MANAGEMENT REPORT

Dear Shareholders,

In compliance with the legal provisions and the Bylaws, the Management of Estácio Participações S.A. ("Estácio" or "Company") hereby presents its Management Report and Consolidated Financial Statements for the fiscal years ended December 31, 2017 and 2016, prepared in accordance with International Financial Reporting Standards (IFRS), and accompanied by the Independent Auditors' report.

Corporate profile

One of Brazil's largest private-sector post-secondary education groups in terms of numbers of students enrolled, Estácio Participações S.A. was incorporated as a publicly-held corporation on March 31, 2007. Listed in the Bovespa's Novo Mercado trading segment, the Company has highly differentiated corporate governance standards.

On December 31, 2017, Estácio's base totaled 515,400 students, present in the major urban centers of all Brazilian states and in the Federal District. Estácio's network comprises one university, ten university centers, 49 accredited colleges and 394 distance-learning centers accredited by the Ministry of Education (MEC), with nationwide coverage represented by 93 campuses strategically located near the residences and/or workplaces of our target public, workers from the middle and lower-middle income groups.

Estácio's growth reflects the quality of its courses and its faculty members, the adoption of modern management practices, the technological and academic innovations provided to its students, the strategic location of its units, and its competitive prices, which are affordable for its target public. With integrated national curricula, Estácio offers undergraduate on-campus and distance-learning courses in Exact Sciences, Biological Sciences and the Humanities, in addition to *sensu lato* and *sensu stricto* graduate, masters and doctoral programs, as well as extension courses. Backed by a results-driven management model, it has developed a modern and differentiated teaching methodology. Thanks to its business and financial capacity, its innovation and the constant improvement of its academic programs, the Estácio brand is recognized and highly valued in the market.

Message from Management and Strategic Perspectives

Estácio begins 2018 with very different prospects from those observed in recent years. Since 2016, when the Company underwent significant changes in management, Estácio has been through a restructuring process whose results were observed in 2017.

Until the decision of the Brazilian antitrust authority on the merger transaction with Kroton, Estácio concentrated its efforts on implementing perennial initiatives, but with results in the short and medium terms. Said initiatives are divided into four major work fronts:

- **New student intake structure:** Redesigning the processes to enroll new students, lead to a healthier student base, increasing the average ticket by 10.6% in the on-campus segment and 5.9% in distance learning compared with 2016, and improving the student retention rate in the on-campus segment by 1.6 percentage point between the first and second semesters of 2017 (considering total dropout and non-renewal figures, which fell by 17.3% in the period). The strategy to enroll new students was also essential to overcome the effects of the decline in the FIES student base, which fell by 20.4% in 2017 over 2016. It is worth noting that the non-FIES student base increased by 3.9% in the same period. Consequently, Estácio's net operating revenue totaled R$3.4 billion in 2017, 6.1% up on 2016. It is also worth noting the launch of Estácio's Installment Payment Program (PAR), which extends the payment deadlines for monthly students, accounting for 8.2% of the students enrolled in 2017.

- **Process optimization in the management of faculty costs:** Aiming to improve the efficiency of its operations without affecting the quality of the services offered to students, in 2017, Estácio implemented several measures to increase the productivity of its faculty members. With these initiatives, the average number of students per class in the on-campus segment increased by 4.5%, while in the distance-learning segment the increase was 124%.

- **Restructuring of the distance-learning:** The distance-learning underwent great transformation in 2017. With the new regulations, implemented in 2017, Estácio was authorized to launch 350 new centers per year. As a result, the Company created an expansion area and closed 2017 with 394 operational centers, nearly twice the number of centers operating at the end of 2016, which contributed to the resumption in the growth of the student base after good intake cycles and improved renewal and dropout rates.

- **Marketing expenses streamlining:** Migration from an institutional marketing model into regional campaigns, with higher return of funds allocated.

As of July 2017, after the Brazilian antitrust authority issued an unfavorable decision on the merger transaction with Kroton, Estácio designed a plan with more disruptive initiatives to increase even more the Company's profitability. The plan began to be implemented at the end of 2017 and covers three important fronts:

- **Corporate restructuring:** Another great opportunity to gain efficiency came from the implementation of a faculty career plan (FCP) which, based on clear management criteria, will provide productivity gains and improve faculty members' motivation, technical skills and climate.

- **Footprint reassessment:** Estácio carried out an internal benchmark process to evaluate the different variables of each Unit, including size and occupancy levels, dropout and renewal rates, campus maturity, regulatory quality indicators (General Course Index - IGC and Preliminary Course Concept - CPC), course mix, market potential and average ticket levels. By studying the combination of these variables, the Company was able to better evaluate each Unit's profitability and prepare individual action plans for underperforming Units, which comprised several initiatives, such as the merger of Units, review of the portfolio of courses offered and pricing, among others.

- **Review of the Educational Model:** Although nationally integrated and with exclusive features, such as a national curricula and the standardization of own educational resources, Estácio's Academic Model needed to be updated to increase productivity. Therefore, the curriculum matrix was reviewed and is being implemented in 2018, including initiatives to increase the sharing of disciplines among the courses and the adoption of hybrid disciplines. This review should also aim at a more efficient class formation process.

Consequently, even with the limitations imposed by the Company's current situation and external pressure, Estácio was able to deliver good results and improve performance above the Company's historical levels. A good example was the performance of the net operating revenue, which totaled R$3,379.0 million, a 6.1% growth compared to 2016. The revenue growth, combined with the better management of operating costs and expenses lead to a 16.5% increase in the gross income, reaching 1,601.9 million in 2017, against R$1,375.5 in 2016. The net income totaled R$424.6 million, 15.3% higher than the registered in 2016, due to the increase in the operational results.

It is worth noting that, even during a complex period in the Company's history, the result of the organizational climate survey, annually carried out by a renowned external advisory firm, remained in the same level of 2016, proving the engagement of Estácio's employees.

At the end of 2017, the Company was better structured to face the challenges imposed by the new year. For 2018, the Company is focused on increasing profitability. The Company's Management remains confident in its Execution capacity.

At the end of 2017, the Company´s Cash totaled R$524.4 million. The solid financial position and the prospects of continuing to improve performance at this pace with increased control and transparent processes motivates Estácio's team to continue delivering results and preparing the Company to a new growth and expansion phase that is yet to come.

Economic Scenario

Although still unstable, the global economy recorded growth and was stronger at the end of 2017, less affected by the global financial crisis. Developed markets consolidated their expansion, with growth in the U.S. and a positive surprise in the Eurozone in 2017. China has been able to maintain growth at a steady pace, albeit not at the same level as five years ago. According to a UN study, the improved global economic situation offers opportunities for countries to focus on creating policies on long-term issues.

The Brazilian economy is experiencing a slow recovery after a long period of recession. After six years of growth, Brazil's GDP fell by 3.8% in 2015 and 3.6% in 2016, and increased by 1.0% in 2017. Despite this slight recovery, the GDP decline in recent years is still impacting unemployment and consumption levels in the country. Inflation as measured by the IPC-A consumer price index closed 2017 at 2.95%, the lowest rate of the last three years and below the inflation target ceiling established by the Brazilian Central Bank. The Selic interest rate, which closed 2016 at 13.75%, reached 6.90% in December 2017, while the U.S. dollar appreciated after the depreciations recorded in 2016, increasing by 1.2% against the Brazilian real.

Despite a scenario of uncertainties and great challenges, Estácio believes that Brazil still has many business opportunities, a significant consumer market and strong and independent institutions. The reduction in inflation and interest rates create the expectation that the country may be coming out of the recession and recovering economic growth in the coming years.

Financial Performance

All financial data used to prepare this analysis consider Estácio consolidated results.

- **Student base.** Estácio closed 2017 with a total base of approximately 515,400 students, 1.5% up on 2016, 344,700 of whom enrolled in on-campus programs and 170,700 in distance-learning programs (undergraduate and graduate courses).

- **Net operating revenue.** Net operating revenue came to R$3,379.0 million in 2017, 6.1% up on 2016, due to the 1.5% increase in total student base and new initiatives to recover average ticket and reduce the number of discounts and scholarships granted in 2016, which increased on-campus average ticked by 10.6% and distance-learning average ticket by 5.9% year on year.

- **Cost of services.** The cost of services totaled R$1,777.1 million in 2017, compared to R$1,809.0 million in 2016, a reduction of 1.8%. In terms of net revenue, there was a 2.2 percentage point margin gain in the cost of services, from 51.9% in 2016 to 49.7% in 2017. This gain was chiefly due to improved management of faculty costs, thanks to a more efficient class formation process and a healthier student base, as well as lower textbook costs, as a result of increased of use of own books, migration to a digital format and better inventory management.

- **Gross Income.** Gross income increased by 16.5%, totaling R$1,601.9 million in 2017, in comparison with the R$1,375.5 million posted in 2016, accompanying the upturn in net operating revenue and the result of the processes implemented to improve cost of services management.

- **Selling Expenses.** Selling expenses totaled R$443.6 million in 2017, versus R$376.3 million in 2016, an increase of 17.9%, due to higher provision for doubtful accounts, essentially due to the beginning of the Estácio's Installment Payment Program in the first quarter of 2017, which requires a higher level of provision. In addition, the sale of the receivables portfolio in 2016, of R$47.1 million, net of taxes, incremented the provision for doubtful accounts in 2017.

- **General and administrative expenses.** G&A totaled R$598.3 million in 2017, which corresponded to 17.7% of net operating revenue, 1.1 percentage point up on 2016. Third-party service expenses fell by approximately R$10 million in 2017, essentially due to lower consulting and data communication expenses. In addition, expenses with institutional events fell by R$14 million, as a result of the end of the Rio 2016 project. It is also worth noting a goodwill impairment expense of R$14 million from the acquisition of Nova Academia de Concursos.

- **Net Income.** Estácio posted an annual net income of R$424.6 million, 15.3% more than in 2016, due to higher operating results and lower financial expenses.

- **Dividends.** The Company paid R$87.4 million in dividends to its shareholders in 2017, corresponding to 25% of the 2016 adjusted annual net income, pursuant to article 202 of Brazilian Corporate Law.

- **Investments.** Estácio invested R$153.8 million in 2017, approximately R$96.9 million of which in maintenance and R$56.9 million in expansion projects, education model and information technology. Investments accounted for 4.6% of net revenue.

- **Cash.** The Company closed 2017 with cash and cash equivalents of R$524.4 million, which are conservatively invested in fixed-income instruments pegged to the CDI interbank rate, government bonds and certificates of deposit with top-tier Brazilian banks.

- **Indebtedness.** Estácio's bank debt totaled R$567.3 million in 2017, R$455.2 million less than in 2016, essentially due to the settlement of the Third Debenture issue, totaling R$197 million in September 2017 and the payment of the first tranche of the Promissory Note, in the amount of R$187 million in November 2017. Bank debt, in addition to commitments payable for the acquisitions (amounting to R$87.1 million) and the balance payable of taxes in installments (amounting to R$14.6 million), net of the Company's cash position (in the amount of R$524.4 million), totaled a net debt of R$144.6 million by the end of 2017.

Academic Model

In the past years, Estácio created and has been improving an integrated nationwide Academic Model that seeks to meet the needs of its various courses and the academic-pedagogic needs of students and faculty members, guaranteeing academic quality, the nationalization of the curricula and the standardization of own educational resources, while respecting regional and local demands, ensuring business scalability.

In order to make the model effective and use a multidisciplinary vision to define educational projects, plans and practices, Estácio adopted a proprietary methodology to build knowledge collectively, with the participation of faculty members from the different institutions of the Estácio Group throughout Brazil in the preparation of the syllabi and their respective contents.

In addition to the integrated national curricula, the Model has the following pillars: educational resources and technological innovation, virtual learning platforms, integrated evaluation systems and complementation and tutoring programs which, applied together with the management practices, allow the permanent monitoring of the students' performance.

The recent creation of 86 syllabi contents to be implemented in 2018 includes technological innovations, based on the adoption of hybrid disciplines, and consolidates the intensive use of digital technologies, contributing to the connection and integration between on-campus classes and the virtual environment. Therefore, traditional methodologies will be increasingly replaced by active methodologies, placing students at the center of the learning process and providing professors with resources for a more collaborative pedagogical mediation, in tune with the new media.

The different learning contents produced or maintained by Estácio are digitally available at the Virtual Learning Classroom - SAVA, which provides free access to all types of devices (mobile phones, tablets, computers), on time and without the need of a request. This media convergence makes it possible to gather didactic resources to students and faculty members in a single environment, ensuring full access to the books of the Virtual Library and to journals, video classes, online content, smartbooks, study guides, class presentations and other resources.

This set, together with transverse vectors aimed to citizenship, entrepreneurship, human rights and sustainability, contribute to the formation of skilled professionals with enhanced opportunities in the job market.

Finally, the academic model is a means of responding to the need for the scalability, mobility and sustainability of Estácio's educational services, with the constant improvement of academic quality and social responsibility.

Teaching Quality and Learning Management

Estácio implemented a series of tools that allow faculty members and academic teams to monitor quality and satisfaction, as well as to identify the strengths and weaknesses of each student, based on their performance in tests, exercises and mock exams.

With the help of around 4,500 faculty members, Estácio created approximately 133,000 new test items in 2017, feeding a database with close to 400,000 exam questions. This resource permits the application of nationally-integrated tests, in turn allowing a detailed analysis of the results, generating a wealth of intelligent analytical data that can be used for deviation adjustments and the calculation of rankings, averages and performance percentages at every level (by student, class, unit, course and region).

Estácio has been continuously contributing to the learning and retention management and, in 2017, the Academic Tutoring Program included the following projects:

- “Evaluating Learning”, with over 78% of the on-campus student base taking preparatory mock exams;
- “New Chance”, with more than 42,000 students enrolled in simultaneous catch-up programs aimed to reverse bad results;
- “Prepare”, with more than 46,000 accesses to live revision classes before the main tests; and
- “Pending Course Programs”, aimed to students who failed a specific subject, but taking said subject during the subsequent semester, in shorter time and without any impact on their academic progress when approved.

Regulatory Environment

Evaluation: ENADE and in loco visits

The result of Estácio's courses evaluated on the ENADE 2016 cycle was published on the Official Gazette on November 27, 2017. Of the 144 Health and Agricultural Sciences courses that were part of the exam, 96% obtained a satisfactory result in the Preliminary Course Concept (CPC).

All Estácio institutions obtained satisfactory result in the General Course Index (IGC), eight of which were given a grade 4 on a scale of 1 to 5.

In regard to in loco visits, which are equally important to the consolidation of the model in regulatory terms, of the evaluations carried out by the MEC throughout Brazil in 2017 (127 course visits and 41 visits to distance-learning centers and institutions), 100% were graded 3, 4 or 5 on a scale of 1 to 5.

Master's and Doctoral Evaluation

In view of the four-year period, the high grades in our *stricto sensu* masters' and doctoral programs were maintained, according to the CAPES post-secondary improvement scale. The excellence of these programs was underlined by the grade 5 granted to our masters' and doctoral programs in Law in Rio de Janeiro, and the grade 4 awarded to our masters' and doctoral programs in Education and Dentistry, and our professional masters' programs in Corporate Administration and Development and Family Health.

Accreditation of new Institutions

In 2017, the MEC published accreditation ordinances of other seven Estácio Institutions:

i) Faculdade Estácio de Ananindeua (given a grade 3 on a scale of 1 to 5 during the in loco visit), located in Ananindeua, Pará, authorizing it to offer the following courses: Human Resources Management (vocational degree), with 150 annual places; Administration (bachelor's degree), with 150 annual places; Accounting (bachelor's degree), with 150 annual places; Information Systems (bachelor's degree), with 150 annual places; and Pedagogy (teaching degree), with 150 annual places.

ii) Faculdade Estácio de Barbacena (given a grade 4 on a scale of 1 to 5 during the in loco visit), located in Barbacena, Minas Gerais, authorizing it to offer the following courses: Pedagogy (teaching degree), with 200 annual places; Human Resources Management (vocational degree), with 200 annual places; Accounting (bachelor's degree), with 200 annual places; and Administration (bachelor's degree), with 200 annual places.

iii) Faculdade Estácio de Bauru (given a grade 3 on a scale of 1 to 5 during the in loco visit), located in Bauru, São Paulo, authorizing it to offer the following courses: Accounting (bachelor's degree), with 100 annual places; Logistics (vocational degree), with 100 annual places; Administration (bachelor's degree), with 100 annual places; Human Resources Management (vocational degree), with 100 annual places; and Marketing (vocational degree), with 100 annual places.

iv) Faculdade Estácio de Cascavel (given a grade 3 on a scale of 1 to 5 during the in loco visit), located in Cascavel, Paraná, authorizing it to offer the following courses: Accounting (bachelor's degree), with 100 annual places; Administration (bachelor's degree), with 100 annual places; Financial Management (vocational degree), with 100 annual places; Human Resources Management (vocational degree), with 100 annual places; and Marketing (vocational degree), with 100 annual places.

v) Faculdade Estácio de Imperatriz (given a grade 3 on a scale of 1 to 5 during the in loco visit), located in Imperatriz, Maranhão, authorizing it to offer the following courses: Accounting (bachelor's degree), with 130 annual places; Administration (bachelor's degree), with 200 annual places; Human Resources Management (vocational degree), with 130 annual places; Marketing (vocational degree), with 130 annual places; and Logistics (vocational degree), with 130 annual places.

vi) Faculdade Estácio de São José do Rio Preto (given a grade 3 on a scale of 1 to 5 during the in loco visit), located in São José do Rio Preto, São Paulo, authorizing it to offer the following courses: Human Resources Management (vocational degree), with 100 annual places; Accounting (bachelor's degree), with 100 annual places; Administration (bachelor's degree), with 100 annual places; Financial Management (vocational degree), with 100 annual places; and Logistics (vocational degree), with 100 annual places.

vii) Faculdade Estácio de São José dos Pinhais (given a grade 4 on a scale of 1 to 5 during the in loco visit), located in São José dos Pinhais, Paraná, authorizing it to offer the following courses: Financial Management (vocational degree), with 100 annual places; Accounting (bachelor's degree), with 100 annual places; Marketing (vocational degree), with 100 annual places; Human Resources Management (vocational degree), with 100 annual places; and Administration (bachelor's degree), with 100 annual places.

New University Center

On April 26, 2017, the Official Gazette published the accreditation ordinance of Centro Universitário Estácio do Recife, located in Recife, Pernambuco, which was given a grade 4 on a scale of 1 to 5 during the in loco visit, in July 2016.

Increased Number of Places in Courses in Post-Secondary Education Institutions

In 2017, the MEC accepted 15 requests for additional places for courses of Estácio Institutions without the right of autonomy, including for some Law and Psychology courses, totaling 1,584 new places of Estácio Group.

Authorization of the Medicine Course – *Mais Médicos* Project

On August 2, 2017, the MEC published the authorization ordinance for the Medicine Course of the Angra dos Reis campus of Universidade Estácio de Sá, with 55 total annual places, after the MEC's monitoring visit in July 2017, pursuant to Notice 6/2014/SERES/MEC, the first request for proposals from institutions controlling Post-Secondary Education Institutions of the Federal Education System for the selection of proposals for authorization of medicine courses in selected municipalities, within the scope of Notice 3/2013.

Operations

On-campus Programs

At the close of 2017, the on-campus undergraduate base totaled 314,100 students, 4.7% less than in 2016, as a result of the 20.4% decrease in the FIES student base. FIES student base totaled 92,200 students at the end of 2017, representing 29.3% of Estácio's on-campus undergraduate base. Excluding the effect from the reduction in the FIES student base, non-FIES student base increased by 3.9%, emphasizing Estácio's competitive advantages to attract new students and underlining the fact that it does not depend on the FIES during the intake process.

In addition to the FIES, it is worth noting the effect of the change in the strategy to attract new students, as of the beginning of 2017, designed to promote a more sustainable student base by reducing the number of scholarships and discounts granted and ensuring students' financial commitment before completing the enrollment and renewal process.

Distance learning

In 2017, the distance-learning undergraduate base increased by 19.4% over 2016, to 127,600 students. Unlike the previous years, when intake occurred every quarter, the distance-learning segment changed its strategy to enroll students in the two main intake periods of the year, following the on-campus segment. Estácio thus extended the intake period in order to reduce the operating costs of enrollments.

After shrinking in 2016, the distance-learning undergraduate base grew by 19.4% in 2017, thanks to several initiatives carried out by the new distance-learning management, such as the clusterization of partner centers based on performance, in order to increase alignment in the results obtained.

Graduate Programs

Estácio closed 2017 with 73,600 students enrolled in graduate programs, 2.8% up on 2016. The highlights of the graduate segment in 2017 were the distance-learning programs, which increased by 10.2%, largely due to partnerships during the student intake process.

Corporate Governance

Quality, excellence in management, business integrity, ethical compliance and dissemination of access to education in Brazil are Estácio's commitments to its shareholders and other stakeholders.

In November 2008, we joined the Novo Mercado listing segment, which contains those companies with the highest standards of corporate governance in Brazil, in the pursuit of greater management transparency and efficiency. Consequently, Estácio began complying with the regulations set forth in the Novo Mercado Listing Rules, such as capital stock consisting of common shares only, the election of independent members to the Board of Directors, and the settlement of disputes by the Market Arbitration Chamber.

In June 2010, Estácio partnered up with the Brazilian Association of Publicly-Held Companies (“Abrasca”), a non-profit organization that seeks constant and qualified growth of capital market companies by acting as a forum for the enhancement of business methods and processes, the improvement services to shareholders and the monitoring of legal reforms focusing on permanently updating the companies’ structures and operation.

Due to the highly fragmented shareholder base in October 2010, in 2011 Estácio adopted additional governance practices, including: (i) preparation of the Manual for Participation in Shareholders’ Meetings; (ii) partnership with the Brazilian Corporate Governance Institute (“IBCG”), as of 2012; (iii) annual publication of the Sustainability Report, as of 2014, with adoption of the Global Reporting Initiative (GRI) methodology and the associated G4 Guidelines, in accordance with international governance standards; (iv) publication of Corporate Policies, such as the Securities Trading Policy (2007), Material Act and Fact Policy (2007), Related-Party Transaction Policy (2015) and Code of Ethics (2008).

As of 2017, based on the new governance and compliance rules granted by the Brazilian Securities and Exchange Commission (“CVM”) and B3 S.A. – Bolsa, Brasil, Balcão S.A. (“B3”), as well as on the best practices adopted in the Brazilian and international markets, the Company began disseminating governance practices to all its stakeholders, such as: (i) periodic internal institutional compliance campaigns; (ii) periodic training to Management and employees; (iii) update and creation of corporate policies, internal regulations and codes, disclosed on the Company’s website (www.estacioparticipacoes.com.br) and Governance Portal, as well as on the regulatory agents systems; (iv) transformation of the Board of Directors’ Advisory Committees into statutory committees; (v) creation of Advisory Committees to the Board of Executive Officers; (vi) restructuring of the scope of operation of the internal audit department and implementation of a risk management department; (vii) creation of a Confidential Claims Channel; (viii) use of and adherence to the Governance Portal by the Company’s Management, Fiscal Council members and members of the Board of Directors’ Statutory Advisory Committees. This portal is a flexible and useful channel that accesses and stores the Company’s information in a safe and transparent manner, including the Company’s main documents, calendar of meetings, agenda, supporting materials, minutes, reports, policies, codes, regulations, bylaws, in addition to enabling users to review, approve and print documents.

Additionally, the Company has contributed to the dissemination of quality education in Brazil: it was graded 4 (out of 5) in 19 courses in the general course index evaluated by the Post-

Secondary Education National Evaluation System (SINAES) in 2017, becoming the second best private university in Rio de Janeiro.

Attuned to technological innovations and prioritizing continued quality education, the Company has been expanding its distance-learning format by providing 100% online courses, as well as hybrid courses (on-campus and online), always supported by its in-house technology department, which won first place at the Google Brasil Mobile Site Hackathon in 2017.

Management

The Company's Management is composed of the members of the Board of Directors and Board of Executive Officers. The Company also has a Fiscal Council and is managed based on the effective legal and regulatory requirements, including the Novo Mercado Regulation, updated and published in September 2017.

Estácio's Board of Directors is composed of nine independent sitting members of different nationalities and ages, with excellent reputation, multidisciplinary expertise in Brazil and abroad and university education, elected for a two-year term of office (reelection is permitted).

In 2017, aiming to improve the advisory practices provided to the members of the Board of Directors, the Company transformed three of its committees – People and Management Committee, Audit and Finance Committee and Academic Committee – into statutory bodies and created the statutory Strategy Committee. It also improved the respective internal regulations, as well as the Board of Directors' Internal Regulation, based on the new governance rules, the best practices in the Brazilian and international markets and the Bylaws. The Board of Directors, its advisory Committees and the Board of Executive Officers are evaluated every year in order to ensure the adoption of continuous improvement practices.

The Board of Executive Officers is composed of six executives of different genders, ages and from different states, with excellent reputation, multidisciplinary expertise and university education, elected for a two-year term of office (reelection is permitted), elected by the Board of Directors, namely: a Chief Executive Officer, also incorporating the position of Investor Relations Officer, a Chief Financial Officer, an Education Officer and three other officers without portfolio, responsible for the Market, Operations, Legal and Compliance areas. In 2017, in order to improve the advisory practices provided to the members of the Board of Executive Officers, the Chief Executive Officer created four committees: Ethics Committee, Climate Committee, Loyalty Committee and Risk Committee, approved jointly by the Company's entire Board of Executive Officers. These Committees meet every month and are composed of seasoned employees from different backgrounds, who receive feedback from leaders and submit periodic result reports.

The Fiscal Council is composed of three sitting members and three alternate members, all of whom independent and with expertise in corporate accounting, of different ages and genders, who excellent reputation and university education, elected for a one-year term of office (reelection is permitted), whose duties and powers comply with the legal and regulatory requirements, including those of the Novo Mercado Regulation, its Internal Regulation and the Company's Bylaws, as well as with the best Brazilian and international market practices.

Capital Market

In 2017, daily traded volume of Estácio's shares averaged R$68.8 million, 92.8% more than in 2016 and one of B3 S.A.'s most liquid shares. Estácio's shares closed the year at R$32.82, 107.7% up on the end of 2016. This appreciation reflects the market confidence in Estácio's execution potential and Management's capacity to create value. After the new executives and Board members began their work in 2016, essentially focused on increasing profitability, Estácio gained more visibility and credibility in the market.

Investor Relations

The Investor Relations area focuses on improving the market's perception of the Company, increasing the liquidity of its shares, and strengthening its relations with investors. Since 2010, we have relied on new communication channels that allow us to keep shareholders constantly informed, increase transparency, and provide updated IR information through the leading social media channels. We also make sure that our website is functional, easy to use and fully up to date.

Sustainability and Corporate Social Responsibility

Educating to Transform Program

Estácio's corporate social responsibilities initiatives, guided by the Educating to Transform Program, are based on five pillars: Estácio in Sport, Estácio at School, Estácio Citizenship, Cultural Estácio and Innovation & Entrepreneurship. These are the foundations of the Company's contributions to Brazil's social development. The Innovation & Entrepreneurship pillar was designed in early 2018. In the coming months, we will initiate a number of pilot projects and actions, exploring new paths, using new technology, processes and business models. We will also experiment with innovative approaches to attain more efficient, democratic and sustainable solutions.

The Institutional Relations and Sustainability area is responsible for the management of the Educating to Transform Program, whose implementation process includes interfaces between the five pillars and inspires us to follow the trend of mobilization of our students, faculty members, administrative employees and other society actors with whom we have a relationship.

The initiatives of the Educating to Transform Program are also developed through investments in projects encouraged by tax breaks.

In order to disseminate information on our best corporate practices associated with the Educating to Transform Program, we summarized some successful experiences developed by the Company. In addition to highlighting the positive impacts on the places where we operate, these initiatives also indicate the importance of strengthening the actions implemented with partners and cooperation networks. We believe that this is how we will continuously integrate the concept of sustainability into our daily routine, influencing the people with whom we maintain dialogues and relationships.

Engagement and local development

All Estácio regional units implemented community engagement, impact evaluation and local development programs. Regional managers, centers and units throughout Brazil have the responsibility to identify opportunities, develop, and manage Corporate Social Responsibility projects, aligned with the Educating to Transform Program and the brand positioning.

Additionally, the units have autonomy to develop and carry out local activities, suited to the profile of the surrounding communities, and implement and adapt the initiatives promoted by the Partnerships and Sustainability area to the local reality of these communities.

At the same time, the units created several social initiatives and extension projects, based on the courses offered. Several of them are required to develop practical activities supervised by professors as part of their syllabi: Law (Legal Practices Center, assistance to the community);

Psychology and Teaching Degrees (assistance and internships); Accounting (financial education initiatives and assistance with the filling of income tax returns).

Estácio units are also directly sought by several institutions in order to provide services through courses such as Nutrition, Nursing, Physical Education, Physiotherapy and Medicine, among others.

Estácio in Sport

For Estácio, education is more than just passing on knowledge – it involves constructing values, motivating people to excel and increasing their autonomy, underpinned by ethical behavior, teamwork and social commitment. Sport includes all these components, making it an essential part of the learning process and a key ingredient in the formation of citizenship. For this reason, we invest in social initiatives and projects that integrate sport and education, promoting lasting individual and collective transformation.

Thinking of the thousands of Brazilian youngsters whose idols are an inspiration and who regard sport as giving them a real chance to grow, we sponsor major sporting events and athletes, helping to build champions both inside and outside of sport.

Team Estácio

Team Estácio is a selection of athletes from several modalities supported by the Company. In order for the race track, swimming pool and gymnastics champions to succeed in other areas, their sporting activities have to be complemented by a sound education. Estácio provides more than 300 sportspersons with on-campus and distance-learning scholarships. Youngsters from the institutions we support, promising juniors, high performance athletes and those with a real chance of winning medals in the 2016 Rio Olympics all study with us in various regions of the country. Some Team Estácio's sporting stars are the 2016 Olympic medal-winner judoka Rafaela Silva, Olympic gymnast Daniele Hypólito, worlds' second best longboard athlete in 2016 and 2017 Chloé Calmon, and former athlete Laís Souza. We also sponsor tennis players Teliana Pereira, Fabiano de Paula and Thiago Monteiro, among others, as well as the Flamengo basketball team, four-time national champion, and several important events, including the Rio Open Tennis Championship and the Brazil Open Tennis Championship.

Partnerships

We maintain partnerships with several sports-related institutions, including the COB (Brazilian Olympic Committee), the IOB (Brazilian Olympic Institute) and the Brazilian Volleyball, Tennis, Table Tennis, Basketball and Water Sports Confederations. We also sponsor NGOs with consistent social projects involving sport and education, such as the Kinder, Fernanda Keller, Tennis Route, Guga Kuerten, Gabriel Medina and Reação Institutes, the latter founded by former judoka Flavio Canto, who maintains a high-performance training center in one of our units in Rio de Janeiro.

Estácio Journalism Award

In 2017, the Estácio Journalism Award, the most important and traditional award granted in recognition of the best news coverage on post-secondary education, completed seven years having obtained significant results both in number of registrations and in quality articles produced. 386 articles and 24 contenders were registered in nine categories, with awards of R$10,000 (regional media), R$15,000 (national media) and R$25,000 (Estácio Grand Prize). The number of registrations increased by 17% in 2017 over 2016, with 331 articles registered and the participation of 24 states and the Federal District. To date, more than 1,800 newspaper and magazine (print media), TV, radio and internet articles were registered. The ceremony was held on October 5, 2017, at the Hilton Copacabana Hotel, in Rio de Janeiro, and was attended by approximately 250 people, most of whom communication professionals from all Brazilian regions

Sponsored sports projects

The Sports pillar is also present through the sponsoring of projects under the Federal Sports Incentive Law. In addition to the projects highlighted below, the Company sponsored the Guga Kuerten Institute, the Gabriel Medina Institute, the social project Fight for Peace, the Reação Institute, Petrobras' Brands Cup, São Paulo Tennis Challenge and Rio Open Tennis, among others. The objective of investing in Sports is improving athletes from their beginning in sports to high performance. The projects, such as the Rio Marathon, also seek to engage Estácio's students and faculty members in the activities, generating experiences that will be included in their résumés.

Estácio at School

Education is a continuous process with a strong multiplying effect and the power to transform society. To ensure that the process reaches its end and is not interrupted, we invest in initiatives that motivate and improve Brazil's educational system, impacting high school and elementary school students and teachers, especially in the public network. We operate on several fronts, liaising with government officials in the education area, supporting schools, promoting the exchange of experience between our students and faculty members and public school students, and encouraging transformative educational initiatives, such as the **II Educational Territories Award.**

In 2018, we will launch an Adult Literacy Project. The pilot project will start in three units of Unesa (Queimados, Vila Brasil and Alcântara) in April, impacting approximately 75 literate students. This is an initiative adherent to the UN's Sustainable Development Goals, which will contribute to the reduction of the illiteracy rates in Brazil. The project aims to be deployed, in phases, to all units in Brazil.

II Educational Territories Award

The II Educational Territories Award, an initiative of the Tomie Ohtake Institute in partnership with the Municipal Education Department of São Paulo and sponsored by Estácio, consisted in implementing and giving an award in the field of São Paulo public municipal education, focusing on education experiences based on exploring education opportunities in the territories where the schools are located, based on the fact that education goes beyond the school gates.

In its second edition, the Award was aimed at professors of the São Paulo basic school system involved in ongoing education experiences, who have actions for 2017, preferably as part of the school planning, with the mandatory participation of school or community members.

The Educational Territories Award consists of a comprehensive educational award, which prioritized collective work and the processes of the involved education experiences, which are related to the award itself and based on the idea of educational territories.

The Award also included activities that expanded the debate on education and culture and the issue of educational territories and the mentoring city. Seminars were held at the beginning and end of the Award and received scores from the Municipal Education Department.

Solar Meninos de Luz

Since 2014, Estácio has been helping Solar Meninos de Luz, granting scholarships to its students and employees. Solar assists nearly 400 underprivileged children and teenagers from the Pavão-Pavãozinho and Cantagalo communities in Rio de Janeiro. Estácio has a seat at the Board of Solar, contributing to the development of strategies aimed at the sustainability of that institution.

Estácio Citizenship

Our social responsibility team identified institutes and NGOs that had similar ideas, but which were focusing, for various reasons, on elementary school only. After identifying the opportunity, we began supporting them, providing hundreds of youngsters assisted by these institutions with an essential step forward: entry into post-secondary education. Through scholarships, youngsters from the Criar, Reação, Fernanda Keller, Criança and Kinder do Brasil institutes, among others, now study at Estácio.

With the launch of our Estácio Volunteer Portal in 2015, relations with our partners became even closer and will without doubt bear even more fruit in the future.

Estácio Volunteer Portal

Launched in 2015, the Estácio Volunteer Portal enables and encourages the engagement of our faculty members and administrative employees, consistently involving them in our mission to transform society through education. Thanks to the portal, we were able to unite two key parts of our relationship chain: our partners in the social responsibility area and our employees

Solidary Freshmen Initiation

The Solidary Freshmen Initiation program has a double purpose: integrating senior students and newcomers and bringing Estácio closer to its surrounding communities through social responsibility initiatives. All units have the autonomy to create their own actions, which involve volunteerism, education, health, the collection of food and clothing for donation, mass clean-ups, blood donation campaigns, the recycling of materials, and workshops, among others.

National E Day

National E Day, an initiative to disseminate the culture of volunteerism and promote the exchange between corporate and unit employees, has already become a special date in the Estácio calendar. In its 6th edition, held on September 27, 2017, which occurred at the same time as the 5th Sustainability and Social Responsibility Week, the initiative mobilized 8,000 employees in a healthy exercise of citizenship, benefiting over 50,000 people around Brazil.

On National E Day, the Institutional Relations and Sustainability area organized a visit of Solar Meninos de Luz students to Monumento a Estácio de Sá. In September, the institution invited students to take pictures of Solar, recording their feelings about it and the results of this photography project were displayed to students on the E Day.

Also on the National E Day, Estácio invited employees to volunteer. The employees who registered at the Estácio Volunteer Portal (www.estacio.br/voluntario) went to Refettorio Gastromotiva, in Lapa, downtown Rio de Janeiro, to volunteer during the local dinner offered to 90 homeless people. After serving these people, Estácio employees ate the same food served to the beneficiaries and participated in a reflection activity coordinated by Refettorio Gastromotiva's social worker. Refettorio Gastromotiva is a restaurant-school and a community cafeteria that opened in August 2016 to fight food waste, malnutrition and social exclusion.

On the same day, the Estácio Volunteer Portal took the Company's employees to paint the dance hall of Associação Ressurgir, which is close to the João Uchôa unit, in Rio de Janeiro. The initiative was supported by its manager, Professor José Laranjo.

The objectives of Associação Ressurgir are:

- Support the family: assistance in health and food, as well as capacity-building activities to enable them to generate income and enter the job market.
- Promote the social inclusion of children and teenagers by raising their awareness on their rights and duties.
- Provide means to improve the quality of life of the families.

Cultural Estácio

Culture plays a key role in developing citizenship, forming critical and aesthetic senses and expanding individuals' world view. Given our belief in its transforming role, we promote and sponsor a series of theater projects, musical shows, exhibitions, films and books with social and cultural relevance. We are also the maintaining institution of *Monumento a Estácio de Sá*, in Rio de Janeiro/RJ, a space that holds art exhibitions and cultural events open to the public.

As of 2015, we have improved our process of selecting projects supported by incentive laws through the Tax Incentive Committee, seeking to generate more positive experiences for our students and professors throughout Brazil. We reached out to new areas outside the major cities and reproduced successful projects in new locations and regions, democratizing access to cultural assets in order to leave a consistent legacy for the communities involved.

ArtRio

More than an art fair, ArtRio is recognized by the public as a unique event, an opportunity to view works by renowned and new artists in a single space. The event, held annually in the city of Rio de Janeiro, contributes actively throughout the year to the success of the art production chain and has a strong stimulating role, supporting exhibitions, distinguishing new galleries and educating young artists, thereby building an artistic legacy for the Brazilian public, eager consumers of art and culture.

Music on the Road Festival

The Music on the Road Festival is one of the most expressive cultural projects in Brazil's North region. Since 2011, it promotes accessibility, gathers audience and improves music quality by exchanging and valuing artistic contents from several regions of the country. Free of charge, the 7th edition of the festival, which began in October 24, 2017 and will end in March 2018, will visit Belém, Brasília, Santarém, Manaus, Boa Vista, Porto Velho and Macapá. The artistic program emphasizes classical music, and offers performing arts and instrumental music programs, in addition to traditional music and dance workshops.

Rio Tour

Conducted by Estácio history teachers, this project highlights the history, culture and curiosities of Rio de Janeiro neighborhoods far from the tourist areas through guided tours in the streets of Rio de Janeiro (RJ).

Brazil Tour

For the second consecutive year, the Brazil Tour invites the public to explore the urban space of the cities in relaxed open-air classes. For two hours, professors will show elements of history, geography, culture, architecture, urbanism and the environment, creating space to improve comprehension and show the potential transformation of these spaces. In 2017, Aracaju, Manaus, Recife, Vila Velha, Salvador and São Paulo hosted the Brazil Tour, with the same structure and profile in all the cities: walking tours, guided by teachers with expertise in the topics addressed, focusing on local identity, free of charge.

Sustainability

In 2017, for the fourth consecutive year, Estácio prepared its Sustainability Report based on the Global Reporting Initiative (GRI) guidelines, version G4/Essential.

Sustainability and Social Responsibility Week

Between September 25 and 30, 2017, Estácio held its Fifth Sustainability and Social Responsibility Week, with more than 800 free activities for the population in 22 states and the Federal District. The event underlined the fact that sustainability is a desired attribute of our brand and a permanent ingredient in the execution of our mission. In 2017, the communication campaign focused on Sustainable Food, raising awareness on this topic. Posters and banners were distributed in Estácio units and the posts in social media reached more than one million followers.

More than 80 Estácio campuses participated in the event, promoting cultural attractions, lectures and round tables with specialists in sustainability and partner institutions, and several workshops, in addition to a series of social initiatives, undertaken by students and professors, and the provision of various services to the local population.

The Sustainability Week took place in parallel with the social responsibility campaign of the Brazilian Association of Post-Secondary Education Controlling Institutions (ABMES). All the participating units received the Socially Responsible Institution seal.

Employees

The 2017 results also reflect our employees' engagement with the Company's business model and organizational culture. Following heavy investments in the training and development of its academic and management teams, Estácio closed the year with 13,004 employees, 7,690 of whom faculty members and 5,314 in administrative and educational support positions, present in 23 states and 50 cities in Brazil.

In 2017 as a whole, the Institution paid R$1,389 million in payroll and benefits.

The profile of the Company's employees stands out for its diversity of gender and age: 48% are men and 52% women, with an average age of 40 (including administrative, support and faculty members). The breakdown by age (including faculty members) is as follows: (i) 10% under 26; (ii) 29% between 26 and 35; (iii) 31% between 36 and 45; (iv) 24% between 46 and 60; and (v) 6% above 60. It is precisely the combination of these individuals that helps the Company's reach even better results.

The success of our internal policies and the consolidation of our leaderships were once again reflected in Estácio's Annual Climate Survey, concluded in November 2017. The survey, conducted by an external consultancy firm specialized in Human Resources projects, was answered by 11,717 people, equivalent to 79% of the employees and achieved a significant overall engagement of 81%.

The Annual Climate Survey measures people's intention to remain at Estácio, as follows: (i) 3% intend to remain at Estácio for less than one year; (ii) 6% between one and two years; (iii) 11% between three and five years; and (iv) 80% for more than five years.

Focused on the permanent pursuit of improvement, whether in processes, people and products, Estácio believes in the constant training of its employees in order to further improve their skills and abilities. In 2017, the Company invested over R$1.7 million to train faculty members and administrative staff.

Throughout the year, we maintained all of our already consolidated qualification and development programs, such as the Trainee Program, the Portfolio group of courses, the Faculty Training Incentive Program, the Coordinator's Course, the Service Matrix and Training to Corporate Analysts, the Occupational Safety Program and First Steps in Management. In addition, Educare, the Estácio Corporate University, launched two new programs:

- Sales Force: training program aimed at Estácio sales team, with the objective of expanding knowledge about the education segment, regulatory aspects and the organization's culture, improve advisory sales techniques, negotiation techniques and conflict management. With on-campus classes and online trail, enrollment reached 93% and more than 300 advisors throughout Brazil were trained in 2017.

- Management Development Program (PDG): program to train leaders with the objective of increasing their skills and abilities in order to positively impact the execution of our strategy, based on the expansion of a critical, systemic and integrated vision of management and their connections, providing a smooth relationship between managers and both their strategic levels and people under their leadership. We trained 435 managers throughout the country in 2017 by offering on-campus and online content, with 97% of favorability by the participants.

In 2017, Estácio maintained 7,000 employees (administrative staff and faculty members) enrolled in Educare's training programs per month, on average, in more than 342,000 hours of training throughout the year.

Faculty Training Incentive Program

The Faculty Training Incentive Program (PIQ) is one of the most important training investment pillars.

PIQ Continued Training

In 2017, 3,660 faculty members from all regions of Brazil took part in the online PIQ Continued Training program, which is aimed at academic improvement and keeping faculty members abreast of the latest teaching advances, and whose purpose is to generate an identity of excellence in Estácio's academic model, creating a platform for constant updates and improvements.

PIQ Merit

The purpose of PIQ Merit is to acknowledge faculty members' output, improve post-secondary education and research activities, as well as to enhance the production of scientifically and socially important knowledge. It encompasses the National Scientific Production Contest, Extension Projects and the Outstanding Faculty Program, which recognizes and motivates the performance of faculty members as a means of strengthening their ties with Estácio, deepening their commitment to our mission, vision and values. In 2016, 50 faculty members were awarded. After ten years of existence, PIQ Merit has already awarded 500 faculty members.

In 2017, the Masters and PhD Scholarship Program totaled 102 active external scholarships and 17 active internal scholarships, while 141 external scholarships and 53 internal scholarships have already been concluded. Additionally, 224 faculty members were granted incentives to participate in scientific events, 114 of them held abroad and 114 held in Brazil. The participation in foreign events is part of internationalization initiatives proposed by the institution and represents a breakthrough in the areas of research and innovation.

PIQ Compensation

PIQ Compensation is the meritocracy culture applied to Estácio's faculty members, identifying and recognizing the most outstanding professors in their fields. The variable compensation benefits the top 25% of those professors with the best performance according to criteria established by the People and Management and Operational areas.

Management System and Variable Compensation

Estácio has more than 580 managers with specific targets based on financial and non-financial indicators. With the exception of trainees, underage apprentices and third parties, all our administrative employees are eligible for bonus programs, in accordance with the performance of their area and of the Company as a whole. Estácio also has specific compensation programs for coordinators and professors. In addition, 80 of our executives participate in the stock option plan.

Estácio moved ahead with its Management Excellence Program – PEG, through which the units evaluate themselves in relation to the benchmark standards expected for financial-administrative, commercial, service-related, academic, and people management processes. In 2017, we concluded the fifth cycle of PEG evaluations, recognizing and rewarding the highest performing units.

As part of the continuous results monitoring process, its Management System adds to Operational Performance Management - GDO, a series of other systematized meetings such as Academic Development Management - GDA, focused on teaching.

The Company also has an internal online Standardization Management system – SGP, which compiles information on all of Estácio's regulatory documents. The transparency of our processes, policies and institutional guidelines, as well as their easy access, helps with the execution of tasks, encourages learning and helps ensure quality.

Independent auditors

Pursuant to CVM Instruction 381/2003, which addresses the provision of other services by our independent auditors, Estácio's policy regarding relations with its independent auditors and their provision of services not related to the external audit is guided by principles that preserve their independence. We hired Ernst & Young Auditores Independentes S.S. ("EY") to audit Estácio's individual and consolidated financial statements for the fiscal year ended December 31, 2017, prepared in accordance with Brazilian accounting practices. The fee for the external audit was R$1,170,264.59.

Service	Fee	Term	Nature
Audit	1,170,264.59	April 2017 to March 2018	Quarterly reviews and analysis of the 2017 financial statements
TOTAL	**1,170,264.59**		

Arbitration Clause

Estácio Participações is bound by decisions of the Market Arbitration Chamber, as per Article XII of the Company's Bylaws.

Acknowledgements

All our achievements in 2017 were only possible thanks to the support and trust of the shareholders, students, suppliers and financial institutions. The Company's Management thanks the dedication and efforts of its faculty members and employees. Many thanks!

Management

Statement by the Executive Board

In compliance with Article 25, V and VII of CVM Instruction 480/2009, the members of the Board of Executive Officers of Estácio Participações S.A. hereby declare, unanimously and without dissent, that they have reviewed, discussed and agree with the content of the Company's financial statements and the unqualified opinion in the independent auditor's report issued by Ernst & Young Auditores Independentes S.S., both of which for the fiscal year ended December 31, 2017.

Rio de Janeiro, March 15, 2018.

Pedro Thompson Landeira de Oliveira, Leonardo Moretzsohn de Andrade, Alberto de Senna Santos, Hudson Rubem de Oliveira Mello Junior, Sergio Santos Leite Pinto and Antônio Higino Viegas.

(A free translation of the original in Portuguese)

Estácio Participações S.A.

Financial statements at
December 31, 2017
and independent auditor's report

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 accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB)

Independent auditor's report on individual and consolidated financial statements

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

Opinion

We have audited the individual and consolidated financial statements of Estácio Participações S.A. ("Company" or "Estácio"), identified as Company and consolidated, respectively, which comprise the statement of financial position as at December 31, 2017 and the related statements of profit or loss, of comprehensive income (loss), of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Estácio Participações S.A. as at December 31, 2017, and its individual and consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with 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 audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by 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 support our opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were the most significant in our current year audit. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole and in the formation of our opinion on these financial statements and, as such, we do not express a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter, including any comments on the results of our procedures, is presented in the context of the overall financial statements.

We have fulfilled the responsibilities described in the "Auditor's Responsibilities for audit of the individual and consolidated financial statements" section, including those relating to these key audit matters. Accordingly, our audit included conducting procedures designed to respond to our assessment of the risks of material misstatement in the financial statements. The results of our procedures, including those performed to address the matters below, provide the basis for our audit opinion on the Company's financial statements.

Revenue recognition (Notes 2.20a and 22)

The Company's revenue substantially comprises the provision of education activity services. The revenue recognition process requires the effective existence of internal controls, which are in operation throughout the period to ensure adequate recognition of revenue in the appropriate period, including maintaining the Company's policies for student enrollment, renegotiation of debts, and eligibility of students to FIES and PROUNI benefits.

Given the significance of the amounts involved, combined with the aforementioned aspects, this matter was considered an area of focus area in our audit.

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 and Information Technology systems implemented by management that support revenue recognition processes, including operational controls for student enrollment, hiring process, activation and renewal of enrollment, renegotiation of receivables, reactivation and renewal of enrollments; (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 and status of contracts. Check of 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); (iv) 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. Confirmation if the amounts corresponding to these revenues were recorded in the appropriate period, as well as recalculation of the tax benefit generated by this program; (v) subsequent settlement tests for monthly amounts billed; and (vi) 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 (Note 9)

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. Goodwill recognized as a result of these business combinations represents approximately 29% of total assets.
Among the critical estimates made by management, we point out the discount rate used in the discounted cash flow method, and the assumptions used in projections of revenues, costs and investments. Changes in these assumptions could lead to significant effects on the financial statements.

Given the significance of the amounts involved, combined with the aforementioned aspects, this matter was considered an area of focus area in our audit.

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 the previous year's 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 (iv) 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 (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 an area of focus area in our audit.

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) check of 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) check of communications received from inspection agencies related to proceedings, notices served and discussions of 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 the audit procedures performed on the provision for civil, labor and tax contingencies, which is consistent with management's assessment, we consider that the criteria and assumptions for recognition and measurement of such provision adopted by management, as well as the respective disclosures in Note 16, are acceptable, in the context of the overall financial statements.

Other matters

Audit of prior-year corresponding figures

The individual and consolidated financial statements of Estácio Participações S.A. for the year ended December 31, 2016 were examined by other independent auditors, who issued a report dated March 15, 2017 containing an unmodified opinion on these financial statements.

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2017, prepared under the responsibility of the Company management and presented as supplementary information for IFRS purposes, were submitted to audit procedures together with audit of the Company's financial statements. To form our opinion, we evaluated whether these statements are reconciled with the financial statements and book records, as applicable, and whether their form and content are in accordance with the criteria set forth in Accounting Pronouncement CPC 09 - Statement of Added Value. In our opinion, these statements of value added were adequately prepared, in all material respects, in accordance with the criteria set forth in this 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

Company management is responsible for such other information that is included in 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 audit conclusion thereon.

In connection with audit of the individual and consolidated financial statements, our responsibility is to read the management report and, in so doing, consider whether this report is materially inconsistent with the financial statements or with our knowledge obtained in the audit, or otherwise appear to contain material misstatements. If, based on our work, we conclude that there is a material misstatement in the Management Report, we are required to report this fact. We have nothing to report in respect of 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 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 from 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 subsidiaries' financial reporting process.

Auditor's responsibilities for 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 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 the audit conducted in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess risks of material misstatements 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 override of internal controls, collusion, forgery, intentional omissions or misrepresentations.

- 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 substantial doubt as to the Companies' 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 audit. We remain solely responsible for our audit opinion.

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

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

Of the matters that were the subject of communication with those charged with governance, we determined the ones that were considered most significant in the audit of the financial statements for the current year and, consequently, considered 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 15, 2018
ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

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Estácio Participações S.A.

Balance sheet
At December 31
All amounts in thousands of reaisunless otherwise stated (A free translation of the original in Portuguese)

	Parent company		Consolidated	
Assets	**2017**	**2016**	**2017**	**2016**
Current				
Cash and cash equivalents (Note 3)	241	95	13,996	58,340
Marketable securities (Note 3)	45,820	127,240	510,450	345,669
Accounts receivable (Note 4)			991,404	847,282
Advances to employees/third parties	15,612	2,423		
Related parties (Note 5)	25	215	6,544	36,390
Prepaid expenses (Note 6)	390,957	200,000		
Dividends receivable	3,908	36,452	92,046	110,472
Taxes and contributions (Note 7)			49,040	55,542
	456,563	366,425	1,663,480	1,453,695
Non-current				
Long-term receivables				
Trade receivables (Note 4)			32,694	317,598
Prepaid expenses (Note 6)			5,105	5,689
Judicial deposits (Note 16)	185	2,208	102,808	119,491
Deferred taxes (Note 27)			70,617	58,752
Taxes and contributions (Note 7)	36,981	186	80,322	36,315
Others			43,217	59,832
	37,166	2,394	334,763	597,677
Investments				
In subsidiaries (Note 8)	2,118,132	2,305,020		
Others			228	228
Intangible assets (Note 9)	793,280	809,747	1,420,208	1,469,492
Property and equipment (Note 10)		43	602,416	620,060
	2,911,412	3,114,810	2,022,852	2,089,780
	2,948,578	3,117,204	2,357,615	2,687,457
Total assets	3,405,141	3,483,629	4,021,095	4,141,152

	Parent company		Consolidated	
Liabilities and equity	**2017**	**2016**	**2017**	**2016**
Current				
Accounts payable	2,205	1,814	70,923	66,138
Borrowings (Note 11)	326,072	444,592	349,274	468,114
Salaries and social charges (Note 12)	352	268	158,640	155,233
Taxes payable (Note 13)	172	215	76,794	63,782
Monthly tuitions received in advance			13,341	27,403
Taxes payable in installments (Note 14)			4,295	3,128
Related parties (Note 5)	2	4,303		633
Dividends payable	100,846	87,439	100,846	87,439
Price of acquisition payable (Note 15)			57,109	53,565
Others	329	1,834	11,722	11,879
	429,978	540,465	842,944	937,314
Non-current				
Long-term payables				
Borrowings (Note 11)	193,343	498,290	218,047	554,419
Contingencies (Note 16)	172		86,284	64,880
Taxes payable in installments (Note 14)			10,301	12,780
Deferred taxes (Note 27)	4,361	9,871	14,177	23,604
Provision for asset decommissioning			22,196	22,313
Price of acquisition payable (Note 15)			29,989	72,376
Others (Note 8)	30	330	19,900	18,793
	197,906	508,491	400,894	769,165
Equity (Note 17)				
Share capital	1,130,818	1,130,818	1,130,818	1,130,818
Share issue costs	(26,852)	(26,852)	(26,852)	(26,852)
Capital reserves	663,981	661,123	663,981	661,123
Revenue reserves	1,139,764	816,014	1,139,764	816,014
Treasury shares	(130,454)	(146,430)	(130,454)	(146,430)
	2,777,257	2,434,673	2,777,257	2,434,673
Total liabilities and equity	3,405,141	3,483,629	4,021,095	4,141,152

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

Estácio Participações S.A.

Statement of income
Years ended December 31
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Continuing operations				
Net operating revenue (Note 22)			3,378,979	3,184,505
Cost of services rendered (Note 23)			(1,777,113)	(1,809,042)
Gross profit			1,601,866	1,375,463
Operating income (expenses)				
Selling expenses (Note 24)			(443,561)	(376,285)
General and administrative expenses (Note 24)	(38,676)	(43,166)	(598,324)	(538,377)
Equity in the results of subsidiaries (Note 8)	550,330	502,268		
Other operating income (Note 25)	(12,097)	1,247	(16,470)	(1,710)
Operating profit	499,557	460,349	543,511	459,091
Finance income (Note 26)	13,428	58,686	117,859	175,138
Finance costs (Note 26)	(109,699)	(157,796)	(229,312)	(261,436)
Finance result, net	(96,271)	(99,110)	(111,453)	(86,298)
Profit before income tax and social contribution	403,286	361,239	432,058	372,793
Current and deferred income tax (Note 27)	15,678	5,047	(3,041)	(2,171)
Current and deferred social contribution (Note 27)	5,626	1,816	(4,427)	(2,520)
Profit for the year attributable to the stockholders	424,590	368,102	424,590	368,102
Basic earnings per thousand share (Note 21)	1.37464	1.16037	1.37464	1.16037
Diluted earnings per thousand share (Note 21)	1.37036	1.15953	1.37036	1.15953

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

Estácio Participações S.A.

Statement of comprehensive income
Years ended December 31
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Profit for the year	424,590	368,102	424,590	368,102
Other comprehensive income				
Total comprehensive income for the period, net of taxes	424,590	368,102	424,590	368,102
Attributable to:				
Controlling stockholders				
Non-controlling interests	424,590	368,102	424,590	368,102

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

Estácio Participações S.A.

Statement of changes in equity
Years ended December 31
All amounts in thousands of reaisunless otherwise stated (A free translation of the original in Portuguese)

			Capital reserves				Revenue reserves				
	Share capital	Share Issue expenditures	Long-term incentives	Discount on the sale of shares	Share premium	Options granted	Legal	Profit retention	Treasury shares	Retained earnings	Total
At January 1, 2016	1,064,934	(26,852)	2,412		595,464	63,944	74,794	935,872	(137,603)		2,572,965
Stock options exercised (Note 20)	10,554										10,554
Options granted (Note 20)						1,505					1,505
Long-term incentives (Note 20)			1,490								1,490
ILP payment			(3,692)						3,692		
Treasury shares acquired(Note 17)									(12,519)		(12,519)
Intermediate dividends (R$ 1.36 per share)								(420,000)			(420,000)
Profit for the year										368,102	368,102
Allocation of profit											
Capital increase	55,330							(55,330)			
Transfer to reserves							18,405	262,273		(280,678)	
Mandatory minimum dividend (R$ 0.29 per share)										(87,424)	(87,424)
At December 31, 2016	1,130,818	(26,852)	210		595,464	65,449	93,199	722,815	(146,430)		2,434,673
Options granted (Note 20)						7,458					7,458
Long-term incentives (Note 20)			94								94
Discount on the sale of treasury shares (Note 17)				(4,694)					4,694		
SOP payment (Note 17)									11,282		11,282
Profit for the year										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	1,025,335	(130,454)		2,777,257

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

Estácio Participações S.A.

Statement of cash flows
Years ended December 31
All amounts in thousands of reaisunless otherwise stated (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2017	2016	2017	2016
Cash flows from operating activities				
Profit before income tax and social contribution	403,286	361,239	432,058	372,793
Adjustments to reconcile profit with cash from operations				
Depreciation and amortization	16,484	19,909	194,272	191,886
Amortization of funding costs	8,602	1,380	8,602	1,380
Provision for impairment of trade receivables			235,074	221,290
Options granted – stock options provision			7,458	1,505
Provision for long-term incentives			94	
Income on financial investments	(782)	(6,531)	(4,990)	(11,007)
Provision for contingencies	172		135,927	109,484
Update of trade receivables - FIES			4,898	(12,663)
Adjustment to present value - trade receivables - FIES			(13,194)	(14,920)
Adjustment to present value - sale of portfolio			(5,702)	
Adjusted tax credits	(3,043)	(2,513)	(10,193)	(8,893)
Interest on borrowings	97,422	115,992	119,745	120,638
Equity in the results of subsidiaries	(550,330)	(502,268)		
(Gain) loss on the disposal of property and equipment and intangible assets	26		15,669	21,533
Impairment (Goodwill)	14,018		14,018	
Provision for decommissioning of assets			(312)	5,754
Restatement of commitments payable			4,586	
Others	(2,100)	(526)	(2,047)	5,737
	(16,245)	(13,318)	1,135,963	1,004,517
Changes in assets and liabilities				
Marketable securities	82,202	303,341	(159,791)	310,688
(Increase) in trade receivables			(75,222)	(263,223)
(Increase) decrease in other assets	(1,630)	136	(13,373)	(5,893)
Decrease in advances to employees/third-parties			14,308	14,470
(Increase) decrease in prepaid expenses	190	(96)	29,846	25,786
(Increase) decrease in taxes and contributions	(1,209)	(4,886)	1,028	(11,534)
Increase (decrease) in trade payables	391	461	4,785	(9,139)
(Decrease) in taxes payable	(108)	(15)	(18,976)	(22,572)
Increase in salaries and social charges	84	18	3,407	26,336
Increase (decrease) in monthly tuitions received in advance			(14,062)	3,856
Increase (decrease) in labor/civil convictions	1		(114,523)	(77,662)
Increase (decrease) in price of acquisition payable			(43,429)	15,727
Increase in provision for decommissioning of assets			195	
Increase in other liabilities	294	31	4,318	5,487
Deferred income tax and social contribution				(8,413)
(Decrease) in taxes paid in installments			(2,771)	(3,879)
(Increase) decrease in non-current assets			17,200	(36,537)
(Increase) decrease in judicial deposits	2,023	165	16,683	(10,579)
	65,993	285,837	785,586	957,436
Interest paid on borrowings	(72,447)	(112,909)	(72,406)	(112,909)
Corporate Income Tax (IRPJ) and Social Contribution on Net income (CSLL) paid			(13,190)	(7,787)
Net cash provided by (used in) operating activities	(6,454)	172,928	699,990	836,740
Cash flows from investing activities:				
Property and equipment			(99,077)	(197,369)
Intangible assets		(155)	(57,954)	(72,153)
Goodwill on the acquisition of investments				(8,082)
Acquisition of subsidiary companies, net of cash obtained in the acquisition				(49)
Dividends received	550,000	510,213		
Advance for future capital increase	(10,205)	(111,080)		
Net cash provided by (used in) investing activities	539,795	398,978	(157,031)	(277,653)
Cash flows from financing activities				
Capital increase due to the stock options exercised		10,554		10,554
Treasury shares acquired		(12,519)		(12,519)
Use of treasury shares resulting from the exercise of stock options	15,976		15,976	
Dividends paid	(87,433)	(535,097)	(87,433)	(535,097)
Discount on the sale of treasury shares	(4,694)		(4,694)	
Proceeds from issuance of debentures		100,000		100,000
New borrowings and financing		300,000		380,997
Gains on derivative instruments - SWAP		25,565		25,565
Cost of borrowing acquisition	563	6,355	563	6,355
Repayment of borrowings	(457,607)	(467,098)	(511,715)	(525,013)
Net cash provided by (used in) financing activities	(533,195)	(572,240)	(587,303)	(549,158)
Increase (decrease) in cash and cash equivalents	146	(334)	(44,344)	9,930
Cash and cash equivalents at the beginning of the year	95	429	58,340	48,410
Cash and cash equivalents at the end of the year	241	95	13,996	58,340
(Decrease) increase in cash and cash equivalents	146	(334)	(44,344)	9,930

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

Estácio Participações S.A.

Statement of value added
Years ended December 31
All amounts in thousands of reaisunless otherwise stated (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Revenue				
Educational services			3,515,301	3,299,243
Other revenue			16,103	18,731
Provision for impairment of trade receivables			(235,074)	(158,617)
Other selling expenses			(1,588)	(3,058)
			3,294,742	3,156,299
Inputs acquired from third parties				
Materials, energy and outsourced services	(15,617)	(17,550)	(548,404)	(570,860)
Contingencies	(171)		(124,013)	(109,484)
	(15,788)	(17,550)	(672,407)	(680,344)
Gross value added	(15,788)	(17,550)	2,622,325	2,475,955
Depreciation and amortization	(16,484)	(19,909)	(194,272)	(191,886)
Net value added generated	(32,272)	(37,459)	2,428,053	2,284,069
Value added received through transfer				
Equity in results of investees	550,330	502,268		
Interest income	13,428	58,686	117,859	174,784
Others	(21,481)	33	(20,955)	(977)
	542,277	560,987	96,904	173,807
Total value added to distribute	510,005	523,528	2,524,957	2,457,876
Distribution of value added				
Work remuneration				
Direct remuneration	4,973	3,498	1,114,519	1,075,840
Benefits	1	4	52,491	48,622
Government Severance Indemnity Fund for Employees FGTS)			75,439	78,958
	4,974	3,502	1,242,449	1,203,420
Taxes, charges and contributions				
Federal	(19,470)	(4,465)	260,387	265,610
State			6	6
Municipal			146,080	134,354
	(19,470)	(4,465)	406,473	399,970
Third-party capital remuneration				
Interest	99,911	156,389	215,278	253,024
Rentals			236,167	233,360
	99,911	156,389	451,445	486,384
Own capital remuneration				
Retained earnings	424,590	368,102	424,590	368,102
	424,590	368,102	424,590	368,102
Value added distributed	510,005	523,528	2,524,957	2,457,876

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 forty-nine colleges, distributed in twenty-three States of the country and in the Federal District.

On June 28, 2017, the Administrative Council of Economic Defense (CADE) reviewed the Merger No. 08700.006185/2016-56 and decided not to approve the acquisition of the Company by Kroton Educacional S.A.

The Company's Board of Directors, in a meeting held on March 15, 2018, 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 impairment of trade receivables, 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

The following new standards have been issued by IASB but are not effective for the year ended 2017.

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 will adopt the new standard as from January 1, 2018, and will not restate comparatives, as permitted by the standard.

In 2017, the Company conducted a detailed impact evaluation of the three aspects of IFRS 9 mentioned above. This evaluation is based on information currently available and may be subject to changes arising from reasonable information subject to the presentation of supporting evidence that will be made available to the Company in 2018 when the Group will adopt IFRS 9/CPC 48. In general, the Company does not expect any significant impact on the balance sheet and the statement of changes in equity, except for the effect of applying the impairment requirements established in IFRS 9/CPC 48. The Company expects an increase in the provision for impairment of trade receivables, resulting in a negative impact on equity, as discussed below.

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

Borrowings, as well as trade receivables, 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 will apply a simplified approach and record lifetime expected losses on trade receivables. The Company estimates that due to the unsecured nature of its receivables, the provision for losses will increase between R$ 60,000 and R$ 80,000, with a corresponding reduction in deferred tax liabilities in an amount between R$ 20,000 and R$ 27,000. Therefore, these impacts may reduce equity at the beginning of 2018 between R$ 40,000 and R$ 53,000.

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

.**IFRS 15/CPC 47 - "Revenue from contracts with customers "**-This new standard introduces the principles to be applied by an entity to determine the measure and recognition of revenue. This standard is based on the principle that revenue is recognized when the control of a good or service is transferred to a customer, so the control principle will replace the principle of risks and rewards. Effective date is January 1, 2018 and it replaces IAS 11/CPC17 - "Construction Contracts", IAS 18/CPC30 - "Revenue" and related.

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

In general, except for the statement of income, the Company does not expect any significant impact on the balance sheet or the statement of changes in equity from January 2018, as a result of 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.

.**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. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. It is important to mention that some of the existing commitments may be qualified as the exceptions of the standard - short term and small amount. In addition, some commitments may relate to agreements that will not qualify as leases under IFRS 16.

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.

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, 2017 and 2016:

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")
Sociedade Universitária de Excelência
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 2017 there was no acquisition. The acquisitions carried out in 2016 are as follows:

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

On March 10, 2016, Estácio acquired, through its indirect subsidiary Sociedade Educacional Atual da Amazônia Ltda., ("ATUAL"), all of the quotas of Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant'Ana Ltda., for R$ 9,500. The balance payable on December 31, 2017, as a result of this acquisition, is R$ 3,180, of which R$ 3,000 refers to the principal amount and R$ 180 of monetary restatement (R$ 3,098 at December 31, 2016, of which R$ 3,000 refers to the principal amount and R$ 98 of monetary restatement).

FUFS, founded in 2012, had, at the acquisition date, approximately 1,500 students, 2,760 total authorized vacancies, with 5 graduate courses in its portfolio in the maturation phase. Located in the city of Feira de Santana, the acquisition aims to expand the reach of Estácio in higher education courses in the State of Bahia, by adding a portfolio of courses in the health area, specifically Nursing, Biomedicine, Physiotherapy, Nutrition and Radiology, It was identified that there is a significant demand for graduates of these courses by the labor market in the region, Finally, developing operations in the city will allow obtaining important gains in academic quality, efficiency and scale.

All amounts in thousands of reais unless otherwise stated

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

	FUFS
Acquisition amount	
Cash	5,455
Commitments to be paid	3,000
Total Consideration	8,455
Identifiable net assets acquired	(49)
Goodwill	8,406
Allocation of goodwill	
Trademark	2,240
License to operate	261
Students portfolio	758
Deferred income tax and social contribution	(1,108)
Goodwill	6,255
	8,406
Accounts receivable	1,569
Sundry credits	18
Property and equipment	758
Intangible assets	11
Borrowings	(694)
Trade payables	(253)
Salaries and social charges	(659)
Taxes payables	(540)
Installments	(161)
Net assets acquired at book value	49

2 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 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.

2.3 Marketable securities

At initial recognition, the Company classifies its marketable securities in the following categories, depending on the purpose for which the securities were acquired:

- held for trading - they are bought for the purpose of sale in the short term and are measured at fair value. Interest, monetary variation and fair value changes are recognized in profit or loss;

- held to maturity - they are purchased with the intention and ability to hold them to maturity, and are recognized and measured at amortized cost using the effective interest rate method, with earnings allocated to profit or loss; and

- available for sale - they are non-derivative instruments that are either designated in this category or not classified in any of the previous categories. They are measured at fair value, and interest and monetary variations are charged to profit or loss, while the fair value changes are recorded in equity under carrying value adjustments and transferred to profit or loss for the year upon the settlement of the security.

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

2.4 Trade receivables and monthly tuition fees received in advance

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.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment of trade receivables.

2.5 Provision for impairment of trade receivables

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.

2.6 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.

2.7 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.

2.8 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* and 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) Appreciation of assets

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.

2.9 Impairment of non-financial assets

Assets that have an indefinite 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.

2.10 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.

2.11 Borrowings

Borrowings 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 borrowings using the effective interest rate method.

Borrowings 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.

2.12 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.

2.13 Provision for asset decommissioning

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 finance costs. The annually reviewed decommissioning estimates suffer depreciation/amortization on the same bases as the main assets.

2.14 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.

2.15 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 taxes payable 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 revenue 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.

2.16 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 share 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.

2.17 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.

2.18 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.

2.19 Share 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 share 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.

2.20 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 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) Finance income and costs

The finance income 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.

2.21 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) Estimated 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
	2017	**2016**
Average gross margin (i)	49.1	43.4
Growth rate (ii)	5	5
Discount rate (iii)	14.3	15.1

(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 Special Program for Long-term Incentive for Statutory Officers (ILP) has 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 will be 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 the impairment of trade receivables

Recorded based on the balance of installments overdue for more than 180 days, that is, a school semester, since the condition for re-admission in the next semester is to settle or negotiate the installments overdue when the student is no longer in default. At the same time, the Company analyzes the adequacy of the provision based on the historical losses of accounts receivable in the last 5 years.

With respect to the installment payment program of monthly tuition fees (PAR), the Company estimates a higher percentage of losses, equivalent to 50% of the financed amount, net of adjustment to present value. 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 completion of the program, and the installment amounts are monetarily restated by the IPCA.

For receivables arising from FIES (Student Financing Fund), a loss of 15% of the balance that is not guaranteed by the Program is estimated, as detailed in Note 4.

At December 31, 2017, the Company concluded on the adequacy of the provision considering the two criteria mentioned.

2.22 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).

2.23 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.

2.24 Financial instruments

(a) Initial recognition and measurement

The Company's financial instruments are represented by cash and cash equivalents, marketable securities, accounts receivable, judicial deposits, accounts payable, debentures, borrowings and financing. The instruments are initially recognized at fair value plus costs directly attributable to their acquisition or issue, except for financial instruments classified at fair value through profit or loss, when such costs are directly recorded in the income statement.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that a lender would not otherwise consider;

(iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio; and
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the statement of income within "Other gains (losses), net" in the period in which they arise.

(b) Subsequent measurement

The measurement of financial assets and liabilities depends on their classification as follows:

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition at fair value through profit or loss. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the short term.

This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by CPC 38 (IAS 39).

Gains and losses with liabilities for trading are recognized in the statement of income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

(c) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(d) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recorded loss is recognized in the statement of income.

All amounts in thousands of reais unless otherwise stated

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.

3 Cash and cash equivalents and marketable securities

	Parent company		Consolidated	
	2017	2016	2017	2016
Cash and banks	241	95	13,996	58,340
Cash and cash equivalents	241	95	13,996	58,340
Bank Deposit Certificates (CDB)	8,213	29,063	30,000	45,160
Government securities (LFT)		34,925		34,925
Investment funds - Bradesco	14,951	30,085	294,878	195,063
Investment funds - Itaú Estapart	22,577	33,063	183,645	64,747
Investment funds - Itaú Judicial	35	63	1,443	1,075
Investment funds - Banco do Brasil			287	142
Repurchase agreements	44	41	57	4,291
Savings bond			140	266
Marketable securities	45,820	127,240	510,450	345,669

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

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

The fair values of listed securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to these securities (2017 - 6.89%; 2016 - 13.63%). None of these financial assets is either past due or impaired.

For comparison purposes, we restated the balances and related remuneration at December 31, 2016 by Investment Funds.

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. Bradesco Funds are remunerated at the average Interbank Deposit Certificate (CDI) rate of 96.60% in 2017 (98.53% in 2016); Estapart (Itaú) Funds are remunerated at the average Interbank Deposit Certificate (CDI) rate of 100.55% in 2017 (99.10% in 2016); ItauJud (Itaú) Funds are remunerated at the average Interbank Deposit Certificate (CDI) rate of 56.88% in 2017 (67.94% in 2016); Banco do Brasil Funds are remunerated at the average Interbank Deposit Certificate (CDI) rate of 89.18% in 2017 (91.64% in 2016).

All amounts in thousands of reais unless otherwise stated

The Bank Deposit Certificates (CDBs) are remunerated at the average Interbank Deposit Certificate (CDI) rate of 99.51% in 2017 (99.6% in 2016).

Repurchase agreements backed by first-tier debentures are recorded at the fair value, bearing interest at the average of 80.39 of the CDI in 2017 (83.9% of the CDI in 2016).

4 Trade receivables

	Consolidated	
	2017	2016
Monthly tuition	473,081	406,678
Student Financing Fund (FIES) (a)	600,725	828,688
Agreements and exchanges	21,129	15,006
Receivables on credit cards (b)	58,337	55,666
Renegotiated receivables	91,570	80,173
	1,244,842	1,386,211
Provision for doubtful credits	(205,062)	(205,637)
Amounts to be identified	(4,298)	(2,500)
(-) Adjustment to present value (a)	(11,384)	(13,194)
	1,024,098	1,164,880
Current assets	991,404	847,282
Non-current assets	32,694	317,598
	1,024,098	1,164,880

The balance of long-term receivables as of December 31, 2017 is related to PAR (Programa de Parcelamento Estácio) and Educar Amazônia and in 2016 to FIES. The composition by age is as follows:

	Consolidate	
	2017	2016
2018		317,598
2019	4,589	
2020	3,376	
2021	16,829	
2022	52,583	
2023 to 2024	391	
(-) Adjustment to present value - PAR and Educar (c)	(11,384)	
(-) Provision for impairment of trade receivables - PAR and Educar	(33,690)	
Non-current assets	32,694	317,598

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.

(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 by CEF and Banco do Brasil to a specific bank account, This amount has been used to pay the social security contributions and federal taxes and converted into cash by means of auctions of Brazilian National Treasury securities, These receivables presented a decrease of 28% at December 31, 2017 compared to December 31, 2016, due to the receipt of the 2nd installment related to 25% of the 2015 balance negotiated with tax authorities on February 3, 2016. The last installment maturing in June 2018 remains outstanding.

(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.

All amounts in thousands of reais unless otherwise stated

(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) The present value adjustment in 2017 amounts to R$ 11,384 (R$ 11,195 referring to PAR and R$ 189 referring to the Educar Amazônia program).

The composition of receivables by age is as follows:

	Consolidated			
	2017	%	2016	%
FIES	600,725	48	828,688	59
PRONATEC	8,680	1	8,420	1
Partners (Polos)	3,665	1	1,820	1
Not yet due	175,834	14	87,483	6
Overdue for up to 30 days	91,720	7	65,259	5
Overdue from 31 to 60 days	63,660	5	55,309	4
Overdue from 61 to 90 days	57,762	5	54,489	4
Overdue from 91 to 179 days	77,672	6	104,294	7
Overdue for more than 180 days	165,124	13	180,449	13
	1,244,842	100	1,386,211	100

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

	Consolidated			
	2017	%	2016	%
Not yet due	38,781	42	20,702	26
Overdue for up to 30 days	8,891	10	6,434	8
Overdue from 31 to 60 days	7,603	8	4,935	6
Overdue from 61 to 90 days	7,060	8	5,190	7
Overdue from 91 to 179 days	14,698	16	18,798	23
Overdue for more than 180 days	14,537	16	24,114	30
	91,570	100	80,173	100

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

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

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

	Consolidated	
	2017	2016
Accounts receivable overdue for more than 180 days	165,124	180,449
Provision of returned checks up to 179 days	1,252	
Supplementary provision for agreements	4,630	25,188
PAR e Educar Amazônia provision (i)	33,690	
Others provision	366	
Provision for doubtful credits	205,062	205,637

All amounts in thousands of reais unless otherwise stated

(i) Program for the payment of monthly tuition fees in installments, for which the Company estimates a percentage of losses on sales equivalent to 50% of the financed amount, net of adjustment to present value.

The age composition related to the agreement with low expectation of realization are demonstrated below.

	Consolidated			
	2017	**%**	**2016**	**%**
Not yet due	2,052	44	10,316	41
Overdue for up to 30 days	357	8	1,092	4
Overdue from 31 to 60 days	375	8	1,438	6
Overdue from 61 to 90 days	389	8	1,906	8
Overdue from 91 to 179 days	1,457	32	10,436	41
	4,630	100	25,188	100

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

Balance at December 31, 2015	172,023
Gross increase in the provision for impairment	335,341
Recovered amounts	(129,726)
Net effect of the provision	205,615
Write-off of bills overdue for more than 360 days	(172,001)
Balance at December 31, 2016	205,637
Gross increase in the provision for impairment	337,201
Recovered amounts	(110,558)
Net effect of the provision	226,643
Write-off of bills overdue for more than 360 days	(227,218)
Balance at December 31, 2017	205,062

For the years ended December 31, 2017 and 2016, expenses with the provision for impairment of trade receivables, recognized in the statement of income as selling expenses(Note 24), are as follows (consolidated):

	Consolidated	
	2017	**2016**
Supplementary provision	226,643	205,615
Sale of client portfolio (i)	5,071	(62,673)
Adjustment to present value - Sale of client portfolio		15,571
Provision for doubtful amounts - acquired on acquisition	3,360	(247)
Others		351
	235,074	158,617

(i) The amount corresponding to the sale of client portfolio is mainly due to the agreement entered into at the end of 2016, for assignment of the Company's credit rights related to prior years, fully written off as loss in prior years. As a result, the Company recorded a recovery of receivables of R$ 62,582, to be received in 36 months as from January 2018 and, on this amount, an adjustment to present value of R$ 15,571 was recorded. 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. The net amount of R$ 46,943 is recorded in other long-term receivables at December 31, 2017 (R$ 47,011 at December 31, 2016).

All amounts in thousands of reais unless otherwise stated

5 Related-party transactions

The related-party transactions were carried out on terms equivalent to those prevailing on the transactions with independent parties, according to item 23 of Technical Pronouncement CPC 05 (R1), and are as follows:

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Current assets				
Current account				
Seses	8,799	2,232		
FATERN	220	3		
Irep	5,020	163		
Atual	967	4		
Seama	229	4		
São Luís	263	3		
Estácio Ribeirão Preto (Uniseb, previously)	103			
Nova Academia, FAL, Editora, FARGS e Facitec	11	14		
Subsidiaries	15,612	2,423		

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Current liabilities				
Current account				
Seses		4,225		
Irep		65		
Atual	2	3		
Nova Academia, FAL, FATERN e Seama		10		
	2	4,303		
Related parties (i)				633

(i) At December 31, 2016, the amount payable of R$ 633 refers to service providers related to board Members. There are no amounts payable on December 31, 2017.

On February 12, 2016 a loan agreement of R$ 1,000 was entered into and related payment made on behalf of a former executive of the Company. Settlement took place on February 5, 2017 in the total amount of R$ 1,234, including financial charges established in the agreement.

In 2017, there were no expenses with related-party. In 2016, the related-party expenses recognized in the statement of income are as follows:

	Consolidated
	2016
Rentals, condominium fees and Municipal Real Estate Tax (IPTU) (a) (b)	5,605
Other services provided (a)	34
Printing services for educational and administrative purposes (b)	33
Audio and video services (b)	310
Data communication (a)	256
Others (a) (b)	75
	6,313

a) SEB Sistema Educacional Brasileiro Ltda.

The Managing Partner and Partner of SEB Sistema Educacional Brasileiro Ltda. are Mr. Chaim Zaher and Mrs. Thamila Cefali Zaher, respectively, who acted as members of the Board of Directors of Estácio Participações S.A. until October 2016. Also, Mr. Chaim Zaher held the position of CEO of the Company from June 16 to July 5, 2016.

The purpose of the contract is:

The full management of the distance learning division (EAD) of Estácio Ribeirão Preto in the cities of Ribeirão Preto, Araçatuba, Brasília, São José do Rio Preto and São Paulo.

The amount involved is the average of the monthly transfer of the amounts related to contracts as from the beginning of the terms; transfer between 10% and 30% of the hybrid courses; distance learning undergraduate programs; distance learning graduate programs; hybrid graduation programs; and non-degree and extension programs.

Shared Service Agreement for services at an administrative level.

The “Amount Involved described above is the amount to be paid on a monthly basis under the Contract.

Lease of classrooms in the cities of Ribeirão Preto, São José do Rio Preto and Araçatuba for educational purposes. The “Amount Involved described above is the amount to be paid on a monthly basis under the Contract.

Agreement for partial sublease of a property for educational purposes.

The “Amount Involved described above is the monthly amount to be paid under the Contract, which is equivalent to 50% of the full lease amount.

b) T4 LOG Consultoria e Digitalizações Ltda.

The Managing Partner of T4 Log Consultoria e Digitalizações Ltda. is Mrs. Thamila Cefali Zaher, who acted as member of the Board of Directors of Estácio Participações S.A. until October 2016.

The purpose of the contract is the provision of services related to the filing of documents, prospecting of technologies for managing digitized documents and storing of physical documents. Additionally, the provision of services related to the filing of documents, prospecting of technologies for managing digitized documents and storing of physical documents.

The “Amount Involved described above is the amount to be paid under the Contract.

All amounts in thousands of reais unless otherwise stated

6 Prepaid expenses

	Parent company		Consolidated	
	2017	2016	2017	2016
Insurance	25	215	1,326	1,709
Teaching materials (i)			2,273	15,784
Anticipation of vacation pay and charges			2,404	18,207
Registration fee - Ministry of Education (MEC)			2,507	2,926
Technical-pedagogical cooperation - Santa Casa			2,466	2,451
Other prepaid expenses			673	1,002
	25	215	11,649	42,079
Current assets	25	215	6,544	36,390
Non-current assets			5,105	5,689
	25	215	11,649	42,079

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

7 Taxes and contributions

	Parent company		Consolidated	
	2017	2016	2017	2016
Withholding Income Tax (IRRF)	2,709	6,710	14,463	18,379
Corporate Income Tax (IRPJ) / Social Contribution on Net Income (CSLL) (i)	38,040	29,714	105,439	77,249
Social Integration Program (PIS)	6	6	612	558
Social Contribution on Revenues (COFINS)	25	25	2,196	1,952
Services Tax (ISS)	3	77	42,659	39,718
National Institute of Social Security (INSS)			6,333	8,265
Others	106	106	666	666
	40,889	36,638	172,368	146,787
Current assets	3,908	36,452	92,046	110,472
Non-current assets	36,981	186	80,322	36,315
	40,889	36,638	172,368	146,787

(i) Of the amount presented, R$ 33,506 refers to IRPJ / CSLL prepayments that occurred during 2017. The other amounts represent the Company's tax loss carryforward balances that are used to offset federal taxes and monthly restated based on the Selic rate.

8 Investments in subsidiaries

(a) Parent company Estácio Participações S.A.

	2017		2016	
	Investments	Losses on investments	Investments	Losses on investments
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")	1,017,888		1,138,505	
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")	1,043,362		1,105,514	
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")	3,505		17,497	
Estácio Editora e Distribuidora Ltda. ("EDITORA")		(30)		(30)
União dos Cursos Superiores SEB Ltda. ("UNISEB")	53,377		43,504	
	2,118,132	(30)	2,305,020	(30)

All amounts in thousands of reais unless otherwise stated

The subsidiaries' information is as follows:

									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
Nova Academia de Concurso	100%	13,105	4,015	510	3,505			3,505	(1,324)
Editora (*)	100%	251	31	66	(35)	5		(30)	-
Uniseb Operacional	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

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

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

All amounts in thousands of reais unless otherwise stated

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

Investments in subsidiaries at December 31, 2015 (Re-presented)	2,262,159
Equity in the results of subsidiaries (Re-presented)	502,268
Advance for future capital increase	111,080
Proposed dividends	(573,482)
Options granted	1,505
Long-term incentives	1,490
Investments in subsidiaries at December 31, 2016	2,305,020
Equity in the results of subsidiaries	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 at December 31, 2017	2,118,132

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

The direct subsidiaries' investments are as follows:

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

	2017	2016
Sociedade Educacional Atual da Amazônia ("ATUAL")	505,108	450,779
ANEC - Sociedade Natalense de Educação e Cultura ("FAL")	12,213	15,598
Sociedade Universitária de Excelência Educacional do Rio Grande do Norte ("FATERN")	30,726	30,461
	548,047	496,838

All amounts in thousands of reais unless otherwise stated

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

2017

	Interest	Number of quotas	Total Assets	Total liabilities	Equity	Goodwill	Total	Equity in the result of investees
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

2016

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

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, 2017 and 2016 are as follows:

Investments in subsidiaries at December31, 2015	455,215
Equity	82,141
Advance for future capital increase	54,482
Proposed dividends	(95,000)
Investments in subsidiaries at December 31, 2016	496,838
Equity	72,322
Advance for future capital increase	33,965
Supplementary dividends of 2017	(55,078)
Investments in subsidiaries at December 31, 2017	548,047

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

	2017	**2016**
Uniuol Gestão de EmpreendimentosEducacionais e Participações S.A. ("UNIUOL")	2,584	3,244
Idez Empreendimentos Educacionais Sociedade Simples Ltda. ("IDEZ")	3,054	4,202
Sociedade Educacional da Amazônia ("SEAMA")	50,948	46,958
Sociedade Educacional do Rio Grande do Sul S/S Ltda. ("FARGS")	19,328	18,880
Unisãoluis Educacional S.A ("UNISÃOLUIS")	79,419	63,654
Instituto de Ensino Superior Social e Tecnológico Ltda. ("FACITEC")	42,687	38,426
Associação de Ensino de Santa Catarina ("ASSESC")	6,680	7,102
Instituto de Estudos Superiores da Amazônia ("IESAM")	85,780	83,153
Centro de Assistência ao Desenvolvimento de formação Profissional Unicel Ltda. ("Estácio Amazonas")	53,690	57,697
Centro de Ensino Unificado de Teresina ("CEUT")	41,874	39,816
Faculdade Nossa Cidade ("FNC")	94,899	97,631
Faculdades Integradas de Castanhal Ltda. ("FCAT")	28,365	28,477
Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant'Ana Ltda. ("FUFS")	14,044	10,984
	523,352	500,224

All amounts in thousands of reais unless otherwise stated

Information on ATUAL's subsidiaries is as follows:

2017

	Interest	Number of quotas	Total Assets	Total liabilities	Equity	Goodwill	Students portfolio	Total	Equity in the result of investees
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	85,780	9,868
LITERATUS	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%	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

2016

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

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, 2017 and 2016 are as follows:

Investments in subsidiaries at December 31, 2015	473,388
Equity	88,922
Advance for future capital increase	31,732
Acquisition of Subsidiary	4,872
Acquisition of goodwill	3,774
Amortization of goodwill	(20,464)
Supplementary dividends of 2015	(82,000)
Investments in subsidiaries at December 31, 2016	500,224
Equity	78,566
Advance for future capital increase	10,930
Amortization of goodwill	(12,904)
Dividends of 2017	(53,464)
Investments in subsidiaries at December 31, 2017	523,352

9 Intangible assets

(a) Intangible assets - Parent company

		2016			2017
		Cost	**Additions**	**Transfers**	**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**	**Transfers**	**Amortization**
Amortization					
Right of use of software	20% p.a.	(59)	(18)		(77)
Project Integração	20% p.a.	(11)	(43)		(54)
Goodwill	20 a 50% p.a.	(50,263)	(16,406)		(66,669)
		(50,333)	(16,467)		(66,800)
Net book value		809,747	(16,467)		793,280

		2015			2016
		Cost	**Additions**	**Transfers**	**Cost**
Cost					
Goodwill on the acquisition of investments (i)		780,065			780,065
Right of use of software		124		(25)	99
Project Integração		32	155	25	212
Goodwill		79,704			79,704
		859,925	155		860,080
	Amortization rates	**Amortization**	**Additions**	**Transfers**	**Amortization**
Amortization					
Right of use of software	20% p.a.	(40)	(19)		(59)
Project Integração	20% p.a.		(11)		(11)
Goodwill	20 a 50% p.a.	(30,431)	(19,832)		(50,263)
		(30,471)	(19,862)		(50,333)
Net book value		829,454	(19,707)		809,747

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

All amounts in thousands of reais unless otherwise stated

(b) Intangible assets - Consolidated

	2016 Cost	Additions per acquisition	Additions	Reductions	Transfers	Reclassifications	2017 Amortization
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
CSC	2,228						2,228
Learning Center	72,123		4,557		(3)		76,677
Relationship Center	2,348						2,348
Hemispheres	1,346						1,346
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
Goodwill	174,018			(515)			173,503
Others	27,559		4,737	(124)	3		27,394
	1,785,038		57,954	(19,155)		(34)	1,823,803

	Amortization rate	Amortization	Additions per acquisition	Additions	Reductions	Transfers	Reclassifications,	Amortization
Amortization								
Goodwill on the acquisition of investments	Indefinite	(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)
CSC	20% p.a.	(1,940)		(65)				(2,005)
Learning Center	5% p.a.	(16,590)		(3,322)				(19,912)
IT architecture	17 a 20% p.a.	(5,183)		(3,347)				(8,530)
Relationship Center	20% p.a.	(2,348)						(2,348)
Hemispheres	20% p.a.	(1,346)						(1,346)
Online class material	20% p.a.	(4,900)		(1,536)				(6,436)
Knowledge Factory - EAD	5% p.a.	(3,043)		(1,494)				(4,537)
Goodwill	20 to 50% p.a.	(102,150)		(29,310)	515			(130,945)
Others	20% p.a.	(6,714)		(4,842)	98			(11,458)
		(315,546)		(93,162)	5,111		2	(403,595)
Net book value		1,469,492		(35,208)	(14,044)		(32)	1,420,208

	2015 Cost	Additions per acquisition	Additions	Reductions	Transfers	Reclassifications	2016 Cost
Cost							
Goodwill on the acquisition of investments	1,190,676		4,823				1,195,499
Right of use of software	189,336	11	47,052	(52)	(246)		236,101
Integration and distance learning project	17,859		439				18,298
CSC	1,940		288				2,228
Learning Center	66,507		5,616				72,123
Relationship Center	2,348						2,348
Hemispheres	1,346						1,346
IT architecture	21,093		3,438	(5,357)			19,174
Online class material	7,208		395				7,603
Knowledge Factory - EAD	22,373		6,368				28,741
Question Bank	4,886		4,382				9,268
Goodwill	170,244		3,259			515	174,018
Others	19,002		8,557				27,559
	1,709,932	11	80,235	(5,409)	(246)	515	1,785,038

	Amortization rate	Amortization	Additions per acquisition	Additions	Reductions	Transfers	Reclassifications,	Amortization
Amortization								
Goodwill on the acquisition of investments	Indefinite	(6,924)						(6,924)
Right of use of software	20% p.a.	(108,352)		(40,522)	52	14		(148,808)
Integration and distance learning project	20% p.a.	(14,234)		(1,366)				(15,600)
CSC	20% p.a.	(1,940)						(1,940)
Learning Center	5% p.a.	(13,563)		(3,027)				(16,590)
Relationship Center	20% p.a.	(2,347)		(1)				(2,348)
Hemispheres	20% p.a.	(1,347)		(5)				(1,346)
IT architecture	17 to 20% p.a.	(2,896)		(3,639)	1,352			(5,183)
Online class material	20% p.a.	(3,450)		(1,450)				(4,900)
Knowledge Factory - EAD	5% p.a.	(1,855)		(1,188)				(3,043)
Question Bank	20% p.a.	(49)		(494)				(1,543)
Goodwill	20 to 50% p.a.	(61,425)		(40,210)			(515)	(102,150)
Others	20% p.a.	(2,927)		(3,787)				(6,714)
		(221,254)		(95,195)	1,404	14	(515)	(315,546)
Net book value		1,488,678	11	(14,960)	(4,005)	(232)		1,469,492

All amounts in thousands of reais unless otherwise stated

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

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Goodwill on acquisition of investments net of accumulated amortization				
IREP			89,090	89,090
ATUAL			15,503	15,503
Seama			18,035	18,035
Idez			2,047	2,047
Uniuol			956	956
Fargs			8,055	8,055
São Luis			27,369	27,369
Facitec			26,654	26,654
Assesc			4,723	4,723
Iesam			26,797	26,797
Estácio Amazonas			26,214	26,214
Ceut			27,568	27,568
FNC			72,046	72,046
FCAT			20,120	20,120
FUFS(Nota 1.5)			6,255	6,255
FAL			8,076	8,076
FATERN			14,979	14,979
Nova Academia				14,018
Estácio Editora			5	5
Uniseb	9,371	9,371	9,371	9,371
Uniseb Holding	770,694	770,694	770,694	770,694
	780,065	780,065	1,174,557	1,188,575

The Company carries out annual analyses for impairment purposes, the last being for the year ended December 31, 2017, 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 14.3% 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.

All amounts in thousands of reais unless otherwise stated

10 Property and equipment

Property and equipment - Consolidated

	2016						2017
	Cost	**Additions per acquisition**	**Additions**	**Disposals**	**Transfers**	**Reclassifications**	**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 per acquisitions**	**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

	Depreciation rate	2015 Cost	Additions per acquisition	Additions	Disposals	Transfers	Reclassifications	2016 Cost
Cost								
Land		19,373			(78)			19,295
Buildings		135,010	148	51,867	(202)	5,945		192,768
Third-parties' properties improvements		217,109		6,394		38,250		261,753
Furniture and utensils		97,042	158	7,848	(6,732)		(5)	98,311
Computers and peripherals		156,778	54	10,854	(18,792)		372	149,266
Machinery and equipment		101,303	153	58,067	(30,120)		(354)	129,049
Physical/ hospital activities equipment		48,201	141	2,512	(6,371)			44,483
Library		138,397	142	6,287	(3,305)		80	141,601
Facilities		42,025	58	10,542			171	52,796
Tablets		47,019		16	(262)		(18)	46,755
Construction in progress		31,575		31,555		(44,195)		18,935
Demobilization		11,627		11,089	(404)			22,312
Others		12,116		338	(1,545)		166	11,075
		1,057,575	854	197,369	(67,811)		412	1,188,399
	Depreciation rate	**Depreciation**	**Additions per acquisitions**	**Additions**	**Disposals**	**Transfers**	**Reclassifications**	**Depreciation**
Depreciation								
Buildings	1.67% p.a.	(49,794)	(7)	(2,521)	151			(52,171)
Third-parties' properties improvements	11.11% p.a.	(118,886)		(24,348)				(143,234)
Furniture and utensils	8.33% p.a.	(51,546)	(18)	(9,087)	4,600		9	(56,042)
Computers and peripherals	25% p.a.	(109,376)	(13)	(17,732)	19,728		(1)	(107,394)
Machinery and equipment	8.33% p.a.	(66,129)	(18)	(15,869)	20,893			(61,123)
Physical/ hospital activities equipment	6.67% p.a.	(18,516)	(16)	(2,526)	2,265			(18,793)
Library	5% p.a.	(59,351)	(17)	(5,793)	1,240		(14)	(63,935)
Facilities	8.33% p.a.	(12,331)	(7)	(3,505)	3		(9)	(15,849)
Tablets	20% p.a.	(18,731)		(9,294)	133		1	(27,891)
Demobilization		(10,550)		(5,131)	404			(15,277)
Others	14.44% p.a.	(6,445)		(885)	866		(166)	(6,630)
		(521,655)	(96)	(96,691)	50,283		(180)	(568,339)
Net book value		535,920	758	100,678	(17,528)		232	620,060

All amounts in thousands of reais unless otherwise stated

Certain assets acquired through financing were used as a financing guarantee, The Company and its Subsidiaries have not pledged any other of its properties to secure transactions.

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

		2016			2017
		Cost	**Additions**	**Disposals**	**Cost**
Cost					
Finance leases capitalized		121,008	3,238	(41,704)	82,542
		121,008	3,238	(41,704)	82,542
	Depreciation rate	**Depreciation**	**Additions**	**Disposals**	**Depreciation**
Depreciation					
Finance leases capitalized	25% p.a.	(57,523)	(25,447)	39,503	(43,467)
		(57,523)	(25,447)	39,503	(43,467)
Net book value		63,485	(22,209)	(2,201)	39,075

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, 2017 and 2016, there was no need to record any provision for impairment of property and equipment.

All amounts in thousands of reais unless otherwise stated

11 Borrowings

		Parent company		Consolidated	
Type	**Financial charges**	**2017**	**2016**	**2017**	**2016**
In local currency					
Lease agreements – Colortel	INPC + 0.32% p.a.			22,167	34,488
Lease agreements – Assist	INPC p.a.			2,036	3,474
Lease agreements – Total Service	IGPI-DI/FGV p.a.			18	38
Lease agreements – Springer	IGPM + 1% p.a.			42	42
Lease agreements – Bayde	IGPI-DI/FGV p.a.			720	313
Lease agreements – Bradesco	1.14% p.m.				15
Leasing IBM	CDI Over p.d. + 2% p.m.			13,696	29,885
Borrowing – IFC	CDI +1.53% p.a.	30,764	40,576	30,764	40,576
Funding cost of IFC		(1,220)	(7,414)	(1,220)	(7,414)
Second issue of debentures	CDI + 1.18% p.a.	244,053	308,853	244,053	308,853
Third issue of debentures	CDI + 112% CDI		194,259		194,259
Fourth issue of debentures	CDI +1.50% p.a.	100,421	100,853	100,421	100,853
Funding cost of debentures		(1,278)	(2,023)	(1,278)	(2,023)
Borrowing – FEE BNB	3% p.a.				448
Borrowing – Banco da Amazônia	9.5% p.a.			9,227	10,948
Borrowing – FINEP	6% p.a.	4,248	3,093	4,248	3,093
Promissory notes – Banco Itaú (1st Tranche)	CD1+1.50% p.a.		178,935		178,935
Promissory notes – Banco Itaú (2st Tranche)	CDI+1.65% p.a.	142,854	127,840	142,854	127,840
Funding cost of promissory notes		(427)	(2,090)	(427)	(2,090)
		519,415	942,882	567,321	1,022,533
Current liabilities		326,072	444,592	349,274	468,114
Non-current liabilities		193,343	498,290	218,047	554,419
		519,415	942,882	567,321	1,022,533

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

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
2018		305,990		307,882
2019	178,993	178,748	195,997	223,620
2020	9,431	9,275	11,468	11,314
2021	3,109	2,951	7,538	9,132
2022	587	430	1,347	1,103
2023	587	430	903	745
2024	587	430	745	587
2025	49	36	49	36
Non-current liabilities	193,343	498,290	218,047	554,419

Lease contracts are guaranteed by the leased assets.

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

The Group's borrowings are denominated in Brazilian reais.

In March 2016, the Company entered into a loan agreement with the International Finance Corporation (IFC), in the amount in Brazilian reais equivalent to U$ 100 million, which would be used within 12 months. No withdrawal was made in connection with this borrowing and, therefore, the line of credit was canceled.

In November 2016, the Company settled the first issue of debentures in the total amount of R$ 200 million. These debentures were launched in November 2011 and the main creditors were Banco do Brasil S.A. and Itaú Unibanco S.A.

All amounts in thousands of reais unless otherwise stated

In November 2016, the Company completed its first issue of promissory notes in the total amount of R$ 300 million divided into two tranches maturing in one and two years, the first one in the amount of R$ 175 million and subject to 100% of the Interbank Deposit Certificate (CDI) rate + 1.50% p.a., and the second one in the amount of R$ 125 million and subject to 100% of the CDI + 1.65% p.a.

In December 2016, the Company completed its fourth issue of debentures in the amount of R$ 100 million and subject to 100% of the CDI + 1.50% p.a. This issue was carried out under CVM Instruction 476 and acquired in full by Itaú Unibanco S.A.

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$ 4.1 million. The amount settled in advance in April 2017 was R$ 225 thousand.

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 million.

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 million and accrued 100% of the CDI rate + interest of 1.50% p.a. The amount settled in November 2017 was R$ 187 million.

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

12 Salaries and social charges

	Parent company		Consolidated	
	2017	2016	2017	2016
Salaries, termination pay and social charges payable	352	268	120,652	107,874
Provision for vacation pay			37,988	47,359
	352	268	158,640	155,233

13 Taxes payable

	Parent company		Consolidated	
	2017	2016	2017	2016
ISS payable	5	5	15,300	12,208
IRRF payable	95	63	13,589	17,121
PIS and COFINS payable	72	146	3,703	2,680
IOF payable			64	384
	172	214	32,656	32,393
IRPJ payable			31,111	22,482
CSLL payable		1	13,027	8,907
		1	44,138	31,389
	172	215	76,794	63,782

All amounts in thousands of reais unless otherwise stated

14 Taxes payable in installments

	Consolidated	
	2017	**2016**
IRPJ	1,067	1,295
CSLL	120	254
FGTS	1,457	1,428
ISS	3,332	3,580
PIS	113	193
COFINS	893	1,202
INSS	7,430	7,466
OTHERS	184	490
	14,596	15,908
Current liabilities	4,295	3,128
Non-current liabilities	10,301	12,780
	14,596	15,908

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

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

	Consolidated	
	2017	**2016**
2017		629
2018	171	2,215
2019	1,934	1,905
2020 a 2029	8,196	8,031
	10,301	12,780

15 Price of acquisition payable

	Consolidated	
	2017	**2016**
FALITEC	2,922	5,601
SÃO LUIS	8,588	18,416
IESAM	13,021	15,064
Estácio Amazonas	2,728	5,490
CEUT	4,660	6,127
FNC	26,102	32,923
FCAT	2,897	4,222
FUFS	3,180	3,098
	64,098	90,941
Real estate acquisition (i)	23,000	35,000
	87,098	125,941
Current liabilities	57,109	53,565
Non-current liabilities	29,989	72,376
	87,098	125,941

(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), IGP-M or the Interbank Deposit Certificate (CDI), depending on the contract.

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

				Consolidated
	2018	**2019**	**2020 to 2022**	**Total**
At December 31, 2017				
FACITEC	2,922			2,922
SÃO LUIS	8,588			8,588
IESAM	2,480	10,541		13,021
Estácio Amazonas	2,604	124		2,728
CEUT	3,016	1,644		4,660
FNC	13,051	13,051		26,102
FCAT	1,448	1,449		2,897
FUFS			3,180	3,180
Real estate acquisition	23,000			23,000
	57,109	26,809	3,180	87,098

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, 2017 and 2016, the provision for contingencies was comprised as follows:

				Consolidated
		2017		2016
	Contingencies	Judicial deposits	Contingencies	Judicial deposits
Civil	15,147	14,572	16,833	14,425
Labor	62,712	73,155	39,292	91,302
Tax	8,425	15,081	8,755	13,764
	86,284	102,808	64,880	119,491

In the year ended December 31, 2017, the amount of R$ 172 refers to the tax contingency of the parent company.

The changes in the provision for contingencies are as follows:

	Civil	**Labor**	**Tax**	**Total**
At December 31, 2015	2,253	24,475	6,329	33,057
Additions	26,745	156,855	3,212	186,812
Reversals	(11,538)	(65,004)	(786)	(77,328)
Write-offs	(627)	(77,034)		(77,661)
At December 31, 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 update of the write-off	(1,328)	(10,586)		(11,914)
At December 31, 2017	15,147	62,712	8,425	86,284

All amounts in thousands of reais unless otherwise stated

For the years ended December 31, 2017 and 2016, the expense for the provision for contingencies, recognized in the statement of income, was as follows:

	2017	2016
Composition of results		
Additions	138,610	186,812
Reversals	(30,386)	(77,328)
Contingencies	108,224	109,484
Cost of services rendered		(61,883)
General and administrative expenses (Note 24)	(96,310)	(45,611)
Financial result (Note 26)	(11,914)	(1,990)
	(108,224)	(109,484)

(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	2,525
Real estate	5,146
Issue of certificates of completion/diplomas and graduation	847
Accreditation and cancelation of the program	2,263
FIES	715
Prouni	140
Success fees	1,491
Others (i)	2,020
	15,147

(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 differences + reduction of working time + FGTS + notice	32,392
Overtime + suppression Inter + Intra	6,996
Moral/property damage/moral harassment	776
Employer's social security payment	4,897
Fees	1,488
Deviation from agreed position and salary equalization	4,754
Fines (Article 467 CLT, article 477 CLT and CCT/ACT)	556
Allowances (health hazards/night shift pay/improvement/length of service/risk premium)	606
Vacation pay	621
Success fees	1,713
Others (i)	7,913
	62,712

(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	99
Social security related fine	7
Success fees	8,319
	8,425

(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	
	2017	2016
Civil	158,010	165,518
Labor	136,266	121,726
Tax	446,740	465,220
	741,016	752,464

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

Civil

	Amounts
Improper Collection	44,652
Real Estate	36,494
FIES	25,428
Enrollment	10,477
Issuance of Completion and Graduation Certificate/Diploma	9,690
Penalty - PROCON	4,435
PROUNI	2,082
Accreditation and Cancellation of Program	1,875
System Access	1,080
Others (i)	21,797
	158,010

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

Labor

	Amounts
Salary differences + Decrease in working hours + Government Severance Indemnity Fund for Employees (FGTS) + Overtime	47,919
Notice + Elimination of breaks between and during work shifts	34,632
Cota Social Security	11,773
Deviation from agreed position and salary equalization	10,364
Pain and suffering/material damages/workplace harassment	8,827
Penalties (ART. 467 CLT, ART. 477 CLT E CCT/ACT)	3,485
Fees	3,460
Other (health hazard/night-shift/improvement/years of service/risk)	2,007
Work Card Adjustment + Indirect Termination + Recognition of employment relationship	1,559
Vacation	1,140
Job Stability	331
Others (i)	10,729
	136,226

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

All amounts in thousands of reais unless otherwise stated

Tax Matters	**Amounts**
Social Security Contribution / FGTS	258,830
ISS	164,877
PROUNI / PIS / COFINS	6,800
IRPJ / CSLL / IRRF	6,732
IPTU / FORO / IPVA	4,982
Various penalties	2,099
Inventory of property / CND / Certificate of Non-profit Welfare Entity (CEBAS)	1,118
Value-Added Tax on Sales and Services (ICMS) on electricity	989
Taxes / Sewer Service Fees	14
Others	299
	446,740

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$ 117,956. 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 July 28, 2017, the Company received a formal notice of the decision and, on December 4, 2017, it filed an action (nº 0218718-96.2017.4.02.5101) for annulment with a view to challenging the remaining debts. The provisional remedy sought in these proceedings was granted and a judgment on merits is pending judgment by the lower court. The total amount involved is R$ 14,238. 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. The respective protest letters were submitted on September 22, 2011, in which SESES, in general terms, stated that it had always fully complied with all legal requirements for enjoyment of the right to exemption of such social security contributions up to the date of transformation of its legal nature. In August 2012, SESES was notified with respect to the decision issued at an appellate level, which partially granted the points presented in our protest letters, and recognized the loss of procedural right and excluded from the assessments the amounts related to the period from January 2006 to July 2006; the remaining arguments of the tax authorities were maintained. A Voluntary Appeal was filed by SESES on September 27, 2012. On September 20, 2016, the case records were assigned to Member Carlos Alberto do Amaral Azerado. Currently, the Company is awaiting the placement of the appeal on docket for judgment. The amount involved is R$ 119,481. 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

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$ 32,924. 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$ 42,540.

17 Equity

(a) Share capital

Capital may be increased by the Board of Directors, regardless of any amendment to the bylaws, up to the limit of 1,000,000,000 shares. At December 31, 2017, share capital is represented by 317,896,418 common shares.

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

	Common shares			
Stockholders	**2017**	**%**	**2016**	**%**
Officers and directors	817,606	0.2	473,031	0.1
Treasury	8,461,767	2.7	9,498,058	3.0
Others (i)	308,617,045	97.1	307,925,329	96.9
	317,896,418	100.0	317,896,418	100.0

(i)Free float.

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

All amounts in thousands of reais unless otherwise stated

(b) Changes in shares

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

(c) Treasury shares

At the Board of Directors' Meeting on June 29 2017, the Board approved the 5th Program for Repurchase of the Company's shares on the stock exchange, up to 15,894,821 common shares, equivalent to 5,00% of the Company's capital. Under this program, the shares can be purchased within 359 days, that is, up to June 28, 2018. Up to December 31, 2017, no share had been purchased under the program.

	Number	Average cost	Balance
Treasury shares at December 31, 2016	9,498,058	15.42	146,430
ILP payment with treasury of shares	(1,036,291)	15.42	(15,976)
Treasury shares at December 31, 2017	8,461,767	15.42	130,454

(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, 2017 and 2016 is as follows:

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

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

The premium on issue of shares is represented as follows:

	2017
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.

All amounts in thousands of reais unless otherwise stated

(d.3) Discount on the sale of treasury shares

The 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 in the period ended December 31, 2017.

The discount on the sale of treasury shares is represented as follows:

	2017
Sale amount for 1,036,291 shares	15,976
Amount paid for 1,036,291 shares	(11,282)
Discount on the sale of treasury shares	4,694

(e) Revenue reserves

(e.1) Legal reserve

The Brazilian legislation requires that 5% of the profit for the year 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, 2017, 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 18, 2018.

(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 April 27, 2016, management will propose a capital increase of R$ 55,330. With respect to the financial statements for 2017, at a meeting to be held on March 15, 2018, the Board of Directors will discuss a capital increase in the amount 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 2016, total interim dividends amounting to R$ 420 million were paid, as established in the protocol and rationale for the possible merger of the Company's shares by Kroton Educacional S.A., as approved in the Extraordinary General Meeting of Estácio held on August 15, 2016.In 2017 the Court of the Administrative Council of Economic Defense - CADE decided not to approve the acquisition of the Company by Kroton Educacional S.A., as Note 1.1.

Under the Official Letter 198/2016-DRE of May 12, 2016 of BM&FBOVESPA, the individuals/entities holding shares of the Company on December 21, 2016 will be entitled to interim dividends declared as described above. The shares will be traded on an ex-dividend basis as from December 22, 2016.

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

All amounts in thousands of reais unless otherwise stated

The dividends calculated and the related changes at December 31, 2017 and 2016 are as follows:

	Parent company	
	2017	**2016**
Parent company's profit for the year	424,590	368,102
Transfer to legal reserve (Article 193 of Law 6,404)	(21,230)	(18,405)
Profit after transfer to legal reserve	403,360	349,697
Mandatory minimum dividend - 25%	100,840	87,424
Number of shares at December 31	317,896,418	317,896,418
Number of shares in treasury at December 31	(8,461,767)	(9,498,058)
Dividend per share in circulation - in Brazilian reais	0.32588	0.28348

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, 2017 and 2016, 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) Borrowings

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

(c) Trade receivables

These are classified as loans and 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 Financial risk factors

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

(a) Credit risk

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

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

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

(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 and PRAVALER program, and reduce the demand for the courses.

(c) Foreign exchange rate risk

As of December 31, 2017 and 2016, 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, 2017 compared to December 31, 2016.

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

All amounts in thousands of reais unless otherwise stated

The amounts disclosed in the table are the contractual undiscounted cash flows.

				Consolidated
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2017				
Trade payables	70,923			
Borrowings	327,952	193,357	20,652	1,850
Finance lease liabilities	21,322	15,247	2,889	
Price of acquisition payable	54,109	28,486	3,361	
At December 31, 2016				
Trade payables	66,138			
Borrowings	468,114	393,757	221,138	2,879
Finance lease liabilities	21,336	11	42,834	4,058
Price of acquisition payable	53,661	48,101	33,432	
Related parties	633			

(e) Sensitivity analysis

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

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

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

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

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

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

For purposes of verifying the sensitivity of the index in the financial investments to which the Company was exposed on the base date of December 31, 2017, three different scenarios were defined. Based on the CDI rate officially published by CETIP on December 31, 2017 (6,89% p.a.), this rate was used as the probable scenario for the year. Rate changes of 25% and 50% were then calculated.

For each scenario, the “gross financial revenue and financial expenses" were calculated, disregarding the effect of taxes on the investment yields. The base date used for the portfolio was December 31, 2017, 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

Transactions	Risk	CDI increase scenario Scenario (I)	Scenario (II)	Scenario (III)
Financial investments	CDI	6.89%	8.61%	10.34%
R$ 510,450		35,170	43,963	52,755
Debentures II	CDI+1.18	8.15%	9.89%	11.64%
R$ 244,053		(19,893)	(24,147)	(28,400)
Debentures IV	CDI+1.50	8.49%	10.24%	11.99%
R$ 100,421		(8,529)	(10,285)	(12,041)
IFC I	CDI+1.53	8.53%	10.27%	12.02%
R$ 19,613		(1,672)	(2,015)	(2,358)
IFC II	CDI+1.69	8.70%	10.45%	12.20%
R$ 11,151		(970)	(1,165)	(1,360)
Promissory notes (2st Tranche)	CDI+1.65	8.65%	10.40%	12.16%
R$ 142,854		(12,362)	(14,863)	(17,365)
Net position		(8,256)	(8,512)	(8,769)

Transactions	Risk	CDI increase scenario Scenario (I)	Scenario (II)	Scenario (III)
Financial investments	CDI	6.89%	5.17%	3.45%
R$ 510,450		35,170	26,738	17,585
Debentures II	CDI+1.18	8.15%	6.41%	4.67%
R$ 244,053		(19,893)	(15,640)	(11,387)
Debentures IV	CDI+1.50	8.49%	6.75%	5.00%
R$ 100,421		(8,529)	(6,773)	(5,018)
	CDI+1.53	8.53%	6.78%	5.03%
IFC I		(1,672)	(1,329)	(986)
R$ 19,613				
IFC II	CDI+1.69	8.70%	6.94%	5.19%
R$ 11,151		(970)	(774)	(579)
Promissory notes (2st Tranche)	CDI+1.65	8.65%	6.90%	5.15%
R$ 142,854		(12,362)	(9,861)	(7,360)
Net position		(8,256)	(7,639)	(7,745)

(f) Capital management

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

	Consolidated 2017	2016
Borrowings (Note 11)	567,321	1,022,533
(-) Cash and cash equivalents	(13,996)	(58,340)
Net debt	553,325	964,193
Equity	2,777,257	2,434,673
Net debt on equity	0.20	0.40

(g) Fair value of financial instruments

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

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

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1, Instruments included in Level 1 comprise primarily equity investments of IBOVESPA 50 classified as trading or available-for-sale securities.

All amounts in thousands of reais unless otherwise stated

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on Group-specific estimates. If all significant information required to fair value an instrument are adopted by the market, the instrument will be included in Level 2.

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

(h) Offsetting of financial instruments

There were no significant assets or liabilities subject to offset during the years ended December 31, 2017 and 2016.

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.

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

	Amounts insured	
	2017	**2016**
D&O insurance	150,000	80,000
Fire of fixed assets		57,486
Civil liability	10,000	10,000
Fixed expenses		5,000
Electronic Equipment		5,000
Other lines		31,810
Fixed expense (i)	68,386	
Group life	487,026	467,701

(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, 2017 and 2016, total compensation (salaries and profit sharing) paid to the Company's directors, officers and main executives amounted to R$ 21,988 and R$ 29,026, 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 share 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.

All amounts in thousands of reais unless otherwise stated

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.

At December 31, 2017, capital comprises 317,896,418 registered common shares.

At December 31, 2017, the number of options granted which were exercised totaled 11,593,133 (R$ 90,696), and the total shares granted amounted to 18,172,302 (R$ 175,006).

Program	Options granted	Prescribed options	Issued	Share balance
1P	11,910,909	5,067,255	6,374,115	
2P	1,411,563	798,438	481,290	
3P	1,805,373	451,929	1,269,316	21,181
4P	2,736,000	696,000	1,953,377	67,200
5P	720,000	348,000	232,606	21,000
6P	5,090,000	2,225,000	499,083	662,129
7P	889,000	347,800	29,206	339,495
8P	983,000	284,400	256,640	401,544
9P	1,300,000	300,000	410,000	590,000
10P	1,105,779	118,000	87,500	888,279
11P	991,010	133,510		857,500
Total	**28,942,634**	**10,770,332**	**11,593,133**	**3,848,328**

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

	Exercised options
December 31, 2015	9,305,555
March 31, 2016	9,305,555
June 30, 2016	9,838,941
September 30,2016	10,556,842
December 31, 2016	10,556,842
March 31, 2017	10,556,842
June 30, 2017	11,375,594
September 30,2017	11,375,594
December 31, 2017	11,593,133

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, 2017 and 2016 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 social charges. In the year ended December 31, 2017, R$ 7,458 (R$ 1,505 in the year ended December 31, 2016) was recognized. The amount of the provision as of December 31, 2017 is R$ 72,907 (R$ 65,449 on December 31, 2016).

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

Statutory Board

	2017		2016	
	Average exercise price per share	Options - thousands	Average exercise price per share	Options - thousands
January 1	10.73	1,131,355	13.73	921,660
Transfer of partners	0.00	0,00		
Granted	11.14	0,00	15.82	748,013
Exercised	13.65	9,664	10.03	222,852
Abandoned	0.00	0,00		
	8.22	1,121,691	19.52	1,446,821

Board of Directors

	2017		2016	
	Average exercise price per share	Options - thousands	Average exercise price per share	Options - thousands
January 1	10.25	965,779	8	188,130
Granted	0.00	0.00		
Exercised	9.70	25,000		
Forfeited (i)	0.00	0.00	8	188,130
	0.55	940,779		

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

(c) Special Program for Long-term Incentive

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

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

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

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

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

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

On May 20, 2016, the payment of the Long-term Incentive Program, of 236,520 shares (R$ 3,692) respectively, was carried out.

The Company recognizes on a quarterly basis the long-term incentive, as a capital reserve with a contra entry to the result. In the year ended December 31, 2017, R$ 94 was recognized (R$ 1,490 in the year ended December 31, 2016).The value of the provision of the program at December 31, 2017 is R$ 304 (R$ 210 at December 31, 2016).

21 Earnings per share

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

(a) Basic earnings per share

	2017	2016
Numerator		
Profit for the year	424,590	368,102
Denominator (in thousands of shares)		
Weighted average number of shares outstanding	308,875	317,229
Basic earnings per share	1.37464	1.16037

(b) Diluted earnings per share

	2017	2016
Numerator		
Profit for the year	424,590	368,102
Denominator (in thousands of shares)		
Weighted average number of shares outstanding	308,875	317,229
Potential increase in the number of shares relating to the share option plan	964	230
Adjusted weighted average number of shares outstanding	309,839	317,459
Diluted earnings per share	1.37036	1.15953

22 Net revenue from services rendered

	Consolidated	
	2017	2016
Gross operating revenue	4,722,732	4,274,440
	688,014	529,699
	5,410,746	4,804,139
Gross revenue deductions	(2,031,767)	(1,619,634)
Grants - scholarships	(1,727,568)	(1,349,400)
Return of monthly tuition and charges	(7,910)	(7,434)
Discounts granted	(17,604)	(22,289)
Taxes	(152,425)	(133,469)
Adjustment to present value- PAR (Note 4)	(11,195)	
FGEDUC	(69,086)	(87,382)
Others (i)	(45,979)	(19,660)
	3,378,979	3,184,505

(i) Refers to the on lending to EAD partners (Polos),

All amounts in thousands of reais unless otherwise stated

23 Costs of services rendered

	Consolidated	
	2017	2016
Personnel and social charges	(1,312,676)	(1,273,064)
Provision for labor contingency (i)		(61,883)
Electricity, water, gas and telephone	(41,866)	(46,441)
Rents, condominium fees and IPTU	(250,601)	(245,166)
Mailing and courier expenses	(2,717)	(2,011)
Depreciation and amortization	(96,752)	(93,209)
Teaching material	(10,760)	(29,450)
Outsourced security and cleaning services	(61,741)	(57,818)
	(1,777,113)	(1,809,042)

(i) As from 2017, expenditures incurred in labor agreements have been allocated to expenses under the provision for contingencies (Note 24).

24 Expenses by nature

	Parent company		Consolidated	
	2017	2016	2017	2016
Selling				
Impairment of trade receivables			(235,074)	(158,617)
Advertising			(164,518)	(166,582)
Sales and marketing			(42,382)	(48,028)
Others			(1,587)	(3,058)
			(443,561)	(376,285)
General and administrative expenses				
Personnel and social charges	(5,897)	(4,189)	(179,727)	(167,707)
Outsourced services	(6,063)	(9,797)	(87,949)	(97,279)
Consumption material			(2,689)	(3,389)
Maintenance and repairs	(60)	(44)	(45,385)	(35,287)
Depreciation and amortization	(16,484)	(21,289)	(97,520)	(100,057)
Educational covenants	(29)	(396)	(9,620)	(10,455)
Travels and accommodation	(244)	(180)	(8,748)	(9,458)
Institutional events	(4)	(11)	(2,980)	(17,313)
Provision for contingencies (i)	(171)		(96,310)	(45,611)
Copies and bookbinding	(2)		(5,421)	(7,529)
Insurance	(8,568)	(5,992)	(9,457)	(6,695)
Cleaning supplies			(3,386)	(3,558)
Transportation	(6)	(12)	(6,368)	(5,316)
Car rental			(3,524)	(2,746)
Others	(1,148)	(1,256)	(39,240)	(25,977)
	(38,676)	(43,166)	(598,324)	(538,377)

(i) As from 2017, expenditures incurred in labor agreements have been allocated to expenses under the provision for contingencies (in 2016 have been allocated as personnel costs - Note 23).

25 Other operating income (expenses)

	Parent company		Consolidated	
	2017	2016	2017	2016
Income from agreements	1,633	1,634	2,653	2,684
Income from rentals			9,287	10,152
Provision for impairment of fixed assets (i)	(14,044)		(24,326)	(16,515)
Revenue from online classes				114
Business Intermediation				639
Other operating income (expenses)	314	(387)	(4,084)	1,216
	(12,097)	1,247	(16,470)	(1,710)

(i) In the parent company accounts it mainly refers to the reduction for impairment of goodwill of its subsidiary Nova Academia. In the consolidated accounts it 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.

All amounts in thousands of reais unless otherwise stated

26 Finance income and costs

	Parent company		Consolidated	
	2017	2016	2017	2016
Finance income				
Late payment fine and interest			28,248	24,851
Update of accounts receivable - FIES			10,805	32,456
Earnings from financial investments	10,385	27,136	48,289	62,738
Interes on capital				1,275
Updating of tax credits	3,043		10,194	
Monetary variation gains		3,037	385	10,316
Exchange variation gain		27,958	3	27,960
Derivative financial instruments gain - SWAP		471		471
Adjustment to present value - FIES			13,194	14,920
Restatement of the sale of portfolio			5,702	
Others		84	1,039	151
	13,428	58,686	117,859	175,138
Finance costs				
Banking expenses	(2,391)	(2,853)	(15,843)	(13,433)
Interest and financial charges	(97,489)	(114,205)	(129,195)	(137,244)
Interes on capital		(1,275)		(1,275)
Updating of contingencies	(1)		(11,914)	(1,990)
Financial discounts (i)			(54,763)	(41,492)
Monetary variation losses			(6,561)	(8,607)
Derivative financial instruments losses - SWAP		(26,036)		(26,036)
Exchange variation losses		(10,958)	(4)	(10,967)
Others	(9,818)	(2,469)	(11,032)	(20,392)
	(109,699)	(157,796)	(229,312)	(261,436)

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

27 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, 2017 and 2016 is as follows:

	Parent company		Consolidated	
	2017	2016	2017	2016
Profit before income tax and social contribution	403,286	361,239	432,058	372,793
Combined statutory rate of income tax and social contribution - %	34	34	34	34
Income tax and social contribution at the statutory rates	(137,117)	(122,821)	(146,900)	(126,750)
Goodwill from mergers				
Depreciation	(5)	(8)	(1,431)	805
Leasing			(1,112)	(237)
Adjustment to present value			615	5,073
Equity in the results of subsidiaries	187,112	170,771		
Amortization of goodwill	(5,579)	(6,743)	(9,963)	(13,672)
Non-deductible expenses (I)			(2,789)	(2,740)
Options granted LP provision - employees			(2,568)	(1,018)
Tax losses not registered	(44,485)	(41,067)	(47,850)	(45,025)
Decommissioning expenses			(2,424)	69
Provision for contingencies	(58)		(7,477)	(10,157)
Provision for impairment of receivables (II)	132	(132)	(2,517)	(102)
Monthly tuitions to be canceled and billed			3,047	5,541
Provision for FIES risk			(540)	(1,040)
Others			1,419	(471)
			(220,490)	(189,724)
Tax benefits				
Tax incentive – PROUNI			175,123	164,596
Tax incentive – Lei Rouanet			4,211	4,317
Current income tax and social contribution in the results for the year			(41,156)	(20,811)

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

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2017	2016	2017	2016
Current income tax and social contribution			(41,156)	(20,811)
Deferred income tax and social contribution	5,509	6,798	21,293	16,120
Deferred income tax and social contribution – PERT (i)	15,795	65	12,395	
	21,304	6,863	(7,468)	(4,691)

(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.

At December 31, 2017, the Company recorded deferred tax assets on temporary differences of R$ 56,440 (R$ 35,148 at December 31, 2016). The breakdown of the tax effects of temporary differences which originated the deferred tax assets is summarized below:

	Parent company		Consolidated	
	2017	2016	2017	2016
Adjustment to present value			3,871	4,486
Provision for contingencies	58		28,860	21,383
Provision for impairment of receivables		132	4,899	2,382
Monthly tuitions to be canceled			2,090	5,138
Provision for decommissioning			4,149	5,193
Provision for impairment of fixed assets			2,424	
Goodwill	(4,432)	(10,011)	(14,471)	(24,238)
Provision for risk - Fies			6,766	6,226
Options granted recognized			27,763	25,195
Leasing			(141)	
Incorporated goodwill			(11,290)	(10,706)
Depreciation	13	8	626	(805)
Tax losses			894	894
	(4,361)	(9,871)	56,440	35,148
Assets			70,617	58,752
Liabilities	(4,361)	(9,871)	(14,177)	(23,604)
	(4,361)	(9,871)	56,440	35,148

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

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

At December 31, 2017, the Company had tax credits arising from income tax and social contribution losses amounting to R$ 107,481 (R$ 78,856 at December 31, 2016) that are not yet accounted for, because it is not possible to state at this time that their realization is considered probable.

All amounts in thousands of reais unless otherwise stated

28 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:

			Consolidated
	Less than 1 year	Between 1 and 5 years	Over five years
At December 31, 2017			
Operating leases	20,560	17,358	
Campuses' lease agreements	195,270	606,145	453.107
At December 31, 2016			
Operating leases	20,981	46,903	
Campuses' lease agreements	212,989	675,069	582,723

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Legal Opinion of the Fiscal Council

The sitting members of the Fiscal Council of the Company, exercising their legal duties and powers, as set forth in 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, 2017, with due explanations provided by the members of the Management of the Company and based on the report and legal opinion of the Auditors, issued a favorable legal 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; (ii) after examining and with the due explanations provided by the Management of the Company, issued a favorable opinion to the Management's proposal for the allocation of the income for the fiscal year ended on December 31, 2017, including the payment of dividends, recommending the approval of the proposal to the Company's shareholders; and (iii) examined the proposal for an increase of the share capital of the Company, in the amount of eight million, nine hundred forty-six thousand reais (R$8,946,000.00), through the capitalization of the balance of the profit reserves, without the issue of new shares, issuing a favorable opinion of the approval of the increase, under the terms proposed and based on Article 6 of the Company's Bylaws.

Rio de Janeiro, March 15, 2018.

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Emanuel Sotelino Schifferle

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Pedro Wagner Pereira Coelho

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Vanessa Claro Lopes

ESTÁCIO PARTICIPAÇÕES S.A.
Corporate Taxpayer's ID (CNPJ/MF) 08.807.432/0001-10
State Registry (NIRE) 33.3.0028205-0
PUBLICLY-HELD COMPANY WITH AUTHORIZED CAPITAL

LEGAL OPINION OF THE AUDIT AND FINANCE COMMITTEE

The undersigned members of the Audit and Finance Committee of Estácio Participações S.A., in the exercise of their duties, as provided for in Article 3, Item "c" of the Internal Rules of the Audit and Finance Committee, hereby issue a favorable legal opinion to the Board of Directors and recommend the approval of the Management's Report, of the Financial Statements and of the respective Notes, all documents on the 2017 fiscal year, with no disagreement between the Management of the Company, the independent auditors and this committee.

Rio de Janeiro, March 08, 2018.

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Osvaldo Schirmer
Coordinator and Member of the AFC

____________________________________	____________________________________
Brenno Raiko de Souza	Líbano Miranda Barroso
Member of the AFC	Member of the AFC