GAEC Educação S.A. and subsidiaries

Interim financial information for the three-month period ended March 31, 2017 and Independent Auditor’s Report

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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 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 March 31, 2017, which comprises the statement of financial position as of March 31, 2017 and the related statements of income, comprehensive income, changes in equity and of cash flows for the three-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 above 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.

Restatement of the amounts corresponding to the three-month period ended March 31, 2016

As mentioned in Note 5, due to changes in the accounting policies, the amounts corresponding to the statement of income for the fiscal year and the statement of value added referring to the three-month period ended March 31, 2017, presented for comparison purposes, were adjusted and are being restated pursuant to CPC 23/IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors and CPC 26 (R1)/IAS 1 - Presentation of Financial Statements. Our opinion remains unchanged regarding this matter.

Other matters

Statements of value added

We also reviewed the company and consolidated statements of value added (DVA) for the three-month period ended March 31, 2017, prepared under the responsibility of the Company's Management, whose disclosure in the interim financial information is required in accordance with the regulations issued by the Brazilian Securities and Exchange Commission (CVM) for the preparation of the Interim Financial Information (ITR), and considered as additional information under IFRSs, which do not require this disclosure. 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, May 10, 2017

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

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2017
Amounts in thousands of Brazilian reais R$

		Company		Consolidated	
ASSETS	Note	3/31/2017	12/31/2016	3/31/2017	12/31/2016
CURRENT ASSETS					
Cash and cash equivalents	7	2,241	8,663	28,382	39,568
Financial investments	7	19,310	7,003	156,063	141,931
Trade receivables	8 and 30	8,903	12,205	229,581	195,710
Sundry advances	9	1,167	1,532	23,314	37,355
Dividends receivable		101,657	140,617	-	-
Recoverable taxes	10	3,700	3,630	11,881	11,154
Other current assets		78	56	13,738	8,324
Total current assets		137,056	173,706	462,959	434,042
NONCURRENT ASSETS					
Trade receivables	8	-	-	91,443	89,893
Sundry advances	9	-	-	10,203	12,449
Escrow deposits	22	35	34	37,299	36,292
Loans with related parties	30	-	-	147	147
Recoverable taxes	10	3	1,279	4,744	6,001
Other noncurrent assets		-	-	16,423	16,366
Investments	12	891,928	811,261	-	-
Property and equipment	13	5,897	5,248	224,947	223,530
Intangible assets	14	16,509	16,132	569,052	569,132
Total noncurrent assets		914,372	833,954	954,258	953,810
TOTAL ASSETS		1,051,428	1,007,660	1,417,217	1,387,852

		Company		Consolidated	
LIABILITIES AND EQUITY	Note	3/31/2017	12/31/2016	3/31/2017	12/31/2016
CURRENT LIABILITIES					
Trade payables	15	2,751	4,032	21,222	23,688
Borrowings and financing	16	92,966	99,824	117,016	124,126
Labor and related taxes	17	7,394	6,853	52,727	58,359
Taxes payable	18	749	1,058	11,671	14,772
Advances from clients	19	-	-	28,508	19,177
Taxes and contributions paid in installments	20	-	-	652	550
Notes payable	21	-	-	13,088	9,133
Dividends payable		4,967	4,967	4,967	4,967
Derivatives	31	19,787	13,061	20,015	13,061
Other current liabilities		202	202	420	456
Total current liabilities		128,816	129,997	270,286	268,289
NONCURRENT LIABILITIES					
Borrowings and financing	16	225,291	230,301	243,096	253,506
Debit with related parties	30	2,026	22	-	-
Notes payable	21	-	-	61,686	64,551
Taxes and contributions paid in installments	20	-	-	4,282	4,470
Deferred income tax and social contribution	11	-	-	52,677	52,180
Provision for labor, tax and civil risks	22	1,215	1,290	87,680	98,473
Derivatives	31	7,950	9,641	7,950	9,641
Other noncurrent liabilities		667	717	950	1,050
Total noncurrent liabilities		237,149	241,971	458,321	483,871
TOTAL LIABILITIES		365,965	371,968	728,607	752,160
EQUITY					
Capital	23	496,411	496,411	496,411	496,411
Capital reserve		6,543	6,533	6,543	6,533
Profit reserve		212,266	212,266	212,266	212,266
Treasury shares		(10,064)	(9,952)	(10,064)	(9,952)
Goodwill from capital transaction		(69,566)	(69,566)	(69,566)	(69,566)
Retained earnings		49,873	-	49,873	-
		685,463	635,692	685,463	635,692
Non-controlling interest		-	-	3,147	-
Total equity		685,463	635,692	688,610	635,692
TOTAL EQUITY AND LIABILITIES		1,051,428	1,007,660	1,417,217	1,387,852

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

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF INCOME FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017
Amounts in thousands of Brazilian reais R$

	Note	Company		Consolidated	
		3/31/2017	3/31/2016	3/31/2017	3/31/2016 (restated)
NET REVENUE	25	677	629	256,087	229,674
COST OF PRODUCTS AND SERVICES	26	(8,725)	(3,590)	(131,940)	(121,867)
GROSS INCOME (LOSS)		(8,048)	(2,961)	124,147	107,807
OPERATING INCOME (EXPENSES)					
Selling expenses	26	(476)	(398)	(16,067)	(13,244)
General and administrative expenses	26	(1,409)	(350)	(50,310)	(38,382)
Equity in the earnings (losses) of subsidiaries	12	71,482	61,874	-	-
Other operating income (expenses)	26	4	700	846	(2,217)
		69,601	61,826	(65,531)	(53,843)
EARNINGS BEFORE FINANCIAL RESULT		61,553	58,865	58,616	53,964
Finance income (expenses)	28	(11,680)	(6,110)	(9,048)	(1,159)
INCOME BEFORE INCOME TAXES		49,873	52,755	49,568	52,805
Current and deferred income tax and social contribution	11	-	-	316	(50)
PROFIT (LOSS) FOR THE PERIOD		49,873	52,755	49,884	52,755
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Controlling interest		49,873	52,755	49,873	52,755
Non-controlling interest		-	-	11	-
EARNINGS PER SHARE (in thousands of shares)	23	0.62	0.64		

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

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017
Amounts in thousands of Brazilian reais R$

	Note	Capital stock	Capital reserve	Treasury shares	Profit reserves: Legal reserve	Profit reserves: Profit retention	Goodwill on capital transactions	Retained earnings	Company's equity	Non-controlling interest	Total equity
BALANCE AS AT DECEMBER 31, 2015		496,411	1,231	(3,149)	13,378	203,813	(69,566)	-	642,118	-	642,118
Acquisition of treasury shares	23.c	-	-	(8,419)	-	-	-	-	(8,419)	-	(8,419)
Profit (loss) for the period		-	-	-	-	-	-	52,755	52,755	-	52,755
BALANCE AS AT MARCH 31, 2016		496,411	1,231	(11,568)	13,378	203,813	(69,566)	52,755	686,454	-	686,454
BALANCE AS AT DECEMBER 31, 2016		496,411	6,533	(9,952)	14,420	197,846	(69,566)	-	635,692	-	635,692
Share-based compensation		-	10	-	-	-	-	-	10	-	10
Acquisition of treasury shares	23.c	-	-	(112)	-	-	-	-	(112)	-	(112)
Investment		-	-	-	-	-	-	-	-	3,136	3,136
Profit (loss) for the period		-	-	-	-	-	-	49,873	49,873	11	49,884
BALANCE AS AT MARCH 31, 2017		496,411	6,543	(10,064)	14,420	197,846	(69,566)	49,873	685,463	3,147	688,610

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

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017
Amounts in thousands of Brazilian reais R$

	Company		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
PROFIT (LOSS) FOR THE PERIOD	49,873	52,755	49,884	52,755
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	49,873	52,755	49,884	52,755
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO				
Controlling interest	49,873	52,755	49,873	52,755
Non-controlling interest	-	-	11	-

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

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017
Amounts in thousands of Brazilian reais R$

		Company		Consolidated	
		3/31/2017	3/31/2016	3/31/2017	3/31/2016
CASH FLOW FROM OPERATING ACTIVITIES					
Profit for the period		49,873	52,755	49,884	52,755
Adjustments:					
Allowance for doubtful accounts	26	-	-	8,860	6,970
Restatement (reversal) of escrow deposits	22	(1)	(1)	(479)	(812)
Depreciation and amortization	26	1,424	1,055	10,880	8,515
Write-off of the residual value of property and equipment and intangible assets	13/14	-	30	27	1,418
Equity income	12	(71,482)	(61,874)	-	-
Investment loss		-	-	-	36
Expenses with interest from loans, borrowings and tax installments		8,779	10,439	10,384	12,932
Recognition and restatement of the provision for labor, tax and civil risks	26	(75)	(186)	679	3,067
Present value adjustment expenses and notes monetary restatement	28	-	-	3,068	1,071
Revenue from adjustment to present value and FIES, Ampliar and Pravaler inflation adjustments		-	-	(2,389)	(6,433)
Restatement of loans to third parties		-	-	(414)	-
Share-based compensation		1	-	10	-
Current and deferred income tax and social contribution	11	-	-	(316)	50
		(11,481)	2,218	80,194	79,569
Variation in operating assets and liabilities:					
Decrease (increase) in trade receivables		3,302	1,518	(41,892)	(83,642)
Decrease (increase) in sundry advances		365	154	16,287	6,502
Decrease (increase) in escrow deposits	22	-	-	(2,818)	(2,224)
Decrease (increase) in recoverable taxes and contributions		1,206	852	515	1,307
Decrease (increase) in other assets		(22)	4	(4,993)	(320)
(Decrease) increase in trade payables		(1,281)	(1,359)	(2,238)	(2,494)
(Decrease) increase in payroll and related taxes		232	(590)	(8,754)	(2,387)
(Decrease) increase in advances from clients		-	-	9,331	625
(Decrease) increase of taxes and contributions paid in installments		-	-	(226)	(104)
(Decrease) increase of provision for tax, civil and labor risks	22	-	-	(6,446)	(1,053)
(Decrease) increase in other liabilities		(50)	-	(136)	(175)
		3,752	579	(41,370)	(83,965)
Interest paid		(9,376)	(3,974)	(10,865)	(6,256)
Income tax and social contribution paid		-	-	15	(268)
Net cash (used in) generated by operating activities		(17,105)	(1,177)	27,974	(10,920)
CASH FLOW FROM INVESTING ACTIVITIES					
Capital increase in subsidiary	12	(10,216)	(20,631)	3,136	-
Acquisition of subsidiaries net of cash acquired		-	-	-	5,251
Redemption (investment) of financial investments		(12,081)	38,005	(8,704)	38,464
Yields from financial investments		(226)	(4,408)	(5,428)	(4,956)
Acquisition of property and equipment	13	(922)	(925)	(10,849)	(9,214)
Acquisition of intangible assets	14	(1,528)	(2,559)	(3,361)	(4,759)
Dividends received		40,000	-	-	-
Net cash (used in) generated by investing activities		15,027	9,482	(25,206)	24,786
CASH FLOW FROM FINANCING ACTIVITIES					
Loans with related parties					
Funding		5,764	-	-	-
Amortizations		(3,760)	-	-	-
Borrowings and financing					
Funding		5,351	3,539	5,351	3,539
Amortizations		(8,430)	(3,327)	(14,058)	(9,989)
Gain (loss) on derivatives	28	(3,157)	-	(3,157)	-
Acquisition of non-controlling interest		-	-	(1,978)	-
Treasury shares	23.c	(112)	(8,419)	(112)	(8,419)
Net cash used in financing activities		(4,344)	(8,207)	(13,954)	(14,869)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(6,422)	98	(11,186)	(1,003)
VARIATION OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at the beginning of the period	7	8,663	1,411	39,568	25,480
Cash and cash equivalents at the end of the period	7	2,241	1,509	28,382	24,477
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(6,422)	98	(11,186)	(1,003)

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

GAEC EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF VALUE ADDED FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017
Amounts in thousands of Brazilian reais R$

	Note	Company		Consolidated	
		3/31/2017	3/31/2016	3/31/2017	3/31/2016
REVENUE					(restated)
Revenue from products and services	25	757	704	261,709	234,513
Other revenue		50	36	2,207	1,703
Allowance for doubtful accounts	26	-	-	(8,860)	(6,970)
INPUTS ACQUIRED BY THIRD PARTIES					
Cost of products and services		-	-	(1,485)	(1,375)
Materials, electricity, outsourced services and other		(3,051)	(386)	(35,142)	(29,879)
GROSS VALUE ADDED		(2,244)	354	218,429	197,992
Depreciation and amortization	26	(1,424)	(1,055)	(10,880)	(8,515)
NET VALUE ADDED		(3,668)	(701)	207,549	189,477
VALUE ADDED RECEIVED IN TRANSFER					
Equity in the earnings (losses) of subsidiaries	12	71,482	61,874	-	-
Financial income	28	13,717	10,244	25,609	22,848
TOTAL VALUE ADDED TO DISTRIBUTE		81,531	71,417	233,158	212,325
VALUE ADDED DISTRIBUTION		81,531	71,417	233,158	212,325
Personnel					
Direct compensation		4,124	1,193	89,145	82,222
Share-based compensation		1	-	9	-
Benefits		533	233	5,857	5,118
Severance pay fund (FGTS)		271	89	7,989	6,988
Taxes and contributions					
Federal		1,134	719	21,861	20,731
State		-	-	156	148
Municipal		29	23	6,265	5,189
Value distributed to providers of capital					
Interest	28	25,397	16,354	34,657	24,006
Rent		169	51	17,335	15,168
Value distributed to shareholders		49,873	52,755	49,884	52,755
Profit for the period		49,873	52,755	49,873	52,755
Non-controlling interest		-	-	11	-

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

First steps of a long term journey

Every journey, no matter how challenging it may be, always starts very modestly. However, the first steps are already an important indicator because they outline the path to be followed. We at Anima do not believe in shortcuts, which is why we always try to ensure that each step represents a solid improvement, helping us overcome the challenges that arise over time. In 2016, we chose some priorities that, on one hand, reinforced our positioning and principles and, on the other, represented important drivers for a new sustainable cycle of value creation for our students, professors, employees and shareholders.

Enabling the quality choice: significant results in attracting out-of-pocket students

Among the main value drivers, we included student base growth, both organically and through acquisitions. The results of all these efforts began to show at this quarter. We resumed intake growth with the enrollment of 24 thousand new undergraduate students, which represents 17.8% more new undergraduate students than in the same period last year, or 7.8% up, excluding the acquisitions of Una Bom Despacho and Uberlândia (Instituto Politécnico which also became Una as of Apr'17), which started to be consolidated only as of the second semester of 2016. This progress reinforces our quality positioning, the reorganization of our commercial area and the revision of our pricing practices and access policies to increase our attractiveness: course by course, campus by campus.

It is worth noting that we achieved this growth despite significantly reducing our exposure to student financing programs. They accounted for 15.9% of the total intake (11.4% from FIES and 4.6% from private financing), approximately half the share observed in 2015 and 2016. The number of out-of-pocket new students, who donnot depend on student financing, climbed +41%. As a result, we closed 1Q17 with solid growth in our consolidated net revenue (+11.6% vs. 1Q16), combining intake growth, also in the institutions acquired last year, with a healthy increase in our average tuition fee, despite the hike in scholarships and discounts in the period.

Gross margin growth and value creation through acquisitions

Financial Performance	1Q17							
	Consolidated	% YA	Core Education	% YA	Acquisitions Education[1]	% YA	Other Businesses [2]	% YA
Net Revenue	**255.2**	**11.6%**	**204.4**	**0.8%**	**44.7**	**112.9%**	**6.1**	**22.8%**
Gross Profit (exclud. deprec/amort)	**129.9**	**16.1%**	**107.9**	**3.8%**	**19.8**	**210.1%**	**2.2**	**44.9%**
Gross Margin	*50.9%*	*2.0 p.p.*	*52.8%*	*1.5 p.p.*	*44.3%*	*13.9 p.p.*	*35.8%*	*5.5 p.p.*
Operating Result	**92.3**	**15.1%**	**86.2**	**7.3%**	**10.8**	**533.8%**	**-4.6**	**156.1%**
Operating Margin	*36.2%*	*1.1 p.p.*	*42.1%*	*2.5 p.p.*	*24.1%*	*16.0 p.p.*	*-75.4%*	*-39.3 p.p.*
Adjusted EBITDA	**73.9**	**9.6%**						
EBITDA Margin	*29.0%*	*-0.5 p.p.*						
Adjusted Net Income	**50.4**	**-5.1%**						
Net Margin	*19.8%*	*-3.5 p.p.*						

[1] Acquistions includes Sociesc Feb-16, UNA Bom Despacho Jul-16, ACAD Sep-16 and Instituto Politécnico Oct-16

[2] Includes HSM/ACAD, GIT and Ebradi

Our margins increased thanks to several initiatives, especially i) implementation of an updated version of our academic model (which started in 2016); ii) optimization of our campuses' geographic coverage; iii) capture of synergies mapped in the integration of the recent acquisitions; and iv) continued centralization of processes that are common to all our units and which can be translated in scale gains. All this without losing our essence, our principles and our academic quality proposition.

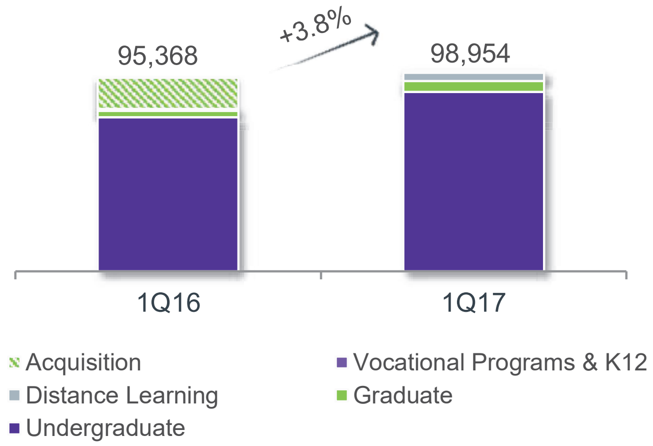
In the first quarter, we began seeing the positive effects of these actions more clearly. In the education segment, excluding acquisitions, we saw a consistent increase in both the gross (+1.5pp) and the operating margins (+2.5pp). The acquisitions contributed with R$10.8 million to our operating result (versus R$1.7 million in 1Q16), demonstrating our execution discipline in post-M&A processes. As a result, adjusted EBITDA totaled R$73.9 million in 1Q17 (+9.6% vs. 1Q16), while the EBITDA margin stood at 29.0%. The slight 0.5pp year-on-year decline is driven by Pronatec (1Q16 was the last quarter with a positive contribution of R$2.9 million from that program). Therefore, we remain optimistic about our ability to reverse the trend on EBITDA margins over the next quarters of the current year.

Looking ahead, we are fully aware that we have just begun this journey and that adjustments will always be necessary. However, these first results give us confidence to continue moving forward with increasingly firm steps, as we are on the right track. The development of a collective project of high-quality education requires resilience and persistence, but these are characteristics that define us as a team. We will thus continue moving forward, every day, in our venture to Transform the Country through Education.

OPERATIONAL PERFORMANCE

EDUCATION

In the first quarter of 2017, we had 99.0 thousand students, an increase of 3.8% over 1Q16, already including the consolidation of the recent acquisitions in 2016. Excluding the new acquisitions (Una Bom Despacho and Instituto Politécnico), our student base totaled 91,5 thousand students, a 4.0% year-on-year decline, mainly due to a reduction of 2.0 thousand undergraduate students and 1.2 thousand vocational programs and K12 students.



Student Base (Excl. Acquisitions)[1]	1Q16	2Q16	3Q16	4Q16	1Q17	% 1Q17/1Q16	% 1Q17/4Q16
Undergraduate[2]	83,027	79,196	76,950	74,109	81,011	-2.4%	9.3%
Graduate	5,315	5,698	5,954	5,508	5,321	0.1%	-3.4%
Distance Learning	4,316	4,443	4,241	3,949	4,164	-3.5%	5.4%
Vocational Programs & K12	2,710	2,580	1,732	878	1,046	-61.4%	19.1%
Total	**95,368**	**91,917**	**88,877**	**84,444**	**91,542**	**-4.0%**	**8.4%**

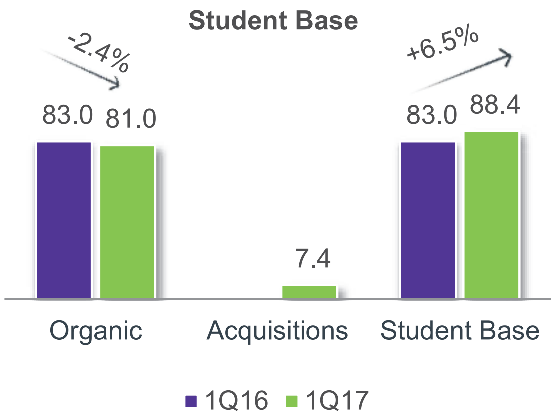
Student Base	1Q16	2Q16	3Q16	4Q16	1Q17	% 1Q17/1Q16	% 1Q17/4Q16
Undergraduate[2]	83,027	79,196	81,303	80,507	88,423	6.5%	9.8%
Graduate	5,315	5,698	5,954	5,508	5,321	0.1%	-3.4%
Distance Learning	4,316	4,443	4,241	3,949	4,164	-3.5%	5.4%
Vocational Programs & K12	2,710	2,580	1,732	878	1,046	-61.4%	19.1%
Total	**95,368**	**91,917**	**93,230**	**90,842**	**98,954**	**3.8%**	**8.9%**

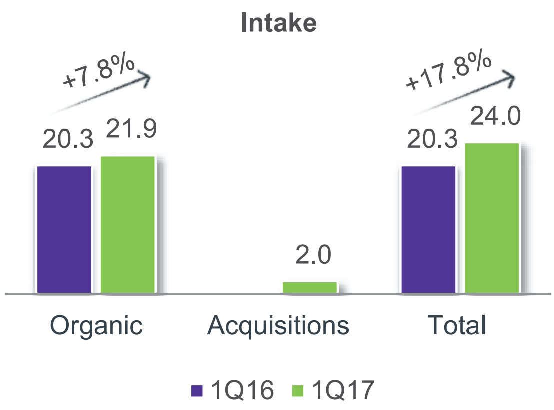
[1] Excludes acquisitions of Una Bom Despacho (Jul-16) and Instituto Politécnico (Oct-16)

[2] Includes blended programs

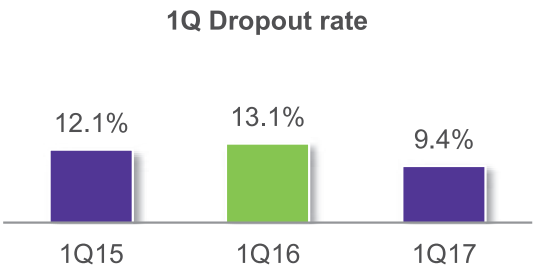
Undergraduate Student Base²

Our undergraduate student base totaled 88.4 thousand students in 1Q17, 6.5% up on 1Q16, including the consolidation of the recent acquisitions. Excluding the acquisitions, our student base would total 81.0 thousand students, a 2.4% year-on-year decline.

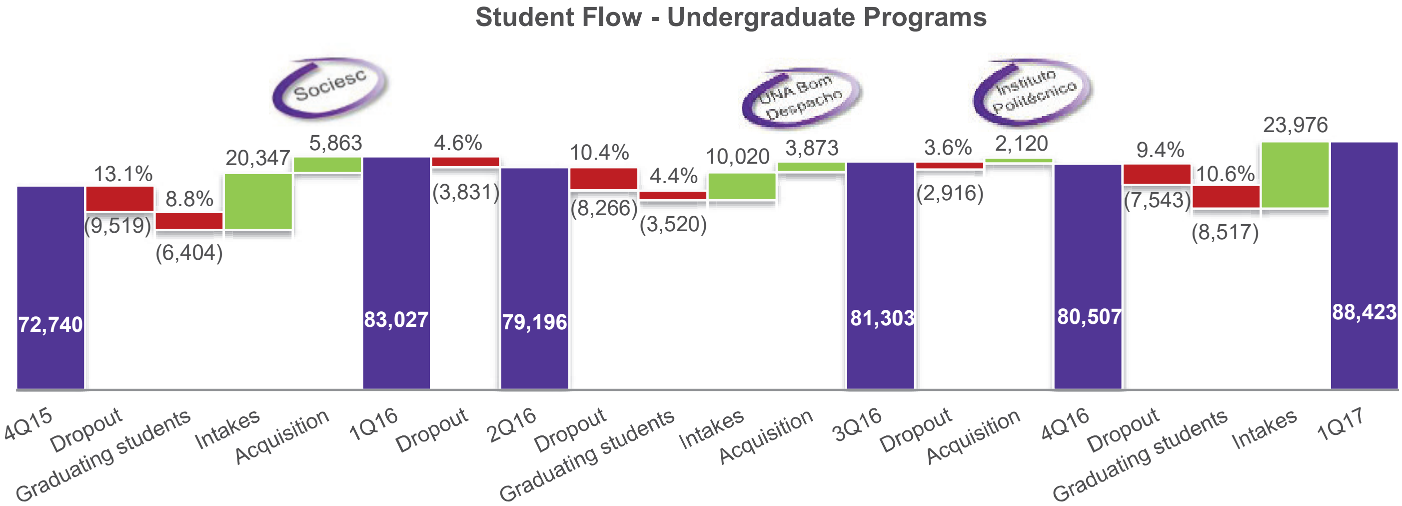


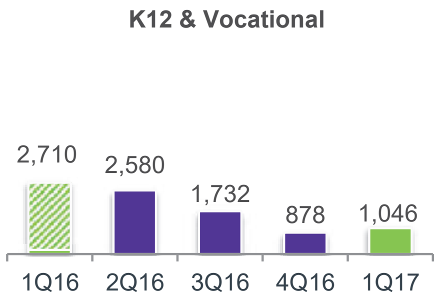


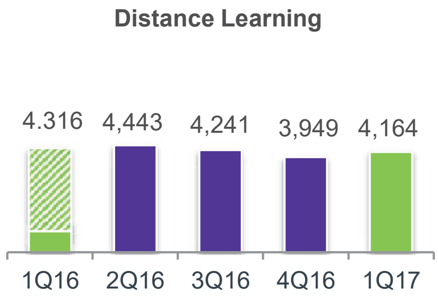
We enrolled 24.0 thousand new students, 17.8% more than in 2016-1. Excluding Una Bom Despacho and Inst. Politécnico, which were not being consolidated in the same period last year and contributed with 2.0 thousand new students, we grew 7.8%.



In 1Q17, 7.5 thousand students dropped out, corresponding to 9.4% of the base. This represents a 3.7pp year-on-year improvement, mainly thanks to the efforts and results of our Students' Relations Area.







Graduate Student Base - The number of students enrolled in our graduate programs came to 5.3 thousand in 1Q17, in line with the same period last year.

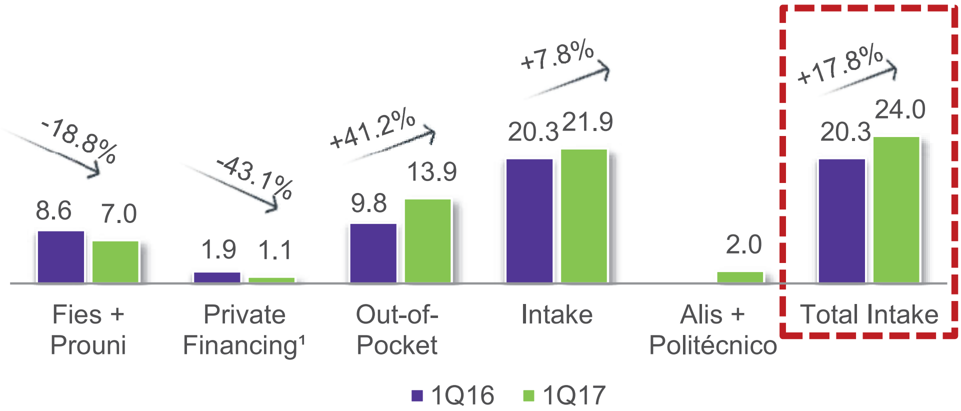
K12 and Vocational Education Student Base - We closed the quarter with 1.0 thousand K12 and vocational education students, including Escola Técnica Tupy (ETT), Colégio Tupy (COT) and Florianópolis International School, in addition to the 84 remaining Pronatec students, who will finish their courses at the beginning of 2017. The reduction observed throughout 2016 was solely due to the end of Pronatec.

Distance-Learning Student Base - We closed 1Q17 with 4.2 thousand distance-learning students in undergraduate, graduate and vocational programs.

Student Financing

In the last intake process, there was a significant reduction in the share of students who use some kind of student financing both among new students and the student base in general. Students who rely on financing accounted for only 15.9% of the total intake (vs. 29.3% in 2016-1) and 36.4% of the base (vs. 42.1% in 2016-1).

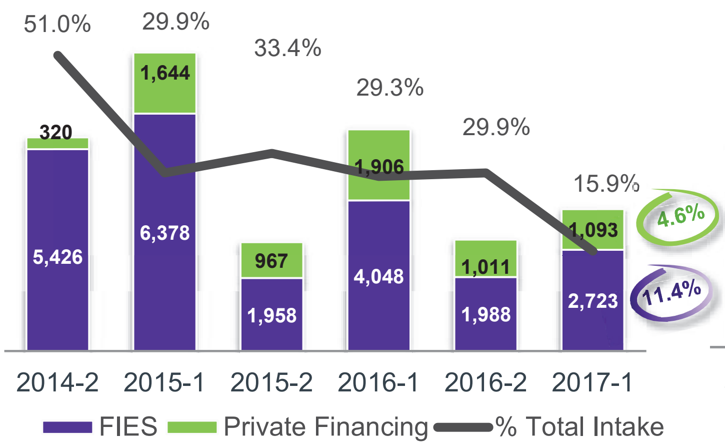
We started the year with 2.7 thousand (-32.7% vs. 2016-1) new students with FIES (the federal government financing program) contracts, representing 11.4% of the total intake at the moment. As a result, we began the quarter with 26.8 thousand FIES students, or 30.3% of the total student base. It is important to note that this number may change as the period for the renewal of FIES contracts for the first semester ends on May 31st, 2017.



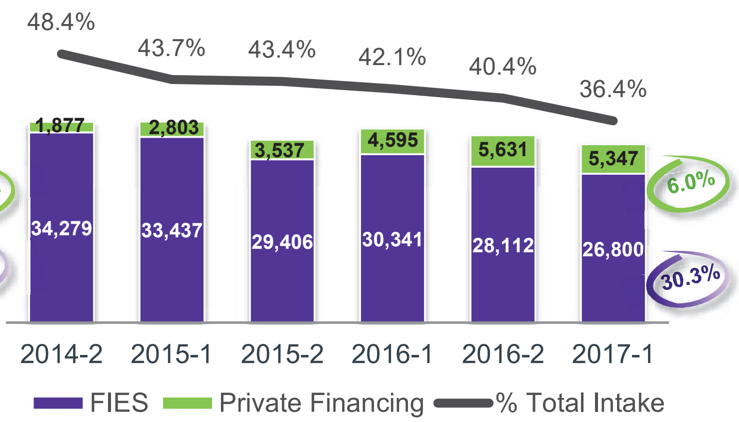
¹ PraValer + Ampliar

We continue promoting different types of private financing. 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. At the same time, we have been testing our fully proprietary financing model, Ampliar, on a small scale. In 1Q17, 4.6% of the total intake had one of these private financing products, equivalent to 1.1 thousand new students (-42.7% vs. 2016-1), of which 0.3 thousand were using our own balance sheet. We currently have 5.3 thousand students with private financing (6.0% of the undergraduate base), only 0.5 thousand of whom with financing products that use our own balance sheet.

Student Financing-- Total Intake --



Student Financing-- Student Base--



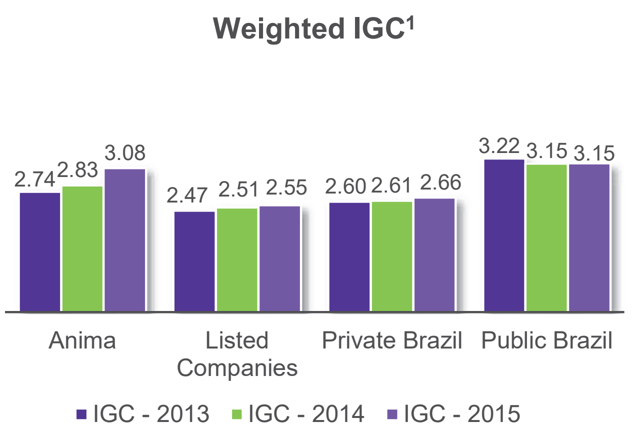
* With São Judas as of 2014-2, Sociesc as of 2016-1 and UNA Bom Despacho and Instituto Politécnico as of 2016-2.

We continue seeking student financing alternatives that increase access to our education institutions, while always balancing our short-term goals with responsible use of working capital and risk management.

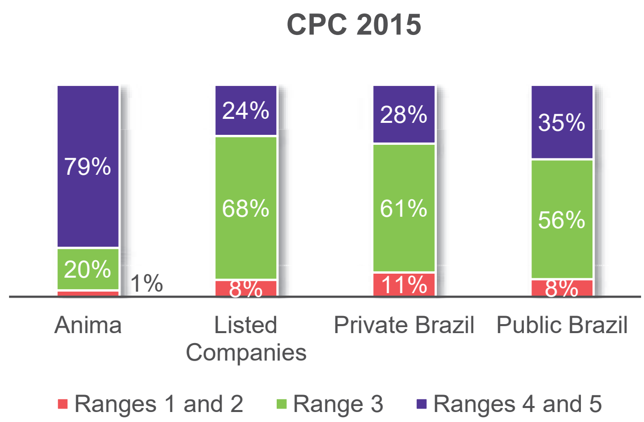
Academic Quality

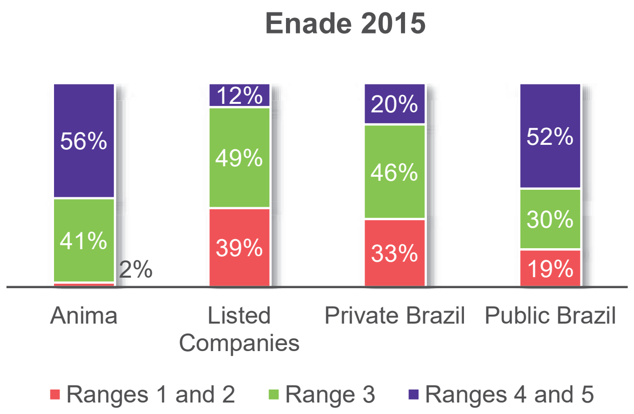
As disclosed in 4Q16, our academic indicators disclosed by the Ministry of Education (MEC) confirm Anima's superior quality positioning, as most of its programs and institutions obtained a grade of 4 (scale of 1 to 5), reinforcing the effectiveness of our academic model and our commitment to constantly improve the quality of the education we provide our students.

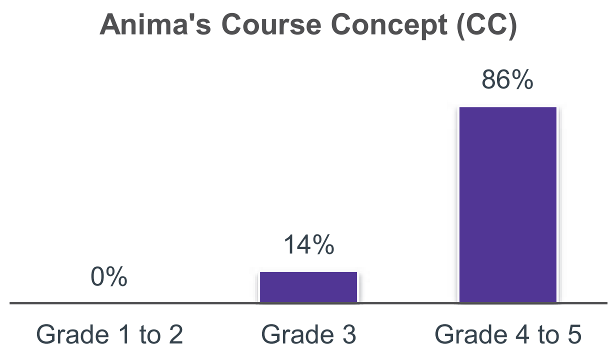
As the MEC evaluation cycles are annual, there is no new information after what was reported in 4Q16. More information on the latest quality indicators is available in our 4Q16 Earnings Release and below you can find a summary of the main academic indicators.



[1]IGC weighted by the number of students.







(35 *in loco* evaluations in the last 12 months)

* Anima's figures do not include the new acquisitions (Sociesc - February 2016; Bom Despacho - July 2016; Politécnica - October 2016).

FINANCIAL PERFORMANCE

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

i) **Education** – which includes, in addition to on-campus post-secondary education (undergraduate and graduate), distance learning, K12 and vocational programs.

ii) **Other Businesses** – which includes HSM, our management niche brand, and Sociesc's Management and Technology Innovation (GIT) division. As of this quarter, we are also including Escola Brasileira de Direito (EBRADI - Brazilian Law School).

The results include important reclassifications between lines of the income statement, already reflected in the 3Q16 results. Firstly, we began including in our financial statements the effects of Executive Decree 741, which transferred expenses with FIES financial agents to education institutions. This represents 2% of all tuition fees transferred by the government for all FIES contracts as of the second semester of 2016. This amount was included in the Discounts, Deductions & Scholarships line of our income statement. Given their similar nature, we also reclassified as Deductions all the amounts related to FGEDUC and *PraValer* contributions, which used to be classified as Other Operating Expenses. For comparison purposes, all the tables and analyses in this report consider this reclassification retrospectively to 2016. The amounts and impacts on the main lines are shown in the table below:

R$ (million)	Education						
	1Q16	% Net Revenue	Reclass. [1]	1Q16 Adj.	% Net Revenue	1Q17	% Net Revenue
Discounts, Deductions & Scholarships	(94.8)	-41.3%	(5.6)	(100.4)	-44.9%	**(136.0)**	-54.6%
Net Revenue	**229.4**	**100.0%**	**(5.6)**	**223.8**	**100.0%**	**249.1**	**100.0%**
Gross Profit (exclud. deprec. /amort.)	**116.0**	**50.6%**	**(5.6)**	**110.4**	**49.3%**	**127.8**	**51.3%**
General & Administrative Expenses	**(23.9)**	**-10.4%**	**5.6**	**(18.3)**	**-8.2%**	**(20.9)**	**-8.4%**
- Others	(8.0)	-3.5%	5.6	(2.4)	-1.1%	(3.6)	-1.5%
Operating Result	**82.0**	**35.8%**	**0.0**	**82.0**	**36.7%**	**96.9**	**38.9%**

R$ (million)	Consolidated						
	1Q16	% Net Revenue	Reclass. [1]	1Q16 Adj.	% Net Revenue	1Q17	% Net Revenue
Discounts, Deductions & Scholarships	(95.1)	-40.6%	(5.6)	(100.7)	-44.0%	(136.0)	-53.3%
Net Revenue	**234.4**	**100.0%**	**(5.6)**	**228.7**	**100.0%**	**255.2**	**100.0%**
Gross Profit (exclud. deprec. /amort.)	**117.5**	**50.1%**	**(5.6)**	**111.9**	**48.9%**	**129.9**	**50.9%**
General & Administrative Expenses	**(27.0)**	**-11.5%**	**5.6**	**(21.4)**	**-9.4%**	**(27.1)**	**-10.6%**
- Others	(8.3)	-3.5%	5.6	(2.7)	-1.2%	(4.2)	-1.6%
Operating Result	**80.2**	**34.2%**	**0.0**	**80.2**	**35.1%**	**92.3**	**36.2%**

[1] Reclassification referring to 1Q16. Accounting change from 3Q16.

1Q17 Results

R$ (million)	1Q17					
	Consolidated	% Net Revenue	Education	% Net Revenue	Others	% Net Revenue
Gross Revenue	**396.8**	**155.5%**	**390.1**	**156.6%**	**6.7**	**110.4%**
Discounts, Deductions & Scholarships	(136.0)	-53.3%	(136.0)	-54.6%	(0.0)	-0.1%
Taxes	(5.6)	-2.2%	(5.0)	-2.0%	(0.6)	-10.3%
Net Revenue	**255.2**	**100.0%**	**249.1**	**100.0%**	**6.1**	**100.0%**
Cash Cost of Services	**(125.3)**	**-49.1%**	**(121.4)**	**-48.7%**	**(3.9)**	**-64.2%**
- Personnel	(90.5)	-35.5%	(89.6)	-36.0%	(0.9)	-14.6%
- Services from Third Parties	(7.6)	-3.0%	(5.9)	-2.4%	(1.7)	-28.0%
- COGS	(0.5)	-0.2%	0.0	0.0%	(0.5)	-7.7%
- Rental & Utilities	(20.6)	-8.1%	(20.3)	-8.1%	(0.3)	-5.5%
- Others	(6.1)	-2.4%	(5.6)	-2.3%	(0.5)	-8.5%
Gross Profit (exclud. deprec. /amort.)	**129.9**	**50.9%**	**127.8**	**51.3%**	**2.2**	**35.8%**
Sales Expenses	**(15.6)**	**-6.1%**	**(14.8)**	**-5.9%**	**(0.8)**	**-13.1%**
- Provision for Doubtful Accounts (PDA)	(8.9)	-3.5%	(8.5)	-3.4%	(0.4)	-6.5%
- Marketing	(6.7)	-2.6%	(6.3)	-2.5%	(0.4)	-6.6%
General & Administrative Expenses	**(27.1)**	**-10.6%**	**(20.9)**	**-8.4%**	**(6.2)**	**-101.4%**
- Personnel	(18.2)	-7.1%	(13.7)	-5.5%	(4.5)	-74.7%
- Third Party Services	(3.7)	-1.4%	(2.9)	-1.2%	(0.7)	-12.0%
- Rental & Utilities	(1.0)	-0.4%	(0.7)	-0.3%	(0.3)	-5.3%
- Others	(4.2)	-1.6%	(3.6)	-1.5%	(0.6)	-9.4%
Other Operating Revenues (Expenses)	**1.0**	**0.4%**	**0.8**	**0.3%**	**0.2**	**3.1%**
- Provisions	(0.8)	-0.3%	(0.7)	-0.3%	(0.0)	-0.4%
- Taxes	(0.5)	-0.2%	(0.5)	-0.2%	(0.1)	-1.0%
- Other Operating Revenues	2.3	0.9%	2.0	0.8%	0.3	4.5%
Late Payment Fees	**4.1**	**1.6%**	**4.1**	**1.6%**	**0.0**	**0.0%**
Operating Result	**92.3**	**36.2%**	**96.9**	**38.9%**	**(4.6)**	**-75.4%**
- Corporate Expenses	(18.4)	-7.2%				
Adjusted EBITDA	**73.9**	**29.0%**				
(-) Late Payment Fees	(4.1)	-1.6%				
(-) Non-Recurring Items [1]	(0.6)	-0.2%				
EBITDA	**69.3**	**27.1%**				
Depreciation & Amortization	(10.9)	-4.3%				
EBIT	**58.4**	**22.9%**				
Net Financial Result	(8.8)	-3.5%				
EBT	**49.6**	**19.4%**				
Income Tax and Social Contribution	0.3	0.1%				
Net Income Before Non-Controlling Interest	**49.9**	**19.5%**				
Non-Controlling Interest	0.0	0.0%				
Net Income	**49.9**	**19.5%**				
(-) Non-Recurring Items [2]	0.6	0.2%				
Adjusted Net Income	**50.4**	**19.8%**				

[1] Non-Recurring Items impacting EBITDA
[2] Non-Recurring Items impacting Net Income

FINANCIAL PERFORMANCE – EDUCATION

R$ (million)	Education				
	1Q17	% Net Revenue	1Q16	% Net Revenue	% YA
Gross Revenue	**390.1**	**156.6%**	**328.6**	**146.9%**	**18.7%**
Discounts, Deductions & Scholarships	(136.0)	-54.6%	(100.4)	-44.9%	35.4%
Taxes	(5.0)	-2.0%	(4.4)	-2.0%	13.1%
Net Revenue	**249.1**	**100.0%**	**223.8**	**100.0%**	**11.3%**
Cash Cost of Services	**(121.4)**	**-48.7%**	**(113.4)**	**-50.7%**	**7.0%**
- Personnel	(89.6)	-36.0%	(85.6)	-38.3%	4.7%
- Services from Third Parties	(5.9)	-2.4%	(3.3)	-1.5%	76.7%
- COGS	0.0	0.0%	(0.0)	0.0%	-100.0%
- Rental & Utilities	(20.3)	-8.1%	(19.5)	-8.7%	4.0%
- Others	(5.6)	-2.3%	(5.0)	-2.2%	12.7%
Gross Profit (exclud. deprec. /amort.)	**127.8**	**51.3%**	**110.4**	**49.3%**	**15.7%**
Sales Expenses	**(14.8)**	**-5.9%**	**(12.6)**	**-5.7%**	**17.0%**
- Provision for Doubtful Accounts (PDA)	(8.5)	-3.4%	(7.0)	-3.1%	21.2%
- Marketing	(6.3)	-2.5%	(5.7)	-2.5%	11.9%
General & Administrative Expenses	**(20.9)**	**-8.4%**	**(18.3)**	**-8.2%**	**14.4%**
- Personnel	(13.7)	-5.5%	(12.8)	-5.7%	6.9%
- Third Party Services	(2.9)	-1.2%	(2.2)	-1.0%	30.3%
- Rental & Utilities	(0.7)	-0.3%	(0.9)	-0.4%	-20.5%
- Others	(3.6)	-1.5%	(2.4)	-1.1%	52.2%
Other Operating Revenues (Expenses)	**0.8**	**0.3%**	**(2.0)**	**-0.9%**	**-140.2%**
- Provisions	(0.7)	-0.3%	(3.3)	-1.5%	-77.6%
- Taxes	(0.5)	-0.2%	(0.3)	-0.1%	94.8%
- Other Operating Revenues	2.0	0.8%	1.5	0.7%	33.8%
Late Payment Fees	**4.1**	**1.6%**	**4.6**	**2.0%**	**-10.8%**
Operating Result	**96.9**	**38.9%**	**82.0**	**36.7%**	**18.2%**

Net Revenue

Net revenue totaled R$249.1 million in 1Q17, R$25.3 million, or 11.3%, higher than in 1Q16. Excluding the acquisitions, net revenue moved up 0.8%, reversing the trend observed last year. This is due to the annual tuition fees increase (inflation adjustment), in addition to an improvement in our program mix with the expansion of the healthcare portfolio. These effects were partially offset by the decline in the undergraduate (-4.1% versus 2016) and Pronatec student bases (-R$3.1 million). We also saw an increase in our average discount, chiefly due to the transfer of 2% expenses with FIES financial agents from the government to education institutions and higher early enrollment discounts in the 2017-1 intake cycle.

Average Ticket

R$ (million)	Education		
	1Q17	1Q16	% YA
Average Gross Ticket¹	R$ 1,413	R$ 1,253	+12.8%
Average Net Ticket¹	R$ 884	R$ 832	+6.2%
Average Net Ticket with new acquisitions¹	R$ 848	-	-

¹ Accumulated Revenue ÷ Average Number of Students

The net ticket averaged R$884 in 1Q17, 6.2% up on the same period last year, in line with our plans. We have adjusted our gross list prices by 9%, given our estimates for 2017 inflation at the time we had to make our pricing decision and the expected impacts on discounts given our new commercial strategy. We are also seeing this quarter's improvements in our program mix given the expansion of the healthcare portfolio, partially offset by higher discounts. Including the acquisitions, our weighted average net ticket came to R$848.

Total Costs and Gross Profit

R$ (million)	1Q17					
	Education	% YA	Education Ex. Acquisitions ¹	% YA	Acquisitions ¹	% YA
Net Revenue	249.1	11.3%	204.4	0.8%	44.7	112.9%
Cash Cost of Services	(121.4)	7.0%	(96.5)	-2.3%	(24.9)	70.4%
Gross Profit (exclud. deprec. /amort.)	127.8	15.7%	107.9	3.8%	19.8	210.1%
% Gross Margin	51.3%	2.0 pp	52.8%	1.5 pp	44.3%	13.9 pp

¹ Acquistions includes Sociesc Feb-16, UNA Bom Despacho Jul-16 and Instituto Politécnico Oct-16

We closed 1Q17 with gross profit of R$127.8 million and a gross margin of 51.3%, 2.0pp higher than in 1Q16.

Excluding the acquisitions, gross profit came to R$107.9 million in the quarter, with a margin of 52.8% (+1.5pp vs. 1Q16). The improvement was directly related to our margin recovery efforts. We saw a 4.6pp improvement driven by academic (average number of students per classroom) and infrastructure efficiency (capacity utilization in our campuses) gains, partially offset by the increase in the average discount (-2.7pp of gross margin) and the transfer of 2% expenses with FIES financial agents from the government to education institutions (-0.4pp of the gross margin). In 1Q16 there as also one last positive contribuition from Pronatec of R$2.9 million.

Operating Result

We closed 1Q17 with an operating result of R$96.9 million, 18.2% up on 1Q16. As a result, the operating margin came to 38.9% of net revenue (+2.3pp vs. 1Q16). In addition to the 2.0pp gross margin increase, we recorded a 0.3pp gain in selling, general and administrative expenses, as shown below:

Selling Expenses

Selling expenses totaled R$14.8 million (+17.0% vs. 1Q16, influenced by the acquisitions), or 5.9% of net revenue. While marketing expenses were virtually flat as a percentage of net revenue, our provision for doubtful accounts (PDA) worsened by a slight 0.3pp compared with the previous year.

General and Administrative Expenses

General and administrative expenses totaled R$20.9 million in 1Q17 (+14.4% vs. 1Q16, driven by the acquisitions), or 8.4% of net revenue (+0.2pp vs. 1Q16).

Other Operating Revenues (Expenses)

Other operating revenues (expenses), including Late Payment Fees, came to a positive R$4.9 million in 1Q17, or 1.9% of net revenue. The 0.8pp year-on-year improvement was mainly due to a reduction in the provision for risk.

FINANCIAL PERFORMANCE – Other Businesses

R$ (million)	Others				
	1Q17	% Net Revenue	1Q16	% Net Revenue	% YA
Gross Revenue	**6.7**	**110.4%**	**5.6**	**113.4%**	**19.5%**
Discounts, Deductions & Scholarships	(0.0)	-0.1%	(0.2)	-4.9%	-96.7%
Taxes	(0.6)	-10.3%	(0.4)	-8.5%	48.8%
Net Revenue	**6.1**	**100.0%**	**5.0**	**100.0%**	**22.8%**
Cash Cost of Services	**(3.9)**	**-64.2%**	**(3.5)**	**-69.6%**	**13.2%**
- Personnel	(0.9)	-14.6%	(0.8)	-15.2%	-
- Services from Third Parties	(1.7)	-28.0%	(1.5)	-30.4%	13.2%
- COGS	(0.5)	-7.7%	(0.5)	-10.8%	-12.5%
- Rental & Utilities	(0.3)	-5.5%	(0.3)	-5.8%	16.5%
- Others	(0.5)	-8.5%	(0.4)	-7.6%	37.4%
Gross Profit (exclud. deprec. /amort.)	**2.2**	**35.8%**	**1.5**	**30.4%**	**44.9%**
Sales Expenses	**(0.8)**	**-13.1%**	**(0.2)**	**-4.1%**	**293.0%**
- Provision for Doubtful Accounts (PDA)	(0.4)	-6.5%	0.0	0.3%	-2507.1%
- Marketing	(0.4)	-6.6%	(0.2)	-4.4%	83.4%
General & Administrative Expenses	**(6.2)**	**-101.4%**	**(3.1)**	**-63.1%**	**97.4%**
- Personnel	(4.5)	-74.7%	(2.4)	-48.1%	90.6%
- Third Party Services	(0.7)	-12.0%	(0.2)	-3.9%	276.4%
- Rental & Utilities	(0.3)	-5.3%	(0.3)	-5.6%	15.3%
- Others	(0.6)	-9.4%	(0.3)	-5.5%	112.4%
Other Operating Revenues (Expenses)	**0.2**	**3.1%**	**0.0**	**0.6%**	**530.2%**
- Provisions	(0.0)	-0.4%	0.0	0.0%	0.0%
- Taxes	(0.1)	-1.0%	(0.1)	-1.3%	-10.7%
- Other Operating Revenues	0.3	4.5%	0.1	2.0%	186.1%
Late Payment Fees	**0.0**	**0.0%**	**0.0**	**0.0%**	**0.0%**
Operating Result	**(4.6)**	**-75.4%**	**(1.8)**	**-36.2%**	**156.1%**

As previously mentioned, as of this quarter we began consolidating HSM, Sociesc's Management and Technological Innovation (GIT) and EBRADI – Escola Brasileira de Direito in other businesses.

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. HSM Executive Education is made up of three business units: Events, Business School and Publishing. In order to improve the results and expand the scope of Executive Education activities (HSM's Business School), we took over the operations of Academia da Estratégia – ACAD in September 2016.

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 Anima brand launched at the end of last year in order 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.

The results in the first quarter of 2017 reflect the different stages of each business consolidated in this segment. Although the first quarter is not relevant for HSM, as there are no events in its calendar and in-company programs are only beginning, it is worth mentioning that its restructuring process and ACAD's integration are progressing as expected. Meanwhile, GIT recorded an improvement compared with the same period last year, resuming growth and recovering profitability. Finally, EBRADI is still at a preoperational stage, incurring expenses, but without actually recognizing revenue.

As a result, net revenue from the Other Businesses segment totaled R$6.1 million, 22.8% more than in 1Q16, while gross profit came to R$2.2 million, with a 35.8% gross margin (+5.5pp vs. 1Q16). We closed the first quarter with a negative operating result of R$4.6 million (-R$2.8 million vs. 1Q16), mainly due to the integration of ACAD, as synergies are still being captured, and expenditures at EBRADI.

CONSOLIDATED PERFORMANCE

R$ (million)	Consolidated Ânima				
	1Q17	% Net Revenue	1Q16	% Net Revenue	% YA
Gross Revenue	**396.8**	**155.5%**	**334.2**	**146.1%**	**18.7%**
Discounts, Deductions & Scholarships	(136.0)	-53.3%	(100.7)	-44.0%	35.1%
Taxes	(5.6)	-2.2%	(4.8)	-2.1%	16.2%
Net Revenue	**255.2**	**100.0%**	**228.7**	**100.0%**	**11.6%**
Cash Cost of Services	**(125.3)**	**-49.1%**	**(116.9)**	**-51.1%**	**7.2%**
- Personnel	(90.5)	-35.5%	(86.4)	-37.8%	4.8%
- Services from Third Parties	(7.6)	-3.0%	(4.8)	-2.1%	56.9%
- COGS	(0.5)	-0.2%	(0.5)	-0.2%	-12.5%
- Rental & Utilities	(20.6)	-8.1%	(19.8)	-8.6%	4.1%
- Others	(6.1)	-2.4%	(5.4)	-2.3%	14.4%
Gross Profit (exclud. deprec. /amort.)	**129.9**	**50.9%**	**111.9**	**48.9%**	**16.1%**
Sales Expenses	**(15.6)**	**-6.1%**	**(12.8)**	**-5.6%**	**21.4%**
- Provision for Doubtful Accounts (PDA)	(8.9)	-3.5%	(7.0)	-3.0%	27.1%
- Marketing	(6.7)	-2.6%	(5.9)	-2.6%	14.5%
General & Administrative Expenses	**(27.1)**	**-10.6%**	**(21.4)**	**-9.4%**	**26.5%**
- Personnel	(18.2)	-7.1%	(15.2)	-6.6%	20.1%
- Third Party Services	(3.7)	-1.4%	(2.4)	-1.1%	49.9%
- Rental & Utilities	(1.0)	-0.4%	(1.2)	-0.5%	-11.9%
- Others	(4.2)	-1.6%	(2.7)	-1.2%	58.3%
Other Operating Revenues (Expenses)	**1.0**	**0.4%**	**(2.0)**	**-0.9%**	**-150.6%**
- Provisions	(0.8)	-0.3%	(3.3)	-1.4%	-76.8%
- Taxes	(0.5)	-0.2%	(0.3)	-0.1%	72.8%
- Other Operating Revenues	2.3	0.9%	1.6	0.7%	42.9%
Late Payment Fees	**4.1**	**1.6%**	**4.6**	**2.0%**	**-10.8%**
Operating Result	**92.3**	**36.2%**	**80.2**	**35.1%**	**15.1%**
- Corporate Expenses	(18.4)	-7.2%	(12.8)	-5.6%	43.9%
Adjusted EBITDA	**73.9**	**29.0%**	**67.4**	**29.5%**	**9.6%**
(-) Late Payment Fees	(4.1)	-1.6%	(4.6)	-2.0%	-10.8%
(-) Non-Recurring Items [1]	(0.6)	-0.2%	(0.4)	-0.2%	0.0%
EBITDA	**69.3**	**27.1%**	**62.5**	**27.3%**	**10.9%**
Depreciation & Amortization	(10.9)	-4.3%	(8.5)	-3.7%	27.8%
EBIT	**58.4**	**22.9%**	**54.0**	**23.6%**	**8.2%**
Net Financial Result	(8.8)	-3.5%	(1.2)	-0.5%	661.0%
EBT	**49.6**	**19.4%**	**52.8**	**23.1%**	**-6.1%**
Income Tax and Social Contribution	0.3	0.1%	(0.1)	0.0%	-732.4%
Net Income Before Non-Controlling Interest	**49.9**	**19.5%**	**52.8**	**23.1%**	**-5.4%**
Non-Controlling Interest	0.0	0.0%	0.0	0.0%	
Net Income	**49.9**	**19.5%**	**52.8**	**23.1%**	**-5.5%**
(-) Non-Recurring Items [2]	0.6	0.2%	0.4	0.2%	0.0%
Adjusted Net Income	**50.4**	**19.8%**	**53.1**	**23.2%**	**-5.1%**

[1] Non-Recurring Items impacting EBITDA

[2] Non-Recurring Items impacting Net Income

Corporate Expenses

In 1Q17, corporate expenses totaled R$18.4 million, representing 7.2% of net revenue, in line with the figures for the second half of 2016. It is worth noting that last year and at the beginning of this year we focused our efforts on centralizing certain areas, increasing the scope of services shared between the units. Most of the time, this entails the transfer of personnel and budgets from our business units to corporate cost centers, always with gains in scale. We have also reinforced some structures in line with our strategic priorities, including the creation of the corporate commercial area and the quality and performance management area.

Adjusted EBITDA

Adjusted EBITDA totaled R$73.9 million in 1Q17 (+9.6% vs. 1Q16), with a margin of 29.0%. Although this represents a slight 0.5pp year-on-year decline, we remain optimistic about our ability to reverse this trend over the next quarters this year.

Non-Recurring Items

R$ (million)	EBITDA
	1Q17
Restructuring Expenses	1.4
Account Receivables Adjustments - FIES	(0.9)
Total Non Recurring Items	**0.6**

Restructuring Expenses. This quarter, non-recurring restructuring expenses totaled R$1.4 million. This amount includes i) R$1.0 million from the increase in severance pay of professors and administrative staff resulting from the reduction in our student base; and ii) R$0.4 million from expenses with 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 will be paid in the next three years adjusted for inflation (IPCA). As a result, 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 as of 2016. This quarter, we excluded the positive impact of this adjustment, which represented net revenue of R$0.9 million, also non cash.

Income Tax and Social Contribution

We continue benefiting from Prouni, which guarantees income tax and social contribution exemption for most of our business. In 1Q17, income tax and social contribution credits totaled R$0.3 million.

Financial Result

R$ (million)	Consolidated Ânima	
	1Q17	1Q16
(+) Financial Revenue	**12.2**	**16.7**
Late payment fees	4.1	4.6
Interest on financial investments	5.0	5.2
Inflation adjustment - PN23 FIES acc. rec.	2.2	6.8
Other financial revenues	1.0	0.2
(-) Financial Expense	**(21.3)**	**(17.9)**
Financial debt interest expense	(13.4)	(12.9)
Tax debt interest expenses	(0.2)	(0.1)
PraValer interest expenses	(3.2)	(2.4)
Accounts payable interest expenses (acquisitions)	(3.1)	(1.1)
Other financial expenses	(1.4)	(1.5)
Financial Result	**(9.0)**	**(1.2)**

In 1Q17, the net financial result came to a negative R$9.0 million against a negative R$1.2 million in the same period of 2016. Financial revenue came to R$12.2 million, R$4.5 million less than in 1Q16, mainly due to lower inflation adjustments of the FIES accounts receivable related to the PN23 agreement (R$2.2 million in 1Q17 vs. R$6.8 million in 1Q16).

The financial expense stood at R$21.3 million, R$3.4 million higher, mainly as a result of inflation and present value adjustments related to accounts-payable from the acquisitions made in 2016.

Adjusted Net Income

Adjusted net income totaled R$50.4 million in 1Q17 (-5.1% vs. 1Q16), with a margin of 19.8% (-3.5pp vs. 1Q16).

Cash and Net Debt

R$ (million)	Consolidated Ânima		
	MAR 17	MAR 16	DEC 16
(+) Cash and Cash Equivalents	**184.4**	**150.1**	**181.5**
Cash	28.4	24.5	39.6
Financial Investments	156.1	125.6	141.9
(-) Loans and Financing [1]	**388.1**	**380.5**	**400.3**
Short Term	137.0	143.0	137.2
Long Term	251.0	237.5	263.1
(=) Net (Debt) Cash [2]	**(203.6)**	**(230.4)**	**(218.8)**
(-) Other Short and Long Term Obligations	79.7	32.7	78.7
(=) Net (Debt) Cash [3]	**(283.3)**	**(263.1)**	**(297.5)**

[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 1Q17, cash and cash equivalents totaled R$184.4 million and loans and financing came to R$388.1 million, while other short and long-term obligations represented by acquisitions and tax installments amounted to R$79.7 million. As a result, we closed 1Q17 with net debt of R$283.3 million, representing leverage of 1.8x (net debt ÷ LTM adjusted EBITDA).

Accounts Receivable and Days Sales Outstanding (DSO)

We ended 1Q17 with net accounts receivable of R$321.0 million. For management and DSO calculation purposes, we are adjusting accounts receivable by R$3.3 million, comprising the R$7.8 million adjustment recorded in 4Q15 less the R$4.5 million write-offs since then.

As a result, adjusted accounts receivable totaled R$324.4 million, a decline of R$69.3 million compared with 1Q16, when we had not yet received the first installment related to the PN23 agreement.

	1Q17	4Q16	3Q16	2Q16	1Q16	
	Total	Total	Total	Total	Total	∆ 1Q17 / 1Q16
Net Accounts Receivable	321.0	285.6	304.0	381.9	386.8	(65.7)
Adjusted Accounts Receivable FIES	(3.3)	(4.2)	(5.1)	(5.9)	(6.9)	3.5
Adjusted Net Accounts Receivable	324.4	289.8	309.0	387.8	393.6	(69.3)
to mature	265.7	227.7	258.5	330.5	338.9	(73.1)
until 180 days	45.1	45.5	37.7	43.5	42.1	3.0
between 180 and 360 days	9.1	12.4	8.7	9.7	9.3	(0.3)
between 361 and 720 days	4.5	4.2	4.0	4.2	3.3	1.1
more than 721 days	0.0	0.0	0.0	0.0	0.0	0.0

Thus, we closed 1Q17 with DSO (Days of Sales Outstanding) of 114 days, representing a 38-day decline from the same period last year. Breaking down our accounts receivable, we recorded a DSO of 240 days for FIES receivables, an annual reduction of 76 days. For non-FIES receivables, our DSO stood at 55 days in 1Q17, practically in line with the same period last year. In the other businesses line, we closed the quarter with a DSO of 149 days.

	1Q17	4Q16 *	3Q16 *	2Q16 *	1Q16 *	
Total	**Total**	**Total**	**Total**	**Total**	**Total**	**Δ 1Q17 / 1Q16**
Net Accounts Receivable	321.0	285.6	304.0	381.9	386.8	(65.7)
Adjusted Accounts Receivable FIES	(3.3)	(4.2)	(5.1)	(5.9)	(6.9)	3.5
Adjusted Net Accounts Receivable	324.4	289.8	309.0	387.8	393.6	(69.3)
Net Revenue (accumulative)	255.2	956.8	699.2	468.9	228.7	26.5
DSO	114	107	118	148	152	(38)

	1Q17	4Q16 *	3Q16 *	2Q16 *	1Q16 *	
FIES	**Total**	**Total**	**Total**	**Total**	**Total**	**Δ 1Q17 / 1Q16**
Net Accounts Receivable	207.1	191.7	210.4	285.4	287.0	(79.9)
Adjusted Accounts Receivable FIES	(3.3)	(4.2)	(5.1)	(5.9)	(6.9)	3.5
Adjusted Net Accounts Receivable	210.5	195.9	215.5	291.3	293.9	(83.4)
Net Revenue (accumulative)	79.0	336.4	254.9	172.8	83.9	(4.9)
DSO	240	208	227	303	316	-76

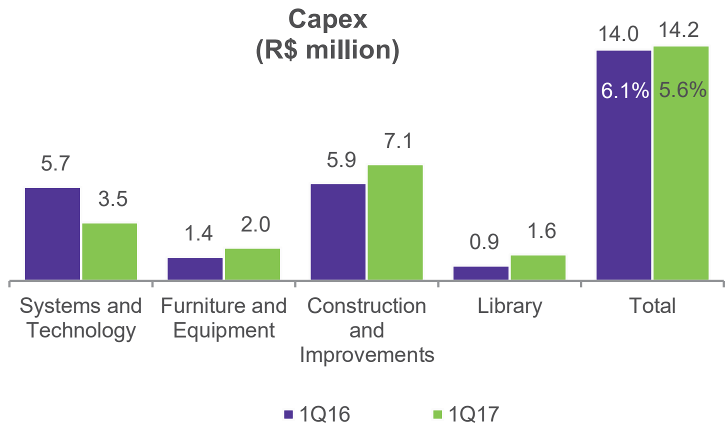
	1Q17	4Q16 *	3Q16 *	2Q16 *	1Q16 *	
Non FIES	**Total**	**Total**	**Total**	**Total**	**Total**	**Δ 1Q17 / 1Q16**
Net Accounts Receivable	103.9	83.7	85.0	84.5	86.6	17.3
Net Revenue (accumulative)	170.2	567.5	419.3	277.6	135.3	34.9
DSO	55	52	53	55	56	-1

	1Q17	4Q16 *	3Q16 *	2Q16 *	1Q16 *	
Others	**Total**	**Total**	**Total**	**Total**	**Total**	**Δ 1Q17 / 1Q16**
Net Accounts Receivable	10.0	10.2	8.6	12.0	13.1	(3.2)
Net Revenue (accumulative)	6.0	53.0	25.0	18.5	9.5	(3.5)
DSO	149	61	83	102	92	57

* Weighted DSO, considering acquisitions of 2016

Investments (CAPEX)

In 1Q17, CAPEX totaled R$14.2 million, or 5.6% of net revenue, a small 0.5pp gain compared with the 6.1% reported in 1Q16. This figure includes investments in our campuses and amounts allocated to the development of education systems and technology.



Cash Flow

	1Q17	1Q16
Net Income	**49.9**	**52.8**
Non-Controlling Interest	0.0	0.0
Net Income before Non-Controlling Interest	**49.9**	**52.8**
Depreciation & Amortization	10.9	8.5
Interest expenses/revenues	5.6	2.6
Provisions for labor, tax and civil risks	0.2	2.3
Other non-cash adjustments	(0.7)	1.5
Operating Cash Flow	**65.9**	**67.6**
Δ Accounts receivable/PDA	(33.0)	(76.7)
Δ Other assets/liabilities	0.8	(0.5)
Working Capital Variance	**(32.3)**	**(77.2)**
Free Cash Flow before CAPEX	**33.6**	**(9.5)**
CAPEX - Fixed and Intangible	(14.2)	(14.0)
Free Cash Flow	**19.4**	**(23.5)**
Financing/Investments activities	(17.5)	(7.9)
Shares held in treasury	(0.1)	(8.4)
Acquisitions	(2.0)	5.3
Dividends	0.0	0.0
Capital Increase LCB - Anima	3.1	0.0
Net Cash Flow from Financing Activities	**(16.5)**	**(11.0)**
Net Increase (Reduction) of Cash and Cash Equivalents	**2.9**	**(34.5)**
Cash at the begging of the period	181.5	184.5
Cash at the end of the period	184.4	150.1

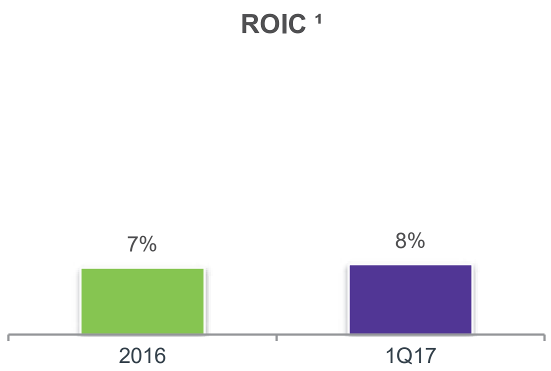
Operating cash flow before working capital and CAPEX came to R$65.9 million. The change in accounts receivable resulted in a cash consumption of R$33.0 million, mainly due to FIES contracts. The renewal process is still in progress (until May, 31st), so we expect to convert those receivables in cash in 2Q17 and 3Q17. As a result, our working capital was a negative R$32.3 million, which, together with CAPEX of R$14.2 million, resulted in a free cash flow of R$19.4 million in the period.

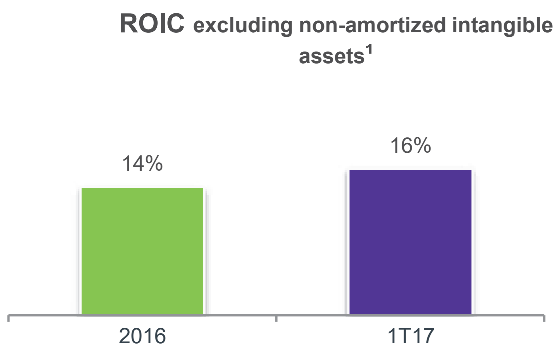
Financing activities absorbed R$17.5 million in 1Q17, mainly due to the payment of bank loans and interest. On the other hand, we borrowed R$5.4 million from the Study and Projects Financing Agency – FINEP. We also executed the share buyback program, which totaled R$0.1 million in the quarter, while acquisitions' accounts-payable (Sociesc and Instituto Politécnico) absorbed R$2.0 million. Finally, it is worth noting the R$3.1 million contribution due to the capital increase done by our French partners in the joint venture that formed Le Cordon Bleu-Anima (LCB Anima).

As a result, we closed 1Q17 with cash and financial investments of R$184.4 million, i.e. a slight cash increase of R$2.9 million in relation to the position at the beginning of the year.

Return on Invested Capital (ROIC)

We monitor our financial performance through our return on invested capital (ROIC), among other metrics. At the end of 1Q17, we had a ROIC for the last twelve months of 8%. Although the improvement is still modest compared with our ambitions, we are celebrating the fact that we can see an inflection point in our return rate after a few quarters of decline. 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 1Q17.





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 1Q17 Income Statement

Consolidated Ânima R$ (million)	1Q17						
	Release Income Statement	Depreciation & Amortization	Corporate Expenses	Late Payment Fees	Non-Recurring Items	HSM Reclass.	IFRS Income Statement
Gross Revenue	**396.8**				**0.9**		**397.7**
Discounts, Deductions & Scholarships	(136.0)						(136.0)
Taxes	(5.6)						(5.6)
Net Revenue	**255.2**				**0.9**		**256.1**
Cash Cost of Services	**(125.3)**	**(6.0)**	**0.0**	**0.0**	**(0.9)**	**0.2**	**(131.9)**
- Personnel	(90.5)				(0.9)		(91.4)
- Services from Third Parties	(7.6)					0.2	(7.3)
- COGS	(0.5)						(0.5)
- Rental & Utilities	(20.6)						(20.6)
- Others	(6.1)	(6.0)					(12.2)
Gross Profit (exclud. deprec. /amort.)	**129.9**	**(6.0)**	**0.0**	**0.0**	**0.0**	**0.2**	**124.1**
Sales Expenses	**(15.6)**		**(0.5)**		**0.0**	**0.0**	**(16.1)**
- Provision for Doubtful Accounts (PDA)	(8.9)		0.0				(8.9)
- Marketing	(6.7)		(0.5)				(7.2)
General & Administrative Expenses	**(27.1)**	**(4.8)**	**(18.1)**	**0.0**	**(0.3)**	**0.0**	**(50.3)**
- Personnel	(18.2)		(13.4)		(0.3)		(31.9)
- Third Party Services	(3.7)		(2.4)				(6.0)
- Rental & Utilities	(1.0)		(0.3)				(1.4)
- Others	(4.2)	(4.8)	(1.9)				(11.0)
Other Operating Revenues (Expenses)	**1.0**	**0.0**	**(0.1)**	**0.0**	**0.0**	**0.0**	**0.8**
- Provisions	(0.8)		0.1				(0.7)
- Taxes	(0.5)		(0.3)				(0.8)
- Other Operating Revenues	2.3		0.1				2.4
Late Payment Fees	**4.1**			**(4.1)**			**0.0**
Operating Result	**92.3**	**(10.9)**	**(18.7)**	**(4.1)**	**(0.3)**	**0.2**	**58.6**
- Corporate Expenses	(18.4)		18.7		(0.3)		(0.0)
Adjusted EBITDA	**73.9**	**(10.9)**	**0.0**	**(4.1)**	**(0.6)**	**0.2**	**58.6**
(-) Late Payment Fees	(4.1)			4.1			0.0
(-) Non-Recurring Items [1]	(0.6)				0.6		0.0
EBITDA	**69.3**	**(10.9)**	**0.0**	**0.0**	**0.0**	**0.2**	**58.6**
Depreciation & Amortization	(10.9)	10.9					0.0
EBIT	**58.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**	**58.6**
Net Financial Result	(8.8)					(0.2)	(9.0)
EBT	**49.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**49.6**
Income Tax and Social Contribution	0.3						0.3
Net Income	**49.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**49.9**
(-) Non-Recurring Items [2]	0.6				(0.6)		0.0
Adjusted Net Income	**50.4**	**0.0**	**0.0**	**0.0**	**(0.6)**	**0.0**	**49.9**

[1] Non-Recurring Items impacting EBITDA

[2] Non-Recurring Items impacting Net Income

APPENDIX 2 – Income Statement – IFRS

	1Q17	1Q16
Net Revenue	**256.1**	**223.8**
COST OF SERVICES	(131.9)	(121.9)
Gross (Loss) Profit	**124.1**	**101.9**
OPERATING (EXPENSES) / INCOME	(65.5)	(59.4)
Commercial	(16.1)	(13.2)
General and administrative	(50.3)	(37.4)
Equity income	-	-
Other operating (expenses) revenues	0.8	(2.2)
Income before Financial Result	**58.6**	**42.4**
Financial interest income	25.6	22.8
Financial interest expenses	(34.7)	(24.0)
Net (Loss) Income before Taxes	**49.6**	**41.3**
Income tax and social contribution, current and deferred	0.3	(0.1)
Net Income or Loss before Non-Controlling Interest	**49.9**	**52.8**
Non-Controlling Interest	0.0	-
Net Income or Loss for the Period	**49.9**	**52.8**

APPENDIX 3 – Balance Sheet - IFRS

Assets	MAR 17	MAR 16	DEC 16
Current Assets	**462.4**	**443.9**	**434.0**
Cash and cash equivalents	28.4	24.5	39.6
Cash & financial investments	156.1	125.6	141.9
Accounts receivable	229.6	258.4	195.7
Prepaid expenses	22.7	13.3	37.4
Recoverable taxes	11.9	8.8	11.2
Derivatives	-	3.2	-
Other current assets	13.7	10.2	8.3
Non-Current Assets	**954.9**	**894.5**	**953.8**
Accounts receivable	91.4	128.4	89.9
Prepaid expenses	10.8	4.4	12.4
Judicial deposits	37.3	31.2	36.3
Credit with related parties	0.1	0.0	0.1
Recoverable taxes	4.7	6.4	6.0
Derivatives	-	-	-
Other non-current assets	16.4	14.8	16.4
Fixed	224.9	211.1	223.5
Intangible	569.1	498.2	569.1
Total Assets	**1,417.2**	**1,338.5**	**1,387.9**

Liabilities	MAR 17	MAR 16	DEC 16
Current Liabilities	**270.3**	**259.2**	**268.3**
Supplier	21.2	19.1	23.7
Loans	117.0	138.2	124.1
Personnel	52.7	49.9	58.4
Taxes payable	11.7	8.5	14.8
Advances from clients	28.5	22.6	19.2
Tax debt installments	0.6	0.2	0.6
Accounts payables	13.1	3.3	9.1
Dividends payables	5.0	15.3	5.0
Derivatives	20.0	1.6	13.1
Other current liabilities	0.4	0.6	0.5
Non-Current Liabilities	**458.3**	**392.8**	**483.9**
Loans	243.1	233.1	253.5
Accounts payables	61.7	25.9	64.6
Tax debt installments	4.3	3.3	4.5
Deferred income tax and social contribution	52.7	25.3	52.2
Provisions for risks	87.7	100.2	98.5
Derivatives	8.0	4.5	9.6
Other non-current liabilities	1.0	0.5	1.1
Shareholder Equity	**688.6**	**686.5**	**635.7**
Capital Stock	496.4	496.4	496.4
Capital reserve	6.5	1.2	6.5
Earnings reserve	212.3	217.2	212.3
Shares in treasury	(10.1)	(11.6)	(10.0)
Asset valuation adjustment	(69.6)	(69.6)	(69.6)
Retained earnings	49.9	52.8	0.0
Total Liabilities and Shareholder Equity	**1,417.2**	**1,338.5**	**1,387.9**

APPENDIX 4 – Cash Flow – IFRS

	1Q17	1Q16
Net Income for the period	49.9	52.8
Adjustments for		
Provision for doubtful accounts	8.9	7.0
Legal deposits update	(0.5)	(0.8)
Depreciation and amortization	10.9	8.5
Decrease in residual value of fixed and intangible assets	0.0	1.4
Third party loans update	(0.4)	
Interest on loans, financing and tax installments	10.4	12.9
Constitution, reversal and update of provision for labor, tax and civil risks	0.7	3.1
Present value adjustments to accounts payable	3.1	1.1
FIES revenues regarding present value adjustments and monetary restatement	(2.4)	(6.4)
Share repurchase program bonuses	0.0	-
Deferred income tax and social contribution	(0.3)	0.1
Losses with investments	-	0.0
	80.2	79.6
Change in operating assets and liabilities		
(Increase) decrease in accounts receivable	(41.9)	(83.6)
Decrease in other prepaid expenses	16.3	6.5
Increase in legal deposits	(2.8)	(2.2)
Decrease in taxes and recoverable contributions	0.5	1.3
Decrease in other assets	(5.0)	(0.3)
Decrease in suppliers	(2.2)	(2.5)
Decrease in tax, social security and labor obligations	(8.8)	(2.4)
Increase in advances from clients	9.3	0.6
Decrease in tax installments and other contributions	(0.2)	(0.1)
(Decrease) in provision for labor, tax and civil risks	(6.4)	(1.1)
(Decrease) Increase in other liabilities	(0.1)	(0.2)
Cash from operations	(41.4)	(84.0)
Interest paid	(10.9)	(6.3)
Income tax and social contribution paid	0.0	(0.3)
Net cash flow from operating activities	28.0	(10.9)
Cash Flow from Investment Activities		
Subsidiary capital increase	3.1	-
Acquisitions net of cash and equivalents	-	5.3
Decrease (Increase) in financial assets	(8.7)	38.5
Income from financial assets	(5.4)	(5.0)
Fixed asset purchase	(10.8)	(9.2)
Intangible asset purchase	(3.4)	(4.8)
Net cash flow (applied) from investment activities	(25.2)	24.8
Cash Flow from Financial Activities		
Funding	5.4	3.5
Amortizations	(14.1)	(10.0)
Gains (Losses) with Derivatives	(3.2)	-
Accounts payable amontization on controlling acquisitions	(2.0)	-
Shares held in treasury	(0.1)	(8.4)
Net cash (applied to) flow from financing activities	(14.0)	(14.9)
Cash (Applied) Flow for the Period	(11.2)	(1.0)
Change in Cash and Cash Equivalents		
Cash and cash equivalents at the beginning of the period	39.6	25.5
Cash and cash equivalents at the end of the period	28.4	24.5
Increase (Decrease) of Cash and Cash Equivalents	(11.2)	(1.0)

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 three-month period ended March 31, 2016 does not include the full results of the investees Sociesc, FACEB, ACAD, Politécnico and LCB, which are being consolidated as of February 1, 2016, July 1, 2016, September 1, 2016, October 3, 2016 and September 6, 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

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 three-month period ended March 31, 2017 and year ended December 31, 2016, the Company held the following direct and indirect subsidiaries:

	Equity interest %	
Subsidiary	3/31/2017	12/31/2016
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
Le Cordon Bleu Anima Ltda ("LCB")	50	50
Indirect subsidiaries		
UNA Gestão Patrimonial S.A. ("UNA GP")	100	100
HSM do Brasil S.A. ("HSM Brasil")	100	100
PGP Educação S.A. ("PGP Educação")	100	100
AMC Serviços Educacionais Ltda. ("USJT")	100	100
Sociedade Educacional de Santa Catarina ("Sociesc")	100	100
GKT Treinamento, Consultoria e Editora Ltda (“ACAD”)	100	100
FACEB Educacão Ltda ("FACEB")	100	100
Politécnico Participações Ltda ("Politécnico")	100	100
Instituto Politécnico Ltda ("Politécnico")	100	100

2.4. Segment reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES

There have been no changes in accounting policies in the consolidated or company interim financial information for the three-month period ended March 31, 2017, or in the calculation methods used, 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)

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

4.1. <u>New and revised standards and interpretations already issued but not yet adopted.</u>

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

5. NET REVENUE RESTATEMENT

For a better presentation of our interim financial information for the three-month period ended March 31, 2017 and in order to allow comparison between the periods, we reclassified the amounts of Pravaler and FIES (FGEDUC) student financing commissions to net revenue. We present below the reclassification in the statement of income and statement of value added in the comparative period ended March 31, 2016. This change did not impact equity and other parts of the interim financial information ended March 31, 2016.

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

	Item	Consolidated Previously stated 3/31/2016	Adjustment 3/31/2016	Restated 3/31/2016
NET REVENUE	25	235,289	(5,615)	229,674
COST OF SERVICES RENDERED		(121,867)	-	(121,867)
GROSS INCOME (LOSS)		113,422	(5,615)	107,807
OPERATING INCOME (EXPENSES)				
Selling expenses		(13,244)	-	(13,244)
General and administrative expenses	26	(43,997)	5,615	(38,382)
Other operating income (expenses)		(2,217)	-	(2,217)
		(59,458)	5,615	(53,843)
EARNINGS BEFORE FINANCIAL RESULT		53,964	-	53,964

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

	Item	Consolidated Previously stated 3/31/2016	Adjustment 3/31/2016	Restated 3/31/2016
REVENUE				
Revenue from products and services	25	240,128	(5,615)	234,513
Other revenue		1,703	-	1,703
Allowance for doubtful accounts		(6,970)	-	(6,970)
INPUTS ACQUIRED BY THIRD PARTIES				
Cost of products and services		(1,375)	-	(1,375)
Materials, electricity, outsourced services and other		(35,494)	5,615	(29,879)
GROSS VALUE ADDED		197,992	-	197,992

6. BUSINESS COMBINATION

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

6.1.1. Consideration transferred

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

6.1.2. 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 final amounts that had been recorded in the second quarter of 2016.

	Carrying amount	Acquisition adjustments	Goodwill adjustments (i)	Fair value
Assets				
Cash and cash equivalents	5,542	-	-	5,542
Other current assets	17,183	-	(1,525)	15,658
Other non-current assets	12,450	-	-	12,450
Property and equipment	35,184	26,628	-	61,812
Intangible assets	1,890	31,558	-	33,448
Liabilities				
Other current liabilities	31,117	-	-	31,117
Other non-current liabilities	21,603	-	-	21,603
Deferred/current 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	(87,368)	76,423	(5,432)	(16,377)

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

6.1.3. Goodwill generated in the acquisition

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

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

6.1.4. Net cash outflow in the acquisition of subsidiary

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

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

6.2. Acquisition of FACEB Educação Ltda (FACEB)

6.2.1. Consideration transferred

"PGP Gestão" will disburse R$42,245 for the business, adjusted for the net cash position, R$16,245 of which to be settled on the closing date of the transaction, i.e. July 1, 2016, and R$26,000 payable in 10 annual installments, adjusted for the simple average of the IGPM, IPCA and INPC monetary restatement indices, with the first installment maturing twelve (12) months after the closing date. The Transaction also envisages earn-out payments of up to R$8,000 between 2018 and 2023, based on the achievement of financial and operating targets. The present value of this transaction is R$31,327 at a discount rate of 17% p.a.

6.2.2. Assets acquired and liabilities recognized on the acquisition date

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

6.2.3. Goodwill generated in the acquisition (preliminary estimate)

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

As mentioned in the previous item, a preliminary amount of goodwill on the acquisition of FACEB has been ascertained for the three-month period ended March 31, 2017. The Company is still calculating possible values for licenses, the client portfolio and expected synergies, expected future revenue growth, future market and workforce development, as well as potential tax benefits deriving from the corporate restructuring.

6.2.4. Net cash outflow in the acquisition of subsidiary

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

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

6.3.1. Consideration transferred

"HSM Brasil" disbursed R$30 for the business and assumed net debt of R$2,970 on the closing date of the transaction, i.e., September 1, 2016, 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$1,288 at a discount rate of 17% p.a.

6.3.2. Assets acquired and liabilities recognized on the acquisition date

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

6.3.3. Goodwill generated in the acquisition (preliminary estimate)

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

As mentioned in the previous item, a preliminary amount of goodwill on the acquisition of ACAD has been ascertained for the three-month period ended March 31, 2017. The Company is still calculating possible values for trademarks, licenses, the client portfolio and expected synergies, expected future revenue growth, future market and workforce development, as well as potential tax benefits deriving from the corporate restructuring.

6.3.4. Net cash outflow in the acquisition of subsidiary

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

6.4. Acquisition of Politécnico Participações Ltda and Instituto Politécnico Ltda

6.4.1. Consideration transferred

"PGP Posse" will disburse R$19,132 for the business, adjusted for the net cash position on the closing date of the transaction, i.e., 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$17,671 at a discount rate of 17% p.a.

6.4.2. Assets acquired and liabilities recognized on the acquisition date

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

6.4.3. Goodwill generated in the acquisition (preliminary estimate)

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

As mentioned in the previous item, a preliminary amount of goodwill on the acquisition of Politécnico has been ascertained for the three-month period ended March 31, 2017. The Company is still calculating possible values for trademarks, licenses, the client portfolio and expected synergies, expected future revenue growth, future market and workforce development, as well as potential tax benefits deriving from the corporate restructuring.

6.4.4. Net cash outflow in the acquisition of subsidiary

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

7. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Cash and banks	130	200	4,118	7,303
Short-term investments – Operations	2,111	8,463	24,264	32,265
Total cash and cash equivalents	2,241	8,663	28,382	39,568
Short-term investments – Investment	19,310	7,003	156,063	141,931
Total short-term investments	19,310	7,003	156,063	141,931

Short-term investments are classified as loans and receivables in the financial instruments category. These consist of Bank Deposit Certificates (CDBs), which yield between 82.53% and 100.00% of the CDI, and vary according to the amount of time these funds remain in the account and by exclusive investment funds for GAEC's companies, which yielded between 101.11% and 103.10% of the CDI in the last twelve months, all highly liquid.

8. TRADE RECEIVABLES

	Consolidated	
	3/31/2017	12/31/2016
FIES - student loan (a)	226,554	207,819
Accounts receivable – tuition fees (b)	190,893	172,502
Financing (Ampliar and Pravaler) (c)	3,328	1,962
Events	3,349	2,995
Leases, services and other	11,226	12,898
Total	435,350	398,176
Allowance for doubtful accounts - Other trade receivables (b)	(95,964)	(96,450)
Allowance for doubtful accounts - FIES (e)	(18,362)	(16,123)
Total	(114,326)	(112,573)
Overall total trade receivables	321,024	285,603
Current assets	229,581	195,710
Non-current assets	91,443	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 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, postdated checks, credit cards and returned checks.

(c) Refers to tuition fees financed through the Ampliar (directly managed by the Company) and Pravaler (managed by Ideal Invest) programs, net of the present value adjustment, in which students pay between 33% and 65% of the nominal tuition fee amount while they are studying and the remaining amount after graduation in a period of up to twice the time of their courses. Financing rates vary between 0% and 5% p.a., depending on the type of program chosen by the students, plus adjustments for inflation. The present value adjustment is calculated based on trade receivables adjusted to present value 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 3% 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$4,180 on March 31, 2017 and R$4,601 on March 31, 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$1,045 on March 31, 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 our policy:

	Consolidated				
	3/31/2017				
	Receivables	Allowance for doubtful accounts	% loss per default rate	Net receivables	% (*)
FIES					
Current	226,554	(1,045)	0.46%	225,509	70.25%
Loss of FIES credit	-	(17,317)	-	(17,317)	(5.39%)
Credit card	12,533	-	-	12,533	3.90%
Current	50,574	(5,626)	11.12%	44,948	14.00%
Past due:					
0 to 90 days	38,296	(7,742)	20.22%	30,554	9.52%
91 to 180 days	18,800	(6,906)	36.73%	11,894	3.71%
181 to 360 days	28,739	(20,163)	70.16%	8,576	2.67%
361 to 720 days	59,854	(55,527)	92.77%	4,327	1.35%
Total	435,350	(114,326)	26.26%	321,024	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	3.58%
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 year were as follows:

	Consolidated	
	3/31/2017	3/31/2016
Opening balance	112,573	79,398
Allowance for doubtful accounts for the period	8,860	6,970
Business combination - Sociesc	-	8,315
Notes written off in the period (i)	(7,107)	(4,676)
Closing balance	114,326	90,007

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

9. SUNDRY ADVANCES

	Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Rent (a)	-	-	20,472	21,448
Trade payables	968	1,003	11,426	12,331
Employees - vacations	199	529	1,073	15,495
Other	-	-	546	530
Total	1,167	1,532	33,517	49,804
Current assets	1,167	1,532	23,314	37,355
Non-current assets	-	-	10,203	12,449

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

10. RECOVERABLE TAXES AND CONTRIBUTIONS

	Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Withholding income tax (IRRF) (a)	3,516	4,710	9,916	10,672
Taxes on revenue (PIS/COFINS)/social contribution	182	194	2,865	2,672
Prepaid income tax (b)	-	-	2,181	2,125
Prepaid social contribution (b)	-	-	378	374
Other	5	5	1,285	1,312
Total	3,703	4,909	16,625	17,155
Current assets	3,700	3,630	11,881	11,154
Non-current assets	3	1,279	4,744	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).

11. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

11.1. Deferred income tax and social contribution

Assets - The Company and its subsidiaries hold income tax and social contribution 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 hold income tax amounting to R$184,783 (R$166,545 on December 31, 2016) and R$307,151 (R$274,827 on December 31, 2016) in consolidated, which can be carried forward indefinitely, on which no deferred tax assets were recognized.

Liabilities - deferred income tax and social contribution refers to:

(i) Taxes and contributions calculated on the 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 three-month period ended March 31, 2017 was as follows:

	Consolidated			
	Opening balance	Change		Closing balance
	12/31/2016	Business combination	Effect on profit (loss)	3/31/2017
Income tax	38,367	613	(247)	38,733
Social contribution	13,813	221	(90)	13,944
Total	52,180	834	(337)	52,677

11.2. Effective Rate Reconciliation

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

	Company		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Income before income tax and social contribution	49,873	52,755	49,568	52,805
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution by combined tax rate	(16,957)	(17,937)	(16,853)	(17,954)
Adjustments to profit or loss:				
Equity income	24,304	21,038	-	-
Tax incentive - PROUNI (a)	-	-	24,748	22,545
Unrecognized tax credits	(7,628)	(3,699)	(10,932)	(5,786)
Other additions and exclusions	281	598	3,353	1,145
Calculated income tax and social contribution	-	-	316	(50)
Current income tax and social contribution for the period	-	-	(21)	(61)
Deferred income tax and social contribution for the period	-	-	337	11

12. INVESTMENTS

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

	Company			Company		
	3/31/2017			3/31/2016		
	Investment	Equity income	Equity interest	Investment	Equity income	Equity interest
Assets:						
IMEC	131,312	34,669	100%	114,853	33,654	100%
MGE	519,631	34,885	100%	499,679	32,707	100%
BR Educação	73,586	(2,334)	100%	45,678	(3,413)	100%
Unimonte	46,296	1,651	100%	41,573	(1,075)	100%
PGP Gestão	30,550	2,598	100%	7	-	99.99%
LCB	3,147	11	50%			50%
VC Network	80	3	100%	72	2	100%
Allocated fair value	52,300	(1)		52,302	(1)	
Goodwill	35,026	-		45,326	-	
Total	891,928	71,482		799,490	61,874	

	Number of shares/quotas held	
	3/31/2017	12/31/2016
Direct subsidiaries:		
IMEC	8,789,479	8,789,479
MGE	4,532,699	4,532,699
VC Network	4,023,145	4,023,145
Unimonte	91,942,323	91,942,323
BR Educação	125,700,000	125,700,000
PGP Gestão	555,784	555,784
LCB	3,135,800	3,135,800
Indirect subsidiaries:		
Una Gestão Patrimonial	32,564	32,564
HSM Brasil	2,489,860	2,489,860
PGP Educação	339,260	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

The interim financial information of the subsidiaries are as follows:

	3/31/2017							
	IMEC	MGE	VC Network	Unimonte	PGP Gestão	LCB	BR Educação	
Statement of financial position								
Current assets	114,602	240,020	80	12,572	13,889	6,304	51,854	
Non-current assets	98,950	429,323	-	49,873	65,858	-	223,260	
Current liabilities	61,659	127,801	-	7,545	16,475	10	41,405	
Non-current liabilities	20,581	21,911	-	8,604	32,722	-	139,379	
(-) Non-controlling interest	-	-	-	-	-	(3,147)	-	
Controlling shareholders' equity	131,312	519,631	80	46,296	30,550	3,147	94,330	(*)
Profit (loss)								
Net revenue	61,389	130,587	-	13,341	15,565	-	35,205	
Cost of services	(23,244)	(71,915)	-	(7,457)	(6,230)	-	(22,146)	
Operating expenses	(6,593)	(28,077)	-	(3,414)	(4,671)	-	(13,794)	
Finance income (expenses)	3,117	4,290	3	(829)	(2,054)	30	(1,925)	
Deferred/current income tax and social contribution	-	-	-	10	(12)	(8)	326	
Non-controlling interest	-	-	-	-	-	(11)	-	
Profit (loss) for the period	34,669	34,885	3	1,651	2,598	11	(2,334)	

(*) 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									
	IMEC	MGE	VC Network	Unimonte	PGP Gestão	BR Educação	LCB	Allocated fair value	Goodwill	Total
Closing balance at December 31, 2015	81,199	447,822	70	42,648	7	47,610	-	52,303	45,326	716,985
Capital increase	-	19,150	-	-	-	1,481	-	-	-	20,631
Equity in the earnings (losses) of subsidiaries	33,654	32,707	2	(1,075)	-	(3,413)	-	(1)	-	61,874
Closing balance at March 31, 2016	114,853	499,679	72	41,573	7	45,678	-	52,302	45,326	799,490
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	-	-	-	4,400	2,130	550	3,136	-	-	10,216
Equity in the earnings (losses) of subsidiaries	34,669	34,885	3	1,651	2,598	(2,334)	11	(1)	-	71,482
Capital reserve	-	7	-	-	-	2	-	-	-	9
Interest on equity	(1,040)	-	-	-	-	-	-	-	-	(1,040)
Closing balance at March 31, 2017	131,312	519,631	80	46,296	30,550	73,586	3,147	52,300	35,026	891,928

13. PROPERTY, PLANT AND EQUIPMENT

		Company			
		3/31/2017			12/31/2016
	Annual depreciation rates	Acquisition cost	Accumulated Depreciation	Net property and equipment	Net property and equipment
Computers and peripherals	20%	4,023	(1,975)	2,048	2,150
Leasehold improvements	10%	2,743	(360)	2,383	1,844
Furniture and fixtures	10%	1,085	(285)	800	683
Machinery and equipment	10%	463	(122)	341	261
Other	10% and 20%	472	(325)	147	161
Construction in progress	-	178	-	178	149
Total		8,964	(3,067)	5,897	5,248

		Consolidated			
		3/31/2017			12/31/2016
	Annual depreciation rates	Acquisition cost	Accumulated depreciation	Net property and equipment	Net property and equipment
Leasehold improvements	2.86% to 10%	96,889	(28,865)	68,024	63,363
Buildings	1.43% to 4%	48,735	(5,049)	43,686	46,738
Land	-	28,396	-	28,396	28,396
Machinery and equipment	10%	71,236	(49,311)	21,925	22,136
Library and video library	10%	39,469	(20,388)	19,081	19,443
Furniture and fixtures	10%	45,574	(29,780)	15,794	15,401
Computers and peripherals	20%	48,574	(36,732)	11,842	12,887
Other	10% and 20%	28,137	(16,370)	11,767	10,976
Construction in progress	-	4,432	-	4,432	4,190
Total		411,442	(186,495)	224,947	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 3/31/2017
Computers and peripherals	2,150	65	(167)	-	2,048
Leasehold improvements	1,844	-	(53)	592	2,383
Furniture and fixtures	683	140	(23)	-	800
Machinery and equipment	261	90	(10)	-	341
Other	161	6	(20)	-	147
Construction in progress	149	621	-	(592)	178
Total	5,248	922	(273)	-	5,897

	Company					
	Net balance on 12/31/2015	Additions	Write-offs	Depreciation	Reclassification	Net balance on 3/31/2016
Computers and peripherals	1,382	870	(30)	(112)	104	2,214
Leasehold improvements	1,434	-	-	(41)	-	1,393
Furniture and fixtures	583	15	-	(19)	(45)	534
Machinery and equipment	321	6	-	(8)	(98)	221
Other	181	-	-	(19)	39	201
Construction in progress	-	34	-	-	-	34
Total	3,901	925	(30)	(199)	-	4,597

	Consolidated						
	Net balance on 12/31/2016	Additions	Business combination (iii)	Write-offs	Depreciations	Reclassification	Net balance on 3/31/2017
Leasehold improvements (i)	63,363	-	-	(5)	(2,142)	6,808	68,024
Buildings	46,738	-	(2,800)	-	(252)	-	43,686
Land	28,396	-	-	-	-	-	28,396
Machinery and equipment	22,136	810	-	(15)	(1,006)	-	21,925
Library and video library	19,443	334	-	-	(696)	-	19,081
Furniture and fixtures	15,401	1,073	-	(6)	(674)	-	15,794
Computers and peripherals	12,887	177	-	-	(1,222)	-	11,842
Other	10,976	1,405	-	(1)	(613)	-	11,767
Construction in progress (ii)	4,190	7,050	-	-	-	(6,808)	4,432
Total	223,530	10,849	(2,800)	(27)	(6,605)	-	224,947

	Consolidated							
	Net balance on 12/31/2015	Additions	Business combination (iii)	Write-offs	Depreciations	Transfers	Reclassification	Net balance on 3/31/2016
Leasehold improvements (i)	55,451	-	1,355	(1,278)	(1,736)	(1,632)	28	52,188
Buildings	12,655	-	36,618	-	(101)	-	-	49,172
Land	13,110	-	15,282	-	-	-	-	28,392
Machinery and equipment	20,231	725	3,371	(25)	(905)	-	(999)	22,398
Library and video library	14,025	408	2,057	-	(554)	-	(15)	15,921
Furniture and fixtures	13,100	588	1,507	(2)	(603)	-	1	14,591
Computers and peripherals	10,510	924	2,700	(43)	(1,085)	-	631	13,637
Other	6,876	664	1,181	(3)	(470)	-	354	8,602
Construction in progress (ii)	-	5,905	541	(62)	-	(159)	-	6,225
Total	145,958	9,214	64,612	(1,413)	(5,454)	(1,791)	-	211,126

(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.

13.1. 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$72,082 (R$75,134 on December 31, 2016) in such lawsuits.

14. INTANGIBLE ASSETS

	Annual amortization rates	Company 3/31/2017 Acquisition cost	Accumulated amortization	Net intangible assets	12/31/2016 Net intangible assets
Softwares	20%	26,452	(9,943)	16,509	16,132
Total		26,452	(9,943)	16,509	16,132

	Annual amortization rates	Consolidated 3/31/2017 Acquisition cost	Accumulated amortization	Net intangible assets	12/31/2016 Net intangible assets
Goodwill (a)		329,226	-	329,226	330,844
Trademarks and patents (b)		143,116	-	143,116	143,116
Licenses (c)		58,387	-	58,387	55,595
Customer portfolio (d)	22% to 60%	32,812	(24,742)	8,070	10,450
Mailing list	38%	533	(533)	-	-
Total		564,074	(25,275)	538,799	540,005
Softwares	20%	50,917	(28,304)	22,613	22,770
Other	10% to 33%	16,293	(8,653)	7,640	6,357
Total		67,210	(36,957)	30,253	29,127
Total intangible assets		631,284	(62,232)	569,052	569,132

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

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

Changes in Parent Company are as follows:

Company	
Net balance on	Net balance on

	12/31/2016	Additions	Amortization	3/31/2017
Softwares	16,132	1,528	(1,151)	16,509
Total	16,132	1,528	(1,151)	16,509

	Company			
	Net balance on 12/31/2015	Additions	Amortization	Net balance on 3/31/2016
Softwares	12,132	2,559	(856)	13,835
Total	12,132	2,559	(856)	13,835

	Consolidated				
	Net balance on 12/31/2016	Additions	Amortization	Business combination (i)	Net balance on 3/31/2017
Goodwill	330,844	-	-	(1,618)	329,226
Trademarks and patents	143,116	-	-	-	143,116
Licenses	55,595	-	-	2,792	58,387
Customer portfolio	10,450	-	(2,040)	(340)	8,070
Softwares	22,770	1,581	(1,738)	-	22,613
Other	6,357	1,780	(497)	-	7,640
Total	569,132	3,361	(4,275)	834	569,052

	Consolidated							
	Net balance on 12/31/2015	Additions	Write-offs	Transfers	Reclassification	Amortization	Business combination (i)	Net balance on 3/31/2016
Goodwill	244,642	-	-	-	-	-	41,866	286,508
Trademarks and patents	121,956	-	-	-	-	-	-	121,956
Licenses	54,600	-	-	-	-	-	-	54,600
Customer portfolio	12,384	-	-	-	-	(1,344)	-	11,040
Softwares	16,109	3,606	-	159	(6)	(1,327)	1,422	19,963
Other	2,913	1,153	(5)	-	6	(390)	468	4,145
Total	452,604	4,759	(5)	159	-	(3,061)	43,756	498,212

(i) Additions shown in this column refer to additions arising from the adjustment of the business combination from the acquisition of Sociesc.

14.1. Intangible assets identified in acquisitions

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

	Consolidated								
	3/31/2017								
	IMEC	USJT	HSM	SOCIESC	FACEB	ACAD	Politécnico	Other	Total
Amortizable intangible assets:									
Customer portfolio	-	6,125	6	1,939	-	-	-	-	8,070
Total	-	6,125	6	1,939	-	-	-	-	8,070
Non-amortizable intangible assets:									
Trademarks and patents	24,380	34,900	59,872	21,160	-	-	-	2,804	143,116
Licenses	-	54,600	-	3,787	-	-	-	-	58,387
Goodwill	29,825	174,445	21,370	45,103	30,581	3,623	17,014	7,265	329,226
Total	54,205	263,945	81,242	70,050	30,581	3,623	17,014	10,069	530,729
Overall Total	54,205	270,070	81,248	71,989	30,581	3,623	17,014	10,069	538,799

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

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

	Consolidated	
	3/31/2017	12/31/2016
Higher education (i)	445,864	444,690
Other businesses (ii)	84,865	84,865
	530,729	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.

15. 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 three-month period ended March 31, 2017 is R$2,751 (R$4,032 as at December 31, 2016) and R$21,222 (R$23,688 as at December 31, 2016), respectively.

16. BORROWINGS AND FINANCING

	Company					
	3/31/2017			12/31/2016		
	Current	Non-current	Total	Current	Non-current	Total
Local currency						
HSBC	4,319	-	4,319	4,329	1,073	5,402
Santander	14,948	17,546	32,494	14,375	18,401	32,776
Caixa Geral	2,507	-	2,507	2,508	625	3,133
IFC	1,074	139,080	140,154	6,245	139,080	145,325
Other borrowings	351	9,332	9,683	344	3,987	4,331
Foreign currency						
HSBC - Credit Facility 4131	45,807	-	45,807	47,335	-	47,335
Itaú - Credit Facility 4131	23,960	59,333	83,293	24,688	67,135	91,823
Total	92,966	225,291	318,257	99,824	230,301	330,125

	Consolidated					
	3/31/2017			12/31/2016		
	Current	Non-current	Total	Current	Non-current	Total
Local currency						
Banco do Brasil	5,929	9,545	15,474	6,090	10,909	16,999
HSBC	17,043	3,700	20,743	17,178	7,560	24,738
Santander	18,989	19,928	38,917	18,345	21,797	40,142
Caixa Geral	2,507	-	2,507	2,508	625	3,133
IFC	1,074	139,080	140,154	6,245	139,080	145,325
Other borrowings	1,707	11,510	13,217	1,737	6,400	8,137
Foreign currency						
HSBC - Credit Facility 4131	45,807	-	45,807	47,335	-	47,335
Itaú - Credit Facility 4131	23,960	59,333	83,293	24,688	67,135	91,823
Total	117,016	243,096	360,112	124,126	253,506	377,632

The main contractual conditions are as follows:

	Consolidated				
	Guarantees	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 4.60%	CDI	10/28/2010	5/29/2023
Working capital foreign currency	Promissory notes and cross-guarantee with group companies	2.78% to 3.89%	USD(*)	8/26/2015	8/26/2020
IFC	Fiduciary sale of AMC Serviços' quotas and receivables; guarantees of all subsidiaries; specific permanence commitment of five officers and one shareholder with a minimum interest of 25% of the capital stock on the contracting date.	1.49%	CDI	5/12/2016	3/15/2024
Other borrowings	Bank surety and cross-guarantee with group companies / 100% of the goods acquired through financing / 30% of student receivables	7.00% to 22.56%	-	12/30/2011	1/15/2026
Other borrowings	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 31.1 item (c), which details the rates and indices of borrowings taken out for working capital in foreign currency alleviated by the CDI swap plus fixed rates of 1.0% p.a. and 2.40% p.a.

Borrowings and financing 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 March 31, 2016, as follows:

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

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

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

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

The above-mentioned analyses are annual, and for the three-month period ended December 31, 2017, the Company and its subsidiaries complied with all said restrictive covenants.

The maturities of amounts recognized in non-current liabilities for the three-month period ended March 31, 2017 and year ended December 31, 2016 are as follows:

	Company		Consolidated	
	3/31/2017		3/31/2017	
	Payment schedule	Face value	Payment schedule	Face value
2018	20,616	41,588	30,477	52,768
2019	53,776	84,071	61,528	91,231
2020	47,747	70,805	47,805	69,381
After 2020	103,152	142,834	103,286	136,688
Total	225,291	339,298	243,096	350,068

	Company		Consolidated	
	12/31/2016		12/31/2016	
	Payment schedule	Face value	Payment schedule	Face value
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

17. PAYROLL AND RELATED TAXES

	Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Payroll	1,828	1,883	16,850	18,603
Accrued vacation pay	3,709	3,913	14,638	25,408
Christmas bonus provision	704	-	8,292	-
Social security tax (INSS)	791	712	8,855	10,246
Severance pay fund (FGTS)	201	262	2,512	3,363
Other	161	83	1,580	739
Total	7,394	6,853	52,727	58,359

18. TAXES PAYABLE

	Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Withholding income tax (IRRF)	621	874	6,217	11,762
ISS	25	49	2,009	1,895
Taxes on revenues (PIS and COFINS)	85	121	739	635

Other	18	14	2,706	480
Total	749	1,058	11,671	14,772

19. ADVANCES FROM CUSTOMERS

	Consolidated	
	3/31/2017	12/31/2016
Advances from students (a)	19,553	13,973
Customer prebilling (b)	5,924	2,644
Research projects (c)	2,448	2,393
Other	583	167
Total	28,508	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 Pravaler receivables, student loans awarded entered into between students and financial company Ideal Invest S.A., under terms that stipulate that a student can extend the payment maturity and pay the double amount thus reducing the monthly installment. The loan agreement is renewed semiannually between Ideal Invest S.A. and student who loses the financial bidding with the school to have a link only with Pravaler. Every time a service is engaged and a loan is renewed, Pravaler prepays approximately 90% of the student’s payable financed for the six-month period to the Company’s subsidiaries, which record these receipts on an accrual basis as the service is provided.

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

(c) Refer to funds from agreements entered into between government companies and MGE, UNIMONTE, 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	
	3/31/2017	12/31/2016
CEMIG	1,218	1,217
FAPEMIG	398	394
British embassy	405	405
Petrocoque	151	151
Apexbrasil	204	157
Settaport	50	50
Other	22	19
Overall Total	2,448	2,393

20. TAXES IN INSTALLMENTS

	Consolidated	
	3/31/2017	12/31/2016
FGTS (a)	2,753	2,802
ORDINARY - RFB (Brazilian Federal Revenue Office)	1,477	1,489
REFIS IV	334	367

Other installments	370	362
Total	4,934	5,020
Current liabilities	652	550
Non-current liabilities	4,282	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.

21. NOTES PAYABLE

	Consolidated	
	3/31/2017	12/31/2016
Acquisition of Sociesc (a)	32,273	31,839
Acquisition of FACEB	23,622	22,653
Acquisition of Politécnico	17,325	17,693
Acquisition of ACAD	1,554	1,499
Total	74,774	73,684
Current liabilities	13,088	9,133
Non-current liabilities	61,686	64,551

	Consolidated	
	3/31/2017	12/31/2016
2018	6,746	11,556
2019	9,325	9,171
2020	9,202	9,041
After 2020	36,413	34,783
Total	61,686	64,551

22. 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	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Labor (a)	35	34	13,165	11,521
Tax (b)	-	-	18,250	16,590
Civil (c)	-	-	5,884	8,181
Total	35	34	37,299	36,292

	Provision for risks			
	Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Labor provisions (a)	1,215	1,290	31,536	31,912
Tax provisions (b)	-	-	53,321	56,000
Civil provisions (c)	-	-	2,823	10,561
Total	1,215	1,290	87,680	98,473

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

	12/31/2016	Reversal	Restatement	3/31/2017
Labor (a)	1,290	(104)	29	1,215
Total	1,290	(104)	29	1,215

	12/31/2015	Reversal	Restatement	3/31/2016
Labor (a)	2,328	(210)	24	2,142
Total	2,328	(210)	24	2,142

The changes in the consolidated provisions were as follows:

	12/31/2016	Business combination (d)	Addition/Reversal	Payments	Restatement	Reclassification	Offsetting of escrow deposits	3/31/2017
Labor (a)	31,912	-	481	(967)	150	64	(104)	31,536
Tax (b)	56,000	(2,800)	121	-	-	-	-	53,321
Civil (c)	10,561	-	(73)	(5,479)	-	-	(2,186)	2,823
Total	98,473	(2,800)	529	(6,446)	150	64	(2,290)	87,680

	12/31/2015	Business combination (d)	Addition/Reversal	Payments	Restatement	Reclassification	Offsetting of escrow deposits	3/31/2016
Labor (a)	43,844	82	(960)	(725)	294	292	(256)	42,571
Tax (b)	200	51,900	214	(213)	-	-	-	52,101
Civil (c)	2,048	108	3,519	(115)	-	-	-	5,560
Total	46,092	52,090	2,773	(1,053)	294	292	(256)	100,232

(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, among 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.

Lawsuits classified as possible losses:

	Consolidated	
	3/31/2017	12/31/2016
Labor	10,704	9,015
Tax	153,933	150,946
Civil	11,521	11,632
Total	176,158	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:

	12/31/2016	Additions	Redemption	Contingency set-off	Restatement / Reversal	3/31/2017
Labor	11,521	1,578	(95)	(104)	265	13,165
Tax	16,590	1,230	-	-	430	18,250
Civil	8,181	117	(12)	(2,186)	(216)	5,884
Total	36,292	2,925	(107)	(2,290)	479	37,299

	12/31/2015	Additions	Business combination	Write-offs	Contingency set-off	Restatement	Reallocation	3/31/2016
Labor	10,699	1,014	496	(183)	(256)	236	66	12,072
Tax	10,264	560	-	-	-	199	-	11,023
Civil	6,952	875	-	(42)	-	377	(66)	8,096
Total	27,915	2,449	496	(225)	(256)	812	-	31,191

23. EQUITY

a) Capital stock

Subscribed and paid-in capital for the three-month period ended March 31, 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:

	Common Shares	
	3/31/2017	12/31/2016
Total outstanding shares	80,019,182	80,027,482
Treasury shares	925,389	917,089
Overall total shares	80,944,571	80,944,571

b) Capital reserves

For the three-month period ended March 31, 2017, the capital reserve balance totaled R$6,543 (R$6,533 as at December 31, 2016). The balance mainly refers to the constitution of share-based compensation, as described in note 30.2.

c) Treasury shares

From January to March 2017, the Company repurchased 8,300 common shares totaling R$112 at an average cost of R$13.47 to maximize the generation of value to shareholders, as approved by the Board of Directors on December 18, 2015.

At March 31, 2017, the balance of treasury shares was 925,389 common shares totaling R$10,064 (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. In the period ended March 31, 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. In the period ended March 31, 2017, the balance of the retained earnings reserve totaled R$197,846.

e) 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	
	3/31/2017	3/31/2016
Profit (loss) for the period	49,873	52,755
Weighted average of common shares (in thousands)	80,026	82,197
Basic earnings per common share – R$	0.62	0.64

(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 three-month period ended March 31, 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 30.2.

	Company	
	3/31/2017	3/31/2016
Earnings for the period attributable to controlling shareholders	49,873	52,755

Weighted average number of shares	80,926	82,197
Weighted average number of shares (in thousands) - diluted	900	-
Weighted average number of common shares for diluted earnings per share - thousands	81,826	82,197
Diluted earnings per share - R$	0.61	0.64

24. 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 three-month period ended March 31, 2017 and the year ended December 31, 2016 is consistent with PROUNI rules related to the minimum number of students per place, as prescribed by Law 12,431, of June 24, 2011.

25. NET REVENUE FROM PRODUCTS AND SERVICES

	Company		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016 (restated)
Gross revenue from products and services	757	704	308,118	244,079
Net revenue - FIES	-	-	88,709	90,169
Discounts on monthly tuitions	-	-	(128,795)	(95,058)
Taxes on revenue	(80)	(75)	(5,622)	(4,839)
Commissions (a)	-	-	(7,280)	(5,615)
Present value adjustment	-	-	957	938
Net revenue	677	629	256,087	229,674

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

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

	Consolidated	
	3/31/2017	3/31/2016
PROUNI gratuity	(60,146)	(51,798)
Scholarships and discounts	(61,901)	(34,576)
Graduate degrees	(945)	(1,326)
Arrangement with companies	(1,597)	(936)
Refunding, rebates and other	(4,206)	(6,422)
Total	(128,795)	(95,058)

26. INCOME AND (EXPENSES) BY NATURE

	Company		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016 (restated)
Advertising and publicity	(476)	(398)	(7,207)	(6,274)
Allowance for doubtful accounts (Note 8)	-	-	(8,860)	(6,970)
Taxes and fees	(301)	(317)	(838)	(717)
Provision for labor, tax, and civil risks (Note 22)	75	186	(679)	(3,067)
Other operating income	229	831	861	995
Revenue from lease of rooms and stores	-	-	1,501	572
Personnel expenses (a)	(5,877)	(2,041)	(123,322)	(110,492)
Outsourced services expenses (b)	(1,242)	(416)	(13,373)	(8,553)
Expenses on leases and occupancy	(181)	(77)	(21,944)	(21,175)
Depreciation expenses (Note 12)	(273)	(199)	(6,605)	(5,454)
Amortization expenses (Note 14)	(1,151)	(856)	(4,275)	(3,061)
Maintenance	(925)	(31)	(3,961)	(2,573)
Commuting	(251)	(224)	(1,684)	(1,399)
Other costs	(233)	(96)	(7,085)	(7,542)
Total	(10,606)	(3,638)	(197,471)	(175,710)
Classified as:				
Cost	(8,725)	(3,590)	(131,940)	(121,867)
Selling expenses	(476)	(398)	(16,067)	(13,244)
General and administrative expenses	(1,409)	(350)	(50,310)	(38,382)
Other operating income (expenses)	4	700	846	(2,217)

(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.

27. 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, ACAD and LCB 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, gastronomy school, 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.

	3/31/2017			
	Consolidated			
	Education	Other Businesses	Unallocated amount	Total
NET REVENUE	249,998	6,089	-	256,087
COST OF PRODUCTS AND SERVICES	(128,142)	(3,798)	-	(131,940)
GROSS PROFIT	121,856	2,291	-	124,147
OPERATING INCOME (EXPENSES)				
Selling expenses	(14,796)	(795)	-	(15,591)
General and administrative expenses	(25,614)	(6,478)	-	(32,092)
Corporate	-	-	(18,840)	(18,840)
Other operating income (expenses)	800	192	-	992
EARNINGS BEFORE FINANCE INCOME (EXPENSES)	82,246	(4,790)	(18,840)	58,616
Finance income (expenses)	6,005	(1,673)	(1,700)	2,632
Corporate finance income (expenses)	-	-	(11,680)	(11,680)
PROFIT (LOSS) BEFORE INCOME TAXES	88,251	(6,463)	(32,220)	49,568
Current and deferred income tax and social contribution	322	(6)	-	316
PROFIT (LOSS) BEFORE NON-CONTROLLING INTEREST	88,573	(6,469)	(32,220)	49,884
Non-controlling interest	-	(11)	-	(11)
PROFIT (LOSS) FOR THE PERIOD	88,573	(6,480)	(32,220)	49,873

	3/31/2016			
	Consolidated			
	(restated)			
	Education	Other Businesses	Unallocated amount	Total
NET REVENUE	224,716	4,958	-	229,674
COST OF SERVICES RENDERED	(118,321)	(3,546)	-	(121,867)
GROSS PROFIT	106,395	1,412	-	107,807
OPERATING INCOME (EXPENSES)				
Selling expenses	(12,645)	(202)	-	(12,847)
General and administrative expenses	(23,047)	(3,286)	-	(26,333)
Corporate	-	-	(12,698)	(12,698)
Other operating income (expenses)	(1,995)	30	-	(1,965)
EARNINGS BEFORE FINANCE INCOME (EXPENSES)	68,708	(2,046)	(12,698)	53,964
Finance income (expenses)	5,412	(463)	2	4,951
Corporate finance income (expenses)	-	-	(6,110)	(6,110)
PROFIT (LOSS) BEFORE INCOME TAXES	74,120	(2,509)	(18,806)	52,805
Current and deferred income tax and social contribution	(50)	-	-	(50)
PROFIT (LOSS) FOR THE PERIOD	74,070	(2,509)	(18,806)	52,755

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

28. FINANCE INCOME (EXPENSES), NET

	Company		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Finance income:				
Income from financial investments	122	4,194	4,961	5,171
Income from monthly tuition interest rates	-	-	4,077	4,572
Exchange gain variation	1	8	67	21
Currency variation on loans	13,388	25,510	13,388	25,510
Monetary restatement and present value adjustment	195	180	2,212	6,803
Discounts	10	6	488	425
Other	1	-	416	-
Total	13,717	29,898	25,609	42,502

	Company		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Finance expenses:				
Loan interest expense	(8,779)	(10,439)	(10,240)	(12,899)
Interest from Pravaler financing	-	-	(3,233)	(2,374)
Financial discounts granted to students	-	-	(784)	(724)
Expenses with derivatives	(13,388)	(25,510)	(13,388)	(25,510)
Realized losses on derivatives	(3,157)	-	(3,157)	-
Exchange loss variation	(4)	-	(315)	(231)
Present value adjustment expenses and notes monetary restatement	-	-	(3,068)	(1,071)
Banking expenses	(26)	(52)	(34)	(63)
Other	(43)	(7)	(438)	(789)
Total	(25,397)	(36,008)	(34,657)	(43,661)
Finance income (expenses)	(11,680)	(6,110)	(9,048)	(1,159)

29. 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 three-month period ended March 31, 2017 and March 31, 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 three-month period ended March 31, 2017, the expenses incurred on this benefit came to R$2,087 (R$1,823 in the three-month period ended March 31, 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 three-month period ended March 31, 2017, the expenses incurred on this benefit came to R$2,290 (R$1,775 in the three-month period ended March 31, 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 three-month period ended March 31, 2017, scholarships totaling R$5,416 were awarded to employees and their dependents (R$4,760 in the three-month period ended March 31, 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 three-month period ended March 31, 2017, the expenses incurred on this benefit came to R$152 (R$163 in the three-month period ended March 31, 2016).

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

30. RELATED-PARTY TRANSACTIONS

	Company							
	3/31/2017				12/31/2016			
	Assets	Liabilities		Profit (loss)	Assets	Liabilities		Profit (loss)
	Trade receivables	Trade payables	Loans	Revenues	Trade receivables	Trade payables	Loans	Revenues
MGE	3,267	380	-	562	4,672	380	-	2,095
IMEC	2,007	432	-	-	3,219	292	-	-
AMC	1,776	93	-	-	2,832	91	-	724
Unimonte	755	265	2,026	195	1,270	258	22	-
FACEB	540	-	-	-	-	-	-	-
Politécnico	329	-	-	-	-	-	-	-
HSM Brasil	161	-	-	-	144	73	-	-
Other	68	70	-	-	68	70	-	-
Total	8,903	1,240	2,026	757	12,205	1,164	22	2,819

	Consolidated					
	3/31/2017			12/31/2016		
	Assets		Profit (loss)	Assets		Profit (loss)
	Trade receivables	Loan	Expenses	Trade receivables	Loan	Expenses
Santa Antonieta Gestão Patrimonial (a)	-	-	891	-	-	3,482
Instituto UNA	32	147	-	32	147	-
Virtual	36	-	-	36	-	-
Total	68	147	891	68	147	3,482

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

30.1. Key management personnel compensation

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

	Company		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Short-term benefits	956	848	2,823	2,425

30.2. 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.

31. FINANCIAL INSTRUMENTS

31.1. 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 Company’s financial liabilities:

	Consolidated			
	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
At March 31, 2017:				
Borrowings and financing (Note 16)	117,016	92,005	151,091	360,112
Derivatives	20,015	2,933	5,017	27,965
Trade payables (Note 15)	21,222	-	-	21,222
Notes payable (Note 21)	13,088	16,071	45,615	74,774
At December 31, 2016:				
Borrowings and financing (Note 16)	124,126	106,564	146,942	377,632
Derivatives	13,061	-	9,641	22,702
Trade payables (Note 15)	23,688	-	-	23,688
Notes payable (Note 21)	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 Pravaler programs (note 8), 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:

		Company		Consolidated	
	Notes	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Cash and cash equivalents	7	2,241	8,663	28,382	39,568
Short-term investments	7	19,310	7,003	156,063	141,931
Trade receivables	8	8,903	12,205	321,024	285,603
Sundry advances	9	1,167	1,532	33,517	49,804
Loans with related parties	30	-	-	147	147
Total		31,621	29,403	539,133	517,053

(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 and inflation adjustment indices.

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

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

These derivative operations have the following amounts and conditions:

Company						
Contracting date	Maturity date	Pegged amount (USD thousand)	Contracted Quote	Fair value adjustment (R$ thousand)	Closing Quote	SWAP Rate
8/28/2015	8/17/2017	13,793	3.6250	16,577	3.893% p.a.	CDI + 1.00% p.a.
8/26/2015	8/26/2020	26,217	3.5600	11,160	2.788% p.a.	CDI + 2.40% p.a.
Total		40,010		27,737		
Current liabilities				19,787		
Non-current liabilities				7,950		

Consolidated						
Contracting date	Maturity date	Pegged amount (USD thousand)	Contracted Quote	Fair value adjustment (R$ thousand)	Closing Quote	SWAP Rate
Forward currency transactions						
12/23/2016	4/3/2017	73	3.4062	17	11.83% p.a.	-
12/23/2016	5/2/2017	35	3.4334	8	11.51% p.a.	-
12/23/2016	7/3/2017	18	3.4975	4	11.45% p.a.	-
12/23/2016	8/1/2017	19	3.5268	5	11.38% p.a.	-
12/23/2016	9/1/2017	25	3.5591	6	11.35% p.a.	-
12/23/2016	10/2/2017	691	3.5876	174	11.17% p.a.	-
12/23/2016	11/1/2017	57	3.6139	14	10.98% p.a.	-

Consolidated						
Contracting date	Maturity date	Pegged amount (USD thousand)	Contracted Quote	Fair value adjustment (R$ thousand)	Closing Quote	SWAP Rate
Total		917		228		
Swap operations						
8/28/2015	8/17/2017	13,793	3.6250	16,577	3.893% p.a.	CDI + 1.00% p.a.
8/26/2015	8/26/2020	26,217	3.5600	11,160	2.788% p.a.	CDI + 2.40% p.a.
Total		40,010		27,737		
Current liabilities				20,015		
Non-current liabilities				7,950		

For the three-month period ended March 31, 2017, the variation between the reference amounts of derivatives contracted and related calculations of fair value were recorded under "finance expenses" totaling R$13,388 against "derivatives".

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

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

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

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

		Consolidated	
	Note	3/31/2017	12/31/2016
Borrowings and financing:			
Interbank deposit rate - CDI	16	340,353	361,992
Derivatives	31	27,965	22,702
TJLP and TR	16	3,242	3,485
Other (i)	16	16,517	12,155
Notes payable:			
INPC	21	33,827	33,339
INPC/IGPM/IPCA Average	21	23,622	22,653
TR	21	17,325	17,692
Total		462,851	474,018

(i) Borrowings and financing with no index.

31.2. 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:

		Company		Consolidated	
	Note	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Borrowings and financing	16	318,257	330,125	360,112	377,632
Derivatives	31.1	27,737	22,702	27,965	22,702
Cash and cash equivalents	7	(2,241)	(8,663)	(28,382)	(39,568)
Short-term investments	7	(19,310)	(7,003)	(156,063)	(141,931)
Net debt (cash)		324,443	337,161	203,632	218,835
Equity	23	685,463	635,692	688,610	635,692
Financial leverage ratio		47%	53%	30%	34%

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

(a) Fair value versus carrying amount

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

The fair values of borrowings and financing were calculated by projecting the future cash flows of borrowings and financing using the interest rates agreed for each transaction (Note 16), subsequently discounted to present value using the average funding rates incurred at the end of each period, which are in conformity with the rates used by the market on each date and in each type of funding. The discount rate used in financial liabilities for the three-month period ended March 31, 2017 was 14.14% (15.82% on December 31, 2016).

The estimated fair values are as follows:

		Company			
		3/31/2017		12/31/2016	
	Note	Fair value	Carrying amount	Fair value	Carrying amount
Net financial liabilities					
Borrowings and financing	16	341,884	318,257	330,077	330,125
Derivatives	31.1	27,737	27,737	22,702	22,702
Total		369,621	345,994	352,779	352,827

		Consolidated			
		3/31/2017		12/31/2016	
	Note	Fair value	Carrying amount	Fair value	Carrying amount
Net financial liabilities					
Borrowings and financing	16	380,858	360,112	372,776	377,632
Derivatives	31.1	27,965	27,965	22,702	22,702
Notes payable	21	74,774	74,774	73,684	73,684
Total		483,597	462,851	469,162	474,018

(b) Fair value hierarchy

For the three-month period ended March 31, 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.

31.4. 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	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Trade receivables				
Counterparties without external credit rating	8,903	12,205	321,024	285,603
	8,903	12,205	321,024	285,603
Cash at bank and short-term bank deposits (i) AAA	64	77	2,925	2,300
Financial investments (i) AAA	21,421	15,466	178,521	173,020
Cash at bank and short-term bank deposits (i) AA+	60	119	1,052	4,884
Financial investments (i) AA+	-	-	1,806	1,176
	21,545	15,662	184,304	181,380

(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.

32. 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 – 12.13%, INPC – 4.57%, IPCA – 4.57%, IGPM – 4.86% and TR – 2.01%.), taking into account a 12-month time horizon. Additionally, two other scenarios are provided, therefore showing a 25% and 50% stress at the risk variable considered, respectively.

	Company					
	3/31/2017					
				Effect on profit (loss)		
	Index	Risk	Amount	Probable scenario	Probable scenario (25%)	Remote scenario (50%)
Financial investments	CDI	CDI increase	(21,421)	(2,598)	(3,248)	(3,898)
Borrowings and financing (domestic currency)	CDI	CDI increase	189,157	22,945	28,681	34,417
Borrowings and financing (foreign currency)	CDI	CDI increase	129,100	15,660	19,575	23,490
Derivatives	CDI	CDI increase	27,737	3,364	4,206	5,047
Net exposure - loss			324,573	39,371	49,214	59,056

	Consolidated					
	3/31/2017					
				Effect on profit (loss)		
	Index	Risk	Amount	Probable scenario	Probable scenario (25%)	Remote scenario (50%)
Financial investments	CDI	CDI increase	(180,327)	(21,874)	(27,342)	(32,810)
Borrowings and financing (domestic currency)	CDI	CDI increase	231,012	28,022	35,027	42,032
Borrowings and financing (foreign currency)	CDI	CDI increase	129,100	15,660	19,575	23,490
Derivatives	CDI	CDI increase	27,965	3,392	4,240	5,088
Notes payable	INPC	INPC increase	33,827	1,546	1,932	2,319
Notes payable	INPC/IGPM/IPCA Average	Average increase	23,622	1,102	1,378	1,654
Notes payable	TR	TR increase	17,325	349	436	523
Net exposure - loss			282,524	28,197	35,246	42,296

For the three-month period ended March 31, 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.

33. 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 three-month period ended March 31, 2017, and the year ended December 31, 2016, the Company held insurance policies covering, among other risks, fire, flood, occupational accidents, electrical damage, riots, breakages of glass, electronic equipment, theft, lightning, explosion, hurricane and damage by motor vehicles or falling aircraft.

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

For the correct analysis of the statements of cash flows for the nine-month period ended March 31, 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 the quarter ended March 31, 2017, the amount of R$2,290 was offset from contingency and escrow deposit accounts, thus reducing both balances with no effect on cash.

35. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The Interim Financial Information was approved and authorized for disclosure by the Board of Directors on May 5, 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