

Estácio Participações S.A.

**Quarterly information (ITR) at
June 30, 2018 and
report on review of
quarterly information**

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

Independent auditor's review report on interim financial information

The Shareholders and Board of Directors

Estácio Participações S.A.

Rio de Janeiro - RJ

We have reviewed the interim financial information individual and consolidated of Estácio Participações S.A. ("Company" or "Estácio") contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2018, comprising the balance sheet at June 30, 2018, and the related statements of operations, statements of comprehensive income for the three and six month periods, changes in equity and cash flow statement for the six-month period then ended, including the explanatory notes.

Management's responsibility for the interim financial information

Management is responsible for the preparation of the interim financial information individual and consolidated in accordance with CPC 21 (R1) – Interim Financial Statements and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim accounting information

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

Other matters

Statements of value added

We have also reviewed the statements of value added (SVA) individual and consolidated, for the quarter period ended June 30, 2018, prepared under the responsibility of Company management, whose presentation in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and as supplementary information under International Financial Reporting Standards (IFRS), which do not require the presentation of the SVA. These statements were subject to the same review procedures previously described above and, based on our review, nothing has come to our attention that causes us to believe that it was not presented fairly, in all material respects, consistently with the overall interim financial information individual and consolidated.

Rio de Janeiro, August 6, 2018.

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

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

Estácio Participações S.A.

Balance sheet

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated			Parent company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017		June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Assets					Liabilities and equity				
Current					Current				
Cash and cash equivalents (Note 3)	88	241	9,002	13,996	Accounts payable	1,844	2,205	103,126	70,923
Marketable securities (Note 3)	62,908	45,820	391,950	510,450	Borrowings (Note 11)	321,199	326,072	344,445	349,274
Accounts receivable (Note 4)			1,102,788	991,404	Salaries and social charges (Note 12)	365	352	226,912	158,640
Related parties (Note 5)	1,875	15,612			Taxes payable (Note 13)	160	172	113,532	76,794
Prepaid expenses (Note 6)		25	10,419	6,544	Monthly tuitions received in advance			12,540	13,341
Dividends receivable (Note 8)	68,026	390,957			Taxes payable in installments (Note 14)			4,181	4,295
Taxes and contributions (Note 7)	1,387	3,908	134,162	92,046	Related parties (Note 5)	16,394	2	7	100,846
Others			63,815	49,040	Dividends payable	7	100,846	57,212	57,109
					Price of acquisition payable (Note 15)			15,767	11,722
					Others	9,392	329		
	<u>134,284</u>	<u>456,563</u>	<u>1,712,136</u>	<u>1,663,480</u>					
						<u>349,361</u>	<u>429,978</u>	<u>877,722</u>	<u>842,944</u>
Non-current					Non-current				
Long-term receivables					Long-term payables				
Trade receivables (Note 4)			142,713	32,694	Borrowings (Note 11)	63,221	193,343	81,949	218,047
Prepaid expenses (Note 6)			4,892	5,105	Contingencies (Note 16)	283	172	113,135	86,284
Judicial deposits (Note 16)		185	101,557	102,808	Taxes payable in installments (Note 14)			7,494	10,301
Deferred taxes (Note 27)			157,170	70,617	Deferred taxes (Note 27)	2,108	4,361	8,872	14,177
Taxes and contributions (Note 7)	40,608	36,981	90,741	80,322	Provision for asset decommissioning			22,875	22,196
Others			27,168	43,217	Price of acquisition payable (Note 15)			5,554	29,989
	<u>40,608</u>	<u>37,166</u>	<u>524,241</u>	<u>334,763</u>	Others	30	30	20,507	19,900
						<u>65,642</u>	<u>197,906</u>	<u>260,386</u>	<u>400,894</u>
Investments					Equity (Note 17)				
In subsidiaries (Note 8)					Share capital	1,139,764	1,130,818	1,139,764	1,130,818
Others	2,553,000	2,118,132	228	228	Share issue costs	(26,852)	(26,852)	(26,852)	(26,852)
Intangible assets (Note 9)			1,400,107	1,420,208	Capital reserves	665,587	663,981	665,587	663,981
Property and equipment (Note 10)	786,734	793,280	601,019	602,416	Revenue reserves	924,929	1,139,764	924,929	1,139,764
	<u>3,339,734</u>	<u>2,911,412</u>	<u>2,001,354</u>	<u>2,022,852</u>	Treasury shares	(38,056)	(130,454)	(38,056)	(130,454)
					Retained earnings	434,251		434,251	
	<u>3,380,342</u>	<u>2,948,578</u>	<u>2,525,595</u>	<u>2,357,615</u>		<u>3,099,623</u>	<u>2,777,257</u>	<u>3,099,623</u>	<u>2,777,257</u>
Total assets	<u>3,514,626</u>	<u>3,405,141</u>	<u>4,237,731</u>	<u>4,021,095</u>	Total liabilities and equity	<u>3,514,626</u>	<u>3,405,141</u>	<u>4,237,731</u>	<u>4,021,095</u>

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

Estácio Participações S.A.**Statement of income****Quarters ended June 30**

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2018	2017	2018	2017
Continuing operations				
Net operating revenue (Note 21)			1,899,478	1,732,456
Cost of services rendered (Note 22)			(811,036)	(884,977)
Gross profit			1,088,442	847,479
Operating income (expenses)				
Selling expenses (Note 23)			(277,298)	(227,218)
General and administrative expenses (Note 23)	(16,344)	(19,498)	(300,022)	(256,833)
Equity in the results of subsidiaries (Note 8)	466,867	365,039		
Other operating income (Note 24)	204	792	(3,441)	5,132
Operating profit	<u>450,727</u>	<u>346,333</u>	<u>507,681</u>	<u>368,560</u>
Finance income (Note 25)	2,901	7,611	48,460	54,895
Finance costs (Note 25)	(21,630)	(69,229)	(104,659)	(115,194)
Finance result, net	<u>(18,729)</u>	<u>(61,618)</u>	<u>(56,199)</u>	<u>(60,299)</u>
Profit before income tax and social contribution	431,998	284,715	451,482	308,261
Current and deferred income tax (Note 27)	1,657	2,476	(12,116)	(14,468)
Current and deferred social contribution (Note 27)	596	891	(5,115)	(5,711)
Earnings for the period attributable to the stockholders	<u>434,251</u>	<u>288,082</u>	<u>434,251</u>	<u>288,082</u>
Basic earnings per share (Note 20)	<u>1.40340</u>	<u>0.93372</u>	<u>1.40340</u>	<u>0.93372</u>
Diluted earnings per share (Note 20)	<u>1.40340</u>	<u>0.93081</u>	<u>1.40340</u>	<u>0.93081</u>

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

Estácio Participações S.A.**Statement of comprehensive income****Quarters ended June 30**

All amounts in thousands of reais unless otherwise stated

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Profit for the period	434,251	288,082	434,251	288,082
Total comprehensive income for the period, net of taxes	<u>434,251</u>	<u>288,082</u>	<u>434,251</u>	<u>288,082</u>
Attributable to:				
Controlling stockholders				
Non-controlling interests	<u>434,251</u>	<u>288,082</u>	<u>434,251</u>	<u>288,082</u>

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

Estácio Participações S.A.

Statement of changes in equity

All amounts in thousands of reais unless otherwise stated

	Capital reserves					Revenue reserves			Retained earnings	Total
	Share capital	Share Issue expenditures	Long-term incentives	Discount on the sale of shares	Share premium	Options granted	Legal	Profit retention	Treasury shares	
At January 1, 2017	1,130,818	(26,852)	210		595,464	65,449	93,199	722,815	(146,430)	2,434,673
Options granted (Note 19)						4,408				4,408
Long-term incentives (Note 19)			94							94
Discount on disposal of treasury shares (Note 17 d.3)				(4,305)					4,305	
Stock Options payment (Note 17)									8,147	8,147
Profit for the year									288,082	288,082
At June 30, 2017	1,130,818	(26,852)	304	(4,305)	595,464	69,857	93,199	722,815	(133,978)	2,735,404
Options granted (Note 19)						3,050				3,050
Discount on disposal of treasury shares (Note 17 d.3)				(389)					389	
Stock Options payment (Note 17)									3,135	3,135
Profit for the year									136,508	136,508
Allocation of profit										
Transfer to reserves							21,230	302,520	(323,750)	
Mandatory minimum dividend (R\$ 0.33 per share)									(100,840)	(100,840)
At December 31, 2017	1,130,818	(26,852)	304	(4,694)	595,464	72,907	114,429	1,025,335	(130,454)	2,777,257
Options granted (Note 19)						2,993				2,993
Treasury shares acquired (Note 17)									(79,109)	(79,109)
Discount on disposal of treasury shares (Note 17 d.3)				(1,387)					1,387	
Cancellation of shares in treasury (Note 17 c)								(154,603)	154,603	
Stock Options payment (Note 17)									15,517	15,517
Capital increase	8,946							(8,946)		
Profit for the period									434,251	434,251
Adoption of the new standard IFRS 09 (Note 1.4)								(51,286)		(51,286)
At June 30, 2018	1,139,764	(26,852)	304	(6,081)	595,464	75,900	114,429	810,500	(38,056)	3,099,623

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

Estácio Participações S.A.
Statement of cash flows
Quarters ended June 30
All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2018	2017	2018	2017
Cash flows from operating activities				
Profit before income tax and social contribution	431,998	284,715	451,482	308,261
Adjustments to reconcile profit with cash from operations				
Depreciation and amortization (Notes 9, 10, 22, 23)	6,546	9,936	96,511	100,228
Amortization of funding costs (Note 11)	1,861	7,330	1,861	7,330
Provision for impairment of trade receivables (Note 4)			160,994	112,801
Options granted – stock options provision (Note 8, 19)			2,993	4,408
Provision for long-term incentives (Note 8, 19)				94
Provision for contingencies (Note 16)	111		61,099	43,806
Update of trade receivables - FIES			(8,419)	(6,146)
Present value - trade receivables – FIES (Note 25)				(5,350)
Adjustment to present value - trade receivables - sale of portfolio (Note 25)				(2,770)
Adjusted tax credits	(1,027)	(1,767)	(1,817)	(4,016)
Interest on borrowings	18,627	59,650	18,999	64,286
Equity in the results of subsidiaries (Note 8)	(466,867)	(365,039)		
Loss on the disposal of property and equipment and intangible assets (Notes 9, 10)		27	849	537
Provision for decommitments of assets			816	1,152
Restatement of commitments payable			1,673	5,218
Others		(900)	224	(841)
	<u>(8,751)</u>	<u>(6,048)</u>	<u>787,265</u>	<u>628,998</u>
Changes in assets and liabilities:				
(Increase) in trade receivables			(451,683)	(275,087)
Decrease (increase) in other assets	30,129	51	(14,796)	(8,147)
Decrease (increase) in prepaid expenses	25	160	(3,875)	9,291
(Increase) decrease in taxes and contributions	(79)	(991)	(50,718)	(7,757)
Increase (decrease) in trade payables	(361)	(972)	32,203	16,048
(Decrease) in taxes payable	(12)	13	(5,640)	(13,237)
Increase in salaries and social charges	13	213	68,272	74,600
(Decrease) in monthly tuitions received in advance			(801)	(15,962)
Increase (decrease) Labor/civil convictions			(34,248)	(37,222)
(Decrease) Provision for decommissioning of assets			(137)	(497)
Increase (decrease) in other liabilities	9,063	(4)	4,652	(1,314)
(Decrease) in taxes paid in installments			(3,124)	(1,950)
Decrease in non-current assets			16,262	8,651
Decrease (increase) in judicial deposits	185	(47)	1,251	(5,212)
	<u>30,212</u>	<u>(7,625)</u>	<u>344,883</u>	<u>371,203</u>
Interest paid on borrowings	(14,899)	(43,653)	(14,795)	(43,653)
Corporate Income Tax (IRPJ) and Social Contribution on Net income (CSLL) paid			(40,291)	(10,910)
Net cash provided by (used in) operating activities	<u>15,313</u>	<u>(51,278)</u>	<u>289,797</u>	<u>316,640</u>
Cash flows from investing activities:				
Property and equipment (Note 10)			(48,186)	(35,998)
Intangible assets (Note 9)			(27,676)	(24,597)
Dividends received	322,931	96,250		
Advance for future capital increase (Note 8)	(16,294)	(9,705)		
Price of acquisition payable			(26,005)	(21,674)
Net cash used in investing activities	<u>306,637</u>	<u>86,545</u>	<u>(101,867)</u>	<u>(82,269)</u>
Cash flows from financing activities				
Treasury shares acquired	(79,109)		(79,109)	
Use of treasury shares resulting from the exercise of stock options	15,517	8,147	15,517	8,147
Dividends paid	(100,839)	(87,423)	(100,839)	(87,423)
New borrowings and financing			6,170	
Cost of borrowing acquisition	151		151	
Repayment of borrowings	(140,735)	(4,761)	(153,314)	(16,789)
Net cash provided by (used in) financing activities	<u>(305,015)</u>	<u>(84,037)</u>	<u>(311,424)</u>	<u>(96,065)</u>
Increase (decrease) in cash and cash equivalents	<u>16,935</u>	<u>(48,770)</u>	<u>(123,494)</u>	<u>138,306</u>
Cash and cash equivalents at the beginning of the period (Note 3)	46,061	127,335	524,446	404,009
Cash and cash equivalents at the end of the period (Note 3)	<u>62,996</u>	<u>78,565</u>	<u>400,952</u>	<u>542,315</u>
Changes in cash and cash equivalents	<u>16,935</u>	<u>(48,770)</u>	<u>(123,494)</u>	<u>138,306</u>

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

Estácio Participações S.A.

Statement of value added

Quarters ended June 30

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2018	2017	2018	2017
Revenue				
Educational services			1,978,679	1,800,560
Other revenue			4,666	10,740
Provision for impairment of trade receivables			(160,994)	(112,801)
Other selling expenses			(607)	(893)
			1,821,744	1,697,606
Inputs acquired from third parties				
Materials, energy and outsourced services	(7,141)	(6,798)	(302,917)	(265,203)
Contingencies	(110)		(49,496)	(43,806)
	(7,251)	(6,798)	(352,413)	(309,009)
Gross value added	(7,251)	(6,798)	1,469,331	1,388,597
Depreciation and amortization	(6,546)	(9,936)	(96,511)	(100,228)
Net value added generated by the entity	(13,797)	(16,734)	1,372,820	1,288,369
Value added received through transfer				
Equity in results of investees	466,867	365,039		
Interest income	2,901	7,611	48,460	54,895
Others	(1,781)	(6,455)	3,737	(1,379)
	467,987	366,195	52,197	53,516
Total value added to distribute	454,190	349,461	1,425,017	1,341,885
Distribution of value added				
Work remuneration				
Direct remuneration				
Benefits	2,003	2,217	487,921	532,996
Government Severance Indemnity Fund for Employees (FGTS)			25,085	23,396
			33,902	38,959
	2,003	2,217	546,908	595,351
Taxes, charges and contributions				
Federal	(1,547)	(2,383)	145,468	157,497
State				6
Municipal			80,709	74,699
	(1,547)	(2,383)	226,177	232,202
Third-party capital remuneration				
Interest	19,483	61,545	100,393	105,582
Rentals			117,288	120,668
	19,483	61,545	217,681	226,250
Own capital remuneration				
Retained earnings	434,251	288,082	434,251	288,082
	434,251	288,082	434,251	288,082
Value added distributed	454,190	349,461	1,425,017	1,341,885

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

Estácio Participações S.A.

Notes to the financial statements

at June 30, 2018

All amounts in thousands of reais unless otherwise stated

1 General information

1.1 Operations

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

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

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

The Company's Board of Directors, in a meeting held on August 6, 2018, authorized the disclosure of this quarterly information.

1.2 Basis of preparation

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

1.3 Accounting policies

In the quarterly information, the accounting policies are presented in a manner consistent with the accounting practices adopted in the parent company and consolidated financial statements for the year ended December 31, 2017, except for the adoption of CPC 47 and CPC 48, mentioned in the following paragraph at January 1, 2018. Accordingly, the quarterly information should be read together with the financial statements for the year ended December 31, 2017.

1.4 Changes in accounting policies and disclosures

New standards that are effective as from 2018

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

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

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

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

Estácio Participações S.A.

Notes to the financial statements

at June 30, 2018

All amounts in thousands of reais unless otherwise stated

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

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

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

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

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

The Company has adopted the new standard as from January 1, 2018, and will not restate comparatives, as permitted by the standard. The Company does not identify any significant impact on the financial statements.

2 Explanatory notes not presented in this quarterly information

The quarterly information is presented in conformity with CPC 21 (R1), IAS 34 and the standards issued by the CVM, Based on these facts, and according to the assessment of the Company's management about the significant impacts of the information to be disclosed, the explanatory notes described below were not presented in this quarterly information, The other notes are presented so as to allow the perfect understanding of this quarterly information if they are read together with the notes disclosed in the financial statements for the year ended December 31, 2017.

Explanatory notes not presented in this quarterly information:

- Summary of significant accounting policies.
- Critical accounting estimates and judgments.
- Assumptions for the calculation of the fair value of the stock option plans and the impairment of non-financial assets already disclosed in the notes to the financial statements at December 31, 2017.
- Insurance.
- Other information.

Estácio Participações S.A.

Notes to the financial statements at June 30, 2018

All amounts in thousands of reais unless otherwise stated

3 Cash and cash equivalents and marketable securities

	Parent company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Cash and banks	88	241	9,002	13,996
Cash and cash equivalents	88	241	9,002	13,996
Government securities (Investment funds)	37,494	28,354	235,254	361,334
LFs (Investment funds)	15,297	7,709	95,982	98,294
Bank Deposit Certificates (CDB)	8,376	8,213	48,504	30,000
CDB (Investment funds)	1,702	1,092	10,673	13,920
Repurchase agreements		44		57
Repurchase agreements (Investment funds)		373		4,760
Government securities (Itaú Judicial)	39	35	1,522	1,945
Savings bond			15	140
Marketable securities	62,908	45,820	391,950	510,450

The Company has a Investments Policy that stipulates that investments must be in low risk marketable securities with highly-rated financial institutions, At June 30, 2018, the operations earn interest based on the variation of the Interbank Deposit Certificate (CDI) rate with the exception of government securities, which are indexed to the Special System for Settlement and Custody (SELIC) rate and fixed rates.

At June 30, 2018 and December 31, 2017, all of the Company's marketable securities are classified as "at amortized cost".

The fair values of listed securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to these securities (June 30, 2018 - 6.39%; December 31, 2017 - 6.89%). None of these financial assets is either past due or impaired.

The exclusive investment fund is backed by financial allocations in fund quotas, CDBs, Financial Bills (LFs), government securities and repurchase agreements with first-tier banks and issuers. Bradesco Funds are remunerated at the average Interbank Deposit Certificate (CDI) rate of 97.59% in at June 30, 2018 (100.19% at December 31, 2017); Estapart (Itaú) Funds are remunerated at the average Interbank Deposit Certificate (CDI) rate of 99.33% at June 30, 2018 (100.55% at December 31, 2017); ItaúJud (Itaú) Funds are remunerated at the average Interbank Deposit Certificate (CDI) rate of 54.74% at June 30, 2018 (56.80% at December 31, 2017).

The Bank Deposit Certificates (CDBs) are remunerated at the average Interbank Deposit Certificate (CDI) rate of 98.50% at June 30, 2018 (99.51% at December 31, 2017).

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4 Trade receivables

	Consolidated	
	June 30, 2018	December 31, 2017
Monthly tuition	697,694	473,081
Student Financing Fund (FIES) (a)	728,237	600,725
Agreements and exchanges	23,714	21,129
Receivables on credit cards (b)	79,976	58,337
Renegotiated receivables	87,639	91,570
	<u>1,617,260</u>	<u>1,244,842</u>
Provision for doubtful credits	(319,989)	(205,062)
Amounts to be identified	(2,333)	(4,298)
(-) Adjustment to present value (c)	<u>(49,437)</u>	<u>(11,384)</u>
	<u>1,245,501</u>	<u>1,024,098</u>
Current assets	1,102,788	991,404
Non-current assets	<u>142,713</u>	<u>32,694</u>
	<u>1,245,501</u>	<u>1,024,098</u>

The balance of long-term receivables as of June 30, 2018 is related to PAR (Programa de Parcelamento Estácio), DIS (Dilution of monthly tuition fees) and Educar Amazônia. The composition by age is as follows:

	Consolidated	
	June 30, 2018	December 31, 2017
2019	6,286	4,589
2020	11,478	3,376
2021	44,348	16,829
2022	148,642	52,583
2023 to 2024	47,201	391
(-) Adjustment to present value – PAR, DIS and Educar (c)	(49,437)	(11,384)
(-) Provision for impairment of trade receivables – PAR, DIS and Educar	<u>(65,805)</u>	<u>(33,690)</u>
Non-current assets	<u>142,713</u>	<u>32,694</u>

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

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

(a) Accounts receivable from the Student Financing Fund (FIES) are represented by educational loans obtained by students from Caixa Econômica Federal (CEF) and the National Education Development Fund (FNDE), whereby the financed funds are transferred monthly by CEF and Banco do Brasil to a specific bank account. This amount has been used to pay the social security contributions and federal taxes and converted into cash by means of auctions of Brazilian National Treasury securities.

(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%.

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- (b) A substantial part of the receivables on credit cards arises from the negotiation of defaulted monthly tuitions.
- (c) At June 30, 2018, the adjustment to present value amounts to R\$ 49,437 (R\$ 34,592 related to PAR, R\$ 14,563 to DIS and R\$ 282 related to the Educar Amazônia program) and on December 31, it amounts to R\$ 11,384 (R\$ 11,195 related to PAR and R\$ 189 related to the Educar Amazônia program).

The composition of receivables by age is as follows:

	Consolidated			
	June 30, 2018	%	December 31, 2017	%
FIES	728,237	45	600,725	48
Not yet due	430,813	27	175,834	14
Overdue for up to 30 days	85,083	5	91,720	8
Overdue from 31 to 60 days	80,750	5	63,660	5
Overdue from 61 to 90 days	59,945	4	57,762	5
Overdue from 91 to 179 days	76,842	4	77,672	6
Overdue for more than 180 days	155,590	10	177,469	14
	<u>1,617,260</u>	<u>100</u>	<u>1,244,842</u>	<u>100</u>

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

	Consolidated			
	June 30, 2018	%	December 31, 2017	%
Not yet due	24,246	28	38,781	42
Overdue for up to 30 days	5,082	6	8,891	10
Overdue from 31 to 60 days	4,519	5	7,603	8
Overdue from 61 to 90 days	5,073	5	7,060	8
Overdue from 91 to 179 days	11,327	13	14,698	16
Overdue for more than 180 days	37,392	43	14,537	16
	<u>87,639</u>	<u>100</u>	<u>91,570</u>	<u>100</u>

As described in Note 1.4, on January 1, 2018, the provision for impairment of receivables started to be calculated according to the guidelines established in IFRS 9 - CPC 48. Therefore, the provision for impairment of trade receivables started to be recorded based on the aging of receivables, according to which each period of delay corresponds to a percentage of probability of expected loss. Until December 31, 2017, this provision was equivalent to the balance of 100% of the monthly tuition fees overdue for more than 180 days.

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

Balance at December 31, 2016	205,637
Additions	112,801
Write-off of bills overdue for more than 360 days	<u>(141,583)</u>
Balance at June 30, 2017	176,855
Additions	113,842
Write-off of bills overdue for more than 360 days	<u>(85,635)</u>
Balance at December 31, 2017	<u>205,062</u>
Additions	160,461
Adoption of the new practices entered into equity (Note 1.4)	77,705
Write-offs of checks returned/overdue for more than 360 days	<u>(123,239)</u>
Balance at June 30, 2018	<u>319,989</u>

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For the period ended June 30, 2018 and 2017, expenses with the provision for impairment of trade receivables, recognized in the statement of income as selling expenses (Note 23), are as follows:

	Consolidated	
	2018	2017
Net effect of the provision for impairment of receivables in profit or loss	160,461	112,801
Write-offs of bank-issued invoices overdue for more than 360 days	167	
Others	366	
	<u>160,994</u>	<u>112,801</u>

5 Related-party

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

	Parent company	
	June 30, 2018	December 31, 2017
Current assets		
Current account		
Seses	1,870	8,799
Fatern		220
Irep		5,020
Atual		967
Seama		229
São Luís		263
Estácio Ribeirão Preto		103
Nova Academia, FAL, Editora, Fargs e Facitec	5	11
Subsidiaries	<u>1,875</u>	<u>15,612</u>

	Parent company	
	June 30, 2018	December 31, 2017
Current liabilities		
Current account		
Seses	9,598	
Irep	5,010	
Atual	970	2
São Luís	260	
Estácio Ribeirão Preto	103	
Fatern	220	
Seama	233	
Subsidiaries	<u>16,394</u>	<u>2</u>

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6 Prepaid expenses

	Consolidated	
	June 30, 2018	December 31, 2017
Insurance	1,103	1,326
Municipal Real Estate Tax (IPTU)	6,218	
Teaching materials (i)	1,644	2,273
Anticipation of vacation pay and charges	919	2,404
Registration fee - Ministry of Education (MEC)	2,329	2,507
Technical-pedagogical cooperation - Santa Casa	2,466	2,466
Other prepaid expenses	632	673
Total	15,311	11,649
Current assets	10,419	6,544
Non-current assets	4,892	5,105
	15,311	11,649

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

7 Taxes and contributions

	Parent company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Withholding Income Tax (IRRF)	633	2,709	6,678	14,463
Corporate Income Tax (IRPJ) / Social Contribution on Net Income (CSLL) (Prepayments) (i)			75,499	33,080
Corporate Income Tax (IRPJ) / Social Contribution on Net Income (CSLL) (Loss carryforward) (ii)	41,290	38,040	75,211	72,359
Social Integration Program (PIS)		6	3,520	612
Social Contribution on Revenues (COFINS)	16	25	15,957	2,196
Services Tax (ISS)	3	3	46,283	42,659
National Institute of Social Security (INSS)			1,143	6,333
Others	53	106	612	666
	41,995	40,889	224,903	172,368
Current assets	1,387	3,908	134,162	92,046
Non-current assets	40,608	36,981	90,741	80,322
	41,995	40,889	224,903	172,368

- (i) This amount refers to advance payments of IRPJ and CSLL, required by legislation, which were made in 2018 and 2017, respectively. The composition of the amount totaling R\$ 75,498 in 2018 is as follows: SESES - R\$ 50,927, IREP - R\$ 10,121 and other companies - R\$ 14,450.
- (ii) This amount represents the advance overpayments of IRPJ/CSLL in prior years, and has been used to offset federal taxes and monthly restated based on the Selic rate.

As described in Note 27, the calculation of the Prouni's tax incentive was revised due to a temporary disqualification of a subsidiary that resulted in accumulated tax credits related to the overpayment of PIS/COFINS and advance payments of income tax and social contribution on June 30, 2018.

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8 Investments in subsidiaries

(a) Parent company Estácio Participações S.A.

	June 30, 2018		December 31, 2017	
	Investments	Losses on investments	Investments	Losses on investments
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")	1,246,818		1,017,888	
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")	1,207,065		1,043,362	
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")	3,960		3,505	
Estácio Editora e Distribuidora Ltda. ("EDITORA")		(30)		(30)
Sociedade de Ensino Superior Estacio Ribeirão Preto Ltda. ("Estácio Ribeirão Preto")				
	95,157		53,377	
	<u>2,553,000</u>	<u>(30)</u>	<u>2,118,132</u>	<u>(30)</u>

The subsidiaries' information is as follows:

June 30, 2018								
Interest	Number of quotas	Total assets	Total liabilities	Equity	Goodwill	Deferred income tax on goodwill from downstream merger	Total	Equity in the results of subsidiaries
SESES	100%	610,677	1,734,437	487,619	1,246,818		1,246,818	249,110
IREP	100%	515,080	1,397,025	252,402	1,144,623	62,442	1,207,065	173,038
NACP	100%	15,699	5,013	1,053	3,960		3,960	(663)
Editora (i)	100%	251	31	66	(35)	5	(30)	
Estácio Ribeirão Preto	100%	23,837	132,314	34,927	97,387	(2,230)	95,157	45,382
		<u>3,268,820</u>	<u>776,067</u>	<u>2,492,753</u>	<u>62,447</u>	<u>(2,230)</u>	<u>2,552,970</u>	<u>466,867</u>

December 31, 2017								
Interest	Number of quotas	Total assets	Total liabilities	Equity	Goodwill	Deferred income tax on goodwill from downstream merger	Total	Equity in the results of subsidiaries
SESES	100%	610,677	1,567,355	549,467	1,017,888		1,017,888	285,225
IREP	100%	499,979	1,344,206	363,286	980,920	62,442	1,043,362	228,625
NACP	100%	13,105	4,015	510	3,505		3,505	(1,324)
Editora (i)	100%	251	31	66	(35)	5	(30)	
Estácio Ribeirão Preto	100%	23,837	118,661	63,054	55,607	(2,230)	53,377	37,804
		<u>3,034,268</u>	<u>976,383</u>	<u>2,057,885</u>	<u>62,447</u>	<u>(2,230)</u>	<u>2,118,102</u>	<u>550,330</u>

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

The global changes in the investments in subsidiaries in the period ended June 30, 2018 and in the year ended December 31, 2017 are as follows:

Investments in subsidiaries at December 31, 2016	2,305,020
Equity in the results of subsidiaries	550,330
Advance for future capital increase	10,205
Options granted	7,458
Supplementary dividends of 2016	(350,000)
Dividends of 2017	(390,957)
Impairment (Goodwill)	(14,018)
Long-term incentives	94
Investments in subsidiaries at December 31, 2017	<u>2,118,132</u>
Equity in the results of subsidiaries	466,867
Advance for future capital increase	16,294
Options granted	2,993
Adoption of the new standard IFRS 09 (Note 1.4)	(51,286)
Investments in subsidiaries at June 30, 2018	<u>2,553,000</u>

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The accounting information of the subsidiaries used in the application of the equity accounting method were related to the base date June 30, 2018.

The direct subsidiaries' investments are as follows:

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

	June 30, 2018	December 31, 2017
Sociedade Educacional Atual da Amazônia ("ATUAL")	587,965	505,108
ANEC - Sociedade Natalense de Educação e Cultura ("FAL")	12,331	12,213
Sociedade Universitária de Excelência Educacional do Rio Grande do Norte ("FATERN")	30,511	30,726
	<u>630,807</u>	<u>548,047</u>

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

								June 30, 2018
	Interest	Number of quotas	Total Assets	Total liabilities	Equity	Goodwill	Total	Equity in the result of investees
ATUAL	100%	35,726	644,960	72,498	572,462	15,503	587,965	63,906
FAL	100%	20,031	8,738	4,483	4,255	8,076	12,331	(2,326)
FATERN	100%	9,160	21,710	6,178	15,532	14,979	30,511	(7)
			<u>675,408</u>	<u>83,159</u>	<u>592,249</u>	<u>38,558</u>	<u>630,807</u>	<u>61,573</u>
								December 31, 2017
	Interest	Number of quotas	Total Assets	Total liabilities	Equity	Goodwill	Total	Equity in the result of investees
ATUAL	100%	34,186	634,005	144,400	489,605	15,503	505,108	73,978
FAL	100%	17,218	7,898	3,761	4,137	8,076	12,213	(3,534)
FATERN	100%	9,160	22,394	6,647	15,747	14,979	30,726	1,878
			<u>664,297</u>	<u>154,808</u>	<u>509,489</u>	<u>38,558</u>	<u>548,047</u>	<u>72,322</u>

The global changes of the investments of the direct subsidiary IREP in subsidiaries in the period ended June 30, 2018 and in the year ended December 31, 2017 are as follows:

Investments in subsidiaries at December 31, 2016	496,838
Equity	72,322
Advance for future capital increase	33,965
Dividends of 2017	<u>(55,078)</u>
Investments in subsidiaries at December 31, 2017	<u>548,047</u>
Equity	61,573
Advance for future capital increase	31,151
Adoption of the new standard IFRS 09	<u>(9,964)</u>
Investments in subsidiaries at June 30, 2018	<u>630,807</u>

								Equity in the result of investees
	Interest	Number of quotas	Total Assets	Total liabilities	Equity	Goodwill	Goodwill	Total
UNIUL	100%	4,626	2,377	749	1,628	956		2,584
IDEZ	100%	5,894	2,675	1,668	1,007	2,047		3,054
SEAMA	100%	3,232	45,593	12,680	32,913	18,035		50,948
FARGS	100%	7,181	15,430	4,157	11,273	8,055		19,328
SÃO LUIS	100%	220	91,761	39,710	52,051	27,368		79,419
FACITEC	100%	6,051	28,723	12,950	15,773	26,654	260	42,687
ASSESC	100%	3	4,560	2,603	1,957	4,723		6,680
IESAM	100%	2,400	68,322	22,957	45,365	26,797	13,617	85,779
Estácio Amazonas	100%	46,957	45,858	18,891	26,967	26,214	509	53,690
CEUT	100%	2,408	27,772	15,176	12,596	27,568	1,710	41,874
FNC	100%	20,928	31,136	16,196	14,940	72,046	7,913	94,899
FCAT	100%	100	15,166	10,993	4,173	20,121	4,072	28,366
FUFS	100%	2,905	8,821	2,475	6,346	6,255	1,443	14,044
			388,194	161,205	226,989	266,839	29,524	523,352

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The global changes of the investments of the direct subsidiary ATUAL in subsidiaries in the period ended June 30, 2018 and in the year ended December 31, 2017 are as follows:

Investments in subsidiaries at December 31, 2016	500,224
Equity	78,566
Advance for future capital increase	10,930
Amortization of goodwill	(12,904)
Dividends of 2017	(53,464)
Investments in subsidiaries at December 31, 2017	523,352
Equity	62,963
Advance for future capital increase	7,188
Amortization of goodwill	(5,553)
Adoption of the new standard IFRS 09	(8,986)
Investments in subsidiaries at June 30, 2018	578,964

9 Intangible assets

(a) Intangible assets – Parent company

	December 31, 2017		June 30, 2018	
	Cost	Additions	Cost	
Cost				
Goodwill on the acquisition of investments (i)	780,065		780,065	
Right of use of software	99		99	
Project Integração	212		212	
Goodwill	79,704		79,704	
	<u>860,080</u>		<u>860,080</u>	
	<u>Amortization rates</u>	<u>Amortization</u>	<u>Additions</u>	<u>Amortization</u>
Amortization				
Right of use of software	20% p.a.	(77)	(7)	(84)
Project Integração	20% p.a.	(54)	(21)	(75)
Goodwill	20 to 33% p.a.	<u>(66,669)</u>	<u>(6,518)</u>	<u>(73,187)</u>
		<u>(66,800)</u>	<u>(6,546)</u>	<u>(73,346)</u>
Net book value		793,280	(6,546)	786,734

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	December 31, 2016		June 30, 2017	
	Cost	Additions	Cost	
Cost				
Goodwill on the acquisition of investments (i)	780,065		780,065	
Right of use of software	99		99	
Project Integração	212		212	
Goodwill	79,704		79,704	
	860,080		860,080	
	Amortization rates	Amortization	Additions	Amortization
Amortization				
Right of use of software	20% p.a.	(59)	(9)	(68)
Project Integração	20% p.a.	(11)	(22)	(33)
Goodwill	20 to 50% p.a.	(50,263)	(9,889)	(60,152)
		(50,333)	(9,920)	(60,253)
Net book value		809,747	(9,920)	799,827

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

(b) Intangible assets – Consolidate

		December 31, 2017					June 30, 2018
		Cost	Additions	Disposals	Transfers	Reclassification to fixed assets	Cost
Cost							
Goodwill on the acquisition of investments		1,181,481					1,181,481
Right of use of software		272,394	18,566		(1)	(761)	290,198
Integration and distance learning project		18,298					18,298
CSC		2,786	68				2,854
Learning Center		76,677	3,454				80,131
IT architecture		21,664					21,664
Online class material		7,821	222				8,043
Knowledge Factory - EAD		33,868	3,211				37,079
Goodwill		173,503					173,503
Others		35,311	2,155	(412)			37,054
		1,823,803	27,676	(412)	(1)	(761)	1,850,305
	Amortization rates	Amortization	Additions	Disposals	Transfers	Reclassification to fixed assets	Amortization
Amortization							
Goodwill on the acquisition of investments	Indefinite	(6,924)					(6,924)
Right of use of software	20% p.a.	(192,746)	(22,384)		1	828	(214,301)
Integration and distance learning project	20% p.a.	(16,408)	(404)				(16,812)
CSC	20% p.a.	(2,005)	(29)				(2,034)
Learning Center	10% p.a.	(19,912)	(5,553)				(25,465)
IT architecture	17 to 20% p.a.	(8,530)	(1,923)				(10,453)
Online class material	20% p.a.	(6,436)	(313)				(6,749)
Knowledge Factory - EAD	10% p.a.	(4,537)	(1,972)				(6,509)
Goodwill	20 to 50% p.a.	(130,945)	(12,069)				(143,014)
Others	20% p.a.	(15,152)	(2,823)	38			(17,937)
		(403,595)	(47,470)	38	1	828	(450,198)
Net book value		1,420,208	(19,794)	(374)		67	1,400,107

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		December 31, 2016					June 30, 2017
		Cost	Additions	Disposals	Transfers	Reclassification to fixed assets	Cost
Cost							
Goodwill on the acquisition of investments		1,195,499					1,195,499
Right of use of software		236,101	16,399			(34)	252,466
Integration and distance learning project		18,298					18,298
CSC		2,228	390				2,618
Learning Center		72,123	2,022		(3)		74,142
Relationship Center		2,348					2,348
Hemispheres		1,346					1,346
IT architecture		19,174	1,024				20,198
Online class material		7,603	155				7,758
Knowledge Factory - EAD		28,741	2,271				31,012
Goodwill		174,018		(515)			173,503
Others		27,559	2,336	(104)	3		29,794
		<u>1,785,038</u>	<u>24,597</u>	<u>(619)</u>		<u>(34)</u>	<u>1,808,982</u>
	Amortization rates	Amortization	Additions	Disposals	Transfers	Reclassification to fixed assets	Amortization
Amortization							
Goodwill on the acquisition of investments	Indefinite	(6,924)					(6,924)
Right of use of software	20% p.a.	(148,808)	(22,316)			2	(171,122)
Integration and distance learning project	20% p.a.	(15,600)	(404)				(16,004)
CSC	20% p.a.	(1,940)	(37)				(1,977)
Learning Center	5% p.a.	(16,590)	(1,629)				(18,219)
Relationship Center	20% p.a.	(2,348)					(2,348)
Hemispheres	20% p.a.	(1,346)					(1,346)
IT architecture	17 to 20% p.a.	(5,183)	(1,674)				(6,857)
Online class material	20% p.a.	(4,900)	(729)				(5,629)
Knowledge Factory - EAD	5% p.a.	(3,043)	(719)				(3,762)
Goodwill	20 a 50% p.a.	(102,150)	(16,782)	515			(118,417)
Others	20% p.a.	(6,714)	(2,401)	101			(9,014)
		<u>(315,546)</u>	<u>(46,691)</u>	<u>616</u>		<u>2</u>	<u>(361,619)</u>
Net book value		1,469,492	(22,094)	(3)		(32)	1,447,363

At June 30, 2018 and December 31, 2017, goodwill on acquisition of investments was comprised as follows:

	Parent company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Goodwill on acquisition of investments net of accumulated amortization				
IREP			89,090	89,090
ATUAL			15,503	15,503
Seama			18,035	18,035
Idez			2,047	2,047
Uniuol			956	956
Fargs			8,055	8,055
São Luis			27,369	27,369
Facitec			26,654	26,654
Assesc			4,723	4,723
Iesam			26,797	26,797
Estácio Amazonas			26,214	26,214
Ceut			27,568	27,568
FNC			72,046	72,046
FCAT			20,120	20,120
FUFS			6,255	6,255
FAL			8,076	8,076
FATERN			14,979	14,979
Estácio Editora			5	5
Estácio Ribeirão Preto	9,371	9,371	9,371	9,371
Estácio Ribeirão Preto Holding	<u>770,694</u>	<u>770,694</u>	<u>770,694</u>	<u>770,694</u>
	<u>780,065</u>	<u>780,065</u>	<u>1,174,557</u>	<u>1,174,557</u>

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The Company carries out annual analyses for impairment purposes, the last being for the year ended December 31, 2017, relative to goodwill on investment acquisitions and mergers, based on expected future profitability, considering projections of future results for the next 10 years, Asset impairment testing did not result in the need to recognize losses, at the nominal perpetuity growth rate of 5.0% p.a. (equivalent to the long-term inflation rate, not considering any real growth) and a single nominal discount rate of 14.3% to discount estimated future cash flows.

10 Property and equipment

(a) Property and equipment – Consolidated

		December 31, 2017				June 30, 2018	
		Cost	Additions	Disposals	Transfers	Reclassification From intangible assets	Cost
Cost							
Land		19,295					19,295
Buildings		208,737	2,243	(143)	102		210,939
Third-parties' properties improvements		248,758	14,936	(20)	7,083		270,757
Furniture and utensils		96,317	4,396	(424)	(7)	1	100,283
Computers and peripherals		154,408	2,561	(326)		770	157,413
Machinery and equipment		117,137	7,026	(211)	342	33	124,327
Physical/ hospital activities equipment		48,283	4,609	(117)		5	52,780
Library		159,081	3,139	(254)		7	161,973
Facilities		51,615	1,038	(42)	152		52,763
Tablets		37,974					37,974
Construction in progress		6,659	7,327		(7,290)		6,696
Demobilization		22,196		(138)			22,058
Others		10,731	911	(329)	(4)	(103)	11,206
		1,181,191	48,186	(2,004)	378	713	1,228,464
	Depreciation rate	Depreciation	Additions	Disposals	Transfers	Reclassification From intangible assets	Depreciation
Depreciation							
Buildings	1.67% p.a.	(59,546)	(1,856)	120	18		(61,264)
Third-parties' properties improvements	11.11% p.a.	(134,199)	(14,367)	61	(66)		(148,571)
Furniture and utensils	8.33% p.a.	(54,388)	(4,040)	328	7		(58,093)
Computers and peripherals	25% p.a.	(118,348)	(8,823)	317	5	(731)	(127,580)
Machinery and equipment	8.33% p.a.	(58,799)	(8,053)	176	(342)	(33)	(67,051)
Physical/ hospital activities equipment	6.67% p.a.	(19,740)	(1,471)	60		(4)	(21,155)
Library	5% p.a.	(69,061)	(3,469)	48		(7)	(72,489)
Facilities	8.33% p.a.	(18,233)	(1,879)	46			(20,066)
Tablets	20% p.a.	(27,469)	(3,397)				(30,866)
Demobilization		(12,204)	(1,258)	61			(13,401)
Others	14.44% p.a.	(6,788)	(428)	312		(5)	(6,909)
		(578,775)	(49,041)	1,529	(378)	(780)	(627,445)
Net book value		602,416	(855)	(475)		(67)	601,019

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		December 31, 2016					June 30, 2017
		Cost	Additions	Disposals	Transfers	Reclassification From intangible assets	Cost
Cost							
Land		19,295					19,295
Buildings		192,768	806		4,432		198,006
Third-parties' properties improvements		261,753	5,432	(12,363)	20,704		275,526
Furniture and utensils		98,311	5,245	(7,399)		34	96,191
Computers and peripherals		149,266	1,739	(347)	445		151,103
Machinery and equipment		129,049	6,342	(571)			134,820
Physical/ hospital activities equipment		44,483	1,982	(14)			46,451
Library		141,601	1,608				143,209
Facilities		52,796	1,885	(935)			53,746
Tablets		46,755		(2,328)	(444)		43,983
Construction in progress		18,935	10,845		(25,242)		4,538
Demobilization		22,312		(492)			21,820
Others		11,075	114	(37)			11,152
		1,188,399	35,998	(24,486)	(105)	34	1,199,840
	Depreciation rate	Depreciation	Additions	Disposals	Transfers	Reclassification From intangible assets	Depreciation
Depreciation							
Buildings	1.67% p.a.	(52,171)	(1,725)		1		(53,895)
Third-parties' properties improvements	11.11% p.a.	(143,234)	(19,091)	12,364	104		(149,857)
Furniture and utensils	8.33% p.a.	(56,042)	(3,818)	7,030		(2)	(52,832)
Computers and peripherals	25% p.a.	(107,394)	(8,342)	343	(269)		(115,662)
Machinery and equipment	8.33% p.a.	(61,123)	(8,060)	486			(68,697)
Physical/ hospital activities equipment	6.67% p.a.	(18,793)	(1,225)	14			(20,004)
Library	5% p.a.	(63,935)	(3,076)				(67,011)
Facilities	8.33% p.a.	(15,849)	(2,613)	909			(17,553)
Tablets	20% p.a.	(27,891)	(4,357)	2,328	269		(29,651)
Demobilization		(15,277)	(803)	446			(15,634)
Others	14.44% p.a.	(6,630)	(427)	32			(7,025)
		(568,339)	(53,537)	23,952	105	(2)	(597,821)
Net book value		620,060	(17,539)	(534)		32	602,019

Certain assets acquired through financing or leasing (Note 11) were used as a financing guarantee, The Company and its Subsidiaries have not pledged any other of its properties to secure transactions.

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

		December 31, 2017			June 30, 2018
		Cost	Additions	Disposals	Cost
Cost					
Finance leases capitalized		82,542	6,352	(1,010)	87,884
		82,542	6,352	(1,010)	87,884
	Depreciation rates	Depreciation	Additions	Disposals	Depreciation
Depreciation					
Finance leases capitalized	10 to 33.33% p.a.	(43,467)	(11,027)	1,010	(53,484)
		(43,467)	(11,027)	1,010	(53,484)
Net book value		39,075	(4,675)		34,400

The Group leases various vehicles and machinery, such as air conditioners and computers, under non-cancelable lease agreements. The lease terms are in accordance with the contractual term and the ownership of the assets is of the Group. All the Group's leases are recognized by the operation's net present value.

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11 Borrowings

		Parent company		Consolidated	
Type	Financial charges	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
In local currency					
Lease agreements – Colortel	INPC + 0.32% p.a.			16,625	22,167
Lease agreements – MB	IGPM/FGV p.a.			5,132	
Others lease agreements	IGPM/IGPI-DI/FGV p.a.			2,166	2,816
Leasing IBM	CDI Over p.d. + 2% p.m.			9,686	13,696
Borrowing – IFC	CDI +1.53% p.a.		30,764		30,764
Funding cost of IFC			(1,220)		(1,220)
Second issue of debentures	CDI + 1.18% p.a.	182,757	244,053	182,757	244,053
Fourth issue of debentures	CDI +1.50% p.a.	50,214	100,421	50,214	100,421
Funding cost of debentures		(901)	(1,278)	(901)	(1,278)
Borrowing – Banco da Amazônia	9.5% p.a.			8,365	9,227
Borrowing – FINEP	6% p.a.	3,962	4,248	3,962	4,248
Promissory notes – Banco Itaú (2st Tranche)	CDI+1.65% p.a.	148,582	142,854	148,582	142,854
Funding cost of promissory notes		(194)	(427)	(194)	(427)
		<u>384,420</u>	<u>519,415</u>	<u>426,394</u>	<u>567,321</u>
Current liabilities		321,199	326,072	344,445	349,274
Non-current liability		<u>63,221</u>	<u>193,343</u>	<u>81,949</u>	<u>218,047</u>
		384,420	519,415	426,394	567,321

The maturity of amounts recorded in non-current liabilities at June 30, 2018 and December 31, 2017 is as follows:

	Parent company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
2019	60,237	178,993	67,777	196,894
2020	587	9,431	4,094	12,364
2021	587	3,109	3,751	5,745
2022	587	587	1,874	1,347
2023	587	587	1,431	903
2024	587	587	1,273	745
2025 to 2028	<u>49</u>	<u>49</u>	<u>1,749</u>	<u>49</u>
Non-current liabilities	<u>63,221</u>	<u>193,343</u>	<u>81,949</u>	<u>218,047</u>

Lease contracts are guaranteed by the leased assets.

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.

In May 2018, the Company settled in advance the loan related to the loan agreement with the International Finance Corporation (IFC I), in the amount of R\$ 48,500, which was financed from the beginning of the agreement in 2011. The settlement amount was R\$ 20,500.

In May 2018, the Company settled in advance the loan related to the loan agreement with the International Finance Corporation (IFC II), in the amount of R\$ 20,340, which was financed from the beginning of the agreement in 2012. The settlement amount was R\$ 9,800.

The contracts with several creditors include restrictive clauses that require the maintenance of certain financial indices with previously established parameters. At June 30, 2018 and December 31, 2017, the subsidiaries and the parent company achieved all the contractually required indices.

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12 Salaries and social charges

	Parent company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Salaries, termination pay and social charges payable	365	352	108,976	120,652
Provision for vacation pay			77,942	37,988
Provision for 13 th month salary			39,994	
	<u>365</u>	<u>352</u>	<u>226,912</u>	<u>158,640</u>

13 Taxes payable

	Parent company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
ISS payable	3	5	17,146	15,300
IRRF payable	105	95	8,372	13,589
PIS and COFINS payable	52	72	3,513	3,703
IOF			64	64
	<u>160</u>	<u>172</u>	<u>29,095</u>	<u>32,656</u>
IRPJ payable			61,491	31,111
CSLL payable			22,946	13,027
			<u>84,437</u>	<u>44,138</u>
	<u>160</u>	<u>172</u>	<u>113,532</u>	<u>76,794</u>

14 Taxes payable in installments

	Consolidated	
	June 30, 2018	December 31, 2017
IRPJ	1,238	1,067
CSLL	53	120
FGTS	790	1,457
ISS	1,972	3,332
PIS	102	113
COFINS	771	893
INSS	6,681	7,430
OTHERS	68	184
	<u>11,675</u>	<u>14,596</u>
Current liabilities	4,181	4,295
Non-current liability	7,494	10,301
	<u>11,675</u>	<u>14,596</u>

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:

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	Consolidated	
	June 30, 2018	December 31, 2017
2019	1,076	2,105
2020	1,197	1,215
2021	893	907
2022	908	892
2023	886	892
2024 to 2029	2,534	4,290
	<u>7,494</u>	<u>10,301</u>

15 Price of acquisition payable

	Consolidated	
	June 30, 2018	December 31, 2017
FACITEC		2,922
SÃO LUIS	8,861	8,588
IESAM	10,741	13,021
Estácio Amazonas	2,595	2,728
CEUT	3,911	4,660
FNC	13,466	26,102
FCAT	2,952	2,897
FUFS	3,240	3,180
	<u>45,766</u>	<u>64,098</u>
Real estate acquisition (i)	<u>17,000</u>	<u>23,000</u>
	<u>62,766</u>	<u>87,098</u>
Current liabilities	57,212	57,109
Non-current liabilities	<u>5,554</u>	<u>29,989</u>
	<u>62,766</u>	<u>87,098</u>

(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.

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

The amounts recorded in noncurrent liabilities at June 30, 2018 and December 31, 2017 have the following maturity schedule:

	Consolidated	
	June 30, 2018	December 31, 2017
2019	2,314	26,809
2020	1,080	1,060
2021	<u>2,160</u>	<u>2,120</u>
	<u>5,554</u>	<u>29,989</u>

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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 June 30, 2018 and December 31, 2017, the provision for contingencies was comprised as follows:

	Consolidated			
	June 30, 2018		December 31, 2017	
	Contingencies	Judicial deposits	Contingencies	Judicial deposits
Civil	18,826	15,590	15,147	14,572
Labor	85,972	68,990	62,712	73,155
Tax	8,337	16,977	8,425	15,081
	113,135	101,557	86,284	102,808

In the period ended June 30, 2018, the amount of R\$ 283 (R\$ 172 in the year ended December 31, 2017) refers to the tax contingency of the parent company.

The changes in the provision for contingencies are as follows:

	Civil	Labor	Tax	Total
At December 31, 2016	16,833	39,292	8,755	64,880
Additions	24,613	112,900	1,097	138,610
Reversals	(6,016)	(23,596)	(774)	(30,386)
Write-offs	(18,955)	(55,298)	(653)	(74,906)
Monetary restatement of write-offs	(1,328)	(10,586)		(11,914)
At December 31, 2017	15,147	62,712	8,425	86,284
Additions	16,275	36,115	410	52,800
Monetary restatement	914	10,553	136	11,603
Reversals	(1,323)	(1,663)	(318)	(3,305)
Write-offs	(12,187)	(21,745)	(316)	(34,248)
At June 30, 2018	18,826	85,972	8,337	113,135

For the periods ended June 30, 2018 and 2017, the expense for the provision for contingencies, recognized in the statement of income as "general and administrative expenses", was as follows:

	2018	2017
Composition of results		
Additions	52,800	60,352
Reversals	(3,305)	(16,546)
Monetary restatement	11,603	
Contingencies	61,099	43,806
General and administrative expenses (Note 23)	(49,496)	(43,806)
Finance result (Note 25)	(11,603)	
	(61,099)	(43,806)

(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.

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

Matters	Amounts
Incorrect collection	3,796
Real estate	5,543
Issue of certificates of completion/diplomas and graduation	1,098
Accreditation and cancelation of the program / Enrollment	1,064
FIES	988
Prouni	120
Success fees	2,769
Others (i)	3,448
	<u>18,826</u>

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

(b) Labor

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

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

Matters	Amounts
Salary differences and termination benefits + reduction of working time + FGTS + notice	48,478
Overtime + suppression Inter + Intra	9,211
Moral/property damage/moral harassment	1,212
Employer's social security payment	7,639
Fees	1,810
Deviation from agreed position and salary equalization	7,314
Fines (Article 467 CLT, article 477 CLT and CCT/ACT)	970
Allowances (health hazards/night shift pay/improvement/length of service/risk premium)	765
Vacation pay	950
Success fees	2,222
Others (i)	5,401
	<u>85,972</u>

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

(c) Tax

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

The provisions related to tax proceedings are as follows:

Matters	Amounts
Services Tax	100
Ancillary obligation related fine	9
Success fees	8,228
	<u>8,337</u>

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

The Company has the following tax, civil and labor litigation involving risks of loss classified by management as possible, based on the evaluation of the legal advisors. These proceedings classified as possible losses are not subject to the constitution of a provision in accordance with accounting practices in force.

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	Consolidated	
	June 30, 2018	December 31, 2017
Civil	191,520	158,010
Labor	182,226	136,266
Tax	567,596	446,740
	941,342	741,016

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

Civil Matters	Amounts
Improper Collection	42,800
Real Estate	35,506
FIES	57,400
Enrollment	10,953
Issuance of Completion and Graduation Certificate/Diploma	10,748
Penalty - PROCON	19
PROUNI	2,177
Accreditation and Cancellation of Program	1,427
System Access	869
Others (i)	29,621
	191,520

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

Labor Matters	Amounts
Salary differences + Decrease in working hours + Government Severance Indemnity Fund for Employees (FGTS) + Overtime	65,362
Notice + Elimination of breaks between and during work shifts	44,528
Cota Social Security	22,845
Deviation from agreed position and salary equalization	19,982
Pain and suffering/material damages/workplace harassment	7,798
Penalties (ART. 467 CLT, ART. 477 CLT E CCT/ACT)	4,097
Fees	3,085
Other (health hazard/night-shift/improvement/years of service/risk)	2,497
Work Card Adjustment + Indirect Termination + Recognition of employment relationship	797
Vacation	979
Job Stability	2,955
Others (i)	7,301
	182,226

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

Tax Matters	Amounts
Social Security Contribution / FGTS	288,245
ISS	195,489
PROUNI / PIS / COFINS	6,828
IRPJ / CSLL / IRRF	14,157
IPTU / FORO / IPVA	5,072
Various penalties	5,489
Inventory of property / CND / Certificate of Non-profit Welfare Entity (CEBAS)	1,234
Value-Added Tax on Sales and Services (ICMS) on electricity	981
Taxes / Sewer Service Fees	16
Others	50,085
	567,596

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

Social security:

(i) Given the divergence of understanding of Article 13 of Law 11,096/05 ("PROUNI Act"), Tax Foreclosures were issued by the National Treasury aimed at the judicial recovery of debts related to the alleged differences in payments of social security contributions. Embargoes were imposed on these executions, which are still being tried. The total amount involved is R\$ 114,542. According to the opinion of the external legal advisors, the risk of loss in these cases remains possible.

(ii) Tax assessment notices in connection with an alleged non-compliance with the principal tax liability related to the period from February 2017 to December 2007. The Company filed an appeal requesting the cancellation of the tax assessment notices claiming that they were clearly groundless. The appeal was deemed partially valid, and considered the percentage of the contributions to the employers' association at the rate of 20% as from the month in which the Company changed from a non-profit entity to an entrepreneurial company. On January 16, 2018, the Company filed an action for annulment with a view to challenging the remaining debt. The provisional remedy sought in this proceeding was granted and, as a result, judgments on merits are pending by the lower court for both actions for annulment. The total amount involved is R\$ 15,606. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

(iii) The Brazilian Federal Revenue Secretariat (RFB), as regards SESES, assessed the Company based on alleged social security contribution liabilities related to the period from January 2006 to January 2007 and failure to comply with record-keeping and reporting obligations. These tax assessment notices mainly challenge the fulfillment of the legal requirements to qualify SESES as a non-profit welfare entity and its related right to exemption from social security contributions, a condition that was met until February 9, 2007. In August 2012, SESES was notified with respect to the decision issued at an appellate level, which partially granted the points presented in our protest letters, and recognized the loss of procedural right and excluded from the assessments the amounts related to the period from January 2006 to July 2006; the remaining arguments of the tax authorities were maintained. A Voluntary Appeal was filed by SESES on September 27, 2012. On September 20, 2016, the case records were assigned and, currently, the Company is awaiting the placement of the appeal on docket for judgment. The amount involved is R\$ 120,758. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

Tax Services:

(i) Tax collection proceeding assigned by the Municipality of Niterói, in connection with the issue of a tax assessment notice on September 29, 2009, the Services Tax (ISS) for the period from January 2004 to January 2007, considering the suspension of the immunity from taxation by the municipal public administration as a result of the alleged non-compliance with requirements for enjoyment of the benefits provided for in article 14 of the Brazilian Tax Code (CTN), that is, because it allegedly has not submitted to tax authorities relevant tax/accounting records, as established in the legislation in force. A motion to stay execution was filed on September 16, 2013, which is pending judgment. The total amount involved is R\$ 34,654. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

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

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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 June 30, 2018, share capital is represented by 309,088,851 common shares.

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

The Company's shareholding structure at June 30, 2018 and December 31, 2017 is as follows:

Stockholders	Common shares			
	June 30, 2018	%	December 31, 2017	%
Officers and directors	871,993	0.3	817,606	0.2
Treasury	1,759,631	0.6	8,461,767	2.7
Others (i)	306,457,227	99.1	308,617,045	97.1
	<u>309,088,851</u>	<u>100</u>	<u>317,896,418</u>	<u>100</u>

(i) *Free float*

(b) Changes in shares

At December 31, 2017	317,896,418
Cancellation of treasury shares - Board of Directors' meeting held on June 13, 2018	<u>(8,807,567)</u>
At June 30, 2018	<u>309,088,851</u>

(c) Treasury shares

At the Meeting of the Board of Directors held on June 29, 2017, the 5th Program for the Repurchase of our shares on stock exchange was approved, including up to 15,894,821 common shares equivalent to 5.00% of the share capital. On May 16, 2018, the Board of Directors approved that the term of the 5th repurchase program was extended from 12 to 18 months, expiring on December 21, 2018. Under such program, up to June 30, 2018, a total number of 3,201,900 shares had been purchased.

	Number	Average cost	Balance
Treasury shares at December 31, 2017	8,461,767	15.42	130,454
SOP payment with treasury shares (Note 17 d.3)	(1,096,469)	15.42	(16,904)
Cancellation of shares	(8,807,567)	17.55	(154,603)
Repurchase of shares	<u>3,201,900</u>	<u>24.71</u>	<u>79,109</u>
Treasury shares at June 30, 2018	<u>1,759,631</u>	<u>21.63</u>	<u>38,056</u>

(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.

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The amount of the share premium in the quarterly information at June 30, 2018 and December 31, 2017 is as follows:

	Parent company	
	June 30, 2018	December 31, 2017
Tax reserve	3	3
Undistributed profits (i)	96,477	96,477
Special reserve for goodwill on merger	85	85
Share premium	498,899	498,899
	<u>595,464</u>	<u>595,464</u>

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

The premium on issue of shares is represented as follows:

	June 30, 2018
Subscription of 17,853,127 shares	(23,305)
Amount paid for the 17,853,127 shares	<u>522,204</u>
Share premium	<u>498,899</u>

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

The Company recorded the Capital Reserve for Stock Options granted and long-term incentive, as mentioned in Note 19. 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) Goodwill and discount on the sale of treasury shares

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

The discount on the sale of treasury shares is represented as follows on June 30, 2018 and December 31, 2017.

	Number of shares	Disposal	Amount paid	Discount
Discount at December 31, 2017	1,036,291	15,976	11,282	4,694
SOP payment	<u>1,096,469</u>	<u>16,904</u>	<u>15,517</u>	<u>1,387</u>
Discount at June 30, 2018	<u>2,132,760</u>	<u>32,880</u>	<u>26,799</u>	<u>6,081</u>

(e) Revenue reserves

At December 31, 2017, of the Company's accumulated results, the amount of R\$ 302,520 was allocated to the "Reserve for New Investments" relating to potential acquisitions, expansion and improvements in infrastructure, technology and organic expansion, as provided for in the Company's bylaws. This proposal for profit retention was approved by the Annual General Meeting held on April 18, 2018.

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

The Company's financial assets and liabilities at June 30, 2018 and December 31, 2017, are recorded in the balance sheet at amounts that are consistent with those prevailing in the market. Information about the criteria, assumptions and limitations used in the market value calculations did not change in relation to the information related to the financial statements for the year ended December 31, 2017.

18.1 Financial risk factors

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

(a) Credit risk

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

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

The credit risk relating to the rendering of services is minimized by a strict control of the student base and active management of default levels and dispersion of balances. In addition, the Company requires the settlement or negotiation of the amounts overdue upon return of the students for classes in the next semester.

With respect to the credit risk associated with financial institutions, the Company and its subsidiaries operate in accordance with the investments policy approved by the Board of Directors. The balances of cash and cash equivalents, marketable securities and judicial deposits are held at financial institutions with A to AAA credit rating according to the credit rating agencies Standard & Poor's, Fitch and Moody's. In the event of two or more ratings, the rating of the majority shall prevail. In the event of different ratings, the Company adopts the higher rating as a basis. In the event of two or more ratings, the rating of the majority shall prevail. In the event of different ratings, the Company adopts the higher rating as a basis.

(b) Interest rate risk

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

(c) Foreign exchange rate risk

As of June 30, 2018 and December 31, 2017, the Company has no position in foreign currency.

(d) Liquidity risk

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

The Group's liquidity and cash flow control is monitored on a daily basis by the Group's financial management department, in order to ensure that cash flows from operations and funding, when necessary, are sufficient to meet its commitment schedule, not generating liquidity risks for the Group. There was no significant change in the financial liabilities of the Group as at June 30, 2018 compared to December 31, 2017.

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.

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

	Consolidated			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At June 30, 2018				
Trade payables	103,126			
Borrowings	323,237	65,589	6,658	1,337
Finance lease liabilities	21,208	8,551	1,897	2,756
Price of acquisition payable	57,212	3,543	2,354	
At December 31, 2017				
Trade payables	70,923			
Borrowings	327,952	193,357	20,652	1,850
Finance lease liabilities	21,322	15,247	2,889	
Price of acquisition payable	57,109	28,486	3,361	

(e) Sensitivity analysis

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

The financial instruments of the Group comprise cash and cash equivalents, trade receivables, judicial deposits and borrowings. These instruments are recognized at fair value plus earnings and charges incurred, which approximate market values at June 30, 2018 and December 31, 2017.

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

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

With respect to 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 June 30, 2018, three different scenarios were defined. Based on the CDI rate officially published by CETIP on June 30, 2018 (6.39% p.a.), this rate was used as the probable scenario for the year. Rate changes of 25% and 50% were then calculated, scenarios II and III, respectively.

For each scenario, the "gross financial revenue and financial expenses" were calculated, disregarding the effect of taxes on the investment yields. The base date used for the portfolio was June 30, 2018, with projections for one year and verification of the sensitivity of the CDI for each scenario.

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CDI increase scenario				
Transactions	Risk	Probable Scenario (I)	Scenario (II)	Scenario (III)
Financial investments R\$ 391,950	CDI	6.39% 25,046	7.99% 31,307	9.59% 37,568
Debentures II R\$ 182,757	CDI+1.18	7.65% (13,973)	9.26% (16,927)	10.88% (19,880)
Debentures IV R\$ 50,214	CDI+1.50	7.99% (4,010)	9.61% (4,824)	11.23% (5,638)
Promissory notes (2nd Tranche) R\$ 148,582	CDI+1.65	8.15% (12,103)	9.77% (14,515)	11.39% (16,928)
Net position		<u>(5,040)</u>	<u>(4,959)</u>	<u>(4,878)</u>

CDI decrease scenario				
Transactions	Risk	Probable Scenario (I)	Scenario (II)	Scenario (III)
Financial investments R\$ 391,950	CDI	6.39% 25,046	4.79% 18,784	3.20% 12,523
Debentures II R\$ 182,757	CDI+1.18	7.65% (13,973)	6.03% (11,019)	4.41% (8,065)
Debentures IV R\$ 50,214	CDI+1.50	7.99% (4,010)	6.36% (3,196)	4.74% (2,382)
Promissory notes (2nd Tranche) R\$ 148,582	CDI+1.65	8.15% (12,103)	6.52% (9,690)	4.90% (7,277)
Net position		<u>(5,040)</u>	<u>(5,121)</u>	<u>(5,201)</u>

(f) Capital management

The Company's debt in relation to the shareholder's equity in the period ended June 30, 2018 and in the year ended December 31, 2017 is presented by the consolidated data as follows:

	Consolidated	
	June 30, 2018	December 31, 2017
Borrowing (Note 11)	426,394	567,321
(-) Cash and cash equivalents (Note 3)	<u>(9,002)</u>	<u>(13,996)</u>
Net debt	417,392	553,325
Equity	<u>3,099,623</u>	<u>2,777,257</u>
Net debt on equity	<u>0.13</u>	<u>0.20</u>

(g) Fair value of financial instruments

At June 30, 2018 and December 31, 2017, 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).

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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 at June 30, 2018 and December 31, 2017.

19 Management compensation

(a) Compensation

For the periods ended June 30, 2018 and 2017, total compensation (salaries and profit sharing) paid to the Company's directors, officers and main executives amounted to R\$ 10,834 and R\$ 7,493, respectively. These amounts are within the limits established at the corresponding General Meetings of Stockholders.

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

(b) Stock option plan

The history and the details of the stock option plans did not change in relation to the information included in the financial statements at December 31, 2017.

At June 30, 2018, the number of options granted which were exercised totaled 12,772,667 shares (R\$ 106,213), and the total shares granted, deducted from the prescribed shares of 17,875,302 shares (R\$ 170,375).

Program	Granted	Options deemed to have expired	Abandoned Options	Issued	Balance of shares
1P	11,910,909	5,067,255	469,539	6,374,115	
2P	1,411,563	798,438	131,835	481,290	
3P	1,805,373	451,929	62,947	1,269,316	21,181
4P	2,736,000	696,000	19,423	2,016,677	3,900
5P	720,000	348,000	118,394	253,606	
6P	5,090,000	2,231,000	1,791,998	631,932	435,070
7P	889,000	359,800	218,434	92,326	218,440
8P	983,000	320,400	40,800	383,514	238,286
9P	1,300,000	300,000		820,000	180,000
10P	1,105,779	278,000	39,000	312,000	476,779
11P	991,010	216,510	8,000	137,891	628,609
Total	28,942,634	11,067,332	2,900,370	12,772,667	2,202,265

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

	<u>Exercised options</u>
December 31, 2016	10,556,842
March 31, 2017	10,556,842
June 30, 2017	11,375,594
September 30, 2017	11,375,594
December 31, 2017	11,593,133
March 31, 2018	11,595,333
June 30, 2018	12,772,667

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

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

Estácio Participações S.A.

Notes to the financial statements at June 30, 2018

All amounts in thousands of reais unless otherwise stated

Program	End of grace period	Expiration date	Fair Value	Price of the underlying asset (i)	Expected Annual Volatility	Expected Dividendss	Risk-free interest risk	Estimated life (years)	Number of options granted	Number of lapsed options
Program 4P Apr/12	4/15/2013	4/15/2023	R\$ 1.12	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	27,000
Program 4P Apr/12	4/14/2014	4/14/2024	R\$ 1.81	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	42,000
Program 4P Apr/12	4/14/2015	4/14/2025	R\$ 2.26	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	42,000
Program 4P Apr/12	4/14/2016	4/14/2026	R\$ 2.60	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	60,000
Program 4P Apr/12	4/14/2017	4/14/2027	R\$ 2.82	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	138,000
Program 4P Apr/12 Cons.	4/15/2013	4/2/2022	R\$ 1.09	R\$ 7.84	51.66%	1.65%	4.29%	8	180,000	0
Program 4P Apr/12 Cons.	4/14/2014	4/2/2022	R\$ 1.78	R\$ 7.84	51.66%	1.65%	4.29%	7	180,000	0
Program 4P Jul/12	4/15/2013	4/15/2023	R\$ 2.23	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	0
Program 4P Jul/12	4/14/2014	4/14/2024	R\$ 2.96	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	0
Program 4P Jul/12	4/14/2015	4/14/2025	R\$ 3.46	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	9,000
Program 4P Jul/12	4/14/2016	4/14/2026	R\$ 3.86	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	9,000
Program 4P Jul/12	4/14/2017	4/14/2027	R\$ 4.12	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	48,000
Program 4P Aug/12	4/15/2013	4/15/2023	R\$ 2.64	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	0
Program 4P Aug/12	4/14/2014	4/14/2024	R\$ 3.37	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
Program 4P Aug/12	4/14/2015	4/14/2025	R\$ 3.88	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
Program 4P Aug/12	4/14/2016	4/14/2026	R\$ 4.29	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
Program 4P Aug/12	4/14/2017	4/14/2027	R\$ 4.55	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
Program 4P Nov/12	4/15/2014	4/15/2024	R\$ 6.31	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	0
Program 4P Nov/12	4/15/2015	4/15/2025	R\$ 6.88	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	0
Program 4P Nov/12	4/15/2016	4/15/2026	R\$ 7.36	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	15,000
Program 4P Nov/12	4/15/2017	4/15/2027	R\$ 7.79	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	15,000
Program 4P Nov/12	4/15/2018	4/15/2028	R\$ 8.08	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	15,000
Program 4P Jan/13	4/15/2014	4/15/2024	R\$ 8.23	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	7,200
Program 4P Jan/13	4/15/2015	4/15/2025	R\$ 8.35	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	7,200
Program 4P Jan/13	4/15/2016	4/15/2026	R\$ 8.48	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	7,200
Program 4P Jan/13	4/15/2017	4/15/2027	R\$ 8.62	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	88,200
Program 4P Jan/13	4/15/2018	4/15/2028	R\$ 8.75	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	94,200

(i) Market price on the respective grant dates.

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Notes to the financial statements at June 30, 2018

All amounts in thousands of reais unless otherwise stated

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

Program	End of grace period	Expiration date	Fair Value	Price of the underlying asset (i)	Expected Annual Volatility	Expected Dividendss	Risk-free interest risk	Estimated life (years)	Number of options granted	Number of lapsed options
Program 5P 3	4/15/2014	4/15/2024	R\$ 6.37	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	0
Program 5P 3	4/15/2015	4/15/2025	R\$ 7.02	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	21,000
Program 5P 3	4/15/2016	4/15/2026	R\$ 7.60	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	102,000
Program 5P 3	4/15/2017	4/15/2027	R\$ 8.11	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	102,000
Program 5P 3	4/15/2018	4/15/2028	R\$ 8.58	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	123,000
Program 6P Oct/13	4/15/2014	4/15/2024	R\$ 5.05	R\$ 17.48	28.80%	0.00%	11.99%	10	265,000	5,000
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	104,000
Program 6P Jul/14	4/15/2015	4/15/2025	R\$ 15.13	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	0
Program 6P Jul/14	4/15/2016	4/15/2026	R\$ 15.76	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	80,000
Program 6P Jul/14	4/15/2017	4/15/2027	R\$ 16.41	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	602,000
Program 6P Jul/14	4/15/2018	4/15/2028	R\$ 17.05	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	608,000
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	608,000
Program 6P Jul/14 Cons.	4/15/2015	7/4/2024	R\$ 15.09	R\$ 16.79	28.80%	0.00%	11.99%	9	162,500	0
Program 6P Jul/14 Cons.	4/15/2016	7/4/2024	R\$ 15.69	R\$ 16.79	28.80%	0.00%	11.99%	8	162,500	0
Program 6P Aug/14	4/15/2015	4/15/2025	R\$ 14.48	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	0
Program 6P Aug/14	4/15/2016	4/15/2026	R\$ 15.10	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	28,000
Program 6P Aug/14	4/15/2017	4/15/2027	R\$ 15.74	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	28,000
Program 6P Aug/14	4/15/2018	4/15/2028	R\$ 16.38	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	28,000
Program 6P Aug/14	4/15/2019	4/15/2029	R\$ 16.98	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	28,000
Program 6P Aug/14 Cons.	4/15/2015	8/1/2024	R\$ 14.43	R\$ 16.88	28.80%	0.00%	11.99%	9	50,000	0
Program 6P Aug/14 Cons.	4/15/2016	8/1/2024	R\$ 15.02	R\$ 16.88	28.80%	0.00%	11.99%	8	50,000	0
Program 7P Oct/14	4/15/2015	4/15/2025	R\$ 8.58	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	16,000
Program 7P Oct/14	4/15/2016	4/15/2026	R\$ 9.71	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	37,000
Program 7P Oct/14	4/15/2017	4/15/2027	R\$ 10.64	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	86,000
Program 7P Oct/14	4/15/2018	4/15/2028	R\$ 11.47	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	104,400
Program 7P Oct/14	4/15/2019	4/15/2029	R\$ 12.24	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	116,400
Program 8P Oct/15	4/15/2016	4/15/2026	R\$ 5.45	R\$ 13.15	28.80%	0.00%	11.99%	10	196,600	2,000
Program 8P Oct/15	4/15/2017	4/15/2027	R\$ 6.42	R\$ 13.15	28.80%	0.00%	11.99%	10	196,600	56,800
Program 8P Oct/15	4/15/2018	4/15/2028	R\$ 7.20	R\$ 13.15	28.80%	0.00%	11.99%	10	196,600	81,200
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	90,200
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	90,200
9 Program Apr/16	4/15/2017	4/15/2027	R\$ 6.02	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	20,000
9 Program Apr/16	4/15/2018	4/15/2027	R\$ 6.66	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	20,000
9 Program Apr/16	4/15/2019	4/15/2027	R\$ 7.14	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	20,000
9 Program Apr/16	4/15/2020	4/15/2027	R\$ 7.52	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	20,000
9 Program Apr/16	4/15/2021	4/15/2027	R\$ 7.83	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	20,000
9 Program Apr/16 Cons.	4/15/2017	4/29/2017	R\$ 3.17	R\$ 11.87	54.57%	0.00%	12.93%	2	450,000	100,000
9 Program Apr/16 Cons.	4/15/2018	4/29/2018	R\$ 4.43	R\$ 11.87	54.57%	0.00%	12.93%	2	450,000	100,000
10 Program Jul16	4/15/2018	4/15/2027	R\$ 6.89	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	2,000
10 Program Jul16	4/15/2018	4/15/2027	R\$ 7.89	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	33,000
10 Program Jul16	4/15/2019	4/15/2027	R\$ 8.61	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	81,000
10 Program Jul16	4/15/2020	4/15/2027	R\$ 9.18	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	81,000
10 Program Jul16	4/15/2021	4/15/2027	R\$ 9.64	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	81,000
10 Program Jul16 Cons.	4/15/2017	4/29/2017	R\$ 6.89	R\$ 15.12	59.18%	0.00%	12.50%	2	32,890	0
10 Program Jul16 Cons.	4/15/2018	4/29/2018	R\$ 7.89	R\$ 15.12	59.18%	0.00%	12.50%	2	32,890	0
11Program Apr17	5/15/2018	5/15/2028	R\$ 6.14	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	13,500
11Program Apr17	5/15/2019	5/15/2028	R\$ 6.84	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	38,000
11Program Apr17	5/15/2020	5/15/2028	R\$ 7.41	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	38,000
11Program Apr17	5/15/2021	5/15/2028	R\$ 7.86	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	38,000
11Program Apr17	5/15/2022	5/15/2028	R\$ 8.26	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	38,000
11 Program Apr17 Cons.	5/15/2018	4/29/2018	R\$ 6.14	R\$ 14.18	46.66%	0.00%	8.94%	2	25,505	25,505
11 Program Apr17 Cons.	5/15/2019	4/29/2019	R\$ 6.84	R\$ 14.18	46.66%	0.00%	8.94%	2	25,505	25,505

(i) Market price on the respective grant dates.

Estácio Participações S.A.

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at June 30, 2018

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The Company recognizes on a quarterly basis the share options, granted in a capital reserve account with a corresponding entry in the statement of income, in general and administrative expenses in the personal line and social charges. In the quarter ended June 30, 2018, R\$ 2,993 (R\$ 7,458 in the year ended December 31, 2017) was recognized. The amount of the provision on June 30, 2018 is R\$ 75,900 (R\$ 72,907 at December 31, 2017).

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

Statutory Board

	June 30, 2018		December 31, 2017	
	Average exercise price per share	Options - thousands	Average exercise price per share	Options - thousands
January 1	13.62	1,493,472	13.62	1,503,136
Exercised	13.24	291,324	13.65	9,664
Prescribed	15.03	202,000	0.00	0,00
Abandoned	17.11	115,000	0.00	0,00
	13.62	885,148	13.62	1,493,472

Board of Directors

	June 30, 2018		December 31, 2017	
	Average exercise price per share	Options - thousands	Average exercise price per share	Options - thousands
January 1	10.20	950,779	10.21	975,779
Exercised	9.92	350,000	9.70	25,000
	10.21	600,779	10.20	950,779

(c) Special Program for Long-term Incentive

The history and details of the Special Long-Term Incentive Program for Statutory Directors (ILP) have not been changed in relation to the information presented in the financial statements at December 31, 2017.

In the quarter ended June 30, 2018, the provision was not recognized (R\$ 94 in the year ended December 31, 2017). The amount of the provision for the program on June 30, 2018 and December 31, 2017 is R\$ 304.

20 Earnings per share

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

(a) Basic earnings per share

	2018	2017
Numerator		
Profit for the year	434,251	288,082
Denominator (in thousands of shares)		
Weighted average number of shares outstanding	309,427	308,534
Basic earnings per thousand shares	1.40340	0.93372

Estácio Participações S.A.**Notes to the financial statements****at June 30, 2018**

All amounts in thousands of reais unless otherwise stated

(b) Diluted earnings per share

	<u>2018</u>	<u>2017</u>
Numerator		
Profit for the year	434,251	288,082
Denominator (in thousands of shares)		
Weighted average number of shares outstanding	309,427	308,534
Potential increase in the number of shares relating to the share option plan		964
Adjusted weighted average of shares outstanding	<u>309,427</u>	<u>309,498</u>
Diluted earnings per thousand shares	<u>1.40340</u>	<u>0.93081</u>

21 Net revenue from services rendered

	<u>Consolidated</u>	
	<u>2018</u>	<u>2017</u>
Gross operating revenue	2,537,851	2,451,087
	446,436	339,920
	<u>2,984,287</u>	<u>2,791,007</u>
Gross revenue deductions	(1,084,809)	(1,058,551)
Grants - scholarships	(912,216)	(892,189)
Return of monthly tuition and charges	(5,519)	(3,880)
Discounts granted	(705)	(8,895)
Taxes	(83,867)	(78,844)
Adjustment to present value - PAR	(23,397)	(16,007)
Adjustment to present value - DIS	(14,563)	
FGEDUC	(32,483)	(35,885)
Others	<u>(12,059)</u>	<u>(22,851)</u>
	<u>1,899,478</u>	<u>1,732,456</u>

22 Costs of services rendered

	<u>Consolidated</u>	
	<u>2018</u>	<u>2017</u>
Personnel and social charges	(575,146)	(644,660)
Electricity, water, gas and telephone	(20,897)	(21,250)
Rents, condominium fees and IPTU	(121,704)	(127,423)
Mailing and courier expenses	(865)	(1,667)
Depreciation and amortization	(47,138)	(52,382)
Teaching material	(3,825)	(6,776)
Outsourced security and cleaning services	(30,139)	(30,819)
Others	<u>(11,322)</u>	
	<u>(811,036)</u>	<u>(884,977)</u>

Estácio Participações S.A.**Notes to the financial statements****at June 30, 2018**

All amounts in thousands of reais unless otherwise stated

23 Selling, general and administrative expenses

	Parent company		Consolidated	
	2018	2017	2018	2017
Selling				
Impairment of trade receivables			(160,994)	(112,801)
Advertising			(94,359)	(93,903)
Sales and marketing			(21,338)	(19,621)
Others			(607)	(893)
			(277,298)	(227,218)
General and administrative expenses				
Personnel and social charges	(2,403)	(2,656)	(83,516)	(71,860)
Outsourced services	(2,834)	(2,188)	(60,827)	(39,012)
Consumption material			(1,031)	(1,386)
Maintenance and repairs	(31)	(16)	(19,809)	(18,221)
Depreciation and amortization	(6,546)	(9,936)	(49,373)	(47,846)
Educational covenants		(32)	(8,651)	(4,736)
Travels and accommodation	(51)	(111)	(3,115)	(4,402)
Institutional events	(5)	(2)	(1,298)	(1,587)
Provision for contingencies	(110)		(49,496)	(43,806)
Copies and bookbinding		(2)	(1,827)	(2,445)
Insurance	(4,072)	(3,852)	(4,430)	(4,232)
Cleaning supplies			(1,438)	(1,615)
Transportation	(2)	(2)	(2,401)	(2,698)
Car rental			(1,887)	(1,611)
Others	(290)	(701)	(10,923)	(11,376)
	(16,344)	(19,498)	(300,022)	(256,833)

24 Other operating income/expenses

	Parent company		Consolidated	
	2018	2017	2018	2017
Income from agreements	272	817	439	1,331
Income from rentals			4,105	3,635
Provision for impairment of fixed assets		(25)	(662)	2,668
Provision for losses on sale of portfolio			(7,485)	
Other operating income (expenses)	(68)		162	(2,502)
	204	792	(3,441)	5,132

Estácio Participações S.A.**Notes to the financial statements****at June 30, 2018**

All amounts in thousands of reais unless otherwise stated

25 Finance result

	Parent company		Consolidated	
	2018	2017	2018	2017
Finance income				
Late payment fine and interest			14,854	14,019
Update of accounts receivable - FIES			8,419	6,146
Earnings from financial investments	1,874	5,844	16,404	22,264
Updating of tax credits	1,027	1,767	1,817	4,016
Updating of PAR			3,142	
Updating of DIS			3,618	
Others			206	8,450
	2,901	7,611	48,460	54,895
Finance costs				
Banking expenses	(685)	(1,802)	(13,719)	(8,017)
Interest and financial charges	(18,644)	(59,722)	(33,916)	(74,357)
Updating of contingencies			(11,603)	
Financial discounts			(34,462)	(10,718)
Monetary variation losses			(153)	(7,012)
Borrowing expenses	(2,012)	(7,330)	(2,012)	(7,330)
Others	(289)	(375)	(8,794)	(7,760)
	(21,630)	(69,229)	(104,659)	(115,194)

26 Result by business segment

	Presential		EAD		Estácio	
	2018	2017	2018	2017	2018	2017
Gross Operating Revenue	2,537,852	2,451,086	446,435	339,921	2,984,287	2,791,007
Deductions from Gross Revenue	(919,255)	(910,777)	(165,554)	(147,774)	(1,084,809)	(1,058,551)
Net Operating Revenue	1,618,597	1,540,309	280,881	192,147	1,899,478	1,732,456
Cost of services rendered	(776,062)	(851,761)	(34,974)	(33,216)	(811,036)	(884,977)
Personnel	(550,880)	(612,319)	(24,267)	(32,340)	(575,147)	(644,659)
Rents, condominium fees and IPTU	(121,663)	(127,274)	(40)	(150)	(121,703)	(127,424)
Teaching material	(4,553)	(8,046)	(135)	(397)	(4,688)	(8,443)
Outsourced services and Others	(52,146)	(52,046)	(10,214)	(23)	(62,360)	(52,069)
Depreciation	(46,820)	(52,076)	(318)	(306)	(47,138)	(52,382)
Gross Profit	842,535	688,548	245,907	158,931	1,088,442	847,479

Estácio Participações S.A.

Notes to the financial statements

at June 30, 2018

All amounts in thousands of reais unless otherwise stated

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 periods ended June 30, 2018 and 2017 is as follows:

	Parent company		Consolidated	
	2018	2017	2018	2017
Profit before income tax and social contribution	431,998	284,715	451,482	308,261
Combined statutory rate of income tax and social contribution - %	34	34	34	34
Income tax and social contribution at the statutory rates	(146,879)	(96,803)	(153,504)	(104,809)
Depreciation		(5)	(865)	20
Leasing			120	(48)
Adjustment to present value			(12,938)	1,819
Equity in the results of subsidiaries	158,734	124,113		
Amortization of goodwill	(2,215)	(3,363)	(4,105)	(5,707)
Non-deductible expenses (i)			(966)	(784)
Options granted LP provision - employees			(1,017)	(1,531)
Tax losses not registered	(9,602)	(23,942)	(11,053)	(25,086)
Decommissioning expenses			(705)	(512)
Provision for contingencies	(38)		(6,624)	(2,264)
Provision for impairment of receivables			(28,994)	(2,275)
Monthly tuitions to be canceled and billed			(10,675)	2,827
Provision for FIES risk			(206)	(304)
Provision for loss on fixed assets			571	
Others			1,340	(43)
			(229,621)	(138,697)
Tax benefits				
Tax incentive – PROUNI			144,918	109,735
Tax incentive – Lei Rouanet			2,034	1,348
Current income tax and social contribution in the results for the period			(82,669)	(27,614)

(i) These primarily refer to expenses for sponsorships, donations and gifts.

	Parent company		Consolidated	
	2018	2017	2018	2017
Current income tax and social contribution			(82,669)	(27,614)
Deferred income tax and social contribution	2,253	3,367	65,438	7,435
	2,253	3,367	(17,231)	(20,179)

In the first quarter of 2018, there was a substantial reduction in PROUNI's tax benefit as a result of the disqualification of the subsidiary, because it temporarily did not hold a Tax Clearance Certificate (CND). Therefore, in the first quarter of 2018, the tax liability related to PIS, COFINS, Income Tax and Social Contribution was fully recognized, without the PROUNI benefit in March 2018. During the second quarter of 2018, the Company resolved the disqualification issue and reviewed the tax bases for the first quarter, based on the legislation in force. As a result, the tax liability recognized in excess in the first quarter was reversed in the approximate amount of R\$ 10,000 for PIS/COFINS and R\$ 47,000 for IRPJ/CSLL. It is important to note that the PROUNI's tax benefit level, when the six-month period is considered, returned to levels that approximate those of the Company's history and is expected to remain at such level during the year.

At June 30, 2018, the Company recorded deferred tax assets on temporary differences of R\$ 148,298 (R\$ 56,440 at December 31, 2017). The breakdown of the tax effects of temporary differences which originated the deferred tax assets is summarized below:

Estácio Participações S.A.

Notes to the financial statements at June 30, 2018

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Adjustment to present value			16,809	3,871
Provision for contingencies	96	58	35,484	28,860
Provision for impairment of receivables			60,313	4,899
Monthly tuitions to be canceled			12,765	2,090
Provision for decommissioning			4,576	4,149
Provision for loss on fixed assets			1,853	2,424
Goodwill	(2,217)	(4,432)	(10,366)	(14,471)
Provision for risk - FIES			6,972	6,766
Options granted recognized			28,780	27,763
Leasing			(261)	(141)
Incorporated goodwill			(11,290)	(11,290)
Depreciation	13	13	1,491	626
Decommissioning adjustment			278	
Tax losses			894	894
	<u>(2,108)</u>	<u>(4,361)</u>	<u>148,298</u>	<u>56,440</u>
Assets			157,170	70,617
Liabilities	<u>(2,108)</u>	<u>(4,361)</u>	<u>(8,872)</u>	<u>(14,177)</u>
	<u>(2,108)</u>	<u>(4,361)</u>	<u>148,298</u>	<u>56,440</u>

The realization of the deferred tax effect on temporary differences recorded at June 30, 2018 is linked to the realization of the provision which gave rise to this credit. Consequently, it is not currently possible to present expected annual realization, since the Company's management is not yet able to forecast the timing of the realization of the provision for contingencies and the provision for decommissioning.

At June 30, 2018, the subsidiary IREP accounted for a deferred income tax and social contribution liability amounting to R\$ 9,060 due to the tax depreciation of goodwill generated upon acquisition of the companies merged into it.

At June 30, 2018, the Company had tax credits arising from income tax and social contribution losses amounting to R\$ 117,083 (R\$ 107,481 at December 31, 2017) that are not yet accounted for, because it is not possible to state at this time that their realization is considered probable.

28 Commitments

The table below sets forth the required and non-cancelable annual minimum future payments related to the contractual obligations assumed by the Company at June 30, 2018 and December 31, 2017:

	Consolidated		
	Less than 1 year	Between 1 and 5 years	Over five years
At June 30, 2018			
Operating leases	21,208	7,797	4,604
Campuses' lease agreements	186,164	575,246	399,310
At December 31, 2017			
Operating leases	20,560	17,358	
Campuses' lease agreements	195,270	606,145	453,107

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