

Quarterly Information - ITR

Estácio Participações S.A.

September 30, 2019
Independent Auditors' Report

Estácio Participações S.A.

Quarterly Information - ITR

September 30, 2019

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Independent auditor's review report on interim financial information

The Shareholders and Board of Directors

Estácio Participações S.A.

Rio de Janeiro - RJ

We have reviewed the interim financial information individual and consolidated of Estácio Participações S.A. ("Company" or "Estácio") contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2019, comprising the balance sheet at September 30, 2019, and the related statements of operations and statements of comprehensive income for the nine month periods then ended and changes in equity and cash flow statement for the nine-month period then ended, including the explanatory notes.

Management's responsibility for the interim financial information

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

Scope of review

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

Conclusion on the interim accounting information

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



Other matters

Statements of value added

We have also reviewed the statements of value added (SVA) individual and consolidated, for the nine-month period ended September 30, 2019, prepared under the responsibility of Company management, whose presentation in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and as supplementary information under International Financial Reporting Standards (IFRS), which do not require the presentation of the SVA. These statements were subject to the same review procedures previously described above and, based on our review, nothing has come to our attention that causes us to believe that it was not presented fairly, in all material respects, consistently with the overall interim financial information individual and consolidated.

Rio de Janeiro, November 11, 2019.

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

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

Estácio Participações S.A.

Statements of financial position

September 30, 2019

(In thousands of reais, unless stated otherwise)

	Parent Company		Consolidated	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Assets				
Current				
Cash and cash equivalents (Note 3)	99	146	10,071	13,686
Marketable securities (note 3)	221,999	239,672	855,699	804,360
Account receivable (Note 4)	-	-	714,601	571,854
Related parties (Note 5)	13	478	-	-
Prepaid expenses (Note 6)	404	-	9,299	6,034
Dividends receivable	40,000	310,000	-	-
Recoverable taxes (Note 7)	2,948	2,145	57,164	135,810
Other	-	-	17,705	18,883
	265,463	552,441	1,664,539	1,550,627
Non-current				
Long-term				
Account receivable (Note 4)	-	-	262,597	139,198
Prepaid expenses (Note 6)	-	-	4,705	5,519
Judicial deposits (Note 16)	194	-	79,275	81,702
Deferred taxes (Note 27)	234	111	178,070	136,576
Recoverable taxes (Note 7)	36,567	41,210	192,831	102,247
Other	-	-	11,899	11,441
	36,995	41,321	729,377	476,683
Investments				
In subsidiaries (Note 8)	2,799,455	2,151,500	-	-
Other	-	-	231	228
Intangible assets (Note 9)	780,150	780,189	1,447,939	1,413,820
Property, Plant and Equipment (Note 10)	12	15	1,898,179	661,105
	3,579,617	2,931,704	3,346,349	2,075,153
	3,616,612	2,973,025	4,075,726	2,551,836
Total assets	3,882,075	3,525,466	5,740,265	4,102,463

	Parent Company		Consolidated	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Liabilities and equity				
Current				
Trade payables	1,957	2,133	140,676	105,812
Loans and financing (Note 11)	66,981	773,709	252,634	795,789
Payroll and related charges (Note 12)	574	330	215,455	133,654
Tax liabilities (Note 13)	207	186	34,835	35,588
Prepaid monthly tuitions fees	-	-	22,794	17,176
Tax financing (Note 14)	-	-	2,774	3,563
Related parties (Note 5)	51	-	-	-
Dividends payable	8	153,168	8	153,168
Acquisition price payable (Note 15)	-	-	3,320	34,488
Other	2,743	1,127	10,679	9,862
	72,521	930,653	683,175	1,289,100
Non-current				
Noncurrent liabilities				
Loans and financing (Note 11)	601,588	3,086	1,647,655	21,426
Contingencies (Note 16)	298	288	126,534	126,917
Tax financing (Note 14)	-	-	5,791	6,678
Deferred taxes (Note 27)	-	-	2,902	5,186
Provision for asset retirement	-	-	30,135	26,951
Acquisition price payable (Note 15)	-	-	15,172	13,852
Other	15,630	30	36,863	20,944
	617,516	3,404	1,865,052	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	668,611	668,370	668,611	668,370
Revenue reserves	1,016,645	1,016,645	1,016,645	1,016,645
Treasury shares	(194,334)	(206,641)	(194,334)	(206,641)
Profit or loss for the period	588,081	-	588,081	-
	3,192,038	2,591,409	3,192,038	2,591,409
Total liabilities and equity	3,882,075	3,525,466	5,740,265	4,102,463

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of income

Nine-month periods ended September 30

(In thousands of reais, unless stated otherwise)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Continuing operations				
Net operating revenue (Note 21)	-	-	2,722,992	2,752,355
Costs of services (Note 22)	-	-	(1,127,367)	(1,176,612)
Gross profit	-	-	1,595,625	1,575,743
Operating revenue (expenses)	-	-	-	-
Selling expenses (Note 23)	-	-	(436,788)	(395,685)
General and administrative expenses (Note 23)	(13,269)	(24,113)	(425,871)	(437,860)
Equity income (Note 8)	628,928	673,450	-	-
Other operating income/expenses (Note 24)	968	166	10,254	(7,323)
Operating income	616,627	649,503	743,220	734,875
Financial revenue (Note 25)	10,920	5,489	78,869	73,139
Financial expense (Note 25)	(39,590)	(29,781)	(224,759)	(167,936)
Net finance income	(28,670)	(24,292)	(145,890)	(94,797)
Profit before income and social contribution taxes	587,957	625,211	597,330	640,078
Current and deferred income tax (Note 27)	91	2,471	(5,611)	(7,584)
Current and deferred social contribution (Note 27)	33	890	(3,638)	(3,922)
Net income in the period attributable to shareholders	588,081	628,572	588,081	628,572
Basic earnings per thousand shares (Note 20)	1.95776	2.04883	1.95776	2.04883
Diluted earnings per thousand shares (Note 20)	1.95776	2.04883	1.95776	2.04883

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of comprehensive income
Nine-month periods ended September 30
(In thousands of reais, unless stated otherwise)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Net income for the period	588,081	628,572	588,081	628,572
OCI	-	-	-	-
Total comprehensive income for the period, net of taxes	588,081	628,572	588,081	628,572
Attributable to:				
Owners of the Company				
Noncontrolling shareholders	588,081	628,572	588,081	628,572

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of changes in equity
 Nine-month periods ended September 30
 (In thousands of reais, unless stated otherwise)

	Share Capital	Stock Issuance Expenses	Long-term incentives	Capital reserves			Revenue reserves			Profit or losses for the period	Total
				Goodwill on share subscription	Negative goodwill on share disposal	Options granted	Legal	Profit retention	Treasury Shares		
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
Options Granted (Note 20)	-	-	-	-	-	2,875	-	-	-	-	2,875
Discount on the sale of treasury shares (Note 17.d.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
Net income for the period	-	-	-	-	-	-	-	-	-	628,572	628,572
Adoption of New Practices IFRS 09 (Note 1.3)	-	-	-	-	-	-	-	(51,286)	-	-	(51,286)
Capital Increase (Note 17.a)	8,946	-	-	-	-	-	-	(8,946)	-	-	-
At September 30, 2018	1,139,764	(26,852)	304	595,464	(7,983)	75,782	114,429	810,500	(206,641)	628,572	3,123,339
Stock options exercised	123	-	-	-	-	-	-	-	-	-	123
Options Granted (Note 20)	-	-	-	-	-	145	-	-	-	-	145
Restricted Share Option Plan (Note 20)	-	-	-	-	-	4,658	-	-	-	-	4,658
Interim Dividends (R\$1.33 per share)	-	-	-	-	-	-	-	(400,000)	-	-	(400,000)
Net income for the period	-	-	-	-	-	-	-	-	-	16,301	16,301
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 19)	-	-	(304)	-	-	(1,117)	-	-	-	-	(1,421)
Restricted Share Option Plan (Note 19)	-	-	-	-	-	10,274	-	-	-	-	10,274
Discount on the sale of treasury shares (Note 17.d.3)	-	-	-	-	(2,779)	-	-	-	2,779	-	-
Payment of Stock options (Note 19)	-	-	-	-	-	-	-	-	5,503	-	5,503
Payment Restricted Share Grant (Note 19)	-	-	-	-	-	(5,833)	-	-	4,025	-	(1,808)
Net income for the period	-	-	-	-	-	-	-	-	-	588,081	588,081
At September 30, 2019	1,139,887	(26,852)	-	595,464	(10,762)	83,909	146,673	869,972	(194,334)	588,081	3,192,038

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of cash flows

Nine-month periods ended September 30

(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	587,957	625,211	597,330	640,079
Adjustments to reconcile net income to operating cash:				
Depreciation and amortization	42	9,818	285,548	143,913
Amortization of funding costs	701	2,164	701	2,164
Allowance for doubtful accounts	-	-	225,686	219,546
Provision for loss - Other accounts receivable	-	-	230	14,721
Options granted - stock options provision	352	-	9,923	2,875
Provision for contingencies	172	117	61,632	92,585
Interest on loans and financing	37,278	26,121	82,827	24,368
Restatement of asset retirement obligation	-	-	3,420	2,726
Restatement of commitments payable	-	-	1,254	2,965
Loss on derecognition of PP&E and intangible assets	-	-	1,598	1,676
Equity in net income of subsidiaries	(628,928)	(673,450)	-	-
Restatement of accounts receivable - FIES	-	-	-	(8,419)
Adjustment to present value - accounts receivable	-	-	(8,311)	51,413
Restatement of tax credits	(924)	(1,548)	(8,198)	(2,794)
Other	(600)	-	(1,323)	374
	(3,950)	(11,567)	1,252,317	1,188,192
Changes in assets and liabilities:				
(Increase) in accounts receivable	-	-	(483,521)	(187,259)
(Increase) decrease in prepaid expenses	(404)	25	(2,452)	(1,326)
(Increase) decrease in recoverable taxes and contributions	4,763	(39)	(3,741)	(41,205)
(Increase) in Judicial deposits	(194)	185	2,427	5,292
(Increase) decrease in other assets	466	15,598	1,164	(2,693)
Increase (Decrease) in trade payables	(175)	(223)	34,864	42,060
Increase in payroll and related charges	16	14	79,228	73,856
(Decrease) in tax obligations	21	4	(7,759)	(49,801)
(Decrease) in prepaid monthly tuitions fees	-	-	5,619	8,292
(Decrease) in tax financing	-	-	(1,932)	(3,963)
(Decrease) in Labor/civil convictions	(162)	-	(62,015)	(55,378)
(Decrease) Provision for asset retirement obligations	-	-	(235)	(138)
Increase in other liabilities	17,869	745	17,336	(906)
	18,250	4,742	831,300	975,023
Interest paid on loans and financing	(34,023)	(14,967)	(34,108)	(14,806)
Corporate Income Tax (IRPJ) and Social Contribution on Net income (CSLL) paid	-	-	(46,021)	(65,232)
Net cash provided by (used in) operating activities.	(15,773)	(10,225)	751,171	894,985

Estácio Participações S.A.

Statements of cash flows (Continued)
 Nine-month periods ended September 30
 (In thousands of reais, unless stated otherwise)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Cash flows produced by investment activities:				
Acquisition of property, plant and equipment	-	-	(131,252)	(78,195)
Acquisition of intangible assets	-	-	(100,362)	(49,760)
Dividends Received	270,000	720,957	-	-
Advance for future capital increase	(12,107)	(16,295)	-	-
Acquisition price payable	-	-	(31,102)	(35,007)
Net cash produced by (used in) investment activities.	257,893	704,662	(262,716)	(162,962)
Cash flows from financing activities:				
Acquisition of treasury shares	-	(249,937)	-	(249,937)
Use of treasury shares resulting from the exercise of stock options	5,503	15,858	5,503	15,858
Dividends paid	(153,160)	(100,841)	(153,160)	(100,841)
New loans and financing	-	-	-	6,372
Amount received under debentures issuance	600,000	-	600,000	-
Cost of loans and financing	(1,742)	151	(1,742)	151
Amortization of loans and financings	(710,441)	(140,882)	(891,332)	(157,478)
Net cash used in financing activities	(259,840)	(475,651)	(440,731)	(485,875)
Increase in cash and cash equivalents	(17,720)	218,786	47,724	246,148
Cash and cash equivalents at beginning of period	239,818	46,061	818,046	524,446
Cash and cash equivalents at end of period	222,098	264,847	865,770	770,594
Change in cash and cash equivalents	(17,720)	218,786	47,724	246,148

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of added value
 Nine-month periods ended September 30
 (In thousands of reais, unless stated otherwise)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Revenue				
Educational services	-	-	2,827,576	2,866,408
Other income	-	-	2,786	5,505
Allowance for doubtful accounts	-	-	(225,686)	(219,546)
	-	-	2,604,676	2,652,367
Inputs purchased from third parties				
Materials, energy and outsourced services	(9,000)	(10,334)	(486,762)	(449,696)
Contingencies	(162)	(110)	(53,444)	(70,220)
	(9,162)	(10,444)	(540,206)	(519,916)
Gross value added	(9,162)	(10,444)	2,064,470	2,132,451
Depreciation and amortization	(42)	(9,818)	(285,548)	(143,913)
Net value added	(9,204)	(20,262)	1,778,922	1,988,538
Transferred added value				
Share of profit (loss) of equity-accounted investees	628,928	673,450	-	-
Financial revenue	10,920	5,489	78,869	73,139
Other	(200)	(2,122)	11,702	6,250
	639,648	676,817	90,571	79,389
Total value added to distribute	630,444	656,555	1,869,493	2,067,927
Distribution of value added				
Employment compensation				
Direct compensation	3,414	3,079	674,819	710,495
Benefits	-	-	35,464	35,854
Government Severance Indemnity Fund for Employees (FGTS)	-	-	48,357	49,152
	3,414	3,079	758,640	795,501
Taxes, charges and contributions				
Federal	1,134	(2,306)	172,522	192,061
Municipal	-	-	113,476	117,031
	1,134	(2,306)	285,998	309,092
Return on debt capital				
Interest	37,815	27,210	219,825	162,218
Rent	-	-	16,949	172,544
	37,815	27,210	236,774	334,762
Interest earning				
Dividends				
Retained earnings	588,081	628,572	588,081	628,572
	588,081	628,572	588,081	628,572
Added value distributed	630,444	656,555	1,869,493	2,067,927

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Management notes to the interim accounting information

September 30, 2019

(In thousands of reais, unless stated otherwise)

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-two companies, including Estácio Participações, nineteen of which are sponsors of college institutions, incorporated as limited-liability companies, including a University, eleven University Centers and fifty-five colleges, 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, which will now be called YDUQS.

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

For the time being 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 will now 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 will also now be traded under the symbol "YDUQY" instead of "ECPCY".

The Company's Board of Directors approved the disclosure of these interim financial statements at a meeting held November 11, 2019.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

1. General information (Continued)

1.2. Basis of preparation

The individual and consolidated quarterly information has 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.

1.3. Accounting policies

In the quarterly information, the accounting practices are being presented consistently with the accounting practices adopted in the individual and consolidated financial statements for the financial year ended December 31, 2018, except for the adoption of IFRS 16/CPC 06 (R2) on January 01, 2019, as mentioned in the paragraph below. This quarterly information should therefore be read in conjunction with the information disclosed in the financial statements for the financial year ended December 31, 2018.

1.4. Changes in accounting policies and disclosures

New standards effective from 2019

IFRS 16/CPC 06 (R2) - "Leases": the new standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may not fall within the scope of this new standard. The criteria for the recognition and measurement of leases in lessors' financial statements remain substantially unchanged. 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.

The Company has a significant amount of lease contracts in which it appears as lessee, part of which are currently recognized as operating leases, with payments recorded on a straight-line basis over the term of the contract according to its accrual period.

The Company completed a study into the impacts of this new standard on its financial statements, which includes: (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.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

1. General information (Continued)

1.4. Changes in accounting policies and disclosures (Continued)

New standards effective from 2019 (Continued)

IFRS 16/CPC 06 (R2) - "Leases" (Continued)

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

The adoption triggered a net increase of R\$1,183,637 in the item "buildings" due to the usage right over rented properties and respective lease liability. 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 IFRS 16

	30 September 2019	Effects of adopting IFRS 16	30 September 2019 (exc. IFRS 16)
Assets			
Property, plant and equipment	1,898,179	(1,183,637)	714,542
Liabilities			
Current			
Loans and financing	(252,634)	167,865	(84,769)
Noncurrent liabilities			
Loans and financing	(1,647,655)	1,035,015	(612,640)
Statement of income			
Depreciation cost/expense	(285,548)	139,203	(146,345)
Rent cost/expense	152	(163,407)	(163,255)
Finance expense	(224,759)	43,447	(181,312)

There are no other IFRS standards or IFRIC interpretations that have not yet come into force which could have a significant impact on the Group's financial statements.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

2. Notes omitted

The quarterly information is being presented in accordance with CPC 21 (R1), IAS 34 and the standards issued by the CVM. Based on this option and management's assessment of the material impacts on the information to be disclosed, the notes below are not being presented. The others are being presented in order to permit a complete comprehension of the quarterly information if read in conjunction with the notes to the financial statements as of December 31, 2018.

Notes omitted:

- Significant accounting policies.
- Critical accounting estimates and judgments.
- Assumptions for calculating the fair value of the stock option purchase plan and non-financial asset impairment already disclosed in the notes to the financial statements as of December 31, 2018.
- Insurance coverage.
- Further information.

3. Cash and cash equivalents and securities

	Parent Company		Consolidated	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Cash and bank deposits	99	146	10,071	13,686
Cash and cash equivalents	99	146	10,071	13,686
Federal Government Bonds (Exclusive funds)	177,045	195,159	658,623	636,380
Financial Bills (Exclusive funds)	43,109	30,809	160,369	100,463
CDB	-	8,640	28,583	49,630
CDB (Exclusive funds)	1,811	38	6,737	125
Repos (Exclusive funds)	-	4,996	-	16,290
Government Bonds (Exclusive funds)	34	30	1,357	1,457
Capitalization bond	-	-	30	15
Marketable securities	221,999	239,672	855,699	804,360

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

3. Cash and cash equivalents and securities (Continued)

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 September 30, 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 September 30, 2019 and December 31, 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 September 30, 2019 was 98.96% of the CDI rate with an average yield in 2019 of 99.16% 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 98.23% at September 30, 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.

4. Accounts receivable

	Consolidated	
	30 September 2019	31 December 2018
Monthly tuition fees received from students	1,070,252	846,528
FIES (a)	219,621	153,786
Exchange deals	27,377	23,283
Credit cards receivable (b)	118,862	73,769
Renegotiated receivables	82,986	72,689
	1,519,098	1,170,055
Allowance for doubtful accounts	(497,294)	(402,646)
Unidentified amounts	(8,181)	(11,338)
(-) Adjustment to present value (c)	(36,425)	(45,019)
	977,198	711,052
Current assets	714,601	571,854
Noncurrent assets	262,597	139,198
	977,198	711,052

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

4. Accounts receivable (Continued)

The balance of noncurrent receivables as of September 30, 2019 is related to PAR (Estácio Installment Payment Program) and DIS (Dilution of monthly tuition fees). See the aging list below:

	Consolidated	
	30	31
	September	December
	2019	2018
2019	-	3,597
2020	37,248	12,656
2021	108,952	42,997
2022	146,405	146,255
2023 to 2024	133,093	63,869
(-) Adjustment to present value (c)	(36,425)	(45,019)
(-) Allowance for doubtful accounts	(126,676)	(85,157)
Noncurrent assets	262,597	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 until 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%.
- (b) A substantial part of credit card receivables consists of monthly tuition fees and late fees be negotiated.
- (c) At September 30, 2019 the adjustment to present value amounts to R\$36,425 (R\$25,345 related to PAR and R\$11,080 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).

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

4. Accounts receivable (Continued)

An aging list of receivables follows:

	Consolidated			
	30 September 2019	%	31 December 2018	%
FIES	219,621	15	153,786	13
Neither past due nor impaired	760,349	50	482,732	41
Up to 30 days overdue	109,899	7	99,612	9
31 to 60 days overdue	42,442	3	97,046	8
61 to 90 days overdue	15,944	1	82,811	7
91 to 179 days overdue	154,167	10	87,127	8
More than 180 days overdue	216,676	14	166,941	14
	1,519,098	100	1,170,055	100

An aging list of receivables follows:

	Consolidated			
	30 September 2019	%	31 December 2018	%
Neither past due nor impaired	39,368	47	26,996	37
Up to 30 days overdue	6,814	8	6,662	9
31 to 60 days overdue	4,188	6	5,440	8
61 to 90 days overdue	3,217	4	4,927	7
91 to 179 days overdue	9,931	12	8,231	11
More than 180 days overdue	19,468	23	20,433	28
	82,986	100	72,689	100

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

Balance at December 31, 2017	205,062
Additions	219,013
Adoption of the new practices entered into equity (Note 1.4)	77,705
Write-off of bills and checks overdue for more than 360 days	(155,192)
Balance at September 30, 2018	346,588
Additions	114,153
Write-off of bills and checks overdue for more than 360 days	(58,095)
Balance at December 31, 2018	402,646
Additions	227,918
Write-off of bills and checks overdue for more than 360 days	(133,270)
Balance at September 30, 2019	497,294

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

4. Accounts receivable (Continued)

For the periods ended September 30, 2019 and 2018, expenses on the allowance for doubtful accounts, recognized in profit or loss as selling expenses (Note 23), were as follows:

	Consolidated	
	2019	2018
Net effect of the allowance for doubtful accounts on profit or loss	227,918	219,013
Write-off/(reversal) of bills overdue for more than 360 days	(2,232)	167
Other	-	366
	225,686	219,546

5. Related parties

The main balances as of September 30, 2019 and December 31, 2018, as well as the transactions that influenced the income for the quarter, related to related parties derive from transactions between the Company and its and its subsidiaries. Related parties 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	
	30 September 2019	31 December 2018
Current assets		
Current account		
Seses	4	14
Irep	1	6
São Luís		447
Estácio Ribeirão Preto	1	2
Estácio Editora	6	-
Other	1	9
Subsidiaries	13	478

	Parent Company	
	30 September 2019	31 December 2018
Current liabilities		
Current account		
Seses	51	-
Subsidiaries	51	-

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

6. Prepaid expenses

	Consolidated	
	30 September 2019	31 December 2018
Insurance	3,206	2,944
IPTU	3,554	-
Teaching materials (i)	356	1,013
Advance of vacations and charges	2,158	2,670
Registration fee - Ministry of Education (MEC)	1,547	2,005
Technical-pedagogical cooperation - Santa Casa	2,007	2,260
Other prepaid expenses	1,176	661
	14,004	11,553
Current assets	9,299	6,034
Noncurrent assets	4,705	5,519
	14,004	11,553

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

7. Recoverable taxes

	Parent Company		Consolidated	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Withholding Income Tax - IRRF	1,773	1,402	9,701	10,302
IRPJ/CSLL Prepayments (i)	-	-	2,109	76,907
Recoverable IRPJ and CSLL (ii)	37,742	41,950	154,720	75,257
PIS (iii)	-	-	2,199	3,129
COFINS (iii)	-	-	7,931	12,605
ISS	-	3	58,100	52,625
INSS	-	-	14,678	6,675
Other	-	-	557	557
	39,515	43,355	249,995	238,057
Current assets	2,948	2,145	57,164	135,810
Noncurrent assets	36,567	41,210	192,831	102,247
	39,515	43,355	249,995	238,057

- (i) The amount presented in this line refers to the IRPJ/CSLL prepayments made in the current year. In May 2018, PROUNIS 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 income and social contribution taxes.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

7. Recoverable taxes (Continued)

- (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.
- (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.

8. Investments in subsidiaries

a) Parent company Estácio Participações S.A.

	September 30, 2019		December 31, 2018	
	Investment	Investment devaluation	Investment	Investment devaluation
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")	1,444,986	-	1,038,451	-
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")	1,215,283	-	1,040,045	-
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")	3,219	-	2,860	-
Estácio Editora e Distribuidora Ltda. ("Editora")	-	(30)	-	(30)
Sociedade de Ensino Superior Estácio Ribeirão Preto Ltda. ("Estácio Ribeirão Preto")	135,967	-	70,144	-
	2,799,455	(30)	2,151,500	(30)

The information about the subsidiaries can be seen below:

September 30, 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 period	
SESES	100%	610,677	2,424,670	979,684	1,444,986	-	-	1,444,986	399,918
IREP	100%	515,080	1,687,365	534,524	1,152,841	62,442	-	1,215,283	163,741
NACP	100%	15,899	3,756	537	3,219	-	-	3,219	(555)
Editora (i)	100%	251	31	66	(35)	5	-	(30)	-
Estácio Ribeirão Preto	100%	23,837	229,424	91,227	138,197	-	(2,230)	135,967	65,824
			4,345,246	1,606,038	2,739,208	62,447	(2,230)	2,799,425	628,928

December 31, 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.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

8. Investments in subsidiaries (Continued)

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

The table below shows the overall changes in the investments in subsidiaries in the period ended September 30, 2019 and the financial year ended December 31, 2018:

Investments in subsidiaries at December 31, 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 granted	7,678
Adoption of new practices IFRS 09	(51,286)
Investments in subsidiaries at December 31, 2018	<u>2,151,500</u>
Equity in net income of subsidiaries	628,928
Advance for future capital increase	12,107
Options granted	(1,421)
Restricted share options plan	8,341
Investments in subsidiaries at September 30, 2019	<u>2,799,455</u>

The accounting information of the subsidiaries used to apply the equity accounting method was valid as of September 30, 2019.

See below information about the direct subsidiaries' investments:

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

	September 30, 2019	December 31, 2018
Sociedade Educacional Atual da Amazônia ("ATUAL")	634,906	538,914
ANEC - Sociedade Natalense de Educação e Cultura ("FAL")	9,811	11,859
Sociedade Universitária de Excelência Educacional do Rio Grande do Norte ("FATERN")	29,348	28,747
	<u>674,065</u>	<u>579,520</u>

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

8. Investments in subsidiaries (Continued)

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

Information about IREP's subsidiaries can be seen below:

September 30, 2019							
	Interest	Number of shares	Total assets	Total liabilities	Equity	Goodwill	Net income (loss) for the period
ATUAL	100%	41,927	695,777	76,374	619,403	15,503	69,989
FAL	100%	20,031	13,519	11,784	1,735	8,076	(2,047)
FATERN	100%	9,160	19,233	4,864	14,369	14,979	601
			728,529	93,022	635,507	38,558	68,543
December 31, 2018							
	Interest	Number of shares	Total assets	Total liabilities	Equity	Goodwill	Net income (loss) for the year
ATUAL	100%	40,512	705,689	182,278	523,411	15,503	77,259
FAL	100%	20,031	10,770	6,987	3,783	8,076	(2,798)
FATERN	100%	9,160	17,479	3,711	13,768	14,979	(1,772)
			733,938	192,976	540,962	38,558	72,689

The table below shows the overall changes in the investments of the direct subsidiary IREP in its subsidiaries in the period ended September 30, 2019 and the financial year ended December 31, 2018:

Investments in subsidiaries at December 31, 2017	548,047
Equity in net income of subsidiaries	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 at December 31, 2018	579,520
Equity in net income of subsidiaries	68,543
Advance for future capital increase	25,842
Options granted	160
Investments in subsidiaries at September 30, 2019	674,065

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

8. Investments in subsidiaries (Continued)

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

	30 September 2019	31 December 2018
Sociedade Educacional da Amazônia ("SEAMA")	60,692	43,576
Idez Empreendimentos Educacionais Sociedade Simples Ltda. ("IDEZ")	2,507	3,147
Sociedade Educacional do Rio Grande do Sul S/S Ltda. ("FARGS")	19,987	18,182
Uniuol Gestão de Empreendimentos Educacionais e Participações S.A. ("UNIUOL")	1,374	1,653
Unisãoluis Educacional S.A ("SÃO LUIS")	96,820	79,506
Instituto de Ensino Superior Social e Tecnológico Ltda. ("FACITEC")	53,569	47,292
Associação de Ensino de Santa Catarina ("ASSESC")	6,407	7,049
Centro de Assistência ao Desenvolvimento de formação Profissional Unicel Ltda. ("Estácio Amazonas")	52,516	48,741
Instituto de Estudos Superiores da Amazônia ("IESAM")	102,917	90,427
Centro de Ensino Unificado de Teresina ("CEUT")	53,739	47,390
Faculdade Nossa Cidade ("FNC")	97,611	95,322
Faculdades Integradas de Castanhal Ltda. ("FCAT")	41,009	36,999
Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant'Ana Ltda. ("FUFS")	14,510	16,441
	603,658	535,725

Information about ATUAL's subsidiaries can be seen below:

September 30, 2019								
	Interest of shares	Number	Total assets	Total liabilities	Equity	Goodwill	Students portfolio	Net income (loss) for the period
SEAMA	100%	4,407	62,824	20,167	42,657	18,035	-	17,118
IDEZ	100%	7,447	4,804	4,344	460	2,047	-	(1,041)
FARGS	100%	8,606	18,197	6,265	11,932	8,055	-	1,806
UNIUOL	100%	9,778	1,168	750	418	956	-	(778)
SÃO LUIS	100%	3,795	97,126	27,674	69,452	27,368	-	17,314
FACITEC	100%	6,051	101,885	74,970	26,915	26,654	-	6,277
ASSESC	100%	2,416	14,539	12,855	1,684	4,723	-	(842)
Estácio Amazonas	100%	48,796	61,145	34,843	26,302	26,214	-	3,695
IESAM	100%	14,980	74,452	10,538	63,914	26,797	12,206	13,095
CEUT	100%	16,938	48,843	22,821	26,022	27,568	149	6,938
FNC	100%	22,328	57,451	34,338	23,113	72,046	2,452	3,759
FCAT	100%	12,191	49,445	29,725	19,720	20,121	1,168	4,760
FUFS	100%	13,593	13,995	5,936	8,059	6,255	196	(1,676)
			605,874	285,226	320,648	266,839	16,171	70,425

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

8. Investments in subsidiaries (Continued)

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

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

The table below shows the overall changes in the investments of the direct subsidiary ATUAL in its direct subsidiaries in the period ended September 30, 2019 and the financial year ended December 31, 2018:

Investments in subsidiaries at December 31, 2017	523,352
Equity in net income of subsidiaries	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 at December 31, 2018	535,725
Equity in net income of subsidiaries	70,425
Advance for future capital increase	1,100
Amortization of goodwill	(3,752)
Options granted	160
Investments in subsidiaries at September 30, 2019	603,658

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

9. Intangible assets

a) Intangible assets - Parent company

	31 December 2018	30 September 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			
Software licenses	20% p.a.	(91)	(8)
The Integration Project	20% p.a.	(97)	(31)
Goodwill	20 to 33% p.a.	(79,703)	-
		(79,891)	(39)
Net residual balance		780,189	(39)
			780,150

	31 December 2017	30 September 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			
Software licenses	20% p.a.	(77)	(10)
The Integration Project	20% p.a.	(54)	(32)
Goodwill	20 to 33% p.a.	(66,669)	(9,776)
		(66,800)	(9,818)
Net residual balance		793,280	(9,818)
			783,462

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

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

9. Intangible assets (Continued)

b) Intangible assets - Consolidated

		December 31, 2018	September 30, 2019		
		Cost	Additions	Write-offs	Transf. Cost
Cost					
Goodwill on acquisitions of investments		1,181,481	-	-	- 1,181,481
Software licenses		334,996	66,315	(299)	(742) 400,270
EAD and Integração		18,298	38	-	23 18,359
Learning Center		86,910	11,766	-	- 98,676
IT Architecture		21,664	-	-	- 21,664
Online class material		8,043	-	-	- 8,043
Knowledge Factory - EAD		39,304	3,971	-	- 43,275
Questions database		11,636	1,018	-	- 12,654
Students portfolio		173,503	-	-	- 173,503
Other		34,231	17,254	(122)	719 52,082
		1,910,066	100,362	(421)	- 2,010,007
Amortization					
	Amortization rates	Amortization	Additions	Write-offs	Transf. Amortization
Amortization					
Goodwill on acquisitions of investments	Indefinite	(6,924)	-	-	- (6,924)
Software licenses	20% p.a.	(236,368)	(40,296)	1	- (276,663)
EAD and Integração	20% p.a.	(17,216)	(544)	-	- (17,760)
Learning Center	10% p.a.	(31,018)	(9,097)	-	- (40,115)
IT Architecture	17 to 20% p.a.	(12,375)	(2,884)	-	- (15,259)
Online class material	20% p.a.	(7,007)	(339)	-	- (7,346)
Knowledge Factory - EAD	10% p.a.	(8,784)	(3,535)	-	- (12,319)
Questions database	20% p.a.	(5,624)	(1,768)	-	- (7,392)
Students portfolio	20 to 50% p.a.	(153,580)	(3,752)	-	- (157,332)
Other	20% p.a.	(17,350)	(3,608)	-	- (20,958)
		(496,246)	(65,823)	1	- (562,068)
Net residual balance		1,413,820	34,539	(420)	- 1,447,939

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

9. Intangible assets (Continued)

b) Intangible assets - Consolidated (Continued)

		December 31 2017	September 30, 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	35,346	(736)	(17)	(755)	306,232	
	EAD and Integração	18,298	-	-	-	-	18,298	
	Learning Center	76,677	5,202	-	-	-	81,879	
	IT Architecture	21,664	-	-	-	-	21,664	
	Online class material	7,821	222	-	-	-	8,043	
	Knowledge Factory - EAD	33,868	4,752	-	-	-	38,620	
	Questions database	10,703	722	-	-	-	11,425	
	Students portfolio	173,503	-	-	-	-	173,503	
	Other	27,394	3,516	(413)	16	-	30,513	
		1,823,803	49,760	(1,149)	(1)	(755)	1,871,658	
		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)	(32,683)	730	1	828	(223,870)
	EAD and Integração	20% p.a.	(16,408)	(606)	-	-	-	(17,014)
	Learning Center	10% p.a.	(19,912)	(8,329)	-	-	-	(28,241)
	IT Architecture	17 to 20% p.a.	(8,530)	(2,884)	-	-	-	(11,414)
	Online class material	20% p.a.	(6,436)	(441)	-	-	-	(6,877)
	Knowledge Factory - EAD	10% p.a.	(4,537)	(3,110)	-	-	-	(7,647)
	Questions database	20% p.a.	(3,442)	(1,624)	-	-	-	(5,066)
	Students portfolio	20 to 50% p.a.	(130,945)	(17,721)	-	-	-	(148,666)
	Other	20% p.a.	(13,715)	(2,696)	40	-	-	(16,371)
			(403,595)	(70,094)	770	1	828	(472,090)
Net residual balance			1,420,208	(20,334)	(379)	-	73	1,399,568

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

9. Intangible assets (Continued)

b) Intangible assets - Consolidated (Continued)

At September 30, 2019 and December 31, 2018 net goodwill on acquisitions of investments was comprised as follows:

	Parent Company		Consolidated	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Goodwill on acquisitions of investments net of accumulated amortization				
IREP	-	-	89,090	89,090
ATUAL	-	-	15,503	15,503
Seama	-	-	18,035	18,035
Idez	-	-	2,047	2,047
Uniuol	-	-	956	956
Fargs	-	-	8,055	8,055
São Luis	-	-	27,369	27,369
Facitec	-	-	26,654	26,654
Assesc	-	-	4,723	4,723
lesam	-	-	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	1,174,557	1,174,557

The Company carries out annual impairment tests, the last being for the year ended December 31, 2018, 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. (equivalent to the long-term inflation rate, not considering any real growth) and a single nominal discount rate of 12.4% to discount estimated future cash flows.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

10. Property, plant and equipment

Property, plant and equipment - Consolidated

	31 December 2018	30 September 2019				
	Cost	Additions	Write-offs	Transf.	Cost	
Cost						
Land	19,295	-	-	-	19,295	
Buildings (i)	228,384	1,334,228	-	(2,692)	1,559,920	
Improvements to rented property	295,799	26,001	(299)	14,139	335,640	
Fixtures and fittings	109,851	16,056	(11,072)	17,006	131,841	
Computers and peripherals	163,139	16,807	(7,106)	296	173,136	
Plant and equipment	132,029	13,425	(208)	(10,999)	134,247	
Physical/ hospital activities equipment	61,854	16,183	(61)	(6)	77,970	
Library	167,613	1,159	(63)	(48)	168,661	
Facilities	53,920	6,229	(41)	105	60,213	
Tablets	32,442	-	(22,669)	-	9,773	
Building work in progress	14,385	35,779	(60)	(17,602)	32,502	
Provision for asset retirement	26,951	(163)	(67)	-	26,721	
Other	16,595	1,838	(63)	(418)	17,952	
	1,322,257	1,467,542	(41,709)	(219)	2,747,871	
	Depreciation rates	Depreciation	Additions	Write-offs	Transf.	Depreciation
Depreciation						
Buildings	21.50% p.a.	(63,174)	(142,649)	-	358	(205,465)
Improvements to rented property	11.11% p.a.	(158,360)	(24,879)	127	203	(182,909)
Fixtures and fittings	8.33% p.a.	(58,893)	(7,776)	757	(984)	(66,896)
Computers and peripherals	25% p.a.	(133,827)	(14,234)	7,045	158	(140,858)
Plant and equipment	8.33% p.a.	(75,059)	(12,274)	150	485	(86,698)
Physical/hospital activities equipment	6.67% p.a.	(22,664)	(3,203)	34	11	(25,822)
Library	5% p.a.	(75,523)	(5,552)	62	3	(81,010)
Facilities	8.33% p.a.	(21,854)	(2,977)	14	(28)	(24,845)
Tablets	20% p.a.	(28,510)	(2,976)	22,659	-	(8,827)
Provision for asset retirement		(16,479)	(1,682)	66	-	(18,095)
Other	14.44% p.a.	(6,809)	(1,523)	52	13	(8,267)
		(661,152)	(219,725)	30,966	219	(849,692)
Net residual balance		661,105	1,247,817	(10,743)	-	1,898,179

(i) This item presents the effects of IFRS 16, as described in Note 1.4.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

10. Property, plant and equipment (Continued)

Property, plant and equipment - Consolidated (Continued)

	31 December 2017	30 September 2018				
	Cost	Additions	Write-offs	Transf.	Reclass. of Intangible assets	Cost
Cost						
Land	19,295	-	-	-	-	19,295
Buildings	208,737	4,569	(143)	325	-	213,488
Improvements to rented property	248,758	24,089	(5,125)	9,702	47	277,471
Fixtures and fittings	96,317	6,440	(3,341)	-	1	99,417
Computers and peripherals	154,408	4,009	(2,600)	5	772	156,594
Plant and equipment	117,137	8,250	(416)	-	33	125,004
Physical activities/hospital equipment	48,283	8,262	(388)	-	4	56,161
Library	159,081	6,737	(1,048)	-	1	164,771
Facilities	51,615	1,361	(160)	152	-	52,968
Tablets	37,974	-	(5,522)	(10)	-	32,442
Building work in progress	6,659	12,968	-	(10,179)	-	9,448
Provision for asset retirement	22,196	-	(138)	-	-	22,058
Other	10,731	1,510	(1,049)	(7)	(103)	11,082
	1,181,191	78,195	(19,930)	(12)	755	1,240,199

	Depreciation rates	Depreciation	Additions	Write-offs	Transf.	Reclass. of intangible assets	Depreciation
Depreciation							
Buildings	1.67% p.a.	(59,546)	(2,795)	120	18	-	(62,203)
Improvements to rented property	11.11% p.a.	(134,199)	(21,889)	5,182	(19)	(47)	(150,972)
Fixtures and fittings	8.33% p.a.	(54,388)	(5,757)	3,159	-	(1)	(56,987)
Computers and peripherals	25% p.a.	(118,348)	(13,255)	2,583	-	(731)	(129,751)
Plant and equipment	8.33% p.a.	(58,799)	(12,173)	278	-	(33)	(70,727)
Physical activities/hospital equipment	6.67% p.a.	(19,740)	(2,265)	215	-	(4)	(21,794)
Library	5% p.a.	(69,061)	(5,275)	655	-	(1)	(73,682)
Facilities	8.33% p.a.	(18,233)	(2,801)	114	-	-	(20,920)
Tablets	20% p.a.	(27,469)	(5,114)	5,376	10	-	(27,197)
Provision for asset retirement		(12,204)	(1,863)	61	-	-	(14,006)
Other	14.44% p.a.	(6,788)	(632)	890	3	(11)	(6,538)
		(578,775)	(73,819)	18,633	12	(828)	(634,777)
Net residual balance		602,416	4,376	(1,297)	-	(73)	605,422

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.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

10. Property, plant and equipment (Continued)

Property, plant and equipment - Consolidated (Continued)

Buildings, machinery and IT equipment include the following amounts where the Group is a lessee under a finance lease:

		31 December 2018		30 September 2019	
		Cost	Additions	Write-offs	Cost
Cost					
Financial leases capitalized		96,227	1,336,290	(16,328)	1,416,189
		96,227	1,336,290	(16,328)	1,416,189
		Annual depreciation	Depreciation	Additions	Write-offs
Depreciation					
Financial leases capitalized	21.60% p.a.	(62,055)	(157,388)	6,157	(213,286)
		(62,055)	(157,388)	6,157	(213,286)
Net balance		34,172	1,178,902	(10,171)	1,202,903

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 ownership of the assets is held by the Group. All the Group's leases are recognized by the operation's net present value.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

11. Loans and financing

Type	Financial charges	Parent Company		Consolidated	
		30 September 2019	31 December 2018	30 September 2019	31 December 2018
Local currency					
Lease contracts Right of use (i)	IGP-M	-	-	1,223,463	-
Other commercial lease contracts	INPC, IGP-I-DI/IGP-M/ FGV p.a./CDI Over a.d. + 2% p.m.	-	-	8,257	33,048
Second debenture issuance	CDI+ 1.18% p.a.	62,034	121,840	62,034	121,840
Fourth debenture issuance	CDI+ 1.50% p.a.	-	50,214	-	50,214
Fifth debenture issuance (Series 1)	CDI+ +0.585% p.a.	251,980	-	251,980	-
Fifth debenture issuance (Series 2)	CDI+ +0.785% p.a.	352,861	-	352,861	-
Borrowing cost of debentures		(1,538)	(497)	(1,538)	(497)
Banco da Amazônia Loan	9.5% p.a.	-	-	-	7,372
FINEP loan	6% p.a.	3,232	3,674	3,232	3,674
Itaú Promissory Notes	CDI+1.25% p.a.	-	601,564	-	601,564
		668,569	776,795	1,900,289	817,215
Current liabilities		66,981	773,709	252,634	795,789
Noncurrent liabilities		601,588	3,086	1,647,655	21,426
		668,569	776,795	1,900,289	817,215

(i) This item presents the effects of IFRS 16, as described in Note 1.4.

The amounts recorded as non-current liabilities at September 30, 2019 and December 31, 2018 mature as follows:

	Parent Company		Consolidated	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
2020	137	587	42,857	6,829
2021	250,278	587	417,333	4,327
2022	175,378	587	337,955	2,450
2023	175,500	587	318,050	2,007
2024	295	587	94,077	1,875
2025 onwards	-	151	437,383	3,938
Noncurrent liabilities	601,588	3,086	1,647,655	21,426

Lease contracts are secured by the underlying assets.

The Group's loans and financing are denominated in Brazilian reais.

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.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

11. Loans and financing (Continued)

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.

The contracts with several creditors include covenants that require the maintenance of certain financial indexes with previously established parameters. As of September 30, 2019 and December 31, 2018, the Company and its parent company were in compliance with all covenants.

12. Payroll and related charges

	Parent Company		Consolidated	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Payroll, severance pay and payroll charges payable	574	330	107,365	102,370
Provision for vacations	-	-	53,550	31,284
Provision for 13th month salaries	-	-	54,540	-
	574	330	215,455	133,654

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

13. Tax liabilities

	Parent Company		Consolidated	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
ISS payable	3	5	19,129	18,335
IRRF payable	87	88	8,513	13,310
PIS and COFINS payable	117	93	3,642	2,838
IOF payable	-	-	-	64
	207	186	31,284	34,547
IRPJ payable	-	-	2,678	788
CSLL payable	-	-	873	253
	-	-	3,551	1,041
	207	186	34,835	35,588

14. Tax financing

	Consolidated	
	30 September 2019	31 December 2018
IRPJ	285	533
CSLL	16	48
Government Severance Indemnity Fund for Employees (FGTS)	822	810
ISS	206	1,345
PIS	88	91
COFINS	629	704
INSS	6,229	6,490
Other	290	220
	8,565	10,241
Current liabilities	2,774	3,563
Noncurrent liabilities	5,791	6,678
	8,565	10,241

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

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

14. Tax financing (Continued)

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

	Consolidated	
	30 September 2019	31 December 2018
2020	-	1,551
2021	1,482	1,130
2022	1,210	1,144
2023	1,210	1,110
2024	970	792
2025 to 2029	919	951
	5,791	6,678

15. Acquisition price payable

	Consolidated	
	30 September 2019	31 December 2018
SÃO LUIS	9,565	9,140
IESAM (i)	-	10,914
Estácio Amazonas (ii)	-	2,801
CEUT	3,347	3,974
FNC (iii)	-	13,886
FCAT	1,544	1,499
FUFS	3,389	3,293
	17,845	45,507
Acquisition of property (iv)	647	2,833
	18,492	48,340
Current liabilities	3,320	34,488
Noncurrent liabilities	15,172	13,852
	18,492	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) Denotes the commitment between IREP and União Norte Brasileira de Educação e Cultura - UNBEC for several properties, located in Fortaleza, Ceará state.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

15. Acquisition price payable (Continued)

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 September 30, 2019 and December 31, 2018 mature as follows:

	Consolidated	
	30 September 2019	31 December 2018
2020	12,913	11,657
2021	2,259	2,195
	15,172	13,852

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 September 30, 2019 and December 31, 2018 the provision for contingencies was comprised as follows:

	Consolidated			
	September 30, 2019		December 31, 2018	
	Contingencies	Judicial deposits	Contingencies	Judicial deposits
Civil	24,691	17,889	20,019	16,334
Labor	97,028	42,302	98,453	48,310
Tax	4,815	19,084	8,445	17,058
	126,534	79,275	126,917	81,702

In the period ended September 30, 2019, the amount of R\$298 relates to the parent company's contingency, with R\$105 related to the civil and R\$193 related to the tax proceedings (R\$288 in the financial year ended December 31, 2018, with R\$103 civil and R\$185 tax).

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

16. Contingencies (Continued)

The change in the provision for contingencies is as follows:

	Civil	Labor	Tax	Total
Balances at December 31, 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 at December 31, 2018	20,019	98,453	8,445	126,917
Additions	34,750	36,889	1,118	72,757
Reversals	(8,882)	(6,518)	(3,913)	(19,313)
Write-offs due to payment	(25,954)	(35,736)	(325)	(62,015)
Monetary restatement	4,758	3,940	(510)	8,188
Balances at September 30, 2019	24,691	97,028	4,815	126,534

For the periods ended September 30, 2019 and 2018, expenses on the provision for contingencies recognized in profit or loss were as follows:

	2019	2018
Breakdown of income/loss		
Additions	72,757	74,391
Reversals	(19,313)	(4,171)
Monetary restatement	8,188	22,365
Provision for contingencies	61,632	92,585
General and administrative expenses (Note 23)	(53,444)	(70,220)
Finance income (costs) (Note 25)	(8,188)	(22,365)
	(61,632)	(92,585)

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.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

16. Contingencies (Continued)

a) Civil (Continued)

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

Matter	Amounts
Incorrect collection	5,478
Real Estate	7,050
Issue of certificates of completion/diplomas and graduation	1,956
Accreditation and cancellation of the course/enrollment	2,431
FIES	1,310
PROUNI	491
Success fees	3,461
Other (i)	2,514
	<u>24,691</u>

(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	36,773
Overtime + elimination of breaks during and between shifts	10,248
Moral/property damage/moral harassment	2,675
Employer's social security payment	10,324
Fees	2,067
Deviation from agreed position and salary parity	8,830
Fines (Article 467 CLT, article 477 CLT and CCT/ACT)	637
Allowances (health hazards/night shift pay/improvement/length of service/risk premium)	1,151
Vacations	1,218
Success fees	3,522
Income tax/interest and monetary restatement	10,029
Other (i)	9,554
	<u>97,028</u>

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

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

16. Contingencies (Continued)

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
ISS	2
Miscellaneous fines	1
Sewage charges/fees	7
Success fees	4,805
	<u>4,815</u>

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

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	
	30 September 2019	31 December 2018
Civil	256,292	219,542
Labor	280,494	201,783
Tax	546,408	599,706
	<u>1,083,194</u>	<u>1,021,031</u>

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

16. Contingencies (Continued)

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

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

Civil	Amounts
Incorrect collection	68,122
Real Estate	117,220
Issue of certificates of completion/diplomas and graduation	16,684
Accreditation and cancellation of course	1,749
Record	10,300
FIES	26,677
PROUNI	1,588
Other (i)	13,952
	<u>256,292</u>

(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	109,533
Overtime + elimination of breaks during and between shifts	63,853
Moral/property damage/moral harassment	15,932
Employer's social security payment	16,810
Fees	21,403
Deviation from agreed position and salary parity	11,069
Fines (Article 467 CLT, article 477 CLT and CCT/ACT)	7,502
Allowances (health hazards/night shift pay/improvement/length of service/risk premium)	13,573
Vacations	5,067
Other (i)	15,752
	<u>280,494</u>

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

Tax	Amounts
Social Security Contribution/FGTS	306,349
ISS	216,556
PIS/COFINS	1,323
IRPJ/CSLL/IRRF	11,888
IPTU/FORO/IPVA	2,174
Miscellaneous fines	3,509
ICMS on electricity	3,628
Other	981
	<u>546,408</u>

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

16. Contingencies (Continued)

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

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 this enforcement, 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 debts under collection would be rectified to reflect the reasoning forming the final and unappealable decision in favor of Estácio. Completing the rectification informed by the Ministry of Finance is currently pending. The total amount involved is R\$138,259.
- (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\$22,915.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

16. Contingencies (Continued)

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

Social security contribution (Continued)

- (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\$126,393.

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. A new date was therefore scheduled to carry out a new analysis on 10/18/2019. The total amount involved is R\$38,447.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

16. Contingencies (Continued)

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

ISS - Services tax (Continued)

- (ii) The Municipality of Rio de Janeiro issued an assessment notice against SESES on the grounds that scholarships could not be deducted from the ISS calculation base. The assessment covered the period August 2009 to July 2010, and we contested it on April 12, 2012. On September 12, 2012 the case records were sent to the Coordinating Office for Tax Reviews and Judgments. On April 1, 2014, SESES was notified of the decision that deemed our contestation groundless and upheld the assessment. We filed a voluntary appeal on April 30, 2014. For review of the appeal, the case records were referred to the Taxpayers Council on September 2, 2014. The Company is awaiting the placement of the appeal on docket for judgment. In September 2019 the appeal decision was delivered and published, unanimously accepting the voluntary appeal filed by Estácio de Sá to cancel all the debits set out in the assessment notice. We are currently waiting for the debits to be cleared and the case shelved. The total amount involved is R\$55,116.
- (iii) 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. The related Motion against the Tax Enforcement was filed on October 3, 2018. Pending judgment by the lower court. The total amount involved is R\$17,128.
- (iv) 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). Motions have been filed against the enforcement. The expert analysis is pending, now the accounting expert and respective technical assistants have been appointed. The total amount involved is R\$10,671.

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 September 30, 2019 the share capital consists of 309,088,851 common shares.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

17. Equity (Continued)

a) Share capital (Continued)

The Company's ownership structure as of September 30, 2019 and December 31, 2018 is as follows:

Shareholders	Common shares			
	30 September 2019	%	31 December 2018	%
Senior Management	612,056	0.2	601,693	0.2
Treasury	8,441,382	2.8	8,975,936	2.9
Other (i)	300,035,413	97.0	299,511,222	96.9
	309,088,851	100	309,088,851	100

(i) Free float.

b) Changes in shares

The share capital did not change in the period ended September 30, 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.

	Quantity	Average cost	Balance
Treasury shares at December 31, 2018	8,975,936	23.02	206,641
SOP payment using treasury shares (Note 17 d.3)	(534,554)	23.02	(12,307)
Treasury shares at September 30, 2019	8,441,382	23.02	194,334

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

17. Equity (Continued)

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 September 30, 2019 and December 31, 2018 is as follows:

	Parent Company	
	30 September 2019	31 December 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:

	30 September 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 reporting date.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

17. Equity (Continued)

d) Capital reserves (Continued)

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 September 30, 2019 and December 31, 2018:

	Quantity of shares	Sale	Amount paid	Negative Goodwill
Negative goodwill at December 31, 2018	2,230,255	35,123	27,140	7,983
SOP payment in 2019	359,729	8,282	5,503	2,779
Negative goodwill at September 30, 2019	2,589,984	43,405	32,643	10,762

e) Profit reserves

On December 31, 2018, R\$459,472 was allocated from the Company's retained earnings to the "Reserve for New Investments" 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.

18. Financial instruments and sensitivity analysis of financial assets and liabilities

The Company's financial instrument assets and liabilities as of September 30, 2019 and December 31, 2018 are recorded in equity accounts at amounts compatible with market practices.

The criteria, assumptions and limitations used in the calculation of market value have not changed in relation to the financial statements as of December 31, 2018.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

18. Financial instruments and sensitivity analysis of financial assets and liabilities (Continued)

18.1. Fair value hierarchy

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

	Consolidated	
	30 September 2019	31 December 2019
Level 2		
Financial assets at fair value through profit or loss		
Marketable securities	855,699	804,360
	<u>855,699</u>	<u>804,360</u>

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 period ended September 30, 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:

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

18. Financial instruments and sensitivity analysis of financial assets and liabilities (Continued)

18.2. Financial risk factors (Continued)

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 September 30, 2019 and December 31, 2018 the Company did not have foreign-currency debt.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

18. Financial instruments and sensitivity analysis of financial assets and liabilities (Continued)

18.2. Financial risk factors (Continued)

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 September 30, 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.

	Consolidated			
	Less than one year	Between one and two years	Between two and five years	Over five years
At September 30, 2019				
Trade payable	140,676	-	-	-
Loans	66,981	36,743	652,297	205
Financial lease obligations	185,653	219,523	334,151	707,062
Acquisition price payable	3,320	15,765	-	-
At December 31, 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.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

18. Financial instruments and sensitivity analysis of financial assets and liabilities (Continued)

18.2. Financial risk factors (Continued)

e) Sensitivity analysis (Continued)

The Group's financial instruments mainly consist of by 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 September 30, 2019 and December 31, 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 September 30, 2019, three different scenarios were defined. Based on the CDI rate officially published by CETIP on September 30, 2019 (5.40% 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 September 30, 2019, projected for one year and verifying the sensitivity of the CDI rate for each scenario.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

18. Financial instruments and sensitivity analysis of financial assets and liabilities (Continued)

18.2. Financial risk factors (Continued)

e) Sensitivity analysis (Continued)

Operations	Risk	CDI increase scenario		
		Probable Scenario (I)	Scenario (II)	Scenario (III)
Marketable securities R\$855,699	CDI	5.40% 46,208	6.75% 57,760	8.10% 69,312
Debentures II R\$62,034	CDI + 1.18%	6.64% (4,121)	8.01% (4,969)	9.38% (5,816)
Debentures V - Q1 R\$251,980	CDI + 0.59%	6.02% (15,161)	7.37% (18,582)	8.73% (22,004)
Debentures V - Q2 R\$352,861	CDI + 0.79%	6.23% (21,974)	7.59% (26,775)	8.95% (31,576)
Net position		4,952	7,434	9,916
Operations	Risk	CDI decrease scenario		
		Probable Scenario (I)	Scenario (II)	Scenario (III)
Marketable securities R\$855,699	CDI	5.40% 46,208	6.75% 34,656	8.10% 23,104
Debentures II R\$62,034	CDI +1.18%	6.64% (4,121)	5.28% (3,274)	3.91% (2,427)
Debentures V - Q1 R\$251,980	CDI +0.59%	6.02% (15,161)	4.66% (11,739)	3.30% (8,317)
Debentures V - Q2 R\$352,861	CDI +0.79%	6.23% (21,974)	4.87% (17,173)	3.51% (12,372)
Net position		4,952	2,470	(12)

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

18. Financial instruments and sensitivity analysis of financial assets and liabilities (Continued)

18.2. Financial risk factors (Continued)

f) Capital Management

The Company's consolidated debt in relation to equity in the period ended September 30, 2019 and the financial year ended December 31, 2018 is presented as follows:

	Consolidated	
	30 September 2019	31 December 2018
Loans and financing (Note 11) (i)	676,826	817,215
(-) Cash and cash equivalents (Note 3)	(10,071)	(13,686)
Net debt	666,755	803,529
Equity	3,192,038	2,591,409
Net debt over equity	0.21	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 September 30, 2019 and December 31, 2018.

19. Management compensation

a) Compensation

In the period ended September 30, 2019 and 2018, total compensation (salaries and profit sharing) paid to the Company's directors, officers and main executives amounted to R\$16,006 and R\$13,588, 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 19.b.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

19. Management compensation (Continued)

b) Stock option plan

The history and details of the stock option plans have not changed in relation to the information presented in the financial statements as of December 31, 2018.

At September 30, 2019 the number of options granted which were exercised totaled 13,203,276 shares (R\$112,900), and the total shares granted less prescribed shares amounted to 16,994,402 shares (R\$158,257).

Programs	Granted	Options prescribed	Options abandoned	Exercised	Balance of shares
1P	11,910,909	5,067,255	469,539	6,374,115	-
2P	1,411,563	798,438	131,835	481,290	-
3P	1,805,373	451,929	84,128	1,269,316	-
4P	2,736,000	696,000	19,423	2,020,577	-
5P	720,000	348,000	118,394	253,606	-
6P	5,090,000	2,247,000	1,882,764	812,767	147,469
7P	889,000	379,200	331,174	92,526	86,100
8P	983,000	457,400	50,127	437,913	37,560
9P	1,300,000	480,000	-	820,000	-
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	28,942,634	11,948,232	3,149,639	13,203,276	641,487

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

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)
September 30, 2019
(In thousands of reais, unless stated otherwise)

19. Management compensation (Continued)

b) Stock option plan (Continued)

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

Program	End of grace period	Maturity Date	Fair value	Price of Underlying Asset	Expected Annual Volatility	Distribution of Dividends	Risk-free interest rate	Estimated Life of Option (years)	Amount Awarded	Amount Expired
4P Program Nov/12	04/15/2014	04/15/2024	R\$ 6.31	R\$ 13.13	49.44%	0.76%	3.50%	5	15,000	0
4P Program Nov/12	04/15/2015	04/15/2025	R\$ 6.88	R\$ 13.13	49.44%	0.76%	3.50%	5	15,000	0
4P Program Nov/12	04/15/2016	04/15/2026	R\$ 7.36	R\$ 13.13	49.44%	0.76%	3.50%	5	15,000	15,000
4P Program Nov/12	04/15/2017	04/15/2027	R\$ 7.79	R\$ 13.13	49.44%	0.76%	3.50%	5	15,000	15,000
4P Program Nov/12	04/15/2018	04/15/2028	R\$ 8.08	R\$ 13.13	49.44%	0.76%	3.50%	5	15,000	15,000
4P Program Aug/12	04/15/2013	04/15/2023	R\$ 2.64	R\$ 8.66	50.39%	1.15%	4.29%	5	18,000	0
4P Program Aug/12	04/14/2014	04/14/2024	R\$ 3.37	R\$ 8.66	50.39%	1.15%	4.29%	5	18,000	18,000
4P Program Aug/12	04/14/2015	04/14/2025	R\$ 3.88	R\$ 8.66	50.39%	1.15%	4.29%	5	18,000	18,000
4P Program Aug/12	04/14/2016	04/14/2026	R\$ 4.29	R\$ 8.66	50.39%	1.15%	4.29%	5	18,000	18,000
4P Program Aug/12	04/14/2017	04/14/2027	R\$ 4.55	R\$ 8.66	50.39%	1.15%	4.29%	5	18,000	18,000
4P Program Jul/12	04/15/2013	04/15/2023	R\$ 2.23	R\$ 8.10	50.78%	1.23%	4.29%	5	48,000	0
4P Program Jul/12	04/14/2014	04/14/2024	R\$ 2.96	R\$ 8.10	50.78%	1.23%	4.29%	5	48,000	0
4P Program Jul/12	04/14/2015	04/14/2025	R\$ 3.46	R\$ 8.10	50.78%	1.23%	4.29%	5	48,000	9,000
4P Program Jul/12	04/14/2016	04/14/2026	R\$ 3.86	R\$ 8.10	50.78%	1.23%	4.29%	5	48,000	9,000
4P Program Jul/12	04/14/2017	04/14/2027	R\$ 4.12	R\$ 8.10	50.78%	1.23%	4.29%	5	48,000	48,000
4P Program Apr/12	04/15/2013	04/15/2023	R\$ 1.12	R\$ 6.50	51.66%	1.65%	4.29%	5	234,000	27,000
4P Program Apr/12	04/14/2014	04/14/2024	R\$ 1.81	R\$ 6.50	51.66%	1.65%	4.29%	5	234,000	42,000
4P Program Apr/12	04/14/2015	04/14/2025	R\$ 2.26	R\$ 6.50	51.66%	1.65%	4.29%	5	234,000	42,000
4P Program Apr/12	04/14/2016	04/14/2026	R\$ 2.60	R\$ 6.50	51.66%	1.65%	4.29%	5	234,000	60,000
4P Program Apr/12	04/14/2017	04/14/2027	R\$ 2.82	R\$ 6.50	51.66%	1.65%	4.29%	5	234,000	138,000
4P Program Apr/12 Cons.	04/15/2013	04/02/2022	R\$ 1.09	R\$ 6.80	51.66%	1.65%	4.29%	5	180,000	0
4P Program Apr/12 Cons.	04/14/2014	04/02/2022	R\$ 1.78	R\$ 6.80	51.66%	1.65%	4.29%	5	180,000	0
3P Program Apr/11	04/15/2012	04/15/2022	R\$ 1.29	R\$ 7.80	54.94%	1.32%	6.20%	5	165,240	12,717
3P Program Apr/11	04/14/2013	04/14/2023	R\$ 2.27	R\$ 7.80	54.94%	1.32%	6.20%	5	165,240	38,133
3P Program Apr/11	04/14/2014	04/14/2024	R\$ 2.92	R\$ 7.80	54.94%	1.32%	6.20%	5	165,240	61,011
3P Program Apr/11	04/14/2015	04/14/2025	R\$ 3.42	R\$ 7.80	54.94%	1.32%	6.20%	5	165,240	61,011
3P Program Apr/11	04/14/2016	04/14/2026	R\$ 3.74	R\$ 7.80	54.94%	1.32%	6.20%	5	165,240	80,079
3P Program Jan/11	04/15/2012	04/15/2022	R\$ 1.99	R\$ 9.00	56.55%	1.14%	5.79%	5	183,861	10,170
3P Program Jan/11	04/14/2013	04/14/2023	R\$ 3.02	R\$ 9.00	56.55%	1.14%	5.79%	5	183,807	35,592
3P Program Jan/11	04/14/2014	04/14/2024	R\$ 3.72	R\$ 9.00	56.55%	1.14%	5.79%	5	183,807	51,072
3P Program Jan/11	04/14/2015	04/14/2025	R\$ 4.25	R\$ 9.00	56.55%	1.14%	5.79%	5	183,807	51,072
3P Program Jan/11	04/14/2016	04/14/2026	R\$ 4.60	R\$ 9.00	56.55%	1.14%	5.79%	5	183,807	51,072
3P Program Jan/11 Cons.	04/15/2012	01/03/2021	R\$ 2.00	R\$ 8.90	56.55%	1.14%	5.79%	5	30,000	0
3P Program Jan/11 Cons.	04/14/2013	01/03/2021	R\$ 3.03	R\$ 8.90	56.55%	1.14%	5.79%	5	30,000	0
2P Program Nov/10 Cons.	04/15/2011	11/03/2020	R\$ 2.48	R\$ 8.73	57.60%	1.52%	5.88%	5	30,000	0
2P Program Nov/10 Cons.	04/14/2012	11/03/2020	R\$ 3.34	R\$ 8.73	57.60%	1.52%	5.88%	5	30,000	0
2P Program Jul/10	04/15/2011	04/15/2021	R\$ 1.37	R\$ 6.73	58.84%	1.52%	6.25%	5	129,684	39,063
2P Program Jul/10	04/14/2012	04/14/2022	R\$ 2.19	R\$ 6.73	58.84%	1.52%	6.25%	5	129,684	39,063
2P Program Jul/10	04/14/2013	04/14/2023	R\$ 2.72	R\$ 6.73	58.84%	1.52%	6.25%	5	129,684	48,438
2P Program Jul/10	04/14/2014	04/14/2024	R\$ 3.12	R\$ 6.73	58.84%	1.52%	6.25%	5	129,684	48,438
2P Program Jul/10	04/14/2015	04/14/2025	R\$ 3.36	R\$ 6.73	58.84%	1.52%	6.25%	5	129,684	60,936
2P Program May/10	04/15/2011	04/15/2021	R\$ 2.52	R\$ 6.33	60.71%	1.62%	6.30%	5	140,625	0
2P Program May/10	04/15/2012	04/15/2021	R\$ 2.52	R\$ 6.33	60.71%	1.62%	6.30%	5	140,625	140,625
2P Program May/10	04/14/2013	04/14/2023	R\$ 2.52	R\$ 6.33	60.71%	1.62%	6.30%	5	140,625	140,625
2P Program May/10	04/14/2014	04/14/2024	R\$ 2.52	R\$ 6.33	60.71%	1.62%	6.30%	5	140,625	140,625
2P Program May/10	04/14/2015	04/14/2025	R\$ 2.52	R\$ 6.33	60.71%	1.62%	6.30%	5	140,625	140,625
1P Program Mar/10	04/15/2011	04/15/2021	R\$ 2.43	R\$ 7.50	62.20%	1.01%	6.21%	5	90,909	0
1P Program Mar/10	04/14/2012	04/14/2022	R\$ 3.23	R\$ 7.50	62.20%	1.01%	6.21%	5	90,909	0
1P Program Mar/10	04/14/2013	04/14/2023	R\$ 3.77	R\$ 7.50	62.20%	1.01%	6.21%	5	90,909	0
1P Program Mar/10	04/14/2014	04/14/2024	R\$ 4.18	R\$ 7.50	62.20%	1.01%	6.21%	5	90,909	0
1P Program Mar/10	04/14/2015	04/14/2025	R\$ 4.43	R\$ 7.50	62.20%	1.01%	6.21%	5	90,909	0
1P Program Jan/10	04/15/2011	04/15/2021	R\$ 2.96	R\$ 8.17	63.15%	0.93%	6.23%	5	89,112	10,914
1P Program Jan/10	04/14/2012	04/14/2022	R\$ 3.78	R\$ 8.17	63.15%	0.93%	6.23%	5	89,088	38,181
1P Program Jan/10	04/14/2013	04/14/2023	R\$ 4.34	R\$ 8.17	63.15%	0.93%	6.23%	5	89,088	38,181
1P Program Jan/10	04/14/2014	04/14/2024	R\$ 4.76	R\$ 8.17	63.15%	0.93%	6.23%	5	89,088	52,728
1P Program Jan/10	04/14/2015	04/14/2025	R\$ 5.03	R\$ 8.17	63.15%	0.93%	6.23%	5	89,088	52,728
1P Program Sep/09	04/15/2010	04/15/2020	R\$ 1.78	R\$ 6.70	56.75%	1.13%	5.64%	5	174,537	0
1P Program Sep/09	04/15/2011	02/15/2021	R\$ 2.51	R\$ 6.70	56.75%	1.13%	5.64%	5	174,537	32,727
1P Program Sep/09	04/14/2012	04/14/2022	R\$ 3.00	R\$ 6.70	56.75%	1.13%	5.64%	5	174,537	32,727
1P Program Sep/09	04/14/2013	04/14/2023	R\$ 3.40	R\$ 6.70	56.75%	1.13%	5.64%	5	174,537	32,727
1P Program Sep/09	04/14/2014	04/14/2024	R\$ 3.62	R\$ 6.70	56.75%	1.13%	5.64%	5	174,537	101,814
1P Program Jan/09	04/15/2010	04/15/2020	R\$ 0.57	R\$ 4.40	63.99%	1.72%	6.83%	5	90,915	18,180
1P Program Jan/09	04/15/2011	04/15/2021	R\$ 1.21	R\$ 4.40	63.99%	1.72%	6.83%	5	90,909	72,729
1P Program Jan/09	04/14/2012	04/15/2022	R\$ 1.62	R\$ 4.40	63.99%	1.72%	6.83%	5	90,909	72,729
1P Program Jan/09	04/14/2013	04/15/2023	R\$ 1.92	R\$ 4.40	63.99%	1.72%	6.83%	5	90,909	72,729
1P Program Jan/09	04/14/2014	04/15/2024	R\$ 2.11	R\$ 4.40	63.99%	1.72%	6.83%	5	90,909	72,729
1P Program Jan/09 Cons.	04/15/2010	01/13/2019	R\$ 0.57	R\$ 4.40	63.99%	1.72%	6.83%	5	1,363,635	0
1P Program Jan/09 Cons.	04/15/2011	01/13/2019	R\$ 1.21	R\$ 4.40	63.99%	1.72%	6.83%	5	1,363,635	0
1P Program Sep/08	04/15/2009	04/15/2019	R\$ 0.47	R\$ 4.68	56.00%	1.62%	8.42%	5	663,645	0
1P Program Sep/08	04/15/2010	02/15/2020	R\$ 1.12	R\$ 4.68	56.00%	1.62%	8.42%	5	663,633	399,999
1P Program Sep/08	04/15/2011	04/15/2021	R\$ 1.55	R\$ 4.68	56.00%	1.62%	8.42%	5	663,633	399,999
1P Program Sep/08	04/14/2012	04/14/2022	R\$ 1.78	R\$ 4.68	56.00%	1.62%	8.42%	5	663,633	399,999
1P Program Sep/08	04/14/2013	04/14/2023	R\$ 2.08	R\$ 4.68	56.00%	1.62%	8.42%	5	663,633	399,999
1P Program Jul/08	04/15/2009	04/15/2019	R\$ 2.36	R\$ 7.83	57.49%	0.97%	6.85%	5	703,668	509,100
1P Program Jul/08	04/15/2010	04/15/2020	R\$ 3.15	R\$ 7.83	57.49%	0.97%	6.85%	5	703,626	538,176
1P Program Jul/08	04/15/2011	04/15/2021	R\$ 3.69	R\$ 7.83	57.49%	0.97%	6.85%	5	703,626	552,720
1P Program Jul/08	04/14/2012	04/14/2022	R\$ 4.37	R\$ 7.83	57.49%	0.97%	6.85%	5	703,626	552,720
1P Program Jul/08	04/14/2013	04/14/2023	R\$ 3.71	R\$ 7.83	57.49%	0.97%	6.85%	5	703,626	552,720
1P Program Jul/08 Cons.	04/15/2009	07/11/2018	R\$ 2.35	R\$ 7.90	57.49%	0.97%	6.85%	5	60,000	30,000
1P Program Jul/08 Cons.	04/15/2010	07/11/2018	R\$ 3.14	R\$ 7.90	57.49%	0.97%	6.85%	5	60,000	30,000

(i) Market price on the respective grant dates.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

19. Management compensation (Continued)

b) Stock option plan (Continued)

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

Program	End of grace period	Maturity Date	Fair value	Price of Underlying Asset	Expected Annual Volatility	Distribution of Dividends	Risk-free interest rate	Estimated Life of Option (years)	Amount Awarded	Amount Expired
11 th Program Apr17	04/23/2018	04/23/2028	R\$ 6.14	R\$ 14.18	46.66%	0.00%	8.94%	0	188,000	13,500
11 th Program Apr17	04/23/2019	04/23/2028	R\$ 6.84	R\$ 14.18	46.66%	0.00%	8.94%	0	188,000	86,000
11 th Program Apr17	04/23/2020	04/23/2028	R\$ 7.41	R\$ 14.18	46.66%	0.00%	8.94%	0	188,000	117,500
11 th Program Apr17	04/23/2021	04/23/2028	R\$ 7.86	R\$ 14.18	46.66%	0.00%	8.94%	0	188,000	117,500
11 th Program Apr17	04/23/2022	04/23/2028	R\$ 8.26	R\$ 14.18	46.66%	0.00%	8.94%	0	188,000	117,500
11 th Program Apr17 Cons.	04/23/2018	04/23/2028	R\$ 6.14	R\$ 14.18	46.66%	0.00%	8.94%	0	25,505	25,505
11 th Program Apr17 Cons.	04/23/2019	04/23/2028	R\$ 6.84	R\$ 14.18	46.66%	0.00%	8.94%	0	25,505	25,505
10 th Program Jul16	04/15/2017	07/19/2026	R\$ 6.89	R\$ 15.12	59.18%	0.00%	12.50%	0	208,000	2,000
10 th Program Jul16	04/15/2018	07/19/2026	R\$ 7.89	R\$ 15.12	59.18%	0.00%	12.50%	0	208,000	33,000
10 th Program Jul16	04/15/2019	07/19/2026	R\$ 8.61	R\$ 15.12	59.18%	0.00%	12.50%	0	208,000	153,000
10 th Program Jul16	04/15/2020	07/19/2026	R\$ 9.18	R\$ 15.12	59.18%	0.00%	12.50%	0	208,000	166,000
10 th Program Jul16	04/15/2021	07/19/2026	R\$ 9.64	R\$ 15.12	59.18%	0.00%	12.50%	0	208,000	166,000
10 th Program Jul16 Cons.	04/15/2017	07/19/2026	R\$ 6.89	R\$ 15.12	59.18%	0.00%	12.50%	0	32,890	0
10 th Program Jul16 Cons.	04/15/2018	07/19/2026	R\$ 7.89	R\$ 15.12	59.18%	0.00%	12.50%	0	32,889	0
9 th Program Apr16	04/15/2017	04/15/2027	R\$ 6.02	R\$ 11.87	54.57%	0.00%	12.93%	0	80,000	20,000
9 th Program Apr16	04/15/2018	04/15/2027	R\$ 6.66	R\$ 11.87	54.57%	0.00%	12.93%	0	80,000	20,000
9 th Program Apr16	04/15/2019	04/15/2027	R\$ 7.14	R\$ 11.87	54.57%	0.00%	12.93%	0	80,000	80,000
9 th Program Apr16	04/15/2020	04/15/2027	R\$ 7.52	R\$ 11.87	54.57%	0.00%	12.93%	0	80,000	80,000
9 th Program Apr16	04/15/2021	04/15/2027	R\$ 7.83	R\$ 11.87	54.57%	0.00%	12.93%	0	80,000	80,000
9 th Program Apr16 Cons.	04/15/2017	05/01/2019	R\$ 3.17	R\$ 11.87	54.57%	0.00%	12.93%	0	450,000	100,000
9 th Program Apr16 Cons.	04/15/2018	05/01/2020	R\$ 4.43	R\$ 11.87	54.57%	0.00%	12.93%	0	450,000	100,000
8P Program	04/15/2016	04/15/2026	R\$ 5.45	R\$ 13.15	28.80%	0.00%	11.99%	0	196,600	2,000
8P Program	04/15/2017	04/15/2027	R\$ 6.42	R\$ 13.15	28.80%	0.00%	11.99%	0	196,600	56,800
8P Program	04/15/2018	04/15/2028	R\$ 7.20	R\$ 13.15	28.80%	0.00%	11.99%	0	196,600	81,200
8P Program	04/15/2019	04/15/2029	R\$ 7.88	R\$ 13.15	28.80%	0.00%	11.99%	0	196,600	150,200
8P Program	04/15/2020	04/15/2030	R\$ 8.47	R\$ 13.15	28.80%	0.00%	11.99%	0	196,600	167,200
7P Program Oct14	04/15/2015	04/15/2025	R\$ 8.58	R\$ 26.83	28.80%	0.00%	11.99%	0	177,800	16,000
7P Program Oct14	04/15/2016	04/15/2026	R\$ 9.71	R\$ 26.83	28.80%	0.00%	11.99%	0	177,800	37,000
7P Program Oct14	04/15/2017	04/15/2027	R\$ 10.64	R\$ 26.83	28.80%	0.00%	11.99%	0	177,800	86,000
7P Program Oct14	04/15/2018	04/15/2028	R\$ 11.47	R\$ 26.83	28.80%	0.00%	11.99%	0	177,800	104,400
7P Program Oct14	04/15/2019	04/15/2029	R\$ 12.24	R\$ 26.83	28.80%	0.00%	11.99%	0	177,800	135,800
6P Program Aug14	04/15/2015	04/15/2025	R\$ 14.48	R\$ 29.16	26.68%	0.00%	11.99%	0	60,000	0
6P Program Aug14	04/15/2016	04/15/2026	R\$ 15.10	R\$ 29.16	26.68%	0.00%	11.99%	0	60,000	28,000
6P Program Aug14	04/15/2017	04/15/2027	R\$ 15.74	R\$ 29.16	26.68%	0.00%	11.99%	0	60,000	28,000
6P Program Aug14	04/15/2018	04/15/2028	R\$ 16.38	R\$ 29.16	26.68%	0.00%	11.99%	0	60,000	28,000
6P Program Aug14	04/15/2019	04/15/2029	R\$ 16.98	R\$ 29.16	26.68%	0.00%	11.99%	0	60,000	44,000
6P Program Aug14 Cons.	04/15/2015	08/01/2024	R\$ 14.43	R\$ 29.16	28.80%	0.00%	11.99%	0	50,000	0
6P Program Aug14 Cons.	04/15/2016	08/01/2024	R\$ 15.02	R\$ 29.16	28.80%	0.00%	11.99%	0	50,000	0
6P Program Jul14	04/15/2015	04/15/2025	R\$ 15.13	R\$ 29.94	26.43%	0.00%	11.99%	0	608,000	0
6P Program Jul14	04/15/2016	04/15/2026	R\$ 15.76	R\$ 29.94	26.43%	0.00%	11.99%	0	608,000	80,000
6P Program Jul14	04/15/2017	04/15/2027	R\$ 16.41	R\$ 29.94	26.43%	0.00%	11.99%	0	608,000	602,000
6P Program Jul14	04/15/2018	04/15/2028	R\$ 17.05	R\$ 29.94	26.43%	0.00%	11.99%	0	608,000	608,000
6P Program Jul14	04/15/2019	04/15/2029	R\$ 17.65	R\$ 29.94	26.43%	0.00%	11.99%	0	608,000	608,000
6P Program Jul14 Cons.	04/15/2015	07/04/2024	R\$ 15.09	R\$ 29.94	28.80%	0.00%	11.99%	0	162,500	0
6P Program Jul14 Cons.	04/15/2016	07/04/2024	R\$ 15.69	R\$ 29.94	28.80%	0.00%	11.99%	0	162,500	0
6P Program Oct13	04/15/2014	04/15/2024	R\$ 5.05	R\$ 16.82	28.80%	0.00%	11.99%	0	265,000	5,000
6P Program Oct13	04/15/2015	04/15/2025	R\$ 5.79	R\$ 16.82	28.80%	0.00%	11.99%	0	265,000	5,000
6P Program Oct13	04/15/2016	04/15/2026	R\$ 6.40	R\$ 16.82	28.80%	0.00%	11.99%	0	265,000	19,000
6P Program Oct13	04/15/2017	04/15/2027	R\$ 6.94	R\$ 16.82	28.80%	0.00%	11.99%	0	265,000	88,000
6P Program Oct13	04/15/2018	04/15/2028	R\$ 7.43	R\$ 16.82	28.80%	0.00%	11.99%	0	265,000	104,000
5P Program 3	04/15/2014	04/15/2024	R\$ 6.37	R\$ 16.16	39.85%	0.00%	11.02%	0	144,000	0
5P Program 3	04/15/2015	04/15/2025	R\$ 7.02	R\$ 16.16	39.85%	0.00%	11.02%	0	144,000	21,000
5P Program 3	04/15/2016	04/15/2026	R\$ 7.60	R\$ 16.16	39.85%	0.00%	11.02%	0	144,000	102,000
5P Program 3	04/15/2017	04/15/2027	R\$ 8.11	R\$ 16.16	39.85%	0.00%	11.02%	0	144,000	102,000
5P Program 3	04/15/2018	04/15/2028	R\$ 8.58	R\$ 16.16	39.85%	0.00%	11.02%	0	144,000	123,000
4P Program Jan/13	04/15/2014	04/15/2024	R\$ 8.23	R\$ 14.40	33.47%	0.00%	3.90%	0	160,200	7,200
4P Program Jan/13	04/15/2015	04/15/2025	R\$ 8.35	R\$ 14.40	33.47%	0.00%	3.90%	0	160,200	7,200
4P Program Jan/13	04/15/2016	04/15/2026	R\$ 8.48	R\$ 14.40	33.47%	0.00%	3.90%	0	160,200	7,200
4P Program Jan/13	04/15/2017	04/15/2027	R\$ 8.62	R\$ 14.40	33.47%	0.00%	3.90%	0	160,200	88,200
4P Program Jan/13	04/15/2018	04/15/2028	R\$ 8.75	R\$ 14.40	33.47%	0.00%	3.90%	0	160,200	94,200

(i) Market price on the respective grant dates.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

19. Management compensation (Continued)

b) Stock option plan (Continued)

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\$1,117 was recognized in the period ended September 30, 2019 (provision of R\$3,020 made in the financial year ended December 31, 2018). The provision as of September 30, 2019 is R\$74,810 (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:

Statutory Executive Board

	September 30, 2019		December 31, 2018	
	Average strike price per share	Options - thousands	Average strike price per share	Options - thousands
January 01	13.81	1,011,148	13.62	1,493,472
Exercised	14.35	83,000	13.52	362,069
Abandoned	0.00	0.00	16.97	120,255
Prescribed	14.35	68,000	0.00	0.00
	13.88	860,148	13.81	1,011,148

Board of Directors

	September 30, 2019		December 31, 2018	
	Average strike price per share	Options - thousands	Average strike price per share	Options - thousands
January 01	10.13	600,779	10.20	950,779
Exercised	0.00	0.00	9.92	350,000
	10.13	600,779	10.13	600,779

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

19. Management compensation (Continued)

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% (three percent) 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.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

19. Management compensation (Continued)

c) Performance Share Program (Continued)

As regards the new Restricted Share Option Plan, the provision for the program in the period ended September 30, 2019 is R\$10,274 (R\$4,658 as of December 31, 2018). The accumulated provision as of September 30, 2019 is R\$9,099 (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 September 30, 2019 the number of shares granted and delivered was 242,613 shares, and the total shares granted amounted to 3,624,500 shares.

Programs	Granted	Additional shares dividends	Shares delivered	Unvested	Prescribed
1P	1,395,500	65,399	205,588	755,724	499,587
1P - Cons.	120,000	6,942	-	126,942	-
1P - Esp.	300,000	17,355	37,025	275,041	5,289
2P	879,000	-	-	865,000	14,000
2P - Esp.	100,000	-	-	100,000	-
3P	630,000	-	-	630,000	-
3P - Esp.	200,000	-	-	200,000	-
Grand Total	3,624,500	89,696	242,613	2,952,707	518,876

20. Earnings per share

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

Basic and diluted earnings per share

	2019	2018
Numerator		
Net income for the period	588,081	628,572
Denominator (in thousands of shares)		
Weighted average number of free float	300,385	306,795
Net income per lot of a thousand shares - basic	1.95776	2.04883

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

21. Net operating revenue

	Consolidated	
	2019	2018
Gross revenue - on campus	3,752,506	3,709,760
Gross revenue - distance learning	912,648	674,849
	4,665,154	4,384,609
Deductions from gross revenue	(1,942,162)	(1,632,254)
Grants - scholarships	(1,780,398)	(1,388,689)
Refund of tuition and charges	(16,577)	(7,364)
Discounts awarded	(114)	(710)
Tax	(107,689)	(120,370)
Adjustment to present value - PAR	11,281	(32,337)
Adjustment to present value - DIS	(2,970)	(17,020)
FGEDUC	(34,138)	(46,595)
Other	(11,557)	(19,169)
	2,722,992	2,752,355

22. Costs of services

	Consolidated	
	2019	2018
Personnel and payroll charges	(777,798)	(828,554)
Electricity, water, gas and telephony	(29,075)	(29,672)
Rental, condominium fees and IPTU (i)	(29,215)	(181,005)
Postage and Mailbags	(1,349)	(1,286)
Depreciation and amortization (ii)	(213,468)	(70,740)
Teaching materials	(4,897)	(5,004)
Outsourced security and cleaning services	(41,348)	(43,694)
Other	(30,217)	(16,657)
	(1,127,367)	(1,176,612)

(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 1.4.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

23. Selling, general and administrative expenses

	Parent Company		Consolidated	
	2019	2018	2019	2018
Sales expenses				
Allowance for doubtful account (Note 4)	-	-	(225,686)	(219,546)
Advertising	-	-	(161,648)	(141,469)
Sales and marketing	-	-	(49,135)	(33,859)
Other	-	-	(319)	(811)
	-	-	(436,788)	(395,685)
General and administrative expenses				
Personnel and payroll charges	(4,026)	(3,695)	(129,121)	(125,659)
Outsourced services	(2,741)	(3,805)	(62,344)	(87,842)
Consumables	-	-	(1,609)	(1,503)
Maintenance and repairs	(137)	(53)	(33,613)	(27,721)
Depreciation and amortization	(42)	(9,818)	(72,080)	(73,173)
Educational arrangements	(1)	-	(17,783)	(13,401)
Travel and accommodation	(50)	(100)	(6,509)	(5,056)
Institutional events	-	(5)	(1,224)	(1,953)
Provision for contingencies (Note 16)	(162)	(110)	(53,444)	(70,220)
Photocopies and bookbinding	-	-	(3,382)	(2,791)
Insurance	(5,951)	(6,164)	(6,880)	(6,701)
Cleaning materials	-	-	(2,471)	(2,135)
Transportation	(1)	(2)	(3,428)	(3,582)
Car hire	-	-	(2,614)	(2,486)
Other	(158)	(361)	(29,369)	(13,637)
	(13,269)	(24,113)	(425,871)	(437,860)

24. Other operating income/expenses

	Parent Company		Consolidated	
	2019	2018	2019	2018
Income from arrangements	544	272	544	439
Rental revenue	-	-	8,244	6,553
Capital gain (loss) on property, plant and equipment	-	-	(487)	(1,496)
Business intermediation	-	-	1,611	3,541
Provision for portfolio sale loss (i)	-	-	-	(13,023)
Provision for losses other revenue	-	-	(229)	(1,699)
Other operating revenue (expense)	424	(106)	571	(1,638)
	968	166	10,254	(7,323)

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

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

25. Finance income

	Parent Company		Consolidated	
	2019	2018	2019	2018
Financial revenue				
Arrears fines and interest	-	-	24,843	25,972
Restatement of accounts receivable with FIES	-	-	-	8,419
Earnings on investments	9,996	3,941	37,660	27,267
Restatement of tax credits	924	1,548	8,198	2,794
Restatement of PAR	-	-	3,148	4,037
Restatement of DIS	-	-	3,281	4,373
Other	-	-	1,739	277
	10,920	5,489	78,869	73,139
Financial expense				
Bank expenses	(433)	(817)	(27,592)	(24,170)
Interest and financial charges	(37,281)	(26,138)	(65,365)	(54,356)
Restatement of the provision for contingencies (Note 16)	(10)	(7)	(8,188)	(22,365)
Financial discounts (i)	-	-	(66,412)	(49,830)
monetary variance liability	-	-	(4,930)	(6,455)
Loan expenses	(1,266)	(2,315)	(1,266)	(2,315)
Lease interest - right of use (ii)	-	-	(43,690)	-
Other	(600)	(504)	(7,316)	(8,445)
	(39,590)	(29,781)	(224,759)	(167,936)

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

(ii) This item presents the effects of IFRS 16, as described in Note 1.4.

26. Business segment reporting

	Classroom-based		Distance learning (EAD)		Estácio	
	2019	2018	2019	2018	2019	2018
Gross operating revenue	3,752,506	3,709,760	912,648	674,849	4,665,154	4,384,609
(-) Deductions from gross revenue	(1,555,821)	(1,374,805)	(386,341)	(257,449)	(1,942,162)	(1,632,254)
Net operating revenue	2,196,685	2,334,955	526,307	417,400	2,722,992	2,752,355
Costs of the services rendered	(1,060,104)	(1,123,099)	(67,263)	(53,513)	(1,127,367)	(1,176,612)
Personnel	(743,883)	(791,374)	(33,915)	(37,180)	(777,798)	(828,554)
Rental, condominium fees and IPTU	(29,223)	(180,981)	8	(24)	(29,215)	(181,005)
Teaching materials	(6,017)	(6,079)	(229)	(211)	(6,246)	(6,290)
Outsourced services and other	(70,278)	(74,409)	(30,362)	(15,614)	(100,640)	(90,023)
Depreciation	(210,703)	(70,256)	(2,765)	(484)	(213,468)	(70,740)
Gross profit	1,136,581	1,211,856	459,044	363,887	1,595,625	1,575,743

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

27. Income and social contribution taxes

The reconciliation of taxes determined at the statutory rates and the amount of taxes recognized in the periods ended September 30, 2019 and 2018 are shown below:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Profit before income and social contribution taxes	587,957	625,211	597,330	640,078
Combined nominal income and social contribution tax rate - %	34	34	34	34
Income and social contribution taxes calculated at the statutory rates	(199,906)	(212,572)	(203,092)	(217,627)
Equity in net income of subsidiaries	213,836	228,973	-	-
Non-deductible expenses (i)	-	-	(2,444)	(1,818)
Unrecorded tax loss	(13,806)	(13,040)	(15,265)	(14,717)
Other	-	-	2,527	1,819
	124	3,361	(218,274)	(232,343)
Tax benefits				
Tax incentives - PROUNI	-	-	204,371	216,993
<i>Lei Rouanet</i> tax incentive	-	-	4,427	3,211
Current income and social contribution taxes on net income for the year	124	3,361	(9,476)	(12,139)

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

	Parent Company		Consolidated	
	2019	2018	2019	2018
Current income and social contribution tax	-	-	(53,254)	(101,641)
Deferred income and social contribution taxes	124	3,361	43,778	89,502
Income tax and social contribution for prior periods	-	-	227	633
	124	3,361	(9,249)	(11,506)

As of September 30, 2019 the Company has a deferred tax credit on temporary differences amounting to R\$175,168 (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:

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

27. Income and social contribution taxes (Continued)

	Parent Company		Consolidated	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Adjustment to present value	-	-	12,717	15,868
Provision for contingencies	101	98	43,021	43,152
Allowance for doubtful accounts	-	-	57,612	31,362
Monthly tuition fees to be canceled	-	-	18,552	12,019
Provision for retirement	-	-	6,172	5,623
Goodwill	-	-	(5,498)	(6,772)
Provision for FIES risk	-	-	7,229	7,121
Granted options recognized	120	-	33,783	31,126
Leases	-	-	6,727	(376)
Goodwill incorporated	-	-	(11,290)	(11,290)
Depreciation	13	13	4,088	2,663
Restatement of retirement	-	-	1,161	-
Tax loss	-	-	894	894
	234	111	175,168	131,390
Assets	234	111	178,070	136,576
Liabilities	-	-	(2,902)	(5,186)
	234	111	175,168	131,390

The realization of the deferred tax effect on temporary differences recorded at September 30, 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 September 30, 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 September 30, 2019 the Company had tax credits arising from income tax and social contribution losses amounting to R\$137,463 (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.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

September 30, 2019

(In thousands of reais, unless stated otherwise)

28. Commitments

The table below presents the required and non-cancelable annual minimum future payments related to the contractual obligations undertaken by the Company at September 30, 2019 and December 31, 2018.

	Consolidated		
	Less than one year	Between one and five years	Over five years
Commitments at September 30, 2019			
Campus leases/rental agreements	60,349	696,788	385,424
Commitments at December 31, 2018			
Campus leases/rental agreements	215,493	612,592	433,988

29. Subsequent event

On October 21, 2019 the Company issued a press release stating that the company 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 October 24, 2019 the Company issued a press release confirming the Administrative Council for Economic Defense - CADE had approved the acquisition of the entire capital of Sociedade de Ensino Superior Toledo LTDA ("UniToledo"). The acquisition through the direct subsidiary Sociedade de Ensino Superior Estácio de Sá LTDA ("SESES"), for R\$102,500, has therefore been approved by the regulatory authorities, meaning the closing of the transaction has been authorized and can now be implemented at the parties' convenience and opportunity.

* * *

New Medical Campus
(Barra da Tijuca/Rio de Janeiro)



YDUQS

EARNINGS RELEASE
3Q19

YDUQ3 | YDUQY B3 ADR

Rio de Janeiro, November 11, 2019 - **A Estácio Participações S.A.**, one of the largest private organizations in the Brazilian higher education segment, presents **results for the third quarter of 2019 (3Q19)**.

The Company's financial information is presented based on the consolidated numbers, in Brazilian Reais, in accordance with Brazilian Corporation Law and the accounting practices adopted in Brazil (BRGAAP), already in accordance with International Financial Reporting Standards (IFRS). **The comparisons refer to the third quarter of 2018 (3Q18), except stated otherwise** and were not reviewed by the audit.

To preserve the comparability between quarters, the Company also opted for disclosing **the proforma results for 3Q19, excluding the impacts of the adoption of IFRS 16 accounting rules**.

This document may have forward-looking statements that are subject to risks and uncertainties that may lead such expectations to not materialize or substantially differ from expectations. These forecasts express the opinion only for the date they were made, and the Company does not undertake to update them in the light of new information.

EARNINGS CONFERENCE CALL:

November 12th, 2019 | 09:30 a.m. (EST)

+55 (11) 3137-8056

[Click here to access the WebCast](#)

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Visit our Website: <https://www.yduqs.com.br>

MESSAGE FROM MANAGEMENT

Recent Acquisitions. In the 2Q19 release, we began the message from management highlighting the change of our brand and the possibilities that would come with YDUQS. At the time, we told you that we're ready to grow. On the next quarter, we acquired two important assets for the Group within a multi-business concept. One focused on expanding into an important area of São Paulo and the other able to transform our entire operation.

We are confident that UniToledo and Adtalem are valuable additions to our Group, not only strengthening our position as one of the largest higher education groups in Brazil but most importantly placing us at the forefront in academic quality and innovation. Adtalem was the biggest acquisition in YDUQS history. This was only possible because the group is living its best moment: we have a solid financial performance, very low leverage, a clear growth strategy, and we understand the digital world better than everyone else.

2019.2 Enrollment. We are very excited to close the 3Q19 with a new record in student enrollment for the second semester. We were positively surprised by the base's strong growth, both in the on-campus segment, up by 20%, and in the Distance Learning, up by 62% YoY. To achieve this result, we had to be more aggressive in pricing in certain regions, but overall, the average ticket was in line with our expectations. We also highlight the growth in all regions, the launch of new courses and the expansion of Distance Learning centers.

Quarter Results. Once more, our results confirm the concept of operational improvement associated with financial stability, as we had anticipated for 2019. We continued to see improvements in key indicators of our **operations**, such as the student base's growth of 8%, totaling 575,000 students.

On the financial side, we showed stable revenues and EBITDA, with strong cost control, despite the pressure of FIES graduates and the sharp decrease of its revenues. Also worth mentioning the increase in adjusted EBITDA margin,

which reached 41% (in IFRS-16), and the solid EBITDA to Cash conversion, reaching 73% in 9M 2019.

Distance Learning Segment. Growth in all fronts. From student base, to number of opened centers and financial performance. We call our attention to the license expansion to open new DL centers to 450 from 350 per year thanks to the recent quality score change in one of our institutions (UNESA), reaching the highest score according to the Ministry of Education. In addition, we expect to increase our permission to open new centers by 250 per year from UniToledo plus 550 per year from Adtalem. Combining it all, we will be able to open up to 1,250 centers a year..

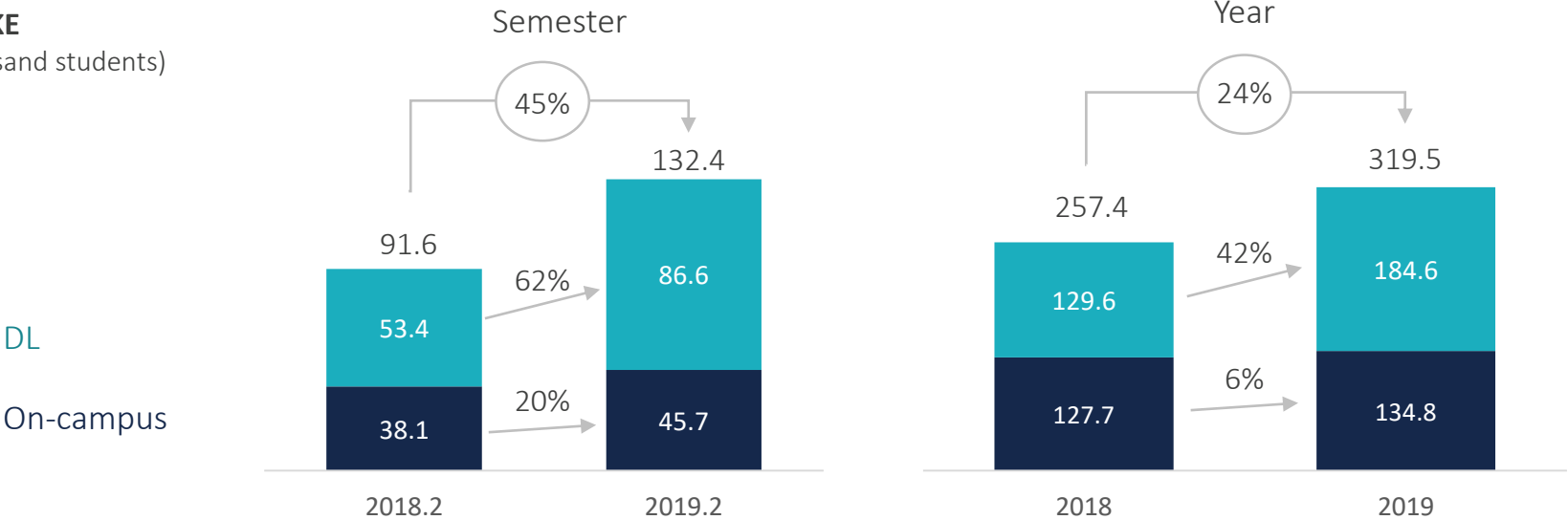
Medicine. We are expanding fast! Recently, the Ministry of Education has authorized the implementation of all our Mais Médicos II's units, which were pending approval. The four new units will be added to the eight existing ones. Under our base case scenario, this will allow us to reach a total of 1,771 authorized seats per year (considering Adtalem's units) – an important increase when compared to the 811 authorized seats in 3Q18.

Conclusion and perspectives. We ended the third quarter satisfied with the significant improvements on the operational side, such as record intake, student base growth, retention rate gain and meaningful expansion in both Distance Learning and medicine. **We are motivated and prepared for the big opportunities ahead,** not only with the expansion and improvement of Estácio's operation but especially with the growth opportunities we will have from UniToledo and Adtalem's assets.



- HIGHLIGHTS
- ✓ Growth across all regions
 - ✓ New courses
 - ✓ Expansion of DL centers
 - ✓ More effective decisions
- x Slightly negative average ticket, but within target range

INTAKE
(Thousand students)

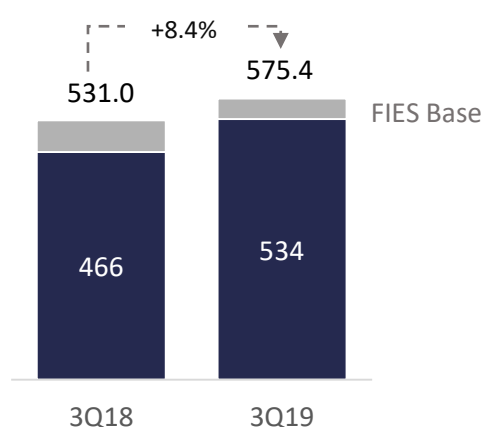


Financial Highlights (R\$MM)	3Q18	3Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	3Q19 IFRS 16	9M18	9M19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	9M19 IFRS 16
Net Revenues	852.8	833.1	-2.3%	833.1	2,752.3	2,723.0	-1.1%	2,723.0
Gross Profit	487.3	456.0	-6.4%	463.7	1,575.7	1,571.5	-0.3%	1,595.6
Gross Margin	57.1%	54.7%	-2.4 p.p.	55.7%	57.3%	57.7%	0.5 p.p.	58.6%
Adjusted EBITDA ⁽²⁾	282.8	289.6	2.4%	343.9	901.7	907.2	0.6%	1,070.6
Adjusted EBITDA Margin ⁽²⁾	33.2%	34.8%	1.6 p.p.	41.3%	32.8%	33.3%	0.6 p.p.	39.3%
Net Income	194.3	158.8	-18.3%	152.5	628.6	607.3	-3.4%	588.1
Net Margin (%)	22.8%	19.1%	-3.7 p.p.	18.3%	22.8%	22.3%	-0.5 p.p.	21.6%
Adjusted Net Income ⁽²⁾	202.6	200.7	-0.9%	194.3	651.4	649.2	-0.3%	629.9
Adjusted Net Margin (%) ⁽²⁾	23.8%	24.1%	0.3 p.p.	23.3%	23.7%	23.8%	0.2 p.p.	23.1%

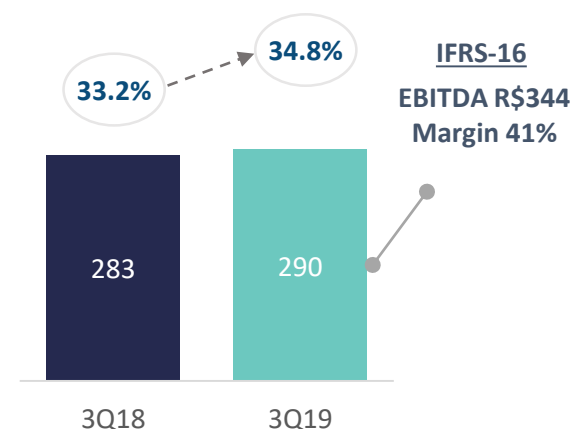
Operational Highlights

- + **Record student enrollment**, up by 20% on-campus and 60% higher in Distance Learning
- + Increase of on-campus **retention rate** to 86%, +1 pp when compared to 3Q18
- + **Student base growth** of 8.4% to 575,000 students, with 26% increase in DL

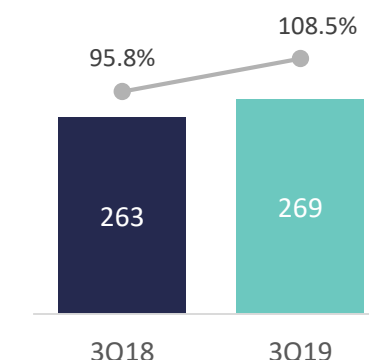
Total Base (‘000)



Adjusted EBITDA⁽²⁾ and Margin (R\$MM ex-IFRS 16; %)



Operating Cash Flow and Cash Conversion⁽³⁾ (R\$MM; ex-IFRS 16)



Financial Highlights

- + Net Revenue stability (-1% in 9M comparison), despite the fall of FIES student base
- + **Strong cost control** and increase of adjusted EBITDA by 2.4% YoY
- + **EBITDA margin of 41%** in IFRS-16 terms
- + **Solid cash conversion⁽³⁾** reaching 108% in 3Q19 and 68% in 9M19



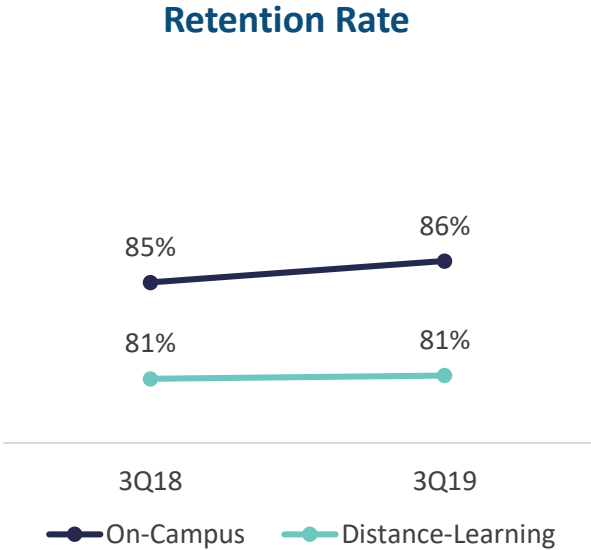
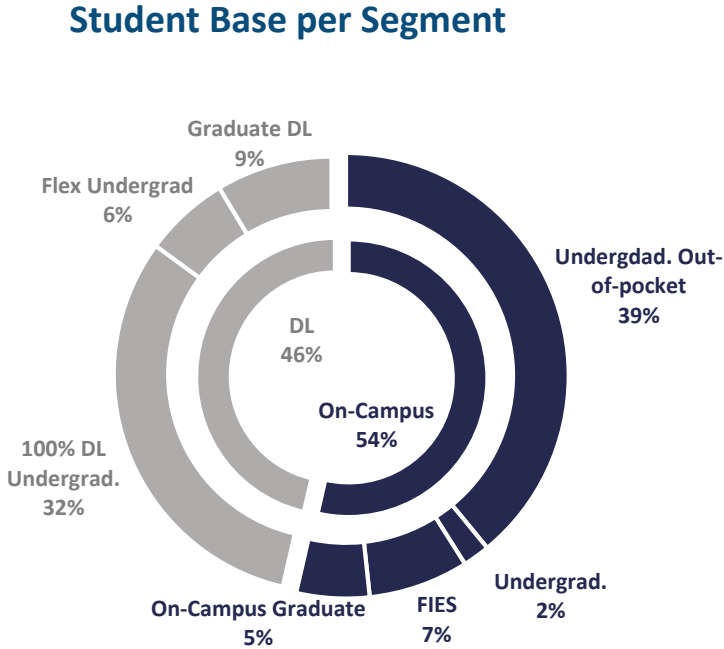
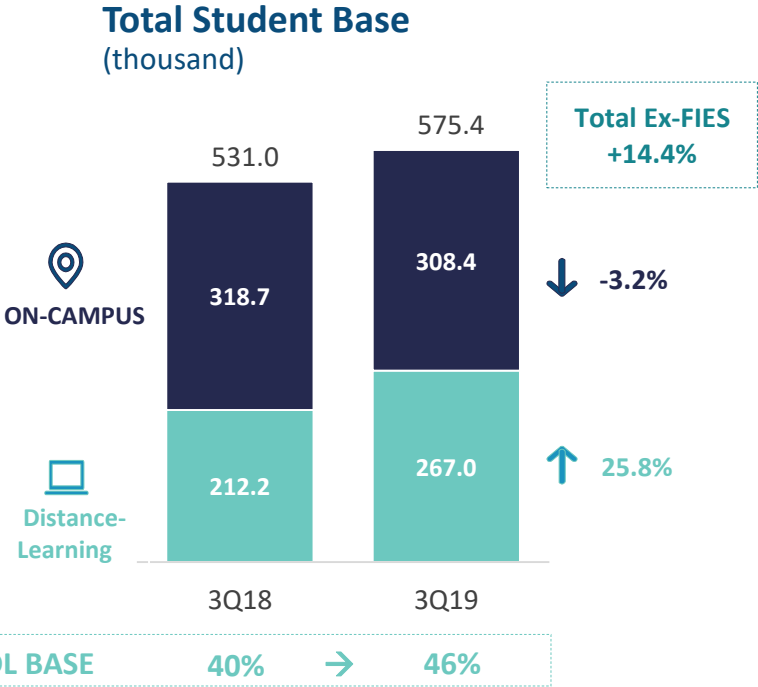
(1) Pro-forma numbers excluding the effects of IFRS-16 in 2019 to preserve better yearly comparison.
 (2) More detail on the non recurring expenses at the EBITDA section
 (3) Cash conversion = Operating Cash Flow before Capex excluding the PN 23 effect

STUDENT BASE

Overall Base ('000)	3Q18	3Q19	Δ %
Student Base	531.0	575.4	8.4%
Total ex-FIES	466.3	533.5	14.4%
Undergraduate	450.2	495.3	10.0%
Total DIS [a + b]	143.5	229.3	59.8%
Graduate	80.8	80.1	-0.8%
Own	36.4	34.1	-6.4%
Partnerships	44.3	46.0	3.8%

On-campus ('000)	3Q18	3Q19	Δ %
Total	318.7	308.4	-3.2%
Undergraduate ex-FIES	223.0	236.1	5.8%
Undergraduate	287.7	277.9	-3.4%
Total On-Campus DIS [a]	70.5	102.0	44.7%
Out-of-pocket	209.3	224.8	7.4%
FIES	64.7	41.8	-35.3%
PAR	13.7	11.3	-17.6%
Graduate	31.0	30.5	-1.7%
Own	17.5	16.1	-8.1%
Partnerships	13.5	14.4	6.5%

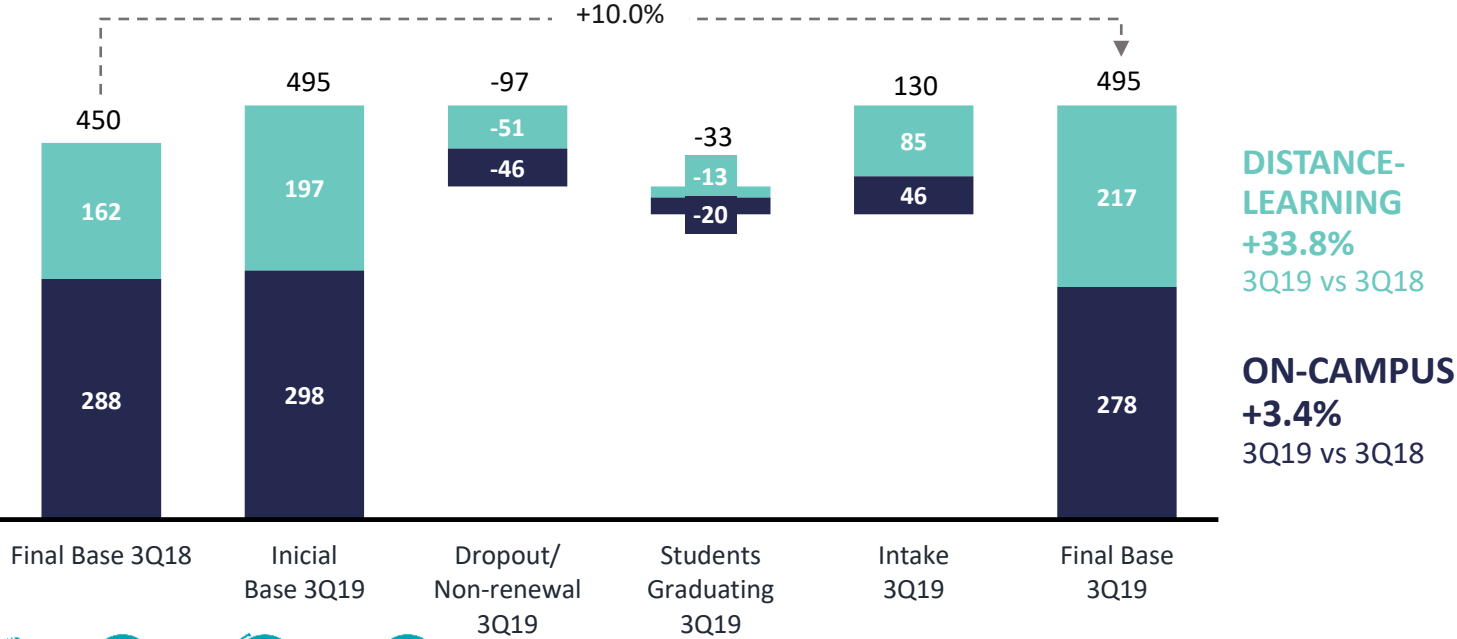
Distance Learning ('000)	3Q18	3Q19	Δ %
Total	212.2	267.0	25.8%
Undergraduate DL+ Flex	162.5	217.4	33.8%
Total DL DIS [b]	73.1	127.4	74.3%
DL: 100% online	140.9	181.0	28.4%
DIS	62.3	105.0	68.7%
DL: Flex	21.6	36.4	68.7%
DIS	10.8	22.4	106.7%
Graduate	49.7	49.6	-0.3%
Own	18.9	18.0	-4.9%
Partnerships	30.8	31.6	2.6%



CHANGES IN THE UNDERGRADUATE BASE (1/2)

In thousands	3Q18 Intake	Final 3Q18	Initial 3Q19	Dropout/ Non-renewal	Students Graduating	3Q19 Intake	Final 3Q19	Base Y/Y
Undergraduate	91.6	450.2	495.0	(96.7)	(33.3)	130.2	495.3	10.0%
On-Campus	38.1	287.7	298.0	(45.5)	(20.2)	45.6	277.9	-3.4%
FIES	1.0	64.7	49.4	(0.1)	(8.9)	1.4	41.8	-35.3%
PAR	4.3	13.7	14.7	(4.5)	-	1.1	11.3	-17.6%
Out-of-Pocket	32.8	209.3	233.9	(40.9)	(11.4)	43.1	224.8	7.4%
DIS	29.4	70.5	106.6	(32.2)	-	27.6	102.0	44.7%
100% DL + FLEX	53.4	162.5	197.0	(51.2)	(13.0)	84.6	217.4	33.8%
100% DL	45.7	140.9	164.5	(41.0)	(11.2)	68.6	181.0	28.4%
DIS	37.2	62.3	88.9	(40.0)	-	56.1	105.0	68.7%
FLEX DL	7.7	21.6	32.6	(10.2)	(1.9)	15.9	36.4	68.7%
DIS	6.6	10.8	21.4	(11.1)	-	12.0	22.4	106.7%
Total DIS	73.1	143.5	216.9	(83.3)	-	95.7	229.3	59.8%

Changes In The Undergraduate Base 3Q19 ('000)



Retention Rate ⁽¹⁾	3Q18	3Q19	3Q18
On-campus Undergraduate	85%	86%	0.9 p.p.
Distance-learning Undergraduate	81%	81%	0.1 p.p.

In 3Q19, **on-campus retention rate reached 86%**, up by 0.9 p.p. vs. 3Q18.

Retention rate of the **Distance Learning segment remained stable** year-on-year at 81%.

Intake Analysis	3Q18	3Q19
% PAR / On-campus undergrad. Intake	11.3%	2.5%
% FIES / On-campus undergrad. Intake	2.7%	3.0%
% DIS / Total Intake	79.9%	73.5%

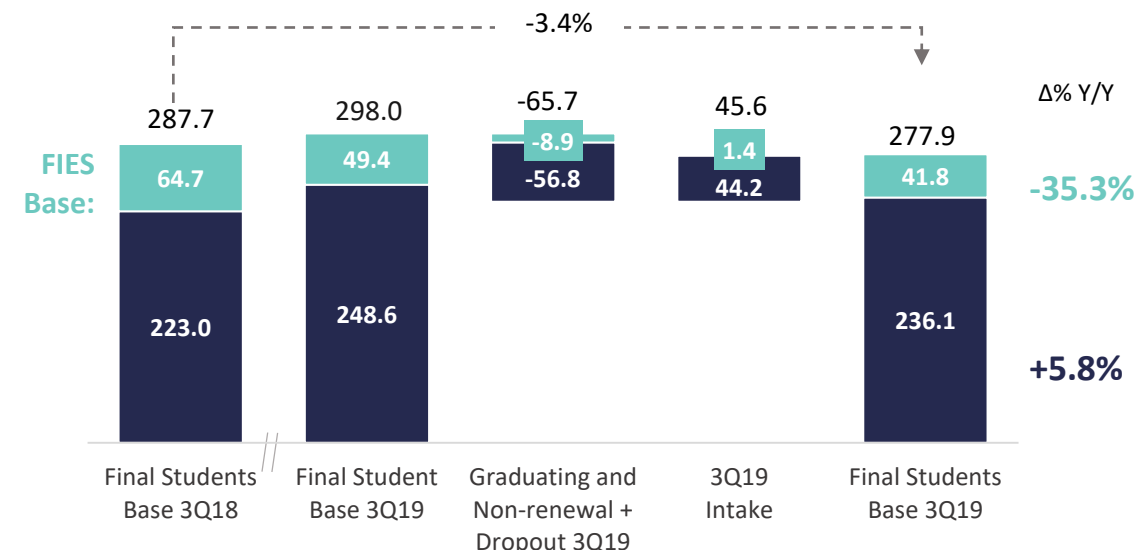
Regarding our financial programs, PAR accounted for 2.5% of the 3Q19 on-campus intake, reducing its exposure to our student base vs. 3Q18.

Regarding DIS program, its share of the total undergraduate intake in 3Q19 reached 73.5%. On the other hand, FIES accounted for 3.0% of the On-campus segment.

⁽¹⁾ Retention Rate: [1 – ((dropouts + non-renewal) / (renewable student base: initial student base - students graduating + Intake))].



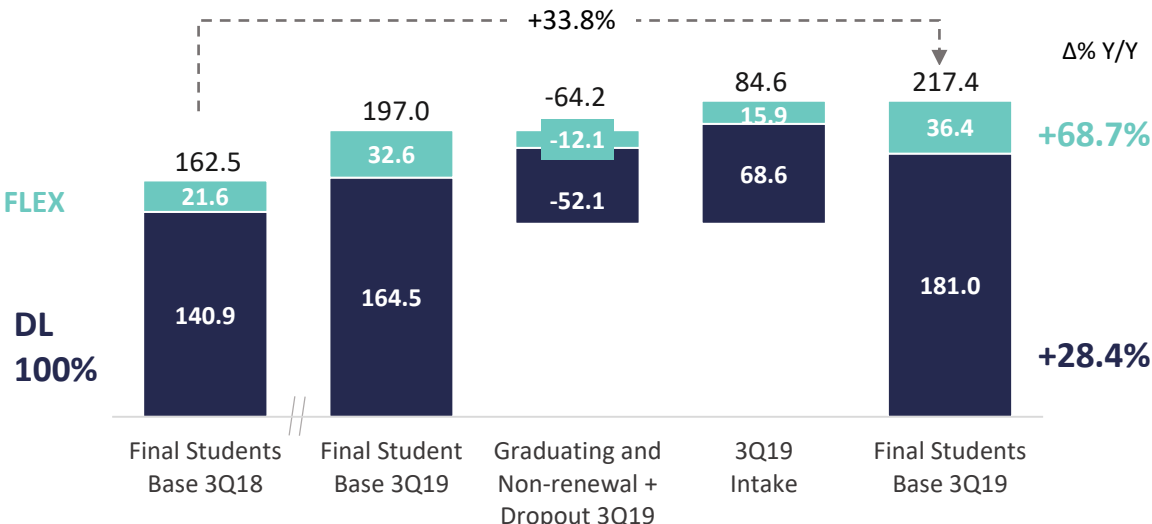
ON-CAMPUS UNDERGRADUATE ('000)



In 3Q19, the on-campus undergraduate base totaled 277,900 students, down by 3.4% YoY, chiefly due to the 35.3% decrease in FIES student base.

Excluding FIES students, the undergraduate on-campus student base increased by 5.8% over 3Q18.

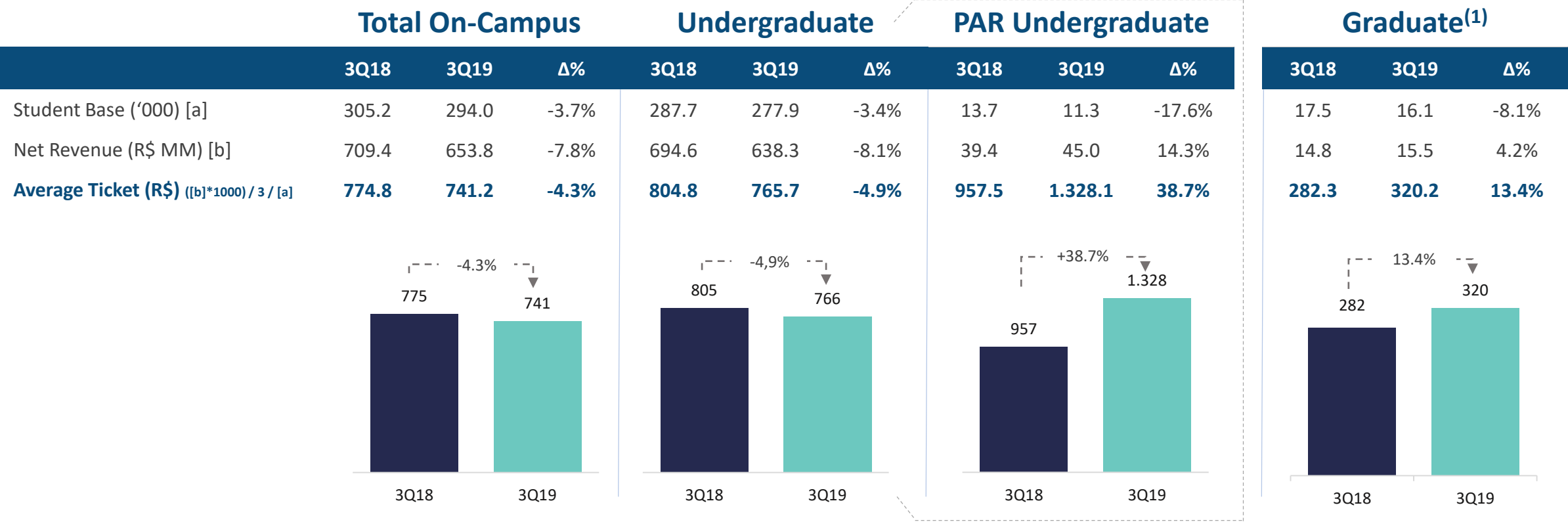
DISTANCE-LEARNING UNDERGRADUATE ('000)



The DL undergraduate student base closed the quarter at 217,400 students, up by 33.8% over 3Q18 due to the significant increase of 68.7% of Flex, which totaled 36,400 students.

The 100% online DL student base grew by 28.4% YoY, totaling 181,000 students.



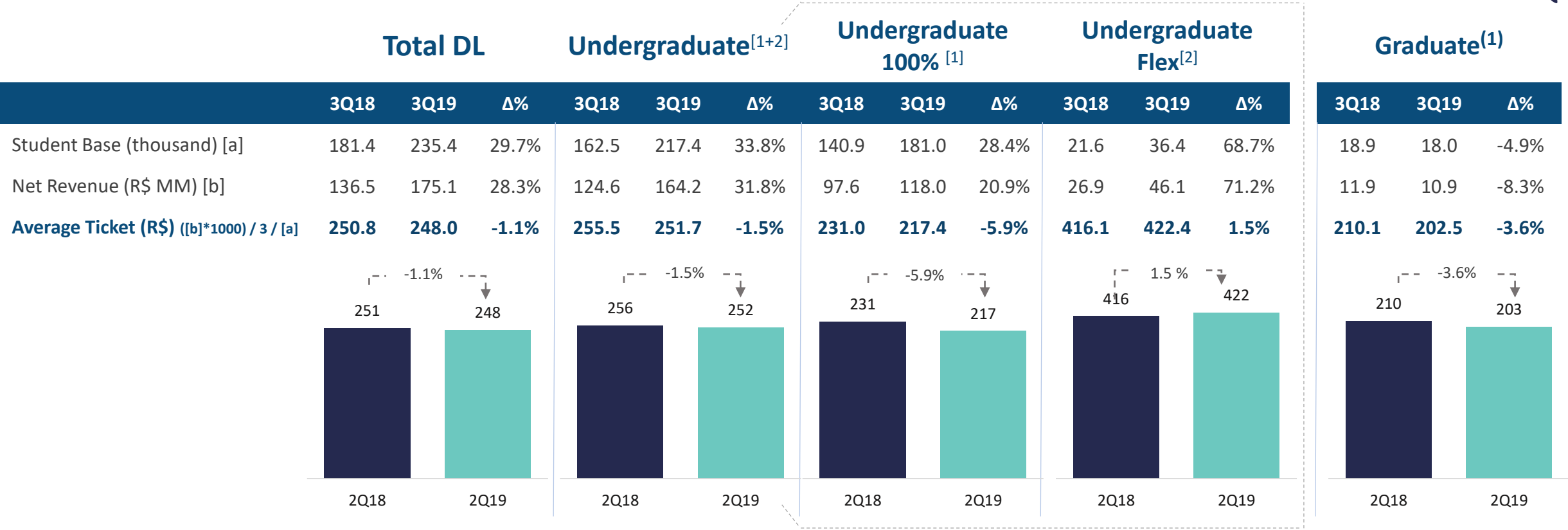


Undergraduate: the average ticket totaled R\$765.7, down by 4.9% over 3Q18, due to the decrease in FIES student base and higher discounts following intake actions on specific areas.

PAR Undergraduate: Up by 38.7% in 3Q19, mainly due to the effect of present value adjustments. Excluding APV, PAR’s average ticket would have grown 3.8% YoY

Graduate: Average ticket totaled R\$320.2, an increase of 13.4% over 3Q18, explained by the 4.2% increase in net revenues.

⁽¹⁾ Excludes students and revenues from partnership undergraduate courses.



DL Undergraduate: Average ticket totaled R\$251.7, down by 1.5% over 3Q18, as a result of the 33.8% increase in the student base.

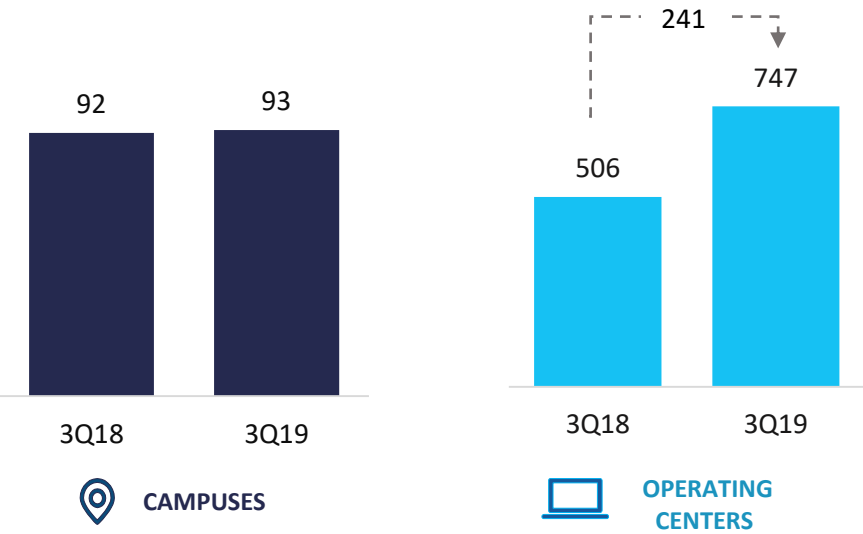
100% Online Undergraduate: Reached R\$217.4, down by 5.9% over 3Q18 due to the fast growth rate of its student base following the opening of more than 240 DL partner’s centers in the period.

Flex Undergraduate: Average ticket totaled R\$422.4, up by 1.5% over 3Q18 due to its solid revenue increase. Flex continue to gain relevance over our base, reaching 17% of the DL undergraduate base in 3Q19, benefited by new courses and offers in 2019.

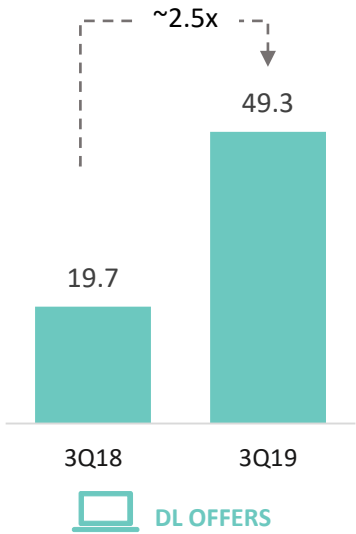
In the **DL Graduate segment**, the average ticket fell 3.6%, totaling R\$202.5, mainly due to higher discounts granted.

⁽¹⁾ Excludes students and revenue from undergraduate courses with partners from the calculation so to not distort the analysis.

Total Campuses and DL Centers



Evolution of Offers by Business Unit ('000)



Units: Active Campuses and Centers

We ended the quarter with 93 on-campus units, up by one unit (Ananindeua) vs. 3Q18.

In the Distance Learning segment, there was a sharp increase of 241 new centers year-on-year. We closed the quarter with 747 DL centers as a result of a successful business model and Company’s solid execution.

This quarter one of our institutions (UNESA) achieved concept 5 in the evaluation of the Ministry of Education (MEC). As a consequence, the Company expand its permission to open new DL centers to 450 centers per year, not considering UniToledo and Adtalem permits.

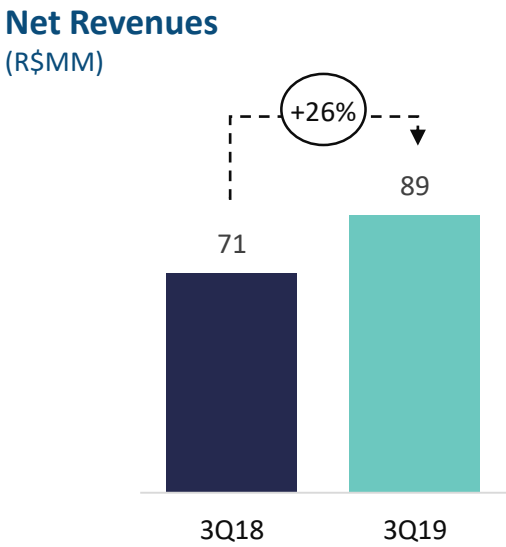
Offers: combination of course/shift/unit

The on-campus segment closed the quarter with a total of 1,954 offers, stable year-on-year. It should be noted that, despite the overall stability, offers in the health and law areas have increased in the period.

Distance Learning segment remains at strong expansion pace due to the launch of new courses and the increase in the number of centers. As a result, we closed the quarter with 49,300 offers.



2019.2							BASE CASE* 2024e		FULL POTENTIAL* 2024e	
Unit	State	Type	Operation Start	Status	Authorized seats py ⁽³⁾	Student Base	Authorized seats py ⁽³⁾	Student Base	Authorized seats py ⁽³⁾	Student Base
Presidente Vargas	RJ	Organic	1998.2	Matured	240	1,556	240	1,728	240	1,728
João Uchôa	RJ	Organic	2014.1	Matured	170	771	170	1,234	170	1,234
Juazeiro do Norte	CE	Organic	2000.1	Matured	100	675	100	782	100	782
Ribeirão Preto	SP	Organic	2015.1	In maturity	76	471	76	552	76	552
Alagoinhas	BA	MM I	2017.2	In maturity	65	120	115	708	165	948
Angra dos Reis	RJ	MM I	2018.1	In maturity	55	136	105	581	155	821
Jaraguá do Sul	SC	MM I	2018.1	In maturity	50	89	100	588	150	828
Juazeiro	BA	MM I	2018.1	In maturity	155	173	155	1,003	155	1,003
Canindé	CE	MM II	-	Implementation phase	50	-	100	480	150	660
Castanhal	PA	MM II	-	Implementation phase	50	-	100	360	150	480
Quixadá	CE	MM II	-	Implementation phase	50	-	100	360	150	480
Iguatu	CE	MM II	-	Implementation phase	50	-	100	360	150	480
Total					1,111	3,991	1,461	8,736	1,811	9,996



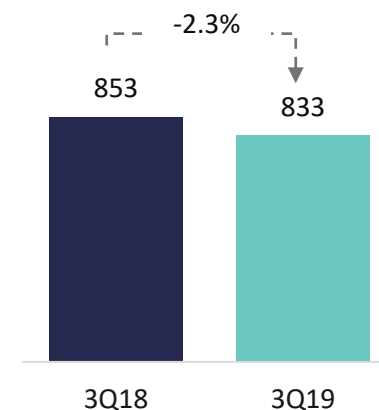
Regarding the last quarter, the suspension of the authorization proposals to operate Medicine Courses in the cities of Castanhal/PA, Quixadá/CE and Iguatu/CE was revoked. Hence, the Company is authorized to implement medicine course in these cities, offering 50 seats per year in each unit. The Ministry of Education (MEC) also authorized the Company to expand its offer in Juazeiro/BA to its maximum capacity, adding 100 medicine seats/year.

* Assuming expansion of 50 seats/year for every Mais Médicos unit on our base case scenario and 100 seats/year on full potential
(1) Does not include ProUni and FIES. On top of the authorized seats the Company may increase seats in 10% from ProUni plus another 10% from FIES
(2) Student base considers full scholarship holders from Mais Médicos units, ProUni and FIES students

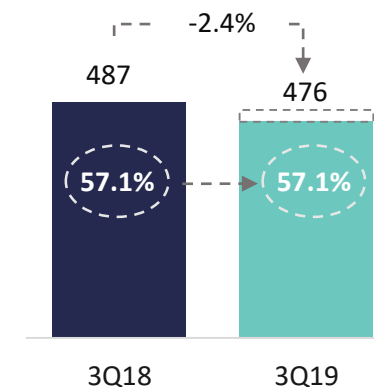


R\$ MM	3Q18	3Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	3Q19 IFRS 16
Gross Operating Revenue	1,400.3	1,482.1	5.8%	1,482.1
Monthly Tuition Fees	1,391.1	1,470.3	5.7%	1,470.3
Others	9.2	11.8	27.3%	11.8
Gross Revenue Deductions	(547.5)	(648.9)	18.5%	(648.9)
Net Operating Revenue	852.8	833.1	-2.3%	833.1
Cost of Services	(365.6)	(377.1)	3.2%	(369.4)
Gross Profit	487.3	456.0	-6.4%	463.7
<i>Gross Margin</i>	<i>57.1%</i>	<i>54.7%</i>	<i>-2.4 p.p.</i>	<i>55.7%</i>
Selling Expenses	(118.4)	(104.6)	-11.6%	(104.6)
General and Administrative Expenses	(137.8)	(159.2)	15.6%	(159.2)
Other operating revenue/expenses	(3.9)	3.7	N.A.	3.7
(+) Depreciation and amortization	47.4	52.0	9.7%	98.5
EBITDA	274.6	247.9	-9.7%	302.1
<i>EBITDA Margin</i>	<i>32.2%</i>	<i>29.8%</i>	<i>-2.4 p.p.</i>	<i>36.3%</i>
Financial Result	(38.6)	(38.9)	0.9%	(53.0)
Depreciation and amortization	(47.4)	(52.0)	9.7%	(98.5)
Income tax	4.5	2.1	-53.0%	2.1
Social contribution	1.2	(0.1)	N.A.	(0.1)
Net Income	194.3	158.8	-18.3%	152.5
<i>Net Margin</i>	<i>22.8%</i>	<i>19.1%</i>	<i>-3.7 p.p.</i>	<i>18.3%</i>
Adjusted EBITDA⁽²⁾	282.8	289.6	2.4%	343.9
<i>Margin EBITDA</i>	<i>33.2%</i>	<i>34.8%</i>	<i>1.6 p.p.</i>	<i>41.3%</i>
Adjusted Net Income⁽²⁾	202.6	200.7	-0.9%	194.3
<i>Adjusted Net Margin</i>	<i>23.8%</i>	<i>24.1%</i>	<i>0.3 p.p.</i>	<i>23.3%</i>

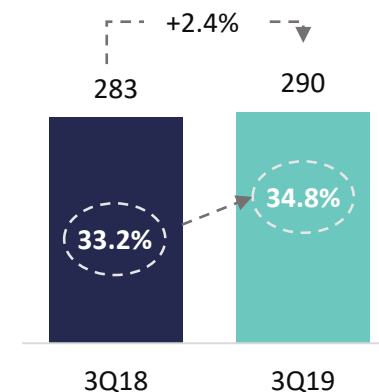
Net Revenue (R\$MM)



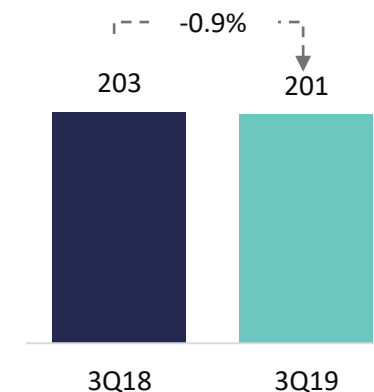
Adjusted Gross Profit and Gross Margin⁽²⁾ (R\$MM; ex-IFRS 16; %)



Adjusted EBITDA and Margin⁽²⁾ (R\$MM; ex-IFRS 16; %)



Adjusted Net Income⁽²⁾ (R\$MM; ex-IFRS 16)



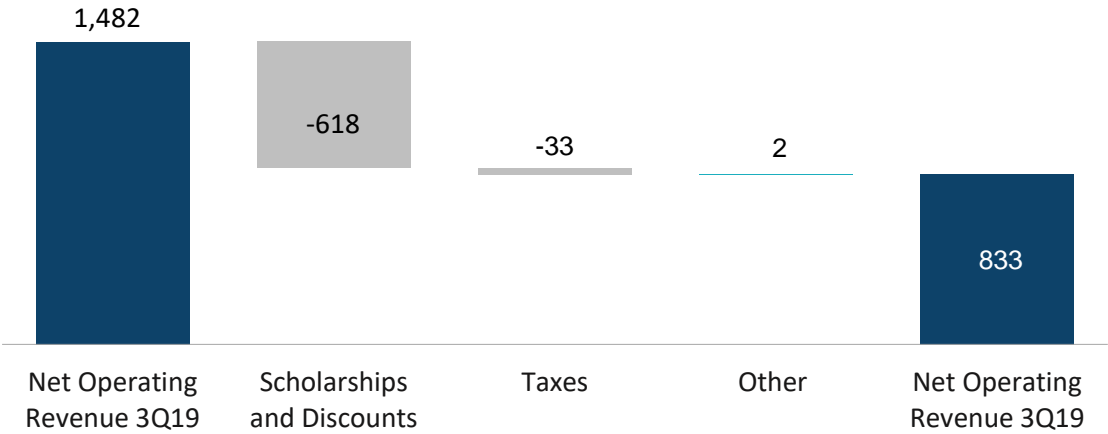
R\$ MM	3Q18	3Q19	Δ%	9M18	9M19	Δ%
Gross Revenues	1,400.3	1,482.1	5.8%	4,384.6	4,665.2	6.4%
Monthly Tuition Fees	1,391.1	1,470.3	5.7%	4,356.9	4,630.8	6.3%
Others	9.2	11.8	27.3%	27.7	34.3	23.6%
Gross Revenues Deductions	(547.4)	(648.9)	18.5%	(1,632.3)	(1,942.2)	19.0%
Discounts and Scholarships	(497.6)	(618.4)	24.3%	(1,460.5)	(1,842.8)	26.2%
Taxes	(36.5)	(33.0)	-9.6%	(120.4)	(107.7)	-10.5%
Other deductions and AVP	(13.4)	2.5	N.A.	(51.4)	8.3	N.A.
Net Revenues	852.8	833.1	-2.3%	2,752.3	2,723.0	-1.1%

Gross operating revenue increased by 5.8% in 3Q19 vs. 3Q18. In 9M19, the growth was 6.4% YoY, mainly due to the improvement in the course mix and higher student base.

In 3Q19, **net operating revenue** totaled R\$833.1 million, down by 2.3% over 3Q18. For the 9M19, the revenue remained stable, explained by the following:

- 35% decrease in the FIES student base, which has a higher average ticket;
- 24.3% increase in discounts and scholarships line, due to enrollment actions;
- Challenging macroeconomic scenario, mainly affecting the on-campus segment;
- Positive impact of interest rate curve in the AVP calculation.

Net Revenues
(R\$MM)



Change YoY	5.8%	24.3%	-9.6%	N.A.	-2.3%
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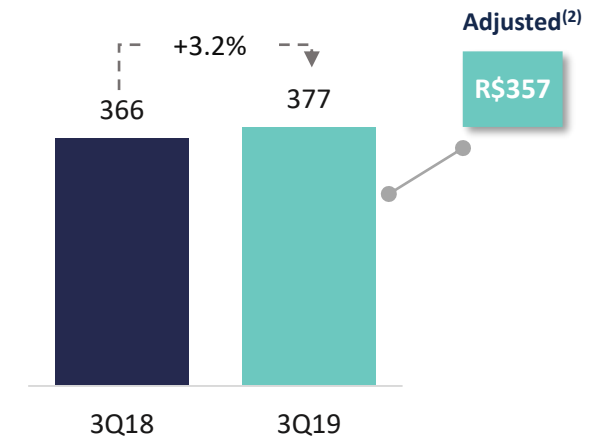


R\$ MM	3Q18	3Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	3Q19 IFRS 16
Cost of Services	(365.6)	(377.1)	3.2%	(369.4)
Personnel	(253.4)	(249.2)	-1.7%	(249.2)
Rents, municipal property tax & other	(59.3)	(63.7)	7.5%	(10.5)
Transfer of Centers and Other	(6.9)	(13.3)	91.8%	(13.3)
Third-party services	(13.6)	(14.3)	5.6%	(14.3)
Electricity, water, gas and telephone	(8.8)	(9.4)	6.8%	(9.4)
Depreciation and amortization	(23.6)	(27.2)	15.3%	(72.7)
Gross Profit	487.3	456.0	-6.4%	463.7
<i>Gross Margin</i>	<i>57.1%</i>	<i>54.7%</i>	<i>-2.4 p.p.</i>	<i>55.7%</i>
Cost of Services (% of Net Revenues)	42.9%	45.3%	2.4 p.p.	44.3%
Personnel (% Net Revenues)	29.7%	29.9%	0.2 p.p.	29.9%

(1) Proforma numbers excluding the effect of IFRS 16 in 3Q19, for better comparison with 3Q18.

(2) Adjustments from non-recurring expenses detailed in the EBITDA section.

Cost of Services
(R\$MM; ex-IFRS 16)



In 3Q19, **Cost of Services** increased by 3.2% YoY, representing 45.3% of the net revenues. The Company maintains a strong cost control with discipline and business resilience. The main highlights are as follow::

- Despite the decrease of 1.7% in personnel costs, this line was negatively impacted by non-recurring items associated with organizational restructuring of professors body which happened in July 2019.
- Transfer from partners' DL centers continues to post relevant increase, following the fast expansion of this segment. When compared to the same quarter last year, this line impacted total cost of services by R\$6.4 million.

As a consequence of higher costs, **Gross Income** reached R\$456.0 million in the quarter, down by 6.4% vs. 3Q18. Gross Margin reached 54.7%, down by 2.4 p.p. over 3Q18.

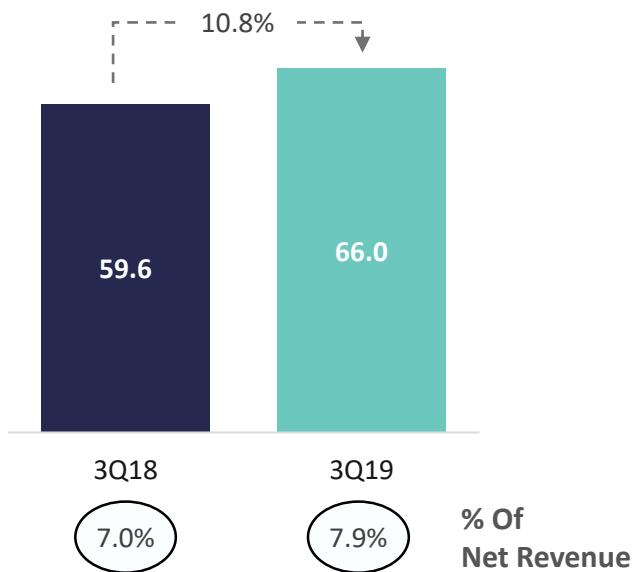


R\$ MM	3Q18	3Q19	Δ%
Selling Expenses	(118.4)	(104.6)	-11.6%
Bad debt	(58.6)	(38.5)	-34.2%
Out-of-pocket	(42.6)	(13.4)	-68.5%
PAR	(12.9)	(12.0)	-7.3%
DIS	(3.0)	(13.1)	337.1%
Advertising	(59.6)	(66.0)	10.8%
Others	(0.2)	(0.1)	-65.1%
Selling Expenses (% Net Rev.)	13.9%	12.6%	-1.3 p.p.
Bad debt (% of Net Rev.)	6.9%	4.6%	-2.2 p.p.
Advertising (% Net Rev.)	7.0%	7.9%	0.9 p.p.

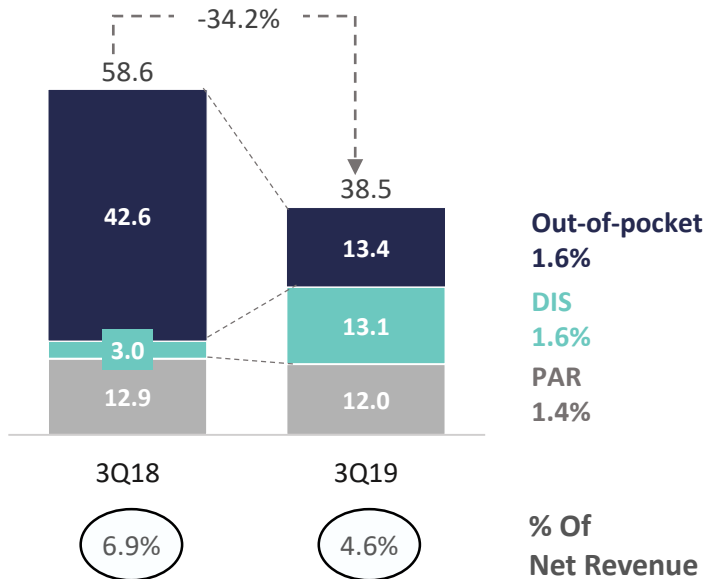
In this quarter, **Selling Expenses** totaled R\$104.6 million, down by 11.6% YoY and representing 12.6% of net revenues (-1.3 p.p. vs. 3Q18) in the quarter. This performance is a result of the reversal of provisions for doubtful accounts from out-of-pocket students due to renewal process and higher recovery rate from old credits.

In 3Q19, **Advertising Expenses** increased by 10.8% over 3Q18, representing 7.9% of the Company's Net Revenue. Such increase is related to greater commercial activity to stimulate intake and renewal of students.

Advertising Expenses
(R\$MM)



Bad Debt and % of Net Revenue
(R\$MM)



R\$ MM	3Q18	3Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	3Q19 IFRS 16
General and Administrative Expenses	(137.8)	(159.3)	15.6%	(159.2)
Personnel	(42.1)	(47.8)	13.5%	(47.8)
Third-party services	(27.0)	(28.8)	6.6%	(28.8)
Provision for contingencies	(20.7)	(12.7)	-38.6%	(12.7)
Maintenance and repair	(7.9)	(13.0)	63.7%	(13.0)
Other	(16.2)	(32.2)	98.2%	(31.1)
Depreciation and amortization	(23.8)	(24.8)	4.1%	(25.8)
Other operating revenue/expenses	(3.9)	3.7	N.A.	3.7
G&A Expenses (% Net Rev.)	16.2%	19.1%	3.0 p.p.	19.1%

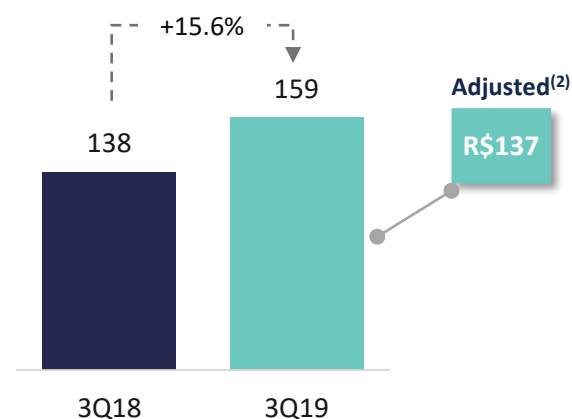
(1) Proforma numbers excluding the effect of IFRS 16 in 3Q19, for better comparison with 3Q18.

(2) Adjustments from non-recurring expenses detailed in the EBITDA section.

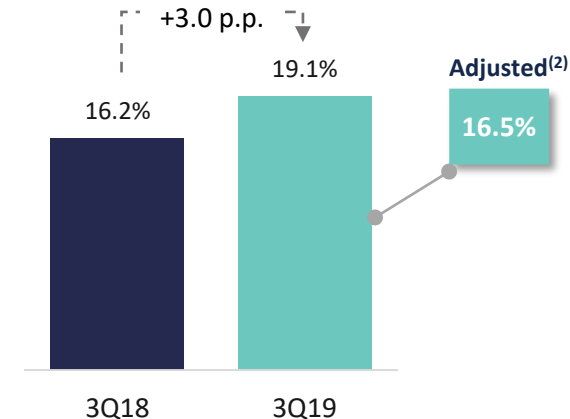
At 3Q19, **General and Administrative Expenses** represented 19.1% of Net Revenues, up by 3.0 p.p. YoY. See the main impacts below:

- Personnel increased R\$5.7 million YoY;
- Maintenance and Repair increased by R\$5.0 million due to software update and general repairs of our units.
- Other Expenses increased by R\$16.0 million, due to a combination of higher expenses with academic resources related to courses in the health area, travel and accommodation and rental contract termination.

General and Administrative Expenses
(R\$ MM; ex-IFRS 16)



G&A of Net Revenue
(%; ex-IFRS 16)



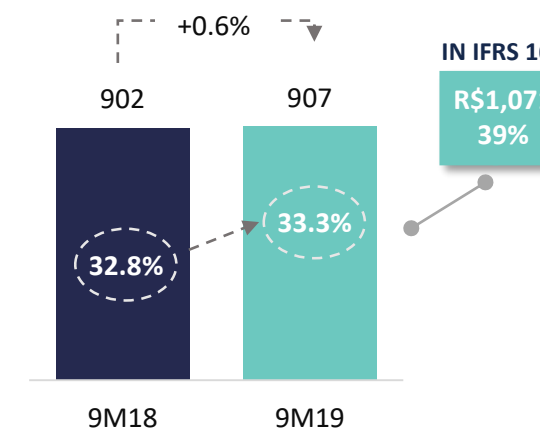
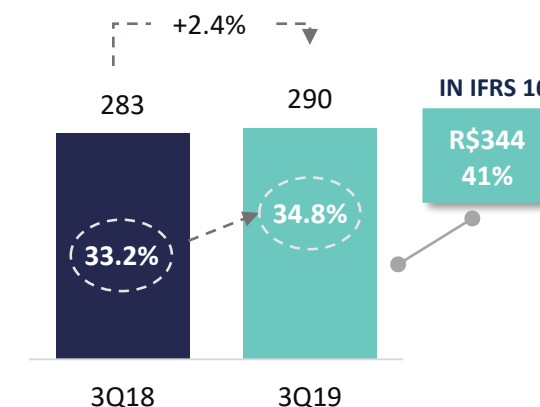
R\$ MM	3Q18	3Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	3Q19 IFRS 16	9M18	9M19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	9M19 IFRS 16
Net Revenue	852.8	833.1	-2.3%	833.1	2,752.3	2,723.0	-1.1%	2,723.0
Costs and Expenses	(625.7)	(637.3)	1.9%	(629.6)	(2,017.5)	(2,003.9)	-0.7%	(1,979.8)
(+) Depreciation and amortization	47.4	52.0	9.7%	98.5	143.9	146.3	1.7%	285.5
EBITDA	274.6	247.8	-9.7%	302.1	878.8	865.4	-1.5%	1,028.8
<i>EBITDA Margin</i>	<i>32.2%</i>	<i>29.7%</i>	<i>-2.4 p.p.</i>	<i>36.3%</i>	<i>31.9%</i>	<i>31.8%</i>	<i>-0.1 p.p.</i>	<i>37.8%</i>
Non-recurring items:								
<i>Organizational Restructuring</i>	-	19.8	N.A	19.8	3.0	19.8	558.8%	19.8
<i>Consulting</i>	8.3	-	N.A	-	19.9	-	N.A	-
<i>M&A</i>	-	6.2	N.A	6.2	-	6.2	N.A	6.2
<i>Termination of rental contract</i>	-	15.8	N.A	15.8	-	15.8	N.A	15.8
Adjusted EBITDA	282.8	289.6	2.4%	343.9	901.6	907.2	0.6%	1,070.6
<i>Adjusted EBITDA Margin</i>	<i>33.2%</i>	<i>34.8%</i>	<i>1.6 p.p.</i>	<i>41.3%</i>	<i>32.8%</i>	<i>33.3%</i>	<i>0.6 p.p.</i>	<i>39.3%</i>

(1) Proforma numbers excluding the effect of IFRS 16 in 3Q19 to preserve yearly comparison.

In 3Q19, the Company's **EBITDA** reached R\$247.8 million, down 9.7% YoY. This quarter EBITDA was impacted by the following non-recurring events: (i) organizational restructuring, (ii) M&A expenses and (iii) expenses with rental contract termination. Excluding non-recurring events, **EBITDA would have reached R\$289.6 million in 3Q19, up by 2.4% YoY** and EBITDA Margin at 34.8% (+1.6 p.p. YoY).

Adjusted EBITDA for 9M19 totaled R\$907.2 million, up by 0.6% YoY, reaching an Adjusted EBITDA Margin of 33.3% (+0.6 p.p. vs. 9M18).

Adjusted EBITDA and Margin (R\$MM; ex-IFRS 16; %)



R\$ MM	3Q18	3Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	3Q19 IFRS 6
Financial Result	(38.6)	(38.9)	0.8%	(53.0)
Financial Revenue	24.7	28.9	17.1%	28.9
Fines and interest charged	11.1	11.3	1.4%	11.3
Investment revenue	10.9	12.6	16.1%	12.6
Inflation adjustment & Others	2.7	5.0	86.2%	5.0
Financial Expenses	(63.3)	(67.8)	7.2%	(81.9)
Interest and financial charges	(20.4)	(23.0)	12.7%	(23.0)
Financial discounts	(15.4)	(41.2)	168.2%	(41.2)
Bank expenses	(10.5)	(7.5)	-28.1%	(7.5)
Adjustment of contingencies & Others	(17.0)	3.9	N.A.	(10.2)

⁽¹⁾ Proforma numbers excluding the effect of IFRS 16 in 3Q19, for better comparison with 3Q18.

Net Income totaled R\$158.8 million in 3Q19, down by 18.3%, reaching a net margin of 19.1%, down by 3.7 p.p. when compared to 3Q18, mainly due to non-recurring expenses totaling R\$41.8 million.

Excluding these non-recurring events, Net Income would have reached R\$200.7 million in 3Q19, stable YoY, with a net margin of 24.1%, representing a slight increase of 0.3 p.p. YoY.

Financial Income was negative in R\$38.9 million in 3Q19, stable year-over-year.

Regarding financial expenses, its worth highlighting that the line of contingencies and other was impacted by a reversal of interest and monetary adjustments. Regarding financial discounts, the increase is mostly related to debt renegotiation campaigns and enrollment renewal period.

R\$ MM	3Q18	3Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	3Q19 IFRS 16
EBITDA	274.6	247.8	-9.8%	302.1
Financial Result	(38.6)	(38.9)	0.9%	(53.0)
Depreciation and amortization	(47.4)	(52.0)	9.7%	(98.5)
Profit before income tax and social contribution	188.6	156.8	-16.8%	150.5
Income tax	4.5	2.1	-53.0%	2.1
Social contribution	1.2	(0.1)	-111.5%	(0.1)
Net Income	194.3	158.8	-18.3%	152.5
<i>Net Margin (%)</i>	<i>22.8%</i>	<i>19.1%</i>	<i>-3.7 p.p.</i>	<i>18.3%</i>
Adjusted EBITDA	282.8	289.6	2.4%	343.9
<i>Adjusted EBITDA Margin</i>	<i>33.2%</i>	<i>34.8%</i>	<i>1.6 p.p.</i>	<i>41.3%</i>
Adjusted Net Income	202.6	200.7	-0.9%	194.3
<i>Adjusted Net Margin</i>	<i>23.8%</i>	<i>24.1%</i>	<i>0.3 p.p.</i>	<i>23.3%</i>

⁽¹⁾ Proforma numbers excluding the effect of IFRS 16 in 3Q19, for better comparison with 3Q18.



R\$ MM	3Q18	3Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	3Q19 IFRS 16
Cash and cash equivalents [a]	770.6	865.8	12.4%	865.8
Indebtedness [b]	(494.1)	(724.5)	46.6%	(1,927.3)
Loans	(428.1)	(697.4)	62.9%	(1,900.3)
Commitments payable (Acquisitions)	(55.1)	(18.5)	-66.4%	(18.5)
Taxes paid in installments	(10.9)	(8.6)	-21.5%	(8.6)
Net Debt [b-a]	276.5	141.3	-48.9%	(1,061.6)
Net Debt/ EBITDA (Annualized) ⁽²⁾	-0.3x	-0.1x	-	1.0x

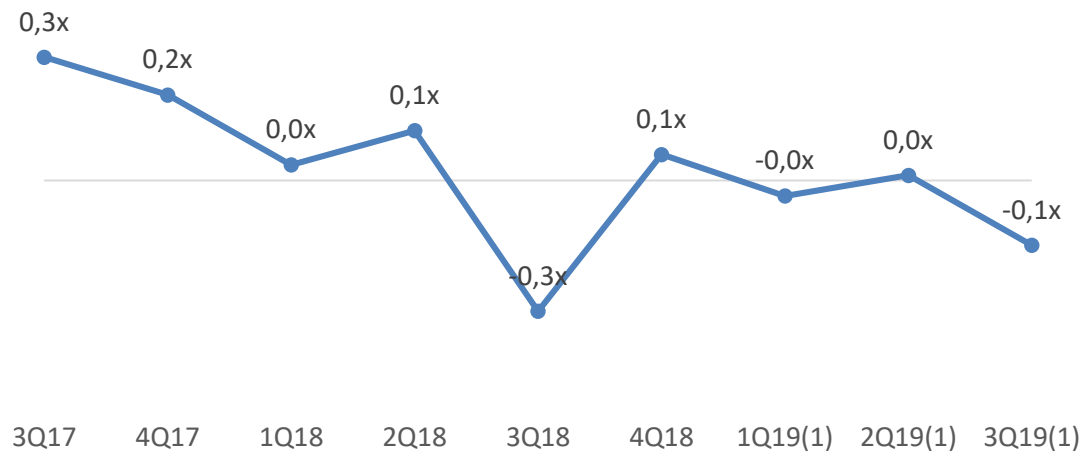
(1) Proforma numbers excluding the effect of IFRS 16 in 3Q19, for better comparison with 3Q18.

(2) Reported EBITDA.

Cash & Cash Equivalents totaled R\$865.8 million at the end of 3Q19.

Excluding the effects of IFRS 16, Gross Debt grew 46.6% over 3Q18, with the Company’s cash position increasing by 12.4%. At the end of the quarter, the Company posted **Net Cash position of R\$141.3 million** and a net debt (cash)/LTM EBITDA ratio of -0.1x.

Net Debt/ EBITDA (Annualized)



R\$ MM	3Q18	2Q19	3Q19
Monthly tuition fees received from students	757.1	1,102.9	1,097.6
Out-of-Pocket	422.7	631.5	517.7
Exchange Deals	24.3	27.7	27.4
PAR	162.8	201.3	221.6
DIS	142.5	242.3	330.9
Educar Amazônia	4.8	-	-
FIES	338.7	280.2	219.6
Others	190.7	167.1	201.8
Gross Accounts Receivable	1,286.6	1,550.2	1,519.1

Bad Debt	(346.6)	(481.2)	(497.3)
Out-of-Pocket	(264.3)	(360.1)	(351.1)
PAR (50%)	(59.7)	(86.2)	(98.2)
DIS (15%)	(18.6)	(34.9)	(48.0)
Educar Amazônia – Long Term	(4.0)	-	-
Amounts to be identified	(8.0)	(10.4)	(8.2)
Adjustment to present value (APV)	(60.8)	(38.9)	(36.4)
APV PAR	(43.5)	(29.0)	(25.3)
APV EDUCAR	(0.3)	-	-
APV DIS	(17.0)	(9.9)	(11.1)
Net Accounts Receivable	871.1	1,019.7	977.2

Gross Receivables totaled R\$1,519.1 million in the quarter, up by 18.1% over 3Q18, due to the increase in of our base as a result of a strong 2019 intake cycle and new vintages of DIS students.

Net Receivables reached R\$977.2 million, up by 12.2% over 3Q18 following the increase in gross receivables.

The increase in provisions remains impacted by the change in student mix, which now has fewer FIES students (with lower provisions) and more out-of-pocket and financing students.

PAR and DIS Reconciliation

PAR

R\$ MM	3Q18	3Q19
Gross revenue paid in cash	15.4	15.2
Gross revenue paid in installments	34.7	27.3
Taxes – Revenue deductions	(1.8)	(1.2)
Adjustment to Present Value (APV) ¹⁾	(8.9)	3.7
Bad Debt (50% provisioning)	(12.9)	(12.0)
Bad Debt non-renegotiated dropouts	(6.2)	(8.3)
Bad Debt (% Total Net. Rev.)	1.5%	1.4%

DIS

R\$ MM	3Q18	3Q19
Gross revenue paid in cash	5.4	8.4
Gross revenue paid in installments	73.8	100.1
Taxes – Revenue deductions	(2.2)	(3.6)
Adjustment to Present Value (APV) ¹⁾	(2.5)	(1.2)
Bad Debt (15% provisioning)	(3.0)	(13.1)
Bad Debt non-renegotiated dropouts	(12.4)	(6.8)
Bad Debt (% Total Net. Rev.)	0.4%	1.6%

⁽¹⁾ Correction of installments based on IPCA and brought to present value based on NTN-2024.

Average Term Of Receivables

R\$ MM	3Q18	3Q19
Net Accounts Receivable	871.1	977.2
Annualized Net Revenue	3,590.8	3,590.0
Average Receivables Days	87	98

Non-FIES Average Term Of Receivables

R\$ MM	3Q18	3Q19
Net Accounts Receivable Ex-APV	871.1	977.2
Accounts Receivable Non-FIES	532.4	757.6
Annualized Net Revenue Non-FIES	2,550.5	2,901.2
Non-FIES Average Receivables Days	75	94

FIES Average Term Of Receivables

R\$ MM	3Q18	3Q19
FIES Accounts Receivable	338.7	219.6
FIES Revenue (LTM)	1.133.9	781.5
FGEDUC deductions (LTM)	(47.9)	(64.0)
Taxes (LTM)	(45.6)	(28.6)
FIES Net Revenue (LTM)	1,040.4	688.8
FIES Average Receivables Days	117	115

Company’s ATR totaled 98 days, up by 11 days over 3Q18. Excluding the FIES effect, our ATR would reach 94 days.

FIES ATR fell 2 days over 3Q18, closing the quarter at 115 days.



Aging of Total Gross Accounts Receivable¹

R\$ MM	3Q18	AV	3Q19	AV
FIES	338.7	26%	219.6	15%
Not yet due	574.7	45%	760.3	50%
Overdue up to 30 days	93.2	7%	109.9	7%
Overdue from 31 to 60 days	35.5	3%	42.4	3%
Overdue from 61 to 90 days	11.7	1%	15.9	1%
Overdue from 91 to 179 days	109.6	9%	154.2	10%
Overdue more than 180 days	123.2	10%	216.7	14%
Gross Accounts Receivable	1,286.6	100%	1,519.1	100%

¹ Note: The amounts overdue more than 360 days are written-off from Accounts Receivable up to the limit of the allowance for doubtful accounts

Aging of Agreements Receivable²

R\$ MM	3Q18	AV	3Q19	AV
Not yet due	43.9	50%	39.4	47%
Overdue up to 30 days	7.0	8%	6.8	8%
Overdue from 31 to 60 days	3.0	3%	4.2	6%
Overdue from 61 to 90 days	2.0	2%	3.2	4%
Overdue from 91 to 179 days	8.4	10%	9.9	12%
Overdue more than 180 days	24.0	27%	19.5	23%
Agreements Receivable	88.3	100%	83.0	100%
% over non-FIES Gross Accounts Receivable	9%	-	6%	-

² Note: Excludes credit card agreements

FIES: Changes of Accounts Receivable

R\$ MM	3Q18	AV	3Q19
Opening balance	581.1	151.0	-74.0%
FIES revenue	244.1	157.6	-35.4%
Transfer	(468.8)	(76.0)	-83.8%
Provision for FIES	(19.3)	(14.5)	-24.6%
Closing Balance	337.1	218.0	-35.3%

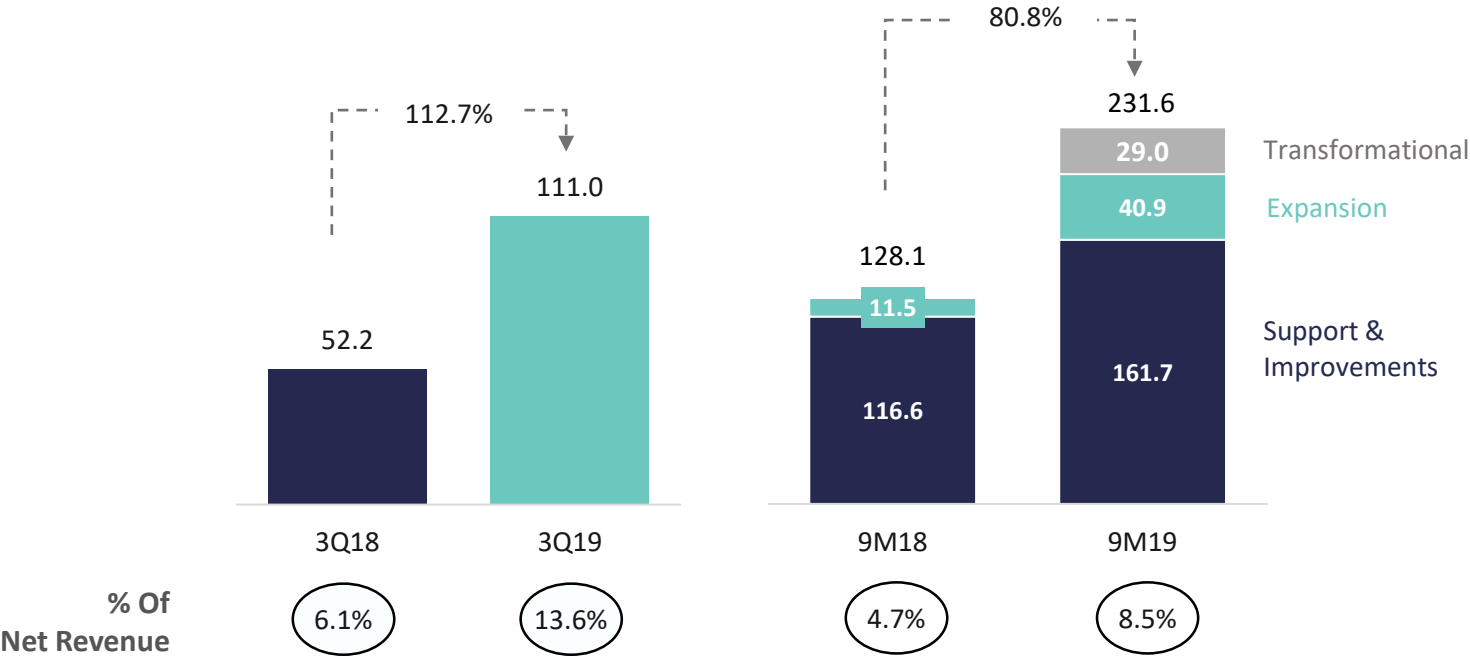
FIES: Changes of Accounts Offsetable

R\$ MM	3Q18	3Q19	Δ%
Opening balance	147.2	129.3	-12.2%
Transfer	468.8	76.0	-83.8%
Payment of taxes	(70.5)	(10.1)	-85.6%
Buyback in auctions	(543.8)	(193.5)	-64.4%
Closing balance	1.6	1.7	3.1%



R\$ MM	3Q18	3Q19	Δ%	9M18	9M19	Δ%
Total CAPEX	52.2	111.0	112.7%	128.1	231.6	80.8%
Support & Improvements	41.6	69.4	66.9%	116.6	161.7	38.7%
Expansion	10.6	24.3	129.2%	11.5	40.9	255.7%
Transformational	-	17.3	N.A	-	29.0	N.A
Total CAPEX/ (% Net. Rev.)	6.1%	13.3%	7.2 p.p.	4.7%	8.5%	3.9 p.p.
Support. & Improvements/ (% Net. Rev.)	4.9%	8.3%	3.5 p.p.	4.2%	5.9%	1.7 p.p.

Capex
(R\$MM)



CAPEX totaled R\$111.0 million in 3Q19, up by 112.7% over 3Q18 and within the Company expectation of closing the year with approximately R\$330 million in capex.

In 9M19, capex by segment performed as follow:

- Sustainability & Improvements:** Recurring investments that contribute to the maintenance and improvement of our business. Construction and infrastructure plus projects related to academic model enhancement were the main relevant themes on this line;
- Expansion:** Investments directly linked to revenues generation. Mais Médicos medicine schools and new dental labs concentrated investments on this area;
- Transformational:** remains impacted by non-recurring projects such as document scanning systems, compliance to the regulatory framework and upgrade to the air conditioning system, as well as systems development within the scope of the customer loyalty project (Loyalty).



R\$ MM	3Q18	2Q19	3Q19
Current Assets	1,632.1	1,618.9	1,664.5
Cash and cash equivalents	8.6	19.4	10.1
Marketable securities	762.0	698.8	855.7
Accounts receivable	704.1	813.1	714.6
Advances to employees/third-parties	15.7	7.3	6.3
Prepaid expenses	8.1	11.5	9.3
Taxes and contributions	94.3	58.0	57.2
Others	39.4	10.7	11.4
Non-Current Assets	2,569.5	3,945.3	4,075.7
Long-Term Assets	564.3	661.7	729.4
Accounts receivable	167.1	206.6	262.6
Prepaid expenses	4.9	5.0	4.7
Judicial deposits	97.5	80.1	79.3
Taxes and contributions	91.5	192.7	192.8
Deferred taxes and others	203.3	177.4	190.0
Permanent Assets	2,005.2	3,283.5	3,346.4
Investments	0.2	0.2	0.2
Property and equipment	605.4	1,862.8	1,898.2
Intangible assets	1,399.6	1,420.4	1,447.9
Total Assets	4,201.7	5,564.2	5,740.2

R\$ MM	3Q18	2Q19	3Q19
Current Liabilities	812.6	650.0	683.1
Loans and financing	349.9	83.6	63.9
Leasing	-	165.5	188.7
Suppliers	113.0	122.0	140.7
Salaries and payroll charges	232.5	199.7	215.5
Tax liabilities	32.2	32.4	34.8
Prepaid monthly tuition fees	21.6	11.5	22.8
Advance of the current agreement	-	1.8	1.8
Taxes paid in installments	3.8	3.0	2.8
Acquisition price to be paid	49.4	17.4	3.3
Others	10.0	13.0	8.8
Long-Term Liabilities	265.8	1,880.5	1,865.1
Loans and financing	78.2	605.0	601.6
Contingencies	123.5	145.5	126.5
Leasing	-	1,040.3	1,046.1
Advance of agreement	-	16.1	15.6
Taxes paid in installments	7.1	6.0	5.8
Provision for asset demobilization	24.8	27.9	30.1
Deferred taxes	5.9	3.6	2.9
Acquisition price to be paid	5.6	15.0	15.2
Others	20.7	21.2	21.3
Shareholders' Equity	3,123.3	3,033.7	3,192.0
Capital	1,139.8	1,139.9	1,139.9
Share issue costs	(26.9)	(26.9)	(26.9)
Capital reserves	663.6	666.5	668.6
Earnings reserves	924.9	1,016.6	1,016.6
Period result	628.6	435.6	588.1
Treasury shares	(206.6)	(198.1)	(194.3)
Total Liabilities and Shareholders' Equity	4,201.7	5,564.2	5,740.2



INCOME STATEMENT BY BUSINESS UNIT

2019 in IFRS 16

OPERATION

FINANCIALS

APPENDIX

YDUQS

3Q19

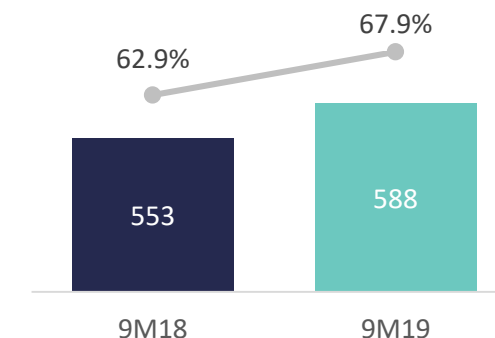
	On-Campus			Distance Learning			Corporate			Consolidated		
R\$ MM	3Q18	3Q19 IFRS 16	Δ%	3Q18	3Q19 IFRS 16	Δ%	3Q18	3Q19 IFRS 16	Δ%	3Q18	3Q19 IFRS 16	Δ%
Gross Revenues	1,171.9	1,170.3	-0.1%	228.4	311.7	36.5%	-	-	-	1,400.3	1,482.1	5.8%
Deductions from Gross Revenue	(455.6)	(513.2)	12.7%	(91.9)	(135.7)	47.6%	-	-	-	(547.4)	(648.9)	18.5%
Net Revenues	716.4	657.1	-8.3%	136.5	176.1	29.0%	-	-	-	852.9	833.1	-2.3%
Cost of Services	(347.0)	(346.2)	-0.2%	(18.5)	(23.2)	25.1%	-	-	-	(365.6)	(369.4)	1.1%
Personnel	(240.5)	(238.5)	-0.8%	(12.9)	(10.7)	-17.4%	-	-	-	(253.4)	(249.2)	-1.7%
Rents, municipal property tax & other	(59.3)	(11.3)	-81.0%	0.0	0.8	4498.9%	-	-	-	(59.3)	(10.5)	-82.3%
Third-party services and Others	(23.8)	(24.6)	3.3%	(5.5)	(12.4)	126.5%	-	-	-	(29.3)	(37.0)	26.4%
Depreciation and amortization	(23.4)	(71.9)	206.6%	(0.2)	(0.9)	434.5%	-	-	-	(23.6)	(72.7)	208.2%
Gross Profit	369.3	310.9	-15.8%	118.0	152.9	29.6%	-	-	-	487.3	463.7	-4.8%
<i>Gross Margin</i>	<i>51.6%</i>	<i>47.3%</i>	<i>-4.2 p.p.</i>	<i>86.4%</i>	<i>86.8%</i>	<i>0.4 p.p.</i>	-	-	-	<i>57.1%</i>	<i>55.7%</i>	<i>-1.5 p.p.</i>
Selling and G&A Expenses	(85.4)	(80.0)	-6.3%	(20.6)	(17.2)	-16.4%	(154.1)	(163.0)	5.7%	(260.1)	(260.2)	0.0%
Personnel	(1.1)	(2.3)	103.0%	(3.6)	(3.7)	4.3%	(37.5)	(41.9)	11.7%	(42.1)	(47.8)	13.5%
Advertising	-	-	N.A	-	-	N.A	(59.6)	(66.0)	10.8%	(59.6)	(66.0)	10.8%
Bad Debt	(44.5)	(29.4)	-33.8%	(14.1)	(9.1)	-35.5%	-	-	N.A	(58.6)	(38.5)	-34.2%
Other expenses	(36.7)	(44.0)	19.9%	(2.7)	(3.9)	48.3%	(36.6)	(34.0)	-7.1%	(76.0)	(82.0)	7.9%
Depreciation and amortization	(3.1)	(4.2)	38.1%	(0.3)	(0.5)	53.8%	(20.4)	(21.1)	3.2%	(23.8)	(25.8)	8.4%
Operating Profit	284.0	230.9	-18.7%	97.4	135.6	39.3%	(154.1)	(163.0)	5.7%	227.2	203.6	-10.4%
<i>Operating Margin (%)</i>	<i>39.6%</i>	<i>35.1%</i>	<i>-4.5 p.p.</i>	<i>71.3%</i>	<i>77.0%</i>	<i>5.7 p.p.</i>	-	-	-	<i>26.6%</i>	<i>24.4%</i>	<i>-2.2 p.p.</i>
EBITDA in IFRS 16	310.5	307.0	-1.1%	97.9	137.0	40.0%	(133.7)	(141.9)	6.1%	274.6	302.1	10.0%
<i>EBITDA Margin (%)</i>	<i>43.3%</i>	<i>46.7%</i>	<i>3.4 p.p.</i>	<i>71.7%</i>	<i>77.8%</i>	<i>6.1 p.p.</i>	-	-	-	<i>32.2%</i>	<i>36.3%</i>	<i>4.1 p.p.</i>
EBITDA ex-IFRS 16	310.5	254.0	-18.2%	97.9	136.3	39.2%	(133.7)	(142.5)	6.6%	274.6	247.9	-9.7%
<i>EBITDA Margin(%)</i>	<i>43.3%</i>	<i>38.7%</i>	<i>-4.7 p.p.</i>	<i>71.7%</i>	<i>77.4%</i>	<i>5.7 p.p.</i>	-	-	-	<i>32.2%</i>	<i>29.8%</i>	<i>-2.4 p.p.</i>



R\$MM	3Q18	3Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	3Q19 IFRS 16	9M18	9M19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	9M19 IFRS 16
Profit before taxes	188,6	156,8	-16,8%	150,5	640,1	616,6	-3,7%	597,3
Adjustments to reconcile profit	165,8	110,7	-33,3%	171,3	548,1	472,3	-13,8%	655,0
Result after reconciliation to net cash generated	354,4	267,5	-24,5%	321,8	1.188,2	1.088,9	-8,4%	1.252,3
Changes in assets and liabilities	250,8	1,3	-99,5%	1,3	(293,2)	(501,1)	70,9%	(501,1)
Operating Cash Flow before CAPEX	605,2	268,8	-55,6%	323,1	895,0	587,8	-34,3%	751,2
Acquisition of property and equipment	(30,0)	(59,7)	98,8%	(59,7)	(78,2)	(131,3)	67,8%	(131,3)
Acquisition of intangible assets	(22,1)	(51,4)	132,5%	(51,4)	(49,8)	(100,4)	101,7%	(100,4)
Cash flow from investment activities	(9,0)	(14,2)	57,5%	(14,2)	(35,0)	(31,1)	-11,2%	(31,1)
Operating Cash Flow after CAPEX	544,1	143,6	-73,6%	197,9	732,0	325,0	-55,6%	488,5
Cash flow from financing activities	(174,6)	3,9	-102,2%	(50,4)	(485,9)	(277,3)	-42,9%	(440,7)
Free Cash Flow	369,5	147,5	-60,1%	147,5	246,1	47,7	-80,6%	47,7
Cash at the beginning of the year	401,0	718,3	79,1%	718,3	524,4	818,0	56,0%	818,0
increase (decrease) in cash and cash equivalents	369,5	147,5	-60,1%	147,5	246,1	47,7	-80,6%	47,7
Cash at the end of the year	770,4	865,8	12,4%	865,8	770,6	865,8	12,4%	865,8
EBITDA	274,6	247,8	-9,8%	302,1	878,8	865,4	-1,5%	1.028,8
Operating Cash Flow before CAPEX / EBITDA	220,4%	108,5%	-111,9 p.p.	107,0%	101,8%	67,9%	-33,9 p.p.	73,0%
Installment of PN23	342,1	-	-	-	342,1			
Operating Cash Flow before CAPEX ex-PN23/ EBITDA	95,8%	108,5%	12,7 p.p.	107,0%	62,9%	67,9%	5,0 p.p.	73,0%

Operating Cash Flow and Cash Conversion

(R\$MM; ex-IFRS 16)



Operational Cash Flow before CAPEX (OCF)

excluding the impact of IFRS 16 was positive at R\$268.8 million, posting a 55.6% decrease YoY chiefly due to effect of PN23 payment in 3Q18.

Excluding this effect, OCF variation would be positive in 2.2% YoY and the ratio of OCF/EBITDA before Capex would show an improve of 12.7 p.p. when compared to 3Q18, reaching 108.5%.

The Company ended the quarter with a solid cash position of R\$865.8 million, up by 12.4% when compared to the same quarter last year.



⁽¹⁾ Proforma numbers excluding the effect of IFRS 16 in 3Q19, for better comparison with 3Q18.

YDUQS

3Q18
subsequent events



YDUQS

ESTÁCIO PARTICIPAÇÕES S.A.

Publicly-Held Company

Corporate Taxpayer's ID (CNPJ ME) 08.807.432/0001-10

State Registry (NIRE) 33.3.0028205-0

MATERIAL FACT

Acquisition of Adtalem

Estácio Participações S.A. ("Company"; "YDUQS") - (B3: YDUQ3; OTC: YDUQY), pursuant to art. 157, §4 of the Law No 6,404/76 ("Brazilian Corporation Law") and in compliance with CVM instruction No. 358, hereby informs the market and the general public that, on October 18, 2019, its wholly-owned subsidiary Sociedade de Ensino Superior Estácio de Sá LTDA ("SESES") has executed a share purchase agreement to acquire 100% of Adtalem Brasil Holding S.A. ("Adtalem" and "Transaction", respectively).

The acquisition is transformational for the history of YDUQS, as it enables a significant expansion of the Company operation horizons. The combination of scale, investment capacity, technology and quality will lead to the creation of a unique operation that will transform higher education in Brazil.

More details regarding the Transaction, as follows:

Asset Description: Adtalem is the 10th largest private higher education group in Brazil with 102,000 enrolled students, 20 campuses and more than 180 distance learning centers all over the country, offering undergraduate, graduate, MBA and preparatory courses. Adtalem owns the brands Ibmecc, Wyden (FMF, Unimetrocamp, Facid, UnifBV, Facimp, UniRuy, Área 1, Unifavip, Unifanor and Faci), Damásio Educacional, SJT Med and Clio.

Quality: Adtalem's institutions enjoy academic excellence, distinguished quality and brand recognition. Ibmecc has a premium positioning, has been elected the best private business school in the country by the Student's Guide magazine for the last three years and enjoys relevant credentials such as an indication stamp from the Brazilian Bar Association (OAB) for its law courses. Wyden institutions are among the top three scores in IGC metric where it operates, with all of its courses ranked above 4 by the Ministry of Education. Damásio in turn, has one of the highest approval ratings in Brazilian Bar Association exams (law practice) and public tenders.

Distance Learning (DL): Adtalem has more than 180 distance learning centers, the vast majority being owned by partner franchisees.

Medical School: Adtalem has been awarded with two new Medical Schools under the "Mais Médicos II" Program (Ji-Paraná/RO and Açailândia/MA). The institutions selected by

YDUQS

the Ministry of Education will be allowed to offer 50 seats per year in each city. Adtalem currently operates a medical school (Facid) with approximately 580 students, 110 authorized seats per year and score 4 Course Concept.

Transaction Rationale: In addition to relevant operational synergies, Adtalem's acquisition objective is to transform YDUQS, allowing us to have a broader approach to education and an increased focus on accelerating growth. Besides more than 102,000 students, the transaction adds strong and complementary brands to YDUQS' portfolio, as well as valuable capabilities. We see in Adtalem's team the ideal partners to take a new step on the pedagogical vanguard of DL – further accelerating its expansion – and enriching our medicine and post-graduate courses. We also identify significant geographic complementarity, strengthening our presence in the North and Northeast regions. Acquired brands will be preserved.

Transaction Value and Payment Consideration: The Transaction consists in the acquisition of 100% of Adtalem's shares for an enterprise value of R\$ 1.92 billion ("EV"), plus the pro forma net cash position of R\$305 million in Adtalem as of June 30, 2019. The total amount shall be paid in cash due at closing. The Transaction's value includes a locked-box mechanism in which all cash generated from Adtalem's operations between June 30, 2019 and the closing date will remain in the acquired company. The price of the Transaction will be paid with a combination of existing cash and financing instruments.

Value Creation: The Transaction implies an EV/EBITDA multiple of 10x, based on the last 12 months ex-IFRS 16 EBITDA ended in June 30, 2019 and an EV/Student of R\$18.8 thousand.

Inapplicability of article 256 of Brazilian Corporation Law and Withdrawal Right: the Transaction will not be made by the Company, but by SESES, and thus, the approval of the Company's shareholders is not necessary under the terms of item 7.3, page 135 of the Circular Letter/CVM/SEP/nº3/2019, and no withdrawal right to the Company's shareholders is applicable.

Closing Conditions: The Transaction is not subject to any Company's shareholder vote, but is subject to customary precedent conditions and approval by the Administrative Council for Economic Defense - CADE.

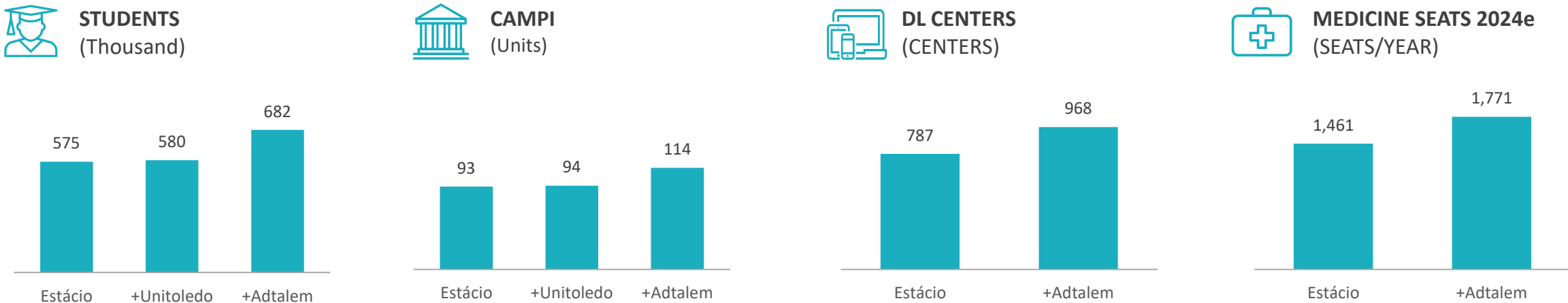
Rio de Janeiro, October 21st 2019

Gustavo Zeno
CFO and Investor Relation Officer

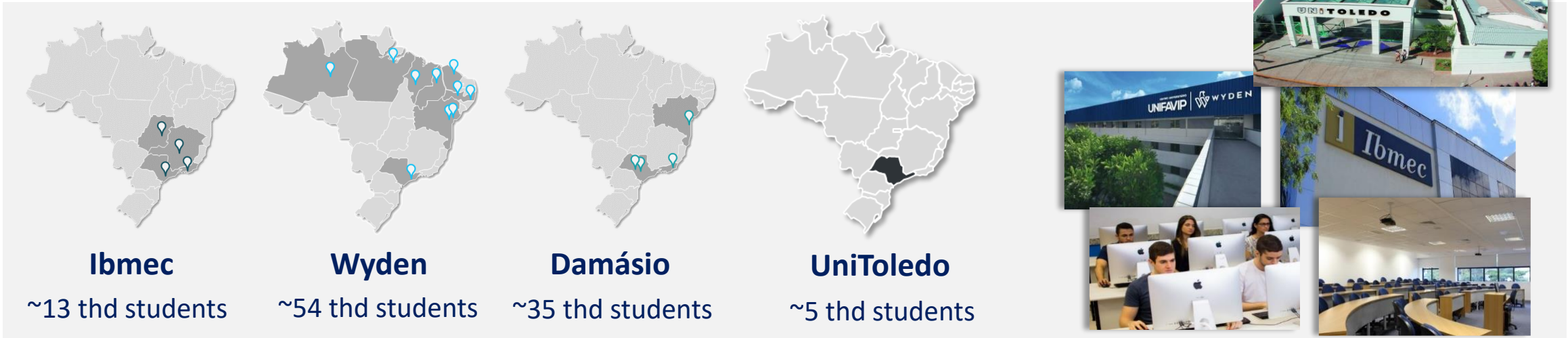


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