MANAGEMENT REPORT

Dear Shareholders,

Pursuant to the legal and statutory provisions, the Management of Estácio Participações S.A. ("Estácio" or "Company") presents the Management Report and Consolidated Financial Statements for the fiscal years ended on December 31, 2018 and 2017, drafted in accordance with the principles of the International Financial Reporting Standards ("IFRS") and with the Independent Auditors' report attached.

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Corporate Profile

Estácio is Brazil's second largest private higher education organization in terms of number of students enrolled. Incorporated on March 31, 2007 as a publicly-held company. Listed on Bovespa's Novo Mercado, the Company has a special standard of corporate governance.

As of December 31, 2018, Estácio's student base totaled 517.8 thousand students. Estácio counts on one university, ten university centers and 44 higher education schools accredited by MEC. With a national capillarity represented by 92 campuses and 607 poles of distance learning education, operating in the main urban centers of all Brazilian states and the Federal District, strategically located near the homes and/or workplaces of our target audience.

Estácio's growth in the market results from a several factors: (I) the quality of its courses and its faculty, (II) the adoption of modern management practices, (III) the technological and academic innovations provided to its students, (IV) the strategic location of its units, and (V) the practice of competitive prices, affordable to its target audience. With a nationally integrated course syllabuses, it offers in-class and distance learning undergraduate courses in the areas of Exact Sciences, Biological Sciences and Human Sciences, with bachelor-level, teaching-level and associate-level programs The Company also offers lato-sensu and stricto-sensu graduate courses, master's programs, PhD programs and extension courses. With a management model focused on results and quality, we have developed a teaching methodology that is modern and unique. Given its business and financial capacity, its innovation and ongoing improvement of its courses, Estácio's brand is recognized and valued in the market.

Economic Scenario

2018 was defined by oscillations in the global economic scenario. With the exception of the U.S., the main economies around the world grew below expectations. The leading role played by the United States led to the dollar valuation against the main international currencies, contributing to the crises in emerging countries such as Turkey and Argentina. In China, economic growth has been the weakest since the financial crisis, mainly affected by the trade dispute with the US, which has also contributed to limiting the global growth.

Concerning the Brazilian economy, the country remains in a slow recovery after a recession. 2018 was defined by great uncertainties, mainly those related to the tax matter and the structural imbalance of public accounts, especially the social security. In addition, other factors such as the presidential election and the truckers' strike helped curb the advance of the economic recovery.

As a result, throughout the year, we noticed a significant deterioration in the expectations of GDP growth. The average estimates of analysts heard by the Central Bank's Focus report fell from 3.0% at the beginning of the year to 1.3% in December. This set of uncertainties also weighed on the dollar's exchange rate against real, which rose 22% in the year, ending 2018 at R$3.91, after reaching the historical high of R$4.19 in September, right before the presidential election.

Inflation, on the other hand, remained under control, despite the pressure of fuel and energy prices. In the accumulated index for the last 12 months ended in November, IPCA registered a 4.05% increase, below the mid-inflation target of the Central Bank (4.5%).

Although unemployment remained high, - around 12 million people unemployed - the unemployment rate fell during the year, reaching 11.6% in the last measurement of the year, registering 7 consecutive falls and reaching its lowest percentage since mid-2016. In addition, after a long cycle of interest rate cuts, Selic reached its historical lowest rate of 6.5% per year, remaining at this level for most of 2018.

All of this together led to an important advance in consumer confidence; at the end of the year, the index was of 5.7 points YoY, closing at 93.8 points in December 2018.[1]

Despite the scenario of uncertainties and major challenges, Estácio remains optimistic about Brazil's growth and development, which remains a country with many business opportunities, especially in the education segment, with a significant consumer market and strong and independent institutions.

[1] Source: FGV

Message from the Management and Strategic Outlooks

2018 was an important milestone for Estácio. Despite the scenario of great economic uncertainty and slow recovery, the Company once again proved it can deliver solid results, which motivates us to continue evolving in 2019.

Throughout the year, we noticed significant results of the plan implemented at the end of 2017, highlighting three main fronts: (i) Organizational restructuring, including professors; (ii) Review of the Teaching Model (e.g., shared subjects and transfer of credits, alternate path, offer of probation classes, among others) and (iii) Projects for cost/expenses efficiency.

In 2018, the Company implemented other initiatives that generated important results.

Among the initiatives, we can highlight the introduction of DIS (Solidary Dilution), a modality that allowed the Company to access part of the revenue from the first monthly tuitions of new students, which were previously granted with full or partial discount. In the first year of the DIS, we've noticed a solid adoption of the program, corresponding to around 80% of the recruitment in the year, while the dropout rate remained within the Company's estimates.

We also must highlight our own student funding program (PAR), which ended the year corresponding to ~5% of thein-class student base.

In addition, the Company expanded and brought more visibility to the Flex Distance Learning segment, a Distance Learning modality, which is entirely digital and includes in-class laboratory practical activities, thus bringing together the flexibility of the distance learning and the campus experience. Although recent, the model has been well accepted and will be improved and expanded throughout 2019.This product benefits the revenue of the Distance Learning segment, which has an average ticket higher than the 100% online modality.

In operational terms, we must highlight the solid expansion of the Distance Learning segment, with a net addition of 323 new poles, totaling 607 in 2018. The Company launched a total of 49 new courses and over 25,000 offers, nearly 3 times more than the number of offers at the end of 2017.

The in-class segment grew with the delivery of 3 medical campuses, as per Mais Médicos I program. We also inaugurated three new greenfields and nearly 350 new offers, up 20% over 2017. In addition, as a subsequent event, January 2019 Estácio announced a commitment to implement three new Medicine courses connected to the Mais Médicos II Program, with inauguration by the first half of 2020. Thus, Estácio is consolidated as the institution with the largest number of students in the health industry.

The Company achieved a new level of cost/expense efficiency through several initiatives implemented throughout 2018, including the Strategic Sourcing Project,

which resulted in a net operating revenue reached R$3,619.4 million, up 7.1% over 2017. Together with the greater cost efficiency, our Adjusted EBITDA achieved a solid growth of 22.3% YoY, totaling R$1,154.8 million with an adjusted margin of 31.9%, up 4.0 p.p. over 2017.The net income grew by 51.9% YoY, reaching R$644.9 million. Lastly, our Operating Cash Flow (OCF before CAPEX) totaled R$1,056.7 million, 16.4% higher than the prior year. Therefore, EBITDA to OCF conversion, was 73.9% in 2018 (adjusted for the PN-23 installment)

For 2019, we will face challenges such as (i) the challenging macroeconomic scenario (ii) the high number of FIES students graduating and (iii) the increase in the PDD due to the change in the student base mix (decrease of FIES students and growth of the DIS and PAR programs and Distance Learning students). Nevertheless, we are prepared to face these challenges and deliver superior results to our stakeholders. **Our resources will be allocated to improve the experience of our students and professors, as well as generate impact in the P&L, in the Revenue** we've made advances in the recruitment and retention process and we will accelerate even further the expansion of the Distance Learning and Flex modalities through the launching of new courses and the maturation of new distance learning centers. We will also benefit from the expansion of our health courses with the maturation of the new campuses approved through Mais Médicos I and II. And when it comes to costs/expenses (excluding bad debt), we will seek to maintain the efficiency gains achieved during 2018, while capturing the full year results throughout 2019..

Finally, we'll adopt a proactive regulatory stance to be at the forefront of changes that affect our segment and we'll work on our strategic positioning to become the smartest choice in the higher education segment.

Financial Performance

The financial data used to prepare the analysis use Estácio's consolidated results.

In R$ million	2017	2018	Δ%
Gross Operating Revenue	**5,410.7**	**5,784.2**	**6.9%**
Monthly Tuition	5,370.4	5,747.8	7.0%
Other	40.3	36.4	-9.8%
Deductions of Gross Revenue	(2,031.8)	(2,164.8)	6.5%
Net Operating Revenue	**3,379.0**	**3,619.4**	**7.1%**
Costs of Services Rendered	(1,777.1)	(1,632.8)	-8.1%
Gross Profit	**1,601.9**	**1,986.6**	**24.0%**
Gross Margin	*47.4%*	*54.9%*	*7.5 p.p.*
Selling Expenses	(443.6)	(553.0)	24.7%
General and Administrative Expenses	(598.3)	(614.3)	2.7%
Other Operating Revenue/Expenses	(16.5)	(47.2)	N.A.
EBIT	543.5	772.0	42.0%
EBIT Margin	*16.1%*	*21.3%*	*5.2 p.p.*
(+) Depreciation and Amortization	(194.3)	(195.4)	0.6%
EBITDA	**737.8**	**967.4**	**31.1%**
EBITDA Margin	*21.8%*	*26.7%*	*4.9 p.p.*
Net Profit	**424.6**	**644.9**	**51.9%**
Net Margin	*12.6%*	*17.8%*	*5.3 p.p.*

Adjusted EBITDA	**944.0**	**1,154.8**	**22.3%**
Adjusted EBITDA Margin	*27.9%*	*31.9%*	*4.0 p.p.*

- **Net Operating Revenue.** In 2018, net operating revenue reached R$3,619.4 million, a 7.1% increase over 2017. This change is explained by the following elements: (I) increased average ticket, (II) new courses (in-class and distance learning) and (III) expansion of the student base in distance learning.

- **Costs of Services Rendered.** In 2018, the cost of services rendered totaled R$1,632.8 million and 45.1% of net operating revenue, a margin gain of 7.5 p.p. over 2017. Personnel costs decreased by R$152.8 million in due to the organizational restructuring that took place at the end of 2017, increased the number of subjects shared, alternative paths and more offers of equivalent courses and offers of probation classes. The third-party services item decreased by 5.3 million, due to the company's efficiency initiatives.

- **Gross Profit.** Gross profit increased by 24.0%, reaching R$1,986.6 million in 2018, vs. R$1,601.9 million in 2017, following the growth in net operating revenue and the result of processes implemented to better manage the costs of services rendered.

- **Selling Expenses.** Selling expenses totaled R$553.0 million in 2018, vs. R$443.6 million in 2017, up 24.7%, due to the increase in the provision for doubtful accounts (DDA) due to the increased representiveness of new recruitment products (PAR and DIS) on the student base.

- **General and Administrative Expenses.** In 2018, general and administrative expenses totaled R$614.3 million, up 2.7% over 2017. Personnel expenses fell by R$6.6 million, due to an adjustment in support and headquarters staff. Third-party services increased by 47.8%, due to the consultancy services hired throughout the year to lead the company's main efficiency projects.

- **Adjusted EBITDA[1].** In the year, totaled R$1,154.8 million, up 22.3% YoY, reaching an EBITDA Margin of 31.9% (+4.0 p.p. vs. 2017). Contributed to this result: (i) the revenue growth, due to the better base mix, the higher ticket and the greater offer of courses; (ii) the expansion of Distance Learning; (iii) the positive effect of the introduction of DIS, which allowed the Company to access part of the revenue given as a discount in the past; and (iv) operational efficiency and relevant reduction of costs and expenses related to personnel.

[1] – Adjusted EBITDA of R$164.5 million in 4Q18 and R$193.1 million in 4Q17, mainly due to expenses with organizational restructuring in the units and in the corporate segment and expenses with non-recurring consultancies.

- **Net Profit.** Net profit was of R$644.9 million, up 51.9% over 2017 with a margin gain of 5.3 p.p., due to the improved operating results and reduced financial expenses.

- **Dividends.** In 2018, the Company distributed R$500.8 million as dividends to its shareholders, of which R$400 million were paid as mandatory dividends.

- **Investments.** In 2018, Estácio invested R$248.5 million, up 58.3% over 2017. This increase is related to improvements in several units and to the expansion of new courses and improvements in existing courses. Throughout 2018, Estácio inaugurated three units of the Medicine course, under the project Mais Médicos: Juazeiro (BA), Alagoinhas (BA) and Jaraguá do Sul (SC), in addition to three greenfields located in São José do Rio Preto (SP), Goiânia (GO) and Volta Redonda (RJ).

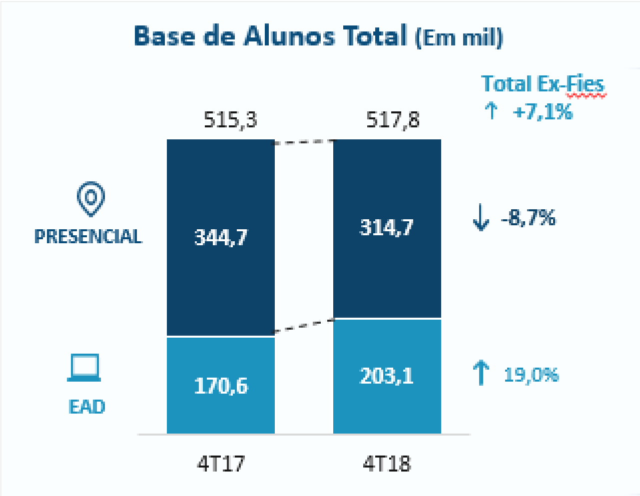
- **Cash.** On December 31, 2018, the Company's cash totaled R$818.0 million, up 56.0% over 2017. In August, we received the last installment of PN23 in the amount of R $ 342.1 million. In December, the company approved the issue of Promissory Note, in a single series, for a total of R$600.0 million. As a subsequent event, in February, the Company concluded the 5th issue of Debentures, in the same amount as the promissory note, issued in two series, maturing in 3 and 5 years, with a cost of CDI + +0.585% and CDI +0.785%, respectively.

- **Indebtedness.** Estácio's bank indebtedness totaled R$875.8 million in 2018, a 30.9% increase over 2017. Estácio's Net Debt reached 57.8 million, down 60.1% over the end of 2017.

- **Share Repurchase:** Throughout 2018, the company used part of the cash to repurchase its shares. Until September 18, the company repurchased R$250 million in shares and currently holds 2.9% of the share capital in treasury.

Operational Performance

In-Class Education: At the end of 2018, the in-class students base totaled 314.7 thousand students, down 8.7% over 2017, due to the 29.7% decrease in the FIES student base. The FIES student base totaled 64,800 students at the end of 2018, representing 20.6% of the total number of in-class students. Excluding the effect of the decrease in the FIES student base, the total student base (Ex-FIES) increased by 7.1%, highlighting Estácio's special features to recruit new students and evidencing the non-dependence of FIES in the recruitment process. We continue to focus on the quality of the students recruited and the retention policies of these students, which led the Company to reach, in the last half of 2018, 84% of in-class attendance and 78% of distance learning attendance.



Distance Learning – EAD: In 2018, the student base of distance learning increased by 19.0% over 2017, totaling 203.1 thousand students, strongly affected by the expansion of 323 new poles over 2017. The main highlight of the Distance Learning segment was the student base of the Flex Distance Learning, which grew by 36% YoY, totaling 20.6 thousand students. The student base entirely in Distance Learning grew by 20% over 2017, totaling 135.5 thousand students.

Academic Model

Estácio has developed and has been perfecting over the last years a nationally integrated Teaching Model to meet the diversity of its courses and the different academic and pedagogical needs of students and professors, ensuring the academic quality, the nationalization of syllabuses and the standardization of its own teaching resources, respecting the regional local demands and ensuring the business scalability.

With the purpose of making the model effective and using a multidisciplinary vision to establish projects, plans and pedagogical practices, Estácio adopted a proprietary methodology to collectively build knowledge, with the participation of professors from the different HEIs of Estácio Group, throughout Brazil, helping prepare the course syllabuses and contents.

In addition to the nationalized syllabuses, the Model's pillars include didactic resources and technological innovation, virtual learning platforms, integrated evaluation systems and academic complementation and reinforcement programs that, applied together with management practices, allow the continuous monitoring of the students' performance.

The recent generation of 86 course syllabuses, implemented in 2018, incorporates methodological innovations, by adopting hybrid subjects, and consolidates the intensive use of digital technologies, promoting the articulation and integration between the classroom and the virtual environment. Thus, traditional methodologies are increasingly replaced by active methodologies, placing the student in the leading role and offering the professor resources for a pedagogical mediation in more collaborative manner and more in tune with new media. In this sense, a professor training program was carried out in active methodologies and a modeling and construction project was developed for the Active Classroom in over 30 Units.

The different learning objects produced or curated by Estácio are available digitally in a single place, SAVA (Virtual Learning Classroom), with free access, available for all types of devices (mobiles, tablets, computers), on time and without request. This media convergence makes it possible to bring together, in the same virtual environment, all didactic resources for students and professors, ensuring their full access to books of the Virtual Library, as well as portals of periodicals, own textbooks, classes in video, online content, smart books, study scripts, presentations used in classes and other resources.

All of this together with the complementary academic activities and its transversal axes, focused on citizenship, entrepreneurship, human rights and sustainability, lead to the development of competent professionals with better opportunities in the labor market.

Finally, the teaching model is a way to respond to the need for scalability, mobility and sustainability of the educational services provided by Estácio, with the ongoing improvement of the academic quality and social responsibility.

Teaching Quality and Learning Management

Estácio implemented several tools and processes to make it possible for professors and academic teams to monitor the academic quality and student satisfaction, as well as identify weaknesses and potentials of each student based on their performance in tests, exercises and test drills.

With the contribution of its professors, Estácio has a database of questions with around 640,000 items validated for use in test drills and evaluations, in addition to the questions produced and under validation. This feature makes it possible to carry out integrated national tests and academic reinforcement projects, with a thorough analysis of results and, therefore, rich, intelligent analytical data to allow adjustments of deviations, ranking, averages, performance percentages at all levels (by student, class, unit, course, region).

Based on the analysis of academic performance reports, Estácio has continually improved its learning management and academic retention projects. In 2018, the Academic Reinforcement Program involved the following projects:

- "*Avaliando o Aprendizado*", with over 75% of the in-class student base taking drills tests to prepare for evaluations;
- "*Nova Chance*", with over 92,000 students in parallel recovery program with real chances of reversing bad results;
- "*Prepara*", with over 93,000 accesses to review classes live and chat before the main tests;
- Drill Test AV1, with over 182,000 tests taken, providing the opportunity to obtain extra points in the first evaluation through drill tests taken by the students in the first weeks of classes and;
- "*Dependência*", with over 22,000 students who failed in subjects and re-took the subject simultaneously with the subsequent semester, in less time and without impact to their academic advance when approved.

In addition, the evaluation criteria of several subjects were reviewed and the pilot project of the graduation evaluation was implemented in 7 subjects that are shared between courses in the same area of knowledge.

Regulatory

Evaluation: ENADE and on-site visits

The result of the courses of Estácio's Institutions, evaluated in the ENADE 2017 cycle, were published in the Federal Official Gazette on December 17, 2018. Of the 253 courses (in-class and distance learning) - in Information Technology, Engineering and Teaching-Level Degrees - evaluated with concepts ranging from 1 to 5, 95% had satisfactory Preliminary Course Concept (CPC).

All Estácio's Institutions obtained a satisfactory General Course Index (IGC), with seven Institutions receiving concept 4 in a scale of 1 to 5.

Regarding the on-site visits, which are equally relevant to consolidate the model in terms of regulations, in MEC's 2018 evaluations throughout Brazil (131 visits to verify courses and 7 visits to poles and Institutions) 100% received concepts 3, 4 or 5 on a scale of 1 to 5.

Evaluation: Master Degree and PhD

Due to the four-year periodicity, the stricto sensu graduate courses (Master Degree and PhD courses) remain with a good evaluation, according to the scale of the Coordination of Improvement of Higher Education Personnel (CAPES - *Coordenação de Aperfeiçoamento de Pessoal de Nível Superior*). The Master Degree and PhD courses in Law have a 5-concept and are a highlight in the state of Rio de Janeiro. The quality of the Master Degree and PhD courses in Education and Dentistry is attested by the 4-concept, which is the same evaluation of the Professional Masters in Business Management and Development and in Family Health, showing that these courses remain excellent.

Accreditation of new Institutions

Throughout 2018, MEC published the accreditation decrees of four other Estácio Institutions:

i) Faculdade Estácio de Maringá (approved with concept 3 in the on-site evaluation visit - scale from 1 to 5), located in the city of Maringá, state of Paraná, which was authorized to offer the following courses: Higher Education Course of Technology in Human Resources Management (Associate Degree), with 100 vacancies per year; Administration (Bachelor's Degree), with 100 vacancies per year; Accounting Sciences (Bachelor's Degree), with 100 vacancies per year;

Higher Education Course of Technology in Marketing (Associate Degree), with 100 vacancies per year; and the Higher Education Course of Technology in Financial Management (Associate Degree), with 100 vacancies per year.

ii) Faculdade Estácio de Passos (approved with concept 4 in the on-site evaluation visit - scale from 1 to 5), located in the city of Passos, state of Minas Gerais, which was authorized to offer the following courses: Pedagogy (Teaching-Level Degree), with 80 vacancies per year; Higher Education Course of Technology in Human Resources Management (Associate Degree), with 80 vacancies per year; Accounting Sciences (Bachelor's Degree), with 80 vacancies per year; Administration (Bachelor's Degree), with 60 vacancies per year, and Higher Education Course of Technology in Logistics (Associate Degree), with 80 vacancies per year.

Project Mais Médicos I – Call Notice Nr. 6/2014/SERES/MEC – Accreditation of Institutions and Authorization of Medicine Courses

i) Faculdade Estácio de Jaraguá do Sul: on March 8, 2018, the Accreditation Decree of the Faculdade Estácio de Jaraguá do Sul was published, together with authorization of the Institution's Medicine Course, located in the city of Jaraguá do Sul, state of Santa Catarina, with a total of 50 vacancies per year, according to Call Notice Nr. 6/2014/SERES/MEC, first public call for maintaining entities of Higher Education Institutions of the Federal Education System to select proposals to authorize medicine courses in the cities selected in the scope of the Call Notice 3/2013.

ii) Faculdade Estácio de Alagoinhas: on March 28, 2018, the Accreditation Decree of the Faculdade Estácio de Alagoinhas was published, together with authorization of the Institution's Medicine Course, located in the city of Alagoinhas, state of Bahia, with a total of 65 vacancies per year, according to Call Notice Nr. 6/2014/SERES/MEC, first public call for maintaining entities of Higher Education Institutions of the Federal Education System to select proposals to authorize medicine courses in the cities selected in the scope of the Call Notice 3/2013.

iii) Faculdade Estácio de Juazeiro: on March 28, 2018, the Accreditation Decree of the Faculdade Estácio de Juazeiro was published, together with authorization of the Institution's Medicine Course, located in the city of Juazeiro, state of Bahia, with a total of 55 vacancies per year, according to Call Notice Nr. 6/2014/SERES/MEC, first public call for maintaining entities of Higher Education Institutions of the Federal Education System to select proposals to authorize medicine courses in the cities selected in the scope of the Call Notice 3/2013.

Project Mais Médicos II - Call Notice Nr. 1/2018/SERES/MEC

On December 28, 2018, Decree 924/2018 was published ratifying the final result of Call Notice Nr. 1/2018/SERES/MEC, and selecting 3 proposals presented by Estácio: Castanhal/PA (accreditation of new HEI and authorization of the Medicine course), Quixadá/CE (accreditation of an external campus of an HEI already existing in the state of Ceará - Centro Universitário Estácio do Ceará - and authorization of the Medicine course), and Canindé/CE (accreditation of new HEI and authorization of the Medicine course)

Corporate Governance

Quality, management excellence, corporate integrity, ethical compliance and dissemination of access to education in the country are commitments of Estácio with its shareholders and with all its stakeholders.

In November 2008, we became part of Novo Mercado, the highest level of Corporate Governance in Brazil, focused on bringing greater transparency and efficiency to our Management. As a result, Estácio now complies with the rules and conditions set forth in the Novo Mercado's Listing Rules, such as: share capital exclusively with common shares, election of independent members to the Board of Directors and settlement of disputes through arbitration at Novo Mercado's Arbitration Chamber.

With the pulverization of the capital in October 2010, as of 2011, Estácio started adopting governance practices, such as: (i) providing the Shareholder's Manual with guidelines on attending the Shareholders' Meetings (ii) becoming a member of the Brazilian Institute of Corporate Governance ("IBCG"), as of 2012; (iii) annually publishing the Sustainability Report, as of 2014, and adopting the Global Reporting Initiative ("GRI") methodology and its G4 Guidelines, following international standards of governance; (iv) publishing Corporate Policies, such as Policy of Securities Trading (2007), Policy for Material Acts and Facts (2007), Policy of Related-Party Transactions (2015), Policy of Risk Management (2017, updated in 2018), Policy of Remuneration (2018), Policy of Appointment of Members to the Board of Directors, Statutory Board and Committees (2018), Policy of Information Security (2017, updated in 2018), Code of Ethics and Conduct (2008, updated in 2016) and Anti-Corruption Code (2016), jointly called Corporate Policies of the Company.

Considering the new rules of governance and compliance issued in 2017 by the Brazilian Securities and Exchange Commission ("CVM") and B3 S.A. – Bolsa, Brasil, Balcão S.A. ("B3"), as well as the best practices adopted by the domestic and foreign market, the Company started to disseminates governance practices for all its stakeholders, such as: (i) Periodic internal institutional campaigns on compliance; (ii) periodic training for Employees and members of the Management; (iii) updating and creating corporate policies, internal regulations and codes, disclosed on its website (www.estacio.br/ri), in the Company's Governance Portal and in the systems of regulatory agents; (iv) transforming the Advisory Committees of the Board of Directors into statutory committees; (v) creating Advisory Committees for the Board; (vi) reformulating the working scope of the internal audit and implementing a risk management area; (vii) creating a

Confidential Reporting Channel; (viii) using and building the loyalty of the Governance Portal used by the Company's Management, by the members of the Fiscal Council and the members of the Statutory Advisory Committees to the Board of Directors - a versatile and practical channel that gives access and stores the Company's information, in a safe and transparent manner, to the main documents of the Company, as well as the agenda of meetings, guidelines, supporting material, minutes, reports, policies, codes, regiments, bylaws, as well as allowing them to review documents, approve them and print them.

In addition, the Company has helped disseminate an education with quality in the country, according to the general index of courses evaluated by the National System for the Evaluation of Higher Education Courses ("SINAES"). In 2017, Estácio was evaluated with concept 4 out of 5 in 59 courses (evaluation published on December 17, 2018), thus standing up to the title of 2nd best private university in Rio de Janeiro.

Management

The members of the Board of Directors and of the Executive Board constitute the Company's Management. The Company also has a Fiscal Council. The Management is governed by the current legal and regulatory requirements, including the new Novo Mercado's Regulation, in force since 2017.

Estácio's Board of Directors, with a two-year term of office, with re-election authorized, includes eight independent members, with an unblemished reputation, national and international multidisciplinary expertise, diversity of nationality, age group and academic background.

In 2017, with the purpose to improve the advisory practices to the members of the Board of Directors, the Company transformed its 3 committees - the People and Governance Committee, the Audit and Finance Committee and the Academic Committee - into statutory bodies and created the Statutory Committee of Strategy. Estácio has perfected the due internal regulations, as well as the Internal Regulations of the Board of Directors, in compliance with the new governance rules, the best practices in the national and international market and the Bylaws. The Board of Directors, its Advisory Committees and the Executive Board are now evaluated annually, with the purpose of adopting ongoing improvement practices.

In 2018, the Board of Directors approved updates to the internal regulations of the Board of Directors and of the Audit and Finance Committee, as well as of all the Company's Corporate Policies, according to governance standards issued by CVM and B3 at the end of 2017.

The Executive Board includes six executives, with a two-year term of office, re-election authorized, with unblemished reputation, multidisciplinary expertise, diversity of academic background, gender, age group, and states, all elected by the Board of Directors. The Executive

Board has on CEO, on CFO and Investor Relations Officer, one Education Vice-President and three other directors without specific title, responsible for Market, Operations, Legal, Compliance and Ombudsman. In 2017, with the purpose to improve the advisory practices of the members of the Executive Board, the CEO created four committees: the Ethics Committee, the Environment Committee, the Loyalty Committee and the Risk Committee, approved in a collegial manner by all members of the Company's Executive Board. These Committees have monthly meetings and have experienced and multidisciplinary members of the Company, with their due leaders-evaluators and periodic results report.

The Fiscal Council, with a one-year term, re-election authorized, includes three sitting members and the same number of alternates, all independent, with unblemished reputation, corporate accounting expertise, age group, gender and academic background. The duties and powers of the Fiscal Council comply with legal and regulatory requirements, including the Novo Mercado's Regulation, its Internal Regulations and the Company's Bylaws, as well as the best national and international market practices.

Capital Market

Estácio's common share are traded on B3's Novo Mercado under the ticker code ESTC3. The company also has a Level I ADR program under the code ECPCY. In 2018, Estácio's shares closed at R$23.76, a 27.6% depreciation in the last twelve months, and up 50.4% over the previous 24 months. In the same period, Ibovespa appreciated 15.0% and 45.9% in 24 months. The average daily trading volume of Estácio's shares was of R$99.0 million, up 43.2% over the previous year.

Investor Relations

The Investor Relations area is focused on improving Estácio's market valuation, increasing the liquidity of its shares and strengthening the relationship with its investors. In 2018, we launched the new IR website - more modern, faster and more accessible for our stakeholders - with an innovative model to further expose the company's main files, making most of the most accessed documents available in a few clicks. We also made sure to ensure greater responsibility, a seamless experience on mobile platforms, given that the website will be increasingly accessed by this channel. In this sense, we also launched the new App platform, with all the company's information in an easier method.

Sustainability and Corporate Social Responsibility

Educate to Transform Program

Estácio's Corporate Social Responsibility actions, guided by the Educate to Transform Program, are based in five pillars: Estácio in Sport, Estácio in School, Estácio Citizenship, Cultural Estácio and the new pillar of Innovation & Entrepreneurship. These are the structuring bases of the Company's contributions to the social development of Brazil.

To disseminate information on our corporate best practices associated with the Educate to Transform Program, we have synthesized some of the successful experiences developed by the Company. In addition to highlighting the positive impacts generated in the places where we operate, these initiatives also show the importance of strengthening the actions carried out in partnership and cooperation networks. We believe that this is how we continually advance, towards the internalization of the sustainability concept in our daily life, and that's how we also engage the interlocutors with whom we talk and relate.

Engagement and Local Development

Estácio splits its units into four regionals, implementing in all the programs of community engagement, impact evaluation and local development. Regional, Center and Unit Managers throughout Brazil are responsible for identifying opportunities, as well as developing and managing the actions and projects in Corporate Social Responsibility, in accordance with the Educate to Transform Program and the brand positioning.

The units develop several social actions and extension projects, according to the courses offered. Many are required to develop practical activities as part of the syllabus, supervised by professors. See below a few examples: Law (Center of Legal Practices providing services to the community); Psychology and Teaching-Level Degrees (providing services and internships); and Accounting (promoting initiatives of financial education and helping fill out the Income Tax Statement).

Estácio in Sport

For Estácio, educating is more than conveying knowledge. Educating includes building values and resilience and promoting autonomy with ethics, collective spirit and social commitment. Sports include all these elements and, therefore, is key to complement to the educational process and the citizenship development. That is why we invest in social actions and projects that bring together sports and education, promoting lasting individual and collective transformations.

Estácio Team

“Estácio Team” is a group of athletes of several modalities that are supported by the company. For the champions of tracks, pools and gymnasiums to succeed in other areas of their lives as well, their sports career must be complemented by a good academic training. Estácio supports over 500 sportspeople with scholarships for in-class and distance learning courses. Young people from institutions we support stand out in base categories and high-performance athletes in the different regions of the country. Some of Estácio’s stars are Daniele Hipólito (Olympic gymnastics), Chloé Calmon, Pan-American longboard champion in Peru (2018), and former athlete Laís Souza.

Partnerships

We have partnerships with sports institutions such as COB, IOB and the Brazilian Confederations of Table Tennis and Water Sports. We also support NGOs with consistent social projects in sports and education such as the Institutes Fernanda Keller, Guga Kuerten and Reação, founded by former judoka Flavio Canto, who has a high-performance training center in one of our Units in Rio de Janeiro.

Project of Adult Literacy

On April 5, 2018, Estácio launched the Project of Youth and Adult Literacy, pioneering initiatives among the country’s universities. To prepare the project’s guidelines, a working group was created, led by the Vice Presidency of Institutional Relations and Sustainability, with the help of the Board of Pedagogical Services, the Board of Research and Extension, the National Education Management and National Management of Teaching-Level Degrees, among others. The pilot project started in three of Estácio’s units: Queimados, Via Brasil and Alcântara, all in the State of Rio de Janeiro. In the second half of 2018, the unit Ilha do Governador, in Rio de Janeiro, was included in the project.

Each class has 25 students and take place in classrooms specially structured for the teaching-learning script to be applied. The content is taught by students of the Pedagogy and Teaching-Level courses of each unit. For participating in the project, Estácio’s students received 50% scholarships during the school months. The idea is for the initiative to be extended to other states.

In a country where 7% of the population remains illiterate, a project like this has a daring goal: eradicating illiteracy in the communities around Estácio's units in the coming years.

Employees

The results obtained in 2018 are also represented by the engagement of Estácio's Employees with the Company's business model and organizational culture. Strongly investing in training and developing the academic and management teams, Estácio closed the year with 11,851 employees: 6,840 professors and 5,011 in administrative and teaching support areas, working in 24 states and 41 cities in Brazil.

In 2018, the Company paid the total amount of R$1 billion and R$286 million in salaries and social charges.

The profile of the Company's Employees stands out for its diversity of gender and age group, with 48% of men and 52% of women and overall average age of 40 years old (including administrative and support staff and professors). The distribution by age group (including professors) is as follows: (i) 9% below 26 years old; (ii) 31% between 26 and 35 years old; (iii) 31% between 36 and 45 years old; (iv) 23% between 46 and 60 years old; and (v) 6% above 60 years old. This combination of people is precisely what helps us achieve better results.

The success of internal policies and the consolidation of leaderships once again reflected in Estácio's Annual Environment Survey, concluded in November 2018. This survey, carried out by an external consultancy specialized in Human Resources projects, counted on 10,996 respondents, corresponding to 80% of Estácio's employees, and reached the significant overall result of 75% of engagement.

The indicator of the intention to stay working for Estácio was evaluated in the Annual Environment Survey. The distribution of length of stay is as follows: (i) 4% intends to stay less than 1 year; (ii) 7% intends to stay for 1 to 2 years; (iii) 12% intends to stay for 3 to 5 years; and (iv) 77% intends to stay more than 5 years.

Management and Variable Remuneration System

Estácio has over 600 managers with specific goals based on financial and non-financial indicators. Currently, all administrative employees, except interns and third parties, are eligible to

Variable Remuneration programs, according to the area's performance and the results of the entire company. Estácio also has specific compensation programs for course coordinators. Currently, the Company has 60 executives in the Long-Term Incentive Plans.

Estácio moves forward with the Management Excellence Program (PEG), through which the units evaluate themselves in relation to the expected benchmarks for the processes in the Administrative, Commercial, Service, Academic and People and Management pillars. In 2018, we had the seventh PEG evaluation cycle, recognizing and rewarding the units that had the best performance.

As part of the process of constantly monitoring the results, the Management System brings together the meeting of Operations Performance Management (GDO) and several other systematic meetings such as Academic Performance Management (GDA), focused on Education.

The company also has an internal online standardization management system (GSP), gathering information on all Estácio's regulatory documents. The transparency in institutional processes, policies and guidelines, as well as the easiness to access, help carry out tasks, stimulate learning and contribute to the quality assurance.

Independent Auditors

In compliance with CVM Instruction 381/2003, which addresses the provision of other services by our independent auditors, we clarify that our policy of relationship with our independent auditors regarding services not related to external audits is grounded in principles that preserve the auditor's independence. The independent auditors of Ernst & Young Auditores Independentes S.S. ("EY") were hired for the audit services of the individual and consolidated financial statements for the fiscal year ended on December 31, 2018, prepared in accordance with the accounting practices adopted in Brazil. The fees paid for this work totaled R$2,054,999.00

Service	Fees	Term	Nature
Audit	2,054,999.00	From April 2018 to March 2019	Quarterly reviews and analysis of the 2018's financial statements.
TOTAL	**2,054,999.00**		

Arbitration Clause

Estácio Participações is subject to the arbitration in the Market Arbitration Chamber, as set forth in Article XII of the Company's Bylaws.

Acknowledgments

All achievements throughout 2018 were only possible thanks to the support and trust received from shareholders, students, suppliers and financial institutions. The Company's Management specially acknowledges the dedication and commitment of its Professors and Employees. Thank you very much!

The Management

Statement of the Executive Board

In compliance with Article 25, Items V and VII of CVM Instruction 480/2009, the members of the Executive Board of Estácio Participações S.A. state, unanimously and without dissent, that they reviewed, discussed and agreed on the content of the Company's Financial Statements and with the opinions issued in the expert report, without reservations, by Ernst & Young Auditores Independentes S.S., both referring to the fiscal year ended on December 31, 2018.

Rio de Janeiro, March 14, 2019.

Eduardo Parente Menezes, Gustavo Artur Ciocca Zeno, Alberto de Senna Santos, Hudson Rubem de Oliveira Mello Junior and José Aroldo Alves Júnior.

(A free translation of the original in Portuguese)

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A free translation from Portuguese into English of independent auditor's report on individual and consolidated financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB)

Independent auditor's report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers of
Estácio Participações S.A.
Rio de Janeiro - RJ

Opinion

We have audited the individual and consolidated financial statements of Estácio Participações S.A. (the "Company" or "Estácio"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2018 and the statements of profit or loss, of comprehensive income, of changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Estácio Participações S.A. as at December 31, 2018, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an individual opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition

As indicated in Notes 2.20a and 22, the Company's revenue basically arises from the provision of higher education services, both face-to-face and online, for individuals enrolled every six months in the regular courses offered by the Company. Revenue is generated by a large volume of transactions with low individual value. In this context, the revenue recognition process requires effective internal controls, in operation throughout the period to ensure adequate revenue recognition in the appropriate accrual period. This includes maintaining the Company's policies for student enrollment, pricing of the courses offered by the Company, renegotiation of debts and the eligibility of students to the benefits of programs FIES (Program for the financing of higher education students) and PROUNI (University-for-all program).

Given the significance of the amounts involved, combined with the aforementioned aspects, this was considered a key audit matter.

How our audit addressed this matter:

As an audit response to this matter, our approach included, the following procedures, among others: (i) tests of significant internal controls implemented by management that support revenue recognition processes, including operational controls for student enrollment, hiring process, activation, reactivation and renewal of enrollment, renegotiation of receivables; (ii) inspection of documents evidencing the student's revenue transactions, on a sample basis, including: a) service contracts signed by the students; b) documentation required in the Company's policies for enrollment of the student; c) proof of settlement of enrollment collection slips, monthly fees and agreements; and d) student attendance reports; (iii) selection based on samples of monthly fees from FIES students and confirmation of the student's enrollment with the financing program; (iv) checking whether the amounts corresponding to these revenues were recorded in the appropriate period, based on the confirmation and approval of financing by the National Fund for Student Development (FNDE); (v) selection based on samples of tuition from students eligible to the University-for-All Program (PROUNI), and confirmation of student's proof of enrollment with PROUNI; (vi) confirming whether the amounts corresponding to these revenues were recorded in the appropriate period, and recalculating the tax benefit generated by this program; (vii) subsequent settlement tests for monthly amounts billed; and (viii) reconciliation of bases of accounts receivable from students with accounting records.

Based on the result of the audit procedures performed on the Company’s revenues, which is consistent with management's assessment, we consider that the revenue recognition criteria and assumptions adopted by management, as well as the respective disclosures in Notes 2.20 and 22, are acceptable, in the context of the overall financial statements.

Impairment of goodwill from business combinations

Goodwill impairment test, based on expectation of future profitability as a result of the business combinations carried out by the Company, involves critical estimates and judgments by management. As indicated in Note 9, goodwill recognized as a result of these business combinations represents approximately 29% of total assets.

The goodwill impairment evaluation process is complex and involves a high degree of subjectivity, based on various assumptions such as: determination of cash-generating units, discount rates, percentage of growth and profitability of the Company’s business for a number of future years. Such assumptions may be significantly affected by market conditions or future economic scenarios in Brazil, which cannot yet be estimated accurately.

Given the significance of the amounts involved, combined with the aforementioned aspects, this was considered a key audit matter.

How our audit addressed this matter:

As an audit response to this matter, our approach included, the following procedures, among others: (i) obtaining and analysis of the projected cash flow prepared by the Company's management for the impairment test, and comparison with the business plans approved by Governance; (ii) comparison of prior-year projections with actual results, to assess the effectiveness of the business plans and the level of agreement with the previous projections; (iii) discussion with management of the main assumptions and tests regarding the methodology used in the measurement of the recoverable amount, particularly the discount rates and the growth rates used in the projection, considering: (a) involvement of our valuation experts to assist in the discussion of the key assumptions used, in comparison with those observed in the market for similar businesses, when available; (b) application of sensitivity analyses to the key assumptions adopted by management; and (c) evaluation of the adequacy of the disclosures made by Estácio’s management on the key assumptions for goodwill impairment tests included in Note 9.

Based on the result of the audit procedures performed on goodwill impairment, which is consistent with management's assessment, we consider that the criteria and assumptions for goodwill impairment assessment adopted by management, as well as the respective disclosures in Note 9, are acceptable, in the context of the overall financial statements.

Provision for civil, labor and tax contingencies

As indicated in Note 16, the Company and its subsidiaries are parties to various administrative and legal proceedings involving civil, labor and tax matters, arising from the ordinary course of business.

Assessment of the likelihood of loss of such proceedings involves a high degree of subjectivity by the legal advisors responsible for such cases, as well as by management, also including measurement of possible future disbursements. This process considers the existence of case laws and/or recurrence of the claims presented, among other aspects.

Given the significance of the amounts involved, the provisions for civil, labor and tax proceedings were considered a key audit matter.

How our audit addressed this matter:

As an audit response to this matter, our approach included, the following procedures, among others: (i) obtaining an understanding of the processes implemented by management to identify, monitor and record contingencies; (ii) confirmation letters sent directly to the internal and external legal advisors responsible for the Company's administrative and legal proceedings, in order to confirm the amounts and likelihood of loss, and their correct disclosure in the notes to the financial statements; (iii) checking the assumptions used for the provision for labor contingencies, taking into account the specific criteria adopted by the Company, based on the history of settlement of proceedings, including agreements; (iv) for the selected tax proceedings, the involvement of our internal experts in these matters, to support us in the discussions regarding the likelihood of loss assessed by external lawyers; (v) checking the communications received from inspection agencies related to proceedings, notices served and discussions to which the Company is a party; and (vi) evaluation of the adequacy of the disclosures made by the Company on civil, labor and tax risks in Note 16.

Based on the result of these audit procedures, an audit adjustment was detected indicating the need to record a supplemental provision for contingencies, which was not recorded by the Company due to its immateriality considering the overall individual and consolidated financial statements.

Based on the results of the audit procedures on provision for civil, labor and tax contingencies, which are consistent with management's assessment, we consider that the criteria and assumptions for the recognition of the referred to provision adopted by management, as well as the respective disclosures in Note 16, are acceptable, in the context of the overall financial statements.

Allowance for doubtful accounts

The determination of the amount of the allowance for doubtful accounts involves subjectivity and a high degree of management judgment. The determination of the amount of the allowance for doubtful accounts involves a process with several assumptions and factors, including debt renegotiation.

We consider this a key audit matter, since the use of these judgments, assumptions and factors in determining the allowance for doubtful accounts could result in significant variations in this estimate.

How our audit addressed this matter:

Our auditing procedures considered, among others, the understanding and testing of the significant internal controls established for the calculation of the allowance for doubtful accounts, including: (i) evaluation of the integrity of the database considered in the analysis; (ii) discussion with management of the assumptions adopted in measuring the recoverable value of accounts receivable; (iii) recalculation of the allowance, including reprocessing the aging list and applying the criteria defined by management; and (iv) comparison between the determined allowance amounts and the amounts recorded.

Based on the results of the audit procedures on the allowance for doubtful accounts, which are consistent with management's assessment, we consider that the criteria and assumptions for the recognition of the referred to allowance adopted by management, as well as the respective disclosures in Note 4, are acceptable, in the context of the overall financial statements.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2018, prepared under Company management responsibility, the presentation of which is required as supplementary information under IFRS, have been subject to audit procedures in conjunction with the audit of the Company's financial statements. For the purpose of forming our opinion, we evaluate whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set forth in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were fairly prepared, in all material respects, in accordance with the criteria defined in referred to Accounting Pronouncement and are consistent with the overall individual and consolidated financial statements.

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

Management is responsible for such other information, which comprise the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's and its subsidaries' financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

Rio de Janeiro, March 14, 2019.

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

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

(A free translation of the original in Portuguese)

Estácio Participações S.A.

Balance sheet
Years ended December 31, 2018 and 2017
(All amounts in thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Assets				
Current				
Cash and cash equivalents (Note 3)	**146**	241	**13,686**	13,996
Marketable securities (Note 3)	**239,672**	45,820	**804,360**	510,450
Accounts receivable (Note 4)			**571,854**	991,404
Related parties (Note 5)	**478**	15,612		
Prepaid expenses (Note 6)		25	**6,034**	6,544
Dividends receivable	**310,000**	390,957		
Taxes and contributions (Note 7)	**2,145**	3,908	**135,810**	92,046
Others			**18,883**	49,040
	552,441	456,563	**1,550,627**	1,663,480
Non-current				
Long-term assets				
Accounts receivable (Note 4)			**139,198**	32,694
Prepaid expenses (Note 6)			**5,519**	5,105
Judicial deposits (Note 16)		185	**81,702**	102,808
Deferred taxes (Note 28)	**111**		**136,576**	70,617
Taxes and contributions (Note 7)	**41,210**	36,981	**102,247**	80,322
Others			**11,441**	43,217
	41,321	37,166	**476,683**	334,763
Investments				
In subsidiaries (Note 8)	**2,151,500**	2,118,132		
Others			**228**	228
Intangible assets (Note 9)	**780,189**	793,280	**1,413,820**	1,420,208
Property and equipment (Note 10)	**15**		**661,105**	602,416
	2,931,704	2,911,412	**2,075,153**	2,022,852
	2,973,025	2,948,578	**2,551,836**	2,357,615
Total assets	**3,525,466**	3,405,141	**4,102,463**	4,021,095

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Liabilities and equity				
Current				
Suppliers	**2,133**	2,205	**105,812**	70,923
Loans and financing (Note 11)	**773,709**	326,072	**795,789**	349,274
Salaries and payroll charges (Note 12)	**330**	352	**133,654**	158,640
Tax liabilities (Note 13)	**186**	172	**35,588**	76,794
Prepaid monthly tuitions fees			**17,176**	13,341
Taxes paid in installments (Note 14)			**3,563**	4,295
Related parties (Note 5)		2		
Dividends payable (Note 17)	**153,168**	100,846	**153,168**	100,846
Acquisition price to be paid (Note 15)			**34,488**	57,109
Others	**1,127**	329	**9,862**	11,722
	930,653	429,978	**1,289,100**	842,944
Non-current				
Long-term liabilities				
Loans and financing (Note 11)	**3,086**	193,343	**21,426**	218,047
Contingencies (Note 16)	**288**	172	**126,917**	86,284
Taxes paid in installments (Note 14)			**6,678**	10,301
Deferred taxes (Note 28)		4,361	**5,186**	14,177
Provision for asset desmobilization			**26,951**	22,196
Acquisition price to be paid (Note 15)			**13,852**	29,989
Others	**30**	30	**20,944**	19,900
	3,404	197,906	**221,954**	400,894
Equity (Note 17)				
Capital	**1,139,887**	1,130,818	**1,139,887**	1,130,818
Share issue costs	**(26,852)**	(26,852)	**(26,852)**	(26,852)
Capital reserves	**668,370**	663,981	**668,370**	663,981
Eanings reserves	**1,016,645**	1,139,764	**1,016,645**	1,139,764
Treasury shares	**(206,641)**	(130,454)	**(206,641)**	(130,454)
	2,591,409	2,777,257	**2,591,409**	2,777,257
Total liabilities and equity	**3,525,466**	3,405,141	**4,102,463**	4,021,095

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

(A free translation of the original in Portuguese)

Estácio Participações S.A.

Statement of income
Years ended December 31, 2018 and 2017
(All amounts in thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Continuing operations				
Net operating revenue (Note 22)			**3,619,377**	3,378,979
Cost of services (Note 23)			**(1,632,812)**	(1,777,113)
Gross profit			**1,986,565**	1,601,866
Operating income (expenses)				
Selling expenses (Note 24)			**(553,046)**	(443,561)
General and administrative expenses (Note 24)	**(32,789)**	(38,676)	**(614,298)**	(598,324)
Equity (Note 8)	**700,681**	550,330		
Other (Note 25)	**129**	(12,097)	**(47,214)**	(16,470)
Operating profit	**668,021**	499,557	**772,007**	543,511
Financial revenue (Note 26)	**8,583**	13,428	**92,329**	117,859
Financial expenses (Note 26)	**(36,649)**	(109,699)	**(211,156)**	(229,312)
Financial result, net	**(28,066)**	(96,271)	**(118,827)**	(111,453)
Profit before income tax and social contribution	**639,955**	403,286	**653,180**	432,058
Current and deferred income tax (Note 28)	**3,616**	15,678	**(4,489)**	(3,041)
Current and deferred social contribution (Note 28)	**1,302**	5,626	**(3,818)**	(4,427)
Net income	**644,873**	424,590	**644,873**	424,590
Basic earnings per thousand share (Note 21)	**2.11358**	1.37464	**2.11358**	1.37464
Diluted earnings per thousand share (Note 21)	**2.10313**	1.37036	**2.10313**	1.37036

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

(A free translation of the original in Portuguese)

Estácio Participações S.A.

Statement of comprehensive income
Years ended December 31, 2018 and 2017
(All amounts in thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Net income	**644,873**	424,590	**644,873**	424,590
Other comprehensive income				
Total comprehensive income for the year, net of taxes	**644,873**	424,590	**644,873**	424,590
Attributable to:				
Controlling stockholders				
Non-controlling interests	**644,873**	424,590	**644,873**	424,590

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

(A free translation of the original in Portuguese)

Estácio Participações S.A.

Statement of changes in equity
Years ended December 31, 2018 and 2017
(All amounts in thousands of reais unless otherwise stated)

						Capital reserves		Eanings reserves			
	Capital	Share Issue costs	Long-term incentives	Discount on the sale of shares	Share premium	Options granted	Legal	Profit retention	Treasury shares	Retained earnings	Total
At January 1, 2017	1,130,818	(26,852)	210		595,464	65,449	93,199	722,815	(146,430)		2,434,673
Options granted (Note 20)						7,458					7,458
Long-term incentives (Note 20)			94								94
SOP payment (Note 17)									11,282		11,282
Discount on the sale of treasury shares (Note 17 d.3)				(4,694)					4,694		
Net income										424,590	424,590
Allocation of profit											
Transfer to reserves							21,230	302,520		(323,750)	
Mandatory minimum dividend (R$ 0.33 per share)										(100,840)	(100,840)
At December 31, 2017	1,130,818	(26,852)	304	(4,694)	595,464	72,907	114,429	1,025335	(130,454)		2,777,257
Stock options exercised	**123**										**123**
Options granted (Note 20)						**7,678**					**7,678**
Treasury shares acquired (Note 17)									**(249,937)**		**(249,937)**
Cancellation of shares in treasury (Note 17 c)								**(154,603)**	**154,603**		
SOP payment (Note 20)									**15,858**		**15,858**
Discount on the sale of treasury shares (Note 17 d.3)				**(3,289)**					**3,289**		
Capital increase (Note 17 a)	**8,946**							**(8,946)**			
Intermediate dividends (R$ 1.33 per share)								**(400,000)**			**(400,000)**
Net income										**644,873**	**644,873**
Adoption of the new standard IFRS 09 (Note 1.3)								**(51,286)**			**(51,286)**
Allocation of profit											
Transfer to reserves								**32,244**	**459,472**	**(491,716)**	
Mandatory minimum dividend (R$ 0.52 per share)										**(153,157)**	**(153,157)**
At December 31, 2018	**1,139,887**	**(26,852)**	**304**	**(7,983)**	**595,464**	**80,585**	**146,673**	**869,972**	**(206,641)**		**2,591,409**

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

(A free translation of the original in Portuguese)

Estácio Participações S.A.

Statement of cash flows
Years ended December 31, 2018 and 2017
(All amounts in thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Cash flows from operating activities				
Profit before income tax and social contribution	**639,955**	403,286	**653,180**	432,058
Adjustments to reconcile profit with cash from operations				
Depreciation and amortization	**13,092**	16,484	**195,385**	194,272
Amortization of funding costs	**2,460**	8,602	**2,460**	8,602
Provision for doubtful accounts			**333,699**	235,074
			58,879	
Options granted – stock options provision			**7,678**	7,458
Provision for long-term incentives				94
Provision for contingencies	**116**	172	**134,786**	108,224
Update of Accounts receivable - FIES			**(8,419)**	4,898
Adjustment to present value - accounts receivable - FIES			**33,635**	(13,194)
Adjustment to present value - sale of portfolio			**2,135**	(5,702)
Adjusted tax credits	**(2,026)**	(3,043)	**(5,930)**	(10,193)
Interest on loans and financing	**32,245**	97,422	**32,956**	119,745
Equity in the results of subsidiaries	**(700,681)**	(550,330)		
(Gain) loss on the disposal of property and equipment and intangible assets		26	**828**	15,669
Impairment (Goodwill)		14,018		14,018
Provision for desmobilization of assets				(312)
Restatement of commitments payable			**4,658**	4,586
Others		(2,100)	**378**	(2,047)
	(14,839)	(15,463)	**1,446,308**	1,113,250
Changes in assets and liabilities				
(Increase) in accounts receivable			**(123,574)**	(75,222)
(Increase) in other assets	**15,699**	(1,630)	**(28,620)**	935
(Increase) in prepaid expenses	**25**	190	**510**	29,846
(Increase) decrease in taxes and contributions	**(440)**	(1,209)	**(59,312)**	1,028
Increase (decrease) in suppliers	**(72)**	391	**34,889**	4,785
Increase (decrease) in tax liabilities	**14**	(108)	**(32,917)**	(18,976)
Increase (decrease) in salaries and payroll charges	**(22)**	84	**(24,986)**	3,407
Increase (decrease) in prepaid monthly tuitions fees			**3,835**	(14,062)
(Decrease) in labor/civil convictions		1	**(94,153)**	(86,820)
(Decrease) in provision for desmobilization of assets			**4,755**	195
(Decrease) in other liabilities	**798**	294	**(816)**	4,318
(Decrease) in taxes paid in installments			**(4,712)**	(2,771)
(Decrease) in non-current assets			**29,227**	17,200
(Increase) in judicial deposits		2,023	**21,106**	16,683
	1,348	(1,427)	**1,171,540**	993,796
Interest paid on loans and financing	**(49,489)**	(72,447)	**(49,281)**	(72,406)
Corporate Income Tax (IRPJ) and Social Contribution on Net income (CSLL) paid			**(65,574)**	(13,190)

(A free translation of the original in Portuguese)

Estácio Participações S.A.

Statement of cash flows (Continued)
Years ended December 31, 2018 and 2017
(All amounts in thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Net cash provided by (used in) operating activities	**(48,141)**	(87,874)	**1,056,685**	908,200
Cash flows from investing activities:				
Property and equipment	**(15)**		**(160,703)**	(99,077)
Intangible assets			**(87,811)**	(57,954)
Dividends received	**720,957**	550,000		
Advance for future capital increase	**(16,295)**	(10,205)		
Acquisition price to be paid			**(43,416)**	(43,429)
Net cash provided by (used in) investing activities	**704,647**	539,795	**(291,930)**	(200,460)
Cash flows from financing activities				
Treasury shares acquired	**(249,937)**		**(249,937)**	
Use of treasury shares resulting from the exercise of stock options	**15,858**	11,282	**15,858**	11,282
Dividends paid	**(500,835)**	(87,433)	**(500,835)**	(87,433)
New loans and financing	**600,000**		**616,897**	
Cost of loans and financing acquisition	**151**	563	**151**	563
Repayment of loans and financing	**(327,986)**	(457,607)	**(353,289)**	(511,715)
Net cash provided by (used in) financing activities	**(462,749)**	(533,195)	**(471,155)**	(587,303)
Increase (decrease) in cash and cash equivalents	**193,757**	(81,274)	**293,600**	120,437
Cash and cash equivalents at the beginning of the year	**46,061**	127,335	**524,446**	404,009
Cash and cash equivalents at the end of the year	**239,818**	46,061	**818,046**	524,446
(Decrease) increase in cash and cash equivalents	**193,757**	(81,274)	**293,600**	120,437

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

(A free translation of the original in Portuguese)

Estácio Participações S.A.

Statement of value added
Years ended December 31, 2018 and 2017
(All amounts in thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Revenue				
Educational services			**3,767,467**	3,515,301
Other revenue			**7,670**	16,103
Provision for doubtful accounts			**(333,699)**	(235,074)
Other selling expenses			**(1,044)**	(1,588)
			3,440,394	3,294,742
Inputs acquired from third parties				
Materials, energy and outsourced services	**(14,545)**	(15,617)	**(641,783)**	(548,404)
Contingencies	**(110)**	(171)	**(103,222)**	(124,013)
	(14,655)	(15,788)	**(745,005)**	(672,407)
Gross value added	**(14,655)**	(15,788)	**2,695,389**	2,622,325
Depreciation and amortization	**(13,092)**	(16,484)	**(195,385)**	(194,272)
Net value added generated	**(27,747)**	(32,272)	**2,500,004**	2,428,053
Value added received through transfer				
Equity	**700,681**	550,330		
Interest income	**8,583**	13,428	**92,329**	117,859
Others	**(2,455)**	(21,481)	**10,661**	(20,955)
	706,809	542,277	**102,990**	96,904
Total value added to distribute	**679,062**	510,005	**2,602,994**	2,524,957
Distribution of value added				
Work remuneration				
Direct remuneration	**4,045**	4,973	**1,017,479**	1,114,519
Benefits	**19**	1	**49,199**	52,491
Government Severance Indemnity Fund for Employees FGTS)			**65,713**	75,439
	4,064	4,974	**1,132,391**	1,242,449
Taxes, charges and contributions				
Federal	**(3,513)**	(19,470)	**236,122**	260,387
State				6
Municipal			**154,238**	146,080
	(3,513)	(19,470)	**390,360**	406,473
Third-party capital remuneration				
Interest	**33,638**	99,911	**204,252**	215,278
Rentals			**231,118**	236,167
	33,638	99,911	**435,370**	451,445
Own capital remuneration				
Retained earnings	**644,873**	424,590	**644,873**	424,590
	644,873	424,590	**644,873**	424,590
Value added distributed	**679,062**	510,005	**2,602,994**	2,524,957

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

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, ten University Centers and fifty-six colleges, distributed in twenty-three States of the country and in the Federal District.

The Company's Board of Directors, in a meeting held on March 14, 2019, authorized the disclosure of these financial statements (parent company and consolidated).

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.

The main accounting policies applied in the preparation of these financial statements (parent company and consolidated) are set out at the Note 2.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, they include provision for doubtful accounts, goodwill loss (impairment), transactions with share-based payment, provision for tax, civil and labor risks, as well as the useful lives of assets (Note 2.21).

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

1.3 Changes in accounting policies and disclosures

New standards that are not yet effective

.**IFRS 16/CPC 06 (R2) - "Leases"** -The new standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The criteria for recognition and measurement of leases in the financial statements of the lessors are substantially maintained. IFRS 16 is effective for years beginning on or after January 1, 2019 and replaces IAS 17/CPC06 (R1) - "Leases" and corresponding interpretations.

The Company has a significant number of lease agreements in which it acts as a lessee, and currently part of these contracts are recognized as operating leases, and the payments are accounted for on a straight-line basis over the term of the agreement, on an accrual basis.

The Company has completed the study of the impacts of this new standard on the financial statements, which includes: (i) an estimate of the lease term, considering a non-cancelable period and the periods covered by options for extending the term of the agreement, when the exercise depends only on the Company and this exercise is reasonably certain; (ii) a detailed review of the nature of the various lease agreements inherent in education; (iii) use of certain assumptions to calculate the discount rate, which was based on the incremental borrowing rate for the lease period; among others.

The Company will adopt the new practice as from January 1, 2019 using the modified retrospective approach, calculating the present value at this date, and will not restate comparative information, as permitted by the standard.

The initial adoption will result in an approximate increase of R$ 1,300 million in total assets and liabilities, as a result of the recognition of the right of use of the leased asset and lease liabilities, respectively. The increase in the lease liability due to the recognition of the right of use of the assets has resulted in an increase in the Company's net debt, with depreciation and interest recognized in the statement of income as a replacement of operating lease expenses.

Regarding the qualitative aspects, the main transactions that should be impacted by this new standard mainly include mainly the rent of campuses, parking lots and rooms.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the Group.

New standards that are effective as from 2018

The following new standards have been issued by IASB, CPC and CVM and are effective for the year 2018.

IFRS 9/CPC 48 - "Financial instruments ": addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective as from January 1, 2018. It replaces the orientation included in IAS 39 related to the classification and measurement of financial instruments. The main amendments brought by IFRS 9 are: (i) new criteria for the classification of financial assets; (ii) new impairment model for financial assets, which is hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) relaxation of the requirements for adoption of the hedge accounting.

The Company has adopted the new standard as from January 1, 2018, and will not restate comparatives, as permitted by the standard.

The Company conducted a detailed impact evaluation of the three aspects of IFRS 9 mentioned above and decided to increase the provision for doubtful accounts, which resulted in a negative impact on equity, as discussed below.

The Company has applied a simplified approach and record lifetime expected losses on accounts receivable. Due to the unsecured nature of its receivables, the provision for doubtful accounts increased by R$ 77,705, with the related decrease in deferred tax liabilities in the amount of R$ 26,419. Accordingly, these impacts reduced equity in the beginning of 2018 by R$ 51,286.

The Company expects to continue to evaluate at fair value all financial assets currently held at fair value.

Loans and financing, as well as accounts receivable, are held to obtain contractual cash flows and are expected to generate cash flows representing only principal and interest payments. The Company analyzed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria for measurement of amortized cost in accordance with IFRS 9. Therefore, no reclassification of these instruments is required.

The Company does not enter into transactions with derivatives or hedging relationships.

IFRS 15/CPC 47 - "Revenue from Contracts with Customers": this new standard replaces IAS 11/CPC 17 (R1), "Construction Contracts", IAS 18/CPC 30, "Revenue" and related interpretations and Applies, with limited exceptions, to all revenues from contracts with customers. IFRS15/CPC 47 establishes a five-step model to account for revenues from customer contracts and requires that the revenue be recognized at an amount that reflects the consideration that the entity expects to receive in exchange for the transfer of goods or services to a customer.

The standard requires that: (i) entities exercise judgment, taking into account all facts and significant circumstances when applying each step of the model to contracts with their customers; (ii) specific accounting for the incremental costs for obtaining a contract and costs directly related to the performance of a contract; and (iii) more detailed disclosures.

The Company has adopted IFRS15/CPC 47 as from January 1, 2018, using the modified retrospective approach, without any significant impact on the financial statements, except for that on the profit or loss for the year as from January 2018, for the recognition of revenue from students that are financially supported by the federal government program named Student Financing Fund (FIES), whose contracts have been suspended due to pending items on the official system of the program (SisFies). In the light of the provisions of IFRS 15.12, a contract does not exist if each party to the contract has the unconditional right to terminate a wholly unperformed contract without compensation to the other party. Thus, students not included in the SisFies system must negotiate a new contract with the school without considering the FIES financing arrangement. The Company will not recognize revenue from students who are in the process of being included in FIES before they are effectively included or a contract is signed with the Company for the provision of teaching services. The Company estimates that the amount of unrecorded revenue on account of this matter is less than 0.5% of the annual net revenue.

The Company will not restate the comparative figures as permitted by the standard.

1.4 Consolidation

The Company consolidates all entities over which it has control, that is, when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to direct the relevant activities of the investee.

The consolidated financial statements include the operations of the Company and the following subsidiaries, whose ownership interest is 100% as of December 31, 2018 and 2017:

Direct:
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")
Estácio Editora ("EDITORA")
União dos Cursos Superiores SEB Ltda. (“Estácio Ribeirão Preto”)

Indirect:
Sociedade Educacional Atual da Amazônia ("ATUAL")
ANEC - Sociedade Natalense de Educação e Cultura ("FAL")
Educacional do Rio Grande do Norte ("FATERN")
Idez Empreendimentos Educacionais Sociedade Simples Ltda. ("IDEZ")
Sociedade Educacional do Rio Grande do Sul S/S Ltda. ("FARGS")
Unisãoluis Educacional S.A ("UNISÃOLUIS")
Uniuol Gestão de EmpreendimentosEducacionais e Participações S.A. ("UNIUOL")
Sociedade Educacional da Amazônia ("SEAMA")
Instituto de Ensino Superior Social e Tecnológico Ltda. ("FACITEC")
Associação de Ensino de Santa Catarina ("ASSESC")
Instituto de Estudos Superiores da Amazônia (“IESAM”)
Centro de Assistência ao Desenvolvimento de formação Profissional Unicel Ltda. (“Estácio Amazonas”)
Centro de Ensino Unificado de Teresina (“CEUT”)
Faculdade Nossa Cidade (“FNC”)
Faculdades Integradas de Castanhal Ltda. (“FCAT”)
Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant’Ana Ltda. ("FUFS")

The reporting periods of the financial statements of the subsidiaries included in the consolidation are the same as those of the Company. Accounting practices were applied uniformly by the consolidated companies and are consistent with those used in the prior year.

The consolidation process of the equity and result accounts corresponds to the sum of the balances of the assets, liabilities, revenues and expenses accounts, according to their nature, complemented by the eliminations of the operations carried out between the consolidated companies, as well as the economically unrealized balances and results between the mentioned companies.

1.5 Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity instruments issued by the Group. The consideration transferred includes the fair value of assets or liabilities resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred plus the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. When the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

In 2018 and 2017, there were no acquisitions.

2 Summary of significant accounting policies

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

2.1 Consolidation

The following accounting policies are applied in the preparation of the consolidated financial statements.

Subsidiaries

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

Identifiable assets acquired and liabilities and contingent liabilities assumed for the acquisition of subsidiaries in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

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

2.2 Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition as subsequently measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial asset and the Company's business model for managing these financial assets. All financial assets are recognized at fair value, plus, in the event of financial assets that are not accounted at fair value through profit or loss, the transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent remeasurement, financial assets are classified into four categories:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income with reclassification of accumulated gains and losses;
- Financial assets designated at fair value through other comprehensive income without reclassification of accumulated gains and losses at the time of derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets carried at amortized cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is maintained within a business model whose objective is to maintain financial assets in order to receive contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that represent exclusively payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment loss. Gains and losses are recognized in profit or loss when the asset is written off, modified or impaired.

The Company's financial assets at amortized cost include cash and cash equivalents, accounts receivable and judicial deposits.

Assets at fair value through other comprehensive income
(debt instruments)

The Company measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is maintained within a business model whose objective is to maintain financial assets in order to receive contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that represent exclusively payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals of impairment losses are recognized in the statement of income and calculated in the same way as for financial assets measured at amortized cost. The remaining changes in fair value are recognized in other comprehensive income. At the time of derecognition, the cumulative change in fair value recognized in other comprehensive income is reclassified to profit or loss.

The Company does not have financial assets (debt instruments) at fair value through other comprehensive income.

Assets at fair value through other comprehensive income
(equity instruments)

At initial recognition, the Company may irrevocably choose to classify its equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under CPC 39 - Financial Instruments: Presentation, and are not held for trading. The classification is determined by considering each instrument, specifically.

Gains and losses on these financial assets are never reclassified to profit or loss. Equity instruments designated at fair value through other comprehensive income are not subject to impairment testing.

The Company does not have financial assets (equity instruments) at fair value through other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets initially recognized at fair value through profit or loss or financial assets that must be measured at fair value. Financial assets are classified as held for trading if acquired for sale or resale in the short-term.

Financial assets with cash flows that are not exclusively payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model.
Financial assets at fair value through profit or loss are presented in the balance sheet at fair value, with the net changes in fair value recognized in the statement of income.

The Company's financial assets classified as fair value through profit or loss include marketable securities.

Derecognition (write-off)

A financial asset (or, when applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized (that is, is excluded from profit or loss) specially when: the rights to receive cash flows have expired; the Company has transferred its rights to receive cash flows from the asset or has agreed to pay the full amount of the cash flows received, with no significant delay, to a third party as a result of a transfer agreement; and (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has not transferred or substantially retained all risks and rewards related to the asset, but transferred control over the asset.

Impairment of financial assets

Credit exposures for which there has been no significant increase in credit risk since the initial recognition are accrued as a result of possible delinquency events in the next 12 months (expected credit loss of 12 months). For credit exposures for which there has been a significant increase in credit risk since the initial recognition, a provision is required for expected credit losses over the remaining life of the exposure, irrespective of the timing of the default (an expected lifetime credit loss).

This methodology is applicable to financial instruments classified as amortized cost or fair value through other comprehensive income (except for investments in equity instruments).

For the accounts receivable, given the short-term nature of the Company's receivables and its policy of credit granting and risk and credit management, the Company did not identify any material impact that could affect its consolidated financial statements by adopting, a different from that mentioned in Note 1.3.

For the other financial assets subject to impairment analysis, no expected loss was recognized in the year ended December 31, 2018, since according to the Company's evaluation, in addition to the associated low risk, there is no history of losses.

A financial asset is written off when there is no reasonable expectation of recovery of contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and receivables or suppliers, or as derivatives designated as hedging instruments in an effective hedge arrangement, as appropriate.

Financial liabilities are initially recognized at fair value and, as for loans and financing and suppliers, include the transaction costs directly related to it.

The Company's financial liabilities include suppliers, debentures and loans and financing.

Subsequent measurement

After initial recognition, loans and financing subject to interest are subsequently measured at amortized cost, using the effective interest method. Gains and losses are recognized in the statement of income upon the write-off of the liabilities, as well as during the amortization process using the effective interest method.

Derecognition (write-off)

A financial liability is derecognized when the obligation is revoked, canceled or expire. When an existing financial liability is substituted for another of the same lender with substantially different terms, or the terms of an existing liability are altered significantly, this substitution or alteration is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the corresponding carrying values is recognized in the statement of income.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts and other highly liquid short-term investments with original maturities of three months or less and with immaterial risk of change in value, which are held to meet the Company's short-term commitments.

2.4 Marketable securities

Marketable securities have the characteristics of financial assets measured at fair value through profit or loss, long-term maturity, with immediate liquidity and are recorded plus financial income (result), corresponding to their fair value.

2.5 Accounts receivable and prepaid monthly tuition fees

These receivables arise mainly from the rendering of educational activity services and do not include services provided after the balance sheet date. Services billed but not yet provided at the balance sheet date are recorded as monthly tuition fees received in advance and are recognized in the respective statement of income for the year, on the accrual basis.

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for doubtful accounts.

2.6 Provision for doubtful accounts

This provision, recorded as a reduction of accounts receivable, is set up at an amount considered sufficient by management to cover any losses on the realization of amounts receivable from monthly tuition fees and checks receivable, considering the risks involved.

2.7 Investments in subsidiaries

The investments in subsidiaries are accounted for using the equity method. In the parent company's financial statements, the goodwill based on the expected future profitability is presented in the investment account.

2.8 Property and equipment

Property and equipment are measured at acquisition or construction cost, less accumulated depreciation.

Depreciation is calculated using the straight-line method over the useful life of the assets at the rates mentioned in Note 10.

Costs subsequent to initial recognition are included in the net book value of property and equipment or recognized as a specific item, as applicable, only if the economic benefits related to these items are probable and the amounts can be reliably measured. The net book value of the replaced item is written off. Other repairs and maintenance are recognized directly in the statement of income as incurred.

Property and equipment items are derecognized when sold or when no future economic benefit is expected to flow from their use or disposal. Any gain or losses arising from the asset derecognition (calculated as the difference between the net disposal proceeds and its net book value) are recognized in the statement of income when the asset is derecognized.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

2.9 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition after the purchase price allocation of all tangible and intangible assets and liabilities of the acquired entity. If negative goodwill is determined, the amount is recorded as a gain in the statement of income for the year on the date of acquisition. Goodwill is tested annually for *impairment.*

Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of *goodwill* relating to the entity sold.

Goodwill is allocated to Cash-generating units (CGUs) for the purpose of *impairment* testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

(b) Goodwill

(b.1) Portfolio of students

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship.

(b.2) Trademark

A trademark is an intangible asset with a defined useful life, since it is an identifiable non-monetary, measurable asset with no physical substance. Its value is calculated using the average rate for teaching companies as obtained with Royalty Source. Amortization is calculated based on the Company's strategy regarding the maintenance period of the company's trademark acquired up to its total change into the trademark "Estácio".

(b.3) License to operate

The fair value of the existing License to operate is established using the cost approach. This value results from expenses incurred to purchase the license, including: MEC fees, preparation of the Institutional Development Plan (PDI) and Course Pedagogic Project (PPC), rental before the beginning of operations and sundry costs with teachers for visits, travel, meals, transportation, etc. Amortization is calculated based on the teaching institution is registration period, that is, every three years.

(b.4) Goodwill

Established by the difference between the sum of the fair value of the identifiable net assets (determined based on CPC 15, "Business Combinations") and the carrying amount of the asset acquired.

(c) Software

Computer software licenses purchased are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the software.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of applicable overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recorded as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful life, which does not exceed five years.

2.10 Impairment of non-financial assets

Assets that have an undefined useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs (or groups of CGUs) that is expected to benefit from the synergies of the combination.

Non-financial assets other than goodwill that were adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date. The impairment of goodwill recognized in the statement of income is not reversed.

In estimating an asset's value in use, estimated future cash flows are discounted to present value, using a pre-tax discount rate reflecting the weighted average cost of capital for the industry in which the cash-generating unit operates. The net sales price is determined, whenever possible, based on firm sale contracts in a transaction on an arm's length basis, between well informed and willing parties, adjusted by expenses attributable to the asset sale, or, when there is no firm sale contract, based on the price in an active market, or the most recent transaction price with similar assets.

2.11 Leases

Finance lease

Lease agreements transfer to the Company substantially all the risks and rewards inherent to the ownership of the leased item. They are classified as finance lease agreements, and the corresponding assets are recognized at fair value or present value of minimum lease payments provided for in the agreements. Items recognized as assets are depreciated according to the period of the lease agreement. Financial charges related to finance lease agreements are appropriated to the statement of income over the lease term, based on the amortized cost and effective interest rate method.

Operating leases

Operating lease expenses are recognized in the statement of income on a straight-line method, according to the accrual basis.

2.12 Loans and financing

Loans and financing are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the loans and financing using the effective interest rate method.

Loans and financing are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.13 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Company's stockholders is recognized as a liability in the Company's financial statements at year-end based on the Company's bylaws. Any amount that exceeds the minimum required is only provided on the date it is approved by the stockholders at the General Meeting.

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

2.14 Provision for asset desmobilization

This represents the estimated future cost of the renovation of rented buildings where the Group's teaching units are located. They are recognized in property and equipment at present value, discounted at an adjusted credit rate, as part of the value of the assets that gave rise to it, since there is a legal obligation and its value can be reliably estimated, with a corresponding entry to the provision recorded in the Company's liabilities. Interest incurred on this provision is classified as financial expenses. The annually reviewed desmobilization estimates suffer depreciation/amortization on the same bases as the main assets.

2.15 Provisions

Provisions for legal claims (labor, civil and tax) are recognized when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required on settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapses is recognized as a finance cost.

2.16 Taxation

Subsidiaries that enrolled in the "University for All" Program (PROUNI) benefit from exemption of the federal taxes listed below, for as long as they remain registered with the program:

- Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Income (CSLL), introduced by Law 7,689, of December 15, 1988.
- Social Contribution on Revenues (COFINS), introduced by Supplementary Law 70, of December 30, 1991.
- Social Integration Program (PIS), introduced by Supplementary Law 7, of September 7, 1970.

The above exemptions are originally calculated on the amount of revenues earned from higher education activities, derived from undergraduate and occupationally specific sequential courses.

Estácio Participações S.A. (Parent company) does not benefit from PROUNI-related exemptions and computes its federal tax liabilities in the normal manner.

Current income tax and social contribution

Current income tax and social contribution were determined considering the criteria established by Normative Instruction issued by the Brazilian Federal Revenue Secretariat (RFB), with specific regard to PROUNI, whereby such taxes calculated on profit from the development of traditional undergraduate and technological courses are not paid to tax authorities. The amount resulting from the exemption obtained under the PROUNI program cannot be distributed to the stockholders and must be recognized as eanings reserves.

Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)

The rules governing PROUNI establish that revenues from traditional undergraduate and technological courses are exempt from PIS and COFINS contributions. Revenues from other educational activities are subject to PIS and COFINS at the rate of 0.65% and 3.00%, respectively, whereas non-education related revenues are subject to PIS at the rate of 1.65% and to COFINS at 7.6%.

Deferred income tax and social contribution

Deferred assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- Over deductible tax temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is likely that temporary differences will be reversed in the near future and the taxable income will be available against which the temporary differences may be used.

The carrying amount of the deferred tax assets is reviewed at each balance sheet date and written down to the extent that it is no longer probable that taxable income will be available to permit the use of all or part of the deferred tax assets. Deferred tax assets written off are reviewed at each balance sheet date and reinstated to the extent that it becomes likely that future taxable income will allow the deferred tax assets to be recovered. Deferred tax assets and liabilities are measured at the tax rates expected to be applicable in the year when the asset will be realized or the liability will be settled, based on the tax rate (and tax law) in effect on the balance sheet date.

Deferred taxes relating to items recognized directly in equity are also recognized in equity and not in the statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are presented net if a legally enforceable right exists to offset tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.17 Share-based payments

The Company grants to its main executives and officers an equity-settled, share-based compensation plan, under which the Company receives services from these executives and officers as consideration for equity instruments (options) of the Group. The fair value of the services received in exchange for the grant of the options is recognized as an expense. The total amount to be recognized is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining of an entity's employee over a specified period of time). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the balance sheet date, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to capital (nominal value) and share premium when the options are exercised.

Beyond the Stock Option Plan, the Company granted a Special Program for Long-term Incentive for Statutory Officers ("ILP"), as included in the global annual compensation of the Company's officers.

2.18 Profit sharing

The Group recognizes a liability and an expense for profit-sharing based on a methodology that takes into consideration the profit attributed to the Company's stockholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Earnings per share

The Company calculates earnings per thousand shares using the weighted average number of outstanding common shares, in the period to which the profit refers, according to Technical Pronouncement CPC 41 (IAS 33). (Note 21)

Diluted earnings per share is calculated by adjusting the weighted average number of outstanding common shares to assume conversion of all potential common shares with dilutive effects. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would be outstanding assuming the exercise of the share options.

2.20 Capital

Common shares are classified as equity.

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

Where any Group company purchases the Company's equity capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to the Company's stockholders until the shares are canceled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax and social contribution effects, is included in equity attributable to the Company's stockholders.

2.21 Recognition of revenue, costs and expenses

Revenues, costs and expenses are recognized on an accrual basis.

(a) Revenue from services

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. The revenue is shown net of taxes, returns, rebates and discounts. The Company evaluates the revenue transactions according to specific criteria to determine whether it is acting as an agent or principal and, finally concluded that it is acting as the principal in all of its revenue contracts.

The Group recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will result from the transaction and when specific criteria have been met.

(b) Financial revenue and expenses

The Financial revenue and expenses and costs include mainly income from interest on financial investments, expenses for interest on financing, gains and losses stated at fair value, according to the classification of the note, besides net exchange and monetary variations.

2.22 Critical accounting estimates and judgments

Critical judgments in the application of the accounting policies

The preparation of the parent company and consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, the uncertainty related to these assumptions and estimates could lead to results that would require a significant adjustment to the carrying amount of the respective asset or liability in future periods.

Critical accounting estimates and assumptions

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial information due to the uncertainties inherent in their estimation process. The Company reviews its estimates and assumptions at least annually.

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of the following estimates:

	In percentages	
	2018	2017
Average gross margin (i)	54.6	49.1
Growth rate (ii)	5	5
Discount rate (iii)	12.4	14.3

(i) Average budgeted gross margin.

(ii) Weighted average growth rate used to extrapolate cash flows beyond the budget period.

(iii) Pre-tax discount rate applied to the cash flow projections.

(ii) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date they are granted. The fair value estimate of the share-based payments requires the determination of the most adequate model of evaluation for the grant of equity instruments, which depends on the terms and conditions of the concession. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 20(b).

The Company had the Special Program for Long-term Incentive for Statutory Officers (ILP) had the statutory directors of the Company as the exclusive beneficiaries, and was structured in a variable compensation form, whose value depends on the value of its shares. The compensation within the Program was paid in four annual installments, calculated by multiplying the number of shares determined at market value thereof on the last trading day of the BM&F BOVESPA SA - Securities, Commodities and Futures immediately preceding the year in which each payment will occur. The characteristics and models used to estimate the fair value of the program payments are disclosed in Note 20 (c).

(iii) Provisions for tax, civil and labor risks

The Company recognizes provisions for civil, tax and labor cases. The assessment of the likelihood of loss includes the evaluation of the available evidence, the hierarchy of laws, available case law, recent court decisions and their significance in the legal system, as well as the opinion of outside legal advisors. The provisions are reviewed and adjusted to account for changes in circumstances, such as the applicable statute of limitations, completion of tax inspections, or additional exposures identified on the basis of new matters or court decisions.

(iv) Useful life of assets

The Company annually reviews the economic useful life of its assets, based on the opinion of external appraisers. The depreciation is recognized in the income statement based on the remaining useful life of the asset.

(v) Provision for doubtful accounts

As described in Note 1.4, on January 1, 2018, the provision for doubtful accounts started to be calculated according to the guidelines established in IFRS 9 - CPC 48. As a result of the adoption of the standard, the Company began to measure the provision for doubtful accounts based on the expected loss and no longer based on the loss incurred. The Company decided to use the practical expedient provided for in the standard and applied the simplified model in the measurement of the expected loss for the life of the contract, using historical data and segmenting the receivables portfolio into groups with the same receipt standard and the same maturity dates.

At December 31, 2018, the Company concluded on the adequacy of the provision considering the two criteria mentioned.

2.23 Statements of cash flows

The statements of cash flows were prepared using the indirect method and are presented in accordance with Technical Pronouncement CPC 03 R2 (IAS 7) - Statement of cash flows, issued by CPC (IASB).

2.24 Statement of value added ("DVA")

The purpose of the statement of value added is to disclose the wealth generated by the Company and its subsidiaries and the wealth distribution over a given period, and it is presented as required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies.

The statement of value added was prepared based on information obtained from the accounting records used to prepare the financial statements and pursuant to the provisions of Technical Pronouncement CPC 09. The first part shows the wealth created by the Company, represented by revenues, inputs acquired from third parties and value added received from third parties (equity in the results of subsidiaries, finance and other income). The second part of the statement of value added shows how this wealth is distributed among personnel, taxes, charges and contributions, and return on equity and remuneration of third-party capital.

2.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board, which also makes the Group's strategic decisions.

Because the Company concentrates its businesses on college educational activities, it is organized into one single business unit. The courses offered by the Company, even though being targeted to a diverse public, are not controlled and managed by the Company's management as independent segments and, accordingly, the Company's results are accompanied, monitored and assessed on an integral basis.

All amounts in thousands of reais unless otherwise stated

3 Cash and cash equivalents and marketable securities

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Cash and banks	146	241	13,686	13,996
Cash and cash equivalents	146	241	13,686	13,996
Government securities (Wholly-owned funds)	195,159	28,354	636,380	361,334
LFs (Wholly-owned funds)	30,809	7,709	100,463	98,294
Bank Deposit Certificates (CDB)	8,640	8,213	49,630	30,000
CDB (Wholly-owned funds)	38	1,092	125	13,920
Repurchase agreements		44		57
Repurchase agreements (Wholly-owned funds)	4,996	373	16,290	4,760
Government securities (Wholly-owned funds)	30	35	1,457	1,945
Savings bond			15	140
Marketable securities	239,672	45,820	804,360	510,450

The Company has a Investments Policy that stipulates that investments must be in low risk marketable securities with highly-rated financial institutions, At December 31, 2018, the operations were remunerated 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 pre-fixed rates.

At December 31, 2018 and 2017, all of the Company's marketable securities are classified as "at fair value through profit or loss ".

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 average remuneration of investment funds in 2018 was 98.59% of CDI (100.01% in 2017).

The Bank Deposit Certificates (CDBs) are remunerated at the average Interbank Deposit Certificate (CDI) rate of 98.93% in 2018 (99.51% in 2017).

The Company does not have derecognized financial assets and derivative transactions.

Information on the Company's exposure to liquidity and market risks is included in Note 18.

All amounts in thousands of reais unless otherwise stated

4 Accounts receivable

	Consolidated	
	2018	**2017**
Monthly tuition fees received from students	846,528	473,081
Student Financing Fund (FIES) (a)	153,786	600,725
Exchanges deals	23,283	21,129
Receivables on credit cards (b)	73,769	58,337
Renegotiated receivables	72,689	91,570
	1,170,055	1,244,842
Provision for doubtful accounts	(402,646)	(205,062)
Amounts to be identified	(11,338)	(4,298)
(-) Adjustment to present value (c)	(45,019)	(11,384)
	711,052	1,024,098
Current assets	571,854	991,404
Non-current assets	139,198	32,694
	711,052	1,024,098

The balance of long-term receivables as of December 31, 2018 is related to PAR (Programa de Parcelamento Estácio) and DIS (Dilution of monthly tuition fees). The composition by age is as follows:

	Consolidated	
	2018	**2017**
2019	3,597	4,589
2020	12,656	3,376
2021	42,997	16,829
2022	146,255	52,583
2023 to 2024	63,869	391
(-) Adjustment to present value – PAR, DIS and Educar (c)	(45,019)	(11,384)
(-) Provision for doubtful accounts – PAR, DIS and Educar	(85,157)	(33,690)
Non-current assets	139,198	32,694

PAR is a type of installment payment arrangement offered by Estácio to its students, whereby the student can pay in installments up to 70% of the monthly tuition fees as from the 1st month following that of the completion of the program, and the related amount is monetarily restated by the IPCA.

DIS is a type of payment arrangement whereby the student pays R$ 49.00 for the first monthly payments, and the difference between the amount paid and the full monthly tuition fee (not considering any scholarship and/or benefits) is diluted among the number of monthly tuition payments corresponding to the estimated full term of the minimum regular program, monthly updated based on the Extended Consumer Price Index (IPCA).

(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 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. In August 2018, the Company received the last installment referring to the balance negotiated with the government on February 3, 2016 in the amount of R$ 342,099.

All amounts in thousands of reais unless otherwise stated

(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.

(c) In 2018, the adjustment to present value amounts to R$ 45,019 (R$ 36,626 related to PAR, R$ 8,110 to DIS and R$ 283 related to the Educar Amazônia program) and in 2017 it amounts to R$ 11,384 (R$ 11,195 related to PAR and R$ 189 related to the Educar Amazônia program).

The composition of receivables by age is as follows:

	Consolidated			
	2018	**%**	**2017**	**%**
FIES	153,786	13	600,725	48
Not yet due	482,732	41	175,834	14
Overdue for up to 30 days	99,612	9	91,720	8
Overdue from 31 to 60 days	97,046	8	63,660	5
Overdue from 61 to 90 days	82,811	7	57,762	5
Overdue from 91 to 179 days	87,127	8	77,672	6
Overdue more than 180 days	166,941	14	177,469	14
	1,170,055	100	1,244,842	100

The aging of the agreements for renegociated receivables is as follows:

	Consolidated			
	2018	**%**	**2017**	**%**
Not yet due	26,996	37	38,781	42
Overdue for up to 30 days	6,662	9	8,891	10
Overdue from 31 to 60 days	5,440	8	7,603	8
Overdue from 61 to 90 days	4,927	7	7,060	8
Overdue from 91 to 179 days	8,231	11	14,698	16
Overdue more than 180 days	20,433	28	14,537	16
	72,689	100	91,570	100

Changes in the consolidated provision for doubtful accounts were as follows:

Balance in 2016	205,637
Additions	226,643
Write-off of bills overdue for more than 360 days	(227,218)
Balance in 2017	205,062

All amounts in thousands of reais unless otherwise stated

Additions	333,166
Adoption of the new practices entered into equity (Note 1.3)	77,705
Write-off of bills and checks overdue for more than 360 days	(213,287)
Balance in 2018	402,646

For the years ended December 31, 2018 and 2017, expenses with the provision for doubtful accounts, recognized in the statement of income as selling expenses (Note 24), are as follows (consolidated):

	Consolidated	
	2018	**2017**
Net effect of the provision for doubtful accounts in profit or loss	333,166	226,643
Write-offs of bank-issued invoices overdue for more than 360 days	167	
Sale of client portfolio (i)		5,071
Write-off for Loss - Portfolio Sale		3,360
Others	366	
	333,699	235,074

(i) At December 31, 2017, this transaction has a receivable balance of R$ 61,882, adjustment to present value of R$ 9,868 and a provision for loss of R$ 5,071.

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 (R1), and are as follows:

	Parent company	
	2018	**2017**
Current assets		
Current account (i)		
Seses	14	8,799
FATERN		220
Irep	6	5,020
Atual		967
Seama		229
São Luís	447	263
Estácio Ribeirão Preto	2	103
Others	9	11
Subsidiaries	478	15,612

	Parent company	
	2018	**2017**
Current liabilities		
Current account (i)		
Atual		2
Subsidiaries		2

(i) Transactions between related parties that there is no interest and / or monetary restatement.

All amounts in thousands of reais unless otherwise stated

6 Prepaid expenses

	Consolidated	
	2018	**2017**
Insurance	2,944	1,326
Teaching materials (i)	1,013	2,273
Anticipation of vacation pay and charges	2,670	2,404
Registration fee - Ministry of Education (MEC)	2,005	2,507
Technical-pedagogical cooperation - Santa Casa	2,260	2,466
Other prepaid expenses	661	673
	11,553	11,649
Current assets	6,034	6,544
Non-current assets	5,519	5,105
	11,553	11,649

(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	
	2018	**2017**	**2018**	**2017**
Withholding Income Tax (IRRF)	1,402	2,709	10,302	14,463
Corporate Income Tax (IRPJ) / Social Contribution on Net Income (CSLL) (i)			76,907	33,080
Corporate Income Tax (IRPJ) / Social Contribution on Net Income (CSLL) (Loss carryforward) (ii)	41,950	38,040	75,257	72,359
Social Integration Program (PIS) (iii)		6	3,129	612
Social Contribution on Revenues (COFINS) (iii)		25	12,605	2,196
Services Tax (ISS)	3	3	52,625	42,659
National Institute of Social Security (INSS)			6,675	6,333
Others		106	557	666
	43,355	40,889	238,057	172,368
Current assets	2,145	3,908	135,810	92,046
Non-current assets	41,210	36,981	102,247	80,322
	43,355	40,889	238,057	172,368

(i) The amount presented in this line refers to the excess advance payments of IRPJ / CSLL, which were made in 2018 and 2017, respectively. The composition of the amount totaling R$ 47,669 in 2018, are distributed as follows: SESES - R$ 24,274, IREP - R$ 11,733 and other companies - R$ 11,662. Additionally, in May 2018, PROUNI'S tax incentive calculation was revised due to a temporary disqualification of the SESES' subsidiary, which provided a accumulation of tax credits in relation to the higher payment of income tax and social contribution, in the amount of R$ 27,945 (R$ 29,238 in December 31, 2018).

(ii) This amount represents the advance overpayments of IRPJ/CSLL in prior years, and has been used to offset federal taxes and monthly restated based on the Selic rate.

(iii) As mentioned in item (i) as a result of a temporary disqualification from the subsidiary SESES, there was a accumulation of tax credits in relation to the PIS and COFINS over payment, in the amount of R$ 17,106, where the Company offset the amount of R$ 3,863 throughout 2018.

All amounts in thousands of reais unless otherwise stated

8 Investments in subsidiaries

(a) Parent company Estácio Participações S.A.

	2018		2017	
	Investments	**Losses on investments**	**Investments**	**Losses on investments**
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")	1,038,451		1,017,888	
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")	1,040,045		1,043,362	
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")	2,860		3,505	
Estácio Editora e Distribuidora Ltda. ("EDITORA")		(30)		(30)
Sociedade de Ensino Superior Estacio Ribeirão Preto Ltda. ("Estácio Ribeirão Preto")	70,144		53,377	
	2,151,500	(30)	2,118,132	(30)

All amounts in thousands of reais unless otherwise stated

The subsidiaries' information is as follows:

2018

	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	1,640,235	601,784	1,038,451			1,038,451	376,058
IREP	100%	515,080	1,205,630	228,027	977,603	62,442		1,040,045	246,018
NACP	100%	15,699	4,030	1,170	2,860			2,860	(1,764)
Editora (i)	100%	251	31	66	(35)	5		(30)	
Estácio Ribeirão Preto	100%	23,837	127,381	55,007	72,374		(2,230)	70,144	80,369
			2,977,307	886,054	2,091,253	62,447	(2,230)	2,151, 470	700,681

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	1,567,355	549,467	1,017,888			1,017,888	285,225
IREP	100%	499,979	1,344,206	363,286	980,920	62,442		1,043,362	228,625
NACP	100%	13,105	4,015	510	3,505			3,505	(1,324)
Editora (i)	100%	251	31	66	(35)	5		(30)	-
Estácio Ribeirão Preto	100%	23,837	118,661	63,054	55,607		(2,230)	53,377	37,804
			3,034,268	976,383	2,057,885	62,447	(2,230)	2,118,102	550,330

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

All amounts in thousands of reais unless otherwise stated

The global changes in the investments in subsidiaries in the years ended December 31, 2018 and 2017 are as follows:

Investments in subsidiaries in 2016	2,305,020
Equity	550,330
Advance for future capital increase	10,205
Options granted	7,458
Supplementary dividends of 2016	(350,000)
Dividends of 2017	(390,957)
Impairment (Goodwill)	(14,018)
Long-term incentives	94
Investments in subsidiaries in 2017	2,118,132
Equity	700,681
Advance for future capital increase	16,295
Supplementary dividends of 2017	(330,000)
Dividends of 2018	(310,000)
Options granted	7,678
Adoption of the new standard IFRS 09 (Note 1.3)	(51,286)
Investments in subsidiaries in 2018	2,151,500

The accounting information of the subsidiaries used in the application of the equity accounting method were related to the base date December 31, 2018.

The direct subsidiaries' investments informations are as follows:

(b) Subsidiary Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")

	2018	2017
Sociedade Educacional Atual da Amazônia ("ATUAL")	538,914	505,108
ANEC - Sociedade Natalense de Educação e Cultura ("FAL")	11,859	12,213
Sociedade Universitária de Excelência Educacional do Rio Grande do Norte ("FATERN")	28,747	30,726
	579,520	548,047

All amounts in thousands of reais unless otherwise stated

The subsidiaries ("IREP")' information is as follows:

2018

	Interest	Number of quotas	Total Assets	Total liabilities	Equity	Goodwill	Total	Profit (loss) for the year
ATUAL	100%	40,512	705,689	182,278	523,411	15,503	538,914	77,259
FAL	100%	20,031	10,770	6,987	3,783	8,076	11,859	(2,798)
FATERN	100%	9,160	17,479	3,711	13,768	14,979	28,747	(1,772)
			733,938	192,976	540,962	38,558	579,520	72,689

2017

	Interest	Number of quotas	Total Assets	Total liabilities	Equity	Goodwill	Total	Profit (loss) for the year
ATUAL	100%	34,186	634,005	144,400	489,605	15,503	505,108	73,978
FAL	100%	17,218	7,898	3,761	4,137	8,076	12,213	(3,534)
FATERN	100%	9,160	22,394	6,647	15,747	14,979	30,726	1,878
			664,297	154,808	509,489	38,558	548,047	72,322

All amounts in thousands of reais unless otherwise stated

The global changes of the investments of the direct subsidiary Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP") in subsidiaries in the years ended December 31, 2018 and 2017 are as follows:

Investments in subsidiaries in 2016	496,838
Equity	72,322
Advance for future capital increase	33,965
Dividends of 2017	(55,078)
Investments in subsidiaries in 2017	548,047
Equity	72,689
Advance for future capital increase	31,151
Supplementary dividends of 2017	(20,000)
Dividends of 2018	(42,403)
Adoption of the new standard IFRS 09 (Note 1.3)	(9,964)
Investments in subsidiaries in 2018	579,520

(c) Subsidiary Sociedade Educacional Atual da Amazônia ("ATUAL")

	2018	2017
Uniuol Gestão de EmpreendimentosEducacionais e Participações S.A. ("UNIUOL")	1,653	2,584
Idez Empreendimentos Educacionais Sociedade Simples Ltda. ("IDEZ")	3,147	3,054
Sociedade Educacional da Amazônia ("SEAMA")	43,576	50,948
Sociedade Educacional do Rio Grande do Sul S/S Ltda. ("FARGS")	18,182	19,328
Unisãoluis Educacional S.A ("SÃO LUIS")	79,506	79,419
Instituto de Ensino Superior Social e Tecnológico Ltda. ("FACITEC")	47,292	42,687
Associação de Ensino de Santa Catarina ("ASSESC")	7,049	6,680
Instituto de Estudos Superiores da Amazônia ("IESAM")	90,427	85,780
Centro de Assistência ao Desenvolvimento de formação Profissional Unicel Ltda. ("Estácio Amazonas")	48,741	53,690
Centro de Ensino Unificado de Teresina ("CEUT")	47,390	41,874
Faculdade Nossa Cidade ("FNC")	95,322	94,899
Faculdades Integradas de Castanhal Ltda. ("FCAT")	36,999	28,366
Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant'Ana Ltda. ("FUFS")	16,441	14,044
	535,725	523,352

All amounts in thousands of reais unless otherwise stated

Information on ATUAL's subsidiaries is as follows:

2018

	Interest	Number of quotas	Total Assets	Total liabilities	Equity	Goodwill	Students portfolio	Total	Profit (loss) for the year
UNIUOL	100%	9,478	1,402	705	697	956		1,653	(2,009)
IDEZ	100%	7,297	2,277	1,177	1,100	2,047		3,147	(1,118)
SEAMA	100%	4,407	31,455	5,914	25,541	18,035		43,576	5,263
FARGS	100%	8,606	16,256	6,129	10,127	8,055		18,182	(893)
SÃO LUIS	100%	3,795	84,529	32,391	52,138	27,368		79,506	31,304
FACITEC	100%	6,051	30,368	9,730	20,638	26,654		47,292	8,399
ASSESC	100%	2,416	4,286	1,960	2,326	4,723		7,049	(1,120)
IESAM	100%	2,810	74,295	23,476	50,819	26,797	12,811	90,427	16,965
Estácio Amazonas	100%	46,957	37,572	15,045	22,527	26,214		48,741	(5,273)
CEUT	100%	16,938	29,583	10,579	19,004	27,568	818	47,390	9,457
FNC	100%	22,328	31,570	12,218	19,352	72,046	3,924	95,322	10,999
FCAT	100%	11,341	22,478	7,518	14,960	20,121	1,918	36,999	10,977
FUFS	100%	13,593	12,591	2,857	9,734	6,255	452	16,441	355
			378,662	129,699	248,963	266,839	19,923	535,725	83,306

2017

	Interest	Number of quotas	Total Assets	Total liabilities	Equity	Goodwill	Students portfolio	Total	Profit (loss) for the year
UNIUOL	100%	4,626	2,377	749	1,628	956		2,584	(724)
IDEZ	100%	5,894	2,675	1,668	1,007	2,047		3,054	(1,417)
SEAMA	100%	3,232	45,593	12,680	32,913	18,035		50,948	9,183
FARGS	100%	7,181	15,430	4,157	11,273	8,055		19,328	719
SÃO LUIS	100%	220	91,761	39,710	52,051	27,368		79,419	41,274
FACITEC	100%	6,051	28,723	12,950	15,773	26,654	260	42,687	9,630
ASSESC	100%	3	4,560	2,603	1,957	4,723		6,680	(1,209)
IESAM	100%	2,400	68,322	22,957	45,365	26,797	13,617	85,779	9,868
Estácio Amazonas	100%	46,957	45,858	18,891	26,967	26,214	509	53,690	(3,383)
CEUT	100%	2,408	27,772	15,176	12,596	27,568	1,710	41,874	7,311
FNC	100%	20,928	31,136	16,196	14,940	72,046	7,913	94,899	7,612
FCAT		100	15,166	10,993	4,173	20,121	4,072	28,365	1,382
FUFS	100%	2,905	8,821	2,475	6,346	6,255	1,443	14,044	(1,680)
			388,194	161,205	226,989	266,839	29,524	523,352	78,566

All amounts in thousands of reais unless otherwise stated

The global changes of the investments of the direct subsidiary Sociedade Educacional Atual da Amazônia ("ATUAL") in subsidiaries in the years ended December 31, 2018 and 2017 are as follows:

Investments in subsidiaries in 2016	500,224
Equity	78,566
Advance for future capital increase	10,930
Amortization of goodwill	(12,904)
Dividends of 2017	(53,464)
Investments in subsidiaries in 2017	523,352
Equity	83,306
Advance for future capital increase	10,028
Supplementary dividends of 2017	(20,000)
Dividends of 2018	(42,374)
Amortization of goodwill	(9,601)
Adoption of the new standard IFRS 09	(8,986)
Investments in subsidiaries in 2018	535,725

9 Intangible assets

(a) Intangible assets - Parent company

		2017		**2018**
		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.	(77)	(14)	(91)
Project Integração	20% p.a.	(54)	(43)	(97)
Goodwill	20 a 50% p.a.	(66,669)	(13,034)	(79,703)
		(66,800)	(13,091)	(79,891)
Net book value		793,280	(13,091)	780,189

		2016		**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)	(18)	(77)
Project Integração	20% p.a.	(11)	(43)	(54)
Goodwill	20 to 50% p.a.	(50,263)	(16,406)	(66,669)
		(50,333)	(16,467)	(66,800)
Net book value		809,747	(16,467)	793,280

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

All amounts in thousands of reais unless otherwise stated

(b) Intangible assets - Consolidated

	Amortization rate	2017 Cost	Additions	Reductions	Transfers	Reclassification to fixed assets	2018 Cost
Cost							
Goodwill on the acquisition of Investments		1,181,481					1,181,481
Right of use of software		272,394	63,752	(736)	(15)	(399)	334,996
Integration and distance learning project		18,298					18,298
Learning Center		76,677	10,233				86,910
IT architecture		21,664					21,664
Online class material		7,821	222				8,043
Knowledge Factory - EAD		33,868	5,436				39,304
Questions database		10,703	933				11,636
Goodwill		173,503					173,503
Others		27,394	7,235	(413)	15		34,231
		1,823,803	87,811	(1,149)		(399)	1,910,066
	Amortization rate	**Amortization**	**Additions**	**Reductions**	**Transfers**	**Reclassification to fixed assets**	**Amortization**
Amortization							
Goodwill on the acquisition of investments	Undefined	(6,924)					(6,924)
Right of use of software	20% p.a.	(192,746)	(45,179)	730		827	(236,368)
Integration and distance learning project	20% p.a.	(16,408)	(808)				(17,216)
Learning Center	5% p.a.	(19,912)	(11,106)				(31,018)
IT architecture	17 to 20% p.a.	(8,530)	(3,845)				(12,375)
Online class material	20% p.a.	(6,436)	(571)				(7,007)
Knowledge Factory - EAD	5% p.a.	(4,537)	(4,247)				(8,784)
Questions database	20% p.a.	(3,442)	(2,182)				(5,624)
Goodwill	20 to 50% p.a.	(130,945)	(22,635)				(153,580)
Others	20% p.a.	(13,715)	(3,674)	39			(17,350)
		(403,595)	(94,247)	769		827	(496,246)
Net book value		1,420,208	(6,436)	(380)		428	1,413,820

	Amortization rate	2016 Cost	Additions	Reductions	Transfers	Reclassification to fixed assets	2017 Cost
Cost							
Goodwill on the acquisition of Investments		1,195,499		(14,018)			1,181,481
Right of use of software		236,101	40,825	(4,498)		(34)	272,394
Integration and distance learning project		18,298					18,298
Learning Center		72,123	4,557		(3)		76,677
IT architecture		19,174	2,490				21,664
Online class material		7,603	218				7,821
Knowledge Factory - EAD		28,741	5,127				33,868
Questions database		9,268	1,435				10,703
Goodwill		174,018		(515)			173,503
Others		24,213	3,302	(124)	3		27,394
		1,785,038	57,954	(19,155)		(34)	1,823,803
	Amortization rate	**Amortization**	**Additions**	**Reductions**	**Transfers**	**Reclassification to fixed assets**	**Amortization**
Amortization							
Goodwill on the acquisition of investments	Undefined	(6,924)					(6,924)
Right of use of software	20% p.a.	(148,808)	(48,438)	4,498		2	(192,746)
Integration and distance learning project	20% p.a.	(15,600)	(808)				(16,408)
Learning Center	5% p.a.	(16,590)	(3,322)				(19,912)
IT architecture	17 to 20% p.a.	(5,183)	(3,347)				(8,530)
Online class material	20% p.a.	(4,900)	(1,536)				(6,436)
Knowledge Factory - EAD	5% p.a.	(3,043)	(1,494)				(4,537)
Questions database	20% p.a.	(1,543)	(1,899)				(3,442)
Goodwill	20 to 50% p.a.	(102,150)	(29,310)	515			(130,945)
Others	20% p.a.	(10,805)	(3,008)	98			(13,715)
		(315,546)	(93,162)	5,111		2)	(403,595)
Net book value		1,469,492	(35,208)	(14,044)		(32)	1,420,208

All amounts in thousands of reais unless otherwise stated

At December 31, 2018 and 2017, goodwill on acquisition of investments was comprised as follows:

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
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
Estácio Amazonas			26,214	26,214
Ceut			27,568	27,568
FNC			72,046	72,046
FCAT			20,120	20,120
FUFS			6,255	6,255
FAL			8,076	8,076
FATERN			14,979	14,979
Estácio Editora			5	5
Estácio Ribeirão Preto	9,371	9,371	9,371	9,371
Estácio Ribeirão Preto Holding	770,694	770,694	770,694	770,694
	780,065	780,065	1,174,557	1,174,557

The Company carries out annual analyses for impairment purposes, the last being for the year ended December 31, 2018, 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 12.4% to discount estimated future cash flows.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and the impairment loss is recognized in the statement of income.

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

The key assumptions were based on the Company's historical performance and reasonable macroeconomic assumptions using financial market projections, duly documented and approved by the Company's management.

At December 31, 2017, the goodwill recorded on the acquisition of Nova Academia in the amount of R$ 14,018 was written off as a result of the impairment test carried out (Note 25).

All amounts in thousands of reais unless otherwise stated

10 Property and equipment

Property and equipment - Consolidated

		2017					2018
		Cost	Additions	Disposals	Transfers	Reclassification From intangible assets	Cost
Cost							
Land		19,295					19,295
Buildings		208,737	14,706	(143)	5,441	(357)	228,384
Third-parties' properties improvements		248,758	37,110	(4,721)	14,652		295,799
Furniture and utensils		96,317	16,946	(3,398)	(15)	1	109,851
Computers and peripherals		154,408	10,954	(2,999)	4	772	163,139
Machinery and equipment		117,137	15,305	(448)	2	33	132,029
Physical/ hospital activities equipment		48,283	13,973	(406)		4	61,854
Library		159,081	9,579	(1,048)		1	167,613
Facilities		51,615	2,278	(125)	152		53,920
Tablets		37,974		(5,522)	(10)		32,442
Construction in progress		6,659	27,909		(20,183)		14,385
Demobilization		22,196	4,892	(137)			26,951
Others		10,731	7,051	(1,077)	(7)	(103)	16,595
		1,181,191	160,703	(20,024)	36	351	1,322,257
	Depreciation rate	Depreciation	Additions	Disposals	Transfers	Reclassifications	Depreciation
Depreciation							
Buildings	1.67% p.a.	(59,546))	(3,770)	122	18	2	(63,174)
Third-parties' properties improvements	11.11% p.a.	(134,199)	(29,702)	5,607	(66)		(158,360)
Furniture and utensils	8.33% p.a.	(54,388)	(7,709)	3,206	(1)	(1)	(58,893)
Computers and peripherals	25% p.a.	(118,348)	(17,732)	2,984		(731)	(133,827)
Machinery and equipment	8.33% p.a.	(58,799)	(16,529)	302		(33)	(75,059)
Physical/ hospital activities equipment	6.67% p.a.	(19,740)	(3,153)	233		(4)	(22,664)
Library	5% p.a.	(69,061)	(7,116)	655		(1)	(75,523)
Facilities	8.33% p.a.	(18,233)	(3,733)	112			(21,854)
Tablets	20% p.a.	(27,469)	(6,427)	5,376	10		(28,510)
Demobilization		(12,204)	(4,336)	61			(16,479)
Others	14.44% p.a.	(6,788)	(931)	918	3	(11)	(6,809)
		(578,775)	(101,138)	19,576	(36)	(779)	(661,152)
Net book value		602,416	59,565	(448)		(428)	661,105

All amounts in thousands of reais unless otherwise stated

	Depreciation rate	2016 Cost	Additions	Disposals	Transfers	Reclassification From intangible assets	2017 Cost
Cost							
Land		19,295					19,295
Buildings		192,768	2,624	(6)	13,351		208,737
Third-parties’ properties improvements		261,753	16,120	(47,990)	18,875		248,758
Furniture and utensils		98,311	8,203	(10,224)	(6)	33	96,317
Computers and peripherals		149,266	12,214	(7,516)	444		154,408
Machinery and equipment		129,049	9,139	(21,051)			117,137
Physical/ hospital activities equipment		44,483	5,749	(1,949)			48,283
Library		141,601	19,140	(1,661)		1	159,081
Facilities		52,796	3,653	(4,834)			51,615
Tablets		46,755		(8,337)	(444)		37,974
Construction in progress		18,935	20,238	(190)	(32,324)		6,659
Demobilization		22,312	1,062	(1,178)			22,196
Others		11,075	935	(1,279)			10,731
		1,188,399	99,077	(106,215)	(104)	34	1,181,191
	Depreciation rate	**Depreciation**	**Additions**	**Disposals**	**Transfers**	**Reclassifications**	**Depreciation**
Depreciation							
Buildings	1.67% p.a.	(52,171)	(3,556)	3	(3,822)		(59,546)
Third-parties’ properties improvements	11.11% p.a.	(143,234)	(32,927)	38,036	3,926		(134,199)
Furniture and utensils	8.33% p.a.	(56,042)	(8,239)	9,895		(2)	(54,388)
Computers and peripherals	25% p.a.	(107,394)	(18,337)	7,652	(269)		(118,348)
Machinery and equipment	8.33% p.a.	(61,123)	(16,820)	19,144			(58,799)
Physical/ hospital activities equipment	6.67% p.a.	(18,793)	(2,920)	1,973			(19,740)
Library	5% p.a.	(63,935)	(6,767)	1,641			(69,061)
Facilities	8.33% p.a.	(15,849)	(4,591)	2,207			(18,233)
Tablets	20% p.a.	(27,891)	(8,174)	8,327	269		(27,469)
Demobilization		(15,277)	2,146	927			(12,204)
Others	14.44% p.a.	(6,630)	(925)	767			(6,788)
		(568,339)	(101,110)	90,572	104	(2)	(578,775)
Net book value		620,060	(2,033)	(15,643)		32	602,416

All amounts in thousands of reais unless otherwise stated

Certain assets acquired through financing or leasing (Note 11) 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:

		2017			2018
		Cost	**Additions**	**Disposals**	**Cost**
Cost					
Finance leases capitalized		82,542	17,017	(3,332)	96,227
		82,542	17,017	(3,332)	96,227
	Depreciation rate	**Depreciation**	**Additions**	**Disposals**	**Depreciation**
Depreciation					
Finance leases capitalized	10 to 33.33% p.a.	(43,467)	(21,920)	3,332	(62,055)
		(43,467)	(21,920)	3,332	(62,055)
Net book value		39,075	(4,903)		34,172

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.

Impairment of assets test

Under Technical Pronouncement CPC 01 (R1) (IAS 36), "Impairment of Assets", property and equipment items that present evidence that their recorded costs exceed their recoverable value (market value) will be reviewed to determine the need for setting up a provision for impairment. Management performed an annual analysis of operating and financial performance of its assets and did not identify changes in circumstances or indication of technological obsolescence. At December 31, 2018 and 2017, there was no need to record any provision for impairment of property and equipment.

All amounts in thousands of reais unless otherwise stated

11 Loans and financing

		Parent company		Consolidated	
Type	**Financial charges**	**2018**	**2017**	**2018**	**2017**
In local currency					
Lease agreements – Colortel	INPC + 0.32% p.a.			11,084	22,167
Lease agreements – MB	IGPM/FGV p.a.			10,412	
Others lease agreements	IGPM/IGPI-DI/FGV p.a.			5,877	2,816
Leasing IBM	CDI Over p.d. + 2% p.m.			5,675	13,696
Loans – IFC	CDI +1.53% p.a.		30,764		30,764
Funding cost of IFC			(1,220)		(1,220)
Second issue of debentures	CDI + 1.18% p.a.	121,840	244,053	121,840	244,053
Fourth issue of debentures	CDI +1.50% p.a.	50,214	100,421	50,214	100,421
Funding cost of debentures		(497)	(1,278)	(497)	(1,278)
Loans – Banco da Amazônia	9.5% p.a.			7,372	9,227
loans – FINEP	6% p.a.	3,674	4,248	3,674	4,248
Promissory notes – Banco Itaú (2st Tranche)	CDI+1.65% p.a.		142,854		142,854
Promissory notes – Banco Itaú	CDI+1.25% p.a.	(601,564)		601,564	
Funding cost of promissory notes			(427)		(427)
		776,795	519,415	817,215	567,321
Current liabilities		773,709	326,072	795,789	349,274
Non-current liabilities		3,086	193,343	21,426	218,047
		776,795	519,415	817,215	567,321

The maturity of amounts recorded in non-current liabilities at December 31, 2018 and 2017 is as follows:

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
2019		178,993		196,894
2020	587	9,431	6,829	12,364
2021	587	3,109	4,327	5,745
2022	587	587	2,450	1,347
2023	587	587	2,007	903
2024	587	587	1,875	745
2025 to 2028	151	49	3,938	49
Non-current liabilities	3,086	193,343	21,426	218,047

Lease contracts are guaranteed by the leased assets.

The Group's loans and financing are denominated in Brazilian reais.

In April 2017, the Company settled in advance the loan agreement entered into with Banco do Nordeste (BNB) in 2013, in the amount of R$ 4,100. The amount settled in advance in April 2017 was R$ 225.

In September 2017, the Company completed the payment of the 3rd issue of debentures (ESTC13) issued in September 2015, in the amount of R$ 187,000.

In November 2017, the Company settled the first of two tranches related to the issue of Promissory Notes in November 2016. This tranche amounted to R$ 175,000 and accrued 100% of the CDI rate + interest of 1.50% p.a. The amount settled in November 2017 was R$ 187,000.

All amounts in thousands of reais unless otherwise stated

In April 2018, the Company partially settled the second issue of debentures in the total amount of R$ 69,400 that were launched in October 2014.
In May 2018, the Company settled in advance the loan related to the loan agreement with the International Finance Corporation (IFC I and IFC II), in the amount of R$ 48,500 and R$ 20,340, which was financed from the beginning of the agreement in 2011 and 2012, respectively. The settlement amount executed in May 2018 was R$ 20,500 (IFC I) and R$ 9,800 (IFC II).

In June 2018, the Company partially settled the second issue of debentures in the total amount of R$ 53,900 that were launched in December 2016. Residual balance of the principal amount: R$ 50,000.

In November 2018, the Company settled the second tranche of issuance of promissory notes held in November 2016. The settlement amount executed in December 2018 was R$ 152,700.

In December 2018, the Company completed the second issuance of promissory notes in the total amount of R$ 600,000 maturing on March 8, 2019 at the cost of 105.75% of CDI.

The contracts with several creditors include restrictive clauses that require the maintenance of certain financial indices with previously established parameters. At December 31, 2018 and 2017, the subsidiaries and the parent company achieved all the contractually required indices.

12 Salaries and payroll charges

	Parent company		Consolidated	
	2018	2017	2018	2017
Salaries, termination pay and payroll charges payable	330	352	102,370	120,652
Provision for vacation pay			31,284	37,988
	330	352	133,654	158,640

13 Tax liabilities

	Parent company		Consolidated	
	2018	2017	2018	2017
ISS payable	5	5	18,335	15,300
IRRF payable	88	95	13,310	13,589
PIS and COFINS payable	93	72	2,838	3,703
IOF payable			64	64
	186	172	34,547	32,656
IRPJ payable			788	31,111
CSLL payable			253	13,027
			1,041	44,138
	186	172	35,588	76,794

All amounts in thousands of reais unless otherwise stated

14 Taxes paid in installments

	Consolidated	
	2018	2017
IRPJ	533	1,067
CSLL	48	120
FGTS	810	1,457
ISS	1,345	3,332
PIS	91	113
COFINS	704	893
INSS	6,490	7,430
OTHERS	220	184
	10,241	14,596
Current liabilities	3,563	4,295
Non-current liabilities	6,678	10,301
	10,241	14,596

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	
	2018	2017
2019		2,105
2020	1,551	1,215
2021	1,130	907
2022	1,144	892
2023	1,110	892
2024 to 2029	1,743	4,290
	6,678	10,301

15 Acquisition price to be paid

	Consolidated	
	2018	2017
FALITEC		2,922
SÃO LUIS	9,140	8,588
IESAM	10,914	13,021
Estácio Amazonas	2,801	2,728
CEUT	3,974	4,660
FNC	13,886	26,102
FCAT	1,499	2,897
FUFS	3,293	3,180
	45,507	64,098
Real estate acquisition (i)	2,833	23,000
	48,340	87,098
Current liabilities	34,488	57,109
Non-current liabilities	13,852	29,989
	48,340	87,098

(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.

All amounts in thousands of reais unless otherwise stated

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 amounts recorded in noncurrent liabilities at December 31, 2018 and 2017 have the following maturity schedule:

	Consolidated	
	2018	2017
2019		26,809
2020	11,657	1,060
2021	2,195	2,120
	13,852	29,989

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 December 31, 2018 and 2017, the provision for contingencies was comprised as follows:

	Consolidated			
	2018		2017	
	Contingencies	Judicial deposits	Contingencies	Judicial deposits
Civil	20,019	16,334	15,147	14,572
Labor	98,453	48,310	62,712	73,155
Tax	8,445	17,058	8,425	15,081
	126,917	81,702	86,284	102,808

In the year ended December 31, 2018, the amount of R$ 288 relates to the contingency of the parent company, being R$ 103 related to the civil and R$ 185 related to the tax (R$ 172 in the year ended December 31, 2017 related to the tax contingency).

The changes in the provision for contingencies are as follows:

	Civil	Labor	Tax	Total
Balance in 2016	16,833	39,292	8,755	64,880
Additions	24,613	112,900	1,097	138,610
Reversals	(6,016)	(23,596)	(774)	(30,386)
Write-offs	(18,955)	(55,298)	(653)	(74,906)
Monetary restatement	(1,328)	(10,586)		(11,914)
Balance in 2017	15,147	62,712	8,425	86,284
Additions	33,133	78,297	8,740	120,170
Reversals	(2,867)	(6,267)	(7,814)	(16,948)
Write-offs	(27,078)	(65,912)	(1,163)	(94,153)
Monetary restatement	1,684	29,623	257	31,564
Balance in 2018	20,019	98,453	8,445	126,917

All amounts in thousands of reais unless otherwise stated

For the years ended December 31, 2018 and 2017, the expense for the provision for contingencies, recognized in the statement of income, was as follows:

	2018	2017
Composition of results		
Additions	120,170	138,610
Reversals	(16,948)	(30,386)
Monetary restatement	31,564	
Contingencies	134,786	108,224
General and administrative expenses (Note 24)	(103,222)	(96,310)
Financial result (Note 26)	(31,564)	(11,914)
	(134,786)	(108,224)

(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	4,536
Real estate	4,876
Issue of certificates of completion/diplomas and graduation	1,511
Accreditation and cancelation of the program	1,060
FIES	1,135
Prouni	139
Success fees	2,959
Others (i)	3,803
	20,019

(i) These relate to proceedings involving other operating and/or academic issues, public-interest civil actions 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 and termination differences + reduction of working time + FGTS + notice	46,083
Overtime + suppression Inter + Intra	7,272
Moral/property damage/moral harassment	1,218
Employer’s social security payment	9,105
Fees	1,789
Deviation from agreed position and salary equalization	8,632
Fines (Article 467 CLT, article 477 CLT and CCT/ACT)	1,330
Allowances (health hazards/night shift pay/improvement/length of service/risk premium)	837
Vacation pay	1,362
Success fees	2,374
Others (i)	18,451
	98,453

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

All amounts in thousands of reais unless otherwise stated

(c) Tax

The tax proceedings mainly relate to tax immunity, escalation of social security contributions arising from the law 11,096/05 and exclusion of scholarships from the ISS calculation basis and fine for alleged non-compliance with record-keeping and reporting obligations (special bookkeeping systems).

The provisions related to tax proceedings are as follows:

Matters	Amounts
Services Tax	104
Social security related fine	8
Success fees	8,333
	8,445

(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. These proceedings classified as possible losses are not subject to the constitution of a provision in accordance with accounting practices in force.

	Consolidated	
	2018	2017
Civil	219,542	158,010
Labor	201,783	136,266
Tax	599,706	446,740
	1,021,031	741,016

Among the main proceedings classified as possible loss, we highlight the following:

Civil

	Amounts
Improper Collection	44,194
Real Estate	70,255
FIES	54,020
Enrollment	10,352
Issuance of Completion and Graduation Certificate/Diploma	13,075
PROUNI	1,436
Accreditation and Cancellation of Program	1,544
Others (i)	24,666
	219,542

(i)These relate to proceedings involving other operating and/or academic issues, public-interest civil actions, Procon and other claims for damages.

All amounts in thousands of reais unless otherwise stated

Labor

	Amounts
Salary and termination differences + Decrease in working hours + Government Severance Indemnity Fund for Employees (FGTS) + Overtime	70,990
Notice + Elimination of breaks between and during work shifts	49,545
Cota Social Security	22,337
Deviation from agreed position and salary equalization	12,885
Pain and suffering/material damages/workplace harassment	11,173
Penalties (ART. 467 CLT, ART. 477 CLT E CCT/ACT)	5,379
Fees	9,666
Other (health hazard/night-shift/improvement/years of service/risk)	3,985
Vacation	3,851
Job Stability	2,916
Others (i)	9,056
	201,783

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

Tax Matters	Amounts
Social Security Contribution / FGTS	346,298
ISS	218,757
PROUNI / PIS / COFINS	6,828
IRPJ / CSLL / IRRF	14,157
IPTU / FORO / IPVA	4,576
Various penalties	3,752
Inventory of property / CND / Certificate of Non-profit Welfare Entity (CEBAS)	1,216
Value-Added Tax on Sales and Services (ICMS) on electricity	982
Others	3,140
	599,706

We summarize below the position of the most significant lawsuits classified as possible loss:

Social security:

(i) Given the divergence of understanding of Article 13 of Law 11,096/05 ("PROUNI Act"), 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$ 133,500. According to the opinion of the external legal advisors, the risk of loss in these cases remains possible.

(ii) Tax assessment notices in connection with an alleged non-compliance with the principal tax liability related to the period from February 2017 to December 2007. The Company filed an appeal requesting the cancellation of the tax assessment notices claiming that they were clearly groundless. The appeal was deemed partially valid, and considered the percentage of the contributions to the employers' association at the rate of 20% as from the month in which the Company changed from a non-profit entity to an entrepreneurial company. On January 16, 2018, the Company filed an action for annulment with a view to challenging the remaining debt. The provisional remedy sought in this proceeding was granted and, as a result, judgments on merits are pending by the lower court for both actions for annulment. The total amount involved is R$ 21,894. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

(iii) 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. 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. On September 20, 2016, the case records were assigned and, currently, the Company is awaiting the placement of the appeal on docket for judgment. The amount involved is R$ 120,758. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

Tax Services:

(i) Tax collection proceeding assigned by the Municipality of Niterói, in connection with the issue of a tax assessment notice on September 29, 2009, 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$ 35,442. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

(ii) The Municipality of Rio de Janeiro issued a tax assessment notice against SESES on the understanding that scholarships could not be deducted from the ISS calculation basis. The assessment covered the period from August 2009 to July 2010, and the related protest letter was filed on April 12, 2012. On June 12, 2012, the records were sent to the Coordinating Office for Tax Review and Judgment. On April 1, 2014, SESES became aware of the decision that deemed the protest letter groundless and maintained the assessment, and filed a voluntary appeal on April 30, 2014. For review of the appeal, the records were referred to the Board of Tax Appeals on June 2, 2014. Currently, the appeal is pending inclusion in the list for judgment. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible. The total amount involved is R$ 53,468.

(iii) On August 14, 2018 a tax foreclosure action was brought against Sociedade Tecnopolitana da Bahia Ltda. (STB), merged with IREP in June 2010, as a result of non-payment of Services Tax (ISS) in the period from 2007 to February 2011. The assessment arose from an investigation in connection with the procedures for cancellation of the registration of the activities previously performed at STB's headquarters and branch facilities. The related motion to stay of execution was filed on October 3, 2018. The action is currently pending judgment by the lower court. The total amount involved is R$ 16,396. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

All amounts in thousands of reais unless otherwise stated

17 Equity

(a) 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 (one billion) shares. At December 31, 2018, capital is represented by 309,088,851 common shares.

At the Board of Directors' meeting held on March 15, 2018, a capital increase of R$ 8,946 was approved, through the capitalization of the balance of profit reserves, without the issuance of new shares.

The Company's shareholding structure at December 31, 2018 and 2017 is as follows:

	Common shares			
Stockholders	**2018**	**%**	**2017**	**%**
Officers and directors	601,693	0.2	817,606	0.2
Treasury	8,975,936	2.9	8,461,767	2.7
Others (i)	299,511,222	96.9	308,617,045	97.1
	309,088,851	100.0	317,896,418	100.0

(i)Free float.

(b) Changes in shares

Number of shares in 2017	317,896,418
Cancellation of treasury shares	
- Board of Directors' meeting held on June 13, 2018	(8,807,567)
Number of shares in 2018	309,088,851

There were no changes in capital during the year ended December 31, 2017.

(c) Treasury shares

At the Meeting of the Board of Directors held on June 29, 2017, the 5th Program for the Repurchase of our shares on stock exchange was approved, including up to 15,894,821 common shares equivalent to 5.00% of the capital. On May 16, 2018, the Board of Directors approved that the term of the 5th repurchase program was extended from 12 to 18 months, expiring on December 21, 2018. After the closing of the program, the total number of repurchased shares was 10,515,700 (ten million five hundred and fifteen thousand seven hundred) common shares, equivalent to 66.16% of the total shares estimated for the program.

	Number	Average cost	Balance
Treasury shares in 2017	8,461,767	15.42	130,454
SOP payment with treasury shares (Note 17 d.3)	(1,193,964)	16.04	(19,147)
Cancellation of shares	(8,807,567)	17.55	(154,603)
Repurchase of shares	10,515,700	23.77	249,937
Treasury shares in 2018	8,975,936	23.02	206,641

All amounts in thousands of reais unless otherwise stated

(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 financial statements in the years ended December 31, 2018 and 2017 is as follows:

	Parent company	
	2018	**2017**
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:

	2018
Subscription of 17,853,127 shares	(23,305)
Amount paid for the 17,853,127 shares	522,204
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 20. 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.

(d.3) Gain and loss on the sale of treasury shares

The goodwill and discount on the sale of treasury shares refers to the difference between the acquisition price that the Company paid for the shares and the sales amount for the use of the shares for the payment of the options granted.

The discount on the sale of treasury shares is represented as follows on December 31, 2018 and 2017.

	Number of shares	**Disposal**	**Amount paid**	**Losses**
SOP payment in 2017	1,036,291	15,976	11,282	4,694
SOP payment in 2018	1,193,964	19,147	15,858	3,289
Loss on disposal of accumulated shares in 2018	2,230,255	35,123	27,140	7,983

All amounts in thousands of reais unless otherwise stated

(e) Eanings reserves

(e.1) Legal reserve

The Brazilian legislation requires that 5% of the net income must be allocated to the legal reserve until this reserve equals 20% of the paid-in capital, or 30% of capital plus capital reserves. After this limit is reached, further transfer to such reserve is not necessary. The capital reserve may only be used to increase capital or offset accumulated losses.

(e.2) Profit retention reserve

On December 31, 2018, from the results accumulated by the Company, R$ 302,520 was allocated to the "Reserve for New Investments" referring to potential acquisitions, expansion and improvements in infrastructure, technology and organic expansion, as provided for in the Company's bylaws. This proposal for profit retention will be submitted to the Annual General Meeting to be held on April 126 2019.

(e.3) 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 March 15, 2018, management approved a capital increase of R$ 8,946.

(f) Dividends

The Company's bylaws provide for a mandatory minimum dividend, equivalent to 25% of net income, after transfer to the legal reserve, as established by the corporate legislation.

In 2017, mandatory minimum dividends related to 2017 were paid in the amount of R$ 100,840 (in 2017 were paid R$ 87,424 related to the year 2016).

On December 20, 2018, the amount of R$ 400,000, related to the distribution of interim dividends approved by the Board of Directors, from the Company's eanings reserves account, was paid.

The dividends calculated and the related changes at December 31, 2018 and 2017 are as follows:

	Parent company	
	2018	**2017**
Parent company's net income	644,873	424,590
Transfer to legal reserve (Article 193 of Law 6,404)	(32,244)	(21,230)
Profit after transfer to legal reserve	612,629	403,360
Mandatory minimum dividend - 25%	153,157	100,840
Number of shares at December 31	309,088,851	317,896,418
Number of shares in treasury at December 31	(8,975,936)	(8,461,767)
Dividend per share in circulation - in Brazilian reais	0.51033	0.32588

All amounts in thousands of reais unless otherwise stated

18 Financial instruments and sensitivity analysis of financial assets and liabilities

The fair value of financial assets and liabilities was determined based on available market information and appropriate valuation methodologies for each situation. However, considerable judgment was required in the interpretation of the market data to estimate the most appropriate realizable values. Consequently, the estimates presented do not necessarily indicate the amounts that could be realized in the current exchange market. The use of different market information and/or estimation methodologies may have a material effect on the market value amounts.

The Company's financial assets and liabilities at December 31, 2018 and 2017, are recorded in the balance sheet at amounts that are consistent with those prevailing in the market.

(a) Cash and cash equivalents and marketable securities

The carrying amounts approximate fair values due to the maximum liquidity period of 90 days.

(b) Loans and financing

These are measured at amortized cost using the effective interest rate method.

(c) Accounts receivable

These are classified as receivables and are recorded at the contractual amounts, which approximate fair value.

(d) Derivative financial instruments

The Company does not enter into transactions with derivative financial instruments.

(e) Other financial instruments financial assets and liabilities

The estimated realizable value of the Group's financial assets and liabilities was determined based on available market information and appropriate valuation methodologies.

18.1 Fair value hierarchy

The table below shows the financial instruments recorded at fair value, according to the measurement method:

	Consolidated	
	2018	**2017**
Level 2		
Financial assets at fair value through profit or loss		
Financial investments	804,360	510,450
	804,360	510,450

The measurement of financial instruments is grouped into levels from 1 to 3, based on the level at which their fair value is quoted:

Level 1 - quoted prices in active markets for identical assets or liabilities;
Level 2 - other techniques for which all data that have a significant effect on the recorded fair value are observable, directly or indirectly; and

Level 3 - techniques that use data that have a significant effect on the fair value recorded that are not based on observable market data.

During the year ended December 31, 2018, there were no transfers arising from fair value classifications between levels 1 and 2, or into or out of level 3.

18.1 Financial risk factors

All operations of the Group are carried out with prime banks, which minimizes risks, Management records a provision for doubtful accounts 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. In addition, the Company requires the settlement or negotiation of the amounts overdue upon return of the students for classes in the next semester.

With respect to the credit risk associated with financial institutions, the Company and its subsidiaries operate in accordance with the investments 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 A to AAA credit rating according to the credit rating agencies Standard & Poor's, Fitch and Moody's. In the event of two or more ratings, the rating of the majority shall prevail. In the event of different ratings, the Company adopts the higher rating as a basis. In the event of two or more ratings, the rating of the majority shall prevail. In the event of different ratings, the Company adopts the higher rating as a basis.

(b) Interest rate risk

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 program, and reduce the demand for the courses.

(c) Foreign exchange rate risk

As of December 31, 2018 and 2017, the Company has no position in foreign currency.

(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 December 31, 2018 compared to December 31, 2017.

All amounts in thousands of reais unless otherwise stated

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
In 2018				
Suppliers	105,812			
Loans and financing	775,747	3,205	5,605	871
Finance lease liabilities	20,042	6,335	2,554	7,572
Acquisition price to be paid	34,488	12,348	2,363	
In 2017				
Suppliers	70,923			
Loans and financing	327,952	193,357	20,652	1,850
Finance lease liabilities	21,322	15,247	2,889	
Acquisition price to be paid	57,109	28,486	3,361	

(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, accounts receivable, judicial deposits and loans and financing. These instruments are recognized at fair value plus earnings and charges incurred, which approximate market values at December 31, 2018 and 2017.

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 loans and financing 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 December 31, 2018, three different scenarios were defined. Based on the CDI rate officially published by CETIP on December 31, 2018 (6.40% p.a.), this rate was used as the probable scenario for the year. Rate changes of 25% and 50% were then calculated scenarios II and III, respectively.

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 December 31, 2018, with projections for one year and verification of the sensitivity of the CDI for each scenario.

All amounts in thousands of reais unless otherwise stated

		CDI increase scenario		
Transactions	**Risk**	**Scenario (I)**	**Scenario (II)**	**Scenario (III)**
Financial investments	CDI	6.40%	8.00%	9.60%
R$ 804,360		51,479	64,349	77,219
Debentures II	CDI+1.18	7.66%	9.27%	10.89%
R$ 121,533		(9,304)	(11,272)	(13,239)
Debentures IV	CDI+1.50	8.00%	9.62%	11.24%
R$ 50,024		(4,000)	(4,812)	(5,625)
Promissory notes	105.75% CDI	6.77%	8.46%	10.15%
R$ 601,564		(40,714)	(50,892)	(61,071)
Net position		(2,539)	(2,627)	(2,716)

		CDI decrease scenario		
Transactions	**Risk**	**Scenario (I)**	**Scenario (II)**	**Scenario (III)**
Financial investments	CDI	6.40%	4.80%	3.20%
R$ 804,360		51,479	38,609	25,740
Debentures II	CDI+1.18	7.66%	6.04%	4.42%
R$ 121,533		(9,304)	(7,337)	(5,369)
Debentures IV	CDI+1.50	8.00%	6.37%	4.75%
R$ 50,024		(4,000)	(3,188)	(2,375)
Promissory notes	105.75% CDI	6.77%	5.08%	3.38%
R$ 601,564		(40,714)	(30,535)	(20,357)
Net position		(2,539)	(2,451)	(2,361)

(f) Capital management

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

	Consolidated	
	2018	**2017**
Loans and financing (Note 11)	817,215	567,321
(-) Cash and cash equivalents (Note 3)	(13,686)	(13,996)
Net debt	803,529	553,325
Equity	2,591,409	2,777,257
Net debt on equity	0.31	0.20

(g) Offsetting of financial instruments

There were no significant assets or liabilities subject to offset during the years ended December 31, 2018 and 2017.

19 Insurance (not audited)

The Company and its subsidiaries have a risk management program in order to limit its risks, looking for insurance coverages that are compatible with their business size and operations in the market. The insurance amounts are considered sufficient by management to cover possible losses, taking into account the nature of the activities, the risks involved in the operations and the advice of insurance consultants.

All amounts in thousands of reais unless otherwise stated

The Company and its subsidiaries had the following main insurance policies with third-party insurers:

	Amounts insured	
	2018	**2017**
Civil liability of directors	80,000	150,000
Civil liability	10,000	10,000
Fixed expense (i)	130,406	68,386
Group life	610,333	487,026

(i) Refers to buildings, improvements, furniture, machinery, materials and utensils, goods and raw materials

20 Management remuneration

(a) Remuneration

According to Brazilian Corporation Law and the Company's bylaws, shareholders are responsible for setting the aggregate amount of management's annual compensation at a General Meeting. The Board of Directors is responsible for the allocation of funds among officers. The Annual General Meeting held on April 19, 2017 fixed the monthly limit of total compensation of management (Board of Directors, Statutory Audit Board and Executive Officers) of the Company.

For the years ended December 31, 2018 and 2017, total compensation (salaries and profit sharing) paid to the Company's directors, officers and main executives amounted to R$ 19,942 and R$ 21,988, 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 20(b).

(b) Stock option plan

The Extraordinary General Meeting held on September 12, 2008 approved the Company's Stock Option Plan ("Plan"), for the Company's management, employees and service providers ("beneficiaries"). The Plan is managed by the Plan's Administration Committee, created by the Board of Directors specifically for that purpose in a meeting held on July 1, 2008. The Committee is responsible for periodically creating share option programs and granting to the Beneficiaries (often reviewed) the options and the specific applicable rules, always observing the Plan's ("Program") general rules.

The volume of stock options is limited to 5% of the total shares of the Company's capital existing on the date each Program is approved.

On December 20, 2010, upon termination of the 2nd program, the creation of the 3rd program was approved, with an issue price of shares to be acquired of R$ 23.60, to be increased based on the variation of the IGPM index from January 3, 2011 until the date of the actual option is exercised.

On April 2, 2012, upon termination of the 3rd program, the creation of the 4th program was approved, with an issue price of shares to be acquired of R$ 19.00, to be increased based on the variation of the IGPM index from April 2, 2012 until the date of the actual option is exercised.

As from 2013, the Company uses for the calculation of the fair value of the options of each granting 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.

On March 1, 2013, upon termination of the 4th program, the creation of the 5th program was approved, with an issue price of shares to be acquired of R$ 40.00, to be increased based on the variation of the IGPM index from March 1, 2013 until the date of the actual option is exercised.

A 3-for-1 share split was approved at the Extraordinary General Meeting on May 21, 2013. The Company's capital at December 31, 2014 was divided into 315,429,884 registered, common shares.

On October 2, 2013, upon termination of the 5th program, the creation of the 6th program was approved, with an issue price of shares to be acquired of R$ 15.67, to be increased based on the variation of the IGPM index from October 2, 2013 until the date of the actual option is exercised.

On October 14, 2014, upon termination of the 6th program, the creation of the 7th program was approved, with an issue price of shares to be acquired of R$ 23.60, to be increased based on the variation of the IGPM index from October 14, 2014 until the date of the actual option is exercised.

On October 2, 2015, upon termination of the 7th program, the creation of the 8th program was approved, with an issue price of shares to be acquired of R$ 13.15, to be increased based on the variation of the IGPM index from October 2, 2015 until the date of the actual option is exercised.

On April 29, 2016, with the closing of the 8th Program, the creation of the 9th program was approved, with an issue price of the shares to be acquired of R$ 10.85 (ten reais and eighty-five cents), plus monetary restatement based on the variation of the General Market Price Index (IGPM) in the period from April 29, 2016 to the date of the effective exercise of the option.

On July 19, 2016, with the closing of the 9th Program, the creation of the 10th program was approved, with an issue price of the shares to be acquired of R$ 15.12 (fifteen reais and twelve cents), plus monetary restatement based on the variation of the General Market Price Index (IGPM) in the period from July 19, 2016 to the date of the effective exercise of the option.

On April 25, 2017, with the closing of the 10th Program, the creation of the 11th program was approved, with an issue price of the shares to be acquired of R$ 14.18 (fourteen reais and eighteen cents), plus monetary restatement based on the variation of the General Market Price Index (IGPM) in the period from April 25, 2017 to the date of the effective exercise of the option.

All amounts in thousands of reais unless otherwise stated

At December 31, 2018, the number of options granted which were exercised totaled 12,842,762 (R$ 107,354), and the total shares granted amounted to 17,576,902 (R$ 166,060).

Program	Options granted	Prescribed options	Abandoned Options	Issued	Share balance
1P	11,910,909	5,067,255	469,539	6,374,115	
2P	1,411,563	798,438	131,835	481,290	
3P	1,805,373	451,929	62,947	1,269,316	21,181
4P	2,736,000	696,000	19,423	2,016,677	3,900
5P	720,000	348,000	118,394	253,606	
6P	5,090,000	2,231,000	1,875,248	663,282	320,470
7P	889,000	370,200	244,884	92,326	181,590
8P	983,000	378,400	43,432	383,514	177,654
9P	1,300,000	300,000		820,000	180,000
10P	1,105,779	344,000	39,000	340,000	382,779
11P	991,010	380,510	16,255	148,636	445,609
Total	**28,942,634**	**11,365,732**	**3,020,957**	**12,842,762**	**1,713,183**

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

	Exercised options
December 31, 2016	10,556,842
March 31, 2017	10,556,842
June 30, 2017	11,375,594
September 30,2017	11,375,594
December 31, 2017	11,593,133
March 31, 2018	11,595,333
June 30, 2018	12,772,667
September 30,2018	12,835,412
December 31, 2018	12,842,762

All amounts in thousands of reais unless otherwise stated

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

Program	End of grace period	Expiration date	Fair Value	Price of the underlying asset (i)	Expected Annual Volatility	Expected Dividends	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 Dividends	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	94,200

(*) Market price on the respective grant dates.

All amounts in thousands of reais unless otherwise stated

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

Program	End of grace period	Expiration date	Fair Value	Price of the underlying asset (i)	Expected Annual Volatility	Expected Dividends	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	123,000
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	110,000
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	93,400
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	93,400
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	70,800
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	70,800
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	70,800
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	29,000
10 Program Jul16	4/15/2019	4/15/2027	R$ 8.61	R$ 15.12	59.18%	0.00%	12.50%	10	208,000	29,000
10 Program Jul16	4/15/2020	4/15/2027	R$ 9.18	R$ 15.12	59.18%	0.00%	12.50%	10	208,000	29,000
10 Program Jul16	4/15/2021	4/15/2027	R$ 9.64	R$ 15.12	59.18%	0.00%	12.50%	10	208,000	29,000
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
11Program Apr17	5/15/2018	5/15/2028	R$ 6.14	R$ 14.18	46.66%	0.00%	8.94%	10	188,000	12,000
11Program Apr17	5/15/2019	5/15/2028	R$ 6.84	R$ 14.18	46.66%	0.00%	8.94%	10	188,000	12,000
11Program Apr17	5/15/2020	5/15/2028	R$ 7.41	R$ 14.18	46.66%	0.00%	8.94%	10	188,000	12,000
11Program Apr17	5/15/2021	5/15/2028	R$ 7.86	R$ 14.18	46.66%	0.00%	8.94%	10	188,000	12,000
11Program Apr17	5/15/2022	5/15/2028	R$ 8.26	R$ 14.18	46.66%	0.00%	8.94%	10	188,000	12,000
11 Program Apr17 Cons.	5/15/2018	4/29/2018	R$ 6.14	R$ 14.18	46.66%	0.00%	8.94%	2	25,505	25,505
11 Program Apr17 Cons.	5/15/2019	4/29/2019	R$ 6.84	R$ 14.18	46.66%	0.00%	8.94%	2	25,505	25,505

(*) Market price on the respective grant dates.

All amounts in thousands of reais unless otherwise stated

Pursuant to the requirements of Technical Pronouncement CPC 10 (R1), share-based payments that were outstanding at December 31, 2018 and 2017 were measured and recognized by the Company.

The Company recognizes on a monthly basis the share options, granted in a capital reserve account with a corresponding entry in the statement of income, in general and administrative expenses in the personal line and payroll charges. In the year ended December 31, 2018, R$ 7,678 (R$ 7,458 in the year ended December 31, 2017) was recognized. The amount of the provision as of December 31, 2018 is R$ 80,585 (R$ 72,907 on December 31, 2017).

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

Statutory Board

	2018		2017	
	Average exercise price per share	Options - thousands	Average exercise price per share	Options - thousands
January 1	13.62	1,493,472	13.62	1,503,136
Exercised	13.52	362,069	13.65	9,664
Prescribed	0.00	0,00	0.00	0,00
Abandoned	16.97	120,255	0.00	0,00
	13.81	1,011,148	13.62	1,493,472

Board of Directors

	2018		2017	
	Average exercise price per share	Options - thousands	Average exercise price per share	Options - thousands
January 1	10.20	950,779	10.21	975,779
Exercised	9.92	350,000	9.70	25,000
	10.13	600,779	10.20	950,779

(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 is fully settled on December 31, 2018 and was 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.

In the year ended December 31, 2017, the provision was not recognized (R$ 94 in the year ended December 31, 2017).The value of the provision of the program at December 31, 2018 and 2017 is R$ 304.

(d) *Performance Share* Program

On October 18, 2018, the extraordinary general meeting approved the Company's new Restricted Stock Grant Program.

The purpose of the Plan is to allow the grant of Restricted Shares to Beneficiaries selected by the Board of Directors, subject to certain conditions, with the objective of: (a) encourage the expansion, success and achievement of the corporate objectives of the Company and of the companies under its control; (b) encourage the improvement of the management of the Company and the companies under its control, giving the beneficiaries the possibility of becoming shareholders of the Company, encouraging them in optimizing all aspects that may result in the appreciation of the Company in the long term; (c) align the interests of the beneficiaries with the interests of the shareholders; and (d) encourage the permanence of managers and employees in the Company or in the companies under its control.

The management and employees of the Company or of the company under its control, may be elected as Beneficiaries of the Plan, as defined by the Board of Directors.

The total number of restricted shares that may be granted under the Plan may not exceed, together with the options and/or shares granted under other compensation plans based on the Company's shares (which will be considered in the calculation of the total limit established herein), the total limit of 3% (three percent) of the Company's capital on the date of approval of each Program.

The reference price of each restricted share used to define the number of restricted shares granted to each beneficiary will correspond to the weighted average quote of the Company's shares on B3 S.A. during the 30 (thirty) trading sessions prior to the date of each Program.

Each Program created by the Board of Directors will have a term of 5 (five) years, and the restricted shares granted will be divided into 5 (five) equal annual lots, with the vesting period occurring annually.

Exceptionally, with respect to the 1st Program, approved by the Board of Directors in 2018, the vesting period for the first 20% of restricted shares granted will end on December 31, 2018, with the delivery of the respective restricted shares to the beneficiaries up to April 1, 2019, so that the vesting period for each of the other lots of 20% will end on December 31 each year, with the delivery of the respective restricted shares up to April 1 of the subsequent year.

As regards the new Restricted Stock Grant Plan, the amount of the provision for the program at December 31, 2018 is R$ 4,658.

21 Earnings per share

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

(a) Basic earnings per share

	2018	2017
Numerator		
Net income	644,873	424,590
Denominator (in thousands of shares)		
Weighted average number of shares outstanding	305,110	308,875
Basic earnings per share	2.11358	1.37464

(b) Diluted earnings per share

	2018	2017
Numerator		
Net income	644,873	424,590
Denominator (in thousands of shares)		
Weighted average number of shares outstanding	305,110	308,875
Potential increase in the number of shares relating to the share option plan	1,516	964
Adjusted weighted average number of shares outstanding	306,626	309,839
Diluted earnings per share	2.10313	1.37036

22 Net revenue from services

	Consolidated	
	2018	2017
Gross revenue – On -Campus	4,889,860	4,722,732
Gross revenue – Distance learnig	894,308	688,014
	5,784,168	5,410,746
Gross revenue deductions	(2,164,791)	(2,031,767)
Grants - scholarships	(1,878,949)	(1,727,568)
Return of monthly tuition and charges	(11,706)	(7,910)
Discounts granted	(760)	(17,604)
Taxes	(155,760)	(152,425)
Adjustment to present value - PAR	(25,431)	(11,195)
Adjustment to present value - DIS	(8,110)	
FGEDUC	(59,786)	(69,086)
Others	(24,289)	(45,979)
	3,619,377	3,378,979

All amounts in thousands of reais unless otherwise stated

23 Costs of services

	Consolidated	
	2018	2017
Personnel and payroll charges	(1,160,341)	(1,312,676)
Electricity, water, gas and telephone	(41,307)	(41,866)
Rents, condominium fees and IPTU	(243,583)	(250,601)
Mailing and courier expenses	(1,720)	(2,717)
Depreciation and amortization	(97,120)	(96,752)
Teaching material	(6,572)	(10,760)
Outsourced security and cleaning services	(56,432)	(61,741)
Others (i)	(25,737)	
	(1,632,812)	(1,777,113)

(i) The amounts related to transfers to partners (polos) (R$ 18,595) in 2017 were classified as a deduction from the operating income in “others”.

Personnel expenses and payroll charges include approximately R$ 91,469 in 2018 (R$ 122,324 in 2017) related to termination pay due to contractual terminations.

24 Selling, general and administrative expenses

	Parent company		Consolidated	
	2018	2017	2018	2017
Selling				
Provision for doubtful accounts			(333,699)	(235,074)
Advertising			(172,470)	(164,518)
Sales and marketing			(45,833)	(42,382)
Others			(1,044)	(1,587)
			(553,046)	(443,561)
General and administrative expenses				
Personnel and payroll charges	(4,874)	(5,897)	(173,170)	(179,727)
Third party services	(5,850)	(6,063)	(129,951)	(87,949)
Consumption material			(2,033)	(2,689)
Maintenance and repairs	(71)	(60)	(38,140)	(45,385)
Depreciation and amortization	(13,092)	(16,484)	(98,265)	(97,520)
Educational covenants		(29)	(16,875)	(9,620)
Travels and accommodation	(123)	(244)	(7,245)	(8,748)
Institutional events	(5)	(4)	(2,962)	(2,980)
Provision for contingencies	(110)	(171)	(103,222)	(96,310)
Copies and bookbinding		(2)	(3,733)	(5,421)
Insurance	(8,288)	(8,568)	(9,076)	(9,457)
Cleaning supplies			(2,880)	(3,386)
Transportation	(3)	(6)	(5,179)	(6,368)
Car rental			(3,203)	(3,524)
Others	(373)	(1,148)	(18,364)	(39,240)
	(32,789)	(38,676)	(614,298)	(598,324)

25 Other operating income (expenses)

	Parent company		Consolidated	
	2018	2017	2018	2017
Income from agreements	272	1,633	439	2,653
Income from rentals			9,308	9,287
Provision for impairment of fixed assets (i)		(14,044)	(646)	(24,326)
Provision for losses on sale of portfolio (ii)			(55,486)	
Other operating income (expenses)	(143)	314	(829)	(4,084)
	129	(12,097)	(47,214)	(16,470)

(i) In 2017, the parent company accounts it mainly refers to the reduction for impairment of goodwill of its subsidiary Nova Academia. In 2017 the consolidated accounts refers to the write-off of property and equipment related to IREP closed units and the provision for losses on property and equipment related to real estate to be delivered in 2018.

(ii) Amount referring to the total write-off of the student portfolio sold in previous years, which is not expected to be realized.

All amounts in thousands of reais unless otherwise stated

26 Financial result

	Parent company		Consolidated	
	2018	2017	2018	2017
Financial revenue				
Fines and interest charged			32,243	28,248
Update of accounts receivable - FIES			8,419	10,805
Investment income	6,557	10,385	37,909	48,289
Updating of tax credits	2,026	3,043	5,930	10,194
Adjustment to present value - FIES				13,194
Updating of PAR			3,729	
Updating of DIS			3,248	
Others			851	7,129
	8,583	13,428	92,329	117,859
Financial expenses				
Bank expenses	(877)	(2,391)	(33,164)	(15,843)
Interest and financial charges	(32,201)	(97,489)	(64,800)	(129,195)
Updating of contingencies provision	(6)	(1)	(31,564)	(12,728)
Financial discounts (i)			(62,450)	(54,763)
Monetary variation losses			(5,499)	(6,561)
Borrowing expenses	(2,611)	(9,165)	(2,611)	(9,165)
Others	(954)	(653)	(11,068)	(1,057)
	(36,649)	(109,699)	(211,156)	(229,312)

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

27 Result by business segment

	Presencial		EAD		Total	
	2018	2017	2018	2017	2018	2017
Gross Operating Revenue	4,889,843	4,722,761	894,325	687,985	5,784,168	5,410,746
(-) Deductions from Gross Revenue	(1,813,224)	(1,732,308)	(351,567)	(299,459)	(2,164,791)	(2,031,767)
Net Operating Revenue	3,076,619	2,990,453	542,758	388,526	3,619,377	3,378,979
Cost of services	(1,556,320)	(1,718,266)	(76,492)	(58,847)	(1,632,812)	(1,777,113)
Personnel	(1,109,145)	(1,255,607)	(51,196)	(57,069)	(1,160,341)	(1,312,676)
Rents, condominium fees and IPTU	(243,543)	(250,169)	(40)	(432)	(243,583)	(250,601)
Teaching material	(6,505)	(10,291)	(67)	(469)	(6,572)	(10,760)
Outsourced services and others	(100,648)	(106,084)	(24,548)	(240)	(125,196)	(106,324)
Depreciation	(96,479)	(96,115)	(641)	(637)	(97,120)	(96,752)
Net income	1,520,299	1,272,187	466,266	329,679	1,986,565	1,601,866

All amounts in thousands of reais unless otherwise stated

28 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 years ended December 31, 2018 and 2017 is as follows:

	Parent company		Consolidated	
	2018	2017	2018	2017
Profit before income tax and social contribution	639,955	403,286	653,180	432,058
Combined statutory rate of income tax and social contribution - %	34	34	34	34
Income tax and social contribution at the statutory rates	(217,585)	(137,117)	(222,081)	(146,900)
Depreciation	1	(5)	(2,037)	(1,431)
Leasing			233	(1,112)
Adjustment to present value			(11,997)	615
Equity in the results of subsidiaries	238,232	187,112		
Amortization of goodwill	(4,432)	(5,579)	(7,696)	(9,963)
Non-deductible expenses (i)			(3,381)	(2,789)
Options granted LP provision - employees			(3,364)	(2,568)
Tax losses not registered	(16,175)	(44,485)	(21,009)	(47,850)
Desmobilization expenses			(1,474)	
Provision for contingencies	(41)	(58)	(14,292)	(7,477)
Provision for doubtful accounts (ii)		132	(43)	(2,517)
Monthly tuitions to be canceled and billed			(9,929)	3,047
Provision for FIES risk			(355)	(540)
Provision for loss on fixed assets			2,424	(2,424)
Others			1,541	1,419
			(293,460)	(220,490)
Tax benefits				
Tax incentive – PROUNI			229,107	175,123
Tax incentive – Lei Rouanet			6,200	4,211
Current income tax and social contribution in the results for the year			(58,153)	(41,156)

(i) These primarily refer to expenses for sponsorships, donations and gifts.
(ii) Refers to an outstanding payment voucher that does not meet the deduction criteria required by current tax legislation.

	Parent company		Consolidated	
	2018	2017	2018	2017
Current income tax and social contribution			(58,153)	(41,156)
Deferred income tax and social contribution	4,471	5,509	48,530	21,293
Income tax and social contribution from the prior periods			869	
Deferred income tax and social contribution – PERT (i)	447	15,795	447	12,395
	4,918	21,304	(8,307)	(7,468)

(i) Fundamental Ltda., Sociedade Educacional Atual da Amazonia Ltda., Sociedade Universitária de Excelência Educacional Rio Grande do Norte Ltda., Sociedade Educacional da Amazonia Ltda., Sociedade Educacional do Rio Grande do Sul Ltda., Unisaoluis Educacional Ltda., Instituto de Ensino Superior Social e Tecnológico Ltda., Assesc Sociedade Educacional da Amazônia Ltda., Sociedade de Ensino Superior Estácio Ribeirão Preto Ltda. and Organizão Paraense Educacional e de Empreendimentos Ltda. enrolled with the Special Tax Payment Program (PERT) established by the Brazilian Federal Revenue Secretariat (RFB) and, accordingly, settled IRPJ/CSLL balances payable totaling R$ 24,174, of which R$ 1,215 was settled in cash and five monthly installments settled as from August 2017, and R$ 18,864 in credits related to tax loss carryforwards of the Company and of the holding company Estácio Participações.

All amounts in thousands of reais unless otherwise stated

At December 31, 2018, the Company recorded deferred tax assets on temporary differences of R$ 131,390 (R$ 56,440 at December 31, 2017). The breakdown of the tax effects of temporary differences which originated the deferred tax assets is summarized below:

	Parent company		Consolidated	
	2018	2017	2018	2017
Adjustment to present value			15,868	3,871
Provision for contingencies	98	58	43,152	28,860
Provision for doubtful accounts			31,362	4,899
Monthly tuitions to be canceled			12,019	2,090
Provision for desmobilization			5,623	4,149
Provision for impairment of fixed assets				2,424
Goodwill		(4,432)	(6,772)	(14,471)
Provision for risk - Fies			7,121	6,766
Options granted recognized			31,126	27,763
Leasing			(376)	(141)
Incorporated goodwill			(11,290)	(11,290)
Depreciation	13	13	2,663	626
Tax losses			894	894
	111	(4,361)	131,390	56,440
Assets			136,576	70,617
Liabilities	111	(4,361)	(5,186)	(14,177)
	111	(4,361)	131,390	56,440

The realization of the deferred tax effect on temporary differences recorded at December 31, 2018 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 desmobilization.

At December 31, 2018, 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 December 31, 2018, the Company had tax credits arising from income tax and social contribution losses amounting to R$ 123,656 (R$ 107,481 at December 31, 2017) that are not yet accounted for, because it is not possible to state at this time that their realization is considered probable.

29 Commitments

The table below sets forth the required and non-cancelable annual minimum future payments related to the contractual obligations assumed by the Company at December 31, 2018 and 2017:

			Consolidated
	Less than 1 year	Between 1 and 5 years	Over five years
At December 31, 2018			
Operating leases	20,042	9,218	3,788
Campuses’ lease agreements	195,451	603,374	430,200
At December 31, 2017			
Operating leases	20,560	17,358	
Campuses’ lease agreements	195,270	606,145	453,107

30 Subsequent events

Completion of the 5th Issue of Debentures: As announced to the market and to the general public on February 21, 2019, the Company completed the public offering of the 5th issue of simple debentures, non-convertible into shares, of unsecured type ("Debentures"), in up to 2 (two) series, for public distribution with restricted efforts pursuant to CVM Instruction 476, dated January 16, 2009 ("Restricted Offer"), whereby 60,000 (sixty thousand) Debentures, of which 25,000 (twenty-five thousand) First Series Debentures ("First Series Debentures") and 35,000 (thirty-five thousand) Second Series Debentures ("Second Series Debentures"), with a par value of R$ 10 (ten thousand reais) each, totaling R$ 600,000 (six hundred million reais).

First Series Debentures have a maturity of 3 (three) years as from the date of issue and Second Series Debentures have a maturity of 5 (five) years as from the issue date. The proceeds obtained by the Company from the Restricted Offering were allocated to the mandatory early redemption of all commercial promissory notes of the 2nd (second) issue of the Company.

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SUMMARIZED ANNUAL REPORT OF THE STATUTORY AUDIT AND FINANCE COMMITTEE FISCAL YEAR 2018

To the
Members of the Board of Directors of Estácio Participações S.A.

1. INTRODUCTION

The Statutory Audit and Finance Committee (AFC) of Estácio Participações S.A. ("Estácio" or "Company") has been a statutory body since August 31, 2017, existing as an advisory committee to the Board of Directors since July 23, 2008, with the name of the Audit Committee, changed to the current name at the meeting of the Board of Directors of January 28, 2014, date when its Internal Regulations were reviewed.

AFC reports to the Board of Directors and carries out its assignments with autonomy and independence, as an auxiliary, advisory and consulting body, without executive power or executive assignments. AFC's tasks and responsibilities are carried out in compliance with the due legal and statutory assignments, as well as those set forth in its Internal Regulations. AFC's responsibility includes reviewing and monitoring, within its supervisory tasks, the procedures to prepare and publish the financial and audit reports.

AFC's evaluations are based on information received from the Management, independent auditors, internal auditors, those responsible for managing risks and internal controls and from its own assessment based on its supervisory and monitoring activities.

On April 18, 2018, the following were elected for a term of office up to April 2020: Messrs. Osvaldo Burgos Schirmer, as AFC's coordinator and also as expert member, Brenno Raiko de Oliveira and Líbano Miranda Barroso, who resigned from the position as member of the Board of Directors and member of AFC due to personal reasons, on September 26, 2018, with the position remaining vacant.

2. ACTIVITIES CARRIED OUT IN THE PERIOD

From April 18, 2018 to March 14, 2019, AFC had 6 meetings. These meetings involved the Executive Officers, Internal Audit and, in some of them, the External Audit. The minutes of AFC's meetings are made available in the Company's Governance Portal for the members of the Board of Directors and of the Fiscal Council. In the meetings of the Board of Directors, AFC's Coordinator reports and emphasizes to the other Board Members, when deemed appropriate, the due relevant matters identified in AFC's activities. The main activities carried out were:

- Reviewing, supervising and recommending the work plan of the Internal Audit;
- Monitoring the judicial provisions and contingencies;
- Evaluating and monitoring the effectiveness of Internal Controls and Risk Matrix;
- Monitoring the Compliance activities;
- Monitoring and supervising the activities and the performance of the Internal Audit;
- Monitoring the Ombudsman's activities;
- Monitoring the investigations and complaints received through the Complaints Channel;

- Monitoring the implementation of the action plans, resulting from the recommendations made by the Internal Audit and Independent Audit;
- Identifying and recommending improvements in the procedures, during the conversations with the several areas convened, as well as following-up and monitoring the implementation of these recommendations;
- Monitoring the procedure to prepare the financial statements, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS);
- Reviewing the Quarterly Earnings Release (ITRs), the Management's Annual Report, the Financial Statements and the Reference Form;
- Evaluating the Company's Budget;
- Evaluating the M&A issues;
- Reviewing its Internal Regulations;
- Evaluating the Company's Governance Report; and
- Enabling the payment in installments for students, PROUNI and PDD.

In 2018, AFC held no meeting with the Company's Fiscal Council.

3. RECOMMENDATIONS FOR IMPROVEMENTS IN BUSINESS PROCEDURES

In the conversations at the meetings held, during such period, with the managers of the several areas of the Company, several recommendations were made for corrective actions in the procedures of business control and management. Pending matters and due corrective actions are duly recorded in minutes. The Committee periodically monitors the implementation of these improvements and of the adjustments suggested.

4. EVALUATION OF THE EFFECTIVENESS OF INTERNAL CONTROL SYSTEMS

Estácio's Management is responsible for designing and implementing the internal control policies, procedures, processes and practices that safeguard assets, timely recognize the liabilities, comply with the rules and ensure the integrity and accuracy of the information.

The Internal Audit is responsible for evaluating the degree of compliance, by all areas of Estácio, with the procedures and practices of internal controls and that these are effectively used.

5. EVALUATION OF THE EFFECTIVENESS OF THE INDEPENDENT AND INTERNAL AUDITS

AFC has an regular channel of communication with internal and independent auditors, enabling a vast discussion on the results of their work, accounting issues and relevant internal controls and. Therefore, the body sees as fully satisfactory the volume and quality of the information provided by these professionals, who support its opinion on the compliance and integrity of internal control systems and financial statements. In addition, the body didn't find any situation that could affect the objectivity and independence of the independent auditors and/or the autonomy of the internal auditors.

As of the 1st quarter of 2017, Ernst & Young Auditores Independentes S.S. ("EY") is the audit firm responsible for examining the financial statements and issuing an opinion on its preparation according to accounting practices adopted in Brazil and with the IFRS.

AFC monitored the activities carried out by the Internal Audit and by the Independent Auditors, both through regular meetings and by reviewing the reports issued. Therefore, AFC has a positive evaluation of the coverage and quality of the work carried out by the Internal Audit and by the Independent Auditors concerning the financial statements for the fiscal year ended on December 31, 2018.

6. EVALUATION OF THE QUALITY OF THE FINANCIAL STATEMENTS

The Management is responsible for establishing and implementing the information systems that produce Estácio's financial statements, in compliance with the corporation law, accounting practices, rules of the Brazilian Securities and Exchange Commission (CVM), rules of B3's Novo Mercado and international standards.

AFC had several meetings with the controllership area to evaluate the procedures for the process of preparing the financial statements for the fiscal year ended on December 31, 2018.

Finally, the body had conversations with the independent auditors on the results of the work, on the Main Audit Matters described in its report and on the report's conclusions concerning the audit of these financial statements, whose opinion has no reservation. The main points discussed were also related to the accounting practices adopted in Brazil, as well as recommendations and other notes in the reports on internal controls and presentation of the financial statements.

AFC verified that the financial statements comply with the Brazilian accounting practices and Brazilian Corporation Law, as well as the rules of the Brazilian Securities and Exchange Commission (CVM), the rules of B3's Novo Mercado and the IFRS.

7. CONCLUSIONS

During the work, AFC did not identify any situation that could affect the objectivity and independence of EY in relation to Estácio. Thus, in accordance with the AFC's Internal Regulations, the AFC reports to the Board that it's not aware of any type of relationship between EY and Estácio that may have affected EY's independence in the independent audit of the Financial Statements for the year ended on December 31, 2018.

AFC also makes known that no significant divergence was identified between Estácio's Management, EY's Independent Auditors and AFC's itself concerning the Financial Statements for the year ended on December 31, 2018.

AFC's opinions and judgments depend on the information presented by Estácio, in particular by the members of the Management, of the Controllership Office (also responsible for the Risk Management), Legal Office and Compliance Office, of the Internal Audit and other offices involved, as well as the Independent Auditors. Thus, AFC deems that all due matters made available to it are duly disclosed in the Financial Statements for the fiscal year ended on December 31, 2018, together with the Independent Auditors' Report issued without reservations. Therefore, AFC recommends to Board of Directors the Approval of the said audited Financial Statements.

Rio de Janeiro, March 07, 2019.

Osvaldo Burgos Schirmer
AFC's Coordinator and Financial Expert

Brenno Raiko de Souza
AFC Member

ESTÁCIO PARTICIPAÇÕES S.A.
Corporate Taxpayer's ID (CNPJ/MF) 08.807432/0001-10
State Registry (NIRE) 33.3.0028205-0

LEGAL OPINION OF THE AUDIT AND FINANCE COMMITTEE

The undersigned members of the Audit and Finance Committee of **Estácio Participações S.A.**, under their assignments, pursuant to Article 3, Item "c" of the Internal Regulation of the Audit and Finance Committee, hereby issue a favorable expert opinion to the Board of Directors and recommend the approval of the Management's Report, of the Financial Statements and of the due Notes, all documents concerning the 2018 fiscal year, with no disagreement between the Management of the Company, the independent auditors and this committee.

São Paulo, March 12, 2019.

Osvaldo Burgos Schirmer
AFC's Coordinator and Member

Brenno Raiko de Souza
AFC Member

ESTÁCIO PARTICIPAÇÕES S.A.

Corporate Taxpayer's ID (CNPJ/MF) 08.807432/0001-10

State Registry (NIRE) 33.3.0028205-0

Legal Opinion of the Fiscal Council

The sitting members of the Company's Fiscal Council, under their legal assignments, in compliance with the provisions of Article 163 of Law 6404/76 and under the limits of their jurisdiction: (i) after verifying the Financial Statements for the fiscal year ended on December 31, 2018, with the due explanations provided by the members of the Management of the Company and based on the report and expert opinion of the Auditors, issued a favorable expert opinion approving the Management's accounts and the Financial Statements, which, together with the Management's Report, can be duly submitted to the assessment of the shareholders; and (ii) after evaluating the matter and after the due explanations provided by the Company's Management, issued a favorable opinion on the Management's proposal for the allocation of the income for the fiscal year ended on December 31, 2018, including the payment of dividends, recommending the approval of the proposal by the Company's shareholders.

Rio de Janeiro, March 14, 2019.

_____________________________________	_____________________________________
Emanuel Sotelino Schifferle	Pedro Wagner Pereira Coelho

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Vanessa Claro Lopes