MANAGEMENT REPORT

Dear Shareholders,

The Management of Estácio Participações S.A. (“Company”, “YDUQS”) hereby presents the Management Report and Consolidated Financial Statements for the fiscal years ended December 31, 2019 and 2018, prepared in accordance with International Financial Reporting Standards (“IFRS”) and accompanied by the Auditor Report. To preserve comparability between the periods, the Company opted to disclose the pro-forma results for 2019, excluding the impacts of the adoption of IFRS-16.

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YDUQS

Corporate Profile

YDUQS, owner of the Estácio and UniToledo brands, is one of the largest higher education players in Brazil, with almost 600,000 students and is one of the fastest growing organizations in the country, through the expansion of its brands and the acquisition of new education institutions. The Company is listed in B3's Novo Mercado listing segment under ticker "YDUQ3", its ADRs are traded in the North American market under ticker "YDUQY" and has a differentiated governance standard.

On December 31, 2019 the Company's student base totaled 570.3k students. The Company's network comprises one university, 13 university centers and 53 colleges accredited by the Ministry of Education (MEC). YDUQS's national reach is represented by 94 campuses and 933 distance learning centers, present in the major urban centers of all Brazilian states and the Federal District, strategically located close to the homes and/or workplaces of our target audience.

The Company's growth in the market is the result of some important factors: (I)the quality of its courses and faculty members, (II) the adoption of modern management practices, (III)technological and academic innovation offered to the students, (IV) the strategic location of its units and (IV) a competitive price policy, affordable to our target audience. With a nationally integrated curricula, YDUQS offers on-campus and distance learning undergraduate courses, in Exact Sciences, Biological Sciences and Humanities and social sciences, as regular and technological undergraduate courses. Also offers *lato-sensu* and *stricto-sensu* graduate, masters and doctoral programs and extension courses. Backed by a management model that is result and quality-oriented, we developed a modern and differentiated teaching methodology. As a result of its business and financial capacity, innovation and constant improvement of its academic programs, YDUQS brand is recognized and valued in the market.

Economic Scenario

Global economic slowdown marked 2019, whose main driver was the trade conflict between two of the largest global economies: United States and China. The geopolitical tension, marked by the inflexibility of negotiations, combined with other factors such as the lack of definition concerning the Brexit, increased global market uncertainty. Consequently, financial markets were negatively impacted by a great reduction in investments throughout the globe.

Regarding the Brazilian Economy, the accelerated slowdown in global trade together with domestic factors such as the delay in the pension reform approval, negatively impacted GDP growth in the first semester of 2019. The median of analysts' estimates interviewed by Central Bank's Focus report began 2019 at 2.5% and came to 0.8% in July, however, after the approval of the reform by the lower house, expectations resumed its growth and ended the year up by 1%, smallest increase in 3 years. This scenario harmed US Dollar x Brazilian Real ratio, that went from R$/US$ 3.86 in the beginning of the year to higher levels by year-end (R$/US$4.03).

On the other hand, despite the pressure created by some prices (electricity, for instance), inflation remained in a significantly lower level throughout 2019. In the 12-month period ended in December, the IPCA consumer price index closed at 4.31%, slightly above the

Central Banks' inflation target (4.25%). Thus, it was possible to reduce interest rate to an all-time low for several consecutive times. The Selic interest rate began 2019 at around 6.5% and remained in the same level until mid-year, when it was successively cut and closed the year at 4.5%.

Despite mild changes throughout the year, Brazilian unemployment rate came to 11.0% in December, the lowest since the quarter ended in March 2016, when it came to 10.9%. Additionally, Consumer Confidence Index (ICC), published by Fundação Getulio Vargas, came to 91.6 points in December, lower than in December of the previous year (93.8 points). Even though, December's ICC represents a 2.7-point increase over the previous month, it was at the highest level since February 2019 (96.1 points).

With the signs of Brazilian economy recovery by the end of 2019, the Company is optimistic towards Brazil's growth and development, a country that still has many business opportunities, especially in the education segment, with a significant consumer market and strong and independent institutions.

Message from Management and Strategic Outlook

I have been with YDUQS for a little over a year. I came here drawn to the institution's mission and because I realized that we had preconditions to succeed: market demand and great consolidation opportunities, a well-positioned Company and an experienced and competent team.

In the 2018 earnings results, I addressed the difficulties we foresaw with the decrease of FIES. But also, our confidence in maintaining the balance of results due to our operational discipline and the growth sources we have mapped and invested on.

Our 2019 results show that our plan is solid, and it has been executed as expected. EBITDA margin posted a slight increase versus the previous year and came to 38%. Net income was in line with previous figures at R$646 million. Costs were down (per on-campus student, 6.7%) and the three growth fronts we have envisaged are being confirmed: medicine revenue recorded growth of 24%; Distance Learning revenue was up by 28% and student base by 42%; and we made two relevant acquisitions: Unitoledo and Adtalem[1]. We continue to be market leaders in the most important cash generation indicator, with 75% conversion.

Our belief that we have advanced in preparing the Company for the future is as important as these figures. Some themes are in the spotlight, such as the new medicine course accreditations and the increase in seat offering, record intake figures and the expansion of our digital learning reach. Other themes are not in the spotlight, but are also important, such as the 6 p.p. increase in NPS and digital evolution – that can be noticed

[1] Subject to CADE (anti-trust agency)´s approval

not only by students and faculty members APPs, but also in a series of internal processes that are becoming more efficient.

Our social contribution continues to evolve. In addition to the positive impact that naturally comes from our activities, with around 60,000 professionals prepared for the market every year – that enrich their communities in every way -, we continue to increase the initiatives of one of the soundest and most comprehensive Social Responsibility programs in the country. In 2019, over a million Brazilians took part in and benefited from one of the hundreds of actions in the program. Only to name one initiative that is very dear to us all, the Literacy Program was offered in 12 units in 2019, and has already rescued from illiteracy, by the hands of our professors and students, hundreds of people that live close to some of our campuses.

We also had accomplishments in Governance. YDUQS has an independent Board of Directors and well-stablished committees that actively monitor and advise the Company's management. Our community, comprised of students, faculty members and other employees, is one of the most diverse in the country, with equal presence of all races and ethnicities and people from all backgrounds and social classes. Currently, most of managing positions are occupied by women (which was never seen before up to 2019). We still have to evolve in terms of Senior Management, but we had a great advancement in this sense, namely the presence of a greatly experienced female executive in our Board of Directors.

Finally, speaking of the future, YDUQS was created in 2019. More than a brand, we introduced a new concept to our business and gained even more independence to grow in a diversified manner. The experience of separating Distance Learning and Medicine from the On-campus segment was very successful, and we are going to consolidate that practice and, going further, create Premium, Digital Contents and Vida Toda (Life Long Education) units. The growth pace of such units will be substancial, maintaining balance vis-à-vis FIES losses in 2020 and becoming a highlight from 2021 onwards.

YDUQS has the best Distance Learning platform in the market in terms of content and format, and the imminent acquisition of Adtalem[2] will allow us to take a step forward. We will use our digital tools to offer in our classrooms and our students' homes access to content that was previously exclusive for the elite. Through innovation, we will, once again, lead the transformation of higher education in Brazil.

We have a privileged financial position in a market full of opportunities. We created a solid base and are stronger than ever. There is much more to come.

Thank you for your trust and support.

Eduardo Parente

CEO

[2] Subject to CADE (anti-trust agency)´s approval

Financial Performance

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

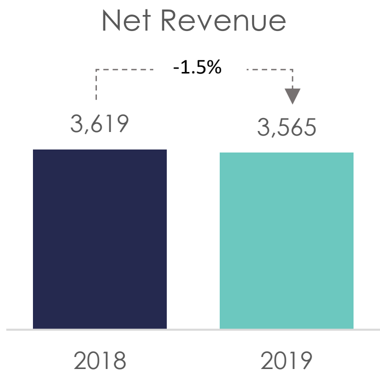
Table 1: Income Statement

R$ Million	2018	2019[3]	∆%
Gross Operating Revenue	**5,784.2**	**6,185.0**	**6.9%**
Monthly Tuition Fees	5,747.8	6,139.1	6.8%
Other	36.4	45.8	25.8%
Gross Revenue Deductions	(2,164.8)	(2,619.9)	21.0%
Net Operating Revenue	**3,619.4**	**3,565.0**	**-1.5%**
Cost of Service	(1,632.8)	(1,574.8)	-3.6%
Gross Profit	**1,986.6**	**1,990.3**	**0.2%**
Gross Margin	*54.9%*	*55.8%*	*0.9 p.p.*
Selling Expenses	(553.0)	(571.6)	3.4%
General and Administrative Expenses	(614.3)	(587.6)	-4.3%
Other operating revenue/expenses	(47.2)	14.4	N.A.
EBIT	772.0	845.3	9.5%
EBIT Margin	*21.3%*	*23.7%*	*2.4 p.p.*
(+) Depreciation and amortization	195.4	197.0	0.8%
EBITDA	**967.4**	**1,042.3**	**7.7%**
EBITDA Margin	*26.7%*	*29.2%*	*2.5 p.p.*
Financial Result	(118.8)	(149.2)	25.6%
Depreciation and amortization	(195.4)	(197.1)	0.8%
Income tax	(4.5)	(7.2)	59.5%
Social contribution	(3.8)	(4.6)	21.2%
Net Income	**644.9**	**684.4**	**6.1%**
Net Margin	*17.8%*	*19.2%*	*1.4 p.p.*

Adjusted EBITDA	**1,154.7**	**1,141.1**	**-1.2%**
Adjusted EBITDA Margin	*31.9%*	*32.0%*	*0.1 p.p.*

3 Pro-forma numbers excluding the effect of IFRS-16 adoption in 2019 to allow comparison with 2018.

- **Net operating revenue.** In 2019, net operating revenue came to R$3,565.0 million, a slight decrease compared to 2018. This drop is due to: (I) the increase in discounts and scholarships, following the intake strategy and the new retention and renewal policy; (II) the resilience of the ex-FIES on-campus segment (+3.2% YoY) and solid performance of Medicine courses (+24% YoY) and (III) maintenance of Distance Learning (DL) segment's accelerated growth pace, whose revenue was up by 28% YoY.



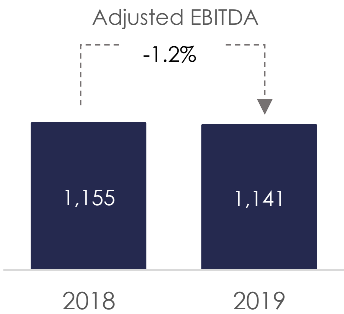
- **Cost of Services.** Cost of Services totaled R$1,574.8 million in 2019, a 3.6% decrease over 2018 and accounted for 44.2% of the Company's net operating revenue, posting a 0.9 p.p. improvement compared to the previous year. Efficiency gains with personnel costs – the outcome of several operating researches such as faculty restructuring, improvement in student per class rate, increase in sharing of disciplines, better occupancy rate and adoption of on-line content in on-campus courses – were the main drivers of this result. It is worth noting that, in the on-campus segment, the cost of services per student decreased 6.7% YoY in 2019.

- **Gross Profit.** Because of cost of services performance, gross profit totaled R$1,990.3 million in 2019, in line with the 2018 figures, reaching a gross margin of 55.8%, a 0.9 p.p. increase.

- **Selling Expenses.** In 2019, selling expenses came to R$571.6 million, up by 3.4% versus the previous year. Bad Debt expenses were down by 7.7% YoY due to greater efforts in collection and negotiation, reducing delinquency of out-of-pocket students, and to the recovery of old credits.

- **General and Administrative Expenses.** In 2019, general and administrative expenses were R$587.6 million, down by 4.3% YoY, due to the following: (I) decrease in provision for contingencies and expenses with third-party services, specially consulting services; (II) Increased expenses with maintenance and repairs, related to software update, maintenance of our centers and increase in expenses with pedagogic resources (expansion of health courses).

- **Adjusted EBITDA[4].** In 2019, the Company's Adjusted EBITDA totaled R$1,141.1 million, a slight drop of 1.2% versus 2018. Adjusted EBITDA margin came to 32.0%, 0.1 p.p. up on 2018.



[4] In 2019, Adjusted EBITDA was R$98.7 million and R$187.4 million in 2018, mainly due to organizational restructuring, consulting expenses and other non-recurring expenses.

- **Net Income.** Net income totaled R$684.4 million, 6.1% up on 2018, for a net margin of 19.2%, up 1.4 p.p., due to the Company's better operating results.

- **Dividends.** The Management shall submit to the approval of the General Shareholders' Meeting the payment of dividends in the amount of R$153.5 million to its shareholders, related to 2019 results.

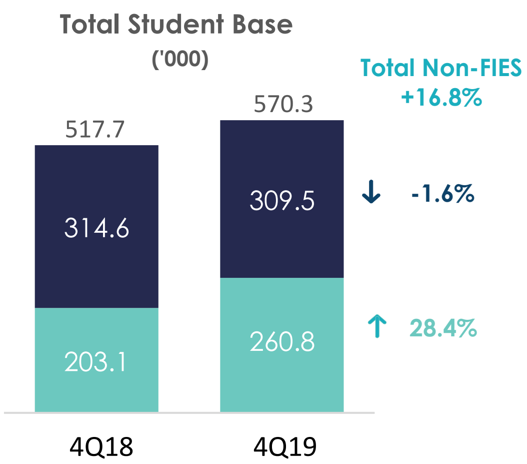
- **Investments.** In 2019, YDUQS invested R$366.4 million, a 47.4% increase YoY. This increase is related to recurring investments in the maintenance and improvement of our business, expansion of the Health course (Mais Médicos II program) and creation of new dental labs and non-recurring projects such as document scanning system, adequacy to the regulatory framework and renovation of the air conditioning system.

- **Cash.** On December 31, 2019, the Company's cash was R$609.1 million, 25.5% down over 2018, due to loan amortization and acquisition payment (UniToledo), in addition to the delay in FIES receivables in the end of the year (with cash effect in January, 2020). In 2018, the Company received the last PN23 installment in the amount of R$342.1 million. Excluding PN23, cash would have increased by 28.0% YoY.

- **Debt.** The Company's bank debt totaled R$615.1 million in 2019, down by 24.7% YoY. Net debt ex-IFRS 16 came to R$84.5 million for a net debt/EBITDA reported ratio of 0.1x, in line with 2018 figures and significantly below covenant (2.5X).

Operational Performance

On-Campus: By the end of 2019, on-campus student base totaled 309.5k students, a 1.6% decrease compared to 2018. This is due to the 36.1% reduction in the FIES student base, that totaled 41,500 students in 2019, accounting for 14.8% of on-campus undergraduate student base. Excluding the reduction in FIES share, total student base (Ex-FIES) was up by 16.8%, highlighting the Company's differentials in attracting new students and evidencing that intake does not depend on FIES. We remain focused on the quality of enrolled students and on retention policies.



Distance Learning – DL: In 2019, Distance Learning student base was up by 28.4% versus 2018, totaling 260,800 students and accounting for 46% of the Company's student base, up by 6.9 p.p. over the previous year. This growth was strongly impacted by de expansion of 326 new distance learning centers. Flex Distance Learning segment was the greatest highlight, posting growth of 72% in student base YoY, totaling 35,400 students. The 100% online student base increased 32% versus 2018, totaling 179,300 students.

Academic Model

In the past years, the Company has created and has been improving a nationally integrated Academic Model with the purpose of meeting the diversity of its various programs and meeting the different academic-pedagogic needs of students and faculty members. The Academic Model ensures academic quality, the nationalization of the curricula and the standardization of own educational resources, while respecting regional and local demands, ensuring business scalability.

In order to make the model effective and use a multidisciplinary approach to define educational projects, plans and practices, the Company adopted a proprietary methodology to collectively build knowledge, with the participation of faculty members from different institutions of the Group throughout Brazil, in the preparation of the syllabi and their respective contents.

In addition to the nationally integrated curricula, the Model has the following pillars: educational resources and technological innovation, virtual learning platforms, integrated evaluation systems and complementation and tutoring programs which, applied with management practices, enable the permanent monitoring of students' performance.

The different learning contents produced or maintained by the Company are digitally available at SAVA, a Virtual Learning Classroom, which provides free access to all types of devices (mobile phones, tablets, computers), on time and with no need for a request. This media convergence makes it possible to gather didactic resources to students and faculty members in a single environment, ensuring full access to the books of the Virtual Library as well as to journals, student's own textbook, video classes, online content, smart books, study guides, class presentations and other resources.

This set, combined with academic activities with transverse vectors aimed to citizenship, entrepreneurship, human rights and sustainability, contribute to the formation of skilled professionals with enhanced opportunities in the job market.

Finally, the academic model is a means of responding to the need for the scalability, mobility and sustainability of the Company's educational services, with the continuous improvement of academic quality and social responsibility.

Academic quality and learning management

The Company implemented a series of tools and procedures that allow faculty members and academic teams to monitor academic quality and student satisfaction, as well as to identify the strengths and weaknesses of each student, based on their performance in tests, exercises and mock exams.

With the help of its faculty members, the Company has a database with close to 612,000 exam questions to be used in mock exams and evaluations, in addition to questions that are still under validation. This resource enables the application of nationally-integrated tests and academic tutoring programs, allowing a detailed analysis of the results, generating an intelligent analytical database that can be used for deviation adjustments and the calculation of rankings, grades and performance percentages at every level (by student, class, unit, course and region).

Based on academic performance reports, the Company has been continuously improving learning management and retention projects. In 2019, the Academic Tutoring Program included the following projects:

- "Evaluating Learning", with over 80% of on-campus student base taking preparatory mock exams;
- "New Chance", with over 73,000 students enrolled in simultaneous catch-up programs offering real chances to reverse bad results;
- "Prepare", with more than 89,000 accesses to live revision classes and chats before main exams;
- AV1 Mock Exam, with over 550,000 mock exams carried out, allowing students to achieve extra grade in the first evaluation, through exams in the first few weeks of the course and;
- "Pending Course Program", with more than 11,000 students that failed a specific class and taking such class during the subsequent semester, in a shorter time and with no harm to their academic performance once approved.

Furthermore, evaluation criteria from several classes have been revised and the pilot project for the evaluation in 12 classes has been implemented. These classes are shared among common courses in the same knowledge field.

Regulatory Framework

Evaluation: ENADE and in-loco visits

The result of Estácio's courses evaluated on the 2018 ENADE cycle was published on the Official Gazette on December 12, 2019. Out of the 422 courses (both on-campus and Distance Learning) evaluated with concepts on a scale of 1 to 5, 92% obtained a satisfactory result in the Preliminary Course Concept (CPC). Evaluated courses included Humanities and Applied Social Sciences, and related areas that do not have courses under teaching degree evaluation, and Technology Higher Education Courses in the fields of Management and Business, Academic Tutoring, Hospitality and Leisure, Cultural Production and Design.

Referring to the General Couse Index (IGC), 98% of the Company´s courses obtained a satisfactory IGC, on a scale of 1 to 5.

In regards 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 throughout Brazil in 2019 (109 course visits and 5 visits to institutions), 100% were in compliance, 94 courses (86%) were graded 4 or 5 (excellent) on a scale of 1 to 5.

YDUQS

Evaluation: Masters' and Doctorate Degrees

In view of the four-year period, the high grades in our *stricto sensu* masters' and doctoral programs were 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 Management and Corporate Development and in Family Health.

Transformation of Institutions´ academic organization

Throughout 2019, the MEC published accreditation ordinances of university centers, through the academic transformation of institutions, to the following units:

i) **Centro Universitário Estácio de Sergipe**: which was given grade 4 in the in loco evaluation visit (scale of 1 to 5), located in the city of Aracajú, State of Sergipe.

ii) **Centro Universitário Estácio São Luís**: which was given grade 4 in the in loco evaluation visit (scale of 1 to 5), located in the city of São Luís, state of Maranhão.

Mais Médicos I Project – Notice 6/2014/SERES/MEC

Faculdade Estácio de Juazeiro: On September 3, 2019, the MEC published the ordinance to increase the offer of seats in 55, to a total of 155 seats per year, in the Medicine Course at Faculdade Estácio de Juazeiro, located in the city of Juazeiro, state of Bahia.

Mais Médicos II Project – Notice 1/2018/SERES/MEC

On October 15, 2019, the MEC published Ordinance 460/2019, ratifying the final result of Notice 1/2018/SERES/MEC for the city of Iguatu, state of Ceará (accreditation of a campus outside the headquarters of Centro Universitário Estácio do Ceará and authorization for the Medical school), selecting the IREP Sociedade de Ensino Superior, Médio e Fundamental Ltda. As sponsoring institution for the city.

Corporate Governance

Quality, excellence in management, business integrity, ethical compliance and dissemination of access to education in Brazil are YDUQ's commitments to its shareholders and the entire public we interact with.

In November 2008, when we were only Estácio, we joined the Novo Mercado listing segment, the highest level of Corporate Governance in Brazil, in the pursuit of greater management transparency and efficiency. Consequently, YDUQS began complying with the Novo Mercado Listing Rules, such as capital share consisting of common shares only, the election of independent members to the Board of Directors, and the settlement of disputes by the Market Arbitration Chamber.

In October 2010 we carried out a capital dilution, and as of the following year, the Company then named Estácio adopted governance practices such as: (i) disclosure of the Manual for Participation in Shareholders' Meetings; (ii) partnership with the Brazilian Corporate Governance Institute ("IBGC"), as of 2012; (iii) annual publication of the Sustainability Report, as of 2014, with adoption of the Global Reporting Initiative (GRI) methodology and the associated G4 Guidelines, in accordance with international governance standards; (iv) publication and ongoing review of Corporate Policies, such as the Securities Trading Policy (2007), Material Act and Fact Policy (2007), Related-Party Transaction Policy (2015), Risk Management Policy (2017 and updated in 2018), Compensation Policy (2018), Policy for the Appointment of Board of Directors Members, Executive Officers and Committee Members (2018), Information Security Policy (2017, updated in 2018), Code of Ethics (2008 and latest update in 2016) and Anti-Corruption Code (2016), together the Company's Corporate Policies.

As of 2017, based on the new governance and compliance rules published by the Brazilian Securities and Exchange Commission ("CVM") and B3 – Bolsa, Brasil, Balcão S.A. ("B3"), as well as on the best practices adopted in the Brazilian and international markets, the Company began disseminating governance practices to all its stakeholders, such as: (i) periodic internal institutional compliance campaigns; (ii) periodic training to Management and Employees; (iii) update and creation of corporate policies, internal regulations and codes, disclosed on the Company's website (www.yduqs.com.br), on the Company's Governance Portal, as well as on the regulatory agents systems; (iv) transformation of the Board of Directors' Advisory Committees into statutory committees; (v) creation of Advisory Committees to the Board of Executive Officers; (vi) restructuring of the internal audit department operating scope and implementation of a risk management department; (vii) creation of a Confidential Claims Channel; (viii) use of and adherence to the Governance Portal by the Company's Management, Fiscal Council members and members of the Board of Directors' Statutory Advisory Committees. This portal is a flexible and useful channel that accesses and stores the Company's information in a safe and transparent manner, as well as is a tool to keep track of meetings, agenda, supporting documents, minutes and reports.

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 Personnel and Corporate Governance Committee, the Audit and Finance Committee, the Performance Monitoring Committee and the Academic Committee, which strictly follow their internal regulation approved that the Shareholders' Meeting. The Board of Directors, its advisory committees and the Board of Executive Officers are evaluated every year in order to ensure the adoption of continuous improvement practices.

The 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. The Board of Executive Officers is also composed of four officers, responsible for the Market, Institutional Relations, Digital Content and Corporate 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, 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.

Capital Market

YDUQS common shares are traded in B3's Novo Mercado Listing Segment, under the ticker "YDUQ3", the Company also has a level I ADR program traded in the North American market under code "YDUQY". In 2019, YDUQS's shares ended the fiscal year at R$47.50, up 99.9% in the last 12 months and a 40.2% appreciation in the last 24 months. In the same period, Ibovespa appreciated by 31.6% and 52.0%, respectively. The average daily traded volume of the Company's shares was R$91.3 million, down by 7.8% versus the previous year. The Investor Relations Department is focused on improving the Company's perception by the market, increasing share liquidity and strengthening the relationship with investors.

Sustainability and Corporate Social Responsibility

Educar para Transformar Program

The Company's Corporate Social Responsibilities initiatives, guided by the *Educar para Transformar* (Educating to Transform) Program, are based on five pillars**: Estácio in Sports, Estácio at School, Estácio Citizenship, Estácio Culture** and the new **Innovation & Entrepreneurship** pillar. These are the foundations of the Company's contributions to Brazil's social development.

In order to disseminate information on our best corporate practices associated with the *Educar para Transformar* Program, we summarized some successful experiences developed by the Company. In addition to highlighting the positive impacts on the places where we operate, these initiatives also indicate the importance of strengthening the actions implemented with partners and cooperation networks. We believe that this is how we will continuously integrate the concept of sustainability into our daily routine, influencing the people with whom we maintain dialogues and relationships.

Local engagement and development

Estácio divides its units in four regions and in all of them we implemented community engagement, impact evaluation and local development programs. Regional Managers, Centers and Units throughout Brazil are responsible for identifying opportunities, in addition to developing and managing Corporate Social Responsibility initiatives and projects, aligned with the *Educar para Transformar* Program and brand positioning.

The units developed several social initiatives and extension projects, based on the courses they offer. Several of them are required to develop practical activities supervised by professors as part of their syllabi: Law (Legal Practices Center, assisting the community); Psychology and Teaching Degrees (assistance and internships); Accounting (financial education initiatives and assistance with the filing of income tax returns).

Estácio in Sports

At Estácio, education is more than just passing on knowledge – it involves constructing values, motivating people to excel and increasing their autonomy, underpinned by ethical behavior, teamwork and social commitment. Sports include all these components, making it an essential part of the learning process and a key ingredient in the formation of citizenship. For this reason, we invest in social initiatives and projects that integrate sports and education, promoting lasting individual and collective transformation. Thinking of the thousands of Brazilian youngsters whose idols are an inspiration and who regard sport as giving them a real chance to grow, we sponsor major sporting events (through incentive law with tax break) and athletes, helping to build champions both inside and outside of sport.

- ***Estácio Team***

Estácio Team is a selection of athletes from assorted modalities supported by the Company. For the champions of tracks, swimming pools and gymnasiums to succeed in other areas of their lives, their sports trajectory has to be complemented by a solid education. Estácio supports more than 500 athletes, from base categories to high-performance athletes, with on-campus and distance-learning scholarships. The Distance Learning courses allow team members to keep studying even though they must travel for competition or training.

Estácio at School

Education is a continuous process with a strong multidisciplinary effect and the power to transform society. To ensure that the process is not interrupted before it ends, we invest in initiatives that motivate and improve Brazil's educational system, impacting high school and elementary school students and teachers, especially in the public network. We operate on several fronts, liaising with government officials in the education area, supporting schools, promoting the exchange of experience between our students and faculty members and public-school students, and encouraging transformative educational initiatives.

- ***Youth and Adult Literacy Program***

Launched in April 2018, the Youth and Adult Literacy Program is offered in four Units in Rio de Janeiro – Queimados (Baixada Fluminense), Alcântara (Metropolitan Region), Via

Brasil (in Irajá, Rio de Janeiro's North Region) and Ilha do Governador (North Region) – and in Carapicuíba (São Paulo), Taguatinga (Brasília) and Natal (Rio Grande do Norte). In 2020, the project will be expanded to new units in Rio de Janeiro (Nova América, North Region and Taquara, West Region), Resende (South of the State), also in Interlagos (São Paulo) and Aracaju (Sergipe).

In 2019, we developed a new teaching-learning methodology for reading and writing in the project. It is a hybrid method that combines features of both analytical and synthetic methods and considers the knowledge that students already have and their discoveries, ideas and hypothesis on the functionality of reading and writing. For a four-month period, adults and youngsters will have classes with teachers and students from Pedagogy and Teaching courses – Pedagogy, Languages, History, Geography and Mathematics. Under the new methodology, in the 140 hours of classes, 100 shall be on-campus and 40 by distance learning, using the methodology of an inverted classroom, multimedia resources, games and mobile applications. The classes will have at most 24 students and, by the end of the course, students shall be able to read and write short texts and comprehend them, in addition to solving math problems. This preparation is necessary for adults to enter the EJA (Education for Adults and Youth). We plan the initiative to be expanded to other states. In a country where 7% of the population is still illiterate, such project has a bold target: end illiteracy in the communities surrounding the Company's units in the coming years.

Estácio Citizenship

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 institutes, NGOs and other partnerships in the social responsibility area. Through scholarships, we support youngsters in social vulnerability situation, already assisted by partner organizations. With the Estacio Volunteer Portal (www.estacio.br/voluntario), we foster the engagement of our faculty members and administrative personnel, consistently involving them in our mission.

Estácio Culture

Culture plays a key role in developing citizenship, forming critical and aesthetic senses and expanding individuals' world view. The Company believes that culture should be accessible to all and sponsors cultural projects that positively impact the communities where we operate. The Estácio Culture pillar helps promote and produce, through tax incentive law, theater projects, musical concerts, art exhibition, movies and books, initiatives that democratize the access to culture and leave an important legacy to the communities.

Estácio Innovation and Entrepreneurship

Launched in 2018, the Innovation and Entrepreneurship pillar seeks differentiated solutions to strengthen Estácio's position in the forefront of new technologies aimed at the education segment. 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 2019 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 2019 with 12,286 employees, 7,215 of whom faculty members and 5,071 in administrative and educational support positions.

In total, the Company paid R$1.246 billion in payroll and social charges in 2019.

The profile of the Company's employees stands out for its diversity of gender and age: 48% are men and 52% 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) 33% between 26 and 35; (iii) 32% between 36 and 45; (iv) 21% between 46 and 60; and (v) 5% 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 570 managers with specific goals based on financial and non-financial indicators. Except for interns and third parties, all our administrative employees are eligible for Variable Compensation programs, in accordance with the performance of their area and of the Company as a whole. YDUQS also has specific compensation programs for course coordinators. Currently 67 executives are part of the long-term incentive plan.

The Company moved ahead with its Management Excellence Program – PEG, through which the units evaluate their own performance in relation to the benchmark standards expected for Student Intake, Academic Life, Student's Experience, Talent Management, Administrative and Financial Management and Student's Perception. In 2019, we concluded the eighth cycle of PEG evaluations, recognizing and rewarding the highest performing units.

As part of the continuous process of results monitoring, the Management System adds to Operational Performance Management - GDO, a series of other systematized meetings such as Academic Development Management - GDA, focused on teaching.

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.

Independent Auditors

Pursuant to CVM Instruction 381/2003, which addresses the provision of other services by our independent auditors, 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, 2019, prepared in accordance with Brazilian accounting practices. The fee for the external audit was R$1,558,147.00.

Service	Fee	Term	Nature
Audit	1,558,147.00	April 2019 to March 2020	Quarterly review and examination of the 2019 financial statements
TOTAL	**1,558,147.00**		

Arbitration Clause

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

Acknowledgements

All our achievements in 2019 were only possible thanks to the support and trust of the shareholders, students, suppliers and financial institutions. The Company's Management thanks the dedication and efforts of its faculty members and employees. Thank you!

Management

Statement by the Board of Executive Officers

In compliance with Article 25, 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 content 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, 2019.

Rio de Janeiro, March 12, 2020.

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

Estácio Participações S.A.

Financial Statements - DFP
December 31, 2019 and
Independent auditors' report

Independent Auditor's Report on the individual and consolidated financial statements

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

Opinion

We have audited the individual and consolidated financial statements of the company Estácio Participações S.A. ("Company" or "Estácio"), identified as parent company and consolidated respectively, which comprise the statement of financial position as at December 31, 2019 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 aforementioned financial statements present fairly, in all material respects, the individual and consolidated financial position of Estácio Participações S.A as of December 31, 2019, 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 ethical requirements set out in the Professional Code of Ethics for Accountants and the Professional Standards issued by the Federal Accounting Council, and we have fulfilled our 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 audit 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 subject below, a description of how our audit has addressed the matter, including any comments on the results of our procedures, is presented in the context of the overall financial statements, taken as a whole.
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; and (viii) checking the reconciliation of the student receivables against the accounting records.

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 2.21a 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 Estácio 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; and (vi) assessing the adequacy of the disclosures made by the Company regarding civil, labor and tax risks in note 16 to the financial statements.

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 16 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.

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 added value (DVA) for the financial year ended December 31, 2019, which are the responsibility of Company Management and are presented as supplementary information under IFRS, were subject to audit procedures conducted in conjunction with the audit of the Company's financial statements. To form our opinion we evaluated whether the statements have been reconciled against the financial statements and accounting records, as applicable, and whether their form and content comply with the criteria set out in CPC Technical Pronouncement 09 - Statements of Added Value. In our opinion, these statements of added value have been adequately prepared, in all material respects, in accordance with this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

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

Management is responsible for the other information. The other information comprises 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 12, 2020.

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

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

Estácio Participações S.A.

Statements of financial position as of December 31

In thousands of Reais, unless stated otherwise

Asset	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Current				
Cash and cash equivalents (Note 3)	74	146	12,251	13,686
Securities (note 3)	208,478	239,672	596,861	804,360
Account receivable (Note 4)			759,622	571,854
Related-party transactions (Note 5)	22	478		
Prepaid expenses (Note 6)	283		7,034	6,034
Dividends receivable	263,909	310,000		
Recoverable taxes (Note 7)	3,840	2,145	80,050	135,810
Other			19,866	18,883
	476,606	552,441	1,475,684	1,550,627
Noncurrent				
Long-term				
Account receivable (Note 4)			261,600	139,198
Prepaid expenses (Note 6)			4,758	5,519
Judicial deposits (Note 16)	216		76,090	81,702
Deferred taxes (Note 28)	308	111	163,025	136,576
Recoverable taxes (Note 7)	36,552	41,210	176,425	102,247
Other			11,934	11,441
	37,076	41,321	693,832	476,683
Investments				
In subsidiaries (Note 8)	2,612,140	2,151,500		
Other			338	228
Intangible assets (Note 9)	780,139	780,189	1,610,416	1,413,820
Property, Plant and Equipment (Note 10)	11	15	1,732,222	661,105
	3,392,290	2,931,704	3,342,976	2,075,153
	3,429,366	2,973,025	4,036,808	2,551,836
Total assets	3,905,972	3,525,466	5,512,492	4,102,463

Liabilities and equity	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Current				
Trade payables	1,643	2,133	126,651	105,812
Loans and financing (Note 11)	13,586	773,709	170,054	795,789
Payroll and related charges (Note 12)	651	330	136,432	133,654
Tax liabilities (Note 13)	138	186	36,038	35,588
Prepaid monthly tuitions fees			18,397	17,176
Tax financing (Note 14)			3,729	3,563
Related-party transactions (Note 5)	51			
Dividends payable (Note 17)	153,463	153,168	153,463	153,168
Acquisition price payable (Note 15)			19,142	34,488
Other	4,182	1,127	10,964	9,862
	173,714	930,653	674,870	1,289,100
Noncurrent				
Noncurrent liabilities				
Loans and financing (Note 11)	601,549	3,086	1,481,598	21,426
Contingencies (Note 16)	306	288	118,416	126,917
Tax financing (Note 14)			11,019	6,678
Deferred taxes (Note 28)			2,889	5,186
Provision for asset retirement			27,470	26,951
Acquisition price payable (Note 15)			44,541	13,852
Other	28,051	30	49,337	20,944
	629,906	3,404	1,735,270	221,954
Shareholders' equity (Note 17)				
Share capital	1,139,887	1,139,887	1,139,887	1,139,887
Stock issuance expense	(26,852)	(26,852)	(26,852)	(26,852)
Capital reserves	674,021	668,370	674,021	668,370
Revenue reserves	1,509,327	1,016,645	1,509,327	1,016,645
Treasury shares	(194,031)	(206,641)	(194,031)	(206,641)
	3,102,352	2,591,409	3,102,352	2,591,409
Total liabilities and equity	3,905,972	3,525,466	5,512,492	4,102,463

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of income
Financial years ended December 31
In thousands of Reais, unless stated otherwise

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Continuing operations				
Net operating revenue (Note 22)			3,565,036	3,619,377
Costs of services (Note 23)			(1,520,718)	(1,632,812)
Gross profit			2,044,318	1,986,565
Operating revenue (expenses)				
Selling expenses (Note 24)			(571,639)	(553,046)
General and administrative expenses (Note 24)	(17,423)	(32,789)	(587,065)	(614,298)
Share of profit (loss) of equity-accounted investees (Note 8)	697,500	700,681		
Other operating income/expenses (Note 25)	1,376	129	14,404	(47,214)
Operating income	681,453	668,021	900,018	772,007
Financial revenue (Note 26)	13,228	8,583	99,141	92,329
Financial expense (Note 26)	(48,738)	(36,649)	(341,231)	(211,156)
Net finance income	(35,510)	(28,066)	(242,090)	(118,827)
Profit before income and social contribution taxes	645,943	639,955	657,928	653,180
Current and deferred income tax (Note 28)	145	3,616	(7,161)	(4,489)
Current and deferred social contribution (Note 28)	52	1,302	(4,627)	(3,818)
Net income in the year attributable to shareholders	646,140	644,873	646,140	644,873
Basic earnings per thousand shares (Note 21)	2.15056	2.11358	2.15056	2.11358
Diluted earnings per thousand shares (Note 21)	2.14927	2.10313	2.14927	2.10313

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of comprehensive income
Financial years ended December 31
In thousands of Reais, unless stated otherwise

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Net income for the year	646,140	644,873	646,140	644,873
OCI				
Total comprehensive income for the year, net of taxes	646,140	644,873	646,140	644,873
Attributable to:				
Owners of the Company				
Noncontrolling shareholders	646,140	644,873	646,140	644,873

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of changes in equity
In thousands of Reais, unless stated otherwise

			Capital reserves				Profit reserves				
	Share capital	**Share issuance expenses**	**Long-term incentives**	**Goodwill in share Subscription**	**Negative Goodwill on share disposal**	**Options awarded**	**Legal**	**Profit retention**	**Treasury shares**	**Retained earnings**	**Total**
At 1 January 2018	1,130,818	(26,852)	304	595,464	(4,694)	72,907	114,429	1,025,335	(130,454)		2,777,257
Stock options exercised	123										123
Capital Increase (Note 17 a)	8,946							(8,946)			
Options granted (Note 20)						3,020					3,020
Restricted Share Option Plan (Note 20)						4,658					4,658
Discount on the sale of treasury shares (Note 17d.3)					(3,289)				3,289		
Treasury shares acquired (Note 17)									(249,937)		(249,937)
Cancellation of Treasury shares (Note 17 c)								(154,603)	154,603		
Payment of Stock options (Note 20)									15,858		15,858
Interim dividends (R$ 1.33 per share)								(400,000)			(400,000)
Adoption of New Practices IFRS 09 (Note 1.3)								(51,286)			(51,286)
Net income for the year										644,873	644,873
Net income allocation											
Formation of reserves							32,244	459,472		(491,716)	
Minimum mandatory dividends (R$ 0.52 per share)										(153,157)	(153,157)
At December 31, 2018	1,139,887	(26,852)	304	595,464	(7,983)	80,585	146,673	869,972	(206,641)		2,591,409
Options granted (Note 20)			(304)			(961)					(1,265)
Restricted Share Option Plan (Note 19)						15,603					15,603
Discount on the sale of treasury shares (Note 17d.3)					(2,855)				2,855		
Payment of Stock options (Note 20)									5,731		5,731
Payment Restricted Share Grant (Note 20)						(5,832)			4,024		(1,808)
Net income for the year										646,140	646,140
Net income allocation											
Formation of reserves							32,307	460,375		(492,682)	
Minimum mandatory dividends (R$ 0.52 per share)										(153,458)	(153,458)
At December 31, 2019	1,139,887	(26,852)		595,464	(10,838)	89,395	178,980	1,330,347	(194,031)		3,102,352

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.
Statements of cash flows
Financial years ended December 31
In thousands of Reais, unless stated otherwise

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Cash flows from operating activities				
Profit before income and social contribution taxes	645,943	639,955	657,928	653,180
Adjustments to reconcile net income to operating cash:				
Depreciation and amortization	54	13,092	360,949	195,385
Amortization of funding costs	845	2,460	845	2,460
Allowance for doubtful accounts			308,135	333,699
Provision for loss - Other accounts receivable			80	58,879
Options granted – stock options provision	561		17,242	7,678
Provision for contingencies	180	116	76,408	134,786
Interest on loans and financing	46,108	32,245	141,410	32,956
Restatement of asset retirement obligation			4	
Restatement of commitments payable			1,837	4,658
Loss on derecognition of PP&E and intangible assets			3,550	828
Equity in net income of subsidiaries	(697,500)	(700,681)		
Restatement of accounts receivable - FIES				(8,419)
Adjustment to present value - accounts receivable			(17,293)	35,597
Restatement of tax credits	(1,143)	(2,026)	(10,073)	(5,930)
Other	(1,050)		(1,827)	67
	(6,002)	**(14,839)**	**1,539,195**	**1,445,824**
Changes in assets and liabilities:				
(Increase) in accounts receivable			(597,925)	(125,535)
(Increase) decrease in prepaid expenses	(283)	25	(235)	96
(Increase) decrease in recoverable taxes and contributions	4,106	(440)	(8,033)	(59,312)
(Increase) in Judicial deposits	(216)	185	5,612	21,106
(Increase) decrease in other assets	455	15,699	(558)	3,466
Increase (Decrease) in trade payables	(490)	(72)	20,498	34,889
Increase in payroll and related charges	16	(22)	(5,054)	(24,986)
(Decrease) in tax obligations	(48)	14	(3,446)	(32,917)
(Decrease) in prepaid monthly tuitions fees			1,221	3,835
(Decrease) in tax financing			(2,351)	(4,712)
(Decrease) in Labor/civil convictions	(162)		(84,909)	(94,153)
(Decrease) Provision for asset retirement obligations			515	4,755
Increase in other liabilities	32,177	798	30,528	(816)
	29,553	**1,348**	**895,058**	**1,171,540**
Interest paid on loans and financing	(36,283)	(49,489)	(36,369)	(49,281)
Corporate Income Tax (IRPJ) and Social Contribution on Net income (CSLL) paid			(46,021)	(65,574)
Net cash provided by (used in) operating activities.	**(6,730)**	**(48,141)**	**812,668**	**1,056,685**
Cash flows produced by investment activities:				
Acquisition of property, plant and equipment		(15)	(201,563)	(160,703)
Acquisition of intangible assets			(164,872)	(87,811)
Goodwill in investments in subsidiaries			(112,845)	
Acquisition of subsidiaries, net of cash received in acquisition			472	
Dividends Received	310,000	720,957		
Advance for future capital increase	(14,777)	(16,295)		
Acquisition price payable			13,505	(43,416)
Net cash produced by (used in) investment activities.	**295,223**	**704,647**	**(465,303)**	**(291,930)**
Cash flows from financing activities:				
Acquisition of treasury shares		(249,937)		(249,937)
Use of treasury shares resulting from the exercise of stock options	5,731	15,858	5,731	15,858
Dividends paid	(153,161)	(500,835)	(153,161)	(500,835)
Value of loans and borrowing secured				16,897
Amount received under debentures issuance	600,000	600,000	600,000	600,000
Borrowing costs	(1,742)	151	(1,742)	151
Amortization of loans and financings	(770,587)	(327,986)	(1,007,127)	(353,289)
Net cash used in financing activities	**(319,759)**	**(462,749)**	**(556,299)**	**(471,155)**
Increase in cash and cash equivalents	**(31,266)**	**193,757**	**(208,934)**	**293,600**
Cash and cash equivalents at beginning of period	239,818	46,061	818,046	524,446
Cash and cash equivalents at end of period	208,552	239,818	609,112	818,046
Change in cash and cash equivalents	**(31,266)**	**193,757**	**(208,934)**	**293,600**

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of added value
Financial years ended December 31
In thousands of Reais, unless stated otherwise

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Revenue				
Educational services			3,700,808	3,767,467
Other income			3,529	6,626
Allowance for possible loan losses			(308,135)	(333,699)
			3,396,202	3,440,394
Inputs purchased from third parties				
Materials, energy and outsourced services	(11,705)	(14,545)	(653,606)	(641,783)
Contingencies	(162)	(110)	(66,324)	(103,222)
	(11,867)	(14,655)	(719,930)	(745,005)
Gross value added	(11,867)	(14,655)	2,676,272	2,695,389
Depreciation and amortization	(54)	(13,092)	(360,949)	(195,385)
Net value added	(11,921)	(27,747)	2,315,323	2,500,004
Transferred added value				
Share of profit (loss) of equity-accounted investees	697,500	700,681		
Financial revenue	13,228	8,583	99,141	92,329
Other	107	(2,455)	15,989	10,661
	710,835	706,809	115,130	102,990
Total value added to distribute	698,914	679,062	2,430,453	2,602,994
Distribution of value added				
Employment compensation				
Direct compensation	4,637	4,045	939,680	1,017,479
Benefits		19	49,934	49,199
Government Severance Indemnity Fund for Employees (FGTS)			64,366	65,713
	4,637	4,064	1,053,980	1,132,391
Taxes, charges and contributions				
Federal	1,425	(3,513)	223,156	236,122
Municipal			148,337	154,238
	1,425	(3,513)	371,493	390,360
Return on debt capital				
Interest	46,712	33,638	335,217	204,252
Rents			23,623	231,118
	46,712	33,638	358,840	435,370
Return on equity capital				
Dividends				
Retained earnings	646,140	644,873	646,140	644,873
	646,140	644,873	646,140	644,873
Added value distributed	698,914	679,062	2,430,453	2,602,994

See the accompanying Management notes to the financial statements.

1 General information

1.1 Operations

The core activities of Estácio Participações S.A. ("Estácio" or "Company" or "Group") and its subsidiaries (collectively "Group") are the performance and/or administration of activities and/or institutions in the fields of college and professional education and other educational fields, the administration of own assets and businesses and the holding of interests, as partner or shareholder, in other companies or enterprises in Brazil.

The Company is a corporation having its registered office at the address Avenida Venezuela, 43, Rio de Janeiro, Rio de Janeiro state, incorporated by way of a private share subscription on March 31, 2007, and currently listed on *Novo Mercado* (New Market).

The Group comprises twenty-three companies, including Estácio Participações, twenty of which are sponsors of college institutions, incorporated as limited-liability companies, including a University, thirteen University Centers and fifty-three colleges, accredited and distributed across twenty-three Brazilian states and the Federal District.

At a meeting held July 11, 2019 the Board of Directors of Estácio Participações S.A. resolved to create the new brand for the Company, changing its name to ***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.

On October 21, 2019 the Company published a press release stating that Sociedade de Ensino Superior Estácio de Sá LTDA ("SESES") had signed a private purchase and sale agreement on October 18, 2019 to acquire the entire capital of Adtalem Brasil Holding S.A. ("Adtalem" and "Transaction", respectively), for R$ 1.92 billion (Enterprise Value) ("EV"), plus the net pro forma cash position of Adtalem of R$ 305 million, as of June 30, 2019. The full amount will be paid at sight on the closing date. The transaction includes a locked-box mechanism where all the operating cash produced by Adtalem between June 30, 2019 and the closing date will remain in the acquired company's cash. The transaction price will be paid using own funds and financing. Completion of the transaction is not subject to the approval of the Company's shareholders, but is subject to usual precedent conditions and approval by the Administrative Council for Economic Defense - CADE.

On November 14, 2019 the Company acquired the entire capital of the firm Sociedade de Ensino Superior Toledo Ltda. ("UniToledo"), by way of its direct subsidiary Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES"), for the amount of R$ 112,646 (Note 1.5).

The company name Estácio Participações S.A. shall remain unchanged and the Estácio brand will continue delivering our current higher education operations. The Company's shares began to be traded at B3 under the new symbol ("YDUQ3") instead of "ESTC3" and the new trading name ("YDUQS PART"). The ADRs traded in the US market also began to be traded under the symbol **"**YDUQY**"** instead of "ECPCY".

The Company's Board of Directors approved the disclosure of these financial statements at a meeting held on March 12, 2020 (parent company and consolidated).

1.2 Basis of 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 Accounting Pronouncements Committee (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 used to prepare these financial statements (parent company and consolidated) can be seen in Note 2.

In thousands of Reais, unless stated otherwise

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company and financial statements include: allowance for doubtful accounts, goodwill impairment, share-based payment transactions, provisions for tax, civil and labor risks and useful life of assets (Note 2.21).

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

1.3 Changes in accounting policies and disclosures

New standards effective from 2019

The following new standard has been issued by the IASB, CPC and CVM, and is effective for FY 2019:

IFRS 16/CPC 06 (R2) - Leases: IFRS 16 is effective for reporting periods commencing on or after January 01, 2019 and replaces IAS 17/CPC 06 (R1) - "Leases" and corresponding interpretations. Under this new standard, lessees can now recognize the liabilities of future payments and the right to use the leased asset for practically all commercial lease agreements, including operating leases, where certain short-term or minor contracts can be excluded from the scope.

A study was completed into the impacts of this new standard on its financial statements, which included: (i) an estimate of the lease term, including the non-cancellable period and the periods covered if the option to extend the lease is exercised, when the exercise depends only on the Company and is a reasonable certainty; (ii) detailed review of the nature of various lease agreements related to education; (iii) use of certain assumptions to calculate the discount rate, based on the incremental interest rate for the contractual period, amongst others.

The Company adopted the new practice on January 01, 2019 using the modified retrospective calculation method (simplified), calculating the present value at this date. It is not re-presenting the comparative information, as permitted by the standard.

As per the understanding set out by the CVM in Official Circular /CVM/SNC/SEP n.º 02/2020 regarding CPC 06 (R2) – IFRS 16, to calculate the present value of monthly payments the Company used rates ranging between 8.59% and 10.19%(p.a), which vary according to the lease terms.

The increase in the lease liability is due to recognizing the right to use the assets, triggering an addition to the Company’s net debt. The depreciation and interest are recognized in profit or loss as a substitution of operational lease expenses (“rental)”.

Comparative table showing the effects of IFRS16:

	2019	**Effects of adopting IFRS 16**	**2019 (without IFRS 16)**
Assets			
Property, plant and equipment	1,732,222	(970,394)	761,828
Liabilities			
Current			
Loans and financing	(170,054)	137,701	(32,353)
Noncurrent liabilities			
Loans and financing	(1,481,598)	870,919	(610,979)
Net income			
Depreciation cost/expense	(360,949)	163,984	(196,965)
Rent cost/expense	(241)	(218,626)	(218,867)
Finance cost	(341,231)	92,650	(248,581)

IFRIC 23/ICPC 22 - Uncertainty over Income Tax Treatments: The interpretation ICPC 22 clarifies how to apply the recognition and measurement requisites of CPC 32 when there is uncertainty over income tax treatments. In this case, Company Management should recognize and measure its current or deferred tax asset liability by applying the requisites of CPC 32 based on taxable earnings (tax loss), tax bases, tax losses not used, tax credits not used and tax rates determined, applying this Interpretation.

Company Management believes the interpretation does not produce material impacts, as all the procedures used to calculate and pay income taxes are based on the legislation and precedent of administrative and judicial courts.

1.4 Consolidation

The Company consolidates all the entities over which it exercises control, i.e. when it is exposed to or has rights over variable returns from its involvement with the investee and the ability to manage the investee's core activities.

The consolidated financial statements include the operations of the Company and the following subsidiaries, all 100% owned at December 31, 2019 and 2018:

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")
Estácio Editora ("Editora")
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)

The reporting period of the subsidiaries' financial statements included in the consolidation are the same as the parent company's and accounting practices have been applied consistently with the consolidated companies and are consistent with those used in the previous period.

The process of consolidating the equity accounts and profit or loss accounts corresponds to totaling the balances of the assets, liabilities, revenue and expenses, according to their nature, complemented by the eliminations of operations between consolidated firms, in addition to balances and results not realized economically by the aforesaid companies.

In thousands of Reais, unless stated otherwise

(i) As mentioned in Note NE 1.5, this company was acquired on November 14, 2019.

1.5 Business combinations

The Group uses the acquisition method to record business combinations. The amount transferred to acquire a subsidiary is the fair value of the transferred assets, liabilities incurred and equity instruments issued by the Group. The amount transferred includes the fair value of assets and liabilities resulting from a contingent payment contract when applicable. Acquisition costs are expensed in the income statement for the year as and when incurred. The identifiable assets acquired and the contingent assets and liabilities undertaken in a business combination are initially measured at fair value as of the acquisition date.

Any excess amount transferred and the fair value at the acquisition date of any previous equity interest in the acquired party in relation to the fair value of the Group's interest in net identifiable assets acquired is recorded as goodwill. If the amount transferred is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement for the year.

There were no acquisitions in 2018 and the acquisition in 2019 has been summarized below:

Sociedade Ensino Superior Toledo Ltda. (Unitoledo)

By way of its direct subsidiary Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES"), on November 14, 2019 Estácio Participações S.A. (YDQUS) acquired the total capital of the company Sociedade de Ensino Superior Toledo Ltda., for R$ 112,646. The balance payable at December 31, 2019 as a result of this acquisition is R$ 47,693, with a principal of R$ 47,301 and monetary restatement of R$ 392.

Founded in 1966, Unitoledo is a long established higher education institution with renowned excellence in graduation and post-graduation courses. The institution enjoys a privileged location in the municipality of Araçatuba, in north-west São Paulo state. Totaling some 5.3 thousand classroom-based students and 3,155 authorized annual places, Unitoledo is classified as a University Center and its portfolio contains 25 graduation courses and 18 post-graduation courses, in addition to technical courses.

The table below summarizes the payments made, the carrying amounts of assets acquired and liabilities undertaken on the acquisition date and allocation of the purchase price determined preliminarily based on the fair value of the assets acquired and liabilities undertaken:

	Unitoledo
Assets	
Cash and cash equivalents	272

In thousands of Reais, unless stated otherwise

Trade receivables	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 payables	(341)
Labor obligations	(3,427)
Tax obligations	(112)
Tax financing	(6,548)
Other liabilities	(17)
	(10,659)
Total identifiable net assets at fair value	**(199)**
Brand	22,738
Students Portfolio	4,338
Licenses	606
Goodwill	94,575
Deferred Tax Liabilities	(9,412)
Total Payment	**112,646**
Cash Flow at time of acquisition	
Cash	65,344
Commitments payable (Note 15)	47,301
Net cash flow from acquisition	**112,646**

The net assets acquired in the financial statements as of December 31, 2019 recorded at fair value, as the Company engaged the services of KPMG Auditores Independentes to appraise them.

2 Significant accounting policies

The main accounting policies used to prepare these financial statements are as follows. These policies were consistently applied in the previous years presented, unless stipulated otherwise.

2.1 Consolidation

The following accounting policies are applied in the preparation of the consolidated financial statements.

Subsidiaries

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

The identifiable assets acquired and the liabilities and the contingent liabilities undertaken to acquire subsidiaries in a business combination are initially measured at fair value as of the acquisition date. Acquisition costs are expensed in the income statement for the year as and when incurred.

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

2.2 Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified upon initial recognition as subsequently measured at amortized cost, FVOCI and FVTPL.

The classification of financial assets upon initial recognition depends on contractual cash flows from the financial asset and the Company's business model for the management of financial assets. All financial assets are recognized at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost;
- Financial assets at fair value through OCI with reclassification of accumulated losses and gains;
- Financial assets at fair value through other comprehensive income without reclassifying the accumulated gains and losses at derecognition (equity instruments); and
- Financial assets at 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 with the objective of maintaining financial assets in order to receive contractual cash flows; and
- The contractual terms of the financial asset generated the cash flows on specified dates that solely constitute payments of principal and interest on the outstanding principal.

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

The Company's financial assets at amortized cost comprise cash and cash equivalents, trade and other receivables and escrow deposits.

Financial assets at fair value through OCI
(debt instruments)

The Company assesses 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 with the objective of maintaining financial assets in order to receive contractual cash flows; and
- The contractual terms of the financial asset generated the cash flows on specified dates that solely constitute payments of principal and interest on the outstanding principal.

For debt instruments at fair value through other comprehensive income, the interest revenue, exchange revaluation and impairment losses or reversals are recognized in the statement of income and calculated the same way they are calculated for financial assets measured at amortized cost. Changes in fair value are recognized in other comprehensive income. Upon derecognition, the accumulated change in fair value recognized in other components of income is reclassified to profit or loss.

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

Financial assets at fair value through OCI

(equity instruments)

At initial recognition the Company may irrevocably opt to classify its equity instruments designated at fair value through other comprehensive income if they meet the definition of equity in CPC 39 – Financial Instruments: Presentation and are not held for trading. Classification is determined for 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 (debt instruments) at fair value through other comprehensive income.

Financial assets at fair value through profit or loss

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

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

Financial assets at fair value through profit or loss are stated in the statement of financial position at fair value, with corresponding changes in fair value recognized in the income statement.

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

Derecognition (write-off)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is mainly derecognized (i.e., excluded from profit or loss for the year) where: the rights to receive cash flows from the asset have expired; the Company has transferred its rights to receive the cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

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

This methodology applies to financial instruments classified as amortized cost or fair value through other comprehensive income (except for investments in equity instruments).

Given the short-term nature of the Company's receivables and its risk and credit management and awarded policy used, for accounts receivable the Company did not identify any material impact that could affect its consolidated financial statements as a result of the adoption, other than that mentioned in Note 1.3.

For other financial assets subject to impairment we did not recognize any expected losses in the financial year ended December 31, 2019, as the Company assessed that there are no historic losses and the associated risk is low.

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified upon initial recognition as financial liabilities at fair value through profit or loss, loans and financing, accounts payable or as derivatives designated as effective hedging instruments, as appropriate.

Such financial liabilities are recognized initially at fair value plus directly attributable transaction costs in the case of loans and financing.

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

Subsequent measurement

After initial recognition, interest-bearing loans and financing are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are written off and during the process of amortization by the effective interest-rate method.

Derecognition (write-off)

The Company derecognizes a financial liability when its contractual obligations are discharged, canceled or expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash, banks and short-term investments with excellent liquidity, with original maturities of up to three months and with a low risk of impairment, which are held in order to manage the Company's short-term commitments.

2.4 Securities

Securities have the features of financial assets measured at fair value through profit or loss, maturing in the long term, with immediate liquidity and are recorded at fair value, including financial yields (earnings).

2.5. Accounts receivable and prepaid tuition

Accounts receivable derive from the provision of teaching activities and do not include services provided after the reporting date. Services invoiced but not yet provided at the reporting dates are recognized as prepaid monthly tuition fees and are recognized in the respective income statement for the period on the accrual basis.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for impairment of trade receivables.

2.6 Allowance for possible loan losses

This is charged to accounts receivable and is calculated at an amount considered adequate by Management to cover any expected losses arising on the collection of accounts receivable for tuition fees and checks receivable, considering the risks involved.

2.7 Investments in subsidiaries

Investments in subsidiaries are valued using the equity method. In the individual financial statements, goodwill on expected future earnings is recorded in investments.

2.8 Property, plant and equipment

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

Depreciation is calculated using the straight-line method at rates described in Note 10, which take into account the estimated useful life of the assets.

Costs subsequent to the initial recognition are included in the carrying amount of property, plant and equipment or recognized as specific items, as applicable, only if there are probable associated economic benefits and the amounts can be reliably measured. The residual balance of the replaced item is written off. Other repair and maintenance work is directly recognized in the income statement when incurred.

Items of property, plant and equipment are derecognized upon sale or when no future economic benefits are expected from their use or sale. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the residual value of the item) is recognized in profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.9 Intangible assets

(a) Goodwill

The goodwill consists of the surplus remaining after allocating the amount paid for tangible and intangible assets and liabilities identified at the acquired subsidiary. Any negative goodwill should be recorded as a gain in the net income for the year, on the acquisition date. The goodwill is tested for impairment annually.

Goodwill is recorded at cost value less accumulated impairment losses. Impairment losses recognized in goodwill are not reversed. The gains and losses from selling an entity include the book value of the goodwill related to the sold entity.

The goodwill is allocated to the cash generating units (UCGs) for the purpose of impairment testing. This allocation is made to the cash generating units or groups of cash generating units that should benefit from the business combination generating the goodwill.

(b) Goodwill

(b.1) Student portfolio

The contractual relations with students acquired under a business combination are recognized at fair value at the acquisition date. The contractual relations have a defined useful live and are recorded at cost value minus accumulated amortization. Amortization is calculated by the straight-line method during the expected life in relation to the student.

(b.2) Trademark

The registered trademark is a definite-lived intangible asset, as it is a non-monetary asset that can be measured and has no physical substance. It is calculated at the average rate for teaching firms obtained from Royalty Source. Amortization is calculated based on the company’s strategy in relation to the time maintaining the acquired company’s trademark until complete switch over to the “Estacio” brand.

(b.3) Operating license

The fair value of the operating license is determined by the cost approach. The amount derives from current expenses to acquire it, including: MEC fees, preparation of PDI (Institutional Development Plan) and PPC (Pedagogic Courses Project), rent before the operation’s start-up and diverse costs on teachers for visits, travel, meals, transportation etc. The amortization is calculated based on the educational institutions accreditation period, which takes place every three years.

(b.4) Appreciation of assets

Determined by the differences in the sum of the fair value of the net identifiable assets (determined based on CPC 15 – Business combination) and the carrying amount of the acquired asset.

(c) Software

Software licenses are capitalized based on costs incurred to acquire the software and render it ready for use. These costs are amortized during the estimated useful life of the software.

The costs associated with software maintenance are expensed when incurred. Development costs directly related to the design and tests of identifiable and exclusive software products, controlled by the Group are recognized as intangible assets in the following situations:

- It is technically feasible to complete the software so it is available for use.
- Management intends to conclude the software and use it or sell it.

- The software can be sold or used.
- It can be demonstrated that the software will probably generate future economic benefits.
- Technical and financial resources and other suitable resources are available to conclude the development and use or sell the software.
- The expense attributable to the software during development can be measured reliably.

Costs directly attributable, which are capitalized as part of the software product, include costs incurred on employees allocated to software development and a suitable portion of the indirect applicable expenses.

Other development expenses that do not meet these criteria are expensed, as and when incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

Software development costs recognized as assets are amortized during the 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 subject to amortization and are tested annually for impairment. Goodwill impairment is reviewed annually or more frequently if events or changes in circumstances suggest possible impairment.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. This value is the higher between the fair value of an asset, minus selling costs, and its value in use.

For impairment testing purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating Units - CGUs). For the purpose of this test, this allocation is made to the cash generating units or groups of cash generating units that should benefit from the business combination generating the goodwill.

Non-financial assets, excluding goodwill, that have been adjusted for impairment are subsequently reviewed in order to analyze a possible reversal of the impairment at the reporting date. Impairment of goodwill recognized in profit or loss in the year is not reversed.

In assessing the asset's value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the average weighted cost of capital for the industry in which the cash generating unit operates. The net sale value is determined, whenever possible, based on a firm sale contract in an arm's length transaction between informed and interested parties, adjusted for expenses attributable to the sale of the asset or when there is no firm sale contract, based on the market price in an active market, or the latest transaction price for similar assets.

2.11 Leasing

Financial lease

Certain lease agreements transfer most of the risks and rewards of owning an asset to the Company. These agreements are classified as financial leases and the respective assets are recognized at fair value or the present value of the minimum payments stipulated in the agreement. Items recognized as assets are depreciated over the contractual lease term. The financial charges under the financial leases are appropriated to the income statement over the term of the agreement, according to the amortized cost and effective interest rate.

Operating leases

These are recognized on a straight-line basis in profit or loss for the year over the contractual term, on the accrual periods for the years.

2.12 Loans and financing

Financing are recognized initially at fair value, net of transaction costs incurred. Financing are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the settlement value is recognized in the statement of income over the period of the financing using the effective interest 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 period.

2.13 Distribution of dividends and interest on equity

Dividends and interest on equity paid to the Company's shareholders are recognized as a liability in the Company's financial statements at the end of the year, pursuant to its bylaws. Any amount in excess of the mandatory minimum is only provisioned for on the date they are approved by the shareholders at the general meeting.

The tax incentive for interest on shareholders' equity is recognized in profit or loss.

2.14 Provision for asset retirement

This represents the estimated future expenses on restoring the rented buildings where the Group’s educational units are located. They are recognized in property, plant and equipment at present value, discounted at an adjusted credit rate as part of the value of the originating assets, providing there is a legal obligation and its amount can be reliably estimated, with the provision being charged to the Company’s liabilities. The interest incurred on restatement of the provision has been classified as financial expenses. The retirement estimates revised annually incur depreciation/amortization on the same basis as the core assets.

2.15 Provisions

Provisions for legal claims (labor, civil and tax claims) are recognized when: (i) the Group has a present or constructive obligation as a result of past events; (ii) it is not probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be estimated with certainty.

When there is a series of similar obligations, the probability of settling them is determined, taking into account the class of the obligations taken as a whole. A provision is recognized even if the probability of settlement related to any other individual items included in the same class of obligations is minimal.

Provisions are carried at the present value of the expenses necessary to settle the obligation, at a before tax rate, which reflects the current market valuations of the money's value and specific risks inherent to the obligation. Any increase in the obligation over the course of time is recognized as a financial expense.

2.16 Taxes

The subsidiaries signing up to PROUNI enjoy exemption during the period they are signed up from the following federal taxes:

- IRPJ and CSLL, introduced by Law 7.689 on December 15, 1988;
- COFINS, introduced by Supplementary Law 70 on December 30, 1991; and
- PIS, introduced by Supplementary Law 7 on September 7, 1970.

The above exemptions are originally calculated on the revenue earned as a result of higher education activities on graduation courses and specific sequential courses.

Estácio Participações S.A. (Parent Company) does not qualify for PROUNI exemptions and pays its federal taxes normally.

Current income and social contribution taxes

Current income and social contribution taxes were determined based on the criteria established by the Federal Tax Authorities' Normative Instruction for PROUNI, which permit non-payment of the taxes calculated on operating profit from traditional and technological graduation activities. The PROUNI cannot be distributed to the partners and must be allocated to the profit reserve.

PIS and COFINS

PROUNI rules state that revenue deriving from traditional and technological graduation courses is exempt from PIS and COFINS. Revenue from other teaching activities incurs PIS and COFINS at the rates of 0.65% and 3.00%, respectively and that from non-teaching activities incurred as PIS at the rate of 1.65% and COFINS at 7.60%.

Deferred income and social contribution tax

Deferred taxes are recognized for all deductible temporary differences and unused tax credits and tax losses to the extent that it is probable that taxable income will be available against which the deductible temporary differences and unused tax credits and tax losses can be utilized, except:

- Except when the deferred tax asset related to the deductible temporary difference is generated upon initial recognition of the asset or liability in a transaction other than a business combination and that the transaction date does not affect the net income or fiscal income or loss.

- For temporary deductible differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent it is probable that the temporary differences will be reversed in the near future and the taxable income is available so that the temporary differences can be used.

The carrying amount of deferred tax assets is revised at each reporting date and written off when it is no longer probable that taxable income will be available to permit usage of all or part of the deferred tax asset. Deferred tax assets are written off at each reporting date and recognized when it is probable that sufficient future taxable income will be available to allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the year when the asset is realized or the liability is settled using tax rates enacted at the reporting date.

Deferred tax on assets directly recognized in equity is also recognized in equity and not the income statement. Deferred tax items are recognized according to the transaction that originated the deferred tax, in comprehensive income or directly in equity.

Deferred tax assets and liabilities are presented net if there is a legal or contractual right to offset the tax asset against the tax liability and the deferred taxes relate to the same tax entity and are subject to the same tax authority.

2.17 Share-based payments

The Company awards its leading executives and managers a share-based compensation plan, by which the Company receives the services from these executives and managers and pays them in Group equity instruments (options). The fair value of the services received in exchange for options is recognized as an expense. The total amount to be recognized is determined by reference to the fair value of the awarded options, not including the impact of any rights acquisition conditions based on service and performance other than market conditions (for example, profitability, sales targets and length of service for a specific time period). The right acquisition conditions other than market conditions are included in the assumptions about the number of options whose rights should be acquired. The total value of the expenses is recognized during the vesting period; during which the specific acquisition conditions have to be met.

At the reporting date the Company revises its estimate of the number of options whose rights should be acquired based on the right acquisition conditions other than market conditions. It recognizes the impact on the review of the initial estimates, if applicable, in profit or loss, with a corresponding adjustment in equity.

The amounts received net of any directly attributable transaction costs are credited to share capital (nominal value) and the goodwill reserve, 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, included in the overall annual compensation of Company Executives.

2.18 Profit sharing

The Group recognizes a profit-sharing liability and expense using a method that takes into account the profit attributable to the Company's employees after certain adjustments. A provision is recognized when the Group has a contractual obligation or a past event that has created a constructive obligation.

2.19 Earnings per share

The Company calculates the earnings per batch of thousand shares by using the weighted average number of common shares in the respective period, pursuant to technical pronouncement CPC 41 (IAS 33). (Note 21)

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential common shares with dilutive effects. For the 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 share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding options. The number of shares thus calculated is compared with the number of free float shares assuming the exercise of the stock options.

2.20 Capital

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of any tax effects.

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

2.21 Recognition of revenue, costs and expenses

Revenue, costs and expenses are recognized on the accrual basis.

(a) Service revenue

Revenue comprises the fair value of the consideration received or receivable for the provision of educational teaching services in the ordinary course of the Group's business. Revenue is stated net of tax, returns, cancellations, rebates and discounts. The Company values revenue transactions according to specific criteria to determine whether it is acting as an agent or principal and has concluded it is acting as a principal in all of its revenue contracts.

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

(b) Finance income and costs

Finance income and finance costs include mainly income from interest on short-term investments, expenses on financing interest, gains and losses from valuation to fair value according to the classification of the security, as well as net exchange and monetary variance.

2.22 Critical Accounting Estimates and Judgments

Critical accounting judgments

The preparation of our individual and consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, as well as disclosures of contingent liabilities as of the financial reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Critical Accounting Estimates and Assumptions

Settlements of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the inaccuracies inherent to the determination process. The Company reviews its estimates and assumptions annually.

In thousands of Reais, unless stated otherwise

(i) Impairment of goodwill

The Group is testing goodwill for impairment annually, in accordance with the accounting policy presented in Note 2.8. The recoverable amounts of cash generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of the following estimates:

	In percentages	
	2019	**2018**
Average gross margin (i)	53.5	54.6
Growth rate (ii)	5	5
Discount rate (ii)	13.7	12.4

(i) Budgeted average gross margin.
(ii) Weighted average growth rate, used to extrapolate cash flows beyond the budgeted period.
(iii) Discount rate before tax applied to the cash flow projections.

(ii) Share-based payment transactions

The Company measures the cost of settled transactions using employee shares based on fair value of the equity instruments, on the date they are awarded. The estimated fair value of the share-based payments requires a determination of a more suitable valuation model for equity instruments, which depends on the terms and conditions of the award. This also requires the determination of data more suitable for the valuation model, including the option's expected life, volatility, dividend yield and corresponding assumptions. The assumptions and models used to estimate the fair value of share-based payments can be seen in Note 20(b).

The Company had the Special Long-term Incentive Program for Statutory Officers “ILP” whose sole beneficiaries were Estacio’s statutory officers. It was structured in the form of variable compensation determined by market share prices. The compensation under this Program was paid in 4 (four) annual payments and calculated by multiplying the given amount of shares by their market value at the latest trading session on the futures and commodities exchange (*Bolsa de Valores Mercadorias e Futuros*) for the financial year immediately prior to the financial year in which each payment was made.

(iii) Provisions for tax, civil and labor risks

The Company recognizes provisions for civil, tax and labor proceedings. The chance of defeat is rated according to the evidence available, the hierarchy of law, available case law, recent court decisions and their relevance in the legal framework, in addition to independent legal advisors' opinions. Provisions are revised and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, the completion of tax inspections or additional exposure identified as a result of new issues or court decisions.

(iv) Useful lives of assets

The Company reviews the economic useful lives of its assets annually based on independent appraisals. Depreciation is recognized in profit or loss based on the remaining useful life.

(v) Allowance for possible loan losses

From January 01, 2018 the allowance for doubtful accounts (PCLD) began to be calculated as prescribed by IFRS 9 – CPC 48. As a result of adopting the standard, the Company now measures the allowance for doubtful accounts based on expected losses instead of incurred losses. The Company opted to use the practical expedient provided by the standard, and applied the simplified model to measure the expected loss for the historical data and segmented receivables portfolio into groups with the same pattern of receipt and maturity terms.

2.23 Statements of cash flows

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

2.24 Statement of added value (“DVA”)

This statement shows the wealth created by the Company and its subsidiaries and the distribution thereof in a given period, and is being presented as a requirement of Brazilian corporate legislation and accounting practices adopted in Brazil that apply to listed companies.

The DVA was prepared based on information obtained from the accounting records, serving as the basis for preparing financial statements and in accordance with Technical Pronouncement CPC 09. The first part presents the wealth created by the Company, consisting of revenue, consumables acquired from third parties and the added value received from third parties (share of profit (loss) of equity-accounted investees and other revenue). The second part of the DVA presents the distribution of wealth amongst personnel, taxes, contributions, interest expenses and interest earnings.

2.25 Segment reporting

Operating segments are reported consistently with the internal reports provided to the main operating decision takers. The main taker of operating decisions, responsible for allocating funds and evaluating the performance of operating segments, is the Executive Board, which is also responsible for taking the Group's strategic decisions.

As a result of concentrating its higher education activities, the Company has been organized into a single business unit. Although they are intended for a diverse public, the company’s courses are not controlled and managed by management as independent segments, and the Company's results are monitored and assessed in conjunction.

In thousands of Reais, unless stated otherwise

3 Cash and cash equivalents and securities

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Cash and bank deposits	74	146	12,251	13,686
Cash and cash equivalents	74	146	12,251	13,686
Federal Government Bonds (Exclusive funds)	128,912	195,159	366,116	636,380
Financial Bills (Exclusive funds)	62,953	30,809	178,787	100,463
CDB	14,400	8,640	43,303	49,630
CDB (Exclusive funds)	2,176	38	6,179	125
Repos (Exclusive funds)		4,996		16,290
Government Bonds (Exclusive funds)	37	30	2,476	1,457
Capitalization bond				15
Marketable securities	208,478	239,672	596,861	804,360

The Company has an investments policy that stipulates that investments must be concentrated in low-risk securities an investment at tier-one financial institutions. At December 31, 2019, the operations yielded the variance of the Interbank Deposit Certificate (CDI) rate, with the exception of government securities, which are indexed to the Selic base interest rate and fixed rates.

At December 31, 2019 and 2018 all of the Company's securities are classified as at “fair value through profit or loss ".

Financial allocations in fund quotas, CDBs, Financial Bills (LFs), government securities and repurchase agreements with tier-one banks and issuers underlie the exclusive investment funds. The average yield of the investment funds at December 31, 2019 was 96.74% of the CDI rate with an average yield in 2019 of 98.55% of the CDI rate (average annual yield at December 31, 2018 was 98.59% of the CDI rate).

Bank Deposit Certificates - CDBs yield the CDI rate, averaging 98.95% at December 31, 2019 (98.93% at December 31, 2018).

The Company does not have derecognized financial assets and derivative transactions. Information on the Company's exposure to liquidity and market risks is included in Note 18.

In thousands of Reais, unless stated otherwise

4 Accounts receivable

	Consolidated	
	2019	**2018**
Monthly tuition fees received from students	1,057,226	846,528
FIES (a)	295,598	153,786
Exchange deals	11,730	23,283
Credit cards receivable (b)	91,130	73,769
Renegotiated receivables	71,554	72,689
	1,527,238	1,170,055
Allowance for doubtful accounts	(471,190)	(402,646)
Unidentified amounts	(7,384)	(11,338)
(-) Adjustment to present value (c)	(27,442)	(45,019)
	1,021,222	711,052
Current assets	759,622	571,854
Noncurrent assets	261,600	139,198
	1,021,222	711,052

The balance of noncurrent receivables as of December 31, 2019 is related to PAR (Estácio Installment Payment Program) and DIS (Dilution of monthly tuition fees). See the aging list below:

	Consolidated	
	2019	**2018**
2020		19,136
2021	145,489	40,241
2022	129,720	139,746
2023 to 2024	128,304	70,251
(-) Adjustment to present value (c)	(27,442)	(45,019)
(-) Allowance for doubtful accounts	(114,471)	(85,157)
Noncurrent assets	261,600	139,198

PAR is an arrangement Estácio offers 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 incurs IPCA monetary restatement.

DIS is an arrangement by which the student pays R$ 49.00 for the first monthly payments, 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 restated by the IPCA price index.

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

(i) For FIES students with a guarantor, a provision was made for 2.25% of such receivables, assuming 15% exposure to this credit risk for an estimated default rate of 15%.

(ii) For the uncovered FGEDUC risk, with enrollment since April 2012, a provision was made for 10% of the receivables 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, with enrollment since March 2012, a provision was made for 20% of the receivables 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%.

In thousands of Reais, unless stated otherwise

(b) A substantial part of credit card receivables consists of monthly tuition fees and late fees be negotiated.

(c) At December 31, 2019 the adjustment to present value amounts to R$ 27,442 (R$ 20,814 related to PAR and R$ 6,628 to DIS) and at December 31, 2018 R$ 45,019 (R$ 36,626 related to PAR, R$ 8,110 to DIS and R$ 283 related to the Educar Amazônia program).

An aging list of receivables follows:

	Consolidated			
	2019	**%**	**2018**	**%**
FIES	295,598	19	153,786	13
Neither past due nor impaired	628,569	42	482,732	41
Up to 30 days overdue	134,384	9	99,612	9
31 to 60 days overdue	80,080	5	97,046	8
61 to 90 days overdue	65,201	4	82,811	7
91 to 179 days overdue	111,876	7	87,127	8
More than 180 days overdue	211,530	14	166,941	14
	1,527,238	100	1,170,055	100

An aging list of receivables follows:

	Consolidated			
	2019	**%**	**2018**	**%**
Neither past due nor impaired	24,450	34	26,996	37
Up to 30 days overdue	5,570	8	6,662	9
31 to 60 days overdue	5,018	8	5,440	8
61 to 90 days overdue	5,159	7	4,927	7
91 to 179 days overdue	11,148	15	8,231	11
More than 180 days overdue	20,209	28	20,433	28
	71,554	100	72,689	100

The changes in the consolidated allowance for doubtful accounts are as follows:

Balance in 2017	205,062
Creation	333,166
Adoption of the new practices entered into equity	77,705
Write-off of bills and checks overdue for more than 360 days	(213,287)
Balance in 2018	402,646
Creation	310,367
PCLD acquired in acquisition	11,041
Write-off of bills and checks overdue for more than 360 days	(252,864)
Balance in 2019	471,190

In thousands of Reais, unless stated otherwise

For the financial years ended December 31, 2019 and 2018, expenses on the allowance for doubtful accounts, recognized in profit or loss as selling expenses (Note 24), were as follows:

	Consolidated	
	2019	**2018**
Net effect of the allowance for doubtful accounts on profit or loss	310,367	333,166
Write-off / (Reversal) of bills overdue for more than 360 days	(2,232)	167
Other		366
	308,135	333,699

5 Related parties

The main balances as of December 31, 2019 and 2018, as well as the transactions that influenced the income for the year, related to related-party transactions derive from transactions between the Company and its and its subsidiaries. Related-party transactions that do not incur interest and/or monetary restatement.

The balance of the subsidiaries' accounts receivable denotes the sharing of organizational expenses and has been described below:

	Parent Company	
	2019	**2018**
Current assets		
Current account		
Seses	9	14
Irep	3	6
São Luís		447
Estácio Ribeirão Preto	1	2
Estácio Editora	6	
Other	3	9
Subsidiaries	22	478

	Parent Company	
	2019	**2018**
Current liabilities		
Current account		
Seses	51	
Subsidiaries	51	

In thousands of Reais, unless stated otherwise

6 Prepaid expenses

	Consolidated	
	2019	**2018**
Insurance	3,144	2,944
Teaching materials	190	1,013
Advance of vacations and charges	4,008	2,670
Registration fee - Ministry of Education (MEC)	1,755	2,005
Technical-pedagogical cooperation - Santa Casa	1,901	2,260
Other prepaid expenses	794	661
	11,792	11,553
Current assets	7,034	6,034
Noncurrent assets	4,758	5,519
	11,792	11,553

In the financial year ended December 31, 2019, the amount of R$ 283 denotes basic insurance policies of the parent company.

7 Taxes and contributions recoverable

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Withholding Income Tax - IRRF	2,685	1,402	13,155	10,302
IRPJ/CSLL Prepayments (i)			6,261	76,907
Recoverable IRPJ and CSLL (ii)	37,707	41,950	151,152	75,257
PIS (iii)			2,231	3,129
COFINS (iii)			8,018	12,605
ISS		3	59,334	52,625
INSS			15,767	6,675
OTHER			557	557
	40,392	43,355	256,475	238,057
Current assets	3,840	2,145	80,050	135,810
Noncurrent assets	36,552	41,210	176,425	102,247
	40,392	43,355	256,475	238,057

(i) The amount presented in this line refers to the IRPJ/CSLL prepayments made in the current year. In May 2018, PROUNI'S tax incentive calculation was revised due to a temporary disqualification of the subsidiary SESES, which triggered an accumulation of tax credits on the overpayment of IRPJ/CSLL.

(ii) This amount denotes the advance overpayments of IRPJ/CSLL in prior years, and has been used to offset federal taxes and is restated monthly by the Selic base interest rate. The increase between 2019 and 2018 is due to the facts mentioned in item (i).

(iii) As mentioned in item (i) as a result of a temporary disqualification of the subsidiary SESES, there was an accumulation of tax credits on the overpaid PIS and Cofins taxes, in the amount of R$ 17,106, where the Company offset the amounts of R$ 6,201 and R$ 3,863 over the course of 2019 and 2018 respectively.

In thousands of Reais, unless stated otherwise

8 Investments in subsidiaries

(a) Parent company Estácio Participações S.A.

	2019		2018	
	Investment	Investment devaluation	Investment	Investment devaluation
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")	1,394,421		1,038,451	
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")	1,119,135		1,040,045	
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")	3,424		2,860	
Estácio Editora e Distribuidora Ltda. ("Editora")		(30)		(30)
Sociedade de Ensino Superior Estacio Ribeirão Preto Ltda. ("Estácio Ribeirão Preto")	95,160		70,144	
	2,612,140	(30)	2,151,500	(30)

Information about the subsidiaries can be seen below:

	2019								
	Interest	Number of shares	Total assets	Total liabilities	Equity	Goodwill	Deferred income tax on goodwill from downstream merger	Total	Net income (loss) for the 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)
Editora (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

	2018								
	Interest	Number of shares	Total assets	Total liabilities	Equity	Goodwill	Deferred income tax on goodwill from downstream merger	Total	Net income (loss) for the year
SESES	100%	610,677	1,640,235	601,784	1,038,451			1,038,451	376,058
IREP	100%	515,080	1,205,630	228,027	977,603	62,442		1,040,045	246,018
NACP	100%	15,699	4,030	1,170	2,860			2,860	(1,764)
Editora (i)	100%	251	31	66	(35)	5		(30)	
Estácio Ribeirão Preto	100%	23,837	127,381	55,007	72,374		(2,230)	70,144	80,369
			2,977,307	886,054	2,091,253	62,447	(2,230)	2,151,470	700,681

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

The table below shows the overall changes in the investments in subsidiaries in the financial years ended December 31, 2019 and 2018:

Investments in subsidiaries in 2017	2,118,132
Equity in net income of subsidiaries	700,681
Advance for future capital increase	16,295
Additional dividends for 2017	(330,000)
Dividends in 2018	(310,000)
Options awarded	7,678
Adoption of new practices IFRS 09	(51,286)
Investments in subsidiaries in 2018	2,151,500
Equity in net income of subsidiaries	697,500
Advance for future capital increase	14,777
Options awarded	(1,265)
2019 Dividends	(263,909)
Restricted share plan	13,537

In thousands of Reais, unless stated otherwise

Investments in subsidiaries in 2019	2,612,140

The accounting information of the subsidiaries used to apply the equity accounting method was valid as of December 31, 2019.

See below information about the direct subsidiaries' investments:

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

	2019	2018
Sociedade De Ensino Superior Toledo Ltda. ("UNITOLEDO")	115,538	
	115,538	

Information about SESES' subsidiaries can be seen below:

								2019
	Interest	Number of shares	Total assets	Total liabilities	Equity	Goodwill	Total	Net income (loss) for the year
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 shows the overall changes in the investments of the direct subsidiary SESES in its subsidiaries in the financial year December 31, 2019.

Equity in net income of subsidiaries and associated companies	860
Advance for future capital increase	1,000
Acquisition of subsidiary	(199)
Goodwill under acquisition	94,575
Investments in subsidiaries in 2019	96,236

In thousands of Reais, unless stated otherwise

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

	2019	2018
Sociedade Educacional Atual da Amazônia ("ATUAL")	586,235	538,914
ANEC - Sociedade Natalense de Educação e Cultura ("FAL")	8,921	11,859
Sociedade Universitária de Excelência Educacional do Rio Grande do Norte ("FATERN")	28,646	28,747
	623,802	579,520

Information about IREP' subsidiaries can be seen below:

2019

	Interest	Number of shares	Total assets	Total liabilities	Equity	Goodwill	Total	Net income (loss) for the year
CURRENT	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

2018

	Interest	Number of shares	Total assets	Total liabilities	Equity	Goodwill	Total	Net income (loss) for the year
CURRENT	100%	40,512	705,689	182,278	523,411	15,503	538,914	77,259
FAL	100%	20,031	10,770	6,987	3,783	8,076	11,859	(2,798)
FATERN	100%	9,160	17,479	3,711	13,768	14,979	28,747	(1,772)
			733,938	192,976	540,962	38,558	579,520	72,689

The table below shows the overall changes in the investments of the direct subsidiary IREP in subsidiaries in the financial years ended December 31, 2019 and 2018:

Investments in subsidiaries in 2017	548,047
Equity in net income of subsidiaries and associated companies	72,689
Advance for future capital increase	31,151
Additional dividends for 2017	(20,000)
Dividends in 2018	(42,403)
Adoption of new practices IFRS 09	(9,964)
Investments in subsidiaries in 2018	579,520
Equity in net income of subsidiaries and associated companies	68,550
Advance for future capital increase	28,962
2019 Dividends	(53,498)
Options Awarded	268
Investments in subsidiaries in 2019	623,802

In thousands of Reais, unless stated otherwise

(d) Subsidiary Sociedade Atual da Amazônia (“ATUAL”)

	2019	2018
Sociedade Educacional da Amazônia ("SEAMA")	49,706	43,576
Idez Empreendimentos Educacionais Sociedade Simples Ltda. ("IDEZ")	2,785	3,147
Sociedade Educacional do Rio Grande do Sul S/S Ltda. ("FARGS")	18,612	18,182
Uniuol Gestão de Empreendimentos Educacionais e Participações S.A. ("UNIUOL")	1,406	1,653
Unisãoluis Educacional S.A ("SÃO LUIS")	86,470	79,506
Instituto de Ensino Superior Social e Tecnológico Ltda. ("FACITEC")	48,836	47,292
Associação de Ensino de Santa Catarina ("ASSESC")	6,340	7,049
Centro de Assistência ao Desenvolvimento de formação Profissional Unicel Ltda. ("Estácio Amazonas")	50,724	48,741
Instituto de Estudos Superiores da Amazônia ("IESAM")	94,848	90,427
Centro de Ensino Unificado de Teresina ("CEUT")	48,486	47,390
Faculdade Nossa Cidade ("FNC")	94,155	95,322
Faculdades Integradas de Castanhal Ltda. ("FCAT")	37,526	36,999
Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant’Ana Ltda. ("FUFS")	13,899	16,441
	553,793	535,725

Information about ATUAL' subsidiaries can be seen below:

2019	Interest	Number of shares	Total assets	Total liabilities	Equity	Goodwill	Students portfolio	Total	Net income (loss) for the 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

2018	Interest	Number of shares	Total assets	Total liabilities	Equity	Goodwill	Students portfolio	Total	Net income (loss) for the year
SEAMA	100%	4,407	31,455	5,914	25,541	18,035		43,576	5,263
IDEZ	100%	7,297	2,277	1,177	1,100	2,047		3,147	(1,118)
FARGS	100%	8,606	16,256	6,129	10,127	8,055		18,182	(893)
UNIUOL	100%	9,478	1,402	705	697	956		1,653	(2,009)
SÃO LUIS	100%	3,795	84,529	32,391	52,138	27,368		79,506	31,304
FACITEC	100%	6,051	30,368	9,730	20,638	26,654		47,292	8,399
ASSESC	100%	2,416	4,286	1,960	2,326	4,723		7,049	(1,120)
Estácio Amazonas	100%	46,957	37,572	15,045	22,527	26,214		48,741	(5,273)
IESAM	100%	2,810	74,295	23,476	50,819	26,797	12,811	90,427	16,965
CEUT	100%	16,938	29,583	10,579	19,004	27,568	818	47,390	9,457
FNC	100%	22,328	31,570	12,218	19,352	72,046	3,924	95,322	10,999
FCAT	100%	11,341	22,478	7,518	14,960	20,121	1,918	36,999	10,977
FUFS	100%	13,593	12,591	2,857	9,734	6,255	452	16,441	355
			378,662	129,699	248,963	266,839	19,923	535,725	83,306

In thousands of Reais, unless stated otherwise

The table below shows the overall changes in the investments of the direct subsidiary ATUAL in its direct subsidiaries in the financial years ended December 31, 2019 and 2018:

Investments in subsidiaries in 2017	523,352
Equity in net income of subsidiaries and associated companies	83,306
Advance for future capital increase	10,028
Additional dividends for 2017	(20,000)
Dividends in 2018	(42,374)
Amortization of goodwill	(9,601)
Adoption of new practices IFRS 09	(8,986)
Investments in subsidiaries in 2018	535,725
Equity in net income of subsidiaries and associated companies	73,730
Advance for future capital increase	2,450
Amortization of goodwill	(4,882)
2019 Dividends	(53,498)
Options awarded	268
Investments in subsidiaries in 2019	553,793

In thousands of Reais, unless stated otherwise

9 Intangible assets

(a) Intangible assets - Parent company

		2018		2019
		Cost	**Additions**	**Cost**
Cost				
Goodwill on acquisitions of investments (i)		780,065		780,065
Software licenses		99		99
The Integration Project		212		212
Goodwill		79,704		79,704
		860,080		860,080
	Amortization Rates	**Amortization**	**Additions**	**Amortization**
Amortization				
Software licenses	20% p.a.	(91)	(8)	(99)
The 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

		2017		2018
		Cost	**Additions**	**Cost**
Cost				
Goodwill on acquisitions of investments (i)		780,065		780,065
Software licenses		99		99
The Integration Project		212		212
Goodwill		79,704		79,704
		860,080		860,080
	Amortization Rates	**Amortization**	**Additions**	**Amortization**
Amortization				
Software licenses	20% p.a.	(77)	(14)	(91)
The Integration Project	20% p.a.	(54)	(43)	(97)
Goodwill	20 to 33% p.a.	(66,669)	(13,034)	(79,703)
		(66,800)	(13,091)	(79,891)
Net residual balance		793,280	(13,091)	780,189

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

In thousands of Reais, unless stated otherwise

(b) Intangible assets - Consolidated

		2018					2019
		Cost	**Additions through acquisitions**	**Additions**	**Write-offs**	**Transf.**	**Cost**
Cost							
Goodwill on acquisitions of investments		1,181,481		94,575			1,276,056
Software licenses		334,996	830	106,902	(326)	(742)	441,660
EAD and Integração		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
Students portfolio		173,503		27682			201,185
Other		34,231	3	35,478	(140)	719	70,291
		1,910,066	833	287,130	(466)		2,197,563
	Amortization Rates	**Amortization**	**Additions through acquisitions**	**Additions**	**Write-offs**	**Transf.**	**Amortization**
Amortization							
Goodwill on acquisitions of investments	Indefinite	(6,924)					(6,924)
Software licenses	20% p.a.	(236,368)	(559)	(56,339)	1		(293,265)
EAD and Integração	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)
Students portfolio	20 to 50% p.a.	(153,580)		(4,882)			(158,462)
Other	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

In thousands of Reais, unless stated otherwise

	2017					2018
	Cost	**Additions**	**Write-offs**	**Transf.**	**Reclassified to PP&E**	**Cost**
Cost						
Goodwill on acquisitions of investments	1,181,481					1,181,481
Software licenses	272,394	63,752	(736)	(15)	(399)	334,996
EAD and Integração	18,298					18,298
Learning Center	76,677	10,233				86,910
IT Architecture	21,664					21,664
Online class material	7,821	222				8,043
Knowledge Factory - EAD	33,868	5,436				39,304
Questions database	10,703	933				11,636
Students portfolio	173,503					173,503
Other	27,394	7,235	(413)	15		34,231
	1,823,803	87,811	(1,149)		(399)	1,910,066

	Amortization Rates	Amortization	Additions	Write-offs	Transf.	Reclass. to PP&E	Amortization
Amortization							
Goodwill on acquisitions of investments	Indefinite	(6,924)					(6,924)
Software licenses	20% p.a.	(192,746)	(45,179)	730		827	(236,368)
EAD and Integração	20% p.a.	(16,408)	(808)				(17,216)
Learning Center	10% p.a.	(19,912)	(11,106)				(31,018)
IT Architecture	17 to 20% p.a.	(8,530)	(3,845)				(12,375)
Online class material	20% p.a.	(6,436)	(571)				(7,007)
Knowledge Factory - EAD	10% p.a.	(4,537)	(4,247)				(8,784)
Questions database	20% p.a.	(3,442)	(2,182)				(5,624)
Students portfolio	20 to 50% p.a.	(130,945)	(22,635)				(153,580)
Other	20% p.a.	(13,715)	(3,674)	39			(17,350)
		(403,595)	(94,247)	769		827	(496,246)
Net residual balance		1,420,208	(6,436)	(380)		428	1,413,820

In thousands of Reais, unless stated otherwise

At December 31, 2019 and 2018 net goodwill on acquisitions of investments was comprised as follows:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Goodwill on acquisitions of investments net of accumulated amortization				
IREP			89,090	89,090
UNITOLEDO			94,575	
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
Estácio Editora			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	1,269,132	1,174,557

The Company carries out annual impairment tests, the last being for the year ended December 31, 2019, relative 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 13.7% to discount estimated future cash flows.

When the carrying amount of the asset exceeds its recoverable value, the Company shall recognize impairment for this asset. Impairment is recorded in profit or loss for the year.

Management determined the gross margin budgeted based on past performance and its expectations for market development. The average weighted growth rates used are consistent with the projections presented in the sector reports. The discount rates used are before-tax and reflect specific risks related to the relevant operating segments.

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

In thousands of Reais, unless stated otherwise

10 Property, plant and equipment

Property, plant and equipment - consolidated

	2018					2019
	Cost	**Additions through acquisitions**	**Addition**	**Write-offs**	**Transf.**	**Cost**
Cost						
Land	19,295	492				19,787
Buildings	228,384		7,470		5,559	241,413
Buildings in leases (i)			1,140,294		(5,916)	1,134,378
Improvements to rented property	295,799	599	38,737	(303)	29,315	364,147
Fixtures and fittings	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
Plant 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
Building work in progress	14,385	126	62,486	(94)	(35,113)	41,790
Retirement	26,951		1,850	(1,330)		27,471
Other	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 through acquisitions**	**Addition**	**Write-offs**	**Transf.**	**Depreciation**
Depreciation							
Buildings	21.50% p.a.	(63,174)		(4,144)		8	(67,310)
Buildings in leases (i)	21.50% p.a.			(164,343)		359	(163,984)
Improvements to rented property	11.11% p.a.	(158,360)		(33,694)	127	194	(191,733)
Fixtures and fittings	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)
Plant 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)
Retirement		(16,479)		(1,855)	67		(18,267)
Other	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) This item presents the effects of IFRS 16, as described in note 1.3.

In the financial year ended December 31, 2019, the amount of R$ 11 denotes computers and peripheral equipment of the parent company (R$ 15 in the financial year ended December 31, 2018).

In thousands of Reais, unless stated otherwise

	2017					2018
	Cost	Additions	Write-offs	Transf.	Reclass. of intangible assets	Cost
Cost						
Land	19,295					19,295
Buildings	208,737	14,706	(143)	5,441	(357)	228,384
Improvements to rented property	248,758	37,110	(4,721)	14,652		295,799
Fixtures and fittings	96,317	16,946	(3,398)	(15)	1	109,851
Computers and peripherals	154,408	10,954	(2,999)	4	772	163,139
Plant and equipment	117,137	15,305	(448)	2	33	132,029
Physical activity equipment	48,283	13,973	(406)		4	61,854
Library	159,081	9,579	(1,048)		1	167,613
Facilities	51,615	2,278	(125)	152		53,920
Tablets	37,974		(5,522)	(10)		32,442
Building work in progress	6,659	27,909		(20,183)		14,385
Retirement	22,196	4,892	(137)			26,951
Other	10,731	7,051	(1,077)	(7)	(103)	16,595
	1,181,191	160,703	(20,024)	36	351	1,322,257

	Depreciation rates	Depreciation	Additions	Write-offs	Transf.	Reclass. of intangible assets	Depreciation
Depreciation							
Buildings	1.67% p.a.	(59,546)	(3,770)	122	18	2	(63,174)
Improvements to rented property	11.11% p.a.	(134,199)	(29,702)	5,607	(66)		(158,360)
Fixtures and fittings	8.33% p.a.	(54,388)	(7,709)	3,206	(1)	(1)	(58,893)
Computers and peripherals	25% p.a.	(118,348)	(17,732)	2,984		(731)	(133,827)
Plant and equipment	8.33% p.a.	(58,799)	(16,529)	302		(33)	(75,059)
Physical activity equipment	6.67% p.a.	(19,740)	(3,153)	233		(4)	(22,664)
Library	5% p.a.	(69,061)	(7,116)	655		(1)	(75,523)
Facilities	8.33% p.a.	(18,233)	(3,733)	112			(21,854)
Tablets	20% p.a.	(27,469)	(6,427)	5,376	10		(28,510)
Retirement		(12,204)	(4,336)	61			(16,479)
Other	14.44% p.a.	(6,788)	(931)	918	3	(11)	(6,809)
		(578,775)	(101,138)	19,576	(36)	(779)	(661,152)
Net residual balance		602,416	59,565	(448)		(428)	661,105

Certain assets acquired through financing or leasing (Note 11) were used as financing security. The Company and its subsidiaries have not pledged any other assets to secure transactions.

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

	2018				2019
	Cost	Additions through acquisitions	Additions	Write-offs	Cost
Cost					
Financial leases capitalized	96,227	960	1,146,771	(16,328)	1,227,630
	96,227	960	1,146,771	(16,328)	1,227,630

	Annual depreciation	Depreciation	Additions through acquisitions	Additions	Write-offs	Depreciation
Depreciation						
Financial leases capitalized	21.60% p.a.	(62,055)	(747)	(187,313)	6,177	(243,938)

In thousands of Reais, unless stated otherwise

	(62,055)	(747)	(187,313)	6,177	(243,938)
Net balance	34,172	213	959,458	(10,151)	983,692

The Group leases various rights-of-use assets, such as plant and equipment, accessories, furniture and fixtures and rented property, under non-cancelable lease agreements. The lease terms vary from contract to contract and the Group does not own the assets. All the Group's leases are recognized by the operation's net present value.

Asset impairment

Under Technical Pronouncement CPC 01 (R1) (IAS 36) "Asset Impairment", the items of property, plant and equipment showing signs that their recorded costs are greater than their recoverable values (market value) are reviewed to determine the need to make a provision for impairment. Management analyzed the corresponding annual operational and financial performance of its assets and did not identify any changes in circumstances or signs of technological obsolescence. As of December 31, 2019 and 2018 there was no need to record any provision for property, plant and equipment impairment.

In thousands of Reais, unless stated otherwise

11 Loans and financing

		Parent Company		Consolidated	
Type	**Financial charges**	**2019**	**2018**	**2019**	**2018**
Local currency					
Lease contracts Right of use (i)	IGP-M/ IGPI-DI/ IPCA / INCC/ IPC/ IPCA-E p.a			1,031,808	
Other commercial lease contracts	INPC/ IGPI-DI/ IGPM p.a/ CDI Over p.d + 2% p.m			4,709	33,048
Second debenture issuance	CDI+1.18% p.a		121,840		121,840
Fourth debenture issuance	CDI+1.50% p.a		50,214		50,214
Fifth debenture issuance (Series 1)	CDI+0.585% p.a	255,491		255,491	
Fifth debenture issuance (Series 2)	CDI+0.785% p.a	357,958		357,958	
Borrowing cost of debentures		(1,394)	(497)	(1,394)	(497)
Banco da Amazônia Loan	9.5% p.a.				7,372
FINEP loan	6% p.a.	3,080	3,674	3,080	3,674
Itaú Promissory Notes	CDI+1.25% p.a		601,564		601,564
		615,135	776,795	1,651,652	817,215
Current liabilities		13,586	773,709	170,054	795,789
Noncurrent liabilities		601,549	3,086	1,481,598	21,426
		615,135	776,795	1,651,652	817,215

(i) This item presents the effects of IFRS 16, as described in note 1.3.

The amounts recorded as non-current liabilities at December 31, 2019 and 2018 mature as follows:

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
2020		587		6,829
2021	137	587	140,250	4,327
2022	250,338	587	390,502	2,450
2023	175,378	587	300,135	2,007
2024	175,553	587	255,219	1,875
2025 onwards	143	151	395,492	3,938
Noncurrent liabilities	601,549	3,086	1,481,598	21,426

Lease contracts are secured by the underlying assets.

In December 2018 the Company completed its second issuance of promissory notes for R$ 600,000 maturing on March 8, 2019 at the cost of 105.75% of the CDI rate.

In January 2019, the Company settled in advance the loan agreements entered into with Banco da Amazônia "BASA" in the amounts of R$ 3,072, R$ 2,418 and R$ 1,743 financed since the start of the contract in 2009, 2010 and 2016 respectively. The amount settled in advance in January 2019 was R$ 7,233.

In February 2019, the Company completed its fifth debenture issuance of R$ 600,000 maturing on February 15, 2024 in two series, with series 1 yielding 100% of the CDI rate + 0.585% p.a. for the principal of R$ 250,000 maturing on February 15, 2022 and series 2 yielding 100% + 0.785% p.a., with the first principal amortization occurring on February 15, 2023 in the amount of R$ 175,000 and the second principal amortization on February 15, 2024 in the amount of R$ 175,000.

In February 2019, the Company settled early the entire second issuance of promissory notes made in December 2018 in the amount of R$ 607,544.

In June 2019, the Company settled early the entire fourth issuance of debentures made in December 2016 in the amount of R$ 100,000. The enforced amount settled in June 2019 was R$ 51,928.

In thousands of Reais, unless stated otherwise

In October 2019, the Company settled early the entire second issuance of debentures made in October 2014 in the amount of R$ 300,000. The enforced amount settled in October 2019 was R$ 62,208.

The contracts with several creditors include covenants that require the maintenance of certain financial indexes with previously established parameters. As of December 31, 2019 and 2018, the Company and its parent company were in compliance with all covenants.

12 Payroll and related charges

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Payroll, severance pay and payroll charges payable	651	330	103,480	102,370
Provision for vacations			32,952	31,284
	651	330	136,432	133,654

13 Tax obligations

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
ISS payable	3	5	17,317	18,335
IRRF payable	84	88	12,973	13,310
PIS and COFINS payable	51	93	3,723	2,838
IOF payable				64
	138	186	34,013	34,547
IRPJ payable			1,615	788
CSLL payable			410	253
			2,025	1,041
	138	186	36,038	35,588

14 Financing of taxes

	Consolidated	
	2019	**2018**
IRPJ (i)	1,992	533
CSLL	27	48
Government Severance Indemnity Fund for Employees (FGTS)	1,195	810
ISS	59	1,345
PIS	85	91
COFINS	623	704
INSS (i)	10,546	6,490
OTHER	221	220
	14,748	10,241
Current liabilities	3,729	3,563
Noncurrent liabilities	11,019	6,678
	14,748	10,241

(i) Increase as a result of acquiring Unitoledo which has an INSS and IRPJ financing liability.

The balance of financed taxes is restated monthly by the Selic base interest rate.

In thousands of Reais, unless stated otherwise

These refer basically to financed taxes owed to the Municipalities, Federal Tax Authorities, Social Security, with the following long-term maturities:

	Consolidated	
	2019	**2018**
2020		1,551
2021	1,949	1,130
2022	2,538	1,144
2023	2,538	1,110
2024	2,082	792
2025 to 2029	1,912	951
	11,019	6,678

15 Acquisition price payable

	Consolidated	
	2019	**2018**
SÃO LUIS	9,683	9,140
IESAM (i)		10,914
Estácio Amazonas (ii)		2,801
CEUT	3,375	3,974
FNC (iii)		13,886
FCAT (iv)		1,499
FUFS (v)	2,279	3,293
UNITOLEDO (vi)	47,693	
	63,030	45,507
Acquisition of property (vii)	653	2,833
	63,683	48,340
Current liabilities	19,142	34,488
Noncurrent liabilities	44,541	13,852
	63,683	48,340

(i) In July 2019 the final payment was settled under the acquisition of IESAM.
(ii) In August 2019 the final payment was settled under the acquisition of Estácio Amazonas.
(iii) In January 2019 the final payment was settled under the acquisition of FNC.
(iv) In November 2019 the final payment was settled under the acquisition of FCAT.
(v) The portion of FUFS maturing in March 2020 was settled early in December 2019.
(vi) Balance denoting acquisition of UNITOLEDO.
(vii) Denotes the commitment between IREP and União Norte Brasileira de Educação e Cultura - UNBEC for several properties, located in Fortaleza, Ceará state.

These basically denote the amount payable to the former owners for the acquisition of related companies, and properties, subject to monthly restatement by one of the following indexes: SELIC, IPCA (Broad Consumer Prices Index), IGP-M or variance of the CDI rate, depending on the contract.

The amounts recorded as non-current liabilities at December 31, 2019 and 2018 mature as follows:

	Consolidated	
	2019	**2018**
2020		11,657
2021	29,939	2,195
2022	14,602	
	44,541	13,852

In thousands of Reais, unless stated otherwise

16 Contingencies

The Company's subsidiaries are party to various civil, labor and tax proceedings at different court levels. Based on the opinion of its legal advisors, management recorded a provision for an amount considered sufficient to cover expected losses arising from these cases.

At December 31, 2019 and 2018 the provision for contingencies was comprised as follows:

	Consolidated			
	2019		2018	
	Contingencies	Judicial deposits	Contingencies	Judicial deposits
Civil	24,073	17,904	20,019	16,334
Labor	90,960	42,330	98,453	48,310
Tax	3,383	15,856	8,445	17,058
	118,416	76,090	126,917	81,702

In the financial year ended December 31, 2019, the amount of R$ 306 relates to the parent company's contingency, with R$ 107 related to the civil and R$ 199 related to the tax proceedings (R$ 288 in the financial year ended December 31, 2018, with R$ 103 civil and R$ 185 tax) and as of December 31, 2019 the amount of R$ 216 denotes the parent company's escrow deposits.

The change in the provision for contingencies is as follows:

	Civil	Labor	Tax	Total
Balances in 2017	15,147	62,712	8,425	86,284
Additions	33,133	78,297	8,740	120,170
Reversals	(2,867)	(6,267)	(7,814)	(16,948)
Write-offs due to payment	(27,078)	(65,912)	(1,163)	(94,153)
Monetary restatement	1,684	29,623	257	31,564
Balances 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 due to payment	(35,133)	(44,972)	(4,804)	(84,909)
Monetary restatement	4,717	5,914	(547)	10,084
Balances in 2019	24,073	90,960	3,383	118,416

For the financial years ended December 31, 2019 and 2018, expenses on the provision for contingencies recognized in profit or loss were as follows:

	2019	2018
Breakdown of income/loss		
Additions	92,695	120,170
Reversals	(26,371)	(16,948)
Monetary restatement	10,084	31,564
Provision for contingencies	76,408	134,786
General and administrative expenses (Note 24)	(66,324)	(103,222)
Finance income (costs) (Note 26)	(10,084)	(31,564)
	(76,408)	(134,786)

In thousands of Reais, unless stated otherwise

(a) Civil

Most proceedings involve claims for indemnity for moral and property damages arising from incorrect collections and late issue of diplomas, among other matters of an 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:

Matter	Amounts
Incorrect collection	5,882
Real Estate	5,455
Issue of certificates of completion/diplomas and graduation	1,994
Accreditation and cancellation of the course/enrollment	2,456
FIES	1,686
PROUNI	585
Success fees	2,625
Other (i)	3,390
	24,073

(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 claims are due to the following:

Matter	Amounts
Salary and severance differences + reduction of working time + FGTS + notice	33,447
Overtime + elimination of breaks during and between shifts	7,586
Moral/property damage/moral harassment	1,537
Employer's social security payment	10,216
Fees	2,780
Deviation from agreed position and salary parity	8,734
Fines (Article 467 CLT, article 477 CLT and CCT/ACT)	1,166
Allowances (health hazards/night shift pay/improvement/length of service/risk premium)	1,064
Vacations	1,073
Success fees	3,523
Income tax / interest and monetary restatement	10,850
Other (i)	8,984
	90,960

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

(c) Tax

The tax proceedings mainly relate to tax immunity, escalation of social security contributions arising from the law 11096/05 and exclusion of scholarships from the ISS calculation basis and fines for alleged non-compliance with auxiliary obligations (special accounting arrangements).

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

Matter	Amounts
Sewage charges / fees	23
Success fees	3,360
	3,383

In thousands of Reais, unless stated otherwise

(d) Possible losses not provisioned for

The Company has the following 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 existing accounting practices.

	Consolidated	
	2019	**2018**
Civil	265,875	219,542
Labor	378,533	201,783
Tax	516,177	599,706
	1,160,585	1,021,031

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

Civil	**Amounts**
Incorrect collection	68,108
Real Estate	125,193
Issue of certificates of completion/diplomas and graduation	18,199
Accreditation and cancellation of course	1,820
Record	8,889
FIES	25,045
PROUNI	1,553
Other (i)	17,068
	265,875

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

Labor	**Amounts**
Salary and severance differences + reduction of working time + FGTS + notice + compensation	187,623
Overtime + elimination of breaks during and between shifts	72,338
Moral/property damage/moral harassment	17,718
Employer's social security payment	17,060
Fees	24,994
Deviation from agreed position and salary parity	11,100
Fines (Article 467 CLT, article 477 CLT and CCT/ACT)	7,833
Allowances (health hazards/night shift pay/improvement/length of service/risk premium)	15,230
Vacations	6,637
Other (i)	18,000
	378,533

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

Tax	**Amounts**
Social Security Contribution / FGTS	287,489
ISS	179,794
PIS / COFINS	25,696
IRPJ / CSLL / IRRF	17,596
IPTU / FORO / IPVA	1,129
Miscellaneous fines	3,469
Other	1,004
	516,177

We have presented the main proceedings not provisioned for in the financial information with a case amount in excess of R$ 10,000:

Social security contribution:

(i) Due to the different interpretation of the initial date for staggering rates set out in Article 13 of Law 11096/05 ("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 0017945-16.2009.4.02.5101. On August 13, 2019 the Ministry of Finance informed the court that the debits under collection would be rectified to reflect the reasoning forming the final and unappealable decision in favor of Estácio. 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 Brazilian tax authorities. Estacio filed a statement requesting release of the proportional amounts deposited at the court. We are awaiting a position in response to our statement. The rectification made by the federal tax authorities led to the total amount involved changing to R$ 82,587.

(ii) 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 cancellation of the tax assessment 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. On January 16, 2018, the Company filed an annulment action to contest the remaining debt. The interim relief claimed was awarded. On February 20, 2018 the Ministry of Finance distributed 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. On May 2, 2018 SESES filed a Motion against the Tax Enforcement, the Ministry of Finance filed its contestation and SESES submitted its rebuttal. The lower-court decision is pending judgment. The total amount involved is R$ 23,357.

(iii) The Federal Tax Authorities filed assessment notices against SESES for alleged social security contribution debts for the period January 2006 to January 2007 and failure to comply with auxiliary obligations. These assessment notices mainly contest the fulfillment of the legal requirements to qualify SESES as a non-profit welfare entity and its related right to exemption from social security contributions, a condition that was met until February 9, 2007. In August 2012, SESES was notified of the decision issued by the 1st administrative court, which partially granted our arguments, to recognize the statute of limitations and exclude from the assessments the amounts related to the period January 2006 to July 2006; the tax authorities' remaining arguments were upheld. A voluntary appeal was filed on September 27, 2012. The case records were assigned on 9/20/2016 and the Company is awaiting the placement of the appeal on docket for judgment. The total amount involved is R$ 131,469.

(iv) The federal tax authorities issued a decision not rectifying the offsetting made by SESES and IREP of social security contributions in social security payment forms (GFIP) for the accrual period October 2013 to December 2015. The offset credits were determined on improper payments of social security contributions (lapsed) in labor claims, in addition to payments unduly made on amounts not constituting compensation (1/3 vacations, compensated prior notice and justified absences). Unfavorable decisions were delivered in both cases at the lower administrative courts, against which voluntary appeals were filed. We are currently awaiting for both appeals to be presented for judgment at CARF. The total amount involved is R$ 41,962.

ISS - Services tax:

(i) The Tax Enforcement issued by the Municipality of Niterói, in connection with the assessment notice issued on September 29, 2009, is demanding Services Tax (ISS) from SESES for the period 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 the Brazilian Tax Code (CTN), i.e. because it allegedly failed to submit to the tax authorities relevant tax/accounting records in accordance with the existing legislation. Motions were filed against the enforcement on September 16, 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 on 11/26/2019 concluded once again that Estacio's accounting records for the disputed period were in full compliance with legal requirements. Estacio filed a new statement regarding the new expert analysis. Pending judgment by the lower court. The total amount involved is R$ 62,702.

In thousands of Reais, unless stated otherwise

(ii) On August 14, 2018 a Tax Enforcement was brought against Sociedade Tecnopolitana da Bahia Ltda. (STB), merged into IREP in June 2010, for non-payment of Services Tax (ISS) in the period 2007 to February 2011. The assessment arose from a due diligence in connection with the procedures for cancellation of the registration of the activities previously performed at STB's headquarters and branch facilities. Motion against the Tax Enforcement was filed on 10/3/2018. Pending judgment by the lower court. The total amount involved is R$ 19,919.

(iii) The Municipality of Salvador filed a Tax Enforcement claiming alleged ISS tax liabilities for the period 07/2012 to 11/2013, due to discrepancies regarding the fixing of the tax calculation base (deductibility of study grants from the ISS calculation base). A Motion against the Tax Enforcement was filed requesting an expert accounting analysis. The expert analysis is pending, now the accounting expert and respective technical assistants have been appointed. The total amount involved is R$ 11,494.

17 Equity

(a) Share capital

The Board of Directors may increase the share capital up to the limit of 1,000,000,000 (one billion) shares, for which an amendment to the bylaws is not required. As of December 31, 2019 the share capital consists of 309,088,851 common shares.

The Board of Directors' meeting held March 15, 2018 approved the capital increase of R$ 8,946, by capitalizing the balance of the revenue reserves, without new shares being issued.

The Company's ownership structure as of December 31, 2019 and 2018 is as follows:

	Common shares			
Shareholders	**2019**	**%**	**2018**	**%**
Senior Management	485,994	0.2	601,693	0.2
Treasury	8,428,182	2.7	8,975,936	2.9
Other (i)	300,174,675	97.1	299,511,222	96.9
	309,088,851	100	309,088,851	100

(i) *Free float*

(b) Changes in shares

Number of shares in 2017	317,896,418
Cancellation of treasury shares	
- Board of Directors Meeting held June 13, 2018	(8,807,567)
Number of shares in 2018	309,088,851

The share capital did not change in the financial year ended December 31, 2019.

(c) Treasury shares

On May 16, 2018, the Board of Directors approved an extension to the 5th buyback program from 12 to 18 months, expiring on December 21, 2018. By the end of the program a total of 10,515,700 (ten million five hundred and fifteen thousand seven hundred) common shares had been bought back, equal to 66.16% of the total shares targeted by the program.

In thousands of Reais, unless stated otherwise

	Quantity	Average cost	Balance
Treasury shares in 2018	8,975,936	23.02	206,641
SOP payment using treasury shares (Note 17 d.3)	(547,754)	23.02	(12,610)
Treasury shares in 2019	8,428,182	23.02	194,031

(d) Capital reserves

(d.1) Goodwill on share subscription

The goodwill reserve 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, 2019 and 2018 is as follows:

	Parent Company	
	2019	2018
Tax reserve	3	3
Non-distributable profits (i)	96,477	96,477
Special goodwill reserve under merger	85	85
Goodwill on share subscription	498,899	498,899
	595,464	595,464

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

The goodwill on the share issuance is comprised as follows:

	2019
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) Stock 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 the sale of treasury shares refers 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 at December 31, 2019 and 2018:

	Quantity of shares	Sale	Amount paid	Negative Goodwill
Negative goodwill in 2018	2,230,255	35,123	27,140	7,983
SOP payment in 2019	372,929	8,586	5,731	2,855
Negative goodwill in 2019	2,603,184	43,709	32,871	10,838

In thousands of Reais, unless stated otherwise

(e) Profit reserves

(e.1) Legal reserve

This reserve must be formed at the rate of 5% of the net income for the financial year, until it reaches 20% of the realized capital or 30% of the share capital, plus the capital reserves. Once this limit has been reached it is no longer obligatory to form this reserve. The capital reserve can be used to raise the share capital or offset accumulated losses.

(e.2) Profit retention reserve

On December 31, 2018, R$ 459,472 was allocated from the Company's retained earnings to the Profit Retention Reserve referring to potential acquisitions, expansion and improvements to infrastructure, technology and organic expansion, as provided for in the Company's bylaws. This proposed profit retention was approved at the Annual General Meeting held April 26, 2019.

On December 31, 2019, R$ 460,375 was allocated from the Company's retained earnings to the Profit Retention Reserve referring to potential acquisitions, expansion and improvements to infrastructure, technology and organic expansion, as provided for in the Company's bylaws. This proposed profit retention will be approved at the Annual General Meeting held April 24, 2020.

(e.3) Profit reserve surplus

Article 199 of Brazilian corporation law states that the sum of the revenue reserves cannot exceed the Company's share capital. At the general meeting held March 15, 2018 management approved the capital increase of R$ 8,946.

As regards the 2019 financial statements, the Board of Directors' meeting to be held March 12, 2020 will address the new capital increase of R$ 369,440.

(f) Dividends

The Company's Bylaws stipulate a minimum mandatory dividend equal to 25% of the net income for the year adjusted for the creation of the legal reserve, in due accordance with corporate legislation.

Minimum mandatory dividends were paid in 2019 for FY 2018 in the amount of R$ 153,157 (R$ 100,840 was paid in 2018 for FY 2017).

The amount of R$ 400,000 was paid on December 20, 2018 as the distribution of interim dividends approved by the Board of Directors, taken from the Company's Profit Reserve.

The calculation of the dividends and respective transactions in the financial year were as follows as of December 31, 2019 and 2018:

	Parent Company	
	2019	**2018**
Net income for the year of parent company	646,140	644,873
Creation of legal reserve (Article 193 of Law 6404)	(32,307)	(32,244)
Net income after appropriation to the legal reserve	613,833	612,629

In thousands of Reais, unless stated otherwise

Minimum mandatory dividends - 25%	153,458	153,157
Number of shares at December 31	309,088,851	309,088,851
Number of treasury shares at December 31	(8,428,182)	(8,975,936)
Dividend per share in free float - in reais	0.51040	0.51033

18 Financial instruments and sensitivity analysis of financial assets and liabilities

The estimated market values of the financial assets and liabilities were determined through information available in the market and appropriate valuation methodologies for each situation. However, considerable judgment was required in the interpretation of market data to estimate the most adequate realization value. As a result, the estimates here do not necessarily indicate the values that could be realized in the current exchange market. The use of different market sources of information and/or valuation methodologies could have a significant effect on the market values.

The Company's financial instrument assets and liabilities as of December 31, 2019 and 2018 are recorded in equity accounts at amounts compatible with market practices.

(a) Cash and cash equivalents and securities

The recorded amounts approximate market values, as they are subject to a maximum grace period of 90 days.

(b) Loans and financing

Measured at the amortized cost using the effective rate method.

(c) Accounts receivable

They are classified as receivables at their contractual amounts, which approximate market value.

(d) Derivative financial instruments

The Company does not invest in financial derivatives.

(e) Other financial instrument assets and liabilities

The estimated realization values of the Group’s financial assets and liabilities were determined through information available in the market and appropriate valuation methodologies.

18.1 Fair value hierarchy

The table below presents financial instruments at fair value according to the measurement method:

	Consolidated	
	2019	**2018**
Level 2		
Financial assets at fair value through profit or loss		
Short-term investments	596,861	804,360
	596,861	804,360

The measurement of the financial instruments is grouped into levels 1 to 3, based on the degree to which its fair value is quoted:

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

Level 2 - other methods for which all the data with a significant effect on fair value recorded is observable directly or indirectly; and

Level 3 - methods which use data that has a significant effect on the fair value recorded not based on observable market data.

In the financial year ended December 31, 2019 there were no transfers arising from fair value classifications between levels 1 and 2, nor into or out of level 3.

18.2 Financial risk factors

All the Group's operations are conducted with banks with recognized liquidity, which mitigates the risk posed by them. Management records an allowance for doubtful accounts at an amount considered sufficient to cover possible losses on the collection of receivables; the risk of incurring losses on billed amounts is duly measured and accounted for. The main market risk factors affecting the Group are as follows:

(a) Credit risk

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

The Group is also subject to credit risk on its short-term investments.

The credit risk relating to the rendering of services is minimized by a strict control of the student base and active management of default levels and dispersion of balances. 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 in accordance with the investments policy approved by the Board of Directors. The balances of cash and cash equivalents, marketable securities and judicial deposits are held at financial institutions with A to AAA credit rating 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

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

(c) Exchange rate risk

As of December 31, 2019 and 2018 the Company did not have foreign-currency debt.

(d) Liquidity risk

Liquidity risk is the risk that the Group may not have sufficient cash resources available to settle its obligations due to a mismatch between the liquidity of rights and obligations.

The Group's liquidity and cash flow is managed on a daily basis by the Company's management departments to ensure operating cash generation and additional funds obtained in advance, where necessary, are sufficient to maintain its schedule of commitments without creating a liquidity risk for the Group. There was no significant change in the Group's financial instrument liabilities as at December 31, 2019 in relation to December 31, 2018.

The table below presents an analysis of the Group's non-derivative financial liabilities by aging range, for the period remaining between the reporting date and the contractual maturity date. The amounts shown in the table are the non-discounted cash flows contracted.

In thousands of Reais, unless stated otherwise

	Consolidated			
	Less than one year	**Between one and two years**	**Between two and five years**	**Over five years**
In 2019				
Trade accounts payable	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	
In 2018				
Trade accounts payable	105,812			
Loans	775,747	3,205	5,605	871
Financial lease obligations	20,042	6,335	2,554	7,572
Acquisition price payable	34,488	12,348	2,363	

(e) Sensitivity analysis

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

The Group's financial instruments mainly consist of cash and cash equivalents, accounts receivable, accounts payable, judicial deposits and loans and financing and are recorded at cost, plus accrued income or charges, which, at December 31, 2019 and 2018 closely approximate their market values.

The main risks posed by the Group's operations are related to changes in the CDI rate (Interbank Deposit Certificate).

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

Loans in Brazilian reais consist of transactions for which the carrying amount approximates their fair value.

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

For purposes of verifying the sensitivity of the index for the financial investments to which the Company was exposed on the base date of December 31, 2019, three different scenarios were defined. Based on the CDI rate officially published by CETIP on December 31, 2019(4.40% p.a.), this rate was used as the probable scenario for the year. Rate changes of 25% and 50% were then calculated for scenarios II and III, respectively.

For each scenario, the “gross financial revenue and finance costs" were calculated, disregarding the effect of taxes on the investment yields. The base date used for the portfolio was December 31, 2019, projected for one year and verifying the sensitivity of the CDI rate for each scenario.

		CDI increase scenario		
Operations	**Risk**	**Probable Scenario (I)**	**Scenario (II)**	**Scenario (III)**
Short-term investments	CDI	4.40%	5.50%	6.60%
R$ 596,861		26,262	32,827	39,393
Debentures V - Q1	CDI +0.59%	5.01%	6.12%	7.22%
R$ 255,491		(12,800)	(15,636)	(18,446)
Debentures V - Q2	CDI +0.79%	5.22%	6.33%	7.44%
R$ 357,958		(18,685)	(22,659)	(26,632)

In thousands of Reais, unless stated otherwise

Net position		(5,223)	(5,468)	(5,685)

				CDI decrease scenario
Operations	**Risk**	**Probable Scenario (I)**	**Scenario (II)**	**Scenario (III)**
Short-term investments	CDI	4.40%	3.30%	2.20%
R$ 596,861		26,262	19,696	13,131
Debentures V - Q1	CDI +0.59%	5.01%	3.90%	2.80%
R$ 255,491		(12,800)	(9,964)	(7,154)
Debentures V - Q2	CDI +0.79%	5.22%	4.11%	3.00%
R$ 357,958		(18,685)	(14,712)	(10,739)
Net position		(5,223)	(4,980)	(4,762)

(f) Capital Management

The Company's consolidated debt in relation to equity in the financial year ended December 31, 2019 and 2018 is presented as follows:

	Consolidated	
	2019	**2018**
Loans and financing (Note 11) (i)	619,844	817,215
(-) Cash and cash equivalents (Note 3)	(12,251)	(13,686)
Net debt	607,593	803,529
Equity	3,102,352	2,591,409
Net debt over equity	0.20	0.31

(i) Debt net of the effects of IFRS 16, as per Note 11

(g) Offsetting of financial instruments

There were no significant assets or liabilities subject to contractual offsetting as of December 31, 2019 and 2018.

19 Insurance coverage (Unaudited)

The Company and its subsidiaries have a risk management program in order to detect risks and seek insurance coverage consistent with its size and operations. Company Management has taken out insurance policies in amounts below considered sufficient to cover claims determined based on the nature of our business, the risks involved in our operations and the advice of our insurance advisors.

The Company and its subsidiaries had the following main insurance policies taken out from third parties:

	Coverage	
	2019	**2018**
D&O civil liability	80,000	80,000
Civil liability	10,000	10,000
Property insurance (i)	130,406	130,406
Group life insurance	729,382	610,333

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

20 Management compensation

(a) Compensation

In accordance with Brazilian Corporation Law and the Company's bylaws, the shareholders shall establish the managers' overall annual compensation at the General Meeting. The Board of Directors shall distribute the amount among the directors. The Annual General Meetings held April 19, 2017 set the overall monthly compensation ceiling for Company Executives (Board of Directors, Audit Committee and Executive Board).

In the financial years ended December 31, 2019 and 2018, total compensation (salaries and profit sharing) paid to the Company's directors, officers and main executives amounted to R$ 22,592 and R$ 19,942, respectively. These amounts are within the limits established at the corresponding shareholders' meetings.

The Company and its subsidiaries do not award retirement benefits, severance benefits or other long-term benefits to Management and its employees, except for the stock option plan described in Note 20 (b).

(b) Stock option plan

The Extraordinary General Meeting held September 12, 2008 approved the Company Stock Option Plan ("Plan") aimed at executives, employees and service providers ("beneficiaries"). The Plan Management Committee administrates the plan, which was set up by the Board of Directors for this specific purpose at a meeting held July 01, 2008. The Committee shall periodically create share acquisition option programs and authorize the listing of option Beneficiaries (reviewed from time to time) and the specific rules applicable, always subject to the Plan's general rules ("Program").

The volume of share acquisition options is limited to 5% of the Company's share capital at the date each Program approved.

Eleven share acquisition option programs had been created by December 31, 2019, of which six programs do not contain an inventory of shares to be exercised (programs from 1 to 5 and 9), all other programs (6 to 8, 10 and 11) still contain an inventory of shares to be exercised, despite being closed.

For the programs described below, the Company uses the Binomial model to calculate the fair value of each option awarded.

Following the close of Program 6, the creation of Program 7 was approved on October 14, 2014, with the issuance price of the shares to be acquired of R$ 23.60 (twenty-three reais and sixty cents), grossed up for monetary restatement based on the variance of the IGP-M price index since October 14, 2014 until the date the option is effectively exercised.

Following the close of Program 7, the creation of Program 8 was approved on October 2, 2015, with the issuance price of the shares to be acquired of R$ 13.15 (thirteen reais and fifteen cents), grossed up for monetary restatement based on the variance of the IGP-M price index since October 2, 2015 until the date the option is effectively exercised.

Following the close of Program 8, the creation of Program 9 was approved on April 29, 2016, with the issuance price of the shares to be acquired of R$ 10.85 (ten reais and eighty-five cents), grossed up for monetary restatement based on the variance of the IGP-M price index since April 29, 2016 until the date the option is effectively exercised.

Following the close of Program 9, the creation of Program 10 was approved on July 19, 2016, with the issuance price of the shares to be acquired of R$ 15.12 (fifteen reais and twelve cents), grossed up for monetary restatement based on the variance of the IGP-M price index since July 19, 2016 until the date the option is effectively exercised.

Following the close of Program 10, the creation of Program 11 was approved on April 25, 2017, with the issuance price of the shares to be acquired of R$ 14.18 (fourteen reais and eighteen cents), grossed up for monetary restatement based on the variance of the IGP-M price index since April 25, 2017 until the date the option is effectively exercised.

In thousands of Reais, unless stated otherwise

On December 31, 2019 the number of accumulated awarded shares exercised in all programs was 13,208,276 shares (R$ 113,034), with (11,218,904 program shares closed and 1,989,372 program shares active), where the total shares granted less expired shares is 16,994,402 shares (R$ 158,257), with (12,042,223 shares of closed programs and 4,952,179 shares of active programs).

Options programs awarded with a balance of shares to be consumed:

Programs	Granted	Options Prescribed	Options Abandoned	Exercised	Balance of shares
6P	5,090,000	2,247,000	1,882,764	812,767	147,469
7P	889,000	379,200	331,174	97,526	81,100
8P	983,000	457,400	50,127	437,913	37,560
10P	1,105,779	520,000	42,000	394,000	149,779
11P	991,010	503,010	20,255	247,166	220,579
Grand Total	**9,058,789**	**4,106,610**	**2,326,320**	**1,989,372**	**636,487**

In thousands of Reais, unless stated otherwise

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

	Exercised shares
December 31, 2017	11,593,133
March 31, 2018	11,595,333
June 30, 2018	12,772,667
September 30, 2018	12,835,412
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

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

Program	End of grace period	Maturity Date	Options Awarded	Price of Underlying Asset (i)	Strike Price	Expected Annual Volatility	Distribution of Dividends	Risk-free interest rate	Estimated Life of Option (years)	Fair value	Amount Expired
11th Program Apr17	04/23/2018	04/23/2028	188,000	R$ 14.18	R$ 14.88	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	R$ 14.88	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	R$ 14.88	46.66%	0.00%	8.94%	0	7.41	117,500
11th Program Apr17	04/23/2021	04/23/2028	188,000	R$ 14.18	R$ 14.88	46.66%	0.00%	8.94%	0	7.86	117,500
11th Program Apr17	04/23/2022	04/23/2028	188,000	R$ 14.18	R$ 14.88	46.66%	0.00%	8.94%	0	8.26	117,500
11th Program Apr17 Cons.	04/23/2018	04/23/2028	25,505	R$ 14.18	R$ 14.13	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	R$ 14.13	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	R$ 14.55	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	R$ 14.55	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	R$ 14.55	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	R$ 14.55	59.18%	0.00%	12.50%	0	9.18	166,000
10th Program Jul16	04/15/2021	07/19/2026	208,000	R$ 15.12	R$ 14.55	59.18%	0.00%	12.50%	0	9.64	166,000
10th Program Jul16 Cons.	04/15/2017	07/19/2026	32,890	R$ 15.12	R$ 14.55	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	R$ 14.55	59.18%	0.00%	12.50%	0	7.89	0
8P Program	04/15/2016	04/15/2026	196,600	R$ 13.15	R$ 13.09	28.80%	0.00%	11.99%	0	5.45	2,000
8P Program	04/15/2017	04/15/2027	196,600	R$ 13.15	R$ 13.09	28.80%	0.00%	11.99%	0	6.42	56,800
8P Program	04/15/2018	04/15/2028	196,600	R$ 13.15	R$ 13.09	28.80%	0.00%	11.99%	0	7.2	81,200
8P Program	04/15/2019	04/15/2029	196,600	R$ 13.15	R$ 13.09	28.80%	0.00%	11.99%	0	7.88	150,200
8P Program	04/15/2020	04/15/2030	196,600	R$ 13.15	R$ 13.09	28.80%	0.00%	11.99%	0	8.47	167,200
7P Program Oct14	04/15/2015	04/15/2025	177,800	R$ 26.83	R$ 28.79	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	R$ 28.79	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	R$ 28.79	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	R$ 28.79	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	R$ 28.79	28.80%	0.00%	11.99%	0	12.24	135,800
6P Program Aug14	04/15/2015	04/15/2025	60,000	R$ 29.16	R$ 17.79	26.68%	0.00%	11.99%	0	14.48	0
6P Program Aug14	04/15/2016	04/15/2026	60,000	R$ 29.16	R$ 17.79	26.68%	0.00%	11.99%	0	15.1	28,000
6P Program Aug14	04/15/2017	04/15/2027	60,000	R$ 29.16	R$ 17.79	26.68%	0.00%	11.99%	0	15.74	28,000
6P Program Aug14	04/15/2018	04/15/2028	60,000	R$ 29.16	R$ 17.79	26.68%	0.00%	11.99%	0	16.38	28,000
6P Program Aug14	04/15/2019	04/15/2029	60,000	R$ 29.16	R$ 17.79	26.68%	0.00%	11.99%	0	16.98	44,000
6P Program Aug14 Cons.	04/15/2015	08/01/2024	50,000	R$ 29.16	R$ 18.29	28.80%	0.00%	11.99%	0	14.43	0
6P Program Aug14 Cons.	04/15/2016	08/01/2024	50,000	R$ 29.16	R$ 18.29	28.80%	0.00%	11.99%	0	15.02	0
6P Program Jul14	04/15/2015	04/15/2025	608,000	R$ 29.94	R$ 17.27	26.43%	0.00%	11.99%	0	15.13	0
6P Program Jul14	04/15/2016	04/15/2026	608,000	R$ 29.94	R$ 17.27	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	R$ 17.27	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	R$ 17.27	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	R$ 17.27	26.43%	0.00%	11.99%	0	17.65	608,000
6P Program Jul14 Cons.	04/15/2015	07/04/2024	162,500	R$ 29.94	R$ 18.29	28.80%	0.00%	11.99%	0	15.09	0
6P Program Jul14 Cons.	04/15/2016	07/04/2024	162,500	R$ 29.94	R$ 18.29	28.80%	0.00%	11.99%	0	15.69	0
6P Program Oct13	04/15/2014	04/15/2024	265,000	R$ 16.82	R$ 18.34	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	R$ 18.34	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	R$ 18.34	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	R$ 18.34	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	R$ 18.34	28.80%	0.00%	11.99%	0	7.43	104,000

(i) Market price on the respective grant dates.

Pursuant to technical pronouncement CPC 10 (R1), outstanding share-based payments at December 31, 2019 and 2018 were measured and recognized by the Company.

The Company recognizes quarterly the share options granted, as a capital reserve account with a corresponding entry in profit or loss, in general and administrative expenses in the item personnel and payroll charges. A reversal of R$ 961 was recognized in the financial year ended December 31, 2019 (provision of R$ 3,020 made in the financial year ended December 31, 2018). The provision as of December 31, 2019 is R$ 74,966 (R$ 75,927 as of December 31, 2018).

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

In thousands of Reais, unless stated otherwise

Statutory Executive Board

	2019		2018	
	Average strike price per share	**Options - thousands**	**Average strike price per share**	**Options - thousands**
January 01	13.81	300,000	13.62	1,418,324
Exercised	14.35	83,000	13.52	362,069
Abandoned	0.00	0.00	16.97	120,255
Prescribed	14.35	68,000	13.68	636,000
	13.88	149,000	13.81	300,000

Board of Directors

	2019		2018	
	Average strike price per share	**Options - thousands**	**Average strike price per share**	**Options - thousands**
January 01	10.13	65,779	10.20	415,779
Exercised	0.00	0.00	9.92	350,000
	10.13	65,779	10.13	65,779

(c) Performance Share Program

On October 18, 2018, the extraordinary 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 core activities of the Company and of the companies under its control; (b) encouraging better management of the Company and the companies under its control, awarding participants the possibility of being Company 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 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 30 (thirty) trading sessions prior to the date of each Program.

Each Program created by the Board of Directors will have a term of 5 (five) years, and the restricted shares granted will be divided into 5 (five) 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 each year, with the delivery of the respective restricted shares within a maximum of 30 days.

As regards the Restricted Share Option Plan, the provision for the program in the financial year ended December 31, 2019 is R$ 15,603 (R$ 4,658 as of December 31, 2018). The accumulated provision as of December 31, 2019 is R$ 14,429 (R$ 4,658 as of December 31, 2018). In the 2nd quarter we reversed R$ 1,808 of the provision for the payment of labor charges for tranche 1 of the shares vested on April 15, 2019.

At December 31, 2019 the number of shares granted and delivered was 242,613 shares, and the total shares granted amounted to 3,804,500 shares.

Programs	Granted	Additional shares dividends	Shares delivered	Unvested	Cancelled	Expired
1P	1,395,500	65,399	205,588	683,790	44,521	527,000
1P – Cons.	120,000	6,942		126,942		
1P – Esp.	300,000	17,355	37,025	275,041	5,289	
2P	879,000			850,000		29,000
2P – Esp.	100,000			100,000		
3P	630,000			630,000		
3P – Esp.	200,000			200,000		
4P	100,000			100,000		
5P	80,000			80,000		
Grand Total	**3,804,500**	**89,696**	**242,613**	**3,045,773**	**49,810**	**556,000**

21 Earnings per share

The table below provides data on earnings and the shares used in calculating basic and diluted earnings per share.

(a) Earnings per share - basic

	2019	2018
Numerator		
Net income for the year	646,140	644,873
Denominator (in thousands of shares)		
Weighted average number of free float	300,452	305,110
Net income per lot of a thousand shares - basic	2.15056	2.11358

(b) Earnings per share - diluted

	2019	2018
Numerator		
Net income for the year	646,140	644,873
Denominator (in thousands of shares)		
Weighted average number of free float	300,452	305,110
Potential increase in the number of shares as a result of the options plan	180	1,516
Adjusted weighted average number of free float shares	300,632	306,626
Net income per lot of a thousand shares - diluted	2.14927	2.10313

In thousands of Reais, unless stated otherwise

22 Net operating revenue

	Consolidated	
	2019	**2018**
Gross revenue – On campus	4,953,210	4,889,860
Gross revenue – Distance learning	1,231,745	894,308
	6,184,955	5,784,168
Deductions from gross revenue	(2,619,919)	(2,164,791)
Grants - scholarships	(2,419,850)	(1,878,949)
Refund of tuition and charges	(19,112)	(11,706)
Discounts awarded	(1,204)	(760)
Tax	(139,673)	(155,760)
Adjustment to present value - PAR	15,811	(25,431)
Adjustment to present value - DIS	1,482	(8,110)
FGEDUC	(42,989)	(59,786)
Other	(14,384)	(24,289)
	3,565,036	3,619,377

23 Costs of the services rendered

	Consolidated	
	2019	**2018**
Personnel and payroll charges	(1,069,029)	(1,160,341)
Electricity, water, gas and telephony	(41,588)	(41,307)
Rental, condominium fees and IPTU (i)	(39,311)	(243,583)
Postage and Mailbags	(1,826)	(1,720)
Depreciation and amortization (ii)	(262,923)	(97,120)
Teaching materials	(7,381)	(6,572)
Outsourced security and cleaning services	(54,965)	(56,432)
Other	(43,695)	(25,737)
	(1,520,718)	(1,632,812)

(i) In 2019, this item began to include basic amounts of IPTU, maintenance fees and certain rental amounts not included in the lease arrangements recorded upon the adoption of IFRS 16.

(ii) This item presents the effects of IFRS 16, as described in note 1.3.

Personnel and payroll expenses include contractual severance pay of approximately R$ 72,978 in 2019 (R$ 91,469 in 2018).

In thousands of Reais, unless stated otherwise

24 Selling, general and administrative expenses

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Sales expenses				
Allowance for possible loan losses (Note 4)			(308,135)	(333,699)
Advertising			(195,888)	(172,470)
Sales and marketing			(67,243)	(45,833)
Other			(373)	(1,044)
			(571,639)	(553,046)
General and administrative expenses				
Personnel and payroll charges	(5,452)	(4,874)	(177,398)	(173,170)
Outsourced services	(3,431)	(5,850)	(104,051)	(129,951)
Consumables			(2,119)	(2,033)
Maintenance and repairs	(165)	(71)	(48,525)	(38,140)
Depreciation and amortization	(54)	(13,092)	(98,026)	(98,265)
Educational arrangements	(1)		(17,312)	(16,875)
Travel and accommodation	(64)	(123)	(9,752)	(7,245)
Institutional events		(5)	(2,545)	(2,962)
Provision for contingencies (Note 16)	(162)	(110)	(66,324)	(103,222)
Photocopies and bookbinding			(4,485)	(3,733)
Insurance	(7,835)	(8,288)	(9,030)	(9,076)
Cleaning materials			(3,308)	(2,880)
Transportation	(1)	(3)	(4,627)	(5,179)
Car hire			(4,004)	(3,203)
Other	(258)	(373)	(35,559)	(18,364)
	(17,423)	(32,789)	(587,065)	(614,298)

25 Other operating income/expense

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Income from arrangements	953	272	953	439
Rental revenue			11,422	9,308
Capital gain (loss) on property, plant and equipment			(528)	(646)
Business intermediation			2,039	4,257
Provision for portfolio sale loss (i)				(55,486)
Provision for losses other revenue			(80)	(3,393)
Other operating revenue (expense)	423	(143)	598	(1,693)
	1,376	129	14,404	(47,214)

(i) The entire portfolio of students sold in prior years was written off, for which the Company does not expect to realize amounts.

In thousands of Reais, unless stated otherwise

26 Finance income

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Finance income				
Arrears fines and interest			30,220	32,243
Restatement of accounts receivable with FIES				8,419
Earnings on investments	12,085	6,557	46,718	37,909
Restatement of tax credits	1,143	2,026	10,073	5,930
Restatement of PAR			4,619	3,729
Restatement of DIS			4,995	3,248
Other			2,516	851
	13,228	8,583	99,141	92,329
Finance costs				
Bank expenses	(493)	(877)	(33,804)	(33,164)
Interest and financial charges	(46,111)	(32,201)	(79,951)	(64,800)
Restatement of the provision for contingencies (Note 16)	(18)	(6)	(10,084)	(31,564)
Financial discounts (i)			(111,817)	(62,450)
monetary variance liability			(2,151)	(5,499)
Loan expenses	(1,410)	(2,611)	(1,410)	(2,611)
Lease interest - Right of use (ii)			(93,401)	
Other	(706)	(954)	(8,613)	(11,068)
	(48,738)	(36,649)	(341,231)	(211,156)

(i) Denotes discounts granted upon renegotiation of overdue monthly tuition.

(ii) This item presents the effects of IFRS 16, as described in note 1.3.

27 Segment reporting

	Classroom-based		EAD		Estácio	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Revenues	4,953,210	4,889,843	1,231,745	894,325	6,184,955	5,784,168
(-) Deductions from gross revenue	(2,082,810)	(1,813,224)	(537,109)	(351,567)	(2,619,919)	(2,164,791)
Net operating revenue	2,870,400	3,076,619	694,636	542,758	3,565,036	3,619,377
Costs of the services rendered	(1,429,238)	(1,556,320)	(91,480)	(76,492)	(1,520,718)	(1,632,812)
Personnel	(1,021,836)	(1,109,145)	(47,193)	(51,196)	(1,069,029)	(1,160,341)
Rental, condominium fees and IPTU	(39,319)	(243,543)	8	(40)	(39,311)	(243,583)
Teaching materials	(8,883)	(6,505)	(324)	(67)	(9,207)	(6,572)
Outsourced services and other	(96,991)	(100,648)	(43,257)	(24,548)	(140,248)	(125,196)
Depreciation	(262,209)	(96,479)	(714)	(641)	(262,923)	(97,120)
Gross profit	1,441,162	1,520,299	603,156	466,266	2,044,318	1,986,565

In thousands of Reais, unless stated otherwise

28 Income and social contribution taxes

The reconciliation of taxes determined at the statutory rates and the amount of taxes recognized in the financial years ended December 31, 2019 and 2018 are shown below:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Profit before income and social contribution taxes	645,943	639,955	657,928	653,180
Combined nominal income and social contribution tax rate - %	34	34	34	34
Income and social contribution taxes calculated at the statutory rates	(219,621)	(217,585)	(223,696)	(222,081)
Equity in net income of subsidiaries and associated companies	237,150	238,232		
Non-deductible expenses (i)			(4,824)	(3,381)
Unrecorded tax loss	(17,332)	(16,176)	(20,227)	(21,009)
Other			3,135	1,541
	197	4,471	(245,612)	(244,930)
Tax benefits				
Tax incentives - PROUNI			227,908	229,107
Lei Rouanet tax incentive			5,689	6,200
Current income and social contribution taxes on net income for the year	197	4,471	(12,015)	(9,623)

(i) These primarily consist of expenses for sponsorships, donations and gifts.

	Parent Company		Consolidated	
	2019	2018	2019	2018
Current income and social contribution taxes			(50,030)	(58,153)
Deferred income and social contribution tax	197	4,471	38,015	48,530
Income tax and social contribution for prior periods			227	869
Deferred income and social contribution tax – PERT		447		447
	197	4,918	(11,788)	(8,307)

In thousands of Reais, unless stated otherwise

As of December 31, 2019 the Company has a deferred tax credit on temporary differences amounting to R$ 160,136 (R$ 131,390 as of December 31, 2018). The tax effect on temporary additions that originated the recording of the credit have been summarized below:

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Adjustment to present value			9,626	15,868
Provision for contingencies	104	98	40,261	43,152
Allowance for doubtful accounts			46,995	31,362
Monthly tuition fees to be invoiced / canceled			20,390	12,019
Provision for retirement			6,231	5,623
Goodwill			(14,526)	(6,772)
Provision for Fies risk			7,248	7,121
Awarded options recognized	191		36,268	31,126
Leases			13,499	(376)
Goodwill incorporated			(11,290)	(11,290)
Depreciation	13	13	4,540	2,663
Tax loss			894	894
	308	111	160,136	131,390
Assets	308	111	163,025	136,576
Liabilities			(2,889)	(5,186)
	308	111	160,136	131,390

The realization of the deferred tax effect on temporary differences recorded at December 31, 2019 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.

At December 31, 2019 the subsidiary IREP accounted for a deferred income tax and social contribution liabilities amounting to R$ 9,060 due to the tax amortization of goodwill generated upon acquisition of the companies merged into it.

At December 31, 2019 the Company had tax credits arising from income tax and social contribution losses amounting to R$ 140,988 (R$ 123,656 at December 31, 2018) that are not yet accounted for, because it is not possible to state at this time that their realization is considered probable.

29 Commitments

The table below presents the required and non-cancelable annual minimum future payments related to the contractual obligations undertaken by the Company at December 31, 2019 and 2018.

	Consolidated		
	Less than one year	**Between one and five years**	**Over five years**
Commitments in 2019			
Campus leases / rental agreements	208,371	708,406	408,864
Commitments in 2018			
Campus leases / rental agreements	215,493	612,592	433,988

30 Subsequent Events

Credit agreements (Op. 4131) were made on February 18 and 21, 2020 between the Company and Citibank for the total amount of USD 190,000, which establish the general terms and conditions for derivative operations used for the sole purpose of foreign exchange hedges on financial operations, registered at SISBACEN (RDE/ROF module), providing credits for future investments.

The Company and Banco Santander entered into a Bank Credit Note on March 3, 2020 for the total amount of R$ 500,000. This incurs interest at 100% (one hundred percent) of the accumulated variance of the average day rates of the DIs - One-day Interbank Deposits "over extra-group", stated as an annual percentage, to provide credits for future investments.

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ESTÁCIO PARTICIPAÇÕES S.A.

CNPJ 08.807432/0001-10
NIRE 33.3.0028205-0

LEGAL OPINION OF THE AUDIT AND FINANCE COMMITTEE

The undersigned members of the Audit and Finance Committee of **Estácio Participações S.A.**, in the exercise of their duties, as set forth by article 3, item "c" of the Internal Regulation of the Audit and Finance Committee, hereby issue a favorable opinion to the Board of Directors and recommend the approval of the Management Report, the Financial Statements and the Notes thereto, for the fiscal year 2019, with no disagreement between the Company's management, the independent auditors and the this committee.

São Paulo, March 10, 2020.

Osvaldo Burgos Schirmer
- Audit and Finance Committee Coordinator -

Brenno Raiko de Souza

Claudia Sender Ramirez

ESTÁCIO PARTICIPAÇÕES S.A.

CNPJ 08.807432/0001-10

NIRE 33.3.0028205-0

Legal Opinion of the Fiscal Council

The sitting members of the Company's Fiscal Council, in the exercise of their duties, pursuant to article 163 of Law 6,404/76 and, under the limit of their jurisdiction: (i) after verifying the Financial Statements for the fiscal year ended December 31, 2019, with the due clarifications provided by the Company's management and based on the expert report and opinion of the Auditors, issued a favorable expert opinion approving the Management accounts and the Financial Statements, which, together with the Management Report, are adequate and can be dully submitted to the assessment of the shareholders; and (ii) after examining and with the due explanations provided by the Company's Management, issued a favorable expert opinion on the Management proposal for the allocation of the income for the year ended December 31, 2019, including the payment of dividends and the capital budget, recommending the approval of the proposal by the Company's shareholders.

Rio de Janeiro, March 12, 2020.

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Emanuel Sotelino Schifferle

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Pedro Wagner Pereira Coelho

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Regina Longo Sanchez

ESTÁCIO PARTICIPAÇÕES S.A.
Publicly-held Company
Corporate Taxpayers' ID (CNPJ) nr. 08.807.432/0001-10
Corporate Registry (NIRE) nr. 33.300.282.050 | CVM Code nr. 02101-6

CAPITAL BUDGET PROPOSAL
FOR FISCAL YEAR 2020

In accordance with the provisions of article 196, Law 6,404, of December 15, 1976, and article 25, paragraph 1, item I of CVM Instruction 480, of December 7, 2009, as amended, the Management of **Estácio Participações S.A.** ("Estácio") hereby submits to the appreciation and approval of the Shareholders the present capital budget proposal for fiscal year 2020.

Considering the estimates made by the Management to continue the business growth in 2020, the Company will invest in infrastructure, technology, organic expansion and acquisitions.

To make these investments, in accordance with the Business Plan and the Annual Budget for 2020, the Company's Management proposes that, after legal adjustments set forth in the Brazilian Corporation Law, the amount of four hundred and sixty million, three hundred and seventy-four thousand, eight hundred and seventy-seven Reais and ninety-two centavos (R$460,374,877.92) from the net income of fiscal year 2019, shall be allocated to a profit reserve.

The amount allocated to the Profit Reserve will be used to fund part of the Company's Capital Budget for 2020, which shall total two billion, six hundred and twenty million Reais (R$2,620,000,000.00)

The table below presents the breakdown of funding sources forecast by the Company to meet investments:

Investments	R$
TOTAL	**2,620,000,000.00**

Sources	R$
Retained earnings from fiscal year 2019	460,374,877.92
Third-party funds	2,159,625,122.08
TOTAL	**2,620,000,000.00**

Rio de Janeiro, March 12, 2020

Estácio Participações S.A.
Management