Ser Educacional records adjusted EBITDA of R$75.4 million and operating cash generation of R$233.7 million in 3Q18

Recife, November 7, 2018 – Ser Educacional S.A. (B3 SEER3, Bloomberg SEER3:BZ and Reuters SEER3.SA) announces its results for the third quarter of 2018 (3Q18). The basis for presentation and analysis of results are described on page 2 of this document.

- In 3Q18, **EBITDA adjusted for non-recurring effects** totaled **R$75.4 million**, in line with the R$75.5 million recorded in 3Q17. The adjusted EBITDA margin came to 26.4%, up 0.9 p.p. over 25.5% in the same period last year.

- **Operating cash generation reached R$233.7 million in 3Q18**, up 62.6% over 3Q17, mainly due to the settlement of the last installment of the agreement with the federal government due to unpaid fees in 2015 (Agreement) pursuant to Normative Ordinance #23/2015 (PN 23) in the amount of R$137.4 million. Excluding the effects of the installment payments of the agreement with the federal government (R$137.4 million in 3Q18 and R$66.0 million in 3Q17), operating cash generation increased 23.8%, from R$77.7 million in 3Q17 to R$96.3 million, mainly due to an upturn in the collection of overdue tuition fees during the enrollment period and overdue FIES amounts.

- **The average collection period declined by 46 days**, from 121 days in 3Q17 to 75 days in 3Q18, mainly due to the settlement of the agreement with the federal government. The average collection from monthly tuition fees, agreements and Educred, declined by a significant 12 days, from 66 days in 3Q17 to 54 days in 3Q18, reflecting the Company's policy of maintaining low exposure to credit risk in its student base.

- **Net cash closed 3Q18 at R$546.0 million**, versus net debt of R$1.3 million in 3Q17, due to the combined effect of a R$393 million capital increase in November 2017 and the Company's increased cash generation in 2018.

- **Adjusted net income totaled R$49.9 million in 3Q18**, down 3.7% from R$51.8 million in 3Q17, mainly due to lower interest on tuition.

3Q18 Conference Call

November 7, 2018

Portuguese
10:00 am (Brasília time)
7:00 am (New York time)
Phone: +55 (11) 3193-1001 or
+55 (11) 2820-4001
Code: Ser Educacional

Replay: +55 (11) 3193-1012
Code: 6560794#

English
12:00 pm (Brasília time)
9:00 am (New York time)
Phone: +1 (412) 317-6776
Code: Ser Educacional

Replay: +1 (412) 317-0088
Code: 10124378

Contacts:
Jânyo Diniz (CEO)
João Aguiar (CFO)
Rodrigo Alves (IRO)
Geraldo Soares (IR Manager)

Phone: 55 11 2769 3223
E-mail ri@sereducacional.com

Website:
www.sereducacional.com/ri

Media Relations
Sílvia Fragoso
(+55 81) 3413-4643
silvia.fragoso@sereducacional.com

Financial Highlights	3Q18	3Q17 Comparable	% Chg. 3Q18 x 3Q17	2Q18	% Chg. 3Q18 x 2Q18	9M18	9M17 Comparable	% Chg. 9M18 x 9M17
(R$ '000)								
Net Revenue	286,003	296,173	-3.4%	339,167	-15.7%	942,419	937,221	0.6%
Adjusted Cash Gross Profit	170,237	180,023	-5.4%	202,826	-16.1%	549,803	564,818	-2.7%
Adjusted Cash Gross Margin	*59.5%*	*60.8%*	*-1.3 p.p.*	*59.8%*	*-0.3 p.p.*	*58.3%*	*60.3%*	*-1.9 p.p.*
Adjusted EBITDA	75,387	75,468	-0.1%	105,516	-28.6%	259,123	290,201	-10.7%
Adjusted EBITDA Margin	*26.4%*	*25.5%*	*0.9 p.p.*	*31.1%*	*-4.8 p.p.*	*27.5%*	*31.0%*	*-3.5 p.p.*
Adjusted Net Income	49,858	51,798	-3.7%	86,195	-42.2%	199,007	201,375	-1.2%
Adjusted Net Margin	*17.4%*	*17.5%*	*-0.1 p.p.*	*25.4%*	*-8.0 p.p.*	*21.1%*	*21.5%*	*-0.4 p.p.*
Operating Cash Flow	233,660	143,725	62.6%	75,074	211.2%	330,495	314,662	5.0%

- The Company has opened **new distance learning centers since the publication of the new regulatory framework for the distance learning segment** in July 2017; it now has 209 centers, 75.6% more than the 119 centers in operation in 3Q17.

- **Four new on-campus units were accredited** in 3Q18: UNIVERITAS Florianópolis (SC), UNIVERITAS São Bernardo do Campo (SP), UNIVERITAS São José dos Campos (SP) and UNIVERITAS Uberlândia (MG). As a result, the Company now has 44 accredited units and is moving towards its goal of having 45 new on-campus units.

- On July 5, 2018, **Fitch Ratings affirmed the Company's 'AA-(bra)'** rating with a stable outlook.

- On September 5, the Ministry of Education published ordinance 606 granting the request for **increasing the number of annual places available for the Medicine course at UNINASSAU in Recife from 168 to 268**. The request was granted based on the reaccreditation of the University Center and its Medicine course with the highest grade (5) in the Institutional Concept (CI).

- As part of its digital transformation process, called Ser Digital, on August 13, **Grupo Ser Educacional launched Overdrives, its new innovation center for the creation and development of startups**, which will have the following three main goals: (i) accelerate the development of new companies, (ii) support the academic development of our students and (iii) develop solutions for companies using the faculty of the group's educational institutions.

- On September 10, Ser Educacional's Board of Directors approved the **distribution of interim dividends related to net income reported until June 30, 2018**, pursuant to the Dividend Policy. On September 25, 2018, the Company paid twenty million, six hundred and eighty-five thousand, two hundred and thirty-five reais (R$20,685,235.00) in dividends, corresponding to R$0.151280291 per share.

- On September 19, the Company announced the breakdown of negotiations with the representatives of **Companhia Nilza Cordeiro Herdy de Educação e Cultura (UNIGRANRIO)**, as the parties were not able to reach an agreement for the purchase of this educational institution.

- On October 16, the Board of Directors approved (i) the **early termination of the current share buyback program** approved by said body on April 3, 2018, (ii) the cancellation of all the 5,860,140 treasury shares, with a 4.2% decline in the total number of shares issued, from 138,812,000 to 132,951,860 shares and (iii) the **opening of a new share buyback program** for the acquisition of up to 5,326,100 shares by October 16, 2019.

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

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

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

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

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

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

Message from Management

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

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

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

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

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

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

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

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

OPERATING PERFORMANCE

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

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

On-campus undergraduate student intake

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

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

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

Distance learning undergraduate student intake

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

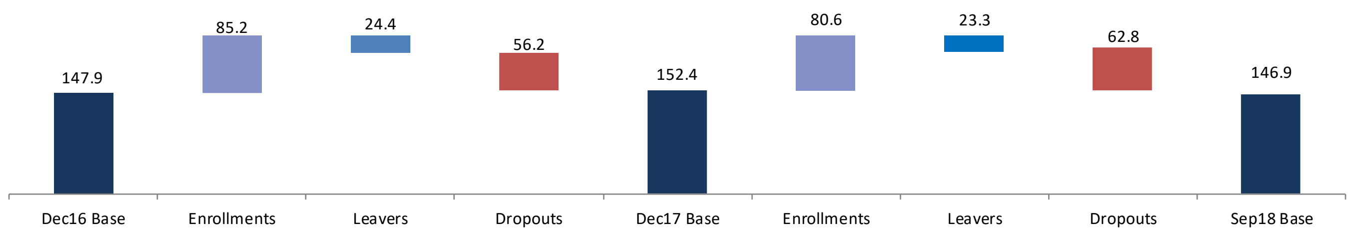
Graduate student intake

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

Student Growth Trends

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

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



Dropout Rate

On-campus undergraduate student dropout

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

Distance learning undergraduate student dropout

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

Average Net Ticket

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

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

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

Student Financing

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

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

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

Organic Growth

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

FINANCIAL PERFORMANCE

Gross Revenue

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

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

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

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

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

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

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

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

Cost of Services Rendered

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

[1] Excluding depreciation and amortization.

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

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

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

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

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

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

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

[1] Excluding depreciation and amortization.

Gross Profit

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

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

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

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

Operating Expenses (Selling, General and Administrative)

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

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

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

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

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

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

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

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

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

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

EBITDA and Adjusted EBITDA

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

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

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

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

Adjusted EBITDA Excluding Organic Expansion

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

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

* Result allocations are not audited.

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

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

Financial Result

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

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

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

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

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

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

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

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

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

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

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

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

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

Net Income

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

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

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

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

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

Accounts Receivable and Average Collection Period

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

Accounts Receivable and Average Receivable Days (R$ '000)	3Q17	4Q17	1Q18	2Q18	3Q18
Gross Accounts Receivable	**462,193**	**394,782**	**474,172**	**504,179**	**355,058**
Monthly tuition fees	81,416	92,106	103,410	128,251	108,744
FIES	273,561	206,600	261,797	265,603	121,970
Negotiated agreements receivable	78,660	70,315	76,379	68,082	71,196
Education credits receivable	14,856	16,857	18,020	26,840	29,819
Credit Card and Others	13,700	8,904	14,566	15,403	23,329
PDA balance	(58,175)	(65,715)	(91,014)	(87,923)	(93,703)
Net Accounts Receivable	**404,018**	**329,067**	**383,158**	**416,256**	**261,355**
Net Revenue (Last 12 Months - FIES+Ex-FIES+Pronatec)	**1,205,190**	**1,231,785**	**1,240,214**	**1,253,141**	**1,246,414**
Net Receivable Days (FIES+Ex-FIES+Pronatec)	121	96	111	120	75
Net Revenue FIES (Last 12 Months)	570,504	578,236	547,631	515,501	474,758
Net Receivable Days (FIES)	173	121	164	174	80
Net Receivable Days (Monthly tuition fees + Negotiated agreements receivable + Education credits receivable)	66	69	62	74	62

The average net receivables days declined 37.5% between 3Q17 and 3Q18, due to the payment, on August 2, 2018, of last installment of the agreement with the federal government for the settlement of unpaid FIES amounts related to 2015 (PN 23), totaling R$137.4 million, and the 4-day reduction in net receivables days from monthly tuition fees, agreements and Educred, from 66 to 62 days.

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

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

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

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

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

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

Investments (CAPEX)

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

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

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

Indebtedness

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

* Acquisitions payables refer to acquisition scheduled payments

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

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

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

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

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

Cash Flow

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

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

ABOUT GRUPO SER EDUCACIONAL

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

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

ATTACHMENTS - Income Statement (Comparable)

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

Income Statement – Managerial

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

Balance Sheet

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

Cash Flow

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

Income Statement – Accounting

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

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