KROTON EDUCACIONAL S.A.
(B3: COGN3; OTCQX: COGNY)

Market Cap at 9/30/2019:
R$18.4 billion

Average daily trading volume in 3Q19:
R$179.7 million

Ratings: triple A (brAAA) by Standard & Poor's and AA+(bra) by Fitch

Earnings Conference Call:
Nov. 13, 2019 at 11 a.m.

3Q19
EARNINGS RELEASE

Belo Horizonte, November 13, 2019 – Kroton Educacional S.A. (B3: COGN3; OTCQX: COGNY), "Cogna" or the "Company," announces today its results for the third quarter of 2019 (3Q19). 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.

DISCLAIMER

This document contains forward-looking statements and information. These forward-looking statements and information are merely forecasts and not guarantees of future performance. All stakeholders are cautioned that such forward-looking statements and information involve risks, uncertainties and factors relating to the operations and business environments of Kroton and its subsidiaries and affiliates, and that the actual results of the companies could differ materially from the future results anticipated explicitly or implicitly by such forward-looking statements and information.

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HIGHLIGHTS – MANAGEMENT ANALYSIS

Due to the different seasonality of revenue from repurchases under the PNLD program, which historically has impacted the results for the third quarter, the Company conducted pro forma analyses considering the recognition of this revenue with the same seasonality as in 2018 to ensure a better comparison base and a better understanding of the program's revenue flow. Note that the pro forma analysis does not take into consideration any revenue related to the program's purchases, since historically this volume is recognized in the fourth quarter. Therefore, the pro forma result presented herein recognizes the same percentage of PNLD recorded by Somos through 9M18, with 2019 being the first time that both repurchases and purchases will be concentrated in a single quarter (4Q19). However, it is important to note that all analyses in this document are made on a corporate basis, i.e., excluding the effects of the pro forma analysis, unless expressly stated otherwise.

Values in R$ ('000)	3Q19 Pro Forma	3Q18	Chg.%	2Q19	Chg.%	9M19 Pro Forma	9M18	Chg.%
Net Revenue	1,742,994	1,250,099	39.4%	1,744,361	-0.1%	5,324,455	4,139,696	28.6%
EBITDA [1]	623,108	571,215	9.1%	624,767	-0.3%	1,998,693	1,891,384	5.7%
EBITDA Margin	*35.7%*	*45.7%*	*-9.9 p.p.*	*35.8%*	*-0.1 p.p.*	*37.5%*	*45.7%*	*-8.2 p.p.*
Adjusted Net Income [2]	208,608	357,291	-41.6%	266,696	-21.8%	793,997	1,319,184	-39.8%
Adjusted Net Margin	*12.0%*	*28.6%*	*-16.6 p.p.*	*15.3%*	*-3.3 p.p.*	*14.9%*	*31.9%*	*-17.0 p.p.*
Operating Cash Generation (OCG) after Capex [3]	279,711	538,250	-48.0%	140,907	98.5%	190,819	731,045	-73.9%
OCG after Capex [1] / EBITDA (unadjusted)	44.9%	94.2%	*-49.3 p.p.*	22.6%	*22.3 p.p.*	9.5%	38.7%	*-29.1 p.p.*

[1] EBITDA considers interest and late-payment fees and excludes impacts from inventory surplus value; [2] Net income adjusted by the amortization of intangible assets and inventory surplus value.
[3] Excludes investments with M&A and Expansion.

FINANCIAL HIGHLIGHTS 3Q19

- Growth of 20% in the 2020 Annual Contract Value (ACV) for Vasta/Somos, demonstrating the successful implementation of the Services Platform for K-12 schools that took the Company to a new level of growth. The ACV already contracted is 20% and the commercial cycle continues until January 2020, which offers additional upsides.
- Revenue from new enrollments grew 19% without any impact in the volume of new students, indicating the strength of the latest recruiting processes in both the On-Campus (+16%) and Distance Learning (+27%) segments. In this context, the average ticket in Postsecondary Education increased consistently in the quarter, already reflecting the good performance of the student-recruiting process for the second semester.
- Pro forma Net Revenue grew 39.4% in the quarter and 28.6% in 9M19, supported by the acquisition of Somos.
- The Company reached, in the year to September, 67% of its Adjusted EBITDA and 66% of its EBITDA guidance for 2019. Since the fourth quarter is seasonally stronger, we reaffirm the expectation of convergence for this year's EBITDA guidance.
- Pro forma cash generation maintained its upward trend, reaching R$279.7 million in 3Q19, for a cash conversion ratio after Capex of 44.9%. 4Q19 should present a stronger cash generation profile due to the seasonality of PNLD and FIES receivables, which supports the Company's expectation to deliver its cash generation guidance for the year.

MESSAGE FROM MANAGEMENT

cogna EDUCAÇÃO

At our last Investor Day, in early October, we had the opportunity to present the new business structure, with the launch of new brands and the creation of a new concept for managing our activities. COGNA was born positioned as a collection of companies (holding company) operating in different verticals within the education industry, which encompasses an addressable market worth R$174 billion. The move represents yet another step on our digital transformation journey, that has been supporting the development of new business models within the operation, while creating opportunities that transcend our original core business. The new positioning also seeks to lay the foundation for a new growth phase by combining different strategies that give the various companies greater autonomy and flexibility, while maintaining the efficiency that is in our corporate DNA. This marks the beginning of a new era, with growth opportunities conserving our purpose of transforming people's lives through quality education.

To provide a better understanding of this new positioning, we will comment on the four business verticals:

kroton

In the B2C Postsecondary Education vertical, KROTON is advancing in the process of transitioning the student base from a profile composed mostly of students with FIES financing to one based on students paying out of pocket. The Company, which at one point had 60% of its On-Campus students supported by FIES financing, is on track to end 2019 with 14% and 2020 with around 6% of FIES students in its base. Until this student base is consolidated, the Company's results should remained pressured, but the outlook for the future is already promising. The latest student-recruiting processes were very healthy, showing that, with the pressure from the reduction in FIES students having subsided, KROTON should resume revenue growth by 2021. Reinforcing this thesis, the recently announced enrollment figures for the second semester of this year show that KROTON delivered growth in revenue from new students of nearly 20%. The business is very well positioned to compete in the current market and to capture any opportunities that arise from the improving economic scenario, given its: (i) broad and unique distribution network, with excellent levels of management and efficiency, and commercial operations focused on value creation; (ii) complete portfolio of programs and products that are aligned with the needs of the job market; (iii) high-quality academic model, as shown by the results of the latest Enade exam, in which KROTON was the company that most improved; (iv) employability portal, which is one of Brazil's largest; and (v) revitalized campus infrastructure, unified systems and virtual environments that offer an increasingly enhanced experience for students, which increases their satisfaction with our institutions. Moreover, the more than 64 own units opened in recent years continue to mature and will start to contribute more substantial volumes of students to the Company's base, while also starting to make a positive contribution to cash generation.

PLATOS EDSERV PLATFORM

PLATOS, the B2B2C Postsecondary Education vertical, is currently experiencing rapid expansion, with a revenue CAGR of around 30% in the last two years. Although still small compared to the other verticals, the addressable market of PLATOS is R$34 billion and the Company is rapidly advancing to become a complete content and solutions platform for any Postsecondary Education institution in Brazil, whether it offers Undergraduate or Graduate programs. This is a market with low competition and huge growth potential, and PLATOS was born already with its client portfolio including the largest

Postsecondary group in Brazil and one of the most recognized brands in content, which will help to support its future growth.

At SABER, the B2C/B2Gov K-12 Education vertical, there is an excellent opportunity to optimize the current platform, which was already created with 54 own schools and management contracts, by capturing operating efficiency gains and adopting a series of initiatives, such as: (i) new commercial approach; (ii) more robust offer of complementary solutions; and (ii) investments in technology to improve the experience of students and parents. This is a highly fragmented market that offers consolidation opportunities for the medium term. In the National Textbook Program (PNLD), we have been able to increase the approval rate of titles and maintained a solid share in the 2020 program, which will become visible in the revenue for next quarter. The goal for the coming years is to increase investment in publishing and to submit more titles to the program in order to gain share and return to the level of past years.

Lastly, VASTA, the B2B K-12 Education vertical, is currently experiencing strong growth. After the acquisition, we implemented profound changes in the Company, which no longer is a content provider, but rather an integrated service platform for serving as a one stop provider for private K-12 schools by supporting their digital transformation in educational and administrative activities. Our K-12 Platform was developed under the platform as a service concept, which is characterized by a long-term subscription model that generates recurring and predictable revenue, based on technology, scale and high growth. The reputation of our brands, the quality perception of our products and services and our educational results and innovation have given the Company a unique positioning in the market and should ensure solid growth this year. Today, we announced the preliminary result of the Annual Contract Value (ACV) for 2020 of our K-12 Platform, with subscription revenue growth projected for next year of 20%, whereas the commercial cycle continues until January 2020, which offers additional upsides. The ACV is calculated based on the revenue from contracts for traditional learning systems, learning systems based on textbooks (PAR) and complementary education products (e.g., Socioemotional and English). For the coming years, the prospects are excellent, with expectations of growth in our current services and the addition of new services to our Platform. We also have begun discussions for acquiring companies that provide services to schools, which could accelerate growth and further expand opportunities for cross-selling and up-selling. We continue working to consolidate Vasta as the leading and most complete partner of private K-12 schools in Brazil.

CORPORATE GOVERNANCE

To support all these enhancements to our business structure, we are proposing a new corporate governance framework, which will be submitted for approval to the extraordinary shareholders meeting scheduled for December 9. Considering the proposed changes, we would be supported by a Board of Directors formed mostly by independent members, combining a high level of experience in the education industry, which already was a key characteristic of the current composition, with the welcomed addition of new competencies to ensure the full success of this new phase in which the organization is embarking.

3Q19 RESULTS AND GUIDANCE

With regard to the results reported herein, COGNA reaffirms its expectation of delivering its guidance for 2019, especially for EBITDA and Cash Generation after Capex, the main focuses of the Company. Considering the different seasonality of certain lines of our results and, specially, the PNLD receivables this year, the expectation is for very strong results in 4Q19. In other words, we have been able to move very well in an environment with pressures from the macroeconomic scenario, the change in the profile of the On-Campus student base and the initial maturation stage from the new Postsecondary Education units, while also reaching important milestones to deliver a more promising future, as the growth in the ACV and in the average ticket for new undergraduate students.

Implementing structural changes that expand our addressable market from R$55 billion to R$174 billion while simultaneously delivering the guidance for 2019 shows that we are reconciling our short-term deliveries with the construction of long-term opportunities. And all of this while upholding our mission of transforming people's lives through Education. Cogna, knowledge that transforms.

OPERATING PERFORMANCE

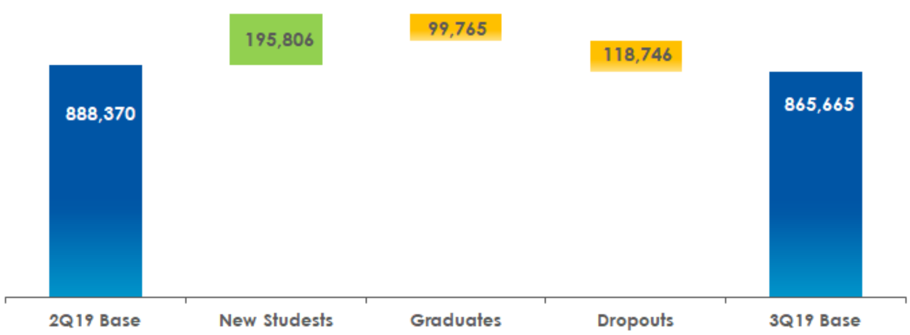
POSTSECONDARY EDUCATION

The following table presents operating indicators for the various products offered by Kroton and Platos in Postsecondary Education.

Description of Operating Indicators				3Q19	3Q18	Chg %
Units		Own		176	153	15.0%
Units		Third Party		1,410	1,310	7.6%
Description of Operating Indicators				**3Q19**	**3Q18**	**Chg %**
Undergraduate	**On-campus Students**	On-campus Students	New Enrollments (ex-ProUni)	64,025	63,626	0.6%
			Dropouts	13.9%	12.9%	1.0 p.p.
			Base	341,951	369,388	-7.4%
		FIES	% On-Campus New Enrollments	3.1%	2.6%	0.5 p.p.
			% On-Campus Base	14.2%	23.8%	-9.7 p.p.
		PEP	% On-Campus New Enrollments	13.9%	23.1%	-9.2 p.p.
			% PEP50 New Enrollments in total PEP New Enrollments	60.4%	18.4%	41.9 p.p.
			% On-Campus Base	14.5%	16.5%	-2.1 p.p.
	DL Students	DL Students	New Enrollments (ex-ProUni)	113,792	111,503	2.1%
			Dropouts	16.6%	16.6%	0.0 p.p.
			Base	483,125	501,855	-3.7%
Continuing Education	**Graduate**	Graduate Students	New Enrollments (On-Campus + DL)	13,553	10,128	33.8%
			Base (On-Campus + DL)	40,589	38,697	4.9%
	Unregulated Programs and Courses for Exams	LFG, Unregulated and Preparatory Students	Unregulated Programs & LFG	85,278	80,845	5.5%
	SETS	SETS	Books Sold	675,544	603,175	12.0%

Details following of the operating indicators for Postsecondary Education, starting with the evolution in the student base between 2Q19 and 3Q19:

Evolution in Number of Postsecondary Students



The following table presents the evolution in the number of students by product (Undergraduate and Graduate) and teaching format (On-Campus and Distance Learning).

Students	On-Campus Undergraduate	On-Campus Graduate	On-Campus Total	Distance Learning Undergraduate	Distance Learning Graduate	Distance Learning Total
3Q18 Base	**369,388**	**8,573**	**377,961**	**501,855**	**30,124**	**531,979**
2Q19 Base	**353,434**	**7,990**	**361,424**	**492,528**	**34,418**	**526,946**
New Enrollments	66,205	2,973	69,178	116,048	10,580	126,628
Graduates	(33,046)	(1,992)	(35,038)	(52,157)	(12,570)	(64,727)
Dropouts	(44,642)	(268)	(44,910)	(73,294)	(542)	(73,836)
3Q19 Base	**341,951**	**8,703**	**350,654**	**483,125**	**31,886**	**515,011**
% 3Q19 Base / 2Q19 Base	-3.2%	8.9%	-3.0%	-1.9%	-7.4%	-2.3%
% 3Q19 Base / 3Q18 Base	-7.4%	1.5%	-7.2%	-3.7%	5.8%	-3.2%

Students	Total Undergraduate	Total Graduate	Total
3Q18 Base	**871,243**	**38,697**	**909,940**
2Q19 Base	**845,962**	**42,408**	**888,370**
New Enrollments	182,253	13,553	195,806
Graduates	(85,203)	(14,562)	(99,765)
Dropouts	(117,936)	(810)	(118,746)
3Q19 Base	**825,076**	**40,589**	**865,665**
% 3Q19 Base / 3Q18 Base	-2.5%	-4.3%	-2.6%
% 3Q19 Base / 2Q19 Base	-5.3%	4.9%	-4.9%

At the end of 3Q19, Cogna had around 865,700 students enrolled in Postsecondary Education (Undergraduate and Graduate), considering the On-Campus and Distance Learning formats, down 4.9% from the same period last year. This marginally negative variation in the student base reflects the higher number of graduations in the period due to the robust new enrollments in 2013 and 2014, as well as the shift in the student profile, with fewer FIES students (who traditionally have lower dropout rates) and more students enrolled in 100%-online DL programs (who have a higher propensity to drop out). Furthermore, the persistence of a high unemployment rate and the slow economic recovery also pressured dropout rates. On the other hand, we already are observing improvement in the competitive landscape and in the student recruiting process, as shown by the recently announced student enrollment results, in which the Company posted growth in the number of students in both the On-Campus and DL segments, and with much stronger revenue from newly enrolled students. Compared to the previous quarter, the 2.6% contraction in the overall base reflects the smaller base of students eligible for re-enrollment, given the increases in the dropout rate and graduations at the end of the last semester. A breakdown by teaching format in Postsecondary Education shows that the On-Campus segment accounted for 41% of the student base, while the Distance Learning segment accounted for the other 59%.

Note that the new enrollment and re-enrollment processes for the second semester of 2020 already have begun and that Cogna continues to focus on maintaining its high academic standards, while reinforcing its capacity to create value by adopting a more sustainable pricing policy, while strengthening its brands and commercial actions to deliver growing results in student recruiting and retention.

1. Undergraduate (Kroton)

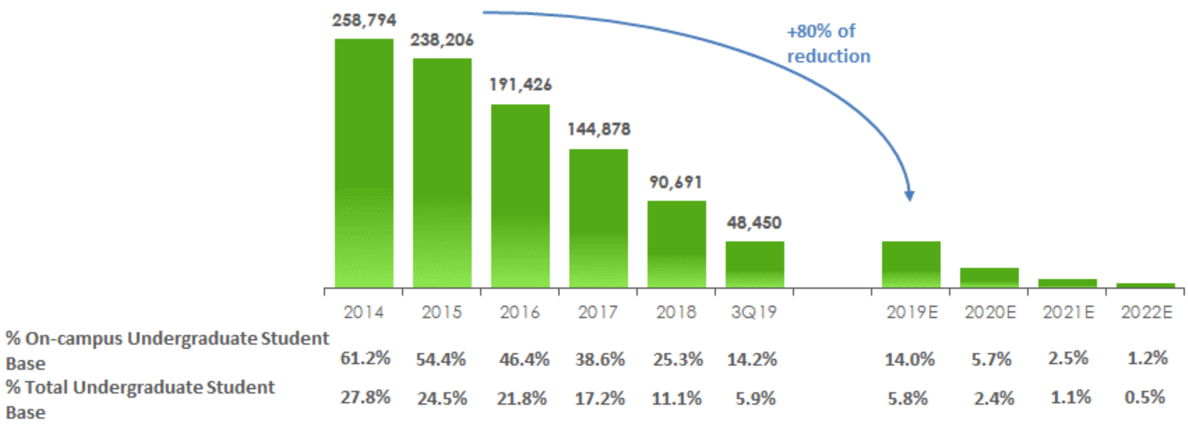
1.1 On-Campus Undergraduate

The enrollment and re-enrollment processes in the On-Campus segment for the second semester were concluded with very solid results, which reinforces the Company's resilience in delivering consistent and sustainable results. The highlight in this latest cycle was out-of-pocket students (ex-FIES and ex-PEP), which grew for the fourth straight year by adding approximately 53,000 new students in the period (+14.6% vs. 3Q18), which reinforces the success of the sales strategy and the alignment of the sales team's compensation, which prioritized this student profile.

In all, over 64,000 new students were enrolled in On-Campus Undergraduate programs, including out-of-pocket, FIES and PEP students, representing growth of 1% on the same period of 2018, but with growth of 16% in the segment's total revenue from new enrollments. This result reflects Kroton's strategy to adopt a dynamic pricing policy that reduced the granting of scholarships, discounts and installment payment options, seeking to build a solid base of new students with higher revenue and cash generation. This was only made possible by the group's strong brands, teaching quality (as confirmed by the latest results of the Enade exam, in which Kroton's institutions improved significantly) and important differentials for continually enhancing the student experience, such as virtual learning environments and an exclusive employability channel (Conecta) that continues to grow consistently. In addition, around 2,200 new ProUni students were enrolled in the process, down from the same period last year, although still in compliance with the program's rules (POEB), since Kroton still exceeds the minimum number of students required.

Adding the 66,205 new students enrolled in 2019.2 to the 275,746 students re-enrolled in the period, the student base in the On-Campus Undergraduate segment in the semester stood at 341,951 students, down 7.4% from 2018.2, reflecting the higher dropouts in the period and, primarily, the higher number of graduations of FIES students.

FIES



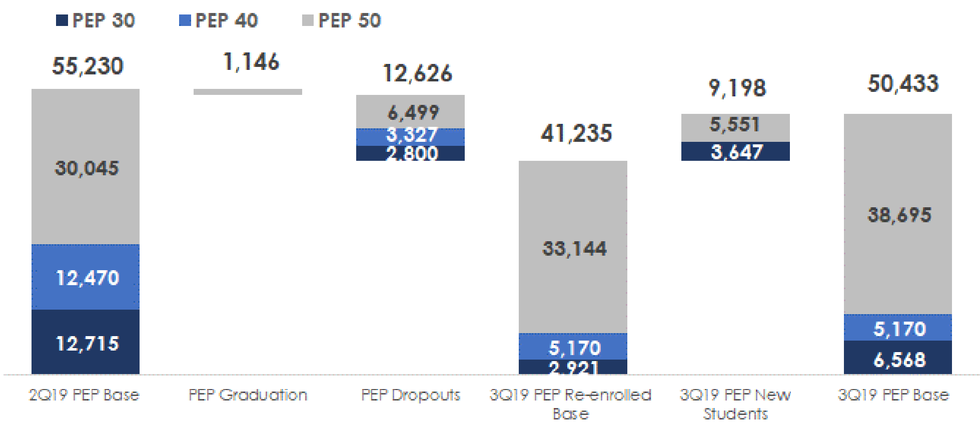
At the end of 3Q19, the Company had 48,450 students enrolled with FIES contracts, down 45.0% from the same period of 2018, following the trend of recent quarters, with increasingly fewer new students under the financing program and higher graduations of these students. To illustrate this behavior, in the latest student-recruiting cycle, which has just ended, FIES accounted for only 3% of new enrollments in On-Campus Undergraduate programs. Moreover, the number of graduations of FIES students at the end of the semester was very high, which indicates that the program should account for only a marginal share of students in the coming years. As a result, FIES students accounted for 14.2% of the On-Campus Undergraduate base, or 5.9% of the total Undergraduate student base, down 9.7 p.p. and 4.2 p.p., respectively, from a year earlier.

Between 2014 and end-2019, the number of FIES will have fallen by 80%, and, by end-2020, it is estimated that less than 6% of the On-Campus student base or 2.4% of the total student base will have FIES financing.

Private Special Installment Plan (PEP) and Late Enrollment Installment Plan (PMT)

Considering its installment payment products, Kroton closed 3Q19 with approximately 50,400 students enrolled in PEP programs, with around 22,100 enrolled in PEP30 and 28,300 in PEP50. In the most recent student-recruitment process, approximately 9,200 new students were enrolled with one of the two PEP plans (PEP30 and PEP50), representing roughly 14% of On-Campus new enrollments, up slightly from the recruiting process at the start of the year, but down significantly from the recruiting process for 2018/2. In addition to the lower share of students with installment payment plans, the share of PEP30 also decreased substantially, from 82% to 40% of all students with an installment plan between 2018/2 and 2019/2, maintaining the trend of the first recruiting cycle of the year For the upcoming student-recruiting processes, Kroton will continue to draw on the strength of this product to attract new students, projecting exposure in line with that of the product's recent history and with a more balanced offering between PEP30 and PEP50.

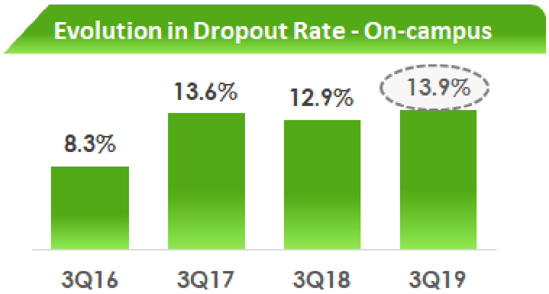
The following analysis shows the evolution in the PEP student base, including the number of students who migrated from PEP30 (who paid 30% of tuitions during the contract's first year) to PEP40 and PEP50 (who began paying 40% and 50% of tuition during the contract's second and third years, respectively), in accordance with the plans' rules. Furthermore, note that the dropout curve is naturally higher during the initial semesters of academic programs and that the actual dropout rate of PEP students is comparable to the dropout rates of students without financing plans from the same classes, which corroborates the product's sustainability. This behavior is true for both PEP30 and PEP50.



Note that Kroton continues to adopt the same conservative policies for revenue recognition, including for calculating the Adjustment to Present Value (APV) of revenue and for provisioning losses from bad debt, which is accrued at 50% of the financed portion for all PEP students, as in previous years. The 50% provisioning level is still adequate based on the behavior observed to date of the dropout rate and the payment of students who dropped out and graduated.

Meanwhile, PMT (or temporary PEP) consists of the option to pay in installments monthly tuitions related exclusively to periods during which new students were not yet enrolled because they were admitted after the start of classes, but still with sufficient time to complete the minimum classroom hours in the semester. Instead of exempting students from these monthly tuitions, Kroton started to offer this option to new On-Campus students as of the second semester of 2016, and to new DL students as of the first semester of 2017. In this way, the Company continues to attract freshmen, enabling their late enrollment without foregoing revenues by granting scholarships or discounts. Note that Kroton adopts the same accounting practice for PEP and PMT, whereby revenues are adjusted to present value and provisions for bad debt are accrued for 50% of the amounts financed. In addition, as with the policy adopted for PEP, the outstanding balance of these tuitions may become due automatically if the student drops out before graduation.

On-Campus Dropout Rate



The dropout rate in the period worsened by 1.0 p.p. on the prior year in the On-Campus segment, a trend that the Company already had anticipated and at a lower level compared to the previous quarter. This performance reflects a shift in the student profile mix, with a lower share of FIES students, who, given the program's original characteristics, had a lower propensity to drop out.

Average Net Ticket of On-Campus Undergraduate – Student by Product Perspective

The following analysis presents the performance of average tickets from the "student by product perspective" for the On-Campus Undergraduate business. This perspective considers the different sources of revenue for each product separately, i.e., the ex-FIES and ex-PEP average ticket is formed by the amounts of students paying 100% of tuition out of pocket and those contracting PMT plans. Meanwhile, the PEP and FIES average tickets are divided into Out-of-pocket, Installment/Financing and PMT. The analysis of the combination of the Ex-FIES and PEP average tickets is called "On-Campus Undergraduate Out-Of-Pocket (ex-FIES and ex-Prouni)." This analysis enables a better understanding of the dynamics of the average ticket across the various types of students and of products offered by the Company.

ON-CAMPUS UNDERGRADUATE		3Q19					3Q18					Chg.%	
Student	Product	Net Revenue	APV	NR Ex-APV [1]	Invoices [2]	Net Ticket	Net Revenue	APV	NR Ex-APV [1]	Invoices [2]	Net Ticket	Δ Net Ticket	Δ NR
Ex-FIES e Ex-PEP	Ex-FIES Ex-PEP	424,625	(5,142)	419,483	549	764.1	379,866	(14,556)	365,310	509	717.7	6.5%	14.8%
	Out-of-Pocket	355,719	-	355,719	-	-	348,492	-	348,492	-	-	-	-
	PMT	68,906	(5,142)	63,764	-	-	31,374	(14,556)	16,817	-	-	-	-
PEP	PEP	186,734	(3,161)	183,573	139	1,320.7	208,167	10,593	218,760	180	1,212.3	8.9%	-16.1%
	Out-of-Pocket	82,993	-	82,993	-	-	57,069	-	57,069	-	-	-	-
	Installment	98,055	(7,071)	90,984	-	-	138,977	10,063	149,040	-	-	-	-
	PMT	5,686	3,910	9,596	-	-	12,121	530	12,651	-	-	-	-
Pagante Graduação Presencial Ex-FIES Ex-Prouni		611,359	(8,303)	603,056	688	876.5	588,033	(3,963)	584,070	689	847.2	3.5%	3.3%
FIES	FIES	234,667	2,138	236,805	139	1,703.6	375,155	(692)	374,463	278	1,347.0	26.5%	-36.8%
	Out-of-Pocket	34,075	-	34,075	-	-	41,786	-	41,786	-	-	-	-
	Installment	200,473	-	200,473	-	-	332,728	-	332,728	-	-	-	-
	PEP+PMT	119	2,138	2,257	-	-	641	(692)	(51)	-	-	-	-
TOTAL On-Campus Undergradraduate[3] ExProuni		846,026	(6,165)	839,861	827	1,015.6	963,188	(4,655)	958,533	968	990.2	2.6%	-12.4%
TOTAL On-Campus Undergradraduate[3]		846,026	(6,165)	839,861	937	896.4	963,188	(4,655)	958,533	1,100	871.4	2.9%	-12.4%

[1] Revenue used to calculate net average ticket; [2] Amounts / '000; [3] On-Campus ex-Graduate/Extension/ Languages/Pronatec.

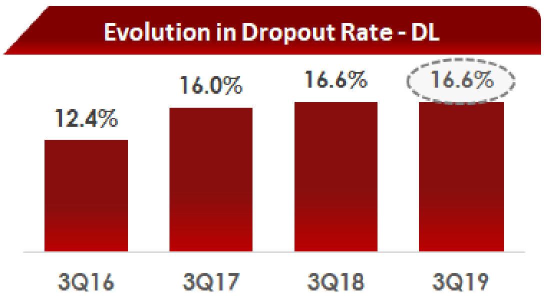
For a better understanding, the calculation of Kroton's average ticket considers the number of bills effectively recognized in the period (including ProUni students), since, due to retroactive contract amendments, a student could be billed more than once in a certain month. As noted previously, an analysis of the above table shows that offering student financing/payment plans is important for enabling students to pursue careers with more expensive monthly tuitions, which is a policy that is adopted by the Brazilian government itself in the offering of FIES financing. Since there is no difference in the amounts of the base tuition among students in the same class, the differences in the average ticket observed among financing/payment products reinforces this point, given the higher share of students enrolled in more expensive programs. Accordingly, FIES is the segment's channel in 3Q19 with the highest average ticket, of R$1,703.6 per student, reflecting the concentration of students nearing graduation in longer-duration and higher-price programs (Healthcare and Engineering). Next comes PEP, with an average ticket of R$1,320.7, followed by out-of-pocket students, with an average ticket of R$764.1. The net average ticket of On-Campus programs in 3Q19 was R$896.4, up 2.9% from the year-ago period, reflecting, which is in line with inflation and with the improvement of the competitive landscape in the second half of the year. Even for out-of-pocket students (ex-FIES and ex-PEP), the average ticket increased 6.5%, which reflects the higher starting ticket for newly enrolled students this year, especially in the result for the second semester, reflecting management's focus on creating value and on optimizing the balance of volume, average ticket and cash. This performance also benefitted from the annual adjustment of tuitions, the increased share of programs with higher monthly tuitions in the base and the increased offering of PMT in the period.

1.2 Distance Learning Undergraduate

In the Distance Learning business, the Company once again demonstrated its resilience and competitive advantages by delivering another period of positive results, especially considering the scenario of significantly higher competition following the introduction of the new regulatory framework for the segment in 2017. In 3Q19, a total of 116,048 new out-of-pocket students were enrolled into DL Undergraduate programs, up 1% from 3Q18, despite the lower number of ProUni students. Moreover, the same strategy of value creation applied to the On-Campus segment was adopted in Distance Learning, which reinforces just how positive this performance was, and highlights the Company's efforts and expertise in this segment, supported by high-quality teaching, cutting-edge technology, a unique and continually monitored partner network and a complete program portfolio that ranges from 100%-online to Premium DL. Note also that this growth in revenue from new enrollments was achieved despite the higher share of 100%-online DL programs, which corresponded to 47% of all new students. Meanwhile, Premium DL programs accounted for 10% of new enrollments in 3Q19.

Adding the 116,048 new students to the 367,077 students who re-enrolled in the period, the Company ended the third quarter with 483,125 DL students, down 3.7% from a year earlier, which is related to two key factors: (i) the change in the student base mix, with a higher share of students enrolled in 100%-online programs, which have a higher propensity to drop out; and (ii) the effect of new enrollments from prior years with more aggressive commercial campaigns, which admitted students who were less engaged, leading to higher dropout rates in the first semesters.

Distance Learning Dropout Rate



In the DL segment, the dropout rate was stable in the quarter, reversing the increase trend of the past three years. In the period, this indicator was pressured by the larger base of 100%-online DL students. However, the dropout rate among 100%-online students presented a decreasing trend, motivated by the initiatives under the loyalty program and the improvement in Net Promoter Score (NPS) observed in the DL segment. Another important factor is that the dropout rate of Kroton's DL students is lower than that of its peers, given its more comprehensive product portfolio, especially its formats with more hours of on-campus classes, which increase student engagement.

Average Net Ticket – Student by Product Perspective

For comparison purposes, Kroton reports only the effective ticket paid by the student, without discounting the transfers to the partners of the centers. To enable a better understanding, when calculating the average ticket, Kroton uses the number of bills effectively recognized as revenue in the period, including ProUni sales. Therefore, considering all (100%) revenue from DL Undergraduate, the average ticket in 3Q19 was R$266.3, up 3.4% from the same period last year, reflecting the annual tuition adjustment and the greater focus on creating value in the last student-recruiting process, which resulted in a substantial growth in enrollment revenue due to the lower volume of scholarships and discounts granted in the period. The increase in average ticket also was positively influenced by the higher share of Premium DL students in the base, since this product has much higher monthly tuitions compared to the once a week model. These factors offset the higher number of students enrolled in 100%-online programs (which have lower average tickets), which reinforces the Company's capacity to maintain healthy tickets, despite the still-adverse competitive scenario.

DISTANCE LEARNING UNDERGRADUATE		3Q19					3Q18					Chg.%	
Student	Product	Net Revenue	APV	NR Ex-APV [1]	Invoices [2]	Net Ticket	Net Revenue	APV	NR Ex-APV [1]	Invoices [2]	Net Ticket	Δ Net Ticket	Δ NR
TOTAL DL UNDERGRAD. OUT-OF-POCKET[4] Ex-ProUni		359,115	378	359,493	1,251	287.4	354,563	(821)	353,742	1,256	281.6	2.0%	1.6%
TOTAL DISTANCE LEARNING UNDERGRAD[4]		359,115	378	359,493	1,350	266.3	354,563	(821)	353,742	1,373	257.6	3.4%	1.6%

[1] Revenue ex-Transfers; [2] Revenue used to calculate average ticket; [3] Amounts/'000; [4] Undergraduate only (ex-graduate and other programs).

2. Continuing Education (Platos)

2.1 Graduate

Considering only Graduate programs, the student base expanded again by 4.9% on the year-ago period, supported by the recent recruiting processes, especially by new students coming from Distance Learning programs. Student base growth, which has been consistent since 2018, reflects the restructuring of the Graduate segment over recent years through a new platform and the more robust offering focusing on own and partner units. This performance more than offset the significant number of graduations, of approximately 15,000 students. Bear in mind that the Preparatory Courses (LFG) business also offers Graduate programs, whose students are included in the total student number in the segment. Therefore, the Company ended the quarter with 40,589 students enrolled in Graduate programs, of whom 31,886 students were in Distance Learning programs and 8,703 were in On-Campus programs.

2.2 Preparatory Courses (LFG), Unregulated Programs, Language Courses and SETS

Through the brand LFG, the Company offers preparatory courses for the examination of the Brazilian Bar Association (OAB) and for examinations for civil servant positions. Positioned as a reference in preparatory courses, LFG registered an average student base of 27,354 in 3Q19 (note that these students were not included in the reported number of Postsecondary Education students), practically stable from the same period of 2018.

Platos also offers short-duration open enrollment programs that allow students to further their knowledge in various fields, such as Management, Education, Mathematics and Languages. In 3Q19, there were 57,924 students enrolled in these programs (who also are not considered in the total number of Postsecondary Education students reported above), for an increase of 8.6% from the previous year.

The business segment of Educational Solutions for Vocational and Postsecondary Education (SETS) was consolidated into Platos after the acquisition of Somos. SETS is responsible for the sale of books with the Saraiva brand to Postsecondary Education, learning systems for vocational programs under the brand Érica, and preparatory courses for civil servant exams.

The main products offered include the sale of Scientific, Technical and Professional books, especially in the fields of Law, Business Administration, Economics and Accounting, Technical and Non-Fiction. In 3Q19, a total of 675,544 books were sold, representing an increase of 12.0% from the same period last year.

PRIMARY & SECONDARY EDUCATION (K-12)

Structuring of K-12 Education segment

Cogna's K-12 Education segment was initially structured into two main Business Units:

1. K-12 Integrated Services Platform & PNLD/Official Contracts: comprises all products and services offered to partner schools, such as physical and digital content, teaching support, pedagogical assessment, teacher training, complementary educational content (after school), educational technology, e-commerce solutions and other services. The segment also includes services related to the National Textbook Program (PNLD) and other contracts with official government agencies.

2. School Management: comprises the performance of own K-12 schools, as well management contracts for third-party schools (in which large companies/organizations contract us to manage their school units), in addition to all Red Balloon operations (own schools, franchises and in-school units). The Red Balloon operation is consolidated under the School Management Unit, since most of its students study at autonomous units.

However, this division will change as of 2020 to reflect the new business verticals (Saber and Vasta) that were created under the structure of Cogna. Accordingly, the K-12 Integrated Services Platform will become the B2B vertical of K-12 Education under the brand Vasta, while PNLD / Official Contracts will be transferred to the B2C vertical of School Management under the brand Saber. Therefore, as from 1Q20, the financial reporting will be divided as follows:

1. Vasta: K-12 Integrated Services Platform (private)
2. Saber: K-12 Schools (including own schools and school management contracts), Red Balloon and PNLD/Official Contracts

During 3Q19, the Company revised the criteria for identifying operating indicators, which included eliminating the overlaps between core and complementary content and standardizing the cutoff dates for analyses and other definitions. As a result, small changes were made to the figures of 2018, which are now fully comparable with those of 2019. The table below presents a summary of the key operating indicators of the K-12 Education segment with adjusted and comparable criteria:

Description of Operating Indicators			3Q19	3Q18	Chg %
K-12 Platform	Core Content	Private Schools w/ Contracts	3,400	2,945	15.4%
		Students enrolled in Private Schools w/ Contracts ('000)	1,186	1,011	17.3%
	Complementary Education Solutions	Number of Schools w/ Contracts in Complementary Education Solutions	417	384	8.6%
		Students enrolled in Complementary Education Solutions ('000)	134	120	11.7%
School Management	Management Own Schools/K-12 Contracts	Own Schools/K-12 Contracts	54	52	3.8%
		Students enrolled in Own Schools/ K-12 Contracts ('000)	36	36	-1.6%
	Red Balloon	Red Balloon Own Schools/Franchises	125	133	-6.0%
		Students enrolled in Red Balloon Own Schools/Franchises	26	28	-5.9%

Note: the decline in the number of students enrolled at Red Balloon is mainly due to the end of a specific agreement with Grupo Marista Centro-Sul.

1. K-12 Platform (Vasta/Somos) & PNLD/Official Contracts

1.1 K-12 Platform (Vasta/Somos)

In accordance with the material fact released today, the Company announced growth of 20% in the amounts already contracted in the Annual Contract Value (ACV) by the K-12 Integrated Services Platform. The increase reflects the new positioning of Vasta, which no longer is a provider of isolated products/services, but rather a Service Platform for K-12 Schools, which effectively puts this business vertical on a whole new growth trajectory. This ACV already contracted is 20% and the forecast is that this number can be exceeded by the end of the commercial cycle.

This result reflects the new commercial strategy implemented during 2019, which included restructuring and expanding the sales team to work on an integrated basis and promoting all of the Company's products and services through an integrated platform concept, with these efforts further supported by the comprehensive portfolio of renowned brands, service excellence, as well as complementary solutions and digital services not currently offered by any other company in Brazil. This approach gives the Company a unique market positioning that enables it to serve schools nationwide, which represents an addressable market of 6.2 million students, representing expansion of 63% from the 3.8 million students enrolled in the schools using Learning Systems.

Note also that the commercial team, which is composed of Sales Consultants, Educational Advisors, Product Specialists and Marketing and Events teams, is the largest in the Brazilian market. In addition, Vasta/Somos also has a dedicated Market Intelligence team that conducts, among other activities, an annual census of over 17,000 private schools to map the products and services that the schools use and/or plan to use. The current campaign also strengthened the Inside Sales area, which is responsible for planning and executing digital marketing strategies, which has produced very positive results.

Considering all of these initiatives, the growth prospects of Vasta's services over the coming years is excellent. In addition to the current services, a structured process was launched for studying the incorporation of new services into the Platform, which may be integrated organically or accelerated via acquisitions or strategic partnerships.

1.2 PNLD/ Official Contracts (Saber)

In mid-October, the Company announced the results of its sales under the National Textbook Program (PNLD) for 2020. The total sales volume of the publishers Ática, Scipione and Saraiva Educação in the PNLD 2020 was 52.0 million books, of which 20.8 million were related to the adoption of new books for Elementary School II and 31.2 million were related to the replacement of books from previous years (for Elementary School I and High School).

The revenue generated by these sales will amount to R$408.0 million, with R$175.6 million related to the adoption of new books for the Elementary School II segment and R$232.4 million to replacements of books from previous years, of which only R$20 million was recognized in 3Q19.

2. School Management (Saber)

In Own Schools, the Company made progress in integrating all units with the goal of capturing efficiency gains and focused intensely on the commercial strategy for next year, seeking to reinforce the group's brands, ensure a more robust offering of complementary solutions and make a series of investments in technology to improve the experience for students and parents. Consequently, the Company expects to deliver better results for Own Schools in 2020.

FINANCIAL PERFORMANCE

3Q19 RESULTS

	Postsecondary		Primary and Secondary Education		Cogna Consolidated	
Values in R$ ('000)	**3Q19**	**% Net Rev.**	**3Q19**	**% Net Rev.**	**3Q19**	**% Net Rev.**
Gross Revenue	**1,508,481**	**128.7%**	**417,894**	**121.4%**	**1,926,375**	**127.1%**
Gross Revenue Deductions	(336,633)	-28.7%	(73,734)	-21.4%	(410,367)	-27.1%
Tax	(36,141)	-3.1%	(17,382)	-5.1%	(53,523)	-3.5%
ProUni	(241,451)	-20.6%	-	0.0%	(241,451)	-15.9%
Returns	(4,074)	-0.3%	(18,375)	-5.3%	(22,449)	-1.5%
Total Discounts	(54,968)	-4.7%	(37,978)	-11.0%	(92,945)	-6.1%
Net Revenue	**1,171,848**	**100.0%**	**344,159**	**100.0%**	**1,516,007**	**100.0%**
Costs (COGS)	**(272,501)**	**-23.3%**	**(187,685)**	**-54.5%**	**(460,187)**	**-30.4%**
Cost of Goods	(13,754)	-1.2%	(84,462)	-24.5%	(98,216)	-6.5%
Cost of Services	(258,747)	-22.1%	(103,223)	-30.0%	(361,970)	-23.9%
Faculty, Other Personnel and Third-Party Services	(228,452)	-19.5%	(91,502)	-26.6%	(319,954)	-21.1%
Rent	(7,559)	-0.6%	(114)	0.0%	(7,674)	-0.5%
Materials	(7,504)	-0.6%	(1,498)	-0.4%	(9,002)	-0.6%
Maintenance	(3,963)	-0.3%	(6,955)	-2.0%	(10,918)	-0.7%
Other	(11,269)	-1.0%	(3,154)	-0.9%	(14,423)	-1.0%
Gross Income	**899,347**	**76.7%**	**156,474**	**45.5%**	**1,055,821**	**69.6%**
Operating Expenses	**(135,199)**	**-11.5%**	**(43,098)**	**-12.5%**	**(178,297)**	**-11.8%**
Personnel, General and Administrative Expenses	(135,199)	-11.5%	(43,098)	-12.5%	(178,297)	-11.8%
Personnel Expenses	(89,177)	-7.6%	(31,860)	-9.3%	(121,036)	-8.0%
General and Administrative Expenses	(46,022)	-3.9%	(11,239)	-3.3%	(57,260)	-3.8%
Provision for Doubtful Accounts - PDA	**(163,235)**	**-13.9%**	**(7,664)**	**-2.2%**	**(170,899)**	**-11.3%**
(+) Interest and Penalties on Tuition	72,656	6.2%	295	0.1%	72,951	4.8%
(+) Equity	456	0.0%	(0)	0.0%	456	0.0%
Sales and Marketing Expenses	(122,555)	-10.5%	(46,891)	-13.6%	(169,447)	-11.2%
Operating Result	**551,470**	**47.1%**	**59,116**	**17.2%**	**610,586**	**40.3%**
Corporate Expenses					**(62,732)**	**-4.1%**
Recurring EBITDA					**547,854**	**36.1%**
(-) Nonrecurring Items					(36,339)	-2.4%
EBITDA					**511,515**	**33.7%**
Depreciation and Amortization					(328,899)	-21.7%
Financial Result					(246,063)	-16.2%
Income and Social Contribution Tax					83,657	5.5%
Minority Interest					(210)	0.0%
Net Profit					**20,001**	**1.3%**
(-) Nonrecurring Items					101,488	**6.7%**
(+) Intangible Amortization (Acquisitions)					13,470	**0.9%**
Adjusted Net Profit					**134,958**	**8.9%**

9M19 RESULTS

	Postsecondary		Primary and Secondary Education		Cogna Consolidated	
Values in R$ ('000)	9M19	% Net Rev.	9M19	% Net Rev.	9M19	% Net Rev.
Gross Revenue	**4,945,698**	**128.3%**	**1,490,368**	**119.9%**	**6,436,066**	**126.3%**
Gross Revenue Deductions	(1,091,679)	-28.3%	(246,919)	-19.9%	(1,338,598)	-26.3%
Tax	(116,876)	-3.0%	(52,887)	-4.3%	(169,763)	-3.3%
ProUni	(750,152)	-19.5%	-	0.0%	(750,152)	-14.7%
Returns	(9,353)	-0.2%	(77,258)	-6.2%	(86,611)	-1.7%
Total Discounts	(215,297)	-5.6%	(116,774)	-9.4%	(332,072)	-6.5%
Net Revenue	**3,854,019**	**100.0%**	**1,243,449**	**100.0%**	**5,097,468**	**100.0%**
Costs (COGS)	**(788,442)**	**-20.5%**	**(567,389)**	**-45.6%**	**(1,355,832)**	**-26.6%**
Cost of Goods	(42,759)	-1.1%	(261,722)	-21.0%	(304,481)	-6.0%
Cost of Services	(745,683)	-19.3%	(305,667)	-24.6%	(1,051,350)	-20.6%
Faculty, Other Personnel and Third-Party Services	(668,855)	-17.4%	(266,753)	-21.5%	(935,608)	-18.4%
Rent	(12,556)	-0.3%	(2,122)	-0.2%	(14,678)	-0.3%
Materials	(17,889)	-0.5%	(4,345)	-0.3%	(22,234)	-0.4%
Maintenance	(10,332)	-0.3%	(24,897)	-2.0%	(35,229)	-0.7%
Other	(36,050)	-0.9%	(7,551)	-0.6%	(43,602)	-0.9%
Gross Income	**3,065,577**	**79.5%**	**676,060**	**54.4%**	**3,741,637**	**73.4%**
Operating Expenses	**(477,798)**	**-12.4%**	**(136,184)**	**-11.0%**	**(613,982)**	**-12.0%**
Personnel, General and Administrative Expenses	(477,798)	-12.4%	(136,184)	-11.0%	(613,982)	-12.0%
Personnel Expenses	(269,328)	-7.0%	(105,437)	-8.5%	(374,765)	-7.4%
General and Administrative Expenses	(208,470)	-5.4%	(30,747)	-2.5%	(239,216)	-4.7%
Provision for Doubtful Accounts - PDA	**(552,282)**	**-14.3%**	**(16,372)**	**-1.3%**	**(568,654)**	**-11.2%**
(+) Interest and Penalties on Tuition	166,071	4.3%	1,296	0.1%	167,367	3.3%
(+) Equity	(21)	0.0%	(0)	0.0%	(21)	0.0%
Sales and Marketing Expenses	(354,332)	-9.2%	(124,107)	-10.0%	(478,439)	-9.4%
Operating Result	**1,847,215**	**47.9%**	**400,693**	**32.2%**	**2,247,909**	**44.1%**
Corporate Expenses					**(199,684)**	**-3.9%**
Recurring EBITDA					**2,048,224**	**40.2%**
(-) Nonrecurring Items					(161,124)	-3.2%
EBITDA					**1,887,100**	**37.0%**
Depreciation and Amortization					(966,052)	-19.0%
Financial Result					(668,556)	-13.1%
Income and Social Contribution Tax					158,218	3.1%
Minority Interest					(729)	0.0%
Net Profit					**409,981**	**8.0%**
(-) Nonrecurring Items					292,097	**5.7%**
(+) Intangible Amortization (Acquisitions)					18,267	**0.4%**
Adjusted Net Profit					**720,345**	**14.1%**

FINANCIAL PERFORMANCE – POSTSECONDARY EDUCATION

Postsecondary Education - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%	9M19	9M18	Chg.%
Gross Revenue	**1,508,481**	**1,610,479**	**-6.3%**	**1,752,623**	**-13.9%**	**4,945,698**	**5,199,890**	**-4.9%**
Gross Revenue Deductions	(336,633)	(392,325)	-14.2%	(373,701)	-9.9%	(1,091,679)	(1,177,940)	-7.3%
Tax	(36,141)	(36,912)	-2.1%	(43,215)	-16.4%	(116,876)	(131,633)	-11.2%
ProUni	(241,451)	(269,890)	-10.5%	(255,165)	-5.4%	(750,152)	(787,685)	-4.8%
Returns	(4,074)	-	n.a.	(3,323)	22.6%	(9,353)	-	n.a.
Total Discounts	(54,968)	(85,523)	-35.7%	(71,998)	-23.7%	(215,297)	(258,621)	-16.8%
FGEDUC	(11,425)	(21,639)	-47.2%	(18,299)	-37.6%	(44,036)	(75,559)	-41.7%
FIES - Administratuve Fee	(4,057)	(7,789)	-47.9%	(6,448)	-37.1%	(15,785)	(28,140)	-43.9%
Other	(39,486)	(56,096)	-29.6%	(47,251)	-16.4%	(155,476)	(154,922)	0.4%
Net Revenue	**1,171,848**	**1,218,153**	**-3.8%**	**1,378,923**	**-15.0%**	**3,854,019**	**4,021,951**	**-4.2%**
Total of Costs	**(272,501)**	**(243,160)**	**12.1%**	**(288,041)**	**-5.4%**	**(788,442)**	**(738,477)**	**6.8%**
Cost of Goods	(13,754)	0	n.a.	(10,982)	25.2%	(42,759)	-	n.a.
Cost of Services	(258,747)	(243,160)	6.4%	(277,060)	-6.6%	(745,683)	(738,477)	1.0%
Faculty, Other Personnel and Third-Party Services	(228,452)	(233,454)	-2.1%	(245,068)	-6.8%	(668,855)	(697,614)	-4.1%
Rent	(7,559)	-	n.a.	(4,157)	81.9%	(12,556)	-	n.a.
Materials	(7,504)	(6,101)	23.0%	(5,598)	34.1%	(17,889)	(16,182)	10.5%
Maintenance	(3,963)	(3,028)	30.9%	(3,595)	10.2%	(10,332)	(8,748)	18.1%
Other	(11,269)	(577)	1852.5%	(18,642)	-39.6%	(36,050)	(15,934)	126.2%
Gross Income	**899,347**	**974,994**	**-7.8%**	**1,090,882**	**-17.6%**	**3,065,577**	**3,283,473**	**-6.6%**
Gross Margin	*76.7%*	*80.0%*	***-3.3 p.p.***	*79.1%*	***-2.4 p.p.***	*79.5%*	*81.6%*	***-2.1 p.p.***
Total Operating Expenses	**(135,199)**	**(140,457)**	**-3.7%**	**(177,364)**	**-23.8%**	**(477,798)**	**(451,624)**	**5.8%**
Personnel Expenses	(89,177)	(93,037)	-4.1%	(92,747)	-3.8%	(269,328)	(261,461)	3.0%
General and Administrative Expenses	(46,022)	(47,420)	-2.9%	(84,618)	-45.6%	(208,470)	(190,164)	9.6%
Provision for Doubtful Account - PDA	**(163,235)**	**(154,811)**	**5.4%**	**(181,292)**	**-10.0%**	**(552,282)**	**(497,762)**	**11.0%**
(+) Interest and Penalties on Tuition	72,656	87,008	-16.5%	27,793	161.4%	166,071	170,816	-2.8%
(+) Equity	456	-	n.a.	(1,054)	n.a.	(21)	-	n.a.
Selling and Marketing Expenses	**(122,555)**	**(83,224)**	**47.3%**	**(103,844)**	**18.0%**	**(354,332)**	**(298,580)**	**18.7%**
Operating Result	**551,470**	**683,509**	**-19.3%**	**655,121**	**-15.8%**	**1,847,215**	**2,206,323**	**-16.3%**
Operating Margin	47.1%	56.1%	*-9.1 p.p.*	47.5%	*-0.4 p.p.*	47.9%	54.9%	*-6.9 p.p.*

Net Revenue

Net revenue from Postsecondary Education amounted to R$1,171.8 million in 3Q19, down 3.8% from the same period last year. This performance is due to the smaller student base in the period, especially at Own Units, which is explained by the higher number of dropouts throughout 2019 and by the impact from graduations due to the strong student-recruiting processes of 2013 and 2014, as corroborated by the lower FIES revenue in the quarter. Revenue also was adversely affected by the lower adoption of PEP plans in recent student-recruiting cycles. These factors offset the higher revenue from new enrollments in the last recruiting cycle, the higher average ticket in both segments, the higher revenue of PMT in the quarter, as well as the better results of: (i) Undergraduate programs at Third Party Units, supported by the expansion in the number of partner centers and the impact from the shift in the student mix with a higher share of Premium programs; and (ii) Continuing Education, with the consolidation of SETS into Continuing Education and the consistent growth in the Graduate student base. Regarding installment payment products, note that, despite all the impacts from a still-adverse economic scenario, with high unemployment rates and a more competitive environment, the Company has been maintaining a balanced offering of PEP and PMT plans and has managed to grow its new enrollments, primarily of students paying out of pocket, and with the program mix shifting towards higher-value products. In particular, the higher PMT revenue in the quarter was due to the higher revenue from newly enrolled students, as announced previously via a notice to the market, and by the anticipation of the enrollment curve (as already observed at the start of the year), which led to a higher concentration of PMT in 3Q19. Compared to the previous quarter, the 15.0% decline in net revenue is essentially explained by seasonality, which generates positive impacts in even-numbered quarters from the recognition of late enrollments in a single quarter and from the lower incidence of discounts granted during enrollment. In the nine-month period, net revenue from Postsecondary Education decreased 4.2% compared to the same period of 2018, reflecting the pressures on the Company's student base, as commented above.

Gross Income

Gross income from Postsecondary Education was R$899.3 million in 3Q19, decreasing 7.8% from the same period last year. The combination of the lower revenue in the period due to the behavior of the student base, the expenses related to new units and the sale of books to the Postsecondary Education segment of SETS led to gross margin contraction of 3.3 p.p. in the segment. However, note that costs in 3Q18 benefitted from the recovery of damages, which distorted the comparison base. As such, excluding this non-recurring effect from last year's results as well as SETS, the highlight was the reduction in payroll expenses, which reinforces that the Company has been able to increase the efficiency of its operations despite the lower occupancy rate of its units. Compared to the previous quarter, gross margin decreased 2.4 p.p. which is explained exclusively by the smaller student base at the end of the last semester due to graduations and dropouts, which adversely affected revenue in the period, since total costs were lower in the quarter. In the nine-month period, gross margin contracted by 2.1 p.p. to 79.5%, which is explained by the incorporation of an operation with a larger distribution cost structure, namely SETS, and by the pressures on revenue in the period.

Provision for Doubtful Accounts (PDA)

On-Campus Education - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%
Provision for Doubtful Account - PDA	(163,235)	(154,811)	5.4%	(181,292)	-10.0%
PDA / Postsecondary Net Revenues[1]	-13.9%	-12.7%	-1.2 p.p.	-13.1%	-0.8 p.p.
PDA Out-of-pocket	(75,048)	(59,832)	25.4%	(83,204)	-9.8%
PDA Out-of-pocket / Postsecondary Net Revenues Out-of-pocket[1]	-9.4%	-8.5%	-0.9 p.p.	-9.1%	-0.3 p.p.
PDA FIES - Financed Part	(1,804)	(2,995)	-39.8%	(2,503)	-27.9%
PDA FIES / Postsecondary Net Revenues FIES[1]	-0.9%	-0.9%	0.0 p.p	-0.9%	0.0 p.p
PDA PEP - Installment Part	(49,028)	(69,488)	-29.4%	(72,580)	-32.5%
PDA PEP / Postsecondary Net Revenues PEP[1]	-50.0%	-50.0%	0.0 p.p	-50.0%	0.0 p.p
PDA PMT - Installment Part	(37,355)	(22,496)	66.1%	(23,004)	62.4%
PDA PMT / Postsecondary Net Revenues PMT[1]	-50.0%	-50.0%	0.0 p.p	-50.0%	0.0 p.p

[1] Net Revenue for the On-Campus excludes revenues from Pronatec

Total PDA as a ratio of net revenue in Postsecondary Education increased 1.2 p.p. from the same period last year, to 13.9%. The lower offering of PEP in the last recruiting cycle was offset by the higher volume of PMT and by increases in out-of-pocket PDA to better reflect the shift in the student mix, with the graduation of FIES students (who require lower levels of provisioning) and the growing share of 100%-online students in the DL base (who have higher dropout rates). Furthermore, out-of-pocket PDA also continues to be adversely affected by the still-adverse economic environment, with higher dropout and delinquency rates. Compared to the prior quarter, the 0.8 p.p. increase is explained by seasonality and by the mid-year student-recruiting process, as well as by the increase of 0.3 p.p. in out-of-pocket student PDA.

Accounts Receivable

Postseconday Education ***Values in R$ (´000) net of APV and PDA***	3Q19	3Q18	Chg.%	2Q19	Chg.%
Net Accounts Receivable	**2,834,077**	**2,113,054**	**34.1%**	**2,794,312**	**1.4%**
Out-of-Pocket	**1,148,959**	**799,428**	**43.7%**	**1,130,795**	**1.6%**
Tuition + FIES + PEP	1,143,254	792,324	44.3%	1,126,278	1.5%
Agreements to Receive	5,705	3,205	78.0%	4,517	26.3%
Pronatec	-	3,900	n.a	-	n.a
Installments	**1,464,339**	**952,227**	**53.8%**	**1,344,830**	**8.9%**
PEP	1,047,848	735,574	42.5%	987,853	6.1%
PMT	416,490	216,653	92.2%	356,976	16.7%
FIES	**220,779**	**361,399**	**-38.9%**	**318,687**	**-30.7%**

Total Accounts Receivable Net of PDA in Postsecondary Education increased only 1.4% from 2Q19 to 3Q19, at a slower pace compared to recent quarters, due to the improvement in the on-time payment and due to FIES graduations at the end of the last semester. On the other hand, the increase in Accounts Receivable reflects: (i) the higher exposure to the Company's installment products, such as PEP and PMT, which are mostly repaid only after graduation; (ii) the higher revenue from out-of-pocket students due to the change in the student mix with the graduation of FIES students; and (iii) the still-high volume of overdue tuitions due to the current economic scenario, which increases delinquency and the volume of negotiations with students. The combination of these effects more than offset the sharp drop in FIES accounts receivables.

Average Accounts Receivable Term

Postsecondary - Average Accounts Receivable Term (days)	3Q19	3Q18	Chg.%	2Q19	Chg.%
Net Accounts Receivable / Total Net Revenue Higher Education	197	144	53 Days	192	05 Days
Net Accounts Receivable (Paying) / Net Revenue (Paying)	128	99	29 Days	129	-01 Days
Net Accounts Receivable (PEP/PMT) / Net Revenue (PEP/PMT)	653	489	164 Days	591	62 Days
Net Accounts Receivable (FIES) / Net Revenue (FIES)	70	78	-08 Days	91	-21 Days

Calculation base: net balance of short-term and long-term Accounts Receivable in the Postsecondary business related to monthly tuitions, agreements and other academic services, divided by net operating revenue in the Postsecondary business in the last 12 months, multiplied by 360 days.

In 3Q19, the average term increased by 5 days from the previous quarter, much less than the 23-day increase in 2Q19 compared to 1Q19, with the average term for out-of-pocket students actually reversing the trend and decreasing by 1 day. Another factor contributing to the slowdown in this pace was the number of graduations of FIES students at the end of the last semester. On the other hand, a factor pressuring Accounts Receivable in 3Q19 was the growth in PEP and PMT plans average term. Compared to the year-ago period, the increase of 53 days in the average term is explained by the maturation of the installment plan base, the higher volume of negotiations at the end of the last few semesters and the higher volume of debt renegotiations and agreements with inactive students. For the coming quarters, the better new enrollment profile in the last recruiting cycle and the maturation of initiatives to improve on-time payment and collections bode well for the average term of out-of-pocket students, which began a downward trend as of this quarter.

Operating Result

In 3Q19, the operating result in Postsecondary Education (after marketing expenses) was R$551.5 million, with operating margin of 47.1%. As mentioned since the start of the year, the current level of operating margin reflects not only the impact from the new accounting standard (IFRS16), but also the incorporation of marketing expenses in the analysis of segments, since this line previously was presented only in the corporate analysis. Analyzing the behavior this quarter, operating margin in 3Q19 decreased by 9.1 p.p. from 3Q18, primarily due to: (i) the contraction in the student base due to higher graduations and dropouts in both On-Campus and DL; (ii) the maturation of more premium programs (e.g., healthcare and Premium DL) and greenfield projects; (iii) the increased need for provisioning for new students arising from the change in the student base profile; (iv) the higher volume of marketing expenses, which, despite growing over the course of 2019, will register a weaker increase than the seasonally presented in 3Q19; and (v) lower income from interest and penalties on tuitions. Operating margin also was pressured by an increase in the cost and expense structure of new units and by the incorporation of new services, such a SETS, whose profitability is lower than the other Graduate and unregulated programs comprising Platos. Compared to the previous quarter, operating margin contracted by only 0.4 p.p., which was exclusively due to the positive impact from revenue seasonality on even-numbered quarters. In the nine-month period, the operating result was R$1,847.3 million, with operating margin of 47.9%, down 6.9 p.p. from the same period of 2018. Despite the decline, the level of operating margin of around 50% for Postsecondary Education reflects the solidity, high efficiency and profitability of the Company, especially considering the current economic challenges, the shift in the student base profile, the competitive landscape and the costs with expansion projects.

Own Units (Undergraduate) – Financial Indicators:

Undergraduate: Own Units - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%	9M19	9M18	Chg.%
Net Revenue - Undergraduate - Own units	**891,153**	**1,008,562**	**-11.6%**	**1,121,348**	**-20.5%**	**3,022,270**	**3,312,671**	**-8.8%**
Net Revenue - On-Campus Out-of-pocket	472,787	447,347	5.7%	610,234	-22.5%	1,505,192	1,435,127	4.9%
Net Revenue - FIES (financed part net of APV)	200,473	332,728	-39.7%	278,166	-27.9%	746,576	1,142,270	-34.6%
Net Revenue - PEP (installment part net of APV)	98,055	138,977	-29.4%	145,161	-32.5%	375,163	415,587	-9.7%
Net Revenue - On-Campus PMT (installment part net of APV)	74,710	44,136	69.3%	42,042	77.7%	256,863	178,297	44.1%
Net Revenue - DL Out-of-pocket	45,127	45,161	-0.1%	45,616	-1.1%	138,186	138,226	0.0%
Net Revenue - DL PMT (installment part net of APV)	-	214	n.a.	129	n.a.	288	3,163	-90.9%
Gross Income - Undergraduate - Own units	**652,676**	**781,168**	**-16.4%**	**862,224**	**-24.3%**	**2,328,315**	**2,625,336**	**-11.3%**
Gross Margin - Undergraduate: Own units	*73.2%*	*77.5%*	*-4.2 p.p.*	*76.9%*	*-3.7 p.p.*	*77.0%*	*79.3%*	*-2.2 p.p.*
Operating Result - Undergraduate - Own units	**400,736**	**543,855**	**-26.3%**	**515,184**	**-22.2%**	**1,395,762**	**1,774,590**	**-21.3%**
Operating Margin - Undergraduate: Own units	*45.0%*	*53.9%*	*-9.0 p.p.*	*45.9%*	*-1.0 p.p.*	*46.2%*	*53.6%*	*-7.4 p.p.*

From the Own Units perspective, which represents the main portion of the results from Postsecondary Education, the pressures mentioned previously become clear with respect to the shift in the student base profile, since FIES graduations and installment payment products affect only this Business Unit, which is composed primarily of On-Campus students. Furthermore, all costs and expenses related to the expansion of units also affect this analysis, representing another (albeit smaller) temporary factor weighing on margins. As a result, the operating margin of Undergraduate programs in Own Units stood at 45.0% in 3Q19 and at 46.2% in 9M19, representing compression of 9.0 p.p. and 7.4 p.p. from 3Q18 and 9M18, respectively. Lastly, note that the result also considers higher marketing expenses to promote the brands in new regions and to set them apart in a still-competitive environment.

Third-Party Units (Undergraduate) – Financial Indicators:

Undergraduate: Third-party Units - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%	9M19	9M18	Chg.%
Net Revenue - Undergraduation - Third-party units	**215,977**	**178,279**	**21.1%**	**205,437**	**5.1%**	**649,210**	**602,127**	7.8%
Net Revenue - Out-of-pocket	215,977	177,637	21.6%	201,601	7.1%	644,842	598,174	7.8%
Net Revenue - PMT (installment part net of APV)	-	642	n.a.	3,836	n.a.	4,368	3,954	10.5%
Gross Income - Undergraduate - Third-party units	**202,746**	**170,023**	**19.2%**	**193,389**	**4.8%**	**614,916**	**567,852**	**8.3%**
Gross Margin - Undergraduate - Third-party units	*93.9%*	*95.4%*	*-1.5 p.p.*	*94.1%*	*-0.3 p.p.*	*94.7%*	*94.3%*	*0.4 p.p.*
Operating Result - Undergraduate - Third-party units	**121,333**	**125,619**	**-3.4%**	**120,667**	**0.6%**	**380,559**	**374,089**	**1.7%**
Operating Margin - Undergraduate - Third-party units	*56.2%*	*70.5%*	*-14.3 p.p.*	*58.7%*	*-2.6 p.p.*	*58.6%*	*62.1%*	*-3.5 p.p.*

On the other hand, the analysis of Third-Party Units shows the Company's efficiency in the DL segment, with the achievement of consistent results despite the significant competitive pressure that the segment has faced in recent years. This is clearer when looking at gross margin performance. Operating income however was negatively impacted in 3Q19 by the concentration of marketing expenses incurred in the period, which should not be repeated in 4Q19, as well as an extraordinary effect of contingency reversal in 3Q18. Nevertheless, the operating margins of 56.2% and 58.6% in 3Q19 and 9M19, respectively, attest to the Company's resilience and high-quality management of its partner centers.

Continuing Education – Financial Indicators:

Continuing Education - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%	9M19	9M18	Chg.%
Net Revenue - Continuing Education	**64,718**	**31,312**	**106.7%**	**52,138**	**24.1%**	**182,539**	**107,152**	70.4%
Gross Income - Continuing Education	**43,925**	**23,802**	**84.5%**	**35,269**	**24.5%**	**122,347**	**90,285**	**35.5%**
Gross Marging - Continuing Education	*67.9%*	*76.0%*	*-8.1 p.p.*	*67.6%*	*0.2 p.p.*	*67.0%*	*84.3%*	*-17.2 p.p.*
Operating Result - Continuing Education	**29,401**	**14,035**	**109.5%**	**19,270**	**52.6%**	**70,895**	**57,644**	**23.0%**
Operating Result - Continuing Education	*45.4%*	*44.8%*	*0.6 p.p.*	*37.0%*	*8.5 p.p.*	*38.8%*	*53.8%*	*-15.0 p.p.*

Lastly, the analysis of Continuing Education reflects primarily the incorporation of the SETS segment and its larger cost structure with the distribution of materials concentrated at the start of the year. Furthermore, it already is possible to see the positive effects of the greater autonomy adopted in the management of this operation, such as revenue growth in both the quarter and nine-month period. Meanwhile, the lower margins are due to the expansion in the scope of the business with the incorporation of SETS.

FINANCIAL PERFORMANCE – PRIMARY & SECONDARY EDUCATION (K-12)

As mentioned previously, the only adjustment made to the financial figures of Primary & Secondary Education (K-12) was to reconcile the 2018 figures to the IFRS16 accounting standard, i.e. no analysis was made to include the results of Somos, only adjustments for the segment's new business units (and exclusion of the performance of SETS). Therefore, the 3Q18 and 9M18 figures represent only Cogna's historical Primary and Secondary Education activities and the inclusion of Leonardo da Vinci, which was acquired in April 2018.

On the other hand, the 2019 result includes Somos and the acquisitions made by Saber (Leonardo da Vinci and Lato Sensu). Additionally, due to the different seasonality of revenue from repurchases under the PNLD program, which historically has impacted the results for the third quarter, the Company conducted pro forma analyses considering the recognition of this revenue with the same seasonality as in 2018 to ensure a better comparison base and a better understanding of the program's revenue flow. Note that the pro forma analysis does not take into consideration any revenue related to the program's purchases, since historically this volume is recognized in the fourth quarter. Therefore, the pro forma result presented herein recognizes the same percentage of PNLD recorded by Somos through 9M18, with 2019 being the first time that both repurchases and purchases will be concentrated in a single quarter (4Q19). However, it is important to note that all analyses in this document are made on a corporate basis, i.e., excluding the effects of the pro forma analysis, unless expressly stated otherwise.

Primary and Secondary Education - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%	9M19	9M18	Chg.%
Gross Revenue	**417,894**	**35,811**	**1066.9%**	**458,861**	**-8.9%**	**1,490,368**	**140,029**	**964.3%**
Gross Revenue Deductions	(73,734)	(3,865)	1807.6%	(93,422)	-21.1%	(246,919)	(22,283)	1008.1%
Tax	(17,382)	(2,001)	768.8%	(18,619)	-6.6%	(52,887)	(5,186)	919.9%
Returns	(18,375)	(1,865)	885.4%	(42,429)	-56.7%	(77,258)	(17,098)	351.9%
Total Discounts	(37,978)	-	n.a.	(32,375)	17.3%	(116,774)	-	n.a.
Net Revenue	**344,159**	**31,946**	**977.3%**	**365,438**	**-5.8%**	**1,243,449**	**117,746**	**956.0%**
Total of Costs	**(187,685)**	**(16,834)**	**1014.9%**	**(177,401)**	**5.8%**	**(567,389)**	**(55,821)**	**916.4%**
Cost of Goods	(84,462)	(375)	22448.9%	(75,244)	12.2%	(261,722)	(12,952)	1920.7%
Cost of Services	(103,223)	(16,460)	527.1%	(102,156)	1.0%	(305,667)	(42,869)	613.0%
Faculty, Other Personnel and Third-Party Services	(91,502)	(14,334)	538.4%	(89,733)	2.0%	(266,753)	(35,935)	642.3%
Rent	(114)	(1,453)	-92.1%	(0)	n.a	(2,122)	(2,928)	-27.5%
Materials	(1,498)	337	-544.5%	(331)	353.0%	(4,345)	(1,836)	136.6%
Maintenance	(6,955)	(207)	3252.2%	(8,822)	-21.2%	(24,897)	(464)	5263.8%
Other	(3,154)	(802)	293.1%	(3,271)	-3.6%	(7,551)	(1,706)	342.6%
Gross Income	**156,474**	**15,111**	**935.5%**	**188,038**	**-16.8%**	**676,060**	**61,925**	**991.7%**
Gross Margin	*45.5%*	*47.3%*	-1.8 p.p.	*51.5%*	-6.0 p.p.	*54.4%*	*52.6%*	1.8 p.p.
Total Operating Expenses	**(43,098)**	**(4,789)**	**800.0%**	**(42,917)**	**0.4%**	**(136,184)**	**(13,243)**	**928.4%**
Personnel Expenses	(31,860)	(4,188)	660.7%	(31,877)	-0.1%	(105,437)	(10,664)	888.7%
General and Administrative Expenses	(11,239)	(601)	1770.8%	(11,041)	1.8%	(30,747)	(2,579)	1092.3%
Provision for Doubtful Account - PDA	(7,664)	(256)	2896.3%	(5,590)	37.1%	(16,372)	(924)	1671.2%
(+) Interest and Penalties on Tuition	295	670	-55.9%	472	-37.5%	1,296	1,202	7.8%
(+) Equity	(0)	-	n.a.	-	n.a.	(0)	-	n.a.
Selling and Marketing Expenses	**(46,891)**	**(5,689)**	**724.3%**	**(36,164)**	**29.7%**	**(124,107)**	**(14,542)**	**753.5%**
Operating Result	**59,116**	**5,048**	**1071.1%**	**103,838**	**-43.1%**	**400,693**	**34,418**	**1064.2%**
Operating Margin	*17.2%*	*15.8%*	*1.4 p.p.*	*28.4%*	*-11.2 p.p.*	*32.2%*	*29.2%*	*3.0 p.p.*

Net Revenue

Net revenue in the K-12 segment was R$344.2 million in 3Q19, up significantly from the same period of 2018, reflecting the consolidation of Somos and of the other schools acquired by Saber throughout 2018 (especially Lato Sensu, since Leonardo da Vinci was consolidated in April 2018). These consolidations distorted the comparison base, but also show the new and important scale attained after all these transactions by the segment, which now accounts for 24% of the Company's total revenue. Note also that, as previously discussed, the K-12 segment is now composed of two business units: (i) the K-12 & PNLD/Official Contracts Integrated Services Platform, which accounted for 47% of the segment's revenue in the year and includes the group's learning systems, complementary education solutions and technology services, as well as the National Textbook Program (PNLD) and official contracts with government bodies; and (ii) School Management, which accounted for the other 53% of revenue and includes all the schools owned and managed by the group (54) and the Red Balloon operation (own schools, franchises and in-school operations). As of 2020, with the adjustment of the new business structure, PNLD and official contracts, which currently comprise the K-12 Platform, will be transferred to the B2C K-12 Education vertical, Saber, which is responsible for School Management. This is the only change to the new structure recently presented that is planned. When analyzing the segment, it is important to note the seasonality of the operation, with the distribution of materials concentrated at the start of the year. Therefore, despite the significant growth in the annual comparison, revenue decreased compared to the prior quarter, which also is explained by the different schedule of repurchases of PNLD, which last year impacted 3Q18, while this year the revenue will impact 4Q19. Nevertheless, note that learning systems have been growing year-over-year throughout 2019 both in the number of students served and in average ticket. Lastly, the School Management business unit presents less seasonality, with its robust revenue growth reflecting all the schools acquired in 2018 by both Somos and Saber. In the nine-month period, net revenue from the K-12 segment was R$1,243.4 million, which clearly shows the segment's relevance after the consolidation of Somos.

Pro Forma Analysis:
Including the revenue from PNLD repurchases, which historically have impacted the result for the third quarter, but which exceptionally this year will be recognized in 4Q19, net revenue from K-12 Education was R$571.1 million in the quarter and R$1,470.4 million in 9M19, representing even stronger growth.

Gross Income

Gross income from K-12 Education in 3Q19 came to R$156.5 million, with gross margin of 45.5%, down 1.8 p.p. from the same period last year, due to the higher share of businesses that require a more robust cost structure than learning systems, which accounted for the bulk of Cogna's results up to 3Q18. This offset the synergies captured in the period from the consolidation of Somos. Nevertheless, note that, despite the inclusion of all fixed costs involving the School Management business and publishers, the segment's margin remained very high and has the potential to further expand with the capture of the remaining synergy gains with Somos and the expected increased share of more scalable businesses, especially those related to the K-12 platform. Compared to 2Q19, gross margin declined 6.0 p.p. as a result of increase in commercial activities for the distribution of books under PNLD 2020 without the corresponding revenue increase. Meanwhile, in the year to September, gross income was R$676.1 million, with gross margin of 54.4%, expanding 1.8 p.p. from the same period of 2018, reflecting the strategic acquisition of Somos and the greater diversity of scalable businesses in the K-12 Segment.

Pro Forma Analysis:
In the previous analysis, the impact from the costs inherent to the PNLD program without the corresponding revenue was clear. Therefore, the pro forma analysis normalizing the flow of revenue recognition shows that gross income from K-12 Education was R$282.8 million in 3Q19 and R$802.4 million in 9M19, with gross margin of 49.5% and 54.6%, respectively.

Provision for Doubtful Accounts (PDA)

Primary and Secondary Education - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%
Provision for Doubtful Account - PDA	(7,664)	(256)	2896.3%	(5,590)	37.1%
PCLD / Net Revenues Primary and Secondary Education	*-2.2%*	*-0.8%*	*-1.4 p.p.*	*-1.5%*	*-0.7 p.p.*
PCLDK12 Integrated Platform & PNLD	(4,406)	(75)	5749.7%	(3,389)	30.0%
PCLD Integrated Platform/ Net Revenues. Integrated Platform	*-2.8%*	*-1.8%*	*-1.0 p.p.*	*-1.9%*	*-0.9 p.p.*
PCLD School Management	(3,258)	(180)	1705.5%	(2,201)	48.0%
PCLD School Management/ Net Revenues School Management	*-1.8%*	*-0.7%*	*-1.1 p.p.*	*-1.2%*	*-0.6 p.p.*

Provisioning for the K-12 segment corresponded to 2.2% of net revenue in 3Q19, which is 1.4 p.p. higher than in the same period last year, as a result of the incorporation of Somos and the various businesses in the segment, in addition to the extraordinary provisioning to cover the deterioration in the credit of bookstores under court-supervised reorganization. This last factor, coupled with the seasonal increase in PDA from School Management, also explains the 0.7 p.p. increase in PDA compared to the prior quarter. Note also the differences in the profile of provisioning for K-12 Education compared to Postsecondary Education, given its business model with a significantly different client profile, with a lower dropout rate and higher payment capacity.

Accounts Receivables from K-12

Primary and Secondary Education	3Q19	3Q18	Chg.%	2Q19	Chg.%
Net Accounts Receivable	**235,194**	**44,634**	**426.9%**	**271,232**	**-13.3%**
K12 Integrated Platform	184,885	44,634	314.2%	233,102	-20.7%
School Management	50,310	-	n.a	38,130	31.9%

Accounts receivable from K-12 Education amounted to R$235.2 million in 3Q19, representing significant growth from the same period of 2018, reflecting the consolidation of Somos into the results, especially with regard to the volume of learning systems and the textbooks business. Compared to the previous quarter, the 13.3% decrease in Accounts Receivable reflects the improvement in on-time payment by partner schools in the period.

Average Accounts Receivable Term

Primary and Secondary Education - Days	3Q19	3Q18	Chg.%	2Q19	Chg.%
Net Accounts Receivable of Basic Education / Net Revenue of Basic Education	**45**	**84**	**-39 Days**	**51**	**-06 Days**
Net Accounts Receivable - K12 Integrated Platform / Net Revenue - K12 Integrated Platform	**51**	**84**	**-33 Days**	**62**	**-11 Days**
Net Accounts Receivable - School Management / Net Revenue - School Management	**32**	**-**	**n.a**	**24**	**08 Days**

Calculation base: net balance of short-term and long-term Accounts Receivable in the K-12 business related to monthly tuitions, agreements and other academic services, divided by net operating revenue in the K-12 business in the last 12 months, multiplied by 360 days.

In 3Q19, the average term decreased 39 days from the same period last year, due to the shorter term of receivables from the businesses incorporated after the acquisition of Somos, especially in the own school management business. Compared to the previous quarter, the average term in K-12 Education decreased 6 days, reflecting the improvement in the average term due to the higher efficiency of renegotiation actions and the improvement in the client base profile.

Operating Result

The operating result (after marketing expenses) of K-12 Education in 3Q19 was R$59.1 million, with operating margin expanding to 17.2%, up 1.4 p.p. from the same period of 2018. As mentioned in the gross margin analysis, the higher profitability reflects the consolidation of businesses with more scalable cost structures. The performance was limited only because operating margin in 3Q19 considers the sales costs of PNLD without the corresponding revenue, which is clearly shown by the pro forma analysis below. Note also that this level of operating margin already considers the increase in marketing expenses, which is crucial to ensuring the growing results of the schools served, whether for selling learning systems or distributing textbooks. In this respect, note that this year the Company reformulated its entire commercial strategy to offer products and services via a platform format, positioning itself as an important ally for any private schools in the country. The result of this reformulation was extremely successful, as shown by the preliminary result of the Annual Contract Value (ACV) announced today, with the revenue projected for next year from products with contracts growing 20%, whereas the end of the process will take place only in January 2020. In other words, despite the higher marketing expenses, the operating margin expansion in the quarter demonstrates the segment's high returns and the efforts made since the start of the year to accelerate the capture of synergies and efficiency gains in the operation's management. Compared to the prior quarter, the 11.2 p.p. decrease in operating margin reflects the different seasonality of revenue recognition, the sales costs inherent to the PNLD program and the higher marketing expenses. In 9M19, operating margin increased 3.0 p.p. from the same period last year, to over 32%, demonstrating the efforts to capture synergies.

However, this result would be even better if the PNLD repurchases had occurred in 3Q19, as shown next:

Pro Forma Analysis:
Including the revenue from PNLD repurchases in the 3Q19 results (in line with the historical seasonality), operating result this quarter was R$170.7 million, with margin of 29.9%, while operating result in the nine-month period was R$512.3 million, with margin of 34.8%. As mentioned previously, the corporate figures in 3Q19 includes the sales costs of the PNLD program without the corresponding sales revenue. That is precisely why pro forma analysis is the best metric for analyzing performance in the period. Accordingly, pro forma operating margin was approximately 35% in the nine-month period, attesting to the strategy adopted by the Company to increase operating efficiency by capturing of synergy gains, while simultaneously laying the foundation for future growth with a new commercial strategy and investments in marketing and Capex for the publishing business to further strengthen the brands in the portfolio.

K-12 & PNLD/Official Contracts Platform – Financial Indicators:

K12 Integrated Platform & PNLD/ Official Contracts - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%	9M19	9M18	Chg.%
Net Revenue - K12 Integrated Platform & PNLD/ Official Contracts	**160,154**	**4,208**	**3705.6%**	**180,081**	**-11.1%**	**679,817**	**50,772**	**1239.0%**
Net Revenue - K12 Integrated Platform	133,064	4,208	3061.9%	149,420	-10.9%	595,647	50,772	1073.2%
Net Revenue - PNLD / Official Contracts	27,090	-	n.a.	30,661	-11.6%	84,170	-	n.a.
Gross Income - K12 Integrated Platform & PNLD/ Official Contracts	**59,809**	**3,487**	**1615.2%**	**96,112**	**-37.8%**	**382,696**	**36,630**	**944.8%**
Gross Margin - K12 Integrated Platform & PNLD/ Official Contracts	*37.3%*	*82.9%*	-45.5 p.p.	*53.4%*	-16.0 p.p.	*56.3%*	*72.1%*	-15.9 p.p.
Operating Result - K12 Integrated Platform & PNLD/ Official Contracts	**2,418**	**(2,809)**	**-186.1%**	**55,730**	**-95.7%**	**229,280**	**20,513**	**1017.8%**
Operating Result - K12 Integrated Plat. & PNLD/ Official Contracts	*1.5%*	*-66.7%*	68.3 p.p.	*30.9%*	-29.4 p.p.	*33.7%*	*40.4%*	-6.7 p.p.

From the perspective of the K-12 Platform & PNLD/Official Contracts, you can see the relevance of the main business offered by the Company in K-12 Education with all the products and services mentioned above to the Associated Schools. This business is marked by recurring revenue, a high level of client retention and high returns on invested capital, as well as a large potential market. However, the business is also highly seasonal, with the distribution of school materials concentrated in the first and fourth quarters of each year, in addition to the recognition of PNLD repurchases in the third quarter and purchases in the fourth quarter. Hence the variation in the result observed throughout the year. However, in the nine months to September, the operating margin of 33.7% (37.6% in the pro forma analysis) reinforces the highly scalable nature of the business, which has the potential to improve as the Company's growth accelerates.

School Management – Financial Indicators:

School Management - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%	9M19	9M18	Chg.%
Net Revenue - School Management	**184,005**	**27,737**	**563.4%**	**185,358**	**-0.7%**	**563,632**	**66,974**	**741.6%**
Net Revenue - Own Schools	172,314	27,737	521.2%	173,967	-1.0%	510,898	66,974	662.8%
Net Revenue - Counter Shift	11,691	-	n.a.	11,390	2.6%	52,734	-	n.a.
Gross Income - School Management	**96,665**	**11,624**	**731.6%**	**91,927**	**5.2%**	**293,364**	**25,295**	**1059.8%**
Gross Margin - School Management	*52.5%*	*41.9%*	10.6 p.p.	*49.6%*	2.9 p.p.	*52.0%*	*37.8%*	14.3 p.p.
Operating Result - School Management	**56,697**	**7,857**	**621.6%**	**48,108**	**17.9%**	**171,413**	**13,905**	**1132.7%**
Operating Result - School Management	*30.8%*	*28.3%*	2.5 p.p.	*26.0%*	4.9 p.p.	*30.4%*	*20.8%*	9.7 p.p.

The School Management business unit reflects the growth in the number of schools acquired over the course of 2018, as well as the positive impact from the consolidation of Red Balloon. Note also that margins in this channel benefitted from the adoption of IFRS16, by excluding the impact of rent from the operating result, which significantly increased profitability in the business. Note also the seasonality of the business at the start of the school year, with the other quarters showing no significant variations. In other words, the higher profitability in 3Q19 mainly reflects operating efficiency gains, since a significant part of the management's integration is occurring this year, indicating excellent potential for future results.

FINANCIAL PERFORMANCE – COGNA

Consolidated - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%	9M19	9M18	Chg.%
Gross Revenue	**1,926,375**	**1,646,290**	**17.0%**	**2,211,484**	**-12.9%**	**6,436,066**	**5,339,919**	**20.5%**
Gross Revenue Deductions	(410,367)	(396,191)	3.6%	(467,123)	-12.2%	(1,338,598)	(1,200,223)	11.5%
Tax	(53,523)	(38,913)	37.5%	(61,833)	-13.4%	(169,763)	(136,819)	24.1%
ProUni	(241,451)	(269,890)	-10.5%	(255,165)	-5.4%	(750,152)	(787,685)	-4.8%
Returns	(22,449)	(1,865)	1103.9%	(45,752)	-50.9%	(86,611)	(17,098)	406.6%
Total Discounts	(92,945)	(85,523)	8.7%	(104,373)	-10.9%	(332,072)	(258,621)	28.4%
Net Revenue	**1,516,007**	**1,250,099**	**21.3%**	**1,744,361**	**-13.1%**	**5,097,468**	**4,139,696**	**23.1%**
Total of Costs	**(460,187)**	**(259,994)**	**77.0%**	**(465,442)**	**-1.1%**	**(1,355,832)**	**(794,299)**	**70.7%**
Cost of Goods	(98,216)	(375)	26123.7%	(86,226)	13.9%	(304,481)	(12,952)	2250.8%
Cost of Services	(361,970)	(259,620)	39.4%	(379,216)	-4.5%	(1,051,350)	(781,347)	34.6%
Faculty, Other Personnel and Third-Party Services	(319,954)	(247,787)	29.1%	(334,801)	-4.4%	(935,608)	(733,548)	27.5%
Rent	(7,674)	(1,453)	428.0%	(4,157)	84.6%	(14,678)	(2,928)	401.3%
Materials	(9,002)	(5,764)	56.2%	(5,928)	51.8%	(22,234)	(18,018)	23.4%
Maintenance	(10,918)	(3,235)	237.5%	(12,417)	-12.1%	(35,229)	(9,212)	282.4%
Other	(14,423)	(1,379)	945.6%	(21,913)	-34.2%	(43,602)	(17,640)	147.2%
Gross Income	**1,055,821**	**990,105**	**6.6%**	**1,278,919**	**-17.4%**	**3,741,637**	**3,345,399**	**11.8%**
Gross Margin	*69.6%*	*79.2%*	*-9.6 p.p.*	*73.3%*	*-3.7 p.p.*	*73.4%*	*80.8%*	*-7.4 p.p.*
Total Operating Expenses	**(178,297)**	**(145,246)**	**22.8%**	**(220,282)**	**-19.1%**	**(613,982)**	**(464,867)**	**32.1%**
Personnel, General and Administrative Expenses	(178,297)	(145,246)	22.8%	(220,282)	-19.1%	(613,982)	(464,867)	32.1%
Personnel Expenses	(121,036)	(97,225)	24.5%	(124,623)	-2.9%	(374,765)	(272,125)	37.7%
General and Administrative Expenses	(57,260)	(48,021)	19.2%	(95,659)	-40.1%	(239,216)	(192,742)	24.1%
Provision for Doubtful Account - PDA	**(170,899)**	**(155,067)**	**10.2%**	**(186,882)**	**-8.6%**	**(568,654)**	**(498,686)**	**14.0%**
(+) Interest and Penalties on Tuition	72,951	87,678	-16.8%	28,265	158.1%	167,367	172,018	-2.7%
Equity	456	-	n.a.	(1,054)	n.a.	(21)	-	n.a.
Selling and Marketing Expenses	(169,447)	(88,912)	90.6%	(140,008)	21.0%	(478,439)	(313,122)	52.8%
Operating Result	**610,586**	**688,557**	**-11.3%**	**758,958**	**-19.5%**	**2,247,909**	**2,240,742**	**0.3%**
Operating Margin	*40.3%*	*55.1%*	*-14.8 p.p.*	*43.5%*	*-3.2 p.p.*	*44.1%*	*54.1%*	*-10.0 p.p.*
Corporate Expenses	(62,732)	(53,501)	17.3%	(65,107)	-3.6%	(199,684)	(165,421)	20.7%
Recurring EBITDA	**547,854**	**635,056**	**-13.7%**	**693,852**	**-21.0%**	**2,048,224**	**2,075,320**	**-1.3%**
Recurring EBITDA Margin	*36.1%*	*50.8%*	*-14.7 p.p.*	*39.8%*	*-3.6 p.p.*	*40.2%*	*50.1%*	*-10.0 p.p.*
(-) Non-Recurring Items	(36,339)	(63,841)	-43.1%	(69,085)	-47.4%	(161,124)	(183,937)	-12.4%
EBITDA	**511,515**	**571,215**	**-10.5%**	**624,767**	**-18.1%**	**1,887,100**	**1,891,384**	**-0.2%**
EBITDA Margin	*33.7%*	*45.7%*	*-12.0 p.p.*	*35.8%*	*-2.1 p.p.*	*37.0%*	*45.7%*	*-8.7 p.p.*
Depreciation and Amortization	(328,899)	(158,694)	107.3%	(345,835)	-4.9%	(966,052)	(449,911)	114.7%
Financial Result	(246,063)	(58,321)	321.9%	(219,500)	12.1%	(668,556)	(154,184)	333.6%
Income Tax / Social Contribution	(16,215)	(24,947)	n.a.	4,850	-434.3%	(64,604)	(67,033)	-3.6%
Deferred Income Tax / Social Contribution	99,872	8,977	1012.5%	76,047	31.3%	222,822	43,623	410.8%
Income Tax / Social Cont.	-	-	n.a.	-	n.a.	-	-	n.a.
Minority Interest	(210)	-	n.a.	(748)	-71.9%	(729)	-	n.a.
Net Income	**20,001**	**338,231**	**-94.1%**	**139,581**	**-85.7%**	**409,981**	**1,263,878**	**-67.6%**
Net Margin	*1.3%*	*27.1%*	*-25.7 p.p.*	*8.0%*	*-6.7 p.p.*	*8.0%*	*30.5%*	*-22.5 p.p.*
(+) Intagible Amortization (Acquisitions)	101,488	19,060	432.5%	125,790	-19.3%	292,097	55,305	428.2%
(+) inventory surplus value	13,470	-	n.a.	1,324	917.0%	18,267	-	n.a.
Adjusted Net Income	**134,958**	**357,291**	**-62.2%**	**266,696**	**-49.4%**	**720,345**	**1,319,184**	**-45.4%**
Adjusted Net Margin	*8.9%*	*28.6%*	*-19.7 p.p.*	*15.3%*	*-6.4 p.p.*	*14.1%*	*31.9%*	*-17.7 p.p.*

Corporate Expenses

Consolidated - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%
Corporate Expenses	(62,732)	(53,501)	17.3%	(65,107)	-3.6%
Personnel Expenses	(59,648)	(49,499)	20.5%	(55,782)	6.9%
General and Administrative Expenses	(3,084)	(4,002)	-22.9%	(9,324)	-66.9%

% of Net Revenue	3Q19	3Q18	Chg.%	2Q19	Chg.%
Corporate Expenses	-4.1%	-4.3%	0.1 p.p.	-3.7%	-0.4 p.p.
Personnel Expenses	-3.9%	-4.0%	0.1 p.p.	-3.2%	-0.7 p.p.
General and Administrative Expenses	-0.2%	-0.3%	0.1 p.p.	-0.5%	0.3 p.p.

The ratio of personnel expenses to net revenue within corporate expenses fell 0.1 p.p. from the year-ago period, due to the positive results of the initiatives to control corporate personnel expenses, in line with the strategy to capture synergy and efficiency gains. Compared to the previous quarter, the 0.7 p.p. increase reflects the higher impact from stock options and variable compensation, since volume observed until 6M19 was below the historical average. Analyzing separately general and administrative expenses as a ratio of net revenue, we observed decreases in both the sequential and annual comparisons, which were supported by continued budget austerity. Moreover, the expectation is for G&A expenses to be positively impacted in 4Q19 by the higher volume of expiration and reversal of contingencies.

Nonrecurring Items

Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%
Severance	(14,297)	(24,413)	-41.4%	(26,920)	-46.9%
Restructuring of units	-	(9,463)	n.a.	0	n.a.
M&A and expansion	(22,042)	(21,554)	2.3%	(42,165)	-47.7%
Other projects	-	(8,411)	n.a.	0	n.a.
Total Nonrecurring	**(36,339)**	**(63,841)**	**-43.1%**	**(69,085)**	**-47.4%**

As mentioned since the start of the year, the Company opted to incorporate the lines restructuring of units and other projects under recurring results for the year, i.e., to recognize each project in its original business unit. Therefore, non-recurring items in 3Q19 came to R$36.3 million, related to: (i) severance payments arising from the Somos acquisition and the reduction in classroom hours resulting from the efficiency initiatives; and (ii) expenses with the implementation of new units and related to the acquisition and consolidation of Somos, such as the consulting and other firms engaged in the integration process.

Financial Result

Consolidated - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%
(+) Financial Revenues	13,845	76,105	-81.8%	42,369	-67.3%
Interest on Financial Investment	9,181	70,646	-87.0%	18,997	-51.7%
Others	4,664	5,459	-14.6%	23,372	-80.0%
(-) Financial Expenses	(259,908)	(70,631)	268.0%	(261,869)	-0.7%
Banks Expenses	(5,604)	(4,691)	19.5%	(5,033)	11.3%
Interest on leasing	(75,847)	-	n.a.	(75,388)	0.6%
Interest on Loans	(140,007)	(55,976)	150.1%	(153,634)	-8.9%
Interest and Tax on Late Payment	(2,450)	(1,136)	115.7%	(9,762)	-74.9%
Interest on Loans for Acquisitions	(820)	(3,520)	-76.7%	(4,629)	-82.3%
Restatement of Contingencies	(19,536)	(528)	n.a.	-	n.a.
Others	(15,644)	(4,780)	227.3%	(13,423)	16.5%
Financial Result [1]	**(246,063)**	**5,474**	**n.a.**	**(219,500)**	**12.1%**

[1] Excludes interest and fines on late monthly tuition payments.

Similarly to the results presented in the first half of the year, in 3Q19, the Company's financial result reversed course compared to the same period a year ago, reflecting the financial charges on the debt secured to acquire Somos and the impact from the adoption of IFRS16. As a result of the higher debt balance and the liabilities arising from the new accounting standard, the line interest on loans and leases was directly impacted, significantly increasing the Company's financial expenses. However, the current level is consistent with the new capital structure and will have a direct impact on the Company's Net Income in the coming years. In short, the financial result in 3Q19 was an expense of R$246.1 million, which is substantially lower than in the same period last year. Compared to the previous quarter, the 12.1% increase reflects the lower cash balance and the negative impact of the line "restatement of contingencies."

Net income

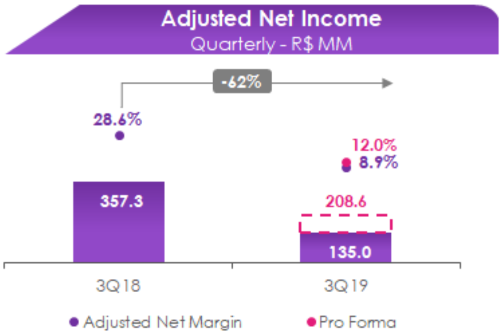
Consolidated - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%
Operating Result	**610,586**	**688,557**	**-11.3%**	**758,958**	**-19.5%**
(+) Corporate Expenses	(62,732)	(53,501)	17.3%	(65,107)	-3.6%
(+) Nonrecurring Items	(36,339)	(63,841)	-43.1%	(69,085)	-47.4%
(+) Depreciation and Amortization ex-Intangible	(328,899)	(158,694)	107.3%	(345,835)	-4.9%
(+) Financial Result [1]	(246,063)	(58,321)	321.9%	(219,500)	12.1%
(+) Income Tax / Social Contribution	(16,215)	(24,947)	-35.0%	4,850	n.a.
(+) Deferred Income Tax / Social Contribution	99,872	8,977	1012.5%	76,047	31.3%
(+) Participation of Minority	(210)	-	n.a.	(748)	n.a.
(+) Intangible Amortization (Acquisitions)	101,488	19,060	432.5%	125,790	-19.3%
(+) Inventory surplus value	13,470	-	n.a.	1,324	917.0%
Adjusted Net Income	**134,958**	**357,291**	**-62.2%**	**266,696**	**-49.4%**
Adjusted Net Margin	*8.9%*	*28.6%*	*-19.7 p.p.*	*15.3%*	*-6.4 p.p.*
(-) Intangible Amortization (Acquisitions)	(101,488)	(19,060)	432.5%	(125,790)	-19.3%
(-) Inventory surplus value	(13,470)	-	n.a.	(1,324)	917.0%
Net Income	**20,001**	**338,231**	**-94.1%**	**139,581**	**-85.7%**
Net Margin	*1.3%*	*27.1%*	*-25.7 p.p.*	*8.0%*	*-6.7 p.p.*

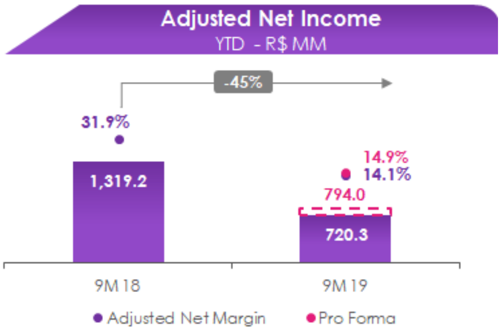
[1] Excludes interest and fines on late monthly tuition payments.

In 3Q19, adjusted net income (adjusted for the amortization of intangible assets and inventory surplus value) amounted to R$135.0 million, with adjusted net margin of 8.9%, down 19.7 p.p. from the same period of 2018. The factors affecting this performance include: (i) the higher financial expenses due to the debt secured for the acquisition of Somos; (ii) the higher depreciation and amortization arising from the adoption of IFRS 16 and the higher investments in content production and technology, which have shorter useful lives; and (iii) the lower operating result due to the pressures on the Postsecondary Education and the seasonality of PNLD in K-12 Education. Note that, since the start of the year, an important change was made to the composition of adjusted net income, which no longer includes non-recurring items. Therefore, adjustments are now made only for the amortization of intangible assets from acquisitions and for inventory surplus value, absorbing all other items that in some way are inherent to the operation (even if nonrecurring). Compared to the previous quarter, the 6.4 p.p. contraction in adjusted net margin is mainly due to graduations at the end of the last semester and to the seasonality of the K-12 operation, especially with the PNLD repurchases not received. In the nine-month period, adjusted net income was R$720.3 million, with adjusted net margin of 14.1%, virtually half the amount in the same period of 2018, mainly due to the adverse effects from the higher debt and the higher depreciation mentioned above, as well as the pressures in Postsecondary Education and the consolidation of Somos.

Pro Forma Analysis:

Including the revenue from PNLD repurchases in the results of 3Q19 (in line with the historical seasonality), adjusted net income in 3Q19 was R$208.6 million with adjusted net margin of 12.0%, while adjusted net income in the year to September was R$794.0 million, with adjusted net margin of 14.9%. In short, a performance that still reflects the operating pressures and impacts from the higher debt balance, but is in line with the Company's previous expectations.





Considering Cogna's standalone performance, i.e., excluding the impact from the consolidation of Somos, adjusted net income was R$258.2 million in 3Q19 and R$925.0 million in 9M19, with adjusted net margin of 21.6% and 23.5%, respectively.

Excluding the adjustments for amortization of intangible assets and inventory surplus value, net income was R$20.0 million in 3Q19 and R$410.0 million in 9M19 (or R$93.7 million and R$483.6 million, respectively, in the pro forma analysis). However, because of the significant impact from these adjustments, especially given the relevance of the latest acquisition, the Company recommends the adjusted result as the best metric for accompanying its financial performance.

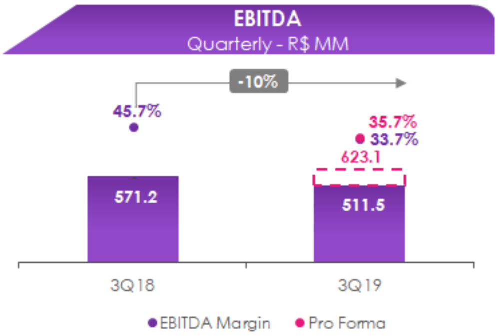
EBITDA[1]

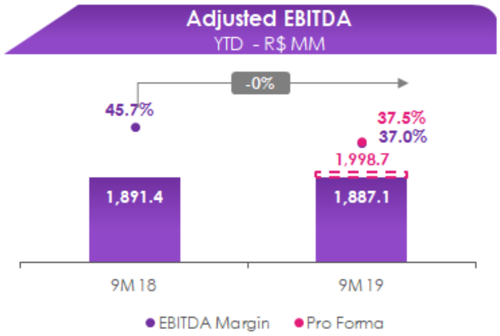
Consolidated - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%
Net Income (Loss)	**20,001**	**338,231**	**-94.1%**	**139,581**	**-85.7%**
(+) Depreciation and Amortization	328,899	158,694	107.3%	345,835	-4.9%
(+) Financial Result	246,063	58,321	321.9%	219,500	12.1%
(+) Income Tax / Social Contribution	16,215	24,947	n.a.	(4,850)	-434.3%
(+) Deferred Income Tax / Social Contribution	(99,872)	(8,977)	1012.5%	(76,047)	31.3%
(+) Minority Participation	210	-	n.a.	748	n.a.
EBITDA	**511,515**	**571,215**	**-10.5%**	**624,767**	**-18.1%**
EBITDA Margin	*33.7%*	*45.7%*	*-12.0 p.p.*	*35.8%*	*-2.1 p.p.*
(+) Nonrecurring Items	36,339	63,841	-43.1%	69,085	-47.4%
Recurring EBITDA	**547,854**	**635,056**	**-13.7%**	**693,852**	**-21.0%**
Recurring EBITDA Margin	*36.1%*	*50.8%*	*-14.7 p.p.*	*39.8%*	*-3.6 p.p.*

[1] Includes interest and late-payment fees on monthly tuition payments and excludes inventory surplus value.

In 3Q19, EBITDA amounted to R$511.5 million, down 10.5% from the year-ago period, accompanied by EBITDA margin contraction of 12.0 p.p. The lower profitability in the period is mainly due to: (i) the higher provisioning to support the installment payment products; (ii) the different seasonality of PNLD, given the recognition of all sales costs of the program in the income statement without the corresponding recognition of sales revenue; (iii) the higher marketing expenses; and (iv) the expenses related to new units and the maturation of Postsecondary Education programs. The latter factor, however, also is of a temporary nature, since as the units mature they will help to sustain the high levels of performance achieved by Cogna. The combination of these factors offset the higher average ticket in the period, the improved performance of Platos's Operations, the consolidation of Somos into the results and the operating efficiency gains in K-12 Education as a whole, at both Saber and Vasta. Therefore, bear in mind that, despite all the detractors from the result and the increased relevance of a segment with a distinct level of profitability compared to Postsecondary Education, the Company has been able to maintain very healthy margins. The best example of this is the result for the nine-month period, when EBITDA was R$1.9 billion with margin of 37%, which demonstrates the high level of efficiency of the various businesses.

Pro Forma Analysis:
Including the revenue from PNLD repurchases, EBITDA was R$623.1 million in 3Q19 and R$2.0 billion in 9M19, with margins of 35.7% and 37.5%, respectively. The result corresponds to 66% of the guidance for 2019. Considering the fact that 4Q19 is seasonally stronger in both Postsecondary Education and K-12 Education only further reinforces the expectation of convergence to our EBITDA guidance.





Analysis ex-IFRS16

Complementing the previous analyses, the following table shows the result of the main lines of 3Q19 and 9M19 excluding the adoption of IFRS 16.

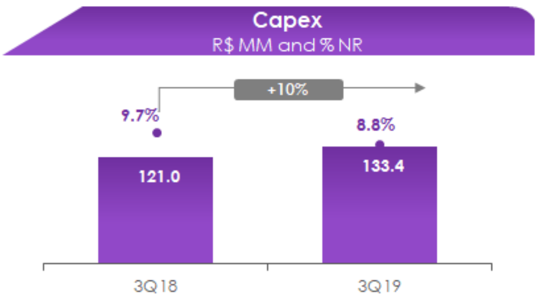
Consolidated - Values in R$ ('000)	3Q19	3Q18	Chg.%	9M19	9M18	Chg.%
Net Revenue	1,516,007	1,250,099	21.3%	5,097,468	4,139,696	23.1%
EBITDA [1]	369,006	471,248	-21.7%	1,479,451	1,605,511	-7.9%
EBITDA Margin	*24.3%*	*37.7%*	*-13.4 p.p.*	*29.0%*	*38.8%*	*-9.8 p.p.*
Adjusted Net Income [2]	141,309	366,941	-61.5%	764,232	1,346,008	-43.2%
Adjusted Net Margin	*9.3%*	*29.4%*	*-20.0 p.p.*	*15.0%*	*32.5%*	*-17.5 p.p.*

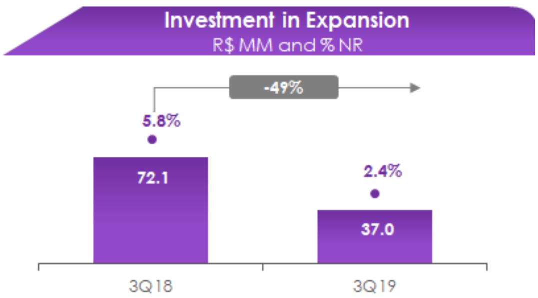
Excludes the impacts from adoption of IFRS16 on the results of 2019 and 2018.
[1] EBITDA considers interest and late-payment fees and excludes impacts from inventory surplus.
[2] Net income adjusted by the amortization of intangible assets and inventory surplus value.

Capex and Investments in Expansion

In 3Q19, Cogna invested R$133.4 million, allocated as follows:

- Information technology and library equipment: R$7.8 million (6%);
- Content and systems development and software licenses: R$92.4 million (69%);
- Laboratory and related equipment: R$5.7 million (4%);
- Expansions – construction and improvements: R$27.5 million (21%).





During 3Q19, Capex corresponded to 8.8% of net revenue, down from 9.7% in 3Q18. Most of the Capex was allocated to content development, systems and software licenses, which accounted for 69% 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 all the content renewal for K-12. In this respect, note that, after the consolidation of Somos, the Company now makes publishing investments for the production of textbooks, which are already included in the Capex figure. Another large expenditure was related to the expansion projects, with renovations and improvements at existing units to prepare them for the second semester so as to meet students' expectations and adapt them to the change in the program portfolio being implemented. In the first nine months of the year, Capex amounted to R$360.7 million, which corresponds to 7.1% of the Company's net revenue in the period.

Note that, since the start of the year, investments in special projects are now recognized as recurring Capex, in other words, all investments, except expansion, are included in the line "Capex." Accordingly, investments in expansion amounted to R$37.0 million in the quarter and R$134.9 million in 9M19, representing 2.4% and 2.6% of net revenue, respectively.

Net Debt

Consolidated - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%
Cash and Cash Equivalents	436,260	6,793,655	-93.6%	1,016,752	-57.1%
Cash	550	99	455.5%	2,386	-77.0%
Securities	435,710	6,793,556	-93.6%	1,014,366	-57.0%
Loans and Financing	8,011,026	5,703,559	40.5%	8,423,155	-4.9%
Short-term Debt	393,305	170,401	130.8%	509,819	-22.9%
Long-term Debt	7,617,721	5,533,158	37.7%	7,913,336	-3.7%
Net Cash (Debt) [1]	**(7,574,766)**	**1,090,096**	**n.a.**	**(7,406,403)**	**2.3%**
Other Short and Long Term Debt [2]	317,926	309,108	2.9%	360,661	-11.8%
(1) Net Cash (Debt)	**(7,892,692)**	**780,988**	**n.a.**	**(7,767,064)**	**1.6%**
Short Term Accounts Receivable [3]	**137,567**	**134,085**	**2.6%**	**136,896**	**0.5%**
Uniasselvi Disposal	122,822	118,532	3.6%	122,443	0.3%
FAIR and FAC/FAMAT Disposal	14,745	15,554	-5.2%	14,453	2.0%
Long-Term Accounts Receivable [3]	**381,130**	**483,271**	**-21.1%**	**376,579**	**1.2%**
Uniasselvi Disposal	346,336	439,990	-21.3%	342,192	1.2%
FAIR and FAC/FAMAT Disposal	34,795	43,281	-19.6%	34,387	1.2%
(2) Other Accouts Receivable [3]	**518,697**	**617,356**	**-16.0%**	**513,475**	**1.0%**
(1)+(2) Pro Forma Net Cash (Debt)	**(7,373,995)**	**1,398,344**	**n.a.**	**(7,253,589)**	**1.7%**

[1] Net cash (debt) considering only bank obligations.
[2] Considering all short- and long-term obligations related to the taxes paid in installments and the acquisitions, including the amount to be paid within 6 years related to the Uniasselvi acquisition, in addition to debentures issued by both Companies (Kroton and Somos).
[3] Considers the short-term receivables related to the Uniasselvi, FAIR and FAC/FAMAT divestment and long-term receivables related to the other installments of Uniasselvi, FAIR and FAC/FAMAT to be earned from 2020 to 2022 adjusted to present value (excluding the earn-out amounts).

At the end of 3Q19, total cash and financial investments amounted to R$436.3 billion, down 57.1% from the previous quarter, reflecting the expenditures made in the quarter related to the cash burn of the operation, the payment of interest on debentures, the investments in expansion and the payment of dividends. In addition to the capital raised to acquire Somos and the consolidation of its debt in the balance sheet of Saber (a wholly owned subsidiary of Cogna), total net debt in 3Q19 was R$7.6 billion, which is virtually in line with the previous quarter. Considering all other short-term and long-term obligations, which include taxes and contributions paid in installments and the obligations and rights related to past acquisitions, Cogna ended the period with net debt of R$7.9 billion. Total long-term obligations include amounts related to installment payments for acquisitions, especially those for Uniasselvi, which are being repaid in six annual installments since 2013, in addition to various debentures issued by Cogna and Somos over the last few years. In addition, it is worth noting that Cogna also has short-term and long-term receivables that will have a positive impact on its cash in the coming years. These receivables include both short-term accounts receivables, which correspond to one of the installments from the sales of Uniasselvi, FAIR and FAC/FAMAT, and long-term accounts receivables related to the remaining 3 installments of the payment for Uniasselvi, FAIR and FAC/FAMAT adjusted to present value (excluding the earn-out amounts), which will be received annually through 2022. Therefore, including all short-term and long-term receivables, the net debt balance is lower, at R$7.4 billion. The Company also has short-term stand-by credit facilities that are not included in these figures. Lastly, it is important to note that the current debt level is consistent with the Company's projects and opportunities, and in accordance with the financial covenants agreed with bondholders.

Cash Flow

Consolidated - Values in R$ ('000)	3Q19	3Q18	Chg.%	2Q19	Chg.%	9M19	9M18	Chg.%
Net Income before Income Interest	**(62,934)**	**363,786**	**n.a.**	**58,941**	**n.a.**	**252,492**	**1,313,984**	**-80.8%**
(+) Net Income adjustments before Income Interest	723,999	354,546	104.2%	782,017	-7.4%	2,141,005	849,792	151.9%
Depreciation and Amortization	328,912	112,870	191.4%	382,068	-13.9%	966,065	318,185	203.6%
Provision for Doubtful Accounts (PDA)	170,899	155,067	10.2%	186,883	-8.6%	568,654	498,667	14.0%
Others	224,188	86,609	158.9%	213,066	5.2%	606,286	32,940	1740.6%
(+) Income Tax and Social Contribution	(11,160)	(8,270)	34.9%	(44,506)	-74.9%	(58,440)	(56,458)	3.5%
(+) Changes in Working Capital	(393,818)	(50,802)	675.2%	(534,913)	-26.4%	(1,940,592)	(1,046,081)	85.5%
(Increase) Reduction in Accounts Receivable ex-FIES	(239,031)	(278,848)	-14.3%	(371,362)	-35.6%	(1,000,910)	(555,826)	80.1%
(Increase) Reduction in Accounts Receivable FIES	97,028	475,043	-79.6%	95,303	1.8%	40,540	(219,235)	n.a.
Others	(251,815)	(246,997)	2.0%	(258,855)	-2.7%	(980,222)	(271,020)	261.7%
Operating Cash Generation before Capex	**256,087**	**659,260**	**-61.2%**	**261,539**	**-2.1%**	**394,465**	**1,061,237**	**-62.8%**
Capex	(133,376)	(121,010)	10.2%	(120,632)	10.6%	(360,646)	(330,193)	9.2%
Operating Cash Generation after Capex	**122,710**	**538,250**	**-77.2%**	**140,907**	**-12.9%**	**33,819**	**731,044**	**-95.4%**
(+) Investments in Expansion	(37,002)	(72,086)	-48.7%	(52,820)	-29.9%	(134,996)	(140,494)	-3.9%
(+) M&A Activities	(103,103)	(83,390)	23.6%	(1,741,676)	-94.1%	(1,906,150)	(191,147)	897.2%
(+) Cash Flow from Financing Activities	(562,002)	5,282,116	n.a.	657,821	n.a.	(156,403)	4,666,947	n.a.
Free Cash Flow	**(579,397)**	**5,664,890**	**n.a.**	**(995,769)**	**-41.8%**	**(2,163,730)**	**5,066,350**	**n.a.**

Consolidated - Values in R$ ('000)	3Q19	3Q18	Chg.%	9M19	9M18	Chg.%
Operating Cash Generation (OCG) before Capex	**256,087**	**659,260**	**-61.2%**	**394,465**	**1,061,237**	**-62.8%**
OCG / EBITDA	*50.1%*	*115.4%*	-65.3 p.p.	*20.9%*	*56.1%*	-35.2 p.p.
Operating Cash Generation after Capex	**122,710**	**538,250**	**-77.2%**	**33,819**	**731,044**	**-95.4%**
OCG / EBITDA	*24.0%*	*94.2%*	-70.2 p.p.	*1.8%*	*38.7%*	-36.9 p.p.
Free Cash Flow	**(579,397)**	**5,664,890**	**n.a.**	**(2,163,730)**	**5,066,350**	**n.a.**

The Company's Free Cash Flow stems from cash flow from operating activities, which is derived from net income adjusted for all noncash effects in the profit and loss and comprises all variations in working capital, taxes paid (income tax and social contribution) and investments made (ex-acquisitions), and from cash flow from non-operating activities, which includes all financial flows not related to the operations. All figures in the above table exclude any adjustments or pro forma analyses and reflect only the actual cash flow in the periods.

Therefore, operating cash generation before Capex came to R$256.1 million in 3Q19, down 61.2% from 3Q18, since that period was positively impacted by the payment of the last installment under PN23. The result also was negatively impacted by the higher working capital needs of the Company's installment payment products, the higher PDA due to the still-unstable economic environment and the higher financial charges in the period. However, this cash generation maintained the positive trend of the prior quarter despite the different schedule of PNLD receivables, which reinforces the positive outlook for the coming quarter, especially considering that 4Q19 has a stronger cash generation profile due to the seasonality of receivables form PNLD and FIES. By adding Capex disbursements, operating cash generation in 3Q19 was R$122.7 million, which is in line with the efforts to mitigate the pressures that Company has faced from the shift in the student profile and from the costs inherent to offering installment products using own capital. The Company's free cash flow was negative R$579.4 million, reflecting the disbursements made for financing activities, especially for the acquisition of Somos.

Pro Forma Analysis:
Considering the cash generated by PNLD repurchases in 3Q19 (in line with historical seasonality), cash generation in the quarter was R$279.7 million, demonstrating the expected improvement in cash generation for 2019.

Operating cash flow after Capex corresponded to 24.0% of EBITDA in 3Q19 and 1.8% in 9M19. However, on a pro forma basis, i.e. including the cash from PNLD repurchases, the cash conversion ratio was 44.9% in 3Q19 and 9.5% in 9M19, i.e., a consistent improvement compared to the ratio observed in the first half of the year, which shows that the Company is converging to achieve its guidance of R$800 million for 2019, given: (i) the considerable volume relating to PNLD to be received in 4Q19; (ii) the receipt, in December, of FIES revenue for November, as has been occurring in the past three years; (iii) the lower need for disbursements at the end of the year; and (iv) the expected improvement in the average terms of receivables and payables of the Company.

CAPITAL MARKETS AND SUBSEQUENT EVENTS

OWNERSHIP STRUCTURE

Cogna's capital is composed of 1,644,248,206 common shares, distributed as follows:

*Cogna Ownership Structure**	Quantity	%
Treasury	9,570,146	0.58%
Free Float	1,634,678,060	99.42%
Total	**1,644,248,206**	**100.00%**

* Position as of 10/31/2019.

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 3Q19, registering financial trading volume of R$11.7 billion and 1,941,330 trades in the period, which represents average daily trading volume of R$179.7 million. Cogna's stock is currently covered by research analysts at 13 different local and international institutions. At September 30, 2019, Cogna's market capitalization was R$18.4 billion.

In the third quarter of 2019, Cogna's stock price increased 1.9%, while the Bovespa Index (Ibovespa) advanced 8.7%. In the same period, the IGC, ITAG and ICON gained 6.3%, 5.0% and 17.3%, respectively. In the nine-month period, Cogna stock price increased 26.0%, while the Ibovespa, IGC, ITAG and ICON gained 19.2%, 23.2%, 20.9% and 42.4%, respectively.

Highlights- KROT3	3Q19	9M19
Average Daily Trade Volume (average)	R$ 179.7 million	R$ 145.7 million
Maximum (R$ per share)	R$ 13.66	R$ 13.66
Minimum (R$ per share)	R$ 9.76	R$ 8.80
Average (R$ per share)	R$ 11.52	R$ 10.81
Closing Quote	R$ 11.18	R$ 11.18
Variation in the period (%)	1.9%	26.0%

CREDIT RATINGS

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

DIVIDENDS

In the Meeting held on November 13, 2019, the Board of Directors approved the distribution of dividends related to the results for the third quarter of 2019 in the amount of R$7.7 million, which will be calculated towards the minimum mandatory dividend for 2019 and corresponds to R$0.0047388621 per common share and to 40% of corporate net income, after deduction of the legal reserve. Shareholders of record at the close of trading on November 19, 2019 are entitled to the dividends.

ABOUT COGNA EDUCAÇÃO

Cogna Educação is one of the largest private educational organizations in the world. Operating for over 50 years, the Company has a nationwide presence in all of Brazil's states. At the end of 3Q19, Cogna had approximately 866,000 students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 176 own Postsecondary Education units and its 1,410 accredited Distance Learning centers. On October 11, 2018, Cogna concluded the acquisition of Somos Educação, the leading primary and secondary education group in Brazil, making it a complete educational platform with an important presence in all K-12 businesses. In K-12 Education, in 3Q19, the consolidated operation had around 36,000 students in 54 own schools/school management contracts, approximately 26,000 students in 125 units of Red Balloon, and 1.3 million students served through approximately 4,000 associated schools using solutions of core content, complementary content and digital services.

APPENDIX 1 – CORPORATE BALANCE SHEET

R$ ('000)

Assets	3Q19	% AV	2Q19	% AV
Current Assets	**3,916,252**	**12.0%**	**4,521,946**	**13.4%**
Cash and cash equivalents	550	0.0%	2,386	0.0%
Financial Investments	173,792	0.5%	232,980	0.7%
Securities	245,809	0.8%	764,182	2.3%
Accounts Receivable	2,336,243	7.1%	2,347,068	6.9%
Inventories	431,919	1.3%	427,519	1.3%
Prepayments	45,340	0.1%	90,074	0.3%
Recoverable Taxes	407,011	1.2%	383,832	1.1%
Deferred Taxes	137,566	0.4%	-	0.0%
Other Accounts Receivable	138,022	0.4%	273,905	0.8%
Non current Assets	**28,796,567**	**88.0%**	**29,315,086**	**86.6%**
Securities	16,109	0.0%	17,204	0.1%
Accounts Receivables	732,824	2.2%	718,476	2.1%
Accounts receivable on sale of subsidiaries	381,131	1.2%	-	0.0%
Deferred Taxes	785,970	2.4%	705,405	2.1%
Judicial Deposits	79,719	0.2%	111,500	0.3%
Prepayments	1,680	0.0%	1,680	0.0%
Taxes to Recover	6,447	0.0%	6,447	0.0%
Guarantee for social security, labor and civil provisions	1,096,093	3.4%	1,106,418	3.3%
Other	66,264	0.2%	443,241	1.3%
Investments	8,339	0.0%	0	0.0%
Fixed Assets	5,360,731	16.4%	5,369,373	15.9%
Intangible	20,261,260	61.9%	20,835,342	61.6%
Total Assets	**32,712,818**	**100.0%**	**33,837,032**	**100.0%**
Liabilities and Equity				
Current Liabilities	**2,224,664**	**6.8%**	**2,493,607**	**7.4%**
Suppliers	292,872	0.9%	698,407	2.1%
Supply Chain Risk	307,258	0.9%	-	0.0%
Loans and Financing	531	0.0%	494	0.0%
Debenture	392,774	1.2%	509,325	1.5%
Lease	209,525	0.6%	224,319	0.7%
Social security and labor liabilities	552,005	1.7%	499,611	1.5%
Income Tax and Social Contribution	48,578	0.1%	28,048	0.1%
Taxes and Contribution	88,742	0.3%	82,294	0.2%
Advances from Clients	185,750	0.6%	262,795	0.8%
Tax and Contribution Payment Installments	14,446	0.0%	14,407	0.0%
Accounts Payable - Acquisitions	106,330	0.3%	130,124	0.4%
Dividends Payable	343	0.0%	58	0.0%
Other	25,510	0.1%	43,725	0.1%
Non current Liabilities	**14,423,470**	**44.1%**	**15,292,778**	**45.2%**
Loans and Financing	281	0.0%	442	0.0%
Debenture	7,617,440	23.3%	7,912,894	23.4%
Lease	3,073,665	9.4%	3,037,228	9.0%
Provision for Tax, Labor and Civil Lawsuit Losses	364,326	1.1%	384,031	1.1%
Liabilities assumed in the business combination	2,556,873	7.8%	3,121,860	9.2%
Tax and Contribution Payment Installments	20,346	0.1%	22,733	0.1%
Accounts Payable - Acquisitions	176,804	0.5%	193,397	0.6%
Deferred Taxes	600,836	1.8%	620,094	1.8%
Others	12,899	0.0%	99	0.0%
Consolidated Equity	**16,064,685**	**49.1%**	**16,050,647**	**47.4%**
Total Liabilities and Equity	**32,712,819**	**100.0%**	**33,837,032**	**100.0%**

APPENDIX 2 – QUARTERLY INCOME STATEMENT RECONCILIATION

	3Q19 Results (Book)	Non-accounting adjustments: Interest and Penalties on Tuition	Depreciation	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain	Reclassification between Costs and expenses	3Q19 Results (Release)
	(In thousand reais, except otherwise indicated)						
Gross Revenue	1,926,124	-	-	-	-	249	1,926,373
Postsecondary	1,508,480	-	-	-	-	0	1,508,480
Primary and Secondary	417,644	-	-	-	-	249	417,893
Deductions from Gross Revenue	**(410,368)**	**-**	**-**	**-**	**-**	**-**	**(410,368)**
Postsecondary	(336,633)	-	-	-	-	-	(336,633)
Primary and Secondary	(73,735)	-	-	-	-	-	(73,735)
Net Revenue	**1,515,756**	**-**	**-**	**-**	**-**	**250**	**1,516,006**
Postsecondary	1,171,847	-	-	-	-	0	1,171,847
Primary and Secondary	343,909	-	-	-	-	249	344,159
Costs of Goods/Services	**(676,587)**	**-**	**229,024**	**-**	**669**	**(13,292)**	**(460,186)**
Cost of Goods Sold	(17,168)	-	-	-	-	(81,048)	(98,216)
Cost of Services Rendered	(659,419)	-	229,024	-	669	67,756	(361,970)
Gross Income	**839,169**	**-**	**229,024**	**-**	**669**	**(13,043)**	**1,055,820**
Operating Expenses	**(729,561)**	**-**	**-**	**154,658**	**35,669**	**(41,685)**	**(580,918)**
Selling Expenses	(171,369)	-	-	-	1,325	597	(169,446)
Provision for Doubtful Accounts	(170,301)	-	-	-	-	(598)	(170,899)
Personnel Expenses	-	-	-	-	-	(121,036)	(121,036)
General and Administrative Expenses	(403,145)	-	-	154,658	48,916	142,310	(57,261)
Other Operating Income (Expenses)	14,681	-	-	-	(14,572)	(109)	-
Corporate Expenses	-	-	-	-	-	(62,732)	(62,732)
Equity	573	-	-	-	-	(117)	456
Income before Financial Result	**109,608**	**-**	**229,024**	**154,658**	**36,339**	**(54,727)**	**474,902**
Interest and Penalties on Tuition	-	72,951	-	-	-	-	72,951
Adjusted EBITDA	**109,608**	**72,951**	**229,024**	**154,658**	**36,339**	**(54,727)**	**547,853**
(-) Nonrecurring itens	-	-	-	-	(36,339)	-	(36,339)
Depreciation and Amortization	-	-	(229,024)	(154,658)	-	54,783	(328,899)
Financial Result	**(172,541)**	**(72,951)**	**-**	**-**	**-**	**(571)**	**(246,063)**
Financial Expenses	(269,806)	-	-	-	-	(55,352)	(325,158)
Financial Revenues	97,265	(72,951)	-	-	-	54,782	79,096
Income from Operations	**(62,933)**	**-**	**-**	**-**	**(0)**	**(515)**	**(63,446)**
Income and Social Contribution Tax	**83,657**	**-**	**-**	**-**	**-**	**-**	**83,657**
Current	(16,215)	-	-	-	-	-	(16,215)
Deferred	99,872	-	-	-	-	-	99,872
Participation of Minority Shareholders	(337)	-	-	-	-	127	(210)
Net Income Attributed to Controlling Shareholders	**20,387**	**-**	**-**	**-**	**(0)**	**(388)**	**20,001**

APPENDIX 3 – NINE-MONTH INCOME STATEMENT RECONCILIATION

	9M19 Results (Book)	Non-accounting adjustments: Interest and Penalties on Tuition	Depreciation & Amortization	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain	Reclassification between Costs and expenses	9M19 Results (Release)
(In thousand reais, except otherwise indicated)							
Gross Revenue	**6,435,816**	**-**	**-**	**-**	**-**	**249**	**6,436,065**
Postsecondary	4,945,697	-	-	-	-	-	4,945,697
Primary and Secondary	1,490,119	-	-	-	-	249	1,490,368
Deductions from Gross Revenue	**(1,338,598)**	**-**	**-**	**-**	**-**	**-**	**(1,338,598)**
Postsecondary	(1,091,679)	-	-	-	-	-	(1,091,679)
Primary and Secondary	(246,919)	-	-	-	-	-	(246,919)
Net Revenue	**5,097,219**	**-**	**-**	**-**	**-**	**249**	**5,097,468**
Postsecondary	3,854,019	-	-	-	-	-	3,854,019
Primary and Secondary	1,243,200	-	-	-	-	249	1,243,449
Costs of Goods/Services	**(1,997,204)**	**-**	**675,567**	**-**	**6,859**	**(41,054)**	**(1,355,831)**
Cost of Goods Sold	(223,952)	-	-	-	-	(80,529)	(304,481)
Cost of Services Rendered	(1,773,252)	-	675,567	-	6,859	39,475	(1,051,350)
Gross Income	**3,100,015**	**-**	**675,567**	**-**	**6,859**	**(40,805)**	**3,741,637**
Operating Expenses	**(2,346,282)**	**-**	**-**	**290,485**	**154,265**	**40,753**	**(1,860,779)**
Selling Expenses	(481,880)	-	-	-	3,442	-	(478,438)
Provision for Doubtful Accounts	(568,654)	-	-	-	-	-	(568,654)
Personnel Expenses	-	-	-	-	-	(374,765)	(374,765)
General and Administrative Expenses	(1,293,971)	-	-	290,485	145,729	618,541	(239,217)
Other Operating Income (Expenses)	(1,756)	-	-	-	5,094	(3,338)	-
Corporate Expenses	-	-	-	-	-	(199,684)	(199,684)
Non recurring items	(21)	-	-	-	-	-	(21)
Income before Financial Result	**753,733**	**-**	**675,567**	**290,485**	**161,124**	**(52)**	**1,880,858**
Interest and Penalties on Tuition	-	167,367	-	-	-	-	167,367
Adjusted EBITDA	**753,733**	**167,367**	**675,567**	**290,485**	**161,124**	**(52)**	**2,048,224**
(-) Nonrecurring itens	-	-	-	-	-	-	-
Depreciation and Amortization	-	-	-	-	(161,124)	-	(161,124)
Other Operating Revenues (Expenses)	-	-	(675,567)	(290,485)	-	-	(966,052)
Financial Result	**(501,239)**	**(167,367)**	**-**	**-**	**-**	**50**	**(668,556)**
Financial Expenses	(777,575)	-	-	-	-	(117,053)	(894,628)
Financial Revenues	276,336	(167,367)	-	-	-	117,103	226,072
Income from Operations	**252,494**	**-**	**-**	**-**	**-**	**(2)**	**252,492**
Income and Social Contribution Tax	**158,218**	**-**	**-**	**-**	**-**	**-**	**158,218**
Current	(64,604)	-	-	-	-	-	(64,604)
Deferred	222,822	-	-	-	-	-	222,822
Participation of Minority Shareholders	(7,150)	-	-	-	-	6,421	(729)
Net Income Attributed to Controlling Shareholders	**403,562**	**-**	**-**	**-**	**-**	**6,419**	**409,981**

APPENDIX 4 – QUARTERLY INCOME STATEMENT

(In thousand reais, except otherwise indicated)	3Q19	% Net Rev.	3Q18	% Net Rev.	3Q19 / 3Q18	2Q19	% Net Rev.	3Q19 / 2Q19
Gross Revenue	**1,926,125**	**127.1%**	**1,667,958**	**133.4%**	**15.5%**	**2,209,477**	**126.8%**	**-12.8%**
Postsecondary	1,508,480	99.5%	1,632,147	130.6%	-7.6%	1,752,624	100.6%	-13.9%
Primary and Secondary	417,644	27.6%	35,811	2.9%	1,066.2%	456,853	26.2%	-8.6%
Deductions from Gross Revenue	**(410,368)**	**-27.1%**	**(417,860)**	**-33.4%**	**-1.8%**	**(467,122)**	**-26.8%**	**-12.1%**
Postsecondary	(336,633)	-22.2%	(413,994)	-33.1%	-18.7%	(373,701)	-21.4%	-9.9%
Primary and Secondary	(73,735)	-4.9%	(3,866)	-0.3%	1,807.3%	(93,421)	-5.4%	-21.1%
Net Revenue	**1,515,756**	**100.0%**	**1,250,098**	**100.0%**	**21.3%**	**1,742,355**	**100.0%**	**-13.0%**
Postsecondary	1,171,847	77.3%	1,218,153	97.4%	-3.8%	1,378,923	79.1%	-15.0%
Primary and Secondary	343,909	22.7%	31,945	2.6%	976.6%	363,432	20.9%	-5.4%
Costs of Goods/Services	**(676,587)**	**-44.6%**	**(555,756)**	**-44.5%**	**21.7%**	**(638,378)**	**-36.6%**	**6.0%**
Cost of Goods Sold	(17,168)	-1.1%	(1,826)	-0.1%	840.2%	(86,226)	-4.9%	-80.1%
Cost of Services Rendered	(659,419)	-43.5%	(553,930)	-44.3%	19.0%	(552,152)	-31.7%	19.4%
Gross Income	**839,169**	**55.4%**	**694,342**	**55.5%**	**20.9%**	**1,103,977**	**63.4%**	**-24.0%**
Operating Expenses	**(729,562)**	**-48.1%**	**(423,578)**	**-33.9%**	**72.2%**	**(853,482)**	**-49.0%**	**-14.5%**
Selling Expenses	(341,670)	-22.5%	(244,956)	-19.6%	39.5%	(357,827)	-20.5%	-4.5%
General and Administrative Expenses	(403,145)	-26.6%	(178,426)	-14.3%	125.9%	(475,585)	-27.3%	-15.2%
Other Operating Income (Expenses)	14,681	1.0%	(196)	-0.0%	n.a.	(18,899)	-1.1%	n.a.
Equity in the results of investees	573	0.0%	-	0.0%	n.a.	(1,171)	-0.1%	n.a.
Income before Financial Result	**109,607**	**7.2%**	**270,764**	**21.7%**	**-59.5%**	**250,495**	**14.4%**	**-56.2%**
Financial Result	**(172,541)**	**-11.4%**	**93,023**	**7.4%**	**n.a.**	**(191,555)**	**-11.0%**	**-9.9%**
Financial Expenses	(269,806)	-17.8%	(70,631)	-5.7%	282.0%	(262,414)	-15.1%	2.8%
Financial Revenues	97,265	6.4%	163,654	13.1%	-40.6%	70,859	4.1%	37.3%
Income from Operations	**(62,934)**	**-4.2%**	**363,787**	**29.1%**	**n.a.**	**58,940**	**3.4%**	**n.a.**
Income and Social Contribution Tax	83,657	5.5%	(15,970)	-1.3%	n.a.	80,898	4.6%	3.4%
Current	(16,215)	-1.1%	(24,947)	-2.0%	-35.0%	4,851	0.3%	n.a.
Deferred	99,872	6.6%	8,977	0.7%	1,012.5%	76,047	4.4%	31.3%
Net Income	**20,723**	**1.4%**	**347,817**	**27.8%**	**-94.0%**	**139,838**	**8.0%**	**-85.2%**
Net Income Attributed to Controlling Shareholders	**20,386**	**1.3%**	**347,817**	**27.8%**	**-94.1%**	**144,933**	**8.3%**	**-85.9%**
Net Income Attributed to Non-Controlling Shareholders	**337**	**0.0%**	**-**	**0.0%**	**n.a.**	**(5,095)**	**-0.3%**	**n.a.**

APPENDIX 5 – NINE-MONTH CORPORATE INCOME STATEMENT

	9M19	% Net Rev.	9M18	% Net Rev.	9M19 / 9M18
	(In thousand reais, except otherwise indicated)				
Gross Revenue	**6,435,816**	**126.3%**	**5,461,942**	**131.9%**	**17.8%**
Postsecondary	4,945,697	97.0%	5,321,913	128.6%	-7.1%
Primary and Secondary	1,490,119	29.2%	140,029	3.4%	964.2%
Deductions from Gross Revenue	**(1,338,598)**	**-26.3%**	**(1,322,246)**	**-31.9%**	**1.2%**
Postsecondary	(1,091,679)	-21.4%	(1,299,962)	-31.4%	-16.0%
Primary and Secondary	(246,919)	-4.8%	(22,284)	-0.5%	1,008.1%
Net Revenue	**5,097,218**	**100.0%**	**4,139,696**	**100.0%**	**23.1%**
Postsecondary	3,854,018	75.6%	4,021,951	97.2%	-4.2%
Primary and Secondary	1,243,200	24.4%	117,745	2.8%	955.8%
Costs of Goods/Services	**(1,997,204)**	**-39.2%**	**(1,638,684)**	**-39.6%**	**21.9%**
Cost of Goods Sold	(223,952)	-4.4%	(17,306)	-0.4%	1,194.1%
Cost of Services Rendered	(1,773,252)	-34.8%	(1,621,378)	-39.2%	9.4%
Gross Income	**3,100,014**	**60.8%**	**2,501,012**	**60.4%**	**24.0%**
Operating Expenses	**(2,346,283)**	**-46.0%**	**(1,385,638)**	**-33.5%**	**69.3%**
Selling Expenses	(1,050,534)	-20.6%	(823,080)	-19.9%	27.6%
General and Administrative Expenses	(1,293,971)	-25.4%	(555,835)	-13.4%	132.8%
Other Operating Income (Expenses)	(1,756)	-0.0%	(6,723)	-0.2%	-73.9%
Equity in the results of investees	(21)	-0.0%	-	0.0%	n.a.
Income before Financial Result	**753,731**	**14.8%**	**1,115,374**	**26.9%**	**-32.4%**
Financial Result	**(501,239)**	**-9.8%**	**198,616**	**4.8%**	**n.a.**
Financial Expenses	(777,575)	-15.3%	(112,506)	-2.7%	591.1%
Financial Revenues	276,336	5.4%	311,122	7.5%	-11.2%
Income from Operations	**252,492**	**5.0%**	**1,313,990**	**31.7%**	**-80.8%**
Income and Social Contribution Tax	158,218	3.1%	(23,410)	-0.6%	n.a.
Current	(64,604)	-1.3%	(67,033)	-1.6%	-3.6%
Deferred	222,822	4.4%	43,623	1.1%	410.8%
Net Income	**410,710**	**8.1%**	**1,290,580**	**31.2%**	**-68.2%**
Net Income Attributed to Controlling Shareholders	**403,560**	**7.9%**	**1,290,580**	**31.2%**	**-68.7%**
Net Income Attributed to Non-Controlling Shareholders	**7,150**	**0.1%**	**-**	**0.0%**	**n.a.**

APPENDIX 6 – CASH FLOW STATEMENT

R$ 000	3Q19	3Q18	2Q19
Net Income before Income Taxes	**(62,934)**	**363,786**	**58,941**
Net Income (Loss) Adjustments before Income Taxes			
Depreciation and Amortization	316,975	112,870	361,516
Depreciation Capex Editorial	11,937	-	20,552
Provision for Doubtful Accounts	170,899	155,067	186,883
Provision for Tax, Labor and Civil Losses	(35,935)	98,300	(30,795)
Provision (Reversal) for Invetories Losses	(38,440)	(108)	11,436
Financial Charges	170,399	56,054	153,349
Income from Securities	(14,804)	(63,514)	(9,837)
Grant of Stock Options	25,478	5,042	(5,023)
Finance lease	75,847	-	75,388
Income from disposal of subsidiaries	-	(9,165)	-
Income from sale or disposal of assets and other investments	42,258	-	17,377
Result of Equity Restatement	(615)	-	1,171
Changes in Working Capital	**(393,818)**	**(50,802)**	**(534,913)**
(Increase) Reduction in Accounts Receivable (ex-FIES)	(239,031)	(278,848)	(371,362)
(Increase) Reduction in Accounts Receivable FIES	97,028	475,043	95,303
(Increase) Reduction in Inventories	978	(6,342)	(79,187)
(Increase) Reduction in Advances	38,305	3,076	(6,488)
(Increase) Reduction in Recoverable Taxes	(12,019)	(9,970)	(5,175)
(Increase) Decrease in Escrow Deposits	23,230	(19)	(6,268)
Increase (Decrease) in Other Assets	40,229	5,920	42,570
Increase (Reduction) in Suppliers	(70,726)	(30,230)	(132,995)
Finance Lease Payment Rentals	(153,119)	-	(100,401)
Increase (Decrease) in Payroll and Related Taxes	52,394	39,296	31,847
Increase (Decrease) in Fiscal Obligations	2,458	7,370	84,000
Increase (Decrease) in Advances to Clients	(77,045)	(90,451)	(34,361)
(Decrease) in Taxes Installments	(3,093)	356	(2,057)
(Decrease) in Provision for Tax, Labor and Civil Losses	(47,176)	(35,385)	(49,457)
Increase (Decrease) in Other Liabilities	(46,231)	(130,618)	(883)
Income Tax and Social Contribution	**(11,160)**	**(8,270)**	**(44,506)**
Capex	**(133,376)**	**(121,010)**	**(120,632)**
Additions to Fixed Assets	(125,393)	(69,583)	(64,730)
Additions to Intangible Assets	(7,984)	(51,427)	(55,902)
Cash Flow from Operating Activities after Capex - Recurring	**122,710**	**538,250**	**140,907**
Capex - Special Projects	**(37,002)**	**(72,086)**	**(52,820)**
Brownfields	(37,002)	(72,086)	(52,820)
Cash Flow from Operating Activities after total Capex	**85,709**	**466,164**	**88,087**
(+) M&A Activities	**(103,103)**	**(83,390)**	**(1,741,676)**
Acquisition of subsidiaries	(139,810)	(67,510)	(1,741,676)
Accounts Receivable from former owners	(1,806)	(2,245)	-
M&A Costs and Expenses	60,368	1,365	-
Proceeds from sale of investments	(21,855)	(15,000)	-
(+) Cash Flow from Financing Activities	**(562,002)**	**5,282,116**	**657,821**
Sale (Acquisition) of Treasury Shares	25,189	(7,805)	10,358
Capital Increase, Net of Issuance Costs	-	4,914	-
Issuance of CCB, net of issuance costs	(125)	-	797,786
Borrowings and financing	-	5,500,000	-
Payments of Borrowings and Financing	(281,489)	(51,451)	(20,891)
Interest Paid on Borrowings and Debentures	(264,357)	(30,489)	(1,693)
Redemption (Investment) of Securities	15,841	51,786	11,552
Refis Payment	(594)	(360)	(366)
Bank and Charges Fees	(1,393)	(6,888)	(5,389)
Payment of Dividends	(55,075)	(177,591)	(133,535)
(=) Cash Flow from Non-Operating Activities	**(665,106)**	**5,198,726**	**(1,083,855)**
Total Cash Generation	**(579,397)**	**5,664,891**	**(995,769)**
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the Start of the Period	999,548	1,127,746	1,995,316
Cash and Cash Equivalents at the End of the Period	420,151	6,792,637	999,548
Net Increase (Decrease) in Cash and Cash Equivalents	**(579,397)**	**5,664,891**	**(995,768)**