

# **Estácio Participações S.A.**

**Quarterly information (ITR) at  
September 30, 2017 and  
report on review of  
quarterly information**

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

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**Independent auditor's review report on interim financial information**

The Shareholders and Board of Directors

**Estácio Participações S.A.**

Rio de Janeiro - RJ

We have reviewed the interim financial information individual and consolidated of Estácio Participações S.A. ("Company" or "Estácio") contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2017, comprising the balance sheet at September 30, 2017, and the related statements of operations and statements of comprehensive income for the three- and nine-month periods then ended, and of changes in equity and cash flow statement for the nine month period then ended, including the explanatory notes.

**Management's responsibility for the interim financial information**

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

**Scope of review**

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

**Conclusion on the interim accounting information**

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

## **Other matters**

### **Statements of value added**

We have also reviewed the statements of value added (SVA) individual and consolidated, for the nine-month period ended September 30, 2017, prepared under the responsibility of Company management, whose presentation in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and as supplementary information under International Financial Reporting Standards (IFRS), which do not require the presentation of the SVA. These statements were subject to the same review procedures previously described above and, based on our review, nothing has come to our attention that causes us to believe that it was not presented fairly, in all material respects, consistently with the overall interim financial information individual and consolidated.

### **Audit and review of prior-year corresponding figures**

The amounts corresponding to the individual and consolidated statements of financial position as at December 31, 2016, and the individual and consolidated statements of profit or loss and of comprehensive income for the three- and nine-month periods ended September 30, 2017, and of changes in equity, cash flows and value added, for the nine-month period ended September 30, 2017, presented for comparison purposes, were previously audited and reviewed, respectively, by other independent auditors, who issued an unmodified opinion on their independent auditor's report dated March 15, 2017, and an unmodified conclusion on their review report on interim financial information dated November 10, 2016.

Rio de Janeiro, October 26, 2017.

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

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

## Estácio Participações S.A.

### Balance sheet

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated			Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016		September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
<b>Assets</b>					<b>Liabilities and equity</b>				
Current					Current				
Cash and cash equivalents (Note 3)	667	95	9,826	58,340	Accounts payable	1,325	1,814	80,649	66,138
Marketable securities (Note 3)	175,207	127,240	699,702	345,669	Borrowings (Note 11)	392,481	444,592	416,404	468,114
Accounts receivable (Note 4)			1,126,299	847,282	Salaries and social charges (Note 12)	463	268	241,035	155,233
Advances to employees/third parties			12,094	14,308	Taxes payable (Note 13)	242	215	66,378	63,782
Related parties (Note 5)	18,290	2,423			Monthly tuitions received in advance			18,281	27,403
Prepaid expenses (Note 6)	43	215	13,631	36,390	Advances under agreements		1,800		2,887
Dividends receivable	4,500	200,000			Taxes payable in installments (Note 14)			5,201	3,128
Taxes and contributions (Note 7)	3,025	36,452	95,766	110,472	Related parties (Note 5)	4,251	4,303		633
Others			56,008	41,234	Dividends payable	6	87,439	6	87,439
					Price of acquisition payable (Note 15)			53,370	53,565
					Provision for asset decommissioning			2,098	
					Others	778	34	4,490	8,992
	201,732	366,425	2,013,326	1,453,695		399,546	540,465	887,912	937,314
Non-current					Non-current				
Long-term receivables					Long-term payables				
Trade receivables (Note 4)			18,271	317,598	Borrowings (Note 11)	396,194	498,290	440,003	554,419
Prepaid expenses (Note 6)			5,250	5,689	Contingencies (Note 16)			70,516	64,880
Judicial deposits (Note 16)	2,217	2,208	125,949	119,491	Advances under agreements		300		481
Deferred taxes (Note 26)			60,793	58,752	Taxes payable in installments (Note 14)			11,116	12,780
Taxes and contributions (Note 7)	36,873	186	80,909	36,315	Deferred taxes (Note 26)	5,395	9,871	16,172	23,604
Others			47,404	59,832	Provision for asset decommissioning			22,118	22,313
	39,090	2,394	338,576	597,677	Price of acquisition payable (Note 15)			40,312	72,376
					Others (Note 8)	30	30	19,549	18,312
Investments						401,619	508,491	619,786	769,165
In subsidiaries (Note 8)					Equity (Note 17)				
Others	2,650,176	2,305,020			Share capital	1,130,818	1,130,818	1,130,818	1,130,818
Intangible assets (Note 9)			228	228	Share issue costs	(26,852)	(26,852)	(26,852)	(26,852)
Property and equipment (Note 10)	796,553	809,747	1,438,714	1,469,492	Capital reserves	662,836	661,123	662,836	661,123
		43	603,240	620,060	Revenue reserves	816,014	816,014	816,014	816,014
	3,446,729	3,114,810	2,042,182	2,089,780	Treasury shares	(133,807)	(146,430)	(133,807)	(146,430)
	3,485,819	3,117,204	2,380,758	2,687,457	Retained earnings	437,377		437,377	
						2,886,386	2,434,673	2,886,386	2,434,673
Total assets	3,687,551	3,483,629	4,394,084	4,141,152	Total liabilities and equity	3,687,551	3,483,629	4,394,084	4,141,152

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

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

All amounts in thousands of reais unless otherwise stated

	<b>Parent company</b>		<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Continuing operations</b>				
Net operating revenue (Note 21)			2,540,524	2,387,638
Cost of services rendered (Note 22)			(1,301,210)	(1,323,520)
<b>Gross profit</b>			1,239,314	1,064,118
<b>Operating income (expenses)</b>				
Selling expenses (Note 23)			(324,677)	(348,255)
General and administrative expenses (Note 23)	(29,350)	(31,901)	(380,463)	(414,420)
Equity in the results of subsidiaries (Note 8)	528,762	342,425		
Other operating income (Note 24)	1,199	998	9,358	(4,066)
<b>Operating profit</b>	500,611	311,522	543,532	297,377
Finance income (Note 25)	11,417	51,731	91,982	145,201
Finance costs (Note 25)	(95,141)	(124,574)	(194,533)	(207,032)
<b>Finance result, net</b>	(83,724)	(72,843)	(102,551)	(61,831)
<b>Profit before income tax and social contribution</b>	416,887	238,679	440,981	235,546
Current and deferred income tax (Note 26)	15,066	3,769	(1,916)	6,799
Current and deferred social contribution (Note 26)	5,424	1,356	(1,688)	1,459
<b>Earnings for the period attributable to the stockholders</b>	437,377	243,804	437,377	243,804
Basic earnings per share (Note 20)	1.41656	0.76909	1.41656	0.76909
Diluted earnings per share (Note 20)	1.41656	0.76684	1.41656	0.76684

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

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

All amounts in thousands of reais unless otherwise stated

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Profit for the period	437,377	243,804	437,377	243,804
Other comprehensive income				
Exchange differences on translation of foreign currency transactions				
Income tax effects				
<b>Total comprehensive income for the period, net of taxes</b>	<u>437,377</u>	<u>243,804</u>	<u>437,377</u>	<u>243,804</u>
Attributable to:				
Controlling stockholders				
Non-controlling interests	<u>437,377</u>	<u>243,804</u>	<u>437,377</u>	<u>243,804</u>

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

## Estácio Participações S.A.

### Statement of changes in equity

All amounts in thousands of reais unless otherwise stated

	Capital reserves					Revenue reserves					
	Share capital	Share issue expenditures	Long-term incentives	Discount on the sale of shares	Share premium	Options granted	Legal	Profit retention	Treasury shares	Retained earnings	Total
At January 1, 2016	1,064,934	(26,852 )	2,412		595,464	63,944	74,794	935,872	(137,603 )		2,572,965
Stock options exercised (Note 19)	10,554										10,554
Options granted (Note 19)						2,411					2,411
Long-term incentives (Note 19)			2,592								2,592
ILP payment with treasury shares (Note 19)			(3,692 )						3,692		
Treasury shares acquired (Note 17)									(12,519 )		(12,519 )
Profit for the year										243,804	243,804
Allocation of profit											
Capital increase	55,330							(55,330 )			
At September 30, 2016	1,130,818	(26,852 )	1,312		595,464	66,355 (906 )	74,794	880,542	(146,430 )	243,804	2,819,807 (906 )
Stock options exercised (Note 19)											
Long-term incentives (Note 19)			(1,102 )								(1,102 )
Intermediate dividends (R\$ 1.36 per share)								(420,000)			(420,000 )
Profit for the year										124,298	124,298
Allocation of profit											
Transfer to reserves							18,405	262,273		(280,678 )	
Mandatory minimum dividend (R\$ 0.29 per share)										(87,424 )	(87,424 )
At December 31, 2016	1,130,818	(26,852 )	210		595,464	65,449	93,199	722,815	(146,430 )		2,434,673
Stock options exercised (Note 19)									8,147		8,147
Options granted (Note 19)						6,095					6,095
Long-term incentives (Note 19)			94								94
Discount on the sale of treasury shares				(4,476)					4,476		
Profit for the period										437,377	437,377
At September 30, 2017	1,130,818	(26,852 )	304	(4,476)	595,464	71,544	93,199	722,815	(133,807 )	437,377	2,886,386

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

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

	Parent company		Consolidated	
	2017	2016	2017	2016
<b>Cash flows from operating activities</b>				
Profit before income tax and social contribution	416,887	238,679	440,981	235,546
<b>Adjustments to reconcile profit with cash from operations</b>				
Depreciation and amortization	13,210	14,947	148,839	139,040
Amortization of funding costs	8,078	743	8,078	743
Provision for impairment of trade receivables			150,255	130,323
Options granted – stock options provision			6,095	2,411
Provision for long-term incentives			94	2,592
Income on financial investments	(2,765)	(20,632)	(7,272)	(39,300)
Provision for contingencies			35,337	87,655
Update of trade receivables - FIES			(7,459)	(9,112)
Present value - trade receivables - FIES			(7,132)	(12,473)
Adjustment to present value - sale of portfolio			(4,215)	
Adjusted tax credits	(2,491)	(2,258)	(8,946)	(6,715)
Interest on borrowings	84,513	85,959	90,455	87,619
Equity in the results of subsidiaries	(528,762)	(342,425)		
(Gain) loss on the disposal of property and equipment and intangible assets	27		620	14,019
Provision for decommissioning of assets			3,123	948
Restatement of commitments payable			5,917	6,344
Others	(2,100)	(1,350)	(2,147)	(2,166)
	(13,403)	(26,337)	852,623	637,474
<b>Changes in assets and liabilities:</b>				
Decrease (increase) Marketable securities	(45,202)	242,963	(346,761)	180,486
(Increase) in trade receivables			(111,139)	(239,809)
Decrease (increase) in other assets	94	7	(15,302)	(2,301)
Decrease in advances to employees/third-parties		(2)	2,214	3,825
Decrease in prepaid expenses	172	117	22,759	6,320
(Increase) decrease in taxes and contributions	(769)	(3,073)	(4,363)	5,957
Increase (decrease) in trade payables	(489)	(261)	14,511	(16,022)
Increase (decrease) in taxes payable	27	117	(14,087)	(43,236)
Increase in salaries and social charges	195	106	85,802	79,795
Increase (decrease) in monthly tuitions received in advance			(9,122)	(2,286)
Labor/civil convictions			(29,701)	(51,511)
(Decrease) in price of acquisition payable			(38,176)	(16,912)
Provision for decommissioning of assets			(1,220)	(1)
Increase (decrease) in other liabilities	744		(3,265)	47,345
(Decrease) in taxes paid in installments				
(Decrease) in deferred income tax and social contribution			(920)	(195)
(Increase) decrease in non-current assets			12,868	8,363
Decrease in judicial deposits	(9)	(48)	(6,458)	(20,304)
	(58,640)	213,589	410,263	576,988
Interest paid on borrowings	(54,737)	(72,550)	(54,737)	(72,550)
Corporate Income Tax (IRPJ) and Social Contribution on Net income (CSLL) paid			(12,972)	(1,322)
<b>Net cash provided by operating activities</b>	(113,377)	141,039	342,554	504,349
<b>Cash flows from investing activities:</b>				
Property and equipment			(61,611)	(73,909)
Intangible assets		(157)	(40,250)	(51,902)
Goodwill on the acquisition of investments				(7,170)
Acquisition of subsidiary companies, net of cash obtained in the acquisition				(49)
Dividends received	395,500	310,208		
Advance for future capital increase	(10,205)	(103,981)		
<b>Net cash used in investing activities</b>	385,295	206,070	(101,861)	(133,030)
<b>Cash flows from financing activities</b>				
Capital increase due to the stock options exercised		10,554		10,554
Treasury shares acquired		(12,519)		(12,519)
Use of treasury shares resulting from the exercise of stock options	12,623		12,623	
Dividends paid	(87,433)	(115,109)	(87,433)	(115,109)
Discount on the sale of treasury shares	(4,476)		(4,476)	
New borrowings and financing				20,248
Settlement of swap transactions		25,565		25,565
Repayment of borrowings	(192,060)	(255,656)	(209,921)	(275,977)
<b>Net cash used in financing activities</b>	(271,346)	(347,165)	(289,207)	(347,238)
<b>Increase (decrease) in cash and cash equivalents</b>	572	(56)	(48,514)	22,848
Cash and cash equivalents at the beginning of the period	95	429	58,340	48,410
Cash and cash equivalents at the end of the period	667	373	9,826	71,258
<b>Changes in cash and cash equivalents</b>	572	(56)	(48,514)	22,848

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



## Estácio Participações S.A.

### Statement of value added

#### Quarters ended September 30

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2017	2016	2017	2016
<b>Revenue</b>				
Educational services			2,641,394	2,472,406
Other revenue			14,704	14,929
Provision for impairment of trade receivables			(150,255)	(129,982)
Other selling expenses			(1,236)	(45,189)
			2,504,607	2,312,164
<b>Inputs acquired from third parties</b>				
Materials, energy and outsourced services	(11,671)	(13,812)	(400,871)	(438,840)
Contingencies			(39,545)	(88,015)
	(11,671)	(13,812)	(440,416)	(526,855)
<b>Gross value added</b>	(11,671)	(13,812)	2,064,191	1,785,309
Depreciation and amortization	(13,210)	(14,947)	(148,839)	(137,785)
<b>Net value added generated by the entity</b>	(24,881)	(28,759)	1,915,352	1,647,524
<b>Value added received through transfer</b>				
Equity in results of investees	528,762	342,425		
Interest income	11,417	51,731	91,982	145,201
Others	(6,752)	379	2,629	(2,931)
	533,427	394,535	94,611	142,270
<b>Total value added to distribute</b>	<u>508,546</u>	<u>365,776</u>	<u>2,009,963</u>	<u>1,789,794</u>
<b>Distribution of value added</b>				
Work remuneration				
Direct remuneration				
Benefits	3,632	2,542	805,202	785,904
Government Severance Indemnity Fund for Employees (FGTS)		5	35,064	36,451
			57,466	58,142
	3,632	2,547	897,732	880,497
Taxes, charges and contributions				
Federal	(18,997)	(3,323)	203,288	187,331
State			6	6
Municipal			109,777	100,780
	(18,997)	(3,323)	313,071	288,117
Third-party capital remuneration				
Interest	86,534	122,748	182,704	201,442
Rentals			179,079	175,934
	86,534	122,748	361,783	377,376
Own capital remuneration				
Retained earnings	437,377	243,804	437,377	243,804
	437,377	243,804	437,377	243,804
<b>Value added distributed</b>	<u>508,546</u>	<u>365,776</u>	<u>2,009,963</u>	<u>1,789,794</u>

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

## **Estácio Participações S.A.**

### **Notes to the financial statements**

**at September 30, 2017**

All amounts in thousands of reais unless otherwise stated

## **1 General information**

### **1.1 Operations**

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

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

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

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

The Company's Board of Directors, in a meeting held on October 26, 2017, authorized the disclosure of this quarterly information.

### **1.2 Basis of preparation**

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

### **1.3 Accounting policies**

In the quarterly information, the accounting policies are presented in a manner consistent with the accounting practices adopted in the parent company and consolidated financial statements for the year ended December 31, 2016. Accordingly, the quarterly information should be read together with the financial statements for the year ended December 31, 2016.

### **1.4 Business combination**

The acquisitions carried out in 2016 are as follows:

#### **(a) Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant'Ana Ltda. (FUFS)**

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

## Estácio Participações S.A.

### Notes to the financial statements at September 30, 2017

All amounts in thousands of reais unless otherwise stated

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

On December 31, 2016, the amount of the assumption of debt was increased by R\$ 195 to R\$ 1,045, reducing the purchase price payable to R\$ 3,505.

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

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

## 2 Explanatory notes not presented in this quarterly information

The quarterly information is presented in conformity with CPC 21 (R1), IAS 34 and the standards issued by the CVM. Based on these facts, and according to the assessment of the Company's management about the significant impacts of the information to be disclosed, the explanatory notes described below were not presented in this quarterly information. The other notes are presented so as to allow the perfect understanding of this quarterly information if they are read together with the notes disclosed in the financial statements for the year ended December 31, 2016.

## Estácio Participações S.A.

### Notes to the financial statements

at September 30, 2017

All amounts in thousands of reais unless otherwise stated

Explanatory notes not presented in this quarterly information:

- Summary of significant accounting policies.
- Critical accounting estimates and judgments.
- Assumptions for the calculation of the fair value of the stock option plans and the impairment of non-financial assets already disclosed in the notes to the financial statements at December 31, 2016.
- Insurance.
- Other information.

### 3 Cash and cash equivalents and marketable securities

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Cash and banks	667	95	9,826	58,340
Cash and cash equivalents	667	95	9,826	58,340
Bank Deposit Certificates (CDB)	8,067	29,063	33,198	45,160
Government securities – LFT		34,925		34,925
Investment funds	167,097	63,211	666,309	261,027
Repurchase agreements	43	41	55	4,291
Savings bond			140	266
Marketable securities	175,207	127,240	699,702	345,669

The Company has a Financial Investments and Derivatives Policy that stipulates that investments must be in low risk marketable securities with highly-rated financial institutions. At September 30, 2017, the operations earn interest based on the variation of the Interbank Deposit Certificate (CDI) rate with the exception of government securities, which are indexed to the Special System for Settlement and Custody (SELIC) rate and fixed rates.

At September 30, 2017 and December 31, 2016, all of the Company's marketable securities are classified as "held for trading".

The fair values of listed securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to these securities (2017 - 8.14%; 2016 - 13.63%). None of these financial assets is either past due or impaired.

The exclusive investment fund is backed by financial allocations in fund quotas, CDBs, Financial Bills (LFs), government securities and repurchase agreements with first-tier banks and issuers. Funds are remunerated at the average Interbank Deposit Certificate (CDI) rate of 100.74% at September 30, 2017 (99.1% at December 31, 2016)

The Bank Deposit Certificates (CDBs) are remunerated at the average Interbank Deposit Certificate (CDI) rate of 99.3% at September 30, 2017 (99.6% at December 31, 2016).

Repurchase agreements backed by first-tier debentures are recorded at the fair value, remunerated at the average Interbank Deposit Certificate (CDI) rate of 80.4% at September 30, 2017 (83.9% at December 31, 2016).

## Estácio Participações S.A.

### Notes to the financial statements at September 30, 2017

All amounts in thousands of reais unless otherwise stated

#### 4 Trade receivables

	Consolidated	
	September 30, 2017	December 31, 2016
Monthly tuition	392,550	406,678
Student Financing Fund (FIES) (a)	746,378	828,688
Agreements and exchanges	17,047	15,006
Receivables on credit cards (b)	77,145	55,666
Renegotiated receivables	118,113	80,173
	<u>1,351,233</u>	<u>1,386,211</u>
Provision for doubtful credits	(176,839)	(205,637)
Amounts to be identified	(6,140)	(2,500)
(-) Adjustment to present value (i)	<u>(23,684)</u>	<u>(13,194)</u>
	<u>1,144,570</u>	<u>1,164,880</u>
Current assets	1,126,299	847,282
Non-current assets	<u>18,271</u>	<u>317,598</u>
	<u>1,144,570</u>	<u>1,164,880</u>

The composition of receivables by age is as follows:

	Consolidated	
	September 30, 2017	December 31, 2016
2018	6	317,598
2019	658	
2020	675	
2021	4,334	
2022	12,587	
2023	<u>11</u>	
Non-current assets	<u>18,271</u>	<u>317,598</u>

(a) Accounts receivable from the Student Financing Fund (FIES) are represented by educational loans obtained by students from Caixa Econômica Federal (CEF) and the National Education Development Fund (FNDE), whereby the financed funds are transferred monthly by CEF and Banco do Brasil to a specific bank account. This amount has been used to pay the social security contributions and federal taxes and converted into cash by means of auctions of Brazilian National Treasury securities. These receivables presented a growth of 9% at September 30, 2017 compared to December 31, 2016, due to the receipt of the 2<sup>nd</sup> installment related to 25% of the balance for 2015 negotiated with government authorities on February 3, 2016.

- (i) For FIES students with guarantor, a provision was made for 2.25% of the accounts receivable with this characteristic, considering the assumptions of 15% exposure to credit risk on an estimated 15% of default.
- (ii) For the uncovered risk of FGEDUC, with enrollment since April 2012, a provision was made for 10% of the receivables under the responsibility of the sponsors (and the Guarantor Fund is responsible for the remaining 90%) on the 15% exposure to credit risk on an estimate of 15% of default, i.e., 0.225%.
- (iii) For the uncovered risk of FGEDUC, with enrollment up to March 2012, a provision was made for 20% under the responsibility of the sponsors (and the Guarantor Fund is responsible for the remaining 80%) on the 15% exposure to credit risk on an estimate of 15% of default, i.e., 0.450%.
- (b) A substantial part of the receivables on credit cards arises from the negotiation of defaulted monthly tuitions.
- (c) At September 30, 2017, the adjustment to present value amounts to R\$ 23,684 (R\$ 6,062 related to FIES and R\$ 17,622 related to PAR).

**Estácio Participações S.A.****Notes to the financial statements****at September 30, 2017**

All amounts in thousands of reais unless otherwise stated

The composition of receivables by age is as follows:

	<b>Consolidated</b>			
	<b>September 30, 2017</b>	<b>%</b>	<b>December 31, 2016</b>	<b>%</b>
FIES	746,378	55	828,688	59
PRONATEC	8,681	1	8,420	1
Partners (Polos)	3,056	1	1,820	1
Not yet due	228,768	17	87,484	6
Overdue for up to 30 days	75,724	5	65,677	5
Overdue from 31 to 60 days	42,411	3	56,086	4
Overdue from 61 to 90 days	7,322	1	55,169	4
Overdue from 91 to 179 days	89,088	6	105,667	7
Overdue for more than 180 days	149,805	11	177,200	13
	<u>1,351,233</u>	<u>100</u>	<u>1,386,211</u>	<u>100</u>

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

	<b>Consolidated</b>			
	<b>September 30, 2017</b>	<b>%</b>	<b>December 31, 2016</b>	<b>%</b>
Not yet due	74,144	62	20,702	26
Overdue for up to 30 days	10,310	9	6,434	8
Overdue from 31 to 60 days	5,517	5	4,935	6
Overdue from 61 to 90 days	3,389	4	5,190	7
Overdue from 91 to 179 days	8,567	6	18,798	23
Overdue for more than 180 days	16,186	14	24,114	30
	<u>118,113</u>	<u>100</u>	<u>80,173</u>	<u>100</u>

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

In order to confirm the appropriateness of the criteria used, the Company compared the historical losses on receivables in relation to revenues earned (including students who have not enrolled with FIES) for the last 5 years, with the provision established at September 30, 2017, and concluded that it is sufficient to cover any future losses, it should be noted that receivables overdue for more than 360 days are fully written off.

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

	<b>Consolidated</b>	
	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Accounts receivable overdue for more than 180 days	149,805	177,200
Provision for checks returned (up to 179 days)	1,864	3,249
Supplementary provision for agreements	6,899	25,188
Provision PAR (i)	18,271	
Provision for doubtful credits	<u>176,839</u>	<u>205,637</u>

(i) Program for payment of monthly tuitions in installments.

**Estácio Participações S.A.****Notes to the financial statements****at September 30, 2017**

All amounts in thousands of reais unless otherwise stated

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

	<b>Consolidated</b>			
	<b>September 30, 2017</b>	<b>%</b>	<b>December 31, 2016</b>	<b>%</b>
Not yet due	2,373	34	10,316	41
Overdue for up to 30 days	630	9	1,092	4
Overdue from 31 to 60 days	676	10	1,438	6
Overdue from 61 to 90 days	726	11	1,906	8
Overdue from 91 to 179 days	2,494	36	10,436	41
	<u>6,899</u>	<u>100</u>	<u>25,188</u>	<u>100</u>

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

Monthly tuition and fees at December 31, 2016	205,637
Gross increase in the provision for impairment	237,113
Recovered amounts	<u>(86,858)</u>
Net effect of the provision	150,255
Write-offs (i)	<u>(179,053)</u>
Monthly tuition and fees at September 30, 2017	<u>176,839</u>

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

For the period ended September 30, 2017 and 2016, expenses with the provision for impairment of trade receivables, recognized in the statement of income as selling expenses (Note 23), are as follows:

	<b>Consolidated</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Supplementary provision (i)	150,255	130,218
Sale of client portfolio		(341)
Provision for doubtful amounts - acquired on acquisition		(247)
Others		352
	<u>150,255</u>	<u>129,982</u>

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

## Estácio Participações S.A.

### Notes to the financial statements

at September 30, 2017

All amounts in thousands of reais unless otherwise stated

#### 5 Related-party transactions

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

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Current assets				
Current account				
SESES	11,546	2,232		
Nova Academia do Concurso	1	1		
FAL	1	2		
FATERN	225	3		
IREP	4,911	163		
Atual	983	4		
SEAMA	238	4		
Editora	6	6		
FARGS	2	2		
São Luís	270	3		
Facitec	3	3		
Uniseb	104			
Subsidiaries	18,290	2,423		
	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Current liabilities				
Current account				
SESES	4,167	4,225		
IREP	64	65		
Atual	7	3		
Nova Academia	3	3		
FAL	1	1		
Fatern	2	2		
Seama	7	4		
Subsidiaries	4,251	4,303		
Related parties (i)				633

- (i) At December 31, 2017, the amount payable of R\$ 633 refers to service providers related to board Members. There were no amounts payable on September 30, 2017.

For the period ended September 30, 2017 and 2016, related-party expenses recognized in the statement of income are as follows:

	Consolidated
	September 30, 2016
Rentals, condominium fees and Municipal Real Estate Tax (IPTU) (b) (c) (d)	3,700
Electricity, water and sewer service fees (b)	4
Other services provided (b)	28
Advisory services (a)	134
Printing services for educational and administrative purposes (c)	33
Audio and video services (c)	193
Data communication (b)	165
Others (b) (c)	59
	4,316



## **Estácio Participações S.A.**

### **Notes to the financial statements**

**at September 30, 2017**

All amounts in thousands of reais unless otherwise stated

#### **a) Instituição Escola Paulista de Ensino Superior – IEPES –Ltda.**

The Managing Partner and Indirect Controlling Partner of Instituição Escola Paulista de Ensino Superior – IEPES –Ltda. are Mr. Chaim Zaher and Mrs. Thamila Cefali Zaher, who acted as members of the Board of Directors of Estácio Participações S.A. until October 2016. Also, Mr. Chaim Zaher held the position of CEO of the Company from June 16 to July 5, 2016.

The purpose of the contract is the full management of the distance learning division (EAD) of UNISEB in the city of São Paulo.

The “Amount Involved (Brazilian reais)” described above is the monthly amount to be paid under the Contract, which is equivalent to 30% of the average monthly gross revenue of the division.

#### **b) SEB Sistema Educacional Brasileiro Ltda.**

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

The purpose of the contract is:

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

The amount involved is the average of the amounts that are monthly transferred under the contracts as from the effective date. These amounts refer to: (i)

- 30% of revenues from monthly tuition fees for hybrid courses (a combination of classroom and online attendance); (ii)
- 20% of revenues from monthly tuition fees for undergraduate distance courses; (iii)
- 30% of revenues from monthly tuition fees for graduate distance courses; (iv)
- 30% of revenues from monthly tuition fees for undergraduate courses under the flex system; and (v) 10% of revenues from monthly tuition fees for non-degree and extension programs.

Shared Service Agreement for services at an administrative level.

The “Amount Involved (Brazilian reais)” described above is the amount to be paid on a monthly basis under the Contract.

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

Agreement for partial sublease of a property for educational purposes.

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

#### **c) T4 LOG Consultoria e Digitalizações Ltda.**

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

The purpose of the contract is:

Provision of services related to the filing of documents, prospecting of technologies for managing digitized documents and storing of physical documents.

## Estácio Participações S.A.

### Notes to the financial statements

at September 30, 2017

All amounts in thousands of reais unless otherwise stated

Provision of services related to the filing of documents, prospecting of technologies for managing digitized documents and storing of physical documents.

The "Amount Involved (Brazilian reais)" described above is the amount to be paid on a monthly basis under the Contract.

#### d) TCA Empreendimentos Imobiliários Ltda.

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

The objective of the contract is to lease properties for educational purposes.

The "Amount Involved (Brazilian reais)" described above is the amount to be paid on a monthly basis for the lease, and it should be noted that under the agreement the lease is restated annually based on the variation of the cumulative General Market Price Index (IGPM).

In the periods ended September 30, 2017 and 2016, the Group obtained no financial gains on loan transactions.

## 6 Prepaid expenses

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Insurance	43	215	1,304	1,709
Municipal Real Estate Tax (IPTU) to be appropriated			2,829	
Teaching materials (i)			7,365	15,784
Anticipation of vacation pay and charges			1,433	18,207
Registration fee - Ministry of Education (MEC)			2,790	2,926
Technical-pedagogical cooperation - Santa Casa			2,466	2,451
Other prepaid expenses			694	1,002
Total	43	215	18,881	42,079
Current assets	43	215	13,631	36,390
Non-current assets			5,250	5,689
	43	215	18,881	42,079

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

## 7 Taxes and contributions

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Withholding Income Tax (IRRF)	1,884	6,710	10,840	18,379
Corporate Income Tax (IRPJ) / Social Contribution on Net Income (CSLL)	37,800	29,714	116,806	77,249
Social Integration Program (PIS)	6	6	581	558
Social Contribution on Revenues (COFINS)	25	25	2,054	1,952
Services Tax (ISS)	77	77	44,626	39,718
National Institute of Social Security (INSS)			1,102	8,265
Others	106	106	666	666
	39,898	36,638	176,675	146,787

## Estácio Participações S.A.

### Notes to the financial statements

at September 30, 2017

All amounts in thousands of reais unless otherwise stated

Current assets	3,025	36,452	95,766	110,472
Non-current assets	36,873	186	80,909	36,315
	<u>39,898</u>	<u>36,638</u>	<u>176,675</u>	<u>146,787</u>

## 8 Investments in subsidiaries

### (a) Parent company Estácio Participações S.A.

	September 30, 2017		December 31, 2016	
	Investments	Losses on investments	Investments	Losses on investments
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")	1,284,297		1,138,505	
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")	1,271,818		1,105,514	
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")	18,225		17,497	
Estácio Editora e Distribuidora Ltda. ("EDITORA")		(30)		(30)
União dos Cursos Superiores SEB Ltda. ("UNISEB")	75,836		43,504	
	<u>2,650,176</u>	<u>(30)</u>	<u>2,305,020</u>	<u>(30)</u>

The subsidiaries' information is as follows:

September 30, 2017								
Interest	Number of quotas	Total assets	Total liabilities	Equity	Goodwill	Deferred income tax on goodwill from downstream merger	Total	Equity in the results of subsidiaries
SESES	100%	610,677	1,656,295	371,998	1,284,297		1,284,297	289,602
IREP	100%	499,979	1,416,580	207,204	1,209,376	62,442	1,271,818	207,449
NACP	100%	13,105	5,139	932	4,207	14,018	18,225	(622)
Editora (i)	100%	251	31	66	(35)	5	(30)	-
Uniseb Operacional	100%	23,837	108,774	30,708	78,066	(2,230)	75,836	32,333
		<u>3,186,819</u>	<u>610,908</u>	<u>2,575,911</u>	<u>76,465</u>	<u>(2,230)</u>	<u>2,650,146</u>	<u>528,762</u>

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

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

The global changes in the investments in subsidiaries in the period ended September 30, 2017 and in the year ended December 31, 2016 are as follows:

Investments in subsidiaries at December 31, 2015 (Re-presented)	2,262,159
Equity in the results of subsidiaries	502,268
Advance for future capital increase	111,080
Supplementary dividends of 2015	(573,482)
Options granted	1,505
Long-term incentives	1,490
Investments in subsidiaries at December 31, 2016	<u>2,305,020</u>
Equity in the results of subsidiaries	528,762
Advance for future capital increase	10,205
Options granted	6,095
Additional dividends 2017	(200,000)
Long-term incentives	94

**Estácio Participações S.A.****Notes to the financial statements****at September 30, 2017****All amounts in thousands of reais unless otherwise stated**

Investments in subsidiaries at September 30, 2017

2,650,176

The accounting information of the subsidiaries used in the application of the equity accounting method were related to the base date September 30, 2017.

The direct subsidiaries' investments are as follows:

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

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Sociedade Educacional Atual da Amazônia ("ATUAL")	543,401	450,779
ANEC - Sociedade Natalense de Educação e Cultura ("FAL")	13,160	15,598
Sociedade Universitária de Excelência Educacional do Rio Grande do Norte ("FATERN")	31,936	30,461
	<u>588,497</u>	<u>496,838</u>

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

<b>September 30, 2017</b>							
	<b>Interest</b>	<b>Number of quotas</b>	<b>Total Assets</b>	<b>Total liabilities</b>	<b>Equity</b>	<b>Goodwill</b>	<b>Equity in the result of investees</b>
ATUAL	100%	34,186	726,079	198,181	527,898	15,503	63,767
FAL	100%	17,218	9,731	4,647	5,084	8,076	(2,438)
FATERN	100%	9,160	22,411	5,454	16,957	14,979	1,475
			<u>758,221</u>	<u>208,282</u>	<u>549,939</u>	<u>38,558</u>	<u>62,804</u>
<b>December 31, 2016</b>							
	<b>Interest</b>	<b>Number of quotas</b>	<b>Total Assets</b>	<b>Total liabilities</b>	<b>Equity</b>	<b>Goodwill</b>	<b>Equity in the result of investees</b>
ATUAL	100%	33,684	703,507	268,231	435,276	15,503	80,629
FAL	100%	14,018	10,681	3,159	7,522	8,076	(2,189)
FATERN	100%	9,160	24,834	9,352	15,482	14,979	3,701
			<u>739,022</u>	<u>280,742</u>	<u>458,280</u>	<u>38,558</u>	<u>82,141</u>

The global changes of the investments of the direct subsidiary IREP in subsidiaries in the period ended September 30, 2017 and in the year ended December 31, 2016 are as follows:

Investments in subsidiaries at December 31, 2015	455,215
Equity	82,141
Advance for future capital increase	54,482
Supplementary dividends of 2015	<u>(95,000)</u>
Investments in subsidiaries at December 31, 2016	<u>496,838</u>
Equity	62,804
Advance for future capital increase	<u>28,855</u>
Investments in subsidiaries at September 30, 2017	<u>588,497</u>

# Estácio Participações S.A.

## Notes to the financial statements

at September 30, 2017

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

	September 30, 2017	December 31, 2016
Uniuol Gestão de Empreendimentos Educacionais e Participações S.A. ("UNIUL")	2,476	3,244
Idez Empreendimentos Educacionais Sociedade Simples Ltda. ("IDEZ")	3,133	4,202
Sociedade Educacional da Amazônia ("SEAMA")	56,492	46,958
Sociedade Educacional do Rio Grande do Sul S/S Ltda. ("FARGS")	19,291	18,880
União Luis Educacional S.A. ("SÃO LUIS")	95,896	63,654
Instituto de Ensino Superior Social e Tecnológico Ltda. ("FACITEC")	44,933	38,426
Associação de Ensino de Santa Catarina ("ASSESC")	6,513	7,102
Instituto de Estudos Superiores da Amazônia ("IESAM")	93,823	83,153
Centro de Assistência ao Desenvolvimento de Formação Profissional Unicel Ltda. ("LITERATUS")	54,798	57,697
Centro de Ensino Unificado de Teresina ("CEUT")	47,293	39,816
Faculdade Nossa Cidade ("FNC")	99,464	97,631
Faculdades Integradas de Castanhal Ltda. ("FCAT")	29,842	28,477
Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant'Ana Ltda. ("FUFS")	12,631	10,984
	<u>566,585</u>	<u>500,224</u>

Information on ATUAL's subsidiaries is as follows:

									September 30, 2017
	Interest	Number of quotas	Total Assets	Total liabilities	Equity	Goodwill	Goodwill	Total	Equity in the result of investees
UNIUL	100%	4,626	2,306	786	1,520	956		2,476	(732)
IDEZ	100%	5,894	2,370	1,284	1,086	2,047		3,133	(1,019)
SEAMA	100%	3,232	46,640	8,183	38,457	18,035		56,492	9,176
FARGS	100%	7,181	14,567	3,331	11,236	8,055		19,291	117
SÃO LUIS	100%	220	82,881	14,353	68,528	27,368		95,896	32,680
FACITEC	100%	6,051	25,187	7,428	17,759	26,654	520	44,933	7,492
ASSESC	100%	3	3,622	1,848	1,774	4,723	16	6,513	(543)
IESAM	100%	2,400	75,843	22,636	53,207	26,797	13,819	93,823	10,930
LITERATUS	100%	46,957	49,395	21,447	27,948	26,214	636	54,798	(2,401)
CEUT	100%	2,408	27,866	10,084	17,782	27,568	1,943	47,293	7,547
FNC	100%	20,928	27,653	9,398	18,255	72,046	9,163	99,464	5,586
FCAT	100%	100	13,926	8,831	5,095	20,121	4,626	29,842	1,222
FUFS	100%	150	7,138	2,453	4,685	6,255	1,691	12,631	(1,181)
			<u>379,394</u>	<u>112,062</u>	<u>267,332</u>	<u>266,839</u>	<u>32,414</u>	<u>566,585</u>	<u>68,874</u>
									December 31, 2016
	Interest	Number of quotas	Total Assets	Total liabilities	Equity	Goodwill	Goodwill	Total	Equity in the result of investees
UNIUL	100%	3,066	3,220	968	2,252	956	36	3,244	(2,226)
IDEZ	100%	4,444	3,104	1,000	2,104	2,047	51	4,202	(794)
SEAMA	100%	3,232	36,999	8,118	28,881	18,035	42	46,958	10,375
FARGS	100%	4,881	14,167	3,398	10,769	8,055	56	18,880	1,579
SÃO LUIS	100%	220	105,185	69,338	35,847	27,369	438	63,654	51,899
FACITEC	100%	6,051	16,435	6,168	10,267	26,654	1,505	38,426	8,820
ASSESC	100%	3	3,773	1,557	2,216	4,723	163	7,102	25
IESAM	100%	2,400	64,860	23,031	41,829	26,797	14,527	83,153	13,555
LITERATUS	100%	35,227	47,625	17,276	30,349	26,214	1,134	57,697	(1,601)
CEUT	100%	2,408	17,143	7,609	9,534	27,568	2,714	39,816	3,570
FNC	100%	20,928	18,554	5,884	12,670	72,046	12,915	97,631	7,860
FCAT	100%	100	8,279	6,336	1,943	20,120	6,414	28,477	(2,224)
FUFS	100%	150	3,864	1,568	2,296	6,255	2,433	10,984	(1,916)
			<u>343,208</u>	<u>152,251</u>	<u>190,957</u>	<u>266,839</u>	<u>42,428</u>	<u>500,224</u>	<u>88,922</u>

## Estácio Participações S.A.

### Notes to the financial statements

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The global changes of the investments of the direct subsidiary ATUAL in subsidiaries in the period ended September 30, 2017 and in the year ended December 31, 2016 are as follows:

Investments in subsidiaries at December 31, 2015	473,388
Equity	88,922
Advance for future capital increase	31,732
Acquisition of Subsidiary	4,872
Acquisition of goodwill	3,774
Amortization of goodwill	(20,464)
Supplementary dividends of 2015	(82,000)
Investments in subsidiaries at December 31, 2016	<u>500,224</u>
Equity	68,874
Advance for future capital increase	7,500
Amortization of goodwill	(10,013)
Investments in subsidiaries at September 30, 2017	<u>566,585</u>

## 9 Intangible assets

### (a) Intangible assets – Parent company

	December 31, 2016			September 30, 2017	
	Cost	Additions	Transfers	Cost	
Cost					
Goodwill on the acquisition of investments (i)	780,065			780,065	
Right of use of software	99			99	
Project Integração	212			212	
Goodwill	79,704			79,704	
	860,080			860,080	
	Amortization rates	Amortization	Additions	Transfers	Amortization
Amortization					
Right of use of software	20% p.a.	(59 )	(14 )		(73 )
Project Integração	20% p.a.	(11 )	(32 )		(43 )
Goodwill	20 to 50% p.a.	(50,263 )	(13,148 )		(63,411 )
		(50,333 )	(13,194 )		(63,527 )
Net book value		809,747	(13,194 )		796,553

## Estácio Participações S.A.

### Notes to the financial statements at September 30, 2017

All amounts in thousands of reais unless otherwise stated

	December 31, 2015			September 30, 2016	
	Cost	Additions	Transfers	Cost	
Cost					
Goodwill on the acquisition of investments (i)	780,065			780,065	
Right of use of software	124		(25)	99	
Project Integração	32	157	25	214	
Goodwill	79,704			79,704	
	<u>859,925</u>	<u>157</u>		<u>860,082</u>	
	<b>Amortization rates</b>	<b>Amortization</b>	<b>Additions</b>	<b>Transfers</b>	<b>Amortization</b>
Amortization					
Right of use of software	20% p.a.	(40 )	(15 )		(55 )
Project Integração	20% p.a.		(9 )		(9 )
Goodwill	20 to 50% p.a.	(30,431 )	(14,888 )		(45,319 )
		<u>(30,471 )</u>	<u>(14,912 )</u>		<u>(45,383 )</u>
Net book value		829,454	(14,755 )		814,699

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

### (b) Intangible assets – Consolidated

		December 31, 2016					September 30, 2017
		Cost	Additions	Reductions	Transfers	Reclassifications	Cost
Cost							
Goodwill on the acquisition of investments		1,195,499					1,195,499
Right of use of software		236,101	27,376	(4,498)		(34)	258,945
Integration and distance learning project		18,298					18,298
Learning Center		72,123	3,221		(3)		75,341
IT architecture		19,174	1,635				20,809
Online class material		7,603	188				7,791
Knowledge Factory - EAD		28,741	3,909				32,650
Question Bank		9,268	1,044				10,312
Goodwill		174,018		(515)			173,503
Others		24,213	2,877	(104)	3		26,989
		1,785,038	40,250	(5,117)		(34)	1,820,137
	Amortization rates	Amortization	Additions	Reductions	Transfers	Reclassifications	Amortization
Amortization							
Goodwill on the acquisition of investments	Indefinite	(6,924)					(6,924)
Right of use of software	20% p.a.	(148,808)	(36,325)	4,498		2	(180,633)
Integration and distance learning project	20% p.a.	(15,600)	(606)				(16,206)
Learning Center	5% p.a.	(16,590)	(2,476)				(19,066)
IT architecture	17 to 20% p.a.	(5,183)	(2,510)				(7,693)
Online class material	20% p.a.	(4,900)	(1,149)				(6,049)
Knowledge Factory - EAD	5% p.a.	(3,043)	(1,106)				(4,149)
Question Bank	20% p.a.	(1,543)	(1,411)				(2,954)
Goodwill	20 to 50% p.a.	(102,150)	(23,161)	515			(124,796)
Others	20% p.a.	(10,805)	(2,248)	100			(12,953)
		(315,546)	(70,992)	5,113		2	(381,423)
Net book value		1,469,492	(30,742)	(4)		(32)	1,438,714

## Estácio Participações S.A.

### Notes to the financial statements at September 30, 2017

All amounts in thousands of reais unless otherwise stated

	December 31, 2015					September 30, 2016	
	Cost	Additions per acquisition	Additions	Reductions	Reclassifications	Cost	
Cost							
Goodwill on the acquisition of investments	1,190,676		7,170			1,197,846	
Right of use of software	189,336	11	32,667	(52)	(245)	221,717	
Integration and distance learning project	17,859		439			18,298	
Learning Center	66,507		4,613			71,120	
IT architecture	21,093		2,818			23,911	
Online class material	7,208		281			7,489	
Knowledge Factory - EAD	22,373		4,301			26,674	
Question Bank	4,886		3,688			8,574	
Goodwill	170,244					170,244	
Others	19,750		3,095			22,845	
	<u>1,709,932</u>	<u>11</u>	<u>59,072</u>	<u>(52)</u>	<u>(245)</u>	<u>1,768,718</u>	
	Amortization rates	Amortization	Additions per acquisition	Additions	Reductions	Reclassifications	Amortization
Amortization							
Goodwill on the acquisition of investments	Indefinite	(6,924)					(6,924)
Right of use of software	20% p.a.	(108,352)		(29,981)	52	14	(138,267)
Integration and distance learning project	20% p.a.	(14,234)		(1,025)			(15,259)
Learning Center	5% p.a.	(13,563)		(2,251)			(15,814)
IT architecture	17 to 20% p.a.	(2,896)		(2,729)			(5,625)
Online class material	20% p.a.	(3,450)		(1,086)			(4,536)
Knowledge Factory - EAD	5% p.a.	(1,855)		(874)			(2,729)
Question Bank	20% p.a.	(49)		(1,093)			(1,142)
Goodwill	20 to 50% p.a.	(61,425)		(31,294)			(92,719)
Others	20% p.a.	(8,506)		(1,686)			(10,192)
		<u>(221,254)</u>		<u>(72,019)</u>	<u>52</u>	<u>14</u>	<u>(293,207)</u>
Net book value		<u>1,488,678</u>	<u>11</u>	<u>(12,947)</u>		<u>(231)</u>	<u>1,475,511</u>

At September 30, 2017 and December 31, 2016, goodwill on acquisition of investments was comprised as follows:

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Goodwill on acquisition of investments net of accumulated amortization				
IREP			89,090	89,090
ATUAL			15,503	15,503
Seama			18,035	18,035
Idez			2,047	2,047
Uniuol			956	956
Fargs			8,055	8,055
São Luis			27,369	27,369
Facitec			26,654	26,654
Assesc			4,723	4,723
Iesam			26,797	26,797
Literatus			26,214	26,214
Ceut			27,568	27,568
FNC			72,046	72,046
FCAT			20,120	20,120
FUFS (Note 1.5)			6,255	6,255
FAL			8,076	8,076
FATERN			14,979	14,979
Nova Academia			14,018	14,018
Estácio Editora			5	5
Uniseb	9,371	9,371	9,371	9,371
Uniseb Holding	<u>770,694</u>	<u>770,694</u>	<u>770,694</u>	<u>770,694</u>
	<u>780,065</u>	<u>780,065</u>	<u>1,188,575</u>	<u>1,188,575</u>

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



## Estácio Participações S.A.

### Notes to the financial statements

at September 30, 2017

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rate of 15.1% to discount estimated future cash flows. Asset impairment testing did not result in the need to recognize losses. The assumptions used are disclosed in the notes to the financial statements for the year ended December 31, 2016.

## 10 Property and equipment

### (a) Property and equipment – Parent company

		December 31, 2016			September 30, 2017
		Cost	Additions	Disposals	Cost
Cost					
Computers and peripherals		9,048		(3)	9,045
Installations		33		(33)	
		9,081		(36)	9,045
	Depreciation rates	Depreciation	Additions	Disposals	Depreciation
Depreciation					
Computers and peripherals	25% p.a.	(9,032)	(16)	3	(9,045)
Installations	8.3% p.a.	(6)		6	
		(9,038)	(16)	9	(9,045)
Net book value		43	(16)	(27)	

		December 31, 2016			September 30, 2017
		Cost	Additions	Disposals	Cost
Cost					
Computers and peripherals		9,075		(5)	9,070
Installations		33			33
		9,108		(5)	9,103
	Depreciation rates	Depreciation	Additions	Disposals	Depreciation
Depreciation					
Computers and peripherals	25% p.a.	(9,015)	(35)	5	(9,045)
Installations	8.3% p.a.	(3)	(2)		(5)
		(9,018)	(37)	5	(9,050)
Net book value		90	(37)		53

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## Notes to the financial statements

at September 30, 2017

All amounts in thousands of reais unless otherwise stated

### (b) Property and equipment – Consolidated

		December 31, 2016					September 30, 2017
		Cost	Additions	Disposals	Transfers	Reclassifications	Cost
Cost							
Land		19,295					19,295
Buildings		192,768	1,150		13,194		207,112
Third-parties' properties improvements		261,753	12,391	(12,363)	14,348		276,129
Furniture and utensils		98,311	6,262	(7,439)	(6)	33	97,161
Computers and peripherals		149,266	3,568	(560)	445		152,719
Machinery and equipment		129,049	7,206	(576)			135,679
Physical/ hospital activities equipment		44,483	2,587	(67)			47,003
Library		141,601	11,582	(160)		1	153,024
Facilities		52,796	1,971	(935)			53,832
Tablets		46,755		(8,287)	(444)		38,024
Construction in progress		18,935	14,509		(27,641)		5,803
Demobilization		22,312		(1,178)			21,134
Others		11,075	385	(56)			11,404
		1,188,399	61,611	(31,621)	(104)	34	1,218,319
	Depreciation rates	Depreciation	Additions	Disposals	Transfers	Reclassifications	Depreciation
Depreciation							
Buildings	1.67% p.a.	(52,171)	(2,640)		(3,823)		(58,634)
Third-parties' properties improvements	11.11% p.a.	(143,234)	(26,618)	12,363	3,927		(153,562)
Furniture and utensils	8.33% p.a.	(56,042)	(5,740)	7,068		(2)	(54,716)
Computers and peripherals	25% p.a.	(107,394)	(12,524)	551	(269)		(119,636)
Machinery and equipment	8.33% p.a.	(61,123)	(12,121)	487			(72,757)
Physical/ hospital activities equipment	6.67% p.a.	(18,793)	(1,856)	52			(20,597)
Library	5% p.a.	(63,935)	(4,686)	105			(68,516)
Facilities	8.33% p.a.	(15,849)	(3,550)	909			(18,490)
Tablets	20% p.a.	(27,891)	(6,326)	8,287	269		(25,661)
Demobilization		(15,277)	(1,159)	1,132			(15,304)
Others	14.44% p.a.	(6,630)	(627)	51			(7,206)
		(568,339)	(77,847)	31,005	104	(2)	(615,079)
Net book value		620,060	(16,236)	(616)		32	603,240

**All amounts in thousands of reais unless otherwise stated**

	Depreciation rates	Depreciation	Additions per acquisitions	Additions	Disposals	Transfers	Reclassifications	Depreciation
Depreciation								
Buildings	1.67% p.a.	(49,794)	(7)	(1,847)	151			(51,497)
Third-parties' properties improvements	11.11% p.a.	(118,886)		(16,459)				(135,345)
Furniture and utensils	8.33% p.a.	(51,546)	(18)	(7,134)	5,198		9	(53,491)
Computers and peripherals	25% p.a.	(109,376)	(13)	(14,444)	20,251			(103,582)
Machinery and equipment	8.33% p.a.	(66,129)	(18)	(10,511)	11,966			(64,692)
Physical/ hospital activities equipment	6.67% p.a.	(18,516)	(16)	(1,932)	2,280			(18,184)
Library	5% p.a.	(59,351)	(17)	(4,323)	1,240		(14)	(62,465)
Facilities	8.33% p.a.	(12,331)	(7)	(2,534)			(9)	(14,881)
Tablets	20% p.a.	(18,731)		(6,958)	108			(25,581)
Demobilization		(10,550)		(196)				(10,746)
Others	14.44% p.a.	(6,445)		(683)	871		(167)	(6,424)
		(521,655)	(96)	(67,021)	42,065		(181)	(546,888)
Net book value		535,920	758	6,888	(14,019)		231	529,778

	<u>2016</u>
Depreciation	(67,022)
Additions	<u>1,255</u>
	(65,767)

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

## Estácio Participações S.A.

### Notes to the financial statements at September 30, 2017

All amounts in thousands of reais unless otherwise stated

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

		December 31, 2016		September 30, 2017	
		Cost	Additions	Disposals	Cost
Cost					
Finance leases capitalized		121,008	2,242	(7,410)	115,840
		<u>121,008</u>	<u>2,242</u>	<u>(7,410)</u>	<u>115,840</u>
	Depreciation rates	Depreciation	Additions	Disposals	Depreciation
Depreciation					
Finance leases capitalized	25% p.a.	(57,523)	(16,578)	7,098	(67,003)
		<u>(57,523)</u>	<u>(16,578)</u>	<u>7,098</u>	<u>(67,003)</u>
Net book value		<u>63,485</u>	<u>(14,336)</u>	<u>(312)</u>	<u>48,837</u>

The Group leases various vehicles and machinery under non-cancelable lease agreements. The lease terms are between three to four years, after which the ownership of the assets is transferred to the Group. All the Group's leases are recognized by the operation's net present value.

## 11 Borrowings

		Parent company		Consolidated	
Type	Financial charges	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
<b>In local currency</b>					
Lease agreements – Colortel	INPC + 0.32% p.a.			25,866	34,488
Lease agreements – Assist	INPC p.a.			2,396	3,474
Lease agreements – Total Service	IGPI-DI/FGV p.a.			45	38
Lease agreements – Springer	IGPM + 1% p.a.			42	42
Lease agreements – Bayed	IGPI-DI/FGV p.a.			1,080	313
Lease agreements – Bradesco	1.14% p.m.				15
Leasing IBM	CDI Over p.d. + 2% p.m.			28,646	29,885
Borrowing – IFC	CDI +1.53% p.a.	34,535	40,576	34,535	40,576
Funding cost of IFC		(1,335)	(7,414)	(1,335)	(7,414)
Second issue of debentures	CDI + 1.18% p.a.	314,862	308,853	314,862	308,853
Third issue of debentures	112% CDI p.a.		194,259		194,259
Fourth issue of debentures	CDI +1.50% p.a.	103,286	100,853	103,286	100,853
Funding cost of debentures		(1,467)	(2,023)	(1,467)	(2,023)
Borrowing – FEE BNB	3% p.a.			448	
Borrowing – Banco da Amazônia	9.5% p.a.			9,657	10,948
Borrowing – FINEP	6% p.a.	4,238	3,093	4,238	3,093
Promissory notes – Banco Itaú (1st Tranche)	CDI+1.50% p.a.	195,493	178,935	195,493	178,935
Promissory notes – Banco Itaú (2st Tranche)	CDI+1.65% p.a.	139,824	127,840	139,824	127,840
Funding cost of promissory notes		(761)	(2,090)	(761)	(2,090)
		<u>788,675</u>	<u>942,882</u>	<u>856,407</u>	<u>1,022,533</u>
Current liabilities		392,481	444,592	416,404	468,114
Non-current liability		<u>396,194</u>	<u>498,290</u>	<u>440,003</u>	<u>554,419</u>
		<u>788,675</u>	<u>942,882</u>	<u>856,407</u>	<u>1,022,533</u>

## Estácio Participações S.A.

### Notes to the financial statements

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The maturity of amounts recorded in non-current liabilities at September 30, 2017 and December 31, 2016 is as follows:

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
2018	202,934	305,990	203,444	307,882
2019	178,906	178,748	198,609	223,620
2020	9,434	9,275	25,842	11,314
2021	3,109	2,951	9,149	9,132
2022	587	430	1,262	1,103
2023	587	430	903	745
2024	588	430	745	587
2025	49	36	49	36
Non-current liabilities	396,194	498,290	440,003	554,419

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

In March 2016, the Company entered into a loan agreement with the International Finance Corporation (IFC), in the amount in Brazilian reais equivalent to US\$ 100 million, which could be used within 12 months. Of this total amount US\$ 50 million related to Loan A, would be obtained with the IFC and the other half related to Loan B with Banco Santander. There was no withdrawal related to this borrowing up to June 30, 2017, and, therefore, the line of credit was cancelled.

In April 2017, the Company settled in advance the loan agreement entered into with Banco do Nordeste (BNB) in 2013, in the amount of R\$ 4.1 million. The amount settled in advance in April 2017 was R\$ 225 thousand.

In September 2017, the Company completed the payment of the 3rd issue of debentures (ESTC13) issued in September 2015, in the amount of R\$ 187 million.

The contracts with several creditors include restrictive clauses that require the maintenance of certain financial indices with previously established parameters. At September 30, 2017 and December 31, 2016, the subsidiaries and the parent company achieved all the contractually required indices.

Without other significant fundings in the period, the contractual conditions of other effective borrowings remain unchanged compared to those presented in the financial statements at December 31, 2016.

## 12 Salaries and social charges

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Salaries and social charges payable	463	268	108,630	107,874
Provision for vacation pay			67,501	47,359
Provision for 13 <sup>th</sup> month salary			64,904	
	463	268	241,035	155,233

**Estácio Participações S.A.****Notes to the financial statements  
at September 30, 2017**

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**13 Taxes payable**

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
ISS payable	5	5	16,763	12,208
IRRF payable	126	63	9,300	17,121
PIS and COFINS payable	111	146	3,605	2,680
IOF			384	384
	<u>242</u>	<u>214</u>	<u>30,052</u>	<u>32,393</u>
IRPJ payable			27,377	22,482
CSLL payable		1	8,949	8,907
		<u>1</u>	<u>36,326</u>	<u>31,389</u>
	<u>242</u>	<u>215</u>	<u>66,378</u>	<u>63,782</u>

**14 Taxes payable in installments**

	Consolidated	
	September 30, 2017	December 31, 2016
IRPJ	1,293	1,295
CSLL	187	254
FGTS	1,458	1,428
ISS	3,458	3,580
PIS	152	193
COFINS	1,061	1,202
INSS	7,904	7,466
OTHERS	804	490
	<u>16,317</u>	<u>15,908</u>
Current liabilities	5,201	3,128
Non-current liability	<u>11,116</u>	<u>12,780</u>
	<u>16,317</u>	<u>15,908</u>

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

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

	Consolidated	
	September 30, 2017	December 31, 2016
2017		629
2018	718	2,215
2019	1,996	1,905
2020 to 2029	<u>8,402</u>	<u>8,031</u>
	<u>11,116</u>	<u>12,780</u>

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#### 15 Price of acquisition payable

	Consolidated	
	September 30, 2017	December 31, 2016
FACITEC	2,875	5,601
SÃO LUIS	10,729	18,416
IESAM	12,898	15,064
LITERATUS	2,645	5,490
CEUT	5,431	6,127
FNC	25,650	32,923
FCAT	4,304	4,222
FUFS	3,150	3,098
	<u>67,682</u>	<u>90,941</u>
Real estate acquisition (i)	<u>26,000</u>	<u>35,000</u>
	<u>93,682</u>	<u>125,941</u>
Current liabilities	53,370	53,565
Non-current liabilities	<u>40,312</u>	<u>72,376</u>
	<u>93,682</u>	<u>125,941</u>

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

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

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

	Consolidated			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At September 30, 2017				
FACITEC	2,875			2,875
SÃO LUIS	10,729			10,729
IESAM	2,457	10,441		12,898
LITERATUS	2,563	82		2,645
CEUT	2,987	2,444		5,431
FNC	12,825	12,825		25,650
FCAT	1,434	2,870		4,304
FUFS			3,150	3,150
Real estate acquisition	<u>17,500</u>	<u>8,500</u>		<u>26,000</u>
	<u>53,370</u>	<u>37,162</u>	<u>3,150</u>	<u>93,682</u>

#### 16 Contingencies

The Company's subsidiaries are parties in various civil, labor and tax proceedings at different court levels, Management, based on the opinion of its external legal advisors, recorded a provision for an amount considered sufficient to cover expected losses arising from pending litigation.

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At September 30, 2017 and December 31, 2016, the provision for contingencies was comprised as follows:

	<b>Consolidated</b>			
	<b>September 30, 2017</b>		<b>December 31, 2016</b>	
	<b>Contingencies</b>	<b>Judicial deposits</b>	<b>Contingencies</b>	<b>Judicial deposits</b>
Civil	14,125	16,520	16,833	14,425
Labor	47,478	94,485	39,292	91,302
Tax	8,913	14,944	8,755	13,764
	<u>70,516</u>	<u>125,949</u>	<u>64,880</u>	<u>119,491</u>

The changes in the provision for contingencies are as follows:

	<b>Civil</b>	<b>Labor</b>	<b>Tax</b>	<b>Total</b>
At December 31, 2016	16,833	39,292	8,755	64,880
Additions	17,805	47,071	175	65,051
Reversals	(5,316)	(20,369)	(17)	(25,702)
Write-offs	(15,197)	(18,516)		(33,713)
At September 30, 2017	<u>14,125</u>	<u>47,478</u>	<u>8,913</u>	<u>70,516</u>

For the periods ended September 30, 2017 and 2016, the expense for the provision for contingencies, recognized in the statement of income as "general and administrative expenses", was as follows:

	<b>2017</b>	<b>2016</b>
Composition of results		
Additions	65,051	95,536
Reversals	(25,702)	(7,521)
Contingencies	<u>39,349</u>	<u>88,015</u>
Cost of services rendered (Note 22)	(14,663)	(42,535)
General and administrative expenses (Note 23)	(24,882)	(45,480)
Finance result (Note 25)	196	
	<u>(39,349)</u>	<u>(88,015)</u>

**(a) Civil**

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

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

<b>Matters</b>	<b>Amounts</b>
Incorrect collection	2,760
Real estate	4,891
Issue of certificates of completion/diplomas and graduation	927
Accreditation and cancelation of the program	1,132
Enrollment	1,192
FIES	583
System access	101
Prouni	77
Transfer	55



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Success fees	1,421
Others (i)	986
	<u>14,125</u>

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

#### (b) Labor

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

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

<u>Matters</u>	<u>Amounts</u>
Salary differences + reduction of working time + FGTS + notice	20,393
Overtime + suppression Inter + Intra	9,931
Moral/property damage/moral harassment	595
Employer's social security payment	3,270
Fees	1,032
Deviation from agreed position and salary equalization	4,486
Fines (Article 467 CLT, article 477 CLT and CCT/ACT)	484
Correction CTPS + indirect repeal + recognition of employment relationship	849
Allowances (health hazards/night shift pay/improvement/length of service/risk premium)	482
Tenure	122
Vacation pay	511
Success fees	363
Others (i)	4,960
	<u>47,478</u>

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

#### (c) Tax

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

The provisions related to tax proceedings are as follows:

<u>Matters</u>	<u>Amounts</u>
Penalty - PROCON	197
Services Tax	98
Social security related fine	6
Success fees	8,612
	<u>8,913</u>

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

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

	<u>Consolidated</u>	
	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Civil	201,992	165,518
Labor	146,353	121,726
Tax	537,701	465,220

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886,046	752,464

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

<b>Civil Matters</b>	<b>Amounts</b>
Real Estate	73,625
Improper Collection	46,868
FIES	26,706
Issuance of Completion and Graduation Certificate/Diploma	8,917
Enrollment	10,635
Accreditation and Cancellation of Program	1,952
Penalty - PROCON	5,806
PROUNI	2,024
System Access	1,198
Others (i)	24,261
	<u>201,992</u>

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

<b>Labor Matters</b>	<b>Amounts</b>
Salary differences + Decrease in working hours + Government Severance Indemnity Fund for Employees (FGTS) + Overtime	57,158
Notice + Elimination of breaks between and during work shifts	32,281
Cota Social Security	12,754
Deviation from agreed position and salary equalization	8,264
Pain and suffering/material damages/workplace harassment	8,988
Penalties (ART. 467 CLT, ART. 477 CLT E CCT/ACT)	3,614
Fees	4,486
Other (health hazard/night-shift/improvement/years of service/risk)	3,796
Job Stability	335
Vacation	1,496
Work Card Adjustment + Indirect Termination + Recognition of employment relationship	1,406
Others (i)	11,775
	<u>146,353</u>

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

<b>Tax Matters</b>	<b>Amounts</b>
Social Security Contribution / FGTS	318,808
Penalty - PROCON	31
ISS	118,095
IRPJ / CSLL / IRRF	73,083
Inventory of property / CND / Certificate of Non-profit Welfare Entity (CEBAS)	8,466
IPTU / FORO / IPVA	6,670
PROUNI / PIS / COFINS	5,704
Value-Added Tax on Sales and Services (ICMS) on electricity	3,413
Taxes / Sewer Service Fees	1,633
Various penalties	1,539
Provisional Remuneration - at a municipal level	259
	<u>537,701</u>

- (i) Given the divergence of understanding of Article 13 of Law 11,096/05 ("PROUNI Act"), as mentioned in item (ii) above, Tax Foreclosures were issued by the National Treasury aimed at the judicial recovery of debts related to the alleged differences in payments of social security contributions. Embargoes were imposed on these executions, which are still being tried. The total amount involved

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is R\$ 120,625. According to the opinion of the external legal advisors, the risk of loss in these cases remains possible.

- (ii) Originally, it is a Tax Proceeding Order aiming at determining social security contribution liabilities in connection with an alleged non-compliance with a principal tax liability related to the period from February 2007 to December 2017. The Company filed a related protest letter. A decision was issued by the 13th panel of the regional RFB division office (DRJ/RJ1), which partially granted the points presented in our protest letter, and approved the rectification suggested by the tax authority in the tax assessment notices No. 37.273.022-1 and No. 37.273.023-0. The Company filed a Voluntary Appeal requesting the cancellation of the tax assessment notices concerned claiming that they were clearly groundless. The Voluntary Appeal was deemed partially valid, and considered the percentage of union dues at the rate of 20% as from the month in which the Company changed from non-profit entity to entrepreneurial company. The Company filed an appeal for resolution of this conflict on June 23, 2016, but the appeal was denied. The Company has been awaiting that information on this decision be input into the court system, so that it can challenge the remaining tax assessment notices in court. The total amount involved is R\$ 50,277. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.
- (iii) Tax collection proceeding assigned by the Municipality of Niterói, in connection with the issue of a tax assessment notice on September 29, 2009, whereby the Municipality of Niterói is charging SESES the Services Tax (ISS) for the period from January 2004 to January 2007, considering the suspension of the immunity from taxation by the municipal public administration as a result of the alleged non-compliance with requirements for enjoyment of the benefits provided for in article 14 of the Brazilian Tax Code (CTN), that is, because it allegedly has not submitted to tax authorities relevant tax/accounting records, as established in the legislation in force. A motion to stay execution was filed on September 16, 2013, which is pending judgment. The total amount involved is R\$ 32,540. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.
- (iv) In 2009, SESES filed a common civil action against the Federal Government/Federal Tax Authorities, through which it claims authorization to pay the social security contributions, according to the graduation provided by Article 13 of Law 11,096/05 ("PROUNI Law"), with the beginning of the graduation as from the 1st month that a general meeting took place that authorized the change of its legal nature to a company for profit, in February 2007, consequently resulting in the following graduation for the payment of the social security contributions by SESES: 20% in 2007; 40% in 2008; 60% in 2009; 80% in 2010; and 100% in 2011, notwithstanding the understanding of INSS inspectors, who claim that the five-year period for application of the escalated rates as defined in Article 13 of the PROUNI Law should start to be counted as from the date of publication of such Law, which occurred in 2005. On August 7, 2012, the Federal Regional Court (TRF) favorably judged the Company's appeal. According to the mentioned decision, the enjoyment begins as from the date of the Stockholders' Meeting that changed the legal nature of SESES and not the publication date of the Prouni Act. On August 9, 2015, the appeal to the High Court of Justice (STJ) filed by the Federal Tax Authorities was rejected. On November 3, 2015, the National Treasury filed an appeal with the High Court of Justice (STJ) against the inadmissibility of the appeal to the STJ, but the hearing of the appeal was denied by the STJ on August 15, 2017. On August 29, 2017, the National Treasury filed an appeal against court regulations, which is pending judgment. The outside legal advisors assessed this case as a possible loss and the estimated amount involved is R\$ 18,345.
- (v) The Brazilian Federal Revenue Secretariat (RFB), as regards SESES, assessed the Company based on alleged social security contribution liabilities related to the period from January 2006 to January 2007 and failure to comply with record-keeping and reporting obligations. These tax assessment notices mainly challenge the fulfillment of the legal requirements to qualify SESES as a non-profit welfare entity and its related right to exemption from social security contributions, a condition that was met until February 9, 2007. The respective protest letters were submitted on September 22, 2011, in which SESES, in general terms, stated that it had always fully complied with all legal requirements for enjoyment of the right to exemption of such social security contributions up to the date of transformation of its legal nature. In August 2012, SESES was notified with respect to the decision issued at an appellate level, which partially granted the points presented in our protest

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letters, and recognized the loss of procedural right and excluded from the assessments the amounts related to the period from January 2006 to July 2006; the remaining arguments of the tax authorities were maintained. A Voluntary Appeal was filed by SESES on September 27, 2012. The case was placed on docket to be judged on January 28, 2016. On January 28, 2016, the appeal was removed from docket and the judgment postponed to February 15, 2016, and was again removed from docket on that date. On September 20, 2016, the case records were assigned to Member Carlos Alberto do Amaral Azerado. Currently, the Company is awaiting the placement of the appeal on docket for judgment. The amount involved is R\$ 238,109. According to the opinion of our external legal advisors, the likelihood of loss in the proceedings is considered as possible.

- (vi) In July 2017, a labor claim was filed by the former CEO against Sociedade de Ensino Superior Estacio de Sá Ltda. The plaintiff's claims included but were not limited to salary differences for noncompliance with provisions of collective agreements (one-year and three-year premiums), receipt of the bonus for 2016, payment of amounts arising from the Long-term Incentive Program - Purchase and sale of shares, the cancellation of the termination of the employment contract, and pain and suffering. Currently, the case is in the discovery phase. As a defense, a pleading was filed, with a request for expert evidence. The request for expert evidence was granted by the court. The risk of loss has been classified by external consultants as possible and the amount claimed is currently estimated at R\$ 300,000.00.

## 17 Equity

### (a) Share capital

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

The Company's shareholding structure at September 30, 2017 and December 31, 2016 is as follows:

Stockholders	Common shares			
	September 30, 2017	%	December 31, 2016	%
Officers and directors	792,942	0.3	473,031	0.1
Treasury	8,679,306	2.7	9,498,058	3.0
Others (i)	308,424,170	97.0	307,925,329	96.9
	<u>317,896,418</u>	<u>100</u>	<u>317,896,418</u>	<u>100</u>

- (i) *Free float*

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

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

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

### (b) Changes in shares

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There were no changes in share capital during the quarter ended September 30, 2017.

#### (c) Treasury shares

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

At the Meeting of the Board of Directors held on June 29, 2017, the 5<sup>th</sup> Program for the Repurchase of our shares on stock exchange was approved, including up to 15,894,821 common shares equivalent to 5.00% of the share capital. Under this program, the shares can be purchased within 359 days, that is, up to June 28, 2018. Up to September 30, 2017, no share had been purchased under the program.

	<u>Number</u>	<u>Average cost</u>	<u>Balance</u>
Treasury shares at December 31, 2016	9,498,058	15.42	146,430
Payment of options granted with treasury shares	<u>(818,752)</u>	<u>15.42</u>	<u>(12,623)</u>
Treasury shares at September 30, 2017	<u>8,679,306</u>	<u>15.42</u>	<u>133,807</u>

#### (d) Capital reserves

##### (d.1) Share premium

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

The amount of the share premium in the quarterly information at September 30, 2017 and December 31, 2016 is as follows:

	<u>Parent company</u>	
	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Tax reserve	3	3
Undistributed profits (i)	96,477	96,477
Special reserve for goodwill on merger	85	85
Share premium	<u>498,899</u>	<u>498,899</u>
	<u>595,464</u>	<u>595,464</u>

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

The premium on issue of shares is represented as follows:

	<u>September 30, 2017</u>
Subscription of 17,853,127 shares	(23,305)
Amount paid for the 17,853,127 shares	<u>522,204</u>
Share premium	<u>498,899</u>

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

The Company recorded the Capital Reserve for Stock Options granted and long-term incentive, as mentioned in Note 19. As required by the applicable technical accounting pronouncement, the fair value of options was determined on the grant date and has been recognized over the vesting period up to the date of this parent company and consolidated financial statements.

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

The discount on the sale of treasury shares refers to the difference between the subscription price that the Company paid for the shares and the sales amount for the use of the shares for the payment of the options granted in the period ended September 30, 2017.

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

	<b>September 30, 2017</b>
Sale amount for 818,752 shares	(8,147)
Amount paid for 818,752 shares	<u>12,623</u>
Discount on the sale of treasury shares	<u>4,476</u>

#### **(e) Revenue reserves**

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

#### **(e.1) Profit reserve surplus**

According to Article 199 of the Corporation Law, the sum of the profit reserves cannot be higher than the Company's capital. Accordingly, at the general meeting to be held on April 27, 2016, management will propose a capital increase of R\$ 55,330.

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

The Company's financial assets and liabilities at September 30, 2017 and December 31, 2016, are recorded in the balance sheet at amounts that are consistent with those prevailing in the market. Information about the criteria, assumptions and limitations used in the market value calculations did not change in relation to the information related to the financial statements for the year ended December 31, 2016.

#### **18.1 Financial risk factors**

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

##### **(a) Credit risk**

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

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

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

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

#### (b) Interest rate risk

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

#### (c) Foreign exchange rate risk

The Group's income is not subject to changes due to exchange rate volatility, its assets and liabilities are linked to a currency different from its functional currency.

At September 30, 2017, the Company has not recorded any position in derivatives.

#### (d) Liquidity risk

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

The Group's liquidity and cash flow control is monitored on a daily basis by the Group's financial management department, in order to ensure that cash flows from operations and funding, when necessary, are sufficient to meet its commitment schedule, not generating liquidity risks for the Group. There was no significant change in the financial liabilities of the Group as at September 30, 2017 compared to December 31, 2016.

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

	Consolidated			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At September 30, 2017				
Trade payables	80,649			
Borrowings	416,404	358,102	87,883	2,113
Finance lease liabilities	22,121	17,664	18,287	
Price of acquisition payable	53,769	39,521	3,312	
At December 31, 2016				
Trade payables	66,138			
Borrowings	468,114	393,757	221,138	2,879
Finance lease liabilities	21,336	11	42,834	4,058
Price of acquisition payable	53,661	48,101	33,432	
Related parties	633			

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**(e) Sensitivity analysis**

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

The financial instruments of the Group comprise cash and cash equivalents, trade receivables, judicial deposits and borrowings. These instruments are recognized at fair value plus earnings and charges incurred, which approximate market values at September 30, 2017 and December 31, 2016.

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

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

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

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

For purposes of verifying the sensitivity of the index in the financial investments to which the Company was exposed on the base date of September 30, 2017, three different scenarios were defined. Based on the CDI rate officially published by CETIP on September 30, 2017 (8,14% p.a.), this rate was used as the probable scenario for the year. Rate changes of 25% and 50% were then calculated.

For each scenario, the "gross financial revenue and financial expenses" were calculated, disregarding the effect of taxes on the investment yields. The base date used for the portfolio was September 30, 2017, with projections for one year and verification of the sensitivity of the CDI for each scenario.

Transactions	Risk	CDI increase scenario		
		Probable Scenario (I)	Scenario (II)	Scenario (III)
Financial investments R\$ 699,702	CDI	8.14% 56,956	10.18% 71,195	12.21% 85,434
Debentures II R\$ 314,862	CDI+1.18	9.42% (29,648)	11.48% (36,131)	13.53% (42,614)
Debentures IV R\$ 103,286	CDI+1.50	9.76% (10,083)	11.83% (12,216)	13.89% (14,350)
IFC I R\$ 23,621	CDI+1.53	9.79% (2,314)	11.86% (2,802)	13.93% (3,290)
IFC II R\$ 10,914	CDI+1.69	9.97% (1,088)	12.04% (1,314)	14.11% (1,539)
Promissory notes (1st Tranche)	CDI+1.50	9.76%	11.83%	13.89%



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R\$ 195,493		(19,084)	(23,122)	(27,160)
Promissory notes (2st Tranche) R\$ 139,824	CDI+1.65	9.92% (13,877)	11.99% (16,769)	14.06% (19,661)
<b>Net position</b>		<b>(19,138)</b>	<b>(21,159)</b>	<b>(23,180)</b>

CDI decrease scenario				
Transactions	Risk	Probable Scenario (I)	Scenario (II)	Scenario (III)
Financial investments R\$ 699,702	CDI	8.14% 56,956	6.11% 42,717	4.07% 28,478
Debentures II R\$ 314,862	CDI+1.18	9.42% (29,648)	7.36% (23,165)	5.30% (16,681)
Debentures IV R\$ 103,286	CDI+1.50	9.76% (10,083)	7.70% (7,949)	5.63% (5,816)
IFC I R\$ 23,621	CDI+1.53	9.79% (2,314)	7.73% (1,826)	5.66% (1,337)
IFC II R\$ 10,914	CDI+1.69	9.97% (1,088)	7.90% (862)	5.83% (636)
Promissory notes (1st Tranche) R\$ 195,493	CDI+1.50	9.76% (19,084)	7.70% (15,046)	5.63% (11,008)
Promissory notes (2st Tranche) R\$ 139,824	CDI+1.65	9.92% (13,877)	7.86% (10,984)	5.79% (8,092)
<b>Net position</b>		<b>(19,138)</b>	<b>(17,115)</b>	<b>(15,092)</b>

#### (f) Capital management

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

	Consolidated	
	September 30, 2017	December 31, 2016
Borrowings (Note 11)	856,407	1,022,533
(-) Cash and cash equivalents	(9,826)	(58,340)
Net debt	846,581	964,193
Equity	2,886,386	2,434,673
Net debt on equity	0.29	0.40

#### (g) Fair value of financial instruments

At September 30, 2017 and December 31, 2016, the carrying values of the Company's financial instruments approximate their fair value.

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

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if

## Estácio Participações S.A.

### Notes to the financial statements at September 30, 2017

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

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

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

#### (h) Offsetting of financial instruments

There were no significant assets or liabilities subject to offset at September 30, 2017 and December 31, 2016.

## 19 Management compensation

#### (a) Compensation

For the periods ended September 30, 2017 and 2016, total compensation (salaries and profit sharing) paid to the Company's directors, officers and main executives amounted to R\$ 10,266 and R\$ 9,102, respectively. These amounts are within the limits established at the corresponding General Meetings of Stockholders.

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

#### (b) Stock option plan

The history and the details of the stock option plans did not change in relation to the information included in the financial statements at December 31, 2016.

At September 30, 2017, the number of options granted which were exercised totaled 11,375,594 shares (R\$ 88,232), and the total shares granted amounted to 18,300,612 (R\$ 176,832).

Program	Granted	Options deemed to have expired	Issued	Balance of shares
1P	11,910,909	5,067,255	6,374,115	
2P	1,411,563	798,438	481,290	
3P	1,805,373	451,929	1,269,316	21,181
4P	2,736,000	696,000	1,946,577	74,000
5P	720,000	348,000	194,606	59,000
6P	5,090,000	2,219,000	400,295	773,317
7P	889,000	333,000	29,206	381,295
8P	983,000	260,400	230,353	451,447
9P	1,300,000	300,000	385,000	590,000
10P	1,105,779	118,000	64,836	874,053
11P	991,010	50,000		941,010
<b>Total</b>	<b>28,942,634</b>	<b>10,642,022</b>	<b>11,375,594</b>	<b>4,165,303</b>

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

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	<u><b>Exercised options</b></u>
December 31, 2015	9,305,555
March 31, 2016	9,305,555
June 30, 2016	9,838,941
September 30, 2016	10,556,842
December 31, 2016	10,556,842
March 31, 2017	10,556,842
June 30, 2017	11,375,594
September 30, 2017	11,375,594

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

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

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### Notes to the financial statements at September 30, 2017

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

(i) Market price on the respective grant dates.

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

Program	End of grace period	Expiration date	Fair Value	Price of the underlying asset (i)	Expected Annual Volatility	Expected Dividendss	Risk-free interest risk	Estimated life (years)	Number of options granted	Number of lapsed options
Program 4P Apr/12	4/15/2013	4/15/2023	R\$ 1.12	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	27,000
Program 4P Apr/12	4/14/2014	4/14/2024	R\$ 1.81	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	42,000
Program 4P Apr/12	4/14/2015	4/14/2025	R\$ 2.26	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	42,000
Program 4P Apr/12	4/14/2016	4/14/2026	R\$ 2.60	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	60,000
Program 4P Apr/12	4/14/2017	4/14/2027	R\$ 2.82	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	138,000
Program 4P Apr/12 Cons.	4/15/2013	4/2/2022	R\$ 1.09	R\$ 7.84	51.66%	1.65%	4.29%	8	180,000	0
Program 4P Apr/12 Cons.	4/14/2014	4/2/2022	R\$ 1.78	R\$ 7.84	51.66%	1.65%	4.29%	7	180,000	0
Program 4P Jul/12	4/15/2013	4/15/2023	R\$ 2.23	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	0
Program 4P Jul/12	4/14/2014	4/14/2024	R\$ 2.96	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	0
Program 4P Jul/12	4/14/2015	4/14/2025	R\$ 3.46	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	9,000
Program 4P Jul/12	4/14/2016	4/14/2026	R\$ 3.86	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	9,000
Program 4P Jul/12	4/14/2017	4/14/2027	R\$ 4.12	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	48,000
Program 4P Aug/12	4/15/2013	4/15/2023	R\$ 2.64	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	0
Program 4P Aug/12	4/14/2014	4/14/2024	R\$ 3.37	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
Program 4P Aug/12	4/14/2015	4/14/2025	R\$ 3.88	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
Program 4P Aug/12	4/14/2016	4/14/2026	R\$ 4.29	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
Program 4P Aug/12	4/14/2017	4/14/2027	R\$ 4.55	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
Program 4P Nov/12	4/15/2014	4/15/2024	R\$ 6.31	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	0
Program 4P Nov/12	4/15/2015	4/15/2025	R\$ 6.88	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	0
Program 4P Nov/12	4/15/2016	4/15/2026	R\$ 7.36	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	15,000
Program 4P Nov/12	4/15/2017	4/15/2027	R\$ 7.79	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	15,000
Program 4P Nov/12	4/15/2018	4/15/2028	R\$ 8.08	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	15,000
Program 4P Jan/13	4/15/2014	4/15/2024	R\$ 8.23	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	7,200
Program 4P Jan/13	4/15/2015	4/15/2025	R\$ 8.35	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	7,200
Program 4P Jan/13	4/15/2016	4/15/2026	R\$ 8.48	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	7,200
Program 4P Jan/13	4/15/2017	4/15/2027	R\$ 8.62	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	88,200
Program 4P Jan/13	4/15/2018	4/15/2028	R\$ 8.75	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	94,200
Program 5P 3	4/15/2014	4/15/2024	R\$ 6.37	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	0
Program 5P 3	4/15/2015	4/15/2025	R\$ 7.02	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	21,000
Program 5P 3	4/15/2016	4/15/2026	R\$ 7.60	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	102,000
Program 5P 3	4/15/2017	4/15/2027	R\$ 8.11	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	102,000
Program 5P 3	4/15/2018	4/15/2028	R\$ 8.58	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	123,000
Program 6P Oct/13	4/15/2014	4/15/2024	R\$ 5.05	R\$ 17.48	28.80%	0.00%	11.99%	10	265,000	5,000
Program 6P Oct/13	4/15/2015	4/15/2025	R\$ 5.79	R\$ 17.48	28.80%	0.00%	11.99%	10	265,000	5,000
Program 6P Oct/13	4/15/2016	4/15/2026	R\$ 6.40	R\$ 17.48	28.80%	0.00%	11.99%	10	265,000	19,000
Program 6P Oct/13	4/15/2017	4/15/2027	R\$ 6.94	R\$ 17.48	28.80%	0.00%	11.99%	10	265,000	88,000
Program 6P Oct/13	4/15/2018	4/15/2028	R\$ 7.43	R\$ 17.48	28.80%	0.00%	11.99%	10	265,000	104,000
Program 6P Jul/14	4/15/2015	4/15/2025	R\$ 15.13	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	0
Program 6P Jul/14	4/15/2016	4/15/2026	R\$ 15.76	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	80,000
Program 6P Jul/14	4/15/2017	4/15/2027	R\$ 16.41	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	602,000
Program 6P Jul/14	4/15/2018	4/15/2028	R\$ 17.05	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	602,000
Program 6P Jul/14	4/15/2019	4/15/2029	R\$ 17.65	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	602,000
Program 6P Jul/14 Cons.	4/15/2015	7/4/2024	R\$ 15.09	R\$ 16.79	28.80%	0.00%	11.99%	9	162,500	0
Program 6P Jul/14 Cons.	4/15/2016	7/4/2024	R\$ 15.69	R\$ 16.79	28.80%	0.00%	11.99%	8	162,500	0
Program 6P Aug/14	4/15/2015	4/15/2025	R\$ 14.48	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	0
Program 6P Aug/14	4/15/2016	4/15/2026	R\$ 15.10	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	28,000
Program 6P Aug/14	4/15/2017	4/15/2027	R\$ 15.74	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	28,000
Program 6P Aug/14	4/15/2018	4/15/2028	R\$ 16.38	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	28,000
Program 6P Aug/14	4/15/2019	4/15/2029	R\$ 16.98	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	28,000
Program 6P Aug/14 Cons.	4/15/2015	8/1/2024	R\$ 14.43	R\$ 16.88	28.80%	0.00%	11.99%	9	50,000	0
Program 6P Aug/14 Cons.	4/15/2016	8/1/2024	R\$ 15.02	R\$ 16.88	28.80%	0.00%	11.99%	8	50,000	0
Program 7P Oct/14	4/15/2015	4/15/2025	R\$ 8.58	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	16,000
Program 7P Oct/14	4/15/2016	4/15/2026	R\$ 9.71	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	37,000
Program 7P Oct/14	4/15/2017	4/15/2027	R\$ 10.64	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	86,000
Program 7P Oct/14	4/15/2018	4/15/2028	R\$ 11.47	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	86,000
Program 7P Oct/14	4/15/2019	4/15/2029	R\$ 12.24	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	86,000
Program 8P Oct/15	4/15/2016	4/15/2026	R\$ 5.45	R\$ 13.15	28.80%	0.00%	11.99%	10	196,600	2,000
Program 8P Oct/15	4/15/2017	4/15/2027	R\$ 6.42	R\$ 13.15	28.80%	0.00%	11.99%	10	196,600	56,800
Program 8P Oct/15	4/15/2018	4/15/2028	R\$ 7.20	R\$ 13.15	28.80%	0.00%	11.99%	10	196,600	62,800
Program 8P Oct/15	4/15/2019	4/15/2029	R\$ 7.88	R\$ 13.15	28.80%	0.00%	11.99%	10	196,600	62,800
Program 8P Oct/15	4/15/2020	4/15/2030	R\$ 8.47	R\$ 13.15	28.80%	0.00%	11.99%	10	196,600	62,800
9 Program Apr/16	4/15/2017	4/15/2027	R\$ 6.02	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	20,000
9 Program Apr/16	4/15/2018	4/15/2027	R\$ 6.66	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	20,000
9 Program Apr/16	4/15/2019	4/15/2027	R\$ 7.14	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	20,000
9 Program Apr/16	4/15/2020	4/15/2027	R\$ 7.52	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	20,000
9 Program Apr/16	4/15/2021	4/15/2027	R\$ 7.83	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	20,000
9 Program Apr/16 Cons.	4/15/2017	4/29/2017	R\$ 3.17	R\$ 11.87	54.57%	0.00%	12.93%	2	450,000	100,000
9 Program Apr/16 Cons.	4/15/2018	4/29/2018	R\$ 4.43	R\$ 11.87	54.57%	0.00%	12.93%	2	450,000	100,000
10 Program Jul16	4/15/2018	4/15/2027	R\$ 6.89	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	2,000

## Estácio Participações S.A.

### Notes to the financial statements

at September 30, 2017

All amounts in thousands of reais unless otherwise stated

Program	End of grace period	Expiration date	Fair Value	Price of the underlying asset (i)	Expected Annual Volatility	Expected Dividendss	Risk-free interest risk	Estimated life (years)	Number of options granted	Number of lapsed options
10 Program Jul16	4/15/2018	4/15/2027	R\$ 7.89	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	29,000
10 Program Jul16	4/15/2019	4/15/2027	R\$ 8.61	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	29,000
10 Program Jul16	4/15/2020	4/15/2027	R\$ 9.18	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	29,000
10 Program Jul16	4/15/2021	4/15/2027	R\$ 9.64	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	29,000
10 Program Jul16 Cons.	4/15/2017	4/29/2017	R\$ 6.89	R\$ 15.12	59.18%	0.00%	12.50%	2	32,890	0
10 Program Jul16 Cons.	4/15/2018	4/29/2018	R\$ 7.89	R\$ 15.12	59.18%	0.00%	12.50%	2	32,890	0
11Program Apr17	5/15/2018	5/15/2028	R\$ 6.14	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	5,500
11Program Apr17	5/15/2019	5/15/2028	R\$ 6.84	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	5,500
11Program Apr17	5/15/2020	5/15/2028	R\$ 7.41	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	5,500
11Program Apr17	5/15/2021	5/15/2028	R\$ 7.86	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	5,500
11Program Apr17	5/15/2022	5/15/2028	R\$ 8.26	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	5,500
11 Program Apr17 Cons.	5/15/2018	4/29/2018	R\$ 6.14	R\$ 14.18	46.66%	0.00%	8.94%	2	25,505	0
11 Program Apr17 Cons.	5/15/2019	4/29/2019	R\$ 6.84	R\$ 14.18	46.66%	0.00%	8.94%	2	25,505	0

(i) Market price on the respective grant dates.

The Company recognizes on a monthly basis the stock options, granted in a capital reserve account with a corresponding entry in the statement of income, of R\$ 6,095 for the period ended September 30, 2017 (R\$ 1,505 for the year ended December 31, 2016).

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

#### Statutory Board

	September 30, 2017		December 31, 2016	
	Average exercise price per share	Options - thousands	Average exercise price per share	Options - thousands
January 1	10.73	1,131,355	13.73	921,660
Transfer of members	0.00	0,00	11.22	565,863
Granted	14.18	300,000	12.71	930,000
Exercised	10.20	105,367	8.53	714,742
Abandoned	0.00	0,00	18.40	571,426
	<u>14.71</u>	<u>1,325,988</u>	<u>10.73</u>	<u>1,131,355</u>

#### Board of Directors

	September 30, 2017		December 31, 2016	
	Average exercise price per share	Options - thousands	Average exercise price per share	Options - thousands
January 1	10.25	965,779	8.01	188,130
Granted	14.18	51,010	10.25	965,779
Exercised	9.86	325,000	0.00	0,00
Forfeited (i)	0.00	0,00	8.01	188,130
	<u>14.57</u>	<u>691,789</u>	<u>10.25</u>	<u>965,779</u>

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

## Estácio Participações S.A.

### Notes to the financial statements

at September 30, 2017

All amounts in thousands of reais unless otherwise stated

#### (c) Special Program for Long-term Incentive

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

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

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

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

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

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

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

The value of the provision of the program at September 30, 2017 is R\$ 304 (R\$ 210 at December 31, 2016).

## 20 Earnings per share

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

#### (a) Basic earnings per share

	<u>2017</u>	<u>2016</u>
Numerator		
Profit for the year	437,377	243,804
Denominator (in thousands of shares)		
Weighted average number of shares outstanding	<u>308,759</u>	<u>317,004</u>
Basic earnings per share	<u>1.41656</u>	<u>0.76909</u>

**Estácio Participações S.A.****Notes to the financial statements****at September 30, 2017**

All amounts in thousands of reais unless otherwise stated

**(b) Diluted earnings per share**

The table below present data related to profit and loss used in the calculation of the basic and diluted earnings (loss) per share.

	<u>2017</u>	<u>2016</u>
Numerator		
Profit for the year	437,377	243,804
Denominator (in thousands of shares)		
Weighted average number of shares outstanding	308,759	317,004
Potential increase in the number of shares relating to the share option plan		930
Adjusted weighted average number of shares outstanding	<u>308,759</u>	<u>317,934</u>
Diluted earnings per share	<u>1.41656</u>	<u>0.76684</u>

**21 Net revenue from services rendered**

	<u>Consolidated</u>	
	<u>2017</u>	<u>2016</u>
Gross operating revenue	4,126,105	3,655,663
Gross revenue deductions	(1,585,581)	(1,268,025)
Grants - scholarships	(1,344,511)	(1,066,568)
Return of monthly tuition and charges	(6,188)	(6,273)
Discounts granted	(15,768)	(18,662)
Taxes	(115,574)	(99,693)
Adjustment to present value - PAR (Note 4)	(17,623)	
FGEDUC	(52,526)	(61,810)
Others (i)	(33,391)	(15,019)
	<u>2,540,524</u>	<u>2,387,638</u>

(i) Refers to the on lending to EAD partners.

**22 Costs of services rendered**

	<u>Consolidated</u>	
	<u>2017</u>	<u>2016</u>
Personnel and social charges	(933,100)	(934,658)
Labor contingencies	(14,663)	(42,535)
Electricity, water, gas and telephone	(30,223)	(33,783)
Rents, condominium fees and IPTU	(189,517)	(183,779)
Mailing and courier expenses	(2,216)	(1,575)
Depreciation and amortization	(76,398)	(62,633)
Teaching material	(8,820)	(22,703)
Outsourced security and cleaning services	(46,273)	(41,854)
	<u>(1,301,210)</u>	<u>(1,323,520)</u>

**23 Expenses by nature**

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Selling				
Impairment of trade receivables			(150,255)	(129,982)
Advertising			(142,094)	(136,180)
Sales and marketing			(31,091)	(36,904)
Others (i)			(1,237)	(45,189)
			(324,677)	(348,255)
General and administrative expenses				



## Estácio Participações S.A.

### Notes to the financial statements

at September 30, 2017

All amounts in thousands of reais unless otherwise stated

Personnel and social charges	(4,349)	(3,055)	(140,072)	(123,742)
Outsourced services	(4,260)	(7,754)	(61,344)	(71,427)
Consumption material			(1,896)	(2,454)
Maintenance and repairs	(22)	(33)	(27,503)	(26,180)
Depreciation and amortization	(13,210)	(14,947)	(72,441)	(75,152)
Educational covenants	(32)	(412)	(6,588)	(8,215)
Travels and accommodation	(200)	(104)	(6,956)	(6,507)
Institutional events	(2)	(11)	(2,167)	(16,254)
Provision for contingencies		(5)	(24,882)	(45,480)
Copies and bookbinding	(2)		(3,756)	(6,015)
Insurance	(6,488)	(4,573)	(7,083)	(5,099)
Cleaning supplies			(2,379)	(2,455)
Transportation	(6)	(12)	(4,344)	(3,666)
Car rental			(2,564)	(1,913)
Others	(779)	(995)	(16,488)	(19,861)
	<u>(29,350)</u>	<u>(31,901)</u>	<u>(380,463)</u>	<u>(414,420)</u>

(i) In 2016, refers mainly to the provision described in Note 4 (a).

## 24 Other operating income

	Parent company		Consolidated	
	2017	2016	2017	2016
Income from agreements	1,225	1,225	1,994	2,008
Income from rentals			5,982	6,724
Web class income				114
Business intermediation			516	
Provision for impairment of fixed assets (i)	(26)		2,587	(13,195)
Other operating income (expenses)		(227)	(1,721)	283
	<u>1,199</u>	<u>998</u>	<u>9,358</u>	<u>(4,066)</u>

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

(ii) Insurance premium in the amount of R\$ 2,879 related to claims that took place at Units.

## 25 Finance result

	Parent company		Consolidated	
	2017	2016	2017	2016
Finance income				
Late payment fine and interest			24,426	19,183
Update of accounts receivable - FIES			7,459	28,903
Earnings from financial investments			224	
Interest on capital	8,926	20,970	39,138	48,300
Monetary variation gains	2,491	2,258	9,302	7,812
Exchange variation gain		27,958	2	27,960
Derivative financial instruments gain - SWAP		471		471
Adjustment to present value - FIES			7,132	12,473
Restatement of the sale of portfolio			4,215	
Others		74	84	99
	<u>11,417</u>	<u>51,731</u>	<u>91,982</u>	<u>145,201</u>
Finance costs				
Banking expenses	(1,906)	(1,472)	(11,670)	(9,801)
Interest and financial charges	(84,602)	(84,155)	(110,437)	(102,834)
Updating of contingencies			(28)	
Financial discounts (i)			(37,354)	(29,713)
Monetary variation losses			(15,259)	(12,638)
Derivative financial instruments losses - SWAP		(26,036)		(26,036)
Exchange variation losses		(10,958)	(4)	(10,964)
Others	(8,633)	(1,953)	(19,781)	(15,046)
	<u>(95,141)</u>	<u>(124,574)</u>	<u>(194,533)</u>	<u>(207,032)</u>

## Estácio Participações S.A.

### Notes to the financial statements

at September 30, 2017

All amounts in thousands of reais unless otherwise stated

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

## 26 Income tax and social contribution

Reconciliation of income tax and social contribution determined at statutory rates and taxes recognized in the statement of income for the periods ended September 30, 2017 and 2016 is as follows:

	Parent company		Consolidated	
	2017	2016	2017	2016
Profit before income tax and social contribution	416,887	238,679	440,981	235,546
Combined statutory rate of income tax and social contribution - %	34	34	34	34
Income tax and social contribution at the statutory rates	(141,741)	(81,151)	(149,934)	(80,086)
Depreciation	(5)	(4)	(569)	1,069
Leasing			(69)	(197)
Adjustment to present value			2,425	4,241
Equity in the results of subsidiaries	179,779	116,425		
Amortization of goodwill	(4,471)	(5,062)	(7,874)	(10,640)
Non-deductible expenses (i)			(1,445)	(1,358)
Options granted LP provision - employees			(2,104)	(1,701)
Tax losses not registered	(33,562)	(30,131)	(35,700)	(32,978)
Decommissioning expenses			(345)	(390)
Provision for contingencies			(1,982)	(11,544)
Provision for impairment of receivables (ii)		(77)	(2,507)	(733)
Monthly tuitions to be canceled and billed			3,213	5,587
Provision for FIES risk			(420)	(15,364)
Others			304	763
			(197,007)	(143,331)
Tax benefits				
Tax incentive – PROUNI			164,635	108,778
Tax incentive – Lei Rouanet			2,717	2,051
Current income tax and social contribution in the results for the period			(29,655)	(32,502)

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

(ii) Refers to students with outstanding payments overdue for more than 180 days, and the provision for the cancellation of monthly pay slips.

	Parent company		Consolidated	
	2017	2016	2017	2016
Current income tax and social contribution			(29,655)	(32,502)
Deferred income tax and social contribution	20,490	5,125	26,051	33,456
Income tax and social contribution from the prior periods				7,304
	20,490	5,125	(3,604)	8,258

At September 30, 2017, the Company recorded deferred tax assets on temporary differences of R\$ 44,621 (R\$ 35,148 at December 31, 2016). The breakdown of the tax effects of temporary differences which originated the deferred tax assets is summarized below:

	Parent company		Consolidated	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Adjustment to present value			2,061	4,486
Provision for contingencies			23,365	21,383
Provision for impairment of receivables	132	132	4,889	2,382
Monthly tuitions to be canceled			1,924	5,138

**Estácio Participações S.A.****Notes to the financial statements****at September 30, 2017****All amounts in thousands of reais unless otherwise stated**

Provision for decommissioning			5,203	5,193
Goodwill	(5,540)	(10,011)	(16,575)	(24,238)
Provision for risk - FIES			6,646	6,226
Options granted recognized			27,299	25,195
Decommissioning adjustment			335	
Incorporated goodwill			(11,184)	(10,706)
Depreciation	13	8	(236)	(805)
Tax losses			894	894
	<u>(5,395)</u>	<u>(9,871)</u>	<u>44,621</u>	<u>35,148</u>
Assets			60,793	58,752
Liabilities	<u>(5,395)</u>	<u>(9,871)</u>	<u>(16,172)</u>	<u>(23,604)</u>
	<u>(5,395)</u>	<u>(9,871)</u>	<u>44,621</u>	<u>35,148</u>

The realization of the deferred tax effect on temporary differences recorded at September 30, 2017 is linked to the realization of the provision which gave rise to this credit. Consequently, it is not currently possible to present expected annual realization, since the Company's management is not yet able to forecast the timing of the realization of the provision for contingencies and the provision for decommissioning.

At September 30, 2017, the subsidiary IREP accounted for a deferred income tax and social contribution liability amounting to R\$ 9,060 due to the tax depreciation of goodwill generated upon acquisition of the companies merged into it.

At September 30, 2017, the Company had tax credits arising from income tax and social contribution losses amounting to R\$ 96,403 (R\$ 78,856 at December 31, 2016) that are not yet accounted for, because it is not possible to state at this time that their realization is considered probable.

\* \* \*



H I G H L I G H T S

## 3 Q 1 7 E A R N I N G S R E L E A S E

**+5.9%**

Net Revenue

R\$ **808.1** mn**+15.0%**

EBITDA

R\$ **223.6** mn**+2.2 p.p.**

EBITDA Margin

**27.7%****+101.3%**

OCF

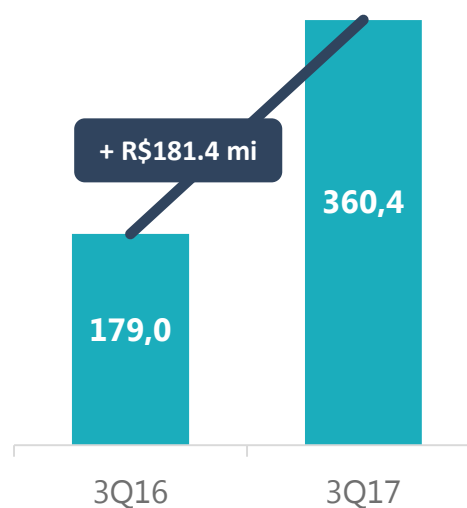
R\$ **360.4** mnCASH AND CASH  
EQUIVALENTS**+575.4 mn**

## AVERAGE TICKET

On-campus:

**+ 10,2%**

Distance Learning:

**+ 12.1%**OPERATING CASH FLOW  
(million)

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

## Highlights

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

## Message from Management

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

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

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

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

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

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

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

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

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

## Operating Performance

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

**Table 1 – Total Student Base**

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

\* Figures not reviewed by the auditors.

## On-Campus Undergraduate Segment

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

**Table 2 – On-Campus Undergraduate Base**

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

\* Figures not reviewed by the auditors.

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

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



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

**Table 3 – Evolution of On-Campus Undergraduate Student Base**

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

\* Figures not reviewed by the auditors.

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

## FIES

**Table 4 – FIES Student Base**

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

\* Figures not reviewed by the auditors.

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

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

**Table 5 – New FIES Contracts**

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

\* Figures not reviewed by the auditors.

## Installment Payment Program (PAR)

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

**Table 6 – PAR Effect in EBITDA**

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

\* Figures not reviewed by the auditors.

**Table 7 – PAR Effect in Accounts Receivable**

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

\* Figures not reviewed by the auditors.

## Distance-Learning Undergraduate Segment

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

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

**Table 8 – Evolution of Distance-Learning Undergraduate Base**

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

\* Figures not reviewed by the auditors.

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

## Graduate Segment

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

**Table 9 – Graduate Student Base**

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

\* Figures not reviewed by the auditors.

## On-Campus Average Ticket

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

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

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

\* Figures not reviewed by the auditors.

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

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

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

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

\* Figures not reviewed by the auditors.

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

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

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

\* Figures not reviewed by the auditors.

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

## Distance-Learning Average Ticket

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

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

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

\* Figures not reviewed by the auditors.

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

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

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

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

\* Figures not reviewed by the auditors.

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

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

\* Figures not reviewed by the auditors.

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

## Financial Performance

Table 16 – Income Statement

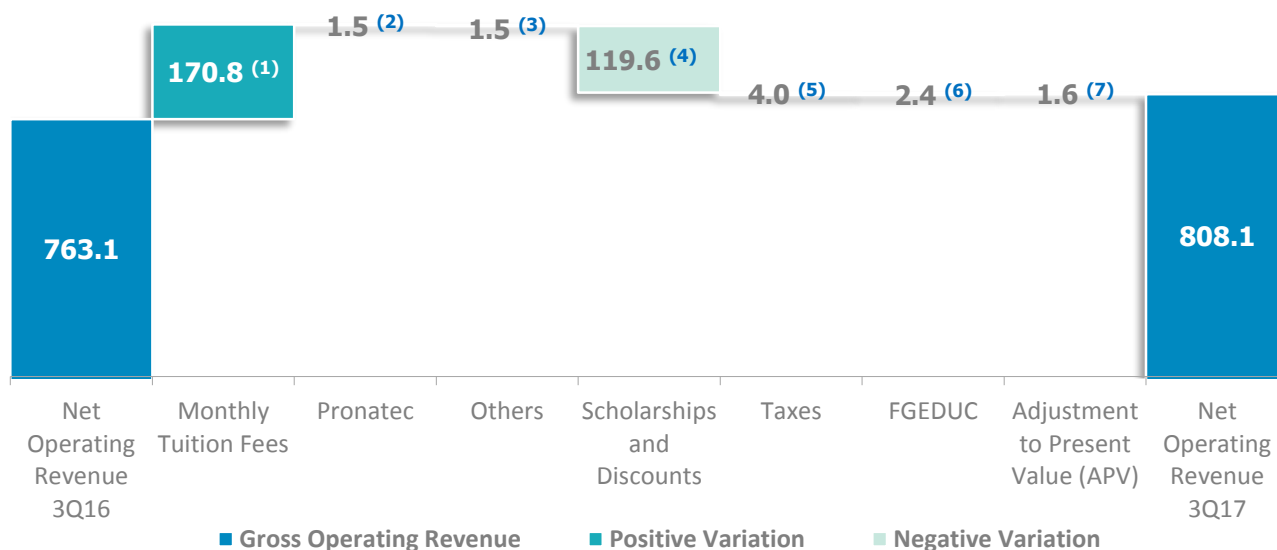
R\$ MM	3Q16	3Q17	Change	9M16	9M17	Change
<b>Gross Operating Revenue</b>	<b>1,167.3</b>	<b>1,335.1</b>	<b>14.4%</b>	<b>3,655.7</b>	<b>4,126.1</b>	<b>12.9%</b>
Monthly Tuition Fees	1,152.6	1,323.4	14.8%	3,599.6	4,094.2	13.7%
Pronatec	2.0	0.5	-75.0%	11.4	0.8	-93.0%
Others	12.7	11.2	-11.8%	44.8	31.1	-30.6%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

## Consolidated Operating Revenue

Table 17 – Breakdown of Operating Revenue

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

Chart 1 – Net Operating Revenue Bridge





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

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

## Cash Cost of Services

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

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

**Table 18 – Breakdown of Cost of Services**

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

**Table 19 – Vertical Analysis of Cost of Services**

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

**Table 20 – Statement of Gross Income**

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

## Selling, General and Administrative Expenses

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

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

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

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

**Table 21 – Breakdown of Selling, General and Administrative Expenses**

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

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

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

## EBITDA

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

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

**Table 23 – Financial Indicators**

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

## Financial Result

**Table 24 – Financial Result Breakdown**

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

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

## Net Income

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

**Table 25 – Reconciliation of EBITDA and Net Income**

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

## Accounts Receivable and Average Receivables Days

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

**Table 26 – Accounts Receivable**

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

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

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



**Table 27 – Average Receivables Days**

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

**Table 28 - Average non-FIES Receivables Days**

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

\* Figures not reviewed by the auditors

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

**Table 29 – Average FIES Receivables Days**

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

\* Figures not reviewed by the auditors

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

**Table 30 – Evolution of FIES Accounts Receivable**

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

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

**Table 31 – Evolution of FIES Carry-Forward Credits**

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

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

**Table 32 – Aging of Total Gross Accounts Receivable**

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

**Table 33 – Aging of Agreements Receivable\***

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

\* Note: Excludes credit card agreements

**Table 34 – Breakdown of the allowance for doubtful accounts**

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

## Investments (CAPEX and Acquisitions)

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

**Table 35 – CAPEX Breakdown**

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

\* Figures not reviewed by the auditors.

## Capitalization and Cash

**Table 36 – Capitalization and Cash**

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

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

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

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

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

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

## Cash Flow Statement

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

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

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

**Table 37 – Cash Flow Statement**

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

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

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

## Income Statement by Business Unit

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

## Income Statement by Business Unit 2Q17\*

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

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

## Balance Sheet

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



## Cash Flow Statement

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

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

## Financial Result

### Detailed Adjusted History

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

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

## Student Base History

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

### Total Student Base

'000	1T16	2T16	3Q16	4T16	1T17	2T17	3Q17
<b>On-Campus</b>	<b>411.4</b>	<b>381.0</b>	<b>372.0</b>	<b>362.0</b>	<b>371.5</b>	<b>369.6</b>	<b>352.2</b>
Undergraduate	375.7	343.4	335.6	329.4	339.1	335.9	318.7
Graduate	35.7	37.6	36.5	32.6	32.4	33.7	33.5
<b>Distance Learning</b>	<b>159.7</b>	<b>154.4</b>	<b>155.4</b>	<b>145.9</b>	<b>170.6</b>	<b>170.3</b>	<b>178.9</b>
Undergraduate	127.6	115.9	115.4	106.9	127.5	124.7	134.7
Graduate	32.1	38.5	40.0	39.0	43.1	45.6	44.3
<b>Total Student Base</b>	<b>571.1</b>	<b>535.4</b>	<b>527.4</b>	<b>508.0</b>	<b>542.1</b>	<b>539.9</b>	<b>531.1</b>
# Campuses	93	93	97	97	95	95	93
<b>On-Campus Students per Campus</b>	<b>4,423</b>	<b>4,096</b>	<b>3,835</b>	<b>3,732</b>	<b>3,911</b>	<b>3,891</b>	<b>3,787</b>
# Distance Learning Centers	191	197	205	209	228	238	338
<b>Distance Learning Students per Center</b>	<b>836</b>	<b>784</b>	<b>758</b>	<b>698</b>	<b>748</b>	<b>716</b>	<b>529</b>

\* Figures not reviewed by the auditors.

### Evolution of the On-Campus Undergraduate Student Base

'000	1T16	2T16	3Q16	4T16	1T17	2T16	3Q17
<b>Students - Starting balance</b>	<b>318.5</b>	<b>375.7</b>	<b>343.4</b>	<b>335.6</b>	<b>329.4</b>	<b>339.1</b>	<b>335.9</b>
(-) Graduates	(19.5)	-	(15.7)	-	(24.7)	-	(19.2)
<b>Renewable Base</b>	<b>299.0</b>	<b>375.7</b>	<b>327.7</b>	<b>335.6</b>	<b>304.8</b>	<b>339.1</b>	<b>316.7</b>
(+) Enrollments	117.3	-	55.6	-	92.3	7.1	50.6
(+) Enrollments from acquisitions	1.5	2.5	-	0.6	-	-	-
(-) Non-renewed	(24.9)	-	(32.3)	-	(45.8)	-	(39.7)
(-) Dropouts	-	(37.4)	-	(22.1)	-	(22.4)	-
(-) Dropouts in the quarter*	(17.2)	17.2	(15.4)	15.4	(12.1)	12.1	(8.8)
Write-off by new guidelines	-	(14.7)	-	-	-	-	-
<b>Students - Ending Balance (Revenue generating base)</b>	<b>375.7</b>	<b>343.4</b>	<b>335.6</b>	<b>329.4</b>	<b>339.1</b>	<b>335.9</b>	<b>318.7</b>

\* Figures not reviewed by the auditors.

### Evolution of the Distance-Learning Undergraduate Student Base

'000	1T16	2T16	3Q16	4T16	1T17	2T17	3Q17
<b>Students - Starting balance</b>	<b>109.4</b>	<b>127.6</b>	<b>115.9</b>	<b>115.4</b>	<b>106.9</b>	<b>127.5</b>	<b>124.7</b>
(-) Graduates	(5.7)	(0.8)	(3.9)	(0.9)	(4.9)	(0.7)	(6.6)
<b>Renewable Base</b>	<b>103.7</b>	<b>126.8</b>	<b>112.0</b>	<b>114.5</b>	<b>102.0</b>	<b>126.8</b>	<b>118.1</b>
(+) Enrollments	51.8	9.9	33.1	-	56.1	7.2	49.5
(-) Non-renewed	(20.3)	(4.7)	(20.8)	(3.8)	(22.4)	(1.2)	(27.2)
(-) Dropouts	(3.1)	(14.8)	(3.0)	(9.7)	(1.2)	(15.1)	(5.8)
(-) Dropouts in the quarter*	(4.5)	4.5	(5.9)	5.9	(7.0)	7.0	-
Write-off by new guidelines	-	(5.8)	-	-	-	-	-
<b>Students - Ending Balance (Revenue generating base)</b>	<b>127.6</b>	<b>115.9</b>	<b>115.4</b>	<b>106.9</b>	<b>127.5</b>	<b>124.7</b>	<b>134.7</b>

\* Figures not reviewed by the auditors.