# Estácio Participações S.A.

**Quarterly information (ITR) at
March 31, 2017 and
report on review of
quarterly information**

**A free translation from Portuguese into English of Independent Auditor's Review Report on Interim Financial Information prepared in Brazilian currency in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity)**

## Independent auditor's review report on interim financial information

The Shareholders and Board of Directors
**Estácio Participações S.A.**
Rio de Janeiro - RJ

We have reviewed the interim financial information individual and consolidated of Estácio Participações S.A. ("Company" or "Estácio") contained in the Quarterly Information Form (ITR) for the quarter ended March 31, 2017, comprising the balance sheet at March 31, 2017, and the related statements of operations, statements of comprehensive income, changes in equity and cash flow statement for the quarter then ended, including the explanatory notes.

### Management's responsibility for the interim financial information

Management is responsible for the preparation of the interim financial information individual and consolidated in accordance with CPC 21 (R1) – Interim Financial Statements and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Quarterly 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 Engagements (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 International 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 accounting information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information individual and consolidated included in the interim financial information referred to above is not fairly presented, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of the Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to quarterly information.

### Other matters

### Statements of value added

We have also reviewed the statements of value added (SVA) individual and consolidated, for the quarter period ended March 31, 2017, prepared under the responsibility of Company management, whose presentation in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and as supplementary information under International Financial Reporting Standards (IFRS), which do not require the presentation of the SVA. These statements were subject to the same review procedures previously described above and, based on our review, nothing has come to our attention that causes us to believe that it was not presented fairly, in all material respects, consistently with the overall interim financial information individual and consolidated.

**Audit and review of prior-year corresponding figures**

The individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR), referring to the statement of financial position as at December 31, 2016 and the statements of income, of comprehensive income, of cash flows, of changes in equity and of value added for the three-month period ended March 31, 2016, were audited and reviewed, respectively, by other independent auditors, who expressed an unmodified opinion in their audit report dated March 15, 2017 and their review report dated May 5, 2016.

Rio de Janeiro, April 25, 2017.

ERNST & YOUNG
Auditores Independentes S.S.
CRC - 2SP015199/F-6

Fernando A. S. Magalhães
Accountant CRC – 1SP133169/O-0

## Estácio Participações S.A.

## Balance sheet

**All amounts in thousands of reais unless otherwise stated**

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Assets** | **March 31, 2017** | **December 31, 2016** | **March 31, 2017** | **December 31, 2016** |
| Current | | | | |
| Cash and cash equivalents (Note 3) | 319 | 95 | 67,934 | 58,340 |
| Marketable securities (Note 3) | 106,466 | 127,240 | 390,148 | 345,669 |
| Accounts receivable (Note 4) | | | 971,059 | 847,282 |
| Advances to employees/third parties | | | 8,589 | 14,308 |
| Related parties (Note 5) | 2,275 | 2,423 | | |
| Prepaid expenses (Note 6) | 135 | 215 | 35,701 | 36,390 |
| Dividends receivable | 200,000 | 200,000 | | |
| Taxes and contributions (Note 7) | 38,013 | 36,452 | 102,687 | 110,472 |
| Others | | | 47,242 | 41,234 |
| | 347,208 | 366,425 | 1,623,360 | 1,453,695 |
| Non-current | | | | |
| Long-term receivables | | | | |
| Trade receivables (Note 4) | | | 326,005 | 317,598 |
| Prepaid expenses (Note 6) | | | 5,583 | 5,689 |
| Judicial deposits (Note 16) | 2,231 | 2,208 | 122,026 | 119,491 |
| Deferred taxes (Note 26) | | | 69,554 | 58,752 |
| Taxes and contributions (Note 7) | 186 | 186 | 38,902 | 36,315 |
| Others | | | 58,724 | 59,832 |
| | 2,417 | 2,394 | 620,794 | 597,677 |
| Investments | | | | |
| In subsidiaries (Note 8) | 2,473,686 | 2,305,020 | | |
| Others | | | 228 | 228 |
| Intangible assets (Note 9) | 804,787 | 809,747 | 1,457,833 | 1,469,492 |
| Property and equipment (Note 10) | 33 | 43 | 611,987 | 620,060 |
| | 3,278,506 | 3,114,810 | 2,070,048 | 2,089,780 |
| | 3,280,923 | 3,117,204 | 2,690,842 | 2,687,457 |
| Total assets | 3,628,131 | 3,483,629 | 4,314,202 | 4,141,152 |

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Liabilities and equity** | **March 31, 2017** | **December 31, 2016** | **March 31, 2017** | **December 31, 2016** |
| Current | | | | |
| Accounts payable | 653 | 1,814 | 66,152 | 66,138 |
| Borrowings (Note 11) | 464,188 | 444,592 | 487,248 | 468,114 |
| Salaries and social charges (Note 12) | 380 | 268 | 200,767 | 155,233 |
| Taxes payable (Note 13) | 209 | 215 | 66,963 | 63,782 |
| Monthly tuitions received in advance | | | 22,402 | 27,403 |
| Advances under agreements | 1,650 | 1,800 | 2,646 | 2,887 |
| Taxes payable in installments (Note 14) | | | 2,995 | 3,128 |
| Related parties (Note 5) | 4,206 | 4,303 | 566 | 633 |
| Dividends payable | 87,438 | 87,439 | 87,438 | 87,439 |
| Price of acquisition payable (Note 15) | | | 55,396 | 53,565 |
| Others | 34 | 34 | 8,626 | 8,992 |
| | 558,758 | 540,465 | 1,001,199 | 937,314 |
| Non-current | | | | |
| Long-term payables | | | | |
| Borrowings (Note 11) | 501,644 | 498,290 | 553,753 | 554,419 |
| Contingencies (Note 16) | | | 65,908 | 64,880 |
| Advances under agreements | | 300 | | 481 |
| Taxes payable in installments (Note 14) | | | 12,247 | 12,780 |
| Deferred taxes (Note 26) | 8,186 | 9,871 | 20,584 | 23,604 |
| Provision for asset decommissioning | | | 22,181 | 22,313 |
| Price of acquisition payable (Note 15) | | | 59,943 | 72,376 |
| Others | 30 | 30 | 18,874 | 18,312 |
| | 509,860 | 508,491 | 753,490 | 769,165 |
| Equity (Note 17) | | | | |
| Share capital | 1,130,818 | 1,130,818 | 1,130,818 | 1,130,818 |
| Share issue costs | (26,852) | (26,852) | (26,852) | (26,852) |
| Capital reserves | 664,137 | 661,123 | 664,137 | 661,123 |
| Revenue reserves | 816,014 | 816,014 | 816,014 | 816,014 |
| Treasury shares | (146,430) | (146,430) | (146,430) | (146,430) |
| Retained earnings | 121,826 | | 121,826 | |
| | 2,559,513 | 2,434,673 | 2,559,513 | 2,434,673 |
| Total liabilities and equity | 3,628,131 | 3,483,629 | 4,314,202 | 4,141,152 |

The accompanying notes are an integral part of this quarterly information.

## Estácio Participações S.A.

## Statement of income
## Quarters ended March 31
**All amounts in thousands of reais unless otherwise stated**

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| **Continuing operations** | | | | |
| Net operating revenue (Note 21) | | | 819,024 | 792,908 |
| Cost of services rendered (Note 22) | | | (422,411) | (436,946) |
| **Gross profit** | | | 396,613 | 355,962 |
| **Operating income (expenses)** | | | | |
| Selling expenses (Note 23) | | | (111,637) | (90,379) |
| General and administrative expenses (Note 23) | (15,444) | (8,911) | (129,935) | (120,709) |
| Equity in the results of subsidiaries (Note 8) | 164,802 | 159,931 | | |
| Other operating income (Note 24) | 409 | 409 | 6,891 | 4,192 |
| **Operating profit** | 149,767 | 151,429 | 161,932 | 149,066 |
| Finance income (Note 25) | 4,637 | 40,646 | 31,434 | 75,559 |
| Finance costs (Note 25) | (34,262) | (65,274) | (62,454) | (87,471) |
| **Finance result, net** | (29,625) | (24,628) | (31,020) | (11,912) |
| **Profit before income tax and social contribution** | 120,142 | 126,801 | 130,912 | 137,154 |
| Current and deferred income tax (Note 26) | 1,238 | 1,236 | (6,545) | (6,373) |
| Current and deferred social contribution (Note 26) | 446 | 445 | (2,541) | (2,299) |
| **Earnings for the period attributable to the stockholders** | 121,826 | 128,482 | 121,826 | 128,482 |
| Basic earnings per share (Note 20) | 0.38323 | 0.40571 | 0.38323 | 0.40571 |
| Diluted earnings per share (Note 20) | 0.38323 | 0.40445 | 0.38323 | 0.40445 |

The accompanying notes are an integral part of this quarterly information.

## Estácio Participações S.A.

## Statement of comprehensive income
## Quarters ended March 31
**All amounts in thousands of reais unless otherwise stated**

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Profit for the period | 121,826 | 128,482 | 121,826 | 128,482 |
| Other comprehensive income | | | | |
| Exchange differences on translation of foreign currency transactions | | | | |
| Income tax effects | | | | |
| **Total comprehensive income for the period, net of taxes** | 121,826 | 128,482 | 121,826 | 128,482 |
| Attributable to: | | | | |
| Controlling stockholders | | | | |
| Non-controlling interests | 121,826 | 128,482 | 121,826 | 128,482 |

The accompanying notes are an integral part of this quarterly information.

## Estácio Participações S.A.

## Statement of changes in equity
**All amounts in thousands of reais unless otherwise stated**

| | | | Capital reserves | | | Revenue reserves | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share Issue expenditures | Long-term incentives | Share premium | Options granted | Legal | Profit retention | Treasury shares | Retained earnings | Total |
| **At January 1, 2016** | 1,064,934 | (26,852) | 2,412 | 595,464 | 63,944 | 74,794 | 935,872 | (137,603) | | 2,572,965 |
| Options granted (Note 19) | | | | | 6,448 | | | | | 6,448 |
| Long-term incentives (Note 19) | | | 930 | | | | | | | 930 |
| Treasury shares acquired (Note 17) | | | | | | | | (8,120) | | (8,120) |
| Profit for the period | | | | | | | | | 128,482 | 128,482 |
| **At March 31, 2016** | 1,064,934 | (26,852) | 3,342 | 595,464 | 70,392 | 74,794 | 935,872 | (145,723) | 128,482 | 2,700,705 |
| Stock options exercised (Note 17) | 10,554 | | | | | | | | | 10,554 |
| Options granted (Note 19) | | | | | (4,943) | | | | | (4,943) |
| Long-term incentives (Note 19) | | | 560 | | | | | | | 560 |
| ILP payment with treasury shares (Note 17) | | | (3,692) | | | | | 3,692 | | |
| Treasury shares acquired (Note 17) | | | | | | | | (4,399) | | (4,399) |
| Intermediate dividends (R$ 1.36 per share) | | | | | | | (420,000) | | | (420,000) |
| Profit for the year | | | | | | | | | 239,620 | 239,620 |
| Allocation of profit | | | | | | | | | | |
| Transfer to reserves | | | | | | 18,405 | 262,273 | | (280,678) | |
| Capital increase | 55,330 | | | | | | (55,330) | | | |
| Mandatory minimum dividend (R$ 0.29 per share) | | | | | | | | | (87,424) | (87,424) |
| **At December 31, 2016** | 1,130,818 | (26,852) | 210 | 595,464 | 65,449 | 93,199 | 722,815 | (146,430) | | 2,434,673 |
| Options granted (Note 19) | | | | | 2,920 | | | | | 2,920 |
| Long-term incentives (Note 19) | | | 94 | | | | | | | 94 |
| Profit for the period | | | | | | | | | 121,826 | 121,826 |
| **At March 31, 2017** | 1,130,818 | (26,852) | 304 | 595,464 | 68,369 | 93,199 | 722,815 | (146,430) | 121,826 | 2,559,513 |

The accompanying notes are an integral part of this quarterly information.

# Estácio Participações S.A.
## Statement of cash flows
## Quarters ended March 31
**All amounts in thousands of reais unless otherwise stated**

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| **Cash flows from operating activities** | | | | |
| Profit before income tax and social contribution | 120,142 | 126,801 | 130,912 | 137,154 |
| **Adjustments to reconcile profit with cash from operations** | | | | |
| Depreciation and amortization | 4,970 | 5,027 | 46,351 | 48,231 |
| Amortization of funding costs | 6,541 | 224 | 6,541 | 224 |
| Provision for impairment of trade receivables | | | 47,519 | 23,606 |
| Options granted – stock options provision | | | 2,920 | 6,448 |
| Income on financial investments | (2,044) | (20,460) | (5,879) | (31,480) |
| Provision for contingencies | | | 8,948 | 3,438 |
| Update of trade receivables - FIES | | | (4,562) | (12,972) |
| Present value - trade receivables - FIES | | | (2,595) | (5,373) |
| Adjusted tax credits | (930) | | (2,197) | (1,123) |
| Interest on borrowings | 32,311 | 27,879 | 34,631 | 29,555 |
| Equity in the results of subsidiaries | (164,802) | (159,931) | | |
| (Gain) loss on the disposal of property and equipment and intangible assets | | | 119 | ) |
| Provision for decommissioning of assets | | | 364 | |
| Others | (450) | (449) | 4,159 | 2,206 |
| | (4,262) | (20,909) | 267,231 | 199,914 |
| **Changes in assets and liabilities:** | | | | |
| Decrease (increase)Marketable securities | 22,818 | 309,831 | (38,600) | 378,222 |
| (Increase) in trade receivables | | | (172,547) | (286,010) |
| Decrease (increase) in other assets | 52 | | (6,033) | (1,508) |
| (Increase) decrease in advances to employees/third-parties | | | 5,719 | 2,541 |
| Decrease in prepaid expenses | 80 | 52 | 689 | (3,471) |
| (Increase) decrease in taxes and contributions | (631) | (2,883) | 7,395 | 24,144 |
| Increase (decrease) in trade payables | (1,161) | 55 | 14 | (7,644) |
| (Decrease) in taxes payable | (6) | (131) | (12,973) | (26,043) |
| Increase (decrease) in salaries and social charges | 112 | (23) | 45,534 | 64,826 |
| Decrease in monthly tuitions received in advance | | | (5,001) | (18,665) |
| Decrease in labor/civil convictions | | | (7,920) | (3,276) |
| Decrease in price of acquisition payable | | | (14,981) | (6,950) |
| Provision for decommissioning of assets | | | (496) | 13 |
| Increase (decrease) in other liabilities | (1) | | 195 | 3,257 |
| Increase (decrease) deferred income tax and social contribution | (1) | | 1 | |
| (Decrease) in taxes paid in installments | | | (1,113) | (915) |
| (Increase) decrease in non-current assets | | | 1,214 | 6,402 |
| (Increase)in judicial deposits | (23) | | (2,535) | (13,756) |
| Increase (decrease) in other liabilities | 16,977 | 285,992 | 65,793 | 311,081 |
| Interest paid on borrowings | (14,457) | (18,394) | (14,457) | (18,394) |
| Corporate Income Tax (IRPJ) and Social Contribution on Net income (CSLL) paid | | | (6,756) | (2,184) |
| **Net cash provided by operating activities** | 2,520 | 267,598 | 44,580 | 290,503 |
| **Cash flows from investing activities:** | | | | |
| Property and equipment | | | (15,767) | (14,303) |
| Intangible assets | | | (10,971) | (19,347) |
| Goodwill on the acquisition of investments | | | | (6,670) |
| Acquisition of subsidiary companies, net of cash obtained in the acquisition | | | | (1,981) |
| Advance for future capital increase | (850) | (42,160) | | |
| **Net cash used in investing activities** | (850) | (42,160) | (26,738) | (42,301) |
| **Cash flows from financing activities** | | | | |
| Treasury shares acquired | | (8,120) | | (8,120) |
| Dividends paid | (1) | | (1) | |
| Intercompanies loan paid | | (135) | | (1,143) |
| New borrowings and financing | 1 | (16,255) | | (17,725) |
| Gains on derivative instruments - SWAP | | 24,820 | | 24,820 |
| Repayment of borrowings | (1,446) | (225,902) | (8,247) | (230,786) |
| **Net cash used in financing activities** | (1,446) | (225,592) | (8,248) | (232,954) |
| **Increase (decrease) in cash and cash equivalents** | 224 | (154) | 9,594 | 15,248 |
| Cash and cash equivalents at the beginning of the period | 95 | 429 | 58,340 | 48,410 |
| Cash and cash equivalents at the end of the period | 319 | 275 | 67,934 | 63,658 |
| **Changes in cash and cash equivalents** | 224 | (154) | 9,594 | 15,248 |

The accompanying notes are an integral part of this quarterly information.

## Estácio Participações S.A.

## Statement of value added
### Quarters ended March 31
**All amounts in thousands of reais unless otherwise stated**

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| **Revenue** | | | | |
| Educational services | | | 848,826 | 819,707 |
| Other revenue | | | 6,866 | 6,153 |
| Provision for impairment of trade receivables | | | (47,519) | (23,606) |
| Other selling expenses | | | (561) | (580) |
| | | | 807,612 | 801,674 |
| **Inputs acquired from third parties** | | | | |
| Materials, energy and outsourced services | (2,742) | (2,869) | (136,965) | (141,828) |
| Contingencies | | | (8,948) | (3,438) |
| | (2,742) | (2,869) | (145,913) | (145,266) |
| **Gross value added** | (2,742) | (2,869) | 661,699 | 656,408 |
| Depreciation and amortization | (4,970) | (5,027) | (46,351) | (48,231) |
| **Net value added generated by the entity** | (7,712) | (7,896) | 615,348 | 608,177 |
| **Value added received through transfer** | | | | |
| Equity in results of investees | 164,802 | 159,931 | | |
| Interest income | 4,637 | 40,646 | 31,316 | 75,559 |
| Others | (6,091) | 227 | 732 | 4,422 |
| | 163,348 | 200,804 | 32,048 | 79,981 |
| **Total value added to distribute** | 155,636 | 192,908 | 647,396 | 688,158 |
| **Distribution of value added** | | | | |
| Work remuneration | | | | |
| Direct remuneration | 912 | 650 | 264,645 | 278,629 |
| Benefits | | | 10,581 | 8,805 |
| Government Severance Indemnity Fund for Employees (FGTS) | | | 18,890 | 19,887 |
| | 912 | 650 | 294,116 | 307,321 |
| Taxes, charges and contributions | | | | |
| Federal | (1,148) | (930) | 75,233 | 76,754 |
| State | | | 5 | 6 |
| Municipal | | | 35,222 | 32,858 |
| | (1,148) | (930) | 110,460 | 109,618 |
| Third-party capital remuneration | | | | |
| Interest | 34,046 | 64,706 | 61,068 | 86,142 |
| Rentals | | | 59,926 | 56,595 |
| | 34,046 | 64,706 | 120,994 | 142,737 |
| Own capital remuneration | | | | |
| Retained earnings | 121,826 | 128,482 | 121,826 | 128,482 |
| | 121,826 | 128,482 | 121,826 | 128,482 |
| **Value added distributed** | 155,636 | 192,908 | 647,396 | 688,158 |

The accompanying notes are an integral part of this quarterly information.

## 1 General information

### 1.1 Operations

Estácio Participações S.A. ("Estácio" or "Company" or “Group”) and its subsidiaries (together the "Group") have as their main activities the development and/or administration of activities and/or institutions in the college and professional education areas and other areas associated to education, to the administration of own assets and business, and the interest, as partner or shareholder, in other companies or enterprises in Brazil.

The Company is a corporation headquartered at Avenida Venezuela, 43, in the Municipality and State of Rio de Janeiro, incorporated by the private subscription of shares on March 31, 2007, and currently listed on the New Market.

The Group has twenty-two companies, including Estácio Participações, nineteen of which are sponsors of college institutions, incorporated as limited-liability companies, and has one University, nine University Centers and forty-three colleges, distributed in twenty-three States of the country and in the Federal District.

At the Extraordinary General Meeting held on August 15, 2016, the stockholders approved the acquisition of the Company by Kroton Educacional SA ("Kroton"), as provided for in the "protocol and rationale for the merger of Estácio's shares by Kroton dated July 8, 2016. The acquisition is subject to the approval of the Administrative Council of Economic Defense (CADE).

The Company's Board of Directors, in a meeting held on April 25, 2017, authorized the disclosure of this quarterly information.

### 1.2 Basis of preparation

The financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and they spotlight the relevant information of the financial statements, and only them, which are in accordance with those used by the management in its administration.

### 1.3 Accounting policies

In the quarterly information, the accounting policies are presented in a manner consistent with the accounting practices adopted in the parent company and consolidated financial statements for the year ended December 31, 2016. Accordingly, the quarterly information should be read together with the financial statements for the year ended December 31, 2016.

### 1.4 Business combination

The acquisitions carried out in 2016 are as follows:

#### (a) Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant´Ana Ltda. (FUFS)

On March 10, 2016, Estácio acquired, through its indirect subsidiary Sociedade Educacional Atual da Amazônia Ltda, ("ATUAL"), all of the quotas of Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant’Ana Ltda,, for R$ 9,500 to be paid as follows: R$ 1,405 through assumption of debt; R$ 4,950 in cash; R$ 505 within 90 days; R$ 1,000 within 48 months and R$ 2,000 within 60 months, Amounts not paid in cash will be restated based on the Amplified Consumer Price Index (IPCA), The transaction does not include the purchase of properties.

**All amounts in thousands of reais unless otherwise stated**

FUFS, founded in 2012, had, at the acquisition date, approximately 1,500 students, 2,760 total authorized vacancies, with 5 graduate courses in its portfolio in the maturation phase, In 2011, the entity was evaluated by the Ministry of Education and Culture (MEC), and rated 3 in the Institutional Concept evaluation in a scale of 1 to 5, It is located in the city of Feira de Santana, the second largest municipality in the State of Bahia, which comprises about 36 municipalities within its area of influence, which, together, total approximately 1,3 million inhabitants, The acquisition aims to expand the reach of Estácio in higher education courses in the State of Bahia, by adding a portfolio of courses in the health area, specifically Nursing, Biomedicine, Physiotherapy, Nutrition and Radiology, It was identified that there is a significant demand for graduates of these courses by the labor market in the region, Finally, developing operations in the city will allow obtaining important gains in academic quality, efficiency and scale.

On December 31, 2016, the amount of the assumption of debt was increased by R$ 195 to R$ 1,045, reducing the purchase price payable to R$ 3,505.

The following table shows the paid considerations, the accounting balances of the acquired assets and assumed liabilities at the acquisition date and the allocation of the purchase price previously determined based on the fair value of the acquired assets and assumed liabilities:

| | **FUFS** |
|---|---|
| Acquisition amount | |
| Cash | 4,950 |
| Commitments to be paid | 3,505 |
| Total Consideration | 8,455 |
| Identifiable net assets acquired | (49) |
| Goodwill | 8,406 |
| Allocation of goodwill | |
| Trademark | 2,240 |
| License to operate | 261 |
| Students portfolio | 758 |
| Deferred income tax and social contribution | (1,108) |
| Goodwill | 6,255 |
| | 8,406 |
| Accounts receivable | 1,569 |
| Sundry credits | 18 |
| Property and equipment | 758 |
| Intangible assets | 11 |
| Borrowings | (694) |
| Trade payables | (253) |
| Salaries and social charges | (659) |
| Taxes payables | (540) |
| Installments | (161) |
| Net assets acquired at book value | 49 |

## 2 Explanatory notes not presented in this quarterly information

The quarterly information is presented in conformity with CPC 21 (R1), IAS 34 and the standards issued by the CVM, Based on these facts, and according to the assessment of the Company's management about the significant impacts of the information to be disclosed, the explanatory notes described below were not presented in this quarterly information, The other notes are presented so as to allow the perfect understanding of this quarterly information if they are read together with the notes disclosed in the financial statements for the year ended December 31, 2016.

**All amounts in thousands of reais unless otherwise stated**

Explanatory notes not presented in this quarterly information:

- Summary of significant accounting policies.
- Critical accounting estimates and judgments.
- Assumptions for the calculation of the fair value of the stock option plans and the impairment of non-financial assets already disclosed in the notes to the financial statements at December 31, 2016.
- Insurance.
- Other information.

## 3 Cash and cash equivalents and marketable securities

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **March 31, 2017** | **December 31, 2016** | **March 31, 2017** | **December 31, 2016** |
| Cash and banks | 319 | 95 | 67,934 | 58,340 |
| Cash and cash equivalents | 319 | 95 | 67,934 | 58,340 |
| Bank Deposit Certificates (CDB) | 7,937 | 29,063 | 31,676 | 45,160 |
| Government securities – LFT | 35,985 | 34,925 | 35,986 | 34,925 |
| Investment funds | 62,502 | 63,211 | 316,696 | 261,027 |
| Repurchase agreements | 42 | 41 | 5,511 | 4,291 |
| Savings bond | | | 279 | 266 |
| Marketable securities | 106,466 | 127,240 | 390,148 | 345,669 |

The Company has a Financial Investments and Derivatives Policy that stipulates that investments must be in low risk marketable securities with highly-rated financial institutions, At March 31, 2017, the operations earn interest based on the variation of the Interbank Deposit Certificate (CDI) rate with the exception of government securities, which are indexed to the Special System for Settlement and Custody (SELIC) rate and fixed rates.

At March 31, 2017 and December 31, 2016, all of the Company's marketable securities are classified as "held for trading".

The fair values of listed securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to these securities (2017 - 12.13%; 2016 - 13.63%). None of these financial assets is either past due or impaired.

The exclusive investment fund is backed by financial allocations in fund quotas, CDBs, Financial Bills (LFs), government securities and repurchase agreements with first-tier banks and issuers.

The Bank Deposit Certificates (CDBs) are remunerated at the average Interbank Deposit Certificate (CDI) rate of 98.9% at March 31, 2017 (99.8% at December 31, 2016).

Repurchase agreements backed by first-tier debentures are recorded at the fair value, bearing interest at the average of 75.4% of the CDI at March 31, 2017 (91.3% of the CDI at December 31, 2016).

**All amounts in thousands of reais unless otherwise stated**

## 4 Trade receivables

| | Consolidated | |
|---|---|---|
| | **March 31, 2017** | **December 31, 2016** |
| Monthly tuition | 401,043 | 406,678 |
| Student Financing Fund (FIES) (a) | 923,528 | 828,688 |
| Agreements and exchanges | 15,812 | 15,006 |
| Receivables on credit cards (b) | 76,448 | 55,666 |
| Renegotiated receivables | 101,497 | 80,173 |
| | 1,518,328 | 1,386,211 |
| Provision for doubtful credits | (198,263) | (205,637) |
| Amounts to be identified | (5,408) | (2,500) |
| (-) Adjustment to present value (a) | (17,593) | (13,194) |
| | 1,297,064 | 1,164,880 |
| Current assets | 971,059 | 847,282 |
| Non-current assets | 326,005 | 317,598 |
| | 1,297,064 | 1,164,880 |

The composition of receivables by age is as follows:

| | Consolidated | |
|---|---|---|
| | **March 31, 2017** | **December 31, 2016** |
| 2018 | 326,005 | 317,598 |
| Non-current assets | 326,005 | 317,598 |

(a) Accounts receivable from the Student Financing Fund (FIES) are represented by educational loans obtained by students from Caixa Econômica Federal (CEF) and the National Education Development Fund (FNDE), whereby the financed funds, during the year 2015, are transferred monthly by CEF and Banco do Brasil to a specific bank account, This amount has been used to pay the social security contributions and federal taxes and converted into cash by means of auctions of Brazilian National Treasury securities, These receivables presented a growth of 11% at March 31, 2017 compared to December 31, 2016, due to the increase in the FIES student base.

(i) For FIES students with guarantor, a provision was made for 2.25% of the accounts receivable with this characteristic, considering the assumptions of 15% exposure to credit risk on an estimated 15% of default.

(ii) For the uncovered risk of FGEDUC, with enrollment since April 2012, a provision was made for 10% of the receivables under the responsibility of the sponsors (and the Guarantor Fund is responsible for the remaining 90%) on the 15% exposure to credit risk on an estimate of 15% of default, i.e., 0.225%.

(iii) For the uncovered risk of FGEDUC, with enrollment up to March 2012, a provision was made for 20% under the responsibility of the sponsors (and the Guarantor Fund is responsible for the remaining 80%) on the 15% exposure to credit risk on an estimate of 15% of default, i.e., 0.450%.

(b) A substantial part of the receivables on credit cards arises from the negotiation of defaulted monthly tuitions.

**All amounts in thousands of reais unless otherwise stated**

The composition of receivables by age is as follows:

| | Consolidated | | | |
|---|---|---|---|---|
| | March 31, 2017 | % | December 31, 2016 | % |
| FIES | 923,528 | 61 | 828,688 | 59 |
| PRONATEC | 7,733 | 1 | 8,420 | 1 |
| Partners (Polos) | 2,270 | 1 | 1,820 | 1 |
| Not yet due | 158,304 | 10 | 87,483 | 6 |
| Overdue for up to 30 days | 116,241 | 8 | 65,259 | 5 |
| Overdue from 31 to 60 days | 20,335 | 1 | 55,309 | 4 |
| Overdue from 61 to 90 days | 24,059 | 1 | 54,489 | 4 |
| Overdue from 91 to 179 days | 85,711 | 5 | 104,294 | 7 |
| Overdue for more than 180 days | 180,147 | 12 | 180,449 | 13 |
| | 1,518,328 | 100 | 1,386,211 | 100 |

The aging of the agreements for accounts receivable provision is as follows:

| | Consolidated | | | |
|---|---|---|---|---|
| | March 31, 2017 | % | December 31, 2016 | % |
| Not yet due | 51,863 | 58 | 20,702 | 26 |
| Overdue for up to 30 days | 4,610 | 4 | 6,434 | 8 |
| Overdue from 31 to 60 days | 2,779 | 2 | 4,935 | 6 |
| Overdue from 61 to 90 days | 2,946 | 3 | 5,190 | 7 |
| Overdue from 91 to 179 days | 10,929 | 9 | 18,798 | 23 |
| Overdue for more than 180 days | 28,370 | 24 | 24,114 | 30 |
| | 101,497 | 100 | 80,173 | 100 |

The provision for impairment of trade receivables considers all the notes past due for more than 180 days, except for educational credits arising from federal government programs and receivables from UNISEB's student's portfolio belonging to our partners (Polos), plus renegotiated agreements with low expectation of realization.

In order to confirm the appropriateness of the criteria used, the Company compared the historical losses on receivables in relation to revenues earned (including students who have not enrolled with FIES) for the last 5 years, with the provision established at March 31, 2017, and concluded that it is sufficient to cover any future losses, it should be noted that receivables overdue for more than 360 days are fully written off.

The reconciliation of the aging of trade receivables with the provision for impairment of trade receivables is presented below:

| | Consolidated | |
|---|---|---|
| | March 31, 2017 | December 31, 2016 |
| Accounts receivable overdue for more than 180 days | 180,147 | 180,449 |
| Supplementary provision for agreements | 14,076 | 25,188 |
| Provision PAR (i) | 4,040 | |
| Provision for doubtful credits | 198,263 | 205,637 |

(i) Program for payment of monthly tuitions in installments.

**All amounts in thousands of reais unless otherwise stated**

The age composition of R$ 14,076, related to the agreement with low expectation of realization are demonstrated below.

| | Consolidated | | | |
|---|---|---|---|---|
| | March 31, 2017 | % | December 31, 2016 | % |
| Not yet due | 10,316 | 73 | 10,316 | 41 |
| Overdue for up to 30 days | 1,092 | 8 | 1,092 | 4 |
| Overdue from 31 to 60 days | 1,438 | 10 | 1,438 | 6 |
| Overdue from 61 to 90 days | 1,230 | 9 | 1,906 | 8 |
| Overdue from 91 to 179 days | | | 10,436 | 41 |
| | 14,076 | 100 | 25,188 | 100 |

Changes in the consolidated provision for impairment of receivables were as follows:

| | |
|---|---|
| Monthly tuition and fees at December31, 2016 | 205,637 |
| Gross increase in the provision for impairment | 77,610 |
| Recovered amounts | (30,091) |
| Net effect of the provision | 47,519 |
| Write-offs (i) | (54,893) |
| Monthly tuition and fees at March31, 2017 | 198,263 |

(i) Write-off of bills overdue for more than 360 days.

For the period ended March 31, 2017 and 2016, expenses with the provision for impairment of trade receivables (Note 23), recognized in the statement of income as selling expenses, are as follows (consolidated):

| | Consolidated | |
|---|---|---|
| | March 31, 2017 | December 31, 2016 |
| Supplementary provision (i) | 47,519 | 23,603 |
| Others | | 3 |
| | 47,519 | 23,606 |

(i) In order to facilitate the understanding and to allow a direct reconciliation of the provision for impairment of trade receivables between the balance sheet and statement of income for the period, the Company believes that this change should consider the consolidated amount not recovered after 180 days from the due date as supplementary amounts, and the consolidated amount received/renegotiated relating to bills not settled to the previous month as recovered amounts.

**All amounts in thousands of reais unless otherwise stated**

## 5 Related-party transactions

The related-party transactions were carried out on terms equivalent to those prevailing on the transactions with independent parties, according to item 23 of Technical Pronouncement CPC 05, and are as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **March 31, 2017** | **December 31, 2016** | **March 31, 2017** | **December 31, 2016** |
| Current assets | | | | |
| Current account | | | | |
| SESES | 2,175 | 2,232 | | |
| Nova Academia do Concurso | 1 | 1 | | |
| FAL | 1 | 2 | | |
| FATERN | 3 | 3 | | |
| IREP | 75 | 163 | | |
| Atual | 4 | 4 | | |
| SEAMA | 3 | 4 | | |
| Editora | 6 | 6 | | |
| FARGS | 2 | 2 | | |
| São Luís | 2 | 3 | | |
| FACITEC | 3 | 3 | | |
| | 2,275 | 2,423 | | |

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **March 31, 2017** | **December 31, 2016** | **March 31, 2017** | **December 31, 2016** |
| Current liabilities | | | | |
| Current account | | | | |
| SESES | 4,121 | 4,225 | | |
| IREP | 65 | 65 | | |
| Atual | 7 | 3 | | |
| Nova Academia | 3 | 3 | | |
| FAL | 1 | 1 | | |
| Fatern | 2 | 2 | | |
| Seama | 7 | 4 | | |
| | 4,206 | 4,303 | | |
| Related parties (i) | | | 566 | 633 |

(i) At March 31, 2017, the amount payable of R$ 566 (R$ 633 at December 31, 2016) refers to service providers related to board Members.

For the period ended March 31, 2017 and 2016, the Group did not obtain financial results on intercompany loans.

**All amounts in thousands of reais unless otherwise stated**

## 6 Prepaid expenses

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | March 31, 2017 | December 31, 2016 | March 31, 2017 | December 31, 2016 |
| Insurance | 135 | 215 | 1,544 | 1,709 |
| Municipal Real Estate Tax (IPTU) to be appropriated | | | 7,503 | |
| Teaching materials (i) | | | 15,573 | 15,784 |
| Anticipation of vacation pay and charges (ii) | | | 10,457 | 18,207 |
| Registration fee - Ministry of Education (MEC) | | | 2,887 | 2,926 |
| Technical-pedagogical cooperation - Santa Casa | | | 2,451 | 2,451 |
| Other prepaid expenses | | | 869 | 1,002 |
| Total | 135 | 215 | 41,284 | 42,079 |
| Current assets | 135 | 215 | 35,701 | 36,390 |
| Non-current assets | | | 5,583 | 5,689 |
| | 135 | 215 | 41,284 | 42,079 |

(i) It refers to the costs incurred for copyright, printing and postage for the production of education material to be used in the subsequent period. They are recorded as prepaid expenses and allocated during the period they are used, after being effectively delivered.

## 7 Taxes and contributions

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | March 31, 2017 | December 31, 2016 | March 31, 2017 | December 31, 2016 |
| Withholding Income Tax (IRRF) | 1,193 | 6,710 | 6,339 | 18,379 |
| Corporate Income Tax (IRPJ) / Social Contribution on Net Income (CSLL) | 36,792 | 29,714 | 79,967 | 77,249 |
| Social Integration Program (PIS) | 6 | 6 | 572 | 558 |
| Social Contribution on Revenues (COFINS) | 25 | 25 | 2,014 | 1,952 |
| Services Tax (ISS) | 77 | 77 | 43,398 | 39,718 |
| National Institute of Social Security (INSS) | | | 8,633 | 8,265 |
| Others | 106 | 106 | 666 | 666 |
| | 38,199 | 36,638 | 141,589 | 146,787 |
| Current assets | 38,013 | 36,452 | 102,687 | 110,472 |
| Non-current assets | 186 | 186 | 38,902 | 36,315 |
| | 38,199 | 36,638 | 141,589 | 146,787 |

## 8 Investments in subsidiaries

### (a) Parent company Estácio Participações S.A.

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Investments | Losses on investments | Investments | Losses on investments |
| Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES") | 1,229,771 | | 1,138,505 | |
| Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP") | 1,173,161 | | 1,105,514 | |
| Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP") | 18,077 | | 17,497 | |
| Estácio Editora e Distribuidora Ltda.("EDITORA") | | (30) | | (30) |
| União dos Cursos Superiores SEB Ltda. ("UNISEB") | 52,677 | | 43,504 | |
| | 2,473,686 | (30) | 2,305,020 | (30) |

**All amounts in thousands of reais unless otherwise stated**

The subsidiaries' information is as follows:

| | | | | | | | | | March 31, 2017 |
|---|---|---|---|---|---|---|---|---|---|
| | Interest | Number of quotas | Total assets | Total liabilities | Equity | Goodwill | Deferred income tax on goodwill from downstream merger | Total | Equity in the results of subsidiaries |
| SESES | 100% | 610,677 | 1,673,889 | 444,118 | 1,229,771 | | | 1,229,771 | 88,252 |
| IREP | 100% | 484,024 | 1,597,162 | 486,443 | 1,110,719 | 62,442 | | 1,173,161 | 67,647 |
| NACP | 100% | 13,105 | 6,803 | 2,744 | 4,059 | 14,018 | | 18,077 | (270) |
| Editora (i) | 100% | 251 | 31 | 66 | (35) | 5 | | (30) | |
| Uniseb Operacional | 100% | 22,337 | 92,021 | 37,114 | 54,907 | | (2,230) | 52,677 | 9,173 |
| | | | 3,369,906 | 970,485 | 2,399,421 | 76,465 | (2,230) | 2,473,656 | 164,802 |

| | | | | | | | | | December 31, 2016 |
|---|---|---|---|---|---|---|---|---|---|
| | Interest | Number of quotas | Total assets | Total liabilities | Equity | Goodwill | Deferred income tax on goodwill from downstream merger | Total | Equity in the results of subsidiaries |
| SESES | 100% | 610,677 | 1,547,810 | 409,305 | 1,138,505 | | | 1,138,505 | 203,868 |
| IREP | 100% | 445,444 | 1,570,908 | 527,836 | 1,043,072 | 62,442 | | 1,105,514 | 271,509 |
| NACP | 100% | 13,105 | 5,374 | 1,895 | 3,479 | 14,018 | | 17,497 | (3,016) |
| Editora (i) | 100% | 251 | 31 | 66 | (35) | 5 | | (30) | |
| Uniseb Operacional | 100% | 22,337 | 77,854 | 32,120 | 45,734 | | (2,230) | 43,504 | 29,907 |
| | | | 3,201,977 | 971,222 | 2,230,755 | 76,465 | (2,230) | 2,304,990 | 502,268 |

(i) Provision for net capital deficiency recorded under “Others” in current liabilities.

The global changes in the investments in subsidiaries in the period ended March 31, 2017 and in the year ended December 31, 2016 are as follows:

| | |
|---|---|
| Investments in subsidiaries at December 31, 2015 (Re-presented) | 2,262,159 |
| Equity in the results of subsidiaries | 502,268 |
| Advance for future capital increase | 111,080 |
| Supplementary dividends of 2015 | (573,482) |
| Options granted and long-term incentives | 2,995 |
| Investments in subsidiaries at December 31, 2016 | 2,305,020 |
| Equity in the results of subsidiaries | 164,802 |
| Advance for future capital increase | 850 |
| Supplementary dividends of 2015 | |
| Options granted and long-term incentives | 3,014 |
| Investments in subsidiaries at March 31, 2017 | 2,473,686 |

The accounting information of the subsidiaries used in the application of the equity accounting method were related to the base date March 31, 2017.

The direct subsidiaries’ investments are as follows:

## (b) Subisidiary Sociedade de Ensino Superior, Médio e Fundamental Ltda. (“IREP”)

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Sociedade Educacional Atual da Amazônia ("ATUAL") | 484,981 | 450,779 |
| ANEC - Sociedade Natalense de Educação e Cultura ("FAL") | 15,462 | 15,598 |
| Sociedade Universitária de Excelência Educacional do Rio Grande do Norte ("FATERN") | 30,967 | 30,461 |
| | 531,410 | 496,838 |

**All amounts in thousands of reais unless otherwise stated**

The subsidiaries (“IREP”)' information is as follows:

**March 31, 2017**

| | Interest | Number of quotas | Total Assets | Total liabilities | Equity | Goodwill | Total | Equity in the result of investees |
|---|---|---|---|---|---|---|---|---|
| ATUAL | 100% | 34,185 | 741,875 | 272,397 | 469,478 | 15,503 | 484,981 | 19,752 |
| FAL | 100% | 14,018 | 10,757 | 3,371 | 7,386 | 8,076 | 15,462 | (135) |
| FATERN | 100% | 9,160 | 25,877 | 9,889 | 15,988 | 14,979 | 30,967 | 505 |
| | | | 778,509 | 285,657 | 492,852 | 38,558 | 531,410 | 20,122 |

**December 31, 2016**

| | Interest | Number of quotas | Total Assets | Total liabilities | Equity | Goodwill | Total | Equity in the result of investees |
|---|---|---|---|---|---|---|---|---|
| ATUAL | 100% | 33,684 | 703,507 | 268,231 | 435,276 | 15,503 | 450,779 | 80,629 |
| FAL | 100% | 14,018 | 10,681 | 3,159 | 7,522 | 8,076 | 15,598 | (2,189) |
| FATERN | 100% | 9,160 | 24,834 | 9,352 | 15,482 | 14,979 | 30,461 | 3,701 |
| | | | 739,022 | 280,742 | 458,280 | 38,558 | 496,838 | 82,141 |

The global changes of the investments of the direct subsidiary IREP in subsidiaries in the period ended March 31, 2017 and in the year ended December 31, 2016 are as follows:

| | |
|---|---|
| Investments in subsidiaries at December 31, 2015 | 455,215 |
| Equity | 82,141 |
| Advance for future capital increase | 54,482 |
| Supplementary dividends of 2015 | (95,000) |
| Investments in subsidiaries at December 31, 2016 | 496,838 |
| Equity | 20,122 |
| Advance for future capital increase | 14,450 |
| Supplementary dividends of 2015 | |
| Investments in subsidiaries at March 31, 2017 | 531,410 |

## (c) Subsidiary Sociedade Atual da Amazônia (“ATUAL”)

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Uniuol Gestão de Empreendimentos Educacionais e Participações S.A. ("UNIUOL") | 2,968 | 3,244 |
| Idez Empreendimentos Educacionais Sociedade Simples Ltda. ("IDEZ") | 3,893 | 4,202 |
| Sociedade Educacional da Amazônia ("SEAMA") | 50,082 | 46,958 |
| Sociedade Educacional do Rio Grande do Sul S/S Ltda. ("FARGS") | 19,394 | 18,880 |
| Unisãoluis Educacional S.A ("SÃOLUIS") | 75,101 | 63,654 |
| Instituto de Ensino Superior Social e Tecnológico Ltda. ("FACITEC") | 40,521 | 38,426 |
| Associação de Ensino de Santa Catarina ("ASSESC") | 6,985 | 7,102 |
| Instituto de Estudos Superiores da Amazônia ("IESAM") | 86,772 | 83,153 |
| Centro de Assistência ao Desenvolvimento de Formação Profissional Unicel Ltda. ("LITERATUS") | 56,856 | 57,697 |
| Centro de Ensino Unificado de Teresina ("CEUT") | 42,054 | 39,816 |
| Faculdade Nossa Cidade ("FNC") | 98,678 | 97,631 |
| Faculdades Integradas de Castanhal Ltda. ("FCAT") | 28,175 | 28,477 |
| Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant’Ana Ltda. ("FUFS") | 10,492 | 10,984 |
| | 521,971 | 500,224 |

**All amounts in thousands of reais unless otherwise stated**

Information on ATUAL's subsidiaries is as follows:

| | March 31, 2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Interest | Number of quotas | Total Assets | Total liabilities | Equity | Goodwill | Goodwill | Total | Equity in the result of investees |
| UNIUOL | 100% | 4,626 | 2,872 | 881 | 1,991 | 956 | 21 | 2,968 | (262) |
| IDEZ | 100% | 4,444 | 2,962 | 1,136 | 1,826 | 2,047 | 20 | 3,893 | (279) |
| SEAMA | 100% | 3,232 | 41,463 | 9,416 | 32,047 | 18,035 | | 50,082 | 2,766 |
| FARGS | 100% | 4,881 | 15,198 | 3,887 | 11,311 | 8,055 | 28 | 19,394 | 192 |
| SÃO LUIS | 100% | 220 | 119,723 | 72,265 | 47,458 | 27,369 | 274 | 75,101 | 11,609 |
| FACITEC | 100% | 6,051 | 19,523 | 6,696 | 12,827 | 26,654 | 1,040 | 40,521 | 2,561 |
| ASSESC | 100% | 3 | 3,933 | 1,785 | 2,148 | 4,723 | 114 | 6,985 | (168) |
| IESAM | 100% | 2,400 | 71,156 | 25,455 | 45,701 | 26,797 | 14,274 | 86,772 | 3,423 |
| LITERATUS | 100% | 46,957 | 48,261 | 18,576 | 29,685 | 26,214 | 957 | 56,856 | (664) |
| CEUT | 100% | 2,408 | 19,718 | 7,689 | 12,029 | 27,568 | 2,457 | 42,054 | 1,795 |
| FNC | 100% | 20,928 | 22,465 | 7,497 | 14,968 | 72,046 | 11,664 | 98,678 | 2,299 |
| FCAT | 100% | 100 | 9,919 | 7,682 | 2,237 | 20,120 | 5,818 | 28,175 | 95 |
| FUFS | 100% | 150 | 4,160 | 2,109 | 2,051 | 6,255 | 2,186 | 10,492 | (245) |
| | | | 381,353 | 165,074 | 216,279 | 266,839 | 38,853 | 521,971 | 23,122 |

| | December 31, 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Interest | Number of quotas | Total Assets | Total liabilities | Equity | Goodwill | Goodwill | Total | Equity in the result of investees |
| UNIUOL | 100% | 3,066 | 3,220 | 968 | 2,252 | 956 | 36 | 3,244 | (2,226) |
| IDEZ | 100% | 4,444 | 3,104 | 1,000 | 2,104 | 2,047 | 51 | 4,202 | (794) |
| SEAMA | 100% | 3,232 | 36,999 | 8,118 | 28,881 | 18,035 | 42 | 46,958 | 10,375 |
| FARGS | 100% | 4,881 | 14,167 | 3,398 | 10,769 | 8,055 | 56 | 18,880 | 1,579 |
| SÃO LUIS | 100% | 220 | 105,185 | 69,338 | 35,847 | 27,369 | 438 | 63,654 | 51,899 |
| FACITEC | 100% | 6,051 | 16,435 | 6,168 | 10,267 | 26,654 | 1,505 | 38,426 | 8,820 |
| ASSESC | 100% | 3 | 3,773 | 1,557 | 2,216 | 4,723 | 163 | 7,102 | 25 |
| IESAM | 100% | 2,400 | 64,860 | 23,031 | 41,829 | 26,797 | 14,527 | 83,153 | 13,555 |
| LITERATUS | 100% | 35,227 | 47,625 | 17,276 | 30,349 | 26,214 | 1,134 | 57,697 | (1,601) |
| CEUT | 100% | 2,408 | 17,143 | 7,609 | 9,534 | 27,568 | 2,714 | 39,816 | 3,570 |
| FNC | 100% | 20,928 | 18,554 | 5,884 | 12,670 | 72,046 | 12,915 | 97,631 | 7,860 |
| FCAT | 100% | 100 | 8,279 | 6,336 | 1,943 | 20,120 | 6,414 | 28,477 | (2,224) |
| FUFS | 100% | 150 | 3,864 | 1,568 | 2,296 | 6,255 | 2,433 | 10,984 | (1,916) |
| | | | 343,208 | 152,251 | 190,957 | 266,839 | 42,428 | 500,224 | 88,922 |

The global changes of the investments of the direct subsidiary ATUAL in subsidiaries in the period ended March 31, 2017 and in the year ended December 31, 2016 are as follows:

| | |
|---|---|
| Investments in subsidiaries at December 31, 2015 | 473,388 |
| Equity | 88,922 |
| Advance for future capital increase | 31,732 |
| Acquisition of Subsidiary | 4,872 |
| Acquisition of goodwill | 3,774 |
| Amortization of goodwill | (20,464) |
| Supplementary dividends of 2015 | (82,000) |
| Investments in subsidiaries at December 31, 2016 | 500,224 |
| Equity | 23,122 |
| Advance for future capital increase | 2,200 |
| Amortization of goodwill | (3,575) |
| Investments in subsidiaries at March 31, 2017 | 521,971 |

**All amounts in thousands of reais unless otherwise stated**

# 9 Intangible assets

## (a) Intangible assets–Parent company

| | | December 31, 2016 | | March 31, 2017 |
|---|---|---|---|---|
| | | **Cost** | **Additions** | **Cost** |
| Cost | | | | |
| Goodwill on the acquisition of investments (i) | | 780,065 | | 780,065 |
| Right of use of software | | 99 | | 99 |
| Project Integração | | 212 | | 212 |
| Goodwill | | 79,704 | | 79,704 |
| | | 860,080 | | 860,080 |
| | **Amortization rates** | **Amortization** | **Additions** | **Amortization** |
| Amortization | | | | |
| Right of use of software | 20% p.a. | (59) | (5) | (64) |
| Project Integração | 20% p.a. | (11) | (11) | (22) |
| Goodwill | 20 to 50% p.a. | (50,263) | (4,944) | (55,207) |
| | | (50,333) | (4,960) | (55,293) |
| Net book value | | 809,747 | (4,960) | 804,787 |

| | | December 31, 2015 | | March 31, 2016 |
|---|---|---|---|---|
| | | **Cost** | **Additions** | **Cost** |
| Cost | | | | |
| Goodwill on the acquisition of investments (i) | | 780,065 | | 780,065 |
| Right of use of software | | 124 | | 124 |
| Project Integração | | 32 | | 32 |
| Goodwill | | 79,704 | | 79,704 |
| | | 859,925 | | 859,925 |
| | **Amortization rates** | **Amortization** | **Additions** | **Amortization** |
| Amortization | | | | |
| Right of use of software | 20% p.a. | (40) | (4) | (44) |
| Goodwill | 20 to 50% p.a. | (30,431) | (4,986) | (35,417) |
| | | (30,471) | (4,990) | (35,461) |
| Net book value | | 829,454 | (4,990) | 824,464 |

(i) Goodwill is an integral part of the investment line because of the merger of Uniseb Holding.

**All amounts in thousands of reais unless otherwise stated**

## (b) Intangible assets - Consolidated

| | December 31, 2016 | | | March 31, 2017 |
|---|---|---|---|---|
| | **Cost** | **Additions** | **Transfers** | **Cost** |
| Cost | | | | |
| Goodwill on the acquisition of investments | 1,195,499 | | | 1,195,499 |
| Right of use of software | 236,101 | 7,420 | | 243,521 |
| Integration and distance learning project | 18,298 | | | 18,298 |
| CSC | 2,228 | | | 2,228 |
| Learning Center | 72,123 | 910 | | 73,033 |
| Relationship Center | 2,348 | | | 2,348 |
| Hemispheres | 1,346 | | | 1,346 |
| IT architecture | 19,174 | 496 | | 19,670 |
| Online class material | 7,603 | 70 | | 7,673 |
| Knowledge Factory - EAD | 28,741 | 1,774 | | 30,515 |
| Goodwill | 174,018 | | (515) | 173,503 |
| Others | 27,559 | 301 | | 27,860 |
| | 1,785,038 | 10,971 | (515) | 1,795,494 |

| | Amortization rates | Amortization | Additions | Transfers | Amortizations |
|---|---|---|---|---|---|
| Amortization | | | | | |
| Goodwill on the acquisition of investments | Indefinite | (6,924) | | | (6,924) |
| Right of use of software | 20% p.a. | (148,808) | (10,292) | | (159,100) |
| Integration and distance learning project | 20% p.a. | (15,600) | (202) | | (15,802) |
| CSC | 20% p.a. | (1,940) | (22) | | (1,962) |
| Learning Center | 5% p.a. | (16,590) | (815) | | (17,405) |
| Relationship Center | 20% p.a. | (2,348) | | | (2,348) |
| Hemispheres | 20% p.a. | (1,346) | | | (1,346) |
| IT architecture | 17 to 20% p.a. | (5,183) | (837) | | (6,020) |
| Online class material | 20% p.a. | (4,900) | (365) | | (5,265) |
| Knowledge Factory - EAD | 5% p.a. | (3,043) | (359) | | (3,402) |
| Goodwill | 20 to 50% p.a. | (102,150) | (8,520) | 515 | (110,155) |
| Others | 20% p.a. | (6,714) | (1,218) | | (7,932) |
| | | (315,546) | (22,630) | 515 | (337,661) |
| Net book value | | 1,469,492 | (11,659) | | 1,457,833 |

**All amounts in thousands of reais unless otherwise stated**

| | December 31, 2015 Cost | Additions per acquisition | Additions | Reclassifications | March 31, 2016 Cost |
|---|---|---|---|---|---|
| Cost | | | | | |
| Goodwill on the acquisition of investments | 1,190,676 | | 6,670 | | 1,197,346 |
| Right of use of software | 189,336 | 11 | 13,287 | (210) | 202,424 |
| Integration and distance learning project | 17,859 | | 97 | | 17,956 |
| CSC | 1,940 | | | | 1,940 |
| Learning Center | 66,507 | | 1,274 | | 67,781 |
| Relationship Center | 2,348 | | | | 2,348 |
| Hemispheres | 1,346 | | | | 1,346 |
| IT architecture | 21,093 | | 897 | | 21,990 |
| Online class material | 7,208 | | 18 | | 7,226 |
| Knowledge Factory - EAD | 22,373 | | 1,426 | | 23,799 |
| Goodwill | 170,244 | | | | 170,244 |
| Others | 19,002 | | 2,348 | | 21,350 |
| | 1,709,932 | 11 | 26,017 | (210) | 1,735,750 |

| | Amortization rates | Amortization | Additions per acquisition | Additions | Reclassifications | Amortization |
|---|---|---|---|---|---|---|
| Amortization | | | | | | |
| Goodwill on the acquisition of investments | Indefinite | (6,924) | | | | (6,924) |
| Right of use of software | 20% p.a. | (108,352) | | (9,689) | 14 | (118,027) |
| Integration and distance learning project | 20% p.a. | (14,234) | | (287) | | (14,521) |
| CSC | 20% p.a. | (1,940) | | | | (1,940) |
| Learning Center | 5% p.a. | (13,563) | | (709) | | (14,272) |
| Relationship Center | 20% p.a. | (2,347) | | | | (2,347) |
| Hemispheres | 20% p.a. | (1,341) | | (4) | | (1,345) |
| IT architecture | 17 to 20% p.a. | (2,896) | | (910) | | (3,806) |
| Online class material | 20% p.a. | (3,450) | | (322) | | (3,772) |
| Knowledge Factory - EAD | 5% p.a. | (1,855) | | (245) | | (2,100) |
| Goodwill | 20 to 50% p.a. | (61,425) | | (12,875) | | (74,300) |
| Others | 20% p.a. | (2,927) | | (476) | | (3,403) |
| | | (221,254) | | (25,517) | 14 | (246,757) |
| Net book value | | 1,488,678 | 11 | 500 | (196) | 1,488,993 |

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

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | March 31, 2017 | December 31, 2016 | March 31, 2017 | December 31, 2016 |
| Goodwill on acquisition of investments net of accumulated amortization | | | | |
| IREP | | | 89,090 | 89,090 |
| ATUAL | | | 15,503 | 15,503 |
| *Seama* | | | 18,035 | 18,035 |
| *Idez* | | | 2,047 | 2,047 |
| *Uniuol* | | | 956 | 956 |
| *Fargs* | | | 8,055 | 8,055 |
| *São Luis* | | | 27,369 | 27,369 |
| *Facitec* | | | 26,654 | 26,654 |
| *Assesc* | | | 4,723 | 4,723 |
| *Iesam* | | | 26,797 | 26,797 |
| *Literatus* | | | 26,214 | 26,214 |
| *Ceut* | | | 27,568 | 27,568 |
| *FNC* | | | 72,046 | 72,046 |
| *FCAT* | | | 20,120 | 20,120 |
| *FUFS (Note 1.5)* | | | 6,255 | 6,255 |
| FAL | | | 8,076 | 8,076 |
| FATERN | | | 14,979 | 14,979 |
| Nova Academia | | | 14,018 | 14,018 |
| EstácioEditora | | | 5 | 5 |
| Uniseb | 9,371 | 9,371 | 9,371 | 9,371 |
| Uniseb Holding | 770,694 | 770,694 | 770,694 | 770,694 |
| | 780,065 | 780,065 | 1,188,575 | 1,188,575 |

**All amounts in thousands of reais unless otherwise stated**

The Company carries out annual analyses for impairment purposes, the last being for the year ended December 31, 2016, relative to goodwill on investment acquisitions and mergers, based on expected future profitability, considering projections of future results for the next 10 years, Asset impairment testing did not result in the need to recognize losses, at the nominal perpetuity growth rate of 5.0% p.a. (equivalent to the long-term inflation rate, not considering any real growth) and a single nominal discount rate of 15.1% to discount estimated future cash flows. Asset impairment testing did not result in the need to recognize losses. The assumptions used are disclosed in the notes to the financial statements for the year ended December 31, 2016.

## 10 Property and equipment

### (a) Property and equipment–Parent company

| | Depreciation rates | December 31, 2016 | | March 31, 2017 |
|---|---|---|---|---|
| | | Cost | Additions | Cost |
| Cost | | | | |
| Computers and peripherals | | 9,048 | | 9,048 |
| Installations | | 33 | | 33 |
| | | 9,081 | | 9,081 |
| | Depreciation rates | Depreciation | Additions | Depreciation |
| Depreciation | | | | |
| Computers and peripherals | 25% p.a. | (9,032) | (10) | (9,042) |
| Installations | 8.3% p.a. | (6) | | (6) |
| | | (9,038) | (10) | (9,048) |
| Net book value | | 43 | (10) | 33 |

| | Depreciation rates | December 31, 2015 | | March 31, 2016 |
|---|---|---|---|---|
| | | Cost | Additions | Cost |
| Cost | | | | |
| Computers and peripherals | | 9,075 | | 9,075 |
| Installations | | 33 | | 33 |
| | | 9,108 | | 9,108 |
| | Depreciation rates | Depreciation | Additions | Depreciation |
| Depreciation | | | | |
| Computers and peripherals | 25% p.a. | (9,015) | (36) | (9,051) |
| Installations | 8.3% p.a. | (3) | (1) | (4) |
| | | (9,018) | (37) | (9,055) |
| Net book value | | 90 | (37) | 53 |

**All amounts in thousands of reais unless otherwise stated**

## (b) Property and equipment– Consolidated

| | | December 31, 2016 | | | | March 31, 2017 |
|---|---|---|---|---|---|---|
| | | **Cost** | **Additions** | **Disposals** | **Transfers** | **Cost** |
| Cost | | | | | | |
| Land | | 19,295 | | | | 19,295 |
| Buildings | | 192,768 | 35 | | 2,353 | 195,156 |
| Third-parties' properties improvements | | 261,753 | 885 | | 14,614 | 277,252 |
| Furniture and utensils | | 98,311 | 1,935 | (1,137) | | 99,109 |
| Computers and peripherals | | 149,266 | 897 | (272) | | 149,891 |
| Machinery and equipment | | 129,049 | 3,046 | (460) | | 131,635 |
| Physical/ hospital activities equipment | | 44,483 | 788 | (5) | | 45,266 |
| Library | | 141,601 | 708 | | | 142,309 |
| Facilities | | 52,796 | 1,665 | | | 54,461 |
| Tablets | | 46,755 | | (433) | | 46,322 |
| Construction in progress | | 18,935 | 5,760 | | (16,967) | 7,728 |
| Demobilization | | 22,312 | | (492) | | 21,820 |
| Others | | 11,075 | 48 | (35) | | 11,088 |
| | | 1,188,399 | 15,767 | (2,834) | | 1,201,332 |
| | **Depreciation rates** | **Depreciation** | **Additions** | **Disposals** | **Transfers** | **Depreciation** |
| Depreciation | | | | | | |
| Buildings | 1.67% p.a. | (52,171) | (853) | | | (53,024) |
| Third-parties' properties improvements | 11.11% p.a. | (143,234) | (7,084) | | | (150,318) |
| Furniture and utensils | 8.33% p.a. | (56,042) | (1,759) | 1,085 | | (56,716) |
| Computers and peripherals | 25% p.a. | (107,394) | (4,141) | 270 | | (111,265) |
| Machinery and equipment | 8.33% p.a. | (61,123) | (4,017) | 443 | | (64,697) |
| Physical/ hospital activities equipment | 6.67% p.a. | (18,793) | (603) | 5 | | (19,391) |
| Library | 5% p.a. | (63,935) | (1,477) | | | (65,412) |
| Facilities | 8.33% p.a. | (15,849) | (972) | | | (16,821) |
| Tablets | 20% p.a. | (27,891) | (2,204) | 434 | | (29,661) |
| Demobilization | 14.44% p.a. | (15,277) | (410) | 446 | | (15,241) |
| Others | | (6,630) | (201) | 32 | | (6,799) |
| | | (568,339) | (23,721) | 2,715 | | (589,345) |
| Net book value | | 620,060 | (7,954) | (119) | | 611,987 |

**All amounts in thousands of reais unless otherwise stated**

| | December 31, 2015 Cost | Additions per acquisitions | Additions | Disposals | Reclassification | March 31, 2016 Cost |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Land | 19,373 | | | | | 19,373 |
| Buildings | 135,010 | 148 | 140 | | 828 | 136,126 |
| Third-parties' properties improvements | 217,109 | | 691 | | 4,764 | 222,564 |
| Furniture and utensils | 97,042 | 158 | 1,925 | (89) | (41) | 98,995 |
| Computers and peripherals | 156,778 | 54 | 146 | (102) | | 156,876 |
| Machinery and equipment | 101,303 | 153 | 1,133 | (3) | | 102,586 |
| Physical/ hospital activities equipment | 48,201 | 141 | 668 | (3) | | 49,007 |
| Library | 138,397 | 142 | 734 | | 80 | 139,353 |
| Facilities | 42,025 | 58 | 2,828 | | 171 | 45,082 |
| Tablets | 47,019 | | | (7) | | 47,012 |
| Construction in progress | 31,575 | | 6,030 | | (5,592) | 32,013 |
| Demobilization | 11,627 | | | | | 11,627 |
| Others | 12,116 | | 8 | | | 12,124 |
| | 1,057,575 | 854 | 14,303 | (204) | 210 | 1,072,738 |

| | Depreciation rates | Depreciation | Additions per acquisitions | Additions | Disposals | Reclassification | Depreciation |
|---|---|---|---|---|---|---|---|
| Depreciation | | | | | | | |
| Buildings | 1.67% p.a. | (49,794) | (7) | (548) | | | (50,349) |
| Third-parties' properties improvements | 11.11% p.a. | (118,886) | | (5,564) | | | (124,450) |
| Furniture and utensils | 8.33% p.a. | (51,546) | (18) | (2,611) | 7 | 9 | (54,159) |
| Computers and peripherals | 25% p.a. | (109,376) | (13) | (4,564) | 300 | | (113,653) |
| Machinery and equipment | 8.33% p.a. | (66,129) | (18) | (3,949) | 1,226 | | (68,870) |
| Physical/ hospital activities equipment | 6.67% p.a. | (18,516) | (16) | (635) | 2 | | (19,165) |
| Library | 5% p.a. | (59,351) | (17) | (1,460) | 21 | (14) | (60,821) |
| Facilities | 8.33% p.a. | (12,331) | (7) | (872) | | (9) | (13,219) |
| Tablets | 20% p.a. | (18,731) | | (2,225) | 2 | | (20,954) |
| Demobilization | 14.44% p.a. | (10,550) | | (68) | | | (10,618) |
| Others | | (6,445) | | (218) | | | (6,663) |
| | | (521,655) | (96) | (22,714) | 1,558 | (14) | (542,921) |
| Net book value | | 535,920 | 758 | (8,411) | 1,354 | 196 | 529,817 |

As mentioned in Note 11, certain assets acquired through financing were used as a financing guarantee, The Company and its Subsidiaries have not pledged any other of its properties to secure transactions.

Machinery and It equipment include the following amounts where the Group is a lessee under a finance lease:

| | Depreciation rates | December 31, 2016 Cost | Additions | Disposals | March 31, 2017 Cost |
|---|---|---|---|---|---|
| Cost | | | | | |
| Finance leases capitalized | | 121,008 | | (1,158) | 119,850 |
| | | 121,008 | | (1,158) | 119,850 |
| | **Depreciation rates** | **Depreciation** | **Additions** | **Disposals** | **Depreciation** |
| Depreciation | | | | | |
| Finance leases capitalized | 25% p.a. | (57,523) | (5,381) | 1,158 | (61,746) |
| | | (57,523) | (5,381) | 1,158 | (61,746) |
| Net book value | | 63,485 | (5,381) | | 58,104 |

**All amounts in thousands of reais unless otherwise stated**

The Group leases various vehicles and machinery under non-cancelable lease agreements. The lease terms are between three to four years, after which the ownership of the assets is transferred to the Group, All the Group's leases are recognized by the operation's net present value.

## 11 Borrowings

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| **Type** | **Financial charges** | **March 31, 2017** | **December 31, 2016** | **March 31, 2017** | **December 31, 2016** |
| **In local currency** | | | | | |
| Lease agreements – Colortel | INPC + 0.32% p.a. | | | 31,614 | 34,488 |
| Lease agreements – Assist | INPC p.a. | | | 3,114 | 3,474 |
| Lease agreements – Total Service | IGPI-DI/FGV p.a. | | | 31 | 38 |
| Lease agreements – Springer | IGPM + 1% p.a. | | | 42 | 42 |
| Lease agreements – Bayde | IGPI-DI/FGV p.a. | | | 90 | 313 |
| Lease agreements – Bradesco | 1.14% p.m. | | | | 15 |
| Leasing IBM | CDI Over p.d. + 2% p.m. | | | 29,536 | 29,885 |
| Borrowing – IFC | CDI +1.53% p.a. | 39,605 | 40,576 | 39,605 | 40,576 |
| Funding cost of IFC | | (1,535) | (7,414) | (1,535) | (7,414) |
| Second issue of debentures | CDI + 1.18% p.a. | 319,159 | 308,853 | 319,159 | 308,853 |
| Third issue of debentures | 112% CDI p.a. | 187,381 | 194,259 | 187,381 | 194,259 |
| Fourth issue of debentures | CDI +1.50% p.a. | 104,300 | 100,853 | 104,300 | 100,853 |
| Funding cost of debentures | | (1,846) | (2,023) | (1,846) | (2,023) |
| Borrowing – FEE BNB | 3% p.a. | | | 224 | 448 |
| Borrowing – Banco da Amazônia | 9.5% p.a. | | | 10,518 | 10,948 |
| Borrowing – FINEP | 6% p.a. | 3,104 | 3,093 | 3,104 | 3,093 |
| Promissory notes – Banco Itaú (1st Tranche) | CD1+1.50% p.a. | 185,052 | 178,935 | 185,052 | 178,935 |
| Promissory notes – Banco Itaú (2st Tranche) | CDI+1.65% p.a. | 132,259 | 127,840 | 132,259 | 127,840 |
| Funding cost of promissory notes | | (1,647) | (2,090) | (1,647) | (2,090) |
| | | 965,832 | 942,882 | 1,041,001 | 1,022,533 |
| Current liabilities | | 464,188 | 444,592 | 487,248 | 468,114 |
| Non-current liability | | 501,644 | 498,290 | 553,753 | 554,419 |
| | | 965,832 | 942,882 | 1,041,001 | 1,022,533 |

The maturity of amounts recorded in non-current liabilities at March 31, 2017 and December 31, 2016 is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **March 31, 2017** | **December 31, 2016** | **March 31, 2017** | **December 31, 2016** |
| 2018 | 309,344 | 305,990 | 310,797 | 307,882 |
| 2019 | 178,748 | 178,748 | 199,951 | 223,620 |
| 2020 | 9,275 | 9,275 | 31,432 | 11,314 |
| 2021 | 2,951 | 2,951 | 9,102 | 9,132 |
| 2022 | 430 | 430 | 1,103 | 1,103 |
| 2023 | 430 | 430 | 745 | 745 |
| 2024 | 430 | 430 | 587 | 587 |
| 2025 | 36 | 36 | 36 | 36 |
| Non-current liabilities | 501,644 | 498,290 | 553,753 | 554,419 |

The funds raised are being used to reinforce the Company's cash and to deal with the expansion and investments policy.

The Group's borrowings are denominated in Brazilian reais. The only loan in U.S, dollars was settled on March 14, 2016, on its original maturity date.

**All amounts in thousands of reais unless otherwise stated**

In March 2016, the Company entered into a loan agreement with the International Finance Corporation (IFC), in the amount in Brazilian reais equivalent to US$ 100 million, which could be used within 12 months. Of this total amount US$ 50 million related to Loan A, would be obtained with the IFC and the other half related to Loan B with Banco Santander. There was no withdrawal related to this borrowing up to March 31, 2017, and, therefore, the line of credit was cancelled.

The debentures issued are not convertible into shares and have no renegotiation clause and also do not include any type of guarantee to the creditor.

The contracts with several creditors include restrictive clauses that require the maintenance of certain financial indices with previously established parameters. At March 31, 2017 and December 31, 2016, the subsidiaries and the parent company achieved all the contractually required indices.

Without other significant fundings in the period, the contractual conditions of other effective borrowings remain unchanged compared to those presented in the financial statements at December 31, 2016.

## 12 Salaries and social charges

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | March 31, 2017 | December 31, 2016 | March 31, 2017 | December 31, 2016 |
| Salaries and social charges payable | 380 | 268 | 115,719 | 107,874 |
| Provision for vacation pay | | | 63,663 | 47,359 |
| Provision for 13th month salary | | | 21,385 | |
| | 380 | 268 | 200,767 | 155,233 |

## 13 Taxes payable

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | March 31, 2017 | December 31, 2016 | March 31, 2017 | December 31, 2016 |
| ISS payable | 5 | 5 | 18,100 | 12,208 |
| IRRF payable | 95 | 63 | 8,873 | 17,121 |
| PIS and COFINS payable | 109 | 146 | 4,614 | 2,680 |
| IOF | | | 384 | 384 |
| | 209 | 214 | 31,971 | 32,393 |
| IRPJ payable | | | 26,209 | 22,482 |
| CSLL payable | | 1 | 8,783 | 8,907 |
| | | 1 | 34,992 | 31,389 |
| | 209 | 215 | 66,963 | 63,782 |

All amounts in thousands of reais unless otherwise stated

## 14 Taxes payable in installments

| | Consolidated | |
|---|---|---|
| | March 31, 2017 | December 31, 2016 |
| IRPJ | 1,252 | 1,295 |
| CSLL | 239 | 254 |
| FGTS | 1,435 | 1,428 |
| ISS | 3,553 | 3,580 |
| PIS | 194 | 193 |
| COFINS | 1,213 | 1,202 |
| INSS | 7,136 | 7,466 |
| OTHERS | 220 | 490 |
| | 15,242 | 15,908 |
| Current liabilities | 2,995 | 3,128 |
| Non-current liability | 12,247 | 12,780 |
| | 15,242 | 15,908 |

The amount of installments is adjusted based on the Special System for Settlement and Custody (SELIC) rate on a monthly basis.

These refer basically to taxes and social security contributions payable in installments to Municipalities, the Brazilian Federal Revenue Service and Social Security, and the payment flow is as follows:

| | Consolidated | |
|---|---|---|
| | March 31, 2017 | December 31, 2016 |
| 2017 | | 629 |
| 2018 | 1,603 | 2,215 |
| 2019 | 1,868 | 1,905 |
| 2020to 2029 | 8,776 | 8,031 |
| | 12,247 | 12,780 |

## 15 Price of acquisition payable

| | Consolidated | |
|---|---|---|
| | March 31, 2017 | December 31, 2016 |
| FACITEC | 5,704 | 5,601 |
| SÃO LUIS | 18,869 | 18,416 |
| IESAM | 15,239 | 15,064 |
| LITERATUS | 5,431 | 5,490 |
| CEUT | 6,198 | 6,127 |
| FNC | 24,499 | 32,923 |
| FCAT | 4,272 | 4,222 |
| FUFS | 3,127 | 3,098 |
| | 83,339 | 90,941 |
| Real estate acquisition (i) | 32,000 | 35,000 |
| | 115,339 | 125,941 |
| Current liabilities | 55,396 | 53,565 |
| Non-current liabilities | 59,943 | 72,376 |
| | 115,339 | 125,941 |

**All amounts in thousands of reais unless otherwise stated**

(i) It refers to the commitment signed between IREP and União Norte Brasileira de Educação e Cultura - UNBEC, referring to several properties, located in the city of Fortaleza, Ceará State (Note 10b).

These basically refer to the amount payable to the former owners for the acquisition of related companies, subjected monthly to one the following rates: Special System for Settlement and Custody (SELIC), Amplified Consumer Price Index (IPCA) or the Interbank Deposit Certificate (CDI), depending on the contract.

The table below analyzes the Group's acquisition price payable into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

| | Consolidated | | | |
|---|---|---|---|---|
| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Total |
| At March 31, 2017 | | | | |
| FACITEC | 2,814 | 2,890 | | 5,704 |
| SÃO LUIS | 18,869 | | | 18,869 |
| IESAM | 2,438 | 2,438 | 10,363 | 15,239 |
| LITERATUS | 2,637 | 2,637 | 157 | 5,431 |
| CEUT | 2,964 | 2,426 | 808 | 6,198 |
| FNC | 12,250 | 12,249 | | 24,499 |
| FCAT | 1,424 | 1,424 | 1,424 | 4,272 |
| FUFS | | | 3,127 | 3,127 |
| Real estate acquisition | 12,000 | 20,000 | | 32,000 |
| | 55,396 | 44,064 | 15,879 | 115,339 |

## 16 Contingencies

The Company's subsidiaries are parties in various civil, labor and tax proceedings at different court levels, Management, based on the opinion of its external legal advisors, recorded a provision for an amount considered sufficient to cover expected losses arising from pending litigation.

At March 31, 2017 and December 31, 2016, the provision for contingencies was comprised as follows:

| | Consolidated | | | |
|---|---|---|---|---|
| | March 31, 2017 | | December 31, 2016 | |
| | Contingencies | Judicial deposits | Contingencies | Judicial deposits |
| Civil | 16,880 | 14,589 | 16,833 | 14,425 |
| Labor | 40,164 | 92,844 | 39,292 | 91,302 |
| Tax | 8,864 | 14,593 | 8,755 | 13,764 |
| | 65,908 | 122,026 | 64,880 | 119,491 |

The changes in the provision for contingencies are as follows:

| | Civil | Labor | Tax | Total |
|---|---|---|---|---|
| At December 31, 2016 | 16,833 | 39,292 | 8,755 | 64,880 |
| Additions | 3,281 | 15,633 | 109 | 19,023 |
| Reversals | (2,692) | (7,383) | | (10,075) |
| Write-offs | (542) | (7,378) | | (7,920) |
| At March 31, 2017 | 16,880 | 40,164 | 8,864 | 65,908 |

**All amounts in thousands of reais unless otherwise stated**

For the periods ended March 31, 2017 and 2016, the expense for the provision for contingencies, recognized in the statement of income as "general and administrative expenses", was as follows:

| | 2017 | 2016 |
|---|---|---|
| Composition of results | | |
| Additions | 23,634 | 4,689 |
| Reversals | (14,686) | (1,431) |
| Contingencies | 8,948 | 3,438 |
| Cost of services rendered (Note 22) | 3,526 | |
| General and administrative expenses (Note 23) | 5,498 | 3,438 |
| Finance result (Note 25) | (76) | |
| | 8,948 | 3,438 |

## (a) Civil

Most proceedings mainly involve claims for indemnity for moral and property damages arising from incorrect collections, late issue of diplomas, among other matters of an operational and/or educational nature, as well as some actions involving real estate law.

The provisions recognized for civil lawsuits are due to the following:

| Matters | Amounts |
|---|---|
| Incorrect collection | 5,125 |
| Real estate | 4,254 |
| Issue of certificates of completion/diplomas and graduation | 1,320 |
| Accreditation and cancelation of the program | 1,267 |
| Enrollment | 1,099 |
| FIES | 440 |
| System access | 282 |
| Prouni | 313 |
| Transfer | 204 |
| Success fees | 1,447 |
| Others (i) | 1,129 |
| | 16,880 |

(i) These relate to proceedings involving other operating and/or academic issues, public-interest civil actions, actions for compulsory renewal of lease contracts or for review of the rent charged and other claims for damages.

## (b) Labor

The main labor claims refer to overtime, unused vacation time, recognition of employment relationship, salary parity and salary differences arising from the decrease in the working hours of certain professors.

The provisions recognized for labor lawsuits are due to the following:

| Matters | Amounts |
|---|---|
| Salary differences + reduction of working time + FGTS + notice | 14,343 |
| Overtime + suppression Inter + Intra | 7,499 |
| Moral/property damage/moral harassment | 4,987 |
| Employer’s social security payment | 3,033 |
| Fees | 2,624 |
| Deviation from agreed position and salary equalization | 2,168 |
| Fines (Article 467 CLT, article 477 CLT and CCT/ACT) | 721 |
| Correction CTPS + indirect repeal + recognition of employment relationship | 444 |
| Allowances (health hazards/night shift pay/improvement/length of service/risk premium) | 386 |
| Tenure | 231 |
| Vacation pay | 223 |
| Success fees | 331 |
| Others (i) | 3,174 |

**All amounts in thousands of reais unless otherwise stated**

| | |
|---|---|
| | 40,164 |

(i) Other claims in addition to those listed above (resulting from them) and union fees.

## (c) Tax

The tax proceedings mainly relate to tax immunity, escalation of social security contributions arising from PROUNI and exclusion of scholarships from the ISS calculation basis.

The provisions related to tax proceedings are as follows:

| Matters | Amounts |
|---|---|
| Services Tax | 72 |
| Social security related fine | 206 |
| Success fees | 8,586 |
| | 8,864 |

## (d) Possible losses, not provided for in the balance sheet

The Company has the following tax, civil and labor litigation involving risks of loss classified by management as possible, based on the evaluation of the legal advisors. In accordance with this risk assessment and the provision-related criteria adopted by the Company, certain contingencies are not provided for, as follows:

| | Consolidated | |
|---|---|---|
| | March 31, 2017 | December 31, 2016 |
| Civil | 169,371 | 165,518 |
| Labor | 118,606 | 121,726 |
| Tax | 471,729 | 465,220 |
| | 759,706 | 752,464 |

Among the main proceedings not provided for in the financial statements, we highlight:

| Civil Matters | Amounts |
|---|---|
| Real Estate | 52,705 |
| Improper Collection | 26,287 |
| FIES | 24,429 |
| Issuance of Completion and Graduation Certificate/Diploma | 13,343 |
| Enrollment | 3,547 |
| Transfer | 3,734 |
| Accreditation and Cancellation of Program | 2,295 |
| PROUNI | 1,067 |
| System Access | 1,041 |
| Others (i) | 40,923 |
| | **169,371** |

(i) These relate to proceedings involving other operating and/or academic issues, public-interest civil actions, actions for compulsory renewal of lease contracts or for review of the rent charged and other claims for damages.

**All amounts in thousands of reais unless otherwise stated**

| **Labor Matters** | **Amounts** |
|---|---|
| Salary differences + Decrease in working hours + Government Severance Indemnity Fund for Employees (FGTS) + Overtime | 32,383 |
| Notice + Elimination of breaks between and during work shifts | 17,596 |
| Cota Social Security | 13,218 |
| Deviation from agreed position and salary equalization | 11,066 |
| Pain and suffering/material damages/workplace harassment | 4,936 |
| Penalties (ART. 467 CLT, ART. 477 CLT E CCT/ACT) | 2,799 |
| Fees | 2,135 |
| Other (health hazard/night-shift/improvement/years of service/risk) | 1,995 |
| Job Stability | 929 |
| Vacation | 854 |
| Work Card Adjustment + Indirect Termination + Recognition of employment relationship | 431 |
| Others (i) | 30,264 |
| | **118,606** |

(i) Other claims resulting from those described above and union fees.

(1) The Brazilian Federal Revenue Secretariat (RFB), as regards SESES, assessed the Company based on alleged social security contribution liabilities related to the period from January 2006 to January 2007 and failure to comply with record-keeping and reporting obligations. These tax assessment notices mainly challenge the fulfillment of the legal requirements to qualify SESES as a non-profit welfare entity and its related right to exemption from social security contributions, a condition that was met until February 9, 2007. The respective protest letters were submitted on September 22, 2011, in which SESES, in general terms, stated that it had always fully complied with all legal requirements for enjoyment of the right to exemption of such social security contributions up to the date of transformation of its legal nature. In August 2012, SESES was notified with respect to the decision issued at an appellate level, which partially granted the points presented in our protest letters, and recognized the loss of procedural right and excluded from the assessments the amounts related to the period from January 2006 to July 2006; the remaining arguments of the tax authorities were maintained. A Voluntary Appeal was filed by SESES on September 27, 2012. The case was placed on docket to be judged on January 28, 2016. On January 28, 2016, the appeal was removed from docket and the judgment postponed to February 15, 2016, and was again removed from docket on that date. On September 20, 2016, the case records were assigned to Member Carlos Alberto do Amaral Azerado. Currently, the Company is awaiting the placement of the appeal on docket for judgment. The amount involved is R$ 227,049. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

(2) In 2009, SESES filed a common civil action against the Federal Government/Federal Tax Authorities, through which it claims authorization to pay the social security contributions, according to the graduation provided by Article 13 of Law 11,096/05 ("PROUNI Law"), with the beginning of the graduation as from the 1st month that a general meeting took place that authorized the change of its legal nature to a company for profit, in February 2007, consequently resulting in the following gradation for the payment of the social security contributions by SESES: 20% in 2007; 40% in 2008; 60% in 2009; 80% in 2010; and 100% in 2011, notwithstanding the understanding of INSS inspectors, who claim that the five-year period for application of the escalated rates as defined in Article 13 of the PROUNI Law should start to be counted as from the date of publication of such Law, which occurred in 2005. On August 7, 2012, the Federal Regional Court (TRF) favorably judged the Company's appeal. According to the mentioned decision, the enjoyment begins as from the date of the Stockholders' Meeting that changed the legal nature of SESES and not the publication date of the Prouni Act. On August 9, 2015, the appeal to the High Court of Justice (STJ) filed by the Federal Tax Authorities was rejected. Currently, the suit is awaiting judgment of the appeal filed by Federal Tax Authorities. The outside legal advisors assessed this case as a possible loss and the estimated amount involved is R$ 17,857.

**All amounts in thousands of reais unless otherwise stated**

(3) Given the divergence of understanding of Article 13 of Law 11,096/05 ("PROUNI Act"), as mentioned in item (ii) above, Tax Foreclosures were issued by the National Treasury aimed at the judicial recovery of debts related to the alleged differences in payments of social security contributions. Embargoes were imposed on these executions, which are still being tried. The total amount involved is R$ 116,356. According to the opinion of the external legal advisors, the risk of loss in these cases remains possible.

(4) Tax collection proceeding assigned by the Municipality of Niterói, in connection with the issue of a tax assessment notice on September 29, 2009, whereby the Municipality of Niterói is charging SESES the Services Tax (ISS) for the period from January 2004 to January 2007, considering the suspension of the immunity from taxation by the municipal public administration as a result of the alleged non-compliance with requirements for enjoyment of the benefits provided for in article 14 of the Brazilian Tax Code (CTN), that is, because it allegedly has not submitted to tax authorities relevant tax/accounting records, as established in the legislation in force. A motion to stay execution was filed on September 16, 2013, which is pending judgment. The total amount involved is R$ 32,070. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

(5) Originally, it is a Tax Proceeding Order aiming at determining social security contribution liabilities in connection with an alleged non-compliance with a principal tax liability related to the period from February 2007 to December 2017. The Company filed a related protest letter. A decision was issued by the 13th panel of the regional RFB division office (DRJ/RJ1), which partially granted the points presented in our protest letter, and approved the rectification suggested by the tax authority in the tax assessment notices No. 37.273.022-1 and No. 37.273.023-0. The Company filed a Voluntary Appeal requesting the cancellation of the tax assessment notices concerned claiming that they were clearly groundless. The Voluntary Appeal was deemed partially valid, and considered the percentage of union dues at the rate of 20% as from the month in which the Company changed from non-profit entity to entrepreneurial company. The Company filed an appeal for resolution of this conflict on June 23, 2016, which is pending judgment by the High Court of Tax Appeals (CSRF). The total amount involved is R$ 53,105. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

## 17 Equity

### (a) Share capital

Capital may be increased by the Board of Directors, regardless of any amendment to the bylaws, up to the limit of 1,000,000,000 shares. At December 31, 2016, share capital is represented by 317,896,418 common shares.

The Company's shareholding structure at March 31, 2017 and December 31, 2016 is as follows:

| | **Common shares** | | | |
|---|---|---|---|---|
| **Stockholders** | **March 31, 2017** | **%** | **December 31, 2016** | **%** |
| Officers and directors | 471,671 | 0.1 | 473,031 | 0.1 |
| Treasury | 9,498,058 | 3.0 | 9,498,058 | 3.0 |
| Others (i) | 307,926,689 | 96.9 | 307,925,329 | 96.9 |
| | 317,896,418 | 100 | 317,896,418 | 100 |

(i) *Free float*

At the Annual and Extraordinary General Meeting held on April 27, 2016, a capital increase in the amount of R$ 55,330 was approved, which exceeded the Company's revenue reserves, as provided for by article 199 of Law 6,404/76 and article 29, letter "e" of the Company's bylaws.

**All amounts in thousands of reais unless otherwise stated**

At the Board of Directors' meeting held on April 29, 2016, the private issue of 493,518 nominative common shares was approved, with no par value, which resulted in the consequent increase of the Company's capital by R$ 3,807, within the limit of the authorized capital, in order to meet the exercise of options granted to the beneficiaries of the stock option plan.

At the Board of Directors' meeting held on September 14, 2016, the private issue of 717,901 nominative common shares was approved, with no par value, which resulted in the consequent increase of the Company's capital by R$ 6,747, within the limit of the authorized capital, in order to meet the exercise of options granted to the beneficiaries of the stock option plan.

### (b) Changes in shares

There were no changes in share capital during the quarter ended March 31, 2017. Share capital amounts to R$ 317,896,418.

### (c) Treasury shares

At the Board of Directors' Meeting on August 6, 2015, the Board approved the 4th Program for Repurchase of the Company's shares on the stock exchange, up to 9,500,550 common shares, equivalent to 3,00% of the Company's capital. This program was closed on July 29, 2016 and 1,468,400 (one million, four hundred sixty-eight thousand and four hundred) common shares were acquired, which is equivalent to 15.46% of the total shares estimated to be included in the Program.

| | Number | Average cost | Balance |
|---|---|---|---|
| Treasury shares at March 31, 2017 | 9,498,058 | 15.42 | 146,430 |

### (d) Capital reserves

### (d.1) Share premium

The share premium reserve refers to the difference between the subscription price that the stockholders pay for the shares and their par value. Since this is a capital reserve, it can only be used to increase capital, offset losses, redeem, reimburse or purchase shares or pay cumulative dividends on preferred shares.

The amount of the share premium in the quarterly information at March 31, 2017 and December 31, 2016 is as follows:

| | Parent company | |
|---|---|---|
| | March 31, 2017 | December 31, 2016 |
| Tax reserve | 3 | 3 |
| Undistributed profits (i) | 96,477 | 96,477 |
| Special reserve for goodwill on merger | 85 | 85 |
| Share premium | 498,899 | 498,899 |
| | 595,464 | 595,464 |

(i) Profits earned prior to the Company's conversion into a profit-oriented company.

The premium on issue of shares is represented as follows:

| | March 31, 2017 |
|---|---|
| Subscription of 17,853,127 shares | (23,305) |
| Amount paid for the 17,853,127 shares | 522,204 |

**All amounts in thousands of reais unless otherwise stated**

| | |
|---|---|
| Share premium | 498,899 |

### (d.2) Options granted and Long-term incentive

The Company recorded the Capital Reserve for Stock Options granted and long-term incentive, as mentioned in Note 19 (b). As required by the applicable technical accounting pronouncement, the fair value of options was determined on the grant date and has been recognized over the vesting period up to the date of this parent company and consolidated financial statements.

### (e) Revenue reserves

On December 31, 2016, from the results accumulated by the Company, R$ 262,273 was allocated to the profit retention reserve (2015 - R$ 247,825) to finance the investments expected in the Company's capital budget, prepared by management, was approved at the Annual General Meeting of Stockholders held on March 14, 2017.

### (e.1) Profit reserve surplus

According to Article 199 of the Corporation Law, the sum of the profit reserves cannot be higher than the Company’s capital. Accordingly, at the general meeting to be held on April 27, 2016, management will propose a capital increase of R$ 55,330.

## 18 Financial instruments and sensitivity analysis of financial assets and liabilities

The Company's financial assets and liabilities at March 31, 2017 and December 31, 2016, are recorded in the balance sheet at amounts that are consistent with those prevailing in the market, Information about the criteria, assumptions and limitations used in the market value calculations did not change in relation to the information related to the financial statements for the year ended December 31, 2016.

### 18.1 Financial risk factors

All operations of the Group are carried out with prime banks, which minimizes risks, Management records a provision for impairment of receivables at an amount considered sufficient to cover possible losses on the collection of receivables; the risk of incurring losses on billed amounts is duly measured and accounted for. The main market risk factors that affect the Group's business are as follows:

### (a) Credit risk

This risk relates to any difficulties experienced in collecting amounts for services rendered.

The Group is also subject to credit risk from its financial investments.

The credit risk relating to the rendering of services is minimized by a strict control of the student base and active management of default levels and dispersion of balances.

With respect to the credit risk associated with financial institutions, the Company and its subsidiaries operate in accordance with the financial investments and derivatives policy approved by the Board of Directors. The balances of cash and cash equivalents, marketable securities and judicial deposits are held at financial institutions with AA to AAA credit rating according to the credit rating agencies Standard & Poor's, Fitch and Moody's.

### (b) Interest rate risk

**All amounts in thousands of reais unless otherwise stated**

The Group is exposed to fluctuations in the Interbank Deposit Certificate (CDI) rate, which is used to adjust the balance of its short-term investments and debts, Additionally, any increase in interest rates could drive up the cost of student loans, including loans under the FIES and PRAVALER program, and reduce the demand for the courses.

### (c) Foreign exchange rate risk

The Group's income is not subject to changes due to exchange rate volatility, because the Group has not carried out significant transactions in foreign currency.

At March 31, 2017, the Company has not recorded any position in derivatives. Its exposure to foreign exchange risk mainly related to the loan in US dollars, which was hedged by the swap transaction and was settled on March 14, 2016, on its original maturity date.

### (d) Liquidity risk

Liquidity risk consists of the possibility that the Group may not have sufficient funds to meet its financial commitments due to the different settlement terms of its rights and obligations.

The Group's liquidity and cash flow control is monitored on a daily basis by the Group's financial management department, in order to ensure that cash flows from operations and funding, when necessary, are sufficient to meet its commitment schedule, not generating liquidity risks for the Group. There was no significant change in the financial liabilities of the Group as at March 31, 2017 compared to December 31, 2016.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The Company has been implementing measures to reverse the Parent company's net working capital, such as: effective control of expenses and review of non-priority investments, in order to achieve the economic and financial balance in the short and medium terms.

| | | | | Consolidated |
|---|---|---|---|---|
| | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** |
| At March 31, 2017 | | | | |
| Trade payables | 66,152 | | | |
| Borrowings | 487,248 | 385,441 | 216,883 | 2,386 |
| Finance lease liabilities | 21,112 | 19,169 | 24,146 | |
| Price of acquisition payable | 55,473 | 46,642 | 17,811 | |
| Related parties | 566 | | | |
| At December 31, 2016 | | | | |
| Trade payables | 66,138 | | | |
| Borrowings | 468,114 | 393,757 | 221,138 | 2,879 |
| Finance lease liabilities | 21,336 | 11 | 42,834 | 4,058 |
| Price of acquisition payable | 53,661 | 48,101 | 33,432 | |
| Related parties | 633 | | | |

### (e) Sensitivity analysis

CVM Resolution 550, of October 17, 2008, establishes that publicly-held companies must disclose, in a specific note, qualitative and quantitative information on all their financial instruments, recognized or not as assets or liabilities in their balance sheet.

The financial instruments of the Group comprise cash and cash equivalents, trade receivables, judicial deposits and borrowings. These instruments are recognized at fair value plus earnings and charges incurred, which approximate market values at March 31, 2017 and December 31, 2016.

**All amounts in thousands of reais unless otherwise stated**

The main risks to the Group's operations refer to changes in the CDI (Interbank Deposit Certificate) rate.

CVM Instruction 475, of December 17, 2008, requires the presentation of information on financial instruments, in a specific note, as well as disclosure of the sensitivity analysis.

With respect to borrowings in Brazilian reais, these refer to transactions for which the carrying amount approximates their market value.

Investments at the Interbank Deposit Certificate (CDI) rate are recorded at fair value, in accordance with quotations disclosed by the respective financial institutions, most of the other investments refer to bank deposit certificates and repurchase agreements and, therefore, the value recorded for these securities does not differ from the market value.

For purposes of verifying the sensitivity of the index in the financial investments to which the Company was exposed on the base date of March 31, 2017, three different scenarios were defined. Based on the CDI rate officially published by CETIP on March 31, 2017 (12,13% p.a.), this rate was used as the probable scenario for the year. Rate changes of 25% and 50% were then calculated.

For each scenario, the “gross financial revenue and financial expenses" were calculated, disregarding the effect of taxes on the investment yields. The base date used for the portfolio was March 31, 2017, with projections for one year and verification of the sensitivity of the CDI for each scenario.

| | | **CDI increase scenario** | | |
|---|---|---|---|---|
| **Transactions** | **Risk** | **Probable Scenario (I)** | **Scenario (II)** | **Scenario (III)** |
| Financial investments | CDI | 12.13% | 15.16% | 18.19% |
| R$ 390,148 | | 47,325 | 59,156 | 70,987 |
| Debentures II | CDI+1.18 | 13.45% | 16.52% | 19.59% |
| R$ 319,159 | | (42,937) | (52,729) | (62,522) |
| Debentures III | 112% CDI | 13.68% | 17.13% | 20.59% |
| R$ 187,381 | | (25,635) | (32,097) | (38,580) |
| Debentures IV | CDI+1.50 | 13.81% | 16.89% | 19.97% |
| R$ 104,300 | | (14,406) | (17,616) | (20,826) |
| IFC I | CDI+1.53 | 13.85% | 16.92% | 20.00% |
| R$ 27,294 | | (3,779) | (4,619) | (5,460) |
| IFC II | CDI+1.69 | 14.02% | 17.11% | 20.19 |
| R$ 12,311 | | (1,727) | (2,106) | (2,486) |
| Promissory notes (1st Tranche) | CDI+1.50 | 13.81% | 16.89% | 19.97% |
| R$ 185,052 | | (25,559) | (31,255) | (36,951) |
| Promissory notes (2st Tranche) | CDI+1.65 | 13.98% | 17.06% | 20.15% |
| R$ 132,259 | | (18,490) | (22,567) | (26,644) |
| **Net position** | | (85,208) | (103,833) | (122,482) |

**All amounts in thousands of reais unless otherwise stated**

| Transactions | Risk | Probable Scenario (I) | Scenario (II) | Scenario (III) |
|---|---|---|---|---|
| | | **CDI increase scenario** | | |
| Financial investments | CDI | 12.13% | 9.10% | 6.06% |
| R$ 390,148 | | 47,325 | 35,493 | 23,662 |
| Debentures II | CDI+1.18 | 13.45% | 10.38% | 7.32% |
| R$ 319,159 | | (42,937) | (33,144) | (23,351) |
| Debentures III | 112% CDI | 13.68% | 10.24% | 6.82% |
| R$ 187,381 | | (25,635) | (19,194) | (12,774) |
| Debentures IV | CDI+1.50 | 13.81% | 10.73% | 7.66% |
| R$ 104,300 | | (14,406) | (11,195) | (7,985) |
| IFC I | CDI+1.53 | 13.85% | 10.77% | 7.69% |
| R$ 27,294 | | (3,779) | (2,939) | (2,098) |
| IFC II | CDI+1.69 | 14.02% | 10.94% | 7.86% |
| R$ 12,311 | | (1,727) | (1,347) | (967) |
| Promissory notes (1st Tranche) | CDI+1.50 | 13.81% | 10.73% | 7.66% |
| R$ 185,052 | | (25,559) | (19,863) | (14,167) |
| Promissory notes (2st Tranche) | CDI+1.65 | 13.98% | 10.90% | 7.82% |
| R$ 132,259 | | (18,490) | (14,413) | (10,336) |
| **Net position** | | (85,208) | (66,602) | (48,016) |

## (f) Capital management

The Company's debt in relation to the share capital at the end of the period is presented by the consolidated data as follows:

| | Consolidated March 31, 2017 | Consolidated December 31, 2016 |
|---|---|---|
| Total liabilities | 1,041,001 | 1,022,533 |
| (-) Cash and cash equivalents | (67,934) | (58,340) |
| Net debt | 973,067 | 964,193 |
| Equity | 2,559,513 | 2,434,673 |
| Net debt on equity | 0.38 | 0.40 |

## (g) Fair value of financial instruments

At March 31, 2017 and December 31, 2016, the carrying values of the Company's financial instruments approximate their fair value.

The Group's financial instruments were classified as loans and receivables or other financial liabilities, except marketable securities (Note 3), classified as securities held for trading (Level 2).

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1, Instruments included in Level 1 comprise primarily equity investments of IBOVESPA 50 classified as trading or available-for-sale securities.
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter

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derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on Group-specific estimates. If all significant information required to fair value an instrument are adopted by the market, the instrument will be included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

### (h) Offsetting of financial instruments

There were no significant assets or liabilities subject to offset at March 31, 2017 and December 31, 2016.

## 19 Management compensation

### (a) Compensation

For the periods ended March 31, 2017 and 2016, total compensation (salaries and profit sharing) paid to the Company's directors, officers and main executives amounted to R$ 2,121 and R$ 2,033, respectively. These amounts are within the limits established at the corresponding General Meetings of Stockholders.

The Company and its subsidiaries do not grant post-employment benefits, employment termination benefits or other long-term benefits to its management and employees (except for the stock option plan described in Note 19(b).

### (b) Stock option plan

The history and the details of the stock option plans did not change in relation to the information included in the financial statements at December 31, 2016.

At March 31, 2017, the number of options granted which were exercised totaled 10,556,842 (R$ 80,086), and the total shares granted amounted to 17,563,802 (R$ 166,620).

Total options granted which were exercised in the most recent quarters are as follows:

| | **Exercised options** |
|---|---:|
| December 31, 2015 | 9,305,555 |
| March 31, 2016 | 9,305,555 |
| June 30, 2016 | 9,838,941 |
| September 30, 2016 | 10,556,842 |
| December 31, 2016 | 10,556,842 |
| March 31, 2017 | 10,556,842 |

As from 2013, the Company started to use for the calculation of the fair value of the options of each grant the Binomial model, but the old grants will not be changed, according to the standards established by Technical Pronouncement CPC 10, which will continue being calculated by the Black and Scholes model.

The assumptions used to determine each grant, based on the Black-Scholes model, are described as follows:

**All amounts in thousands of reais unless otherwise stated**

| Program | End of grace period | Expiration date | Fair Value | Price of the underlying asset (i) | Expected Annual Volatility | Expected Dividendss | Risk-free interest risk | Estimated life (years) | Number of options granted | Number of lapsed options |
|---|---|---|---|---|---|---|---|---|---|---|
| Program 1P Jul/08 | 4/15/2009 | 4/15/2019 | R$ 2.36 | R$ 8.06 | 57.49% | 0.97% | 6.85% | 10 | 703,668 | 509,100 |
| Program 1P Jul/08 | 4/15/2010 | 4/15/2020 | R$ 3.15 | R$ 8.06 | 57.49% | 0.97% | 6.85% | 10 | 703,626 | 538,176 |
| Program 1P Jul/08 | 4/15/2011 | 4/15/2021 | R$ 3.69 | R$ 8.06 | 57.49% | 0.97% | 6.85% | 10 | 703,626 | 552,720 |
| Program 1P Jul/08 | 4/14/2012 | 4/14/2022 | R$ 4.37 | R$ 8.06 | 57.49% | 0.97% | 6.85% | 10 | 703,626 | 552,720 |
| Program 1P Jul/08 | 4/14/2013 | 4/14/2023 | R$ 3.71 | R$ 8.06 | 57.49% | 0.97% | 6.85% | 10 | 703,626 | 552,720 |
| Program 1P Jul/08 Cons. | 4/15/2009 | 7/11/2018 | R$ 2.35 | R$ 8.06 | 57.49% | 0.97% | 6.85% | 9 | 60,000 | 30,000 |
| Program 1P Jul/08 Cons. | 4/15/2010 | 7/11/2018 | R$ 3.14 | R$ 8.06 | 57.49% | 0.97% | 6.85% | 8 | 60,000 | 30,000 |
| Program 1P Sep/08 | 4/15/2009 | 4/15/2019 | R$ 0.47 | R$ 7.93 | 56.00% | 1.62% | 8.42% | 10 | 663,645 | 0 |
| Program 1P Sep/08 | 4/15/2010 | 2/15/2020 | R$ 1.12 | R$ 7.93 | 56.00% | 1.62% | 8.42% | 9 | 663,633 | 399,999 |
| Program 1P Sep/08 | 4/15/2011 | 4/15/2021 | R$ 1.55 | R$ 7.93 | 56.00% | 1.62% | 8.42% | 10 | 663,633 | 399,999 |
| Program 1P Sep/08 | 4/14/2012 | 4/14/2022 | R$ 1.78 | R$ 7.93 | 56.00% | 1.62% | 8.42% | 10 | 663,633 | 399,999 |
| Program 1P Sep/08 | 4/14/2013 | 4/14/2023 | R$ 2.08 | R$ 7.93 | 56.00% | 1.62% | 8.42% | 10 | 663,633 | 399,999 |
| Program 1P Jan/09 | 4/15/2010 | 4/15/2020 | R$ 0.57 | R$ 7.90 | 63.99% | 1.72% | 6.83% | 10 | 90,915 | 18,180 |
| Program 1P Jan/09 | 4/15/2011 | 4/15/2021 | R$ 1.21 | R$ 7.90 | 63.99% | 1.72% | 6.83% | 10 | 90,909 | 72,729 |
| Program 1P Jan/09 | 4/14/2012 | 4/15/2022 | R$ 1.62 | R$ 7.90 | 63.99% | 1.72% | 6.83% | 10 | 90,909 | 72,729 |
| Program 1P Jan/09 | 4/14/2013 | 4/15/2023 | R$ 1.92 | R$ 7.90 | 63.99% | 1.72% | 6.83% | 10 | 90,909 | 72,729 |
| Program 1P Jan/09 | 4/14/2014 | 4/15/2024 | R$ 2.11 | R$ 7.90 | 63.99% | 1.72% | 6.83% | 10 | 90,909 | 72,729 |
| Program 1P Jan/09 Cons. | 4/15/2010 | 1/13/2019 | R$ 0.57 | R$ 7.91 | 63.99% | 1.72% | 6.83% | 8 | 1,363,635 | 0 |
| Program 1P Jan/09 Cons. | 4/15/2011 | 1/13/2019 | R$ 1.21 | R$ 7.91 | 63.99% | 1.72% | 6.83% | 7 | 1,363,635 | 0 |
| Program 1P Sep/09 | 4/15/2010 | 4/15/2020 | R$ 1.78 | R$ 8.02 | 56.75% | 1.13% | 5.64% | 10 | 174,582 | 0 |
| Program 1P Sep/09 | 4/15/2011 | 2/15/2021 | R$ 2.51 | R$ 8.02 | 56.75% | 1.13% | 5.64% | 9 | 174,537 | 32,727 |
| Program 1P Sep/09 | 4/14/2012 | 4/14/2022 | R$ 3.00 | R$ 8.02 | 56.75% | 1.13% | 5.64% | 10 | 174,537 | 32,727 |
| Program 1P Sep/09 | 4/14/2013 | 4/14/2023 | R$ 3.40 | R$ 8.02 | 56.75% | 1.13% | 5.64% | 10 | 174,537 | 32,727 |
| Program 1P Sep/09 | 4/14/2014 | 4/14/2024 | R$ 3.62 | R$ 8.02 | 56.75% | 1.13% | 5.64% | 10 | 174,537 | 101,814 |
| Program 1P Jan/10 | 4/15/2011 | 4/15/2021 | R$ 2.96 | R$ 8.01 | 63.15% | 0.93% | 6.23% | 10 | 89,112 | 10,914 |
| Program 1P Jan/10 | 4/14/2012 | 4/14/2022 | R$ 3.78 | R$ 8.01 | 63.15% | 0.93% | 6.23% | 10 | 89,088 | 38,181 |
| Program 1P Jan/10 | 4/14/2013 | 4/14/2023 | R$ 4.34 | R$ 8.01 | 63.15% | 0.93% | 6.23% | 10 | 89,088 | 38,181 |
| Program 1P Jan/10 | 4/14/2014 | 4/14/2024 | R$ 4.76 | R$ 8.01 | 63.15% | 0.93% | 6.23% | 10 | 89,088 | 52,728 |
| Program 1P Jan/10 | 4/14/2015 | 4/14/2025 | R$ 5.03 | R$ 8.01 | 63.15% | 0.93% | 6.23% | 10 | 89,088 | 52,728 |
| Program 1P Mar/10 | 4/15/2011 | 4/15/2021 | R$ 2.43 | R$ 7.88 | 62.20% | 1.01% | 6.21% | 10 | 90,909 | 0 |
| Program 1P Mar/10 | 4/14/2012 | 4/14/2022 | R$ 3.23 | R$ 7.88 | 62.20% | 1.01% | 6.21% | 10 | 90,909 | 0 |
| Program 1P Mar/10 | 4/14/2013 | 4/14/2023 | R$ 3.77 | R$ 7.88 | 62.20% | 1.01% | 6.21% | 10 | 90,909 | 0 |
| Program 1P Mar/10 | 4/14/2014 | 4/14/2024 | R$ 4.18 | R$ 7.88 | 62.20% | 1.01% | 6.21% | 10 | 90,909 | 0 |
| Program 1P Mar/10 | 4/14/2015 | 4/14/2025 | R$ 4.43 | R$ 7.88 | 62.20% | 1.01% | 6.21% | 10 | 90,909 | 0 |
| Program 2P Mar/10 | 4/15/2011 | 4/15/2021 | R$ 2.52 | R$ 9.00 | 60.71% | 1.62% | 6.30% | 10 | 140,625 | 0 |
| Program 2P May/10 | 4/15/2012 | 4/15/2015 | R$ 2.52 | R$ 9.00 | 60.71% | 1.62% | 6.30% | 3 | 140,625 | 140,625 |
| Program 2P May/10 | 4/14/2013 | 4/14/2023 | R$ 2.52 | R$ 9.00 | 60.71% | 1.62% | 6.30% | 10 | 140,625 | 140,625 |
| Program 2P May/10 | 4/14/2014 | 4/14/2024 | R$ 2.52 | R$ 9.00 | 60.71% | 1.62% | 6.30% | 10 | 140,625 | 140,625 |
| Program 2P May/10 | 4/14/2015 | 4/14/2025 | R$ 2.52 | R$ 9.00 | 60.71% | 1.62% | 6.30% | 10 | 140,625 | 140,625 |
| Program 2P Jul/10 | 4/15/2011 | 4/15/2021 | R$ 1.37 | R$ 8.83 | 58.84% | 1.52% | 6.25% | 10 | 129,702 | 39,063 |
| Program 2P Jul/10 | 4/14/2012 | 4/14/2022 | R$ 2.19 | R$ 8.83 | 58.84% | 1.52% | 6.25% | 10 | 129,684 | 39,063 |
| Program 2P Jul/10 | 4/14/2013 | 4/14/2023 | R$ 2.72 | R$ 8.83 | 58.84% | 1.52% | 6.25% | 10 | 129,684 | 48,438 |
| Program 2P Jul/10 | 4/14/2014 | 4/14/2024 | R$ 3.12 | R$ 8.83 | 58.84% | 1.52% | 6.25% | 10 | 129,684 | 48,438 |
| Program 2P Jul/10 | 4/14/2015 | 4/14/2025 | R$ 3.36 | R$ 8.83 | 58.84% | 1.52% | 6.25% | 10 | 129,684 | 60,936 |
| Program 2P Nov/10 Cons. | 4/15/2011 | 11/3/2020 | R$ 2.48 | R$ 8.56 | 57.60% | 1.52% | 5.88% | 9 | 30,000 | 0 |
| Program 2P Nov/10 Cons. | 4/14/2012 | 11/3/2020 | R$ 3.34 | R$ 8.56 | 57.60% | 1.52% | 5.88% | 8 | 30,000 | 0 |
| Program 3P Jan/11 | 4/15/2012 | 4/15/2022 | R$ 1.99 | R$ 10.31 | 56.55% | 1.14% | 5.79% | 10 | 183,861 | 10,170 |
| Program 3P Jan/11 | 4/14/2013 | 4/14/2023 | R$ 3.02 | R$ 10.31 | 56.55% | 1.14% | 5.79% | 10 | 183,807 | 35,592 |
| Program 3P Jan/11 | 4/14/2014 | 4/14/2024 | R$ 3.72 | R$ 10.31 | 56.55% | 1.14% | 5.79% | 10 | 183,807 | 51,072 |
| Program 3P Jan/11 | 4/14/2015 | 4/14/2025 | R$ 4.25 | R$ 10.31 | 56.55% | 1.14% | 5.79% | 10 | 183,807 | 51,072 |
| Program 3P Jan/11 | 4/14/2016 | 4/14/2026 | R$ 4.60 | R$ 10.31 | 56.55% | 1.14% | 5.79% | 10 | 183,807 | 51,072 |
| Program 3P Jan/11 Cons. | 4/15/2012 | 1/3/2021 | R$ 2.00 | R$ 10.31 | 56.55% | 1.14% | 5.79% | 8 | 30,000 | 0 |
| Program 3P Jan/11 Cons. | 4/14/2013 | 1/3/2021 | R$ 3.03 | R$ 10.31 | 56.55% | 1.14% | 5.79% | 7 | 30,000 | 0 |
| Program 3P Apr/11 | 4/15/2012 | 4/15/2022 | R$ 1.29 | R$ 10.04 | 54.94% | 1.32% | 6.20% | 10 | 165,324 | 12,717 |
| Program 3P Apr/11 | 4/14/2013 | 4/14/2023 | R$ 2.27 | R$ 10.04 | 54.94% | 1.32% | 6.20% | 10 | 165,240 | 38,133 |
| Program 3P Apr/11 | 4/14/2014 | 4/14/2024 | R$ 2.92 | R$ 10.04 | 54.94% | 1.32% | 6.20% | 10 | 165,240 | 61,011 |
| Program 3P Apr/11 | 4/14/2015 | 4/14/2025 | R$ 3.42 | R$ 10.04 | 54.94% | 1.32% | 6.20% | 10 | 165,240 | 61,011 |
| Program 3P Apr/11 | 4/14/2016 | 4/14/2026 | R$ 3.74 | R$ 10.04 | 54.94% | 1.32% | 6.20% | 10 | 165,240 | 80,079 |

**All amounts in thousands of reais unless otherwise stated**

| Program | End of grace period | Expiration date | Fair Value | Price of the underlying asset (i) | Expected Annual Volatility | Expected Dividendss | Risk-free interest risk | Estimated life (years) | Number of options granted | Number of lapsed options |
|---|---|---|---|---|---|---|---|---|---|---|
| Program 4P Apr/12 | 4/15/2013 | 4/15/2023 | R$ 1.12 | R$ 7.84 | 51.66% | 1.65% | 4.29% | 10 | 234,000 | 27,000 |
| Program 4P Apr/12 | 4/14/2014 | 4/14/2024 | R$ 1.81 | R$ 7.84 | 51.66% | 1.65% | 4.29% | 10 | 234,000 | 42,000 |
| Program 4P Apr/12 | 4/14/2015 | 4/14/2025 | R$ 2.26 | R$ 7.84 | 51.66% | 1.65% | 4.29% | 10 | 234,000 | 42,000 |
| Program 4P Apr/12 | 4/14/2016 | 4/14/2026 | R$ 2.60 | R$ 7.84 | 51.66% | 1.65% | 4.29% | 10 | 234,000 | 60,000 |
| Program 4P Apr/12 | 4/14/2017 | 4/14/2027 | R$ 2.82 | R$ 7.84 | 51.66% | 1.65% | 4.29% | 10 | 234,000 | 138,000 |
| Program 4P Apr/12 Cons. | 4/15/2013 | 4/2/2022 | R$ 1.09 | R$ 7.84 | 51.66% | 1.65% | 4.29% | 8 | 180,000 | 0 |
| Program 4P Apr/12 Cons. | 4/14/2014 | 4/2/2022 | R$ 1.78 | R$ 7.84 | 51.66% | 1.65% | 4.29% | 7 | 180,000 | 0 |
| Program 4P Jul/12 | 4/15/2013 | 4/15/2023 | R$ 2.23 | R$ 7.65 | 50.78% | 1.23% | 4.29% | 10 | 48,000 | 0 |
| Program 4P Jul/12 | 4/14/2014 | 4/14/2024 | R$ 2.96 | R$ 7.65 | 50.78% | 1.23% | 4.29% | 10 | 48,000 | 0 |
| Program 4P Jul/12 | 4/14/2015 | 4/14/2025 | R$ 3.46 | R$ 7.65 | 50.78% | 1.23% | 4.29% | 10 | 48,000 | 9,000 |
| Program 4P Jul/12 | 4/14/2016 | 4/14/2026 | R$ 3.86 | R$ 7.65 | 50.78% | 1.23% | 4.29% | 10 | 48,000 | 9,000 |
| Program 4P Jul/12 | 4/14/2017 | 4/14/2027 | R$ 4.12 | R$ 7.65 | 50.78% | 1.23% | 4.29% | 10 | 48,000 | 48,000 |
| Program 4P Aug/12 | 4/15/2013 | 4/15/2023 | R$ 2.64 | R$ 7.54 | 50.39% | 1.15% | 4.29% | 10 | 18,000 | 0 |
| Program 4P Aug/12 | 4/14/2014 | 4/14/2024 | R$ 3.37 | R$ 7.54 | 50.39% | 1.15% | 4.29% | 10 | 18,000 | 18,000 |
| Program 4P Aug/12 | 4/14/2015 | 4/14/2025 | R$ 3.88 | R$ 7.54 | 50.39% | 1.15% | 4.29% | 10 | 18,000 | 18,000 |
| Program 4P Aug/12 | 4/14/2016 | 4/14/2026 | R$ 4.29 | R$ 7.54 | 50.39% | 1.15% | 4.29% | 10 | 18,000 | 18,000 |
| Program 4P Aug/12 | 4/14/2017 | 4/14/2027 | R$ 4.55 | R$ 7.54 | 50.39% | 1.15% | 4.29% | 10 | 18,000 | 18,000 |
| Program 4P Nov/12 | 4/15/2014 | 4/15/2024 | R$ 6.31 | R$ 7.38 | 49.44% | 0.76% | 3.50% | 10 | 15,000 | 0 |
| Program 4P Nov/12 | 4/15/2015 | 4/15/2025 | R$ 6.88 | R$ 7.38 | 49.44% | 0.76% | 3.50% | 10 | 15,000 | 0 |
| Program 4P Nov/12 | 4/15/2016 | 4/15/2026 | R$ 7.36 | R$ 7.38 | 49.44% | 0.76% | 3.50% | 10 | 15,000 | 15,000 |
| Program 4P Nov/12 | 4/15/2017 | 4/15/2027 | R$ 7.79 | R$ 7.38 | 49.44% | 0.76% | 3.50% | 10 | 15,000 | 15,000 |
| Program 4P Nov/12 | 4/15/2018 | 4/15/2028 | R$ 8.08 | R$ 7.38 | 49.44% | 0.76% | 3.50% | 10 | 15,000 | 15,000 |
| Program 4P Jan/13 | 4/15/2014 | 4/15/2024 | R$ 8.23 | R$ 7.32 | 33.47% | 0.00% | 3.90% | 10 | 160,200 | 7,200 |
| Program 4P Jan/13 | 4/15/2015 | 4/15/2025 | R$ 8.35 | R$ 7.32 | 33.47% | 0.00% | 3.90% | 10 | 160,200 | 7,200 |
| Program 4P Jan/13 | 4/15/2016 | 4/15/2026 | R$ 8.48 | R$ 7.32 | 33.47% | 0.00% | 3.90% | 10 | 160,200 | 7,200 |
| Program 4P Jan/13 | 4/15/2017 | 4/15/2027 | R$ 8.62 | R$ 7.32 | 33.47% | 0.00% | 3.90% | 10 | 160,200 | 88,200 |
| Program 4P Jan/13 | 4/15/2018 | 4/15/2028 | R$ 8.75 | R$ 7.32 | 33.47% | 0.00% | 3.90% | 10 | 160,200 | 88,200 |

(i) Market price on the respective grant dates.

The assumptions used to determine each grant, based on the Binomial model, are described as follows:

**All amounts in thousands of reais unless otherwise stated**

| Program | End of grace period | Expiration date | Fair Value | Price of the underlying asset (i) | Expected Annual Volatility | Expected Dividendss | Risk-free interest risk | Estimated life (years) | Number of options granted | Number of lapsed options |
|---|---|---|---|---|---|---|---|---|---|---|
| Program 5P 3 | 4/15/2014 | 4/15/2024 | R$ 6.37 | R$ 15.33 | 39.85% | 0.00% | 11.02% | 10 | 144,000 | 0 |
| Program 5P 3 | 4/15/2015 | 4/15/2025 | R$ 7.02 | R$ 15.33 | 39.85% | 0.00% | 11.02% | 10 | 144,000 | 21,000 |
| Program 5P 3 | 4/15/2016 | 4/15/2026 | R$ 7.60 | R$ 15.33 | 39.85% | 0.00% | 11.02% | 10 | 144,000 | 102,000 |
| Program 5P 3 | 4/15/2017 | 4/15/2027 | R$ 8.11 | R$ 15.33 | 39.85% | 0.00% | 11.02% | 10 | 144,000 | 102,000 |
| Program 5P 3 | 4/15/2018 | 4/15/2028 | R$ 8.58 | R$ 15.33 | 39.85% | 0.00% | 11.02% | 10 | 144,000 | 102,000 |
| Program 6P Oct/13 | 4/15/2014 | 4/15/2024 | R$ 5.05 | R$ 17.48 | 28.80% | 0.00% | 11.99% | 10 | 265,000 | 5000 |
| Program 6P Oct/13 | 4/15/2015 | 4/15/2025 | R$ 5.79 | R$ 17.48 | 28.80% | 0.00% | 11.99% | 10 | 265,000 | 5,000 |
| Program 6P Oct/13 | 4/15/2016 | 4/15/2026 | R$ 6.40 | R$ 17.48 | 28.80% | 0.00% | 11.99% | 10 | 265,000 | 19,000 |
| Program 6P Oct/13 | 4/15/2017 | 4/15/2027 | R$ 6.94 | R$ 17.48 | 28.80% | 0.00% | 11.99% | 10 | 265,000 | 88,000 |
| Program 6P Oct/13 | 4/15/2018 | 4/15/2028 | R$ 7.43 | R$ 17.48 | 28.80% | 0.00% | 11.99% | 10 | 265,000 | 88,000 |
| Program 6P Jul/14 | 4/15/2015 | 4/15/2025 | R$ 15.13 | R$ 16.79 | 26.43% | 0.00% | 11.99% | 10 | 608,000 | 0 |
| Program 6P Jul/14 | 4/15/2016 | 4/15/2026 | R$ 15.76 | R$ 16.79 | 26.43% | 0.00% | 11.99% | 10 | 608,000 | 80,000 |
| Program 6P Jul/14 | 4/15/2017 | 4/15/2027 | R$ 16.41 | R$ 16.79 | 26.43% | 0.00% | 11.99% | 10 | 608,000 | 602,000 |
| Program 6P Jul/14 | 4/15/2018 | 4/15/2028 | R$ 17.05 | R$ 16.79 | 26.43% | 0.00% | 11.99% | 10 | 608,000 | 602,000 |
| Program 6P Jul/14 | 4/15/2019 | 4/15/2029 | R$ 17.65 | R$ 16.79 | 26.43% | 0.00% | 11.99% | 10 | 608,000 | 602,000 |
| Program 6P Jul/14 Cons. | 4/15/2015 | 7/4/2024 | R$ 15.09 | R$ 16.79 | 28.80% | 0.00% | 11.99% | 9 | 162,500 | 0 |
| Program 6P Jul/14 Cons. | 4/15/2016 | 7/4/2024 | R$ 15.69 | R$ 16.79 | 28.80% | 0.00% | 11.99% | 8 | 162,500 | 0 |
| Program 6P Aug/14 | 4/15/2015 | 4/15/2025 | R$ 14.48 | R$ 16.88 | 26.68% | 0.00% | 11.99% | 10 | 60,000 | 0 |
| Program 6P Aug/14 | 4/15/2016 | 4/15/2026 | R$ 15.10 | R$ 16.88 | 26.68% | 0.00% | 11.99% | 10 | 60,000 | 28,000 |
| Program 6P Aug/14 | 4/15/2017 | 4/15/2027 | R$ 15.74 | R$ 16.88 | 26.68% | 0.00% | 11.99% | 10 | 60,000 | 28,000 |
| Program 6P Aug/14 | 4/15/2018 | 4/15/2028 | R$ 16.38 | R$ 16.88 | 26.68% | 0.00% | 11.99% | 10 | 60,000 | 28,000 |
| Program 6P Aug/14 | 4/15/2019 | 4/15/2029 | R$ 16.98 | R$ 16.88 | 26.68% | 0.00% | 11.99% | 10 | 60,000 | 28,000 |
| Program 6P Aug/14 Cons. | 4/15/2015 | 8/1/2024 | R$ 14.43 | R$ 16.88 | 28.80% | 0.00% | 11.99% | 9 | 50,000 | 0 |
| Program 6P Aug/14 Cons. | 4/15/2016 | 8/1/2024 | R$ 15.02 | R$ 16.88 | 28.80% | 0.00% | 11.99% | 8 | 50,000 | 0 |
| Program 7P Oct/14 | 4/15/2015 | 4/15/2025 | R$ 8.58 | R$ 25.40 | 28.80% | 0.00% | 11.99% | 10 | 177,800 | 16,000 |
| Program 7P Oct/14 | 4/15/2016 | 4/15/2026 | R$ 9.71 | R$ 25.40 | 28.80% | 0.00% | 11.99% | 10 | 177,800 | 37,000 |
| Program 7P Oct/14 | 4/15/2017 | 4/15/2027 | R$ 10.64 | R$ 25.40 | 28.80% | 0.00% | 11.99% | 10 | 177,800 | 86,000 |
| Program 7P Oct/14 | 4/15/2018 | 4/15/2028 | R$ 11.47 | R$ 25.40 | 28.80% | 0.00% | 11.99% | 10 | 177,800 | 86,000 |
| Program 7P Oct/14 | 4/15/2019 | 4/15/2029 | R$ 12.24 | R$ 25.40 | 28.80% | 0.00% | 11.99% | 10 | 177,800 | 86,000 |
| Program 8P Oct/15 | 4/15/2016 | 4/15/2026 | R$ 5.45 | R$ 13.15 | 28.80% | 0.00% | 11.99% | 10 | 196,600 | 2,000 |
| Program 8P Oct/15 | 4/15/2017 | 4/15/2027 | R$ 6.42 | R$ 13.15 | 28.80% | 0.00% | 11.99% | 10 | 196,600 | 56,800 |
| Program 8P Oct/15 | 4/15/2018 | 4/15/2028 | R$ 7.20 | R$ 13.15 | 28.80% | 0.00% | 11.99% | 10 | 196,600 | 56,800 |
| Program 8P Oct/15 | 4/15/2019 | 4/15/2029 | R$ 7.88 | R$ 13.15 | 28.80% | 0.00% | 11.99% | 10 | 196,600 | 56,800 |
| Program 8P Oct/15 | 4/15/2020 | 4/15/2030 | R$ 8.47 | R$ 13.15 | 28.80% | 0.00% | 11.99% | 10 | 196,600 | 56,800 |
| 9 Program Apr/16 | 4/15/2017 | 4/15/2027 | R$ 6.02 | R$ 11.87 | 54.57% | 0.00% | 12.93% | 10 | 80,000 | 20,000 |
| 9 Program Apr/16 | 4/15/2018 | 4/15/2027 | R$ 6.66 | R$ 11.87 | 54.57% | 0.00% | 12.93% | 10 | 80,000 | 20,000 |
| 9 Program Apr/16 | 4/15/2019 | 4/15/2027 | R$ 7.14 | R$ 11.87 | 54.57% | 0.00% | 12.93% | 10 | 80,000 | 20,000 |
| 9 Program Apr/16 | 4/15/2020 | 4/15/2027 | R$ 7.52 | R$ 11.87 | 54.57% | 0.00% | 12.93% | 10 | 80,000 | 20,000 |
| 9 Program Apr/16 | 4/15/2021 | 4/15/2027 | R$ 7.83 | R$ 11.87 | 54.57% | 0.00% | 12.93% | 10 | 80,000 | 20,000 |
| 9 Program Apr/16 Cons. | 4/15/2017 | 4/29/2017 | R$ 3.17 | R$ 11.87 | 54.57% | 0.00% | 12.93% | 2 | 450,000 | 100,000 |
| 9 Program Apr/16 Cons. | 4/15/2018 | 4/29/2018 | R$ 4.43 | R$ 11.87 | 54.57% | 0.00% | 12.93% | 2 | 450,000 | 100,000 |
| 10 Program Jul16 | 4/15/2018 | 4/15/2027 | R$ 6.89 | R$ 15.12 | 59.18% | 0.00% | 12.50% | 10 | 208,000 | 2,000 |
| 10 Program Jul16 | 4/15/2018 | 4/15/2027 | R$ 7.89 | R$ 15.12 | 59.18% | 0.00% | 12.50% | 10 | 208,000 | 2,000 |
| 10 Program Jul16 | 4/15/2019 | 4/15/2027 | R$ 8.61 | R$ 15.12 | 59.18% | 0.00% | 12.50% | 10 | 208,000 | 2,000 |
| 10 Program Jul16 | 4/15/2020 | 4/15/2027 | R$ 9.18 | R$ 15.12 | 59.18% | 0.00% | 12.50% | 10 | 208,000 | 2,000 |
| 10 Program Jul16 | 4/15/2021 | 4/15/2027 | R$ 9.64 | R$ 15.12 | 59.18% | 0.00% | 12.50% | 10 | 208,000 | 2,000 |
| 10 Program Jul16 Cons. | 4/15/2017 | 4/29/2017 | R$ 6.89 | R$ 15.12 | 59.18% | 0.00% | 12.50% | 2 | 32,890 | 0 |
| 10 Program Jul16 Cons. | 4/15/2018 | 4/29/2018 | R$ 7.89 | R$ 15.12 | 59.18% | 0.00% | 12.50% | 2 | 32,890 | 0 |

(i) Market price on the respective grant dates.

The Company recognizes on a monthly basis the stock options, granted in a capital reserve account with a corresponding entry in the statement of income, of R$ 2,920 for the period ended March 31, 2017 (R$ 1,505 for the year ended December 31, 2016).

The change in the number of stock options outstanding and their related weighted average exercise prices is as follows:

**All amounts in thousands of reais unless otherwise stated**

## Statutory Board

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Average exercise price per share | Options - thousands | Average exercise price per share | Options - thousands |
| January 1 | 10.73 | 1,131,355 | 13.73 | 921,660 |
| Transfer of members | 0.00 | 0,00 | 11.22 | 565,863 |
| Granted | 0.00 | 0,00 | 12.71 | 930,000 |
| Exercised | 0.00 | 0,00 | 8.53 | 714,742 |
| Abandoned | 0.00 | 0,00 | 18.40 | 571,426 |
| | 10.73 | 1,131,355 | 10.73 | 1,131,355 |

## Board of Directors

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Average exercise price per share | Options - thousands | Average exercise price per share | Options - thousands |
| January 1 | 10.25 | 965,779 | 8.01 | 188,130 |
| Granted | 0.00 | 0,00 | 10.25 | 965,779 |
| Exercised | 0.00 | 0,00 | 0.00 | 0,00 |
| Forfeited (i) | 0.00 | 0,00 | 8.01 | 188,130 |
| | 10.25 | 965,779 | 10.25 | 965,779 |

(i) In the second quarter of 2016, upon the end of the term of office of the Board of Directors, unexercised options were forfeited.

## (c) Special Program for Long-term Incentive

The Special Program for Long-term Incentive for Statutory Officers (ILP), approved at the Board of Directors' Meeting on January 28, 2014 and ratified by the Annual/Extraordinary General Meeting of April 30, 2014, was granted in order to improve the corporate governance practices of the Company and strengthen incentives for the retention and long-term stability of the Statutory Directors, within the context of a listed company with spread share control.

The Program has the Company's statutory officers as the beneficiaries, and was structured in the form of variable remuneration, whose value depends on the value of its shares, which may be settled in cash or shares, the entity ruling the form of settlement. Currently, the Company estimates to settle with shares held in treasury.

On February 5, 2015, the Letter CVM/SEP/GEA-2/No, 034/2014, issued by the CVM, approved the Company's request (filed on August 25, 2014) to use the treasury shares in its Long-term compensation program (ILP).

The remuneration under this program will be paid in four annual installments, maturing on April 30, 2015, April 30, 2016, April 30, 2017 and April 30, 2018, calculated by multiplying the specific number of shares (being such a quantity called "Reference Shares") at market value on the last trading day of the BM&F BOVESPA immediately preceding the year in which each payment will occur. The sum of the quantity of the Reference Shares to be granted to all beneficiaries taken together will be 994,080.

It should be noted that the payment of each annual installment of compensation payable under the Program is conditional upon discussion and approval by the Company's stockholders, at the annual general meeting in the related year, as part of the overall remuneration fixed for the Company's management.

Additionally, at the sole discretion of the Board of Directors, one or more installments of compensation provided, may be paid by delivery of shares that the Company has held in treasury, provided it is in strict accordance with the Brazilian Corporate Legislation and the regulations of the Brazilian Securities Commission.

On April 17, 2015 and May 20, 2016, the payments of the Long-term Incentive Program, of 236,520 shares (3,784) and 236,520 shares (R$ 3,692) respectively, were carried out.

The value of the provision of the program at March 31, 2017 is R$ 304 (R$ 210 at December 31, 2016).

## 20 Earnings per share

The Company sets out below the information on basic and diluted earnings per share.

### (a) Basic earnings per share

| | 2017 | 2016 |
|---|---|---|
| Numerator | | |
| Profit for the year | 121,826 | 128,482 |
| Denominator (in thousands of shares) | | |
| Weighted average number of shares outstanding | 317,896 | 316,685 |
| Basic earnings per share | 0.38323 | 0.40571 |

### (b) Diluted earnings per share

The table below present data related to profit and loss used in the calculation of the basic and diluted earnings (loss) per share.

| | 2017 | 2016 |
|---|---|---|
| Numerator | | |
| Profit for the year | 121,826 | 128,482 |
| Denominator (in thousands of shares) | | |
| Weighted average number of shares outstanding | 317,896 | 316,685 |
| Potential increase in the number of shares relating to the share option plan | | 983 |
| Adjusted weighted average number of shares outstanding | 317,896 | 317,668 |
| Diluted earnings per share | 0.38323 | 0.40445 |

## 21 Net revenue from services rendered

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| Gross operating revenue | 1,364,711 | 1,277,970 |
| Gross revenue deductions | (545,687) | (485,062) |
| Grants - scholarships | (466,370) | (419,231) |
| Return of monthly tuition and charges | (1,476) | (1,679) |
| Discounts granted | (5,763) | (7,140) |
| Taxes | (36,668) | (32,952) |
| Adjustment to present value - PAR (Note 4) | (6,993) | |
| FGEDUC | (17,287) | (19,363) |
| Others (i) | (11,130) | (4,697) |
| | 819,024 | 792,908 |

(i) Refers to the on lending to EAD partners.

**All amounts in thousands of reais unless otherwise stated**

## 22 Costs of services rendered

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| Personnel and social charges | (304,354) | (326,858) |
| Labor contingencies | (3,526) | |
| Electricity, water, gas and telephone | (9,293) | (10,290) |
| Rents, condominium fees and IPTU | (63,240) | (59,200) |
| Mailing and courier expenses | (554) | (514) |
| Depreciation and amortization | (23,117) | (21,784) |
| Teaching material | (2,858) | (4,595) |
| Outsourced security and cleaning services | (15,469) | (13,705) |
| | (422,411) | (436,946) |

## 23 Expenses by nature

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Selling | | | | |
| Impairment of trade receivables | | | (47,519) | (23,606) |
| Advertising | | | (52,493) | (55,434) |
| Sales and marketing | | | (11,063) | (10,760) |
| Others | | | (562) | (579) |
| | | | (111,637) | (90,379) |
| General and administrative expenses | | | | |
| Personnel and social charges | (1,095) | (780) | (48,497) | (43,056) |
| Outsourced services | (912) | (648) | (20,410) | (16,562) |
| Consumption material | | | (579) | (973) |
| Maintenance and repairs | (6) | (14) | (9,630) | (8,118) |
| Depreciation and amortization (i) | (11,511) | (5,251) | (29,775) | (26,671) |
| Educational covenants | (28) | (159) | (2,347) | (1,657) |
| Travels and accommodation | (43) | (66) | (1,597) | (1,229) |
| Institutional events | (2) | (11) | (169) | (7,405) |
| Provision for contingencies | | | (5,498) | (3,438) |
| Copies and bookbinding | (2) | | (1,047) | (1,343) |
| Insurance | (1,640) | (1,457) | (1,808) | (1,679) |
| Cleaning supplies | | | (604) | (607) |
| Transportation | (2) | | (1,177) | (1,000) |
| Car rental | | | (643) | (651) |
| Others | (203) | (525) | (6,154) | (6,320) |
| | (15,444) | (8,911) | (129,935) | (120,709) |

(i) This balance includes the amortization of funding costs ofR$ 6,541 (R$ 224at March 31, 2016).

## 24 Other operating income

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Income from agreements | 409 | 409 | 656 | 675 |
| Income from rentals | | | 1,547 | 2,216 |
| Web class income | | | | 65 |
| Provision for impairment of fixed assets (i) | | | 2,806 | (30) |
| Other operating income (expenses) | | | 1,882 | 1,266 |
| | 409 | 409 | 6,891 | 4,192 |

(i) Refers mainly to the indemnity for claims.

**All amounts in thousands of reais unless otherwise stated**

## 25 Finance result

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Finance income | | | | |
| Late payment fine and interest | | | | |
| Update of accounts receivable - FIES | | | 10,014 | 8,429 |
| Earnings from financial investments | | | 4,562 | 12,972 |
| Interest on capital | | | 76 | |
| Monetary variation gains | 3,707 | 11,705 | 11,777 | 18,950 |
| Exchange variation gain | 930 | 512 | 2,406 | 1,404 |
| Derivative financial instruments gain - SWAP | | 27,958 | | 27,958 |
| Adjustment to present value - FIES | | 471 | | 471 |
| Others | | | 2,595 | 5,373 |
| | | | 4 | 2 |
| | 4,637 | 40,646 | 31,434 | 75,559 |
| Finance costs | | | | |
| Banking expenses | | | | |
| Interest and financial charges | (1,710) | (65) | (4,074) | (2,156) |
| Interest on capital | (32,327) | (27,642) | (43,308) | (34,636) |
| Financial discounts (i) | | | (5,432) | (5,477) |
| Monetary variation losses | | | (5,330) | (3,972) |
| Derivative financial instruments losses - SWAP | | (26,036) | | (26,036) |
| Exchange variation losses | | (10,958) | (3) | (10,961) |
| Others | (225) | (573) | (4,307) | (4,233) |
| | (34,262) | (65,274) | (62,454) | (87,471) |

(i) This value corresponds to the discounts granted upon renegotiation of overdue monthly tuition.

## 26 Income tax and social contribution

Reconciliation of income tax and social contribution determined at statutory rates and taxes recognized in the statement of income for the periods ended March 31, 2017 and 2016 is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Profit before income tax and social contribution | 120,142 | 126,801 | 130,912 | 137,154 |
| Combined statutory rate of income tax and social contribution - % | 34 | 34 | 34 | 34 |
| Income tax and social contribution at the statutory rates | (40,848) | (43,112) | (44,510) | (46,632) |
| Depreciation | (3) | (7) | (228) | 388 |
| Leasing | | | (27) | (69) |
| Adjustment to present value | | | 882 | 1,827 |
| Equity in the results of subsidiaries | 56,033 | 54,377 | | |
| Amortization of goodwill | (1,682) | (1,695) | (2,897) | (4,378) |
| Non-deductible expenses (i) | | | (243) | (164) |
| Options granted LP provision - employees | | | (1,025) | (2,509) |
| Tax losses not registered | (13,500) | (9,563) | (14,180) | (10,114) |
| Decommissioning expenses | | | (110) | (118) |
| Provision for contingencies | | | (375) | (59) |
| Provision for impairment of receivables (ii) | | | (1,013) | 1,229 |
| Monthly tuitions to be canceled and billed | | | (9,119) | (5,188) |
| Provision for Fies risk | | | (191) | (197) |
| Others | | | 118 | 191 |
| | | | (72,918) | (65,793) |
| Tax benefits | | | | |
| Tax incentive – PROUNI | | | 49,571 | 48,189 |
| Tax incentive – Lei Rouanet | | | 438 | |
| Current income tax and social contribution in the results for the period | | | (22,909) | (17,604) |

**All amounts in thousands of reais unless otherwise stated**

(i) These primarily refer to expenses for sponsorships, donations and gifts.
(ii) Refers to students with outstanding payments overdue for more than 180 days, and the provision for the cancelation of monthly pay slips.

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 (Re-presented) |
| Current income tax and social contribution | | | (22,909) | (17,604) |
| Deferred income tax and social contribution | 1,684 | 1,681 | 13,823 | 8,932 |
| Income tax and social contribution from the prior periods | | | | |
| | 1,684 | 1,681 | (9,086) | (8,672) |

At March 31, 2017, the Company recorded deferred tax assets on temporary differences of R$ 48,970 (R$ 35,148 at December 31, 2016). The breakdown of the tax effects of temporary differences which originated the deferred tax assets is summarized below:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | March 31, 2017 | December 31, 2016 | March 31, 2017 | December 31, 2016 |
| Adjustment to present value | | | 3,604 | 4,486 |
| Provision for contingencies | | | 21,758 | 21,383 |
| Provision for impairment of receivables | 132 | 132 | 3,395 | 2,382 |
| Monthly tuitions to be canceled | | | 14,257 | 5,138 |
| Provision for decommissioning | | | 5,181 | 5,193 |
| Goodwill | (8,329) | (10,011) | (21,436) | (24,238) |
| Provision for risk - Fies | | | 6,417 | 6,226 |
| Options granted recognized | | | 26,220 | 25,195 |
| Incorporated goodwill | | | (10,865) | (10,706) |
| Depreciation | 11 | 8 | (577) | (805) |
| Tax losses | | | 1.016 | 894 |
| | (8,186) | (9,871) | 48,970 | 35,148 |
| Assets | | | 69,554 | 58,752 |
| Liabilities | (8,186) | (9,871) | (20,584) | (23,604) |
| | (8,186) | (9,871) | 48,970 | 35,148 |

The realization of the deferred tax effect on temporary differences recorded at March 31, 2017 is linked to the realization of the provision which gave rise to this credit. Consequently, it is not currently possible to present expected annual realization, since the Company's management is not yet able to forecast the timing of the realization of the provision for contingencies and the provision for decommissioning.

At March 31, 2017, the subsidiary IREP accounted for a deferred income tax and social contribution liability amounting to R$ 9,060 due to the tax depreciation of goodwill generated upon acquisition of the companies merged into it.

At March 31, 2017, the Company had tax credits arising from income tax and social contribution losses amounting to R$ 92,356 (R$ 78,856 at December 31, 2016) that are not yet accounted for, because it is not possible to state at this time that their realization is considered probable.

* * *

# 1Q17 Earnings Release

Estácio

## Highlights 1Q17:

| +3.8% | +9.0% | +1.2 p.p | +127.4 million |
|---|---|---|---|
| Net Revenue: R$819.0 million | EBITDA: R$214.8 million | EBITDA Margin 26.2% | OCF: R$62.3 million |

## Cash and Cash Equivalents:

R$458.1 million

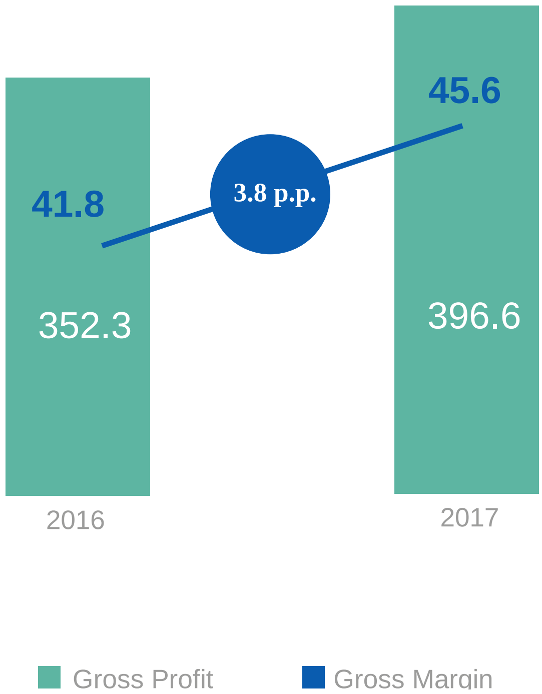
## Average Ticket

On-campus: **+17.2%**

Distance-learning: **+13.6%**

## Gross Profit

million




"Since last semester, we adopted measures to attract a more sustainable student base, in order to increase our average ticket, taking the best advantage of the net present value per student. We thus expect to improve student retention and reduce default. I strongly believe that a better quality student base, combined with improved class formation processes, will allow us to increasingly improve Estácio's productivity and profitability."

Pedro Thompson | CEO

*Rio de Janeiro, April 26, 2017* – **Estácio Participações S.A.** – "**Estácio**" or "**Company**" (BM&FBovespa: ESTC3; Bloomberg: ESTC3.BZ; Reuters: ESTC3.SA; OTCQX: ECPCY) – announces its results for the first quarter of 2017 (1Q17), in comparison with the same period in 2016 (1Q16). The accounting information herein is presented in accordance with International Financial Reporting Standards ("IFRS") and on a consolidated basis.

## Key Financial Indicators

**Table 1 – Key Financial Indicators**

| Financial Highlights (R$ MM) | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Operational Net Revenue** | **789.3** | **819.0** | **3.8%** |
| (-) Cash Cost of Services | (415.2) | (399.3) | -3.8% |
| (-) Selling. General and Administrative Cash Expenses | (181.2) | (211.8) | 16.9% |
| (+) Other operating revenues | 4.2 | 6.9 | 64.3% |
| **EBITDA** | **197.1** | **214.8** | **9.0%** |
| *EBITDA Margin (%)* | *25.0%* | *26.2%* | *1.2 p.p.* |
| (+) FIES discount rate 2% | - | 6.8 | N.A. |
| (+) Ongoing M&As advisory services | - | 1.8 | N.A. |
| **Comparable EBITDA** | **197.1** | **223.4** | **13.3%** |
| *Comparable EBITDA Margin (%)* | *25.0%* | *27.3%* | *2.3 p.p.* |

* The 1Q16 figures were adjusted in accordance with the restatement of previous periods disclosed in 2Q16.

## Message from Management

Estácio entered 2017 focusing exclusively on its **EXECUTION** capacity. For that reason, it is worth noting the Company's strategic guidelines, as disclosed in recent results:

- **Transparency:** Transparency is not just a guideline, but the true pillar where all Estácio's processes are substantiated. As of the second quarter of 2016, Estácio has been disclosing its information based on high Governance standards;
- **Student base and ticket recovery:** Since last semester, Estácio adopted measures to attract a more sustainable student base, taking the best advantage of the net present value per student, in order to increase average ticket and ensure the students' continuity;
- **Control of costs:** A series of measures adopted as of the end of 2016 enabled the Company to dilute costs, particularly related to personnel, marketing, and general and administrative expenses;
- **Cash generation:** The thorough revision of the Company's collection policies improved Estácio's EBITDA to cash conversion ratio, also enabling a gradual reduction in the average receivables days.

The first results of these strategic guidelines were noticed this quarter. In spite of the economic downturn that affected the student enrollments and reduced FIES revenue, Estácio's **net operating revenue** increased by

3.8%, to R$819.0 million in 1Q17, accompanied by **EBITDA** growth of 9.0% over 1Q16, to R$214.8 million. In addition to the impacts from 1Q17 revenue, EBITDA was also influenced by the **improved management of faculty costs** which, through simple initiatives (quick wins) implemented in 1Q17, fell by 5.8% over 1Q16, leading to a margin gain of 3.8 percentage points. Excluding the effects of 2% retention of net revenue from FIES contracts pursuant to Executive Decree 741 (MP 741), and the non-recurring effects from expenses with ongoing M&A transactions, first-quarter **comparable EBITDA** totaled R$223.4 million, 13.3% up on 1Q16. Therefore, the **comparable EBITDA margin** came to 27.3% in 1Q17, 2.3 percentage points up on 1Q16, despite the increased default and the creation of the provisions for the Installment Payment Program (PAR).

**Net income** totaled R$121.8 million in 1Q17, 4.8% down on 1Q16, primarily due to the increase in the **financial result** (R$19.1 million) and higher **depreciation and amortization** (R$4.4 million), partially offset by the R$17.7 million increase in EBITDA.

In the last Annual Shareholders' Meeting, Estácio approved the **distribution of dividends** corresponding to 25% of adjusted net income of 2016, totaling R$87.4 million, of which approximately R$0.28 per share, to be paid in cash on May 5, 2017. The shareholders entitled to receive dividends are those of record when the dividends were declared, i.e., on April 19, 2017.

## 2017.1 Enrollments

Estácio has been restructuring its intake process since mid 2H16, when it established its main guideline: focusing on increasing its average ticket and net revenue of new students, rather than only on student base growth. Some of the immediate initiatives already implemented are:

- **Sales Force:** Significant increase in the number of sales advisors and a more aggressive variable compensation program to foster the attainment of the sales goals, which are now based on the average ticket rather than just student intake;
- **Pricing and Offers:** Change in the pricing strategy, simplifying and streamlining the granting of scholarships and discounts, in order to increase the average ticket. Significant reduction in discount campaigns, establishing a minimum payment of R$59 to conclude the enrollment process;
- **Launch of the Installment Payment Program ("PAR"):** Beginning of the Estácio's Installment Payment Program to students in 1Q17. The product was mainly offered to regions and courses with the highest demand for FIES, excluding the "premium tickets" courses.
- **Communication and Marketing:** Regionalization of campaigns and reduced institutional appeal.

**Table 2 – 2017.1 Enrollments**

| '000 | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| On-campus | 117.3 | 92.3 | -21.4% |
| Distance Learning | 51.8 | 56.1 | 8.2% |
| **Total** | **169.1** | **148.4** | **-13.2%** |

* Figures not reviewed by the auditors.

**Enrollments** fell by 13.2% in 1Q17 over 1Q16, essentially due to the 21.4% decrease in the number of **new on-campus students**, due to the change of focus on the intake strategy described above. It is worth noting, however, that in addition to the higher average ticket, the dropout of students enrolled in 1Q17 is lower than in previous quarters, when enrollment was strongly influenced by discount campaigns. Therefore, Estácio's estimates regarding students enrolled in the last intake cycle show that these students' net present value is substantially higher than that of students enrolled in previous cycles. Estacio has already evidenced the benefits with this strategy, for example:

- The **dropout** of freshmen until April 2017 has reduced 23.7%, compared to the same period last year;
- The **average ticket** increased approximately 30% in 1Q17, compared to 1Q16, directly impacting net revenues in the period.

From this better quality base, Estácio assures a higher net revenue from intakes, as well as more sustainable dropout and PDA indicators for the upcoming periods.

## Installment Payment Program (PAR)

Of the 92,300 on-campus students enrolled in 1Q17, **6,800 enrolled through Estácio's Installment Payment Program ("PAR")**, which allows students to pay half of the total amount of the course while studying and the other half after graduation. The payment in installments will occur gradually: students can pay 30% of the tuition in the first two semesters; 40% in the third semester, 50% in the fourth semester and 60% as of the fifth semester.

Gross revenue from amounts paid in cash by students using the PAR totaled R$5.4 million in 1Q17, while the amount paid in installments came to R$15.1 million. Considering the effect of the adjustment to present value (APV) related to the amount paid in installments (R$7 million) and the provisioning of 50% of the amount paid in installments (excluding APV), the effect on EBITDA from students using the PAR came to R$9.4 million in 1Q17.

**Table 3 – PAR effect in EBITDA**

| R$ MM | 1Q17 |
|---|---|
| Gross revenue paid in cash | 5.4 |
| Gross revenue paid in installments | 15.1 |
| Adjustment to Present Value (APV) - Revenue Deductions | (7.0) |
| PDA (50% provisioning) | (4.0) |
| **EBITDA** | **9.4** |

* Figures not reviewed by the auditors.

**Table 4 – PAR effect in Accounts Receivable**

| R$ MM | 1Q17 |
|---|---|
| Gross revenue paid in installments | 15.1 |
| Adjustment to Present Value (APV) - Revenue Deductions | (7.0) |
| **Gross revenue paid in installments Ex-APV** | **(8.1)** |
| PDA (50% provisioning) | (4.0) |
| **PAR Accounts Receivable Balance** | **4.0** |

* Figures not reviewed by the auditors.

## Operating Performance

Estácio closed 1Q17 with a total of 561,200 students (5.3% less than at the close of 1Q16), essentially due to the 10.5% decrease in the on-campus student base, which was partially offset by the 8.2% increase in the distance-learning student base.

**Table 5 – Total Student Base**

| '000 | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **On-Campus** | **428.6** | **383.6** | **-10.5%** |
| Undergraduate | 393.0 | 351.2 | -10.6% |
| Graduate | 35.7 | 32.4 | -9.0% |
| **Distance Learning** | **164.2** | **177.6** | **8.2%** |
| Undergraduate | 132.1 | 134.5 | 1.8% |
| Graduate | 32.1 | 43.1 | 34.2% |
| **Total Student Base** | **592.8** | **561.2** | **-5.3%** |
| # Campuses | 93 | 95 | 2.2% |
| **On-Campus Students per Campus** | **4,609** | **4,038** | **-12.4%** |
| # Distance Learning Centers | 191 | 228 | 19.4% |
| **Distance Learning Students per Center** | **860** | **779** | **-9.4%** |

* Figures not reviewed by the auditors.

## On-Campus Undergraduate Segment

Estácio's on-campus undergraduate base totaled 351,200 students in 1Q17, 10.6% less than in 1Q16, due to:

- The 26.6% increase in the number of **graduates** over 1Q16;
- The 21.4% decrease in the number of **new students** over 1Q16, due to the adoption of a new intake strategy, which reduced discounts and scholarships granted, in order to foster a more sustainable student base;
- The 6.7 percentage points decrease in the **renewal rate**, essentially due to more restrictive re-enrollment discount criteria and debt assumption.

It is worth noting that both the reduction in the number of new students and the decline in the renewal rate were influenced by the decrease in the FIES student base which fell by 19.7% between 1Q16 and 1Q17. Nevertheless, the net revenue growth emphasizes Estácio's strategies and advantages in growing without depending on the FIES.

**Table 6 – Evolution of on-campus undergraduate base**

| '000 | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Students - Starting balance** | **318.5** | **329.4** | **3.4%** |
| (-) Graduates | (19.5) | (24.7) | 26.6% |
| **Renewable Base** | **299.0** | **304.8** | **1.9%** |
| (+) Enrollments | 117.3 | 92.3 | -21.4% |
| (+) Acquisitions | 1.5 | - | N.A |
| (-) Dropouts | (24.9) | (45.8) | 84.0% |
| **Students - Ending Balance** | **393.0** | **351.2** | **-10.6%** |
| *Renewal Rate (%)* | *91.7%* | *85.0%* | *-6.7 p.p.* |

* Figures not reviewed by the auditors.

## FIES

**Table 7 – FIES Student Base**

| '000 | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| On-campus undergraduate base | 393.0 | 351.2 | -10.6% |
| **FIES Students** | **128.6** | **103.2** | -19.7% |
| % FIES Students | 32.7% | 29.4% | -3.3 p.p. |

* Figures not reviewed by the auditors.

We closed 1Q17 with a FIES base of 103,200 students, representing 29.4% of our on-campus undergraduate base and a decrease of 3.3 percentage points over the same quarter in 2016.

The smaller FIES student base chiefly reflects the 39.1% lower student intake through FIES, reducing by 1.5 percentage points the share of FIES students (only 5.2% in 1Q17 versus 6.7% in 1Q16) in total intake.

**Table 8 – New FIES Contracts**

| '000 | 1H16 | 1H17 | Change |
|---|---|---|---|
| Total Intake | 117.3 | 92.3 | -21.4% |
| Freshmen with FIES (until the end of the intake process) | 7.8 | 4.8 | -39.1% |
| **% via FIES** | **6.7%** | **5.2%** | **1.5 p.p.** |
| Freshmen with FIES (until the end of the semester) | 9.7 | N.A. | N.A. |
| **% via FIES** | **8.3%** | **N.A.** | **N.A.** |
| Senior students with FIES (new contracts) | 1.6 | 0.7 | -55.1% |
| **New FIES contracts in the semester** | **11.3** | **5.5** | **-51.4%** |

* Figures not reviewed by the auditors.

## Distance-Learning Undergraduate Segment

The first-quarter distance-learning undergraduate base increased by 1.8% over 1Q16 to 134,500 students.

**Table 9 – Evolution of Distance-Learning Undergraduate Base**

| '000 | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Students - Starting Balance** | **109.4** | **106.9** | **-2.2%** |
| (-) Graduates | (5.7) | (4.9) | -13.8% |
| **Renewable Base** | **103.7** | **102.0** | **-1.6%** |
| (+) Enrollments | 51.8 | 56.1 | 8.2% |
| (-) Dropouts | (23.4) | (23.6) | 1.1% |
| **Students - Ending Balance** | **132.1** | **134.5** | **1.8%** |
| *Retention Rate (%)* | *77.5%* | *76.9%* | *-0.6 p.p.* |

* Figures not reviewed by the auditors.

## Graduate Segment

Estácio closed 1Q17 with 75,500 students enrolled in graduate programs, 11.5% up on 1Q16. The highlights of the graduate segment in 1Q17 were the distance-learning programs, which increased by 34.2%, largely due to partnerships in the student intake process.

**Table 10 – Graduate Student Base**

| '000 | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Students - Ending Balance** | **67.8** | **75.5** | 11.5% |
| On-Campus | **35.7** | **32.4** | **-9.0%** |
| Distance Learning | **32.1** | **43.1** | **34.2%** |

* Figures not reviewed by the auditors.

## On-Campus Average Ticket

The average ticket increased by 17.2% in 1Q17 over 1Q16, reflecting the change in the focus of the Company's strategy.

**Table 11 – Calculation of the Average Monthly Ticket – On-Campus**

| '000 | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **On-Campus Undergraduate Student Base** | **393.0** | **351.2** | **-10.6%** |
| (-) Dropouts | (17.2) | (12.1) | -29.7% |
| (=) Revenue Generating On-Campus Undergraduate Student Base | 375.7 | 339.1 | -9.7% |
| (+) On-Campus Graduate Student Base | **27.5** | **21.5** | **-21.9%** |
| **(=) Revenue Generating On-Campus Student Base** | **403.2** | **360.6** | **-10.6%** |
| **On-Campus Gross Revenue (R$ million)** | **1,112.6** | **1,194.7** | **7.4%** |
| On-Campus Deductions (R$ million) | (419.8) | (468.4) | 11.6% |
| **On-Campus Net Revenue (R$ million)** | **692.9** | **726.3** | **4.8%** |
| **On-Campus Average Ticket (R$)** | **572.8** | **671.5** | **17.2%** |
| *% Deductions / Gross Operating Revenue* | *37.7%* | *39.2%* | *1.5 p.p.* |

* Figures not reviewed by the auditors.
** Excluding the graduate segment of partner institutions.

The on-campus undergraduate segment's ticket increased by 16.8% in 1Q17 over 1Q16, essentially due to Estácio's new pricing strategy adopted in the 2017.1 intake cycle.

**Table 12 – Calculation of the Average Monthly Ticket – On-Campus Undergraduate Program**

| '000 | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **On-Campus Undergraduate Student Base** | **393.0** | **351.2** | **-10.6%** |
| (-) Dropouts | (17.2) | (12.1) | -29.7% |
| **(=) Revenue Generating On-Campus Undergraduate Student Base** | **375.7** | **339.1** | **-9.7%** |
| **On-Campus Undergraduate Gross Revenue (R$ million)** | **1,077.4** | **1,165.9** | **8.2%** |
| On-Campus Undergraduate Deductions (R$ million) | (404.6) | (456.6) | 12.9% |
| **On-Campus Undergraduate Net Revenue (R$ million)** | **672.8** | **709.3** | **5.4%** |
| **On-Campus Undergraduate Average Ticket (R$)** | **596.9** | **697.2** | **16.8%** |
| *% Deductions / Gross Operating Revenue* | *37.6%* | *39.2%* | *1.6 p.p.* |

* Figures not reviewed by the auditors.

The on-campus graduate segment kept pace with the year-on-year growth, climbing 8.9%, in line with period inflation.

**Table 13 – Calculation of the Average Monthly Ticket – On-Campus Graduate Program**

| '000 | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **On-Campus Graduate Student Base** | **27.5** | **21.5** | **-21.9%** |
| **On-Campus Graduate Gross Revenue (R$ million)** | **35.2** | **28.8** | **-18.3%** |
| On-Campus Graduate Deductions (R$ million) | (15.2) | (11.8) | -22.7% |
| **On-Campus Graduate Net Revenue (R$ million)** | **20.0** | **17.0** | **-15.0%** |
| **On-Campus Graduate Average Ticket (R$)** | **242.7** | **264.3** | **8.9%** |
| *% Deductions / Gross Operating Revenue* | *43.2%* | *40.9%* | *-2.3 p.p.* |

* Figures not reviewed by the auditors.
** Excluding the graduate segment of partner institutions.

## Distance-Learning Average Ticket

In 1Q17, the distance-learning average ticket increased by 13.6% over 1Q16.

**Table 14 – Calculation of the Average Monthly Ticket – Distance-Learning**

| '000 | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Distance Learning Undergraduate Student Base** | **132.1** | **134.5** | **1.8%** |
| **(+) Distance Learning Graduate Student Base** | **14.5** | **15.6** | **7.6%** |
| (-) Dropouts | (4.5) | (7.0) | 54.1% |
| **(=) Revenue Generating Distance Learning Student Base** | **142.1** | **143.1** | **0.7%** |
| **Distance Learning Gross Revenue (R$ million)** | **140.6** | **165.8** | **17.9%** |
| Distance Learning Deductions (R$ million) | (62.5) | (76.5) | 22.3% |
| **Distance Learning Net Revenue (R$ million)** | **78.1** | **89.4** | **14.4%** |
| **Distance Learning Average Ticket (R$)** | **183.2** | **208.2** | **13.6%** |
| *% Deductions / Gross Operating Revenue* | *44.5%* | *46.1%* | *1.6 p.p.* |

* Figures not reviewed by the auditors.
** Excluding the graduate segment of partner institutions.

**Table 15 – Calculation of the Average Monthly Ticket – Distance-Learning Undergraduate Program**

| '000 | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Distance Learning Undergraduate Student Base** | **132.1** | **134.5** | **1.8%** |
| (-) Dropouts | (4.5) | (7.0) | 54.1% |
| **(=) Revenue Generating Dist. Learn. Undergraduate Student Base** | **127.6** | **127.5** | **-0.1%** |
| **Distance Learning Undergraduate Gross Revenue (R$ million)** | **129.5** | **153.7** | **18.7%** |
| Distance Learning Undergraduate Deductions (R$ million) | (58.0) | (72.5) | 24.9% |
| **Distance Learning Undergraduate Net Revenue (R$ million)** | **71.4** | **81.2** | **13.7%** |
| **Distance Learning Undergraduate Average Ticket (R$)** | **186.6** | **212.3** | **13.8%** |
| *% Deductions / Gross Operating Revenue* | *44.8%* | *47.2%* | *2.3 p.p.* |

* Figures not reviewed by the auditors.

**Table 16 – Calculation of the Average Monthly Ticket – Distance-Learning Graduate Programs**

| '000 | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Revenue Generating Distance Learning Graduate Student Base** | **14.5** | **15.6** | **7.6%** |
| **Distance Learning Graduate Gross Revenue (R$ million)** | **11.2** | **12.1** | **8.7%** |
| Distance Learning Graduate Deductions (R$ million) | (4.5) | (4.0) | -12.0% |
| **Distance Learning Graduate Net Revenue (R$ million)** | **6.7** | **8.2** | **22.6%** |
| **Distance Learning Graduate Average Ticket (R$)** | **153.1** | **174.3** | **13.9%** |
| *% Deductions / Gross Operating Revenue* | *40.3%* | *32.6%* | *-7.6 p.p.* |

* Figures not reviewed by the auditors.
** Excluding the graduate segment of partner institutions.

## Financial Performance

**Table 17 – Income Statement**

| R$ MM | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Gross Operating Revenue** | **1,273.6** | **1,364.7** | **7.2%** |
| Monthly Tuition Fees | 1,249.0 | 1,353.1 | 8.3% |
| Pronatec | 5.8 | 0.3 | -94.8% |
| Others | 18.8 | 11.3 | -39.9% |
| **Gross Revenue Deductions** | **(484.3)** | **(545.7)** | **12.7%** |
| Scholarships and Discounts | (427.2) | (473.7) | 10.9% |
| Taxes | (33.0) | (36.7) | 11.2% |
| FGEDUC | (19.4) | (24.1) | 24.2% |
| Adjustment to Present Value (APV) | - | (7.0) | N.A |
| Other deductions | (4.7) | (4.3) | -8.5% |
| **Net Operating Revenue** | **789.3** | **819.0** | **3.8%** |
| **Cost of Services** | **(436.9)** | **(422.4)** | **-3.3%** |
| Personnel | (326.9) | (307.9) | -5.8% |
| Rentals / Real Estate Taxes Expenses | (59.2) | (63.2) | 6.8% |
| Textbooks Materials | (5.1) | (3.4) | -33.3% |
| Third-Party Services and Others | (24.0) | (24.8) | 3.3% |
| Depreciation and Amortization | (21.8) | (23.1) | 6.0% |
| **Gross Profit** | **352.3** | **396.6** | **12.6%** |
| ***Gross Margin*** | **44.6%** | **48.4%** | **3.8 p.p.** |
| **Selling. General and Administrative Expenses** | **(207.9)** | **(241.6)** | **16.2%** |
| **Selling Expenses** | **(87.7)** | **(111.6)** | **27.3%** |
| Provisions for Doubtful Accounts | (28.4) | (48.1) | 69.4% |
| Marketing | (59.3) | (63.6) | 7.3% |
| **General and Administrative Expenses** | **(120.2)** | **(129.9)** | **8.1%** |
| Personnel | (43.1) | (48.5) | 12.5% |
| Outros G&A | (50.5) | (51.7) | 2.4% |
| Depreciation | (26.7) | (29.8) | 11.6% |
| Other operating revenues | 4.2 | 6.9 | 64.3% |
| **EBIT** | **148.6** | **161.9** | **9.0%** |
| ***EBIT Margin*** | **18.8%** | **19.8%** | **1.0 p.p.** |
| (+) Depreciation and amortization | 48.5 | 52.9 | 9.1% |
| **EBITDA** | **197.1** | **214.8** | **9.0%** |
| ***EBITDA Margin*** | **24.9%** | **26.2%** | **1.3 p.p.** |
| Financial Result | (11.9) | (31.1) | 161.3% |
| Depreciation and Amortization | (48.5) | (52.9) | 9.1% |
| Social Contribution | (2.3) | (2.5) | 8.7% |
| Income Tax | (6.4) | (6.5) | 1.6% |
| **Net Income** | **128.0** | **121.8** | **-4.8%** |
| ***Net Income Margin*** | **16.2%** | **14.9%** | **-1.3 p.p.** |

* The 1Q16 figures were adjusted in accordance with the restatement of previous periods disclosed in 2Q16.

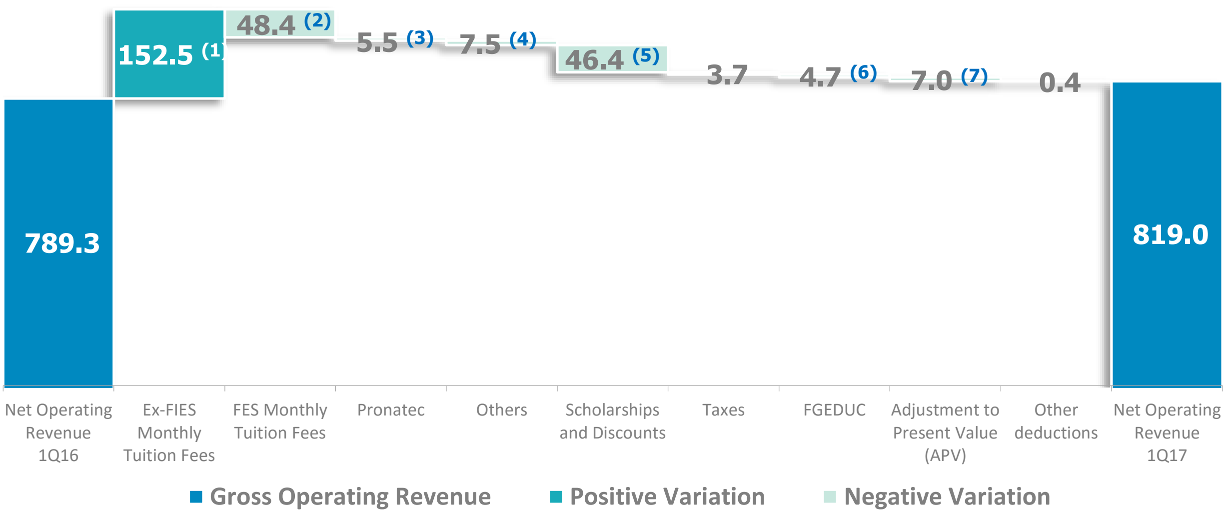
## Consolidated Operating Revenue

### Table 18 – Breakdown of Operating Revenue

| R$ MM | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Gross Operating Revenue** | **1,273.6** | **1,364.7** | **7.2%** |
| Monthly Tuition Fees | 1,249.0 | 1,353.1 | 8.3% |
| Pronatec | 5.8 | 0.3 | -94.8% |
| Others | 18.8 | 11.3 | -39.9% |
| **Gross Revenue Deductions** | **(484.3)** | **(545.7)** | **12.7%** |
| Scholarships and Discounts | (427.3) | (473.7) | 10.9% |
| Taxes | (33.0) | (36.7) | 11.2% |
| FGEDUC | (19.4) | (24.1) | 24.2% |
| Adjustment to Present Value (APV) – "PAR" | - | (7.0) | N.A |
| Other deductions | (4.7) | (4.3) | -8.5% |
| *% Scholarships and Discounts/ Gross Operating Revenue* | 34.2% | 35.0% | 0.8 p.p. |
| **Net Operating Revenue** | **789.3** | **819.0** | **3.8%** |

* The 1Q16 figures were adjusted in accordance with the restatement of previous periods disclosed in 2Q16.

### Chart 1 – Net Operating Revenue Bridge




* Gross revenues from FIES monthly tuition fees not reviewed by the auditors.

**Net operating revenue** came to R$819.0 million in 1Q17, 3.8% up on 1Q16, mainly explained by:

(1) The R$152.5 million increase in Ex-Fies revenue from monthly tuitions, which represented an increase of approximately 21% over 1Q16, due to the rising ticket in this period;
(2) The R$48.4 million reduction in FIES revenue from monthly tuitions, approximately 9% less than in 1Q16, due to the FIES base reduction;
(3) The R$5.5 million reduction in Pronatec revenue, due to the graduation of the last students in this segment;
(4) The R$7.5 million reduction in other revenue, chiefly due to the end of the Rio 2016 project, referring to trainings offered by Estácio to the volunteers of the Rio 2016 Olympic Games, which generated quarterly revenue of approximately R$8.3 million in 2015 (it is worth noting that there was a corresponding entry under expenses with institutional events, so that the effect in terms of operating result (EBITDA) was null, impacting the period's margin only).
(5) The R$46.4 million increase in the scholarships and discounts line, due to the change in the Company's pricing strategy;
(6) The 2% retention of net revenue from FIES contracts pursuant to Executive Decree 741 (MP 741), as of the second semester of 2016, which had an impact of approximately R$6.8 million in 1Q17.
(7) It is also worth noting that in 1Q17, approximately R$7.0 million was registered under gross revenue deductions, due to the adjustment to present value of receivables from Estácio's Installment Payment Program (PAR).

## Cost of Services

The **cash cost of services** represented 48.8% of net operating revenue in 1Q17, a 3.8 percentage point margin gain compared with 52.6% in 1Q16, essentially due to the **personnel** line, which showed the first results of Estácio's restructuring of faculty cost management, including the following measures:

- 20% of the classes are available online in the on-campus courses;
- Increase in the number of students in distance-learning classes;
- Offering of the directed study classes in the distance-learning segment;
- Offering of online Term Paper (TCC) modules;
- Earlier classes in night courses (reduction of 50% in the additional night-shift premium).

**Table 19 – Breakdown of Cost of Services**

| R$ MM | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Cash Cost of Services** | **(415.2)** | **(399.3)** | **-3.8%** |
| Personnel | (326.9) | (307.9) | -5.8% |
| Salaries and Payroll Charges | (269.9) | (254.1) | -5.9% |
| Brazilian Social Security Institute (INSS) | (57.0) | (53.7) | -5.8% |
| Rentals / Real Estate Taxes Expenses | (59.2) | (63.2) | 6.8% |
| Textbooks Materials | (5.1) | (3.4) | -33.3% |
| Third-Party Services and Others | (24.0) | (24.8) | 3.3% |

* The 1Q16 figures were adjusted in accordance with the restatement of previous periods disclosed in 2Q16.

**Table 20 – Vertical Analysis of Cost of Services**

| % of net operating revenues | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Cash Cost of Services** | **-52.6%** | **-48.8%** | **3.8 p.p.** |
| Personnel | -41.4% | -37.6% | 3.8 p.p. |
| Salaries and Payroll Charges | -34.2% | -31.0% | 3.2 p.p. |
| Brazilian Social Security Institute (INSS) | -7.2% | -6.6% | 0.7 p.p. |
| Rentals / Real Estate Taxes Expenses | -7.5% | -7.7% | -0.2 p.p. |
| Textbooks Materials | -0.6% | -0.4% | 0.2 p.p. |
| Third-Party Services and Others | -3.0% | -3.0% | 0.0 p.p. |

The decrease in costs generated a **gross margin** gain of 3.8 percentage points over 1Q16, mainly in the personnel and textbook materials lines. With regards to textbook materials, Estácio now produces its own content and has reduced printing costs by offering the material online.

Consequently, **gross profit** (excluding depreciation and amortization) increased 13.0% over 1Q16.

**Table 21 – Statement of Gross Income**

| R$ MM | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| Net Operating Revenue | 789.3 | 819.0 | 3.8% |
| Cost of Services | (436.9) | (422.4) | -3.3% |
| **Gross Profit** | **352.3** | **396.6** | **12.6%** |
| (-) Depreciation and amortization | (21.8) | (23.1) | 6.0% |
| **Cash Gross Profit** | **330.5** | **373.5** | **13.0%** |
| *Cash Gross Margin* | *41.8%* | *45.6%* | *3.8 p.p.* |

* The 1Q16 figures were adjusted in accordance with the restatement of previous periods disclosed in 2Q16.

## Selling, General and Administrative Expenses

**Selling expenses** accounted for a reduction of 2.5 percentage points in the margin in 1Q17, essentially due to the increase of 2.3 percentage points in **PDA** over 1Q16. First-quarter PDA performance was due to the increased default in 2H16. **Marketing expenses** accounted for a reduction of 0.3 percentage point in the margin over 1Q16.

In 1Q17, **general and administrative expenses** represented 12.2% of net operating revenue, a 0.4 percentage point decrease over 1Q16, chiefly due to the 0.5 percentage point margin decline in the **personnel** expenses line, as a result of higher bonus provisioning in 1Q17 over 1Q16.

**Table 22 – Breakdown of Selling, General and Administrative Expenses**

| R$ MM | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Selling, General and Administrative Cash Expenses** | **(181.3)** | **(211.8)** | **16.8%** |
| **Selling Expenses** | **(87.7)** | **(111.6)** | **27.3%** |
| Provisions for Doubtful Accounts | (28.4) | (48.1) | 69.4% |
| PDA | (28.4) | (44.1) | 55.3% |
| PDA PAR | - | (4.0) | N.A. |
| Marketing | (59.3) | (63.6) | 7.3% |
| **General and Administrative Expenses** | **(93.6)** | **(100.2)** | **7.1%** |
| Personnel | (43.1) | (48.5) | 12.5% |
| Salaries and Payroll Charges | (37.5) | (43.5) | 16.0% |
| Brazilian Social Security Institute (INSS) | (5.6) | (5.0) | -10.7% |
| Others | (50.5) | (51.7) | 2.4% |
| Third-Party Services | (16.1) | (20.4) | 26.7% |
| Consumable Material | (1.0) | (0.6) | -40.0% |
| Maintenance and Repair | (8.1) | (9.6) | 18.5% |
| Provision for Contingencies | (0.2) | (1.1) | N.A. |
| Educational Agreements | (1.7) | (2.3) | 35.3% |
| Travel and Lodging | (1.2) | (1.6) | 33.3% |
| Convictions | (3.3) | (4.4) | 33.3% |
| Institutional Events | (7.4) | (0.2) | -97.3% |
| Copies and Bookbinding | (1.3) | (1.0) | -23.1% |
| Insurance | (1.7) | (1.8) | 5.9% |
| Cleaning Supplies | (0.6) | (0.6) | 0.0% |
| Transportation | (1.0) | (1.2) | 20.0% |
| Car Rental | (0.7) | (0.6) | -14.3% |
| Others | (9.6) | (10.5) | 9.4% |
| **Depreciation and amortization** | **(26.7)** | **(29.8)** | **11.6%** |
| **Other operating revenues** | **4.2** | **6.9** | **64.3%** |

* The 1Q16 figures were adjusted in accordance with the restatement of previous periods disclosed in 2Q16.

**Table 23 – Vertical Analysis of Selling, General and Administrative Expenses**

| % of net operating revenues | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Selling, General and Administrative Cash Expenses** | **-23.0%** | **-25.9%** | **-2.9 p.p.** |
| **Selling Expenses** | **-11.1%** | **-13.6%** | **-2.5 p.p.** |
| Provisions for Doubtful Accounts | -3.6% | -5.9% | -2.3 p.p. |
| PDA | -3.6% | -5.4% | -1.8 p.p. |
| PDA PAR | - | -0.5% | N.A. |
| Marketing | -7.5% | -7.8% | -0.3 p.p. |
| **General and Administrative Expenses** | **-11.9%** | **-12.2%** | **-0.4 p.p.** |
| Personnel | -5.5% | -5.9% | -0.5 p.p. |
| Salaries and Payroll Charges | -4.8% | -5.3% | -0.6 p.p. |
| Brazilian Social Security Institute (INSS) | -0.7% | -0.6% | 0.1 p.p. |
| Others | -6.4% | -6.3% | 0.1 p.p. |
| Third-Party Services | -2.0% | -2.5% | -0.5 p.p. |
| Consumable Material | -0.1% | -0.1% | 0.1 p.p. |
| Maintenance and Repair | -1.0% | -1.2% | -0.1 p.p. |
| Provision for Contingencies | 0.0% | -0.1% | -0.1 p.p. |
| Educational Agreements | -0.2% | -0.3% | -0.1 p.p. |
| Travel and Lodging | -0.2% | -0.2% | 0.0 p.p. |
| Convictions | -0.4% | -0.5% | -0.1 p.p. |
| Institutional Events | -0.9% | 0.0% | 0.9 p.p. |
| Copies and Bookbinding | -0.2% | -0.1% | 0.0 p.p. |
| Insurance | -0.2% | -0.2% | 0.0 p.p. |
| Cleaning Supplies | -0.1% | -0.1% | 0.0 p.p. |
| Transportation | -0.1% | -0.1% | 0.0 p.p. |
| Car Rental | -0.1% | -0.1% | 0.0 p.p. |
| Others | -1.2% | -1.3% | -0.1 p.p. |
| **Depreciation and amortization** | **-3.4%** | **-3.6%** | **-0.3 p.p.** |
| **Other operating revenues** | **0.5%** | **0.8%** | **0.3 p.p.** |

## EBITDA

In 1Q17, **EBITDA** totaled R$214.8 million, 9.0% up on 1Q16. Excluding the effects of 2% retention of net revenue from FIES contracts pursuant to Executive Decree 741 (MP 741), and the non-recurring effects from expenses with ongoing M&A transactions, first-quarter **comparable EBITDA** totaled R$223.4 million, 13.3% up on 1Q16, with a margin of 27.3% (an increase of 2.3 percentage points).

**Table 24 – Key Financial Indicators**

| R$ MM | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Operational Net Revenue** | **789.3** | **819.0** | **3.8%** |
| (-) Cash Cost of Services | (415.2) | (399.3) | -3.8% |
| (-) Selling. General and Administrative Cash Expenses | (181.2) | (211.8) | 16.9% |
| (+) Other operating revenues | 4.2 | 6.9 | 64.3% |
| **EBITDA** | **197.1** | **214.8** | **9.0%** |
| *EBITDA Margin (%)* | *25.0%* | *26.2%* | *1.2 p.p.* |
| (+) FIES discount rate 2% | - | 6.8 | N.A. |
| (+) Ongoing M&As advisory services | - | 1.8 | N.A. |
| **Comparable EBITDA** | **197.1** | **223.4** | **13.3%** |
| *Comparable EBITDA Margin (%)* | *25.0%* | *27.3%* | *2.3 p.p.* |

* The 1Q16 figures were adjusted in accordance with the restatement of previous periods disclosed in 2Q16.

## Financial Result

**Table 25 – Breakdown of the Financial Result**

| R$ MM | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Financial Revenue** | **75.6** | **31.4** | **-58.4%** |
| Fines and interest charged | 8.4 | 10.0 | 18.8% |
| Inflation adjustment to FIES receivables | 13.0 | 4.6 | -64.8% |
| Investments income | - | 0.1 | N.A |
| No equity interest | 19.0 | 11.8 | -37.9% |
| Active monetary variation | 1.4 | 2.4 | 71.4% |
| Active exchange variation | 28.0 | - | N.A |
| Derivative financial instruments gain - swap | 0.5 | - | N.A |
| Adjustment to present value (APV) - FIES | 5.4 | 2.6 | -51.7% |
| Other | 0.0 | 0.0 | N.A |
| **Financial Expenses** | **(87.5)** | **(62.5)** | **-28.6%** |
| Bank charges | (2.2) | (4.1) | 89.0% |
| Interest and financial charges | (34.6) | (43.3) | 25.0% |
| Financial Discounts | (5.5) | (5.4) | -0.8% |
| Passive monetary variation | (4.0) | (5.3) | 34.2% |
| Derivative financial instruments losses - swap | (26.0) | - | N.A |
| Passive exchange variation | (11.0) | (0.0) | N.A |
| Other | (4.2) | (4.3) | 1.7% |
| **Financial Result** | **(11.9)** | **(31.0)** | **160.4%** |

In 1Q17, the **financial result** totaled R$31.0 million, recording negative impacts in the following lines mainly:

- **Revenue from the restatement of FIES accounts receivable**, which fell by R$8.4 million, due to the decrease in FIES accounts receivable from 2015 following the payment of the first installment in the middle of 2016;
- **Investment income**, which dropped by R$7.2 million, due to the R$95.8 million decrease in cash and cash equivalents over 1Q16;
- **Interest and financial charge expenses**, which climbed by R$8.7 million, mainly due to the R$227.8 million increase in loans and financing over 1Q16.

The exchange variation (gains and losses) and swap (gains and losses) lines refer to a foreign-currency loan settled in March 2016. The loan had a cash flow swap in which the long leg corresponded to the exchange rate variation plus 1.95% p.a., compensating the FX exposition of the line, and the short leg to the CDI + 0.12% p.a.

## Net Income

**Table 26 – Reconciliation of EBITDA and Net Income**

| R$ MM | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **EBITDA** | **197.1** | **214.8** | **9.0%** |
| Financial Result | (11.9) | (31.0) | 160.5% |
| Depreciation and amortization | (48.5) | (52.9) | 9.1% |
| Social Contribution | (2.3) | (2.5) | 8.7% |
| Income Tax | (6.4) | (6.5) | 1.6% |
| **Net Income** | **128.0** | **121.8** | **-4.8%** |

* The 1Q16 figures were adjusted in accordance with the restatement of previous periods disclosed in the 4Q15 earnings release.

**Net income** totaled R$121.8 million in 1Q17, 4.8% down on 1Q16, primarily due to the increase in the financial result (R$19.1 million) and higher depreciation and amortization (R$4.4 million), partially offset by the R$17.7 million increase in **EBITDA**.

## Accounts Receivable and Average Receivables Days

**Accounts receivable** fell over 1Q16, as shown below, essentially due to the downturn in FIES accounts receivable.

**Table 27 – Accounts Receivable**

| R$ MM | 1Q16 | 1Q17 |
|---|---|---|
| Tuition monthly fees | 400.1 | 416.9 |
| FIES | 1,013.8 | 923.5 |
| Credit Cards receivables | 52.3 | 76.4 |
| Renegotiation receivables | 100.7 | 101.5 |
| **Gross Accounts Receivable** | **1,566.9** | **1,518.3** |
| Provision for bad debts | (173.5) | (198.3) |
| Credits to identify | (1.1) | (5.4) |
| Adjustment to Present Value (APV) FIES | (22.7) | (10.6) |
| Adjustment to Present Value (APV) PAR | - | (7.0) |
| **Net Accounts Receivable** | **1,369.5** | **1,297.1** |

In regard to the increase in other accounts receivable lines, Management continues focusing on improving collection campaigns, the results of which have already become apparent in the performance of **average non-FIES receivables days**, which improved by 11 days in comparison with 1Q16.

Estácio's average receivables days came to 145 in 1Q17, 19 days lower than the same period last year. The FIES average receivables days was 5 days lower than 1Q16, totaling 272 days.

**Table 28 – Average Receivables Days**

| R$ MM | 1Q16 | 1Q17 |
|---|---|---|
| **Net Account Receivable** | **1,369.5** | **1,297.1** |
| Net Revenue (last twelve months) | 3,014.2 | 3,214.3 |
| **Average Receivables Days** | **164** | **145** |

**Table 29 – Average FIES Receivables Days**

| R$ MM | 1Q16 | 1Q17 |
|---|---|---|
| **Net Account Receivable FIES** | **1,013.8** | **923.5** |
| Revenue FIES (last twelve months) | 1,444.2 | 1,369.6 |
| FGEDUC Deductions (last twelve months)* | (74.3) | (92.1) |
| Taxes (last twelve months)* | (53.1) | (54.0) |
| **Net Revenue FIES (last twelve months)*** | **1,316.8** | **1,223.5** |
| **Receivables Days FIES** | **277** | **272** |

* These figures are not reviewed by the auditors.

Table 30 - Average non-FIES Receivables Days

| R$ MM | 1Q16 | 1Q17 |
|---|---|---|
| **Net Account Receivable Ex-APV** | **1,392.2** | **1,307.7** |
| **Net Account Receivable Ex-FIES and APV** | **378.5** | **384.1** |
| Net Revenue Ex-FIES | 1,697.4 | 1,990.8 |
| **Average non-FIES Receivables Days** | **80** | **69** |

Table 31 - Evolution of FIES Accounts Receivable

| R$ MM | 1Q16 | 1Q17 |
|---|---|---|
| **Opening Balance** | **681.2** | **823.6** |
| (+) FIES Revenue | 350.7 | 313.5 |
| (-) Transfer | 16.9 | 193.9 |
| (-) FIES Deduction/Provision | 19.7 | 27.4 |
| (+) Acquisitions | 2.3 | 0.0 |
| (+) Inflation Adjustment of FIES Accounts Receivable | 13.0 | 4.6 |
| **Ending Balance** | **1,010.6** | **920.3** |

Table 32 - Evolution of FIES Carry-Forward Credits

| R$ MM | 1Q16 | 1Q17 |
|---|---|---|
| **Opening Balance** | **87.5** | **5.1** |
| (+) Transfer | 16.9 | 193.9 |
| (-) Tax payment | 28.1 | 60.4 |
| (-) Repurchase auctions | 74.2 | 135.4 |
| (+) Acquisitions | 0.9 | - |
| (+) Monetary restatement | **3.1** | **3.2** |

## Investments (CAPEX and Acquisitions)

First-quarter **CAPEX** totaled R$26.3 million, 20.3% down, i.e. approximately R$6.7 million less than in 1Q16, mainly due to the scheduling of maintenance investments, which totaled R$13.0 million, R$3.4 million less than in 1Q16, when the Company anticipated investments, mostly allocated to upgrading systems, equipment, libraries and laboratories in the units. There were no investments in integration projects in 1Q17, given that there were no acquisitions in the past 12 months.

Total CAPEX (excluding acquisitions) represented 3.2% of net income in 1Q17.

**Table 33 – CAPEX Breakdown**

| R$ MM | 1Q16 | 1Q17 | Change |
|---|---|---|---|
| **Total CAPEX (Ex- Acquisitions)** | **33.0** | **26.3** | **-20.3%** |
| **Maintenance** | **16.4** | **13.0** | **-20.4%** |
| **Discretionary and Expansion** | **16.6** | **13.3** | **-20.3%** |
| Academic Model | 4.3 | 2.7 | -38.2% |
| New IT Architecture | 2.6 | 2.4 | -10.8% |
| Integration Processes | 0.8 | - | N.A. |
| Expansion | 8.8 | 8.2 | -6.9% |
| **Acquisitions** | **7.4** | **-** | **N.A.** |

* Figures not reviewed by the auditors.

## Capitalization and Cash

**Table 34 – Capitalization and Cash**

| R$ MM | 03/31/2016 | 03/31/2017 |
|---|---|---|
| Shareholders' Equity | 2,700.3 | 2,559.5 |
| Cash & Cash Equivalents | 362.3 | 458.1 |
| Total Gross Debt | (931.1) | (1,171.6) |
| Loans and Financing | (813.2) | (1,041.0) |
| Short Term | (57.7) | (487.2) |
| Long Term | (755.6) | (553.8) |
| Commitments Payable | (99.2) | (115.3) |
| Taxes Paid in Installments | (18.7) | (15.2) |
| Cash / Net Debt | (568.9) | (713.5) |

**Cash and cash equivalents** totaled R$458.1 million on March 31, 2017, conservatively invested in fixed-income instruments pegged to the CDI interbank rate, government bonds and certificates of deposit with top-tier Brazilian banks.

The bank **debt** of R$1.04 billion corresponded mainly to:

- the Company's debenture issues (2nd series of R$300 million, 3rd series of R$187 million and 4th series of R$100 million);
- the loan from the IFC (first installment of R$48.5 million and second of around R$20 million);
- the issue of Company promissory notes, totaling R$300.0 million; and
- the capitalization of equipment leasing expenses in compliance with Law 11,638.

The R$227.8 million increase in the loans and financing line over 1Q16 refers mainly to the issue of R$300.0 million in promissory notes in November 2016 and R$100.0 million in debentures (4th issue) in December, both operations carried out with Banco Itaú. The objective of these operations was to recover the cash spent on the settlement of the 1st debenture issue, totaling approximately R$214.1 million, and the payment of extraordinary dividends in November and December 2016, totaling R$420.0 million.

Including loans and financing, commitments for future payments related to acquisitions, which totaled R$115.3 million, as well as taxes payable in installments of R$15.2 million, Estácio's gross debt came to R$1.17 billion at the close of 1Q17, resulting in net debt of R$713.5 million.

## Cash Flow Statement

**Operating cash flow (OCF)** was positive by R$62.3 million in 1Q17, a substantial improvement R$127.4 million over the same period last year. Especially when analyzing the EBITDA to OCF conversion ratio, which stood at 34.1% in 1Q17.

**Table 35 – Cash Flow Statement**

| R$ MM | 1Q16 | 1Q17 |
|---|---|---|
| Profit before taxes and after results from discontinued operations | 136.7 | 130.9 |
| Adjustments to reconcile profit to net cash generated | 123.2 | 141.7 |
| Results after reconciliation to net cash generated | 259.9 | 272.6 |
| Change in assets and liabilities | (291.3) | (183.6) |
| Net Cash provided by (used in) operating activities | (31.4) | 89.1 |
| Acquisition of property and equipment items | (14.3) | (15.8) |
| Acquisition of intangible assets | (19.3) | (11.0) |
| **Operating Cash Flow (OCF)** | **(65.1)** | **62.3** |
| Net cash provided by (used in) investing activities | (8.7) | - |
| Cash Flow from financing activities | (257.8) | (8.2) |
| Net cash provided by (used in) financing activities | (331.5) | 54.1 |
| | | |
| **Cash and cash equivalents at the beginning of the period** | **693.8** | **404.0** |
| Increase (decrease) in cash | (331.5) | 54.1 |
| **Cash and cash equivalents at the end of the period** | **362.3** | **458.1** |
| | | |
| **EBITDA** | **197.1** | **214.8** |
| **Operating Cash Flow before CAPEX / EBITDA** | **-15.9%** | **41.5%** |
| **OCF / EBITDA** | **-23.2%** | **34.1%** |

## Balance Sheet

| R$ MM | 03/31/2016 | 03/31/2017 |
|---|---|---|
| **Short-Term Assets** | **1,475.2** | **1,623.4** |
| Cash & Cash Equivalents | 63.7 | 67.9 |
| Short-Term Investments | 298.6 | 390.1 |
| Swap difference to be received | 910.1 | 971.1 |
| Accounts Receivable | 26.2 | 8.6 |
| Advance to Employees / Third-Parties | 65.6 | 35.7 |
| Prepaid Expenses | 74.2 | 102.7 |
| Taxes and contributions | 36.7 | 47.2 |
| Others | **2,712.6** | **2,690.8** |
| **Long-Term Assets** | **693.6** | **620.8** |
| **Non-Current Assets** | 459.3 | 326.0 |
| Accounts Receivable | 5.8 | 5.6 |
| Prepaid Expenses | 1.0 | 0.0 |
| Judicial Deposits | 122.7 | 122.0 |
| Taxes and contributions | 29.1 | 38.9 |
| Deferred Taxes and others | 75.7 | 128.2 |
| **Permanent Assets** | **2,019.0** | **2,070.0** |
| Investments | 0.2 | 0.2 |
| Fixed Assets | 529.8 | 612.0 |
| Intangible | 1,489.0 | 1,457.8 |
| **Total Assets** | **4,187.9** | **4,314.2** |

| | | |
|---|---|---|
| **Short-Term Liabilities** | **549.1** | **1,001.2** |
| Loans and Financing | 57.7 | 487.2 |
| Suppliers | 60.1 | 66.2 |
| Salaries and Payroll Charges | 193.3 | 200.8 |
| Taxes Payable | 70.0 | 67.0 |
| Prepaid Monthly Tuition Fees | 4.9 | 22.4 |
| Advances under Partnership Agreement | 2.9 | 2.6 |
| Taxes Paid in Installments | 2.5 | 3.0 |
| Related Parties | 0.4 | 0.6 |
| Dividends Payable | 115.1 | 87.4 |
| Acquisition price to be paid | 33.1 | 55.4 |
| Others | 9.2 | 8.6 |
| **Long-Term Liabilities** | **938.5** | **753.5** |
| Loans and Financing | 755.6 | 553.8 |
| Contingencies | 33.2 | 65.9 |
| Advances under Partnership Agreement | 2.6 | - |
| Taxes Paid in Installments | 16.2 | 12.2 |
| Provision for asset retirement obligations | 16.8 | 22.2 |
| Deferred Taxes | 32.0 | 20.6 |
| Acquisition price to be paid | 66.2 | 59.9 |
| Others | 15.8 | 18.9 |
| **Shareholders' Equity** | **2,700.3** | **2,559.5** |
| Capital | 1,064.9 | 1,130.8 |
| Share Issuance Costs | (26.9) | (26.9) |
| Capital Reserves | 669.2 | 664.1 |
| Earnings Reserves | 1,010.7 | 816.0 |
| Income for the period | 128.1 | 121.8 |
| Treasury Stocks | (145.7) | (146.4) |
| **Total Liabilities and Shareholders' Equity** | **4,187.9** | **4,314.2** |

## Cash Flow Statement

| R$ MM | 1T16 | 1T17 |
|---|---|---|
| **Profit before income taxes and social contribution** | **136.7** | **130.9** |
| **Adjustments to reconcile profit to net cash generated** | **123.2** | **141.7** |
| Depreciation and amortization | 48.2 | 46.4 |
| Amortization of funding costs | 0.2 | 6.5 |
| Provision for impairment of trade receivables | 27.8 | 47.5 |
| Granted options - stock options | 6.4 | 2.9 |
| Provision for contingencies | 3.4 | 8.9 |
| Inflation adjustment to FIES receivables | -13.0 | -4.6 |
| Adjustment to present value - FIES receivables | -5.4 | -2.6 |
| Tax credits | -1.1 | -2.2 |
| Interest on borrowings | 29.6 | 34.6 |
| (Gain) loss on the write-off of property and equipment and intangible assets | 0.0 | 0.1 |
| Provision with asset decommissioning | 0.0 | -0.1 |
| Others | 27.0 | 4.2 |
| **Result after reconciliation to net cash generated** | **259.9** | **272.6** |
| **Changes in assets and liabilities:** | **-291.3** | **-183.6** |
| (Increase) in accounts receivable | -282.4 | -172.5 |
| Decrease (increase) in other assets | -1.5 | -6.0 |
| (Increase) decrease in advances to employees / third parties | 2.5 | 5.7 |
| (Increase) decrease in prepaid expenses | -3.5 | 0.7 |
| (Increase) decrease in taxes and contributions | 24.1 | 7.4 |
| Increase (decrease) in suppliers | -15.0 | 0.0 |
| Increase (decrease) in taxes payable | -26.0 | -13.0 |
| Increase (decrease) in payroll and related charges | 64.8 | 45.5 |
| (Decrease) in prepaid monthly tuition fees | -18.7 | -5.0 |
| Civil/Labor claims | -3.3 | -7.9 |
| (Decrease) in acquisition price to be paid | -7.0 | -15.0 |
| Increase (decrease) in other liabilities | 3.3 | 0.2 |
| Decrease (increase) in taxes paid in installments | -0.9 | -1.1 |
| Increase (Decrease) in non-current assets | 6.4 | 1.2 |
| Increase in judicial deposits | -13.8 | -2.5 |
| Interest paid on borrowings | -18.4 | -14.5 |
| IRPJ and CSLL paid | -2.2 | -6.8 |
| **Net cash provided by (used in) operating activities** | **-31.4** | **89.1** |

| | | |
|---|---|---|
| **Cash flows from investing activities** | **-42.3** | **-26.7** |
| Acquisition of property and equipment items | -14.3 | -15.8 |
| Intangible Assets | -19.3 | -11.0 |
| (Gain) loss in net book amount of property and equipment written-off | -6.7 | 0.0 |
| Acquisitions | -2.0 | 0.0 |
| **Net cash provided by (used in) investing activities** | **-73.7** | **62.3** |
| **Cash flows from financing activities** | **-257.8** | **-8.2** |
| Acquisition of stocks in treasury | -8.1 | 0.0 |
| Loans to subsidiaries | -1.1 | 0.0 |
| Loans and financing | -1.5 | 0.0 |
| Exchange rate variation on foreign currency financing | -16.3 | 0.0 |
| Net increase in borrowings | -230.8 | -8.2 |
| **Net cash provided by (used in) financing activities** | **-331.5** | **54.1** |
| **Cash and cash equivalents at the beginning of the period** | **693.8** | **404.0** |
| Increase (decrease) in cash and cash equivalents | -331.5 | 54.1 |
| **Cash and cash equivalents at the end of the period** | **362.3** | **458.1** |

**FISCAL COUNCIL'S REPORT ON THE INTERIM FINANCIAL INFORMATION FOR THE 1ST QUARTER OF 2017**

After the presentation by the Company's Management of the Interim Financial Information for the 1st quarter of 2017, and based on the opinion of the external auditor Ernst Young Auditores Independentes, the Fiscal Council members, in the use of their legal duties, pursuant to article 163 of Law 6,404/76, approved the interim financial information for the period ended March 31, 2017. In their opinion, the Financial Statements reflect, in all material respects, the financial position of the Company and its subsidiaries for the first quarter of 2017.

Rio de Janeiro, April 25, 2017.

**Emanuel Sotelino Schifferle**
Sitting member

**Vanessa Claro Lopes**
Sitting member