



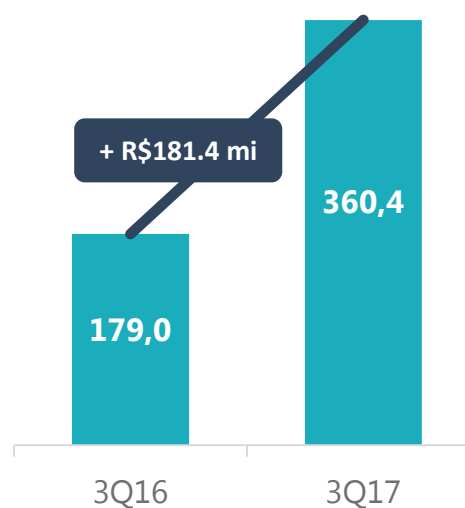
H I G H L I G H T S

3 Q 1 7 E A R N I N G S R E L E A S E**+5.9%****Net Revenue**R\$ **808.1** mn**+15.0%****EBITDA**R\$ **223.6** mn**+2.2 p.p.****EBITDA Margin****27.7%****+101.3%****OCF**R\$ **360.4** mn**CASH AND CASH
EQUIVALENTS****+575.4 mn****AVERAGE TICKET**

On-campus:

+ 10,2%

Distance Learning:

+ 12.1%**OPERATING CASH FLOW**
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Rio de Janeiro, October 26, 2017 – **Estácio Participações S.A.** – “**Estácio**” or “**Company**” (BM&FBovespa: ESTC3; Bloomberg: ESTC3.BZ; Reuters: ESTC3.SA; OTCQX: ECPCY) – announces its results for the third quarter of 2017 (3Q17), in comparison with the same period in 2016 (3Q16). The Company’s financial information is presented based on the consolidated figures, in Brazilian Reais, pursuant to Brazilian Corporate Law, the accounting practices adopted in Brazil (BRGAAP) and International Financial Reporting Standards (IFRS), unless otherwise stated.

Highlights

Financial Highlights (R\$ MM)	3Q16	3Q17	Change
Operational Net Revenue	763.1	808.1	5.9%
EBITDA	194.5	223.6	15.0%
<i>EBITDA Margin (%)</i>	<i>25.5%</i>	<i>27.7%</i>	<i>2.2 p.p.</i>
(+) Organizational restructuring	3.8	-	N.A.
(+) M&As advisory services	4.9	0.9	-81.6%
Comparable EBITDA	203.2	224.5	10.5%
<i>Comparable EBITDA Margin (%)</i>	<i>26.6%</i>	<i>27.8%</i>	<i>1.2 p.p.</i>
Net Income	135.7	149.3	10.0%
<i>Net Income Margin (%)</i>	<i>17.8%</i>	<i>18.5%</i>	<i>0.7 p.p.</i>

Message from Management

Estácio started the second semester with the challenge of setting a new course and devising plans for the Company. The initiatives implemented to reach the goals set up in the annual budget were already underway and enabled Estácio to exceed, in 3Q17, the operational performance levels achieved throughout the first half, recording growth in its main indicators:

- ✓ **Net Revenue:** Growth of 5.9%, essentially due to the increase of 10.2% and 12.1% in on-campus and distance-learning average tickets, respectively. Moreover, distance-learning student base growth (+15.1%) surpassed the on-campus student base reduction (-5.3%), thus contributing to the increase in period net revenue. Also influenced the revenue in the period, the 42.6% dropout reduction in the on-campus segment.
- ✓ **EBITDA:** Growth of R\$29 million in the EBITDA over 3Q16, 15.0% above 3Q16, totaling R\$223.6 million. EBITDA Margin reached 27.7% in 3Q17, up 2.2 p.p. over 3Q16.
- ✓ **Distance-learning EBITDA Margin:** In 3Q17, the distance-learning EBITDA margin came to 76.4%, due to segment growth coupled with efficiency gains.
- ✓ **Net Income:** Increase of 10.0% over 3Q16, to R\$149.3 million in 3Q17, accompanying the period EBITDA growth.

- ✓ **Operating Cash Flow:** Growth of 101% over 3Q16, to R\$360.4 million, with an EBITDA to OCF conversion rate of 161.2%. This indicator reinforces the success of the Company's strategy of seeking a healthier student base.

The consistent results allowed Management to focus on the **plan for continued efficiency gains**. Accordingly, we began working on important fronts in the quarter, among which:

- ✓ **New Educational Model:** Restructuring of the curriculum matrix in the semester in order to implement the new Educational Model in 2018, with the objective of improving the management of class creation and faculty cost allocation, mainly in the on-campus segment. The changes include initiatives to: (i) increase the sharing of disciplines, mainly in the first periods; (ii) offer more hybrid disciplines (on-campus and online) in the first periods; (iii) enable alternative learning pathways (discipline interchange in the first and second periods).
- ✓ **Online tutoring program:** Implementation of new tools and management processes in order to improve the student/tutor ratio, maintaining service quality and student satisfaction levels. In 1H17, the distance-learning student/tutor ratio nearly doubled with the implementation of some of these tools. Estácio plans to further improve this ratio in the coming cycles.
- ✓ **Optimization of the course mix:** Transfer students from loss-making courses and shifts to other profitable units or shifts and limit the offering of courses whose demand is low.
- ✓ **Footprint reassessment:** Internal benchmark and reassessment of the operational performance and business plans in all units, with specific action plans, in order to enhance productivity, considering the possibility of reducing, merging or closing a number of campuses. This initiative also comprises the evaluation of new opportunities for organic and inorganic growth.

In addition to these initiatives, we continue focusing on our **growth drivers**, especially:

- ✓ **Launch of new distance-learning centers:** At the end of September, Estácio reached 338 distance learning centers. It is important to highlight that, during the quarter, 100 new poles were engaged, from the initial announced expectation that 131 new centers would be operating at the beginning of 2018. With almost 10 years of experience in the segment and an expansion area entirely restructured to comply with the growing number of applications for new partnerships, Estácio allows the parties interested in opening a distance-learning center to register at the "Seja Parceiro" portal (<http://portal.estacio.br/sejaparceiro/>). Including the new operational centers, another 86 new municipalities nationwide will have access to the Estácio brand, of which 20% in the São Paulo State.

- ✓ **Opening of the Medicine Course in the new Angra dos Reis Campus:** In 3Q17, the new Angra dos Reis Campus launched the Medicine course offering, as authorized by the Federal Government's *Mais Médicos* program. The course starts this semester, offering 55 new seats per year. In addition to the five existing Medicine courses, Estácio will launch three other Medicine courses in the first half of 2018 in Juazeiro (BA), Alagoinhas (BA) and Jaraguá do Sul (SC). The impressive expansion of its Health Courses, strengthens Estácio's position as a reference in the medical area.
- ✓ **High School:** Estácio is beginning operations in the high school segment and, in October 2017, it began enrolling students for the first groups of 2018. Firstly, classes will only be offered in seven units in the Rio de Janeiro State: Madureira, Rio Comprido, Ilha do Governador, Duque de Caxias, Niterói, Alcântara and Cabo Frio. In addition to preparing students to join university, Escola Estácio plans to offer technical vocational training to high school students, focusing on the labor market. Among the main differentials of Escola Estácio, we can highlight faculty experience – teachers who have already joined professional development programs at the institution - and the existing infrastructure of the post-secondary education units, such as complete libraries and well-equipped labs.

Finally, Estácio reinforces its commitment to maintain a disciplined capital allocation strategy, focused on increasing profitability, not only by reducing costs and expenses, but also by increasing revenue. The goal is to continue growing, investing wisely in order to provide the best return to shareholders and ensure student satisfaction and business sustainability.

Operating Performance

Estácio closed 3Q17 with a total of 531,100 students, 0.7% more than at the close of 3Q16, essentially due to the 15.1% increase in the distance-learning student base, which offset the 5.3% decrease in the on-campus base.

Table 1 – Total Student Base

'000	3Q16	3Q17	Change
On-Campus	372.0	352.2	-5.3%
Undergraduate	335.6	318.7	-5.0%
Graduate	36.5	33.5	-8.1%
Distance Learning	155.4	178.9	15.1%
Undergraduate	115.4	134.7	16.7%
Graduate	40.0	44.3	10.6%
Total Student Base	527.4	531.1	0.7%
# Campuses	97	93	-4.1%
On-Campus Students per Campus	3.835	3.787	-1.2%
# Distance Learning Centers	205	338	64.9%
Active centers	205	238	16,1%
Expansion centers (Engaged)	-	100	N.A.
Distance Learning Students per Center	758	752	-0.8%

* Figures not reviewed by the auditors.

On-Campus Undergraduate Segment

Estácio's on-campus undergraduate base totaled 318,700 students in 3Q17, 5.0% less than in 3Q16, due to the 23.8% decrease in the FIES student base. Excluding the effect from this decrease, non-FIES student base increased by 6.1%.

Table 2 – On-Campus Undergraduate Base

'000	3Q16	3Q17	Change
On-campus undergraduate base	335.6	318.7	-5.0%
FIES Students	124.5	94.9	-23.8%
% FIES Students	211.0	223.8	6.1%

* Figures not reviewed by the auditors.

Regarding the on-campus undergraduate base, it is worth noting:

- (i) the 22.4% increase in the number of graduates over 3Q16; and
- (ii) the 9.1% decrease in the 3Q17 intake, due to the change in the strategy to attract new students, as of 1Q17, focusing on creating a more sustainable student base, reducing discounts and scholarships, ensuring students' financial commitment in order to conclude the enrollment process.

With a healthier student base, the 3Q17 dropout rate fell by 42.6% over 3Q16.

Table 3 – Evolution of On-Campus Undergraduate Student Base

'000	3Q16	3Q17	Change
Students - Starting balance	343.4	335.9	2.2%
(-) Graduates	(15.7)	(19.2)	22.4%
Renewable Base	327.7	316.7	-3.4%
(+) Enrollments	55.6	50.6	-9.1%
(-) Non-renewed	(32.3)	(39.7)	22.8%
(-) Dropouts in the quarter*	(15.4)	(8.8)	-42.6%
Students - Ending Balance (Revenue generating base)	335.6	318.7	-5.0%

* Figures not reviewed by the auditors.

** As of 3Q17, we will present the dropout figures happening in the quarter in the evolution of the student base table. The number of students at the end of the period represents the revenue generating base, which was previously presented in the average ticket calculation tables.

FIES

Table 4 – FIES Student Base

'000	3Q16	3Q17	Change
On-campus undergraduate base	335.6	318.7	-5.0%
FIES Students	124.5	94.9	-23.8%
% FIES Students	37.1%	29.8%	-7.3 p.p.

* Figures not reviewed by the auditors.

We closed 3Q17 with a FIES base of 94,900 students, representing 29.8% of our on-campus undergraduate base and a decrease of 7.3 percentage points over the same quarter in 2016. The smaller FIES student base is essentially due to the increase in the number of FIES graduates as of 1Q17.

It is worth noting that in 3Q17, only 3.2% of the new on-campus undergraduate students entered via FIES, versus 3.8% in 3Q16.

Table 5 – New FIES Contracts

'000	2H16	1H17	Change
Total Intake	55.6	50.6	-9.1%
Freshmen with FIES (until the end of the intake process)	2.1	1.6	-24.0%
% via FIES	3.8%	3.2%	-0.6 p.p.
Freshmen with FIES (until the end of the semester)	2.6	N.A.	N.A.
% via FIES	4.7%	N.A.	N.A.
Senior students with FIES (new contracts)	0.9	0.8	-9.2%
New FIES contracts in the semester	3.0	2.4	-19.7%

* Figures not reviewed by the auditors.

Installment Payment Program (PAR)

In 3Q17, 12,100 students used **Estácio's Installment Payment Program ("PAR")**.

Table 6 – PAR Effect in EBITDA

R\$ MM	1Q17	2Q17	3Q17
Gross revenue paid in cash	5.4	7.9	13.8
Gross revenue paid in installments	15.1	16.7	22.4
Taxes - Revenue Deductions	(0.9)	(1.0)	(1.5)
Adjustment to Present Value (APV) - Revenue Deductions	(7.0)	(9.0)	(1.6)
PDA (50% provisioning)	(4.0)	(3.9)	(10.4)
EBITDA	8.6	10.7	22.7

* Figures not reviewed by the auditors.

Table 7 – PAR Effect in Accounts Receivable

R\$ MM	1Q17	2Q17	3Q17
Gross revenue paid in installments	15.1	16.7	22.4
Adjustment to Present Value (APV) - Revenue Deductions	(7.0)	(9.0)	(1.6)
Gross revenue paid in installments Ex-APV	8.1	7.7	20.8
PDA (50% provisioning)	(4.0)	(3.9)	(10.4)
PAR Accounts Receivable Balance	4.0	3.9	10.4

* Figures not reviewed by the auditors.

Distance-Learning Undergraduate Segment

The third-quarter distance-learning undergraduate base increased by 16.7% over 3Q16, to 134,700 students, as a result of initiatives, such as the clusterization of partner centers based on performance, aiming at aligning the results obtained.

The sustainable base concept also becomes apparent in the 35.5% decrease in the period dropout rate, considering dropouts in the quarter figures of 3Q16.

Table 8 – Evolution of Distance-Learning Undergraduate Base

'000	3Q16	3Q17	Change
Students - Starting Balance	115.9	124.7	7.6%
(-) Graduates	(3.9)	(6.6)	69.1%
Renewable Base	112.0	118.1	5.5%
(+) Enrollments	33.1	49.5	49.8%
(-) Non-renewed	(20.8)	(27.2)	31.2%
(-) Dropouts	(3.0)	(5.8)	93.1%
(-) Dropouts in the quarter**	(5.9)	-	N.A.
Students - Ending Balance (Revenue generating base)**	115.9	134.7	16.7%

* Figures not reviewed by the auditors.

** As of 3Q17, we will present the dropout figures happening in the quarter in the evolution of the student base table. The number of students at the end of the period represents the revenue generating base, which was previously presented in the average ticket calculation tables.

Graduate Segment

Estácio closed 3Q17 with 77,800 students enrolled in graduate programs, 1.7% up on 3Q16. Following the same trend of the on-campus undergraduate base, the 10.6% increase in the distance-learning graduate base offset the 8.1% decline in the on-campus graduate base.

Table 9 – Graduate Student Base

'000	3Q16	3Q17	Change
Graduate student base	76.5	77.8	1.7%
On-Campus	36.5	33.5	-8.1%
Own students	25.9	22.2	-14.3%
Franchise students	10.6	11.3	7.1%
Distance learning	40.0	44.3	10.6%
Own students	16.4	17.6	7.5%
Franchise students	23.6	26.6	12.7%

* Figures not reviewed by the auditors.

On-Campus Average Ticket

On-campus average ticket increased by 10.2% in 3Q17 over 3Q16, to R\$688.7, reflecting the Company's new pricing strategy used on a more sustainable student base, who comply with payment obligations and whose dropout rate is lower.

Table 10 – Calculation of the Average Monthly Ticket – On-Campus

'000	3Q16	3Q17	Change
On-Campus Student Base	372.0	352.2	-5.3%
(-) On-Campus Graduate Franchise Student Base**	(10.6)	(11.3)	7.1%
(=) On-Campus Student Base Ex-Franchise Students**	361.4	340.9	-5.7%
On-Campus Gross Revenue (R\$ million)	1,024.9	1,149.2	12.1%
On-Campus Deductions (R\$ million)	(347.0)	(445.0)	28.2%
On-Campus Net Revenue (R\$ million)	677.8	704.2	3.9%
On-Campus Average Ticket (R\$)	625.2	688.7	10.2%
<i>% Deductions / Gross Operating Revenue</i>	<i>33.9%</i>	<i>38.7%</i>	<i>4.9 p.p.</i>

* Figures not reviewed by the auditors.

**Excluding the graduate segment's students and revenue from partner institutions in order not to distort the analysis.

The on-campus undergraduate segment's ticket increased by 8.9% in 3Q17 over 3Q16, to R\$716.4. In addition to the new pricing strategy adopted by Estácio in the first and second intake cycles, the enrollment of students using the PAR also positively impacted the average ticket, given that discounts or scholarships are not granted.

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

'000	3Q16	3Q17	Change
On-Campus Undergraduate Student Base	335.6	318.7	-5.0%
On-Campus Undergraduate Gross Revenue (R\$ million)	995.9	1,119.0	12.4%
On-Campus Undergraduate Deductions (R\$ million)	(333.8)	(434.1)	30.0%
On-Campus Undergraduate Net Revenue (R\$ million)	662.0	684.9	3.5%
On-Campus Undergraduate Average Ticket (R\$)	657.6	716.4	8.9%
<i>% Deductions / Gross Operating Revenue</i>	<i>33.5%</i>	<i>38.8%</i>	<i>5.3 p.p.</i>

* Figures not reviewed by the auditors.

The on-campus graduate average ticket increased by 42.9% over the same period last year. The decrease in deductions contributed to this result, generating gains of 9.6 percentage points in gross revenue.

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

'000	3Q16	3Q17	Change
On-Campus Graduate Own Student Base	25.9	22.2	-14.3%
On-Campus Graduate Gross Revenue (R\$ million)	29.0	30.2	4.2%
On-Campus Graduate Deductions (R\$ million)	(13.2)	(10.9)	-17.6%
On-Campus Graduate Net Revenue (R\$ million)	15.8	19.3	22.5%
On-Campus Graduate Average Ticket (R\$)	203.2	290.3	42.9%
<i>% Deductions / Gross Operating Revenue</i>	<i>45.6%</i>	<i>36.0%</i>	<i>-9.6 p.p.</i>

* Figures not reviewed by the auditors.

**Excluding the graduate segment's students and revenue from partner institutions in order not to distort the analysis.

Distance-Learning Average Ticket

In 3Q17, the distance-learning average ticket increased by 12.1% over 3Q16 to R\$212.6. It is possible to see the result of the change in the pricing strategy implemented, which aims to leverage the Company's operating revenue. Third-quarter distance-learning net revenue increased by 29.6% over the same period in 2016.

Table 13 – Calculation of the Average Monthly Ticket – Distance-Learning

'000	3Q16	3Q17	Change
Distance Learning Student Base	155.4	178.9	15.1%
(-) Distance Learning Graduate Franchise Student Base**	23.6	26.6	12.7%
(=) Distance Learning Student Base Ex-Franchise Students**	131.8	152.3	15.6%
Distance Learning Gross Revenue (R\$ million)	129.7	178.7	37.7%
Distance Learning Deductions (R\$ million)	(54.8)	(81.6)	48.9%
Distance Learning Net Revenue (R\$ million)	75.0	97.1	29.6%
Distance Learning Average Ticket (R\$)	189.6	212.6	12.1%
<i>% Deductions / Gross Operating Revenue</i>	<i>42.2%</i>	<i>45.7%</i>	<i>3.4 p.p.</i>

* Figures not reviewed by the auditors.

**Excluding the graduate segment's students and revenue from partner institutions in order not to distort the analysis.

Below is the calculation of the average ticket of the distance-learning undergraduate and graduate segments, which totaled R\$215.4 and R\$191.3 respectively. Both segments followed the period growth and draw attention to the increase in net revenue, thus achieving the objective established by Estácio in recent periods.

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

'000	3Q16	3Q17	Change
Distance Learning Undergraduate Student Base	115.4	134.7	16.7%
Distance Learning Undergraduate Gross Revenue (R\$ million)	121.8	163.2	34.0%
Distance Learning Undergraduate Deductions (R\$ million)	(51.9)	(76.2)	46.9%
Distance Learning Undergraduate Net Revenue (R\$ million)	69.9	87.0	24.5%
Distance Learning Undergraduate Average Ticket (R\$)	201.9	215.4	6.7%
% Deductions / Gross Operating Revenue	42.6%	46.7%	4.1 p.p.

* Figures not reviewed by the auditors.

Table 15 – Calculation of the Average Monthly Ticket – Distance-Learning Graduate Programs

'000	3Q16	3Q17	Change
Distance Learning Graduate Own Student Base **	16.4	17.6	7.5%
Distance Learning Graduate Gross Revenue (R\$ million)	8.0	15.5	94.4%
Distance Learning Graduate Deductions (R\$ million)	(2.9)	(5.4)	85.2%
Distance Learning Graduate Net Revenue (R\$ million)	5.1	10.1	99.7%
Distance Learning Graduate Average Ticket (R\$)	103.0	191.3	85.7%
% Deductions / Gross Operating Revenue	36.6%	34.8%	-1.7 p.p.

* Figures not reviewed by the auditors.

**Excluding the graduate segment's students and revenue from partner institutions in order not to distort the analysis.

Financial Performance

Table 16 – Income Statement

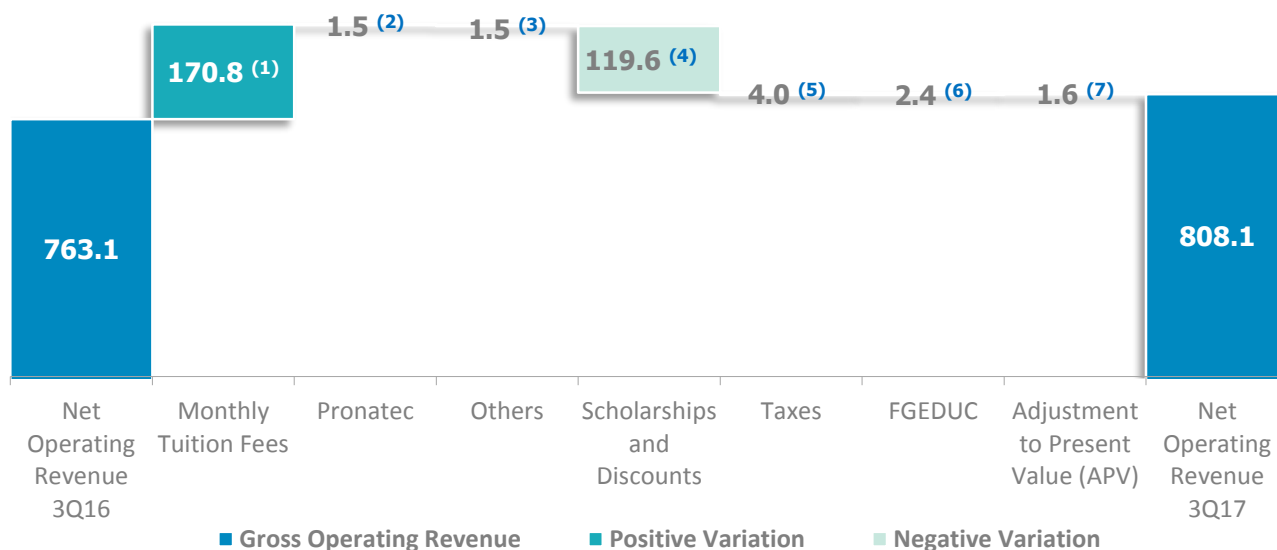
R\$ MM	3Q16	3Q17	Change	9M16	9M17	Change
Gross Operating Revenue	1,167.3	1,335.1	14.4%	3,655.7	4,126.1	12.9%
Monthly Tuition Fees	1,152.6	1,323.4	14.8%	3,599.6	4,094.2	13.7%
Pronatec	2.0	0.5	-75.0%	11.4	0.8	-93.0%
Others	12.7	11.2	-11.8%	44.8	31.1	-30.6%
Gross Revenue Deductions	(404.2)	(527.0)	30.4%	(1,268.0)	(1,585.6)	25.0%
Scholarships and Discounts	(341.9)	(461.5)	35.0%	(1,091.5)	(1,366.5)	25.2%
Taxes	(32.7)	(36.7)	12.2%	(99.7)	(115.6)	15.9%
FGEDUC	(25.2)	(22.8)	-9.5%	(61.8)	(72.1)	16.7%
Adjustment to Present Value (APV)	-	(1.6)	N.A	-	(17.6)	N.A
Other deductions	(4.4)	(4.4)	0.0%	(15.0)	(13.8)	-8.0%
Net Operating Revenue	763.1	808.1	5.9%	2,387.6	2,540.5	6.4%
Cost of Services	(392.1)	(410.2)	4.6%	(1,323.5)	(1,301.2)	-1.7%
Personnel	(275.2)	(297.1)	8.0%	(977.2)	(947.8)	-3.0%
Rentals / Real Estate Taxes Expenses	(62.8)	(62.1)	-1.1%	(183.8)	(189.5)	3.1%
Textbooks Materials	(8.5)	(2.6)	-69.4%	(24.3)	(11.0)	-54.6%
Third-Party Services and Others	(24.8)	(24.4)	-1.6%	(75.6)	(76.5)	1.2%
Depreciation and Amortization	(20.8)	(24.0)	15.4%	(62.6)	(76.4)	22.0%
Gross Profit	371.0	397.8	7.2%	1,064.1	1,239.3	16.5%
Gross Margin	48.6%	49.2%	0.6 p.p.	44.6%	48.8%	4.2 p.p.
Selling, General and Administrative Expenses	(224.8)	(227.1)	1.0%	(762.7)	(705.1)	-7.6%
Selling Expenses	(76.1)	(97.5)	28.1%	(348.3)	(324.7)	-6.8%
Provisions for Doubtful Accounts	(32.3)	(27.1)	-16.1%	(130.0)	(132.0)	1.5%
Provisions for Doubtful Accounts – PAR	-	(10.4)	N.A	-	(18.3)	N.A
FIES Provisions for Doubtful Accounts	(0.9)	(0.3)	-66.7%	(45.2)	(1.2)	-97.3%
Marketing	(42.9)	(59.7)	39.2%	(173.1)	(173.2)	0.1%
General and Administrative Expenses	(148.7)	(129.6)	-12.8%	(414.4)	(380.5)	-8.1%
Personnel	(49.3)	(49.9)	1.2%	(123.7)	(140.1)	13.3%
Outros G&A	(75.3)	(55.2)	-26.7%	(215.5)	(168.0)	-22.0%
Depreciation	(24.1)	(24.6)	2.1%	(75.2)	(72.4)	-3.7%
Other operating revenues/expenses	3.4	4.2	23.5%	(4.1)	9.4	-329.3%
EBIT	149.6	175.0	N.A	297.4	543.5	82.8%
EBIT Margin	19.6%	21.7%	2.1 p.p.	12.5%	21.4%	8.9 p.p.
(+) Depreciation and amortization	44.9	48.6	8.2%	137.8	148.8	8.0%
EBITDA	194.5	223.6	15.0%	435.2	692.4	59.1%
EBITDA Margin	25.5%	27.7%	2.2 p.p.	18.2%	27.3%	9.1 p.p.
Financial Result	(32.8)	(42.3)	29.0%	(61.8)	(102.6)	66.0%
Depreciation and Amortization	(44.9)	(48.6)	8.2%	(137.8)	(148.8)	8.0%
Social Contribution	5.3	4.0	-24.5%	1.5	(1.7)	-213.3%
Income Tax	13.7	12.6	-8.0%	6.8	(1.9)	-127.9%
Net Income	135.7	149.3	10.0%	243.8	437.4	79.4%
Net Income Margin	17.7%	18.5%	0.8 p.p.	10.2%	17.2%	7.0 p.p.

Consolidated Operating Revenue

Table 17 – Breakdown of Operating Revenue

R\$ MM	3Q16	3Q17	Change	9M16	9M17	Change
Gross Operating Revenue	1,167.3	1,335.1	14.4%	3,655.7	4,126.1	12.9%
Monthly Tuition Fees	1,152.6	1,323.4	14.8%	3,599.6	4,094.2	13.7%
Pronatec	2.0	0.5	-75.0%	11.4	0.8	-93.0%
Others	12.7	11.2	-11.8%	44.8	31.1	-30.6%
Gross Revenue Deductions	(404.2)	(527.0)	30.4%	(1,268.0)	(1,585.6)	25.0%
Scholarships and Discounts	(341.9)	(461.5)	35.0%	(1,091.5)	(1,366.5)	25.2%
Taxes	(32.7)	(36.7)	12.2%	(99.7)	(115.6)	15.9%
FGEDUC	(25.2)	(22.8)	-9.5%	(61.8)	(72.1)	16.7%
Adjustment to Present Value (APV) – “PAR”	-	(1.6)	N.A	-	(17.6)	N.A
Other deductions	(4.4)	(4.4)	0.0%	(15.0)	(13.8)	-8.0%
% Scholarships and Discounts/ Gross Operating Revenue	29.7%	34.9%	5.2 p.p.	29.9%	33.1%	3.3 p.p.
Net Operating Revenue	763.1	808.1	5.9%	2,387.6	2,540.5	6.4%

Chart 1 – Net Operating Revenue Bridge



Net operating revenue came to R\$808.1 million in 3Q17, 5.9% up on 3Q16, mainly explained by:

- (1) The R\$170.8 million increase in revenue from monthly tuitions, an increase of 14.8% over 3Q16, due to higher average ticket and a more sustainable student base;
- (2) The R\$1.5 million reduction in Pronatec revenue, due to the graduation of the last students in this segment;
- (3) The R\$1.5 million reduction in other revenue, chiefly due to the end of the Rio 2016 project, referring to trainings offered by Estácio to the volunteers of the Olympic Games, which still generated residual revenues in 3Q16;
- (4) The R\$119.6 million increase in discounts and scholarships, as a result of the Company's new pricing strategy for new students. In this strategy, the increase in discounts is more than offset by the R\$167.8 million increase in gross revenue;
- (5) The R\$4.0 million upturn in taxes, in line with revenue growth;
- (6) The R\$2.4 million reduction in FGEDUC, due to the smaller FIES student base;
- (7) It is also worth noting that in 3Q17, approximately R\$1.6 million was registered under gross revenue deductions, due to the adjustment to present value (APV) of receivables from Estácio's Installment Payment Program (PAR).

Cash Cost of Services

The **cash cost of services** represented 47.8% of net operating revenue in 3Q17, a 0.9 percentage point margin gain compared with 48.7% in 3Q16, essentially due to the 0.8 percentage point gain in the **textbook materials** line. Estácio intensified the production of its own books and offered virtual libraries to students.

It is also worth noting that in 3Q16, the **personnel** line increased by R\$17.5 million with the anticipation of the vacation granted to the faculty (15 days) in Rio de Janeiro, in view of the 2016 Olympic Games, increasing 3Q16 result over 4Q16. Accordingly, excluding this effect from 3Q16 result, there was a 1.6 percentage point margin gain in the personnel line.

Table 18 – Breakdown of Cost of Services

R\$ MM	3Q16	3Q17	Change	9M16	9M17	Change
Cost of Services	(392.1)	(410.2)	4.6%	(1,323.5)	(1,301.2)	-1.7%
Depreciation and amortization	20.8	24.0	15.4%	62.6	76.4	22.0%
Cash Cost of Services	(371.3)	(386.2)	4.0%	(1,260.9)	(1,224.8)	-2.9%
Personnel	(275.2)	(297.1)	8.0%	(977.2)	(947.8)	-3.0%
Salaries and Payroll Charges	(233.2)	(248.9)	6.7%	(814.9)	(788.7)	-3.2%
Brazilian Social Security Institute (INSS)	(42.0)	(48.2)	14.8%	(162.3)	(159.0)	-2.0%
Rentals / Real Estate Taxes Expenses	(62.8)	(62.1)	-1.1%	(183.8)	(189.5)	3.1%
Textbooks Materials	(8.5)	(2.6)	-69.4%	(24.3)	(11.0)	-54.7%
Third-Party Services and Others	(24.8)	(24.4)	-1.6%	(75.6)	(76.5)	1.2%

Table 19 – Vertical Analysis of Cost of Services

R\$ MM	3Q16	3Q17	Change	9M16	9M17	Change
Cost of Services	-51.4%	-50.8%	0.6 p.p.	-55.4%	-51.2%	4.2 p.p.
Depreciation and amortization	2.7%	3.0%	0.2 p.p.	2.6%	3.0%	0.4 p.p.
Cash Cost of Services	-48.7%	-47.8%	0.9 p.p.	-52.8%	-48.2%	4.6 p.p.
Personnel	-36.1%	-36.8%	-0.7 p.p.	-40.9%	-37.3%	3.6 p.p.
Salaries and Payroll Charges	-30.6%	-30.8%	-0.2 p.p.	-34.1%	-31.0%	3.1 p.p.
Brazilian Social Security Institute (INSS)	-5.5%	-6.0%	-0.5 p.p.	-6.8%	-6.3%	0.5 p.p.
Rentals / Real Estate Taxes Expenses	-8.2%	-7.7%	0.5 p.p.	-7.7%	-7.5%	0.2 p.p.
Textbooks Materials	-1.1%	-0.3%	0.8 p.p.	-1.0%	-0.4%	0.6 p.p.
Third-Party Services and Others	-3.2%	-3.0%	0.2 p.p.	-3.2%	-3.0%	0.2 p.p.

Table 20 – Statement of Gross Income

R\$ MM	3Q16	3Q17	Change	9M16	9M17	Change
Net Operating Revenue	763.1	808.1	5.9%	2.387.6	2.540.5	6.4%
Cost of Services	(392.1)	(410.2)	4.6%	(1.323.5)	(1.301.2)	-1.7%
Gross Profit	371.0	397.8	7.2%	1.064.1	1.239.3	16.5%
Gross Margin	48.6%	49.2%	0.6 p.p.	44.5%	48.7%	4.2 p.p.
(-) Depreciation and amortization	20.8	24.0	15.4%	62.6	76.4	22.0%
Cash Gross Profit	391.8	421.8	7.7%	1.126.7	1.315.7	16.8%
Cash Gross Margin	51.3%	52.1%	0.8 p.p.	47.2%	51.8%	4.6 p.p.

Selling, General and Administrative Expenses

Selling expenses represented 12.1% of net operating revenue in 3Q17, a 2.1 percentage point loss over 3Q16, essentially due to:

- **Advertising:** Estácio decided to intensify investments in the enrollment campaigns in the first months of this second half, anticipating marketing budgets for 3Q17. This measure resulted in an increase in marketing expenses, which accounted for 7.4% of net revenue in 3Q17;
- **Allowance for doubtful accounts - PAR:** With the provisioning of PAR, which began in the first quarter of 2017, the period margin fell by 1.3 percentage point.

It is worth noting that the **allowance for doubtful accounts (non-PAR and non-FIES)**/net income ratio improved by 0.9 percentage points over 3Q16.

Third-quarter **general and administrative expenses** represented 13.0% of net operating revenue, a 3.3 percentage point margin gain over 3Q16, chiefly due to **third-party services** expenses. Excluding the one-off R\$4.9 million impact on 3Q16 expenses arising from additional expenses with advisory and audit services referring to the revision process of accounting practices and policies disclosed in 2Q16 and expenses with advisors and consultants involved in M&A negotiations, third-party services improved by 1.1 percentage points in 3Q17 over 3Q16, underlining the efficiency gain in the management of third-party contracts.

Table 21 – Breakdown of Selling, General and Administrative Expenses

R\$ MM	3Q16	3Q17	Change	9M16	9M17	Change
Selling, General and Administrative Cash Expenses	(200.7)	(202.6)	0.9%	(687.6)	(632.7)	-8.0%
Selling Expenses	(76.1)	(97.5)	28.1%	(348.3)	(324.7)	-6.8%
PDA	(32.3)	(27.1)	-16.1%	(130.0)	(132.0)	1.5%
PDA PAR	-	(10.4)	N.A.	-	(18.3)	N.A.
PDA FIES	(0.9)	(0.3)	-66.7%	(45.2)	(1.2)	-97.3%
Marketing	(42.9)	(59.7)	39.2%	(173.1)	(173.2)	0.1%
General and Administrative Expenses	(124.6)	(105.1)	-15.7%	(339.3)	(308.0)	-9.2%
Personnel	(49.3)	(49.9)	1.2%	(123.7)	(140.1)	13.3%
Salaries and Payroll Charges	(43.9)	(43.8)	-0.2%	(108.1)	(123.7)	14.4%
Brazilian Social Security Institute (INSS)	(5.4)	(6.1)	13.0%	(15.6)	(16.4)	5.1%
Others	(75.3)	(55.2)	-26.7%	(215.5)	(168.0)	-22.0%
Third-Party Services	(34.0)	(22.3)	-34.4%	(71.4)	(61.3)	-14.1%
Consumable Material	(0.9)	(0.5)	-44.4%	(2.5)	(1.9)	-24.0%
Maintenance and Repair	(9.3)	(9.3)	0.0%	(26.2)	(27.5)	5.0%
Provision for Contingencies	(5.8)	0.8	N.A.	(34.0)	(5.8)	N.A.
Educational Agreements	(2.4)	(1.9)	-20.8%	(8.2)	(6.6)	-19.5%
Travel and Lodging	(2.3)	(2.6)	13.0%	(6.5)	(7.0)	7.7%
Settled Convictions	(4.2)	(5.2)	23.8%	(11.6)	(15.7)	35.3%
Institutional Events	(3.6)	(0.6)	-83.3%	(16.3)	(2.2)	-86.5%
Graphic Services	(2.1)	(1.3)	-38.1%	(6.0)	(3.8)	-36.7%
Insurance	(1.7)	(2.9)	70.6%	(5.1)	(7.1)	39.2%
Cleaning Supplies	(0.8)	(0.8)	0.0%	(2.5)	(2.4)	-4.0%
Transportation	(1.2)	(1.6)	33.3%	(3.7)	(4.3)	16.2%
Car Rental	(0.6)	(1.0)	66.7%	(1.9)	(2.6)	36.8%
Others	(6.4)	(6.2)	-3.1%	(19.8)	(19.9)	0.5%
Depreciation and amortization	(24.1)	(24.6)	2.1%	(75.2)	(72.4)	-3.7%
Other operating revenues	3.4	4.2	23.5%	(4.1)	9.4	-329.3%

Table 22 – Vertical Analysis of Selling, General and Administrative Expenses

R\$ MM	3Q16	3Q17	Change	9M16	9M17	Change
Selling, General and Administrative Cash Expenses	-26.3%	-25.1%	1.2 p.p.	-28.8%	-24.9%	3.9 p.p.
Selling Expenses	-10.0%	-12.1%	-2.1 p.p.	-14.6%	-12.8%	1.8 p.p.
PDA	-4.2%	-3.4%	0.9 p.p.	-5.4%	-5.2%	0.2 p.p.
PDA PAR	0.0%	-1.3%	-1.3 p.p.	0.0%	-0.7%	-0.7 p.p.
PDA FIES	-0.1%	0.0%	0.1 p.p.	-1.9%	0.0%	1.8 p.p.
Marketing	-5.6%	-7.4%	-1.8 p.p.	-7.2%	-6.8%	0.4 p.p.
General and Administrative Expenses	-16.3%	-13.0%	3.3 p.p.	-14.2%	-12.1%	2.1 p.p.
Personnel	-6.5%	-6.2%	0.3 p.p.	-5.2%	-5.5%	-0.3 p.p.
Salaries and Payroll Charges	-5.8%	-5.4%	0.3 p.p.	-4.5%	-4.9%	-0.3 p.p.
Brazilian Social Security Institute (INSS)	-0.7%	-0.8%	0.0 p.p.	-0.7%	-0.6%	0.0 p.p.
Others	-9.9%	-6.8%	3.0 p.p.	-9.0%	-6.6%	2.4 p.p.
Third-Party Services	-4.5%	-2.8%	1.7 p.p.	-3.0%	-2.4%	0.6 p.p.
Consumable Material	-0.1%	-0.1%	0.1 p.p.	-0.1%	-0.1%	0.0 p.p.
Maintenance and Repair	-1.2%	-1.2%	0.1 p.p.	-1.1%	-1.1%	0.0 p.p.
Provision for Contingencies	-0.8%	0.1%	0.9 p.p.	-1.4%	-0.2%	1.2 p.p.
Educational Agreements	-0.3%	-0.2%	0.1 p.p.	-0.3%	-0.3%	0.1 p.p.
Travel and Lodging	-0.3%	-0.3%	0.0 p.p.	-0.3%	-0.3%	0.0 p.p.
Settled Convictions	-0.6%	-0.6%	-0.1 p.p.	-0.5%	-0.6%	-0.1 p.p.
Institutional Events	-0.5%	-0.1%	0.4 p.p.	-0.7%	-0.1%	0.6 p.p.
Graphic Services	-0.3%	-0.2%	0.1 p.p.	-0.3%	-0.1%	0.1 p.p.
Insurance	-0.2%	-0.4%	-0.1 p.p.	-0.2%	-0.3%	-0.1 p.p.
Cleaning Supplies	-0.1%	-0.1%	0.0 p.p.	-0.1%	-0.1%	0.0 p.p.
Transportation	-0.2%	-0.2%	0.0 p.p.	-0.2%	-0.2%	0.0 p.p.
Car Rental	-0.1%	-0.1%	0.0 p.p.	-0.1%	-0.1%	0.0 p.p.
Others	-0.8%	-0.8%	0.1 p.p.	-0.8%	-0.8%	0.0 p.p.
Depreciation and amortization	-3.2%	-3.0%	0.1 p.p.	-3.1%	-2.8%	0.3 p.p.
Other operating revenues	0.4%	0.5%	0.1 p.p.	-0.2%	0.4%	0.5 p.p.

EBITDA

EBITDA totaled R\$223.6 million in 3Q17, while the margin came to 27.7%, a growth of R\$29.1 million and 2.2 percentage points over 3Q16. In the nine-month period, EBITDA came to R\$692.4 million, while the margin came to 27.3%, a growth of R\$257.2 million and 9.1 percentage points over 2016.

However, for a fair comparison, it is necessary to consider the non-recurring expenses from the M&A and the R\$3.8 million spent with internal restructuring in 3Q16, reaching a comparable EBITDA of R\$224.5 million and a comparable EBITDA margin of 27.8%, an increase of R\$21.3 million and 1.2 percentage points over 3Q16.

Table 23 – Financial Indicators

Em R\$ milhões	3Q16	3Q17	Change	9M16	9M17	Change
Operational Net Revenue	763.1	808.1	5.9%	2.387.6	2.540.5	6.4%
Cash Cost of Services	(371.3)	(386.2)	4.0%	(1.260.9)	(1.224.8)	-2.9%
Selling, General and Administrative Cash Expenses	(200.7)	(202.5)	0.9%	(687.5)	(632.7)	-8.0%
Other operating revenues/expenses	3.4	4.2	23.5%	(4.1)	9.4	-329.3%
EBITDA	194.5	223.6	15.0%	435.2	692.4	59.1%
<i>EBITDA Margin (%)</i>	25.5%	27.7%	2.2 p.p.	18.2%	27.3%	9.1 p.p.

Financial Result

Table 24 – Financial Result Breakdown

R\$ MM	3Q16	3Q17	Change	9M16	9M17	Change
Financial Revenue	35.1	37.1	5.7%	145.2	92.0	-36.6%
Fines and interest charged	6.3	8.1	28.3%	19.2	24.4	27.3%
Inflation adjustment to FIES receivables	4.0	1.3	-67.0%	28.9	7.5	-74.1%
Contingencies	-	0.1	N.A	-	0.2	N.A
Sale of client portfolio	-	3.7	N.A	-	4.2	N.A
Investments income	17.9	16.9	-5.7%	48.3	39.1	-19.0%
Active monetary variation	4.5	5.0	11.9%	7.8	9.3	19.1%
Active exchange variation	-	0.0	N.A	28.0	0.0	-100.0%
Adjustment to present value (APV) - FIES	2.3	1.8	-22.9%	12.5	7.1	-42.8%
Other	0.1	0.1	0.2%	0.1	0.1	-16.6%
Despesas Financeiras	(68.0)	(79.3)	16.7%	(207.0)	(194.5)	-6.0%
Bank charges	(4.8)	(3.7)	-24.3%	(9.8)	(11.7)	19.1%
Interest and financial charges	(35.8)	(36.1)	0.8%	(102.8)	(110.4)	7.4%
Contingencies	-	(0.0)	N.A	-	(0.0)	N.A
Financial Discounts	(16.8)	(26.6)	58.5%	(29.7)	(37.4)	25.7%
Passive monetary variation	(5.3)	(8.2)	54.4%	(12.6)	(15.3)	20.7%
Derivative financial instruments losses - swap	-	-	N.A	(26.0)	-	N.A
Passive exchange variation	-	(0.0)	N.A	(11.0)	(0.0)	-100.0%
Other	(5.2)	(4.7)	-9.9%	(15.0)	(19.8)	31.5%
Financial Result	(32.8)	(42.3)	29.0%	(61.8)	(102.5)	65.8%

In 3Q17, the **financial result** totaled R\$42.3 million, recording a negative impact mainly in the financial discount line, which increased by R\$9.8 million, due to campaigns to recover past-due debts, in order to improving cash generation. It is worth noting the success of these campaigns, whose recovery rates reached more than 50%.

Net Income

Estácio's **net income** came to R\$149.3 million in 3Q17, with a **net margin** of 18.5%, 0.8 percentage points up on 3Q16. The R\$29.1 million increase in the period EBITDA offset the negative impact of the financial result recorded in 3Q17.

Table 25 – Reconciliation of EBITDA and Net Income

R\$ MM	3Q16	3Q17	Change	9M16	9M17	Change
EBITDA	194.5	223.6	15.0%	435.2	692.4	59.1%
<i>EBITDA Margin (%)</i>	<i>25.5%</i>	<i>27.7%</i>	<i>2.2 p.p.</i>	<i>18.2%</i>	<i>27.3%</i>	<i>9.1 p.p.</i>
Financial Result	(32.8)	(42.3)	29.0%	(61.8)	(102.6)	66.0%
Depreciation and amortization	(44.9)	(48.6)	8.2%	(137.8)	(148.8)	8.0%
Social Contribution	5.3	4.0	-24.5%	1.5	(1.7)	-213.3%
Income Tax	13.7	12.6	-8.0%	6.8	(1.9)	-127.9%
Net Income	135.7	149.3	10.0%	243.8	437.4	79.4%
<i>Net Income Margin (%)</i>	<i>17.7%</i>	<i>18.5%</i>	<i>0.8 p.p.</i>	<i>10.2%</i>	<i>17.2%</i>	<i>7.0 p.p.</i>

Accounts Receivable and Average Receivables Days

Net accounts receivable totaled R\$1,144.6 million in 3Q17, a reduction of R\$81.8 million over 3Q16, essentially due to the FIES accounts receivable that fell by R\$118 million.

Table 26 – Accounts Receivable

R\$ MM	3Q16	3Q17
Tuition monthly fees	402.8	409.6
FIES	864.4	746.4
Credit Cards receivables	74.7	77.1
Renegotiation receivables	101.4	118.1
Gross Accounts Receivable	1,443.2	1,351.2
Provision for bad debts	(199.3)	(176.8)
Credits to identify	(1.8)	(6.1)
Adjustment to Present Value (APV) FIES	(15.6)	(6.1)
Adjustment to Present Value (APV) PAR	-	(17.6)
Net Accounts Receivable	1,226.4	1,144.6

In this context, it is also worth noting the narrowing in second-half **average non-FIES receivables period**, which came to 69 days, 4 days less than in 3Q16.

Estácio's average receivables days came to 123 in 3Q17, 18 days lower than the same period last year. The **FIES average receivables days** was 25 days lower than in 3Q16, totaling 221 days.

Table 27 – Average Receivables Days

R\$ MM	3Q16	4Q16	1Q17	2Q17	3Q17
Net Account Receivable	1,226.4	1,164.9	1,297.1	1,341.4	1,144.6
Net Revenue (last twelve months)	3,124.3	3,184.5	3,214.3	3,292.4	3,337.4
Average Receivables Days	141	132	145	147	123

Table 28 - Average non-FIES Receivables Days

R\$ MM	3Q16	4Q16	1Q17	2Q17	3Q17
Net Account Receivable Ex-APV	1,242.1	1,178.1	1,307.7	1,349.3	1,150.7
Net Account Receivable Ex-FIES and APV	377.7	349.4	384.1	421.7	404.3
Net Revenue Ex-FIES	1,858.2	1,891.6	1,964.2	2,016.3	2,121.4
Average non-FIES Receivables Days	73	66	70	75	69

* Figures not reviewed by the auditors

** Unaudited figures reviewed, due to changes in the allocation criteria by revenue source (FIES and Ex-FIES). There was no change in the total numbers of accounts receivable and revenue reported.

Table 29 – Average FIES Receivables Days

R\$ MM	3Q16	4Q16	1Q17	2Q17	3Q17
Net Account Receivable FIES	864.4	828.7	923.5	927.5	746.4
Revenue FIES (last twelve months)	1,429.8	1,436.2	1,397.3	1,434.2	1,369.9
FGEDUC Deductions (last twelve months)*	(108.5)	(87.4)	(92.1)	(100.1)	(97.7)
Taxes (last twelve months)*	(55.2)	(55.9)	(55.1)	(58.1)	(56.3)
Net Revenue FIES (last twelve months)*	1,266.1	1,292.9	1,250.1	1,276.1	1,216.0
Receivables Days FIES	246	231	266	262	221

* Figures not reviewed by the auditors

** Unaudited figures reviewed, due to changes in the allocation criteria by revenue source (FIES and Ex-FIES). There was no change in the total numbers of accounts receivable and revenue reported.

Table 30 – Evolution of FIES Accounts Receivable

R\$ MM	3Q16	4Q16	1Q17	2Q17	3Q17
Opening Balance	801.6	863.1	823.6	920.3	589.2
(+) FIES Revenue	375.0	370.5	313.5	375.3	310.7
(-) Transfer	(292.0)	(387.1)	(193.9)	(685.8)	(133.2)
(-) FIES Deduction/Provision	(25.4)	(25.8)	(27.4)	(22.3)	(22.9)
(+) Acquisitions	-	(0.6)	-	-	-
(+) Inflation Adjustment of FIES Accounts Receivable	4.0	3.6	4.6	1.6	1.3
Ending Balance	863.1	823.6	920.3	589.2	745.1

** Unaudited figures reviewed, due to changes in the allocation criteria by revenue source (FIES and Ex-FIES). There was no change in the total numbers of accounts receivable and revenue reported.

Table 31 – Evolution of FIES Carry-Forward Credits

R\$ MM	3Q16	4Q16	1Q17	2Q17	3Q17
Opening Balance	128.7	1.2	5.0	3.2	338.3
(+) Transfer	292.0	387.1	193.9	685.8	133.2
(-) Tax payment	(66.9)	(38.5)	(60.4)	(94.6)	(47.6)
(-) Repurchase auctions	(355.2)	(344.7)	(135.4)	(256.0)	(422.7)
(+) Monetary restatement	2.6	(0.0)	-	-	-
Ending Balance	1.2	5.0	3.2	338.3	1.3

** Unaudited figures reviewed, due to changes in the allocation criteria by revenue source (FIES and Ex-FIES). There was no change in the total numbers of accounts receivable and revenue reported.

Table 32 – Aging of Total Gross Accounts Receivable

R\$ MM	3Q16	%	3Q17	%
FIES	864.4	60%	746.4	55%
PRONATEC	10.2	1%	8.7	1%
Distance Learning Franchise Sites	5.3	0%	3.1	0%
Not yet due	138.3	10%	228.8	17%
Overdue up to 30 days	89.1	6%	75.7	6%
Overdue from 31 to 60 days	43.2	3%	42.4	3%
Overdue from 61 to 90 days	22.3	2%	7.3	1%
Overdue from 91 to 179 days	111.9	8%	89.1	7%
Overdue more than 180 days	156.2	11%	149.8	11%
Total Gross Accounts Receivable	1,440.8	100%	1,351.2	100%

Table 33 – Aging of Agreements Receivable*

R\$ MM	3Q16	%	3Q17	%
Not yet due	47.3	47%	74.1	63%
Overdue up to 30 days	7.9	8%	10.3	9%
Overdue from 31 to 60 days	6.8	7%	5.5	5%
Overdue from 61 to 90 days	6.0	6%	3.4	3%
Overdue from 91 to 179 days	13.1	13%	8.6	7%
Overdue more than 180 days	20.2	20%	16.2	14%
Aging of Agreements Receivable	101.4	100%	118.1	100%
% over Accounts Receivable	18%	-	20%	-

* Note: Excludes credit card agreements

Table 34 – Breakdown of the allowance for doubtful accounts

PDD	3Q16	3Q17
Contas a receber vencido há mais de 180 dias	(156.2)	(149.8)
Provisão de cheques devolvidos < 180 dias	(2.4)	(1.9)
Provisão complementar de acordos	(40.8)	(6.9)
Provisão PAR	-	(18.3)
Provisão para crédito de liquidação duvidosa (PCLD)	(199.3)	(176.8)

Investments (CAPEX and Acquisitions)

Third-quarter **CAPEX** totaled R\$44.3 million, up by 10.5%, approximately R\$4.2 million more than in 3Q16, essentially due to maintenance investments.

Table 35 – CAPEX Breakdown

R\$ MM	3Q16	3Q17	Change
Total CAPEX (Ex- Acquisitions)	40.1	44.3	10.5%
Maintenance	22.9	30.7	33.8%
Discretionary and Expansion	17.2	13.6	-20.4%
Academic Model	3.0	2.8	-6.6%
New IT Architecture	2.8	3.4	20.1%
Integration Processes	2.3	-	N.A.
Expansion	9.0	7.4	-17.5%

* Figures not reviewed by the auditors.

Capitalization and Cash

Table 36 – Capitalization and Cash

R\$ MM	30/09/2016	30/09/2017
Shareholders' Equity	2,819.8	2,886.4
Cash & Cash Equivalents	575.4	709.5
Total Gross Debt	(923.3)	(966.4)
Loans and Financing	(811.2)	(856.4)
Short Term	(240.5)	(416.4)
Long Term	(570.7)	(440.0)
Commitments Payable (Acquisitions)	(92.5)	(93.7)
Taxes Paid in Installments	(19.6)	(16.3)
Net Debt	(347.9)	(256.9)
Net Debt/EBITDA	1.8 x	1.1 x

Cash and cash equivalents totaled R\$709.5 million on September 30, 2017, conservatively invested in fixed-income instruments pegged to the CDI interbank rate, government bonds and certificates of deposit with top-tier Brazilian banks.

The bank **debt** of R\$856.4 million corresponds mainly to:

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

The R\$45.2 million increase in the loans and financing line over 3Q16 refers mainly to the issue of R\$300.0 million in promissory notes in November 2016 and R\$100.0 million in debentures (4th issue) in December, both operations carried out with Banco Itaú. The objective of these operations was to recover the cash spent on the settlement of the 1st debenture issue, totaling approximately R\$214.1 million, and the payment of extraordinary dividends in November and December 2016, totaling R\$420.0 million. In September 2017, the Company settled the 3rd debenture issue of approximately R\$197 million.

Including loans and financing, commitments for future payments related to acquisitions, which totaled R\$93.7 million, as well as taxes payable in installments of R\$16.3 million, Estácio's gross debt came to R\$966.4 million at the close of 3Q17, resulting in net debt of R\$256.9 million.

Cash Flow Statement

Operating cash flow (OCF) was positive by R\$360.4 million in 3Q17, a significant improvement of 101.3% and R\$181.4 million over the same period last year. In addition to the EBITDA increase, the following effects contributed to this improvement in our cash generation:

- Increase of R \$ 97.5 million in collection of non-FIES revenues, due to a healthier student base;
- Increase of R \$ 48.2 million, related to FIES, due to: (i) 2Q17 transfers that were dammed, with the Cash effect occurring only in 3Q17, due to some problems with Estácio's negative debit certificates (CNDs), which have already been settled; and (ii) monetary correction of the PN 23 receivables.

Third-quarter OCF/EBITDA ratio came to 161.2%, once again highlighting the initiatives implemented with the objective of improving the performance level of the Company's indicators.

Table 37 – Cash Flow Statement

R\$ MM	3Q16	3Q17	9M16	9M17
Profit before taxes and after results from discontinued operations	116.8	132.7	235.5	441.0
Adjustments to reconcile profit to net cash generated	136.9	119.4	441.2	418.9
Results after reconciliation to net cash generated	253.6	252.1	676.8	859.9
Change in assets and liabilities	(27.9)	149.5	(314.8)	(163.3)
Net Cash provided by (used in) operating activities	225.8	401.6	361.9	696.6
Acquisition of property and equipment items	(30.4)	(25.6)	(73.9)	(61.6)
Acquisition of intangible assets	(16.5)	(15.7)	(51.9)	(40.2)
Operating Cash Flow (OCF)	179.0	360.4	236.1	594.7
Net cash provided by (used in) investing activities	0.0	-	(7.2)	-
Cash Flow from financing activities	8.6	(193.1)	(347.2)	(289.2)
Net cash provided by (used in) financing activities	187.5	167.2	(118.3)	305.5

Cash and cash equivalents at the beginning of the period	387.9	542.3	693.8	404.0
Increase (decrease) in cash	187.5	167.2	(118.3)	305.5
Cash and cash equivalents at the end of the period	575.4	709.5	575.4	709.5

EBITDA	194.5	223.6	435.2	692.4
Operating Cash Flow before CAPEX / EBITDA	116.1%	179.6%	83.2%	100.6%
OCF / EBITDA	92.0%	161.2%	54.3%	85.9%

Income Statement by Business Unit

R\$ Million	On-Campus		Distance-learning		Graduate + Others		Corporate	Consolidated	
	3Q17	VA (%)	3Q17	VA (%)	3Q17	VA (%)	3Q17	3Q17	VA (%)
Gross Operating Revenue	1,118.7	163.3%	163.2	187.5%	53.2	147.9%	-	1,335.1	165.2%
Gross Revenue Deductions	(433.6)	-63.3%	(76.2)	-87.5%	(17.2)	-47.9%	-	(527.0)	-65.2%
Net Operating Revenue	685.1	100.0%	87.0	100.0%	36.0	100.0%	-	808.1	100.0%
Cost of Services	(355.3)	-51.9%	(13.6)	-15.6%	(17.3)	-48.0%	-	(386.2)	-47.8%
Personnel	(266.9)	-39.0%	(13.3)	-15.3%	(16.9)	-47.1%	-	(297.1)	-36.8%
Rents, condominium fees, municipal property tax	(61.7)	-9.0%	(0.1)	-0.1%	(0.2)	-0.7%	-	(62.09)	-7.7%
Textbook materials	(2.0)	-0.3%	(0.0)	0.0%	(0.0)	0.0%	-	(2.04)	-0.3%
Third-party services and others	(24.8)	-3.6%	(0.2)	-0.2%	(0.1)	-0.2%	-	(24.98)	-3.1%
Gross Profit	329.8	48.1%	73.4	84.4%	18.7	52.0%	-	421.9	52.2%
Selling, General and Administrative Expenses	(71.0)	-10.4%	(6.9)	-7.9%	(2.4)	-6.6%	(118.1)	(198.3)	-24.5%
Selling Expenses	(33.9)	-4.9%	(2.2)	-2.5%	(1.7)	-4.8%	(59.7)	(97.5)	-12.1%
PDA	(23.1)	-3.4%	(2.2)	-2.5%	(1.7)	-4.8%		(27.1)	-3.3%
PDA PAR	(10.4)	-1.5%	(0.0)	0.0%	-	0.0%		(10.4)	-1.3%
Others	(0.3)	0.0%	-	0.0%	-	0.0%		(0.3)	0.0%
Marketing	-	0.0%	-	0.0%	-	0.0%	(59.7)	(59.7)	-7.4%
General and Administrative Expenses	(37.1)	-5.4%	(4.7)	-5.4%	(0.6)	-1.8%	(58.4)	(100.8)	-12.5%
Personnel	(16.2)	-2.4%	(3.0)	-3.4%	(0.8)	-2.1%	(29.9)	(49.9)	-6.2%
Expenses G&A	(23.3)	-3.4%	(1.7)	-2.0%	(1.4)	-3.9%	(28.8)	(55.2)	-6.8%
Others operating revenue	2.3	0.3%	0.0	0.0%	1.5	4.3%	0.4	4.2	0.5%
EBITDA	258.8	37.8%	66.5	76.4%	16.3	45.4%	(118.1)	223.6	27.7%

Income Statement by Business Unit 2Q17*

R\$ Million	On-Campus		Distance-learning		Graduate + Others		Corporate	Consolidated	
	3Q17	VA (%)	3Q17	VA (%)	3Q17	VA (%)	3Q17	3Q17	VA (%)
Gross Operating Revenue	1,217.9	154.1%	159.7	172.1%	48.8	161.2%	-	1,426.3	156.1%
Gross Revenue Deductions	(427.5)	-54.1%	(66.9)	-72.1%	(18.5)	-61.2%		(512.9)	-56.1%
Net Operating Revenue	790.4	100.0%	92.8	100.0%	30.2	100.0%	-	913.4	100.0%
Cost of Services	(404.1)	-51.1%	(16.3)	-17.5%	(19.0)	-62.7%	-	(439.3)	-48.1%
Personnel	(308.0)	-39.0%	(16.0)	-17.2%	(18.8)	-62.2%		(342.8)	-37.5%
Rents, condominium fees, municipal property tax	(64.0)	-8.1%	(0.1)	-0.1%	(0.1)	-0.3%		(64.18)	-7.0%
Textbook materials	(3.7)	-0.5%	(0.2)	-0.2%	0.0	0.0%	-	(3.92)	-0.4%
Third-party services and others	(28.3)	-3.6%	(0.0)	0.0%	(0.1)	-0.2%		(28.42)	-3.1%
Gross Profit	386.3	48.9%	76.5	82.5%	11.3	37.3%	-	474.1	51.9%
Selling, General and Administrative Expenses	(94.8)	-12.0%	(12.9)	-13.9%	(2.0)	-6.6%	(110.5)	(220.2)	-24.1%
Selling Expenses	(55.1)	-7.0%	(8.7)	-9.3%	(1.8)	-6.0%	(50.0)	(115.6)	-12.7%
PDA	(51.0)	-6.9%	(8.7)	-9.3%	(1.8)	-6.0%		(65.3)	-7.1%
PDA PAR	(3.8)	0.0%	-	0.0%	-	0.0%		-	0.0%
Others	(0.3)	0.0%	-	0.0%	-	0.0%		(0.3)	0.0%
Marketing	-	0.0%	-	0.0%	-	0.0%	(50.0)	(50.0)	-5.5%
General and Administrative Expenses	(39.6)	-5.0%	(4.2)	-4.6%	(0.2)	-0.6%	(60.6)	(104.6)	-11.4%
Personnel	(10.0)	-1.3%	(3.0)	-3.2%	(0.3)	-1.1%	(28.4)	(41.7)	-4.6%
Expenses G&A	(31.7)	-4.0%	(1.3)	-1.4%	(0.9)	-2.9%	(27.2)	(61.1)	-6.7%
Others operating revenue	2.1	0.3%	0.0	0.0%	1.0	3.4%	(4.9)	(1.8)	-0.2%
EBITDA	291.5	36.9%	63.7	68.6%	9.3	30.7%	(110.5)	254.0	27.8%

* Unaudited figures reviewed, due to changes in the allocation criteria by Business Unity.

Balance Sheet

R\$ MM	09/30/2016	09/30/2017
Short-Term Assets	1,697.3	2,013.3
Cash & cash equivalents	71.3	9.8
Short-term investments	504.2	699.7
Accounts receivable	912.5	1,126.3
Advance to employees / third-parties	25.0	12.1
Prepaid expenses	55.9	13.6
Taxes and contributions	92.3	95.8
Others	36.3	56.0
Long-Term Assets	2,582.3	2,380.8
Non-Current Assets	576.8	338.6
Accounts receivable	313.9	18.3
Prepaid expenses	5.9	5.3
Related parties	1.1	-
Judicial deposits	129.2	125.9
Taxes and contributions	34.8	80.9
Deferred taxes and others	91.9	108.2
Permanent Assets	2,005.5	2,042.2
Investments	0.2	0.2
Fixed assets	529.8	603.2
Intangible	1,475.5	1,438.7
Total Assets	4,279.6	4,394.1
Short-Term Liabilities	701.3	887.9
Loans and Financing	240.5	416.4
Suppliers	59.3	80.6
Salaries and payroll charges	208.7	241.0
Taxes payable	61.3	66.4
Prepaid monthly tuition fees	21.3	18.3
Advances under partnership agreement	2.9	1.2
Taxes Paid in Installments	3.3	5.2
Related Parties	0.4	0.0
Dividends Payable	0.0	0.0
Acquisition price to be paid	52.0	53.4
Provision for assets desmobilization	-	2.1
Others	51.7	3.3
Long-Term Liabilities	758.5	619.8
Loans and financing	570.7	440.0
Contingencies	69.2	70.5
Advances under partnership agreement	1.2	-
Taxes Paid in Installments	16.3	11.1
Provision for asset retirement obligations	17.5	22.1
Deferred Taxes	25.7	16.2
Acquisition price to be paid	40.5	40.3
Others	17.5	19.5
Shareholders' Equity	2,819.8	2,886.4
Capital	1,130.8	1,130.8
Share issuance costs	(26.9)	(26.9)
Capital reserves	663.1	662.8
Earnings reserves	955.3	816.0
Income for the period	243.8	437.4
Treasury stocks	(146.4)	(133.8)
Total Liabilities and Shareholders' Equity	4,279.6	4,394.1

Cash Flow Statement

R\$ MM	3Q16	3Q17	9M16	9M17
Profit before income taxes and social contribution	116.8	132.7	235.5	441.0
Adjustments to reconcile profit to net cash generated:	136.9	119.4	441.2	418.9
Depreciation and amortization	46.2	48.6	139.0	148.8
Amortization of funding costs	0.3	0.7	0.7	8.1
Provision for impairment of trade receivables	32.6	37.5	130.3	150.3
Granted options - stock options	0.3	1.7	2.4	6.1
Provision for long term incentive	0.8	0.0	2.6	0.1
Provision for contingencies	19.9	12.7	87.7	35.3
Inflation adjustment to FIES receivables	15.8	-1.3	-9.1	-7.5
Adjustment to present value - FIES receivables	-2.3	-1.8	-12.5	-7.1
Tax credits	-4.1	-5.0	-6.7	-8.9
Interest on borrowings	27.5	26.2	87.6	90.5
(Gain) loss on the write-off of property and equipment and intangible assets	-1.1	0.1	14.0	0.6
Provision with asset decommissioning	0.3	2.0	0.9	3.1
Commitments payable	1.3	0.7	6.3	5.9
Adjustment to present value (APV) - Sale of client portfolio	-	-1.4	-	-4.2
Others	-0.7	-1.3	-2.2	-2.1
Result after reconciliation to net cash generated	253.6	252.1	676.8	859.9
Changes in assets and liabilities:	-27.9	149.5	-314.8	-163.3
(Increase) in accounts receivable	56.9	163.9	-239.8	-111.1
Decrease (increase) in other assets	1.1	-5.5	-2.3	-15.3
Increase) decrease in advances to employees / third parties	1.6	0.5	3.8	2.2
(Increase) decrease in prepaid expenses	-6.7	13.5	6.3	22.8
(Increase) decrease in taxes and contributions	-12.3	3.4	6.0	-4.4
Increase (decrease) in suppliers	-18.9	-1.5	-16.0	14.5
Increase (decrease) in taxes payable	-1.4	-0.9	-43.2	-14.1
Increase (decrease) in payroll and related charges	-15.7	11.2	79.8	85.8
(Decrease) in prepaid monthly tuition fees	-5.7	6.8	-2.3	-9.1
Civil/Labor claims	-12.0	-13.7	-51.5	-29.7
(Decrease) in acquisition price to be paid	-1.6	-16.5	-16.9	-38.2
Provision for asset decommissioning obligations	0.0	-0.7	0.0	-1.2
Increase (decrease) in other liabilities	-1.8	-2.0	47.3	-3.3
Decrease (increase) in taxes paid in installments	3.0	1.0	-0.2	-0.9
(Decrease) in non-current assets	1.1	4.2	8.4	12.9
Increase in judicial deposits	-0.2	-1.2	-20.3	-6.5
Interest paid on borrowings	-14.5	-11.1	-72.6	-54.7
IRPJ and CSLL paid	-0.7	-2.1	-1.3	-13.0
Net cash provided by (used in) operating activities	225.8	401.6	361.9	696.6

Net cash provided by (used in) operating activities	-46.9	-41.3	-133.0	-101.9
Acquisition of property and equipment items	-30.4	-25.6	-73.9	-61.6
Intangible Assets	-16.5	-15.7	-51.9	-40.2
(Gain) loss in net book amount of property and equipment written-off	-	-	-7.2	-
Net cash provided by (used in) investing activities	178.9	360.4	228.9	594.7
Cash flows from financing activities	8.6	-193.1	-347.2	-289.2
Capital increase resulting from the exercise of stock options	6.7	-	10.6	-
Acquisition of stocks in treasury	0.0	-	-12.5	-
Use of treasury shares as a result of the exercise of stock options	-	4.5	-	12.6
Negative goodwill in the disposal of treasury shares	-	-4.5	-	-4.5
Dividends paid	-	-	-115.1	-87.4
Loans and financing	28.9	0.0	20.2	0.0
Gain on derivative instruments – SWAP	-	-	25.6	-
Net increase in borrowings	-27.0	-193.1	-276.0	-209.9
Net cash provided by (used in) financing activities	187.5	167.2	-118.3	305.5
Cash and cash equivalents at the beginning of the period	387.9	542.3	693.8	404.0
Increase (decrease) in cash and cash equivalents	187.5	167.2	-118.3	305.5
Cash and cash equivalents at the end of the period	575.4	709.5	575.4	709.5

Financial Result

Detailed Adjusted History

R\$ MM	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Financial Revenue	75.6	34.5	35.1	30.0	31.4	23.5	37.1
Fines and interest charged	8.4	4.4	6.3	5.7	10.0	6.3	8.1
Inflation adjustment to FIES receivables	13.0	12.0	4.0	3.6	4.6	1.6	1.3
Contingencies	-	-	-	-	0.1	0.0	0.1
Sale of client portfolio	-	-	-	-	-	0.5	3.7
Investments income	19.0	11.4	17.9	14.5	11.8	10.5	16.9
No equity interest	1.4	1.9	4.5	2.5	2.4	1.9	5.0
Active monetary variation	-	-	-	1.3	-	-	-
Active exchange variation	28.0	0.0	-	-	-	0.0	0.0
Adjustment to present value (APV)	0.5	-	-	-	-	-	-
Other	5.4	4.8	2.3	2.4	2.6	2.8	1.8
Investments income	0.0	0.0	0.1	0.1	0.0	0.0	0.1
Financial Expenses	(87.7)	(51.4)	(68.0)	(55.8)	(69.0)	(46.2)	(79.3)
Bank charges	(2.2)	(2.8)	(4.8)	(3.6)	(4.1)	(3.9)	(3.7)
Interest and financial charges	(34.6)	(32.4)	(35.8)	(34.4)	(43.3)	(31.0)	(36.1)
Contingencies	-	-	-	-	-	-	(0.0)
No equity interest	-	-	-	(1.3)	-	-	-
Debt relief	(5.5)	(7.4)	(16.8)	(11.8)	(5.4)	(5.3)	(26.6)
Financial Discounts	(4.0)	(3.3)	(5.3)	4.0	(5.3)	(1.7)	(8.2)
Passive monetary variation	(26.0)	-	-	-	-	-	-
Derivative financial instruments losses - swap	(11.0)	(0.0)	-	(0.0)	(0.0)	-	(0.0)
Passive exchange variation	(4.5)	(5.4)	(5.2)	(8.7)	(10.8)	(4.2)	(4.7)
Financial Result	(12.1)	(16.9)	(32.8)	(25.8)	(37.6)	(22.7)	(42.3)

* The adjustment was made to better account assignment of expenses with amortization of financial expenses, which were count in the depreciation line.

Student Base History

As of 3Q17, we will present the dropout rate for the quarter in the evolution of the student base table. The number of students at the end of the period represents the revenue generating base, which was previously presented in the average ticket calculation tables. Below is the student base history considering this evolution:

Total Student Base

'000	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
On-Campus	411.4	381.0	372.0	362.0	371.5	369.6	352.2
Undergraduate	375.7	343.4	335.6	329.4	339.1	335.9	318.7
Graduate	35.7	37.6	36.5	32.6	32.4	33.7	33.5
Distance Learning	159.7	154.4	155.4	145.9	170.6	170.3	178.9
Undergraduate	127.6	115.9	115.4	106.9	127.5	124.7	134.7
Graduate	32.1	38.5	40.0	39.0	43.1	45.6	44.3
Total Student Base	571.1	535.4	527.4	508.0	542.1	539.9	531.1
# Campuses	93	93	97	97	95	95	93
On-Campus Students per Campus	4,423	4,096	3,835	3,732	3,911	3,891	3,787
# Distance Learning Centers	191	197	205	209	228	238	338
Distance Learning Students per Center	836	784	758	698	748	716	529

* Figures not reviewed by the auditors.

Evolution of the On-Campus Undergraduate Student Base

'000	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Students - Starting balance	318.5	375.7	343.4	335.6	329.4	339.1	335.9
(-) Graduates	(19.5)	-	(15.7)	-	(24.7)	-	(19.2)
Renewable Base	299.0	375.7	327.7	335.6	304.8	339.1	316.7
(+) Enrollments	117.3	-	55.6	-	92.3	7.1	50.6
(+) Enrollments from acquisitions	1.5	2.5	-	0.6	-	-	-
(-) Non-renewed	(24.9)	-	(32.3)	-	(45.8)	-	(39.7)
(-) Dropouts	-	(37.4)	-	(22.1)	-	(22.4)	-
(-) Dropouts in the quarter*	(17.2)	17.2	(15.4)	15.4	(12.1)	12.1	(8.8)
Write-off by new guidelines	-	(14.7)	-	-	-	-	-
Students - Ending Balance (Revenue generating base)	375.7	343.4	335.6	329.4	339.1	335.9	318.7

* Figures not reviewed by the auditors.

Evolution of the Distance-Learning Undergraduate Student Base

'000	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Students - Starting balance	109.4	127.6	115.9	115.4	106.9	127.5	124.7
(-) Graduates	(5.7)	(0.8)	(3.9)	(0.9)	(4.9)	(0.7)	(6.6)
Renewable Base	103.7	126.8	112.0	114.5	102.0	126.8	118.1
(+) Enrollments	51.8	9.9	33.1	-	56.1	7.2	49.5
(-) Non-renewed	(20.3)	(4.7)	(20.8)	(3.8)	(22.4)	(1.2)	(27.2)
(-) Dropouts	(3.1)	(14.8)	(3.0)	(9.7)	(1.2)	(15.1)	(5.8)
(-) Dropouts in the quarter*	(4.5)	4.5	(5.9)	5.9	(7.0)	7.0	-
Write-off by new guidelines	-	(5.8)	-	-	-	-	-
Students - Ending Balance (Revenue generating base)	127.6	115.9	115.4	106.9	127.5	124.7	134.7

* Figures not reviewed by the auditors.