

Interim Financial Statements

Ser Educacional S.A.

March 31, 2019
with independent auditor's review report on
individual and consolidated quarterly information

Ser Educacional S.A.

Interim Financial Statements

March 31, 2019

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A free translation from Portuguese into English of Independent Auditor's Review Report on interim financial information prepared in accordance with Brazilian and International Standards on review engagements

Independent auditor's review report on individual and consolidated quarterly information

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

Introduction

We have reviewed the individual and consolidated interim financial information contained in the Quarterly Information Form (ITR) of Ser Educacional S.A. (the "Company") for the quarter ended March 31, 2019, which comprise the statement of financial position as at March 31, 2019 and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the period then ended, including explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with Accounting Pronouncement CPC 21(R1) - Interim Financial Reporting ("CPC 21 (R1)"), and consolidated interim financial information in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) ("IAS 34"), as well as for the fair presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, 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 individual and consolidated interim financial information included in the quarterly information referred to above was not fairly prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of the Quarterly Information (ITR), and presented consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Interim financial information for 2018

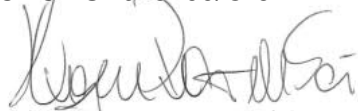
The statement of income, of comprehensive income, of changes in equity, of cash flows and of value added for the period ended March 31, 2018, presented for comparative purposes, were previously reviewed by other independent auditors who issued an unmodified review report on the interim financial information on May 8, 2018.

Statements of added value

We also reviewed the individual and consolidated statements of value added for the period ended March 31, 2019, prepared under responsibility of the Company's management, whose presentation in the interim financial information is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR) and considered supplementary information under IFRS, which do not require such presentation. These statements were submitted to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, in accordance with the overall individual and consolidated interim financial information.

Recife, May 9, 2019.

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



Henrique Piereck de Sá
CRC Accountant PE023398/O-3

Ser Educacional S.A.

Balance sheet

March 31, 2019 and December 31, 2018

All amounts in thousands of Reais, except when otherwise stated

Assets	Note	Parent Company		Consolidated		Liabilities and equity	Note	Parent Company		Consolidated	
		March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018			March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Current liabilities						Current liabilities					
Cash and cash equivalents	8	431,782	236,115	516,989	314,731	Suppliers	14	10,395	12,240	31,528	33,921
Securities	8	357,924	581,194	359,460	606,167	Borrowings	16	26,501	24,970	26,501	24,970
Accounts receivable - Students	9	97,246	64,009	258,645	185,560	Debentures	17	147,149	108,476	147,149	108,476
Taxes recoverable	10	7,880	6,759	9,145	8,254	Salaries and social charges	18	36,352	36,953	77,310	73,692
Related parties	26.a	20,369				Taxes payable	10	5,074	4,575	15,560	15,648
Other assets		7,069	7,268	27,837	28,927	Commitments payable	15	747	862	79,386	82,770
						Lease commitments	19	16,292	10,667	30,771	17,209
		<u>922,270</u>	<u>895,345</u>	<u>1,172,076</u>	<u>1,143,639</u>	Related parties	26.a	28,377	12,859		
						Dividends payable	20.g	27,119	27,119	27,119	27,119
						Other liabilities		11,358	11,612	27,261	23,460
								<u>309,364</u>	<u>250,333</u>	<u>462,585</u>	<u>407,265</u>
Non-current						Non-current					
Long-term receivables						Borrowings	16	63,392	63,880	63,392	63,880
Accounts receivable - Students	9	9,550	8,831	31,332	28,867	Debentures	17	74,381	108,892	74,381	108,892
Judicial deposits and blocked escrows		5,612	5,162	32,484	29,380	Commitments payable	15				34,684
Indemnification assets	27.d	3,249	3,249	112,015	112,015	Lease commitments	19	181,791	127,252	492,505	221,050
FG-FIES guarantee fund		447	447	1,401	1,401	Taxes payable	10	409	442	1,020	1,154
Other accounts receivable				300		Provision for contingencies	27	1,626	1,454	120,140	119,759
Investments	6	698,458	648,702			Other liabilities		2,002	2,316	2,014	2,333
Intangible assets	11	34,612	35,504	422,275	424,367			<u>323,601</u>	<u>304,236</u>	<u>753,452</u>	<u>551,752</u>
Right of use	12	157,441	98,856	460,726	181,527						
Property and equipment	13	327,961	329,016	510,063	508,364						
		<u>1,237,330</u>	<u>1,129,767</u>	<u>1,570,596</u>	<u>1,285,921</u>						
						Equity	20				
						Attributable to shareholders of parent company					
						Share capital		987,549	987,549	987,549	987,549
						Profit reserve		551,326	548,521	551,326	548,521
						Treasury shares		(65,527)	(65,527)	(65,527)	(65,527)
						Retained earnings		53,287		53,287	
						Total equity		<u>1,526,635</u>	<u>1,470,543</u>	<u>1,526,635</u>	<u>1,470,543</u>
Total assets		<u>2,159,600</u>	<u>2,025,112</u>	<u>2,742,672</u>	<u>2,429,560</u>	Total liabilities and equity		<u>2,159,600</u>	<u>2,025,112</u>	<u>2,742,672</u>	<u>2,429,560</u>

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

Ser Educacional S.A.

Income statement

Quarter ended March 31, 2019

All amounts in thousands of Reais, except when otherwise stated

	Note	Parent Company		Consolidated	
		January 1, 2019 to March 31, 2019	January 1, 2018 to March 31, 2018	January 1, 2019 to March 31, 2019	January 1, 2018 to March 31, 2018
Net revenue from services	21	124,243	112,206	304,164	317,249
Cost of services	22	(57,920)	(52,971)	(138,061)	(138,871)
Gross profit		66,323	59,235	166,103	178,378
Selling expenses	23	(12,112)	(16,993)	(19,727)	(35,771)
General and administrative expenses	23	(43,272)	(47,340)	(69,396)	(83,200)
Other operating income (expenses), net	23	(812)	(931)	(1,502)	962
Interest in the profit of subsidiaries	6	49,169	60,935		
Operating profit		59,296	54,906	75,478	60,369
Financial income	24	13,887	15,764	17,928	22,640
Financial costs	24	(17,091)	(12,378)	(34,529)	(23,361)
Financial income (expenses), net		(3,204)	3,386	(16,601)	(721)
Profit before income tax and social contribution		56,092	58,292	58,877	59,648
Income tax and social contribution	25	(2,349)	(73)	(23,630)	(18,406)
Tax incentive - PROUNI	25	2,349	1	20,845	16,978
Net income for the period		56,092	58,220	56,092	58,220
Attributable to					
Shareholders of the parent company		56,092	58,220	56,092	58,220
		<u>56,092</u>	<u>58,220</u>	<u>56,092</u>	<u>58,220</u>
Weighted average of outstanding common shares at the end of the period (in thousands)		128,722	138,435		
Earnings per share attributable to shareholders of the Parent Company during the period in R\$ per share)		0.44	0.42		

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

Ser Educacional S.A.

Statement of comprehensive income

Quarter ended March 31, 2019

All amounts in thousands of Reais, except when otherwise stated

	Parent Company and Consolidated	
	March 31, 2019	March 31, 2018
Net income for the period	56,092	58,220
Other components of comprehensive income for the period		
Comprehensive income for the period	56,092	58,220

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

Ser Educacional S.A.

Statement of changes in equity

Quarter ended March 31, 2019

All amounts in thousands of Reais, except when otherwise stated

	Note	Attributable to shareholders of parent company							Total of total equity	
		Share capital		Profit reserve			Proposed dividends	Treasury shares		Net income for the period
		Share capital	Share issue costs	Tax incentives	Legal	Retention				
As of January 1, 2018		991,644	(4,095)	50,736	45,459	420,287	10,813	(6,454)	1,508,390	
Adoption of IFRS 9	2.2					(25,757)			(25,757)	
Net income for the period	28							58,220	58,220	
Tax incentive reserve	19.d			1				(1)	-	
Legal reserve	20.e				2,911			(2,911)	-	
As of March 31, 2018		<u>991,644</u>	<u>(4,095)</u>	<u>50,737</u>	<u>48,370</u>	<u>394,530</u>	<u>10,813</u>	<u>(6,454)</u>	<u>1,540,853</u>	
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							56,092	56,092	
Legal reserve	20.e				2,805			(2,805)		
On March 31, 2019		<u>991,644</u>	<u>(4,095)</u>		<u>58,328</u>	<u>483,437</u>	<u>9,561</u>	<u>(65,527)</u>	<u>1,526,635</u>	

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

Ser Educacional S.A.

Statement of cash flows

March 31, 2019 and March 31, 2018

All amounts in thousands of Reais, except when otherwise stated

	Note	Parent Company		Consolidated	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Operational activities					
Profit before income tax and social contribution		56,092	58,292	58,877	59,648
Adjustments for					
Depreciation and amortization	11 to 13	14,031	10,246	26,488	17,384
(Reversal of) provision for contingencies		172	177	381	(2,739)
Interest in the profit of subsidiaries	6.a	(49,169)	(60,935)		
Adjustment to present value of accounts receivable	9	400		1,294	
Allowance for doubtful accounts	9.e	602	4,543	6,528	15,689
Loss on write-off of non-current assets	11 to 13	18	46	95	46
Interest, and monetary variations, net	24	11,605	10,480	21,311	15,624
		33,751	22,849	114,974	105,652
Changes in assets and liabilities					
Accounts receivable - Students		(34,958)	(35,075)	(83,372)	(93,215)
Taxes recoverable		(1,121)	(454)	(891)	552
Other assets		(251)	97	(2,314)	(1,639)
Suppliers		(1,845)	2,125	(2,393)	4,427
Salaries and social charges		(601)	87	3,618	4,760
Taxes payable		466	(35)	(222)	(301)
Income tax and social contribution payable			(72)	(416)	11
Other liabilities		(568)	70	3,482	1,514
Cash generated by (applied in) operations		(5,127)	(10,408)	32,466	21,761
Interest paid on leases		(5,692)	(4,595)	(13,507)	(8,322)
Income tax and social contribution paid				(2,369)	(1,439)
Net cash provided by (used in) operating activities		(10,819)	(15,003)	16,590	12,000
Investment activities					
Securities		223,270	61,660	246,707	75,914
Advance for future capital increase in subsidiaries	6.b	(587)	(38,988)		
Additions to property and equipment	13	(6,276)	(13,111)	(13,658)	(23,777)
Additions to intangible assets	11	(1,792)	(1,687)	(1,997)	(3,134)
Payables for acquisition of subsidiaries		(169)		(40,013)	(37,324)
Net cash provided by investment activities		214,446	7,874	191,039	11,679
Financing activities					
Amortization of borrowing and financing	16	(654)	(900)	(654)	(1,309)
Amortization of leases	19	(2,455)	(1,012)	(4,717)	(1,427)
Related parties		(4,851)	7,582		
Net cash provided by (used in) financing activities		(7,960)	5,670	(5,371)	(2,736)
Increase (decrease) of cash and cash equivalents		195,667	(1,459)	202,258	20,943
Cash and cash equivalents					
At the beginning of the period		236,115	269,739	314,731	279,286
At the end of the period		431,782	268,280	516,989	300,229
Increase (decrease) of cash and cash equivalents		195,667	(1,459)	202,258	20,943

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

Ser Educacional S.A.

Notes to the interim financial statements

March 31, 2019

All amounts in thousands of Reais, except when otherwise stated

	Note	Parent Company		Consolidated	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Revenue					
Services	21	199,873	153,702	496,858	437,179
Allowance for doubtful accounts	23	(602)	(4,543)	(6,528)	(15,689)
Revenue deductions	21	(72,174)	(38,003)	(182,770)	(108,979)
		<u>127,097</u>	<u>111,156</u>	<u>307,560</u>	<u>312,511</u>
Inputs acquired from third parties					
Services provided by individuals and corporations	22 and 23	(12,805)	(7,378)	(17,019)	(11,280)
Electricity, water and telephone	22	(4,323)	(4,213)	(9,109)	(9,201)
Publicity and advertising	23	(12,112)	(16,993)	(19,727)	(35,771)
Office supplies	23	(1,980)	(3,331)	(3,377)	(5,448)
Other		(8,048)	(11,021)	(12,610)	(13,376)
		<u>(39,268)</u>	<u>(42,936)</u>	<u>(61,842)</u>	<u>(75,076)</u>
Gross value added		<u>87,829</u>	<u>68,220</u>	<u>245,718</u>	<u>237,435</u>
Depreciation and amortization	22 and 23	(14,031)	(10,246)	(26,488)	(17,384)
Net value added generated by the entity		<u>73,798</u>	<u>57,974</u>	<u>219,230</u>	<u>220,051</u>
Financial income	24	14,564	16,517	18,857	23,694
Equity in the results of subsidiaries	6	49,169	60,935		
Total value added to distribute		<u>137,531</u>	<u>135,426</u>	<u>238,087</u>	<u>243,745</u>
Distribution of value added					
Salaries and social charges	22 and 23	(55,550)	(52,716)	(124,038)	(126,865)
Taxes, fees and contributions		(4,267)	(5,239)	(13,460)	(15,081)
Federal taxes		(677)	(825)	(3,714)	(2,482)
Municipal taxes		(3,590)	(4,414)	(9,746)	(12,599)
Remuneration of third-party capital		(21,622)	(19,251)	(44,497)	(43,579)
Financial costs	24	(17,091)	(12,378)	(34,529)	(23,361)
Rentals	22	(4,531)	(6,873)	(9,968)	(20,218)
Net income for the period		<u>(56,092)</u>	<u>(58,220)</u>	<u>(56,092)</u>	<u>(58,220)</u>
Value added distributed		<u>(137,531)</u>	<u>(135,426)</u>	<u>(238,087)</u>	<u>(243,745)</u>

Ser Educacional S.A.

Notes to the interim financial statements

March 31, 2019

All amounts in thousands of Reais, except when otherwise stated

Section A — General information

1 General information

Ser Educacional S.A. (the “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, eight university centers, 73 accredited colleges and 246 distance-learning 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 approximately 162,000 students, and operates 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, Faculdades UNINASSAU, Faculdades UNINABUCO and Escolas Técnicas Joaquim Nabuco and Maurício de Nassau, through which it offers around 1,659 courses. (Not reviewed).

Ser Educacional is a publicly held company headquartered in Recife, in the state of Pernambuco, listed on the B3 S.A. - Brasil, Bolsa, Balcão, in the Novo Mercado special segment, where its shares are traded under the ticker SEER3. In July 2018, 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 the issuance of these interim financial statements after the Audit Committee’s review on May 09, 2019.

2 Summary of significant accounting policies

The main accounting policies applied to the preparation of these interim financial statements are detailed in Section F, Note 31. These policies have been consistently applied in the years presented.

2.1 Basis of preparation

The income statement for the quarter ended March 31, 2019 was prepared on the historical cost convention, with certain financial assets and liabilities measured at fair value.

Ser Educacional S.A.

Notes to the interim financial statements

March 31, 2019

All amounts in thousands of Reais, except when otherwise stated

The interim financial information was prepared in accordance with Technical Pronouncement CPC 21 – “Interim Financial Statements”, as well as in compliance with IAS 34 – “Interim Financial Reporting”, issued by the International Accounting Standards Board (IASB), and shows all material information that is relevant to the financial statements, and only such information, which is consistent with that used by Management.

The preparation of interim financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. Those areas involving a high degree of judgment or complexity, and areas where assumptions and estimates are significant to the consolidated interim financial information are disclosed in Note 3.

The presentation of the parent company and consolidated statements of value added is required by the Brazilian Corporate Law and by the accounting practices adopted in Brazil applicable to publicly held companies. The International Financial Reporting Standards (IFRS) do not require the presentation of this statement. As a result, under the IFRS, this statement is reported as additional information, without prejudice to the set of financial statements.

2.2 New standards, amendments and interpretations in effect as of January 1, 2019

- **IFRS 16 - Leases / CPC 06 (R2) Lease transactions)**

IFRS 16 replaces existing lease standards, including CPC 06 (R1) (IAS 17) Leasing Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Additional Aspects of Leasing Operations. The new standard brings a single lease model, based on the right to use the asset in exchange for a payment, with a treatment similar to the financial lease. This standard is effective for fiscal years beginning on January 1, 2019.

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. A significant part of these agreements is accounted for as operating leases, as per the current lease standard, with lease payments recognized on a straight-line basis over the term of the lease.

The Group concluded its analysis on the impact of this new standard on such agreements. This analysis included an estimate of the lease term, based on the non-cancellable period and the periods covered by options to extend the lease, when the exercise depends only on the Company and when this exercise is reasonably certain. In addition, the Company and its subsidiaries adopted assumptions to calculate the discount rate, which was based on the average annual cost of third-party capital.

On the other hand, the Group concluded that there are no non-lease elements embedded in its lease agreements for the asset classes in question.

Ser Educacional S.A.

Notes to the interim financial statements

March 31, 2019

All amounts in thousands of Reais, except when otherwise stated

The standard also allows two transition methods: retrospectively for all periods presented or a modified retrospective approach, where the cumulative effect of the adoption is recognized at the date of initial application, accounting the effects of the adjustments directly on the opening balance of retained earnings, without restating comparative information.

The Group decided to adopt the modified retrospective approach. The Group opted for the practical records, which does not require the reevaluation to find if the agreement has or is a lease agreement on the initial date of adoption of CPC 06 (R2)/IFRS 16. This method entails in directly applying the new requirements to all agreements that, under the terms of the current standard, were identified as lease agreements. In addition, certain practical records are available on the first application referring to the right of use, asset measurement, discount rates, impairment, leases that end within twelve months after the initial adoption, direct initial costs and lease term. Accordingly, the Group opted for adopting the following practical records in the transition to the new criteria: (i) using common discount rates for the set of agreements in question, since they have similar characteristics as for the terms, currency and economic environment; (ii) applying the practical records that do not require the adoption of the new criteria for agreements that expire in 12 months after the initial adoption; and (iii) excluding initial direct costs of the initial valuation of the asset under right of use on the initial adoption.

Based on the volume of agreements affected, as well as the magnitude of future lease commitments, the Group believes that the changes introduced by CPC 06 (R2) / IFRS 16 will have a significant impact on its financial statements after its adoption, including the accounting of rights-of-use assets in the balance and their corresponding lease liabilities for most of the agreement that are classified as operating leases under current standards. In addition, the amortization of rights-of-use assets and the recognition of interest costs on the lease liability in the income statements will replace the numbers recognized as lease expenses under the current lease standards. The classification of lease payments in the statement of cash flows will also be affected by the requirements of the new lease standard.

After the analysis, the impact of the adoption of CPC 06 (R2) / IFRS 16 in the opening balance sheet of 2019 was as follows:

	<u>Parent Company</u>	<u>Consolidated</u>
Assets - Right of Use	<u>62,619</u>	<u>289,734</u>
Liabilities - Lease commitments	<u>(62,619)</u>	<u>(289,734)</u>
Impact on Equity	<u> </u>	<u> </u>

Section B – Risks

3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Ser Educacional S.A.

Notes to the interim financial statements

March 31, 2019

All amounts in thousands of Reais, except when otherwise stated

3.1 Critical accounting estimates and assumptions

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are addressed below.

(a) Provision for contingencies

The Group recognizes provision for civil, tax and labor lawsuits. The assessment of the probability of loss includes an appraisal of the available evidence, the hierarchy of laws, the available case law, recent court decisions and their relevance in the judicial system, as well as the opinion of external and internal legal counsel. Provision for contingencies (labor, civil and tax) are recognized when: (i) there is a present or non-formalized obligation as a result of events that have already occurred; (ii) it is probable that an outflow of resources will be necessary to settle the obligation; and (iii) the amount of this outflow can be reliably estimated based on the judgment of legal counsel.

The provision is reviewed and adjusted for changes in circumstances, such as applicable limitation period, findings of tax inspections or additional exposure identified based on new matters or court decisions (Note 27).

(b) Impairment of goodwill

The Group tests annually, at the end of the year, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 31.10. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations, based on estimates prepared by internal experts and reviewed by Management. They consider discount rate and revenue growth estimates, among others, as shown in Note 11(e).

(c) Allocation of fair value in business combinations

The Group analyzes at the business combination dates the identifiable assets and liabilities arising from business combinations, in accordance with CPC 15 - "Business Combinations" and identifies those that must be recorded. Judgment is used for the purpose of identifying the intangible assets acquired and contingent liabilities assumed. Estimates are used to determine the fair values of the assets and liabilities arising from the combination and goodwill.

(d) Allowance for doubtful accounts

The Group carries out analyses to cover any losses on the collection of monthly fees and checks receivable, taking into account the risks involved, and records them when objective evidence of losses is identified, as per CPC48/IFRS9.

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(e) Intangible assets with definite and indefinite useful lives

The Group has identified intangible assets arising from business combinations (licenses) or acquisitions that have indefinite useful lives, and portfolios of students and brands that have defined useful lives. Licenses refer to certificates granted by regulatory authorities on a permanent basis, and therefore considered as having indefinite useful lives, in order to authorize institutions to provide education activities. The useful lives of the brands and portfolios of students is similar to the students' intake and graduation cycle, i.e. from 4 to 5 years.

Annually, the Group tests the intangible assets that have indefinite useful lives for impairment in accordance with the accounting policy presented in Note 31.10. The recoverable amounts for the CGUs are determined based on the estimated value in use. Management estimates the useful lives of certain intangible assets based on historical experience with respect to the use of these intangible assets.

(f) Right of use

The right of use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment and adjusted for certain remeasures of the lease liability. Depreciation is calculated by the straight-line method over the remaining term of the agreements.

(g) Determination of adjustments to present value of certain assets and liabilities

Management evaluates, and recognizes upon initial recording, the effects of the adjustment to present value of certain financial assets and liabilities that are part of the Group's operations, taking into account the time value of money and the uncertainties associated with them.

4 Financial 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 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.

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(a) Market risk

The Group's interest rate risk arises from short- and long-term borrowing, 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, cash equivalents and 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.

(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.

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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 March 31, 2019				
Borrowings	30,141	28,151	41,992	1,671
Debentures	159,333	54,798	25,984	
Lease commitments	33,633	34,708	71,385	359,154
Commitments payable	747			
	<u>223,854</u>	<u>117,657</u>	<u>139,361</u>	<u>360,825</u>
On December 31, 2018				
Borrowings	30,316	28,374	42,205	2,188
Debentures	114,188	73,051	52,875	
Lease commitments	23,751	24,822	53,054	316,929
Commitments payable	862			
	<u>169,118</u>	<u>126,246</u>	<u>148,134</u>	<u>319,117</u>

The increase in the balances of lease liabilities is due to the implementation of CPC06 (R2) / IFRS16 (Note 2.2).

	Consolidated			
	Up to one year	Between one and two years	Between two and five years	Over five years
On March 31, 2019				
Borrowings	30,141	28,151	41,992	1,671
Debentures	159,333	54,798	25,984	
Lease commitments	75,007	77,860	162,229	939,228
Commitments payable	85,325			
	<u>349,806</u>	<u>160,809</u>	<u>230,205</u>	<u>940,899</u>
On December 31, 2018				
Borrowings	30,316	28,374	42,205	2,188
Debentures	114,188	73,051	52,875	
Lease commitments	40,757	42,595	91,040	616,202
Commitments payable	83,250	42,008		
	<u>268,512</u>	<u>186,027</u>	<u>186,120</u>	<u>618,390</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.

In the current political scenario, the Group is waiting the position of the new Government to evaluate possible changes in the regulatory environment, 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 equity. Net debt is calculated as total borrowing (including short- and long-term borrowing, as shown in the consolidated balance sheet) less cash and cash equivalents and marketable securities.

The financial leverage ratios are presented as follows:

	March 31, 2019	Consolidated December 31, 2018
Total bank loans and financing	89,893	88,850
Total of debentures	221,530	217,368
Total commitments to be paid	79,386	117,454
Total lease commitments	523,276	238,259
Cash and cash equivalents	(516,989)	(314,731)
Securities	(359,460)	(606,167)
Net debt (net cash)	37,636	(258,967)
Total equity	1,526,635	1,470,543
Equity plus net debt (if applicable) - Total capital	1,564,271	1,470,543
Financial Leverage Ratio (i)	2.4%	Not applicable

(i) Due to its net cash position on December 31, 2018, the leverage ratio is not applicable.

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

CVM Resolution 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 borrowings, and are recorded at cost adjusted by revenue or charges incurred, which was close to their market value at March 31, 2019 and 2018.

The principal risks underlying the Group's operations are linked to changes in the CDI (Certificate of Interbank Deposit) rate.

CVM Instruction 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.

Borrowing 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 March 31, 2019, using the latest interest rates and indicators of accumulated inflation 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 income less financial expenses), excluding the tax effect. The base date used was March 31, 2018, with a projection period of one year. The sensitivity of the CDI and the General Market-Price (IGP-M) index were tested for each scenario.

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		Scenarios with Indexers Increase		
Operations	Risk	(I)	(II)	(III)
<u>Assets</u>				
Financial investments	CDI	6.40%	8.00%	9.60%
505,961		32,382	40,477	48,572
Securities	CDI	6.40%	8.00%	9.60%
359,460		23,005	28,757	34,508
<u>Liabilities</u>				
IFC	CDI	6.40%	8.00%	9.60%
(78,448)		(5,021)	(6,276)	(7,531)
Debentures	CDI	6.40%	8.00%	9.60%
(221,530)		(14,178)	(17,722)	(21,267)
Commitments payable	CDI	6.40%	8.00%	9.60%
(41,669)		(2,667)	(3,334)	(4,000)
Commitments payable	IGP-M	8.28%	10.35%	12.42%
(37,717)		(3,123)	(3,904)	(4,684)
Net position		29,594	36,992	44,391
		Scenarios with Indexers Decrease		
Operations	Risk	(I)	(II)	(III)
<u>Assets</u>				
Financial investments	CDI	6.40%	4.80%	3.20%
505,961		32,382	24,286	16,191
Securities	CDI	6.40%	4.80%	3.20%
359,460		23,005	17,254	11,503
<u>Liabilities</u>				
IFC	CDI	6.40%	4.80%	3.20%
(78,448)		(5,021)	(3,766)	(2,510)
Debentures	CDI	6.40%	4.80%	3.20%
(221,530)		(14,178)	(10,633)	(7,089)
Commitments payable	CDI	6.40%	4.80%	3.20%
(41,669)		(2,667)	(2,000)	(1,333)
Commitments payable	IGP-M	8.28%	6.21%	4.14%
(37,717)		(3,123)	(2,342)	(1,561)
Net position		29,594	22,195	14,797

Considering the economic estimates published by the Federal Government, corroborated by financial market economists, the inflation measured by the IGPM should fall to levels that may be lower than the Scenario II of Decrease of Indexers and the measured interest rates by CDI are closer to Scenario II of Increase of Indexers.

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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 financial statements for the year ended March 31, 2019 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 %
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
ICES - Instituto Campinense de Ensino Superior Ltda.	99.99	99.99		
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	99.99		
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda. (i)		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. (ii)			100.00	100.00
Sociedade Universitária Mileto Ltda. (ii)			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 Mauricio 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. (iii)	99.99			

- (i) The Sociedade de Desenvolvimento Educacional Avançado Ltda. - ADEA was merged into the Parent Company on April 30, 2018;
- (ii) Sociedade Paulista de Ensino e Pesquisa S/S Ltda. and Sociedade Universitária Mileto Ltda. are indirect subsidiaries of the Company through Centro Nacional de Ensino Superior Ltda. (CENESUP).
- (iii) Overdrives Coworking Escritórios Virtuais Ltda. became a subsidiary in the fourth quarter of 2018.

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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 year.

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.

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(a) Investments (Parent Company):

	March 31, 2019							
	Interest Direct	Interest Indirect	Result of Period	Equity Net	Equivalence Equity	Value of Investment	Goodwill (Note 11 (c))	Total
Direct Subsidiaries								
CETEB A - Centro de Ensino e Tecnologia da Bahia Ltda.	99.99	100.00	1,275	15,072	1,275	15,072	4,140	19,212
FMN Clínica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99.99	100.00	(784)	(1,082)	(784)	(1,082)		(1,082)
CENESUP - Centro Nacional de Ensino Superior Ltda.	99.99	100.00	3,232	154,666	3,232	154,666		154,666
EDUCRED - Administradora de Crédito Educativo e Cobrança Ltda.	99.99	100.00	688	947	688	947		947
SECARGO - Sociedade Educacional Carvalho Gomes Ltda.	99.99	100.00	1,916	31,357	1,916	31,357	4,362	35,719
ICES - Instituto Campinense de Ensino Superior Ltda.	99.99	100.00	23,341	235,732	23,341	235,732		235,732
Centro de Educação Profissional BJ Ltda.	99.99	100.00	288	2,549	288	2,549		2,549
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	100.00	(55)	37,612	(55)	37,612	8,405	46,017
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	100.00	664	2,860	664	2,860		2,860
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda.	99.99	100.00	3,841	51,919	3,841	52,386	1,043	53,429
Faculdade Mauricio de Nassau de Belém Ltda.	99.99	100.00	4,097	36,767	4,097	38,028	959	38,987
CESPI - Centro de Ensino Superior Piauiense Ltda.	99.99	100.00	3,628	15,381	3,603	18,633	8,662	27,295
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	99.99	100.00	3,614	17,430	3,614	17,430		17,430
SESPI - Sociedade de Ensino Superior Piauiense Ltda.	99.99	100.00	3,783	18,089	3,748	22,168	5,360	27,528
Uninassau Participações S.A.	99.99	99.99		31		31		31
Instituto de Ensino Superior Juvêncio Terra Ltda.	99.99	100.00	184	11,038	179	13,453	573	14,026
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda.	99.99	100.00	(96)	1,172	(96)	1,172	2,232	3,404
Faculdade Joaquim Nabuco de Olinda Ltda.	99.99	100.00	(220)	6,794	(240)	9,554	3,521	13,075
Overdrives Coworking Escritórios Virtuais	99.99	100.00	(137)	390	(137)	390		390
Acquisition of Maintenances								
FADE - Faculdade Decisão					(5)	2,215	1,028	3,243
FACOCMA - Faculdades COC de Maceió						3,000		3,000
Total Direct Subsidiaries			49,259	638,724	49,169	658,173	40,285	698,458
Indirect Subsidiaries								
SOPEP - Sociedade Paulista de Ensino e Pesquisa S/S Ltda.			2,736		2,736	113,600	43,590	157,190
Sociedade Universitária Miletto Ltda.			(166)		(166)	4,500	1,346	5,846
Total Indirect Subsidiaries			2,570		2,570	118,100	44,936	163,036
Acquisition of Indirect Maintenances								
Sociedade Metodista Bennet						10,000		
Total Goodwill							85,221	

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	Interest Direct	Interest Indirect	Result of Period	Equity Net	Equivalence Equity	December 31, 2018		
						Value of Investment	Goodwill (Note 11 (c))	Total
Direct Subsidiaries								
CETEB A - Centro de Ensino e Tecnologia da Bahia Ltda.	99.99	100.00	5,137	13,797	5,137	13,797	4,140	17,937
FMN Clínica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	99.99	100.00	(786)	(298)	(786)	(298)		(298)
CENESUP - Centro Nacional de Ensino Superior Ltda.	99.99	100.00	5,822	151,434	5,822	151,434		151,434
EDUCRED - Administradora de Crédito Educativo e Cobrança Ltda.	99.99	100.00	1,264	259	1,264	259		259
SECARGO - Sociedade Educacional Carvalho Gomes Ltda.	99.99	100.00	9,240	29,441	9,240	29,441	4,362	33,803
ICES - Instituto Campinense de Ensino Superior Ltda.	99.99	100.00	103,799	212,390	103,799	212,390		212,390
Centro de Educação Profissional BJ Ltda.	99.99	100.00	1,385	2,261	1,385	2,261		2,261
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda.	99.99	100.00	6,177		6,177			
ABES - Sociedade Baiana de Ensino Superior Ltda.	99.99	100.00	1,475	37,667	1,475	37,667	8,405	46,072
Centro de Educação Continuada Mauricio de Nassau Ltda.	99.99	100.00	605	2,196	605	2,196		2,196
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda.	99.99	100.00	8,298	48,079	8,292	48,546	1,043	49,589
Faculdade Maurício de Nassau de Belém Ltda.	99.99	100.00	19,920	32,670	19,920	33,931	959	34,890
CESPI - Centro de Ensino Superior Piauiense Ltda.	99.99	100.00	13,295	11,753	13,193	15,031	8,662	23,693
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	99.99	100.00	15,172	13,816	15,172	13,816		13,816
SESPI - Sociedade de Ensino Superior Piauiense Ltda.	99.99	100.00	19,879	14,306	19,741	18,419	5,360	23,779
Uninassau Participações S.A.	99.99	99.99		31		31		31
Instituto de Ensino Superior Juvêncio Terra Ltda.	99.99	100.00	3,745	10,854	3,725	13,274	573	13,847
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda.	99.99	100.00	(557)	1,268	(557)	1,268	2,232	3,500
Faculdade Joaquim Nabuco de Olinda Ltda.	99.99	100.00	(1,674)	7,014	(1,754)	9,794	3,521	13,315
Overdrives Coworking Escritórios Virtuais	99.99	100.00	(161)	(60)	(161)	(60)		(60)
Acquisition of Maintanences								
FADE - Faculdade Decisão					(20)	2,220	1,028	3,248
FACOCMA - Faculdades COC de Maceió						3,000		3,000
Total Direct Subsidiaries			212,035	588,878	211,669	608,417	40,285	648,702
Indirect Subsidiaries								
SOPEP - Sociedade Paulista de Ensino e Pesquisa S/S Ltda.			2,397		2,397	113,600	43,590	157,190
Sociedade Universitária Miletto Ltda.			994		994	4,500	1,346	5,846
Total Indirect Subsidiaries			3,391		3,391	118,100	44,936	163,036
Acquisition of Indirect Maintanences								
Sociedade Metodista Bennet						10,000		
Total Goodwill							85,221	

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(b) Changes in investments in subsidiaries:

	<u>Parent Company</u>
Balance on December 31, 2018	648,702
Capital increase	587
Equity in the income of subsidiaries	49,169
Balance on March 31, 2019	<u>698,458</u>

Section E – Selected significant notes

7 Financial instruments by category

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Financial assets carried at amortized cost				
Cash and cash equivalents	3,883	920	11,028	4,680
Accounts receivable - Students	94,170	61,166	251,627	179,421
	<u>98,053</u>	<u>62,086</u>	<u>262,655</u>	<u>184,101</u>
Assets at fair value through profit or loss				
Financial investments	427,899	235,195	505,961	310,051
Securities	357,924	581,194	359,460	606,167
Educred accounts receivable	12,626	11,674	38,350	35,006
	<u>798,449</u>	<u>828,063</u>	<u>903,771</u>	<u>951,224</u>
	<u>896,502</u>	<u>890,149</u>	<u>1,166,426</u>	<u>1,135,325</u>
	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Financial liabilities carried at amortized cost				
Related parties	28,377	12,859		
Suppliers	10,395	12,240	31,528	33,921
Borrowings	89,893	88,850	89,893	88,850
Debentures	221,530	217,368	221,530	217,368
	<u>350,195</u>	<u>331,317</u>	<u>342,951</u>	<u>340,139</u>
Financial assets at fair value through profit or loss				
Lease commitments	198,083	137,919	523,276	238,259
Commitments payable	747	862	79,386	117,454
	<u>198,830</u>	<u>138,781</u>	<u>602,662</u>	<u>355,713</u>
	<u>549,025</u>	<u>470,098</u>	<u>945,613</u>	<u>695,852</u>

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The fair values of the financial instruments approximate their carrying amounts, since the impact of the discount to present value, using market interest rates as of March 31, 2019, 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.

The increase in the balances of lease liabilities is due to the implementation of CPC06 (R2) / IFRS16 (Note 2.2).

8 Cash and cash equivalents and securities

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Cash	89	66	231	159
Banks - checking account	3,794	854	10,797	4,521
Financial investments	427,899	235,195	505,961	310,051
Cash and cash equivalents	431,782	236,115	516,989	314,731
Financial investments	357,924	581,194	359,460	606,167
Securities	357,924	581,194	359,460	606,167
Total	789,706	817,309	876,449	920,898

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.

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 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, without risk for the group, and Bank Deposit Certificates (CDB), which are securities issued by financial institutions, as follows:

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Type	Average remuneration	Parent Company		Consolidated	
		March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Repurchase agreement	100% of CDI	3,453	77,149	3,453	77,150
CBD	101.43% of CDI	424,446	158,046	502,508	232,901
	Financial investments	427,899	235,195	505,961	310,051
Repurchase agreement	99.13% of CDI		231,253	1,536	239,960
Investment funds	101.85% of CDI	357,924	349,941	357,924	366,207
	Securities	357,924	581,194	359,460	606,167

9 Accounts receivable

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Monthly tuition fees (a)	50,154	46,248	127,588	125,616
FIES receivable (b)	38,119	18,766	107,426	62,120
Agreements receivable (c)	23,211	21,814	71,437	66,277
Educational loans receivable (d)	18,429	17,177	57,023	52,737
Other	14,186	11,008	26,445	19,359
Total	144,099	115,013	389,919	326,109
(-) Allowance for doubtful accounts (PDD) (e)	(31,578)	(36,756)	(81,347)	(94,037)
(-) Adjustment to present value	(5,725)	(5,417)	(18,595)	(17,645)
	106,796	72,840	289,977	214,427
(-) Current	(97,246)	(64,009)	(258,645)	(185,560)
Non-current	9,550	8,831	31,332	28,867

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

(a) Student tuition

At March 31, 2019 and December 31, 2018, the maturity analysis of student tuition was as follows:

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Overdue up to 30 days	20,152	9,525	48,287	24,908
Overdue from 31 to 60 days	6,467	8,366	16,164	22,175
Overdue from 61 to 90 days	196	6,853	880	20,208
Overdue from 91 to 180 days	10,834	10,509	29,763	25,937
Overdue from 181 to 360 days	12,505	10,995	32,494	32,388
	50,154	46,248	127,588	125,616

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Part of the monthly inflow from accounts receivable for student tuitions is pledged as collateral for the Company's borrowings with the International Finance Corporation (IFC) (Note 16(c)) in amounts equivalent to 25% of the loan.

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

Educational credits receivable (the 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 contributions on the salaries of Group employees and are also converted into cash by means of auctions of National Treasury Bonds.

The outstanding amounts on March 31, 2019 refer to the installments of students enrolled in FIES with pending payment from the Federal Government, basically composed of tuition fees from January to March, which will start to be received in May.

(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.

At March 31, 2019 and December 31, 2018, the analysis of the balance due from agreements was as follows:

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Due	10,809	6,122	32,349	18,523
Overdue up to 30 days	2,422	2,393	7,275	7,655
Overdue from 31 to 60 days	1,448	2,280	4,655	7,213
Overdue from 61 to 90 days	812	2,130	2,849	6,641
Overdue from 91 to 180 days	2,758	4,126	9,569	12,029
Overdue from 181 to 360 days	4,962	4,763	14,740	14,216
	<u>23,211</u>	<u>21,814</u>	<u>71,437</u>	<u>66,277</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. These financial resources are transferred to the Company and its subsidiaries after the graduation of the respective students. In 2018, the Company intensified the campaign to recruit students, through private educational credit, increasing the student base, which went from 3,952 on December 31, 2018 to 4,007 on March 31, 2019.

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Educred	18,351	17,091	56,945	52,651
Fundacred	78	86	78	86
	18,429	17,177	57,023	52,737
(-) Adjustment to present value	(5,725)	(5,417)	(18,595)	(17,645)
	12,704	11,760	38,428	35,092
(-) Current	(8,879)	(8,346)	(25,691)	(23,870)
Non-current	9,550	8,831	31,332	28,867

At March 31, 2019 and December 31, 2018, the maturity of educational credits receivable was as follows:

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Due	16,856	15,820	53,032	49,413
Overdue up to 30 days	199	197	500	475
Overdue from 31 to 60 days	326	173	813	435
Overdue from 61 to 90 days	36	151	54	415
Overdue from 91 to 180 days	434	401	1,163	1,061
Overdue from 181 to 360 days	578	435	1,461	938
	18,429	17,177	57,023	52,737

The amounts to be settled include the adjustment to present value of the balance totaling R\$18,595 in the consolidated, with R\$1,294 referring to students contracted from January to March 2019, recognized as gross revenue in the year.

(e) Allowance for doubtful accounts (PLCD)

As from January 1, 2018, the PCLD of own and third-party educational agreements, monthly tuitions and credits is now calculated in accordance with the guidelines of IFRS 9 / CPC 48 and reflects the

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expected loss of accounts receivable due to the non-payment rate of the last 24 months (2018 - 12 months) per student, by amount due and for each overdue level, except for educational credits from Federal Government programs (FIES).

Based on more assertive information and data on the recoverability of receivables overdue for a longer time, the Group revised the criteria to establish the allowance for doubtful accounts and extended the period of analysis for recovery from 12 to 24 months. Therefore, based on this new estimate, the Group reversed the amounts of R\$8,285 and R\$16,036 of allowance for doubtful accounts in the Parent Company and Consolidated, respectively, during the first quarter of 2019, added to the result of the period.

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 tuition fees 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>	
	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
At the beginning of the period/year	(36,756)	(22,953)	(94,037)	(65,715)
Adjustment by change of estimate	8,285		16,036	
Write-off of uncollectible receivables	2,854	22,961	11,053	85,678
Allowance for doubtful accounts doubtful accounts receivable	<u>(5,961)</u>	<u>(31,585)</u>	<u>(14,399)</u>	<u>(88,243)</u>
At the end of the period/year	<u>(31,578)</u>	<u>(36,756)</u>	<u>(81,347)</u>	<u>(94,037)</u>

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

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10 Taxes recoverable and payable

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Taxes recoverable (current)				
Income tax and social contribution to compensate	6,869	5,748	7,643	6,722
PIS and COFINS to offset	1,011	1,011	1,497	1,523
Other			5	9
	<u>7,880</u>	<u>6,759</u>	<u>9,145</u>	<u>8,254</u>
Taxes payable				
Income tax and social contribution			2,906	2,590
Withholding income tax	2,488	1,939	5,824	6,056
Service tax (ISS)	1,716	1,912	5,161	5,765
Tax installments	785	824	1,645	1,786
Social Integration Program Tax on Revenue (F	201	246	351	450
IPTU to be collected	132	12	503	46
Other	161	84	190	109
	<u>5,483</u>	<u>5,017</u>	<u>16,580</u>	<u>16,802</u>
(-) Current	<u>(5,074)</u>	<u>(4,575)</u>	<u>(15,560)</u>	<u>(15,648)</u>
Non-current	<u>409</u>	<u>442</u>	<u>1,020</u>	<u>1,154</u>

11 Intangible assets

(a) Parent Company

	Annual rates of amortization	March 31, 2019			December 31, 2018
		Cost	Amortization	Balance	Balance
Brands and patents		567		567	567
Software licenses and installation	20%	35,230	(24,097)	11,133	12,576
Operating licenses	33%	11,958	(9,576)	2,382	2,429
Agreements	25%	6,910	(1,463)	5,447	4,985
Digital Content	20%	11,447	(4,504)	6,943	6,546
Goodwill	20%	5,282	(2,267)	3,015	3,276
Goodwill (i)		5,125		5,125	5,125
		<u>76,519</u>	<u>(41,907)</u>	<u>34,612</u>	<u>35,504</u>

- (i) Refers to the goodwill recorded in the acquisition of ADEA, which was incorporated into the Parent Company on April 30, 2018.

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	Balances on December 31, 2018	Additions	Write-offs	Amortization	Balances on March 31, 2019
Brands and patents	567				567
Software licenses and installation	12,576	236		(1,679)	11,133
Operating licenses	2,429			(47)	2,382
Agreements	4,985	635		(173)	5,447
Digital Content	6,546	921		(524)	6,943
Goodwill	3,276			(261)	3,015
Goodwill	5,125				5,125
	<u>35,504</u>	<u>1,792</u>		<u>(2,684)</u>	<u>34,612</u>

(b) Consolidated

	Annual rates of amortization	Cost	Amortization	March 31, 2019 Balance	December 31, 2018 Balance
Brands and patents		610		610	610
Software licenses and installation	20%	43,156	(31,467)	11,689	13,251
Operating licenses	33%	20,370	(16,796)	3,574	3,862
Agreements	25%	8,362	(2,485)	5,877	5,585
Student portfolio	25%	197	-	197	197
Digital Content	20%	11,448	(4,504)	6,944	6,546
Goodwill	20%	5,300	(2,279)	3,021	3,282
Goodwill		182,803		182,803	182,803
Intangible assets identified on acquisitions		219,228	(11,668)	207,560	208,231
		<u>491,474</u>	<u>(69,199)</u>	<u>422,275</u>	<u>424,367</u>

	Balances on December 31, 2018	Additions	Write-offs	Amortization	Balances on March 31, 2019
Brands and patents	610				610
Software licenses and installation	13,251	237		(1,799)	11,689
Operating licenses	3,862		(77)	(211)	3,574
Agreements	5,585	838		(546)	5,877
Student portfolio	197				197
Digital Content	6,546	922		(524)	6,944
Goodwill	3,282			(261)	3,021
Goodwill	182,803				182,803
Intangible assets identified on acquisitions	208,231			(671)	207,560
	<u>424,367</u>	<u>1,997</u>	<u>(77)</u>	<u>(4,012)</u>	<u>422,275</u>

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(c) **Goodwill**

At March 31, 2019 and December 31, 2018, goodwill recorded on the business combination was as follows:

	March 31, 2019	December 31, 2018
<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
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda.	2,232	2,232
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 Mileto Ltda.	1,346	1,346
	<u>85,221</u>	<u>85,221</u>
<u>Absorbed companies</u>		
UNESPA - União de Ensino Superior do Pará	87,137	87,137
ISES - Instituto Santareno de Educação Superior	5,320	5,320
ADEA - Sociedade de Desenvolvimento Educacional Avançado Ltda. (i)	5,125	5,125
	<u>182,803</u>	<u>182,803</u>

The goodwill recorded on the acquisition of investments has an indefinite useful life, therefore it is tested for impairment on an annual basis. See item (e) to this Note.

(i) The incorporation of ADEA - Sociedade de Desenvolvimento Educacional Avançada by the parent company took place on April 30, 2018.

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(d) Intangible assets identified on acquisitions

At March 31, 2019 and December 31, 2018, intangible assets identified on investment acquisitions were as follows:

	March 31, 2019				December 31, 2018			
	Course Licenses (i)	Trademarks (ii)	Student Portfolio (ii)	Total	Course Licenses (i)	Trademarks (ii)	Student Portfolio (ii)	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		(3,898)	(4,780)	(8,678)		(3,663)	(4,520)	(8,184)
	127,528	15,302	1,020	143,850	127,528	15,537	1,280	144,344
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
Total	53,100	12,800	800	66,700	53,100	12,800	800	66,700
Accumulated amortization		(2,309)	(681)	(2,990)		(2,173)	(640)	(2,813)
	53,100	10,491	119	63,710	53,100	10,627	160	63,887
	180,628	25,793	1,139	207,560	180,628	26,164	1,440	208,231

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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 portfolios of students 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.

Until December 31, 2017, inflation effects measured through the Extended Consumer Price Index (IPCA) were incorporated into the growth and discount rates in cash flow projections (nominal rates). As of 2018, the Company started to use actual rates, without the effect of any inflation index.

We present below the assumptions used in the projections:

	<u>2018</u>	<u>2017</u>
Gross margin (a)	55.6%	55.5%
Growth rate (b)	2.8%	6.6%
Discount rate	9.0%	12.8%

- (a) Budgeted gross margin related to net revenue less personnel costs, rental costs, concessionaire costs and service costs, among factors. Management determined this margin based on past performance and on its market development expectations; and
- (b) Stable nominal growth rate, used to project revenues and other costs, whose weighted average rates used are consistent with the macroeconomic projections disclosed by the Brazilian Central Bank (Time Series Management System).

For impairment testing sensitivity scenarios, the working capital, growth rate, discount rate and margin assumptions were altered and, even so, the Group did not record any impairment loss.

The asset impairment test performed on December 31, 2018 did not indicate any need to recognize losses.

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. In this context, the Company did not identify any element indicating the need to recognize a provision for impairment for March 31, 2019.

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(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 main reasoning for entering the Rio de Janeiro market, through the purchase of this maintenance, were as follows:

- Bennet was well-known in the city and the building was ready for a teaching operation (rooms, auditoriums, etc.) and with an excellent location;
- Possibility of massification the entrance in the Southeast of the country, since UNG had been acquired recently, in line with the national scope strategy of Ser;
- In 2014, the main universities in RJ lost the accreditation by MEC due to the poor academic performance and financial insufficiency; and
- Since this is an University Center, there is an autonomy to open units in the city of Rio de Janeiro, due to MEC's new regulation.

The key assumptions used by the Management to prepare the financial feasibility and the due cash flow outlook of Univeritas/RJ were based on forecasts approved by the Executive Board and Board of Directors, considering the Group's experience in the organic growth of several units with the same performance and operational profile, consistent in the use of external sources. The main features are as follows:

- Future cash forecasts were estimated in real terms and per semester;
- The forecasts were based on an 8-year flow, since the Management understands that the maturity time of this maintenance in Rio de Janeiro is longer, given the economic and social aspects faced by the State. The Management evaluates that, based on its history in the segment, a consolidated brand in an operating market usually has a shorter maturation time than a new unit, mainly in locations where the Group's brand are not inserted;
- Average annual growth rate of revenue during the 8-year flow was 4.6%, considering the number of students enrolled vs. the student's average ticket of per course, without considering the approval of the new courses that were already requested to MEC;
- Certain expenses with costs of services and expenses that are considered as diligent were estimated as a percentage of ROL above the average percentage of the Group's expenses;
- Advertising expenses, which are diligent, were also estimated in percentages above the average percentage of the Group's expenses, since the Center demands a greater effort given that the brand is not yet consolidated in Rio de Janeiro;
- The discount rate used was 9.0%, which is the actual WACC, and reflects the rate before tax benefits; and

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- Growth rate in perpetuity of 2.8% per year, which reflects the Services GDP estimated for the last year of the 8-year flow. This same rate was used for the growth of net revenues and the main costs and expenses as of the 5th year of the flow.

The cash flow estimates based on the assumptions above indicated that the recoverability of the asset is focused in the perpetuity of the 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 for impairment. Based on these forecasts, no impairment of the asset in question was identified.

12 Right of Use

As detailed in Note 2.2, 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

				March 31, 2019	December 31, 2018
	Annual average rates of depreciation	Cost	Depreciation	Balance	Balance
Parent Company					
Right of Use of Real Estate	8%	214,256	(56,815)	157,441	98,856
Total		<u>214,256</u>	<u>(56,815)</u>	<u>157,441</u>	<u>98,856</u>
Consolidated					
Right of Use of Real Estate	8%	548,075	(87,349)	460,726	181,527
Total		<u>548,075</u>	<u>(87,349)</u>	<u>460,726</u>	<u>181,527</u>

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(b) Movement

	Balances on December 31, 2018	Additions	Write-offs	Depreciation	Balances on March 31, 2019
Parent Company					
Right of Use of Real Estate	98,856	62,619		(4,034)	157,441
Total	98,856	62,619		(4,034)	157,441
Consolidated					
Right of Use of Real Estate	181,527	289,734		(10,535)	460,726
Total	181,527	289,734		(10,535)	460,726

13 Property and equipment

(a) Balance breakdown

Parent Company	Annual average rates of depreciation	Cost	Depreciation	March 31, 2019	December 31, 2018
				Balance	Balance
Lands		25,257		25,257	25,257
Buildings and improvements	6%	217,914	(52,019)	165,895	166,611
Vehicles and aircraft	6% and 10%	27,604	(8,066)	19,538	19,890
Equipment and facilities	10%	56,436	(21,684)	34,752	34,720
Furniture and utensils	10%	22,941	(10,968)	11,973	12,069
Computers	20%	29,592	(20,083)	9,509	10,209
Books	20%	38,384	(19,336)	19,048	19,313
Total in operation		418,128	(132,156)	285,972	288,069
Construction in progress		41,989		41,989	40,947
Total property and equipment		460,117	(132,156)	327,961	329,016

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Consolidated	Annual average rates of depreciation	March 31, 2019			December 31, 2018
		Cost	Depreciation	Balance	Balance
Lands		25,257		25,257	25,257
Buildings and improvements	6%	333,385	(74,177)	259,208	255,923
Vehicles and aircraft	6% and 10%	29,162	(9,043)	20,119	20,051
Equipment and facilities	10%	149,868	(64,641)	85,227	84,537
Furniture and utensils	10%	48,926	(25,133)	23,793	23,288
Computers	20%	55,638	(42,228)	13,410	14,320
Books	20%	86,637	(47,557)	39,080	38,232
Total in operation		728,873	(262,779)	466,094	461,608
Construction in progress		43,969		43,969	46,756
Total property and equipment		772,842	(262,779)	510,063	508,364

(b) Movement

Parent Company	Balances on December 31, 2018	Additions	Write-offs	Depreciation	Balances on March 31, 2019
Lands	25,257				25,257
Buildings and improvements	166,611	2,440		(3,156)	165,895
Vehicles and aircraft	19,890	149		(501)	19,538
Equipment and facilities	34,720	1,319	(17)	(1,270)	34,752
Furniture and utensils	12,069	445		(541)	11,973
Computers	10,209	355	(1)	(1,054)	9,509
Books	19,313	526		(791)	19,048
Total in operation	288,069	5,234	(18)	(7,313)	285,972
Construction in progress	40,947	1,042			41,989
Total property and equipment	329,016	6,276	(18)	(7,313)	327,961

Consolidated	Balances on December 31, 2018	Additions	Write-offs	Depreciation	Transfers	Balances on March 31, 2019
Lands	25,257					25,257
Buildings and improvements	255,923	3,758		(4,302)	3,829	259,208
Vehicles and aircraft	20,051	595		(527)		20,119
Equipment and facilities	84,537	3,772	(17)	(3,065)		85,227
Furniture and utensils	23,288	1,502		(997)		23,793
Computers	14,320	652	(1)	(1,561)		13,410
Books	38,232	2,337		(1,489)		39,080
Total in operation	461,608	12,616	(18)	(11,941)	3,829	466,094
Construction in progress	46,756	1,042			(3,829)	43,969
Total property and equipment	508,364	13,658	(18)	(11,941)		510,063

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(c) Guarantees

The Group has an aircraft loan agreement (Finame), which fiduciarily disposes the asset acquired. On March 31, 2019 and 2018, 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\$13,465 on March 31, 2018 and 2019 in the Parent Company and Consolidated.

(d) Capitalized borrowing costs

The Group has new projects under construction involving new units and renovations. As stated in Note 16(a), during 2015, Two sets of borrowing were obtained to finance these enterprises, and the capitalized borrowing costs in the period ended March 31, 2019 amounted to R\$697, excluding interest expenses (R\$453 at March 31, 2018). The rate used to determine the capitalized borrowing costs is the actual rate of the said loan.

14 Suppliers

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
National suppliers	9,924	12,025	30,649	33,511
National service providers	471	215	879	410
	<u>10,395</u>	<u>12,240</u>	<u>31,528</u>	<u>33,921</u>

15 Commitments payable

(a) Breakdown

Commitments payable arise from the following acquisitions of investments:

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda. (FAL)		115		115
Faculdade Joaquim Nabuco de Olinda Ltda. (PHASE)	747	747	747	747
UNESPA and ISES (UNAMA and FIT) (*)			41,669	41,669
SOPEP - Sociedade Paulista de Ensino e Pesquisa S/S Ltda. (UNG)			36,070	74,023
Sociedade Universitária Mileto Ltda. (FAMIL)			900	900
	<u>747</u>	<u>862</u>	<u>79,386</u>	<u>117,454</u>
(-) Current	<u>(747)</u>	<u>(862)</u>	<u>(79,386)</u>	<u>(82,770)</u>
Non-current				<u>34,684</u>

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- (*) The balance includes amounts related to differences in the recognition of net debt reimbursements and pre-established contingencies, which are being discussed by the competent authority.

(b) Movement

	Parent Company	Consolidated
Balance on December 31, 2018	862	117,454
Amortizations	(115)	(31,783)
Interest paid	(53)	(8,230)
Interest incurred	53	1,945
Balance on March 31, 2019	<u>747</u>	<u>79,386</u>

16 Borrowing

(a) Breakdown

Modality	Financial charges	Parent Company and Consolidated	
		March 31, 2019	December 31, 2018
IFC (i)	CDI + 1.65% p.a.	78,448	76,918
Finame	6% p.a.	11,445	11,932
		<u>89,893</u>	<u>88,850</u>
(-) Current		<u>(26,501)</u>	<u>(24,970)</u>
Non-current		<u>63,392</u>	<u>63,880</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, the modernization and remodeling of existing campuses and new acquisitions. The amount financed was R\$120,000, which was released on August 3, 2015, with funding costs totaling R\$1,335 and a seven-year payment term, including a two-year grace period for the principal, with interest payment in April and October 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. There are no borrowing amounts in foreign currency.

(b) Movement

The debt breakdown in the parent company and consolidated is as follows:

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	<u>Parent Company and Consolidated</u>
At December 31, 2018	88,850
Interest incurred	2,394
Capitalized interest (Note 12(d))	(697)
Amortization	(654)
On March 31, 2019	<u>89,893</u>

(c) Collaterals

Finame refers to the aircraft and is guaranteed by a fiduciary disposal of the asset (Note 13 (c)). For the IFC, the Group has pledged as guarantee the fiduciary assignment of a portion of the monthly tuition paid by the students of the Group, representing 25% of the total borrowing.

(d) Classification by year of maturity

The long-term installments fall due as shown below:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Between one and two years	23,530	23,530	23,530	23,530
Between two and three years	23,530	23,530	23,530	23,530
Between three and four years	12,753	12,753	12,753	12,753
Between two and five years	1,952	1,952	1,952	1,952
Over five years	1,627	2,115	1,627	2,115
	<u>63,392</u>	<u>63,880</u>	<u>63,392</u>	<u>63,880</u>

The fair value of borrowings approximates the carrying amounts, since the impact of discounting 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 borrowing from the IFC requires 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 the quarters ended on March 30, June 30, September 30, and December 31 of each year, and will be required until final maturity.

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The financial indices are as follows:

- 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 profit (less adjustments with no cash effect) by the projected payment of interest and amortization of gross debt in the next 12 months. Not lower than 1.2.

In the period ended March 31, 2019, as well as in previous periods, the covenants related to the borrowing agreements were analyzed and there were no amounts outside 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 issue of the debentures was completed on October 3, 2017.

The nominal unit price of the debentures on the issue date 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.

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 March 31, 2019, as well as in previous periods, the covenants related to the debenture 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

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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	
	March 31, 2019	December 31, 2018
Current liabilities		
Up to one year	147,149	108,476
Non-current		
Between one and two years	49,587	54,446
Between two and three years	24,794	54,446
Between three and four years		0
	<u>74,381</u>	<u>108,892</u>
	<u>221,530</u>	<u>217,368</u>

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

Changes in the balance in the quarter ended March 31, 2019 refer to interest incurred in the amount of R\$4,162.

18 Salaries and social charges

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Profit Sharing	1,050	4,000	1,050	4,000
Salaries payable	8,569	8,108	19,365	18,708
Social charges	4,956	5,165	11,019	12,104
Provision for vacations and charges	17,265	19,375	36,418	38,176
Provision for 13th salary and charges	4,185	-	8,765	-
Other	327	305	693	704
	<u>36,352</u>	<u>36,953</u>	<u>77,310</u>	<u>73,692</u>

19 Lease commitments

As mentioned in Note 12, the Group adopted CPC06 (R2) / IFRS16, 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 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 the

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Getulio Vargas Foundation. There are no restrictions or clauses that depend on income or the distribution of dividends by the Group.

The agreements were considered by the Group as essentially lease agreements, either because the terms of the rental agreements represent most of the economic life of the assets, or because the fair values of the buildings and land are lower than the present value of the minimum payments of the leases. The present value of the agreements was calculated at rates equivalent to the borrowing rates of transactions of a similar risk and nature.

(a) Maturity

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

Parent Company		March 31, 2019		December 31, 2018	
Maturity	Payments minimum	Discount at value present	Value present of payments minimum	Value present of payments minimum	Value present of payments minimum
Current assets					
Up to one year	32,608	(16,316)	16,292	10,667	10,667
Non-current					
Between one and two years	32,611	(15,887)	16,724	10,667	10,667
Between two and three years	31,925	(15,461)	16,464	10,667	10,667
Between three and four years	31,859	(15,016)	16,843	10,667	10,667
Over four years	255,060	(123,300)	131,760	95,251	95,251
	351,455	(169,664)	181,791	127,252	127,252
	384,063	(185,980)	198,083	137,919	137,919
Consolidated		March 31, 2019		December 31, 2018	
Maturity	Payments minimum	Discount at value present	Value present of payments minimum	Value present of payments minimum	Value present of payments minimum
Current assets					
Up to one year	73,248	(42,477)	30,771	17,209	17,209
Non-current					
Between one and two years	74,263	(41,409)	32,854	17,209	17,209
Between two and three years	74,451	(40,218)	34,233	17,209	17,209
Between three and four years	74,734	(38,894)	35,840	17,209	17,209
Over four years	727,155	(337,577)	389,578	169,423	169,423
	950,603	(458,098)	492,505	221,050	221,050
	1,023,851	(500,575)	523,276	238,259	238,259

(b) Movement

The changes in the lease liabilities are as follows:

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	<u>Parent Company</u>	<u>Consolidated</u>
Balance on December 31, 2018	137,919	238,259
Deployment CPC 06 (R2)	62,620	289,734
Interest	5,692	13,507
Minimum payments	<u>(8,148)</u>	<u>(18,224)</u>
Balance on March 31, 2019	<u>198,083</u>	<u>523,276</u>

20 Share capital and reserves

(a) Share capital

On March 31, 2019, the Company's share capital consisted of 132,951,860 registered common shares with no par value, totaling R\$987,549. 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\$1,200,000.

(b) Treasury shares

On January 12, 2015, the acquisition of up to 3,752,237 non-par, book-entry, registered, common shares issued by the Company, was approved, to be held, canceled in treasury or placed on the market again, with no capital reduction, within 365 days from January 12, 2015, and closing on January 11, 2016. Under the repurchase program, 377,500 shares were acquired for a total of R\$6,454 at the weighted cost of R\$17.09.

On January 9, 2016, the Company's Board of Directors approved the extension of the Share Repurchase Program up to January 9, 2017, extended to January 9, 2018, when it was terminated without movements.

On April 3, 2018, the Company's Board of Directors reopened this program and approved the acquisition of up to 5,482,640 shares, within 365 days, with closing on April 3, 2019.

On October 16, 2018, the said program was terminated with the acquisition of all shares, at the average cost of R\$16.27, totaling R\$89,225, with the due cancellation of shares.

On October 16, 2018, the new repurchase program of up to 5,326,100 shares was started, with a term of 365 days, ending on October 16, 2019. In this new phase of the program, up to December 31, 2018, 4,230,300 shares were acquired, totaling R\$65,527 at the weighted average cost of R\$15.49.

There were no additional acquisitions this quarter.

The balance of common shares acquired will be held in treasury for subsequent cancellation or allocation to other plans that may be approved in the future by the Company's Shareholders' Meeting.

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(c) Capital reserve

At March 31, 2019 and December 31, 2018, the Company had no amount recorded as a capital reserve.

(d) Reserve for tax incentives

At March 31, 2019 and December 31, 2018, the Company had no amount recorded as a capital reserve.

(e) Legal reserve

At March 31, 2019, the Company had a legal reserve of R\$58,328 (2018 - R\$55,523). The legal reserve takes 5% of profit for the 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.

(f) Retained earnings

At March 31, 2019, the Company's retained earnings amounted to R\$483,437 (2018 - R\$483.437). 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

Shareholders are entitled to mandatory minimum dividends of 25% of the profit for the year, adjusted by the recognition of the legal reserve, in accordance with the Brazilian Corporate Law. At the year ended December 31, 2018, the Company's Board of Directors proposed the distribution of dividends in addition to the mandatory minimum dividends, which was resolved in the Annual Shareholders' Meeting, held on April 30, 2019.

21 Net income from services

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Gross revenue from services rendered				
Undergraduate courses monthly tuitions	176,737	140,033	454,810	410,008
Graduate courses monthly tuitions	752	815	7,584	7,239
Distance Learning Student tuition	21,096	11,513	29,869	15,605
Other revenues	1,288	1,341	4,595	4,327
	<u>199,873</u>	<u>153,702</u>	<u>496,858</u>	<u>437,179</u>
Gross revenue deductions				
Discounts and scholarships (i)	(52,050)	(20,978)	(131,608)	(62,510)
PROUNI (ii)	(17,428)	(13,615)	(44,538)	(37,352)
FGEDUC and FIES charges	(2,696)	(3,410)	(6,624)	(9,117)
Taxes on services	(3,456)	(3,493)	(9,924)	(10,951)
	<u>(75,630)</u>	<u>(41,496)</u>	<u>(192,694)</u>	<u>(119,930)</u>
	<u>124,243</u>	<u>112,206</u>	<u>304,164</u>	<u>317,249</u>

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- (i) The increase is due to the higher volume of discounts and scholarships, as a result of student intake campaigns in the first semester of 2019, in addition to R\$41,917, referring to the on-time discount for the payment of tuition fees at the beginning of the month, registered as of the second semester of 2018;
- (ii) The increase refers to the operations of newly opened units, when the volume of PROUNI scholarships has a greater weight in the student base.

22 Cost of services rendered

	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Salaries and social charges	(33,409)	(31,317)	(89,139)	(91,755)
Services provided by individuals and corporations	(2,623)	(1,659)	(4,234)	(3,076)
Electricity, water and telephone	(4,323)	(4,213)	(9,109)	(9,201)
Depreciation and amortization (i)	(11,058)	(5,988)	(22,635)	(10,905)
Rents (i)	(4,531)	(6,873)	(9,968)	(20,218)
Other	(1,976)	(2,921)	(2,976)	(3,716)
	<u>(57,920)</u>	<u>(52,971)</u>	<u>(138,061)</u>	<u>(138,871)</u>

- (i) Changes in these lines refer to the implementation of CPC06 (R2) / IFRS 16, as highlighted in Note 12.

23 Selling, general and administrative expenses

	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Salaries and social charges	(22,141)	(21,399)	(34,899)	(35,110)
Services provided by individuals and corporations (i)	(10,182)	(5,719)	(12,785)	(8,204)
Selling, marketing and advertising expenses (ii)	(12,112)	(16,993)	(19,727)	(35,771)
Provision and effective loss for doubtful accounts (iii)	(602)	(4,543)	(6,528)	(15,689)
Depreciation and amortization (iv)	(2,973)	(4,258)	(3,853)	(6,479)
Office supplies	(1,980)	(3,331)	(3,377)	(5,448)
Taxes	(134)	(921)	178	(1,648)
Other	(5,260)	(7,169)	(8,132)	(10,622)
	<u>(55,384)</u>	<u>(64,333)</u>	<u>(89,123)</u>	<u>(118,971)</u>

- (i) The increase generated refers to the expenses for the implementation and execution of the Ser Digital project;
- (ii) As from the second quarter of 2018, the Group carried out a readjustment with the due reduction in advertising expenses of its products in the several operational regions;
- (iii) Includes the adjustment to change the calculation criteria of the provision for doubtful accounts (see Note 9 (e)), which led to the reversal of R\$16,036 and to the loss on credits totaling R\$8,165 referring to the outstanding monthly tuitions in 2018, which were invoiced with the tuition of the 30th without considering the scholarships and the on-time discount loss due to the non-payment rate, which were renegotiated in the first quarter of 2019 including part of these scholarships and discounts;

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- (iv) Together with the application of CPC 06 (R2) / IFRS 16, the Group reviewed the allocation of the depreciation according to the nature of the properties and reclassified the amount of R\$3,215 to the cost of services related to the depreciation of operational properties.

24 Financial income and costs

	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Financial income				
Interest on tuition and agreements	2,234	1,381	5,101	5,593
Earnings from financial investments	12,197	13,358	13,472	13,700
Monetary variation gains (i)		917		2,322
(-) Social Integration Program (PIS) and Soc	(677)	(753)	(929)	(1,054)
Other	133	861	284	2,079
	<u>13,887</u>	<u>15,764</u>	<u>17,928</u>	<u>22,640</u>
Financial costs				
Interest expenses	(5,964)	(6,830)	(6,001)	(6,901)
Capitalization of interest	697	453	697	453
Interest on leases (ii)	(5,692)	(4,595)	(13,507)	(8,322)
Discounts granted (ii)	(5,643)	(1,151)	(12,567)	(3,360)
Monetary variation losses			(1,891)	(2,799)
Other	(489)	(255)	(1,260)	(2,432)
	<u>(17,091)</u>	<u>(12,378)</u>	<u>(34,529)</u>	<u>(23,361)</u>
Financial income (expenses), net	<u>(3,204)</u>	<u>3,386</u>	<u>(16,601)</u>	<u>(721)</u>

- (i) In August 2018, the balance of accounts receivable was settled, resulting from the agreement with FNDE;
- (ii) Refers to the implementation of CPC06 (R2) / IFRS16, with an additional impact in interest of R\$5,371;
- (ii) The increase reflects the higher volume of renegotiations for the enrollment of students in the first half of 2019, which considers the monthly tuitions for the second semester of 2018 billed with the tuition of the 30th, in addition to renegotiations of agreements.

25 Income Tax (IRPJ) and Social Contribution (CSLL)

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

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the nominal rates, and the amount of taxes recorded in the periods ended March 31, 2019 and March 31, 2018, were as follows:

(a) Breakdown of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)

	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
IR and CS - currents				
Presumed profit			127	130
Real profit	2,349	73	23,503	18,276
Tax incentive	(2,349)	(1)	(20,845)	(16,978)
IR and CS - previous periods				
Total IR and CS	<u>0</u>	<u>72</u>	<u>2,785</u>	<u>1,428</u>

(b) Companies under the presumed profit regime

	Consolidated	
	March 31, 2019	March 31, 2018
Gross sales revenue	676	645
Presumption 32%	216	206
Other revenues	157	175
Profit before income tax and social contribution	<u>373</u>	<u>381</u>
Income tax and social contribution - 34%	<u>127</u>	<u>130</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.

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(c) Companies under the taxable income regime

	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Profit before income tax and social contribution	56,092	58,292	58,504	59,267
Combined nominal rate of income tax and social contribution tax - %	34%	34%	34%	34%
Income tax and social contribution tax at the legislation rates	19,071	19,819	19,891	20,151
Adjustments under Law 11,638/2007				
Interest in the profit of subsidiaries	(16,717)	(20,822)		
Adjustment to present value of accounts receivable	105	(10)	218	48
Leases	537	282	1,441	594
Allowance for doubtful accounts of bad debts	62	153	82	414
Other additions and exclusions	(766)	856	2,279	3,113
Interest on capital				
Reversal of contingencies	58	60	(71)	(926)
Unused expenses related to quarterly assessments (i)				
		(231)		(361)
Offsetting of tax loss		(34)	(338)	(4,757)
	2,349	73	23,503	18,276
Tax incentive from exploration profit - PROUNI	(2,349)	(1)	(20,845)	(16,978)
Income tax and social contribution expenses on the results for the period	0	72	2,658	1,298
Effective rate - %	0.00%	0.12%	4.54%	2.19%

(d) Breakdown of the effective rate

	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Profit before income tax and social contribution				
Presumed profit			373	381
Real profit	56,092	58,292	58,504	59,267
	56,092	58,292	58,877	59,648
Income tax and social contribution				
Companies opting for the presumed income system			127	130
Companies opting for the taxable income system	0	72	2,658	1,298
Total current income tax and social contribution	0	72	2,785	1,428
Effective rate	0.00%	0.12%	4.73%	2.39%

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26 Related parties

(a) Current accounts with subsidiaries

	Parent Company	
	March 31, 2019	December 31, 2018
Assets		
CENESUP - Centro Nacional de Ensino Superior Ltda.	18,100	
Centro de Educação Profissional BJ Ltda.	43	
Faculdade Joaquim Nabuco de Olinda Ltda.	779	
FMN Clinica Escola de Fisioterapia, Psicologia, Enfermagem e Nutrição Ltda.	680	
CESPI - Centro de Ensino Superior Piauiense Ltda.	2	
CIESPI - Centro Integrado de Educação Superior do Piauí Ltda.	2	
SESPI - Sociedade de Ensino Superior Piauiense Ltda.	51	
Faculdade Joaquim Nabuco de São Lourenço da Mata Ltda.	157	
Centro de Educação Continuada Mauricio de Nassau Ltda.	555	
	<u>20,369</u>	
Liabilities		
ICES - Instituto Campinense de Ensino Superior Ltda.	14,984	
CETEBA - Centro de Ensino e Tecnologia da Bahia Ltda.	1,499	1,500
SESPS - Sociedade de Ensino Superior e de Pesquisa de Sergipe Ltda.	7,590	7,590
Instituto de Ensino Superior Juvêncio Terra Ltda.	3,608	3,608
ABES - Sociedade Baiana de Ensino Superior Ltda.	161	161
EDUCRED - Administradora de Crédito Educativo e Cobrança Ltda.	535	
	<u>28,377</u>	<u>12,859</u>

The Group has as practice capitalizing and/or distributing profits, every six months, between the parent company and its subsidiaries.

(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	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Total key management remuneration	<u>3,891</u>	<u>1,930</u>	<u>3,891</u>	<u>1,930</u>

The additional amount of compensation refers to the payment of bonuses to the board since the targets for the 2018 fiscal year were met, which did not occur in 2017.

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(c) Other transactions

	March 31, 2019			Consolidated March 31, 2018		
	Expense	Payment (*)	Liabilities	Expense	Payment (*)	Liabilities
Rents - Ocktus Participações Ltda (i)	4,748	10,500	136,997	7,486	12,998	137,344
Social actions (ii)	95			129		
	<u>4,843</u>	<u>10,500</u>	<u>136,997</u>	<u>7,615</u>	<u>12,998</u>	<u>137,344</u>

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

- (i) The Group entered into commercial lease agreements for real estate with Ocktus Participações Ltda., owned by shareholder José Janguiê Bezerra Diniz, for a ten-year term, which can be extended 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 to suspend the rental payments of two properties and to keep the suspension of another two occurred in 2017, for an indefinite term, all located in Recife.
- (ii) The Company supports the Instituto Ser Educacional, a nonprofit institution, to perform activities related to corporate social responsibility.

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	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Civil (a)	1,236	797	3,283	3,194
Labor (i)	390	657	4,842	4,550
	<u>1,626</u>	<u>1,454</u>	<u>8,125</u>	<u>7,744</u>
Indemnity contingencies (d)			112,015	112,015
	<u>1,626</u>	<u>1,454</u>	<u>120,140</u>	<u>119,759</u>

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(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. At March 31, 2019, management made a provision of R\$1,236 (2018 - R\$797) in the parent company and R\$3,283 (2018 - R\$3,194) in the consolidated.

The major lawsuits classified as probable losses involve indemnity for pain and suffering and damage to property. There are no debts to the 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\$20,319 (2018 - R\$22,997) in the parent company and R\$41,387 (2018 - R\$46,718) in the consolidated at March 31, 2019. 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. At March 31, 2019, management made a provision of R\$390 (2018 - R\$657) in the parent company and R\$4,842 (2018 - R\$4,550) 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. At March 31, 2019, these amounted to R\$26,672 (2018 - R\$23,265) in the parent company and R\$48,950 (2018 - R\$33,610) 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. At March 31, 2019, these amounted to R\$6,039 (2018 - R\$10,727) in the parent company and R\$14,992 (2018 - R\$20,815) in the consolidated (See note 27 (d)).

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Among the main tax lawsuits whose likelihood of loss is classified as possible by the legal counsel, the following are highlighted:

- a. 07.51613.0.15 - This refers to a tax deficiency notice issued by the finance department of Recife for the alleged non-payment of Service Tax (ISS) on the Company's educational service revenues related to PROUNI scholarships. Said notice is the object of an action for annulment in which a provisional remedy for suspension of the tax credit was granted.
The possible amount is R\$3,679 on March 31, 2019 and 2018.
- b. 07.51986.1.15 - This refers to a tax deficiency notice issued by the finance department of Recife for the alleged non-payment of ISS on 5% of the Company's educational service revenues related to vocational programs. A defense has been filed requesting the nullity of the notice, given that the percentage of the tax to be paid is 3%, in accordance with the law. The possible amount is R\$1,705 on March 31, 2019 and 2018.

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

Among the main labor claims provided for we can highlight:

- a. R\$3,249 on March 31, 2018 and 2019, which was recognized in relation to the labor exposure of Centro de Ensino Superior Piauiense Ltda. (CESPI), Sociedade de Ensino Superior Piauiense Ltda. (SIESPI) and its subsidiary Centro Integrado de Educação Superior do Piauí Ltda. (CIESPI), as a result of their business combination in 2013.
- 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 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 loss risk classification attributed by the external legal advisors is possible, and the amount is R\$103,082 on March 31, 2018 and 2019. Nevertheless, the lawsuit is recorded at the amount of the contingent liability 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 March 31, 2019 and December 31, 2018.

In addition to the lawsuits provisioned, with indemnification assets recognized by the Company, we also have the following cases under discussion:

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- a. Case relating to the use of software licenses for distance learning, brought by the company Centro de Estratégia Operacional Propaganda, Publicidade e Comércio Ltda. against Rede Brasileira de Educação à Distância (RBED), in which União de Ensino Superior do Pará (UNESPA) is a partner, together with nine other teaching institutions in Brazil, who are joint defendants in the case.
- The amount currently under discussion, which has not been provided for, is R\$76,075, arising from business combinations. In 2018, “RBED” obtained an injunction that suspended the execution of the collection process; and
- b. Deficiency notices for collection of social security contributions and contributions to entities and funds, from January 2011 to December 2012, totaling R\$90,945 on March 31, 2018 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.

In all the cases, as the contingencies 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 fiscal year. The Company does not have potential common shares with dilutive effects.

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Profit of the fiscal year attributable to shareholders of the parent company	56,092	58,220
Weighted average number of outstanding common shares (thousands)	<u>128,722</u>	<u>138,435</u>
Earnings per share - basic and diluted - R\$	<u>0.44</u>	<u>0.42</u>

29 Insurance

Insurance coverage at March 31, 2019 was contracted at the amounts shown below, which are in accordance with the insurance policies:

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Branches	Coverage (In thousands)
Material damage to property and equipment	R\$ 130,000
Aeronautical Helmet and Civil Liability	US\$11,270
Aeronautical RETA - Passengers, crew members and third parties on the group	R\$ 1,308
Third-party liability	R\$ 15,000
Fleet - Pecuniary loss, personal injury and damages to transported objects	100% Fipe
D&O liability	R\$ 30,000

30 Subsequent event

Acquisition of Centro Universitário do Norte (Uninorte)

On April 16, 2019, the Company signed an Agreement to Assign and Transfer Shares and Other Covenants, for the acquisition of 100% of the share capital of SODECAM - Sociedade de Desenvolvimento Cultural do Amazonas Ltda, holding company of Uninorte, headquartered in Manaus/AM and market leader in the region, with 25,172 students on December 31, 2018.

The total amount of the purchase was of R\$194,814, from which the net indebtedness of R\$9,814 will be deducted, to be paid at the conclusion of the transaction, which depends on the compliance with certain precedent conditions, usual in this type of transaction.

Section F - Accounting policies

31 Summary of significant accounting policies

The main accounting policies used in the preparation of these financial statements are defined below. These policies have been consistently applied in the years presented, unless otherwise stated.

31.1 Consolidation

The following accounting policies are applied to the preparation of the consolidated financial statements:

(a) Subsidiaries

Subsidiaries are all entities in which the Group has control. Subsidiaries are fully consolidated as of the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

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Identifiable assets acquired and liabilities and contingent liabilities assumed on the acquisition of subsidiaries in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. Non-controlling interests are determined on each acquisition.

Acquisition-related costs are expensed as they are incurred.

Transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of the impairment of the asset being transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

31.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less, and with an immaterial risk of changes in value.

31.3 Financial assets and liabilities

31.3.1 Initial recognition and measurement of financial assets

Financial assets are initially classified as, and subsequently measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss.

The classification of financial assets in the initial recognition depends on the characteristics of the contractual cash flows of the financial asset and the Group's business model for the management of these financial assets. All financial assets are recognized at fair value, plus, in the case of financial assets not accounted at fair value through profit or loss, the transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For subsequent measurement purposes, financial assets are classified into four categories:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income, with reclassification of accumulated gains and losses (debt instruments);
- Financial assets designated at fair value through other comprehensive income without reclassification of accumulated gains and losses at the time of derecognition (equity instruments); and
- Financial assets at fair value through profit or loss

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The Group does not have financial assets classified in categories of financial assets at fair value through other comprehensive income with reclassification of accumulated gains and losses (debt instruments) and financial assets designated at fair value through other comprehensive income without reclassification of accumulated gains and losses at the time of derecognition (equity instruments).

31.3.2 Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the purpose to keep the financial assets to receive contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that exclusively constitute payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in income when the asset is written off, modified or suffers impairment.

The Group's financial assets at amortized cost include cash and cash equivalents, trade accounts receivable and court deposits and blocks.

31.3.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held for trading, financial assets designated at the initial recognition at fair value through profit or loss or financial assets to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of sale or repurchase in the short term.

Financial assets with cash flows that are not exclusively payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model.

Financial assets at fair value through profit or loss are presented in the balance sheet at fair value, with the net changes in fair value recognized in the income statement.

The Group's financial assets classified at fair value through profit or loss include securities.

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31.3.4 Derecognition (write-off)

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is written-off (i.e., excluded from the result for the year) when: the rights to receive cash flows from the asset expire; the Group transferred its rights to receive cash flows from the asset or assumed an obligation to pay in full the cash flows received without significant delay to a third party under a transfer agreement; and (a) the Group substantially transferred all risks and rewards relative to the asset, or (b) the Group did not transfer nor substantially withheld all risks and rewards relative to the asset but transferred the control over the asset.

31.3.5 Initial recognition and measurement of financial liabilities

Financial liabilities are initially classified as financial liabilities at fair value through profit or loss, amortized cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially recognized at fair value and, in case of borrowings and accounts payable, are added to the cost of the transaction directly related.

The Group's financial liabilities include accounts payable to suppliers, borrowings, debentures, commitments payable and lease commitments.

Subsequent measurement

After the initial recognition, interest-bearing borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are written-off, as well as during the amortization process using the effective interest rate method.

31.3.6 Derecognition (write-off)

A financial liability is written-off when the commitments is revoked, canceled or expires. When an existing financial liability is replaced by another of the same lender with substantially different terms, or the terms of an existing liability are significantly changed, such replacement or change is accounted as a write-off of the original liability and a new liability is recognized. The difference in the accounting values is recognized in the income statement.

31.4 Accounts receivable

Accounts receivable are the result of teaching services provided, and do not include amounts for services provided after the balance sheet date. Services paid for but not provided prior to the balance sheet date are recorded as monthly fees received in advance and are recognized as income in the corresponding period on an accrual basis.

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Bills receivable from students are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less an allowance for doubtful accounts or impairment.

31.5 Impairment of financial assets (includes allowance for doubtful accounts)

Credit exposures with no significant increase in credit risk since the initial recognition are provisioned as a result of possible non-payment events in the next 12 months (expected credit loss of 12 months). Credit exposures with significant increase in credit risk since the initial recognition require a provision for expected credit losses over the remaining life of the exposure, regardless of the time of the non-payment (an expected lifetime credit loss).

This methodology is applicable to financial instruments classified as amortized cost.

For the accounts receivable from clients, given the short-term nature of the Group's receivables and its policy on concession and management of risks and credits, the Group has not identified any material impact that could affect its interim financial statements.

For other financial assets subject to impairment test, no expected loss was recognized in the quarter ended March 31, 2019, since in accordance with the Group's assessment - besides considering that the related risk is low - there is no history of losses. A financial asset is written-off when there is no reasonable expectation of recovery of the contractual cash flows.

31.6 Investments in subsidiaries (applicable only for parent company financial statements)

Investments in subsidiaries are recorded in the parent company's financial statements using the equity accounting method.

Corporate interests in subsidiaries are shown in the parent company's statement of income as equity income, representing the net income attributable to the shareholders of the subsidiaries.

Goodwill related to expected future profitability is presented in the parent company's financial statements as part of the investment. The same adjustments made in the consolidated financial statements are made in the parent company financial statements to reach the same values of equity and results.

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31.7 Intangible assets

(a) Goodwill

Goodwill consists of the positive difference between the amount paid and/or payable for the acquisition of a business and the net amount of the fair value of its assets and liabilities. Goodwill on acquisitions of subsidiaries is recorded under intangible assets in the consolidated financial statements. Goodwill is tested for impairment annually. It is recorded in the books at cost less accumulated impairment losses. Impairment losses recognized on goodwill cannot be reversed.

Gains and losses on the disposal of an entity include the book value of the goodwill corresponding to the entity sold.

(b) Student portfolio

Contractual relationships with students acquired in business combinations are recognized at their fair value on the date of acquisition. The contractual relationships have a defined useful life and are booked at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected period of the relationship with the student.

(c) Software licenses and installation

Software licenses are capitalized on the basis of the costs incurred to acquire the software plus the costs of making it ready for use. These costs are amortized over the estimated useful life of the software, which is of five years.

Software maintenance costs are recognized as expenses at the time they are incurred. Other development costs that do not meet these criteria are recognized as expenses when incurred.

Development costs previously recognized as expenses are not recognized as assets in subsequent periods.

Software development costs recognized as assets are amortized over the estimated useful life of the software, which does not exceed five years.

(d) Accreditation and operating licenses

Accreditation and operating licenses are capitalized on the basis of the costs incurred to obtain authorization for and recognition of the courses offered from the Ministry of Education, plus the renewal of licenses for course units. Accreditation and licenses have a defined useful life and are recorded at cost less accumulated amortization. The amortization is calculated using the straight-line method during the period of validity of the licenses obtained from the Ministry of Education.

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(e) Digital content

Digital content is capitalized at the amount of the costs incurred to acquire the right to use the digital content as part of the services provided by the Group. These costs are amortized over the contract period.

(f) Agreements

Agreements are capitalized at the amounts of the costs incurred to execute contracts with partner companies, giving the Group's students the right to undertake the supplementary undergraduate activities required for their academic education.

These costs are amortized over the periods of the respective agreements.

(g) Goodwill

Intangible assets with defined useful lives, representing amounts paid upon the acquisition of new business premises (goodwill), are amortized on a straight-line basis over the lease term of the properties rented.

(h) Intangible assets identified on acquisitions - course licenses

Course licenses identified on acquisitions relate basically to the amounts of licenses and the accreditation of courses by the Ministry of Education and are first recorded at fair value based on appraisal reports supporting the amounts allocated as part of business combinations.

These intangible assets identified on acquisitions have indefinite useful lives and are subject to annual impairment testing.

(i) Intangible assets identified in acquisitions - Trademarks

Trademarks identified on acquisitions are first recorded at fair value based on appraisal reports supporting the amounts allocated in business combinations. These intangible assets identified on acquisitions have defined useful lives and are subject to amortization calculated using the straight-line method to allocate the cost over their estimated useful lives.

31.8 Property and equipment

Property and equipment is measured at historical cost, less accumulated depreciation and impairment losses. Historical costs include expenses directly attributable to the acquisition of the items.

Land is not depreciated. The depreciation of other assets is calculated using the straight-line method, so as to allocate their costs, less residual value, over their useful lives.

Property and equipment in progress refers to the construction of new buildings and the renovation of third-party buildings to adapt them to the Group's activities. Every six months, these balances are reviewed and transferred to their specific accounts, if concluded, so that depreciation can begin.

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All amounts in thousands of Reais, except when otherwise stated

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and they can be reliably measured. The carrying amount of the replaced item is derecognized. All other repair and maintenance costs are charged to the statement of income as they are incurred.

An item of property and equipment is written off when it is sold, or when no future economic benefit is anticipated from its use or sale. The eventual profit or loss resulting from the asset write-off (calculated as the difference between the net amount of the disposal and the residual value of the asset) are recorded in the statement of income for the period during which the asset is written off.

Residual values, useful lives and depreciation methods for assets are reviewed and adjusted, if necessary, when there is an indication of a significant change since the date of the last balance sheet.

31.9 Capitalized borrowing costs

The historical costs of property and equipment include the costs of borrowings directly related to the acquisition, construction or production of an asset that requires a significant amount of time to be completed for the purpose of use or sale. These are capitalized as part of the cost of the corresponding asset. All other borrowing costs are expensed for the period during which they are incurred. Borrowing costs include interest and other costs related to the borrowing incurred by the entity.

31.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset's fair value less sale costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flow (cash generating unit or CGU level). Non-financial assets other than goodwill that have been adjusted due to impairment are subsequently reviewed for the possible reversal of the impairment at the balance sheet date.

31.11 Suppliers and commitments payable

Accounts payable are liabilities owing for goods or services acquired from suppliers in the ordinary course of business, and commitments payable are liabilities for the acquisition of property and amounts payable under business combinations. They are classified as current liabilities if payment is due within a year. Otherwise, accounts and commitments payable are shown as non-current liabilities. Accounts and commitments payable are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.

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31.12 Lease

Leases in which a significant portion of the property's risks and benefits is retained by the lessor are classified as operating leases. The payments made for operating leases (net of any incentives received from the lessor) are recognized in the income statement using the straight-line method over the term of the lease.

The Group leases certain property and equipment assets. Property and equipment leases under which the Group holds substantially all of the risks and benefits of ownership are classified as financial leases. Financial leases are capitalized at the beginning of the lease period at the lower of the fair value of the leased asset and the present value of the minimum lease payments as a counter-entry to lease liability payables.

A portion of each lease installment paid is allocated to liabilities, and a portion to financial charges, in order to obtain a constant rate on the outstanding debt balance. The corresponding obligations, net of financial charges, are included in lease obligations. Interest on financial expenses is recognized in the statement of income over the lease period, to give a constant periodic interest rate on the outstanding liabilities balance for each period. Property and equipment acquired through financial leasing is depreciated over the useful life of the asset.

31.13 Borrowing

Borrowing is recognized initially at fair value, net of transaction costs incurred, and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the borrowing using the effective interest rate method.

Borrowing is classified within current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Both general and specific borrowing costs directly related to the acquisition, construction or production of a qualifying asset, which requires a substantial period of time to prepare for its intended use or sale, are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the Company, and the costs can be reliably measured. Other borrowing costs are recognized as finance costs in the period in which they are incurred.

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31.14 Debentures

Debentures are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost.

Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period in which the debentures are outstanding using the effective interest rate method.

Debentures are classified as current liabilities, unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting period.

Both general and specific debenture costs directly related to the acquisition, construction or production of a qualifying asset, which requires a substantial period of time to prepare for its intended use or sale, are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the Company, and the costs can be reliably measured.

Other debenture costs are recognized as expenses in the period during which they are incurred.

31.15 Provisions

Provisions for contingencies (labor, civil and tax) are recognized when: (i) there is a present or non-formalized obligation as a result of events that have already occurred; (ii) it is probable that an outflow of resources will be necessary to settle the obligation; and (iii) the amount of this outflow can be reliably estimated based on the judgment of legal counsel.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized within financial expenses.

31.16 Taxation

(a) Current income tax (IRPJ) and social contribution (CSLL)

The cost of IRPJ and CSLL for the period includes current tax. Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized directly in equity. In this case, the tax is also recognized in equity. The undergraduate teaching activities by the units that have PROUNI are exempt from IRPJ and CSLL during the term of their membership.

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(b) Social Integration Program Tax on Revenue (PIS) and Social Security Financing Tax on Revenue (COFINS)

For revenue from teaching activities, except for undergraduate teaching by units that have joined the PROUNI, PIS and COFINS are payable at the rates of 0.65% and 3.00%, respectively. PIS is payable on revenue from non-teaching activities at a rate of 1.65% and COFINS at 7.6%.

Undergraduate teaching by units that have joined the PROUNI are exempt from PIS and COFINS.

(c) PROUNI

Units that have joined the PROUNI program are exempt from the following federal taxes while they are members:

- IRPJ and CSLL, introduced by Law 7689 of December 15, 1988;
- COFINS, introduced by Supplementary Law 70 of December 29, 1991; and
- PIS, introduced by Supplementary Law 7 of September 7, 1970.

The above-mentioned exemptions are originally calculated on the amount of revenue received from the provision of higher education services, including undergraduate and specific training courses.

(d) ISS

Revenue from teaching activities is subject to ISS, as established in Supplementary Law 116/2003, at rates from 3.00% to 5.00%, depending on the municipality. The tax is recognized in accordance with the recognition of the Group's revenue.

31.17 Earnings per share

The Company calculates earnings per lot of 1,000 shares using the weighted average number of total common shares outstanding during the period, corresponding to income, in accordance with Technical Pronouncement CPC 41 (IAS 33).

Common shares are classified in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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31.18 Recognition of revenue, costs and expenses

Revenue, costs and expenses are recognized on an accrual basis.

(a) Service revenue

Revenue consists of the fair value of consideration received or receivable from business relating to higher education, graduate courses, short courses and related educational activities. Revenue is shown net of tax and after returns, rebates and discounts. Revenue from services provided is recognized based on services carried out prior to the balance sheet date.

Monthly payments for courses and the discounts granted on them vary depending on the course, the unit and the academic term. Revenue is generated from fixed price contracts and recognized monthly as the services are provided.

In October 2013, the Group joined the National Program for Access to Vocational Training (PRONATEC), created by the Ministry of Education to broaden the offering of high-school level technical and professional courses, and basic and continuing training courses for Brazilian workers. Revenue is generated from scholarships and is recognized monthly based on the services provided, and the confirmation of each student's attendance, in accordance with the conditions and requirements of the program.

The Group records as discounts the educational charges arising from financing agreements guaranteed by the students who joined the FGEDUC, in accordance with Regulatory Ordinance 21 of October 21, 2010, Regulatory Ordinance 14 of June 28, 2012 and Regulatory Ordinance 3 of January 3, 2014. The educational charges total 5.63% of revenue arising from students who have joined FGEDUC through FIES. Additionally, as of 2016, a new discount of 2% related to FIES charges was introduced, as per Executive Decree 741 ("MP 741").

(b) Financial income and expenses

Financial income is recognized in accordance with the time elapsed on an accruals basis, using the effective interest rate method.

31.19 Distribution of dividends and interest on equity

The distribution of dividends and interest on equity to the Company's shareholders is recognized as a liability in the Group's financial statements at the end of the year pursuant to the Company's bylaws, which establish a mandatory minimum of 25% and any dividends and interest on equity paid in advance during the year. Any amount exceeding the mandatory minimum is provided for only on the date on which it is approved by the shareholders at a Shareholders' Meeting.

The tax effect of interest on capital is recognized in the statement of income.

Message from Management

2019 is proving to be important for the development of the Company's business plan. We reached significant advances at the beginning of the year, such as Distance Learning student base growth of 52.5% in 1Q19, compared to the same period in 2018, as a result of an investment started in 2014, when Distance Learning operations began, which were then intensified from June 2017, with the new regulatory framework for the segment published by the Ministry of Education. In addition, the Distance Learning operation has for the first time achieved a positive adjusted EBITDA, an important result given this business segment usually has higher operating margins and may lead to increasing returns on investments.

Also regarding organic growth, there are currently 14 on-campus units in the process of accelerating growth from 2020, as they are reaching their third year of operation. The third year of activity is an important milestone for new units, since they usually show higher student base growth rates as the educational institution brand become more recognized, with a wider product portfolio. There are also additional organic growth opportunities for the Fortaleza, Natal and Aracaju operations, which have already received visits from MEC, in preparation to be accredited as University Centers, which will allow the Company to open new on-campus units and courses.

Furthermore, the Company is reformulating the course offering format in these new units, with the Campus 2.0 project. This project will be relevant to the business plan as it will lead to greater student intake compared to the previous unit launch model. In the Campus 2.0 model, the units will be launched with a higher number of approved on-campus courses with at least 10 courses (instead of 5 courses), including in the engineering and health areas, as well as already having their laboratories installed and being able to offer the complete portfolio of Distance Learning courses (the 100% online model, the premium model – with online theoretical classes and practical classes in the laboratory – and the semi-distance model – which combines on-campus theoretical classes and 100% online classes). The Campus 2.0 project is also being systematically used to transform mature units into units that offer a broader range of courses, which will bring evolution to existing units.



*Unit in Vitoria da Conquista (BA)
Campus 2.0 model*

The Campus 2.0 is a result of the Ser Digital #serdigital initiatives, in partnership with the Accenture consulting firm, aimed at a true digital transformation of the Company, providing greater integration between on-campus and Distance Learning courses, further digitalization of its processes and adaptation of the Company's culture in search of innovative solutions for the development of its business.



Overdrives: #serdigital startups accelerator

In addition to the Campus 2.0 project, Ser Digital already has reached several developments, such as the launch of a new student portal, which includes the automation of a series of products and services, automation of internal projects and the creation of Overdrives, a startups accelerator that serve as an entrepreneurship incubator, as well as a source for academic development of business solutions, with the help of the Company's students and a business searcher in the EdTech segment.

The on-campus education segment, despite still suffering the effect of the low economic growth in recent years, presented, for the first time since 2017, growth in the number of new students, the first sign of recovery in this segment.

However, this growth is not sufficient for the recovery of the student base, as dropout rate is still high due to current unemployment levels and low growth of the economy as a whole.

This year, the Company has also developed its third growth driver: acquisitions. In April 2019, the Company announced the acquisition of UNINORTE, the market leader and most recognized brand in Manaus (AM). With around 25,200 students, the institution represents an important strategic move, as the Company will hold the two most relevant brands in the Northern region of Brazil, since UNAMA, the market leader in Belém, is recognized as the best private university in the region. The Company estimates significant synergies and the opportunity to introduce the 100% online and the premium models of the Distance Learning segment in the city and state of Amazonas, making the main brands in the region part of the Ser Educacional group, in line with its organic expansion plan. The transaction still depends on CADE's approval.



Campus Centro



Campus Plaza



Campus Norte

Uninorte campuses in Manaus (AM)

The 1Q19 results, in turn, reflect the maintenance of the cost and expense discipline plan introduced in 2Q18, even with the graduation and dropout of more than 16,000 FIES students and the adverse economic scenario. The Company continues with a solid operating free cash flow and high net cash flow, even after the acquisition of Uninorte for R\$195.0 million, the repurchase of more than R\$150 million of shares during 2018 and an investment budget of up to R\$93 million approved at the last shareholders' meeting.

In this sense, the Board of Directors approved the distribution of extraordinary dividends in the amount of R\$250.0 million and changed its dividend policy by providing for a minimum distribution of 30% of its net income. With these measures, the Company will have a cash position more in line with its current capital needs and remains ready to continue investing in its organic growth plan, as well as will maintain an unleveraged structure that allows it to continuously analyze acquisition opportunities and get on with its share buyback programs. The Company's Management remains confident in its business plan and aware of the challenges, especially related to Brazil's uncertain economic environment.

Basis for presentation of results and adoption of IFRS 16 Leases / CPC 06/(R2) Lease operations

The information is presented in accordance with international financial reporting standards (IFRS) and consolidated in Brazilian reais (R\$). Comparisons refer to the first quarter of 2018, unless otherwise indicated.

As of 1Q19, the Company adopted IFRS 16 – Leases / CPC 06 (R2), which replaces existing lease standards, including CPC 06 (R1) (IAS 17), Leasing Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27), Complementary Aspects of Leasing Operations. The new standard establishes a single lease model, based on the right to use an asset for a period of time in exchange for consideration, similarly to financial leases.

For comparison purposes, the Company prepared the income statement for the previous quarters for the 2018 fiscal year applying the IFRS 16 standards (Pro Forma and Non-Audited by the independent auditors), and called these figures "Comparable 1Q18". The reconciliation of these results is demonstrated in the "IFRS 16 Reconciliation" section of this document.

OPERATING PERFORMANCE

Despite the highly competitive environment, similar to that observed in 2018, the student intake process in 1Q19 was relatively in line with the Company's expectations. The industry still faces a scenario of prolonged unemployment and low economic growth, which leads to a lower disposable income of students for investment in education.

In thousands	1Q19	1Q18	% Chg
Undergraduate Enrollments	51.8	45.8	13.1%
Distance Learning	14.8	10.2	44.1%
On-campus	37.0	35.6	4.1%
Graduate Enrollments	3.1	1.6	89.3%
On-campus	0.4	0.9	-52.3%
Distance Learning	2.6	0.7	284.9%
Vocational (On Campus + Distance Learning)	1.0	0.2	432.1%
TOTAL	55.9	47.6	17.4%

Student Growth Trends

Number of Students	Undergraduate		Graduate		Vocational		Total
	On Campus	Distance Learning	On Campus	Distance Learning	On Campus	Distance Learning	Total
1Q19							
Dec18 Base	127,837	13,759	5,235	3,123	183	72	150,209
Enrollments	37,014	14,764	448	2,617	1,021	6	55,870
Leavers	(12,677)	(253)	(817)	(271)	-	-	(14,018)
Dropouts	(24,345)	(5,723)	(67)	(17)	-	-	(30,152)
Mar19 Base	127,829	22,547	4,799	5,452	1,204	78	161,909
% Mar19 Base / Dec18 Base	0.0%	63.9%	-8.3%	74.6%	557.9%	8.3%	7.8%
% Mar19 Base / Mar18 Base	-5.8%	42.4%	-13.2%	116.1%	266.0%	-29.1%	1.2%

The on-campus undergraduate base totaled 127,800 students, 5.8% lower compared to the 135,700 students registered in 1Q18, still due to the high dropout rate, a reflection of the current economic scenario of high unemployment levels and lower disposable income, combined with the Company's policy of maintaining its student base's credit risk profile adequate to its operating cash generation policy. In addition, the Company had a high volume of graduating students due to the higher number of students enrolled in previous years.

The Distance Learning undergraduate and graduate students base increased 52.5%, from 18,400 students in 1Q18 to 28,000 in 1Q19. The total student base grew by 1.2% compared to March 31, 2018.

The reduction in the FIES student base is generating a shift in the seasonality of enrollment and re-enrollment processes since 2017. More students are entering and renewing their contracts in the second quarter compared to previous years. In order to better demonstrate this seasonal effect, the Company presents in the table below, the variation of the student base between the end of 1Q19 and the end of April. This effect continues to occur during May and June, but seasonally lower.

Number of Students			
Business	03/31/2019	04/30/2019	% Chg.
On Campus Undergraduate	127,829	133,152	4.2%
Distance Learning Undergraduate	22,547	23,473	4.1%
On Campus Graduate	4,799	4,663	-2.8%
Distance Learning Graduate	5,452	5,942	9.0%
Vocational (On Campus + Distance Learning)	1,282	1,337	4.3%
Total	161,909	168,567	4.1%

Dropout Rate

On-campus undergraduate student dropout rate

The 1Q19 re-enrollment rate of on-campus programs reached 86.5% of the renewable base, a decrease of 0.4 p.p. compared to 1Q18, when the indicator was 86.9%. The 1Q19 dropout rate was 16.0%, versus 13.8% in 1Q18. This increase is mainly due to the maintenance of high unemployment levels in Brazil and the Company's re-enrollment policy, which focuses on the students' credit profile, as well as the seasonal effect resulting from the reduction of the FIES student base, for which the re-enrollment process used to take place in the first quarter, and is now shifting to the second quarter.

Average Net Ticket

Average Ticket (R\$)	1Q19	1Q18	% Chg. 1Q19 x 1Q18
On Campus Undergraduate	729.02	734.55	-0.8%
Distance Learning Undergraduate	209.57	203.38	3.0%
Total Net Average Ticket	623.93	655.94	-4.9%

In 1Q19, the average ticket was R\$729.02, down by 0.8% year-on-year, mainly due to the pass-through of inflation and the improvement in the course mix, gradually increasing the share of engineering and health courses, and offset the increase in discounts and scholarships in the year. It is also worth mentioning that, due to the intake strategy and the reduced FIES student base, the first and third quarters now have a higher volume of punctual discounts for the first and second monthly tuition fees and, consequently, the average ticket of these quarters tends to suffer a greater negative impact compared to the second and fourth quarters, which have a lower volume of discounts related to the intake process.

In the Distance Learning segment, the average ticket increased by 3.0% compared to 1Q18, mainly due to the improvement in the course mix in the engineering and health areas and the pass-through of inflation.

As the Distance Learning student base increased from 11% to 17% of the total student base and there was a reduction of the average ticket in the on-campus segment due to the factors mentioned above, the overall average ticket decreased by 4.9% in the quarter.

Student Financing

STUDENT LOANS	Dec/13	Dec/14	Dec/15	Dec/16	Dec/17	1Q18	Dec/18	1Q19
On Campus Undergraduate Students	70,255	101,195	123,988	131,092	133,945	135,694	127,837	127,829
FIES Students	31,432	48,048	56,089	58,840	55,565	44,858	40,427	31,243
% of FIES Students	44.7%	47.5%	45.2%	44.9%	41.5%	33.1%	31.6%	24.4%
EDUCRED Students			754	1,922	2,390	3,104	3,952	4,007
% of EDUCRED Students			0.6%	1.5%	1.8%	2.3%	3.1%	3.1%
PRAVALER Students			954	1,794	2,873	2,520	3,265	2,643
% of PRAVALER Students			0.8%	1.4%	2.1%	1.9%	2.6%	2.1%
Total Students Loans			57,797	62,556	60,828	50,482	47,644	37,893
% of Total Students Loans			46.6%	47.7%	45.4%	37.2%	37.3%	29.6%

On March 31, 2019, FIES students accounted for 24.4% of the on-campus undergraduate base, a 8.6 p.p. reduction compared to the 33.1% recorded at the close of 1Q18. 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.

As of April 2015, the Company re-designed its student financing plans, offering new student financing products through PraValer, one of Brazil's largest private programs, and the re-launch of Educured, the Company's own student loan program, which enables students to pay a portion of their semiannual tuition fee after they graduate or drop out. With these changes in private financing alternatives, approximately 1,100 students enrolled through PraValer and Educured in 1Q19. On March 31, 2019, the Company had approximately 6,700 students enrolled through Educured and PraValer, equivalent to 5.2% of the 1Q19 on-campus undergraduate student base.

Organic Growth

In 1Q19, 54 new courses were authorized, giving a total of 1,659, while the number of vacancies in some courses also increased. As a result, in March 2019, the Company had approximately 1,037.3 thousand vacancies per year, 664,800 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

Gross Revenue

Gross Revenue - Accounting (R\$ '000)	1Q19	1Q18	% Chg. 1Q19 x 1Q18
Gross Operating Revenue	496,858	437,179	13.7%
Undergraduate Monthly Tuition	454,810	410,008	10.9%
Graduate Monthly Tuition	7,584	7,239	4.8%
Vocational Courses Revenues	503	282	78.4%
Distance Learning Revenues	29,869	15,605	91.4%
Others	4,092	4,045	1.2%
Deductions from Gross Revenue	(192,694)	(119,930)	60.7%
Discounts and Scholarships	(131,608)	(62,510)	110.5%
PROUNI	(44,538)	(37,352)	19.2%
FGEDUC And FIES charges	(6,624)	(9,117)	-27.3%
Taxes	(9,924)	(10,951)	-9.4%
% Discounts and Scholarships/ Net Oper. Rev.	26.5%	14.3%	12.2 p.p.
Net Operating Revenue	304,164	317,249	-4.1%
Undergraduate Monthly Tuition	276,744	296,301	-6.6%
Graduate Monthly Tuition	5,368	5,512	-2.6%
Vocational Courses Revenues	471	264	78.4%
Distance Learning Revenues	17,660	11,266	56.8%
Others	3,922	3,906	0.4%

In 1Q19, gross revenue totaled R\$496.9 million, up 13.7% on 1Q18. This increase reflects the pass-through of prices of 6% in the comparison between the two periods and the difference between 6% and 13.7% refers also to the better courses mix, but mainly to the final effect of the implementation of IFRS 15, which began to recognize monthly tuition fees without the discount for timely payment from 2018, being applied only to the open monthly fees in the first half of 2018 and to 100% of the monthly fees billed in the second half of 2018. This change led to a R\$41.9 million increase in the gross revenue and in discounts and scholarships line in this quarter, which were not reflected in the first quarter of 2018.

Net revenue was R\$304.2 million in 1Q19, a 4.1% decrease compared to 1Q18, mainly due to a 5.8% reduction in the on-campus student base, partially offset by the 52.5% growth in the Distance Learning undergraduate and graduate student base, which resulted in an increase of 1.2% in the total student base. This change in the student base mix with a higher volume of Distance Learning students, which went from 11% to 17% of the total student base, led to a 4.9% drop in the overall average ticket. As mentioned above, the change of rule in the application of IFRS 15 generated an increase of R \$ 41.9 million in both gross revenue and punctuality discounts.

It is worth mentioning that the average ticket in the first and third quarters suffers a greater volume of sale discounts to attract new students, especially discounts on the first and second monthly tuition fees. This effect tends to be diluted throughout the first half of the year and, therefore, during the second half of the year the average ticket has shown growth compared to the first quarter since 2017.

Cost of Services Rendered

Breakdown of Cost of Services Rendered¹ Accounting (R\$ '000)	1Q19	1Q18 Comparable	% Chg. 1Q19 x 1Q18
Cash Cost of Services Rendered	(115,426)	(120,386)	-4.1%
Payroll and Charges	(89,139)	(91,755)	-2.9%
Rent	(9,968)	(12,638)	-21.1%
Concessionaires (Electricity, Water and Telephone)	(9,109)	(9,201)	-1.0%
Third-Party Services and Others	(7,210)	(6,792)	6.2%

¹Excluding depreciation and amortization.

The cash cost of services rendered (excluding depreciation and amortization) totaled R\$115.4 million in 1Q19, down 4.1% on 1Q18. The most significant components of service costs increased in the quarter mainly due to the following reasons:

a) Payroll and charges decreased 2.9% over 1Q18, mainly due to the personnel structure optimization carried out in 2018 in order to adjust the teacher and employee base to the Company's current student base, especially in the on-campus higher education segment. In this scenario, the Company incurred non-recurring costs in the amount of R\$2.9 million in the quarter, which can be better analyzed in the table presented below.

b) Comparable rental costs decreased by 21.1%, from R\$12.6 million in 1Q18 to R\$10.0 million in 1Q19, due to the reduction in the number of properties, as well as renegotiation of properties currently rented.

c) Concessionaires (electricity, water and telephone) decreased by 1.0%, from R\$9.2 million in 1Q18 to R\$9.1 million in 1Q19, due to the lower number of new campuses in operation, as part of the 2018 action plan, which went from 29 new campuses to 14 campuses effectively in operation, as well as the removal of the red flag tariff in the electricity bill, especially in the Northeast region, offset by tariff readjustment.

d) Third-party Services and Others rose 6.2%, from R\$6.8 million in 1Q18 to R\$7.2 million in 1Q19, due to the hiring of a larger number of service providers, mainly to support health courses (preceptorship and practical classes), costs related to licenses for Distance Learning courses and online modules for on-campus students, as well as the transfer of tuition revenue to partner centers.

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

Breakdown of Cost of Services Rendered' Adjusted (R\$ '000)	1Q19	1Q18 Comparable	% Chg. 1Q19 x 1Q18
Cash Cost of Services Rendered	(112,537)	(118,688)	-5.2%
Payroll and Charges	(86,250)	(90,057)	-4.2%
Rent	(9,968)	(12,638)	-21.1%
Concessionaires (Electricity, Water and Telephone)	(9,109)	(9,201)	-1.0%
Third-Party Services and Others	(7,210)	(6,792)	6.2%

¹Excluding depreciation and amortization.

Gross Profit

Gross Profit - Accounting (R\$ '000)	1Q19	1Q18 Comparable	% Chg. 1Q19 x 1Q18
Net Operating Revenue	304,164	317,249	-4.1%
Cost of Services Rendered	(138,061)	(137,791)	0.2%
Gross Profit	166,103	179,458	-7.4%
Gross Margin	54.6%	56.6%	-2.0 p.p.
(-) Depreciation	22,635	17,405	30.0%
Cash Gross Profit	188,738	196,863	-4.1%
Cash Gross Margin	62.1%	62.1%	0.0 p.p.

Comparable cash gross profit decreased by 4.1%, from R\$196.8 million in 1Q18 to R\$188.7 million in 1Q19. The cash gross margin stood at 62.1% in 1Q19, in line compared to 1Q18, when it also reached 62.1%, due to the 4.1% reduction in net revenues, comparing 1Q19 x 1Q18. The table below shows gross profit adjusted for the main non-recurring cost effects:

Gross Profit - Adjusted (R\$ '000)	1Q19	1Q18 Comparable	% Chg. 1Q19 x 1Q18
Net Operating Revenue	304,164	317,249	-4.1%
Cost of Services Rendered	(135,172)	(136,093)	-0.7%
Adjusted Gross Profit	168,992	181,156	-6.7%
Adjusted Gross Margin	55.6%	57.1%	-1.5 p.p.
(-) Depreciation	22,635	17,405	30.0%
Adjusted Cash Gross Profit	191,627	198,561	-3.5%
Adjusted Cash Gross Margin	63.0%	62.6%	0.4 p.p.

Operating Expenses (Selling, General and Administrative)

Operating Expenses - Accounting (R\$ '000)	1Q19	1Q18 Comparable	% Chg. 1Q19 x 1Q18
General and Administrative Expenses	(89,123)	(118,971)	-25.1%
Payroll and Charges	(34,899)	(35,110)	-0.6%
Third-Party Services	(12,785)	(8,204)	55.8%
Advertising	(19,727)	(35,771)	-44.9%
Materials	(3,377)	(5,448)	-38.0%
PDA	(6,528)	(15,689)	-58.4%
Others	(7,954)	(12,270)	-35.2%
Depreciation and Amortization	(3,853)	(6,479)	-40.5%
Operating Income	75,478	61,449	22.8%
General and Administrative Expenses (Ex-Depreciation and Amortization)	(85,270)	(112,492)	-24.2%

General and administrative expenses fell by 25.1%, from R\$119.0 million in 1Q18 to R\$89.1 million in 1Q19, mainly due to:

a) Payroll and charges, which decreased 0.6% over 1Q18, mainly fueled by the administrative staff optimization as a result of the 2018 action plan and non-recurring severance pay of R\$1.1 million related to the adjustment of the administrative structure to support the Company's current student base. In addition, the impact on this line was not only more significant due to the fact that, in 1Q18, the Company opted for the reversal of the provision for the payment of bonuses to executives of approximately R\$3.8 million in the quarter due to the non-achievement of the targets.

b) Third-party services, which had an increase of 55.8%, from R\$8.2 million in 1Q18 to R\$12.8 million in 1Q19, mainly due to the hiring of a consulting firm to carry out the Ser Digital project, as well as expenses with legal fees and audit services to carry out due diligence for the acquisition of Uninorte. The Ser Digital project has the long-term strategic goal of preparing the Company's digital transformation in order to improve the students' experience in all stages of the learning process and contact with the Company's educational institutions. In 1Q19, non-recurring expenses totaled approximately R\$4.2 million related to these activities. Excluding these non-recurring effects, the Rendered Services line showed a reduction of 8.1% in the comparison between quarters, in this case mainly due to the outsourcing of cleaning services and building maintenance.

c) Advertising expenses, which fell 44.9%, from R\$35.8 million in 1Q18 to R\$19.7 million in 1Q19, representing 6.5% of net revenue, down 4.8 p.p. from the 11.3% in 1Q18. The decline compared with 1Q18 already reflects the change announced in the 2018 action plan, which included, in addition to the reduction in institutional marketing volume, a downturn in general expenses in cities such as Salvador, Maceió, João Pessoa and Fortaleza, due to the withdrawal of the Joaquim Nabuco brand from these markets, in order to focus efforts on the UNINASSAU brand.

d) The Provision for Doubtful Accounts and Effective Losses line decreased by 58.4% compared to 1Q18, dropping from R\$15.7 million in 1Q18 to R\$6.5 million in 1T19, as a result of the reversal of R\$16.0 million caused by a change in the PDA estimation criterion, partially offset by the actual loss of R\$8.2 in accounts receivable. In the first quarter of 2019, in the context of the evaluation of the rules for the implementation of IFRS 9 (crop provisioning), the Company revised its estimates for the creation of the PDD based on the recent history of recovery of open credits between 361 and 720 days (only up to 360 days), according to the policy implemented at the end of the first half of 2017. As in 2018 this history was still insufficient to allow more assertive conclusions, the Company maintained its recovery history of 360 days and reassessed the criterion for 2019. On the other hand, the Company incurred losses related to the outstanding monthly installments in 2018, which were invoiced with value on the 30th, without considering the scholarships and the punctuality discounts lost due to the default, but which were renegotiated in the first quarter of 2019 including part of these scholarships and discount.

e) Materials, which fell 38.0%, from R\$5.4 million in 1Q18 to R\$3.4 million in 1Q19, due to the ongoing expense reduction plan, which led to a downturn in these expenses in existing operations and a decline in accreditation of new courses and units.

f) Other expenses, which decreased 35.2%, from R\$12.3 million in 1Q18 to R\$8.0 million in 1Q19, following a decrease in the number of new units in preparation to be accredited.

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

Operating Expenses - Adjusted (R\$ '000)	1Q19	1Q18 Comparable	% Chg. 1Q19 x 1Q18
General and Administrative Expenses	(83,789)	(116,045)	-27.8%
Payroll and Charges	(33,776)	(34,408)	-1.8%
Third-Party Services	(8,574)	(7,928)	8.1%
Advertising	(19,727)	(35,771)	-44.9%
Materials	(3,377)	(5,448)	-38.0%
PDA	(6,528)	(15,689)	-58.4%
Others	(7,954)	(10,322)	-22.9%
Depreciation and Amortization	(3,853)	(6,479)	-40.5%
Adjusted Operating Income	83,701	66,073	26.7%
General and Administrative Expenses (Ex-Depreciation and Amortization)	(79,936)	(109,566)	-27.0%

EBITDA and Adjusted EBITDA

EBITDA (R\$ '000)	1Q19	1Q18 Comparable	% Chg. 1Q19 x 1Q18
Net Income¹	56,092	54,046	3.8%
(+) Net financial expense ²	16,601	6,077	173.2%
(+) Income and social contribution taxes	2,785	1,326	110.1%
(+) Depreciation and amortization	26,488	23,884	10.9%
EBITDA¹	101,966	85,333	19.5%
EBITDA Margin	33.5%	26.9%	6.6 p.p.
(+) Revenue from Interest on Agreements and Others ²	5,101	5,593	-8.8%
(+) Non-recurring costs and expenses ³	8,223	4,624	77.8%
(-) Minimum rent paid ⁴	(18,223)	(17,330)	5.2%
Adjusted EBITDA⁵	97,067	78,220	24.1%
Adjusted EBITDA Margin	31.9%	24.7%	7.3 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 under financial leasing in accordance with CPC 6. The expenses from such leasing 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, (b) non-recurring costs and expenses, and (c) minimum rent paid.

Cash generation measured by Adjusted EBITDA amounted to R\$97.1 million in 1Q19, an increase of 24.1% compared to the R\$78.2 million posted in 1Q18. The adjusted EBITDA margin closed 1Q19 at 31.9%, versus 24.7% in 1Q18. It is worth noting that the Company maintained the uniformity of its adjusted EBITDA calculation by deducting from the EBITDA the minimum leases paid under IFRS 16, thus maintaining its comparability with its historical adjusted EBITDA.

In 1Q19, the Adjusted EBITDA margin grew by 7.3 p.p. compared to 1Q18, which despite the decrease in net revenue in the quarter, captured the positive result of the action plan implemented in 2Q18 in order to optimize the cost and expense structure based on the Company's current student base.

The following is the statement of non-recurring items:

SUMMARY OF NON-RECURRING ITEMS (R\$ '000)	1Q19	1Q18 Comparable	% Chg. 1Q19 x 1Q18
Non-Recurring Costs and Expenses Impacting Adjusted EBITDA	8,223	4,624	77.8%
Payroll	4,012	2,400	67.2%
Cost	2,889	1,698	70.1%
Expense	1,123	702	60.0%
Third-Party Services	4,211	276	1424.9%
Expense	4,211	276	1424.9%
Other Expenses / Other Net Operating Expenses	-	1,948	-100.0%
Non-Recurring Costs and Expenses that do not Impact Adjusted EBITDA	(389)	(8)	4945.2%
Income tax and social contribution - Complementary Tax on Adjusted Net Income	(389)	(8)	4945.2%
Total Non Recurring Costs and Expenses	7,834	4,616	69.7%

Adjusted EBITDA Excluding Organic Expansion

Result excluding new units and Distance Learning (R\$ ('000))	1Q19			
	On Campus	New units (1)*	Distance Learning*	Consolidated
Net Revenue	283,763	2,646	17,755	304,164
Adjusted Cash Gross Profit	176,806	270	11,662	188,738
<i>Adjusted Cash Gross Margin</i>	62.3%	10.2%	65.7%	62.1%
Adjusted EBITDA	97,301	(3,098)	2,865	97,067
<i>Adjusted EBITDA Margin</i>	34.3%	-117.1%	16.1%	31.9%

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

*Result allocations are not audited.

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, Distance Learning started generating positive EBITDA of R\$2.9 million, since the beginning of its operations in 2014, but with a still low margin and not equal to the potential margins of this segment and the average margins obtained by Ser Educacional in the segment of on-campus teaching, which gives us the strength to focus on the expansion and cost control of this operation that is scalable by the number of students.

On the other hand, the new units generated negative Adjusted EBITDA of R\$3.1 million, but are within the range expected to begin operations.

These two activities have a 2.4 pp impact on the Company's consolidated adjusted EBITDA margin, which, excluding these organic growth initiatives, went from 31.9% to 34.3%, demonstrating that the Company is focused on maintaining operational efficiency in their mature units.

Reconciliation of IFRS 16 Adjustments

Income Statement - Accounting R\$ ('000)	1Q18			1Q19		
	Accounting	IFRS 16	Comparable IFRS 16	Reported IFRS 16	IFRS 16	1Q19 Ex-IFRS 16
Net Operating Revenue	317,249	-	317,249	304,164	-	304,164
Cost of Services Rendered	(138,871)	1,080	(137,791)	(138,061)	(1,154)	(139,215)
Rent	(20,218)	7,580	(12,638)	(9,968)	(8,474)	(18,442)
Depreciation and Amortization	(10,905)	(6,500)	(17,405)	(22,635)	7,319	(15,316)
Gross Profit	178,378	1,080	179,458	166,103	(1,154)	164,949
<i>Gross Margin</i>	<i>56.2%</i>		<i>56.6%</i>	<i>54.6%</i>		<i>54.2%</i>
Depreciation and Amortization	17,384	6,500	23,884	26,488	(7,319)	19,169
EBITDA	77,753	7,580	85,333	101,966	(8,474)	93,492
Non-recurring costs and expenses	4,624	-	4,624	8,223	-	8,223
Interest on tuition and agreements	5,593	-	5,593	5,101	-	5,101
Minimum rent paid	(9,750)	(7,580)	(17,330)	(18,223)	8,474	(9,749)
Adjusted EBITDA	78,220	-	78,220	97,067	-	97,067
<i>Adjusted EBITDA Margin (%)</i>	<i>24.7%</i>		<i>24.7%</i>	<i>31.9%</i>		<i>31.9%</i>
Financial Result	(721)	(5,356)	(6,077)	(16,601)	5,371	(11,230)
Interest on Leasing	(8,322)	(5,356)	(13,678)	(8,322)	5,371	(2,951)
Income and Social Contribution Taxes	(1,428)	102	(1,326)	(2,785)	(200)	(2,985)
Adjusted Consolidated Net Income/Loss	62,836	(4,174)	58,662	63,926	4,017	67,943
<i>Adjusted Net Margin (%)</i>	<i>19.8%</i>		<i>18.5%</i>	<i>21.0%</i>		<i>22.3%</i>

Balance Sheet (R\$ '000)	03/31/2018			03/31/2019		
	Accounting	IFRS 16	Comparable IFRS 16	Accounting	IFRS 16	Ex-IFRS 16
Assets						
Current Assets	1,143,639		1,143,639	1,172,076		1,172,076
Non-Current Assets	1,285,921	282,157	1,568,078	1,570,596	(282,415)	1,288,181
Right-of-Use Assets	181,527	282,157	463,684	460,726	(282,415)	178,311
Property, plant and equipment	508,364		508,364	510,063		510,063
Total Assets	2,429,560	282,157	2,711,717	2,742,672	(282,415)	2,460,257
Liabilities						
Current Liabilities	407,265	9,981	417,246	462,585	(13,163)	449,422
Leasing	17,209	10,083	27,292	30,771	(13,363)	17,408
Taxes payable	2,590	(102)	2,488	3,142	200	3,342
Non-Current Liabilities	551,752	276,350	828,102	753,452	(273,268)	480,184
Leasing	221,050	276,350	497,400	492,505	(273,268)	219,237
Consolidated Shareholders' Equity	1,470,543	(4,174)	1,466,369	1,526,635	4,017	1,530,652
Income Reserve	548,521	(4,174)	544,347	551,326	4,017	555,343
Retained income	-	-	-	53,287	-	53,287
Total Liabilities and Shareholders' Equity	2,429,560	282,157	2,711,717	2,742,672	(282,415)	2,460,257

Financial Result

Financial Result - Accounting (R\$ '000)	1Q19	1Q18 Comparable	% Chg. 1Q19 x 1Q18
(+) Financial Revenue	17,928	22,640	-20.8%
Interest on Agreements and Others	5,101	5,593	-8.8%
Returns on Financial Investments	13,472	13,700	-1.7%
Others	(645)	3,347	-119.3%
(-) Financial Expenses	(34,529)	(28,717)	20.2%
Interest Expenses	(5,304)	(6,448)	-17.7%
Interest on Leasing	(13,507)	(13,678)	-1.3%
Discounts Granted	(12,567)	(3,360)	274.0%
Monetary Variation Expenses	(1,891)	(2,799)	-32.4%
Others	(1,260)	(2,432)	-48.2%
Financial Result	(16,601)	(6,077)	173.2%

Financial revenue decreased 20.8%, from R\$22.6 million in 1Q18 to R\$17.9 million in 1Q19, driven by:

- Interest on Agreements and Others, which decreased from R\$5.6 million in 1Q18 to R\$5.1 million in 1Q19, due to lower volume of negotiations with students regarding the payment of monthly interest.
- Returns on financial investments, which went from R\$13.7 million in 1Q18 to R\$13.5 million in 1Q19, representing a decrease of 1.7% due to the reduction of the average interest rate.
- Others, under Financial Revenue, which was negative by R\$0.6 million in 1Q19, compared to R\$3.3 million in 1Q18, since the Federal Government paid the last installment of the agreement for the settlement of unpaid FIES amounts related to 2015 (PN 23), which in turn led to the end of recognition of monetary restatement related to this debt, given that it was settled. The negative amount refers basically to PIS and COFINS on financial income.

Financial expenses came to R\$34.5 million in 1Q19, 20.2% higher compared to the comparable financial expenses of R\$28.7 million registered in 1Q18, primarily due to:

- Interest Expenses, which fell 17.7%, from R\$6.4 million in 1Q18 to R\$5.3 million in 1Q19, basically due to a reduction in net debt and Brazilian interest rates.
- Comparable lease interest rates increased from 13.7 million in 1Q18 to 13.5 million in 1Q19, which represents a variation of -1.3%, due to the progress of financial leasing contracts during their term.
- Discounts granted increased by 274.0% to R\$12.6 million in 1Q19, compared to R\$3.4 million in 1Q18, due to the greater volume of agreements for recovery of students' tuition credits, especially with delays exceeding 180 days.
- Monetary Passive Variation fell by 32.4% in 1Q19 vs. 1Q18, reaching R\$1.9 million in 1Q19, while in 1Q18 it was R\$2.8 million, due to the payment of the penultimate portion of the acquisition of UNG in January 2019.

As a result of the aforementioned factors, the net financial result showed an expense of R\$ 16.6 million in 1Q19 against a comparable expense of R\$ 6.1 million in 1Q18, considering the changes implemented by IFRS 16, representing a variation of 173,2%.

Net Income

Net Income - Accounting (R\$ 000)	1Q19	1Q18 Comparable	% Chg. 1Q19 x 1Q18
Operating Income	75,478	61,449	22.8%
(+) Financial Result	(16,601)	(6,077)	173.2%
(+) Income and Soc. Contrib. Taxes	(2,785)	(1,326)	110.1%
Net Income (Loss)	56,092	54,046	3.8%
Net Margin	18.4%	17.0%	1.4 p.p.

Comparable operating income totaled R\$75.5 million in 1Q19, an increase of 22.8% compared to the R\$61.5 million registered in 1Q18.

Comparable net income went from R\$54.0 million in the three-month period ended March 31, 2018, to R\$56.1 million in the same period of 2019, an increase of 3.8%. Comparable adjusted net income increased by 9.0%, from R\$58.7 million in 1Q18 to R\$63.9 million in 1Q19, due to the improvement in the structure of costs and expenses, reflecting the action plan implemented during the year.

The table below shows managerial net income, adjusted for non-recurring effects. It is worth noting that the Company continues to calculate its dividend payments in accordance with the results presented in IFRS.

Net Income - Adjusted (R\$ 000)	1Q19	1Q18 Comparable	% Chg. 1Q19 x 1Q18
Operating Income	83,701	66,073	26.7%
(+) Financial Result	(16,601)	(6,077)	173.2%
(+) Income and Soc. Contrib. Taxes	(3,174)	(1,334)	138.0%
Adjusted Net Income (Loss)	63,926	58,662	9.0%
Adjusted Net Margin	21.0%	18.5%	2.5 p.p.

Accounts Receivable and Average Collection Period

As from 1Q18, the Company began to calculate the estimated loss on doubtful accounts following a model established in IFRS 9 (CPC 48), which records expected losses during the entire cycle of accounts receivable. For a better analysis, the table below presents the average net receivables days for the PDA in order to better reflect the effect of provisioning under IFRS 9 (CPC 48).

Accounts Receivable and Average Receivable Days (R\$ '000)	1Q18	4Q18	1Q19
Gross Accounts Receivable	474,172	308,464	371,324
Monthly tuition fees	103,410	125,616	127,588
FIES	261,797	62,120	107,426
Negotiated agreements receivable	76,379	66,277	71,437
Education credits receivable	18,020	35,092	38,428
Credit Card and Others	14,566	19,359	26,445
PDA balance	(91,014)	(94,037)	(81,347)
Net Accounts Receivable	383,158	214,427	289,977
Net Revenue (Last 12 Months - FIES+Ex-FIES+Pronatec)	1,240,214	1,262,486	1,249,401
Net Receivable Days (FIES+Ex-FIES+Pronatec)	111	61	84
Net Revenue FIES (Last 12 Months)	547,631	447,731	413,854
Net Receivable Days (FIES)	164	36	78
Net Receivable Days (Monthly tuition fees + Negotiated agreements receivable + Education credits receivable)	62	67	75

The average net receivables days declined 24.9% between 1Q18 and 1Q19, due to the payment, on August 2, 2018, of the last installment of the agreement with the Federal Government for the settlement of unpaid FIES amounts related to 2015 (PN 23), totaling R\$137.4 million.

The increase from 62 to 75 days in net receivables days from monthly tuition fees, agreements and education credits receivable is mainly due to the revision of the provisioning estimate made in 1Q18, as described in the “Provision for Doubtful Accounts” section, and the current average collection period, which, as the Company believes, better reflects the cycle of accounts receivable related to semi-annually renewed contracts. It is worth noting that, when compared to 4Q18, when the regular student base was already significantly lower than in 1Q18, the average collection period increased by 10 days.

Aging of Monthly tuition fees (R\$ '000)	1Q18	% Chg.	4Q18	% Chg.	1Q19	% Chg.
Overdue by up to 30 day	33,894	32.8%	24,908	19.8%	48,287	37.8%
Overdue from 31 to 60 days	14,817	14.3%	22,175	17.7%	16,164	12.7%
Overdue from 61 to 90 days	5,898	5.7%	20,208	16.1%	880	0.7%
Overdue from 91 to 180 days	21,744	21.0%	25,937	20.6%	29,763	23.3%
Overdue from 181 to 360 days	27,057	26.2%	32,388	25.8%	32,494	25.5%
TOTAL	103,410	100.0%	125,616	100.0%	127,588	100.0%
% of Gross Accounts Receivable	21.8%		40.7%		34.4%	

Aging of Negotiated Agreements (R\$ '000)	1Q18	% Chg.	4Q18	% Chg.	1Q19	% Chg.
Not yet due	29,323	38.4%	18,523	27.9%	32,349	45.3%
Overdue by up to 30 day	7,889	10.3%	7,655	11.6%	7,275	10.2%
Overdue from 31 to 60 days	4,313	5.6%	7,213	10.9%	4,655	6.5%
Overdue from 61 to 90 days	2,962	3.9%	6,641	10.0%	2,849	4.0%
Overdue from 91 to 180 days	10,334	13.5%	12,029	18.1%	9,569	13.4%
Overdue from 181 to 360 days	21,558	28.2%	14,216	21.4%	14,740	20.6%
TOTAL	76,379	100.0%	66,277	100.0%	71,437	100.0%
% of Gross Accounts Receivable	16.1%		21.5%		19.2%	

The total increase in tuition fees and agreements receivable as a percentage of gross accounts receivable was due to an upturn in net revenue from tuition fees, agreements and Educured, as the FIES student base fell from 33.1% in 1Q18 to 24.4% in 1Q19.

The table below shows the evolution of our PDA from December 31, 2018 to March 31, 2019:

Constitution of Provision for Doubtful Accounts in the Income Statement (R\$ '000)	12/31/2018	Adjustment by change of estimate	Gross Increase in Provision for Doubtful Accounts	Write-off	03/31/2019
Total	94,037	(16,036)	14,399	(11,053)	81,347

In the first quarter of 2019, based on more assertive information and data on the recoverability of old accounts receivables, the Group reviewed the criteria for determining the Allowance for Liabilities and extended the period of analysis for recovery from default of 12 to 24 months, resulting in the reversal of R\$16.0 million.

Investments (CAPEX)

CAPEX (R\$ ('000))	3M19	% of Total	3M18	% of Total
CAPEX Total	15,655	100.0%	26,458	100.0%
Property acquisition / Construction / Maintenance of campuses	4,800	30.7%	10,610	40.1%
Equipment / Library / IT	8,263	52.8%	11,939	45.1%
MEC Licenses	-	0.0%	953	3.6%
Software Licenses	237	1.5%	67	0.3%
Partnerships	838	5.4%	702	2.7%
Intangibles and Others	1,517	9.7%	2,187	8.3%
Acquisitions Debt Payment	40,013		37,324	
Total CAPEX + Acquisitions Payables	55,668		63,782	

In 3M19, the Company invested R\$4.8 million in the renovation of campuses, and rollout of existing campuses for the Campus 2.0 model, in the cities of Olinda, Fortaleza and Ananindeua. Acquisitions of equipment, library and IT consumed R\$8.3 million, mostly allocated to the purchase of books and journals for the libraries of the operational units, as well as IT and labs equipment.

A total of R\$40.0 million in debt payments related to the UNG acquisition (payment commitments) was recorded under cash flow with investment activities.

Indebtedness

Indebtedness (R\$ '000)	03/31/2019	12/31/2018	% Chg. Mar19 x Dec18
Cash, Cash equivalents and Securities	876,449	920,898	-4.8%
Gross debt	(390,809)	(423,672)	-7.8%
Loans and financing	(311,423)	(306,218)	1.7%
Short term	(173,650)	(133,446)	30.1%
Long term	(137,773)	(172,772)	-20.3%
Aquisitions Payables*	(79,386)	(117,454)	-32.4%
Net Cash	485,640	497,226	-2.3%
Net Cash / Adjusted EBITDA (LTM)	1.43	1.55	

* Acquisitions payables refer to acquisition scheduled payments

Cash and cash equivalents totaled R\$876.4 million, down 4.8% on December 2018. This variation is mainly due to payment commitments from the acquisition of UNG in the amount of R\$40.0 million in the quarter, offset by the higher operating cash flow, which went from R\$14.2 million in 1Q18 to R\$16.6 million in 1Q19, an increase of 16.6%.

The Company's gross debt basically reflects commitments related to the acquisitions and the issue of two long-term debts with the following characteristics: (i) financing from the IFC over 7 years, totaling R\$120.0 million at the CDI+2.05% p.a., payable semi-annually as of April 15, 2017 and maturing on April 15, 2022, (ii) the Company's 2nd issue of simple, unsecured, non-convertible debentures in 2 series, of which 100,000 Debentures in the First Series and 100,000 Debentures in the Second Series. The First Series Debentures will earn interest of 100% of the average daily rate of Interbank Deposits, plus a spread of 0.65% per year, based on 252 business days, maturing 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. The Debentures have a unit face value of R\$1,000.00 as of the date of issue, totaling R\$200,000,000.00.

On March 31, 2019, Grupo Ser Educacional's gross debt totaled R\$390.8 million, down 7.8% from the R\$423.7 million registered on December 31, 2018, mainly due to the settlement of payment commitments in the amount of R\$40.0 million this quarter. In 1Q19, the Company's net cash amounted to R\$485.6 million against net cash of R\$497.2 million in 4Q18.

Debt Amortization Schedule (R\$ '000)	Loans and Financing	A.V. (%)	Aquisitions Payables	A.V. (%)	Debentures	A.V. (%)	Total	A.V. (%)
Short Term	26,501	29.5%	79,386	100.0%	147,149	66.4%	253,036	64.7%
Total Long Term	63,392	70.5%	-	0.0%	74,381	33.6%	137,773	35.3%
1-2 years	23,530	26.2%	-	0.0%	49,587	22.4%	73,117	18.7%
2-3 years	23,530	26.2%	-	0.0%	24,794	11.2%	48,324	12.4%
3-4 years	12,753	14.2%	-	0.0%	-	0.0%	12,753	3.3%
4-5 years	1,952	2.2%	-	0.0%	-	0.0%	1,952	0.5%
After five years	1,627	1.8%	-	0.0%	-	0.0%	1,627	0.4%
Total Loans, Financing and Acquisitions payables	89,893	100.0%	79,386	100.0%	221,530	100.0%	390,809	100.0%

In regard to the debt payment schedule, 64.7% 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)	1Q18			1Q19		
	Accounting	IFRS 16	Comparable IFRS 16	Reported IFRS 16	IFRS 16	1Q19 Ex-IFRS 16
Atividades operacionais						
Lucro antes do imposto de renda e da contribuição social	59,648	(4,276)	55,372	58,877	4,216	63,093
Ajustes ao resultado	46,004	11,856	57,860	56,097	(12,690)	43,407
Depreciation and amortization	17,384	6,500	23,884	26,488	(7,319)	19,169
Interest and exchange variation, net	15,624	5,356	20,980	21,311	(5,371)	15,940
Lucro após ajustes ao resultado	105,652	7,580	113,232	114,974	(8,474)	106,500
Changes in Assets and Liabilities	(83,891)		(83,891)	(82,508)		(82,508)
Cash generated from operations	21,761	7,580	29,341	32,466	(8,474)	23,992
Interest on loans	(8,322)	(5,356)	(13,678)	(13,507)	5,371	(8,136)
Income and social contribution taxes paid	(1,439)		(1,439)	(2,369)		(2,369)
Net Cash from Operating Activities	12,000	2,224	14,224	16,590	(3,103)	13,487
Net Cash from Investing Activities	11,679		11,679	191,039		191,039
Net Cash from Financing Activities	(2,736)	(2,224)	(4,960)	(5,371)	3,103	(2,268)
Amortization of leasing	(1,427)	(2,224)	(3,651)	(4,717)	3,103	(1,614)
Increase (Reduction) in Cash and Cash Equivalents	20,943		20,943	202,258		202,258
Demonstration of Increase (Reduction) in Cash and Cash Equivalents						
No início do período	279,286		279,286	314,731		314,731
No final do período	300,229		300,229	516,989		516,989
Aumento (redução) de caixa e equivalentes de caixa	20,943		20,943	202,258		202,258
Varição das disponibilidades financeiras	(54,971)		(54,971)	(44,449)		(44,449)
Disponibilidades Financeiras no início do período	911,713		911,713	920,898		920,898
Disponibilidades Financeiras no final do período	856,742		856,742	876,449		876,449

Operating cash generation, adjusted to maintain comparability with IFRS 16, reclassifying the lease amortization line to the operating cash generation, had an increase of 16.6%, from R\$14.2 million in 1Q18 to R\$16.6 million in 1Q19, mainly due to the reduction of the FIES student base, for which the monthly fee payment is usually done in the second quarter. Cash generation for the quarter remained strong, representing a higher conversion of EBITDA to cash compared to the cash generated in the quarter.

ABOUT GRUPO SER EDUCACIONAL

Founded in 2003 and headquartered in Recife, Grupo Ser Educacional (B3 SEER3, Bloomberg SEER3:BZ and Reuters SEER3.SA) 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 162,000 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, UNIVERITAS – Centro Universitário Universitas Veritas and Faculdades UNIVERITAS, through which it offers 1,659 courses.

This earnings release may contain 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.

ATTACHMENTS – Income Statement (Comparable)

Income Statement - Accounting R\$ ('000)	1Q19	1Q18 Comparable	% Chg. 1Q19 x 1Q18
Gross Operating Revenue	496,858	437,179	13.7%
Undergraduate Monthly Tuition	454,810	410,008	10.9%
Graduate Monthly Tuition	7,584	7,239	4.8%
Vocational Courses Revenues	503	282	78.4%
Distance Learning Revenues	29,869	15,605	91.4%
Others	4,092	4,045	1.2%
Deductions from Gross Revenue	(192,694)	(119,930)	60.7%
Discounts and Scholarships	(131,608)	(62,510)	110.5%
PROUNI	(44,538)	(37,352)	19.2%
FGEDUC And FIES charges	(6,624)	(9,117)	-27.3%
Taxes	(9,924)	(10,951)	-9.4%
Net Operating Revenue	304,164	317,249	-4.1%
Cash Cost of Services Rendered	(138,061)	(137,791)	0.2%
Payroll and Charges	(89,139)	(91,755)	-2.9%
Rent	(9,968)	(12,638)	-21.1%
Concessionaires (Electricity, Water and Telephone)	(9,109)	(9,201)	-1.0%
Third-Party Services	(7,210)	(6,792)	6.2%
Depreciation and Amortization	(22,635)	(17,405)	30.0%
Managerial Gross Profit	166,103	179,458	-7.4%
<i>Gross Margin</i>	<i>54.6%</i>	<i>56.6%</i>	<i>-2.0 p.p.</i>
Operating Expenses/Revenue	(90,625)	(118,009)	-23.2%
General and Administrative Expenses	(89,123)	(118,971)	-25.1%
Payroll and Charges	(34,899)	(35,110)	-0.6%
Third-Party Services	(12,785)	(8,204)	55.8%
Advertising	(19,727)	(35,771)	-44.9%
Materials	(3,377)	(5,448)	-38.0%
PDA	(6,528)	(15,689)	-58.4%
Others	(7,954)	(12,270)	-35.2%
Depreciation and Amortization	(3,853)	(6,479)	-40.5%
Other Operating Expenses/Revenue	(1,502)	962	-256.1%
Managerial Operating Income	75,478	61,449	22.8%
<i>Operating Margin</i>	<i>24.8%</i>	<i>19.4%</i>	<i>5.4 p.p.</i>
(+) Adjusted Depreciation and Amortization	26,488	23,884	10.9%
EBITDA	101,966	85,333	19.5%
<i>EBITDA Margin</i>	<i>33.5%</i>	<i>26.9%</i>	<i>6.6 p.p.</i>
(+) Non-recurring costs and expenses	8,223	4,624	77.8%
(+) Interest on tuition and agreements	5,101	5,593	-8.8%
(-) Minimum rent paid	(18,223)	(17,330)	5.2%
Adjusted EBITDA	97,067	78,220	24.1%
<i>Adjusted EBITDA Margin</i>	<i>31.9%</i>	<i>24.7%</i>	<i>7.3 p.p.</i>
(-) Adjusted Depreciation and Amortization	(26,488)	(23,884)	10.9%
Adjusted EBIT	70,579	54,336	29.9%
<i>Adjusted EBIT Margin</i>	<i>23.2%</i>	<i>17.1%</i>	<i>6.1 p.p.</i>
Financial Result	(16,601)	(6,077)	173.2%
(+) Financial Revenue	17,928	22,640	-20.8%
Interest on Agreements and Others	5,101	5,593	-8.8%
Returns on Financial Investments	13,472	13,700	-1.7%
Others	(645)	3,347	-119.3%
(-) Financial Expenses	(34,529)	(28,717)	20.2%
Interest Expenses	(5,304)	(6,448)	-17.7%
Interest on Leasing	(13,507)	(13,678)	-1.3%
Discounts Granted	(12,567)	(3,360)	274.0%
Monetary Variation Expenses	(1,891)	(2,799)	-32.4%
Others	(1,260)	(2,432)	-48.2%
Income Before Income Taxes	58,877	55,372	6.3%
Income and Social Contribution Taxes	(2,785)	(1,326)	110.1%
Current	(23,630)	(18,304)	29.1%
Tax Incentive - Prouni	20,845	16,978	22.8%
Consolidated Net Income/Loss	56,092	54,046	3.8%
<i>Net Margin</i>	<i>18.4%</i>	<i>17.0%</i>	<i>1.4 p.p.</i>

Income Statement – Managerial

Income Statement - Adjusted R\$ ('000)	1Q19	1Q18 Comparable	% Chg. 1Q19 x 1Q18
Gross Operating Revenue	496,858	437,179	13.7%
Undergraduate Monthly Tuition	454,810	410,008	10.9%
Graduate Monthly Tuition	7,584	7,239	4.8%
Vocational Courses Revenues	503	282	78.7%
Distance Learning Revenues	29,869	15,605	91.4%
Others	4,092	4,045	1.1%
Deductions from Gross Revenue	(192,694)	(119,930)	60.7%
Discounts and Scholarships	(131,608)	(62,510)	110.5%
PROUNI	(44,538)	(37,352)	19.2%
FGEDUC And FIES charges	(6,624)	(9,117)	-27.3%
Taxes	(9,924)	(10,951)	-9.4%
Net Operating Revenue	304,164	317,249	-4.1%
Cash Cost of Services Rendered	(135,172)	(136,093)	-0.7%
Payroll and Charges	(86,250)	(90,057)	-4.2%
Rent	(9,968)	(12,638)	-21.1%
Concessionaires (Electricity, Water and Telephone)	(9,109)	(9,201)	-1.0%
Third-Party Services	(7,210)	(6,792)	6.2%
Depreciation and Amortization	(22,635)	(17,405)	30.0%
Managerial Gross Profit	168,992	181,156	-6.7%
<i>Managerial Gross Margin</i>	<i>55.6%</i>	<i>57.1%</i>	<i>-1.5 p.p.</i>
Operating Expenses/Revenue	(85,291)	(115,083)	-25.9%
General and Administrative Expenses	(83,789)	(116,045)	-27.8%
Payroll and Charges	(33,776)	(34,408)	-1.8%
Third-Party Services	(8,574)	(7,928)	8.1%
Advertising	(19,727)	(35,771)	-44.9%
Materials	(3,377)	(5,448)	-38.0%
PDA	(6,528)	(15,689)	-58.4%
Others	(7,954)	(10,322)	-22.9%
Depreciation and Amortization	(3,853)	(6,479)	-40.5%
Other Operating Expenses/Revenue	(1,502)	962	-256.1%
Managerial Operating Income	83,701	66,073	26.7%
<i>Managerial Operating Margin</i>	<i>27.5%</i>	<i>20.8%</i>	<i>6.7 p.p.</i>
(+) Depreciation and Amortization	26,488	23,884	10.9%
(+) Interest on tuition and agreements	5,101	5,593	-8.8%
(-) Minimum rent paid	(18,223)	(17,330)	5.2%
Adjusted EBITDA	97,067	78,220	24.1%
<i>Adjusted EBITDA Margin</i>	<i>31.9%</i>	<i>24.7%</i>	<i>7.3 p.p.</i>
(-) Depreciation and Amortization	(26,488)	(23,884)	10.9%
Adjusted EBIT	70,579	54,336	29.9%
<i>Adjusted EBIT Margin</i>	<i>23.2%</i>	<i>17.1%</i>	<i>6.1 p.p.</i>
Financial Result	(16,601)	(6,077)	173.2%
(+) Financial Revenue	17,928	22,640	-20.8%
Interest on Agreements and Others	5,101	5,593	-8.8%
Returns on Financial Investments	13,472	13,700	-1.7%
Others	(645)	3,347	-119.3%
(-) Financial Expenses	(34,529)	(28,717)	20.2%
Interest Expenses	(5,304)	(6,448)	-17.7%
Interest on Leasing	(13,507)	(13,678)	-1.3%
Discounts Granted	(12,567)	(3,360)	274.0%
Monetary Variation Expenses	(1,891)	(2,799)	-32.4%
Others	(1,260)	(2,432)	-48.2%
Income Before Income Taxes	67,100	59,996	11.8%
Income and Social Contribution Taxes	(3,174)	(1,334)	138.0%
Current	(24,019)	(18,312)	31.2%
Tax Incentive - Prouni	20,845	16,978	22.8%
Adjusted Consolidated Net Income/Loss	63,926	58,662	9.0%
<i>Adjusted Net Margin</i>	<i>21.0%</i>	<i>18.5%</i>	<i>2.5 p.p.</i>

Balance Sheet

Balance Sheet - ASSETS (R\$ '000)	03/31/2019	12/31/2018	% Chg. Mar19 x Dec18
Total Assets	2,742,672	2,429,560	12.9%
Current Assets	1,172,076	1,143,639	2.5%
Cash and cash equivalents	516,989	314,731	64.3%
Securities	359,460	606,167	-40.7%
Accounts receivable	258,645	185,560	39.4%
Taxes recoverable	9,145	8,254	10.8%
Other assets	27,837	28,927	-3.8%
Non-Current Assets	1,570,596	1,285,921	22.1%
Long-Term Assets	177,532	171,663	3.4%
Accounts receivable	31,332	28,867	8.5%
Other assets	32,484	29,380	10.6%
Indemnifications	112,015	112,015	0.0%
Financial investments	1,401	1,401	0.0%
Other Accounts receivable	300	-	0.0%
Intangible assets	422,275	424,367	-0.5%
Right-of-Use Assets	460,726	181,527	153.8%
Property, plant and equipment	510,063	508,364	0.3%
Balance Sheet - LIABILITIES (R\$ '000)	03/31/2019	12/31/2018	% Chg. Mar19 x Dec18
Total Liabilities	1,216,037	959,017	26.8%
Current Liabilities	462,585	407,265	13.6%
Suppliers	31,528	33,921	-7.1%
Accounts payable	79,386	82,770	-4.1%
Loans and financing	26,501	24,970	6.1%
Debentures	147,149	108,476	35.7%
Payroll and charges	77,310	73,692	4.9%
Taxes payable	15,560	15,648	-0.6%
Leasing	30,771	17,209	78.8%
Dividends payable	27,119	27,119	0.0%
Other liabilities	27,261	23,460	16.2%
Non-Current Liabilities	753,452	551,752	36.6%
Loans and financing	63,392	63,880	-0.8%
Debentures	74,381	108,892	-31.7%
Leasing	492,505	221,050	122.8%
Accounts payable	-	34,684	-100.0%
Taxes payable	1,020	1,154	-11.6%
Provision for contingencies	120,140	119,759	0.3%
Other liabilities	2,014	2,333	-13.7%
Consolidated Shareholders' Equity	1,526,635	1,470,543	3.8%
Capital Realized	987,549	987,549	0.0%
Income Reserve	551,326	548,521	0.5%
Retained income	53,287	-	N.M.
Treasury shares	(65,527)	(65,527)	0.0%
Total Liabilities and Shareholders' Equity	2,742,672	2,429,560	12.9%

Cash Flow

Cash Flow Statement (R\$ '000)	03/31/2019	03/31/2018	% Chg. Mar19 x Mar18
Consolidated Net Income for the Period before Income Taxes	58,877	59,648	-1.3%
Depreciation and amortization	26,488	17,384	52.4%
Provisions	381	(2,739)	N.M.
Adjustment present value of accounts receivable	1,294	-	N.M.
Provision for doubtful accounts	6,528	15,689	-58.4%
Write-off of Non-Current Assets	95	46	106.5%
Interest and exchange variation, net	21,311	15,624	36.4%
Adjusted Net Income	114,974	105,652	8.8%
Changes in Assets and Liabilities	(82,508)	(83,891)	-1.6%
Accounts receivable	(83,372)	(93,215)	-10.6%
Taxes recoverable	(891)	552	N.M.
Other assets	(2,314)	(1,639)	41.2%
Suppliers	(2,393)	4,427	-154.1%
Payroll and charges	3,618	4,760	-24.0%
Taxes payable	(222)	(301)	-26.2%
Income and social contribution taxes payable	(416)	11	N.M.
Other liabilities	3,482	1,514	130.0%
Cash generated from operations	32,466	21,761	49.2%
Other	(15,876)	(9,761)	62.6%
Interest on loans	(13,507)	(8,322)	62.3%
Income and social contribution taxes paid	(2,369)	(1,439)	64.6%
Net Cash from Operating Activities	16,590	12,000	38.3%
Net Cash from Investing Activities	191,039	11,679	1535.7%
Securities	246,707	75,914	225.0%
Additions to property, plant and equipment	(13,658)	(23,777)	-42.6%
Additions to intangible assets	(1,997)	(3,134)	-36.3%
Acquisition of subsidiaries	(40,013)	(37,324)	7.2%
Net Cash from Financing Activities	(5,371)	(2,736)	96.3%
Amortization of loans and financing	(654)	(1,309)	-50.0%
Amortization of leasing	(4,717)	(1,427)	230.6%
Increase (Reduction) in Cash and Cash Equivalents	202,258	20,943	865.8%
Cash and Cash Equivalents at Beginning of Period	314,731	279,286	12.7%
Cash and Cash Equivalents at End of Period	516,989	300,229	72.2%
Cash changes and Securities	(44,449)	(54,971)	-19.1%

Income Statement – Accounting

Without the reclassification of the amounts in depreciation and interest on leasing according to IFRS 16 in 1Q18.

Income Statement - Accounting RS ('000)	1Q19	1Q18	% Chg. 1Q19 x 1Q18
Gross Operating Revenue	496,858	437,179	13.7%
Undergraduate Monthly Tuition	454,810	410,008	10.9%
Graduate Monthly Tuition	7,584	7,239	4.8%
Vocational Courses Revenues	503	282	78.4%
Distance Learning Revenues	29,869	15,605	91.4%
Others	4,092	4,045	1.2%
Deductions from Gross Revenue	(192,694)	(119,930)	60.7%
Discounts and Scholarships	(131,608)	(62,510)	110.5%
PROUNI	(44,538)	(37,352)	19.2%
FGEDUC And FIES charges	(6,624)	(9,117)	-27.3%
Taxes	(9,924)	(10,951)	-9.4%
Net Operating Revenue	304,164	317,249	-4.1%
Cash Cost of Services Rendered	(138,061)	(138,871)	-0.6%
Payroll and Charges	(89,139)	(91,755)	-2.9%
Rent	(9,968)	(20,218)	-50.7%
Concessionaires (Electricity, Water and Telephone)	(9,109)	(9,201)	-1.0%
Third-Party Services	(7,210)	(6,792)	6.2%
Depreciation and Amortization	(22,635)	(10,905)	107.6%
Managerial Gross Profit	166,103	178,378	-6.9%
<i>Gross Margin</i>	<i>54.6%</i>	<i>56.2%</i>	<i>-1.6 p.p.</i>
Operating Expenses/Revenue	(90,625)	(118,009)	-23.2%
General and Administrative Expenses	(89,123)	(118,971)	-25.1%
Payroll and Charges	(34,899)	(35,110)	-0.6%
Third-Party Services	(12,785)	(8,204)	55.8%
Advertising	(19,727)	(35,771)	-44.9%
Materials	(3,377)	(5,448)	-38.0%
PDA	(6,528)	(15,689)	-58.4%
Others	(7,954)	(12,270)	-35.2%
Depreciation and Amortization	(3,853)	(6,479)	-40.5%
Other Operating Expenses/Revenue	(1,502)	962	-256.1%
Managerial Operating Income	75,478	60,369	25.0%
<i>Operating Margin</i>	<i>24.8%</i>	<i>19.0%</i>	<i>5.8 p.p.</i>
(+) Adjusted Depreciation and Amortization	26,488	17,384	52.4%
EBITDA	101,966	77,753	31.1%
<i>EBITDA Margin</i>	<i>33.5%</i>	<i>24.5%</i>	<i>9.0 p.p.</i>
(+) Non-recurring costs and expenses	8,223	4,624	77.8%
(+) Interest on tuition and agreements	5,101	5,593	-8.8%
(-) Minimum rent paid	(18,223)	(9,750)	86.9%
Adjusted EBITDA	97,067	78,220	24.1%
<i>Adjusted EBITDA Margin</i>	<i>31.9%</i>	<i>24.7%</i>	<i>7.3 p.p.</i>
(-) Adjusted Depreciation and Amortization	(26,488)	(17,384)	52.4%
Adjusted EBIT	70,579	60,836	16.0%
<i>Adjusted EBIT Margin</i>	<i>23.2%</i>	<i>19.2%</i>	<i>4.0 p.p.</i>
Financial Result	(16,601)	(721)	2202.5%
(+) Financial Revenue	17,928	22,640	-20.8%
Interest on Agreements and Others	5,101	5,593	-8.8%
Returns on Financial Investments	13,472	13,700	-1.7%
Others	(645)	3,347	-119.3%
(-) Financial Expenses	(34,529)	(23,361)	47.8%
Interest Expenses	(5,304)	(6,448)	-17.7%
Interest on Leasing	(13,507)	(8,322)	62.3%
Discounts Granted	(12,567)	(3,360)	274.0%
Monetary Variation Expenses	(1,891)	(2,799)	-32.4%
Others	(1,260)	(2,432)	-48.2%
Income Before Income Taxes	58,877	59,648	-1.3%
Income and Social Contribution Taxes	(2,785)	(1,428)	95.0%
Current	(23,630)	(18,406)	28.4%
Tax Incentive - Prouni	20,845	16,978	22.8%
Consolidated Net Income/Loss	56,092	58,220	-3.7%
<i>Net Margin</i>	<i>18.4%</i>	<i>18.4%</i>	<i>0.1 p.p.</i>