>(4,729)</u>
	<u>(236,473)</u>	<u>(681,710)</u>	<u>(217,234)</u>	<u>(621,618)</u>

(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.

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

26. 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) Other Businesses - Activity performed by the subsidiaries HSM do Brasil, MGE, 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 on management and business, preparatory courses for the Brazilian Bar exam, 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.

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.

	9/30/2017			
	Consolidated			
	Education	Other Businesses	Unallocated amount	Total
NET REVENUE	742,017	27,378	-	769,395
COST OF PRODUCTS AND SERVICES	(440,993)	(16,364)	-	(457,357)
GROSS PROFIT	<u>301,024</u>	<u>11,014</u>	<u>-</u>	<u>312,038</u>
OPERATING INCOME (EXPENSES)				
Selling expenses	(48,223)	(5,058)	-	(53,281)
General and administrative expenses	(80,988)	(20,815)	-	(101,803)
Equity in the earnings (losses) of subsidiaries	-	(198)	-	(198)
Corporate	-	-	(68,247)	(68,247)
Other operating income (expenses)	(1,492)	470	-	(1,022)
EARNINGS BEFORE FINANCE INCOME (EXPENSES)	<u>170,321</u>	<u>(14,587)</u>	<u>(68,247)</u>	<u>87,487</u>
Finance income (expenses)	8,558	(2,853)	(3,077)	2,628
Corporate finance income (expenses)	-	-	(32,979)	(32,979)
PROFIT (LOSS) BEFORE INCOME TAXES	<u>178,879</u>	<u>(17,440)</u>	<u>(104,303)</u>	<u>57,136</u>
Current and deferred income tax and social contribution	2,086	56	15,064	17,206
PROFIT (LOSS) FOR THE PERIOD	<u>180,965</u>	<u>(17,384)</u>	<u>(89,239)</u>	<u>74,342</u>

	7/1/2017 to 9/30/2017			
	Consolidated			
	Education	Other Businesses	Unallocated amount	Total
NET REVENUE	240,711	11,729	-	252,440
COST OF SERVICES RENDERED	(151,592)	(6,024)	-	(157,616)
GROSS PROFIT	<u>89,119</u>	<u>5,705</u>	<u>-</u>	<u>94,824</u>
OPERATING INCOME (EXPENSES)				
Selling expenses	(16,061)	(2,138)	-	(18,199)
General and administrative expenses	(25,936)	(6,584)	-	(32,520)
Equity in the earnings (losses) of subsidiaries	-	(193)	-	(193)
Corporate	-	-	(26,128)	(26,128)
Other operating income (expenses)	(1,863)	(148)	1	(2,010)
EARNINGS BEFORE FINANCE INCOME (EXPENSES)	<u>45,259</u>	<u>(3,358)</u>	<u>(26,127)</u>	<u>15,774</u>
Finance income (expenses)	2,529	(155)	(723)	1,651
Corporate finance income (expenses)	-	-	(8,612)	(8,612)
PROFIT (LOSS) BEFORE INCOME TAXES	<u>47,788</u>	<u>(3,513)</u>	<u>(35,462)</u>	<u>8,813</u>
Current and deferred income tax and social contribution	802	55	427	1,284
PROFIT (LOSS) FOR THE PERIOD	<u>48,590</u>	<u>(3,458)</u>	<u>(35,035)</u>	<u>10,097</u>
	9/30/2016			
	Consolidated			
	Education	Other Businesses	Unallocated amount	Total
NET REVENUE	682,615	19,350	-	701,965
COST OF SERVICES RENDERED	(420,039)	(14,842)	-	(434,881)
GROSS PROFIT	<u>262,576</u>	<u>4,508</u>	<u>-</u>	<u>267,084</u>
OPERATING INCOME (EXPENSES)				
Selling expenses	(44,687)	(2,422)	-	(47,109)
General and administrative expenses	(80,331)	(10,904)	-	(91,235)
Corporate	-	-	(44,503)	(44,503)
Other operating income (expenses)	(3,822)	(67)	(1)	(3,890)
EARNINGS BEFORE FINANCE INCOME (EXPENSES)	<u>133,736</u>	<u>(8,885)</u>	<u>(44,504)</u>	<u>80,347</u>
Finance income (expenses)	7,610	(1,276)	(831)	5,503
Corporate finance income (expenses)	-	-	(29,121)	(29,121)
PROFIT (LOSS) BEFORE INCOME TAXES	<u>141,346</u>	<u>(10,161)</u>	<u>(74,456)</u>	<u>56,729</u>
Current and deferred income tax and social contribution	<u>551</u>	<u>2</u>	<u>-</u>	<u>553</u>
PROFIT (LOSS) FOR THE PERIOD	<u>141,897</u>	<u>(10,159)</u>	<u>(74,456)</u>	<u>57,282</u>

	7/1/2016 to 9/30/2016			
	Consolidated			
	Education	Other Businesses	Unallocated amount	Total
NET REVENUE	224,644	6,527	-	231,171
COST OF SERVICES RENDERED	(148,288)	(5,043)	-	(153,331)
GROSS PROFIT	<u>76,356</u>	<u>1,484</u>	<u>-</u>	<u>77,840</u>
OPERATING INCOME (EXPENSES)				
Selling expenses	(14,092)	(1,271)	-	(15,363)
General and administrative expenses	(28,205)	(3,939)	-	(32,144)
Corporate	-	-	(16,096)	(16,096)
Other operating income (expenses)	(333)	33	-	(300)
EARNINGS BEFORE FINANCE INCOME (EXPENSES)	<u>33,726</u>	<u>(3,693)</u>	<u>(16,096)</u>	<u>13,937</u>
Finance income (expenses)	4,231	(620)	(835)	2,776
Corporate finance income (expenses)	-	-	(11,389)	(11,389)
PROFIT (LOSS) BEFORE INCOME TAXES	<u>37,957</u>	<u>(4,313)</u>	<u>(28,320)</u>	<u>5,324</u>
Current and deferred income tax and social contribution	<u>238</u>	<u>1</u>	<u>-</u>	<u>239</u>
PROFIT (LOSS) BEFORE NON-CONTROLLING INTEREST	<u>38,195</u>	<u>(4,312)</u>	<u>(28,320)</u>	<u>5,563</u>

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

27. FINANCE INCOME (EXPENSES), NET

	Company			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
Finance income:				
Income from short-term investments	860	1,481	2,146	9,865
Exchange gain variation	-	1	-	8
Currency variation on loans	-	3,799	8,579	58,296
Income from derivatives	8,057	-	7,319	9,725
Monetary restatement and present value adjustment	7	225	216	572
Other	4	20	2	10
Total	<u>8,928</u>	<u>5,526</u>	<u>18,262</u>	<u>78,476</u>

	Company			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
<u>Finance expenses:</u>				
Loan interest expense	(3,625)	(20,018)	(13,971)	(37,871)
Expenses with derivatives	-	(14,237)	(8,579)	(60,702)
Currency variation on loans	(13,039)	-	(7,319)	(7,319)
Exchange loss variation	-	(8)	342	(7)
IOF	(33)	(99)	(3)	(94)
Taxes interest expenses	-	(3,146)	-	(2)
Banking expenses	(79)	(220)	(120)	(1,597)
Other	(5)	(18)	(2)	(5)
Total	(16,781)	(37,746)	(29,652)	(107,597)
Finance income (expenses)	(7,853)	(32,220)	(11,390)	(29,121)

	Consolidated			
	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017	7/1/2016 to 9/30/2016	1/1/2016 to 9/30/2016
<u>Finance income:</u>				
Income from short-term investments	3,785	12,586	7,649	17,650
Income from monthly tuition interest rates	3,748	9,504	3,524	9,502
Exchange gain variation	1	130	140	161
Currency variation on loans	-	3,799	8,579	58,296
Income from derivatives	7,831	-	7,319	9,725
Monetary restatement and present value adjustment	1,117	5,009	4,346	14,288
Discounts	594	1,641	423	1,282
Other	463	1,318	338	791
Total	17,539	33,987	32,318	111,695
<u>Finance expenses:</u>				
Loan interest expense	(4,596)	(23,609)	(17,125)	(46,056)
Interest from Pravalier financing	(4,136)	(12,921)	(4,177)	(9,228)
Financial discounts granted to students	(828)	(2,399)	(636)	(2,074)
Expenses with derivatives	-	(14,463)	(8,781)	(61,088)
Currency variation on loans	(13,039)	-	(7,319)	(7,319)
Exchange loss variation	46	(278)	301	(86)
IOF	(136)	(401)	(88)	(348)
Present value adjustment expenses and restatement of notes	(1,425)	(6,119)	(2,533)	(6,093)
Taxes interest expenses	(222)	(3,655)	(235)	(434)
Banking expenses	(82)	(245)	(194)	(1,711)
Other	(82)	(248)	(144)	(876)
Total	(24,500)	(64,338)	(40,931)	(135,313)
Finance income (expenses)	(6,961)	(30,351)	(8,613)	(23,618)

28. EMPLOYEE BENEFITS

Variable compensation – The Company and its subsidiaries MGE, IMEC, Unimonte and USJT have the Compostella program, designed to offer variable compensation to Management provided that the entity meets its overall goals and each manager achieves his or her individual goals. This benefit was not paid for the nine-month period ended September 30, 2017 and September 30, 2016.

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 nine-month period ended September 30, 2017, the expenses incurred on this benefit came to R\$7,020 (R\$6,177 in the nine-month period ended September 30, 2016).

Health and dental insurance plan - The Company and its subsidiaries offer a health and dental insurance plan to its employees with co-payment requirements, according to the criteria established in their policy. In the nine-month period ended September 30, 2017, the expenses incurred on this benefit came to R\$6,929 (R\$6,102 in the six-month period ended September 30, 2016).

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 nine-month period ended September 30, 2017, scholarships totaling R\$13,622 were awarded to employees and their dependents (R\$14,420 in the nine-month period ended September 30, 2016).

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 old 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 nine-month period ended September 30, 2017, the expenses incurred on this benefit came to R\$279 (R\$341 in the nine-month period ended September 30, 2016).

Life insurance: HSM Brasil offers life insurance to its employees without salary discounts or coinsurance.

29. RELATED-PARTY TRANSACTIONS

	Company							
	9/30/2017				12/31/2016			
	Assets		Liabilities		Assets		Liabilities	
	Trade receivables	Trade payables	Loans	Profit (loss)	Trade receivables	Trade payables	Loans	Profit (loss)
MGE	10,415	385	-	1,500	4,672	380	-	2,095
IMEC	6,837	327	-	-	3,219	292	-	-
AMC	6,062	95	-	-	2,832	91	-	724
Unimonte	2,667	271	5,147	518	1,270	258	22	-
FACEB	1,968	-	-	-	-	-	-	-
Politécnico	1,140	-	-	-	-	-	-	-
HSM Brasil	540	-	-	-	144	73	-	-
Other	68	70	-	-	68	70	-	-
Total	29,697	1,148	5,147	2,018	12,205	1,164	22	2,819

	Consolidated							
	9/30/2017				12/31/2016			
	Assets		Liabilities		Assets		Liabilities	
	Trade receivables	Loan	Trade payables	Profit (loss)	Trade receivables	Loan	Trade payables	Profit (loss)
Santa Antonieta Gestão Patrimonial (a)	-	-	310	2,753	-	-	-	3,482
Instituto UNA	32	154	-	-	32	147	-	-
Virtual	36	-	-	-	36	-	-	-
Total	68	154	310	2,753	68	147	-	3,482

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

29.1. Key management personnel compensation

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

	Company		Consolidated	
	9/30/2017	9/30/2016	9/30/2017	9/30/2016
Short-term benefits	2,981	2,763	8,510	8,223
Long-term benefits	-	-	-	4,622

29.2. Share-based compensation

In order to maintain Sociesc's 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 as of 2016, 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.

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.

30. FINANCIAL INSTRUMENTS

30.1. 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 that the Company and its subsidiaries are exposed to of lacking the necessary funds to settle their obligations on their respective maturity dates.

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 financial liabilities of the Company and its subsidiaries:

	Consolidated			Total
	Less than 1 year	Between 1 and 2 years	Over 2 years	
At September 30, 2017:				
Borrowings and financing (Note 15.)	52,315	73,245	158,100	283,660
Derivatives (Note 30.1 C)	6,922	4,508	423	11,853
Trade payables (Note 14)	24,808	-	-	24,808
Notes payable (Note 20)	10,891	11,332	49,905	72,128
At December 31, 2016:				
Borrowings and financing (Note 15.)	124,126	106,564	146,942	377,632
Derivatives (Note 30.1 C)	13,061	-	9,641	22,702
Trade payables (Note 14)	23,688	-	-	23,688
Notes payable (Note 20)	9,133	20,728	43,823	73,684

- (b) Credit risk - is the risk that the Company and its subsidiaries are exposed to of non-compliance by their counterparties with an obligation regarding a financial instrument or a customer agreement, thus resulting in financial losses. The Company recognizes an allowance for doubtful accounts considered sufficient by Management to cover possible 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 9,870/99, which provides for total school annual tuitions). Enrollment for the next school year is blocked whenever a student is in default with the institution, encouraging the student to negotiate his or her 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 offered financing through the Ampliar and Pravalor programs (note 7), in which students pay between 33% and 65% of the tuition fee during the course 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 loss percentages, with a provision of 40% for receivables not yet due and a provision of 100% for receivables 90 days overdue.

- (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:

	Notes	Company		Consolidated	
		9/30/2017	12/31/2016	9/30/2017	12/31/2016
Cash and cash equivalents	6	2,990	8,663	37,548	39,568
Short-term investments	6	15,623	7,003	109,371	141,931
Trade receivables	7	29,697	12,205	278,491	285,603
Sundry advances	8	1,044	1,532	29,953	49,804
Receivables from related parties	29	-	-	154	147
Total		<u>49,354</u>	<u>29,403</u>	<u>455,517</u>	<u>517,053</u>

- (c) **Market risk** - it is the risk that the Company and its subsidiaries have that the fair value or future cash flows of a certain financial instrument will fluctuate because of changes in interest rates, inflation adjustment and exchange rate 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. This transaction meets the criteria for hedge accounting and was designated as fair value hedge. As of the date the transaction was carried out and in the nine-month period ended September 30, 2017, the effectiveness of hedging the fair value exposure to the exchange rate variations came to 99%. We recorded a R\$2,172 adjustment to the loan together with the fair value of the exchange rate swap and both were recognized in profit or loss.

Also, our subsidiary HSM acquired NDFs (non-deliverable forwards) in US dollars, whose hedged item refers to the highly likely hiring of service providers in foreign currency. This derivative transaction is recorded in the statement of financial position of the Company's subsidiary at its fair value and the respective gains or losses are immediately recognized in the financial income (expenses).

These derivative operations have the following amounts and conditions:

Contracting date	Maturity date	Pegged amount (USD thousand)	Amount (R\$ thousand)	Company		Closing quote	SWAP Rate
				Contracted quote	Fair value adjustment (R\$ thousand)		
8/28/2015	8/26/2020	22,472	69,232	3.5600	11,541	2.788% p.a.	CDI + 2.40% p.a.
Total		<u>22,472</u>	<u>69,232</u>		<u>11,541</u>		
Current liabilities					6,610		
Noncurrent liabilities					<u>4,931</u>		
					<u>11,541</u>		

Consolidated							
Contracting date	Maturity date	Pegged amount (USD thousand)	Amount (R\$ thousand)	Contracted quote	Fair value adjustment (R\$ thousand)	Closing quote	SWAP Rate
Forward currency transactions							
12/23/2016	10/2/2017	691	288	3.5876	288	11.17% p.a.	-
12/23/2016	11/1/2017	57	24	3.6139	24	10.98% p.a.	-
Total		<u>748</u>	<u>312</u>		<u>312</u>		
Swap operations							
8/26/2015	8/26/2020	22,472	69,232	3.5600	11,541	2.788% p.a.	CDI + 2.40% p.a.
Total		<u>22,472</u>	<u>69,232</u>		<u>11,541</u>		
Current liabilities					6,922		
Noncurrent liabilities					<u>4,931</u>		
					<u>11,853</u>		

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	9/30/2017	12/31/2016
Borrowings and financing:			
Interbank deposit rate - CDI	15	266,782	361,992
Derivatives	30	11,853	22,702
TJLP and TR	15	2,618	3,485
Other (i)	15	14,260	12,155
Notes payable:			
INPC	20	33,125	33,339
INPC/IGPM/IPCA Average	20	21,338	22,653
TR	20	17,665	17,692
Total		367,641	474,018

- (i) Borrowings and financing with no index.

30.2. 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 in a consolidated

way by adopting a financial leverage ratio.

The table below shows the financial leverage ratios:

	Note	Company		Consolidated	
		9/30/2017	12/31/2016	9/30/2017	12/31/2016
Borrowings and financing	15	253,280	330,125	283,660	377,632
Derivatives	30.1	11,541	22,702	11,853	22,702
Cash and cash equivalents	6	(2,990)	(8,663)	(37,548)	(39,568)
Short-term investments	6	(15,623)	(7,003)	(109,371)	(141,931)
Net debt (cash)		246,208	337,161	148,594	218,835
Equity	22	705,834	635,692	705,834	635,692
Financial leverage ratio		35%	53%	21%	34%

30.3. 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 15), 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 nine-month period ended September 30, 2017 was 10.38% (15.82% on December 31, 2016).

The estimated fair values are as follows:

		Company			
		9/30/2017		12/31/2016	
Note		Fair value	Carrying amount	Fair value	Carrying amount
<u>Net financial liabilities</u>					
Borrowings and financing	15	261,707	253,280	330,077	330,125
Derivatives	30.1	<u>11,541</u>	<u>11,541</u>	<u>22,702</u>	<u>22,702</u>
Total		<u>273,248</u>	<u>264,821</u>	<u>352,779</u>	<u>352,827</u>
		Consolidated			
		9/30/2017		12/31/2016	
Note		Fair value	Carrying amount	Fair value	Carrying amount
<u>Net financial liabilities</u>					
Borrowings and financing	15	331,077	283,660	372,776	377,632
Derivatives	30.1	11,853	11,853	22,702	22,702
Notes payable	20	72,128	72,128	73,684	73,684

			469,1	
Total	<u>415,058</u>	<u>367,641</u>	<u>62</u>	<u>474,018</u>

(b) Fair value hierarchy

For the nine-month period ended September 30, 2017 and the fiscal year ended December 31, 2016, the Company and its subsidiaries adopted Level 2 for derivatives and all borrowings and financing and notes payable.

30.4. 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:

	Company		Consolidated	
	<u>9/30/2017</u>	<u>12/31/2016</u>	<u>9/30/2017</u>	<u>12/31/2016</u>
Trade receivables				
Counterparties without external credit rating	<u>29,697</u>	<u>12,205</u>	<u>278,491</u>	<u>285,603</u>
	<u>29,697</u>	<u>12,205</u>	<u>278,491</u>	<u>285,603</u>
Cash at bank and short-term bank deposits (i) AAA	70	77	3,369	2,300
Financial investments (i) AAA	18,492	-	138,477	173,020
Cash at bank and short-term bank deposits (i) AA+	43	119	2,340	4,884
Financial investments (i) AA+	-	15,466	2,604	1,176
	<u>18,605</u>	<u>15,662</u>	<u>146,790</u>	<u>181,380</u>

(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.

31. 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 – 8.14%, INPC – 1.63%, IPCA – 2.54%, IGPM – (2.11%) and TR – 0.5967%), 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.

	Index	Risk	Company			
			9/30/2017			
			Amount	Remote scenario	Effect on profit (loss)	
					Probable scenario (25%)	Possible scenario (50%)
Short-term investments	CDI	CDI increase	(18,492)	(1,505)	(1,882)	(2,258)
Borrowing and financing (domestic currency)	CDI	CDI increase	174,508	14,205	17,756	21,307
Borrowing and financing (foreign currency)	CDI	CDI increase	69,232	5,635	7,044	8,453
Derivatives	CDI	CDI increase	<u>11,541</u>	<u>939</u>	<u>1,174</u>	<u>1,409</u>
Net exposure - loss			<u>236,789</u>	<u>19,274</u>	<u>24,092</u>	<u>28,911</u>

Consolidated 9/30/2017						
	Index	Risk	Amount	Possible scenario	Effect on profit (loss)	
					Remote scenario o (25%)	Probabl e scenario o (50%)
Short-term investments	CDI	CDI increase	(141,081)	(11,484)	(14,355)	(17,226)
Borrowing and financing (domestic currency)	CDI	CDI increase	197,550	16,081	20,101	24,121
		Average				
Borrowing and financing (domestic currency)	TJLP and TR	increase	2,618	193	144	96
Borrowing and financing (foreign currency)	CDI	CDI increase	69,232	5,635	7,044	8,453
Derivatives	CDI	CDI increase	11,853	965	1,206	1,447
		INPC				
Notes payable	INPC	increase	33,125	540	675	810
	INPC/IGPM/IPCA	Average				
Notes payable	Average	increase	21,338	147	183	220
Notes payable	TR	TR increase	17,665	105	132	158
Net exposure - loss			<u>212,300</u>	<u>12,182</u>	<u>15,130</u>	<u>18,079</u>

For the nine-month period ended September 30, 2017, we carried out a sensitivity analysis considering the "indices 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 Management of the Company and its subsidiaries.

The rates used for the projections described above were based on the CDI - estimate disclosed by Cetip, INPC, IPCA, IGPM disclosed by the Brazilian Institute of Geography and Statistics (IBGE) and TR disclosed by the Brazilian Central Bank (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

32. 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 nine-month period ended September 30, 2017 and the year ended December 31, 2016, 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.

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

For the correct analysis of the statements of cash flows for the nine-month period ended September 30, 2017, it is necessary to appraise the transactions below, which did not affect cash:

- (a) On January 31, 2017, the Company reviewed the fair value calculation of Sociesc's assets and liabilities, acquired in a business combination, generating a non-cash effect regarding the supplement of this allocation, totaling R\$1,616;
- (b) In May 2017, the Company canceled a number of PERDCOMPs, recovering tax debts

that were included in the PRT installment plan, totaling R\$8,594;

- (c) In May 2017, the subsidiary MGE included in the PRT installment plan INSS debts that were notified and legally questioned, totaling R\$5,246, for which a provision was created;
- (d) The Company recorded tax credit using accumulated tax loss carryforwards declared until December 31, 2015, totaling R\$15,054. The Company used a portion of these credits to increase capital in the subsidiary MGE, in the amount of R\$5,673 (R\$5,251 in September 2016);
- (e) The Company and its subsidiary MGE used the tax credits to settle 80% of the balances paid in installments through the PRT plan, as described in Note 21;
- (f) On June 30, 2016, the Company calculated the fair value of Faceb's assets and liabilities, generating a non-cash effect of R\$2,240 (R\$14,036 in September 2016).
- (g) In August 2017, the Company reviewed the fair value of ACAD's assets and liabilities, generating a non-cash effect of R\$1,339 (R\$729 in September 2016).
- (h) In September 2017, the Company reviewed the fair value of Politécnico's assets and liabilities, generating a non-cash effect of R\$1,470;
- (i) In the nine-month period ended September 30, 2017, the amount of R\$3,461 was offset from contingency and escrow deposit accounts, thus reducing both balances with no effect on cash.

34. EVENTS AFTER THE REPORTING PERIOD

Corporate Restructuring

On November 1, 2017, our subsidiary MGE absorbed USJT in order to simplify its corporate structure. On the same date, BR Educação will be spun-off and subsequently merged into our subsidiaries HSM Brasil and PGP Educação, with the same purpose.

35. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The Interim Financial Information was approved and authorized for disclosure by the Board of Directors on November 6, 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