

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

# **Cogna Educação S.A. and its Subsidiaries**

Individual and Consolidated Interim  
Financial Information for the Quarter  
Ended September 30, 2020 and Report  
on Review of Interim Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

### **Introduction**

We have reviewed the accompanying individual and consolidated interim financial information of Cogna Educação S.A. and its subsidiaries ("Company"), included in the Interim Financial Information Form - ITR for the quarter ended September 30, 2020, which comprises the balance sheet as at September 30, 2020 and the related statements of profit and loss and of comprehensive income for the three- and nine-month periods then ended, and of changes in equity and of cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission - CVM, applicable to the preparation of Interim 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 of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Emphasis of matter**

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

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

## Conclusion on the individual and consolidated interim financial information

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

## Other matter

### *Statements of value added*

We have also reviewed the individual and consolidated statements of value added - DVA for the nine-month period ended September 30, 2020, prepared under the responsibility of the Company's Management, the presentation of which in the interim financial information is required by the standards issued by Brazilian Securities and Exchange Commission - CVM applicable to the preparation of Interim Financial Information - ITR, and is considered as supplemental information by the International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB, which do not require the presentation of a DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the individual and consolidated interim financial information taken as a whole.

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

Belo Horizonte, November 13, 2020

  
DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

  
Roberto Torres dos Santos  
Engagement Partner

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**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**BALANCE SHEETS**

As at September 30, 2020 and December 31, 2019

(In thousands of Brazilian reais - R\$)

			<b>Parent</b>		<b>Consolidated</b>
<b>ASSETS</b>	<b>Note</b>	<b>09/30/2020</b>	<b>12/31/2019</b>	<b>09/30/2020</b>	<b>12/31/2019</b>
<b>Current assets</b>					
Cash and cash equivalents	5	1,385,335	95	2,665,024	371,683
Securities	6	3,547	4,103	2,576,951	453,952
Trade receivables	7	-	-	2,071,096	2,586,529
Inventories	8	-	-	408,017	407,120
Advances		121	-	90,915	77,078
Recoverable taxes	9	31,186	11,787	283,645	346,162
Receivables from sale of subsidiaries	10	-	-	138,405	139,162
Other receivables	11	832	217	135,882	96,764
Related parties	27	622,410	633,434	-	-
<b>Total current assets</b>		<b>2,043,431</b>	<b>649,636</b>	<b>8,369,935</b>	<b>4,478,450</b>
<b>Noncurrent assets</b>					
<b>Long-term receivables</b>					
Securities	6	-	-	14,934	17,438
Trade receivables	7	-	-	638,494	754,687
Recoverable taxes	9	-	-	137,463	130,428
Receivables from sale of subsidiaries	10	-	-	259,114	250,531
Other receivables	11	-	-	90,334	98,787
Guarantee against losses in tax, labor and civil contingencies	23.2	33,763	34,366	401,327	1,130,019
Escrow deposits	23.1	618	362	75,814	95,671
Deferred income tax and social contribution	24.2	-	-	762,423	776,733
Related parties	27	4,980,009	1,900,218	-	-
Investments	12	18,913,111	21,890,788	9,837	8,213
Property, plant and equipment	13	14,912	-	5,847,077	5,855,264
Intangible assets	14	73,580	75,861	19,474,095	20,522,225
<b>Total noncurrent assets</b>		<b>24,015,993</b>	<b>23,901,595</b>	<b>27,710,912</b>	<b>29,639,996</b>
<b>Total assets</b>		<b>26,059,424</b>	<b>24,551,231</b>	<b>36,080,847</b>	<b>34,118,446</b>

The accompanying notes are an integral part of this interim financial information.

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**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**BALANCE SHEETS**

As at September 30, 2020 and December 31, 2019

(In thousands of Brazilian reais - R\$)

<b>LIABILITIES</b>	<b>Note</b>	<b>Parent</b>		<b>Consolidated</b>	
		<b>09/30/2020</b>	<b>12/31/2019</b>	<b>09/30/2020</b>	<b>12/31/2019</b>
<b>Current liabilities</b>					
Borrowings and financing	15	-	-	287	531
Debentures	16	2,189,697	574,873	2,409,601	578,998
Lease – right of use	17	-	-	166,214	147,773
Trade payables		235	447	347,142	537,430
Trade payables purchaser's risk	18	-	-	316,242	341,656
Payroll and related taxes	19	-	-	524,282	463,527
Income tax and social contribution payable		-	-	52,468	60,608
Taxes payable	20	3,541	786	100,902	101,792
Advances from customers		-	13	214,189	318,409
Taxes in installments		-	-	13,593	14,384
Payables - acquisitions	21	-	-	116,366	117,976
Dividends payable		42	42	64	42
Other payables		12	-	55,629	67,499
Related parties	27	152,995	175,561	-	-
		<b>2,346,522</b>	<b>751,722</b>	<b>4,316,979</b>	<b>2,750,625</b>
<b>Noncurrent liabilities</b>					
Borrowings and financing	15	-	-	859	161
Debentures	16	5,758,935	7,285,111	5,758,935	7,504,875
Lease – right of use	17	-	-	4,057,214	3,873,701
Payables - acquisitions	21	-	-	134,071	165,260
Provision for civil, labor, and tax contingencies	22.1	35,686	36,566	384,679	471,924
Liabilities assumed in business combination	22.5	-	-	2,333,525	2,631,543
Taxes in installments		-	-	12,560	17,846
Deferred income tax and social contribution	24.2	627,091	645,426	742,496	786,947
Other payables		-	-	83,841	80,295
Related parties	27	100,020	-	-	-
		<b>6,521,732</b>	<b>7,967,103</b>	<b>13,508,180</b>	<b>15,532,552</b>
<b>Total liabilities</b>		<b>8,868,254</b>	<b>8,718,825</b>	<b>17,825,159</b>	<b>18,283,177</b>
<b>Equity</b>					
Capital	25	7,667,615	5,111,677	7,667,615	5,111,677
Capital reserves		6,966,554	6,400,167	6,966,554	6,400,167
Treasury shares		(99,095)	(121,428)	(99,095)	(121,428)
Earnings reserves		2,656,096	4,441,990	2,656,096	4,441,990
		<b>17,191,170</b>	<b>15,832,406</b>	<b>17,191,170</b>	<b>15,832,406</b>
Noncontrolling interests		-	-	1,064,518	2,863
<b>Total equity</b>		<b>17,191,170</b>	<b>15,832,406</b>	<b>18,255,688</b>	<b>15,835,269</b>
<b>Total liabilities and equity</b>		<b>26,059,424</b>	<b>24,551,231</b>	<b>36,080,847</b>	<b>34,118,446</b>

The accompanying notes are an integral part of this interim financial information.

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**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**STATEMENT OF PROFIT AND LOSS**

For the three- and nine-month periods ended September 30, 2020 and 2019

(In thousands of Brazilian reais - R\$)

		Parent				Consolidated			
	Note	07/01 to 09/30/2020	09/30/2020	07/01 to 09/30/2019	09/30/2019	07/01 to 09/30/2020	09/30/2020	07/01 to 09/30/2019	09/30/2019
<b>Net revenue from sales and services</b>	<b>28</b>	-	-	-	-	<b>1,256,140</b>	<b>4,256,128</b>	<b>1,515,756</b>	<b>5,097,218</b>
Cost of sales and services									
Cost of services	29	-	-	-	-	(440,852)	(1,386,303)	(659,419)	(1,773,252)
Cost of sales	29	-	-	-	-	(114,252)	(310,418)	(17,168)	(223,952)
		-	-	-	-	<b>(555,104)</b>	<b>(1,696,721)</b>	<b>(676,587)</b>	<b>(1,997,204)</b>
<b>Gross profit</b>		-	-	-	-	<b>701,036</b>	<b>2,559,407</b>	<b>839,169</b>	<b>3,100,014</b>
Operating income (expenses)									
Selling expenses	29	-	-	-	-	(383,881)	(1,435,115)	(341,670)	(1,050,534)
General and administrative expenses	29	(17,534)	(54,994)	(15,973)	(30,013)	(428,427)	(1,162,995)	(403,145)	(1,293,971)
Impairment loss on assets	29	-	-	-	-	(831,188)	(831,188)	-	-
Other operating income, net	29	-	-	-	-	13,202	(336,248)	14,681	(1,756)
Share of profit (loss) of investees	12	(1,283,626)	(1,644,876)	31,028	416,648	2,880	3,779	573	(21)
<b>Operating profit before finance income (costs) and taxes</b>		<b>(1,301,160)</b>	<b>(1,699,870)</b>	<b>15,055</b>	<b>386,635</b>	<b>(926,378)</b>	<b>(1,202,360)</b>	<b>109,607</b>	<b>753,731</b>
Finance income (costs)									
Finance income	30	74,110	154,454	14,813	24,103	69,788	201,835	97,265	276,336
Finance costs	30	(71,098)	(258,813)	(15,446)	(25,365)	(217,690)	(709,385)	(269,806)	(777,575)
		<b>3,012</b>	<b>(104,359)</b>	<b>(633)</b>	<b>(1,262)</b>	<b>(147,902)</b>	<b>(507,550)</b>	<b>(172,541)</b>	<b>(501,239)</b>
<b>Operating profit/(loss) before taxes</b>		<b>(1,298,148)</b>	<b>(1,804,229)</b>	<b>14,422</b>	<b>385,373</b>	<b>(1,074,280)</b>	<b>(1,709,910)</b>	<b>(62,934)</b>	<b>252,492</b>
Income tax and social contribution									
Current	24	-	-	(148)	(148)	(11,099)	(70,991)	(16,215)	(64,604)
Deferred	24	6,112	18,335	6,112	18,335	(213,439)	(7,695)	99,872	222,822
		<b>6,112</b>	<b>18,335</b>	<b>5,964</b>	<b>18,187</b>	<b>(224,538)</b>	<b>(78,686)</b>	<b>83,657</b>	<b>158,218</b>
<b>Profit (loss) for the period</b>		<b>(1,292,036)</b>	<b>(1,785,894)</b>	<b>20,386</b>	<b>403,560</b>	<b>(1,298,818)</b>	<b>(1,788,596)</b>	<b>20,723</b>	<b>410,710</b>

The accompanying notes are an integral part of this interim financial information.

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**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**STATEMENT OF PROFIT AND LOSS**

For the three- and nine-month periods ended September 30, 2020 and 2019

(In thousands of Brazilian reais - R\$)

		<b>Parent</b>				<b>Consolidated</b>			
	<b>Note</b>	<b>07/01 to 09/30/2020</b>	<b>09/30/2020</b>	<b>07/01 to 09/30/2019</b>	<b>09/30/2019</b>	<b>07/01 to 09/30/2020</b>	<b>09/30/2020</b>	<b>07/01 to 09/30/2019</b>	<b>09/30/2019</b>
<b>Attributable to:</b>									
Owners of the Company		(1,292,036)	(1,785,894)	20,386	403,560	(1,292,036)	(1,785,894)	20,386	403,560
Noncontrolling interests		-	-	-	-	(6,782)	(2,702)	337	7,150
Basic earnings (loss) per common share - R\$	31		(0.97)		0.25		-		-
Diluted earnings (loss) per common share - R\$	31		(0.96)		0.24		-		-

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**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**STATEMENT OF COMPREHENSIVE INCOME**

For the three- and nine-month periods ended September 30, 2020 and 2019

(In thousands of Brazilian reais - R\$)

	Parent				Consolidated			
	07/01 to 09/30/2020	09/30/2020	07/01 to 09/30/2019	09/30/2019	07/01 to 09/30/2020	09/30/2020	07/01 to 09/30/2019	09/30/2019
<b>Profit (loss) for the period</b>	<b>(1,292,036)</b>	<b>(1,785,894)</b>	<b>20,386</b>	<b>403,560</b>	<b>(1,298,818)</b>	<b>(1,788,596)</b>	<b>20,723</b>	<b>410,710</b>
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>(1,292,036)</b>	<b>(1,785,894)</b>	<b>20,386</b>	<b>403,560</b>	<b>(1,298,818)</b>	<b>(1,788,596)</b>	<b>20,723</b>	<b>410,710</b>
<b>Attributable to:</b>								
Owners of the Company	(1,292,036)	(1,785,894)	20,386	403,560	(1,292,036)	(1,785,894)	20,386	403,560
Noncontrolling interests	-	-	-	-	(6,782)	(2,702)	337	7,150

The accompanying notes are an integral part of this interim financial information.



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**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**STATEMENT OF CHANGES IN EQUITY**

For the six-month periods ended September 30, 2020 and 2019

(In thousands of Brazilian reais - R\$)

	Parent					Consolidated		
	Capital	Capital reserves	Treasury shares	Earnings reserves	Retained earnings	Total equity	Noncontrolling interests	Total equity
Balances as at December 31, 2018	4,425,677	6,379,742	(190,280)	5,287,505	-	15,902,644	104,186	16,006,830
Effects of restatement	-	-	-	-	-	-	1,466,230	1,466,230
Balances as at December 31, 2018 (restated)	4,425,677	6,379,742	(190,280)	5,287,505	-	15,902,644	1,570,416	17,473,060
First-time adoption of IFRS 16	-	-	-	(186,030)	-	(186,030)	-	(186,030)
Balances as at January 1, 2019	4,425,677	6,379,742	(190,280)	5,101,475	-	15,716,614	1,570,416	17,287,030
Comprehensive income for the period								
Profit for the period	-	-	-	-	403,560	403,560	7,150	410,710
Total comprehensive income for the period	-	-	-	-	403,560	403,560	7,150	410,710
Contributions from and distributions to shareholders								
Capital increase	586,000	-	-	(586,000)	-	-	-	-
Recognized granted stock options	-	(3,675)	25,798	-	-	22,124	-	22,124
Interim dividends	-	-	-	-	(145,606)	(145,606)	-	(145,606)
Sale of treasury shares	-	(5,974)	40,331	1,190	-	35,547	-	35,547
Transactions among shareholders	-	29,333	-	-	-	29,333	(1,575,347)	(1,546,014)
Total contributions from and distributions to shareholders	586,000	19,685	66,129	(584,810)	(145,606)	(58,602)	(1,575,347)	(1,633,949)
Balances as at September 30, 2019	5,011,677	6,399,427	(124,151)	4,516,665	257,954	16,061,572	2,219	16,063,791
Balances as at December 31, 2019	5,111,677	6,400,167	(121,428)	4,441,990	-	15,832,406	2,863	15,835,269
Comprehensive income for the period								
Profit (loss) for the period	-	-	-	-	(1,785,894)	(1,785,894)	(2,702)	(1,788,596)
Total comprehensive income for the period	-	-	-	-	(1,785,894)	(1,785,894)	(2,702)	(1,788,596)
Contributions from and distributions to shareholders								
Capital increase	2,555,938	-	-	-	-	2,555,938	-	2,555,938
Share issuance costs – Follow on	-	(74,618)	-	-	-	(74,618)	-	(74,618)
Share issuance costs – IPO Vasta	-	(135,589)	-	-	-	(135,589)	(39,094)	(174,683)
Gain on share issuance	-	740,317	-	-	-	740,317	-	740,317
Recognized granted stock options	-	45,173	-	-	-	45,173	7,395	52,568
Sale of treasury shares	-	(8,897)	22,333	-	-	13,436	-	13,436
Noncontrolling interests	-	-	-	-	-	-	1,096,056	1,096,056
Total contributions from shareholders	2,555,938	566,387	22,333	-	-	3,144,658	1,064,357	4,209,015
Balances as at September 30, 2020	7,667,615	6,966,554	(99,095)	4,441,990	(1,785,894)	17,191,170	1,064,518	18,255,688

The accompanying notes are an integral part of this interim financial information.

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**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**STATEMENT OF CASH FLOWS – INDIRECT METHOD**

For the six-month periods ended September 30, 2020 and 2019

(In thousands of Brazilian reais - R\$)

		<b>Parent</b>		<b>Consolidated</b>	
	<b>Note</b>	<b>09/30/2020</b>	<b>09/30/2019</b>	<b>09/30/2020</b>	<b>09/30/2019</b>
<b>Cash flows from operating activities</b>					
Profit (loss) before income tax and social contribution		(1,804,229)	385,373	(1,709,910)	252,492
<b>Reconciliation adjustments to profit or loss:</b>					
Depreciation and amortization	13 and 14	359	-	405,686	385,302
IFRS 16 depreciation	29	-	-	203,772	225,124
Amortization of allocated goodwill	29	53,927	56,287	247,195	282,916
Amortization of inventory appreciation	8	-	-	7,943	54,456
Publishing costs	29	-	-	36,375	18,267
Allowance for expected losses	7	-	-	934,557	568,654
Present value adjustment to trade receivables	8	-	-	(28,516)	-
Reversal of tax, labor, and civil contingencies		(274)	(17,899)	(225,452)	(96,236)
Write-off of realization of former owners' escrow account		-	-	345,244	-
Allowance for (reversal of) inventory losses		-	-	34,941	(24,859)
Inflation adjustment to receivables from sale of subsidiaries		-	-	(7,826)	-
Inflation adjustment to escrow account		-	-	(10,126)	-
Finance charges on borrowings and debentures	15 and 16	253,688	23,727	260,394	438,743
Finance charges arising on acquisitions	21	-	-	15,466	13,526
Finance charges on leases – right of use	17	-	-	314,141	227,059
Finance charges on tax and labor provisions		-	-	46,045	16,664
Stock option granting		1,273	2,766	16,815	22,126
Gain on sale or disposal of assets and other investments		-	-	4,927	67,812
Impairment loss on assets	29	-	-	831,188	-
Income from short-term investments and securities	30	(34,729)	-	(61,115)	(69,771)
Share of profit (loss) of investees	12	1,644,876	(416,648)	3,779	(21)
		<b>114,891</b>	<b>33,606</b>	<b>1,665,523</b>	<b>2,382,254</b>
<b>Changes in operating assets and liabilities:</b>					
(Increase) decrease in trade receivables		-	20	(269,314)	(960,370)
(Increase) decrease in inventories		-	-	(64,818)	(99,931)
(Increase) decrease in advances		(121)	-	(13,080)	17,469
(Increase) decrease in recoverable taxes		(19,399)	(1,579)	95,364	(33,684)
(Increase) decrease in escrow deposits		(256)	(47)	20,027	23,037
(Increase) decrease in related parties		(15,089)	(5,819)	-	304
(Increase) decrease in other receivables		(13,605)	5,777	(27,759)	(3,897)
(Decrease) increase in trade payables		(212)	(270)	(203,030)	(154,879)
(Decrease) increase in trade payables purchaser's risk		-	-	(25,414)	(84,716)
(Decrease) increase in leases – right of use		-	-	-	(384,201)
(Decrease) increase in payroll and related taxes		-	(2,970)	45,659	43,754
(Decrease) increase in taxes payable		2,755	527	(81,009)	(44,818)
(Decrease) increase in advances from customers		(13)	1	(104,809)	(118,107)
(Decrease) increase in taxes in installments		-	-	(6,080)	(8,028)
Payment of provision for tax, labor, and civil contingencies		(3)	(183)	(140,331)	(133,845)
(Decrease) increase in other payables		11,992	(1,058)	(14,068)	(177,723)
		<b>80,940</b>	<b>28,005</b>	<b>876,861</b>	<b>262,619</b>
<b>Cash generated by operating activities</b>					
Income tax and social contribution paid		-	-	(39,134)	(58,440)
Interest on lease for right of use paid		-	-	(297,949)	-
Interest on borrowings and debentures paid	15 and 16	(361,571)	-	(372,261)	(533,443)
		<b>(280,631)</b>	<b>28,005</b>	<b>167,517</b>	<b>(329,264)</b>
<b>Net cash generated by (used in) operating activities</b>					
<b>Cash flows from investing activities</b>					
(Investment in) redemption of securities		35,285	-	(2,057,174)	917,812
Additions to property, plant and equipment	13	-	-	(86,700)	(215,400)
Additions to intangible assets	14	-	-	(214,900)	(280,300)
Cash acquired in business combination		-	-	619	60,368
Payables for acquisition of subsidiaries		-	-	(100,073)	(68,464)
Increase in subsidiaries' capital		(398,997)	(178,700)	-	(1,806)
Proceeds from former owners' escrow account		-	-	321,506	-
Assignment of cash to subsidiaries		(3,944,000)	-	-	-
Receipt of cash assigned to subsidiaries		125,350	-	-	-
Dividends received from subsidiaries		2,314,520	332,636	-	-
Proceeds from private debentures		842,426	-	-	-
Acquisition of private debentures		-	(800,000)	-	-
Interest on private debentures		-	(23,532)	-	-
		<b>(1,025,416)</b>	<b>(669,596)</b>	<b>(2,136,722)</b>	<b>412,210</b>
<b>Net cash (used in) generated by investing activities</b>					

The accompanying notes are an integral part of this interim financial information.

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

**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**STATEMENT OF CASH FLOWS – INDIRECT METHOD**

For the six-month periods ended September 30, 2020 and 2019

(In thousands of Brazilian reais - R\$)

		<b>Parent</b>		<b>Consolidated</b>	
	<b>Note</b>	<b>09/30/2020</b>	<b>09/30/2019</b>	<b>09/30/2020</b>	<b>09/30/2019</b>
<b>Cash flows from financing activities</b>					
Capital increase		2,481,320	-	2,481,320	-
Sale (buyback) of treasury shares		13,436	35,547	13,436	35,547
Acquisition of noncontrolling interests		-	-	-	(1,717,205)
Proceeds from the offering of subsidiary's shares		-	-	1,681,342	-
Noncontrolling interests		-	-	-	-
Issue of debentures		496,531	797,661	496,531	797,661
Borrowings and financing		-	-	100	-
Payment of lease for right of use		-	-	(109,538)	-
Repayment of borrowings and financing and debentures	15 and 16	(300,000)	-	(300,645)	(321,608)
Payment of dividends to shareholders		-	(188,610)	-	(188,610)
<b>Net cash used in (generated by) financing activities</b>		<b>2,691,287</b>	<b>644,598</b>	<b>4,262,546</b>	<b>(1,394,215)</b>
<b>Increase (decrease) in cash and cash equivalents, net</b>		<b>1,385,240</b>	<b>3,007</b>	<b>2,293,341</b>	<b>(1,311,269)</b>
Cash and cash equivalents at the beginning of the year	5	95	10,057	371,683	1,485,611
Cash and cash equivalents at the end of the year	5	1,385,335	13,064	2,665,024	174,342
<b>Increase (decrease) in cash and cash equivalents, net</b>		<b>1,385,240</b>	<b>3,007</b>	<b>2,293,341</b>	<b>(1,311,269)</b>

The accompanying notes are an integral part of this interim financial information.

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

**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**STATEMENT OF VALUE ADDED**

For the six-month periods ended September 30, 2020 and 2019

(In thousands of Brazilian reais - R\$)

	<b>Parent</b>		<b>Consolidated</b>	
	<b>09/30/2020</b>	<b>09/30/2019</b>	<b>09/30/2020</b>	<b>09/30/2019</b>
Revenue from sales and services	-	-	4,256,128	5,097,218
Other income	-	-	8,661	72,471
Allowance for expected losses	-	-	(934,557)	(568,654)
	-	-	<b>3,330,232</b>	<b>4,601,035</b>
<b>Inputs purchased from third parties</b>				
Cost of sales and services	-	-	(302,474)	(205,685)
Supplies, power, outside services and other inputs	3,640	24,913	(524,414)	(460,205)
Impairment loss on assets	-	-	(831,188)	-
<b>Gross value added</b>	<b>3,640</b>	<b>24,913</b>	<b>1,672,156</b>	<b>3,935,145</b>
<b>Withholdings</b>				
Depreciation and amortization	(359)	(2,360)	(609,459)	(610,426)
Amortization of allocated goodwill	(53,927)	(53,927)	(247,195)	(282,916)
Amortization of inventory appreciation	-	-	(7,943)	-
Publishing costs	-	-	-	(72,723)
<b>Net value added</b>	<b>(50,646)</b>	<b>(31,374)</b>	<b>807,559</b>	<b>2,969,080</b>
<b>Wealth received in transfer</b>				
Share of profit (loss) of investees	(1,644,876)	416,648	3,779	(21)
Finance income	154,454	24,103	201,835	276,336
<b>Total wealth for distribution</b>	<b>(1,541,068)</b>	<b>409,377</b>	<b>1,013,173</b>	<b>3,245,395</b>
<b>Wealth distributed</b>				
<b>Personnel:</b>				
Direct compensation	4,036	(271)	989,141	1,166,803
Benefits	-	-	97,897	104,396
Payroll taxes	-	(1,107)	380,828	413,275
<b>Taxes, fees and contributions:</b>				
Federal	(18,335)	(18,187)	106,869	(132,557)
State	312	3	5,458	635
Municipal	-	14	2,049	8,442
<b>Lenders and lessors:</b>				
Finance costs	258,813	25,365	709,385	777,575
Rentals	-	-	442,700	430,733
Copyrights	-	-	67,442	65,383
<b>Shareholders:</b>				
Earnings retained in the year	(1,785,894)	403,560	(1,788,596)	410,710
<b>Total wealth distributed</b>	<b>(1,541,068)</b>	<b>409,377</b>	<b>1,013,173</b>	<b>3,245,395</b>

The accompanying notes are an integral part of this interim financial information.

## COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES

### NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the period ended September 30, 2020

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

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## **1. General information**

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

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

The Group owns 78 companies, including the Parent, and consists of 18 sponsors of college education entities, 176 college education units, distributed among 24 Brazilian states and 132 Brazilian cities, as well as 1,536 distance learning (EAD) Graduation Centers accredited by the Ministry of Education (MEC), located in all Brazilian states and the Federal District. The Company also operates 52 own K-12 Education schools, 122 Red Balloon units, and 4,200 associated schools nationwide.

Cogna conducts its activities through its direct subsidiaries: Editora e Distribuidora Educacional S.A. (“EDE”), Anhanguera Educacional Participações S.A. (“AESAPAR”), Vasta Platform Limited (“Vasta”), and Saber Serviços Educacionais Ltda. (“Saber”).

The Company is listed on B3 – Brasil, Bolsa, Balcão (São Paulo stock exchange), in the special listing segment called Novo Mercado, under ticker symbol COGN3 where it trades its common shares. Also, since July 31, 2020, subsidiary Vasta’s shares are listed on the US stock exchange NASDAQ, under ticker symbol VSTA.

This individual and consolidated interim financial information was approved by the Company’s Board of Directors and authorized for issue on November 13, 2020.

### **1.1. Context for 2020**

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

**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION**

For the period ended September 30, 2020

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

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**KROTON**

Year 2020 was already challenging for Kroton, due to the expected impact on revenue from the last major FIES student graduation ceremonies. According to the notice to the market during the follow-on in February, this effect would put pressure on the business operating margins and reduce the student base, which would only be partially mitigated by the then potential continuity of student enrollment revenue growth and the development of new units (greenfields). In addition to the effects from the FIES, this nine-month period was also impacted by the COVID-19 pandemic, resulting in (i) a reduction in the student enrollment volume of the in-class education (partially offset by the recovery of freshman ticket) and (ii) increase in future default levels (even if the receipt of monthly tuitions has only been marginally impacted so far and taking into account our best estimate based on available information, we significantly increased the volume of the allowance for losses). It is important to observe that the cost and expense structure was adjusted during the year to mitigate these effects, however, it was not possible to mitigate all impacts, which made Kroton's results of operations to be much lower than its recent history and potential. Some of the emergency measures adopted within the scope of our COVID-19 response plan have already shown savings that can be observed in the last quarters.

**PLATOS**

Platos lato sensu post-graduation operation posted revenue growth and margin expansion up to September 30, 2020, even in an adverse scenario, which adversely affected the enrollment of students and led to the postponed beginning of some classes (especially in the in-class category). The Company continues to fully develop its platform and already started to look for external customers (especially higher education institutions).

**SABER**

At Saber, which gathers own K-12 education schools and school management contracts, we posted a revenue decrease as a result of the new social distancing laws that had a significant impact the revenues from supplementary activities (after-school activities) and also a small drop in the student base (due to the cancellation of two management contracts). However, the Company has implemented several cost and expense cutting actions to partially mitigate this impact.

As mentioned above, the educational sector was also directly impacted by the temporary closing of schools and, therefore, the long-term business plans were revised considering the known and expected impacts on the Company's business in the future, as well as changes in the average ticket projections arising from changes in the operating areas, and a more conservative organic growth scenario. Due to such change, the Company has decided to recognize impairment of non-financial assets in the amount of R\$373,764.

COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES

NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the period ended September 30, 2020

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

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**VASTA**

Vasta posted an 8% growth in revenues and it expects to meet the already announced 18% increase of the closed annual agreement by yearend. Even though the pandemic can have an adverse effect on future growth, the beginning of sales was advanced and the first indications are encouraging. The Initial Public Offering (IPO), conducted on July 31, 2020, is only one more indication that the Company has been finding ways to attract its customers, serve its students and, above all, continue to grow.

**OTHER**

By the end of this quarter, the Company has assessed the strong impacts on: (i) the publishing market (products linked to the “SETS” business), with closing of stores and shopping malls, resulting in the court-ordered reorganization of bookstores, or the revision of previously approved reorganization plans, (ii) the preparatory classes for the Brazilian Bar Association (OAB) tests and public service examinations (all linked to the “Other” business), where the market was already challenging, with cancellation of the previously scheduled Brazilian Bar Association (OAB) tests and public service examinations, thus resulting in sales much below than expected, without prospects of improvement in the short term, where the known and possible impacts on the Company’s business were revised and, after such assessment, the Company has decided to change its growth estimate in the long-term projection model, thus impacting the recovery of non-financial assets. Due to such change, impairment loss on assets in the amount of R\$457,424 was recognized, as further detailed in note 14(b).

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

On March 11, 2020, the World Health Organization (OMS) has raised the classification of the Coronavirus (“COVID-19”) outbreak to global pandemic, changing the global and Brazilian perspective for market growth, and exposing companies to numerous risks that were experienced before and that, therefore, deserve special attention from officers and Management with respect to the scenarios and actions necessary to mitigate the risks posed by such new situation. This crisis has led governments from all over the world to impose a series of measures such as: social distancing, restrictions on travel and commuting at the cities, closing of non-essential businesses, among others, causing important disruptions at the financial and labor markets, consumption patterns, logistics chains and, noticeably impacting companies and people. Despite the flexibility of social distancing measures in Brazil, with respect to the educational sector, we are not yet close to a scenario of full physical return of classes.

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

- 1) Protect the health of our employees and students by adopting measures such as the work from home and the health and safety measures recommended by government agencies;
- 2) Ensure the continuity of the educational services using digital platforms, with no harm to students;

COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES

NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the period ended September 30, 2020

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

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- 3) Ensure the financial health, liquidity and cash;
- 4) Implement restructuring measures, mostly seeking the maintenance of jobs and the Company's survival;
- 5) Implement organizational changes for the post-COVID world;
- 6) Strategic Plan for opportunities created by the crisis;
- 7) Actions that contribute to mitigating the impacts from COVID-19 on the society.

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

The process of attracting new students and re-enrollment for the second semester was performed remotely and we have been observing, compared to previous cycles, that: a) students are increasingly electing courses on digital platforms; and b) defaulting students are facing greater re-enrollment difficulties. Therefore, and also according to the Company's expectations, there were lower enrolment volumes compared to the first half of the year. Also, numerous reports and market projections continue to indicate a drop in the Brazilian GDP in 2020. Consequently, our revenue and profitability will surely be impacted in 2020 and, possibly, in the next years. We were able to identify some of these impacts on profit for the second and third quarter of 2020, which dropped as a result of several measures taken by the Company to respond to the COVID-19 pandemic.

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

Particularly in relation to the higher education, the Company is developing a long-term operational feasibility analysis and study project and will possibly reduce some units where students can migrate to other platforms or close units. In this way, operations are expected to offer higher margin, more efficiency and better cash generation. This study is expected to be completed within the next months and the adverse impacts (such as, for example, contractual fines due to agreement cancellation, write-off of leasehold improvements, etc.) are being measured and will be recorded on a timely basis.

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



**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION**

For the period ended September 30, 2020

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**Liquidity and indebtedness and cash flow management**

In view of the possible scenarios of social distancing extension and subsequent extension of market liquidity restrictions, the Company believes that it has capacity to manage its cash so as to satisfy all its commitments. Additionally, it is worth mentioning the Company's strong cash position, considering the share issuance process (follow-on) completed in February 2020, in addition to the issue of debentures in May 2020 totaling R\$500 million, the receipt of part of the guarantee for legal proceedings with the former owners of Somos in June 2020 (around R\$235 million), and also the going public process of its subsidiary Vasta Platform in July 2020, upon the offering of shares resulting in proceeds of approximately R\$1.8 billion, which allowed the Company to have a cash position and investments totaling approximately R\$5.2 billion as at September 30, 2020. Additionally, the next repayments of debentures contracted at the end of the reporting period and that will be made within one year amount to R\$2.4 billion, and the installments falling due within two years amount to R\$2.2 billion. Accordingly, the Company believes that it has a solid liquidity level to face the crisis.

**Goodwill impairment testing per type**

For the period ended September 30, 2020, the Company revised its assumptions and estimates for all Group CGUs, so as to estimate the possible effects of the Coronavirus ("Covid-19") pandemic that might impact operations and the recoverable value of assets (impairment test). Considering the cash-generating units Saber and SETS/Other, the Company recorded an impairment loss on its assets in the amount of R\$831,188; more information on the impairment test of the goodwill intangible assets is provided in note 14(b).

**Trade receivables – allowance for expected losses**

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

**Deferred tax assets and liabilities**

Considering the same sensitivity assumptions of the long-term models used in the goodwill impairment test and the review of the Group's corporate restructuring plan, the Company observed in its analysis indication of impairment of the amounts recorded in the financial statements for the year ended December 31, 2019, when compared to the period ended September 30, 2020. The account balances recorded as a result of such review are disclosed in note 24.2.

**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION**

For the period ended September 30, 2020

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

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## **2. Significant accounting policies**

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

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

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

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

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

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

### **2.1. Operating segment**

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

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

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

**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION**

For the period ended September 30, 2020

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- (ii) **Platos:** B2B2C (Business to Business to Consumer) higher education vertical, currently offering Continuing Education products and services, at the in-class and distance learning segments. The purpose of this segment is to become a full content and solution platform for any Higher Education institution in the country, by offering post-graduation services to its services.
- (iii) **Saber:** B2C (Business to Consumer) K-12 vertical, comprising all 54 own schools or schools with management agreements, operating in 11 states. When connecting such group of schools, it is possible to maximize the potential of each one of them, preserving their teaching method.
- (iv) **Vasta:** Vertical that operates in the B2B (Business to Business) K-12 market, comprising the service platform offered to schools, which offers a range of educational products and solutions, including digital services that support the school management process. The revenue derives from an enrollment model with long-term agreements. Vasta's main trademarks are Somos Educação, Anglo, PH, Saraiva, etc.
- (v) **Other:** Currently comprised of educational solution products for technical and higher education ("SETS"), preparatory classes for public service examinations and Brazilian Bar Association (OAB) tests and language courses offered during graduation, besides also comprising the provision of services to public K-12 education - B2Gov (Business to Government), and participating in the National Book and Teaching Material Program (PNLD).

**Cash-generating Units (CGUs)**

With the change in the operating segments, for impairment testing purposes, these assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating Units - CGUs). For purposes of this test, goodwill is allocated to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination that originated the goodwill, as follows: (i) Kroton; (ii) Platos; (iii) Saber; (iv) Vasta and; (v) other, segregated into SETS and PNLD. For more information on the impairment tests, see notes 1.2 and 14, together with the tables shown in note 32.

**2.2. Adoption of new standards**

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

**3. Business combinations**

**3.1. Acquisitions made in 2020**

On January 7, 2020, subsidiary Somos Sistemas has completed the acquisition of all shares representing 100% of the capital of A & R Comércio e Serviços de Informática Ltda. ("Pluri"), and the effects arising from its acquisition and also any gain or loss are disclosed in the Company's financial statements as from 2020. Additionally, on February 13, 2020, Somos Sistemas completed the acquisition of the shares representing 100% of the capital of Mind Makers Editora Educacional Ltda. ("Mind Makers"). The main purpose of these acquisitions is to follow the Company's expansion plan in the B2B sector of the Company's K-12 education segment.

**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES****NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION**

For the period ended September 30, 2020

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

Also during 2020, on March 9, and under the share purchase and sale agreement and other covenants, subsidiary EDE acquired all shares corresponding to 100% of capital of Eduquer Serviços Educacionais Ltda. ("Eduquer"). The purpose of this acquisition is to expand the Group's capacity to serve its most diverse teaching centers and sponsors.

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

	PLURI	MIND MAKERS	EDUQUER	Total combinations
Total current assets	17,712	3,895	150	21,757
Total noncurrent assets	299	89	111	499
<b>Total assets</b>	<b>18,011</b>	<b>3,984</b>	<b>261</b>	<b>22,256</b>
Total current liabilities	11,267	503	14	11,784
Total current liabilities	364	998	-	1,362
<b>Total liabilities</b>	<b>11,631</b>	<b>1,501</b>	<b>14</b>	<b>13,146</b>
Equity	6,380	2,483	247	9,110
<b>Total liabilities and equity</b>	<b>18,011</b>	<b>3,984</b>	<b>261</b>	<b>22,256</b>
Net liabilities	(6,380)	(2,483)	(247)	(9,110)
Acquisition price	27,706	23,621	480	51,807
<b>Excess acquisition price above the fair value</b>	<b>21,326</b>	<b>21,138</b>	<b>233</b>	<b>42,697</b>
Goodwill allocation				
Goodwill	11,221	5,078	233	16,532
Customer portfolio	4,625	-	-	4,625
Trademark	-	16,060	-	16,060
Inventory appreciation	5,480	-	-	5,480
	<b>21,326</b>	<b>21,138</b>	<b>233</b>	<b>42,697</b>

## 4. Financial risk management

### 4.1. General considerations and policies

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

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

**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

**NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION**

For the period ended September 30, 2020

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

The fair values of the Company's financial instruments as at September 30, 2020 are as follows:

	Fair value hierarchy	Parent		Consolidated	
		09/30/2020	12/31/2019	09/30/2020	12/31/2019
<b>Assets - amortized cost</b>					
Cash and cash equivalents	-	1,385,335	95	2,665,024	371,683
Trade receivables	-	-	-	2,709,590	3,341,216
Receivables from sale of subsidiaries	-	-	-	397,519	389,693
Other receivables	-	832	217	226,216	195,551
		<b>1,386,167</b>	<b>312</b>	<b>5,998,349</b>	<b>4,298,143</b>
<b>Assets - fair value through profit or loss</b>					
Securities	1	3,547	4,103	2,591,885	471,390
		<b>3,547</b>	<b>4,103</b>	<b>2,591,885</b>	<b>471,390</b>
<b>Liabilities - amortized cost</b>					
Borrowings and financing	-	-	-	1,146	692
Debentures	-	7,948,632	7,859,984	8,168,536	8,083,873
Trade payables	-	235	447	347,142	537,430
Trade payables purchaser's risk	-	-	-	316,242	341,656
Payables - acquisitions	-	-	-	250,437	283,236
Other payables	-	253,027	175,561	139,470	147,794
		<b>8,201,894</b>	<b>8,035,992</b>	<b>9,222,973</b>	<b>9,394,681</b>

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

**4.2. Financial risk factors**

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

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

The Company does not have any derivative transactions.

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

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

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Contract interest rates are shown below:

	<b>09/30/2020</b>	<b>12/31/2019</b>	<b>Consolidated Interest rate</b>
Borrowings and financing	1,146	692	9.41% p.a.
Debentures	8,055,638	7,971,068	100% CDI + interest of 0.75% to 2.95% p.a.
Debentures – SABER 1 <sup>st</sup> issue, 3 <sup>rd</sup> series	112,898	112,805	IPCA + 6.72% p.a.
Payables for acquisitions	137,857	154,062	CDI
Payables for acquisitions	88,666	102,743	IPCA
Payables for acquisitions	23,914	26,431	Other
<b>Total</b>	<b>8,420,119</b>	<b>8,367,801</b>	

**c) Credit risk**

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

Trade receivables – Higher Education (Kroton and Platos)

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

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

In 2015, the Company offered students the private student loan installment plan (PEP) – with the main purpose of offering a payment alternative for any student who was not eligible to the FIES. The purpose of this product is to finance part of a degree—70% to 50% of tuitions, adjusted using the Broad Consumer Price Index (IPCA), payable within the same period as the selected degree period, after graduation.

Beginning 2018, the Company changed the due dates of the financed installments for new students by postponing the due date of the installments for first semester when a student elected to transfer this product to the following semester. As a result, in the second semester, a student would pay the installments financed in the first semester and the due dates of new revenue are in the following semesters, recognized as revenue from private installment plan. Long-term receivables from students eligible to the PEP are adjusted to present value. Also, the Company has decided that it will not offer this product to new students beginning 2021.

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

**Trade receivables – K-12 Education (Vasta)**

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

**Trade receivables – K-12 Education (Saber)**

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

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

	<b>Consolidated</b>	
	<b>09/30/2020</b>	<b>12/31/2019</b>
<b>Trade receivables (note 7)</b>		
Kroton	4,957,673	4,722,782
Platos	87,445	71,795
Saber	79,807	40,823
Vasta	267,784	494,853
Other	129,298	210,189
Credit card	55,268	20,767
<b>Gross receivables</b>	<b>5,577,275</b>	<b>5,561,209</b>

**Financial instruments and cash deposits**

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

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		<b>Consolidated</b>
	<b>09/30/2020</b>	<b>12/31/2019</b>
<b>Cash and cash equivalents (note 5)</b>		
AAA (i)	2,486,847	274,673
AA+	-	80,613
AA (ii)	177,731	11,039
Not applicable	446	5,358
	<b>2,665,024</b>	<b>371,683</b>
<b>Securities (note 6)</b>		
AAA (i)	863,091	47,693
AA (ii)	1,728,794	6
A+	-	423,689
Not applicable	-	2
	<b>2,591,885</b>	<b>471,390</b>

- (i) Since Santander Brasil is not rated by Fitch, the rating awarded by Standard & Poor's was used to rate the short-term investments held in this financial institution amounting to R\$3,082,228, of which R\$2,399,648 is allocated to cash and cash equivalents and R\$682,580 is allocated to securities.
- (ii) The investments pegged to the National Treasury bonds are classified by Brazil's rating considering the global scale (BB-), and in the rating correspondence in global and local scale, such rating is AA.

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

**d) Liquidity risk**

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

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

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

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

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



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**Financial liabilities by maturity**

	Consolidated			
	Less than 1 year	1-2 years	Over 2 years	Total
As at September 30, 2020				
Trade payables	347,142	-	-	347,142
Trade payables - purchaser's risk	316,242	-	-	316,242
Borrowings and financing	287	167	692	1,146
Debentures	2,409,601	2,226,102	3,532,833	8,168,536
Payables for acquisitions	116,366	62,625	71,446	250,437
	3,189,638	2,288,894	3,604,971	9,083,503

**Financial liabilities by maturity - Budgeted <sup>(i)</sup>**

	Consolidated			
	Less than 1 year	1-2 years	Over 2 years	Total
As at September 30, 2020				
Trade payables	347,142	-	-	347,142
Trade payables - purchaser's risk	316,242	-	-	316,242
Borrowings and financing	297	173	717	1,187
Debentures	2,494,973	2,304,973	3,658,001	8,457,947
Payables for acquisitions	120,489	64,844	73,977	259,310
	3,279,143	2,369,990	3,732,695	9,381,828

(i) Considers the most probable scenario for a 12-month period. Projected rates: CDI – 3.54% and IPCA – 3.14% per year.

**4.3. Capital management**

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

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

As at September 30, 2020, the Company has an adequate capital structure to facilitate its growth strategy, either organically or through acquisitions. The investment decisions take into consideration the expected return potential.

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The financial leverage ratios are as follows:

		<b>Consolidated</b>
	<b>09/30/2020</b>	<b>12/31/2019</b>
Borrowings and financing, debentures and payables for acquisitions	(8,420,119)	(8,367,801)
Cash and cash equivalents and securities	5,256,909	843,073
<b>Net debt</b>	<b>(3,163,210)</b>	<b>(7,524,728)</b>
Equity	18,255,688	15,835,269
<b>Financial leverage ratio</b>	<b>17.33%</b>	<b>47.52%</b>

**4.4. Sensitivity analysis**

The table below shows the sensitivity analysis for financial instruments, describing the risks that may result in material losses for the Company, according to a Management assessment, using a most probable scenario for a twelve-month period and the following projected rates: CDI: 3.54% and IPCA: 3.14% per year. Additionally, two other scenarios are provided showing a 25% and 50% stress of the risk variable considered, respectively.

				<b>Consolidated</b>
<b>As at September 30, 2020</b>	<b>Exposure</b>	<b>Risk</b>	<b>Probable scenario</b>	<b>Possible scenario -25% Remote scenario -50%</b>
Short-term investments and securities	5,256,909	CDI increase	186,252	232,815 279,378
Borrowings and financing, debentures and payables indexed to the CDI rate	(8,193,495)	CDI increase	(290,296)	(362,869) (435,443)
Borrowings and financing, debentures and payables indexed to the IPCA rate	(202,710)	IPCA increase	(6,355)	(7,944) (9,533)
	<b>(3,139,296)</b>		<b>(110,399)</b>	<b>(137,998) (165,598)</b>

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

**5. Cash and cash equivalents**

		<b>Parent</b>		<b>Consolidated</b>
	<b>09/30/2020</b>	<b>12/31/2019</b>	<b>09/30/2020</b>	<b>12/31/2019</b>
<b>Cash</b>				
Checking account	108	95	28,874	63
	<b>108</b>	<b>95</b>	<b>28,874</b>	<b>63</b>
<b>Short-term investments</b>				
Fixed-income fund	-	-	-	76,579
Repurchase agreements (i)	12,285	-	251,452	195,927
National Treasury Notes (NTNO) (i)	-	-	65,853	84,518
Bank certificates of deposit (CDBs)	1,372,942	-	2,318,845	14,596
	<b>1,385,227</b>	<b>-</b>	<b>2,636,150</b>	<b>371,620</b>
	<b>1,385,335</b>	<b>95</b>	<b>2,665,024</b>	<b>371,683</b>

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

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The Company has highly liquid short-term investments, with insignificant risk of change in value, mainly indexed to the CDI or SELIC rate, a significant portion of which is made in exclusive fixed-income funds, managed and administered by major financial institutions. These funds are intended to offer return on the Group's cash and cash equivalents without incurring medium and high risk instruments or securities. The average gross yield of short-term investments is 96.82% of CDI (interbank deposit rate) in the period ended September 30, 2020 (97.79% of CDI as at December 31, 2019).

**6. Securities**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>09/30/2020</b>	<b>12/31/2019</b>	<b>09/30/2020</b>	<b>12/31/2019</b>
National Treasury Bills (LTN)	-	-	14,933	15,482
Financial Bills (LF)	-	58	183,272	25,782
Financial Treasury Bills (LFT)	3,547	4,045	2,393,680	430,126
	<b>3,547</b>	<b>4,103</b>	<b>2,591,885</b>	<b>471,390</b>
Current	3,547	4,103	2,576,951	453,952
Noncurrent	-	-	14,934	17,438
	<b>3,547</b>	<b>4,103</b>	<b>2,591,885</b>	<b>471,390</b>

The average gross yield of securities is 96.82% of CDI in the period ended September 30, 2020 (97.79% of CDI as at December 31, 2019).

**7. Trade receivables****a) Breakdown**

	<b>09/30/2020</b>			
	<b>Trade receivables</b>	<b>Expected loss</b>	<b>Present value adjustment</b>	<b>Trade receivables, net</b>
Credit card	55,268	-	-	55,268
Kroton	4,957,673	(2,623,818)	(144,112)	2,189,743
Private payment in installments (PEP/PMT)	3,403,607	(1,949,215)	(143,140)	1,311,252
Kroton without private payment in installments	1,554,066	(674,603)	(972)	878,491
Paying student	1,291,117	(540,706)	(972)	749,439
FIES (public payment in installments)	262,949	(133,897)	-	129,052
Platos	87,445	(26,117)	-	61,328
Saber	79,807	(19,116)	-	60,691
Vasta	267,784	(26,929)	-	240,855
Other	129,298	(27,592)	-	101,705
<b>Total</b>	<b>5,577,275</b>	<b>(2,723,573)</b>	<b>(144,112)</b>	<b>2,709,590</b>
<b>Total without private payment in installments and credit card</b>	<b>2,118,400</b>	<b>(774,358)</b>	<b>(972)</b>	<b>1,343,071</b>

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

**b) Receivables aging list**

		<b>Consolidated</b>
	<b>09/30/2020</b>	<b>12/31/2019</b>
<b>Current</b>	<b>3,082,815</b>	<b>3,160,456</b>
<b>Past due</b>		
Up to 30 days	152,086	266,196
31 to 60 days	120,565	391,572
61 to 90 days	173,441	391,838
91 to 180 days	510,826	348,696
181 to 365 days	848,215	547,479
Over 365 days	689,327	454,972
<b>Total past due</b>	<b>2,494,460</b>	<b>2,400,753</b>
Allowance for expected losses	(2,723,573)	(2,047,365)
Present value adjustment	(144,112)	(172,628)
	<b>2,709,590</b>	<b>3,341,216</b>

The aging list of receivables is broken down below:

**Kroton – paying students**

					<b>09/30/2020</b>
	<b>Total balance</b>	<b>% (i)</b>	<b>Agreement</b>	<b>% (i)</b>	<b>Monthly tuitions</b>
<b>Current (ii)</b>	<b>407,809</b>	<b>32%</b>	<b>407,809</b>	<b>53%</b>	<b>-</b>
<b>Past due</b>					
Up to 30 days	116,339	9%	38,411	5%	77,928
31 to 60 days	54,532	4%	30,169	4%	24,363
61 to 90 days	32,864	3%	30,078	4%	2,786
91 to 180 days	266,594	21%	87,330	11%	179,264
181 to 360 days	412,007	32%	172,544	23%	239,463
<b>Total past due</b>	<b>882,336</b>	<b>68%</b>	<b>358,532</b>	<b>47%</b>	<b>523,804</b>
<b>Gross receivables – paying student</b>	<b>1,290,145</b>	<b>100%</b>	<b>766,341</b>	<b>100%</b>	<b>523,804</b>

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	<b>09/30/2020</b>					
	<b>Total balance</b>	<b>% (i)</b>	<b>Agreement</b>	<b>% (i)</b>	<b>Monthly tuitions</b>	<b>% (i)</b>
<b>(-) Balance of the allowance for expected losses (iii)</b>	<b>540,706</b>					
<b>Net receivables – paying student</b>	<b>749,439</b>					
<b>Percentage of allowance for expected losses/gross receivables (iv)</b>	<b>41.9%</b>					

(i) Percentage on gross receivables – paying student

(ii) Net amounts of the present value adjustment

(iii) The balance of the allowance for expected losses is calculated considering future expectation: a) of recovery, through renegotiation, of receivables already written off with maturity over 360 days) and; b) of write-off for receivables that will reach 360 days in the next period.

(iv) Relating to the coverage ratio

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

(i) Percentage on gross receivables – paying student

(ii) Net amounts of the present value adjustment

(iii) The balance of the allowance for expected losses is calculated considering future expectation: a) of recovery, through renegotiation, of receivables already written off with maturity over 360 days) and; b) of write-off for receivables that will reach 360 days in the next period.

(iv) Relating to the coverage ratio.

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

**Monthly tuitions**

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

**Variations in expected losses**

Variations in the allowances for expected losses in the period ended September 30, 2020 are as follows:

	<b>Consolidated</b>
<b>Balance as at December 31, 2018</b>	<b>(1,466,028)</b>
Addition due to business combination	(1,950)
Write-off against trade receivables	218,109
Recognition	(568,654)
<b>Balance as at September 30, 2019</b>	<b>(1,818,523)</b>
<b>Balance as at December 31, 2019</b>	<b>(2,047,365)</b>
Addition due to business combination	(734)
Write-off against trade receivables	259,083
Recognition	(934,557)
<b>Balance as at September 30, 2020</b>	<b>(2,723,573)</b>

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

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

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

- i) Private Payment in Installments (PEP). This product is intended to enable access to education by students who, despite depending on student loans, have no access to such loans. Under this regime, the student pays about half of the monthly tuitions after graduation, which payments are expected to end within a period twice as longer than the course period. The offer is limited with significant restriction on the granting of discounts, thus protecting the business profitability.
- ii) Late Enrollment in Installments (PMT). This product is offered only in the semester of the student's enrollment and is intended to facilitate payment for students who enroll in the middle of the semester. Rather than charging monthly tuitions accumulated since the first month of the semester until the month of the student's enrollment, the student pays only one monthly tuition and the other tuitions are postponed for payment after graduation.

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**Breakdown of balance**

	09/30/2020			12/31/2019		
	PEP	PMT	Consolidated	PEP	PMT	Consolidated
<b>Gross receivables</b>	<b>2,487,699</b>	<b>915,908</b>	<b>3,403,607</b>	<b>2,311,763</b>	<b>849,512</b>	<b>3,161,275</b>
(-) Present value adjustment	(111,308)	(31,832)	(143,140)	(133,799)	(37,911)	(171,710)
Gross receivables after present value adjustment	2,376,391	884,076	3,260,467	2,177,964	811,601	2,989,565
(-) Balance of allowance for expected losses	(1,425,011)	(524,204)	(1,949,215)	(1,064,909)	(373,558)	(1,438,467)
<b>Net receivables</b>	<b>951,380</b>	<b>359,872</b>	<b>1,311,252</b>	<b>1,113,055</b>	<b>438,043</b>	<b>1,551,098</b>
Percentage of allowance for expected losses/gross receivables	-60,0%	-59,3%	-59,8%	-48,9%	-46,0%	-48,1%
<b>Current</b>	<b>1,340,008</b>	<b>709,774</b>	<b>2,049,782</b>	<b>1,567,906</b>	<b>637,483</b>	<b>2,205,389</b>
<b>Past due</b>	<b>1,147,691</b>	<b>206,134</b>	<b>1,353,825</b>	<b>743,857</b>	<b>212,029</b>	<b>955,886</b>
<b>Gross receivables - PEP / PMT</b>	<b>2,487,699</b>	<b>915,908</b>	<b>3,403,607</b>	<b>2,311,763</b>	<b>849,512</b>	<b>3,161,275</b>

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

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

	09/30/2020			12/31/2019		
	Total balance	Current and up to 360 days past due <sup>(ii)</sup>	Over 360 days past due	Total balance	Current and up to 360 days past due <sup>(ii)</sup>	Over 360 days past due
<b>Gross receivables before write-offs <sup>(i)</sup></b>	<b>2,775,462</b>	<b>2,148,171</b>	<b>627,292</b>	<b>2,546,407</b>	<b>2,148,337</b>	<b>398,071</b>
Active students	1,210,283	1,210,283	-	1,183,515	1,181,667	1,848
Graduated students	187,316	169,324	17,993	239,865	234,027	5,838
Evaded students	1,377,863	768,564	609,299	1,123,028	732,642	390,386

(i) The amount reported in these line items refers to the total amount recognized of trade receivables during the entire period we offer the PEP product to our students. The balances do not consider the receipts and write-offs made in numerous periods, in the amount of R\$287,763 as at September 30, 2020 (R\$234,644 as at December 31, 2019), in order to demonstrate the amounts deriving from each category of students, which is an important information for the calculation of future expected loss.

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

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

	<b>Consolidated</b>				
	<b>3Q20</b>	<b>Initial estimate</b>	<b>Variation</b>	<b>Percentage of allowance for expected losses/gross receivables</b>	<b>Variation</b>
Effective expected loss with impairment	58.0%	50.0%	8.0 p.p.	60.0%	-2.0 p.p.

**8. Inventories**

	<b>Consolidated</b>	
	<b>09/30/2020</b>	<b>12/31/2019</b>
Finished goods	362,722	410,665
Work in process	128,271	48,265
Raw materials	53,580	55,147
Imports in transit	8,498	1,271
Appreciation	837	14,236
Allowance for inventory losses	(145,891)	(122,464)
	<b>408,017</b>	<b>407,120</b>

Variations in the allowance for inventory losses are as follows:

	<b>Consolidated</b>
<b>Balance as at December 31, 2018</b>	<b>(147,134)</b>
Addition in the period	(24,859)
Inventory losses	10,971
<b>Balance as at September 30, 2019</b>	<b>(161,022)</b>
<b>Balance as at December 31, 2019</b>	<b>(122,464)</b>
Addition arising from acquiree	(376)
Addition in the period	(34,941)
Inventory losses	23,481
Inventory write-off	(11,591)
<b>Balance as at September 30, 2020</b>	<b>(145,891)</b>



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**9. Recoverable taxes**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>09/30/2020</b>	<b>12/31/2019</b>	<b>09/30/2020</b>	<b>12/31/2019</b>
Income tax and social contribution (i)	31,186	11,787	175,543	223,599
PIS, COFINS and ISS (ii)	-	-	178,306	179,115
Social security tax (INSS)	-	-	29,321	34,076
Other recoverable taxes	-	-	37,938	39,800
	<b>31,186</b>	<b>11,787</b>	<b>421,108</b>	<b>476,590</b>
Current	31,186	11,787	283,645	346,162
Noncurrent	-	-	137,463	130,428
	<b>31,186</b>	<b>11,787</b>	<b>421,108</b>	<b>476,590</b>

- (i) Refers to recoverable amounts of withholding income tax (IRRF) on short-term investments and invoices, income tax, social contribution, which can be offset against any federal tax managed by the Federal Revenue Service of Brazil.
- (ii) Refers to PIS and COFINS credits claimed and retained on book sales and that can be offset against other federal taxes, as well as withholding taxes due to the issue of service invoices.

**10. Receivables from sale of subsidiaries**

	<b>Consolidated</b>	
	<b>09/30/2020</b>	<b>12/31/2019</b>
UNIASSELVI	363,833	350,172
FAC	20,187	19,175
FAIR	11,301	10,728
NOVATEC	-	4,319
Colégio Anchieta	-	3,015
UNIRONDON	2,198	2,014
FAUSB	-	270
	<b>397,519</b>	<b>389,693</b>
Current	138,405	139,162
Noncurrent	259,114	250,531
	<b>397,519</b>	<b>389,693</b>

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

		Consolidated	
		09/30/2020	12/31/2019
	<b>Maturity</b>	<b>Total</b>	<b>Total</b>
<b>Total current assets</b>	<b>Up to one year</b>	<b>138,405</b>	<b>139,162</b>
		<b>%34.8</b>	<b>%35.7</b>
	One to two years	126,498	118,923
	Two to three years	132,616	130,902
	Three to four years	-	706
<b>Total noncurrent assets</b>		<b>259,114</b>	<b>250,531</b>
<b>Total</b>		<b>397,519</b>	<b>389,693</b>
		<b>100.0</b>	<b>100.0</b>

**11. Other receivables**

	Parent		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Prepaid expenses (i)	763	148	50,415	29,496
Receivables from former owners of acquirees (ii)	68	68	88,716	78,410
INSS on severance pay (iii)	-	-	30,859	30,859
Sale of properties (iv)	-	-	12,990	21,813
Other	1	1	43,236	34,973
<b>Total</b>	<b>832</b>	<b>217</b>	<b>226,216</b>	<b>195,551</b>
Current	832	217	135,882	96,764
Noncurrent	-	-	90,334	98,787
	<b>832</b>	<b>217</b>	<b>226,216</b>	<b>195,551</b>

- (i) Consisting of: R\$16,282 in marketing expenses, R\$8,791 in property tax (IPTU), R\$8,758 in software license costs, R\$6.270 in deferred revenue on lease back gain, R\$3,496 in insurance agreements and R\$6,818 in diluted low-value receivables.
- (ii) Consisting mainly of: (i) contractual rights of reimbursement by the former owners of Academia Paulista Anchieta Ltda. (APA) to subsidiary Anhanguera Educacional S.A., in the adjusted amount of R\$46,333, arising from the balance of service tax (ISS) in installments payable under the taxes in installments with incentives (PPI) of the City of São Paulo, (ii) R\$2,200 in labor claims of Platos and Other segment; (iii) subsidiary Unime LF has R\$1,392 receivable from the former owners relating to the Refis tax in installments, (iv) subsidiary EDE has R\$12,634 relating to the debt acknowledgement of unit Soce linhares, (v) R\$9,324 relating to the amounts receivable from Uniasselvi, in review with buyers, (vi) R\$2,955 relating to lawsuits involving UNOPAR, and (vii) R\$4,563 relating to the contingency against outsourced service providers and their partners for collection of amounts/seizure of assets, and (viii) R\$9,315 in diluted low-value receivables.
- (iii) Consisting mainly of recoverable social security contribution (INSS) originating from favorable court rulings against the levy of INSS on severance pay.
- (iv) Consisting of: R\$4,119 relating to the sale of a property in São Luiz do Maranhão (CEAMA), (ii) R\$3,519 relating to the sale of property Rio Bravo, (iii) R\$5,352 of diluted low-value amounts.

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**12. Investments****(a) Breakdown of investments in direct subsidiaries**

		<b>Parent</b>
	<b>09/30/2020</b>	<b>12/31/2019</b>
Editora e Distribuidora Educacional S.A. ("EDE")	3,890,610	5,956,227
Anhanguera Educacional Participações S.A. ("AESAPAR")	1,857,182	3,004,598
Somos Sistemas de Ensino S.A.	-	3,116,657
Vasta Platform Limited.	3,672,261	-
Saber Serviços Educacionais Ltda.	2,165,632	2,431,953
<b>Subtotal</b>	<b>11,585,685</b>	<b>14,509,435</b>
Goodwill, including Anhanguera allocated goodwill	7,327,426	7,381,353
<b>Total</b>	<b>18,913,111</b>	<b>21,890,788</b>

**(b) Information on the direct subsidiaries**

					<b>09/30/2020</b>	
	<b>Equity interest</b>	<b>Number of shares</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Equity</b>	<b>Profit/loss for the period</b>
EDE	100%	2,849,615,508	7,733,964	3,843,354	3,890,610	(610,151)
AESAPAR	85.56%	687,212,691	6,017,890	3,847,269	2,170,621	(358,725)
VASTA (i)	77.62%	83,011,584	4,754,140	23,064	4,731,076	(40,858)
SABER (ii)	62.04%	5,125,569,249	3,993,479	502,776	3,490,703	(1,111,803)
		<b>8,745,409,032</b>	<b>22,499,473</b>	<b>8,216,463</b>	<b>14,283,010</b>	<b>(2,121,537)</b>

- (i) Due to the going public process of Vasta, Somos Sistemas de Ensino, previously Cogna's direct subsidiary, became Vasta's direct subsidiary which, in turn, acquired all shares of such entity.
- (ii) During 2020, the Company revisited the equity interests held in Saber, deriving from the corporate restructuring process, which at the end of the process, made the Company to review and change its equity interest held in Saber to 62.00% (previously 60.75%).

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

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

Investment	Parent					
	EDE	Aesapar	Somos Sistemas	Saber	Vasta	Goodwill and appreciation
Balance as at December 31, 2019	5,956,227	3,004,598	3,116,657	2,431,954	-	7,381,353
<b>Variations</b>						
Amortization of allocated appreciation	-	-	-	-	-	(53,927)
Share of profit (loss) of investees	(610,151)	(279,126)	(31,934)	(688,296)	(35,368)	-
Capital increase	-	24,572	-	372,000	2,425	-
Dividends received from subsidiaries (i)	(1,421,000)	(893,520)	-	-	-	-
Corporate reorganization	-	-	(3,074,815)	-	3,074,815	-
RSU impacts	15,372	659	1,897	325	25,647	-
Share issuance costs	-	-	-	-	(135,589)	-
Gain on share issuance - IPO	-	-	-	-	740,317	-
Other impacts	(49,838)	-	(11,805)	49,649	14	-
<b>Balance as at September 30, 2020</b>	<b>3,890,610</b>	<b>1,857,183</b>	<b>-</b>	<b>2,165,632</b>	<b>3,672,261</b>	<b>7,327,426</b>
						<b>18,913,111</b>

- (i) As shown in note 27, the Company, for purposes of better capital allocation among the Group's subsidiaries, has received dividends and made transfers of amounts in cash to its subsidiaries, with a contra entry to capital increases or loan agreements, depending on an analysis of each entity.

**(d) Information on the indirect subsidiaries**

	Equity interest	Number of shares	Total assets	Total liabilities	Equity	09/30/2020
						Profit/loss for the period
Anhanguera Educacional Ltda. (i)	0.00%	-	-	-	-	1,228
Clínica Médica Anhanguera Ltda..	100.00%	911,700	1,034	54	980	(111)
Anhanguera Educacional Fundo de Investimento em direitos Creditórios (ii)	0.00%	-	-	-	-	1,023
Instituto Excelência Ltda..	100.00%	17,935,579	3,509	351	3,158	(31)
Edufor serviços educacionais Ltda.. – ME	100.00%	6,009,300	(5,613)	1,847	(7,460)	(9,682)
Sociedade Piauiense de Ensino Superior Ltda..	100.00%	20,491,750	32,860	36,457	(3,597)	(1,390)
Fateci Cursos Técnicos S/S	100.00%	4,427,000	2,804	3,887	(1,083)	102
Clauder Ciarlini Filho S/S.	100.00%	4,826,000	15,759	20,543	(4,784)	4,775
Sociedade Educacional da Paraíba Ltda..	100.00%	25,007,000	8,686	9,311	(625)	(2,349)
Bacabal Mearim Sistemas de Ensino Ltda..	100.00%	1,570,000	25,012	19,291	5,721	199
Centro de Ensino Atenas Maranhense (i)	0.00%	-	-	-	-	(1,659)
Centro de Ensino Superior de Marabá Ltda.	99.99%	12,129,511	29,584	19,793	9,791	(282)
Centro de Ensino Superior de Parauapebas Ltda.	99.99%	4,675,159	17,462	8,907	8,555	1,959
Centro de Ensino Superior de Paragominas Ltda.	99.99%	974,207	8,293	5,458	2,835	196
Orme Serviços Educacionais	99.99%	203,844,196	107,937	53,743	54,194	(23,026)
Projecta Educacional	99.99%	10,234,275	5,590	320	5,270	53
Pitágoras Sistema de Ensino Sociedade	99.99%	384,011,229	1,919,812	1,531,840	387,972	(18,607)
União de Ensino Unopar	99.99%	138,810,801	430,637	292,467	138,170	(8,633)
Unic Educacional	99.99%	210,684,858	703,041	395,964	307,077	4,517
Iuni Educacional - Unime Salvador	99.99%	15,916,973	139,062	118,596	20,466	774
Colégio LS Cidade Nova Ltda.	100.00%	1,400,889	1,449	1,584	(135)	(372)
Colégio Manauara Cidade Nova Ltda.	100.00%	301,001	151,530	190,154	(38,624)	41,569
Núcleo Brasileiro De Estudos Avançados Ltda.	100.00%	3,148,980	3,736	2,338	1,398	112
Colégio Manauara Latu Sensu Ltda.	100.00%	8,601,283	10,486	13,234	(2,749)	2,020
Centro Educacional Leonardo Da Vinci S/S Ltda.(iii)	0.00%	-	-	-	-	2,155
Da Vinci Serviços Educacionais Ltda. (iii)	0.00%	-	-	-	-	2,405
SB Sistemas de Ensino Ltda..	100.00%	102,264	(267)	220	(487)	(575)
Somos Idiomas S.A.	100.00%	120,421,129	232,974	186,238	46,737	8,460
Editora Ática S.A.	100.00%	1,159,583,077	794,770	318,336	476,434	2,994
Editora Scipione S.A.	100.00%	245,673,857	401,348	242,842	158,506	11,243
Somos Educação S.A.	100.00%	1,017,015,022	965,874	23,447	942,427	11,408
Nice Participações S.A.	100.00%	22,816,962	(470)	483	(953)	(170)
Sistema PH de Ensino Ltda.	100.00%	56,852,441	172,499	128,403	44,096	(3,446)
Maxiprint Editora Ltda.	100.00%	6,457,885	14,421	16,287	(1,866)	284
SGE Comércio de Material Didático Ltda..	100.00%	24,640,673	13,903	3,412	10,491	1,530

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						<b>09/30/2020</b>
	<b>Equity interest</b>	<b>Number of shares</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Equity</b>	<b>Profit/loss for the period</b>
Colégio Motivo Ltda.	100.00%	106,164,242	280,612	253,213	27,399	(5,648)
Acel – Administração de Cursos Educacionais Ltda.	100.00%	104,591,638	219,689	173,146	46,542	3,212
ECISA – Escola a Chave do Saber Ltda..	100.00%	5,025,000	12,424	8,674	3,750	(242)
Sociedade Educacional Doze de Outubro Ltda..	100.00%	21,724,535	46,420	41,920	4,500	(4,021)
Sociedade Educacional Paraná Ltda..	100.00%	160,000	116,577	115,261	1,315	858
Saraiva Educação S.A.	100.00%	570,430,891	509,935	134,320	375,615	(1,351)
Escola Mater Christi Ltda..	100.00%	13,593,700	17,416	9,669	7,747	(361)
Colégio Jaó Ltda..	100.00%	6,991,851	73,552	67,658	5,894	1,486
Somos Operações Escolares S.A.	100.00%	918,949,701	820,680	63,738	756,942	(33,758)
Educação Inovação e Tecnologia S.A.	100.00%	7,445,415	22,293	6,823	15,470	(7,743)
Somos Educação Investimentos S.A.	100.00%	102,322,080	81,257	26,442	54,815	(5,363)
Papelaria Brasileira Ltda..	100.00%	341,000	1,940	573	1,367	487
Stoodi Ensino e Treinamento à Distância Ltda..	100.00%	36,938,000	40,355	10,176	30,179	(1,058)
Editora Joaquim Ltda.	100.00%	311,868	512	87	425	5
Editora Pigmento Ltda.	100.00%	347,000	651	108	543	(7)
Editora Todas as Letras Ltda.	100.00%	392,834	814	141	674	6
Sociedade Educacional de Rondonópolis Ltda..	100.00%	2,300,000	10,751	10,855	(104)	(629)
Sociedade Rondonopolitana de Educação Ltda..	100.00%	1,590,000	5,343	2,131	3,212	867
Sociedade Educacional Neodna Cuiabá Ltda..	100.00%	3,076,344	5,570	4,577	993	(10)
CEI - Centro de Educação Integrada Ltda..	51.00%	2,082,592	50,846	38,772	12,074	4,944
Salmo Noventa Centro Educacional eireli	51.00%	410,000	1,530	2,343	(813)	(434)
Escola Infantil Primeiros Passos eireli	51.00%	100,000	2,312	2,246	66	(63)
Escola Santo Inacio Ltda.	100.00%	629,000	24,892	23,366	1,526	994
Escola Riacho Doce Ltda.	100.00%	2,016,900	8,186	5,999	2,187	(80)
Curso e Colégio Coqueiro Ltda.	100.00%	3,036,450	6,444	4,488	1,956	(188)
Colégio Ambiental Ltda.	100.00%	2,073,013	8,478	5,469	3,009	307
Colégio Visão Ltda.	100.00%	1,280,382	3,067	2,180	887	(110)
Colégio Cidade Ltda. (Campinas)	100.00%	204,714	2,127	1,920	207	(103)
Colégio do Salvador Ltda..	100.00%	416,367	174,916	172,729	2,187	883
Eligis Tecnologia e Inovação Ltda..	100.00%	8,200	17	30	(13)	(7)
Livraria Livro Fácil Ltda.	100.00%	103,768,018	130,072	51,847	78,225	(13,748)
Sociedade Educacional Aphaville S.A	51.00%	500	23,665	24,092	(427)	861
Colégio Anglo São Paulo	100.00%	1,000	1	-	1	-
Saraiva Soluções Educacionais S.A	100.00%	500	1	-	1	-
Eduquer Serviços Educacionais Ltda.	100.00%	93,700	261	14	247	-
Pluri - A&R Comércio e Serviços de Informática Ltda.	100.00%	7,991,650	16,894	9,202	7,692	1,312
Mind Makers Editora Educacional Ltda	100.00%	2,318,365	2,884	1,447	1,437	(1,373)
Somos Sistemas de Ensino	100.00%	5,464,689,407	7,093,063	2,358,532	4,734,531	(72,725)

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**13. Property, plant and equipment**

								Consolidated
	IT equipment	Furniture, equipment and fixtures	Library	Buildings and improvements	PP&E in progress	Land	Right of use (IFRS-16) (i)	Total
Balances as at January 1, 2019	129,214	448,820	144,050	1,566,915	97,834	107,695	2,976,633	5,471,161
Additions	27,864	60,807	10,531	35,769	110,315	-	172,750	418,035
Addition due to business combination	286	2,447	591	154	-	-	-	3,479
Write-offs	(4,173)	(8,988)	(1,068)	(103,839)	(554)	(17,504)	-	(136,127)
Depreciation	(37,944)	(48,754)	(20,482)	(63,513)	-	-	(225,124)	(395,816)
Transfers	-	-	-	28,384	(81,819)	33,100	20,335	-
Balances as at September 30, 2019	115,246	454,332	133,622	1,463,870	125,776	123,291	2,944,594	5,360,731
Balances as at December 31, 2019	112,751	444,791	127,988	1,414,184	56,151	118,553	3,580,846	5,855,264
Additions	11,048	19,534	5,507	2,737	48,478	-	447,628	534,932
Addition due to business combination	59	153	-	-	-	-	-	212
Write-offs	(826)	(5,233)	(108)	(31,172)	(274)	-	(119,358)	(156,971)
Depreciation	(33,715)	(47,463)	(21,208)	(80,202)	-	-	(203,772)	(386,360)
Transfers	-	-	-	71,579	(71,579)	-	-	-
Balances as at September 30, 2020	89,317	411,782	112,179	1,377,126	32,776	118,553	3,705,344	5,847,077
Average annual depreciation rate	21%	9%	12%	4%	0%	0%	7%	
Balances as at September 30, 2020:								
Cost	407,054	931,532	341,644	1,883,406	32,776	118,553	4,705,300	8,420,265
Accumulated depreciation	(317,737)	(519,750)	(229,465)	(506,280)	-	-	(999,956)	(2,573,188)

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

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**14. Intangible assets**

						Consolidated
	Software	Content production	Operation license	Goodwill and allocated intangible assets	Other intangible assets	Total
Balances as at January 1, 2019	556,241	184,182	11,969	20,078,152	126,321	20,956,865
Additions	146,087	58,823	5,292	68,464	3,125	281,791
Write-offs	(149)	(4)	(1,632)	-	-	(1,785)
Variation for combinations	-	-	-	(478,086)	-	(478,086)
Amortization	(104,698)	(87,109)	(4,074)	(282,916)	(18,731)	(497,526)
Balances as at September 30, 2019	597,481	155,893	11,556	19,385,615	110,715	20,261,260
Balances as at December 31, 2019	607,563	156,182	13,283	19,641,309	103,888	20,522,225
Additions	149,119	55,797	3,642	36,891	8,009	253,458
Addition due to business combination	-	177	-	-	-	177
Write-offs	(131)	-	(153)	-	-	(284)
Impairment loss	-	-	-	(831,188)	-	(831,188)
Amortization	(124,892)	(81,973)	(5,530)	(247,195)	(10,703)	(470,293)
Transfers	-	-	-	-	-	-
Balances as at September 30, 2020	631,659	130,183	11,242	18,599,817	101,194	19,474,095
Average annual amortization rate	20%	41%	33%	6%	29%	
Balances as at September 30, 2020:						
Cost	1,253,353	679,282	24,403	18,764,660	207,415	20,929,113
Accumulated amortization	(621,694)	(549,099)	(13,161)	(164,843)	(106,221)	(1,455,018)

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

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

	<b>Consolidated</b>		
	<b>09/30/2020</b>	<b>12/31/2019</b>	
	<b>Goodwill and allocated intangible assets</b>	<b>Impairment loss</b>	<b>Account balance</b>
Goodwill (i)	14,678,044	(831,188)	13,846,856
Trademark (ii)	2,710,526	-	2,710,526
Operation license and center partner chain (iii)	690,843	-	690,843
Customer portfolio (iv)	1,349,916	-	1,349,916
Non-compete agreement (iv)	1,676	-	1,676
	<b>19,431,005</b>	<b>(831,188)</b>	<b>18,599,817</b>
			<b>19,641,309</b>

(i) Refers to goodwill arising on acquisitions of subsidiaries, classified as arising on expected future earnings. Does not have a finite useful life and is subject to annual impairment tests. The amount presented is net of impairment of assets in the amount of R\$831,188, recognized in the period ended September 30, 2020, as shown in item (b) of this note.

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- (ii) Intangible asset with useful life estimated between 19 and 30 years.
- (iii) Refers to the licenses to offer in-class and distance learning education and the partner chain of distance learning centers. Does not have a finite useful life and is subject to annual impairment tests.
- (iv) Intangible asset with useful life estimated between 3 and 14 years.

**b) Goodwill impairment testing per type**

The Company tests at least annually its assets for impairment, or when there is any indication of impairment.

In the period ended September 30, 2020 and as shown in note 1.1, the Company assessed events occurred in its cash-generating units that could affect its expected recovery of non-financial assets and, after such assessment, impacts were observed mainly on: (i) the publishing market for products linked to the SETS CGU, mainly due to the closing of stores, (ii) the preparatory classes for the Brazilian Bar Association (OAB) tests and public service examinations linked to the “Other” business, as a result of the drop in the sale of these classes, due to cancellation of the previously scheduled Brazilian Bar Association (OAB) tests and public service examinations, without prospects of improvement in the medium term, and (iii) the school chains, where the business plans were revised considering the known and expected impacts on the Company’s business in the future, as well as changes in the average ticket projections arising from changes in the operating regions and a more conservative organic growth scenario. After assessing these impacts, the Company has decided to change its growth estimate in the long-term projection model, thus impacting the recovery of non-financial assets. As a result of this change, impairment loss was recognized in the amount of R\$831,188, and the cash-generating units affected by such allowance were: (i) Saber, in the amount of R\$373,764; and (ii) other, in the amount of R\$457,424. Additionally, some indicators used in the test model are based on macroeconomic indicators which can already be obtained and recalculated, such as Brazilian growth projections and changes in the rates used as a basis for the WACC. The Company believes that such procedure complies with the regulatory requirement of impairment testing at least annually or when a clear indication of impairment is observed, the latter being our current situation.

The main assumptions used in the calculations were: (i) growth rate in perpetuity at 5.48% in Kroton and Saber (6.11% as previously reported), 7.10% in Platos and Vasta (previously 6.11%), 4.06% in Other (previously 6.11%); and (ii) discount rate applied (WACC) at: 10.57% in Kroton (previously 10.61%), 9.88% in Platos (previously 10.12%), 9.95% in Saber (previously 9.76%), 9.88% in Vasta (previously 10.08%), and 9.95% in Other (previously 10.08%). The rates are presented based on the weighted average of the Company’s business and were affected by the inflation curve.

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



**COGNA EDUCAÇÃO S.A. AND SUBSIDIARIES**

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

			<b>09/30/2020</b>	<b>Consolidated 12/31/2019</b>
	<b>Goodwill and allocated intangible assets</b>	<b>Impairment loss</b>	<b>Account balance</b>	<b>12/31/2019</b>
Kroton	10,498,319		10,498,319	10,584,259
Platos	233		233	56,632
Saber	3,174,236	(373,764)	2,800,472	3,143,062
Vasta	4,833,183		4,833,183	4,881,246
Other	925,035	(457,424)	467,611	976,110
	<b>19,431,005</b>	<b>(831,188)</b>	<b>18,599,817</b>	<b>19,641,309</b>

**15. Borrowings and financing**

**(a) Breakdown**

	<b>Interest</b>	<b>Issuance</b>	<b>Maturity</b>	<b>09/30/2020</b>	<b>Consolidated 12/31/2019</b>
Working capital <sup>(i)</sup>	9.41% p.a.	04/19/2012	04/19/2021	148	692
Borrowings - Mind Makers <sup>(ii)</sup>				998	-
<b>Total</b>				<b>1,146</b>	<b>692</b>
Current liabilities				287	531
Noncurrent liabilities				859	161
				<b>1,146</b>	<b>692</b>

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

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

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**(b) Variations**

	<b>Consolidated</b>	
	<b>09/30/2020</b>	<b>12/31/2019</b>
Opening balance	692	55,116
Addition due to business combination	998	-
Addition – principal	100	-
Reclassification of finance leases	-	(53,949)
Interest recognition	45	18
Interest payment	(44)	-
Principal repayment	(645)	(493)
<b>Closing balance</b>	<b>1,146</b>	<b>692</b>

**(c) Repayment schedule**

				Consolidated	
				12/31/2019	
				09/30/2020	
	Maturity	Total	%	Total	%
Current liabilities	Up to one year	287	25.0	531	76.7
		287	25.0	531	76.7
	One to two years	167	14.6	161	23.3
	Two to three years	166	14.5	-	0.0
	Three to four years	166	14.5	-	0.0
	Four to five years	166	14.5	-	0.0
	After five years	194	16.9	-	0.0
Noncurrent liabilities		859	75.0	161	23.3
		1,146	100.0	692	100.0

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**16. Debentures**

**(a) Breakdown**

					Parent		Consolidated
	Interest	Issuance	Maturity	09/30/2020	12/31/2019	09/30/2020	12/31/2019
4 <sup>th</sup> issue, single series EDE SARAIVA debentures	CDI + 1.00% p.a.	08/27/2018	08/15/2021	-	-	219,904	223,889
1 <sup>st</sup> issue, single series COGNA debentures	CDI + 0.65% p.a.	04/15/2019	04/15/2024	809,648	807,164	809,648	807,164
2 <sup>nd</sup> issue, 1 <sup>st</sup> series COGNA debentures	CDI + 0.75% p.a.	08/15/2018	08/15/2021	1,131,724	1,152,229	1,131,724	1,152,229
2 <sup>nd</sup> issue, 2 <sup>nd</sup> series COGNA debentures	CDI + 1.00% p.a.	08/15/2018	08/15/2023	4,267,586	4,348,839	4,267,586	4,348,838
2 <sup>nd</sup> issue, 3 <sup>rd</sup> series COGNA debentures	IPCA + 6.7234% p.a.	08/15/2018	08/15/2025	112,898	112,805	112,898	112,805
3 <sup>rd</sup> and 4 <sup>th</sup> issue, 1 <sup>st</sup> and 2 <sup>nd</sup> series and single series COGNA debentures	CDI + 0.90% p.a. and CDI + 1.70% p.a. + 1.15% p.a.	08/15/2018	08/15/2022	1,000,399	1,322,675	1,000,399	1,322,675
5 <sup>th</sup> issue, single series COGNA debentures	CDI + 1.00% p.a.	10/25/2017	10/25/2020	120,093	116,272	120,093	116,273
6 <sup>th</sup> issue, single series COGNA debentures	CDI + 2.95% p.a.	05/20/2020	05/20/2023	506,284	-	506,284	-
<b>Total</b>				<b>7,948,632</b>	<b>7,859,984</b>	<b>8,168,536</b>	<b>8,083,873</b>
Current liabilities				2,189,697	574,873	2,409,601	578,998
Noncurrent liabilities				5,758,935	7,285,111	5,758,935	7,504,875
				<b>7,948,632</b>	<b>7,859,984</b>	<b>8,168,536</b>	<b>8,083,873</b>

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

Company	Issuance	Series	Quantity	Par value	Issuance amount	Principal repayment	Consolidated
							Interest payment
COGNA	1 <sup>st</sup>	Single	80,000	10	800,000	On maturity	Semiannual (Apr and Oct)
COGNA	2 <sup>nd</sup>	1 <sup>st</sup>	112,966	10	1,129,660	Annual	Semiannual (Feb and Aug)
COGNA	2 <sup>nd</sup>	2 <sup>nd</sup>	426,434	10	4,264,340	Annual	Semiannual (Feb and Aug)
COGNA	2 <sup>nd</sup>	3 <sup>rd</sup>	10,600	10	106,000	Annual	Semiannual (Feb and Aug)
COGNA	3 <sup>rd</sup>	1 <sup>st</sup> /2 <sup>nd</sup>	800,000	1	800,000	Annual	Semiannual (Feb and Aug)
COGNA	4 <sup>th</sup>	Single	800,000	1	800,000	On maturity	Semiannual (Mar and Sep)
COGNA	5 <sup>th</sup>	Single	100,000	1	100,000	On maturity	On maturity
COGNA	6 <sup>th</sup>	Single	500,000	1	500,000	On maturity	Semiannual (May and Nov)
EDE	1 <sup>st</sup>	Single	2,200	100	220,000	On maturity	Semiannual (Feb and Aug)

**(b) Variations****(c)**

	Parent		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Opening balance	7,859,984	-	8,083,873	7,628,506
Increase due to debt migration (i)	-	7,041,624	-	-
Increase – principal (ii)	500,000	800,000	500,000	800,000
Increase - issuance costs	(3,469)	(2,339)	(3,469)	(2,339)
Accrued interest	245,756	45,794	252,114	545,811
Cost allocation	7,932	563	8,235	10,659
Interest payment	(361,571)	(25,658)	(372,217)	(556,264)
Principal repayment	(300,000)	-	(300,000)	(342,500)
<b>Closing balance</b>	<b>7,948,632</b>	<b>7,859,984</b>	<b>8,168,536</b>	<b>8,083,873</b>

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

(ii) Increases made in 2020: On May 20, 2020, the Company, through its parent company Cogna, issued new simple debentures in a single series. 500,000 debentures with face value of one thousand Brazilian reais (R\$1,000.00) were subscribed, totaling R\$500,000. The debentures will have final maturity in 2023 and principal will be repaid only on this maturity, and the interest due calculated up to the date will be paid semiannually in May and November.

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

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**(d) Performance ratios**

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

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

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

As at September 30, 2020, the financial ratio relating to the net debt-to-adjusted EBITDA ratio reached 2.24, in compliance with the financial covenants mentioned above. The Company already exceeded the indicator once in a quarter, within the established limits. Additionally, the other non-financial covenants were met as at September 30, 2020.

**(e) Repayment schedule**

		09/30/2020			
	Maturity	Parent		Consolidated	
		Total	%	Total	%
Current liabilities	Up to one year	2,189,697	27.5	2,409,601	29.5
		<b>2,189,697</b>	<b>27.5</b>	<b>2,409,601</b>	<b>29.5</b>
	One to two years	2,226,102	28.0	2,226,102	27.3
	Two to three years	2,627,244	33.1	2,627,244	32.2
	Three to four years	34,074	0.4	34,074	0.4
Noncurrent liabilities	Four to five years	871,515	11.0	871,515	10.7
		<b>5,758,935</b>	<b>72.5</b>	<b>5,758,935</b>	<b>70.5</b>
		<b>7,948,632</b>	<b>100.0</b>	<b>8,168,536</b>	<b>100.0</b>

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**17. Lease – right of use**

**(a) Variations**

	<b>Consolidated</b>
<b>Balance as at December 31, 2018</b>	-
Opening balance - IFRS 16	3,259,634
<b>Balances as at January 1, 2019</b>	<b>3,259,634</b>
Additions	160,364
Reclassification of finance leases	20,335
Interest payment	-
Present value adjustment	227,059
Principal repayment	(384,202)
<b>Balances as at September 30, 2019</b>	<b>3,283,190</b>
<b>Balances as at December 31, 2019</b>	<b>4,021,474</b>
Additions	193,972
Adjustments	255,712
Cancellations	(129,824)
Interest payment	(297,949)
Accrued interest	314,141
Principal repayment	(109,538)
Discounts obtained – Covid 19 <sup>(ii)</sup>	(24,560)
<b>Balances as at September 30, 2020</b>	<b>4,223,428</b>
Current	166,214
Noncurrent	4,057,214
	<b>4,223,428</b>

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

<sup>(ii)</sup> The Company has renegotiated its lease agreements due to the Coronavirus pandemic ("COVID-19"). Pursuant to CPC 06 (R2)/IFRS 16, as a result of this change it was necessary to revise and recalculate the metrics. The impact recognized for the period ended September 30, 2020 was R\$24,559.

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

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

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

As permitted by CPC 06 (R2) / IFRS 16, for short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will elect to recognize the lease expenses on a straight-line basis in the income statements, and therefore will not be included in lease liabilities. The effects for the period ended September 30, 2020 are shown below:

	<b>Consolidated</b>
	<b>09/30/2020</b>
Fixed payments	407,487
Variable payments	1,707
Payments related to short-term and low-value contracts	24,997
<b>Total paid</b>	<b>434,191</b>

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**(c) Future commitments**

The balances of leases payable related to the “Future commitments” for the period ended September 30, 2020 are as follows:

	<b>IFRS 16</b>	<b>(-) PVA</b>	<b>Consolidated 09/30/2020</b>
Up to one year	580,192	(413,978)	166,214
One year up to five years	2,785,864	(1,233,192)	1,552,672
Over five years	5,409,105	(2,904,563)	2,504,542
	<b>8,775,162</b>	<b>(4,551,734)</b>	<b>4,223,428</b>

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

	<b>09/30/2020</b>	<b>Consolidated 09/30/2019</b>
<b>Statement of profit and loss for the period</b>		
Depreciation and amortization	(203,772)	(225,124)
Finance costs	(314,141)	(227,059)
Finance income	2,152	647
Other gains and losses	33,895	24,147
	<b>(481,866)</b>	<b>(427,389)</b>
Deferred income tax and social contribution	27,130	(13,187)
	<b>(454,736)</b>	<b>(440,576)</b>
Lease amounts paid in the period	407,487	384,202
<b>Impact of this new policy on profit or loss</b>	<b>(47,249)</b>	<b>(56,374)</b>

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

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

<b>Description</b>	<b>Balances recorded - IFRS 16 / CPC 06 (R2) (*)</b>	<b>Flow with projected inflation</b>	<b>Variation in R\$</b>	<b>Variation in %</b>
Right of use, net	3,705,344	4,358,552	653,208	17.63%
Lease liability	4,223,428	4,864,550	641,121	15.18%
Finance costs, net	311,989	266,494	(45,495)	-14.58%
Depreciation expense	203,772	241,144	37,372	18.34%
Sublease receivables	31,459	32,577	1,118	3.55%

(\*) according to the balance recorded in the interim financial information as at September 30, 2020

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

	<b>As at September 30, 2020</b>	
	<b>Nominal</b>	<b>Consolidated Adjusted to present value</b>
<b>Cash flows</b>		
Consideration payable	8,775,162	4,223,428
Potential PIS/COFINS (3.65%)	(293,816)	(139,125)
	<b>8,481,346</b>	<b>4,084,303</b>

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**18. Trade payables - purchaser's risk**

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

As at September 30, 2020, the balance of trade payables - purchaser's risk was R\$316,242 (R\$341,656 as at December 31, 2019), the weighted average discount rate of the assignment transactions conducted by our suppliers with financial institutions was 0.48% per month (the weighted average discount rate as at December 31, 2019 was 0.55% per month) and the maximum payment deadline was 360 days. The balance is initially recognized net of adjustments to present value, which are subsequently recognized as finance costs.

**19. Payroll and related taxes**

	<b>Consolidated</b>	
	<b>09/30/2020</b>	<b>12/31/2019</b>
Payroll payable	96,606	87,322
INSS payable	98,055	70,352
Severance pay fund (FGTS) payable	13,592	16,009
Withholding income tax (IRRF) payable	23,627	36,194
Accrued vacation pay and 13 <sup>th</sup> salary	179,653	79,288
Payroll taxes on accruals	59,587	23,568
Accrued profit sharing	23,541	111,142
Other	29,621	39,652
	<b>524,282</b>	<b>463,527</b>

**20. Taxes payable**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>09/30/2020</b>	<b>12/31/2019</b>	<b>09/30/2020</b>	<b>12/31/2019</b>
Service tax (ISS)	-	-	66,524	60,603
Tax on revenue (PIS)	481	79	3,083	3,399
Tax on revenue (COFINS)	2,339	481	14,284	17,724
Withholding income tax (IRRF)	118	130	10,369	11,540
Social Contribution (CSLL)	-	-	365	410
Other	603	96	6,277	8,116
	<b>3,541</b>	<b>786</b>	<b>100,902</b>	<b>101,792</b>



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**21. Payables - acquisitions**

	<b>Consolidated</b>	
	<b>09/30/2020</b>	<b>12/31/2019</b>
Colégio Lato Sensu	41,609	54,518
Colégio Leonardo da Vinci	51,008	69,816
Uniabc	29,746	29,595
Metropolitana	25,101	37,747
Livraria Livro Fácil	15,832	10,941
Colégio SANTI	15,164	19,767
Mind Makers	14,094	-
Pluri	12,757	-
ICF	12,068	11,442
Fateci	8,459	8,678
Febac	4,620	5,971
Iesville Educar / Intesc	5,849	5,719
Grupo Visão	3,901	7,548
IECAC (Sigma Águas Claras)	-	8,243
Other	10,229	13,251
<b>Total</b>	<b>250,437</b>	<b>283,236</b>
Current	116,366	117,976
Noncurrent	134,071	165,260
	<b>250,437</b>	<b>283,236</b>

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

	<b>Consolidated</b>	
	<b>09/30/2020</b>	<b>12/31/2019</b>
Opening balance	283,236	325,797
Addition (i)	51,808	55,903
Interest adjustment (ii)	11,624	16,792
Present value adjustment	3,842	4,719
Payments	(100,073)	(119,975)
<b>Closing balance</b>	<b>250,437</b>	<b>283,236</b>

(i) Balance comprised of the acquisition of Pluri and Mind Makers, pursuant to note 3(a) and also the acquisition of Eduquer for R\$481.

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

Due dates of payables for acquisitions:

	<b>Consolidated</b>			
	<b>09/30/2020</b>		<b>12/31/2019</b>	
<b>Maturity</b>	<b>Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>
Up to one year	116,366	46.5	117,976	41.7
<b>Total current liabilities</b>	<b>116,366</b>	<b>46.5</b>	<b>117,976</b>	<b>41.7</b>
One to two years	62,625	25.0	43,950	15.5
Two to three years	58,194	23.2	49,215	17.4
Three to four years	8,441	3.4	53,741	19.0
Four years and thereafter	4,811	1.9	18,354	6.5
<b>Total noncurrent liabilities</b>	<b>134,071</b>	<b>53.5</b>	<b>165,260</b>	<b>58.3</b>
<b>Total</b>	<b>250,437</b>	<b>100.0</b>	<b>283,236</b>	<b>100.0</b>

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

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

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

The table below shows the variations in contingencies in the period ended September 30, 2020:

	<b>Consolidated</b>		
	<b>Tax</b>	<b>Civil</b>	<b>Labor</b>
Balance as at 12/31/2019	268,595	61,861	141,468
Reallocations between types	(45,847)	(3,652)	49,499
Additions	1,670	86,067	94,494
Inflation adjustment	1	306	1,393
Reversals	(1,815)	(39,978)	(55,988)
<b>Total impact on profit or loss</b>	<b>(144)</b>	<b>46,395</b>	<b>39,899</b>
Payments	(430)	(72,390)	(67,511)
<b>Total payments</b>	<b>(430)</b>	<b>(72,390)</b>	<b>(67,511)</b>
Addition - former sponsor	1,732	1,629	11,272
Inflation adjustment – former sponsor	2,093	100	300
Reversal - former sponsor	(21,231)	(1,514)	(36,201)
<b>Total - former sponsor</b>	<b>(17,406)</b>	<b>215</b>	<b>(24,629)</b>
Inflation adjustment - IFRIC 23	2,383	-	-
Additions - IFRIC 23 <sup>(i)</sup>	6,373	-	-
	<b>8,756</b>	<b>-</b>	<b>-</b>
<b>Balance as at 09/30/2020</b>	<b>213,524</b>	<b>32,429</b>	<b>138,726</b>

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

**22.2. Main proceedings by nature**

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

**Labor proceedings**

- Class action filed by the ABC labor union in the greater São Paulo against our subsidiary Anhanguera. This proceeding consists of several claims relating to the compliance with the teachers collective labor agreement, such as: weekly paid rest difference on nightshift premium, five-year salary rises, hourly fee, and distance learning classes (EAD), teacher salary makeup (five-year salary rise, hourly fee, nightshift premium), entry-level teacher salary gap, meal ticket, fine for noncompliance with regulatory clause on entry-level teacher salary gap, and lawyers' fees, totaling R\$6,674;

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- Labor lawsuit filed against our subsidiary Anhanguera. This labor lawsuit claims the recognition of an employment relationship of a preparatory course teacher for public contest and the payment of all related benefits (vacation pay + 1/3 bonus, 13th salary, FGTS), overtime, undue decrease of class hourly fee, nightshift premium, severance pay, fine provided for by Articles 477 and 467 of the Brazilian Labor Code (CLT), pain and suffering due to violation of rights and image, payment for replay of recorded classes in online sales, fine for early termination, indirect termination of employment contract, registration in work papers, and lawyers' fees, totaling R\$5,889;
- Labor lawsuit filed against our subsidiary Somos Sistemas de Ensino S.A. This labor lawsuit claims the payment of pain and suffering and severance fees, in the amount of R\$4,683; and
- The Company is also a party to 1,006 labor lawsuits, with average individual amounts of R\$120, totaling R\$121,480. Of this total, 249 lawsuits, totaling approximately R\$11,799, refer to claims by outsourced workers hired by labor outsourcing companies, attributing joint and several liability to the Company. Labor lawsuits in general have different claims, mainly related to the payment of severance fees.

**Tax proceedings**

- Tax collection lawsuits filed by the City of São Paulo charging 2007-2011 Service Tax (ISSQN), for which the former sponsors of Academia Paulista Anchieta, a company acquired by Anhanguera in September 2011, are fully liable, amounting to R\$89,904. In the first months of the year, one of the lawsuits was dismissed, and the total contingency amount was reduced by approximately R\$13,000 since December 2019. The Company is covered by a sufficient contractual guarantee in the event of an unfavorable outcome;
- Tax collection lawsuit filed by the City of Santo André against subsidiary Anhanguera Educacional Participações S/A, aiming collecting of the Service Tax (ISSQN) for 2002, amounting to R\$1,533. The Company is covered by a sufficient contractual guarantee in the event of an unfavorable outcome;
- Other immaterial lawsuits totaling R\$36,722 and R\$85,364 relating to the contingency provided for in accordance with the adoption of standard IFRIC 23 during the last year. More information is available in addition to the financial statements as at December 31, 2019.

**Civil proceedings**

- Refers to an action seeking specific performance coupled with a compensation claim, where the claimant, former partner of Anhanguera, alleges that the subsidiary is not fully complying with the business partnership agreement entered into by the parties, the purpose of which is the satellite broadcast of preparatory courses for civil servant tests, amounting to R\$8,453; and
- The Company is also a party to 1,492 civil lawsuits, with individual amounts lower than the claims described above, with average amount of R\$16, totaling R\$23,976. The claims involve mostly consumer complaints.

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**22.3. Main additions and reversals**

The additions of civil lawsuits do not have material amounts to be individually reported separately and we reported the addition of 10,670 civil lawsuits, with higher addition in the amount of R\$650.

In terms of labor lawsuits, in subsidiary Anhanguera Educacional Participações S/A, there was the addition of R\$3,150 due to the settlement reached with the other party, for which the provision was insufficient.

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

- In subsidiary Editora Scipione, reversal of tax nature in the amount of R\$1,525, as the individual reversal with the higher financial materiality. Additionally, there were other sundry reversals totaling R\$290;
- In subsidiary Anhanguera Educacional Participações S/A, reversal of civil nature amounting to R\$1,024, as the individual reversal with the higher financial materiality. Additionally, there were other sundry reversals totaling R\$38,954;
- In subsidiary Anhanguera Educacional Participações S/A, reversal of labor nature in the amount of R\$2,082, as the individual reversal with the higher financial materiality. Additionally, there were other sundry reversals totaling R\$53,906.

**22.4. Proceedings with a possible likelihood of loss**

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

	<b>Consolidated</b>			
	<b>09/30/2020</b>	<b>12/31/2019</b>	<b>Number 09/30/2020</b>	<b>Number 12/31/2019</b>
Tax	809,815	614,467	294	206
Civil	432,268	367,107	17,014	15,454
Labor	173,230	139,400	1,276	1,214
<b>Total</b>	<b>1,415,313</b>	<b>1,120,974</b>	<b>18,584</b>	<b>16,874</b>

As at September 30, 2020, the Company and its parent companies were parties to 18,584 court/administrative proceedings classified by Management with a possible likelihood of loss based on the opinion of its legal counsel, including 251 proceedings for which the former sponsors are fully or partially liable, the main ones being:

**(i) Tax:**

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

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- Tax lawsuits filed by the Federal Government claiming the collection of a tax debt consisting of unpaid social security contributions registered as enforceable debt during the period when subsidiary UNIC IUNI Educacional S/A (currently merged into subsidiary Editora e Distribuidora Educacional S/A) was owned by its former sponsor and was entitled to tax immunity as a nonprofit philanthropic entity. The tax proceedings related to this matter total R\$148,828. The Company is liable for this contingency;
- Tax assessment notice issued by the Federal Revenue Service of Brazil against subsidiary Editora e Distribuidora Educacional S/A (EDE) to collect social security contributions on the amount paid by the Company to eligible employees in calendar years 2013-2016. The assessed principal and charges (fine and arrears interest) total R\$73,551. The Company is liable for this contingency;
- Tax assessment notice issued by the Federal Revenue Service of Brazil in Cuiabá against Editora e Distribuidora Educacional, successor to UNIC IUNI Educacional, related to the non-deductibility of the expense of the Profit Sharing plan in the period 2015-2017. The tax assessment notice was issued in the amount of R\$66,000, of which R\$46,000 refer to the non-deductibility of the expense and R\$20,000 refer to a one-off fine by the monthly recalculation of the corporate income tax with the taxation of profit sharing.
- Tax execution filed by the Municipality of Itapecerica da Serra relating to the tax assessment notice issued in 2016 against subsidiary Anhanguera Educacional Participações S/A, due to alleged non-issuance of invoices for a 13-month period; the assessment notice amounts to R\$14,474. The Company is liable for this contingency.
- Tax assessment notification (NFL) issued by the Municipality of Salvador against subsidiary Facdelta Iuni Educacional Unime Salvador Ltda for the payment of ISSQN from February 2015 to December 2016, in the amount of R\$18,390. The Company is liable for this contingency.
- Tax assessment notice issued by the Municipality of Porto Alegre for the payment of ISSQN from January 2012 to June 2017 against subsidiary em Sociedade Educacional Leonardo da Vinci Ltda, in the amount of R\$30,293. The Company is liable for the total amount of the tax assessment notice in the approximate amount of R\$20,084.

**(ii) Civil:**

- Execution proceeding relating to the receivables from rentals, which were offset by subsidiary Anhanguera Educacional, pursuant to the share purchase and sale agreement of the former sponsor. The Company is liable for this lawsuit, in the amount of R\$10,223.
- Action to nullify a Contractual Amendment coupled with the collection of transfer differences and compensation for damages (property damages and loss of profits), filed by a Partner Center against UNOPAR due to alleged errors and inaccuracies in the transferred payments, and pressure to reduce the transfer percentage from 4% to 2%. The Company is liable for this contingency in the amount of R\$8,579.

**(iii) Labor:**

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

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- This lawsuit claims the recognition of an employment relationship of a teacher of public competition preparatory courses and the payment of all related benefits, namely: (i) nightshift premium; (ii) fine for early termination; (iii) pain and suffering; (iv) vacation pay; (v) FGTS; (vi) 13<sup>th</sup> salary; (vii) payment for replay of recorded classes; salary gap - other, plus proportional benefits; and (viii) lawyers' fees. The Company is liable for this lawsuit, in the amount of R\$5,113.

**22.5. Provision for liabilities assumed in business combinations**

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

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

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

	Consolidated			
	Tax	Civil	Labor	Total
Balance as at 12/31/2019	1,633,675	144,328	853,540	2,631,543
Inflation adjustment	31,693	1,441	8,828	41,962
Reversals	(121,910)	(37,474)	(150,518)	(309,902)
Total impact on profit or loss	(90,217)	(36,033)	(141,690)	(267,940)
Inflation adjustment – former sponsor	1,456	15	833	2,304
Reversal - former sponsor	(15,403)	(490)	(16,489)	(32,382)
Total former sponsor (guarantee)	(13,947)	(475)	(15,656)	(30,078)
Balance as at 09/30/2020	1,529,511	107,820	696,194	2,333,525
SOMOS	1,298,271	91,497	582,969	1,972,737
LATO SENSU	122,620	-	36,993	159,613
CELV / DA VINCI	65,679	1,064	58,841	125,584
ICF	6,928	4,834	10,218	21,980
FATECI / CLAUDER	8,860	10,362	2,510	21,732
CEMAR/CEPAR/CESUPAR	16,817	-	1,128	17,945
FEBAC	10,336	63	3,535	13,934
Balance as at 09/30/2020	1,529,511	107,820	696,194	2,333,525

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

**(i) Tax:**

- Tax assessment notice collecting IRPJ and CSLL, plus aggravated fine of 75% due to the disallowance of amortized goodwill and nondeductible expenses, plus one-off fine (for the alleged underpayment of estimated taxes), for calendar years 2011-2014. The tax assessment notice, amounting to R\$322,068, was issued against Somos Sistemas de Ensino S.A., and includes as jointly and severally liable the companies Somos Educação S.A. and Ativic S.A. (linked to the Abril Group), pursuant to Article 124, I, of the National Tax Code. The Company is liable for this lawsuit, related to this tax assessment notice;
- Tax assessment notice issued by the Federal Service for the nonpayment of corporate income tax (IRPJ) and social contribution on net income (CSLL), as well as the imposition of aggravated automatic fine of 75% and one-off fine on monthly estimated IRPJ/CSLL, regarding calendar years 2013-2015. The tax assessment notice was issued against Central de Produções GWUP S.A. (not controlled by the Company) and Somos (which was the assessed entity's subsidiary at the time) as jointly and severally liable. The IRPJ and CSLL are being collected due to the disallowance of finance costs, considered nondeductible by the tax auditors, and the disallowance of goodwill. As a result of the adjustments made by the tax auditors, the tax authority also imposed an one-off fine for the alleged nonpayment of monthly estimated IRPJ and CSLL, amounting to R\$125,005. The Company is liable for this lawsuit.
- Tax assessment notice collecting alleged corporate income tax debts and related increase in other amounts (taxes on revenue, social contribution, and one-off fine) for the years 2000, 2001 and 2002. This tax assessment notice referred to seven infractions and currently only the issue involving goodwill, amounting to R\$79,459, is still pending. The Company is liable for this lawsuit.
- Tax assessment notice issued by the City of Vitória due to the nonpayment of ISSQN amounting to R\$32,519. The former sponsor is liable for this proceeding and the Company is covered by a sufficient contractual guarantee in the event of an unfavorable outcome;
- Based on the history and risk analyses of tax assessments issued due to the utilization of goodwill arising on acquisitions made Somos and the corresponding recognition of tax claim by the tax authority, we took into consideration a potential obligation resulting from past events of R\$417,577 and other tax proceedings, including all acquirees, that might be challenged by the tax authority that total R\$552,883.

**(ii) Labor:**

- Based on the history and analyses of risks of past labor claims and as a result of the noncompliance of past labor practices, a potential obligation with respect to payments made to service providers under Self-employed Worker Receipts (RPAs) and corporate invoices was considered, amounting to R\$120,885, and other sundry cases of noncompliance with labor laws and regulations totaling R\$575,310.

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**(iii) Civil:**

- Based on the history and risk analyses, the Company recognized a potential obligation resulting from past events deriving from fines on the early contract terminations, particularly property lease contracts, which total R\$29,156, and other sundry cases of noncompliance with civil laws and regulations totaling R\$78,663.

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

The main impacts applicable to the Company's cash flow arising from the effects on profit or loss are as follows for the period ended September 30, 2020:

		Impact on profit or loss (adjustment to profit in cash flows)				Impact on cash flow	
		Addition (reversal) of provision	Reversal of escrow account	Accrued interest	Total	Payments (operating activities)	Receipts (investing activities)
<b>Provision for civil, labor, and tax contingencies</b>	Additions	182,231	-	-	182,231	-	-
	Adjustment	-	-	1,700	1,700	-	-
	Adjustment - IFRIC 23	-	-	2,383	2,383	-	-
	Reversal	(97,781)	-	-	(97,781)	-	-
	Payments	-	-	-	-	(140,331)	-
<b>Effect on profit or loss</b>		<b>84,450</b>	<b>-</b>	<b>4,083</b>	<b>88,533</b>	<b>(140,331)</b>	<b>-</b>
<b>Liabilities assumed in business combination</b>	Adjustment	-	-	41,962	41,962	-	-
	Reversal	(309,902)	-	-	(309,902)	-	-
	<b>Effect on profit or loss</b>	<b>(309,902)</b>	<b>-</b>	<b>41,962</b>	<b>(267,940)</b>	<b>-</b>	<b>-</b>
<b>Escrow account</b>	Adjustment	-	-	(10,126)	(10,126)	-	-
	Reversal	-	345,244	-	345,244	-	321,506
	<b>Effect on profit or loss</b>	<b>-</b>	<b>345,244</b>	<b>(10,126)</b>	<b>335,118</b>	<b>-</b>	<b>321,506</b>
<b>Total effect</b>		<b>(225,452)</b>	<b>345,244</b>	<b>35,919</b>	<b>155,711</b>	<b>(140,331)</b>	<b>321,506</b>

**23. Escrow deposits and guarantees of provision for civil, labor, and tax contingencies****23.1. Escrow deposits**

	Parent		Consolidated	
	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Tax	-	-	27,241	26,014
Civil	-	17	3,873	17,361
Labor	618	345	44,700	52,296
<b>Total</b>	<b>618</b>	<b>362</b>	<b>75,814</b>	<b>95,671</b>



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**23.2. Negotiation involving the escrow account**

The Company and certain investment funds managed by Tarpon Gestora de Recursos S.A., sellers of Somos' control, entered into an amendment to the Agreement for the Purchase and Sale of Equity Interest and Other Covenants on June 10, 2020, in which they renegotiate the indemnification obligations of the sellers to Saber, a subsidiary of the Company. Under the terms of the amendment, the Sellers are no longer liable for indemnifying Saber or Somos for contingencies, lawsuits or claims filed by third parties against Somos and its subsidiaries and for possible violations of obligations other than those still remaining in CCV Somos, as amended.

As a result of the execution of the Amendment, the amounts of the retained portion deposited in the restricted account to guarantee the payment of such indemnity obligations were fully released from the escrow account. Part was released to Saber and part to third parties as disclosed in the Material Event Notice published by the Company on June 11, 2020 and made available at the Brazilian Securities and Exchange Commission and on the Company's website.

As a result of the agreed renegotiation laid down in the Amendment to the Purchase and Sale Agreement of Somos, the sellers and former noncontrolling shareholders of Somos are no longer liable for indemnifying Saber or Somos for contingencies, processes or claims of Somos and its subsidiaries.

	<b>Consolidated</b>
<b>Balance as at December 31, 2019</b>	<b>656.624</b>
Inflation adjustment	10.126
Reversal	(345.244)
Derecognition due to receipt	(321.506)
<b>Balance as at September 30, 2020</b>	<b>-</b>

**23.3. Guarantees of provision for tax, labor, and civil contingencies and escrow <sup>(i)</sup>**

	<b>Tax</b>	<b>Civil</b>	<b>Labor</b>	<b>Consolidated Total</b>
<b>Balance as at December 31, 2019</b>	<b>227,769</b>	<b>106,268</b>	<b>139,358</b>	<b>473,395</b>
Addition	1,732	1,629	11,273	14.634
Inflation adjustment	3,549	115	1,133	4.797
Reversals	(36,634)	(2,005)	(52,860)	(91.499)
<b>Total - former sponsor</b>	<b>(31,353)</b>	<b>(261)</b>	<b>(40,454)</b>	<b>(72.068)</b>
<b>Balance as at September 30, 2020</b>	<b>196,416</b>	<b>106,007</b>	<b>98,904</b>	<b>401,327</b>

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

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

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(ii) Current and deferred income tax and social contribution

**24. Income tax and social contribution in profit or loss**

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

	<b>Parent</b>				<b>Consolidated</b>			
	<b>07/01 to 09/30/2020</b>	<b>09/30/2020</b>	<b>07/01 to 09/30/2019</b>	<b>09/30/2019</b>	<b>07/01 to 09/30/2020</b>	<b>09/30/2020</b>	<b>07/01 to 09/30/2019</b>	<b>09/30/2019</b>
Profit (loss) before income tax and social contribution for the period	(1,298,148)	(1,804,229)	14,422	385,373	(1,074,279)	(1,709,910)	(62,934)	252,492
Combined income tax and social contribution rate - %	34%	34%	34%	34%	34%	34%	34%	34%
<b>IRPJ and CSLL at statutory tax rates</b>	<b>441,370</b>	<b>613,438</b>	<b>(4,903)</b>	<b>(131,027)</b>	<b>365,255</b>	<b>581,369</b>	<b>21,398</b>	<b>(85,847)</b>
Share of profit (loss) of investees	(436,433)	(559,258)	10,550	141,660	979	1,285	195	(7)
Tax incentive in subsidiaries subject to ProUni benefit	-	-	-	-	477	4,449	44,641	204,322
Net additions (deductions) without recognition of deferred taxes (i)	(10,644)	(14,939)	(13,822)	7,554	(443,159)	(452,481)	3,648	46,850
Deferred IRPJ and CSLL not recognized on subsidiaries' loss for the year	11,819	(20,905)	13,967	-	(304)	(41,841)	(5,651)	(24,218)
Write-off of income tax and social contribution on prior-years' tax loss (ii)	-	-	-	-	(102,568)	(102,568)	-	-
Write-off of income tax and social contribution on prior-years' temporary differences (ii)	-	-	-	-	(50,889)	(50,889)	-	-
Other changes in IRPJ and CSLL	-	-	172	-	5,671	(18,010)	19,426	17,118
<b>Total IRPJ and CSLL</b>	<b>6,112</b>	<b>18,335</b>	<b>5,964</b>	<b>18,187</b>	<b>(224,538)</b>	<b>(78,686)</b>	<b>83,657</b>	<b>158,218</b>
Current IRPJ and CSLL in profit or loss	-	-	(148)	(148)	(11,099)	(70,991)	(16,215)	(64,604)
Deferred IRPJ and CSLL in profit or loss	6,112	18,335	6,112	18,335	(213,439)	(7,695)	99,872	222,822
	<b>6,112</b>	<b>18,335</b>	<b>5,964</b>	<b>18,187</b>	<b>(224,538)</b>	<b>(78,686)</b>	<b>83,657</b>	<b>158,218</b>

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- (i) The amounts from July to September 2020 refer mainly to temporary differences generated due to goodwill impairment (R\$245,247) of Saber and Other (note 14.b) and other temporary differences generated in 2020 (R\$197,911), without recognition of deferred IRPJ and CSLL due to the lack of expected realization.
- (ii) Refers to deferred IRPJ and CSLL on tax loss carryforwards and other temporary differences, which were recognized in 2019 and written off in September 2020 due to the lack of expected realization within the next years, in line with the revaluation of the long-term plan (note 1.1) and adjustment to the school corporate reorganization plan.

**24.1. Deferred income tax and social contribution**

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

		<b>Parent</b>	
		<b>12/31/2019</b>	<b>Impact on profit or loss</b>
			<b>09/30/2020</b>
<b><u>In liabilities</u></b>			
Goodwill on business combinations	(645,426)	18,335	(627,091)
Noncurrent liabilities, net	<b>(645,426)</b>	<b>18,335</b>	<b>(627,091)</b>
		<b>Consolidated</b>	
		<b>12/31/2019</b>	<b>Other adjustments to equity</b>
			<b>Impact on profit or loss</b>
			<b>09/30/2020</b>
<b><u>Income tax/social contribution:</u></b>			
Tax loss carryforwards	432,774	30,873	55,643
<b><u>Temporary differences in taxable income</u></b>			
Allowance for expected losses	456,807	-	197,229
Present value adjustment	44,921	-	(12,223)
Provision for contingencies	44,442	-	(92,332)
Depreciation and borrowing costs	(22,055)	-	15
Nondeductible provisions	35,258	-	(21,916)
Profit sharing	14,233	-	5,090
Stock option plan	15,630	-	3,646
Lease – right of use	119,561	-	27,130
Capital gain	(35,032)	-	-
Goodwill on business combinations	(1,127,486)	-	(169,366)
Other adjustments	10,733	6,963	(611)
<b>Noncurrent liabilities, net</b>	<b>(10,214)</b>	<b>37,836</b>	<b>(7,695)</b>
Noncurrent assets	776,733		762,423
( - ) Noncurrent liabilities	(786,947)		(742,496)
<b>Total</b>	<b>(10,214)</b>		<b>19,927</b>

Deferred income tax and social contribution liabilities primarily arise on intangible assets from acquisitions while deferred income tax and social contribution assets arise from tax loss carryforwards and balances of additions to prior and current years' taxable income.

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Considering the same sensitivity assumptions of the long-term models used in the goodwill impairment test and the review of the Group's corporate restructuring plan, the Company observed in its analysis indication of impairment of the deferred tax asset amounts recorded and, therefore, according to tax regulations, the Company recognized as at September 30, 2020 a write-off of deferred income tax and social contribution assets in the amount of R\$153,457, impacting subsidiaries Saber and Saraiva, and did not recognize the amount of R\$62,170 as income tax and social contribution on temporary differences generated in 2020 by subsidiary Saber.

The table below shows the expected realization of deferred income tax and social contribution per year:

<b>Realization year</b>	<b>Consolidated</b>	
	<b>Total</b>	<b>%</b>
Up to one year	259,224	34.0%
	<b>259,224</b>	<b>34.0%</b>
One to two years	60,994	8.0%
Two to three years	91,491	12.0%
Three years and thereafter	350,714	46.0%
	<b>503,199</b>	<b>66.0%</b>
	<b>762,423</b>	<b>100%</b>

## **24.2. Tax incentives**

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

The amount of the tax benefits under the ProUni determined for the period ended September 30, 2020, including PIS and COFINS, is R\$104,590 (R\$332,715 as at September 30, 2019).

## **25. Equity**

### **25.1. Capital**

As at September 30, 2020, the Company's subscribed and paid-in capital totals R\$7,667,615, corresponding to 1,876,606,210 registered common shares. For the year ended December 31, 2019, the balance was R\$5,111,677 and 1,644,248,206 shares.

#### **Follow on**

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

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

**Distribution costs**

As disclosed in the Material Event Notice on February 11, 2020, primary share distribution costs, such as commissions, in addition to expenses on independent auditors, attorneys, consultants, fees, translations and advertising related to the Offering, will be borne by the Company. The sum of all costs totaled R\$74,618 and is allocated in line item "Capital reserves", as prescribed by CPC 08(R1).

**Stock position and capital amount**

Accordingly, the Company's capital for the period ended September 30, 2020 and year ended December 31, 2019 is broken down as follows:

	<b>09/30/2020</b>		<b>12/31/2019</b>	
	<b>Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>
Total ex-treasury shares	7,568,520	1,868,967,805	4,990,250	1,635,134,374
Total treasury shares	99,095	7,638,405	121,427	9,113,832
<b>Total shares</b>	<b>7,667,615</b>	<b>1,876,606,210</b>	<b>5,111,677</b>	<b>1,644,248,206</b>

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

	<b>09/30/2020</b>		<b>12/31/2019</b>	
	<b>Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>
Opening balance	121,427	9,113,832	190,280	14,642,717
Buyback of treasury shares	-	-	-	-
Shares sold	(22,332)	(1,475,427)	(68,853)	(5,528,885)
<b>Closing balance</b>	<b>99,095</b>	<b>7,638,405</b>	<b>121,427</b>	<b>9,113,832</b>

**25.2. Capital reserve and granted stock options**

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

**Equity instruments arising on business combinations**

On July 3, 2014, due to the merger of shares in the acquisition of subsidiary Anhanguera, 135,362,103 registered and book-entry common shares, without par value, were issued by the Company. On the same date, the Company made a capital increase based on the carrying amount of R\$2,327,299 corresponding to the equity of Anhanguera as at December 31, 2013. The difference between the total acquisition price and the amount attributed to the issued capital of R\$5,981,227 was recognized as capital reserve (equity instruments arising from the business combination).

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Equity gain on issuance of subsidiary's shares

On July 30, 2020, subsidiary Vasta Platform Ltda. ("Vasta"), pursuant to the US Securities Act of 1933 ("Offering"), has conducted an initial public offering at the price of US\$19.00 per Class A share, in the total amount of US\$352,934,438.00, upon the issuance of 18,275,492 new Class "A" shares. In addition, the Offering underwriters were granted a 30-day call option of up to 2,786,323 Class A shares at the Offering price, less the subscription discount. Should the Offering underwriters fully exercise by the call option to acquire all the over-allotment Class A shares, the gross proceeds of the Offering would be US\$405,874,485.00. Vasta's Class A shares began trading on NASDAQ on July 31, 2020 and were settled on August 4, 2020 and the total amount received in cash by Vasta in this transaction was R\$1,681,342, net of issuance costs. As a result of the subscription and payment of the new shares upon the offering, the Company recorded equity adjustment of R\$740,317 reflecting Vasta's stock appreciation, reducing Cogna's stake in Vasta from 100% to 77.62%.

Due to the variations, the balance of all capital reserve accounts in the period ended September 30, 2020 is R\$6,966,554 (R\$6,400,167 as at December 31, 2019).

## **26. Stock option plan**

### **26.1. Restricted stock option plan**

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

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

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

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

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

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The table below shows the variations in the period ended September 30, 2020:

PLANS	Number of restricted shares				09/30/2020	Average strike price
	12/31/2019	Restricted shares granted	Restricted shares settled	Restricted shares cancelled		
2015 Plan - Migrated	795,380	-	(344,100)	(144,991)	306,289	R\$9.00
2018 – New	9,803,371	637,335	(26,240)	(813,708)	9,600,758	R\$8.75
<b>TOTAL</b>	<b>10,598,751</b>	<b>637,335</b>	<b>(370,340)</b>	<b>(958,699)</b>	<b>9,907,047</b>	

The Company recognized the expenses incurred on the Restricted Stock Option Plan grants amounting to R\$20,216 for the period ended September 30, 2020 (R\$20,340 for the period ended September 30, 2019) as a contra entry to capital reserves in equity. The Company also recognized as personnel expenses charges amounting to R\$4,048 (R\$6,959 as at September 30, 2019) as a contra entry to the provisions for charges, in liabilities.

**26.2. Stock option plans**

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

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

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

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

PLANS	Number of stock options				09/30/2020	Average strike price
	12/31/2019	Options granted	Options exercised (i)	Options cancelled/ forfeited		
2010 Plan	85,655	-	-	-	85,655	R\$6.20
2013 Plan	233,891	-	-	-	233,891	R\$9.65
2009 Plan	1,524,666	-	(937,999)	-	586,667	R\$2.93
2013 Plan	6,930,000	-	(40,000)	-	6,890,000	R\$7.20
2015 Plan	18,645,425	-	(228,925)	-	18,416,500	R\$8.85
<b>TOTAL</b>	<b>27,419,637</b>	<b>-</b>	<b>(1,206,924)</b>	<b>-</b>	<b>26,212,713</b>	

- (i) In the period ended September 30, 2020, 1,206,924 options were exercised as a contra entry to the sale of treasury shares and, in the period ended September 30, 2019, 4,857,097 options were exercised.

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

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

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

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

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

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

As at September 30, 2020, R\$2,864 were recognized as stock option fair value expenses (R\$2,107 recognized as at September 30, 2019).



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**26.4. VASTA's restricted stock option plan**

On July 31, 2020, Cogna Educação S.A., then sole shareholder of Vasta Platform Limited, has approved the creation of the Restricted Stock Option Plan of its subsidiary Vasta so as to increase the commitment of eligible beneficiaries to adding value and generating profit for the subsidiary, and to encourage significant contributions for the performance and growth of Vasta Platform Limited in the long term.

Under this plan, rights were granted to employees and executives for the receipt of Class A shares of Vasta Platform limited to 3% of Vasta's total shares, corresponding to 2,490,348 shares.

Vasta will offer restricted share granting agreements to the beneficiary, which shares will be allocated to up to five different annual tranches, which acquisition will be subject to the beneficiary's employment at the Company or an applicable member of the Company's Group. Each tranche will be settled according to the vesting schedule defined by the Board of Directors in the agreements granted.

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

The table below shows the variations in the period ended September 30, 2020:

PLANS	Number of restricted shares				
	12/31/2019	Restricted shares granted	Restricted shares settled	Restricted shares cancelled	09/30/2020
Vasta Plan	-	1,244,440	(411,404)	-	833,037
<b>TOTAL</b>	-	<b>1,244,440</b>	<b>(411,404)</b>	-	<b>833,037</b>

The Company recognized the amount of R\$3,917 relating to Vasta's Restricted Stock Option Plan granting expenses. Also, it has recognized the amount of R\$40,171 relating to bonus granted under the scope of the issuance costs of Vasta shares upon the IPO, both as a contra entry to capital reserves in equity. Also, charges in the amount of R\$1,899 were recognized as personnel expenses, and personnel charges on bonus in the amount of R\$10,409 were recognized as part of the issuance costs, both as a contra entry to provision for charges in liabilities.

**27. Related parties**

**27.1. Related-party transactions**

The main transactions between the Company and its subsidiaries and related parties in the period ended September 30, 2020 are summarized below. For purposes of better understanding, this note must be read together with the information included in the Company's individual and consolidated annual financial statements for the year ended December 31, 2019:

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**Related parties - assets:**

- (i) Cogna is the creditor (debentureholder) of securities which obligation is currently held by Somos Sistemas deriving from a spin-off with Saber, conducted on December 31, 2019. The amounts, maturity date, payment dates, maturity methods and other terms and conditions correspond to the information disclosed in the private issuance indenture of Saber. The adjusted amount as at September 30, 2020 is R\$717,281, regarding which Somos Sistemas is liable for R\$686,000 and Saber is liable for R\$31,281.
- (ii) In April 2019, Cogna transferred the proceeds from its first issuance of debentures carried out on April 15, 2019, to subsidiary EDE. As a contra entry to this movement, EDE issued private debentures to Cogna, which amounts and other obligations corresponded to those set out in the public issuance carried out by the Parent. The adjusted amount as at September 30, 2020 is R\$810,916.
- (iii) There were amounts receivable deriving from the apportionment of corporate expenses between subsidiaries, through debit note, in the amount of R\$28,950. Also, there were receivables deriving from indemnity agreements between the subsidiaries in the amount of R\$150,646.
- (iv) The Company, for purposes of better capital allocation among the Group's subsidiaries, has made transfers of amounts in cash to its subsidiaries, with a contra entry to capital increases or loan agreements, depending on an analysis of each entity. Therefore, loan agreements subject to market rates were entered into, resulting in an amount receivable of R\$3,894,626 as at September 30, 2020. Tax on financial transactions (IOF) will not levy on these transactions, as a result of Decree 10,504/2020, enacted by the government, which defines a zero rate for this tax up to yearend. The balances receivable by subsidiary are as follows:

Subsidiary				Parent
	Principal	Interest	Settlement	09/30/2020
União	204,000	2,864	-	206,864
Pses	890,000	12,495	-	902,495
Unime Salvador	60,000	842	-	60,842
Unic Educacional	290,000	4,071	-	294,071
EDE	1,000,000	14,039	-	1,014,039
Aesapar	1,500,000	21,059	(125,350)	1,395,709
Somos Sistemas	20,000	604	-	20,604
	<b>3,964,000</b>	<b>55,974</b>	<b>(125,350)</b>	<b>3,894,625</b>

**Related parties - liabilities:**

- (i) There were payables from indemnity agreements with Somos Sistemas in the amount of R\$152,993, in addition to R\$100,020 relating to advance for future capital increase transferred to its subsidiaries, and other payables in the amount of R\$2.

**Other:**

- (i) In 2020 an Onerous Donation Agreement was entered into by Cogna Educação S/A. with Fundação Pitágoras to ensure that the Foundation meets its corporate and institution purposes. The Chairman and members of the Company's Board of Directors participate in the Foundation's advisor council. The total amount paid was R\$1,390, paid on three different dates during 2020.

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- (ii) On January 4, 2020, an onerous technical, scientific and cultural cooperation agreement was entered into among Anhanguera Educacional Participações S/A and Fundação Manoel de Barros effective for two years, to ensure that the Foundation meets its corporate and institution purposes. The members of the Advisory Council, Board of Directors and Supervisory Board of Fundação Manoel de Barros are the Company's executive officers. There was a disbursement of R\$225 relating to this agreement in 2020.

**27.2. Compensation of key management personnel**

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

	09/30/2020	09/30/2019
Payroll	9,168	9,794
Benefits	307	312
Charges	1,834	2,015
Variable compensation (i)	-	6,808
Restricted stock option plan and restricted stock	8,467	11,729
	<b>19,776</b>	<b>30,658</b>

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

**28. Net revenue from sales and services**

	09/30/2020				
	Kroton	Platos	Saber	Vasta	Other
Gross revenue	3,810,451	72,171	661,703	765,493	328,487
Deductions from gross revenue					
Taxes	(95,666)	(3,956)	(39,786)	(4,918)	(1,431)
ProUni	(677,732)	-	-	-	-
Discounts and returns	(340,334)	(1,025)	(95,929)	(106,509)	(14,891)
<b>Net revenue</b>	<b>2,696,719</b>	<b>67,190</b>	<b>525,988</b>	<b>654,066</b>	<b>312,165</b>

  

	09/30/2019				
	Kroton	Platos	Saber	Vasta	Other
Gross revenue	4,765,111	67,131	689,781	724,421	187,784
Deductions from gross revenue					
Taxes	(110,144)	(4,202)	(46,441)	(6,438)	(952)
ProUni	(750,152)	-	-	-	-
Discounts and returns	(212,140)	(3,048)	(80,603)	(110,944)	(11,948)
<b>Net revenue</b>	<b>3,692,675</b>	<b>59,882</b>	<b>562,738</b>	<b>607,039</b>	<b>174,884</b>

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**29. Costs and expenses by nature**

	Parent				Consolidated			
	07/01 to 09/30/2020	09/30/2020	07/01 to 09/30/2019	09/30/2019	07/01 to 09/30/2020	09/30/2020	07/01 to 09/30/2019	09/30/2019
Payroll and related taxes	-	(4,036)	(88)	1,378	(494,059)	(1,467,866)	(576,791)	(1,684,473)
Allowance for expected losses	-	-	-	-	(220,075)	(934,557)	(170,301)	(568,654)
Impairment loss on assets <sup>(i)</sup>	-	-	-	-	(831,188)	(831,188)	-	-
Depreciation and amortization	(359)	(359)	-	-	(135,135)	(405,686)	(129,215)	(385,302)
Publicity and advertising	(16)	(136)	(2,283)	(2,501)	(129,581)	(362,765)	(121,376)	(345,078)
Write-off of escrow account <sup>(ii)</sup>	-	-	-	-	-	(345,244)	-	-
Cost of sales	-	-	-	-	(112,813)	(266,100)	(69,484)	(205,685)
Amortization of allocated goodwill	(17,736)	(53,927)	(15,700)	(53,927)	(82,231)	(247,195)	(101,061)	(282,916)
Utilities, cleaning, and security	(351)	(775)	71	(294)	(62,552)	(221,332)	(68,410)	(206,291)
Depreciation - IFRS 16	-	-	(806)	(2,360)	(67,819)	(203,772)	(73,229)	(225,124)
Consulting and advisory	(410)	(905)	(572)	(1,448)	(25,084)	(111,185)	(35,092)	(118,354)
Other income (expenses), net	1,579	5,187	3,061	11,257	(25,393)	(82,651)	(9,168)	(152,599)
Copyrights	-	-	-	-	(24,601)	(67,442)	(17,009)	(65,383)
Rental and common area maintenance fees <sup>(iii)</sup>	-	-	-	-	(11,369)	(38,712)	(16,223)	(46,531)
Publishing costs	-	-	-	-	5,931	(36,375)	(11,937)	(54,456)
Fees and contributions	(306)	(312)	(1)	(17)	(10,565)	(35,691)	(13,976)	(35,251)
Travel	-	(1)	-	-	(1,809)	(16,179)	(15,447)	(40,184)
Amortization of inventory appreciation	-	-	-	-	(106)	(7,943)	(13,470)	(18,267)
Outside services	-	(5)	-	-	(2,103)	(5,836)	(2,291)	(6,977)
Contingencies	65	275	345	17,899	45,154	225,452	37,758	98,059
	<b>(17,534)</b>	<b>(54,994)</b>	<b>(15,973)</b>	<b>(30,013)</b>	<b>(2,185,398)</b>	<b>(5,462,267)</b>	<b>(1,406,722)</b>	<b>(4,343,466)</b>
Cost of sales and services	-	-	-	-	(555,104)	(1,696,721)	(676,587)	(1,997,204)
Selling expenses	-	-	-	-	(383,881)	(1,435,115)	(341,670)	(1,050,534)
General and administrative expenses	(17,534)	(54,994)	(15,973)	(30,013)	(428,427)	(1,162,995)	(403,145)	(1,293,971)
Impairment loss on assets	-	-	-	-	(831,188)	(831,188)	-	-
Other operating income (expenses), net	-	-	-	-	13,202	(336,248)	14,681	(1,756)
	<b>(17,534)</b>	<b>(54,994)</b>	<b>(15,973)</b>	<b>(30,013)</b>	<b>(2,185,398)</b>	<b>(5,462,267)</b>	<b>(1,406,722)</b>	<b>(4,343,466)</b>

- (i) Related to changes in the growth estimates in the Company's long-term business projection model; these changes resulted in the recognition of impairment in units Saber (R\$373.764), and Other/SETS (R\$329,518), as shown in note 14(b).
- (ii) Comprised of the derecognition of guarantee against the escrow account in June 2020, as shown in note 23.2.
- (iii) Since the adoption of IFRS 16 Leases, only rentals and common area maintenance fees relating to variable lease payments or linked to short-term or low-value contracts are recognized as expenses in this group.

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**30. Finance income (costs)**

	<b>Parent</b>				<b>Consolidated</b>			
	<b>07/01 to 09/30/2020</b>	<b>09/30/2020</b>	<b>07/01 to 09/30/2019</b>	<b>09/30/2019</b>	<b>07/01 to 09/30/2020</b>	<b>09/30/2020</b>	<b>07/01 to 09/30/2019</b>	<b>09/30/2019</b>
<b>Finance income</b>								
Interest on monthly tuitions	-	-	-	-	31,037	93,037	72,732	167,425
Income from short-term investments and securities	6,091	34,729	519	788	20,862	61,115	19,863	69,771
Discounts obtained	-	-	-	-	536	1,203	84	973
Sublease interest	-	-	-	-	984	2,152	215	647
Interest receivable	-	-	-	-	5,366	14,925	913	16,062
Other finance income	68,019	119,725	14,294	23,315	11,003	29,403	3,458	21,458
	<b>74,110</b>	<b>154,454</b>	<b>14,813</b>	<b>24,103</b>	<b>69,788</b>	<b>201,835</b>	<b>97,265</b>	<b>276,336</b>
<b>Finance costs</b>								
Lease interest	-	-	-	-	(105,858)	(314,141)	(75,847)	(227,059)
Interest and costs of debentures	(69,654)	(253,687)	(14,025)	(23,727)	(71,365)	(260,394)	(140,007)	(430,274)
Adjustment to contingencies	-	-	-	-	(13,189)	(46,045)	(19,536)	(19,536)
Other finance costs	(1,438)	(5,095)	(1,415)	(1,620)	(16,715)	(47,786)	(25,881)	(48,704)
Adjustment to payables for acquisitions of subsidiaries	-	-	-	-	(3,025)	(15,466)	(820)	(11,264)
Banking and collection fees	(6)	(16)	(6)	(18)	(4,242)	(13,830)	(5,604)	(17,297)
Interest and fines on late payments	-	-	-	-	(75)	(7,716)	412	(3,567)
Interest and adjustment on liabilities	-	(15)	-	-	(3,221)	(4,007)	(2,523)	(19,874)
	<b>(71,098)</b>	<b>(258,813)</b>	<b>(15,446)</b>	<b>(25,365)</b>	<b>(217,690)</b>	<b>(709,385)</b>	<b>(269,806)</b>	<b>(777,575)</b>
<b>Finance income (costs)</b>	<b>3,012</b>	<b>(104,359)</b>	<b>(633)</b>	<b>(1,262)</b>	<b>(147,902)</b>	<b>(507,550)</b>	<b>(172,541)</b>	<b>(501,239)</b>

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**31. Earnings (loss) per share****31.1. Basic**

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

	09/30/2020	09/30/2019
Profit (loss) attributable to the Company's owners	(1,785,894)	403,560
Weighted average number of outstanding common shares	1,843,003	1,631,925
<b>Basic earnings (loss) per common share</b>	<b>(0.97)</b>	<b>0.25</b>

**31.2. Diluted**

For dilution purposes, the Company has a stock option plan offered to beneficiaries, which permits the issuance of shares when a stock option becomes vested. As at September 30, 2020, there are shares with dilution potential since their average strike price in the period is lower than the average price of the Company's shares in the market. The table below shows the calculation of the dilution:

	09/30/2020	09/30/2019
(Loss) profit attributable to owners of the Company	(1,785,894)	403,560
Weighted average number of outstanding common shares	1,843,003	1,631,925
Potential increase in common shares	26,213	28,245
<b>Diluted (loss) earnings per common share</b>	<b>(0.96)</b>	<b>0.24</b>

**32. Segment reporting**

As show in note 2.1, the Company uses five main operating segments to differentiate its products. The tables below show the results of these segments for the years ended September 30, 2020 and 2019, together with the related balance sheet positions:

	09/30/2020					
	Kroton	Platos	Saber	Vasta	Other	Elimination
Net revenue	2,696,719	67,190	525,988	654,066	345,104	(32,939)
Cost of sales and services	(853,909)	(8,216)	(285,736)	(325,420)	(231,985)	8,545
	<b>1,842,810</b>	<b>58,974</b>	<b>240,252</b>	<b>328,646</b>	<b>113,119</b>	<b>(24,394)</b>
Operating expenses:						
Selling expenses	(1,228,631)	(22,815)	(16,077)	(129,139)	(38,453)	-
General and administrative expenses	(909,407)	(11,673)	(185,073)	(235,266)	202,511	(24,087)
Impairment loss on assets	-	-	(373,764)	-	(457,424)	-
Other expenses, net	(12,491)	(148)	(377,322)	(358)	57,850	-
<b>Operating profit (loss) and before finance income (costs)</b>	<b>(307,719)</b>	<b>24,338</b>	<b>(711,984)</b>	<b>(36,117)</b>	<b>(122,397)</b>	<b>(48,481)</b>
Assets	22,148,823	194,883	4,332,590	7,112,122	2,292,429	-
Current and noncurrent liabilities	12,474,918	6,408	2,553,509	2,365,318	425,006	-

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							<b>09/30/2019</b>
	<b>Kroton</b>	<b>Platos</b>	<b>Saber</b>	<b>Vasta</b>	<b>Other</b>	<b>Elimination</b>	<b>Total</b>
Net revenue	3,692,675	59,882	562,738	607,039	179,835	(4,951)	5,097,218
Cost of sales and services	(1,182,291)	(7,998)	(339,553)	(343,296)	(128,768)	4,702	(1,997,204)
	<b>2,510,384</b>	<b>51,884</b>	<b>223,185</b>	<b>263,743</b>	<b>51,067</b>	<b>(249)</b>	<b>3,100,014</b>
<b>Operating expenses:</b>							
Selling expenses	(860,713)	(17,275)	(17,758)	(92,762)	(62,026)	-	(1,050,534)
General and administrative expenses	(1,058,040)	(14,017)	(182,572)	(134,893)	(82,487)	178,038	(1,293,971)
Other expenses, net	-	-	-	-	(1,778)	-	(1,778)
<b>Operating profit (loss) and before finance income (costs)</b>	<b>591,631</b>	<b>20,592</b>	<b>22,855</b>	<b>36,088</b>	<b>(95,224)</b>	<b>177,789</b>	<b>753,731</b>
Assets	20,109,852	265,770	5,308,033	6,268,327	2,166,464	-	34,118,446
Current and noncurrent liabilities	11,855,354	8,136	2,988,680	3,138,808	292,199	-	18,283,177

**33. Supplemental cash flow information**

The statements of cash flows are prepared using the indirect method and are presented in accordance with accounting pronouncement CPC 03 (R2)/IAS 7 Statement of Cash Flows. During the period ended September 30, 2020, the Group recognized addition and cancellations of agreements in right-of-use leases, in addition to variations in the guarantees linked to transactions with former sponsors, all with no cash effect. The impacts are as follows:

	<b>09/30/2020</b>	
<b>Adjustments to:</b>	<b>Parent</b>	<b>Consolidated</b>
Property, plant and equipment		
Addition of finance leases (IFRS 16 / CPC 06)	-	447,628
Write-off of finance leases (IFRS 16 / CPC 06)	-	(119,358)
	-	<b>328,270</b>
Capital		
Gain on issuance of shares, net of costs	740,317	-
Share offering commission, net of taxes	(135,589)	16,101
	<b>604,728</b>	<b>16,101</b>
Liabilities assumed in business combination		
Guarantees from former sponsor	603	72,068
	<b>603</b>	<b>72,068</b>
	<b>605,331</b>	<b>416,439</b>

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## **34. Events after the reporting period**

### **34.1. Partial early redemption of debentures**

On November 3, 2020, and through a Material Event Notice released to the market, the Company has communicated that it will exercise its option to carry out the partial early redemption of simple, non-convertible, unsecured simple debentures, with additional guarantee ("Debentures"), of the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> issuances of Cogna ("2<sup>nd</sup> Issuance", "3<sup>rd</sup> Issuance" and "4<sup>th</sup> Issuance", respectively, and, collectively, "Issuances"), of the respective outstanding series, in the total amount of R\$867,660, proportionally divided into the respective Issuance amounts, with the proceeds arising from the prepayment of the private debentures issued by Somos Sistemas de Ensino S.A in the total amount of R\$1,500,000, all subscribed and paid in by ("Somos Sistemas Debentures"). The proceeds used in the prepayment of Somos Sistemas Debentures derive from the initial public offering of shares issued by subsidiary Vasta Platform Limited, as set forth in section Use of Proceeds of the offering prospectus attached to Form F-1, filed with the US Securities and Exchange Commission within the scope of the Offering.

The effective redemption of the Debentures and settlement of the Early Redemption Offerings will take place on one single date for all Debentures indicated by their respective holders in compliance with the respective Early Redemption Offerings, on November 30, 2020.

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**Belo Horizonte, November 13, 2020, Cogna Educação S.A.** (B3: COGN3; OTCQX: COGNY) – “Cogna” or “Company” releases on the date hereof the earnings for the third quarter of 2020 (3Q20). The Company’s financial information is presented based on the consolidated figures, in Brazilian Reais, in accordance with the Brazilian Corporate Law and the accounting practices adopted in Brazil (BRGAAP), in compliance with the International Financial Reporting Standards (IFRS), except as provided otherwise.

## *MESSAGE FROM MANAGEMENT*

### **FOCUS ON WORK**

After the initial reaction to the impact caused by Covid-19, management continued to focus on the continuity of delivery of our business plans - and on the design of new strategies that can restore an adequate level of profitability to the Company. Management devoted much of its efforts to Kroton's on-campus restructuring project, still the group's largest business division in terms of revenue. The project is not yet completed, but it has advanced significantly during the quarter, and a significant part of the restructuring will be completed before the end of the year. As we announced in the results conference call for the past quarter, we will announce more details about the project on Cogna Day, to be held on December 14, 2020. However, we are convinced that the new Kroton will be able to resume its growth trajectory, with greater profitability and, above all, greater cash generation.

Analyzing Cogna's recurring performance in the nine months of 2020, we noticed that Kroton delivered a significant drop in revenue and EBITDA, especially concentrated in the on-campus undergraduate segment. The other 3 companies in the group (Vasta, Saber and Platos), however, achieved EBITDA growth, even considering the impacts of the pandemic. As of this quarter, we will no longer present the pro forma views of our results, since the pandemic situation is likely to continue for longer, as the National Textbook Program (PNLD) seasonality may fluctuate steadily due to the new sales cycle established by the FNDE. The exception will be only Vasta's results, due to the launch of editorial costs in the operating result since 4Q19 and the effects resulting from the company's preparation for its IPO, which occurred in July 2020.

### **2H20 INTAKE, HYBRIDIZATION OF HIGHER EDUCATION AND DIGITAL TRANSFORMATION**

The pandemic definitely left its mark on the intake of this second semester. Despite the extremely challenging scenario, we registered a drop of only 2% in the volume of freshmen in the annual comparison, but with diametrically opposite performances between the on-campus and distance learning (digital) segments. In our opinion, the acceleration in the growth of the volume of intake in our digital education, verified both in hybrid courses and in remote courses, is not only due to the (temporary) restrictions of coexistence imposed by social distance; we believe there is a greater acceptance of freshmen to the digital product, whose value proposition in terms of quality, convenience and cost becomes increasingly clear. We understand that this change will be transformational for higher education in Brazil and it is this vision that guides the process of digital transformation at Kroton. It is important to note, however, that the speed of growth of digital education is not equivalent across different areas of knowledge. In some of them, although with less relative participation, on-campus will continue to be a relevant modality, and for these cases we believe that on-campus courses will still be sustainable.

### **MAKING DIFFICULT DECISIONS FOR A MORE SUSTAINABLE FUTURE**

Amid the strong impact on Kroton's results, we understand that there is a tendency for improvement in several aspects of the operation. Even with the revenue drop of 27% in net revenue in 9M20, Kroton ex-FIES revenue grew 4% in the same period, contributing to the consolidated cash generation of R\$ 183 million in 3Q20, a substantial increase compared to last

year. The coverage of receivables from out-of-pocket students increased from 19% in 3Q19 to 41% in 3Q20. These two combined effects resulted in a significant drop in the average term, which dropped from 126 days in 3Q19 to 106 days in 3Q20. Looking ahead, we believe that the change in some policies will greatly contribute to an even higher quality of our future results. The average ticket for the enrollment of the out-of-pocket student, which had been prioritized over the volume of freshmen in recent enrollments, was 6% higher in the enrollment of this second semester, even in a more aggressive competition scenario. As in the previous semester, we did not offer end-of-cycle offers (which used to bring freshmen, but low contribution of income and cash generation), and we also suspended the offer of temporary installment payments (PMT) in the first monthly installments. Finally, we maintained the rigidity in the renegotiation of veterans in default and high-risk profile, even though this has resulted in an increase in dropout from on-campus business. The higher education business has a long cycle, and the result of our actions is not always visible in the short term. Our commitment, however, is long-term, which is why we are convinced that we are on the right path towards a more sustainable future.

## **VASTA: STRONG GROWTH OF ACV FOR 2021**

With the end of the 2020 commercial sales cycle, Vasta was able to prove its resilience by recognizing a subscription revenue of R\$ 691 million, just 3% lower than what had been estimated at the beginning of the year through the annual contract value (ACV), that is, before all the effects that the pandemic has brought to the educational sector. This was only possible thanks to the success demonstrated by its digital platform, Plurall, which has proved to be an essential and transformative foundation for schools to maintain their academic activities, bringing engagement and satisfaction to all stakeholders involved: students, teachers, coordinators academics, school owners and family members. As a result, Vasta observed one of the highest contract renewal rates ever recorded in its history. As noted in the commercial campaign throughout the year, the solution also represented a competitive advantage capable of attracting new schools even in a challenging business environment. Finally, we highlight the contribution of complementary solutions, which generate great cross-sell potential within the Vasta platform. Fully digital solutions, affordable and aligned with the existing demand for this type of service in the Brazilian market. To date, Vasta has closed a total of R\$ 835 million in contracts for the academic year 2021 (ACV 2021), which represents an increase of 21% compared to the subscription revenue registered in the 2020 sales cycle and 17% over the ACV 2020. It is important to mention that the process only ends in early January, which may further increase the value

## *OPERATIONAL PERFORMANCE*

### **KROTON**

#### **Student Base**

The undergraduate student base remained practically stable in 3Q20. The drop in the on-campus education base was offset by the expansion of the digital education base, evidencing the tendency towards higher education hybridization, which is even clearer when analyzing the semester's enrollment numbers.

#### **Intake and Re-enrollment**

In 3Q20, Kroton attracted 178,981 new students, a decrease of 2% in relation to the same quarter of the previous year. While the intake of on-campus education fell by 61%, aggravated by the significant reduction in the offerings of FIES and PEP (the latter represented less than 6% of the students captured), the intake of digital education grew by 32%, or 37 thousand new students in absolute terms. Due to the hybridization phenomenon, we believe that the analysis by level of on-campus

content offers a more accurate picture of our intake process, and therefore we will prioritize this analysis in the coming quarters. Together, the intake of on-campus and Digital Premium courses (our hybrid solution) dropped 38%, or 30% if excluding FIES and PEP from on-campus, while the intake of digital education ex-Digital Premium advanced 25%, a level still quite high.

Regarding on-campus intake, we observed an extremely challenging scenario since the beginning of the process, which resulted in a significant decrease in the size of the "funnel" of potential students. It is worth noting, however, that the sharp drop was also influenced by a small reduction in the number of offers (already in the context of a greater focus on premium courses) and discipline in the pricing of offers, something that we have been practicing for some semesters, despite the increasing aggressiveness observed in the market. As in the first semester, we do not practice end-of-cycle offers, and, in this semester, we suspended the offering of the integral version of our installment program (PMT). Thus, the average freshman's out-of-pocket ticket increased by 6% in the annual comparison, which we consider a very healthy result. Finally, as announced in 2Q20, PEP represented only 6% of on-campus intake.

The dropout rate rose 5.8 percentage points, reflecting the deterioration in the students' ability to pay, given the maintenance of the Company's more conservative stance in the renewal of students in default and high risk profile. Consequently, the on-campus student base dropped 29%. Despite the drop, we expect to benefit from a healthier student base in the coming semesters, not only in terms of retention, but also in terms of payment.

Confirming what was observed in the first semester, the digital student base returned to its growth trajectory. The strong expansion in the volume of new freshmen was influenced by the hybrid solution (Digital Premium) and the 100% online courses (with lower ticket, therefore more accessible to low-income students). The dropout rate contracted again, which we believe to be an excellent result, especially considering the country's macroeconomic situation.

## PLATOS

### Student Base

The student base grew 13% in 3Q20, due to the 28% growth in digital graduate courses, which reinforces the perception that the digitalization movement is taking place throughout higher education, both in undergraduate and graduate courses.

The 56% growth in digital graduate enrollment - which more than offset the loss in on-campus graduate intake - reflects the commercial and marketing team's focus on the commercialization of this product, more effective commercial campaigns, and the various digital marketing practices that leveraged our e-commerce.

## SABER

### Student Base

The student base decreased by 13%, due to the termination of two management contracts and the higher dropout rate, concentrated in early childhood education and in the early years of elementary school. In relation to 2Q20, however, the student base remained practically stable, stopping the dropout rate that resulted from the effects of the pandemic. The Red Balloon student base, on the other hand, decreased 19% and 6% in the annual and quarterly view, respectively, also because of the pandemic.

# VASTA

## Student Base – Subscription Models

During the school year, schools only adjust their requests according to the actual number of students until the second quarter and, therefore, there is no change in relation to operational performance in the second half of the year. This situation could have been different this year due to the impact of the pandemic on the sector as a whole, but the effort to offer an efficient and engaging digital platform, coupled with the Company's ability to support all the activities of the school year remotely, ended for strengthening the resilience of the business and further strengthening the relationship with partner schools.

## FINANCIAL PERFORMANCE

### Net Revenues

In 3Q20, consolidated net revenues reached R\$ 1,256.1 million, down 17.1% compared to the same quarter of 2019, mainly impacted by: (i) reduction in the student base (mainly FIES students) and the average ticket of the face-to-face teaching in the Kroton vertical; and (ii) drop in the student base and recognition of R\$ 8 million in punctuality discounts (recorded in 1H20 in financial expenses) in the Saber vertical, in addition to the compulsory discounts established by lawsuits in some areas of operation and the impacts related to social isolation imposed by the pandemic; These effects were partially offset by the growth of the digital education student base in the Kroton vertical, by the positive performance of the Platos vertical and by the recognition of sales to the PNLD in the Other vertical. In 9M20, net revenue totaled R\$ 4.3 billion, a reduction of 16.5% in the annual comparison.

### Costs

The costs of products and services reached R\$ 555.1 million in 3Q20, which is equivalent to 44.2% of net revenue for the period, practically stable when compared to 3Q19. The impact with the distribution of books for the PNLD ended up offsetting the increase in profitability in the vertical Saber, in addition to the adoption of greater digital content in the classroom teaching Kroton vertical, coupled with the postponement of some classroom activities. In 9M20, the cost of products and services reached R\$ 1,696.7 million, or 39.9% of net revenue for the period, a level 0.7 p.p. higher than 9M19.

### Gross Income

Gross income in 3Q20 reached R\$ 701.0 million, with a gross margin of 55.8%, a reduction of 16.5% compared to 3Q19, due to the impacts described above. In 9M20, gross profit was R\$ 2.6 billion with a margin of 60.1%, decreases of 17.4% and 0.7 p.p., respectively.

### Operating Expenses

#### Selling Expenses

Selling expenses include expenses related to the commercial team, advertising and marketing, copyrights and Provision for Doubtful Account (PDA). In 3Q20, these expenses reached 30.6% of net revenue, an increase of 8.0 p.p. compared to 3Q19, mainly due to: (i) significant worsening in arrears in the Kroton vertical, added to the Company's more reactive stance in closing student contracts with a history of default and low probability of collection; (ii) an increase in defaults observed at the

time of the pandemic in Saber vertical; (iii) increase in marketing expenses for Platos and Vasta verticals. These effects were partially offset by the savings in marketing expenses in the Kroton vertical. In the accumulated result for the year, selling expenses registered 33.7% of net revenue, an increase of 13.1 p.p. in the annual comparison.

### General and Administrative Expenses

General and administrative expenses include expenses with administrative personnel, consultancies, travel and third-party services, among others. In 3Q20, these expenses totaled 34.1% of net revenue, an increase of 7.5 p.p., as a result of the drop in operating leverage due to the lower revenue observed in the period, which ended up offsetting emergency actions to deal with the pandemic. In 9M20, general and administrative expenses represented 27.3% of net revenue for the period, an increase of 1.9 p.p. when compared to 9M19.

### Other Operating Income (Expenses)

Other operating expenses totaled R\$ 13.2 million in 3Q20, compared to other operating expenses of R\$ 14.7 million in 3Q19. In the accumulated result for the year, other operating expenses were R\$ 336.2 million, compared to other operating expenses of R\$ 1.8 million in the previous year, which reflects the impacts of the settlement of the escrow account in June.

### Financial Result

In 3Q20, the financial result was negative by R\$ 147.9 million, an improvement of 14.3% compared to 2Q19, reflecting the reduction in interest expenses (resulting from the reduction in the basic interest rate), revenue from interest on the follow-on funds raised in February and the reduction in expenses with updating contingencies. In 9M20, the financial result was negative by R\$ 507.6 million, a decrease of 1.3% in the annual comparison.

### Net Income (Loss)

In 3Q20, net loss totaled R\$ 1,292.0 million, while in 3Q19 the Company recorded a net profit of R\$ 20.4 million, reflecting the reduction in operating result and recognition of impairment losses recorded at Saber and SETS/LFG (Other Businesses vertical). Thus, in 9M20, Cogna posted a net loss of R\$ 1,785.9 million, compared to a net profit of R\$ 403.6 million in 9M19.

### Capex and Expansion Investments

Cogna invested R\$ 68.2 million in 3Q20, distributed as follows:

- Information technology and library equipment: R\$ 2.0 million (2%);
- Content and systems development and software licenses: R\$ 59.6 million (64%);
- Laboratory and related equipment: R\$ 0.8 million (1%);
- Expansions: R\$ 5.8 million (6%);
- Investments in expansion: R\$ 24.8 million (27%).

Total investments reached 7.4% of the net revenues for the period, a reduction of 3.8 p.p. year-over-year, mainly due to the recognition of editorial investment in costs (as of 4Q19) and the conclusion of the project of opening new units, in addition to an effort to rationalize investments due to the pandemic. Most of the capex was used to develop content, systems and software licenses, which accounted for 64% of the total investments. These investments reflect the expansion and maturation of the portfolio in Postsecondary Education over recent years, mainly in the areas of Engineering and Healthcare, and in the new Premium distance learning programs, in addition to the renewal of content in the K-12 Education segment and initiatives

relating to digital transformation, which are especially vital considering the current scenario and the importance of digital teaching platforms.

## Net Debt

At the end of the quarter, cash and financial investments amounted to R\$ 5.3 billion, a level 41% higher than the end of the immediately previous quarter, mainly due to Vasta's IPO and the receipt of approximately R\$ 84 million from a total of R\$ 320 million related to the sale of the escrow account (as per the material fact dated June 11, 2020). Therefore, net debt fell 38% compared to 2Q20, to R\$ 3.2 billion, representing 2.2x the net debt of the last 12 months. It is important to highlight the elongated profile of our indebtedness: short-term debt maturities represent only 29% of the total, with the next significant payment of principal in March 2021.

## Cash Generation

Operating cash generation before capex was positive by R\$ 276 million in 3Q20, 8% above the annual comparison, despite all the pressures verified in the Company's results. The consumption of working capital was substantially lower, with the variation of ex-FIES receivables once again tending towards neutrality, as compared to a consumption of R\$ 239 million in 3Q19. Due to the 45% reduction of combined capex and investments in expansion, the generation of operational cash after capex grew 114%, to R\$ 183 million, representing a conversion of 80% over recurring EBITDA.

Year-to-date, Cogna generated R\$ 182 million in cash, compared to a consumption of R\$ 101 million in the previous year. The Company's free cash flow was positive by R\$ 1.5 billion in the quarter, due to the inflow of funds related to Vasta's IPO.

# CAPITAL MARKET AND SUBSEQUENT EVENTS

## STOCK PERFORMANCE

Cogna's shares (COGN3) are part of several indices, especially Ibovespa, the Differentiated Corporate Governance Index (IGC), the Differentiated Tag Along Stock Index (ITAG), the Consumer Index (ICON) and MSCI Brazil.

In 3Q20, the Company's shares were traded on 100% of the trading sessions, amounting to a traded volume of R\$ 38.2 billion in 3,695,351 trades, resulting in an average daily traded volume of R\$ 587.9 million. Currently, Cogna's shares are monitored by 13 different local and international research brokers. On September 30, 2020, Cogna's market value was R\$ 9.7 billion.

In the third quarter of 2020, Cogna's shares fell 21.6%, while the Ibovespa fell 0.5%. In the same period, ITAG fell by 0.2%, while IGC and ICON rose 0.8% and 1.8%, respectively.

## RATINGS

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

## SHAREHOLDING

Cogna's capital stock consists of 1,876,606,210 common shares.

## DIVIDENDS

Due to the net loss verified in the period and the circumstances imposed by the Covid-19 pandemic, dividends will not be distributed in this quarter.

## ABOUT COGNA EDUCAÇÃO

Cogna Educação is one of the world's largest private educational organizations. Operating for over 70 years, the Company is present in all Brazilian states and in several educational segments, with a complete platform of services and content offered in different business models. At the end of 3Q20, Cogna had 818,000 on-campus and digital undergraduate students in the Kroton vertical, and 46,000 graduate students in the Platos vertical, served by 176 own Postsecondary Education units and 1,536 accredited Digital Education centers. Regarding K-12 Education, the Saber vertical had 31,000 students distributed in 52 own schools/managed through contracts, and 21,000 students distributed in 121 Red Balloon units, while the Vasta vertical ended the quarter with 1.5 million students served by approximately 4,200 associated schools using core and complementary content solutions.

## 1. DISCLOSURE OF EBITDA

According to CVM Instruction 527/12, the Company adhered to the disclosure of the non-accounting information as additional aggregate information in its quarterly information, presenting the EBITDA – Earnings Before Interest, Taxes on Income including Social Contribution on Profit (Loss) Net, Depreciation and Amortization, for period ended September 30, 2020 and 2019.

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

	Consolidated	
	09/30/2020	09/30/2019
<b>Net income</b>	<b>(1,778,596)</b>	<b>410,710</b>
Income and social contribution tax – note 24	78,686	(158,218)
Financial result – note 30	507,550	501,240
Depreciation – note 29	864,596	966,065
<b>Accounting EBITDA</b>	<b>(337,764)</b>	<b>1,719,797</b>
(+) Interest and penalties on tuition – note 30	93,037	167,425
<b>Management EBITDA</b>	<b>(244,727)</b>	<b>1,887,222</b>
(-) Nonrecurring items (i)	(1,338,819)	(161,124)
<b>Adjusted EBITDA</b>	<b>1,094,092</b>	<b>2,048,346</b>

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

	Consolidated	
	09/30/2020	09/30/2019
Termination	77,374	67,025
M&A and expansion	52,115	94,099
Impairment	831,188	
Other projects	378,142	-
<b>Total Nonrecurring items</b>	<b>1,338,819</b>	<b>161,124</b>

Highlights include the line of Terminations, especially the job restructuring reviews, the acquisition of Somos and the reduction of workload generated through initiatives to increase efficiency; M&A and Expansion, which includes expenses related to expansion projects and extraordinary expenses related to the implementation of new units, in addition of and expenses with consultancy and other contracts accomplished for projects for expansion and integration of assets; impairment of the goodwill related to the losses on assets, and; others projects, substantially related to the sale of the Escrow account to Somos sellers and other write-offs.



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

Pursuant to CVM Instruction 480, dated December 7, 2009, Kroton's Officers state that they have reviewed, discussed, and agreed with the intermediary financial information for the period ended September 30, 2020.

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

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