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

Cogna Educação S.A (formerly Kroton Educacional S.A).

Individual and Consolidated
Financial Statements for
the Year Ended December 31, 2019 and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

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INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders, Directors and Management of
Cogna Educação S.A. and its subsidiaries
Belo Horizonte - MG

Opinion

We have audited the accompanying individual and consolidated financial statements of Cogna Educação S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2019, and the related statements of income, of comprehensive income, of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Cogna Educação S.A. as at December 31, 2019, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements set out in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade - CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters ("KAM") are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. RECOGNITION OF REVENUE FROM HIGHER EDUCATION

The Company recognizes sales and service revenue from higher education classes, as described in notes 2.23 and 30 to the individual and consolidated financial statements. The revenue from higher education (in-class and distance learning (EAD)) accounted for approximately 71% of revenues recorded in 2019. Due to the several business combinations carried out by the Company over the past years and the specific characteristics of each business (in-class and EAD), and because the billing process is performed using different IT systems, in addition to the materiality of the balances, the matter was considered a KAM due to the risk of such information being fairly stated in the individual and consolidated financial statements, mainly for student loans.

Accordingly, we have identified the significant control process and activities designed and implemented by the Company, and we have performed audit procedures, including, without limitation: (i) testing, on a sampling basis, the existing documentation on the monthly tuitions of paying students and payment in installments, comparing with the respective signed agreements and subsequent financial collection of monthly tuitions, including confirmation of adhesion to the financing program, when applicable; and (ii) assessing the disclosures in the financial statements.

Based on the audit procedures performed, we identified a deficiency in the internal controls implemented by the Company's Management related to the criteria adopted by Management to determine the service revenue from higher education classes (in-class/EAD). Adjustments that would affect the recognition of revenue from higher education were identified. As part of its assessment, Management elected not to recognize such adjustments as they were considered to be immaterial.

Accordingly, we believe that the criteria adopted by Management to determine the service revenue from higher education classes (in-class/EAD), as well as the related disclosures in the notes to the financial statements are acceptable, within the context of the financial statements taken as a whole.

2. DETERMINATION OF THE ALLOWANCE FOR DOUBTFUL DEBTS

Management conducts periodic analyses to identify the existence of indications that the economic benefits associated with the balances of trade receivables may not be materialized in full, as described in notes 2.7 and 8 c) to the individual and consolidated financial statements, resulting in the need of recognizing an allowance to write them down to their recoverable amount. Management uses significant assumptions and judgments that may give rise to material impacts on the financial statements. If there is such evidence, the related allowance for expected credit losses is recognized. Consequently, considering the materiality of balances and due to the reasonable risk related to the fact that these estimates may materialize or not, this matter was considered a KAM in our audit.

Accordingly, we have identified the Company's significant control processes and activities, and we have performed specific audit procedures, including, without limitation: (i) obtaining and analyzing the assumptions and data used by Management to calculate the allowance for expected credit losses; (ii) recalculating the impairment test of trade receivables, based on the assumptions and data used by Management; and (ii) assessing the adequacy of the disclosures in the financial statements.

Based on the audit procedures performed, we identified a deficiency in the design of the internal controls implemented by the Company's Management related to the use of historical assumptions in the calculation of the allowance for doubtful debts, which resulted in adjustments made by Management.

Accordingly, we believe that the criteria adopted by Management to determine the allowance for doubtful debts, as well as the related disclosures in the notes to the financial statements are acceptable, within the context of the financial statements taken as a whole.

3. IMPAIRMENT OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Management conducts periodic analyses to identify the existence of indications that the goodwill based on expected future earnings arising from the business combinations carried out by the Company, as described in notes 2.11 and 15 to the individual and consolidated financial statements, may not be materialized in full, resulting in the need of recognizing an allowance to write it down to its recoverable amount. If there is such evidence, the related allowance for impairment is recognized. Consequently, considering the materiality of balances and due to the reasonable risk related to the fact that these estimates (discount rates, growth rates and Company's business profitability for several years in the future) may materialize or not, in addition to Management's critical judgments, this matter was considered a KAM in our audit.

Accordingly, we have identified the Company's significant control processes and activities, and we have performed specific audit procedures, including, without limitation:
(i) examining the analysis prepared by Management to check the reasonableness of the model used in the mathematical recalculation of future cash flows; (ii) involving specialists in the review of the discount rate and reasonableness of the model used by the Company; (iii) exercising professional skepticism when analyzing the documentation comprising important elements that require our professional judgment, such as analysis of the ability to generate future cash, comparing it with its most recent plans and based on an assessment of the sensitivity of a potential impact deriving from reasonable changes in the key assumptions used by the Company, including growth and discount rates, so as to conclude on the recoverability capacity of the corresponding assets; and (iv) assessing the adequacy of the disclosures in the financial statements.

Based on the audit procedures performed on the goodwill impairment test, we believe that the goodwill impairment test criteria and assumptions adopted by Management, as well as the related disclosures, are acceptable within the context of the individual and consolidated financial statements.

4. LEASE TRANSACTIONS

The Company maintains significant commitments under operating lease contracts, as described in notes 2.14, 2.26 and 18 to the individual and consolidated financial statements. Consequently, considering the materiality of balances due to the adoption of a new accounting standard, and as there as complex accounting aspects and the use of estimates with high degree of judgment (lease terms, incremental borrowing rate, among other aspects) to measure the right-of-use asset and lease liability, this matter was considered a KAM in our audit.

Accordingly, we have identified the Company's significant control processes and activities, and we have performed specific audit procedures, including, without limitation:
(i) examining the analysis prepared by Management to check the reasonableness of the model used in measuring the lease liability; (ii) assessing the incremental rate calculated by the Company, per type of asset and contract term; (iii) recalculating, on a sampling basis, the selected contracts to check the amount of the lease liability and right-of-use asset recognized; (iv) testing, on a sampling basis, the existing documentation, by comparing the information used in the measurement of the lease liability, such as: contract beginning and end, contract renewal or breach clauses and payment amounts; and (iv) assessing the adequacy of the disclosures in the financial statements.

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Based on the audit procedures performed on the recognition of lease contracts, we believe that the criteria and assumptions adopted by Management, as well as the related disclosures, are acceptable within the context of the individual and consolidated financial statements.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2019, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRSs, were subject to audit procedures performed together with the audit of the Company's financial statements. In forming our opinion, we evaluated whether these individual and consolidated DVA are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such standard and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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

Management is responsible for the other information. The other information comprises the Management Report. Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon. In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Restatement of comparative financial statements

On March 29, 2019, the predecessor auditors issued an unmodified opinion on the Company's financial statements for the year ended December 31, 2018, which are being restated, and issued a new opinion thereon, without any modifications, on August 14, 2019. As described in note 2.1.c) to the individual and consolidated financial statements, the comparative balances reported in the financial statements for December 31, 2019 have been adjusted and are being restated pursuant to CPC 23 (IAS 8) - Accounting Policies, Changes in Accounting Estimates and Errors and CPC 15 (R1) (IFRS 3) - Business Combinations. Our conclusion is not modified in respect of this matter.

Corresponding figures for the year ended December 31, 2018

The corresponding figures for the year ended December 31, 2018, presented for purposes of comparison, were previously audited by other independent auditors, who issued an opinion thereon, dated March 29, 2019 (reissued without any qualification on August 14, 2019).

Management's responsibilities and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the IFRSs, issued by the IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than of one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the KAM. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

Belo Horizonte, March 30, 2020

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Roberto Torres dos Santos
Engagement Partner

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(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
ASSETS	**Note**	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Current assets			(Restated note 2.1)		(Restated note 2.1)
Cash and cash equivalents	6	95	10,057	371,683	1,485,611
Securities	7	4,103	-	453,952	1,098,185
Trade receivables	8	-	20	2,586,529	1,940,313
Inventories	9	-	-	407,120	387,507
Advances		-	-	77,078	69,239
Recoverable taxes	10	11,787	3,913	346,162	315,169
Receivables from sale of subsidiaries	11	-	-	139,162	132,854
Other receivables	12	217	179	96,764	150,937
Related parties	28	633,434	-	-	304
Total current assets		**649,636**	**14,169**	**4,478,450**	**5,580,119**
Noncurrent assets					
Long-term receivables					
Securities	7	-	-	17,438	11,774
Trade receivables	8	-	-	754,687	694,283
Advances		-	-	1,680	1,679
Recoverable taxes	10	-	-	130,428	5,829
Receivables from sale of subsidiaries	11	-	-	250,531	361,551
Other receivables	12	-	-	97,107	58,125
Guarantee against losses in tax, labor and civil contingencies	24.1	34,366	43,509	1,130,019	933,219
Escrow deposits	23.4	362	298	95,671	102,656
Deferred income tax and social contribution	25	-	-	776,733	748,501
Related parties	28	1,900,218	-	-	-
Investments	13	21,890,788	16,539,405	8,213	-
Property, plant and equipment	14	-	-	5,855,264	2,494,528
Intangible assets	15	75,861	69,560	20,522,225	20,956,865
Total noncurrent assets		**23,901,595**	**16,652,772**	**29,639,996**	**26,369,010**
Total assets		**24,551,231**	**16,666,941**	**34,118,446**	**31,949,129**

(In thousands of Brazilian reais - R$)

			Parent		Consolidated
LIABILITIES	**Note**	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
			(Restated note 2.1)		(Restated note 2.1)
Current liabilities					
Borrowings and financing	16	-	-	531	4,671
Debentures	17	574,873	-	578,998	522,846
Lease – right of use	18	-	-	147,773	-
Trade payables		447	482	537,430	474,980
Trade payables purchaser's risk	19	-	-	341,656	391,974
Payroll and related taxes	20	-	2,970	463,527	508,251
Income tax and social contribution payable	-	-	-	60,608	27,875
Taxes payable	21	786	8	101,792	75,676
Advances from customers	-	13	-	318,409	303,857
Taxes in installments	-	-	-	14,384	14,521
Payables for acquisitions	22	-	-	117,976	132,440
Dividends payable	-	42	26,877	42	27,178
Other payables	-	175,561	82	67,498	81,227
		751,722	**30,419**	**2,750,625**	**2,565,496**
Noncurrent liabilities					
Borrowings and financing	16	-	-	161	50,445
Debentures	17	7,285,111	-	7,504,875	7,105,660
Lease – right of use	18	-	-	3,873,701	-
Payables for acquisitions	22	-	-	165,260	193,357
Provision for civil, labor, and tax contingencies	23.1	36,566	63,989	471,924	422,933
Liabilities assumed in business combination	24	-	-	2,631,543	3,213,048
Taxes in installments	-	-	-	17,846	27,299
Deferred income tax and social contribution	25	645,426	669,873	786,947	879,977
Other payables		-	16	80,295	17,854
		7,967,103	**733,878**	**15,532,552**	**11,910,573**
Total liabilities		**8,718,825**	**764,297**	**18,283,177**	**14,476,069**
Equity					
Capital	26.1	5,111,677	4,425,677	5,111,677	4,425,677
Capital reserves		6,400,167	6,379,742	6,400,167	6,379,742
Treasury shares		(121,428)	(190,280)	(121,428)	(190,280)
Earnings reserves		4,441,990	5,287,505	4,441,990	5,287,505
		15,832,406	**15,902,644**	**15,832,406**	**15,902,644**
Noncontrolling interests		-	-	2,863	1,570,416
Total equity		**15,832,406**	**15,902,644**	**15,835,269**	**17,473,060**
Total liabilities and equity		**24,551,231**	**16,666,941**	**34,118,446**	**31,949,129**

The accompanying notes are an integral part of these financial statements.

COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES
INCOME STATEMENT
For the Years Ended December 31, 2019 and 2018
(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
	Note	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Net revenue from sales and services					
Higher education	30	-	-	4,979,285	5,317,655
K-12 education	30	-	-	2,047,909	743,053
		-	**-**	**7,027,194**	**6,060,708**
Cost of sales and services					
Cost of services	31	-	-	(2,294,421)	(2,084,870)
Cost of sales	31	-	-	(515,201)	(183,934)
		-	**-**	**(2,809,622)**	**(2,268,804)**
Gross profit		**-**	**-**	**4,217,572**	**3,791,904**
Operating income (expenses)					
Selling expenses	31	-	-	(1,536,991)	(1,502,580)
General and administrative expenses	31	(48,416)	19,254	(1,702,760)	(1,051,990)
Other operating expenses, net	31	-	-	39,275	9,591
Share of profit (loss) of investees	13	274,930	1,355,497	(157)	(2,027)
Operating profit before finance income (costs) and taxes		**226,514**	**1,374,751**	**1,016,939**	**1,244,898**
Finance income (costs)					
Finance income	32	37,619	5,242	346,517	420,809
Finance costs	32	(53,594)	(693)	(1,179,670)	(286,318)
		(15,975)	**4,549**	**(833,153)**	**134,491**
Operating profit before taxes		**210,539**	**1,379,300**	**183,786**	**1,379,389**
Income tax and social contribution					
Current	25	258	-	(90,504)	(122,422)
Deferred	25	24,447	24,447	149,306	135,889
		24,705	**24,447**	**58,802**	**13,467**
Profit for the year		**235,244**	**1,403,747**	**242,588**	**1,392,856**
Attributable to:					
Owners of the Company		235,244	1,403,747	235,244	1,403,747
Noncontrolling interests		-	-	7,344	(10,891)
Basic earnings per common share - R$	34	0.14	0.86	-	-
Diluted earnings per common share - R$	34	0.14	0.84	-	-

The accompanying notes are an integral part of these financial statements.

COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2019 and 2018
(In thousands of Brazilian reais - R$)

		Parent		**Consolidated**
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Profit for the year	**235,244**	**1,403,747**	**242,588**	**1,392,856**
Other comprehensive income	-	-	-	-
Comprehensive income for the year	**235,244**	**1,403,747**	**242,588**	**1,392,856**
Attributable to:				
Owners of the Company	235,244	1,403,747	235,244	1,403,747
Noncontrolling interests	-	-	7,344	(10,891)

The accompanying notes are an integral part of these financial statements.

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

COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY

For the Years Ended December 31, 2019 and 2018

(In thousands of Brazilian reais - R$)

		Capital reserve			Earnings reserves					Parent		Consolidated
	Capital	Capital reserves	Equity instruments arising on business combinations	Treasury shares	Legal reserve	Investment reserve	Capital budget reserve	Proposed additional dividends	Retained earnings	Total equity	Noncontrolling interests	Total equity
Balances as at December 31, 2017	**4,363,825**	**187,495**	**6,152,187**	**(2,506)**	**342,446**	**3,922,610**	**186,000**	**55,669**	**-**	**15,207,726**	**-**	**15,207,726**
Comprehensive income for the period												
Profit for the period	-			-	-	-	-	-	1,403,747	1,403,747	(10,891)	1,392,856
Total comprehensive income for the period	-	-	-	-	-	-	-	-	1,403,747	1,403,747	(10,891)	1,392,856
Contributions from and distributions to shareholders												
Capital increase	61,852	-	-	-	-	(50,000)	-	-	-	11,852	-	11,852
Noncontrolling interests	-	-	-	-	-	-	-	-	-	-	108,965	108,965
Transactions with noncontrolling interests	-	-	11,847	-	-	-	-	-	-	11,847	6,112	17,959
Treasury shares sold	-	-	-	47,072	-	-	-	-	-	47,072	-	47,072
Treasury shares acquired	-	-	-	(234,846)	-	-	-	-	-	(234,846)	-	(234,846)
Recognized granted stock options	-	31,469	-	-	-	-	-	-	-	31,469	-	31,469
Gain (loss) on sale of treasury shares	-	(3,256)	-	-	-	-	-	-	-	(3,256)	-	(3,256)
Payment of additional dividends - 2017	-	-	-	-	-	-	-	(55,669)	-	(55,669)	-	(55,669)
Allocation of profit for the year												
Legal reserve	-	-	-	-	70,187	-	-	-	(70,187)	-	-	-
Mandatory minimum dividends - 25%	-	-	-	-	-	-	-	-	(333,390)	(333,390)	-	(333,390)
Approved additional dividends paid	-	-	-	-	-	-	-	-	(183,908)	(183,908)	-	(183,908)
Proposed additional dividends	-	-	-	-	-	-	-	16,126	(16,126)	-		-
Recognition of investment reserve	-	-	-	-	-	800,136	-	-	(800,136)	-	-	-
Total contributions from and distributions to shareholders	61,852	28,213	11,847	(187,774)	70,187	750,136	-	(39,543)	(1,403,747)	(708,829)	115,077	(593,752)
Balances as at December 31, 2018	**4,425,677**	**215,708**	**6,164,034**	**(190,280)**	**412,633**	**4,672,746**	**186,000**	**16,126**	**-**	**15,902,644**	**104,186**	**16,006,830**
Restatement effects (note 2.1)	-	-	-	-	-	-	-	-	-	-	1,466,230	1,466,230
Balances as at December 31, 2018 (restated)	**4,425,677**	**215,708**	**6,164,034**	**(190,280)**	**412,633**	**4,672,746**	**186,000**	**16,126**	**-**	**15,902,644**	**1,570,416**	**17,473,060**
First-time adoption of IFRS 16	-	-	-	-	-	(203,164)	-	-	-	(203,164)	-	(203,164)
First-time adoption of IFRIC 23	-	-	-	-	-	(38,243)	-	-	-	(38,243)	-	(38,243)
Balances as at January 1, 2019	**4,425,677**	**215,708**	**6,164,034**	**(190,280)**	**412,633**	**4,431,339**	**186,000**	**16,126**	**-**	**15,661,237**	**1,570,416**	**17,231,653**
Comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	235,245	235,245	7,344	242,589
Total comprehensive income for the period	-	-	-	-	-	-	-	-	235,245	235,245	7,344	242,589
Contributions from and distributions to shareholders												
Capital increase	686,000	-	-	-	-	(686,000)	-	-	-	-	-	-
Recognized granted stock options	-	19,701	-	-	-	-	-	-	-	19,701	-	19,701
Sale of treasury shares	-	(29,320)	-	68,852	-	-	-	-	-	39,532	-	39,532
Allocation of profit for the year												
Legal reserve	-	-	-	-	11,762	-	-	-	(11,762)	-	-	-
Mandatory minimum dividends - 25%	-	-	-	-	-	-	-	-	(55,871)	(55,871)	-	(55,871)
Proposed additional dividends	-	-	-	-	-	-	-	-	(97,482)	(97,482)	-	(97,482)
Recognition of investment reserve	-	-	-	-	-	70,130	-	-	(70,130)	-	-	-
Transactions among shareholders	-	30,044	-	-	-	-	-	-	-	30,044	(1,574,897)	(1,544,853)
Total contributions from and distributions to shareholders	686,000	20,425	-	68,852	11,762	(615,870)	-	-	(235,245)	(64,076)	(1,574,897)	(1,638,973)
Balances as at December 31, 2019	**5,111,677**	**236,133**	**6,164,034**	**(121,428)**	**424,395**	**3,815,469**	**186,000**	**16,126**	**-**	**15,832,406**	**2,863**	**15,835,269**

The accompanying notes are an integral part of these financial statements.

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

COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES

STATEMENT OF CASH FLOWS – INDIRECT METHOD

For the Years Ended December 31, 2019 and 2018

(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash flows from operating activities					
Profit before income tax and social contribution		210,539	1,379,300	183,786	1,379,389
Reconciliation adjustments to profit or loss:					
Depreciation and amortization	14 and 15	75,070	74,961	551,000	373,778
IFRS 16 depreciation	32	-	-	258,497	-
Amortization of allocated goodwill	32	-	-	352,213	103,000
Publishing costs	32	-	-	109,990	48,777
Amortization of inventory appreciation	9	-	-	36,029	26,670
Allowance for expected losses	8	-	-	910,793	672,491
Reversal of tax, labor, and civil contingencies		(18,097)	(44,173)	(214,700)	(68,851)
Allowance for (reversal of) inventory losses		-	-	(41,590)	28,946
Finance charges on borrowings and debentures	16 and 17	46,358	-	556,489	214,706
Finance charges arising on acquisitions	23	-	-	21,510	1,829
Finance charges on leases – right of use	18	-	-	394,581	-
Finance charges on tax and labor provisions		-	-	97,392	-
Stock option granting		(6,092)	27,145	19,701	27,145
Gain on sale or disposal of assets and other investments		-	-	53,490	32,222
Income from short-term investments and securities	33	(5,242)	-	(73,821)	-
Share of profit (loss) of investees	13	(274,930)	(1,355,497)	(157)	2,027
		27,605	**81,736**	**3,215,203**	**2,842,129**
Changes in operating assets and liabilities:					
(Increase) decrease in trade receivables		20	(20)	(1,433,905)	(1,096,876)
(Increase) decrease in inventories		-	-	(131,696)	(96,912)
(Increase) decrease in advances		-	29	(14,269)	(2,381)
(Increase) decrease in recoverable taxes		(6,072)	(1,605)	(78,610)	81,450
(Increase) decrease in escrow deposits		(64)	(13)	7,085	(300,825)
(Increase) decrease in related parties		29,139	-	1,304	11,473
(Increase) decrease in other receivables		(9,506)	(6)	4,515	(79,210)
(Decrease) increase in trade payables		(35)	261	96,650	122,919
(Decrease) increase in trade payables purchaser's risk		-	-	(50,318)	(1,727)
(Decrease) increase in payroll and related taxes		(2,970)	(82,557)	(44,724)	(93,192)
(Decrease) increase in taxes payable		1,036	(313)	(8,046)	(81,228)
(Decrease) increase in advances from customers		13	-	14,552	(20,927)
(Decrease) increase in taxes in installments		-	-	(10,590)	(11,662)
Payment of provision for tax, labor, and civil contingencies		(183)	(13)	(176,216)	(138,940)
(Decrease) increase in other payables		21,185	(6,391)	42,388	101,128
Cash generated by operating activities		**60,168**	**(8,892)**	**1,433,322**	**1,235,219**
Income tax and social contribution paid		(1,802)	-	(76,646)	(80,856)
Interest on lease for right of use paid		-	-	(381,191)	-
Interest on borrowings and debentures paid	16 and 17	(25,658)	-	(556,265)	(24,923)
Net cash generated by (used in) operating activities		**32,708**	**(8,892)**	**419,220**	**1,129,440**
Cash flows from investing activities					
(Investment in) redemption of securities		1,139	-	712,390	(286,886)
Additions to property, plant and equipment	14	-	-	(294,100)	(560,674)
Additions to intangible assets	15	-	-	(383,514)	(386,870)
Cash acquired in business combination		-	-	1,873	-
Payables for acquisition of subsidiaries		-	-	(119,975)	(3,576,836)
Increase in subsidiaries' capital		(176,484)	(2)	-	-
Receivables from former owners		-	-	104,712	21,579
Dividends received from subsidiaries		337,636	633,170	-	-
Private purchase of debentures		(800,000)	-	-	-
Interest on private debentures		(45,795)	-	-	-
Net cash (used in) generated by investing activities		**(683,504)**	**633,168**	**21,386**	**(4,789,687)**
Cash flows from financing activities					
Capital increase		-	11,852	-	11,852
Sale (buyback) of treasury shares		39,532	(187,774)	39,531	(187,774)
Acquisition of noncontrolling interests		-	-	(1,714,582)	-
Issue of debentures		797,660	-	797,661	5,263,309
Payment of lease for right of use		-	-	(137,794)	-
Repayment of borrowings and financing and debentures	16 and 17	-	-	(342,993)	(223,990)
Payment of dividends to shareholders		(196,357)	(638,867)	(196,357)	(638,867)
Net cash used in (generated by) financing activities		**640,835**	**(814,789)**	**(1,554,534)**	**4,224,530**
Increase (decrease) in cash and cash equivalents, net		**(9,962)**	**(190,513)**	**(1,113,928)**	**564,283**
Cash and cash equivalents at the beginning of the year	6	10,057	200,570	1,485,611	921,328
Cash and cash equivalents at the end of the year	6	95	10,057	371,683	1,485,611
Increase (decrease) in cash and cash equivalents, net		**(9,962)**	**(190,513)**	**(1,113,928)**	**564,283**

The accompanying notes are an integral part of these financial statements.

(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Revenue from sales and services	-	-	7,027,194	6,060,708
Receivables from sale of subsidiaries	-	-	-	-
Other income	-	-	224,175	15,982
Allowance for expected losses	-	-	(910,793)	(672,491)
	-	**-**	**6,340,576**	**5,404,199**
Inputs purchased from third parties				
Cost of sales and services	-	-	(479,172)	(157,264)
Supplies, power, outside services and other inputs	27,939	33,931	(612,948)	(1,052,825)
Gross value added	**27,939**	**33,931**	**5,248,456**	**4,194,110**
Withholdings				
Depreciation and amortization	-	(74,961)	(521,123)	(373,778)
Amortization of allocated goodwill	(75,070)	-	(640,587)	(103,000)
Amortization of inventory appreciation	-	-	(36,029)	(26,670)
Net value added	**(47,131)**	**(41,030)**	**4,050,717**	**3,690,662**
Wealth received in transfer				
Share of profit (loss) of investees	274,930	1,355,497	(157)	(2,027)
Finance income	37,619	5,242	346,517	430,924
Total wealth for distribution	**265,418**	**1,319,709**	**4,397,077**	**4,119,559**
Wealth distributed				
Personnel:				
Direct compensation	2,371	(53,708)	1,598,379	1,366,892
Benefits	-	-	149,402	104,753
Payroll taxes	(1,107)	(6,584)	555,850	448,785
Taxes, fees and contributions:				
Federal	(24,705)	(24,447)	(26,538)	(13,091)
State	6	8	685	11,534
Municipal	15	-	10,878	31,714
Lenders and lessors:				
Finance costs	53,594	693	1,179,670	296,433
Rentals	-	-	572,669	455,226
Copyrights	-	-	113,494	24,457
Shareholders:				
Earnings retained in the year	235,244	1,403,747	242,588	1,392,856
Total wealth distributed	**265,418**	**1,319,709**	**4,397,077**	**4,119,559**

1. General information

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

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

The Group owns 73 companies, including the Parent, and consists of 18 sponsors of college education entities, 176 college education units, distributed among 24 Brazilian states and 132 Brazilian cities, as well as 1,410 distance learning (EAD) Graduation Centers accredited by the Ministry of Education (MEC), located in all Brazilian states and the Federal District. The Company also operates 54 own K-12 Education schools, 125 Red Balloon units, and 3,961 associated schools nationwide.

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

Cogna conducts is activities through its direct subsidiaries: Editora e Distribuidora Educacional S.A. ("EDE") and Anhanguera Educacional Participações S.A. ("Anhanguera").

These individual and consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on March 30, 2020.

Acquisition of Somos Educação S.A.

In the year ended December 31, 2018, the Company acquired, through its indirect subsidiary Saber Serviços Educacionais S.A. (“Saber”), the shareholding control of Somos Group by acquiring 73.35% of its voting capital, as part of its growth and expansion plan. The Somos Group is primarily engaged in (i) publishing, selling and distributing textbooks, support materials, and workbooks, especially with educational, literary, and informative content, and teaching systems; (ii) offering, through its schools, K-12 education, pre-college preparatory courses, language courses for children and teenagers; (iii) providing educational solutions for professional and higher education, among other supplementary activities, such as developing education technology with management and further education services. The full solutions portfolio is structured with the main trademarks that are quality benchmarks: Editora Ática, Editora Scipione, Editora Saraiva, Editora Érica, Anglo, pH, SER, GEO, OLEM, Ético, Colégio pH, Sigma, Motivo, Maxi, Anglo 21, Colégio Integrado, Red Balloon, and Alfacon. More information on the transaction is disclosed in note 4.

2. Significant accounting policies

The significant accounting policies used in preparing these individual and consolidated financial statements are presented and summarized below or in the notes to the respective line item, and have been consistently applied in the reporting years, other than the new accounting policies described in note 2.26.

2.1. Basis of preparation

The Company’s financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC), and the International Financial Reporting Standards (“IFRSs”), issued by the International Accounting Standards Board (IASB), and disclose all significant information specific to the financial statements, and only this information, which is consistent with that used by Management in managing the Company.

The financial statements have been prepared based on the historical cost, which, in the case of certain financial assets and other financial assets and financial liabilities, is adjusted to reflect the fair value measurement.

The preparation of financial statements requires Management to use certain critical accounting estimates and to exercise judgment in the process of applying the Group accounting policies. The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

a) Individual financial statements

The Company’s individual financial statements have been prepared in accordance with accounting practices adopted in Brazil issued by the Accounting Pronouncements Committee (CPC). They are also in conformity with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). These individual financial statements are disclosed together with the consolidated financial statements.

b) Consolidated financial statements

The consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC) and pursuant to the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board (IASB).

c) Statement of value added (DVA)

The purpose of this statement is to disclose the wealth created by the Company and its distribution during a given period and is presented, as required by the Brazilian Corporate Law and the accounting practices adopted in Brazil applicable to publicly-held companies, as an integral part of its financial statements. The DVA is neither required nor mandatory under the IFRSs. The DVA has been prepared using information obtained in the same accounting records used to prepare the financial statements and pursuant to the provisions of CPC 09 - Statement of Value Added. The first part of the DVA presents the wealth generated by the Company, represented by revenues, costs and expenses acquired from third parties and the value added received in transfer. The second part of the DVA presents the distribution of wealth among taxes, fees and contributions, personnel, lenders and lessors, and shareholders.

d) Restatement of the comparative figures as at December 31, 2018

As described in note 4.3 to the financial statements for the year ended December 31, 2018, on October 11, 2018 the Company completed the acquisition of 73.35% of the total and voting capital of Somos Educação S.A. for R$4,566,542, of which R$4,116,542 were paid to the selling shareholders and R$450,000 were retained in escrow accounts, in addition to assuming liabilities amounting to R$2,600,630. Additionally, on November 8, 2018, the Company submitted to the Brazilian Securities and Exchange Commission ("CVM") and B3 S.A. - Brasil, Bolsa, Balcão the request to register a mandatory public tender offer to acquire the Somos remaining shares (OPA) and the related request to cancel its publicly-held company registration. Accordingly, in said note 4.3 the Company discloses the statement of calculation of the excess acquisition price on the fair value of the assets acquired and liabilities assumed in the acquisition of Somos, based on preliminary valuations, as permitted by IFRS 3/CPC 15 (R1) Business Combinations.

Also pursuant to IFRS 3/CPC 15 (R1), Management has preliminarily elected for the recognition of noncontrolling interests using the proportional interest method; as at June 30, 2019, after the revision of preliminary recognitions of the noncontrolling interests, Management changed the measurement method of noncontrolling interests to fair value, replacing the proportional interests in the acquiree's net assets, because it understands that this method reflects more appropriately the economic aspects of the Somos acquisition transaction and consequently disclosing material information for the users of financial statements. As a result, the amount of R$1,575,195 was recognized as noncontrolling interests, which is equivalent to 69,853,431 shares valued at their quotation on B3 on October 11, 2018, the completion date of the acquisition of noncontrolling interests.

Said adjustments were made to the comparative balances as at December 31, 2018, pursuant to IAS 8/CPC 23 Accounting Policies, Changes in Accounting Estimates and Errors.

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

The impacts arising from the adjustments are shown below:

	Preliminary allocation 10/11/2018	Measurement of noncontrolling interests at fair value	Revision of preliminary allocation	Final allocation
Net assets	(408,875)	-	-	(408,875)
Acquisition price	4,566,542	-	-	4,566,542
	4,157,667	**-**	**-**	**4,157,667**
Liabilities assumed	2,625,389	-	(24,759)	2,600,630
Retained portion of acquisition price	(450,000)	-	-	(450,000)
Portion of noncontrolling interests	-	1,575,195	-	1,575,195
Excess acquisition price above the fair value classified as goodwill	**6,333,056**	**1,575,195**	**(24,759)**	**7,883,492**
Goodwill allocation				
Goodwill	4,077,820	1,575,195	246,491	5,899,506
Trademark	1,224,975	-	443,690	1,668,665
Customer portfolio	77,487	-	28,065	105,552
Customer portfolio – Non-contractual	906,255	-	328,249	1,234,504
Inventory appreciation	46,519	-	16,850	63,369
Property, plant and equipment appreciation	-	-	8,884	8,884
Derecognition of acquiree's intangible assets				
Goodwill	-	-	(879,569)	(879,569)
Trademark	-	-	(372,562)	(372,562)
Customer portfolio	-	-	(239,597)	(239,597)
Deferred income tax and social contribution on intangible assets	-	-	394,740	394,740
Total equity	**6,333,056**	**1,575,195**	**(24,759)**	**7,883,492**

Effect statement – consolidated

	Original	Adjustment	Consolidated Restated
Current assets			
Inventories	370,657	16,850	387,507
Total current assets	**5,563,269**	**16,850**	**5,580,119**
Noncurrent assets			
Deferred income tax and social contribution	515,900	232,601	748,501
Property, plant and equipment	2,485,643	8,885	2,494,528
Intangible assets	19,911,110	1,045,755	20,956,865
Total noncurrent assets	**25,081,770**	**1,287,241**	**26,369,011**
Total assets	**30,645,039**	**1,304,091**	**31,949,130**
Current liabilities	2,565,498	-	2,565,498
Noncurrent liabilities			
Deferred income tax and social contribution	1,042,115	(162,138)	879,977
Total liabilities	**14,638,209**	**(162,138)**	**14,476,071**
Equity	15,902,644	-	15,902,644
Noncontrolling interests	104,186	1,466,229	1,570,415
Total equity	**16,006,830**	**1,466,229**	**17,473,059**
Total liabilities and equity	**30,645,039**	**1,304,091**	**31,949,130**

e) Continuity as a going concern

Management assessed the Company's ability to continue as a going concern and believes that the Company has the resources to allow the continuity of its business in the future. Additionally, Management is not aware of material uncertainties that could give rise to significant doubts as to its ability to continue as a going concern. Accordingly, these financial statements have been prepared assuming that the Company will continue as a going concern.

2.2. Consolidation

The Company consolidates all entities over which it has control, that is, when it is exposed or entitled to variable returns resulting from its involvement with the investee and has the ability to steer the relevant activities of the investee. The subsidiaries included in the consolidation are described in the note below.

a) Subsidiaries

Subsidiaries are all entities over which the Group has control, that is, when it is exposed or entitled to variable returns resulting from its involvement with the investee and has the ability to steer the relevant activities of the investee. The subsidiaries are fully consolidated when control is transferred to the Group. The consolidation is discontinued when the Group ceases to hold control.

Identifiable assets acquired and liabilities and contingent liabilities assumed for the acquisition of subsidiaries in a business combination are initially measured at their fair values on the acquisition date. The Group recognizes noncontrolling interests in the acquiree both at the fair value and the proportional noncontrolling interests held in the fair value of the acquiree's net assets. The measurement of the noncontrolling interests is determined at each acquisition made. Acquisition-related costs are recognized in profit or loss for the year, as incurred.

All intragroup transactions, balances and unrealized gains are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset. The new subsidiaries' accounting policies are changed, when necessary, to ensure consistency with the policies adopted by the Group.

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

The Company's subsidiaries for the years ended December 31, 2019 and 2018 are listed below:

	Ownership interest - % (i)	
Consolidated entities	**12/31/2019**	**12/31/2018**
Direct subsidiary:		
AESAPAR - Anhanguera Educacional Participações S.A.	100.0	100.0
AESAPAR indirect subsidiaries:		
AESA- Anhanguera Educacional Ltda.	100.0	100.0
AESAPRO - Clínica Médica Anhanguera Ltda.	100.0	100.0
FIDC - Anhanguera Educacional Fundo de Investimento em Direitos Creditórios	100.0	100.0
Juspodivm - Instituto Excelência Ltda.	100.0	100.0
Edufor - Edufor Serviços Educacionais Ltda. – ME	100.0	100.0
ICF - Sociedade Piauiense de Ensino Superior Ltda.	100.0	100.0
Fateci Cursos Técnicos S/S.	100.0	100.0
Clauder Ciarlini Filho S/S.	100.0	100.0
Sociedade Educacional da Paraíba Ltda.	100.0	100.0
Bacabal Mearim Sistemas de Ensino Ltda.	100.0	100.0
PSES - Pitágoras Sistema de Ensino Sociedade	54.5	-
Direct subsidiary:		
EDE - Editora e Distribuidora Educacional	100.0	100.0
EDE indirect subsidiaries:		
Ceama - Centro de Ensino Atenas Maranhense	99.99	99.99
Fais - Faculdade Integradas de Sorriso	99.99	99.99
Fama Macapá - União de Faculdades do Amapá	99.99	99.99
Orme - Orme Serviços Educacionais	99.99	99.99
Pax - Pax Editora e Distribuidora	-	99.99
Projecta - Projecta Educacional	99.99	99.99
Cepar - Centro De Ensino Superior De Parauapebas Ltda	100.0	-
Centro De Ensino Superior De Maraba Ltda	100.0	-
Cesupar - Centro De Ensino Superior De Paragominas Ltda	100.0	-
Unime LF - União Metropolitana para o Desenvolvimento da Educação e Cultura	99.99	99.99
União - União de Ensino Unopar	48.8	99.99
Unic Educacional - Unic Educacional	92.3	99.99
Unime Salvador - Iuni Educacional - Unime Salvador	99.99	99.99
PSES - Pitágoras Sistema de Ensino Sociedade	-	99.99
Saber - Saber Serviços Educacionais S.A.	-	99.99
Direct subsidiary:		
Saber - Saber Serviços Educacionais S.A.	60.8	-
Saber indirect subsidiaries:		
Somos Idiomas S.A.	100.0	100.0
Editora Scipione S.A.	84.2	100.0
Saraiva Soluções Educacionais S.A.	70.4	100.0
Editora Ática S.A.	100.0	100.0
Editora Atica indirect subsidiaries:		
SB Sistemas	100.0	100.0
SGE Comércio de Material Didático Ltda.	100.0	100.0
Saraiva Educação S.A.	42.9	100.0
Saraiva Educação indirect subsidiaries:		
Editora Pigmento Ltda.	100.0	100.0
Editora Joaquim Ltda.	100.0	100.0
Editora Todas as Letras Ltda.	100.0	100.0
Saraiva Gestão de Marcas Ltda.	50.0	-

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

	Ownership interest - % (i)	
Consolidated entities	**12/31/2019**	**12/31/2018**
Somos Operações Escolares S.A.	77.8	100.0
Somos Operações Escolares indirect subsidiaries:		
Colégio Ambiental Ltda.	100.0	100.0
Colégio Visão Ltda.	100.0	100.0
Sociedade Educacional NEODNA Cuiabá Ltda.	100.0	100.0
Colégio do Salvador Ltda.	100.0	100.0
Colégio Motivo Ltda. ("Grupo Motivo")	100.0	100.0
Cursos e Colégios Coqueiros Ltda.	100.0	100.0
Colégio Integrado Jaó Ltda.	100.0	100.0
Escola Santo Inácio Ltda.	100.0	100.0
Sistema P.H. de Ensino Ltda.	100.0	100.0
Escola Riacho Doce Ltda.	100.0	100.0
Sociedade Educacional Doze de Outubro Ltda. ("Anglo 21")	100.0	100.0
ECSA - Escola a Chave do Saber S/S Ltda.	100.0	100.0
Colégio Cidade Ltda.	100.0	100.0
Sociedade Educacional Paraná Ltda. ("Maxi Cuiabá")	100.0	100.0
Sociedade Educacional de Rondonópolis Ltda.	100.0	100.0
Sociedade Rondopolitana de Educação Ltda.	100.0	100.0
ACEL - Administração de Cursos Educacionais Ltda. ("Sigma")	100.0	100.0
ACEL indirect subsidiaries:		
Papelaria Brasiliana S.A.	100.0	100.0
Escola Mater Christi Ltda.	100.0	100.0
Somos Educação S.A.	100.0	73.4
Somos Educação indirect subsidiaries:		
Maxiprint Editora Ltda.	100.0	100.0
Centro Educacional Leonardo da Vinci S/S Ltda.	100.0	100.0
Vinci Serviços Educacionais Ltda.	100.0	100.0
Colégio Manauara Latu Sensu Ltda.	100.0	100.0
Núcleo Brasileiro De Estudos Avançados Ltda.	100.0	100.0
Sanches Serviços De Educação Ltda.	100.0	100.0
Leal e Sanches Ltda.	100.0	100.0
Sociedade Educacional Alphaville S.A.	100.0	-
ETB Editora Técnica do Brasil Ltda.	100.0	100.0
Stoodi Sistemas e Treinamento à Distância Ltda.	100.0	100.0
Stood Sistemas indirect subsidiaries:		
Eligis Tecnologia E Inovação Ltda	100.0	100.0
Somos Educação Investimentos S.A.	100.0	100.0
Somos Educação Investimentos indirect subsidiaries:		
Educação Inovação e Tecnologia S.A ("AppProva")	100.0	100.0
Nice Participações S.A.	100.0	100.0
CEI - Centro de Educação Integrada Ltda.	51.0	51.0
CEI indirect subsidiaries:		
Escola Infantil Primeiros Passos EIRELI	100.0	51.0
Salmo Noventa Centro Educacional EIRELI	100.0	51.0
Direct subsidiary:		
Somos Sistemas de Ensino S.A.	100.0	100.0
Somos Sistemas indirect subsidiaries:		
Livraria Livro Fácil Ltda.	100.0	100.0
Colégio Anglo São Paulo Ltda	100.0	100.0

(i) The variations in the ownership interests in relation to the prior year arise from the corporate restructuring process among the Company's business units. Accordingly, there was no change that would result in Cogna's loss of control over its subsidiaries.

b) Noncontrolling interests

The Group treats transactions with noncontrolling interests as transactions with the owners of the Group's assets. For acquisitions of noncontrolling interests, the difference between any consideration paid and the acquired portion of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to noncontrolling interests are also recognized directly in equity, in line item 'Valuation adjustments to equity'.

c) Business combinations

In conformity with CPC 15 – Business Combinations, acquisitions are recorded using the acquisition method when control is transferred to the Company. The consideration transferred is generally stated at fair value, as well as the identifiable net assets acquired. Any goodwill arising on the transaction is tested for impairment on an annual basis.

d) Operating segment

The report per operating segment is presented consistently with the internal report provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources to the operating segments and assessing their performance, is represented by the Executive Committee, which is also responsible for the Company's strategic decision making. The Executive Committee considers the business from the viewpoint of the services provided: in-class higher education, EAD higher education and K-12 education.

2.3. Functional and presentation currency

Items included in the financial statements of each Group company are measured using the currency of the main economic environment in which it operates ("functional currency"). The individual and consolidated financial statements are presented in Brazilian reais (R$), which is the Company's functional currency, and also the Group's presentation currency.

2.4. Statement of comprehensive income

Other comprehensive income comprises revenue and expense components (including reclassification adjustments, when applicable) that are not recognized in the income statement as required or permitted by the pronouncements, interpretations and guidelines issued by the CPC, when applicable. In the years ended December 31, 2019 and 2018, the Group did not disclose other items other than profit or loss for the years reported in the individual and consolidated income statements.

2.5. Cash and cash equivalents

Cash and cash equivalents comprise cash, available bank deposits and other highly-liquid short-term investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value.

2.6. Financial assets and financial liabilities

All financial assets and financial liabilities are initially recognized when the Company becomes a party to the underlying contract.

Financial assets

Upon initial recognition, financial assets are classified as measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. Financial assets are not reclassified subsequent to initial recognition, unless the Company changes the business model for managing financial assets, in which case all financial assets affected are reclassified on the first day of the reporting period subsequent to the change in the business model. They comprise cash and cash equivalents, in addition to securities, trade receivables and receivables from sale of subsidiaries.

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as measured at fair value through profit or loss:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

A financial asset is measured at fair value through other comprehensive income if it meets both the following conditions and is not designated as measured at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

All financial assets not classified as measured at amortized cost or at fair value through other comprehensive income, as described above, are classified as at fair value through profit or loss.

The Company's investments are initially recognized at fair value plus transaction costs for all financial assets not classified at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged against the income statement. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred; in the latter case, provided that the Group has transferred substantially all risks and rewards of ownership of the asset. Financial assets measured at fair value through profit or loss are subsequently recognized at fair value.

Gains or losses arising from changes in the fair value of financial assets measured at fair value through profit or loss, if any, are recognized in the income statement, in 'Finance income' in the period they are earned or incurred.

Financial liabilities

Measured at amortized cost using the effective interest method. Comprise borrowings, financing and debentures, in addition to trade payables and trade payables purchaser's risk.

Offset of financial instruments

Financial assets and financial liabilities are offset and the net amount is recorded in the balance sheet when there is a legally enforceable right to set off recognized amounts and intention to either settle them on a net basis, or to recognize the asset and settle the liability simultaneously.

Impairment of financial assets

The Group assesses, on a prospective basis, the expected credit losses associated with debt securities stated at the cost of amortization and at fair value through profit or loss. The method adopted depends on whether the credit risk has significantly increased or not.

For trade receivables, the Group recognizes expected losses as from the initial recognition of receivables and based on the maturity ranges and rollover between the ranges, as described in note 8 (c).

2.7. Trade receivables

Correspond to the amounts receivable from customers for goods sold or services provided by the Group.

Revenue is recognized when the control over goods or services is transferred to a customer at an amount corresponding to the estimated transaction price, thus the concept of control has superseded the concept related to the transfer of risks and rewards.

Trade receivables are initially recognized at fair value and subsequently measured at their amortized cost using the effective interest method, less the allowance for impairment. The allowance for doubtful debts is recognized after billing based on the performance of the several lines of business and respective expected collection within up to 365 days from the due date.

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

The allowance is calculated based on the estimated efficiency to cover probable losses on the collection of receivables, considering its adequacy as determined against the performance of receivables for each line of business, consistently with the policy for impairment of financial assets at amortized cost.

In relation to the Special Private Payment in Installments (PEP), the Company recognized an allowance for expected losses relating to the receivables, using a 50% percentage of the net revenue, which reflects Management’s best estimate of future default. This percentage takes into consideration: a) the expected credit losses for students with payments in installments, which is higher than the average of paying students; and b) the historic percentage of dropout students.

2.8. Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories are measured using the weighted moving average. The cost of finished products and work in process comprises design, raw materials, direct labor, other direct costs and related overhead expenses.

The Company recognizes an allowance for losses on slow-moving finished products and raw materials, which are periodically analyzed and determined with respect to the expected realization of these inventories. Management periodically assesses the need to destroy these inventories.

2.9. Property, plant and equipment

Property, plant and equipment are measured at historical cost, less accumulated depreciation. The historical cost includes the cost of acquisition, development or construction. The historical cost also includes financing costs relating to the acquisition of qualifying assets.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as applicable, when, and only when, it is probable that future economic benefits associated to these costs that can be measured reliably will flow to the Company. The carrying amount of replaced items or parts is written off. All other repair and maintenance costs are recorded as a balancing item to profit or loss for the year, when incurred.

Land is not depreciated. The depreciation of other assets is calculated on a straight-line basis in order to allocate their costs to their residual values over the estimated useful lives, as follows:

	Years
IT equipment	4.4
Furniture, equipment and fixtures	10
Library	10
Buildings and improvements	25

The residual values and the estimated useful lives of the assets are reviewed and adjusted, if necessary, at the end of each reporting period. The Company reviewed the useful lives of its assets and concluded that the depreciation rates used are consistent with its operations as at December 31, 2019 and 2018.

The carrying amount of an asset will be immediately written down to its recoverable amount if the carrying amount exceeds the estimated recoverable amount. Gains and losses on sales are determined by comparing the proceeds with the carrying amount and are recognized in line item ‘Other operating (income) expenses’, in the income statement.

2.10. Intangible assets

a) Goodwill

Goodwill corresponds to the difference between the consideration transferred and the fair value of identifiable net assets.

b) Software and development of internal projects

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

Directly attributable costs that are capitalized as part of the software/project include the costs on employees allocated to software/project development and an appropriate share of direct expenses.

Development costs that do not meet the capitalization criteria are recognized as expenses, when incurred. Development costs previously recognized as expenses are not recognized as assets in a subsequent period.

Software/project development costs recognized as assets are amortized on a straight-line basis over their useful lives.

c) Trademarks

Separately-acquired trademarks and licenses are initially stated at their historical cost. Trademarks and licenses acquired in a business combination are stated at fair value on acquisition date. Subsequently, trademarks and licenses with finite useful lives are accounted for at cost, less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful life between 20 and 30 years.

d) Operation license and center partner

The center is a local operating unit that can be both Company-owned or owned by third parties (partners) that is responsible for providing to students a structure – audiovisual resources, library and computer resources – that support distance learning.

e) Contractual relationships with customers

Customer portfolios, acquired in a business combination, are stated at fair value on acquisition date. Contractual relationships with customers have finite useful lives and are accounted for at cost less accumulated amortization. Amortization is calculated on a straight-line basis during the estimated life of the relationship with the customer.

f) Non-contractual relationships with customers

Non-contractual relationship with customers, or student portfolio, corresponds to a key intangible asset that is separable and with amount distinct from the tangible assets acquired and goodwill. Non-contractual relationship with customers have finite useful life of 13 years and is accounted for at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated life of the relationship with the customer.

2.11. Impairment of non-financial assets

Assets with indefinite useful lives, such as goodwill, are not subject to amortization and are annually tested to identify the need for impairment. Goodwill impairment is reviewed annually or more frequently if events or changes in circumstances indicate a possible impairment.

Assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts might not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the fair value of an asset less its costs to sell or its value in use.

For impairment testing purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating Units - CGUs). For purposes of this test, goodwill is allocated to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination that originated the goodwill, as follows: (i) in-class higher education, (ii) distance learning higher education (EAD) and, (iii) elementary education, segregated between K-12 and schools and languages.

Non-financial assets, other than goodwill, that have been impaired are subsequently reviewed to determine whether a reversal of the impairment might be recognized at the balance sheet date.

2.12. Trade payables (including purchaser’s risk)

Trade payables refer to obligations payable for goods or services that have been acquired from suppliers in the ordinary course of business. They are initially recognized at fair value and, subsequently, measured at their amortized cost applying the effective interest method.

Some domestic suppliers have the option of assigning Company receivables, without recourse, to prime financial institutions. Using these transactions, suppliers are able to anticipate their receivables with low financial costs, since the financial institutions take into consideration the Company’s credit risk. The Company classifies these transactions in a specific line item called ‘Trade payables - purchaser’s risk’. These amounts are recognized in the statements of cash flows as operating activities, as such transaction has nature similar to trade payables.

2.13. Borrowings, financing and debentures

These are initially recognized at fair value, less transaction costs incurred, and subsequently stated at amortized cost. Any difference between the amounts raised (net of transaction costs) and the redemption amount is recognized in the income statement during the period borrowings are in progress, applying the effective interest method.

They are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14. Lease – right of use

Up to December 31, 2018 the Group recognized several operating leases that represented virtually all lease contracts. Payments made for operating leases (less any incentives received from the lessor) are recognized in the income statement on a straight-line basis over the lease period.

Finance leases that represented a small portion of lease contracts and where the Group held substantially all risks and rewards of ownership were classified as finance leases. These were capitalized at the inception of the lease at the lower of the fair value of the leased asset and the present value of minimum lease payments.

Beginning January 1, 2019, however, the Company adopted CPC 06 (R2) / IFRS 16 *Leases*; more details on this transaction and its related impacts are disclosed in note 2.26.1.

2.15. Provision for civil, labor, and tax contingencies

Provisions for losses related to labor, tax and civil lawsuits and administrative proceedings are recognized when (i) the Group has a legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of funds will be required to settle the obligation; and (iii) its amount can be reliably estimated.

Provisions are measured at the present value of the expenditures required to settle the obligation, using a pretax rate, which reflects the current market assessments of the time value of money and specific risks of the obligation. The increase in the obligation due to the time elapsed is recognized as finance costs.

2.16. Liabilities assumed in business combination

Within the context of CPC 15 *Business Combinations* – the Company, based on the reports issued by its legal and financial advisors, recognizes a provision for the liabilities assumed in the business combination. These are recognized when the Company identifies potential nonconformities in relation to past practices adopted by subsidiaries acquired by the Company with respect to the compliance with labor, civil and tax laws and related to the period it was owned by the sellers of the acquirees.

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

2.17. Current and deferred income tax and social contribution

Tax profit or loss for the year comprises current and deferred income tax (IRPJ) and social contribution (CSLL), calculated on the pretax profit recognized in the income statement.

IRPJ and CSLL are calculated at the tax rates of 25% and 9%, respectively, adjusted to taxable income by the additions and deductions set forth in the tax law. Deferred income tax and social contribution are calculated on tax loss carryforwards and other temporary differences in asset and liability balances for tax purposes and in the financial statements. Deferred income tax and social contribution assets and liabilities are recorded at the total amount in the financial statements, except if, in the case of assets, the realization of future taxable income is not probable and, in this scenario, there is a limit on the amount of the deferred tax asset to be recognized. The tax rates currently defined for determination of these deferred taxes are 25% for income tax and 9% for social contribution.

Current and deferred income tax and social contribution assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when current and deferred income tax and social contribution assets and liabilities are related to the income tax and social contribution imposed by the same tax authorities on the taxable entity, when there is the intention to settle balances on a net basis.

The higher education entities controlled by the Company are included in the University for All Program (ProUNI), which grants, under Law 11,096 of January 13, 2005, exemption from certain federal taxes (PIS, COFINS, IRPJ e CSLL) to higher education entities that grant partial and full scholarships to low-income students enrolled in traditional and technology degree courses.

As permitted by the tax law, certain subsidiaries whose annual revenue for the year does not exceed R$78,000 can opt for taxation based on deemed income. For these entities, income tax and social contribution are calculated at the rates of 8% and 12%, respectively, on gross revenue (32% when revenue arises from the provision of services and 100% for finance income), upon which regular income tax and social contribution rates are levied.

2.18. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing profit attributable to the holders of Company common shares by the weight average number of common shares issued in the year, excluding common shares bought by the Company and held in treasury.

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares, considering the conversion of all potential common shares that would result in dilution. The Company has stock options with dilution potential.

2.19. Employee benefits

a) Stock option plan

The Group offers a stock option plan to strategic officers and employees. The fair value of options granted is recognized as an expense over the vesting period (period during which specific vesting terms and conditions must be met). The contra entry is credited to ‘Capital reserves – stock options granted’, in equity. At the end of the reporting period, the Company reviews its estimates of the number of options that will be vested based on their specific terms and conditions. The impact of the revision of initial estimates, if any, is recognized in the income statement on a prospective basis.

b) Restricted stock option plan

At the Extraordinary Shareholders' Meeting held on September 3, 2018, the Company's shareholders approved the creation of a Restricted Stock Option Plan as an incentive to increase of the performance and retention of officers and/or employees of the Company and other direct or indirect subsidiaries (note 27.1).

2.20. Capital

The Company's common shares are classified in equity. Incremental costs directly attributable to the issuance of new shares or options are stated in equity as a deduction of the amounts raised, net of taxes.

When any of the Company's subsidiaries purchases the Company's shares (treasury shares), the amount paid, including any directly attributable additional costs (net of income tax), is deducted from the capital attributable to the Company's shareholders until the shares are cancelled or reissued. When these shares are subsequently reissued, any amount received, net of any directly attributable additional transaction costs and the related income tax and social contribution effects, is included in the capital attributable to the Company's shareholders.

2.21. Treasury shares

Own equity instruments that are bought back (treasury shares) and recognized at acquisition cost, and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

2.22. Dividends and interest on capital

The proposed distribution of dividends and interest on capital made by the Company's Management that does not exceed mandatory minimum dividends is recognized as current liabilities in line item 'Dividends and interest on capital' as it is considered a legal obligation under the Company's bylaws. However, the portion of dividends that exceeds mandatory minimum dividends, as declared by Management after the reporting period, but before the date of authorization for issuance of the financial statements, will be recorded when effectively paid. During the year, the dividend paid that exceeds mandatory minimum dividends is recorded as 'Proposed additional dividends' in equity, and the related effects are disclosed in note 26.3.

2.23. Revenue from sales and services

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the normal course of the Group's activities. Revenue is presented net of taxes, returns, rebates and discounts and present value adjustment, as well as after the elimination of intragroup sales.

Since January 1, 2018, CPC 47 / IFRS 15 establishes a five-step model to account for revenue from contracts with customers, irrespective of the type of transaction or industry: (i) when the parties to the contract approve the contract and are committed to fulfill their obligations; (ii) when the entity is able to identify the rights of each party regarding the goods or services transferred; (iii) when the entity is able to identify the payment terms for the goods or services to be transferred; (iv) when the contract has business substance; and (v) when it is probable that the entity will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.

The policies adopted in relation to the revenue from sale of goods (books, articles, subscription contents), and also from the sale of services (in-class higher education, EAD higher education, K-12 courses) are described below:

a) Sale of goods

Revenue from the sale of goods is recognized when (or to the extent that) it satisfies the performance obligation upon transferring the promised good to the customer, which can be recognized on a specific time or over the agreement term. The Company recognizes revenue when the good is delivered to the buyer.

Prepayments related to sales of textbook collections are recorded as 'Advances from customers' and recognized upon delivery of the material.

b) Sale of services

The Company's revenue consists mainly of the provision of higher education courses (graduation) and is recognized based on the services provided up to the balance sheet date. The following conditions are observed upon recognition of the revenue from contracts with students, based on the service payment method: (i) the existence of a valid and signed contract; (ii) the service amount is easily identifiable and, (iii) it is probable that the entity will receive the consideration for the services provided.

Monthly tuitions and related discounts vary according to the course, unit, or education level. Six monthly tuitions are charged every semester, and the first one is normally considered as enrollment fee. Students are enrolled for six-month periods and the enrollment is renewed by the student depending on the performance of educational and contractual obligations, at the end of school year.

Higher Education Student Loan Program (FIES) students, who have agreements financed by such governmental program, need to validate and amend the agreement with the National Education Development Fund (FNDE). The Company adopts additional validation and checking procedures, including, without limitation, upon monitoring the status of the agreement amendment process at the FIES Automated System (SisFies), to make sure that installments will be normally received on a recurring basis. Also, the student signs an education service agreement with the Educational Institution (university or college) and, in case of default, the institution can charge the student directly.

For monthly tuitions relating to distance learning (EAD) courses, the partner center that gives the telepresence classes receives between 25% and 36%, which varies according to the size of the classes and is subject to specific rules that can vary for each center. The agreement between the subsidiaries and the center is a joint operation and establishes the rights of the parties over the respective revenues and the obligations for the respective expenses; accordingly, revenue is recognized only on the portion relating to the Company's and its subsidiaries' share. Upon receipt of the student monthly tuition, amounts are due to the partner centers.

The revenue from services and K-12 derives mainly from the monthly tuition of schools and language and preparatory courses and is recognized over their term.

The center is a local operating unit that can be both Company-owned or owned by third parties (partners) that is responsible for providing to students a structure – audiovisual resources, library and computer resources – that support distance learning.

c) Revenue from royalties

The revenue from royalties is recognized on accrual basis, based on the essence of the applicable agreements.

In the Group, this revenue refers mainly to the franchise agreements entered into by subsidiary Red Balloon with its franchisees.

2.24. Finance income and finance costs

The Company's finance income and finance costs comprise mainly:

- Interest income on monthly tuitions from students;
- Interest expense arising from borrowings and debentures;
- Net gains/losses on financial assets measured at fair value through profit or loss.

Revenues are recognized when the Company becomes a party to the underlying agreement. When recognizing a financial asset, such financial asset is measured at fair value through profit or loss (applicable to securities), or at amortized cost (applicable to the Company's other financial assets). In the case of financial liabilities, they will be measured at amortized cost.

2.25. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market players at the measurement date, in the primary market or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its risk of default, including, without limitation, the credit risk of the own business.

If there is no price quoted in an active market, the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of non-observable inputs. The valuation technique selected incorporates all factors that market players would take into consideration when pricing a transaction. If an asset or liability measured at fair value has a purchase and sales price, the Group measures assets based on purchase prices and the liability based on sales prices. A market is considered to be active if the transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the business determines that the fair value on initial recognition differs from the transaction price and the fair value is not evidenced by a price quoted in an active market for an identical asset or liability or based on a valuation technique for which any amount is not observable. As the inputs are immaterial in relation to measurement, the financial instrument is initially measured at fair value and adjusted to determine the difference between the fair value on initial recognition and the transaction price. Such difference is subsequently fairly stated in the combined income statement or other comprehensive income over the useful life of the instrument, or until its valuation is fully supported by observable market inputs or the transaction is closed, whichever the first.

To provide an indication of the reliability of the inputs used in fair value measurement, the Company classified its financial instruments based on the judgment and estimates of observable inputs, to the extent possible. The fair value hierarchy is based on the degree to which the fair value used in the valuation techniques is observable as follows:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: fair value measurements are those derived from inputs other than prices quoted included in Level 1 that are directly or indirectly observable for the asset or liability; and

- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (non-observable inputs).

2.26. Adoption of new standards

2.26.1. CPC 06 (R2)/IFRS 16 *Leases*

The new standard supersedes IAS 17 *Leases* and related interpretations, and introduces significant changes for lessees by requiring lessees to recognize the future payments liability and the right of use of the leased assets for basically all leases, including operating leases. Only certain short-term or low-value contracts are outside the scope of this new standard.

In this scenario, existing leases impact this financial information as follows:

a) recognition of right-of-use assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of the minimum future lease payments;

b) recognition of depreciation expenses of right-of-use assets and interest expenses on lease liabilities in the consolidated income statement; and

c) segregation of the total cash amount paid in these transactions into principal (disclosed in financing activities) and interest (disclosed in operating activities) in the consolidated statement of cash flows.

As permitted, for short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will elect to recognize the lease expenses on a straight-line basis in the income statements , as permitted by IFRS 16 / CPC 16 (R2).

On the other hand, the recognition requirements for lessors remained practically unchanged, except in cases of sublease. In these cases, the intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the main lease and no longer by reference to the underlying asset as was the case under IAS 17.

Additionally, in relation to the lease term, the entity was required to determine it as non-cancelable lease term, together with: (i) periods covered by an option to extend the lease, if the lessee was reasonably certain of exercising such option, and; (ii) periods covered by an option to terminate the lease, if the lessee was reasonably certain of not exercising such option.

As transition method to the new standard, Management elected the modified retrospective approach, with the cumulative effect of its initial application recognized as adjustment to the opening balance of equity and without restatement of comparative periods. Accordingly, all balances relating to the year ended December 31, 2018 continued to be stated pursuant to the requirements of the accounting policies previously in place (IAS 17).

In the transition process, the Company elected not to use the practical expedient that allows not reassessing whether a contract is or contains a lease. Accordingly, the new definitions of lease in accordance with IFRS 16 were applied to all contracts in effect at the transition date. The change in the definition of lease refers primarily to the concept of control, where under IFRS 16 the assessment of whether a contract contains a lease should be based on the fact of whether or not a customer has the right to control the use of an identified asset over a period of time in exchange for consideration.

As such, the Company's Management, with the assistance of specialists, identified the contracts (contract inventory) to determine whether or not a contract contains a lease pursuant to IFRS 16 / CPC 06 (R2). This analysis identified impacts related mainly to lease transactions of properties from third parties and less representative amounts linked to other transactions where we identified the existence of leased assets either individually or in connection with service agreements.

In addition, the following practical expedients were used on transition to the new lease accounting requirements:

- Apply a single discount rate to each lease portfolio with reasonably similar characteristics. As a result, Management obtained an incremental borrowing rate, measured at January 1, 2019, applicable to each portfolio of leased assets. Through this methodology, the Company obtained a weighted average rate of 9.81%;

- Those contracts for which the lease term ends within 12 months of the date of first-time adoption of the standard were not recognized;

- Exclude initial direct costs from the measurement of the opening balance of the right-of-use asset; and

- Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(a) Impacts on the Company's profit or loss

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

Additionally, the table below summarizes the accounting impacts of adopting this accounting standard on the income statement for the year ended December 31, 2019:

	Consolidated
	12/31/2019
Income statement for the period	
Depreciation and amortization	(258,497)
Finance costs	(395,459)
Finance income	878
Other gains and losses	35,432
	(617,646)
Deferred income tax and social contribution	(13,959)
	(631,605)
Lease amounts paid in the period	518,985
Impact of the new policy on profit or loss	**(112,620)**

(b) Impacts on the Company's assets, liabilities and equity

The table below shows the impacts from the first-time adoption of CPC 06(R2) / IFRS 16 on the interim financial information on January 1, 2019:

			Consolidated
	Disclosed 12/31/2018	**Adoption of CPC 06 (R2) / IFRS 16**	**Balance as at 01/01/2019**
	(Restated note 2.1		
Current assets			
Trade receivables	1,940,313	794	1,941,107
Noncurrent assets			
Trade receivables	694,283	8,275	702,558
Property, plant and equipment	2,494,528	3,436,230	5,930,758
Deferred taxes	748,501	107,115	855,616
Total assets	**5,877,625**	**3,552,414**	**9,430,039**
Current liabilities			
Leases payable	-	137,307	137,307
Noncurrent liabilities			
Leases payable	-	3,618,270	3,618,270
Deferred taxes	879,977	-	879,977
Total liabilities	**879,977**	**3,755,577**	**4,635,554**
Equity			
Retained earnings	5,287,505	(203,163)	5,084,342
Total equity	**5,287,505**	**(203,163)**	**5,084,342**

The Company reassessed the contractual terms and renewal periods per agreement so as to consider the aspects of articles 51 and 53 of the Tenant's Act and the impacts are considered in the column "Adoption of CPC 06 (R2) / IFRS 16". The calculations were made since the first-time adoption.

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

(c) Circular Letter/CVM/SNC/SEP 02/2019

On December 18, 2019, CVM issued a circular letter ("Circular Letter/CVM/SNC/SEP/02/2019") containing guidance on significant aspects of CPC 06 (R2) / IFRS 16 to be taken into consideration when preparing the financial statements of lessees for the year ended December 31, 2019.

Pursuant to the CVM, the 2019 interim financial statements of listed entities presented differences in relation to the application of IFRS 16. Therefore, the CVM issued guidance that must be followed by the listed entities. Two of the matters addressed in the guidance refer to (i) the change of the incremental borrowing rate from the actual rate to the statutory rate and (ii) the inclusion of taxes on sales (PIS and COFINS) in the calculation of lease liabilities, which impacted the measurement of the lease liability, right of use, amortization and interest expense. The application of this new accounting standard represents a new accounting policy.

Pursuant to Circular Letter/CVM/SNC/SEP/02/2019, the Company presents the comparative balances of the lease liability, right of use, finance costs and depreciation expenses, considering the effect arising from the projected future inflation on the flows of lease contracts, discounted by the statutory rate. The amount related to future commitments, as well as further information, are disclosed in note 18:

Description	Balances recorded - IFRS 16 / CPC 06 (R2) (*)	Flow with projected inflation	Variation in R$	Variation in %
Right of use, net	3,580,846	4,259,984	679,138	*19.0%*
Lease liability	4,021,474	4,696,566	675,092	*16.8%*
Finance costs	394,581	335,695	(58,886)	*-14.9%*
Depreciation expense	258,497	305,859	47,362	*18.3%*
Sublease receivables	31,769	36,196	4,427	*13.9%*

(*) According to the balance recorded in the financial statements for the year ended December 31, 2019.

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

	As at December 31, 2019	
		Consolidated
Cash flows	**Nominal**	**Adjusted to present value**
Consideration payable	8,566,107	4,021,474
Potential PIS/COFINS (3.65%)	(302,310)	(140,994)
	8,263,797	**3,880,480**

2.26.2. ICPC 22 / IFRIC 23 – Uncertainty over Income Tax Treatments

ICPC 22 (IFRIC 23) was published to clarify the accounting criteria for recognition, measurement and disclosure of income taxes if there are uncertainties over the application of the tax laws, which procedures to be applied were not explicit in CPC 32 or CPC 25, and where many times different criteria were adopted between the entities, preventing the comparability of the financial statements.

The main clarifications introduced by the standard are described below:

(i) Determination of taxable income

The entity must consider the possibility of the tax authority accepting the uncertain tax treatment. If the entity concludes that it is probable that the tax authority will accept the uncertain tax treatment, it must determine the taxable income (tax loss), tax basis, unutilized tax losses, unutilized tax credits or tax rates in line with the tax treatment used or planned to be used in its income tax return.

If the entity concludes that it is not probable that the tax authority will accept the uncertain tax treatment, it must reflect the effect of the uncertainty in the determination of the respective taxable income (tax loss), tax basis, unutilized tax losses, unutilized tax credits and tax rates for definition of the accounting impacts.

(ii) Measurement of the effects from the uncertainties

The entity must determine whether it must consider each uncertain tax treatment individually or together with one or more uncertain tax treatments, based on the approach that best estimates the resolution of the uncertainty and must reflect the effect from the uncertainty for each uncertain tax treatment, using one of the following methods, choosing the method that offers the best estimate of resolution of the uncertainty:

a) Most probable amount – the only most probable amount in a set of possible results. The most probable amount can provide the best estimate of resolution of the uncertainty if the possible results are binary or are concentrated in one amount;

b) Expected amount – the sum of weighted probability amounts in the range of possible results. The expected probable amount can provide the best estimate of resolution of the uncertainty if there is a set of possible results that are neither binary nor concentrated in one amount.

(iii) Examination by tax authorities

The entity must assume that the tax authority will examine the amounts it is entitled to examine and has full knowledge of all relevant information when conducting such examination.
Therefore, the risk of the entity being or not subject to tax audit (“risk of detection”) cannot be taken into consideration for purposes of recognition of the uncertain tax treatment.

(iv) Changes in facts and circumstances

The entity must reflect the effect from the change in facts and circumstances or new information as a change in accounting estimates, applying CPC 23 *Accounting Policies, Changes in Accounting Estimates and Errors*. The entity must apply CPC 24 *Events After the Reporting Period* to determine whether the change occurred after the balance sheet date is an event that requires adjustments or not.

(v) Effective and transition date

The standard is effective for annual periods beginning on January 1, 2019.

With respect to the transition period, the entity must apply the standard:

(a) retrospectively, applying CPC 23, if possible without using subsequent facts and information; or

(b) retrospectively, with cumulative effect of initially applying this interpretation on the first-time adoption date. If the entity chooses this transition approach, it must not restate the comparative information. On the contrary, the entity must recognize the cumulative effect of initially applying this interpretation as adjustment to the opening balance of retained earnings (or other equity component, as applicable). The first-date adoption date is the beginning of the annual reporting period in which the entity applies this interpretation for the first time.

Cogna Group has chosen the transition approach set forth in item “b” with adjustment to the opening balance of retained earnings, without restating the comparative information.

(vi) Summary of the impacts on the Group

The completion of the assessment with respect to the potential impacts arising from the application of ICPC 22 (IFRIC 23) as from FY2019 is as follows:

a) There were impacts arising from the application of ICPC 22 (IFRIC 23), as follows: (i) for the uncertainty related to the deductibility of the profit sharing expenses relating to the amounts paid to officers, R$39,730, of which: R$38,243 recorded in equity, and R$1,487 recorded in profit or loss for the year, and; (ii) for the uncertainty related to the deductibility on the allocation of goodwill in the acquisition of subsidiaries in the amount of R$36,877, which was fully allocated to profit or loss for the year. These impacts amounted to R$76,607, as shown in note 23.2;

b) There were no impacts arising from the application of the standard to the ongoing administrative proceedings and lawsuits under discussion with the tax authorities.

2.26.3. CPC 48 / IFRS 9 *Prepayment Features with Negative Compensation*

Pursuant to CPC 48 (IFRS 9), a debt instrument can be measured at amortized cost or at fair value through profit or loss if principal payments and the instruments are maintained in the appropriate business model for such classification. The amendments to CPC 48 (IFRS 9) clarify that a financial asset meets the SPPI criterion regardless of the event or circumstance that give rise to the early rescission of the contract and regardless of the party that pays or receives reasonable compensation for the early rescission of the contract.

These amendments did not impact the Company’s individual and consolidated financial statements.

2.27. New standards, amendments to and interpretations of standards issues and not yet applicable

The following standards will come into effect after the issuance of the financial statements:

2.27.1. CPC 00 (R2) *Conceptual Framework for Financial Reporting*

In March 2018, the IASB published its revised Conceptual Framework and the main changes refer to: the definitions of asset and liability; criteria for the recognition, derecognition, measurement, presentation and disclosure of balance sheet and profit or loss line items.

These changes are effective for years beginning on January 1, 2020 and possible impacts are being assessed and will be completed during 2020.

2.27.2. CPC 50 / IFRS 17 *Insurance Contracts*

This pronouncement will supersede the currently effective standard CPC 11 / IFRS 4, after the revision of the international standard by the IASB. The purpose of CPC 50 *Insurance Contracts* is to ensure that an entity provides significant information that fairly represent the essence of these contracts, through a consistent accounting model.

This pronouncement is applicable to annual periods beginning on or after January 1, 2011.

There are no other IFRS standards or IFRIC interpretations not yet effective that could materially affect the Company.

3. Key estimates and critical accounting judgments

In preparing the financial statements, the Company adopts accounting estimates and judgments that are assessed on an ongoing basis and are based on past experience and other factors, including expected future events considered to be reasonable and relevant under the circumstances. Based on these assumptions, the Group makes forward-looking estimates that can differ from actual results. The estimates and assumptions that present a significant risk and probably would cause a material adjustment to the carrying amount of assets and liabilities for the next year are as follows:

a) **Goodwill impairment, definition of CGUs and financial budget period**

The Group tests goodwill for impairment on annual basis, in accordance with the accounting policy set out in note 2.11. The CGUs recoverable amounts were determined based on calculations of the value in use, in reliance upon estimates.

The assumptions of the long-term model used in the impairment test, as well as the rates used, were analyzed and approved by Management. The calculations and impairment test have been prepared by Management in accordance with accounting standards.

b) **Deferred income tax and social contribution**

The liability method (according to the concept described in IAS 12 *Liability Method*) applied to account for deferred income tax and social contribution is used for temporary differences between the carrying amount of the assets and liabilities and the respective tax amounts. Deferred income tax and social contribution assets are revised on each reporting date and decreased by the amount that is no longer realizable through future taxable income. Deferred tax assets and liabilities are calculated using the tax rates applicable to taxable income for the years in which these temporary differences must be realized. Future taxable income can be higher or lower than the estimates considered in the determination of deferred tax assets (as shown in note 25).

c) **Provision for civil, labor, and tax contingencies**

The Group is a party to numerous lawsuits and administrative proceedings and recognizes a provision for all lawsuits assessed as probable loss. The assessment of the likelihood of loss includes assessing the available evidence, including the opinion of the in-house and outside legal counsel of the Group and its subsidiaries. Also, the Group recognizes a provision for lawsuits assessed as possible loss arising from business combinations, as described in notes 2.15 and 23.3. Management believes that this provision is sufficient and is fairly stated in the financial statements.

d) **Allowance for expected losses**

As described in note 2.7, the Company analyzes receivables from monthly tuitions and other transactions, considering the underlying risks, and records an allowance to cover probable losses on their collection, as show in note 8 (c).

e) **Determination of the adjustment to present value of certain assets and liabilities**

For certain assets and liabilities that are part of the Company's operations, Management assesses and recognizes the impacts of the adjustment to present value taking into consideration the time value of money and the related uncertainties.

f) **Inventories – Allowance for inventory obsolescence**

The Group recognizes an allowance for inventory obsolescence based on the production aging as it believes that this criterion is more consistent with its business model. Under this concept, an allowance for inventory obsolescence is recognized based on the periods described below: (i) produced for more than 13 months and up to 24 months – 50% of the inventory amount; (ii) produced between 25 and 36 months – 80% of the inventory amount; and (iii) produced for more than 36 months – 100% of the inventory amount (note 9).

g) **Revenue recognition**

To determine the date in which the five revenue recognition criteria (described in note 2.23) are met, Management exercises its judgment mainly for receivables relating to students with PEP and FIES financing.

Additionally, as described in note 2.23, for monthly tuitions of distance learning (EAD) courses, the Company recognizes only the revenue on the portion related to its share.

h) **Allocation of acquisition price – Business combination and accounting treatment of the commitments assumed for acquisition of the remaining noncontrolling interests**

During the acquisition price allocation process in a business combination, Management uses assumptions (growth rate, projections, discount rate, useful life, etc.), which involve a significant level of estimates and judgments.

Management assessed the accounting treatment related to the commitment for acquisition of noncontrolling interests (OPA), as described in note 4.1. Management concluded that it refers to a legal/statutory obligation and, accordingly, recognized upon the compliance by these shareholders.

4. Business combinations

4.1 Acquisition of Somos

As disclosed in note 1, on April 23, 2018, the Company announced the execution of the Share Purchase and Sale Agreement and Other Covenants for the purchase and sale of ownership interest corresponding to the shareholding control of Somos Educação S.A. ("Somos") through the purchase of 73.35% of its voting capital. The agreement was entered into among Saber Serviços Educacionais Ltda., an indirect subsidiary of Cogna, as a buyer and, on the other side, certain investment funds managed by Tarpon Gestora de Recursos S.A., which were the controlling shareholders of Somos. The transaction was approved without restrictions by the CADE, and it was closed on October 11. With the acquisition of Somos, we started to offer a full, integrated educational solutions portfolio, that relies on differentiated products and services in all K-12 education segments. We offer content solutions with renowned authors and remarkable professors, always prioritizing the establishment of a long-term relationship with partner schools. Our brands are recognized and the benchmark in their regions, and we have nationwide capillarity. We offer technology platforms for learning support, student engagement, teacher qualification and educational advisory services. We also rely on an extensive data generation and analysis capacity (big data), promoting intelligence to identify and enable growth opportunities and quality.

The Public Tender Offer was carried out on May 7, 2019. The results, after official confirmation by B3, indicated that Saber acquired 69,423,445 Somos common shares, equivalent to 26.48% of the latter's share capital, at R$24.55 per share, of which R$22.13 refer to the portion paid in cash (R$21.37 adjusted using the SELIC rate from October 11, 2018 to the settlement date) and R$2.42 refer to the withheld portion (R$2.34 adjusted using the SELIC rate from October 11, 2018 to the settlement date of the Public Tender Offer, May 10, 2019) ("Offer Price").

After settlement, therefore, Saber became the direct and indirect holder of 261,698,903 Somos common shares, representing approximately 99.84% of its share capital.

Since the number of shares acquired by Saber in the tender offer exceeded the minimum amount necessary to cancel the publicly-held company registration of Somos, which is 2/3 of the free float eligible for the tender offer, Somos took the necessary actions to cancel such registration.

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

As a result, on May 22, 2019, Somos reported to its shareholders and the market in general that on this date received Official Letter No. 164/2019/CVM/SEP/GEA-1, in which the CVM communicated the approval of the cancellation of Somos registration as issuer of category A securities, since all the applicable legal and regulatory provisions were complied with.

Accordingly, as from this date, Somos is a private corporation and its shares are no longer listed on B3 S.A. – Brasil, Bolsa, Balcão or any other organized market for trading.

Finally, on June 11, 2019, Somos reported to its shareholders, as provided for by Article 4, Para 5, of Law 6404/76 and pursuant to the decision approved at the Extraordinary Shareholders' Meeting, that it has paid the redemption amount of up to 378,807 of its free float, equivalent to approximately 0.16% of total issued shares, representing all the common shares that were still held by noncontrolling shareholders after the Public Tender Offer conducted by Saber Serviços Educacionais S.A. The total amount of up to R$24.76 per share, corresponding to the price paid for each share in the Public Tender Offer, adjusted since the Public Tender Offer settlement date using the SELIC rate (Central Bank's policy rate) on a pro rata basis until June 26, 2019, is broken down as follows: (i) a portion paid in cash of R$22.32 per share ("Cash Portion"), and (ii) a withheld portion of the tender offer of R$2.44 per share ("Escrow Deposit").

The table below shows the variations recognized in the balance sheets:

	Consolidated
Noncontrolling interests at fair value (i)	1,575,195
Escrow deposit withheld from noncontrolling interests	168,921
Gain on transactions among shareholders	(29,333)
Amount paid in Public Tender Offer	**1,714,783**

(i) Based on 69,853,431 shares held by Somos Educação S.A. at the acquisition date, measured at the fair value of R$22.55.

During the last quarter of 2019, and also within the one-year period permitted by the law, Management completed the process of allocation of the excess acquisition price above the fair value of assets and liabilities and, pursuant to IFRS 3 / CPC 15 (R1), it has revised the preliminary allocations, as shown below:

	Preliminary allocation 06/30/19	Final revision	Final allocation
Net assets	(408,875)	177,229	(231,646)
Acquisition price	4,566,542	1,714,783	6,281,325
	4,157,667	**1,892,012**	**6,049,679**
Liabilities assumed	2,600,630	(330,324)	2,270,306
Retained portion of acquisition price	(450,000)	(168,921)	(618,921)
Portion of noncontrolling interests	1,575,195	(1,575,195)	-
Excess acquisition price above the fair value classified as goodwill	**7,883,492**	**(182,428)**	**7,701,064**
Goodwill allocation			
Goodwill	5,899,506	(186,747)	5,712,759

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

	Preliminary allocation 06/30/19	Final revision	Final allocation
Trademark	1,668,665	(247,873)	1,420,792
Customer portfolio	105,552	64,598	170,150
Customer portfolio – non-contractual	1,234,504	193,848	1,428,352
Inventory appreciation	63,369	2,630	65,999
Property, plant and equipment appreciation	8,884	(8,884)	-
Derecognition of acquiree's intangible assets			
Goodwill	(879,569)	-	(879,569)
Trademark	(372,562)	-	(372,562)
Customer portfolio	(239,597)	-	(239,597)
Deferred income tax and social contribution on intangible assets	394,740	-	394,740
Total equity	**7,883,492**	**(182,428)**	**7,701,064**

4.2 Acquisition of Faculdade Metropolitana

On January 21, 2019, EDE completed the acquisition of 100% of the capital of Centro de Ensino Superior de Marabá Ltda. ("CEMAR"), Centro de Ensino Superior de Parauapebas Ltda. ("CEPAR"), and Centro de Ensino Superior de Paragominas Ltda. ("CESUPAR"), collectively "Faculdade Metropolitana". The main purpose is to follow the expansion plan of the Company's higher education segment.

The table below summarizes the main balance sheet groups, at the date of acquisition:

	CEMAR	CEPAR	CESUPAR	Faculdade Metropolitana
Current assets	2,520	2,064	672	5,256
Noncurrent assets	19,131	544	793	20,468
Total assets	**21,651**	**2,608**	**1,465**	**25,724**
Current liabilities	1,968	237	203	2,408
Noncurrent liabilities	16,880	-	-	16,880
Total liabilities	**18,848**	**237**	**203**	**19,288**
Equity	2,803	2,371	1,262	6,436
Total liabilities and equity	**21,651**	**2,608**	**1,465**	**25,724**
Net liabilities	(2,803)	(2,371)	(1,262)	(6,436)
Acquisition price	30,000	17,000	13,000	60,000
Present value adjustment	(2,195)	(1,244)	(951)	(4,390)
Excess acquisition price above the fair value	**25,002**	**13,385**	**10,787**	**49,174**

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

4.3 Acquisitions made in 2018

The goodwill arising on the acquisitions made during the second half of 2018 (Colégio Lato Sensu, Bacabal Mearim Sistemas de Ensino, Sociedade Educacional da Paraíba Ltda.) was preliminarily allocated during 2018. There was no material change with regard to the amounts disclosed in the financial statements for the year ended December 31, 2018.

5. Financial risk management

5.1. General considerations and policies

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

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

The fair values of the Company's financial instruments as at December 31, 2019 are as follows:

	Fair value hierarchy		Parent		Consolidated
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
Assets - amortized cost					
Cash and cash equivalents	-	95	10,057	371,683	1,485,611
Trade receivables	-	-	20	3,341,216	2,634,596
Receivables from sale of subsidiaries	-	-	-	389,693	494,405
Other receivables	-	217	179	193,871	209,062
		312	**10,256**	**4,296,463**	**4,823,674**
Assets - fair value through profit or loss					
Securities	1	4,103	-	471,390	1,109,959
		4,103	**-**	**471,390**	**1,109,959**
Liabilities - amortized cost					
Borrowings and financing	-	-	-	692	55,116
Debentures	-	7,859,984	-	8,083,873	7,628,506
Trade payables	-	447	482	537,430	474,980
Trade payables purchaser's risk	-	-	-	341,656	391,974
Payables - acquisitions	-	-	-	283,236	325,797
Other payables	-	175,561	98	147,793	99,081
		8,035,992	**580**	**9,394,680**	**8,975,454**

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

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

5.2. Financial risk factors

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

a) Policy on the use of derivative financial instruments

The Company does not have any derivative transactions.

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

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

Contract interest rates are shown below:

			Consolidated
	12/31/2019	**12/31/2018**	**Interest rate**
Borrowings and financing	692	55,116	9.41% p.a.
Debentures	7,971,068	7,519,865	100% CDI + interest of 0.75% to 1.7% p.a.
Debentures – SABER 1st issue, 3rd series	112,805	108,641	IPCA + 6.72% p.a.
Payables for acquisitions	154,062	177,753	CDI
Payables for acquisitions	102,744	117,000	IPCA
Payables for acquisitions	26,430	31,044	Other
Total	**8,367,801**	**8,009,419**	

c) Credit risk

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

Trade receivables – higher education

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

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

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

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

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

	Consolidated	
	12/31/2019	**12/31/2018**
Trade receivables (note 8)		
Group 1 - higher education	4,847,599	3,739,177
Group 2 - K-12 education	713,609	558,522
	5,561,208	**4,297,699**

Group 1 trade receivables consist mainly of receivables from individual customers, linked to the provision of undergraduate services and debt negotiations. This group's risk is managed based on the aging of the corresponding receivables and the segregation of the students per type of product and profile, (for example, FIES students and PEP students). Group 2 trade receivables consist mainly of receivables from book distributors, Government (National Textbook Program, or PNLD), schools, franchisees, and individuals linked to the provision of K-12 education services. This group's risk is managed based on the aging of the corresponding receivables and the segregation into services provided and goods sold segments.

Financial instruments and cash deposits

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

	Consolidated	
Cash and cash equivalents (note 6)	**12/31/2019**	**12/31/2018**
AAA (i)	274,673	1,138,346
AA+	80,613	-
AA	11,039	18,645
A+	-	293,148
AA-	-	13
Not applicable	5,358	35,459
	371,683	**1,485,611**
Securities (note 7)		
AAA (i)	47,693	66,980
AA	6	14,248
A+	423,689	969,974
Not applicable	2	58,757

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

	Consolidated	
Cash and cash equivalents (note 6)	**12/31/2019**	**12/31/2018**
	471,390	**1,109,959**

(i) Since Santander Brasil is not rated by Fitch, the rating awarded by Standard & Poor's was used to rate the short-term investments held in this financial institution amounting to R$227,650, of which R$212,168 is allocated to cash and cash equivalents and R$15,481 is allocated to securities.

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

d) Liquidity risk

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

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

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

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

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

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

Financial liabilities by maturity

				Consolidated
	Less than 1 year	1-2 years	Over 2 years	Total
As at December 31, 2019				
Trade payables	537,430	-	-	537,430
Trade payables - purchaser's risk	341,656	-	-	341,656
Borrowings and financing	531	161	-	692
Debentures	578,998	2,337,933	5,166,942	8,083,873
Payables for acquisitions	117,976	43,950	121,309	283,235
	1,576,591	**2,382,044**	**5,288,251**	**9,246,886**

Financial liabilities by maturity - Budgeted

				Consolidated
	Less than 1 year	1-2 years	Over 2 years	Total
As at December 31, 2019				
Trade payables	537,430	-	-	537,430
Trade payables - purchaser's risk	341,656	-	-	341,656
Borrowings and financing	563	171	-	734
Debentures	613,506	2,477,271	5,474,887	8,565,664
Payables for acquisitions	125,007	46,570	128,539	300,116
	1,618,162	**2,524,012**	**5,603,426**	**9,745,600**

The balances of the table above show the amounts payable of principal plus interest and inflation adjustment up to the last installment and thus do not reflect the balances stated in the related notes to the financial statements for the year ended December 31, 2019.

5.3. Capital management

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

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

As at December 31, 2019, the Company has an adequate capital structure to facilitate its growth strategy, either organically or through acquisitions. The investment decisions take into consideration the expected return potential.

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

The financial leverage ratios are as follows:

	Consolidated	
	12/31/2019	12/31/2018
		(Restated note 2.1)
Borrowings and financing, debentures and payables for acquisitions	(8,367,801)	(8,401,393)
Cash and cash equivalents and securities	843,073	2,595,570
Net cash	**(7,524,728)**	**(5,805,823)**
Equity	15,835,269	17,473,060
Financial leverage ratio	**47.52%**	**33.23%**

5.4. Sensitivity analysis

The table below shows the sensitivity analysis for financial instruments, describing the risks that may result in material losses for the Company, according to a Management assessment, using a most probable scenario for a twelve-month period and the following projected rates: CDI: 5.96% and IPCA: 4.31% per year. Additionally, two other scenarios are provided showing a 25% and 50% stress of the risk variable considered, respectively.

					Consolidated
As at December 31, 2019	**Exposure**	**Risk**	**Probable scenario**	**Possible scenario -25%**	**Remote scenario -50%**
Short-term investments and securities	843,073	CDI increase	50,246	62,808	75,369
CDI-indexed debentures and payables	(8,125,130)	CDI increase	(484,250)	(605,312)	(726,374)
IPCA-indexed debentures and payables	(216,241)	IPCA increase	(9,311)	(11,639)	(13,967)
	(7,498,298)		**(443,315)**	**(554,143)**	**(664,972)**

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

6. Cash and cash equivalents

		Parent		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash				
Checking account	95	90	63	3,076
	95	**90**	**63**	**3,076**
Short-term investments				
Fixed-income fund	-	-	76,579	33,442
Repurchase agreements	-	-	195,927	137,732
National Treasury Notes (NTNO) (i)	-	9,967	84,518	155,773
Bank certificates of deposit (CDBs)	-	-	14,596	1,155,588
	-	**9,967**	**371,620**	**1,482,535**
	95	**10,057**	**371,683**	**1,485,611**

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

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

The Company has highly liquid short-term investments, with insignificant risk of change in value, mainly indexed to the CDI or SELIC rate, a significant portion of which is made in exclusive fixed-income funds, managed and administered by major financial institutions. These funds are intended to offer return on the Group's cash and cash equivalents without incurring medium and high risk instruments or securities. The average gross yield of short-term investments is 97.79% of CDI (interbank deposit rate) as at December 31, 2019 (99.89% of CDI as at December 31, 2018).

7. Securities

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
National Treasury Bills (LTN)	-	-	15,482	547,202
Financial Bills (LF)	58	-	25,782	81,091
Financial Treasury Bills (LFT)	4,045	-	430,126	481,666
	4,103	**-**	**471,390**	**1,109,959**
Current	4,103	-	453,952	1,098,185
Noncurrent	-	-	17,438	11,774
	4,103	**-**	**471,390**	**1,109,959**

The average gross yield of securities is 97.79% of CDI as at December 31, 2019 (99.89% of CDI as at December 31, 2018).

8. Trade receivables

a) Breakdown

	Consolidated	
	12/31/2019	12/31/2018
Trade receivables		
Higher education (i)	4,847,599	3,739,177
K-12 education (ii)	713,609	558,522
	5,561,208	**4,297,699**
Allowance for expected losses		
Higher education	(1,987,068)	(1,371,947)
K-12 education	(60,297)	(94,081)
	(2,047,365)	**(1,466,028)**
Trade receivables, net	3,513,843	2,831,671
Present value adjustment (iii)	(172,627)	(197,075)
	3,341,216	**2,634,596**
Current	2,586,529	1,940,313
Noncurrent (iv)	754,687	694,283
	3,341,216	**2,634,596**

(i) Consists of current or past-due monthly tuitions of paying students, Higher Education Student Loan Program (FIES) students and private payment in installments (PEP) students.

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

(ii) Textbooks, support materials, sale of workbooks, franchises, and monthly tuitions.
(iii) The present value adjustment (PVA) is calculated on the revenue amounts recognized on a monthly basis and that mature in future periods, notably products used by the students benefiting from the PEP or PMT (Late Enrollment in Installments) products. The weighted average rate of 2.54% was used to calculate the discount amount in the period, based on the rates determined in January-December 2019 for the CDI and IPCA difference accumulated in the past twelve months.
(iv) PEP and higher education tuition fee renegotiation receivables falling due after 365 days, net of present value adjustments.

Higher education receivables increased due to the higher exposure of the Company's products in installments, such as PEP and PMT, where the payment is made only after the course is completed, coupled with the high volume of outstanding monthly tuitions due to the unstable economic scenario. Similarly, the allowance for expected losses linked to PEP and PMT products also increased because it is the Company's policy to provide for 50% of the recognized amount of revenue in installments, net of present value adjustments.

b) Receivables aging list

	Consolidated	
	12/31/2019	**12/31/2018**
Current (including PEP)	**4,116,341**	**3,257,762**
Past due		
Up to 30 days	256,442	196,351
31 to 60 days	304,214	152,668
61 to 90 days	139,832	9,729
91 to 180 days	239,048	131,870
181 to 365 days	505,330	549,319
Total past due	**1,444,866**	**1,039,937**
Allowance for expected losses	(2,047,365)	(1,466,028)
Present value adjustment	(172,627)	(197,075)
	3,341,216	**2,634,596**

c) Allowance for expected losses and write-offs

Monthly tuitions

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

FIES

The Company recognizes an allowance for expected losses for amounts under the FIES according to the likelihood of loss associated with the students included in the Program, taking into consideration the following assumptions:

- For contracts with guarantor, the Company recognized an allowance of 4.5% of this type of billed revenue, taking into account that the Company assumes only 15% of the exposure to the FIES credit risk and estimated 30% default.

- For contracts covered by the Student Loan Guarantee Fund (FGEDUC), entered into by April 2014, the Company recognized an allowance of 0.9% of this type of billed revenue, taking into account that the Guarantee Fund is responsible for 80% of the exposure to the FIES credit risk (15%) and estimated 30% default.

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

- For contracts covered by the Student Loan Guarantee Fund (FGEDUC), entered into after April 2014, the Company recognized an allowance of 0.45% of this type of billed revenue, taking into account that the Guarantee Fund is responsible for 90% of the exposure to the FIES credit risk (15%) and estimated 30% default.

PEP

The Company recognized an allowance for expected losses relating to the receivables of the Special Private Payment in Installments (PEP), using a 50% percentage of the net revenue, which reflects Management's best estimate of future default. This percentage takes into consideration: a) the expected credit losses for students with payments in installments, which is higher than the average of paying students; and b) the historic percentage of dropout students.

Variations in the allowances for expected losses in the year ended December 31, 2019 are as follows:

	Consolidated	
	12/31/2019	**12/31/2018**
Opening balance	(1,466,028)	(994,730)
Addition arising from acquiree	(1,950)	(75,630)
Write-off against trade receivables	331,406	276,823
Recognition	(910,793)	(672,491)
Closing balance	**(2,047,365)**	**(1,466,028)**

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

9. Inventories

	Consolidated	
	12/31/2019	**12/31/2018**
		(Restated note 2.1)
Finished goods	410,664	362,784
Work in process	48,265	75,849
Raw materials	55,147	59,310
Imports in transit	1,271	-
Appreciation	14,236	36,698
Allowance for inventory losses	(122,464)	(147,134)
	407,120	**387,507**

Variations in the allowance for inventory losses are as follows:

	Consolidated	
	12/31/2019	**12/31/2018**
Opening balance	(147,134)	(4,205)
Addition arising from acquiree	-	(143,945)
Increase in the year	(16,920)	(27,930)
Inventory losses	41,590	28,946
Closing balance	**(122,464)**	**(147,134)**

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

10. Recoverable taxes

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Income tax and social contribution (i)	11,787	3,913	223,599	211,990
PIS, COFINS and ISS (ii)	-	-	179,115	59,917
Social security tax (INSS)	-	-	34,076	28,955
Other recoverable taxes	-	-	39,800	20,136
	11,787	**3,913**	**476,590**	**320,998**
Current	11,787	3,913	346,162	315,169
Noncurrent	-	-	130,428	5,829
	11,787	**3,913**	**476,590**	**320,998**

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

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

11. Receivables from sale of subsidiaries

	Consolidated	
	12/31/2019	12/31/2018
UNIASSELVI	350,172	447,362
FAC	19,175	24,162
FAIR	10,728	13,511
NOVATEC	4,319	4,046
Colégio Anchieta	3,015	2,837
UNIRONDON	2,014	1,919
FAUSB	270	568
	389,693	**494,405**
Current	139,162	132,854
Noncurrent	250,531	361,551
	389,693	**494,405**

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

		Consolidated			
		12/31/2019		12/31/2018	
	Maturity	**Total**	**%**	**Total**	**%**
Total current assets	**Up to one year**	**139,163**	**35.7**	**132,854**	**26.9**
	One to two years	118,922	30.5	108,577	22.0
	Two to three years	130,902	33.6	124,998	25.3
	Three to four years	706	0.2	127,078	25.7
	Four to five years	-	0.0	898	0.2
Total noncurrent assets		**250,530**	**64.3**	**361,551**	**73.1**
Total		**389,693**	**100.0**	**494,405**	**100.0**

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

12. Other receivables

	Parent		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Prepaid expenses (i)	148	-	29,496	31,346
Receivables from former owners of acquirees (ii)	68	-	78,410	97,293
INSS on severance pay (iii)	-	-	30,859	30,859
Sale of properties (iv)	-	-	21,813	-
Other	1	179	33,293	49,564
Total	**217**	**179**	**193,871**	**209,062**
Current	217	179	96,764	150,937
Noncurrent	-	-	97,107	58,125
	217	**179**	**193,871**	**209,062**

(i) Consisting mainly of: R$4,241 in marketing expenses, R$3,403 in software license costs, and R$11,321 relating to the expenses on feasibility study project for corporate reorganization processes not completed in 2019.

(ii) Consisting mainly of: (i) contractual rights of reimbursement by the former owners of Academia Paulista Anchieta Ltda. (APA) to subsidiary Anhanguera Educacional S.A, in the adjusted amount of R$41,824, arising from the balance of service tax (ISS) in installments payable under the taxes in installments with incentives (PPI) of the City of São Paulo, (ii) R$2,200 in labor claims SEBH-PRAETORIUM; (ii) subsidiary Unime LF has R$1,670 receivable from the former owners relating to the Refis tax in installments, (iv) subsidiary EDE has R$13,946 relating to the debt acknowledgement of unit SOCE LINHARES, (v) R$9,324 relating to the accountability of UNIASSELVI and, (vi) R$3,089 relating to lawsuits involving UNOPAR.

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

(iv) Consisting of balances receivable on the sale of properties in Minas Gerais in the amount of R$10,198, property in São Luiz do Maranhão (CEAMA) in the amount of R$6,061, property located in the City of Santo André in the amount of R$3,060, and property located in the City of São Paulo in the amount of R$2,477.

13. Investments

(a) Breakdown of investments in direct subsidiaries

	Parent	
	12/31/2019	**12/31/2018**
Editora e Distribuidora Educacional S.A. ("EDE")	5,956,227	5,948,898
Anhanguera Educacional Participações S.A. ("AESAPAR")	3.004.598	3,109,748
SB Sistemas [i]	-	(16)
Somos Sistemas	3,116,657	-
Saber Serviços Educacionais Ltda.	2,431,955	-
Subtotal	**14,509,435**	**9,058,630**
Goodwill, including Anhanguera allocated goodwill	7,381,353	7,480,775
Total	**21,890,788**	**16,539,405**

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

(i) On August 16, 2019, SB Sistemas was sold to Editora Ática S.A., one of the Group's subsidiaries.

(b) Information on the direct subsidiaries

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

						12/31/2018
	Equity interest	Number of shares	Total assets	Total liabilities	Equity	Profit/loss for the period
EDE	100%	2,789,437,961	6,779,613	830,715	5,948,898	834,171
AESAPAR	74.46%	2,497,592,975	5,303,694	1,127,258	4,176,436	700,166
SB SISTEMAS	100%	2,000	71	87	(16)	(18)
		5,287,032,936	**12,083,378**	**1,958,060**	**10,125,318**	**1,534,319**

(c) Variations in investment in direct subsidiaries:

							Parent
Investment	**EDE**	**AESAPAR**	**SB Sistemas**	**Somos Sistemas**	**Saber**	**Goodwill**	**Total**
Balance as at 12/31/2018	5,948,898	3,109,748	(16)	-	-	7,480,775	16,539,405
Variations							
Amortization of allocated goodwill	-	-	-	-	-	(71,903)	(71,903)
Share of profit (loss) of investees	188,899	172,196	1	(37,374)	(48,791)	-	274,930
Capital increase (i)	178,600	-	100	-	5,498,127	-	5,676,826
Corporate reorganizations (ii)	(109,220)	-	-	2,834,301	(2,725,081)	-	-
Dividend distribution	(145,557)	(192,079)	-	-	-	-	(337,636)
Adoption of IFRS 16	(117,913)	(89,459)	-	950	3,006	-	(203,417)
RSU impacts	23,316	1,041	-	1,094	341	-	25,793
Gain/Loss on investments	8,589	3,151	-	317,685	(329,424)	-	(0)
Other impacts	(19,385)	-	(85)	-	33,778	(27,519)	(13,211)
Balance as at 12/31/2019	**5,956,227**	**3,004,598**	**-**	**3,116,657**	**2,431,955**	**7,381,353**	**21,890,789**

(i) Refers mainly to the debt assumption by Cogna in parent Saber, which, as a contra entry to this movement, has issued private debentures for the new debenture holder. Further details are shown in note 28.1(i)

(ii) Refers to the variations resulting from the corporate reorganization project between the Company's business units, the main reorganization of which was between subsidiaries Somos Sistemas and Saber.

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

(d) Information on the indirect subsidiaries

						12/31/2019
	Equity interest	Number of shares	Total assets	Total liabilities	Equity	Profit/loss for the period
Anhanguera Educacional Ltda.	100.00%	49,163,929	136,524	1,178	135,346	23,889
Clínica Médica Anhanguera Ltda.	100.00%	350,000	1,076	544	532	(187)
Anhanguera Educacional Fundo de Investimento em Direitos Creditórios	100,00%	572.917	9,238	174	9,064	8,936
Instituto Excelência Ltda.	100.00%	17,935,579	3,517	329	3,189	(380)
Edufor serviços educacionais Ltda. – ME	100.00%	2,909,300	2,577	3,456	(879)	(2,058)
Sociedade Piauiense de Ensino Superior Ltda.	100.00%	17,913,750	37,328	42,113	(4,785)	1,204
Fateci Cursos Técnicos S/S	100.00%	4,427,000	3,116	4,301	(1,185)	(1,657)
Clauder Ciarlini Filho S/S.	100.00%	4,326,000	16,203	26,263	(10,059)	8,479
Sociedade Educacional da Paraíba Ltda..	100.00%	22,987,000	8,178	8,474	(296)	(2,814)
Bacabal Mearim Sistemas de Ensino Ltda..	100.00%	2,180,000	27,357	21,986	5,372	8,160
Centro de Ensino Atenas Maranhense	99.99%	113,288,364	357,978	126,648	231,330	21,336
Centro de Ensino Superior de Marabá Ltda.	99.99%	9,829,511	28,735	20,962	7,773	4,971
Centro de Ensino Superior de Parauapebas Ltda.	99.99%	4,675,159	14,771	8,176	6,595	4,224
Centro de Ensino Superior de Paragominas Ltda.	99.99%	974,207	7,730	5,091	2,640	1,365
Orme Serviços Educacionais	99.99%	188,844,194	130,630	68,410	62,220	(30,324)
Projecta Educacional	99.99%	10,234,275	5,520	303	5,217	120
Pitágoras Sistema de Ensino Sociedade	99.99%	384,011,228	1,068,798	492,283	576,514	170,808
União de Ensino Unopar	99.99%	128,631,508	248,457	103,834	144,623	15,388
Unic Educacional	99.99%	205,146,858	590,976	93,954	497,022	96,091
Iuni Educacional - Unime Salvador	99.99%	15,916,973	114,635	59,943	54,692	2,615
Nucleo Brasileiro De Estudos Avançados Ltda.	100.00%	1,158,979	4,015	4,719	(704)	(950)
Colegio Manaura Latu Sensu Ltda.	100.00%	8,601,283	133,549	213,742	(80,193)	55,835
Colégio LS Cidade Nova Ltda.	100.00%	805,889	1,309	1,667	(358)	(599)
Colégio Manauara Cidade Nova Ltda.	100.00%	301,001	10,015	14,784	(4,768)	2,106
Centro Educacional Leonardo Da Vinci S/S Ltda.	100.00%	2,839,000	201,246	208,317	(7,071)	54,054
Da Vinci Servicos Educacionais Ltda.	100.00%	1,870,000	9,593	8,442	1,152	15,031
SB Sistemas de Ensino Ltda.	100.00%	102,000	88	0	87	3
Somos Idiomas S.A.	100.00%	120,421,129	84,405	36,128	48,277	5,948
Editora Ática S.A.	100.00%	1,140,483,077	683,801	229,703	454,098	(93,986)
Editora Scipione S.A.	100.00%	245,673,857	177,580	30,317	147,263	10,160
Somos Educação S.A.	100.00%	979,735,022	923,580	29,978	893,602	456,346
Nice Participações S.A.	100.00%	22,816,962	466	1,249	(783)	(2,160)
Sistema PH de Ensino Ltda.	100.00%	55,252,441	169,049	123,107	45,941	(7,353)
Maxiprint Editora Ltda.	100.00%	1,727,885	19,096	25,976	(6,880)	13,774
SGE Comércio de Material Didático Ltda.	100.00%	24,240,673	17,660	9,099	8,561	(13,787)
Colégio Motivo Ltda.	100.00%	106,973,304	102,060	68,204	33,857	(6,263)
Acel – Administração de Cursos Educacionais Ltda.	100.00%	104,591,638	243,813	200,546	43,267	(5,808)
ECSA – Escola a Chave do Saber Ltda.	100.00%	3,675,000	12,495	9,852	2,643	(302)
Sociedade Educacional Doze de Outubro Ltda.	100.00%	18,723,535	33,777	28,257	5,519	(2,702)
Sociedade Educacional Paraná Ltda.	100.00%	160,000	19,967	15,509	4,458	4,057
Saraiva Educação S.A.	100.00%	570,430,892	463,929	87,117	376,812	290
Escola Mater Christi Ltda.	100.00%	13,223,700	18,055	10,316	7,738	695
Colégio Jaó Ltda.	100.00%	6,991,850	26,531	22,123	4,408	(417)
Somos Operações Escolares S.A.	100.00%	646,560,039	595,101	76,953	518,148	(26,449)

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

						12/31/2019
	Equity interest	Number of shares	Total assets	Total liabilities	Equity	Profit/loss for the period
Educação Inovação e Tecnologia S.A.	100.00%	36,697,655	16,086	3,223	12,862	(13,199)
Somos Educação Investimentos S.A.	100.00%	89,642,080	74,520	27,022	47,498	(15,674)
Papelaria Brasiliana Ltda.	100.00%	1,000	1,764	1,223	541	964
Stoodi Ensino e Treinamento à Distância Ltda..	100.00%	23,228,002	33,269	15,742	17,527	(2,324)
Editora Joaquim Ltda.	100.00%	10,000	536	417	119	93
Editora Pigmento Ltda.	100.00%	10,000	761	548	213	203
Editora Todas as Letras Ltda.	100.00%	10,000	932	647	285	284
Sociedade Educacional de Rondonópolis Ltda.	100.00%	2,300,000	9,469	8,944	525	(1,292)
Sociedade Rondonopolitana de Educação Ltda..	100.00%	1,590,000	4,130	1,785	2,345	594
Sociedade Educacional Neodna Cuiabá Ltda.	100.00%	2,506,344	5,200	4,766	433	(313)
CEI - Centro de Educação Integrada Ltda.	51.00%	2,082,592	47,065	39,935	7,130	2,589
Salmo Noventa Centro Educacional Eireli	51.00%	410,000	1,544	1,923	(378)	(416)
Escola Infantil Primeiros Passos Eireli	51.00%	100,000	2,510	2,380	130	14
Escola Santo Inacio Ltda.	100.00%	629,000	22,244	21,712	532	1,117
Escola Riacho Doce Ltda.	100.00%	1,716,900	7,917	5,949	1,967	194
Curso e Colégio Coqueiro Ltda.	100.00%	3,036,450	5,848	3,705	2,144	(323)
Colégio Ambiental Ltda.	100.00%	2,073,013	7,857	5,155	2,702	220
Colégio Visão Ltda.	100.00%	1,280,382	2,733	1,736	997	(113)
Colégio Cidade Ltda. (Campinas)	100.00%	204,714	1,732	1,421	310	(33)
Colégio do Salvador Ltda..	100.00%	416,367	26,220	24,916	1,304	1,847
Eligis Tecnologia e Inovação Ltda.	100.00%	8,200	4	10	(6)	(6)
Livro Fácil	100.00%	11,750,000	111,902	111,947	(45)	(9,744)
Sociedade Educacional Aphaville S.A	51.00%	500	11,965	13,254	(1,289)	(704)
Colégio Anglo São Paulo	100.00%	1,000	0	0	(0)	(0)
Saraiva Soluções Educacionais S.A	100.00%	500	1	-	1	-

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

14. Property, plant and equipment

								Consolidated
	IT equipment	Furniture, equipment and fixtures	Library	Buildings and improvements	PP&E in progress	Land	Right of use (IFRS-16)	Total
Balances as at December 31, 2017	**89,512**	**347,898**	**154,086**	**1,168,463**	**71,724**	**99,779**	**-**	**1,931,462**
Additions	68,494	134,068	17,069	115,805	225,238	-	-	560,674
Addition due to business combination	11,373	10,537	1,374	94,319	49,821	25,208	-	192,632
Write-offs	(1,549)	(1,617)	(2,751)	(1)	(440)	(17,292)	-	(23,650)
Depreciation	(38,616)	(50,951)	(25,728)	(60,180)	-	-	-	(175,475)
Transfers	-	-	-	248,509	(248,509)	-	-	-
Balances as at December 31, 2018	**129,214**	**439,935**	**144,050**	**1,566,915**	**97,834**	**107,695**	**-**	**2,485,643**
Restatement effects (note 2.1)	-	8,885	-	-	-	-	-	8,885
Balances as at December 31, 2018 (restated)	**129,214**	**448,820**	**144,050**	**1,566,915**	**97,834**	**107,695**	**-**	**2,494,528**
IFRS 16 opening balance (i)	-	-	-	-	-	-	3,436,230	3,436,230
Balances as at January 1, 2019	**129,214**	**448,820**	**144,050**	**1,566,915**	**97,834**	**107,695**	**3,436,230**	**5,930,758**
Additions	36,881	65,473	11,622	37,844	178,738	-	632,308	962,866
Addition due to business combination	286	2,447	591	154	-	-	-	3,478
Write-offs	(3,638)	(9,104)	(1,062)	(217,105)	(18,034)	(22,242)	(249,530)	(520,715)
Depreciation	(49,992)	(62,845)	(27,213)	(122,576)	-	-	(258,497)	(521,123)
Transfers	-	-	-	148,952	(202,387)	33,100	20,335	-
Balances as at December 31, 2019	**112,751**	**444,791**	**127,988**	**1,414,184**	**56,151**	**118,553**	**3,580,846**	**5,855,264**
Average annual depreciation rate	23%	10%	10%	4%	0%	0%	7%	
Cost as at December 31, 2019	397,033	917,629	336,267	1,850,903	56,151	118,553	4,378,124	8,054,660
Accumulated depreciation as at December 31, 2019	(284,282)	(472,838)	(208,279)	(436,719)	-	-	(797,278)	(2,199,396)

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

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

15. Intangible assets

						Consolidated
	Software	Content production	Operation License	Goodwill and allocated intangible assets	Other intangible assets	Total
Balances as at December 31, 2017	**264,025**	**158,310**	**8,262**	**10,729,359**	**138,933**	**11,298,889**
Additions	180,282	103,573	8,673	6,946,520	12,192	7,251,240
Balance from acquirees	189,041	21,231	31	1,460,561	(8)	1,670,856
Write-offs	(3,736)	(60)	(1,917)	(829)	(2,030)	(8,572)
Amortization	(73,371)	(98,872)	(3,080)	(103,214)	(22,766)	(301,303)
Balances as at December 31, 2018	**556,241**	**184,182**	**11,969**	**19,032,397**	**126,321**	**19,911,110**
Restatement effects (note 2.1)	-	-	-	1,045,755	-	1,045,755
Balances as at December 31, 2018 (restated)	**556,241**	**184,182**	**11,969**	**20,078,152**	**126,321**	**20,956,865**
Additions	195,510	85,993	8,852	19,291	3,125	312,771
Addition due to business combination	-	-	-	49,174	-	49,174
Variation for combinations (i)	-	-	-	(153,095)	-	(153,095)
Write-offs	(102)	(624)	(1,901)	-	(276)	(2,903)
Amortization	(144,086)	(113,369)	(5,637)	(352,213)	(25,282)	(640,587)
Balances as at December 31, 2019	**607,563**	**156,182**	**13,283**	**19,641,309**	**103,888**	**20,522,225**
Average annual amortization rate	20%	44%	33%	7%	41%	-
Cost as at December 31, 2019	1,104,266	623,307	21,089	20,331,561	200,332	22,280,556
Accumulated amortization as at December 31, 2019	(496,703)	(467,125)	(7,806)	(690,253)	(96,444)	(1,758,331)

(i) Amount arising from the revision of goodwill on the acquisition of Somos Educação S.A, consisting of: (R$330,324) arising from liabilities assumed in the business combination, as described in note 24; and R$177,229 that was allocated in the other line items of the opening balance sheet.

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

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

		Consolidated
	12/31/2019	12/31/2018
		(Restated note 2.1)
Goodwill (i)	14,662,069	14,828,266
Trademark (ii)	2,791,570	3,168,399
Operation license and center partner chain (iii)	697,519	667,966
Customer portfolio (iv)	1,488,030	1,413,504
Non-compete agreement (iv)	2,120	17
	19,641,308	**20,078,152**

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

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

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

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

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

b) Goodwill impairment testing per type

Goodwill is allocated to the Cash-generating Units (CGUs) identified by Management based on the following assumptions:

- After the acquisitions, the Group seeks to consolidate similar operations in some legal entities focused on in-class education (in-class) and distance learning education (EAD) through mergers and spin-offs, eliminating certain legal entities to decrease management and administrative costs, benefit from operating synergies and trademarks, and expand the areas of coverage of the physical units acquired. Accordingly, the legal entities and physical units are not assets that generate cash inflows independently from other assets, for purposes of goodwill impairment test since, due to the numerous corporate changes, the entities which acquisitions resulted in goodwill recognition, or even the entities that recognized goodwill, were no longer legally established and goodwill was no longer related to the assets acquired that generated the goodwill;

- For the K-12 education segment, the Group seeks to adopt the same concept of operating synergy and decrease of management and administrative costs, already consolidating the corporate activities, similarly to the concept adopted for in-class or distance learning education. School management activities are centralized and, consequently, the physical unit is not a cash-generating unit, considering that several costs necessary for its activities are already shared with other units. Upon the sale of learning material, centralization is similar, considering that the physical unit (warehouse and logistics structure) is shared, and;

- At the same time, as it refers to a group with centralized management in several areas (technical and methodology development, personnel management, including faculty, administrative staff, marketing, etc.) the same legal entity operating in the higher education segment is managed together with the other Group companies operating in the same segment. Accordingly, it is not possible to analyze the cash flows that would be generated by the legal entity operating in the higher education segment individually, as its operations generate efficiency gains and give rise to decisions within the context of the segment as a whole.

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

		Consolidated
	12/31/2019	**12/31/2018**
In-class	7,517,643	7,542,761
Distance learning (EAD)	3,637,357	3,135,870
Elementary		
K12	5,343,246	4,563,837
Schools and languages	3,143,062	4,321,574
SETS	-	514,110
	19,641,308	**20,078,152**

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

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections, before income tax and social contribution, based on financial budgets approved by Management for an eight-year period in all Company's CGUs. The amounts related to the cash flows subsequent to each projection period (eight years) were extrapolated based on growth rates of 6.11% per year (5.5% per year as at December 31, 2018). The growth rate does not exceed the average long-term growth rate for the education segment where the CGUs operate. The nominal discount rate used before the tax benefit was 10.61% for in-class and distance learning (EAD) (13.60% and 13.45% for in-class and distance learning (EAD), respectively, as at December 31, 2018), and 10.08% for CGUs of K-12 (13.02% as at December 31, 2018), which derives from the Weighted Average Cost of Capital (WACC).

The Company uses an eight-year scenario for higher education operations (in-class and distance learning (EAD)) as it understands that this is the period necessary for development of a new unit. As there are courses that result in a full student base for the new unit as from the 4th year, another four years are necessary so that the unit can reach its revenue and return potential. The same principle can be adopted for the cash-generating unit called K-12 and schools and languages.

In 2019, the SETS was transferred to the distance learning education (EAD), considering that its operation and activities were already centralized in such business unit in that year.

The assumptions of the long-term model used in the impairment test, as well as the rates used, were analyzed and approved by Management. As at December 31, 2019, goodwill was tested for impairment and no need to adjust the respective amounts was identified. In addition to the standard test, a sensitivity test was conducted adjusting the WACC 1% above and below in relation to the Company's long-term model, and no need to adjust the respective amounts was identified.

16. Borrowings and financing

(a) Breakdown

					Consolidated
	Interest	**Issuance**	**Maturity**	**12/31/2019**	**12/31/2018**
Working capital (i)	9.41% p.a.	04/19/2012	04/19/2021	692	1,167
Finance lease				-	53,949
Total				**692**	**55,116**
Current liabilities				531	4,671
Noncurrent liabilities				161	50,445
				692	**55,116**

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

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

(b) Variations

	Consolidated	
	12/31/2019	**12/31/2018**
Opening balance	55,116	37,348
Increase – principal	-	20,335
Reclassification of finance leases	(53,949)	-
Interest recognition	18	-
Principal repayment	(493)	(2,567)
Closing balance	**692**	**55,116**

(c) Repayment schedule

					Consolidated
			12/31/2019		12/31/2018
	Maturity	**Total**	**%**	**Total**	**%**
	Up to one year	531	76.7	4,671	8.5
Total current liabilities		**531**	**76.7**	**4,671**	**8.5**
	One to two years	161	23.3	5,528	10.0
	Two to three years	-	0.0	5,146	9.3
	Three to four years	-	0.0	39,771	72.2
Total noncurrent liabilities		**161**	**23.3**	**50,445**	**91.5**
		692	**100.0**	**55,116**	**100.0**

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

17. Debentures

(a) Breakdown

				Parent		Consolidated	
	Interest	Issuance	Maturity	12/31/2019	12/31/2018	12/31/2019	12/31/2018
2nd issue, 3rd series EDE debentures	CDI + 1.70% p.a.	02/26/2015	12/10/2019	-	-	-	42,687
4th issue, single series EDE debentures	CDI + 1.00% p.a.	08/27/2018	08/15/2021	-	-	223,889	-
1st issue, single series COGNA debentures	CDI + 0.65% p.a.	04/15/2019	04/15/2024	807,164	-	807,164	-
2nd issue, 1st series COGNA debentures	CDI + 0.75% p.a.	08/15/2018	08/15/2021	1,152,229	-	1,152,229	-
2nd issue, 2nd series COGNA debentures	CDI + 1.00% p.a.	08/15/2018	08/15/2023	4,246,506	-	4,246,506	-
2nd issue, 3rd series COGNA debentures	IPCA + 6.7234% p.a.	08/15/2018	08/15/2025	112,805	-	112,805	-
2nd issue, 2nd series COGNA debentures	CDI + 1.00% p.a.	08/15/2018	08/15/2023	102,333	-	102,333	-
3rd issue, 1st and 2nd series COGNA debentures	CDI + 0.90% p.a. and CDI + 1.70% p.a.	08/15/2018	08/15/2022	510,264	-	510,264	-
4th issue, single series COGNA debentures	CDI + 1.15% p.a.	03/15/2018	09/15/2021	812,411	-	812,411	-
5th issue, single series COGNA debentures	CDI + 1.00% p.a.	10/25/2017	10/25/2020	116,272	-	116,272	-
1st issue, 1st series SABER debentures	CDI + 0.75% p.a.	08/15/2018	08/15/2021	-	-	-	1,154,212
1st issue, 2nd series SABER debentures	CDI + 1.00% p.a.	08/15/2018	08/15/2023	-	-	-	4,359,991
1st issue, 3rd series SABER debentures	IPCA + 6.7234% p.a.	08/15/2018	08/15/2025	-	-	-	108,641
2nd issue, 1st and 2nd series SABER SOMOS debentures	CDI + 0.90% p.a. and CDI + 1.70% p.a.	08/15/2018	08/15/2022	-	-	-	817,335

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

3rd issue SABER SOMOS debentures	CDI + 1.15% p.a.	03/15/2018	09/15/2021	-	-	-	813,237
4th issue, single series SABER SCIPIONE debentures	CDI + 1.00% p.a.	10/25/2017	10/25/2020	-	-	-	108,300
1st issue SARAIVA SOMOS debentures	CDI + 1.00% p.a.	08/27/2018	08/15/2021	-	-	-	224,103
Total				**7,859,984**	**-**	**8,083,873**	**7,628,506**
Current liabilities				574,873	-	578,998	522,846
Noncurrent liabilities				7,285,111	-	7,504,875	7,105,660
				7,859,984	**-**	**8,083,873**	**7,628,506**

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

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

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

(b) Variations

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Opening balance	-	-	7,628,506	266,533
Increase due to debt migration (i)	7,041,624	-	-	2,130,304
Increase – principal (ii)	800,000	-	800,000	5,294,921
Increase – issuance costs	(2,339)	-	(2,339)	(35,596)
Accrued interest	45,794	-	545,811	214,706
Cost allocation	563	-	10,660	3,984
Interest payment	(25,658)	-	(556,265)	(24,923)
Principal repayment	-	-	(342,500)	(221,423)
Closing balance	**7,859,984**	**-**	**8,083,873**	**7,628,506**

(i) Refers to debt securities assumed by the Company in the name of subsidiary Saber, which amounts, maturity date, payment dates, interest, payment methods and other terms and conditions will correspond to the information in each debenture indenture already issued. As a contra entry to this movement, subsidiary Saber issued private debentures to Cogna, as shown in note 28.1 (i).

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

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

(c) Performance ratios

Issuances - "Cogna" and "EDE" (quarterly calculations)

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

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

As at December 31, 2019, the financial ratio relating to the net debt-to-adjusted EBITDA ratio reached 3.03, being the first quarter that exceeded the ratio, but still in compliance with the financial covenants mentioned above. Additionally, non-financial covenants were met as at December 31, 2019.

(d) Repayment schedule

					12/31/2019
			Parent		Consolidated
	Maturity	Total	%	Total	%
	Up to one year	574,873	7.3	578,998	7.2
Total current liabilities		**574,873**	**7.3**	**578,998**	**7.2**
	One to two years	2,023,017	25.7	2,242,781	27.7
	Two to three years	2,227,322	28.3	2,227,322	28.3
	Three to four years	2,129,047	27.2	2,129,047	27.3
	Four to five years	834,999	10.6	834,999	10.6
	Five to six years	70,726	0.9	70,726	0.9
Total noncurrent liabilities		**7,285,111**	**92.7**	**7,504,875**	**92.8**
		7,859,984	**100.0**	**8,083,873**	**100.0**

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

18. Lease – right of use

(a) Variations

	Consolidated
	12/31/2019
Balances as at December 31, 2018	-
IFRS 16 opening balance	3,755,577
Balance as at January 1, 2019	**3,755,577**
Additions	444,914
Adjustments	226,436
Cancellations	(281,048)
Interest payment	(381,191)
Present value adjustment	394,580
Principal repayment	(137,794)
Closing balance	**4,021,474**
Current	147,773
Noncurrent	3,873,701
	4,021,474

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

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

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

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

As permitted by CPC 06 (R2) / IFRS 16, for short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will elect to recognize the lease expenses on a straight-line basis in the income statements, and therefore will not be included in lease liabilities. The effects for the year ended December 31, 2019 are shown below:

	Consolidated
	12/31/2019
Fixed payments	518,985
Variable payments	13,526
Payments related to short-term and low-value contracts	26,814
Total paid	**559,325**

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

(c) Future commitments

The balances of leases payable related to the “Future commitments” for the year ended December 31, 2019 are as follows:

			Consolidated
	IFRS 16	**(-) PVA**	**12/31/2019**
Up to one year	542,957	(395,956)	147,001
One year up to five years	2,429,505	(1,112,059)	1,317,446
Over five years	5,593,645	(3,036,618)	2,557,027
	8,566,107	**(4,544,633)**	**4,021,474**

19. Trade payables - purchaser’s risk

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

As at December 31, 2019, the balance of trade payables - purchaser’s risk was R$341,656 (R$391,974 as at December 31, 2018), the weighted average discount rate of the assignment transactions conducted by our suppliers with financial institutions was 0.55% per month (the weighted average discount rate as at December 31, 2018 was 0.68% per month) and the maximum payment deadline was 360 days. The balance is initially known net of adjustments to present value, which are subsequently recognized as finance costs.

20. Payroll and related taxes

		Parent		Consolidated
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Payroll payable	-	-	87,322	94,686
INSS payable	-	-	70,352	61,819
Severance pay fund (FGTS) payable	-	-	16,009	18,363
Withholding income tax (IRRF) payable	-	-	36,194	39,215
Accrued vacation pay and 13th salary	-	-	79,288	109,254
Payroll taxes on accruals	-	-	23,568	17,991
Accrued profit sharing	-	2,970	111,142	141,193
Other	-	-	39,652	25,730
	-	**2,970**	**463,527**	**508,251**

21. Taxes payable

		Parent		Consolidated
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Service Tax (ISS)	-	-	60,603	50,489
Tax on revenue (PIS)	79	-	3,399	890
Tax on revenue (COFINS)	481	-	17,724	9,338
Withholding income tax (IRRF)	130	-	11,540	2,493
Social Contribution (CSLL)	-	-	410	406
Other	96	8	8,116	12,060
	786	**8**	**101,792**	**75,676**

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

22. Payables - acquisitions

	Consolidated	
	12/31/2019	**12/31/2018**
Colégio Lato Sensu	54,518	66,096
Colégio Leonardo da Vinci	69,816	75,295
Metropolitana	37,747	-
Uniabc	29,595	28,657
Imóvel Betim	-	48,977
Colégio SANTI	19,767	18,539
ICF	11,442	13,482
Livraria Livro Fácil	10,941	10,594
Fateci	8,678	8,249
IECAC (Sigma Águas Claras) - SOMOS	8,243	13,406
Grupo Visão	7,548	10,942
Febac	5,971	7,082
Iesville Educar / Intesc	5,719	5,397
Other	13,251	19,081
Total	**283,236**	**325,797**
Current	117,976	132,440
Noncurrent	165,260	193,357
	283,236	**325,797**

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

	Consolidated	
	12/31/2019	**12/31/2018**
Opening balance	325,797	122,786
Addition due to business combination	-	69,999
Addition (i)	55,903	4,911,900
Interest adjustment	16,792	10,778
Write-offs/nettings	-	(8,485)
Present value adjustment	4,717	(8,949)
Payments	(119,975)	(4,772,232)
Closing balance	**283,236**	**325,797**

(i) Balance basically consisting of the acquisition of Faculdade Metropolitana, as shown in note 4(a).

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

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

Due dates of payables for acquisitions:

					Consolidated
		12/31/2019		12/31/2018	
	Maturity	**Total**	**%**	**Total**	**%**
	Up to one year	117,976	41.7	132,440	40.7
Total current liabilities		**117,976**	**41.7**	**132,440**	**40.7**
	One to two years	43,950	15.5	57,846	17.8
	Two to three years	49,215	17.4	40,226	12.3
	Three to four years	53,741	19.0	56,943	17.5
	Four to five years	18,354	6.4	38,342	11.7
Total noncurrent liabilities		**165,260**	**58.3**	**193,357**	**59.3**
Total		**283,236**	**100.0**	**325,797**	**100.0**

23. Provision for tax, labor and civil contingencies and escrow deposits

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

23.1. Proceedings with a probable likelihood of loss

	Parent		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Labor proceedings (i)	762	5,941	141,468	151,452
Tax proceedings (ii)	35,035	50,842	268,595	172,291
Civil proceedings (iii)	769	7,206	61,861	99,190
Total	**36,566**	**63,989**	**471,924**	**422,933**

(i) Labor proceedings

As at December 31, 2019, the most significant labor lawsuits classified as probable losses to which the Company and its subsidiaries were parties, part of which are the responsibility of former sponsors/owners of the acquired entities and refer to events that occurred prior to the acquisition of the related entity by the Company, are as follows:

- Class action filed by the ABC labor union in the greater São Paulo against our subsidiary Anhanguera. This proceeding consists of several claims relating to the compliance with the teachers collective labor agreement, such as: weekly paid rest difference on nightshift premium, five-year salary rises, hourly fee, and distance learning classes (EAD), teacher salary makeup (five-year salary rise, hourly fee, nightshift premium), entry-level teacher salary gap, meal ticket, fine for noncompliance with regulatory clause on entry-level teacher salary gap, and lawyers' fees, totaling R$8,659;

- Labor lawsuit filed against our subsidiary Somos Sistemas de Ensino S.A. This lawsuit claims the payment of copyrights, severance amounts and allegation of continuance of employment contract, in the amount of R$6,491;

- Labor lawsuit filed against our subsidiary Anhanguera. This lawsuit claims the recognition of an employment relationship of a preparatory course teacher and the payment of all related benefits (vacation pay + 1/3 bonus, 13th salary, FGTS), overtime, undue decrease of class hourly fee, nightshift premium, severance pay, fine provided for by Articles 477 and 467 of the Brazilian Labor Code (CLT), pain and suffering due to violation of rights and image, payment for replay of recorded classes in online sales, fine for early termination, indirect termination of employment contract, registration in work papers, and lawyers' fees, totaling R$5,812; and

- The Company is also a party to 1,393 labor lawsuits, with average individual amounts of R$105, of which 346 lawsuits, totaling approximately R$15,053, that refer to claims by outsourced workers hired by labor outsourcing companies, attributing joint and several liability to the Company. In general, the labor lawsuits contain sundry claims.

(ii) Tax proceedings

As at December 31, 2019, the most significant tax lawsuits classified as probable losses to which the Company and its subsidiaries were parties, are listed below. Part of the total balance refers to contingencies that are the responsibility of former sponsors/owners of the acquired entities and refer to events that occurred during the previous management, prior to the acquisition of the related entity by the Company.

- Tax collection lawsuits filed by the City of São Paulo charging 2007-2011 Service Tax (ISSQN), for which the former sponsors of Academia Paulista Anchieta, a company acquired by Anhanguera in September 2011, are fully liable, amounting to R$103,278. The Company is covered by a sufficient contractual guarantee in the event of an unfavorable outcome;

- Tax collection lawsuit collecting contributions to the severance pay fund (FGTS) for 2001-2003, based on the alleged violation of tax installment agreement No. 2004005284, amounting to R$1,499, for which the former sponsors are fully liable. The Company is covered by a sufficient contractual guarantee in the event of an unfavorable outcome; and

- The Company is also a party to 32 tax lawsuits, with individual amounts lower than the claims described above that on average amount to R$1,322. The claims involve different types of tax credits.

(iii) Civil proceedings

As at December 31, 2019, the most significant civil lawsuits classified as probable losses to which the Company and its subsidiaries were parties, part of which are the responsibility of former sponsors/owners of the acquired entities and refer to events that occurred prior to the acquisition of the related entity by the Company, are as follows:

- Refers to an action seeking specific performance coupled with a compensation claim, where the claimant, former partner of Anhanguera, alleges that the subsidiary is not fully complying with the business partnership agreement entered into by the parties, the purpose of which is the satellite broadcast of preparatory courses for civil servant tests, in the amount of R$8,343; and

- The Company is also a party to 2,867 civil lawsuits, with individual amounts lower than the claims described above that on average amount to R$14, including 61 cases for which the former sponsors are fully or partially liable. As demandas envolvem em sua maioria pedidos de natureza consumerista.

23.2. Variations in tax, civil and labor contingencies

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

The table below shows the variations in contingencies in the year ended December 31, 2019, parent and consolidated.

				Parent
	Tax	**Civil**	**Labor**	**Total**
Balance as at 12/31/2018	50,842	7,206	5,941	63,989
Reallocations between types	-	(6)	6	-
Additions	-	-	199	199
Reversals (i)	(8,560)	(5,984)	(3,752)	(18,296)
Total impact on profit or loss	**(8,560)**	**(5,990)**	**(3,547)**	**(18,097)**
Payments	-	(1)	(182)	(183)
Total payments	**-**	**(1)**	**(182)**	**(183)**
Addition - former sponsor	-	-	14	14
Reversal - former sponsor	(7,247)	(447)	(1,464)	(9,158)
Total - former sponsor	**(7,247)**	**(447)**	**(1,450)**	**(9,144)**
Balance as at 12/31/2019	**35,035**	**769**	**762**	**36,566**

(i) The main reversals made in the period refer to the end of the statute of limitations of tax lawsuits.

				Consolidated
	Tax	**Civil**	**Labor**	**Total**
Balance as at 12/31/2018	172,291	99,190	151,452	422,933
Reallocations between types	40,830	(15,130)	(25,700)	-
Additions	2,358	130,686	145,484	278,528
Inflation adjustment	63	758	2,274	3,095
Reversals	(14,679)	(30,468)	(72,772)	(117,919)
Total impact on profit or loss	**28,572**	**85,846**	**49,286**	**163,704**
Payments	(323)	(103,030)	(72,863)	(176,216)
Total payments	**(323)**	**(103,030)**	**(72,863)**	**(176,216)**
Addition - former sponsor	774	3,618	36,915	41,307
Inflation adjustment – former sponsor	1,035	87	219	1,341
Reversal - former sponsor	(10,361)	(23,851)	(23,541)	(57,753)
Total - former sponsor	**(8,552)**	**(20,146)**	**13,593**	**(15,105)**
Inflation adjustment - IFRIC 23 (i)	11,162	-	-	11,162
Main balance - IFRIC 23 (i)	65,445	-	-	65,445
	76,607	**-**	**-**	**76,607**
Balance as at 12/31/2019	**268,595**	**61,861**	**141,468**	**471,924**

(i) Refers to the impact from adopting ICPC 22 (IFRIC 23), arising from the uncertainty related to the deductibility of the expenses on profit sharing paid to officers, in the amount of R$39,730, and the goodwill allocated to the acquisition of entities, in the amount of R$36,877, as shown in note 2.26.2.

The additions made in the period are basically related to the following lawsuits:

- Of civil nature, upon addition of 15,446 lawsuits totaling R$130,686, with immaterial individual amounts. The most significant amount added was approximately R$1,061; and

- Of labor nature, upon addition of 2,326 sundry labor lawsuits totaling R$145,484, with immaterial individual amounts. The most significant amount added was approximately R$2,050;

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

The reversals made in 2019 refer to variations that had an impact on the Company's profit or loss, the main ones being:

- In subsidiary Anhanguera Educacional Ltda., R$1,197 was reversed in tax lawsuits due to the partially favorable outcome in the lawsuit collecting ISSQN; subsidiary Anhanguera Educacional Ltda. in São Paulo reversed R$1,213 and there were other sundry reversals by the Company totaling R$12,269;
- In subsidiary Anhanguera Educacional in Anápolis/GO and São Paulo/SP, R$1,000 and R$860 were reversed in civil lawsuits due to the understanding of our legal counsel, in view of the current procedural stage of these lawsuits. Additionally, there were other sundry reversals in the Company totaling R$28,608;
- In subsidiary Anhanguera Educacional Participações S/A, R$3,900 and R$2,500 were reversed in labor lawsuits due to the understanding of our legal counsel, in view of the current procedural stage of these lawsuits. Additionally, there were other sundry reversals in the Company totaling R$66,372.

23.3. Proceedings with a possible likelihood of loss

				Consolidated
	12/31/2019	12/31/2018	Number 12/31/2019	Number 12/31/2018
Tax proceedings (i)	614,467	487,346	206	188
Civil proceedings (ii)	367,107	384,549	15,454	15,504
Labor proceedings (iii)	139,400	93,743	1,214	1,169
Total	**1,120,974**	**965,638**	**16,874**	**16,861**

As at December 31, 2019, the Company and its parent companies were parties to 16,874 court/administrative proceedings classified by management with a possible likelihood of loss based on the opinion of its legal counsel, including 366 proceedings for which the former sponsors are fully or partially liable, considering the proceedings relating to the companies acquired in the past two years, the main ones being:

(i) Tax:

- Tax assessment notice issued by the Federal Revenue Service of Brazil against the Company after a tax audit for the nonpayment of taxes on the stock options granted by the Company in January 2014-October 2017, amounting to R$139,508.
- Tax lawsuits filed by the Federal Government claiming the payment of a tax debt consisting of unpaid social security contributions registered as enforceable debt during the period when subsidiary IUNI was owned by its former sponsor and was entitled to tax immunity as a nonprofit philanthropic entity. The tax lawsuits covering this issue total R$148,472. The Company is liable for this contingency; and
- Tax assessment notice issued by the Federal Revenue Service of Brazil against subsidiary Editora e Distribuidora Educacional (EDE) to collect social security contributions on the amount paid by the Company to eligible employees in calendar years 2013-2016. The assessed principal and charges (fine and arrears interest) total R$73,551. The Company is liable for this tax assessment.

(ii) Civil:

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

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

- Action to nullify a Contractual Amendment coupled with the collection of transfer differences and compensation for damages (property damages and loss of profits), filed by a Partner Center against UNOPAR due to alleged errors and inaccuracies in the transferred payments, and pressure to reduce the transfer percentage from 4% to 2%. The Company is liable for this contingency in the amount of R$9,275.

(iii) Labor:

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

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

23.4. Escrow deposits

		Parent		**Consolidated**
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Tax proceedings	-	281	26,014	8,838
Civil proceedings	17	17	17,361	12,063
Labor proceedings	345	-	52,296	81,755
Total	**362**	**298**	**95,671**	**102,656**

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

24. Provision for liabilities assumed in business combinations

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

The Company has contractual guarantees provided by the acquirees' sellers is case it incurs any contingency that can be attributed to such sellers. Especially as regards the acquisition of Somos, there is an Escrow account amounting to R$656,624 (R$450,000 as at December 31, 2018), held as guarantee for contingencies for which the sellers of Somos are objectively liable.

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

After the Company's legal counsel reviewed the risk of the contingencies, the Company reassessed the contingency identified at the time of the Somos acquisition, entailing a reduction of R$669,864 due to: (a) the decrease of the penalty charged in the tax assessment notice issued by the Federal Revenue Service against subsidiary Somos Sistemas, and the legal counsel believes that the likelihood of the penalty exceeding 75% of the tax assessment should be regarded as remote; (b) reassessment of the reconstruction of subsidiary Livro Fácil's income; (c) reassessment of the amount initially determined regarding the initially identified labor contingency, reducing the initial amount. On the other hand, the Company also identified new potential labor contingencies due to the continual Company assessment, which increased by R$160,984 due to these new identified contingencies.

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

				Consolidated
	Tax	Civil	Labor	Total
Balance as at 12/31/2018	**1,940,271**	**427,002**	**845,775**	**3,213,048**
Reclassification between line items	134,376	(226,269)	91,893	-
Adjustments for business combination	(455,987)	-	125,663	(330,324)
Inflation adjustment	59,948	5,735	28,614	94,296
Reversals	(84,129)	(62,153)	(229,027)	(375,309)
Total impact on profit or loss	**(24,181)**	**(56,418)**	**(200,413)**	**(281,013)**
Addition - former sponsor	15,599	-	1,281	16,880
Inflation adjustment – former sponsor	42,348	13	5,012	47,372
Reversal - former sponsor	(18,751)	-	(15,670)	(34,421)
Total - former sponsor	**39,196**	**13**	**(9,377)**	**29,831**
Balance as at 12/31/2019	**1,633,675**	**144,328**	**853,540**	**2,631,543**

The main Company court/administrative proceedings arising from acquisitions made in 2018, classified by management with a possible likelihood of loss based on the opinion of its legal counsel, are as follows:

(i) Tax:

- Tax assessment notice issued by the City of Vitória due to the nonpayment of ISSQN amounting to R$31,809. The former sponsor is liable for this proceeding and the Company is covered by a sufficient contractual guarantee in the event of an unfavorable outcome;

- Tax assessment notice collecting IRPJ and CSLL, plus aggravated fine of 75% due to the disallowance of amortized goodwill and nondeductible expenses, plus one-off fine (for the alleged underpayment of estimated taxes), for calendar years 2011-2014. The tax assessment notice, amounting to R$315,421, was issued against Somos Sistemas de Ensino S.A., and includes as jointly and severally liable the companies Somos Educação S.A. and Ativic S.A. (linked to the Abril Group), pursuant to Article 124, I, of the National Tax Code. The Company is liable for this proceeding;

- Tax assessment notice collecting alleged corporate income tax debts and related increase in other amounts (taxes on revenue, social contribution, and one-off fine) for the years 2000, 2001 and 2002. This tax assessment notice referred to seven infractions and currently only the issue involving goodwill, amounting to R$77,819, is still pending. The Company is liable for this proceeding;

- Tax assessment notice issued by the Federal Service for the nonpayment of corporate income tax (IRPJ) and social contribution on net income (CSLL), as well as the imposition of aggravated automatic fine of 75% and one-off fine on monthly estimated IRPJ/CSLL, regarding calendar years 2013-2015. The tax assessment notice was issued against Central de Produções GWUP S.A. (not controlled by the Company) and Somos (which was the assessed entity's subsidiary at the time) as jointly and severally liable. The IRPJ and CSLL are being collected due to the disallowance of finance costs, considered nondeductible by the tax auditors, and the disallowance of goodwill. As a result of the adjustments made by the tax auditors, the tax authority also imposed a one-off fine for the alleged nonpayment of monthly estimated IRPJ and CSLL, amounting to R$122,425. The former sponsor is liable for this proceeding and the Company is covered by a sufficient contractual guarantee in the event of an unfavorable outcome;

- Based on the history and risk analyses of tax assessments issued due to the utilization of goodwill arising on acquisitions made Somos and the corresponding recognition of tax claim by the tax authority, we took into consideration a potential obligation resulting from past events of R$485,306 and other tax procedures that might be challenged by the tax authority that total R$93,626.

(ii) Labor:

- Based on the history and analyses of risks of past labor claims and as a result of the noncompliance of past labor practices, a potential obligation with respect to payments made to service providers under Self-employed Worker Receipts (RPAs) and corporate invoices was considered, amounting to R$158,167, and other sundry cases of noncompliance with labor laws and regulations totaling R$482,024.

(iii) Civil:

- Based on the history and risk analyses, the Company recognized a potential obligation resulting from past events deriving from fines on the early contract terminations, particularly property lease contracts, which total R$33,305, and other sundry cases of noncompliance with civil laws and regulations totaling R$62,028.

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

24.1. Guarantees of provision for civil, labor, and tax contingencies

The table below shows the breakdown of provided for court/administrative proceedings, covered by a liability contractually assigned to the former sponsor:

				Consolidated
	Tax	Civil	Labor	Total
Balance as at 12/31/2018	**724,882**	**112,926**	**95,411**	**933,219**
Addition	827	16,731	39,568	57,127
Addition due to business combination	15,599	-	1,281	16,880
Inflation adjustment	35,677	100	4,508	40,285
Variations in Escrow	52,481	-	117,248	169,729
Reversals	(25,810)	(23,489)	(37,921)	(87,221)
Balance as at 12/31/2019	**803,656**	**106,268**	**220,095**	**1,130,019**

The guarantees recognized as a result of the acquisitions made, as a contra entry to the contingencies disclosed in note 23.2, are contractually provided for and consist of: a) retention of the rentals of properties leased by Company subsidiaries; b) retention of part of the acquisition price; and c) mortgage on the property owned by the sellers. The amounts recognized as provision for contingencies and their contra entry in the form of a guarantee from sellers representing the amounts determined to date, based on the information available in the study prepared by the Company's outside advisors and which might be revised within up to one year from the date of acquisition, as prescribed by CPC 15 *Business Combinations*.

25. Current and deferred income tax and social contribution

25.1. Income tax and social contribution in profit or loss

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

		Parent		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Profit before income tax and social contribution for the year	210,539	1,379,300	183,786	1,379,389
Combined income tax and social contribution rate - %	34%	34%	34%	34%
IRPJ and CSLL at statutory tax rates	**(71,583)**	**(468,962)**	**(62,487)**	**(468,992)**
Share of profit (loss) of investees	93,476	460,869	(53)	(689)
Tax incentive in subsidiaries subject to ProUni benefit	-	-	171,652	426,107
Additions (deductions), net	7,401	31,180	55,445	23,124
Difference of tax rate relating to subsidiary's deemed income	-	-	(382)	(838)
Deferred IRPJ and CSLL not recognized on subsidiaries' loss for the year	(4,847)	1,360	(162,991)	(1,407)
IRPJ and CSLL recognized upon adoption of IFRIC 23	-	-	(1,488)	-
Other changes in IRPJ and CSLL	258	-	59,108	36,162
Total IRPJ and CSLL	**24,705**	**24,447**	**58,802**	**13,467**
Current IRPJ and CSLL in profit or loss	258	-	(90,504)	(122,422)
Deferred IRPJ and CSLL in profit or loss	24,447	24,447	149,306	135,889
	24,705	**24,447**	**58,802**	**13,467**

25.2. Deferred income tax and social contribution

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

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

				Parent
	12/31/2018	IFRS 16 adjustments	Impact on profit or loss	12/31/2019
In liabilities				
Goodwill on business combinations	(669,873)	-	24,447	(645,426)
Noncurrent liabilities, net	**(669,873)**	**-**	**24,447**	**(645,426)**

				Consolidated
	12/31/2018	Other adjustments to equity	Impact on profit or loss	12/31/2019
	(Restated note 2.1)			
Income tax/social contribution:				
Tax loss carryforwards	363,380	-	69,394	432,774
Temporary differences in taxable income				
Allowance for expected losses	398,296	-	58,512	456,807
Present value adjustment	69,232	-	(24,311)	44,921
Provision for contingencies	83,541	-	(39,099)	44,442
Depreciation and borrowing costs	(240)	-	(21,815)	(22,055)
Nondeductible provisions	69,200	-	(33,942)	35,258
Profit sharing	29,934	-	(15,701)	14,233
Stock option plan	7,462	-	8,167	15,630
Lease – right of use	-	105,602	13,959	119,561
Capital gain	(69,693)	-	34,661	(35,032)
Goodwill on business combinations	(1,094,807)	(140,474)	107,794	(1,127,486)
Other adjustments	12,219	6,827	(8,314)	10,732
Noncurrent liabilities, net	**(131,476)**	**(28,045)**	**149,307**	**(10,214)**
Noncurrent assets	748,501			776,733
(-) Noncurrent liabilities	(879,977)			(786,947)
Total	**(131,476)**			**(10,214)**

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

		Consolidated
Realization year	**Total**	**%**
up to December 2020	240,787	31.0%
	240,787	**31.0%**
2021	85,441	11.0%
2022	132,045	17.0%
2023 onwards	318,461	41.0%
	535,946	**69.0%**
	776.733	**100%**

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

25.3. Tax incentives

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

The amount of the tax benefits under the ProUni determined for the year ended December 31, 2019, including PIS and COFINS, is R$340,569 (R$614,366 as at December 31, 2018).

26. Equity

26.1. Capital

As at December 31, 2019, the Company's subscribed and paid-in capital totals R$5,111,677, corresponding to 1,644,248,206 registered common shares. For the year ended December 31, 2018, the balance was R$4,425,677 and 1,644,248,206 shares.

In March 2019, the Board of Directors approved the Company's capital increase by R$586,000, through the capitalization of part of the reserve for investment balance, without the issue of new shares and change of the number of shares.

Additionally, on December 6, 2019, the Board of Directors approved the effective increase of the Company's capital, within the authorized limit, in the total amount of R$100,000, without the issue of new shares, according to the balance transferred from capital reserves.

The Company's capital for the years ended December 31, 2019 and 2018 is broken down as follows:

		12/31/2019		**12/31/2018**
	Amount	**Number**	**Amount**	**Number**
Total ex-treasury shares	4,990,250	1,635,134,374	4,235,397	1,629,605,489
Total treasury shares	121,427	9,113,832	190,280	14,642,717
Total shares	**5,111,677**	**1,644,248,206**	**4,425,677**	**1,644,248,206**

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

		12/31/2019		**12/31/2018**
	Amount	**Number**	**Amount**	**Number**
Opening balance	190,280	14,642,717	2,505	169,265
Buyback of treasury shares	-	-	223,268	17,212,500
Shares sold	(68,853)	(5,528,885)	(35,493)	(2,739,048)
Closing balance	**121,427**	**9,113,832**	**190,280**	**14,642,717**

26.2. Capital reserve and granted stock options

The Company grants share-based plans to Group employees, which in turn considered the allocation of the related amounts as from the date the employees joined the Group pursuant to CPC 10/IFRS 2 *Share-based Payment*. See note 27 for further details.

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

The balance of all capital reserve accounts in the year ended December 31, 2019 is R$6,400,167 (R$6,379,742 as at December 31, 2018).

Equity instruments arising on business combinations

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

On the same date, the Company made a capital increase based on the carrying amount of R$2,327,299 corresponding to the equity of Anhanguera as at December 31, 2013. The difference between the total acquisition price and the amount attributed to the issued capital of R$5,981,227 was recognized as capital reserve (equity instruments arising from the business combination). **Earnings reserve**

Legal reserve

Recognized upon allocation of 5% of the profit for the year, after offset of accumulated losses, which cannot exceed 20% of capital. The purpose of the legal reserve is to ensure the integrity of capital and can only be used to offset accumulated losses or increase capital.

Investment reserve

The remaining balance of profit for the year ended December 31, 2019, after offset of retained earnings, recognition of the legal reserve and proposed dividends, in the amount of R$70,130 (R$800,136 as at December 31, 2018), was transferred to 'Investment reserve', in accordance with article 42 of the Bylaws, and will be used for investment in the Company, to finance the expansion of its activities, either organically or through acquisitions in the market, following the growth business plan projected by Management for 2020.

Capital budget reserve

On April 16, 2015, the Supervisory Board and the Board of Directors approved the allocation of R$186,000 to the capital budget reserve, which amount reflects the Company’s capital investment requirements. The funds will be invested in information technology projects, expansion and unit development construction works, IT equipment, machinery and equipment, furniture and fixtures and books.

Dividends

The table below shows the calculation used in the proposed distribution of dividends for the years ended December 31, 2019 and 2018:

	12/31/2019	**12/31/2018**
Profit	235,244	1,403,747
Calculation of legal reserve - 5%	(11,762)	(70,187)
Adjusted profit	**223,482**	**1,333,560**
Mandatory minimum dividends - 25%	55,871	333,390
Additional proposed dividends	97,482	200,034
Total interim dividends paid in the year (i)	(153,353)	(490,420)
Dividends payable	**-**	**43,004**

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

(i) The payment of interim dividends is approved by the Company's Board of Directors.

27. Stock option plan

27.1. Restricted stock option plan

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

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

The Company's obligation to transfer restricted stock under the Plan within ten (10) days from the end of the vesting period, is contingent to the continuity of the employment relationship of the employee and/or officer, as applicable, with the Company during a three-year period after the date of the corresponding employment contract date.

The fair value of the restricted stock granted is measured based on the market price of the Company's stock on grant date.

The restricted stock are granted free of charge to the plan's participants through the transfer of treasury shares.

The Company offered the beneficiaries of the 2015 Plan whose vesting period of the last allotment ends 2020, 2021, or 2022 the option to: a) remain as holders of their stock options; or b) cancel the stock option balance and replace the stock options on the same date by equivalent stock options under the Restricted Stock Option Plan. The vesting periods of the original agreements were maintained and original gains expected by the beneficiaries remained unchanged in the calculation of the exchange ratio. The fair value of the equity instruments on the change date was separately recalculated for the allotments of each grant and it was concluded that there was no increase, i.e., the original fair value was higher than the current fair value.

The table below shows the variations in the year ended December 31, 2019:

	Number of restricted shares					
PLANS	**12/31/2018**	**Restricted shares granted**	**Restricted shares settled**	**Restricted shares cancelled**	**12/31/2019**	**Average strike price**
2015 Plan - Migrated	1,504,272	-	(405,707)	(303,185)	795,380	R$10.82
2018 – New	7,340,286	2,683,000	-	(219,915)	9,803,371	-
TOTAL	**8,844,558**	**2,683,000**	**(405,707)**	**(523,100)**	**10,598,751**	

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

The Company recognized the expenses incurred on the Restricted Stock Option Plan grants amounting to R$27,661 for the year ended December 31, 2019 (R$9,204 for the year ended December 31, 2018) as a contra entry to capital reserves in equity. The Company also recognized as personnel expenses charges amounting to R$10,155 (R$8,188 as at December 31, 2018) as a contra entry to the provisions for charges, in liabilities.

27.2. Stock option plans

The purpose of the plans that grant options for the purchase of Company shares options is to attract and retain executives for the Company and its direct and indirect subsidiaries, as well as to encourage a higher integration of such executives with the Company by giving them the opportunity to become shareholders or to increase their holdings in the Company, to obtain a higher interest alignment and thus sharing the success by achieving corporate goals.

The Company's and its subsidiaries' senior officers and executives, appointed by the Board of Directors or the Financial and Human Resources Committee, as applicable, are eligible for the plans.

The stock option plans, approved at Board of Directors' meetings, have the following features:

Plan	Grant date	Strike price	Vesting period	Active options granted
2010 Plan	07/03/2014	R$11.20	3 allotments with 36-, 48- and 60-month vesting periods	85,655
2013 Plan	06/18/2013 to 07/03/2014	R$9.94 to R$11.20	3 allotments with 36-, 48- and 60-month vesting periods	233,891
2009 Plan	02/08/2010 to 05/01/2013	R$2.18 to R$5.78	5 allotments with 12-, 24-, 36-, 48- and 60-month vesting periods; or 4 allotments with 6-, 18-, 30- and 42-month vesting periods	1,524,666
2013 Plan	11/26/2013 to 06/02/2015	R$5.67 to R$13.01	4 allotments with 6-, 18-, 30-, and 42-month vesting periods	6,930,000
2015 Plan	10/05/2015 to 02/01/2016	R$8.42 to R$9.65	4 allotments with 6-, 18-, 30-, and 42-month vesting periods	18,645,425
				27,419,637

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

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

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

	Number of stock options					
PLANS	**12/31/2018**	**Options granted**	**Options exercised (i)**	**Options cancelled/ forfeited**	**12/31/2019**	**Average strike price**
2010 Plan	85,655	-	-	-	85,655	R$6.20
2013 Plan	4,375,567	-	(3,087,228)	(1,054,448)	233,891	R$9.65
2009 Plan	2,314,666	-	(790,000)	-	1,524,666	R$2.92
2013 Plan	7,050,000	-	(80,000)	(40,000)	6,930,000	R$7.19
2015 Plan	19,545,294	-	(899,869)	-	18,645,425	R$8.86
TOTAL	**33,371,182**	**-**	**(4,857,097)**	**(1,094,448)**	**27,419,637**	

(i) In the year ended December 31, 2019, 4,857,097 stock options were exercised against the disposal of treasury shares (in the year ended December 31, 2018, 6,152,295 stock options were exercised, of which 3,721,758 via capital increase with the specific goal of delivering new shares to the beneficiaries, and 2,430,537 against the disposal of treasury shares).

27.3. Fair value calculation and expense in profit or loss

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

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

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

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

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

As at December 31, 2019, R$4,750 were recognized as stock option fair value expenses (R$22,265 recognized as at December 31, 2018).

28. Related parties

28.1. Related-party transactions

The transactions between the Company and its subsidiaries and related parties are summarized below:

(i) On November 22, 2019, according to the material event notice disclosed to the market and approval from the Board of Directors, the Company assumed the debts relating to the debentures issued by subsidiary Saber, and, as from this date, Cogna will be the sole creditor (debenture holder). As a contra entry to this movement, as at December 31, 2019, Somos Sistemas started to hold an obligation with Cogna deriving from a spin-off with Saber, also carried out on December 31, 2019, where on November 22, 2019 Saber had issued private debentures to Cogna, which amounts, maturity date, payment dates, interest, payment methods and other terms and conditions corresponded to those set out in each private issuance indenture. The adjusted amount as at December 31, 2019 is R$1,640,947.

(ii) In April 2019, Cogna transferred the proceeds from its first issuance of debentures carried out on April 15, 2019, to subsidiary EDE. As a contra entry to this movement, EDE issued private debentures to Cogna, which amounts and other obligations corresponded to those set out in the public issuance carried out by the Parent. The adjusted amount as at December 31, 2019 is R$804,282.

(iii) In 2019 several onerous donation agreements were entered into by Cogna Educação S/A. with Fundação Pitágoras to ensure that the Foundation meets its corporate and institution purposes. The Chairman and members of the Company's Board of Directors participate in the Foundation's advisor council. The agreement was terminated and the total amount paid was R$1,800, paid on five different dates during 2019.

(iv) On January 3, 2018, an onerous technical, scientific and cultural cooperation agreement was entered into among Anhanguera Educacional Participações S/A and Fundação Manoel de Barros effective until January 3, 2020, to ensure that the Foundation meets its corporate and institution purpose. The members of the Advisory Council, Board of Directors and Supervisory Board of Fundação Manoel de Barros are the Company's executive officers. There was a disbursement of R$339 relating to this agreement in 2019.

(v) Non-residential rental agreements were entered into for college operation in subsidiaries UNIC Educacional and EDE, which were rented from Vertia Empreendimentos Imobiliários Ltda., an entity controlled by a shareholder and former member of the Company's Board of Directors and current member of the Company's Founders' Committee. On July 10, 2019, the Company renewed the effective date of the rentals for 10 additional years, counted from January 1, 2020. The monthly amount paid under these agreements totals R$2,204. The agreement is adjusted for inflation based on the IPCA.

(vi) Non-residential rental agreements were entered into for college operation of the Campus of UNOPAR, in the City of Londrina, State of Paraná, rented from Creare Administração de Bens Móveis e Imóveis Ltda., an entity controlled by shareholders and former members of the Board of Directors. The agreements are effective for 20 years counted from January 1, 2012. The monthly amount paid by subsidiary EDE under these agreements totals R$1,274.

(vii) A rental agreement (and addenda) relating to the property located in São Luiz, State of Maranhão, was entered into for the operation of Pitágoras Sistema de Educação Superior Sociedade Ltda., rented from Sistema Pitágoras de Ensino Sociedade Ltda. – an entity controlled by members of the Board of Directors, shareholders and members of the Founders' Committee. The agreement is effective until August 2023, with a monthly amount of R$213, adjusted based on the IPCA.

(viii) Subsidiary AESAPAR uses property rented from HK Campinas Empreendimentos Imobiliários Ltda., an entity controlled by a first-degree relative of a former member of the Company's Board of Directors, current member of the Founders' Committee and indirect shareholder. The agreement is effective until December 2024, with a fixed monthly amount of R$371, adjusted based on the IPCA.

(ix) On December 5, 2019, the Company entered into an reimbursement agreement with its indirect subsidiary Somos Sistemas de Ensino S.A, whereby the Parent agreed to reimburse Somos Sistemas for potential disbursements incurred related to: (i) lawsuits or administrative proceedings in progress on the agreement execution date, or (ii) lawsuits or administrative proceedings to be brought after the agreement execution date involving Somos Sistemas, provided that their taxable event refer to acts or events occurred until December 31, 2019, up to the overall limit of R$149,600, which balance will be annually adjusted every January 1, based on the CDI variance in the period. The reimbursement agreement came into effect on January 1, 2020.

(x) On December 19, 2019, the Company entered into an Instrument of Rights, Settlement and Other Covenants with the seller of IUNI Educacional S/A and associates (merged into Editora e Distribuidora Educacional S/A), and its related party Vértia Empreendimentos Imobiliários S/A, whereby the Company received from the seller the amount of R$62,200. The seller is a shareholder and former member of the Company's Board of Directors and current member of the Founders' Committee. In consideration for the amount received, the Company granted to the seller and its related parties full, general and irrevocable acquittance in relation to any contingencies that remained under the responsibility of the seller and related to the Purchase and Sale Agreement of IUNI and associates.

(xi) On January 11, 2013, the Company entered into a service agreement with Instituto Educar Brasil Programas Educacionais Ltda. ("Instituto Educar") for the implementation and management of the scholarship program offered to students interested in attending higher education classes. The controlling shareholder of Instituto Educar is a first-degree relative of a member of the Founders' Committee and a second-degree relative of a Management member. The agreement entered into with Instituto Educar consists of the provision of services, by Instituto Educar, for the identification, registration, selection and sending to our higher education institutions of candidates for enrollment in the courses offered by such institutions, scholarships being guaranteed to the candidates approved in a selection process. There is no compensation paid by us for the services provided as a result of such agreement. Instituto Educar receives compensation from the student according to the negotiation between the institution and the student. The agreement is effective for two years, automatically renewed, and can be terminated and/or rescinded by any of the parties, at any time, within at least 30 days in advance.

28.2. Compensation of key management personnel

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

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

The Annual and Extraordinary Shareholders' Meeting set the ceiling of Management's annual overall compensation for the year ended December 31, 2019 at R$74,628 (R$83,785 as at December 31, 2018). Management compensation as at December 31, 2019 and 2018 is broken down as follows:

	12/31/2019	12/31/2018
Payroll	13,998	13,598
Benefits	410	500
Charges	4,577	4,051
Variable compensation (i)	9,385	26,546
Restricted stock option plan and restricted stock	15,043	13,104
	43,413	**57,799**

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

29. Insurance coverage

The Company has a risk management program designed to limit risks, seeking in the market coverage that is compatible with its size and operations. Insurance coverage was obtained at the amount below to cover probable losses, considering the nature of activities, the risks involved in the operations, and advice from insurance brokers.

As at December 31, 2019, the Company and its subsidiaries have the following insurance policies obtained from third parties:

	Insured amount
Property, plant and equipment items	338,000
Civil liability and D&O	649,029
Vehicles	32,188
	1,019,217

30. Net revenue from sales and services

		Consolidated
	12/31/2019	12/31/2018
In-class higher education		
Gross revenue	4,801,109	5,609,960
Deductions from gross revenue		
Taxes	(114,631)	(151,752)
ProUni	(717,454)	(787,043)
Discounts	(211,468)	(410,506)
Net revenue	**3,757,556**	**4,260,659**
EAD higher education		
Gross revenue	1,623,799	1,438,185
Deductions from gross revenue		
Taxes	(32,872)	(30,339)
ProUni	(265,552)	(265,100)
Discounts	(103,646)	(85,750)
Net revenue	**1,221,729**	**1,056,996**
Higher education net revenue	**4,979,285**	**5,317,655**
K-12 education		
Gross revenue	2,366,875	855,272

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

		Consolidated
	12/31/2019	**12/31/2018**
Deductions from gross revenue		
Taxes	(70,613)	(22,547)
Returns	(248,353)	(89,672)
K-12 education net revenue	**2,047,909**	**743,053**
Total		
Gross revenue	8,791,783	7,903,417
Deductions from gross revenue		
Taxes	(218,116)	(204,638)
Prouni	(983,006)	(1,052,143)
Discounts	(315,114)	(496,256)
Returns	(248,353)	(89,672)
Total net revenue	**7,027,194**	**6,060,708**

31. Costs and expenses by nature

	Parent		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Payroll and related taxes	(1,265)	60,292	(2,303,631)	(1,920,430)
Allowance for expected losses	-	-	(910,793)	(672,491)
Depreciation and amortization	(75,070)	(74,961)	(551,000)	(373,779)
Publicity and advertising	(237)	(374)	(436,659)	(410,894)
Utilities, cleaning, and security	(523)	(313)	(412,750)	(237,464)
Cost of sales	-	-	(369,182)	(108,487)
Amortization of allocated goodwill	-	-	(352,213)	(103,000)
Depreciation - IFRS 16	-	-	(258,497)	-
Consulting and advisory	(1,914)	(11,255)	(161,114)	(185,070)
Copyrights	-	-	(113,494)	(24,457)
Publishing costs	-	-	(109,990)	(48,777)
Travel	-	-	(54,601)	(45,780)
Rental and common area maintenance fees (i)	-	-	(53,682)	(455,226)
Other income (expenses), net	12,517	1,700	(46,982)	(214,704)
Fees and contributions	(21)	(8)	(43,828)	(44,141)
Amortization of inventory appreciation	-	-	(36,029)	(26,670)
Outside services	-	-	(10,353)	(11,264)
Contingencies	18,097	44,173	214,700	68,851
	(48,416)	**19,254**	**(6,010,098)**	**(4,813,783)**
Cost of sales and services	-	-	(2,809,622)	(2,268,804)
Selling expenses	-	-	(1,536,991)	(1,502,580)
General and administrative expenses	(48,416)	19,254	(1,702,760)	(1,051,990)
Other operating income (expenses), net	-	-	39,275	9,591
	(48,416)	**19,254**	**(6,010,098)**	**(4,813,783)**

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

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

32. Finance income (costs)

		Parent		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Finance income				
Interest on monthly tuitions	-	-	207,452	202,774
Income from short-term investments and securities	898	5,242	73,821	133,732
Discounts obtained	-	-	1,118	877
Sublease interest	-	-	878	-
Interest receivable	-	-	19,644	52,800
Other	36,721	-	43,605	30,626
	37,619	**5,242**	**346,517**	**420,809**
Finance costs				
Interest and costs of debentures	(49,703)	-	(556,489)	(206,641)
Adjustment to payables for acquisitions of subsidiaries	-	-	(21,510)	(10,778)
Banking and collection fees	(26)	(12)	(21,407)	(27,603)
Interest and fines on late payments	-	-	(4,319)	(2,322)
Interest and fines on late payment of taxes	(82)	(3)	(28,957)	(9,845)
Adjustment to contingencies	-	(512)	(108,554)	(4,327)
Lease interest	-	-	(395,459)	-
Other	(3,782)	(166)	(42,975)	(24,802)
	(53,593)	**(693)**	**(1,179,670)**	**(286,318)**
Finance income (costs)	**(15,974)**	**4,549**	**(833,153)**	**134,491**

33. Segment reporting

As show in note 2.2(d), the Company uses three main operating segments to differentiate its products: In-class higher education, distance learning higher education (EAD) and K-12 education. The table below shows the results of these segments for the years ended December 31, 2019 and 2018, together with the related balance sheet positions:

					12/31/2019
	In-class higher education	EAD higher education	K-12 education	Unallocated portion	Total
Net revenue	3,757,556	1,221,729	2,047,909	-	7,027,194
Cost of sales and services	(1,277,708)	(207,701)	(1,159,660)	(164,553)	(2,809,622)
	2,479,848	**1,014,028**	**888,249**	**(164,553)**	**4,217,572**
Operating expenses:					
Selling expenses	(1,003,419)	(325,778)	(207,794)	-	(1,536,991)
General and administrative expenses	(795,706)	(224,467)	(274,712)	(407,875)	(1,702,761)
Other expenses, net	(1,127)	(157)	-	40,402	39,118
Operating profit (loss) and before finance income (costs)	**679,595**	**463,626**	**405,743**	**(532,026)**	**1,016,939**
Assets	15,872,543	5,267,414	12,978,488	-	34,118,446
Current and noncurrent liabilities	9,599,595	2,310,926	6,372,655	-	18,283,177

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

					12/31/2018
	In-class higher education	**EAD higher education**	**K-12 education**	**Unallocated portion**	**Total**
Net revenue	4,260,658	1,056,997	743,053	-	6,060,708
Cost of sales and services	(1,958,439)	(148,367)	(161,998)	-	(2,268,804)
	2,302,219	**908,630**	**581,055**	**-**	**3,791,904**
Operating expenses:					
Selling expenses	(795,232)	(286,725)	(420,623)	-	(1,502,580)
General and administrative expenses	(267,189)	(75,480)	(138,578)	(570,743)	(1,051,990)
Other expenses, net	-	-	-	9,591	9,591
Share of profit (loss) of investees	-	-	-	(2,027)	(2,027)
Operating profit (loss) and before finance income (costs)	**1,239,798**	**546,425**	**21,854**	**(563,179)**	**1,244,898**
Assets	12,667,083	5,644,924	13,416,484	220,638	31,949,129
Current and noncurrent liabilities	1,595,673	492,422	11,979,149	408,825	14,476,069

34. Earnings per share

34.1. Basic

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

	12/31/2019	**12/31/2018**
Profit attributable to Company owners	235,244	1,392,856
Weighted average number of outstanding common shares (in numbers)	1,632,656	1,628,408
Basic earnings per common share	**0.14**	**0.86**

34.2. Diluted

For dilution purposes, the Company has a stock option plan offered to beneficiaries, which permits the issuance of shares when a stock option becomes vested. As at December 31, 2019, there are shares with dilution potential since their average strike price in the period is lower than the average price of the Company's shares in the market. The table below shows the calculation of the dilution:

	12/31/2019	**12/31/2018**
Profit attributable to Company owners	235,244	1,392,856
Weighted average number of outstanding common shares (in numbers)	1,632,656	1,628,408
Potential increase in common shares	27,420	24,870
Diluted earnings per common share	**0.14**	**0.84**

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

35. Supplemental cash flow information

The statements of cash flows are prepared using the indirect method and are presented in accordance with accounting pronouncement CPC 03 (R2)/IAS 7 *Statement of Cash Flows*. During the year ended December 31, 2019, the Group acquired property, plant and equipment items and made additions to intangible assets, transfer of debt instruments (debentures), and adopted new accounting standards, all with no cash effect. The effects are as follows:

		12/31/2019
Adjustments to:	**Parent**	**Consolidated**
Property, plant and equipment		
Variation in the trade payables	-	(34,286)
Addition of finance leases (IFRS 16 / CPC 06)	-	632,308
Write-off of finance leases (IFRS 16 / CPC 06)	-	(249,530)
	-	**348,292**
Adoption of new standards		
Adoption of IFRS 16	203,164	3,755,577
Adoption of IFRIC 23	38,243	76,607
	241,407	**3,832,185**
Borrowings, financing and debentures		
Assumption of subsidiary's debt, through investment	5,500,342	-
Assumption of subsidiary's debt, through related party	1,541,281	-
	7,041,623	-
Liabilities assumed in business combination		
Guarantees from former sponsor	-	25,296
Variations due to business combination	-	(324,069)
	-	**(298,773)**
	7,283,030	**3,881,904**

36. Events after the reporting period

36.1. Follow on

On February 11, 2020, and pursuant to the Material Event Notice disclosed to the market, the Company's Board of Directors approved Cogna's capital increase, within the authorized limit, in the total amount of R$2,555,938, corresponding to the issuance of 232,358,004 new shares (including additional shares), as well as its homologation.

Due to such increase, the Company's new capital amounted to R$7,667,615, divided into 1,876,606,210 registered, book-entry common shares, without par value.

36.2. Coronavirus

Since the beginning of 2020, Cogna has been monitoring the transmission of Coronavirus (COVID-19), which was considered as a pandemic by the World Health Organization ("WHO"). Numerous measures were adopted by our subsidiaries to mitigate the spread of COVID-19 nationwide and preserve the business continuity:

Higher education – Kroton / Platos. Classes in all higher education units (own units and partner centers) were temporarily suspended. The Company adopted the necessary measures for the students to continue to carry on their educational activities using digital platforms, without prejudice to the completion of the semester classes. The student attraction and re-enrollment activities remained unchanged.

K-12 education – Saber. Saber schools suspended activities as determined by local authorities. The Company has a contingency plan to offer digital content solutions that can allow the continuity of educational activities.

K-12 education – Sistemas de Ensino Somos. Our Plurall platform is designed in such a way that partner schools can digitally offer the content to students. However, the decision to suspend activities must be made by each partner school individually.

Currently, in light of the uncertain scenario, the Company is assessing the possible future economic and financial impacts arising from Covid-19. However, considering that the student attraction and re-enrollment processes for 2020/1 were not yet completed, the closing of the units and people movement restrictions will somehow impact revenues and profit/loss for 2020. These factors may also impact cash generation and asset impairment. The Company continues to monitor the matter and strictly follows the recommendations from public authorities.

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MANAGEMENT REPORT 2019

Dear Shareholders,

In accordance with governing law, the Management of Cogna Educação S.A. ("Cogna" or the "Company") is pleased to present its Management Report and Financial Statements for the fiscal year ended December 31, 2019, with comparisons in relation to fiscal year 2018. The consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC). They also were prepared and are presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

About Cogna

Cogna (B3: COGN3; OTCQX: COGNY) is a private educational organization that has been in operation for over 50 years and is present in all Brazilian states, offering a wide range of educational services, from kindergarten to graduate programs. At the end of 2019, Cogna had 822,000 students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 176 own units of Postsecondary Education and its 1,410 Distance Learning centers. On October 11, 2018, Cogna concluded the acquisition of Somos Educação S.A., the leading Primary and Secondary Education group in Brazil, thereby becoming a complete education platform, with relevant operations K-12 businesses. In 2019, the consolidated operation had 36,000 students in 54 own schools, 26,000 students in 125 units of Red Balloon, and 1.3 million students served through approximately 4,000 associated schools using our core content, complementary content and digital services solutions. At the end of year, Cogna had 26,933 employees.

Message from Management

As we report our 2019 earnings, the world is facing a COVID-19 pandemic, which is significantly altering the daily life of our society and bringing potential impacts on our businesses. We are focused on creating contingency plans that (i) safeguard the health of our employees and students; (ii) ensure the continuity of our services, minimizing the impacts that the efforts to contain COVID-19 will certainly bring to our students; and (iii) adapt our organization to the new scenario post-COVID-19.

With regard to the health of our employees and students, we have taken the decision to suspend our on-campus activities at 100% of our teaching units and to migrate all workers at our corporate offices to working from home. We also have an online service channel for our employees to access our occupational healthcare team. To ensure the continuity of academic life, the on-campus activities were substituted by in-person activities mediated by technology. The same professors who lectured classes at our campuses are now giving classes via our digital platform, in synchronous and asynchronous models, depending on the program and activity. In K-12 education, our own schools and the partner schools of Somos have at their disposal the largest digital classroom platform in the country. A concentrated effort to enable millions of students to continue their studies during a period of restrictions on commuting. On the organizational front, management continues to assess the potential impact on its business to quickly make adjustments to its structures as and if necessary, in line with its history of performance excellence.

SOLID FINANCIAL SITUATION AFTER CONCLUSION OF PRIMARY OFFERING

In terms of the business plan, on February 11, we concluded a follow-on offering that raised R$2.6 billion, which significantly bolsters our cash position and leaves us poised to tackle the challenges ahead in 2020. Despite our net debt, we do not have any significant debt maturities scheduled for 2020, which leaves us in a comfortable situation in terms of financial liquidity. Clearly, the management is not losing sight of any valuable consolidation opportunities in the market (for which reason we decided to tap the capital markets). However, during these times marked by uncertainties, maintaining a comfortable cash situation is our first priority. We believe that, soon, the impacts from COVID-19 on the Company, the country and the world will become much clearer, which will enable us to concretely analyze opportunities for market consolidation.

4Q19 RESULTS & GUIDANCE

As disclosed in the material fact dated January 31, regarding the execution of our latest follow-on offering, COGNA discontinued its guidance for 2019. However, to ensure transparency, in the documents supporting its follow-on offering, the Company already indicated that net revenue in 2019 would be from 4% to 5% below the guidance previously disclosed, leading other financial indicators to also be below the previous estimates. The reporting of financial results today shows that net revenue came in 4.5% below the guidance given in May 2019, in the center of the range guided in the documents for the follow-on offering. The main justification for the lower-than-expected revenue was the higher pressures from the macroeconomic scenario, which resulted in a higher-than-expected dropout rate.

With regard to the operating results, the Company took the decision to increase its provision for doubtful accounts (PDA) by R$181 million from the current level, which reflects: (i) the non-recurring effects on historical losses in 2019 (due to the migration of the entire student base to Kroton's invoicing system and the amount of adjustments in classroom hours (PAM)); and (ii) the level of uncertainty brought by the impacts anticipated from the COVID-19 pandemic on the payment capacity of our students, which weighed on expectations for future losses. Excluding the impact from the two non-recurring items above, PDA on an annualized basis corresponded to approximately 9.2% of net revenue, up 0.9 p.p. from 4Q18, reflecting the still-challenging macroeconomic environment and the higher-than-expected dropout rates.

STUDENT RECRUITING – UNDERGRADUATE

The new enrollment process in the first semester of 2020 remains open, with conclusion slated for April. Until the shutdown of the on-campus units due to the spread of COVID-19, most of the process already had been completed, with highly satisfactory results. With our on-campus units closed and restrictions on movement in various cities, we already have observed a slowdown in the pace of new enrollments in this final phase due to the limitations imposed. Nevertheless, it is important to note that the Company will continue to implement various initiatives to mitigate the impacts, such as adopting online admission exams, actions to convert applicants into enrollments and increased engagement in digital media.

Actions to Mitigate the Impacts from COVID-19 for Students

As disclosed in the Notice to the Market dated March 16, Cogna has been implementing various measures – which were determined by a crisis committee formed especially for this purpose – to safeguard the health of our workers, to help contain COVID-19 and to mitigate its effects on our activities (see the Message from Management). Below we describe the main initiatives taken to date in each of Cogna's business verticals to mitigate the effects on our students and to enable them to continue their studies, despite the restrictions on commuting.

The on-campus activities of **Postsecondary Education** at all our on-campus units and partner centers have been suspended since Mach 16 to prevent the transmission of COVID-19 and to protect our students and employees. On the other hand, the Company was once again pioneer and quick to create a contingency plan to ensure the continuity of classes through its digital platforms, taking advantage of its entire collection of content and making it available immediately to the on-campus students to avoid impacts on the academic calendar. In addition, our professors are recording classes using audio and/or video devices and uploading them to our Virtual Learning Environment (AVA) so that students do not lose contact with the faculty and remain engaged in their programs. Note that this rapid preparation only was possible because of the characteristics of our KLS 2.0 Academic Model, which adopts, among other things, the internationally recognized flipped classroom concept. This means that our students can continue their studies wherever they are and when most convenient. We understand that this asynchronous (prerecorded) solution is the best for adapting to the infrastructure of our students' homes, since it enables the academic content to be accessed with any internet connection speed, even slower ones. To date, the measure encompasses our 13,837 classes for the 32,180 courses offered. For activities in which synchronous interaction is important, we have implemented and are in the roll-out phase of a complementary solution that enables professors to give live classes to their students. As such, we believe that we offer both stability and virtually universal access to an asynchronous solutions, along with the dynamics of a synchronous solution in the cases that require one.

In **K-12 Education**, the approach is not that different, although the decision to close schools is following the orders of local authorities (own schools) and the decision of each school partner. Somos has created what we are calling the "Digital School," which is a combination of three integrated platforms, namely Plural, Plural Maestro and Google Hangouts Meet, so that all partner schools can offer educational services through digital means as well. Hundreds of thousands of students are already using Somos's Digital School, including our own schools. On March 12, the Anglo preparatory courses began to make its courses available online and on March 15 it made these classes available for free to all schools. On March 19, the Digital School was made available through Plurall, the digital learning platform of Somos, which enables all partner schools to migrate their operations to the digital environment. The solution offers over 400,000 learning objects, which include: complete digital school materials, games, animations, video classes, tutoring, exercises, exams, admission exams, educational Olympics, mock tests, projects, classes, forums, essays, literature books, and many other functionalities. Plurall can draw on the support of Plural Maestro, the platform's version for faculty, through which teachers can send specific classes and activities to entire classes or individual students. On March 24, the Digital School launched its third and last solution, Google Hangouts Meet Pro, which was integrated with Plurall and Plural Maestro to support live activities, such as lectures between professors and their classes. At the Pitágoras brand, the Digital Learning Platform (PDA) has been providing the same resources to its partners since 2018. In addition to this technological support, Somos provides all the necessary orientations to the schools' principals, teachers and families, from how to install Digital School to how families can optimize their home internet connection to ensure children are able to continue studying without difficulties.

Macroeconomic Scenario

The economic recovery expected for 2019 did not materialize, given the delays in passing the pension reform and the global scenario marked by the U.S.-China trade war and declining interest rates around the world. Reflecting this scenario, the Consumer Confidence Index (ICC) fell to 91.6 points in

December, from 93.8 in December 2018, while the Brazilian real weakened against the U.S. dollar. In 2019, the U.S. dollar registered an average price against the Brazilian real of R$3.95, which is above the average exchange rate in 2018 of R$3.66/US$1.00, registering the lowest rate of R$3.65/US$1.00 in January, i.e., at the start of the year, and the highest rate, of R$4.26/US$1.00, in November.

On the positive side, the Business Confidence Index (ICE) ended the year at 97.1 points, the highest level since 2014. The inflation rate, measured by the Broad Consumer Price Index (IPCA), remained within the range of the inflation target set by the central bank, ending 2019 at 4.31%. Moreover, the central bank cut the policy interest rate several times over the course of 2019, from 6.50% in early 2019 to 6.00% in July, 5.50% in September, 5.00% in October, to end the year at 4.50%, which supported credit and consumption. Brazil's GDP grew by 1.1% in 2019, slightly slower than the growth rate of 1.3% in 2018, with per-capita GDP increasing 0.3%, keeping pace with the prior year. Lastly, employment figures registered a slight recovery. After increasing between January and March, when it reached 12.7%, the average unemployment rate based on the National Household Survey (PNAD) – Continuous, fell gradually to 11.0% in the quarter ended in December 2019, representing 11.6 million Brazilians unemployed.

Historically, considering the weighting that Kroton, the B2C Postsecondary Education vertical, has for Cogna and the profile of students served, the unemployment rate represents the greatest impact on the Company's operations. However, in the second semester of 2019 and despite no significant improvement in unemployment, the Company posted annual growth in new enrollments (ex-ProUni) of 1.5% and significant growth in revenue from new enrollments of 19%, which confirms all the efforts made to increase value creation by focusing on the combination of academic quality, employability and student experience in all dimensions.

Additionally, it is worth noting that with the acquisition of Somos Educação in October 2018 and the Company's restructuring announced in October 2019 and scheduled to start in 2020, now divided into two main segments (Primary & Secondary Education and Postsecondary Education), and two different operating models (business to business - B2B and business to consumers - B2C), the Company has diversified its operations and significantly expanded its addressable market. This new positioning seeks to lay the foundation for a new growth phase by combining various strategies that give the various companies greater autonomy and flexibility, while maintaining the efficiency that is part of our corporate DNA.

Operational Performance

Postsecondary Education

In the Postsecondary Education segment, the Company ended 2019 with 821,609 enrolled students, of which 780,396 in On-Campus and Distance Learning Undergraduate programs and 41,213 in On-Campus and Distance Learning Graduate programs. Thus number represents a reduction of 4.0% year-over-year reflecting the higher number of graduations in the period, due to the robust new enrollments in 2014 and 2015, 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). Accordingly, there was a higher dropout rate registered in the period, mainly in on-campus education. On the other hand, Cogna has been investing heavily in updating the portfolio of programs offered and in its employability channel to mitigate these effects and to ensure solid student recruiting results, as shown by the latest recruiting processes conducted over the year, in which growth was registered both in the on-campus and DL segments, with robust growth in revenue from new enrollments. Additionally, it is worth noting the increase of 0.9% in the number of Graduate students, supported by the recent enrollment of new students, especially in a Distance Learning format. This growth occurs in a sustainable manner since 2018 and is a consequence of the restructuring carried out in the Graduate segment over the past years which enabled, through a new platform, a more robust offering and focused on our own units and partner units.

At the end of 2019, the Company had 42,189 students enrolled with FIES contracts, down 53.5% from 2018, representing 14.0% of the On-Campus Undergraduate base and 5.8% of the total Undergraduate base, reductions of 11.3 p.p. and 5.3 p.p., respectively, following the trend of recent years, with increasingly fewer new students under the financing program and higher graduations of these students. To illustrate this behavior, in the new enrollment process of the second semester of 2019, 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 this semester was very high, which indicates that the program should account for only a marginal share of students in the coming years. By the end of 2020, it is estimated that 6% of the on-campus base or 2.1% of the total student base will use FIES.

Since 2015, the Company has been offering Private Special Installment Plans (PEP), which currently are available in two formats: PEP30 or PEP50. In PEP30, students start the cycle paying 30% of their monthly tuition, which gradually increases to 40%, 50% and 60% in subsequent years, remaining at the highest rate during the amortization period. Meanwhile, under PEP50, students pay 50% of their monthly tuition throughout their entire academic program and amortization period. Specifically with regard to the amortization period, both products give graduates a period equal to the length of their program to repay the accumulated debt interest-free, subject only to annual adjustments of the tuitions. The Company maintained the same policies for recognition of Adjustment to Present Value (APV) and provisioning of 50% of the financed portion for all PEP students since the start of the program. At the end of 2019, the Company had 48,729 PEP students, with 21,356 enrolled in PEP30 and 27,373 in PEP50, which accounts for 15% of its on-campus student base. This percentage should decline in the following quarters, since PEP has been less relevant in the most recent recruiting processes, which means that Kroton will continue to take advantage of this product to attract new students, but with an exposure more aligned with the 2019 results and a balanced offering between PEP30 and PEP50.

Kroton also offers PMT (or temporary PEP), which consists of the option of paying the first monthly tuitions in installments for students entering academic programs after they have started. 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. Therefore, 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 becomes due automatically if the student drops out before graduation.

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 26,919 in 4Q19, practically stable from the same period of 2018.

Cogna 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 4Q19, there were 121,292 students enrolled in these programs, a substantial increase of 58.1% from the previous year.

The business segment of Educational Solutions for Vocational and Postsecondary Education (SETS) was consolidated after the acquisition of Somos. SETS is responsible for the sale of books with the Saraiva brand to Postsecondary Education, learning systems to 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 4Q19, a total of 631,994 books were sold, representing an increase of 9.3% from the same period last year.

Primary and Secondary Education

In accordance with the Material Fact released at the start of the year, the Company announced growth of 25% in its revenue from subscription or Annual Contract Value (ACV) for 2020 by the K-12 Integrated Services Platform. The increase reflects the new positioning of Somos, which no longer is a provider of isolated products and services, but rather a Service Platform for K-12 Schools, becoming a complete provider of solutions that meet demands from learning system offer to complementary solutions and digital services. This success 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 and 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 the Learning System.

Considering all of these initiatives, the growth prospects of Somos's services over the coming years is excellent. In addition to the current services, the Company has been successfully implementing new services into the Platform, such as one for interactive games to support mathematics teaching and a program focusing on computational thinking and creative entrepreneurship to better prepare students for the professions of the future. These are examples of after-school services, which are made available to over 3,400 associated schools as soon as they are included in the Platform, increasing significantly the cross-selling potential. If the current solution portfolio already enables a considerable expansion into Brazilian private schools, the increase in the number of services has potential to optimize further the future results.

In terms of PNLD and Official Contracts, the total sales volume of publishers Ática, Scipione and Saraiva Educação during the 2020 PNLD was of 52.0 million books, of which 20.8 million related to the adoption of new books for Elementary School II and 31.2 million related to the replacement of books from previous years (for Elementary School I and High School)..

The revenue generated by these sales amounts to R$408 million, of which R$176 million is related to the adoption of new books for the Elementary School II segment and R$232 million to replacements of books from previous years. Most of revenue was recognized in 4Q19, with around R$85 million being registered in 1Q20.

Lastly, in relation to our 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 during 2020.

Quality of Education

Postsecondary Education

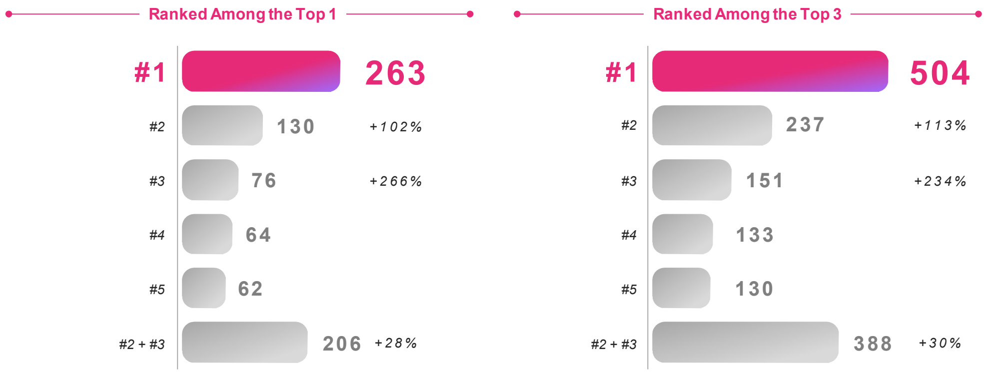
Ratio	Below 3	Equal to 3	Above 3	Equal to or Above 3
Course Concept (CC)	0.8%	35.6%	63.6%	99.2%
Institutional Concept (CI)	0.0%	50.0%	50.0%	100.0%

At the end of 2019, 99.2% of the Company's Postsecondary Education programs and 100% of its Postsecondary institutions were ranked satisfactory or excellent, as evaluated by the Ministry of Education (MEC), reflecting the continuous improvement in the teaching quality and educational service offered to students.

According to the latest results of the regulatory indicators of educational quality reported by the MEC, for 2018, when the programs in the Social, Applied and Human Sciences were evaluated, 68% of our programs received satisfactory grades in the Brazilian National Student Performance Exam (ENADE) (measured on a scale from 1 to 5, with 3 satisfactory and 5 the top score), representing improvement of 22 percentage points from 2015, the last time these programs were evaluated. The results reflect the strength of our KLS 2.0 academic model and the operations research software that were implemented in the second semester of 2015. The Difference in Observed and Expected Performance Indicator (IDD) measures the difference between students' scores on the ENADE, administered when students graduate from college, with the scores on the National Secondary Education Exam (ENEM), administered when students graduate from high school, which allows for analyzing the effective value created for students by completing their postsecondary education. In 2018, 78% of our academic programs received satisfactory scores in the IDD, which is virtually stable compared to the score of 81% in 2015, with 12 programs attaining the highest score of 5. The Preliminary Program Score (CPC) registered 81.5% of programs with satisfactory grades, while 89% of our institutions received satisfactory scores in the General Program Index (IGC), compared to the average of 86% among private institutions, reflecting our efforts to ensure high academic quality for our students.

Primary & Secondary Education

In the B2B segment of Primary & Secondary Education, which is served by our vertical Somos, the reputation of our brands, the perceived quality of our products and services, our educational results and our innovation have given the Company a unique positioning in the market, with unquestionable leadership in the ENEM, as shown below:



Financial Performance

Except where stated otherwise, the financial data used to prepare the following analyses reflect Cogna's consolidated results for 2019 compared to the corporate results for 2018, which includes 80 days of the results of Somos as from its acquisition by the Company.

- *Gross and Net Revenue* – Cogna's gross revenue for fiscal year 2019 was R$8,7891.8 million, up 11.2% from 2018, which is mainly explained by the consolidation of Somos as from October 2018 and the excellent results achieved by the K12 platform (Somos) in its commercial activities for 2020, in addition to the good performance of the Continuing Education segment, following the reformulation of this segment under the perspective of the EdServe Platform concept, and by the robust results in student enrollment and re-enrollment in the Postsecondary Education segment. These effects were partially offset by the contraction in the postsecondary student base in the period, especially at Own Units, which is explained by the higher number of dropouts during 2019 and by the impact from graduations of the classes resulting from the strong student-recruiting processes of 2014 and 2015. As a result, net revenue amounted to R$7,027.2 million, up 15.9% compared to 2018, following the trend registered in gross revenue.

- *Cost of Goods Sold and Services Rendered* – the Company's costs amounted to R$2,809.6 million, or 40.0% of net revenue, increasing 2.5 p.p. from 2018, also reflecting the consolidation of Somos and its assets, which have a higher cost structure, as well as the costs with implementing new units in the Postsecondary Education segment. Cost of services rendered corresponded to 81.7% of total costs, compared to 91.9% in 2018, which is consistent with the growing share that the Primary & Secondary Education operations have been gaining in the Company.

    - Costs of goods sold are mainly related to the costs with publishing and printing the teaching materials. In 2019, such costs amounted to R$515.2 million, or 7.3% of net revenue, increasing 4.3 p.p. due to the consolidation of Somos into the results.

    - Cost of services is primarily related to the operation of Postsecondary Education units. In 2019, such costs amounted to R$2,294.4 million, or 32.7% of consolidated net revenue, down 1.7 p.p. from the prior year, mainly due to the lower costs with faculty payroll in the period and all the efforts to capture operating efficiency gains.

- *Gross Income and Gross Margin* – gross income in 2019 amounted to R$4,217.6 million, with gross margin of 60.0%, representing growth of 11.2% and compression of 2.5 p.p. on the previous year, respectively, reflecting the aforementioned effects.

- *Operating Expenses* – operating expenses amounted to R$3,200.6 million in 2019, or 45.5% of period net revenue, up 3.5 p.p. on the prior year. Operating expenses are divided into three major lines, namely:

  - General and Administrative Expenses: incurred by the business segments, these include mainly expenses with administrative personnel, consulting services, travel and outsourcing. Said expenses amounted to R$1,702.8 million in 2019, or 24.2% of net revenue, up 6.9 p.p. from 2018, reflecting the consolidation of the Somos figures as from October 2018, with this effect partially offset by the optimization and cost-cutting initiatives carried out.

  - Selling Expenses: expenses with the sales team, advertising and marketing and the Provision for Doubtful Accounts (PDA). In 2019, this group of expenses amounted to R$1,537.0 million, corresponding to 21.9% of net revenue, down 2.9 p.p. on the prior year:

    - Sales team, advertising and marketing and copyrights: these expenses amounted to R$621.6 million in 2019, or 8.8% of period net revenue, up 0.3 p.p. compared to 2018, reflecting the higher expenses in the Postsecondary Education segment, given the investments made to promote the Company's brands in a significant number of new markets.

    - Provision for Doubtful Accounts (PDA): Cogna uses a model for provisioning losses from student receivables based on historical behavior combined with analyses of the projected trend in future losses of these receivables over a 365-day cycle. The amount of PDA accrued covers this entire receivables cycle as from the month of billing. Amounts not received within 365 days are fully written off from our Assets. On the other side, all receivables related to trade accounts over 365 days already written off are recognized directly in the profit or loss. During 2019, the Company had two non-recurring effects that increased the need for higher provisioning: i) the migration in 2018 of the entire student base to Kroton's systems; and ii) the increase in the amount of adjustments in classroom hours (PAM). In addition to these non-recurring effects, the still-challenging macroeconomic environment continued to pressure PDA in 4Q19. With the level of uncertainty brought by the expected impacts from the COVID-19 pandemic on the payment capacity of the Company, it is difficult to project the prospects for improvement in the scenario over the course of 2020. Accordingly, the Company took the decision to increase its PDA by R$181 million from the current level. Accordingly, PDA in 2019 reached R$910.9 million, corresponding to 13.0% of net revenue and representing an increase of 1.8 p.p. from 2018.

  - Other Operating Income/Expenses and Equity Income (Loss): this line's result was positive R$39.1 million, or 0.6% of period net revenue, up 0.4 p.p. on the prior year.

- *EBITDA* – in 2019, the Company's EBITDA (after deducting non-recurring expenses) amounted to R$2,422.1 million, with margin of 34.5%, representing a decline of 2.4% and compression of 6.5 p.p. on the prior year, due to the aforementioned factors, especially the higher provisioning in Postsecondary Education and the higher costs in Primary & Secondary Education. 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, in line with the new business models and demonstrating a high level of efficiency in the Company's different verticals.

- *Net Debt* – Cogna ended 2019 with net debt of R$7,557.0 million, up 38.5% from the prior year, reflecting the new debt raised for the Somos acquisition. Note that Cogna also holds short- and long-term receivables related to the sales of Uniasselvi and FAIR/FAC/FAMAT, which, if included, reduce the Company's net debt to R$7.2 billion. Bear in mind that the current debt level does not take into account the capital increase carried out in February 2020, when the Company raised R$2.6 billion, which considerably reduced its financial leverage and assured it a solid cash situation.

- *Financial Result* – the net financial result was an expense of R$833.2 million, compared to net financial income of R$134.5 million in 2018, reflecting the increase in financial charges due to the higher debt and the impact from the adoption of IFRS16. Nevertheless, the current level is aligned with the higher debt expected by the Company after the Somos acquisition and will have a direct impact on company's Net Revenue over the coming years, but to a lesser degree given the capital increase at the start of 2020.

- *Income Tax and Social Contribution* – Income Tax and Social Contribution was positive R$58.8 million, corresponding to 0.8% of net revenue, up 0.6 p.p. on the prior year.

- *Net Income* – net income in 2019 amounted to R$242.6 million with margin of 3.5%, representing a decline of 82.6% and compression of 19.5 p.p. from 2018, respectively, reflecting the growth in debt, the higher depreciation and amortization resulting from the adoption of IFRS16 and the investments in content production and technology, which have a shorter useful life, in addition to the pressures on the Postsecondary Education business.

- *Investments* – Cogna's capital expenditure amounted to R$482.5 million, which corresponds to 6.9% of net revenue in the period, down 2.0 p.p. from 2018. Most of the capex was allocated to content development, systems and software licenses, in line with the expansion and maturation of the Postsecondary portfolio in recent years, especially the maturation or programs in the fields of Engineering and Healthcare and the new Premium DL programs, in addition to the renewal content in K-12 education. 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 2020 school year and to meet students' expectations and adapt them for the maturation of the portfolio of programs incorporated over recent years. In 2019, the Company also registered R$195.1 million in expansion investments, corresponding to 2.8% of net revenue and down 1.6 p.p. from the prior year, in line with expectations and given that most investments in the organic growth project of the Postsecondary Education segment already have been made.

Corporate Governance, Investor Relations and Awards

The Company's stock traded under the ticker COGN3 is listed on the Novo Mercado, the listing segment of the São Paulo Stock Exchange (B3) with the highest corporate governance practices, which reaffirms its commitment to the financial community and to all shareholders.

For its Board of Directors, the Company proposed a new slate of candidates, who were elected in late 2019, that included the nomination of 3 new members, which combine vast experience in the education industry, already a distinguishing feature of the previous board, with new competencies that are highly welcomed for achieving full success in this new phase the Company is undergoing. The new members are:

- Rodrigo Galindo, currently CEO of Cogna, who also accumulates the function of Vice-Chairman of the Board, with the goal of ensuring strong alignment between the Board of Directors and the Executive Board;

- Juliana Rozenbaum, an executive with vast experience serving on the boards of major companies and with strong expertise in strategy development; and

- Thiago Piau, currently CEO of one of the largest digital companies in Brazil, who brings an important perspective on technology and innovation.

These new board members joined the reelected directors Evando José Neiva, Luiz Antonio de Moraes Carvalho, Nicolau Ferreira Chacur and Walfrido Silvino dos Mares Guia Neto. As a result, the new Board of Directors is now composed of 7 members, 4 of whom are independent (or 57% of the total), in accordance with governing law, thereby strengthening corporate governance standards in line with best market practices.

In addition, five Advisory Committees were created: “Audit & Risk,” “People & Governance,” “Financial & M&A,” “Strategy & Innovation” and “Founders.” The main function of the committees is to provide the Board of Directors with the elements and support required for its decision-making process and to support the Executive Board in its execution of the policies approved by the Board of Directors.

Cogna also has an Fiscal Council formed by four members, who, among other duties, are responsible for supervising the activities of the Management, reviewing the financial statements of the Company and reporting their findings to the shareholders. Lastly, Cogna also has an Internal Controls, Audit & Compliance Department, whose main objectives are to: (a) map and manage the risks to which the Company is exposed; (b) conduct independent audits of the business areas; (c) apply all compliance practices through policies, standards and procedures; (d) manage and investigate reports received via the whistleblowing channel; and (e) monitor the strategic risks related to Information Security, jointly with the Internal Audit area and the Information Security & Risks Committee. These instruments establish the basic operating guidelines defined by the Senior Management in accordance with the standards of integrity and values of the Company.

In 2019, Cogna updated its risk map with impact and probability assessments for all risks mapped and also validated all factors and risks with the senior executives. It also maintained under the operational scope of the Controls, Audit & Compliance Department the mapping and auditing of 100% of material processes. The Compliance Program and the Company’s actions in Information

Security made significant advances in disseminating this culture among employees and in defining and implementing concrete measures to mitigate risks inherent to its business.

Always striving for transparency and diligence in its communication with the financial community and in its reporting on Cogna's results and strategy, the Investor Relations (IR) Department participated in 34 events with analysts and investors in 2019, including conferences and non-deal road shows in Brazil and abroad, as well as presentations for analysts and investors and events, such as our own Investor Day. It also conducted hundreds of meetings and conference calls. In recognition of this work, the Company once again was recognized by *Institutional Investor* magazine in the categories "Best Investor Relations Program" according to Sell Side and Buy Side Analysts; "Best CEO" according to Sell Side and Buy Side analysts; "Best CFO" according to Sell Side and Buy Side analysts; "Best Investor Relations Professional" according to Sell Side and Buy Side analysts; "Best Investor Relations Team" according to Sell Side and Buy Side Analysts; "Best Analyst Day," "Best ESG/SRI Metrics" and "Best Website." Other awards include 1st place among Brazil's most innovative companies in the Services category of the Valor Innovation Awards; 1st place among "Companies that Best Communicate with Journalists;" 1st Place in the Education category of the Empresas Mais and Época 360 Awards; Valor Executive in the Education category; and Entrepreneur of the Year by Ernst & Young.

Capital Markets

Cogna's shares are a component of several stock indexes, notably the Bovespa Index (IBOV), Brazil 100 Index (IBrX100), Brazil 50 Index (IBrX50), Broad Brazil Index (IbrA), Special Corporate Governance Stock Index (IGC), Special Tag-Along Stock Index (ITAG), Corporate Governance Trade Index (IGCT), Corporate Governance Index - Novo Mercado (IGC-NM), Mid-Large Cap Index (MLCX), Consumption Sector Index (ICON) and Morgan Stanley Capital International Index (MSCI Brazil). The Company's stock was traded in 100% of trading sessions during 2019, with average daily trading volume of R$147.8 million. In the year, the stock price gained 28.9%, compared to the gain of 31.6% in the Bovespa Index. On December 30, 2019, Cogna's market capitalization was R$18.8 billion.

In 2019, Cogna carried out two capital increases: (i) R$586,000,000.00 on March 28, 2019, through the capitalization of (a) a portion of the balance of the investment reserve in the amount of R$400,000,000.00 and (b) the total balance of the capital budget reserve in the amount of R$186.000.000,00, without any issue of new shares or changes in the current number of shares; and (ii) R$100,000,000.00 on December 6, 2019, upon capitalization of a portion of the balance of the reserve for investments, without any issue of new shares or changes in the number of shares. On February 11, 2019, a primary public offering of 232,258,004 shares of the Company was carried out, with the price set at R$11.00/share, resulting in a capital increase of R$2,555,938,044.00. As a result, the Company's capital stock increased from 1,644,248,206 common shares at the end of 2018 to 1,876,606,210 common shares currently. Note that such increases respect the authorized capital limit.

Shareholder Remuneration

The Bylaws of Cogna provide for the distribution of a mandatory dividend corresponding to 25% of net income adjusted by the deductions and increases provided for by Article 202, Paragraphs II and III of Brazilian Corporation Law. In 2019, R$153.4 million was declared as dividends, of which R$90.5 million was distributed related to the results for the first quarter (paid on 5/30/2019), R$55.1 million was distributed related to the results for the second quarter (paid on 8/29/2019) and R$7.7 million was distributed related to the results for the third quarter (paid on 11/29/2019).

Social Responsibility

In 2019, supported by an international renowned consulting firm, we conducted an assessment of the impacts of our socio-economic activities using the Social Return on Investment (SROI) approach, a methodology that helps measure social impacts based on a broad concept of value that goes beyond the financial aspect. According to the assessment, our SROI is estimated at R$12.5 billion, and for each R$1 invested, we generate a return equivalent to R$6 in terms of benefits for Brazil's society.

With actions guided by the 17 Sustainable Development Goals (SDGs) established by the United Nations, our own schools of Primary & Secondary Education and units and centers of Postsecondary Education carry out social projects, ensuring alignment with the Company's academic and educational models, while encouraging students to be more proactive in their own education and foster the development of technical and social and emotional competencies, effectively aligning the practice of learning with positive social impact. Accordingly, in 2019, over 3,700 initiatives and social projects were carried out in the Company that, when combined with the specialized services provided at our Postsecondary Education Institutions, caused positive impacts on the lives of more than 2 million people.

In 2019, through service-learning and with the engagement of our Postsecondary students and employees, over 2.6 million specialized procedures were performed in various fields of knowledge that benefitted more than 1.2 million people and represented a contribution of over R$523 million to society.

Results	**2017**	**2018**	**2019**
Number of initiatives and projects	2,167	3,119	3,794
Number of people impacted	3,530,949	2,697,826	2,066,205
Number of procedures performed	2,344,083	2,527,130	2,659,602
Reduction of government expenses	R$ 377,981,248.00	R$ 431,119,625.05	R$ 523,486,327.10

In 2019, we conducted a survey of all graduates from our Postsecondary Education Institutions to identify their professional situation. Through this analysis, we confirmed the importance of educational level in the labor market in terms of both access and advancement. Therefore, we highlight our exclusive employability channel, Conecta, which has more than 634,000 active students and over 30,000 partner companies offering more than 430,000 job openings in various sectors and all regions of the country. These numbers given an idea of the scale of the socio-economic impact of the Company's employability project for its students, alumni and partner companies, and effectively contributes to Brazil's economic development.

Complementing our educational activities are the Pitágoras Foundation and the Somos Institute. The Pitágoras Foundation has solid experience in programs with high social impact, with a focus on contributing to improving education in Brazil. Through our Integrated Management System (SGI), we provide technical support to public school administrators to support significant advances in student learning, particularly in their reading, writing, math, oral expression and problem-solving skills. In the foundation's over 20 years of operations, more than 1,200 schools, some one million students and around 35,000 teachers were benefitted by SGI in 116 cities in 12 states, with advances in student learning and school administration processes and practices.

Led by the Pitágoras Foundation, the Brazilian Alliance for Education strives to strengthen public school administration through systematic meetings called Teacher and Student Forums. The events promote the sharing of experiences and best practices in the five areas selected by the public school system leaders themselves as fundamental for assuring a high-quality school: Pacification; Student Motivation; Teacher Motivation; Family/School Integration and Improving Official Learning Indicators. In addition, the website of the Brazilian Alliance for Education offers some 50 unregulated programs via distance learning free of charge to public school students and teachers as well as to people in the penitentiary system (managers, civil servants and former inmates). At present, we have 7,821 active users, 1,755 certificates issued and 91,250 hours of training administered.

Through Somos Futuro, the main social program of the Somos Institute, we grant full three-year high school scholarships to both public school students and those with full scholarships from private schools with high academic performance and low socioeconomic status. Carried out in partnership with Saber's own schools and Somos' partner schools, the project grants scholarships with free tuition, educational and support materials, and mentoring from volunteer Cogna employees. Since 2017, Somos Futuro already has benefitted 388 youth with an economic impact of over R$14 million. The program's goal is to transform the lives of these young students by offering academic opportunities that will enable them to overcome the condition of socioeconomic vulnerability and break the cycle of poverty, thereby making sustainable and lasting contributions to reducing inequality in Brazil.

In 2019, we launched the corporate volunteer program, which has a network of over 400 volunteer employees. There are two forms of volunteering that support Somos Futuro: Volunteer Interviewer, responsible for interviewing candidates for the Somos Futuro scholarships during the recruitment process, has 234 participant volunteers from 118 different locations and with 200 Psychology students and teachers from Anhanguera; and Volunteer Mentor, responsible for accompanying newly enrolled scholarship students over the school year, which has more than 200 participants from 73 different locations. In 2019, more than 800 hours of corporate volunteering were dedicated exclusively through this program.

In 2019, through Private Social Investment, the Company sponsored projects under the Sports Incentive Law, Rouanet Law, Municipal Fund for Child and Adolescents (FUMCAD) and Fund for the Elderly. In all, the projects sponsored by the Company benefited more than 25,000 people, including children, youth and the elderly in situations of social vulnerability, provided over 1,000 hours of training programs to public school teachers and volunteers and installed 10 libraries that included the donation of over 8,500 books for children and young adults.

Independent Audit

In compliance with CVM Instruction 381/03, we inform that Deloitte Touche Tohmatsu Auditores Independentes was hired to render the following services in 2019: the audit of the financial statements in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards ("IFRS") and the review of interim quarterly financial information in accordance with

Brazilian and international standards for the review of interim information (NBC TR 2410 - "Revisão de Informações Intermediárias Executadas pelo Auditor da Entidade" and ISRE 2410 – "Review of Interim Financial Information Performed by the Independent Auditor of the Entity," respectively).

The engagement of independent auditors is based on principles that safeguard the independence of the auditor, which are: (a) auditors may not audit their own work; (b) auditors may not exercise managerial functions; and (c) auditors may not provide any services that may be considered prohibited by governing law. Furthermore, Management must obtain from the independent auditors a declaration that the special services rendered do not affect their professional independence.

Submission to Arbitration

As a solution for corporate conflicts, Cogna submits to arbitration by the Market Arbitration Chamber, in accordance with Article 44 of the Bylaws of the Company.

Declaration of the Board of Executive Officers

The Board of Executive Officers of Cogna hereby declares, pursuant to CVM Instruction 480 of December 7, 2009, to have reviewed, discussed and approved (i) the contents and opinions expressed by Deloitte Touche Tohmatsu Auditores Independentes in the report issued on March 31, 2020; and (ii) the financial statements for the fiscal year ended December 31, 2019.

Acknowledgements

The Management of Cogna is grateful for the confidence and support of all its primary, secondary and postsecondary students, partner educational institutions and schools, government agencies, suppliers, shareholders and employees, which have been helping us to embark on a new era marked by growth opportunities while preserving the proposition to transform people's live through quality education.

For more details on the analysis of our 2019 results, please go to our website:
ir.cogna.com.br
THE MANAGEMENT

1. DISCLOSURE OF EBITDA

According to CVM Instruction 527/12, the Company adhered to the disclosure of the non-accounting information as additional aggregate information in its quarterly information, presenting the EBITDA – Earnings Before Interest, Taxes on Income including Social Contribution on Profit (Loss) Net, Depreciation and Amortization, for exercise ended December 31, 2019 and 2018.

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

		Consolidated
	12/31/2019	12/31/2018
Net income	242,588	1,290,580
Income and social contribution tax	58,802	13,467
Financial result - note 30	(833,153)	134,491
Depreciation - note 29	(1,197,738)	(476,778)
Accounting EBITDA	2,214,677	1,732,567
(+) Interest and penalties on tuition - note 30	207,452	202,774
Management EBITDA	2,422,129	1,935,341
(-) Nonrecurring items (i)	(286,831)	(368,904)
Adjusted EBITDA	2,708,960	2,304,245

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

		Consolidated
	12/31/2019	12/31/2018
Termination	123,443	79,924
Restructuring of units	-	40.893
M&A and expansion	163,388	99,866
Others projects	-	51,976
Expenses related to the acquisition of Somos	-	96,245
Total Nonrecurring items	286,831	368,904

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

Opinion of the Fiscal Council

The Fiscal Council of Cogna Educação SA ("Company"), in compliance with the laws and statutory documents, examined the Management Report, the Financial Statements related to the fiscal year ended on December 31, 2019, and proposal by the Management the profit destination for the year ended December 31, 2019. Based on the examinations carried out, the inquiries by the Company's Management and the Company's independent auditors and also considering the terms of the Independent Auditors' Report on the Financial Statements, opines that Management Report, the Financial Statements, and proposal by the Management the profit destination for the year ended in 2019 are in a position to be approved by the Company's shareholders at an ordinary general meeting

Belo Horizonte, March 30, 2020

OPINION OF THE AUDIT AND RISK COMMITTEE

The members of the Audit Committee of Cogna Educação S / A (“Company”), in the exercise of their duties and legal responsibilities, as provided for in the Internal Rules of the Audit and Risk Committee and based on the work carried out during the year of 2019 , proceeded to the examination and analysis of the financial statements, accompanied by the opinion of the independent auditors and the annual report of the Management related to the fiscal year ended on December 31, 2019 and, considering the information provided by the Company's Management and by the Company's independent auditors, as well as the proposal for the allocation of the results for the year ended December 31, 2019, unanimously take the view that they adequately reflect, in all relevant aspects, the equity and financial positions of the Company and its subsidiaries, and recommend the approval of the documents by the Company's Board of Directors and their forwarding the Annual Shareholders' Meeting of the Company, under the terms of the Brazilian Corporation Law.

Belo Horizonte, March 30, 2020

Opinions and representations/Officers' representation on the accounting information

Pursuant to CVM Instruction 480, dated December 7, 2009, Kroton's Officers state that they have reviewed, discussed, and agreed with the individual and consolidated financial statements for the year ended December 31, 2019.

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

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