YDUQS Participações S.A.

Financial Statements - DFP
December 31, 2020 and
Independent auditors' report

Independent auditor’s report on the individual and consolidated financial statements

To
The Board of Directors and Shareholders of
Yduqs Participações S.A.
Rio de Janeiro - RJ

Opinion

We have audited the individual and consolidated financial statements of the company Yduqs Participações S.A. (“Company” or “Yduqs”), identified as parent company and consolidated respectively, which comprise the statement of financial position as at December 31, 2020 and the related statements of income, the comprehensive statements of income, the statement of changes in shareholders’ equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Yduqs Participações S.A as of December 31, 2020, and the individual and consolidated performance of its operations and individual and consolidated cash flows for the financial year then ended, in conformity with accounting practices adopted in Brazil, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and international auditing standards. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil’s National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the individual and consolidated financial statements” section of our report, including in relation to these key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the Company's accompanying financial statements.

Revenue recognition

As stated in note 2.21a, the Company's revenue essentially consists of providing Classroom-based person and remote higher education services to individuals enrolling semi-annually in the regular courses the Company offers. Revenue derives from a large volume of small transactions. The revenue recognition process therefore relies on effective internal controls in place and operating throughout the period to ensure revenue is properly recorded in the correct accrual period, including the maintenance of the Company’s policies for onboarding students, pricing the courses it offers, renegotiating debits and student eligibility for the FIES and PROUNI benefits.

Due to the size of the amounts involved and the aforesaid matters, our audit considered this to be a key matter.

How the matter was addressed in our audit:

As an audit response to this matter, our approach included the following procedures: (i) tests on the material internal controls implemented by management supporting the revenue recognition processes, including operational controls for onboarding students, recruitment process, activation, renegotiating receivables, reactivation and renewing enrollments; (ii) sample-based inspection of documents evidencing revenue transactions with students, including: a) service agreements signed by students; b) documents required in the Company's policies for onboarding students; c) documents showing payment of enrollment fees, tuition fees and settlements; and d) student attendance reports; (iii) sample-based selection of tuition fees from FIES students and confirmation of the document showing the student has entered the financing program; (iv) checking that the revenue has been recorded in the correct period, given the confirmation and approval of the financing by the National Student Development Fund (FNDE); (v) sample-based selection of tuition fees from PROUNI-eligible students and confirmation of the document showing the student has entered the University For All program (Universidade para Todos); (vi) confirmation whether the amounts corresponding to this revenue have been recorded in the correct period; (vii) subsequent settlement tests for invoiced tuition fees; (viii) checking the reconciliation of the student receivables against the accounting records; and (ix) selection based on "discounts granted" by decree laws and confirmation of discounts on slips according to each jurisdiction.

Based on the audit procedures conducted on the Company’s revenue recognition, consistent with management’s evaluation, we consider that the revenue recognition criteria and assumptions used by management and the respective disclosures in note 23 are acceptable in the context of the financial statements taken as a whole.

Impairment of goodwill on business combinations

The goodwill impairment test, based on expected future earnings as a result of the Company’s business combinations, involve critical management estimates and judgments. As shown in note 9, the goodwill recognized as a result of these combinations accounts for approximately 23% of total assets.

The goodwill impairment assessment process is complex and is highly subjective and is based on several assumptions such as: determining cash generating units, discount rates, growth percentages and profitability of the Company’s businesses for several years ahead. These assumptions may be materially affected by future market or economic conditions in Brazil, which cannot yet be precisely estimated.

Due to the size of the amounts involved and the aforesaid matters, our audit considered this to be a key matter.

How the matter was addressed in our audit:

As an audit response to this matter, our approach included the following procedures: (i) obtaining and analyzing the projected cash flow compiled by Company management for the impairment test, comparing it against the business plans approved by Governance; (ii) comparing the previous year’s projections against effective current results in order to assess the effectiveness of the business plan and level of compliance of previous projects (iii) discussion with management about the main assumptions and tests regarding the methodology used to measure recoverable value, especially the discount rates and growth rates using the projection, including: (a) involving our corporate appraisal experts in the discussion of the main assumptions made compared with those used in similar business markets, when available; (b) applying sensitivity analyses to the main assumptions made by management; and (iv) assessing the adequacy of the disclosures made by Yduqs management regarding key assumptions in the goodwill impairment test set out in note 9 to the financial statements.

Based on the audit procedures applied to the goodwill impairment test, consistent with management’s evaluation, we consider that the goodwill impairment assessment criteria and assumptions used by management and the respective disclosures in note 9 are acceptable in the context of the financial statements taken as a whole.

Provision for civil, labor and tax contingencies

The Company and its subsidiaries are party to several judicial and administrative proceedings involving civil, tax and labor claims, arising out of the normal course of business.

Attributing the likelihood of defeat to lawsuits by our legal advisers handling the respective cases and Estacio management is highly subjective, also requiring the measurement of any future outlays. Amongst other things, this process addresses matters related to case law and recurrence of claims filed.

In this context and due to the importance of the amounts involved, we consider the provisions for civil, labor and tax risks to be a key audit matter.

How the matter was addressed in our audit:

As an audit response to this matter, our approach included the following procedures: (i) understanding the processes implemented by management to identify, monitor and record contingencies; (ii) sending a letter of confirmation directly to the internal and independent legal advisers handling the Company's administrative and judicial proceedings in order to confirm the amounts and chances of defeat in the cases and correctly disclose them in the notes to the financial statements; (iii) checking the assumptions made for the provision for labor contingencies, taking into account the specific criteria followed by the Company based on past payouts, including settlements; (iv) for selected tax claims, involvement of our internal experts to contribute to discussions about the analyses made by our independent lawyers; (v) checking the communications received from oversight authorities regarding the proceedings, assessments and disputes to which the Company is party; (vi) for labor and civil lawsuits that had a change in the prognosis and / or relevant amount in the period, we obtained a response from the lawyer sponsoring the case with an opinion on the risk and value of the case, obtained the calculation memory of the cases and obtained an understanding together the legal board to understand the reasons that influenced the change and and (vii) assessing the adequacy of the disclosures made by the Company regarding civil, labor and tax risks in note 17 to the financial statements. As a result of these procedures, we identified an audit adjustment indicating the need to supplement the provision for tax contingencies, this adjustment not being recorded by management in view of its immateriality on the financial statements taken as a whole.

Based on the audit procedures applied to the provision for civil, labor and tax contingencies, consistent with management's evaluation, we consider that the recognition and measurement criteria and assumptions used by management for this provision and the respective disclosures in note 17 are acceptable in the context of the financial statements taken as a whole.

Estimated allowance for doubtful accounts

Determining the value of the allowance for doubtful accounts is subjective and requires substantial judgment by management. Determining the value of the allowance for doubtful accounts entail several assumptions and factors, including debt negotiation, as disclosed in note 4.

We consider this to be a key audit matter, because the use of these judgments, assumptions and factors in determining the allowance for doubtful accounts could result in significant changes to this estimate.

How the matter was addressed in our audit:

Amongst other things our audit procedures relied on the understanding and tests on material internal controls established to determine the allowance for doubtful accounts, including: (i) assessing the integrity of the database used in the analysis; (ii) discussing with management the assumptions used to measure the recoverable value of accounts receivable; (iii) recalculating the allowance, including reprocessing the aging list and applying the criteria defined by management; and (iv) comparing the amounts determined in the provision and the carrying amounts. As a result of these procedures, we identified the audit adjustment indicating the need to supplement the allowance for doubtful accounts, this adjustment not being recorded by management in view of its immateriality on the financial statements taken as a whole.

Based on the audit procedures applied to the provision for estimated allowance for doubtful accounts, consistent with management's evaluation, we consider that the recognition and measurement criteria and assumptions used by management for this allowance and the respective disclosures in note 4 are acceptable in the context of the financial statements taken as a whole.

Other matters

Statements of added value

The individual and consolidated statements of value added (SVA) for the financial year ended December 31, 2020, which are the responsibility of Company Management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement and are consistent in relation to the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and auditor's report

Management is responsible for such other information, which comprise the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work that we have performed, we conclude that there is a material misstatement of this Management Report, then we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and the IFRS issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with the governance of the Company and its subsidiaries are responsible for overseeing the financial reporting process.

Auditors' responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian auditing standards and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian auditing standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its subsidiaries' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rio de Janeiro, March 16, 2021.

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

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

YDUQS Participações S.A.

Balance sheets as of December 31

In thousands of Reais, except when otherwise indicated

	Parent Company		Consolidated	
Asset	**2020**	**2019**	**2020**	**2019**
Current				
Cash and cash equivalents (Note 3)	118	74	28,407	12,251
Securities (Note 3)	465,533	208,478	1,604,869	596,861
Derivative financial instruments – Swap (Note 19)	33,312		33,312	
Accounts receivable (Note 4)			890,151	759,622
Related parties (Note 5)		13		
Prepaid expenses (Note 6)		283	8,178	7,034
Dividends receivable		263,909		
Taxes and contributions recoverable (Note 7)	32,557	3,840	137,601	80,050
Others			33,879	19,866
	531,520	476,597	2,736,397	1,475,684
Non-current				
Long-term assets				
Derivative financial instruments – Swap (Note 19)	120,787		120,787	
Accounts receivable (Note 4)			214,160	261,600
Prepaid expenses (Note 6)	1		4,058	4,758
Judicial deposits (Note 17)	232	216	102,688	76,090
Deferred taxes (Note 29)	3,210	308	326,769	163,025
Taxes and contributions recoverable (Note 7)	15,048	36,552	107,726	176,425
Others			14,760	11,934
	139,278	37,076	890,948	693,832
Investments				
In subsidiaries (Note 8)	5,338,152	2,612,140		
Others			338	338
Intangible assets (Note 9)	780,096	780,139	3,186,539	1,610,416
Property, plant and equipment (Note 10)	5	11	2,451,044	1,732,222
	6,118,253	3,392,290	5,637,921	3,342,976
	6,257,531	3,429,366	6,528,869	4,036,808
Total assets	6,789,051	3,905,963	9,265,266	5,512,492

	Parent Company		Consolidated	
Liabilities and equity	**2020**	**2019**	**2020**	**2019**
Current				
Trade accounts payables	2,993	1,643	251,229	126,651
Loans and financing (Note 11)	390,302	13,586	390,302	13,586
Leases (Note 12)			199,549	156,468
Salaries and welfare charges (Note 13)	599	651	202,157	136,432
Tax obligations (Note 14)	23,475	138	106,695	36,038
Prepaid monthly tuition fees			44,211	18,397
Tax installments payment (Note 15)			3,543	3,729
Related parties (Note 5)	78	42		
Dividends payable (Note 18)	23,355	153,463	23,355	153,463
Acquisition price payable (Note 16)			57,936	19,142
Others	4,810	4,182	13,791	10,964
	445,612	173,705	1,292,768	674,870
Non-current				
Long-term liabilities				
Loans and financing (Note 11)	3,113,448	601,549	3,113,448	601,549
Leases (Note 12)			1,151,775	880,049
Contingencies (Note 17)	300	306	246,842	118,416
Tax installments payment (Note 15)			9,190	11,019
Deferred taxes (Note 29)			4,137	2,889
Provision for assets retirement			89,630	27,470
Acquisition price payable (Note 16)			89,946	44,541
Others	24,722	28,051	62,561	49,337
	3,138,470	629,906	4,767,529	1,735,270
Equity (Note 18)				
Share Capital	1,139,887	1,139,887	1,139,887	1,139,887
Expenditure with issue of shares	(26,852)	(26,852)	(26,852)	(26,852)
Capital reserves	687,503	674,021	687,503	674,021
Profits reserve	1,465,767	1,509,327	1,465,767	1,509,327
Proposed additional dividend	118,423		118,423	
Treasury shares	(179,759)	(194,031)	(179,759)	(194,031)
	3,204,969	3,102,352	3,204,969	3,102,352
Total liability and equity	6,789,051	3,905,963	9,265,266	5,512,492

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

YDUQS Participações S.A.

Income statements
Fiscal years ended December 31st
In thousands of Reais, except when otherwise indicated

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Continued operations				
Net revenue from activities (Note 23)			3,853,737	3,565,036
Costs of the services provided (Note 24)			(1,744,913)	(1,520,718)
Gross income			2,108,824	2,044,318
Operating revenues (expenses)				
Selling expenses (Note 24)			(859,794)	(571,639)
General and administrative expenses (Note 25)	(20,578)	(17,423)	(895,044)	(587,065)
Equity accounting income (Note 8)	258,646	697,500		
Other operating revenues/expenses (Note 26)	3,027	1,376	2,393	14,404
Operating income	241,095	681,453	356,379	900,018
Financial revenues (Note 27)	152,785	13,228	245,989	99,141
Financial expenses (Note 27)	(291,708)	(48,738)	(597,403)	(341,231)
Net financial income	(138,923)	(35,510)	(351,414)	(242,090)
Income before income tax and social contribution	102,172	645,943	4,965	657,928
Current and deferred income tax (Note 29)	(2,928)	145	69,210	(7,161)
Current and deferred social contribution (Note 29)	(1,063)	52	24,006	(4,627)
Net earnings for the fiscal year, attributable to shareholders	98,181	646,140	98,181	646,140
Net earnings per lot of 1000 shares – basic (Note 22)	0.32611	2.15056	0.32611	2.15056
Net earnings per lot of 1000 shares – diluted (Note 22)	0.32587	2.14927	0.32587	2.14927

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

YDUQS Participações S.A.

Statements of comprehensive income
Fiscal years ended December 31st
In thousands of Reais, except when otherwise indicated

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Net income for the fiscal year	98,181	646,140	98,181	646,140
Other comprehensive income				
Total comprehensive income of fiscal year, net of taxes	98,181	646,140	98,181	646,140
Attributable to:				
Controlling shareholders				
Non-controlling shareholders	98,181	646,140	98,181	646,140

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

Statements of changes in equity

In thousands of Reais, except when otherwise indicated

			Capital reserves				Profit reserves					
	Capital stock	**Expenditure with issue of shares**	**Incentives of long term**	**Goodwill in subscription of shares**	**Negative Goodwill in sale of shares**	**Options granted**	**Legal**	**Retained earnings**	**Shares in Treasury**	**Earnings accumulated**	**Proposed additional dividend**	**Total**
As of January 1, 2019	1,139,887	(26,852)	304	595,464	(7,983)	80,585	146,673	869,972	(206,641)			2,591,409
Granted options (Note 21)			(304)			(961)						(1,265)
Restricted shares granting plan (Note 21)						15,603						15,603
Negative goodwill on treasury shares sale (Note 18d.3)					(2,855)				2,855			
Payment of Stock options (Note 21)									5,731			5,731
Payment of Restricted Shares Granting Plan (Note 21)						(5,832)			4,024			(1,808)
Net income for the fiscal year										646,140		646,140
Appropriation of net income												
Constitution of reserves							32,307	460,375		(492,682)		
Minimum mandatory dividends (BRL0.52 per share)										(153,458)		(153,458)
As of December 31, 2019	1,139,887	(26,852)		595,464	(10,838)	89,395	178,980	1,330,347	(194,031)			3,102,352
Granted options (Note 21)						(270)						(270)
Restricted Shares Granting Plan (Note 21)						26,045						26,045
Negative goodwill on treasury shares sale (Note 18d.3)					(825)				825			
Payment of Stock options (Note 21)									1,979			1,979
Payment of Restricted Shares Granting Plan (Note 21)						(11,468)			11,468			
Net income for the fiscal year										98,181		98,181
Appropriation of net income												
Constitution of reserves							4,909			(4,909)		
Minimum mandatory dividends (BRL0.08 per share)										(23,318)		(23,318)
Proposed additional dividend								(48,469)		(69,954)	118,423	
As of December 31, 2020	1,139,887	(26,852)		595,464	(11,663)	103,702	183,889	1,281,878	(179,759)		118,423	3,204,969

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

YDUQS Participações S.A.
Statements of cash flows
Fiscal years ended December 31st
In thousands of Reais, except when otherwise indicated

	Parent Company		Consolidated	
	2020	2019	2020	2019
Cash flow from operating activities				
Income before income tax and social contribution	102,172	645,943	4,965	657,928
Adjustments to reconcile the income to cash and cash equivalents generated:				
Depreciation and amortization	48	54	538,936	360,949
Amortization of loan funding costs	5,088	845	5,088	845
Provision for doubtful accounts			535,278	308,135
Provision for loss - Other accounts receivable			7,426	80
Granted options - Stock options provision	1,039	561	39,749	17,242
Provision for contingencies	(5)	180	179,145	76,408
Interest on loans and financing	103,188	46,108	217,652	141,410
Adjustment of assets retirement obligation			6,954	4
Adjustment of commitments payable			2,030	1,837
Gain/Loss in write-off of property, plant and equipment and intangible assets			1,200	3,550
Equity accounting income	(258,646)	(697,500)		
Adjustments to present value - accounts receivable			(7,910)	(17,293)
Adjustment of tax credits	(492)	(1,143)	(4,224)	(10,073)
Others	4,170	(1,050)	4,163	(1,827)
	(43,438)	**(6,002)**	**1,530,452**	**1,539,195**
Variation in assets and liabilities:				
(Increase) in accounts receivable			(385,747)	(597,925)
Decrease (Increase) in prepaid Expenses	282	(283)	9,090	(235)
Decrease (Increase) in taxes and contributions recoverable	19,829	4,106	29,997	(8,033)
(Increase) in judicial deposits	(16)	(216)	(5,046)	5,612
Decrease (Increase) in other assets	19	455	(11,922)	(558)
Increase (Decrease) in trade payables	1,350	(490)	104,626	20,498
Increase (Decrease) in salaries and welfare charges	(1,028)	16	(24,790)	(5,054)
Increase (Decrease) in tax obligations	16,445	(48)	56,316	(3,446)
Increase (Decrease) in monthly tuition fees received in advance			16,565	1,221
(Decrease) in tax installment payment			(2,529)	(2,351)
(Decrease) in civil/labor convictions		(162)	(88,392)	(84,909)
Increase in Provision for assets retirement Obligations			20,559	515
Increase (Decrease) in other liabilities	653	32,177	17,991	30,528
	(5,904)	**29,553**	**1,267,170**	**895,058**
Interest paid on loans	(81,424)	(36,283)	(81,424)	(36,369)
IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income) Paid			(48,536)	(46,021)
Net cash provided by (used in) operating activities.	**(87,328)**	**(6,730)**	**1,137,210**	**812,668**
Cash flow from investment activities:				
Acquisition of property, plant and equipment			(203,699)	(201,563)
Acquisition of intangible assets			(259,917)	(164,872)
Dividends Received	263,909	310,000		
Premium and goodwill from investment in subsidiaries			(347,106)	(112,845)
Acquisition of subsidiaries, net of cash obtained in the acquisition			(1,574,764)	472
Advance for future capital increase	(2,468,200)	(14,777)		
Acquisition price payable			36,721	13,505
Net cash provided by (used in) investment activities.	**(2,204,291)**	**295,223**	**(2,348,765)**	**(465,303)**
Cash flow from financing activities:				
Use of treasury shares derived from the exercise of stock options	1,979	5,731	1,979	5,731
Dividends paid	(153,426)	(153,161)	(153,426)	(153,161)
Debenture issuance amount		600,000		600,000
Amount received from loans and financing	3,209,549		3,209,549	
Loans funding costs	(8,797)	(1,742)	(8,797)	(1,742)
Amortization of loans and financings	(500,587)	(770,587)	(500,587)	(770,587)
Lease amortization			(312,999)	(236,540)
Net cash used in financing activities	**2,548,718**	**(319,759)**	**2,235,719**	**(556,299)**
Increase in cash and cash equivalents	**257,099**	**(31,266)**	**1,024,164**	**(208,934)**
Cash and cash equivalents at the beginning of the period	208,552	239,818	609,112	818,046
Cash and cash equivalents at the end of the period	465,651	208,552	1,633,276	609,112
Variation in cash and cash equivalents balance	**257,099**	**(31,266)**	**1,024,164**	**(208,934)**

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

YDUQS Participações S.A.

Statements of value added
Fiscal years ended December 31st
In thousands of Reais, except when otherwise indicated

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Revenues				
Educational services			4,002,540	3,700,808
Other revenues			4,723	3,529
Provision for doubtful accounts			(535,278)	(308,135)
			3,471,985	3,396,202
Inputs acquired from third parties				
Materials, electric power and third-party services	(13,488)	(11,705)	(826,309)	(653,606)
Contingencies	50	(162)	(165,717)	(66,324)
	(13,438)	(11,867)	(992,026)	(719,930)
Gross value added	(13,438)	(11,867)	2,479,959	2,676,272
Depreciation and amortization	(48)	(54)	(538,936)	(360,949)
Net value added produced	(13,486)	(11,921)	1,941,023	2,315,323
Value added received in transfer				
Income using the equity accounting income	258,646	697,500		
Financial revenue	169,892	13,228	267,744	99,141
Others	(1,754)	107	(1,239)	15,989
	426,784	710,835	266,505	115,130
Total value added to be distributed	413,298	698,914	2,207,528	2,430,453
Distribution of value added				
Work compensation				
Direct compensation	5,371	4,637	1,018,576	939,680
Benefits			62,485	49,934
FGTS (Government Severance Indemnity Fund for Employees)			68,833	64,366
	5,371	4,637	1,149,894	1,053,980
Taxes, fees and contributions				
Federal	23,126	1,425	162,492	223,156
State			4	
Municipal			162,446	148,337
	23,126	1,425	324,942	371,493
Remuneration of third-party capital				
Interest	286,620	46,712	592,314	335,217
Rents			42,197	23,623
	286,620	46,712	634,511	358,840
Remuneration on equity				
Dividends				
Retained earnings	98,181	646,140	98,181	646,140
	98,181	646,140	98,181	646,140
Distributed value added	413,298	698,914	2,207,528	2,430,453

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

1 General information

1.1 Operating context

YDUQS Participações S.A. ("Company" or "Group") and its subsidiaries (jointly, the "Group") are mainly involved in the development and/or management of activities and/or institutions in the fields of higher education, professional education and/or other fields related to education, in the management of their own assets and businesses, and the holding of interests, as partner or shareholder, in other partnerships and companies in Brazil.

The Company is a corporation headquartered at Avenida Venezuela, 43, in the City and State of Rio de Janeiro, incorporated by way of a private share subscription on March 31, 2007, and currently listed on *Novo Mercado* (New Market).

The Group has thirty-eight companies, including YDUQS Participações, thirty-three of which are sponsors of a higher education institution, organized as limited liability business companies, and comprises a University, twenty-one University Centers and fifty Colleges, accredited and distributed in twenty-five states in the country and in the Federal District.

At a meeting held July 11, 2019, the Board of Directors of YDUQS Participações S.A. resolved on the creation of a new brand for the Company, named ***YDUQS*.**

Changing the holding company's brand enables it to better use existing resources businesses, and to build different positions through new brands and creating new business units.

The Special General Meeting held on April 24, 2020, approved the change of the Company's corporate name from "Estácio Participações S.A." to "YDUQS Participações S.A.", with the consequent amendment to Article 1, "head provision", of the Articles of Incorporation. The Estácio brand will continue to serve the current operations in the higher education segment. The shares issued by the Company started to be traded on B3 under a new trading code ("YDUQ3"), in replacement of "ESTC3", and a new trading name ("YDUQS PART"). Additionally, the ADRs traded on the North American market started to be traded under the code "YDUQY", in replacement of "ECPCY".

<u>Recent acquisitions</u>

On October 18, 2019, the Company executed the private purchase and sale instrument to acquire all the units of ownership of Adtalem Brasil Holding S.A. ("Adtalem") through its direct subsidiary Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES"). On April 13, 2020, the Brazilian Antitrust Authority ("CADE") issued a certificate confirming the final and unappealable decision that examined and approved the acquisition without restrictions and settled the transaction on April 24, 2020, for the amount of BRL2,206,497, thus the income of the acquired company was consolidated as from May 1, 2020.

On November 14, 2019, the Company acquired the total units of ownership of Sociedade de Ensino Superior Toledo Ltda. ("UniToledo") through its direct subsidiary Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES"), for the amount of BRL112,646, thus the income of the acquired company was consolidated as of November 14, 2019.

On June 4, 2020, the Company signed a private purchase and sale instrument to acquire all the units of ownership of Athenas Grupo Educacional ("Grupo Athenas") for the amount of BRL120,000, the acquisition further provides for an earn-out clause for medical courses at BRL600 per authorized slot, totaling a potential amount of BRL180,000, to be paid after the 1st funding of the respective courses. On July 20, 2020, the Brazilian Antitrust Authority (CADE) issued a certificate confirming the final decision that examined and approved the acquisition of Grupo Athenas without restrictions, thus the income of the acquired Company was consolidated as of August 1, 2020.

The Company Board of Directors authorized the publication of these financial statements (parent company and consolidated) at a meeting held on March 16, 2021

1.2 Basis for preparation

The financial statements (parent company and consolidated) have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Committee for Accounting Pronouncements (CPC) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and evidence all material information of the financial statements (parent company and consolidated), and that alone, which is consistent with that used by Management.

The main accounting policies applied in preparing these financial statements (parent company and consolidated) are presented in Note 2.

The preparation of the financial statements demands the use of certain critical accounting estimates and judgment of the Company's management in the process for application of the Group's accounting policies. The areas which require a higher level of judgment and which are more complex, as well as the areas where assumptions and estimates are of significance for the financial statements include: provision for doubtful accounts, impairment of goodwill, transactions with share-based payments, provision for tax, civil and labor risks, and useful lives of assets (Note 2.21).

The presentation of the Statement of Value Added (DVA), individual and consolidated, is required by Brazilian corporate legislation and accounting practices adopted in Brazil applicable to publicly-held companies. IFRS does not require the presentation of this statement. As a consequence, under IFRS, this statement is presented as supplementary information, without prejudice to the set of financial information.

1.3 Changes in accounting policies and disclosures

New standards effective from 2020

The following new rules were issued by the Committee for Accounting Pronouncements (CPC) and the International Accounting Standards Board (IASB), and are in effect for the fiscal year ended December 31, 2020.

Changes to CPC 15 (R1): Business definition

The changes to CPC 15 (R1) clarify that, to be considered a business, an integrated set of activities and assets must include, at a minimum, an input - input of resources and a substantive process that, jointly, contribute significantly to the capacity to generate output - output of resources. In addition, it clarified that a business can exist without including all the inputs - inputs of resources and processes necessary to create outputs - outputs of resources. These changes had no impact on the Group's individual and consolidated financial statements, but may impact future periods if the Group enters into any business combinations.

Changes to CPC 38, CPC 40 (R1) and CPC 48: Reform of Benchmark Interest Rate

The changes to Pronouncements CPC 38 and CPC 48 provide exemptions that apply to all protective relationships directly affected by the reform of benchmark interest rate. A protection relationship is directly affected if the reform raises uncertainties about the period or the value of cash flows based on the benchmark interest rate of the hedged item or hedge instrument. These changes have no impact on the Group's individual and consolidated financial statements, as it does not have interest rate hedging relationships.

Changes to CPC 26 (R1) and CPC 23: Material definition

The changes provide a new definition of material that states, "the information is material if its omission, distortion or obscurity can reasonably influence decisions that primary users of general purpose financial statements make based on those financial statements, which provide financial information on entity-specific report". The changes clarify that
materiality will depend on the nature or magnitude of the information, individually or in combination with other information, in the context of the financial statements. Distorted information is material if it could

reasonably be expected to influence decisions made by primary users. These changes did not have an impact on the individual and consolidated financial statements, nor is it expected to have any future impact for the Group.

Revision in CPC 00 (R2): Conceptual Structure for Financial Report

The revised pronouncement some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These changes had no impact on the Group's individual and consolidated financial statements.

Changes to CPC 06 (R2): Covid-19 Related Benefits Granted to Lessees in Lease Agreements

The changes provide for concession to lessees in the application of the guidelines of CPC 06 (R2) on the modification of the lease agreement, when accounting for the related benefits as a direct consequence of the Covid-19 pandemic.

As a practical measure, a lessee may choose not to assess whether a benefit related to Covid-19 granted by the lessor is a modification of the lease agreement. The lessee who makes this option must account for any change in the lease payment resulting from the benefit granted in the lease agreement related to Covid-19 in the same way that it would account for the change applying CPC 06 (R2) if the change was not a modification of the lease agreement.

This change had no impact on the Group's individual and consolidated financial statements.

1.4 Consolidation

The Company consolidates all entities over which it holds control, that is, when it is exposed or has rights to variable returns from its involvement with the investee and is able to direct the relevant activities of the investee.

The consolidated financial statements include the operations of the Company and of the following subsidiary companies, the participation of which is 100% as of December 31, 2020 and 2019:

Direct:
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")
Ensine.me Serviços Educacionais Ltda. (“EnsineMe”)
União dos Cursos Superiores SEB Ltda. ("Estácio Ribeirão Preto")

Indirect:
Sociedade Educacional Atual da Amazônia ("ATUAL")
ANEC - Sociedade Natalense de Educação e Cultura ("FAL")
Sociedade Universitária de Excelência Educacional do Rio Grande do Norte ("FATERN")
Idez Empreendimentos Educacionais Sociedade Simples Ltda. ("IDEZ")
Sociedade Educacional do Rio Grande do Sul S/S Ltda. ("FARGS")
Unisãoluis Educacional S.A ("UNISÃOLUIS")
Uniuol Gestão de Empreendimentos Educacionais e Participações S.A. ("UNIUOL")
Sociedade Educacional da Amazônia ("SEAMA")
Instituto de Ensino Superior Social e Tecnológico Ltda. ("FACITEC")
Associação de Ensino de Santa Catarina ("ASSESC")
Instituto de Estudos Superiores da Amazônia ("IESAM")
Centro de Assistência ao Desenvolvimento de formação Profissional Unicel Ltda. ("Estácio Amazonas")
Centro de Ensino Unificado de Teresina ("CEUT")
Faculdade Nossa Cidade ("FNC")
Faculdades Integradas de Castanhal Ltda. ("FCAT")
Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant'Ana Ltda. ("FUFS")
Sociedade de Ensino Superior Toledo Ltda. ("Unitoledo") (i)
Adtalem Brasil Holding Ltda ("Adtalem") (ii),
Athenas Serviços Administrativos LTDA (iii)
Centro de Educação de Rolim De Moura LTDA ("FSP") (iii)
Centro de Educação do Pantanal LTDA ("FAPAN") (iii)
Pimenta Bueno Serviços Educacionais LTDA ("FAP") (iii)
União Educacional Meta LTDA ("META") (iii)

UNIJIPA – União Das Escolas Superiores de Ji-Paraná LTDA ("UNIJIPA") (iii)

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

The consolidation process of the balance sheet and income accounts corresponds to the sum of the balances of assets, liabilities, revenues and expenditure, as appropriate, eliminating transactions between the companies consolidated, as well as the balances and results not carried out economically between these companies.

(i) For this company as mentioned in NE 1.5, the acquisition took place on November 14, 2019.
(ii) For this company as mentioned in NE 1.5, the acquisition took place on April 24, 2020.
(iii) For this company as mentioned in NE 1.5, the acquisition took place on June 4, 2020.

1.5 Business combination

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred, and equity instruments issued by the Group. The consideration transferred includes the fair value of assets and liabilities resulting from a contingent consideration agreement, when applicable. Acquisition-related costs are recorded in the income statement of the fiscal year as incurred. Identifiable assets acquired and contingent assets and liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

The excess of the consideration transferred and the fair value as of the acquisition date of any previous equity interest in the company acquired, as compared to the fair value of the Group interest in identifiable net assets, is recorded as goodwill. When the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the income statement for the fiscal year.

The acquisitions made in 2020 are summarized below:

Athenas Grupo Educacional

On June 4, 2020, the Company acquired, through its direct subsidiary IREP Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP"), the totality of the companies' units of ownership: Athenas Serviços Administrativos LTDA., Education Center of Rolim De Moura LTDA., Education Center of Pantanal LTDA., Pimenta Bueno Serviços Educacionais LTDA., União Educacional Meta LTDA., UNIJIPA - União Das Escolas Superiores de Ji-Paraná LTDA., all members of Athenas Grupo Educacional ("Grupo Athenas"), for the amount of BRL113,701, to be paid as follows: BRL99,701 in financial resources, paid in cash and the balance of BRL14,000 in the 5th anniversary year of the closing date.

Furthermore, the acquisition provides an earn-out section for medical courses at BRL600 thousand per authorized slot, totaling a potential amount of BRL180,000 to be paid after the first funding of the respective courses.

On October 6, 2020, we paid the earn-out in the amount of BRL30,000 referring to the first funding of the medical course offered by FAPAN.

Athenas Grupo Educacional was founded in the early 90's, it is formed by five institutions located in Rio Branco (AC), JiParaná (RO), Rolim de Moura (RO), Pimenta Bueno (RO) and Caceres (MT).

The table below summarizes the considerations paid, the book balances of the assets acquired and liabilities assumed on the acquisition date and the allocation of the purchase price determined preliminarily based on the fair value of the assets acquired and liabilities assumed. The accounting standard "CPC15 / IFRS 3 - Business Combination" allows the Company to complete this process for allocating the consideration transferred between identified assets and liabilities for up to 12 months from the acquisition date.

In thousands of Reais, except when otherwise indicated

	Athenas
Asset	
Cash and cash equivalents	7,563
Trade accounts receivable	19,699
Taxes and contributions	170
Property, Plant and Equipment	86,215
Judicial Deposits	98
Deferred taxes	16,426
Other Assets	2,474
	132,645
Liabilities	
Leases	(61,002)
Trade accounts payables	(1,023)
Labor Obligations	(8,458)
Tax obligations	(5,611)
Payment in installments	(362)
Demobilization provision	(8,839)
Other Obligations	(4,421)
Acquired Net Liabilities	**(89,716)**
Total net Identifiable assets at fair value	**42,929**
Goodwill	141,726
Customer Portfolio	8,918
Deferred Liabilities	(3,681)
Licenses	1,910
Total Consideration	**191,803**
Cash Flow at the time of acquisition	
Cash	104,602
Commitments Payable	57,201
Earn-out	30,000
Net Cash Flow on acquisition	**191,803**

Sociedade Ensino Superior Adtalem Brasil Holding Ltda (Adtalem)

On October 21, 2019, the Company acquired, through its direct subsidiary Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES"), the totality of the units of ownership of Adtalem Brasil Holding Ltda ("Adtalem"), for the amount of BRL2,206,497. The Company liquidated the transaction on April 24, 2020, thus the income of the acquired company was consolidated as of May 1, 2020.

Currently, Adtalem Educacional do Brasil has 13 higher education institutions distributed throughout the country. In all, more than 16 campuses across the country.

The table below summarizes the considerations paid, the book balances of the assets acquired and liabilities assumed on the acquisition date and the allocation of the purchase price determined preliminarily based on the fair value of the assets acquired and liabilities assumed. The accounting standard "CPC15 / IFRS 3 - Business Combination" allows the Company to complete this process for allocating the consideration transferred between identified assets and liabilities for up to 12 months from the acquisition date.

In thousands of Reais, except when otherwise indicated

	Adtalem
Fair value of acquired assets	
Cash and cash equivalents	843
Securities	467,961
Trade accounts receivable	205,918
Taxes and contributions	14,517
Property, plant and equipment (i)	600,217
Intangibles assets (ii)	587,147
Judicial deposits	22,741
Deferred taxes	19,595
Other assets	19,243
	1,938,182
Fair value of assumed liabilities	
Trade accounts payables	(18,705)
Leases	(293,458)
Salaries and charges	(68,087)
Tax obligations	(17,403)
Provision for Contingencies	(34,013)
Deferred taxes	(3,076)
Other obligations	(55,328)
	(490,070)
Net assets	**1,448,112**
Goodwill	758,385
Total value of the transferred consideration	**2,206,497**

(i) Property, plant and equipment at fair value comprises the amounts acquired by Adtalem, plus the effects of the business combination allocation in the amount of BRL76,441.

(ii) Intangible assets at fair value consist of the amounts acquired by Adtalem, plus the business combination allocation:

Main intangible assets identified	Amount	Estimated useful life in years
Customer portfolio	146,049	1 to 6
Brand	287,682	15 to 16

The acquisition made in 2019 is summarized below:

Sociedade Ensino Superior Toledo Ltda. (Unitoledo)

On November 14, 2019, Estácio Participações S.A. (YDQUS) acquired, through its direct subsidiary Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES"), the totality of the units of ownership of Sociedade de Ensino Superior Toledo Ltda., for the amount of BRL112,646. The balance payable on December 31, 2020, as a result of this acquisition is BRL30,038, of which BRL28,986 is related to the principal amount and BRL1,052 to monetary adjustment.

Unitoledo, founded in 1966, is an institution of higher education with tradition and excellence recognized in offering undergraduate and graduate courses. The institution has a privileged location in the municipality of Araçatuba, in the northwest region of São Paulo.
The table below summarizes the consideration paid, the book balances of the assets acquired and liabilities assumed on the acquisition date and the allocation of the purchase price determined preliminarily based on the fair value of the assets acquired and liabilities assumed:

In thousands of Reais, except when otherwise indicated

	Unitoledo
Asset	
Cash and cash equivalents	272
Trade accounts receivable	3,087
Taxes and contributions	312
Other investments	106
Property, Plant and Equipment	6,038
Intangible assets	275
Other assets	370
	10,460
Liabilities	
Loans and financing	(214)
Trade accounts payables	(341)
Labor obligations	(3,427)
Tax obligations	(112)
Payment in installments	(6,548)
Other obligations	(17)
	(10,659)
Total net identifiable assets at fair value	**(199)**
Brand	22,738
Student portfolio	4,338
Licenses	606
Goodwill	94,575
Deferred income tax	(9,412)
Total Consideration	**112,646**
Cash Flow at the time of acquisition	
Cash	82,608
Commitments payable (Note 16)	30,038
Net Cash Flow on acquisition	**112,646**

The acquired net assets were recorded in the financial statements as of December 31, 2020, based on an assessment of fair value at the base date of acquisition.

1.6 Covid-19 Effect

As of March 11, 2020, the World Health Organization (WHO) announced the COVID-19 outbreak pandemics. During March 2020, government authorities in various jurisdictions imposed blockages or other restrictions to contain the virus and several companies suspended or reduced operations.

The Company has implemented measures to keep our provision of services as well as all the support necessary to carry on business. The measures implemented include the use of information technology resources to offer live classes, using systemic platforms for online communication and collaboration, maintaining the quality levels hired by in-class students; normal maintenance of distance learning classes and continuity of our business processes, even at distance, which are operating with reduced loss of efficiency.

In the fiscal year of 2020, the effects of the COVID-19 pandemic were noticeable, and the main impacts on the Company's results were:

(i) The "Estácio com Você" program, which aims to encourage continuity in the studies of Estácio students throughout the country, offers monthly tuition fees exemption and/or flexible payment for eligible students according to the regulations. In addition, court decisions with effects on the student community and/or enacted Laws on tuition discounts in the respective states of Alagoas, Bahia, Ceará, Maranhão, Pará, Pernambuco, Piauí, Rio de Janeiro, Roraima, São Paulo and Sergipe. Although the Company disputes the legal grounds of these decisions, the following claims had an impact on its pricing policy, even if for a brief period. Such effects had a non-recurring impact on net revenue of BRL217.9 million, being (BRL71.1 million on 4th quarter 2020, and BRL79.3 million on 3rd quarter 2020and BRL67.5 million on 2nd quarter 2020).

(ii) The Company maintains a solid cash position that gives us the security to face uncertainties and the confidence to follow our long-term planning. Within the strategic cash plan, we continued funding through credit lines with banks of recognized liquidity. In addition, we decided to postpone some cash outflows such as the distribution of dividends calculated in 2019, pursuant to the Special Shareholders' Meeting (AGE) of April 24, 2020, certain planned investments in the 1st semester (Capex), adherence to MP 927 for the postponement of certain taxes, we adhered for a short period to a 25% reduction in working hours and the suspension of contracts with salary supplementation (application of MP 936), as well as intensified renegotiations with trade payables, mainly lease agreements.

(iii) In addition, the Company reviewed the projections used to assess and analyze the impairment of the assets, including goodwill, and did not identify changes and/ or circumstances that would indicate a driver for impairment of these assets.

2 Summary of principal accounting policies

The main accounting policies adopted in preparing these financial statements are described below. These policies were consistently applied in the fiscal years presented, unless otherwise stated.

2.1 Consolidation

The following are the accounting practices adopted in the preparation of the consolidated financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) in which the Group has control. The subsidiaries are fully consolidated as from the date the control is transferred to the Group. The consolidation is interrupted from the date on which the Group ceases to have control.

Identifiable assets acquired and liabilities and contingent liabilities assumed for the acquisition of subsidiaries in a business combination are initially measured at fair value at the acquisition date. Acquisition-related costs are recorded in the income statement of the fiscal year as incurred.

Transactions, balances and unrealized gains on transactions between Group's entities are eliminated. Unrealized losses are also eliminated, unless the operation provides evidence of impairment of the asset transferred. The subsidiaries' accounting policies are changed, as needed, to assure consistency with the policies adopted by the Group.

2.2 Financial instruments

Financial assets

<u>Initial recognition and measurement</u>

Financial assets are classified, in the initial recognition, as subsequently measured at the amortized cost, at the fair value by means of other comprehensive results and the fair amount through profit or loss.

The classification of the financial assets in the initial recognition depends on the characteristics of the contractual cash flows of the financial asset and the business model of the Company for the management of such financial assets. All financial assets are recognized at fair value, plus, in the case of financial assets not accounted for 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 at amortized cost;
- Financial assets at fair value through other comprehensive incomes with reclassification of accumulated profits and losses;

- Financial assets designated at fair value through other comprehensive income, without reclassification of accumulated profit and losses at the moment of its derecognition (equity instruments); and
- Financial assets at the fair value through profit or loss.

Financial assets at amortized cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is maintained within a business model whose objective is to maintain financial assets in order to receive contractual cash flows; and
- The contractual terms of the financial assets must originate, on specific dates, from cash flows that consist of, exclusively, payments of principal and interest on the principal amount outstanding.

The financial assets at amortized costs are subsequently assessed using the actual interest method and are subject to impairment. Gains and losses are recognized in the income when the asset is written-off, modified or shows impairment.

The Company's financial assets at amortized cost include cash and cash equivalents, trade accounts receivable and court deposits.

Financial assets at fair value through other comprehensive income
(debt instrument)

The Company evaluates debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is maintained within a business model whose objective is to maintain financial assets in order to receive contractual cash flows; and
- The contractual terms of the financial assets must originate, on specific dates, from cash flows that consist of, exclusively, payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, interest income, exchange rate revaluation and impairment losses or reversals are recognized in the income statement and calculated in the same way as for the financial assets measured at amortized cost. The remaining changes in fair value are recognized in other comprehensive income. At the time of derecognition, the accumulated change in fair value recognized in other comprehensive income is reclassified to income.

The Company does not have financial assets (debt instruments) at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income
(Equity instruments)

Upon initial recognition, the Company may choose, on an irrevocable basis, to classify its equity instruments designated at fair value through other comprehensive income when they meet the definition of shareholders' equity under the terms of CPC 39 - Financial Instruments: Presentation and are not kept for negotiation. The classification is determined by considering each instrument, specifically.

Gains and losses on these financial assets are never reclassified to profit or loss. Equity instruments designated at fair value through other comprehensive income are not subject to impairment testing.

The Company does not have financial assets (equity instruments) at fair value through other comprehensive income.

Financial assets at the fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held for trading, financial assets designated at initial recognition at fair value through profit or loss, and financial assets to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of sale or repurchase in the short term.

Financial assets with cash flows other than 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 by the fair value, with the net variations of the fair value recognized in the income statement.

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

De-recognition (write-off)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is written-off mainly (that is, excluded from income for the fiscal year) when: the rights to receive cash flows from the asset expire; the Company transferred its rights to receive cash flows from the asset or assumed an obligation to pay the received cash flows in full, without significant delay, to a third party under a transfer agreement; and (a) the Company has transferred substantially all the risks and benefits related to the asset, or (b) the Company has not transferred or retained substantially all the risks and benefits related to the asset, but has transferred control over the asset.

Impairment of financial assets

Credit exposures for which there has been no significant increase in credit risk since initial recognition, are provisioned as a result of possible default events in the next 12 months (expected credit loss of 12 months). For credit exposures for which there has been a significant increase in credit risk since initial recognition, a provision for expected credit losses over the remaining life of the exposure is required, regardless of the time of default (an expected lifetime credit loss).

This methodology is applicable to financial instruments classified as amortized cost or fair value through other comprehensive income (with the exception of investments in equity instruments).

For accounts receivable, given the short-term nature of the Company's receivables and its policy for granting and managing risk and credit used, the Company has not identified any material impact that could affect its consolidated financial statements, due to the adoption, different from that mentioned in Note 1.3.

For the other financial assets subject to analysis of impairment, no expected loss was recognized in the fiscal year ended December 31, 2020, as according to the Company's assessment, in addition to the associated risk being low, there is no history of losses.

A financial asset is written-off when there is no reasonable expectation of recovering contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, as initial recognition, as financial liabilities at fair value through profit or loss, loans and receivables or accounts payable, or as derivatives designated as hedge instruments in an effective hedge, as appropriate.

Financial liabilities are recognized initially at fair value and, in the case of loans and financing and accounts payable, are adjusted upwards by the directly related transaction costs.

The Company's financial liabilities include accounts payable, debentures and loans and financing.

Subsequent measurement

After initial recognition, loans and financing subject to interest are subsequently measured by the amortized cost, using the effective interest rate method. Gains and losses are recognized in the statement of income at the time when the liabilities are written-off, and also during the amortization process by the effective interest rate method.

De-recognition (write-off)

A financial liability is written-off when the obligation is revoked, canceled or expires. When an existing financial liability is replaced for another at the same amount (sic) under terms and conditions substantially different, or the terms of an existing liability are significantly changed, such replacement or change is recognized as derecognition of the original liability and recognition of a new liability, and the difference in the related carrying amounts is recognized in the income statement

2.3 Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts and other highly liquid short-term investments, with original maturities not exceeding three months and with low risk of changes in value, which are held to meet the Company's short-term commitments.

2.4 Securities

The securities have the characteristic of financial assets measured at fair value through profit or loss, long-term maturity, with immediate liquidity and are recorded plus financial income (income), corresponding to their fair value.

2.5 Accounts receivable and tuition fees received in advance

Accounts receivable arise from the provision of educational activities services and do not include amounts of services provided after the balance sheet dates. Billed services, and not yet provided on the balance sheet dates, are accounted for as tuition fees received in advance and are recognized in the respective income for the fiscal year in accordance with the accrual basis.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest rate method, less provision for doubtful accounts ("PCLD") or impairment.

2.6 Provision for doubtful accounts

This provision appears as a deduction from accounts receivable, and is set up in an amount considered by Management to be sufficient to meet any expected losses in collecting monthly fees and checks receivable, taking into account the risks involved.

2.7. Investments in subsidiaries

Investments in controlled companies are evaluated by the equity accounting income method. Goodwill representing expected future profitability is included in the investment in the individual financial statements.

2.8 Property, plant and equipment

Property, plant and equipment are measured at acquisition or construction cost, less accumulated depreciation.

Depreciation is calculated on a straight-line basis at the rates mentioned in Note 10 and considers the economic useful life of the assets

The subsequent costs to the initial recognition are added to the residual value of property, plant and equipment or recognized as a specific item, as appropriate, only if the economic benefits associated with these items are probable and the amounts can be reliably measured. The residual balance of a replaced item is written-off. Other repairs and maintenance are recognized directly in the income when incurred.

The items of the property, plant and equipment, plant, and equipment are written-off when sold or when no future economic benefit is anticipated from their use or sale. Any gains or losses resulting from the write-off of an asset (calculated as being the difference between the net sales proceeds and the residual value of the asset) are recognized in the statement of income for the fiscal year in which the asset is written-off.

The residual values and useful lives of the assets are reviewed and adjusted, if necessary, at the end of each fiscal year.

2.9 Intangible Assets

(a) Goodwill

Goodwill is represented by the surplus remaining after the allocation of the amount paid to all identified tangible and intangible assets and liabilities of the acquired subsidiary. In the case of negative goodwill, the amount is registered as a gain in the income for the fiscal year, on the acquisition date. Goodwill is tested annually for impairment.

Goodwill is recorded at cost less accumulated impairment losses. Impairment losses recognized on goodwill are not reversed. Gains and losses on the sale of an entity include the book value of the goodwill related to the entity sold.

Goodwill is allocated to Cash-Generating Units (CGUs) for impairment testing purposes. The allocation is made to the Cash Generating Units or groups of Cash Generating Units that should benefit from the business combination from which the goodwill originated.

(b) Goodwill

(b.1) Student portfolio

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

(b.2) Brand

The brand represents an intangible asset with a definite life, given that it is an identifiable, measurable non-monetary asset and without physical substance. It is calculated using the average fee for education companies obtained from Royalty Source. To determine the useful lives of the brands, the methodology (Income approach -Relief from Royalty) was considered, whose calculation is based on the royalty rate on the projected net revenue.

(b.3) Operating license

The fair value of the existing operating license is determined based on the cost approach. The amount is derived from current expenses to acquire the same, which include: MEC (Ministry of Education and Culture) fees, preparation of PDI (Institutional Development Plan) and PPC (Pedagogical Course Project), rent before the start of the operation and various costs with teachers for visits, trips, meals, transportation and so on. Amortization is calculated based on the accreditation period of educational institutions, which is carried out every three years.

(b.4) Asset appreciation

Determined by the difference between the sum of the fair value of the identifiable net assets (determined based on CPC 15 - Business combination) and the book value of the acquired asset.

(c) Software

Software licenses are capitalized for the costs incurred in acquiring the software plus the costs of making it ready for use. These costs are amortized during the estimated useful life of software.

The costs associated to maintenance of software are recognized as expense as incurred. Development costs that are directly attributable to the project and to the testing of identifiable and unique software products, controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software, so that it is available for use.
- Management intends to complete the software and use or sell it.
- The software may be sold or used.
- It can be demonstrated that the software is likely to generate future economic benefits.
- Adequate technical, financial, and other resources are available to complete the development and to use or sell the software.
- The expense attributable to software during its development can be measured reliably.

The directly attributable costs, which are capitalized as part of the software product, include costs with employees allocated to software development and an appropriate portion of the applicable indirect expenses.

Other development expenses not meeting these criteria are recognized as expenses, as incurred. Development costs previously recognized as expenses are not recognized as assets in a subsequent period.

Software development costs recognized as assets are amortized over their estimated useful life, not exceeding five years.

2.10 Impairment of non-financial assets

Assets with an indefinite useful life, such as goodwill, are not amortized, but are tested annually for impairment. Goodwill impairment reviews are carried out annually or more frequently if events or changes in circumstances indicate possible impairment.

Assets that are subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable value, which is the greater of its fair value less selling costs and its value in use.

For impairment testing, assets are grouped at the lowest level for which there are separately identifiable cash flows (Cash Generating Units or CGU). For the purposes of this test, goodwill is allocated to the Cash Generating Units or groups of Cash Generating Units that are expected to benefit from the business combination from which the goodwill originated.

Non-financial assets, other than goodwill, that have been adjusted for impairment are reviewed subsequently to analyze the possibility of reversing the impairment loss as of the balance sheet date. Impairment of goodwill recognized in income for the fiscal year is not reversed.

In the estimate of the value-in-use of the asset, the estimated future cash flows are discounted to their present value, using a discount rate, before taxes, that reflects the weighted average cost of capital for the industry in which the cash generating unit operates. The net selling value is determined, whenever possible, based on a firm selling agreement in a transaction at arm's length bases, between knowledgeable and interested parties, adjusted by expenses attributable to the sale of the asset, or when there is no firm selling agreement, based on the market price of an active market, or on the price of the most recent transaction with similar assets.

2.11 Commercial lease

Finance lease

Lease agreements substantially transfer the risks and benefits inherent to the ownership of an asset to the Company. These agreements are categorized as financial lease agreements and assets are recognized at fair value or the present value of the minimum payments provided for in the agreement. Goods recognized as assets are depreciated over the lease agreement term. The financial charges relative to the financial lease agreements are appropriated to P&L throughout the term of effectiveness of the agreement, based on the amortized cost and effective interest rate method.

Operating leases

Lease agreements that do not substantially transfer the risks and benefits inherent to the ownership of an asset to the Company. These agreements are categorized as operating lease agreements. They are recognized in the income for the fiscal year on a straight-line basis over the term of the agreement, subject to the accrual basis of the fiscal years.

2.12 Loans and financing

The loans are initially recognized by the fair value, net of costs incurred in the transactions and are subsequently stated at the amortized cost. Any difference between the amounts raised (net of transaction costs) and the total amount payable is recognized in the statement of income during the period in which the loans are outstanding, using the effective interest rate method.

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

2.13 Payment of dividends and interest on equity

The payment of dividends and interest over equity capital to the Company's shareholders is recognized as a liability in the Company's financial statements at fiscal year-end based on its articles of incorporation. Any amount above the mandatory minimum is only provisioned as at the date it is approved by the shareholders at the General Meeting.

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

2.14 Provision for assets demobilization

Represents the estimated future expenses for the restoration of rented buildings in which the Group's teaching units are located. They are recognized in property, plant and equipment at their present value, discounted at an adjusted credit rate, as part of the value of the assets that gave rise to them, provided that there is a legal obligation and their value can be estimated on a reliable basis, as consideration of the registration of a provision in the Company's liabilities. Interest incurred on updating the provision is classified as financial expenses. The revised demobilization estimates suffer depreciation/ amortization on the basis of the main assets.

2.15 Provisions

Provisions for lawsuits (labor, civil and tax) are recognized when: (i) the Group has a present or non-formalized obligation (constructive obligation) as a result of events already occurred; (ii) it is probable that an outflow of funds will be required to settle the obligation; and (iii) the value can be safely estimated.

When there are a number of similar obligations, the probability of settling them is determined by taking into account the class of obligations as a whole. A provision is recognized even if the probability of settlement related to any individual item included in the same class of obligations is small.

Provisions are measured at the present value of the expenses that must be required to settle the obligation, using a pre-tax rate, which reflects current market evaluations of the value of money in time and the specific risks of the obligation. The increase in the obligation as a result of the passage of time is recognized as a financial expense.

2.16 Taxation

Subsidiaries that have joined the PROUNI are exempt from the following federal taxes for as long as they are members:

- IRPJ and CSLL established by Law No. 7.689 of December 15, 1988;
- COFINS (Social Contribution on Billings), introduced by Supplementary Law No. 70 of December 30, 1991; and
- PIS (Social Integration Program), introduced by Supplementary Law No. 7 of September 7, 1970.

The above-mentioned exemptions are originally calculated on the amount of revenues received as a result of providing higher education services, including undergraduate courses and specific-training associate degrees.

The Yduqs Participações S.A. (Parent company) does not enjoy the exemptions arising from PROUNI and normally assesses federal taxes.

Current income tax and social contribution

The current income tax and social contribution were calculated considering the criteria established by the Normative Instruction of the Federal Revenue, specifically PROUNI, which allows the taxes calculated on the operating profit of traditional and technological graduation activities not to be paid to the government coffers. The exemption resulting from PROUNI cannot be distributed to the partners and must constitute the earnings reserve.

PIS and COFINS

PROUNI rules define that revenues from traditional and technological graduation activities are exempt from PIS and COFINS collection. For revenues from other teaching activities, PIS and COFINS are levied at the rates of 0.65% and 3.00%, respectively, and for activities not related to education, PIS is levied at the rate of 1.65% and COFINS at 7.60%.

Deferred income tax and social contribution

Deferred taxes are recognized for all deductible temporary differences, non-used tax credits and losses, as far as it is probable that taxable profits be available, to allow deductible temporary differences to be realized and non-used tax credits and losses to be used, except:

- When the deferred tax asset relating to the deductible temporary difference arises upon initial recognition of an asset or liability in a transaction that is not a business combination and, on the transaction date, does not affect accounting income or tax earnings or losses.

- Deferred tax assets are recognized on deductible temporary differences relating to investments in subsidiaries only to the extent that it is likely that the temporary differences will be reversed in the near future, and that taxable income will be available for them to be used.

The carrying amount of deferred tax assets is reviewed at each balance sheet date, and is written-off when it is not probable anymore for the taxable income to be available to allow the utilization of all or part of deferred tax assets. Written-off deferred tax assets are reviewed on every date of the balance sheet and are recognized to the extent that it becomes probable that future tax profits will enable the deferred tax assets to be recovered. Deferred tax assets and liabilities are measured at the tax rate that is expected to be applied in the year when assets will be realized or liabilities will be settled, based on tax rates (and tax law) that were issued on balance sheet date.

Deferred tax regarding items directly recognized in equity is also recognized in equity, other than in the income statement. Deferred tax items are recognized according to the transaction that gave rise to the deferred tax, in comprehensive income or directly in equity.

Deferred tax assets and liabilities will be shown net if there is a legal or contractual right to offset the tax asset against the tax liability, and if the deferred tax relates to the same taxable entity and is subject to the same tax authority.

2.17 Share-based payments

The Company grants its main executives and managers a share-based compensation plan, settled with shares, under which the Company receives the services of these executives and managers and pays the consideration with the Group's equity instruments (options). The fair value of services, received in exchange for granting options, is recognized as an expense. The total amount to be recognized is determined by reference to the fair value of the options granted, excluding the impact of any conditions for the acquisition of rights based on non-market service and performance (for example, profitability, revenue growth targets and staying in employment for a specific period of time). The conditions for the acquisition of non-market rights are included in the assumptions about the number of options whose rights are to be acquired. The total amount of the expense is recognized during the period in which the right is acquired; period during which the specific conditions for the acquisition of rights must be met.

On the balance sheet date, the Company reviews its estimates of the number of options whose rights must be acquired based on the conditions for the acquisition of non-market rights. This recognizes the impact of the revision of the initial estimates, if any, in the income statement, with a corresponding adjustment in shareholders' equity.

The amounts received, net of any directly attributable transaction costs, are credited to the share capital (par value) and to the share premium, if applicable, when the options are exercised.

In addition to the Stock Option Plan, the Company recognized the creation of a Restricted Stock Option Plan, as contemplated in the annual global compensation of the Company's Management.

2.18 Profit sharing

The Group recognizes a liability and an expense for profit sharing based on a methodology that takes into account the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision when it is contractually obligated or when there is a past practice that created a constructive obligation.

2.19. Earnings per share

The Company calculates income per lot of 1000 shares, using the weighted average number of total common shares in circulation during the period corresponding to the income, in terms of Technical Pronouncement CPC 41 (IAS 33). (Note 21)

The diluted earnings per share are calculated by adjusting the weighted average of outstanding common shares, to assume the conversion of all potential common shares with dilutive effects. For stock options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's share), based on the monetary value of the subscription rights linked to open stock options. The number of shares calculated as described above is compared with the number of outstanding shares, assuming the exercise of stock options.

2.20 Share capital

Common shares are classified as shareholders' equity.

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

When any company in the Group purchases shares in the Company's capital (treasury shares), the amount paid, including any additional directly attributable costs (net of income tax), is deducted from the shareholders' equity attributable to the Company's shareholders until the shares are canceled or reissued. When these shares are subsequently reissued, any amount received, net of any additional transaction costs directly attributable and the respective effects of income tax and social contribution, is included in the shareholders' equity attributable to the Company's shareholders.

2.21 Recognition of revenues, costs and expenses

Revenues, costs and expenses are recognized on an accrual basis.

(a) Revenue from services

Revenue comprises the fair value of the consideration received or receivable for the provision of educational activity services in the normal course of the Group's activities. Revenue is presented net of taxes, returns, cancelations, deductions or discounts. The Company evaluates income transactions according to specific criteria to determine whether it is acting as agent or principal and finally concluded that it is acting as principal in all its income agreements.

The Group recognizes revenue when its value can be reliably measured, it is likely that future economic benefits will flow to the Company and when specific criteria have been met.

(b) Financial revenues and expenses

Financial income and expenses mainly include interest income on financial investments, interest expense on financing, gains and losses with valuation at fair value, according to the classification of the security, in addition to the exchange and net monetary variations.

2.22 Critical accounting estimates and judgments

Critical judgments in the application of accounting policies

The preparation of the Company's individual and consolidated financial statements requires the management to make judgments and estimates and to adopt assumptions that affect the values of revenues, expenses, assets, and liabilities, as well as to disclose contingent liabilities on the base date of the financial statements. Uncertainty in respect of these assumptions and estimates may, however, lead to results requiring a significant adjustment in the carrying amount of the respective asset or liability in future periods.

Critical accounting estimates and assumptions

Settlement of transactions involving these estimates may result in significantly different figures from those reported on financial statements on account of inherent inaccuracies of the estimation process. The Company reviews the estimates and assumptions once a year.

(i) Impairment of goodwill

The Group tests any impairment losses on goodwill on an annual basis, in accordance with the accounting policy presented in Note 2.8. The recoverable amounts of Cash Generating Units (CGUs) were determined based on calculations of the value in use, based on the following estimates:

In thousands of Reais, except when otherwise indicated

	In percentages	
	2020	**2019**
Average gross margin (i)	53.5	53.5
Growth rate (ii)	5	5
Discount rate (iii)	11.7	13.7

(i) Average estimated gross margin.
(ii) Weighted average growth rate used to extrapolate the cash flow after the estimated period.
(iii) Discount rate before tax, applied to cash flow projections.

(ii) Share-based payments

The Company measures the cost of transactions settled with shares with employees based on the fair value of the equity instruments on the grant date thereof. Estimating the fair value of share-based payments requires determining the most appropriate valuation model for the granting of equity instruments, which depends on the terms and conditions of the grant. This also requires determining the most appropriate data for the valuation model, including the expected life of the option, volatility and yield of dividends, and the corresponding assumptions. The assumptions and models for estimating the fair value of share-based payments are disclosed in Note 21(b).

(iii) Provisions for tax, civil and labor risks

The Company recognizes provisions for civil, tax and labor claims. The assessment of the probability of loss includes assessing available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the assessment of external lawyers. Provisions are reviewed and adjusted to take into account changes in circumstances, such as the applicable statute of limitations, conclusions of tax inspections or additional exposures identified based on new matters or court decisions.

(iv) Useful life of assets

The Company reviews the economic useful lives of its assets annually, based on reports by external appraisers. Depreciation is recognized in the income statement based on the remaining useful life balance.

(v) Provision for doubtful accounts

As of January 1, 2018, the provision for doubtful accounts has been calculated in accordance with the guidelines of IFRS 9 - CPC 48. As a consequence of adopting the rule, the Company started measuring the provision for doubtful accounts based on the expected loss and no longer based on the loss incurred. The Company opted to use the practical measure provided for in the rule, and applied the simplified model to measure the expected loss for the entire life of the agreement, through the use of historical data and the segmentation of the receivables portfolio into groups that have the same rule of payment. receipt and the same maturity terms.

2.23 Statements of cash flows

The statements of cash flows were prepared using the indirect method and are presented in accordance with the Technical Pronouncement CPC 03 R2 (IAS 7) – Statement of Cash Flows, issued by the CPC (IASB).

2.24 Statement of value added ("DVA")

This statement is intended to show the wealth created by the Company and its subsidiaries and their distribution during a certain period and is presented, as required by Brazilian corporate law, and by the accounting practices adopted in Brazil applicable to publicly-held companies.

In thousands of Reais, except when otherwise indicated

The Statement of Value Added was prepared based on information obtained from the accounting records supporting the financial statements and under the provisions of the Technical Pronouncement CPC 09. In its first part, it presents the wealth created by the Company, represented by revenues, inputs acquired from third parties and the added value received from third parties (equity accounting income, financial income and other income). The second part of the DVA presents the distribution of wealth among personnel, taxes, fees and contributions, compensation of capital from third parties and remuneration on equity.

2.25 Information by segment

Information by operating segments is presented in a form that is consistent with the internal report provided to the principal operations decision maker. The main operating decision maker, responsible for allocating resources and evaluating the performance of operational segments, is the Executive Board, also responsible for making strategic decisions of the Group.

Due to the concentration of its activities in higher education, the Company is organized into a single business unit. The courses offered by the Company, although intended for a diverse audience, are not controlled and managed by Management as independent segments, and the Company's results are accompanied, monitored and assessed as an integrated whole.

3 Cash and cash equivalents and securities

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Cash and banks	118	74	28,407	12,251
Cash and cash equivalents	118	74	28,407	12,251
Federal Government Bonds (Exclusive funds)	108,861	128,912	556,692	366,116
Financial Bills (Exclusive funds)	29,371	62,953	150,194	178,787
CDB (Bank Deposit Certificate)	301,836	14,400	707,506	43,303
CDB (Exclusive funds)	10,050	2,176	51,396	6,179
Repurchase	15,365		78,575	
Corporate Credit			59,097	
Government Bonds (Exclusive funds)	50	37	1,409	2,476
Securities	465,533	208,478	1,604,869	596,861

The Company has an investment policy that stipulates that investments must be concentrated in low-risk securities and investment at prime financial institutions. As of December 31, 2020, the operations were remunerated based on percentages of the variation of the CDI (Interbank Deposit Certificate), with the exception of government bonds, which are indexed to the Selic rate and fixed rates.

As of December 31, 2020 and 2019, all of the Company's securities were classified as "fair value through profit or loss".

Investments in exclusive funds are backed by financial allocations in funds quotas, CDBs, LFs (Financial Bills), government bonds, repurchase agreements with prime banks and issuers. The average yield of the investment funds as of December 31, 2020, was 89.62% of the CDI rate (average annual yield on December 31, 2019, was 98.55% of the CDI rate).

Bank Deposit Certificates - CDBs yield the CDI rate, averaging 102.61% as of December 31, 2020 (98.95% as of December 31, 2019).

With the acquisition of Adtalem, other investment funds with an average return on December 31, 2020 of 103.26% of the CDI were included in the portfolio.

In thousands of Reais, except when otherwise indicated

The Company does not have derecognized financial assets. The information on the Company's exposure to liquidity and market risks is included in Note 19.

4 Accounts receivable

	Consolidated	
	2020	**2019**
Monthly tuition fees received from students (a)	1,450,572	1,057,226
FIES (Student Loan Program) (b)	161,292	295,598
Partnership agreements and exchange deals	13,647	11,730
Cards receivable (c)	90,450	91,130
Receivable agreements	125,879	71,554
	1,841,840	1,527,238
Provision for doubtful accounts (PCLD)	(694,604)	(471,190)
Unidentified amounts	(23,393)	(7,384)
(-) Adjustment to present value (d)	(19,532)	(27,442)
	1,104,311	1,021,222
Current assets	890,151	759,622
Non-current assets	214,160	261,600
	1,104,311	1,021,222

The balance of long-term amounts as of December 31, 2020, is related to PAR (Estácio Installment Payment Program), DIS (Dilution of monthly tuition fees) and the Athenas program for payment in installments. The aging breakdown is as follows:

	Consolidated	
	2020	**2019**
2021	13,620	145,489
2022	153,434	129,720
2023 to 2026	181,825	128,304
(-) Adjustment to present value (c)	(19,532)	(27,442)
(-) Provision for doubtful accounts	(115,187)	(114,471)
Non-current assets	214,160	261,600

PAR is a type of installment payment that Estácio offers to its students by which students can finance up to 70% of their monthly tuition fees, with payments commencing one month after they complete the course. This financing is adjusted by IPCA index.

DIS is a type of installment payment by which the student pays BRL49.00 for the first monthly tuition fees, and the difference between the amount paid and the full monthly tuition fee (not considering any scholarship and/or benefits) is diluted over the number of monthly tuition payments corresponding to the estimated full term of the minimum regular program, monthly adjusted by the IPCA index.

(a) In the 2nd quarter, as a result of the adverse impacts of the Covid-19 pandemic, we had an impact on the default and price policy on the monthly tuition fees (Note 1.6 (i)).

(b) Accounts receivable from the FIES (Student Financing Fund) are represented by educational loans raised by students with CEF (Caixa Econômica Federal) and FNDE (National Education Development Fund), whereby the financed funds are transferred monthly by CEF and Banco do Brasil to the specific bank account. Such amount has been used to pay the social security contributions and federal taxes and converted into cash by means of auctions of National Treasury bonds.

(i) For FIES students with guarantor, it was set up provision for 2.25% of the income with characteristic, considering the assumptions of 15% of credit risk exposure over an estimate default rate of 15%.

In thousands of Reais, except when otherwise indicated

(ii) For the uncovered FGEDUC risk, contracted as from April 2012, a provision was made for 10% of the credits under the responsibility of the sponsors (where the Guarantor Fund is responsible for the remaining 90%), assuming 15% exposure to this credit risk for an estimated default rate of 15%, i.e., 0.225%.

(iii) For the uncovered FGEDUC risk, contracted up to June 2012, a provision was made for 20% of the credits under the responsibility of the sponsors (where the Guarantor Fund is responsible for the remaining 80%), assuming 15% exposure to this credit risk for an estimated default rate of 15%, i.e., 0.45%.

(c) A substantial part of credit card receivables consists of late monthly tuition fees and agreements.

(d) As of December 31, 2020, the adjustment to present value amounts to BRL19,532 (BRL12,808 related to PAR and BRL6,724 to DIS) and as of December 31, 2019, BRL27,442 (BRL20,814 related to PAR and BRL6,628 related to DIS).

The breakdown of receivables by age is presented below:

	Consolidated			
	2020	**%**	**2019**	**%**
FIES	161,292	9	295,598	19
To become overdue	758,955	40	628,569	42
Overdue up to 30 days	201,029	11	134,384	9
Overdue for 31 to 60 days	122,654	7	80,080	5
Overdue for 61 to 90 days	93,975	5	65,201	4
Overdue for 91 to 179 days (i)	127,735	7	111,876	7
Overdue for more than 180 days	376,199	20	211,530	14
	1,841,840	100	1,527,238	100

(i) A substantial part of the variation refers to financial products (DIS/PAR evasion) and recent acquisitions.

The breakdown of receivables by age is presented below:

	Consolidated			
	2020	**%**	**2019**	**%**
To become overdue	42,653	34	24,450	34
Overdue up to 30 days	11,394	8	5,570	8
Overdue for 31 to 60 days	8,473	7	5,018	8
Overdue for 61 to 90 days	8,191	7	5,159	7
Overdue for 91 to 179 days	12,731	10	11,148	15
Overdue for more than 180 days	42,437	34	20,209	28
	125,879	100	71,554	100

The activity of Provision for doubtful accounts (PCLD), in the consolidated, is as follows:

Balance in 2018	402,646
Constitution	310,367
PCLD acquired at the time of acquisition	11,041
Write-off of bills / checks overdue for more than 360 days	(252,864)
Balance in 2019	471,190
Constitution	535,278
Constitution by acquisition	103,211
Write-off of bills / checks overdue for more than 360 days	(415,075)
Balance in 2020	694,604

For the fiscal years ended December 31, 2020 and 2019, expenses for the provision for doubtful accounts, recognized in the statement of income as selling expenses (Note 25), were as follows:

In thousands of Reais, except when otherwise indicated

	Consolidated	
	2020	**2019**
Net effect of PCLD in the income	535,278	310,367
Low / (Reversion) of bills overdue for more than 360 days		(2,232)
	535,278	308,135

5 Related parties

The main balances as of December 31, 2020 and 2019, as well as the transactions that influenced the income for the fiscal year, related to related-party transactions derive from transactions between the Company and its subsidiaries. Related-party transactions that do not incur interest and/or monetary adjustment.

The balance of the subsidiaries' accounts receivable relates to the sharing of corporate expenses and are presented below:

	Parent Company	
	2020	**2019**
Current assets		
Current account		
Irep		3
Estácio Ribeirão Preto		1
EnsineMe		6
Others		3
Subsidiaries		13

	Parent Company	
	2020	**2019**
Current liabilities		
Current account		
Seses	78	42
Subsidiaries	78	42

6 Prepaid expenses

	Consolidated	
	2020	**2019**
Insurance	2,777	3,144
IPTU (Urban Real Estate Property Tax)	148	
Teaching material		190
Advance of vacations and charges	2,176	4,008
Registration fee - MEC	2,827	1,755
Rents unappropriated	1,982	
Technical-pedagogical cooperation - Santa Casa	1,479	1,901
Other prepaid expenses	847	794
	12,236	11,792
Current assets	8,178	7,034
Non-current assets	4,058	4,758
	12,236	11,792

In the parent company, in the fiscal year ended on December 31, 2020, the amount of BRL1 relates to non-life insurance policies (BRL283 related to non-life insurance policies as of December 31, 2019).

In thousands of Reais, except when otherwise indicated

7 Taxes and contributions recoverable

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
IRRF (Withholding Income Tax) (i)	29,985	2,685	39,088	13,155
IRPJ/CSLL Prepayments			11,335	6,261
IRPJ/CSLL to be offset (ii)	17,620	37,707	99,952	151,152
PIS			789	2,231
COFINS			2,920	8,018
ISS (Tax on Services):			66,496	59,334
INSS (National Institute of Social Security)			24,247	15,767
Others			500	557
	47,605	40,392	245,327	256,475
Current assets	32,557	3,840	137,601	80,050
Non-current assets	15,048	36,552	107,726	176,425
	47,605	40,392	245,327	256,475

(i) The amount presented herein represents the prepayments of IRPJ in the form of withholding tax. The increase in the year 2020 is related to the IRRF in the Interest on Equity (JCP) operation carried out between companies of the same economic group. Such advances revert to tax credits used to offset taxes in the following fiscal year.

(ii) This amount refers to the excess of IRPJ/CSLL prepayments made in previous years, which is applied to offset government taxes. It is adjusted monthly by the Selic rate.

8 Investment in subsidiaries

(a) Parent Company Estácio Participações S.A.

	2020		2019	
	Investment	**Investment Loss**	**Investment**	**Investment Loss**
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")	3,923,597		1,394,421	
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")	1,226,699		1,119,135	
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")	3,244		3,424	
Ensine.me Serviços Educacionais Ltda. ("EnsineMe")		(30)		(30)
Sociedade de Ensino Superior Estacio Ribeirão Preto Ltda. ("Estácio Ribeirão Preto")	184,610		95,160	
	5,338,150	(30)	2,612,140	(30)

The subsidiaries' information is presented below:

	2020								
	Equity Interest	**Number of units of ownership**	**Total assets**	**Total liabilities**	**Equity**	**Goodwill**	**Income tax on goodwill from downstream merger**	**Total**	**Net income (loss) for the fiscal year**
SESES	100%	2,977,837	4,949,627	1,026,030	3,923,597			3,923,597	156,165
IREP	100%	628,492	1,699,071	534,814	1,164,257	62,442		1,226,699	14,328
NACP	100%	17,364	1,572	(1,672)	3,244			3,244	(1,220)
EnsineMe (i)	100%	251	32	67	(35)	5		(30)	
Estácio Ribeirão Preto	100%	23,837	269,831	82,991	186,840		(2,230)	184,610	89,372
			6,920,133	1,642,230	5,277,903	62,447	(2,230)	5,338,120	258,645

In thousands of Reais, except when otherwise indicated

									2019
	Equity Interest	**Number of units of ownership**	**Total assets**	**Total liabilities**	**Equity**	**Goodwill**	**Income tax on goodwill from downstream merger**	**Total**	**Net income (loss) for the fiscal year**
SESES	100%	610,677	2,376,452	982,031	1,394,421			1,394,421	445,149
IREP	100%	526,272	1,577,310	520,617	1,056,693	62,442		1,119,135	168,616
NACP	100%	16,614	4,284	860	3,424			3,424	(801)
EnsineMe (i)	100%	251	32	67	(35)	5		(30)	
Estácio Ribeirão Preto	100%	23,837	225,094	127,704	97,390		(2,230)	95,160	84,536
			4,183,172	1,631,279	2,551,893	62,447	(2,230)	2,612,110	697,500

(i) Provision for unsecured liabilities recorded under "Other" in current liabilities of the parent company

The table below presents the overall activity in the investments in subsidiaries in the fiscal years ended December 31, 2020 and 2019:

Investments in subsidiaries on 2018	2,151,500
Equity accounting income	697,500
Advance for future capital increase	14,777
Granted options	(1,265)
Dividends 2019	(263,909)
Restricted shares plan	13,537
Investments in subsidiaries on 2019	2,612,140
Equity accounting income	258,645
Advance for future capital increase	2,468,200
Capital increase	(26,550)
Granted options	(270)
Restricted shares plan	25,985
Investments in subsidiaries on 2020	5,338,150

The accounting information of the subsidiaries used to apply the equity accounting income method was related to the base date of December 31, 2020.

We present below the information on direct subsidiaries' investments:

(b) Parent Company Sociedade de Ensino Superior Estacio de Sá Ltda. ("SESES")

	2020	**2019**
Sociedade De Ensino Superior Toledo Ltda. ("UNITOLEDO")	105,077	96,236
Adtalem Educacional do Brasil Ltda. ("ADTALEM")	2,121,705	
	2,226,782	96,236

We present below the information on SESES' subsidiaries:

								2020
	Equity Interest	**Number of units of ownership**	**Total assets**	**Total liabilities**	**Equity**	**Goodwill**	**Total**	**Net income for the fiscal year**
UNITOLEDO	100%	3,460	49,992	39,626	10,366	94,711	105,077	7,695
ADTALEM	100%	1,014,623	2,573,856	534,294	2,039,562	82,143	2,121,705	17,381
			2,623,848	573,920	2,049,928	176,854	2,226,782	25,076

In thousands of Reais, except when otherwise indicated

	Equity Interest	Number of units of ownership	Total assets	Total liabilities	Equity	Goodwill	Total	Net income for the fiscal year
								2019
UNITOLEDO	100%	2,110	39,577	37,916	1,661	94,575	96,236	860
			39,577	37,916	1,661	94,575	96,236	860

The table below represents the overall activities in the investments of the direct subsidiary SESES in its subsidiaries in the fiscal years ended December 31, 2020 and 2019:

Equity accounting income	860
Advance for future capital increase	1,000
Acquisition of subsidiary	(199)
Goodwill on the acquisition	94,575
Investments in subsidiaries on 2019	96,236
Equity accounting income	25,076
Advance for future capital increase	13,040
Granted options	1,955
Acquisition of Subsidiary	2,008,196
Goodwill on the Acquisition	82,279
Investments in subsidiaries on 2020	2,226,782

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

	2020	2019
Sociedade Educacional Atual da Amazônia ("ATUAL")	604,267	586,235
ANEC - Sociedade Natalense de Educação e Cultura ("FAL")	7,283	8,921
Sociedade Universitária de Excelência Educacional do Rio Grande do Norte ("FATERN")	25,828	28,646
Athenas Serviços Administrativos Ltda ("ATHENAS")	4,766	
União das Escolas Superiores de JI-PARANA Ltda ("UNIJIPA")	40,424	
Pimenta Bueno Serviços Educacionais LTDA ("PIMENTA BUENO")	1,702	
Centro Educacional Rolim de Moura Ltda ("CENTRO ROLIM")	9,887	
União Educacional Meta Ltda ("UNIÃO META")	48,082	
Centro de Educacional do Pantanal Ltda ("CENTRO PANTANAL")	81,704	
	823,943	623,802

We present below the information on IREP's subsidiaries:

	Equity Interest	Number of units of ownership	Total assets	Total liabilities	Equity	Goodwill	Total	Net income (loss) for the fiscal year
								2020
ATUAL	100%	434,777	647,156	58,392	588,764	15,503	604,267	15,236
FAL	100%	20,781	9,158	9,951	(793)	8,076	7,283	(2,488)
FATERN	100%	9,160	13,991	3,142	10,849	14,979	25,828	(2,817)
ATHENAS	100%	4,951	386	1,600	(1,214)	5,980	4,766	(134)
UNIJIPA	100%	20,118	29,417	15,965	13,452	26,972	40,424	(86)
PIMENTA BUENO	100%	3,542	6,633	3,817	2,816	(1,114)	1,703	(556)
CENTRO ROLIM	100%	7,414	17,495	11,016	6,479	3,408	9,887	(132)
UNIÃO META	100%	27,033	51,558	36,325	15,233	32,849	48,082	(118)
CENTRO PANTANAL	100%	12,661	24,435	16,363	8,072	73,630	81,703	1,000
			800,229	156,571	643,658	180,283	823,943	9,905

In thousands of Reais, except when otherwise indicated

	2019							
	Equity Interest	**Number of units of ownership**	**Total assets**	**Total liabilities**	**Equity**	**Goodwill**	**Total**	**Net income (loss) for the fiscal year**
ATUAL	100%	41,927	690,098	119,366	570,732	15,503	586,235	71,588
FAL	100%	20,031	11,621	10,776	845	8,076	8,921	(2,937)
FATERN	100%	9,160	17,980	4,313	13,667	14,979	28,646	(101)
			719,699	134,455	585,244	38,558	623,802	68,550

The table below represents the overall activities in the investments of the direct subsidiary IREP in its subsidiaries in the fiscal years ended December 31, 2020 and 2019:

Investments in subsidiaries on 2018	579,520
Equity accounting income	68,550
Advance for future capital increase	28,962
Dividends 2019	(53,498)
Granted options	268
Investments in subsidiaries on 2019	623,802
Equity accounting income	9,905
Acquisition of Subsidiary	38,029
Goodwill on the acquisition	141,726
Advance for future capital increase	10,386
Granted Options	95
Investments in subsidiaries on 2020	823,943

(d) Subsidiary Sociedade Atual da Amazônia ("ATUAL")

	2020	**2019**
Sociedade Educacional da Amazônia ("SEAMA")	58,243	49,706
Idez Empreendimentos Educacionais Sociedade Simples Ltda. ("IDEZ")	1,945	2,785
Sociedade Educacional do Rio Grande do Sul S/S Ltda. ("FARGS")	17,593	18,612
Uniuol Gestão de Empreendimentos Educacionais e Participações S.A. ("UNIUOL")	1,244	1,406
Unisãoluis Educacional S.A ("SÃO LUIS")	84,955	86,470
Instituto de Ensino Superior Social e Tecnológico Ltda. ("FACITEC")	47,703	48,836
Associação de Ensino de Santa Catarina ("ASSESC")	5,309	6,340
Centro de Assistência ao Desenvolvimento de formação Profissional Unicel Ltda. ("Estácio Amazonas")	52,022	50,724
Instituto de Estudos Superiores da Amazônia ("IESAM")	103,026	94,848
Centro de Ensino Unificado de Teresina ("CEUT")	56,380	48,486
Faculdade Nossa Cidade ("FNC")	91,033	94,155
Faculdades Integradas de Castanhal Ltda. ("FCAT")	44,639	37,526
Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant'Ana Ltda. ("FUFS")	9,344	13,899
	573,436	553,793

We present below the information on ATUAL's subsidiaries:

	2020								
	Equity Interest	**Number of units of ownership**	**Total assets**	**Total liabilities**	**Equity**	**Goodwil l**	**Goodwill**	**Total**	**Net income (loss) for the fiscal year**
SEAMA	100%	4,407	56,276	16,068	40,208	18,035		58,243	8,536
IDEZ	100%	9,247	3,577	3,679	(102)	2,047		1,945	(2,040)
FARGS	100%	8,606	17,954	8,416	9,538	8,055		17,593	(1,019)
UNIUOL	100%	10,328	1,168	880	288	956		1,244	(462)
SÃO LUIS	100%	3,819	82,678	25,091	57,587	27,368		84,955	(1,540)
FACITEC	100%	6,051	84,041	62,992	21,049	26,654		47,703	(1,134)

In thousands of Reais, except when otherwise indicated

ASSESC	100%	2,916	11,754	11,168	586	4,723		5,309	(1,230)
Estácio Amazonas	100%	48,797	56,158	30,350	25,808	26,214		52,022	1,250
IESAM	100%	14,980	73,024	8,580	64,444	26,797	11,785	103,026	8,398
CEUT	100%	16,938	44,839	16,027	28,812	27,568		56,380	7,847
FNC	100%	22,328	44,616	25,629	18,987	72,046		91,033	(1,159)
FCAT	100%	12,191	46,764	22,246	24,518	20,121		44,639	8,031
FUFS	100%	13,593	9,009	5,920	3,089	6,255		9,344	(4,788)
			531,858	237,046	294,812	266,839	11,785	573,436	20,690

									2019
	Equity Interest	**Number of units of ownership**	**Total assets**	**Total liabilities**	**Equity**	**Goodwil l**	**Goodwill**	**Total**	**Net income (loss) for the fiscal year**
SEAMA	100%	8,606	60,796	29,125	31,671	18,035		49,706	18,652
IDEZ	100%	8,147	4,151	3,413	738	2,047		2,785	(1,663)
FARGS	100%	9,778	18,084	7,527	10,557	8,055		18,612	1,713
UNIUOL	100%	10,028	1,223	773	450	956		1,406	(897)
SÃO LUIS	100%	3,795	100,513	41,411	59,102	27,368		86,470	21,282
FACITEC	100%	6,051	85,039	62,857	22,182	26,654		48,836	4,834
ASSESC	100%	2,416	11,755	10,138	1,617	4,723		6,340	(1,209)
Estácio Amazonas	100%	14,980	55,960	31,450	24,510	26,214		50,724	3,362
IESAM	100%	48,796	76,775	20,729	56,046	26,797	12,005	94,848	16,153
CEUT	100%	16,938	46,338	25,420	20,918	27,568		48,486	6,541
FNC	100%	22,328	51,551	31,404	20,147	72,046	1,962	94,155	2,561
FCAT	100%	12,191	46,182	29,694	16,488	20,121	917	37,526	4,649
FUFS	100%	13,593	12,756	5,269	7,487	6,255	157	13,899	(2,248)
			571,123	299,210	271,913	266,839	15,041	553,793	73,730

The table below represents the overall activities in the investments of the direct subsidiary ATUAL in its direct subsidiaries in the fiscal years ended December 31, 2020 and 2019:

Investments in subsidiaries on 2018	535,725
Equity accounting income	73,730
Advance for future capital increase	2,450
Amortization of goodwill	(4,882)
Dividends 2019	(53,498)
Granted options	268
Investments in subsidiaries on 2019	553,793
Equity accounting income	20,690
Advance for future capital increase	2,090
Amortization of goodwill	(3,256)
Granted options	24
Capital increase	95
Investments in subsidiaries on 2020	573,436

9 Intangible Assets

(a) Intangible Assets - Parent Company

	2019		**2020**
	Cost	**Additions**	**Cost**
Cost			
Goodwill on investments' acquisitions (i)	780,065		780,065
Software use rights	99		99
Integration Project	212		212
Goodwill	79,704		79,704
	860,080		860,080

In thousands of Reais, except when otherwise indicated

	Amortization rates	Amortization	Additions	Amortization
Amortization				
Software use rights	20% p.a.	(99)		(99)
Integration Project	20% p.a.	(138)	(43)	(181)
Goodwill	20 to 33% p.a.	(79,704)		(79,704)
		(79,941)	(43)	(79,984)
Net residual balance		780,139	(43)	780,096

	2018		2019
	Cost	Additions	Cost
Cost			
Goodwill on investments' acquisitions (i)	780,065		780,065
Software use rights	99		99
Integration Project	212		212
Goodwill	79,704		79,704
	860,080		860,080

	Amortization rates	Amortization	Additions	Amortization
Amortization				
Software use rights	20% p.a.	(91)	(8)	(99)
Integration Project	20% p.a.	(97)	(41)	(138)
Goodwill	20 to 33% p.a.	(79,703)	(1)	(79,704)
		(79,891)	(50)	(79,941)
Net residual balance		780,189	(50)	780,139

(i) Goodwill is an integral part of investments line due to the merger of Estácio Ribeirão Preto Holding.

(b) Intangibles assets - Consolidated

		2019						2020
		Cost	Additions by acquisition	Additions	Write-offs	Transf.	Reclass.	Cost
Cost								
Goodwill on investments' acquisitions		1,276,056	904,285	136				2,180,477
Software use rights		441,660	59,333	161,639	(13,827)	2,402	(258)	650,949
EAD and Integration		18,360						18,360
Learning Center		102,810		12,881		(325)		115,366
IT Architecture		21,664						21,664
Online class material		8,043						8,043
Knowledge Factory - EAD		44,372		12,352				56,724
Questions database		13,122		764				13,886
Goodwill		201,185	597,775		(206)			798,754
Others		70,291	19,486	72,075		(2.077)	1,582	161,356
		2,197,563	1,580,879	259,847	(14,033)		1,324	4,025,580
	Amortization rates	Amortization	Additions by acquisition	Additions	Write-offs	Transf.	Reclass.	Amortization
Amortization								
Goodwill on investments' acquisitions	Undefined	(6,924)						(6,924)
Software use rights	10 to 20% p.a.	(293,265)	(23,545)	(92,821)	12,911	34	35	(396,651)
EAD and Integration	20% p.a.	(17,904)		(306)				(18,210)
Learning Center	10% p.a.	(43,147)		(13,170)				(56,317)
IT Architecture	17 to 20% p.a.	(16,220)		(3,845)				(20,065)
Online class material	20% p.a.	(7,457)		(326)				(7,783)
Knowledge Factory - EAD	10% p.a.	(13,578)		(5,406)				(18,984)
Questions database	20% p.a.	(8,002)		(2,482)				(10,484)
Goodwill (i)	20 to 50% p.a.	(158,462)	(57,329)	(45,860)				(261,651)
Others	20 to 50% p.a.	(22,188)	(7,344)	(12,406)		(34)		(41,972)
		(587,147)	(88,218)	(176,622)	12,911		35	(839,041)
Net residual balance		1,610,416	1,492,661	83,225	(1,122)		1,359	3,186,539

(i) Refers to intangible assets allocated in business combination: Client portfolio, Brands and Operating license.

In thousands of Reais, except when otherwise indicated

	2018					2019
	Cost	Additions by acquisition	Additions	Write-offs	Transf.	Cost
Cost						
Goodwill on investments' acquisitions	1,181,481		94,575			1,276,056
Software use rights	334,996	830	106,902	(326)	(742)	441,660
EAD and Integration	18,298		39		23	18,360
Learning Center	86,910		15,900			102,810
IT Architecture	21,664					21,664
Online class material	8,043					8,043
Knowledge Factory - EAD	39,304		5,068			44,372
Questions database	11,636		1,486			13,122
Goodwill	173,503		27,682			201,185
Others	34,231	3	35,478	(140)	719	70,291
	1,910,066	833	287,130	(466)		2,197,563

	Amortization rates	Amortization	Additions by acquisition	Additions	Write-offs	Transf.	Amortization
Amortization							
Goodwill on investments' acquisitions	Undefined	(6,924)					(6,924)
Software use rights	20% p.a.	(236,368)	(559)	(56,339)	1		(293,265)
EAD and Integration	20% p.a.	(17,216)		(688)			(17,904)
Learning Center	10% p.a.	(31,018)		(12,129)			(43,147)
IT Architecture	17 to 20% p.a.	(12,375)		(3,845)			(16,220)
Online class material	20% p.a.	(7,007)		(450)			(7,457)
Knowledge Factory - EAD	10% p.a.	(8,784)		(4,794)			(13,578)
Questions database	20% p.a.	(5,624)		(2,378)			(8,002)
Goodwill (i)	20 to 50% p.a.	(153,580)		(4,882)			(158,462)
Others	20% p.a.	(17,350)		(4,838)			(22,188)
		(496,246)	(559)	(90,343)	1		(587,147)
Net residual balance		1,413,820	274	196,787	(465)		1,610,416

(i) Refers to intangible assets allocated in business combination: Client portfolio, Brands and Operating license.

As of December 31, 2020 and 2019, net goodwill on acquisitions of investments was represented as follows:

	Parent Company		Consolidated	
	2020	2019	2020	2019
Goodwill on acquisitions of investments net of accumulated amortization				
IREP			89,090	89,090
UNITOLEDO			94,711	94,575
ADTALEM			762,559	
ATHENAS			141,726	
ATUAL			15,503	15,503
Seama			18,035	18,035
Idez			2,047	2,047
Uniuol			956	956
Fargs			8,055	8,055
São Luis			27,369	27,369
Facitec			26,654	26,654
Assesc			4,723	4,723
Iesam			26,797	26,797
Estácio Amazonas			26,214	26,214
Ceut			27,568	27,568
FNC			72,046	72,046
FCAT			20,120	20,120
FUFS			6,255	6,255
FAL			8,076	8,076
FATERN			14,979	14,979
EnsineMe			5	5
Estácio Ribeirão Preto	9,371	9,371	9,371	9,371
Estácio Ribeirão Preto Holding	770,694	770,694	770,694	770,694
	780,065	780,065	2,173,553	1,269,132

In thousands of Reais, except when otherwise indicated

The Company carries out annual impairment tests, the last being for the year ended December 31, 2020, related to goodwill on investment acquisitions and mergers, based on expected future profitability for projected future earnings over the next 10 years using a nominal perpetuity growth rate of 5.0% p.a. and a single nominal discount rate of 11.7% to discount estimated future cash flows.

If the carrying amount of the asset exceeds its recoverable value, the Company recognizes a reduction in the carrying amount of such asset (impairment). The impairment is recorded in the income of the year.

Management established the gross margin based on past performance and on its expectations for market development. The weighted average growth rate used is consistent with the estimates included in the sector reports. The discount rates used correspond to rates before taxes, and reflect specific risks regarding the relevant operational segments.

The key assumptions were based on the historic performance of the Company and the macroeconomic assumptions that are reasonable and grounded based on the projections of financial market, documented and approved by Company's Management.

10 Property, Plant and Equipment

Property, plant and equipment - Consolidated

	December 31, 2019						December 31, 2020
	Cost	**Additions by Acquisition**	**Addition**	**Write-offs**	**Transf.**	**Reclass.**	**Cost**
Cost							
Land	19,787	48,448					68,235
Buildings	241,413	93,224	4,163		7,861	2,940	349,601
Buildings in third-party	1,134,379	404,704	162,418	(23,537)			1,677,964
Improvement works in third parties' real estate properties	364,147	154,077	11,957	(448)	65,748	(618)	594,863
Furnitre and fixtures	140,155	52,478	15,911	(1,343)	60	38	207,299
Computers and peripherals	182,156	57,920	27,635	(8,572)		36	259,175
Machinery and equipment	138,724	60,183	21,909	(44,161)	77	(2)	176,730
Physical activity equipment	87,887	8,501	15,118	(53)	38	61	111,552
Library	171,481	39,133	1,505	(404)			211,715
Facilities	64,946	11,071	6,802		4	302	83,125
Tablets	9,309			(9,309)			
Constructions in progress	41,790	6,943	90,591		(73,792)	(4,080)	61,452
Demobilization	27,471	34,647	20,559				82,677
Others	18,342	3,278	2,033	(27)	1		23,627
	2,641,987	974,607	380,601	(87,854)	(3)	(1,323)	3,908,015

	Depreciation rates	**Depreciation**	**Additions by Acquisition**	**Addition**	**Write-offs**	**Transf.**	**Reclass.**	**Depreciation**
Depreciation								
Buildings	1.67 to 4% p.a.	(67,310)	(58,434)	(8,236)			(636)	(134,616)
Buildings in third-party	21.60% p.a	(163,985)	(71,405)	(211,992)	5,757			(441,625)
Improvement works in third parties' real estate properties	4 to 11.11% p.a.	(191,733)		(47,684)	449		614	(238,354)
Furniture and fixtures	8.33 to 10% p.a.	(71,906)	(28,523)	(15,714)	1,292	3		(114,848)
Computers and peripherals	20 to 25% p.a.	(145,829)	(37,521)	(21,099)	8,560	(624)	(1)	(196,514)
Machinery and equipment	8.33 to 10% p.a.	(94,621)	(13,320)	(16,028)	44,143	624		(79,202)
Physical activity equipment	6.67% p.a.	(28,005)	(2,554)	(6,320)	43		(1)	(36,837)
Library	5 to 10% p.a.	(84,379)	(23,543)	(9,200)	404			(116,718)
Facilities	8.33 to 20% p.a.	(25,970)	(6,396)	(5,915)			(12)	(38,293)
Tablets	20% p.a.	(8,901)		(408)	9,309			
Demobilization		(18,267)	(11,136)	(17,187)				(46,590)
Others	14.44 to 20% p.a.	(8,859)	(2,007)	(2,530)	22			(13,374)
		(909,765)	(254,839)	(362,313)	69,979	3	(36)	(1,456,971)
Net residual balance		1,732,222	719,768	18,288	(17,875)		(1,359)	2,451,044

In the parent company, the amount of BRL5 in the fiscal year ended December 31, 2020, relates to computers and peripherals (BRL11 in the fiscal year ended December 31, 2019).

In thousands of Reais, except when otherwise indicated

	2018					2019
	Cost	**Additions by acquisition**	**Addition**	**Write-offs**	**Transf.**	**Cost**
Cost						
Land	19,295	492				19,787
Buildings	228,384		7,470		5,559	241,413
Buildings in third-party (i)			1,140,294		(5,916)	1,134,378
Improvement works in third parties' real estate properties	295,799	599	38,737	(303)	29,315	364,147
Furniture and fixtures	109,851	3,669	20,866	(11,236)	17,005	140,155
Computers and peripherals	163,139	4,187	21,747	(7,213)	296	182,156
Machinery and equipment	132,029		17,930	(237)	(10,998)	138,724
Physical activity equipment	61,854	3,620	22,483	(63)	(7)	87,887
Library	167,613	2,569	1,409	(63)	(47)	171,481
Facilities	53,920	2	10,960	(41)	105	64,946
Tablets	32,442			(23,133)		9,309
Constructions in progress	14,385	126	62,486	(94)	(35,113)	41,790
Demobilization	26,951		1,850	(1,330)		27,471
Others	16,595	132	2,103	(71)	(418)	18,341
	1,322,257	15,396	1,348.335	(43,784)	(219)	2,641,985

	Depreciation rates	**Depreciation**	**Additions by acquisition**	**Addition**	**Write-offs**	**Transf.**	**Depreciation**
Depreciation							
Buildings	21.50% p.a.	(63,174)		(4,144)		8	(67,310)
Buildings in third-party (i)	21.50% p.a.			(164,343)		359	(163,984)
Improvement works in third parties' real estate properties	11.11% p.a.	(158,360)		(33,694)	127	194	(191,733)
Furniture and fixtures	8.33% p.a.	(58,893)	(2,317)	(10,631)	919	(984)	(71,906)
Computers and peripherals	25% p.a.	(133,827)	880	(17,833)	6,553	158	(145,829)
Machinery and equipment	8.33% p.a.	(75,059)	(3,646)	(16,577)	175	486	(94,621)
Physical activity equipment	6.67% p.a.	(22,664)	(893)	(4,494)	35	11	(28,005)
Library	5% p.a.	(75,523)	(1,549)	(7,372)	62	3	(84,379)
Facilities	8.33% p.a.	(21,854)		(4,101)	14	(29)	(25,970)
Tablets	20% p.a.	(28,510)		(3,514)	23,123		(8,901)
Demobilization		(16,479)		(1,855)	67		(18,267)
Others	14.44% p.a.	(6,809)	(73)	(2,048)	59	13	(8,858)
		(661,152)	(9,358)	(270,606)	31,134	219	(909,763)
Net residual balance		661,105	6,038	1,077,729	(12,650)		1,732,222

(i) Some assets acquired through financing or leasing (Note 12) were given as guarantee in respect to the related agreements. The Company and its subsidiaries did not grant other guarantees for assets owned by them in any transaction carried out.

Machinery and equipment, peripherals, furniture and fixtures and property rental include the following amounts where the Group is a lessee under a finance lease:

		2019				2020
		Cost	**Additions by acquisition**	**Additions**	**Write-offs**	**Cost**
Cost						
Financial leases capitalized		1,227,630	404,704	176,915	(76,722)	1,732,527
		1,227,630	404,704	176,915	(76,722)	1,732,527
	Depreciation rate	**Depreciation**	**Additions by acquisition**	**Additions**	**Write-offs**	**Depreciation**
Depreciation						
Financial leases capitalized	21.60% p.a.	(243,938)	(71,405)	(222,469)	58,942	(478,870)
		(243,938)	(71,405)	(222,469)	58,942	(478,870)
Net accounting balance		983,692	333,299	(45,554)	(17,780)	1,253,657

In thousands of Reais, except when otherwise indicated

The Group leases a number of rights-of-use assets, such as machinery and equipment, peripherals, furniture and fixtures and properties rental, under non-cancelable lease agreements. The lease terms are according to the agreement term and the assets title does not belong to the Group. All the Group's leases are recognized by the operation's net present value.

Assets impairment test - "*Impairment*"

According to Technical Pronouncement CPC 01 (R1) (IAS 36), "Assets Impairment", items of property, plant and equipment, which show that their registered costs are higher than their impairment loss (market value), are reviewed to determine the need for a provision to reduce the book balance to its realization value. Management performed an annual analysis of the corresponding operational and financial performance of its assets and did not identify changes in circumstances or signs of technological obsolescence. As of December 31, 2020 and 2019, there was no need to record any provision for loss on property, plant and equipment.

11 Loans and financing

		Parent Company		Consolidated	
Type	**Financial charges**	**2020**	**2019**	**2020**	**2019**
In local currency					
Fifth debenture issuance (1st Series)	CDI+0.585% p.a.	252,028	254,968	252,028	254,968
Fifth debenture issuance (2nd Series)	CDI+0.785% p.a.	352,833	357,087	352,833	357,087
Santander loan	CDI +1.10% p.a.	605,805		605,805	
ABC loan	CDI+3.85% p.a.	50,503		50,503	
Safra loan	CDI+2.80% p.a.	200,258		200,258	
FINEP loan	6% p.a	2,474	3,080	2,474	3,080
Itaú CCB loan	CDI+2.70% p.a.	151,695		151,695	
Bradesco CCB Loan	CDI+2.70% p.a.	362,347		362,347	
Banco do Brasil CCB Loan	CDI+1.85% p.a.	100,089		100,089	
Itaú promissory notes	CDI+2.5% p.a.	361,309		361,309	
Citibank loan	CDI+2.75% p.a.	75,825		75,825	
In foreign currency					
Citibank loan	Libor +0.62 p.a, +0.64 p.a and +0.69993% p.a	988,584		988,584	
		3,503,750	615,135	3,503,750	615,135
Current liabilities		390,302	13,586	390,302	13,586
Non-current liabilities		3,113,448	601,549	3,113,448	601,549
		3,503,750	615,135	3,503,750	615,135

The amounts recorded as non-current liabilities as of December 31, 2020 and 2019, present the following maturity schedule:

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
2021		137		137
2022	2,612,473	250,338	2,612,473	250,338
2023	325,297	175,378	325,297	175,378
2024	175,553	175,553	175,553	175,553
As from 2025	125	143	125	143
Non-current liabilities	3,113,448	601,549	3,113,448	601,549

The Company and its subsidiaries do not offer any of their assets as collateral for their loans.

The amounts of the Group loans are mainly in Reais, of which only three are in USD (US dollars).

In February 2019, the Company concluded its fifth debenture issuance in the total amount of BRL600,000 maturing on February 15, 2024 in two series. The 1st series yielded 100% of the CDI rate + 0.585% p.a. for the principal of BRL250,000 maturing on February 15, 2022. The 2nd series yielded 100% + 0.785% p.a., with the first principal amortization occurring on February 15, 2023 in the amount of BRL175,000 and the second principal amortization on February 15, 2024 in the amount of BRL175,000.

In February 2020, the Company concluded the contracting of the 1st loan of a line 4131 with Citibank in the amount of USD125,000 (converted to BRL541,675 in equivalent quotation on that date) with single amortization of the principal on February 17, 2022, at the cost of Libor + 0.69993% p.a.

In February 2020, the Company concluded the contracting of the 2nd loan of a line 4131 with Citibank in the amount of USD40,000 (converted to BRL173,336 in equivalent quotation on that date) with single amortization of the principal on February 18, 2021, at the cost of Libor + 0.62% p.a.

In February 2020, the Company concluded the contracting of the 3rd loan of a line 4131 with Citibank in the amount of USD25,000 (converted to BRL109,537 in equivalent quotation on that date) with single amortization of the principal on February 25, 2022, at the cost of Libor + 0.64% p.a.

In March 2020, the Company concluded the contracting of a CCB with Santander in the amount of BRL500,000, with a single amortization of the principal on March 4, 2022, at the cost of 100% of CDI + 1.095% p.a.

In March 2020, the Company completed the third issue of promissory notes in the total amount of BRL500,000 in two series, the first series at a cost of 100% of the CDI + 2.5% p.a. in the principal amount of BRL350,000 maturing on March 17, 2022, and the 2nd series at a cost of 100% + 2.5% p.a. in the principal amount of BRL150,000, maturing on March 29, 2021.

In April 2020, the Company concluded the contracting of a CCB with Citibank in the amount of BRL75,000, with a single amortization of the principal on April 4, 2022, at the cost of 100% of CDI + 2.75% p.a.

In April 2020, the Company completed the fourth issue of promissory notes in the total amount of BRL350,000 in a single series, at the cost of 100% of the CDI + 2.7% p.a. maturing on April 9, 2021.

In April 2020, the Company concluded the contracting of a CCB with Santander in the amount of BRL100,000, with a single amortization of the principal on April 20, 2021, at the cost of 100% of CDI + 3.69% p.a.

In April 2020, the Company concluded the contracting of a CCB with ABC in the amount of BRL50,000, with a single amortization of the principal on April 28, 2021, at the cost of 100% of CDI + 3.85% p.a.

In June 2020, the Company concluded the contracting of a CCB with Safra in the amount of BRL200,000, with a single amortization of the principal on June 09, 2022, at the cost of 100% of CDI + 2.80% p.a.

In September 2020, the Company concluded the contracting of a CCB with Itaú in the amount of BRL150,000, with a single amortization of the principal on April 04, 2023, at the cost of 100% of CDI + 2.70% p.a.

In September 2020, the Company fully settled the second series of the third issue of Promissory Notes with Banco Itaú in the amount of BRL153,133.

In September 2020, the Company concluded the contracting of a CCB with Bradesco in the amount of BRL360,000, with a single amortization of the principal on September 23, 2022, at the cost of 100% of CDI + 2.70% p.a.

In September 2020, the Company fully settled the fourth issue of Promissory Notes with Banco Bradesco in the amount of BRL358,337.

In December 2020, the Company concluded the contracting of a CCB with Banco do Brasil in the amount of BRL100,000, with a single amortization of the principal on February 9, 2022, at the cost of 100% of CDI + 1.85% p.a.

In thousands of Reais, except when otherwise indicated

On January 14, 2021, we celebrated an amendment to Credit Agreements (Op. 4,131) between the Company and Citibank in the total volume of USD40 million, signed on February 14, 2020, maturing on February 18, 2021. Global derivative agreement by the Company which establishes the general terms and conditions for carrying out derivative transactions, in the form of hedge, for the exclusive purpose of hedging foreign exchange referring to Financial Operations with registration with SISBACEN (module RDE/ROF).

The interest rate on Financial Operations corresponds to one hundred percent (100%) of the accumulated variation of the average daily rates of DI - one-day interbank deposits, "over extra-group", expressed as a percentage per year, base two hundred and fifty-two (252) Business Days, plus a spread of one whole and eighty-five hundredths percent (1.85%) with new maturity for January 19, 2022, calculated from the date of disbursement of the Financial Operation until the full settlement of its obligations.

The agreements held with several creditors include covenants that require the maintenance of certain financial indexes with previously established parameters. As of December 31, 2020 and 2019, the subsidiaries and the parent company reached all indices required in the agreements.

12 Leases

The lease liability arises from the recognition of future payments and the right to use the leased asset for practically all lease agreements, including the operational ones, and certain short-term or small amounts agreements may be out of scope.

Lease agreements are secured by the underlying assets.

	Consolidated	
	2020	**2019**
Leases payable	1,970,971	1,526,620
Lease interest	(619,647)	(490,103)
	1,351,324	1,036,517
Current liabilities	199,549	156,468
Non-current liabilities	1,151,775	880,049
	1,351,324	1,036,517

The increase in lease liabilities arises from the Company's net debt addition. Depreciation and interest are recognized in the statement of income as a replacement of operational lease expenses ("rent").

Changes in leasing assets and liabilities in the period:

<u>Right of use asset</u>

			Consolidated
	Buildings from third parties	**Others**	**Total**
Right of use asset on 2019	970,394	13,298	983,692
Additions by acquisition	333,299		333,299
Additions	162,418	14,496	176,914
Write-offs	(17,781)		(17,781)
Depreciation	(211,993)	(10,475)	(222,468)
Right of use asset on 2020	1,236,338	17,320	1,253,657

In thousands of Reais, except when otherwise indicated

Lease liabilities

	Consolidated		
	Buildings from third parties	**Others**	**Total**
Right of use liability on 2019	1,021,766	14,750	1,036,516
Additions by acquisition	354,237		354,237
Additions	165,064	14,496	179,560
Write-offs	(18,147)	351	(17,796)
Interest incurred	114,091	543	114,634
Payment of principal	(303,686)	(12,141)	(315,827)
Right of use liability on 2020	1,333,325	17,999	1,351,324
Current	191,782	7,767	199,549
Non-current	1,141,543	10,232	1,151,775
	1,333,325	17,999	1,351,324

Right of use asset

	Consolidated		
	Buildings from third parties	**Others**	**Total**
Right of use asset on 2018		34,172	34,172
Additions by acquisition		213	213
Additions	1,134,379	12,393	1,146,772
Write-offs		(10,151)	(10,151)
Depreciation	(163,984)	(23,329)	(187,313)
Right of use asset on 2019	970,395	13,298	983,692

Lease liabilities

	Consolidated		
	Buildings from third parties	**Others**	**Total**
Right of use liability on 2018		33,048	33,048
		960	960
Additions	1,134,379	5,316	1,139,695
Write-offs		(10,151)	(10,151)
Interest incurred	92,868	2,349	95,217
Payment of principal	(205,481)	(16,774)	(222,255)
Right of use liability on 2019	1,021,766	14,748	1,036,514
Current	150,847	5,461	156,308
Non-current	870,919	9,286	880,206
	1,021,766	14,748	1,036,514

13 Salaries and welfare charges

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Salaries, indemnity amounts and welfare charges payable	599	651	121,414	103,480
Provision for vacation			80,743	32,952
	599	651	202,157	136,432

In thousands of Reais, except when otherwise indicated

14 Tax obligations

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
ISS payable	11	3	26,627	17,317
IRRF payable	102	84	41,143	12,973
PIS and COFINS payable	16,469	51	23,058	3,723
IOF (Tax on Financial Transactions) payable			2	
	16,582	138	90,830	34,013
IRPJ payable	5,062		11,485	1,615
CSLL payable	1,831		4,380	410
	6,893		15,865	2,025
	23,475	138	106,695	36,038

15 Tax installment payment

	Consolidated	
	2020	**2019**
IRPJ	1,279	1,992
CSLL	19	27
FGTS (Government Severance Indemnity Fund for Employees)	962	1,195
ISS	1	59
PIS	78	85
COFINS	533	623
INSS	9,380	10,546
OTHERS	481	221
	12,733	14,748
Current liabilities	3,543	3,729
Non-current liabilities	9,190	11,019
	12,733	14,748

The balance of tax installment payment is monthly adjusted by the Selic rate.

These tax installment payments are related to taxes with Municipal Governments, the Federal Revenue Office and the Social Security, and their long-term maturities are presented below:

	Consolidated	
	2020	**2019**
2021		1,949
2022	2,854	2,538
2023	2,685	2,538
2024	2,119	2,082
2025	494	868
2026 to 2029	1,038	1,044
	9.190	11,019

In thousands of Reais, except when otherwise indicated

16 Acquisition price payable

	Consolidated	
	2020	**2019**
SÃO LUIS	9,950	9,683
CEUT (i)	3,135	3,375
FUFS	2,379	2,279
UNITOLEDO (ii)	30,038	47,693
ADTALEM (iii)	44,226	
ATHENAS GRUPO EDUCACIONAL (iv)	57,341	
	147,069	63,030
Acquisition of real estate properties (v)	813	653
	147,882	63,683
Current liabilities	57,936	19,142
Non-current liabilities	89,946	44,541
	147,882	63,683

(i) In January 2020, an advance settlement was made of the share due to the former partner.
(ii) In November/2020, a portion related to the acquisition of UNITOLEDO was settled.
(iii) On October 18, 2019, the Company acquired through the parent company SESES all the units of ownership of Adtalem Brasil Holding S/A, in which we have a balance payable for the companies acquired from the group in the total amount of BRL44,226 on December 31, 2020.
(iv) On June 04, 2020, the company acquired through the parent company IREP all the units of ownership of Athenas Grupo Educacional (Athenas Serviços Administrativos LTDA., Centro de Educação de Rolim De Moura LTDA., Centro de Educação do Pantanal LTDA., Pimenta Bueno Serviços Educacionais LTDA., União Educacional Meta LTDA., UNIJIPA – União Das Escolas Superiores de Ji-Paraná LTDA, in which we have a balance payable of BRL57,341 on December 31, 2020.
(v) Balance related to the commitment entered into between IREP and União Norte Brasileira de Educação e Cultura - UNBEC concerning various real estate properties located in the City of Fortaleza, State of Ceará.

It basically refers to the amount payable to former owners, related to the acquisition of related companies and real estate properties, being adjusted monthly by one of the following indexes: SELIC, IPCA (General Market Price Index), IGP-M or the variation of CDI, depending on the agreement.

The amounts recorded as non-current liabilities as of December 31, 2020 and 2019, present the following maturity schedule:

	Consolidated	
	2020	**2019**
2021	32,605	29,939
2022	57,341	14,602
	89,946	44,541

17 Contingencies

The Company's subsidiaries are party to various civil, labor and tax proceedings at different court levels. Management, based on the opinion of its external legal counsel, made a provision for amounts considered sufficient to cover potential losses from pending litigation.

In thousands of Reais, except when otherwise indicated

As of December 31, 2020 and 2019, the provision for contingencies was comprised as follows:

	Consolidated			
	2020		2019	
	Contingencies	Judicial deposits	Contingencies	Judicial deposits
Civil	92,453	39,316	24,073	17,904
Labor	123,456	48,602	90,960	42,330
Tax	30,933	14,770	3,383	15,856
	246,842	102,688	118,416	76,090

In the fiscal year ended December 31, 2020, the amount of BRL300 relates to the parent company's contingency, of which BRL50 relates to the civil and BRL228 to tax contingencies (BRL306 in the fiscal year ended December 31, 2019, of which BRL107 related to civil and BRL199 to tax contingencies) and as of December 31, 2020, the amount of BRL232 refers to the parent company's judicial deposits (BRL216 in the fiscal year ended December 31, 2019).

The activity in the provision for contingencies is shown below:

	Civil	Labor	Tax	Total
Balance in 2018	20,019	98,453	8,445	126,917
Additions	44,389	42,788	5,518	92,695
Reversals	(9,919)	(11,223)	(5,229)	(26,371)
Write-offs for payments	(35,133)	(44,972)	(4,804)	(84,909)
Monetary adjustment	4,717	5,914	(547)	10,084
Balance in 2019	24,073	90,960	3,383	118,416
Additions by Acquisition	7,895	14,638	15,077	37,610
Additions	97,685	78,691	17,245	193,621
Reversals	(15,543)	(5,368)	(7,001)	(27,912)
Write-offs for payments	(31,825)	(55,811)	(693)	(88,329)
Monetary adjustment	10,168	346	2,922	13,436
Balance in 2020	92,453	123,456	30,933	246,842

In the fiscal years ended December 31, 2020, and 2019, expenses with the provision for contingencies, recognized in the statement of income were as follows:

	2020	2019
Composition of the income		
Additions	193,621	92,695
Reversals	(27,912)	(26,371)
Monetary adjustment	13,436	10,084
Provision for contingencies	179,145	76,408
General and administrative expenses (Note 25)	(165,717)	(66,324)
Financial income (Note 27)	(13,428)	(10,084)
	(179,145)	(76,408)

(a) Civil

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

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

In thousands of Reais, except when otherwise indicated

Matter	Amounts
Real estate	35,772
Success Fees	13,090
Undue Collection	14,838
Accreditation and Cancelation of the Course	3,433
Pain and Suffering / Property Damage	7,513
Issue of Certificate of Completion/Diploma and Commencement Date	4,036
Registration	2,452
FIES	3,236
Monthly fee	394
PROUNI	586
Internship	474
Procon Fine	294
System Access	121
Other (i)	6,214
	92,453

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

(b) Labor

The main labor claims are seeking overtime, unused vacations, recognition of employment relationship, salary parity and salary differences arising from the decrease in the working hours of certain teachers.

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

Matter	Amounts
Salary and severance differences + decrease in working hours + FGTS + notice period	40,300
Overtime + elimination of breaks during and between shifts	18,572
Pain and suffering / property damage / moral harassment	3,160
Employer's social security payment	9,047
Fees	4,958
Deviation from agreed position and salary parity	13,400
Fine (Article 467 Consolidated Labor Laws - CLT -, Article 477 CLT AND CCT / ACT)	5,139
Allowances (health hazards/night shift pay/improvement/length of service/risk premium)	2,650
Vacation pay	2,392
Success fees	4,422
Income tax / interest and monetary restatement	2,414
Other (i)	17,002
	123,456

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

(c) Tax

The tax proceedings mainly relate to tax immunity, grading of social security contributions arising from the Law No. 11.096/05 and exclusion of scholarships from the taxes and fines calculation basis for alleged non-compliance with ancillary obligations (special regimes of accounting bookkeeping).

The provisions recognized for tax claims are due to the following matters:

Matter	Amounts
ISS	12,694
Success Fees	10,731
IRPJ / CSLL / IRRF	4,397
Miscellaneous fines	856
Social Security Contributions	2,026
Sewage Charges / Fees	226
Others	3
	30,933

In thousands of Reais, except when otherwise indicated

(d) Possible losses, not provisioned in the statement of financial position

The Company has tax, civil and labor cases involving risks of loss classified by management as possible, based on the opinion of its legal advisers. These proceedings do not have to be provisioned for under the accounting practices currently in force.

	Consolidated	
	2020	**2019**
Civil	279,487	265,875
Labor	398,831	378,533
Tax	673,390	516,177
	1,351,708	1,160,585

On April 24, 2020, the Company completed the acquisition of Subsidiary Adtalem, which has tax, civil and labor cases involving risks of loss classified by management as possible, based on the opinion of its legal advisors. These proceedings do not have to be provisioned for under the accounting practices currently in force. The approximate amount of the cases is BRL39,627 (BRL18,326 Tax, BRL9,816 labor and BRL11,485 civil).

The main proceedings classified as possible loss can be grouped as follows:

Civil Matter	**Amounts**
Real estate	136,915
Undue Collection	32,104
FIES	20,888
Pain and Suffering / Property Damage	17,920
Issue of Certificate of Completion/Diploma and Commencement Date	9,395
Registration	8,557
Accreditation and Cancelation of the Course	3,550
PROUNI	1,648
Procon Fine	1,583
Monthly fee	610
System Access	430
Other (i)	45,887
	279,487

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

Labor	**Amounts**
Salary and Severance Differences + Decrease in Working Hours + FGTS + Notice Period + Compensation	156,952
Reintegration	66,393
Overtime + Elimination of Breaks During and Between Shifts	63,899
Fees	31,160
Pain and Suffering/ Property Damage/ Moral Harassment	17,961
Additional (Health Hazard Allowance/Extra Allowance for Night Work/Enhancement/Length of Service/Risk Premium)	16,131
Fine (Article 467 Consolidated Labor Laws - CLT -, Article 477 CLT AND CCT/ACT)	9,946
Vacation pay	9,689
Employer's Social Security Payment	7,688
Deviation from Agreed Position and Salary Parity	5,623
Work and Social Security Card (CTPS) Rectification + Indirect Termination + Employment Relationship Recognition	993
Stability	773
Others (ii)	11,623
	398,831

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

In thousands of Reais, except when otherwise indicated

Tax Matter	**Amounts**
Contribution to Social Security Contribution / FGTS	337,706
ISS	300,102
IRPJ / CSLL / IRRF	15,620
PIS / COFINS	5,249
Others	9,839
Miscellaneous fines	2,627
ICMS (State Goods and Services Tax) Electric Power	116
IPTU / FORO / IPVA (Tax on Vehicles)	2,131
	673,390

Among the main proceedings that were not provisioned in the financial information, we can highlight those involving amounts above BRL10,000:

Social security contributions:

(i) Due to the divergence of understanding regarding the initial date of the rate grading provided for in article 13 of Law No. 11.096/05 ("PROUNI Act"), Tax Enforcements were issued by the National Treasury against SESES to recover debts related to the alleged differences in payments of social security contributions. We submitted the respective motion against these enforcements, in which SESES filed a petition stating the favorable decision had been made final and unappealable in the case records of ordinary proceeding No. 0017945-16.2009.4.02.5101. (1) In the first tax enforcement filed on the subject, in August 2019, the National Treasury informed the court that the debits under collection would be rectified to reflect the reasoning forming the final and unappealable decision in favor of YDUQS. In October 2019 an official DEMAC notice was attached stating that it had made the rectifications to the DEBCADs, after determining the effects resulting from the final and unappealable decision, by way of the dossier opened at the Federal Revenue Office (RFB). SESES filed a statement requesting release of the proportional amounts deposited at the escrow account. In July 2020, a decision was rendered on one of the Tax Enforcements to grant the request made by SESES for the release of the excess amount deposited in court, of BRL5,027. In August 2020, an order was issued determining that the CEF should be officiated to transfer the already restated amount of BRL5,040. On September 23, 2020, a judgment was partially granted in favor of SESES in the case records of a Motion to Stay Execution, to recognize the partial payment of debts inserted in CDAs No. 40.028.226-7, 40.028.231-3, 40.028.230-5 and 40.028.232-1, since the grading started from the corporate transformation of SESES, applying the initial rate of 20% from 2007 and not from 2005, the year of publication of Law 11.096/2005, as understood by the Tax Authority, but kept the insured social security contribution part, which avoids the discussion of Article 13 of Law No. 11.096/2005. In October 2020, SESES filed an appeal against that judgment. The appeal in the case records of the Motion to Stay Execution is pending judgment. (2) In another tax execution filed on the subject, after the guarantee of judgment, on January 22, 2018, a judgment was rendered that partially granted the claim presented by SESES to dismiss CDA No. 39.808.401-7 (since the grading started from the corporate transformation of SESES, applying the initial rate of 20% from 2007 and not from 2005, the year of publication of Law No. 11.096/2005, as the tax authorities understand) but maintained CDA No. 39.838.008-2, considering that it is an insured social security contribution (which precludes the discussion of Article 13 of Law No. 11.096/2005). In February 2018, an appeal was filed by SESES, which is pending judgment by the TRF (Federal Regional Court). (3) Finally, in the last tax enforcement filed by the National Treasury on the same subject, after guarantee of the judgment, completion of the legal inspection in the records of the motion to stay execution is awaited. With the reduction in the amount involved determined in the judgments reported above, the total amount involved became BRL42,237.

(ii) Tax assessment notices against SESES for alleged non-performance of the principal tax liability for the period from February 2007 to December 2007. The Company appealed requesting the cancelation of the tax assessment notice claiming that they were clearly groundless. The appeal was partially accepted, and considered the percentage of the employers' contributions at the rate of 20% as from the month in which the Company changed from a non-profit entity to a company. In January 2018, the Company filed an action for annulment to contest the remaining debt. The interim relief claimed was awarded. In February 2018, the National Treasury filed a Tax Enforcement proceeding to demand the debit and the annulment action was dismissed without prejudice as a result of having its grounds due to the filing of the Tax Enforcement. In May 2018, SESES filed a Motion against the Motion to Stay Execution, the National Treasury filed its contestation and SESES submitted its rebuttal. The lower-court decision is pending judgment. The total amount involved is BRL23,105.

In thousands of Reais, except when otherwise indicated

ISS - Tax on services:

(i) The Tax Enforcement issued by the Municipality of Niterói, in connection with the tax assessment notice issued in September 2009, is demanding Services Tax (ISS) from SESES for the period of January 2004 to January 2007, considering the suspension of tax immunity by the municipal administration as a result of the alleged non-compliance with requirements for qualifying for the benefits provided by article 14 of CTN, that is, because the tax/accounting bookkeeping was supposedly not presented for inspection under the terms of the legislation in force. Motions were filed against the enforcement in September 2013. Expert analyses were carried out, with a report favorable to the company. However, the municipality of Niterói contested the export report, contending it should be rejected as it had not been notified of the scheduled date and location. The request was accepted and the second expert analysis conducted in November 2019, concluded once again that SESES' accounting records for the disputed period were in full compliance with legal requirements. SESES filed a new statement regarding the new expert analysis. Judgment by the lower court is pending. The total amount involved is BRL39,485.

(ii) In August 2018, a Tax Enforcement was brought against Sociedade Tecnopolitana da Bahia Ltda. (STB), merged into IREP in June 2010, for failure to pay taxes on services in the period of 2007 to February 2011. The assessment arose from a due diligence in connection with the procedures for cancelation of the registration of the activities previously performed at STB's headquarters and branch facilities. In October 2018, a Motion to Stay Execution was filed. In December 2019, the Municipality filed its challenge. In March 2020, the case record was held by the judge under advisement and a decision was rendered in June 2020, summoning IREP to make a statement the Municipality's challenge. In June 2020, IREP statement was filed. Judgment by the lower court is pending. The total amount involved is BRL19,816.

(iii) Action for Annulment proposed by SESES against the Municipality of Vila Velha, seeking the cancelation of ISS debts, arising from the accusation that they would have been reduced or withheld in the period of 2006 and 2013. The defense is supported by the following arguments (i) partial prescription; (ii) material nullity; and (iii) error in fixing the ISS calculation base, considering that values corresponding to scholarships granted and enrollments canceled were considered. At the moment, the proceeding is awaiting the conclusion of the expert evidence, which has the purpose of proving item (iii). The total amount involved is BRL16,246.

(iv) The Municipality of Salvador filed a Tax Enforcement claiming alleged ISS tax liabilities for the period of July 2012 to November 2013, due to discrepancies regarding the fixing of the tax calculation base (deductibility of study grants from the ISS calculation base). A Motion against the Motion to Stay Execution was filed requesting an expert accounting analysis. After appointment of the accounting expert and appointment of the respective retained experts. In June 2020, the last installment of expert fees was paid. The company is waiting for the expert's opinion. The total amount involved is BRL11,727.

18 Equity

(a) Share Capital

The share capital may be increased by the Board of Directors, irrespective of the statutory reform, up to the limit of one billion (1,000,000,000) shares. As of December 31, 2020, the share capital is represented by 309,088,851 common shares.

The shareholding structure of the Company on December 31, 2020 and 2019, is presented below:

	Common shares			
Shareholders	**2020**	**%**	**2019**	**%**
Managers and directors	819,094	0.3	485,994	0.2
Treasury	7,808,219	2.5	8,428,182	2.7
Other (i)	300,461,538	97.2	300,174,675	97.1
	309,088,851	100	309,088,851	100

In thousands of Reais, except when otherwise indicated

(i) Free float

(b) Activity of capital shares

There were no changes in the shares during the fiscal year ended December 31, 2020.

(c) Treasury shares

	Quantity	Average Cost	Balance
Treasury shares in 2019	8,428,182	23.02	194,031
SOP payment using treasury shares (Note 18 d.3)	(619,963)	23.02	(14,272)
Treasury shares in 2020	7,808,219	23.02	179,759

(d) Capital reserves

(d.1) Goodwill on share subscription

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

The share subscription goodwill in the financial statements as of December 31, 2020 and 2019, is as follows:

	Parent Company	
	2020	2019
Taxes reserve	3	3
Non-distributable profits (i)	96,477	96,477
Special premium reserve under merger	85	85
Goodwill on shares subscription	498,899	498,899
	595,464	595,464

(i) Profits earned prior to the Company's conversion into a business company

The goodwill on the share issuance is comprised as follows:

	2020
Subscription of 17,853,127 shares	(23,305)
Amount paid for the 17,853,127 shares	522,204
Goodwill on share issuance	498,899

(d.2) Granting options

The Company recorded the capital reserve for stock options granted, as mentioned in Note 20. As required by the technical pronouncement, the fair value of the options was determined on the grant date and is being recognized over the vesting period up to this individual and consolidated reporting date.

(d.3) Goodwill and negative goodwill on the sale of treasury shares

The goodwill and negative goodwill on treasury shares sale refer to the difference between the acquisition price that the Company paid for the shares and the sale amount when using the shares to pay for the options granted.

The negative goodwill on the sale of treasury shares is represented as follows as of December 31, 2020 and

In thousands of Reais, except when otherwise indicated

2019:

	Quantity of shares	Sale	Amount paid	Negative Goodwill
Negative Goodwill on 2019	2,603,184	43,709	32,871	10,838
SOP payment in 2020	121,799	2,804	1,979	825
Negative Goodwill in 2020	2,724,983	46,513	34,850	11,663

(e) Profits reserves

(e.1) Legal reserve

It must be constituted on the basis of 5% of net income for the year, until it reaches 20% of paid-up share capital, or 30% of share capital, plus capital reserves. After this limit, appropriation is no longer mandatory. The capital reserve may only be used to increase share capital or to offset accumulated losses.

(e.2) Retained earnings reserve

As of December 31, 2019, from the income accumulated by the Company, the amount of BRL460,375 was allocated to the Profit Retention Reserve referring to potential acquisitions, expansion and improvements in infrastructure, technology and organic expansion, as provided for in the Company's Articles of Incorporation. This profit retention proposal shall be approved at the General Meeting to be held on April 24, 2020.

(e.3) Excess earnings reserve

According to Article 199 of the Brazilian corporations law, the sum of profit reserves cannot exceed the amount of the Company's share capital.

(f) Dividends

The Articles of Incorporation of the Company sets forth a minimum mandatory dividend equivalent to 25% of the net profit for the year, adjusted by the legal reserve set up according to the provisions of the corporation law.

In 2020, minimum mandatory dividends related to the year of 2019 were paid in the amount of BRL153,426 (In 2019, BRL153,157 was paid in relation to the fiscal year of 2018).

On December 31, 2020 and 2019, the dividends, the calculation of the dividends and their activities for the year are as follows:

	Parent Company	
	2020	**2019**
Parent Company's Net income for the fiscal year	98,181	646,140
Constitution of the legal reserve (Article 193 of Law No. 6.404)	(4,909)	(32,307)
Net income after appropriation of the legal reserve	93,272	613,833
Mandatory minimum dividends - 25%	23,318	153,458
Proposed additional dividend	118,423	
Number of shares on December 31	309,088,851	309,088,851
Number of treasury shares as of December 31	(7,808,219)	(8,428,182)
Dividend per outstanding share - in Reais	0.0774	0.5104
Additional dividends per outstanding share – in Reais	0.3931	

The Board of Directors decided to allocate an additional dividend in relation to the mandatory minimum dividend in the amount of BRL118,423, which will be submitted for approval by the Annual General Meeting for consideration and approval in 2021.

In thousands of Reais, except when otherwise indicated

19 Financial instruments and sensitivity analysis of financial assets and liabilities

The market values of financial assets and liabilities were determined based on available market information and valuation methodologies appropriate for each situation. However, considerable judgment was necessary to interpret market balances in order to produce the most appropriate realization value estimate. Consequently, the estimates presented herein do not necessarily indicate the values that could be realized in the current exchange market. The use of different market information and/or valuation methodologies may have a material effect on the amount of the market value.

The Company's assets and liabilities financial instruments as of December 31, 2020 and 2019, are recorded in equity accounts in amounts compatible to those practiced in the market.

(a) Cash and cash equivalents and securities

The amounts recorded are close to market values, given that they are subject to a maximum grace period of 90 days.

(b) Loans and financing

They are measured at amortized cost, using the effective rate method.

(c) Accounts receivable

They are classified as receivables and are recorded at their contractual values, which approximate market value.

(d) Derivative and financial instruments

Although the derivative transaction is intended to protect the Company from fluctuations arising from its exposure to foreign exchange risk, it was decided not to adopt the hedge accounting methodology. Accordingly, the Swap transaction, which on December 31, 2020, presented a positive fair value of BRL154,099 as a corresponding entry to the results.

We present below the information related to the derivatives financial instruments held by the Company as of December 31, 2020, recorded at fair value with effect on income:

							Market Value (BRL M)		
Swap Agreements	**Principal Contracted (USD)**	**Principal Contracted**	**YDUQS Receives**	**YDUQS Pays**	**Initial Date**	**Maturity Date**	**Asset**	**Liabilities**	**Gross Income**
Citibank	40,000,000	173,336,000	Libor + 0.62% p.a.	CDI + 0.60%	Feb 18, 2020	Feb 18, 2021	208,113	173,848	34,265
Citibank	125,000,000	541,675,000	Libor + 0.6993% p.a.	CDI + 0.70%	Feb 18, 2020	Feb 17, 2022	650,427	543,341	107,086
Citibank	25,000,000	109,537,500	Libor + 0.64% p.a.	CDI + 0.70%	Feb 27, 2020	Feb 25, 2022	130,044	109,796	20,248
						Total	988,584	826,985	161,599

(e) Other financial assets and liabilities

In thousands of Reais, except when otherwise indicated

The estimated realizable values of the Groups' financial assets and liabilities were determined based on information available in the market and appropriate valuation methodologies.

19.1 Fair value hierarchy

The table below presents the financial instruments recorded at fair value using the measurement method:

	Consolidated	
	2020	**2019**
Level 2		
cial assets at the fair value through statement of income		
ancial investments	1,604,869	596,861
	1,604,869	596,861

The measurement of financial instruments is grouped at levels from 1 to 3, based on the level of quotation of their fair value:

Level 1 - prices quoted in active markets for identical assets and liabilities;

Level 2 - other techniques for which all input with significant effect on the fair value is observable, either directly or indirectly; and

Level 3 – techniques using input with significant effect on the fair value that is not based on observable market input.

In the year ended December 31, 2020, there were no transfers arising from fair value measurements levels 1 and 2, not inside or outside level 3.

19.2 Financial risk factors

All Group's operations are performed with banks having recognized liquidity, which mitigates their risks. Management records a provision for doubtful accounts in an amount considered sufficient to cover possible risks of realization of accounts receivable; therefore, the risk of incurring losses resulting from the difficulty of receiving billed amounts is measured and recorded in the accounts. The main market risk factors affecting the Group are the following:

(a) Credit risk

This risk related to difficulties in collecting amounts for services provided.

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

The credit risk related to the provision of services is minimized by a strict control of the student base and by the active management of default levels and the pulverization of balances. In addition, the Company requires the settlement or negotiation of the amounts overdue upon return of the students for classes in the next semester.

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

(b) Interest rate risk

In thousands of Reais, except when otherwise indicated

The Group is exposed to fluctuations in the Interbank Deposit Certificate (CDI) rate, which is used to adjust its financial investments and debts. In addition, any increase in interest rates could increase the cost of students' loans, including loans under the terms of the FIES program, and decrease the demand for the courses.

(c) Exchange rate risk

The Group's income is susceptible to variations due to exchange rate volatility, since to its assets and liabilities are linked to a currency other than its functional currency. However, as the Company has a Swap agreement for lines 4131, exposure to foreign exchange risk does not exist.

(d) Liquidity risk

Liquidity risk is the risk that the Group may not have sufficient cash resources available to meet its commitments due to the different terms of settlement of its rights and obligations.

The control of the Group's liquidity and cash flow is monitored daily by the Group's Management areas, in order to ensure that the operational cash generation and the previous funding, when necessary, are sufficient to maintain its commitments' schedule, not posing liquidity risks for the Group. There was a material change in the Group's liabilities financial instruments as of December 31, 2020 compared to December 31, 2019 as shown in Note 11.

The table below analyzes the Group's financial liabilities, by maturity ranges, corresponding to the remaining period of the reporting date of the statement of financial position until the contractual maturity date. The amounts presented in the table are the contracted cash flows not discounted.

	Consolidated			
	Less than one year	**Between one and two years**	**Between two and five years**	**More than five years**
In 2020				
Trade accounts payables	251,229			
Loans	390,302	416,646	2,573,734	514,118
Financial lease obligations	199,549	381,125	293,694	838,813
Acquisition price payable	57,936	34,489	60,550	
In 2019				
Trade accounts payables	126,651			
Loans	13,586	30,893	644,181	51
Financial lease obligations	156,468	293,331	223,903	526,527
Acquisition price payable	19,142	31,639	16,394	

(e) Sensitivity analysis

The CVM Resolution No. 550 of October 17, 2008, sets forth that publicly-held companies must disclose, in a specific note, qualitative and quantitative information on all their financial instruments, recognized or not as assets or liabilities in the statement of financial position.

The Group's financial instruments consist of cash and cash equivalents, accounts receivable and payable, judicial deposits and loans and financing, and are recorded at cost adjusted by revenues or charges incurred, which was close to market value as of December 31, 2020 and 2019.

The main risks underlying the Group's operations are linked to changes in the CDI (Interbank Certificates of Deposit) rate.

CVM Instruction No. 475 of December 17, 2008, provides that specific information on financial instruments must be shown in a specific note, and that a table must be included with details of a sensitivity analysis.

Loans in Brazilian Reais consist of transactions for which the carrying amount is close to the fair value of these financial instruments.

In thousands of Reais, except when otherwise indicated

Investments linked to CDI rate are recorded at fair value, according to the quotations disclosed by the respective financial institutions. Most of the other investments refer to bank deposit certificates and repurchase agreements and, therefore, the value recorded for these securities does not differ from market value.

With the purpose to verify the sensitivity of the index for the financial investments to which the Company was exposed on the base date of December 31, 2020, three different scenarios were defined. Based on the CDI rate officially published by CETIP on December 31, 2020 (1.90% p.a.), this rate was used as the probable scenario for the year. After that, rate variations of 25% and 50% were calculated for scenarios II and III, respectively.

For each scenario, "gross financial revenue and financial costs" were calculated, disregarding the levy of taxes on the investments' yields. The base date used for the portfolio was December 31, 2020, projected for one year and verifying the sensitivity of the CDI rate for each scenario.

		Scenario for CDI rise		
Operations	**Risk**	**Probable Scenario (I)**	**Scenario (II)**	**Scenario (III)**
Financial investments BRL1,604,869	CDI (INTERBANK DEPOSIT CERTIFICATE)	1.90% 30,493	2.38% 38,116	2.85% 45,739
Debentures V - 1st T BRL252,310	CDI + 0.585%	2.50% BRL6,298	2.97% BRL7,503	3.45% BRL8,709
Debentures V - 2nd T BRL353,495	CDI + 0.79%	2.70% BRL9,544	3.18% BRL11,236	3.66% BRL12,929
Citibank (125MM USD) BRL543,341	CDI + 0.70%	2.61% BRL14,199	3.09% BRL16,798	3.57% BRL19,397
Citibank (40MM USD) BRL173,848	CDI + 0.60%	2.51% BRL4,366	2.99% BRL5,197	3.47% BRL6,027
Citibank (25MM USD) BRL109,796	CDI + 0.70%	2.61% BRL2,869	3.09% BRL3,394	3.57% BRL3,920
CCB - Santander - 500MM BRL504,739	CDI + 1.10%	3.02% BRL15,222	3.50% BRL17,646	3.98% BRL20,069
3rd NP - Itaú - 1st series BRL362,903	CDI + 2.50%	4.45% BRL16,141	4.93% BRL17,907	5.42% BRL19,674
CCB - Itaú BRL152,263	CDI + 2.70%	4.65% BRL7,082	5.14% BRL7,825	5.63% BRL8,568
CCB - Citibank BRL75,825	CDI + 2.75%	4.70% BRL3,565	5.19% BRL3,936	5.68% BRL4,306
CCB - Bradesco BRL364,312	CDI + 2.70%	4.65% BRL16,946	5.14% BRL18,723	5.63% BRL20,499
CCB - Santander - 100MM BRL101,098	CDI + 3.69%	5.66% BRL5,722	6.15% BRL6,220	6.65% BRL6,718
CCB - ABC BRL50,503	CDI + 3.85%	5.82% BRL2,941	6.32% BRL3,190	6.81% BRL3,439
CCB - Safra BRL200,258	CDI + 2.80%	4.75% BRL9,519	5.24% BRL10,497	5.73% BRL11,474

In thousands of Reais, except when otherwise indicated

CCB - BB BRL100,089	CDI + 1.85%	3.79% BRL3,788	4.27% BRL4,273	4.75% BRL4,757
Net Position		**BRL (87,707)**	**BRL (96,228)**	**BRL (104,748)**

				Scenario fall of CDI
Operations	**Risk**	**Probable Scenario (I)**	**Scenario (II)**	**Scenario (III)**
Financial investments BRL1.604.8692	CDI (INTERBANK DEPOSIT CERTIFICATE)	1.90% BRL30,493	1.43% BRL22,869	0.95% BRL15,246
Debentures V - 1st T BRL252,310	CDI + 0.585%	2.50% BRL6,298	2.02% BRL5,092	1.54% BRL3,887
Debentures V - 2nd T BRL353,495	CDI + 0.79%	2.70% BRL9,544	2.22% BRL7,852	1.74% BRL6,160
Citibank (125MM USD) BRL543,341	CDI + 0.70%	2.61% BRL14,199	2.13% BRL11,600	1.66% BRL9,001
Citibank (40MM USD) BRL173,848	CDI + 0.60%	2.51% BRL4,366	2.03% BRL3,535	1.56% BRL2,705
Citibank (25MM USD) BRL109,796	CDI + 0.70%	2.61% BRL2,869	2.13% BRL2,344	1.66% BRL1,819
CCB - Santander - 500MM BRL504,739	CDI + 1.10%	3.02% BRL15,223	2.54% BRL12,799	2.06% BRL10,374
3rd NP - Itaú - 1st series BRL362,903	CDI + 2.500%	4.45% BRL16,140	3.96% BRL14,373	3.47% BRL12,606
CCB - Itaú BRL152,263	CDI + 2.70%	4.65% BRL7,082	4.16% BRL6,339	3.68% BRL5,597
CCB - Citibank BRL75,825	CDI + 2.750%	4.70% BRL3,565	4.21% BRL3,195	3.73% BRL2,825
CCB - Bradesco BRL364,312	CDI + 2.70%	4.65% BRL16,946	4.16% BRL15,169	3.68% BRL13,390
CCB - Santander - 100MM BRL101,098	CDI + 3.690%	5.66% BRL5,722	5.17% BRL5,224	4.68% BRL4,726
CCB - ABC BRL50,503	CDI + 3.85%	5.82% BRL2,941	5.33% BRL2,692	4.84% BRL2,443
CCB - Safra BRL200,258	CDI + 2.800%	4.75% BRL9,519	4.26% BRL8,541	3.78% BRL7,563
CCB - BB BRL100,089	CDI + 1.85%	3.79% BRL3,788	4.27% BRL4,273	4.75% BRL4,757
Net Position		**BRL (87,707)**	**BRL (80,127)**	**BRL (72,608)**

We present below the Company's variations in assets and liabilities linked at the exchange rate.

In thousands of Reais, except when otherwise indicated

The sensitivity analysis related to foreign exchange risk refers to the position on December 31, 2020, and seeks to simulate how an exchange rate stress could affect the Company.

In addition, three scenarios were outlined, I, II and III, which represent, respectively, the probable scenario and the possible deterioration scenarios of 25% and 50% in the risk variable. To carry out the analysis, the Company uses as a premise of the probable scenario the exchange rate at the end of 2020 disclosed in the last Focus Report - BACEN prior to the close of the period. Based on the probable exchange rate, scenarios of deterioration of 25% and 50% of the risk variable are generated.

The table below represents the sensitivity analysis involving the net effect resulting from these shocks in the exchange rate. We have decided to keep the Swap long leg separate from the short leg in order to make the effect of the derivative more evident.

		Scenario for dollar rise		
Operations	**Risk**	**Scenario (I)**	**Scenario (II)**	**Scenario (III)**
Swap - Long Leg	Exchange rate	5.17	6.46	7.76
988,854		983,505	1,229,381	1,475,257
Debt in USD	Exchange rate	5.17	6.46	7.76
190,000		(822,736)	(1,028,421)	(1,234,105)
Net position		160,768	200,960	241,152

(f) Capital Management

The Company's debt in relation to Equity for the fiscal year ended December 31, 2020 and 2019, is presented below in consolidated data:

	Consolidated	
	2020	**2019**
Loans and financing (Note 11)	3,503,750	615,135
(-) Cash and cash equivalents (Note 3)	(28,407)	(12,251)
(-) Financial Instruments - SWAP (Note 19)	(161,599)	
Net debt	3,313,744	602,884
Equity	3,204,969	3,102,352
Net debt on equity	1.03	0.19

(g) Offsetting of financial instruments

There are no significant assets or liabilities subject to contractual offsetting as of December 31, 2020 and 2019.

20 Insurance coverage

The Company and its subsidiaries manage risk with a view to limiting it, arranging coverage in the market compatible with their size and their operations. The insurance coverage has been taken out for amounts indicated below which Management considers sufficient to cover any losses, taking into account the nature of its activities, the risks involved in its operations and the advice of its insurance consultants.

The Company and its subsidiaries had the following main insurance policies contracted with third parties:

	Amounts insured

	2020	2019
Civil liability of the officers	80,000	80,000
Civil liability	17,700	10,000
Property insurance (i)	124,506	130,406
Group Life Insurance	975,446	729,382

(i) Corresponds to buildings, improvements, furniture, machinery, materials and fixtures, goods and raw materials.

21 Managers' compensation

(a) Compensation

In accordance with the Brazilian Corporations Law and the Company's Articles of Incorporation, it is the responsibility of the shareholders, at the General Meeting, to set the global amount of the annual compensation of the managers. The Board of Directors is responsible for distributing the funds among the managers. At the Annual General Meetings held on April 19, 2017, the global monthly compensation limit for the Management (Board of Directors, Fiscal Council and Executive Board) of the Company was set.

In the fiscal years ended December 31, 2020 and 2019, the total compensation (salaries and profit sharing) of the Company's directors, officers and main executives was BRL28,538 and BRL22,592, respectively. These compensations are within the limits approved at the corresponding general meetings.

The Company and its subsidiaries do not grant post-employment benefits, termination benefits or other long-term benefits to Management and their employees, except for the stock option plan described in Note 21 (b).

(b) Stock Option Plan

At the Special General Meeting of September 12, 2008, the shareholders approved the Company's Stock Option Plan ("Plan"), aimed at the Company's managers, employees and service providers ("beneficiaries"). The Plan is managed by the Plan's Management Committee, created by the Board of Directors specifically for this purpose at a meeting held on July 1, 2008. The Committee is responsible, from time to time, to create stock option programs and to grant to the list of Beneficiaries (revised from time to time) the options and specific applicable rules, always in compliance with the general rules of the Plan ("Program").

The volume of stock options is limited to 5% of the shares representing the Company's share capital on the date of approval of each Program.

Up to December 31, 2019, eleven stock option programs were created, of which six programs do not contain stock of shares to be exercised (programs from the 1st to the 5th and 9th), all other programs (6th to the 8th, 10th and 11th) although ended, they still contain a stock of shares to be exercised.

For the programs described below, the Company uses the Binomial model to calculate the fair value of the options for each grant.

On October 14, 2014, with the end of the 6th Program, the creation of the 7th Program was approved, with the issue price of the shares to be acquired of twenty-three Reais and sixty cents (BRL23.60), with its value added by monetary adjustment based on the IGPM (General Market Price Index) variation from October 14, 2014, until the date of the effective exercise of the option.

On October 2, 2015, with the end of the 7th Program, the creation of the 8th Program was approved, with the issue price of the shares to be acquired of thirteen Reais and fifteen cents (BRL13.15), with its added value of monetary adjustment based on the variation of the IGPM from the date of October 2, 2015, up to the date of the effective exercise of the option.

On April 29, 2016, with the end of the 8th Program, the creation of the 9th Program was approved, with the issue price of the shares to be acquired of ten Reais and eighty-five cents (BRL10.85), with its value added by monetary adjustment based on the IGPM variation from the date of April 29, 2016, until the date of the effective exercise of the option.

In thousands of Reais, except when otherwise indicated

On July 19, 2016, with the end of the 9th Program, the creation of the 10th Program was approved, with the issue price of the shares to be acquired of fifteen Reais and twelve cents (BRL15.12), with its added value of monetary adjustment based on the variation of the IGPM from the date of July 19, 2016, until the date of the effective exercise of the option.

On April 25, 2017, with the end of the 10th Program, the creation of the 11th Program was approved, with the issue price of the shares to be acquired of fourteen Reais and eighteen cents (BRL14.18), with its added value of correction based on the IGPM variation from the date of April 25, 2017, until the date of the effective exercise of the option.

As of December 31, 2020, the number of options granted, which were exercised accumulated from all programs, was 13,359,572 shares (BRL115,461), of which 11,218,904 shares from closed programs and 2,140,668 shares from active programs. The total number of shares granted, less the forfeited shares is 16,903,402 shares (BRL156,942), of which 12,042,223 shares of closed programs and 4,861,179 shares of active programs.

Granted options programs with balance of shares to be exercised:

Programs	Granted	Options Forfeited	Options Abandoned	Issued	Balance of shares
6P	5,090,000	2,247,000	1,919,419	866,214	57,367
7P	889,000	379,200	331,174	97,526	81,100
8P	983,000	463,400	50,127	458,813	10,660
10P	1,105,779	554,000	107,779	419,000	25,000
11P	991,010	554,010	20,255	299,115	117,630
Overall Total	**9,058,789**	**4,197,610**	**2,428,754**	**2,140,668**	**291,757**

The total of granted shares that were exercised in the last quarters is as follows:

	Shares exercised
December 31, 2018	12,842,762
March 31, 2019	12,901,362
June 30, 2019	13,181,276
September 30, 2019	13,203,276
December 31, 2019	13,208,276
March 31, 2020	13,229,276
June 30, 2020	13,229,276
September 30, 2020	13,359,572
December 31, 2020	13,359,572

The assumptions used to calculate each granting, based on the Binominal model, are as follows:

In thousands of Reais, except when otherwise indicated

Program	End of Grace Period	Maturity Date	Granted Options	Price of Base Asset	Annual Volatility Expectation	Payment of Dividends	Risk-free Interest Rate	Option Estimated Life (years)	Fair value	Quantity Forfeited
11th Program Apr17	04/23/2018	04/23/2028	188,000	R$ 14.18	46.66%	0.00%	8.94%	0	6.14	13,500
11th Program Apr17	04/23/2019	04/23/2028	188,000	R$ 14.18	46.66%	0.00%	8.94%	0	6.84	86,000
11th Program Apr17	04/23/2020	04/23/2028	188,000	R$ 14.18	46.66%	0.00%	8.94%	0	7.41	132,500
11th Program Apr17	04/23/2021	04/23/2028	188,000	R$ 14.18	46.66%	0.00%	8.94%	0	7.86	132,500
11th Program Apr17	04/23/2022	04/23/2028	188,000	R$ 14.18	46.66%	0.00%	8.94%	0	8.26	132,500
11th Program Apr17 Cons.	04/23/2018	04/23/2028	25,505	R$ 14.18	46.66%	0.00%	8.94%	0	6.14	25,505
11th Program Apr17 Cons.	04/23/2019	04/23/2028	25,505	R$ 14.18	46.66%	0.00%	8.94%	0	6.84	25,505
10th Program Jul16	04/15/2017	07/19/2026	208,000	R$ 15.12	59.18%	0.00%	12.50%	0	6.89	2,000
10th Program Jul16	04/15/2018	07/19/2026	208,000	R$ 15.12	59.18%	0.00%	12.50%	0	7.89	33,000
10th Program Jul16	04/15/2019	07/19/2026	208,000	R$ 15.12	59.18%	0.00%	12.50%	0	8.61	153,000
10th Program Jul16	04/15/2020	07/19/2026	208,000	R$ 15.12	59.18%	0.00%	12.50%	0	9.18	183,000
10th Program Jul16	04/15/2021	07/19/2026	208,000	R$ 15.12	59.18%	0.00%	12.50%	0	9.64	183,000
10th Program Jul16 Cons.	04/15/2017	07/19/2026	32,890	R$ 15.12	59.18%	0.00%	12.50%	0	6.89	0
10th Program Jul16 Cons.	04/15/2018	07/19/2026	32,889	R$ 15.12	59.18%	0.00%	12.50%	0	7.89	0
9th Program Apr16	04/15/2017	04/15/2027	80,000	R$ 11.87	54.57%	0.00%	12.93%	0	6.02	20,000
9th Program Apr16	04/15/2018	04/15/2027	80,000	R$ 11.87	54.57%	0.00%	12.93%	0	6.66	20,000
9th Program Apr16	04/15/2019	04/15/2027	80,000	R$ 11.87	54.57%	0.00%	12.93%	0	7.14	80,000
9th Program Apr16	04/15/2020	04/15/2027	80,000	R$ 11.87	54.57%	0.00%	12.93%	0	7.52	80,000
9th Program Apr16	04/15/2021	04/15/2027	80,000	R$ 11.87	54.57%	0.00%	12.93%	0	7.83	80,000
9th Program Apr16 Cons.	04/15/2017	05/01/2019	450,000	R$ 11.87	54.57%	0.00%	12.93%	0	3.17	100,000
9th Program Apr16 Cons.	04/15/2018	05/01/2020	450,000	R$ 11.87	54.57%	0.00%	12.93%	0	4.43	100,000
8P Program	04/15/2016	04/15/2026	196,600	R$ 13.15	28.80%	0.00%	11.99%	0	5.45	2,000
8P Program	04/15/2017	04/15/2027	196,600	R$ 13.15	28.80%	0.00%	11.99%	0	6.42	56,800
8P Program	04/15/2018	04/15/2028	196,600	R$ 13.15	28.80%	0.00%	11.99%	0	7.2	81,200
8P Program	04/15/2019	04/15/2029	196,600	R$ 13.15	28.80%	0.00%	11.99%	0	7.88	150,200
8P Program	04/15/2020	04/15/2030	196,600	R$ 13.15	28.80%	0.00%	11.99%	0	8.47	173,200
7P Program Oct14	04/15/2015	04/15/2025	177,800	R$ 26.83	28.80%	0.00%	11.99%	0	8.58	16,000
7P Program Oct14	04/15/2016	04/15/2026	177,800	R$ 26.83	28.80%	0.00%	11.99%	0	9.71	37,000
7P Program Oct14	04/15/2017	04/15/2027	177,800	R$ 26.83	28.80%	0.00%	11.99%	0	10.64	86,000
7P Program Oct14	04/15/2018	04/15/2028	177,800	R$ 26.83	28.80%	0.00%	11.99%	0	11.47	104,400
7P Program Oct14	04/15/2019	04/15/2029	177,800	R$ 26.83	28.80%	0.00%	11.99%	0	12.24	135,800
6P Program Aug12	04/15/2015	04/15/2025	60,000	R$ 29.16	26.68%	0.00%	11.99%	0	14.48	0
6P Program Aug12	04/15/2016	04/15/2026	60,000	R$ 29.16	26.68%	0.00%	11.99%	0	15.1	28,000
6P Program Aug12	04/15/2017	04/15/2027	60,000	R$ 29.16	26.68%	0.00%	11.99%	0	15.74	28,000
6P Program Aug12	04/15/2018	04/15/2028	60,000	R$ 29.16	26.68%	0.00%	11.99%	0	16.38	28,000
6P Program Aug12	04/15/2019	04/15/2029	60,000	R$ 29.16	26.68%	0.00%	11.99%	0	16.98	44,000
6P Program Aug2014 Cons.	04/15/2015	08/01/2024	50,000	R$ 29.16	28.80%	0.00%	11.99%	0	14.43	0
6P Program Aug2014 Cons.	04/15/2016	08/01/2024	50,000	R$ 29.16	28.80%	0.00%	11.99%	0	15.02	0
6P Program Jul14	04/15/2015	04/15/2025	608,000	R$ 29.94	26.43%	0.00%	11.99%	0	15.13	0
6P Program Jul14	04/15/2016	04/15/2026	608,000	R$ 29.94	26.43%	0.00%	11.99%	0	15.76	80,000
6P Program Jul14	04/15/2017	04/15/2027	608,000	R$ 29.94	26.43%	0.00%	11.99%	0	16.41	602,000
6P Program Jul14	04/15/2018	04/15/2028	608,000	R$ 29.94	26.43%	0.00%	11.99%	0	17.05	608,000
6P Program Jul14	04/15/2019	04/15/2029	608,000	R$ 29.94	26.43%	0.00%	11.99%	0	17.65	608,000
6P Program Jul2014 Cons.	04/15/2015	07/04/2024	162,500	R$ 29.94	28.80%	0.00%	11.99%	0	15.09	0
6P Program Jul2014 Cons.	04/15/2016	07/04/2024	162,500	R$ 29.94	28.80%	0.00%	11.99%	0	15.69	0
6P Program oct13	04/15/2014	04/15/2024	265,000	R$ 16.82	28.80%	0.00%	11.99%	0	5.05	5,000
6P Program oct13	04/15/2015	04/15/2025	265,000	R$ 16.82	28.80%	0.00%	11.99%	0	5.79	5,000
6P Program oct13	04/15/2016	04/15/2026	265,000	R$ 16.82	28.80%	0.00%	11.99%	0	6.4	19,000
6P Program oct13	04/15/2017	04/15/2027	265,000	R$ 16.82	28.80%	0.00%	11.99%	0	6.94	88,000
6P Program oct13	04/15/2018	04/15/2028	265,000	R$ 16.82	28.80%	0.00%	11.99%	0	7.43	104,000
5P 3 Program	04/15/2014	04/15/2024	144,000	R$ 16.16	39.85%	0.00%	11.02%	0	6.37	0
5P 3 Program	04/15/2015	04/15/2025	144,000	R$ 16.16	39.85%	0.00%	11.02%	0	7.02	21,000
5P 3 Program	04/15/2016	04/15/2026	144,000	R$ 16.16	39.85%	0.00%	11.02%	0	7.6	102,000
5P 3 Program	04/15/2017	04/15/2027	144,000	R$ 16.16	39.85%	0.00%	11.02%	0	8.11	102,000
5P 3 Program	04/15/2018	04/15/2028	144,000	R$ 16.16	39.85%	0.00%	11.02%	0	8.58	123,000
4P Program Jan/13	04/15/2014	04/15/2024	160,200	R$ 14.40	33.47%	0.00%	3.90%	0	8.23	7,200
4P Program Jan/13	04/15/2015	04/15/2025	160,200	R$ 14.40	33.47%	0.00%	3.90%	0	8.35	7,200
4P Program Jan/13	04/15/2016	04/15/2026	160,200	R$ 14.40	33.47%	0.00%	3.90%	0	8.48	7,200
4P Program Jan/13	04/15/2017	04/15/2027	160,200	R$ 14.40	33.47%	0.00%	3.90%	0	8.62	88,200
4P Program Jan/13	04/15/2018	04/15/2028	160,200	R$ 14.40	33.47%	0.00%	3.90%	0	8.75	94,200

In compliance with the provisions of technical pronouncement CPC 10 (R1), share-based payments that were outstanding on December 31, 2020 and 2019 were measured and recognized by the Company.

The Company recognizes the share options granted on a quarterly basis, as a capital reserve with a corresponding counter entry in the statement of income, as general and administrative expenses, in the line item personal and welfare charges. In the fiscal year ended December 31, 2020, a reversal of BRL270 was recognized (BRL961 in the fiscal year ended December 31, 2019). As of December 31, 2020, the provision amounted BRL74,966 (BRL74,966 as of December 31, 2019).

The variations in the number of outstanding share options and their corresponding weighted average prices for the year are presented below:

Executive Board

	2020		2019	
	Average price for the share exercise	**Options - thousands**	**Average price for the share exercise**	**Options - thousands**
January 1st	13.88	149,000	13.81	300,000
Granted	17.82	21,000	14.35	83,000
Exercised	15.55	26,000	0.00	0.00
Forfeited	14.59	64,000	14.35	68,000
	13.10	38,000	13.81	149,000

In thousands of Reais, except when otherwise indicated

Board of directors

	2020		2019	
	Average price for the share exercise	**Options - thousands**	**Average price for the share exercise**	**Options - thousands**
January 1st	10.13	65,779	10.13	65,779
Abandoned	10.13	65,779	0.00	0.00
	10.13	0	10.13	65,779

(c) Performance Share Program

On October 18, 2018, the special general meeting approved the Company's new Restricted Share Option Program.

The purpose of the Plan is to allow the grant of Restricted Shares to Beneficiaries selected by the Board of Directors, subject to certain conditions, with the objective of: (a) encouraging the expansion, success and achievement of the corporate purpose of the Company and the companies under its control; (b) encouraging better management of the Company and the companies under its control, awarding beneficiaries the possibility of being Company's shareholders, thereby encouraging them to optimize all aspects that could value the company in the long term; (c) aligning the interests of the beneficiaries with the shareholders' interests; and (d) encouraging the retaining of managers and employees at the Company or in the companies under its control.

The managers and employees of the Company or of the company under its control may be elected as Plan beneficiaries, as defined by the Board of Directors.

The total number of restricted shares that may be granted under the Plan may not exceed, together with the options and/or shares granted under other compensation plans based on the Company's shares (which will be considered in the calculation of the total limit established herein), the total limit of 3% of the Company's share capital on the date of approval of each Program.

The reference price of each restricted share used to define the number of restricted shares granted to each beneficiary will correspond to the weighted average quote of the Company's shares on B3 S.A. during the thirty (30) trading sessions prior to the date of each Program.

Each Program created by the Board of Directors will have a term of five (5) years, and the restricted shares granted will be divided into five (5) equal annual lots, with the vesting period occurring annually.

Exceptionally, with respect to the 1st Program, approved by the Board of Directors in 2018, the vesting period for the first 20% of restricted shares granted ended on April 15, 2019, with the delivery of the respective restricted shares to the beneficiaries within 30 days of the end of the vesting period, so that the vesting period for each of the other lots of 20% will end on April 15 of each year, with the delivery of the respective restricted shares within a maximum of 30 days.

For the Restricted Shares Granting Plan, the provision for the program in the fiscal year ended December 31, 2020, is BRL26,047 (BRL15,603 as of December 31, 2019). The accumulated provision as of December 31, 2020, is BRL29,009 (BRL14,429 as of December 31, 2019). In the 2nd quarter we reversed BRL1,808 of the provision for the payment of labor charges for tranche 1 of the shares vested on April 15, 2019.

As of December 31, 2020, the number of shares granted and delivered was 924,465 shares, and the total shares granted amounted to 6,277,100 shares.

Programs	Granted	Additional shares dividends	Additional shares performance	Shares delivered	Unvested	Canceled	Forfeited
1P	1,395,500	77,104	40,825	409,712	465,974	48,543	589,200
1P - Cons.	130,000	9,441		139,441			
1P - Esp.	300,000	22,376	16,158	117,812	215,432	5,289	
2P	879,000		41,500	207,500	582,000		131,000
2P - Cons.	98,000				98,000		
2P - Esp.	100,000		5,000	25,000	80,000		
3P	630,000				550,000		80,000
3P - Esp.	200,000				200,000		
4P	100,000		5,000	25,000	80,000		
5P	80,000				80,000		
6P	1,359,600				1,280,600		79,000
7P	445,000				415,000		30,000
8P	460,000				460,000		
9P	100,000				100,000		
Overall Total	**6,277,100**	**108,921**	**108,483**	**924,465**	**4,607,006**	**53,832**	**909,200**

22 Earnings per share

The table below presents information on the earnings and shares used to calculate basic and diluted earnings per share.

(a) Earnings per share - basic

	2020	**2019**
Numerator		
Net income for the fiscal year	98,181	646,140
Denominator (in thousands of shares)		
Weighted average of the number of outstanding shares	301,064	300,452
Net earnings per lot of 1000 shares - basic	0,32611	2,15056

(b) Earnings per share - diluted

	2020	**2019**
Numerator		
Net income for the fiscal year	98,181	646,140
Denominator (in thousands of shares)		
Weighted average of the number of outstanding shares	301,064	300,452
Potential increase in the number of shares due to the stock option plan	225	180
Weighted average of outstanding shares	301,289	300,632
Net earnings per lot of 1000 shares - diluted	0,32587	2,14927

In thousands of Reais, except when otherwise indicated

23 Net revenue from services provided

	Consolidated	
	2020	**2019**
Gross revenues - in-class	5,710,168	4,953,210
Gross revenue - distance learning	1,993,292	1,231,745
	7,703,460	6,184,955
Deduction from gross revenue	(3,849,723)	(2,619,919)
Grants - scholarships (i)	(3,488,743)	(2,419,850)
Refund of monthly tuition fees and charges	(22,390)	(19,112)
Discounts granted (ii)	(145,291)	(1,204)
Taxes	(153,526)	(139,673)
Adjustment to present value – PAR/ DIS	7,910	17,293
FGEDUC	(37,449)	(42,989)
Others	(10,234)	(14,384)
	3,853,737	3,565,036

(i) It refers to the provision created for "Estácio com Você" program and court decisions in the amount of BRL217.9 (Note 1.6 (i)).

(ii) Refers to the punctuality discount of subsidiary Adtalem.

24 Costs of services provided

	Consolidated	
	2020	**2019**
Personnel and welfare charges	(1,108,098)	(1,069,029)
Electricity, water, gas and telephony	(31,509)	(41,588)
Rental, condominium fees and IPTU (i)	(62,260)	(39,311)
Postage and Mailbags	(1,103)	(1,826)
Depreciation and amortization	(373,313)	(262,923)
Teaching material	(9,546)	(7,381)
Third-party services - security and cleaning	(46,877)	(54,965)
Others	(112,207)	(43,695)
	(1,744,913)	(1,520,718)

Personnel costs and social charges include approximately BRL44,328 in 2020 related to indemnity amounts for contractual terminations (BRL72,978 on 2019).

In thousands of Reais, except when otherwise indicated

25 Selling, general and administrative expenses

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Selling expenses				
Provision for doubtful accounts (Note 4)			(535,278)	(308,135)
Advertising			(254,515)	(195,888)
Sales and marketing			(70,494)	(67,243)
Others			493	(373)
			(859,794)	(571,639)
General and administrative expenses				
Personnel and welfare charges	(7,006)	(5,452)	(255,875)	(177,398)
Third-party services	(5,277)	(3,431)	(145,117)	(104,051)
Consumables			(2,137)	(2,119)
Maintenance and repairs	(116)	(165)	(71,246)	(48,525)
Depreciation and amortization	(48)	(54)	(165,622)	(98,026)
Educational agreements		(1)	(20,618)	(17,312)
Travel and accommodation	(6)	(64)	(4,923)	(9,752)
Institutional events			(518)	(2,545)
Provision for contingencies (Note 17)	50	(162)	(165,717)	(66,324)
Photocopies and bookbinding			(3,247)	(4,485)
Insurance	(7,952)	(7,835)	(10,171)	(9,030)
Cleaning material			(3,925)	(3,308)
Transportation	(2)	(1)	(2,758)	(4,627)
Vehicle rental			(2,712)	(4,004)
Others	(221)	(258)	(40,458)	(35,559)
	(20,578)	(17,423)	(895,044)	(587,065)

26 Other operating revenues/expenses

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Revenues with agreements	3,021	953	3,021	953
Lease revenues			4,053	11,422
Capital gain (loss) with property, plant and equipment			1,526	(528)
Business intermediation			972	2,039
Provision for losses other revenue			(7,426)	(80)
Other operating income (expenses)	6	423	247	598
	3,027	1,376	2,393	14,404

In thousands of Reais, except when otherwise indicated

27 Financial income

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Financial revenues				
Late payment fines and interest			42,484	30,220
Revenues from financial investments	(1,806)	12,085	18,982	46,718
Derivatives fair value (SWAP) (ii)	154,099		154,099	
Tax credits adjustment	492	1,143	4,224	10,073
PAR adjustment			3,412	4,619
DIS adjustment			4,410	4,995
Others			18,378	2,516
	152,785	13,228	245,989	99,141
Financial expenses				
Bank expenses	(557)	(493)	(11,768)	(33,804)
Interest and financial charges	(80,614)	(46,111)	(115,134)	(79,951)
Adjustment of provision for contingencies (Note 17)	(45)	(18)	(13,428)	(10,084)
Financial discounts (i)			(111,476)	(111,817)
Negative exchange variation			(9,167)	(2,151)
Exchange variation on loans in foreign currency (ii)	(205,148)		(205,148)	
Expenses with loans	(5,088)	(1,410)	(5,088)	(1,410)
Lease interest - Right of use			(113,853)	(93,401)
Others	(256)	(706)	(12,341)	(8,613)
	(291,708)	(48,738)	(597,403)	(341,231)

(i) Related to discounts granted upon renegotiation of overdue monthly tuition fees.
(ii) It refers to loans in foreign currency and derivatives contracted to protect the Company from foreign exchange exposure.

28 Income by business segment

	In-class courses		EAD (Distance Learning)		Estácio	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Gross operating revenue	5,710,168	4,953,210	1,993,292	1,231,745	7,703,460	6,184,955
(-) Gross revenue deductions	(2,860,436)	(2,082,810)	(989,287)	(537,109)	(3,849,723)	(2,619,919)
Net operating revenue	2,849,732	2,870,400	1,004,005	694,636	3,853,737	3,565,036
Costs of services provided	(1,563,817)	(1,429,238)	(181,096)	(91,480)	(1,744,913)	(1,520,718)
Personnel	(1,046,835)	(1,021,836)	(61,263)	(47,193)	(1,108,098)	(1,069,029)
Rental, condominium fees and IPTU	(61,935)	(39,319)	(325)	8	(62,260)	(39,311)
Teaching material	(9,950)	(8,883)	(699)	(324)	(10,649)	(9,207)
Third parties' services and other	(79,852)	(96,991)	(110,741)	(43,257)	(190,593)	(140,248)
Depreciation	(365,245)	(262,209)	(8,068)	(714)	(373,313)	(262,923)
Gross income	1,285,915	1,441,162	822,909	603,156	2,108,824	2,044,318

In thousands of Reais, except when otherwise indicated

29 Income tax and social contribution

The reconciliation of taxes calculated according to nominal tax rates and the amount of tax recorded for the fiscal years ended on December 31, 2020 and 2019, is shown below:

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Income before income tax and social contribution	102,171	645,943	4,965	657,928
Nominal rate combined from income tax and social contribution - %	34	34	34	34
Income tax and social contribution at legislation rates	(34,738)	(219,621)	(1,688)	(223,696)
Equity accounting income	87,940	237,150		
Goodwill			9,765	
Non-deductible expenses (i)			(1,756)	(4,824)
Interest on equity	(60,180)			
Tax loss - not constituted	2,964	(17,332)	(5,631)	(20,227)
Others	24		323	3,135
	(3,991)	197	1,013	(245,612)
Tax benefits				
Tax incentive - PROUNI			77,006	227,908
Tax Incentive - Lei Rouanet			2,301	5,689
Current income tax and social contribution in the income for the fiscal year	(3,991)	197	80,320	(12,015)

(i) It basically consist of expenses for sponsorships, donations and gifts.

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Current income tax and social contribution	(6,893)		(52,386)	(50,030)
Income tax and social contribution - deferred (ii)	2,902	197	133,025	38,015
Income tax and social contribution of previous periods (iii)			12,577	227
	(3,991)	197	93,216	(11,788)

(ii) The amount of income tax and social contribution on deferred charges comes from temporary adjustments and tax losses.

The Company has been adopting measures that will allow the consumption of tax losses and negative basis of CSLL, with consequent realization of the deferred tax asset on tax losses and negative basis of CSLL, such as: (i) corporate restructurings and their consequent operational improvements.

(iii) Refers to the recognition of tax credits related to the effects of the positive and negative adjustments of IFRS16 on the calculation of profits from the exploitation of the fiscal year 2019 activity under the terms of Article 58 of Law 12.973/2004.

In thousands of Reais, except when otherwise indicated

As of December 31, 2020, the Company recorded deferred tax credit from the temporary differences in the amount of BRL322,632 (BRL160,136 as of December 31, 2019). The breakdown of the tax effect on the temporary additions that gave rise to such credit is as follows:

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Adjustment to present value			5,738	9,626
Provision for contingencies	102	104	83,926	40,261
Provision for doubtful accounts (PCLD)			89,941	46,995
Monthly tuition fees to be billed / canceled			32,581	20,390
Provision for demobilization			14,020	6,231
Amortization of Asset appreciation			(31,191)	(14,526)
Provision for Fies Risk			7,284	7,248
Recognized granted options	544	191	47,598	36,268
Leases			41,933	13,499
Business combination			(33,294)	
Goodwill incorporated			(11,290)	(11,290)
Depreciation	14	13	8,025	4,540
Foreign exchange variations	2,550		2,550	
Tax loss			62,573	894
Other assets			2,238	
	3,210	308	322,632	160,136
Asset	3,210	308	326,769	163,025
Liabilities			(4,137)	(2,889)
	3,210	308	322,632	160,136

The realization of the deferred tax effect on temporary differences recorded on December 31, 2020 is linked to the realization of the provision which gave rise to this credit. Consequently, it is not currently possible to present expected annual realization, since the Company's management is not yet able to forecast the timing of the realization of the provision for contingencies and the provision for retirement.

On December 31, 2020, subsidiary IREP accounted for a deferred income tax and social contribution liabilities amounting to BRL9,060 due to the tax amortization of goodwill generated upon acquisition of the companies merged into it.

As of December 31, 2020, the Company recorded tax credits arising from income tax loss and social contribution negative base amounting to BRL138,024 (BRL140,988 on December 31, 2019) that were not yet accounted for, because it is not possible to state at this time that their realization is considered probable.

Deferred income tax and social contribution assets will be realized in accordance with Management's expectations, as follows:

	2020
	Consolidate
2021	8,189
2022	11,085
2023 to 2026	37,487
2027 to 2030	5,812
	62,573

In thousands of Reais, except when otherwise indicated

30 Commitments

The table below presents the required and non-cancelable annual minimum future payments related to the contractual obligations undertaken by the Company as of December 31, 2020 and 2019.

			Consolidated
	Less than one year	**Between one and five years**	**Above five years**
Commitments in 2020			
Campus leases / rental agreements	554,292	1,731,253	912,201
Commitments in 2019			
Campus leases / rental agreements	208,371	708,406	408,864

30 Subsequent events

On February 2, 2021, the 6th issue of debentures was concluded with restricted efforts with financial settlement on February 2, 2021, with Banks Santander, Citibank and Itaú (BRL1,000,000, BRL500,000 and BRL350,000 respectively). The interest rate of the Transaction corresponds to 100% of the accumulated variation of the daily average rates of the DI - Interbank Deposits of one day, "over extra-group", expressed in percentage form per year, base two hundred and fifty-two (252) Days ("DI Rate"), plus a two integers and fifty hundredths percent spread (2.50% p.a.) with a maturity of 5 years with the amortization of principal in the fourth year (50%) and fifth year (50%) of the validity of the operation.

The net proceeds from the public offering with restricted efforts were used to (i) settle the principal, interest and other outstanding obligations arising from the Credit Agreement in the amount of USD125,000 entered into, on February 14, 2020, between the Issuer and the Citibank NA, represented through Citibank N.A. (Puerto Rico Branch) International Banking Entity; (ii) payment of principal, interest and other outstanding obligations arising from Bank Credit Card No. 4134737, issued by the Issuer in favor of Banco Santander (Brazil) S.A. on March 3, 2020, in the amount of BRL500,000 (iii) settlement of principal, interest and other outstanding obligations arising from Bank Credit Note No. 4137075, issued by the Issuer in favor of Banco Santander (Brazil) S.A. on April 16, 2020, in the amount of BRL100,000; (iv) settlement of the principal, interest and other outstanding obligations to the holders of the first (1st) series of the third (3rd) issue of commercial promissory notes, in two series, for public distribution with restricted placement efforts, from the Issuer, in terms of the instruments dated on March 27, 2020, totaling BRL350,000 on the date of issue of the respective series; and (v) cash reinforcement of the Issuer.

*   *   *

MANAGEMENT REPORT

Dear Shareholders,

The Management of YDUQS Participações S.A. ("Company") hereby presents the Management Report and Consolidated Financial Statements for the fiscal years ended December 31, 2020 and 2019, prepared in accordance with International Financial Reporting Standards ("IFRS") and accompanied by the Independent Auditor's Report.

Corporate Profile

YDUQS, that includes the Estácio, Ibmec, Damásio Educacional, UniToledo, Clio, SJT, Unifacid, Unifanor, UniFBV, UniRuy, Faculdade Martha Falcão, UniFavip, UniMetrocamp, Facimp, Faci, Faculdade Pan-americana de Ji-Paraná (Unijipa), Faculdade São Paulo, Faculdade Pimenta Bueno, Centro Universitário Meta (Unimeta) and Faculdade do Pantanal (Fapan) education brands, is Brazil's second largest higher education player in number of students, according to *Instituto Nacional de Estudos e Pesquisas Educacionais Anísio Teixeira* ("INEP") data from 2019, is growing in the country through the expansion of its brands and the acquisition of new education institutions. Our Executive Officers emphasize the Company's commitment to operating a base of over 750 thousand students, always delivering academic excellence, adequate financial and equity conditions to implement its business plan, as well as complying with its obligations, always focused on the ongoing pursuit of improved operational and financial performances.

YDUQS's common shares are traded on B3's Novo Mercado listing segment under ticker "YDUQ3", and its Level I ADRs are traded in the North American market under ticker "YDUQY". In 2020, YDUQS's shares ended the fiscal year at R$32.9, down 30.7% in the last 12 months and a 32.5% appreciation in the last 24 months. In the same period, Ibovespa appreciated by 2.9% and 30.8%, respectively. The average daily traded volume of the Company's shares was R$128.0 million, in 2020. The Investor Relations Department is focused on improving the Company's market perception, increasing share liquidity and strengthening the relationship with investors.

Economic Scenario

2020 was a year of uncertainties brought by the new coronavirus pandemic, and in its first half, we saw panic in the market due to the virus quick spread, and some global economies called for lockdown practices to fight the virus spread. Recovery signs began to show in the second half, even though in some regions the pandemic had worsened in the last weeks of the year. In addition, the trade war between China and the United States remained in the spotlight throughout 2020. On other hand, the results of the North American elections and the Brexit meant that some relevant risks have been removed from the scenario. These episodes coupled with favorable news about the vaccines contributed to improve investors' mood in the last months of the year.

Global economic recession in the first half of 2020 had impacts in Brazil, and the Federal Government responded with several economic mechanisms focused on helping the less favored population, saving jobs and companies and well as increasing market liquidity In the second semester, both relaxed social distancing restrictions and stimulus from the Federal Government and the Central Bank, which expanded credit and saved jobs as well as income, contributed to the recovery materializing in a pace faster than expected. However, the pandemic consequences still have a huge impact. We had, in 2020, a less dynamic job market and unemployment rate came to 13.9% in 4Q20, with annual rate standing at 13.5%, representing the highest rate in Brazil since 2012. The Consumer Confidence Index (ICC), published by Fundação Getulio Vargas, came to 78.5 points in December, ending 2020 lower than in December of the previous year (91.6 points).

Measures to fight the crisis had direct impact on public accounts. Tax laws have been eased to allow increased spending. Thus, the primary deficit and gross debt ended 2020 at higher levels. On the other hand, in view of a stronger upturn in economic activity than what was initially expected and lower taxes, a more negative impact on government collection was avoided. Supply shocks, mainly related to food prices, boosted inflation in 2020. This movement was partially mitigated by inflation from services remaining at comfortable levels, in a dynamic that mainly responded to a continued high idleness rate. Within this context, accumulated Consumer Price Index (IPCA) in the 12-month period ended in December was 4.52%, slightly above the Central Banks' inflation target (4.25%).

With the assessment that tax and inflation risks are still manageable and given the clear need to boost economic activity, Copom maintained the Selic interest rate at its minimum historical level (2.00% p.y.) In addition, the current economic outlook harmed the US Dollar x Brazilian Real ratio, that went from R$/US$4.02 in the beginning of the year to a 29% increase by year-end (R$/US$5.19).

The Company believes that, with an increase in vaccination, economy will have an accelerated upturn compared to the second semester of 2020, due to a possible return of employment and, consequently, consumption, that would bring less dependence in emergency aids. This view is endorsed by the market that, in accordance with Central Bank's Focus Report of January 4, 2021, estimates 2021 GDP growth of around 3.40%, after the 2020 recession (-4.10%).

The Company is optimistic towards an upturn the sector's growth, considering that the pursuit of education is still one of the main leverages to resume full employment.

Message from Management and Strategic Outlook

In the future, 2020 will be recalled as the year in which our strategy and fundamentals took a stress test. We are facing the impacts from three different crisis: gradual decrease in public financing, with progressive FIES reduction, long economic recession and, lastly, the new coronavirus pandemic. Definitely, it was the most exhausting, challenging and toughest year most of us has ever lived.

Still, we have substantial evidence today that right choices in recent past and our discipline have created a highly resilient model. Despite this scenario, which for moments nearly resembled chaos, we have continued to expand our strategic fronts in distance learning, medicine and acquisitions and the solutions we created to face the several crises have already been incorporated to be sustainable, to accelerate internal and external tactical movements that shorten the path to offering unprecedented quality education and for a large number of Brazilians, which is our greater project.

This entire report brings about this view.

In 2020, for another year, there was a reduction in FIES student base, a 22% decrease compared to 2019. Out-of-the-pocket student base, on the other hand, increased and, at year-end, had 270 thousand students, 20% up compared to the same period the year before.

Our strategic fundamentals are solid. Digital Learning more than doubled its size in two years (110.5% in 2020 compared to 2018); Medicine has contracted growth, and, through acquisitions, we still have many opportunities and cash to sustain a significant inorganic growth. In 2020 only, with acquisitions in the amount of R$2.3 billion, we generated additional revenue of R$775 million (12-month period in 2020), with additional R$70 million captured from integrated operations.

2020 not only reinforced our fundamentals. Fighting the pandemic has deeply and permanently transformed YDUQS.

The pandemic's first legacy has been to consolidate perception of how important cost management is - something we have been doing for the past years. Sense of economic feasibility, from the student's standpoint, has always been our management's strong suit. However, the pandemic has magnified it and materialized this management position at all levels of the organization. Our hard work (whose main highlights are listed in the section below) has left a strong cultural mark of simplicity, sensibility to our students' reality and process innovation. Today, we are even more focused on what really addas value to our student's education.

The second legacy was the gigantic leap in our relationship with technology. Live, synchronous classes on the Internet to close to 300 thousand students throughout the country has left a deep scar. Especially for our faculty members, who brilliantly responded to the crisis and to whom I don't get tired of thanking for all their dedication to adapt, which has created a really positive rupture. Once a potential enemy, the Internet has become the ally that made possible to continue education. We began to understand digital as a support to professors and source of quality in education. Two of our most strategic assets have been adopted some years ahead of time: (I) the EnsineMe digital methodologies and contents and (ii) its harmonious integration with on-campus learning, named Aura. After what we have done in 2020, a high-standard hybrid education is our daily routine, and we know we will have a great impact on the sector, making the way for real digital learning in Brazil.

Lastly, the pandemic has established new student relationship and engagement standards. We have never been closer, as an education institution, to their reality and needs. We have been successful in offering live classes on the Internet to approximately 95% of on-campus students. Engagement increased during the pandemic, as well as student satisfaction (close to 8 p.p. in consolidated figures). Our retention rate improved. We are more digital and our professors, more engaged. Students noticed it and positively responded to all that.

We have noticed the same about our employees. The pandemic demanded full dedication and we responded with an even greater engagement. Internal satisfaction levels increased, with emphasis to Estácio's reputation survey, the institution with the highest share in our workforce, and showed a result that is international benchmark. We enhanced our Compliance system that is now linked to risk management; we comply with the Brazilian Data Protection Act and have a new transparency level, including in terms of earnings release, with detailed information by business unit. The health of our employees and faculty members became an increasingly present topic and women continue to earn their space in our team - they already represent 57% of managing positions. We continue to be the most diverse organization in the sector, whether considering our staff and faculty or also including our students.

We have given a new meaning to the *year of great crisis* as the year we delivered the unthinkable and were able to grow and advance our proposal of affordable, high-quality education. Our robust business responded well to so many restrictions. YDUQS has transformed into a large education platform, strongly backed by digital, delivering even more quality, satisfaction and engagement, despite the bumpy road. We will return to normalcy and will grow even further, be sure of that.

Lastly, we have successfully passed 2020 test. I want to thank our faculty, employees and students for their incredible commitment to Education and to all of you who followed and supported us in this journey.

Eduardo Parente

YDUQS's CEO

Initiatives to fight Covid-19

The Company has developed a broad support program to students, faculty members and employees, which not only has made it possible to continue education and maintain its faculty members, but also set enhanced engagement and relationship levels with our stakeholders. We can highlight:

Support to students

In the largest support program in higher education, the Company, through its Education Institutions, launched the "*Com Você*" (With You) program, which offered benefits to approximately 35 thousand students of both segments (mainly in on-campus segment) throughout Brazil, and more than 90% of said benefits were full discounts in monthly tuitions. The Program was targeted at students who have been more severely impacted by the crisis, through an individual assessment. This more efficient model in its essence was presented and offered by local governments, class entities and other higher education institutions as a model for the entire sector.

In only 10 days, our institutions began to offer online live classes on the internet to approximately 300 thousand students, in an initiative considered by Microsoft, the initiative's technology partner, a global success case. The Company was aware that different Brazilian regions had different internet access and even equipment available to students, and acted in several fronts, such as: (i) offering supplementary recorded classes, reducing broadband consumption and improving experience, (ii) partnerships with large domestic device resellers to offer special conditions to our students, and (iii) partnerships with the four largest internet providers in the country to offer affordable bundles to students.

Live classes had the same professors, the same group and same time of on-campus classes and they have been evaluated as positive by 95% of students. Attendance levels were higher than those recorded on-campus before the pandemic.

Support to the Faculty

Key players in the success of the special operation to offer on-campus classes over the internet, our faculty members did not have changes to their class hours. Only in the Christmas break, in the 15 days between Christmas and New Year's, the temporary cancellation of contracts has been applied, with additional revenue - providing an additional benefit of not discounting vacation days.

Since the beginning of the pandemic, all faculty members, as well the support staff at the units and corporate personnel were offered a monitoring, follow up and guidance service from our Occupational Health Department. Contact monitoring protocols, quarantines and support to infected employees have been considered an example by the Ministry of Education.

During the pandemic, our professors have also relied on therapy, offered by specialized teams throughout the country.

Support to the Employees

For the administrative support staff at our units (most of whom have been prevented from working due to sanitary restrictions) and our corporate staff, the Company has implemented a reduced working hours model or the temporary cancellation of labor contracts, with the maintenance of net wages, preserving the teams' monthly income. This measure, approved by almost the entire team, helped creating a strong sense of engagement and made possible the delivery of solutions at record time for students and faculty members.

All of the staff received support mechanisms in case of infection and hospitalization, in addition to therapy support. An important initiative has been conducted with managers, in other to support them and create a tool to closely monitor personal and labor conditions, taking into account wellbeing, productivity and guidance.

Financial Performance

Financial information used in the analysis below considers YDUQS consolidated results.

Table 1: Income Statement

R$ million	2019	2020	∆%
Gross Operating Revenue	**6,185.0**	**7,703.5**	**24.6%**
Monthly tuition fees	6,139.1	7,650.1	24.6%
Others	45.8	53.4	16.6%
Deductions from gross revenue	(2,619.9)	(3,849.7)	46.9%
Net Operating Revenue	**3,565.0**	**3,853.7**	**8.1%**
Cost of Services	(1,520.7)	(1,744.9)	14.7%
Gross profit	**2044.3**	**2,108.8**	**3.2%**
Gross Margin	*57.3%*	*54.7%*	*-2.6 p.p.*
Selling Expenses	(571.6)	(859.8)	50.4%
G&A Expenses	(587.1)	(895.0)	52.5%
Other operating revenue/ expenses	14.4	2.4	-83.4%

(+) Depreciation and amortization	360.9	538.9	49.3%
EBITDA	**1261.0**	**895.3**	**-29.0%**
EBITDA Margin	*35.4%*	*23.2%*	*-34.3%*
Financial Result	**(242.1)**	**(351.4)**	**45.2%**
Depreciation and amortization	(360.9)	(538.9)	49.3%
Income tax	(7.2)	69.2	n.a.
Social Contribution	(4.6)	24.0	n.a.
Net Income	**646.1**	**98.2**	**-84.8%**
Net Margin	*18.1%*	*2.5%*	*-15.6 p.p.*

Adjusted Net Revenue(1)	**3,565.0**	**4,071.7**	**14.2%**
Adjusted EBITDA(1)	**1,359.7**	**1,349.9**	**-0.7%**
Adjusted EBITDA Margin	*38.1%*	*33.2%*	*-5.0 p.p.*
Adjusted Net Income(2)	**743.2**	**567.0**	**-23.7%**
Adjusted Net Margin	*20.8%*	*13.9%*	*-6.9 p.p.*

(1) Non-recurring items: (I) net revenue in the amount of R$218.0 million in 2020, related to *Estácio com Você* program's scholarships and discounts granted by laws and court injunctions; (ii) R$17.9 million costs, related to organizational restructuring, physical infrastructure costs at the units and the effect of executive order to soften labor laws enacted in April 2020 (MP 936); (iii) selling expenses in the amount of R$99.6 million related to the provision for losses from past FIES pre-payments and additional provision to fight Covid-19; (iv) G&A expenses in the amount of R$119.1 million related to M&A and integration expenses, review of lawsuit records with an increase in contingencies and others. Total impact on EBITDA was R$454.6 million in 2020.

(2) Adjusted by non-recurring items on EBITDA in the amount of R$454.6 million; R$21.0 million in financial result, related to cost of comfort letter to banks (intention to acquire Laureate), total impact on net income of R$475.6 million; plus, adjustment to taxes (income tax and social contribution).

Net Operating Revenue: In 2020, the Company's net revenue was impacted by a series of laws and court injunctions that resulted in the grant of discounts by higher education institutions, thus impacting on-campus operation in several Brazilian states. Such impacts accounted to R$218.0 million in 2020. The Company's net revenue increased by 8.1% in 2020, once again boosted by acquisitions (+493.5 million in 2020), Medicine (+17.0% YoY ex-acquisitions) and Digital Learning (+34.7% YoY ex-acquisitions), more than offsetting FIES losses in the amount of R$302.3 million (ex-acquisitions) in 2020.

Cost of services and gross profit: Cost of services was up by 14.7% in 2020, amounting to R$1,744.9 million, due to the recent acquisitions and increased costs with transfer of centers (+R$67.2 million in 2020), from the accelerated growth of digital learning in partner centers vs. own centers. Excluding the acquisitions effect, cost of services was down by 6.6% YoY in 2020, with the main gains in the following accounts:

- Personnel (-R$181.1 million in 2020), due to gains in operating research, adoption of digital solutions and MP 936 benefits;

- Third-party services (-R$11.3 million in 2020) and Utilities (-R$14.7 million in 2020), due to reduced security, cleaning and maintenance costs in view of the temporary cancellation of on-campus classes in 2020.

Selling Expenses: Selling expenses were up by 50.4% YoY in 2020, boosted by the increase in Bad Debt and greater advertising efforts to attract new students. Bad Debt expenses totaled R$535.3 million in 2020 (+73.7% YoY), due to the following factors:

- Change in student base mix (22% YoY decrease in FIES student base) when compared to the previous year, thus, a larger volume of out-of-pocket students, which also includes Bad Debt from drop-out of PAR and DIS students;

- The economic fallout of the Covid-19 pandemic, which impacted current receivables, as well as the level of negotiation of overdue monthly tuition fees with less expenses with discounts granted (financial result).

Bad Debt coupled with discounts granted increased by 54% in 2020, totaling R$646.8 million, accounting for 17% of net revenue in 2020, up by 5.0 p.p. Vs. 2019. Excluding non-recurring impacts and acquisitions, the increase would have been 21% vs 2019, accounting for 15% of net revenue (+3.4 p.p. Vs 2019).

Advertising expenses grew 25.6% in 2020, due to enhanced intake efforts. Despite this increase, in 2020, advertising expenses as a percentage of adjusted net revenue was in line with the previous year.

General and administrative expenses: General and administrative expenses increased by 52.5% in 2020 YoY, totaling R$895.0 million. due to the following:

- expenses related to the COVID-19 crisis contingency plan;

- R$99.4 million increase in 2020 with provision for contingency, R$74.6 million in non-recurring expenses due to the review of the lawsuit records;

- R$78.5 million increase in 2020 with personnel expenses from recent acquisitions. Excluding this effect, personnel expenses would have increased 19% YoY (+R$33.7 million), due to new grants and the maturity of the ILP program.

- Increase in outsourced services (R$41.1 million in 2020), including expenses with consulting company related to integration and M&A process;

- Increased maintenance and repair expenses (R$22.7 million in 2020) related to our units' maintenance, with new contracts for new medicine units and software;

EBITDA: The Company's EBITDA decreased by 29.0% in 2020, negatively impacted by:

- R$302.3 million loss in FIES Revenue (ex-acquisitions) due to the drop in student base (-22% YoY);

- R$215.2 million increase in selling expenses (ex-acquisitions) in 2020, mainly due to Provision for Bad Debt and the economic fallout of the Covid-19 pandemic;

- R$164.3 million increase in general and administrative expenses (ex-D&A and acquisitions) in 2020, in the personnel, provision for contingencies and outsourced services accounts;

Despite the impacts mentioned above, result was positively impacted by:

- R$125.8 million decline in cost of services (ex-D&A and acquisitions);
- R$97.5 million increase in total net revenue (ex-FIES and acquisitions);
- R$107.2 million contribution to EBITDA from acquisitions.

Non-recurring items totaled R$454.6 million in 2020, excluding said amounts, the Company's adjusted EBITDA would have reached R$1,349.9 million in 2020, in line with the previous year and with adjusted net margin of 33.2% (-5.0 p.p. vs. 2019).

Net Income: Net income came to R$98.2 million in 2020, down by 84.8% YoY, impacted by EBITDA's performance, depreciation and amortization increase due to the acquisitions and IFRS-16 effect (-R$51 million in 2020). Excluding the impact of non-recurring items on EBITDA, on financial result (R$21.0 million in 4Q20), related to comfort letter to banks (intention to acquire Laureate) plus tax adjustments (income tax and social contribution) adjusted net income would have reached R$567 million in 2020 (-24% vs. 2019).

Investments: Total Capex came to R$464 million in 2020, up by 27% YoY. mainly boosted by a significant increase in investments in digital transformation and information technology, continuing with the Company's efforts to focus in offering even more up-to-date education services. These investments accounted for 38% of total Capex in 2020, closing the year at R$176 million. Other investments reduced compared to the previous year, except for investments in expansion in 2020, which increased by 34%, chiefly related to course maturity projects and new units, mainly Medicine (*Mais Médicos*).

Cash Position and Debt: The Company's cash and cash equivalents totaled R$ 1,633.3 million in 2020, up by 168.1% YoY vs. 2019, due to debt issued to finance recent acquisitions and also to strengthen the Company's solid cash position. Gross debt (excluding leasing) ended the year at R$3,490.0 million. Excluding leases from gross debt, the net debt/EBITDA adjusted to non-recurring effects ratio stood at 1.41x.

Operational Performance

In 2020, total student base came to 763 thousand students, up by 34% compared to the previous year, due to both increases in undergraduate base (34% YoY) and in graduate base (+36% YoY). This figure was chiefly boosted by recent acquisitions and the expansion of Digital Learning.

On-Campus: On-campus segment ended 2020 with 335 thousand students, an 8.5% increase YoY, due to the Company's recent acquisitions. Excluding the acquisitions effect, undergraduate student base would have decreased by 7.4% YoY, due to the reduction in FIES student base. It is important to highlight that FIES student base continues to decrease, down by -22% YoY and out-of-pocket student base closed the year at 270 thousand students, up by 19.3% YoY.

Total medicine student base in came to 5,378 students, a 33.5% growth versus the same period the previous year. In 2020, there were 244 additional seats (+27% YoY) in total compared to the previous year: 110 seats from Adtalem (Teresina), 50 seats from Grupo Athenas (Cáceres) and 84 have been authorized by the Mais Médicos program (+34 in Angra dos Reis and +50 in Canindé). All of them with 100% seats filled.

Digital Learning: Digital Learning continued to post solid results, reaching 427 thousand students in 2020, a significant 64% YoY growth in the student base, due to recent acquisitions and, mainly, the strong growth pace and maturity of centers, that increased 62% vs. 2019. Excluding the acquisitions effect, student base would have surged 50% YoY. The Company has focused its efforts on the development and improvement of digital platforms through heavy investments in technology and innovation. This has been essential for the segment's extremely positive results.

Academic Model

EnsineMe

EnsineMe is the YDUQS's business unit to develop and produce digital methodologies and content for higher education. We work to make possible a customized education experience at a high academic standard for all. Our academic content is designed in modules, serving the matrix's most diverse needs. Our team of academic curators is comprised of by master's and Doctoral graduates from well-known institutions, such as IME, UFRJ, USP, UFSCAR and FGV, coupled with a digital creation team of instructional, UX and UI designers, programmers and audiovisual professionals, who have decades of experience in digital learning. We transform content into innovative and efficient multi-media learning tools, which are capable of making possible the access to unprecedented quality education in Brazil, which was, up to now, restricted to elite institutions.

In little over 12 months, in 2021 we reached 100% of Aura's intake and 60% of Estácio's total DL student base. Furthermore, with hundreds of thousands of students impacted, today we have over 10 institutions using EnsineMe's digital products, including Estácio, Faculdade Faci, Metrocamp, UniRuy.

AURA

Aura is our teaching-learning model: a unique and innovative methodology that connects on-campus expertise to digital intelligence, making classroom a more interactive and collaborative space. Aura provides a continuous learning relationship by creating a development line that depends both on on-campus and digital learning. Digital content makes room for several discussions that will take place in on-campus classes.

Students have access to digital contents in accordance with their teaching plan. Professors engage students, who are invited to explore contents so they can actively participate in discussions and use said digital contents during the activity.

Students also gain access to high-quality digital content, which gives them freedom by searching for contents available in the digital platform. Self-learning is also encouraged in a virtual environment that will offer them the flexibility they seek in developing their skills.

To build this learning model, we defined some assumptions:

More on-campus - Respecting the guidelines of the Ministry of Education, Aura has been designed for students to have more on-campus classes, at their units, and also enjoy high-quality digital content in all subjects they are taking.

More digital content - All courses at Aura offer digital credits and contents linked to this hour load, which boost the offer and quality of content students have access to.

Alignment to career paths - The entire curriculum was designed to meet market changes and needs, offering students a degree based on technical and behavioral skills that are necessary for the job market.

More standardization - With standardized credits, students will know how much they will pay in their monthly tuitions, therefore providing financial stability, avoiding possible drop-outs from financial problems due to the credits grade.

More continuous and collaborative learning - the matrix was developed to offer a continuous and collaborative learning process, expanding the physical space of the classroom and offering more interaction between students and their professors, using more tools and methodologies.

More complex cognitive activities - activities prepared are anchored on education strategies, based on problem situations that encourage students to develop skills such as: analytical thinking, critical positioning, negotiation skills, computer thinking, among many other essential skills required by the market.

In 2020, Aura impacted more than 108 thousand students, 7 thousand professors in 32 training sessions for this learning model. All these efforts resulted in a global improvement of 7 percentage points in NPS, in terms of student learning journey. For 2021, training efforts will continue and, up to now, 12 groups have been trained with 2,220 professors. Regarding students, we already have, in this first semester, a little over 137 thousand students enrolled in Aura courses and we expect to increase this number with the expansion of Aura to all the group's institutions in the next semester.

Aura goes beyond the barrier between the classroom and virtual environment. Now, both of them are interconnected, complementing each other and offering students more tools, content, interaction and presence.

Regulatory Framework

Evaluation: ENADE and in loco visits

The result of YDUQS's courses evaluated on the 2019 ENADE cycle was published on the Federal Official Gazette on December 10, 2020. Out of the 381 courses (both on-campus and Distance Learning), in Agricultural Sciences, Health Sciences and related areas, Engineering and Architecture; Higher Education Technical courses in Environment and Health, Food Production, Natural Resources, Military and Security, evaluated with concepts on a scale of 1 to 5, 95% obtained a satisfactory result in the Preliminary Course Concept (CPC). The General Course Index (IGC) results for 2019 have not been disclosed yet.

In regard to in loco visits, which are equally important to the consolidation of the model in regulatory terms, out of the evaluations carried out by the MEC at Estácio's Higher Education Institutions throughout Brazil in 2020, 100% were graded 4 or 5 (excellent) on a scale of 1 to 5. We emphasize that few visits took place during the year because of the coronavirus pandemic.

Evaluation: Masters’ and Doctorate Degrees

In view of the four-year period, the high scores of our stricto sensu masters’ and doctorate programs have been maintained, according to the CAPES post-secondary improvement scale. The excellence of these programs was underlined by the grade 5 granted to our masters’ and doctoral programs in Law in Rio de Janeiro, and the grade 4 awarded to our masters’ and doctoral programs in Education and Dentistry, and our professional masters’ programs in Corporate Management and Development and Family Health.

Accreditation to offer distance learning higher education courses:

In 2020, MEC has published accreditation ordinances to offer distance learning higher education courses at the following institutions. (i) **Centro Universitário Estácio Meta de Rio Branco – Estácio UNIMETA;** (ii) **Centro Universitário Metrocamp Wyden – Unimetrocamp Wyden**; (iii) **Faculdade Estácio de Pimenta Bueno,** all of which achieved maximum score in the in loco evaluation visit (scale from 1 to 5) and (iv) **Faculdade Estácio Unijipa de Ji-Paraná,** accredited with score 3 in the in loco evaluation visit (scale from 1 to 5).

Accreditation of Higher Education Institution:

Faculdade IBMEC in Brasília: On November 5, 2020, the institution’s accreditation ordinance was published, and it has been approved with score 4 in the in loco evaluation visit (scale from 1 to 5). It is headquartered in Brasília, Federal District.

Mais Médicos I and II Project – (Ordinance no. 6/2014/SERES/MEC and Ordinance no. 1/2018/SERES/MEC)

Universidade Estácio de Sá: On October 9, 2020, an ordinance was published to increase the offer of seats, from 55 to a total of 89 seats per year, in the Medicine Course at Angra dos Reis Campus, located in the city of Angra dos Reis, state of Rio de Janeiro.

Faculdade Estácio in Canindé: On September 11, 2020, the accreditation Ordinance was published for the institution located in the city of Canindé, state of Ceará, and on September 15, 2020, an Ordinance was published authorizing the Medicine Course, with 50 total seats.

Sustainability (ESG)

In 2020, we saw the Environmental, Social and Governance (ESG) theme gain strength and the strengthening of the commitments to stakeholders and a sustainable development, for decades, YDUQS has put sustainability to practice, with the engagement and participation of the company’s several departments, as well as its leaders and students. Our strategy and financial results are connected to ESG pillars.

Environmental Pillar

The Company has environmental management practices geared towards reducing impacts and externalities and fostering conscious consumption of resources. All the group's units have environmental processes and guidelines, and their results are accounted for. They are monitored through a quarterly self-evaluation program and consolidated in the Excellence Management Program (PEG). The compliance with environmental licensing, with the Solid Waste Management Plans (PGRS), employee environmental training, consumption reduction practice and compliance with environmental laws are also included in the evaluation.

A strategy at corporate level seeks to strengthen environmental management and ensure we improve in aspects such as reduced water and electricity consumption, as well as recycling initiatives.

Regarding Energy and Water management, YDUQS seeks to use practices and technologies that raise awareness and reduce water and energy consumption at the operations.

The Company conducts awareness-raising campaigns at all units and hires expert companies to identify opportunities. Energy consumption is daily monitored using telemetry. YDUQS invests in equipment that enable reduction in water and energy consumption at the operations (efficient lighting, economic taps and dual flush toilets for instance), in addition to replacing old equipment. Currently, 68% of YDUQS's energy is purchased in the Spot Market and comes from renewable sources.

In 2020, YDUQS completed the **Distributed Generation project**, which consists of installing a Solar Farm in the state of Rio de Janeiro. The farm has a production capacity of 270 MWh/month. Energy produced is credited to the local concessionary's network and offset by the energy used by 6 units.

Social Pillar

Educar para Transformar Program

The Company's Corporate Social Responsibility initiatives, guided by the *Educar para Transformar* (Educating to Transform) Program, are based on the **Sports, School, Citizenship, Culture and Innovation & Entrepreneurship** pillars. The program boosts the synergy between projects to benefit social institutions and have the participation of students, faculty members and employees. In 2020, YDUQS played its part in fighting the pandemic through initiatives such as donation campaigns in several units, manufacturing and donation of protection masks, full and partial scholarship programs and launch of free online courses.

Among the initiatives in the period, we can highlight:

Local engagement and development

YDUQS Education Institutions are present in all Brazilian states and all of them contribute to the engagement with the community and local development. Regional, Department and Unit Managers are responsible for identifying opportunities in addition to developing and managing Corporate Social Responsibility initiatives and projects.

These several social initiatives and extension projects integrated, most of the time based on the courses offered at the units. Some examples include: Law (Legal Practices Center, assisting the community); Psychology and Teaching Degrees (assistance and internships); in addition to Accounting (financial education initiatives and assistance with the filing of income tax returns).

At YDUQS, education is more than just passing on knowledge – it involves constructing values, Sports include all these components, making it an essential part of the learning process and a key ingredient in the formation of citizenship. Therefore, the Company invest in social initiatives and projects that integrate sports and education.

The **Estácio Team** is a selection of athletes from several modalities supported by the Company. Estácio supports more than 500 athletes, from base categories to high-performance athletes, with on-campus and distance-learning scholarships. Estácio is partner with the Brazilian Olympic Committee and the Brazilian Paralympic Committee in programs to train athletes. Estácio joined the "*Pacto pelo Esporte*", an agreement between companies sponsoring Brazilian sports, geared towards fostering culture and the segment's professional, modern and efficient management.

We invest in initiatives to encourage and improve the country's education reality, impacting elementary and high school students and teachers, especially in public education system. We operate on several fronts, liaising with government officials in the education area, supporting schools, fostering the exchange of experience between our students and faculty members, encouraging educational initiatives that create changes, such as the **Youngster and Adult Literacy Project,** an initiative in line with UN's Sustainable Development Goals, that intends to contribute to reduce illiteracy in Brazil.

We believe that a fairer society needs to invest in strengthening **citizenship** initiatives. This pillar is aligned with our mission of Educating to Transform by supporting institutions, NGOs and other partnerships in the social responsibility area. Through scholarships, we support youngsters in social vulnerability situation, already assisted by partner organizations. Through the Yduqs Volunteer Portal, we foster the engagement of our faculty members and administrative personnel.

Culture plays an important role in developing citizenship, forming critical and aesthetic senses and expanding individuals' world view. The Culture pillar helps promote and produce, through tax incentive laws, theater projects, musical concerts, art exhibition, movies and the publication of social and cultural relevant books, to democratize the access to culture and leave an important legacy to the communities.

The **Innovation and Entrepreneurship** pillar foster innovative and entrepreneur practices, through the creation of a program that interacts with employees, faculty members, students and the market. The idea is to connect the Company to innovation and entrepreneurship ecosystems in Brazil and abroad, internalizing a mentality aimed at cooperation and potential partnerships with other organizations.

Employees

The 2020 results also reflect our Employees' engagement with the Company's business model and organizational culture. Following heavy investments in the training and development of its academic and management teams, the Company ended 2020 with 16,539 employees, 9,084 of whom faculty members and 7,455 in administrative and educational support positions.

In total, the Company paid R$1.256 billion in payroll and social charges in 2020.

The profile of the Company's employees stands out for its diversity of gender and age: 47% are men and 53% women, with 39 years of age on average (including administrative, support and faculty members). The breakdown by age (including faculty members) is as follows: (i) 9% under 26; (ii) 34% between 26 and 35; (iii) 32% between 36 and 45; (iv) 21% between 46 and 60; and (v) 4% over 60. It is precisely the combination of these individuals that helps the Company's achieve even better results.

Management System and Variable Compensation

The Company has more than 740 managers with specific goals based on financial and non-financial indicators. Except for interns and outsourced service providers, all our administrative employees are eligible for Variable Compensation programs, in accordance with the performance of their department and of the Company as a whole. YDUQS also has specific compensation programs for course coordinators. Currently 124 executives are part of the long-term incentive plan.

As part of the continuous result monitoring process, the Management System adds, in addition to the Monthly Results Meeting (MRM) and the Operational Performance Management (GDO), a series of other systematized meetings such as Academic Development Management (GDA), focused on teaching, ensuring the alignment of results and ongoing improvement of processes and student satisfaction.

The Company also has an internal online Standardization Management system (SGP), which compiles information on all the Company's Regulatory Documents. The transparency of our processes, policies and institutional guidelines, as well as their easy access, helps with the execution of tasks, encourages learning and helps ensure quality.

Governance Pillar

Quality, excellence in management, business integrity, ethical compliance and fostering the access to education in Brazil are YDUQ's commitments to its shareholders and all other stakeholders. We perceive the Governance pillar as the one which encompasses and ensures the execution of the Sustainability and Social Pillars This pillar encourages the Company's ongoing innovation as well as the creation and review of more inclusive and sustainable processes, ensuring diversity is a tool for improvement.

In November 2008, when the Company was named Estácio, YDUQS joined the Novo Mercado listing segment, the highest level of Corporate Governance in Brazil, in the pursuit of greater management transparency and efficiency. Among the main initiatives we can highlight: (i) partnership with the Brazilian Corporate Governance Institute ("IBGC "), (ii) annual publication of the Sustainability Report, as of 2014, with adoption of the Global Reporting Initiative (GRI) methodology and the associated G4 Guidelines, and (iii) publication and ongoing review of Corporate Policies, such as the Securities Trading Policy, Material Act and Fact Policy, Related-Party Transaction Policy, Risk Management Policy, Compensation Policy, Policy for the Appointment of Board of Directors Members, Executive Officers and Committee Members, Information Security Policy, Privacy Policy, Code of Ethics and Conduct and Anti-Corruption Code.

In 2020, we reviewed in depth our Corporate Policies, updated corporate training offered to our employees, focusing on transparency and corporate responsibility and gave emphasis to internal audit and risk management activities. We have also developed the Whistleblowing Channel rules, to provide information on the channel's right use and to gain efficiency in analyzing reports. The channel now serves all the group's education institutions. The Governance Portal has been expanded to emphasize it as the communication channel for the Management and Fiscal Council members.

In line with the other two ESG pillars, we advanced in promoting discussions about equality at the organization, giving voice and importance to employees and students, and we also relaunched our corporate university, in order to engage and professionalize even further our employees.

Management

The Company's Management is composed of the members of the Board of Directors and Board of Executive Officers, supported by the Fiscal Council. The Company is managed based on the effective legal and regulatory requirements, including the Novo Mercado Listing Rules.

YDUQS's Board of Directors is currently composed of nine independent sitting members of different nationalities, ages and university education, with excellent reputation, multidisciplinary expertise in Brazil and abroad, elected for a two-year term of office.

The Board of Directors is advised by four statutory committees – the People and Governance Committee, the Audit and Finance Committee, the Performance Monitoring Committee and the Academic Committee, which strictly follow their internal regulations approved by the Board of Directors.

The Statutory Board of Executive Officers is composed of four executives of different ages and university education, with excellent reputation, multidisciplinary expertise, elected for a two-year term of office by the Board of Directors, namely: a Chief Executive Officer, a Chief Financial and Investor Relations Officer, an Education Officer and one other officer without portfolio. In addition to the members of the Statutory Board, the Board of Executive Officers is also composed of six officers, responsible for the Market, People and Management, Digital Content, Institutional Relations, Corporate Operations and Premium Operations areas.

The Fiscal Council is composed of three sitting members and three alternate members, all of whom independent and with expertise in corporate accounting, of different ages and genders, with excellent reputation and university education, elected for a one-year term of office (reelection is permitted), whose duties and powers comply with the legal and regulatory requirements, including those of the Novo Mercado Listing Rules, its Internal Regulation and the Company's Bylaws, as well as with the best Brazilian and international market practices.

Independent Auditors

Pursuant to CVM Instruction 381/2003, which addresses the provision of other services by our independent auditors, we emphasize that the Company's policy regarding relations with its independent auditors and their provision of services not related to the external audit is guided by principles that preserve their independence. We hired Ernst & Young Auditores Independentes S.S. ("EY") to audit the Company's individual and consolidated financial statements for the fiscal year ended December 31, 2020, prepared in accordance with Brazilian accounting practices. The fee for the external audit was R$2,540,865.00.

Service	Fee	Term	Nature
Audit	2,540,865.00	April 2020 to March 2021	Quarterly review and analysis of the 2020 financial statements
TOTAL	**2540865**		

Arbitration Clause

YDUQS Participações S.A. ("Company") is bound by decisions of the Market Arbitration Chamber, as per Article XII of the Company's Bylaws.

The Management

Statement by the Board of Executive Officers

In compliance with Article 25, items V and VII of CVM Instruction 480/2009, the members of the Board of Executive Officers of Estácio Participações S.A. ("Company", "YDUQS") hereby declare, unanimously and without dissent, that they have reviewed, discussed and agreed on the contents of the Company's Financial Statements and the unqualified opinion in the independent auditor's report issued by Ernst & Young Auditores Independentes S.S., both of which for the fiscal year ended December 31, 2020.

Rio de Janeiro, March 17, 2021

Eduardo Parente Menezes, Eduardo Haiama, Adriano Pistore and José Aroldo Alves Júnior.