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, 2016 and 2015, 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 and is listed in the Bovespa's Novo Mercado trading segment.

On 31 December 2016, Estácio's base totaled 508 thousand students and the Company was present in the major urban centers of all Brazilian states, as well as the Federal District.

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

2016 was a period of structural changes at Estácio, the first of which was the election of four new members of the Board of Directors. The entry of new independent members and the election of a new Chairman of the Board of Directors created a different view on Governance, as well as different guidelines for Estácio's Management. It became crucial to review the strategy and policies and to have more effective internal controls in an external scenario of economic slowdown throughout the year. For this reason, several initiatives were implemented, among which:

- ***Replacement of the Board of Executive Officers and some of the main corporate managers.*** The election of Pedro Thompson as CEO and the hiring of new executives with extensive experience began a new structure that united renowned professionals and internal talents with a long history in the Company;

- ***Readjustment of the corporate structure with the primary objective of focusing on the Company's core business.*** The current Management understood that the great value vector of its business model is the Company's operating leverage, given its high critical mass of students. Therefore, the Company restructured its organization to eliminate non-priority projects and focus its business plan on the main activities of its core business, creating new verticals with their respective vice-presidencies: On-Campus Education, Distance-Learning Education and Continuous Education;
- ***Review of policies and significant accounting practices, which were responsible for adjustments in the results announced in 2nd quarter 2016.*** Based on the best corporate governance practices and aiming to achieve full transparency with its investors, Estácio restated its accounting figures and comparative managerial information for 2014, 2015 and 1st quarter 2016 and made specific adjustments in 2nd quarter 2016. At the same time, it created a Compliance area, which operates with the new areas of Governance, Risk Management and Internal Controls, in order to ensure periodic review of policies, standards and untimely monitoring of best practices.

The changes were not simple, but were absolutely necessary in order to leverage the Company's results and properly meet the challenges imposed by the macroeconomic scenario and its main competitors. In this context, Estácio's net revenue came to R$3.2 billion in 2016, 8.6% up on 2015.

Estácio closed the year with an increase of only 3.1% in EBITDA, which came to R$652.4 million in 2016 accompanied by a margin of 20.5%. The negative financial result and the increase in depreciation and amortization, as well as 2nd quarter 2016 one-off adjustments, reduced net income by 16.4% in the year, from R$440.3 million in 2015 to R$368.1 million in 2016.

Operating cash flow (OCF) was positive by R$339.7 million in 2016, versus a negative R$91.4 million in 2015, a significant improvement, especially when analyzing the EBITDA to OCF conversion rate, which stood at 52.1%, versus -14.4% in 2015. It is worth noting that Estácio paid approximately R$535.1 million in dividends to its shareholders, and was one of the 10 highest yields of shares traded on the BM&FBovespa in 2016.

As a result, the current Management focused on three major short-term commitments:

- **Organizational climate.** With so many changes in such a short time, the major concern of the current Management was the maintenance of the organizational climate, ensuring good employee productivity. Estácio's business model demands an extremely positive climate, given its value proposition with students, faculty members and employees. A research conducted by the Hay Group, an external consulting firm specialized in Human Resources projects, was answered by more than 10,000 people in 2017, equivalent to 73% of the employees and achieved a significant overall satisfaction result of 74%.

- **Redesign the intake process for the first half of 2017.** As Management believes that Estácio's profitability growth is mainly driven by the "scale" of its operations, it focused its efforts on making significant changes to some of the main pillars of its intake strategy and processes, including:

  - ***New pricing strategy:*** Estácio significantly reduced the number of scholarships and discounts granted in order to simplify the management of the process to enroll new student, pursuant to the supply and demand of its campuses, courses and hours.
  - ***Regionalization of marketing campaigns:*** The Company changed its advertising strategy, from a more national and institutional focus to a more regional appeal, using cheaper and more efficient channels within the respective region;
  - ***Resizing of the sales force:*** The number of sales advisors nearly tripled in order to suit market standards, betting on a "guerrilla approach" aimed to companies, schools and large urban centers with great potential to enroll freshmen;
  - ***New goals and compensation system:*** At the same time it expanded its sales force, Estácio also restructured its goals (KPIs) in order to associate them with quality, rather than just quantity, in order to ensure business sustainability. The main driver of the intake goals is the "Net Operating Revenue from Enrollments", rather than the physical number of students enrolled.

- **Recover operating and financial results focusing on the generation of cash.** The need to restructure policies and practices in the financial area also resulted in some changes in the management of the area itself, including:

  - ***Redesign the Charging and Collection processes:*** The work will be focused on creating a culture of timely payment, with a significant reduction in regular and aggressive benefits granted to defaulting students, and the creation of policies that encourage timely payments. The focus is no longer on PDA and debts more than 180 days overdue, but on collection since the beginning of the debt, exclusively and predictively through specialized companies contracted for such purpose, as the Company believes this is the proper benchmark. In addition, the charging process will be more rigorous, with shorter contact intervals, blacklisting and protest, using cluster strategies based on the debtor's profile.
  - ***Launch of Estácio's Installment Payment program:*** Students enrolling in Estácio as of the beginning of 2017 can pay their monthly tuitions through Estácio's Installment Payment program, or PAR, which allows students to pay half of the total amount of the course while studying and the other half after graduation. The payment in installments will occur gradually: students can pay 30% of the tuition in the first two semesters; 40% in the third semester, 50% in the fourth semester and 60% as of the fifth semester.

Management believes that a healthy and engaged student base with a great balance between ticket and demand is the secret for the sustainability of a post-secondary education company. For this reason, it began its plans to build student loyalty, mainly focused on reducing dropout rates. The reduction in dropout rates is a great opportunity to improve profitability, given that the Company's full cost structure is better used, optimizing the returns on efforts to attract students, enabling gains through its operational leverage.

Therefore, Estácio is beginning 2017 with energy, focusing on the ongoing pursuit of better operating and financial performance. Estácio's current Management learned a lot in 2016 and is sure that 2017 will be a year of hard work!

Economic Scenario

The global economy slowed down at the end of 2016 when compared to 2015, essentially due to the reduction in the U.S. growth rate and the slowdown of the Chinese economy, which recorded the lowest growth of the last 26 years. Amidst the uncertainties caused by the result of the Brexit referendum in June and the elections in Germany and France in 2017, the Eurozone growth also decreased in 2016, in spite of the good performance observed in Germany and Spain. Latin America was negatively affected by the decline in Mexican growth and the deterioration of the Brazilian economic scenario.

The Brazilian economy is experiencing a period of recession. In 2016, gross domestic product (GDP) shrank 3.6%, after falling 3.8% in 2015. The reduction in GDP contributed to higher unemployment, with the loss of 1.3 million formal jobs, according to data from the General Register of Employed and Unemployed Workers (Caged). Inflation as measured by the IPC-A consumer price index closed 2016 at 6.29%, 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 2015 at 14.25%, reached 13.75% in December 2016, while the U.S. dollar depreciated by 17.7% against the Brazilian real, the first annual drop since 2010.

Despite the economic crisis, Estácio believes that Brazil still has many business opportunities, a significant consumer market and strong and independent institutions. The decrease in internal political tensions and 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's consolidated outcomes.

- **Student base.** Estácio closed 2016 with a total base of approximately 508,000 students, 2.0% up on 2015, 359,700 of whom enrolled in on-campus programs (up by 0.7% on a same-shop basis) and 146,800 in distance-learning programs (up by 4.3% on a same-shop basis), as well as 1,500 from the acquisition of Faculdades Unidas Feira de Santana (FUFS) in the last 12 months.

- **Net operating revenue.** Net operating revenue totaled R$3,184.5 million in 2016, 8.6% up on 2015. In spite of price adjustments based on the year's inflationary costs, net revenue was subject to the following effects: (i) R$51.3 million reduction in Pronatec revenue, due to the graduation of the last students in this segment; (ii) R$17.0 million reduction in other revenue, essentially due to the end of the Rio 2016 project, referring to trainings offered to the volunteers of the Rio 2016 Olympic Games; (iii) R$14.3 million increase in other deductions, due to the accounting of transfers to distance-learning partners, as of the fourth quarter of 2015; and (iv) 1.8 percentage point increase in scholarships and discounts as a percentage of gross operating revenue between 2015 and 2016, chiefly due to the significant increase in monthly tuition exemption and discounts granted during the intake cycle of the first half of 2016 (approximately 3 percentage points higher than the averages presented in the 1H15, 2H15 and 2H16 cycles).

- **Cost of services.** The cost of services totaled R$1,809.0 million in 2016, compared to R$1,660.7 million in 2015, an increase of 8.9%. The costs of services rendered (excluding depreciation) represented 53.9% of net operating revenue, versus 53.3% in 2015, an increase of 0.6 percentage point over 2015, essentially due to the increase of 1 percentage point with personnel expenses.

- **Gross income.** Gross income totaled R$1,375.5 million in 2016, with a margin of 43.2%, flat over 2015.

- **General and administrative expenses.** G&A expenses totaled R$438.3 million in 2016, which corresponded to 13.8% of net operating revenue, down by 1.0 percentage point over 2015, chiefly due to one-off adjustments accounted in 2Q16, totaling R$28.1 million, as a result of the revision of the Company's contingency base, taking into consideration their nature and market assumptions. The following lines also underwent one-off adjustments: (i) personnel, due to internal restructuring, as a result of the reduction on the corporate structure and staff adjustments; and (ii) outside services, due to additional expenses with consulting and audit services, referring to the review of accounting practices and policies disclosed in 2Q16, and with advisors and consultants involved in the ongoing M&A negotiations. It is worth noting the R$19.0 million reduction in the institutional events line in 2016, mainly due to the end of the Rio 2016 project.

- **Selling expenses**. Selling expenses were a total of R$376.3 million in 2016, versus R$371.0 million in 2015, a decrease of 1.4%. In 2016, that line represented 11.8 of net operating revenue, versus 12.7% in 2015, a 0.8 percentage point margin gain over 2015, mainly due to: (i) the reduction in the marketing expenses/net revenue ratio of 6.7% in 2016, versus 7.1% in 2015; and (ii) the sale of the Customer portfolio, in the net amount of R$47.1 million, which benefitted the PDA in the period.

- **Net income.** Estácio posted an annual net income of R$379.0 million, 13.9% lower than in 2015, essentially due to the increases in the negative financial result (explained above) and depreciation and amortization lines, over 2015.
- **Dividends.** In 2016, Estácio paid approximately R$535.1 million in dividends to its shareholders, standing out among the 10 highest yields of shares traded in the BM&FBovespa in 2016.
- **Investments.** Estácio invested R$186.8 million in 2016, R$118.8 million of which in maintenance, mostly allocated to the upgrading of systems, equipment, libraries and laboratories in the units. In 2016, Estácio invested nearly 5.9% of the period net revenue, mainly in its academic model and in the new IT architecture, which increased by 25.1% and 59.1%, respectively, over 2015.
- **Cash.** The Company closed 2016 with cash and cash equivalents of R$404.0 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.** The Company's gross debt totaled R$1.02 billion, corresponding basically to: (i) issues of debentures of the Company (2nd series of R$300 million, 3rd series of R$187 million and 4th series of R$100 million); (ii) loans with the IFC (first loan of R$48.5 million and second loan of approximately R$20 million); and (iii) capitalization of equipment leasing costs, pursuant to Law 11638. Gross debt, in addition to commitments payable for the acquisitions (amounting to R$125.9 million) and the balance payable of taxes in installments (amounting to R$15.9 million), net of the Company's cash position (in the amount of R$404.0 million), totaled a net debt of R$760.4 million by the end of 2016.

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 different learning contents produced or maintained by Estácio are digitally available at the Virtual Learning Classroom - SAVA, which provides free access to all devices, 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 in PPT 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 6,000 faculty members, Estácio created approximately 140,000 new test items in 2016, feeding a database with close to 400,000 exam questions. This resource permits the application of nationally-integrated tests to 90% of the student base, in turn permitting 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).

Contributing to the learning and retention management, in 2016, Estácio consolidated the Academic Tutoring Program, which included the following projects: Evaluating Learning, with more than 60% of the on-campus student base taking preparatory mock exams; New Chance, with more than 35,000 students enrolled in simultaneous catch-up programs aimed to reverse bad results; Prepare, with more than 60,000 accesses to live revision classes before the main tests; in addition to 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.

Estácio's ENADE 2015 Results

The Company's ENADE 2015 results, similarly to the previous year, reaffirmed the success of our teaching model started in 2010. With 98% of our courses evaluated with positive indicators, the Estácio Group increased the number of institutions with positive grades (97.5%) – eight of our institutions were graded 4 (on a scale of 1 to 5, with 3 being the minimum) and Universidade Estácio de Sá, the largest institution of the Group, is among them.

Institutions and courses graded 4 or higher have priority in some MEC processes, leveraging potential and autonomy to open new courses, distance-learning centers and increase the number of places, reducing regulatory growth restrictions, with qualitative results that prove the Group's educational sustainability. Moreover, the good results – both from ENADE and in-loco visits – ensure priority in the offer of public financing.

The student base of courses evaluated in the 2015 cycle account for approximately 55% of the total base, which allowed a significant qualitative growth in the general indicators. Universidade Estácio de Sá, for example, reached the level of institutions graded 4 and became the second best private university in the Rio de Janeiro State, only behind PUC-Rio, a traditional non-profit institution

And the Estácio Group is proud with the results achieved, which are part of a sustainable, long-term work, which began with the implementation of its academic model in 2010, with the collaboration of more than 7,000 faculty members. With the 2015 results announced by INEP, Estácio is proud to be one of the educational groups whose results of academic quality evaluations most improved.

Regulatory Environment

Evaluation: ENADE and in loco visits

The result of Estácio's courses evaluated on the ENADE 2015 cycle have not been disclosed by the MEC.

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 2016 (115 course visits and 51 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 three-year period, the high grades of 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.

New Accreditation of Institution

In 2016, the MEC published accreditation ordinances of other five Estácio institutions:

i) Faculdade SEB de Negócios (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: Business Administration (degree), with 100 (one hundred) annual places, Accounting (degree), with 100 (one hundred) annual places, Production Engineering, with 100 (one hundred) annual places, Civil Engineering, with 200 (two hundred) annual places, and Architecture and Urbanism, with 100 (one hundred) annual places.

ii) Faculdade Estácio de Goiânia (given a grade 3 on a scale of 1 to 5 during the in loco visit), located in Goiânia, Goiás, authorizing it to offer the following courses: Business Administration (degree), with 200 (two hundred) annual places, Accounting (degree), with 200 (two hundred) annual places, Technology in Human Resources Management, with 200 (two hundred) annual places, Technology in

Logistics, with 200 (two hundred) annual places, and Technology in Financial Management, with 200 (two hundred) annual places.

iii) Faculdade Estácio de São Mateus (given a grade 3 on a scale of 1 to 5 during the in loco visit), located in São Mateus, Espírito Santo, authorizing it to offer the following courses: Business Administration (degree), with 120 (one hundred and twenty) annual places, Civil Engineering (degree), with 120 (one hundred and twenty) annual places, Production Engineering, with 120 (one hundred and twenty) annual places, Petroleum Engineering, with 120 (one hundred and twenty) annual places, and Technology in Human Resources, with 120 (one hundred and twenty) annual places.

iv) Faculdade Estácio de Manaus (given a grade 3 on a scale of 1 to 5 during the in loco visit), located in Manaus, Amazonas, authorizing it to offer the following courses: Business Administration (degree), with 150 (one hundred and fifty) annual places, Civil Engineering (degree), with 150 (one hundred and fifty) annual places, Production Engineering, with 150 (one hundred and fifty) annual places, Accounting, with 150 (one hundred and fifty) annual places, and Technology in Logistics, with 150 (one hundred and fifty) annual places.

v) Faculdade Estácio de Cachoeiro de Itapemirim (given a grade 3 on a scale of 1 to 5 during the in loco visit), located in Cachoeira do Itapemirim, Espírito Santo, authorizing it to offer the following courses: Business Administration (degree), with 120 (one hundred and twenty) annual places, Accounting (degree), with 120 (one hundred and twenty) annual places, Technology in Human Resources Management, with 120 (one hundred and twenty) annual places, Technology in Logistics, with 120 (one hundred and twenty) annual places, and Technology in Financial Management, with 120 (one hundred and twenty) annual places.

Increased Scope

In November 2016, the MEC also accredited 35 UNESA on-campus support centers to offer post-secondary distance-learning programs, as part of the ongoing process to increase the number of courses offered, thus allowing the expansion of distance-learning programs to new locations, substantially increasing the student base for this type of course.

New University Centers

In July 2016, the MEC carried out in loco visits for the accreditation of the Estácio University Center in Recife, located in Recife, Pernambuco, which was awarded a grade 4 on a scale of 1 to 5 during the in loco visit. This process is still awaiting the publication of the Ordinance, which should occur in the coming months, in order to work with the autonomy to increase the number of places, develop new courses and create new locations.

Increased Number of Places in Post-Secondary Education Institutions

Despite the Ministry of Education's diverse changes in the ordinances on the procedures to change places in 2016, it accepted 17 (seventeen) requests for additional places for courses of Estácio institutions without the right of autonomy, including for some Law Courses, totaling 1,412 (one thousand, four hundred and twelve) new places for Estácio Group.

Operations

On-campus Programs

At the close of 2016, on-campus undergraduate base totaled 329,400 students, 3.4% more than in 2015. Under the same-shop concept, i.e., excluding students from acquisitions in the last 12 months, growth would be 3.0%. In addition to the student base growth presented in this segment, it is worth noting the 3.8 percentage point increase in the retention rate in this period, due to initiatives focused on ensuring the importance and quality of studies to our students.

FIES student base totaled 115,800 students at the end of 2016, representing 35.1% of Estácio's on-campus undergraduate base (including acquisitions). The fact that the student base grew, in spite of the decline in the number of FIES students every semester, emphasizes Estácio's competitive advantages and strategies to attract new students, without depending on the FIES during the intake process.

Distance Learning

In 2016, distance-learning undergraduate base fell by 2.2% over 2015, to 106,900 students. In 2016, distance-learning had three enrollment cycles only, unlike the previous years when intake occurred every quarter. Estácio thus extended the period of its two main intakes, in order to reduce the operating costs of the smaller enrollment cycles. In spite of the decline in the segment's student base in 2016, it is worth noting the 3.7 percentage point increase in the retention rate over 2015.

Graduate Programs

Estácio closed 2016 with 71,600 students enrolled in graduate programs, 2.4% up on 2015. The highlights of the graduate segment in 2016 were the distance learning programs, which increased 27.2%, largely due to partnerships during the student intake process.

Corporate Governance

Quality and excellence in management 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.

Due to the highly fragmented shareholder base in October 2010 (free float of 80%), in 2011 Estácio adopted additional governance practices, including: (i) remote voting via the Assembleias Online system, to facilitate and increase participation in shareholders' meetings, (ii) preparation of the Manual for Participation in Shareholders' Meetings, and (iii) the creation of an internal area focused on corporate governance practices and compliance with large agreements. In 2014, it adopted the Public Power of

Attorney Request system in order to facilitate shareholders' participation in Shareholders' Meetings when they are unable to attend in person or cannot be represented by a proxy indicated by them, by appointing proxies assigned by the Company to help them.

In 2012, the Company created its Corporate Governance Portal, which acts as a direct communications channel between management and members of the Fiscal Council and the Board of Directors' Advisory Committees. The portal also allows secure access to corporate information, including corporate acts, meeting agendas and important news, and also serves as a repository of documents for consultation. Users can discuss subjects using a chat facility, create closed groups for debates and/or meetings, and propose and vote on subjects and texts. Also in 2012, we became affiliated to the Brazilian Corporate Governance Institute.

In 2014, we published our first Sustainability Report, which contained information related to 2013, using the Global Reporting Initiative (GRI) methodology and the associated G4 Guidelines, in accordance with international standards. One of the items in the Sustainability Report deals with Governance, detailing the Company's ownership structure, stakeholder network and Code of Ethics and Conduct.

In 2015, the Board of Executive Officers suggested, and the Board of Directors approved the creation of a Related-Party Contracting Policy, so that all Estácio employees can follow the same criteria during hiring of this type.

In 2016, the Board of Executive Officers proposed and the Board of Directors approved the creation of a Compliance department, subject to the Legal Executive Area, which subsequently became the Legal and Compliance Area. The Company hired a Compliance Officer who, together with a specialized multinational consulting firm, designed and began to implement a Compliance Program. The Company revised and relaunched its Code of Ethics and Conduct and created an Anticorruption Policy. It also designed a live training on Compliance, which has already been attended by the Board of Directors, Fiscal Council and all levels of the Company's Board of Executive Officers, in addition to more than 400 managers and several corporate departments, among which the Legal Department and the Procurement/Supplies Department. The training aims to address important topics on Compliance, such as: the impacts of corruption in the world; the cost of frauds in the world; the cost of fraud and corruption in the companies; detection of fraud and corruption; some market cases and the amount spent by the companies with internal investigation; the features of swindlers; comparison by type of fraud; the initiatives implemented in Brazil and in the world to fight against corruption; a summary of the Brazilian Anticorruption Law; Integrity Program; what is Compliance; the eight elements for an effective ethics and compliance program; the positive outcome for adoption of a compliance program; the role of Estácio's leaders towards compliance; compliance mechanisms available at Estácio and how to use them; the flow of receiving and handling claims in the Confidential Channel. In 2017, the training will be offered on a web platform and will be mandatory to all employees.

Structure of the Board of Directors and Board of Executive Officers

Estácio's Board of Directors, with a term of office until the 2018 Annual Shareholders' Meeting, usually composed of nine members, currently has eight members, all of whom independent. In January 2014, in order to enhance the operations of the non-statutory Advisory Committees by streamlining their response to requests by the Board, Estácio's Board of Directors approved changes in the attributions of the People and Management Committee and the Audit Committee, which now have the following denominations and responsibilities: (i) People and Governance Committee (formerly People and Management Committee), charged with assisting Board members in any matters related to human resources policies and standards, as well as corporate governance practices; and (ii) Finance and Audit Committee (formerly Audit Committee), charged with assisting Board members in any matters related to the Company's financial policies, as well as the internal and external audit processes. Underlining its commitment to its corporate purpose, Estácio also created the Academic Committee, whose purpose is to assist Board members in any matters related to the educational, research and extension activities developed by the institutions maintained by the Company and its subsidiaries. It is worth noting, however, that the existence of these Committees in no way implies the delegation of the Board's competences or responsibilities. As part of its principle of adopting best corporate governance practices, the Board of Directors adopted a set of Internal Regulations. As of 2014, it also created the post of Secretary to the Board of Directors and appointed a Secretary General whose main responsibility is to assist the Board of Directors and its Committees directly with their work. In 2016, with the election of the new Board of Directors, the activities of the Secretary General of the Board of Directors and its Committees were delegated to the Legal Department's Manager, who is responsible for Estácio's corporate matters, among others.

In June 2016, the Company's Board of Executive Officers began to be restructured and in the fourth quarter of 2016, all its members had been replaced. The Board of Executive Officers currently consists of seven executives (nota: pelo Estatuto Social podemos eleger de 03 a 08 membros – não precisa incluir o parágrafo) elected by the Board of Directors: a Chief Executive Officer, also incorporating the position of Investor Relations Officer, a Chief Financial Officer, an Education Officer and four other Officers without portfolio, responsible for the Market, Operations, Legal, Compliance and People and Management areas. The Fiscal Council, composed of three sitting members and their alternates, with a term of office of one year, has the duties and powers provided for in Law 6404/76.

Capital Market

In 2016, daily traded volume of Estácio's shares averaged R$35.7 million, 23.9% less than in 2015 but still among the most liquid shares traded on the BM&FBovespa. Estácio's shares closed the year at R$15.80, 13.3% up on the end of 2015.

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. The IR area also has a specific app, available for download at the APP Store and Google Play.

Sustainability and Corporate Social Responsibility

Educating to Transform Program

The Educating to Transform Program underpins Estácio's corporate social responsibility initiatives, organizing them into the Company's four pillars through which it contributes to the country's social development in a structured manner: Estácio in Sport, Estácio at School, Estácio Citizenship and Cultural Estácio. The program is managed by the Executive Board of Corporate Communication, Partnerships and Sustainability. With a team dedicated to the four pillars, the synergy between the initiatives becomes evident and generates higher impact initiatives to our students, faculty members, employees and the society.

In order to democratize access and ensure more positive experiences for the surrounding communities of Estácio campuses nationwide, we sought to expand into new locations, invested in healthy relationships with partner institutions and public authorities.

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

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, team work 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. It was thanks to this outlook, together with a long history of sports sponsorship, that we became the official university of the Rio 2016 Olympic Games.

Estácio in Rio 2016 and the Estácio Team of university athletes

In 2016, Estácio supported the Olympic Games and was the first post-secondary education institution to sponsor the Olympic Games. Estácio provided services to select and train 140,000 volunteers and 6,000 employees for the Rio 2016 Olympic and Paralympic Games. In addition to the volunteer training program, the Estácio Team of university athletes gained strong visibility in the media as part of the Estácio in Sport social responsibility platform.

In March 2016, the Company launched Team Estácio, a selection of athletes from several modalities supported by the institution. The event featured the importance of associating sports with education and our initiatives to help athletes compete, while continuing to study. Guga Kuerten, Estácio's Ambassador, spoke about the importance of Estácio's support to athletes, valuing an educational background. "Since my juvenile tennis experience, I brought my books along throughout the world. Larri Passos, my coach, helped me with my studies when I was not playing. Athletes must be prepared to retirement and now I see the importance of dedicating at least 15 or 30 minutes every day to study", says Guga.

Among the 300 people attending the event, other important sports personalities were present, such as Zico, former soccer player from Flamengo, Bruno Soares, a tennis player from Minas Gerais, and Rafaela Silva, judoka, representatives of the Olympic and Paralympic Committees, Sports Department, Federations, Confederations, Clubs and Institutes supported by Estácio. The Flamengo basketball team – FlaBasquete – came directly from Venezuela, where it ranked first for the FIBA Americas League. Former beach volleyball player Sandra Pires, graduated in Physical Education from Estácio, and tennis player Marcelo Demoliner, graduated in Administration also from Estácio, received an honor at the event. In addition to Sandra and Marcelo, other university athletes attended the event as part of Team Estácio. Tennis player Thiago Monteiro, from Ceará, who is an Administration student at Estácio and was one of the highlights in Rio Open and Brasil Open, was one of the most popular athletes of the event, as well as veteran basketball player Marcelinho Machado, who graduated in Marketing at the end of 2016.

Scholarships

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. Sporting stars such as 2016 Olympic medal-winner judoka Rafaela Silva, Olympic gymnast Daniele Hypólito, world surfing champion Adriano "Mineirinho" de Souza, and 200-meter medalist Bárbara Leôncio, as well as other Estácio students, became the first members of their families to take an undergraduate course.

We also sponsor tennis players Bruno Soares, Teliana Pereira, Fabiano de Paula and Thiago Monteiro and gymnast Daniele Hypólito, among others, as well as the Flamengo basketball team, three-time national champion, and several important events, including the Rio Open Tennis Championship, the Brazil Open Tennis Championship and the Davis Cup.

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 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.

Aberje Award

Estácio received the National Aberje Award in the category Program, Project and Sports Initiatives Communication with the case "Estácio in Sport – Educating Champions". The case showed the strong and encompassing connection of the institution with sports throughout the years and during the Olympic Games. In this project, Estácio's communication teams gathered to create a strategy to draw even more attention to the platform, for a noble reason: for the first time, a post-secondary education institution would be the official sponsor of the Olympic Games.

Aberje Award's main objective is to emphasize and share the best experiences in business communication, in order to contribute to the development of this activity and its strategic positioning in organizations. In October, Estácio had already been recognized in the Regional Rio de Janeiro and Espírito Santo categories. In order to win the award in the National category, the Executive Board of Corporate Communication, Partnerships and Sustainability team presented the case to a panel composed of renowned Corporate Communication professionals.

"Estácio was the only post-secondary education institution in the world to sponsor the Olympic Games. Our Social Responsibility program values Sports by constantly supporting the post-secondary education of athletes from their beginning in sports to high performance. Our main mission is Educate to Transform. Education and Sports are important social transformation agents. Estácio is honored to receive the Aberje Award, which represents a major encouragement before facing the upcoming challenges. We are very happy", says Cláudia Romano, Estácio's Executive Officer of Corporate Communication, Partnerships and Sustainability, who implemented, in 2004, the first initiatives and projects that culminated with the creation of the Estácio in Sport platform, in 2013.

Estácio Journalism Award

In 2016, the Estácio Journalism Award, the only award granted to the Brazilian press in recognition of the best news coverage on post-secondary education, completed six years having obtained significant results both in number of registrations and in quality articles produced. The program's participants to date total more than 400 media vehicles and 800 journalists, with more than 100 winners (among competing individuals and teams) and more than 1,400 newspaper, magazine, website, radio and TV articles enrolled. The award was consolidated as a coverage national program, with participants from 25 states and the Federal District. Last edition's award ceremony was held in the new tourist point of Rio de Janeiro, the *Museu do Amanhã* (Museum of Tomorrow), and was attended by approximately 130 people, most of whom communication professionals from all Brazilian regions.

Época Negócios 360º Yearbook Award

Estácio was ranked the best company in Brazil in the Education industry. This was the second consecutive year that Estácio receives this award. In 2015, the institution was awarded the best company in the Services category. The Época Negócios 360º Yearbook is in its 5th edition and is already a benchmark in the corporate world. The objective of the publication, a partnership between the magazine and the Dom Cabral Foundation, is to measure, through a multidisciplinary view, the categories (Financial Performance, Corporate Governance, Innovation, Social and Environmental Responsibility, HR Practices and Vision of Future) which are significant for the continuous success of the organizations, electing the best companies of the year in their respective industries. A total of 27 companies were recognized, in addition to six champions in each category.

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 following projects: Rio Estácio Cycling Tour, Rio Open de Tennis and Minas Club Athlete Training and Development Program, 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.

Sports Caravan

The Sports Caravan is a major social initiative and mobilization movement involving education, culture, sports and leisure. Based on the educational sport principle, it is present in Brazilian municipalities with the lowest Human Development Index (HDI), uniting professors, athletes, institutions and sports organizations, in order to ensure that these communities have a sporting legacy. In addition to supporting the project, our students and faculty members are part of the Caravan team, assisting the communities during each season.

Cuidar

The Flamengo Club's High Performance Athlete Identification and Development Center (CUIDAR) uses the most modern scientific methods to evaluate, prepare and enhance athletes' technical performance. By implementing a sports science center, the club will have a better set of tools with which to develop high-performance sport through the multidisciplinary monitoring of the athletes' progress.

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 and public school students, and encouraging transformative educational initiatives, such as the **Educational Territories Award.**

IV Teaching Degree Fair

Held in association with the Rio de Janeiro State Education Department, the fair involves the exchange of experiences between our faculty members and high-school students, addressing the challenges and rewards of their chosen profession and motivating these students to gain a teaching degree and become educators. In 2016, the fair expanded its boundaries and was held in other cities, such as Vitória/ES, São Luís/MA, Niterói/RJ and Belo Horizonte/MG. In some locations, the Teaching Degree Fair was one of the activities of the Profession Fair. The event aimed to opening Estácio's doors to high school students. The audience attended lectures on careers and the labor market, and could take career tests. In São Luís and Niterói, initiatives were carried out to prepare students for the Enem. In addition, all units were opened for students to register and take the exam to enter Estácio.

Educational Territories Award

The Educational Territories Award project, 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 first edition, the Award was aimed at professors of the São Paulo basic school system involved in ongoing education experiences, who have actions for 2016, 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 mentoring city. Seminars were held at the beginning and end of the Award and received scores from the Municipal Education Department.

For 2017, Estácio is planning the II Educational Territories Award, which will also be sponsored by the Federal Law for Culture Incentive – Rouanet.

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. Among the activities arising from this partnership, we highlight the launch of the Estácio Reading Area at the Solar Meninos de Luz library, in May 2016. Students of the first year of elementary school participated in a story telling activity that motivated everyone. At the end of the event, each child received a Rio 2016 Olympic Games mascot Vinícius.

Ideas Contest – Sustainable School – Dom Cipriano Chagas

In July 2016, Estácio launched the Ideas Contest – Sustainable School – Dom Cipriano Chagas, a cultural and academic project that engaged Estácio students in sustainable practices towards the reality of the school, and raise the awareness of 200 students and their families on Sustainability.

Architecture and Urbanism, Environmental Management and Engineering students of Rio de Janeiro State were invited to take part in the contest by submitting proposals and solutions that support the incorporation of ecoefficiency and social and environmental responsibility values through a real case study to Dom Cipriano Chagas school, located in Botafogo, Rio de Janeiro/RJ.

Once Upon a Time... Brazil

Sponsor of the 'Once Upon a Time... Brazil', a cultural project approved by Laurentino Gomes, journalist and writer, Estácio hosted the event that announced the 100 public school students who won a 10-day trip to Portugal to visit the paths of the Portuguese court before their arrival in Brazil.

In its 3rd edition with the theme "the transfer of the royal family and the Portuguese court to Brazil", the project refers back to the history of Brazil and provides a unique experience for public school students from six cities to learn outside the classroom.

It consists of nine months of intense activities that include the preparation of teachers, school projects, an entire week "camped" in a location defined by the project organizers, and a ten-day trip to Portugal granted to the best students. The event also featured the comic books and short films created by the students.

With the mission of offering transformative education to as many people as possible, creating a positive impact to society, Estácio believes that the project is definitely in line with this mission. Students had the opportunity to learn and understand history in order to have a critical sense of the future.

Estácio Citizenship

When putting our mission of educating to transform into practice, we rapidly realized that we were not alone. 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.

Facebook and CUFA entrepreneurship marathon project

Facebook entered into a partnership with *Central Única de Favelas* (CUFA) and Estácio to provide training to small and mid-sized entrepreneurs from Rio de Janeiro communities. The initiative was designed to encourage people to use the Internet to take advantage of the business opportunities offered by the 2016 Olympic Games.

The Entrepreneurship Marathon project featured an innovation lab that offered classes developed in a partnership with Estácio to teach the best practices to generate results using the platform, as well as general ideas on privacy and security to entrepreneurs. In addition to the lab, the project included a Kombi named "Facekombi", which visited 10 communities in Rio de Janeiro to teach local entrepreneurs on how to use social medias to develop their business.

Storytelling Workshops

The *Associação Viva e Deixe Viver* is a Public Interest Non-Governmental Organization (OSCIP) that trains volunteers to become storytellers in hospitals/schools for children and adolescents in eight cities of the country. Estácio sponsored the project through the Rouanet Law, which included six storytelling workshops offered to employees and the general public at Educare (Estácio's corporate university) and other actions to meet the needs of the **Educating to Transform Program** strategies**.**

The Storytelling Training Program was launched on a lecture named "Book – Such a Magic Object" and was attended by educators and volunteers representing Solar Meninos de Luz, Fundação Gol de Letra, Instituto da Criança, Instituto Marques de Salamanca, Colégio Dom Cipriano das Chagas and the NGO Alfa, in addition to Estácio's faculty members. The activity preceded a number of workshops and was intended to provide tools to develop and train volunteers in storytelling. Registration was made via the Estácio Volunteer Portal and covered our Citizenship and School pillars.

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. Especially in 2016, we encouraged the units to contribute to Amazonia Live, a Rock in Rio social project, whose objective is to plant more than one million trees in 400 hectares of deforested area at the headwaters of the Xingu River. In addition to reforesting the area, water will be preserved and the local economy will be fostered, given that the seeds will be provided by the region's indigenous peoples.

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 5th edition, held on September 14, 2016, which occurred at the same time as the 4th Sustainability and Social Responsibility Week, the initiative mobilized 7,000 employees in a healthy exercise of citizenship, benefitting over 50,000 people around Brazil.

Among the activities, Estácio's employees were invited to participate in a volunteer initiative at the Dom Cipriano Chagas school, when children helped cleaning and fixing all toys of the school's toy library.

On the same day, the Estácio de Sá Monument received high school students for a storytelling workshop. The project, in a partnership with the Rio de Histórias Institute, is supported by the law for culture incentive and aims to provide tolls to develop and train volunteers in the practice of storytelling.

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.

Art Rio

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 Festival on the Road

The Music Festival on the Road is one of the biggest cultural projects in the North of the country. The exchange of people and arts in the Amazon continued in the 2016 version of the Music Festival on the Road, which was expanded to other regions of Brazil. In addition to the six cities in the North region (Belém (PA), Boa Vista (RR), Macapá (AP), Manaus (AM), Porto Velho (RO) and Santarém (PA)), the Midwest Region (Brasília/GO) was included on the 6th edition of the festival. Santarém, in Pará, hosted the Music on the Road festival for the first time.

Rio, I love it and I take care of it

"Rio, I love it and I take care of it", a campaign against littering, was hosted in Rio de Janeiro in September 2016. Gigantic sculptures were displayed in several locations to show that "small pieces of garbage" are a huge problem. The aim is to raise awareness about cigarette butts, straws and plastic bags thrown on the floor. The "Rio, I love it and I take care of it" initiative, sponsored by Estácio and the Municipal Law for Culture Incentive, displayed four four-meter-high monuments in specific places in the South, North, West and Downtown areas. In Cinelândia, Downtown, a gigantic cigarette was displayed to call the attention of the pedestrians, as well as a cup spilling coffee in Praça Antero de Quental, Leblon, in the South region.

Eastern Expedition - the Schurmann Family

The round-the-world trip on board the sailing ship Kat began on September 21, 2014 and ended in December 2016. Estácio participated in the adventure as one of the sponsors of the expedition, which crossed four oceans and visited 50 ports in 29 countries in five continents. It is worth noting that the Kat is equipped with efficient water and energy consumption features, among other sustainability requirements.

Rio Tour

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

Brazil Tour

For three years, Rio de Janeiro has been hosting the Rio Tour, known for its open-air classes. In 2016, the event, which gathered more than 15,000 people, was hosted in five other capitals. The tours include facts, historical figures, fun facts and architectonic information of each region prepared by William Martins and Rodrigo Rainha, coordinators of the history course of Universidade Estácio. The Brazil Tour was hosted in Fortaleza/CE, Belo Horizonte/MG, Salvador/BA, São Paulo/SP and Florianópolis/SC, giving visibility to the Estácio brand in these locations.

Sustainability

In 2016, for the third 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 12 and 17, 2016, Estácio held its Fourth Sustainability and Social Responsibility Week, with more than 400 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 2016, the communication campaign focused on the management of waste, raising awareness of the role of each individual towards the preservation of the environment. Posters and banners were distributed in Estácio units and the posts in social medias reached more than one million followers.

Around 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.

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 2016 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 15,296 employees, 9,733 of whom faculty members and 5,563 in administrative and educational support positions, present in 22 states and 50 cities in Brazil.

In 2016 as a whole, the Institution paid R$1,381 billion in payroll and benefits.

The profile of the Company's employees stands out for its diversity of gender and age: 49% are men and 51% women, with an average age of 41 (including administrative, support and faculty members). The breakdown by age (including faculty members) is as follows: (i) 10% under 25; (ii) 38% between 25 and 35; (iii) 31% between 35 and 45; (iv) 18% between 45 and 60; and (v) 3% 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 February 2017. The survey, conducted by an external consultancy firm specialized in Human Resources projects, was answered by more than 10,000 people, equivalent to 73% of the employees and achieved a significant overall engagement of 74%.

The improving climate results can also be perceived through the analysis of the time employees remain in the Company, which reached an average of six years in 2016 (including faculty members), as follows: (i) 53% under 5 years; (ii) 23% between 5 and 10 years; (iii) 16% between 10 and 15 years; (iv) 7% between 15 and 20 years; 1% above 20 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 2016, we invested over R$2.5 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 Occupational Safety Program and First Steps in Management. In addition, Educare, the Estácio Corporate University, launched two new programs:

- New Service Matrix: aimed to train employees in providing excellent services to customers; value self-knowledge and self-development to deal with the complex human relations; become aware of the importance of verbal and non-verbal communication when interacting with customers; recognize the importance of team work and leadership; turn technical knowledge into consultive and interesting training; become aware of their role in our company and feel as the owner.

- Training Analysts from the Corporate Area: aimed to improve employee performance, developing qualification and behavioral skills that adhere to our culture.

In 2016, 66% of the employees (administrative and faculty members) attended at least one training at Educare. A total of 44,036 courses were concluded in the year.

Faculty Training Incentive Program

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

PIQ Continued Traini

In 2016, 4,794 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 nine years of existence, PIQ Merit has already awarded 450 faculty members.

In 2016, the Masters and PhD Scholarship Program totaled 120 active external scholarships and 17 active internal scholarships, while 141 external scholarships and 53 internal scholarships have already been concluded. Additionally, 145 faculty members were granted incentives to participate in scientific events, 91 of held abroad and 54 held in Brazil.

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.

Held in April 2016, Estácio's annual senior management meeting brought together 450 executives to discuss the topic "In the Pursuit of Excellence". Focused on the 2020 Vision, the meeting generated strong results in regard to the progress and maturation of our projects, as well as providing an opportunity for the dissemination of best practices and the transmission of priority targets and projects for 2016. The main lecturers of the event were José Galló, CEO of Renner, and Professor Vicente Falconi, elected by the American Society for Quality as "One of the 21 voices of the 21 Century".

Estácio also 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 and management processes. In 2016, we concluded the fourth cycle of PEG evaluations, recognizing and rewarding the highest performing units. By using the Six Sigma methodology, implemented in 2012, Estácio also put together a team of green belts specialized in implementing the methodology for strategic projects.

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. Additionally, as of 2016, the adhesion to the management processes is measured based on the Management Adhesion Index - IAD, which evaluates the use of the Estácio Management System considering managers N1 and N2. In the first measure cycle, the Company reached an average score of 75.7.

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 PricewaterhouseCoopers Auditores Independentes ("PwC") to audit Estácio's individual and consolidated financial statements for the fiscal year ended December 31, 2016, prepared in accordance with Brazilian accounting practices. The fee for the external audit was R$2,638,251.31. We also contracted PricewaterhouseCoopers for additional services not related to the examination of our financial statements and the fees referring to each service are shown below. PwC hereby declares that services provided in 2016, not related to the audit, comprised essentially the review of compliance with the Company's internal policies and standards ("Compliance") and, therefore, do not affect the independence and objectivity needed for the provision of audit services.

Service	Fee	Term	Nature
Audit	2,638,251.31	April 2016 to March 2017	Quarterly reviews and analysis of the 2016 financial statements
Advisory	1,709,757.43	2016	Compliance wih internal control policies
Risk	97,500.00	August 2015 to January 2016	Advisory services - Risk Management Project
Training	6,600.00	November 2016	Training on IFRS
TOTAL	**4,452,108.74**		

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 2015 were only possible thanks to the support and trust of the shareholders, students, suppliers and financial institutions and, especially, the dedication and efforts of our faculty and employees. We trust we can rely on this same support and dedication in 2016. 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 PricewaterhouseCoopers Auditores Independentes, both of which for the fiscal year ended December 31, 2016.

Rio de Janeiro, March 15, 2017.

Alberto de Senna Santos; Antônio Higino Viegas; Hudson Rubem de Oliveira Mello Junior; Leonardo Moretzsohn de Andrade; Maurício Pereira Ignácio; Pedro Thompson Landeira de Oliveira; Sergio Santos Leite Pinto.

(A free translation of the original in Portuguese)

Estácio Participações S.A.

Financial statements at
December 31, 2016
and independent auditor's report

Independent auditor's report

To the Board of Directors and Stockholders
Estácio Participações S.A.

Opinion

We have audited the accompanying parent company financial statements of Estácio Participações S.A. (the "Company"), which comprise the balance sheet as at December 31, 2016 and the statements of income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Estácio Participações S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statements of income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

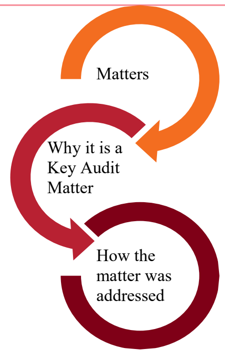
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Estácio Participações S.A. and of Estácio Participações S.A. and its subsidiaries as at December 31, 2016, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Why it is a Key Audit Matter

(a) Revenue recognition (Note 1.5 to the financial statements)

In the second quarter of 2016, Management identified transactions involving revenue that were in disagreement with the Company's standards and policies, which gave rise to an investigation to verify the existence of possible inconsistencies in its financial statements and operational processes. As a result of the investigation, the Company identified the recording of inadequate transactions in the period, and measured the accounting effects that affected the result for the current year and that of prior years.

Due to the nature of this subject, the amounts involved, and the deficiencies in internal controls that permitted the occurrence of the transactions identified, this matter was considered a significant event in our 2016 audit.

How the matter was addressed in the audit

In relation to this matter, our audit procedures included, among others:

Testing of significant Information Technology internal controls and systems that support the processes of revenue recognition, including, but not limited to, operating controls for the registration of students, contracting process, enrollment and renewal of enrollment.

Inspection of documents that evidence transactions involving revenue with students, on a sampling basis, including: a) contracts for the provision of educational services signed in the current and prior years; b) documents required by the Company's policies for the registration of students; c) proof of payment of enrollment and tuition fees, and settlements; d) student attendance reports; and e) reports of tests taken.

Reprocessing by school semester, with the use of computer-assisted audit techniques, of the revenue files per student, comparing them with the information of their respective academic records (attendance and tests taken), aiming to identify the revenue recognized but not yet written off in the year.

Monitoring of the investigation procedures carried out by the Company to obtain evidence of the adequacy of the adjustments described in Note 1.5,

Why it is a Key Audit Matter	How the matter was addressed in the audit
	and discussion of the findings with Management and those charged with governance. As a result of the application of these procedures, we did not identify significant aspects, in the context of the audit of the financial statements, that would lead us to consider as necessary changes in the amounts and information disclosed in relation to this matter.
(b) Provision for impairment of renegotiated receivables (Note 1.5 to the financial statements) In connection with the subject addressed in the previous KAM, the Company's management also investigated inconsistencies in operational processes and correspondent records in disagreement with the Company's standards and policies in relation to the provision for impairment of renegotiated receivables, whose methodology is mentioned in Note 4. Considering the errors in internal controls that permitted the occurrence of inconsistencies in the recording of the provision for impairment of receivables in the current and prior years, this matter required significant attention during our audit work.	With regard to the recording of the provision for impairment of renegotiated receivables, in the context of the audit of the financial statements, our audit procedures included, among others: Testing of significant Information Technology internal controls and systems that support the processes of renegotiation of receivables, including specific controls regarding contracting, enrollment and renewal of enrollment. Analysis and inspection, on a sampling basis, of documents that evidence the prior analysis of the student's credit risk, the conditions of the agreement established between the parties, and subsequent settlements. Verification of the application of the Company's policy for the approval of renegotiations of receivables, and the definition of estimates of impairment of the renegotiated receivables. Monitoring of the investigation procedures carried out by the Company to obtain evidence of the adequacy of the disclosures and adjustments described in Note 1.5, and discussion of the findings with Management and those charged with governance. As a result of the application of these procedures, we did not identify significant aspects, in the context of the audit of the financial statements, that would lead us to consider as necessary changes in

Why it is a Key Audit Matter	How the matter was addressed in the audit
	the amounts and information disclosed.
(c) Realization of the goodwill paid in business combinations (Note 9 to the financial statements) The test of impairment of goodwill based on expected future profitability, resulting from business combinations carried out by the Company, involves critical estimates and judgments by Management. The goodwill paid in these business combinations represent approximately 30% of the total assets. Among other critical estimates established by Management, we highlight the discount rate used in the discounted cash flow method, the assumptions used in the projections of revenue, costs, and investments. Changes in these assumptions may give rise to significant effects on the financial statements. Due to the aforementioned aspects, this matter was considered an area of focus in our audit.	In relation to the test of impairment of goodwill, the main audit procedures applied may be summarized as follows: Obtaining and verification of the projected cash flows prepared by Management for the testing of impairment, by comparing them with the business plans approved by the Governance area. We also compared prior-year projections with the actual results to evaluate the effectiveness of the business plans, and the level of adequacy of the projections previously established. Discussion with Management regarding the main assumptions and tests, and the methodology used in the measurement of the recoverable value, especially the discount and growth rates used in the projection, considering: • Involvement of our experts in the assessment of the companies in the discussion of the main assumptions used, in comparison with those observed in the market for similar businesses, when available. • Performance of sensitivity test on the main assumptions adopted by Management. We consider that the assumptions and model used by Management are reasonable, taking into account the historical results, external economic factors and industry projections.
(d) Provision for labor and tax contingencies (Note 16 to the financial statements) During 2016, the Company reviewed	In respect of this matter, we performed the following audit procedures: Understanding of the processes implemented by Management to identify, monitor and record

Why it is a Key Audit Matter	How the matter was addressed in the audit
its judicial proceedings, especially with regard to the amounts involved, which are the basis for the recording of provisions for unfavorable outcomes, recognizing an adjustment in the result for the year of R$ 24 million. Any change in the likelihood of unfavorable outcomes, as well as changes in amounts resulting from decisions issued, may give rise to significant impacts on the Company's financial statements. This matter was considered a significant area in our audit, since it involves critical judgments in relation to the likelihood of a favorable outcome in judicial proceedings, and the estimate of disbursements as a result of possible settlements with the plaintiffs.	contingencies. Direct confirmation with the internal and external legal advisors, who are responsible for the Company's administrative and judicial proceedings, to verify the amounts and likelihood of unfavorable outcomes in the proceedings, and their correct disclosure in the Notes to the financial statements. Analysis of the assumptions used for the recording of tax contingencies, taking into consideration the specific criterion adopted by the Company, based on the history of payment of proceedings, including settlements. With regard to certain proceedings, we engaged our internal experts on these matters to support us in the discussions related to the likelihood of unfavorable outcomes defined by the lawyers, and also to verify the calculation of amounts involved. As a result of the application of these procedures, we consider that the assumptions and criteria used are reasonable, and the disclosures are consistent with the information disclosed by the Company.
(e) Eligibility of students to the benefits of the Student Financing Fund ("FIES" or "Program") (Note 4 to the financial statements) Due to the allegations of possible cases of non-compliance with the student eligibility criteria for the FIES benefits, the Company verified, in its student basis, those that enrolled to the Program to confirm that the eligibility criteria were in line with the provisions of Law 10,260/200, which establishes that the enrollment in the Program should consider goals for student academic performance in certain school periods. Based on its	In respect of this matter, we performed the following audit procedures: Understanding and testing of the main internal controls that support the process of amendments to FIES contracts (enrollment of the student in FIES). Understanding of the Company's internal policy for the definition of the criterion to determine the "academic performance" in the process of contractual amendment of FIES, as disclosed in Note 4. Obtaining of the legal opinion, prepared by the external legal advisors, on the interpretation of the requirements of Law 10,260/2001 as regards the

Why it is a Key Audit Matter	How the matter was addressed in the audit
interpretation of the Law, supported by the opinion of its external legal advisors, the Company concluded that it is in compliance with the legal requirements, and no additional obligation should be recorded. This matter was considered an area of focus in our audit, since it involves interpretation of the concept of academic performance, and its compliance with the Company's operating practices.	definition of academic performance, and confirmation, by the aforementioned advisors, that there are no additional obligation, considering that the discretionary academic performance criteria have been applied in a consistent manner by the Company. Gathering of evidences, through tests on a sampling basis, to verify the academic performance of certain students in comparison with the position of the legal advisor and the Company's internal policies. As a result of the procedures applied, we consider that the criteria for the recordings are consistent with the position of the internal and external legal advisors, and the disclosures are in line with the information obtained in our work.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2016, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

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

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as 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 parent company 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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from 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 an audit 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 the risks of material misstatement of the parent company 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company 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 parent company 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying 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 control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements 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.

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

Rio de Janeiro, March 15, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" RJ

Claudia Eliza Medeiros de Miranda
Contadora CRC 1RJ087128/O-0

Estácio Participações S.A.

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

Assets	Parent company			Consolidated		
	December 31, 2016	December 31, 2015 (Re-presented Note 1.5)	January 1, 2015 (Re-presented Note 1.5)	December 31, 2016	December 31, 2015 (Re-presented Note 1.5)	January 1, 2015 (Re-presented Note 1.5)
Current						
Cash and cash equivalents (Note 3)	95	429	249	58,340	48,410	48,011
Marketable securities (Note 3)	127,240	424,050	440,995	345,669	645,350	667,070
Swap differential receivable		24,820			24,820	
Accounts receivable (Note 4)				847,282	648,289	497,448
Advances to employees/third parties			361	14,308	28,778	50,427
Related parties (Note 5)	2,423	2,189	1,555			
Prepaid expenses (Note 6)	215	119	351	36,390	62,176	66,158
Dividends receivable	200,000	136,731	101,091			
Interest on capital receivable		1,275	1,275			
Taxes and contributions (Note 7)	36,452	26,395	11,433	110,472	93,733	65,330
Others		362	1,401	41,234	35,204	32,987
	366,425	616,370	558,711	1,453,695	1,586,760	1,427,431
Non-current						
Long-term receivables						
Trade receivables (Note 4)				317,598	445,505	
Prepaid expenses (Note 6)				5,689	11,798	8,805
Judicial deposits (Note 16)	2,208	2,373	2,373	119,491	108,912	120,941
Deferred taxes (Note 26)				58,752	53,998	35,460
Taxes and contributions (Note 7)	186	2,844	2,844	36,315	32,627	25,337
Others				59,832	17,186	10,818
	2,394	5,217	5,217	597,677	670,026	201,361
Investments						
In subsidiaries (Note 8)	2,305,020	2,262,159	2,262,159			
Others				228	228	228
	2,305,020	2,262,159	2,262,159	228	228	228
Intangible assets (Note 9)	809,747	829,454	829,454	1,469,492	1,488,678	1,375,428
Property and equipment (Note 10)	43	90	90	620,060	535,920	465,711
	3,114,810	3,091,703	3,091,703	2,089,780	2,024,826	1,841,367
	3,117,204	3,096,920	3,096,920	2,687,457	2,694,852	2,042,728
Total assets	3,483,629	3,713,290	3,713,290	4,141,152	4,281,612	3,470,159

Liabilities and equity	Parent company			Consolidated		
	December 31, 2016	December 31, 2015 (Re-presented Note 1.5)	January 1, 2015 (Re-presented Note 1.5)	December 31, 2016	December 31, 2015 (Re-presented Note 1.5)	January 1, 2015 (Re-presented Note 1.5)
Current						
Accounts payable	1,814	1,353	112	66,138	75,024	61,620
Borrowings (Note 11)	444,592	271,831	19,833	468,114	291,346	28,464
Salaries and social charges (Note 12)	268	250	199	155,233	128,238	127,029
Taxes payable (Note 13)	215	295	2,111	63,782	80,095	40,506
Monthly tuitions received in advance				27,403	23,547	20,067
Advances under agreements	1,800	1,800	1,800	2,887	2,887	2,887
Taxes payable in installments (Note 14)				3,128	2,254	3,590
Related parties (Note 5)	4,303	4,295	4,209	633	512	538
Dividends payable	87,439	115,111	101,169	87,439	115,111	101,169
Price of acquisition payable (Note 15)				53,565	41,980	20,486
Others	34	3	4	8,992	6,562	9,639
	540,465	394,938	129,437	937,314	767,556	415,995
Non-current						
Long-term payables						
Borrowings (Note 11)	498,290	726,587	544,827	554,419	758,302	560,709
Contingencies (Note 16)				64,880	33,057	28,858
Advances under agreements	300	2,101	3,900	481	3,368	6,254
Taxes payable in installments (Note 14)				12,780	17,372	15,763
Deferred taxes (Note 27)	9,871	16,669	27,528	23,604	36,078	46,348
Provision for asset decommissioning				22,313	16,559	15,031
Price of acquisition payable (Note 15)				72,376	61,101	39,213
Others	30	30	30	18,312	15,254	12,360
	508,491	745,387	576,285	769,165	941,091	724,536
Equity (Note 17)						
Share capital	1,130,818	1,064,934	1,053,098	1,130,818	1,064,934	1,053,098
Share issue costs	(26,852)	(26,852)	(26,852)	(26,852)	(26,852)	(26,852)
Capital reserves	661,123	661,820	642,736	661,123	661,820	642,736
Revenue reserves	816,014	1,010,666	685,497	816,014	1,010,666	685,497
Treasury shares	(146,430)	(137,603)	(24,851)	(146,430)	(137,603)	(24,851)
	2,434,673	2,572,965	2,329,628	2,434,673	2,572,965	2,329,628
Total liabilities and equity	3,483,629	3,713,290	3,035,350	4,141,152	4,281,612	3,470,159

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	
	2016	2015 (Re-presented Note 1.5)	2016	2015 (Re-presented Note 1.5)
Continuing operations				
Net operating revenue (Note 22)			3,184,505	2,931,466
Cost of services rendered (Note 23)			(1,809,042)	(1,660,678)
Gross profit			1,375,463	1,270,788
Operating income (expenses)				
Selling expenses (Note 24)			(376,285)	(370,989)
General and administrative expenses (Note 24)	(43,166)	(34,744)	(538,377)	(458,890)
Equity in the results of subsidiaries (Note 8)	502,268	520,077		
Other operating income (Note 25)	1,247	1,635	(1,710)	27,578
Operating profit	460,349	486,968	459,091	468,487
Finance income (Note 26)	58,686	140,549	175,138	219,894
Finance costs (Note 26)	(157,796)	(194,294)	(261,436)	(251,554)
Finance result, net	(99,110)	(53,745)	(86,298)	(31,660)
Profit before income tax and social contribution	361,239	433,223	372,793	436,827
Current and deferred income tax (Note 27)	5,047	5,182	(2,171)	3,607
Current and deferred social contribution (Note 27)	1,816	1,874	(2,520)	(155)
Earnings for the year attributable to the stockholders	368,102	440,279	368,102	440,279
Basic earnings per thousand share (Note 21)	1,16037	1,39213	1,16037	1,39213
Diluted earnings per thousand share (Note 21)	1,15953	1,38782	1,15953	1,38782

There was no comprehensive income for the years ended December 31, 2016 and 2015.

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 reais unless otherwise stated (A free translation of the original in Portuguese)

			Capital reserves			Revenue reserves				
	Share capital	Share issue expenditures	Long-term Incentives	Share premium	Options granted	Legal	Profit retention	Treasury shares	Retained earnings	Total
At January 1, 2015 (Re-presented – Note 1.5)	1,053,098	(26,852)	2,478	595,464	44,794	52,780	632,717	(24,851)		2,329,628
Stock options exercised (Note 17)	11,836									11,836
Options granted (Note 19)					19,150					19,150
Long-term incentives (Note 19)			3,718							3,718
ILP payment with treasury shares (Note 17)			(3,784)					3,784		
Treasury shares acquired (Note 17)								(116,536)		(116,536)
Profit for the year (Re-presented – Note 1.5)									440,279	440,279
Allocation of profit										
Transfer to reserves						22,014	247,825		(269,839)	
Capital increase							55,330		(55,330)	
Mandatory minimum dividend (R$ 0.34 per share)									(104,566)	(104,566)
Additional dividends									(10,544)	(10,544)
At December 31, 2015 (Re-presented – Note 1.5)	1,064,934	(26,852)	2,412	595,464	63,944	74,794	935,872	(137,603)		2,572,965
Stock options exercised (Note 17)	10,554									10,554
Options granted (Note 19)					1,505					1,505
Long-term incentives (Note 19)			1,490							1,490
ILP payment with treasury shares (Note 17)			(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										
Transfer to reserves						18,405	262,273		(280,678)	
Capital increase	55,330						(55,330)			
Mandatory minimum dividend (R$ 0.29 per share)									(87,424)	(87,424)
At December 31, 2016	1,130,818	(26,852)	210	595,464	65,449	93,199	722,815	(146,430)		2,434,673

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 reais unless otherwise stated (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2016	2015 (Re-presented – Note 1.5)	2016	2015 (Re-presented – Note 1.5)
Cash flows from operating activities				
Profit before income tax and social contribution	361,239	433,223	372,793	436,827
Adjustments to reconcile profit with cash from operations				
Depreciation and amortization	19,909	20,154	191,886	163,597
Amortization of funding costs	1,380	909	1,380	909
Provision for impairment of trade receivables			221,290	168,630
Options granted – stock options provision			1,505	19,150
Income on financial investments	(6,531)	(30,765)	(11,007)	(59,698)
Provision for contingencies			109,484	49,302
Update of trade receivables - FIES			(12,663)	(18,734)
Present value - trade receivables - FIES			(14,920)	28,114
Adjusted tax credits	(2,513)		(8,893)	(9,460)
Interest on borrowings	115,992	90,893	120,638	92,034
Equity in the results of subsidiaries	(502,268)	(520,077)		
(Gain) loss on the disposal of property and equipment and intangible assets			21,533	(3,221)
Provision for decommissioning of assets			5,754	1,529
Others	(526)	(1,800)	5,737	8,441
	(13,318)	(7,463)	1,004,517	877,420
Changes in assets and liabilities				
Marketable securities	303,341	47,710	310,688	81,418
Increase in trade receivables			(263,223)	(770,548)
Decrease (increase) in other assets	136	490	(5,892)	(2,225)
Decrease (increase) in advances to employees/third-parties		361	14,470	22,852
Decrease in prepaid expenses	(96)	232	25,786	3,982
Decrease (increase) in taxes and contributions	(4,886)	(14,146)	(11,534)	(26,125)
Increase (decrease) in trade payables	461	1,241	(9,139)	9,152
Increase (decrease) in taxes payable	(15)	(1,492)	(22,572)	8,044
Increase in salaries and social charges	18	51	26,336	(3,044)
Increase (decrease) in monthly tuitions received in advance			3,856	3,480
Labor/civil convictions			(77,662)	(45,145)
Price of acquisition payable			15,727	(12,183)
Increase (decrease) in other liabilities	31		5,487	150
Deferred income tax and social contribution		(1)	1,108	9,800
(Decrease) in taxes paid in installments			(3,879)	(4,217)
(Increase) decrease in non-current assets			(36,537)	(9,361)
(Increase) decrease in judicial deposits	165	(34)	(10,579)	12,029
	285,837	26,949	957,347	155,479
Interest paid on borrowings	(112,909)	(76,643)	(112,909)	(76,524)
Corporate Income Tax (IRPJ) and Social Contribution on Net income (CSLL) paid			(7,787)	(3,287)
Net cash provided by (used in) operating activities	172,928	(49,694)	836,741	75,668
Cash flows from investing activities:				
Property and equipment			(197,369)	(145,341)
Intangible assets	(155)	(57)	(72,153)	(73,911)
Goodwill on the acquisition of investments			(8,082)	(123,422)
Aquisition of subsidiary companies, net of cash obtained in the acquisition			(49)	62,247
Dividends received	510,213	101,091		
Advance for future capital increase	(111,080)	(239,070)		
Net cash provided by (used in) investing activities	398,978	(138,036)	(277,653)	(280,427)
Cash flows from financing activities				
Capital increase due to the stock options exercised	10,554	11,836	10,554	11,836
Treasury shares acquired	(12,519)	(116,536)	(12,519)	(116,536)
Dividends paid	(535,097)	(101,168)	(535,097)	(101,168)
Proceeds from issuance of debentures	100,000)	187,000	100,000	187,000
New borrowings and financing	300,000	205,992	380,997	223,240
Gains on derivative instruments - SWAP	25,565	(24,820)	25,565	(24,820)
Repayment of borrowings	(460,743)	25,606	(518,658)	25,606
Net cash provided by (used in) financing activities	(572,240)	187,910	(549,158)	205,158
Increase (decrease) in cash and cash equivalents	(334)	180	9,930	399
Cash and cash equivalents at the beginning of the year	429	249	48,410	48,011
Cash and cash equivalents at the end of the year	95	429	58,340	48,410
(Decrease) increase in cash and cash equivalents	(334)	180	9,930	399

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 reais unless otherwise stated (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2016	2015 (Re-presented Note 1.5)	2016	2015 (Re-presented Note 1.5)
Revenue				
Educational services			3,299,243	3,033,780
Other revenue			18,731	19,102
Provision for impairment of trade receivables			(158,617)	(161,375)
Other selling expenses			(3,058)	(2,894)
			3,156,299	2,888,613
Inputs acquired from third parties				
Materials, energy and outsourced services	(17,550)	(10,465)	(570,860)	(564,536)
Contingencies			(109,484)	(49,302)
	(17,550)	(10,465)	(680,344)	(613,838)
Gross value added	(17,550)	(10,465)	2,475,955	2,274,775
Depreciation and amortization	(19,909)	(20,154)	(191,886)	(163,597)
Net value added generated	(37,459)	(30,619)	2,284,069	2,111,178
Value added received through transfer				
Equity in results of investees	513,170	520,077		
Interest income	58,686	140,549	174,784	219,895
Others	33	894	(977)	28,803
	571,889	661,520	173,807	248,698
Total value added to distribute	534,430	630,901	2,457,876	2,359,876
Distribution of value added				
Work remuneration				
Direct remuneration	3,498	2,669	1,075,840	994,544
Benefits	4	6	48,622	36,338
Government Severance Indemnity Fund for Employees (FGTS)			78,958	72,657
	3,502	2,675	1,203,420	1,103,539
Taxes, charges and contributions				
Federal	(4,465)	(4,967)	254,708	235,916
State			6	7
Municipal			134,354	127,234
	(4,465)	(4,967)	389,068	363,157
Third-party capital remuneration				
Interest	156,389	192,914	253,024	247,787
Rentals			233,360	205,114
	156,389	192,914	486,384	452,901
Own capital remuneration				
Retained earnings	368,102	440,279	368,102	440,279
	368,102	440,279	368,102	440,279
Value added distributed	534,430	630,901	2,457,876	2,359,876

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

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

The Company's Board of Directors, in a meeting held on March 14, 2017, authorized the disclosure of these financial statements.

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 are set out at the Note 2.

The financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) measured at fair value, when applicable.

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: 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).

Parent company financial statements

The parent company financial statements were prepared and are being presented in accordance with accounting practices adopted in Brazil, based on the technical accounting pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC). Because the accounting practices adopted in Brazil applicable to individual financial statements, as from 2014, do not differ from the International Financial Reporting Standards (IFRS) applicable to separate financial statements, which now allow entities to use the equity method to account for investments in subsidiaries, associates and joint ventures in the separate financial statements, they are also in compliance with the IFRS issued by the IASB. The parent company financial statements are disclosed together with the consolidated financial statements.

Consolidated financial statements

The financial statements were prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB).

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

The amendments to standards that were first adopted for the year beginning January 1, 2016 are listed below. None of the changes had any material impact on the Group.

(a) Review of Technical Pronouncement 8/ IFRS Annual Improvements Projects for 2012-2014

(i) CPC 27/IAS 16 - Property and equipment and CPC 04/IAS 38 - Intangible assets

Clarifies that the depreciation of a property and equipment item based on the revenue generated by the use of the asset is not appropriate. Also states that only in rare circumstances, the amortization of an intangible asset based on revenue generated by the use of the asset may be adequate, depending on the correlation between revenue and the economic benefits generated.

(ii) CPC 40/IFRS 7 - Financial instruments: Disclosure

Specific guidance on the disclosure of transfer of financial assets has been added, as well as guidelines to help determine whether a service contract on the transferred portfolio constitutes continuous involvement. The change in the standard also provides guidance on the disclosure of offsetting of financial assets and liabilities, which is not required for all interim periods.

(b) New standards that are not yet effective

The following new standards and interpretations to existing standards have been issued by IASB but are not effective for the year ended 2015. The adoption in advance of standards, although encouraged by the IASB, is not permitted in Brazil by the Accounting Pronouncements Committee (CPC).

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.

Management believes that the new IFRS 9 guidance will not have a significant impact on the classification and measurement of the Group's financial assets. The Group has not yet completed the detailed assessment of how provisions for impairment will be affected by the new model. Although a material impact is not expected, its implementation will probably advance the recognition for losses.

.**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. Management does not expect to identify relevant impacts on the adoption of this standard;

.**IFRS 16 - "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 – "Leases" and corresponding interpretations.

The standard will affect the recognition of the outstanding leasing operations of the Group. As described in Note 11, the Group has R$ 38,370 in commitments with operating leases. 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.

All amounts in thousands of reais unless otherwise stated

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, together with its ownership interest in each:

	Direct - %	
	2016	2015
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")	100	100
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")	100	100
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")	100	100
Estácio Editora ("EDITORA")	100	100
União dos Cursos Superiores SEB Ltda. ("UNISEB")	100	100

	Indirect - %	
	2016	2015
Sociedade Educacional Atual da Amazônia ("ATUAL")	100	100
ANEC - Sociedade Natalense de Educação e Cultura ("FAL")	100	100
Sociedade Universitária de Excelência Educacional do Rio Grande do Norte ("FATERN")	100	100
Idez Empreendimentos Educacionais Sociedade Simples Ltda. ("IDEZ")	100	100
Sociedade Educacional do Rio Grande do Sul S/S Ltda. ("FARGS")	100	100
Unisãoluis Educacional S.A ("UNISÃOLUIS")	100	100
Uniuol Gestão de Empreendimentos Educacionais e Participações S.A. ("UNIUOL")	100	100
Sociedade Educacional da Amazônia ("SEAMA")	100	100
Instituto de Ensino Superior Social e Tecnológico Ltda. ("FACITEC")	100	100
Associação de Ensino de Santa Catarina ("ASSESC")	100	100
Instituto de Estudos Superiores da Amazônia ("IESAM")	100	100
Centro de Assistência ao Desenvolvimento de formação Profissional Unicel Ltda. ("LITERATUS")	100	100
Centro de Ensino Unificado de Teresina ("CEUT")	100	100
Faculdade Nossa Cidade ("FNC")	100	100
Faculdades Integradas de Castanhal Ltda. ("FCAT")	100	100
Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant'Ana Ltda. ("FUFS")	100	

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 Re-presentation of comparative figures

In the quarter ended June 30, 2016 transactions considered not consistent with the standards and policies of the Company were identified. Consequently, the Company carried out an internal survey and an investigation investigation to determine the existence of any inconsistencies in its financial statements and operating processes. As a result, the Company identified the recording of inappropriate transactions and measured the accounting effects that affected both the current year result and the result of prior years.

The table below presents a summary of the adjustments recorded in comparative figures and the beginning of the oldest year presented, in accordance with CPC 23 – Accounting Policies, Changes in Accounting Estimates and Correction of Errors, as well as a summary of the nature of these adjustments.

All amounts in thousands of reais unless otherwise stated

	Consolidated	
	At December 31, 2015	At January 1, 2015
Trade receivable (1)	(36,723)	(35,829)
Others trade receivables (2)	(734)	(7,196)
Taxes recoverable (3)		(5,294)
Faculty awards (4)	(170)	(5,416)
Publicity and advertising (5)	925	(11,814)
Contingencies (6)	(10,706)	(1,975)
IR and CS effects on adjustments	3,013	4,292
Total adjustments	(44,395)	(63,232)

(1) Refers to revenues from students without proper contractual formalization and provision for losses of renegotiated receivables;
(2) Refers to a credit note to a collection consulting company for the receipt of a sold portfolio;
(3) Refers to expired tax credits of acquired companies;
(4) Refers to awards to faculty members recorded on an accrual basis;
(5) Refers to publicity and advertising recorded considering the airing of the advertisement;
(6) Refers to the provision for success fees in judicial disputes.

The parent company and consolidated financial statements at December 31, 2015 and January 1, 2015, presented for comparison purposes, were adjusted and are being re-presented, as shown below. The Company's management believes that, with such adjustments, the financial statements of the Company has presented, more appropriately, its financial position.

As described in Note 4 to maintain the comparison between the periods presented, the Company reclassified the amount of R$ 445,505 from current assets to non-current assets in the financial statements at December 31, 2015, as a result of the renegotiation of receivables from FIES through 2018.

All amounts in thousands of reais unless otherwise stated

(a) Balance sheets

	Parent company					
	At December 31, 2015			At January 1, 2015		
	Originally presented	Adjustment	Re-presented	Originally presented	Adjustment	Re-presented
Asset						
Current						
Taxes recoverable	27,425	(1,030)	26,395	12,463	(1,030)	11,433
Others current assets	589,975		589,975	547,278		547,278
Non-current						
Investments	2,368,821	(106,662)	2,262,159	1,679,141	(62,267)	1,616,874
Others	834,761		834,761	859,765		859,765
Total assets	3,820,982	(107,692)	3,713,290	3,098,647	(63,297)	3,035,350
Liabilities						
Current	394,938		394,938	129,437		129,437
Non-current	745,452	(65)	745,387	576,350	(65)	576,285
Equity						
Share capital and other reserves	1,562,299		1,562,299	1,644,131		1,644,131
Revenue reserves	1,118,293	(107,627)	1,010,666	748,729	(63,232)	685,497
Total liabilities and equity	3,820,982	(107,692)	3,713,290	3,098,647	(63,297)	3,035,350

All amounts in thousands of reais unless otherwise stated

	Consolidated					
	At December 31, 2015			At January 1, 2015		
	Originally presented	Adjustment	Re-presented	Originally presented	Adjustment	Re-presented
Assets						
Current						
Trade receivable	720,841	(72,552)	648,289	533,277	(35,829)	497,448
Taxes recoverable	99,027	(5,294)	93,733	70,624	(5,294)	65,330
Others credits	43,134	(7,930)	35,204	40,183	(7,196)	32,987
Others current assets	809,534		809,534	831,666		831,666
Non-current						
Deferred taxes	46,693	7,305	53,998	31,168	4,292	35,460
Others	2,640,854		2,640,854	2,007,268		2,007,268
Total assets	4,360,083	(78,471)	4,281,612	3,514,186	(44,027)	3,470,159
Liabilities						
Current						
Trade payables	59,237	15,787	75,024	49,806	11,814	61,620
Salaries and social charges	122,652	5,586	128,238	121,613	5,416	127,029
Others current liabilities	564,294		564,294	227,346		227,346
Non-current						
Contingencies	25,274	7,783	33,057	26,883	1,975	28,858
Others non-current liabilities	908,034		908,034	695,678		695,678
Equity						
Share capital and other reserves	1,562,299		1,562,299	1,644,131		1,644,131
Revenue reserves	1,118,293	(107,627)	1,010,666	748,729	(63,232)	685,497
Total liabilities and equity	4,360,083	(78,471)	4,281,612	3,514,186	(44,027)	3,470,159

All amounts in thousands of reais unless otherwise stated

(b) Statement of income

	Parent company			Consolidated		
	Year ended December 31, 2015			Year ended December 31, 2015		
	Originally presented	Adjustment	Re-presented	Originally presented	Adjustment	Re-presented
Net operating revenue				2,939,422	(7,956)	2,931,466
Cost of services rendered				(1,660,508)	(170)	(1,660,678)
Selling expenses (*)				(335,334)	(35,655)	(370,989)
General and administrative expenses	(34,744)		(34,744)	(448,184)	(10,706)	(458,890)
Equity in the results of subsidiaries	564,472	(44,395)	520,077			
Other operating income (expenses)	1,635		1,635	20,499	7,079	27,578
Finance results	(53,745)		(53,745)	(31,660)		(31,660)
Deferred income tax and social contribution	7,056		7,056	439	3,013	3,452
Earnings for the year attributable to the stockholders	484,674	(44,395)	440,279	484,674	(44,395)	440,279
Basic earnings per share	1.53251	(0.14038)	1.39213	1.53251	(0.14038)	1.39213
Diluted earnings per share	1.52776	(0.13994)	1.38782	1.52776	(0.13994)	1.38782

(*) Comprises payment slips canceled and/or fully accrued related to students without proper written contracts (R$ 36,580) and publicity and advertising recorded considering the airing of the advertisement (R$ 925).

All amounts in thousands of reais unless otherwise stated

(c) Statement of cash flows

	Parent company			Consolidated		
	Year ended December 31, 2015			Year ended December 31, 2015		
	Originally presented	Adjustment	Re-presented	Originally presented	Adjustment	Re-presented
Net cash used in operating activities	64,856	(114,550)	(49,694)	78,267	(2,599)	75,668
Net cash used in investing activities	(239,127)	101,091	(138,036)	(270,627)	(9,800)	(280,427)
Net cash used in financing activities	174,451	13,459	187,910	192,759	12,399	205,158
Increase in cash and cash equivalents	180		180	399		399

Note: Considering that the adjustments had effects on the line items related to operating activities only, there was no change in net amounts.

(d) Statement of value added

	Parent company			Consolidated		
	Year ended December 31, 2015			Year ended December 31, 2015		
	Originally presented	Adjustment	Re-presented	Originally presented	Adjustment	Re-presented
Educational services revenue				2,933,148	(44,535)	2,888,613
Inputs acquired from third parties	(10,465)		(10,465)	(576,604)	(37,234)	(613,838)
Retentions	(21,063)	909	(20,154)	(164,511)	914	(163,597)
Equity in results of subsidiaries	564,472	(44,395)	520,077			
Other value received in transfer	142,352	(909)	141,443	242,533	6,165	248,698
Value added to distribute	675,296	(44,395)	630,901	2,434,566	(74,690)	2,359,876
Wok remuneration	2,675		2,675	1,130,821	(27,282)	1,103,539
Taxes, charges and contributions	(4,967)		(4,967)	366,170	(3,013)	363,157
Others	192,914		192,914	452,901		452,901
Own capital remuneration - retained earnings	484,674	(44,395)	440,279	484,674	(44,395)	440,279

All amounts in thousands of reais unless otherwise stated

(e) Distribution of profits (Note 17 (f))

	Consolidated		
	Year ended December 31, 2015		
	Originally presented	Adjustment	Current Presentation
Net income	484,674	(44,395)	440,279
Legal reserve	(24,234)	2,220	(22,014)
Ner income for dividends	460,440	(42,175)	418,265
Mandatory dividends	115,110	(10,544)	104,566
Additional dividends		10,544	10,544
Number of shares at December 31	316,684,999		316,684,999
Number of shares in treasury at December 31	(8,896,878)		(8,896,878)
Dividend per share in circulation - in Brazilian reais	0.37399		0.33973

Note: as a result of the adjustments, in 2015, minimum dividends over the mandatory limit of R$ 10,544 were paid, considered as additional dividends.

1.6 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.

The acquistions carried out in 2015 and 2016 are as follows:

(i) Faculdade Nossa Cidade (FNC)

On September 3, 2015, Estácio acquired, through its indirect subsidiary Sociedade Educacional Atual Da Amazônia Ltda, ("ATUAL"), all the shares of Centro Educacional Nossa Cidade Ltda,, for the amount of R$ 90,000, which less the net debt of the Company at the closing date declared by the sellers, amounting to R$ 13,790, totaling R$ 76,210, to be paid as follows: R$ 38,807 at the operating closing date with financial resources and through debt assumption and general obligations; and the remaining balance will be amortized within 42 (forty two) months as from the operations' s closing date, The transaction does not include the purchase of the real estate.

FNC, founded in 2005, had, at the acquisition date, approximately 8700 students, 16,580 total autorized vacancies, with 24 college courses in maturing stage and 11 graduation courses included in its portfolio, besides the technical courses, In 2013, it was assessed by MEC and rated with a 3, in a scale 1 – 5, in the Course General Index ("Índice Geral de Cursos – IGC"), The acquisition's objective is to widen Estacio's capilarity in college education in the State of São Paulo, aggregating a course portfolio which covers all the main segments with high demand by the job market, among which we highlight Law, Engineering and Architecture, Health, Degrees, Management and Technologists.

All amounts in thousands of reais unless otherwise stated

The considerations paid, the accounting balances of the acquired assets and assumed liabilities at the acquisition date and the allocation of the purchase price determined based on the fair value of the acquired assets and assumed liabilities are as follows:

	FNC
Acquisition amount	
Cash	38,807
Commitments to be paid	37,403
Total Consideration	76,210
Net assumed liabilities at book value	8,762
Goodwill	84,972
Allocation of goodwill	
Trademark	8,226
License to operate	896
Students portfolio	10,463
Deferred income tax and social contribution	(6,659)
Goodwill	72,046
	84,972

	FNC
Cash and cash equivalents	1,108
Accounts receivable	2,733
Sundry credits	944
Taxes and contributions	52
Property and equipment	3,008
Intangible assets	32
Borrowings	(8,185)
Trade payables	(3,648)
Salaries and social charges	(1,646)
Taxes payables	(1,652)
Others	(1,508)
Net assumed liabilities at book value	(8,762)

(ii) Faculdades Integradas de Castanhal Ltda. (FCAT)

On November 17, 2015, Estácio acquired, through its indirect subsidiary Sociedade Educacional Atual Da Amazônia Ltda, ("ATUAL"), all of the quotas of Faculdades Integradas de Castanhal Ltda,, for R$ 26,218, which, less the net indebtedness of Atual at the closing date stated by the sellers, amounting to R$ 5,624, plus a conditional instalment of R$ 1,432, due to the recognition of the civil Engineering course that was approved, amounts to R$ 22,026, to be paid as follows: R$ 12,926 in financial resources, paid in cash, and the remaining balance through one installment of R$ 3,900 paid on May 17, 2016 and another four annual installments of R$ 1,300 to be paid as from November 17, 2016, The transaction did not include the purchase of the property.

FCAT, founded in 2007, had, at the acquisition date, approximately 2,700 students, 9,225 total authorized vacancies, with 12 undergraduate courses in its portfolio and 24 graduate courses, besides the extension courses, In 2013, it was evaluated by MEC, which issued an Institution Concept (“Conceito Institucional - CI) 4, from a scale of 1-to-5 range, The consolidation of the activities in the State of Pará will make the company’s expansion possible in a market it already acts in, thus becoming the largest private higher education institution of Pará in face-to-face courses, Besides, it complements the offer of a course portfolio that already covered all the main segments with job market high demand, with special focus for the Law, Health and Management areas, Finally, the operation in the city will allow the exploration of important gains of academic quality, efficiency and scale.

All amounts in thousands of reais unless otherwise stated

On September 30, 2016, the purchase price payable was adjusted by R$ 1,432, generating a reduction in goodwill, from R$ 21,552 (in the year ended December 31, 2015) to R$ 20,120.

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

	FCAT
Acquisition amount	
Cash	12,926
Commitments to be paid	7,668
Total Consideration	20,594
Net assumed liabilities at book value	5,624
Goodwill	26,218
Allocation of goodwill	
Trademark	3,637
License to operate	515
Students portfolio	5,087
Deferred income tax and social contribution	(3,141)
Goodwill	20,120
	26,218

	FCAT
Cash and cash equivalents	316
Accounts receivable	1,076
Sundry credits	272
Property and equipment	2,081
Intangible assets	7
Borrowings	(24)
Trade payables	(273)
Salaries and social charges	(2,608)
Taxes payables	(1,934)
Installment	(4,491)
Contingencies	(46)
Net assumed liabilities at book value	(5,624)

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

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

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

All amounts in thousands of reais unless otherwise stated

On December 31, 2016, the amount of the assumption of debt was increased by R$ 195 to R$ 1,055 (R$ 850 in the period ended September 30, 2016), reducing the purchase price payable to R$ 3,505 (R$ 3,700 in the period ended September 30, 2016).

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

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

1.7 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The parent company and consolidated financial statements are presented in Brazilian reais (R$), which is the Company's functional currency, and also the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the dates of valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

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, 2016 and 2015, 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, which are identified at the operating segment level.

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. Also as a result of the change in the form of organization to limited companies, the Company became subject to the following events as from October 2005 and February 2007:

(i) Loss of Services Tax (ISS) immunity.

(ii) Loss of 100% exemption regarding the employer's contribution to the National Institute for Social Security (INSS), which is required to be paid on a graduating scale as defined under PROUNI legislation (20% in the first year, 40% in the second year and up to 100% in the fifth year). In 2012, the Company began to pay 100% of the employer's contribution to INSS.

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 may not be paid on profits from regular undergraduate and technological educational activities and may be subsequently transferred to a reserve account.

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.

Interest income is recognized on the accrual basis, using the effective interest rate method. When a loan and receivable instrument is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Subsequently, as time elapses, interest is incorporated into loans and receivables against interest income. This interest income is calculated at the same effective interest rate used to determine the recoverable amount, that is, the original rate of the instrument.

All amounts in thousands of reais unless otherwise stated

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

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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
	2016	2015
Average gross margin (i)	43.4	41.5
Growth rate (ii)	5	5
Discount rate (iii)	15.1	15.0

(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.. At December 31, 2016, 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 (gross sales revenue, including applicable taxes, other revenues and the effects of the provision for impairment of trade receivables), inputs acquired from third parties (cost of sales and purchases of materials, electric power and outsourced services, including taxes levied upon acquisition, effects of impairment and recovery of assets, depreciation and amortization), 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.

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.

2.26 New standards and interpretations to existing standards that are not yet effective

The following new standards and interpretations to existing standards were issued by IASB but are not effective for December 31, 2016. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

. 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, and replaces the orientation included in IAS 39 related to the classification and measurement of financial instruments. The main amendments brought by IFRS 9 are as follows: (i) new criteria for classification of financial assets; (ii) new model of financial assets impairment, hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) easing of the requirements for adoption of the hedge accounting. Management is evaluating the total impact of its adoption.

  Management believes that the new IFRS 9 guidance will not have a significant impact on the classification and measurement of the Group's financial assets. The Group has not yet completed the detailed assessment of how provisions for impairment will be affected by the new model. Although a material impact is not expected, its implementation will probably advance the recognition for losses.

. IFRS 15/CPC 47 - "Revenue from Contracts with Customers", replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and related interpretations and introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. Effective date is January 1, 2018. Management does not expect to identify relevant impacts on the adoption of this standard.

. IFRS 16 - “Leases” - this new standard requires lessees to recognize the liabilities of the future payments and the right to use the leased asset for almost all the lease agreements, including the operating ones, except certain short-term or low value agreements that may not be considered within the scope of this new standard. The recognition and measurement criteria of the leases in the financial statements of the lessors are substantially maintained. IFRS 16 is effective for years began on or after January 1, 2019 and replaces IAS 17 – “Leases” and corresponding interpretations.

  The standard will affect the recognition of the outstanding leasing operations of the Group. As described in Note 11, the Group has R$ 38,370 in commitments with operating leases. 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 Group.

All amounts in thousands of reais unless otherwise stated

3 Cash and cash equivalents and marketable securities

	Parent company		Consolidated	
	2016	2015	2016	2015
Cash and banks	95	429	58,340	48,410
Cash and cash equivalents	95	429	58,340	48,410
Bank Deposit Certificates (CDB)				
Agribusiness Credit Note (LCA)	29,063	55,938	45,160	80,137
Government securities (LFT)				3,052
Investment funds	34,925		34,925	
Repurchase agreements	33,126	57,355	194,127	176,103
Savings bond	30,126	310,757	71,191	385,843
			266	215
Marketable securities	127,240	424,050	345,669	645,350

The Company has a Financial Investments and Derivatives Policy that stipulates that investments must be in low risk marketable securities with highly-rated financial institutions, At December 31, 2016, the operations earn interest based on the variation of the Interbank Deposit Certificate (CDI) rate, as detailed below, with the exception of government bonds, which are indexed to the Special System for Settlement and Custody (SELIC) rate and fixed rates.

The Bank Deposit Certificates (CDBs) are remunerated at the average Interbank Deposit Certificate (CDI) rate of 99.8% at December 31, 2016 (100.9% at December 31, 2015), Investments in Agribusiness Credit Notes (LCA) was fully redeemed on October 27, 2016 and was remunerated by CDI at a rate of 86.0%

The exclusive investment fund is remunerated at the average Interbank Deposit Certificate (CDI) and is backed by financial allocations in fund quotas, CDBs, Financial Bills (LFs), government securities and repurchase agreements with first-tier banks and issuers.

Repurchase agreements backed by first-tier debentures are recorded at the fair value, bearing interest at the average of 91.3% of the CDI at December 31, 2016 (100.7% of the CDI at December 31, 2015).

At December 31, 2016 and 2015, all of the Company's marketable securities are classified as "held for trading".

All amounts in thousands of reais unless otherwise stated

4 Trade receivables

	Consolidated		
	2016	2015 (Re-presented)	January 1, 2015 (Re-presented)
Monthly tuition	406,678	412,124	306,051
Student Financing Fund (FIES) (a)	828,688	768,832	231,591
Agreements and exchanges	15,006	13,748	26,985
Receivables on credit cards (b)	55,666	34,941	23,012
Renegotiated receivables	80,173	66,473	38,715
	1,386,211	1,296,118	626,354
Provision for doubtful credits	(205,637)	(172,023)	(122,099)
Amounts to be identified	(2,500)	(2,187)	(6,807)
(-) Adjustment to present value (a)	(13,194)	(28,114)	
	1,164,880	1,093,794	497,448
Current assets	847,282	648,289	497,448
Non-current assets	317,598	445,505	
	1,164,880	1,093,794	497,448

The composition of receivables by age is as follows:

	Consolidated	
	2016	2015 (Re-presented)
2017		153,631
2018	317,59	291,874
Non-current assets	317,59	445,505

(a) Accounts receivable from the Student Financing Fund (FIES) are represented by educational loans obtained by students from Caixa Econômica Federal (CEF) and the National Education Development Fund (FNDE), whereby the financed funds, during the year 2015, are transferred monthly by CEF and Banco do Brasil to a specific bank account, This amount has been used to pay the social security contributions and federal taxes and converted into cash by means of auctions of Brazilian National Treasury securities, These receivables presented a growth of 8% at December 31, 2016 compared to December 31, 2015, due to the increase in the FIES student base.

On February 3, 2016, the Company renegotiated with government agencies the receipt of receivables from FIES, in arrears, in three installments, with the following maturities: 25% in June 2016, 25% in June 2017 and 50% in June 2018, These installments will be restated based on the variation of the Amplified Consumer Price Index (IPCA), At December 31, 2015, the Company the adjustment to present value of this receivable in the amount of R$ 28,114, as a counterpart of the net revenue of the activities, considering the average discount rate of 13.38% p.a., corresponding to the opportunity cost on the date of the transaction, and this amount has been restated according to its realization, At December 31, 2016, this adjustment amounted to R$ 13,194.

At December 31, 2016, the provision for credit risk of "Student Financing Fund" (FIES), to cover possible losses, considering that IES has a joint liability of 15% in the event of default by the student, as provided for by Art. 5, item VI of Law No. 10.260/2001 of uncovered risk, amounted to R$ 18,312 (R$ 15,254 at December 31, 2015) and it is recorded in "Others" in long-term liabilities, the provision is established as follows:

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

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

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

All amounts in thousands of reais unless otherwise stated

In the six-month period ended June 30, 2016, as a result of allegations of noncompliances with the eligibility criteria of students to FIES benefits, the Company recorded a provision of R$ 42,895, para fazer face à eventual obrigação junto ao Fundo Nacional de Desenvolvimento da Educação (“FNDE”) determined based on the Company’s best estimate, of the time. During the second half of the year, the Company discussed the matter with its internal and external legal advisors, deepened the analysis of the students' academic performance, and concluded that it did not violate the rules defined in said Law as regards the academic performance for which the provision was recorded, since the criterion to determine the academic performance provided for in the Law is broad, and the school is responsible for defining and applying it. Therefore, considering that the students that are FIES beneficiaries had, in fact, satisfactory academic performance, which was determined based on the Company's internal policies, the amount of R$ 42,895 of the provision was reversed at December 31, 2016.

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

The composition of receivables by age is as follows:

	Consolidated					
	2016	%	2015	%	January 1, 2015	%
FIES	828,688	59	768,832	59	231,591	37
PRONATEC	8,420	1	28,408	2	25,766	4
Partners (Polos)	1,820	1	4,131	1	5,723	1
Not yet due	87,483	6	52,255	4	40,395	7
Overdue for up to 30 days	65,259	5	81,255	6	51,587	8
Overdue from 31 to 60 days	55,309	4	76,430	6	55,780	9
Overdue from 61 to 90 days	54,489	4	75,020	6	45,704	7
Overdue from 91 to 179 days	104,294	7	81,444	6	54,810	9
Overdue for more than 180 days	180,449	13	128,343	10	114,998	18
	1,386,211	100	1,296,118	100	626,354	100

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

	Consolidated					
	2016	%	2015	%	January 1, 2015	%
Not yet due	20,702	26	36,719	55	15,030	39
Overdue for up to 30 days	6,434	8	5,224	8	4,232	11
Overdue from 31 to 60 days	4,935	6	3,839	6	2,759	7
Overdue from 61 to 90 days	5,190	7	2,908	4	2,280	6
Overdue from 91 to 179 days	18,798	23	7,238	11	5,876	15
Overdue for more than 180 days	24,114	30	10,545	16	8,538	22
	80,173	100	66,473	100	38,715	100

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

In order to confirm the appropriateness of the criteria used, the Company compared the historical losses on receivables in relation to revenues earned (including students who have not enrolled with FIES) for the last 5 years, with the provision established at December 31, 2016, 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.

All amounts in thousands of reais unless otherwise stated

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

	2016	2015 (Re-presented)	January 1, 2015 (Re-presented)
Accounts receivable overdue for more than 180 days	180,449	128,343	114,998
Supplementary provision for agreements	25,188	43,680	7,101
Provision for doubtful credits	205,637	172,023	122,099

The age composition of R$ 25,188, related to the agreement with low expectation of realization are demonstrated below. It should be noted that the amounts of R$ 43,680 and R$ 7,101 related to previous years have resulted from the restatement described in Note 1.5.

	2016	%	2015	%	January 1, 2015	%
Not yet due	10,316	41	30,481	70	5,701	80
Overdue for up to 30 days	1,092	4	2,259	5	679	10
Overdue from 31 to 60 days	1,438	6	2,393	5	721	10
Overdue from 61 to 90 days	1,906	8	2,015	5		
Overdue from 91 to 179 days	10,436	41	6,532	15		
	25,188	100	43,680	100	7,101	100

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

Monthly tuition and fees at January 1, 2015 (Re-presented)	122,099
Gross increase in the provision for impairment	299,596
Recovered amounts	(126,681)
Net effect of the provision	172,915
Write-offs (i)	(122,991)
Monthly tuition and fees at December 31, 2015 (Re-presented)	172,023
Gross increase in the provision for impairment	335,341
Recovered amounts	(129,726)
Net effect of the provision	205,615
Write-offs (i)	(172,001)
Monthly tuition and fees at December 31, 2016	205,637

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

For the years ended December 31, 2016 and 2015, expenses with the provision for impairment of trade receivables (Note 24), recognized in the statement of income as selling expenses, are as follows (consolidated):

	Consolidated	
	2016	2015 (Re-presented)
Supplementary provision (i)	205,615	172,915
Sale of client portfolio (ii)	(62,673)	(7,255)
Adjustment to present value - Sale of client portfolio	15,571	
Provision for doubtful amounts - acquired on acquisition	(247)	(4,916)
Others	351	631
	158,617	161,375

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

(ii) The increase in the variation of the sales balance account in relation to 2015 is due to the agreement entered into at the end of 2016 for the assignment of the Company's credit rights for the period from January 2012 to June 2015, fully written off as a loss in prior years. As a result, the Company recorded a recovery of receivables of R $ 62,673 d to be received in up to 48 months and, accordingly, recorded an adjustment to present value in the amount of R $ 15,571, calculated based on the "Interbank Deposit Certificate" (CDI) discout rate. The net amount of R $ 47,102 is recorded in other long-term assets as of 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, and are as follows:

	Parent company		Consolidated	
	2016	2015	2016	2015
Current assets				
Current account				
Seses	2,232	1,998		
Nova Academia	1	1		
FAL	2	2		
FATERN	3	3		
Irep	163	163		
Atual	4	4		
Seama	4	4		
Editora	6	6		
FARGS	2	2		
São Luís	3	3		
Facitec	3	3		
Subsidiaries	2,423	2,189		

	Parent company		Consolidated	
	2016	2015	2016	2015
Current liabilities				
Current account				
Seses	4,225	4,217		
Irep	65	65		
Atual	3	3		
Nova Academia	3	3		
FAL	1	1		
FATERN	2	2		
Seama	4	4		
	4,303	4,295		
Related parties (i)			633	512

(i) At December 31, 2016, the amount payable of R$ 633 (R$ 512 at December 31, 2015) refers to service providers related to board Members.

For the year ended December 31, 2016, the Group obtained financial results on intercompany loans. For the year ended December 31, 2015, the Group did not obtain financial results on intercompany loans.

All amounts in thousands of reais unless otherwise stated

6 Prepaid expenses

	Parent company		Consolidated	
	2016	2015	2016	2015
Insurance	215	119	1,709	982
Teaching materials (i)			15,784	19,548
Anticipation of vacation pay and charges			18,207	44,400
Registration fee - Ministry of Education (MEC)			2,926	3,464
Sponsorship (2016 Olympic Games)				1,579
Technical-pedagogical cooperation - Santa Casa			2,451	2,334
Other prepaid expenses			1,002	1,667
	215	119	42,079	73,974
Current assets	215	119	36,390	62,176
Non-current assets			5,689	11,798
	215	119	42,079	73,974

(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		
	2016	2015 (Re-presented)	January 1, 2015 (Re-presented)	2016	2015 (Re-presented)	January 1, 2015 (Re-presented)
Withholding Income Tax (IRRF)	6,710	9,135	11,011	18,379	19,841	16,467
Corporate Income Tax (IRPJ) / Social Contribution on Net Income (CSLL)	29,714	20,920	4,898	77,249	72,328	18,081
Provision for expired IRRF credits (*)		(1,030)	(1,030)		(5,294)	(5,294)
Social Integration Program (PIS)	6	6	6	558	395	29,142
Social Contribution on Revenues (COFINS)	25	25	25	1,952	1,698	1,425
Services Tax (ISS)	77	77	77	39,718	30,552	22,471
National Institute of Social Security (INSS)				8,265	6,317	7,658
Others	106	106	106	666	523	717
	36,638	29,239	15,093	146,787	126,360	90,667
Current assets	36,452	26,395	11,433	110,472	93,733	65,330
Non-current assets	186	2,844	3,660	36,315	32,627	25,337
	36,638	29,239	15,093	146,787	126,360	90,667

(*) It refers to expired tax credits of acquired companies, as Note 1.5.

8 Investments in subsidiaries

(a) Parent company Estácio Participações S.A

	2016		2015	
	Investments	Losses on investments	Investments	Losses on investments
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")	1,138,505		1,218,043	
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")	1,105,514		977,208	
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")	17,497		18,312	
Estácio Editora e Distribuidora Ltda. ("EDITORA")		(30)		(30)
União dos Cursos Superiores SEB Ltda. ("UNISEB")	43,504		48,596	
	2,305,020	(30)	2,262,159	(30)

All amounts in thousands of reais unless otherwise stated

The subsidiaries' information is as follows:

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

2015

	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%	461,077	1,476,233	258,190	1,218,043			1,218,043	194,972
Irep	100%	370,774	1,225,718	310,952	914,766	62,442		977,208	302,712
Nova Academia de Concurso	100%	9,855	6,245	1,951	4,294	14,018		18,312	(254)
Editora (*)	100%	250	31	66	(35)	5		(30)	
Uniseb Operacional	100%	22,337	75,604	24,778	50,826		(2,230)	48,596	22,647
			2,783,831	595,937	2,187,894	76,465	(2,230)	2,262,129	520,077

(*) 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, 2016 and 2015 are as follows:

Investments in subsidiaries at January 1, 2015 (Re-presented)	1,616,874
Equity in the results of subsidiaries (Re-presented)	520,077
Advance for future capital increase	239,070
Proposed dividends	(136,730)
Options granted and long-term incentives	22,868
Investments in subsidiaries at December 31, 2015 (Re-presented)	2,262,159
Equity in the results of subsidiaries	502,268
Advance for future capital increase	111,080
Supplementary dividends of 2015	(573,482)
Options granted and long-term incentives	2,995
Investments in subsidiaries at December 31, 2016	2,305,020

The accounting information of the subsidiaries used in the application of the equity accounting method were related to the base date December 31, 2016.

The direct subsidiaries' investments are as follows:

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

	2016	2015
Sociedade Educacional Atual da Amazônia ("ATUAL")	450,779	409,587
ANEC - Sociedade Natalense de Educação e Cultura ("FAL")	15,598	13,866
Sociedade Universitária de Excelência Educacional do Rio Grande do Nort ("FATERN")	30,461	31,762
	496,838	455,215

All amounts in thousands of reais unless otherwise stated

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

								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

								2015
	Interest	Number of quotas	Total Assets	Total liabilities	Equity	Goodwill	Total	Equity in the result of investees
Atual	100%	22,977	672,662	278,578	394,084	15,503	409,587	54,374
FAL	100%	11,408	7,849	2,059	5,790	8,076	13,866	(1,317)
FATERN	100%	9,160	23,435	6,652	16,783	14,979	31,762	4,629
			703,946	287,289	416,657	38,558	455,215	57,686

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, 2016 and 2015 are as follows:

Investments in subsidiaries at January 1, 2015	394,171
Equity	57,686
Advance for future capital increase	74,462
Proposed dividends	(71,104)
Investments in subsidiaries at December 31, 2015	455,215
Equity	82.141
Advance for future capital increase	54.482
Supplementary dividends of 2015	(95,000)
Investments in subsidiaries at December 31, 2016	496,838

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

	2016	2015
Uniuol Gestão de Empreendimentos Educacionais e Participações S.A. ("UNIUOL")	3,244	3,933
Idez Empreendimentos Educacionais Sociedade Simples Ltda. ("IDEZ")	4,202	3,867
Sociedade Educacional da Amazônia ("SEAMA")	46,958	39,475
Sociedade Educacional do Rio Grande do Sul S/S Ltda. ("FARGS")	18,880	15,539
Unisãoluis Educacional S.A ("UNISÃOLUIS")	63,654	72,413
Instituto de Ensino Superior Social e Tecnológico Ltda. ("FACITEC")	38,426	39,664
Associação de Ensino de Santa Catarina ("ASSESC")	7,102	7,390
Instituto de Estudos Superiores da Amazônia ("IESAM")	83,153	80,288
Centro de Assistência ao Desenvolvimento de formação Profissional Unicel Ltda. ("LITERATUS")	57,697	47,354
Centro de Ensino Unificado de Teresina ("CEUT")	39,816	39,036
Faculdade Nossa Cidade ("FNC")	97,631	95,040
Faculdades Integradas de Castanhal Ltda. ("FCAT")	28,477	29,389
Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant'Ana Ltda. ("FUFS")	10,984	
	500,224	473,388

All amounts in thousands of reais unless otherwise stated

Information on ATUAL's subsidiaries is as follows:

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%	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

2015

	Interest	Number of quotas	Total Assets	Total liabilities	Equity	Goodwill	Students portfolio	Total	Equity in the result of investees
UNIUOL	100%	3,066	2,490	(388)	2,878	956	99	3,933	(1,504)
IDEZ	100%	3,744	2,887	1,239	1,648	2,047	172	3,867	(346)
SEAMA	100%	3,232	31,546	10,315	21,231	18,035	209	39,475	9,779
FARGS	100%	4,280	8,920	1,605	7,315	8,055	169	15,539	2,629
SÃO LUIS	100%	220	91,152	47,204	43,948	27,369	1,096	72,413	58,039
FACITEC	100%	6,051	19,149	9,702	9,447	26,654	3,563	39,664	8,891
ASSESC	100%	3	3,314	1,124	2,190	4,723	477	7,390	416
IESAM	100%	2,400	64,841	27,976	36,865	26,797	16,626	80,288	18,654
LITERATUS	100%	29,251	38,715	20,494	18,221	26,214	2,919	47,354	(1,975)
CEUT	100%	2,408	15,103	8,600	6,503	27,568	4,965	39,036	7,750
FNC	100%	9,880	11,142	7,733	3,409	72,046	19,585	95,040	1,124
FCAT	100%	100	4,973	6,375	(1,402)	21,552	9,239	29,389	480
			294,232	141,979	152,253	262,016	59,119	473,388	103,937

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, 2016 and 2015 are as follows:

Investments in subsidiaries at January 1, 2015	310,104
Equity	103,937
Advance for future capital increase	29,145
Acquisition of Subsidiary	79,906
Acquisition of goodwill	29,291
Amortization of goodwill	(11,327)
Proposed dividends	(67,668)
Investments in subsidiaries at December 31, 2015	473,388
Equity	88,922
Advance for future capital increase	31,733
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

9 Intangible assets

(a) Intangible assets - Parent company

		2015				2016
		Cost	Additions	PPA Adjustment (i)	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	PPA Adjustment (i)	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

		2014				2015
		Cost	Additions	PPA Adjustment (i)	Transfers	Cost
Cost						
Goodwill on the acquisition of investments (ii)		772,054		8,011		780,065
Right of use of software		99	25			124
Project Integração			32			32
Goodwill		91,841		(12,137)		79,704
		863,994	57	(4,126)		859,925
	Amortization rates	Amortization	Additions	PPA Adjustment (i)	Transfers	Amortization
Amortization						
Right of use of software	20% p.a.	(20)	(20)			(40)
Goodwill	20 a 50% p.a.	(10,469)	(19,962)			(30,431)
		(10,489)	(19,982)			(30,471)
Net book value		853,505	(19,925)	(4,126)		829,454

(i) Handling related to adjustments in the allocation of the purchase price (PPA - Purchase Price Allocation) in the acquisition of UNISEB.
(ii) 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

	2015 Cost	Additions per acquisition	Additions	Reductions	Transfers	Reclassifications	2016 Amortization
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
Goodwill	170,244		3,259		515		174,018
Others	19,002		8,557				27,559
	1,709,932	11	80,235	(5,409)	515	(246)	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.	(1,341)		(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)
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	(515)	14	(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

	2014						2015
	Cost	Additions per acquisition	Additions	PPA Adjustment (i)	Reductions	Reclassifications	Cost
Cost							
Goodwill on the acquisition of investments	1,088,374		94,598	7,704			1,190,676
Right of use of software	138,435	39	48,728			2,134	189,336
Integration and distance learning project	16,769		1,090				17,859
CSC	1,940						1,940
Learning Center	61,103		5,404				66,507
Relationship Center	2,348						2,348
Hemispheres	1,346						1,346
IT architecture	15,851		3,719			1,523	21,093
Online class material	6,384		824				7,208
Knowledge Factory - EAD	16,931		5,442				22,373
Goodwill	153,092		28,824	(11,672)			170,244
Others	11,824		8,704		(3)	(1,523)	19,002
	1,514,397	39	197,333	(3,968)	(3)	2,134	1,709,932

	Amortization rate	Amortization	Additions per acquisition	Additions	PPA Adjustment (i)	Reductions	Reclassifications	Amortization
Amortization								
Goodwill on the acquisition of investments	Indefinite	(6,924)						(6,924)
Right of use of software	20% p.a.	(71,744)	(21)	(35,206)			(1,381)	(108,352)
Integration and distance learning project	20% p.a.	(13,084)		(1,150)				(14,234)
CSC	20% p.a.	(1,940)						(1,940)
Learning Center	5% p.a.	(10,818)		(2,745)				(13,563)
Relationship Center	20% p.a.	(1,878)		(469)				(2,347)
Hemispheres	20% p.a.	(1,072)		(269)				(1,341)
IT architecture	17 to 20% p.a.			(2,896)				(2,896)
Online class material	20% p.a.	(2,168)		(1,282)				(3,450)
Knowledge Factory - EAD	5% p.a.	(942)		(913)				(1,855)
Goodwill	20 to 50% p.a.	(27,991)		(33,434)				(61,425)
Others	20% p.a.	(408)		(2,519)				(2,927)
		(138,969)	(21)	(80,883)			(1,381)	(221,254)
Net book value		1,375,428	18	116,450	(3,968)	(3)	753	1,488,678

(i) Handling related to adjustments in the allocation of the purchase price (PPA - Purchase Price Allocation) in the acquisition of UNISEB.

At December 31, 2016 and 2015, goodwill on acquisition of investments was comprised as follows:

	Parent company		Consolidated	
	2016	2015	2016	2015
Goodwill on acquisition of investments net of accumulated amortization				
IREP			89,090	89,090
ATUAL			15,503	15,503
Seama			18,035	18,035
Idez			2,047	2,047
Uniuol			956	956
Fargs			8,055	8,055
São Luis			27,369	27,369
Facitec			26,654	26,654
Assesc			4,723	4,723
Iesam			26,797	26,797
Literatus			26,214	26,214
Ceut			27,568	27,568
FNC (Note 2.4)			72,046	72,046
FCAT (Note 2.4)			20,120	21,552
FUFS (Note 2.4)			6,255	
FAL			8,076	8,076
FATERN			14,979	14,979
Nova Academia			14,018	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	1,188,575	1,183,752

All amounts in thousands of reais unless otherwise stated

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

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.

10 Property and equipment

(a) Property and equipment - Parent company

		2015				2016
		Cost	Additions	Disposals	Transfers	Cost
Cost						
Computers and peripherals		9,075		(27)		9,048
Installations		33				33
		9,108		(27)		9,081
	Depreciation rate	Depreciation	Additions	Disposals	Transfers	Depreciation
Depreciation						
Computers and peripherals	25% p.a.	(9,015)	(44)	27		(9,032)
Installations	8,3% p.a.	(3)	(3)			(6)
		(9,018)	(47)	27		(9,038)
Net book value		90	(47)			43

		2014				2015
		Cost	Additions	Disposals	Transfers	Cost
Cost						
Computers and peripherals		9,075				9,075
Installations		33				33
		9,108				9,108
	Depreciation rate	Depreciation	Additions	Disposals	Transfers	Depreciation
Depreciation						
Computers and peripherals	25% p.a.	(8,846)	(169)			(9,015)
Installations	8,3% p.a.		(3)			(3)
		(8,846)	(172)			(9,018)
Net book value		262	(172)			90

All amounts in thousands of reais unless otherwise stated

(b) Property and equipment - Consolidated

	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	14.44% p.a.	(10,550)		(5,131)	404			(15,277)
Others		(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

	Depreciation rate	2014 Cost	Additions per acquisition	Additions	Disposals	Transfers	Reclassifications	2015 Cost
Cost								
Land		19,373						19,373
Buildings		112,249		821		21,940		135,010
Third-parties' properties improvements		210,895		9,356		(3,142)		217,109
Furniture and utensils		78,870	2,073	16,463	(363)	1	(2)	97,042
Computers and peripherals		120,413	2,002	35,057	(720)		26	156,778
Machinery and equipment		96,357	1,199	8,586	(4,838)	(1)		101,303
Physical/ hospital activities equipment		41,425		6,972	(196)			48,201
Library		126,883	3,472	8,042				138,397
Facilities		27,135	183	14,709	(2)			42,025
Tablets		45,459		1,631	(71)			47,019
Construction in progress		7,771		42,602		(18,798)		31,575
Demobilization		11,638			(11)			11,627
Others		12,371	127	1,102	(57)		(1,427)	12,116
		910,839	9,056	145,341	(6,258)		(1,403)	1,057,575
	Depreciation rate	**Depreciation**	**Additions per acquisitions**	**Additions**	**Disposals**	**Transfers**	**Reclassifications**	**Depreciation**
Depreciation								
Buildings	1.67% p.a.	(47,277)		(2,300)		(217)		(49,794)
Third-parties' properties improvements	11.11% p.a.	(97,480)		(21,623)		217		(118,886)
Furniture and utensils	8.33% p.a.	(41,802)	(545)	(9,178)	(21)			(51,546)
Computers and peripherals	25% p.a.	(94,866)	(1,546)	(13,996)	1,034		(2)	(109,376)
Machinery and equipment	8.33% p.a.	(60,594)	(242)	(13,320)	8,027			(66,129)
Physical/ hospital activities equipment	6.67% p.a.	(16,133)		(2,453)	70			(18,516)
Library	5% p.a.	(50,762)	(1,468)	(7,125)	4			(59,351)
Facilities	8.33% p.a.	(9,440)	(39)	(2,856)	4			(12,331)
Tablets	20% p.a.	(10,357)		(8,721)	347			(18,731)
Demobilization		(10,291)		(256)	(3)			(10,550)
Others	14.44% p.a.	(6,126)	(105)	(886)	20		652	(6,445)
		(445,128)	(3,945)	(82,714)	9,482		650	(521,655)
Net book value		465,711	5,111	62,627	3,224		(753)	535,920

All amounts in thousands of reais unless otherwise stated

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

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

		2015			2016
		Cost	**Additions**	**Disposals**	**Cost**
Cost					
Finance leases capitalized		91,470	58,976	(29,438)	121,008
		91,470	58,976	(29,438)	121,008
	Depreciation rate	**Depreciation**	**Additions**	**Disposals**	**Depreciation**
Depreciation					
Finance leases capitalized	25% p.a.	(51,909)	(37,822)	32,208	(57,523)
		(51,909)	(37,822)	32,208	(57,523)
Net book value		39,561	21,154	2,770	63,485

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 (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, 2016 and 2015, 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

Type	Financial charges	Parent company 2016	Parent company 2015	Consolidated 2016	Consolidated 2015
In local currency					
Lease agreements – Colortel	INPC + 0.32% p.a.			34,488	6,902
Lease agreements – Assist	INPC p.a.			3,474	468
Lease agreements – CIT	8% p.a.				202
Lease agreements – Total Service	IGPI-DI/FGV p.a.			38	64
Lease agreements – Springer	IGPM + 1% p.a.			42	42
Lease agreements – Bayde	IGPI-DI/FGV p.a.			313	3,101
Lease agreements – Bradesco	1.14% p.m.			15	105
Lease agreements – Brasif	IGPM/FG p.a.				51
Leasing IBM	CDI Over p.d. + 2% p.m.			29,885	25,355
Leasing Carimã	IGPI-DI/FGV p.a.				109
Borrowing – IFC	CDI +1.53% p.a.	40,576	50,064	40,576	50,064
Funding cost of IFC		(7,414)	(1,859)	(7,414)	(1,859)
First issue of debentures	CDI +1.50% p.a.		202,941		202,941
Second issue of debentures	CDI + 1.18% p.a.	308,853	309,223	308,853	309,223
Third issue of debentures	CDI + 112% CDI	194,259	194,168	194,259	194,168
Fourth issue of debentures	CDI +1.50% p.a	100,853		100,853	
Funding cost of debentures		(2,023)	(1,933)	(2,023)	(1,933)
Borrowing – FEE BNB	3% p.a.			448	1,345
Borrowing – Banco da Amazônia	9.5% p.a.			10,948	10,737
Borrowing – Banco Itaú line 4131	USD + 1.46% p.a.		242,761		242,761
Borrowing – FINEP	6% p.a.	3,093	3,053	3,093	3,053
Borrowing – Itaú S/A - "Giro Parcelado"	0.82% p.m.				1,200
Borrowing – Itaú S/A - "Giro Parcelado"	0.81% p.m.				833
Borrowing – Itaú S/A - "Giro Parcelado"	1.19% p.m.				716
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.	127,840		127,840	
Funding cost of promissory notes		(2,090)		(2,090)	
		942,882	998,418	1,022,533	1,049,648
Current liabilities		444,592	271,831	468,114	291,346
Non-current liabilities		498,290	726,587	554,419	758,302
		942,882	998,418	1,022,533	1,049,648

The costs of funding to be settled amounted to R$ 11,527 at December 31, 2016, being R$ 7,414 related to the borrowings from IFC (R$ 366 of the 1st borrowing, R$ 1,254 of the 2nd borrowing and R$ 5,794 of the 3rd borrowing), R$ 2,023 to the debentures and R$ 2,090 to the promissory notes.

The maturity of amounts recorded in non-current liabilities at December 31, 2016 and 2015 is as follows:

	Parent company 2016	Parent company 2015	Consolidated 2016	Consolidated 2015
2017		255,413		259,742
2018	305,990	228,852	307,882	232,274
2019	178,748	228,843	223,620	248,925
2020	9,275	9,300	11,314	11,023
2021	2,951	2,854	9,132	4,577
2022	430	430	1,103	866
2023	430	430	745	430
2024	430	430	587	430
2025	36	35	36	35
Non-current liabilities	498,290	726,587	554,419	758,302

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

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

All amounts in thousands of reais unless otherwise stated

In March 2016, the Company entered into a loan agreement with the International Finance Corporation (IFC), in the amount in Brazilian reais equivalent to U$ 100 million, which can be used within 12 months, Of this total amount U$$ 50 million related to Loan A will be obtained with the IFC and the other half related to Loan B with Banco Santander, To ensure that the transaction will be pegged to the Brazilian currency, the Company will always contract swap transactions on a jointly and automatic basis.

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.

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.

12 Salaries and social charges

	Parent company		Consolidated	
	2016	2015	2016	2015
Salaries and social charges payable	268	250	107,874	92,741
Provision for vacation pay			47,359	35,497
	268	250	155,233	128,238

13 Taxes payable

	Parent company		Consolidated	
	2016	2015	2016	2015
ISS payable	5	5	12,208	14,996
IRRF payable	63	49	17,121	16,051
PIS and COFINS payable	146	240	2,680	4,319
IOF payable			384	384
	214	294	32,393	35,750
IRPJ payable			22,482	32,440
CSLL payable	1	1	8,907	11,905
	1	1	31,389	44,345
	215	295	63,782	80,095

All amounts in thousands of reais unless otherwise stated

14 Taxes payable in installments

	Consolidated	
	2016	**2015**
IRPJ	1,295	3,824
CSLL	254	253
FGTS	1,428	1,497
ISS	3,580	373
PIS	193	1,869
COFINS	1,202	487
INSS	7,466	8,402
IPTU		114
OTHERS	490	2,807
	15,908	19,626
Current liabilities	3,128	2,254
Non-current liabilities	12,780	17,372
	15,908	19,626

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	
	2016	**2015**
2016		1,275
2017	629	3,000
2018	2,215	991
2019 a 2029	9,936	12,106
	12,780	17,372

15 Price of acquisition payable

	Consolidated	
	2016	**2015**
FAL		309
FATERN		590
UNIUOL		182
FACITEC	5,601	7,770
SÃO LUIS	18,416	16,150
IESAM	15,064	16,459
LITERATUS	5,490	6,395
CEUT	6,127	7,277
FNC	32,923	38,663
FCAT	4,222	9,286
FUFS	3,098	
	90,941	103,081
Real estate acquisition (i)	35,000	
	125,941	103,081
Current liabilities	53,565	41,980
Non-current liabilities	72,376	61,101
	125,941	103,081

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

All amounts in thousands of reais unless otherwise stated

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

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

	Consolidated			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At December 31, 2016				
FACITEC	2,762	2,839		5,601
SÃO LUIS	18,416			18,416
IESAM	2,410	2,410	10,244	15,064
LITERATUS	2,657	2,657	176	5,490
CEUT	2,930	1,598	1,599	6,127
FNC	10,975	10,974	10,974	32,923
FCAT	1,407	1,407	1,408	4,222
FUFS	8		3,090	3,098
Real estate acquisition	12,000	23,000		35,000
	53,565	44,885	27,491	125,941

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, 2016 and 2015, the provision for contingencies was comprised as follows:

	Consolidated			
	2016		2015 (Re-presented)	
	Contingencies	Judicial deposits	Contingencies	Judicial deposits
Civil	16,833	14,425	2,253	13,615
Labor	39,292	91,302	24,475	83,692
Tax	8,755	13,764	6,329	11,605
	64,880	119,491	33,057	108,912

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

All amounts in thousands of reais unless otherwise stated

For the years ended December 31, 2016 and 2015, the expense for the provision for contingencies, recognized in the statement of income as "general and administrative expenses", was as follows:

	2016	2015
Composition of results		
Additions	186,812	62,011
Reversals	(77,328)	(12,709)
Contingencies	109,484	49,302
Cost of services rendered (Note 23)		
General and administrative expenses (Note 24)	61,883	32,352
Monetary variation	45,611	16,950
	1,990	
	109,484	49,302

(a) Civil

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

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

Matters	Amounts
Incorrect collection	5,150
Real estate	4,274
Issue of certificates of completion/diplomas and graduation	1,327
Accreditation and cancelation of the program	1,274
Enrollment	1,104
FIES	442
System access	283
Prouni	314
Transfer	205
Success fees	1,325
Others*	1,135
	16,833

(*) The increase in the provision for civil contingencies is due to the development of two proceedings related to the two main contingencies described above whose status changed from possible to probable risk of loss.

All amounts in thousands of reais unless otherwise stated

(b) Labor

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

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

Matters	Amounts
Salary differences + reduction of working time + FGTS + notice	14,082
Overtime + suppression Inter + Intra	7,363
Moral/property damage/moral harassment	4,897
Employer's social security payment	2,978
Fees	2,576
Deviation from agreed position and salary equalization	2,129
Fines (Article 467 CLT, article 477 CLT and CCT/ACT)	708
Correction CTPS + indirect repeal + recognition of employment relationship	436
Allowances (health hazards/night shift pay/improvement/length of service/risk premium)	379
Tenure	227
Vacation pay	219
Success fees	180
Others*	3,118
	39,292

(*) At June 30, 2016, the Company completed the study of the calculation basis of all labor contingencies, considering the nature of the cases and market assumptions to recalculate estimated losses. Consequently, the provision was increased by R$ 24,756 in the six-month period ended June 30. The remaining amount of the additions to the provision refers to the development of proceedings.

(c) Tax

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

The provisions related to tax proceedings are as follows:

Matters	Amounts
Penalty - PROCON	254
Services Tax	3
Social security related fine	6
Success fees	8,492
	8,755

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

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

	Consolidated	
	2016	2015 (Re-presented)
Civil	165,518	136,623
Labor	121,726	23,629
Tax (a)	465,220	686,352
	752,464	846,604

All amounts in thousands of reais unless otherwise stated

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

Civil

	Amounts
Real Estate	39,992
Improper Collection	33,021
FIES	16,541
Issuance of Completion and Graduation Certificate/Diploma	5,192
Enrollment	5,042
Transfer	3,649
Accreditation and Cancellation of Program	2,243
PROUNI	1,043
System Access	1,017
Others*	57,778
	165,518

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

Labor

	Amounts
Salary differences + Decrease in working hours + Government Severance Indemnity Fund for Employees (FGTS) + Overtime	35,778
Notice + Elimination of breaks between and during work shifts	22,145
Cota Social Security	8,972
Deviation from agreed position and salary equalization	4,169
Pain and suffering/material damages/workplace harassment	4,116
Penalties (ART. 467 CLT, ART. 477 CLT E CCT/ACT)	3,141
Fees	2,873
Other (health hazard/night-shift/improvement/years of service/risk)	2,047
Job Stability	953
Vacation	876
Work Card Adjustment + Indirect Termination + Recognition of employment relationship	442
Others*	36,214
	121,726

(i) The Brazilian Federal Revenue Secretariat (RFB), as regards SESES, assessed the Company based on alleged social security contribution liabilities related to the period from January 2006 to January 2007 and failure to comply with record-keeping and reporting obligations. These tax assessment notices mainly challenge the fulfillment of the legal requirements to qualify SESES as a non-profit welfare entity and its related right to exemption from social security contributions, a condition that was met until February 9, 2007. The respective protest letters were submitted on September 22, 2011, in which SESES, in general terms, stated that it had always fully complied with all legal requirements for enjoyment of the right to exemption of such social security contributions up to the date of transformation of its legal nature. In August 2012, SESES was notified with respect to the decision issued at an appellate level, which partially granted the points presented in our protest letters, and recognized the loss of procedural right and excluded from the assessments the amounts related to the period from January 2006 to July 2006; the remaining arguments of the tax authorities were maintained. A Voluntary Appeal was filed by SESES on September 27, 2012. The case was placed on docket to be judged on January 28, 2016. On January 28, 2016 the appeal was removed from docket and the judgment postponed to February 15, 2016, and was again removed from docket on that date. On September 20, 2016, the case records were assigned to Member Carlos Alberto do Amaral Azerado. Currently, the Company is awaiting the placement of the appeal on docket for judgment. The amount involved is R$ 179,890. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

(ii) In 2009, SESES filed a common civil action against the Federal Government/Federal Tax Authorities, through which it claims authorization to pay the social security contributions, according to the graduation provided by Article 13 of Law 11,096/05 ("PROUNI Law"), with the beginning of the graduation as from the 1st month that a general meeting took place that authorized the change of its legal nature to a company for profit, in February 2007, consequently resulting in the following gradation for the payment of the social security contributions by SESES: 20% in 2007; 40% in 2008; 60% in 2009; 80% in 2010; and 100% in 2011, notwithstanding the understanding of INSS inspectors, who claim that the five-year period for application of the escalated rates as defined in Article 13 of the PROUNI Law should start to be counted as from the date of publication of such Law, which occurred in 2005. On August 7, 2012, the Federal Regional Court (TRF) favorably judged the Company's appeal. According to the mentioned decision, the enjoyment begins as from the date of the Stockholders' Meeting that changed the legal nature of SESES and not the publication date of the Prouni Act. On August 9, 2015, the appeal to the High Court of Justice (STJ) filed by the Federal Tax Authorities was rejected. Currently, the suit is awaiting judgment of the appeal filed by Federal Tax Authorities. The outside legal advisors assessed this case as a possible loss and the estimated amount involved is R$ 15,654.

All amounts in thousands of reais unless otherwise stated

(iii) Given the divergence of understanding of Article 13 of Law 11,096/05 ("PROUNI Act"), as mentioned in item (ii) above, Tax Foreclosures were issued by the National Treasury aimed at the judicial recovery of debts related to the alleged differences in payments of social security contributions. Embargoes were imposed on these executions, which are still being tried. The total amount involved is R$ 115,852. According to the opinion of the external legal advisors, the risk of loss in these cases remains possible.

(iv) Tax collection proceeding assigned by the Municipality of Niterói, in connection with the issue of a tax assessment notice on September 29, 2009, whereby the Municipality of Niterói is charging SESES the Services Tax (ISS) for the period from January 2004 to January 2007, considering the suspension of the immunity from taxation by the municipal public administration as a result of the alleged non-compliance with requirements for enjoyment of the benefits provided for in article 14 of the Brazilian Tax Code (CTN), that is, because it allegedly has not submitted to tax authorities relevant tax/accounting records, as established in the legislation in force. A motion to stay execution was filed on September 16, 2013, which is pending judgment. The total amount involved is R$ 28,937. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

(v) Originally, it is a Tax Proceeding Order aiming at determining social security contribution liabilities in connection with an alleged non-compliance with a principal tax liability related to the period from February 2007 to December 2017. The Company filed a related protest letter. A decision was issued by the 13th panel of the regional RFB division office (DRJ/RJ1), which partially granted the points presented in our protest letter, and approved the rectification suggested by the tax authority in the tax assessment notices No. 37.273.022-1 and No. 37.273.023-0. The Company filed a Voluntary Appeal requesting the cancellation of the tax assessment notices concerned claiming that they were clearly groundless. The Voluntary Appeal was deemed partially valid, and considered the percentage of union dues at the rate of 20% as from the month in which the Company changed from non-profit entity to entrepreneurial company. The Company filed an appeal for resolution of this conflict on June 23, 2016, which is pending judgment by the High Court of Tax Appeals (CSRF). The total amount involved is R$ 28,770. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

17 Equity

(a) Share capital

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

The Company's shareholding structure at December 31, 2016 and 2015 is as follows:

	Common shares			
Stockholders	**2016**	**%**		**%**

			2015	
Officers and directors	473,031	0.1	39,887,769	12.6
Treasury	9,498,058	3.0	8,896,878	2.8
Others (*)	307,925,329	96.9	267,900,352	84.6
	317,896,418	100.0	316,684,999	100.0

(*) Free float.

At the Board of Directors' meeting held on April 30, 2015, the private issue of 1,216,788 nominative common shares was approved, with no par value, which resulted in the consequent increase of the Company's capital by R$ 11,415, within the limit of the authorized capital, in order to meet the exercise of options granted to the beneficiaries of the stock option plan.

At the Board of Directors' meeting held on August 5, 2015, the private issue of 38,327 nominative common shares was approved, with no par value, which resulted in the consequent increase of the Company's capital by R$ 421, within the limit of the authorized capital, in order to meet the exercise of options granted to the beneficiaries of the stock option plan.

At the 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.

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

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

(b) Changes in shares

At December 31, 2015	316,684,999
Issue of common shares in connection with the exercise of options granted	
Minutes of the Meeting of the Board of Directors held on April 29, 2016	493,518
Minutes of the Meeting of the Board of Directors held on September 14, 2016	717,901
At December 31, 2016	317,896,418

(c) Treasury shares

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

	Number	Average cost	Balance
Treasury shares at December 31, 2015	8,896,878	15.47	137,603
Treasury share acquired	837,700	14.94	12,519
ILP payment with treasury of shares	(236,520)	15.61	(3,692)

All amounts in thousands of reais unless otherwise stated

Treasury shares at December 31, 2016	9,498,058	15.42	146,430

(d) Capital reserves

(d.1) Share premium

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

The amount of the share premium in the financial statements in the years ended December 31, 2016 and 2015 is as follows:

	Parent company	
	2016	**2015**
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:

	2016
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

The Company recorded the Capital Reserve for Stock Options granted in the amount of R$ 1,505 during the year ended December 31, 2016 (R$ 19,150 during the year ended December 31, 2015), as mentioned in Note 19 (b). As required by the applicable technical accounting pronouncement, the fair value of options was determined on the grant date and has been recognized over the vesting period up to the date of this parent company and consolidated financial statements.

(d.3) Long-term incentive

The Company recorded a capital reserve for long-term incentives (Note 20 (c)) in the amount of R$ 1,490 during the year ended December 31, 2016 (R$ 3,718 during the year ended December 31, 2015).

(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

All amounts in thousands of reais unless otherwise stated

This reserve is intended to be used for scheduled investments established in the capital budget, in conformity with Article 196 of Brazilian Corporate Law.

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

(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.

(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 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.
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.

The dividends calculated and the related changes at December 31, 2016 and 2015 are as follows:

	Parent company	
	2016	2016 (Re-presented) (i)
Parent company's profit for the year	368,102	440,279
Transfer to legal reserve (Article 193 of Law 6,404)	(18,405)	(22,014)
Profit after transfer to legal reserve	349,697	418,265
Mandatory minimum dividend - 25%	87,424	104,566
Additional dividends proposed		10,544
Number of shares at December 31	317,896,418	316,684,999
Number of shares in treasury at December 31	(9,498,058)	(8,896,878)
Dividend per share in circulation - in Brazilian reais	0,28348	0.33973

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, 2016 and 2015, are recorded in the balance sheet at amounts that are consistent with those prevailing in the market. The main financial instruments are described below, as well as the criteria and assumptions used in the calculation of market values:

(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

Although the purpose of the operation with derivatives is to protect the Company from the oscillation arising from its exposure to the foreign exchange rate risk, it was decided not to adopt the hedge accounting methodology.

(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.

Financial risk factors

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

(a) Credit risk

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

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

The credit risk relating to the rendering of services is minimized by a strict control of the student base and active management of default levels and dispersion of balances.
With respect to the credit risk associated with financial institutions, the Company and its subsidiaries operate in accordance with the financial investments and derivatives policy approved by the Board of Directors. The balances of cash and cash equivalents, marketable securities and judicial deposits

All amounts in thousands of reais unless otherwise stated

are held at financial institutions with AA to AAA credit rating according to the credit rating agencies Standard & Poor's, Fitch and Moody's.

(b) Interest rate risk

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

(c) Foreign exchange rate risk

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

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

(d) Liquidity risk

Liquidity risk consists of the possibility that the Group may not have sufficient funds to meet its financial commitments due to the different settlement terms of its rights and obligations.
The Group's liquidity and cash flow control is monitored on a daily basis by the Group's financial management department, in order to ensure that cash flows from operations and funding, when necessary, are sufficient to meet its commitment schedule, not generating liquidity risks for the Group. There was no significant change in the financial liabilities of the Group as at December 31, 2016 compared to December 31, 2015.

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

The 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, 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			
At December 31, 2015				
Trade payables	75,024			
Borrowings	291,346	368,257	558,589	7,350
Finance lease liabilities	15,565	864	19,970	
Price of acquisition payable	42,161	31,289	40,586	
Related parties	512			

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

All amounts in thousands of reais unless otherwise stated

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, 2016, three different scenarios were defined. Based on the CDI rate officially published by CETIP on December 31, 2016 (13,63% 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, 2016, with projections for one year and verification of the sensitivity of the CDI for each scenario.

		CDI increase scenario		
Transactions	**Risk**	**Scenario (I)**	**Scenario (II)**	**Scenario (III)**
Financial investments	CDI	13.63%	17.04%	20.44%
R$ 345,669		47,115	58,893	70,672
Debentures II	CDI+1.18	14.97%	18.42%	21.87%
R$ 308,853		(46,238)	(56,886)	(67,534)
Debentures III	112% CDI	15.39%	19.27%	23.16%
R$ 194,259		(29,887)	(37,428)	(44,996)
Debentures IV	CDI+1.50	15.33%	18.79%	22.25%
R$ 100,853		(15,465)	(18,953)	(22,441)
IFC I	CDI+1.53	15.37%	18.83%	22.29%
R$ 26,391		(4,056)	(4,969)	(5,882)
IFC II	CDI+1.69	15.55%	19.02%	22.48%
R$ 14,185		(2,206)	(2,697)	(3,189)
Promissory notes (1st Tranche)	CDI+1.50	15.33%	18.79%	22.25%
R$ 178,935		(27,439)	(33,627)	(39,816)
Promissory notes (2st Tranche)	CDI+1.65	15.50%	18.97%	22.43%
R$ 127,840		(19,821)	(24,249)	(28,677)
Net position		(97,997)	(119,916)	(141,863)

		CDI increase scenario		
Transactions	**Risk**	**Scenario (I)**	**Scenario (II)**	**Scenario (III)**
Financial investments	CDI	13.63%	10.22%	6.81%
R$ 345,669		47,115	35,336	23,557
Debentures II	CDI+1.18	14.97%	11.52%	8.08%
R$ 308,853		(46,238)	(35,589)	(24,941)
Debentures III	112% CDI	15.39%	11.52%	7.66%
R$ 194,259		(29,887)	(22,373)	(14,887)
Debentures IV	CDI+1.50	15.33%	11.88%	8.42%
R$ 100,853		(15,465)	(11,977)	(8,489)
IFC I	CDI+1.53	15.37%	11.91%	8.45%
R$ 26,391		(4,056)	(3,143)	(2,230)
IFC II	CDI+1.69	15.55%	12.09%	8.62%
R$ 14,185		(2,206)	(1,714)	(1,223)
Promissory notes (1st Tranche)	CDI+1.50	15.33%	11.88%	8.42%

All amounts in thousands of reais unless otherwise stated

R$ 178,935		(27,439)	(21,250)	(15,061)
Promissory notes (2st Tranche)	CDI+1.65	15.50%	12.04%	8.58%
R$ 127,840		(19,821)	(15,393)	(10,965)
Net position		(97,997)	(76,103)	(54,239)

(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		
	2016	**2015 (Re-presented)**	**January 1, 2015 (Re-presented)**
Total liabilities	1,022,533	1,049,648	589,173
(-) Cash and cash equivalents	(58,340)	(48,410)	(48,011)
Net debt	964,193	1,001,238	541,162
Equity	2,442,986	2,572,965	2,329,628
Net debt on equity	0.39	0.39	0.23

(g) Fair value of financial instruments

At December 31, 2016 and 2015, the carrying values of the Company's financial instruments approximate their fair value.

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

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter 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, 2016 and 2015.

All amounts in thousands of reais unless otherwise stated

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	
	2016	2015
D&O insurance	80,000	80,000
Fire insurance for fixed assets	57,486	57,486
Civil liability	10,000	10,000
Fixed expense	5,000	5,000
Electronic equipment	5,000	5,000
Group life	467,701	454,397
Other lines	31,810	31,810

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 3, 2012 fixed the monthly limit of total compensation of management (Board of Directors and Executive Officers) of the Company.

For the years ended December 31, 2016 and 2015, total compensation (salaries and profit sharing) paid to the Company's directors, officers and main executives amounted to R$ 10,919 and R$ 16,900, 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.

The stock options are formally documented in an individual contract between the Company and each beneficiary. As a condition to acquire the right to purchase shares, the beneficiary will pay the price of the shares within 30 (thirty) days from the subscription or acquisition of shares related to the lot acquired and exercised. For the first share option program, as approved by the Committee on

July 15, 2008, the exercise price of the options will be R$ 16.50 per share, adjusted by reference to the IGPM index since July 11, 2008, less the amount of dividends and interest on capital per share that may be paid by the Company from the date of execution of the individual contracts with the beneficiaries.

For the second share option program, as approved by the Committee on April 20, 2010, the exercise price of the options will be R$ 19.00, equivalent to the average price of the shares over the last thirty trading days on the São Paulo Stock Exchange prior to the date the beneficiary joins the 2nd program, adjusted by reference to the IGPM index from the date the beneficiary is included in the 2nd program, less the amount of dividends and interest on capital per share that may be paid by the Company from the date of execution of the individual contracts with the beneficiaries. The Committee may, upon inclusion of the beneficiary in the 2nd program, determine the granting of a discount of up to 10% (ten percent) on the exercise price.

On December 20, 2010, upon termination of the 2nd program, the creation of the 3rd program was approved, with an issue price of shares to be acquired of R$ 23.60, to be increased based on the variation of the IGPM index from January 3, 2011 until the date of the actual option is exercised. On April 2, 2012, upon termination of the 3rd program, the creation of the 4th program was approved, with an issue price of shares to be acquired of R$ 19.00, to be increased based on the variation of the IGPM index from April 2, 2012 until the date of the actual option is exercised.

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

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

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

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

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

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

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

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

All amounts in thousands of reais unless otherwise stated

On May 21, 2013, at the Extraordinary General Meeting the stockholders approved a 3- for-1 split for the Company's shares. At December 31, 2016, the capital is divided into 317,896,418 registered common shares.

At December 31, 2016, the number of options granted which were exercised totaled 10,556,842 (R$ 80,086), and the total shares granted amounted to 17,744,023 (R$ 169,104).

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

	Exercised options
December 31, 2014	7,660,975
March 31, 2015	7,660,975
June 30, 2015	9,267,228
September 30, 2015	9,305,555
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

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

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*	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*	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	129,000
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	18,000
Program 4P Aug/12	4/15/2013	4/15/2023	R$ 2.64	R$ 7.54	50.39%	1.15%	4.29%	10	18,000	0
Program 4P Aug/12	4/14/2014	4/14/2024	R$ 3.37	R$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
Program 4P Aug/12	4/14/2015	4/14/2025	R$ 3.88	R$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
Program 4P Aug/12	4/14/2016	4/14/2026	R$ 4.29	R$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
Program 4P Aug/12	4/14/2017	4/14/2027	R$ 4.55	R$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
Program 4P Nov/12	4/15/2014	4/15/2024	R$ 6.31	R$ 7.38	49.44%	0.76%	3.50%	10	15,000	0
Program 4P Nov/12	4/15/2015	4/15/2025	R$ 6.88	R$ 7.38	49.44%	0.76%	3.50%	10	15,000	0
Program 4P Nov/12	4/15/2016	4/15/2026	R$ 7.36	R$ 7.38	49.44%	0.76%	3.50%	10	15,000	15,000
Program 4P Nov/12	4/15/2017	4/15/2027	R$ 7.79	R$ 7.38	49.44%	0.76%	3.50%	10	15,000	15,000
Program 4P Nov/12	4/15/2018	4/15/2028	R$ 8.08	R$ 7.38	49.44%	0.76%	3.50%	10	15,000	15,000
Program 4P Jan/13	4/15/2014	4/15/2024	R$ 8.23	R$ 7.32	33.47%	0.00%	3.90%	10	160,200	7,200
Program 4P Jan/13	4/15/2015	4/15/2025	R$ 8.35	R$ 7.32	33.47%	0.00%	3.90%	10	160,200	7,200
Program 4P Jan/13	4/15/2016	4/15/2026	R$ 8.48	R$ 7.32	33.47%	0.00%	3.90%	10	160,200	7,200
Program 4P Jan/13	4/15/2017	4/15/2027	R$ 8.62	R$ 7.32	33.47%	0.00%	3.90%	10	160,200	88,200
Program 4P Jan/13	4/15/2018	4/15/2028	R$ 8.75	R$ 7.32	33.47%	0.00%	3.90%	10	160,200	88,200

(*) 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*	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	102,000
Program 6P Oct/13	4/15/2014	4/15/2024	R$ 5.05	R$ 17.48	28.80%	0.00%	11.99%	10	265,000	5000
Program 6P Oct/13	4/15/2015	4/15/2025	R$ 5.79	R$ 17.48	28.80%	0.00%	11.99%	10	265,000	5,000
Program 6P Oct/13	4/15/2016	4/15/2026	R$ 6.40	R$ 17.48	28.80%	0.00%	11.99%	10	265,000	19,000
Program 6P Oct/13	4/15/2017	4/15/2027	R$ 6.94	R$ 17.48	28.80%	0.00%	11.99%	10	265,000	88,000
Program 6P Oct/13	4/15/2018	4/15/2028	R$ 7.43	R$ 17.48	28.80%	0.00%	11.99%	10	265,000	88,000
Program 6P Jul/14	4/15/2015	4/15/2025	R$ 15.13	R$ 16.79	26.43%	0.00%	11.99%	10	608,000	0
Program 6P Jul/14	4/15/2016	4/15/2026	R$ 15.76	R$ 16.79	26.43%	0.00%	11.99%	10	608,000	80,000
Program 6P Jul/14	4/15/2017	4/15/2027	R$ 16.41	R$ 16.79	26.43%	0.00%	11.99%	10	608,000	574,000
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	574,000
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	574,000
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	81,000
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	81,000
Program 7P Oct/14	4/15/2019	4/15/2029	R$ 12.24	R$ 25.40	28.80%	0.00%	11.99%	10	177,800	81,000
Program 8P Oct/15	4/15/2016	4/15/2026	R$ 5.45	R$ 13.15	28.80%	0.00%	11.99%	10	196,600	2,000
Program 8P Oct/15	4/15/2017	4/15/2027	R$ 6.42	R$ 13.15	28.80%	0.00%	11.99%	10	196,600	53,800
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	53,800
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	53,800
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	53,800
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	212,000	0
10 Program Jul16	4/15/2018	4/15/2027	R$ 7.89	R$ 15.12	59.18%	0.00%	12.50%	10	212,000	0
10 Program Jul16	4/15/2019	4/15/2027	R$ 8.61	R$ 15.12	59.18%	0.00%	12.50%	10	212,000	0
10 Program Jul16	4/15/2020	4/15/2027	R$ 9.18	R$ 15.12	59.18%	0.00%	12.50%	10	212,000	0
10 Program Jul16	4/15/2021	4/15/2027	R$ 9.64	R$ 15.12	59.18%	0.00%	12.50%	10	212,000	0
10 Program Jul16 Cons.	4/15/2017	4/29/2017	R$ 6.89	R$ 15.12	59.18%	0.00%	12.50%	2	50,000	0
10 Program Jul16 Cons.	4/15/2018	4/29/2018	R$ 7.89	R$ 15.12	59.18%	0.00%	12.50%	2	50,000	0

(*) Market price on the respective grant dates.

Pursuant to the requirements of Technical Pronouncement CPC 10, share-based payments that were outstanding at December 31, 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, of R$ 1,505 for the year ended December 31, 2016 (R$ 19,150 for the year ended December 31, 2015).

All amounts in thousands of reais unless otherwise stated

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

Statutory Board

	2016		2015	
	Average exercise price per share	Options - thousands	Average exercise price per share	Options - thousands
January 1	13.73	921,660	8.28	501,961
Granted	15.82	748,013	14.37	870,171
Exercised	10.03	222,852	8.92	450,472
	19.52	1,446,821	13.73	921,660

Board of Directors

	2016		2015	
	Average exercise price per share	Options - thousands	Average exercise price per share	Options - thousands
January 1	8.01	188,130	6.76	30,630
Granted	0.00	0,00	17.91	212,500
Exercised	0.00	0,00	16.66	55,000
Forfeited (i)	8.01	188,130		
	0.00	0,00	8.01	188,130

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

(c) Special Program for Long-term Incentive

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

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

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

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

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

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

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

The value of the provision of the program at December 31, 2016 is R$ 210 (R$ 2,412 at December 31, 2015).

21 Earnings per share

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

(a) Basic earnings per share

	2016	2015
Numerator		
Profit for the year	368,102	440,279
Denominator (in thousands of shares)		
Weighted average number of shares outstanding	317,229	316,262
Basic earnings per share	1.16037	1.39213

(b) Diluted earnings per share

	2016	2015
Numerator		
Profit for the year	368,102	440,279
Denominator (in thousands of shares)		
Weighted average number of shares outstanding	317,229	316,262
Potential increase in the number of shares relating to the share option plan	230	983
Adjusted weighted average number of shares outstanding	317,459	317,245
Diluted earnings per share	1.15953	1.38782

22 Net revenue from services rendered

	Consolidated	
	2016	2015
Gross operating revenue	4,804,139	4,322,397
Gross revenue deductions	(1,619,634)	(1,390,931)
Grants - scholarships	(1,349,400)	(1,135,193)
Return of monthly tuition and charges	(7,434)	(13,631)
Discounts granted	(22,289)	(16,000)
Taxes	(133,469)	(121,416)
Adjustment to present value - FIES (Note 4)		(28,114)
FGEDUC	(87,382)	(71,215)
Others (*)	(19,660)	(5,362)
	3,184,505	2,931,466

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

All amounts in thousands of reais unless otherwise stated

23 Costs of services rendered

	Consolidated	
	2016	2015
Personnel and social charges	(1,273,064)	(1,180,003)
Labor contingencies	(61,883)	(32,352)
Electricity, water, gas and telephone	(46,441)	(47,562)
Rents, condominium fees and IPTU	(245,166)	(217,902)
Mailing and courier expenses	(2,011)	(4,152)
Depreciation and amortization	(93,209)	(83,017)
Teaching material	(29,450)	(43,697)
Outsourced security and cleaning services	(57,818)	(51,993)
	(1,809,042)	(1,660,678)

24 Expenses by nature

	Parent company		Consolidated	
	2016	2015	2016	2015
Selling				
Impairment of trade receivables			(158,617)	(161,375)
Advertising			(166,582)	(171,030)
Sales and marketing			(48,028)	(35,688)
Others (i)			(3,058)	(2,896)
			(376,285)	(370,989)
General and administrative expenses				
Personnel and social charges	(4,189)	(3,194)	(167,707)	(141,832)
Outsourced services	(9,797)	(4,076)	(97,279)	(81,352)
Consumption material			(3,389)	(3,522)
Maintenance and repairs	(44)	(69)	(35,287)	(34,778)
Depreciation and amortization (ii)	(21,289)	(21,063)	(100,057)	(81,489)
Educational covenants	(396)	(504)	(10,455)	(8,415)
Travels and accommodation	(180)	(206)	(9,458)	(9,376)
Institutional events (ii)	(11)	(5)	(17,313)	(36,329)
Provision for contingencies			(45,611)	(16,950)
Copies and bookbinding			(7,529)	(6,536)
Insurance	(5,992)	(3,809)	(6,695)	(5,315)
Cleaning supplies			(3,558)	(2,825)
Transportation	(12)	(10)	(5,316)	(4,167)
Car rental			(2,746)	(2,463)
Others	(1,256)	(1,808)	(25,977)	(23,541)
	(43,166)	(34,744)	(538,377)	(458,890)

(i) In 2016, it refers mainly to the provision described in Note 4 (a).
(ii) This balance includes the amortization of funding costs of R$ 1,380.

25 Other operating income (expenses)

	Parent company		Consolidated	
	2016	2015	2016	2015
Income from agreements	1,634	1,635	2,684	2,800
Income from rentals			10,152	10,544
Web class income			114	1,419
Business intermediations			639	1,080
Provision for impairment of fixed assets (*)			(16,515)	4,357
Other operating income (expenses)	(387)		1,216	7,378
	1,247	1,635	(1,710)	27,578

(*) Refers mainly to the physical inventory adjustment of property and equipment completed in 2016.

All amounts in thousands of reais unless otherwise stated

26 Finance income and costs

	Parent company		Consolidated	
	2016	**2015**	**2016**	**2015**
Finance income				
Late payment fine and interest			24,851	17,590
Update of accounts receivable - FIES			32,456	18,734
Earnings from financial investments	27,136	49,206	62,738	81,005
Interest on capital			1,275	
Monetary variation gains	3,037	3,287	10,316	14,192
Exchange variation gain	27,958	28,657	27,960	28,664
Derivative financial instruments gain - SWAP	471	59,367	471	59,367
Adjustment to present value - FIES			14,920	
Others	84	32	151	342
	58,686	140,549	175,138	219,894
Finance costs				
Banking expenses	(2,853)	(769)	(13,433)	(11,622)
Interest and financial charges	(114,205)	(89,982)	(137,244)	(103,096)
Interest on capital	(1,275)		(1,275)	
Financial discounts (i)			(41,492)	(14,510)
Monetary variation losses			(8,607)	(12,834)
Derivative financial instruments losses - SWAP	(26,036)	(34,547)	(26,036)	(34,547)
Exchange variation losses	(10,958)	(67,588)	(10,967)	(67,592)
Others	(2,469)	(1,408)	(22,382)	(7,353)
	(157,796)	(194,294)	(261,436)	(251,554)

(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, 2016 and 2015 is as follows:

	Parent company		Consolidated	
	2016	**2015**	**2016**	**2015**
Profit before income tax and social contribution	361,239	433,223	372,793	436,827
Combined statutory rate of income tax and social contribution - %	34	34	34	34
Income tax and social contribution at the statutory rates	(122,821)	(147,296)	(126,750)	(148,521)
Goodwill from mergers				1,812
Depreciation	(8)		805	1,353
Leasing			(237)	(361)
Adjustment to present value			5,073	(9,559)
Equity in the results of subsidiaries	170,771	176,826		
Amortization of goodwill	(6,743)	(6,787)	(13,672)	(11,368)
Non-deductible expenses (I)		(380)	(2,740)	(2,065)
Options granted LP provision - employees			(1,018)	(7,775)
Tax losses not registered	(41,067)	(22,363)	(45,025)	(53,412)
Decommissioning expenses			69	(607)
Provision for contingencies			(10,157)	4,201
Provision for impairment of receivables (II)	(132)		(102)	9,817
Monthly tuitions to be canceled and billed			5,541	3,344
Provision for FIES risk			(1,040)	(984)
Others			(471)	(2,593)
			(189,724)	(216,718)
Tax benefits				
Tax incentive – PROUNI			164,596	174,467
Tax incentive – Lei Rouanet			4,317	2,238
Current income tax and social contribution in the results for the year			(20,811)	(40,013)

(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	
	2016	**2015**	**2016**	**2015**
Current income tax and social contribution			(20,811)	(40,013)
Deferred income tax and social contribution	6,798	6,732	16,120	34,638
Income tax and social contribution from the prior periods	65	324		8,827
	6,863	7,056	(4,691)c	3,452

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

	Parent company			Consolidated		
	2016	**2015**	**January 1, 2015 (Re-presented)**	**2016**	**2015**	**January 1, 2015 (Re-presented)**
Adjustment to present value				4,486	9,559	
Provision for contingencies				21,383	9,385	10,976
Provision for impairment of receivables	132			2,382	6,045	1,780
Monthly fees to bill					(555)	
Monthly tuitions to be canceled				5,138	1,615	4,398
Provision for decommissioning				5,193	3,586	3,526
Provision for impairment of fixed assets						
Goodwill	(10,011)	(16,734)	(27,593)	(24,238)	(36,314)	(39,191)
Provision for risk - Fies				6,226	5,187	1,259
Options granted recognized				25,195	24,177	8,704
Decommissioning adjustment					1,676	323
Incorporated goodwill				(10,706)	(10,069)	(7,621)
Depreciation	8			(805)		
Tax losses				894	894	2,584
Other assets		65	65		2,734	1,751
	(9,871)	(16,669)	(27,528)	35,148	17,920	(11,511)
Assets				58,752	53,998	34,837
Liabilities	(9,871)	(16,669)	(27,528)	(23,604)	(36,078)	(46,348)
	(9,871)	(16,669)	(27,528)	35,148	17,920	(11,511)

The realization of the deferred tax effect on temporary differences recorded at December 31, 2016 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, 2016, 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, 2016, the Company had tax credits arising from income tax and social contribution losses amounting to R$ 78,856 (R$ 37,788 at December 31, 2015) that are not yet accounted for, because it is not possible to state at this time that their realization is considered probable.

* * *

Management's Proposal to be submitted to approval by the Annual and Extraordinary Shareholders' Meeting to be held on April 19, 2017

Shareholders,

Pursuant to the provisions of Article 196 of Law 6.404/76 and of Article 25, Paragraph 1, Section IV of CVM Instruction No. 480/09, we hereby submit to your approval the Capital Budget of Estácio Participações S.A.

Given the estimates for the growth of the business in 2017, the Company will carry out investments in infrastructure, organic expansion and M&A, as described below. To materialize these investments, the Company will need to compose the Reserve for Retention of Profits in the amount of R$262,272,558.05 (two hundred and sixty-two million, two hundred and seventy-two thousand, five hundred and fifty-eight reais and five centavos), derived from the net profit of the 2016 fiscal year.

The amount allocated for the Reserve for Retention of Profits will be used to finance part of the Company's Capital Budget for the 2017 fiscal year.

The amount of the 2017 capital budget to be submitted to approval by the Shareholders' Meeting, to be held on April 19, 2017, is of R$266,000,000.00 (two hundred and sixty-six million reais).

For this investment plan, we will have the following sources:

a) R$262,272,558.05 from the Reserve for Retention of Profits; and,
b) R$3,727,441.95 from Third-Party Resources.

Allocation [(1)]:

Infrastructure	**2017**[(2)]
Corporate	68,892,267
Organic Expansion	15,404,820
Organic Expansion - Phase 2	11,844,837
Multiannual	19,310,272
Discretionary Projects	14,940,939
Recurring	34,840,353
Safety	24,766,512
More physicians	20,000,000
Opex Project	15,000,000
M&A	41,000,000
Total Overall	**266,000,000**

(1) The category to which the resources will be allocated
(2) Amounts to be allocated in the 2017 fiscal year

Rio de Janeiro, March 14, 2017.

Estácio Participações S.A.
The Management

ESTÁCIO PARTICIPAÇÕES S.A.

PUBLICLY-HELD COMPANY WITH AUTHORIZED CAPITAL
CORPORATE TAXPAYER'S ID (CNPK) 08.807432/0001-10 – STATE REGISTRY (NIRE) 33.3.0028205-0

LEGAL OPINION OF THE FISCAL COUNCIL

The undersigned members of the Fiscal Council of **Estácio Participações S.A.**, pursuant to the legal and statutory provisions of items II, III e VII, of Article 163 of Law 6.404/76, carried out the assessment and the analysis of the Financial Statement, of the Management's Annual Report and Proposal for the Allocation of the Profits, for the fiscal year ended on December 31, 2016, and the Capital Budget for the 2017 fiscal year, taking into account the clarifications provided by the Management and the legal opinion with no restrictions of PricewaterhouseCoopers – Independent Auditors, issue a favorable legal opinion, unanimously, that the documents here mentioned are able to be assessed by the Annual Shareholders' Meeting.

Rio de Janeiro, March 14, 2017.

Emanuel Sotelino Schifferle
Chairman of the Council

Pedro Wagner Pereira Coelho
Member of the Council

Rodrigo Magela
Member of the Council