

Interim Financial Statements

Ser Educacional S.A.

June 30, 2020

with Independent auditor's review report on quarterly information

Ser Educacional S.A.

Interim financial statements

June 30, 2020

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A free translation from Portuguese into English of Independent Auditor's Review Report on quarterly information originally issued in Portuguese

Independent auditor's review report on quarterly information

To the Shareholders, Board of Directors and Officers of
Ser Educacional S.A.
Recife - PE

Introduction

We have reviewed the accompanying individual and consolidated interim financial information contained in the Quarterly Information Form (ITR) of Ser Educacional S.A. (the "Company") for the quarter ended June 30, 2020, comprising the statement of financial position as of June 30, 2020 and the related statements of profit or loss and of comprehensive income for the three and six-month periods then ended, and of changes in equity and of cash flows for the six-month period then ended, including the explanatory notes.

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

Scope of review

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

Conclusion on the individual and consolidated interim financial information

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



Other matters

Statements of added value

The above mentioned quarterly information includes the individual and consolidated statement of value added (SVA) for the six-month period ended June 30, 2020, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. These statements have been subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Recife, August 24, 2020.

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

A handwritten signature in dark ink, appearing to read 'Henrique Piereck de Sá', is written over the printed name.

Henrique Piereck de Sá
Accountant CRC PE023398/O-3

Ser Educacional S.A.

Statement of financial position

As of June 30, 2020 and December 31, 2019

Amounts in thousands of reais, unless otherwise indicated

Assets	Note	Parent Company		Consolidated		Liabilities and Shareholders' Equity	Note	Parent Company		Consolidated	
		June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019			June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Current						Current					
Cash and cash equivalents	8	514.182	78.836	699.537	215.173	Suppliers	14	19.128	10.221	39.839	32.501
Marketable securities	8	223	74.882	624	91.290	Loans and financing	16	26.840	24.377	27.079	24.377
Accounts receivable	9	126.350	94.396	378.562	286.967	Debentures	17	50.556	67.760	50.556	67.760
Taxes recoverable	10	3.622	3.604	16.040	13.917	Salaries and social charges	18	56.547	39.445	124.781	82.000
Related parties	26.a	1.952	1.952	1.952	1.952	Taxes payable	10	6.463	8.039	21.132	23.688
Other assets		17.371	9.646	37.189	35.246	Commitments payable	15			1.941	94.537
						Lease commitments	19	20.459	22.267	47.704	43.931
		663.700	263.316	1.133.904	644.545	Related parties	26.a		559		
						Dividends payable	20.g	20.372	6.063	20.372	6.063
						Other liabilities		12.990	13.227	29.494	31.582
								213.355	191.958	362.898	406.439
Noncurrent						Noncurrent					
Long-term receivables						Loans and financing	16	527.586	40.351	528.146	40.351
Accounts receivable	9	18.409	14.744	56.496	46.922	Debentures	17	24.897	49.690	24.897	49.690
Related parties	26.a	6.998	7.972	6.996	7.972	Lease commitments	19	222.655	283.938	622.866	623.946
Judicial deposits and blocked escrows		14.928	11.378	48.090	42.665	Taxes payable	10	26	179	6.101	7.127
Indemnification assets	27.d	3.249	3.249	112.015	112.015	Provision for contingencies	27	2.347	1.411	121.181	122.111
FG-FIES guarantee fund		4.163	3.136	12.097	9.070	Other liabilities		335	992	442	1.004
Taxes recoverable	10			4.069				777.846	376.561	1.303.633	844.229
Deferred taxes	25.e	2.370	4.204	5.282	7.897						
Other accounts receivable				1.148	897						
Investments	6	1.098.989	967.485			Shareholders' equity	20				
Intangible assets	11	41.391	37.902	551.812	560.646	Share capital		987.549	987.549	987.549	987.549
Right of use	12	209.386	264.644	603.422	616.110	Profit reserve		324.513	320.939	324.513	320.939
Property, plant and equipment	13	287.216	298.977	490.798	510.417	Retained earnings		47.536		47.536	
		1.687.099	1.613.691	1.892.225	1.914.611	Total shareholders' equity		1.359.598	1.308.488	1.359.598	1.308.488
Total assets		2.350.799	1.877.007	3.026.129	2.559.156	Total liabilities and shareholders' equity		2.350.799	1.877.007	3.026.129	2.559.156

The accompanying notes are an integral part of the interim financial statements.

Ser Educacional S.A.

Statement of profit or loss
 Three and six-month periods ended June 30, 2020
 Amounts in thousands of reais, unless otherwise indicated

	Note	Parent Company			
		April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Net income from services rendered	21	131.757	254.062	129.677	253.920
Cost of services rendered	22	(54.554)	(111.223)	(60.866)	(118.786)
Gross profit		77.203	142.839	68.811	135.134
Selling expenses	23 (a)	(10.011)	(26.625)	(13.631)	(25.743)
General and administrative expenses	23 (a)	(52.693)	(99.099)	(55.652)	(98.924)
Other operating income (expenses), net		1.486	86	15.563	14.751
Interest in the profit of subsidiaries	6	55.990	84.301	56.223	105.392
Operating profit		71.975	101.502	71.314	130.610
Financial revenues	24	2.300	3.338	10.115	24.002
Financial expenses	24	(16.285)	(30.343)	(22.072)	(39.163)
Financial income		(13.985)	(27.005)	(11.957)	(15.161)
Earnings before income tax and social contribution		57.990	74.497	59.357	115.449
Income tax and social contribution	25	(1.864)	(1.864)	(1.227)	(3.576)
Tax incentive - Prouni	25	683	683	876	3.225
Deferred income tax and social contribution	25	(2.093)	(1.834)	-	
Net Income for the period		54.716	71.482	59.006	115.098
		<u>54.716</u>	<u>71.482</u>	<u>59.006</u>	<u>115.098</u>
Attributable to					
Shareholders of the Parent Company		<u>54.716</u>	<u>71.482</u>	<u>59.006</u>	<u>115.098</u>
		<u>54.716</u>	<u>71.482</u>	<u>59.006</u>	<u>115.098</u>
Weighted average of outstanding common shares at the end of the period (in thousands)		128.722	128.722	128.722	128.722
Earnings per share attributable to shareholders of the Parent Company during the period (expressed in R\$ per share)		<u>0,43</u>	<u>0,56</u>	<u>0,46</u>	<u>0,89</u>

The accompanying notes are an integral part of the interim financial statements.

Ser Educacional S.A.

Statement of profit or loss
 Three and six-month periods ended June 30, 2020
 Amounts in thousands of reais, unless otherwise indicated

	Note	Consolidated			
		April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Net income from services rendered	21	343.020	651.546	332.605	636.769
Cost of services rendered	22	(138.306)	(293.282)	(146.687)	(284.748)
Gross profit		204.714	358.264	185.918	352.021
Selling expenses	23 (a)	(15.965)	(41.320)	(22.473)	(42.200)
General and administrative expenses	23 (a)	(100.979)	(187.146)	(91.464)	(160.860)
Other operating income (expenses), net		1.556	(250)	16.989	15.487
Operating profit		89.326	129.548	88.970	164.448
Financial revenues	24	5.399	15.664	12.625	30.553
Financial expenses	24	(34.153)	(66.205)	(40.803)	(75.332)
Financial income		(28.754)	(50.541)	(28.178)	(44.779)
Earnings before income tax and social contribution		60.572	79.007	60.792	119.669
Income tax and social contribution	25	(24.634)	(41.675)	(21.279)	(44.909)
Tax incentive - Prouni	25	21.077	36.766	19.493	40.338
Deferred income tax and social contribution	25	(2.299)	(2.616)	-	
Net Income for the period		54.716	71.482	59.006	115.098
Attributable to					
Shareholders of the Parent Company		54.716	71.482	59.006	115.098
		<u>54.716</u>	<u>71.482</u>	<u>59.006</u>	<u>115.098</u>

The accompanying notes are an integral part of the interim financial statements.

Ser Educacional S.A.

Statement of comprehensive income

Three and six-month periods ended June 30, 2020

Amounts in thousands of reais, unless otherwise indicated

	Parent Company and Consolidated			
	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Net income for the period	54.716	71.482	59.006	115.098
Other components of comprehensive income for the period				
Comprehensive income for the period	<u>54.716</u>	<u>71.482</u>	<u>59.006</u>	<u>115.098</u>

The accompanying notes are an integral part of the interim financial statements.

Ser Educacional S.A.

Statement of changes in equity

Six-month period ended June 30, 2020

Amounts in thousands of reais, unless otherwise indicated

	Note	Attributable to shareholders of parent company					Total of shareholders' equity		
		Share capital		Legal	Retention	Proposed dividends		Treasury shares	Net Profit for the fiscal year
		Share capital	Share issue costs						
On January 1, 2019		991.644	(4.095)	55.523	483.437	9.561	(65.527)	1.470.543	
Net income for the period	28						115.098	115.098	
Constitution of legal reserve	20.e			5.755			(5.755)		
Dividend distribution	20.g				(250.000)	(9.561)		(259.561)	
Cancellation of treasury shares	20.b				(65.527)		65.527		
On June 30, 2019		<u>991.644</u>	<u>(4.095)</u>	<u>61.278</u>	<u>167.910</u>		<u>109.343</u>	<u>1.326.080</u>	
On January 1, 2020		991.644	(4.095)	62.342	258.597			1.308.488	
Net income for the period	28						71.482	71.482	
Constitution of legal reserve	20.e			3.574			(3.574)		
Dividend distribution	20.g						(20.372)	(20.372)	
On June 30, 2020		<u>991.644</u>	<u>(4.095)</u>	<u>65.916</u>	<u>258.597</u>		<u>47.536</u>	<u>1.359.598</u>	

The accompanying notes are an integral part of the interim financial statements.

Ser Educacional S.A.

Statement of cash flows

Six-month period ended June 30, 2020

Amounts in thousands of reais, unless otherwise indicated

	Note	Parent Company		Consolidated	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Operational activities					
Earnings before income tax and social contribution		74.497	115.449	79.007	119.669
Adjustments of					
Depreciation and amortization	11 to 13	38.157	34.722	88.270	60.786
(Reversal of) provision for contingencies		936	305	(930)	(145)
Interest in the profit of subsidiaries	6.a	(84.301)	(105.392)		
Adjustment to present value of accounts receivable	9	1.858	802	4.170	2.490
Allowance for doubtful accounts	23.a	22.867	9.349	61.216	28.839
Loss (gain) on write-off of noncurrent assets	11 to 13 and 19.t	(11.391)	8.095	(2.551)	6.677
Interest, and monetary variations, net	24	22.190	30.434	45.653	50.478
		64.813	93.764	274.835	268.794
Changes in assets and liabilities					
Accounts receivable		(60.344)	(70.728)	(166.555)	(186.816)
Taxes recoverable		(18)	(4.982)	(6.192)	(4.884)
Related parties			(10.901)		(10.901)
Other assets		(10.468)	(7.769)	(8.031)	(21.582)
Suppliers		8.907	2.301	7.338	1.553
Salaries and social charges		17.102	5.044	42.781	18.358
Taxes payable		(1.729)	(1.964)	(3.582)	(4.945)
Income tax and social contribution payable		(3.015)	(169)	(4.057)	701
Other liabilities		(894)	(159)	(2.650)	2.402
Cash from Operating Activities		14.354	4.437	133.887	62.680
Interest paid on loans and debentures		(21.952)	(3.113)	(21.952)	(3.113)
Interest paid on leases		(13.875)	(18.640)	(35.761)	(35.083)
Income tax and social contribution paid			(182)	(3.468)	(5.272)
Net cash provided by (used in) operating activities		(21.473)	(17.498)	72.706	19.212
Investment activities					
Marketable securities		74.659	339.654	90.666	363.182
Advance for future capital increase in subsidiaries	6	(58.697)	(25.193)		
Receipts of dividends from investees		11.494	27.626		
Additions to property, plant and equipment	13	(6.863)	(11.626)	(14.261)	(25.446)
Additions to intangible assets	11	(9.701)	(3.470)	(10.345)	(4.469)
Payables for acquisition of subsidiaries	15		(169)	(89.049)	(40.013)
Net cash provided by (invested in) investment activities		10.892	326.822	(22.989)	293.254
Financing activities					
Principal Amortization of Debentures	17	(25.000)		(25.000)	
Funding of loans and financing	16	498.500		499.299	
Principal Amortization of loans and financing	16	(12.162)	(12.218)	(12.162)	(12.218)
Amortization of leases	19	(9.763)	(6.335)	(22.403)	(14.474)
Related parties	26.a	415	(8.697)	976	
Dividends and interest on shareholders' equity paid to the Company's shareholders	20.g	(6.063)	(286.680)	(6.063)	(286.680)
Net cash used in financing activities		445.927	(313.930)	434.647	(313.372)
Increase (decrease) of cash and cash equivalents		435.346	(4.606)	484.364	(906)
Cash and cash equivalents					
At the beginning of the period		78.836	236.115	215.173	314.731
At the end of the period		514.182	231.509	699.537	313.825
Increase (decrease) of cash and cash equivalents		435.346	(4.606)	484.364	(906)

The accompanying notes are an integral part of the interim financial statements.

Ser Educacional S.A.

Statement of value added

Six-month period ended June 30, 2020

Amounts in thousands of reais, unless otherwise indicated

	Note	Parent Company		Consolidated	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue					
Services	21	473.769	420.991	1.223.499	1.058.875
Allowance for doubtful accounts	23	(22.867)	(9.349)	(61.216)	(28.839)
Revenue deductions	21	(212.050)	(159.964)	(549.638)	(401.238)
		<u>238.852</u>	<u>251.678</u>	<u>612.645</u>	<u>628.798</u>
Inputs purchased from third parties					
Services rendered by individuals and corporations	22 and 23	(19.427)	(29.950)	(31.890)	(40.594)
Electricity, Water and Telephone	22	(6.651)	(9.309)	(15.263)	(20.092)
Marketing and advertising	23	(26.625)	(25.743)	(41.328)	(42.200)
Office supplies	23	(1.671)	(3.781)	(3.703)	(6.933)
Others		(12.451)	(2.411)	(21.489)	(10.143)
		<u>(66.825)</u>	<u>(71.194)</u>	<u>(113.673)</u>	<u>(119.962)</u>
Gross added value		<u>172.027</u>	<u>180.484</u>	<u>498.972</u>	<u>508.836</u>
Depreciation and amortization	22 and 23	(38.157)	(34.722)	(88.270)	(60.786)
Net added value generated by the entity		<u>133.870</u>	<u>145.762</u>	<u>410.702</u>	<u>448.050</u>
Financial revenues	24	3.533	25.173	16.634	32.094
Equity in the results of subsidiaries	6	84.301	105.392		
Total value added for distribution		<u>221.704</u>	<u>276.327</u>	<u>427.336</u>	<u>480.144</u>
Distribution of value added					
Salaries and social charges	22 and 23	(111.669)	(112.487)	(263.210)	(253.786)
Taxes, fees and contributions		(10.867)	(9.323)	(30.810)	(28.277)
Federal taxes		(3.564)	(1.522)	(9.421)	(6.112)
Municipal taxes		(7.303)	(7.801)	(21.389)	(22.165)
Compensation of third-party capital		(27.686)	(39.419)	(61.834)	(82.983)
Financial expenses	24	(30.343)	(39.163)	(66.205)	(75.332)
Rents	22	2.657	(256)	4.371	(7.651)
Net income for the period		<u>(71.482)</u>	<u>(115.098)</u>	<u>(71.482)</u>	<u>(115.098)</u>
Added Value distributed		<u>(221.704)</u>	<u>(276.327)</u>	<u>(427.336)</u>	<u>(480.144)</u>

The accompanying notes are an integral part of the interim financial statements.

Ser Educacional S.A.

Notes to the interim financial statements

June 30, 2020

Amounts in thousands of reais, unless otherwise indicated

Section A — General information

1 Operations

Ser Educacional S.A. (“Company”) and its subsidiaries (jointly, the “Group”) are principally involved in development and management activities for on-campus and distance-learning undergraduate, graduate, professional training and other areas of education, and in participation, as a partner or shareholder, in other partnerships and companies in Brazil.

The Group also owns twenty-one private limited liability companies, including two universities, which operate as two universities, ten university centers, 58 accredited colleges in operation (and another 32 accredited colleges) and 242 distance-learning educational centers, all in operation, constituting one of Brazil’s largest private education groups, with a leading presence in the North and Northeast regions in terms of number of enrolled students. The Group is present in all 26 Brazilian states and the Federal District, with a consolidated base of around 183,600 students, operating under the following brands: UNINASSAU – Centro Universitário Maurício de Nassau, UNINABUCO – Centro Universitário Nabuco, UNG - Universidade Guarulhos, UNAMA -Universidade da Amazônia, UNIVERITAS - Centro Universitário Universus Veritas, UNINORTE - Centro Universitário do Norte, Faculdades UNINASSAU, Faculdades UNINABUCO and Escolas Técnicas Joaquim Nabuco and Maurício de Nassau, through which it offers around 1,937 courses, through campuses and distance-learning educational centers. (Not audited)

The Company is a publicly-held company headquartered in Recife, in the State of Pernambuco, The Company is listed on the B3 S.A. - Brasil, Bolsa, Balcão, in the Novo Mercado special segment, where its common shares are traded under the ticker SEER3. In July 2020, Fitch Ratings issued an opinion renovating the Company’s long-term national rating at “AA-(bra)”, with a stable outlook.

The Board of Directors approved issuing these interim financial statements, after reviewed by the Fiscal Council, on August 24, 2020.

1.1 World Pandemic (Covid-19)

On March 11, 2020, the World Health Organization declared a pandemic due to the spread of a new coronavirus (“COVID-19”), identified and reported in December 2019 in the city of Wuhan, China. In this context, there has been a significant increase in global restrictions, with several businesses and services shut down in nearly all countries in the world, in addition to government orders that involve social isolation, including lockdown, as a way to stop the virus from spreading, generating social, economic and work-related instability and uncertainties, besides volatility in the financial market.

Ser Educacional S.A.

Notes to the interim financial statements

June 30, 2020

Amounts in thousands of reais, unless otherwise indicated

Authorities around the world have intervened in the economies of their countries to reduce and mitigate the economic impacts of this crisis. In Brazil, several measures were adopted in the labor area, with the possibility of reducing the workload and suspending work agreements by companies, with the unemployment wages paid by the government; in the tax area, postponing the payment term of taxes, suspending the incidence of IOF in credit operations and granting tax and financial benefits to the impacted sectors of the economy and workers; and in the economic area, providing liquidity and credit to individuals and companies.

In the education segment, state and municipal health authorities in several states and municipalities suspended classes in schools, colleges and universities, public and private, initially for a period of 15 days, starting on March 16, 2020, subsequently extended for a time not yet formally established in most cities in which the Group operates, as part of several measures to mitigate the spread of COVID-19, without definition of a timetable and format to be adopted to resume classes.

At the Group's units, the measures started on March 16, 2020 and only changed the schedule of on-campus classes, which were mainly replaced by the Remote System, with online classes on a collaborative platform, interaction between students and teachers, who teach classes as usual in an online environment, in addition to the full availability of the matrix and active methodologies that make up the distance learning classes. Practical classes that could not be taken virtually will be replaced when classes are resumed, extending the daily workload. Distance learning activities (EAD), as well as enrollment and re-enrollment of students occurred as usual in the period, with no initial impact on the recognition of the revenue from students enrolled.

In the administrative center, located in Recife, and in the administrative areas of the Group's units, the Company followed the guidelines of the World Health Organization (WHO) and the Ministry of Health of Brazil, cleaning the physical environment, cancelling trips and social isolation, maximizing the teams to work and provide services to students remotely, relying on a safe technological infrastructure to ensure that there will be no discontinuity of operations and to process the information necessary to control internal processes, as well as the maintenance of priority meetings between the areas and employees of the Company. As of March 23, all activities of the administrative center and administrative areas of the units were carried out remotely, under the remote work system, by the vast majority of employees, returning only partially on July 8, contemplating an average of 30% of total employees, in alternating shifts.

The pace reduction in the cities in which the Group operates led to an increase in unemployment levels and a reduction in the population's income, thus affecting the process of enrolling and re-enrolling students in the first half of 2020, resulting in a reduction in the Company's student base and a greater delay in receiving monthly tuitions. On the other hand, postponements resulting from government and supplier programs, these due to negotiations carried out by the Company's management, the suspension of employment contracts for employees who were not adapted to

perform their activities remotely, the shutdown of several activities carried out in person by suppliers, and the reduction in occupancy expenses, due to the closure of the on-campus units and the administrative center, allowed for a reduction in costs and expenses during the quarantine period, which partially compensated for the loss of students and the delay in receiving monthly tuitions.

Ser Educacional S.A.

Notes to the interim financial statements

June 30, 2020

Amounts in thousands of reais, unless otherwise indicated

From a financial perspective, the Group offered to students options to pay their monthly tuitions and use student loans with special conditions, when compared to the usual course of operations, especially for those whose own or family income was most affected by the crisis.

The Group continues intensively monitoring the impacts of COVID-19, through an internal committee created for this purpose, aiming at preserving the health of students and collaborators, avoiding greater losses, and mitigating the risks related to the uncertainties still existing on the economy and social impacts in the country in the post-crisis period.

Below are some potential events resulting from the current crisis in our operations and the possible effects on the Company's financial statements:

Critical accounting estimates and assessments

Allowance for doubtful accounts (“PCLD”) - Difficulty to pay monthly tuitions due to the loss of income of students or family members responsible for the payment, with the possibility of increasing the PCLD for cases of overdue students and drop-outs.

For the period ended June 30, 2020, allowance for doubtful accounts (PCLD) reflects the impacts caused by the relevant reduction in the volume of receipts and greater difficulty in collecting overdue amounts, as shown in Note 9 (e).

Provision for contingencies - In the labor area, an eventual increase in lawsuits due to claims involving outsourced companies that may hold the Company as co-responsible.

For the period ended June 30, 2020, no upward trend in labor claims was identified that indicated the need to remeasure the provision for contingencies.

Impairment of goodwill and intangible assets - Possible impacts on the operations of subsidiaries acquired due to changes and adjustments in the assumptions used to measure the recoverable value of assets.

The projections made on December 31, 2019 were revised for June 30, 2020, and based on the assumptions used, do not present enough evidence to reduce the recoverable value of assets.

Financial risks

Increase in market interest rates (“spreads”) due to future uncertainties in the national and international market and unavailability of capital to provide liquidity to companies, in addition to the difficulty of renewing credit lines. Additionally, a drop in the student base or a migration of students among products offered due to the increase in unemployment rates and the drop in family income, related to a greater volume of loans offered to pay monthly tuitions and extend payment terms, with an impact on default.

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There was a slowdown in the enrollment and re-enrollment of students after the pandemic started, and it is expected that the enrollment and re-enrollment process for the second semester will be equally challenging, as well as the process of collecting the monthly tuitions of defaulting students who were enrolled in the first semester.

Additionally, to protect its financial capacity and capital structure, management reinforced the Company's cash by taking out loans from financial institutions (Note 16).

The Group closely monitors the market fluctuations that occurred due to these uncertainties vis-à-vis the expectation of cash generation to mitigate the financial risks involved.

1.2 Basis of preparation

The individual and consolidated interim financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) and with the standards issued by the Brazilian Securities and Exchange Commission (CVM), in compliance with the International Accounting Standards Board (IASB), and disclose all the applicable significant information related to the interim financial statements, which is consistent with the information used by Management in the performance of its duties.

1.3 Notes not presented

The interim financial statements are presented in compliance with CPC 21 (R1), IAS 34 and the rules issued by CVM. Based on this and the management's assessment of the relevant impacts of the information to be disclosed, the notes described below are not presented or are presented as a summary. The others are presented to allow a perfect understanding of these interim financial statements if read with the notes disclosed in the financial statements of December 31, 2019.

- Critical accounting estimates, assessments and assumptions (Note 3);
- Acquisition of investments by business combination (Note 6 (b));
- Assumptions to calculate impairment or fair value of non-financial assets already disclosed in the notes to the financial statements as of December 31, 2019 (Notes 11 (e) and 11 (f));
- Insurance coverage (Unaudited); and
- Summary of significant accounting policies (Note 3).

2 Interpretations and Impacts on the Assessment of IFRS 16 - Leases / CPC 06 (R2) Lease Transactions

In effect since January 1, 2019, IFRS 16 brought a single lease model, based on the right to use the asset in exchange for a consideration, with treatment similar to financial lease.

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The Group operates as a leaseholder in a significant number of leases concentrated mainly in real estate where its universities, university centers, educational centers, colleges and offices are located. For the contracts included in the adoption of the standard, the Company and its subsidiaries adopted assumptions to calculate the discount rate, which was based on the average annual cost of third party capital, and part of their contracts were already classified as lease assets since 2013. The table below shows the rates charged, vis-à-vis the terms of the contracts:

Term contracts and discount rate	
<u>Contract terms</u>	<u>Rate % p.a</u>
7 Years (i)	8,63%
12 Years (ii)	13,89%

- (i) Contracts accounted for as leases after the adoption of CPC06 (R2).
- (ii) Contracts accounted for as leases since 2013.

The Company presents in the table below the maturity analysis of its contracts, undiscounted installments, reconciled with the balance in the consolidated Balance Sheet as of June 30, 2020. As a result of the PROUNI incentive, the Group does not use Social Integration Program (PIS)/Social Contribution on Revenue (COFINS) credits to be recovered on rent paid and, for this reason, it does not show such amounts.

Maturity of installments	R\$
2020	58.658
Between 2021 and 2025	542.166
Between 2026 and 2030	363.123
Over 2030	194.813
Undiscounted amounts	1.158.760
Built-in interest	(488.190)
Lease liability balance	670.570

The company, in full compliance with CPC 06 (R2), when measuring and remeasuring its lease liabilities and the right to use, proceeded to use the discounted cash flow technique without considering the projected future inflation in the flows to be discounted, according to the prohibition imposed by CPC 06 (R2). Such prohibition generates significant distortions in the information to be provided, given the current reality of long-term interest rates in the Brazilian economic environment.

Thus, to safeguard the reliable representation of information, and to meet the guidance of CVM's technical areas, through Official Letter/CVM/SNC/SEP/nº02/2019, with the purpose to preserve investors in the Brazilian market, the comparative balances of lease liabilities, rights of use, financial expenses and depreciation for June 30, 2020:

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Impact on assets and liabilities:

	<u>With Inflation</u>	<u>No Inflation</u>	<u>Difference CVM Letter</u>
Right of use	716.542	603.422	113.120
Lease commitments	793.551	670.570	122.981

Impact on the result:

	<u>With Inflation</u>				<u>No Inflation</u>				<u>Difference CVM Letter</u>
	<u>Interest</u>	<u>Depreciation</u>	<u>Minimum Payment</u>	<u>Impact on Results</u>	<u>Interest</u>	<u>Depreciation</u>	<u>Minimum Payment</u>	<u>Impact on Results</u>	
2020	78.257	76.493	(118.392)	36.358	70.711	70.497	(116.822)	24.385	11.973
Between 2021 and	348.677	336.666	(604.253)	81.090	274.464	287.943	(542.166)	20.241	60.850
Between 2026 and	202.900	210.559	(479.690)	(66.231)	140.783	172.704	(363.123)	(49.636)	(16.595)
Over 2030	60.850	110.863	(304.093)	(132.380)	38.003	88.483	(194.813)	(68.327)	(64.053)
Total	690.684	734.582	(1.506.428)	(81.163)	523.960	619.627	(1.216.924)	(73.337)	(7.826)

Section B – Risks

3 Critical accounting estimates, assessments and assumptions and accounting policies

Estimates and accounting judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events, which are considered reasonable for the circumstances. Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In the interim financial statements, the accounting policies are presented consistently with the critical accounting estimates and assumptions and assessments and accounting policies adopted in the individual and consolidated financial statements for the fiscal year ended December 31, 2019. Accordingly, this quarterly financial information should be read with the information disclosed in the financial statements for the fiscal year ended December 31, 2019.

4 Risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow or fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any potential adverse

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effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposure.

Risk management is carried out by the Group's central treasury department, which identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as for specific areas.

(a) Market risk

The Group's interest rate risk or fair value arises from short- and long-term loans, debentures, lease commitments, and financial investments substantially linked to interbank deposit certificate (CDI) floating rates. The Group analyzes its interest rate exposure on a dynamic basis, simulating various scenarios and taking into consideration the refinancing and the renewal of existing positions. Based on this evaluation, the Group monitors the risk of significant changes in interest rates and calculates the impact on income (Note 4.3).

(b) Credit risk

Credit risk is managed at a Group level and arises from cash and cash equivalents, financial instruments and deposits with banks and other financial institutions, as well as from exposure to student credit, including outstanding accounts receivable.

The sales policy of the Group is directly related to the level of credit exposure experienced in the course of its business. Enrollment for the next semester is not permitted if a student is in default with the institution. In order to minimize the effects of defaults on its accounts receivable, the Company has diversified its receivables portfolio, has selection procedures in place for its students and follows up on due dates. In the segment of on-campus higher education, a substantial portion of the Group's credits is guaranteed by the Higher Education Student Financing Program (*Programa de Financiamento ao Estudante de Ensino Superior* or FIES), which is decreasing each semester due to the reduced offer of scholarships by the Federal Government and the graduation of former students.

The Group sets up provisions for doubtful accounts to cover credit risk, including the possible risk of default on the unguaranteed portion of the debt of the students who benefit from FIES. This credit analysis considers the credit quality of the students based on their payment history, the duration of their relationship with the institution and their default situation (SPC and Serasa).

Management monitors specific credit risks and does not expect any losses due to defaults by counterparties additional to the amounts already provided for in Note 9 (e), which reflect the changes in the allowance for doubtful accounts in the period.

With respect to credit risk related to financial institutions, the Group invests cash and cash equivalents and marketable securities with financial institutions and investment funds with credit ratings of at least brBBB, by Standard & Poor's; BBB(br), by Fitch Ratings; and Baa1.br, by Moody's.

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(c) Liquidity risk

Liquidity risk is the risk of the Company not having sufficient funds to meet its financial commitments, on account of mismatches in maturities or volumes between expected revenue and payments.

Assumptions regarding future disbursements and receipts are made in order to manage cash liquidity and are monitored daily by the treasury department.

The following table gives a breakdown of financial liabilities, grouped according to their due dates, for the remaining period from the balance sheet date to their contracted maturities. The amounts shown in the table represent the contractual undiscounted cash flows at the contracted rates.

	Parent Company			
	Up to one year	Between one and two years	Between two and five years	Over five years
On June 30, 2020				
Loans and financing	50.884	447.953	108.851	
Debentures	52.389	25.444		
Lease commitments	46.513	45.383	84.160	225.631
	<u>149.786</u>	<u>518.780</u>	<u>193.011</u>	<u>225.631</u>
On December 31, 2019				
Loans and financing	27.201	25.802	17.667	163
Debentures	66.915	52.125		
Lease commitments	55.164	53.889	103.703	307.986
	<u>149.280</u>	<u>131.816</u>	<u>121.370</u>	<u>308.149</u>
	Consolidated			
	Up to one year	Between one and two years	Between two and five years	Over five years
On June 30, 2020				
Loans and financing	51.122	448.192	109.153	
Debentures	52.389	25.444		
Lease commitments	116.454	118.527	228.753	695.025
Commitments payable	1.941			
	<u>221.906</u>	<u>592.163</u>	<u>337.906</u>	<u>695.025</u>
On December 31, 2019				
Loans and financing	27.201	25.802	17.667	163
Debentures	66.915	52.125		
Lease commitments	114.107	112.659	237.325	715.071
Commitments payable	94.537			
	<u>302.760</u>	<u>190.586</u>	<u>254.992</u>	<u>715.234</u>

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(d) Regulatory risk

Regulatory aspects analysis in the Group's education sector serves as a decision-making instrument for the supporting entity, aiming to improve the institutions performance by identifying opportunities for gains and impact of losses.

The Group periodically analyzes its regulatory risks aiming to mitigate or minimize their impact, mainly those related to the availability of PROUNI and FIES and the understanding of these programs' rules, as well as the monitoring of maintenances and/or courses, not expecting significant changes in its operations.

4.2 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Consistently with others in the industry, the Group monitors its capital based on the financial leverage ratio. This ratio corresponds to the net debt expressed as a percentage of the sum of net debt and shareholders' equity. Net debt is calculated as total loans and financings (including short- and long-term loans, as shown in the consolidated balance sheet) less cash and cash equivalents and marketable securities.

The financial leverage ratios are presented as follows:

	<u>June 30,</u> <u>2020</u>	<u>Consolidated</u> <u>December 31,</u> <u>2019</u>
Total bank loans and financing	555.225	64.728
Total of debentures	75.453	117.450
Commitments payable	1.941	94.537
Total lease commitments	670.570	667.877
Cash and cash equivalents	(699.537)	(215.173)
Marketable securities	(624)	(91.290)
Net debt	603.028	638.129
Total shareholders' equity	1.359.598	1.308.488
Shareholders' equity plus net debt - Total capital	1.962.626	1.946.617
Financial leverage ratio	30,7%	32,8%

When lease commitments are disregarded, net cash is R\$67,542 and R\$29,748 on June 30, 2020 and December 31, 2019, respectively, therefore, the leverage ratio would not apply under these conditions.

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4.3 Additional sensitivity analysis required by the Brazilian Securities and Exchange Commission (CVM)

CVM Resolution No. 550 of October 17, 2008 provides that publicly-held companies must issue explanatory notes with specific qualitative and quantitative information on all their financial instruments, whether or not they are recognized as assets or liabilities in the balance sheet.

The Group's financial instruments consist of cash and cash equivalents, accounts receivable and payable, judicial deposits and loans and financing, and are recorded at cost adjusted by revenue or charges incurred, which was close to their market value at June 30, 2020 and 2019. The risks underlying the Group's operations are linked to changes in the CDI (Certificate of Interbank Deposit) rate.

CVM Instruction No. 475 of December 17, 2008 provides that specific information on financial instruments must be shown in an explanatory note, and that a table must be included giving details of the sensitivity analysis.

Loans operations are shown at values approximating the market values of the corresponding financial instruments. Investments in CDIs are recorded at market value, based on the prices issued by the corresponding financial institutions, and other investments relate mainly to bank deposit certificates, repurchase operations and investment funds, where the book value is the same as the market value.

Three different scenarios were used to verify the Group's sensitivity to the index on the base date of June 30, 2020, using the latest interest rates over the last twelve months (Scenario I), and based on that, we calculated variations of 25% (Scenario II) and 50% (Scenario III), reflecting the increase and decline of the indices. For each scenario, we calculated the net position (financial revenues less financial expenses), excluding the tax effect. The sensitivity of the CDI index was tested for each scenario using the base-date of June 30, 2020, with a projection period of one year.

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		Scenarios with Indexers Increase		
Operations	Risk	(I)	(II)	(III)
Assets				
Financial investments 689.892	Interbank Deposit Rate (CDI)	4,60% 31.735	5,75% 39.669	6,90% 47.603
Marketable securities 624	Interbank Deposit Rate (CDI)	4,60% 29	5,75% 36	6,90% 43
Liabilities				
Financing - Working Capital (501.745)	Interbank Deposit Rate (CDI)	6,40% (32.112)	8,00% (40.140)	9,60% (48.168)
IFC (43.689)	Interbank Deposit Rate (CDI)	4,60% (2.010)	5,75% (2.512)	6,90% (3.015)
Debentures (75.453)	Interbank Deposit Rate (CDI)	4,60% (3.471)	5,75% (4.339)	6,90% (5.206)
Commitments payable (1.941)	Interbank Deposit Rate (CDI)	4,60% (89)	5,75% (112)	6,90% (134)
Net position		<u>(5.918)</u>	<u>(7.397)</u>	<u>(8.877)</u>
		Scenarios with Indexers Decrease		
Operations	Risk	(I)	(II)	(III)
Assets				
Financial investments 689.892	Interbank Deposit Rate (CDI)	4,60% 31.735	3,45% 23.801	2,30% 15.868
Marketable securities 624	Interbank Deposit Rate (CDI)	4,60% 29	3,45% 22	2,30% 14
Liabilities				
Financing - Working Capital (501.745)	Interbank Deposit Rate (CDI)	6,40% (32.112)	4,80% (24.084)	3,20% (16.056)
IFC (43.689)	Interbank Deposit Rate (CDI)	4,60% (2.010)	3,45% (1.507)	2,30% (1.005)
Debentures (75.453)	Interbank Deposit Rate (CDI)	4,60% (3.471)	3,45% (2.603)	2,30% (1.735)
Commitments payable (1.941)	Interbank Deposit Rate (CDI)	4,60% (89)	3,45% (67)	2,30% (45)
Net position		<u>(5.918)</u>	<u>(4.438)</u>	<u>(2.959)</u>

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Considering the economic estimates published in the Focus Report issued by the Central Bank of Brazil, corroborated by financial market economists, it is estimated that the interest rates measured by the CDI are close to Scenario III of Decrease of Indexers.

Section C – Segment reporting

5 Evaluation of information by segment

Since its activities are concentrated in on-campus higher education, substantially, the Group is organized and managed in a single business unit. The courses offered by the Company, although intended for a diverse customer audience, are not monitored and managed by management as independent segments. The results of the Group are monitored and assessed as an integrated whole.

Section D – Group structure

6 Subsidiaries

The consolidated interim financial statements for the period ended June 30, 2020 include the operations of the Group and of the following subsidiaries, which are shown below with a summary of the Company's interest in each of them:

	Indirect %		Indirect %	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
ICES - Instituto Campinense de Ensino Superior Ltda.	99,99	99,99		
ABES - Sociedade Baiana de Ensino Superior Ltda.	99,99	99,99		
Centro de Educação Profissional BJ Ltda.	99,99	99,99		
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	99,99	99,99		
SECARGO - Sociedade Educacional Carvalho Gomes Ltda.	99,99	99,99		
CENESUP - Centro Nacional de Ensino Superior Ltda.	99,99	99,99		
Sociedade Paulista de Ensino e Pesquisa S/S Ltda.			100,00	100,00
Sociedade Universitária Mileto Ltda.			100,00	100,00
FMN Clínica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99,99	99,99		
EDUCRED - Administradora de Crédito Educativo e Cobrança Ltda.	99,99	99,99		
Centro de Educação Continuada Maurício de Nassau Ltda.	99,99	99,99		
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda.	99,99	99,99		
Faculdade Maurício de Nassau de Belém Ltda.	99,99	99,99		
CESPI - Centro de Ensino Superior Piauiense Ltda.	99,99	99,99		
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	99,99	99,99		
SESPI - Sociedade de Ensino Superior Piauiense Ltda.	99,99	99,99		
Uninassau Participações S.A.	99,99	99,99		
Instituto de Ensino Superior Juvêncio Terra Ltda.	99,99	99,99		
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda.	99,99	99,99		
Faculdade Joaquim Nabuco de Olinda Ltda.	99,99	99,99		
Overdrives Coworking Escritórios Virtuais Ltda.	99,99	99,99		

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The period covered by the financial statements of the subsidiaries included in the consolidation is the same as that of the Parent Company. Uniform accounting policies were applied to all of the companies consolidated, and they are consistent with those used for the previous period.

The consolidation process of the balance sheet and income accounts corresponds to the sum of the balances of assets, liabilities, revenue and expenses, as appropriate, eliminating transactions between the consolidated companies. In the case of income accounts, the amounts are consolidated only from the date on which control was acquired by the Company.

Until June 30, 2020, CENESUP held all the shares of the Sociedade Educacional da Amazônia – SODECAM, which was incorporated on this date.

(a) Investments

	Equity Net	Result Period/ Equity Pickup	June 30, 2020				Total
			Value of Investment	Goodwill (Note 11 (c))	Intangible assets Identified	Contingency Quantified	
Direct Subsidiaries							
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	17.810	1.732	17.810	4.140			21.950
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	876	(1.631)	876				876
CENESUP - Centro Nacional de Ensino Superior Ltda.	398.985	(1.140)	398.985				398.985
EDUCRED - Administradora de Crédito Educativo e Cobrança Ltda.	697	291	697				697
SECARGO - Sociedade Educacional Carvalho Gomes Ltda.	40.237	3.893	40.237	4.362			44.599
ICES - Instituto Campinense de Ensino Superior Ltda.	298.729	50.480	298.729				298.729
Centro de Educação Profissional BJ Ltda.	3.452	285	3.452				3.452
ABES - Sociedade Baiana de Ensino Superior Ltda.	36.670	(2.613)	36.670	8.405			45.075
Centro de Educação Continuada Mauricio de Nassau Ltda.	3.317	(1.200)	3.317				3.317
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda.	57.746	6.008	57.746	1.043	467		59.256
Faculdade Mauricio de Nassau de Belém Ltda.	58.161	6.535	58.161	959	1.261		60.381
CESPI - Centro de Ensino Superior Piauiense Ltda.	29.430	5.894	29.430	8.662	4.404	(1.228)	41.268
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	34.948	7.322	34.948				34.948
SESPI - Sociedade de Ensino Superior Piauiense Ltda.	38.469	7.626	38.469	5.360	5.996	(2.021)	47.804
Uninassau Participações S.A.	277		277				277
Instituto de Ensino Superior Juvêncio Terra Ltda.	12.014	1.719	12.014	573	2.400		14.987
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda.	798	(710)	798				798
Faculdade Joaquim Nabuco de Olinda Ltda.	8.134	(116)	8.134	3.521	2.700		14.355
Overdrives Coworking Escritórios Virtuais	1.007	(74)	1.007				1.007
Acquisition of Maintenances							
FADE - Faculdade Decisão				1.028	2.200		3.228
FACOCMA - Faculdades COC de Maceió					3.000		3.000
Total Direct Subsidiaries	1.041.757	84.301	1.041.757	38.053	22.428	(3.249)	1.098.989
Indirect Subsidiaries							
SOPEP - Sociedade Paulista de Ensino e Pesquisa S/S Ltda.	21.868	(5.066)	126.815	43.590	104.947		275.352
Sociedade Universitária Mileto Ltda.	1.411	(346)	5.911	1.346	4.500		11.757
Total Indirect Subsidiaries	23.279	(5.412)	132.726	44.936	109.447		287.109
Acquisition of Indirect Maintenances							
Sociedade Metodista Bennet					10.000		
Total Goodwill				82.989			

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	Equity Net	Result Period/ Equity Pickup	December 31, 2019				Total
			Value of Investment	Goodwill (Note 11 (c))	Intangible assets Identified	Contingency Quantified	
Direct Subsidiaries							
CETEB A - Centro de Ensino e Tecnologia da Bahia Ltda.	16.070	3.772	16.070	4.140			20.210
FMN Clínica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	792	(2.734)	792				792
CENESUP - Centro Nacional de Ensino Superior Ltda.	345.606	(3.729)	345.606				345.606
EDUCRED - Administradora de Crédito Educativo e Cobrança Ltda.	406	693	406				406
SECARGO - Sociedade Educacional Carvalho Gomes Ltda.	36.344	6.902	36.344	4.362			40.706
ICES - Instituto Campinense de Ensino Superior Ltda.	259.182	80.527	259.182				259.182
Centro de Educação Profissional BJ Ltda.	3.167	1.278	3.167				3.167
ABES - Sociedade Baiana de Ensino Superior Ltda.	38.173	(3.844)	38.173	8.405			46.578
Centro de Educação Continuada Maurício de Nassau Ltda.	4.517	230	4.517				4.517
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda.	51.738	11.240	51.738	1.043	467		53.248
Faculdade Maurício de Nassau de Belém Ltda.	51.626	18.956	51.626	959	1.261		53.846
CESPI - Centro de Ensino Superior Piauiense Ltda.	23.537	11.680	23.537	8.662	4.404	(1.228)	35.375
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	27.626	13.805	27.626				27.626
SESPI - Sociedade de Ensino Superior Piauiense Ltda.	30.843	16.269	30.843	5.360	5.996	(2.021)	40.178
Uninassau Participações S.A.	52		52				52
Instituto de Ensino Superior Juvêncio Terra Ltda.	10.854	3.029	10.854	573	2.400		13.827
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda.	820	(1.163)	820				820
Faculdade Joaquim Nabuco de Olinda Ltda.	8.097	(93)	8.097	3.521	2.700		14.318
Overdrives Coworking Escritórios Virtuais	803	(402)	803				803
Acquisition of Maintenances							
FADE - Faculdade Decisão		(20)		1.028	2.200		3.228
FACOCMA - Faculdades COC de Maceió					3.000		3.000
Total Direct Subsidiaries	910.253	156.396	910.253	38.053	22.428	(3.249)	967.485
Indirect Subsidiaries							
SOPEP - Sociedade Paulista de Ensino e Pesquisa S/S Ltda.	26.445	(1.846)	131.882	43.590	105.437		280.909
Sociedade Universitária Miletto Ltda.	1.401	(904)	5.901	1.346	4.500		11.747
SODECAM - Sociedade de Desenvolvimento Cultural do Amazonas Ltda.	72.938	740	159.454	51.756	86.516		297.726
Total Indirect Subsidiaries	100.784	(2.010)	297.237	96.692	196.453		590.382
Acquisition of Indirect Maintenances							
Sociedade Metodista Bennet					10.000		
Total Goodwill				134.745			

In the Parent Company, the identified intangible assets are classified as investment and in the Consolidated classified as intangible assets.

(b) Changes in investments in subsidiaries:

	Parent Company	
	2020	2019
Balance on December 31	967.485	648.702
Capital increase	58.697	25.193
Equity in the income of subsidiaries	84.301	105.392
Profits received from subsidiaries	(11.494)	(27.626)
Balance on June 30	1.098.989	751.661

(c) Acquisition and incorporation of UNINORTE

On April 16, 2019, as per the material fact disclosed on April 14, 2019, the Company entered into a purchase and sale agreement for shares and other covenants through which its subsidiary CENESUP-Centro Nacional de Ensino Superior Ltda. agreed to acquire 100% of the share capital of the Sociedade de Desenvolvimento Educacional da Amazônia - SODECAM, maintaining entity of Centro Universitário UNINORTE, based in Manaus-AM.

On November 1, 2019, the Group completed the acquisition of 100% of UNINORTE's share capital, according to the terms and conditions set forth in the Purchase and Sale Agreement of Shares and Other Covenants, signed on April 16, 2019. Having concluded the implementation conditions, the

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Group, through CENESUP, paid, on November 1, R\$185,000, and which is equivalent to the total value of the Acquisition of R\$194,814, net of the contingencies assumed by CENESUP.

On May 15, 2020, the "Price Adjustment Agreement related to the Contract for the Assignment and Transfer of Shares and other covenants" was signed, which fixed at R\$21,518 the price adjustment value to be paid by CENESUP to UNINORTE's sellers, in addition to the R\$185,000 paid on November 1, 2019.

The table below summarizes the consideration paid to former UNINORTE owners, which includes a R\$5,124 reduction as defined in the Price Adjustment Agreement described above, and the fair values of the acquired assets and assumed liabilities recognized after the final Allocation report of the Purchase Price.

	Sodecam - Sociedade de Desenvolvimento do Amazonas Ltda - UNINORTE
Consideration for the purchase	<u>206.518</u>
Cash and cash equivalents	3.474
Net Accounts Receivable	26.373
Taxes recoverable	4.607
Recoverable income tax and social contribution	4.694
Other assets	11.981
Property, plant and equipment	103.624
Intangible assets	246
Identified intangible assets - Brand	22.500
Identified intangible assets - Early Rent Agreement	26.000
Identified intangible assets - Licenses	42.450
Suppliers	(2.285)
Salaries and social charges	(10.883)
Taxes payable	(5.321)
Early receipts	(2.839)
Lease commitments	(52.232)
Tax installments	(6.694)
Other liabilities	<u>(3.061)</u>
Identifiable assets acquired and liabilities assumed	162.636
Goodwill	43.882
	<u>206.518</u>

The consolidated income statement for the semester ended June 30, 2020 includes revenue and net profit totaling R\$64,812 and R\$12,768, respectively.

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On June 30, 2020, Cenesup incorporated Sodecam as a continuity of the corporate restructuring process, intending to simplify the management structure, optimizing performance, and capturing operational synergies.

Section E – Selected significant notes

7 Financial instruments by category

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Financial assets carried at amortized cost				
Cash and cash equivalents	3.065	1.334	9.645	6.614
Accounts receivable	122.080	90.758	364.615	275.846
Related parties	8.948	9.924	8.948	9.924
	<u>134.093</u>	<u>102.016</u>	<u>383.208</u>	<u>292.384</u>
Assets at fair value through profit or loss				
Financial investments	511.117	77.502	689.892	208.559
Marketable securities	223	74.882	624	91.290
Educred accounts receivable	22.679	18.382	70.443	58.043
	<u>534.019</u>	<u>170.766</u>	<u>760.959</u>	<u>357.892</u>
	<u>668.112</u>	<u>272.782</u>	<u>1.144.167</u>	<u>650.276</u>
Financial liabilities carried at amortized cost				
Suppliers	19.128	10.221	39.839	32.501
Loans and financing	554.426	64.728	555.225	64.728
Debentures	75.453	117.450	75.453	117.450
Related parties		559		
	<u>649.007</u>	<u>192.958</u>	<u>670.517</u>	<u>214.679</u>
Financial assets at fair value through profit or loss				
Lease commitments	243.114	306.205	670.570	667.877
Commitments payable			1.941	94.537
	<u>243.114</u>	<u>306.205</u>	<u>672.511</u>	<u>762.414</u>
	<u>892.121</u>	<u>499.163</u>	<u>1.343.028</u>	<u>977.093</u>

The fair value of the financial instruments approximates the carrying amounts, since the impact of the discount to present value, using market interest on June 30, 2020, is not significant. The fair values are based on the discounted cash flow, using the Group's cash cost, which approximates the rate used in the respective agreements.

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8 Cash and cash equivalents and marketable securities

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Cash on hand	65	76	147	172
Banks - checking account	3.000	1.258	9.498	6.442
Financial investments	511.117	77.502	689.892	208.559
Cash and cash equivalents	514.182	78.836	699.537	215.173
Financial investments	223	74.882	624	91.290
Marketable Securities	223	74.882	624	91.290
Total	514.405	153.718	700.161	306.463

Cash and cash equivalents consist of the Group's cash on hand, deposits in banks and short-term financial investments with daily liquidity, maintained to meet short-term commitments and not for investment or other purposes, and that are readily convertible into a known amount of cash and subject to an immaterial risk of changes in value. These funds were classified as cash equivalents because they meet the criteria established by CPC 03 / IAS 7.

The funds will be used to finance the business expansion, through: (i) acquisitions; and (ii) investments in organic growth, including the expansion and infrastructure of distance-learning educational centers and investments to set up new on-campus units.

Financial investments comprise conservative Fixed Income investment funds, with securities indexed to the DI rate and portfolios that invested mostly in government bonds and securities issued by financial institutions, in addition to repo agreements backed by debentures, belonging to the portfolio of financial institutions, with low risk for the group, and Bank Deposit Certificates (CDB), which are securities issued by financial institutions, as follows:

Type	Average compensation	Parent Company		Consolidated	
		June 30 2020	December 31, 2019	June 30 2020	December 31, 2019
CDB/Lease Bill	101.54% of the CDI (100.09% of the CDI in 2019)	511.117	77.502	689.892	208.559
	Financial investments	511.117	77.502	689.892	208.559
Repurchase agreement	75.00% of the CDI (75.00% of the CDI in 2019)		12.289	401	19.162
Investment funds	65.00% of the CDI (100.18% of the CDI in 2019)	223	62.593	223	72.128
	Marketable securities	223	74.882	624	91.290

The increase in the cash and cash equivalents and securities is mainly due to the raising of funds in the amounts of R\$200,000 with Banco Itaú, R\$100,000 with Banco Santander, both carried out in April, and R\$200,000 with Caixa Econômica Federal, held in May 2020 (Note 16).

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9 Accounts receivable

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Student's monthly tuitions (a)	82.790	67.804	239.892	194.723
FIES receivable (b)	42.490	25.741	138.618	100.509
Agreements receivable (c)	21.063	21.513	63.634	64.877
Education credits receivable (d)	35.763	26.825	111.271	84.334
Others	9.249	12.223	18.540	28.833
Total	191.355	154.106	571.955	473.276
(-) Allowance for doubtful accounts (PDD) (e)	(36.348)	(36.576)	(106.489)	(113.149)
(-) Adjustment to present value	(10.248)	(8.390)	(30.408)	(26.238)
	144.759	109.140	435.058	333.889
(-) Current	(126.350)	(94.396)	(378.562)	(286.967)
Noncurrent	18.409	14.744	56.496	46.922

Noncurrent receivables relate to educational credits receivable with terms over 365 days, as per Note 9 (d).

(a) Student's monthly tuition

On June 30, 2020 and December 31, 2019, the maturity analysis of the student's monthly tuitions was as follows:

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Overdue up to 30 days	17.922	12.514	54.543	35.949
Overdue between 31 to 60 days	13.586	10.477	38.114	29.565
Overdue between 61 to 90 days	12.991	9.753	36.437	27.358
Overdue between 91 to 180 days	15.361	14.237	46.592	41.018
Overdue between 181 to 360 days	22.930	20.823	64.206	60.833
	82.790	67.804	239.892	194.723

As mentioned in Note 1.1, the crisis generated by the measures to contain the Covid-19 pandemic had an impact on the Brazilian economy and, consequently, on the process of enrolling and re-enrolling the Company's students, especially in the on-campus undergraduate segment. The Company is actively working to implement measures aimed at mitigating these impacts, through the introduction of more assertive methodologies for the renegotiation of overdue monthly tuitions, including new forms of payment, aiming at the re-establishment of adequate conditions for the receipt of monthly tuitions.

Part of the monthly inflow from accounts receivable for student tuitions is pledged as collateral for the

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Company's borrowings with the International Finance Corporation (IFC) and with Caixa Econômica Federal (Note 16(c)), in amounts equivalent to 25% and 10% of the loans, respectively.

(b) Higher Education Student Financing Fund (FIES) receivable

Educational credits receivable (FIES system) represent educational credits, the financing of which is contracted by the students with Caixa Econômica Federal (CEF) and the National Fund for Education Development (FNDE). The financial resources may be transferred monthly from CEF and Banco do Brasil to a specific bank account, and are used for the payment of withheld social security (INSS) contributions on the salaries of Group employees, and are also converted into cash by means of auctions of National Treasury Bonds.

The outstanding past-due amounts as of June 30, 2020 refer to the installments of students re-enrolled in FIES not transferred by the Federal Government, which was delayed due to the extension of the term for contracts amendment.

(c) Agreements receivable

The Group's Management imposes strict criteria preventing debt rollover from one semester to the next. Student agreement receivables refer to renegotiations with students who are in debt to the Group, which offers different means of payment to students, observes the respective credit limits for each student, and, if necessary, requests the assignment of a guarantor for the credit granted.

On June 30, 2020 and December 31, 2019, the analysis of the balance due from agreements was as follows:

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Falling due	5.532	5.486	18.041	18.236
Overdue up to 30 days	2.238	2.711	6.641	7.827
Overdue between 31 to 60 days	2.271	2.417	6.655	7.260
Overdue between 61 to 90 days	2.048	2.307	6.019	6.770
Overdue between 91 to 180 days	3.844	3.539	11.212	10.060
Overdue between 181 to 360 days	5.130	5.053	15.066	14.724
	<u>21.063</u>	<u>21.513</u>	<u>63.634</u>	<u>64.877</u>

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(d) Educational receivables

Other educational credits receivable include those from Educred and Fundação de Crédito Educativo (Fundacred), referring to financing contracted by students and approved by the Group, recorded at present value. Such financial resources will be transferred to the Company and its subsidiaries from the month following the graduation of the respective students.

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Educred	32.927	26.772	100.851	84.281
Pravaler	2.789		10.376	
Fundacred	47	53	44	53
	35.763	26.825	111.271	84.334
(-) Adjustment at present value	<u>(10.248)</u>	<u>(8.390)</u>	<u>(30.408)</u>	<u>(26.238)</u>
	<u>25.515</u>	<u>18.435</u>	<u>80.863</u>	<u>58.096</u>
(-) Current	<u>(7.106)</u>	<u>(3.691)</u>	<u>(24.367)</u>	<u>(11.174)</u>
Noncurrent	<u>18.409</u>	<u>14.744</u>	<u>56.496</u>	<u>46.922</u>

On June 30, 2020 and December 31, 2019, the maturity of educational credits receivable was as follows:

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Falling due	20.598	16.892	62.237	52.754
Overdue up to 30 days	457	166	1.890	726
Overdue between 31 to 60 days	486	161	1.887	684
Overdue between 61 to 90 days	534	129	1.996	561
Overdue between 91 to 180 days	1.286	289	4.672	1.300
Overdue between 181 to 360 days	2.154	798	8.181	2.071
	<u>25.515</u>	<u>18.435</u>	<u>80.863</u>	<u>58.096</u>

The amounts to be settled include the adjustment to present value of the balance totaling R\$30,408 in the Consolidated, with R\$3,659 referring to students contracted from January to June 2020, recognized as gross revenue in the fiscal year.

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(e) Allowance for doubtful accounts (PLCD)

The PLCD of own and third-party educational agreements, monthly tuitions and credits is calculated in accordance with the guidelines of IFRS 9/CPC 48 and reflects the expected loss of accounts receivable due to the non-payment rate of the last 24 months per student, by amount due and for each overdue level, except for educational credits from Federal Government programs (FIES).

The allowance for doubtful accounts for students who have FIES educational credits, under the previous program, was calculated as follows:

- (i) For FIES students with guarantors and without the Guarantee Fund for Educational Credit Operations (FGEDUC): provision was set up for 4.05% of the accounts receivable, on an assumption of 15% credit risk on 27% default;
- (ii) For financing guaranteed by FGEDUC: for the non-covered risk, provision was set up for the 10% of the supporting entities' responsibility for the 15% credit risk from an estimate of 27% risk of default, that is 0.405%; and
- (iii) Under the new FIES, the provision is made considering the percentage of 13% of the value of the student's installment. The monthly tuitions of these students are no longer calculated for FGEDUC charges and administrative fees.

The change in the allowance for doubtful accounts related to accounts receivable from the Group's students was as follows:

	<u>Parent Company</u>	<u>Consolidated</u>
Balance on December 31, 2019	(36.576)	(113.149)
Write-off of uncollectible receivables	23.095	67.876
Allowance for doubtful accounts doubtful accounts receivable	<u>(22.867)</u>	<u>(61.216)</u>
Balance on June 30, 2020	<u>(36.348)</u>	<u>(106.489)</u>

The Company writes off notes past due for more than 360 days, considered non-collectible, on a quarterly basis.

As mentioned in Note 1.1, the crisis generated by the measures to contain the Covid-19 pandemic had an impact on the Brazilian economy and, consequently, on the process of receiving overdue monthly tuitions, generating reflections on bad debts write-offs and on allowance for doubtful accounts (PCLD), which increased 100% and 67%, respectively, compared to the same period of 2019.

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10 Taxes recoverable and payable

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Taxes recoverable				
Current				
Income tax and social contribution to be compensated	3.167	3.167	8.787	8.688
Service Tax (ISS)			6.574	4.606
Social Integration Program (PIS) and Social Contr	455	437	678	622
Others			1	1
	<u>3.622</u>	<u>3.604</u>	<u>16.040</u>	<u>13.917</u>
Noncurrent				
ISS to be offset (i)			4.069	
	<u>3.622</u>	<u>3.604</u>	<u>20.109</u>	<u>13.917</u>
Taxes payable				
Current				
Income tax and social contribution	1.067		3.628	2.264
Withholding income tax	943	1.712	3.651	6.417
Service Tax (ISS)	1.243	1.768	7.297	8.343
Tax installments	347	359	2.575	2.182
Social Integration Program (PIS) and Social Contr	386	67	1.439	271
IPTU to be collected	2.393	3.989	2.421	3.989
Others	84	144	121	222
	<u>6.463</u>	<u>8.039</u>	<u>21.132</u>	<u>23.688</u>
Noncurrent				
Tax installments (ii)	26	179	6.101	7.127
	<u>6.489</u>	<u>8.218</u>	<u>27.233</u>	<u>30.815</u>

(i) Refers to ISS to be offset by UNINORTE, due to acquired tax benefits, presented as other assets on December 31, 2019, and reclassified on June 30, 2020;

(ii) Refers mainly to ISS in installments at UNINORTE (R\$5,644 on June 30, 2020).

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11 Intangible assets

(a) Parent Company

<u>Breakdown</u>	Annual rates of amortization	June 30, 2020			December 31, 2019
		Cost	Amortization	Balance	Balance
Brands and patents		567	-	567	567
Software licenses and installation	20%	43.690	(31.172)	12.518	12.126
Operating licenses	33%	12.752	(11.613)	1.139	1.795
Agreements (i)	25%	7.438	(2.620)	4.818	5.236
Digital content	20%	23.765	(8.300)	15.465	10.814
Goodwill	20%	5.282	(3.523)	1.759	2.239
Goodwill (ii)		5.125	-	5.125	5.125
		<u>98.619</u>	<u>(57.228)</u>	<u>41.391</u>	<u>37.902</u>

<u>Transactions</u>	December 31, 2019	Additions	Write-offs	Amortization	June 30, 2020
Brands and patents	567				567
Software licenses and installation	12.126	3.076		(2.684)	12.518
Operating licenses	1.795	48		(704)	1.139
Agreements (i)	5.236	83		(501)	4.818
Digital content	10.814	6.494		(1.843)	15.465
Trade fund	2.239			(480)	1.759
Goodwill (ii)	5.125				5.125
	<u>37.902</u>	<u>9.701</u>		<u>(6.212)</u>	<u>41.391</u>

(b) Consolidated

<u>Breakdown</u>	Annual rates of amortization	June 30, 2020			December 31, 2019
		Cost	Amortization	Balance	Balance
Brands and patents		610	-	610	610
Software licenses and installation	20%	55.870	(42.819)	13.051	12.669
Operating licenses	33%	22.966	(20.243)	2.723	3.777
Agreements	25%	9.702	(4.331)	5.371	5.904
Student Portfolio	25%	197		197	197
Digital content	20%	23.809	(8.305)	15.504	10.857
Trade fund	20%	5.300	(3.541)	1.759	2.241
Goodwill		224.453	-	224.453	232.327
Intangible assets identified on acquisitions		310.178	(22.034)	288.144	292.064
		<u>653.085</u>	<u>(101.273)</u>	<u>551.812</u>	<u>560.646</u>

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<u>Transactions</u>	December 31,				June 30, 2020
	2019	Additions	Write-offs	Reclassification	
Brands and patents	610				610
Software licenses and installation	12.669	3.309			13.051
Operating licenses	3.777	209			2.723
Agreements (i)	5.904	332			5.371
Student Portfolio	197				197
Digital content	10.857	6.495			15.504
Trade fund	2.241				1.759
Goodwill (ii)	232.327		(5.124)	(2.750)	224.453
Intangible assets identified on acquisitions (iii)	292.064			2.750	288.144
	<u>560.646</u>	<u>10.345</u>	<u>(5.124)</u>		<u>551.812</u>

- (i) They refer to agreements with hospitals, clinics and polyclinics to carry out practical classes and tutor the Company's students;
- (ii) The write-offs refer to the reduction of the amounts paid as a price adjustment in the purchase of UNINORTE after negotiations with the sellers on the variations in net indebtedness and working capital have been concluded;
- (iii) The reclassification comes from the final update of the UNINORTE purchase price allocation report, the impact of which was an increase of R\$3,350 in operating licenses, and a reduction of R\$600 in brands and patents, totaling R\$2,750.

(c) Goodwill

On June 30, 2020 and December 31, 2019, goodwill recorded on the business combination was as follows:

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	June 30, 2020	December 31, 2019
<u>Direct and indirect investments</u>		
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	4.140	4.140
ABES - Sociedade Baiana de Ensino Superior Ltda.	8.405	8.405
Sociedade Educacional Carvalho Gomes Ltda.	4.362	4.362
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda.	1.043	1.043
Faculdade Maurício de Nassau de Belém Ltda.	959	959
CESP - Centro de Ensino Superior Piauiense	8.662	8.662
Sociedade de Ensino Superior Piauiense	5.360	5.360
FADE - Faculdade Decisão	1.028	1.028
Instituto de Ensino Superior Juvêncio Terra Ltda.	573	573
Sociedade Paulista de Ensino e Pesquisa S/S Ltda.	43.590	43.590
Faculdade Joaquim Nabuco de Olinda Ltda.	3.521	3.521
Sociedade Universitária Miletto Ltda.	1.346	1.346
	<u>82.989</u>	<u>82.989</u>
<u>Absorbed companies</u>		
UNESPA - União de Ensino Superior do Pará	87.136	87.136
ISES - Instituto Santareno de Educação Superior	5.320	5.320
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	5.125	5.125
SODECAM - Sociedade de Desenvolvimento Cultural do Amazonas Ltda.	43.882	51.756
	<u>224.453</u>	<u>232.327</u>

The goodwill calculated in business combinations has an indefinite useful life, subject to the annual impairment test. See item (e) to this Note.

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(d) Intangible assets identified on acquisitions

On June 30, 2020 and December 31, 2019, intangible assets identified on investment acquisitions were as follows:

	June 30, 2020				December 31, 2019					
	Course licenses (i)	Brands (ii)	Student Portfolio (ii)	Early Rent Agreement	Total	Course licenses (i)	Brands (ii)	Student Portfolio (ii)	Early Rent Agreement	Total
Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda - SESPS	467		200		667	467		200		667
Faculdade Maurício de Nassau de Belém Ltda.	1.261				1.261	1.261				1.261
Centro de Ensino Superior Piauiense - CESP	4.404	508			4.912	4.404	508			4.912
Sociedade de Ensino Superior Piauiense Ltda.	5.996	692			6.688	5.996	692			6.688
Faculdade Decisão - FADE	2.200	100			2.300	2.200	100			2.300
Instituto de Ensino Superior Juvêncio Terra Ltda.	2.400	100			2.500	2.400	100			2.500
Faculdades COC de Maceió - FACOCMA	3.000				3.000	3.000				3.000
Faculdade Joaquim Nabuco de Olinda Ltda.	2.700	400			3.100	2.700	400			3.100
Sociedade Universitária Mileto Ltda.	4.500				4.500	4.500				4.500
Sociedade Paulista de Ensino e Pesquisa S/S Ltda.	90.600	17.400	5.600		113.600	90.600	17.400	5.600		113.600
Sociedade Metodista Bennett (Note 11.f)	10.000				10.000	10.000				10.000
Total	127.528	19.200	5.800		152.528	127.528	19.200	5.800		152.528
Accumulated amortization		(4.893)	(5.760)		(10.653)		(4.603)	(5.560)		(10.163)
	127.528	14.307	40		141.875	127.528	14.597	240		142.365
<i>Amortization %</i>		17%	19%				17%	19%		
Absorbed companies										
União de Ensino Superior do Pará – UNESPA	45.500	12.100	800		58.400	45.500	12.100	800		58.400
Instituto Santareno de Educação Superior – ISES	7.600	700			8.300	7.600	700			8.300
SODECAM - Sociedade de Desenvolvimento Cultural do Amazonas Ltda.	42.450	22.500		26.000	90.950	39.100	23.100		26.000	88.200
Total	95.550	35.300	800	26.000	157.650	92.200	35.900	800	26.000	154.900
Accumulated amortization		(3.871)	(800)	(6.710)	(11.381)		(2.717)	(800)	(1.684)	(5.201)
	95.550	31.429		19.290	146.269	92.200	33.183		24.316	149.699
	223.078	45.736	40	19.290	288.144	219.728	47.780	240	24.316	292.064

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- (i) The course licenses acquired through business combinations are recognized initially at fair value. These intangible assets identified on acquisitions have indefinite useful lives and are subject to annual impairment tests.
- (ii) Brands and student portfolio acquired through business combinations are recognized initially at fair value. These intangible assets identified on acquisitions have defined useful lives and are subject to amortization, with the annual rate averaging 4% for brands and 20% for portfolios of students.

(e) Impairment of goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are allocated to CGUs identified in accordance with the respective units that benefit from the transaction and that do not generate economic benefits for the Group.

The recoverable amount of a CGU is determined based on the calculation of its value in use. Those calculations use estimates of cash flow, before income tax (IRPJ) and social contribution (CSLL), based on financial assumptions approved by Management. The amounts concerning the cash flow subsequent to the five-year period are extrapolated based on estimated growth rates. The growth rate does not exceed the average long-term growth rate for the sector in which a CGU operates. The Company uses actual rates, without the effect of any inflation index, on its growth and discount rates in the cash flow projections.

The Company's Management monitors the performance of each CGU on a quarterly basis to assess the need to bring forward impairment testing, in order to recognize possible losses. Accordingly, the assumptions used in the asset recovery test carried out on December 31, 2019, were revised for June 30, 2020, and the results obtained did not present elements that indicate the need to set up a provision for impairment on June 30, 2020.

(f) Sociedade Metodista Bennet – currently Univeritas Rio de Janeiro

Regarding the Group's geographical expansion strategy, on March 26, 2015, the Company acquired, through its subsidiary União de Ensino Superior do Pará - UNESPA, the maintenance of Centro Universitário Bennet ("Bennet"), higher education school in Rio de Janeiro - RJ, for R\$10,000, based on the approximate investments to accredit courses related to the maintenance. Since this is an Agreement for the Assignment of Accreditation and Operating Licenses, the Company understands that this is an acquisition of assets and not a business merger. Therefore, the investment made is accounted as an intangible asset in compliance with Technical Pronouncement CPC 04 - Intangible Assets.

The cash flow estimates based on the assumptions above indicated that the recoverability of the asset is focused in the perpetuity of the flow. However, sensitivity scenarios of the test indicated that this recoverability is at the beginning of the perpetual flow.

In addition, the Group's management carried out the fair value test, which, according to CPC 01 - Impairment of Assets, is "the price that would be received for the sale of the asset or that would be paid for the transfer of a liability in a transaction between market players at the measurement date."

The Group's Management continuously monitors the performance of the asset in relation to the estimates, as well as the economic and market conditions that affect the business, to assess the need

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for impairment. Based on these forecasts, no impairment of the asset in question was identified as of June 30, 2020.

12 Right of Use

On January 1, 2019, the Group adopted CPC06 (R2)/IFRS16, which establishes the criteria to record leases, for new agreements and other agreements not covered by the previous standard, under a simplified transition, without comparative balances for the previous year.

These agreements refer to the real estate where its universities, university centers, educational centers, colleges and offices are located.

For all lease agreements, the Group recognized assets representing the rights of use by the lease liabilities as follows:

(a) Balance breakdown

		June 30, 2020			December 31, 2019
	Annual average rates of depreciation	Cost	Depreciation	Balance	Balance
Parent Company					
Right of Use of Real Estate	8%	276.691	(67.305)	209.386	264.644
Total		<u>276.691</u>	<u>(67.305)</u>	<u>209.386</u>	<u>264.644</u>
Consolidated					
Right of Use of Real Estate	8%	783.294	(179.872)	603.422	616.110
Total		<u>783.294</u>	<u>(179.872)</u>	<u>603.422</u>	<u>616.110</u>

(b) Transactions

	December 31, 2019	Additions	Write-offs (i)	Depreciation	June 30, 2020
Parent Company					
Right of Use of Real Estate	264.644	12.053	(53.745)	(13.566)	209.386
Total	<u>264.644</u>	<u>12.053</u>	<u>(53.745)</u>	<u>(13.566)</u>	<u>209.386</u>
Consolidated					
Right of Use of Real Estate	616.110	34.389	(6.479)	(40.598)	603.422
Total	<u>616.110</u>	<u>34.389</u>	<u>(6.479)</u>	<u>(40.598)</u>	<u>603.422</u>

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- (i) Of the write-offs made at the Parent Company, the amount of R\$48,049 refers to the transfer of two properties rented in the name of Cenesup and Ices, reclassified in the first quarter to these subsidiaries, in addition to the write-off due to the return of two properties rented to Ocktus Participações Ltda., which had the rent suspended, also impacting the Consolidated.

13 Property, plant and equipment

(a) Balance breakdown

			June 30, 2020	December 31, 2019
	Annual average rates of depreciation	Cost	Depreciation	Balance
<u>Parent Company</u>				
Lands		25.257	-	25.257
Buildings and improvements	6%	255.733	(73.939)	181.794
Vehicles and aircraft	6% and 10%	1.898	(1.160)	738
Equipment and facilities	10%	63.325	(28.315)	35.010
Furniture and utensils	10%	24.491	(13.620)	10.871
Computers	20%	31.800	(24.398)	7.402
Books	20%	42.017	(23.412)	18.605
Total in operations		444.521	(164.844)	279.677
Construction in progress		7.539		7.539
Total property, plant and equipment		452.060	(164.844)	287.216
<u>Consolidated</u>				
Lands		25.257	-	25.257
Buildings and improvements	6%	427.712	(140.951)	286.761
Vehicles and aircraft	6% and 10%	4.210	(2.806)	1.404
Equipment and facilities	10%	187.491	(96.972)	90.519
Furniture and utensils	10%	66.310	(40.227)	26.083
Computers	20%	73.821	(63.535)	10.286
Books	20%	111.769	(70.773)	40.996
Total in operations		896.570	(415.264)	481.306
Construction in progress		9.492		9.492
Total property, plant and equipment		906.062	(415.264)	490.798

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(b) Transactions

Parent Company	December 31, 2019	Additions/ (Transfers)	Write-offs	Depreciation	June 30, 2020
Lands	25.257	-	-	-	25.257
Buildings and improvements	190.020	2.754	(95)	(10.885)	181.794
Vehicles and aircraft	890	-	-	(152)	738
Equipment and facilities	35.227	2.680	-	(2.897)	35.010
Furniture and utensils	11.547	455	-	(1.131)	10.871
Computers	8.908	285	(150)	(1.641)	7.402
Books	19.579	699	-	(1.673)	18.605
Total in operations	291.428	6.873	(245)	(18.379)	279.677
Construction in progress	7.549	(10)			7.539
Total property, plant and equipment	298.977	6.863	(245)	(18.379)	287.216

Consolidated	December 31, 2019	Additions/ (Transfers)	Write-offs	Depreciation	June 30, 2020
Lands	25.257				25.257
Buildings and improvements	296.815	4.852	(95)	(14.811)	286.761
Vehicles and aircraft	1.675	-	-	(271)	1.404
Equipment and facilities	93.092	6.218	(15)	(8.776)	90.519
Furniture and utensils	28.125	894	(3)	(2.933)	26.083
Computers	13.097	327	(150)	(2.988)	10.286
Books	42.854	1.980	-	(3.838)	40.996
Total in operations	500.915	14.271	(263)	(33.617)	481.306
Construction in progress	9.502	(10)			9.492
Total property, plant and equipment	510.417	14.261	(263)	(33.617)	490.798

(c) Guarantees

The Group has an aircraft loan agreement (Finame), which fiduciarily disposes the asset acquired. On June 30, 2020, the Parent Company and Consolidated had R\$18,548, related to the guarantee of this agreement. In addition, buildings, machinery and IT equipment pledged as collateral in legal proceedings totaled R\$15,301 on June 30, 2020 in the Parent Company and Consolidated.

14 Suppliers

	June 30, 2020	Parent Company December 31, 2019	June 30, 2020	Consolidated December 31, 2019
Legal Entity Suppliers	19.068	10.137	39.603	32.097
Individual Suppliers	60	84	236	404
	19.128	10.221	39.839	32.501

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15 Commitments payable

Commitments payable, recorded on June 30, 2020, arise from the following investment acquisitions:

	Consolidated	
	June 30, 2020	December 31, 2019
UNESPA and ISES (UNAMA and FIT) (i)		26.000
SOPEP - Sociedade Paulista de Ensino e Pesquisa S/S Ltda. (UNG) (ii)		41.382
SODECAM - Sociedade de Desenvolvimento Cultural do Amazonas Ltda. (iii)	1.941	27.155
	<u>1.941</u>	<u>94.537</u>

- (i) After a long discussion in the arbitration court related to Unama's acquisition, the differences to calculate the refund of net debt and contingencies, which considered fines for breach of contractual clause and provisions made in net indebtedness, were denied by the said court, thus generating the obligation to pay the installment in full, updated according to the contract and which was paid on January 24, 2020, totaling R\$26,000;
- (ii) On January 30, 2020, the last installment of UNG's acquisition, totaling R\$42,960, was paid;
- (iii) After negotiating the price adjustment for the acquisition of Sodecam (Note 6 (c)), the balance payable was reduced by R\$5,374, having been paid R\$20,089 in June 2020.

16 Loans and financing

(a) Breakdown

Modality	Financial charges	Parent Company		Consolidated	
		June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
IFC (i)	CDI + 1.65% p.a.	43.689	54.755	43.689	54.755
Working Capital (ii)	CDI + 2.3% to 3.4% p.a.	501.745		501.745	
Finame	6% p.a.	8.992	9.973	8.992	9.973
Leasing	0.99% p.m and 1.09% p.m.			799	
		<u>554.426</u>	<u>64.728</u>	<u>555.225</u>	<u>64.728</u>
(-) Current		<u>(26.840)</u>	<u>(24.377)</u>	<u>(27.079)</u>	<u>(24.377)</u>
Noncurrent		<u>527.586</u>	<u>40.351</u>	<u>528.146</u>	<u>40.351</u>

- (i) On June 30, 2015, the Group signed a financing agreement with the International Finance Corporation to cover the building costs of the Aracaju (Sergipe) and Fortaleza (Ceará) campuses; and the modernization and remodeling of existing campuses and new acquisitions. The financed amount is R\$120,000 and was released on August 3, 2015, with costs of R\$1,335 incurred in the fundraising. The payment term is seven years, including a two-year principal grace period, with interest paid in April and October of each year. Although the funds were obtained abroad in US Dollars, the IFC established the transaction in Brazilian Reais with no foreign exchange risk to the Group;
- (ii) On April 27, 2020, the Group obtained 3 loans for working capital in the total amount of R\$500,000 to reinforce cash, as follows:

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- a. Banco Itaú: R\$ 200,000, 2-year term, with semiannual and principal interest payments at the end;
- b. Banco Santander: R\$ 100,000, 2-year term, with semiannual and principal interest payments at the end;
- c. Caixa Econômica Federal: R\$ 200,000, 3-year term, with monthly interest payments and principal interest with quarterly payments after a 14-month grace period.

There are no loans and financing amounts in foreign currency made by the Company.

(b) Transactions

The debt breakdown in the Parent Company and Consolidated is as follows:

	<u>Parent Company</u>	<u>Consolidated</u>
On December 31	64.728	64.728
Funding from loans	498.500	498.480
Reclassification of Uninorte's leasing		799
Interest Incurred	5.809	5.809
Interest Paid	(2.449)	(2.429)
Amortization	(12.162)	(12.162)
On June 30	<u>554.426</u>	<u>555.225</u>

(c) Guarantees

Finame's values refer to the financing of the aircraft and are guaranteed by fiduciary sale of the asset (Note 13 (c)). For the IFC, the Group has pledged as guarantee the fiduciary assignment of credits of a portion of the monthly tuitions paid by the students of the Group, representing 25% of the total borrowing. For Caixa Econômica Federal, the Group has pledged as guarantee financial investments and fiduciary assignment of credits, representing 25% and 10%, respectively, in addition to corporate guarantee from subsidiaries.

(d) Classification by year of maturity

The long-term installments fall due as shown below:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Between one and two years	423.042	23.530	423.263	23.530
Between two and three years	101.452	12.753	101.682	12.753
Between three and four years	1.952	1.952	2.062	1.952
Between four and five years	1.140	1.952	1.139	1.952
Over five years		164		164
	<u>527.586</u>	<u>40.351</u>	<u>528.146</u>	<u>40.351</u>

The fair value of loans and financings approximates the carrying amounts, since the impact of discounting

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is not significant. The fair values are based on the discounted cash flow, using the Group's cash cost, which approximates the rate used in the respective agreements.

(e) Covenants

The loans from the IFC requires the maintenance of the following covenants:

- result of the division of current assets less prepaid expenses by current liabilities - current ratio of at least 1.2;
- result of the division of gross debt by adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). Not higher than 2.5; and
- result of the division of net profit (less adjustments with no cash effect) by the projected payment of interest and amortizations of gross debt in the next 12 months. Not lower than 1.2.

Working capital loans, on the other hand, require the maintenance of the following covenants:

- Banco Itaú and Caixa Econômica Federal:

- the result of the division of net debt by adjusted EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization"), which must not be higher than 2.5, but which may be higher than 0.5 for four consecutive quarters, in the case of acquisition of interest in a company with a similar corporate purpose; and
- the result of the division of EBITDA by net financial expenses, considering bank debt charges deducted from gains with financial investments, which must not be lower than 2.0.

- Banco Santander:

- the result of the division of net debt by adjusted EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization"), with the resulting amount not to be higher than 2.5; and
- current liquidity shall be greater than or equal to 1.2.

In the period ended June 30, 2020, as well as in previous periods, the covenants related to the loans agreements were analyzed and there were no amounts over the contractual limits.

17 Debentures

On August 10, 2017, the Board of Directors approved the Group's second issue of simple, unsecured debentures, not convertible into shares, in two equal series, in accordance with CVM Instruction 476. The funds obtained were used to settle first issue debentures and financing entered into by the Group, and the remaining balance was used to strengthen working capital. The nominal unit price of the debentures will be subject to interest corresponding to the accumulated variations of the DI rate, plus a spread of 0.65% per year for First Series debentures and of 1.35% per year for Second Series debentures.

The nominal unit price of the debentures issued on October 3, 2017 was R\$1,000, with a total amount of R\$200,000. The costs incurred on the issue totaled R\$3,302. The payment term of the First Series is two years with a single installment on September 15, 2019, and the payment term of the Second Series is four years with four equal half-yearly installments, the first maturity on March 15, 2020 and last on September 15, 2021.

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The debentures issued by the Group require the maintenance of covenant financial indices. The covenants are calculated based on the financial statements of the Group, which is the guarantor of the issue, for each quarter, and are required starting in 2017 through final maturity. The main financial indices are as follows:

- the result of the division of net debt by adjusted EBITDA, which must not be higher than 2.5, but which may be higher than 0.5 for four consecutive quarters, in the case of acquisition of interest in a company with a similar corporate purpose; and
- the result of the division of EBITDA by net financial expenses, considering bank debt charges deducted from gains with financial investments, which must not be lower than 2.0.

In the period ended June 30, 2020, as well as in previous periods, the covenants related to the debentures indentures were analyzed and there were no amounts in excess of the contractual limits.

If the Company acquires an interest in a company with a similar corporate purpose, the Net Debt/EBITDA ratio may increase by up to 0.5 for four consecutive quarters as of the quarter in which the debt related to the acquisition is contracted.

The long-term installments fall due as shown below:

	Parent Company and Consolidated	
	June 30, 2020	December 31, 2019
Current		
Up to one year	50.556	67.760
Noncurrent		
Between one and two years	24.897	49.690
	<u>75.453</u>	<u>117.450</u>

The fair value of the debentures approximates the carrying amounts, since the contractual rate reflects the restated amount to settle the transaction.

The change in the balance in the semester ended June 30, 2020, refers to interests incurred, totaling R\$2,506, and the amount paid in the second series on March 15, 2020, totaling R\$44,503, with R\$25,000 of principal and R\$19,503 of interest.

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18 Salaries and social charges

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Profit Sharing	3.886	5.400	4.211	5.400
Salaries payable (i)	9.590	8.592	22.382	18.986
Social charges (ii)	14.166	5.309	33.659	13.311
Provision for vacations and charges	19.363	19.796	44.022	43.415
Provision for 13 th salary and charges	9.233		19.379	
Others	309	348	1.128	888
	<u>56.547</u>	<u>39.445</u>	<u>124.781</u>	<u>82.000</u>

- (i) The increase refers to the 1/3 portion on vacations taken in the quarantine period, the payment of which will occur in conjunction with the installments of the 2020's 13th salary (Christmas Bonus); and
- (ii) The increase refers to the postponement of the payment of contributions to the Social Security (INSS) and Workers' Retirement Fund (FGTS) from March to June, which will be paid from July to September, according to Ordinances 139 and 245 of the Federal Government.

Such actions were promoted by the government to assist companies in order to minimize the financial impacts caused by the measures to deal with the Covid-19 crisis.

19 Lease commitments

As mentioned in Note 12, the Group adopted CPC 06(R2)/IFRS 16, which establishes the criteria to record leases, for other agreements not covered by the previous standard, under a simplified transition, without comparative balances for the previous year.

The agreements are for varied periods and reach up to ten years, mainly, and may be automatically renewed at the lessee's unilateral request at the end of the term. The agreements are payable monthly at fixed amounts, which are adjusted annually by the civil construction index or the IGP-M disclosed by [Getúlio Vargas Foundation [*Fundação Getúlio Vargas*]]. There are no restrictions or clauses that depend on income or the distribution of dividends by the Group.

The contracts were considered, in the Group's assessment, as a lease if essentially transferring the right to control the use of the identified asset for a period of time in exchange for a consideration. The present value of the contracts included in the adoption of CPC 06 (R2)/IFRS 16 was calculated at rates equivalent to those for capturing transactions with a risk and similar nature. The old contracts maintained the original rates used according to the criteria of the previous rule.

The Company adopted the practical file provided for in CVM Resolution 859, of July 7, 2020, which allowed the lessees to account for the effects of the concessions received as minimum lease payments, due to the pandemic caused by Covid-19, directly in the result of the period in the amount of R\$12,514, as per Note 22 (iii), the application of the accounting treatment for contractual modification provided for in the standard is not required.

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(a) Due date

The due dates for the payments of the minimum lease of the lease agreements are as follows:

Parent Company			June 30, 2020	December 31, 2019
Due dates	Payments minimum	Discount at value present	Value present of payments minimum	Value present of payments minimum
Current:				
Up to one year	46.513	(26.054)	20.459	22.267
Noncurrent				
Between one and two years	45.383	(23.961)	21.422	23.290
Between two and three years	44.699	(21.685)	23.014	25.270
Between three and four years	39.461	(19.362)	20.099	24.873
Over four years	225.631	(67.511)	158.120	210.505
	355.174	(132.519)	222.655	283.938
	401.687	(158.573)	243.114	306.205
Consolidated			June 30, 2020	December 31, 2019
Due dates	Payments minimum	Discount at value present	Value present of payments minimum	Value present of payments minimum
Current:				
Up to one year	116.454	(68.750)	47.704	43.931
Noncurrent				
Between one and two years	118.527	(64.047)	54.480	47.638
Between two and three years	132.103	(57.497)	74.606	65.614
Between three and four years	96.651	(51.093)	45.558	59.084
Over four years	695.025	(246.803)	448.222	451.610
	1.042.306	(419.440)	622.866	623.946
	1.158.760	(488.190)	670.570	667.877

(b) Transactions

The changes in the lease commitments are as follows:

	Parent Company	Consolidated
Balance on December 31, 2019	306.205	667.877
New contracts	12.053	34.389
Write-offs (i)	(65.382)	(9.293)
Interest	13.875	35.761
Minimum payments	(23.637)	(58.164)
Balance on June 30, 2020	243.114	670.570

- (i) Of the write-offs made at the Parent Company, the amount of R\$57,456 refers to the transfer of two properties rented to its affiliates Cenesus and Ices, reclassified in the first quarter, in addition to the amount of R\$7,835 referring to the write-off due to the return of two properties rented to Ocktus Participações Ltda. that had their rent suspended, the latter also impacting the Consolidated. The net effect of the write-off due to the return of the properties was recorded under "Other operating revenues (expenses), net" in the income for the period.

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20 Share capital and reserves

(a) Share capital

On June 30, 2020, the Company's share capital consisted of 128,721,560 registered common shares with no par value, totaling R\$991,644. Costs incurred by the Company for the issue of shares in November 2017 totaled R\$4,095, deducted from the share capital and awaiting capitalization by the Company's Board of Directors.

The Company's shareholders authorized the Board of Directors to increase the capital up to the limit of R\$1,500,000.

(b) Treasury shares

On October 16, 2018, the Company's Board of Directors approved opening a new buyback program of up to 5,326,100 shares, within 365 days, with October 16, 2019 as its final term. In this phase of the program, until December 31, 2018, 4,230,300 shares were acquired, totaling R\$65,527 at the weighted average cost of R\$15.49, remaining until May 8, 2019.

On May 9, 2019, the Board of Directors approved the cancellation of 4,230,300 common shares held in treasury, or 3.2% of the total issued shares, with the maintenance of the program until October 16, 2019, when the program ended, without the acquisition of shares in that period.

After this cancellation, the Company has 128,721,560 common shares issued.

(c) Capital reserve

On June 30, 2020 and December 31, 2019, the Company had no amount recorded as a capital reserve.

(d) Reserve for tax incentives

On June 30, 2020 and December 31, 2019, the Company had no amount recorded as a tax incentives reserve.

(e) Legal reserve

On June 30, 2020, the Company had a legal reserve of R\$65,916 (December 31, 2019 - R\$62,342). The legal reserve takes 5% of net profit for the fiscal year or the remaining balance, up to the limit of 20% of capital. The purpose of the legal reserve is to ensure the integrity of capital, and it may only be used to offset losses and increase capital.

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(f) Retained earnings

On June 30, 2020, the Company's retained earnings amounted to R\$258,597 (December 31, 2019 - R\$258,597). Retained earnings represent the portion of profit allocated to the retained earnings reserve account for future capital investment, subject to the approval of shareholders at the Annual Shareholders' Meeting.

(g) Dividends

Until 2018's fiscal year, shareholders were guaranteed a minimum mandatory dividend of 25% of net profit for the period, to be calculated on a semiannual basis, adjusted by the constitution of the legal reserve, in accordance with the terms of the Brazilian Corporation Law.

However, for 2018, the Company's Board of Directors proposed the distribution of additional dividends to the mandatory minimum, totaling R\$9,561, resolved at the Annual Shareholders' Meeting held on April 30, 2019 and paid on May 24, 2019.

On May 9, 2019, the Board of Directors decided to change its Dividend Policy, providing a minimum distribution of 30% of the net profit, to be calculated on a semiannual basis to optimize the Company's capital structure. On the same date and for the same purpose, the Board of Directors decided to distribute extraordinary dividends totaling R\$250,000, or R\$1.942177 per share, which were also paid on May 24, 2019.

For the first half of 2020, dividends will be distributed as follows:

	<u>June 30,</u> <u>2020</u>
Net profit for the fiscal year	71.482
(-) Constitution of Legal reserve	<u>(3.574)</u>
Adjusted net profit	<u>67.908</u>
Minimum mandatory dividend to be distributed - (30%)	<u>20.372</u>
Weighted average outstanding	128.722
Dividends to be distributed per shares (in reais)	0,16

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21 Net income from services rendered

	Parent Company			
	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Gross revenue from services rendered				
Undergraduate courses monthly tuitions	204.532	404.683	196.763	373.500
Graduate courses monthly tuitions	1.097	1.866	657	1.409
Distance Learning monthly tuitions	33.196	65.666	22.755	43.851
Other revenues	308	1.554	943	2.231
	<u>239.133</u>	<u>473.769</u>	<u>221.118</u>	<u>420.991</u>
Gross revenue deductions				
Discounts and scholarships (i)	(79.563)	(167.026)	(62.749)	(114.799)
PROUNI	(21.868)	(41.921)	(22.058)	(39.486)
FGEDUC And FIES charges (ii)	(1.787)	(3.103)	(2.983)	(5.679)
Taxes on services	(4.158)	(7.657)	(3.651)	(7.107)
	<u>(107.376)</u>	<u>(219.707)</u>	<u>(91.441)</u>	<u>(167.071)</u>
	<u>131.757</u>	<u>254.062</u>	<u>129.677</u>	<u>253.920</u>
				Consolidated
	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Gross revenue from services rendered				
Undergraduate courses monthly tuitions	563.274	1.104.124	519.025	973.835
Graduate courses monthly tuitions	8.717	17.975	7.001	14.585
Distance Learning monthly tuitions	48.462	95.939	32.854	62.723
Other revenues	1.349	5.461	3.137	7.732
	<u>621.802</u>	<u>1.223.499</u>	<u>562.017</u>	<u>1.058.875</u>
Gross revenue deductions				
Discounts and scholarships (i)	(201.709)	(425.483)	(155.769)	(287.377)
PROUNI	(60.714)	(115.908)	(54.770)	(99.308)
FGEDUC And FIES charges (ii)	(4.429)	(8.247)	(7.929)	(14.553)
Taxes on services	(11.930)	(22.315)	(10.944)	(20.868)
	<u>(278.782)</u>	<u>(571.953)</u>	<u>(229.412)</u>	<u>(422.106)</u>
	<u>343.020</u>	<u>651.546</u>	<u>332.605</u>	<u>636.769</u>

- (i) In addition to the inclusion of figures related to UNINORTE, the increase also reflects the larger volume of discounts and scholarships due to campaigns to attract students in the first quarter of 2020, the greater representativeness of discounts and scholarships from the 2019 enrollment campaigns for students re-enrolled in 2020 and higher volume of discounts for students overdue due to the Covid 19 crisis; and
- (ii) The decrease reflects the lower number of vacancies offered by the Federal Government within FIES, which has been occurring since the 1st half of 2018.

Consolidated net revenue includes the amount of R\$64,812 related to UNINORTE (Note 6 (c)).

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22 Cost of services rendered

	Parent Company			
	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Salaries and social charges (i)	(32.251)	(65.259)	(33.478)	(66.887)
Services rendered by individuals and corporations	(3.052)	(5.289)	(3.782)	(6.405)
Electricity, water and telephone (ii)	(2.084)	(6.651)	(4.986)	(9.309)
Depreciation and amortization (iii)	(16.886)	(33.360)	(17.865)	(28.923)
Rents (iv)	1.318	2.657	4.275	(256)
Others	(1.599)	(3.321)	(5.030)	(7.006)
	<u>(54.554)</u>	<u>(111.223)</u>	<u>(60.866)</u>	<u>(118.786)</u>
				Consolidated
	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Salaries and social charges (i)	(92.838)	(189.239)	(94.175)	(183.314)
Services rendered by individuals and corporations	(4.258)	(7.806)	(6.924)	(11.158)
Electricity, water and telephone (ii)	(5.167)	(15.263)	(10.983)	(20.092)
Depreciation and amortization (iii)	(40.827)	(81.079)	(30.557)	(53.192)
Rents (iv)	6.486	4.371	2.317	(7.651)
Others	(1.702)	(4.266)	(6.365)	(9.341)
	<u>(138.306)</u>	<u>(293.282)</u>	<u>(146.687)</u>	<u>(284.748)</u>

- (i) The increase in the semester refers to the inclusion of costs with professors and academic support from UNINORTE, acquired in late 2019;
- (ii) The reduction in these costs is due to the suspension of on-campus activities at the units, as part of the set of measures adopted by the state governments to contain the Covid-19 pandemic (Note 1.1.);
- (iii) Refers to the increase in the depreciation of the Caruaru and Olinda properties and the amounts referring to UNINORTE, which considers the amortization of intangible assets in the anticipated rental agreement; and
- (iv) The decrease refers to the remeasurement of rental contracts, based on CPC 06 (R2)/IFRS 16, related to the readjustment of the amounts that were recorded as an addition to the "Right of Use" asset. Discounts were also negotiated due to the pandemic period in the amount of R\$12,514 in the Consolidated, which reversed the account balance at the on June 30, 2020.

23 Operating income (expenses)

(a) Selling, general and administrative expenses

	Parent Company			
	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Salaries and social charges	(21.480)	(46.410)	(23.459)	(45.600)
Services rendered by individuals and corporations (i)	(6.923)	(14.138)	(13.363)	(23.545)
Commercial, marketing and advertising	(10.011)	(26.625)	(13.631)	(25.743)
Allowance for and actual loss on doubtful accounts (ii)	(17.399)	(22.867)	(8.747)	(9.349)
Depreciation and amortization	(2.355)	(4.797)	(2.826)	(5.799)
Office supplies	(484)	(1.671)	(1.801)	(3.781)
Others	(4.052)	(9.216)	(5.456)	(10.850)
	<u>(62.704)</u>	<u>(125.724)</u>	<u>(69.283)</u>	<u>(124.667)</u>

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	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	Consolidated January 1, 2019 to June 30, 2019
Salaries and social charges	(33.346)	(73.971)	(35.573)	(70.472)
Services rendered by individuals and corporations (i)	(9.152)	(24.084)	(16.651)	(29.436)
Commercial, marketing and advertising	(15.973)	(41.328)	(22.473)	(42.200)
Allowance for and actual loss on doubtful accounts (ii)	(47.475)	(61.216)	(22.311)	(28.839)
Depreciation and amortization	(3.546)	(7.191)	(3.741)	(7.594)
Office supplies	(750)	(3.703)	(3.556)	(6.933)
Others	(6.702)	(16.973)	(9.632)	(17.586)
	<u>(116.944)</u>	<u>(228.466)</u>	<u>(113.937)</u>	<u>(203.060)</u>

- (i) The reduction in the value of services rendered is due to the lower volume of services hired concerning 2019 and also to the reduction in services requiring physical presence due to the closing period of the units and administrative center at the time of the quarantine decreed by the state and municipal governments to deal with the Covid-19 crisis (Note 1.1); and
- (ii) The first semester of 2019 includes adjustments due to the change in criteria in the calculation of allowance for doubtful accounts (PCLD) and the constitution of losses on credits, which resulted in a reversal in the net amount of R\$7,871. The increase in allowance for doubtful accounts (PCLD) in the first half of 2020 reflects the impact of the extension of the period for receiving monthly tuitions, in addition to the reduction of the historical percentage of their recoverability, due to the economic effects generated by the Covid-19 crisis (Note 1.1.).

24 Financial result

	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	Parent Company January 1, 2019 to June 30, 2019
Financial revenues				
Interest on monthly tuitions and agreements	83	138	492	2.726
Income from financial investments (i)	1.986	2.910	9.965	22.162
(-) Social Integration Program (PIS) and Social Contribution on Revenue (COFINS) on finance income	(112)	(195)	(494)	(1.171)
Others	343	485	152	285
	<u>2.300</u>	<u>3.338</u>	<u>10.115</u>	<u>24.002</u>
Financial expenses				
Interest on Financial Debts	(5.807)	(8.499)	(5.259)	(10.526)
Interest on leases	(6.834)	(13.875)	(12.948)	(18.640)
Discounts granted	(2.246)	(6.374)	(2.561)	(8.204)
Monetary variation losses				
Others	(1.398)	(1.595)	(1.304)	(1.793)
	<u>(16.285)</u>	<u>(30.343)</u>	<u>(22.072)</u>	<u>(39.163)</u>
Net Financial Income	<u>(13.985)</u>	<u>(27.005)</u>	<u>(11.957)</u>	<u>(15.161)</u>

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	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	Consolidated January 1, 2019 to June 30, 2019
Financial revenues				
Interest on monthly tuitions and agreements	1.934	9.937	1.835	6.936
Income from financial investments (i)	3.204	5.601	11.177	24.649
(-) Social Integration Program (PIS) and Social Contribution on Revenue (COFINS) on finance income	(250)	(970)	(612)	(1.541)
Others	511	1.096	225	509
	<u>5.399</u>	<u>15.664</u>	<u>12.625</u>	<u>30.553</u>
Financial expenses				
Interest on Financial Debts	(5.829)	(9.006)	(5.280)	(10.584)
Interest on leases	(17.879)	(35.761)	(21.576)	(35.083)
Discounts granted	(7.414)	(16.444)	(8.621)	(21.188)
Monetary variation losses	(1.578)	(1.578)	(1.711)	(3.602)
Others	(3.031)	(3.416)	(3.615)	(4.875)
	<u>(34.153)</u>	<u>(66.205)</u>	<u>(40.803)</u>	<u>(75.332)</u>
Net Financial Income	<u>(28.754)</u>	<u>(50.541)</u>	<u>(28.178)</u>	<u>(44.779)</u>

- (i) The decrease in income from financial investments is due to the drop in the balances of financial investments (Note (8)) and the drop in interest rates.

25 Income tax and social contribution

In accordance with Law 11096/2005 regulated by Decree 5493/2005 and by Regulatory Instruction of the Federal Revenue Office 456/2004, under the terms of Article 5 of Executive Decree 213/2004, higher education institutions that join PROUNI are exempted, during the term of the membership agreement, from taxes including IRPJ and CSLL. The accounting for this exemption must be based on the profit arising from the exempted activities. The reconciliation of the taxes determined, according to the nominal rates, and the amount of taxes recorded on June 30, 2020 and December 31, 2018, were as follows:

(a) Breakdown of corporate income tax and social contribution

	Parent Company			
	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Income Tax and Social Contribution - currents				
Presumed profit				
Real profit	1.864	1.864	1.227	3.576
Tax incentive	(683)	(683)	(876)	(3.225)
Total income tax and social contribution	<u>1.181</u>	<u>1.181</u>	<u>351</u>	<u>351</u>
Consolidated				
	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Income Tax and Social Contribution - currents				
Presumed profit	146	364	86	212
Real profit	24.488	41.311	21.194	44.697
Tax incentive	(21.077)	(36.766)	(19.493)	(40.338)
Total income tax and social contribution	<u>3.557</u>	<u>4.909</u>	<u>1.787</u>	<u>4.571</u>

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(b) Companies under the presumed profit regime

	Consolidated			
	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Gross sales revenue	458	1.713	480	1.156
Presumption 32%	147	548	154	370
Other revenues	284	523	98	255
Earnings before income tax and social contribution	<u>431</u>	<u>1.071</u>	<u>252</u>	<u>625</u>
Income tax and social contribution - 34%	<u>145</u>	<u>364</u>	<u>85</u>	<u>212</u>

Part of the higher education support operations and professional education operations are carried out under the presumed profit regime of the Company's investees.

(c) Companies under the taxable income regime

	Parent Company			
	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Earnings before income tax and social contribution	57.990	74.497	59.357	115.449
Tax loss on subsidiaries				
	<u>57.990</u>	<u>74.497</u>	<u>59.357</u>	<u>115.449</u>
Combined nominal rate of income tax and social contribution - %	34%	34%	34%	34%
Income tax and social contribution based on current legislation rates	19.717	25.329	20.182	39.253
Interest in the profit of subsidiaries	(19.036)	(28.662)	(18.422)	(35.139)
Adjustment to present value of accounts receivable	615	632	381	486
Leases	644	1.293	2.161	2.698
Allowance for doubtful accounts	481	(191)	67	129
Other additions and exclusions	483	3.854	(3.009)	(3.775)
Reversal of contingencies	(207)	442	46	104
Offset of tax losses	(833)	(833)	(180)	(180)
	<u>1.864</u>	<u>1.864</u>	<u>1.226</u>	<u>3.576</u>
Tax incentive profit from exploration - PROUNI	(683)	(683)	(876)	(3.225)
Income tax and social contribution on profit or loss for the fiscal year	<u>1.181</u>	<u>1.181</u>	<u>351</u>	<u>351</u>
Effective rate - %	2,04%	1,59%	0,59%	0,30%

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	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	Consolidated January 1, 2019 to June 30, 2019
Earnings before income tax and social contribution	60.572	79.007	60.167	119.044
Tax loss on subsidiaries	1.402	31.114	373	
	61.974	110.121	60.540	119.044
Combined nominal rate of income tax and social contribution - %	34%	34%	34%	34%
Income tax and social contribution based on current legislation rates	21.071	37.441	20.584	40.475
Interest in the profit of subsidiaries				
Adjustment to present value of accounts receivable	692	803	807	1.025
Leases	1.117	3.050	619	2.060
Allowance for doubtful accounts	386	154	109	191
Other additions and exclusions	2.321	3.712	(964)	1.315
Reversal of contingencies	(76)	(689)	377	306
Offset of tax losses	(1.022)	(3.160)	(338)	(676)
	24.489	41.311	21.194	44.697
Tax incentive profit from exploration - PROUNI	(21.077)	(36.766)	(19.493)	(40.338)
Income tax and social contribution on profit or loss for the fiscal year	3.412	4.545	1.701	4.359
Effective rate - %	5,63%	5,75%	2,83%	3,66%

(d) Breakdown of the effective rate

	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	Parent Company to January 1, 2019 to June 30, 2019
Earnings before income tax and social contribution				
Presumed profit				
Real profit	57.990	74.497	59.357	115.449
	57.990	74.497	59.357	115.449
Income tax and social contribution				
Companies opting for the presumed income system				
Companies opting for the taxable income system	1.181	1.181	351	351
Total current income tax and social contribution	1.181	1.181	351	351
Effective rate	2,04%	1,59%	0,59%	0,30%
				Consolidated
	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2019 to June 30, 2019
Earnings before income tax and social contribution				
Presumed profit	431	1.071	252	625
Real profit	61.974	110.121	60.540	119.044
	62.405	111.192	60.792	119.669
Income tax and social contribution				
Companies opting for the presumed income system	145	364	85	212
Companies opting for the taxable income system	3.412	4.545	1.701	4.359
Total current income tax and social contribution	3.557	4.909	1.786	4.571
Effective rate	5,70%	4,41%	2,94%	3,82%

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In the statement of the effective rate, the Group considered earnings before income tax and social contribution only from subsidiaries that had accounting and tax profit, so as not to distort the calculation of the effective tax rate by the subsidiaries that presented accounting and tax loss.

(e) Deferred taxes

Refers to deferred income tax and social contribution assets and liabilities on temporary differences, tax losses and business combinations, constituted at rates that are expected to be in force at the time of their realization.

	June 30, 2020	
	Parent Company	Consolidated
Assets		
Adjustment to present value of Accounts Receivable	241	715
Provision for contingencies	56	215
Allowance for doubtful accounts - PCLD	149	394
Right of use, net of depreciation and lease commitments	793	1.582
Intangible assets with a defined useful life identified in a business combination		(569)
Income tax loss and negative social contribution base	1.131	2.945
Total net deferred tax assets	<u>2.370</u>	<u>5.282</u>
	Parent Company	
	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020
Results		
Adjustment to present value of Accounts Receivable	(126)	(124)
Provision for contingencies	(72)	(5)
Allowance for doubtful accounts - PCLD	(254)	(243)
Right of use, net of depreciation and lease commitments	(1.194)	(1.015)
Intangible assets with a defined useful life identified in a business combination		
Income tax loss and negative social contribution base	(447)	(447)
Total net deferred tax assets	<u>(2.093)</u>	<u>(1.834)</u>
	Consolidated	
	April 1, 2020 to June 30, 2020	January 1, 2020 to June 30, 2020
Results		
Adjustment to present value of Accounts Receivable	(442)	(426)
Provision for contingencies	712	(224)
Allowance for doubtful accounts - PCLD	(553)	(521)
Right of use, net of depreciation and lease commitments	(1.226)	(674)
Intangible assets with a defined useful life identified in a business combination	497	516
Income tax loss and negative social contribution base	(1.287)	(1.287)
Total net deferred tax assets	<u>(2.299)</u>	<u>(2.616)</u>

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26 Related parties

(a) Current accounts with subsidiaries

	Parent Company	
	June 30, 2020	December 31, 2019
Assets		
Ocktus Participações Ltda (i)	8.950	9.924
	<u>8.950</u>	<u>9.924</u>
(-) Current	<u>(1.952)</u>	<u>(1.952)</u>
Noncurrent	<u>6.998</u>	<u>7.972</u>
Liabilities		
Instituto de Ensino Superior Juvêncio Terra Ltda.		559
		<u>559</u>

- (i) On June 25, 2019, the Group entered into an Aircraft Purchase and Sale Promise agreement with the company Ocktus Participações Ltda., owned by the shareholder José Janguê Bezerra Diniz, who established the transfer of ownership of the Phenom 300 aircraft for R\$24,902. The amount of this operation, totaling R\$10,901, will be received in 67 monthly installments, under conditions identical to the financing originally undertaken by the Group, through Finame (See Note 16). In June 2020, the balance receivable from this contract was R\$8,948, with R\$1,952 and R\$6,996 in current and noncurrent assets, respectively.

The Group has the practice of capitalizing and/or distributing profits between the Parent Company and its subsidiaries, see Note 6 (b).

(b) Remuneration of key management personnel

Key management personnel include the Group's directors and officers. The remuneration paid or payable to key Management personnel is as follows:

	Parent Company		Consolidated	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Compensation of key management personnel	<u>6.258</u>	<u>5.913</u>	<u>6.258</u>	<u>5.913</u>

Key management personnel have no post-employment benefits, termination benefits, or share-based compensation.

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(c) Rent of Properties

	June 30, 2020			Consolidated June 30, 2019		
	Expense	Payment (*)	Liabilities	Expense	Payment (*)	Liabilities
Rents - Ocktus Participações Ltda	(5.686)	16.997	216.850	1.020	21.000	213.757

(*) Refers to the amount of the expense plus lease interest.

The Group entered into Commercial Property Rental Agreements with Ocktus Participações Ltda. (Ocktus), owned by the shareholder José Janguê Bezerra Diniz, for a period of ten years, which may be renewed for an equal period. The difference between the expense and the payments refers to the minimum of asset for use, which is amortized in liabilities. The Group and Ocktus agreed with the return of two properties located in Recife, whose payments had been suspended since August 2019 (Note 23 (b)(iii)). Additionally, to reduce the impacts related to the crisis due to the Covid-19 pandemic, the Company and Ocktus agreed to reduce the payment of rents from March to December 2020, in the amount equivalent to 32.5% of the monthly total. The discount in the period was R\$6,886, recorded against "Rents" account under "Cost of Services Rendered" (Note 22 (c)).

(d) Other transactions

The Group maintains Instituto Ser Educacional, a non-profit institution, to carry out social responsibility actions, whose expenses were R\$100 and R\$326, on June 30, 2020 and December 31, 2019, respectively.

Related-party transactions are negotiated at market value.

27 Provision for contingencies

Management, based on the opinion of its external legal counsel, has set up provisions considered sufficient to cover potential probable losses from pending litigation.

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Civil (a)	1.377	1.113	3.248	3.990
Labor (i)	970	298	5.918	6.106
	2.347	1.411	9.166	10.096
Indemnity contingencies (d)			112.015	112.015
	2.347	1.411	121.181	122.111

(a) Civil

The Group, with the support of its legal advisors, has performed a study, valuation and quantification of its civil lawsuits to determine the probable outflow of funds related to them. On June 30, 2020, management made a provision of R\$1,377 (December 31, 2019 - R\$1,113) in the Parent Company and R\$3,248 (December 31, 2019 - R\$3,990) in the Consolidated. The lawsuits classified as probable losses involve indemnity for pain and suffering and damage to property. There are no debts to the

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Group.

The Group has also performed a study, evaluation and quantification of the civil lawsuits classified as possible losses, for which no provision has been made, and which amounted to R\$19,556 on June 30, 2020 (December 31, 2019 - R\$19,259) in the Parent Company and R\$48,120 (December 31, 2019 R\$52,610) in the Consolidated. The main claims relate to: (i) lawsuits arising from undue blacklisting in credit protection bodies and undue maintenance of said negative entry; (ii) lawsuits due to delays in issuing diplomas; (iii) lawsuits due to problems in amendment, enrollment, refund (class not created) and transfer related to FIES.

(b) Labor

The Group, with the support of its legal advisors, has performed a study, valuation and quantification of its labor lawsuits to determine the probable outflow of funds related to them. On June 30, 2020, management made a provision of R\$970 (December 31, 2019 - R\$298) in the Parent Company and R\$5,918 (December 31, 2019 - R\$6,106) in the Consolidated.

The Group has also performed a study, evaluation and quantification of the various labor lawsuits classified as representing possible losses, for which there is no provision. On June 30, 2020, these amounted to R\$34,026 (December 31, 2019 - R\$30,433) in the Parent Company and R\$55,539 (December 31, 2019 R\$60,233) in the Consolidated, with the main claims related to overtime, unused vacation, the recognition of employment relationships, salary parity and salary differences resulting from the reduction of faculty working hours.

(c) Tax

The Group, with the support of its legal advisors, has performed a study, valuation and quantification of its tax lawsuits to determine the probable outflow of funds related to them. Management has not made provision for the Parent Company and Consolidated, as there were no lawsuits classified as probable losses on that date.

The Group has also performed a study, evaluation and quantification of the various tax lawsuits classified as representing possible losses, for which there is no provision. The amount on June 30, 2020 is R\$8 (December 31, 2019 - R\$8) for the Parent Company and R\$2,506 (December 31, 2019 - R\$2,658) for the Consolidated (See Note 27 (d)).

(d) Labor contingencies for indemnity purposes resulting from business combination

Among the main actions we can highlight:

- a. Labor claims of Centro de Ensino Superior Piauiense Ltda. - CESPI, Sociedade de Ensino Superior Piauiense Ltda. – SIESPI and its subsidiaries Centro Integrado de Educação Superior do Piauí Ltda. - CIESPI, from business combination in 2013 totaling R\$3,249 on June 30, 2020 and 2019 (Parent Company);
- b. Case 0019270-28.2014.8.14.0301 - This relates to a tax collection lawsuit brought by the Municipality of Belém related to the collection of ISS due to UNESPA's supposed loss of tax exemption. The matter is related to the ISS tax exemption granted to UNESPA by the

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government through a municipal decree. The exemption was later withdrawn, and the tax credit related to the last five years was assessed, generating this lawsuit. Before this lawsuit was filed, UNESPA filed an action for annulment, registered under No. 0057879- 84.2009.8.14.0301, to annul the tax deficiency notices that authorized the filing of the present tax collection lawsuit. Motions to stay execution have been filed and the process is currently in the evidentiary stage. The classification of loss attributed by the external legal counsel is possible in the amount of R\$103,082 on June 30, 2020 and 2019. Despite this, the cause is considered in the amount of the contingent liabilities arising from the business combination with UNESPA.

The selling shareholders have contractually agreed to indemnify the Company for the amount that may become due with respect to the lawsuits mentioned above. The withholding of a portion of the purchase amounts has been fixed contractually, as well as discounts on the future rental of the units, and the properties have been mortgaged in favor of the Company to guarantee that amount. In this sense, an indemnity asset, equivalent to the fair value of the indemnified liability, as described above, was recorded in the total of R\$112,015 on June 30, 2020 and 2019.

In addition to the provisioned lawsuits, with indemnity assets recognized by the Company, we also have a contingency under discussion regarding tax assessment notices to collect social security contributions and contributions to entities and funds, from January 2011 to December 2012, totaling R\$90,945 on June 30, 2020 and 2019, of Sociedade Paulista de Ensino e Pesquisa (SOPEP), the current supporting entity of UNG. The Federal Revenue Office understood that the activities carried out by Associação Paulista de Educação e Cultura (APEC), the former supporting entity of UNG, were not classified as non-profit, and even though the maintenance of UNG was only transferred in January 2015, SOPEP was issued a notice of secondary liability for the lack of payment of said contributions. In addition, on April 19, 2018, a new tax deficiency notice was issued, extending the period in question to 2014, adding R\$82,084 and totaling R\$173,029. Both cases are under analysis by the Administrative Council of Tax Appeals (CARF), linked to the current Ministry of Economy.

As the contingency refer to periods prior to the acquisition, the agreement establishes that any losses are guaranteed by the retention of purchase and sale amounts, discounts in the future rent of units and mortgages of properties in favor of the Company. The lawyers in charge of these proceedings were contracted by the selling shareholders and are monitored by the Group's lawyers, and classified these lawsuits as possible losses.

28 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of common shares issued during the period. The Company does not have potential common shares with dilutive effects.

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	June 30, 2020	June 30, 2019
Profit of the fiscal year attributable to shareholders of the Parent Company	71.482	115.098
Weighted average number of outstanding common shares (thousands)	128.722	128.722
Earnings per share - basic and diluted - R\$	0,56	0,89

29 Subsequent event - Acquisition of FACIMED

On August 6, 2020, a Share Purchase and Sale Agreement was signed, through which its subsidiary CENESUP - Centro Nacional de Ensino Superior Ltda., agreed to acquire 100% of the share capital of Sociedade Regional de Educação e Cultura Ltda. ("SOREC"), supporting entity of Faculdade de Ciências Biomédicas de Cacoal – FACIMED.

The educational institution is located in the city of Cacoal, State of Rondônia, and is recognized for its courses in law and health segment, with 2,700 undergraduate students in June 2020, among which, 445 students from the medical course, which has 90 annual vacancies (including 15 PROUNI and FIES vacancies).

Also accredited to offer distance learning classes (EAD), FACIMED received a favorable decision from the National Education Council - CNE in its plea to become a University Center, during the first semester of 2020.

The total purchase amount was R\$150,000, of which R\$100,000 for cash payment, on the transaction closing date, plus 4 annual installments in the amount of R\$12,500, as of January 31, 2022, adjusted by the variation of the IPCA price index. Any net indebtedness will be fully discounted from the installment amount of the Transaction price.

The Transaction is subject to compliance with certain conditions precedent usual in similar transactions, including the approval of the Administrative Council for Economic Defense (CADE), and will be concluded as soon as these conditions are met.



Message from Management

Ser Educacional ended the first half of 2020 focused on adapting its activities to the challenges of the COVID-19 outbreak, prioritizing the safety of its students and employees, supporting society in the fight against the pandemic and its side effects, as well as on resuming its cycle of generating value for its shareholders as efficiently and consistently as possible. To this end, the Company relies on its competitive advantages such as: (i) team with extensive experience in the higher education sector and the ability to find consistent solutions to crises and to create alternatives to generate business value, (ii) solid financial position and operating cash generation, (iii) high integration of its back office activities that allows it to quickly adjust its costs and expenses, (iv) brands of strong recognition by the job market in their regions of operation and (v) solid educational concept supported by cutting-edge technology that, when combined, offer a unique and integrated experience to its students in any of its teaching modalities.

During the year, several initiatives were carried out aimed at mitigating the effects of the pandemic for all the Company's stakeholders, including the following highlights:

- 1- Maintenance of theoretical lessons of the on-campus segment, through Sala Ser Digital ([click here to watch the demonstration video](#)), which allowed students to complete the semester's theoretical workload and enabled the maintenance of the day-to-day contact between students and teachers in an environment that had student attendance rates similar to those observed in traditional on-campus classes in previous semesters. Practical classes, on the other hand, were rescheduled to when the campuses are authorized to reopen for face-to-face activities, starting in July 2020.
- 2- Intensive support activities for the communities involved in the day-to-day activities of the units, which included over 300 different actions, with the participation of more than 950 teachers and more than 20,200 students, aimed at the distribution of more than 20 tons of food, 3.1 thousand snacks and lunch boxes, 1,900 liters of hand sanitizers, 70,000 personal protective equipment (PPE), own production of 20 respirators, among others.
- 3- Monitoring and protecting the health of employees: practically all the Company's administrative activities were shifted to home office until July, when they were resumed on a rotating basis, and awareness and prevention campaigns were carried out. Intense work by the human resources team in identifying and supporting employees who tested positive for the virus and their families throughout the pandemic.
- 4- Launch of the "Digital DL" segment, a new line of innovative courses for the Brazilian higher education market. The modality is dynamic and meets the main trends in the education market, including an accelerated learning program focused on the content of most interest to students, with no need for vacations or re-enrollment. All stages of the course, from commercialization and enrollment to graduation of students, are 100% online. The *Digital DL* courses started in a beta environment in June and, in July, they were officially launched through the UNINABUCO Digital brands, specialized in technical courses, of the UNINASSAU digital graduate program. During the semester, GoKursos, the beta marketplace for non-regulated courses, was also launched. The *Digital DL* segment marks the Company's entry into the lifelong learning concept, which represents a change in the behavior pattern of students, who are gradually seeking knowledge throughout their careers, either because this period has been extended, given the increase in life expectancy in the population, and also due to the growing need for learning as new techniques and technologies emerge.
- 5- Cash preservation measures were taken during the pandemic, including reduction of non-essential cost and expenses in the period which had a significant impact, especially in the second quarter results, as well as the contracting of R\$500 million in medium-term working capital in order to provide the Company with greater cash protection in case of further deterioration in the scenario and to support possible acquisitions.
- 6- Acquisition of FACIMED, enabling the acceleration of the Company's entry into the market in state of Rondônia, which has one of the highest growth rates in Brazil due to the strength of agribusiness in the region, with 2,700 students and offering 90 annual vacancies in its medicine course (including PROUNI and FIES vacancies), in the city of Cacoal.



The Company believes that in challenging periods, successful companies show the strength of their organizational culture to overcome obstacles and resume growth in the future, based on a consistent strategy focused on higher education, capable of creating new sources of revenue through the combination of organic growth activities and acquisitions. With this in mind, Management is grateful for the efforts and support of its employees, teachers and students in this period of such significant challenges for Brazilian society.

OPERATING PERFORMANCE

The first half of 2020 was marked by the COVID-19 pandemic sweeping across the world and has caused an impact on the economy, escalating the unemployment scenario, which leads to a lower disposable income of students for investment in education, adversely affecting the Company.

Despite the adverse scenario, the Company had already enrolled 64,400 students at the end of 1H20, compared to 60,100 new students in the same period in 2019, an increase of 7.1%.

1H20 Student Enrollment			
In thousands	1H20	1H19	% Chg
Undergraduate Enrollments	64.4	60.1	7.1%
Distance Learning	19.8	17.7	12.0%
On-campus	44.6	42.4	5.0%
Ex-UNINORTE On-campus Enrollments	38.5	42.4	-9.4%

With the resumption of economic activity in its operating markets and strong competition among teaching institutions, the 2020.1 enrollment of students was within the Company's expectations up to March 16, 2020, due to the need to reduce social activities given the COVID-19 pandemic, which led to lower economic activities in the cities where the Company operates, consequently reducing the enrollment pace.

On-campus undergraduate student intake

The on-campus undergraduate student intake process ended 1H20 with 44,600 students enrolled, an increase of 5.0% compared to 42,400 students enrolled in 1H19, mainly due to UNINORTE's acquisition. Excluding UNINORTE, enrollment fell by 9.4%, mainly due to the impacts resulting from social distance measures, as of March 16, 2020, given the attempts to mitigate the spread of COVID-19 in the population.

At the end of 1H20, of the total number of new students enrolled, approximately 2,500 students adhered to student loan programs, 200 of which enrolled through PraValer, 1,100 through Educred and 1,300 through FIES. In 1H19, of the 2,700 students who adhered to student loan programs, 300 students enrolled through PraValer 1,100 students enrolled through Educred and 1,300 through FIES. As a result, the percentage of students enrolled through loan programs went from 6.3% in 1H19 to 5.6% in 1H20.

At the end of 1H20, the number of new finalized FIES contracts was 1,700 (1,300 freshmen and 400 upperclassmen) of a total of the 4,300 vacancies allocated to the Company by the Federal Government in 2020.1.

Distance Learning undergraduate student intake

In 1H20, the Distance Learning segment presented a 12.0% growth, reaching 19,800 students enrolled, compared to 17,700 students in 1H19, reinforcing the Company's strategy that prioritizes partner hubs with the best performance, within the established goals, which has been reflected in the segment's enrollment performance. The enrollment of students in this segment was also affected by the economic impacts related to measures to contain the pandemic.



Student Base Growth

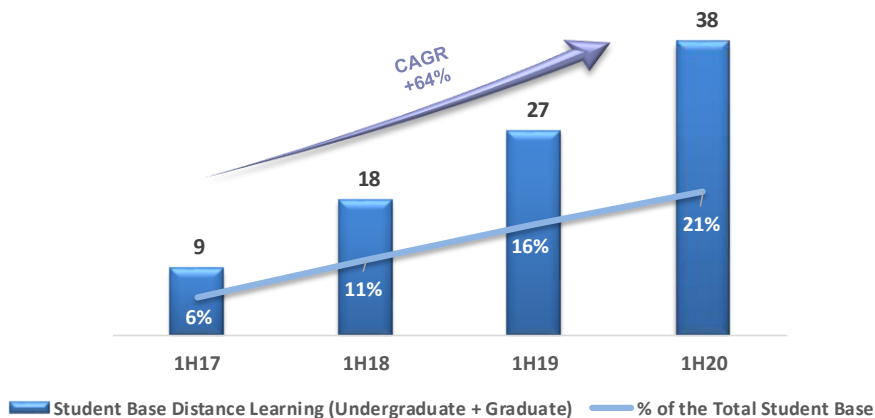
Number of Students	Undergraduate		Graduate		Vocational		Total
	On Campus	Distance Learning	On Campus	Distance Learning	On Campus	Distance Learning	Total
2020.1							
Dec19 Base	145,496	23,470	6,594	8,017	1,169	65	184,811
Enrollments	44,561	19,799	892	2,913	307	8	68,480
Leavers	(15,233)	(528)	(2,293)	(744)	(79)	(44)	(18,921)
Dropouts	(36,112)	(14,398)	(177)	(41)	(106)	-	(50,834)
Jun20 Base	138,712	28,343	5,016	10,145	1,291	29	183,536
% Jun20 Base / Dec19 Base	-4.7%	20.8%	-23.9%	26.5%	10.4%	-55.4%	-0.7%
% Jun20 Base / Jun19 Base	4.7%	39.6%	3.1%	58.0%	0.8%	-52.5%	10.9%
Jun20 Base (EX-UNINORTE)	121,325	26,364	4,525	10,038	1,291	29	163,572
% Jun20 Base / Jun19 Base	-8.5%	29.8%	-7.0%	56.4%	0.8%	-52.5%	-1.2%

As a result of the issues addressed above, the on-campus undergraduate student base totaled 138,700 students, up by 4.7% compared to 132,600 students in 1H19. Excluding UNINORTE, on-campus undergraduate student base fell by 8.5% in 1H20 vs. 1H19.

The Distance Learning student base (which represents the sum of the undergraduate and graduate Distance Learning student base) increased by 44.0%, from 26,700 students in 1H19 to 38,500 students in 1H20. Excluding UNINORTE, the distance learning student base grew by 36.2%.

Due to the increased enrollment in undergraduate courses (on-campus and distance learning), as mentioned above, total student base grew by 10.9% compared to June 30, 2019.

Student Base Growth - Distance Learning ('000)



Dropout Rate

Given the uncertainties caused by the impact of the COVID-19 pandemic, dropout rate increased by 5.0 p.p., reaching 20.7% in 1H20, against 15.7% in 1H19.



Average Net Ticket

Average Ticket (R\$)	2Q20	2Q19	% Chg. 2Q20 x 2Q19
On Campus Undergraduate	746.09	769.09	-3.0%
Distance Learning (Undergraduate + graduate)	218.02	235.38	-7.4%
Total Net Average Ticket	621.40	664.90	-6.5%

The average on-campus ticket in 2Q20 was R\$746.09, down by 3.0% year-on-year, due to the consolidation of UNINORTE's results, which has an average ticket lower than the Company's average. Excluding UNINORTE, the average ticket totaled R\$766.39 in the on-campus undergraduate segment, practically stable compared to 2Q19.

The reduction in the average ticket is linked to 3 factors: (i) increase in the distance learning student base and the addition of UNINORTE, which has an average ticket lower than the Company's average (ii) the competitive scenario in the higher education sector, given high unemployment rates in the northeastern and northern regions of Brazil and (iii) the effects of COVID-19, which led the Company to grant discounts in order to enroll and re-enroll students during the semester.

Student Loan

STUDENT LOANS	Dec/13	Dec/14	Dec/15	Dec/16	Dec/17	Dec/18	2Q19	Dec/19	1Q20	2Q20
On Campus Undergraduate Students	70,255	101,195	123,988	131,092	133,945	127,837	132,546	145,496	140,671	138,712
FIES Students	31,432	48,048	56,089	58,840	55,565	40,427	34,554	34,156	23,419	25,612
% of FIES Students	44.7%	47.5%	45.2%	44.9%	41.5%	31.6%	26.1%	23.5%	16.6%	18.5%
EDUCRED Students			754	1,922	2,390	3,952	4,439	4,464	3,189	4,970
% of EDUCRED Students			0.6%	1.5%	1.8%	3.1%	3.3%	3.1%	2.3%	3.6%
PRAVALER Students			954	1,794	2,873	3,265	1,841	2,168	1,657	1,848
% of PRAVALER Students			0.8%	1.4%	2.1%	2.6%	1.4%	1.5%	1.2%	1.3%
Total Students Loans			57,797	62,556	60,828	47,644	40,834	40,788	28,265	32,430
% of Total Students Loans			46.6%	47.7%	45.4%	37.3%	30.8%	28.0%	20.1%	23.4%

On June 30, 2020, FIES students accounted for 18.5% of the on-campus undergraduate student base, down by 7.6 p.p. compared to the 26.1% recorded at the end of 2Q19. Excluding UNINORTE, the on-campus FIES undergraduate student base was down by 9.1 p.p., representing 16.9% in 2Q20 vs. 2Q19. This decline is due to the Federal Government's decision to reduce the number of vacancies in the FIES program as of 2015, with a further decrease as of 2018.

Organic Growth

In 2Q20, 33 new courses were authorized, totaling 1,937 courses, while the number of vacancies in some courses also increased. As a result, in June 2020, the Company had approximately 1,165,300 vacancies per year, 731,300 of which in the Distance Learning segment. Ser Educacional continues to develop its organic growth strategy based on the accreditation of new units and Distance Learning centers, as well as the authorization of new courses.



FINANCIAL PERFORMANCE

Service Revenue

Gross Revenue - Accounting (R\$ '000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Gross Operating Revenue	621,802	562,017	10.6%	1,223,499	1,058,875	15.5%
Undergraduate Monthly Tuition	563,274	519,025	8.5%	1,104,124	973,835	13.4%
Graduate Monthly Tuition	8,717	7,001	24.5%	17,975	14,585	23.2%
Vocational Courses Monthly Tuition	425	480	-11.5%	929	983	-5.6%
Distance Learning Monthly Tuition	48,462	32,854	47.5%	95,939	62,723	53.0%
Others	924	2,657	-65.2%	4,532	6,749	-32.8%
Deductions from Gross Revenue	(278,782)	(229,412)	21.5%	(571,953)	(422,106)	35.5%
Discounts and Scholarships	(201,709)	(155,769)	29.5%	(425,483)	(287,377)	48.1%
PROUNI	(60,714)	(54,770)	10.9%	(115,908)	(99,308)	16.7%
FGEDUC And FIES charges	(4,429)	(7,929)	-44.1%	(8,247)	(14,553)	-43.3%
Taxes	(11,930)	(10,944)	9.0%	(22,315)	(20,868)	6.9%
% Discounts and Scholarships/ Net Oper. Rev.	32.4%	27.7%	4.7 p.p.	34.8%	27.1%	7.6 p.p.
Net Operating Revenue	343,020	332,605	3.1%	651,546	636,769	2.3%
Undergraduate Monthly Tuition	310,474	306,246	1.4%	585,295	582,989	0.4%
Graduate Monthly Tuition	6,102	4,936	23.6%	11,836	10,304	14.9%
Vocational Courses Revenues	379	448	-15.3%	843	919	-8.3%
Distance Learning Revenues	25,192	18,921	33.1%	49,285	36,581	34.7%
Others	872	2,054	-57.5%	4,287	5,976	-28.3%

In 2Q20, gross revenue totaled R\$621.8 million, up by 10.6% over 2Q19. This increase is due to the consolidation of UNINORTE's revenues, as well as the pass-through of prices of 6% in the comparison between the two periods and the increased volume of students enrolled in the Distance Learning segment.

In 2Q20, net revenue totaled R\$343.0 million, up by 3.1% over 2Q19, mainly due to the consolidation of UNINORTE's revenues, as mentioned in previous sections, and the growth of the distance learning student base (undergraduate + graduate) by 44.0%.

Cost of Services Rendered

Breakdown of Cost of Services Rendered ¹ Accounting (R\$ '000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Cash Cost of Services Rendered	(97,479)	(116,130)	-16.1%	(212,203)	(231,556)	-8.4%
Payroll and Charges	(92,838)	(94,175)	-1.4%	(189,239)	(183,314)	3.2%
Rent	6,486	2,317	179.9%	4,371	(7,651)	-157.1%
Concessionaires (Electricity, Water and Telephone)	(5,167)	(10,983)	-53.0%	(15,263)	(20,092)	-24.0%
Third-Party Services and Others	(5,960)	(13,289)	-55.2%	(12,072)	(20,499)	-41.1%

¹ Excluding depreciation and amortization.

The cash cost of services (excluding depreciation and amortization) totaled R\$97.5 million in 2Q20, down by 16.1% over 2Q19, due to the following reasons:

a) Personnel costs and charges in 2Q20 decreased by 1.4% over 2Q19. Excluding UNINORTE, personnel costs and charges decreased by 9.4%, ending 2Q20 at R\$85.3 million, still due to the structure optimization, especially in the on-campus higher education segment and the suspension of employment contracts by MP 936/20. In this scenario, the Company incurred non-recurring costs related to the adjustment of its personnel structure in the amount of R\$0.5 million in the quarter, which can be further analyzed in the table presented below.

b) Rental costs were impacted by the lease renegotiations carried out during the quarter due to the effects of COVID-19. Since these rental discounts are not included in IFRS 16, the amounts are recorded in the rental costs line, resulting



in a positive balance in the quarter. In 2Q19, this balance was also positive, but as a result of complementary adjustments in the implementation of IFRS-16 and, in this case, excluding this effect, the rent expense for this quarter would have been R\$4.1 million.

c) The “Concessionaires” line fell by 53.0%, closing 2Q20 at R\$5.2 million vs. R\$11.0 million in 2Q19, due to measures to contain the spread of COVID-19. Excluding UNINORTE, this line would have decreased by 58.1%.

d) Third-party services and others reached R\$6.0 million in 2Q20, compared to R\$13.3 million in 2Q19, down by 55.2%, due to the impacts of COVID-19. Excluding UNINORTE, the third-party services and others line fell by 55.9%.

The table below shows managerial operating costs, which are adjusted for non-recurring effects.

Breakdown of Cost of Services Rendered¹ Adjusted (R\$ '000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Cash Cost of Services Rendered	(97,020)	(114,975)	-15.6%	(210,824)	(227,511)	-7.3%
Payroll and Charges	(92,379)	(93,020)	-0.7%	(187,860)	(179,269)	4.8%
Rent	6,486	2,317	179.9%	4,371	(7,651)	-157.1%
Concessionaires (Electricity, Water and Telephone)	(5,167)	(10,983)	-53.0%	(15,263)	(20,092)	-24.0%
Third-Party Services and Others	(5,960)	(13,289)	-55.2%	(12,072)	(20,499)	-41.1%

¹ Excluding depreciation and amortization.

Gross Profit

Gross Profit - Accounting (R\$ '000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Net Operating Revenue	343,020	332,605	3.1%	651,546	636,769	2.3%
Cost of Services Rendered	(138,306)	(146,687)	-5.7%	(293,282)	(284,748)	3.0%
Gross Profit	204,714	185,918	10.1%	358,264	352,021	1.8%
Gross Margin	59.7%	55.9%	3.8 p.p.	55.0%	55.3%	-0.3 p.p.
(-) Depreciation	40,827	30,557	33.6%	81,079	53,192	52.4%
Cash Gross Profit	245,541	216,475	13.4%	439,343	405,213	8.4%
Cash Gross Margin	71.6%	65.1%	6.5 p.p.	67.4%	63.6%	3.8 p.p.

Cash gross profit increased by 13.4%, from R\$216.5 million in 2Q19 to R\$245.5 million in 2Q20. The cash gross margin stood at 71.6% in 2Q20, up by 6.5 p.p. over 2Q19, when it reached 65.1%, due to the increase in net revenues and the reduction in costs, resulting from the measures to combat COVID-19 implemented by the Company, as mentioned in the Cost of Services Rendered, in the comparison between 2Q20 and 2Q19.

Depreciation increased by 33.6%, from R\$30.6 million in 2Q19 to R\$40.8 million in 2Q20, due to the inclusion of depreciation of fixed assets and the right to use and amortization of intangible assets in UNINORTE's anticipated rental agreement.



The table below shows cash gross profit adjusted for the main non-recurring cost effects:

Gross Profit - Adjusted (R\$ '000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Net Operating Revenue	343,020	332,605	3.1%	651,546	636,769	2.3%
Cost of Services Rendered	(137,847)	(145,532)	-5.3%	(291,903)	(280,703)	4.0%
Adjusted Gross Profit	205,173	187,073	9.7%	359,643	356,066	1.0%
Adjusted Gross Margin	59.8%	56.2%	3.6 p.p.	55.2%	55.9%	-0.7 p.p.
(-) Depreciation	40,827	30,557	33.6%	81,079	53,192	52.4%
Adjusted Cash Gross Profit	246,000	217,630	13.0%	440,722	409,258	7.7%
Adjusted Cash Gross Margin	71.7%	65.4%	6.3 p.p.	67.6%	64.3%	3.4 p.p.

IFRS-16 Depreciation and Amortization Cost

IFRS-16 Depreciation and Amortization (R\$ '000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Depreciation and Amortization	(44,373)	(34,298)	29.4%	(88,270)	(60,786)	45.2%
IFRS-16 Depreciation and Amortization	(20,663)	(16,257)	27.1%	(40,598)	(23,577)	72.2%
Ex-IFRS-16 Depreciation and Amortization	(23,710)	(18,040)	31.4%	(47,672)	(37,209)	28.1%

Operating Expenses (Selling, General and Administrative)

Operating Expenses - Accounting (R\$ '000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
General and Administrative Expenses	(116,944)	(113,937)	2.6%	(228,466)	(203,060)	12.5%
Payroll and Charges	(33,346)	(35,573)	-6.3%	(73,971)	(70,472)	5.0%
Third-Party Services	(9,152)	(16,651)	-45.0%	(24,084)	(29,436)	-18.2%
Advertising	(15,973)	(22,473)	-28.9%	(41,328)	(42,200)	-2.1%
Materials	(750)	(3,556)	-78.9%	(3,703)	(6,933)	-46.6%
PDA	(47,475)	(22,311)	112.8%	(61,216)	(28,839)	112.3%
Others	(6,702)	(9,632)	-30.4%	(16,973)	(17,586)	-3.5%
Depreciation and Amortization	(3,546)	(3,741)	-5.2%	(7,191)	(7,594)	-5.3%
Operating Income	89,326	88,970	0.4%	129,548	164,448	-21.2%
General and Administrative Expenses (Ex-Depreciation and Amortization)	(113,398)	(110,196)	2.9%	(221,275)	(195,466)	13.2%

General and administrative expenses increased by 2.6%, from R\$113.9 million in 2Q19 to R\$116.9 million in 2Q20, mainly due to:

a) Personnel expenses and charges, which decreased by 6.3% compared to 2Q19, or by 10.8% when excluding UNINORTE. Excluding UNINORTE personnel expenses and charges and the non-recurring effect of R\$0.9 million related to indemnity fines, resulting from the adjustment of the administrative structure to support the current student base of the Company and the integration of UNINORTE, the variation was 13.3%, 2Q20 x 2Q19. This reduction is mainly due to structural changes in order to cope during the COVID-19 pandemic, such as the adoption of MP 936/20, with a special focus on employees whose activities cannot be carried out remotely.



b) Third-party services, which reached R\$9.2 million in 2Q20 (R\$8.3 million when excluding UNINORTE), down by 45.0% compared to the R\$16.7 million registered in 2Q19, mainly due to the reduction in the pace of contracting services and of regulatory activities in the period as a result of the impacts of COVID-19. Therefore, in 2Q20, non-recurring expenses related to these activities totaled approximately R\$1.1 million.

c) Advertising expenses, which decreased by 28.9%, from R\$22.5 million in 2Q19 to R\$16.0 million in 2Q20, representing 4.7% of net revenue (a reduction of 33.3% when excluding UNINORTE), especially in offline activities, due to the measures adopted to mitigate the impacts of COVID-19.

d) The provision for doubtful accounts and effective losses line, which increased by 112.8%, from R\$22.3 million in 2Q19 to R\$47.5 million in 2Q20, mainly due to the impacts of COVID-19, which led to an atypical increase in the dropout rate for the semester. The higher dropout rate results in a lower volume of renegotiated and overdue tuition fees in the previous semester. The calculation of the provision for doubtful accounts is based on the historical loss due to aging of accounts receivable and, since there was an increase in aging accounts receivable, due to student delays due to the country's economic situation, it consequently increased the need for provisioning.

e) Other expenses, which decreased by 30.4%, from R\$9.6 million in 2Q19 to R\$6.7 million in 2Q20, mainly due to the impacts of COVID-19, which reduced the Company's activities in the quarter. In 2Q20, the Company also recorded a non-recurring effect of R\$1.2 million related to retroactive property tax (IPTU).

The table below shows managerial general and administrative expenses, adjusted for non-recurring effects:

Operating Expenses - Adjusted (R\$ '000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
General and Administrative Expenses	(113,686)	(106,795)	6.5%	(213,263)	(190,584)	11.9%
Payroll and Charges	(32,460)	(35,117)	-7.6%	(71,323)	(68,894)	3.5%
Third-Party Services	(8,009)	(9,965)	-19.6%	(18,892)	(18,539)	1.9%
Advertising	(15,973)	(22,473)	-28.9%	(41,328)	(42,200)	-2.1%
Materials	(750)	(3,556)	-78.9%	(3,703)	(6,933)	-46.6%
PDA	(47,475)	(22,311)	112.8%	(61,216)	(28,839)	112.3%
Others	(5,473)	(9,632)	-43.2%	(9,610)	(17,586)	-45.4%
Depreciation and Amortization	(3,546)	(3,741)	-5.2%	(7,191)	(7,594)	-5.3%
Adjusted Operating Income	92,972	83,601	11.2%	146,235	167,302	-12.6%
General and Administrative Expenses (Ex-Depreciation and Amortization)	(110,140)	(103,054)	6.9%	(206,072)	(182,990)	12.6%



EBITDA and Adjusted EBITDA

EBITDA (R\$ '000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Net Income¹	54,716	59,006	-7.3%	71,482	115,098	-37.9%
(+) Net financial expense ²	28,754	28,178	2.0%	50,541	44,779	12.9%
(+) Income and social contribution taxes	5,856	1,786	227.9%	7,525	4,571	64.6%
(+) Depreciation and amortization	44,373	34,298	29.4%	88,270	60,786	45.2%
EBITDA¹	133,699	123,268	8.5%	217,818	225,234	-3.3%
EBITDA Margin	39.0%	37.1%	1.9 p.p.	33.4%	35.4%	-1.9 p.p.
(+) Revenue from Interest on Agreements and Others ²	1,934	1,835	5.4%	9,937	6,936	43.3%
(+) Non-recurring costs and expenses ³	3,646	(5,369)	-167.9%	16,687	2,854	484.7%
(-) Minimum rent paid ⁴	(30,627)	(31,334)	-2.3%	(58,164)	(49,557)	17.4%
Adjusted EBITDA⁵	108,652	88,400	22.9%	186,278	185,467	0.4%
Adjusted EBITDA Margin	31.7%	26.6%	5.1 p.p.	28.6%	29.1%	-0.5 p.p.

1. EBITDA is not an official accounting measurement.

2. Revenue from interest on agreements and others comprises our net financial result arising from revenue from interest and fines on tuition fees corresponding to financial charges on renegotiated and overdue tuition fees.

3. Non-recurring costs and expenses are mainly related to costs and expenses from mergers and acquisitions, severance expenses arising from the workforce optimization process, and the Ser Digital project, which would not affect the usual cash flow.

4. Minimum rent refers to rental agreements recorded as financial leasing, according to IFRS 16. The expenses from these leases are not recorded under EBITDA but are part of adjusted EBITDA.

5. Adjusted EBITDA corresponds to EBITDA plus (a) financial revenue from fines and interest on tuition fees, (b) non-recurring costs and expenses, and (c) minimum rent paid.

Cash generation measured by Adjusted EBITDA totaled to R\$108.7 million in 2Q20, up by 22.9% compared to the R\$88.4 million posted in 2Q19. The adjusted EBITDA margin closed 2Q20 at 31.7%, versus 26.6% in 2Q19, an increase of 5.1 p.p. The Adjusted EBITDA growth was mainly due to the cost and expense reduction measures implemented by the Company in order to face the challenges imposed by the COVID-19 pandemic, as well as the quick actions focused on remote teaching students in the on-campus segments, which minimized the impact on the dropout rate.

The statement of non-recurring items is shown below:

SUMMARY OF NON-RECURRING ITEMS (R\$ '000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Non-Recurring Costs and Expenses Impacting Adjusted EBITDA	3,646	(5,369)	-167.9%	16,687	2,854	484.7%
Payroll	1,345	1,611	-16.5%	4,027	5,623	-28.4%
Cost	459	1,155	-60.3%	1,379	4,045	-65.9%
Expense	886	456	94.4%	2,648	1,578	67.8%
Third-Party Services	1,143	6,686	-82.9%	5,192	10,897	-52.4%
Expense	1,143	6,686	-82.9%	5,192	10,897	-52.4%
Other Expenses / Other Net Operating Expenses	1,159	(13,666)	-108.5%	7,469	(13,666)	-154.7%
Sale of property, plant and equipment	-	(6,773)	-100.0%	-	(6,773)	-100.0%
Reversal of lease agreements	-	(6,893)	-100.0%	-	(6,893)	-100.0%
Tax Expenses	1,229	-	N.M.	7,363	-	N.M.
Other Operating Expenses/Revenue	(70)	-	N.M.	106	-	N.M.
Non-Recurring Costs and Expenses that do not Impact Adjusted EBITDA	(101)	158	-164.0%	(585)	(109)	436.2%
Income tax and social contribution - Complementary Tax on Adjusted Net Income	(101)	158	-164.0%	(585)	(109)	436.2%
Total Non Recurring Costs and Expenses	3,545	(5,212)	-168.0%	16,103	2,745	486.6%

* The same Income Tax (IR) calculation base was used on non-recurring results to better reflect adjusted net income.



Adjusted EBITDA by segment

Result excluding new units and Distance Learning (R\$ '000))	2Q20					6M20				
	On Campus	New units (1)*	Distance Learning*	UNINORTE**	Consolidated	On Campus	New units (1)*	Distance Learning*	UNINORTE**	Consolidated
Net Revenue	275,393	11,152	25,304	31,171	343,020	521,795	20,751	49,639	59,360	651,546
Adjusted Cash Gross Profit	198,282	7,273	17,835	22,610	246,000	351,984	13,991	37,454	37,292	440,722
Adjusted Cash Gross Margin	72.0%	65.2%	70.5%	72.5%	71.7%	67.5%	67.4%	75.5%	62.8%	67.6%
Adjusted EBITDA	84,788	3,185	7,450	13,227	108,652	150,351	3,107	15,529	17,289	186,278
Adjusted EBITDA Margin	30.8%	28.6%	29.4%	42.4%	31.7%	28.8%	15.0%	31.3%	29.1%	28.6%

(1) Expansion units: Garanhuns, Mossoró, Juazeiro do Norte, Maracanaú, Porto Velho, Arapiraca, Marabá, Boa Vista, Rio Branco, Sobral, Belo Horizonte and Brasília.

* Result allocations are not audited.

** Considers only the result of the on campus undergraduate.

The table above presents the results excluding on-campus units with two years or less of operation and Distance Learning activities, which have been expanding its Distance Learning center base and launched their brands in this segment.

In 1Q19, the Distance Learning segment started to generate positive Adjusted EBITDA and, with the maintenance of the focus on expansion, which led to the growth of the student base in this segment, and cost control, which is scalable by the number of students, in 2Q20, adjusted EBITDA totaled R\$7.5 million, up by 118.7% compared to 2Q19, with an EBITDA margin of 29.4% in the quarter.

New units generated a positive adjusted EBITDA of R\$3.2 million, as a result of the reduction in costs and expenses due to the actions to combat COVID-19 implemented by the Company.

These two activities had a positive impact of 0.9 p.p. on the Company's consolidated adjusted EBITDA margin in 2Q20 which went from 30.8% to 31.7%.

Financial Result

Financial Result - Accounting (R\$ '000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
(+) Financial Revenue	5,399	12,625	-57.2%	15,664	30,553	-48.7%
Interest on Agreements and Others	1,934	1,835	5.4%	9,937	6,936	43.3%
Returns on Financial Investments	3,204	11,177	-71.3%	5,601	24,649	-77.3%
Others	261	(387)	-167.4%	126	(1,032)	-112.2%
(-) Financial Expenses	(34,153)	(40,803)	-16.3%	(66,205)	(75,332)	-12.1%
Interest Expenses	(5,829)	(5,280)	10.4%	(9,006)	(10,584)	-14.9%
Interest on Leasing	(17,879)	(21,576)	-17.1%	(35,761)	(35,083)	1.9%
Discounts Granted	(7,414)	(8,621)	-14.0%	(16,444)	(21,188)	-22.4%
Monetary Variation Expenses	-	(1,711)	-100.0%	(1,578)	(3,602)	-56.2%
Others	(3,031)	(3,615)	-16.2%	(3,416)	(4,875)	-29.9%
Financial Result	(28,754)	(28,178)	2.0%	(50,541)	(44,779)	12.9%

Financial revenues decreased by 57.2%, from R\$12.6 million in 2Q19 to R\$5.4 million in 2Q20, due to the following:

- Interest on Agreements and Others, which increased 5.4%, from R\$1.8 million in 2Q19 to R\$1.9 million in 2Q20, due to the increase in recognition of interest on monthly tuition fees.
- Investment income, which decreased 71.3%, from R\$11.2 million in 2Q19 to R\$3.2 million in 2Q20, due to the reduction in the average interest rate and the variation in cash availability between the periods.



Financial expenses reached R\$34.2 million in 2Q20, down by 16.3% over 2Q19's financial expenses, which totaled R\$40.8 million, mainly due to:

- a) Interest Expenses, which increased 10.4%, from R\$5.3 million in 2Q19 to R\$5.8 million in 2Q20, due to the contracting of R\$500.0 million in working capital with Itaú-Unibanco, Santander Brasil and Caixa Econômica Federal.
- b) Interest on Leasing, which decreased 17.1%, from R\$21.6 million in 2Q19 to R\$17.9 million in 2Q20, a reduction of 17.1%, basically due to the higher expense in 2Q19 due to the remeasurement of contracts that were included in the adoption of IFRS 16 in that quarter, which offset the increase due to the inclusion of UNINORTE real estate leases, new lease agreements and the remeasurement of old lease agreements, in accordance with the rules of that standard.
- c) Discounts Granted, which fell by 14.0%, from R\$8.6 million in 2Q19 to R\$7.4 million in 2Q20, due to the lower volume of discounts in renegotiation agreements with students for the recovery of tuition credits.
- d) Cash Variation (Expenses), which totaled R\$1.7 million in 1Q19, however, in 2Q20, there was no record in this line due to the settlement of all balances of commitments payable between 1Q20 and 2Q20.

As a result of the factors mentioned above, net financial expense was R\$28.8 million in 2Q20 compared to an expense of R\$28.2 million in 2Q19, an increase of 2.0%.

The table below shows managerial financial revenue, adjusted for non-recurring effects of other financial revenues:

Financial Result - Adjusted (R\$ '000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
(+) Financial Revenue	5,399	12,625	-57.2%	15,664	30,553	-48.7%
Interest on Agreements and Others	1,934	1,835	5.4%	9,937	6,936	43.3%
Returns on Financial Investments	3,204	11,177	-71.3%	5,601	24,649	-77.3%
Others	261	(387)	-167.4%	126	(1,032)	-112.2%
(-) Financial Expenses	(34,153)	(40,803)	-16.3%	(66,205)	(75,332)	-12.1%
Interest Expenses	(5,829)	(5,280)	10.4%	(9,006)	(10,584)	-14.9%
Interest on Leasing	(17,879)	(21,576)	-17.1%	(35,761)	(35,083)	1.9%
Discounts Granted	(7,414)	(8,621)	-14.0%	(16,444)	(21,188)	-22.4%
Monetary Variation Expenses	-	(1,711)	-100.0%	(1,578)	(3,602)	-56.2%
Others	(3,031)	(3,615)	-16.2%	(3,416)	(4,875)	-29.9%
Financial Result	(28,754)	(28,178)	2.0%	(50,541)	(44,779)	12.9%

Net Income

Net Income - Accounting (R\$ 000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Operating Income	89,326	88,970	0.4%	129,548	164,448	-21.2%
(+) Financial Result	(28,754)	(28,178)	2.0%	(50,541)	(44,779)	12.9%
(+) Income and Soc. Contrib. Taxes	(3,557)	(1,786)	99.2%	(4,909)	(4,571)	7.4%
(+) Deferred Income and Soc. Contrib. Taxes	(2,299)	-	0.0%	(2,616)	-	0.0%
Net Income (Loss)	54,716	59,006	-7.3%	71,482	115,098	-37.9%
Net Margin	16.0%	17.7%	-1.8 p.p.	11.0%	18.1%	-7.1 p.p.

Operating income reached R\$89.3 million in 2Q20, an increase of 0.4% compared to the R\$89.0 million registered in 2Q19. In 2Q20, net income (accounting) totaled R\$54.7 million, compared to R\$59.0 million in 2Q19.



Income tax and social contribution totaled R\$3.6 million in 2Q20, an increase of 99.2% compared to 2Q19, due to the increase of provisions, reduction in the tax loss of its subsidiaries and higher revenue from non-incentive activities. At the end of 2019, the Company opted to record deferred taxes on temporary differences, which impacted the result of 2Q20 by R\$2.3 million, without the respective comparative value in 2019 due to the higher net income in 2Q20.

The decrease in net income was mainly due to the impact of IFRS-16 on depreciation and amortization and income and social contribution taxes that mitigated the increase in adjusted EBITDA in the quarter.

The table below shows managerial net income, adjusted for non-recurring effects. Adjusted net income increased by 8.3%, from R\$53.8 million in 2Q19 to R\$58.3 million in 2Q20.

Net Income - Adjusted (R\$ 000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Adjusted Operating Income	92,972	83,601	11.2%	146,235	167,302	-12.6%
(+) Financial Result	(28,754)	(28,178)	2.0%	(50,541)	(44,779)	12.9%
(+) Income and Soc. Contrib. Taxes	(3,658)	(1,628)	124.7%	(5,494)	(4,680)	17.4%
(+) Deferred Income and Soc. Contrib. Taxes	(2,299)	-	0.0%	(2,616)	-	0.0%
Adjusted Net Income (Loss)	58,261	53,794	8.3%	87,585	117,843	-25.7%
Adjusted Net Margin	17.0%	16.2%	0.8 p.p.	13.4%	18.5%	-5.1 p.p.

Reconciliation of adjusted net income excluding the effects of IFRS-16

Net Income Adjusted (Ex-IFRS 16) (R\$ ('000))	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Adjusted Net Income (Loss)	58,261	53,794	8.3%	87,585	117,843	-25.7%
Adjusted Net Margin	17.0%	16.2%	0.8 p.p.	13.4%	18.5%	-5.1 p.p.
Rent (IFRS 16)	(22,860)	(24,664)	-7.3%	(42,510)	(33,137)	28.3%
Depreciation and Amortization (IFRS 16)	17,906	16,257	10.1%	35,082	23,577	48.8%
Interest on Leasing (IFRS 16)	11,732	11,155	5.2%	23,418	16,526	41.7%
Income and Social Contribution Taxes (IFRS 16)	(188)	(61)	207.8%	(560)	(261)	114.3%
Adjusted Net Income (Loss) - (Ex-IFRS 16)	64,852	56,481	14.8%	103,015	124,547	-17.3%
Adjusted Net Margin (Ex-IFRS 16)	18.9%	17.0%	1.9 p.p.	15.8%	19.6%	-3.7 p.p.

The table above shows the impact of IFRS-16 on the Company's adjusted net income for the purposes of demonstration and comparability with previous years.

Adjusted net income excluding the impacts of IFRS-16 totaled R\$64.9 million in the quarter, an increase of 14.8% compared to 2Q19, mainly due to the addition of UNINORTE's rent expenses, which was integrated to in the Company's results as of November 2019.



Accounts Receivable and Average Collection Period

Accounts Receivable and Average Receivable Days (R\$ '000)	2Q19	4Q19	1Q20	2Q20
Gross Accounts Receivable	451,144	447,038	476,635	541,547
Monthly tuition fees	157,174	194,723	193,222	239,892
FIES	159,837	100,509	119,358	138,618
Negotiated agreements receivable	67,948	64,877	70,188	63,634
Education credits receivable	45,552	58,096	72,096	80,863
Credit Card and Others	20,633	28,833	21,771	18,540
PDA balance	(81,230)	(113,149)	(106,564)	(106,489)
Net Accounts Receivable	369,914	333,889	370,071	435,058
Net Revenue (Last 12 Months - FIES+Ex-FIES+Pronatec)	1,242,839	1,275,986	1,280,348	1,290,763
Net Receivable Days (FIES+Ex-FIES+Pronatec)	107	94	104	121
Net Revenue FIES (Last 12 Months)	388,686	343,820	322,225	297,419
Net Receivable Days (FIES)	131	85	111	143
Net Receivable Days (Monthly tuition fees + Negotiated agreements receivable + Education credits receivable)	88	87	94	108

The average net collection period increased from 107 to 121 days due to the following:

a) Increase in the average collection period of monthly tuition fees, agreements receivable and educational credits, from 88 to 108 days is mainly due to the revision of the provisional estimate made in 1Q19 and the longer collection period as a result of the current economic situation. The Company believes that the current average collection period better reflects the cycle of the effective collection in students' contracts, which are renewed every six months, considering the deterioration of the economic scenario due to the Covid-19 pandemic.

b) The increase in the FIES's average collection period from 131 to 143 days was due to the increase in the payment cycle by FNDE started in 2019.

Aging of Monthly tuition fees (R\$ '000)	2Q19	% Chg.	4Q19	% Chg.	2Q20	% Chg.
Overdue by up to 30 day	34,816	22.2%	35,949	18.5%	54,543	22.7%
Overdue from 31 to 60 days	27,894	17.7%	29,565	15.2%	38,114	15.9%
Overdue from 61 to 90 days	26,312	16.7%	27,358	14.0%	36,437	15.2%
Overdue from 91 to 180 days	30,669	19.5%	41,018	21.1%	46,592	19.4%
Overdue from 181 to 360 days	37,483	23.8%	60,833	31.2%	64,206	26.8%
TOTAL	157,174	100.0%	194,723	100.0%	239,892	100.0%
% of Gross Accounts Receivable	34.8%		43.6%		44.3%	

Aging of Negotiated Agreements (R\$ '000)	2Q19	% Chg.	4Q19	% Chg.	2Q20	% Chg.
Not yet due	18,949	27.9%	18,236	28.1%	18,041	28.4%
Overdue by up to 30 day	9,148	13.5%	7,827	12.1%	6,641	10.4%
Overdue from 31 to 60 days	7,616	11.2%	7,260	11.2%	6,655	10.5%
Overdue from 61 to 90 days	6,742	9.9%	6,770	10.4%	6,019	9.5%
Overdue from 91 to 180 days	10,900	16.0%	10,060	15.5%	11,212	17.6%
Overdue from 181 to 360 days	14,593	21.5%	14,724	22.7%	15,066	23.7%
TOTAL	67,948	100.0%	64,877	100.0%	63,634	100.0%
% of Gross Accounts Receivable	15.1%		14.5%		11.8%	

The total increase in monthly tuition fees receivable as a percentage of gross accounts receivable was due to an upturn in net revenue from monthly tuitions, agreements, and Educured, as the FIES student base fell from 26.1% in 2Q19 to



18.5% in 2Q20, already considering UNINORTE's students. Excluding UNINORTE, FIES students represent 16.9% of the on-campus undergraduate student base.

The table below shows the evolution of our PDA from December 31, 2019 to June 30, 2020:

Constitution of Provision for Doubtful Accounts in the Income Statement (R\$ '000)	12/31/2019	Gross Increase in Provision for Doubtful Accounts	Write-off	06/30/2020
Total	113,149	61,216	(67,876)	106,489

Investments (CAPEX)

CAPEX (R\$ ('000))	6M20	% of Total	6M19	% of Total
CAPEX Total	24,606	100.0%	29,915	100.0%
Property acquisition / Construction / Maintenance of campuses	4,842	19.7%	7,872	26.3%
Equipment / Library / IT	9,419	38.3%	16,980	56.8%
Licenses and Partnerships	3,850	15.6%	2,820	9.4%
Intangibles and Others	6,495	26.4%	2,243	7.5%
Acquisitions Debt Payment	89,049		40,013	
Total CAPEX + Acquisitions Payables	113,655		69,928	

In 6M20, the Company invested a total of R\$24.6 million, however, investments in renovations of campuses, equipment, laboratories and libraries were significantly reduced due to the impacts of COVID-19. On the other hand, there was an increase in investments in licenses and partnerships and intangibles, due to the acquisition of didactic material and software licenses.

Indebtedness

Indebtedness (R\$ '000)	06/30/2020	12/31/2019	% Chg. Jun20 x Dec19
Total Cash	760,348	358,198	112.3%
Judicial deposits	(48,090)	(42,665)	12.7%
FG-FIES Guarantee Fund	(12,097)	(9,070)	33.4%
Cash, Cash equivalents and Securities	700,161	306,463	128.5%
Cash and cash equivalents	699,537	215,173	225.1%
Securities	624	91,290	-99.3%
Gross debt	(632,619)	(276,715)	128.6%
Loans and financing	(630,678)	(182,178)	246.2%
Short term	(77,635)	(92,137)	-15.7%
Long term	(553,043)	(90,041)	514.2%
Aquisitions Payables*	(1,941)	(94,537)	-97.9%
Net Cash	67,542	29,748	127.0%
Net Cash / Adjusted EBITDA (LTM)	0.20	0.09	

* Acquisitions payables refer to acquisition scheduled payments

Cash and cash equivalents totaled R\$700.2 million, an increase of 128.5% compared to December 2019. This variation is mainly due to cash preservation measures taken during the pandemic including, among others, the contracting of R\$500 million in medium-term working capital in order to provide the Company with greater cash protection in case of further deterioration in the scenario, as well as to support possible acquisitions, offset by commitments to be paid for



UNG's acquisition, UNINORTE's acquisition and the remaining balance of UNAMA's acquisition, totaling R\$89.0 million in the quarter.

The Company's gross debt mainly reflects commitments related to acquisitions and the issue of two long-term debts with the following characteristics:

- (i) Financing with IFC for the term of 7 years, totaling R\$120.0 million at CDI+2.05% p.a. up to 2018 and CDI+1.65% as of 2019, to be paid semi-annually as of April 15, 2017, and maturing on April 15, 2022, whose balance on June 30, 2020 was R\$43.7 million;
- (ii) Contracting of working capital, as mentioned above, consisting of: R\$200.0 million with Caixa Econômica Federal, at CDI+0.19% p.m., for a term of 36 months, with a 14-month grace period for the principal and payment in 8 quarterly installments, after the grace period, R\$200 million with Itaú Unibanco, at CDI+3.4% p.a. and R\$100.0 million with Santander Brasil, at CDI+3.1% p.a., both maturing in 2 years; and
- (iii) The Company's 2nd issue of simple, unsecured debentures not convertible into shares, in 2 series, 100,000 of which are First Series Debentures and 100,000 are Second Series Debentures, with a unit par value of R\$1,000.00 as of the date of issue, totaling R\$200,000,000.00. The First Series Debentures earned interest of 100% of the average daily rate of Interbank Deposits, plus a spread of 0.65% per year, based on 252 Business Days, paid on September 15, 2019. The Second Series Debentures will earn interest of 100% of the average daily rate of Interbank Deposits, plus a spread of 1.35% per year, based on 252 Business Days, maturing on September 15, 2021, whose balance on June 30, 2020 is of R\$75.5 million.

On June 30, 2020, Grupo Ser Educacional's gross debt totaled R\$632.6 million, an increase of 128.6% compared to the R\$276.7 million on December 31, 2019, mainly due to the contracting of working capital, as mentioned above. In 2Q20, the Company's net cash amounted to R\$67.5 million against net cash of R\$29.7 million in 4Q19.

Debt Amortization Schedule (R\$ '000)	Loans and Financing	A.V. (%)	Aquisitions Payables	A.V. (%)	Debentures	A.V. (%)	Total	A.V. (%)
Short Term	27,079	4.9%	1,941	100.0%	50,556	67.0%	79,576	12.6%
Total Long Term	528,146	95.1%	-	0.0%	24,897	33.0%	553,043	87.4%
1-2 years	423,263	76.2%	-	0.0%	24,897	33.0%	448,160	70.8%
2-3 years	101,682	18.3%	-	0.0%	-	0.0%	101,682	16.1%
3-4 years	2,062	0.4%	-	0.0%	-	0.0%	2,062	0.3%
4-5 years	1,139	0.2%	-	0.0%	-	0.0%	1,139	0.2%
After five years	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total Loans, Financing and Acquisitions payables	555,225	100.0%	1,941	100.0%	75,453	100.0%	632,619	100.0%

Regarding the debt payment schedule, 12.6% corresponds to short-term debt, showing that the Company has adequate debt amortization terms, as well as a comfortable level of financial leverage.



Cash Flow

Cash Flow (R\$ '000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Cash flow from operating activities						
Net cash from operating activities	79,392	2,622	2927.9%	72,706	19,212	278.4%
(-) Cash flow allocated to investing activities	(30,965)	(14,260)	117.1%	(113,655)	(69,928)	62.5%
(+)/ (-) Securities	10,732	116,475	-90.8%	90,666	363,182	-75.0%
(+)/ (-) Cash flow allocated to financing activities	469,444	(308,001)	-252.4%	434,647	(313,372)	-238.7%
Increase in cash and cash equivalents	528,603	(203,164)	-360.2%	484,364	(906)	-53561.8%
Net increase in cash and cash equivalents						
Beginning of period	170,934	516,989	-66.9%	215,173	314,731	-31.6%
End of period	699,537	313,825	122.9%	699,537	313,825	122.9%
Increase in cash and cash equivalents	528,603	(203,164)	-360.2%	484,364	(906)	-53561.8%
Cash and Securities changes	517,871	(319,639)	-262.0%	393,698	(364,088)	-208.1%
Beginning of period	182,290	876,449	-79.2%	306,463	920,898	-66.7%
End of period	700,161	556,810	25.7%	700,161	556,810	25.7%

Net operating cash generation increased from R\$2.6 million in 2Q19 to R\$79.4 million in 2Q20, mainly due to the increase in operating cash flow from regular students, reduced operating costs and postponed payments in the quarter, partially offset by the longer FIES payment cycle adopted by the government as of 2019, demonstrating that the Company managed to present solid operating cash generation despite the impact of the COVID-19 pandemic in the quarter.

ABOUT GRUPO SER EDUCACIONAL

Founded in 2003 and headquartered in Recife, Grupo Ser Educacional (B3 SEER3) is one of the largest private education groups in Brazil and the leader in the Northeast and North regions in terms of number of students enrolled. It offers undergraduate, graduate, vocational and distance learning courses in 26 states and the Federal District, with a consolidated base of approximately 183,600 students. The Company operates under the following brands: UNINASSAU, UNINASSAU – Centro Universitário Maurício de Nassau, UNINABUCO – Centro Universitário Joaquim Nabuco, Faculdades UNINABUCO, Joaquim Nabuco and Maurício de Nassau Vocational Schools, UNIVERITAS/UNG, UNAMA – Universidade da Amazônia and Faculdade da Amazônia and UNIVERITAS – Centro Universitário Universitas Veritas, Faculdades UNIVERITAS and UNINORTE – Centro Universitário do Norte, through which it offers 1,937 courses.

This earnings release may include forward-looking statements related to business prospects, estimates of operating and financial results, and the growth prospects of Grupo Ser Educacional. These are merely projections and, as such, are solely based on the expectations of the Management of Grupo Ser Educacional. Such forward-looking statements are substantially dependent on external factors, in addition to the risks presented in the disclosure documents filed by Grupo Ser Educacional and are therefore subject to change without prior notice.



EXHIBITS – Income Statement

Income Statement - Accounting R\$ ('000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Gross Operating Revenue	621,802	562,017	10.6%	1,223,499	1,058,875	15.5%
Undergraduate Monthly Tuition	563,274	519,025	8.5%	1,104,124	973,835	13.4%
Graduate Monthly Tuition	8,717	7,001	24.5%	17,975	14,585	23.2%
Vocational Courses Monthly Tuition	425	480	-11.5%	929	983	-5.6%
Distance Learning Monthly Tuition	48,462	32,854	47.5%	95,939	62,723	53.0%
Others	924	2,657	-65.2%	4,532	6,749	-32.8%
Deductions from Gross Revenue	(278,782)	(229,412)	21.5%	(571,953)	(422,106)	35.5%
Discounts and Scholarships	(201,709)	(155,769)	29.5%	(425,483)	(287,377)	48.1%
PROUNI	(60,714)	(54,770)	10.9%	(115,908)	(99,308)	16.7%
FGEDUC And FIES charges	(4,429)	(7,929)	-44.1%	(8,247)	(14,553)	-43.3%
Taxes	(11,930)	(10,944)	9.0%	(22,315)	(20,868)	6.9%
Net Operating Revenue	343,020	332,605	3.1%	651,546	636,769	2.3%
Cash Cost of Services Rendered	(138,306)	(146,687)	-5.7%	(293,282)	(284,748)	3.0%
Payroll and Charges	(92,838)	(94,175)	-1.4%	(189,239)	(183,314)	3.2%
Rent	6,486	2,317	179.9%	4,371	(7,651)	-157.1%
Concessionaires (Electricity, Water and Telephone)	(5,167)	(10,983)	-53.0%	(15,263)	(20,092)	-24.0%
Third-Party Services	(5,960)	(13,289)	-55.2%	(12,072)	(20,499)	-41.1%
Depreciation and Amortization	(40,827)	(30,557)	33.6%	(81,079)	(53,192)	52.4%
Managerial Gross Profit	204,714	185,918	10.1%	358,264	352,021	1.8%
<i>Gross Margin</i>	<i>59.7%</i>	<i>55.9%</i>	<i>3.8 p.p.</i>	<i>55.0%</i>	<i>55.3%</i>	<i>-0.3 p.p.</i>
Operating Expenses/Revenue	(115,388)	(96,948)	19.0%	(228,716)	(187,573)	21.9%
General and Administrative Expenses	(116,944)	(113,937)	2.6%	(228,466)	(203,060)	12.5%
Payroll and Charges	(33,346)	(35,573)	-6.3%	(73,971)	(70,472)	5.0%
Third-Party Services	(9,152)	(16,651)	-45.0%	(24,084)	(29,436)	-18.2%
Advertising	(15,973)	(22,473)	-28.9%	(41,328)	(42,200)	-2.1%
Materials	(750)	(3,556)	-78.9%	(3,703)	(6,933)	-46.6%
PDA	(47,475)	(22,311)	112.8%	(61,216)	(28,839)	112.3%
Others	(6,702)	(9,632)	-30.4%	(16,973)	(17,586)	-3.5%
Depreciation and Amortization	(3,546)	(3,741)	-5.2%	(7,191)	(7,594)	-5.3%
Other Operating Expenses/Revenue	1,556	16,989	-90.8%	(250)	15,487	N.M.
Managerial Operating Income	89,326	88,970	0.4%	129,548	164,448	-21.2%
<i>Operating Margin</i>	<i>26.0%</i>	<i>26.7%</i>	<i>-0.7 p.p.</i>	<i>19.9%</i>	<i>25.8%</i>	<i>-5.9 p.p.</i>
(+) Adjusted Depreciation and Amortization	44,373	34,298	29.4%	88,270	60,786	45.2%
EBITDA	133,699	123,268	8.5%	217,818	225,234	-3.3%
<i>EBITDA Margin</i>	<i>39.0%</i>	<i>37.1%</i>	<i>1.9 p.p.</i>	<i>33.4%</i>	<i>35.4%</i>	<i>-1.9 p.p.</i>
(+) Non-recurring costs and expenses	3,646	(5,369)	-167.9%	16,688	2,854	484.7%
(+) Interest on tuition and agreements	1,934	1,835	5.4%	9,937	6,936	43.3%
(-) Minimum rent paid	(30,627)	(31,334)	-2.3%	(58,164)	(49,557)	17.4%
Adjusted EBITDA	108,653	88,400	22.9%	186,279	185,467	0.4%
<i>Adjusted EBITDA Margin</i>	<i>31.7%</i>	<i>26.6%</i>	<i>5.1 p.p.</i>	<i>28.6%</i>	<i>29.1%</i>	<i>-0.5 p.p.</i>
(-) Adjusted Depreciation and Amortization	(44,373)	(34,298)	29.4%	(88,270)	(60,786)	45.2%
Adjusted EBIT	64,280	54,102	18.8%	98,009	124,681	-21.4%
<i>Adjusted EBIT Margin</i>	<i>18.7%</i>	<i>16.3%</i>	<i>2.5 p.p.</i>	<i>15.0%</i>	<i>19.6%</i>	<i>-4.5 p.p.</i>
Financial Result	(28,754)	(28,178)	2.0%	(50,541)	(44,779)	12.9%
(+) Financial Revenue	5,399	12,625	-57.2%	15,664	30,553	-48.7%
Interest on Agreements and Others	1,934	1,835	5.4%	9,937	6,936	43.3%
Returns on Financial Investments	3,204	11,177	-71.3%	5,601	24,649	-77.3%
Others	261	(387)	-167.4%	126	(1,032)	-112.2%
(-) Financial Expenses	(34,153)	(40,803)	-16.3%	(66,205)	(75,332)	-12.1%
Interest Expenses	(5,829)	(5,280)	10.4%	(9,006)	(10,584)	-14.9%
Interest on Leasing	(17,879)	(21,576)	-17.1%	(35,761)	(35,083)	1.9%
Discounts Granted	(7,414)	(8,621)	-14.0%	(16,444)	(21,188)	-22.4%
Monetary Variation Expenses	-	(1,711)	-100.0%	(1,578)	(3,602)	-56.2%
Others	(3,031)	(3,615)	-16.2%	(3,416)	(4,875)	-29.9%
Income Before Income Taxes	60,572	60,792	-0.4%	79,007	119,669	-34.0%
Income and Social Contribution Taxes	(5,856)	(1,786)	227.9%	(7,525)	(4,571)	64.6%
Current	(24,634)	(21,279)	15.8%	(41,675)	(44,909)	-7.2%
Tax Incentive - Proni	21,077	19,493	8.1%	36,766	40,338	-8.9%
Deferred	(2,299)	-	-100.0%	(2,616)	-	-100.0%
Consolidated Net Income/Loss	54,716	59,006	-7.3%	71,482	115,098	-37.9%
<i>Net Margin</i>	<i>16.0%</i>	<i>17.7%</i>	<i>-1.8 p.p.</i>	<i>11.0%</i>	<i>18.1%</i>	<i>-7.1 p.p.</i>



Income Statement – Managerial result

Income Statement - Adjusted R\$ ('000)	2Q20	2Q19	% Chg. 2Q20 x 2Q19	6M20	6M19	% Chg. 6M20 x 6M19
Gross Operating Revenue	621,802	562,017	10.6%	1,223,499	1,058,875	15.5%
Undergraduate Monthly Tuition	563,274	519,025	8.5%	1,104,124	973,835	13.4%
Graduate Monthly Tuition	8,717	7,001	24.5%	17,975	14,585	23.2%
Vocational Courses Monthly Tuition	425	480	-11.5%	929	983	-5.6%
Distance Learning Monthly Tuition	48,462	32,854	47.5%	95,939	62,723	53.0%
Others	924	2,657	-65.2%	4,532	6,749	-32.8%
Deductions from Gross Revenue	(278,782)	(229,412)	21.5%	(571,953)	(422,106)	35.5%
Discounts and Scholarships	(201,709)	(155,769)	29.5%	(425,483)	(287,377)	48.1%
PROUNI	(60,714)	(54,770)	10.9%	(115,908)	(99,308)	16.7%
FGEDUC And FIES charges	(4,429)	(7,929)	-44.1%	(8,247)	(14,553)	-43.3%
Taxes	(11,930)	(10,944)	9.0%	(22,315)	(20,868)	6.9%
Net Operating Revenue	343,020	332,605	3.1%	651,546	636,769	2.3%
Cash Cost of Services Rendered	(137,847)	(145,532)	-5.3%	(291,903)	(280,703)	4.0%
Payroll and Charges	(92,379)	(93,020)	-0.7%	(187,860)	(179,269)	4.8%
Rent	6,486	2,317	179.9%	4,371	(7,651)	-157.1%
Concessionaires (Electricity, Water and Telephone)	(5,167)	(10,983)	-53.0%	(15,263)	(20,092)	-24.0%
Third-Party Services	(5,960)	(13,289)	-55.2%	(12,072)	(20,499)	-41.1%
Depreciation and Amortization	(40,827)	(30,557)	33.6%	(81,079)	(53,192)	52.4%
Managerial Gross Profit	205,173	187,073	9.7%	359,643	356,066	1.0%
<i>Managerial Gross Margin</i>	<i>59.8%</i>	<i>56.2%</i>	<i>3.6 p.p.</i>	<i>55.2%</i>	<i>55.9%</i>	<i>-0.7 p.p.</i>
Operating Expenses/Revenue	(112,201)	(103,473)	8.4%	(213,408)	(188,764)	13.1%
General and Administrative Expenses	(113,686)	(106,795)	6.5%	(213,263)	(190,584)	11.9%
Payroll and Charges	(32,460)	(35,117)	-7.6%	(71,323)	(68,894)	3.5%
Third-Party Services	(8,009)	(9,965)	-19.6%	(18,892)	(18,539)	1.9%
Advertising	(15,973)	(22,473)	-28.9%	(41,328)	(42,200)	-2.1%
Materials	(750)	(3,556)	-78.9%	(3,703)	(6,933)	-46.6%
PDA	(47,475)	(22,311)	112.8%	(61,216)	(28,839)	112.3%
Others	(5,473)	(9,632)	-43.2%	(9,610)	(17,586)	-45.4%
Depreciation and Amortization	(3,546)	(3,741)	-5.2%	(7,191)	(7,594)	-5.3%
Other Operating Expenses/Revenue	1,486	3,323	-55.3%	(144)	1,821	-107.9%
Managerial Operating Income	92,972	83,601	11.2%	146,235	167,302	-12.6%
<i>Managerial Operating Margin</i>	<i>27.1%</i>	<i>25.1%</i>	<i>2.0 p.p.</i>	<i>22.4%</i>	<i>26.3%</i>	<i>-3.8 p.p.</i>
(+) Depreciation and Amortization	44,373	34,298	29.4%	88,270	60,786	45.2%
(+) Interest on tuition and agreements	1,934	1,835	5.4%	9,937	6,936	43.3%
(-) Minimum rent paid	(30,627)	(31,334)	-2.3%	(58,164)	(49,557)	17.4%
Adjusted EBITDA	108,653	88,400	22.9%	186,278	185,467	0.4%
<i>Adjusted EBITDA Margin</i>	<i>31.7%</i>	<i>26.6%</i>	<i>5.1 p.p.</i>	<i>28.6%</i>	<i>29.1%</i>	<i>-0.5 p.p.</i>
(-) Depreciation and Amortization	(44,373)	(34,298)	29.4%	(88,270)	(60,786)	45.2%
Adjusted EBIT	64,280	54,102	18.8%	98,008	124,681	-21.4%
<i>Adjusted EBIT Margin</i>	<i>18.7%</i>	<i>16.3%</i>	<i>2.5 p.p.</i>	<i>15.0%</i>	<i>19.6%</i>	<i>-4.5 p.p.</i>
Financial Result	(28,754)	(28,178)	2.0%	(50,541)	(44,779)	12.9%
(+) Financial Revenue	5,399	12,625	-57.2%	15,664	30,553	-48.7%
Interest on Agreements and Others	1,934	1,835	5.4%	9,937	6,936	43.3%
Returns on Financial Investments	3,204	11,177	-71.3%	5,601	24,649	-77.3%
Others	261	(387)	-167.4%	126	(1,032)	-112.2%
(-) Financial Expenses	(34,153)	(40,803)	-16.3%	(66,205)	(75,332)	-12.1%
Interest Expenses	(5,829)	(5,280)	10.4%	(9,006)	(10,584)	-14.9%
Interest on Leasing	(17,879)	(21,576)	-17.1%	(35,761)	(35,083)	1.9%
Discounts Granted	(7,414)	(8,621)	-14.0%	(16,444)	(21,188)	-22.4%
Monetary Variation Expenses	-	(1,711)	-100.0%	(1,578)	(3,602)	-56.2%
Others	(3,031)	(3,615)	-16.2%	(3,416)	(4,875)	-29.9%
Income Before Income Taxes	64,218	55,423	15.9%	95,694	122,523	-21.9%
Income and Social Contribution Taxes	(5,957)	(1,628)	265.9%	(8,110)	(4,680)	73.3%
Current	(24,735)	(21,121)	17.1%	(42,260)	(45,018)	-6.1%
Tax Incentive - Prouni	21,077	19,493	8.1%	36,766	40,338	-8.9%
Deferred	(2,299)	-	-100.0%	(2,616)	-	-100.0%
Adjusted Consolidated Net Income/Loss	58,261	53,794	8.3%	87,585	117,843	-25.7%
<i>Adjusted Net Margin</i>	<i>17.0%</i>	<i>16.2%</i>	<i>0.8 p.p.</i>	<i>13.4%</i>	<i>18.5%</i>	<i>-5.1 p.p.</i>



Balance Sheet

Balance Sheet - ASSETS (R\$ '000)	06/30/2020	12/31/2019	% Chg. Jun20 x Dec19
Total Assets	3,026,129	2,559,156	18.2%
Current Assets	1,133,904	644,545	75.9%
Cash and cash equivalents	699,537	215,173	225.1%
Securities	624	91,290	-99.3%
Accounts receivable	378,562	286,967	31.9%
Taxes recoverable	16,040	13,917	15.3%
Related parties	1,952	1,952	0.0%
Other assets	37,189	35,246	5.5%
Non-Current Assets	1,892,225	1,914,611	-1.2%
Long-Term Assets	246,193	227,438	8.2%
Accounts receivable	56,496	46,922	20.4%
Related parties	6,996	7,972	-12.2%
Other assets	52,159	42,665	22.3%
Indemnifications	112,015	112,015	0.0%
FG-FIES Guarantee Fund	12,097	9,070	33.4%
Other Accounts receivable	6,430	8,794	-26.9%
Intangible assets	551,812	560,646	-1.6%
Right-of-Use Assets	603,422	616,110	-2.1%
Property, plant and equipment	490,798	510,417	-3.8%
Balance Sheet - LIABILITIES (R\$ '000)	06/30/2020	12/31/2019	% Chg. Jun20 x Dec19
Total Liabilities	1,666,531	1,250,668	33.3%
Current Liabilities	362,898	406,439	-10.7%
Suppliers	39,839	32,501	22.6%
Accounts payable	1,941	94,537	-97.9%
Loans and financing	27,079	24,377	11.1%
Debentures	50,556	67,760	-25.4%
Payroll and charges	124,781	82,000	52.2%
Taxes payable	21,132	23,688	-10.8%
Leasing	47,704	43,931	8.6%
Dividends payable	20,372	6,063	236.0%
Other liabilities	29,494	31,582	-6.6%
Non-Current Liabilities	1,303,633	844,229	54.4%
Loans and financing	528,146	40,351	1208.9%
Debentures	24,897	49,690	-49.9%
Leasing	622,866	623,946	-0.2%
Taxes payable	6,101	7,127	-14.4%
Provision for contingencies	121,181	122,111	-0.8%
Other liabilities	442	1,004	-56.0%
Consolidated Shareholders' Equity	1,359,598	1,308,488	3.9%
Capital Realized	987,549	987,549	0.0%
Income Reserve	324,513	320,939	1.1%
Retained income	47,536	-	N.M.
Total Liabilities and Shareholders' Equity	3,026,129	2,559,156	18.2%



Cash Flow

Cash Flow Statement (R\$ '000)	06/30/2020	06/30/2019	% Chg. Jun20 x Jun19
Consolidated Net Income for the Period before Income Taxes	79,007	119,669	-34.0%
Depreciation and amortization	88,270	60,786	45.2%
Provisions	(930)	(145)	541.4%
Adjustment present value of accounts receivable	4,170	2,490	67.5%
Provision for doubtful accounts	61,216	28,839	112.3%
Sale of Non-Current Assets	(2,551)	6,677	-138.2%
Interest and exchange variation, net	45,653	50,478	-9.6%
Adjusted Net Income	274,835	268,794	2.2%
Changes in Assets and Liabilities	(140,948)	(206,114)	-31.6%
Accounts receivable	(166,555)	(186,816)	-10.8%
Taxes recoverable	(6,192)	(4,884)	26.8%
Related parties	-	(10,901)	-100.0%
Other assets	(8,031)	(21,582)	-62.8%
Suppliers	7,338	1,553	372.5%
Payroll and charges	42,781	18,358	133.0%
Taxes payable	(3,582)	(4,945)	-27.6%
Income and social contribution taxes payable	(4,057)	701	-678.7%
Other liabilities	(2,650)	2,402	-210.3%
Cash generated from operations	133,887	62,680	113.6%
Other	(61,181)	(43,468)	40.7%
Interest on loans and debentures	(21,952)	(3,113)	605.2%
Interest on leases	(35,761)	(35,083)	1.9%
Income and social contribution taxes paid	(3,468)	(5,272)	-34.2%
Net Cash from Operating Activities	72,706	19,212	278.4%
Net Cash from Investing Activities	(22,989)	293,254	-107.8%
Securities	90,666	363,182	-75.0%
Additions to property, plant and equipment	(14,261)	(25,446)	-44.0%
Additions to intangible assets	(10,345)	(4,469)	131.5%
Acquisition of subsidiaries Payments	(89,049)	(40,013)	122.6%
Net Cash from Financing Activities	434,647	(313,372)	-238.7%
Amortization of Debentures	(25,000)	-	N.M.
Loans and financing	499,299	-	N.M.
Amortization of loans and financing	(12,162)	(12,218)	-0.5%
Amortization of leasing	(22,403)	(14,474)	54.8%
Related parties	976	-	N.M.
Dividends	(6,063)	(286,680)	-97.9%
Increase (Reduction) in Cash and Cash Equivalents	484,364	(906)	N.M.
Cash and Cash Equivalents at Beginning of Period	215,173	314,731	-31.6%
Cash and Cash Equivalents at End of Period	699,537	313,825	122.9%
Cash changes and Securities	393,698	(364,088)	-208.1%