(Convenience Translation into English from the
Original Previously Issued in Portuguese)

# Cogna Educação S.A. and its Subsidiaries

Individual and Consolidated
Interim Financial Information for the
Quarter Ended March 31, 2020 and
Report on Review of Interim Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte Touche Tohmatsu
Rua Antônio de Albuquerque, 330 - 12º andar
30112-010 - Belo Horizonte - MG
Brasil

Tel.: + 55 (31) 3269-7400
Fax: + 55 (31) 3269-7470
www.deloitte.com.br

(Convenience Translation into English from the Original Previously Issued in Portuguese)

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders, Directors and Management of
Cogna Educação S.A. and its subsidiaries

## Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Cogna Educação S.A. and its subsidiaries ("Company"), identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form - ITR for the quarter ended March 31, 2020, which comprises the balance sheet as at March 31, 2020 and the related statements of profit and loss, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, including the explanatory notes.

Management is responsible for the preparation of this individual and consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission - CVM, applicable to the preparation of 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 of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the 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.

## Emphasis of matter

*Impact arising from COVID 19 and other operating effects on the interim financial information*

As disclosed in notes 1.1 and 1.2 to the individual and consolidated interim financial information, we draw attention to the Company's assessment of the effects arising from COVID-19 and other operating impacts that affected this interim financial information and that can affect the Company's business in the future and the actions in progress to mitigate its effects. Our review does not contain any modification in respect of this matter.

**Conclusion on the individual and consolidated interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34 applicable to the preparation of ITR, and presented in accordance with the standards issued by the CVM.

**Other matter**

*Statements of value added*

We have also reviewed the individual and consolidated statements of value added - DVA for the three-month period ended March 31, 2020, prepared under the responsibility of the Company's Management, the presentation of which in the interim financial information is required by the standards issued by CVM applicable to the preparation of ITR, and is considered as supplemental information by the International Financial Reporting Standards - IFRS, issued by the IASB, which do not require the presentation of a DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the individual and consolidated interim financial information taken as a whole.

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

Belo Horizonte, May 21, 2020

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Roberto Torres dos Santos
Engagement Partner

2020-BHZ-0199 (PA) VF.DOCX

COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES
BALANCE SHEETS
As at March 31, 2020 and December 31, 2019
(In thousands of Brazilian reais - R$)

| | | Parent | | Consolidated | |
|---|---|---|---|---|---|
| **ASSETS** | **Note** | **03/31/2020** | **12/31/2019** | **03/31/2020** | **12/31/2019** |
| **Current assets** | | | | | |
| Cash and cash equivalents | 5 | 1,452,136 | 95 | 1,686,834 | 371,683 |
| Securities | 6 | 834,761 | 4,103 | 1,222,464 | 453,952 |
| Trade receivables | 7 | - | - | 2,380,605 | 2,586,529 |
| Inventories | 8 | - | - | 403,610 | 407,120 |
| Advances | | 76 | - | 73,290 | 77,078 |
| Recoverable taxes | 9 | 17,110 | 11,787 | 340,255 | 346,162 |
| Receivables from sale of subsidiaries | 10 | - | - | 142,099 | 139,162 |
| Other receivables | 11 | 106 | 217 | 199,832 | 96,764 |
| Related parties | 27 | 662,554 | 633,434 | - | - |
| **Total current assets** | | **2,966,743** | **649,636** | **6,448,989** | **4,478,450** |
| **Noncurrent assets** | | | | | |
| **Long-term receivables** | | | | | |
| Securities | 6 | - | - | 16,393 | 17,438 |
| Trade receivables | 7 | - | - | 940,257 | 754,687 |
| Recoverable taxes | 9 | - | - | 130,443 | 130,428 |
| Receivables from sale of subsidiaries | 10 | - | - | 256,740 | 250,531 |
| Other receivables | 11 | - | - | 90,394 | 98,787 |
| Guarantee against losses in tax, labor and civil contingencies | 23.2 | 33,797 | 34,366 | 1,105,104 | 1,130,019 |
| Escrow deposits | 23.1 | 643 | 362 | 93,093 | 95,671 |
| Deferred income tax and social contribution | 24 | - | - | 768,590 | 776,733 |
| Related parties | 27 | 1,936,388 | 1,900,218 | - | - |
| Investments | 12 | 21,916,572 | 21,890,788 | 8,216 | 8,213 |
| Property, plant and equipment | 13 | 14,912 | - | 5,952,913 | 5,855,264 |
| Intangible assets | 14 | 60,876 | 75,861 | 20,472,189 | 20,522,225 |
| **Total noncurrent assets** | | **23,963,188** | **23,901,595** | **29,834,332** | **29,639,996** |
| **Total assets** | | **26,929,931** | **24,551,231** | **36,283,321** | **34,118,446** |

(In thousands of Brazilian reais - R$)

| | | Parent | | Consolidated | |
|---|---|---|---|---|---|
| **LIABILITIES** | **Note** | **03/31/2020** | **12/31/2019** | **03/31/2020** | **12/31/2019** |
| **Current liabilities** | | | | | |
| Borrowings and financing | 15 | - | - | 48 | 531 |
| Debentures | 16 | 1,269,352 | 574,873 | 1,269,663 | 578,998 |
| Lease – right of use | 17 | - | - | 158,461 | 147,773 |
| Trade payables | | 77 | 447 | 396,496 | 537,430 |
| Trade payables purchaser's risk | 18 | - | - | 329,643 | 341,656 |
| Payroll and related taxes | 19 | - | - | 455,483 | 463,527 |
| Income tax and social contribution payable | | - | - | 90,510 | 60,608 |
| Taxes payable | 20 | 2,500 | 786 | 95,143 | 101,792 |
| Advances from customers | | - | 13 | 297,281 | 318,409 |
| Taxes in installments | | - | - | 14,298 | 14,384 |
| Payables - acquisitions | 21 | - | - | 117,231 | 117,976 |
| Dividends payable | | 42 | 42 | 64 | 42 |
| Other payables | | 12 | - | 55,754 | 67,499 |
| Related parties | 27 | 179,921 | 175,561 | - | - |
| | | **1,451,904** | **751,722** | **3,280,075** | **2,750,625** |
| **Noncurrent liabilities** | | | | | |
| Borrowings and financing | 15 | - | - | 998 | 161 |
| Debentures | 16 | 6,487,266 | 7,285,111 | 6,707,131 | 7,504,875 |
| Lease – right of use | 17 | - | - | 4,006,468 | 3,873,701 |
| Payables - acquisitions | 21 | - | - | 169,230 | 165,260 |
| Provision for civil, labor, and tax contingencies | 22.1 | 35,789 | 36,566 | 421,408 | 471,924 |
| Liabilities assumed in business combination | 22.5 | - | - | 2,546,241 | 2,631,543 |
| Taxes in installments | | - | - | 15,240 | 17,846 |
| Deferred income tax and social contribution | 24 | 639,314 | 645,426 | 760,406 | 786,947 |
| Other payables | | - | - | 77,290 | 80,295 |
| Related parties | 27 | 21,000 | - | - | - |
| | | **7,183,369** | **7,967,103** | **14,704,412** | **15,532,552** |
| **Total liabilities** | | **8,635,273** | **8,718,825** | **17,984,487** | **18,283,177** |
| **Equity** | | | | | |
| Capital | 25 | 7,667,615 | 5,111,677 | 7,667,615 | 5,111,677 |
| Capital reserves | | 6,325,526 | 6,400,167 | 6,325,526 | 6,400,167 |
| Treasury shares | | (101,353) | (121,428) | (101,353) | (121,428) |
| Earnings reserves | | 4,402,870 | 4,441,990 | 4,402,870 | 4,441,990 |
| | | **18,294,658** | **15,832,406** | **18,294,658** | **15,832,406** |
| Noncontrolling interests | | - | - | 4,176 | 2,863 |
| **Total equity** | | **18,294,658** | **15,832,406** | **18,298,834** | **15,835,269** |
| **Total liabilities and equity** | | **26,929,931** | **24,551,231** | **36,283,321** | **34,118,446** |

COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES
STATEMENT OF PROFIT AND LOSS
For the three-month periods ended March 31, 2020 and 2019
(In thousands of Brazilian reais - R$)

| | Note | Parent | | Consolidated | |
|---|---|---|---|---|---|
| | | 03/31/2020 | 03/31/2019 | 03/31/2020 | 03/31/2019 |
| **Net revenue from sales and services** | **28** | - | - | **1,627,468** | **1,839,107** |
| Cost of sales and services | | | | | |
| Cost of services | 29 | - | - | (482,404) | (561,681) |
| Cost of sales | 29 | - | - | (170,836) | (120,558) |
| | | **-** | **-** | **(653,240)** | **(682,239)** |
| **Gross profit** | | **-** | **-** | **974,228** | **1,156,868** |
| Operating income (expenses) | | | | | |
| Selling expenses | 29 | - | - | (418,001) | (351,037) |
| General and administrative expenses | 29 | (17,975) | 877 | (392,825) | (415,241) |
| Other operating income, net | 29 | - | - | (1,062) | 2,462 |
| Share of profit (loss) of investees | 12 | 36,210 | 231,901 | (478) | 577 |
| **Operating profit before finance income (costs) and taxes** | | **18,235** | **232,778** | **161,862** | **393,629** |
| Finance income (costs) | | | | | |
| Finance income | 30 | 40,433 | 142 | 89,287 | 108,212 |
| Finance costs | 30 | (103,900) | (106) | (262,347) | (245,355) |
| | | **(63,467)** | **36** | **(173,060)** | **(137,143)** |
| **Operating profit/(loss) before taxes** | | **(45,232)** | **232,814** | **(11,198)** | **256,486** |
| Income tax and social contribution | | | | | |
| Current | 24 | - | (685) | (45,007) | (53,240) |
| Deferred | 24 | 6,112 | 6,112 | 18,398 | 46,903 |
| | | **6,112** | **5,427** | **(26,609)** | **(6,337)** |
| **Profit (loss) for the period** | | **(39,120)** | **238,241** | **(37,807)** | **250,149** |
| **Attributable to:** | | | | | |
| Owners of the Company | | (39,120) | 238,241 | (39,120) | 238,241 |
| Noncontrolling interests | | - | - | 1,313 | 11,908 |
| Basic earnings (loss) per common share - R$ | 31 | (0.02) | 0.15 | - | - |
| Diluted earnings (loss) per common share - R$ | 31 | (0.02) | 0.15 | - | - |

COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME
For the three-month periods ended March 31, 2020 and 2019
(In thousands of Brazilian reais - R$)

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | **03/31/2020** | **03/31/2019** | **03/31/2020** | **03/31/2019** |
| **Profit (loss) for the period** | **(39,120)** | **238,241** | **(37,807)** | **250,149** |
| Other comprehensive income | - | - | - | - |
| **Comprehensive income for the period** | **(39,120)** | **238,241** | **(37,807)** | **250,149** |
| **Attributable to:** | | | | |
| Owners of the Company | (39,120) | 238,241 | (39,120) | 238,241 |
| Noncontrolling interests | - | - | 1,313 | 11,908 |

(Convenience Translation into English from the Original Previously Issued in Portuguese)

COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
For the three-month periods ended March 31, 2020 and 2019
(In thousands of Brazilian reais - R$)

| | | | | | | Parent | | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | Capital | Capital reserves | Treasury shares | Earnings reserves | Retained earnings | Total equity | Noncontrolling interests | Total equity |
| **Balances as at December 31, 2018** | **4,425,677** | **6,379,742** | **(190,280)** | **5,101,475** | **-** | **15,716,614** | **1,570,416** | **17,287,030** |
| Comprehensive income for the period | | | | | | | | |
| Profit for the period | - | - | - | - | 238,241 | 238,241 | 11,908 | 250,149 |
| Total comprehensive income for the period | - | - | - | - | 238,241 | 238,241 | 11,908 | 250,149 |
| Contributions from and distributions to shareholders | | | | | | | | |
| Capital increase | 586,000 | - | - | (586,000) | - | - | - | - |
| Transactions with noncontrolling interests | - | - | - | - | - | - | 227 | 227 |
| Recognized granted stock options | - | (8,348) | - | - | - | (8,348) | - | (8,348) |
| Sale of treasury shares | - | 2,877 | 2,570 | - | - | 5,447 | - | 5,447 |
| Total contributions from and distributions to shareholders | 586,000 | (5,471) | 2,570 | (586,000) | - | (2,901) | 227 | (2,674) |
| **Balances as at March 31, 2019** | **5,011,677** | **6,374,271** | **(187,710)** | **4,515,475** | **238,241** | **15,951,954** | **1,582,551** | **17,534,505** |
| | | | | | | | | |
| **Balances as at December 31, 2019** | **5,111,677** | **6,400,167** | **(121,428)** | **4,441,990** | **-** | **15,832,406** | **2,863** | **15,835,269** |
| Comprehensive income for the period | | | | | | | | |
| Profit (loss) for the period | - | - | - | - | (39,120) | (39,120) | 1,313 | (37,807) |
| Total comprehensive income for the period | - | - | - | - | (39,120) | (39,120) | 1,313 | (37,807) |
| Contributions from and distributions to shareholders | | | | | | | | |
| Capital increase | 2,555,938 | - | - | - | - | 2,555,938 | - | 2,555,938 |
| Share issuance costs | - | (70,787) | - | - | - | (70,787) | - | (70,787) |
| Recognized granted stock options | - | 7,561 | - | - | - | 7,561 | - | 7,561 |
| Sale of treasury shares | - | (11,415) | 20,075 | - | - | 8,660 | - | 8,660 |
| Total contributions from and distributions to shareholders | 2,555,938 | (74,641) | 20,075 | - | - | 2,501,372 | - | 2,501,372 |
| **Balances as at March 31, 2020** | **7,667,615** | **6,325,526** | **(101,353)** | **4,441,990** | **(39,120)** | **18,294,658** | **4,176** | **18,298,834** |

COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS – INDIRECT METHOD
For the three-month periods ended March 31, 2020 and 2019
(In thousands of Brazilian reais - R$)

| | | Parent | | Consolidated | |
|---|---|---|---|---|---|
| | Note | 03/31/2020 | 03/31/2019 | 03/31/2020 | 03/31/2019 |
| **Cash flows from operating activities** | | | | | |
| Profit (loss) before income tax and social contribution | | (45,232) | 232,814 | (11,198) | 256,486 |
| **Reconciliation adjustments to profit or loss:** | | | | | |
| Depreciation and amortization | 13 and 14 | 18,095 | 19,492 | 135,946 | 130,803 |
| IFRS 16 depreciation | 30 | - | - | 67,243 | 75,154 |
| Amortization of allocated goodwill | 30 | - | - | 82,581 | 56,974 |
| Amortization of inventory appreciation | 8 | - | - | 3,300 | - |
| Publishing costs | 30 | - | - | 31,278 | - |
| Allowance for expected losses | 7 | - | - | 213,940 | 210,872 |
| Present value adjustment to trade receivables | 8 | - | - | (4,930) | - |
| Reversal of tax, labor, and civil contingencies | | (205) | (16,953) | (75,871) | (29,506) |
| Allowance for (reversal of) inventory losses | | - | - | 18,578 | 2,145 |
| Inflation adjustment to receivables from sale of subsidiaries | | - | - | (9,146) | - |
| Inflation adjustment to escrow account | | - | - | (5,309) | - |
| Finance charges on borrowings and debentures | 15 and 16 | 103,291 | - | 106,096 | 136,633 |
| Finance charges arising on acquisitions | 21 | - | - | 10,940 | 2,571 |
| Finance charges on leases – right of use | 17 | - | - | 102,839 | 75,824 |
| Finance charges on tax and labor provisions | | - | - | 20,287 | - |
| Stock option granting | | 342 | 8,348 | 7,561 | 8,348 |
| Gain on sale or disposal of assets and other investments | | - | - | 8,563 | 8,177 |
| Income from short-term investments and securities | 31 | (10,741) | - | (17,375) | (30,911) |
| Share of profit (loss) of investees | 12 | (36,210) | (231,901) | (478) | (577) |
| | | **29,340** | **11,800** | **684,845** | **902,993** |
| **Changes in operating assets and liabilities:** | | | | | |
| (Increase) decrease in trade receivables | | - | 20 | (181,776) | (596,252) |
| (Increase) decrease in inventories | | - | - | (39,806) | (21,722) |
| (Increase) decrease in advances | | (76) | - | 4,489 | (14,348) |
| (Increase) decrease in recoverable taxes | | (5,323) | (36) | 6,954 | (1,691) |
| (Increase) decrease in escrow deposits | | (281) | (10) | 2,578 | 6,075 |
| (Increase) decrease in related parties | | (39,930) | (407) | - | 304 |
| (Increase) decrease in other receivables | | 65 | 84 | (91,767) | (36,145) |
| (Decrease) increase in trade payables | | (370) | (264) | (142,246) | 17,079 |
| (Decrease) increase in trade payables purchaser's risk | | - | - | (12,013) | (63,468) |
| (Decrease) increase leases – right of use | | - | - | - | 102,847 |
| (Decrease) increase in payroll and related taxes | | - | (2,970) | (8,354) | (40,487) |
| (Decrease) increase in taxes payable | | 1,714 | (14) | (18,470) | (131,276) |
| (Decrease) increase in advances from customers | | (13) | 1 | (21,395) | (6,701) |
| (Decrease) increase in taxes in installments | | - | - | (2,695) | (3,256) |
| Payment of provision for tax, labor, and civil contingencies | | (4) | - | (53,691) | (37,212) |
| (Decrease) increase in other payables | | (318) | (4,149) | (31,512) | (60,942) |
| **Cash generated by operating activities** | | **(15,196)** | **4,055** | **95,141** | **15,798** |
| Income tax and social contribution paid | | - | - | (314) | (17,573) |
| Interest on lease for right of use paid | | - | - | (102,949) | - |
| Interest on borrowings and debentures paid | 15 and 16 | (206,658) | - | (213,177) | (265,641) |
| **Net cash generated by (used in) operating activities** | | **(221,854)** | **4,055** | **(221,299)** | **(267,416)** |
| **Cash flows from investing activities** | | | | | |
| (Investment in) redemption of securities | | (819,917) | - | (747,886) | 601,679 |
| Additions to property, plant and equipment | 13 | - | - | (46,400) | (197,863) |
| Additions to intangible assets | 14 | - | - | (72,700) | (75,932) |
| Cash acquired in business combination | | - | - | 142 | - |
| Payables for acquisition of subsidiaries | | - | - | (51,915) | (57,327) |
| Increase in subsidiaries' capital | | - | (100) | - | - |
| **Net cash (used in) generated by investing activities** | | **(819,917)** | **(100)** | **(918,759)** | **270,557** |
| **Cash flows from financing activities** | | | | | |
| Capital increase | | 2,485,151 | - | 2,485,151 | - |
| Sale (buyback) of treasury shares | | 8,660 | (2,877) | 8,660 | (2,877) |
| Payment of lease for right of use | | - | - | (37,960) | - |
| Repayment of borrowings and financing and debentures | 15 and 16 | - | - | (642) | (1,544) |
| **Net cash used in (generated by) financing activities** | | **2,493,812** | **(2,877)** | **2,455,209** | **(4,421)** |
| **Increase (decrease) in cash and cash equivalents, net** | | **1,452,041** | **1,078** | **1,315,151** | **(1,280)** |
| Cash and cash equivalents at the beginning of the year | 5 | 95 | 10,057 | 371,683 | 1,485,611 |
| Cash and cash equivalents at the end of the year | 5 | 1,452,136 | 11,135 | 1,686,834 | 1,484,331 |
| **Increase (decrease) in cash and cash equivalents, net** | | **1,452,041** | **1,078** | **1,315,151** | **(1,280)** |

COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES
STATEMENT OF VALUE ADDED
For the three-month periods ended March 31, 2020 and 2019
(In thousands of Brazilian reais - R$)

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 03/31/2020 | 03/31/2019 | 03/31/2020 | 03/31/2019 |
| Revenue from sales and services | - | - | 1,627,468 | 1,839,107 |
| Other income | - | - | 1,499 | 45 |
| Allowance for expected losses | - | - | (213,940) | (210,872) |
| | **-** | **-** | **1,415,027** | **1,628,280** |
| **Inputs purchased from third parties** | | | | |
| Cost of sales and services | - | - | (167,536) | (120,558) |
| Supplies, power, outside services and other inputs | 135 | 18,665 | (101,284) | (139,295) |
| **Gross value added** | **135** | **18,665** | **1,146,207** | **1,368,427** |
| **Withholdings** | | | | |
| Depreciation and amortization | (18,095) | (19,492) | (203,190) | (262,931) |
| Amortization of allocated goodwill | - | - | (82,580) | - |
| Amortization of inventory appreciation | - | - | (3,300) | - |
| **Net value added** | **(17,960)** | **(827)** | **857,137** | **1,105,496** |
| **Wealth received in transfer** | | | | |
| Share of profit (loss) of investees | 36,210 | 231,901 | (478) | 577 |
| Finance income | 40,433 | 142 | 89,287 | 108,212 |
| **Total wealth for distribution** | **58,683** | **231,216** | **945,946** | **1,214,285** |
| **Wealth distributed** | | | | |
| **Personnel:** | | | | |
| Direct compensation | 11 | (599) | 335,785 | 349,139 |
| Benefits | - | - | 27,885 | 37,881 |
| Payroll taxes | - | (1,107) | 129,366 | 131,699 |
| **Taxes, fees and contributions:** | | | | |
| Federal | (6,111) | (5,426) | 36,424 | 14,574 |
| State | 3 | 1 | 239 | 6,648 |
| Municipal | - | - | 823 | 2,127 |
| **Lenders and lessors:** | | | | |
| Finance costs | 103,900 | 106 | 262,347 | 245,355 |
| Rentals | - | - | 158,013 | 142,816 |
| Copyrights | - | - | 32,871 | 33,897 |
| **Shareholders:** | | | | |
| Earnings retained in the year | (39,120) | 238,241 | (37,807) | 250,149 |
| **Total wealth distributed** | **58,683** | **231,216** | **945,946** | **1,214,285** |

# 1. General information

Cogna Educação S.A. (formerly Kroton Educacional S.A.), hereinafter referred to as "Company", "Parent", or "Cogna"), with registered head office at Rua Santa Madalena Sofia, 25, Belo Horizonte, Minas Gerais, and its subsidiaries (collectively "Group") is primarily engaged in offering in-class and distance learning undergraduate and graduate courses; publishing, selling and distributing textbooks, support materials, and workbooks, especially with educational, literary, and informative content, and teaching systems; offering, through its schools, K-12 education, pre-college preparatory courses, language courses for children and teenagers; providing educational solutions for professional and higher education, among other supplementary activities, such as developing education technology with management and further education services; the management of child, primary, and secondary education activities; advising and/or facilitating direct and indirect student loans according to the students school level; and developing software for adaptive teaching and optimizing academic management.

On December 9, 2019, the extraordinary general meeting approved the change of the Company's corporate name to "Cogna Educação S.A.", with the subsequent amendment to its Bylaws. The name Cogna derives from the term "cognition", which comprises the ability of processing information and transforming such information into knowledge. A brand that clearly symbolizes the Company's move into a new era full of innovation and growth opportunities that preserve the wish to transform people's life through first-class education. This is Cogna Educação: knowledge that transforms.

The Group owns 73 companies, including the Parent, and consists of 18 sponsors of college education entities, 176 college education units, distributed among 24 Brazilian states and 132 Brazilian cities, as well as 1,510 distance learning (EAD) Graduation Centers accredited by the Ministry of Education (MEC), located in all Brazilian states and the Federal District. The Company also operates 52 own K-12 Education schools, 121 Red Balloon units, and 5.6 thousand associated schools nationwide.

The Company is listed on B3 – Brasil, Bolsa, Balcão (São Paulo stock exchange), in the special listing segment called Novo Mercado, under ticker symbol COGN3 where it trades its common shares.

Cogna conducts is activities through its direct subsidiaries: Editora e Distribuidora Educacional S.A. ("EDE"), Anhanguera Educacional Participações S.A. ("AESAPAR"), Somos Sistemas de Ensino Ltda. ("Somos Sistemas"), and Saber Serviços Educacionais Ltda. ("Saber).

This individual and consolidated interim financial information was approved by the Company's Board of Directors and authorized for issue on May 21, 2020.

## 1.1. Context of the first quarter of 2020

After facing the biggest macroeconomic recession ever seen in the country, the COVID-19 pandemic presents one of the most challenging situation of the recent history, not only for the business environment but for mankind. We listed below the main impacts observed during the first quarter of 2020:

**KROTON**

Year 2020 was already challenging for Kroton, due to the expected impact on revenue from the last major FIES student graduation ceremonies. According to the notice to the market during the follow-on in February, this effect would put pressure on the business operating margins and reduce the student base, which would only be partially mitigated by the then potential continuity of student enrollment revenue growth and the development of new units (greenfields). In addition to the effects from the FIES, this quarter was also impacted by the COVID-19 pandemic upon (i) reduction in the student enrollment volume of the in-class education (partially offset by the recovery of freshman ticket), (ii) delay in the recognition of revenue related to the postponement of the amendment to the FIES (which effect can be observed in the 2Q20) and (iii) probable increase in future default levels (even if the receipt of monthly tuitions has been only marginally impacted so far, we significantly increased, on a conservative basis, the volume of allowance for losses in this first quarter). It is important to observe that the cost and expense structure was not adjusted in the 1Q20 to mitigate these effects, which made Kroton's results of operations to be much lower than its recent history and potential. Some of the emergency measures adopted within the scope of our COVID-19 response plan must show economies in the second quarter, which must be added to the recognition of a major portion of the deferred revenue from FIES for the 1Q20.

**PLATOS**

Platos lato sensu post-graduation operation posted revenue growth and margin expansion even in an adverse scenario, which adversely affected the enrollment of students and led to the postponed beginning of some classes (especially in the in-class category). The Company continues to fully develop its platform and already started to look for external customers (especially higher education institutions).

**SABER**

At Saber, which gathers own K-12 education schools and school management contracts, we posted revenue growth and mainly increased results of operations, despite the slight drop in the student base (basically due to the cancellation of two management contracts). On the other hand, the need for social distancing has significantly affected revenue from supplementary activities (second shit), which poses an additional challenge in the year.

**VASTA**

Vasta posted a 24% growth in revenues, in line with the already disclosed growth by 25% in the annual agreement amount negotiated for the year. Even though the pandemic can have an adverse effect on future growth, the beginning of sales was advanced and the first indications are encouraging.

## 1.2. Actions and impacts caused by the Covid-19 pandemic

On March 11, 2020, the World Health Organization (OMS) has raised the classification of the Coronavirus ("COVID-19") outbreak to global pandemic, changing the global and Brazilian perspective for market growth, and exposing companies to numerous risks that were experienced before and that, therefore, deserve special attention from officers and Management with respect to the scenarios and actions necessary to mitigate the risks posed by such new situation. This crisis has led governments from all over the world to impose a series of measures such as: social distancing, restrictions on travel and commuting at the cities, closing of non-essential businesses, among others, causing important disruptions at the financial and labor markets, consumption patterns, logistics chains and, noticeably impacting companies and people.

To face this situation, the Company has established a Crisis Committee and designed a work plan that contemplates a series of actions to firstly protect the physical and mental health of its students and employees and, then, to maintain the operational and financial capacity to face such period. Below are the main initiatives conducted by each Group business:

1) Protect the health of our employees and students;
2) Ensure the continuity of the educational services without prejudice to students;
3) Ensure the financial health, liquidity and cash;
4) Implement restructuring measures, mostly seeking the maintenance of jobs and the Company's survival;
5) Implement organizational changes for the post-COVID world;
6) Strategic Plan for opportunities created by the crisis;
7) Actions that contribute to mitigating the impacts from COVID-19 on the society.

In relation to the continuity of the services, we stress that, even after the closing of our in-class units, we immediately continued to provide educational services using our online platforms, obtaining excellent levels of adhesion and engagement by the students. Consequently, we did not suspend the provision of the services contracted by our students in this semester.

Even with the continuity of the services, the unit isolation and closing process began at the end of Kroton's enrollment and re-enrollment cycles for the first semester of 2020. Also, numerous reports and market projections indicate a drop in the Brazilian GDP in 2020. Consequently, our revenue and profitability will surely be impacted in 2020 and, possibly, in the next years.

Despite the uncertainty in terms of impacts on results of operations and profitability in 2020, it is difficult and complex to quantify the totality and extent of the impacts on the Company's operating and financial performance due to the dependence on future events, including the period of adoption of social distancing measures and the impact that such decisions will have on job and demand, potential impacts on the payment capacity of our students, as well as the magnitude and impact of potential governmental measures to boost the economy. Consequently, the financial impacts cannot be quantified or measured reliably in their entirety.

In light of the uncertainties, and aiming at protecting the Company's financial capacity, numerous measures are being adopted since the beginning of the social distancing process:

**Liquidity and indebtedness and cash flow management**

In view of the possible scenarios of social distancing extension and subsequent extension of market liquidity restrictions, the Company believes that it has capacity to manage its cash so as to satisfy all its commitments. Additionally, it is worth mentioning the Company's strong cash position, considering the share issuance process (follow-on) completed in February 2020, which allowed the Company to have a cash position as at March 31, 2020 in the approximate amount of R$2.9 billion. Also, the next repayments of debentures contracted at the balance sheet date will only be made at the end of 2020 (in the amount of R$400 million) and at the second half of 2021 (in the amount of R$2.2 billion). Accordingly, the Company believes that it has a solid liquidity level to face the crisis.

**Goodwill impairment testing per type**

The information on the impairment test of intangible assets goodwill is described in note 14(b).

**Trade receivables – allowance for expected losses**

Considering the same comments about the Company using the best information available, even without full understanding of the final impacts, we expect some level of impact on the accounting estimates adopted in the assessment of the allowance for expected losses on trade receivables, as well as on the expected recovery of receivables already written off against losses, according to the Company's policy and, therefore, we increased the allowance for expected losses for the period. These assumptions are being reevaluated, and Management has preliminarily decided to increase the percentage rates of the allowance for expected losses on trade receivables related to students classified as "paying student" at Kroton Segment, considering that an increase in default or drop in receivables collection is more likely.

**Deferred tax assets and liabilities**

Considering the same assumptions of sensitivity of the long-term models used in the goodwill impairment test, no indications of impairment were identified in the comparability of the amounts recorded in the financial statements as at December 31, 2019.

## 2. Significant accounting policies

The Company presents the individual and consolidated interim financial information in accordance with CPC 21 (R1) - Interim Financial Reporting, issued by the Accounting Pronouncements Committee (CPC), and with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as the standards established by the Brazilian Securities and Exchange Commission (CVM).

Based on Management's assessment on the main impacts of the information to be disclosed, the following notes are not being presented:

- Summary of significant accounting policies:
- Accounting estimates and judgments;
- Insurance coverage.

The notes to the interim financial information are presented in accordance with the full understanding of this interim financial information if read together with the information disclosed in the financial statements as at December 31, 2019.

The accounting policies adopted in the preparation of this interim financial information are consistent with the policies disclosed in note 2 to the financial statements for the year ended December 31, 2019, except for:

(i) Change in the presentation of operating segments, as shown in note 2.1.

## 2.1. Operating segment

The information per operating segment is presented consistently with the internal report provided to the Executive Committee, which is the key operating decision maker and is also responsible for allocating funds, evaluating performance and making strategic decisions.

Beginning January 1, 2020, and in accordance with the Group's new business perspective, the Executive Committee considers the business from the standpoint of the services provided to customers, with five main operating segments, as follows:

(i) **Kroton:** B2C (Business to consumer) vertical engaged in in-class and distance learning higher education (EAD). The results of operations are regularly analyzed by the key manager of this segment considering all businesses, even for the in-class and distance learning (EAD) segments. Although the revenue from these two segments has different sources, costs are fully shared, considering that, even for in-class courses, more than 20% of the classes are being taken by the student using the distance learning method; in addition, the in-class units are used as distance learning centers and shares managers and administrative teams;

(ii) **Platos:** B2B2C (Business to Business to Consumer) higher education vertical, currently offering Continuing Education products and services, at the in-class and EAD segments. The purpose of this segment is to become a full content and solution platform for any Higher Education institution in the country, by offering post-graduation services.

(iii) **Saber:** B2C (Business to Consumer) K-12 vertical, comprising all 54 own schools or schools with management agreements, operating in 11 states. When connecting such group of schools, it is possible to maximize the potential of each one of them, preserving their teaching method.

(iv) **Vasta:** Vertical that operates in the B2B (Business to Business) K-12 market, comprising the service platform offered to schools, which offers a range of educational products and solutions, including digital services that support the school management process. The revenue derives from an enrollment model with long-term agreements. Vasta's main trademarks are Somos Educação, Anglo, PH, Saraiva, etc.

**(v)** **Other:** Currently comprised of educational solution products for technical and higher education ("SETS"), preparatory classes for public service examinations and Brazilian Bar Association (OAB) tests and language courses offered during graduation, besides also comprising the provision of services to public K-12 education - B2Gov (Business to Government), and participating in the National Book and Teaching Material Program (PNLD).

**Cash-generating Units (CGUs)**

With the change in the operating segments, for impairment testing purposes, these assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating Units - CGUs). For purposes of this test, goodwill is allocated to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination that originated the goodwill, as follows: (i) Kroton; (ii) Platos; (iii) Saber; (iv) Vasta and; (v) other, segregated into SETS and (PNLD).

For more information on the impairment tests, see notes 1.2 and 14, together with the tables shown in note 33.

## 2.2. Adoption of new standards

There were no new standards, pronouncements and IFRICs for adoption beginning January 1, 2020 that introduced significant changes in the practices adopted by the Company.

# 3. Business combinations

## 3.1. Acquisitions made in 2020

A & R Comercio e Serviços de Informática Ltda. ("Pluri") and Mind Makers Editora Educacional ("Mind Makers")

On January 7, 2020, subsidiary Somos Sistemas has completed the acquisition of all shares representing 100% of the capital of A & R Comércio e Serviços de Informática Ltda. ("Pluri"), and the effects arising from its acquisition and also any gain or loss are disclosed in the Company's financial statements as from 2020.

Additionally, subsidiary Somos Sistemas has completed, on February 13, 2020, the acquisition of all shares representing 100% of the capital of Mind Makers Editora Educacional Ltda. ("Mind Makers")

(In thousands of Brazilian reais - R$, unless otherwise stated)

The main purpose of these acquisitions is to follow the Company's expansion plan in the B2B sector of the Company's K-12 education segment. The table below summarizes the main balance sheet groups, at the date of acquisition:

| | Pluri | Mind Makers | Total combinations |
|---|---|---|---|
| Current assets | 18,703 | 4,722 | 23,425 |
| Noncurrent assets | 299 | 89 | 388 |
| **Total assets** | **19,002** | **4,811** | **23,813** |
| Current liabilities | 10,945 | 448 | 11,393 |
| Noncurrent liabilities | 364 | 998 | 1,362 |
| **Total liabilities** | **11,309** | **1,446** | **12,755** |
| Equity | 7,693 | 3,365 | 11,058 |
| **Total liabilities and equity** | **19,002** | **4,811** | **23,813** |
| Equity | (7,693) | (3,365) | (11,058) |
| Acquisition price | 26,000 | 18,200 | 44,200 |
| **Excess acquisition price above the book value** | **18,307** | **14,835** | **33,142** |

# 4. Financial risk management

## 4.1. General considerations and policies

The risks and financial instruments are managed through policies, definition of strategies and implementation of control systems, defined by the Company's Board of Directors. The compliance with treasury positions in financial instruments is presented and assessed monthly by the Company's Treasury Committee and subsequently submitted to the analysis of the Audit and Executive Committees and the Board of Directors.

The fair values of financial assets and liabilities were calculated based on available market information and valuation techniques appropriate for each situation. However, considerable judgment was required to interpret market inputs and then develop the most appropriate fair value estimates. Accordingly, estimates presented herein are not necessarily indicative of the amounts that could be realized in the market. The use of different market inputs and/or valuation techniques may have a material impact on the estimated fair value.

(In thousands of Brazilian reais - R$, unless otherwise stated)

The fair values of the Company's financial instruments as at March 31, 2020 are as follows:

| | Fair value hierarchy | Parent | | Consolidated | |
|---|---|---|---|---|---|
| | | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| **Assets - amortized cost** | | | | | |
| Cash and cash equivalents | - | 1,452,136 | 95 | 1,686,834 | 371,683 |
| Trade receivables | - | - | - | 3,320,862 | 3,341,216 |
| Receivables from sale of subsidiaries | - | - | - | 398,839 | 389,693 |
| Other receivables | - | 106 | 217 | 290,226 | 195,551 |
| | | **1,452,242** | **312** | **5,696,761** | **4,298,143** |
| **Assets - fair value through profit or loss** | | | | | |
| Securities | 1 | 834,761 | 4,103 | 1,238,857 | 471,390 |
| | | **834,761** | **4,103** | **1,238,857** | **471,390** |
| **Liabilities - amortized cost** | | | | | |
| Borrowings and financing | - | - | - | 1,046 | 692 |
| Debentures | - | 7,756,618 | 7,859,984 | 7,976,794 | 8,083,873 |
| Trade payables | - | 77 | 447 | 396,496 | 537,430 |
| Trade payables purchaser's risk | - | - | - | 329,643 | 341,656 |
| Payables - acquisitions | - | - | - | 286,461 | 283,236 |
| Other payables | - | 200,933 | 175,561 | 133,044 | 147,794 |
| | | **7,957,628** | **8,035,992** | **9,123,484** | **9,394,681** |

The Company's financial assets and financial liabilities are recognized in balance sheet accounts at amounts consistent with those prevailing in the market.

## 4.2. Financial risk factors

The Company's activities are exposed to market, credit and liquidity financial risks. The Company's Management and the Board of Directors oversee the management of these risks aligned with the capital management goals:

### a) Policy on the use of derivative financial instruments

The Company does not have any derivative transactions.

### b) Market risk – interest rate-related cash flow risk

This risk arises from the possibility of the Group incurring losses due to interest rate fluctuations that increase finance costs related to borrowings and financing and debentures raised in the market and payables for acquisition of third parties in installments. The Company continuously monitors market interest rates to assess whether new transactions should be contracted to hedge against the volatility of interest rates.

(In thousands of Brazilian reais - R$, unless otherwise stated)

Contract interest rates are shown below:

| | | | Consolidated |
|---|---|---|---|
| | **03/31/2020** | **12/31/2019** | **Interest rate** |
| Borrowings and financing | 1,046 | 692 | 9.41% p.a. |
| Debentures | 7,864,254 | 7,971,068 | 100% CDI + interest of 0.75% to 1.7% p.a. |
| Debentures – SABER 1st issue, 3rd series | 112,540 | 112,805 | IPCA + 6.72% p.a. |
| Payables for acquisitions | 157,395 | 154,062 | CDI |
| Payables for acquisitions | 105,425 | 102,743 | IPCA |
| Payables for acquisitions | 23,641 | 26,431 | Other |
| **Total** | **8,264,301** | **8,367,801** | |

### c) Credit risk

It is the risk of a business counterparty not complying with an obligation set forth in a financial instrument or agreement with the customer, which would cause a financial loss. The Company is exposed to credit risk arising from its operating activities (mainly relating to trade receivables) and financing activities, including deposits in banks and financial institutions, and other financial instruments. The Company maintains appropriate provisions in the balance sheet to hedge against these risks:

Trade receivables – Higher Education (Kroton and Platos)

The Group's sales policy is in line with the risk inherent to its operating segment and is limited by the Federal government rules (Law 9,870/99, which provides for the total amount of school annual tuitions). The law allows the non-renewal of the student enrollment for the next semester in case of default, therefore, the student negotiates his/her debts with the institution. Possible default is minimized by diversifying the receivables portfolio and monitoring collection deadlines.

In the Kroton segment, for students included in the Higher Education Student Loan Program (FIES), a substantial portion of the Company's receivables is secured by the FGEDUC. For the portion not secured by the program, the Company estimates the potential default and recognizes the respective allowance.

In 2015, the Company started to offer a new product exclusively to new students – the private payment in installments (PEP) – with the main purpose of offering a payment alternative for any student who was not eligible to the FIES. The product initially offered in the first quarter of 2015 was PEP 10, which financed, without inflation adjustment, 90% of the first 12 monthly tuitions payable within up to 18 installments after graduation. In the second half of 2015, the product evolved to PEP 30 and PEP 50, which financed 70% and 50%, respectively, of the entire course, adjusted based on the Broad Consumer Price Index (IPCA), payable within the same period as the selected course period, after graduation. Long-term receivables from students eligible to the PEP are adjusted to present value.

Such group trade receivables consist mainly of receivables from individual customers, linked to the provision of undergraduate services and debt negotiations. This group's risk is managed based on the *aging* of the corresponding receivables and the segregation of the students per type of product and profile, (for example, FIES students and PEP students).

(In thousands of Brazilian reais - R$, unless otherwise stated)

Trade receivables – K-12 Education (Vasta)

Receivables from this group comprises book distributors, schools, franchisees and individuals linked to the sale of books and education systems for the provision of K-12 education services. This group's risk is managed based on the periodical credit rating analysis of each corporate customer, in addition to the aging of the corresponding receivables and the segregation into services provided and goods sold segments.

Trade receivables – K-12 Education (Saber)

Similar to the Higher education, the price and enrollment policy is governed by a specific regulation ad allows the non-renewal at the end of the school period in case of default. Basically, the amount of trade receivables is comprised of individuals (students' parents). This group's risk is managed according to the aging of receivables.

The credit quality of financial assets may be evaluated by reference to external credit ratings (if any) or historical information on default rates for counterparties:

| | Consolidated | |
|---|---|---|
| | **03/31/2020** | **12/31/2019** |
| **Trade receivables (note 7)** | | |
| Kroton | 4,836,243 | 4,722,782 |
| Platos | 76,394 | 71,795 |
| Saber | 65,609 | 40,823 |
| Vasta | 478,210 | 494,853 |
| Other | 182,369 | 210,189 |
| Credit card | 79,164 | 20,767 |
| | **5,717,989** | **5,561,209** |

Financial instruments and cash deposits

The Company mitigates its exposure to credit risks associated to financial instruments, deposits in banks and short-term investments by investing in prime financial institutions and in accordance with limits previously set in the Company's policy.

| | Consolidated | |
|---|---|---|
| **Cash and cash equivalents (note 5)** | **03/31/2020** | **12/31/2019** |
| AAA (i) | 1,565,547 | 274,673 |
| AA+ | - | 80,613 |
| AA | 13,057 | 11,039 |
| A+ | 101,762 | - |
| Not applicable | 6,468 | 5,358 |
| | **1,686,834** | **371,684** |
| **Securities (note 6)** | | |
| AAA (i) | 46,547 | 47,693 |
| AA | - | 6 |
| A+ | 1,192,308 | 423,689 |
| Not applicable | 2 | 2 |
| | **1,238,857** | **471,390** |

(i) Since Santander Brasil is not rated by Fitch, the *rating* awarded by Standard & Poor's was used to rate the short-term investments held in this financial institution amounting to R$567,648, of which R$552,976 is allocated to cash and cash equivalents and R$14,673 is allocated to securities.

(In thousands of Brazilian reais - R$, unless otherwise stated)

The changes in the balances' ratings between periods are attributed to changes in the ratings awarded by risk rating agency Fitch Ratings.

**d) Liquidity risk**

Consists of the possibility of the Company not having sufficient funds to honor its commitments in view of the different settlement terms of its assets and liabilities.

The Company's and its subsidiaries' cash flows are managed on a centralized basis by the Group's finance department, which monitors rolling forecasts of the entities' liquidity requirements to ensure they have sufficient cash to meet their operational requirements. The Group also continuously monitors the cash balance and the debt level of the companies and implements actions so that the companies receive capital contributions and/or access the capital market when required to keep within the existing credit limits. This forecast takes into consideration the debt financing plans, compliance with covenants, and compliance with internal balance sheet ratio goals and regulatory requirements, if applicable.

Cash surpluses held by Group companies, in addition to the balance required for working capital management, is also managed on a centralized basis by the Group. The treasury department invests cash surpluses in time deposits, short-term deposits, and securities by choosing instruments with appropriate maturities or sufficient liquidity to ensure that the Company has an adequate volume of funds for its operations.

The Company's main financial liabilities refer to borrowings and financing, debentures, trade payables, and payables for acquisitions. The main purpose of such financial liabilities is to raise funds to finance the Group's operations.

The table below analyses the Company's financial liabilities, by maturity, corresponding to the remaining period of the security or liability.

**Financial liabilities by maturity**

| | | | | **Consolidated** |
|---|---|---|---|---|
| | **Less than 1 year** | **1-2 years** | **Over 2 years** | **Total** |
| **As at March 31, 2020** | | | | |
| Trade payables | 396,496 | - | - | 396,496 |
| Trade payables - purchaser's risk | 329,643 | - | - | 329,643 |
| Borrowings and financing | 48 | 998 | - | 1,046 |
| Debentures | 1,269,663 | 3,671,191 | 3,035,940 | 7,976,794 |
| Payables for acquisitions | 117,231 | 52,054 | 117,176 | 286,461 |
| | **2,113,081** | **3,724,243** | **3,153,116** | **8,990,440** |

(In thousands of Brazilian reais - R$, unless otherwise stated)

**Financial liabilities by maturity - Budgeted**

| | | | | Consolidated |
|---|---|---|---|---|
| | Less than 1 year | 1-2 years | Over 2 years | Total |
| **As at March 31, 2020** | | | | |
| Trade payables | 396,496 | - | - | 396,496 |
| Trade payables - purchaser's risk | 329,643 | - | - | 329,643 |
| Borrowings and financing | 51 | 1,052 | - | 1,103 |
| Debentures | 1,338,696 | 3,870,797 | 3,201,007 | 8,410,500 |
| Payables for acquisitions | 123,605 | 54,884 | 123,547 | 302,036 |
| | **2,188,491** | **3,926,733** | **3,324,554** | **9,439,778** |

The balances of the table above show the amounts payable of principal plus interest and inflation adjustment up to the last installment and thus do not reflect the balances stated in the related notes to the financial statements for the period ended March 31, 2020.

## 4.3. Capital management

The main goals of the Company's capital management are to protect its ability to continue as a going concern, offer good returns to shareholders and reliability to its stakeholders, and maintain an optimal capital structure focused on reducing finance costs while maximizing shareholder return.

In order to maintain or adjust the capital structure, the Company may revise its dividend payment and capital return to shareholders policy, or even issue new shares or buyback shares.

As at March 31, 2020, the Company has an adequate capital structure to facilitate its growth strategy, either organically or through acquisitions. The investment decisions take into consideration the expected return potential.

The financial leverage ratios are as follows:

| | | Consolidated |
|---|---|---|
| | 03/31/2020 | 12/31/2019 |
| Borrowings and financing, debentures and payables for acquisitions | (8,264,301) | (8,367,801) |
| Cash and cash equivalents and securities | 2,925,691 | 843,073 |
| **Net debt** | **(5,338,610)** | **(7,524,728)** |
| Equity | 18,298,834 | 15,835,269 |
| **Financial leverage ratio** | **29.17%** | **47.52%** |

(In thousands of Brazilian reais - R$, unless otherwise stated)

### 4.4. Sensitivity analysis

The table below shows the sensitivity analysis for financial instruments, describing the risks that may result in material losses for the Company, according to a Management assessment, using a most probable scenario for a twelve-month period and the following projected rates: CDI: 5.44% and IPCA: 3.30% per year. Additionally, two other scenarios are provided showing a 25% and 50% stress of the risk variable considered, respectively.

| | | | | | Consolidated |
|---|---|---|---|---|---|
| **As at March 31, 2020** | **Exposure** | **Risk** | **Probable scenario** | **Possible scenario -25%** | **Remote scenario -50%** |
| Short-term investments and securities | 2,925,691 | CDI increase | 159,073 | 198,841 | 238,609 |
| CDI-indexed debentures and payables | (8,021,649) | CDI increase | (436,145) | (545,181) | (654,218) |
| IPCA-indexed debentures and payables | (219,011) | IPCA increase | (7,227) | (9,034) | (10,841) |
| | **(5,314,969)** | | **(284,299)** | **(355,374)** | **(426,450)** |

Source: IPCA (Broad Consumer Price Index) in the Focus report issued by the Central Bank of Brazil (BACEN) and CDI based on the B3 S.A. benchmark rates, both available in the these entities' websites.

## 5. Cash and cash equivalents

| | | Parent | | Consolidated |
|---|---|---|---|---|
| | **03/31/2020** | **12/31/2019** | **03/31/2020** | **12/31/2019** |
| **Cash** | | | | |
| Checking account | 38 | 95 | 11,064 | 63 |
| | **38** | **95** | **11,064** | **63** |
| **Short-term investments** | | | | |
| Fixed-income fund | - | - | 5,940 | 76,579 |
| Repurchase agreements (i) | 448,310 | - | 487,328 | 195,927 |
| National Treasury Notes (NTNO) (i) | - | - | 5,695 | 84,518 |
| Bank certificates of deposit (CDBs) | 1,003,788 | - | 1,176,807 | 14,596 |
| | **1,452,098** | **-** | **1,675,770** | **371,620** |
| | **1,452,136** | **95** | **1,686,834** | **371,683** |

(i) Overnight National Treasury Notes and the Repurchase agreements are daily short-term investments with private banks backed by highly liquid government securities without risk of yield loss in the event of redemption.

The Company has highly liquid short-term investments, with insignificant risk of change in value, mainly indexed to the CDI or SELIC rate, a significant portion of which is made in exclusive fixed-income funds, managed and administered by major financial institutions. These funds are intended to offer return on the Group's cash and cash equivalents without incurring medium and high risk instruments or securities. The average gross yield of short-term investments is 99.52% of CDI (interbank deposits rate) as at March 31, 2020 (97.79% of CDI as at December 31, 2019).

(In thousands of Brazilian reais - R$, unless otherwise stated)

## 6. Securities

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | **03/31/2020** | **12/31/2019** | **03/31/2020** | **12/31/2019** |
| National Treasury Bills (LTN) | - | - | 14,673 | 15,482 |
| Financial Bills (LF) | - | 58 | 25,968 | 25,782 |
| Financial Treasury Bills (LFT) | 834,761 | 4,045 | 1,198,216 | 430,126 |
| | **834,761** | **4,103** | **1,238,857** | **471,390** |
| Current | 834,761 | 4,103 | 1,222,464 | 453,952 |
| Noncurrent | - | - | 16,393 | 17,438 |
| | **834,761** | **4,103** | **1,238,857** | **471,390** |

The average gross yield of securities is 99.52% of CDI as at March 31, 2020 (97.79% of CDI as at December 31, 2019).

## 7. Trade receivables

### a) Breakdown

| | | | | 03/31/2020 |
|---|---|---|---|---|
| | **Trade receivables** | **Expected loss** | **Present value adjustment** | **Trade receivables, net** |
| Credit card | 79,164 | - | - | 79,164 |
| Kroton | 4,836,243 | (2,120,924) | (167,698) | 2,547,621 |
| Private payment in installments (PEP/PMT) | 3,296,100 | (1,567,500) | (166,560) | 1,562,040 |
| Kroton without private payment in installments | 1,540,143 | (553,424) | (1,138) | 985,581 |
| Paying students | 1,334,438 | (421,743) | (1,138) | 911,557 |
| FIES (public payment in installments) | 205,705 | (131,681) | - | 74,024 |
| Platos | 76,394 | (18,429) | - | 57,965 |
| Saber | 65,609 | (16,004) | - | 49,605 |
| Vasta | 478,210 | (45,660) | - | 432,550 |
| Other | 182,369 | (28,412) | - | 153,957 |
| **Total** | **5,717,989** | **(2,229,429)** | **(167,698)** | **3,320,862** |
| **Total without private payment in installments and credit card** | 2,342,725 | (661,929) | (1,138) | 1,679,658 |

(In thousands of Brazilian reais - R$, unless otherwise stated)

| | | | | **12/31/2019** |
|---|---|---|---|---|
| | **Trade receivables** | **Expected loss** | **Present value adjustment** | **Trade receivables, net** |
| Credit card | 20,767 | - | - | 20,767 |
| Kroton | 4,722,782 | (1,944,422) | (172,628) | 2,605,732 |
| Private payment in installments (PEP/PMT) | 3,161,275 | (1,438,467) | (171,710) | 1,551,098 |
| Kroton without private payment in installments | 1,561,507 | (505,955) | (918) | 1,054,634 |
| Paying student | 1,315,503 | (374,831) | (918) | 939,754 |
| FIES (public payment in installments) | 246,004 | (131,124) | - | 114,880 |
| Platos | 71,795 | (16,990) | - | 54,805 |
| Saber | 40,823 | (10,293) | - | 30,530 |
| Vasta | 494,853 | (45,931) | - | 448,922 |
| Other | 210,189 | (29,729) | - | 180,460 |
| **Total** | **5,561,209** | **(2,047,365)** | **(172,628)** | **3,341,216** |
| **Total without private payment in installments and credit card** | 2,379,167 | (608,898) | (918) | 1,769,351 |

## b) Receivables aging list

| | | **Consolidated** |
|---|---|---|
| | **03/31/2020** | **12/31/2019** |
| **Current** | **3,124,962** | **3,160,456** |
| **Past due** | | |
| Up to 30 days | 250,305 | 266,196 |
| 31 to 60 days | 149,785 | 391,572 |
| 61 to 90 days | 319,484 | 391,838 |
| 91 to 180 days | 762,675 | 348,696 |
| 181 to 365 days | 629,714 | 547,478 |
| Over 365 days | 481,064 | 454,973 |
| **Total past due** | **2,593,027** | **2,400,753** |
| Allowance for expected losses | (2,229,429) | (2,047,365) |
| Present value adjustment | (167,698) | (172,628) |
| | **3,320,862** | **3,341,216** |

(In thousands of Brazilian reais - R$, unless otherwise stated)

The aging list of receivables is broken down below:

**Kroton – paying students**

| | | | | | | 03/31/2020 |
|---|---|---|---|---|---|---|
| | **Total balance** | **% (i)** | **Agreement** | **% (i)** | **Monthly tuitions** | **% (i)** |
| **Current** | **336,858** | **25%** | **336,858** | **50%** | **-** | **0%** |
| **Past due** | | | | | | |
| Up to 30 days | 168,435 | 13% | 33,055 | 5% | 135,380 | 21% |
| 31 to 60 days | 89,285 | 7% | 32,370 | 5% | 56,915 | 9% |
| 61 to 90 days | 44,239 | 3% | 33,346 | 5% | 10,893 | 2% |
| 91 to 180 days | 296,350 | 22% | 99,889 | 15% | 196,461 | 30% |
| 181 to 360 days | 398,132 | 30% | 139,536 | 21% | 258,596 | 39% |
| **Total past due** | **996,442** | **75%** | **338,196** | **50%** | **658,246** | **100%** |
| **Gross receivables – paying student** | **1,333,300** | **100%** | **675,054** | **100%** | **658,246** | **100%** |
| **(-) Balance of the allowance for expected losses (iii)** | **421,743** | | | | | |
| **Net receivables – paying student** | **911,557** | | | | | |
| ***Percentage of allowance for expected losses/gross receivables (ii)*** | ***31.6%*** | | | | | |

(i) Percentage on gross receivables – paying student
(ii) Relating to the coverage ratio
(iii) The balance of the allowance for expected losses is calculated considering future expectation: a) of recovery, through renegotiation, of receivables already written off with maturity over 360 days) and; b) of write-off for receivables that will reach 360 days in the next period.

| | | | | | | 12/31/2019 |
|---|---|---|---|---|---|---|
| | **Total balance** | **% (i)** | **Agreement** | **% (i)** | **Monthly tuitions** | **% (i)** |
| **Current** | **252,247** | **19%** | **252,247** | **41%** | **-** | **0%** |
| **Past due** | | | | | | |
| Up to 30 days | 185,999 | 14% | 47,813 | 8% | 138,186 | 20% |
| 31 to 60 days | 148,214 | 11% | 45,150 | 7% | 103,064 | 15% |
| 61 to 90 days | 126,215 | 10% | 41,435 | 7% | 84,780 | 12% |
| 91 to 180 days | 208,869 | 16% | 86,920 | 14% | 121,949 | 17% |
| 181 to 360 days | 393,041 | 30% | 141,674 | 23% | 251,367 | 36% |
| **Total past due** | **1,062,338** | **81%** | **362,992** | **59%** | **699,346** | **100%** |
| **Gross receivables – paying student** | **1,314,585** | **100%** | **615,239** | **100%** | **699,346** | **100%** |
| **(-) Balance of allowance for expected losses** | **374,831** | | | | | |
| **Net receivables – paying student** | **939,754** | | | | | |
| ***Percentage of allowance for expected losses/gross receivables (ii)*** | ***28.5%*** | | | | | |

(In thousands of Brazilian reais - R$, unless otherwise stated)

(i) Percentage on gross receivables – paying student
(ii) Relating to the coverage ratio
(iii) The balance of the allowance for expected losses is calculated considering future expectation: a) of recovery, through renegotiation, of receivables already written off with maturity over 360 days) and; b) of write-off for receivables that will reach 360 days in the next period.

## c) Allowance for expected losses and write-offs

### Monthly tuitions

The Company has monthly recognized an allowance for expected losses by analyzing monthly receivables recognized each month (over a twelve-month period) and the corresponding breakdown by day in arrears and evaluating the recovery performance. Under this methodology, a likelihood of the estimated loss is attributed to each default bracket taking into consideration current and prospective information on macroeconomic factors that affect the customers' ability to settle claims, such as unemployment rate.

### Variations in expected losses

Variations in the allowances for expected losses in the period ended March 31, 2020 are as follows:

| | Consolidated |
|---|---|
| **Balance as at December 31, 2018** | (1,466,028) |
| Addition arising from acquiree | (1,949) |
| Write-off against trade receivables | 28,042 |
| Recognition | (210,872) |
| **Balance as at March 31, 2019** | **(1,650,807)** |
| **Balance as at December 31, 2019** | **(2,047,365)** |
| Addition due to business combination | (734) |
| Write-off against trade receivables | 32,610 |
| Recognition | (213,940) |
| **Balance as at March 31, 2020** | **(2,229,429)** |

When the default period exceeds 365 days the receivable is written off. Even for written-off receivables, the collection efforts continue and the related collections are already recognized directly in profit or loss when collected.

## d) Private payment in installments (PEP/PMT)

The balance of receivables from Private Payment in Installments (PEP/PMT) is comprised of receivables from installment payment products offered at Kroton's in-class education, which is segregated into two main products:

i) Private Payment in Installments (PEP). This product is intended to enable access to education by students who, despite depending on student loans, have no access to such loans. Under this regime, the student pays about half of the monthly tuitions after graduation, which payments are expected to end within a period twice as longer than the course period. The offer is limited with significant restriction on the granting of discounts, thus protecting the business profitability.

(In thousands of Brazilian reais - R$, unless otherwise stated)

ii) Late Enrollment in Installments (PMT). This product is offered only in the semester of the student's enrollment and is intended to facilitate payment for students who enroll in the middle of the semester. Rather than charging monthly tuitions accumulated since the first month of the semester until the month of the student's enrollment, the student pays only one monthly tuition and the other tuitions are postponed for payment after graduation.

**Breakdown of balance**

| | 03/31/2020 | | | 12/31/2019 | | |
|---|---|---|---|---|---|---|
| | **PEP** | **PMT** | **Consolidated** | **PEP** | **PMT** | **Consolidated** |
| **Gross receivables** | **2,343,012** | **953,088** | **3,296,100** | **2,311,763** | **849,512** | **3,161,275** |
| (-) Present value adjustment | (126,493) | (40,067) | (166,560) | (133,799) | (37,911) | (171,710) |
| Gross receivables after present value adjustment | 2,216,519 | 913,021 | 3,129,540 | 2,177,964 | 811,601 | 2,989,565 |
| (-) Balance of allowance for expected losses | (1,135,427) | (432,073) | (1,567,500) | (1,064,909) | (373,558) | (1,438,467) |
| **Net receivables** | **1,081,092** | **480,948** | **1,562,040** | **1,113,055** | **438,043** | **1,551,098** |
| Percentage of allowance for expected losses/gross receivables | -51,2% | -47,3% | -50,1% | -48,9% | -46,0% | -48,1% |
| **Current** | 1,339,828 | 685,859 | 2,025,687 | 1,567,906 | 637,483 | 2,205,389 |
| **Past due** | 1,003,184 | 267,229 | 1,270,413 | 743,857 | 212,029 | 955,886 |
| **Gross receivables - PEP / PMT** | **2,343,012** | **953,088** | **3,296,100** | **2,311,763** | **849,512** | **3,161,275** |

**Profile of trade receivables and expected PEP recovery**

Students comprising PEP receivables can be classified in three main categories: active, graduated and evaded, as shown below:

| | 03/31/2020 | | | 12/31/2019 | | |
|---|---|---|---|---|---|---|
| | **Total balance** | **Current and up to 360 days past due (ii)** | **Over 360 days past due** | **Total balance** | **Current and up to 360 days past due (ii)** | **Over 360 days past due** |
| **Gross receivables before write-offs (i)** | **2,606,792** | **2,158,502** | **448,290** | **2,546,407** | **2,148,337** | **398,071** |
| Active students | 1,110,992 | 1,110,992 | - | 1,183,515 | 1,181,667 | 1,848 |
| Graduated students | 168,498 | 161,327 | 7,170 | 239,865 | 234,027 | 5,838 |
| Evaded students | 1,327,303 | 886,183 | 441,120 | 1,123,028 | 732,642 | 390,386 |

(i) The amount reported in these line items refers to the total amount recognized of trade receivables during the entire period we offer the PEP product to our students. The balances do not consider the receipts and write-offs made in numerous periods, in the amount of R$263,780 as at March 31, 2020 (R$234,644 as at December 31, 2019), in order to demonstrate the amounts deriving from each category of students, which is an important information for the calculation of future expected loss.

(ii) Gross write-off amounts due to recovery and receipt.

(In thousands of Brazilian reais - R$, unless otherwise stated)

The expected loss on receivables from PEP and PMT is calculated based on the average between i) the expected evasion of each class and its default level and ii) the expectation of graduated students and its default level. The projected future losses calculated by the Company represents Management's best estimate of future default on the measurement date, considering historical receipt information for PEP and PMT classes already organized, adjusted by current market and economic conditions.

The percentage rates calculated are as follows:

**Balance of allowance for expected losses x expected PEP recovery**

| | | | | | Consolidated |
|---|---|---|---|---|---|
| | **1Q20** | **Initial estimate** | **Variation** | **Percentage of allowance for expected losses/gross receivables** | **Variation** |
| Effective expected loss with impairment | 49.3% | 50.0% | -0.7 p.p. | 50.1% | -0.8 p.p. |

## 8. Inventories

| | | Consolidated |
|---|---|---|
| | **03/31/2020** | **12/31/2019** |
| Finished goods | 405,549 | 410,665 |
| Work in process | 59,364 | 48,265 |
| Raw materials | 76,623 | 55,147 |
| Imports in transit | 2,784 | 1,271 |
| Appreciation | - | 14,236 |
| Allowance for inventory losses | (140,710) | (122,464) |
| | **403,610** | **407,120** |

Variations in the allowance for inventory losses are as follows:

| | Consolidated |
|---|---|
| **Balance as at December 31, 2018** | **(147,134)** |
| Addition in the period | (27,732) |
| Reversal in the period | 23,442 |
| Inventory losses | 2,145 |
| **Balance as at March 31, 2019** | **(149,279)** |
| | |
| **Balance as at December 31, 2019** | **(122,464)** |
| Addition in the period | (18,578) |
| Inventory losses | 332 |
| **Balance as at March 31, 2020** | **(140,710)** |

(In thousands of Brazilian reais - R$, unless otherwise stated)

## 9. Recoverable taxes

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | **03/31/2020** | **12/31/2019** | **03/31/2020** | **12/31/2019** |
| Income tax and social contribution (i) | 17,110 | 11,787 | 221,075 | 223,599 |
| PIS, COFINS and ISS (ii) | - | - | 173,198 | 179,115 |
| Social security tax (INSS) | - | - | 34,985 | 34,076 |
| Other recoverable taxes | - | - | 41,440 | 39,800 |
| | **17,110** | **11,787** | **470,698** | **476,590** |
| Current | 17,110 | 11,787 | 340,255 | 346,162 |
| Noncurrent | - | - | 130,443 | 130,428 |
| | **17,110** | **11,787** | **470,698** | **476,590** |

(i) Refers to recoverable amounts of withholding income tax (IRRF) on short-term investments and invoices, income tax, social contribution, which can be offset against any federal tax managed by the Federal Revenue Service of Brazil.

(ii) Refers to PIS and COFINS credits claimed and retained on book sales and that can be offset against other federal taxes, as well as withholding taxes due to the issue of service invoices.

## 10. Receivables from sale of subsidiaries

| | Consolidated | |
|---|---|---|
| | **03/31/2020** | **12/31/2019** |
| UNIASSELVI | 358,383 | 350,172 |
| FAC | 19,717 | 19,175 |
| FAIR | 11,034 | 10,728 |
| NOVATEC | 4,367 | 4,319 |
| Colégio Anchieta | 3,041 | 3,015 |
| UNIRONDON | 2,024 | 2,014 |
| FAUSB | 273 | 270 |
| | **398,839** | **389,693** |
| Current | 142,099 | 139,162 |
| Noncurrent | 256,740 | 250,531 |
| | **398,839** | **389,693** |

(In thousands of Brazilian reais - R$, unless otherwise stated)

The amounts are adjusted primarily using CDI and IPCA variance, depending on the related agreements. The aging list of receivables from the sale of subsidiaries is as follows:

| | | | | | Consolidated |
|---|---|---|---|---|---|
| | | 03/31/2020 | | 12/31/2019 | |
| | **Maturity** | **Total** | **%** | **Total** | **%** |
| **Total current assets** | **Up to one year** | **142,099** | **35.6** | **139,162** | **35.7** |
| | One to two years | 122,277 | 30.7 | 118,923 | 30.5 |
| | Two to three years | 133,950 | 33.6 | 130,902 | 33.6 |
| | Three to four years | 513 | 0.1 | 706 | 0.2 |
| **Total noncurrent assets** | | **256,740** | **64.4** | **250,531** | **64.3** |
| **Total** | | **398,839** | **100.0** | **389,693** | **100.0** |

## 11. Other receivables

| | | Parent | | Consolidated |
|---|---|---|---|---|
| | **03/31/2020** | **12/31/2019** | **03/31/2020** | **12/31/2019** |
| Prepaid expenses (i) | 37 | 148 | 118,764 | 29,496 |
| Receivables from former owners of acquirees (ii) | 68 | 68 | 86,028 | 78,410 |
| INSS on severance pay (iii) | - | - | 30,859 | 30,859 |
| Sale of properties (iv) | - | - | 14,217 | 21,813 |
| Other | 1 | 1 | 40,358 | 34,973 |
| **Total** | **106** | **217** | **290,226** | **195,551** |
| Current | 106 | 217 | 199,832 | 96,764 |
| Noncurrent | - | - | 90,394 | 98,787 |
| | **106** | **217** | **290,226** | **195,551** |

(i) Consisting mainly of: R$38,535 in marketing expenses, R$31,049 relating to the expenses on feasibility study project for corporate reorganization processes not completed in 2020, R$24,362 relating to IPTU and R$5,099 in software license costs.

(ii) Consisting mainly of: (i) contractual rights of reimbursement by the former owners of Academia Paulista Anchieta Ltda. (APA) to subsidiary Anhanguera Educacional S.A, in the adjusted amount of R$43,113, arising from the balance of service tax (ISS) in installments payable under the taxes in installments with incentives (PPI) of the City of São Paulo, (ii) R$2,200 in labor claims of Platos and Other segment; (ii) subsidiary Unime LF has R$1,670 receivable from the former owners relating to the Refis tax in installments, (iv) subsidiary EDE has R$13,356 relating to the debt acknowledgement of unit Soce linhares, (v) R$9,324 relating to the amounts receivable from Uniasselvi, in review with buyers, (vi) R$3,107 relating to lawsuits involving UNOPAR, and (vii) R$3,135 relating to the contingency against outsourced service providers and their partners for collection of amounts/seizure of assets.

(iii) Consisting mainly of recoverable social security contribution (INSS) originating from favorable court rulings against the levy of INSS on severance pay.

(iv) Consisting mainly of: R$3,519 relating to the sale of property Rio Bravo, R$6,162 relating to the sale of the property in São Luiz do Maranhão (CEAMA), R$3,109 relating to the property located in the city of Santo André and R$2,477 of remaining balance for the sale of a property located in the city of São Paulo.

(In thousands of Brazilian reais - R$, unless otherwise stated)

# 12. Investments

## (a) Breakdown of investments in direct subsidiaries

| | Parent | |
|---|---|---|
| | 03/31/2020 | 12/31/2019 |
| Editora e Distribuidora Educacional S.A. (“EDE”) | 5,947,563 | 5,956,226 |
| Anhanguera Educacional Participações S.A. (“AESAPAR”) | 2,974,378 | 3,004,598 |
| Somos Sistemas | 3,161,969 | 3,116,657 |
| Saber Serviços Educacionais Ltda. | 2,469,286 | 2,431,953 |
| **Subtotal** | **14,553,195** | **14,509,434** |
| Goodwill, including Anhanguera allocated goodwill | 7,363,377 | 7,381,353 |
| **Total** | **21,916,572** | **21,890,788** |

## (b) Information on the direct subsidiaries

| | 03/31/2020 | | | | | |
|---|---|---|---|---|---|---|
| | Equity interest | Number of shares | Total assets | Total liabilities | Equity | Profit/loss for the period |
| EDE | 100% | 2,849,615,508 | 8,620,804 | 2,673,241 | 5,947,563 | (3,798) |
| AESAPAR | 74.46% | 756,608,601 | 6,441,158 | 2,446,559 | 3,994,599 | (41,071) |
| SOMOS SISTEMAS | 100% | 3,737,293,407 | 6,336,377 | 3,174,408 | 3,161,969 | 44,517 |
| SABER | 62.00% (i) | 5,839,338,457 | 4,423,703 | 440,985 | 3,982,718 | 42,054 |
| | | **13,182,855,973** | **25,822,042** | **8,735,193** | **17,086,849** | **41,702** |

(i) As at March 31, 2020, the Company revisited the equity interests held in Saber, deriving from the corporate restructuring process, which at the end of the process, made the Company to review and change its equity interest held in Saber to 62.00% (previously 60.75%).

| | 12/31/2019 | | | | | |
|---|---|---|---|---|---|---|
| | Equity interest | Number of shares | Total assets | Total liabilities | Equity | Profit/loss for the period |
| EDE | 100% | 2,849,615,508 | 8,692,789 | 2,736,562 | 5,956,227 | 188,899 |
| AESAPAR | 74.46% | 756,608,601 | 6,500,798 | 2,465,614 | 4,035,184 | 231,355 |
| SOMOS SISTEMAS | 100% | 3,737,293,407 | 6,140,295 | 3,023,638 | 3,116,657 | (63,734) |
| SABER | 60.75% | 5,839,338,457 | 4,417,764 | 414,874 | 4,002,890 | (251,848) |
| | | **13,182,855,973** | **25,751,646** | **8,640,688** | **17,110,958** | **104,672** |

## (c) Variations in investment in direct subsidiaries:

| | Parent | | | | | | |
|---|---|---|---|---|---|---|---|
| **Investment** | **EDE** | **AESAPAR** | **SB Sistemas** | **Somos Sistemas** | **Saber** | **Goodwill** | **Total** |
| Balance as at 12/31/2019 | 5,956,226 | 3,004,598 | - | 3,116,657 | 2,431,954 | 7,381,353 | 21,890,788 |
| **Variations** | | | | | | | |
| Amortization of allocated goodwill | - | - | - | - | - | (17,976) | (17,976) |
| Share of profit (loss) of investees | (3,798) | (30,582) | (1) | 44,517 | 26,074 | - | 36,210 |
| RSU impacts | 6,114 | 183 | - | 744 | 178 | - | 7,219 |
| Other impacts | (10,980) | 179 | - | 51 | 11,081 | - | 331 |
| **Balance as at 03/31/2020** | **5,947,563** | **2,974,379** | **(1)** | **3,161,969** | **2,469,285** | **7,363,377** | **21,916,572** |

(In thousands of Brazilian reais - R$, unless otherwise stated)

## (d) Information on the indirect subsidiaries

| | 03/31/2020 | | | | | |
|---|---|---|---|---|---|---|
| | **Equity interest** | **Number of shares** | **Total assets** | **Total liabilities** | **Equity** | **Profit/loss for the period** |
| Anhanguera Educacional Ltda. | 100.00% | 49,163,929 | 137,543 | 1,357 | 136,186 | 839 |
| Clínica Médica Anhanguera Ltda.. | 100.00% | 350,000 | 1,111 | 622 | 490 | (43) |
| Anhanguera Educacional Fundo de Investimento em Direitos Creditórios | 100,00% | 572,917 | 10,151 | 64 | 10,087 | 1,023 |
| Instituto Excelência Ltda.. | 100.00% | 17,935,579 | 3,511 | 316 | 3,195 | 7 |
| Edufor serviços educacionais Ltda. – ME | 100.00% | 2,909,300 | 2,643 | 4,004 | (1,361) | (483) |
| Sociedade Piauiense de Ensino Superior Ltda. | 100.00% | 17,913,750 | 35,994 | 40,047 | (4,053) | 732 |
| Fateci Cursos Técnicos S/S | 100.00% | 4,427,000 | 3,009 | 4,156 | (1,148) | 38 |
| Clauder Ciarlini Filho S/S. | 100.00% | 4,326,000 | 16,350 | 24,254 | (7,905) | 2,155 |
| Sociedade Educacional da Paraíba Ltda.. | 100.00% | 22,987,000 | 7,588 | 8,797 | (1,209) | (913) |
| Bacabal Mearim Sistemas de Ensino Ltda.. | 100.00% | 2,180,000 | 27,905 | 20,693 | 7,212 | 1,840 |
| Centro de Ensino Atenas Maranhense | 99.99% | 113,288,364 | 368,765 | 139,232 | 229,533 | (1,797) |
| Centro de Ensino Superior de Marabá Ltda. | 99.99% | 9,829,511 | 28,962 | 21,264 | 7,698 | (75) |
| Centro de Ensino Superior de Parauapebas Ltda. | 99.99% | 4,675,159 | 15,897 | 8,526 | 7,371 | 776 |
| Centro de Ensino Superior de Paragominas Ltda. | 99.99% | 974,207 | 7,767 | 5,064 | 2,704 | 64 |
| Orme Serviços Educacionais | 99.99% | 188,844,194 | 126,522 | 68,151 | 58,371 | (3,849) |
| Projecta Educacional | 99.99% | 10,234,275 | 5,551 | 311 | 5,241 | 24 |
| Pitágoras Sistema de Ensino Sociedade | 99.99% | 384,011,228 | 1,170,093 | 590,577 | 579,516 | 2,980 |
| União de Ensino Unopar | 99.99% | 128,631,508 | 246,793 | 103,188 | 143,605 | (1,018) |
| Unic Educacional | 99.99% | 205,146,858 | 620,259 | 113,370 | 506,889 | 9,867 |
| Iuni Educacional - Unime Salvador | 99.99% | 15,916,973 | 116,043 | 58,565 | 57,477 | 2,785 |
| Colégio LS Cidade Nova Ltda. | 100.00% | 805,889 | 1,125 | 1,710 | (585) | (227) |
| Colégio Manauara Cidade Nova Ltda. | 100.00% | 301,001 | 9,968 | 14,645 | (4,677) | 91 |
| Nucleo Brasileiro De Estudos Avançados Ltda. | 100.00% | 1,158,979 | 5,485 | 6,078 | (593) | 111 |
| Colegio Manaura Latu Sensu Ltda. | 100.00% | 8,601,283 | 145,199 | 213,128 | (67,928) | 12,264 |
| Centro Educacional Leonardo Da Vinci S/S Ltda. | 100.00% | 2,839,000 | 193,106 | 197,971 | (4,865) | 2,205 |
| Da Vinci Servicos Educacionais Ltda. | 100.00% | 1,870,000 | 10,460 | 6,243 | 4,217 | 3,065 |
| SB Sistemas de Ensino Ltda.. | 100.00% | 102,000 | 11 | 128 | (117) | (221) |
| Somos Idiomas S.A. | 100.00% | 120,421,129 | 92,685 | 36,543 | 56,142 | 7,865 |
| Editora Ática S.A. | 100.00% | 1,140,483,077 | 760,209 | 317,958 | 442,251 | (11,967) |
| Editora Scipione S.A. | 100.00% | 245,673,857 | 183,301 | 32,380 | 150,921 | 3,658 |
| Somos Educação S.A. | 100.00% | 979,735,022 | 935,985 | 90,682 | 845,303 | 14,148 |
| Nice Participações S.A. | 100.00% | 22,816,962 | 474 | 1,313 | (839) | (56) |
| Sistema PH de Ensino Ltda. | 100.00% | 55,252,441 | 171,700 | 121,327 | 50,374 | 4,432 |
| Maxiprint Editora Ltda. | 100.00% | 1,727,885 | 20,600 | 27,062 | (6,463) | 418 |
| SGE Comércio de Material Didático Ltda.. | 100.00% | 24,240,673 | 18,399 | 9,697 | 8,702 | 142 |
| Colégio Motivo Ltda. | 100.00% | 106,973,304 | 105,148 | 75,013 | 30,135 | (3,721) |
| Acel – Administração de Cursos Educacionais Ltda. | 100.00% | 104,591,638 | 237,250 | 192,806 | 44,444 | 1,141 |
| ECSA – Escola a Chave do Saber Ltda.. | 100.00% | 3,675,000 | 13,001 | 10,325 | 2,677 | 34 |
| Sociedade Educacional Doze de Outubro Ltda. | 100.00% | 18,723,535 | 43,147 | 38,024 | 5,123 | (1,726) |
| Sociedade Educacional Paraná Ltda.. | 100.00% | 160,000 | 20,544 | 15,706 | 4,838 | 381 |
| Saraiva Educação S.A. | 100.00% | 570,430,892 | 501,517 | 115,078 | 386,440 | 9,533 |
| Escola Mater Christi Ltda.. | 100.00% | 13,223,700 | 18,071 | 10,137 | 7,934 | 196 |
| Colégio Jaó Ltda.. | 100.00% | 6,991,850 | 22,713 | 18,035 | 4,679 | 270 |
| Somos Operações Escolares S.A. | 100.00% | 646,560,039 | 596,741 | 83,689 | 513,052 | (5,159) |
| Educação Inovação e Tecnologia S.A. | 100.00% | 36,697,655 | 15,070 | 5,599 | 9,471 | (3,392) |
| Somos Educação Investimentos S.A. | 100.00% | 89,642,080 | 73,404 | 29,872 | 43,532 | (3,966) |
| Papelaria Brasiliana Ltda.. | 100.00% | 1,000 | 1,716 | 747 | 970 | 429 |
| Stoodi Ensino e Treinamento à Distância Ltda. | 100.00% | 23,228,002 | 36,505 | 18,287 | 18,218 | 691 |
| Editora Joaquim Ltda. | 100.00% | 10,000 | 505 | 389 | 116 | (2) |
| Editora Pigmento Ltda. | 100.00% | 10,000 | 708 | 499 | 209 | (3) |
| Editora Todas as Letras Ltda. | 100.00% | 10,000 | 879 | 599 | 281 | (4) |
| Sociedade Educacional de Rondonópolis Ltda. | 100.00% | 2,300,000 | 10,866 | 10,386 | 480 | (45) |

(In thousands of Brazilian reais - R$, unless otherwise stated)

| | | | | | | 03/31/2020 |
|---|---|---|---|---|---|---|
| | Equity interest | Number of shares | Total assets | Total liabilities | Equity | Profit/loss for the period |
| Sociedade Rondonopolitana de Educação Ltda.. | 100.00% | 1,590,000 | 4,239 | 1,617 | 2,623 | 278 |
| Sociedade Educacional Neodna Cuiabá Ltda. | 100.00% | 2,506,344 | 5,300 | 4,685 | 615 | 181 |
| CEI - Centro de Educação Integrada Ltda.. | 51.00% | 2,082,592 | 47,500 | 37,989 | 9,511 | 2,381 |
| Salmo Noventa Centro Educacional eireli | 51.00% | 410,000 | 1,592 | 2,014 | (421) | (43) |
| Escola Infantil Primeiros Passos eireli | 51.00% | 100,000 | 2,495 | 2,385 | 110 | (20) |
| Escola Santo Inacio Ltda. | 100.00% | 629,000 | 23,694 | 22,467 | 1,227 | 696 |
| Escola Riacho Doce Ltda. | 100.00% | 1,716,900 | 8,008 | 6,029 | 1,979 | 12 |
| Curso e Colégio Coqueiro Ltda. | 100.00% | 3,036,450 | 5,850 | 3,712 | 2,138 | (6) |
| Colégio Ambiental Ltda. | 100.00% | 2,073,013 | 8,086 | 5,268 | 2,818 | 116 |
| Colégio Visão Ltda. | 100.00% | 1,280,382 | 2,554 | 1,665 | 889 | (108) |
| Colégio Cidade Ltda. (Campinas) | 100.00% | 204,714 | 1,708 | 1,395 | 313 | 2 |
| Colégio do Salvador Ltda.. | 100.00% | 416,367 | 25,200 | 23,141 | 2,059 | 755 |
| Eligis Tecnologia e Inovação Ltda.. | 100.00% | 8,200 | 2 | 10 | (8) | (2) |
| Livro Fácil | 100.00% | 11,750,000 | 174,245 | 171,456 | 2,789 | 2,834 |
| Sociedade Educacional Aphaville S.A | 51.00% | 500 | 15,404 | 16,393 | (988) | 300 |
| Colégio Anglo São Paulo | 100.00% | 1,000 | - | - | - | - |
| Saraiva Soluções Educacionais S.A | 100.00% | 500 | 1 | - | 1 | - |
| Pluri - A&R Comércio e Serviços de Informática Ltda. | 100.00% | 7,991,650 | 35,905 | 15,936 | 19,968 | 12,275 |
| Mind Makers Editora Educacional Ltda. | 100.00% | 2,318,365 | 5,301 | 1,600 | 3,701 | 336 |

Em milhares de reais, exceto quando indicado de outra forma

## 13. Property, plant and equipment

| | | | | | | | | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | **IT equipment** | **Furniture, equipment and fixtures** | **Library** | **Buildings and improvements** | **PP&E in progress** | **Land** | **Right of use (IFRS-16) (i)** | **Total** |
| **Balances as at January 1, 2019** | **129,214** | **448,820** | **144,050** | **1,566,915** | **97,834** | **107,695** | **2,906,588** | **5,401,116** |
| Additions | 11,560 | 28,131 | 5,750 | 1,873 | 35,985 | - | 114,564 | 197,863 |
| Addition due to business combination | 286 | 2,447 | 591 | 154 | - | - | - | 3,478 |
| Write-offs | (354) | (1,074) | (4) | (4,686) | (1,189) | (509) | - | (7,816) |
| Depreciation | (12,739) | (15,166) | (6,651) | (21,861) | - | - | (75,154) | (131,571) |
| Transfers | - | - | - | 18,486 | (38,821) | - | 20,335 | - |
| **Balances as at March 31, 2019** | **127,967** | **463,158** | **143,736** | **1,560,881** | **93,809** | **107,186** | **2,966,333** | **5,463,070** |
| **Balances as at December 31, 2019** | **112,751** | **444,791** | **127,988** | **1,414,184** | **56,151** | **118,553** | **3,580,846** | **5,855,264** |
| Additions | 7,856 | 10,600 | 4,747 | 1,585 | 21,707 | - | 266,916 | 313,411 |
| Addition due to business combination | 59 | 153 | - | - | - | - | - | 212 |
| Write-offs | - | - | - | (8,563) | - | - | (78,814) | (87,377) |
| Depreciation | (11,535) | (16,252) | (6,853) | (26,717) | - | - | (67,240) | (128,597) |
| **Balances as at March 31, 2020** | **109,131** | **439,292** | **125,882** | **1,380,489** | **77,858** | **118,553** | **3,701,708** | **5,952,913** |
| Average annual depreciation rate | 23% | 10% | 10% | 4% | 0% | 0% | 7% | |
| **Balances as at March 31, 2020:** | | | | | | | | |
| Cost | 405,195 | 928,382 | 341,013 | 1,841,600 | 77,858 | 118,553 | 4,568,800 | 8,281,401 |
| Accumulated depreciation | (296,064) | (489,090) | (215,131) | (461,111) | - | - | (867,092) | (2,328,488) |

(i) Balances relating to the Group's lease transactions, which are significantly concentrated in the lease of properties for its operating units and administrative buildings, which provide for monthly payments. In general, the main contracts provide for average lease periods ranging from 20 to 25 years, which may be extended under contractual renewal options and the Tenant's Act (Law 8245, of October 18, 1991). The Group assesses at the beginning of each lease if it is reasonably accurate that such extension options will be exercised and revisits the conclusion reached when a significant event or a change in circumstances within its control takes place.

Em milhares de reais, exceto quando indicado de outra forma

## 14. Intangible assets

| | | | | | | Consolidated |
|---|---|---|---|---|---|---|
| | **Software** | **Content production** | **Operation License** | **Goodwill and allocated intangible assets** | **Other intangible assets** | **Total** |
| **Balances as at December 31, 2018 (restated)** | **556,241** | **184,182** | **11,969** | **20,078,152** | **126,321** | **20,956,865** |
| Additions | 42,250 | 18,304 | 2,265 | 62,417 | - | 125,236 |
| Write-offs | (33) | (1) | - | - | (327) | (361) |
| Amortization | (32,921) | (26,935) | (1,310) | (63,489) | (6,705) | (131,360) |
| **Balances as at March 31, 2019** | **565,537** | **175,550** | **12,924** | **20,077,080** | **119,289** | **20,950,380** |
| **Balances as at December 31, 2019** | **607,563** | **156,182** | **13,283** | **19,641,309** | **103,888** | **20,522,225** |
| Additions | 53,925 | 15,630 | 1,501 | 33,142 | 2,762 | 106,960 |
| Addition due to business combination | - | 177 | - | - | - | 177 |
| Amortization | (41,204) | (27,866) | (1,770) | (82,581) | (3,752) | (157,173) |
| **Balances as at March 31, 2020** | **620,284** | **144,123** | **13,014** | **19,591,870** | **102,898** | **20,472,189** |
| Average annual amortization rate | 20% | 44% | 33% | 7% | 25% | |
| **Balances as at March 31, 2020:** | | | | | | |
| Cost | 1,158,192 | 639,115 | 22,590 | 20,798,899 | 202,167 | 22,820,963 |
| Accumulated amortization | (537,908) | (494,992) | (9,576) | (1,207,029) | (99,269) | (2,348,774) |

### a) Goodwill arising on the acquisition of subsidiaries and intangible assets allocated in business combination

Goodwill arising on the difference between the amount paid upon the acquisition of investments in subsidiaries and the fair value of assets and liabilities is classified in intangible assets, in the consolidated financial statements. Part of goodwill arising on the acquisition of subsidiaries was allocated to identifiable intangible assets with finite and indefinite useful lives, after an analysis of the acquired assets.

| | | Consolidated |
|---|---|---|
| | **03/31/2020** | **12/31/2019** |
| Goodwill (i) | 14,695,209 | 14,662,070 |
| Trademark (ii) | 2,759,358 | 2,791,570 |
| Operation license and center partner chain (iii) | 695,293 | 697,519 |
| Customer portfolio (iv) | 1,440,038 | 1,488,030 |
| Non-compete agreement | 1,972 | 2,120 |
| | **19,591,870** | **19,641,309** |

(i) Refers to goodwill arising on acquisitions of subsidiaries, classified as arising on expected future earnings. Does not have a finite useful life and is subject to annual impairment tests.

(ii) Intangible asset with useful life estimated between 19 and 30 years.

Em milhares de reais, exceto quando indicado de outra forma

(iii) Refers to the licenses to offer in-class and distance learning education and the partner chain of distance learning centers. Does not have a finite useful life and is subject to annual impairment tests.

(iv) Intangible asset with useful life estimated between 3 and 14 years.

### b) Goodwill impairment testing per type

The Company assessed the circumstances that could show any indication of impairment of its non-financial assets and conducted a sensitivity analysis in the long-term model and cash flows. This analysis considered simulations of the estimated impacts from Covid-19 on the Company. These effects or risks were mapped based on the information currently available and that can be different depending on all impacts that may arise in the next periods. The conclusion of these tests has not indicated so far any impairment loss on these assets. Additionally, some indicators used in the test model are based on macroeconomic indicators which can already be obtained and recalculated, such as Brazilian growth projections and changes in the rates used as a basis for the WACC. The Company believes that such procedure complies with the regulatory requirement of impairment testing at least annually or when a clear indication of impairment is observed, the latter being our current situation.

The main assumptions used in the calculations were: (i) growth rate in perpetuity at 5.48% (6.11% as previously reported), and; (ii) discount rate applied (WACC) at 10.56% (10.36% previously reported). The rates are presented based on the weighted average of the Company's business.

As mentioned in note 1.2, the abovementioned information must be read together with the financial statements as at December 31, 2019 and the changes in segment described in note 2.1.

The allocation of goodwill and intangible assets allocated per level of cash-generating unit are shown below:

| | Consolidated | |
|---|---|---|
| | **03/31/2020** | **12/31/2019** |
| Kroton | 10,562,539 | 10,584,258 |
| Platos | 56,632 | 56,632 |
| Saber | 3,207,537 | 2,952,062 |
| Vasta | 4,886,422 | 5,072,246 |
| Other | 878,740 | 976,110 |
| | **19,591,870** | **19,641,308** |

## 15. Borrowings and financing

### (a) Breakdown

| | | | | | Consolidated |
|---|---|---|---|---|---|
| | **Interest** | **Issuance** | **Maturity** | **03/31/2020** | **12/31/2019** |
| Working capital (i) | 9.41% p.a. | 04/19/2012 | 04/19/2021 | 48 | 692 |
| Borrowings - Mind Makers (ii) | | | | 998 | - |
| **Total** | | | | **1,046** | **692** |
| Current liabilities | | | | 48 | 531 |
| Noncurrent liabilities | | | | 998 | 161 |
| | | | | **1,046** | **692** |

(i) On April 19, 2012, indirect subsidiary Centro de Educação Integrada ("CEI") has borrowed money from Banco do Nordeste in the amount of R$3,859 to increase its working capital. Interest is fixed and monthly applied to the installments to be paid.

Em milhares de reais, exceto quando indicado de outra forma

(ii) Addition deriving from business combination of Mind Makers, as shown in note 3.

## (b) Variations

| | | Consolidated |
|---|---|---|
| | 03/31/2020 | 12/31/2019 |
| Opening balance | 692 | 55,116 |
| Addition due to business combination | 998 | - |
| Reclassification of finance leases | - | (53,949) |
| Interest recognition | 8 | 18 |
| Interest payment | (10) | - |
| Principal repayment | (643) | (493) |
| **Closing balance** | **1,046** | **692** |

## (c) Repayment schedule

| | | | | | Consolidate d |
|---|---|---|---|---|---|
| | | 03/31/2020 | | 12/31/2019 | |
| | **Maturity** | **Total** | **%** | **Total** | **%** |
| | Up to one year | 48 | 4.6 | 531 | 76.7 |
| **Total current liabilities** | | **48** | **4.6** | **531** | **76.7** |
| | One to two years | 998 | 95.4 | 161 | 23.3 |
| **Total noncurrent liabilities** | | **998** | **95.4** | **161** | **23.3** |
| | | **1,046** | **100.0** | **692** | **100.0** |

Em milhares de reais, exceto quando indicado de outra forma

## 16. Debentures

### (a) Breakdown

| | | | | Parent | | Consolidated | |
|---|---|---|---|---|---|---|---|
| | Interest | Issuance | Maturity | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| 4th issue, single series EDE SARAIVA debentures | CDI + 1.00% p.a. | 08/27/2018 | 08/15/2021 | - | - | 220,177 | 223,889 |
| 1st issue, single series COGNA debentures (iii) | CDI + 0.65% p.a. | 04/15/2019 | 04/15/2024 | 816,798 | 807,164 | 816,797 | 807,164 |
| 2nd issue, 1st series COGNA debentures | CDI + 0.75% p.a. | 08/15/2018 | 08/15/2021 | 1,133,254 | 1,152,229 | 1,133,254 | 1,152,229 |
| 2nd issue, 2nd series COGNA debentures | CDI + 1.00% p.a. | 08/15/2018 | 08/15/2023 | 4,274,656 | 4,348,839 | 4,274,656 | 4,348,838 |
| 2nd issue, 3rd series COGNA debentures | IPCA + 6.7234% p.a. | 08/15/2018 | 08/15/2025 | 112,540 | 112,805 | 112,540 | 112,805 |
| 3rd and 4th issue, 1st and 2nd series and single series COGNA debentures | CDI + 0.90% p.a. and CDI + 1.70% p.a. and CDI + 1.15% p.a. | 08/15/2018 | 08/15/2022 | 1,301,540 | 1,322,675 | 1,301,540 | 1,322,675 |
| 5th issue, single series COGNA debentures | CDI + 1.00% p.a. | 10/25/2017 | 10/25/2020 | 117,830 | 116,272 | 117,830 | 116,273 |
| **Total** | | | | **7,756,618** | **7,859,984** | **7,976,794** | **8,083,873** |
| Current liabilities | | | | 1,269,352 | 574,873 | 1,269,663 | 578,998 |
| Noncurrent liabilities | | | | 6,487,266 | 7,285,111 | 6,707,131 | 7,504,875 |
| | | | | **7,756,618** | **7,859,984** | **7,976,794** | **8,083,873** |

Em milhares de reais, exceto quando indicado de outra forma

The debentures, issued as book-entry, registered nonconvertible debentures, without the issue of certificates, have the following features:

| | | | | | | | **Consolidated** |
|---|---|---|---|---|---|---|---|
| **Company** | **Issuance** | **Series** | **Quantity** | **Par value** | **Issuance amount** | **Principal repayment** | **Interest payment** |
| COGNA | 1st | Single | 80,000 | 10 | 800,000 | On maturity | Semiannual (Apr and Oct) |
| COGNA | 2nd | 1st | 112,966 | 10 | 1,129,660 | Annual | Semiannual (Feb and Aug) |
| COGNA | 2nd | 2nd | 426,434 | 10 | 4,264,340 | Annual | Semiannual (Feb and Aug) |
| COGNA | 2nd | 3rd | 10,600 | 10 | 106,000 | Annual | Semiannual (Feb and Aug) |
| | | | | | | Annual | |
| COGNA | 3rd | 1st /2nd | 800,000 | 1 | 800,000 | Annual | Semiannual (Feb and Aug) |
| COGNA | 4th | Single | 800,000 | 1 | 800,000 | On maturity | Semiannual (Mar and Sep) |
| COGNA | 5th | Single | 100,000 | 1 | 100,000 | On maturity | On maturity |
| EDE | 1st | Single | 2,200 | 100 | 220,000 | On maturity | Semiannual (Feb and Aug) |

## (b) Variations

## (c)

| | | **Parent** | | **Consolidated** |
|---|---|---|---|---|
| | **03/31/2020** | **12/31/2019** | **03/31/2020** | **12/31/2019** |
| Opening balance | 7,859,984 | - | 8,083,873 | 7,628,506 |
| Increase due to debt migration (i) | - | 7,041,624 | - | 0 |
| Increase – principal (ii) | - | 800,000 | - | 800,000 |
| Increase – issuance costs | - | (2,339) | - | (2,339) |
| Accrued interest | 100,765 | 45,794 | 103,460 | 545,811 |
| Cost allocation | 2,527 | 563 | 2,628 | 10,659 |
| Interest payment | (206,658) | (25,658) | (213,167) | (556,264) |
| Principal repayment | - | - | - | (342,500) |
| **Closing balance** | **7,756,618** | **7,859,984** | **7,976,794** | **8,083,873** |

(i) Refers to debt securities assumed by the Parent in October 2019, which were initially in the name of subsidiary Saber, which amounts, maturity date, payment dates, interest, payment methods and other terms and conditions will correspond to the information in each debenture indenture already issued. As a contra entry to this movement, subsidiary Saber issued private debentures to Cogna.

(ii) On April 15, 2019, the Parent Company held its first issue of simple debentures, in a single series. 80,000 debentures with face value of ten thousand Brazilian reais (R$10,000) were subscribed, totaling R$800,000. The debentures were issued as registered, book-entry, nonconvertible debentures, without the issue of certificates. Debentures do not contain a renegotiation clause. The debentures have a five-year effective period, with final maturity on April 15, 2024. Principal will be repaid in a lump sum and interest due, calculated up to the due dates, are paid semiannually (April and October).

Em milhares de reais, exceto quando indicado de outra forma

**(d) Performance ratios**

Issuances - “Cogna” and “EDE” (quarterly calculations)

The debentures issued by parent Cogna and by subsidiary EDE also include covenants that require the compliance with financial ratios calculated on a quarterly basis, based on the interim financial information and consolidated financial statements of the Company. The calculation period comprises, when necessary for the calculation and as determined in the indenture, the twelve months immediately prior to the end of each quarter to calculate the net debt-to-adjusted EBITDA ratio, and the resulting ratio cannot exceed 3.00. Such ratio cannot be exceeded during two consecutive quarters or three alternate quarters over the agreement term.

Adjusted EBTIDA is defined, based on the Company’s consolidated interim financial information (ITR) or consolidated financial statements, as applicable, as the earnings for the twelve (12) months prior to the calculation date, before income tax and social contribution, depreciation and amortization, finance income (costs), and gains or losses from nonrecurring items, plus operating finance income.

As at March 31, 2020, the financial ratio relating to the net debt-to-adjusted EBITDA ratio reached 2.44, in compliance with the financial covenants mentioned above. The Company already exceeded the indicator once in a quarter, within the established limits. Additionally, the other non-financial covenants were met as at March 31, 2020.

**(e) Repayment schedule**

| | | | | | 03/31/2020 |
|---|---|---|---|---|---|
| | | | Parent | | Consolidated |
| | **Maturity** | **Total** | **%** | **Total** | **%** |
| | Up to one year | 1,269,352 | 16,4 | 1.269.663 | 15,9 |
| **Current liabilities** | | **1,269,352** | **16.4** | **1,269,663** | **15.9** |
| | One to two years | 1,223,940 | 15.8 | 1,443,805 | 18.1 |
| | Two to three years | 2,227,386 | 28.7 | 2,227,386 | 27.9 |
| | Three to four years | 2,130,080 | 27.5 | 2,130,080 | 26.7 |
| | Four to five years | 835,150 | 10.8 | 835,150 | 10.5 |
| | Five to six years | 70,710 | 0.9 | 70,710 | 0.9 |
| **Noncurrent liabilities** | | **6,487,266** | **83.6** | **6,707,131** | **84.1** |
| | | **7,756,618** | **100.0** | **7,976,794** | **100.0** |

## 17. Lease – right of use

**(a) Variations**

| | Consolidated |
|---|---|
| **Opening balance as at December 31, 2018** | - |
| Opening balance - IFRS 16 | 3,190,256 |
| **Balances as at January 1, 2019** | **3,190,256** |
| Additions | 132,122 |
| Present value adjustment | 75,824 |
| Principal repayment | (126,914) |
| **Balances as at March 31, 2019** | **3,271,288** |
| | |
| **Balances as at December 31, 2019** | **4,021,474** |
| Additions | 115,194 |
| Adjustments | 151,722 |

Em milhares de reais, exceto quando indicado de outra forma

| | |
|---|---|
| Cancellations | (85,391) |
| Interest payment | (102,949) |
| Present value adjustment [(i)] | 102,839 |
| Principal repayment | (37,960) |
| **Balances as at March 31, 2020** | **4,164,929** |
| Current | 158,461 |
| Noncurrent | 4,006,468 |
| | **4,164,929** |

(i) The present value adjustment relating to the right-of-use lease contracts is individually calculated per contract and applied to the useful life of the contract, taking into consideration its maturity date. The rate is calculated at our capital cost less the estimated impact of the guarantee on the rate.

In addition to the amounts disclosed above, some leases of properties where the Company and its subsidiaries are the lessees are subject to variable lease payments linked to the performance obtained from the use of the leased assets and, therefore, are not included in the carrying amount measurement.

The Group lease transactions have no impact on the calculation of the debentures financial ratios (covenants).

### (b) Items not applicable to the scope of CPC 06 (R2) / IFRS 16

As permitted by CPC 06 (R2) / IFRS 16, for short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will elect to recognize the lease expenses on a straight-line basis in the income statements, and therefore will not be included in lease liabilities. The effects for the period ended March 31, 2020 are shown below:

| | **Consolidated** |
|---|---|
| | **03/31/2020** |
| Fixed payments | 140,909 |
| Variable payments | 690 |
| Payments related to short-term and low-value contracts | 12,789 |
| **Total paid** | **154,388** |

### (c) Future commitments

The balances of leases payable related to the “Future commitments” for the period ended March 31, 2020 are as follows:

| | | | **Consolidated** |
|---|---|---|---|
| | **IFRS 16** | **(-) PVA** | **03/31/2020** |
| Up to one year | 566,756 | (408,294) | 158,462 |
| One year up to five years | 2,523,670 | (1,144,015) | 1,379,655 |
| Over five years | 5,685,375 | (3,058,563) | 2,626,812 |
| | **8,775,801** | **(4,610,872)** | **4,164,929** |

Em milhares de reais, exceto quando indicado de outra forma

### (d) Impacts on the Company's profit or loss

| | Consolidated |
|---|---|
| | **03/31/2020** |
| **Statement of profit and loss for the period** | |
| Depreciation and amortization | (67,243) |
| Finance costs | (103,501) |
| Finance income | 662 |
| Other gains and losses | 6,002 |
| | **(164,080)** |
| Deferred income tax and social contribution | (7,901) |
| | **(171,981)** |
| Lease amounts paid in the period | 140,909 |
| **Impact on profit or loss** | **(31,072)** |

### (e) Circular Letter/CVM/SNC/SEP 02/2019

Pursuant to Circular Letter/CVM/SNC/SEP/02/2019, the Company presents the comparative balances of the lease liability, right of use, finance costs and depreciation expenses, considering the effect arising from the projected future inflation on the flows of lease contracts, discounted by the statutory rate:

| Description | Balances recorded - IFRS 16 / CPC 06 (R2) (*) | Flow with projected inflation | Variation in R$ | Variation in % |
|---|---|---|---|---|
| Right of use, net | 3,701,708 | 4,354,341 | 652,632 | 17.6% |
| Lease liability | 4,164,929 | 4,812,045 | 647,116 | 15.5% |
| Finance costs | 102,839 | 87,604 | (15,235) | -14.8% |
| Depreciation expense | 67,243 | 79,675 | 12,433 | 18.5% |
| Sublease receivables | 31,301 | 35,315 | 4,014 | 12.8% |

(*) according to the balance recorded in the interim financial information as at March 31, 2019

The table below shows the potential recoverable PIS/COFINS embedded in the lease consideration, based on the expected payment periods:

| | As at March 31, 2020 | |
|---|---|---|
| | Consolidated | |
| **Cash flows** | **Nominal** | **Adjusted to present value** |
| Consideration payable | 8,775,801 | 4,164,929 |
| Potential PIS/COFINS (3.65%) | (294,155) | (137,430) |
| | **8,481,646** | **4,027,499** |

## 18. Trade payables - purchaser's risk

Some domestic suppliers have the option of assigning Company receivables, without recourse, to prime financial institutions. Using these transactions, suppliers are able to anticipate their receivables with low financial costs, since the financial institutions take into consideration the Company's credit risk.

As at March 31, 2020, the balance of trade payables - purchaser's risk was R$329,643 (R$341,656 as at December 31, 2019), the weighted average discount rate of the assignment transactions conducted by our suppliers with financial institutions was 0.52% per month (the weighted average discount rate as at December 31, 2019 was 0.55% per month) and the maximum payment deadline was 360 days. The balance is initially known net of adjustments to present value, which are subsequently recognized as finance costs.

Em milhares de reais, exceto quando indicado de outra forma

## 19. Payroll and related taxes

| | Consolidated | |
|---|---|---|
| | **03/31/2020** | **12/31/2019** |
| Payroll payable | 92,270 | 87,322 |
| INSS payable | 76,831 | 70,352 |
| Severance pay fund (FGTS) payable | 10,921 | 16,009 |
| Withholding income tax (IRRF) payable | 39,795 | 36,194 |
| Accrued vacation pay and 13th salary | 108,869 | 79,288 |
| Payroll taxes on accruals | 33,537 | 23,568 |
| Accrued profit sharing | 33,555 | 111,142 |
| Other | 59,705 | 39,652 |
| | **455,483** | **463,527** |

## 20. Taxes payable

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | **03/31/2020** | **12/31/2019** | **03/31/2020** | **12/31/2019** |
| Service tax (ISS) | - | - | 64,998 | 60,603 |
| Tax on revenue (PIS) | 283 | 79 | 2,823 | 3,399 |
| Tax on revenue (COFINS) | 1,888 | 481 | 16,002 | 17,724 |
| Withholding income tax (IRRF) | 149 | 130 | 10,887 | 11,540 |
| Social Contribution (CSLL) | - | - | 433 | 410 |
| Other | 180 | 96 | - | 8,116 |
| | **2,500** | **786** | **95,143** | **101,792** |

## 21. Payables - acquisitions

| | Consolidated | |
|---|---|---|
| | **03/31/2020** | **12/31/2019** |
| Colégio Lato Sensu | 56,187 | 54,518 |
| Colégio Leonardo da Vinci | 70,524 | 69,816 |
| Metropolitana | 24,505 | 37,747 |
| Uniabc | 30,074 | 29,595 |
| Colégio SANTI | 19,967 | 19,767 |
| ICF | 11,773 | 11,442 |
| Livraria Livro Fácil | 15,632 | 10,941 |
| Pluri | 10,915 | - |
| Fateci | 8,387 | 8,678 |
| Mind Makers | 8,239 | - |
| IECAC (Sigma Águas Claras) | - | 8,243 |
| Grupo Visão | 7,670 | 7,548 |
| Febac | 6,148 | 5,971 |
| Iesville Educar / Intesc | 5,777 | 5,719 |
| Other | 10,722 | 13,251 |
| **Total** | **286,461** | **283,236** |
| Current | 117,231 | 117,976 |
| Noncurrent | 169,230 | 165,260 |
| | **286,461** | **283,236** |

Em milhares de reais, exceto quando indicado de outra forma

The table below shows the variations in the payables for acquisitions line item:

| | | Consolidated |
|---|---|---|
| | **03/31/2020** | **12/31/2019** |
| Opening balance | 283,236 | 325,797 |
| Addition (i) | 44,200 | 55,903 |
| Interest adjustment (ii) | 9,780 | 16,792 |
| Present value adjustment | 1,160 | 4,717 |
| Payments | (51,915) | (119,975) |
| **Closing balance** | **286,461** | **283,236** |

(i) Balance comprise of the acquisition of Pluri and Mind Makers, pursuant to note 3(a).

(ii) The amounts are adjusted primarily using CDI and IPCA variance, depending on the related agreements.

Due dates of payables for acquisitions:

| | | | | | Consolidated |
|---|---|---|---|---|---|
| | | | 03/31/2020 | | 12/31/2019 |
| | **Maturity** | **Total** | **%** | **Total** | **%** |
| | Up to one year | 117,231 | 40.9 | 117,976 | 41.7 |
| **Total current liabilities** | | **117,231** | **40.9** | **117,976** | **41.7** |
| | 2021 | 52,054 | 18.2 | 43,950 | 15.5 |
| | 2022 | 66,596 | 23.3 | 49,215 | 17.4 |
| | 2023 | 50,046 | 17.5 | 53,741 | 19.0 |
| | 2024 onwards | 534 | 0.2 | 18,354 | 6.5 |
| **Total noncurrent liabilities** | | **169,230** | **59.1** | **165,260** | **58.3** |
| **Total** | | **286,461** | **100.0** | **283,236** | **100.0** |

## 22. Provision for tax, labor and civil contingencies and liabilities assumed in business combination

The Company's Management, based on the opinion of its legal counsel, classifies the likelihood of loss in court and administrative proceedings filed against the Company.

Em milhares de reais, exceto quando indicado de outra forma

## 22.1. Proceedings with a probable likelihood of loss and variations

The table below shows the variations in contingencies in the period ended March 31, 2020:

| | | | | Consolidated |
|---|---|---|---|---|
| | **Tax** | **Civil** | **Labor** | **Total** |
| Balance as at 12/31/2019 | 268,595 | 61,861 | 141,468 | 471,924 |
| Reallocations between types | (43,923) | (3,652) | 47,575 | - |
| Additions | 859 | 23,210 | 26,153 | 50,222 |
| Inflation adjustment | - | 179 | 564 | 743 |
| Reversals | (1,552) | (9,477) | (18,970) | (29,999) |
| **Total impact on profit or loss** | **(693)** | **13,912** | **7,747** | **20,966** |
| Payments | (82) | (28,027) | (25,582) | (53,691) |
| **Total payments** | **(82)** | **(28,027)** | **(25,582)** | **(53,691)** |
| Addition - former sponsor | 1,514 | 107 | 2,262 | 3,883 |
| Inflation adjustment – former sponsor | 1,251 | 46 | 160 | 1,457 |
| Reversal - former sponsor | (14,737) | (205) | (12,306) | (27,248) |
| **Total - former sponsor** | **(11,972)** | **(52)** | **(9,884)** | **(21,908)** |
| Inflation adjustment - IFRIC 23 | 435 | - | - | 435 |
| Additions - IFRIC 23 (i) | 3,682 | - | - | 3,682 |
| | **4,117** | **-** | **-** | **4,117** |
| **Balance as at 03/31/2020** | **216,042** | **44,042** | **161,324** | **421,408** |

(i) Additions relating to potential contingencies relating to the discussion of tax proceedings in the allocation of goodwill arising on business combination, and also of labor proceedings, as disclosed in the financial statements for the year ended December 31, 2019.

## 22.2. Main proceedings by nature

The main proceedings by nature assessed as probable loss and comprising the outstanding balance at the balance sheet date, part of which is the responsibility of the former sponsors/owners, are set out below:

**Labor proceedings**

- Class action filed by the ABC labor union in the greater São Paulo against our subsidiary Anhanguera. This proceeding consists of several claims relating to the compliance with the teachers collective labor agreement, such as: weekly paid rest difference on nightshift premium, five-year salary rises, hourly fee, and distance learning classes (EAD), teacher salary makeup (five-year salary rise, hourly fee, nightshift premium), entry-level teacher salary gap, meal ticket, fine for noncompliance with regulatory clause on entry-level teacher salary gap, and lawyers' fees, totaling R$6,622;

- Labor lawsuit filed against our subsidiary Anhanguera. This labor lawsuit claims the recognition of an employment relationship of a preparatory course teacher for public contest and the payment of all related benefits (vacation pay + 1/3 bonus, 13th salary, FGTS), overtime, undue decrease of class hourly fee, nightshift premium, severance pay, fine provided for by Articles 477 and 467 of the Brazilian Labor Code (CLT), pain and suffering due to violation of rights and image, payment for replay of recorded classes in online sales, fine for early termination, indirect termination of employment contract, registration in work papers, and lawyers' fees, totaling R$5,842;

- Labor lawsuit filed against our subsidiary Somos Sistemas de Ensino S.A. This labor lawsuit claims the payment of pain and suffering and severance fees, in the amount of R$4,596; and

- The Company is also a party to 1,354 labor lawsuits, with average individual amounts of R$107, totaling R$144.787, Of this total, 342 lawsuits, totaling approximately R$14,831, refer to claims by outsourced workers hired by labor outsourcing companies, attributing joint and several liability to the Company. Labor lawsuits in general have different claims, mainly related to the payment of severance fees.

**Tax proceedings**

- Tax collection lawsuits filed by the City of São Paulo charging 2007-2011 Service Tax (ISSQN), for which the former sponsors of Academia Paulista Anchieta, a company acquired by Anhanguera in September 2011, are fully liable, amounting to R$90,092. In the first months of the year, one of the lawsuits was dismissed, and the total contingency amount was reduced by approximately R$13,000 since December 2019. The Company is covered by a sufficient contractual guarantee in the event of an unfavorable outcome;

- Tax lawsuit filed by the Federal District against ACEL - Administração de Cursos Educacionais Ltda. (colégio SIGMA), where the non-payment of the Service Tax (ISSQN) and the lack of registration of services provided in tax books is determined due to the alleged use of the Association's tax exemption without the proper certificate issued by the competent authority, in the amount of R$4,921, with the full responsibility assumed by the former owners; and

- Other immaterial lawsuits totaling R$39,598 and R$80,723 relating to the contingency provided for in accordance with the adoption of standard IFRIC 23 during the last year. More information is available in addition to the financial statements as at December 31, 2019.

**Civil proceedings**

- Refers to an action seeking specific performance coupled with a compensation claim, where the claimant, former partner of Anhanguera, alleges that the subsidiary is not fully complying with the business partnership agreement entered into by the parties, the purpose of which is the satellite broadcast of preparatory courses for civil servant tests, in the amount of R$8,387; and

- The Company is also a party to 2,550 civil lawsuits, with individual amounts lower than the claims described above that on average amount to R$14. The claims involve mostly consumer complaints.

Em milhares de reais, exceto quando indicado de outra forma

## 22.3. Main additions and reversals

The additions of civil and labor lawsuits do not have significant amounts to be individually reported on separate manner, and we reported the addition of 3,263 civil lawsuits, with higher addition in the amount of R$429 and 545 labor lawsuits, the highest of R$862.

The reversals made in the first quarter of 2020 refer to variations that had an impact on the Company's profit or loss, the main ones being:

- In subsidiary Editora Scipione, reversal of tax nature in the amount of R$1,525 due to the dismissal of the lawsuit;

- In subsidiary Anhanguera Educacional Participações S/A, reversal of civil nature in the amount of R$422 due to the dismissal of the lawsuit. Additionally, there were other sundry reversals totaling R$9,055.

- In subsidiary Anhanguera Educacional Participações S/A, reversal of labor nature in the amount of R$2,082 after review of the likelihood of loss by our legal counsel. Additionally, there were other sundry reversals totaling R$16,888.

## 22.4. Proceedings with a possible likelihood of loss

The table below considers the Company's all possible contingencies, including the amounts of new contingencies that were generated in the period subsequent to business combination:

| | | | | Consolidated |
|---|---|---|---|---|
| | 03/31/2020 | 12/31/2019 | Number 03/31/2020 | Number 12/31/2019 |
| Tax | 632,655 | 614,467 | 246 | 206 |
| Civil | 447,791 | 367,107 | 17,203 | 15,454 |
| Labor | 148,611 | 139,400 | 1,205 | 1,214 |
| **Total** | **1,229,057** | **1,120,974** | **18,654** | **16,874** |

As at March 31, 2020, the Company and its parent companies were parties to 18,654 court/administrative proceedings classified by Management with a possible likelihood of loss based on the opinion of its legal counsel, including 303 proceedings for which the former sponsors are fully or partially liable, the main ones being:

**(i) Tax:**

- Tax assessment notice issued by the Federal Revenue Service of Brazil against the Company after a tax audit for the nonpayment of taxes on the stock options granted by the Company in January 2014-October 2017, amounting to R$139,508.

- Tax lawsuits filed by the Federal Government claiming the collection of a tax debt consisting of unpaid social security contributions registered as enforceable debt during the period when subsidiary UNIC IUNI Educacional S/A (currently merged into subsidiary Editora e Distribuidora Educacional S/A) was owned by its former sponsor and was entitled to tax immunity as a nonprofit philanthropic entity. The tax proceedings related to this matter total R$148,590. The Company is liable for this contingency; and

- Tax assessment notice issued by the Federal Revenue Service of Brazil against subsidiary Editora e Distribuidora Educacional S/A (EDE) to collect social security contributions on the amount paid by the Company to eligible employees in calendar years 2013-2016. The assessed principal and charges (fine and arrears interest) total R$73,551. The Company is liable for this tax assessment.

**(ii) Civil:**

- Class action filed by the Mato Grosso State Prosecutor challenging the adjustment of monthly tuitions of the courses of Universidade de Cuiabá – UNIC, seeking an injunction to prohibit these adjustments at the three UNIC campus. The estimated amount is R$20,000;

- Class action amounting to R$9,681, filed by the Paraná State Prosecutor to repeal Municipal Laws 2463/201.003 and 2553/2005 of Arapongas, State of Paraná, that ceded the use of a plot of land and a building for UNOPAR to operate (Bandeirantes Campus) without a bidding process; and

- Action to nullify a Contractual Amendment coupled with the collection of transfer differences and compensation for damages (property damages and loss of profits), filed by a Partner Center against UNOPAR due to alleged errors and inaccuracies in the transferred payments, and pressure to reduce the transfer percentage from 4% to 2%. The Company is liable for this contingency in the amount of R$9,439.

- There was an increase in the number of lawsuits, due to the number of filings higher than dismissals compared to the last quarter, also considering that historically we post an increase in new lawsuits during the first months of the year. Amounts are immaterial as they are individually reported and the claims in these lawsuits do not differ from other similar lawsuits for this category and, therefore, a significant increase in the contingency is explained by these new lawsuits.

**(iii) Labor:**

- Tax lawsuit claiming the recognition of the employment relationship of a preparatory course teacher for public contests and the payment of all related benefits (vacation pay + 1/3 bonus, 13th salary, FGTS), overtime, nightshift premium, severance pay, registration in work papers, and lawyers' fees. The Company is liable for this lawsuit, which totals R$7,000; and

- This lawsuit claims the recognition of an employment relationship of a preparatory course teacher for public contest and the payment of all related benefits (vacation pay + 1/3 bonus, 13th salary, FGTS), overtime, undue decrease of class hourly fee, nightshift premium, severance pay, fine provided for by Articles 477 and 467 of the Brazilian Labor Code (CLT), pain and suffering due to violation of rights and image, payment for replay of recorded classes in online sales, fine for early termination, indirect termination of employment contract, registration in work papers, and lawyers' fees, totaling R$2,900.

## 22.5. Provision for liabilities assumed in business combinations

As required by CPC 15 Business Combinations, the Company, based on the reports of its legal counsel and financial advisors, recognized in liabilities potential noncompliance of past practices used by entities acquired by the Company with labor, civil, and tax laws and regulations during the period they were owned by the acquirees' sellers.

Em milhares de reais, exceto quando indicado de outra forma

The Company has contractual guarantees provided by the acquirees' sellers is case it incurs any contingency that can be attributed to such sellers. Especially as regards the acquisition of Somos, there is an Escrow account amounting to R$661,933, held as guarantee for contingencies for which the sellers of Somos are objectively liable.

The Company recognized in accounting the potential obligation resulting from past events whose fair value can be reasonably measured, even if the materialization of contingencies depends on certain future events to occur.

The balance of the liabilities assumed in business combinations with acquirees is as follows:

| | | | | Consolidated |
|---|---|---|---|---|
| | Tax | Civil | Labor | Total |
| **Balance as at 12/31/2019** | **1,633,675** | **144,328** | **853,540** | **2,631,543** |
| Inflation adjustment | 14,583 | 624 | 3,902 | 19,110 |
| Reversals | (23,079) | (23,176) | (49,839) | (96,095) |
| **Total impact on profit or loss** | **(8,496)** | **(22,552)** | **(45,937)** | **(76,985)** |
| Inflation adjustment – former sponsor | 371 | 7 | 374 | 753 |
| Reversal - former sponsor | (3,901) | (97) | (5,072) | (9,069) |
| **Total former sponsor (guarantee)** | **(3,529)** | **(90)** | **(4,698)** | **(8,317)** |
| **Balance as at 03/31/2020** | **1,621,650** | **121,686** | **802,905** | **2,546,241** |
| SOMOS | 1,360,594 | 103,079 | 672,173 | 2,135,846 |
| LATO SENSU | 139,508 | - | 42,164 | 181,672 |
| CELV / DA VINCI | 72,246 | 1,246 | 68,495 | 141,987 |
| ICF | 9,801 | 5,347 | 11,274 | 26,422 |
| FATECI / CLAUDER | 10,649 | 11,952 | 3,340 | 25,941 |
| CEMAR/CEPAR/CESUPAR | 16,660 | - | 1,342 | 18,002 |
| FEBAC | 12,192 | 62 | 4,117 | 16,371 |
| **Balance as at 03/31/2020** | **1,621,650** | **121,686** | **802,905** | **2,546,241** |

The main Company court/administrative proceedings, classified by Management with a possible likelihood of loss based on the opinion of its legal counsel, are as follows:

**(i) Tax:**

- Tax assessment notice collecting IRPJ and CSLL, plus aggravated fine of 75% due to the disallowance of amortized goodwill and nondeductible expenses, plus one-off fine (for the alleged underpayment of estimated taxes), for calendar years 2011-2014. The tax assessment notice, amounting to R$318,405, was issued against Somos Sistemas de Ensino S.A., and includes as jointly and severally liable the companies Somos Educação S.A. and Ativic S.A. (linked to the Abril Group), pursuant to Article 124, I, of the National Tax Code. The Company is liable for this lawsuit, related to this tax assessment notice;

- Tax assessment notice issued by the Federal Service for the nonpayment of corporate income tax (IRPJ) and social contribution on net income (CSLL), as well as the imposition of aggravated automatic fine of 75% and one-off fine on monthly estimated IRPJ/CSLL, regarding calendar years 2013-2015. The tax assessment notice was issued against Central de Produções GWUP S.A. (not controlled by the Company) and Somos (which was the assessed entity's subsidiary at the time) as jointly and severally liable. The IRPJ and CSLL are being collected due to the disallowance of finance costs, considered nondeductible by the tax auditors, and the disallowance of goodwill. As a result of the adjustments made by the tax auditors, the tax authority also imposed an one-off fine for the alleged nonpayment of monthly estimated IRPJ and CSLL, amounting to R$123,583. The former sponsor is liable for this proceeding and the Company is covered by a sufficient contractual guarantee in the event of an unfavorable outcome;

- Tax assessment notice collecting alleged corporate income tax debts and related increase in other amounts (taxes on revenue, social contribution, and one-off fine) for the years 2000, 2001 and 2002.This tax assessment notice referred to seven infractions and currently only the issue involving goodwill, amounting to R$78,555, is still pending. The Company is liable for this lawsuit. Tax assessment notice issued by the City of Vitória due to the nonpayment of ISSQN amounting to R$32,128. The former sponsor is liable for this proceeding and the Company is covered by a sufficient contractual guarantee in the event of an unfavorable outcome;

- Based on the history and risk analyses of tax assessments issued due to the utilization of goodwill arising on acquisitions made Somos and the corresponding recognition of tax claim by the tax authority, we took into consideration a potential obligation resulting from past events of R$489,897 and other tax proceedings, including all acquirees, that might be challenged by the tax authority that total R$579,082.

**(ii) Labor:**

- Based on the history and analyses of risks of past labor claims and as a result of the noncompliance of past labor practices, a potential obligation with respect to payments made to service providers under Self-employed Worker Receipts (RPAs) and corporate invoices was considered, amounting to R$145,942, and other sundry cases of noncompliance with labor laws and regulations totaling R$656,963.

**(iii) Civil:**

- Based on the history and risk analyses, the Company recognized a potential obligation resulting from past events deriving from fines on the early contract terminations, particularly property lease contracts, which total R$33,367, and other sundry cases of noncompliance with civil laws and regulations totaling R$88,319.

Em milhares de reais, exceto quando indicado de outra forma

### 22.6. Reconciliation of the effects on profit and loss and applicable to the cash flow

The main impacts applicable to the Company's cash flow arising from the effects on profit or loss are as follows:

| | | Impact on profit or loss | | | Impact on cash flow |
|---|---|---|---|---|---|
| | | Addition (reversal) of allowance | Accrued interest | Total | Payments |
| **Provision for civil, labor, and tax contingencies** | Additions | 50,222 | - | 50,222 | - |
| | Adjustment | - | 743 | 743 | - |
| | Adjustment - IFRIC 23 | - | 435 | 435 | - |
| | Reversal | (29,999) | - | (29,999) | - |
| | Payments | - | - | - | (53,691) |
| | **Effect on profit or loss** | **20,223** | **1,178** | **21,401** | **(53,691)** |
| **Liabilities assumed in business combination** | Adjustment | - | 19,109 | 19,109 | - |
| | Reversal | (96,094) | - | (96,094) | - |
| | **Effect on profit or loss** | **(96,094)** | **19,109** | **(76,985)** | **-** |
| | **Total effect** | **(75,871)** | **20,287** | **(55,584)** | **(53,691)** |

## 23. Escrow deposits and guarantees of provision for civil, labor, and tax contingencies

### 23.1. Escrow deposits

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | **03/31/2020** | **12/31/2019** | **03/31/2020** | **12/31/2019** |
| Tax | - | - | 27,408 | 26,014 |
| Civil | - | 17 | 14,658 | 17,361 |
| Labor | 643 | 345 | 51,027 | 52,296 |
| **Total** | **643** | **362** | **93,093** | **95,671** |

### 23.2. Guarantees of provision for civil, labor, and tax contingencies and escrow

The guarantees for provision for civil, labor and tax contingencies total R$1,105,104 as at March 31, 2020 (R$1,130,019 as at December 31, 2019). The segregation of these guarantees linked to an Escrow account, relating to the acquisition of Somos in 2018, and also to the judicial/administrative proceedings provided for, which liability is guaranteed by the former sponsor as set forth in an agreement, is as follows:

Escrow - Somos

| | Consolidated |
|---|---|
| **Balance as at 12/31/2019** | **656,624** |
| Inflation adjustment | 5,309 |
| **Balance as at 03/31/2020** | **661,933** |

Em milhares de reais, exceto quando indicado de outra forma

Guarantees relating to contingencies assumed in business combination (i)

| | | | | Consolidated |
|---|---|---|---|---|
| | Tax | Civil | Labor | Total |
| **Balance as at 12/31/2019** | **227,769** | **106,268** | **139,358** | **473,395** |
| Addition | 1,514 | 107 | 2,262 | 3,883 |
| Inflation adjustment | 1,622 | 53 | 534 | 2,209 |
| Reversals | (18,636) | (304) | (17,376) | (36,316) |
| **Balance as at 03/31/2020** | **212,269** | **106,124** | **124,779** | **443,171** |

(i) The guarantees recognized as a result of the acquisitions made, as a contra entry to the contingencies disclosed in note 22.2, are contractually provided for and consist of: a) retention of the rentals of properties leased by Company subsidiaries; b) retention of part of the acquisition price; and c) mortgage on the property owned by the sellers. The amounts recognized as provision for contingencies and their contra entry in the form of a guarantee from sellers representing the amounts determined to date, based on the information available in the study prepared by the Company's outside advisors and which might be revised within up to one year from the date of acquisition, as prescribed by CPC 15 Business Combinations.

# 24. Current and deferred income tax and social contribution

## 24.1. Income tax and social contribution in profit or loss

Income tax and social contribution accrued in the year differ from the hypothetical amount that would be obtained with the use of the statutory income tax and social contribution tax rates levied on the profit of the consolidated entities. These principal amounts of additions and/or deductions at the tax basis are shown below:

| | | Parent | | Consolidated |
|---|---|---|---|---|
| | 03/31/2020 | 03/31/2019 | 03/31/2020 | 03/31/2019 |
| Profit (loss) before income tax and social contribution for the period | (45,232) | 232,814 | (11,198) | 256,486 |
| Combined income tax and social contribution rate - % | 34% | 34% | 34% | 34% |
| **IRPJ and CSLL at statutory tax rates** | **15,379** | **(79,157)** | **3,807** | **(87,205)** |
| Share of profit (loss) of investees | 12,311 | 78,846 | (163) | 196 |
| Tax incentive in subsidiaries subject to ProUni benefit | - | - | 3,292 | 75,561 |
| Additions (deductions), net (i) | (863) | 5,730 | (2,944) | 7,673 |
| Deferred IRPJ and CSLL not recognized on subsidiaries' loss for the period | (20,715) | - | (28,706) | (4,320) |
| Other changes in IRPJ and CSLL | - | 8 | (1,895) | 1,758 |
| **Total IRPJ and CSLL** | **6,112** | **5,427** | **(26,609)** | **(6,337)** |
| Current IRPJ and CSLL in profit or loss | - | (685) | (45,007) | (53,240) |
| Deferred IRPJ and CSLL in profit or loss | 6,112 | 6,112 | 18,398 | 46,903 |
| | **6,112** | **5,427** | **(26,609)** | **(6,337)** |

Em milhares de reais, exceto quando indicado de outra forma

## 24.2. Deferred income tax and social contribution

Variations in deferred income tax and social contribution assets and liabilities, are recognized as follows:

| | | | Parent |
|---|---|---|---|
| | 12/31/2019 | Impact on profit or loss | 03/31/2020 |
| **In liabilities** | | | |
| Goodwill on business combinations | (645,426) | 6,112 | (639,314) |
| Noncurrent liabilities, net | **(645,426)** | **6,112** | **(639,314)** |

| | | | Consolidated |
|---|---|---|---|
| | 12/31/2019 | Impact on profit or loss | 03/31/2020 |
| **Income tax/social contribution:** | | | |
| Tax loss carryforwards | 432,774 | 25,975 | 458,749 |
| **Temporary differences in taxable income** | | | |
| Allowance for expected losses | 456,807 | 55,371 | 512,178 |
| Present value adjustment | 44,921 | (2,003) | 42,918 |
| Provision for contingencies | 44,442 | (39,234) | 5,208 |
| Depreciation and borrowing costs | (22,055) | 4,100 | (17,955) |
| Nondeductible provisions | 35,258 | 8,769 | 44,027 |
| Profit sharing | 14,233 | 140 | 14,373 |
| Stock option plan | 15,630 | (361) | 15,269 |
| Lease – right of use | 119,561 | 7,901 | 127,462 |
| Capital gain | (35,032) | - | (35,032) |
| Goodwill on business combinations | (1,127,486) | (43,842) | (1,171,328) |
| Other adjustments | 10,733 | 1,582 | 11,471 |
| **Noncurrent liabilities, net** | **(10,214)** | **18,398** | **8,184** |
| Noncurrent assets | 776,733 | | 768,590 |
| ( - ) Noncurrent liabilities | (786,947) | | (760,406) |
| **Total** | **(10,214)** | | **8,184** |

Deferred income tax and social contribution liabilities primarily arise on intangible assets from acquisitions while deferred income tax and social contribution assets arise from tax loss carryforwards and balances of add-backs to prior and current years' taxable income. The table below shows the expected realization of deferred income tax and social contribution per year:

| | | Consolidated |
|---|---|---|
| **Realization year** | **Total** | **%** |
| Up to one year | 245,949 | 32.0% |
| | **245,949** | **32.0%** |
| One to two years | 84,545 | 11.0% |
| Two to three years | 130,660 | 17.0% |
| Three years and thereafter | 307,436 | 40.0% |
| | **522,641** | **68.0%** |
| | **768,590** | **100.0%** |

Em milhares de reais, exceto quando indicado de outra forma

### 24.3. Tax incentives

The University for All Program (ProUni) grants, under Law 11096 of January 13, 2005, exemption from certain federal taxes to higher education entities that grant partial and full scholarships to low-income students enrolled in traditional and technology degrees. The higher education entities that are Company subsidiaries are included in this Program.

The amount of the tax benefits under the ProUni determined for the period ended March 31, 2020, including PIS and COFINS, is R$36,159 (R$116,896 as at March 31, 2019).

## 25. Equity

### 25.1. Capital

As at March 31, 2020, the Company's subscribed and paid-in capital totals R$7,667,615, corresponding to 1,876,606,210 registered common shares. For the year ended December 31, 2019, the balance was R$5,111,677 and 1,644,248,206 shares.

**Follow on**

On January 31, 2020, according to the Material Event Notice disclosed to the market, the Company conducted a public offering of primary shares, for the initial amount of 172,117,040 new common shares, aiming at: (i) acquisition of companies operating in the higher education segment, and (ii) optimization of the Company's capital structure.

On February 11, 2020, on the transaction date, the Company issued a new Material Event Notice informing to the market and shareholders that the meeting of the Board of Directors approved the price per share of R$11.00, with effective capital increase, within the authorized limit, at the total amount of R$2,555,938,044.00, corresponding to the issuance of 232,258,004 new Company's shares (including additional shares), as well as its approval, within the scope of the public offering of registered common shares, without par value.

**Distribution costs**

As disclosed in the Material Event Notice on February 11, 2020, primary share distribution costs, such as commissions, in addition to expenses on independent auditors, attorneys, consultants, fees, translations and advertising related to the Offering, will be borne by the Company. The sum of all costs totaled R$70,787 and is allocated in line item "Capital reserves", as prescribed by CPC 08(R1).

**Stock position and capital amount**

Accordingly, the Company's capital for the period ended March 31, 2020 and year ended December 31, 2019 is broken down as follows:

| | 03/31/2020 | | 12/31/2019 | |
|---|---|---|---|---|
| | **Amount** | **Number** | **Amount** | **Number** |
| Total ex-treasury shares | 7,566,263 | 1,868,793,746 | 4,990,250 | 1,635,134,374 |

Em milhares de reais, exceto quando indicado de outra forma

| | | | | |
|---|---|---|---|---|
| Total treasury shares | 101,352 | 7,812,464 | 121,427 | 9,113,832 |
| **Total shares** | **7,667,615** | **1,876,606,210** | **5,111,677** | **1,644,248,206** |

Also, the table below shows the variations on the amount and number of treasury shares:

| | | **03/31/2020** | | **12/31/2019** |
|---|---|---|---|---|
| | **Amount** | **Number** | **Amount** | **Number** |
| Opening balance | 121,427 | 9,113,832 | 190,280 | 14,642,717 |
| Buyback of treasury shares | - | - | - | - |
| Shares sold | (20,075) | (1,301,368) | (68,853) | (5,528,885) |
| **Closing balance** | **101,352** | **7,812,464** | **121,427** | **9,113,832** |

## 25.2. Capital reserve and granted stock options

The Company grants share-based plans to Group executives and employees, and considered the allocation of the amounts calculated as from the date the executives and employees joined the Group pursuant to CPC 10 / IFRS 2 Share-based Payment. See note 26 for further details.

Equity instruments arising on business combinations

The balance of the reserve of equity instruments arises mainly on the merger of Anhanguera shares on July 3, 2014, with the issue of 135,362,103 Company book-entry, registered common shares, without par value.

On the same date, the Company made a capital increase based on the carrying amount of R$2,327,299 corresponding to the equity of Anhanguera as at December 31, 2013. The difference between the total acquisition price and the amount attributed to the issued capital of R$5,981,227 was recognized as capital reserve (equity instruments arising from the business combination). The balance of all capital reserve accounts in the period ended March 31, 2020 is R$6,325,526 (R$6,400,167 as at December 31, 2019).

# 26. Stock option plan

## 26.1. Restricted stock option plan

At the Extraordinary Shareholders' Meeting held on September 3, 2018, the Company's shareholders approved the creation of a Restricted Stock Option Plan as an incentive to increase the performance and retention of officers and/or employees of the Company and its direct or indirect subsidiaries.

Em milhares de reais, exceto quando indicado de outra forma

The Company may grant rights to receive a maximum number of restricted stock that those not exceed nineteen million, four hundred sixteen thousand, two hundred and thirty-three (19,416,233) shares, a number corresponding to 1.18% of the Company's total share capital on the date the Plan was approved, less treasury shares also on this date.

The Company's obligation to transfer restricted stock under the Plan within ten (10) days from the end of the vesting period, is contingent to the continuity of the employment relationship of the employee and/or officer.

The fair value of restricted shares granted is measured at the market price of the Company's shares on the grant date and the granting of restricted shares will be made on non-onerous basis to participants, through the transfer of treasury shares.

In 2018, the Company decided to establish a Stock Option Plan, where Restricted Shares could be granted to executives to promote the migration of stock options granted under the 2015 Plan, upon express acceptance of the respective beneficiaries and their waiver of the stock options not yet exercised. The following terms and conditions were established: a) beneficiaries whose agreement had a vesting period of the last lot ending in 2020, 2021 or 2022 would be eligible; b) the vesting periods of the original agreements would be maintained and the original gains expected by the beneficiaries would be preserved in the calculation of the exchange ratio. The fair value of the equity instruments on the change date was separately recalculated for the allotments of each grant.

The table below shows the variations in the period ended March 31, 2020:

| | Number of restricted shares | | | | | |
|---|---|---|---|---|---|---|
| **PLANS** | **12/31/2019** | **Restricted shares granted** | **Restricted shares settled** | **Restricted shares cancelled** | **03/31/2020** | **Average strike price** |
| 2015 Plan - Migrated | 795,380 | - | (130,265) | (136,081) | 529,034 | R$11.00 |
| 2018 – New | 9,803,371 | 527,335 | - | (524,518) | 9,806,088 | - |
| **TOTAL** | **10,598,751** | **527,335** | **(130,265)** | **(660,699)** | **10,335,122** | |

The Company recognized the expenses incurred on the Restricted Stock Option Plan grants amounting to R$6,514 for the period ended March 31, 2020 (R$6,676 for the period ended March 31, 2019) as a contra entry to capital reserves in equity. The Company also recognized as personnel expenses charges amounting to R$6,794 (R$2,524 as at March 31, 2019) as a contra entry to the provisions for charges, in liabilities.

Em milhares de reais, exceto quando indicado de outra forma

## 26.2. Stock option plans

The stock option plans for the shares issued by the Company were closed for new grants. The vesting periods related to the plans that have grants not yet exercised were all met and have the following features:

| Plan | Grant date | Strike price | Vesting period | Active options granted |
|---|---|---|---|---|
| 2010 Plan | 07/03/2014 | R$11.20 | 3 allotments with 36-, 48- and 60-month vesting periods | 85,655 |
| 2013 Plan | 06/18/2013 to 07/03/2014 | R$9.94 to R$11.20 | 3 allotments with 36-, 48- and 60-month vesting periods | 233,891 |
| 2009 Plan | 02/08/2010 to 05/01/2013 | R$2.18 to R$5.78 | 5 allotments with 12-, 24-, 36-, 48- and 60-month vesting periods; or 4 allotments with 6-, 18-, 30- and 42-month vesting periods | 586,667 |
| 2013 Plan | 11/26/2013 to 06/02/2015 | R$5.67 to R$13.01 | 4 allotments with 6-, 18-, 30-, and 42-month vesting periods | 6,890,000 |
| 2015 Plan | 10/05/2015 to 02/01/2016 | R$8.42 to R$9.65 | 4 allotments with 6-, 18-, 30-, and 42-month vesting periods | 18,416,500 |
| | | | | **26,212,713** |

The strike price will be paid by the beneficiaries to the Company at sight, upon the acquisition or subscription or as determined by the Board of Directors for each agreement.

The changes in the number of outstanding stock options and their related weighted-average prices, considering the stock split retrospectively, are shown below:

| | Number of stock options | | | | | |
|---|---|---|---|---|---|---|
| **PLANS** | **12/31/2019** | **Options granted** | **Options exercised (i)** | **Options cancelled/ forfeited** | **03/31/2020** | **Average strike price** |
| 2010 Plan | 85,655 | - | - | - | 85,655 | R$6.20 |
| 2013 Plan | 233,891 | - | - | - | 233,891 | R$9.65 |
| 2009 Plan | 1,524,666 | - | (937,999) | - | 586,667 | R$2.93 |
| 2013 Plan | 6,930,000 | - | (40,000) | - | 6,890,000 | R$7.20 |
| 2015 Plan | 18,645,425 | - | (228,925) | - | 18,416,500 | R$8.85 |
| **TOTAL** | **27,419,637** | **-** | **(1,206,924)** | **-** | **26,212,713** | |

(i) In the period ended March 31, 2020, 1,206,924 options were exercised as a contra entry to the sale of treasury shares and, in the period ended March 31, 2019, 47,076 options were exercised.

## 26.3. Fair value calculation and expense in profit or loss

The fair value of the stock options granted is recognized as an expense. The contra entry is recognized under line item capital reserve, in equity.

Em milhares de reais, exceto quando indicado de outra forma

Beginning 2015, the Company started to use the Binominal model to calculate the fair value of each stock option granted.

The Company did not change the method for the previously granted stock options, pursuant to CPC 10 rules, which are still calculated using the Black & Scholes model.

The assumptions used to calculate the fair value of the stock options granted under each Stock Option Plan in place are as follows:

| | Plans | | | | |
|---|---|---|---|---|---|
| | Kroton | | | AEDU | |
| | **2009 Plan** | **2013 Plan** | **2015 Plan** | **2010 Plan** | **2012 Plan** |
| Stock price | R$2.31 to R$3.83 | R$9.48 to R$15.84 | R$8.81 to R$10.55 | R$3.73 | R$3.73 |
| Risk-free rate | 6.0% to 9.0% | 7.0% to 12.6% | 15.3% to 16.5% | 12.60% | 12.60% |
| Expected annual volatility | 31.4 % to 35.0% | 24.7% to 37.3% | 38.4% to 40.8% | 31.10% | 31.10% |
| Volatility calculation model | Standard deviation | Standard deviation or EWMA | EWMA or Garch | Standard deviation | Standard deviation |
| Expected dividends | 0% to 3.4% | 2.1% to 3.5% | 3.50% | 2.60% | 2.60% |
| Plan duration in years | 6 to 10 | 5 to 8 | 5 to 8 | 6 | 5 |
| Stock option's fair value on grant date (R$/share) | R$0.75 to R$1.08 | R$2.44 to R$5.64 | R$3.27 to R$5.38 | R$2.73 | R$5.55 |

As at March 31, 2020, R$11 were recognized as stock option fair value expenses (R$1,671 recognized as at March 31, 2019).

## 27. Related parties

### 27.1. Related-party transactions

The transactions between the Company and its subsidiaries and related parties in the quarter ended March 31, 2020 are summarized below: For purposes of better understanding, this note must be read together with the information included in the Company's individual and consolidated annual financial statements for the year ended December 31, 2019:

(i) Cogna is the creditor (debenture holder) of securities which obligation is currently held by Somos Sistemas deriving from a spin-off with Saber, conducted on December 31, 2019. The amounts, maturity date, payment dates, maturity methods and other terms and conditions correspond to the information disclosed in the private issuance indenture of Saber. The adjusted amount as at March 31, 2020 is R$1,573,865.

Em milhares de reais, exceto quando indicado de outra forma

(ii) In April 2019, Cogna transferred the proceeds from its first issuance of debentures carried out on April 15, 2019, to subsidiary EDE. As a contra entry to this movement, EDE issued private debentures to Cogna, which amounts and other obligations corresponded to those set out in the public issuance carried out by the Parent. The adjusted amount as at March 31, 2020 is R$813,773.

(iii) There were obligations deriving from the apportionment of corporate expenses between subsidiaries, through debit note, in the amount of R$13,578. As a contra entry, there were other transactions between the Group subsidiaries resulting in an amount receivable of R$23,961.

(iv) In 2020 an Onerous Donation Agreement was entered into by Cogna Educação S/A. with Fundação Pitágoras to ensure that the Foundation meets its corporate and institution purposes. The Chairman and members of the Company's Board of Directors participate in the Foundation's advisor council. The total amount paid was R$927, paid on two different dates during 2020.

(v) On January 4, 2020, an onerous technical, scientific and cultural cooperation agreement was entered into among Anhanguera Educacional Participações S/A and Fundação Manoel de Barros effective for two years, to ensure that the Foundation meets its corporate and institution purposes. The members of the Advisory Council, Board of Directors and Supervisory Board of Fundação Manoel de Barros are the Company's executive officers. There was a disbursement of R$75 relating to this agreement in 2020.

## 27.2. Compensation of key management personnel

Key management personnel includes the members of the Board of Directors and the Supervisory Council, the CEO, the vice presidents, and the statutory officers.

| | 03/31/2020 | 03/31/2019 |
|---|---|---|
| Payroll | 3,205 | 3,064 |
| Benefits | 85 | 110 |
| Charges | 1,294 | 1,333 |
| Variable compensation (i) | - | 2,192 |
| Restricted stock option plan and restricted stock | 3,324 | 4,831 |
| | **7,908** | **11,530** |

(i) Variable compensation set forth in an agreement with the statutory officers.

## 28. Net revenue from sales and services

| | | | | | | 03/31/2020 |
|---|---|---|---|---|---|---|
| | **Kroton** | **Platos** | **Saber** | **Vasta** | **Other** | **Consolidated** |
| Gross revenue | 1,241,596 | 21,780 | 250,753 | 428,067 | 113,484 | 2,055,680 |
| Deductions from gross revenue | | | | | | |
| Taxes | (33,812) | (112) | (15,508) | (2,917) | (152) | (52,501) |
| ProUni | (226,640) | - | - | - | - | (226,640) |
| Discounts and returns | (98,448) | - | (24,707) | (22,690) | (3,226) | (149,071) |
| **Net revenue** | **882,696** | **21,668** | **210,538** | **402,460** | **110,106** | **1,627,468** |

Em milhares de reais, exceto quando indicado de outra forma

| | | | | | | 03/31/2019 |
|---|---|---|---|---|---|---|
| | **Kroton** | **Platos** | **Saber** | **Vasta** | **Other** | **Consolidated** |
| Gross revenue | 1,612,098 | 35,944 | 241,391 | 359,587 | 51,195 | 2,300,215 |
| Deductions from gross revenue | | | | | | |
| Taxes | (35,161) | (2,347) | (14,864) | (2,023) | (13) | (54,408) |
| ProUni | (253,537) | - | - | - | - | (253,537) |
| Discounts and returns | (85,799) | (2,495) | (30,551) | (32,200) | (2,118) | (153,163) |
| **Net revenue** | **1,237,601** | **31,102** | **195,976** | **325,364** | **49,064** | **1,839,107** |

## 29. Costs and expenses by nature

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | **03/31/2020** | **03/31/2019** | **03/31/2020** | **03/31/2019** |
| Payroll and related taxes | (11) | 1,706 | (493,036) | (518,719) |
| Allowance for expected losses | - | - | (213,940) | (210,872) |
| Publicity and advertising | - | (4) | (147,660) | (147,341) |
| Cost of sales | - | (18) | (136,258) | (90,259) |
| Depreciation and amortization | (18,095) | (18,746) | (135,947) | (130,803) |
| Utilities, cleaning, and security | (119) | (82) | (94,688) | (70,009) |
| Amortization of allocated goodwill | - | - | (82,580) | (56,974) |
| Depreciation - IFRS 16 | - | - | (67,243) | (75,154) |
| Consulting and advisory | (249) | (357) | (40,944) | (43,578) |
| Copyrights | - | - | (32,871) | (33,897) |
| Publishing costs | - | - | (31,278) | (26,827) |
| Other income (expenses), net | 303 | 1,426 | (19,860) | (20,726) |
| Rental and common area maintenance fees (i) | - | - | (17,105) | (16,436) |
| Travel | (1) | - | (11,015) | (11,399) |
| Fees and contributions | (3) | (1) | (10,877) | (16,980) |
| Amortization of inventory appreciation | - | - | (3,300) | (3,472) |
| Outside services | (5) | - | (2,397) | (2,115) |
| Contingencies | 205 | 16,953 | 75,871 | 29,506 |
| | **(17,975)** | **877** | **(1,465,128)** | **(1,446,055)** |
| Cost of sales and services | - | - | (653,240) | (682,239) |
| Selling expenses | - | - | (418,001) | (351,037) |
| General and administrative expenses | (17,975) | 877 | (392,825) | (415,241) |
| Other operating income (expenses), net | - | - | (1,062) | 2,462 |
| | **(17,975)** | **877** | **(1,465,128)** | **(1,446,055)** |

(i) Since the adoption of IFRS 16 Leases, only rentals and common area maintenance fees relating to variable lease payments or linked to short-term or low-value contracts are recognized as expenses in this group.

Em milhares de reais, exceto quando indicado de outra forma

## 30. Finance income (costs)

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 03/31/2020 | 03/31/2019 | 03/31/2020 | 03/31/2019 |
| **Finance income** | | | | |
| Interest on monthly tuitions | - | - | 53,874 | 66,203 |
| Income from short-term investments and securities | 10,741 | 142 | 17,375 | 30,911 |
| Discounts obtained | - | - | 393 | 451 |
| Sublease interest | - | - | 662 | 196 |
| Interest receivable | - | - | 9,021 | 6,200 |
| Other finance income | 29,692 | - | 7,962 | 4,251 |
| | **40,433** | **142** | **89,287** | **108,212** |
| **Finance costs** | | | | |
| Interest and costs of debentures | (103,291) | - | (106,096) | (136,633) |
| Adjustment to payables for acquisitions of subsidiaries | - | - | (10,940) | (5,816) |
| Banking and collection fees | (5) | (5) | (4,613) | (6,660) |
| Interest and fines on late payments | - | - | (515) | (2,783) |
| Interest and adjustment on liabilities | - | - | (5,259) | (8,093) |
| Adjustment to contingencies | - | - | (20,287) | - |
| Lease interest | - | - | (103,501) | (75,824) |
| Other finance costs | (604) | (101) | (11,136) | (9,546) |
| | **(103,900)** | **(106)** | **(262,347)** | **(245,355)** |
| **Finance income (costs)** | **(63,467)** | **36** | **(173,060)** | **(137,143)** |

## 31. Earnings (loss) per share

### 31.1. Basic

Basic earnings (loss) per share are calculated by dividing profit (loss) attributable to the holders of Company common shares by the weight average number of common shares held by the shareholders (less treasury shares) during the period.

| | 03/31/2020 | 03/31/2019 |
|---|---|---|
| Profit (loss) attributable to the Company's owners | (39,120) | 250,149 |
| Weighted average number of outstanding common shares (in numbers) | 1,791,255 | 1,629,716 |
| **Basic earnings (loss) per common share** | **(0.02)** | **0.15** |

### 31.2. Diluted

For dilution purposes, the Company has a stock option plan offered to beneficiaries, which permits the issuance of shares when a stock option becomes vested. As at March 31, 2020, there are shares with dilution potential since their average strike price in the period is lower than the average price of the Company's shares in the market. The table below shows the calculation of the dilution:

| | 03/31/2020 | 03/31/2019 |
|---|---|---|
| Profit (loss) attributable to the Company's owners | (39,120) | 250,149 |
| Weighted average number of outstanding common shares (in numbers) | 1,791,255 | 1,629,716 |
| Potential increase in common shares | 26,213 | 24,823 |
| **Diluted (loss) earnings per common share** | **(0.02)** | **0.15** |

Em milhares de reais, exceto quando indicado de outra forma

## 32. Segment reporting

As show in note 2.1, the Company uses five main operating segments to differentiate its products. The tables below show the results of these segments for the years ended March 31, 2020 and 2019, together with the related balance sheet positions:

| | | | | | | | 03/31/2020 |
|---|---|---|---|---|---|---|---|
| | Kroton | Platos | Saber | Vasta | Other | Elimination | Total |
| Net revenue | 882,696 | 21,668 | 210,538 | 402,460 | 131,069 | (20,963) | 1,627,468 |
| Cost of sales and services | (293,388) | (3,612) | (97,701) | (187,298) | (92,191) | 20,950 | (653,240) |
| | **589,308** | **18,056** | **112,837** | **215,162** | **38,878** | **(13)** | **974,228** |
| Operating expenses: | | | | | | | |
| Selling expenses | (348,775) | (4,667) | (4,167) | (43,722) | (16,669) | (1) | (418,001) |
| General and administrative expenses | (321,970) | (4,611) | (60,843) | (82,633) | 83,423 | (6,191) | (392,825) |
| Other expenses, net | (1,540) | - | - | - | - | - | (1,540) |
| **Operating profit (loss) and before finance income (costs)** | **(82,977)** | **8,778** | **47,827** | **88,807** | **105,632** | **(6,205)** | **161,862** |
| Assets | 21,989,802 | 265,640 | 5,273,405 | 6,532,623 | 2,221,850 | - | 36,283,321 |
| Current and noncurrent liabilities | 11,457,763 | 6,564 | 2,834,072 | 3,259,398 | 426,689 | - | 17,984,487 |

| | | | | | | | 03/31/2019 |
|---|---|---|---|---|---|---|---|
| | Kroton | Platos | Saber | Vasta | Other | Elimination | Total |
| Net revenue | 1,237,601 | 31,102 | 195,976 | 325,364 | 49,064 | (3,148) | 1,839,107 |
| Cost of sales and services | (379,398) | (7,465) | (109,726) | (149,156) | (36,494) | 3,148 | (682,239) |
| | **858,203** | **23,637** | **86,250** | **176,208** | **12,570** | **-** | **1,156,868** |
| Operating expenses: | | | | | | | |
| Selling expenses | (291,938) | (6,312) | (4,324) | (31,221) | (17,242) | - | (351,037) |
| General and administrative expenses | (278,368) | (6,153) | (54,132) | (51,639) | (24,949) | (6,411) | (415,241) |
| Other expenses, net | 3,039 | - | - | - | - | - | 3,039 |
| **Operating profit (loss) and before finance income (costs)** | **290,936** | **11,172** | **27,794** | **93,348** | **(29,621)** | **(6,411)** | **393,629** |
| Assets | 20,109,852 | 265,770 | 5,308,033 | 6,268,327 | 2,166,464 | - | 34,118,446 |
| Current and noncurrent liabilities | 11,855,354 | 8,136 | 2,988,680 | 3,138,808 | 292,199 | - | 18,283,177 |

Em milhares de reais, exceto quando indicado de outra forma

## 33. Supplemental cash flow information

The statements of cash flows are prepared using the indirect method and are presented in accordance with accounting pronouncement CPC 03 (R2)/IAS 7 Statement of Cash Flows. During the period ended March 31, 2020, the Group acquired property, plant and equipment items and made additions to intangible assets, transfer of debt instruments (debentures), and adopted new accounting standards, all with no cash effect. The effects are as follows:

| | 03/31/2020 | |
|---|---|---|
| **Adjustments to:** | **Parent** | **Consolidated** |
| Property, plant and equipment | | |
| Addition of finance leases (IFRS 16 / CPC 06) | - | 266,912 |
| Write-off of finance leases (IFRS 16 / CPC 06) | - | (78,810) |
| | **-** | **188,102** |
| Liabilities assumed in business combination | | |
| Guarantees from former sponsor | 569 | 30,224 |
| | **569** | **30,224** |
| | **569** | **218,326** |

## 34. Events after the reporting period

### 34.1. Issue of debentures

On May 20, 2020, the Company issued simple debentures, in a single series. 500,000 debentures with face value of one thousand Brazilian reais (R$1,000.00) were subscribed, totaling R$500,000,000.00. The debentures were issued as registered, book-entry, nonconvertible debentures, without the issue of certificates. Debentures do not contain a renegotiation clause. The debentures have a three-year effective period, with final maturity on May 20, 2023. Principal will be paid only upon final maturity, and interest due, calculated up to the respective dates, are paid semiannually, in May and November.

* * * * *

Belo Horizonte, May 21, 2020 – Cogna Educação S.A. (B3: COGN3; OTCQX: COGNY), "Cogna" or the "Company," announces today its results for the first quarter of 2020 (1Q20). The Company's financial information is presented on a consolidated basis and in Brazilian real, in accordance with Brazilian Corporate Law and Generally Accepted Accounting Principles in Brazil (BRGAAP), and already conforms to International Financial Reporting Standards (IFRS), except where stated otherwise.

# *MESSAGE FROM MANAGEMENT*

## RESILIENCE

After weathering the country's deepest macroeconomic recession ever, the COVID-19 pandemic poses one of the most challenging scenarios of recent history, not just for businesses, but also for humankind. Our action plan to respond to COVID-19, which is detailed in the next section, clearly defined our priorities: ensuring the health of our employees and students, as well as the continuity of our services. But that is just the first step. As we did in past crises, we face the need to reinvent ourselves, to act, to think outside the box, to see the crisis as an opportunity, despite the marks that the pandemic will certainly leave in our Company and in our society. That is the spirit with which we are confronting the current crisis. We believe that changes that before would take years to occur could come in a matter of months. All this renews our conviction that our digital transformation, on which we embarked some years ago, will serve as an indispensable foundation for enabling us to continue writing our story of success in uncertain times. In our opinion, the best companies are those that have the capacity to adapt to the different scenarios that emerge, and we believe that our digital transformation movement will make a difference in the new world to come post-COVID-19.

## KROTON

The year 2020 was already going to be challenging for Kroton, given the expected impact on revenue from the last large class of FIES students to graduate. During the follow-on offering carried out in February, we informed the market that this effect would pressure the operating margins of the business and cause a reduction in student base, which would be only partially offset by the then potential continued growth in revenue from new enrollments and the maturation of new units (greenfield projects). In addition to the FIES effects, this quarter was also impacted by the COVID-19 pandemic in the following aspects: (i) in the reduction in volumes of new enrollments in on-campus education (partially offset by the recovery in the average ticket of new students); (ii) the delay in recognizing revenues related to the late renewal of FIES contracts (effect that could be reversed in 2Q20); and (iii) the probable increase in future delinquency rates (although the receipt of monthly tuitions paid on time has been only marginally affected to date, we adopted the conservative position of significantly increasing provisioning for losses already in this first quarter). Note that the cost and expense structure was not adjusted in 1Q20 to cover these effects, which left Kroton's result significantly below its recent historical level and potential. Some of the emergency measures taken under our action plan for COVID-19 are expected to result in savings in the second quarter, combined with the recognition of most of the deferred revenue of 1Q20. Despite the non-structural nature of the effects that are adversely affecting and will continue to affect our 2020 results, we believe that the challenges brought by the pandemic, particularly how to ensure the continuity of our services remotely, present an excellent opportunity to carry out a structural shift towards the digitalization of postsecondary education. For some time, we have believed and have defended publicly that postsecondary education must undergo a blending of teaching formats, and the changes imposed by the COVID-19 pandemic will likely accelerate this process significantly. In this sense, we believe that the digital transformation implemented by the Company in recent years puts us in a privileged situation to conduct this movement, given Kroton's evident leadership in distance learning, which surpassed 600,000 undergraduate students in 1Q20.

PLATOS

Platos' graduate education operation delivered solid results this quarter: posted revenue growth and margin expansion despite the adverse scenario that adversely affected new enrollments and postponed the start of some classes (especially in the on-campus format). The Company continues to rapidly develop its platform, which already has started to prospect external clients (especially postsecondary institutions).

SABER

The two K-12 education businesses proved this quarter their resilience to economic cycles. At Saber, which comprises own schools and those managed through contracts, we registered growth in revenue and especially in EBITDA, despite the small contraction in the student base (basically due to the cancellation of two management contracts). The expansion in operating margin in the quarter shows that the efforts to integrate and restructure the operations are delivering results. The need for physical distancing, however, significantly affected the revenue from extracurricular (after-school) activities, which poses an added challenge for the year. In parallel, we are preparing the Saber platform to resume as soon as possible the consolidation of the fragmented K-12 education market.

VASTA

Vasta (integrated platform for the K-12) was certainly the highlight of the quarter. The Company posted revenue growth of 24%, in line with the 25% increase in the annual contract value (ACV) already negotiated for the year. Meanwhile, EBITDA margin expanded by 1 percentage point on a comparable basis. Although the effects from the pandemic could cause a negative impact on the increase in the 2021 ACV, the start of the commercial efforts was anticipated and the initial signs are promising. In addition to the effectiveness of our new go-to-market strategy, offering our Plurall platform for free has proven excellent for attracting sales, since many potential clients now are only able to continue their normal learning activities thanks to our platform. The services offered by Vasta have never been so important for K-12 schools, which reinforces that maximizing the digital transformation at Vasta was the right strategy to follow.

# *A NEW RELEASE*

Continuing the process begun in 2019, which consisted of dividing the then Kroton Educacional into four different companies under the holding company Cogna Educação, we report for the first time, starting this quarter, the operating results of each of the companies separately. We believe that this format will help the investment community to better understand the factors that drive each unit's results, as well as to understand the potential for creating value that exists at each business.

| Company | Segment | Activity |
|---|---|---|
| kroton | Postsecondary Education | Undergraduate postsecondary education (own units and partner centers) |
| PLATOS EDSERV PLATFORM | Postsecondary Education | Postsecondary education services platform |
| SABER | K-12 Education | Own K-12 schools and schools managed through contracts |
| VASTA EDUCAÇÃO | K-12 Education | Integrated platform of educational solutions for K-12 schools |
| **Other Businesses** | **All Education Degrees** | PNLD, SETS, LFG (unregulated and preparatory courses) and other services |

# *COVID-19 UPDATE*

In our crisis committee formed specifically to monitor and guide the Company's operations in the context of the COVID-19 pandemic, we separate our initiatives into seven pillars.


Our first concern was to safeguard the health of all students and employees, while helping to avoid the spread of the virus. On this front, we have suspended all activities at our campuses, centers and schools since March 16 and migrated all employees to working from home that same week.

We also sought to ensure the continuity of all our operations to minimize any impact on our students. Therefore, for on-campus postsecondary students, we migrated immediately all classes to a virtual environment, using synchronous and asynchronous models, which allows for serving all students irrespective of the quality of their internet connections. We also tried to ensure the same schedule with the same professors to keep classes as normal as possible. For our postsecondary students in the distance learning format, we ensured the continuity of operations by using tutors working from home to ensure normal services to students. Lastly, in K-12 education, we developed the Digital School, by integrating our Plurall and Plurall Maestro platforms with Google Hangouts Meet, which ensured live streamed classes and all the content usually available on Plurall, such as tasks and exercises, access to tutors and a library with content in various formats. We are constantly measuring the coverage of these solutions, as well as student engagement, and have observed very positive feedback.

On the financial front, we developed a stress (worst case) scenario to base our decision-making process and to define actions sufficient to ensure a financial leverage ratio of less than 3 times net debt /EBITDA and positive cash generation after capex in 2020. Our analyses of the impacts on each of our business verticals indicate that Kroton is the most affected company, given the pressures already observed in the new enrollments process for this first semester, and potentially also in the second semester, as well as the potential negative effects on our drop-out and delinquency indicators. Note that the Company has a solid cash condition after the follow-on operation carried out in February, reinforced with the debt raised on 5/20/2020. This cash should be maintained as we traverse the more critical moments of the economy, although we continue to evaluate opportunities for M&A and other alternatives, which can be made feasible as there is greater predictability about the effects of the pandemic.

In terms of our operations, to ensure the defined financial parameters, we implemented emergency measures to preserve the Company's solidity, which include levers in payroll, as permitted by Provisional Presidential Decree 936 (MP 936). This includes a 25% reduction in salaries and in shift hours for administrative and corporate employees, with neutralization of the impact for employees with monthly salaries of up to R$3,000.00. Also as an emergency measure, the annual compensation (salary and bonuses) of management employees was reduced following the criterion of higher reductions for higher hierarchical levels, which reached a reduction of 27% in the total annual compensation for the Executive Board. These actions seek to maximize jobs and to minimize the impacts on employees in lower hierarchical positions and with lower salaries. We also are renegotiating other costs and expenses, such as rents, outsourced services, utilities, technology, marketing, travel, etc., and reviewing our expansion capex and investment budget, prioritizing essential investments in this moment. Note that we have not reduced our investments in digital transformation, because they will be even more relevant in the new normal we will be living in the post-pandemic world. Lastly, we are presenting a proposal not to pay interim dividends this year, which will be reassessed in early 2021 to determine the Company's proposal for the Annual Shareholders Meeting of 2021.

Regarding the fifth and sixth pillars, we are analyzing the organizational changes we must implement for the post-pandemic world, as well as our strategic plan to seize any opportunities arising from the crisis. We believe that the blending of learning formats already ongoing in postsecondary education will accelerate sharply in this new scenario, and we will be well poised to capture value in that new scenario.

Lastly, we reaffirm our commitment to society by making available free classes and content, which if actually sold would have represented a combined value of R$267 million. We offered various units for use as field hospitals and donated materials and inputs such as hand sanitizer, masks and gloves to support health professionals in the communities surrounding our units. For our students, we have made available R$50 million in financing for those who showed engagement and motivation before the pandemic but lost their jobs or income due to the crisis, helping them to conclude their studies and achieve their life goals.

# *OPERATIONAL PERFORMANCE*

# KROTON

Student Base

In 1Q20, the total undergraduate student base remained stable, with the recovery in growth in the distance learning base (+12%) offset by the contraction in the on-campus base.

New enrollments and re-enrollments

### On-campus Education – Changes in Base

In on-campus education, new enrollments fell by 23%, due to the reduction in pace after the closure of units. This represents a significant drop in volume, but it is important to bear in mind that students enrolled for 2020/1 present high quality in terms of revenue, cash generation and drop-out rates compared to previous years.

Historically, in the closing weeks of the student recruiting cycle, we conduct the end-of-cycle campaigns. While at the start of the recruiting cycle we focus on the average ticket and on recruiting students with the highest ENEM scores, towards the end of the process the recruiting strategy focuses on volume, given that the decisions on which classes to be opened already have been made and the costs are already defined, which makes the revenue from new students at the end of the cycle incremental and therefore subject to more aggressive sales strategies. However, internal studies conducted of new students recruited with end-of-cycle campaigns indicate that this student profile presents low cash generation and high drop-out rates. Therefore, the impossibility of conducting end-of-cycle campaigns in 2020 due to COVID-19 actually had an impact on volume (freshmen students), but a low impact on cash generation. **Excluding the students recruited from end-of-cycle campaigns in 2019/1, new enrollments of out-of-pocket students (ex-Prouni) grew 5%, despite the impacts from COVID-19.**

In 1H20, revenue from new enrollments in the on-campus segment decreased 12%. Discounting, in 2019/1, the revenue from students recruited in end-of-cycle promotions (whose cash generation is low), the on-campus revenue in 1Q20 remained stable.

Similar to 4Q19, the dropout rate in on-campus segment increased in relation to the previous year (+4.8 percentage points). In addition to macroeconomic pressures, we observed a much worse performance in terms of dropout rate and delinquency of new enrollments for 2019/2, especially students recruited at the end of the cycle. Excluding this number of dropouts, the dropout rate remained within the historical parameters. We also observed that on-time payments of re-enrollments are higher than in the previous years. These factors lead us to the hypothesis that a recruiting process more focused on initial months (as we did in this semester), *ceteris paribus*, could led to healthier dropout rates, average tickets, PDA and cash generation in the future. The lower number of graduations (due to the lower new enrollments in recent years and the higher dropout rate) helped to attenuate the reduction in new enrollments and the increase in the dropout rate. Even so, the on-campus student base contracted by 16%.

Distance Learning Education – Changes in Base

Despite the impacts from COVID-19, new enrollments of DL students increased by 26% for 1H20, which shows an important inflection in comparison with the past few semesters, in which new enrollments remained stable. We attribute this recovery in growth to the strong performance of new enrollments at our on-campus units (+149%) and to the strong growth in enrollments of first-year students in 100% online programs (+213%). This last factor was responsible for diluting revenue growth from new enrollments in the DL segment, which still advanced by 12% on the previous semester. Given the different pricing dynamics, the effect of more aggressive commercial actions is practically null at the end of cycle in the DL segment. Lastly, the dropout rate decreased 2.5 percentage points, despite the higher share of 100%-online students in the mix.

Analysis by Channel: Own Units (Campuses) and Third-Party Units (Centers)

We have been observing a growing trend in the blending of teaching formats and that an analysis of the Company's performance by the regulatory profile of academic programs, which divides them into "on-campus" and "DL" segments, no longer is sufficient. For such reason, to complement the analysis by regulatory profile, we present the performance of the recruiting process by channel divided into own units (campuses) and third-party units (centers).

The commercial schedule of the DL center channel has a different timing, with a higher concentration of commercial actions at the end of the cycle, and therefore suffered more impacts from the restrictions imposed by COVID-19. The daily growth rates up to the date of the start of physical distancing were indicating significantly stronger growth.

Obviously, the impacts from COVID-19 affected comparisons of 2020/1 with 2019/1, but, despite the pandemic's impacts, the results from the 2020/1 recruiting process suggest the following trends:

- The Campus channel has high growth potential, especially given the higher share of distinct products (premium DL, hybrid DL programs, 100% online DL);

- Hybrid products (such as Premium DL) have been playing a growing role in the Company's portfolio, in some cases with attendance levels similar to those of on-campus programs.
- DL products (with higher or lower numbers of on-campus classes) tend to attract more students than on-campus products.

Considering these trends, we are satisfied with the 26% increase in the DL recruiting process and the mark of 600,000 DL students, which reinforces that the digital transformation initiatives adopted by the Company in recent years are already showing concrete results.

.

# PLATOS

Student Base

The student base in 1Q20 remained stable, but with the two teaching formats showing distinct performances: the distance-learning graduate base expanded 3%, supported by strong growth in new enrollments (+15%), while the on-campus graduate base contracted 11%, due to the impacts from COVID-19 on new enrollments, which were concentrated in March.

New enrollments and re-enrollments

On-Campus Graduate - Change in Base

The on-campus graduate base contracted 11%, reflecting the higher number of graduations (+25%) and the 47% drop in new enrollments. The latter figure was affected by the closing of on-campus units that the occurred in the second half of March, a month that typically concentrates a high volume of new enrollments. Furthermore, certain programs starting in March were postponed, which also had an adverse effect.

Distance-Learning Graduate - Change in Base

The growth of 15% in new enrollments of DL students reflects the efforts of the marketing and commercial team to encourage the conversion of Kroton graduates and the successful strategy to launch new programs. Given the teaching delivery format, DL new enrollments were less affected than on-campus new enrollments.

# SABER

Student Base

The student base contracted 9% in 1Q20, due to the termination of two management contracts. Excluding this effect, the base contracted by 4%. The student base of Red Balloon expanded by 2%.

# VASTA

*Vasta's commercial cycle begins in the fourth quarter, when the first deliveries of content to students at the partner schools are made for the next year, and ends in the third quarter of the following year. For this reason, the most important variations in this business are perceived in the third to the fourth quarter. Moreover, the business cycle is highly seasonal: because* *content delivery is concentrated in the fourth quarter and the first quarter (of the following year), these quarters feature higher recognition of revenue and costs.*

<u>Student Base – Subscription Models</u>

In comparison with 1Q19, Vasta added 721 schools to its core content client portfolio, an increase of 21%. This growth was supported by both the traditional learning systems and by PAR, the learning system based on textbooks. The number of students at the partner schools expanded by 9%, also showing growth in both lines. In the extracurricular content, 244 new schools were added to the client portfolio, an increase of 59%, representing growth of 79% in the number of students, which reaffirms the high potential of this business segment

# *FINANCIAL PERFORMANCE*

## Net Revenue

In 1Q20, net revenue came to R$ 1,627.5 million, down 11.5% on the same quarter last year, reflecting the lower revenue from the Kroton vertical, which in turn is explained by the 16% contraction in the on-campus student base and by the 9 p.p. decline in the share of FIES students, whose program mix has a higher average ticket. In addition, two factors caused the deferment of Kroton's revenue in the quarter: (i) the delay in the renewal of FIES students; and (ii) the delay in the reenrollment curve of students paying out of pocket. Combined, these two factors represented a revenue impact of R$75 million that should be recognized in 2Q20. These factors offset the revenue growth in the other verticals, driven by: (i) the higher average ticket at Platos; (ii) the anticipation of orders for teaching materials at one of the schools in the network and the reduction in sales discounts at Saber; (iii) the growth of 25% in Annual Contract Value (ACV) at Vasta; and (iv) the recognition of revenue under the National Textbook Program (PNLD) of R$81 million in the Other Businesses segment.

## Costs

Cost of goods and services sold was R$653.2 million, corresponding to 40.1% of net revenue, an increase of 3.0 p.p. from 1Q19, reflecting the loss of efficiency and economies of scale due to the lower revenue at the Kroton vertical, as well as the reclassification of publishing expenses to cost of goods sold, which in 1Q19 were classified as publishing capex. These effects offset the efficiency gains at the Saber vertical.

## Gross Income

Gross income was R$974.2 million, with gross margin of 59.9%, which represent reductions of 15.8% and 3.0 p.p. on the prior-year period, due to the impacts described above.

## Operating Expenses

### Selling Expenses

Selling expenses include expenses with the sales team, advertising and marketing, copyrights and Provision for Doubtful Accounts (PDA). In 1Q20, this group of expenses corresponded to 25.7% of net revenue, increasing 6.6 p.p. on the year-ago quarter. The main factors that drove this increase are: (i) the increase in PDA at Kroton in anticipation of potential effects from the pandemic; (ii) the increase in PDA at Vasta due to the change in provisioning criteria to better adjust to the amount of historical losses; (iii) the bringing forward of marketing expenses to the first quarter at Kroton; and (iv) the increase in marketing expenses at Vasta to accompany the higher sales volume.

## General and Administrative Expenses

General and administrative expenses, which include expenses with administrative personnel, consulting firms, travel and third-party services, among others, corresponded to 24.1% of net revenue in 1Q20, up 1.6 p.p. on the prior-year quarter, reflecting the lower gains from economies of scale in general and administrative expenses at the Kroton vertical, which offset the efficiency gains at Platos, Saber and Vasta.

## Other Operating Income (Expenses)

Other operating expenses were R$1.1 million in 1Q20, compared to other operating income of R$2.5 million in 1Q19.

# Financial Result

In 1Q20, the Company recorded a net financial expense of R$173.1 million, compared to the net financial expense of R$137.1 million in 1Q19. The main negative factors were the increase in lease interest rates due to the adjustment of licensing rights in 4Q19, as well as the inflation adjustment of contingencies related to the Somos acquisition, which began to be recognized only one year after its merger. The impact from interest expenses (net of interest income), however, should tend to wane over the coming quarters due to the capital increase carried out in February (whose cash proceeds will boost financial income) and to the reduction in interest rates observed in May.

# Net Income (Loss)

In 1Q20, the Company reported a net loss of R$37.8 million, which compares to the net income of R$250.1 million reported in 1Q19, reflecting the lower operating result, the higher financial expenses and the lower reversal of deferred income. The combination of these factors more than offset the higher amount of contingency reversals in the period and the Company's efforts to reduce corporate expenses and non-recurring items.

# Capex and Investments in Expansion

In 1Q20, Cogna invested R$119.2 million, allocated as follows:

- Information technology and library equipment: R$ 8.9 million (7%);
- Content and systems development and software licenses: R$ 64.4 million (54%);
- Laboratory and related equipment: R$ 3.8 million (3%);
- Expansion: R$ 14.9 million (13%);
- Investments in expansion: R$27.2 million (23%).

During 1Q20, capex and investments in expansion as a ratio of net revenue stood at 7.3%, only 0.9 p.p. below the prior-year period, reflecting the lower net revenue, given that nominally capex was 22% lower. The reduction is an ongoing trend observed since mid-2019 and should persist throughout 2020, mainly due to the investments in expansion, given that the Company has concluded its project to open new units, leaving only the projects to expand units. As such, investments in expansion amounted to R$27 million in the quarter, corresponding to 1.7% of net revenue.

Most of the capex was allocated to content development, systems and software licenses, which accounted for 70% of the total amount and accompanied the expansion and maturation of the Postsecondary Education portfolio in recent years, especially the maturation of programs in the fields of Engineering and Healthcare and the new Premium DL programs, in addition to the renewal of K-12 content and the initiatives related to digital transformation that have ensured the complete stability of the operation and the continuity of academic activities during these times of physical distancing. The Company considers this a priority investment, and all investments related to the digital transformation and to support the digital platforms will be maintained, even with the ongoing downward budget revisions to adjust the Company to the actual situation.

### Net Debt

At the end of 1Q20, total cash and financial investments amounted to R$2.9 billion, which is up considerably from the end of the prior quarter due to the capital increase carried out in the period that put the Company in a comfortable situation to weather the challenges posed by the moment. As a result, net debt fell to R$5.1 billion in 1Q20 (or to R$5.4 billion including other obligations related to payments for acquisitions and tax amnesty programs) or 2.45x net debt in the last 12 months. An important factor is the Company's comfortable debt amortization schedule, with short-term liabilities representing only 5% of the total (the next significant principal repayment is due in August 2021). Moreover, on May 15, 2020, the Company announced a new issue of R$500 million in debt due in 3 years, which further reinforced the cash position and lengthened the debt profile.

### Cash Flow

Operating cash generation before capex was negative R$28 million in 1Q20, which represents a significantly lower level of cash consumption than in 1Q19, despite all the pressures observed on the Company's result. Note that working capital consumption in the period reversed the upward trend of recent years, benefitting from the receipt of cash under the PNLD 2020 (of the R$233 million pending R$146 million was received in 1Q20 and the remaining R$87 million as of the reporting date), and was partially offset by higher credit card receivables, which led to a R$44 million increase in the outstanding credit card balance in relation to 1Q19.

Including the capex disbursements in the period (considering expansion investments), operating cash flow was negative R$147 million in 1Q20. Excluding the cash generated by PNLD purchases in the 1Q20 result (in line with historical seasonality), operating cash generation after capex in the quarter was negative R$293 million, down R$18 million in relation to 1Q19 due to the increase in the outstanding credit card balance. Meanwhile, the Company's free cash flow was positive R$2.1 billion, reflecting the capital increase carried out.

# *CAPITAL MARKETS AND SUBSEQUENT EVENTS*

## STOCK PERFORMANCE

Cogna's stock (COGN3) is a component of several indices, such as the Bovespa Index (Ibovespa), Special Corporate Governance Stock Index (IGC), Special Tag-Along Stock Index (ITAG), Consumption Sector Index (ICON) and MSCI Brazil.

The stock was traded in 100% of trading sessions during 1Q20, registering financial trading volume of R$12.9 billion and 3,622,350 trades in the period, which represents average daily trading volume of R$207.4 million. Cogna's stock is currently covered by research analysts at 11 different local and international institutions. On March 31, 2020, Cogna's market capitalization was R$7.5 billion.

In the first quarter of 2020, Cogna's stock price fell 65.0%, while the Ibovespa contracted 36.9%. In the same period, the IGC, ITAG and ICON lost 36.1%, 37.2% and 36.1%, respectively.

## CREDIT RATINGS

Cogna is currently rated triple A (brAAA) by Standard & Poor's and AA+(bra) by Fitch Rating.

## OWNERSHIP STRUCTURE

After the capital increase carried out in February, Cogna's capital is now composed of 1,876,606,210 common shares.

## DIVIDENDS

Due to the net loss reported in the period and to the circumstances imposed by COVID-19, no dividend will be distributed this quarter.

## ABOUT COGNA EDUCAÇÃO

Cogna Educação is one of the largest private educational organizations in the world. Operating for over 70 years, the Company has a nationwide presence in all Brazilian states in a wide array of educational segments and a complete platform of services and content delivered under different business models. At the end of 1Q20, Cogna had 966,000 students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 176 Postsecondary units and its 1,510 accredited Distance Learning centers. In K-12 Education, in 1Q20, the consolidated operation had 33,000 students at 52 own/contract schools, 26,000 students at 121 Red Balloon units and 2.1 million students served through approximately 5,600 associated schools using solutions in core content, extracurricular content and digital services.

# 1. DISCLOSURE OF EBITDA

According to CVM Instruction 527/12, the Company adhered to the disclosure of the non-accounting information as additional aggregate information in its quarterly information, presenting the EBITDA – Earnings Before Interest, Taxes on Income including Social Contribution on Profit (Loss) Net, Depreciation and Amortization, for period ended March 31, 2020 and 2019.

EBITDA represents the Company's operating cash generation, corresponding to the fact that the Company generates resources only in its operating activities, without taking into account the financial and tax effects. It should be noted that this does not represent cash flow for the period presented, and should not be considered obligatorily as a basis for dividend distribution, alternative to net income, or still as an indicator of liquidity.

| | Consolidated | |
|---|---|---|
| | **03/31/2020** | **03/31/2019** |
| **Net income** | **(37,807)** | **250,149** |
| Income and social contribution tax | 26,609 | 6,337 |
| Financial result - note 32 | 173,060 | 137,143 |
| Depreciation - note 31 | 289,070 | 262,931 |
| **Accounting EBITDA** | **450,932** | **656,560** |
| (+) Interest and penalties on tuition - note 32 | 53,875 | 66,203 |
| **Management EBITDA** | **504,807** | **722,763** |
| (-) Nonrecurring items (i) | (31,596) | (55,700) |
| **Adjusted EBITDA** | **536,403** | **778,463** |

(i) Pursuant to article 4 of CVM Instruction 527/12, the Company may disclose adjusted EBITDA excluding items contribute to gross cash generation potential. We show in the table below the total value of non-recurring items:

| | Consolidated | |
|---|---|---|
| | **12/31/2019** | **12/31/2018** |
| Termination | 18,375 | 25,808 |
| M&A and expansion | 13,221 | 29,892 |
| **Total Nonrecurring items** | **31,596** | **55,700** |

Highlights include the line of Terminations, especially the job restructuring reviews, the acquisition of Somos and the reduction of workload generated through initiatives to increase efficiency; M&A and Expansion, which includes expenses related to expansion projects and extraordinary expenses related to the implementation of new units, in addition to the write-offs of improvements and expenses with consultancy and other contracts contracted for projects for expansion and integration of assets.

## Opinions and representations/Officers' representation on the accounting information

Pursuant to CVM Instruction 480, dated December 7, 2009, Kroton's Officers state that they have reviewed, discussed, and agreed with the intermediary financial information for the period ended March 31, 2020.

## Opinions and representations / Officers' statement on the independent auditor's review report

Pursuant to CVM Instruction 480, dated December 7, 2009, Kroton's Officers state that they reviewed, discussed, and agreed with the content of the independent auditor's review report of DELOITTE TOUCHE TOHMATSU Auditores Independentes.