

Quarterly Information - ITR

Estácio Participações S.A.

June 30, 2019
with Independent Auditors' Report

Estácio Participações S.A.

Quarterly Information - ITR

June 30, 2019

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A free translation from Portuguese into English of Independent Auditor's Review Report on Interim Financial Information prepared in Brazilian currency 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)

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 June 30, 2019, comprising the balance sheet at June 30, 2019, and the related statements of operations and statements of comprehensive income for the six month periods then ended and changes in equity and cash flow statement for the six-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 six-month period ended June 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, August 9, 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

June 30, 2019

(In thousands of reais, unless stated otherwise)

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Assets				
Current				
Cash and cash equivalents (Note 3)	7,535	146	19,436	13,686
Marketable securities (note 3)	246,987	239,672	698,840	804,360
Account receivable (Note 4)			813,103	571,854
Related parties (Note 5)	42	478		
Prepaid expenses (Note 6)			11,483	6,034
Dividends receivable	40,000	310,000		
Recoverable taxes (Note 7)	2,800	2,145	58,043	135,810
Other	148		18,032	18,883
	297,512	552,441	1,618,937	1,550,627
Non-current				
Long-term				
Account receivable (Note 4)			206,573	139,198
Prepaid expenses (Note 6)			4,994	5,519
Judicial deposits (Note 16)			80,123	81,702
Deferred taxes (Note 27)	202	111	165,605	136,576
Recoverable taxes (Note 7)	36,694	41,210	192,662	102,247
Other			11,784	11,441
	36,896	41,321	661,741	476,683
Investment				
In subsidiaries (Note 8)	2,620,409	2,151,500		
Other			228	228
Intangible assets (Note 9)	780,160	780,189	1,420,442	1,413,820
Property, Plant and Equipment (Note 10)	13	15	1,862,841	661,105
	3,400,582	2,931,704	3,283,511	2,075,153
	3,437,478	2,973,025	3,945,252	2,551,836
Total assets	3,734,990	3,525,466	5,564,189	4,102,463

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Liabilities and equity				
Current				
Trade payables	2,232	2,133	122,004	105,812
Loans and financing (Note 11)	75,218	773,709	249,157	795,789
Payroll and related charges (Note 12)	437	330	199,680	133,654
Tax liabilities (Note 13)	156	186	32,401	35,588
Prepaid monthly tuitions fees			11,492	17,176
Tax financing (Note 14)			2,961	3,563
Related parties (Note 5)	294			
Dividends payable	8	153,168	8	153,168
Acquisition price payable (Note 15)			17,428	34,488
Other	4,912	1,127	14,824	9,862
	83,257	930,653	649,955	1,289,100
Noncurrent				
Noncurrent liabilities				
Loans and financing (Note 11)	601,626	3,086	1,645,312	21,426
Contingencies (Note 16)	298	288	145,472	126,917
Tax financing (Note 14)			5,986	6,678
Deferred taxes (Note 27)			3,602	5,186
Provision for asset retirement			27,878	26,951
Acquisition price payable (Note 15)			15,012	13,852
Other	16,079	30	37,242	20,944
	618,003	3,404	1,880,504	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	666,542	668,370	666,542	668,370
Revenue reserves	1,016,645	1,016,645	1,016,645	1,016,645
Treasury shares	(198,062)	(206,641)	(198,062)	(206,641)
Profit or loss for the period	435,570		435,570	
	3,033,730	2,591,409	3,033,730	2,591,409
Total liabilities and equity	3,734,990	3,525,466	5,564,189	4,102,463

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of income

Six-month periods ended June 30, 2019

(In thousands of reais, unless stated otherwise)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Continuing operations				
Net operating revenue (Note 21)			1,889,854	1,899,478
Costs of services (Note 22)			(757,949)	(811,036)
Gross profit			1,131,905	1,088,442
Operating revenue (expenses)				
Selling expenses (Note 23)			(332,149)	(277,298)
General and administrative expenses (Note 23)	(9,420)	(16,344)	(266,631)	(300,022)
Equity income (Note 8)	465,014	466,867		
Other operating income/expenses (Note 24)	133	204	6,544	(3,441)
Operating income	455,727	450,727	539,669	507,681
Financial revenue (Note 25)	7,189	2,901	49,958	48,460
Financial expense (Note 25)	(27,437)	(21,630)	(142,816)	(104,659)
Net finance income	(20,248)	(18,729)	(92,858)	(56,199)
Profit before income and social contribution taxes	435,479	431,998	446,811	451,482
Current and deferred income tax (Note 27)	67	1,657	(7,740)	(12,116)
Current and deferred social contribution (Note 27)	24	596	(3,501)	(5,115)
Net income in the period attributable to shareholders	435,570	434,251	435,570	434,251
Basic earnings per thousand shares (Note 20)	1.45066	1.40340	1.45066	1.40340
Diluted earnings per thousand shares (Note 20)	1.44346	1.40340	1.44346	1.40340

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of comprehensive income
Six-month periods ended June 30, 2019
(In thousands of reais, unless stated otherwise)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Net income for the period	435,570	434,251	435,570	434,251
OCI				
Total comprehensive income for the period, net of taxes	435,570	434,251	435,570	434,251
Attributable to:				
Owners of the Company				
Noncontrolling shareholders	435,570	434,251	435,570	434,251

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of changes in equity
Six-month periods ended June 30, 2019
(In thousands of reais, unless stated otherwise)

	Share capital	Expenses on share issuance	Long-term incentives	Capital reserves		Options granted	Profit reserves		Treasury shares	Retained earnings	Total
				Goodwill on share subscription	Negative Goodwill on share sale		Legal	Profit retention			
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)	-	-	-	-	-	2,993	-	-	-	-	2,993
Discount on the sale of treasury shares (Note 17d.3)	-	-	-	-	(1,387)	-	-	-	1,387	-	-
Treasury shares acquired (Note 17)	-	-	-	-	-	-	-	-	(79,109)	-	(79,109)
Cancellation of Treasury shares (Note 17 c)	-	-	-	-	-	-	-	(154,603)	154,603	-	-
Payment of Stock options (Note 20)	-	-	-	-	-	-	-	-	15,517	-	15,517
Net income for the period	-	-	-	-	-	-	-	-	-	434,251	434,251
Adoption of New Practices IFRS 09 (Note 1.3)	-	-	-	-	-	-	-	(51,286)	-	-	(51,286)
Capital Increase (Note 17 a)	8,946	-	-	-	-	-	-	(8,946)	-	-	-
June 30, 2018	1,139,764	(26,852)	304	595,464	(6,081)	75,900	114,429	810,500	(38,056)	434,251	3,099,623
Stock options exercised	123	-	-	-	-	-	-	-	-	-	123
Options Granted (Note 20)	-	-	-	-	-	27	-	-	-	-	27
Restricted Share Option Plan (Note 20)	-	-	-	-	-	4,658	-	-	-	-	4,658
Discount on the sale of treasury shares (Note 17d.3)	-	-	-	-	(1,902)	-	-	-	1,902	-	-
Payment of Stock options (Note 20)	-	-	-	-	-	-	-	-	341	-	341
Treasury shares acquired (Note 17)	-	-	-	-	-	-	-	-	(170,828)	-	(170,828)
Interim Dividends (R\$ 1.33 per share)	-	-	-	-	-	-	-	(400,000)	-	-	(400,000)
Net income for the period	-	-	-	-	-	-	-	-	-	210,622	210,622
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)	-	-	(1,574)	-	-	-	-	(1,878)
Restricted Share Option Plan (Note 19)	-	-	-	-	-	7,217	-	-	-	-	7,217
Discount on the sale of treasury shares (Note 17d.3)	-	-	-	-	(1,652)	-	-	-	1,652	-	-
Payment of Stock options (Note 17)	-	-	-	-	-	-	-	-	3,220	-	3,220
Payment Restricted Share Grant (Note 17)	-	-	-	-	-	(5,515)	-	-	3,707	-	(1,808)
Net income for the period	-	-	-	-	-	-	-	-	-	435,570	435,570
At June 30, 2019	1,139,887	(26,852)	-	595,464	(9,635)	80,713	146,673	869,972	(198,062)	435,570	3,033,730

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of cash flows

Three-month periods ended June 30, 2019

(In thousands of reais, unless stated otherwise)

	Parent Company		Consolidated	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Cash flows from operating activities				
Profit before income and social contribution taxes	435,479	431,998	446,811	451,482
Adjustments to reconcile net income to operating cash:				
Depreciation and amortization	30	6,546	187,012	96,511
Amortization of funding costs	496	1,861	496	1,861
Allowance for doubtful accounts	-	-	187,167	160,994
Provision for loss - Other accounts receivable	-	-	(167)	8,434
Options granted - stock options provision	257	-	4,368	2,993
Provision for contingencies	10	110	57,616	61,099
Interest on loans and financing	25,620	18,627	55,145	18,999
Restatement of asset retirement obligation	-	-	1,091	816
Restatement of commitments payable	-	-	1,025	1,673
Loss on derecognition of PP&E and intangible assets	-	-	1,228	849
Equity in net income of subsidiaries	(465,014)	(466,867)	-	-
Restatement of accounts receivable - FIES	-	-	-	(8,419)
Adjustment to present value - accounts receivable	-	-	(5,831)	38,056
Restatement of tax credits	(723)	(1,027)	(4,878)	(1,817)
Other	-	-	(603)	224
	(3,845)	(8,752)	930,480	833,755
Changes in assets and liabilities:				
(Increase) in accounts receivable	-	-	(489,960)	(489,739)
(Increase) decrease in prepaid expenses	-	25	(4,924)	(3,662)
(Increase) decrease in recoverable taxes and contributions	4,584	(79)	(7,770)	(50,718)
(Increase) in Judicial deposits	-	185	1,579	1,251
(Increase) decrease in other assets	289	30,130	1,160	(7,181)
Increase (Decrease) in trade payables	99	(361)	16,192	32,203
Increase in payroll and related charges	36	13	65,493	68,272
(Decrease) in tax obligations	(30)	(12)	(1,517)	(5,640)
(Decrease) in prepaid monthly tuitions fees	-	-	(5,684)	(801)
(Decrease) in tax financing	-	-	(1,482)	(3,124)
(Decrease) in Labor/civil convictions	-	-	(39,061)	(34,248)
(Decrease) Provision for asset retirement obligations	-	-	(164)	(137)
Increase in other liabilities	20,128	9,063	21,260	4,651
	21,261	30,212	485,602	344,882
Interest paid on loans and financing	(14,031)	(14,899)	(14,031)	(14,795)
Corporate Income Tax (IRPJ) and Social Contribution on Net income (CSLL) paid	-	-	(43,523)	(40,291)
Net cash provided by (used in) operating activities.	7,230	15,313	428,048	289,796
Cash flows produced by investment activities:				
Acquisition of property, plant and equipment	-	-	(71,584)	(48,186)
Acquisition of intangible assets	-	-	(49,014)	(27,676)
Dividends Received	270,000	322,931	-	-
Advance for future capital increase	(550)	(16,294)	-	-
Acquisition price payable	-	-	(16,925)	(26,005)
Net cash produced by (used in) investment activities.	269,450	306,637	(137,523)	(101,867)

Estácio Participações S.A.

Statements of cash flows (Continued)
Three-month periods ended June 30, 2019
(In thousands of reais, unless stated otherwise)

	Parent Company		Consolidated	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Cash flows from financing activities:				
Acquisition of treasury shares	-	(79,109)	-	(79,109)
Use of treasury shares resulting from the exercise of stock options	3,220	15,517	3,220	15,517
Dividends paid	(153,160)	(100,839)	(153,160)	(100,839)
New loans and financing				6,171
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	(710,294)	(140,735)	(838,613)	(153,314)
Net cash used in financing activities	(261,976)	(305,015)	(390,295)	(311,423)
Increase in cash and cash equivalents	14,704	16,935	(99,770)	(123,494)
Cash and cash equivalents at beginning of period	239,818	46,061	818,046	524,446
Cash and cash equivalents at end of period	254,522	62,996	718,276	400,952
Change in cash and cash equivalents	14,704	16,935	(99,770)	(123,494)

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Statements of added value
Six-month periods ended June 30, 2019
(In thousands of reais, unless stated otherwise)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Revenue				
Educational services	-	-	1,962,705	1,978,679
Other revenue	-	-	1,583	4,059
Allowance for doubtful accounts	-	-	(187,167)	(160,994)
	-	-	1,777,121	1,821,744
Inputs purchased from third parties				
Materials, energy and outsourced services	(6,674)	(7,141)	(310,283)	(302,917)
Contingencies	-	(110)	(40,727)	(49,496)
	(6,674)	(7,251)	(351,010)	(352,413)
Gross value added	(6,674)	(7,251)	1,426,111	1,469,331
Depreciation and amortization	(30)	(6,546)	(187,012)	(96,511)
Net value added	(6,704)	(13,797)	1,239,099	1,372,820
Transferred added value				
Share of profit (loss) of equity-accounted investees	465,014	466,867	-	-
Financial revenue	7,189	2,901	49,958	48,460
Other	(916)	(1,781)	7,350	3,737
	471,287	467,987	57,308	52,197
Total value added to distribute	464,583	454,190	1,296,407	1,425,017
Distribution of value added				
Employment compensation				
Direct compensation	2,284	2,003	446,395	487,921
Benefits	-	-	23,038	25,085
Government Severance Indemnity Fund for Employees (FGTS)	-	-	33,430	33,902
	2,284	2,003	502,863	546,908
Taxes, charges and contributions				
Federal	688	(1,547)	128,697	145,468
Municipal	-	-	78,042	80,709
	688	(1,547)	206,739	226,177
Return on debt capital				
Interest	26,041	19,483	139,432	100,393
Rent	-	-	11,803	117,288
	26,041	19,483	151,235	217,681
Interest earnings				
Dividends				
Retained earnings	435,570	434,251	435,570	434,251
	435,570	434,251	435,570	434,251
Added value distributed	464,583	454,190	1,296,407	1,425,017

See the accompanying Management notes to the financial statements.

Estácio Participações S.A.

Management notes to the interim accounting information

June 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, ten University Centers and fifty-six 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"). Our 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 August 9, 2019.

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.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

1. General information (Continued)

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.

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 representing the comparative information, as permitted by the standard.

Initial adoption triggered an increase of R\$ 1,285,565 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").

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 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)

Comparative table showing the effects of IFRS 16

	June 30, 2019	Effects of adopting IFRS 16	June 30, 2019 (without IFRS 16)
Assets			
Property, plant and equipment	1,862,841	(1,192,902)	669,939
Liabilities			
Current			
Loans and financing	(249,157)	165,511	(83,646)
Noncurrent liabilities			
Loans and financing	(1,645,313)	1,040,308	(605,005)
Statement of income			
Depreciation cost/expense	(187,012)	92,663	(94,349)
Rent cost/expense	766	(109,101)	(108,335)
Finance expense	(142,816)	29,354	(113,462)

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.

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.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

2. Notes omitted (Continued)

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 marketable securities

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Cash and bank deposits	7,535	146	19,436	13,686
Cash and cash equivalents	7,535	146	19,436	13,686
Federal Government Bonds (Exclusive funds)	219,708	195,159	595,144	636,380
Financial Bills (Exclusive funds)	27,127	30,809	73,481	100,463
CDB		8,640	28,462	49,630
CDB (Exclusive funds)	119	38	337	125
Repos (Exclusive funds)		4,996		16,290
Government Bonds (Exclusive funds)	33	30	1,379	1,457
Capitalization bond			37	15
Marketable securities	246,987	239,672	698,840	804,360

The Company has an investments policy that stipulates that investments must be concentrated in low-risk securities an investment at tier-one financial institutions. At June 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 June 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 June 30, 2019 was 99.03% of the CDI rate with an average yield in 2019 of 99.21% of the CDI rate (average annual yield at December 31, 2018 was 98.59% of the CDI rate).

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

3. Cash and cash equivalents and marketable securities (Continued)

Bank Deposit Certificates - CDBs yield the CDI rate, averaging 97.99% at June 30, 2019 (98.93% at December 31, 2018).

The Company does not invest in derivatives. Information on the Company's exposure to liquidity and market risks is included in Note 18.

4. Accounts receivable

	Consolidated	
	June 30, 2019	December 31, 2018
Monthly tuition fees received from students	1,075,241	846,528
FIES (a)	280,184	153,786
Exchange deals	27,701	23,283
Credit cards receivable (b)	95,318	73,769
Renegotiated receivables	71,736	72,689
	1,550,180	1,170,055
Allowance for doubtful accounts	(481,233)	(402,646)
Unidentified amounts	(10,366)	(11,338)
(-) Adjustment to present value (c)	(38,905)	(45,019)
	1,019,676	711,052
Current assets	813,103	571,854
Non-current assets	206,573	139,198
	1,019,676	711,052

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

	Consolidated	
	June 30, 2019	December 31, 2018
2019		3,597
2020	42,497	12,656
2021	80,984	42,997
2022	125,592	146,255
2023 to 2024	103,380	63,869
(-) Adjustment to present value (c)	(38,905)	(45,019)
(-) Allowance for doubtful accounts	(106,975)	(85,157)
Noncurrent assets	206,573	139,198

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

4. Accounts receivable (Continued)

PAR is an arrangement Estácio offers its students by which students can finance up to 70% of their monthly tuition fees, with payments commencing one month after they complete the course. This financing incurs IPCA monetary restatement.

DIS is an arrangement by which the student pays R\$ 49.00 for the first monthly payments, and the difference between the amount paid and the full monthly tuition fee (not considering any scholarship and/or benefits) is diluted over the number of monthly tuition payments corresponding to the estimated full term of the minimum regular program, monthly restated by the IPCA price index.

- (a) Accounts receivable from the Student Financing Fund (FIES) denote educational loans obtained by students from Caixa Econômica Federal - CEF and the National Education Development Fund FNDE, whereby the financed funds are transferred monthly by CEF and Banco do Brasil to the specified bank account. This amount has been used to pay the social security contributions and federal taxes and converted into cash by means of auctions of National Treasury bonds.
- (i) For FIES students with a guarantor, a provision was made for 2.25% of such receivables, assuming 15% exposure to this credit risk for an estimated default rate of 15%.
- (ii) For the uncovered FGEDUC risk, with enrollment since April 2012, a provision was made for 10% of the receivables under the responsibility of the sponsors (where the Guarantor Fund is responsible for the remaining 90%), assuming 15% exposure to this credit risk for an estimated default rate of 15%, i.e. 0.225%.
- (iii) For the uncovered FGEDUC risk, with enrollment since March 2012, a provision was made for 20% of the receivables under the responsibility of the sponsors (where the Guarantor Fund is responsible for the remaining 80%), assuming 15% exposure to this credit risk for an estimated default rate of 15%, i.e. 0.45%.
- (b) A substantial part of credit card receivables consists of monthly tuition fees and late fees be negotiated.
- (c) At June 30, 2019 the adjustment to present value amounts to R\$38,905 (R\$29,013 related to PAR and R\$9,892 to DIS) and at December 31, 2018 R\$45,019 (R\$36,626 related to PAR, R\$8,110 to DIS and R\$283 related to the Educar Amazônia program).

An aging list of receivables follows:

	Consolidated			
	June 30, 2019	%	December 31, 2018	%
FIES	280,184	18	153,786	13
Neither past due nor impaired	653,697	42	482,732	41
Up to 30 days overdue	106,868	7	99,612	9
31 to 60 days overdue	104,081	7	97,046	8
61 to 90 days overdue	78,252	5	82,811	7
91 to 179 days overdue	90,886	6	87,127	8
More than 180 days overdue	236,212	15	166,941	14
	1,550,180	100	1,170,055	100

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

4. Accounts receivable (Continued)

An aging list of receivables follows:

	Consolidated			
	June 30, 2019	%	December 31, 2018	%
Neither past due nor impaired	28,447	40	26,996	37
Up to 30 days overdue	7,106	10	6,662	9
31 to 60 days overdue	5,124	8	5,440	8
61 to 90 days overdue	4,616	6	4,927	7
91 to 179 days overdue	8,571	12	8,231	11
More than 180 days overdue	17,872	25	20,433	28
	71,736	100	72,689	100

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

Balance at December 31, 2017	205,062
Additions	160,461
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.	(123,239)
Balance at June 30, 2018	319,989
Additions	172,705
Write-off of bills and checks overdue for more than 360 days.	(90,048)
Balance at December 31, 2018	402,646
Additions	187,167
Write-off of bills and checks overdue for more than 360 days	(108,580)
Balance at June 30, 2019	481,233

For the periods ended June 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	187,167	160,461
Write-off of bills overdue for more than 360 days		167
Other		366
	187,167	160,994

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

5. Related parties

The balances as of June 30, 2019 and December 31, 2018 relating to related-party transactions derive from transactions between the Company and its subsidiaries. Related-party transactions that do not incur interest and/or monetary restatement.

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

	Parent Company	
	June 30, 2019	December 31, 2018
Current assets		
Current account		
Seses	20	14
Irep	7	6
São Luís	1	447
Estácio Ribeirão Preto	3	2
Other	11	9
Subsidiaries	42	478
	Parent Company	
	June 30, 2019	December 31, 2018
Current liabilities		
Current account		
Seses	294	
Subsidiaries	294	

6. Prepaid expenses

	Consolidated	
	June 30, 2019	December 31, 2018
Insurance	2,762	2,944
IPTU	6,785	
Teaching materials (i)	536	1,013
Advance of vacations and charges	902	2,670
Registration fee - Ministry of Education (MEC)	1,809	2,005
Technical-pedagogical cooperation - Santa Casa	2,113	2,260
Other prepaid expenses	1,570	661
	16,477	11,553
Current assets	11,483	6,034
Noncurrent assets	4,994	5,519
	16,477	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.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

7. Taxes and contributions recoverable

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Withholding Income Tax - IRRF	1,708	1,402	8,184	10,302
IRPJ/CSLL Prepayments (i)			8,769	76,907
Recoverable IRPJ and CSLL (ii)	37,786	41,950	158,746	75,257
PIS (iii)			2,150	3,129
COFINS (iii)			7,952	12,605
ISS		3	56,665	52,625
INSS			7,682	6,675
OTHER			557	557
	39,494	43,355	250,705	238,057
Current assets	2,800	2,145	58,043	135,810
Noncurrent assets	36,694	41,210	192,662	102,247
	39,494	43,355	250,705	238,057

- (i) The amount presented in this line refers to the IRPJ/CSLL prepayments made in the current year. In May 2018, PROUNI'S tax incentive calculation was revised due to a temporary disqualification of the subsidiary SESES, which triggered an accumulation of tax credits on the overpayment of income and social contribution taxes.
- (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\$ 6,024 and R\$3,863 over the course of 2019 and 2018 respectively.

8. Investments in subsidiaries

a) Parent company Estácio Participações S.A.

	June 30, 2019		December 31, 2018	
	Investment	Investment devaluation	Investment	Investment devaluation
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")	1,338,434	-	1,038,451	-
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")	1,165,261	-	1,040,045	-
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")	2,913	-	2,860	-
Estácio Editora e Distribuidora Ltda. ("Editora")	-	(30)	-	(30)
Sociedade de Ensino Superior Estacio Ribeirão Preto Ltda. ("Estácio Ribeirão Preto")	113,801		70,144	
	2,620,409	(30)	2,151,500	(30)

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

8. Investments in subsidiaries (Continued)

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

Information about the subsidiaries can be seen below:

June 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	2,296,928	958,494	1,338,434	-	-	1,338,434	296,726
IREP	100%	515,080	1,652,686	549,867	1,102,819	62,442	-	1,165,261	125,127
NACP	100%	15,899	4,153	1,240	2,913	-	-	2,913	(496)
Editora (i)	100%	251	31	66	(35)	5	-	(30)	-
Estácio Ribeirão Preto	100%	23,837	209,363	93,332	116,031	-	(2,230)	113,801	43,657
			<u>4,163,161</u>	<u>1,602,999</u>	<u>2,560,162</u>	<u>62,447</u>	<u>(2,230)</u>	<u>2,620,379</u>	<u>465,014</u>

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
			<u>2,977,307</u>	<u>886,054</u>	<u>2,091,253</u>	<u>62,447</u>	<u>(2,230)</u>	<u>2,151,470</u>	<u>700,681</u>

(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)

June 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 June 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 awarded	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	465,014
Advance for future capital increase	550
Options awarded	(1,877)
Restricted share plan	5,222
Investments in subsidiaries at June 30, 2019	<u>2,620,409</u>

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

See below information about the direct subsidiaries' investments:

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Sociedade Educacional Atual da Amazônia ("ATUAL")	606,579	538,914
ANEC - Sociedade Natalense de Educação e Cultura ("FAL")	10,670	11,859
Sociedade Universitária de Excelência Educacional do Rio Grande do Norte ("FATERN")	29,633	28,747
	<u>646,882</u>	<u>579,520</u>

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 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:

June 30, 2019							
	Interest	Number of shares	Total assets	Total liabilities	Equity	Goodwill	Net income (loss) for the period
CURRENT	100%	41,927	677,599	86,523	591,076	15,503	53,356
FAL	100%	20,031	15,200	12,606	2,594	8,076	(1,188)
FATERN	100%	9,160	20,217	5,563	14,654	14,979	886
			713,016	104,692	608,324	38,558	53,054

December 31, 2018							
	Interest	Number of shares	Total assets	Total liabilities	Equity	Goodwill	Net income (loss) for the year
CURRENT	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 June 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	53,054
Advance for future capital increase	14,250
Options Awarded	58
Investments in subsidiaries at June 30, 2019	646,882

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

8. Investments in subsidiaries (Continued)

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

	June 30 2019	December 31 2018
Uniuol Gestão de Empreendimentos Educacionais e Participações S.A. ("UNIUOL")	1,636	1,653
Idez Empreendimentos Educacionais Sociedade Simples Ltda. ("IDEZ")	2,554	3,147
Sociedade Educacional da Amazônia ("SEAMA")	56,877	43,576
Sociedade Educacional do Rio Grande do Sul S/S Ltda. ("FARGS")	18,970	18,182
Unisãoluis Educacional S.A. ("SÃO LUIS")	91,855	79,506
Instituto de Ensino Superior Social e Tecnológico Ltda. ("FACITEC")	52,572	47,292
Associação de Ensino de Santa Catarina ("ASSESC")	6,823	7,049
Instituto de Estudos Superiores da Amazônia ("IESAM")	98,683	90,427
Centro de Assistência ao Desenvolvimento de formação Profissional Unicel Ltda. ("Estácio Amazonas")	51,092	48,741
Centro de Ensino Unificado de Teresina ("CEUT")	52,676	47,390
Faculdade Nossa Cidade ("FNC")	96,764	95,322
Faculdades Integradas de Castanhal Ltda. ("FCAT")	40,056	36,999
Sociedade Empresarial de Estudos Superiores e Tecnológicos Sant'Ana Ltda. ("FUFS")	15,745	16,441
	586,303	535,725

Information about ATUAL's subsidiaries can be seen below:

June 30, 2019									
	Interest	Number of shares	Total assets	Total liabilities	Equity	Goodwill	Students portfolio	Total	Net income (loss) for the period
UNIUOL	100%	9,778	1,408	728	680	956	-	1,636	(416)
IDEZ	100%	7,297	4,149	3,642	507	2,047	-	2,554	(594)
SEAMA	100%	4,407	59,666	20,824	38,842	18,035	-	56,877	13,302
FARGS	100%	8,606	18,116	7,201	10,915	8,055	-	18,970	789
SÃO LUIS	100%	3,795	85,716	21,229	64,487	27,368	-	91,855	12,349
FACITEC	100%	6,051	70,178	44,260	25,918	26,654	-	52,572	5,281
ASSESC	100%	2,416	14,875	12,775	2,100	4,723	-	6,823	(426)
IESAM	100%	14,980	72,187	12,709	59,478	26,797	12,408	98,683	8,659
Estácio Amazonas	100%	47,557	61,240	36,362	24,878	26,214	-	51,092	2,323
CEUT	100%	16,938	49,293	24,557	24,736	27,568	372	52,676	5,703
FNC	100%	22,328	57,354	35,579	21,775	72,046	2,943	96,764	2,421
FCAT	100%	11,341	49,263	30,746	18,517	20,121	1,418	40,056	3,557
FUFS	100%	13,593	14,964	5,709	9,255	6,255	235	15,745	(480)
			558,409	256,321	302,088	266,839	17,376	586,303	52,468

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

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

The table below shows the overall changes in the investments of the direct subsidiary ATUAL in its direct subsidiaries in the period ended June 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	<u>535,725</u>
Equity in net income of subsidiaries	52,468
Advance for future capital increase	600
Amortization of goodwill	(2,548)
Options awarded	58
Investments in subsidiaries at June 30, 2019	<u>586,303</u>

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

9. Intangible assets

a) Intangible assets - Parent company

	December 31, 2018		June 30, 2019
	Cost	Additions	Cost
Cost			
Goodwill on acquisitions of investments (i)	780,065		780,065
Software licenses	99		99
The Integration Project	212		212
Goodwill	79,704		79,704
	860,080		860,080
	Amortization Rates	Amortization	Additions
Amortization			Amortization
Software licenses	20% p.a.	(91)	(8)
The Integration Project	20% p.a.	(97)	(21)
Goodwill	20 to 33% p.a.	(79,703)	-
		(79,891)	(29)
			(79,920)
Net residual balance		780,189	(29)
			780,160
	December 31, 2017		June 30, 2018
	Cost	Additions	Cost
Cost			
Goodwill on acquisitions of investments (i)	780,065		780,065
Software licenses	99		99
The Integration Project	212		212
Goodwill	79,704		79,704
	860,080		860,080
	Amortization Rates	Amortization	Additions
Amortization			Amortization
Software licenses	20% p.a.	(77)	(7)
The Integration Project	20% p.a.	(54)	(21)
Goodwill	20 to 33% p.a.	(66,669)	(6,518)
		(66,800)	(6,546)
			(73,346)
Net residual balance		793,280	(6,546)
			786,734

(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)

June 30, 2019

(In thousands of reais, unless stated otherwise)

9. Intangible assets (Continued)

b) Intangible assets - Consolidated

		December 31, 2018				June 30, 2019
		Cost	Additions	Write-offs	Transf.	Cost
Cost						
Goodwill on acquisitions of investments		1,181,481	-	-	-	1,181,481
Software licenses		334,996	32,221	(117)	(742)	366,358
EAD and Integração		18,298	39	-	23	18,360
Learning Center		86,910	6,773	-	-	93,683
IT Architecture		21,664		-	-	21,664
Online class material		8,043		-	-	8,043
Knowledge Factory - EAD		39,304	2,643	-	-	41,947
Questions database		11,636	601	-	-	12,237
Students portfolio		173,503		-	-	173,503
Other		34,231	6,737	-	719	41,687
		1,910,066	49,014	(117)	-	1,958,963
	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)	(25,326)	1	-	(261,693)
EAD and Integração	20% p.a.	(17,216)	(400)	-	-	(17,616)
Learning Center	10% p.a.	(31,018)	(6,065)	-	-	(37,083)
IT Architecture	17 to 20% p.a.	(12,375)	(1,923)	-	-	(14,298)
Online class material	20% p.a.	(7,007)	(227)	-	-	(7,234)
Knowledge Factory - EAD	10% p.a.	(8,784)	(2,276)	-	-	(11,060)
Questions database	20% p.a.	(5,624)	(1,159)	-	-	(6,783)
Students portfolio	20 to 50% p.a.	(153,580)	(2,548)	-	-	(156,128)
Other	20% p.a.	(17,350)	(2,352)	-	-	(19,702)
		(496,246)	(42,276)	1	-	(538,521)
Net residual balance		1,413,820	6,738	(116)	-	1,420,442

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

9. Intangible assets (Continued)

b) Intangible assets - Consolidated (Continued)

		December 31, 2017				June 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	18,566	-	(1)	(761)	290,198
EAD and Integração		18,298	-	-	-	-	18,298
Learning Center		76,677	3,454	-	-	-	80,131
IT Architecture		21,664	-	-	-	-	21,664
Online class material		7,821	222	-	-	-	8,043
Knowledge Factory - EAD		33,868	3,211	-	-	-	37,079
Questions database		10,703	510	-	-	-	11,213
Students portfolio		173,503	-	-	-	-	173,503
Other		27,394	1,713	(412)	-	-	28,695
		<u>1,823,803</u>	<u>27,676</u>	<u>(412)</u>	<u>(1)</u>	<u>(761)</u>	<u>1,850,305</u>
Amortization							
		Amortization Rates	Amortization	Additions	Write-offs	Transf.	Reclassified to PP&E
Amortization							
Goodwill on acquisitions of investments		Indefinite	(6,924)	-	-	-	(6,924)
Software licenses		20% p.a.	(192,746)	(22,384)	-	1	(214,301)
EAD and Integração		20% p.a.	(16,408)	(404)	-	-	(16,812)
Learning Center		10% p.a.	(19,912)	(5,553)	-	-	(25,465)
IT Architecture		17 to 20% p.a.	(8,530)	(1,923)	-	-	(10,453)
Online class material		20% p.a.	(6,436)	(313)	-	-	(6,749)
Knowledge Factory - EAD		10% p.a.	(4,537)	(1,972)	-	-	(6,509)
Questions database		20% p.a.	(3,442)	(1,065)	-	-	(4,507)
Students portfolio		20 to 50% p.a.	(130,945)	(12,069)	-	-	(143,014)
Other		20% p.a.	(13,715)	(1,787)	38	-	(15,464)
			<u>(403,595)</u>	<u>(47,470)</u>	<u>38</u>	<u>1</u>	<u>(450,198)</u>
Net residual balance			<u>1,420,208</u>	<u>(19,794)</u>	<u>(374)</u>	<u>-</u>	<u>1,400,107</u>

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

9. Intangible assets (Continued)

b) Intangible assets - Consolidated (Continued)

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

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Goodwill on acquisitions of investments net of accumulated amortization				
IREP	-	-	89,090	89,090
CURRENT	-	-	15,503	15,503
Seama	-	-	18,035	18,035
Idez	-	-	2,047	2,047
Uniuol	-	-	956	956
Fargs	-	-	8,055	8,055
São Luis	-	-	27,369	27,369
Facitec	-	-	26,654	26,654
Assesc	-	-	4,723	4,723
Iesam	-	-	26,797	26,797
Estácio Amazonas	-	-	26,214	26,214
Ceut	-	-	27,568	27,568
FNC	-	-	72,046	72,046
FCAT	-	-	20,120	20,120
FUFS	-	-	6,255	6,255
FAL	-	-	8,076	8,076
FATERN	-	-	14,979	14,979
Estácio Editora	-	-	5	5
Estácio Ribeirão Preto	9,371	9,371	9,371	9,371
Estácio Ribeirão Preto Holding	770,694	770,694	770,694	770,694
	780,065	780,065	1,174,557	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)

June 30, 2019

(In thousands of reais, unless stated otherwise)

10. Property, plant and equipment

Property, plant and equipment - consolidated

	December 31 2018				June 30, 2019
	Cost	Additions	Write-offs	Transf.	Cost
Cost					
Land	19,295				19,295
Buildings (i)	228,384	1,290,511		2,738	1,521,633
Improvements to rented property	295,799	16,938	(299)	12,411	324,849
Fixtures and fittings	109,851	7,827	(2,310)	48	115,416
Computers and peripherals	163,139	6,534	(6,621)	296	163,348
Plant and equipment	132,029	6,416	(8,790)	42	129,697
Physical/ hospital activities equipment	61,854	9,339	(53)	(7)	71,133
Library	167,613	872	(63)	(47)	168,375
Facilities	53,920	3,298	(41)	104	57,281
Tablets	32,442	-	(14,885)	-	17,557
Building work in progress	14,385	14,214	(60)	(15,388)	13,151
Provision for asset retirement	26,951	(164)	-	-	26,787
Other	16,595	1,364	(39)	(416)	17,504
	1,322,257	1,357,149	(33,161)	(219)	2,646,026

	Depreciation rates	Depreciation	Additions	Write-offs	Transf.	Depreciation
Depreciation						
Buildings	21.50% p.a.	(63,174)	(94,707)			(157,881)
Improvements to rented property	11.11% p.a.	(158,360)	(16,247)	126	203	(174,278)
Fixtures and fittings	8.33% p.a.	(58,893)	(4,519)	236	(18)	(63,194)
Computers and peripherals	25% p.a.	(133,827)	(9,053)	6,568	158	(136,154)
Plant and equipment	8.33% p.a.	(75,059)	(8,232)	536	(122)	(82,877)
Physical/ hospital activities equipment	6.67% p.a.	(22,664)	(2,039)	29	11	(24,663)
Library	5% p.a.	(75,523)	(3,705)	63	3	(79,162)
Facilities	8.33% p.a.	(21,854)	(1,946)	15	(29)	(23,814)
Tablets	20% p.a.	(28,510)	(2,145)	14,885	-	(15,770)
Provision for asset retirement		(16,479)	(1,136)	-	-	(17,615)
Other	14.44% p.a.	(6,809)	(1,007)	26	13	(7,777)
		(661,152)	(144,736)	22,484	219	(783,185)
Net residual balance		661,105	1,212,413	(10,677)	-	1,862,841

(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)

June 30, 2019

(In thousands of reais, unless stated otherwise)

10. Property, plant and equipment (Continued)

Property, plant and equipment - consolidated (Continued)

	December 31, 2017				Reclass. of Intangible assets	June 30, 2018
	Cost	Additions	Write-offs	Transf.		Cost
Cost						
Land	19,295					19,295
Buildings	208,737	2,243	(143)	102	-	210,939
Improvements to rented property	248,758	14,936	(20)	7,083	-	270,757
Fixtures and fittings	96,317	4,396	(424)	(7)	1	100,283
Computers and peripherals	154,408	2,561	(326)	-	770	157,413
Plant and equipment	117,137	7,026	(211)	342	33	124,327
Physical/ hospital activities equipment	48,283	4,609	(117)	-	5	52,780
Library	159,081	3,139	(254)	-	7	161,973
Facilities	51,615	1,038	(42)	152	-	52,763
Tablets	37,974	-	-	-	-	37,974
Building work in progress	6,659	7,327	-	(7,290)	-	6,696
Provision for asset retirement	22,196	-	(138)	-	-	22,058
Other	10,731	911	(329)	(4)	(103)	11,206
	1,181,191	48,186	(2,004)	378	713	1,228,464

	Depreciation rates	Depreciation	Additions	Write-offs	Transf.	Reclass. of intangible assets	Depreciation
Depreciation							
Buildings	1.67% p.a.	(59,546)	(1,856)	120	18	-	(61,264)
Improvements to rented property	11.11% p.a.	(134,199)	(14,367)	61	(66)	-	(148,571)
Fixtures and fittings	8.33% p.a.	(54,388)	(4,040)	328	7	-	(58,093)
Computers and peripherals	25% p.a.	(118,348)	(8,823)	317	5	(731)	(127,580)
Plant and equipment	8.33% p.a.	(58,799)	(8,053)	176	(342)	(33)	(67,051)
Physical/ hospital activities equipment	6.67% p.a.	(19,740)	(1,471)	60	-	(4)	(21,155)
Library	5% p.a.	(69,061)	(3,469)	48	-	(7)	(72,489)
Facilities	8.33% p.a.	(18,233)	(1,879)	46	-	-	(20,066)
Tablets	20% p.a.	(27,469)	(3,397)	-	-	-	(30,866)
Provision for asset retirement		(12,204)	(1,258)	61	-	-	(13,401)
Other	14.44% p.a.	(6,788)	(428)	312	-	(5)	(6,909)
		(578,775)	(49,041)	1,529	(378)	(780)	(627,445)
Net residual balance		602,416	(855)	(475)	-	(67)	601,019

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)

June 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:

	December 31, 2018			June 30, 2019
	Cost	Additions	Write-offs	Cost
Cost				
Financial leases capitalized	96,227	1,285,565	(16,328)	1,365,464
	<u>96,227</u>	<u>1,285,565</u>	<u>(16,328)</u>	<u>1,365,464</u>
	Annual depreciation			Depreciation
	Depreciation	Additions	Write-offs	Depreciation
Depreciation				
Financial leases capitalized	21.50% p.a.	(62,055)	(103,680)	6,157
		<u>(62,055)</u>	<u>(103,680)</u>	<u>6,157</u>
Net balance		<u>34,172</u>	<u>1,181,885</u>	<u>(10,171)</u>
				<u>1,205,886</u>

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)

June 30, 2019

(In thousands of reais, unless stated otherwise)

11. Loans and financing

Type	Financial charges	Parent Company		Consolidated	
		June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Local currency					
Colortel lease contracts	INPC + 0.32% p.a	-	-	5,542	11,084
MB lease contracts	IGPM/FGV p.a	-	-	2,060	10,412
Lease contracts Right of use (i)	IGP-M	-	-	1,205,819	-
Other commercial lease contracts	INPC, IGPI-DI / FGV p.a	-	-	2,261	5,877
IBM Leasing	CDI Over a.d + 2% p.m	-	-	1,943	5,675
Second debenture issuance	CDI + 1.18% p.a	60,902	121,840	60,902	121,840
Fourth debenture issuance	CDI + 1.50% p.a	-	50,214	-	50,214
Fifth debenture issuance (Series 1)	CDI + +0.585% p.a	255,858	-	255,858	-
Fifth debenture issuance (Series 2)	CDI + +0.785% p.a	358,444	-	358,444	-
Borrowing cost of debentures		(1,743)	(497)	(1,743)	(497)
Banco da Amazônia Loan	9.5% p.a.	-	-	-	7,372
FINEP loan	6% p.a.	3,383	3,674	3,383	3,674
Itaú Promissory notes (Tranche 2)	CDI+1.65% p.a	-	-	-	-
Itaú Promissory Notes	CDI+1.25% p.a	-	601,564	-	601,564
		676,844	776,795	1,894,469	817,215
Current liabilities		75,218	773,709	249,157	795,789
Noncurrent liabilities		601,626	3,086	1,645,312	21,426
		676,844	776,795	1,894,469	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 June 30, 2019 and December 31, 2018 mature as follows:

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
2020	137	587	83,759	6,829
2021	250,217	587	412,385	4,327
2022	175,378	587	332,464	2,450
2023	175,448	587	313,519	2,007
2024	446	587	89,647	1,875
2025 onwards	-	151	413,538	3,938
Noncurrent liabilities	601,626	3,086	1,645,312	21,426

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

11. Loans and financing (Continued)

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.

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 indices with previously established parameters. As of June 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	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Payroll, severance pay and payroll charges payable	437	330	95,201	102,370
Provision for vacations	-	-	66,217	31,284
Provision for 13th month salaries	-	-	38,262	-
	437	330	199,680	133,654

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

13. Tax obligations

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
ISS payable	3	5	18,651	18,335
IRRF payable	89	88	7,940	13,310
PIS and COFINS payable	64	93	3,627	2,838
IOF payable				64
	156	186	30,218	34,547
IRPJ payable	-	-	1,679	788
CSLL payable	-	-	504	253
	-	-	2,183	1,041
	156	186	32,401	35,588

14. Financing of taxes

	Consolidated	
	June 30, 2019	December 31, 2018
IRPJ	407	533
CSLL	20	48
Government Severance Indemnity Fund for Employees (FGTS)	813	810
ISS	324	1,345
PIS	88	91
COFINS	651	704
INSS	6,418	6,490
OTHER	226	220
	8,947	10,241
Current liabilities	2,961	3,563
Noncurrent liabilities	5,986	6,678
	8,947	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)

June 30, 2019

(In thousands of reais, unless stated otherwise)

14. Financing of taxes (Continued)

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

	Consolidated	
	June 30, 2019	December 31, 2018
2020	-	1,551
2021	1,766	1,130
2022	1,169	1,144
2023	1,169	1,110
2024	900	792
2025 to 2029	982	951
	5,986	6,678

15. Acquisition price payable

	Consolidated	
	June 30, 2019	December 31, 2018
SÃO LUIS	9,420	9,140
IESAM	11,191	10,914
Estácio Amazonas	2,924	2,801
CEUT	3,339	3,974
FNC (ii)		13,886
FCAT	1,539	1,499
FUFS	3,380	3,293
	31,793	45,507
Acquisition of property (i)	647	2,833
	32,440	48,340
Current liabilities	17,428	34,488
Noncurrent liabilities	15,012	13,852
	32,440	48,340

(i) Denotes the commitment between IREP and União Norte Brasileira de Educação e Cultura - UNBEC for several properties, located in Fortaleza, Ceará state.

(ii) In January 2019 the final payment was settled under the acquisition of FNC.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

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

	Consolidated	
	June 30, 2019	December 31, 2018
2020	12,759	11,657
2021	2,253	2,195
	15,012	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 June 30, 2019 and December 31, 2018 the provision for contingencies was comprised as follows:

	Consolidated			
	June 30, 2019		December 31, 2018	
	Contingencies	Judicial deposits	Contingencies	Judicial deposits
Civil	23,397	16,872	20,019	16,334
Labor	113,472	44,192	98,453	48,310
Tax	8,603	19,059	8,445	17,058
	145,472	80,123	126,917	81,702

In the period ended June 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)

June 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 as of 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 as of December 31, 2018	20,019	98,453	8,445	126,917
Additions	24,895	32,915	210	58,020
Reversals	(8,996)	(8,149)	(148)	(17,293)
Write-offs due to payment	(16,636)	(22,222)	(203)	(39,061)
Monetary restatement	4,115	12,475	299	16,889
Balances as of June 30, 2019	23,397	113,472	8,603	145,472

For the periods ended June 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	58,020	52,801
Reversals	(17,293)	(3,305)
Monetary restatement	16,889	11,603
Provision for contingencies	57,616	61,099
General and administrative expenses (Note 23)	(40,727)	(49,496)
Finance income (expenses) (Note 25)	(16,889)	(11,603)
	(57,616)	(61,099)

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)

June 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	4,429
Real Estate	5,793
Issue of certificates of completion/diplomas and graduation	1,597
Accreditation and cancellation of the course/enrollment	2,062
FIES	1,817
PROUNI	199
Success fees	3,459
Other (i)	4,041
	<u>23,397</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	58,874
Overtime + elimination of breaks during and between shifts	7,564
Moral/property damage/moral harassment	2,479
Employer's social security payment	8,328
Fees	1,075
Deviation from agreed position and salary parity	9,017
Fines (Article 467 CLT, article 477 CLT and CCT/ACT)	790
Allowances (health hazards/night shift pay/improvement/length of service/risk premium)	1,398
Vacations	2,709
Success fees	3,501
Other (i)	17,737
	<u>113,472</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)

June 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 / ICMS on electricity	6
Miscellaneous fines	13
Success fees	8,584
	<u>8,603</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	
	June 30, 2019	December 31, 2018
Civil	222,636	219,542
Labor	274,713	201,783
Tax	538,227	599,706
	<u>1,035,576</u>	<u>1,021,031</u>

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

Civil	Amounts
Incorrect collection	63,708
Real Estate	98,443
FIES	25,258
Record	8,452
Issue of certificates of completion/diplomas and graduation	13,574
PROUNI	1,451
Accreditation and cancellation of course	1,330
Other (i)	10,420
	<u>222,636</u>

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

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

16. Contingencies (Continued)

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

Labor	Amounts
Salary and severance differences + reduction of working time + FGTS + notice	102,317
Overtime + elimination of breaks during and between shifts	63,153
Employer's social security payment	21,062
Deviation from agreed position and salary parity	12,951
Moral/property damage/moral harassment	16,238
Fines (Article 467 CLT, article 477 CLT and CCT/ACT)	7,882
Fees	18,095
Allowances (health hazards/night shift pay/improvement/length of service/risk premium)	9,777
Vacations	5,527
Tenure	1,591
Rectification CTPS + Indirect Severance + Recognition of relationship	644
Other (i)	15,476
	<u>274,713</u>

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

Tax	Amounts
Social Security Contribution / FGTS	301,014
ISS	213,314
PROUNI / PIS / COFINS	1,303
IRPJ / CSLL / IRRF	11,710
IPTU / FORO / IPVA	2,141
Miscellaneous fines	3,456
Attachment of assets / CND / CEBAS	748
ICMS on electricity	3,574
Other	967
	<u>538,227</u>

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 Article 13 of Law 11096/05 ("PROUNI Act"), Tax Enforcements were issued by the National Treasury against SESES to recover debts related to the alleged differences in payments of social security contributions. We submitted the respective motion against these enforcements, in which SESES filed a petition stating the favorable decision had been made final and unappealable. In the case records of ordinary proceeding 0017945-16.2009.4.02.5101. Judgment of the motion against the enforcement is now pending. The total amount involved is R\$135,554.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 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)

- (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 in this proceeding was awarded meaning the substance of the annulment actions are pending judgment by the lower court. The total amount involved is R\$22,572.
- (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\$124,501.

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, which are in progress. The total amount involved is R\$ 37,871.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 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. The total amount involved is R\$54,291.
- (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\$16,905.

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

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

Shareholders	Common shares			
	June 30, 2019	%	December 31, 2018	%
Senior Management	584,856	0.2	601,693	0.2
Treasury	8,603,288	2.8	8,975,936	2.9
Other (i)	299,900,707	97.0	299,511,222	96.9
	309,088,851	100	309,088,851	100

(i) *Free float*

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

17. Equity (Continued)

b) Changes in shares

The share capital did not change in the period ended June 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)	(372,648)	23.02	(8,579)
Treasury shares at June 30, 2019	8,603,288	23.02	198,062

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

	Parent Company	
	June 30, 2019	December 31, 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

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

17. Equity (Continued)

d) Capital reserves (Continued)

d.1) *Goodwill on share subscription* (Continued)

The goodwill on the share issuance is comprised as follows:

	June 30, 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.

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 June 30, 2019 and December 31, 2018:

	Number 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	211,583	4,872	3,220	1,652
Negative goodwill at June 30, 2019	2,441,838	39,995	30,360	9,635

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.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

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

The Company's financial instrument assets and liabilities as of June 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.

18.1. Fair value hierarchy

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

	Consolidated	
	June 30, 2019	December 31, 2019
Level 2		
Financial assets at fair value through profit or loss		
Marketable securities	698,840	804,360
	<u>698,840</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 June 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)

June 30, 2019

(In thousands of reais, unless stated otherwise)

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

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 marketable securities.

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

d) Liquidity risk

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

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

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

18.2. Financial risk factors (Continued)

d) Liquidity risk (Continued)

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 June 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 June 30, 2019				
Trade payables	122,004			
Loans	75,218	42,394	681,274	361
Financial lease obligations	173,939	257,219	323,264	669,464
Acquisition price payable	17,428	15,431		-
At December 31, 2018				
Trade 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)

June 30, 2019

(In thousands of reais, unless stated otherwise)

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

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 June 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 June 30, 2019, three different scenarios were defined. Based on the CDI rate officially published by CETIP on June 30, 2019(6.40% 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 expenses" were calculated, disregarding the effect of taxes on the investment yields. The base date used for the portfolio was June 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)

June 30, 2019

(In thousands of reais, unless stated otherwise)

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

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\$698,840	CDI	6.40% 44,726	8.00% 55,907	9.60% 67,089
Debentures II R\$60,902	CDI +1.18%	7.66% (4,662)	9.27% (5,648)	10.89% (6,634)
Debentures V - Q1 R\$255,858	CDI +0.585%	7.02% (17,967)	8.63% (22,085)	10.24% (26,203)
Debentures V - Q2 R\$358,444	CDI +0.79%	7.24% (25,934)	8.85% (31,714)	10.46% (37,495)
Net position		(3,837)	(3,540)	(3,243)

Operations	Risk	CDI decrease scenario		
		Probable Scenario (I)	Scenario (II)	Scenario (III)
Marketable securities R\$698,840	CDI	6.40% 44,726	4.80% 33,544	3.20% 22,363
Debentures II R\$60,902	CDI +1.18%	7.66% (4,662)	6.04% (3,676)	4.42% (2,691)
Debentures V - Q1 R\$255,858	CDI +0.585%	7.02% (17,967)	5.41% (13,850)	3.80% (9,732)
Debentures V - Q2 R\$358,444	CDI +0.79%	7.24% (25,934)	5.62% (20,154)	4.01% (14,374)
Net position		(3,837)	(4,136)	(4,434)

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

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

18.2. Financial risk factors (Continued)

f) Capital Management

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

	Consolidated	
	June 30, 2019	December 31, 2018
Loans and financing (Note 11) (i)	688,650	817,215
(-) Cash and cash equivalents (Note 3)	(19,436)	(13,686)
Net debt	669,214	803,529
Equity	3,033,730	2,591,409
Net debt over equity	0.22	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 June 30, 2019 and December 31, 2018.

19. Management compensation

a) Compensation

In the period ended June 30, 2019 and 2018, total compensation (salaries and profit sharing) paid to the Company's directors, officers and main executives amounted to R\$ 12,425 and R\$ 10,834, 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)

June 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 June 30, 2019 the number of options granted which were exercised totaled 13,181,276 shares (R\$ 112,567), and the total shares granted less prescribed shares amounted to 17,006,402 shares (R\$ 158,426).

Programs	Granted	Options Prescribed	Options Abandoned	Exercised	Share balance
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	2,020,277	300
5P	720,000	348,000	118,394	253,606	
6P	5,090,000	2,247,000	1,882,764	799,567	169,669
7P	889,000	379,200	331,174	92,526	86,100
8P	983,000	453,400	43,432	429,413	56,755
9P	1,300,000	480,000		820,000	
10P	1,105,779	518,000	39,000	394,000	154,779
11P	991,010	497,010	16,255	247,166	230,579
Grand Total	28,942,634	11,936,232	3,135,944	13,181,276	689,182

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

	<u>Exercised shares</u>
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

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

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

19. Management compensation (Continued)

b) Stock option plan (Continued)

Program	End of grace period	Maturity Date	Fair Value	Price of Underlying Asset (R)	Expected Annual Volatility	Expected Dividends	Risk-free interest rate	Estimated Life (years)	Number of Options Granted	Number of Options Expired
1P Program Jul/08	04/15/09	04/15/19	R\$ 2.36	R\$ 8.06	57.49%	0.97%	6.85%	10	703,668	509,100
1P Program Jul/08	04/15/10	04/15/20	R\$ 3.15	R\$ 8.06	57.49%	0.97%	6.85%	10	703,626	538,176
1P Program Jul/08	04/15/11	04/15/21	R\$ 3.69	R\$ 8.06	57.49%	0.97%	6.85%	10	703,626	552,720
1P Program Jul/08	04/14/12	04/14/22	R\$ 4.37	R\$ 8.06	57.49%	0.97%	6.85%	10	703,626	552,720
1P Program Jul/08	04/14/13	04/14/23	R\$ 3.71	R\$ 8.06	57.49%	0.97%	6.85%	10	703,626	552,720
1P Program Jul/08 Cons.	04/15/09	07/11/18	R\$ 2.35	R\$ 8.06	57.49%	0.97%	6.85%	9	60,000	30,000
1P Program Jul/08 Cons.	04/15/10	07/11/18	R\$ 3.14	R\$ 8.06	57.49%	0.97%	6.85%	8	60,000	30,000
1P Program Sep/08	04/15/09	04/15/19	R\$ 0.47	R\$ 7.93	56.00%	1.62%	8.42%	10	663,645	0
1P Program Sep/08	04/15/10	02/15/20	R\$ 1.12	R\$ 7.93	56.00%	1.62%	8.42%	9	663,633	399,999
1P Program Sep/08	04/15/11	04/15/21	R\$ 1.55	R\$ 7.93	56.00%	1.62%	8.42%	10	663,633	399,999
1P Program Sep/08	04/14/12	04/14/22	R\$ 1.78	R\$ 7.93	56.00%	1.62%	8.42%	10	663,633	399,999
1P Program Sep/08	04/14/13	04/14/23	R\$ 2.08	R\$ 7.93	56.00%	1.62%	8.42%	10	663,633	399,999
1P Program Jan/09	04/15/10	04/15/20	R\$ 0.57	R\$ 7.90	63.99%	1.72%	6.83%	10	90,915	18,180
1P Program Jan/09	04/15/11	04/15/21	R\$ 1.21	R\$ 7.90	63.99%	1.72%	6.83%	10	90,909	72,729
1P Program Jan/09	04/14/12	04/15/22	R\$ 1.62	R\$ 7.90	63.99%	1.72%	6.83%	10	90,909	72,729
1P Program Jan/09	04/14/13	04/15/23	R\$ 1.92	R\$ 7.90	63.99%	1.72%	6.83%	10	90,909	72,729
1P Program Jan/09	04/14/14	04/15/24	R\$ 2.11	R\$ 7.90	63.99%	1.72%	6.83%	10	90,909	72,729
1P Program Jan/09 Cons.	04/15/10	01/13/19	R\$ 0.57	R\$ 7.91	63.99%	1.72%	6.83%	8	1,363,635	0
1P Program Jan/09 Cons.	04/15/11	01/13/19	R\$ 1.21	R\$ 7.91	63.99%	1.72%	6.83%	7	1,363,635	0
1P Program Sep/09	04/15/10	04/15/20	R\$ 1.78	R\$ 8.02	56.75%	1.13%	5.64%	10	174,582	0
1P Program Sep/09	04/15/11	02/15/21	R\$ 2.51	R\$ 8.02	56.75%	1.13%	5.64%	9	174,537	32,727
1P Program Sep/09	04/14/12	04/14/22	R\$ 3.00	R\$ 8.02	56.75%	1.13%	5.64%	10	174,537	32,727
1P Program Sep/09	04/14/13	04/14/23	R\$ 3.40	R\$ 8.02	56.75%	1.13%	5.64%	10	174,537	32,727
1P Program Sep/09	04/14/14	04/14/24	R\$ 3.62	R\$ 8.02	56.75%	1.13%	5.64%	10	174,537	101,814
1P Program Jan/10	04/15/11	04/15/21	R\$ 2.96	R\$ 8.01	63.15%	0.93%	6.23%	10	89,112	10,914
1P Program Jan/10	04/14/12	04/14/22	R\$ 3.78	R\$ 8.01	63.15%	0.93%	6.23%	10	89,088	38,181
1P Program Jan/10	04/14/13	04/14/23	R\$ 4.34	R\$ 8.01	63.15%	0.93%	6.23%	10	89,088	38,181
1P Program Jan/10	04/14/14	04/14/24	R\$ 4.76	R\$ 8.01	63.15%	0.93%	6.23%	10	89,088	52,728
1P Program Jan/10	04/14/15	04/14/25	R\$ 5.03	R\$ 8.01	63.15%	0.93%	6.23%	10	89,088	52,728
1P Program Mar/10	04/15/11	04/15/21	R\$ 2.43	R\$ 7.88	62.20%	1.01%	6.21%	10	90,909	0
1P Program Mar/10	04/14/12	04/14/22	R\$ 3.23	R\$ 7.88	62.20%	1.01%	6.21%	10	90,909	0
1P Program Mar/10	04/14/13	04/14/23	R\$ 3.77	R\$ 7.88	62.20%	1.01%	6.21%	10	90,909	0
1P Program Mar/10	04/14/14	04/14/24	R\$ 4.18	R\$ 7.88	62.20%	1.01%	6.21%	10	90,909	0
1P Program Mar/10	04/14/15	04/14/25	R\$ 4.43	R\$ 7.88	62.20%	1.01%	6.21%	10	90,909	0
2P Program May/10	04/15/11	04/15/21	R\$ 2.52	R\$ 9.00	60.71%	1.62%	6.30%	10	140,625	0
2P Program May/10	04/15/12	04/15/15	R\$ 2.52	R\$ 9.00	60.71%	1.62%	6.30%	3	140,625	140,625
2P Program May/10	04/14/13	04/14/23	R\$ 2.52	R\$ 9.00	60.71%	1.62%	6.30%	10	140,625	140,625
2P Program May/10	04/14/14	04/14/24	R\$ 2.52	R\$ 9.00	60.71%	1.62%	6.30%	10	140,625	140,625
2P Program May/10	04/14/15	04/14/25	R\$ 2.52	R\$ 9.00	60.71%	1.62%	6.30%	10	140,625	140,625
2P Program Jul/10	04/15/11	04/15/21	R\$ 1.37	R\$ 8.83	58.84%	1.52%	6.25%	10	129,702	39,063
2P Program Jul/10	04/14/12	04/14/22	R\$ 2.19	R\$ 8.83	58.84%	1.52%	6.25%	10	129,684	39,063
2P Program Jul/10	04/14/13	04/14/23	R\$ 2.72	R\$ 8.83	58.84%	1.52%	6.25%	10	129,684	48,438
2P Program Jul/10	04/14/14	04/14/24	R\$ 3.12	R\$ 8.83	58.84%	1.52%	6.25%	10	129,684	48,438
2P Program Jul/10	04/14/15	04/14/25	R\$ 3.36	R\$ 8.83	58.84%	1.52%	6.25%	10	129,684	60,936
2P Program Nov/10 Cons.	04/15/11	11/03/20	R\$ 2.48	R\$ 8.56	57.60%	1.52%	5.88%	9	30,000	0
2P Program Nov/10 Cons.	04/14/12	11/03/20	R\$ 3.34	R\$ 8.56	57.60%	1.52%	5.88%	8	30,000	0
3P Program Jan/11	04/15/12	04/15/22	R\$ 1.99	R\$ 10.31	56.55%	1.14%	5.79%	10	183,861	10,170
3P Program Jan/11	04/14/13	04/14/23	R\$ 3.02	R\$ 10.31	56.55%	1.14%	5.79%	10	183,807	35,592
3P Program Jan/11	04/14/14	04/14/24	R\$ 3.72	R\$ 10.31	56.55%	1.14%	5.79%	10	183,807	51,072
3P Program Jan/11	04/14/15	04/14/25	R\$ 4.25	R\$ 10.31	56.55%	1.14%	5.79%	10	183,807	51,072
3P Program Jan/11	04/14/16	04/14/26	R\$ 4.60	R\$ 10.31	56.55%	1.14%	5.79%	10	183,807	51,072
3P Program Jan/11 Cons.	04/15/12	01/03/21	R\$ 2.00	R\$ 10.31	56.55%	1.14%	5.79%	8	30,000	0
3P Program Jan/11 Cons.	04/14/13	01/03/21	R\$ 3.03	R\$ 10.31	56.55%	1.14%	5.79%	7	30,000	0
3P Program Apr/11	04/15/12	04/15/22	R\$ 1.29	R\$ 10.04	54.94%	1.32%	6.20%	10	165,324	12,717
3P Program Apr/11	04/14/13	04/14/23	R\$ 2.27	R\$ 10.04	54.94%	1.32%	6.20%	10	165,240	38,133
3P Program Apr/11	04/14/14	04/14/24	R\$ 2.92	R\$ 10.04	54.94%	1.32%	6.20%	10	165,240	61,011
3P Program Apr/11	04/14/15	04/14/25	R\$ 3.42	R\$ 10.04	54.94%	1.32%	6.20%	10	165,240	61,011
3P Program Apr/11	04/14/16	04/14/26	R\$ 3.74	R\$ 10.04	54.94%	1.32%	6.20%	10	165,240	80,079
4P Program Apr/12	04/15/13	04/15/23	R\$ 1.12	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	27,000
4P Program Apr/12	04/14/14	04/14/24	R\$ 1.81	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	42,000
4P Program Apr/12	04/14/15	04/14/25	R\$ 2.26	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	42,000
4P Program Apr/12	04/14/16	04/14/26	R\$ 2.60	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	60,000
4P Program Apr/12	04/14/17	04/14/27	R\$ 2.82	R\$ 7.84	51.66%	1.65%	4.29%	10	234,000	138,000
4P Program Apr/12 Cons.	04/15/13	04/02/22	R\$ 1.09	R\$ 7.84	51.66%	1.65%	4.29%	8	180,000	0
4P Program Apr/12 Cons.	04/14/14	04/02/22	R\$ 1.78	R\$ 7.84	51.66%	1.65%	4.29%	7	180,000	0
4P Program Jul/12	04/15/13	04/15/23	R\$ 2.23	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	0
4P Program Jul/12	04/14/14	04/14/24	R\$ 2.96	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	0
4P Program Jul/12	04/14/15	04/14/25	R\$ 3.46	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	9,000
4P Program Jul/12	04/14/16	04/14/26	R\$ 3.86	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	9,000
4P Program Jul/12	04/14/17	04/14/27	R\$ 4.12	R\$ 7.65	50.78%	1.23%	4.29%	10	48,000	48,000
4P Program Aug/12	04/15/13	04/15/23	R\$ 2.64	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	0
4P Program Aug/12	04/14/14	04/14/24	R\$ 3.37	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
4P Program Aug/12	04/14/15	04/14/25	R\$ 3.88	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
4P Program Aug/12	04/14/16	04/14/26	R\$ 4.29	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
4P Program Aug/12	04/14/17	04/14/27	R\$ 4.55	R\$ 7.54	50.39%	1.15%	4.29%	10	18,000	18,000
4P Program Nov/12	04/15/14	04/15/24	R\$ 6.31	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	0
4P Program Nov/12	04/15/15	04/15/25	R\$ 6.88	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	0
4P Program Nov/12	04/15/16	04/15/26	R\$ 7.36	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	15,000
4P Program Nov/12	04/15/17	04/15/27	R\$ 7.79	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	15,000
4P Program Nov/12	04/15/18	04/15/28	R\$ 8.08	R\$ 7.38	49.44%	0.76%	3.50%	10	15,000	15,000

(i) Market price on the respective grant dates.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 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 (i)	Expected Annual Volatility	Expected Dividends	Risk-free interest rate	Estimated Life (years)	Number of Options Granted	Number of Options Expired
4P Program Jan/13	04/15/14	04/15/24	R\$ 8.23	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	7,200
4P Program Jan/13	04/15/15	04/15/25	R\$ 8.35	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	7,200
4P Program Jan/13	04/15/16	04/15/26	R\$ 8.48	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	7,200
4P Program Jan/13	04/15/17	04/15/27	R\$ 8.62	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	88,200
4P Program Jan/13	04/15/18	04/15/28	R\$ 8.75	R\$ 7.32	33.47%	0.00%	3.90%	10	160,200	94,200
5P Program 3	04/15/14	04/15/24	R\$ 6.37	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	0
5P Program 3	04/15/15	04/15/25	R\$ 7.02	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	21,000
5P Program 3	04/15/16	04/15/26	R\$ 7.60	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	102,000
5P Program 3	04/15/17	04/15/27	R\$ 8.11	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	102,000
5P Program 3	04/15/18	04/15/28	R\$ 8.58	R\$ 15.33	39.85%	0.00%	11.02%	10	144,000	123,000
6P Program Oct13	04/15/14	04/15/24	R\$ 5.05	R\$ 17.48	28.80%	0.00%	11.99%	10	265,000	5,000
6P Program Oct13	04/15/15	04/15/25	R\$ 5.79	R\$ 17.48	28.80%	0.00%	11.99%	10	265,000	5,000
6P Program Oct13	04/15/16	04/15/26	R\$ 6.40	R\$ 17.48	28.80%	0.00%	11.99%	10	265,000	19,000
6P Program Oct13	04/15/17	04/15/27	R\$ 6.94	R\$ 17.48	28.80%	0.00%	11.99%	10	265,000	88,000
6P Program Oct13	04/15/18	04/15/28	R\$ 7.43	R\$ 17.48	28.80%	0.00%	11.99%	10	265,000	104,000
6P Program Jul14	04/15/15	04/15/25	R\$ 15.13	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	0
6P Program Jul14	04/15/16	04/15/26	R\$ 15.76	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	80,000
6P Program Jul14	04/15/17	04/15/27	R\$ 16.41	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	602,000
6P Program Jul14	04/15/18	04/15/28	R\$ 17.05	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	608,000
6P Program Jul14	04/15/19	04/15/29	R\$ 17.65	R\$ 16.79	26.43%	0.00%	11.99%	10	608,000	608,000
6P Program Jul14 Cons.	04/15/15	07/04/24	R\$ 15.09	R\$ 16.79	28.80%	0.00%	11.99%	9	162,500	0
6P Program Jul14 Cons.	04/15/16	07/04/24	R\$ 15.69	R\$ 16.79	28.80%	0.00%	11.99%	8	162,500	0
6P Program Aug14	04/15/15	04/15/25	R\$ 14.48	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	0
6P Program Aug14	04/15/16	04/15/26	R\$ 15.10	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	28,000
6P Program Aug14	04/15/17	04/15/27	R\$ 15.74	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	28,000
6P Program Aug14	04/15/18	04/15/28	R\$ 16.38	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	28,000
6P Program Aug14	04/15/19	04/15/29	R\$ 16.98	R\$ 16.88	26.68%	0.00%	11.99%	10	60,000	44,000
6P Program Aug14 Cons.	04/15/15	08/01/24	R\$ 14.43	R\$ 16.88	28.80%	0.00%	11.99%	9	50,000	0
6P Program Aug14 Cons.	04/15/16	08/01/24	R\$ 15.02	R\$ 16.88	28.80%	0.00%	11.99%	8	50,000	0
7P Program Oct14	04/15/15	04/15/25	R\$ 8.58	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	16,000
7P Program Oct14	04/15/16	04/15/26	R\$ 9.71	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	37,000
7P Program Oct14	04/15/17	04/15/27	R\$ 10.64	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	86,000
7P Program Oct14	04/15/18	04/15/28	R\$ 11.47	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	104,400
7P Program Oct14	04/15/19	04/15/29	R\$ 12.24	R\$ 25.40	28.80%	0.00%	11.99%	10	177,800	135,800
8P Program Oct15	04/15/16	04/15/26	R\$ 5.45	R\$ 13.15	28.80%	0.00%	11.99%	10	196,600	2,000
8P Program Oct15	04/15/17	04/15/27	R\$ 6.42	R\$ 13.15	28.80%	0.00%	11.99%	10	196,600	56,800
8P Program Oct15	04/15/18	04/15/28	R\$ 7.20	R\$ 13.15	28.80%	0.00%	11.99%	10	196,600	81,200
8P Program Oct15	04/15/19	04/15/29	R\$ 7.88	R\$ 13.15	28.80%	0.00%	11.99%	10	196,600	150,200
8P Program Oct15	04/15/20	04/15/30	R\$ 8.47	R\$ 13.15	28.80%	0.00%	11.99%	10	196,600	163,200
9 th Program Apr16	04/15/17	04/15/27	R\$ 6.02	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	20,000
9 th Program Apr16	04/15/18	04/15/27	R\$ 6.66	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	20,000
9 th Program Apr16	04/15/19	04/15/27	R\$ 7.14	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	80,000
9 th Program Apr16	04/15/20	04/15/27	R\$ 7.52	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	80,000
9 th Program Apr16	04/15/21	04/15/27	R\$ 7.83	R\$ 11.87	54.57%	0.00%	12.93%	10	80,000	80,000
9 th Program Apr16 Cons.	04/15/17	04/29/17	R\$ 3.17	R\$ 11.87	54.57%	0.00%	12.93%	2	450,000	100,000
9 th Program Apr16 Cons.	04/15/18	04/29/18	R\$ 4.43	R\$ 11.87	54.57%	0.00%	12.93%	2	450,000	100,000
10 th Program Jul16	04/15/17	04/15/27	R\$ 6.89	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	2,000
10 th Program Jul16	04/15/18	04/15/27	R\$ 7.89	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	33,000
10 th Program Jul16	04/15/19	04/15/27	R\$ 8.61	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	153,000
10 th Program Jul16	04/15/20	04/15/27	R\$ 9.18	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	165,000
10 th Program Jul16	04/15/21	04/15/27	R\$ 9.64	R\$ 15.12	59.18%	0.00%	12.50%	10	208,000	165,000
10 th Program Jul16 Cons.	04/15/17	04/29/17	R\$ 6.89	R\$ 15.12	59.18%	0.00%	12.50%	2	32,890	0
10 th Program Jul16 Cons.	04/15/18	04/29/18	R\$ 7.89	R\$ 15.12	59.18%	0.00%	12.50%	2	32,890	0
11 th Program Apr17	05/15/18	05/15/28	R\$ 6.14	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	13,500
11 th Program Apr17	05/15/19	05/15/28	R\$ 6.84	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	86,000
11 th Program Apr17	05/15/20	05/15/28	R\$ 7.41	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	115,500
11 th Program Apr17	05/15/21	05/15/28	R\$ 7.86	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	115,500
11 th Program Apr17	05/15/22	05/15/28	R\$ 8.26	R\$ 14.18	46.66%	0.00%	8.94%	10	188,000	115,500
11 th Program Apr17	05/15/18	04/29/18	R\$ 6.14	R\$ 14.18	46.66%	0.00%	8.94%	2	25,505	25,505
11 th Program Apr17	05/15/19	04/29/19	R\$ 6.84	R\$ 14.18	46.66%	0.00%	8.94%	2	25,505	25,505

(i) Market price on the respective grant dates.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 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\$ 1,574 was recognized in the period ended June 30, 2019 (R\$ 3,020 in the financial year ended December 31, 2018). The provision as of June 30, 2019 is R\$74,353 (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

	June 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	-	-	16.97	120,255
Prescribed	14.35	68,000	-	-
	13.85	860,148	13.81	1,011,148

Board of Directors

	June 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	-	-	9.92	350,000
	10.13	600,779	10.13	600,779

c) Performance Share Program

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

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

19. Management compensation (Continued)

c) Performance Share Program (Continued)

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.

As regards the new Restricted Share Option Plan, the provision for the program in the period ended June 30, 2019 is R\$7,217 (R\$4,658 as of December 31, 2018). The accumulated provision as of June 30, 2019 is R\$6,360 (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 4/15/2019.

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

19. Management compensation (Continued)

c) Performance Share Program (Continued)

At June 30, 2019 the number of shares granted and delivered was 242,613 shares, and the total shares granted amounted to 3,314,500 shares.

Programs	Granted	Additional Shares Dividends	Shares Delivered	Unvested	Prescribed
1P	1,695,500	82,754	242,613	1,077,310	458,330
1P - Cons.	120,000	6,942	-	126,942	-
2P	869,000	-	-	869,000	-
3P	630,000	-	-	630,000	-
Grand Total	3,314,500	89,696	242,613	2,703,252	458,330

20. Earnings per share

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

a) Earnings per share - basic

	2019	2018
Numerator		
Net income for the period	435,570	434,251
Denominator (in thousands of shares)		
Weighted average number of free float	300,256	309,427
Net income per lot of a thousand shares - basic	1.45066	1.40340

b) Earnings per share - diluted

	2019	2018
Numerator		
Net income for the period	435,570	434,251
Denominator (in thousands of shares)		
Weighted average number of free float	300,256	309,427
Potential increase in the number of shares as a result of the options plan	1,499	
Adjusted weighted average number of free float shares	301,755	309,427
Net income per lot of a thousand shares - diluted	1.44346	1.40340

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

21. Net operating revenue

	Consolidated	
	2019	2018
Gross revenue - On campus	2,582,175	2,537,851
Gross revenue - Distance learning	600,914	446,436
	3,183,089	2,984,287
Deductions from gross revenue	(1,293,235)	(1,084,809)
Grants - scholarships	(1,183,146)	(912,216)
Refund of tuition and charges	(9,976)	(5,519)
Discounts awarded	(97)	(705)
Tax	(74,682)	(83,867)
Adjustment to present value - PAR	7,613	(23,397)
Adjustment to present value - DIS	(1,782)	(14,563)
FGEDUC	(22,891)	(32,483)
Other	(8,274)	(12,059)
	1,889,854	1,899,478

22. Costs of the services rendered

	Consolidated	
	2019	2018
Personnel and payroll charges	(528,596)	(575,146)
Electricity, water, gas and telephony	(19,704)	(20,897)
Rental, condominium fees and IPTU (i)	(18,723)	(121,704)
Postage and Mailbags	(895)	(865)
Depreciation and amortization (ii)	(140,728)	(47,138)
Teaching materials	(3,271)	(3,825)
Outsourced security and cleaning services	(27,040)	(30,139)
Other	(18,992)	(11,322)
	(757,949)	(811,036)

(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)

June 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 accounts (Note 4)	-	-	(187,167)	(160,994)
Advertising	-	-	(114,763)	(94,359)
Sales and marketing	-	-	(29,973)	(21,338)
Other	-	-	(246)	(607)
	-	-	(332,149)	(277,298)
General and administrative expenses				
Personnel and payroll charges	(2,689)	(2,403)	(81,278)	(83,516)
Outsourced services	(2,245)	(2,834)	(33,550)	(60,827)
Consumables		-	(992)	(1,031)
Maintenance and repairs	(57)	(31)	(20,657)	(19,809)
Depreciation and amortization	(30)	(6,546)	(46,284)	(49,373)
Educational arrangements	(1)	-	(11,383)	(8,651)
Travel and accommodation	(27)	(51)	(4,311)	(3,115)
Institutional events	-	(5)	(887)	(1,298)
Provision for contingencies (Note 16)	-	(110)	(40,727)	(49,496)
Photocopies and bookbinding	-	-	(2,092)	(1,827)
Insurance	(4,222)	(4,072)	(4,822)	(4,430)
Cleaning materials	-	-	(1,623)	(1,438)
Transportation	(1)	(2)	(2,216)	(2,401)
Car hire		-	(1,348)	(1,887)
Other	(148)	(290)	(14,461)	(10,923)
	(9,420)	(16,344)	(266,631)	(300,022)

24. Other operating income/expense

	Parent Company		Consolidated	
	2019	2018	2019	2018
Income from arrangements	136	272	136	439
Rental revenue	-	-	5,335	4,105
Capital gain (loss) on property, plant and equipment	-	-	(447)	(662)
Business intermediation	-	-	1,202	2,192
Provision for portfolio sale loss	-	-	-	(7,485)
Provision for losses other revenue	-	-	166	(949)
Other operating income (expenses)	(3)	(68)	152	(1,081)
	133	204	6,544	(3,441)

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

25. Finance income (expenses)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Finance income				
Arrears fines and interest	-	-	13,565	14,854
Restatement of accounts receivable - FIES	-	-	-	8,419
Earnings on investments	6,466	1,874	25,051	16,404
Restatement of tax credits	723	1,027	4,878	1,817
Restatement of PAR	-	-	2,442	3,142
Restatement of DIS	-	-	2,836	3,618
Other	-	-	1,186	206
	7,189	2,901	49,958	48,460
Finance expenses				
Bank expenses	(334)	(685)	(20,081)	(13,719)
Interest and financial charges	(25,620)	(18,644)	(42,337)	(33,916)
Restatement of the provision for contingencies (Note 16)	(10)	-	(16,889)	(11,603)
Financial discounts (i)	-	-	(25,201)	(34,462)
monetary variance liability	-	-	(2,304)	(153)
Loan expenses	(1,061)	(2,012)	(1,061)	(2,012)
Lease interest - Right of use (ii)	-	-	(29,354)	-
Other	(412)	(289)	(5,589)	(8,794)
	(27,437)	(21,630)	(142,816)	(104,659)

(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		Total	
	2019	2018	2019	2018	2019	2018
Gross Operating Revenue	2,582,175	2,537,852	600,914	446,435	3,183,089	2,984,287
(-) Deductions from Gross revenue	(1,042,575)	(919,255)	(250,660)	(165,554)	(1,293,235)	(1,084,809)
Net Operating Revenue	1,539,600	1,618,597	350,254	280,881	1,889,854	1,899,478
Costs of the Services Rendered	(716,076)	(776,062)	(41,873)	(34,974)	(757,949)	(811,036)
Personnel	(505,354)	(550,880)	(23,242)	(24,267)	(528,596)	(575,147)
Rental, condominium fees and IPTU	(20,158)	(121,663)	1,435	(40)	(18,723)	(121,703)
Teaching materials	(4,008)	(4,553)	(158)	(135)	(4,166)	(4,688)
Outsourced services and other	(47,705)	(52,146)	(18,031)	(10,214)	(65,736)	(62,360)
Depreciation	(138,851)	(46,820)	(1,877)	(318)	(140,728)	(47,138)
Gross profit	823,524	842,535	308,381	245,907	1,131,905	1,088,442

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 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 June 30, 2019 and 2018 are shown below:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Profit before income and social contribution taxes	435,479	431,998	446,811	451,482
Combined nominal income and social contribution tax rate - %	34	34	34	34
Income and social contribution taxes calculated at the statutory rates	(148,063)	(146,879)	(151,915)	(153,504)
Equity in net income of subsidiaries	158,105	158,734	-	-
Non-deductible expenses (i)	-	-	(1,527)	(966)
Unrecorded tax loss	(9,951)	(9,602)	(10,777)	(11,053)
Other	-	-	2,201	1,340
	91	2,253	(162,018)	(164,183)
Tax benefits				
Tax incentives - PROUNI	-	-	148,837	144,918
<i>Lei Rouanet</i> tax incentive	-	-	1,940	2,034
Current income and social contribution taxes on net income for the year	91	2,253	(11,241)	(17,231)

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

	Parent Company		Consolidated	
	2019	2018	2019	2018
Current income and social contribution tax			(41,854)	(82,669)
Deferred income and social contribution taxes	91	2,253	30,613	65,438
	91	2,253	(11,241)	(17,231)

Estácio Participações S.A.

Management notes to the interim accounting information (Continued)

June 30, 2019

(In thousands of reais, unless stated otherwise)

27. Income and social contribution taxes (Continued)

As of June 30, 2019 the Company has a deferred tax credit on temporary differences amounting to R\$ 162,003 (R\$ 131,390 as of December 31, 2018). The tax effect on temporary additions that originated the recording of the credit have been summarized below:

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Adjustment to present value	-	-	13,624	15,868
Provision for contingencies	102	98	49,461	43,152
Allowance for doubtful accounts	-	-	48,407	31,362
Monthly tuition fees to be canceled	-	-	13,725	12,019
Provision for retirement	-	-	6,009	5,623
Goodwill	-	-	(5,908)	(6,772)
Provision for FIES risk	-	-	7,205	7,121
Awarded options recognized	87	-	31,893	31,126
Leases	-	-	3,999	(376)
Goodwill incorporated	-	-	(11,290)	(11,290)
Depreciation	13	13	3,613	2,663
Restatement of retirement	-	-	371	-
Tax loss	-	-	894	894
	202	111	162,003	131,390
Assets	202	111	165,605	136,576
Liabilities			(3,602)	(5,186)
	202	111	162,003	131,390

The realization of the deferred tax effect on temporary differences recorded at June 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 asset retirement.

At June 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 June 30, 2019 the Company had tax credits arising from income tax and social contribution losses amounting to R\$133,607 (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)

June 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 June 30, 2019 and December 31, 2018.

	Consolidated		
	Less than one year	Between one and five years	Over five years
Commitments at June 30, 2019			
Campus leases / rental agreements	182,456	657,177	431,631
Commitments at December 31, 2018			
Campus leases / rental agreements	215,493	612,592	433,988

New University Center Estácio Sergipe



YDUQS

**EARNINGS RELEASE
2Q19**

YDUQ3 | YDUQY B3 ADR

Rio de Janeiro, August 12, 2019 - **A Estácio Participações S.A.**, one of the largest private organizations in the Brazilian higher education segment, presents **results for the second quarter of 2019 (2Q19)**.

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 second quarter of 2018 (2Q18), 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 2Q19, 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:

August 13th, 2019 | 09:00 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

Our second quarter release is marked by the transformation of our brand. As of July, **YDUQS** has become the name of our holding company preserving the Estácio brand with almost 50 years of tradition in higher education. We are ready to grow. With YDUQS we will have more flexibility for (i) new positioning and brands, (ii) new business and (iii) growth through acquisitions. In this sense, we highlight a solid cash position and net debt/EBITDA ratio, which is at its lowest levels in our history.

At the end of the first semester, we showed once again a relevant business resilience despite a still slow macroeconomic recovery and the impact of FIES student graduation.

Student base: We closed the quarter with 576,000 students, posting a 3% yearly increase regardless of the challenges mentioned above. Excluding FIES students, total base would have grown 10% over the same period last year. Undergraduate Distance learning segment continues to be the highlight, growing 26% year over year with Flex modality in strong expansion of 61% in the same period.

Operational: Retention rates continue to improve every quarter, both on-campus and in DL. When compared to 2Q18, we have launched 36 new courses. DL expansion remain solid in terms of student base, DL centers and cities covered. Going forward, we see opportunity to grow on small and medium size cities.

Financial performance: Our financial results also attest the resilience of our business. Although our revenues were virtually stable, efficiency gains of costs and expenses generated a 1.6% grow in EBITDA year over year. Also important to highlight that our gross margin reached 58%, a solid increase when over the 56% in the same period last year. The conversion of EBITDA into operating cash flow reached 66% at the end of the second quarter this year.

As growth levers for our business, we highlight the distance learning segment and our medicine schools, in addition to growth through acquisitions.

For distance learning, we are maintaining our DL centers expansion pace, growing 223 new centers in the last 12 months, while total student base grew by 20%. Its worth mentioning that 40% of our partners DL centers still on their first intake cycle, showing a significant potential upside when maturity is reached.

As for medical schools, we ended this quarter with 3,841 students, up by 8% when compared to 2018. We currently operate 8 campuses and expect to reach 12 units after Mais Médicos II program. Medical schools already represent 9% of our total revenues.

Conclusion and perspectives

- We reached the first half of 2019 with solid operational and financial performance. We managed to increase our student base, post a record intake, capture important cost and expenses efficiencies and reached higher profitability as measured by gross margin expansion and conversion of cash flow.
- We are approaching the end of the intake season for the second semester 2019. Our technical approach has evolved and our expectations are of an increase in our student base both on-campus (0%-10%) and DL (>10%). As for average ticket, we expect variations between -5% to +5% at both segments.

Financial Highlights (R\$MM)	2Q18	2Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	2Q19 IFRS 16
Net Revenues	963.7	957.2	-0.7%	957.2
Gross Profit	536.1	551.8	2.9%	559.3
Gross Margin	55.6%	57.7%	2.0 p.p.	58.4%
EBITDA ⁽²⁾	283.5	288.0	1.6%	342.0
EBITDA Margin	29.4%	30.1%	0.7 p.p.	35.7%
Net Income	236.9	201.8	-14.8%	194.8
Net Margin (%)	24.6%	21.1%	-3.5 p.p.	20.3%

(1) Proforma numbers excluding the effect of IFRS 16 in 2Q19, for better comparison with 2Q18.

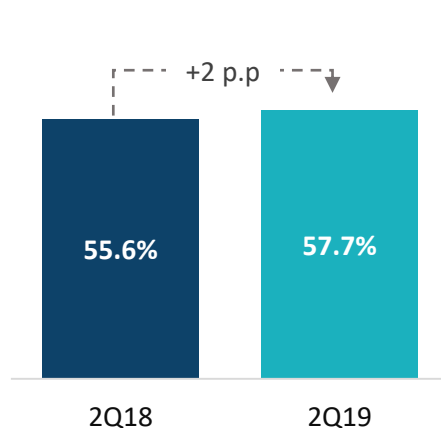
(2) Adjusted in 2Q18 by R\$9.4 million related to consulting and organizational restructuring expenses.

(3) Positively impacted by R\$57 million, due to the POEB tax benefit shifted from 1Q18.

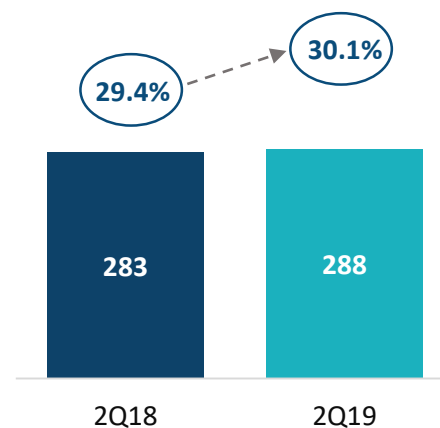
(4) Cash conversion= Operating Cash Flow before Capex over Reported EBITDA ex-PN23

- **Net Revenue** reached **R\$957.2 million** in 2Q19, slightly below (-0.7%) 2Q18.
- **Gross Profit** totaled **R\$551.8 million**, **up 2.9%** over 2Q18 with gross margin reaching 57.7%, an **improvement of 2.0 p.p.** YoY.
- **EBITDA** totaled **R\$288.0 million** in the quarter, an increase of 1.6% YoY. **EBITDA margin** reached 30.1%, **gaining 0.7 p.p.** over 2Q18.
- **Net Income** reached **R\$201.8 million**, down 14.8% over 2Q18, which was positively affected by POEB tax benefit shifted from 1Q18.
- **Student Base** in 2Q19 totaled 576,400 students, **up 3.3%** over 2Q18. Excluding FIES students, our base grew 9.8%. In addition, we highlight the expansion of the **Distance Learning** segment **(+20.5%)**.

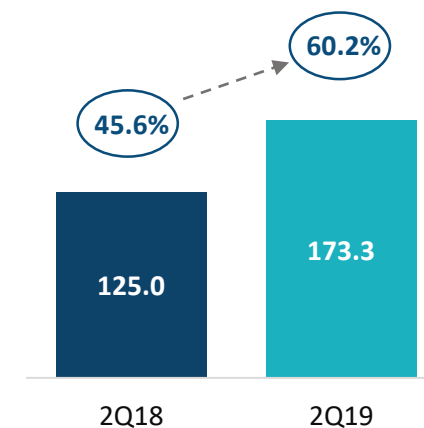
Gross Margin
(%; ex-IFRS 16)



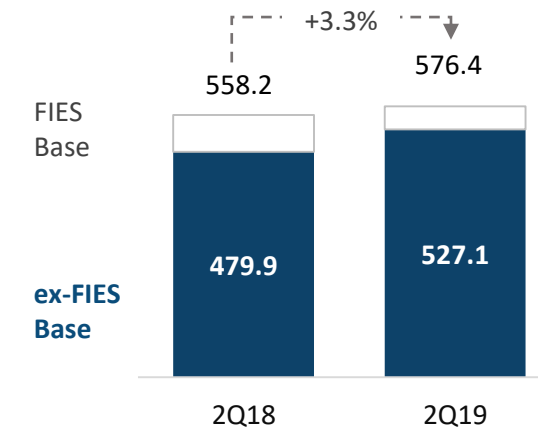
EBITDA⁽²⁾ and Margin
(R\$MM; ex-IFRS 16; %)



Operating Cash Flow and Cash Conversion⁽⁴⁾
(R\$MM; ex-IFRS 16)



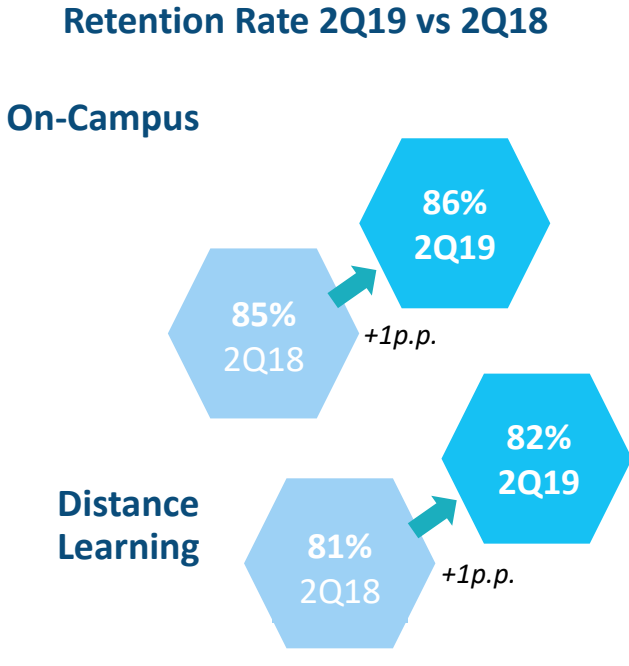
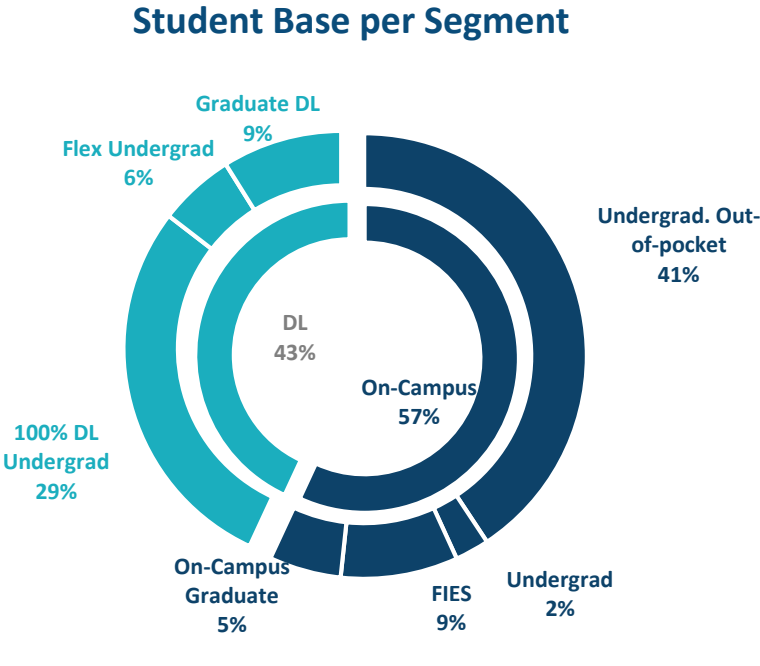
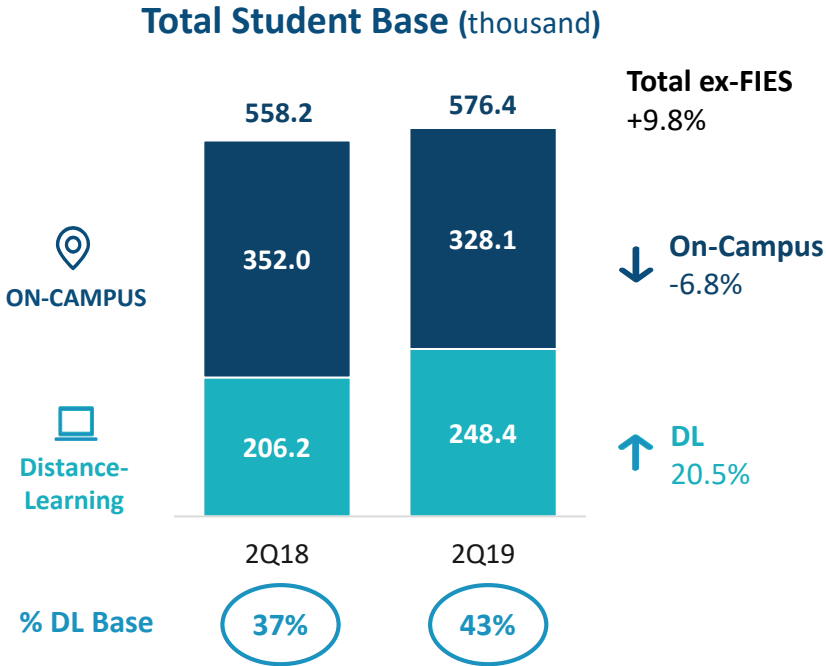
Total Base
(‘000)



Total (thousand)	2Q18	2Q19	Δ %
Total Student Base	558.2	576.4	3.3%
Total ex-FIES	479.9	527.1	9.8%
Undergraduate	477.9	495.0	3.6%
Total DIS [a + b]	114.5	216.9	89.4%
Graduate	80.3	81.4	1.4%
Own	37.6	34.8	-7.3%
Partnerships	42.7	46.6	9.2%

On-campus (thousand)	2Q18	2Q19	Δ %
Total On-Campus	352.0	328.1	-6.8%
Undergraduate ex-FIES	242.7	248.6	2.5%
Undergraduate	321.1	298.0	-7.2%
Total On-Campus DIS [a]	62.0	106.6	71.9%
Out-of-pocket	227.4	234.6	3.2%
FIES	78.3	49.4	-37.0%
PAR	15.3	14.7	-4,1%
Graduate	31.0	30.1	-2.7%
Own	18.7	16.2	-13.7%
Partnerships	12.2	14.0	14.2%

DL (thousand)	2Q18	2Q19	Δ %
Total Distance-Learning	206.2	248.4	20.5%
Undergraduate DL+ Flex	156.8	197.0	25.6%
Total DL DIS [b]	52.5	110.3	110.1%
100% Distance-Learning	136.6	164.5	20.4%
DIS	45.0	88.9	97.6%
Distance-Learning – Flex	20.2	32.6	61.2%
DIS	7.5	21.4	185.4%
Graduate	49.3	51.3	4.0%
Own	18.9	18.7	-1.0%
Partnerships	30.5	32.6	7.1%



CHANGES IN THE UNDERGRADUATE BASE (1/2)

In thousands	2Q18 Intake	Final 2Q18	Initial 2Q19	Dropout/ Non -renewal	Students Graduating	2Q19 Intake	Final 2Q19	Base Y/Y
Undergraduate	22.9	477.9	482.1	(5.7)	(2.4)	21.1	495.0	3.6%
On-Campus	10.4	321.1	292.5	(0.3)	(2.0)	7.8	298.0	-7.2%
FIES	2.9	78.3	48.5	0.9	-	-	49.4	-37.0%
PAR	0.6	15.3	15.6	(1.0)	-	0.1	14.7	-4.1%
Out-of-Pocket	6.9	227.4	228.4	(0.2)	(2.0)	7.8	233.9	2.9%
DIS	8.0	62.0	105.6	(2.9)	-	3.9	106.6	71.9%
100% DL + FLEX	12.5	156.8	189.6	(5.4)	(0.4)	13.2	197.0	25.6%
100% DL	11.3	136.6	156.2	(3.6)	(0.3)	12.1	164.5	20.4%
DIS	8.8	45.0	84.9	(3.6)	-	7.6	88.9	97.6%
FLEX DL	1.2	20.2	33.4	(1.7)	(0.2)	1.1	32.6	61.2%
DIS	1.1	7.5	22.1	(1.4)	-	0.7	21.4	185.4%
Total DIS	17.9	114.5	212.6	(7.9)	-	12.2	216.9	89.4%

Retention Rate ⁽¹⁾	2Q18	2Q19
On-campus Undergraduate	85.0%	86.0%
Distance-learning Undergraduate	80.9%	81.5%

The **retention rate of the in-class segment in 2Q19 was 86.0%**, up by 1.0 p.p. over 2Q18.

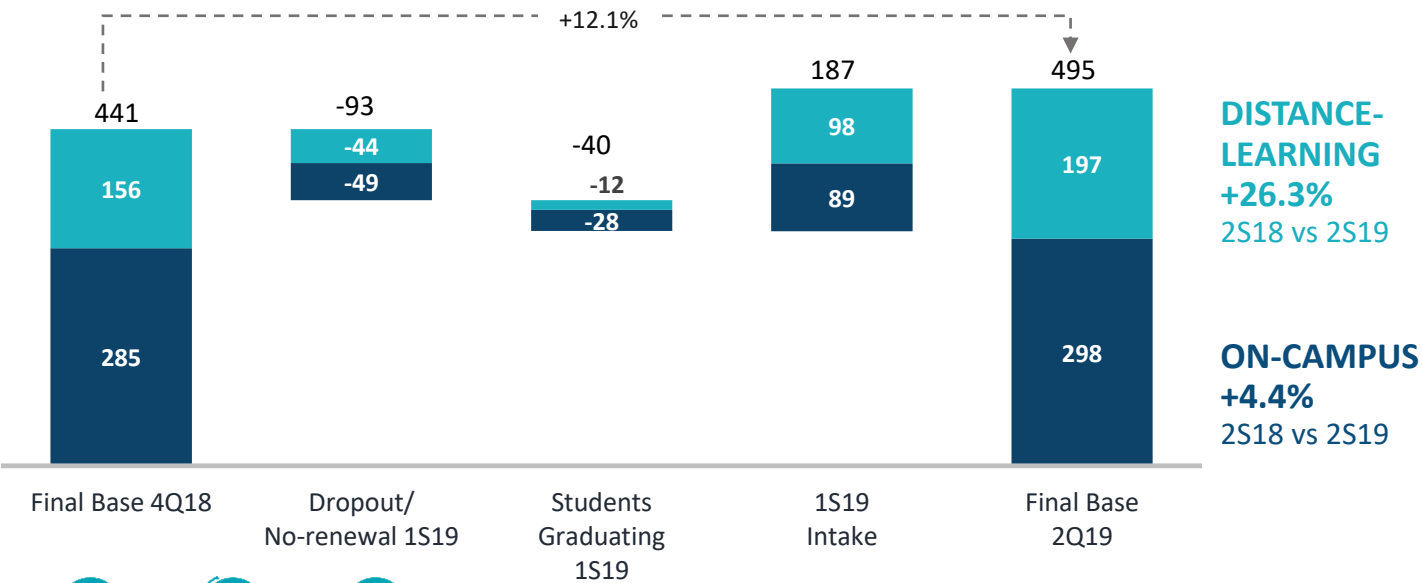
The **retention rate of the Distance Learning segment** grew 0.7 p.p., reaching 81.5% in 2Q19.

Intake Analysis	1S18	1S19
% PAR / On-campus undergrad. Intake	9.8%	5.2%
% FIES / On-campus undergrad. Intake	2.1%	1.8%
% DIS / Total Intake	76.9%	73.8%

When analyzing our financed programs, **PAR** represented 5.2% of our intake in 1S19 in the on-campus segment, decreasing its share over the same period last year.

Regarding **DIS** intake, it reached 73.8% of the total.

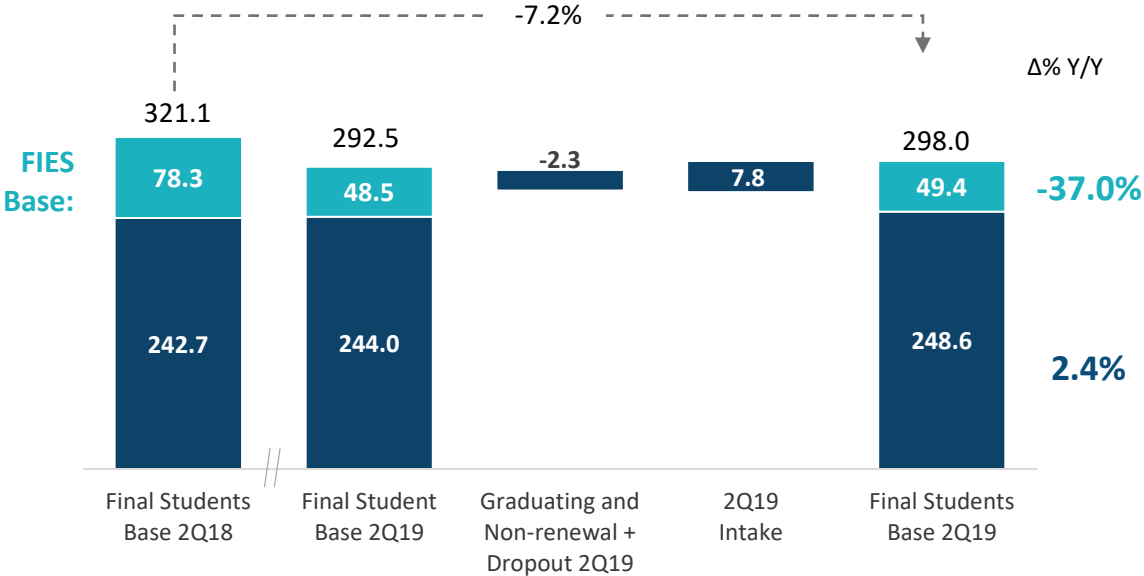
Changes In The Undergraduate Base 1S19 (In Thousand)



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



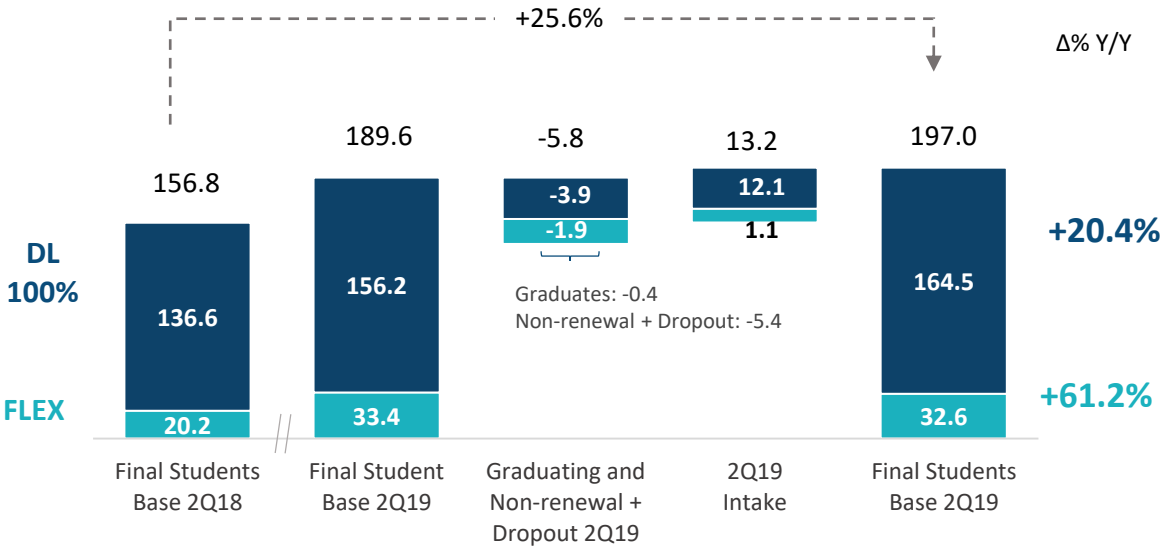
ON-CAMPUS UNDERGRADUATE ('000)



The on-campus undergraduate student base totaled 298,000 students at the end of 2Q19, down 7.2% YoY, as a result of a 37.0% decrease in the FIES student base.

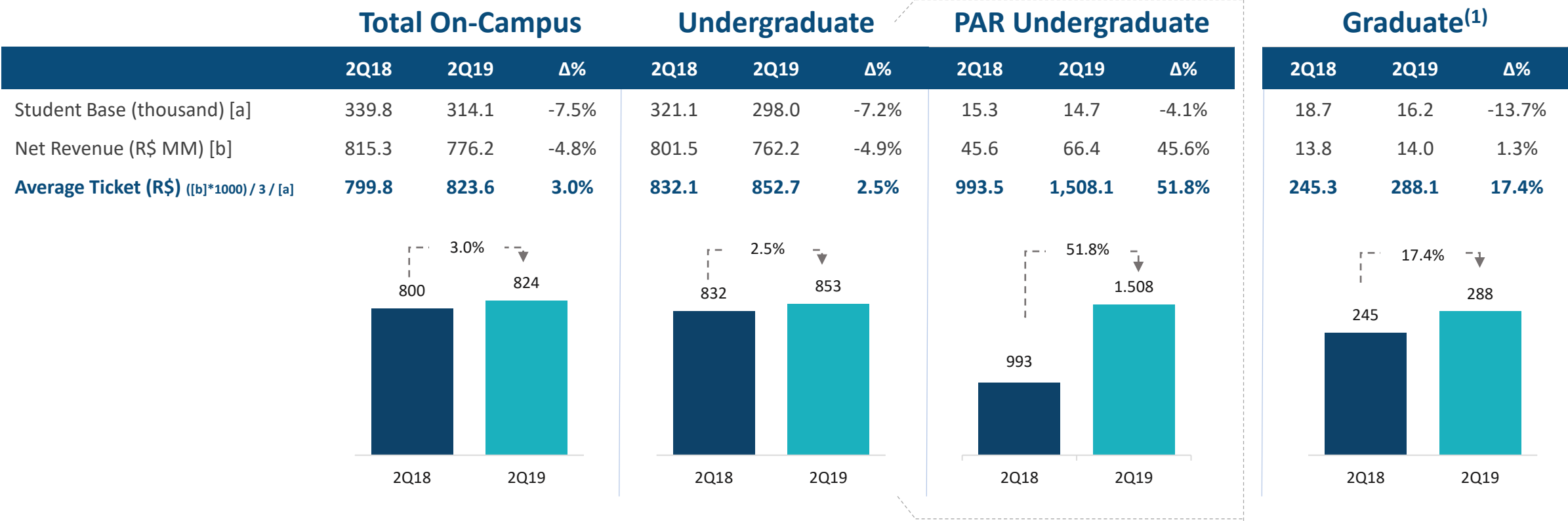
Excluding the total number of FIES students, our undergraduate base was 2.5% higher than in 2Q18.

DISTANCE-LEARNING UNDERGRADUATE ('000)



The Distance Learning undergraduate student base grew 25.6% over 2Q18, totaling 197,000 students. The highlight was the Flex Distance Learning student base, up 61.2% over 2Q18, totaling 32,600 students. The 100% online Distance Learning student base grew by 20.4% over 2Q18, totaling 164,500 new students.



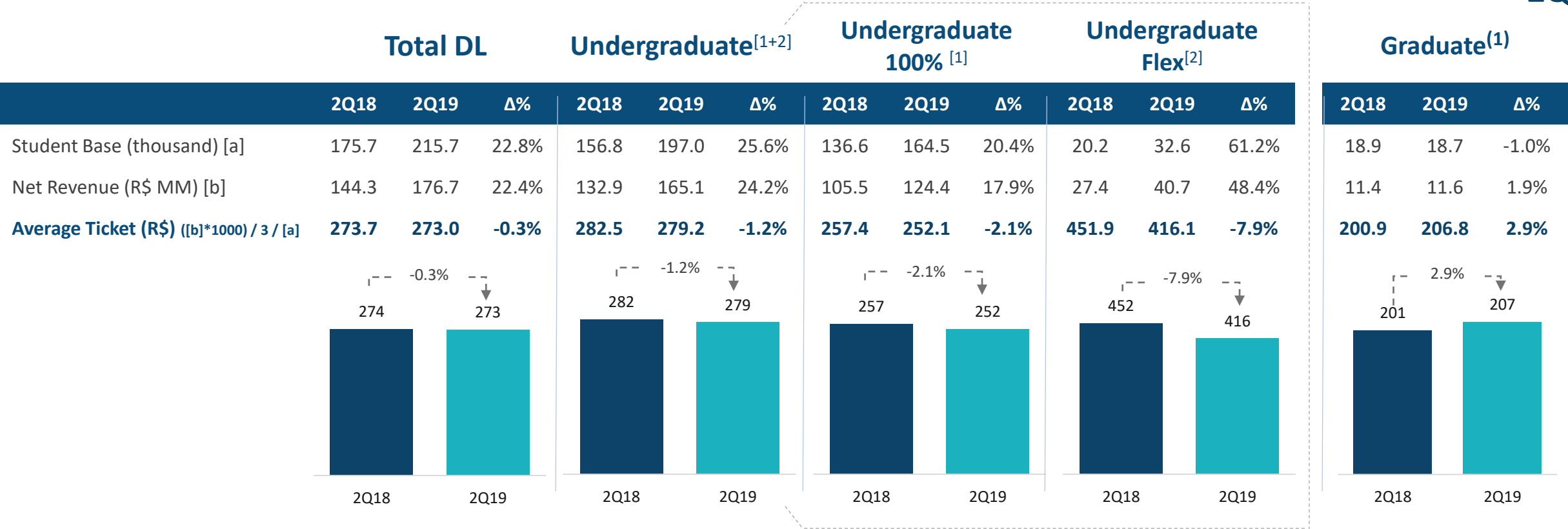


Undergraduate: Average ticket increased 2.5% over 2Q18, to R\$852.7, mainly due to the readjustment of veterans’ monthly tuitions, in line with the Company’s cost inflation, and a better mix of courses.

Graduate: Average ticket totaled R\$288.1, up 17.4% over 2Q18, due to a 1.3% increase in net revenues.

PAR Undergraduate: Increased 51.8% in 2Q19 when compared to the same period last year due to the effect of APV. Excluding the effects of APV of the PAR average ticket would have increased 5.7% YoY.

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



Undergraduate DL: Ticket fell by 1.2% in 2Q19 vs. 2Q18, reaching R\$279.2, due to the increased base, the discounts granted and the course mix effect.

Undergraduate 100% DL: Reached R\$252.1, down 2.1% over 2Q18. We are moving forward with our strategy of expanding our student base and poles, reviewing courses, classrooms and creating new offers.

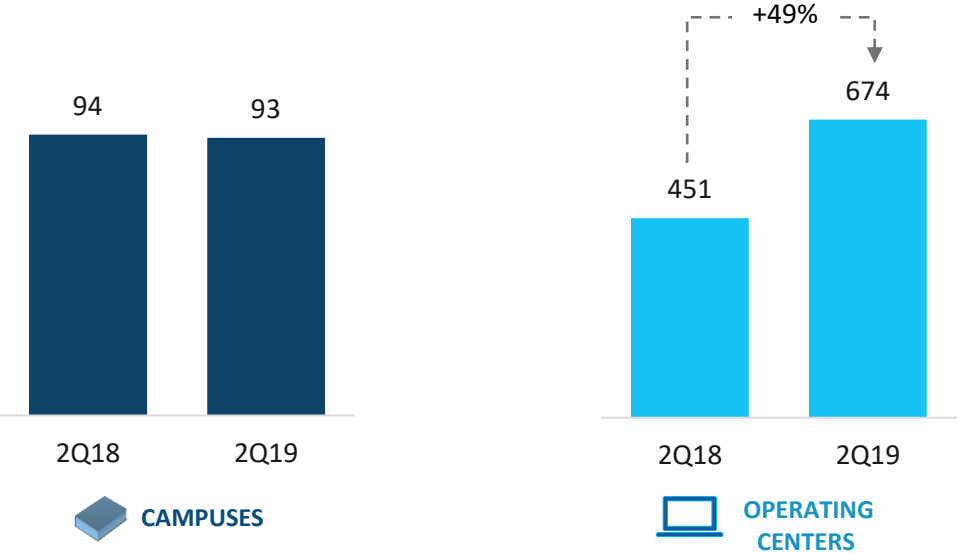
Flex Undergraduate: Average ticket fell by 7.9% over 2Q18, totaling R\$416.1, affected by the highly increased base. Flex is a product that brings together in-person classes, use of laboratories and the flexibility of distance learning courses. Flex has been gaining more and more representation in our student base and already benefits from new courses and offers in 2019.

In the **Distance Learning Graduate** , segment, the average ticket grew 2.9%, totaling R\$206.8, mainly due to the readjustment of monthly tuitions.



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

Total Campuses and DL Centers



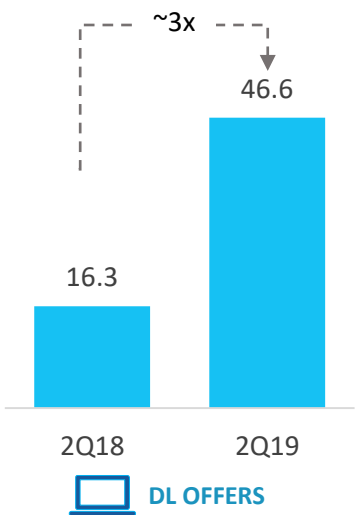
Units: Active Campuses and Centers

We have closed the quarter with 93 on-campus units, unchanged QoQ, but down one campus over 2Q18.

Regarding the Distance Learning segment, there was an important increase of 223 centers YoY, proving the success of the Company’s business model and execution. The company currently has authorization from the Ministry of Education (MEC) to open up to 350 poles a year.

It’s important to highlight that most of our partner’s DL centers are in early maturing stage with approximately 40% of them still on their first intake cycle.

Evolution of Offers by Business Unit ('000)



Offers: combination of course/shift/unit

In the on-campus segment, we closed the quarter with a total of 1,884 offers, down 4% over 2Q18 due to the strategic resizing of low-performance offers. Despite this reduction on a yearly basis, its worth highlighting that the number of offers in the health area increased in the period.

The Distance Learning segment remains with a solid expansion, mainly due to the opening of new courses and the increase of the number of centers. As a result, we closed the quarter with 46,600 offers, around 3x the number of 2Q18.



2019.1							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	1,549	240	1,728	240	1,728
João Uchôa	RJ	Organic	2014.1	Matured	170	757	170	1,234	170	1,234
Juazeiro do Norte	CE	Organic	2000.1	Matured	100	711	100	782	100	782
Ribeirão Preto	SP	Organic	2015.1	In maturity	76	390	76	552	76	552
Alagoinhas	BA	MM I	2017.2	In maturity	65	125	115	708	165	948
Angra dos Reis	RJ	MM I	2018.1	In maturity	55	110	105	581	155	821
Jaraguá do Sul	SC	MM I	2018.1	In maturity	50	92	100	588	150	828
Juazeiro	BA	MM I	2018.1	In maturity	55	107	105	706	155	1.016
Canindé	CE	MM II	-	Implementation phase	50	-	100	480	150	660
Castanhal	PA	MM II	-	Under dispute	50	-	100	360	150	480
Quixadá	CE	MM II	-	Under dispute	50	-	100	360	150	480
Iguatu	CE	MM II	-	Under dispute	50	-	100	360	150	480
Total					1,011	3,841	1,411	8,439	1.811	10,009

* Assuming expansion of 50 seats/year in 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
(3) Units which YDUQS won the bidding process but are being contested by competitors. The Company expect to obtain positive decision for these units

In order to better evaluate the potential of our medicine business, we are disclosing this quarter more details regarding our offer of seats and student base.

The Company ended 2Q19 with 3,841 medicine students, **an increase of 8% year-to-date**.

By 2024, the Company expects its student base to reach approximately **8,500 students**, including scholarship holders, FIES and ProUni. To achieve this number, we assume we will be granted four medical schools from Mais Médicos II and will obtain favorable decision from the Ministry of Education to expand each Mais Médicos units by 50 seats/year.

In a full potential scenario, assuming that all our Mais Médicos units will be authorized to expand its seats to the maximum allowed in the public notice (+100 seats/year), **our student base could reach up to 10,000 students**.

Its important to highlight that, by the end of 2Q18 the average ticket of our out-of-pocket medicine students (including FIES) reached **R\$8,150 per month**.



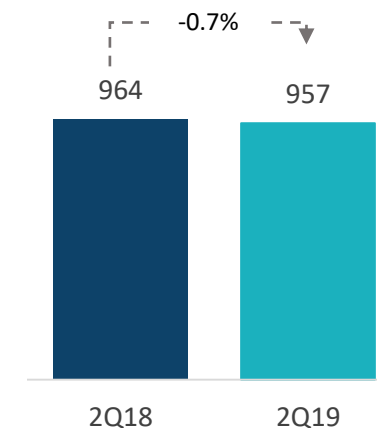
R\$ MM	2Q18	2Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	2Q19 IFRS 16
Gross Operating Revenue	1,534.0	1,654.2	7.8%	1,654.2
Monthly Tuition Fees	1,525.8	1,642.8	7.7%	1,642.8
Others	8.3	11.5	38.8%	11.5
Gross Revenue Deductions	(570.3)	(697.0)	22.2%	(697.0)
Net Operating Revenue	963.7	957.2	-0.7%	957.2
Cost of Services	(427.6)	(405.4)	-5.2%	(397.9)
Gross Profit	536.1	551.8	2.9%	559.3
<i>Gross Margin</i>	<i>55.6%</i>	<i>57.7%</i>	<i>2.0 p.p.</i>	<i>58.4%</i>
Selling Expenses	(155.5)	(175.8)	13.1%	(175.8)
General and Administrative Expenses	(151.2)	(137.6)	-9.0%	(137.6)
Other operating revenue/expenses	(3.3)	2.8	N.A.	2.8
EBIT	226.1	241.2	6.7%	248.7
<i>EBIT Margin</i>	<i>23.5%</i>	<i>25.2%</i>	<i>1.7 p.p.</i>	<i>26.0%</i>
(+) Depreciation and amortization	48.0	46.9	-2.3%	93.4
EBITDA⁽²⁾	283.5	288.0	1.6%	342.0
<i>EBITDA Margin</i>	<i>29.4%</i>	<i>30.1%</i>	<i>0.7 p.p.</i>	<i>35.7%</i>
Financial Result	(30.1)	(34.1)	13.4%	(48.6)
Depreciation and amortization	(48.0)	(46.9)	-2.3%	(93.4)
Income tax	30.3	(3.7)	-112.3%	(3.7)
Social contribution	10.5	(1.5)	-114.7%	(1.5)
Net Income⁽³⁾	236.9	201.8	-14.8%	194.8
<i>Net Margin</i>	<i>24.6%</i>	<i>21.1%</i>	<i>-3.5 p.p.</i>	<i>20.3%</i>

(1) Proforma numbers excluding the effect of IFRS 16 in 2Q19, for better comparison with 2Q18.

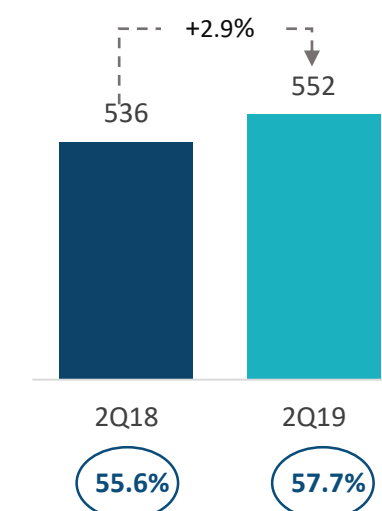
(2) Adjusted in 2Q18 by R\$9.4 million related to consulting and organizational restructuring expenses..

(3) Positively impacted by R\$57 million, due to the POEB tax benefit shifted from 1Q18.

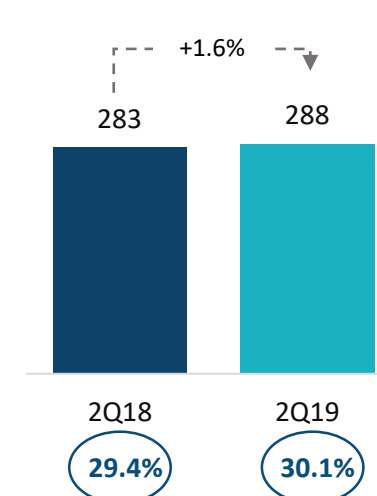
Net Revenue
(R\$MM)



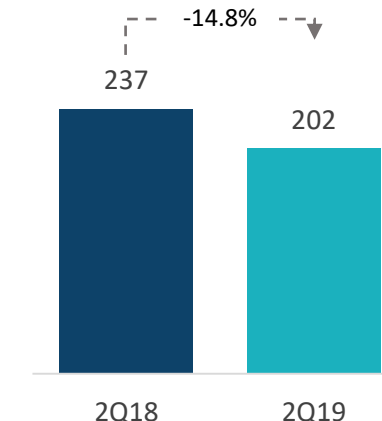
Gross Profit and Gross Margin⁽¹⁾
(R\$MM)



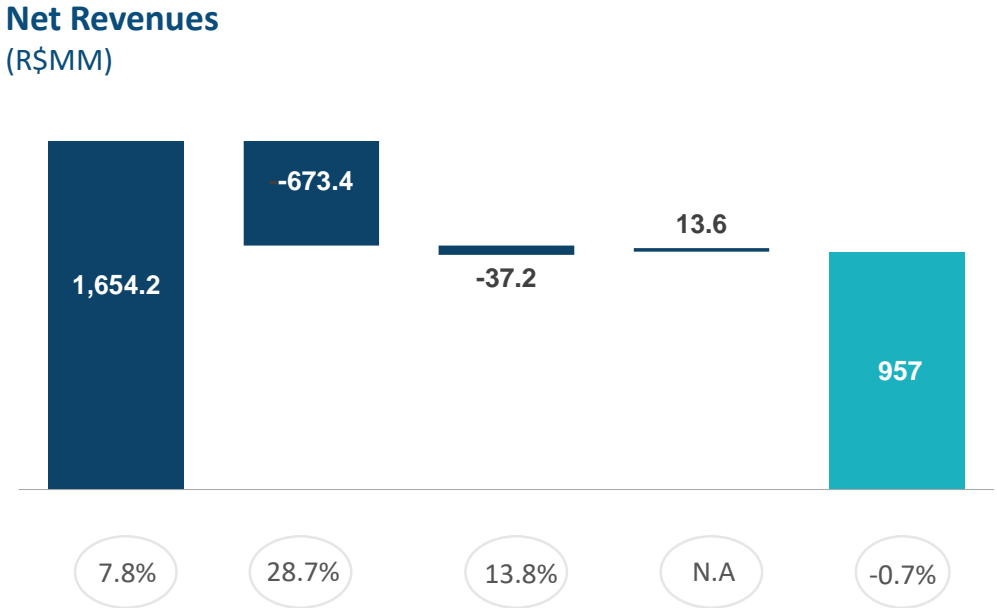
EBITDA and Margin^{(1) (2)}
(R\$MM)



Net Income^{(1) (3)}
(R\$MM)



R\$ MM	2Q18	2Q19	Δ%
Gross Revenues	1,534.0	1,654.2	7.8%
Monthly Tuition Fees	1,525.8	1,642.8	7.7%
Others	8.3	11.5	38.8%
Gross Revenues Deductions	(570.3)	(697.0)	22.2%
Discounts and Scholarships	(523.4)	(673.4)	28.7%
Taxes	(32.7)	(37.2)	13.8%
Other deductions and AVP	(14.2)	13.6	N.A
Net Revenues	963.7	957.2	-0.7%



Gross Revenue, increased 7.8% due to improved course mix and student base.

Net Operating Revenue totaled R\$957.2 million in 2Q19, down 0.7% over 2Q18, chiefly due to:

- ongoing expansion of the Distance Learning segment, with an outstanding performance in Flex;
- improved student base mix on-campus following increased penetration of higher ticket courses.
- reversal of AVP related to dropouts from our financing products (PAR and DIS), and the changes in the rate used to calculate the AVP.

These effects were more than offset by:

- a still challenging macroeconomic scenario, that continues to impact on-campus performance;
- decrease in the number of FIES students as a result of its downsizing by the Federal Government;
- increased number of discounts and scholarships granted.

R\$ MM	2Q18	2Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	2Q19 IFRS 16
Cost of Services	(427.6)	(405.4)	-5.2%	(397.9)
Personnel	(302.9)	(279.4)	-7.8%	(279.4)
Rents, condominiums and municipal property tax	(63.3)	(62.5)	-1.3%	(9.5)
Transfer of Centers and Others	(9.2)	(14.4)	55.3%	(14.4)
Third-party services	(15.5)	(13.5)	-12.8%	(13.5)
Electricity, water, gas and telephone	(13.1)	(11.1)	-15.2%	(11.1)
Depreciation and amortization	(23.6)	(24.6)	3.9%	(70.1)
Gross Profit	536.1	551.8	2.9%	559.3
<i>Gross Margin</i>	<i>55.6%</i>	<i>57.7%</i>	<i>2.0 p.p.</i>	<i>58.4%</i>
Cost of Services (% of Net Revenues)	44.4%	42.3%	-2.0 p.p.	41.6%
Personnel (% Net Revenues)	31.4%	29.2%	-2.2 p.p.	29.2%

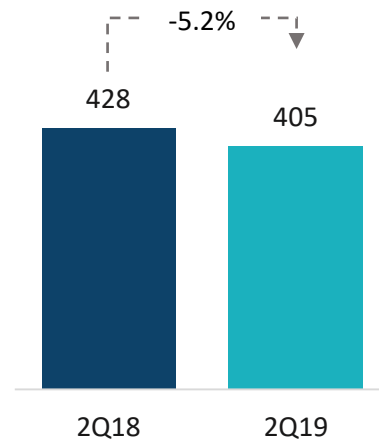
(1) Proforma numbers excluding the effect of IFRS 16 in 2Q19, for better comparison with 2Q18.

In 2Q19, the Company sustained its focus on efficiency and had a significant decrease of **5.2% in Costs of Services**, now representing 42.3% of our net revenues, mainly due to:

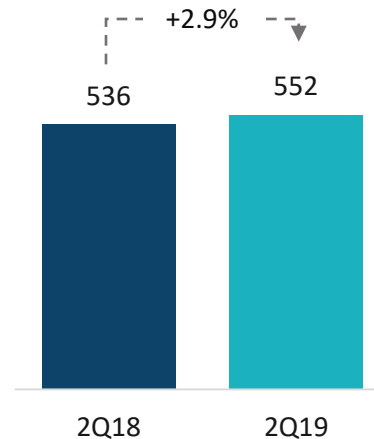
- Better staff management, with initiatives to improve allocation of professors, the occupancy rate of our physical spaces and the number of shared subjects
- Third-party services efficiencies and decreased power costs

As a consequence, **Gross Profit** reached R\$551.8 million in the quarter, up 2.9% over 2Q18. In addition, **Gross Margin** reached 57.7%, **up 2.0 p.p.** over 2Q18.

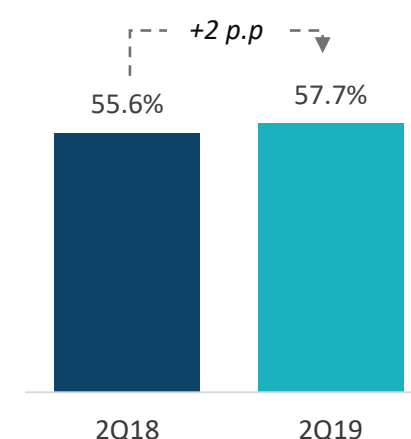
Cost of Services
(R\$MM; ex-IFRS 16)



Gross Profit
(R\$MM; ex-IFRS 16)



Gross Margin
(%; ex-IFRS 16)



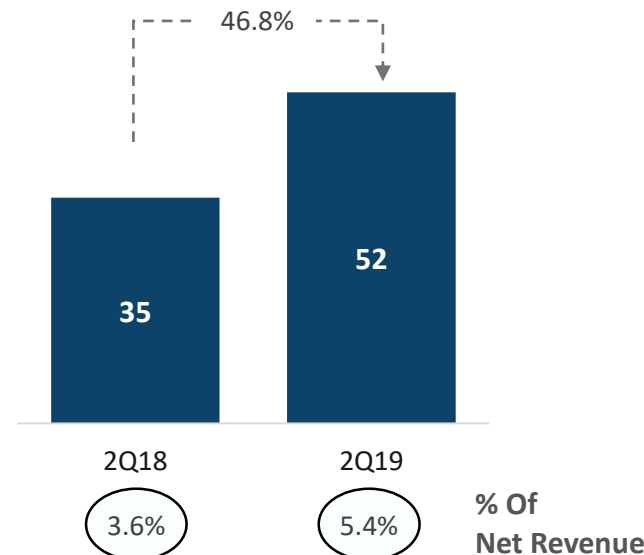
R\$ MM	2Q18	2Q19	Δ%
Selling Expenses	(155.5)	(175.8)	13.1%
Bad debt	(120.1)	(124.2)	3.4%
Out-of-pocket	(86.2)	(69.4)	-19.4%
PAR	(14.8)	(6.0)	-59.6%
PAR dropout not renegotiated	(10.8)	(23.0)	112.8%
DIS	(1.0)	0.9	N.A.
DIS dropout not renegotiated	(7.3)	(26.7)	266.2%
Advertising	(35.1)	(51.5)	46.8%
Others	(0.3)	(0.1)	-56.5%
Selling Expenses (% Net Rev.)	16.1%	18.4%	2.2 p.p.
Bad debt (% of Net Rev.)	12.5%	13.0%	0.5 p.p.
Advertising (% Net Rev.)	3.6%	5.4%	1.7 p.p.

Selling Expenses totaled 18.4% of net revenues in 2Q19, up 2.2 p.p. over 2Q18, mainly due to advertising expenses.

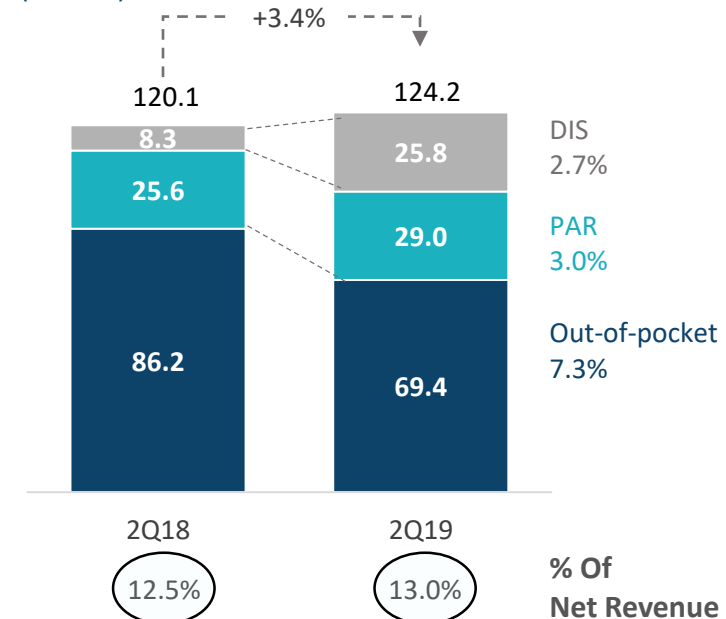
In 2Q19, **advertising expenses** increased 46.8% YoY due to a lower comparison base in 2Q18, as a result of the 2018 World Cup, that shifted expenditures from 2Q18 to 3Q18. In 1H19, advertising expenses totaled R\$145 million, representing 7.7% of our net revenues (vs. 6.1% in 1H18). The increase is also due to the greater need for intake and renewal of the student.

In 2Q19, **Bad Debt** grew 3.4% over 2Q18, mainly due to the rise of DIS student base. As a percentage of our revenues, bad debt remained virtually stable at 13% (vs. 12.5% in 2Q18).

Advertising Expenses
(R\$MM)



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



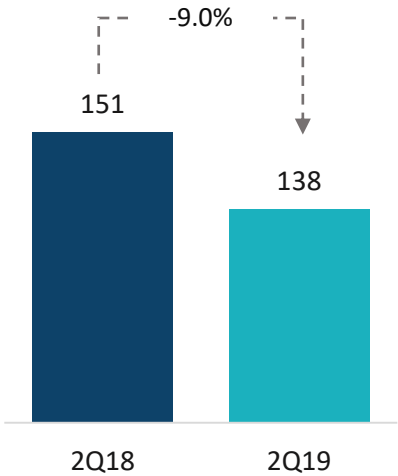
R\$ MM	2Q18	2Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	2Q19 IFRS 16
General and Administrative Expenses	(151.2)	(137.7)	-9.0%	(137.6)
Personnel	(41.1)	(39.5)	-3.8%	(39.5)
Third-party services	(31.2)	(14.4)	-53.8%	(14.4)
Provision for contingencies	(24.0)	(19.4)	-19.1%	(19.4)
Maintenance and repair	(10.4)	(12.4)	19.2%	(12.4)
Other	(20.2)	(29.6)	46.6%	(28.6)
Depreciation and amortization	(24.3)	(22.3)	-8.3%	(23.3)
Other operating revenue/expenses	(3.3)	2.8	N.A.	2.8
G&A Expenses (% Net Rev.)	15.7%	14.4%	-1.3 p.p.	14.4%

(1) Proforma numbers excluding the effect of IFRS 16 in 2Q19, for better comparison with 2Q18

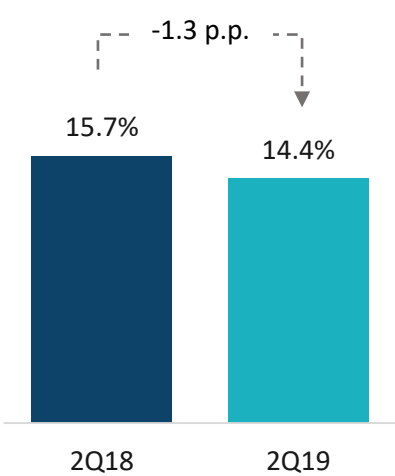
At the end of 2Q19, **General and Administrative Expenses** represented 14.4% of net revenues, an operating efficiency gain of 1.3 p.p. YoY. The sharp decrease in volume of consulting services was the main factor to this result, in addition to savings with contingencies and personnel. Third-party services expenses fell by 53.8% over 2Q18.

There was an increase of 46.6% in the line of others expenses, mainly impacted by pedagogical resources associated with the medical course and a temporary increase in the line of travel and accommodation and contractual rescissions.

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



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



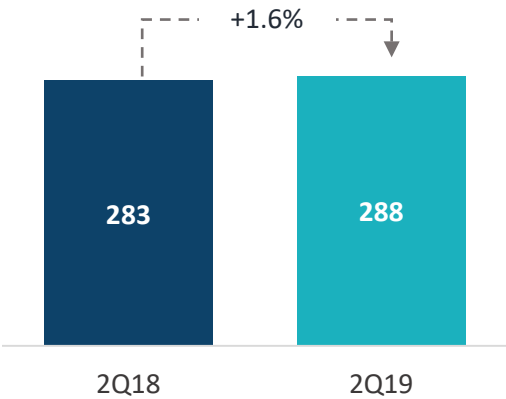
R\$ MM	2Q18	2Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	2Q19 IFRS 16
Net Revenue	963.7	957.2	-0.7%	957.2
Costs and Expenses	(737.6)	(716.1)	-2.9%	(708.6)
(+) Depreciation and amortization	48.0	46.9	-2.3%	93.4
EBITDA ⁽²⁾	283.5	288.0	1.6%	342.0
EBITDA Margin	29.4%	30.1%	0.7 p.p.	35.7%

(1) Proforma numbers excluding the effect of IFRS 16 in 2Q19, for better comparison with 2Q18.
(2) Adjusted in 2Q18 by R\$9.4 million related to consulting and organizational restructuring expenses.

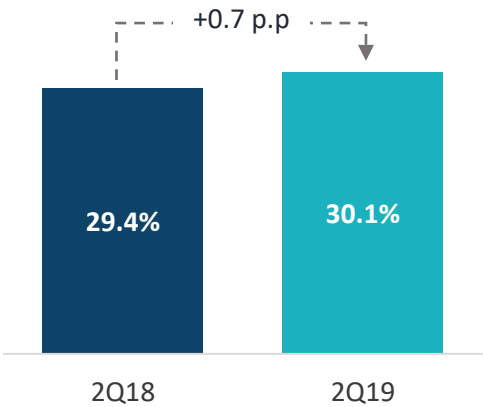
The Company’s **EBITDA** totaled R\$288.0 million in 2Q19, up by 1.6% YoY. This was an important result considering a still challenging macroeconomic scenario, the effect a reduced FIES student base and the increasing in bad debt levels due to the introduction and maturation of our financing products.

On the positive side, this result was driven by the ongoing expansion of the Distance Learning segment, a better course mix with higher value-added courses on-campus and meaningful efforts towards efficiency in costs and expenses, which totaled R\$716 million in 2Q19, down approximately 3% over 2Q18.

EBITDA
(R\$MM; ex-IFRS 16)



EBITDA Margin
(%; Δ Y/Y)



R\$ MM	2Q18	2Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	2Q19 IFRS 6
Financial Result	(30.1)	(34.1)	13.4%	(48.6)
Financial Revenue	20.9	21.5	3.0%	21.5
Fines and interest charged	5.1	3.5	-31.2%	3.5
Investment revenue	7.6	12.2	60.8%	12.2
Inflation adjustment & Others	8.1	5.7	-29.5%	5.7
Financial Expenses	(50.9)	(55.6)	9.1%	(70.1)
Interest and financial charges	(17.3)	(18.8)	8.8%	(18.8)
Financial discounts	(12.1)	(13.0)	7.5%	(13.0)
Bank expenses	(8.4)	(9.9)	17.8%	(9.9)
Adjustment of contingencies & Others	(13.1)	(13.8)	5.5%	(28.4)

⁽¹⁾ Proforma numbers excluding the effect of IFRS 16 in 2Q19, for better comparison with 2Q18.

In 2Q19, **Financial Result** was negative in R\$34.1 million, 13.4% worst when compared to 2Q18, mainly due to increased interest and financial charges resulting from the Company's higher gross debt after issuing a Promissory Note at the end of 2018 and the subsequent replacement by corporate bonds. Such effect was partially offset by a better result in financial investments due to the higher cash position vs. 2Q18.

R\$ MM	2Q18	2Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	2Q19 IFRS 16
EBITDA	274.1	288.0	5.1%	342.0
Financial Result	(30.1)	(34.1)	13.4%	(48.6)
Depreciation and amortization	(48.0)	(46.9)	-2.3%	(93.4)
Profit before income tax and social contribution	196.1	207.1	5.6%	200.1
Income tax	30.3	(3.7)	-112.3%	(3.7)
Social contribution	10.5	(1.5)	-114.7%	(1.5)
Net Income⁽²⁾	236.9	201.8	-14.8%	194.8
Net Margin (%)	24.6%	21.1%	-3.5 p.p.	20.3%

⁽¹⁾ Proforma numbers excluding the effect of IFRS 16 in 2Q19, for better comparison with 2Q18.

⁽²⁾ Positively impacted by R\$57 million, due to the POEB tax benefit shifted from 1Q18.

In 2Q19, **Net Income** reached R\$201.8 million, a decrease of 14.8% YoY.

Its important to highlight that, in 2Q18, net income was positively affected by the reversal of income tax and social contribution from 1Q18 in the amount of R\$57 million. Excluding this effect, net income would have been of R\$179.9 million in 2Q18. When compared to 2Q19, net income would have advanced 12% YoY.



R\$ MM	2Q18	1Q19	2Q19
Monthly tuition fees received from students	721.4	1,007.7	1,102.9
Out-of-Pocket	439.7	531.5	631.5
Exchange Deals	23.7	24.3	27.7
PAR	131.1	198.3	201.3
DIS	122.0	253.6	242.3
Educar Amazônia	4.8	-	-
FIES	728.2	227.6	280.2
Others	167.6	188.8	167.1
Gross Accounts Receivable	1,617.3	1,424.1	1,550.2

Bad Debt	(320.0)	(439.8)	(481.2)	
Out-of-Pocket	(254.2)	(331.1)	(374.3)	1
<i>PAR (Dropout)</i>	(14.7)	(44.9)	(67.9)	2
<i>DIS (Dropout)</i>	(7.3)	(58.6)	(85.4)	3
PAR (50%)	(46.7)	(80.2)	(86.2)	4
DIS (15%)	(15.6)	(35.8)	(34.9)	
Educar Amazônia – Long Term	(3.5)	-	-	
Amounts to be identified	(2.3)	(7.7)	(10.4)	
Adjustment to present value (APV)	(49.4)	(52.5)	(38.9)	
APV FIES	-	-	-	
APV PAR	(34.6)	(37.9)	(29.0)	5
APV EDUCAR	(0.3)	-	-	
APV DIS	(14.6)	(14.6)	(9.9)	6
Net Accounts Receivable	1,245.5	924.1	1,019.7	

In 2Q19, **Gross Receivables** totaled R\$1,550.2 million, down 4.1% over 2Q18, mainly due to a solid reduction of FIES students, partially offset by the increase of out-of-pocket student and DIS and PAR base.

Net Receivables reached R\$1,019.7 million, down 18.1% over 2Q18, due to higher bad debt. The increase in provisions is related to the change in the student mix, which now has fewer FIES students (zero provision) and more out-of-pocket and financing students.

PAR and DIS Reconciliation

PAR

R\$ MM	2Q18	2Q19
Gross revenue paid in cash	30.4	22.5
Gross revenue paid in installments	28.0	36.8
Taxes – Revenue deductions	(1.7)	(2.3)
Adjustment to Present Value (APV) ¹⁾	(11.1)	8.9
Bad Debt (50% provisioning)	(14.8)	(6.0)
Bad Debt non-renegotiated dropouts	(10.8)	(23.0)
Bad Debt (% Total Net. Rev.)	2.7%	3.0%

DIS

R\$ MM	2Q18	2Q19
Gross revenue paid in cash	4.0	2.8
Gross revenue paid in installments	47.4	38.7
Taxes – Revenue deductions	(2.4)	(1.3)
Adjustment to Present Value (APV) ¹⁾	(3.0)	4.7
Bad Debt (15% provisioning)	(1.0)	0.9
Bad Debt non-renegotiated dropouts	(7.3)	(26.7)
Bad Debt (% Total Net. Rev.)	0.9%	2.7%

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



Average Term Of Receivables

R\$ MM	2Q18	2Q19
Net Accounts Receivable	1,245.5	1,019.7
Annualized Net Revenue	3,546.0	3,609.8
Average Receivables Days	126	102

Non-FIES Average Term Of Receivables

R\$ MM	2Q18	2Q19
Net Accounts Receivable Ex-APV	1,245.5	1,019.7
Accounts Receivable Non-FIES	517.3	739.5
Annualized Net Revenue Non-FIES	2,484.6	2,843.9
Non-FIES Average Receivables Days	75	94

FIES Average Term Of Receivables

R\$ MM	2Q18	2Q19
FIES Accounts Receivable	728.2	280.2
FIES Revenue (LTM)	1.200.5	868.0
FGEDUC deductions (LTM)	(90.0)	(68.8)
Taxes (LTM)	(49.1)	(33.3)
FIES Net Revenue (LTM)	1.061.4	765.9
FIES Average Receivables Days	247	132

Average term of receivables totaled 102 days, down 24 days over 2Q18. When excluding the effect of FIES, our ATR reached 94 days, up 19 days over 2018. This increase can be explained by the increase in financing products such as DIS and PAR.

FIES Average term of receivables fell 115 days over 2Q18, closing the quarter at 132 days.



Aging of Total Gross Accounts Receivable¹

R\$ MM	2Q18	AV	2Q19	AV
FIES	728.2	45%	280.2	18%
Not yet due	430.8	27%	653.7	42%
Overdue up to 30 days	85.1	5%	106.9	7%
Overdue from 31 to 60 days	80.7	5%	104.1	7%
Overdue from 61 to 90 days	59.9	4%	78.3	5%
Overdue from 91 to 179 days	76.8	5%	90.9	6%
Overdue more than 180 days	155.6	10%	236.2	15%
Gross Accounts Receivable	1,617.3	100%	1,550.2	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	2Q18	AV	2Q19	AV
Not yet due	24.2	28%	28.4	40%
Overdue up to 30 days	5.1	6%	7.1	10%
Overdue from 31 to 60 days	4.5	5%	5.1	7%
Overdue from 61 to 90 days	5.1	6%	4.6	6%
Overdue from 91 to 179 days	11.3	13%	8.6	12%
Overdue more than 180 days	37.4	43%	17.9	25%
Agreements Receivable	87.6	100%	71.7	100%
% over non-FIES Gross Accounts Receivable	10%	-	6%	-

² Note: Excludes credit card agreements

FIES: Changes of Accounts Receivable

R\$ MM	2Q18	2Q19	Δ%
Opening balance	719.1	226.2	-68.5%
FIES revenue	297.2	219.5	-26.1%
Transfer	(418.0)	(277.9)	-33.5%
Provision for FIES	(22.7)	(16.9)	-25.6%
Adjustment of accounts receivable	5.6	-	N.A.
Closing Balance	581.1	151.0	-74.0%

FIES: Changes of Accounts Offsetable

R\$ MM	2Q18	2Q19	Δ%
Opening balance	1.5	1.3	-12.8%
Transfer	418.0	277.9	-33.5%
Payment of taxes	(140.9)	(24.5)	-82.6%
Buyback in auctions	(131.5)	(125.4)	-4.6%
Closing balance	147.2	129.3	-12.2%



R\$ MM	2Q18	2Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	2Q19 IFRS 16
Cash and cash equivalents [a]	401.0	718.3	79.1%	718.3
Indebtedness [b]	(500.8)	(730.0)	45.8%	(1,935.9)
Loans	(426.4)	(688.7)	61.5%	(1,894.5)
Commitments payable (Acquisitions)	(62.8)	(32.4)	-48.3%	(32.4)
Taxes paid in installments	(11.7)	(8.9)	-23.4%	(8.9)
Net Debt [b-a]	(99.9)	(11.8)	-88.2%	(1,217.6)
Net Debt/ EBITDA (Annualized) ⁽²⁾	0.11x	0.01x	-	1.1x

(1) Proforma numbers excluding the effect of IFRS 16 in 2Q19, for better comparison with 2Q18.

(2) Reported EBITDA.

At the end of 2Q19, **cash and cash equivalents totaled R\$718.3 million.**

Gross indebtedness, excluding the effect of IFRS 16, grew 45.8% over 2Q18, while our cash position increased 79%. As a result, the Company reached **R\$11.8 million of net debt** and a net debt/EBITDA (annualized) ratio of 0.01x.

In June, the Company concluded the amortization of Debenture IV, totaling R\$51.2 million.

Net Debt/ EBITDA (Annualized)



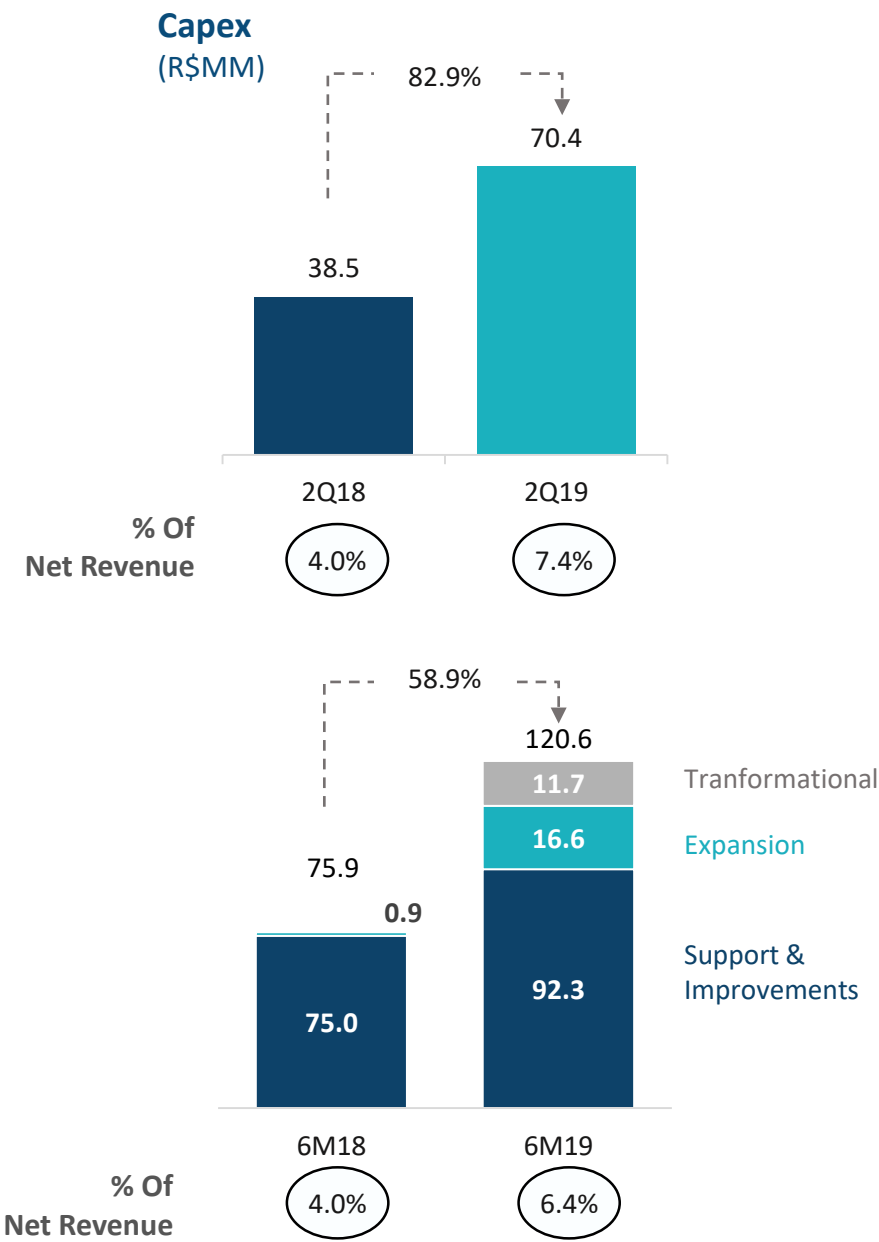
Type of Debt	Due date	Cost	Outstanding 2Q19
Debentures II	Oct/19	CDI + 1.2%	60.9
Debentures V (1ª series)	Feb/22	CDI + 0.6%	255.9
Debentures V (2ª series)	Feb/24	CDI + 0.8%	358.4
Others	-	-	13.5
Total Indebtedness	-	-	688.7



R\$ MM	2Q18	2Q19	Δ%	6M18	6M19	Δ%
Total CAPEX	38.5	70.4	82.9%	75.9	120.6	58.9%
Support & Improvements	38.3	53.7	40.2%	75.0	92.3	23.1%
Expansion	0.2	10.3	n.a.	0.9	16.6	n.a.
Transformational	-	6.4	n.a.	-	11.7	n.a.
Total CAPEX/ (% Net. Rev.)	4.0%	7.4%	3.4 p.p.	4.0%	6.4%	2.4 p.p.
Support. & Improvements/ (% Net. Rev.)	4.0%	5.6%	1.6 p.p.	3.9%	4.9%	0.9 p.p.

In 2Q19, **CAPEX** totaled R\$70.4 million, up 82.9% over 2Q18. This increase follows the Company’s guideline to temporarily increase its investments level in 2019, focusing on expansion projects and improvements in our operation, thus preparing the Company for a new growth wave. Regarding investments by type, in 1H19, we highlight:

- **Sustainability & Improvements:** Recurring investments that contribute to the maintenance and improvement of our business, including updates to our unit’s infrastructure;
- **Expansion:** Investments focused on developing new offers and the construction of new dental laboratories;
- **Transformational:** Non-recurring projects such as document scanning systems, compliance to the regulatory framework and upgrade to air conditioning system, as well as the systems development within the scope of our customer loyalty project.



2019 FY CAPEX GUIDANCE
~R\$330 million⁽¹⁾

(1) Does not include costs associated with potential M&A



R\$ MM	2Q18	1Q19	2Q19
Current Assets	1,712.1	1,749.5	1,618.9
Cash and cash equivalents	9.0	8.7	19.4
Marketable securities	391.9	877.1	698.8
Accounts receivable	1,102.8	713.0	813.1
Advances to employees/third-parties	19.3	6.1	7.3
Prepaid expenses	10.4	14.7	11.5
Taxes and contributions	134.2	119.9	58.0
Others	44.5	10.0	10.7
Non-Current Assets	2,525.6	3,903.3	3,945.3
Long-Term Assets	524.2	604.0	661.7
Accounts receivable	142.7	211.1	206.6
Prepaid expenses	4.9	5.4	5.0
Judicial deposits	101.6	83.1	80.1
Taxes and contributions	90.7	120.1	192.7
Deferred taxes and others	184.3	184.3	177.4
Permanent Assets	2,001.4	3,299.2	3,283.5
Investments	0.2	0.2	0.2
Property and equipment	601.0	1,884.8	1,862.8
Intangible assets	1,400.1	1,414.2	1,420.4
Total Assets	4,237.7	5,652.7	5,564.2

R\$ MM	2Q18	1Q19	2Q19
Current Liabilities	877.7	923.3	650.0
Loans and financing	344.4	196.5	83.6
Leasing	-	161.8	165.5
Suppliers	103.1	124.7	122.0
Salaries and payroll charges	226.9	187.8	199.7
Tax liabilities	113.5	49.2	32.4
Prepaid monthly tuition fees	12.5	20.8	11.5
Advance of the current agreement	-	-	1.8
Taxes paid in installments	4.2	3.3	3.0
Acquisition price to be paid	57.2	16.5	17.4
Dividendos payable	0.0	153.2	0.0
Others	15.8	9.5	13.0
Long-Term Liabilities	260.4	1,893.6	1,880.5
Loans and financing	81.9	613.8	605.0
Contingencies	113.1	139.3	145.5
Leasing	-	1,066.8	1,040.3
Advance of agreement	-	-	16.1
Taxes paid in installments	7.5	6.2	6.0
Provision for asset demobilization	22.9	27.3	27.9
Deferred taxes	8.9	3.8	3.6
Acquisition price to be paid	5.6	15.3	15.0
Others	20.5	21.1	21.2
Shareholders' Equity	3,099.6	2,835.9	3,033.7
Capital	1,139.8	1,139.9	1,139.9
Share issue costs	(26.9)	(26.9)	(26.9)
Capital reserves	665.6	670.0	666.5
Earnings reserves	924.9	1,016.6	1,016.6
Period result	434.3	240.8	435.6
Treasury shares	(38.1)	(204.6)	(198.1)
Total Liabilities and Shareholders' Equity	4,237.7	5,652.7	5,564.2



INCOME STATEMENT BY BUSINESS UNIT

2019 in IFRS 16

OPERATION

FINANCIALS

APPENDIX

YDUQS

Estácio

2Q19

On-Campus

Distance-Learning

Corporate

Consolidated

R\$ MM	2Q18	2Q19 IFRS 16	Δ%	2Q18	2Q19 IFRS 16	Δ%	2Q18	2Q19 IFRS 16	Δ%	2Q18	2Q19 IFRS 16	Δ%
Gross Revenues	1,298.1	1,336.3	2.9%	235.9	318.0	34.8%	-	-	-	1,534.0	1,654.2	7.8%
Deductions from Gross Revenue	(479.0)	(556.6)	16.2%	(91.3)	(140.4)	53.8%	-	-	-	(570.3)	(697.0)	22.2%
Net Revenues	819.1	779.7	-4.8%	144.6	177.5	22.8%	-	-	-	963.7	957.2	-0.7%
Cost of Services	(408.2)	(375.6)	-8.0%	(19.5)	(22.3)	14.5%	-	-	-	(427.6)	(397.9)	-7.0%
Personnel	(290.0)	(267.8)	-7.6%	(12.9)	(11.5)	-10.7%	-	-	-	(302.9)	(279.4)	-7.8%
Rents, condominiums and municipal property tax	(63.3)	(10.2)	-83.8%	(0.0)	0.7	N.A.	-	-	-	(63.3)	(9.5)	-85.0%
Third-party services and Others	(31.4)	(28.4)	-9.6%	(6.4)	(10.5)	65.7%	-	-	-	(37.8)	(38.9)	3.0%
Depreciation and amortization	(23.5)	(69.2)	194.6%	(0.2)	(0.9)	476.6%	-	-	-	(23.6)	(70.1)	196.5%
Gross Profit	411.0	404.1	-1.7%	125.2	155.3	24.1%	-	-	-	536.1	559.3	4.3%
<i>Gross Margin</i>	<i>50.2%</i>	<i>51.8%</i>	<i>1.7 p.p.</i>	<i>86.5%</i>	<i>87.5%</i>	<i>0.9 p.p.</i>	-	-	-	<i>55.6%</i>	<i>58.4%</i>	<i>2.8 p.p.</i>
Selling and G&A Expenses	(156.3)	(151.6)	-3.0%	(23.6)	(30.0)	27.2%	(130.2)	(129.1)	-0.9%	(310.1)	(310.7)	0.2%
Personnel	(3.1)	(3.2)	4.2%	(4.9)	(3.3)	-33.6%	(33.1)	(33.0)	-0.2%	(41.1)	(39.5)	-3.9%
Advertising	-	-	N.A.	-	-	N.A.	(35.1)	(51.5)	46.7%	(35.1)	(51.5)	46.7%
Bad Debt	(104.2)	(100.9)	-3.2%	(15.9)	(23.3)	46.6%	-	-	N.A.	(120.1)	(124.2)	3.4%
Other expenses	(45.5)	(44.3)	-2.7%	(2.5)	(2.9)	16.4%	(41.4)	(24.9)	-39.8%	(89.4)	(72.2)	-19.3%
Depreciation and amortization	(3.5)	(3.2)	-8.4%	(0.3)	(0.5)	91.1%	(20.6)	(19.6)	-4.9%	(24.4)	(23.3)	-4.4%
Operating Profit	254.7	252.5	-0.9%	101.6	125.3	23.3%	(130.2)	(129.1)	-0.9%	226.1	248.7	10.0%
<i>Operating Margin (%)</i>	<i>31.1%</i>	<i>32.4%</i>	<i>1.3 p.p.</i>	<i>70.2%</i>	<i>70.5%</i>	<i>0.3 p.p.</i>	-	-	-	<i>23.5%</i>	<i>26.0%</i>	<i>2.5 p.p.</i>
EBITDA	281.6	324.8	15.3%	102.0	126.7	24.2%	(109.6)	(109.5)	-0.1%	274.1	342.0	24.8%
<i>EBITDA Margin (%)</i>	<i>34.4%</i>	<i>41.7%</i>	<i>7.3 p.p.</i>	<i>70.5%</i>	<i>71.4%</i>	<i>0.8 p.p.</i>	-	-	-	<i>28.4%</i>	<i>35.7%</i>	<i>7.3 p.p.</i>



R\$ MM	2Q18	2Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma	2Q19 IFRS 16
Profit before taxes and after the result of ceased operations	196.1	207.1	5.6%	200.1
Adjustments to reconcile profit to net cash generated	275.6	198.1	-28.1%	259.1
Result after reconciliation to net cash generated	471.6	405.2	-14.1%	459.2
Changes in assets and liabilities	(346.6)	(231.8)	-33.1%	(231.8)
Operating Cash Flow before CAPEX	125.0	173.3	38.6%	227.3
Acquisition of property and equipment	(25.6)	(42.7)	66.9%	(42.7)
Acquisition of intangible assets	(12.8)	(27.6)	115.0%	(27.6)
Cash flow from investment activities	(9.8)	(0.5)	-95.3%	(0.5)
Operating Cash Flow after CAPEX	76.7	102.5	33.6%	156.5
Cash flow from financing activities	(303.1)	(270.0)	-10.9%	(324.0)
Free Cash Flow	(226.4)	(167.5)	-26.0%	(167.5)
Cash at the beginning of the year	627.1	885.8	41.2%	885.8
increase (decrease) in cash and cash equivalents	(226.4)	(167.5)	-26.0%	(167.5)
Cash at the end of the year	400.7	718.3	79.2%	718.3
EBITDA	274.1	288.1	5.1%	342.0
Operating Cash Flow before CAPEX / EBITDA	45.6%	60.2%	14.6 p.p.	66.5%

⁽¹⁾ Proforma numbers excluding the effect of IFRS 16 in 2Q19, for better comparison with 2Q18.

In 2Q19, **Operating Cash Flow before CAPEX (OFC)** was positive by R\$173.3 million, up 38.6% over 2Q18.

Therefore, OCF/EBITDA reached 60.2% in 2Q19 and 51.6% in 1H19, up 3.7 p.p. YoY.

We closed the quarter with a cash position of R\$718.3 million, up 79% YoY.



- **APV:** discount on future revenue. For Estácio, specifically, mostly revenue from PAR and DIS students, based on a standard discount rate (5-year real interest).
- **DIS:** Solidarity Dilution Campaign (DIS), that gives students the possibility of paying R\$49 in the months when they enroll, diluting the difference in relation to the full monthly tuition fee (i.e. offering no discounts, scholarships or exemptions) to be paid during the course. All undergraduate students can apply to the DIS (including FIES and PAR students).
- **EAD:** “Distance-Learning”.
- **FLEX EAD:** type of distance-learning education with a significant mandatory on-campus hour load. It combines the mobility of distance-learning programs with the experience of being in a campus, as some classes are offered online and others in the units.
- **FGEDUC:** Guarantee Fund for Education Credit (FGEDUC) is another novelty. The fund collateralizes agreements of students with partial scholarships granted by the University to All Program (ProUni) enrolled in teaching degree courses.
- **PAR:** Estácio’s installment payment program launched in January 2017 that allows students to pay 50% of their courses while studying and the other 50% after graduation. Payments are progressive, beginning at 30% of the monthly tuition fees in the first two semesters; 40% in the third semester, 50% in the fourth semester and 60% as of the fifth semester. PAR is offered to all undergraduate students, except for medicine students.
- **PARTNERSHIPS (GRADUATE):** partnerships entered into with other higher education institutions authorized to offer graduate courses at Estácio.
- **PARTNERSHIPS (DISTANCE-LEARNING):** model to expand distance-learning centers where Estácio has partnerships with institutions (with a basic structure to assist students and meet MEC’s requirements) that offer Estácio’s education courses.
- **Rules for the calculation of the Bad Debt:** until December 31, 2017, Estácio accrued 100% of the monthly tuition fees overdue by more than 180 days. As of January 1, 2018, Estácio has been using the new standard on financial instruments (IFRS9 – CPC 48) for students who pay monthly tuition fees, based on the concept of expected loss at the moment of revenue recognition, which increases according to the aging of accounts receivable.
- **DROPOUT RATE:** number of dropout students + non renewals based on the renewable student base (initial student base – graduating students + students enrolled)
- **RETENTION RATE:** $[1 - \text{Dropout Rate}]$





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