Interim Financial Statements

Ser Educacional S.A.

September 30, 2019
including the Report on the revised interim financial statements

Ser Educacional S.A.

Interim financial statements

September 30, 2019

Contents

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A free translation from Portuguese into English of Independent auditor's review report on Individual and consolidated quarterly information originally issued in Portuguese

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

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Ser Educacional S.A. ("Company") for the quarter ended September 30, 2019, comprising the statement of financial position as of September 30, 2019 and the related statements of income and of comprehensive income for the three and nine-month periods then ended, and of changes in equity and of cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for preparation of the individual and consolidated interim financial information in accordance with NBC TG 21 - Interim Financial Reporting, and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules 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, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

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

Other matters

Statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added (SVA) for the nine-month period ended September 30, 2019, prepared under the responsibility of Company management and presented as supplementary information for IAS 34 purposes. These statements have been subject to review procedures performed in conjunction with the review of the quarterly information to conclude whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 - Statement of Added Value. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria defined in referred to Standard and consistently with the individual and consolidated interim financial information taken as a whole.

Recife, November 7, 2019.

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

Henrique Piereck de Sá
Accountant CRC PE023398/O-3

Ser Educacional S.A.

Statement of financial position
At September 30, 2019 and December 31, 2018
All amounts in thousands of Reais, except when otherwise stated

		Parent Company		Consolidated	
Assets	**Note**	**September 30, 2019**	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
Current assets					
Cash and cash equivalents	8	146.477	236.115	276.850	314.731
Securities	8	227.580	581.194	228.756	606.167
Accounts receivable	9	101.466	64.009	274.858	185.560
Taxes recoverable	10	9.392	6.759	10.987	8.254
Related parties	26.a	4.080		1.952	
Other assets		6.059	7.268	22.865	28.927
		495.054	895.345	816.268	1.143.639
Non-current assets					
Long-term receivables					
Accounts receivable	9	12.254	8.831	40.217	28.867
Related parties	26.a	8.461		8.461	
Judicial deposits and blocked escrows		10.613	5.162	44.371	29.380
Indemnification assets	27.d	3.249	3.249	112.015	112.015
FG-FIES Guarantee Fund		2.433	447	7.265	1.401
Other accounts receivable				837	
Investments	6	790.625	648.702		
Intangible assets	11	37.342	35.504	423.782	424.367
Right of use	12	271.241	98.856	564.670	181.527
Property and equipment	13	302.944	329.016	486.087	508.364
		1.439.162	1.129.767	1.687.705	1.285.921
Total assets		1.934.216	2.025.112	2.503.973	2.429.560

		Parent Company		Consolidated	
Liabilities and equity	**Note**	**September 30, 2019**	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
Current liabilities					
Suppliers	14	11.256	12.240	31.026	33.921
Borrowing	16	26.003	24.970	26.003	24.970
Debentures	17	65.913	108.476	65.913	108.476
Payroll and related charges	18	45.838	36.953	90.808	73.692
Taxes payable	10	3.125	4.575	11.270	15.648
Commitments payable	15		862	83.638	82.770
Lease commitments	19	21.723	10.667	39.539	17.209
Related parties	26.a	38.355	12.859		
Dividends payable	20.g		27.119		27.119
Other liabilities		11.884	11.612	27.231	23.460
		224.097	250.333	375.428	407.265
Non-current liabilities					
Borrowing	16	51.627	63.880	51.627	63.880
Debentures	17	49.587	108.892	49.587	108.892
Commitments payable	15				34.684
Lease commitments	19	288.682	127.252	588.381	221.050
Taxes payable	10	256	442	829	1.154
Provision for contingencies	27	1.530	1.454	119.670	119.759
Other liabilities		1.323	2.316	1.337	2.333
		393.005	304.236	811.431	551.752
Equity	20				
Share capital		987.549	987.549	987.549	987.549
Profit reserve		197.577	548.521	197.577	548.521
Treasury shares			(65.527)		(65.527)
Retained earnings		131.988		131.988	
Total equity		1.317.114	1.470.543	1.317.114	1.470.543
Total liabilities and equity		1.934.216	2.025.112	2.503.973	2.429.560

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

Ser Educacional S.A.

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

		Parent Company			
	Note	7/1/2019 to 9/30/2019	1/1/2019 to 9/30/2019	7/1/2018 to 9/30/2018	1/1/2018 to 9/30/2018
Net revenue from services	21	119,153	373,073	108,982	343,295
Cost of services	22	(56,263)	(175,049)	(54,334)	(164,325)
Gross profit		62,890	198,024	54,648	178,970
Selling expenses	23 (a)	(13,331)	(39,074)	(6,800)	(33,519)
General and administrative expenses	23 (a)	(51,076)	(150,000)	(51,630)	(149,589)
Other operating income (expenses), net	23 (b)	(4,045)	10,706	82	(1,896)
Equity in income of subsidiaries	6	38,431	143,823	40,984	169,129
Operating profit		32,869	163,479	37,284	163,095
Financial income	24	8,512	32,514	14,153	44,486
Financial expenses	24	(17,544)	(56,707)	(14,485)	(39,075)
Financial income (expenses), net		(9,032)	(24,193)	(332)	5,411
Profit before taxation		23,837	139,286	36,952	168,506
Income tax and social contribution	25	618	(2,958)	(22)	(2,244)
Tax incentive - Prouni	25	(618)	2,607	1	1,912
Net income for the period		23,837	138,935	36,931	168,174
		23,837	138,935	36,931	168,174
Attributable to					
Shareholders of the parent company		23,837	138,935	36,931	168,174
		23,837	138,935	36,931	168,174
Weighted average of outstanding common shares at the end of the period (in thousands)		128,722	128,722	136,676	136,676
Earnings per share attributable to shareholders of the Parent Company during the period (in R$ per share)		0.19	1.08	0.27	1.23

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

Ser Educacional S.A.

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

		Consolidated			
	Note	7/1/2019 to 9/30/2019	1/1/2019 to 9/30/2019	7/1/2018 to 9/30/2018	1/1/2018 to 9/30/2018
Net revenue from services	21	288,910	925,679	286,003	942,419
Cost of services	22	(131,174)	(415,922)	(134,946)	(427,029)
Gross profit		157,736	509,757	151,057	515,390
Selling expenses	23 (a)	(20,134)	(62,334)	(13,757)	(66,014)
General and administrative expenses	23 (a)	(84,571)	(245,431)	(84,112)	(255,765)
Other operating income (expenses), net	23 (b)	(5,780)	9,707	(1,060)	(699)
Operating profit		47,251	211,699	52,128	192,912
Financial income	24	13,241	43,794	15,767	55,951
Financial expenses	24	(34,991)	(110,323)	(28,710)	(75,871)
Financial income (expenses), net		(21,750)	(66,529)	(12,943)	(19,920)
Profit before taxation		25,501	145,170	39,185	172,992
Income tax and social contribution	25	(15,625)	(60,534)	(19,437)	(63,941)
Tax incentive - Prouni	25	13,961	54,299	17,183	59,123
Net income for the period		23,837	138,935	36,931	168,174
Attributable to					
Shareholders of the parent company		23,837	138,935	36,931	168,174
		23,837	138,935	36,931	168,174

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

Ser Educacional S.A.

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

	Parent Company and Consolidated			
	7/1/2019 to 9/30/2019	1/1/2019 to 9/30/2019	7/1/2018 to 9/30/2018	1/1/2018 to 9/30/2018
Net income for the period	23,837	138,935	36,931	168,174
Other components of comprehensive income for the period				
Comprehensive income for the period	23,837	138,935	36,931	168,174

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

Ser Educacional S.A.

Statement of changes in equity
Nine-month periods ended September 30
All amounts in thousands of Reais, except when otherwise stated

		Attributable to shareholders of parent company								
		Capital		Profit reserve						
	Note	Share capital	Share issue costs	Tax incentives	Legal	Retention	Proposed dividends	Treasury shares	Net income for the year	Total equity
As of January 1, 2018		991.644	(4.095)	50.736	45.459	420.287	10.813	(6.454)		1.508.390
Adoption of IFRS 9	2.2					(25.757)				(25.757)
Net income for the period	28								168.174	168.174
Tax incentive reserve	20.d			1.912					(1.912)	
Legal reserve	20.e				8.409				(8.409)	
Dividend distribution	20.g						(10.813)		(20.685)	(31.498)
Treasury shares acquired	20.b							(74.252)		(74.252)
As of September 30, 2018		991.644	(4.095)	52.648	53.868	394.530		(80.706)	137.168	1.545.057
As of January 1, 2019		991.644	(4.095)		55.523	483.437	9.561	(65.527)		1.470.543
Net income for the period	28								138.935	138.935
Legal reserve	20.e				6.947				(6.947)	
Dividend distribution	20.g					(282.803)	(9.561)			(292.364)
Cancellation of treasury shares	20.b					(65.527)		65.527		
As of September 30, 2019		991.644	(4.095)		62.470	135.107			131.988	1.317.114

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

Ser Educacional S.A.

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

		Parent Company		Consolidated	
	Note	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Cash flow from operations					
Profit before income tax and social contribution		139.286	168.506	145.170	172.992
Adjustments for					
Depreciation and amortization	11 to 13	51.742	32.751	91.037	54.299
(Reversal of) provision for contingencies		76	439	(89)	(2.243)
Equity in the results of subsidiaries	6.a	(143.823)	(169.129)		
Adjustment to present value of accounts receivable	9	802	(1.513)	2.490	(4.665)
Allowance for doubtful accounts	23.a	15.736	19.135	46.762	55.890
Loss on write-off of non-current assets	11 to 13	16.498	(12.274)	17.715	166
Interest, and monetary variations, net	24	44.769	30.298	76.228	47.910
		125.086	68.213	379.313	324.349
Changes in assets and liabilities					
Accounts receivable		(57.418)	15.614	(149.900)	(7.211)
Taxes recoverable		(2.633)	(295)	(2.733)	1.316
Related parties		(10.901)		(10.413)	
Other assets		(6.228)	1.329	(15.630)	(1.832)
Suppliers		(984)	(1.349)	(2.895)	(592)
Payroll and related charges		8.885	7.153	17.116	15.603
Taxes payable		(1.636)	(323)	(4.703)	(1.640)
Income tax and social contribution payable		(124)	234	1.538	(89)
Other liabilities		(721)	(2.560)	2.775	591
Cash provided by operations		53.326	88.016	214.468	330.495
Interest paid on borrowing and debentures		(17.581)	(4.302)	(17.581)	(4.302)
Interest paid on leases		(26.737)	(13.802)	(51.306)	(24.832)
Income tax and social contribution paid		(227)	(566)	(7.773)	(4.729)
Net cash provided by operations		8.781	69.346	137.808	296.632
Cash flow from investing activities					
Securities		353.614	18.596	377.411	14.288
Advances for future capital increase in subsidiaries	6.b	(25.726)	(43.397)		
Dividends received from subsidiaries	6.b	27.626	52.747		
Additions to property and equipment	13	(17.145)	(22.666)	(36.721)	(62.503)
Additions to intangible assets	11	(10.647)	(5.891)	(11.902)	(7.972)
Net cash from absorption			173		
Payables for acquisition of subsidiaries		(1.538)		(41.382)	(37.324)
Net cash provided by (used in) investing activities		326.184	(438)	287.406	(93.511)
Cash flow from financing activities					
Amortization of debentures	17	(100.000)		(100.000)	
Repayments of borrowing	16	(12.863)	(13.378)	(12.863)	(13.973)
Amortization of leases	19	(16.113)	(3.142)	(30.749)	(4.416)
Related parties	26.a	23.856	92.352		
Acquisition of treasury shares	20.b		(47.303)		(47.303)
Dividends and interest on equity paid to Company shareholders	20.g	(319.483)	(58.532)	(319.483)	(58.532)
Net cash used in financing activities		(424.603)	(30.003)	(463.095)	(124.224)
Increase (reduction) in cash and cash equivalents		(89.638)	38.905	(37.881)	78.897
Cash and cash equivalents					
At the beginning of the period		236.115	269.739	314.731	279.286
At the end of the period		146.477	308.644	276.850	358.183
Increase (reduction) in cash and cash equivalents		(89.638)	38.905	(37.881)	78.897

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

Ser Educacional S.A.

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

		Parent Company		Consolidated	
	Note	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue					
Services	21	627,383	496,577	1,557,287	1,359,213
Allowance for doubtful accounts (PDD)	23	(15,736)	(19,135)	(46,762)	(55,890)
Revenue deductions	21	(243,765)	(142,730)	(600,833)	(384,532)
		367,882	334,712	909,692	918,791
Inputs acquired from third parties					
Services provided by individuals and companies	22 and 23	(43,348)	(26,842)	(58,351)	(38,837)
Electricity, water and telephone	22	(13,378)	(12,862)	(28,582)	(27,481)
Publicity and advertising	23	(39,074)	(33,811)	(62,334)	(66,391)
Service materials	23	(5,626)	(8,029)	(10,373)	(13,424)
Other		(11,747)	(30,036)	(25,692)	(41,037)
		(113,173)	(111,580)	(185,332)	(187,170)
Gross value added		254,709	223,132	724,360	731,621
Depreciation and amortization	22 and 23	(51,742)	(32,751)	(91,037)	(54,299)
Net value added generated by the entity		202,967	190,381	633,323	677,322
Financial income	24	34,189	46,622	46,060	58,716
Equity in the results of subsidiaries	6	143,823	169,129		
Total value added to distribute		380,979	406,132	679,383	736,038
Distribution of value added					
Payroll and related charges	22 e 23	(169,934)	(164,539)	(375,221)	(391,346)
Taxes, charges and contributions		(14,395)	(15,178)	(42,779)	(44,112)
Federal taxes		(2,229)	(2,589)	(9,484)	(8,443)
Municipal taxes		(12,166)	(12,589)	(33,295)	(35,669)
Third-party capital remuneration		(57,715)	(58,241)	(122,448)	(132,406)
Financial expenses	24	(56,707)	(39,075)	(110,323)	(75,871)
Rents	22	(1,008)	(19,166)	(12,125)	(56,535)
Net income for the period		(138,935)	(168,174)	(138,935)	(168,174)
Value added distributed		(380,979)	(406,132)	(679,383)	(736,038)

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

Section A — General information

1 General information

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

The Group also owns 21 private limited liability companies, which operate as two universities, eight university centers, 86 accredited colleges and 244 operational distance-learning centers, constituting one of Brazil's largest private education groups, with a leading presence in the North and Northeast regions in terms of number of enrolled students. The Group is present in all 26 states of the country and the Federal District, with a consolidated base of approximately 162,000 students, and operates under the following brands: UNINASSAU – Centro Universitário Maurício de Nassau, UNINABUCO – Centro Universitário Nabuco, UNG - Universidade Guarulhos, UNAMA -Universidade da Amazônia, UNIVERITAS - Centro Universitário Universus Veritas, Faculdades UNINASSAU, Faculdades UNINABUCO and Escolas Técnicas Joaquim Nabuco and Maurício de Nassau, through which it offers approximately 1,756 courses, including on campuses and through distance-learning centers. (Not reviewed by independent auditors).

Ser Educacional is a publicly-held company headquartered in Recife, in the state of Pernambuco, listed on B3 S.A. - Brasil, Bolsa, Balcão, in the Novo Mercado special segment, where its shares are traded under the ticker SEER3. In July 2019, Fitch Ratings issued a report reaffirming the Company's long-term national rating of "AA-(bra)", with a stable outlook.

The Board of Directors approved the issuance of these interim financial statements after the Audit Committee issued an opinion on November 7, 2019.

2 Summary of significant accounting policies

The main accounting policies applied to the preparation of these interim financial statements are detailed in Section F, Note 31. These accounting policies have been applied in a consistent manner in all the years shown.

2.1 Basis of preparation

The interim financial statements for the period ended September 30, 2019 were prepared on a historical cost basis, with financial assets and liabilities measured at fair value.

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

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

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

2.2 New standards, amendments and interpretations in effect as of January 1, 2019

- **IFRS 16 – Leases / (CPC 06(R2) – Leases)**

IFRS 16 replaced the existing lease standards, including CPC 06 (R1) (IAS 17) – Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) – Complementary Aspects of Leasing Operations. The new standard established a single model to recognize leases, based on the right-of-use asset in exchange for a consideration, similarly to finance leases. This standard is effective for years beginning on or after January 1, 2019.

The Group acts as a lessee in a great number of lease agreements focused on properties where its universities, university centers, learning centers, colleges and offices are located. A significant portion of these agreements was recorded as operating leases, in accordance with the previous lease standard, with the lease payments being recognized on a straight-line basis during the term of the agreement.

The Group carried out its analysis regarding the impact of this new standard on such agreements. This analysis included an estimate of the term of the agreement, based on the non-cancellable period and the periods covered by an option to extend the lease agreement, when the exercise depends solely on the Company and the Company is virtually certain to exercise that option. In addition, for the agreements included through the adoption of this standard, the Company and its subsidiaries adopted assumptions to calculate the discount rate, which was based on the average rate of the current cost of third-party capital. On the other hand, the Group concluded that there are no non-lease components in its lease agreements for the type of assets in question.

The standard also provides for two transition options: retrospectively for all periods presented, or following a modified retrospective approach, through which the cumulative effect of the adoption is recognized at the date of initial application, with the effects of the adjustments being directly recorded on the opening balance of retained earnings, without restating comparative information. The Group decided to adopt the modified retrospective approach. The Company used the practical expedient, which does not require the lessee to reassess whether a contract is, or contains, a lease at the initial adoption of CPC 06(R2) / IFRS 16; instead, the lessee directly applies the new requirements to all agreements that, pursuant to the current standard, have been identified as lease agreements. In addition, certain practical expedients are available at the first application in relation to the right-of-use, asset measurement, discount rates, impairment, leases for which the lease term ends within 12 months of the date of initial adoption, initial direct costs and the lease term. As a result, the Group chose to adopt the following practical expedients during the transition to new criteria: (i) the use of a single discount rate for the lease agreements included through this standard, given that they have similar characteristics in relation to their terms, the asset that is the object of their agreement, their currency and the economic environment; (ii) the application of the practical expedient that allows the lessee not to adopt the new criteria for leases for which the lease term ends within 12 months of the date of initial adoption; and (iii) the exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial adoption.

Based on the volume of agreements affected, as well as the magnitude of the future lease commitments, the changes introduced by CPC 06(R2) / IFRS 16 had a significant impact on its financial statements as of the date of adoption, including the recognition in the balance sheet of the right-of-use asset and corresponding lease obligations in relation to the majority of the agreements that were classified as operating lease agreements in accordance with the previous standards. In addition, the amortization of the right-of-use asset and the recognition of interest expenses on lease obligations in the statement of income replaced the amounts recognized as lease expenses in accordance with the current lease standards. The classification of lease payments in the statement of cash flows was also affected by the requirements of the new lease standard.

Based on the analyses carried out, the impact from the adoption of CPC 06 (R2) / IFRS 16, retroactive to the opening balance of 2019, was as follows:

	Parent Company	Consolidated
Assets - Right of Use	(181,599)	(407,942)
Liabilities - Lease commitments	181,599	407,942
Impact on Equity		

Section B – Risks

3 Critical accounting estimates and judgments

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

3.1 Critical accounting estimates and assumptions

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

(a) Provisions for contingencies

The Group recognizes provisions for civil, tax and labor lawsuits. The assessment of the probability of loss includes an appraisal of the available evidence, the hierarchy of laws, the available case law, recent court decisions and their relevance in the judicial system, as well as the opinion of external and internal legal counsel. Provisions for contingencies (labor, civil and tax) are recognized when: (i) there is a present or non-formalized obligation as a result of events that have already occurred; (ii) it is probable that an outflow of resources will be necessary to settle the obligation; and (iii) the amount of this outflow can be reliably estimated based on the judgment of legal counsel. These provisions are reviewed and adjusted for changes in circumstances, such as applicable limitation period, findings of tax inspections or additional exposure identified based on new matters or court decisions (Note 27).

(b) Impairment of goodwill

The Group tests annually, at the end of the year, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 31.11. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations, based on estimates prepared by internal experts and reviewed by Management. They consider discount rate and revenue growth estimates, among others, as shown in Note 11(e).

(c) Allocation of fair value in business combinations

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

(d) Allowance for doubtful accounts

The Group carries out analyses to cover any losses on the collection of monthly fees and checks receivable, taking into account the risks involved, and records them when objective evidence of losses is identified, pursuant to CPC 48/IFRS 9.

(e) Intangible assets with definite and indefinite useful lives

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

Annually, the Group tests the intangible assets that have indefinite useful lives for impairment in accordance with the accounting policy presented in Note 31.11. The recoverable amounts for the CGUs are determined based on the estimated value in use. Management estimates the useful lives of certain intangible assets based on historical experience with respect to the use of these intangible assets.

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

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

4 Financial risk management

4.1 Financial risk factors

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

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

(a) Market risk

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

(b) Credit risk

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

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

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

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

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

(c) Liquidity risk

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

Assumptions regarding future disbursements and receipts are made in order to manage cash liquidity and are monitored daily by the treasury department.

The following table gives a breakdown of financial liabilities, grouped according to their due dates, for the remaining period from the balance sheet date to their contracted maturities. The amounts correspond to projected undiscounted cash flows at the contracted rates.

All amounts in thousands of Reais, except when otherwise stated

	Parent Company			
	Up to one year	Between one and two years	Between two and five years	More than five years
As of September 30, 2019				
Borrowing	28,736	26,855	29,475	659
Debentures	69,983	52,489		
Leases	55,089	54,170	104,870	318,818
Commitments payable				
	153,808	133,514	134,345	319,477
As of December 31, 2018				
Borrowing	30,316	28,374	42,205	2,188
Debentures	114,188	73,051	52,875	
Leases	23,751	24,822	53,054	316,929
Commitments payable	862			
	169,117	126,247	148,134	319,117

	Consolidated			
	Up to one year	Between one and two years	Between two and five years	More than five years
As of September 30, 2019				
Borrowing	28,736	26,855	29,475	659
Debentures	69,983	52,489		
Leases	104,874	103,832	201,563	730,184
Commitments payable	83,638			
	287,231	183,176	231,038	730,843
As of December 31, 2018				
Borrowing	30,316	28,374	42,205	2,188
Debentures	114,188	73,051	52,875	
Leases	40,757	42,595	91,040	616,202
Commitments payable	83,250	42,008		
	268,511	186,028	186,120	618,390

All amounts in thousands of Reais, except when otherwise stated

The increase in the balances of lease obligations is due to the adoption of CPC 06 (R2) / IFRS 16 (Note 2.2).

(d) Regulatory risk

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

The Group periodically analyzes its regulatory risks aiming to mitigate or minimize their impact, mainly those related to the availability of PROUNI and FIES and the understanding of these programs' rules, as well as the monitoring of maintenances and/or courses. In the current political scenario, the Company is awaiting a new positioning by the new Government to assess possible changes in the regulatory environment. The Company does not expect any significant changes in its operations.

4.2 Capital management

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

The financial leverage ratios are presented as follows:

		Consolidated
	September 30, 2019	**December 31, 2018**
Total borrowing from banks	77,630	88,850
Total debentures	115,500	217,368
Total commitments payable	83,638	117,454
Total leases	627,920	238,259
Cash and cash equivalents	(276,850)	(314,731)
Securities	(228,756)	(606,167)
Net debt (net cash)	399,082	(258,967)
Total equity	1,317,114	1,470,543
Equity plus net debt (Applicable case) - Total share capital	1,716,196	1,470,543
Financial leverage ratio (i)	23.3%	Not applicable

(i) Given that the Company recorded net cash on December 31, 2018, the leverage ratio is not applicable.

Excluding lease obligations, net cash totaled R$228,838 and R$497,226 in the two periods. Therefore, the leverage ratio is not applicable under these conditions.

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

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

The Group’s financial instruments consist of cash and cash equivalents, accounts receivable and payable, judicial deposits and borrowings, and are recorded at cost adjusted by revenue or charges incurred, which was close to their market value at September 30, 2019 and 2018. The principal risks underlying the Group’s operations are linked to changes in the CDI (Certificate of Interbank Deposit) rate.

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

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

Three different scenarios were used to verify the Group's sensitivity to the index on the base date of September 30, 2019, using the latest interest rates and indicators of accumulated inflation over the last twelve months (Scenario I), and based on that, we calculated variations of 25% (Scenario II) and 50% (Scenario III), reflecting the increase and decline of the indices. For each scenario, we calculated the net position (financial income less financial expenses), excluding the tax effect. The base date used was September 30, 2019, with a projection period of one year. The sensitivity of the CDI and the General Market-Price (IGP-M) index were tested for each scenario.

All amounts in thousands of Reais, except when otherwise stated

		Index increase scenario		
Transactions	**Risk**	**(I)**	**(II)**	**(III)**
Assets				
Financial investments	CDI	5.40%	6.75%	8.10%
265,869		14,357	17,946	21,535
Securities	CDI	5.40%	6.75%	8.10%
228,756		12,353	15,441	18,529
Liabilities				
IFC	CDI	5.40%	6.75%	8.10%
(67,169)		(3,627)	(4,534)	(5,441)
Debentures	CDI	5.40%	6.75%	8.10%
(115,500)		(6,237)	(7,796)	(9,356)
Commitments payable	CDI	5.40%	6.75%	8.10%
(43,183)		(2,332)	(2,915)	(3,498)
Commitments payable	IGP-M	3.38%	4.23%	5.07%
(40,455)		(1,368)	(1,710)	(2,052)
Net position		13,146	16,432	19,719

		Index decrease scenario		
Transactions	**Risk**	**(I)**	**(II)**	**(III)**
Assets				
Financial investments	CDI	5.40%	4.05%	2.70%
265,869		14,357	10,768	7,178
Securities	CDI	5.40%	4.05%	2.70%
228,756		12,353	9,265	6,176
Liabilities				
IFC	CDI	5.40%	4.05%	2.70%
(67,169)		(3,627)	(2,720)	(1,814)
Debentures	CDI	5.40%	4.05%	2.70%
(115,500)		(6,237)	(4,678)	(3,119)
Commitments payable	CDI	5.40%	4.05%	2.70%
(43,183)		(2,332)	(1,749)	(1,166)
Commitments payable	IGP-M	3.38%	2.54%	1.69%
(40,455)		(1,368)	(1,026)	(684)
Net position		13,146	9,859	6,573

All amounts in thousands of Reais, except when otherwise stated

Considering the economic projections disclosed by the Federal Government and supported by financial market economists, inflation, measured by the IGP-M, is expected to slightly increase to levels still closer to Index Increase/Decrease Scenario I and interest rates, measured by the CDI, are expected to be lower than Index Increase/Decrease Scenario I.

Section C – Segment reporting

5 Evaluation of information by segment

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

Section D – Group structure

6 Subsidiaries

The consolidated financial statements for the year ended September 30, 2019 include the operations of the Group and of the following subsidiaries, which are shown below with a summary of the Company's interest in each of them:

	Direct interest (%)		Indirect interest (%)	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
ICES - Instituto Campinense de Ensino Superior Ltda.	99.99	99.99		
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	99.99		
Centro de Educação Profissional BJ Ltda.	99.99	99.99		
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	99.99	99.99		
SECARGO - Sociedade Educacional Carvalho Gomes Ltda.	99.99	99.99		
CENESUP - Centro Nacional de Ensino Superior Ltda.	99.99	99.99		
Sociedade Paulista de Ensino e Pesquisa S/S Ltda. (i)			100.00	100.00
Sociedade Universitária Mileto Ltda. (i)			100.00	100.00
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99.99	99.99		
EDUCRED - Administradora de Crédito Educativo e Cobrança Ltda.	99.99	99.99		
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	99.99		
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda	99.99	99.99		
Faculdade Maurício de Nassau de Belém Ltda	99.99	99.99		
CESPI - Centro de Ensino Superior Piauiense Ltda.	99.99	99.99		
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	99.99	99.99		
SESPI - Sociedade de Ensino Superior Piauiense Ltda.	99.99	99.99		
Uninassau Participações S.A.	99.99	99.99		
Instituto de Ensino Superior Juvêncio Terra Ltda.	99.99	99.99		
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda.	99.99	99.99		
Faculdade Joaquim Nabuco de Olinda Ltda	99.99	99.99		
Overdrives Coworking Escritórios Virtuais Ltda. (ii)	99.99	99.99		

(i) Sociedade Paulista de Ensino e Pesquisa S/S Ltda. and Sociedade Universitária Mileto Ltda. are indirect subsidiaries of the Company through Centro Nacional de Ensino Superior Ltda. (CENESUP).
(ii) Overdrives Coworking Escritórios Virtuais Ltda. became a subsidiary in 4Q18.

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

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

All amounts in thousands of Reais, except when otherwise stated

(a) Investments (Parent Company):

	Direct interest	Indirect interest	Net equity	Equity pick-up	Investment amount	Goodwill (Note 11(c))	Intangible assets identified	Contingencies quantified	Total
					September 30, 2019				
Direct subsidiaries									
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	99.99	100.00	14,690	2,392	14,690	4,140			18,830
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99.99	100.00	(1,112)	(2,469)	(1,112)				(1,112)
CENESUP - Centro Nacional de Ensino Superior Ltda.	99.99	100.00	172,171	2,638	172,171				172,171
EDUCRED - Administradora de Crédito Educativo e Cobrança Ltda.	99.99	100.00	523	810	523				523
SECARGO - Sociedade Educacional Carvalho Gomes Ltda.	99.99	100.00	34,341	4,899	34,341	4,362			38,703
ICES - Instituto Campinense de Ensino Superior Ltda.	99.99	100.00	274,598	80,260	274,598				274,598
Centro de Educação Profissional BJ Ltda.	99.99	100.00	2,584	590	2,584				2,584
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	100.00	36,797	(2,958)	36,797	8,405			45,202
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	100.00	3,732	83	3,732				3,732
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda.	99.99	100.00	50,467	8,773	50,467	1,043	467		51,977
Faculdade Maurício de Nassau de Belém Ltda.	99.99	100.00	47,070	14,400	47,070	959	1,261		49,290
CESPI - Centro de Ensino Superior Piauiense Ltda.	99.99	100.00	21,225	9,394	21,225	8,662	4,429		34,316
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	99.99	100.00	24,674	10,854	24,674			(1,228)	23,446
SESPI - Sociedade de Ensino Superior Piauiense Ltda.	99.99	100.00	27,631	13,170	27,631	5,360	6,031		39,022
Uninassau Participações S.A.	99.99	99.99	52		52			(2,021)	(1,969)
Instituto de Ensino Superior Juvêncio Terra Ltda.	99.99	100.00	12,064	2,071	12,064	573	2,405		15,042
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda.	99.99	100.00	1,229	(410)	1,229	2,232			3,461
Faculdade Joaquim Nabuco de Olinda Ltda.	99.99	100.00	7,593	(338)	7,593	3,521	2,720		13,834
Overdrives Coworking Escritórios Virtuais	99.99	100.00	742	(321)	742				742
Acquisition of operating licenses									
FADE - Faculdade Decisão				(15)		1,028	2,205		3,233
FACOCMA - Faculdades COC de Maceió							3,000		3,000
Total direct subsidiaries			731,071	143,823	731,071	40,285	22,518	(3,249)	790,625
Indirect subsidiaries									
SOPEP - Sociedade Paulista de Ensino e Pesquisa S/S Ltda.			28,716	832	134,558	43,590	105,842		283,990
Sociedade Universitária Mileto Ltda.			1,391	(914)	5,891	1,346	4,500		11,737
Total indirect subsidiaries			30,107	(82)	140,449	44,936	110,342		295,727
Acquisition of indirect operating licenses									
Sociedade Metodista Bennet							10,000		
Total goodwill						85,221			

All amounts in thousands of Reais, except when otherwise stated

					31 de dezembro de 2018				
	Direct interest	Indirect interest	Net equity	Equity pick-up	Investment amount	Goodwill (Note 11(c))	Intangible assets identified	Contingencies quantified	Total
Direct subsidiaries									
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	99.99	100.00	13,797	5,137	13,797	4,140			17,937
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99.99	100.00	(298)	(786)	(298)				(298)
CENESUP - Centro Nacional de Ensino Superior Ltda.	99.99	100.00	151,434	5,822	151,434				151,434
EDUCRED - Administradora de Crédito Educativo e Cobrança Ltda.	99.99	100.00	259	1,264	259				259
SECARGO - Sociedade Educacional Carvalho Gomes Ltda.	99.99	100.00	29,441	9,240	29,441	4,362			33,803
ICES - Instituto Campinense de Ensino Superior Ltda.	99.99	100.00	212,390	103,799	212,390				212,390
Centro de Educação Profissional BJ Ltda.	99.99	100.00	2,261	1,385	2,261				2,261
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	99.99	100.00		6,177					
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	100.00	37,667	1,475	37,667	8,405			46,072
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	100.00	2,196	605	2,196				2,196
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda.	99.99	100.00	48,079	8,292	48,079	1,043	467		49,589
Faculdade Maurício de Nassau de Belém Ltda.	99.99	100.00	32,670	19,920	32,670	959	1,261		34,890
CESPI - Centro de Ensino Superior Piauiense Ltda.	99.99	100.00	11,753	13,193	11,753	8,662	4,506	(1,228)	23,693
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	99.99	100.00	13,816	15,172	13,816				13,816
SESPI - Sociedade de Ensino Superior Piauiense Ltda.	99.99	100.00	14,306	19,741	14,306	5,360	6,134	(2,021)	23,779
Uninassau Participações S.A.	99.99	99.99	31		31				31
Instituto de Ensino Superior Juvêncio Terra Ltda.	99.99	100.00	10,854	3,725	10,854	573	2,420		13,847
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda.	99.99	100.00	1,268	(557)	1,268	2,232			3,500
Faculdade Joaquim Nabuco de Olinda Ltda.	99.99	100.00	7,014	(1,754)	7,014	3,521	2,780		13,315
Overdrives Coworking Escritórios Virtuais	99.99	100.00	(60)	(161)	(60)				(60)
Acquisition of operating licenses									
FADE - Faculdade Decisão				(20)		1,028	2,220		3,248
FACOCMA - Faculdades COC de Maceió							3,000		3,000
Total direct subsidiaries			588,878	211,669	588,878	40,285	22,788	(3,249)	648,702
Indirect subsidiaries									
SOPEP - Sociedade Paulista de Ensino e Pesquisa S/S Ltda.			26,670	820	133,726	43,590	107,056		284,372
Sociedade Universitária Mileto Ltda.			1,936	979	6,436	1,346	4,500		12,282
Total indirect subsidiaries			28,606	1,799	140,162	44,936	111,556		296,654
Acquisition of indirect operating licenses									
Sociedade Metodista Bennet							10,000		
Total goodwill						85,221			

All amounts in thousands of Reais, except when otherwise stated

(b) Changes in investments in subsidiaries:

	Parent Company	
	2019	**2018**
Balance on December 31,	648,702	655,499
Capital increase	25,726	43,397
Equity in the results of subsidiaries	143,823	169,129
Profit received from subsidiaries	(27,626)	(52,747)
Adoption of new practices - IFRS 9		(20,577)
Write-off of goodwill		(120)
Write-off due to absorption		(35,189)
Balance on September 30,	790,625	759,392

(c) Acquisition of Centro Universitário do Norte (Uninorte)

On April 16, 2019, through CENESUP, the Company entered into an Agreement for Assignment and Transfer of Quotas and Other Covenants to acquire the total capital of Sociedade de Desenvolvimento Cultural do Amazonas Ltda. (SODECAM), the supporting entity of Uninorte, headquartered in Manaus, Amazonas, and regional market leader, with 25,172 students on December 31, 2018.

The total amount of the purchase was R$194,814, from which net debt of R$9,814 will be deducted for payment when the transaction is concluded. On September 30, 2019, Uninorte was not included in the consolidation, given that the acquisition was only approved by the Brazilian Antitrust Authority (CADE) on October 23, 2019 (Note 30).

All amounts in thousands of Reais, except when otherwise stated

Section E – Selected significant notes

7 Financial instruments by category

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Financial assets recorded at amortized cost				
Cash and cash equivalents	3.879	920	10.981	4.680
Accounts receivable	98.323	61.166	267.364	179.421
Related parties	12.541		10.413	
	114.743	62.086	288.758	184.101
Assets measured at fair value through profit or loss				
Financial investments	142.598	235.195	265.869	310.051
Securities	227.580	581.194	228.756	606.167
Accounts receivable - Educred	15.397	11.674	47.711	35.006
	385.575	828.063	542.336	951.224
	500.318	890.149	831.094	1.135.325

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Financial liabilities carried at amortized cost				
Suppliers	11.256	12.240	31.026	33.921
Borrowing	77.630	88.850	77.630	88.850
Debentures	115.500	217.368	115.500	217.368
Related parties	38.355	12.859		
	242.741	331.317	224.156	340.139
Liabilities measured at fair value through profit or loss				
Lease commitments	310.405	137.919	627.920	238.259
Commitments payable		862	83.638	117.454
	310.405	138.781	711.558	355.713
	553.146	470.098	935.714	695.852

The fair values of the financial instruments approximate their carrying amounts, since the impact of the discount to present value, using market interest rates as of September 30, 2019, is not significant. The fair values are based on the discounted cash flow, using the Group's cash cost, which approximates the rate used in the respective agreements.

The increase in the balances of lease obligations is due to the adoption of CPC 06 (R2) / IFRS 16 (Note 2.2).

All amounts in thousands of Reais, except when otherwise stated

8 Cash and cash equivalents and securities

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Cash on hand	85	66	227	159
Banks - current account	3.794	854	10.754	4.521
Financial investments	142.598	235.195	265.869	310.051
Cash and cash equivalents	146.477	236.115	276.850	314.731
Financial investments	227.580	581.194	228.756	606.167
Securities	227.580	581.194	228.756	606.167
Total	374.057	817.309	505.606	920.898

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

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

Financial investments comprise conservative fixed income investment funds, with securities indexed to the DI rate and portfolios that invested mostly in government bonds and securities from financial institutions, in addition to repo agreements backed by debentures, belonging to the portfolio of financial institutions, with low risk for the group, and Bank Deposit Certificates (CDB), which are securities issued by financial institutions, as follows:

		Parent Company		Consolidated	
Type	Average return	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Repurchase agreements	(76.14% of CDI in 2018)		3.403		3.403
CDB/Lease agreement bill	100.45% of CDI (100.02% of CDI in 2018)	142.598	231.792	265.869	306.648
	Financial investments	142.598	235.195	265.869	310.051
Repurchase agreements	75.00% of CDI (99.13% of CDI in 2018)		231.253	1.175	239.960
Investment funds	102.38% of CDI (101.71% of CDI in 2018)	227.580	349.941	227.581	366.207
	Securities	227.580	581.194	228.756	606.167

All amounts in thousands of Reais, except when otherwise stated

As per Note 20(g), on May 24, 2019, the Company distributed dividends amounting to R$319,483, resulting in a reduction in the balances of cash and cash equivalents and securities.

9 Accounts receivable – students

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Monthly tuition fees (a)	55.285	46.248	140.539	125.616
FIES receivable (b)	36.724	18.766	108.304	62.120
Agreements receivable (c)	23.675	21.814	72.882	66.277
Educational loans receivable (d)	22.328	17.177	70.014	52.737
Other	16.184	11.008	31.391	19.359
Total	154.196	115.013	423.130	326.109
(-) Allowance for doubtful accounts (PDD) (e)	(33.602)	(36.756)	(85.810)	(94.037)
(-) Adjustment to present value - Educred	(6.874)	(5.417)	(22.245)	(17.645)
	113.720	72.840	315.075	214.427
(-) Current	(101.466)	(64.009)	(274.858)	(185.560)
Non-current	12.254	8.831	40.217	28.867

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

(a) Student tuition

At September 30, 2019 and December 31, 2018, the maturity analysis of student tuition was as follows:

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Overdue up to 30 days	15.130	9.525	37.753	24.908
Overdue 31 - 60 days	7.261	8.366	17.732	22.175
Overdue 61 - 90 days	715	6.853	2.348	20.208
Overdue 91 - 180 days	16.748	10.509	42.809	25.937
Overdue 181 to 360 days	15.431	10.995	39.897	32.388
	55.285	46.248	140.539	125.616

Part of the monthly inflow from accounts receivable for student tuitions is pledged as collateral for the Company’s borrowings with the International Finance Corporation (IFC) (Note 16(c)) in amounts equivalent to 25% of borrowings.

All amounts in thousands of Reais, except when otherwise stated

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

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

The amounts outstanding at September 30, 2019 refer to the installments of students with FIES pending transfer by the Federal Government, basically comprising the monthly tuitions from July to September, which are expected to be received between October and December.

(c) Receivable agreements

The Group’s Management imposes strict criteria preventing debt rollover from one semester to the next. Student agreement receivables refer to renegotiations with students who are in debt to the Group, which offers different means of payment to students, observes the respective credit limits for each student, and, if necessary, requests the assignment of a guarantor for the credit granted.

At September 30, 2019 and December 31, 2018, the analysis of the balance due from agreements was as follows:

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Current	11.198	6.122	34.410	18.523
Overdue up to 30 days	2.908	2.393	8.192	7.655
Overdue 31 - 60 days	1.089	2.280	3.359	7.213
Overdue 61 - 90 days	738	2.130	2.443	6.641
Overdue 91 - 180 days	3.582	4.126	10.464	12.029
Overdue 181 to 360 days	4.160	4.763	14.014	14.216
	23.675	21.814	72.882	66.277

All amounts in thousands of Reais, except when otherwise stated

(d) Receivable educational credits

Educational credits receivable includes those from Educred and Fundação de Crédito Educativo (Fundacred), referring to financing contracted by students and approved by the Group, recorded at present value. These financial resources will be transferred to the Company and its subsidiaries as of the month following the graduation of the respective students. At September 30, 2019, the student base with private educational credits fell from 3,952 to 3,350 students at December 31, 2018.

	Parent Company		Consolidated	
	September 30, 2019	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
Educred	22.271	17.091	69.956	52.651
Fundacred	57	86	58	86
	22.328	17.177	70.014	52.737
Adjustment to present value - Educred	(6.874)	(5.417)	(22.245)	(17.645)
	15.454	11.760	47.769	35.092
(-) Current	(3.200)	(2.929)	(7.552)	(6.225)
Non-current	12.254	8.831	40.217	28.867

At September 30, 2019 and December 31, 2018, the maturity of educational credits receivable was as follows:

	Parent Company		Consolidated	
	September 30, 2019	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
Current	13,899	10,403	43,612	31,768
Overdue up to 30 days	143	197	364	475
Overdue 31 - 60 days	105	173	315	435
Overdue 61 - 90 days	98	151	280	415
Overdue 91 - 180 days	437	401	1,117	1,061
Overdue 181 to 360 days	772	435	2,081	938
	15,454	11,760	47,769	35,092

The current amounts include the adjustment to present value of the balance in the amount of R$22,245 in the consolidated, R$3,446 of which refers to students enrolled between January and September 2019, recognized as gross revenue in profit or loss for the period.

All amounts in thousands of Reais, except when otherwise stated

(e) Allowance for doubtful accounts

Beginning January 1, 2018, the allowance for doubtful accounts for agreements, tuition fees and our own and third-party educational credits has been calculated in accordance with IFRS 9/CPC 48 and reflects the expected loss on accounts receivable based on default for the last 24 months (12 months in 2018) per student, per payment slip and per maturity interval, except for educational credits from programs with the Federal Government (FIES).

In the first quarter, based on more assertive information and data on the recoverability of old credits for accounts receivable, the Group revised its criteria for determining the allowance for doubtful accounts and extended the default recovery analysis period from 12 to 24 months. Thus, based on this new estimate, the Group reversed R$8,285 and R$16,036 related to the allowance for doubtful accounts in the parent company and the consolidated, respectively, as a counter entry in profit or loss for the period.

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

(i) For FIES students with guarantors, and the Guarantee Fund for Educational Credit Operations (FGEDUC): provision was set up for 4.05% of the accounts receivable, on an assumption of 15% credit risk on 27% default;
(ii) For financing guaranteed by FGEDUC: for the non-covered risk, provision was set up for the 10% of the supporting entities' responsibility for the 15% credit risk from an estimate of 27% default, that is 0.405%; and
(iii) According to the new FIES, the provision is based on 13% of the student's tuition. FGEDUC charges and administrative fees are no longer levied on the tuition fees of these students.

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

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Balance on December 31,	(36.756)	(22.953)	(94.037)	(65.715)
Adoption of IFRS 9		(5.179)		(25.757)
Adjustment due to change in estimate	8.285		16.036	
Write-off of uncollectible receivables	16.226	11.134	46.697	53.659
Allowance for doubtful accounts	(21.357)	(19.135)	(54.506)	(55.890)
Balance on September 30,	(33.602)	(36.133)	(85.810)	(93.703)

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

All amounts in thousands of Reais, except when otherwise stated

10 Taxes recoverable and payable

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Taxes recoverable (Current)				
Income tax and social contribution to offset (i)	8.235	5.748	9.321	6.722
PIS and COFINS to offset	1.011	1.011	1.501	1.523
Other	146		165	9
	9.392	6.759	10.987	8.254
Taxes payable				
Income tax and social contribution			1.813	2.590
Withholding income tax	1.259	1.939	4.419	6.056
Service tax (ISS)	1.011	1.912	3.498	5.765
Taxes payable in installments	620	824	1.442	1.786
PIS and COFINS	140	246	316	450
Municipal Real Estate Tax (IPTU)	125	12	354	46
Other	226	84	257	109
	3.381	5.017	12.099	16.802
(-) Current	(3.125)	(4.575)	(11.270)	(15.648)
Non-current	256	442	829	1.154

(i) The increase in balances was due to withholding income tax on earnings from financial investments that were redeemed to pay dividends in May 2019.

All amounts in thousands of Reais, except when otherwise stated

11 Intangible assets

(a) Parent Company

				September 30, 2019	December 31, 2018
	Annual amortization rates	Cost	Amortization	Balance	Balance
Trademarks and patents		567		567	567
Software license and installation	20%	39.965	(27.104)	12.861	12.576
Operating licenses	33%	12.191	(10.545)	1.646	2.429
Agreements (i)	25%	7.345	(1.898)	5.447	4.985
Digital content	20%	14.898	(5.699)	9.199	6.546
Commerce fund	20%	5.282	(2.785)	2.497	3.276
Goodwill (ii)		5.125		5.125	5.125
		85.373	(48.031)	37.342	35.504

	Balances on December 31, 2018	Additions	Write-offs	Amortization	Balances on September 30, 2019
Trademarks and patents	567				567
Software license and installation	12.576	4.971		(4.686)	12.861
Operating licenses	2.429	233		(1.016)	1.646
Agreements (i)	4.985	1.071		(609)	5.447
Digital content	6.546	4.372		(1.719)	9.199
Commerce fund	3.276			(779)	2.497
Goodwill (ii)	5.125				5.125
	35.504	10.647		(8.809)	37.342

(i) Refers to agreements with hospitals, clinics and polyclinics to offer practical classes and mentored studies to the Company's students.

(ii) Refers to goodwill recorded when acquiring ADEA, which was absorbed by the parent company on April 30, 2018.

All amounts in thousands of Reais, except when otherwise stated

(b) Consolidated

	Annual amortization rates	Cost	Amortization	September 30, 2019 Balance	December 31, 2018 Balance
Trademarks and patents		**610**		**610**	610
Software license and installation	20%	**47.940**	**(34.707)**	**13.233**	13.251
Operating licenses	33%	**21.309**	**(18.284)**	**3.025**	3.862
Agreements	25%	**9.092**	**(3.096)**	**5.996**	5.585
Student portfolio	25%	**197**		**197**	197
Digital content	20%	**14.899**	**(5.699)**	**9.200**	6.546
Commerce fund	20%	**5.300**	**(2.801)**	**2.499**	3.282
Goodwill (Note 11 (c))		**182.803**		**182.803**	182.803
Intangible assets identified on acquisitions (Note 11 (d))		**219.228**	**(13.009)**	**206.219**	208.231
		501.378	**(77.596)**	**423.782**	424.367

	Balances on December 31, 2018	Additions	Write-offs	Amortization	Balances on September 30, 2019
Trademarks and patents	610				**610**
Software license and installation	13.251	**5.022**		**(5.040)**	**13.233**
Operating licenses	3.862	**939**	**(77)**	**(1.699)**	**3.025**
Agreements	5.585	**1.568**		**(1.157)**	**5.996**
Student portfolio	197				**197**
Digital content	6.546	**4.373**		**(1.719)**	**9.200**
Commerce fund	3.282			**(783)**	**2.499**
Goodwill (Note 11 (c))	182.803				**182.803**
Intangible assets identified on acquisitions (Note 11 (d))	208.231			**(2.012)**	**206.219**
	424.367	**11.902**	**(77)**	**(12.410)**	**423.782**

All amounts in thousands of Reais, except when otherwise stated

(c) Goodwill

At September 30, 2019 and December 31, 2018, goodwill recorded from business combinations was as follows:

	September 30, 2019	December 31, 2018
Direct and indirect investments		
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	4,140	4,140
ABES - Sociedade Baiana de Ensino Superior Ltda.	8,405	8,405
Sociedade Educacional Carvalho Gomes Ltda.	4,362	4,362
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda.	1,043	1,043
Faculdade Maurício de Nassau de Belém Ltda.	959	959
CESP - Centro de Ensino Superior Piauiense	8,662	8,662
Sociedade de Ensino Superior Piauiense	5,360	5,360
FADE - Faculdade Decisão	1,028	1,028
Instituto de Ensino Superior Juvêncio Terra Ltda.	573	573
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda.	2,232	2,232
Sociedade Paulista de Ensino e Pesquisa S/S Ltda.	43,590	43,590
Faculdade Joaquim Nabuco de Olinda Ltda.	3,521	3,521
Sociedade Universitária Mileto Ltda.	1,346	1,346
	85,221	85,221
Absorbed companies		
UNESPA - União de Ensino Superior do Pará	87,137	87,137
ISES - Instituto Santareno de Educação Superior	5,320	5,320
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	5,125	5,125
	182,803	182,803

Goodwill recorded from business combinations has an indefinite useful life, therefore it is tested for impairment on an annual basis. See item (e) to this Note.

All amounts in thousands of Reais, except when otherwise stated

(d) Intangible assets identified on acquisitions

At September 30, 2019 and December 31, 2018, intangible assets identified on investment acquisitions were as follows:

	September 30, 2019				December 31, 2018			
	Course licenses (i)	Brands (ii)	Customer portfolio (ii)	Total	Course licenses (i)	Brands (ii)	Customer portfolio (ii)	Total
Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda - SESPS	467		200	667	467		200	667
Faculdade Maurício de Nassau de Belém Ltda	1,261			1,261	1,261			1,261
Centro de Ensino Superior Piauiense - CESP	4,404	508		4,912	4,404	508		4,912
Sociedade de Ensino Superior Piauiense Ltda.	5,996	692		6,688	5,996	692		6,688
Faculdade Decisão - FADE	2,200	100		2,300	2,200	100		2,300
Instituto de Ensino Superior Juvêncio Terra Ltda.	2,400	100		2,500	2,400	100		2,500
Faculdades COC de Maceió - FACOCMA	3,000			3,000	3,000			3,000
Faculdade Joaquim Nabuco de Olinda Ltda	2,700	400		3,100	2,700	400		3,100
Sociedade Universitária Mileto Ltda	4,500			4,500	4,500			4,500
Sociedade Paulista de Ensino e Pesquisa S/S Ltda.	90,600	17,400	5,600	113,600	90,600	17,400	5,600	113,600
Sociedade Metodista Bennett (Nota 11.f)	10,000			10,000	10,000			10,000
Total	127,528	19,200	5,800	152,528	127,528	19,200	5,800	152,528
Accumulated amortization		(4,368)	(5,300)	(9,668)		(3,664)	(4,520)	(8,184)
	127,528	14,832	500	142,860	127,528	15,536	1,280	144,344
Amortization (%)		*17%*	*19%*			*17%*	*19%*	
Absorbed companies								
União de Ensino Superior do Pará – UNESPA	45,500	12,100	800	58,400	45,500	12,100	800	58,400
Instituto Santareno de Educação Superior – ISES	7,600	700		8,300	7,600	700		8,300
Total	53,100	12,800	800	66,700	53,100	12,800	800	66,700
Accumulated amortization		(2,581)	(760)	(3,341)		(2,173)	(640)	(2,813)
	53,100	10,219	40	63,359	53,100	10,627	160	63,887
	180,628	25,051	540	206,219	180,628	26,163	1,440	208,231

All amounts in thousands of Reais, except when otherwise stated

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

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

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

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

Until December 31, 2017, the effects of inflation measured by the IPCA consumer price index were incorporated in the growth rates and discount rates in the projections of cash flow (nominal rates). As of 2018, the Company has used real rates, without the effect of any inflation index.

We present below the assumptions used in the projections:

	2018	2017
Gross margin (a)	55.6%	55.5%
Growth rate (b)	2.8%	6.6%
Discount rate	9.0%	12.8%

(a) Budgeted gross margin related to net revenue less personnel costs, rental costs, concessionaire costs and service costs, among other factors. Management determined this margin based on past performance and on its market development expectations; and
(b) Stable nominal growth rate, used to project revenues and other costs, whose weighted average rates used are consistent with the macroeconomic projections disclosed by the Brazilian Central Bank (Time Series Management System).

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

The asset impairment test performed on December 31, 2018 did not indicate any need to recognize losses.

The Company’s Management monitors the performance of each CGU on a quarterly basis to assess the need to bring forward impairment testing, in order to recognize possible losses. In this context, the Company did not identify any element indicating the need to bring forward impairment testing and, as a result, recognize a provision for impairment on September 30, 2019.

(f) Sociedade Metodista Bennet – currently Univeritas Rio de Janeiro

Within the scope of the Group's strategy to expand geographically, on March 26, 2015, the Company acquired, through its subsidiary União de Ensino Superior do Pará - UNESPA, the maintenance of Centro Universitário Bennet ("Bennet"), a higher education institution licensed in Rio de Janeiro, state of Rio de Janeiro, for the amount of R$10,000, based on the approximate value of investments for the accreditation of the courses related to the maintenance. Given that it is an Assignment of Accreditation and Operating Licenses Agreement, the Company understands that it involves the acquisition of assets and not a business combination, therefore the investment is treated as an intangible asset in accordance with Technical Pronouncement CPC 04, Intangible assets.

The main reasons to enter the Rio de Janeiro market through the acquisition of this maintenance were as follows:

- Bennet was highly recognized in the city and its building was already set for an education institution (classrooms, auditoriums, etc.), in addition to having an excellent location;
- The possibility of expanding the Company's presence in the Southeast region of the country, given that UNG had also been recently acquired, in accordance with the Group's strategy of having a national presence;
- In 2014, the main universities in Rio de Janeiro lost their accreditation by the MEC, due to poor academic performance and insufficient funds; and
- Given that it is a University Center, it has autonomy to open new units in the city of Rio de Janeiro, pursuant to the MEC's new regulations.

The key assumptions used by Management to assess the financial feasibility and calculate future cash flows of Univeritas/RJ were based on projections approved by the Board of Executive Officers and the Board of Directors, considering the Group's experience regarding the economic growth of several units with the same profile of operations, being consistent in the use of external sources. The main characteristics were as follows:

- The projections of future cash flows were calculated in real terms and per semester;
- The projections were based on an eight-year flow, given that Management believes that the maturation time for this maintenance in Rio de Janeiro is longer, due to the economic and social aspects faced by the State. Management understands and, based on its history in this segment, believes that a consolidated brand in a given market tends to mature faster than a new unit, especially in regions where the Group's brands are not present;
- The average annual revenue growth rate during the eight-year flow came to 4.6%, taking into account the number of enrolled students times the average ticket of students per course, and excluding the approval of new courses already requested with the MEC;

- Certain expenditures with the cost of services rendered and expenses that may be considered manageable were projected as a percentage of net operating revenue higher than the average percentage of the Group's expenditures;
- Marketing expenses, which are manageable costs, have also been projected as a percentage higher than the average percentage of the Group's expenditures, given that they require more effort since the brand is not yet consolidated in Rio de Janeiro;
- The discount rate used was 9.0%, which is the real weighted average cost of capital, and reflects the rate before the tax benefit; and
- The perpetuity growth rate reached 2.8% p.a., reflecting the GDP from services projected for the last year of the eight-year flow. This same rate was used for net revenue growth and main costs and expenses as of the fifth year of the flow.

The cash flow projections calculated based on the above-mentioned assumptions indicated that the recoverability of the asset is focused on the perpetuity of the flow.

In addition, the Group's Management conducted a test to determine the fair value, which, pursuant to CPC 01 – Impairment of Assets, consists of "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

The Group's Management is constantly monitoring the performance of assets in relation to the projections, as well as economic and market conditions that may affect the business, in order to identify signs of impairment. Based on these projections, no impairment of the asset in question was identified at December 31, 2018, and moreover, based on the monitoring of these projections during the period, no impairment was identified at September 30, 2019.

12 Right of use

As detailed in Note 2.2, the Group adopted CPC 06(R2)/IFRS 16, which sets out the criteria for registering lease agreements, for new agreements and other agreements not covered by the previous standard, in a simplified transition approach, consisting of not presenting the comparative balances of the previous year.

These agreements refer to properties where its universities, university centers, learning centers, colleges and offices are located.

For all lease agreements, the Group recognized assets representing rights of use on the leasing liabilities, as follows:

All amounts in thousands of Reais, except when otherwise stated

(a) Balance breakdown

				September 30, 2019	December 31, 2018
	Average annual depreciation rates	Cost	Depreciation	Balance	Balance
Parent company					
Property right-of-use	8%	338.073	(66.832)	271.241	98.856
Total		338.073	(66.832)	271.241	98.856
Consolidated					
Property right-of-use	8%	672.813	(108.143)	564.670	181.527
Total		672.813	(108.143)	564.670	181.527

(b) Changes

	Balances on December 31, 2018	Additions	Write-offs (i)	Depreciation	Balances on September 30, 2019
Parent company					
Property right-of-use	98.856	214.510	(20.782)	(21.343)	271.241
Total	98.856	214.510	(20.782)	(21.343)	271.241
Consolidated					
Property right-of-use	181.527	449.925	(24.623)	(42.159)	564.670
Total	181.527	449.925	(24.623)	(42.159)	564.670

(i) The majority of the write-offs can be attributed to the return of five properties rented to Ocktus Participações Ltda and whose rent had been suspended. The historical cost of these write-offs was R$16,057 in the parent company and the consolidated, and was recorded as a counter entry under “Other operating revenues (expenses), net” in profit or loss for the period (Note 23 (b)).

All amounts in thousands of Reais, except when otherwise stated

13 Property and equipment

(a) Balance breakdown

Parent Company	Average annual depreciation rates	Cost	Depreciation	September 30, 2019 Balance	December 31, 2018 Balance
Land		25.257	-	25.257	25.257
Buildings and improvements	6%	252.067	(57.742)	194.325	166.611
Vehicles and aircraft	6% and 10%	1.898	(932)	966	19.890
Equipment and facilities	10%	59.898	(24.010)	35.888	34.720
Furniture and fittings	10%	23.668	(12.012)	11.656	12.069
Computers	20%	30.518	(21.976)	8.542	10.209
Books	20%	39.883	(20.929)	18.954	19.313
Total in operation		433.189	(137.601)	295.588	288.069
Construction in progress		7.356		7.356	40.947
Total property and equipment		440.545	(137.601)	302.944	329.016

Consolidated	Average annual depreciation rates	Cost	Depreciation	September 30, 2019 Balance	December 31, 2018 Balance
Land		25.257	-	25.257	25.257
Buildings and improvements	6%	369.299	(82.642)	286.657	255.923
Vehicles and aircraft	6% and 10%	3.456	(1.987)	1.469	20.051
Equipment and facilities	10%	157.895	(70.678)	87.217	84.537
Furniture and fittings	10%	50.968	(27.139)	23.829	23.288
Computers	20%	56.743	(45.092)	11.651	14.320
Books	20%	91.382	(50.712)	40.670	38.232
Total in operation		755.000	(278.250)	476.750	461.608
Construction in progress		9.337		9.337	46.756
Total property and equipment		764.337	(278.250)	486.087	508.364

All amounts in thousands of Reais, except when otherwise stated

(b) Changes

Parent Company	Balances on December 31, 2018	Additions/ (Transfers)	Write-offs	Depreciation	Balances on September30, 2019
Land	25.257	-	-	-	**25.257**
Buildings and improvements (i)	166.611	**40.704**	**(3.380)**	**(9.610)**	**194.325**
Vehicles and aircraft (ii)	19.890	**148**	**(18.128)**	**(944)**	**966**
Equipment and facilities	34.720	**5.176**	**(52)**	**(3.956)**	**35.888**
Furniture and fittings	12.069	**1.270**	**(27)**	**(1.656)**	**11.656**
Computers	10.209	**1.413**	**(40)**	**(3.040)**	**8.542**
Books	19.313	**2.025**	-	**(2.384)**	**18.954**
Total in operation	288.069	**50.736**	**(21.627)**	**(21.590)**	**295.588**
Construction in progress (iii)	40.947	**(33.591)**			**7.356**
Total property and equipment	329.016	**17.145**	**(21.627)**	**(21.590)**	**302.944**

Consolidated	Balances on December 31, 2018	Additions/ (Transfers)	Write-offs	Depreciation	Balances on September30, 2019
Land	25.257	-	-	-	**25.257**
Buildings and improvements (i)	255.923	**48.700**	**(4.262)**	**(13.704)**	**286.657**
Vehicles and aircraft (ii)	20.051	**593**	**(18.128)**	**(1.047)**	**1.469**
Equipment and facilities	84.537	**12.222**	**(64)**	**(9.478)**	**87.217**
Furniture and fittings	23.288	**3.654**	**(36)**	**(3.077)**	**23.829**
Computers	14.320	**1.889**	**(40)**	**(4.518)**	**11.651**
Books	38.232	**7.082**	-	**(4.644)**	**40.670**
Total in operation	461.608	**74.140**	**(22.530)**	**(36.468)**	**476.750**
Construction in progress (iii)	46.756	**(37.419)**			**9.337**
Total property and equipment	508.364	**36.721**	**(22.530)**	**(36.468)**	**486.087**

(i) Due to the return of five leased properties, as per Note 12 (b)(i), the leasehold improvements to these properties were written off in the amount of R$4,050;

(ii) At June 25, 2019, the Group entered into an Aircraft Sales Agreement regarding the transfer of possession of the Phenom 300 aircraft to Ocktus Participações Ltda, a business that belongs to its controlling shareholder, for R$24,902 (See Note 26 (d)). The gain of R$6,773 on the transaction was recorded as a counter entry under “Other operating revenues (expenses), net” in profit or loss for the period (Note 23 (b)).

(iii) The transfer from “Construction in Progress” to “Buildings and Improvements” refers to the conclusion of the building in Fortaleza, Ceará.

(c) Guarantees

The Group has an aircraft borrowing agreement (FINAME), which allows for the fiduciary sale of the asset acquired. At September 30, 2019 and 2018, the Company recorded R$18,548 in the parent company and on a consolidated basis in guarantees related to these agreements. In addition, buildings, machinery and IT equipment pledged as collateral in legal proceedings totaled R$13,465 in the parent company and on a consolidated basis at September 30, 2019 and 2018.

All amounts in thousands of Reais, except when otherwise stated

(d) Capitalized borrowing costs

As per Note 16(a), in 2015, the Group obtained two sets of borrowing to finance the construction of enterprises, and the capitalized borrowing costs in the period ended September 30, 2019 amounted to R$2,109, excluding interest expenses (R$1,591 at September 30, 2018). The rate used to determine the capitalized borrowing costs is the effective rate of the borrowing concerned. The last enterprise funded by this financing was concluded this quarter.

14 Suppliers

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Domestic suppliers	10.798	12.025	30.064	33.511
Domestic service providers	458	215	962	410
	11.256	12.240	31.026	33.921

15 Commitments payable

(a) Breakdown

Commitments payable arise from the following investment acquisitions:

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda. (FAL)		115		115
Faculdade Joaquim Nabuco de Olinda Ltda. (FASE)		747		747
UNESPA and ISES (UNAMA and FIT) (*)			43,183	41,669
SOPEP - Sociedade Paulista de Ensino e Pesquisa S/S Ltda. (UNG)			39,555	74,023
Sociedade Universitária Mileto Ltda. (FAMIL)			900	900
		862	83,638	117,454
(-) Current		(862)	(83,638)	(82,770)
Non-current				34,684

(*) The balance includes amounts related to differences in the recognition of net debt reimbursements and pre-established contingencies, which are being discussed by the competent authority.

All amounts in thousands of Reais, except when otherwise stated

16 Borrowings

(a) Breakdown

Type	Financial charges	Parent Company and Consolidated	
		September 30, 2019	December 31, 2018
IFC (i)	CDI + 1.65% p.a. (2018 - CDI+2.05%)	67.169	76.918
Finame	6% p.a.	10.461	11.932
		77.630	88.850
(-) Current		(26.003)	(24.970)
Non-current		51.627	63.880

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

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

(b) Changes

Changes in debt in the parent company and the consolidated are as follows:

	Parent Company and Consolidated	Parent Company	Consolidated
	2019		2018
At December 31	88,850	113,348	113,979
Incurred interest	6,865	6,528	6,572
Capitalized interest (Note 13(d))	(2,109)	(1,591)	(1,591)
Amortization	(12,863)	(11,759)	(12,382)
Amortized interest	(3,113)	(4,302)	(4,302)
At September 30	**77,630**	**102,224**	**102,276**

All amounts in thousands of Reais, except when otherwise stated

(c) Guarantees

The Finame facility refers to aircraft and is guaranteed by a fiduciary transfer of the asset (Note 13 (c)). For the IFC, the Group has pledged as guarantee the fiduciary assignment of a portion of the monthly tuition paid by the Group's students, representing 25% of borrowings.

(d) Classification by year of maturity

The long-term installments fall due as shown below:

	Parent Company and Consolidated	
	September 30, 2019	December 31, 2018
Between one and two years	23.530	23.530
Between two and three years	23.542	23.530
Between three and four years	1.952	12.753
Between four and five years	1.952	1.952
More than five years	651	2.115
	51.627	63.880

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

(e) Covenants

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

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

In the period ended September 30, 2019, as in previous periods, the covenants related to the borrowing agreements were analyzed and there were no amounts outside the contractual limits.

17 Debentures

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

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

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

- the result of the division of net debt by adjusted EBITDA, which must not be higher than 2.5, but which may be higher than 0.5 for four consecutive quarters, in the case of acquisition of interest in a company with a similar corporate purpose; and
- the result of the division of EBITDA by net financial expenses, considering bank debt charges deducted from gains with financial investments, which must not be lower than 2.0.

In the period ended September 30, 2019, as in previous periods, the covenants related to the debenture indentures were analyzed and there were no amounts in excess of the contractual limits.

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

The long-term installments fall due as shown below:

All amounts in thousands of Reais, except when otherwise stated

	Parent Company and Consolidated	
	September 30, 2019	December 31, 2018
Current		
Less than one year	65.913	108.476
Non-current		
Between one and two years	49.587	54.446
Between two and three years		54.446
	49.587	108.892
	115.500	217.368

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

Changes in the balance for the period ended September 30, 2019 refer to interest incurred in the amount of R$12,600 (R$16,177 in 2018) and the amount of the first series settled on September 16, 2019, of R$114,468, of which R$100,000 was the principal amount and R$14,468 was interest incurred.

18 Salaries and social charges

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Profit sharing	3.750	4.000	3.750	4.000
Salaries payable	8.812	8.108	19.785	18.708
Social charges	5.095	5.165	11.350	12.104
Provision for vacation pay and charges	18.211	19.375	33.039	38.176
Provision for 13th month's salary and charge	9.631	-	22.105	-
Other	339	305	779	704
	45.838	36.953	90.808	73.692

19 Lease obligations

As mentioned in Note 12, the Group adopted CPC 06(R2)/IFRS 16, which sets out the criteria for registering lease agreements, for other agreements not covered by the previous standard, in a simplified transition approach, consisting of not presenting the comparative balances of the previous year.

All amounts in thousands of Reais, except when otherwise stated

The maturity of the agreements is varied, reaching up to ten years in the majority of the cases, and may be automatically renewed at the lessee's request at the end of the term. The agreements are payable monthly at fixed amounts, which are adjusted annually by the civil construction index or the IGP-M disclosed by the Getulio Vargas Foundation. There are no restrictions or clauses that depend on income or the distribution of dividends by the Group.

The agreements were considered by the Group as leases essentially if they pass on the right to control the use of the asset identified for a period of time in exchange for consideration. The present value of the agreements included when CPC 06(R2)/IFRS 16 was adopted was calculated at rates equivalent to the borrowing rates of transactions of a similar risk and nature. The old agreements retained the original rates used, as per the criteria under the previous standard.

(a) Due date

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

Parent Company			September 30, 2019	December 31, 2018
Maturity	Minimum payments	Discount at present value	Present value of minimum payments	Present value of minimum payments
Current:				
Less than one year	55,089	(33,366)	21,723	10,667
Non-current				
Between one and two years	54,170	(31,112)	23,058	10,667
Between two and three years	53,337	(28,691)	24,646	10,667
Between three and four years	51,533	(26,042)	25,491	10,667
More than four years	318,818	(103,331)	215,487	95,251
	477,858	(189,176)	288,682	127,252
	532,947	(222,542)	310,405	137,919

Consolidated			September 30, 2019	December 31, 2018
Maturity	Minimum payments	Discount at present value	Present value of minimum payments	Present value of minimum payments
Current:				
Less than one year	104,874	(65,335)	39,539	17,209
Non-current				
Between one and two years	103,832	(61,491)	42,341	17,209
Between two and three years	102,699	(57,335)	45,364	17,209
Between three and four years	98,864	(52,826)	46,038	17,209
More than four years	730,184	(275,546)	454,638	169,423
	1,035,579	(447,198)	588,381	221,050
	1,140,453	(512,533)	627,920	238,259

All amounts in thousands of Reais, except when otherwise stated

(b) Changes

Changes in lease obligations are as follows:

	Parent Company	Consolidated
Balance on December 31, 2018	137,919	238,259
Implementaton of CPC 06(R2) - Note 2.2	181,599	407,942
Contract amendments	32,911	42,089
Write-offs (i)	(30,925)	(36,877)
Interest	26,737	51,519
Minimum payments	(37,836)	(75,012)
Balance on September 30, 2019	310,405	627,920

(i) As mentioned in Note 12(b), the majority of the write-offs refers to the return of five properties whose outstanding balance was written off as a counter entry under “Other operating revenues (expenses), net” (Note 23 (b)), in the amount of R$26,113.

20 Share capital and reserves

(a) Share capital

On September 30, 2019, the Company’s share capital consisted of 128,721,560 registered common shares with no par value, totaling R$991,644 in the period. Costs incurred by the Company for the issue of shares in November 2017 totaled R$4,095, deducted from the share capital and awaiting capitalization by the Company’s Board of Directors.

The Company’s shareholders authorized the Board of Directors to increase the share capital to up to R$1,500,000.

(b) Treasury shares

On January 12, 2015, the acquisition of up to 3,752,237 non-par, book-entry, registered, common shares issued by the Company, was approved, to be held, canceled in treasury or placed on the market again, with no capital reduction, within 365 days from January 12, 2015, and closing on January 11, 2016. As a result, 377,500 shares were acquired, in the amount of R$6,454, at a weighted average cost of R$17.09, within the repurchase program.

On January 9, 2016, the Company’s Board of Directors approved the extension of the Share Repurchase Program to up to January 9, 2017, renewing it until January 9, 2018, when it was terminated, without changes.

On April 3, 2018, the Company's Board of Directors reopened this program and approved the acquisition of up to 5,482,640 shares, within 365 days, with closing on April 3, 2019.

At September 30, 2018, the Company had 4,827,500 treasury shares, at an average cost of R$16.72, in the amount of R$80,706. On October 16, 2018, this program was terminated and all the shares were acquired, at an average cost of R$16.27, in the amount of R$89,225, which were subsequently canceled.

On October 16, 2018, a new program was open to repurchase up to 5,326,100 shares, within 365 days, with expiration on October 16, 2019. During this new phase of the program, until May 08, 2019, 4,230,300 shares had been acquired, totaling R$65,527, at a weighted average cost of R$15.49.

On May 9, 2019, the Board of Directors approved the cancellation of 4,230,300 common shares held in treasury, or 3.2% of total shares issued, maintaining the currently prevailing share repurchase program. Until September 30, 2019, there were no new share acquisitions.

After the cancellation, the Company had 128,721,560 common shares issued.

(c) Capital reserve

At September 30, 2019 and December 31, 2018, the Company had no amount recorded as a capital reserve.

(d) Reserve for tax incentives

At September 30, 2019 and December 31, 2018, the Company had no amount recorded as tax incentive reserves.

(e) Legal reserve

At September 30, 2019, the Company had a legal reserve of R$62,470 (R$55,523 in 2018). The legal reserve takes 5% of profit for the year or the remaining balance, up to the limit of 20% of capital. The purpose of the legal reserve is to ensure the integrity of capital, and it may only be used to offset losses and increase capital.

(f) Retained earnings

At September 30, 2019, the Company's retained earnings amounted to R$135,107 (R$483,437 in 2018). Retained earnings represent the portion of profit allocated to the retained earnings reserve account for future capital investment subject to the approval of shareholders at the Annual Shareholders' Meeting. The reduction in the balance was due to the cancellation of treasury shares and the payment of extraordinary dividends (Notes 20(b) and (g)).

All amounts in thousands of Reais, except when otherwise stated

(g) Dividends

Until the previous year, shareholders were entitled to mandatory minimum dividends of 25% of profit for the period, calculated every six months, adjusted by the recognition of the legal reserve, in accordance with the Brazilian Corporate Law. In the year ended December 31, 2018, the Company's Board of Directors proposed the distribution of dividends in addition to the mandatory minimum dividends, in the amount of R$36,680, which was resolved on by the Annual Shareholders' Meeting of April 30, 2019 and paid on May 24, 2019.

On May 9, 2019, the Board of Directors decided to change its Dividend Policy, which now provides for a minimum distribution of 30% of net income, calculated every six months, in order to optimize the Company's capital structure. On that same date and with the same purpose, the Board of Directors resolved on the extraordinary distribution of dividends in the amount of R$250,000, or R$1.942177 per share, which were also paid on May 24, 2019.

On September 10, 2019, interim dividends were paid in the amount of R$32,803.

21 Net income from services rendered

	Parent Company		Consolidated	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Gross revenue from services				
Undergraduate tuition	551,098	451,925	1,423,821	1,272,235
Graduate tuition	1,972	2,491	21,659	21,789
Distance Learning (EAD) tuition	70,923	38,183	99,260	52,303
Other revenue	3,390	3,978	12,547	12,886
	627,383	496,577	1,557,287	1,359,213
Deductions from gross revenue				
Discounts and scholarships (i)	(176,156)	(83,876)	(430,869)	(230,743)
PROUNI (ii)	(59,632)	(48,384)	(149,606)	(126,232)
FGEDUC and FIES charges (iii)	(7,977)	(10,470)	(20,358)	(27,557)
Taxes on services	(10,545)	(10,552)	(30,775)	(32,262)
	(254,310)	(153,282)	(631,608)	(416,794)
	373,073	343,295	925,679	942,419

(i) The increase is due to the higher volume of discounts and scholarships as a result of student intake campaigns in the first and second semesters of 2019, in addition to punctuality discounts for the payment of tuition fees at the beginning of the month, recorded as of the second semester of 2018;

(ii) The increase refers to operations of recently opened units, when the volume of scholarships from PROUNI carries more weight in the student base and, consequently, in net revenue.

All amounts in thousands of Reais, except when otherwise stated

22 Cost of services rendered

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Payroll and social charges	(99,449)	(96,915)	(267,341)	(284,068)
Services rendered by individuals and companies	(9,477)	(7,773)	(15,793)	(13,628)
Electricity, water and telephone	(13,378)	(12,862)	(28,582)	(27,481)
Depreciation and amortization (i)	(43,638)	(19,479)	(80,216)	(34,413)
Rents (i)	(1,008)	(19,166)	(12,125)	(56,535)
Other	(8,099)	(8,130)	(11,865)	(10,904)
	(175,049)	(164,325)	(415,922)	(427,029)

(i) Variations in these line items refer to the implementation of CPC 06(R2)/IFRS 16, as per Note 12, and the reclassification of the right-of-use depreciation, previously classified under administrative expenses (Note 23 (iv)).

23 Operating revenues (expenses)

(a) Selling, general and administrative expenses

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Payroll and social charges	(70,485)	(67,624)	(107,880)	(107,278)
Services rendered by individuals and companies (i)	(33,871)	(19,069)	(42,558)	(25,209)
Selling, marketing and advertising expenses (ii)	(39,074)	(33,811)	(62,334)	(66,391)
Allowance for and actual loss on doubtful accounts (iii)	(15,736)	(19,135)	(46,762)	(55,890)
Depreciation and amortization (iv)	(8,104)	(13,272)	(10,821)	(19,886)
Office supplies	(5,626)	(8,029)	(10,373)	(13,424)
Taxes	(1,824)	(2,158)	(3,503)	(4,267)
Other	(14,354)	(20,010)	(23,534)	(29,434)
	(189,074)	(183,108)	(307,765)	(321,779)

(i) The increase refers to expenses with the implementation and execution of the Ser Digital project and the outsourcing of cleaning services;

(ii) As of the second quarter of 2018, the Group has carried out a restructuring, with a resulting reduction in marketing expenses related to its products in the different locations where it operates;

(iii) Includes adjustments related to the change in the criteria for calculating the estimated allowance for doubtful accounts (see Note 9 (e)), resulting in a reversal of R$16,036 and credit losses of R$8,165 related to outstanding tuition fees in 2018 that were billed for value on the 30th, without taking into account the scholarships and punctuality discounts lost due to default, but which were renegotiated in the first quarter of 2019, including part of those scholarships and discounts;

(iv) Together with the implementation of CPC 06(R2)/IFRS 16, the Group revised the allocation of depreciation according to the nature of the properties and reclassified R$9,583 to cost of services rendered related to the depreciation of operational properties.

All amounts in thousands of Reais, except when otherwise stated

(b) Other operating revenues (expenses), net

In the period ended September 30, 2019, the Company recorded other net operating revenues of R$10,706 and R$9,707, respectively, in the parent company and the consolidated, basically due to:

(i) As mentioned in Notes 12 (b) and 19 (b), there was a write off of properties recorded as “Right of Use” related to “Lease obligations”, which led to a net gain of R$12,255;
(ii) As per Note 13 (b)(i), the write off of the leasehold improvements to the leased properties that were returned generated a loss of R$4,050.
(iii) As per Note 13 (b)(ii), the sale of the Phenom 300 aircraft generated gains of R$6,773.

24 Financial income and costs

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Financial income				
Interest on tuition and agreements	3,928	3,493	11,201	10,987
Earnings from financial investments	29,865	40,359	34,188	41,601
Monetary variation gains(i)		772		2,059
(-) Social Integration Program (PIS) and Social Contribution on Revenue (COFINS) on financial income	(1,675)	(2,136)	(2,266)	(2,765)
Other	396	1,998	671	4,068
	32,514	44,486	43,794	55,951
Financial expenses				
Interest expenses	(17,945)	(18,982)	(18,013)	(19,248)
Capitalization of interest	2,109	1,591	2,109	1,591
Interest on leases (ii)	(26,737)	(13,802)	(51,306)	(24,832)
Discounts granted (iii)	(12,058)	(6,410)	(30,773)	(19,833)
Monetary variation losses			(6,891)	(7,825)
Other	(2,076)	(1,472)	(5,449)	(5,723)
	(56,707)	(39,075)	(110,323)	(75,871)
Net financial result	(24,193)	5,411	(66,529)	(19,920)

(i) In August 2018, the accounts receivable balance was settled, due to the agreement entered into with the FNDE;
(ii) Refers to the implementation of CPC 06(R2)/IFRS16, with an incremental impact on interest of R$26,474;
(iii) The increase reflects the higher volume of renegotiations for re-enrollment of students in the first and second semesters of 2019. With the implementation of IFRS 15 in 2018, the tuition fees of the second semester of 2018 that were billed for value on the 30th were renegotiated for students’ re-enrollment in 2019, with a reduction in the billed amount for amounts equivalent to

All amounts in thousands of Reais, except when otherwise stated

the previous due dates, in addition to the maintenance of scholarships lost due to delay and, consequently, the recognition of additional discounts granted related to the impact of the adoption of this practice.

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

In accordance with Law 11096/2005 regulated by Decree 5493/2005 and by Normative Instruction of the Federal Revenue Office 456/2004, under the terms of Article 5 of Executive Decree 213/2004, higher education institutions that join PROUNI are exempted, during the term of the membership agreement, from taxes including IRPJ and CSLL. The accounting for this exemption must be based on the profit arising from the exempted activities. The reconciliation of the taxes determined, according to the nominal rates, and the amount of taxes recorded in the periods ended September 30, 2019 and September 30, 2018, were as follows:

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

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Income tax and social contribution - current				
Presumed profit			389	345
Taxable income	2,958	2,245	60,145	63,598
Tax incentive	(2,607)	(1,912)	(54,299)	(59,123)
Total income tax and social contribution	351	333	6,235	4,820

(b) Companies under the presumed profit regime

	Consolidated	
	September 30, 2019	September 30, 2018
Gross sales revenue	2,254	1,777
Projected 32%	721	569
Other revenues	423	446
Profit before income tax and social contribution	1,144	1,015
Income tax and social contribution - 34%	389	345

Part of the higher education support operations and professional education operations are carried out under the presumed profit regime of the Company’s investees.

All amounts in thousands of Reais, except when otherwise stated

(c) Companies under the taxable income regime

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Profit before income tax and social contribution	139,286	168,506	144,026	171,928
Combined nominal rate of income tax and social contribution - %	34%	34%	34%	34%
Income tax and social contribution based on current legislation rates	47,357	57,292	48,969	58,456
Adjustments under Law 11638/2007				
Equity in subsidiaries	(48,236)	(57,504)		
Adjustment to present value of accounts receivable	496	245	1,149	963
Leases	3,483	823	3,069	1,757
Allowance for doubtful accounts	186	6,506	291	19,003
Other additions and exclusions	(175)	(2,406)	7,259	(5,753)
Reversal of quarterly contingencies (i)	26	150	303	(762)
Offsetting of tax loss	(180)	(2,861)	(896)	(10,066)
	2,958	2,245	60,145	63,598
Tax incentive from exploration profit - PROUNI	(2,607)	(1,912)	(54,299)	(59,123)
Income tax and social contribution expenses on the results for the year	351	333	5,846	4,475
Effective rate - %	0.25%	0.20%	4.06%	2.60%

(d) Breakdown of the effective rate

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Profit before income tax and social contribution				
Presumed profit			1,144	1,015
Taxable income	139,286	168,506	144,026	171,928
	139,286	168,506	145,170	172,992
Income tax and social contribution				
Companies opting for the presumed income system			389	345
Companies opting for the taxable income system	351	333	5,846	4,475
Total current income tax and social contribution	351	333	6,235	4,820
Effective rate	0.25%	0.20%	4.29%	2.79%

All amounts in thousands of Reais, except when otherwise stated

26 Related parties

(a) Current accounts with subsidiaries

	Parent Company	
	September 30, 2019	December 31, 2018
Assets		
ABES - Sociedade Baiana de Ensino Superior Ltda.	1	
CENESUP - Centro Nacional de Ensino Superior Ltda.	15	
Faculdade Joaquim Nabuco de Olinda Ltda.	239	
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	1,211	
SESPI - Sociedade de Ensino Superior Piauiense Ltda.	79	
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda.	94	
Centro de Educação Continuada Mauricio de Nassau Ltda.	489	
Ocktus Participações Ltda	10,413	
	12,541	
(-) Current	(4,080)	
Non-current	8,461	
Liabilities		
ICES - Instituto Campinense de Ensino Superior Ltda.	33,915	
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.		1,500
Centro de Educação Profissional BJ Ltda.	105	
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda.	1,205	7,590
Instituto de Ensino Superior Juvêncio Terra Ltda.	2,732	3,608
ABES - Sociedade Baiana de Ensino Superior Ltda.		161
EDUCRED - Administradora de Crédito Educativo e Cobrança Ltda.	398	
	38,355	12,859

Every six months, the Group capitalizes and/or distributes earnings between the parent company and its subsidiaries. See Note 6(b).

All amounts in thousands of Reais, except when otherwise stated

(b) Remuneration of key management personnel

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

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Total key management remuneration	8,021	6,046	8,021	6,046

The increase in remuneration refers to bonus paid to the Executive Board for meeting targets in 2019, which was not the case in 2018, in relation to 2017 targets, which were not met.

(c) Property leases

						Consolidated
			September 30, 2019			September 30, 2018
	Expenses	Payment (*)	Liabilities	Expenses	Payment (*)	Liabilities
Rents- Ocktus Participações Ltda	4.174	32.777	236.714	17.463	33.999	136.328

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

The Group entered into commercial lease agreements for real estate with Ocktus Participações Ltda., owned by shareholder José Janguiê Bezerra Diniz, for a ten-year term, which can be extended for an equal period. The difference between the expense and the payments refers to the minimum payment of assets for use, which is amortized in liabilities. The Group and Ocktus agreed to the return of the five properties located in Recife, whose payments had been suspended up to September 30, 2019 (Note 23(b)(i)).

(d) Other transactions

The Group recorded credits receivable from related parties of R$1,952 and R$8,949 in current and non-current assets, respectively, arising from the Aircraft Sales Agreement of June 25, 2019, which established the transfer of possession of the Phenom 300 aircraft for R$24,902 (Note 13(b)(ii). The amount of this transaction, totaling R$10,901, will be received in 67 monthly installments on identical conditions to those of the financing originally assumed by the Group through Finame (See Note 16). In September 2019, the outstanding balance was R$10,413.

The Group supports the Instituto Ser Educacional, a nonprofit institution, to perform activities related to corporate social responsibility, with expenses of R$229 and R$348 at September 30, 2019 and 2018, respectively.

Related-party transactions are negotiated at market value.

All amounts in thousands of Reais, except when otherwise stated

27 Provision for contingencies

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

	Parent Company		Consolidated	
	September 30, 2019	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
Civil (a)	1,232	797	3,521	3,194
Labor (b)	298	657	4,134	4,550
	1,530	1,454	7,655	7,744
Indemnity contingencies (d)			112,015	112,015
	1,530	1,454	119,670	119,759

(a) Civil

The Group, with the support of its legal advisors, has performed a study, valuation and quantification of its civil lawsuits to determine the probable outflow of funds related to them. At September 30, 2019, Management made a provision of R$1,232 (R$797 in 2018) in the parent company and R$3,521 (R$3,194 in 2018) in the consolidated. The major lawsuits classified as probable losses involve indemnity for pain and suffering and damage to property. There are no debts to the Group and its subsidiaries.

The Group has also performed a study, evaluation and quantification of the civil lawsuits classified as possible losses, for which no provision has been made, and which amounted to R$23,762 (R$22,997 in 2018) in the parent company and R$50,254 (R$46,718 in 2018) in the consolidated at September 30, 2019. The main claims relate to: (i) lawsuits arising from undue blacklisting in credit protection bodies and undue maintenance of said negative entry; (ii) lawsuits due to delays in issuing diplomas; (iii) lawsuits due to problems in amendment, enrollment, refund (class not created) and transfer related to FIES.

(b) Labor

The Group, with the support of its legal advisors, has performed a study, valuation and quantification of its labor lawsuits to determine the probable outflow of funds related to them. At September 30, 2019, Management made a provision of R$298 (R$657 in 2018) in the parent company and R$4,134 (R$4,550 in 2018) in the consolidated.

The Group has also performed a study, evaluation and quantification of the various labor lawsuits classified as representing possible losses, for which there is no provision. At September 30, 2019, these amounted to R$31,656 (R$23,265 in 2018) in the parent company and R$62,198 (R$33,610 in 2018) in the consolidated, with the main claims related to overtime, unused vacation, the recognition of employment relationships, salary parity and salary differences resulting from the reduction of faculty working hours.

(c) Tax

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

The Group has also performed a study, evaluation and quantification of the various tax lawsuits classified as representing possible losses, for which there is no provision. At September 30, 2019, these amounted to R$8 (R$10,727 in 2018) in the parent company and R$2,846 (R$20,815 in 2018) in the consolidated (See note 27 (d)).

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

a. 0007156-20.2009.8.18.0140 – This relates to a tax collection lawsuit referring to local tax debits (Service Taxes) in Teresina (Piauí). The estimated amount was R$510 at September 30, 2019.
b. 0801528-36.2017.8.18.0140 – This relates to a tax collection lawsuit referring to local tax debits (Service Taxes) in Teresina (Piauí). The estimated amount was R$1,839 at September 30, 2019.

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

Among the main lawsuits, the following are highlighted:

a. Lawsuits of Centro de Ensino Superior Piauiense Ltda. (CESPI), Sociedade de Ensino Superior Piauiense Ltda. (SIESPI) and its subsidiary Centro Integrado de Educação Superior do Piauí Ltda. (CIESPI), as a result of their business combination in 2013, in the amount of R$3,249 at September 30, 2019 and 2018;
b. Lawsuit 0019270-28.2014.8.14.0301 - This relates to a tax collection lawsuit brought by the Municipality of Belém related to the collection of ISS due to UNESPA's supposed loss of tax exemption. The matter is related to the ISS tax exemption granted to UNESPA by the government through a municipal decree. The exemption was later withdrawn, and the tax credit related to the last five years was assessed, generating this lawsuit. Before this lawsuit was filed, UNESPA filed an action for annulment, registered under No. 0057879-84.2009.8.14.0301, to annul the tax deficiency notices that authorized the filing of the present tax collection lawsuit. Motions to stay execution have been filed and the process is currently in the evidentiary stage. The loss risk classification attributed by the external legal advisors is possible, and the amount is R$103,082 at September 30, 2019. Nevertheless, the lawsuit is recorded at the amount of the contingent liability arising from the business combination with UNESPA.

The selling shareholders have contractually agreed to indemnify the Company for the amount that may become due with respect to the lawsuits mentioned above. The withholding of a portion of the purchase amounts has been fixed contractually, as well as discounts on the future rental of the units, and the properties have been mortgaged in favor of the Company to guarantee that amount. As a result, an indemnity asset, equivalent to the fair value of the indemnified liability, as mentioned above, was recognized in the amount of R$112,015 at September 30, 2019 and December 31, 2018.

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

a. Case relating to the use of software licenses for distance learning, brought by the company Centro de Estratégia Operacional Propaganda, Publicidade e Comércio Ltda. against Rede Brasileira de Educação à Distância (RBED), in which União de Ensino Superior do Pará (UNESPA) is a partner, together with nine other teaching institutions in Brazil, who are joint defendants in the case. The amount currently under discussion, which has not been provided for, is R$76,075, arising from business combinations. In 2018, following a judicial deposit of R$2,004 that is still valid, RBED was granted an injunction to suspend the billing process; and
b. Deficiency notices for collection of social security contributions and contributions to entities and funds, from January 2011 to December 2012, totaling R$90,945 at September 30, 2019 and 2018, of Sociedade Paulista de Ensino e Pesquisa (SOPEP), the current supporting entity of UNG. The Federal Revenue Office understood that the activities carried out by Associação Paulista de Educação e Cultura (APEC), the former supporting entity of UNG, were not classified as non-profit, and even though the maintenance of UNG was only transferred in January 2015, SOPEP was issued a notice of secondary liability for the lack of payment of said contributions. In addition, on April 19, 2018, a new tax deficiency notice was issued, extending the period in question to 2014, adding R$82,084 and totaling R$173,029. Both processes are being analyzed by the Administrative Tax Appeals Council (CARF), a body that is connected to the current Ministry of the Economy.

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

28 Basic and diluted earnings per share

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

	September 30, 2019	September 30, 2018
Profit for the year attributable to the shareholders of the Parent Company	138,935	168,174
Weighted average number of outstanding common shares (in thousands)	128,722	136,676
Earnings per share - basic and diluted - R$	1.08	1.23

29 Insurance

Insurance coverage at September 30, 2019 was contracted at the amounts shown below, which are in accordance with the insurance policies:

Lines	Insured amounts ('000)
Material damages to property and equipment (buildings/equipment)	R$ 130,000
Third-party liability	R$ 15,000
Fleet - Pecuniary loss, personal injury and damages to transported objects	100% Fipe
D&O liability	R$ 30,000

30 Event after the reporting period

On October 23, 2019, the General Superintendence of the Brazilian Antitrust Authority (CADE) issued a declaration approving, without restrictions, the acquisition of the total capital of Sociedade de Desenvolvimento Cultural do Amazonas Ltda. (SODECAM), the supporting entity of Centro Universitário do Norte (UNINORTE), headquartered in Manaus, Amazonas, through Centro Nacional de Ensino Superior Ltda. (CENESUP), a subsidiary of the Company, pursuant to the Agreement for Assignment and Transfer of Quotas and Other Covenants entered into between the parties on April 16, 2019 (Note 6 (c)).

This transaction was concluded on November 1, 2019, with the payment of R$185,000 and the beginning of the integration between the operations. As a result, this business combination will be recorded in the quarter that will end on December 31, 2019.

Section F - Accounting policies

31 Summary of significant accounting policies

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

31.1 Consolidation

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

(a) Subsidiaries

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

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

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

31.2 Cash and cash equivalents

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

31.3 Financial assets and liabilities

31.3.1 Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the characteristics of the financial asset's contractual cash flows and the Group's business model for managing those financial assets. All financial assets are recognized at fair value plus, in the case of financial assets not measured at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

<u>Subsequent measurement</u>

For the purposes of subsequent measurement, the financial assets are classified into four categories:

- Financial assets measured at amortized cost;
- Financial assets measured at fair value through other comprehensive income with reclassification of cumulative gains and losses (debt instruments);

- Financial assets measured at fair value through other comprehensive income without reclassification of cumulative gains and losses at the time of derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

The Group does not have financial assets classified in the categories of financial assets measured at fair value through other comprehensive income with reclassification of cumulative gains and losses (debt instruments) and financial assets measured at fair value through other comprehensive income without reclassification of cumulative gains and losses at the time of derecognition (equity instruments).

31.3.2 Financial assets measured at amortized cost

The Group measures financial assets at amortized cost when the following conditions are met:

- The objective of the entity's business model is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets measured at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is written off, modified or presents impairment.

The Group's financial assets measured at amortized cost include cash and cash equivalents, accounts receivable and judicial deposits and escrow accounts.

31.3.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss or financial assets necessarily measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model.

Financial assets at fair value through profit or loss are presented in the statement of financial position at fair value, with variations net of fair value recognized in the statement of income.

The Group's financial assets classified at fair value through profit or loss include securities.

31.3.4 Derecognition (write-off)

A financial asset (or, when applicable, a portion of a financial asset or a portion of a group of similar financial assets) is written off (i.e. excluded from profit or loss for the year) mainly when: the rights to receive cash flow from the asset expire; the Group transfers its rights to receive cash flow from the asset or assumes the obligation to pay in full the cash flow received, without significant delay, to a third party, based on a transfer agreement; and (a) the Group transfers substantially all the risks and rewards of the asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of the asset, but transfers the ownership of the asset.

31.3.5 Initial recognition and measurement of financial liabilities

Financial liabilities are classified at initial recognition as measured at fair value through profit or loss, amortized cost or derivatives classified as hedge instruments in effective hedge, as applicable.

Financial liabilities are recognized initially at fair value plus directly related transaction costs, in the case of borrowings and financing and accounts payable.

The Group's financial liabilities include accounts payable, borrowings and financing, debentures, commitments payable and obligations for lease-purchase agreements.

<u>Subsequent measurement</u>

After initial recognition, interest-bearing borrowings and financing are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized, as well as through the effective interest method amortization process.

31.3.6 Derecognition (write-off)

A financial liability is derecognized when the obligation is revoked, canceled or expires. When an existing financial liability is substituted for another with the same amount but substantially different terms, or the terms of an existing liability are altered significantly, this substitution or alteration is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the corresponding accounting values recognized in the statement of income.

31.4 Accounts receivable – students

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

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

31.5 Impairment of financial assets (includes allowance for doubtful accounts)

A provision is set up for exposures to credit when credit risk has not increased significantly since initial recognition, due to default events that are possible within 12 months (12-month expected credit losses). For exposures to credit when credit risk has increased significantly since initial recognition, a provision is set up for expected credit losses during the residual life of the exposure, regardless of the time of default (lifetime expected credit loss).

This methodology is applicable to financial instruments classified as amortized cost.

For accounts receivable, given the short-term nature of the Group’s receivables and its policy for the concession and management of risk and used credits, the Group did not identify any significant impact that could affect its interim financial statements.

Regarding the other financial assets subject to impairment testing, no expected loss was recognized in the period ended September 30, 2019, given that, according to the Group’s assessment, the associated risk is low and there is no history of losses. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

Corporate interests in subsidiaries are shown in the parent company’s statement of income as equity income, representing the net income attributable to the shareholders of the subsidiaries.

Goodwill related to expected future profitability is presented in the parent company’s financial statements as part of the investment. The same adjustments made in the consolidated financial statements are made in the parent company financial statements to reach the same values of equity and results.

31.7 Intangible assets

(a) Goodwill

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

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

(b) Student portfolio

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

(c) Software licenses and installation

Software licenses are capitalized on the basis of the costs incurred to acquire the software plus the costs of making it ready for use. These costs are amortized over the estimated five-year useful life of the software.

Software maintenance costs are recognized as expenses at the time they are incurred. Other development costs that do not meet these criteria are recognized as expenses when incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent periods.

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

(d) Accreditation and operating licenses

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

(e) Digital content

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

(f) Agreements

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

(g) Goodwill

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

(h) Intangible assets identified on acquisitions - course licenses

Course licenses identified on acquisitions relate basically to the amounts of licenses and the accreditation of courses by the Ministry of Education, and are first recorded at fair value based on appraisal reports supporting the amounts allocated as part of business combinations.

These intangible assets identified on acquisitions have indefinite useful lives and are subject to annual impairment testing.

(i) Intangible assets identified on acquisitions - trademarks

Trademarks identified on acquisitions are first recorded at fair value based on appraisal reports supporting the amounts allocated in business combinations.

These intangible assets identified on acquisitions have defined useful lives and are subject to amortization calculated using the straight-line method to allocate the cost over their estimated useful lives.

31.8 Right of use

Right-of-use assets are initially measured at cost and subsequently at cost less any accumulated depreciation and impairment, and adjusted for certain remeasurements of leasing liabilities. Depreciation is calculated using the straight-line method for the outstanding period of the agreements.

31.9 Property and equipment

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

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

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

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

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

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

31.10 Capitalized borrowing costs

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

31.11 Impairment of non-financial assets

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

31.12 Suppliers and commitments payable

Accounts payable are liabilities owing for goods or services acquired from suppliers in the ordinary course of business, and commitments payable are liabilities for the acquisition of property and amounts payable under business combinations. They are classified as current liabilities if payment is due within a year. Otherwise, accounts and commitments payable are shown as non-current liabilities.

Accounts and commitments payable are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.

31.13 Leases

Leasing liabilities are initially measured at the present value of payments not made, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the incremental loan rate.

After initial measurement, the leasing liability is measured at amortized cost using the effective interest rate method, and it is remeasured in the event of changes (i) in future payments arising from a change in the index or rate (ii) in the estimated amount expected to be paid in the guaranteed residual amount or (iii) in the assessment of whether the Group will exercise the option to purchase, extend or terminate. When the leasing liability is remeasured, the amount of the corresponding adjustment is recorded in the book value of the right-of-use asset or in profit or loss, if the book value of the right-of-use asset has been reduced to zero.

31.14 Borrowings

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

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

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

31.15 Debentures

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

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

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

31.16 Provisions

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

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

31.17 Taxation

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

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

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

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

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

(c) PROUNI

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

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

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

(d) ISS

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

31.18 Earnings per share

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

Common shares are classified in equity.

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

31.19 Recognition of revenue, costs and expenses

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

(a) Service revenue

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

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

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

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

(b) Financial income and expenses

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

31.20 Distribution of dividends and interest on equity

The distribution of dividends and interest on equity to the Company's shareholders is recognized as a liability in the Group's financial statements at the end of the year pursuant to the Company's bylaws, which establish a mandatory minimum of 25%, net of any dividends and interest on equity paid in advance during the year. Any amount exceeding the mandatory minimum is provided for only on the date on which it is approved by the shareholders at a Shareholders' Meeting. The Group's policy is to distribute 30% of the earnings for the period, calculated every six months.

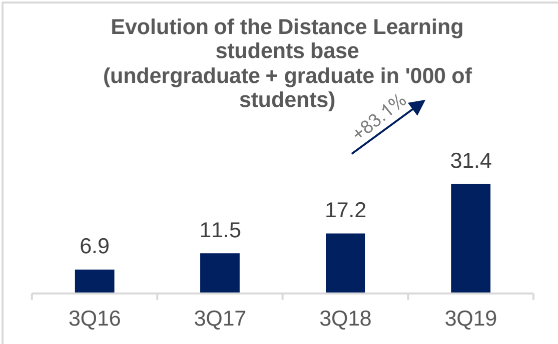
The tax effect of interest on capital is recognized in the statement of income.

Message from Management

Successful companies seek to improve their activities and take advantage of the different economic cycles to which they are exposed over their development. In 2019, Grupo Ser Educacional celebrated its 16th anniversary with solid growth rates and profitability, with promising results in periods prior to the Brazilian economic crisis, but also quite consistent in recent years, which were particularly more challenging.

2019 has been no less challenging than last years, with unemployment rates still at record levels in the northeastern and northern regions, where over 90% of the Company's student base is located, as the Brazilian economy has not yet begun to show consistent evolution. Ser Educacional's team understands the obstacles within this outlook, but, on the other hand, believes that these periods create opportunities, especially for those who execute a solid, rational business plan that is able to adapt to different economic situations, generating opportunities to capture benefits in the following periods.

With that in mind, the Company maintained its investments in the development of the Distance Learning segment, which in 2019 reached 31,000 students, a 83.1% growth compared to 3Q18 and, as of this year, with positive operating cash generation. These investments started in 2013 and intensified from 2017, when the new regulatory framework for the segment was approved. The result of the Distance Learning segment demonstrated to our team the importance of long-term planning, especially with the ability to adapt this planning each year and discipline and organization to evolve and mature initiatives.



The Company also continued to develop its on-campus segment. In October 2019, the Brasília unit was opened, the first unit inaugurated since 2017, already launched in the Campus 2.0 model (which offers on-campus, semi-distance, hybrid, and 100% online courses). This unit is located in Shopping JK, has about 2,500 m^2 of area in a modern structure and is already prepared to receive students in the 2020.1 intake process. The Company continued the maturation of 12 units opened in recent years, still considered in the initial stage of operation or in the maturation process.

Organic growth initiatives showed a positive outcome this year. In line with the positive result of the 2019.1 intake process, the third quarter reached record intake figures for the period, with a 29.2% growth in student enrollment in the on-campus segment and a 120.9% increase in the Distance Learning segment. The 10.2% growth in the total student base compared to 3Q18 was also a highlight, with a better control of the on-campus undergraduate student dropout rate.

This year, Ser Educacional also made acquisitions and, as of November 1, the Company will consolidate UNINORTE on its balance sheet, becoming the largest acquisition made by the Company since the acquisition of UNG in 2015. UNINORTE is the largest and the most recognized educational institution in Manaus, with approximately 25,000 students and great potential to grow its student base, especially in the 100% online Distance Learning segment, and to improve its operating results to be obtained once UNINORTE starts operating within Ser Educacional's platform.

Facade of Campus 2.0 – Shopping JK, Brasília/DF

Grupo Ser Educacional, therefore, is executing the business plan it has always believed in: Brazil still has high growth potential for the student base in the higher education segment. This development is conditional on consistent investments in improving student experience through new units located in promising regions, with a flexible platform capable of offering the type and course desired by students, through a high-quality structure that is attractive to its audience and that generate consistent results for its stakeholders, making the process sustainable so that growth is continuous and long term.

Basis for presentation of results and adoption of IFRS 16 Leases / CPC 06/(R2) Lease operations

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 2018, unless otherwise indicated. As of 1Q19, the Company adopted IFRS 16 – Leases / CPC 06 (R2), which replaces existing lease standards, including CPC 06 (R1) (IAS 17), Leasing Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27), Complementary Aspects of Leasing Operations. The new standard establishes a single lease model, based on the right to use an asset for a period of time in exchange for consideration, similarly to financial leases.

For comparison purposes, the Company prepared the income statement for the previous quarters for the 2018 fiscal year applying the IFRS 16 standards (Pro Forma and Non-Audited by the independent auditors), and called these figures “3Q18 Comparable and 9M18 Comparable”. The reconciliation of these results is demonstrated in the “IFRS 16 Reconciliation” section of this document.

OPERATING PERFORMANCE

Student Enrollment			
In thousands	3Q19	3Q18	% Chg
Undergraduate Enrollments	33.7	22.0	53.6%
Distance Learning	12.9	5.8	120.9%
On-campus	20.8	16.1	29.2%
Graduate Enrollments	2.9	1.2	139.7%
On-campus	1.0	0.6	69.6%
Distance Learning	2.0	0.7	201.5%

At the end of 3Q19, the Company had enrolled 33,700 new undergraduate students, compared to 22,000 new students in the same period in 2018, representing a growth of 53.6% over 3Q18.

This growth is due to the following factors: (i) the Company’s decision to start its 2019.2 intake process earlier compared to previous years, due to the better prospect of economic performance for the second half of 2019; (ii) economic recovery in the capital cities of the North and Northeast regions, especially because these cities were affected by non-recurring events during 3Q18 (truck drivers’ strike, the FIFA World Cup and presidential elections), which negatively impacted student enrollment in that period; (iii) maintenance of the Company's investments in its long-term plan, highlighting the opening of 14 new units and more than 200 Distance Learning centers in the last 24 months; (iv) investments in the Ser Digital and the Campus 2.0 projects, which provide students with better experience, as well as greater flexibility of the Company to offer courses in the following formats: on-campus, hybrid (online theoretical classes and practical classes in the laboratory, on the weekends), semi-distance (which combines on-campus theoretical classes and online classes) and 100% online, which led to a significant growth in the Distance Learning student base and (v) the maturation of the Company's business processes in its Distance Learning segment through partner centers.

On-campus undergraduate student intake

Due to the aforementioned factors, the on-campus undergraduate student intake process registered a 29.2% increase with the enrollment of 20,800 students compared to 16,100 students in 3Q18. The enrollment of FIES students increased by 14.6%, despite the reduced the number of vacancies in the program provided by the Federal Government, which went from 1,400 students in 3Q18 to 1,600 students in 3Q19.

At the end of 3Q19, of the total number of new students enrolled, approximately 2,200 students adhered to student financing programs, 100 of which enrolled through PraValer, 500 through Educred and 1,600 through FIES. In 3Q18, of the 2,900 students who adhered to student financing programs, 1,400 students enrolled through FIES, 700 through PraValer and 900 through Educred. As a result, the percentage of students enrolled through financing programs went from 18.3% in 3Q18 to 10.8% in 3Q19.

The total number of new finalized FIES contracts at the end of 3Q19 was 2,300 (1,600 freshmen and 700 upperclassmen) of the 2,600 vacancies allocated to the Company by the Federal Government in 2019.2. This represents an increase of 21% compared to the 1,900 new FIES contracts finalized in 3Q18 (1,400 freshmen and 500 upperclassmen) of the total of 4,600 vacancies allocated by the Federal Government to Ser Educacional.

Distance Learning undergraduate student intake

In 3Q19, the Distance Learning segment presented a 120.9% growth in intake, reaching 12,900 new students enrolled, compared to 5,800 students in 3Q18, reinforcing the Company's strategy of prioritizing the best performing partner centers, within the established goals, which has been reflected in the segment's intake process.

Graduate student intake

The Distance Learning graduate segment had an increase of 201.5%, reaching 2,000 students in 3Q19, compared to 700 students in 3Q18. The on-campus graduate segment had 1,000 new students enrolled in 3Q19, 69.6% higher compared to the same period of 2018. The improvement in graduate student intake was due to the focus on offering these courses, especially at partner centers.

As a result, total graduate student intake showed a positive variation of 139.7%, from 1,200 students in 3Q18 to 2,900 students in 3Q19 and, consequently, the total graduate student base rose by 45.2%.

Student Growth Trends

Number of Students	Undergraduate		Graduate		Vocational		Total
3Q19	**On Campus**	**Distance Learning**	**On Campus**	**Distance Learning**	**On Campus**	**Distance Learning**	**Total**
Jun19 Base	**132,546**	**20,310**	**4,865**	**6,419**	**1,281**	**61**	**165,482**
Enrollments	20,817	12,904	977	1,969	86	6	36,759
Leavers	(7,656)	(216)	(393)	(487)	(61)	-	(8,813)
Dropouts	(21,907)	(9,492)	(60)	(7)	(127)	-	(31,593)
Sep19 Base	**123,800**	**23,506**	**5,389**	**7,894**	**1,179**	**67**	**161,835**
% Sep19 Base / Jun19 Base	*-6.6%*	*15.7%*	*10.8%*	*23.0%*	*-8.0%*	*9.8%*	*-2.2%*
% Sep19 Base / Sep18 Base	*0.4%*	*65.9%*	*-12.6%*	*164.7%*	*393.3%*	*-8.2%*	*10.2%*

As a result of the points addressed above, the on-campus undergraduate student base totaled 123,800 students, slight increase of 0.4% compared to the 123,300 students registered in 3Q18.

The Distance Learning undergraduate and graduate student base increased by 83.1%, from 17,200 students in 3Q18 to 31,400 in 3Q19.

Due to the improvement in the student intake performance of all businesses lines, total student base grew by 10.2% compared to September 30, 2018.

Dropout Rate

The 3Q19 dropout rate was 15.0%, compared to 16.3% in 3Q18, down by 1.3 p.p. reflecting the first signs of recovery, in a still adverse economic scenario in the country. The 3Q19 re-enrollment rate of on-campus programs reached 86.5% of the renewable base, a slight increase of 0.3 p.p. compared to 3Q18, when the indicator was 86.2%.

Average Net Ticket

Average Ticket (R$)	3Q19	3Q18	% Chg. 3Q19 x 3Q18
On Campus Undergraduate	720.43	731.70	-1.5%
Distance Learning (Undergraduate + graduate)	225.82	236.95	-4.7%
Total Net Average Ticket	594.87	641.43	-7.3%

In 3Q19, the average ticket was R$720.43, down by 1.5% year-on-year, mainly due to the volume of students enrolled in 3Q19. It is worth mentioning that this impact tends to be mitigated in the following quarters as student enrollment is carried out with discounts that substantially reduces tuition fees (R$49.90 or R$99.90, depending on the city) for the first months.

In the Distance Learning segment, the average ticket decrease by 4.7% compared to 3Q18. This reduction is mainly due to the higher participation of 100% online graduate and undergraduate courses, due to the growth of the Company's Distance Learning segment, especially in the partner centers, which was partially offset by the higher demand for courses in the health area, the introduction of semi-distance courses and the pass-through of inflation.

As the Distance Learning student base increased from 12% to 19% of the total student base and there was a reduction of the average ticket in the on-campus segment, due to the increase in discounts and scholarships, the overall average ticket decreased by 7.3% in 3Q19.

Student Financing

STUDENT LOANS	Dec/13	Dec/14	Dec/15	Dec/16	Dec/17	3Q18	Dec/18	3Q19
On Campus Undergraduate Students	**70,255**	**101,195**	**123,988**	**131,092**	**133,945**	**123,268**	**127,837**	**123,800**
FIES Students	31,432	48,048	56,089	58,840	55,565	39,619	40,427	29,100
% of FIES Students	44.7%	47.5%	45.2%	44.9%	41.5%	32.1%	31.6%	23.5%
EDUCRED Students			754	1,922	2,390	4,037	3,952	3,350
% of EDUCRED Students			0.6%	1.5%	1.8%	3.3%	3.1%	2.7%
PRAVALER Students			954	1,794	2,873	2,983	3,265	2,273
% of PRAVALER Students			0.8%	1.4%	2.1%	2.4%	2.6%	1.8%
Total Students Loans			57,797	62,556	60,828	46,639	47,644	34,723
% of Total Students Loans			46.6%	47.7%	45.4%	37.8%	37.3%	28.0%

On September 30, 2019, FIES students accounted for 23.5% of the on-campus undergraduate student base, a reduction of 8.6 p.p. compared to the 32.1% recorded at the end of 3Q18. This decline is due to 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 re-designed 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 fee after they graduate or drop out.

Organic Growth

In 3Q19, 58 new courses were authorized, giving a total of 1,756, while the number of vacancies in some courses also increased. As a result, in September 2019, the Company had approximately 948,600 vacancies per year, 550,500 of which in the Distance Learning segment. Ser Educacional continues to develop 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

Revenue from Services Rendered

Gross Revenue - Accounting (R$ '000)	3Q19	3Q18	% Chg. 3Q19 x 3Q18	9M19	9M18	% Chg. 9M19 x 9M18
Gross Operating Revenue	**500,902**	**450,430**	**11.2%**	**1,557,287**	**1,359,213**	**14.6%**
Undergraduate Monthly Tuition	452,476	420,032	7.7%	1,423,821	1,272,235	11.9%
Graduate Monthly Tuition	7,074	7,582	-6.7%	21,659	21,789	-0.6%
Vocational Courses Monthly Tuition	466	434	7.6%	1,450	1,119	29.6%
Distance Learning Monthly Tuition	36,537	17,771	105.6%	99,260	52,303	89.8%
Others	4,349	4,611	-5.7%	11,097	11,767	-5.7%
Deductions from Gross Revenue	**(211,992)**	**(164,427)**	**28.9%**	**(631,608)**	**(416,794)**	**51.5%**
Discounts and Scholarships	(145,982)	(101,347)	44.0%	(430,869)	(230,743)	86.7%
PROUNI	(50,298)	(45,513)	10.5%	(149,606)	(126,232)	18.5%
FGEDUC And FIES charges	(5,805)	(8,172)	-29.0%	(20,358)	(27,557)	-26.1%
Taxes	(9,907)	(9,395)	5.4%	(30,775)	(32,262)	-4.6%
% Discounts and Scholarships/ Net Oper. Rev.	*29.1%*	*22.5%*	*6.6 p.p.*	*27.7%*	*17.0%*	*10.7 p.p.*
Net Operating Revenue	**288,910**	**286,003**	**1.0%**	**925,679**	**942,419**	**-1.8%**
Undergraduate Monthly Tuition	259,701	264,705	-1.9%	842,690	878,722	-4.1%
Graduate Monthly Tuition	4,894	5,121	-4.4%	15,197	15,855	-4.1%
Vocational Courses Revenues	427	403	5.9%	1,346	1,046	28.7%
Distance Learning Revenues	19,805	11,275	75.6%	56,386	35,415	59.2%
Others	4,084	4,499	-9.2%	10,060	11,380	-11.6%

In 3Q19, gross revenue totaled R$500.9 million, up 11.2% on 3Q18. This increase reflects the pass-through of prices of 6% in the comparison between the two periods. The difference between 6% and 11.2% also refers to the improvement in the course mix and the growth in tuition revenue in the Distance Learning segment.

Net revenue was R$288.9 million in 3Q19, a 1.0% decrease compared to 3Q18, mainly due to the maintenance of the on-campus student base in the comparison between quarters, but with a larger mix in health courses and the 83.1% growth in the Distance Learning (undergraduate + graduate) student base, which resulted in an increase of 10.2% in the total student base.

Cost of Services Rendered

Breakdown of Cost of Services Rendered[1] Accounting (R$ '000)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
Cash Cost of Services Rendered	**(104,150)**	**(110,176)**	**-5.5%**	**(335,706)**	**(349,393)**	**-3.9%**
Payroll and Charges	(84,027)	(88,561)	-5.1%	(267,341)	(284,068)	-5.9%
Rent	(4,474)	(4,557)	-1.8%	(12,125)	(13,312)	-8.9%
Concessionaires (Electricity, Water and Telephone)	(8,490)	(8,936)	-5.0%	(28,582)	(27,481)	4.0%
Third-Party Services and Others	(7,159)	(8,122)	-11.9%	(27,658)	(24,532)	12.7%

[1] Excluding depreciation and amortization.

The cash cost of services rendered (excluding depreciation and amortization) totaled R$104.2 million in 3Q19, down by 5.5% on 3Q18 comparable. The most significant components of service costs registered a variation in the quarter mainly due to the following reasons:

a) Payroll and charges decreased 5.1% in 3Q19 over 3Q18, mainly due to the personnel structure optimization carried out in 2018 in order to adjust the teacher and employee base to the Company's current student base, especially in the on-campus higher education segment. In this scenario, the Company incurred non-recurring costs related to the adjustment of its teacher base in the amount of R$3.4 million in the quarter, which can be better analyzed in the table presented below.

b) After the additional adjustments for the adoption of IFRS 16 (as detailed in "Basis for presentation of results"), rental costs were relatively stable in the comparison between 3Q19 and 3Q18.

c) Concessionaires (electricity, water and telephone) decreased by 5.0%, from R$8.9 million in 3Q18 to R$8.5 million in 3Q19, due to the optimization activities and a greater efficiency of the Company's energy matrix.

d) Third-party Services and Others decreased by 11.9%, from R$8.1 million in 3Q18 to R$7.2 million in 3Q19, mainly due to the non-occurrence of costs with the implementation of services in the Distance Learning segment in this quarter.

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

Breakdown of Cost of Services Rendered[1] Adjusted (R$ '000)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
Cash Cost of Services Rendered	**(100,797)**	**(102,962)**	**-2.1%**	**(328,308)**	**(335,153)**	**-2.0%**
Payroll and Charges	(80,674)	(81,346)	-0.8%	(259,943)	(269,827)	-3.7%
Rent	(4,474)	(4,557)	-1.8%	(12,125)	(13,312)	-8.9%
Concessionaires (Electricity, Water and Telephone)	(8,490)	(8,936)	-5.0%	(28,582)	(27,481)	4.0%
Third-Party Services and Others	(7,159)	(8,122)	-11.9%	(27,658)	(24,532)	12.7%

[1] Excluding depreciation and amortization.

Gross Profit

Gross Profit - Accounting (R$ '000)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
Net Operating Revenue	**288,910**	**286,003**	**1.0%**	**925,679**	**942,419**	**-1.8%**
Cost of Services Rendered	(131,174)	(130,910)	0.2%	(415,922)	(412,468)	0.8%
Gross Profit	**157,736**	**155,093**	**1.7%**	**509,757**	**529,951**	**-3.8%**
Gross Margin	54.6%	54.2%	0.4 p.p.	55.1%	56.2%	-1.2 p.p.
(-) Depreciation	27,024	20,734	30.3%	80,216	63,075	27.2%
Cash Gross Profit	**184,760**	**175,827**	**5.1%**	**589,973**	**593,026**	**-0.5%**
Cash Gross Margin	64.0%	61.5%	2.5 p.p.	63.7%	62.9%	0.8 p.p.

Comparable cash gross profit increased by 5.1%, from R$175.8 million in 3Q18 to R$184.8 million in 3Q19. The cash gross margin stood at 64.0% in 3Q19, 2.5 p.p. higher than 3Q18, when it reached 61.5%, due to the increase in net revenues, in the comparison between 3Q19 and 3Q18.

Depreciation increased 30.3%, from R$20.7 million in 3Q18 to R$27.0 million in 3Q19, due to investments carried out in the last 12 months, besides the reclassification to real estate costs that were considered as expenses before, resulting in a R$3.2 million increase in depreciation costs per quarter.

The table below shows comparable gross profit adjusted for the main non-recurring cost effects, which increased by 2.8%, reflecting the reduction in recurring costs with personnel, concessionaires and third party services:

Gross Profit - Adjusted (R$ '000)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
Net Operating Revenue	**288,910**	**286,003**	**1.0%**	**925,679**	**942,419**	**-1.8%**
Cost of Services Rendered	(127,821)	(123,695)	3.3%	(408,524)	(398,227)	2.6%
Adjusted Gross Profit	**161,089**	**162,308**	**-0.8%**	**517,155**	**544,192**	**-5.0%**
Adjusted Gross Margin	55.8%	56.8%	-1.0 p.p.	55.9%	57.7%	-1.9 p.p.
(-) Depreciation	27,024	20,734	30.3%	80,216	63,075	27.2%
Adjusted Cash Gross Profit	**188,113**	**183,041**	**2.8%**	**597,371**	**607,266**	**-1.6%**
Adjusted Cash Gross Margin	65.1%	64.0%	1.1 p.p.	64.5%	64.4%	0.1 p.p.

Operating Expenses (Selling, General and Administrative)

Operating Expenses - Accounting (R$ '000)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
General and Administrative Expenses	**(104,705)**	**(97,869)**	**7.0%**	**(307,765)**	**(321,779)**	**-4.4%**
Payroll and Charges	(37,408)	(35,630)	5.0%	(107,880)	(107,278)	0.6%
Third-Party Services	(13,122)	(8,767)	49.7%	(42,558)	(25,209)	68.8%
Advertising	(20,134)	(14,134)	42.5%	(62,334)	(66,391)	-6.1%
Materials	(3,440)	(3,510)	-2.0%	(10,373)	(13,424)	-22.7%
PDA	(17,923)	(18,321)	-2.2%	(46,762)	(55,890)	-16.3%
Others	(9,451)	(10,633)	-11.1%	(27,037)	(33,701)	-19.8%
Depreciation and Amortization	(3,227)	(6,874)	-53.1%	(10,821)	(19,886)	-45.6%
Operating Income	**47,251**	**56,164**	**-15.9%**	**211,699**	**207,473**	**2.0%**
General and Administrative Expenses (Ex-Depreciation and Amortization)	**(101,478)**	**(90,995)**	**11.5%**	**(296,944)**	**(301,893)**	**-1.6%**

General and administrative expenses increased by 7.0%, from R$97.9 million in 3Q18 to R$104.7 million in 3Q19, mainly due to:

a) Payroll and charges increased 5.0% over 3Q18 and 10.5%, excluding the non-recurring effect (R$0.6 million) related to severance pay due to the adjustment of the administrative structure to support the Company's current student base. This increase is chiefly due to the collective bargaining agreement set forth in union contracts and the Company's increased headcount in the comparison between the periods, in order to support the new units and the administrative activities in the CSC in Recife.

b) Third-party services, which had an increase of 49.7%, from R$8.8 million in 3Q18 to R$13.1 million in 3Q19, mainly due to the hiring of a consulting firm to carry out the Ser Digital project, as well as expenses with legal fees and audit services to carry out due diligence for acquisitions. The Ser Digital project has the long-term strategic goal of preparing 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 units. In 3Q19, non-recurring expenses totaled approximately R$4.2 million related to these activities, besides R$0.3 million non-recurring expense in the hiring of other services. Excluding these non-recurring effects, the Rendered Services line showed an increase of 37.7% in the comparison between quarters, mainly due to the outsourcing of part of the cleaning and janitorial activities and the increase in expenses with IT and legal service providers.

c) Advertising expenses, which increased 42.5%, from R$14.1 million in 3Q18 to R$20.1 million in 3Q19, representing 7.0% of net revenue. The increase reflects the effect of the resumption of the Company's intake growth, as well as the decrease in advertising expenses due to the absence of non-recurring events (truck drivers' strike and World Cup) in 3Q18, during which the Company opted to reduce expenses. In 3Q19, with the normalization of its activities and the expected resumption of economic development, the Company resumed its investments, returning to its seasonality. It is worth noting that, even with the increase in advertising expenses in 3Q19, this line totaled R$62.3 million in 9M19, a 6.1% decrease compared to 9M18, which demonstrates the Company's continued focus on maintaining its expenses more efficient, as student enrollment presented consolidated growth of 57.1% in 2019.2.
d) The Provision for Doubtful Accounts and Effective Losses line, which decreased by 2.2% compared to 3Q18, from R$18.3 million in 3Q18 to R$17.9 million in 3Q19, in line with the variation in net revenue in the quarter and the stabilization of dropout rates in the comparison between the two periods.

e) Materials, which fell by 2.0%, from R$3.5 million in 3Q18 to R$3.4 million in 3Q19, due to the ongoing 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 11.1%, from R$10.6 million in 3Q18 to R$9.5 million in 3Q19, following a decrease in the number of new units in preparation to be accredited.

g) Depreciation and Amortization, which decreased 53.1%, from R$6.9 million in 3Q18 to R$3.2 million in 3Q19, due to the reclassification to real estate costs group what was considered to be expenses, resulting in a R$3.2 million reduction per quarter in depreciation expenses.

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

Operating Expenses - Adjusted (R$ '000)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
General and Administrative Expenses	**(99,598)**	**(92,909)**	**7.2%**	**(290,182)**	**(305,845)**	**-5.1%**
Payroll and Charges	(36,764)	(33,260)	10.5%	(105,657)	(98,090)	7.7%
Third-Party Services	(8,659)	(6,286)	37.7%	(27,198)	(19,980)	36.1%
Advertising	(20,134)	(14,134)	42.5%	(62,334)	(66,391)	-6.1%
Materials	(3,440)	(3,510)	-2.0%	(10,373)	(13,424)	-22.7%
PDA	(17,923)	(18,321)	-2.2%	(46,762)	(55,890)	-16.3%
Others	(9,451)	(10,523)	-10.2%	(27,037)	(32,183)	-16.0%
Depreciation and Amortization	(3,227)	(6,874)	-53.1%	(10,821)	(19,886)	-45.6%
Adjusted Operating Income	**58,947**	**68,339**	**-13.7%**	**226,249**	**237,648**	**-4.8%**
General and Administrative Expenses (Ex-Depreciation and Amortization)	**(96,371)**	**(86,035)**	**12.0%**	**(279,361)**	**(285,959)**	**-2.3%**

Other Net Operating Expenses

Other net operating expenses increased 445.3% in the quarter, from R$1.1 million in 3Q18 to R$5.8 million in 3Q19, mainly due to the following non-recurring events: (i) R$4.1 million related to the write-off of improvements to leased properties, (ii) R$0.7 million related to the reversal of rental agreements and (iii) R$0.1 million related to revenue from the sale of energy in the free market and tax recovery.

EBITDA and Adjusted EBITDA

EBITDA (R$ '000)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
Net Income¹	**23,837**	**31,538**	**-24.4%**	**138,935**	**155,756**	**-10.8%**
(+) Net financial expense²	21,750	22,603	-3.8%	66,529	47,255	40.8%
(+) Income and social contribution taxes	1,664	2,023	-17.7%	6,235	4,462	39.7%
(+) Depreciation and amortization	30,251	27,608	9.6%	91,037	82,961	9.7%
EBITDA¹	**77,502**	**83,772**	**-7.5%**	**302,736**	**290,434**	**4.2%**
EBITDA Margin	26.8%	29.3%	-2.5 p.p.	32.7%	30.8%	1.9 p.p.
(+) Revenue from Interest on Agreements and Others²	4,265	1,995	113.8%	11,201	10,987	1.9%
(+) Non-recurring costs and expenses³	11,696	12,175	-3.9%	14,550	30,175	-51.8%
(-) Minimum rent paid⁴	(25,155)	(22,555)	11.5%	(74,712)	(72,471)	3.1%
Adjusted EBITDA⁵	**68,309**	**75,387**	**-9.4%**	**253,775**	**259,125**	**-2.1%**
Adjusted EBITDA Margin	23.6%	26.4%	-2.7 p.p.	27.4%	27.5%	-0.1 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 tuition fees 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 personnel structure optimization process and the Ser Digital project, which would not affect the usual cash flow.
4. Minimum rent refers to rental agreements recorded under financial leasing in accordance with CPC 06. 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 fees, (b) non-recurring costs and expenses, and (c) minimum rent paid.

Cash generation measured by Adjusted EBITDA amounted to R$68.3 million in 3Q19, down by 9.4% compared to the R$75.4 million posted in 3Q18. The adjusted EBITDA margin closed 3Q19 at 23.6%, versus 26.4% in 3Q18, a decrease of 2.7 p.p. It is worth noting that the Company maintained the uniformity of its adjusted EBITDA calculation by deducting from EBITDA the minimum leases paid under IFRS 16, therefore maintaining comparability with its historical adjusted EBITDA.

The statement of non-recurring items is shown below:

SUMMARY OF NON-RECURRING ITEMS (R$ '000)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
Non-Recurring Costs and Expenses Impacting Adjusted EBITDA	**11,696**	**12,175**	**-3.9%**	**14,550**	**30,175**	**-51.8%**
Payroll	3,997	9,584	-58.3%	9,620	23,429	-58.9%
Cost	3,353	7,215	-53.5%	7,398	14,241	-48.1%
Expense	644	2,370	-72.8%	2,223	9,188	-75.8%
Third-Party Services	4,463	2,481	79.9%	15,360	5,229	193.8%
Expense	4,463	2,481	79.9%	15,360	5,229	193.8%
Other Expenses / Other Net Operating Expenses	3,235	110	2848.2%	(10,431)	1,518	-787.2%
Sale of property, plant and equipment	-	-	N.M.	(6,773)	-	N.M.
Reversal of lease agreements	(691)	-	N.M.	(7,584)	-	N.M.
Write-off of Improvements	4,050	-	N.M.	4,050	-	N.M.
Other Expenses	-	110	-100.0%	-	1,417	-100.0%
Other Operating Expenses/Revenue	(124)	-	N.M.	(124)	101	-222.9%
Non-Recurring Costs and Expenses that do not Impact Adjusted EBITDA	**652**	**(465)**	**-240.1%**	**824**	**(528)**	**-256.2%**
Monetary variation gains	1,514	-	N.M.	1,514	-	N.M.
Income tax and social contribution - Complementary Tax on Adjusted Net Income	(862)	(465)	85.2%	(690)	(528)	30.8%
Total Non Recurring Costs and Expenses	**12,348**	**11,709**	**5.5%**	**15,374**	**29,648**	**-48.1%**

Adjusted EBITDA Excluding Organic Expansion

Result excluding new units and Distance Learning (R$ ('000))	3Q19				9M19			
	On Campus	New units (1)*	Distance Learning*	Consolidated	On Campus	New units (1)*	Distance Learning*	Consolidated
Net Revenue	265,270	3,578	20,062	288,910	860,429	8,877	56,373	925,679
Adjusted Cash Gross Profit	169,836	1,526	16,750	188,113	551,960	3,273	42,138	597,371
Adjusted Cash Gross Margin	*64.0%*	*42.7%*	*83.5%*	*65.1%*	*64.1%*	*36.9%*	*74.7%*	*64.5%*
Adjusted EBITDA	67,249	(2,792)	3,851	68,309	252,211	(8,558)	10,123	253,775
Adjusted EBITDA Margin	*25.4%*	*-78.0%*	*19.2%*	*23.6%*	*29.3%*	*-96.4%*	*18.0%*	*27.4%*

(1) Expansion units: Garanhuns, Mossoró, Juazeiro do Norte, Maracanaú, Porto Velho, Arapiraca, Marabá, Boa Vista, Rio Branco, Sobral and Belo Horizonte.

* Allocations of results are not audited.

The table above presents the results excluding on-campus units with two years or less of operation and Distance Learning activities, which have been expanding its Distance Learning center base and launched their brands in this segment.

In 3Q19, the Distance Learning segment started generating positive Adjusted EBITDA of R$3.9 million, but with a still low margin of 19.2%, not equal to the potential margins of this segment and the average margins obtained by Ser Educacional's on-campus segment, which gives us the strength to focus on the expansion and cost control of this operation that is scalable by the number of students.

On the other hand, new units generated negative Adjusted EBITDA of R$2.8 million, but are within the range expected to begin operations.

These two activities have a 1.8 p.p. impact on the Company's consolidated adjusted EBITDA margin in 3Q19, which, excluding these organic growth initiatives, went from 23.6% to 25.4%, demonstrating that the Company is focused on maintaining operational efficiency in its mature units.

Reconciliation of IFRS 16 Adjustments

Income Statement - Accounting R$ ('000)	3Q18			3Q19		
	Accounting	IFRS 16	Comparable IFRS 16	Reported IFRS 16	IFRS 16	3Q19 Ex-IFRS 16
Net Operating Revenue	**286,003**		**286,003**	**288,910**		**288,910**
Cost of Services Rendered	**(134,945)**	**4,036**	**(130,909)**	**(131,174)**	**(6,694)**	**(137,869)**
Rent	*(17,362)*	*12,805*	*(4,557)*	*(4,475)*	*(17,536)*	*(22,011)*
Depreciation and Amortization	*(11,966)*	*(8,769)*	*(20,734)*	*(27,024)*	*10,842*	*(16,182)*
Gross Profit	**151,058**	**4,036**	**155,094**	**157,736**	**(6,694)**	**151,041**
Gross Margin	*52.8%*		*54.2%*	*54.6%*		*52.3%*
Depreciation and Amortization	*18,839*	*8,769*	*27,608*	*30,251*	*(10,842)*	*19,409*
EBITDA	**70,968**	**12,805**	**83,773**	**77,501**	**(17,536)**	**59,965**
Non-recurring costs and expenses	*12,175*		*12,175*	*11,696*		*11,696*
Interest on tuition and agreements	*1,995*		*1,995*	*4,265*		*4,265*
Minimum rent paid	*(9,749)*	*(12,805)*	*(22,554)*	*(25,155)*	*17,536*	*(7,618)*
Adjusted EBITDA	**75,389**		**75,389**	**68,309**		**68,309**
Adjusted EBITDA Margin (%)	*26.4%*		*26.4%*	*23.6%*		*23.6%*
Financial Result	**(12,944)**	**(9,660)**	**(22,604)**	**(21,750)**	**12,445**	**(9,305)**
Interest on Leasing	*(8,232)*	*(9,660)*	*(17,892)*	*(16,223)*	*12,445*	*(3,778)*
Income and Social Contribution Taxes	**(2,254)**	**231**	**(2,023)**	**(1,663)**	**(286)**	**(1,949)**
Adjusted Consolidated Net Income/Loss	**49,858**	**(5,393)**	**44,557**	**36,185**	**5,465**	**41,650**
Adjusted Net Margin (%)	*17.4%*		*15.6%*	*12.5%*		*14.4%*

Income Statement - Accounting R$ ('000)	9M18			9M19		
	Accounting	IFRS 16	Comparable IFRS 16	Reported IFRS 16	IFRS 16	9M19 Ex-IFRS 16
Net Operating Revenue	**942,419**		**942,419**	**925,679**		**925,679**
Cost of Services Rendered	**(427,029)**	**14,561**	**(412,468)**	**(415,922)**	**(16,255)**	**(432,177)**
Rent	*(56,535)*	*43,223*	*(13,312)*	*(12,126)*	*(50,673)*	*(62,799)*
Depreciation and Amortization	*(34,414)*	*(28,662)*	*(63,076)*	*(80,216)*	*34,419*	*(45,797)*
Gross Profit	**515,390**	**14,561**	**529,951**	**509,756**	**(16,255)**	**493,502**
Gross Margin	*54.7%*		*56.2%*	*55.1%*		*53.3%*
Depreciation and Amortization	*54,299*	*28,662*	*82,961*	*91,037*	*(34,419)*	*56,618*
EBITDA	**247,212**	**43,223**	**290,435**	**302,736**	**(50,673)**	**252,063**
	11,914	*(43,223)*	*(31,309)*	*(48,961)*	*50,673*	*1,713*
Non-recurring costs and expenses	*30,175*		*30,175*	*14,550*		*14,550*
Interest on tuition and agreements	*10,987*		*10,987*	*11,201*		*11,201*
Minimum rent paid	*(29,249)*	*(43,223)*	*(72,471)*	*(74,712)*	*50,673*	*(24,038)*
Adjusted EBITDA	**259,125**		**259,125**	**253,775**		**253,775**
Adjusted EBITDA Margin (%)	*27.5%*		*27.5%*	*27.4%*		*27.4%*
Financial Result	**(19,920)**	**(27,335)**	**(47,255)**	**(66,529)**	**28,970**	**(37,559)**
Interest on Leasing	*(24,832)*	*(27,335)*	*(52,167)*	*(51,306)*	*28,970*	*(22,336)*
Income and Social Contribution Taxes	**(4,818)**	**356**	**(4,462)**	**(6,235)**	**(547)**	**(6,782)**
Adjusted Consolidated Net Income/Loss	**199,007**	**(12,418)**	**186,589**	**154,309**	**12,169**	**166,479**
Adjusted Net Margin (%)	*21.1%*		*19.8%*	*16.7%*		*18.0%*

Balance Sheet (R$ '000)	12/31/2018			09/30/2019		
	Accounting	IFRS 16	Comparable IFRS 16	Accounting	IFRS 16	Ex-IFRS 16
Assets						
Current Assets	**1,143,639**		**1,143,639**	**816,268**		**816,268**
Non-Current Assets	**1,285,921**	**374,536**	**1,660,457**	**1,687,705**	**(408,528)**	**1,279,177**
Right-of-Use Assets	*181,527*	*374,536*	*556,063*	*564,670*	*(408,528)*	*156,142*
Property, plant and equipment	*508,364*		*508,364*	*486,087*		*486,087*
Total Assets	**2,429,560**	**374,536**	**2,804,096**	**2,503,973**	**(408,528)**	**2,095,445**
Liabilities						
Current Liabilities	**407,265**	**17,547**	**424,812**	**375,428**	**(32,218)**	**343,210**
Leasing	*17,209*	*17,672*	*34,881*	*39,539*	*(32,765)*	*6,774*
Taxes payable	*2,590*	*(124)*	*2,466*	*11,270*	*547*	*11,817*
Non-Current Liabilities	**551,752**	**364,013**	**915,765**	**811,431**	**(388,479)**	**422,952**
Leasing	*221,050*	*364,013*	*585,063*	*588,381*	*(388,479)*	*199,902*
Consolidated Shareholders' Equity	**1,470,543**	**(7,025)**	**1,463,518**	**1,317,114**	**12,169**	**1,329,283**
Income Reserve	*548,521*	*(7,025)*	*541,496*	*197,577*	*12,169*	*209,746*
Retained income	-	-	-	*131,988*	-	*131,988*
Total Liabilities and Shareholders' Equity	**2,429,560**	**374,536**	**2,804,096**	**2,503,973**	**(408,528)**	**2,095,445**

Financial Result

Financial Result - Accounting (R$ '000)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
(+) Financial Revenue	**13,241**	**15,767**	**-16.0%**	**43,794**	**55,951**	**-21.7%**
Interest on Agreements and Others	4,265	1,995	113.8%	11,201	10,987	1.9%
Returns on Financial Investments	9,539	15,186	-37.2%	34,188	41,601	-17.8%
Others	(563)	(1,414)	-60.2%	(1,595)	3,363	-147.4%
(-) Financial Expenses	**(34,991)**	**(38,370)**	**-8.8%**	**(110,323)**	**(103,206)**	**6.9%**
Interest Expenses	(5,320)	(5,813)	-8.5%	(15,904)	(17,657)	-9.9%
Interest on Leasing	(16,223)	(17,892)	-9.3%	(51,306)	(52,167)	-1.6%
Discounts Granted	(9,585)	(10,638)	-9.9%	(30,773)	(19,833)	55.2%
Monetary Variation Expenses	(3,289)	(2,572)	27.9%	(6,891)	(7,825)	-11.9%
Others	(574)	(1,454)	-60.5%	(5,449)	(5,723)	-4.8%
Financial Result	**(21,750)**	**(22,603)**	**-3.8%**	**(66,529)**	**(47,255)**	**40.8%**

Financial revenue decreased 16.0%, from R$15.8 million in 3Q18 to R$13.2 million in 3Q19, driven by:

a) Interest on Agreements and Others, which increased by 113.8%, from R$2.0 million in 3Q18 to R$4.3 million in 3Q19, due to higher volume of negotiations with students regarding the payment of monthly interest.

b) Returns on financial investments, which went from R$15.2 million in 3Q18 to R$9.5 million in 3Q19, a decrease of 37.2%, due to lower average interest rate and the reduction of the Company's cash position due to the extraordinary distribution of R$250.0 million in dividends and the payment of the First Series 2nd Issue Debentures in the amount of R$114.5 million.

c) The line "Others" on the Financial Revenue, which shows basically expenses due to the PIS/Cofins registration on financial revenues, decreased 60.5%, from R$1.4 million in 3Q18 to R$0.6 million in 3Q19, due to the non-recurring effect of R$1.5 million in 3Q18, related to the reversal of the monetary restatement applied to the PN23 balance resulting from the difference in calculation methodology between the Company and National Foundation for the Development of Education (FNDE).

Financial expenses came to R$35.0 million in 3Q19, 8.8% lower over comparable financial expenses of R$38.4 million in 3Q18, primarily due to:

a) Interest Expenses, which fell 8.5%, from R$5.8 million in 3Q18 to R$5.3 million in 3Q19, basically due to a reduction in debt and Brazilian interest rates.

b) Comparable Interest on Leasing, which went from R$17.9 million in 3Q18 to R$16.2 million in 3Q19, down by 9.3% due to lease terminations carried out during 2019.

c) Discounts Granted, which decreased by 9.9%, from R$10.6 million in 3Q18 to R$9.6 million in 3Q19, due to the lower volume of discounts in renegotiation agreements with students in arrears for more than 180 days.

d) Monetary Passive Variation, which increased 27.9% in the comparison between 3Q19 and 3Q18, from R$2.6 million in 3Q18 to R$3.3 million in 3Q19, due to the non-recurring effect of R$1.5 million related to the updated calculation of amounts related to payment commitments.

As a result of the factors mentioned above, net financial expense was R$21.8 million in 3Q19 against a comparable expense of R$22.6 million in 3Q18, representing a reduction of 3.8%.

The table below shows managerial financial result, adjusted for non-recurring effects of other financial revenue.

Financial Result - Adjusted (R$ '000)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
(+) Financial Revenue	**13,241**	**17,308**	**-23.5%**	**43,794**	**57,492**	**-23.8%**
Interest on Agreements and Others	4,265	1,995	113.8%	11,201	10,987	1.9%
Returns on Financial Investments	9,539	15,186	-37.2%	34,188	41,601	-17.8%
Others	(563)	127	-543.1%	(1,595)	4,904	-132.5%
(-) Financial Expenses	**(33,477)**	**(38,370)**	**-12.8%**	**(108,809)**	**(103,206)**	**5.4%**
Interest Expenses	(5,320)	(5,813)	-8.5%	(15,904)	(17,657)	-9.9%
Interest on Leasing	(16,223)	(17,892)	-9.3%	(51,306)	(52,167)	-1.6%
Discounts Granted	(9,585)	(10,638)	-9.9%	(30,773)	(19,833)	55.2%
Monetary Variation Expenses	(1,775)	(2,572)	-31.0%	(5,377)	(7,825)	-31.3%
Others	(574)	(1,454)	-60.5%	(5,449)	(5,723)	-4.8%
Financial Result	**(20,236)**	**(21,062)**	**-3.9%**	**(65,015)**	**(45,713)**	**42.2%**

Net Income

Net Income - Accounting (R$ 000)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
Operating Income	**47,251**	**56,164**	**-15.9%**	**211,699**	**207,473**	**2.0%**
(+) Financial Result	(21,750)	(22,603)	-3.8%	(66,529)	(47,255)	40.8%
(+) Income and Soc. Contrib. Taxes	(1,664)	(2,023)	-17.7%	(6,235)	(4,462)	39.7%
Net Income (Loss)	**23,837**	**31,538**	**-24.4%**	**138,935**	**155,756**	**-10.8%**
Net Margin	8.3%	11.0%	-2.8 p.p.	15.0%	16.5%	-1.5 p.p.

Operating income totaled R$47.3 million in 3Q19, a decrease of 15.9% compared to the R$56.2 million registered in the comparable 3Q18.

Comparable net income went from R$32.3 million in 3Q18 to R$23.8 million in 3Q19, a decrease of 24.4%. Comparable adjusted net income decreased by 18.8%, from R$44.6 million in 3Q18 to R$36.2 million in 3Q19.

Income tax and social contribution decreased 17.7% in the quarter, due to the reduction in income before income tax and social contribution.

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)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
Operating Income	**58,947**	**68,339**	**-13.7%**	**226,249**	**237,648**	**-4.8%**
(+) Financial Result	(20,236)	(21,062)	-3.9%	(65,015)	(45,713)	42.2%
(+) Income and Soc. Contrib. Taxes	(2,526)	(2,719)	-7.1%	(6,925)	(5,346)	29.5%
Adjusted Net Income (Loss)	**36,185**	**44,557**	**-18.8%**	**154,309**	**186,589**	**-17.3%**
Adjusted Net Margin	12.5%	15.6%	-3.1 p.p.	16.7%	19.8%	-3.1 p.p.

Accounts Receivable and Average Collection Period

As from 3Q18, 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)	3Q18	4Q18	1Q19	2Q19	3Q19
Gross Accounts Receivable	**355,058**	**308,464**	**371,324**	**451,144**	**400,885**
Monthly tuition fees	108,744	125,616	127,588	157,174	140,539
FIES	121,970	62,120	107,426	159,837	108,304
Negotiated agreements receivable	71,196	66,277	71,437	67,948	72,882
Education credits receivable	29,819	35,092	38,428	45,552	47,769
Credit Card and Others	23,329	19,359	26,445	20,633	31,391
PDA balance	(93,703)	(94,037)	(81,347)	(81,230)	(85,810)
Net Accounts Receivable	**261,355**	**214,427**	**289,977**	**369,914**	**315,075**
Net Revenue (Last 12 Months - FIES+Ex-FIES+Pronatec)	**1,246,414**	**1,262,486**	**1,249,401**	**1,242,839**	**1,245,746**
Net Receivable Days (FIES+Ex-FIES+Pronatec)	75	61	84	107	91
Net Revenue FIES (Last 12 Months)	**474,758**	**447,731**	**413,854**	**388,686**	**362,302**
Net Receivable Days (FIES)	80	36	78	131	89
Net Receivable Days (Monthly tuition fees + Negotiated agreements receivable + Education credits receivable)	62	67	75	88	79

The average net receivables days increased 20.5% in the comparison between 3Q18 and 3Q19, mainly due to the increase in the accounts receivable from monthly tuitions fees and from FIES.

The increase from 62 to 79 days in net receivables days from monthly tuition fees, agreements and education credits receivable is mainly due to the revision of the provisioning estimate made in 1Q19 and the longer cycle of accounts receivable due to the current economic situation. The Company believes that the current average collection period better reflects the cycle of accounts receivable related to semi-annually renewed contracts.

Aging of Monthly tuition fees (R$ '000)	3Q18	% Chg.	4Q18	% Chg.	3Q19	% Chg.
Overdue by up to 30 day	25,446	23.4%	24,908	19.8%	37,753	26.9%
Overdue from 31 to 60 days	11,741	10.8%	22,175	17.7%	17,732	12.6%
Overdue from 61 to 90 days	4,018	3.7%	20,208	16.1%	2,348	1.7%
Overdue from 91 to 180 days	34,197	31.4%	25,937	20.6%	42,809	30.5%
Overdue from 181 to 360 days	33,342	30.7%	32,388	25.8%	39,897	28.4%
TOTAL	**108,744**	**100.0%**	**125,616**	**100.0%**	**140,539**	**100.0%**
% of Gross Accounts Receivable	30.6%		40.7%		35.1%	

Aging of Negotiated Agreements (R$ '000)	3Q18	% Chg.	4Q18	% Chg.	3Q19	% Chg.
Not yet due	31,183	43.8%	18,523	27.9%	34,410	47.2%
Overdue by up to 30 day	8,938	12.6%	7,655	11.6%	8,192	11.2%
Overdue from 31 to 60 days	4,783	6.7%	7,213	10.9%	3,359	4.6%
Overdue from 61 to 90 days	2,793	3.9%	6,641	10.0%	2,443	3.4%
Overdue from 91 to 180 days	10,022	14.1%	12,029	18.1%	10,464	14.4%
Overdue from 181 to 360 days	13,477	18.9%	14,216	21.4%	14,014	19.2%
TOTAL	**71,196**	**100.0%**	**66,277**	**100.0%**	**72,882**	**100.0%**
% of Gross Accounts Receivable	20.1%		21.5%		18.2%	

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 32.1% in 3Q18 to 23.5% in 3Q19.

The table below shows the evolution of our PDA from December 31, 2018 to September 30, 2019:

Constitution of Provision for Doubtful Accounts in the Income Statement (R$ '000)	12/31/2018	Adjustment by change of estimate	Gross Increase in Provision for Doubtful Accounts	Write-off	09/30/2019
Total	94,037	(16,036)	54,506	(46,697)	85,810

In the first quarter of 2019, based on more assertive information and data on the recoverability of old accounts receivables, Grupo Ser Educacional reviewed the criteria for determining the Allowance for Liabilities and extended the period of analysis for recovery from default of 12 to 24 months, resulting in the reversal of R$16.0 million.

Investments (CAPEX)

CAPEX (R$ ('000))	9M19	% of Total	9M18	% of Total
CAPEX Total	**48,623**	**100.0%**	**70,475**	**100.0%**
Property acquisition / Construction / Maintenance of campuses	11,281	23.2%	29,807	42.3%
Equipment / Library / IT	24,847	51.1%	31,909	45.3%
MEC Licenses	939	1.9%	2,324	3.3%
Software Licenses	5,022	10.3%	2,274	3.2%
Partnerships	1,568	3.2%	1,220	1.7%
Intangibles and Others	4,966	10.2%	2,941	4.2%
Acquisitions Debt Payment	**41,382**		**37,324**	
Total CAPEX + Acquisitions Payables	**90,005**		**107,799**	

In 9M19, the Company invested R$11.3 million in the expansion and renovation of campuses in the cities of Fortaleza, Recife, Caruaru, Belém and Guarulhos. Acquisitions of equipment, library and IT consumed R$24.8 million, mostly allocated to the purchase of books and journals for the libraries of the operational units, as well as IT and labs equipment.

A total of R$41.4 million in debt payments related to acquisitions (payment commitments), recorded under cash flow as investment activities, was mostly allocated to the payment of the UNG acquisition.

Indebtedness

Indebtedness (R$ '000)	09/30/2019	12/31/2018	% Chg. Sep19 x Dec18
Total Cash	**557,242**	**951,679**	**-41.4%**
Judicial deposits	(44,371)	(29,380)	51.0%
FG-FIES Guarantee Fund	(7,265)	(1,401)	418.6%
Cash, Cash equivalents and Securities	**505,606**	**920,898**	**-45.1%**
Cash and cash equivalents	276,850	314,731	-12.0%
Securities	228,756	606,167	-62.3%
Gross debt	**(276,768)**	**(423,672)**	**-34.7%**
Loans and financing	(193,130)	(306,218)	-36.9%
Short term	(91,916)	(133,446)	-31.1%
Long term	(101,214)	(172,772)	-41.4%
Aquisitions Payables*	(83,638)	(117,454)	-28.8%
Net Cash	**228,838**	**497,226**	**-54.0%**
Net Cash / Adjusted EBITDA (LTM)	0.73	1.55	

* Acquisitions payables refer to acquisition scheduled payments

Cash and cash equivalents totaled R$505.6 million, down 45.1% compared to December 2018. This variation is mainly due to payment commitments from the acquisition of UNG in the amount of R$41.4 million in the quarter, the distribution of dividends in 2Q19 in the total amount of R$286.7 million, being R$250 million as extraordinary dividends, as well as the amount of R$32.8 million in 3Q19, corresponding to 30% of net income recorded in the first half of 2019, in accordance with the new Dividend Policy revised by the Board of Directors in 2019, the payment of

R$114,5 million of the First Series 2nd Issue Debentures in September, 2019 and the lower operating cash generation.

The Company's gross debt basically reflects commitments related to acquisitions and the issue of two long-term debts with the following characteristics: (i) financing from the IFC over 7 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, which balance on September 30, 2019 is of R$67.2 million, and (ii) the Company's 2nd issue of simple, unsecured, non-convertible debentures in 2 series, 100,000 of which are Debentures of the First Series and 100,000 are Debentures of the Second Series, with unit face value of R$1,000.00 as of the date of issue, totaling R$200,000,000.00. 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, with the settlement in the total amount of R$114.5 million. 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, which balance on September 30, 2019 is R$155.5 million.

On September 30, 2019, Grupo Ser Educacional's gross debt totaled R$276.8 million, down 34.7% from the R$423.7 million registered on December 31, 2018, mainly due to the settlement of payment commitments and debentures in the period. In 3Q19, the Company's net cash amounted to R$228.8 million against net cash of R$497.2 million in 4Q18.

Debt Amortization Schedule (R$ '000)	Loans and Financing	A.V. (%)	Aquisitions Payables	A.V. (%)	Debentures	A.V. (%)	Total	A.V. (%)
Short Term	**26,003**	**33.5%**	**83,638**	**100.0%**	**65,913**	**57.1%**	**175,554**	**63.4%**
Total Long Term	**51,627**	**66.5%**	**-**	**0.0%**	**49,587**	**42.9%**	**101,214**	**36.6%**
1-2 years	23,530	30.3%	-	0.0%	49,587	42.9%	73,117	26.4%
2-3 years	23,542	30.3%	-	0.0%	-	0.0%	23,542	8.5%
3-4 years	1,952	2.5%	-	0.0%	-	0.0%	1,952	0.7%
4-5 years	1,952	2.5%	-	0.0%	-	0.0%	1,952	0.7%
After five years	651	0.8%	-	0.0%	-	0.0%	651	0.2%
Total Loans, Financing and Acquisitions payables	**77,630**	**100.0%**	**83,638**	**100.0%**	**115,500**	**100.0%**	**276,768**	**100.0%**

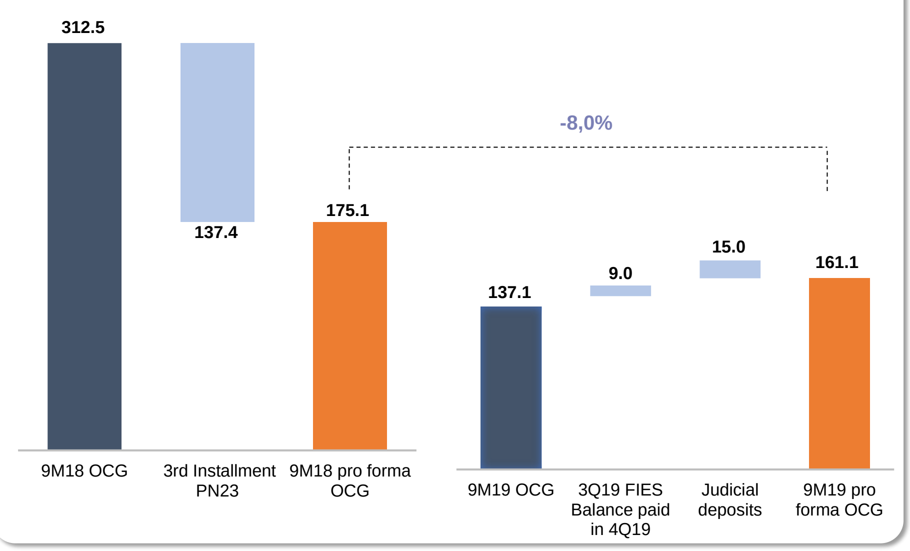
In regard to the debt payment schedule, 63.4% corresponds to short-term debt, showing that the Company has adequate debt amortization terms, as well as a comfortable level of financial leverage.

Cash Flow

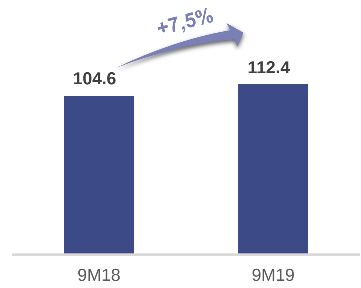
Cash Flow (R$ '000)	9M18			9M19		
	Accounting	IFRS 16	Comparable IFRS 16	Reported IFRS 16	IFRS 16	9M19 Ex-IFRS 16
Operating activities						
Consolidated Net Income for the Period before IncomeTaxes	**172,992**	**(12,774)**	**160,218**	**145,170**	**12,716**	**157,886**
Income Adjustments	**151,357**	**55,996**	**207,353**	**234,143**	**(63,389)**	**170,754**
Depreciation and amortization	*54,299*	*28,662*	*82,961*	*91,037*	*(34,419)*	*56,618*
Interest and exchange variation, net	*47,910*	*27,335*	*75,245*	*76,228*	*(28,970)*	*47,258*
Adjusted Net Income	**324,349**	**43,223**	**367,572**	**379,313**	**(50,673)**	**328,640**
Changes in Assets and Liabilities	**6,146**		**6,146**	**(164,845)**		**(164,845)**
Cash generated from operations	**330,495**	**43,223**	**373,718**	**214,468**	**(50,673)**	**163,795**
Interest on loans	(4,302)		(4,302)	(17,581)		(17,581)
Interest on loans	(24,832)	(27,335)	(52,167)	(51,306)	28,970	(22,336)
Income and social contribution taxes paid	(4,729)		(4,729)	(7,773)		(7,773)
Net Cash from Operating Activities	**296,632**	**15,888**	**312,520**	**137,808**	**(21,703)**	**116,105**
Net Cash from Investing Actvities	**(93,511)**		**(93,511)**	**287,406**		**287,406**
Net Cash from Financing Actvities	**(124,224)**	**(15,888)**	**(140,112)**	**(463,095)**	**21,703**	**(441,392)**
Amortization of leasing	(4,416)	(15,888)	(20,304)	(30,749)	21,703	(9,046)
Increase (Reduction) in Cash and Cash Equivalents	**78,897**		**78,897**	**(37,881)**		**(37,881)**
Demonstration of Increase (Reduction) in Cash and Cash Equivalents						
Beginning of period	279,286		279,286	314,731		314,731
End of period	358,183		358,183	276,850		276,850
Increase (Reduction) in Cash and Cash Equivalents	**78,897**		**78,897**	**(37,881)**		**(37,881)**
Cash and Securities changes	**64,609**		**64,609**	**(415,292)**		**(415,292)**
Beginning of period	**911,713**		**911,713**	**920,898**		**920,898**
End of period	**976,322**		**976,322**	**505,606**		**505,606**

Operating cash generation, adjusted for comparison with IFRS 16, reclassifying the “lease amortization” line into the “operating cash flow” calculation, went from R$312.5 million in 9M18 to R$137.8 million in 9M19. This variation was mainly affected by the payment of the third installment of PN 23 as part of the agreement with the Federal Government for the settlement of unpaid FIES amounts totaling R$137.4 million in 3Q18. The graphs below show that excluding this effect and including, on a pro-forma basis, the impacts of FIES payments, which are made in 4Q19, and judicial deposits made in 2019, the pro-forma operating cash generation fell 8.0% and, including investments, operating cash generation increased 7.5% in the same comparison.

OCG 9M18 X 9M19 (R$MM)



Pro forma OCG* after CAPEX (R$MM)



* Ajusted by the recognition of the IFRS 16 effects to mantain comparability

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 162,000 students. The Company operates under the following brands: UNINASSAU, UNINASSAU – Centro Universitário Maurício de Nassau, UNINABUCO – Centro Universitário Joaquim Nabuco, Faculdades UNINABUCO, Joaquim Nabuco and Maurício de Nassau Vocational Schools, UNIVERITAS/UNG, UNAMA – Universidade da Amazônia and Faculdade da Amazônia, and UNIVERITAS – Centro Universitário Universus Veritas and Faculdades UNIVERITAS and the Centro Universitário do Norte – UNINORTE, through which it offers 1,836 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)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
Gross Operating Revenue	**500,902**	**450,430**	**11.2%**	**1,557,287**	**1,359,213**	**14.6%**
Undergraduate Monthly Tuition	452,476	420,032	7.7%	1,423,821	1,272,235	11.9%
Graduate Monthly Tuition	7,074	7,582	-6.7%	21,659	21,789	-0.6%
Vocational Courses Monthly Tuition	466	434	7.6%	1,450	1,119	29.6%
Distance Learning Monthly Tuition	36,537	17,771	105.6%	99,260	52,303	89.8%
Others	4,349	4,611	-5.7%	11,097	11,767	-5.7%
Deductions from Gross Revenue	**(211,992)**	**(164,427)**	**28.9%**	**(631,608)**	**(416,794)**	**51.5%**
Discounts and Scholarships	(145,982)	(101,347)	44.0%	(430,869)	(230,743)	86.7%
PROUNI	(50,298)	(45,513)	10.5%	(149,606)	(126,232)	18.5%
FGEDUC And FIES charges	(5,805)	(8,172)	-29.0%	(20,358)	(27,557)	-26.1%
Taxes	(9,907)	(9,395)	5.4%	(30,775)	(32,262)	-4.6%
Net Operating Revenue	**288,910**	**286,003**	**1.0%**	**925,679**	**942,419**	**-1.8%**
Cash Cost of Services Rendered	**(131,174)**	**(130,910)**	**0.2%**	**(415,922)**	**(412,468)**	**0.8%**
Payroll and Charges	(84,027)	(88,561)	-5.1%	(267,341)	(284,068)	-5.9%
Rent	(4,474)	(4,557)	-1.8%	(12,125)	(13,312)	-8.9%
Concessionaires (Electricity, Water and Telephone)	(8,490)	(8,936)	-5.0%	(28,582)	(27,481)	4.0%
Third-Party Services	(7,159)	(8,122)	-11.9%	(27,658)	(24,532)	12.7%
Depreciation and Amortization	(27,024)	(20,734)	30.3%	(80,216)	(63,075)	27.2%
Managerial Gross Profit	**157,736**	**155,093**	**1.7%**	**509,757**	**529,951**	**-3.8%**
Gross Margin	*54.6%*	*54.2%*	*0.4 p.p.*	*55.1%*	*56.2%*	*-1.2 p.p.*
Operating Expenses/Revenue	**(110,485)**	**(98,929)**	**11.7%**	**(298,058)**	**(322,478)**	**-7.6%**
General and Administrative Expenses	(104,705)	(97,869)	7.0%	(307,765)	(321,779)	-4.4%
Payroll and Charges	(37,408)	(35,630)	5.0%	(107,880)	(107,278)	0.6%
Third-Party Services	(13,122)	(8,767)	49.7%	(42,558)	(25,209)	68.8%
Advertising	(20,134)	(14,134)	42.5%	(62,334)	(66,391)	-6.1%
Materials	(3,440)	(3,510)	-2.0%	(10,373)	(13,424)	-22.7%
PDA	(17,923)	(18,321)	-2.2%	(46,762)	(55,890)	-16.3%
Others	(9,451)	(10,633)	-11.1%	(27,037)	(33,701)	-19.8%
Depreciation and Amortization	(3,227)	(6,874)	-53.1%	(10,821)	(19,886)	-45.6%
Other Operating Expenses/Revenue	(5,780)	(1,060)	445.3%	9,707	(699)	N.M.
Managerial Operating Income	**47,251**	**56,164**	**-15.9%**	**211,699**	**207,473**	**2.0%**
Operating Margin	*16.4%*	*19.6%*	*-3.3 p.p.*	*22.9%*	*22.0%*	*0.9 p.p.*
(+) Adjusted Depreciation and Amortization	30,251	27,608	9.6%	91,037	82,961	9.7%
EBITDA	**77,502**	**83,772**	**-7.5%**	**302,736**	**290,434**	**4.2%**
EBITDA Margin	*26.8%*	*29.3%*	*-2.5 p.p.*	*32.7%*	*30.8%*	*1.9 p.p.*
(+) Non-recurring costs and expenses	11,696	12,175	-3.9%	14,549	30,175	-51.8%
(+) Interest on tuition and agreements	4,265	1,995	113.8%	11,201	10,987	1.9%
(-) Minimum rent paid	(25,155)	(22,555)	11.5%	(74,712)	(72,471)	3.1%
Adjusted EBITDA	**68,309**	**75,387**	**-9.4%**	**253,774**	**259,125**	**-2.1%**
Adjusted EBITDA Margin	*23.6%*	*26.4%*	*-2.7 p.p.*	*27.4%*	*27.5%*	*-0.1 p.p.*
(-) Adjusted Depreciation and Amortization	(30,251)	(27,608)	9.6%	(91,037)	(82,961)	9.7%
Adjusted EBIT	**38,058**	**47,779**	**-20.3%**	**162,737**	**176,164**	**-7.6%**
Adjusted EBIT Margin	*13.2%*	*16.7%*	*-3.5 p.p.*	*17.6%*	*18.7%*	*-1.1 p.p.*
Financial Result	(21,750)	(22,603)	-3.8%	(66,529)	(47,255)	40.8%
(+) Financial Revenue	13,241	15,767	-16.0%	43,794	55,951	-21.7%
Interest on Agreements and Others	4,265	1,995	113.8%	11,201	10,987	1.9%
Returns on Financial Investments	9,539	15,186	-37.2%	34,188	41,601	-17.8%
Others	(563)	(1,414)	-60.2%	(1,595)	3,363	-147.4%
(-) Financial Expenses	(34,991)	(38,370)	-8.8%	(110,323)	(103,206)	6.9%
Interest Expenses	(5,320)	(5,813)	-8.5%	(15,904)	(17,657)	-9.9%
Interest on Leasing	(16,223)	(17,892)	-9.3%	(51,306)	(52,167)	-1.6%
Discounts Granted	(9,585)	(10,638)	-9.9%	(30,773)	(19,833)	55.2%
Monetary Variation Expenses	(3,289)	(2,572)	27.9%	(6,891)	(7,825)	-11.9%
Others	(574)	(1,454)	-60.5%	(5,449)	(5,723)	-4.8%
Income Before Income Taxes	**25,501**	**33,561**	-24.0%	**145,170**	**160,218**	-9.4%
Income and Social Contribution Taxes	(1,664)	(2,023)	-17.7%	(6,235)	(4,462)	39.7%
Current	(15,625)	(19,206)	-18.6%	(60,534)	(63,585)	-4.8%
Tax Incentive - Prouni	13,961	17,183	-18.8%	54,299	59,123	-8.2%
Consolidated Net Income/Loss	**23,837**	**31,538**	**-24.4%**	**138,935**	**155,756**	**-10.8%**
Net Margin	*8.3%*	*11.0%*	*-2.8 p.p.*	*15.0%*	*16.5%*	*-1.5 p.p.*

Income Statement – Managerial

Income Statement - Adjusted R$ ('000)	3Q19	3Q18 Comparable	% Chg. 3Q19 x 3Q18	9M19	9M18 Comparable	% Chg. 9M19 x 9M18
Gross Operating Revenue	**500,902**	**450,430**	**11.2%**	**1,557,287**	**1,359,213**	**14.6%**
Undergraduate Monthly Tuition	452,476	420,032	7.7%	1,423,821	1,272,235	11.9%
Graduate Monthly Tuition	7,074	7,582	-6.7%	21,659	21,789	-0.6%
Vocational Courses Monthly Tuition	466	434	7.6%	1,450	1,119	29.6%
Distance Learning Monthly Tuition	36,537	17,771	105.6%	99,260	52,303	89.8%
Others	4,349	4,611	-5.7%	11,097	11,767	-5.7%
Deductions from Gross Revenue	**(211,992)**	**(164,427)**	**28.9%**	**(631,608)**	**(416,794)**	**51.5%**
Discounts and Scholarships	(145,982)	(101,347)	44.0%	(430,869)	(230,743)	86.7%
PROUNI	(50,298)	(45,513)	10.5%	(149,606)	(126,232)	18.5%
FGEDUC And FIES charges	(5,805)	(8,172)	-29.0%	(20,358)	(27,557)	-26.1%
Taxes	(9,907)	(9,395)	5.4%	(30,775)	(32,262)	-4.6%
Net Operating Revenue	**288,910**	**286,003**	**1.0%**	**925,679**	**942,419**	**-1.8%**
Cash Cost of Services Rendered	**(127,821)**	**(123,695)**	**3.3%**	**(408,524)**	**(398,227)**	**2.6%**
Payroll and Charges	(80,674)	(81,346)	-0.8%	(259,943)	(269,827)	-3.7%
Rent	(4,474)	(4,557)	-1.8%	(12,125)	(13,312)	-8.9%
Concessionaires (Electricity, Water and Telephone)	(8,490)	(8,936)	-5.0%	(28,582)	(27,481)	4.0%
Third-Party Services	(7,159)	(8,122)	-11.9%	(27,658)	(24,532)	12.7%
Depreciation and Amortization	(27,024)	(20,734)	30.3%	(80,216)	(63,075)	27.2%
Managerial Gross Profit	**161,089**	**162,308**	**-0.8%**	**517,155**	**544,192**	**-5.0%**
Managerial Gross Margin	***55.8%***	***56.8%***	***-1.0 p.p.***	***55.9%***	***57.7%***	***-1.9 p.p.***
Operating Expenses/Revenue	**(102,142)**	**(93,969)**	**8.7%**	**(290,906)**	**(306,544)**	**-5.1%**
General and Administrative Expenses	(99,598)	(92,909)	7.2%	(290,182)	(305,845)	-5.1%
Payroll and Charges	(36,764)	(33,260)	10.5%	(105,657)	(98,090)	7.7%
Third-Party Services	(8,659)	(6,286)	37.7%	(27,198)	(19,980)	36.1%
Advertising	(20,134)	(14,134)	42.5%	(62,334)	(66,391)	-6.1%
Materials	(3,440)	(3,510)	-2.0%	(10,373)	(13,424)	-22.7%
PDA	(17,923)	(18,321)	-2.2%	(46,762)	(55,890)	-16.3%
Others	(9,451)	(10,523)	-10.2%	(27,037)	(32,183)	-16.0%
Depreciation and Amortization	(3,227)	(6,874)	-53.1%	(10,821)	(19,886)	-45.6%
Other Operating Expenses/Revenue	(2,545)	(1,060)	140.1%	(724)	(699)	3.6%
Managerial Operating Income	**58,947**	**68,339**	**-13.7%**	**226,249**	**237,648**	**-4.8%**
Managerial Operating Margin	***20.4%***	***23.9%***	***-3.5 p.p.***	***24.4%***	***25.2%***	***-0.8 p.p.***
(+) Depreciation and Amortization	30,251	27,608	9.6%	91,037	82,961	9.7%
(+) Interest on tuition and agreements	4,265	1,995	113.8%	11,201	10,987	1.9%
(-) Minimum rent paid	(25,155)	(22,555)	11.5%	(74,712)	(72,471)	3.1%
Adjusted EBITDA	**68,309**	**75,387**	**-9.4%**	**253,775**	**259,125**	**-2.1%**
Adjusted EBITDA Margin	***23.6%***	***26.4%***	***-2.7 p.p.***	***27.4%***	***27.5%***	***-0.1 p.p.***
(-) Depreciation and Amortization	(30,251)	(27,608)	9.6%	(91,037)	(82,961)	9.7%
Adjusted EBIT	**38,058**	**47,779**	**-20.3%**	**162,738**	**176,164**	**-7.6%**
Adjusted EBIT Margin	***13.2%***	***16.7%***	***-3.5 p.p.***	***17.6%***	***18.7%***	***-1.1 p.p.***
Financial Result	(20,236)	(21,062)	-3.9%	(65,015)	(45,713)	42.2%
(+) Financial Revenue	13,241	17,308	-23.5%	43,794	57,492	-23.8%
Interest on Agreements and Others	4,265	1,995	113.8%	11,201	10,987	1.9%
Returns on Financial Investments	9,539	15,186	-37.2%	34,188	41,601	-17.8%
Others	(563)	127	-543.1%	(1,595)	4,904	-132.5%
(-) Financial Expenses	(33,477)	(38,370)	-12.8%	(108,809)	(103,206)	5.4%
Interest Expenses	(5,320)	(5,813)	-8.5%	(15,904)	(17,657)	-9.9%
Interest on Leasing	(16,223)	(17,892)	-9.3%	(51,306)	(52,167)	-1.6%
Discounts Granted	(9,585)	(10,638)	-9.9%	(30,773)	(19,833)	55.2%
Monetary Variation Expenses	(1,775)	(2,572)	-31.0%	(5,377)	(7,825)	-31.3%
Others	(574)	(1,454)	-60.5%	(5,449)	(5,723)	-4.8%
Income Before Income Taxes	**38,711**	**47,277**	-18.1%	**161,234**	**191,935**	-16.0%
Income and Social Contribution Taxes	(2,526)	(2,719)	-7.1%	(6,925)	(5,346)	29.5%
Current	(16,487)	(19,902)	-17.2%	(61,224)	(64,469)	-5.0%
Tax Incentive - Prouni	13,961	17,183	-18.8%	54,299	59,123	-8.2%
Adjusted Consolidated Net Income/Loss	**36,185**	**44,557**	**-18.8%**	**154,309**	**186,589**	**-17.3%**
Adjusted Net Margin	***12.5%***	***15.6%***	***-3.1 p.p.***	***16.7%***	***19.8%***	***-3.1 p.p.***

Balance Sheet

Balance Sheet - ASSETS (R$ '000)	09/30/2019	12/31/2018	% Chg. Sep19 x Dec18
Total Assets	**2,503,973**	**2,429,560**	**3.1%**
Current Assets	**816,268**	**1,143,639**	**-28.6%**
Cash and cash equivalents	276,850	314,731	-12.0%
Securities	228,756	606,167	-62.3%
Accounts receivable	274,858	185,560	48.1%
Taxes recoverable	10,987	8,254	33.1%
Related parties	1,952	-	0.0%
Other assets	22,865	28,927	-21.0%
Non-Current Assets	**1,687,705**	**1,285,921**	**31.2%**
Long-Term Assets	213,166	171,663	24.2%
Accounts receivable	40,217	28,867	39.3%
Related parties	8,461	-	0.0%
Other assets	45,208	29,380	53.9%
Indemnifications	112,015	112,015	0.0%
FG-FIES Guarantee Fund	7,265	1,401	418.6%
Intangible assets	423,782	424,367	-0.1%
Right-of-Use Assets	564,670	181,527	211.1%
Property, plant and equipment	486,087	508,364	-4.4%

Balance Sheet - LIABILITIES (R$ '000)	09/30/2019	12/31/2018	% Chg. Sep19 x Dec18
Total Liabilities	**1,186,859**	**959,017**	**23.8%**
Current Liabilities	**375,428**	**407,265**	**-7.8%**
Suppliers	31,026	33,921	-8.5%
Accounts payable	83,638	82,770	1.0%
Loans and financing	26,003	24,970	4.1%
Debentures	65,913	108,476	-39.2%
Payroll and charges	90,808	73,692	23.2%
Taxes payable	11,270	15,648	-28.0%
Leasing	39,539	17,209	129.8%
Dividends payable	-	27,119	-100.0%
Other liabilities	27,231	23,460	16.1%
Non-Current Liabilities	**811,431**	**551,752**	**47.1%**
Loans and financing	51,627	63,880	-19.2%
Debentures	49,587	108,892	-54.5%
Leasing	588,381	221,050	166.2%
Accounts payable	-	34,684	-100.0%
Taxes payable	829	1,154	-28.2%
Provision for contingencies	119,670	119,759	-0.1%
Other liabilities	1,337	2,333	-42.7%
Consolidated Shareholders' Equity	**1,317,114**	**1,470,543**	**-10.4%**
Capital Realized	987,549	987,549	0.0%
Income Reserve	197,577	548,521	-64.0%
Retained income	131,988	-	N.M.
Treasury shares	-	(65,527)	-100.0%
Total Liabilities and Shareholders' Equity	**2,503,973**	**2,429,560**	**3.1%**

Cash Flow

Cash Flow Statement (R$ '000)	09/30/2019	09/30/2018	% Chg. Sep19 x Sep18
Consolidated Net Income for the Period before IncomeTaxes	**145,170**	**172,992**	**-16.1%**
Depreciation and amortization	91,037	54,299	67.7%
Provisions	(89)	(2,243)	-96.0%
Adjustment present value of accounts receivable	2,490	(4,665)	N.M.
Provision for doubtful accounts	46,762	55,890	-16.3%
Sale of Non-Current Assets	17,715	166	10,571.7%
Interest and exchange variation, net	76,228	47,910	59.1%
Adjusted Net Income	**379,313**	**324,349**	**16.9%**
Changes in Assets and Liabilities	**(164,845)**	**6,146**	**-2,782.2%**
Accounts receivable	(149,900)	(7,211)	1,978.8%
Taxes recoverable	(2,733)	1,316	-307.7%
Related parties	(10,413)	-	0.0%
Other assets	(15,630)	(1,832)	753.2%
Suppliers	(2,895)	(592)	389.0%
Payroll and charges	17,116	15,603	9.7%
Taxes payable	(4,703)	(1,640)	186.8%
Income and social contribution taxes payable	1,538	(89)	-1,828.1%
Other liabilities	2,775	591	369.5%
Cash generated from operations	**214,468**	**330,495**	**-35.1%**
Other	**(76,660)**	**(33,863)**	**126.4%**
Interest on loans and debentures	(17,581)	(4,302)	308.7%
Interest on leases	(51,306)	(24,832)	106.6%
Income and social contribution taxes paid	(7,773)	(4,729)	64.4%
Net Cash from Operating Activities	**137,808**	**296,632**	**-53.5%**
Net Cash from Investing Actvities	**287,406**	**(93,511)**	**-407.3%**
Securities	377,411	14,288	2,541.5%
Additions to property, plant and equipment	(36,721)	(62,503)	-41.2%
Additions to intangible assets	(11,902)	(7,972)	49.3%
Acquisition of subsidiaries Payments	(41,382)	(37,324)	10.9%
Net Cash from Financing Actvities	**(463,095)**	**(124,224)**	**272.8%**
Amortization of Debentures	(100,000)	-	0.0%
Amortization of loans and financing	(12,863)	(13,973)	-7.9%
Amortization of leasing	(30,749)	(4,416)	596.3%
Treasury Shares	-	(47,303)	-100.0%
Dividends	(319,483)	(58,532)	445.8%
Increase (Reduction) in Cash and Cash Equivalents	**(37,881)**	**78,897**	**-148.0%**
Cash and Cash Equivalents at Beginning of Period	314,731	279,286	12.7%
Cash and Cash Equivalents at End of Period	276,850	358,183	-22.7%
Cash changes and Securities	**(415,292)**	**64,609**	**-742.8%**

Income Statement – Accounting

Without the reclassification of the amounts in depreciation and interest on leasing according to IFRS 16 in 3Q18.

Income Statement - Accounting R$ ('000)	3Q19	3Q18	% Chg. 3Q19 x 3Q18	9M19	9M18	% Chg. 9M19 x 9M18
Gross Operating Revenue	**500,902**	**450,430**	**11.2%**	**1,557,287**	**1,359,213**	**14.6%**
Undergraduate Monthly Tuition	452,476	420,032	7.7%	1,423,821	1,272,235	11.9%
Graduate Monthly Tuition	7,074	7,582	-6.7%	21,659	21,789	-0.6%
Vocational Courses Monthly Tuition	466	434	7.6%	1,450	1,119	29.6%
Distance Learning Monthly Tuition	36,537	17,771	105.6%	99,260	52,303	89.8%
Others	4,349	4,611	-5.7%	11,097	11,767	-5.7%
Deductions from Gross Revenue	**(211,992)**	**(164,427)**	**28.9%**	**(631,608)**	**(416,794)**	**51.5%**
Discounts and Scholarships	(145,982)	(101,347)	44.0%	(430,869)	(230,743)	86.7%
PROUNI	(50,298)	(45,513)	10.5%	(149,606)	(126,232)	18.5%
FGEDUC And FIES charges	(5,805)	(8,172)	-29.0%	(20,358)	(27,557)	-26.1%
Taxes	(9,907)	(9,395)	5.4%	(30,775)	(32,262)	-4.6%
Net Operating Revenue	**288,910**	**286,003**	**1.0%**	**925,679**	**942,419**	**-1.8%**
Cash Cost of Services Rendered	**(131,174)**	**(134,946)**	**-2.8%**	**(415,922)**	**(427,029)**	**-2.6%**
Payroll and Charges	(84,027)	(88,561)	-5.1%	(267,341)	(284,068)	-5.9%
Rent	(4,474)	(17,362)	-74.2%	(12,125)	(56,535)	-78.6%
Concessionaires (Electricity, Water and Telephone)	(8,490)	(8,936)	-5.0%	(28,582)	(27,481)	4.0%
Third-Party Services	(7,159)	(8,122)	-11.9%	(27,658)	(24,532)	12.7%
Depreciation and Amortization	(27,024)	(11,965)	125.9%	(80,216)	(34,413)	133.1%
Managerial Gross Profit	**157,736**	**151,057**	**4.4%**	**509,757**	**515,390**	**-1.1%**
Gross Margin	*54.6%*	*52.8%*	*1.8 p.p.*	*55.1%*	*54.7%*	*0.4 p.p.*
Operating Expenses/Revenue	**(110,485)**	**(98,929)**	**11.7%**	**(298,058)**	**(322,478)**	**-7.6%**
General and Administrative Expenses	(104,705)	(97,869)	7.0%	(307,765)	(321,779)	-4.4%
Payroll and Charges	(37,408)	(35,630)	5.0%	(107,880)	(107,278)	0.6%
Third-Party Services	(13,122)	(8,767)	49.7%	(42,558)	(25,209)	68.8%
Advertising	(20,134)	(14,134)	42.5%	(62,334)	(66,391)	-6.1%
Materials	(3,440)	(3,510)	-2.0%	(10,373)	(13,424)	-22.7%
PDA	(17,923)	(18,321)	-2.2%	(46,762)	(55,890)	-16.3%
Others	(9,451)	(10,633)	-11.1%	(27,037)	(33,701)	-19.8%
Depreciation and Amortization	(3,227)	(6,874)	-53.1%	(10,821)	(19,886)	-45.6%
Other Operating Expenses/Revenue	(5,780)	(1,060)	445.3%	9,707	(699)	N.M.
Managerial Operating Income	**47,251**	**52,128**	**-9.4%**	**211,699**	**192,912**	**9.7%**
Operating Margin	*16.4%*	*18.2%*	*-1.9 p.p.*	*22.9%*	*20.5%*	*2.4 p.p.*
(+) Adjusted Depreciation and Amortization	30,251	18,839	60.6%	91,037	54,299	67.7%
EBITDA	**77,502**	**70,967**	**9.2%**	**302,736**	**247,211**	**22.5%**
EBITDA Margin	*26.8%*	*24.8%*	*2.0 p.p.*	*32.7%*	*26.2%*	*6.5 p.p.*
(+) Non-recurring costs and expenses	11,696	12,175	-3.9%	14,550	30,175	-51.8%
(+) Interest on tuition and agreements	4,265	1,995	113.8%	11,201	10,987	1.9%
(-) Minimum rent paid	(25,155)	(9,750)	158.0%	(74,712)	(29,249)	155.4%
Adjusted EBITDA	**68,309**	**75,387**	**-9.4%**	**253,775**	**259,125**	**-2.1%**
Adjusted EBITDA Margin	*23.6%*	*26.4%*	*-2.7 p.p.*	*27.4%*	*27.5%*	*-0.1 p.p.*
(-) Adjusted Depreciation and Amortization	(30,251)	(18,839)	60.6%	(91,037)	(54,299)	67.7%
Adjusted EBIT	**38,058**	**56,548**	**-32.7%**	**162,738**	**204,826**	**-20.5%**
Adjusted EBIT Margin	*13.2%*	*19.8%*	*-6.6 p.p.*	*17.6%*	*21.7%*	*-4.2 p.p.*
Financial Result	(21,750)	(12,943)	68.0%	(66,529)	(19,920)	234.0%
(+) Financial Revenue	13,241	15,767	-16.0%	43,794	55,951	-21.7%
Interest on Agreements and Others	4,265	1,995	113.8%	11,201	10,987	1.9%
Returns on Financial Investments	9,539	15,186	-37.2%	34,188	41,601	-17.8%
Others	(563)	(1,414)	-60.2%	(1,595)	3,363	-147.4%
(-) Financial Expenses	(34,991)	(28,710)	21.9%	(110,323)	(75,871)	45.4%
Interest Expenses	(5,320)	(5,813)	-8.5%	(15,904)	(17,657)	-9.9%
Interest on Leasing	(16,223)	(8,232)	97.1%	(51,306)	(24,832)	106.6%
Discounts Granted	(9,585)	(10,638)	-9.9%	(30,773)	(19,833)	55.2%
Monetary Variation Expenses	(3,289)	(2,572)	27.9%	(6,891)	(7,825)	-11.9%
Others	(574)	(1,454)	-60.5%	(5,449)	(5,723)	-4.8%
Income Before Income Taxes	**25,501**	**39,185**	-34.9%	**145,170**	**172,992**	-16.1%
Income and Social Contribution Taxes	(1,664)	(2,254)	-26.2%	(6,235)	(4,818)	29.4%
Current	(15,625)	(19,437)	-19.6%	(60,534)	(63,941)	-5.3%
Tax Incentive - Prouni	13,961	17,183	-18.8%	54,299	59,123	-8.2%
Consolidated Net Income/Loss	**23,837**	**36,931**	**-35.5%**	**138,935**	**168,174**	**-17.4%**
Net Margin	*8.3%*	*12.9%*	*-4.7 p.p.*	*15.0%*	*17.8%*	*-2.8 p.p.*