Ser Educacional S.A.

Quarterly Information (ITR)
at September 30, 2018
with independent auditor's review report on
individual and consolidated quarterly information

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A free translation from Portuguese into English of Independent Auditor's Review Report on interim financial information prepared in accordance with Brazilian and International Standards on review engagements

Independent auditor's review report on individual and consolidated quarterly information

The Shareholders, Board of Directors and Officers
Ser Educacional S.A.
Recife - PE

Introduction

We have reviewed the individual and consolidated interim financial information contained in the Quarterly Information Form (ITR) of Ser Educacional S.A. (the "Company") for the quarter ended September 30, 2018, which comprise the statement of financial position as at September 30, 2018 and the related statements of income and of comprehensive income for the three and nine-month periods then ended, and the statements of changes in equity and of cash flows for the nine-month period then ended, including explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with Accounting Pronouncement CPC 21(R1) - Interim Financial Reporting ("CPC 21 (R1)"), and consolidated interim financial information in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) ("IAS 34"), as well as for the fair presentation of this information in conformity 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 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, 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 auditing standards 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.

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Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above was not fairly prepared, 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 standards issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statement of financial position and interim financial information for 2017

The individual and consolidated statements of financial position as at December 31, 2017, presented for comparative purposes, were audited by other independent auditors, who issued an unmodified opinion on March 22, 2018.

The statement of income and of comprehensive income for the three and nine-month periods ended September 30, 2017, and the statements of changes in equity, of cash flows and of value added for the nine-month period ended September 30, 2017, presented for comparative purposes, were previously reviewed by other independent auditors who issued an unmodified review report on the interim financial information on November 7, 2017.

Interim statements of value added

We also reviewed the individual and consolidated statements of value added for the nine-month period ended September 30, 2018, prepared under responsibility of the Company's management, whose presentation in the interim financial information is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR) and considered supplementary information under IFRS, which do not require such presentation. These statements were submitted to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, in accordance with the overall individual and consolidated interim financial information.

Recife, November 5, 2018.

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

Henrique Piereck de Sá
Accountant CRC PE023398/O-3

Ser Educacional S.A.

Statement of financial position
At September 30, 2018 and December 31, 2017
All amounts in thousands of Reais, except when otherwise stated

		Parent Company		Consolidated	
Assets	**Note**	**September 30, 2018**	**December 31, 2017**	**September 30, 2018**	**December 31, 2017**
Current assets					
Cash and cash equivalents	8	308,644	269,739	358,183	279,286
Securities	8	599,176	617,772	618,139	632,427
Accounts receivable	9	85,110	111,151	237,588	317,358
Taxes recoverable	10	5,522	4,944	10,228	11,544
Related parties	25.a	1,613			
Other assets		4,717	7,546	21,630	24,846
		1,004,782	1,011,152	1,245,768	1,265,461
Non-current assets					
Long-term receivables					
Accounts receivable	9	7,401	3,465	23,767	11,709
Judicial deposits and blocked escrows		4,970	2,837	28,391	23,343
Indemnification assets	26.d	3,249	3,249	112,015	112,015
Investments	6	759,392	655,499		
Intangible assets	11	29,101	31,087	424,487	428,511
Property and equipment	12	426,520	398,413	688,460	666,835
		1,230,633	1,094,550	1,277,120	1,242,413
Total assets		2,235,415	2,105,702	2,522,888	2,507,874

		Parent Company		Consolidated	
Liabilities and equity	**Note**	**September 30, 2018**	**December 31, 2017**	**September 30, 2018**	**December 31, 2017**
Current liabilities					
Suppliers	13	11,789	12,363	30,830	31,422
Borrowing	15	27,067	25,938	27,119	26,569
Debentures	16	106,447	2,636	106,447	2,636
Payroll and related charges	17	43,492	34,432	90,434	74,831
Taxes payable	10	4,578	4,203	15,016	16,220
Commitments payable	14	862	862	81,379	80,720
Lease commitments	18	10,548	10,069	17,013	16,446
Related parties	25.a	135,298	51,561		
Dividends payable	19.g		27,034		27,034
Repurchase of shares to be settled	19.b	26,949		26,949	
Other liabilities		8,245	7,368	20,913	19,309
		375,275	176,466	416,100	295,187
Non-current liabilities					
Borrowing	15	75,157	87,410	75,157	87,410
Debentures	16	106,765	198,245	106,765	198,245
Commitments payable	14			33,408	63,566
Lease commitments	18	128,486	130,303	222,811	227,794
Taxes payable	10	563	793	1,341	1,777
Provision for contingencies	26	1,478	446	119,602	121,845
Other liabilities		2,634	3,649	2,647	3,660
		315,083	420,846	561,731	704,297
Equity	19				
Attributable to shareholders of parent company					
Share capital		987,549	987,549	987,549	987,549
Profit reserve		501,046	527,295	501,046	527,295
Treasury shares		(80,706)	(6,454)	(80,706)	(6,454)
Retained earnings		137,168		137,168	
Total equity		1,545,057	1,508,390	1,545,057	1,508,390
Total liabilities and equity		2,235,415	2,105,702	2,522,888	2,507,874

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

Ser Educacional S.A.

Interim statement of income
Quarters and nine-month periods ended September 30
All amounts in thousands of Reais, except when otherwise stated

	Note	Parent Company			
		7/1/2018 to 9/30/2018	1/1/2018 to 9/30/2018	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017
Net revenue from services	20	108,982	343,295	101,463	313,679
Cost of services	21	(54,334)	(164,325)	(45,870)	(133,049)
Gross profit		54,648	178,970	55,593	180,630
Selling expenses	22	(6,800)	(33,519)	(13,431)	(32,024)
General and administrative expenses	22	(51,630)	(149,589)	(46,712)	(121,977)
Other operating income (expenses), net	22	82	(1,896)	732	772
Equity in income of subsidiaries	6	40,984	169,129	50,743	179,442
Operating profit		37,284	163,095	46,925	206,843
Financial income	23	14,153	44,486	14,374	38,587
Financial expenses	23	(14,485)	(39,075)	(14,165)	(53,583)
Financial income (expenses), net		(332)	5,411	209	(14,996)
Profit before taxation		36,952	168,506	47,134	191,847
Income tax and social contribution	24	(22)	(2,244)	322	(4,863)
Tax incentive - PROUNI	24	1	1,912	577	6,169
Net income for the period		36,931	168,174	48,033	193,153

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

Ser Educacional S.A.

Interim statement of income
Quarters and nine-month periods ended September 30
All amounts in thousands of Reais, except when otherwise stated

	Note	Consolidated 7/1/2018 to 9/30/2018	1/1/2018 to 9/30/2018	7/1/2017 to 9/30/2017	1/1/2017 to 9/30/2017
Net revenue from services	20	286,003	942,419	292,730	927,790
Cost of services	21	(134,946)	(427,029)	(129,146)	(401,281)
Gross profit		151,057	515,390	163,584	526,509
Selling expenses	22	(13,757)	(66,014)	(27,794)	(64,360)
General and administrative expenses	22	(84,112)	(255,765)	(83,265)	(225,190)
Other operating income (expenses), net	22	(1,060)	(699)	373	226
Operating profit		52,128	192,912	52,898	237,185
Financial income	23	15,767	55,951	22,263	59,627
Financial expenses	23	(28,710)	(75,871)	(27,446)	(104,112)
Financial income (expenses), net		(12,943)	(19,920)	(5,183)	(44,485)
Profit before taxation		39,185	172,992	47,715	192,700
Income tax and social contribution	24	(19,437)	(63,941)	(16,758)	(67,139)
Tax incentive - PROUNI	24	17,183	59,123	16,989	67,332
Deferred income tax and social contribution				87	260
Net income for the period		36,931	168,174	48,033	193,153
Attributable to					
Shareholders of the parent company		36,931	168,174	48,033	193,153
		36,931	168,174	48,033	193,153
Weighted average of outstanding common shares at the end of the period (in thousands)		136,676	136,676	124,836	124,836
Earnings per share attributable to shareholders of the Parent Company during the period (in R$ per share)		0.27	1.23	0.38	1.55

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

Ser Educacional S.A.

Interim statement of comprehensive income
Quarters and nine-month periods ended September 30
All amounts in thousands of Reais, except when otherwise stated

	Parent Company and Consolidated		Parent Company and Consolidated	
	September 30, 2018	September 30, 2017	7/1/2018 to 9/30/2018	7/1/2017 to 9/30/2017
Net income for the quarter	168,174	193,153	36,931	48,033
Other components of comprehensive income for the period				
Comprehensive income for the quarter	168,174	193,153	36,931	48,033

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

Ser Educacional S.A.

Interim statement of changes in equity - Parent Company and Consolidated
All amounts in thousands of Reais, except when otherwise stated

		Attributable to shareholders of parent company								
		Capital		Profit reserve						
	Note	Share capital	Share issue costs	Tax incentives	Legal	Retention	Proposed dividends	Treasury shares	Net income for the period	Total equity
As of January 1, 2017		377,048		44,567	35,585	499,654		(6,454)		950,400
Net income for the period	27								193,153	193,153
Capital increase	19.a	222,952				(222,952)				-
Tax incentive reserve	19.d			6,169					(6,169)	-
Legal reserve	19.e				9,658				(9,658)	-
As of September 30, 2017		600,000		50,736	45,243	276,702		(6,454)	177,326	1,143,553
As of January 1, 2018		991,644	(4,095)	50,736	45,459	420,287	10,813	(6,454)		1,508,390
Adoption of IFRS 9	2.2					(25,757)				(25,757)
Net income for the period	27								168,174	168,174
Tax incentive reserve	19.d			1,912					(1,912)	-
Legal reserve	19.e				8,409				(8,409)	-
Dividend distribution	19.g						(10,813)		(20,685)	(31,498)
Treasury shares acquired	19.b							(74,252)		(74,252)
Retained earnings reserve	19.g									-
As of September 30, 2018		991,644	(4,095)	52,648	53,868	394,530	-	(80,706)	137,168	1,545,057

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

Ser Educacional S.A.

Interim statement of cash flows
Nine-month periods ended September 30
All amounts in thousands of Reais, except when otherwise stated

		Parent Company		Consolidated	
	Note	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Cash flow from operations					
Profit before income tax and social contribution		168,506	191,847	172,992	192,700
Adjustments for					
Depreciation and amortization	11 and 12	32,751	27,338	54,299	47,783
(Reversal of) provision for contingencies		439	(449)	(2,243)	405
Equity in the results of subsidiaries	6.a	(169,129)	(179,442)		
Adjustment to present value of accounts receivable	9	(1,513)		(4,665)	
Allowance for doubtful accounts	9.e	19,135	11,055	55,890	37,401
Loss on write-off of non-current assets		(12,274)	2,788	166	3,326
Interest, monetary and foreign exchange variations, net		30,298	41,290	47,910	58,971
		68,213	94,427	324,349	340,586
Changes in assets and liabilities					
Accounts receivable		15,614	(3,926)	(7,211)	(28,964)
Taxes recoverable		(295)	332	1,316	(3,521)
Other assets		1,329	(5,984)	(1,832)	(17,932)
Suppliers		(1,349)	(1,077)	(592)	(86)
Payroll and related charges		7,153	5,466	15,603	19,006
Taxes payable		(323)	(457)	(1,640)	(341)
Income tax and social contribution payable		234	1,306	(89)	4,959
Other liabilities		(2,560)	848	591	955
Cash from operations		88,016	90,935	330,495	314,662
Interest paid on borrowing and leases		(18,104)	(48,029)	(29,134)	(59,598)
Income tax and social contribution paid		(566)		(4,729)	(4,636)
Net cash provided by (used in) operations		69,346	42,906	296,632	250,428
Cash flow from investing activities					
Securities		18,596	78,109	14,288	78,109
Advances for future capital increase in subsidiaries	6.b	(43,397)	(33,133)		
Dividends received from subsidiaries	6.b	52,747	66,907		
Additions to property and equipment	12	(22,666)	(47,336)	(62,503)	(78,542)
Additions to intangible assets	11.a	(5,891)	(9,690)	(7,972)	(10,515)
Net cash from absorption		173			
Payables for acquisition of subsidiaries			(1,070)	(37,324)	(38,550)
Net cash provided by (used in) investing activities		(438)	53,787	(93,511)	(49,498)
Cash flow from financing activities					
Amortization of debentures			(28,560)		(28,560)
Repayments of borrowing		(13,378)	(27,869)	(13,973)	(29,874)
Amortization of leases	18	(3,142)	(2,787)	(4,416)	(3,910)
Related parties	25.a	92,352	100,025		
Acquisition of treasury shares	19.b	(47,303)		(47,303)	
Dividends paid to Company shareholders		(58,532)	(34,234)	(58,532)	(34,234)
Net cash provided by (used in) financing activities		(30,003)	6,575	(124,224)	(96,578)
Increase in cash and cash equivalents		38,905	103,268	78,897	104,352
Cash and cash equivalents					
At the end of the period		308,644	157,745	358,183	166,388
At the beginning of the period		269,739	54,477	279,286	62,036
Increase in cash and cash equivalents		38,905	103,268	78,897	104,352

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

Ser Educacional S.A.

Interim statement of value added
Nine-month periods ended September 30
All amounts in thousands of Reais, except when otherwise stated

		Parent Company		Consolidated	
	Note	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenue					
Services	20	496,577	413,248	1,359,213	1,233,977
Allowance for doubtful accounts (PDD)	22	(19,135)	(11,055)	(55,890)	(37,401)
Revenue deductions	20	(142,730)	(88,181)	(384,532)	(272,868)
		334,712	314,012	918,791	923,708
Inputs acquired from third parties					
Services provided by individuals and companies	21 and 22	(26,842)	(19,295)	(38,837)	(32,608)
Electricity, water and telephone	21	(12,862)	(9,990)	(27,481)	(23,273)
Publicity and advertising	22	(33,811)	(32,024)	(66,391)	(64,360)
Service materials	22	(8,029)	(6,927)	(13,424)	(13,748)
Other		(30,036)	(21,646)	(41,037)	(36,766)
		(111,580)	(89,882)	(187,170)	(170,755)
Gross value added		223,132	224,130	731,621	752,953
Depreciation and amortization	21 and 22	(32,751)	(27,338)	(54,299)	(47,783)
Net value added generated by the entity		190,381	196,792	677,322	705,170
Financial income	23	46,622	40,287	58,716	62,096
Equity in the results of subsidiaries	6	169,129	179,442		
Total value added to distribute		406,132	416,521	736,038	767,266
Distribution of value added					
Payroll and related charges	21 and 22	(164,539)	(135,846)	(391,346)	(371,740)
Taxes, charges and contributions		(15,178)	(14,386)	(44,112)	(40,642)
Federal taxes		(2,589)	(530)	(8,443)	(2,712)
Municipal taxes		(12,589)	(13,856)	(35,669)	(37,930)
Third-party capital remuneration		(58,241)	(73,136)	(132,406)	(161,731)
Financial expenses	23	(39,075)	(53,583)	(75,871)	(104,112)
Rents	21	(19,166)	(19,553)	(56,535)	(57,619)
Net income for the period		(168,174)	(193,153)	(168,174)	(193,153)
Value added distributed		(406,132)	(416,521)	(736,038)	(767,266)

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

Section A — General information

1 General information

Ser Educacional S.A. (the "Company") and its subsidiaries (jointly, the "Group") are principally involved in development and management activities for on-campus and distance-learning undergraduate, graduate, professional training and other areas of education, and in participation, as a partner or shareholder, in other partnerships and companies in Brazil.

The Group also owns 20 private limited liability companies, which operate as two universities, eight university centers, 60 colleges and 209 operational distance-learning centers, constituting one of Brazil's largest private education groups, with a leading presence in the North and Northeast regions in terms of number of enrolled students. The Company is present in 26 states and the Federal District, with a consolidated base of approximately 147,000 students, and operates under the following brands: UNINASSAU – Centro Universitário Maurício de Nassau, UNINABUCO – Centro Universitário Nabuco, UNG - Universidade Guarulhos, UNAMA -Universidade da Amazônia, UNIVERITAS - Centro Universitário Universus Veritas, Faculdades UNINASSAU, Faculdades UNINABUCO and Escolas Técnicas Joaquim Nabuco and Maurício de Nassau, through which it offers approximately 1,570 courses. (Not reviewed).

Ser Educacional is a publicly-held company headquartered in Recife, in the state of Pernambuco, listed on the Securities, Commodities and Futures Exchange ("BM&FBOVESPA"), in the Novo Mercado special segment, where its shares are traded under the ticker SEER3. In July 2018, Fitch Ratings issued a report reaffirming the Company's long-term national rating of "AA-(bra)", with a stable outlook.

The Board of Directors approved the issuance of these interim financial statements after the Audit Committee issued an opinion on November 5, 2018.

2 Summary of significant accounting policies

The main accounting policies applied to the preparation of these financial statements are detailed in Section F, Note 30. These accounting policies have been applied in a consistent manner in all the periods shown.

2.1 Basis of preparation

The interim financial information for the nine-month period ended September 30, 2018 was prepared on a historical cost basis, with financial assets and liabilities measured at fair value.

The interim financial information was prepared in accordance with Technical Pronouncement CPC 21 – "Interim Financial Statements", as well as in compliance with IAS 34 – "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB), and shows all material information that is relevant to the financial statements, and only such information, which is consistent with that used by Management.

The preparation of interim financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. Those areas involving a high degree of judgment or complexity, and areas where assumptions and estimates are significant to the consolidated interim financial information are disclosed in Note 3.

The presentation of the parent company and consolidated statements of value added is required by the Brazilian Corporate Law and by the accounting practices adopted in Brazil applicable to publicly-held companies. The International Financial Reporting Standards (IFRS) do not require the presentation of this statement. As a result, under the IFRS, this statement is reported as additional information, without prejudice to the set of financial statements.

2.2 New standards, amendments and interpretations in effect as of January 1, 2018

- **IFRS 9 – Financial Instruments (CPC 48)**

On January 1, 2018, the Company adopted IFRS 9 (CPC 48), which replaces IAS 39/CPC38, in relation to the classification and measurement of financial instruments. IFRS 9 includes the following main changes: (i) new criteria for the classification of financial assets; (ii) new impairment model for financial assets, hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) flexibilization of requirements to adopt hedge accounting.

The Company calculated estimated losses on doubtful accounts based on the hybrid model of expected and incurred losses, with a simplified approach that records expected losses throughout the entire accounts receivable cycle. As a result, on January 1, 2018, the Company recognized R$25,757, in addition to the provision recorded under current assets on December 31, 2017, against equity, pursuant to CPC 48.

Regarding the other financial instruments, the Company did not identify any changes from the current structure.

- **IFRS 15 – Revenue from Contracts with Customers (CPC 47)**

On January 1, 2018, the Company adopted IFRS 15, which replaces IAS 11/ CPC 17 – Construction Contracts and IAS 18/ CPC 30 – Revenue and respective interpretations, to converge the standard for the recognition and disclosure of revenues applied to contracts with customers. This standard is based on the principle that revenue is recognized when control of goods or services is transferred to customers, i.e. when the Company has already fulfilled its performance obligation, replacing the principle of transfer of risks and benefits, establishing the moment and amount that represent the company's expectation of receiving, in exchange, the rights to those goods or services. This standard became effective on January 1, 2018.

After analyzing the changes introduced by this standard, the Company now recognizes gross revenue based on the amounts of the payment slips due on the 30th of every month, or based on the service provision contracts, thus recognizing a discount for monthly tuitions paid on time, with no significant impact on the Company's net revenue.

Section B – Risks

3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are addressed below.

(a) Provisions for contingencies

The Company recognizes provisions for civil, tax and labor lawsuits. The assessment of the probability of loss includes an appraisal of the available evidence, the hierarchy of laws, the available case law, recent court decisions and their relevance in the judicial system, as well as the opinion of external and internal legal counsel. Provisions for contingencies (labor, civil and tax) are recognized when: (i) there is a present or non-formalized obligation as a result of events that have already occurred; (ii) it is probable that an outflow of resources will be necessary to settle the obligation; and (iii) the amount of this outflow can be reliably estimated based on the judgment of legal counsel. These provisions are reviewed and adjusted for changes in circumstances, such as applicable limitation period, findings of tax inspections or additional exposure identified based on new matters or court decisions (Note 26).

(b) Impairment of goodwill

The Group tests annually, at the end of the year, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 30.10. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations, based on estimates prepared by internal experts and reviewed by Management. They consider discount rate and revenue growth estimates, among others, as shown in Note 11(e).

(c) Allocation of fair value in business combinations

The Company analyzes on the business combination dates the identifiable assets and liabilities arising from business combinations, in accordance with CPC 15 - "Business Combinations", and identifies those that must be recorded. Judgment is used for the purpose of identifying the intangible assets acquired and contingent liabilities assumed. Estimates are used to determine the fair values of the assets and liabilities arising from the combination and goodwill.

(d) Allowance for doubtful accounts

The Company carries out analyses to cover any losses on the collection of monthly fees and checks receivable, taking into account the risks involved, and records them when objective evidence of losses is identified, as per Note 2.2.

(e) Intangible assets with definite and indefinite useful lives

The Company has identified intangible assets arising from business combinations (licenses) that have indefinite useful lives, and portfolios of students and brands that have defined useful lives. Licenses refer to certificates granted by regulatory authorities on a permanent basis, and therefore considered as having indefinite useful lives, in order to authorize institutions to provide education activities. The useful life of the brands and portfolios of students is similar to the students' intake and graduation cycle, i.e. from 4 to 5 years.

Annually, the Group tests the intangible assets that have indefinite useful lives for impairment in accordance with the accounting policy presented in Note 30.10. The recoverable amounts for the CGUs are determined based on the estimated value in use. Management estimates the useful lives of certain intangible assets based on historical experience with respect to the use of these intangible assets.

(f) Leases

The assessment of the classification between operating and financial leases considers estimates of the fair value of the properties leased for the Company's activities, as well as their estimated useful lives given their use. The fair value and useful life estimates are based on reports from third-party experts.

(g) Determination of adjustments to present value of certain assets and liabilities

Management evaluates, and recognizes upon initial recording, the effects of the adjustment to present value of certain financial assets and liabilities that are part of the Company's operations, taking into account the time value of money and the uncertainties associated with them.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow or fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposure.

Risk management is carried out by the Group's central treasury department, which identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as for specific areas.

(a) Market risk

The Group's interest rate risk arises from short- and long-term borrowing and financial investments substantially linked to interbank deposit certificate (CDI) floating rates. The Group analyzes its interest rate exposure on a dynamic basis, simulating various scenarios and taking into consideration the refinancing and renewal of existing positions. Based on this evaluation, the Group monitors the risk of significant changes in interest rates and calculates the impact on income (Note 4.3).

(b) Credit risk

Credit risk is managed at a Group level and arises from cash and cash equivalents, financial instruments and deposits with banks and other financial institutions, as well as from exposure to student credit, including outstanding accounts receivable.

The sales policy of the Company and its subsidiary companies is directly related to the level of credit exposure experienced in the course of their business. Enrollment for the next semester is not permitted if a student is in default with the institution. In order to minimize the effects of defaults on its accounts receivable, the Company has diversified its receivables portfolio, has selection procedures in place for its students and follows up on due dates. In the segment of on-campus higher education, a substantial portion of the Company's credits is guaranteed by the Higher Education Student Financing Program (*Programa de Financiamento ao Estudante de Ensino Superior* or FIES), which has been declining every semester due to the reduction in the number of scholarships offered by the Federal Government and the graduation of students.

The Company sets up provisions for doubtful accounts to cover credit risk, including the possible risk of default on the unguaranteed portion of the debts of the students who benefit from FIES. This credit analysis considers the credit quality of the students based on their payment history, the duration of their relationship with the institution and their default situation (SPC and Serasa).

Management monitors specific credit risks and does not expect any losses due to defaults by counterparties additional to the amounts already provided for in Note 9 (e), which reflect the changes in the allowance for doubtful accounts in the period.

With respect to credit risk related to financial institutions, the Company and its subsidiaries invest cash, cash equivalents and securities with financial institutions and investment funds with credit ratings of at least brBBB, by Standard & Poor's; BBB(br), by Fitch Ratings; and Baa1.br, by Moody's.

(c) Liquidity risk

Liquidity risk is the risk of the Company not having sufficient funds to meet its financial commitments, on account of mismatches in maturities or volumes between expected revenue and payments.

All amounts in thousands of Reais, except when otherwise stated

Assumptions regarding future disbursements and receipts are made in order to manage cash liquidity and are monitored daily by the treasury department.
The following table gives a breakdown of financial liabilities, grouped according to their due dates, for the remaining period from the balance sheet date to their contracted maturities. The amounts correspond to projected undiscounted cash flows at the contracted rates.

				Parent Company
	Up to one year	Between one and two years	Between two and five years	More than five years
As of September 30, 2018				
Borrowing	31,249	29,350	55,013	2,711
Debentures	114,168	73,020	52,872	
Leases	23,751	24,822	53,054	327,414
Commitments payable	862			
	170,030	127,192	160,939	330,125
As of December 31, 2017				
Borrowing	33,750	31,114	69,374	4,325
Debentures		116,317	129,675	
Leases	23,438	24,495	52,353	350,753
Commitments payable	862			
	58,050	171,926	251,402	355,078

				Consolidated
	Up to one year	Between one and two years	Between two and five years	More than five years
As of September 30, 2018				
Borrowing	31,312	29,350	55,013	2,711
Debentures	114,168	73,020	52,872	
Leases	40,757	42,595	91,040	635,008
Commitments payable	83,250	42,008		
	269,487	186,973	198,925	637,719
As of December 31, 2017				
Borrowing	34,404	31,114	69,374	4,325
Debentures		116,317	129,675	
Leases	40,757	42,595	91,040	684,302
Commitments payable	80,720	39,818	42,008	
	155,881	229,844	332,097	688,627

All amounts in thousands of Reais, except when otherwise stated

(d) Regulatory risk

The Company's regulatory aspect analysis in the education sector serves as a decision-making instrument for the supporting entity, designed to improve the institutions performance by identifying opportunities for gains and the impact of losses.

The Company periodically analyzes its regulatory risks aiming to mitigate or minimize their impact, mainly those related to the availability of PROUNI and FIES and the understanding of these programs' rules, as well as the monitoring of maintenances and/or courses. The Company does not expect any significant losses arising from changes in the regulatory environment, except in relation to the new FIES, which went through some adjustments in the first half of 2018, further reducing the number of students due to the delay in the student enrollment process. This process was normalized in the second half of 2018.

4.2 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Consistently with others in the industry, the Group monitors its capital based on the financial leverage ratio. This ratio corresponds to the net debt expressed as a percentage of the sum of net debt and equity. Net debt is calculated as total borrowing (including short- and long-term borrowing, as shown in the consolidated statement of financial position) less cash and cash equivalents and securities.

Given that the Company recorded net cash, the financial leverage ratios did not apply on September 30, 2018 and December 31, 2017, as follows:

		Consolidated
	September 30, 2018	December 31, 2017
Total borrowing from banks (Note 15)	102,276	113,979
Total debentures (Note 16)	213,212	200,881
Total commitments payable (Note 14)	114,787	144,286
Cash and cash equivalents (Note 8)	(358,183)	(279,286)
Securities (Note 8)	(618,139)	(632,427)
Net cash	(546,047)	(452,567)
Total equity	1,545,057	1,508,390
Equity plus net debt (Applicable case) - Total share capital	1,545,057	1,508,390
Financial leverage ratio	Not applicable	Not applicable

4.3 Additional sensitivity analysis required by the Brazilian Securities and Exchange Commission (CVM)

CVM Resolution 550 of October 17, 2008 provides that publicly-held companies must issue explanatory notes with specific qualitative and quantitative information on all their financial instruments, whether or not they are recognized as assets or liabilities in the statement of financial position.

The Group's financial instruments consist of cash and cash equivalents, accounts receivable and payable, judicial deposits and borrowings, and are recorded at cost adjusted by revenue or charges incurred, which was close to their market value at September 30, 2018 and December 31, 2017. The principal risks underlying the Group's operations are linked to changes in the CDI (Certificate of Interbank Deposit) rate.

CVM Instruction 475 of December 17, 2008 provides that specific information on financial instruments must be shown in an explanatory note, and that a table must be included giving details of the sensitivity analysis.

Borrowing operations are shown at values approximating the market values of the corresponding financial instruments. Investments in CDIs are recorded at market value, based on the prices issued by the corresponding financial institutions, and other investments relate mainly to bank deposit certificates, repurchase operations and investment funds, where the book value is the same as the market value.

Three different scenarios were used to verify the Company's sensitivity to the index on the base date of September 30, 2018, using the latest interest rates and indicators of accumulated inflation over the last twelve months (Scenario I), and based on that, we calculated variations of 25% (Scenario II) and 50% (Scenario III), reflecting the increase and decline of the indices. For each scenario, we calculated the net position (financial income less financial expenses), excluding the tax effect. The base date used was September 30, 2018, with a projection period of one year. The sensitivity of the CDI, the long-term interest rate (TJLP) and the General Market-Price (IGP-M) index were tested for each scenario.

All amounts in thousands of Reais, except when otherwise stated

		Index increase scenario		
Transactions	**Risk**	**(I)**	**(II)**	**(III)**
Assets				
Financial investments	CDI	6.39%	7.99%	9.59%
351,145		22,438	28,048	33,657
Securities	CDI	6.39%	7.99%	9.59%
618,139		39,499	49,374	59,249
Liabilities				
Finame	TJLP	6.56%	8.20%	9.84%
(12,421)		(815)	(1,019)	(1,222)
IFC	CDI	6.39%	7.99%	9.59%
(89,777)		(5,737)	(7,171)	(8,605)
Debentures	CDI	6.39%	7.99%	9.59%
(213,212)		(13,624)	(17,030)	(20,436)
Commitments payable	CDI	6.39%	7.99%	9.59%
(41,669)		(2,663)	(3,328)	(3,994)
Commitments payable	IGP-M	10.05%	12.56%	15.08%
(73,118)		(7,348)	(9,185)	(11,023)
Net Position		31,750	39,688	47,626

		Index decrease scenario		
Transactions	**Risk**	**(I)**	**(II)**	**(III)**
Assets				
Financial investments	CDI	6.39%	4.79%	3.20%
351,145		22,438	16,829	11,219
Securities	CDI	6.39%	4.79%	3.20%
618,139		39,499	29,624	19,750
Liabilities				
Finame	TJLP	6.56%	4.92%	3.28%
(12,421)		(815)	(611)	(407)
IFC	CDI	6.39%	4.79%	3.20%
(89,777)		(5,737)	(4,303)	(2,868)
Debentures	CDI	6.39%	4.79%	3.20%
(213,212)		(13,624)	(10,218)	(6,812)
Commitments payable	CDI	6.39%	4.79%	3.20%
(41,669)		(2,663)	(1,997)	(1,331)
Commitments payable	IGP-M	10.05%	7.54%	5.03%
(73,118)		(7,348)	(5,511)	(3,674)
Net Position		31,750	23,813	15,875

Considering the economic projections disclosed by the Federal Government and supported by financial market economists, inflation, measured by the IGP-M, is expected to fall to levels closer to Index Decrease Scenario III and interest rates, measured by the CDI and TJLP, are expected to be closer to Index Increase Scenario II.

All amounts in thousands of Reais, except when otherwise stated

Section C – Segment reporting

5 Evaluation of information by segment

Since its activities are concentrated in on-campus higher education, the Group is organized and managed in a single business unit. The courses offered by the Company, although intended for a diverse customer audience, are not monitored and managed by management as independent segments. The results of the Group are monitored and assessed as an integrated whole.

Section D – Group structure

6 Subsidiaries

The consolidated financial statements for the period ended September 30, 2018 include the operations of the Group and of the following subsidiaries, which are shown below with a summary of the Company's interest in each of them:

	Direct interest (%)		Indirect interest (%)	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Instituto Campinense de Ensino Superior Ltda	99.99	99.99		
UNESPA - União de Ensino Superior do Pará (i)				100.00
ISES - Instituto Santareno de Educação Superior (i)				100.00
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	99.99		
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda. (iii)		99.99		
Centro de Educação Profissional BJ Ltda.	99.99	99.99		
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	99.99	99.99		
Sociedade Educacional Carvalho Gomes Ltda.	99.99	99.99		
CENESUP - Centro Nacional de Ensino Superior Ltda.	99.99	99.99		
Sociedade Paulista de Ensino e Pesquisa S/S Ltda. (ii)			100.00	100.00
Sociedade Universitária Mileto Ltda. (ii)			100.00	100.00
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99.99	99.99		
Educred - Administradora de Crédito Educativo e Cobrança Ltda.	99.99	99.99		
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	99.99		
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda	99.99	99.99		
Faculdade Maurício de Nassau de Belém Ltda	99.99	99.99		
CESP - Centro de Ensino Superior Piauiense	99.99	99.99		
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	99.99	99.99		
Sociedade de Ensino Superior Piauiense Ltda.	99.99	99.99		
Uninassau Participações S.A.	99.99	99.99		
Nassau Escola de Aviação Civil Ltda.	99.99	99.99		
Instituto de Ensino Superior Juvêncio Terra Ltda.	99.99	99.99		
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda	99.99	99.99		
Faculdade Joaquim Nabuco de Olinda Ltda	99.99	99.99		

(i) União de Ensino Superior do Pará (UNESPA) and Instituto Santareno de Educação Superior (ISES) were absorbed by Instituto Campinense de Ensino Superior Ltda. on December 31, 2017.

(ii) Sociedade Paulista de Ensino e Pesquisa S/S Ltda. and Sociedade Universitária Mileto Ltda. are indirect subsidiaries of the Company through Centro Nacional de Ensino Superior Ltda. (CENESUP).

(iii) Sociedade de Desenvolvimento Educacional Avançado Ltda (ADEA) was absorbed by the Parent Company on April 30, 2018.

The period covered by the financial statements of the subsidiaries included in the consolidation is the same as that of the parent company. Uniform accounting policies were applied to all of the companies consolidated, and they are consistent with those used for the previous year.

The consolidation process of the balance sheet and income accounts corresponds to the sum of the balances of assets, liabilities, revenue and expenses, as appropriate, eliminating transactions between the consolidated companies. In the case of income accounts, the amounts are consolidated only from the date on which control was acquired by the Company.

All amounts in thousands of Reais, except when otherwise stated

(a) Investments (Parent Company):

						September 30, 2018		
	Direct interest	Indirect interest	Result for the period	Net Equity	Equity pick-up	Investment amount	Goodwill (Note 11(c))	Total
Direct subsidiaries								
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	99.99	100.00	4,109	20,162	4,109	20,162	4,140	24,302
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99.99	100.00	(462)	(124)	(462)	(124)		(124)
CENESUP - Centro Nacional de Ensino Superior Ltda.	99.99	100.00	6,615	153,581	6,615	153,581		153,581
Educred - Administradora de Crédito Educativo e Cobrança Ltda.	99.99	100.00	1,181	675	1,181	675		675
Sociedade Educacional Carvalho Gomes Ltda.	99.99	100.00	8,131	32,234	8,131	32,234	4,362	36,596
Instituto Campinense de Ensino Superior Ltda	99.99	100.00	79,819	263,958	79,819	263,958		263,958
Centro de Educação Profissional BJ Ltda.	99.99	100.00	805	2,358	805	2,358		2,358
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	99.99	100.00	6,177		6,177		5,125	5,125
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	100.00	2,338	46,051	2,338	46,051	8,405	54,456
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	100.00	527	1,921	527	1,921		1,921
Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda - SESPS	99.99	100.00	6,497	51,065	6,491	51,532	1,043	52,575
Faculdade Maurício de Nassau de Belém Ltda	99.99	100.00	15,247	35,317	15,247	36,578	959	37,537
Centro de Ensino Superior Piauiense - FAP Teresina	99.99	100.00	10,750	20,302	10,674	23,605	8,662	32,267
Centro Integrado de Educação Superior do Piauí Ltda. - FAP Aliança	99.99	100.00	11,718	18,797	11,718	18,797		18,797
Sociedade de Ensino Superior Piauiense Ltda. - Fap Parnaíba	99.99	100.00	14,540	29,531	14,436	33,679	5,360	39,039
Uninassau Participações S.A.	99.99	99.99		31		31		31
Nassau Escola de Aviação Civil Ltda.	99.99	100.00						
Instituto de Ensino Superior Juvêncio Terra Ltda.	99.99	100.00	2,985	11,625	2,970	14,050	573	14,623
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda. - FAL	99.99	100.00	(330)	1,257	(330)	1,257	2,232	3,489
Faculdade Joaquim Nabuco de Olinda Ltda. - FASE	99.99	100.00	(1,242)	5,612	(1,302)	8,412	3,521	11,933
Acquisition of operating licenses								
Faculdade Decisão - FADE					(15)	2,225	1,028	3,253
Faculdades COC de Maceió - FACOCMA						3,000		3,000
Total direct subsidiaries			169,405	694,353	169,129	713,982	45,410	759,392
Indirect subsidiaries								
Sociedade Paulista de Ensino e Pesquisa S/S Ltda. - UNG		100.00	2,760		2,760	113,600	43,590	157,190
Sociedade Universitária Mileto Ltda. - FAMIL		100.00	1,005		1,005	4,500	1,346	5,846
Total indirect subsidiaries					3,765	118,100	44,936	163,036
Total goodwill							90,346	

All amounts in thousands of Reais, except when otherwise stated

						December 31, 2017		
	Direct interest	Indirect interest	Result for the period	Net Equity	Equity pick-up	Investment amount	Goodwill (Note 11(c))	Total
Direct subsidiaries								
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	99.99	100.00	5,601	16,362	5,601	16,362	4,140	20,502
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99.99	100.00	281	338	281	338		338
CENESUP - Centro Nacional de Ensino Superior Ltda.	99.99	100.00	(11,897)	113,237	(11,897)	113,237		113,237
Educred - Administradora de Crédito Educativo e Cobrança Ltda.	99.99	100.00	1,266	310	1,266	310		310
Sociedade Educacional Carvalho Gomes Ltda.	99.99	100.00	12,473	25,552	12,473	25,552	4,362	29,914
Instituto Campinense de Ensino Superior Ltda	99.99	100.00	99,034	229,327	99,034	229,327		229,327
Centro de Educação Profissional BJ Ltda.	99.99	100.00	2,735	2,189	2,735	2,189		2,189
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	99.99	100.00	9,401	33,108	9,401	33,108	5,125	38,233
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	100.00	4,225	43,310	4,225	43,310	8,405	51,715
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	100.00	(2,372)	1,085	(2,372)	1,085		1,085
Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda - SESPS	99.99	100.00	7,507	45,176	7,457	45,649	1,043	46,692
Faculdade Maurício de Nassau de Belém Ltda	99.99	100.00	23,756	22,792	23,756	24,053	959	25,012
Centro de Ensino Superior Piauiense - FAP Teresina	99.99	100.00	11,288	13,767	11,186	17,146	8,662	25,808
Centro Integrado de Educação Superior do Piauí Ltda. - FAP Aliança	99.99	100.00	14,370	10,059	14,370	10,059		10,059
Sociedade de Ensino Superior Piauiense Ltda. - Fap Parnaíba	99.99	100.00	18,063	20,388	17,925	24,640	5,360	30,000
Uninassau Participações S.A.	99.99	99.99						
Nassau Escola de Aviação Civil Ltda.	99.99	100.00					120	120
Instituto de Ensino Superior Juvêncio Terra Ltda.	99.99	100.00	4,316	8,725	4,296	11,225	573	11,798
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda. - FAL	99.99	100.00	(398)	1,408	(398)	1,348	2,232	3,580
Faculdade Joaquim Nabuco de Olinda Ltda. - FASE	99.99	100.00	(1,447)	2,931	(1,527)	5,791	3,521	9,312
Acquisition of operating licenses								
Faculdade Decisão - FADE					(20)	2,240	1,028	3,268
Faculdades COC de Maceió - FACOCMA					1,200	3,000		3,000
Total direct subsidiaries			198,202	590,064	198,992	609,969	45,530	655,499
Indirect subsidiaries								
União de Ensino Superior do Pará - UNAMA		100.00	61,233	66,834	61,233	125,234	87,136	212,370
Instituto Santareno de Educação Superior - FIT		100.00	12,345	10,623	12,345	18,923	5,320	24,243
Sociedade Paulista de Ensino e Pesquisa S/S Ltda. - UNG		100.00	(13,155)	15,425	(13,155)	129,025	43,591	172,616
Sociedade Universitária Mileto Ltda. - FAMIL		100.00	(358)	459	(358)	4,959	1,346	6,305
Acquisition of indirect operating licenses								
Sociedade Metodista Bennet						10,000		
Total indirect subsidiaries			60,065	93,341	60,065	288,141	137,393	415,534
Total goodwill							182,923	

All amounts in thousands of Reais, except when otherwise stated

(b) Changes in investments in subsidiaries (Parent Company):

	Parent Company	
	September 30, 2018	December 31, 2017
At the beginning of the period/year	655,499	594,547
Capital increase	43,397	35,717
Equity in the results of subsidiaries	169,129	198,992
Profit received from subsidiaries	(52,747)	(173,757)
Adoption of new practices - IFRS 9	(20,578)	
Write-off of goodwill	(120)	
Write-off due to absorption	(35,188)	
At the end of the period/year	759,392	655,499

The amounts of the capital increase and dividend distribution are shown as follows:

Subsidiary	Capital increase	Dividend distribution
Instituto Campinense de Ensino Superior Ltda		(38,414)
Faculdade Joaquim Nabuco de Olinda Ltda	3,962	
CENESUP - Centro Nacional de Ensino Superior Ltda.	37,400	
ABES - Sociedade Baiana de Ensino Superior Ltda.	1,340	
Sociedade Educacional Carvalho Gomes Ltda.		(733)
Faculdade Maurício de Nassau de Belém Ltda		(1,191)
CESP - Centro de Ensino Superior Piauiense		(3,592)
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.		(2,458)
Uninabuco São Lourenço da Mata	223	
Sociedade de Ensino Superior Piauiense Ltda.		(4,921)
Centro de Educação Continuada Maurício de Nassau Ltda.	443	
EDUCRED - Adm de Crédito Educ. e Cobrança		(817)
Uninassau Participações	29	
Centro de Educação Profissional BJ Ltda.		(621)
Total 2018	43,397	(52,747)
Total 2017	35,717	(173,757)

All amounts in thousands of Reais, except when otherwise stated

Section E – Selected significant notes

7 Financial instruments by category

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Loans and receivables				
Cash and cash equivalents	2,208	1,107	7,038	7,494
Accounts receivable	82,322	108,479	231,671	312,356
	84,530	109,586	238,709	319,850
Measured at fair value				
Cash and cash equivalents	306,436	268,632	351,145	271,792
Securities	599,176	617,772	618,139	632,427
Accounts receivable - Educred	10,189	6,137	29,684	16,711
	915,801	892,541	998,968	920,930
	1,000,331	1,002,127	1,237,677	1,240,780

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Financial liabilities carried at amortized cost				
Borrowing	102,224	113,348	102,276	113,979
Debentures	213,212	200,881	213,212	200,881
Leases	139,034	140,372	239,824	244,240
Related parties	135,298	51,561		
Suppliers	11,789	12,363	30,830	31,422
Commitments payable	862	862	114,787	144,286
	602,419	519,387	700,929	734,808

The fair values of the financial instruments approximate their carrying amounts, since the impact of the discount to present value, using market interest rates as of September 30, 2018, is not significant. The fair values are based on the discounted cash flow, using the Company's cash cost, which approximates the rate used in the respective agreements.

All amounts in thousands of Reais, except when otherwise stated

8 Cash and cash equivalents and securities

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Cash on hand	94	63	235	180
Banks - current account	2,114	1,044	6,803	7,314
Financial investments	306,436	268,632	351,145	271,792
Cash and cash equivalents	308,644	269,739	358,183	279,286
Financial investments	599,176	617,772	618,139	632,427
Securities	599,176	617,772	618,139	632,427
Total	907,820	887,511	976,322	911,713

Cash and cash equivalents consist of the Company's cash on hand, deposits in banks and short-term financial investments with daily liquidity, maintained to meet short-term commitments and not for investment or other purposes, and that are readily convertible into a known amount of cash and subject to an immaterial risk of changes in value.

The funds will be used to finance the expansion of its business, through: (i) acquisitions; and (ii) investments in organic growth, including the expansion and infrastructure of distance-learning centers and investments to set up new on-campus units.

Financial investments comprise conservative fixed income investment funds, with securities indexed to the DI rate and portfolios that invested mostly in government bonds and securities from financial institutions, in addition to repo agreements backed by debentures, belonging to the portfolio of financial institutions, without risk for the group, and Bank Deposit Certificates (CDB), which are securities issued by financial institutions, as follows:

		Parent Company		Consolidated	
Type	Average return	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Repurchase agreement (i)	99.2% of CDI	893	10,681	893	13,707
CDB	99.9% of CDI	305,543	257,951	350,252	258,085
	Financial investments	306,436	268,632	351,145	271,792
Repurchase agreement	99.2% of CDI	236,637	232,850	239,137	247,505
Investment funds	101.7% of CDI	362,539	384,922	379,002	384,922
	Securities	599,176	617,772	618,139	632,427

All amounts in thousands of Reais, except when otherwise stated

9. Accounts receivable

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Monthly tuition fees (a)	39,280	29,201	108,744	92,106
FIES receivable (b)	44,630	76,397	121,970	206,600
Agreements receivable (c)	22,353	20,135	71,196	70,315
Educational loans receivable (d)	14,687	9,329	44,010	27,890
Other	12,057	5,553	23,329	8,904
Total	133,007	140,615	369,249	405,815
(-) Allowance for doubtful accounts (PDD) (e)	(36,133)	(22,953)	(93,703)	(65,715)
(-) Adjustment to present value - Educred	(4,363)	(3,046)	(14,191)	(11,033)
	92,511	114,616	261,355	329,067
(-) Current	(85,110)	(111,151)	(237,588)	(317,358)
Non-current	7,401	3,465	23,767	11,709

Non-current receivables relate to educational credits receivable with terms over 365 days, as per Note 9 (d).

(a) Student tuition

At September 30, 2018 and December 31, 2017, the maturity analysis of student tuition was as follows:

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Overdue up to 30 days	9,368	6,069	25,446	17,708
Overdue 31 - 60 days	4,370	4,097	11,741	13,493
Overdue 61 - 90 days	2,194	3,667	4,018	12,419
Overdue 91 - 180 days	12,311	6,332	34,197	20,041
Overdue more than 180 days	11,037	9,036	33,342	28,445
	39,280	29,201	108,744	92,106

Part of the monthly inflow from accounts receivable for student tuitions is pledged as collateral for the Company’s borrowings with the International Finance Corporation (IFC) (Note 15(c)) in amounts equivalent to 25% of the outstanding debt.

All amounts in thousands of Reais, except when otherwise stated

(b) Higher Education Student Financing Fund (FIES) receivable

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Credits paid in installments (i)		52,714		133,554
Amounts not paid in installments (ii)	44,630	23,683	121,970	73,046
FIES credits receivable	44,630	76,397	121,970	206,600

Educational credits receivable (the FIES system) represent educational credits, the financing of which is contracted by the students with Caixa Econômica Federal (CEF) and the National Fund for Education Development (FNDE). The financial resources are transferred monthly from CEF and Banco do Brasil to a specific bank account, and are used for the payment of withheld social security contributions on the salaries of Company employees, and are also converted into cash by means of auctions of National Treasury Bonds.

(i) On February 3, 2016, the Company signed the court settlement agreement entered into between the higher education institution (IES) members of the Brazilian Association for the Development of Higher Education (ABRAES) and the federal government to receive the FIES credits not settled by the FNDE during 2015. The amounts would be received in three annual installments maturing up to June of each year, restated based on the variation in the IPCA consumer price index from the date of maturity in 2015 up to actual receipt. The three installments were received in August 2016, 2017 and 2018, thus settling the agreement.

The balances of credits paid in installments by the parent company and the consolidated at December 31, 2017 are presented net of adjustment to present value of R$656 and R$1,661, respectively.

(ii) Refer to the installments of students with FIES pending transfer by the Federal Government, basically comprising the monthly tuitions from July to September 2018. The Company began receiving these payments in October 2018, in the amount of R$44,345.

On July 6, 2017, the federal government issued an executive decree (MP 785/2017) that addresses the amendments to Law 10,260 of July 12, 2001, related to the Higher Education Student Financing Program (FIES). Executive Decree 785/2017 was approved by the House of Representatives and the Senate and later converted into Law 13,530, of December 7, 2017, sanctioned by the President. Among the main changes that came into effect in 2018, the following are highlighted:

- Creation of new interest and income ranges for new student contracts;
- Exclusion of the grace period to begin paying the financing installments and change in the financing payment term;
- Creation of regional development funds and use of regional constitutional funds to finance the program;
- Recognition of (i) the Public FIES, with resources from FNDE and managed by Caixa Econômica Federal and Banco do Brasil; (ii) the Regional Private FIES, with resources from

All amounts in thousands of Reais, except when otherwise stated

regional constitutional funds; and (iii) the National Private FIES, with resources from BNDES. Both the Regional Private FIES and the National Private FIES are managed by financial institutions; and

- Increase in the percentage of contribution to the guarantee fund and the liability limit of each educational institution, based on individual default generated by the portfolio of students, for the Public FIES.

This Fund went through several operating adjustments this year, which resulted in the enrollment of 3,362 students between January and September. Under the former FIES rule, this Fund accounted for the enrollment of 13,052 students in the same period in 2017.

(c) Receivable agreements

The Company's Management imposes strict criteria preventing debt rollover from one semester to the next. Student agreement receivables refer to renegotiations with students who are in debt to the Company, which offers different means of payment to students, observes the respective credit limits for each student, and, if necessary, requests the assignment of a guarantor for the credit granted. At September 30, 2018 and December 31, 2017, the analysis of the balance due from agreements was as follows:

	Parent Company		Consolidated	
	September 30, 2018	**December 31, 2017**	**September 30, 2018**	**December 31, 2017**
Current	9,429	3,563	31,183	14,744
Overdue up to 30 days	2,843	1,799	8,938	6,756
Overdue 31 - 60 days	1,604	1,834	4,783	6,720
Overdue 61 - 90 days	917	1,734	2,793	6,368
Overdue 91 - 180 days	3,230	4,144	10,022	14,502
Overdue more than 180 days	4,330	7,061	13,477	21,225
	22,353	20,135	71,196	70,315

(d) Receivable educational credits

Other educational credits receivable include those from Educred and Fundação de Crédito Educativo (Fundacred), referring to financing contracted by students and approved by the Company, recorded at present value. These financial resources are transferred to the Company and its subsidiaries after the graduation of the respective students.

All amounts in thousands of Reais, except when otherwise stated

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Educred	14,552	9,183	43,875	27,744
Fundacred	135	146	135	146
	14,687	9,329	44,010	27,890
(-) Adjustment to present value - Educr	(4,363)	(3,046)	(14,191)	(11,033)
	10,324	6,283	29,819	16,857
(-) Current	(7,286)	(5,864)	(20,243)	(16,181)
Non-current	7,401	3,465	23,767	11,709

At September 30, 2018 and December 31, 2017, the maturity of educational credits receivable was as follows:

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Current	9,144	5,141	27,136	14,613
Overdue up to 30 days	187	144	467	311
Overdue 31 - 60 days	160	102	392	232
Overdue 61 - 90 days	137	96	356	215
Overdue 91 - 180 days	235	269	489	515
Overdue more than 180 days	461	531	979	971
	10,324	6,283	29,819	16,857

The current amounts include the adjustment to present value of the balance in the amount of R$14,191 in the consolidated, R$1,937 of which refers to students enrolled between July and September 2018, totaling R$4,665 between January and September 2018, recognized as gross revenue in profit or loss for the year.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts reflects the expected loss on accounts receivable based on default for the last twelve months per student, per payment slip and per maturity interval, except for educational credits from programs with the federal government (FIES).

As described in Note 2.2, as of January 1, 2018, the allowance for doubtful accounts of agreements, monthly tuitions and own and third-party educational credits has been calculated in accordance with IFRS 9 – CPC 48. On December 31, 2017, the allowance for doubtful accounts corresponded to 100% of monthly tuitions more than 180 days overdue.

The allowance for doubtful accounts for students who have FIES educational credits, within the scope of the previous program, was calculated as follows:

All amounts in thousands of Reais, except when otherwise stated

(i) For FIES students with guarantors, and the Guarantee Fund for Educational Credit Operations (FGEDUC): provision was set up for 4.05% of the accounts receivable, on an assumption of 15% credit risk on 27% default, that is, 0.405%; and
(ii) For financing guaranteed by FGEDUC: for the non-covered risk, provision was set up for the 10% of the supporting entities' responsibility for the 15% credit risk from an estimate of 27% default, that is 0.405%.

The change in the allowance for doubtful accounts related to accounts receivable from the Company's students was as follows:

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
At the beginning of the period/year	22,953	14,839	65,715	44,613
Adoption of IFRS 9 (Note 2.2)	5,179		25,757	
Write-off of uncollectible receivables	(11,134)	(11,510)	(53,659)	(43,093)
Allowance for doubtful accounts	19,135	19,624	55,890	64,195
At the end of the year	36,133	22,953	93,703	65,715

The Company writes off receivables past due for more than 360 days, considered non-collectible, on a quarterly basis.

All amounts in thousands of Reais, except when otherwise stated

10 Taxes recoverable and payable

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Taxes recoverable (Current)				
Income tax and social contribution to offset	3,076	2,603	4,372	5,760
Service tax (ISS)	1,435	1,376	4,358	4,265
PIS and COFINS to offset	1,011	965	1,497	1,519
Other			1	
	5,522	4,944	10,228	11,544
Taxes payable				
Income tax and social contribution			1,540	1,564
Withholding income tax	1,280	1,659	4,690	6,818
Service tax (ISS)	2,510	1,810	7,476	6,586
Taxes payable in installments	950	1,197	1,980	2,100
PIS and COFINS	273	267	480	440
Municipal Real Estate Tax (IPTU)	55		89	
Other	73	63	102	489
	5,141	4,996	16,357	17,997
(-) Current	(4,578)	(4,203)	(15,016)	(16,220)
Non-current	563	793	1,341	1,777

All amounts in thousands of Reais, except when otherwise stated

11 Intangible assets

(a) Parent Company

	Trademarks and patents	Software Licenses and Installation	Operating Licenses	Agreements	Student portfolio	Digital Content	Premium	Total
At December 31, 2017								
Opening balance	567	15,274	3,381	3,912		4,730	1,817	29,681
Acquisitions		4,982	3,351	425		714	1,620	11,092
Cost write-offs		(190)	(248)		(828)	(11)	(80)	(1,357)
Amortization write-offs					828			828
Amortization		(5,224)	(1,908)	(110)		(1,282)	(633)	(9,157)
Accounting balance	567	14,842	4,576	4,227		4,151	2,724	31,087
At December 31, 2017								
Cost	567	31,298	10,939	5,233		6,710	3,669	58,416
Accumulated amortization		(16,456)	(6,363)	(1,006)		(2,559)	(945)	(27,329)
Accounting balance	567	14,842	4,576	4,227		4,151	2,724	31,087
At September 30, 2018								
Opening balance	567	14,842	4,576	4,227		4,151	2,724	31,087
Acquisitions		2,272	863	602		541	1,613	5,891
Absorption of ADEA - Cost 2017		59	842					901
Absorption of ADEA - Amortization 2017		(38)	(672)					(710)
Amortization Adea 2018		(3)	(42)					(45)
Amortization		(4,229)	(1,817)	(181)		(1,013)	(783)	(8,023)
Accounting balance	567	12,903	3,750	4,648		3,679	3,554	29,101
At September 30, 2018								
Cost	567	33,629	12,644	5,835		7,251	5,282	65,208
Accumulated amortization		(20,726)	(8,894)	(1,187)		(3,572)	(1,728)	(36,107)
Accounting balance	567	12,903	3,750	4,648		3,679	3,554	29,101

All amounts in thousands of Reais, except when otherwise stated

(b) Consolidated

	Trademarks and patents	Software Licenses and Installation	Operating Licenses	Agreements	Student portfolio	Digital Content	Premium	Goodwill	Intangible assets Identified on acquisitions	Total
At December 31, 2017										
Opening balance	610	16,975	16,057	4,037	197	4,729	1,831	187,921	202,488	434,845
Acquisitions		4,982	4,400	614		715	1,620			12,331
Transfers (i)			(10,000)						10,000	
Reclassification									1,350	1,350
Cost write-offs		(190)	(522)	(45)	(828)	(11)	(80)	(4,998)		(6,674)
Amortization write-offs					828					828
Amortization		(5,739)	(3,471)	(123)		(1,282)	(637)		(2,917)	(14,169)
Accounting balance	610	16,028	6,464	4,483	197	4,151	2,734	182,923	210,921	428,511
At December 31, 2017										
Cost	610	39,281	19,246	5,513	197	6,710	3,687	182,923	219,228	477,395
Accumulated amortization		(23,253)	(12,782)	(1,030)		(2,559)	(953)		(8,307)	(48,884)
Accounting balance	610	16,028	6,464	4,483	197	4,151	2,734	182,923	210,921	428,511
At September 30, 2018										
Opening balance	610	16,028	6,464	4,483	197	4,151	2,734	182,923	210,921	428,511
Acquisitions		2,274	2,324	1,220		541	1,613			7,972
Cost write-offs								(120)		(120)
Amortization		(4,601)	(2,841)	(616)		(1,013)	(786)		(2,019)	(11,876)
At September 30, 2018	610	13,701	5,947	5,087	197	3,679	3,561	182,803	208,902	424,487
At September 30, 2018										
Cost	610	41,555	21,570	6,733	197	7,251	5,300	182,803	219,228	485,247
Accumulated amortization		(27,854)	(15,623)	(1,646)		(3,572)	(1,739)		(10,326)	(60,760)
Accounting balance	610	13,701	5,947	5,087	197	3,679	3,561	182,803	208,902	424,487

(i) The Company revised the classification of the operating license for Sociedade Metodista Bennett, which has been recorded as Intangible assets identified on acquisitions since March 31, 2017.

All amounts in thousands of Reais, except when otherwise stated

(c) Goodwill

At September 30, 2018 and December 31, 2017, goodwill recorded from business combinations was as follows:

	September 30, 2018	**December 31, 2017**
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	4,140	4,140
ABES - Sociedade Baiana de Ensino Superior Ltda.	8,405	8,405
Sociedade Educacional Carvalho Gomes Ltda.	4,362	4,362
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda. (i)	5,125	5,125
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda	1,043	1,043
Faculdade Maurício de Nassau de Belém Ltda	959	959
CESP - Centro de Ensino Superior Piauiense	8,662	8,662
Sociedade de Ensino Superior Piauiense	5,360	5,360
Nassau Escola de Aviação Civil Ltda.		120
FADE - Faculdade Decisão	1,028	1,028
Instituto de Ensino Superior Juvêncio Terra Ltda.	573	573
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda	2,232	2,232
Sociedade Paulista de Ensino e Pesquisa S/S Ltda.	43,590	43,590
Faculdade Joaquim Nabuco de Olinda Ltda	3,521	3,521
Sociedade Universitária Mileto Ltda	1,346	1,346
	90,346	90,466
Absorbed companies		
UNESPA - União de Ensino Superior do Pará (ii)	87,137	87,137
ISES - Instituto Santareno de Educação Superior (ii)	5,320	5,320
	182,803	182,923

The goodwill recorded on the acquisition of investments has an indefinite useful life, therefore it is tested for impairment on an annual basis. See item (e) to this Note.

(i) Sociedade de Desenvolvimento Educacional Avançado (ADEA) was absorbed by the Parent Company on April 30, 2018;

(ii) Refers to the goodwill of União de Ensino Superior do Pará (UNESPA) and Instituto Santareno de Educação Superior (ISES), which were absorbed by ICES on December 31, 2017.

All amounts in thousands of Reais, except when otherwise stated

(d) Intangible assets identified on acquisitions

At September 30, 2018 and December 31, 2017, intangible assets identified on investment acquisitions were as follows:

	September 30, 2018				December 31, 2017			
	Course Licenses (i)	Brands (ii)	Customer Portfolio (ii)	Total	Course Licenses (i)	Brands (ii)	Customer Portfolio (ii)	Total
Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda - SESPS	467		200	667	467		200	667
Faculdade Maurício de Nassau de Belém Ltda	1,261			1,261	1,261			1,261
Centro de Ensino Superior Piauiense - CESP	4,404	508		4,912	4,404	508		4,912
Sociedade de Ensino Superior Piauiense Ltda.	5,996	692		6,688	5,996	692		6,688
Faculdade Decisão - FADE	2,200	100		2,300	2,200	100		2,300
Instituto de Ensino Superior Juvêncio Terra Ltda.	2,400	100		2,500	2,400	100		2,500
Faculdades COC de Maceió - FACOCMA	3,000			3,000	3,000			3,000
Faculdade Joaquim Nabuco de Olinda Ltda	2,700	400		3,100	2,700	400		3,100
Sociedade Universitária Mileto Ltda	4,500			4,500	4,500			4,500
Sociedade Paulista de Ensino e Pesquisa S/S Ltda.	90,600	17,400	5,600	113,600	90,600	17,400	5,600	113,600
Sociedade Metodista Bennett	10,000			10,000	10,000			10,000
Total	127,528	19,200	5,800	152,528	127,528	19,200	5,800	152,528
Accumulated amortization		(3,429)	(4,260)	(7,689)		(2,723)	(3,474)	(6,197)
	127,528	15,771	1,540	144,839	127,528	16,477	2,326	146,331
Absorbed companies								
União de Ensino Superior do Pará – UNESPA (iii)	45,500	12,100	800	58,400	45,500	12,100	800	58,400
Instituto Santareno de Educação Superior – ISES (iii)	7,600	700		8,300	7,600	700		8,300
Total	53,100	12,800	800	66,700	53,100	12,800	800	66,700
Accumulated amortization		(2,037)	(600)	(2,637)		(1,630)	(480)	(2,110)
	53,100	10,763	200	64,063	53,100	11,170	320	64,590
	180,628	26,534	1,740	208,902	180,628	27,647	2,646	210,921

All amounts in thousands of Reais, except when otherwise stated

(i) The course licenses acquired through business combinations are recognized initially at fair value. These intangible assets identified on acquisitions have indefinite useful lives and are subject to annual impairment tests.

(ii) Brands and portfolios of students acquired through business combinations are recognized initially at fair value. These intangible assets identified on acquisitions have defined useful lives and are subject to amortization, with the annual rate averaging 4% for brands and 20% for portfolios of students.

(iii) UNESPA and ISES were acquired by ICES in October 2014 and absorbed on December 31, 2017.

(e) Impairment of goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are allocated to CGUs identified in accordance with the respective units that benefit from the transaction and that do not generate economic benefits for the Group.

The recoverable amount of a CGU is determined based on the calculation of its value in use. Those calculations use estimates of cash flow, before income tax (IRPJ) and social contribution (CSLL), based on financial assumptions approved by Management. The amounts concerning the cash flow subsequent to the five-year period are extrapolated based on estimated growth rates. The growth rate does not exceed the average long-term growth rate for the sector in which a CGU operates.

We present below the assumptions used in the projections:

	2017
Gross margin (a)	55.5%
Growth rate (b)	6.6%
Discount rate (c)	12.8%

(a) Budgeted gross margin related to net revenue less personnel costs, rental costs, concessionaire costs and service costs, among other factors. Management determined this margin based on past performance and on its market development expectations;

(b) Stable nominal growth rate, used to project revenues and other costs, whose weighted average rates used are consistent with the macroeconomic projections disclosed by the Brazilian Central Bank (Time Series Management System); and

(c) Pre-tax discount rate applied to the cash flow projections based on the nominal weighted average cost of capital, including the effects of inflation. The discount rate used corresponds to the rate before taxes and reflects the risks specific to the business.

The asset impairment test performed on December 31, 2017 did not indicate any need to recognize losses.

For impairment testing sensitivity scenarios, the working capital, growth rate, discount rate and margin assumptions were altered and, even so, the Group did not record any impairment loss.

The Company's Management monitors the performance of each CGU on a quarterly basis to assess the need to bring forward impairment testing, in order to recognize possible losses. In this context, the Company did not identify any element indicating the need to recognize a provision for impairment on September 30, 2018.

All amounts in thousands of Reais, except when otherwise stated

12 Property and equipment

(a) Balance breakdown - Parent Company

	Computers	Buildings and improvements	Leased Properties	Equipment and facilities	Vehicles and Aircraft	Furniture and fittings	Books	Land	Total in operation	Construction in progress	Total Property and Equipment
At December 31, 2017											
Opening balance	10,408	138,885	112,268	20,425	22,485	9,499	15,405	24,565	353,940	16,598	370,538
Acquisitions	3,387	11,350		8,907	424	2,542	3,070		29,680	29,603	59,283
Transfers	231	17,761		(237)		117		692	18,564	(18,564)	
Cost write-offs					(62)				(62)	(2,968)	(3,030)
Depreciation write-offs					33				33		33
Depreciation	(3,863)	(8,172)	(7,360)	(3,172)	(1,788)	(1,671)	(2,385)		(28,411)		(28,411)
Accounting balance	10,163	159,824	104,908	25,923	21,092	10,487	16,090	25,257	373,744	24,669	398,413
At December 31, 2017											
Cost	24,911	193,254	149,668	39,863	26,680	17,939	30,548	25,257	508,120	24,669	532,789
Accumulated depreciation	(14,748)	(33,430)	(44,760)	(13,940)	(5,588)	(7,452)	(14,458)		(134,376)		(134,376)
Accounting balance	10,163	159,824	104,908	25,923	21,092	10,487	16,090	25,257	373,744	24,669	398,413
At September 30, 2018											
Opening balance	10,163	159,824	104,908	25,923	21,092	10,487	16,090	25,257	373,744	24,669	398,413
Acquisitions	3,925	7,322		8,095	776	2,099	2,040		24,257		24,257
Absorption of ADEA - Cost 2018		173		262			106		541		541
Absorption of ADEA - Cost 2017	1,466	12,158	1,970	4,835		1,956	2,771		25,156	94	25,250
Cost write-offs	(133)								(133)	12,440	12,307
Depreciation write-offs	87								87		87
Absorption of ADEA - Depreciation 2017	(1,135)	(3,094)	(574)	(2,040)		(967)	(1,230)		(9,040)		(9,040)
Absorption of ADEA - Depreciation 2018	(68)	(213)	(17)	(143)		(42)	(84)		(567)		(567)
Depreciation	(3,320)	(7,717)	(5,565)	(3,189)	(1,480)	(1,435)	(2,022)		(24,728)		(24,728)
Accounting balance	10,985	168,453	100,722	33,743	20,388	12,098	17,671	25,257	389,317	37,203	426,520
At September 30, 2018											
Cost	30,169	212,907	151,638	53,055	27,456	21,994	35,465	25,257	557,941	37,203	595,144
Accumulated depreciation	(19,184)	(44,454)	(50,916)	(19,312)	(7,068)	(9,896)	(17,794)		(168,624)		(168,624)
Accounting balance	10,985	168,453	100,722	33,743	20,388	12,098	17,671	25,257	389,317	37,203	426,520
Average annual rates (%)	20	4	4	10	8	10	20				

All amounts in thousands of Reais, except when otherwise stated

(b) Balance breakdown - Consolidated

	Computers	Buildings and improvements	Leased Properties	Equipment and facilities	Vehicles and Aircraft	Furniture and fittings	Books	Land	Total in operation	Construction in progress	Total Property and Equipment
At December 31, 2017											
Opening balance	16,673	223,365	207,108	56,465	22,715	20,272	30,606	24,605	601,809	22,708	624,517
Acquisitions	5,466	21,390		24,946	495	5,610	9,374		67,281	30,554	97,835
Transfers	246	22,653		(298)		204		692	23,497	(23,497)	
Cost write-offs	(472)			(26)	(86)			(40)	(624)	(3,148)	(3,772)
Depreciation write-offs	453			17	56				526		526
Depreciation	(6,353)	(12,575)	(12,799)	(9,561)	(1,863)	(3,461)	(5,659)		(52,271)		(52,271)
Accounting balance	16,013	254,833	194,309	71,543	21,317	22,625	34,321	25,257	640,218	26,617	666,835
At December 31, 2017											
Cost	51,382	306,780	258,340	122,252	27,780	43,059	75,039	25,257	909,889	26,617	936,506
Accumulated depreciation	(35,369)	(51,947)	(64,031)	(50,709)	(6,463)	(20,434)	(40,718)		(269,671)		(269,671)
Accounting balance	16,013	254,833	194,309	71,543	21,317	22,625	34,321	25,257	640,218	26,617	666,835
At September 30, 2018											
Opening balance	16,013	254,833	194,309	71,543	21,317	22,625	34,321	25,257	640,218	26,617	666,835
Acquisitions	4,818	18,832		18,235	787	3,373	5,483		51,528	12,566	64,094
Cost write-offs	(133)								(133)		(133)
Depreciation write-offs	87								87		87
Depreciation	(5,132)	(11,447)	(9,583)	(8,051)	(1,537)	(2,736)	(3,937)		(42,423)		(42,423)
Accounting balance	15,653	262,218	184,726	81,727	20,567	23,262	35,867	25,257	649,277	39,183	688,460
At September 30, 2018											
Cost	56,067	325,612	258,340	140,487	28,567	46,432	80,522	25,257	961,284	39,183	1,000,467
Accumulated depreciation	(40,414)	(63,394)	(73,614)	(58,760)	(8,000)	(23,170)	(44,655)		(312,007)		(312,007)
Accounting balance	15,653	262,218	184,726	81,727	20,567	23,262	35,867	25,257	649,277	39,183	688,460
Average annual rates (%)	20	4	4	10	8	10	20				

Investments in works in progress refer to the construction of the buildings in the Fortaleza and Caruaru campuses.

All amounts in thousands of Reais, except when otherwise stated

(c) Other information

(c.i) Leased properties

The Company and the Group have lease agreements classified as finance leases under property and equipment, with corresponding entries in liabilities, as follows:

				September 30, 2018	December 31, 2017
Type	Amortization term	Cost	Accumulated depreciation	Balance	Balance
Buildings - Parent company	20 years	151,638	(50,916)	100,722	104,908
Buildings - Consolidated	20 years	258,340	(73,614)	184,726	194,309

(c.ii) Guarantees

The Company has borrowing agreements (leases and FINAME financing) of vehicles, aircraft, machinery and equipment and IT equipment, which allow for the fiduciary sale of the assets acquired. At September 30, 2018, the Company recorded R$18,874 in the parent company and R$19,542 on a consolidated basis in guarantees related to these agreements (R$22,887 and R$28,116 at December 31, 2017, respectively). In addition, buildings, machinery and IT equipment pledged as collateral in legal proceedings totaled R$13,465.

(d) Capitalized borrowing costs

The Group has new projects under construction involving new units and renovations. Two sets of borrowing were obtained in 2015 to finance these enterprises, and the capitalized borrowing costs in the period ended September 30, 2018 amounted to R$1,591, excluding interest expenses (R$1,959 at September 30, 2017). The rate used to determine the capitalized borrowing costs is the effective rate of the borrowing concerned.

13 Suppliers

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Domestic suppliers	11,493	12,282	30,124	31,156
Domestic service providers	296	81	706	266
	11,789	12,363	30,830	31,422

All amounts in thousands of Reais, except when otherwise stated

14 Commitments payable

Commitments payable arise from the following acquisitions:

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
FAL	115	115	115	115
FASE	747	747	747	747
UNAMA and FIT (*)			41,670	41,670
UNG			71,355	100,854
FAMIL			900	900
	862	862	114,787	144,286

(*) The balance includes amounts related to differences in the recognition of net debt reimbursements and pre-established contingencies, which are being discussed by the competent authority and may not be fully paid by the Company.

The installments mature as follows:

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Up to one year	862	862	81,379	80,720
Between one and two years			33,408	30,932
Between two and three years				32,634
	862	862	114,787	144,286

15 Borrowings

(a) Breakdown

		Parent Company		Consolidated	
Type	Financial charges	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
IFC (i)	CDI + 2.05% p.a.	89,777	99,054	89,777	99,054
Finame	TJLP + 2.50% to 3.50% p.a.	12,421	13,937	12,421	13,975
Leasing	CDI + 0.45% to 1.73% p.m.	26	357	78	950
		102,224	113,348	102,276	113,979
(-) Current		(27,067)	(25,938)	(27,119)	(26,569)
Non-current		75,157	87,410	75,157	87,410

All amounts in thousands of Reais, except when otherwise stated

(i) On June 30, 2015, the Company signed a financing agreement with the IFC to cover the building costs of the Aracaju (Sergipe) and Fortaleza (Ceará) campuses, the modernization and remodeling of existing campuses and new acquisitions. The amount financed was R$120,000, which was released on August 3, 2015, with funding costs totaling R$1,335 and a seven-year payment term, including a two-year grace period for the principal, with interest payment in April and October each year.

Although the funds were obtained abroad in US Dollars, the IFC established the transaction in Brazilian Reais with no foreign exchange risk to the Company. There are no borrowing amounts in foreign currency.

(b) Changes

Changes in debt are as follows:

	Parent Company	Consolidated
At December 31, 2017	113,348	113,979
Incurred interest	8,119	8,163
Capitalized interest (Note 12(d))	(1,591)	(1,591)
Amortization	(17,652)	(18,275)
At September 30, 2018	102,224	102,276

(c) Collaterals

Finame and Leasing agreements mainly refer to IT equipment, vehicles, televisions, air conditioners, aircraft, among other items, guaranteed by the chattel mortgage of the respective asset and/or receivables (Note 12 (c.ii)). For the IFC, the Company has pledged as guarantee the fiduciary assignment of a portion of the monthly tuition paid by the students of the Company and its subsidiaries, representing 25% of the total debt related to this borrowing.

(d) Classification by year of maturity

The long-term installments fall due as shown below:

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Between one and two years	23,530	23,530	23,530	23,530
Between two and three years	23,530	23,530	23,530	23,530
Between three and four years	23,542	23,530	23,542	23,530
Between four and five years	1,952	12,753	1,952	12,753
More than five years	2,603	4,067	2,603	4,067
	75,157	87,410	75,157	87,410

The fair value of borrowings approximates the carrying amounts, since the impact of discounting is not significant. The fair values are based on the discounted cash flow, using the Company's cash cost, which approximates the rate used in the respective agreements.

(e) Covenants

The borrowing from the IFC requires the maintenance of covenant financial indices. The covenants are calculated based on the financial statements of the Company, which is the guarantor of the issue, for the quarters ended on March 30, June 30, September 30, and December 31 of each year, and will be required until final maturity. The financial indices are as follows:

- result of the division of current assets less prepaid expenses by current liabilities - current ratio of at least 1.2;
- result of the division of gross debt by adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) - not higher than 2.5; and
- result of the division of profit (less adjustments with no cash effect) by the projected payment of interest and amortization of gross debt in the next 12 months - not lower than 1.2.

In the period ended September 30, 2018, the covenants related to the borrowing agreements were analyzed and there were no amounts outside the contractual limits.

16 Debentures

On August 10, 2017, the Board of Directors approved the Company's second issue of simple, unsecured debentures, not convertible into shares, in two equal series, in accordance with CVM Instruction 476. The funds obtained were used to settle first issue debentures and financing entered into by the Issuer, and the remaining balance was used to strengthen working capital. The nominal unit price of the debentures will be subject to interest corresponding to the accumulated variations of the DI rate, plus a spread of 0.65% per year for First Series Debentures and of 1.35% per year for Second Series Debentures.

The issue of the debentures was completed on October 3, 2017. The nominal unit price of the debentures on the issue date was R$1,000, with a total amount of R$200,000. The costs incurred on the issue totaled R$3,302. The payment term of the First Series is two years with a single installment on September 15, 2019, and the payment term of the Second Series is four years with four equal half-yearly installments, the first maturity on March 15, 2020 and last on September 15, 2021.

The debentures issued by the Company require the maintenance of covenant financial indices. The covenants are calculated based on the financial statements of the Company, which is the guarantor of the issue, for each fiscal year ended on September 30, and were required starting in 2017 through final maturity. The main financial indices are as follows:

All amounts in thousands of Reais, except when otherwise stated

- the result of the division of net debt by adjusted EBITDA, which must not be higher than 2.5, but which may be higher than 0.5 for four consecutive quarters, in the case of acquisition of interest in a company with a similar corporate purpose; and

- the result of the division of EBITDA by net financial expenses, considering bank debt charges deducted from gains with financial investments, which must not be lower than 2.0.

In the period ended September 30, 2018, the covenants related to the debenture indentures were analyzed and there were no amounts in excess of the contractual limits.

If the Company acquires an interest in a company with a similar corporate purpose, the net debt/EBITDA ratio may increase by up to 0.5 for four consecutive quarters as of the quarter in which the debt related to the acquisition is contracted.

The long-term installments fall due as shown below:

	Parent Company and Consolidated	
	September 30, 2018	December 31, 2017
Current		
Less than one year	106,447	2,636
Non-current		
Between one and two years	53,382	98,968
Between two and three years	53,383	49,587
Between three and four years		49,690
	106,765	198,245
	213,212	200,881

The fair value of the debentures approximates the carrying amounts, since the contractual rate reflects the restated amount to settle the transaction.

Changes in debt are as follows:

	Parent Company	Consolidated
At December 31, 2017	200,881	200,881
Incurred interest	12,331	12,331
At September 30, 2018	213,212	213,212

All amounts in thousands of Reais, except when otherwise stated

17 Salaries and social charges

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Profit sharing	1,600	3,825	1,600	3,825
Salaries payable	8,458	7,905	20,059	19,838
Social charges	4,928	4,750	11,512	12,933
Provision for vacation pay and charges	18,571	17,733	34,001	37,498
Provision for 13th month's salary and charges	9,618	-	22,555	-
Other	317	219	707	737
	43,492	34,432	90,434	74,831

18 Lease obligations

The Company and the Group have lease agreements that are classified as lease-purchase agreements in property and equipment and in obligations for lease-purchase agreements, as discussed in Note 12.

The agreements are for a period of ten years, and may be automatically renewed at the lessee's request at the end of the term. The agreements are payable monthly at fixed amounts, which are adjusted annually by the civil construction index or the IGP-M disclosed by the Getulio Vargas Foundation. There are no restrictions or clauses that depend on income or the distribution of dividends by the Company.

The agreements were considered by the Company as essentially lease agreements, either because the terms of the rental agreements represent most of the economic life of the assets, or because the fair values of the buildings and land are lower than the present value of the minimum payments of the leases. The present value of the agreements was calculated at rates equivalent to the borrowing rates of transactions of a similar risk and nature.

The due dates for the payments of the minimum lease of the lease agreements are as follows:

All amounts in thousands of Reais, except when otherwise stated

Parent Company			September 30, 2018	December 31, 2017
Maturity	Minimum payments	Discount at present value	Present value of minimum payments	Present value of minimum payments
Current:				
Less than one year	22,726	(12,178)	10,548	10,069
Non-current				
Between one and two years	22,726	(12,178)	10,548	10,069
Between two and three years	22,726	(12,178)	10,548	10,069
Between three and four years	22,726	(12,178)	10,548	10,069
More than four years	213,871	(117,029)	96,842	100,096
	282,049	(153,563)	128,486	130,303
	304,775	(165,741)	139,034	140,372

Consolidated			September 30, 2018	December 31, 2017
Maturity	Minimum payments	Discount at present value	Present value of minimum payments	Present value of minimum payments
Current:				
Less than one year	38,998	(21,985)	17,013	16,446
Non-current				
Between one and two years	38,998	(21,985)	17,013	16,446
Between two and three years	38,998	(21,985)	17,013	16,446
Between three and four years	38,998	(21,985)	17,013	16,446
More than four years	405,145	(233,373)	171,772	178,456
	522,139	(299,328)	222,811	227,794
	561,137	(321,313)	239,824	244,240

19 Share capital and reserves

(a) Share capital

On September 30, 2018, the Company’s share capital consisted of 136,676,228 registered common shares with no par value, versus 138,812,000 on December 31, 2017, totaling R$987,549 in the period. Costs incurred by the Company for the issue of shares in November 2017 totaled R$4,095, deducted from the share capital and awaiting capitalization by the Company’s Board of Directors.

The Company's shareholders authorized the Board of Directors to increase the share capital to up to R$1,200,000.

(b) Treasury shares

On January 12, 2015, the acquisition of up to 3,752,237 non-par, book-entry, registered, common shares issued by the Company, was approved, to be held, canceled in treasury or placed on the market again, with no capital reduction, within 365 days from January 12, 2015, and closing on January 11, 2016. As a result, 377,500 shares were acquired, in the amount of R$6,454, at a weighted average cost of R$17.10, within the repurchase program.

On January 9, 2016, the Company's Board of Directors approved the extension of the Share Repurchase Program to up to January 9, 2017, renewing it until January 9, 2018, when it was terminated.

On April 3, 2018, the Company's Board of Directors reopened this program and approved the acquisition of up to 5,842,640 shares, within 365 days, with closing on April 3, 2019. During this new phase of the program, until September 30, 2018, 4,450,000 shares had been acquired, totaling R$74,252, at a weighted average cost of R$16.69.

As a result, between the creation of the program and September 30, 2018, the Company acquired 4,827,500 common shares, totaling R$80,706, at a weighted average cost of R$16.72. The common shares acquired will be held in treasury for subsequent cancellation or allocation to other plans that may be approved in the future by the Company's Shareholders' Meeting.

The balance of R$26,949, related to repurchases made between September 26 and 28, was recorded as "Repurchase of shares to be settled" and paid between October 1 and 3, 2018.

(c) Capital reserve

At September 30, 2018 and December 31, 2017, the Company had no amount recorded as a capital reserve.

(d) Reserve for tax incentives

At September 30, 2018, the Company had a reserve for tax incentives of R$52,648 (2017 - R$50,736). This reserve was set up as provided for by Article 195-A of the Brazilian Corporate Law (amended by Law 11638 of 2008). This reserve receives the portion of tax incentives recognized in the statement of income and allocated to it from the retained earnings account.

Due to its adherence to the "University for All" Program (*Programa Universidade para Todos* or PROUNI), the Company records as income for the period the IRPJ and CSLL amounts not paid by virtue of the tax incentive, reducing tax expenses. The parent company's tax relief granted, after passing through the statement of income, is recorded in the account "Reserve for tax incentives" in equity.

All amounts in thousands of Reais, except when otherwise stated

(e) Legal reserve

At September 30, 2018, the Company had a legal reserve of R$53,868 (2017 - R$45,243). The legal reserve takes 5% of profit for the year or the remaining balance, up to the limit of 20% of capital. The purpose of the legal reserve is to ensure the integrity of capital, and it may only be used to offset losses and increase capital.

(f) Retained earnings

At September 30, 2018, the Company's retained earnings amounted to R$394,530 (2017 - R$276,702). Retained earnings represent the portion of profit allocated to the retained earnings reserve account for future capital investment subject to the approval of shareholders at the Annual Shareholders' Meeting.

(g) Dividends

Shareholders are entitled to mandatory minimum dividends of 25% of profit for the year adjusted by the recognition of the legal reserve, in accordance with the Brazilian Corporate Law. On September 10, 2018, the Company's Board of Directors approved the distribution of interim dividends, based on net income accumulated until June 30, 2018, within the limit of the mandatory minimum dividend. According to the Bylaws, the Company adopts the practice of not distributing tax incentive reserves, as they are intended exclusively to capital increase.

	June 30, 2018	December 31, 2017
Profit for the year	131,243	197,475
(-) Tax incentive reserve	(41,940)	(79,467)
(-) Legal reserve	(6,562)	(9,874)
Adjusted profit	82,741	108,134
Mandatory minimum dividend calculated (25%) to be distributed	20,685	27,034
Supplementary dividends (a)		10,813
Total dividends to be distributed	20,685	37,847
Weighted average of dividends outstanding	136,676	127,225
Dividends distributed/ to be distributed per share (in Reais)	0.15	0.30

All amounts in thousands of Reais, except when otherwise stated

20. Net income from services rendered

	Parent Company		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Gross revenue from services				
Undergraduate tuition	451,925	387,860	1,272,235	1,179,986
Graduate tuition	2,491	2,412	21,789	17,991
Distance Learning (EAD) tuition	38,183	20,021	52,303	23,424
Other revenue	3,978	2,955	12,886	12,576
	496,577	413,248	1,359,213	1,233,977
Deductions from gross revenue				
Discounts and scholarships (i)	(83,876)	(39,771)	(230,743)	(135,456)
PROUNI (ii)	(48,384)	(36,091)	(126,232)	(103,938)
FGEDUC and FIES charges (iii)	(10,470)	(12,319)	(27,557)	(33,474)
Taxes on services	(10,552)	(11,388)	(32,262)	(33,319)
	(153,282)	(99,569)	(416,794)	(306,187)
	343,295	313,679	942,419	927,790

(i) The increase is due to the higher volume of discounts and scholarships as a result of student intake campaigns in the second semester of 2018;

(ii) The increase refers to the beginning of operations of new units, when the volume of scholarships from PROUNI carries more weight in the student base; and

(iii) The variation includes the reduction in the number of FIES students, due to the lower number of places offered by the federal government.

21 Cost of services rendered

	Parent Company (*)		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Payroll and social charges (i)	96,915	79,428	284,068	273,738
Services rendered by individuals and companies	7,773	5,175	13,628	10,133
Electricity, water and telephone	12,862	9,990	27,481	23,273
Depreciation and amortization	19,479	13,966	34,413	28,878
Rents	19,166	19,553	56,535	57,619
Other	8,130	4,937	10,904	7,640
	164,325	133,049	427,029	401,281

(i) The increase was due to expenses related to severance pay as a result of the Company's Restructuring Plan, in addition to the units' collective bargaining agreements;

(*) The increase in the Parent Company's costs mainly refers to the absorption of ADEA on April 30, 2018, as mentioned in Note 6 (iii).

All amounts in thousands of Reais, except when otherwise stated

22 Selling, general and administrative expenses

	Parent Company		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Payroll and social charges (i)	67,624	56,418	107,278	98,002
Services rendered by individuals and companies	19,069	14,120	25,209	22,475
Selling, marketing and advertising expenses	33,811	32,024	66,391	64,360
Allowance for and actual loss on doubtful accounts (ii)	19,135	11,055	55,890	37,401
Depreciation and amortization	13,272	13,372	19,886	18,905
Office supplies	8,029	6,927	13,424	13,748
Taxes	2,158	2,604	4,267	5,307
Other	20,010	17,481	29,434	29,352
	183,108	154,001	321,779	289,550

(i) The increase was due to expenses related to severance pay as a result of the Company's Restructuring Plan, in addition to the units' collective bargaining agreements;

(ii) This variation was due to the change in the calculation method for the allowance for doubtful accounts, pursuant to IFRS 9 – Financial Instruments (CPC 48), which came into effect on January 1, 2018, as described in Note 2.2.

23 Financial income and costs

	Parent Company		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Financial income				
Interest on tuition and agreements (i)	3,493	7,024	10,987	22,487
Earnings from financial investments (ii)	40,359	28,577	41,601	29,114
Discounts obtained	1,799	1,255	3,534	2,447
Monetary variation gains	772	2,843	2,059	7,199
(-) Social Integration Program (PIS) and Social Contribution on Revenue (COFINS) on finance income	(2,136)	(1,700)	(2,765)	(2,469)
Other	199	588	534	849
	44,486	38,587	55,951	59,627
Financial expenses				
Interest expenses (iii)	(18,982)	(30,319)	(19,248)	(30,993)
Capitalization of interest	1,591	1,959	1,591	1,959
Interest on leases	(13,802)	(14,032)	(24,832)	(25,339)
Discounts granted (iv)	(6,410)	(8,870)	(19,833)	(27,355)
Monetary variation losses			(7,825)	(10,468)
Other	(1,472)	(2,321)	(5,723)	(11,916)
	(39,075)	(53,583)	(75,871)	(104,112)
Finance costs, net	5,411	(14,996)	(19,920)	(44,485)

(i) The decline is related to the implementation of IFRS 15, which reduced the increase in the monthly tuitions paid between the 5th and the 30th of every month and which are now recorded as gross revenue;

All amounts in thousands of Reais, except when otherwise stated

(ii) This variation is due to the increase in the Company's securities and financial investments, despite the decline in their yields due to the reduction in the interest rate;

(iii) The reduction refers to the drop in the interest rate, the beginning of amortization of IFC borrowings in 2017 and the settlement of first issue debentures; and

(iv) The reduction mainly refers to the change in the discount granting policy to recover non-collectible receivables, given that the Company had a campaign aimed at receivables more than 360 days overdue in 2017, and to the reduction in the amount of negotiations carried out.

24 Income Tax (IRPJ) and Social Contribution (CSLL)

In accordance with Law 11096/2005 regulated by Decree 5493/2005 and by Normative Instruction of the Federal Revenue Office 456/2004, under the terms of Article 5 of Executive Decree 213/2004, higher education institutions that join PROUNI are exempted, during the term of the membership agreement, from taxes including IRPJ and CSLL. The accounting for this exemption must be based on the profit arising from the exempted activities. The reconciliation of the taxes determined, according to the nominal rates, and the amount of taxes recorded in the periods ended September 30, 2018 and September 30, 2017, were as follows:

(a) Breakdown of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)

	Parent Company		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Income tax and social contribution - current				
Presumed profit			345	1,225
Taxable income	2,245	5,869	63,598	69,574
Tax incentive	(1,912)	(6,169)	(59,123)	(67,332)
Income tax and social contribution - previous periods		(1,006)		(3,660)
Total income tax and social contribution	333	(1,306)	4,820	(193)

(b) Companies under the presumed profit regime

	September 30, 2018	September 30, 2017
Gross sales revenue	1,777	4,122
Projected 32%	569	1,319
Other revenues	446	2,283
Profit before income tax and social contribution	1,015	3,602
Income tax and social contribution - 34%	345	1,225

Part of the higher education support operations and professional education operations are carried out under the presumed profit regime of the Company's investees. In 2017, the graduate segment was taxed under the presumed profit regime.

Notes to the interim financial statements at September 30, 2018 All amounts in thousands of Reais, except when otherwise stated

(c) Companies under the taxable income regime

	Parent Company		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Profit before income tax and social contribution	168,506	191,847	171,928	189,098
Combined nominal rate of income tax and social contribution - %	34%	34%	34%	34%
Income tax and social contribution based on current legislation rates	57,292	65,228	58,456	64,293
Equity in subsidiaries	(57,504)	(61,010)		
Adjustment to present value of accounts receivable	245	(438)	963	(1,089)
Leases	823	929	1,757	1,934
Allowance for doubtful accounts	6,506	361	19,003	897
Other exclusions	(2,406)	2,216	(5,753)	5,780
Reversal of contingencies	150	(153)	(762)	138
Offsetting of tax loss	(2,861)	(1,264)	(10,066)	(2,379)
	2,245	5,869	63,598	69,574
Tax incentive from exploration profit - PROUNI	(1,912)	(6,169)	(59,123)	(67,332)
Income tax and social contribution expenses on the results for the period	333	(300)	4,475	2,242
Effective rate - %	0.20%	-0.16%	2.60%	1.19%

(d) Breakdown of the effective rate

	Parent Company		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Profit before income tax and social contribution				
Presumed profit			1,015	3,602
Taxable income	168,506	191,847	171,928	189,098
	168,506	191,847	172,992	192,700
Income tax and social contribution				
Companies opting for the presumed income system			345	1,225
Companies opting for the taxable income system	333	(300)	4,475	2,242
Total current income tax and social contribution	333	(300)	4,820	3,467
Effective rate	0.20%	-0.16%	2.79%	1.80%

All amounts in thousands of Reais, except when otherwise stated

25. Related parties

(a) Current accounts with subsidiaries

	September 30, 2018	December 31, 2017
Assets		
Centro de Educação Profissional BJ Ltda.	62	
Centro de Educação Continuada Mauricio de Nassau Ltda.	35	
FACULDADE ANGLO LIDER - FAL	88	
FASE	1,428	
	1,613	
Liabilities		
Educred Administ. de Crédito Educativo e Cobrança Ltda.	464	
CENESUP - Centro Nacional de Ensino Superior Ltda.	1,351	2,969
ICES - Instituto Campinense de Ensino Superior Ltda.	46,611	
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	8,894	8,842
Sociedade Educacional Carvalho Gomes Ltda.	3,904	2,235
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.		6,614
SIESPI - Sociedade de Ensino Superior Piauiense Ltda.	20,584	9,525
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	8,439	
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	324	334
Faculdade Maurício de Nassau de Belém Ltda.	7,321	1,584
CESP - Centro de Ensino Superior Piauiense Ltda.	11,259	5,121
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe ltda.	12,378	9,723
Instituto de Ensino Superior Juvêncio Terra Ltda.	5,140	4,614
ABES - Sociedade Baiana de Ensino Superior Ltda.	8,629	
	135,298	51,561

(b) Remuneration of key management personnel

Key Management personnel include the Company's directors and officers. The remuneration paid or payable to key Management personnel is as follows:

	Parent Company		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Total key management remuneration	6,046	6,275	6,046	6,275

All amounts in thousands of Reais, except when otherwise stated

(b) Other transactions

	Consolidated					
	September 30, 2018			September 30, 2017		
	Expenses	Payment (*)	Liabilities	Expenses	Payment (*)	Liabilities
Rents - Ocktus Participações Ltda (i)	17,463	33,999	136,328	19,772	36,307	139,293
Social actions (ii)	348			414		
	17,811	33,999	136,328	20,186	36,307	139,293

(*) Refers to the amount of expenses plus lease interests.

(i) The Company entered into commercial lease agreements for real estate with Ocktus Participações Ltda., owned by shareholder José Janguiê Bezerra Diniz, for a ten-year term, which can be extended for an equal period. The difference between the expense and the payments refers to the minimum lease payment, which is amortized in liabilities. In the first quarter of 2018, the Company and Ocktus agreed to suspend payments of the leases on two properties and maintain the suspension of another two leases that began in 2017, all of which are located in Recife, for one year.

(ii) The Company supports the Instituto Ser Educacional, a nonprofit institution, to perform activities related to corporate social responsibility.

Related-party transactions are negotiated at market value.

26 Provision for contingencies

Management, based on the opinion of its external legal counsel, has set up provisions considered sufficient to cover probable potential losses from pending litigation.

	Parent Company		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Civil (a)	836	306	3,254	3,446
Labor (b)	642	140	4,333	6,384
	1,478	446	7,587	9,830
Indemnity contingencies (d)			112,015	112,015
	1,478	446	119,602	121,845

(a) Civil

The Company, with the support of its legal advisors, has performed a study, valuation and quantification of its civil lawsuits to determine the probable outflow of funds related to them. At September 30, 2018, Management made a provision of R$836 (2017 - R$306) in the parent company and R$3,254 (2017 - R$3,446) in the consolidated. The major lawsuits classified as probable losses involve indemnity for pain and suffering and damage to property. There are no debts to the Company and its subsidiaries.

The Company has also performed a study, evaluation and quantification of the civil lawsuits classified as possible losses, for which no provision has been made, and which amounted to R$21,146 (2017 - R$4,138) in the parent company and R$46,264 (2017 - R$23,099) in the consolidated at September 30, 2018. The main claims relate to: (i) lawsuits arising from undue blacklisting in credit protection bodies and undue maintenance of said negative entry; (ii) lawsuits due to delays in issuing diplomas; (iii) lawsuits due to problems in amendment, enrollment, refund (class not created) and transfer related to FIES.

(b) Labor

The Company, with the support of its legal advisors, has performed a study, valuation and quantification of its labor lawsuits to determine the probable outflow of funds related to them. At September 30, 2018, Management made a provision of R$642 (2017 - R$140) in the parent company and R$4,333 (2017 - R$6,384) in the consolidated.

The Company has also performed a study, evaluation and quantification of the various labor lawsuits classified as representing possible losses, for which there is no provision. At September 30, 2018, these amounted to R$23,841 (2017 - R$11,317) in the parent company and R$42,276 (2017 - R$39,726) in the consolidated, with the main claims related to overtime, unused vacation, the recognition of employment relationships, salary parity and salary differences resulting from the reduction of faculty working hours.

(c) Tax

The Company, with the support of its legal advisors, has performed a study, valuation and quantification of its tax lawsuits to determine the probable outflow of funds related to them. Management has not made provision for the parent company and consolidated, as there were no lawsuits classified as probable losses on that date.

The Company has also performed a study, evaluation and quantification of the various tax lawsuits classified as representing possible losses, for which there is no provision. At September 30, 2018, these amounted to R$12,387 (2017 - R$8,534) in the parent company and R$18,783 (2017 - R$28,608) in the consolidated (See note 26 (d)).

Among the main tax lawsuits whose likelihood of loss is classified as possible by the legal counsel, the following are highlighted:

a. 07.51613.0.15 - This refers to a tax deficiency notice issued by the finance department of Recife for the alleged non-payment of Service Tax (ISS) on the Company's educational service revenues related to PROUNI scholarships. Said notice is the object of an action for annulment in which a provisional remedy for suspension of the tax credit was granted. The estimated amount is R$3,679.

b. 10480.727015/2011-88 - This is an administrative proceeding due to divergences in the information provided about withholding income tax for calendar years 2008, 2009 and 2010. The estimated amount is R$2,496.

c. 07.51986.1.15 - This refers to a tax deficiency notice issued by the finance department of Recife for the alleged non-payment of ISS on 5% of the Company's educational service revenues related to vocational programs. A defense has been filed requesting the nullity of the notice, given that the percentage of the tax to be paid is 3%, in accordance with the law. The estimated amount is R$1,705.

(d) Labor contingencies for indemnity purposes resulting from business combination

Among the main labor claims provided for, a contingent liability for indemnity of R$3,249 is highlighted, which was recognized in relation to the labor exposure of Centro de Ensino Superior Piauiense Ltda. (CESPI), Sociedade de Ensino Superior Piauiense Ltda. (SIESPI) and its subsidiary Centro Integrado de Educação Superior do Piauí Ltda. (CIESPI), as a result of their business combination in 2013.

Another major tax claim provided for is a contingent liability of R$108,766, which was recognized for the tax exposure of União de Ensino Superior do Pará (UNESPA) and Instituto Santareno de Ensino Superior (ISES), as a result of their business combination in 2014. Other tax claims include:

a. 0019270-28.2014.8.14.0301 - This relates to a tax collection lawsuit brought by the Municipality of Belém related to the collection of ISS due to UNESPA's supposed loss of tax exemption. The matter is related to the ISS tax exemption granted to UNESPA by the government through a municipal decree. The exemption was later withdrawn, and the tax credit related to the last five years was assessed, generating this lawsuit. Before this lawsuit was filed, UNESPA filed an action for annulment, registered under No. 0057879-84.2009.8.14.0301, to annul the tax deficiency notices that authorized the filing of the present tax collection lawsuit. Motions to stay execution have been filed and the process is currently in the evidentiary stage. The loss risk classification attributed by the external legal advisors is possible, and the amount is R$103,082. Nevertheless, the lawsuit is recorded at the amount of the contingent liability arising from the business combination with UNESPA.

The selling shareholders have contractually agreed to indemnify the Company for the amount that may become due with respect to the lawsuits mentioned above. The withholding of a portion of the purchase amounts has been fixed contractually, as well as discounts on the future rental of the units, and the properties have been mortgaged in favor of the Company to guarantee that amount. An indemnity asset, equivalent to the fair value of the indemnified liability, as mentioned above, was recognized in the amount of R$112,015.

In addition to the lawsuits provisioned, with indemnification assets recognized by the Company, we also have the following cases under discussion:

a. Case relating to the use of software licenses for distance learning, brought by the company Centro de Estratégia Operacional Propaganda, Publicidade e Comércio Ltda. against Rede Brasileira de Educação à Distância (RBED), in which União de Ensino Superior do Pará (UNESPA) is a partner, together with nine other teaching institutions in Brazil, who are joint defendants in the case. The amount currently under discussion, which has not been provided for, is R$76,075, arising from business combinations.
b. Deficiency notices for collection of social security contributions and contributions to entities and funds, from January 2011 to December 2012, totaling R$90,945, of Sociedade Paulista de

Ensino e Pesquisa (SOPEP), the current supporting entity of UNG. The Federal Revenue Office understood that the activities carried out by Associação Paulista de Educação e Cultura (APEC), the former supporting entity of UNG, were not classified as non-profit, and even though the maintenance of UNG was only transferred in January 2015, SOPEP was issued a notice of secondary liability for the lack of payment of said contributions. In addition, on April 19, 2018, a new tax deficiency notice was issued, extending the period in question to 2014, adding R$82,084 and totaling R$173,029.

In all the cases, as the contingencies refer to periods prior to the acquisition, the agreement establishes that any losses are guaranteed by the retention of purchase and sale amounts, discounts in the future rent of units and mortgages of properties in favor of the Company. The lawyers in charge of these proceedings were contracted by the selling shareholders and are monitored by the Group's lawyers, and classified these lawsuits as possible losses.

27 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of common shares issued during the period. The Company does not have potential common shares with dilutive effects.

	September 30, 2018	September 30, 2017
Profit for the quarter attributable to the shareholders of the Parent Company	168,174	193,153
Weighted average number of outstanding common shares (in thousands)	136,676	124,836
Earnings per share - basic and diluted - R$	1.23	1.55

28 Insurance

Insurance coverage at September 30, 2018 was contracted at the amounts shown below, which are in accordance with the insurance policies:

Lines	Insured amounts ('000)
Material damages to property and equipment (buildings/equipment)	R$ 130,000
Aircraft hull and civil liability - Phenon 300	US$ 11,270
Aeronautical RETA - Passengers, crew members and third parties on the ground - Phenon 300	R$ 952
Third-party liability	R$ 15,000
Fleet - Pecuniary loss, personal injury and damages to transported objects	100% Fipe
D&O liability	R$ 30,000

29 Event after the reporting period

Until October 16, 2018, within the scope of the Share Repurchase Program approved by the Board of Directors on April 3, 2018, the Company repurchased 5,860,140 shares, at a weighted average cost of R$16.33, totaling R$95,679.

On the same date, the Board of Directors resolved on:

(i) the early termination of the current share repurchase program approved on April 3, 2018;
(ii) the cancellation of all treasury shares, i.e. 5,860,140 shares, without changing the share capital and with the respective recognition, as provided for by law; and
(iii) the opening of a new share repurchase program of up to 5,326,100 shares, within 365 days, with expiration on October 16, 2019.

Section F - Accounting policies

30 Summary of significant accounting policies

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

30.1 Consolidation

The following accounting policies are applied to the preparation of the consolidated financial statements:

(a) Subsidiaries

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

Identifiable assets acquired and liabilities and contingent liabilities assumed on the acquisition of subsidiaries in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. Non-controlling interests are determined on each acquisition. Acquisition-related costs are expensed as they are incurred.

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

30.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less, and with an immaterial risk of changes in value.

30.3 Financial assets

30.3.1 Classification

The Group classifies its financial assets, upon initial recognition, in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets are acquired.

30.3.2 Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are assets held for trading. A financial asset is classified in this category if it was acquired mainly for the purpose of selling in the short term. Assets in this category are classified as current assets and are presented in Note 7.

30.3.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities exceeding 12 months from the balance sheet date (which are classified as non-current assets). The Group's loans and receivables comprise "Receivables from students and other receivables" and "Cash and cash equivalents" (Notes 30.4 and 30.2).

30.3.4 Recognition and measurement

Purchases and sales of financial assets are usually recognized on the trading date.
Investments are recognized initially at fair value plus transaction costs for all financial assets not classified at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to the statement of income. Financial assets are written off when the rights to receive cash flow have expired or have been transferred, provided that the Group has transferred substantially all of the risks and benefits of ownership. Financial assets measured at fair value through profit or loss are subsequently recorded at fair value. Loans and receivables are initially recorded at fair value, and subsequently at amortized cost using the effective interest rate method.

Gains or losses arising from variations in the fair value of financial assets measured at fair value through profit or loss are presented in the statement of income under "Other operating expenses, net" in the period in which they occur.

The fair values of publicly-quoted investments are based on current purchase prices. If the market for a financial asset (or for unlisted securities) is not active, the Group establishes the fair value through valuation techniques. These techniques include the use of recent transactions carried out with third parties, reference to other substantially similar instruments, an analysis of discounted cash flow and option pricing models that make maximum use of information generated by the market and minimum use of information generated by the entity's Management.

30.3.5 Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position when there is a legal right to offset the recognized amounts and the intention to settle them on a net basis, or to realize the asset and settle the liability simultaneously. The legal right should not be contingent upon future events and it should be applicable in the normal course of business and in the case of default, insolvency or bankruptcy of the company or counterparty.

30.4 Accounts receivable – students

Accounts receivable are the result of teaching services provided, and do not include amounts for services provided after the balance sheet date. Services paid for but not provided prior to the balance sheet date are recorded as monthly fees received in advance, and are recognized as income in the corresponding period on an accruals basis.

Bills receivable from students are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less an allowance for doubtful accounts or impairment.

30.5 Allowance for doubtful accounts

This provision appears as a deduction from accounts receivable and is set at an amount considered by management to be sufficient to meet any losses on the collection of student receivables, including monthly fees and post-dated checks, based on the risks involved. It is calculated by Management when there is objective evidence that a loss may occur, on the basis of the expected cash flow discounted at the effective interest rate.

30.6 Investments in subsidiaries (applicable only for parent company financial statements)

Investments in subsidiary companies are recorded in the parent company's financial statements using the equity accounting method.

Corporate interests in subsidiaries are shown in the parent company's statement of income as equity income, representing the net income attributable to the shareholders of the subsidiaries. Goodwill related to expected future profitability is presented in the parent company's financial statements as part of the investment. The same adjustments made in the consolidated financial statements are made in the parent company financial statements to reach the same values of equity and results.

30.7 Intangible assets

(a) Goodwill

Goodwill consists of the positive difference between the amount paid and/or payable for the acquisition of a business and the net amount of the fair value of its assets and liabilities. Goodwill on acquisitions of subsidiaries is recorded under intangible assets in the consolidated financial statements. Goodwill is tested for impairment annually. It is recorded in the books at cost less accumulated impairment losses. Impairment losses recognized on goodwill cannot be reversed.

Gains and losses on the disposal of an entity include the book value of the goodwill corresponding to the entity sold.

(b) Student portfolio

Contractual relationships with students acquired in business combinations are recognized at their fair value on the date of acquisition. The contractual relationships have a defined useful life and are booked at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected period of the relationship with the student.

(c) Software licenses and installation

Software licenses are capitalized on the basis of the costs incurred to acquire the software plus the costs of making it ready for use. These costs are amortized over the estimated useful life of the software, which is from three to five years.

Software maintenance costs are recognized as expenses at the time they are incurred.

Other development costs that do not meet these criteria are recognized as expenses when incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent periods.

Software development costs recognized as assets are amortized over the estimated useful life of the software, which does not exceed three years.

(d) Accreditation and operating licenses

Accreditation and operating licenses are capitalized on the basis of the costs incurred to obtain authorization for and recognition of the courses offered from the Ministry of Education, plus the renewal of licenses for course units. Accreditation and licenses have a defined useful life and are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method during the period of validity of the licenses obtained from the Ministry of Education.

(e) Digital content

Digital content is capitalized at the amount of the costs incurred to acquire the right to use the digital content as part of the services provided by the Company. These costs are amortized over the contract period.

(f) Agreements

Agreements are capitalized at the amounts of the costs incurred to execute contracts with partner companies, giving the Group's students the right to undertake the supplementary undergraduate activities required for their academic education. These costs are amortized over the periods of the respective agreements.

(g) Goodwill

Intangible assets with defined useful lives, representing amounts paid upon the acquisition of new business premises (goodwill), are amortized on a straight-line basis over the lease term of the properties rented.

(h) Intangible assets identified on acquisitions - course licenses

Course licenses identified on acquisitions relate basically to the amounts of licenses and the accreditation of courses by the Ministry of Education, and are first recorded at fair value based on appraisal reports supporting the amounts allocated as part of business combinations. These intangible assets identified on acquisitions have indefinite useful lives and are subject to annual impairment testing.

(i) Intangible assets identified on acquisitions - trademarks and portfolios of students

Trademarks and portfolios of students identified on acquisitions are first recorded at fair value based on appraisal reports supporting the amounts allocated in business combinations. These intangible assets identified on acquisitions have defined useful lives and are subject to amortization calculated using the straight-line method to allocate the cost over their estimated useful lives.

30.8 Property and equipment

Property and equipment is measured at historical cost, less accumulated depreciation and impairment losses. Historical costs include expenses directly attributable to the acquisition of the items.

Land is not depreciated. The depreciation of other assets is calculated using the straight-line method, so as to allocate their costs, less residual value, over their useful lives.

Property and equipment in progress refers to the construction of new buildings and the renovation of third-party buildings to adapt them to the Company's activities. Every six months, these balances are reviewed and transferred to their specific accounts, if concluded, so that depreciation can begin.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and they can be reliably measured. The carrying amount of the replaced item is derecognized. All other repair and maintenance costs are charged to the statement of income as they are incurred.

An item of property and equipment is written off when it is sold, or when no future economic benefit is anticipated from its use or sale. The eventual profit or loss resulting from the asset write-off (calculated as the difference between the net amount of the disposal and the residual value of the asset) are recorded in the statement of income for the period during which the asset is written off.

Residual values, useful lives and depreciation methods for assets are reviewed and adjusted, if necessary, when there is an indication of a significant change since the date of the last balance sheet.

30.9 Capitalized borrowing costs

The historical costs of property and equipment include the costs of borrowings directly related to the acquisition, construction or production of an asset that requires a significant amount of time to be completed for the purpose of use or sale. These are capitalized as part of the cost of the corresponding asset. All other borrowing costs are expensed for the period during which they are incurred. Borrowing costs include interest and other costs related to the borrowing incurred by the entity.

30.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset's fair value less sale costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flow (cash generating unit or CGU level). Non-financial assets other than goodwill that have been adjusted due to impairment are subsequently reviewed for the possible reversal of the impairment at the balance sheet date.

30.11 Suppliers and commitments payable

Accounts payable are liabilities owing for goods or services acquired from suppliers in the ordinary course of business, and commitments payable are liabilities for the acquisition of property and amounts payable under business combinations. They are classified as current liabilities if payment is due within a year. Otherwise, accounts and commitments payable are shown as non-current liabilities. Accounts and commitments payable are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.

30.12 Leases

Leases in which a significant portion of the property's risks and benefits is retained by the lessor are classified as operating leases. The payments made for operating leases (net of any incentives received from the lessor) are recognized in the income statement using the straight-line method over the term of the lease.

The Group leases certain property and equipment assets. Property and equipment leases under which the Group holds substantially all of the risks and benefits of ownership are classified as financial leases. Financial leases are capitalized at the beginning of the lease period at the lower of the fair value of the leased asset and the present value of the minimum lease payments as a counter-entry to lease liability payables.

A portion of each lease installment paid is allocated to liabilities, and a portion to financial charges, in order to obtain a constant rate on the outstanding debt balance. The corresponding obligations, net of financial charges, are included in lease obligations. Interest on financial expenses is recognized in the statement of income over the lease period, to give a constant periodic interest rate on the outstanding liabilities balance for each period. Property and equipment acquired through financial leasing is depreciated over the useful life of the asset.

30.13 Borrowings

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

Borrowing is classified within current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Both general and specific borrowing costs directly related to the acquisition, construction or production of a qualifying asset, which requires a substantial period of time to prepare for its intended use or sale, are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the Company, and the costs can be reliably measured. Other borrowing costs are recognized as finance costs in the period in which they are incurred.

30.14 Debentures

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

Debentures are classified as current liabilities, unless the Company has an unconditional right to defer settlement for at least 12 months after the reporting period.

Both general and specific debenture costs directly related to the acquisition, construction or production of a qualifying asset, which requires a substantial period of time to prepare for its intended use or sale, are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the Company, and the costs can be reliably measured. Other debenture costs are recognized as expenses in the period during which they are incurred.

30.15 Provisions

Provisions for contingencies (labor, civil and tax) are recognized when: (i) there is a present or non-formalized obligation as a result of events that have already occurred; (ii) it is probable that an outflow of resources will be necessary to settle the obligation; and (iii) the amount of this outflow can be reliably estimated based on the judgment of legal counsel.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized within financial expenses.

30.16 Taxation

(a) Current income tax (IRPJ) and social contribution (CSLL)

The cost of IRPJ and CSLL for the period includes current tax. Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized directly in equity. In this case, the tax is also recognized in equity. The undergraduate teaching activities by the units that have PROUNI are exempt from IRPJ and CSLL during the term of their membership.

(b) Social Integration Program Tax on Revenue (PIS) and Social Security Financing Tax on Revenue (COFINS)

For revenue from teaching activities, except for undergraduate teaching by units that have joined the PROUNI, PIS and COFINS are payable at the rates of 0.65% and 3%, respectively. PIS is payable on revenue from non-teaching activities at a rate of 1.65% and COFINS at 7.6%.

Undergraduate teaching by units that have joined the PROUNI are exempt from PIS and COFINS.

(c) PROUNI

Units that have joined the PROUNI program are exempt from the following federal taxes while they are members:

- IRPJ and CSLL, introduced by Law 7689 of December 15, 1988;
- COFINS, introduced by Supplementary Law 70 of December 29, 1991; and
- PIS, introduced by Supplementary Law 7 of September 7, 1970.

The above-mentioned exemptions are originally calculated on the amount of revenue received from the provision of higher education services, including undergraduate and specific training courses.

(d) ISS

Revenue from teaching activities is subject to ISS, as established in Supplementary Law 116/2003, at rates from 3% to 5%, depending on the municipality. The tax is recognized in accordance with the recognition of the Company's revenue.

30.17 Earnings per share

The Company calculates earnings per lot of 1,000 shares using the weighted average number of total common shares outstanding during the period, corresponding to income, in accordance with Technical Pronouncement CPC 41 (IAS 33).

30.18 Share capital

Common shares are classified in equity.

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

30.19 Recognition of revenue, costs and expenses

Revenue, costs and expenses are recognized on an accruals basis.

(a) Service revenue

Revenue consists of the fair value of consideration received or receivable from business relating to higher education, graduate courses, short courses and related educational activities. Revenue is shown net of tax and after returns, rebates and discounts. Revenue from services provided is recognized based on services carried out prior to the balance sheet date.

Monthly payments for courses and the discounts granted on them vary depending on the course, the unit and the academic term. Revenue is generated from fixed-price contracts, and recognized monthly as the services are provided.

In October 2013, the Company joined the National Program for Access to Vocational Training (PRONATEC), created by the Ministry of Education to broaden the offering of high-school level technical and professional courses, and basic and continuing training courses for Brazilian workers. Revenue is generated from scholarships and is recognized monthly based on the services provided, and the confirmation of each student's attendance, in accordance with the conditions and requirements of the program.

The Company records as discounts the educational charges arising from financing agreements guaranteed by the students who joined the FGEDUC, in accordance with Regulatory Ordinance 21 of October 21, 2010, Regulatory Ordinance 14 of June 28, 2012 and Regulatory Ordinance 3 of January 3, 2014. The educational charges total 5.63% of revenue arising from students who have joined FGEDUC through FIES. Additionally, as of 2016, a new discount of 2% related to FIES charges was introduced, as per Executive Decree No. 741 ("MP 741").

(b) Financial income and expenses

Financial income is recognized in accordance with the time elapsed on an accruals basis, using the effective interest rate method.

30.20 Distribution of dividends and interest on equity

The distribution of dividends and interest on equity to the Company's shareholders is recognized as a liability in the Group's financial statements at the end of the year pursuant to the Company's bylaws, which establish a mandatory minimum of 25% and any dividends and interest on equity paid in advance during the year. Any amount exceeding the mandatory minimum is provided for only on the date on which it is approved by the shareholders at a Shareholders' Meeting.

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

Message from Management

Grupo Ser Educacional announces its results for the third quarter of 2018, a period marked by the resumption of growth in the adjusted EBITDA margin, in comparison with the same period of the previous year, for the first time since 4Q16, with solid operating cash generation and a substantial reduction in the total average collection period, as well as in the average collection period for out-of-pocket students.

This result was especially important because it was recorded in such a challenging year, when the economy underperformed, mainly in the North and Northeast regions, which recorded a GDP decline of 2.0% and 1.2%, respectively, in 2Q18. The sluggish economy also slowed down the recovery in employment levels in these regions, which were also adversely impacted by events that directly affected consumer confidence levels and the post-secondary education sector, including (i) a sharp decline in FIES enrollments in the first semester, mainly due to system implementation problems, and (ii) the combined effect of extraordinary events such as the truck drivers' strike, the World Cup and the general election (President, Governors, Senators and Federal and State Representatives). This scenario caused the enrollment of both new and existing students to slow down, especially in 3Q18.

The improvement in the Company's Adjusted EBITDA margin was due to its decision to execute an action plan between April and September, which was successfully implemented, driven by three main initiatives: (i) adjust the operational structure to the current student base, (ii) reschedule the opening of the recently accredited units in order to launch them over the coming years with a broader course portfolio and (iii) slow down the pace of accreditation of new on-campus courses and units, given that the Company achieved a relevant backlog of future growth opportunities. The Company remains firm in its belief that it should maintain its own student financing volume at conservative levels and that its re-enrollment policy should be focused on payment capacity, benefiting operating cash generation.

The action plan has already produced positive results in 2018, and the Company moved ahead with its growth plan. We have 14 on-campus units in operation for less than 24 months, which will begin a more advanced development stage as of 2019 and expand their student base, as well as new units to be launched as of 2019, at a pace based on the response time of the markets and the maturity process of recently launched units. The Company also currently has 209 distance learning centers, more than 100 of which are in operation for around 12 months and, therefore, are still in the initial development stage.

Another positive aspect this quarter was the increase from 168 to 268 in the number of places available in the Medicine course in Recife, due to the recognition by the Ministry of Education of both the UNINASSAU University Center in Recife and the Medicine course with the highest grade (5) in the Institutional Concept.

The Company believes that 3Q18 may represent the beginning of a cycle of gradual recovery in the Company's results, which stabilized in 2Q18, due to the successful action plan that adjusted its cost and expense structure to the current student base. This recovery cycle can be maintained over the coming semesters as we remain focused on maintaining lean costs and expenses in an economic scenario that offers the possibility of resumption of growth, increased consumer confidence and recovery in employment levels, which may lead to growth in student enrollment in existing units, an upturn in the student base of new units and maturity of the activities recently expanded in the distance learning segment.

Because it believes in its long-term business plan, on October 16, 2018, the Company completed its share buyback plan announced in April 2018, and the Board of Directors approved the cancellation of its treasury shares and the launch of a new share buyback program for 5.3 million shares.

The Company's management reinforces its confidence in its long-term plan and its ability to create value for shareholders through the gradual and efficient allocation of funds, as it monitors and actively participates in M&A transactions, seeking investment opportunities that create long-term value and are aligned with its strategic goals in a disciplined manner, always targeting the best return on invested capital.

Basis for presentation of results and adoption of IFRS 9 and 15:

The information is presented in accordance with international financial reporting standards (IFRS) and consolidated in Brazilian reais (R$). Comparisons refer to the third quarter of 2017, unless otherwise indicated.

As of 1Q18, the Company has recognized its revenue from students' tuition fees in accordance with IFRS 15, and registered gross revenue based on the amounts charged on bank slips due on the 30th of each month, or based on contracts for services, and no longer on the monthly tuition fees due on the 5th of each month, which consider a discount for timely payment. The practical effect of this change is the recognition of interest income on students' tuition fees under gross revenue as of this year, instead of under financial revenue, which was the case until 2017.

For comparison purposes, the Company reclassified the interest on students' tuition fees of previous quarters and called these figures "Comparable 3Q17" and "Comparable 9M17". These accounting changes do not generate a nominal variation in the Company's adjusted EBITDA.

The "adjusted" results consider the non-recurring effects. The impact of the investments in new units and the development of distance learning segment are presented in the section "EBITDA and Net Income Excluding Organic Expansion".

As from 1Q18, the Company also adopted the Provision for Doubtful Accounts (PDA) in accordance with IFRS 9, in order to reflect the expected loss in accounts receivable according to the default of the last 12 months per student, by receivable and for each maturity range, except for student financing from federal government programs (FIES). Until 2017, the Company accrued its PDA considering 100% of default for receivables more than 180 days overdue.

OPERATING PERFORMANCE

At the close of 3Q18, there were 22,000 new undergraduate students enrolled, versus 23,100 in the same period in 2017. In 3Q18, 5,800 new students enrolled in the distance learning segment, up 2.4% from 5,700 in 3Q17.

Undergraduate Student Enrollment			
In thousands	3Q18	3Q17	% Chg
Undergraduate Enrollments	22.0	23.1	-5.1%
Distance Learning	5.8	5.7	2.4%
On-campus	16.1	17.4	-7.6%

On-campus undergraduate student intake

In 3Q18, 16,100 new students enrolled in the on-campus undergraduate segment, down 7.6% from 17,400 in 3Q17. This reduction was mainly due to the economic scenario, especially as of June, when the economic activity slowed down due to a series of events, including the truck drivers' strike, the World Cup and the general election. This more challenging scenario was also reflected in the GDP decline, especially in the North and Northeast regions (down around 2% and 1%, respectively) in the second quarter of 20181, when the intake process began.

Of the total number of enrollments at the close of 3Q18, approximately 2,900 received student financing, 1,400 of whom via FIES, 700 via PraValer and 900 via Educred, 10% more than in the same period in 2017, when approximately 2,700 students received student financing, 2,000 of whom via FIES, 300 via PraValer and 300 via Educred. The number of FIES enrollments fell because the federal government reduced the number of places offered by the program. The percentage of students enrolled through student financing programs increased from 15% in 3Q17 to 18% in 3Q18, with FIES alone accounting for 9%, versus 12% in the same period in 2017.

New FIES contracts entered into by September 30, 2018 totaled 1,900 (1,400 freshmen and 500 existing students), corresponding to around 41% of the 5,000 places allocated to the Company by the federal government in 2018.2, in line with approximately 41% of the 6,600 places made available in 2017.2, totaling 2,700 students (2,000 freshmen and 700 existing students).

Distance learning undergraduate student intake

The distance learning undergraduate student intake grew 2.4%, to 5,800 new students in 3Q18, from 5,700 new students in 3Q17. The Company had 209 centers in operation at the end of 3Q18. The slower pace of intake this quarter was mainly due to the economic scenario and the fact that the 3Q17 comparison base was already strong, given that the on-campus units that did not use to offer distance learning courses began doing so in 3Q17, when the Company already had 119 centers in operation.

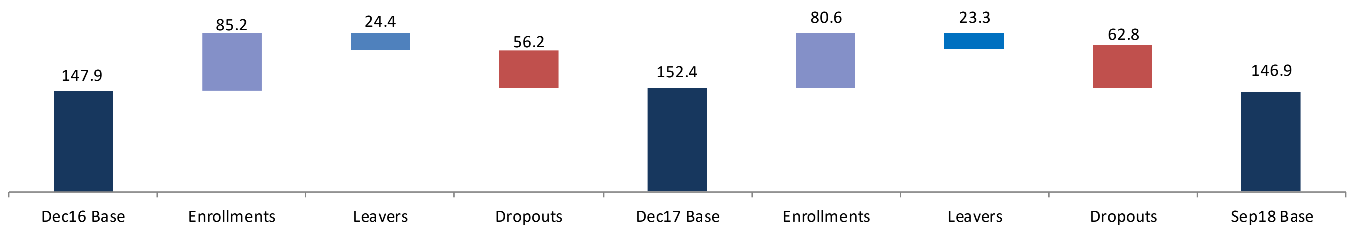
Graduate student intake

On-campus graduate intake fell 29.1% in 3Q18, due to the change in the Company's commercial practices, which reduced the number of partnerships and created stricter criteria for the formation of classes in order to favor operating margins per course. This led to a 14.1% reduction in the on-campus graduate student base in 3Q18.

Student Growth Trends

Number of Students	Undergraduate		Graduate		Vocational		Total
3Q18	On Campus	Distance Learning	On Campus	Distance Learning	On Campus	Distance Learning	Total
Jun18 Base	**138,670**	**14,700**	**6,320**	**3,018**	**199**	**69**	**162,976**
Enrollments	16,117	5,842	576	653	156	50	23,394
Leavers	(7,526)	(99)	(536)	(450)	-	-	(8,611)
Dropouts	(23,993)	(6,274)	(194)	(239)	(116)	(46)	(30,862)
Sep18 Base	**123,268**	**14,169**	**6,166**	**2,982**	**239**	**73**	**146,897**
% Sep18 Base / Jun18 Base	*-11.1%*	*-3.6%*	*-2.4%*	*-1.2%*	*20.1%*	*5.8%*	*-9.9%*
% Sep18 Base / Sep17 Base	*-6.1%*	*43.6%*	*-14.1%*	*79.5%*	*15.5%*	*-8.8%*	*-2.2%*

As a result of all the above, the on-campus undergraduate base totaled 123,300 students, down 6.1% from 131,300 in 3Q17. The distance learning undergraduate base increased 43.6%, from 9,900 students in 3Q17 to 14,200 in 3Q18. The total student base shrank 2.2% from September 30, 2017.



Dropout Rate

On-campus undergraduate student dropout

The 3Q18 re-enrollment rate reached 86.2% of the renewable base, with a dropout rate of 16.3%, versus 14.4% in 3Q17. The dropout rate increase this quarter mainly due to the maintenance of high unemployment levels recorded in 2018.

Distance learning undergraduate student dropout

The re-enrollment rate stood at 68% in the distance learning undergraduate segment, while the dropout rate came to 31.0% in 3Q18, versus 24% in 3Q17. This variation was also mainly due to the high unemployment levels in Brazil and the fact that the distance learning segment has higher dropout rates, especially at centers and units that are not yet mature.

Average Net Ticket

Average Ticket (R$)	3Q18	3Q17 Comparável	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18
Undergraduate Students (On Campus)	731.70	721.32	1.4%	763.77	-4.2%

In the third quarter, the average ticket was R$731.70, up 1.4% year on year, mainly due to the pass-through of inflation and the more favorable course mix, thanks to the gradually increasing share of engineering and health courses, which offset the increase in discounts and scholarships this year.

It is also worth mentioning that, due to the intake strategy adopted from 2017, the first and third quarters now have a higher volume of extraordinary discounts for the first and second tuition fees and, consequently, the average ticket of these quarters tends to suffer a greater negative impact than the one observed in the second and fourth quarters, when there is a lower volume of discounts related to the intake process.

Student Financing

STUDENT LOANS	Dec/13	Dec/14	Dec/15	Dec/16	3Q17	Dec/17	1Q18	2Q18	3Q18
On Campus Undergraduate Students	**70,255**	**101,195**	**123,988**	**131,092**	**131,275**	**133,945**	**135,694**	**138,670**	**123,268**
FIES Students	31,432	48,048	56,089	58,840	54,669	55,565	44,858	48,154	39,619
% of FIES Students	44.7%	47.5%	45.2%	44.9%	41.6%	41.5%	33.1%	34.7%	32.1%
EDUCRED Students			754	1,922	2,189	2,390	3,104	3,905	4,037
% of EDUCRED Students			0.6%	1.5%	1.7%	1.8%	2.3%	2.8%	3.3%
PRAVALER Students			954	1,794	1,598	2,873	2,520	3,352	2,983
% of PRAVALER Students			0.8%	1.4%	1.2%	2.1%	1.9%	2.4%	2.4%
PRAVALER Students			57,797	62,556	58,456	60,828	50,482	55,411	46,639
% of PRAVALER Students			46.6%	47.7%	44.5%	45.4%	37.2%	40.0%	37.8%

On September 30, 2018, FIES students accounted for 32.1% of the on-campus undergraduate base, a 9.5 p.p. reduction from the 41.6% recorded at the close of 3Q17. This decline was caused by the federal government's decision to reduce the number of vacancies in the FIES program as of 2015, with a further decrease as of 2018.

As of April 2015, the Company redesigned its student financing plans, offering new student financing products through PraValer, one of Brazil's largest private programs, and the re-launch of Educred, the Company's own student loan program, which enables students to pay a portion of their semiannual tuition after they graduate or drop out. With these changes in private financing alternatives, approximately 2,900 of enrolled students had student financing at the close of 3Q18, 10.0% more than in the same period in 2017, when 2,700 students had student financing (1,200 of whom via PraValer). It is worth mentioning that the total number of students with Educred and Pravaler came to approximately 7,000 in 3Q18, equivalent to 5.7% of the on-campus undergraduate student base.

Organic Growth

In 3Q18, 30 new courses were authorized, giving a total of 1,570, while the number of places in certain courses also increased. As a result, in September 2018, the Company had approximately 939,000 places per year, 584,300 of which in the distance learning segment. Ser Educacional moved on with its organic growth strategy based on the accreditation of new units and distance learning centers, as well as the authorization of new courses.

FINANCIAL PERFORMANCE

Gross Revenue

Gross Revenue - Accounting (R$ '000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
Gross Operating Revenue	**450,430**	**397,516**	**13.3%**	**471,604**	**-4.5%**	**1,359,213**	**1,243,408**	**9.3%**
Undergraduate Monthly Tuition	420,032	373,984	12.3%	442,195	-5.0%	1,272,235	1,179,986	7.8%
Graduate Monthly Tuition	7,582	6,747	12.4%	6,968	8.8%	21,789	17,991	21.1%
Vocational Courses Revenues	434	153	183.4%	404	7.4%	1,119	786	42.4%
Distance Learning Revenues	17,771	9,319	90.7%	18,927	-6.1%	52,303	23,424	123.3%
Others	4,611	3,870	19.2%	3,110	48.3%	11,767	11,790	-0.2%
Interest on Tuition*	-	3,443	-100.0%	-	0.0%	-	9,431	-100.0%
Deductions from Gross Revenue	**(164,427)**	**(101,343)**	**62.2%**	**(132,437)**	**24.2%**	**(416,794)**	**(306,187)**	**36.1%**
Discounts and Scholarships	(101,347)	(45,283)	123.8%	(66,886)	51.5%	(230,743)	(135,456)	70.3%
PROUNI	(45,513)	(35,290)	29.0%	(43,367)	4.9%	(126,232)	(103,938)	21.4%
FGEDUC And FIES charges	(8,172)	(10,668)	-23.4%	(10,268)	-20.4%	(27,557)	(33,474)	-17.7%
Taxes	(9,395)	(10,102)	-7.0%	(11,916)	-21.2%	(32,262)	(33,319)	-3.2%
% Discounts and Scholarships/ Net Oper. Rev.	*22.5%*	*11.4%*	*11.1 p.p.*	*14.2%*	*8.3 p.p.*	*17.0%*	*10.9%*	*6.1 p.p.*
Net Operating Revenue	**286,003**	**296,173**	**-3.4%**	**339,167**	**-15.7%**	**942,419**	**937,221**	**0.6%**

Interest on monthly tuition was reclassified from the "Interest on Tuition and Agreements" line of the Company's financial result in order to allow comparisons after the adoption of IFRS 15. This reclassification is not audited.

In 3Q18, gross revenue totaled R$450.4 million, up 13.3% over 3Q17, mainly fueled by a higher average ticket, with a pass-through of approximately 7% and a better course mix.

For the same reasons, gross revenue in the on-campus undergraduate segment rose 12.3% year on year, reaching R$420.0 million in 3Q18 and accounting for 93.3% of the total.

The graduate segment recorded revenue of R$7.6 million in 3Q18, or 1.7% of the total, up 12.4% over 3Q17, despite the reduction in the on-campus graduate student base, due to a change in the Company's commercial practices and criteria, as mentioned in the "Graduate student intake" section, partially offset by the 79.5% increase in the distance learning graduate student base over 3Q17, leading to a 3.5% upturn in the total graduate student base.

Distance learning, a segment in which the Company began operating in 2014, already accounted for 3.9% of total revenue, or R$17.8 million, up 90.7% over 3Q17, reflecting the 48.8% year-on-year growth in the segment's undergraduate and graduate student base. The distance learning student base has been growing substantially and consistently since 2015, mainly due to the addition of 119 centers with student intake as of 3Q17, totaling 209 centers in 3Q18.

Deductions from gross revenue climbed 62.2% in the quarter, fueled by the increase in sales discounts and scholarships, as part of the intake strategy adopted for the semester, in which the Company carried out a pass-through of approximately 7% and offered sales discounts to attract new students, as well as by growth in the PROUNI student base over the last 12 months, an improvement in the course mix, and the pass-through to the average ticket in this segment.

As a result of the factors mentioned above, net revenue fell 3.4%, from R$296.2 million in 3Q17, already considering the reclassification of revenue from interest on monthly tuitions from financial income to gross revenue, in accordance with IFRS 15, effective as of January 2018, to R$286.0 million in 3Q18.

Cost of Services Rendered

Breakdown of Cost of Services Rendered[1] Accounting (R$ '000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
Cash Cost of Services Rendered	**(122,981)**	**(118,757)**	**3.6%**	**(141,669)**	**-13.2%**	**(392,616)**	**(372,403)**	**5.4%**
Payroll and Charges	(88,561)	(85,504)	3.6%	(103,752)	-14.6%	(284,068)	(273,738)	3.8%
Rent	(17,362)	(19,894)	-12.7%	(18,955)	-8.4%	(56,535)	(57,619)	-1.9%
Concessionaires (Electricity, Water and Telephone)	(8,936)	(7,296)	22.5%	(9,344)	-4.4%	(27,481)	(23,273)	18.1%
Third-Party Services and Others	(8,122)	(6,063)	34.0%	(9,618)	-15.6%	(24,532)	(17,773)	38.0%

[1] Excluding depreciation and amortization.

The cash cost of services rendered (excluding depreciation and amortization) totaled R$123.0 million in 3Q18, 3.6% more than in 3Q17. The main components of this line moved up in 3Q18, mainly for the following reasons:

a) Payroll and charges grew 3.6% over 3Q17, mainly due to a teachers' collective bargaining agreement during the second half of 2017 and the non-recurring effect of severance pay in the amount of R$7.2 million, mainly referring to the Company's operational improvements related to the adjustment of the faculty to the current on-campus student base. This effect is easier to see when we analyze the table below, which shows the managerial result excluding this non-recurring effect, with a 1.9% decrease in the payroll and charges line.

b) Rent decreased by 12.7%, from R$19.9 million in 3Q17 to R$17.4 million in 3Q18, mainly due to the reduction in the number of leased properties and renegotiation of existing contracts, as a result of the action plan implemented this year to adjust the Company's costs and expenses.

c) Concessionaires (electricity, water and telephone) moved up 22.5%, from R$7.3 million in 3Q17 to R$8.9 million in 3Q18, due to the higher number of new campuses in operation and the increase in the average electricity bill due to the adoption of the red flag tariff, especially in the Northeastern region.

d) Third-party Services and Others rose 34.0%, from R$6.1 million in 3Q17 to R$8.1 million in 3Q18, due to the hiring of a larger number of service providers, mainly to support health courses (preceptorship and practical classes), as well as costs related to licenses for distance learning courses and online modules for on-campus students, as well as the transfer of tuition revenue to partner centers.

The table below shows managerial operating costs, which are adjusted for non-recurring effects.

Breakdown of Cost of Services Rendered[1] Adjusted (R$ '000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
Cash Cost of Services Rendered	**(115,766)**	**(116,150)**	**-0.3%**	**(136,341)**	**-15.1%**	**(378,375)**	**(365,984)**	**3.4%**
Payroll and Charges	(81,346)	(82,897)	-1.9%	(98,424)	-17.4%	(269,827)	(267,319)	0.9%
Rent	(17,362)	(19,894)	-12.7%	(18,955)	-8.4%	(56,535)	(57,619)	-1.9%
Concessionaires (Electricity, Water and Telephone)	(8,936)	(7,296)	22.5%	(9,344)	-4.4%	(27,481)	(23,273)	18.1%
Third-Party Services and Others	(8,122)	(6,063)	34.0%	(9,618)	-15.6%	(24,532)	(17,773)	38.0%

[1] Excluding depreciation and amortization.

Gross Profit

Gross Profit - Accounting (R$ '000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
Net Operating Revenue	**286,003**	**296,173**	**-3.4%**	**339,167**	**-15.7%**	**942,419**	**937,221**	**0.6%**
Cost of Services Rendered	(134,946)	(129,146)	4.5%	(153,212)	-11.9%	(427,029)	(401,281)	6.4%
Gross Profit	**151,057**	**167,027**	**-9.6%**	**185,955**	**-18.8%**	**515,390**	**535,940**	**-3.8%**
Gross Margin	52.8%	56.4%	-3.6 p.p.	54.8%	-2.0 p.p.	54.7%	57.2%	-2.5 p.p.
(-) Depreciation	11,965	10,389	15.2%	11,543	3.7%	34,413	28,878	19.2%
Cash Gross Profit	**163,022**	**177,416**	**-8.1%**	**197,498**	**-17.5%**	**549,803**	**564,818**	**-2.7%**
Cash Gross Margin	57.0%	59.9%	-2.9 p.p.	58.2%	-1.2 p.p.	58.3%	60.3%	-1.9 p.p.

Comparable cash gross profit fell 8.1%, from R$177.4 million in 3Q17 to R$163.0 million in 3Q18. The cash gross margin stood at 57.0% in 3Q18, down 2.9 p.p. from 59.9% in 3Q17, due to the cost and expense reduction plan implemented in 2Q18, the 6.1% year-on-year reduction in the on-campus student base, the increase in the concessionaires line, the start-up of newly accredited operations and non-recurring costs.

The table below shows gross profit adjusted for the main non-recurring cost effects:

Gross Profit - Adjusted (R$ '000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
Net Operating Revenue	**286,003**	**296,173**	**-3.4%**	**339,167**	**-15.7%**	**942,419**	**937,221**	**0.6%**
Cost of Services Rendered	(127,731)	(126,539)	0.9%	(147,884)	-13.6%	(412,788)	(394,862)	4.5%
Adjusted Gross Profit	**158,272**	**169,634**	**-6.7%**	**191,283**	**-17.3%**	**529,631**	**542,358**	**-2.3%**
Adjusted Gross Margin	55.3%	57.3%	-1.9 p.p.	56.4%	-1.1 p.p.	56.2%	57.9%	-1.7 p.p.
(-) Depreciation	11,965	10,389	15.2%	11,543	3.7%	34,413	28,878	19.2%
Adjusted Cash Gross Profit	**170,237**	**180,023**	**-5.4%**	**202,826**	**-16.1%**	**564,044**	**571,236**	**-1.3%**
Adjusted Cash Gross Margin	59.5%	60.8%	-1.3 p.p.	59.8%	-0.3 p.p.	59.9%	61.0%	-1.1 p.p.

Operating Expenses (Selling, General and Administrative)

Operating Expenses - Accounting (R$ '000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
General and Administrative Expenses	**(97,869)**	**(111,059)**	**-11.9%**	**(104,939)**	**-6.7%**	**(321,779)**	**(289,550)**	**11.1%**
Payroll and Charges	(35,630)	(35,063)	1.6%	(36,538)	-2.5%	(107,278)	(98,002)	9.5%
Third-Party Services	(8,767)	(7,507)	16.8%	(8,238)	6.4%	(25,209)	(22,475)	12.2%
Advertising	(14,134)	(27,794)	-49.1%	(16,486)	-14.3%	(66,391)	(64,360)	3.2%
Materials	(3,510)	(4,747)	-26.1%	(4,466)	-21.4%	(13,424)	(13,748)	-2.4%
PDA	(18,321)	(14,929)	22.7%	(21,880)	-16.3%	(55,890)	(37,401)	49.4%
Others	(10,633)	(14,644)	-27.4%	(10,798)	-1.5%	(33,701)	(34,659)	-2.8%
Depreciation and Amortization	(6,874)	(6,375)	7.8%	(6,533)	5.2%	(19,886)	(18,905)	5.2%
Operating Income	**52,128**	**56,341**	**-7.5%**	**80,415**	**-35.2%**	**192,912**	**246,616**	**-21.8%**
General and Administrative Expenses (Ex-Depreciation and Amortization)	**(90,995)**	**(104,684)**	**-13.1%**	**(98,406)**	**-7.5%**	**(301,893)**	**(270,645)**	**11.5%**

General and administrative expenses fell 11.9%, from R$111.1 million in 3Q17 to R$97.9 million in 3Q18, mainly due to:

a) Payroll and charges, which increased 1.6% over 3Q17, fueled by the collective bargaining agreement with the administrative staff and non-recurring severance pay of R$2.4 million related to the optimization and adjustment of the administrative structure to support the Company's current student base. This effect is easier to see when we analyze the table below, which shows the managerial analysis of the payroll and charges line, down 3.3% from 3Q17.

b) Third-party services, which moved up 16.8%, from R$7.5 million in 3Q17 to R$8.8 million in 3Q18, mainly due to the engagement of a consulting firm to carry out the Ser Digital project, which produced a non-recurring effect of R$1.5 million in the quarter. The project has long-term strategic objective to prepare the Company's digital transformation in order to improve the students' experience in all stages of the learning process and contact with the Company's educational institutions. In 3Q18, non-recurring expenses totaled approximately R$0.9 million related to completed or ongoing M&A transactions. Excluding these non-recurring effects, the Rendered Services showed a reduction of 8.7% in the comparison of quarters.

c) Advertising expenses, which fell 49.1% from 3Q17 and 14.3% from 2Q18, representing 4.9% of net revenue, in line with 2Q18 and 6.4 p.p. down from 11.3% in 1Q18. The decline compared with 1Q18 already reflects the change announced in the 2018 action plan, which included, in addition to the reduction in institutional marketing volume, a downturn in general expenses in cities such as Salvador, Maceió, João Pessoa and Fortaleza, due to the withdrawal of the Joaquim Nabuco brand from these markets, in order to focus efforts on the UNINASSAU brand.

d) The provision for doubtful accounts, which moved up 22.7%, from R$14.9 million in 3Q17 to R$18.3 million in 3Q18, reflecting the increase in default-related dropout rates in 3Q18 as a result of Brazil's current economic scenario.

e) Materials, which fell 26.1%, from R$4.7 million in 3Q17 to R$3.5 million in 3Q18, due to the expense reduction plan, which led to a downturn in these expenses in existing operations, and a decline in accreditation of new courses and units.

f) Other expenses, which decreased 27.4%, from R$14.6 million to R$10.6 million in 3Q18, following a decline in accreditation of new courses and units, given the changes to the unit opening schedule, which generated a backlog of openings for 2019 and 2020.

The table below shows managerial general and administrative expenses, adjusted for non-recurring effects.

Operating Expenses - Adjusted (R$ '000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
General and Administrative Expenses	**(92,909)**	**(108,940)**	**-14.7%**	**(96,890)**	**-4.1%**	**(305,845)**	**(283,973)**	**7.7%**
Payroll and Charges	(33,260)	(34,395)	-3.3%	(30,421)	9.3%	(98,090)	(93,876)	4.5%
Third-Party Services	(6,286)	(6,882)	-8.7%	(6,407)	-1.9%	(19,980)	(21,850)	-8.6%
Advertising	(14,134)	(27,794)	-49.1%	(16,486)	-14.3%	(66,391)	(64,360)	3.2%
Materials	(3,510)	(4,747)	-26.1%	(4,466)	-21.4%	(13,424)	(13,748)	-2.4%
PDA	(18,321)	(14,929)	22.7%	(21,880)	-16.3%	(55,890)	(37,401)	49.4%
Others	(10,523)	(13,818)	-23.8%	(10,697)	-1.6%	(32,183)	(33,833)	-4.9%
Depreciation and Amortization	(6,874)	(6,375)	7.8%	(6,533)	5.2%	(19,886)	(18,905)	5.2%
Adjusted Operating Income	**64,303**	**61,067**	**5.3%**	**93,791**	**-31.4%**	**223,087**	**258,612**	**-13.7%**
General and Administrative Expenses (Ex-Depreciation and Amortization)	**(86,035)**	**(102,565)**	**-16.1%**	**(90,357)**	**-4.8%**	**(285,959)**	**(265,068)**	**7.9%**

EBITDA and Adjusted EBITDA

EBITDA (R$ '000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
EBITDA[1]	**70,967**	**73,105**	**-2.9%**	**98,491**	**-27.9%**	**247,211**	**294,399**	**-16.0%**
EBITDA Margin	24.8%	24.7%	0.1 p.p.	29.0%	-4.2 p.p.	26.2%	31.4%	-5.2 p.p.
(+) Revenue from Interest on Agreements and Others[2]	1,995	7,387	-73.0%	3,399	-41.3%	10,987	13,056	-15.9%
(+) Non-recurring costs and expenses[3]	12,175	4,726	157.6%	13,376	-9.0%	30,175	11,996	151.5%
Payroll	9,584	3,275	192.7%	11,444	-16.3%	23,429	10,545	122.2%
Cost	7,215	2,607	176.7%	5,328	35.4%	14,241	6,419	121.9%
Expense	2,370	668	254.8%	6,117	-61.3%	9,188	4,126	122.7%
Third-Party Services	2,481	625	296.9%	1,831	35.5%	5,229	625	736.6%
Expense	*2,481*	*625*	*296.9%*	*1,831*	*35.5%*	*5,229*	*625*	*736.6%*
Other Expenses / Other Net Operating Expenses	110	826	-86.7%	101	8.6%	1,518	826	83.8%
(-) Minimum rent paid[4]	(9,750)	(9,750)	0.0%	(9,750)	0.0%	(29,250)	(29,250)	0.0%
Adjusted EBITDA[5]	**75,387**	**75,468**	**-0.1%**	**105,516**	**-28.6%**	**259,123**	**290,201**	**-10.7%**
Adjusted EBITDA Margin	26.4%	25.5%	0.9 p.p.	31.1%	-4.8 p.p.	27.5%	31.0%	-3.5 p.p.

1. EBITDA is not an official accounting measurement.
2. Revenue from interest on agreements and others comprises our net financial result arising from revenue from interest and fines on tuitions corresponding to financial charges on renegotiated and overdue tuition fees.
3. Non-recurring costs and expenses are mainly related to costs and expenses from mergers and acquisitions, severance expenses arising from the workforce optimization process and the Ser Digital project, which would not affect normal cash flow.
4. Minimum rent refers to rental agreements recorded under financial leasing in accordance with CPC 6. The expenses from such leasing are not recorded under EBITDA, but are part of adjusted EBITDA.
5. Adjusted EBITDA corresponds to EBITDA plus (a) financial revenue from fines and interest on tuition, (b) non-recurring costs and expenses, and (c) minimum rent paid.

Cash generation measured by adjusted EBITDA amounted to R$75.4 million in 3Q18, in line with the R$75.5 million posted in 3Q17. The adjusted EBITDA margin closed 3Q18 at 26.4%, versus 25.5% in 3Q17, including comparable net revenue.

In 3Q18, the adjusted EBITDA margin remained virtually in line with 3Q17, mainly driven by the positive result of the action plan implemented since 2Q18 in order to optimize the cost and expense structure based on the Company's current student base, which in turn was able to mitigate the effects of the investment in the opening of new units and an expansion in the number of distance learning centers in the period, from 119 to 209, as well as an increase in the provision for doubtful accounts due to the deterioration of the economic scenario, leading to higher default rates.

Adjusted EBITDA Excluding Organic Expansion

Result excluding new units and Distance Learning (R$ ('000))	3Q18				9M18			
	Consolidated	New units and Distance Learning (1)*	Consolidated ex-new units and Distance Learning*	Consolidated ex-new units and Distance Learning Change	Consolidated	New units and Distance Learning (1)*	Consolidated ex-new units and Distance Learning*	Consolidated ex-new units and Distance Learning Change
Net Revenue	286,003	17,337	268,666	-6.1%	942,419	58,453	883,966	-6.2%
Adjusted Cash Gross Profit	170,237	5,901	164,335	-3.5%	549,803	21,837	527,966	-4.0%
Adjusted Cash Gross Margin	*59.5%*	*34.0%*	*61.2%*	*1.0 p.p.*	*58.3%*	*37.4%*	*59.7%*	*1.0 p.p.*
Adjusted EBITDA	75,387	(2,220)	77,607	2.9%	259,123	(26,568)	285,692	10.3%
Adjusted EBITDA Margin	*26.4%*	*-12.8%*	*28.9%*	*2.5 p.p.*	*27.5%*	*-45.5%*	*32.3%*	*4.8 p.p.*

(1) Expansion units: Garanhuns, Maceió (Nabuco), João Pessoa (Nabuco), Mossoró, Juazeiro do Norte, Maracanaú, Porto Velho, Arapiraca, Marabá, Ananindeua, Boa Vista, Rio Branco, Anápolis, Sobral, Cabo de Santo Agostinho, Petrolina, Jaboatão dos Guararapes, Feira de Santana, Fortaleza (Nabuco), Rio de Janeiro and Belo Horizonte.

* Result allocations are not audited.

The table above presents the results excluding on-campus units operating for two years or less and long-distance Lear activities, which have been recording an increasing number of distance learning centers and the launch of brands in this segment.

In 3Q18, the table shows that the new operations are generating negative adjusted EBITDA of R$2.2 million, with an impact of 2.5 p.p. in the Company's consolidated adjusted EBITDA margin, which increased from 26.4% to 28.9% excluding organic growth initiatives. In 9M18, the new operations generated negative adjusted EBITDA of R$26.6 million, with an impact of 4.8 p.p. in the Company's consolidated adjusted EBITDA margin, which increased from 27.5% to 32.3% excluding organic growth initiatives.

Financial Result

Financial Result - Accounting (R$ '000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
(+) Financial Revenue	**15,767**	**18,820**	**-16.2%**	**17,544**	**-10.1%**	**55,951**	**50,196**	**11.5%**
Interest on Agreements and Others*	1,995	7,387	-73.0%	3,399	-41.3%	10,987	13,056	-15.9%
Returns on Financial Investments	15,186	9,656	57.3%	12,715	19.4%	41,601	29,114	42.9%
Others	(1,414)	1,777	N.M.	1,430	N.M.	3,363	8,026	-58.1%
(-) Financial Expenses	**(28,710)**	**(27,446)**	**4.6%**	**(23,800)**	**20.6%**	**(75,871)**	**(104,112)**	**-27.1%**
Interest Expenses	(5,813)	(7,974)	-27.1%	(5,396)	7.7%	(17,657)	(29,034)	-39.2%
Interest on Leasing	(8,232)	(8,407)	-2.1%	(8,278)	-0.6%	(24,832)	(25,339)	-2.0%
Discounts Granted	(10,638)	(4,707)	126.0%	(5,835)	82.3%	(19,833)	(27,355)	-27.5%
Monetary Variation Expenses	(2,572)	(3,503)	-26.6%	(2,454)	4.8%	(7,825)	(10,468)	-25.2%
Others	(1,454)	(2,855)	-49.1%	(1,837)	-20.8%	(5,723)	(11,916)	-52.0%
Financial Result	**(12,943)**	**(8,626)**	**50.1%**	**(6,256)**	**106.9%**	**(19,920)**	**(53,916)**	**-63.1%**

Interest on monthly tuition was reclassified from the "Interest on Tuition and Agreements" line of the Company's financial result in order to allow comparisons after the adoption of IFRS 15. As from 3Q18 this line was renamed "Interest on Agreements and Others". This reclassification is not audited.

Financial revenue fell 16.2%, from R$18.8 million in 3Q17 to R$15.8 million in 3Q18, driven by:

a) Returns on financial investments, which moved up 57.3%, due to higher cash volume following the capital increase and the second debenture issue in 4Q17.

b) Interest on agreements and others, which declined 73.0%, from R$7.4 million in 3Q17 to R$2.0 million in 3Q18, due to lower interest rates in re-enrollment agreements, which, on the one hand, reduced recognized interest, but, on the other, led to an increase in operating cash generation in 3Q18.

c) Others, under financial revenue, which went from a positive R$1.8 million in 3Q17 to a negative R$1.4 million in 3Q18, since the federal government paid the last installment of the agreement for the settlement of unpaid FIES amounts related to 2015 (PN 23), which in turn had two effects: (i) the end of recognition of monetary restatement related to this debt, given that it was settled; and (ii) a non-recurring effect totaling R$1.5 million arising from the reversal of monetary restatement recognized since 2016, due to a difference in the calculation methods used by the Company and the FNDE verified at the time of the settlement, which resulted in the need to reverse this amount.

Financial expenses came to R$28.7 million in 3Q18, up 4.6% from R$27.4 million in 3Q17, primarily due to:

a) Interest expenses, which fell 27.1%, from 8.0 million in 3Q17 to 5.8 million in 3Q18, basically due to a reduction in net debt and Brazilian interest rates.

b) Discounts granted, which grew 126.0%, from R$4.7 million in 3Q17 to R$10.6 million in 3Q18, driven by the higher volume of renegotiations in the re-enrollment process and negotiated agreements with students in arrears for more than 180 days.

c) Monetary variation expenses, mostly related to the payment commitments from the acquisition of UNG, fell 26.6%, from R$3.5 million in 3Q17 to R$2.6 million in 3Q18, due to the amortization of the balance of payment commitments and lower inflation rates.

As a result of the factors mentioned above, the net financial result was an expense of R$12.9 million in 3Q18, versus an expense of R$8.6 million in 3Q17, up 50.1%. Net of non-recurring effects, this increase was 32.2%.

The table below presents the managerial financial result, adjusted for non-recurring effects from other financial revenue and interest expenses.

Financial Result - Adjusted (R$ '000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
(+) Financial Revenue	**17,308**	**18,820**	**-8.0%**	**17,544**	**-1.3%**	**57,492**	**50,196**	**14.5%**
Interest on Agreements and Others	1,995	7,387	-73.0%	3,399	-41.3%	10,987	13,056	-15.9%
Returns on Financial Investments	15,186	9,656	57.3%	12,715	19.4%	41,601	29,114	42.9%
Others	127	1,777	-92.8%	1,430	-91.1%	4,904	8,026	-38.9%
(-) Financial Expenses	**(28,710)**	**(27,446)**	**4.6%**	**(23,800)**	**20.6%**	**(75,871)**	**(104,112)**	**-27.1%**
Interest Expenses	(5,813)	(7,974)	-27.1%	(5,396)	7.7%	(17,657)	(29,034)	-39.2%
Interest on Leasing	(8,232)	(8,407)	-2.1%	(8,278)	-0.6%	(24,832)	(25,339)	-2.0%
Discounts Granted	(10,638)	(4,707)	126.0%	(5,835)	82.3%	(19,833)	(27,355)	-27.5%
Monetary Variation Expenses	(2,572)	(3,503)	-26.6%	(2,454)	4.8%	(7,825)	(10,468)	-25.2%
Others	(1,454)	(2,855)	-49.1%	(1,837)	-20.8%	(5,723)	(11,916)	-52.0%
Financial Result	**(11,402)**	**(8,626)**	**32.2%**	**(6,256)**	**82.3%**	**(18,379)**	**(53,916)**	**-65.9%**

Net Income

Net Income - Accounting (R$ 000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
Operating Income	**52,128**	**56,341**	**-7.5%**	**80,415**	**-35.2%**	**192,912**	**246,616**	**-21.8%**
(+) Financial Result	(12,943)	(8,626)	50.1%	(6,256)	106.9%	(19,920)	(53,916)	-63.1%
(+) Income and Soc. Contrib. Taxes	(2,254)	231	N.M.	(1,136)	98.4%	(4,818)	193	N.M.
(+) Deferred Income and Soc. Contrib. Taxes	-	87	-100.0%	-	0.0%	-	260	-100.0%
Net Income (Loss)	**36,931**	**48,033**	**-23.1%**	**73,023**	**-100.0%**	**168,174**	**193,153**	**-12.9%**
Net Margin	12.9%	16.2%	-3.3 p.p.	21.5%	-0.4 p.p.	17.8%	20.6%	-2.8 p.p.

Operating income totaled R$52.1 million in 3Q18, down 7.5% from R$56.3 million in 3Q17, already considering the reclassification of revenue from interest on monthly tuitions, as mentioned in the "Net Revenue" section.

Net income fell 23.1%, from R$48.0 million in 3Q17, to R$36.9 million in 3Q18. Net income adjusted for non-recurring effects dropped 3.7% due to the non-recurring effects of R$13.7 million in the quarter.

The table below shows managerial net income, adjusted for non-recurring effects. It is worth noting that the Company continues to calculate its dividend payments in accordance with the results presented in IFRS.

Net Income - Adjusted (R$ 000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
Operating Income	**64,303**	**61,067**	**5.3%**	**93,791**	**-31.4%**	**223,087**	**258,612**	**-13.7%**
(+) Financial Result	(11,402)	(8,626)	32.2%	(6,256)	82.3%	(18,379)	(53,916)	-65.9%
(+) Income and Soc. Contrib. Taxes	(3,043)	(730)	317.1%	(1,341)	126.9%	(5,701)	(3,581)	59.2%
(+) Deferred Income and Soc. Contrib. Taxes	-	87	-100.0%	-	0.0%	-	260	-100.0%
Adjusted Net Income (Loss)	**49,858**	**51,798**	**-3.7%**	**86,195**	**-100.0%**	**199,007**	**201,375**	**-1.2%**
Adjusted Net Margin	17.4%	17.5%	-0.1 p.p.	25.4%	-0.3 p.p.	21.1%	21.5%	-0.4 p.p.

Accounts Receivable and Average Collection Period

As from 2Q18, the Company began to calculate the estimated loss on doubtful accounts following a model established in IFRS 9 (CPC 48), which records expected losses during the entire cycle of accounts receivable. For a better analysis, the table below presents the average net receivables days for the PDA in order to better reflect the effect of provisioning under IFRS 9 (CPC 48).

Accounts Receivable and Average Receivable Days (R$ '000)	3Q17	4Q17	1Q18	2Q18	3Q18
Gross Accounts Receivable	**462,193**	**394,782**	**474,172**	**504,179**	**355,058**
Monthly tuition fees	81,416	92,106	103,410	128,251	108,744
FIES	273,561	206,600	261,797	265,603	121,970
Negotiated agreements receivable	78,660	70,315	76,379	68,082	71,196
Education credits receivable	14,856	16,857	18,020	26,840	29,819
Credit Card and Others	13,700	8,904	14,566	15,403	23,329
PDA balance	(58,175)	(65,715)	(91,014)	(87,923)	(93,703)
Net Accounts Receivable	**404,018**	**329,067**	**383,158**	**416,256**	**261,355**
Net Revenue (Last 12 Months - FIES+Ex-FIES+Pronatec)	**1,205,190**	**1,231,785**	**1,240,214**	**1,253,141**	**1,246,414**
Net Receivable Days (FIES+Ex-FIES+Pronatec)	121	96	111	120	75
Net Revenue FIES (Last 12 Months)	570,504	578,236	547,631	515,501	474,758
Net Receivable Days (FIES)	173	121	164	174	92
Net Receivable Days (Monthly tuition fees + Negotiated agreements receivable + Education credits receivable)	66	69	62	74	54

The average net receivables days declined 37.5% between 3Q17 and 3Q18, due to the payment, on August 2, 2018, of last installment of the agreement with the federal government for the settlement of unpaid FIES amounts related to 2015 (PN 23), totaling R$137.4 million, and the 12-day reduction in net receivables days from monthly tuition fees, agreements and Educred, from 66 to 54 days.

Aging of Monthly tuition fees (R$ '000)	3Q17	% Chg.	4Q17	% Chg.	3Q18	% Chg.
Overdue by up to 30 day	17,402	21.4%	17,708	19.2%	25,446	23.4%
Overdue from 31 to 60 days	8,322	10.2%	13,493	14.6%	11,741	10.8%
Overdue from 61 to 90 days	4,650	5.7%	12,419	13.5%	4,018	3.7%
Overdue from 91 to 180 days	23,874	29.3%	20,041	21.8%	34,197	31.4%
Overdue more than 180 days	27,168	33.4%	28,445	30.9%	33,342	30.7%
TOTAL	**81,416**	**100.0%**	**92,106**	**100.0%**	**108,744**	**100.0%**
% of Gross Accounts Receivable	17.6%		23.3%		30.6%	

Aging of Negotiated Agreements (R$ '000)	3Q17	% Chg.	4Q17	% Chg.	3Q18	% Chg.
Not yet due	30,068	38.2%	14,744	21.0%	31,183	43.8%
Overdue by up to 30 day	9,323	11.9%	6,756	9.6%	8,938	12.6%
Overdue from 31 to 60 days	5,679	7.2%	6,720	9.6%	4,783	6.7%
Overdue from 61 to 90 days	3,582	4.6%	6,368	9.1%	2,793	3.9%
Overdue from 91 to 179 days	14,146	18.0%	14,502	20.6%	10,022	14.1%
Overdue more than 180 days	15,862	20.2%	21,225	30.2%	13,477	18.9%
TOTAL	**78,660**	**100.0%**	**70,315**	**100.0%**	**71,196**	**100.0%**
% of Gross Accounts Receivable	17.0%		17.8%		20.1%	

The total increase in tuition fees and agreements receivable as a percentage of gross accounts receivable was due to an upturn in net revenue from tuition fees, agreements and Educred, as the FIES student base fell from 41.6% in 3Q17 to 32.1% in 3Q18.

The table below shows the evolution of our PDA from December 31, 2017 to September 30, 2018:

Constitution of Provision for Doubtful Accounts in the Income Statement (R$ '000)	12/31/2017	Adoption of CPC 48	Gross Increase in Provision for Doubtful Accounts	Write-off	09/30/2018
Total	65,715	25,757	55,890	(53,659)	93,703

Due to the adoption of IFRS 9 (CPC48), on January 1, 2018, the Company added an amount of R$25.8 million in the balance of this provision recorded in current assets on December 31, 2017, as a counterpart to the equity, as provided by CPC 48.

Investments (CAPEX)

CAPEX (R$ ('000))	9M18	% of Total	9M17	% of Total
CAPEX Total	**70,475**	**100.0%**	**89,057**	**100.0%**
Property acquisition / Construction / Maintenance of campuses	29,807	42.3%	42,219	47.4%
Equipment / Library / IT	31,909	45.3%	35,973	40.4%
MEC Licenses	2,324	3.3%	3,558	4.0%
Software Licenses	2,274	3.2%	4,829	5.4%
Partnerships	1,220	1.7%	184	0.2%
Intangibles and Others	2,941	4.2%	2,294	2.6%
Acquisitions Debt Payment	**37,324**		**38,549**	
Total CAPEX + Acquisitions Payables	**107,799**		**127,606**	

In the first nine months of 2018, the Company invested R$29.8 million in the renovation of campuses, mainly in the cities of Recife, Caruaru, Fortaleza, Rio de Janeiro, Guarulhos and Olinda. Acquisitions of equipment, library and IT consumed R$31.9 million, mostly allocated to the purchase of IT and labs equipment, books and journals for the libraries of the operational units.

A total of R$37.3 million in debt payments related to previous acquisitions (payment commitments) recorded under cash flow with investment activities was mostly allocated to the payment of the UNG acquisition.

Indebtedness

Indebtedness (R$ '000)	09/30/2018	12/31/2017	% Chg. Sep18 x Dec17	09/30/2017	% Chg. Sep18 x Sep17
Cash, Cash equivalents and Securities	**976,322**	**911,713**	**7.1%**	**425,826**	**129.3%**
Gross debt	**(430,275)**	**(459,146)**	**-6.3%**	**(427,111)**	**0.7%**
Loans and financing	(315,488)	(314,860)	0.2%	(286,458)	10.1%
Short term	(133,566)	(29,205)	357.3%	(94,845)	40.8%
Long term	(181,922)	(285,655)	-36.3%	(191,613)	-5.1%
Aquisitions Payables*	(114,787)	(144,286)	-20.4%	(140,653)	-18.4%
Net debt	**546,047**	**452,567**	**20.7%**	**(1,285)**	**N.M.**
Net debt / Adjusted EBITDA (LTM)	(1.82)	(1.37)		0.00	

* Acquisitions payables refer to acquisition scheduled payments

Cash and cash equivalents totaled R$976.3 million, up 7.1% on December 2017, mainly due to higher operating cash generation, partially offset by an increase in dividend payments, to R$58million and the share buyback plan, which amounted to R$47.3 million, both in 9M18. The upturn in cash and cash equivalents over September 2017, was also fueled by a R$393.4 million capital increase.

The Company's gross debt basically reflects commitments related to the acquisitions and the issue of two long-term debts with the following characteristics: (i) financing from the IFC over seven years, totaling R$120.0 million at the CDI+2.05% p.a., payable semi-annually as of April 15, 2017 and maturing on April 15, 2022, (ii) the Company's 2nd issue of simple, unsecured non-convertible debentures in two series, of which 100,000 Debentures in the First Series and 100,000 Debentures in the Second Series. The First Series Debentures will earn interest of 100% of the average daily rate of interbank deposits, plus a spread of 0.65% per year, based on 252 business days, maturing on September 15, 2019. The Second Series Debentures will earn interest of 100% of the average daily rate of interbank deposits, plus a spread of 1.35% per year, based on 252 business days, maturing on September 15, 2021. The Debentures have a unit face value of R$1,000.00 as of the date of issue, totaling R$200,000,000.00.

Grupo Ser Educacional closed September 2017 with gross debt of R$430.3 million, down 6.3% from R$459.1 million on December 31, 2017, due to the settlement of payment commitments in the amount of R$37.3 million this quarter. In 3Q18, the Company's net cash amounted to R$546.0 million against net debt of R$1.3 million in 3Q17.

Debt Amortization Schedule (R$ '000)	Loans and Financing	A.V. (%)	Aquisitions Payables	A.V. (%)	Debentures	A.V. (%)	Total	A.V. (%)
Short Term	**27,119**	**26.5%**	**81,379**	**70.9%**	**106,447**	**49.9%**	**214,945**	**50.0%**
Total Long Term	**75,157**	**73.5%**	**33,408**	**29.1%**	**106,765**	**50.1%**	**215,330**	**50.0%**
1-2 years	23,530	23.0%	33,408	29.1%	53,382	25.0%	110,320	25.6%
2-3 years	23,530	23.0%	-	0.0%	53,383	25.0%	76,913	17.9%
3-4 years	23,542	23.0%	-	0.0%	-	0.0%	23,542	5.5%
4-5 years	1,952	1.9%	-	0.0%	-	0.0%	1,952	0.5%
After five years	2,603	2.5%	-	0.0%	-	0.0%	2,603	0.6%
Total Loans, Financing and Acquisitions payables	**102,276**	**100.0%**	**114,787**	**100.0%**	**213,212**	**100.0%**	**430,275**	**100.0%**

In regard to the debt payment schedule, 50.0% corresponds to short-term debt, showing that the Company has adequate debt amortization terms, as well as a comfortable level of financial leverage.

Cash Flow

Cash Flow (R$ '000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
Cash flow from operating activities						
Net cash from operating activities	233,660	143,725	62.6%	330,495	314,662	5.0%
(-) Cash flow allocated to investing activities	(22,084)	(25,928)	-14.8%	(107,799)	(127,607)	-15.5%
(+) Securities	(85,159)	13,158	-747.2%	14,288	78,109	-81.7%
(+) Cash flow allocated to financing activities	(40,167)	(32,688)	22.9%	(124,224)	(96,578)	28.6%
Financing Actvities	(19,482)	(32,688)	-40.4%	(65,692)	(62,344)	5.4%
Dividends	(20,685)	-	0.0%	(58,532)	(34,234)	71.0%
(+) Interest on loans	(8,232)	1,061	-875.9%	(29,134)	(59,598)	-51.1%
(+) Income and social contribution taxes paid	(1,826)	(1,659)	10.1%	(4,729)	(4,636)	2.0%
Increase in cash and cash equivalents	**76,192**	**97,669**	**-22.0%**	**78,897**	**104,352**	**-24.4%**
Net increase in cash and cash equivalents						
Beginning of period	281,991	68,719	310.4%	279,286	62,036	350.2%
End of period	358,183	166,388	115.3%	358,183	166,388	115.3%
Increase in cash and cash equivalents	**76,192**	**97,669**	**-22.0%**	**78,897**	**104,352**	**-24.4%**
Cash and Securities changes	**161,351**	**84,511**	**90.9%**	**64,609**	**26,243**	**146.2%**
Beginning of period	814,971	341,315	138.8%	911,713	399,583	128.2%
End of period	976,322	425,826	129.3%	976,322	425,826	129.3%

Operating cash generation increased from R$143.7 million in 3Q17 to R$233.7 million in 3Q18, mainly due to the last installment of the agreement with the federal government for the settlement of unpaid FIES amounts related to 2015 (PN 23), totaling R$137.4 million this quarter. Excluding the effects of the paid installments of the agreement with the federal government (R$137.4 million in 3Q18 and R$66.0 million in 3Q17), operating cash generation increased 23.8%, from R$77.7 million in 3Q17 to R$96.3 million in 3Q18, mainly due to an upturn in the collection of overdue tuition fees during the enrollment period and overdue FIES amounts.

ABOUT GRUPO SER EDUCACIONAL

Founded in 2003 and headquartered in Recife, Grupo Ser Educacional (B3 SEER3, Bloomberg SEER3:BZ and Reuters SEER3.SA) is one of the largest private education groups in Brazil and the leader in the Northeast and North regions in terms of number of students enrolled. It offers undergraduate, graduate, vocational and distance learning courses in 26 states and the Federal District, with a consolidated base of approximately 147,000 students. The Company operates under the following brands: UNINASSAU – Centro Universitário Maurício de Nassau, UNINABUCO – Centro Universitário Joaquim Nabuco, Faculdades UNINABUCO, Vocational Schools Joaquim Nabuco and Maurício de Nassau, UNIVERITAS/UNG, UNAMA – Universidade da Amazônia, Faculdade da Amazônia and UNIVERITAS – Centro Universitário Universus Veritas, and Faculdades UNIVERITAS through which it offers more than 1,570 courses.

This earnings release may contain forward-looking statements related to business prospects, estimates of operating and financial results and the growth prospects of Grupo Ser Educacional. These are merely projections and, as such, are solely based on the expectations of the Management of Grupo Ser Educacional. Such forward-looking statements are substantially dependent on external factors, in addition to the risks presented in the disclosure documents filed by Grupo Ser Educacional and are therefore subject to change without prior notice.

ATTACHMENTS - Income Statement (Comparable)

Income Statement - Accounting R$ ('000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
Gross Operating Revenue	**450,430**	**397,516**	**13.3%**	**471,604**	**-4.5%**	**1,359,213**	**1,243,408**	**9.3%**
Undergraduate Monthly Tuition	420,032	373,984	12.3%	442,195	-5.0%	1,272,235	1,179,986	7.8%
Graduate Monthly Tuition	7,582	6,747	12.4%	6,968	8.8%	21,789	17,991	21.1%
Vocational Courses Revenues	434	153	183.4%	404	7.4%	1,119	786	42.4%
Distance Learning Revenues	17,771	9,319	90.7%	18,927	-6.1%	52,303	23,424	123.3%
Others	4,611	3,870	19.2%	3,110	48.3%	11,767	11,790	-0.2%
Interest on Tuition	-	3,443	-100.0%	-	-100.0%	-	9,431	-100.0%
Deductions from Gross Revenue	**(164,427)**	**(101,343)**	**62.2%**	**(132,437)**	**24.2%**	**(416,794)**	**(306,187)**	**36.1%**
Discounts and Scholarships	(101,347)	(45,283)	123.8%	(66,886)	51.5%	(230,743)	(135,456)	70.3%
PROUNI	(45,513)	(35,290)	29.0%	(43,367)	4.9%	(126,232)	(103,938)	21.4%
FGEDUC And FIES charges	(8,172)	(10,668)	-23.4%	(10,268)	-20.4%	(27,557)	(33,474)	-17.7%
Taxes	(9,395)	(10,102)	-7.0%	(11,916)	-21.2%	(32,262)	(33,319)	-3.2%
Net Operating Revenue	**286,003**	**296,173**	**-3.4%**	**339,167**	**-15.7%**	**942,419**	**937,221**	**0.6%**
Cash Cost of Services Rendered	**(134,946)**	**(129,146)**	**4.5%**	**(153,212)**	**-11.9%**	**(427,029)**	**(401,281)**	**6.4%**
Payroll and Charges	(88,561)	(85,504)	3.6%	(103,752)	-14.6%	(284,068)	(273,738)	3.8%
Rent	(17,362)	(19,894)	-12.7%	(18,955)	-8.4%	(56,535)	(57,619)	-1.9%
Concessionaires (Electricity, Water and Telephone)	(8,936)	(7,296)	22.5%	(9,344)	-4.4%	(27,481)	(23,273)	18.1%
Third-Party Services	(8,122)	(6,063)	34.0%	(9,618)	-15.6%	(24,532)	(17,773)	38.0%
Depreciation and Amortization	(11,965)	(10,389)	15.2%	(11,543)	3.7%	(34,413)	(28,878)	19.2%
Managerial Gross Profit	**151,057**	**167,027**	**-9.6%**	**185,955**	**-18.8%**	**515,390**	**535,940**	**-3.8%**
Gross Margin	*52.8%*	*56.4%*	*-3.6 p.p.*	*54.8%*	*-2.0 p.p.*	*54.7%*	*57.2%*	*-2.5 p.p.*
Operating Expenses/Revenue	**(98,929)**	**(110,686)**	**-10.6%**	**(105,540)**	**-6.3%**	**(322,478)**	**(289,324)**	**11.5%**
General and Administrative Expenses	(97,869)	(111,059)	-11.9%	(104,939)	-6.7%	(321,779)	(289,550)	11.1%
Payroll and Charges	(35,630)	(35,063)	1.6%	(36,538)	-2.5%	(107,278)	(98,002)	9.5%
Third-Party Services	(8,767)	(7,507)	16.8%	(8,238)	6.4%	(25,209)	(22,475)	12.2%
Advertising	(14,134)	(27,794)	-49.1%	(16,486)	-14.3%	(66,391)	(64,360)	3.2%
Materials	(3,510)	(4,747)	-26.1%	(4,466)	-21.4%	(13,424)	(13,748)	-2.4%
PDA	(18,321)	(14,929)	22.7%	(21,880)	-16.3%	(55,890)	(37,401)	49.4%
Others	(10,633)	(14,644)	-27.4%	(10,798)	-1.5%	(33,701)	(34,659)	-2.8%
Depreciation and Amortization	(6,874)	(6,375)	7.8%	(6,533)	5.2%	(19,886)	(18,905)	5.2%
Other Operating Expenses/Revenue	(1,060)	373	-384.2%	(601)	76.4%	(699)	226	-409.3%
Managerial Operating Income	**52,128**	**56,341**	**-7.5%**	**80,415**	**-35.2%**	**192,912**	**246,616**	**-21.8%**
Operating Margin	*18.2%*	*19.0%*	*-0.8 p.p.*	*23.7%*	*-5.5 p.p.*	*20.5%*	*26.3%*	*-5.8 p.p.*
(+) Depreciation and Amortization	18,839	16,764	12.4%	18,076	4.2%	54,299	47,783	13.6%
EBITDA	**70,967**	**73,105**	**-2.9%**	**98,491**	**-27.9%**	**247,211**	**294,399**	**-16.0%**
EBITDA Margin	*24.8%*	*24.7%*	*0.1 p.p.*	*29.0%*	*-4.2 p.p.*	*26.2%*	*31.4%*	*-5.2 p.p.*
(+) Non-recurring costs and expenses	12,175	4,726	157.6%	13,376	-9.0%	30,175	11,996	151.5%
(+) Interest on tuition and agreements	1,995	7,387	-73.0%	3,399	-41.3%	10,987	13,056	-15.9%
(-) Minimum rent paid	(9,750)	(9,750)	0.0%	(9,750)	0.0%	(29,250)	(29,250)	0.0%
Adjusted EBITDA	**75,387**	**75,468**	**-0.1%**	**105,516**	**-28.6%**	**259,123**	**290,201**	**-10.7%**
Adjusted EBITDA Margin	*26.4%*	*25.5%*	*0.9 p.p.*	*31.1%*	*-4.8 p.p.*	*27.5%*	*31.0%*	*-3.5 p.p.*
(-) Depreciation and Amortization	(18,839)	(16,764)	12.4%	(18,076)	4.2%	(54,299)	(47,783)	13.6%
Adjusted EBIT	**56,548**	**58,704**	**-3.7%**	**87,440**	**-35.3%**	**204,824**	**242,418**	**-15.5%**
Adjusted EBIT Margin	*19.8%*	*19.8%*	*0.0 p.p.*	*25.8%*	*-6.0 p.p.*	*21.7%*	*25.9%*	*-4.1 p.p.*
Financial Result	(12,943)	(8,626)	50.1%	(6,256)	106.9%	(19,920)	(53,916)	-63.1%
(+) Financial Revenue	15,767	18,820	-16.2%	17,544	-10.1%	55,951	50,196	11.5%
Interest on Agreements and Others	1,995	7,387	-73.0%	3,399	-41.3%	10,987	13,056	-15.9%
Returns on Financial Investments	15,186	9,656	57.3%	12,715	19.4%	41,601	29,114	42.9%
Others	(1,414)	1,777	-179.6%	1,430	-198.9%	3,363	8,026	-58.1%
(-) Financial Expenses	(28,710)	(27,446)	4.6%	(23,800)	20.6%	(75,871)	(104,112)	-27.1%
Interest Expenses	(5,813)	(7,974)	-27.1%	(5,396)	7.7%	(17,657)	(29,034)	-39.2%
Interest on Leasing	(8,232)	(8,407)	-2.1%	(8,278)	-0.6%	(24,832)	(25,339)	-2.0%
Discounts Granted	(10,638)	(4,707)	126.0%	(5,835)	82.3%	(19,833)	(27,355)	-27.5%
Monetary Variation Expenses	(2,572)	(3,503)	-26.6%	(2,454)	4.8%	(7,825)	(10,468)	-25.2%
Others	(1,454)	(2,855)	-49.1%	(1,837)	-20.8%	(5,723)	(11,916)	-52.0%
Income Before Income Taxes	**39,185**	**47,715**	-17.9%	**74,159**	-47.2%	**172,992**	**192,700**	-10.2%
Income and Social Contribution Taxes	(2,254)	318	-808.8%	(1,136)	98.4%	(4,818)	453	-1163.6%
Current	(19,437)	(16,758)	16.0%	(26,098)	-25.5%	(63,941)	(67,139)	-4.8%
Tax Incentive - Prouni	17,183	16,989	1.1%	24,962	-31.2%	59,123	67,332	-12.2%
Deferred	-	87	-100.0%	-	-100.0%	-	260	-100.0%
Consolidated Net Income/Loss	**36,931**	**48,033**	**-23.1%**	**73,023**	**-49.4%**	**168,174**	**193,153**	**-12.9%**
Net Margin	*12.9%*	*16.2%*	*-3.3 p.p.*	*21.5%*	*-8.6 p.p.*	*17.8%*	*20.6%*	*-2.8 p.p.*

Income Statement – Managerial

Income Statement - Adjusted R$ ('000)	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
Gross Operating Revenue	**450,430**	**397,516**	**13.3%**	**471,604**	**-4.5%**	**1,359,213**	**1,243,408**	**9.3%**
Undergraduate Monthly Tuition	420,032	373,984	12.3%	442,195	-5.0%	1,272,235	1,179,986	7.8%
Graduate Monthly Tuition	7,582	6,747	12.4%	6,968	8.8%	21,789	17,991	21.1%
Vocational Courses Revenues	434	153	183.4%	404	7.4%	1,119	786	42.4%
Distance Learning Revenues	17,771	9,319	90.7%	18,927	-6.1%	52,303	23,424	123.3%
Others	4,611	3,870	19.2%	3,110	48.3%	11,767	11,790	-0.2%
Interest on Tuition	-	3,443	-100.0%	-	-100.0%	-	9,431	-100.0%
Deductions from Gross Revenue	**(164,427)**	**(101,343)**	**62.2%**	**(132,437)**	**24.2%**	**(416,794)**	**(306,187)**	**36.1%**
Discounts and Scholarships	(101,347)	(45,283)	123.8%	(66,886)	51.5%	(230,743)	(135,456)	70.3%
PROUNI	(45,513)	(35,290)	29.0%	(43,367)	4.9%	(126,232)	(103,938)	21.4%
FGEDUC And FIES charges	(8,172)	(10,668)	-23.4%	(10,268)	-20.4%	(27,557)	(33,474)	-17.7%
Taxes	(9,395)	(10,102)	-7.0%	(11,916)	-21.2%	(32,262)	(33,319)	-3.2%
Net Operating Revenue	**286,003**	**296,173**	**-3.4%**	**339,167**	**-15.7%**	**942,419**	**937,221**	**0.6%**
Cash Cost of Services Rendered	**(127,731)**	**(126,539)**	**0.9%**	**(147,884)**	**-13.6%**	**(412,788)**	**(394,862)**	**4.5%**
Payroll and Charges	(81,346)	(82,897)	-1.9%	(98,424)	-17.4%	(269,827)	(267,319)	0.9%
Rent	(17,362)	(19,894)	-12.7%	(18,955)	-8.4%	(56,535)	(57,619)	-1.9%
Concessionaires (Electricity, Water and Telephone)	(8,936)	(7,296)	22.5%	(9,344)	-4.4%	(27,481)	(23,273)	18.1%
Third-Party Services	(8,122)	(6,063)	34.0%	(9,618)	-15.6%	(24,532)	(17,773)	38.0%
Depreciation and Amortization	(11,965)	(10,389)	15.2%	(11,543)	3.7%	(34,413)	(28,878)	19.2%
Managerial Gross Profit	**158,272**	**169,634**	**-6.7%**	**191,283**	**-17.3%**	**529,631**	**542,358**	**-2.3%**
Managerial Gross Margin	***55.3%***	***57.3%***	***-1.9 p.p.***	***56.4%***	***-1.1 p.p.***	***56.2%***	***57.9%***	***-1.7 p.p.***
Operating Expenses/Revenue	**(93,969)**	**(108,567)**	**-13.4%**	**(97,491)**	**-3.6%**	**(306,544)**	**(283,747)**	**8.0%**
General and Administrative Expenses	(92,909)	(108,940)	-14.7%	(96,890)	-4.1%	(305,845)	(283,973)	7.7%
Payroll and Charges	(33,260)	(34,395)	-3.3%	(30,421)	9.3%	(98,090)	(93,876)	4.5%
Third-Party Services	(6,286)	(6,882)	-8.7%	(6,407)	-1.9%	(19,980)	(21,850)	-8.6%
Advertising	(14,134)	(27,794)	-49.1%	(16,486)	-14.3%	(66,391)	(64,360)	3.2%
Materials	(3,510)	(4,747)	-26.1%	(4,466)	-21.4%	(13,424)	(13,748)	-2.4%
PDA	(18,321)	(14,929)	22.7%	(21,880)	-16.3%	(55,890)	(37,401)	49.4%
Others	(10,523)	(13,818)	-23.8%	(10,697)	-1.6%	(32,183)	(33,833)	-4.9%
Depreciation and Amortization	(6,874)	(6,375)	7.8%	(6,533)	5.2%	(19,886)	(18,905)	5.2%
Other Operating Expenses/Revenue	(1,060)	373	-384.2%	(601)	76.4%	(699)	226	-409.3%
Managerial Operating Income	**64,303**	**61,067**	**5.3%**	**93,791**	**-31.4%**	**223,087**	**258,612**	**-13.7%**
Managerial Operating Margin	***22.5%***	***20.6%***	***1.9 p.p.***	***27.7%***	***-5.2 p.p.***	***23.7%***	***27.6%***	***-3.9 p.p.***
(+) Depreciation and Amortization	18,839	16,764	12.4%	18,076	4.2%	54,299	47,783	13.6%
EBITDA	**83,142**	**77,831**	**6.8%**	**111,867**	**-25.7%**	**277,386**	**306,395**	**-9.5%**
(+) Interest on tuition and agreements	1,995	7,387	-73.0%	3,399	-41.3%	10,987	13,056	-15.9%
(-) Minimum rent paid	(9,750)	(9,750)	0.0%	(9,750)	0.0%	(29,250)	(29,250)	0.0%
Adjusted EBITDA	**75,387**	**75,468**	**-0.1%**	**105,516**	**-28.6%**	**259,123**	**290,201**	**-10.7%**
Adjusted EBITDA Margin	***26.4%***	***25.5%***	***0.9 p.p.***	***31.1%***	***-4.8 p.p.***	***27.5%***	***31.0%***	***-3.5 p.p.***
(-) Depreciation and Amortization	(18,839)	(16,764)	12.4%	(18,076)	4.2%	(54,299)	(47,783)	13.6%
Adjusted EBIT	**56,548**	**58,704**	**-3.7%**	**87,440**	**-35.3%**	**204,824**	**242,418**	**-15.5%**
Adjusted EBIT Margin	***19.8%***	***19.8%***	***0.0 p.p.***	***25.8%***	***-6.0 p.p.***	***21.7%***	***25.9%***	***-4.1 p.p.***
Financial Result	(11,402)	(8,626)	32.2%	(6,256)	82.3%	(18,379)	(53,916)	-65.9%
(+) Financial Revenue	17,308	18,820	-8.0%	17,544	-1.3%	57,492	50,196	14.5%
Interest on Agreements and Others	1,995	7,387	-73.0%	3,399	-41.3%	10,987	13,056	-15.9%
Returns on Financial Investments	15,186	9,656	57.3%	12,715	19.4%	41,601	29,114	42.9%
Others	127	1,777	-92.8%	1,430	-91.1%	4,904	8,026	-38.9%
(-) Financial Expenses	(28,710)	(27,446)	4.6%	(23,800)	20.6%	(75,871)	(104,112)	-27.1%
Interest Expenses	(5,813)	(7,974)	-27.1%	(5,396)	7.7%	(17,657)	(29,034)	-39.2%
Interest on Leasing	(8,232)	(8,407)	-2.1%	(8,278)	-0.6%	(24,832)	(25,339)	-2.0%
Discounts Granted	(10,638)	(4,707)	126.0%	(5,835)	82.3%	(19,833)	(27,355)	-27.5%
Monetary Variation Expenses	(2,572)	(3,503)	-26.6%	(2,454)	4.8%	(7,825)	(10,468)	-25.2%
Others	(1,454)	(2,855)	-49.1%	(1,837)	-20.8%	(5,723)	(11,916)	-52.0%
Income Before Income Taxes	**52,901**	**52,441**	0.9%	**87,535**	-39.6%	**204,709**	**204,696**	0.0%
Income and Social Contribution Taxes	(3,043)	(643)	373.6%	(1,341)	126.9%	(5,701)	(3,321)	71.7%
Current	(20,226)	(17,719)	14.2%	(26,303)	-23.1%	(64,824)	(70,913)	-8.6%
Tax Incentive - Prouni	17,183	16,989	1.1%	24,962	-31.2%	59,123	67,332	-12.2%
Deferred	-	87	-100.0%	-	-100.0%	-	260	-100.0%
Adjusted Consolidated Net Income/Loss	**49,858**	**51,798**	**-3.7%**	**86,195**	**-42.2%**	**199,007**	**201,375**	**-1.2%**
Adjusted Net Margin	***17.4%***	***17.5%***	***-0.1 p.p.***	***25.4%***	***-8.0 p.p.***	***21.1%***	***21.5%***	***-0.4 p.p.***

Balance Sheet

Balance Sheet - ASSETS (R$ '000)	09/30/2018	12/31/2017	% Chg. Sep18 x Dec17	09/30/2017	% Chg. Sep18 x Sep17
Total Assets	**2,522,888**	**2,507,874**	**0.6%**	**2,102,770**	**20.0%**
Current Assets	**1,245,768**	**1,265,461**	**-1.6%**	**862,105**	**44.5%**
Cash and cash equivalents	358,183	279,286	28.2%	166,388	115.3%
Securities	618,139	632,427	-2.3%	259,438	138.3%
Accounts receivable	237,588	317,358	-25.1%	394,273	-39.7%
Taxes recoverable	10,228	11,544	-11.4%	14,279	-28.4%
Other assets	21,630	24,846	-12.9%	27,727	-22.0%
Non-Current Assets	**1,277,120**	**1,242,413**	**2.8%**	**1,240,665**	**2.9%**
Long-Term Assets	1,277,120	1,242,413	2.8%	1,240,665	2.9%
Accounts receivable	23,767	11,709	103.0%	9,745	143.9%
Other assets	28,391	23,343	21.6%	21,795	30.3%
Indemnifications	112,015	112,015	0.0%	112,015	0.0%
Intangible assets	424,487	428,511	-0.9%	435,295	-2.5%
Property, plant and equipment	688,460	666,835	3.2%	661,815	4.0%
Balance Sheet - LIABILITIES (R$ '000)	**09/30/2018**	**12/31/2017**	**% Chg. Sep18 x Dec17**	**09/30/2017**	**% Chg. Sep18 x Sep17**
Total Liabilities	**977,831**	**999,484**	**-2.2%**	**959,217**	**1.9%**
Current Liabilities	**416,100**	**295,187**	**41.0%**	**346,673**	**20.0%**
Suppliers	30,830	31,422	-1.9%	29,648	4.0%
Accounts payable	81,379	80,720	0.8%	79,403	2.5%
Loans and financing	27,119	26,569	2.1%	52,180	-48.0%
Debentures	106,447	2,636	3938.2%	42,665	149.5%
Payroll and charges	90,434	74,831	20.9%	90,879	-0.5%
Taxes payable	15,016	16,220	-7.4%	16,005	-6.2%
Leasing	17,013	16,446	3.4%	16,264	4.6%
Dividends payable	-	27,034	-100.0%	-	0.0%
Repurchase of Shares to be Paid	26,949	-	0.0%	-	0.0%
Other liabilities	20,913	19,309	8.3%	19,629	6.5%
Non-Current Liabilities	**561,731**	**704,297**	**-20.2%**	**612,544**	**-8.3%**
Loans and financing	75,157	87,410	-14.0%	114,244	-34.2%
Debentures	106,765	198,245	-46.1%	77,369	38.0%
Leasing	222,811	227,794	-2.2%	229,361	-2.9%
Accounts payable	33,408	63,566	-47.4%	61,250	-45.5%
Taxes payable	1,341	1,777	-24.5%	5,559	-75.9%
Provision for contingencies	119,602	121,845	-1.8%	120,751	-1.0%
Other liabilities	2,647	3,660	-27.7%	4,010	-34.0%
Consolidated Shareholders' Equity	**1,545,057**	**1,508,390**	**2.4%**	**1,143,553**	**35.1%**
Capital Realized	987,549	987,549	0.0%	600,000	64.6%
Income Reserve	501,046	527,295	-5.0%	372,681	34.4%
Retained income	137,168	-	N.M.	177,326	-22.6%
Treasury shares	(80,706)	(6,454)	1150.5%	(6,454)	1150.5%
Total Liabilities and Shareholders' Equity	**2,522,888**	**2,507,874**	**0.6%**	**2,102,770**	**20.0%**

Cash Flow

Cash Flow Statement (R$ '000)	09/30/2018	09/30/2017	% Chg. Sep18 x Sep17
Consolidated Net Income for the Period before IncomeTaxes	**172,992**	**192,700**	**-10.2%**
Depreciation and amortization	54,299	47,783	13.6%
Provisions	(2,243)	405	N.M.
Adjustment present value of accounts receivable	(4,665)	-	N.M.
Provision for doubtful accounts	55,890	37,401	49.4%
Write-off of Non-Current Assets	166	3,326	-95.0%
Interest and exchange variation, net	47,910	58,971	-18.8%
Adjusted Net Income	**324,349**	**340,586**	**-4.8%**
Changes in Assets and Liabilities	**6,146**	**(25,924)**	**N.M.**
Accounts receivable	(7,211)	(28,964)	-75.1%
Taxes recoverable	1,316	(3,521)	N.M.
Other assets	(1,832)	(17,932)	-89.8%
Suppliers	(592)	(86)	588.4%
Payroll and charges	15,603	19,006	-17.9%
Taxes payable	(1,640)	(341)	380.9%
Income and social contribution taxes payable	(89)	4,959	N.M.
Other liabilities	591	955	-38.1%
Cash generated from operations	**330,495**	**314,662**	**5.0%**
Other	**(33,863)**	**(64,234)**	**-47.3%**
Interest on loans	(29,134)	(59,598)	-51.1%
Income and social contribution taxes paid	(4,729)	(4,636)	2.0%
Net Cash from Operating Activities	**296,632**	**250,428**	**18.5%**
Net Cash from Investing Actvities	**(93,511)**	**(49,498)**	**88.9%**
Securities	14,288	78,109	-81.7%
Additions to property, plant and equipment	(62,503)	(78,542)	-20.4%
Additions to intangible assets	(7,972)	(10,515)	-24.2%
Acquisition of subsidiaries	(37,324)	(38,550)	-3.2%
Net Cash from Financing Actvities	**(124,224)**	**(96,578)**	**28.6%**
Amortization of Debentures	-	(28,560)	-100.0%
Amortization of loans and financing	(13,973)	(29,874)	-53.2%
Amortization of leasing	(4,416)	(3,910)	12.9%
Treasury Shares	(47,303)	-	0.0%
Dividends	(58,532)	(34,234)	71.0%
Increase (Reduction) in Cash and Cash Equivalents	**78,897**	**104,352**	**-24.4%**
Cash and Cash Equivalents at Beginning of Period	279,286	62,036	350.2%
Cash and Cash Equivalents at End of Period	358,183	166,388	115.3%
Cash changes and Securities	**64,609**	**26,243**	**146.2%**

Income Statement – Accounting

Without the reclassification of interest income under IFRS 15 in 3Q17 and 9M17.

Income Statement - Accounting R$ ('000)	3Q18	3Q17	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17	% Chg. 9M18 x 9M17
Gross Operating Revenue	**450,430**	**394,073**	**14.3%**	**471,604**	**-4.5%**	**1,359,213**	**1,233,977**	**10.1%**
Undergraduate Monthly Tuition	420,032	373,984	12.3%	442,195	-5.0%	1,272,235	1,179,986	7.8%
Graduate Monthly Tuition	7,582	6,747	12.4%	6,968	8.8%	21,789	17,991	21.1%
Vocational Courses Revenues	434	153	183.4%	404	7.4%	1,119	786	42.4%
Distance Learning Revenues	17,771	9,319	90.7%	18,927	-6.1%	52,303	23,424	123.3%
Others	4,611	3,870	19.2%	3,110	48.3%	11,767	11,790	-0.2%
Deductions from Gross Revenue	**(164,427)**	**(101,343)**	**62.2%**	**(132,437)**	**24.2%**	**(416,794)**	**(306,187)**	**36.1%**
Discounts and Scholarships	(101,347)	(45,283)	123.8%	(66,886)	51.5%	(230,743)	(135,456)	70.3%
PROUNI	(45,513)	(35,290)	29.0%	(43,367)	4.9%	(126,232)	(103,938)	21.4%
FGEDUC And FIES charges	(8,172)	(10,668)	-23.4%	(10,268)	-20.4%	(27,557)	(33,474)	-17.7%
Taxes	(9,395)	(10,102)	-7.0%	(11,916)	-21.2%	(32,262)	(33,319)	-3.2%
Net Operating Revenue	**286,003**	**292,730**	**-2.3%**	**339,167**	**-15.7%**	**942,419**	**927,790**	**1.6%**
Cash Cost of Services Rendered	**(134,946)**	**(129,146)**	**4.5%**	**(153,212)**	**-11.9%**	**(427,029)**	**(401,281)**	**6.4%**
Payroll and Charges	(88,561)	(85,504)	3.6%	(103,752)	-14.6%	(284,068)	(273,738)	3.8%
Rent	(17,362)	(19,894)	-12.7%	(18,955)	-8.4%	(56,535)	(57,619)	-1.9%
Concessionaires (Electricity, Water and Telephone)	(8,936)	(7,296)	22.5%	(9,344)	-4.4%	(27,481)	(23,273)	18.1%
Third-Party Services	(8,122)	(6,063)	34.0%	(9,618)	-15.6%	(24,532)	(17,773)	38.0%
Depreciation and Amortization	(11,965)	(10,389)	15.2%	(11,543)	3.7%	(34,413)	(28,878)	19.2%
Managerial Gross Profit	**151,057**	**163,584**	**-7.7%**	**185,955**	**-18.8%**	**515,390**	**526,509**	**-2.1%**
Gross Margin	*52.8%*	*55.9%*	*-3.1 p.p.*	*54.8%*	*-2.0 p.p.*	*54.7%*	*56.7%*	*-2.1 p.p.*
Operating Expenses/Revenue	**(98,929)**	**(110,686)**	**-10.6%**	**(105,540)**	**-6.3%**	**(322,478)**	**(289,324)**	**11.5%**
General and Administrative Expenses	(97,869)	(111,059)	-11.9%	(104,939)	-6.7%	(321,779)	(289,550)	11.1%
Payroll and Charges	(35,630)	(35,063)	1.6%	(36,538)	-2.5%	(107,278)	(98,002)	9.5%
Third-Party Services	(8,767)	(7,507)	16.8%	(8,238)	6.4%	(25,209)	(22,475)	12.2%
Advertising	(14,134)	(27,794)	-49.1%	(16,486)	-14.3%	(66,391)	(64,360)	3.2%
Materials	(3,510)	(4,747)	-26.1%	(4,466)	-21.4%	(13,424)	(13,748)	-2.4%
PDA	(18,321)	(14,929)	22.7%	(21,880)	-16.3%	(55,890)	(37,401)	49.4%
Others	(10,633)	(14,644)	-27.4%	(10,798)	-1.5%	(33,701)	(34,659)	-2.8%
Depreciation and Amortization	(6,874)	(6,375)	7.8%	(6,533)	5.2%	(19,886)	(18,905)	5.2%
Other Operating Expenses/Revenue	(1,060)	373	-384.2%	(601)	76.4%	(699)	226	-409.3%
Managerial Operating Income	**52,128**	**52,898**	**-1.5%**	**80,415**	**-35.2%**	**192,912**	**237,185**	**-18.7%**
Operating Margin	*18.2%*	*18.1%*	*0.2 p.p.*	*23.7%*	*-5.5 p.p.*	*20.5%*	*25.6%*	*-5.1 p.p.*
(+) Depreciation and Amortization	18,839	16,764	12.4%	18,076	4.2%	54,299	47,783	13.6%
EBITDA	**70,967**	**69,662**	**1.9%**	**98,491**	**-27.9%**	**247,211**	**284,968**	**-13.2%**
EBITDA Margin	*24.8%*	*23.8%*	*1.0 p.p.*	*29.0%*	*-4.2 p.p.*	*26.2%*	*30.7%*	*-4.5 p.p.*
(+) Non-recurring costs and expenses	12,175	4,726	157.6%	13,376	-9.0%	30,175	11,996	151.5%
(+) Interest on tuition and agreements	1,995	10,830	-81.6%	3,399	-41.3%	10,987	22,487	-51.1%
(-) Minimum rent paid	(9,750)	(9,750)	0.0%	(9,750)	0.0%	(29,250)	(29,250)	0.0%
Adjusted EBITDA	**75,387**	**75,468**	**-0.1%**	**105,516**	**-28.6%**	**259,123**	**290,201**	**-10.7%**
Adjusted EBITDA Margin	*26.4%*	*25.8%*	*0.6 p.p.*	*31.1%*	*-4.8 p.p.*	*27.5%*	*31.3%*	*-3.8 p.p.*
(-) Depreciation and Amortization	(18,839)	(16,764)	12.4%	(18,076)	4.2%	(54,299)	(47,783)	13.6%
Adjusted EBIT	**56,548**	**58,704**	**-3.7%**	**87,440**	**-35.3%**	**204,824**	**242,418**	**-15.5%**
Adjusted EBIT Margin	*19.8%*	*20.1%*	*-0.3 p.p.*	*25.8%*	*-6.0 p.p.*	*21.7%*	*26.1%*	*-4.4 p.p.*
Financial Result	(12,943)	(5,183)	149.7%	(6,256)	106.9%	(19,920)	(44,485)	-55.2%
(+) Financial Revenue	15,767	22,263	-29.2%	17,544	-10.1%	55,951	59,627	-6.2%
Interest on Agreements and Others	1,995	10,830	-81.6%	3,399	-41.3%	10,987	22,487	-51.1%
Returns on Financial Investments	15,186	9,656	57.3%	12,715	19.4%	41,601	29,114	42.9%
Others	(1,414)	1,777	-179.6%	1,430	-198.9%	3,363	8,026	-58.1%
(-) Financial Expenses	(28,710)	(27,446)	4.6%	(23,800)	20.6%	(75,871)	(104,112)	-27.1%
Interest Expenses	(5,813)	(7,974)	-27.1%	(5,396)	7.7%	(17,657)	(29,034)	-39.2%
Interest on Leasing	(8,232)	(8,407)	-2.1%	(8,278)	-0.6%	(24,832)	(25,339)	-2.0%
Discounts Granted	(10,638)	(4,707)	126.0%	(5,835)	82.3%	(19,833)	(27,355)	-27.5%
Monetary Variation Expenses	(2,572)	(3,503)	-26.6%	(2,454)	4.8%	(7,825)	(10,468)	-25.2%
Others	(1,454)	(2,855)	-49.1%	(1,837)	-20.8%	(5,723)	(11,916)	-52.0%
Income Before Income Taxes	**39,185**	**47,715**	-17.9%	**74,159**	-47.2%	**172,992**	**192,700**	-10.2%
Income and Social Contribution Taxes	(2,254)	318	-808.8%	(1,136)	98.4%	(4,818)	453	-1163.6%
Current	(19,437)	(16,758)	16.0%	(26,098)	-25.5%	(63,941)	(67,139)	-4.8%
Tax Incentive - Prouni	17,183	16,989	1.1%	24,962	-31.2%	59,123	67,332	-12.2%
Deferred	-	87	-100.0%	-	-100.0%	-	260	-100.0%
Consolidated Net Income/Loss	**36,931**	**48,033**	**-23.1%**	**73,023**	**-49.4%**	**168,174**	**193,153**	**-12.9%**
Net Margin	*12.9%*	*16.4%*	*-3.5 p.p.*	*21.5%*	*-8.6 p.p.*	*17.8%*	*20.8%*	*-3.0 p.p.*