

Belo Horizonte, May 21, 2020 – Cognia Educação S.A. (B3: COGN3; OTCQX: COGNY), “Cogna” or the “Company,” announces today its results for the first quarter of 2020 (1Q20). The Company’s financial information is presented on a consolidated basis and in Brazilian real, in accordance with Brazilian Corporate Law and Generally Accepted Accounting Principles in Brazil (BRGAAP), and already conforms to International Financial Reporting Standards (IFRS), except where stated otherwise.

HIGHLIGHTS – MANAGEMENT ANALYSIS

Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Net Revenue	1,627,468	1,837,106	-11.4%	1,929,710	-15.7%
EBITDA ¹	504,807	750,789	-32.8%	534,964	-5.6%
EBITDA Margin	31.0%	40.9%	-9.9 p.p.	27.7%	3.3 p.p.
Adjusted Net Income ²	46,809	318,692	-85.3%	51,620	-9.3%
Adjusted Net Margin	2.9%	17.3%	-14.5 p.p.	2.7%	0.2 p.p.
Operating Cash Generation (OCG) after Capex ³	(146,670)	(274,973)	-46.7%	367,367	-139.9%
OCG after Capex ¹ / EBITDA (unadjusted)	-29.1%	-36.6%	7.6 p.p.	68.7%	-97.7 p.p.

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

- Net revenue fell 11% on the prior-year quarter, reflecting the pressures on revenue from postsecondary education
- EBITDA declined 33%, due to the lower dilution of costs and expenses, the higher provisioning for doubtful accounts (PDA) to adjust for the COVID-19 scenario and the increase in marketing expenses
- Adjusted net income decreased 85%, explained by the lower operating result and higher financial leverage
- Cash burn after capex and investments in expansion decreased significantly, despite the lower EBITDA, given the lower working capital consumption with stabilization of the average collection period (ART).

HIGHLIGHTS – PRO FORMA ANALYSIS

Certain events in 1Q20 affected comparability between quarters. To support a more accurate analysis, the following adjustments were made:

- Inclusion of R\$75 million in revenue not captured in 1Q20 due to the late re-enrollment curve
- Reclassification of capex for the publishing business in 2019 to cost of goods sold
- Exclusion of the increase in PDA of R\$25 million in anticipation of a potential deterioration in delinquency in the coming quarters due to COVID-19
- Exclusion of revenue of R\$85 million and receivables of R\$146 million from the PNLD that should have been recognized in 2019 but were registered now in 1Q20.

Values in R\$ ('000)	1Q20 Pro Forma	1Q19 Pro Forma	Chg.%	4Q19 Pro Forma	Chg.%
Net Revenue	1,617,738	1,837,106	-11.9%	1,787,453	-9.5%
EBITDA ¹	573,754	711,704	-19.4%	509,359	12.6%
EBITDA Margin	35.5%	38.7%	-3.3 p.p.	28.5%	7.0 p.p.
Adjusted Net Income ²	126,476	304,522	-58.5%	(1,221)	-10458.1%
Adjusted Net Margin	7.8%	16.6%	-8.8 p.p.	-0.1%	7.9 p.p.
Operating Cash Generation (OCG) after Capex ³	(292,717)	(274,973)	6.5%	383,375	-176.4%
OCG after Capex ¹ / EBITDA (unadjusted)	-51.0%	-38.6%	-12.4 p.p.	75.3%	-126.3 p.p.

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

On this comparison basis, revenue declined by 12% and EBITDA decreased by 19%, with only a slight increase in cash burn due to the higher volume of credit card payments. The adjustments are detailed in the companies’ financial statements.

MESSAGE FROM MANAGEMENT

RESILIENCE

After weathering the country's deepest macroeconomic recession ever, the COVID-19 pandemic poses one of the most challenging scenarios of recent history, not just for businesses, but also for humankind. Our action plan to respond to COVID-19, which is detailed in the next section, clearly defined our priorities: ensuring the health of our employees and students, as well as the continuity of our services. But that is just the first step. As we did in past crises, we face the need to reinvent ourselves, to act, to think outside the box, to see the crisis as an opportunity, despite the marks that the pandemic will certainly leave in our Company and in our society. That is the spirit with which we are confronting the current crisis. We believe that changes that before would take years to occur could come in a matter of months. All this renews our conviction that our digital transformation, on which we embarked some years ago, will serve as an indispensable foundation for enabling us to continue writing our story of success in uncertain times. In our opinion, the best companies are those that have the capacity to adapt to the different scenarios that emerge, and we believe that our digital transformation movement will make a difference in the new world to come post-COVID-19.

KROTON

The year 2020 was already going to be challenging for Kroton, given the expected impact on revenue from the last large class of FIES students to graduate. During the follow-on offering carried out in February, we informed the market that this effect would pressure the operating margins of the business and cause a reduction in student base, which would be only partially offset by the then potential continued growth in revenue from new enrollments and the maturation of new units (greenfield projects). In addition to the FIES effects, this quarter was also impacted by the COVID-19 pandemic in the following aspects: (i) in the reduction in volumes of new enrollments in on-campus education (partially offset by the recovery in the average ticket of new students); (ii) the delay in recognizing revenues related to the late renewal of FIES contracts (effect that could be reversed in 2Q20); and (iii) the probable increase in future delinquency rates (although the receipt of monthly tuitions paid on time has been only marginally affected to date, we adopted the conservative position of significantly increasing provisioning for losses already in this first quarter). Note that the cost and expense structure was not adjusted in 1Q20 to cover these effects, which left Kroton's result significantly below its recent historical level and potential. Some of the emergency measures taken under our action plan for COVID-19 are expected to result in savings in the second quarter, combined with the recognition of most of the deferred revenue of 1Q20. Despite the non-structural nature of the effects that are adversely affecting and will continue to affect our 2020 results, we believe that the challenges brought by the pandemic, particularly how to ensure the continuity of our services remotely, present an excellent opportunity to carry out a structural shift towards the digitalization of postsecondary education. For some time, we have believed and have defended publicly that postsecondary education must undergo a blending of teaching formats, and the changes imposed by the COVID-19 pandemic will likely accelerate this process significantly. In this sense, we believe that the digital transformation implemented by the Company in recent years puts us in a privileged situation to conduct this movement, given Kroton's evident leadership in distance learning, which surpassed 600,000 undergraduate students in 1Q20.

PLATOS

Platos' graduate education operation delivered solid results this quarter: posted revenue growth and margin expansion despite the adverse scenario that adversely affected new enrollments and postponed the start of some classes (especially in the on-campus format). The Company continues to rapidly develop its platform, which already has started to prospect external clients (especially postsecondary institutions).

SABER





The two K-12 education businesses proved this quarter their resilience to economic cycles. At Saber, which comprises own schools and those managed through contracts, we registered growth in revenue and especially in EBITDA, despite the small contraction in the student base (basically due to the cancellation of two management contracts). The expansion in operating margin in the quarter shows that the efforts to integrate and restructure the operations are delivering results. The need for physical distancing, however, significantly affected the revenue from extracurricular (after-school) activities, which poses an added challenge for the year. In parallel, we are preparing the Saber platform to resume as soon as possible the consolidation of the fragmented K-12 education market.

VASTA

Vasta (integrated platform for the K-12) was certainly the highlight of the quarter. The Company posted revenue growth of 24%, in line with the 25% increase in the annual contract value (ACV) already negotiated for the year. Meanwhile, EBITDA margin expanded by 1 percentage point on a comparable basis. Although the effects from the pandemic could cause a negative impact on the increase in the 2021 ACV, the start of the commercial efforts was anticipated and the initial signs are promising. In addition to the effectiveness of our new go-to-market strategy, offering our Plurall platform for free has proven excellent for attracting sales, since many potential clients now are only able to continue their normal learning activities thanks to our platform. The services offered by Vasta have never been so important for K-12 schools, which reinforces that maximizing the digital transformation at Vasta was the right strategy to follow.

A NEW RELEASE

Continuing the process begun in 2019, which consisted of dividing the then Kroton Educacional into four different companies under the holding company Cognia Educação, we report for the first time, starting this quarter, the operating results of each of the companies separately. We believe that this format will help the investment community to better understand the factors that drive each unit's results, as well as to understand the potential for creating value that exists at each business. To facilitate comparisons with historical data, we will make available the 2019 quarterly results from this perspective, by company, on our website, and also have made available the 1Q20 quarterly results in the previous format (divided into postsecondary education and primary and secondary education) in appendix 3.

Company	Segment	Activity
 kroton	Postsecondary Education	Undergraduate postsecondary education (own units and partner centers)
 PLATOS EDSERV PLATFORM	Postsecondary Education	Postsecondary education services platform
 SABER	K-12 Education	Own K-12 schools and schools managed through contracts
 VASTA EDUCAÇÃO	K-12 Education	Integrated platform of educational solutions for K-12 schools
Other Businesses	All Education Degrees	PNLD, SETS, LFG (unregulated and preparatory courses) and other services

The operating results are presented net of reversals of provisions for contingencies of the opening balance sheet, resulting from the business combination, in the same way that we treat non-recurring expenses. The provisions for contingencies of the opening balance sheet are legitimately recognized upon the integration of acquisitions to adjust for the materialization of possible losses in the future. Over time, the expiration or materialization of these contingencies could cause a reversal, a positive accounting effect, which could hinder the interpretation of results, depending on its significance. These reversals were classified within the Other Business division. The changes in provisions for contingencies (additions and reversals) that result from the normal course of business, however, remain in the numbers of each business segment. In the appendices section, we present a reconciliation between our managerial and the corporate income statements. The volume of reversals of contingencies from the opening balance sheet was higher in 1Q20, due to the expiration of contingencies related to the opening balance sheet of Somos, whose consolidation completed one year in 4Q19. Despite the increase, we estimate a reduction in total reversals when the complete year is considered.

As of 1Q20, we will also present operating cash generation (OCG) after capex and investments in expansion as the main operating cash flow metric adopted by the Company.

Last, but not least, we present a detailed breakdown of our accounts receivable, especially in the postsecondary undergraduate operations (Kroton). For the first time, now with initial information on the performance of graduates, we present a diagnosis of the accounts receivable of our installment product (Private Special Installment Plan – PEP), as well as the rationale for the adequacy of the current level of provisioning (50% of net revenue after adjust to present value).

COVID-19 UPDATE

In our crisis committee formed specifically to monitor and guide the Company's operations in the context of the COVID-19 pandemic, we separate our initiatives into seven pillars.



Our first concern was to safeguard the health of all students and employees, while helping to avoid the spread of the virus. On this front, we have suspended all activities at our campuses, centers and schools since March 16 and migrated all employees to working from home that same week.

We also sought to ensure the continuity of all our operations to minimize any impact on our students. Therefore, for on-campus postsecondary students, we migrated immediately all classes to a virtual environment, using synchronous and asynchronous models, which allows for serving all students irrespective of the quality of their internet connections. We also tried to ensure the same schedule with the same professors to keep classes as normal as possible. For our postsecondary students in the distance learning format, we ensured the continuity of operations by using tutors working from home to ensure normal services to students. Lastly, in K-12 education, we developed the Digital School, by integrating our Plurall and Plurall Maestro platforms with Google Hangouts Meet, which ensured live streamed classes and all the content usually available on Plurall, such as tasks and exercises, access to tutors and a library with content in various formats. We are constantly measuring the coverage of these solutions, as well as student engagement, and have observed very positive feedback.

On the financial front, we developed a stress (worst case) scenario to base our decision-making process and to define actions sufficient to ensure a financial leverage ratio of less than 3 times net debt /EBITDA and positive cash generation after capex in 2020. Our analyses of the impacts on each of our business verticals indicate that Kroton is the most affected company, given the pressures already observed in the new enrollments process for this first semester, and potentially also in the second semester, as well as the potential negative effects on our drop-out and delinquency indicators. Note that the Company has a solid cash condition after the follow-on operation carried out in February, reinforced with the debt raised on 5/20/2020. This cash should be maintained as we traverse the more critical moments of the economy, although we continue to evaluate opportunities for M&A and other alternatives, which can be made feasible as there is greater predictability about the effects of the pandemic.

In terms of our operations, to ensure the defined financial parameters, we implemented emergency measures to preserve the Company's solidity, which include levers in payroll, as permitted by Provisional Presidential Decree 936 (MP 936). This includes a 25% reduction in salaries and in shift hours for administrative and corporate employees, with neutralization of the impact for employees with monthly salaries of up to R\$3,000.00. Also as an emergency measure,

the annual compensation (salary and bonuses) of management employees was reduced following the criterion of higher reductions for higher hierarchical levels, which reached a reduction of 27% in the total annual compensation for the Executive Board. These actions seek to maximize jobs and to minimize the impacts on employees in lower hierarchical positions and with lower salaries. We also are renegotiating other costs and expenses, such as rents, outsourced services, utilities, technology, marketing, travel, etc., and reviewing our expansion capex and investment budget, prioritizing essential investments in this moment. Note that we have not reduced our investments in digital transformation, because they will be even more relevant in the new normal we will be living in the post-pandemic world. Lastly, we are presenting a proposal not to pay interim dividends this year, which will be reassessed in early 2021 to determine the Company's proposal for the Annual Shareholders Meeting of 2021.

Regarding the fifth and sixth pillars, we are analyzing the organizational changes we must implement for the post-pandemic world, as well as our strategic plan to seize any opportunities arising from the crisis. We believe that the blending of learning formats already ongoing in postsecondary education will accelerate sharply in this new scenario, and we will be well poised to capture value in that new scenario.

Lastly, we reaffirm our commitment to society by making available free classes and content, which if actually sold would have represented a combined value of R\$267 million. We offered various units for use as field hospitals and donated materials and inputs such as hand sanitizer, masks and gloves to support health professionals in the communities surrounding our units. For our students, we have made available R\$50 million in financing for those who showed engagement and motivation before the pandemic but lost their jobs or income due to the crisis, helping them to conclude their studies and achieve their life goals.

RESULTS BY BUSINESS UNIT

KROTON | OPERATING PERFORMANCE

Student Base

	1Q20	1Q19	Chg.%	4Q19	Chg.%
On-Campus					
Units	176	153	15.0%	176	0.0%
Students	317,800	379,188	-16.2%	321,371	-1.1%
Out-of-Pocket	211,092	220,427	-4.2%	192,308	9.8%
Prouni	32,167	37,729	-14.7%	34,160	-5.8%
FIES	27,288	66,103	-58.7%	46,174	-40.9%
PEP	47,253	54,929	-14.0%	48,729	-3.0%
Distance Learning					
Units	1,528	1,232	24.0%	1,410	8.4%
Students	603,578	536,890	12.4%	459,025	31.5%
Out-of-Pocket	572,178	504,163	13.5%	427,567	33.8%
Prouni	31,400	32,727	-4.1%	31,458	-0.2%
Total					
Students	921,378	916,078	0.6%	780,396	18.1%

In 1Q20, the total undergraduate student base remained stable, with the recovery in growth in the distance learning base (+12%) offset by the contraction in the on-campus base.

New enrollments and re-enrollments

On-campus Education – Changes in Base

	1Q20	1Q19	Chg.%
Initial Base	321,371	358,093	-10.3%
Graduates	(49,458)	(60,907)	-18.8%
Dropouts	(41,413)	(30,965)	33.7%
Dropout Rate	15.2%	10.4%	4.8
Re-Enrollment	230,500	266,221	-13.4%
Intake	87,300	112,967	-22.7%
Out-of-Pocket	71,692	95,324	-24.8%
Prouni	3,167	4,560	-30.5%
FIES	488	810	-39.8%
PEP	11,953	12,273	-2.6%
PEP 30	3,366	8,722	-61.4%
PEP 50	8,587	3,551	141.8%
Final Base	317,800	379,188	-16.2%

Re-enrollment base includes ~8,000 FIES students who are still completing their enrollments in this semester.

In on-campus education, new enrollments fell by 23%, due to the reduction in pace after the closure of units. This represents a significant drop in volume, but it is important to bear in mind that students enrolled for 2020/1 present high quality in terms of revenue, cash generation and drop-out rates compared to previous years.

Historically, in the closing weeks of the student recruiting cycle, we conduct the end-of-cycle campaigns. While at the start of the recruiting cycle we focus on the average ticket and on recruiting students with the highest ENEM scores, towards the end of the process the recruiting strategy focuses on volume, given that the decisions on which classes to be opened already have been made and the costs are already defined, which makes the revenue from new students at the end of the cycle incremental and therefore subject to more aggressive sales strategies. However, internal studies conducted of new students recruited with end-of-cycle campaigns indicate that this student profile presents low cash generation and high drop-out

rates. Therefore, the impossibility of conducting end-of-cycle campaigns in 2020 due to COVID-19 actually had an impact on volume (freshmen students), but a low impact on cash generation. Excluding the students recruited from end-of-cycle campaigns in 2019/1, new enrollments of out-of-pocket students (ex-Prouni) grew 5%, despite the impacts from COVID-19.

In 1H20, revenue from new enrollments in the on-campus segment decreased 12%. Discounting, in 2019/1, the revenue from students recruited in end-of-cycle promotions (whose cash generation is low), the on-campus revenue in 1Q20 remained stable.

Similar to 4Q19, the dropout rate in on-campus segment increased in relation to the previous year (+4.8 percentage points). In addition to macroeconomic pressures, we observed a much worse performance in terms of dropout rate and delinquency of new enrollments for 2019/2, especially students recruited at the end of the cycle. Excluding this number of dropouts, the dropout rate remained within the historical parameters. We also observed that on-time payments of re-enrollments are higher than in the previous years. These factors lead us to the hypothesis that a recruiting process more focused on initial months (as we did in this semester), *ceteris paribus*, could lead to healthier dropout rates, average tickets, PDA and cash generation in the future. The lower number of graduations (due to the lower new enrollments in recent years and the higher dropout rate) helped to attenuate the reduction in new enrollments and the increase in the dropout rate. Even so, the on-campus student base contracted by 16%.

Distance Learning Education – Changes in Base

	1Q20	1Q19	Chg.%
Initial Base	459,025	457,239	0.4%
Graduates	(61,997)	(65,868)	-5.9%
Dropouts	(48,028)	(57,107)	-15.9%
Dropout Rate	12.1%	14.6%	(2.5)
Re-Enrollment	349,000	334,264	4.4%
Intake	254,578	202,626	25.6%
Out-of-Pocket	251,488	199,798	25.9%
Prouni	3,090	2,828	9.3%
Final Base	603,578	536,890	12.4%

Despite the impacts from COVID-19, new enrollments of DL students increased by 26% for 1H20, which shows an important inflection in comparison with the past few semesters, in which new enrollments remained stable. We attribute this recovery in growth to the strong performance of new enrollments at our on-campus units (+149%) and to the strong growth in enrollments of first-year students in 100% online programs (+213%). This last factor was responsible for diluting revenue growth from new enrollments in the DL segment, which still advanced by 12% on the previous semester. Given the different pricing dynamics, the effect of more aggressive commercial actions is practically null at the end of cycle in the DL segment. Lastly, the dropout rate decreased 2.5 percentage points, despite the higher share of 100%-online students in the mix.

Analysis by Channel: Own Units (Campuses) and Third-Party Units (Centers)

We have been observing a growing trend in the blending of teaching formats and that an analysis of the Company's performance by the regulatory profile of academic programs, which divides them into "on-campus" and "DL" segments, no longer is sufficient. For such reason, to complement the analysis by regulatory profile, we present the performance of the recruiting process by channel divided into own units (campuses) and third-party units (centers).

	1Q20	1Q19	Chg.%
Own Units (Campi)	162,924	143,547	13.5%
Third Party (DL Centers)	178,954	172,046	4.0%
Total	341,878	315,593	8.3%

The commercial schedule of the DL center channel has a different timing, with a higher concentration of commercial actions at the end of the cycle, and therefore suffered more impacts from the restrictions imposed by COVID-19. The daily growth rates up to the date of the start of physical distancing were indicating significantly stronger growth.

Obviously, the impacts from COVID-19 affected comparisons of 2020/1 with 2019/1, but, despite the pandemic's impacts, the results from the 2020/1 recruiting process suggest the following trends:

- The Campus channel has high growth potential, especially given the higher share of distinct products (premium DL, hybrid DL programs, 100% online DL);
- Hybrid products (such as Premium DL) have been playing a growing role in the Company's portfolio, in some cases with attendance levels similar to those of on-campus programs.
- DL products (with higher or lower numbers of on-campus classes) tend to attract more students than on-campus products.

Considering these trends, we are satisfied with the 26% increase in the DL recruiting process and the mark of 600,000 DL students, which reinforces that the digital transformation initiatives adopted by the Company in recent years are already showing concrete results.

Average Ticket

Revenue & Average Ticket	1Q20			1Q19			Variações		
Product	On-Campus	Distance Learning	Total	On-Campus	Distance Learning	Total	On-Campus	Distance Learning	Total
Net Revenue	604,254	378,787	983,041	970,759	389,811	1,360,571	-37.8%	-2.8%	-27.7%
Out-of-Pocket	392,752	378,787	771,540	454,464	389,811	844,275	-13.6%	-2.8%	-8.6%
FIES	70,881	-	70,881	302,521	-	302,521	-76.6%	-	-76.6%
PEP	140,621	-	140,621	213,774	-	213,774	-34.2%	-	-34.2%
Average Ticket	846	265	458	1,014	287	587	-16.6%	-7.7%	-22.0%
Out-of-Pocket	692	265	386	769	287	433	-10.1%	-7.7%	-10.9%
FIES	1,522	-	1,522	1,465	-	1,465	3.9%	-	3.9%
PEP	1,402	-	1,402	1,326	-	1,326	5.7%	-	5.7%

The average ticket of on-campus postsecondary education was significantly affected by the lower revenue from FIES students, as well as by the deferral of revenue from out-of-pocket students and FIES students in 1Q20, as previously commented. Excluding said deferral effects, the variation in the average ticket in the on-campus undergraduate segment was -10.5% and of out-of-pocket students was -4.8%.

Meanwhile, in the DL segment, the 7.7% reduction reflects exclusively the change in the student mix caused by the increase in 100% online programs, which have a lower ticket.

KROTON | FINANCIAL PERFORMANCE

Kroton - Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Gross Revenue	1,241,596	1,624,414	-23.6%	1,438,645	-13.7%
Gross Revenue Deductions	(358,900)	(378,969)	-5.3%	(351,399)	2.1%
Tax	(33,812)	(37,154)	-9.0%	(30,320)	11.5%
ProUni	(226,640)	(253,537)	-10.6%	(232,854)	-2.7%
Returns	(10)	-	n.a.	-	n.a.
Total Discounts	(98,438)	(88,279)	11.5%	(88,225)	11.6%
FGEDUC	(3,470)	(14,313)	-75.8%	(13,869)	-75.0%
FIES - Administrative Fee	(1,233)	(5,279)	-76.6%	(4,916)	-74.9%
Other	(93,735)	(68,686)	36.5%	(69,441)	35.0%
Net Revenue	882,696	1,245,445	-29.1%	1,087,246	-18.8%
Total of Costs	(197,381)	(208,300)	-5.2%	(253,387)	-22.1%
Cost of Goods	(2,888)	(1,743)	65.7%	(1,206)	139.4%
Cost of Services	(194,493)	(206,557)	-5.8%	(252,180)	-22.9%
Faculty, Other Personnel and Third-Party Services	(171,073)	(193,165)	-11.4%	(227,896)	-24.9%
Rent	(4,481)	-	n.a.	(189)	2266.3%
Materials	(3,273)	(3,716)	-11.9%	(5,824)	-43.8%
Maintenance	(5,043)	(2,598)	94.1%	(3,673)	37.3%
Other	(10,624)	(7,079)	50.1%	(14,599)	-27.2%
Gross Income	685,315	1,037,144	-33.9%	833,859	-17.8%
Gross Margin	77.6%	83.3%	-5.6 p.p.	76.7%	0.9 p.p.
Total Operating Expenses	(157,682)	(167,161)	-5.7%	(125,310)	25.8%
Personnel Expenses	(72,828)	(82,060)	-11.3%	(74,527)	-2.3%
General and Administrative Expenses	(84,854)	(85,101)	-0.3%	(50,783)	67.1%
Provision for Doubtful Account - PDA	(205,391)	(202,173)	1.6%	(334,408)	-38.6%
(+) Interest and Penalties on Tuition	53,612	65,289	-17.9%	39,776	34.8%
(+) Equity	-	-	n.a.	-	n.a.
Selling and Marketing Expenses	(143,472)	(119,121)	20.4%	(74,277)	93.2%
Operating Result	232,383	613,978	-62.2%	339,640	-31.6%
Operating Margin	26.3%	49.3%	-23.0 p.p.	31.2%	-4.9 p.p.
Corporate Expenses	(54,130)	(67,350)	-19.6%	(67,444)	-19.7%
Recurring EBITDA	178,253	546,628	-67.4%	272,196	-34.5%
Recurring EBITDA Margin	20.2%	43.9%	-23.7 p.p.	25.0%	-4.8 p.p.
(+) Opening Balance: Reversals of Contingencies	-	-	n.a.	-	n.a.
(-) Non-Recurring Items	(25,236)	(42,244)	-40.3%	(90,566)	-72.1%
EBITDA	153,016	504,385	-69.7%	181,630	-15.8%
EBITDA Margin	17.3%	40.5%	-23.2 p.p.	16.7%	0.6 p.p.

Net revenue declined 29%, due to the 16% contraction in the on-campus student base and the 9 percentage point drop in the share of FIES students, whose program mix has a higher average ticket. In addition, two factors caused a deferment of revenue in the quarter: (i) the delay in the renewal of FIES students; and (ii) the delay in the reenrollment curve of students paying out of pocket. Combined, these two factors represented a revenue impact of R\$75 million that should be recognized in 2Q20.

Gross income fell 34%, reflecting the losses in efficiency and economies of scale from the decline in revenue, despite the 11% savings on costs with faculty. It is important to note that no adjustments to faculty headcount were made in 1S20 in response to the lower revenue resulting from the decline in new enrollments in the on-campus segment. EBITDA fell 70%, reflecting: (i) the lower gross income; (ii) the lower dilution of general and administrative expenses (despite the 0.3% decline in absolute terms); (iii) the 7.0 percentage point increase in PDA (in light of the potential effects of the pandemic, as detailed below); and (iv) the bringing forward of marketing expenses to the first quarter.

Pro Forma Analysis

<i>Kroton - Values in R\$ ('000)</i>	1Q20 Pro Forma	1Q19	Chg.%	4Q19	Chg.%
Gross Revenue	1,316,596	1,624,414	-18.9%	1,438,645	-8.5%
Gross Revenue Deductions	(358,900)	(378,969)	-5.3%	(351,399)	2.1%
Tax	(33,812)	(37,154)	-9.0%	(30,320)	11.5%
ProUni	(226,640)	(253,537)	-10.6%	(232,854)	-2.7%
Returns	(10)	-	n.a.	-	n.a.
Total Discounts	(98,438)	(88,279)	11.5%	(88,225)	11.6%
FGEDUC	(3,470)	(14,313)	-75.8%	(13,869)	-75.0%
FIES - Administrative Fee	(1,233)	(5,279)	-76.6%	(4,916)	-74.9%
Other	(93,735)	(68,686)	36.5%	(69,441)	35.0%
Net Revenue	957,696	1,245,445	-23.1%	1,087,246	-11.9%
Total of Costs	(197,381)	(208,300)	-5.2%	(253,387)	-22.1%
Cost of Goods	(2,888)	(1,743)	65.7%	(1,206)	139.4%
Cost of Services	(194,493)	(206,557)	-5.8%	(252,180)	-22.9%
Faculty, Other Personnel and Third-Party Services	(171,073)	(193,165)	-11.4%	(227,896)	-24.9%
Rent	(4,481)	-	n.a.	(189)	2266.3%
Materials	(3,273)	(3,716)	-11.9%	(5,824)	-43.8%
Maintenance	(5,043)	(2,598)	94.1%	(3,673)	37.3%
Other	(10,624)	(7,079)	50.1%	(14,599)	-27.2%
Gross Income	760,315	1,037,144	-26.7%	833,859	-8.8%
Gross Margin	79.4%	83.3%	-3.9 p.p.	76.7%	2.7 p.p.
Total Operating Expenses	(157,682)	(167,161)	-5.7%	(125,310)	25.8%
Personnel Expenses	(72,828)	(82,060)	-11.3%	(74,527)	-2.3%
General and Administrative Expenses	(84,854)	(85,101)	-0.3%	(50,783)	67.1%
Provision for Doubtful Account - PDA	(179,913)	(202,173)	-11.0%	(334,408)	-46.2%
(+) Interest and Penalties on Tuition	53,612	65,289	-17.9%	39,776	34.8%
(+) Equity	-	-	n.a.	-	n.a.
Selling and Marketing Expenses	(143,472)	(119,121)	20.4%	(74,277)	93.2%
Operating Result	332,860	613,978	-45.8%	339,640	-2.0%
Operating Margin	34.8%	49.3%	-14.5 p.p.	31.2%	3.5 p.p.
Corporate Expenses	(54,130)	(67,350)	-19.6%	(67,444)	-19.7%
Recurring EBITDA	278,730	546,628	-49.0%	272,196	2.4%
Recurring EBITDA Margin	29.1%	43.9%	-14.8 p.p.	25.0%	4.1 p.p.
(+) Opening Balance: Reversals of Contingencies	-	-	n.a.	-	n.a.
(-) Non-Recurring Items	(25,236)	(42,244)	-40.3%	(90,566)	-72.1%
EBITDA	253,494	504,385	-49.7%	181,630	39.6%
EBITDA Margin	26.5%	40.5%	-14.0 p.p.	16.7%	9.8 p.p.

The above chart shows Kroton's results including the deferred revenue of R\$75 million and excluding the complementary PDA accruals related to the impacts from COVID-19. On this basis, recurring BITDA margin was 26.5%. We believe that this measurement best reflects the result in the period, even though it does not contemplate the savings generated from implementation of the response plan for COVID-19 (which will begin to be reflected as of 2Q20 and more intensely in 3Q20) or any potential adjustments to the cost and expense structure for a scenario of a reduction in revenue in relation to the expectation at the start of the year.

PDA and Accounts Receivable

Starting this quarter, we are presenting a more detailed breakdown of our accounts receivable and provisioning for doubtful accounts (PDA), especially for the Kroton operation, given the growing complexity of our business and the need to provide more information to the market in an environment of increased uncertainties. More details on the composition of accounts receivable can be found in the special section on page 31.

Kroton - Values in R\$ ('000)

	1Q20	1Q19	Chg.%	4Q19	Chg.%
Provision for Doubtful Account - PDA	(205,391)	(202,173)	1.6%	(334,408)	-38.6%
PDA / Postsecondary Net Revenues ¹	-23.3%	-16.2%	-7.0 p.p.	-30.8%	7.5 p.p.
PDA Out-of-pocket	(94,363)	(63,388)	48.9%	(246,689)	-61.7%
PDA Out-of-pocket / Postsecondary Net Revenues Out-of-pocket ¹	-16.1%	-9.2%	-6.9 p.p.	-36.5%	20.4 p.p.
PDA FIES - Financed Part	(557)	(2,411)	-76.9%	(2,062)	-73.0%
PDA FIES / Postsecondary Net Revenues FIES ¹	-0.9%	-0.9%	0.0 p.p.	-0.9%	0.0 p.p.
PDA PEP - Installment Part	(56,972)	(65,974)	-13.6%	(70,884)	-19.6%
PDA PEP / Postsecondary Net Revenues PEP ¹	-50.0%	-50.0%	0.0 p.p.	-50.0%	0.0 p.p.
PDA PMT - Installment Part	(53,499)	(70,400)	-24.0%	(14,773)	262.1%
PDA PMT / Postsecondary Net Revenues PMT ¹	-50.0%	-50.0%	-0.0 p.p.	-50.0%	-0.0 p.p.

In 1Q20, we opted to reinforce PDA for students paying out of pocket given the potential deterioration in the delinquency rates of our students, as supported by the future perspective analysis component of our provisioning model, even though the historical classes component (and also the trend in receipt of monthly tuition payments) has not changed significantly since the closure of our units. Even so, PDA for students paying out of pocket increased from 9.8% of net revenue in 4Q19 (excluding the complement of R\$181 million) to 16.1% in 1Q20 (vs. 9.2% in 1Q19). As the following table shows, the coverage rate of accounts receivable for students paying out of pocket reached 31.6%, compared to 24.8% in 1Q19 and 28.5% in 4Q19, which is a level we believe is adequate for the profile of our current accounts receivable and should remain high during the period of heightened uncertainties created by the pandemic.

Coverage Ratio	1Q20	1Q19	Chg.%	4Q19	Chg.%
Kroton	45.4%	39.1%	6.3 p.p.	42.7%	2.7 p.p.
Private Installment Plan (PEP/PMT)	50.1%	49.6%	0.5 p.p.	48.1%	2.0 p.p.
Kroton ex-Private Installment Plan	36.0%	24.3%	11.7 p.p.	32.4%	3.6 p.p.
Out-of-Pocket	31.6%	24.8%	6.8 p.p.	28.5%	3.1 p.p.
FIES (Public Financing)	64.0%	23.1%	40.9 p.p.	53.3%	10.7 p.p.

* Excludes Credit Card balance

The PDA of financial products remains unchanged (50% of net revenue after APV), given that our estimates, based on the performance of receivables from students with financial assistance who graduated and dropped out, point to the need for a coverage rate of 49.3%, already considering a negative effect of 2.5p.p. reflecting the deterioration in recovery for the following 12 months due to COVID-19. Excluding this effect, the need for coverage would be 46.8%. More details on provisioning of financial products can be found in our special section on accounts receivables.

Net Accounts Receivable - Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Kroton	2,547,621	2,399,431	6.2%	2,605,731	-2.2%
Private Installment Plan (PEP/PMT)	1,562,039	1,162,435	34.4%	1,551,098	0.7%
Kroton ex-Private Installment Plan	985,582	1,236,996	-20.3%	1,054,633	-6.5%
Out-of-Pocket	911,557	821,174	11.0%	939,753	-3.0%
FIES (Public Financing)	74,025	415,822	-82.2%	114,880	-35.6%

* Excludes Credit Card balance

Average Accounts Receivable Term (days)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Kroton	209	168	41 days	197	12 days
Private Installment Plan (PEP/PMT)	744	495	249 days	691	53 days
Kroton ex-Private Installment Plan	98	103	-5 days	96	2 days
Out-of-Pocket	115	102	13 days	114	1 day
FIES (Public Financing)	35	107	-72 days	42	-7 days

* Excludes Credit Card balance

Kroton's average receivables term (ART) increased by 12 days sequentially, due to the maturation cycle of financial products, which registered an increase of 53 days on the same basis. Despite the 3% drop in the accounts receivable of students paying out of pocket compared to 4Q19, the ART of out-of-pocket students increased by 1 day, reflecting the decline in revenue (which impacts the denominator of the indicator) Lastly, the declines of 36% in FIES accounts receivable and of 7 days in its ART reflects the natural cycle of this product's receivables.

PLATOS | OPERATING PERFORMANCE

Student Base

	1Q20	1Q19	Chg. %	4Q19	Chg. %
On-Campus Graduate	8,483	9,537	-11.1%	8,066	5.2%
Distance Learning Graduate	36,293	35,326	2.7%	33,147	9.5%
Total Graduate	44,776	44,863	-0.2%	41,213	8.6%

The student base in 1Q20 remained stable, but with the two teaching formats showing distinct performances: the distance-learning graduate base expanded 3%, supported by strong growth in new enrollments (+15%), while the on-campus graduate base contracted 11%, due to the impacts from COVID-19 on new enrollments, which were concentrated in March.

New enrollments and re-enrollments

On-Campus Graduate - Change in Base

	1Q20	1Q19	Chg. %
Initial Base	8,066	7,210	11.9%
New Students	1,917	3,600	-46.8%
Graduates	(1,214)	(968)	25.4%
Dropouts	(286)	(305)	-6.2%
Final Base	8,483	9,537	-11.1%

The on-campus graduate base contracted 11%, reflecting the higher number of graduations (+25%) and the 47% drop in new enrollments. The latter figure was affected by the closing of on-campus units that occurred in the second half of March, a month that typically concentrates a high volume of new enrollments. Furthermore, certain programs starting in March were postponed, which also had an adverse effect.

Distance-Learning Graduate - Change in Base

	1Q20	1Q19	Chg. %
Initial Base	33,147	33,655	-1.5%
New Students	15,703	13,659	15.0%
Graduates	(11,646)	(11,128)	4.7%
Dropouts	(911)	(860)	5.9%
Final Base	36,293	35,326	2.7%

The growth of 15% in new enrollments of DL students reflects the efforts of the marketing and commercial team to encourage the conversion of Kroton graduates and the successful strategy to launch new programs. Given the teaching delivery format, DL new enrollments were less affected than on-campus new enrollments.

Average ticket⁽¹⁾

Revenues & Average Ticket	1Q20	1Q19	Chg. %
Net Revenues	36,712	34,189	7.4%
On-Campus Graduate	7,877	7,982	-1.3%
Distance Learning Graduate	28,836	26,208	10.0%
Average Ticket	275	240	14.7%
On-Campus Graduate	292	270	8.2%
Distance Learning Graduate	271	232	16.7%

(1) The average ticket considers the total net revenue of graduate products, plus the revenues recognized at Platos and Kroton, divided by the average student base in the period.

The average ticket increased 15% in relation to the same period of 2019, which is explained by the better product mix, the annual adjustment in monthly tuitions and the commercial policy with lower discounts.

PLATOS | FINANCIAL PERFORMANCE

Today, the only client of Platos is Kroton. For preparing its results, however, we adopted the criteria of revenue and cost sharing under which the results of the graduate operation are shared equally between the two companies. Accordingly, a majority part of revenue from graduate courses is allocated to Platos and the remaining to Kroton. In the income statements presented in this document, Platos' results are shown net of the transfer to Kroton, except in ticket and Accounts Receivable analysis.

Platos - Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Gross Revenue	23,331	20,078	16.2%	23,515	-0.8%
Gross Revenue Deductions	(1,663)	(1,394)	19.4%	(1,715)	-3.0%
Tax	(1,663)	(1,393)	19.4%	(1,715)	-3.0%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(0)	(0)	-81.3%	-	n.a.
Net Revenue	21,668	18,684	16.0%	21,800	-0.6%
Total of Costs	(1,833)	(1,485)	23.4%	(1,948)	-5.9%
Cost of Goods	5	(0)	n.a.	(9)	n.a.
Cost of Services	(1,838)	(1,485)	23.8%	(1,939)	-5.2%
Faculty, Other Personnel and Third-Party Services	(1,752)	(1,421)	23.3%	(1,854)	-5.5%
Rent	0	(12)	n.a.	(15)	n.a.
Materials	-	-	n.a.	-	n.a.
Maintenance	(161)	(51)	214.7%	(70)	130.2%
Other	75	(0)	n.a.	-	n.a.
Gross Income	19,835	17,199	15.3%	19,852	-0.1%
Gross Margin	91.5%	92.1%	-0.5 p.p.	91.1%	0.5 p.p.
Total Operating Expenses	(3,102)	(3,339)	-7.1%	(3,222)	-3.7%
Personnel Expenses	(2,611)	(3,098)	-15.7%	(2,825)	-7.6%
General and Administrative Expenses	(492)	(241)	103.7%	(397)	23.9%
Provision for Doubtful Account - PDA	(1,416)	(1,657)	-14.6%	(1,633)	-13.3%
(+) Interest and Penalties on Tuition	35	312	-88.9%	63	-45.5%
(+) Equity	-	-	n.a.	-	n.a.
Selling and Marketing Expenses	(3,251)	(4,325)	-24.8%	(2,358)	37.9%
Operating Result	12,101	8,190	47.7%	12,702	-4.7%
Operating Margin	55.8%	43.8%	12.0 p.p.	58.3%	-2.4 p.p.
Corporate Expenses	(799)	(915)	-12.7%	(867)	-7.8%
Recurring EBITDA	11,302	7,275	55.4%	11,836	-4.5%
Recurring EBITDA Margin	52.2%	38.9%	13.2 p.p.	54.3%	-2.1 p.p.
(+) Opening Balance: Reversals of Contingencies	-	-	n.a.	-	n.a.
(-) Non-Recurring Items	(35)	(334)	-89.5%	(452)	-92.3%
EBITDA	11,267	6,940	62.3%	11,384	-1.0%
EBITDA Margin	52.0%	37.1%	14.9 p.p.	52.2%	-0.2 p.p.

Net revenue grew 16%, reflecting the higher average ticket in the period, as shown above. Gross margin fell slightly, by 0.5 percentage point, but still remained at a very healthy level (91.5%), with the higher revenue partially neutralized by the higher faculty costs. EBITDA advanced 62%, supported by the capture of efficiencies in fixed costs and by the lower allocation of marketing expenses (an effect that should be reversed in the coming quarters).

PDA and Accounts Receivable

Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Gross Accounts Receivable	76,394	56,434	35.4%	71,795	6.4%
PDA Balance	(18,429)	(9,449)	95.0%	(16,990)	8.5%
Coverage Ratio	24.1%	16.7%	44.1%	23.7%	1.9%
Net Accounts Receivable	57,965	46,984	23.4%	54,805	5.8%
Average Accounts Receivable Term (days)	186	176	10 days	181	5 days

* Excludes Credit Card balance

PDA as a ratio of net revenue decreased, given the reduction in actual losses observed. Given our understanding that the accounts receivables coverage ratio of Platos is at an adequate level (given the students' receivables profile), we opted to not increase PDA in 1Q20 in anticipation of a potential deterioration in delinquency. The ART stood at 186 days, which is very long in relation to the turnover of receivables in the undergraduate education segment, given that graduate products are traditionally sold in a number of installments that exceeds the program's duration.

SABER | OPERATING PERFORMANCE

Student Base

Student Base	1Q20	1Q19	Chg. %	4Q19	Chg. %
Own Schools/K-12 Contracts	52	54	-3.7%	54	-3.7%
Red Balloon Own Schools/Franchises	122	125	-2.4%	125	-2.4%
Students enrolled in Own Schools/ K-12 Contracts	32,775	35,883	-8.7%	35,470	-7.6%
Students enrolled in Red Balloon Own Schools/Franchises	26,196	25,802	1.5%	25,576	2.4%

The student base contracted 9% in 1Q20, due to the termination of two management contracts. Excluding this effect, the base contracted by 4%. The student base of Red Balloon expanded by 2%.

Net Revenue and Average Ticket

Net Revenue - Values in R\$ ('000)	1Q20	1Q19	Chg. %
Own Schools/K-12 Contracts	181,792	162,600	11.8%
Complementary activities	4,091	3,772	8.4%
Red Balloon	24,656	29,653	-16.9%
Total	210,538	196,025	7.4%

Revenue from the administration of schools advanced 12%, despite the weaker contribution from extracurricular activities, which grew 8%. Factors supporting growth included the anticipation of orders for teaching materials at one of the network's schools, which generated a positive impact of around R\$7 million, which will be offset over the coming quarters. Even after adjusting for this effect, revenue from schools grew by 7%. The reduction in commercial discounts, however, was the preponderant factor in revenue growth, as shown below in the calculation of the net ticket. At Red Balloon, 1Q20 was adversely affected by the delay in the recognition of revenue from the sale of teaching materials. Because of the need for physical distancing, we expect the extracurricular and Red Balloon businesses to be more heavily affected as from 2T20.

Average ticket

Average Ticket	1Q20	1Q19	Chg. %	4Q19	Chg. %
Own Schools/K-12 Contracts	1,890	1,546	22.3%	1,747	8.2%
Red Balloon	314	383	-18.1%	321	-2.4%

The net ticket of the schools business increased by 22%, reflecting the lower rate of discounts and the better mix. Excluding the anticipation of revenue mentioned above, the average monthly tuition increased by 18%.

SABER | FINANCIAL PERFORMANCE

Saber - Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Gross Revenue	250,753	241,439	3.9%	218,168	14.9%
Gross Revenue Deductions	(40,215)	(45,414)	-11.4%	(43,648)	-7.9%
Tax	(15,508)	(14,863)	4.3%	(14,842)	4.5%
Returns	(617)	(1,375)	-55.1%	(982)	-37.1%
Total Discounts	(24,090)	(29,176)	-17.4%	(27,824)	-13.4%
Net Revenue	210,538	196,025	7.4%	174,520	20.6%
Total of Costs	(80,558)	(87,823)	-8.3%	(85,529)	-5.8%
Cost of Goods	(9,618)	(7,666)	25.5%	(6,467)	48.7%
Cost of Services	(70,939)	(80,157)	-11.5%	(79,062)	-10.3%
Faculty, Other Personnel and Third-Party Services	(61,652)	(66,830)	-7.7%	(68,817)	-10.4%
Rent	(766)	(2,452)	-68.8%	(1,535)	-50.1%
Materials	(1,102)	(2,515)	-56.2%	(814)	35.4%
Maintenance	(5,698)	(6,971)	-18.3%	(5,991)	-4.9%
Other	(1,722)	(1,389)	24.0%	(1,905)	-9.6%
Gross Income	129,981	108,202	20.1%	88,991	46.1%
Gross Margin	61.7%	55.2%	6.5 p.p.	51.0%	10.7 p.p.
Total Operating Expenses	(39,241)	(36,232)	8.3%	(43,343)	-9.5%
Personnel Expenses	(28,970)	(31,311)	-7.5%	(35,485)	-18.4%
General and Administrative Expenses	(10,270)	(4,921)	108.7%	(7,858)	30.7%
Provision for Doubtful Account - PDA	(1,791)	(1,590)	12.7%	(1,394)	28.4%
(+) Interest and Penalties on Tuition	221	207	6.5%	214	3.0%
(+) Equity	-	-	n.a.	-	n.a.
Selling and Marketing Expenses	(2,376)	(2,734)	-13.1%	(6,960)	-65.9%
Operating Result	86,794	67,854	27.9%	37,508	131.4%
Operating Margin	41.2%	34.6%	6.6 p.p.	21.5%	19.7 p.p.
Corporate Expenses	(6,887)	(8,626)	-20.2%	(7,560)	-8.9%
Recurring EBITDA	79,907	59,228	34.9%	29,948	166.8%
Recurring EBITDA Margin	38.0%	30.2%	7.7 p.p.	17.2%	20.8 p.p.
(+) Opening Balance: Reversals of Contingencies	-	-	n.a.	-	n.a.
(-) Non-Recurring Items	(3,990)	(6,428)	-37.9%	(19,555)	-79.6%
EBITDA	75,916	52,800	43.8%	10,393	630.4%
EBITDA Margin	36.1%	26.9%	9.1 p.p.	6.0%	30.1 p.p.

Gross income advanced by 20%, driven by efficiency gains, such as the 7.7% reduction in costs with faculty, which is the largest line in the operation's cost. Consequently, gross margin expanded by 6.5 percentage points, even with the 25% increase in cost of goods sold. Another important vector was the lower expenses with personnel (-7.5%) and corporate expenses (-20.2%), reflecting the efforts to turnaround the operation. Consequently, EBITDA advanced by 44%, with margin posting robust expansion of 9.1 percentage points, which was partially attenuated by the increases in general and administrative expenses and in PDA.

PDA and Accounts Receivable¹

Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Gross Accounts Receivable	65,609	49,114	33.6%	40,823	60.7%
PDA Balance	(16,004)	(9,523)	68.1%	(10,293)	55.5%
Coverage Ratio	24.4%	19.4%	25.8%	25.2%	-3.3%
Net Accounts Receivable	49,605	39,591	25.3%	30,530	62.5%
Average Accounts Receivable Term (days)	24	20	4 days	15	9 days

*Excludes Credit Card balance. ¹For comparison purposes, 1Q19 data for businesses arising from the acquisition of Somos are presented on the same basis adopted as of 3Q19, i.e., considering the write-off of liabilities due over 360 days with the respective write-off of the PDA balance.

The 25% increase in net accounts receivable is explained by the anticipation of orders for teaching material in one of the schools, also leading to the temporary increase in ART. With the advancement of integration between schools, greater efficiency in collection systems and the default level already structurally low in this business, we did not anticipate material impacts due to COVID-19 and, therefore, the level of coverage of accounts receivable remained stable.

VASTA | OPERATING PERFORMANCE

Vasta's commercial cycle begins in the fourth quarter, when the first deliveries of content to students at the partner schools are made for the next year, and ends in the third quarter of the following year. For this reason, the most important variations in this business are perceived in the third to the fourth quarter. Moreover, the business cycle is highly seasonal: because content delivery is concentrated in the fourth quarter and the first quarter (of the following year), these quarters feature higher recognition of revenue and costs.

Student Base – Subscription Models

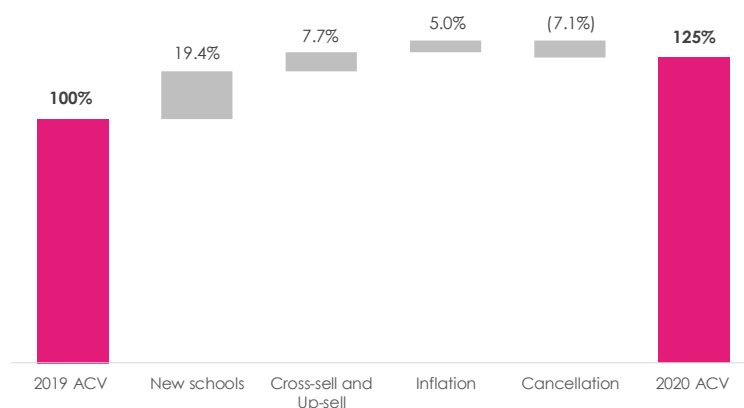
Student Base	1Q20	1Q19	Chg.%	4Q19	Chg.%
Private Schools w/ Contracts (Core Content)	4,110	3,389	21.3%	3,400	20.9%
Learning System	3,078	2,697	14.1%	2,703	13.9%
PAR	1,032	692	49.1%	697	48.1%
Private Schools w/ Contracts (Complementary activities)	655	411	59.4%	417	57.1%
Students in Private Schools w/ Contracts (Core Content)	1,394,061	1,279,376	9.0%	1,185,799	17.6%
Learning System	973,620	916,875	6.2%	863,479	12.8%
PAR	420,441	362,501	16.0%	322,320	30.4%
Students in Private Schools w/ Contracts (Complementary activities)	218,055	122,114	78.6%	133,583	63.2%

In comparison with 1Q19, Vasta added 721 schools to its core content client portfolio, an increase of 21%. This growth was supported by both the traditional learning systems and by PAR, the learning system based on textbooks. The number of students at the partner schools expanded by 9%, also showing growth in both lines. In the extracurricular content, 244 new schools were added to the client portfolio, an increase of 59%, representing growth of 79% in the number of students, which reaffirms the high potential of this business segment

Net Revenue

Vasta - Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Net Revenue	402,460	324,452	24.0%	302,238	33.2%
Net Revenue from subscription model	271,234	207,231	30.9%	205,348	32.1%
Net Revenue from core business	239,120	184,655	29.5%	197,123	21.3%
Net Revenue from complementary solutions	32,113	22,576	42.2%	8,225	290.4%
Net Revenue - Others	131,227	117,221	11.9%	96,890	35.4%

Net revenue from subscription products, which encompasses all of the educational solutions with recurring revenue (basically the learning systems), accounted for 67% of the total revenue of the business and grew by 31% in 1Q20, in line with the 25% growth in the annual contract value (ACV) for 2020. In the quarter, 35% of the ACV 2020 was recognized (30% already was recognized in 4Q19, the initial quarter of revenue recognition in the commercial cycle). The other revenue lines, namely sales of books and of other educational solutions, grew by 9.8%. The growth in the ACV 2020 was due to the following factors:



VASTA | FINANCIAL PERFORMANCE

Vasta - Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Gross Revenue	428,067	358,674	19.3%	330,449	29.5%
Gross Revenue Deductions	(25,607)	(34,223)	-25.2%	(28,212)	-9.2%
Tax	(2,917)	(2,023)	44.2%	(2,857)	2.1%
Returns	(22,692)	(14,954)	51.7%	(24,510)	-7.4%
Total Discounts	2	(17,245)	n.a.	(845)	n.a.
Net Revenue	402,460	324,452	24.0%	302,238	33.2%
Total of Costs	(162,793)	(108,279)	50.3%	(127,900)	27.3%
Cost of Goods	(141,690)	(90,896)	55.9%	(107,504)	31.8%
Cost of Services	(21,102)	(17,382)	21.4%	(20,395)	3.5%
Faculty, Other Personnel and Third-Party Services	(17,119)	(15,374)	11.4%	(13,509)	26.7%
Rent	(1,668)	-	n.a.	(1,588)	5.1%
Materials	-	(0)	n.a.	-	n.a.
Maintenance	(1,571)	(2,152)	-27.0%	(4,249)	-63.0%
Other	(743)	143	n.a.	(1,050)	-29.2%
Gross Income	239,668	216,173	10.9%	174,338	37.5%
Gross Margin	59.6%	66.6%	-7.1 p.p.	57.7%	1.9 p.p.
Total Operating Expenses	(32,738)	(13,539)	141.8%	(23,693)	38.2%
Personnel Expenses	(15,690)	(10,723)	46.3%	(16,817)	-6.7%
General and Administrative Expenses	(17,048)	(2,816)	505.4%	(6,876)	147.9%
Provision for Doubtful Account - PDA	(4,277)	(999)	328.2%	(4,356)	-1.8%
(+) Interest and Penalties on Tuition	-	321	n.a.	(34)	n.a.
(+) Equity	-	-	n.a.	-	n.a.
Selling and Marketing Expenses	(39,445)	(30,222)	30.5%	(47,613)	-17.2%
Operating Result	163,208	171,734	-5.0%	98,641	65.5%
Operating Margin	40.6%	52.9%	-12.4 p.p.	32.6%	7.9 p.p.
Corporate Expenses	(12,294)	(15,513)	-20.7%	(15,844)	-22.4%
Recurring EBITDA	150,913	156,221	-3.4%	82,797	82.3%
Recurring EBITDA Margin	37.5%	48.1%	-10.7 p.p.	27.4%	10.1 p.p.
(+) Opening Balance: Reversals of Contingencies	-	-	n.a.	-	n.a.
(-) Non-Recurring Items	(1,203)	(5,112)	-76.5%	(11,911)	-89.9%
EBITDA	149,710	151,109	-0.9%	70,886	111.2%
EBITDA Margin	37.2%	46.6%	-9.4 p.p.	23.5%	13.7 p.p.

Vasta's net revenue advanced by 24%, in line with the growth of 25% in the ACV 2020, as commented above. The comparisons of the other metrics, however, were adversely affected by the following effects: (i) the classification of publishing expenses under cost of goods sold, which in 2019 were classified as publishing capex; and (ii) the PIS/COFINS tax credits that reduced general and administrative expenses in 1Q19. Therefore, we recommend the comparisons in the proforma analysis below, which excludes these effects in 2019. On this basis, EBITDA advanced by 26%, given that the efficiency gains in operating expenses more than offset the higher marketing expenses (explained by the higher sales volume) and the increase in PDA (given the change in provisioning criteria).

Pro Forma Analysis

<i>Vasta - Values in R\$ ('000)</i>	1Q20	1Q19 Pro Forma	Chg.%	4Q19 Pro Forma	Chg.%
Gross Revenue	428,067	358,674	19.3%	330,449	29.5%
Gross Revenue Deductions	(25,607)	(34,223)	-25.2%	(28,212)	-9.2%
Tax	(2,917)	(2,023)	44.2%	(2,857)	2.1%
Returns	(22,692)	(14,954)	51.7%	(24,510)	-7.4%
Total Discounts	2	(17,245)	n.a.	(845)	n.a.
Net Revenue	402,460	324,452	24.0%	302,238	33.2%
Total of Costs	(162,793)	(140,560)	15.8%	(90,732)	79.4%
Cost of Goods	(141,690)	(123,178)	15.0%	(70,337)	101.4%
Cost of Services	(21,102)	(17,382)	21.4%	(20,395)	3.5%
Faculty, Other Personnel and Third-Party Services	(17,119)	(15,374)	11.4%	(13,509)	26.7%
Rent	(1,668)	-	n.a.	(1,588)	5.1%
Materials	-	(0)	n.a.	-	n.a.
Maintenance	(1,571)	(2,152)	-27.0%	(4,249)	-63.0%
Other	(743)	143	n.a.	(1,050)	-29.2%
Gross Income	239,668	183,892	30.3%	211,505	13.3%
Gross Margin	59.6%	56.7%	2.9 p.p.	70.0%	-10.4 p.p.
Total Operating Expenses	(32,738)	(13,539)	141.8%	(23,693)	38.2%
Personnel Expenses	(15,690)	(10,723)	46.3%	(16,817)	-6.7%
General and Administrative Expenses	(17,048)	(2,816)	505.4%	(6,876)	147.9%
Provision for Doubtful Account - PDA	(4,277)	(999)	328.2%	(4,356)	-1.8%
(+) Interest and Penalties on Tuition	-	321	n.a.	(34)	n.a.
(+) Equity	-	-	n.a.	-	n.a.
Selling and Marketing Expenses	(39,445)	(30,222)	30.5%	(47,613)	-17.2%
Operating Result	163,208	139,452	17.0%	135,809	20.2%
Operating Margin	40.6%	43.0%	-2.4 p.p.	44.9%	-4.4 p.p.
Corporate Expenses	(12,294)	(15,513)	-20.7%	(15,844)	-22.4%
Recurring EBITDA	150,913	123,939	21.8%	119,965	25.8%
Recurring EBITDA Margin	37.5%	38.2%	-0.7 p.p.	39.7%	-2.2 p.p.
(+) Opening Balance: Reversals of Contingencies	-	-	n.a.	-	n.a.
(-) Non-Recurring Items	(1,203)	(5,112)	-76.5%	(11,911)	-89.9%
EBITDA	149,710	118,828	26.0%	108,054	38.6%
EBITDA Margin	37.2%	36.6%	0.6 p.p.	35.8%	1.4 p.p.

PDA and Accounts Receivable¹

Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Gross Accounts Receivable	478,210	492,811	-3.0%	494,853	-3.4%
PDA Balance	(45,660)	(57,163)	-20.1%	(45,931)	-0.6%
Coverage Ratio	9.5%	11.6%	-17.7%	9.3%	2.9%
Net Accounts Receivable	432,549	435,648	-0.7%	448,922	-3.6%
Average Accounts Receivable Term (days)	159	168	-9 days	180	-21 days

* Excludes Credit Card balance. ¹For comparison purposes, 1Q19 data for businesses arising from the acquisition of Somos are presented on the same basis adopted as of 3Q19, i.e., considering the write-off of liabilities due over 360 days with the respective write-off of the PDA balance.

As a ratio of net revenue, PDA increased in 1Q20 due to the change in provisioning criteria to better adjust to the amount of historical losses. Even so, the ratio remained at a very low level (1.1%). With the strong growth in sales volume, net accounts receivables remained practically stable, leading the ART to decline by 9 days. The relatively high ART in the first quarter is a characteristic of the business.

OTHER BUSINESSES | OPERATING PERFORMANCE

Revenue

<i>Other Revenues - Values in R\$ ('000)</i>	1Q20	1Q19	Chg.%	4Q19	Chg.%
Net Revenue	131,068	55,649	135.5%	345,901	-62.1%
Net Revenue from PNLD	91,735	2,658	3351.8%	322,348	-71.5%
LFG, Unregulated and Preparatory Programs	795	2,255	-64.8%	922	-13.8%
Books Sold	29,286	33,208	-11.8%	14,732	98.8%
Net Revenue - Other Services	9,252	17,528	-47.2%	7,899	17.1%

A highlight in the Other Businesses segment was the complement of PNLD revenue of R\$81 million, which typically is recognized in the fourth quarter, but due to delays in the program flow, was recognized in 1Q20. It is worth mentioning that the 1Q20 net revenue of the PNLD is not comparable, neither with that of 1Q19, nor with that of 4Q19, due to the seasonality of the program.

OTHER BUSINESSES | FINANCIAL PERFORMANCE

<i>Other Revenues - Values in R\$ ('000)</i>	1Q20	1Q19	Chg.%	4Q19	Chg.%
Gross Revenue	134,447	58,208	131.0%	348,506	-61.4%
Gross Revenue Deductions	(3,379)	(2,559)	32.0%	(2,605)	29.7%
Tax	(152)	(425)	-64.2%	(206)	-26.2%
Returns	(3,196)	(2,081)	53.6%	(2,360)	35.4%
Total Discounts	(32)	(53)	-40.7%	(39)	-19.4%
Net Revenue	131,068	55,649	135.5%	345,901	-62.1%
Total of Costs	(86,448)	(25,686)	236.6%	(222,351)	-61.1%
Cost of Goods	(82,321)	(22,471)	266.3%	(215,601)	-61.8%
Cost of Services	(4,127)	(3,215)	28.4%	(6,750)	-38.9%
Faculty, Other Personnel and Third-Party Services	(3,658)	(2,528)	44.7%	(4,273)	-14.4%
Rent	(109)	0	n.a.	(2,015)	-94.6%
Materials	(1)	(552)	-99.9%	207	n.a.
Maintenance	(321)	(203)	58.1%	(609)	-47.3%
Other	(38)	68	n.a.	(60)	-36.1%
Gross Income	44,620	29,963	48.9%	123,550	-63.9%
Gross Margin	34.0%	53.8%	-19.8 p.p.	35.7%	-1.7 p.p.
Total Operating Expenses	(1,446)	(5,567)	-74.0%	3,123	n.a.
Personnel Expenses	(2,810)	(2,944)	-4.6%	(2,577)	9.0%
General and Administrative Expenses	1,364	(2,623)	n.a.	5,700	-76.1%
Provision for Doubtful Account - PDA	(1,065)	(4,061)	-73.8%	(448)	138.0%
(+) Interest and Penalties on Tuition	6	21	-71.5%	7	-18.8%
(+) Equity	(478)	577	n.a.	(136)	250.6%
Selling and Marketing Expenses	(15,604)	(13,450)	16.0%	(11,965)	30.4%
Operating Result	26,033	7,483	247.9%	114,131	-77.2%
Operating Margin	19.9%	13.4%	6.4 p.p.	33.0%	-13.1 p.p.
Corporate Expenses	(6,140)	(7,630)	-19.5%	(7,099)	-13.5%
Recurring EBITDA	19,893	(147)	-13621.0%	107,032	-81.4%
Recurring EBITDA Margin	15.2%	-0.3%	15.4 p.p.	30.9%	-15.8 p.p.
(+) Opening Balance: Reversals of Contingencies	96,149	37,394	157.1%	156,619	-38.6%
(-) Non-Recurring Items	(1,131)	(1,692)	-33.1%	(3,223)	-64.9%
EBITDA	114,910	35,555	223.2%	260,428	-55.9%
EBITDA Margin	87.7%	63.9%	23.8 p.p.	75.3%	12.4 p.p.

The results from other business were driven by the recognition of PNLD mentioned above, and was partially offset by the migration of publishing capex to costs of goods sold. Considering the allocation of PNLD revenues and expenses in the quarters in which they normally occur (3Q19 and 4Q19, as shown in prior quarters), and reclassifying publishing costs in 2019 to costs of goods sold, we arrived at the pro forma analysis below. Starting in the coming quarters, we no longer will consider adjustments arising from reclassifications of PNLD revenues.

Pro Forma Analysis

<i>Vasta - Values in R\$ ('000)</i>	1Q20 Pro Forma	1Q19 Pro Forma	% AH	4Q19 Pro Forma	% AH
Gross Revenue	49,717	58,208	-14.6%	206,250	-75.9%
Gross Revenue Deductions	(3,379)	(2,559)	32.0%	(2,605)	29.7%
Tax	(152)	(425)	-64.2%	(206)	-26.2%
Returns	(3,196)	(2,081)	53.6%	(2,360)	35.4%
Total Discounts	(32)	(53)	-40.7%	(39)	-19.4%
Net Revenue	46,338	55,649	-16.7%	203,645	-77.2%
Total of Costs	(37,642)	(32,489)	15.9%	(153,238)	-75.4%
Cost of Goods	(33,515)	(29,274)	14.5%	(148,564)	-77.4%
Cost of Services	(4,127)	(3,215)	28.4%	(4,674)	-11.7%
Faculty, Other Personnel and Third-Party Services	(3,658)	(2,528)	44.7%	(4,273)	-14.4%
Rent	(109)	0	n.a.	(2,015)	-94.6%
Materials	(1)	(552)	-99.9%	2,283	n.a.
Maintenance	(321)	(203)	58.1%	(609)	-47.3%
Other	(38)	68	n.a.	(60)	-36.1%
Gross Income	8,696	23,160	-62.5%	50,407	-82.7%
Gross Margin	18.8%	41.6%	-22.9 p.p.	24.8%	-6.0 p.p.
Total Operating Expenses	2,948	(5,567)	n.a.	13,492	-78.2%
Personnel Expenses	1,584	(2,944)	n.a.	7,792	-79.7%
General and Administrative Expenses	1,364	(2,623)	n.a.	5,700	-76.1%
Provision for Doubtful Account - PDA	(1,065)	(4,061)	-73.8%	(448)	138.0%
(+) Interest and Penalties on Tuition	6	21	-71.5%	7	-18.8%
(+) Equity	(478)	577	n.a.	(136)	250.6%
Selling and Marketing Expenses	(15,604)	(13,450)	16.0%	(11,965)	30.4%
Operating Result	(5,498)	680	n.a.	51,358	n.a.
Operating Margin	-11.9%	1.2%	-13.1 p.p.	25.2%	-37.1 p.p.
Corporate Expenses	(6,140)	(7,630)	-19.5%	(7,099)	-13.5%
Recurring EBITDA	(11,638)	(6,950)	67.4%	44,259	-126.3%
Recurring EBITDA Margin	-25.1%	-12.5%	-12.6 p.p.	21.7%	-46.8 p.p.
(+) Opening Balance: Reversals of Contingencies	96,149	37,394	157.1%	156,619	-38.6%
(-) Non-Recurring Items	(1,131)	(1,692)	-33.1%	(3,223)	-64.9%
EBITDA	83,380	28,752	190.0%	197,655	-57.8%
EBITDA Margin	179.9%	51.7%	128.3 p.p.	97.1%	82.9 p.p.

Accounts Receivable and PDA¹

Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Gross Accounts Receivable	182,368	76,470	138.5%	210,189	-13.2%
PDA Balance	(28,411)	(10,703)	165.5%	(29,729)	-4.4%
Coverage Ratio	15.6%	14.0%	11.3%	14.1%	10.1%
Net Accounts Receivable	153,957	65,768	134.1%	180,460	-14.7%
Average Accounts Receivable Term (days)	95	45	50 days	122	-27 days

* Excludes Credit Card balance. ¹For comparison purposes, 1Q19 data for businesses arising from the acquisition of Somos are presented on the same basis adopted as of 3Q19, i.e., considering the write-off of liabilities due over 360 days with the respective write-off of the PDA balance.

CONSOLIDATED COGNA RESULTS

1Q20 RESULTS | BY COMPANY

	Kroton	Platos	Saber	Vasta	Others	Cogna's B.U. Elimination	Cogna Consolidated
Values in R\$ ('000)	1Q20	1Q20	1Q20	1Q20	1Q20	1Q20	1Q20
Gross Revenue	1,241,596	23,331	250,753	428,067	134,447	(20,963)	2,057,233
Gross Revenue Deductions	(358,900)	(1,663)	(40,215)	(25,607)	(3,379)	-	(429,765)
Tax	(33,812)	(1,663)	(15,508)	(2,917)	(152)	-	(54,052)
ProUni	(226,640)	-	-	-	-	-	(226,640)
Returns	(10)	-	(617)	(22,692)	(3,196)	-	(26,515)
Total Discounts	(98,438)	(0)	(24,090)	2	(32)	-	(122,558)
Net Revenue	882,696	21,668	210,538	402,460	131,068	(20,963)	1,627,468
Costs (COGS)	(197,381)	(1,833)	(80,558)	(162,793)	(86,448)	20,950	(508,062)
Cost of Goods	(2,888)	5	(9,618)	(141,690)	(82,321)	20,950	(215,563)
Cost of Services	(194,493)	(1,838)	(70,939)	(21,102)	(4,127)	-	(292,499)
Faculty, Other Personnel and Third-Party Services	(171,073)	(1,752)	(61,652)	(17,119)	(3,658)	-	(255,254)
Rent	(4,481)	0	(766)	(1,668)	(109)	-	(7,024)
Materials	(3,273)	-	(1,102)	-	(1)	-	(4,375)
Maintenance	(5,043)	(161)	(5,698)	(1,571)	(321)	-	(12,794)
Other	(10,624)	75	(1,722)	(743)	(38)	-	(13,052)
Gross Income	685,315	19,835	129,981	239,668	44,620	(12)	1,119,406
Operating Expenses	(157,682)	(3,102)	(39,241)	(32,738)	(1,446)	-1.1%	(234,209)
Personnel, General and Administrative Expenses	(157,682)	(3,102)	(39,241)	(32,738)	(1,446)	-	(234,209)
Personnel Expenses	(72,828)	(2,611)	(28,970)	(15,690)	(2,810)	-	(122,909)
General and Administrative Expenses	(84,854)	(492)	(10,270)	(17,048)	1,364	-	(111,300)
Provision for Doubtful Accounts - PDA	(205,391)	(1,416)	(1,791)	(4,277)	(1,065)	(1)	(213,940)
(+) Interest and Penalties on Tuition	53,612	35	221	-	6	-	53,874
(+) Equity	-	-	-	-	(478)	-	(478)
Sales and Marketing Expenses	(143,472)	(3,251)	(2,376)	(39,445)	(15,604)	-	(204,149)
Operating Result	232,383	12,101	86,794	163,208	26,033	(13)	520,504
Corporate Expenses	(54,130)	(799)	(6,887)	(12,294)	(6,140)	0	(80,250)
(+) Opening Balance: Reversals of Contingencies	-	-	-	-	96,149	-	96,149
(-) Nonrecurring Items	(25,236)	(35)	(3,990)	(1,203)	(1,131)	(0)	(31,596)
EBITDA	153,016	11,267	75,916	149,710	114,910	(13)	504,807
Depreciation and Amortization							(289,070)
Financial Result							(226,936)
Income and Social Contribution Tax							(26,610)
Minority Interest							(1,314)
Net Profit							(39,122)
(+) Intangible Amortization (Acquisitions)							82,631
(+) Inventory surplus value							3,300
Adjusted Net Profit							46,809

1Q20 RESULTS | QUARTERLY VARIATION

Consolidated - Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Gross Revenue	2,057,233	2,299,665	-10.5%	2,357,288	-12.7%
Gross Revenue Deductions	(429,765)	(462,559)	-7.1%	(427,578)	0.5%
Tax	(54,052)	(55,859)	-3.2%	(49,939)	8.2%
ProUni	(226,640)	(253,537)	-10.6%	(232,854)	-2.7%
Returns	(26,515)	(18,410)	44.0%	(27,851)	-4.8%
Total Discounts	(122,558)	(134,753)	-9.1%	(116,933)	4.8%
Net Revenue	1,627,468	1,837,106	-11.4%	1,929,710	-15.7%
Total of Costs	(508,062)	(428,425)	18.6%	(688,871)	-26.2%
Cost of Goods	(215,563)	(119,629)	80.2%	(328,545)	-34.4%
Cost of Services	(292,499)	(308,796)	-5.3%	(360,327)	-18.8%
Faculty, Other Personnel and Third-Party Services	(255,254)	(279,317)	-8.6%	(316,348)	-19.3%
Rent	(7,024)	(2,464)	185.1%	(5,343)	31.5%
Materials	(4,375)	(6,784)	-35.5%	(6,431)	-32.0%
Maintenance	(12,794)	(11,975)	6.8%	(14,592)	-12.3%
Other	(13,052)	(8,256)	58.1%	(17,614)	-25.9%
Gross Income	1,119,406	1,408,681	-20.5%	1,240,838	-9.8%
Gross Margin	68.8%	76.7%	-7.9 p.p.	64.3%	4.5 p.p.
Total Operating Expenses	(234,209)	(225,838)	3.7%	(192,445)	21.7%
Personnel, General and Administrative Expenses	(234,209)	(225,838)	3.7%	(192,445)	21.7%
Personnel Expenses	(122,909)	(130,136)	-5.6%	(132,231)	-7.1%
General and Administrative Expenses	(111,300)	(95,702)	16.3%	(60,213)	84.8%
Provision for Doubtful Account - PDA	(213,940)	(210,480)	1.6%	(342,239)	-37.5%
(+) Interest and Penalties on Tuition	53,874	66,150	-18.6%	40,020	34.6%
Equity	(478)	577	n.a.	(136)	250.6%
Selling and Marketing Expenses	(204,149)	(169,852)	20.2%	(143,173)	42.6%
Operating Result	520,504	869,238	-40.1%	602,865	-13.7%
Operating Margin	32.0%	47.3%	-15.3 p.p.	31.2%	0.7 p.p.
Corporate Expenses	(80,250)	(100,034)	-19.8%	(98,813)	-18.8%
(+) Opening Balance: Reversals of Contingencies	96,149	37,394	157.1%	156,619	-38.6%
(-) Non-Recurring Items	(31,596)	(55,810)	-43.4%	(125,707)	-74.9%
EBITDA	504,807	750,789	-32.8%	534,964	-5.6%
EBITDA Margin	31.0%	40.9%	-9.9 p.p.	27.7%	3.3 p.p.
Depreciation and Amortization	(289,070)	(291,288)	-0.8%	(231,654)	24.8%
Financial Result	(226,936)	(202,993)	11.8%	(372,016)	-39.0%
Income Tax / Social Contribution	(45,007)	(53,240)	-15.5%	(25,899)	73.8%
Deferred Income Tax / Social Contribution	18,398	46,903	-60.8%	(73,516)	n.a.
Minority Interest	(1,314)	229	n.a.	(195)	573.8%
Net Income	(39,122)	250,400	-115.6%	(168,316)	-76.8%
Net Margin	-2.4%	13.6%	-16.0 p.p.	-8.7%	6.3 p.p.
(+) Intangible Amortization (Acquisitions)	82,631	64,820	27.5%	67,685	22.1%
(+) inventory surplus value	3,300	3,472	-5.0%	17,762	-81.4%
(+) Write-off of tax loss	-	-	n.a.	134,489	n.a.
Adjusted Net Income	46,809	318,692	-85.3%	51,620	-9.3%
Adjusted Net Margin	2.9%	17.3%	-14.5 p.p.	2.7%	0.2 p.p.

Cogna's 1Q20 results were pressured by the postsecondary education division (as commented in the Kroton section), which, given its relevance, was the decisive factor in the declines of 11% in net revenue and 33% in EBITDA, which overshadowed the improvement in results at the other three business divisions and the 20% reduction in corporate expenses resulting from the budgetary restrictions imposed by the Company.

1Q20 PRO FORMA RESULT | QUARTERLY VARIATION

Certain events in 1Q20 affected comparability between quarters. To support a more accurate analysis, the adjustments listed below were made. On a quarterly basis, revenue declined 12% and EBITDA decreased 19%.

- Inclusion of R\$75 million in revenue not captured in 1Q20 due to the late re-enrollment curve
- Reclassification of publishing capex in 2019 to cost of goods sold
- Exclusion of the non-recurring increase in PDA of R\$25 million in anticipation of a potential deterioration in delinquency in the coming quarters due to COVID-19
- Exclusion of revenue of R\$85 million and receivables of R\$146 million from the PNLD that should have been recognized in 2019 but were registered now in 1Q20

Consolidated - Values in R\$ ('000)	1Q20 Pro Forma	1Q19 Pro Forma	Chg.%	4Q19 Pro Forma	Chg.%
Gross Revenue	2,047,503	2,299,665	-11.0%	2,215,032	-7.6%
Gross Revenue Deductions	(429,765)	(462,559)	-7.1%	(427,578)	0.5%
Tax	(54,052)	(55,859)	-3.2%	(49,939)	8.2%
ProUni	(226,640)	(253,537)	-10.6%	(232,854)	-2.7%
Returns	(26,515)	(18,410)	44.0%	(27,851)	-4.8%
Total Discounts	(122,558)	(134,753)	-9.1%	(116,933)	4.8%
Net Revenue	1,617,738	1,837,106	-11.9%	1,787,453	-9.5%
Total of Costs	(459,256)	(467,510)	-1.8%	(582,590)	-21.2%
Cost of Goods	(166,757)	(158,713)	5.1%	(224,340)	-25.7%
Cost of Services	(292,499)	(308,796)	-5.3%	(358,250)	-18.4%
Faculty, Other Personnel and Third-Party Services	(255,254)	(279,317)	-8.6%	(316,348)	-19.3%
Rent	(7,024)	(2,464)	185.1%	(5,343)	31.5%
Materials	(4,375)	(6,784)	-35.5%	(4,355)	0.5%
Maintenance	(12,794)	(11,975)	6.8%	(14,592)	-12.3%
Other	(13,052)	(8,256)	58.1%	(17,614)	-25.9%
Gross Income	1,158,482	1,369,596	-15.4%	1,204,863	-3.8%
Gross Margin	71.6%	74.6%	-2.9 p.p.	67.4%	7.3 p.p.
Total Operating Expenses	(229,816)	(225,838)	1.8%	(182,075)	26.2%
Personnel, General and Administrative Expenses	(229,816)	(225,838)	1.8%	(182,075)	26.2%
Personnel Expenses	(118,515)	(130,136)	-8.9%	(121,862)	-2.7%
General and Administrative Expenses	(111,300)	(95,702)	16.3%	(60,213)	84.8%
Provision for Doubtful Account - PDA	(188,463)	(210,480)	-10.5%	(342,239)	-44.9%
(+) Interest and Penalties on Tuition	53,874	66,150	-18.6%	40,020	34.6%
Equity	(478)	577	-182.7%	(136)	250.6%
Selling and Marketing Expenses	(204,149)	(169,852)	20.2%	(143,173)	42.6%
Operating Result	589,451	830,154	-29.0%	577,260	2.1%
Operating Margin	36.4%	45.2%	-8.8 p.p.	32.3%	4.1 p.p.
Corporate Expenses	(80,250)	(100,034)	-19.8%	(98,813)	-18.8%
(+) Opening Balance: Reversals of Contingencies	96,149	37,394	157.1%	156,619	-38.6%
(-) Non-Recurring Items	(31,596)	(55,810)	-43.4%	(125,707)	-74.9%
EBITDA	573,754	711,704	-19.4%	509,359	12.6%
EBITDA Margin	35.5%	38.7%	-3.3 p.p.	28.5%	7.0 p.p.
Depreciation and Amortization	(289,070)	(266,374)	8.5%	(286,110)	1.0%
Financial Result	(226,936)	(202,993)	11.8%	(372,016)	-39.0%
Income Tax / Social Contribution	(34,287)	(53,240)	-35.6%	1,322	n.a.
Deferred Income Tax / Social Contribution	18,398	46,903	-60.8%	(73,516)	n.a.
Income Tax / Social Cont.	-	-	n.a.	-	n.a.
Minority Interest	(1,314)	229	n.a.	(195)	573.8%
Net Income	40,545	236,230	-82.8%	(221,157)	n.a.
Net Margin	2.5%	12.9%	-11.1 p.p.	-12.4%	14.9 p.p.
(+) Intangible Amortization (Acquisitions)	82,631	64,820	27.5%	67,685	22.1%
(+) inventory surplus value	3,300	3,472	-5.0%	17,762	-81.4%
(+) Write-off of tax loss	-	-	n.a.	134,489	n.a.
Adjusted Net Income	126,476	304,522	-58.5%	(1,221)	n.a.
Adjusted Net Margin	7.8%	16.6%	-8.8 p.p.	-0.1%	n.a.

Corporate Expenses

Consolidated - Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Corporate Expenses	(80,250)	(100,034)	-19.8%	(98,813)	-18.8%
Personnel Expenses	(39,660)	(37,895)	4.7%	(43,807)	-9.5%
General and Administrative Expenses	(40,590)	(62,139)	-34.7%	(55,006)	-26.2%

% of Net Revenue	1Q20	1Q19	Chg.%	4Q19	Chg.%
Corporate Expenses	-4.9%	-5.4%	0.5 p.p.	-5.1%	0.2 p.p.
Personnel Expenses	-2.4%	-2.1%	-0.3 p.p.	-2.3%	-0.2 p.p.
General and Administrative Expenses	-2.5%	-3.4%	0.9 p.p.	-2.9%	0.4 p.p.

The increase of 0.3 percentage point in personnel expenses as a ratio of net revenue reflects the lower dilution due to lower revenue. Meanwhile, general and administrative expenses as a ratio of net revenue declined by 0.9 percentage point, with this performance aligned with the budgetary restrictions imposed by the Company.

Nonrecurring Items

Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Severance	(14,676)	(25,808)	-43.1%	(56,418)	-74.0%
M&A and expansion	(16,920)	(30,001)	-43.6%	(69,289)	-75.6%
Total Nonrecurring	(31,596)	(55,810)	-43.4%	(125,707)	-74.9%

As already expected, due to the conclusion of the expansion project and to the organizational restructuring carried out last year, we observed a significant reduction in the Company's non-recurring items in 1Q20.

Financial Result

Consolidated - Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
(+) Financial Revenues	35,413	42,009	-15.7%	40,842	-13.3%
Interest on Financial Investment	17,375	30,911	-43.8%	14,732	17.9%
Others	18,039	11,098	62.5%	26,111	-30.9%
(-) Financial Expenses	(262,350)	(245,002)	7.1%	(412,858)	-36.5%
Banks Expenses	(4,613)	(6,660)	-30.7%	(4,110)	12.2%
□ Interest on leasing	(103,501)	(75,824)	36.5%	(168,400)	-38.5%
Interest on Loans	(106,096)	(136,633)	-22.3%	(126,215)	-15.9%
Interest and Tax on Late Payment	(5,774)	(10,876)	-46.9%	(10,188)	-43.3%
Interest on Loans for Acquisitions	(10,940)	(5,815)	88.1%	(10,246)	6.8%
Restatement of Contingencies	(20,287)	-	n.a.	(89,018)	-77.2%
Others	(11,140)	(9,194)	21.2%	(4,681)	138.0%
Financial Result ¹	(226,936)	(202,993)	11.8%	(372,016)	-39.0%

¹ Excludes interest and fines on late monthly tuition payments.

In 1Q20, the net financial result was an expense of R\$227 million, representing an increase of 12%, despite the reduction in interest expenses resulting from the series of cuts to the policy interest rate. The main negative factors were the increase in lease interest rates due to the adjustment of licensing rights in 4Q19, as well as the inflation adjustment of contingencies related to the Somos acquisition, which began to be recognized only one year after its merger. The impact from interest expenses (net of interest income), however, should tend to wane over the coming quarters due to the capital increase carried out in February (whose cash proceeds will boost financial income) and to the reduction in interest rates observed in May.

Net Income

Consolidated - Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Operating Result	520,504	869,238	-40.1%	602,865	-13.7%
(+) Corporate Expenses	(80,250)	(100,034)	-19.8%	(98,813)	-18.8%
(+) Opening Balance: Reversals of Contingencies	96,149	37,394	157.1%	156,619	-38.6%
(+) Nonrecurring Items	(31,596)	(55,810)	-43.4%	(125,707)	-74.9%
(+) Depreciation and Amortization ex-Intangible	(289,070)	(291,288)	-0.8%	(231,654)	24.8%
(+) Financial Result ¹	(226,936)	(202,993)	11.8%	(372,016)	-39.0%
(+) Income Tax / Social Contribution	(45,007)	(53,240)	-15.5%	(25,899)	73.8%
(+) Deferred Income Tax / Social Contribution	18,398	46,903	-60.8%	(73,516)	n.a.
(+) Participation of Minority	(1,314)	229	n.a.	(195)	573.8%
(+) Intangible Amortization (Acquisitions)	82,631	64,820	27.5%	67,685	22.1%
(+) Inventory surplus value	3,300	3,472	-5.0%	17,762	-81.4%
(+) Low Tax Loss	-	-	n.a.	134,489	n.a.
Adjusted Net Income	46,809	318,692	-85.3%	51,620	-9.3%
Adjusted Net Margin	2.9%	17.3%	-14.5 p.p.	2.7%	0.2 p.p.
(-) Intangible Amortization (Acquisitions)	(82,631)	(64,820)	27.5%	(67,685)	22.1%
(-) Inventory surplus value	(3,300)	(3,472)	-5.0%	(17,762)	-81.4%
(-) Write-off of tax loss	-	-	n.a.	(134,489)	n.a.
Net Income	(39,122)	250,400	-115.6%	(168,316)	-76.8%
Net Margin	-2.4%	13.6%	-16.0 p.p.	-8.7%	6.3 p.p.

¹ Excludes interest and fines on late monthly tuition payments.

The decrease in adjusted net income and in adjusted net margin in 1Q20 reflects the lower operating result, the higher financial expenses and the lower reversal of deferred income. The combination of these factors more than offset the higher amount of contingency reversals in the period and the Company's efforts to reduce corporate expenses and non-recurring items. Considering the pro forma adjustments, adjusted net income would be R\$126 million. Excluding the adjustments for the amortization of intangible assets and inventory surplus value, Cognia posted net loss of R\$39.1 million in 1Q20 (or a net income of R\$40.5 million in the pro forma analysis).

Capex and Investments in Expansion

In 1Q20, Cognia invested R\$119.2 million, allocated as follows:

Values in R\$ (million)	1Q20	% AV	1Q19	% AV	1Q20 / 1Q19
Information technology and library equipment	8.9	7%	7.2	5%	23.6%
Content and systems development and software licenses	64.4	54%	72.6	48%	-11.3%
Laboratory and related equipment	3.8	3%	8.0	5%	-52.5%
Expansions	14.9	13%	18.9	12%	-21.2%
Capex	92.0	77%	106.7	70%	-13.8%
% Net Revenue	5.7%	-	5.8%	-	-0.2 p.p.
investment in expansion	27.2	23%	45.1	30%	-39.7%
Capex and Investment in Expansion	119.2	100%	151.8	100%	-21.5%
% Net Revenue	7.3%	-	8.3%	-	-0.9 p.p.

During 1Q20, capex and investments in expansion as a ratio of net revenue stood at 7.3%, only 0.9 p.p. below the prior-year period, reflecting the lower net revenue, given that nominally capex was 22% lower. The reduction is an ongoing trend observed since mid-2019 and should persist throughout 2020, mainly due to the investments in expansion, given that the Company has concluded its project to open new units, leaving only the projects to expand units. As such, investments in expansion amounted to R\$27 million in the quarter, corresponding to 1.7% of net revenue.

Most of the capex was allocated to content development, systems and software licenses, which accounted for 70% of the total amount and accompanied the expansion and maturation of the Postsecondary Education portfolio in recent years, especially the maturation of programs in the fields of Engineering and Healthcare and the new Premium DL programs, in addition to the renewal of K-12 content and the initiatives related to digital transformation that have ensured the complete

stability of the operation and the continuity of academic activities during these times of physical distancing. The Company considers this a priority investment, and all investments related to the digital transformation and to support the digital platforms will be maintained, even with the ongoing downward budget revisions to adjust the Company to the actual situation.

Net Debt

Consolidated - Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Cash and Cash Equivalents	2,925,691	2,023,522	44.6%	843,073	247.0%
Cash	11,064	6,537	69.3%	63	17461.9%
Securities	2,914,627	2,016,985	44.5%	843,010	245.7%
Loans and Financing	7,977,840	7,535,472	5.9%	8,084,565	-1.3%
Short-term Debt	1,269,711	394,184	222.1%	579,529	119.1%
Long-term Debt	6,708,129	7,141,288	-6.1%	7,505,036	-10.6%
Net Cash (Debt) ¹	(5,052,149)	(5,511,950)	-8.3%	(7,241,492)	-30.2%
Other Short and Long Term Debt ²	315,999	369,318	-14.4%	315,466	0.2%
(1) Net Cash (Debt)	(5,368,148)	(5,881,268)	-8.7%	(7,556,958)	-29.0%
Short Term Accounts Receivable ³	142,099	135,053	5.2%	138,262	2.8%
Uniasselvi Disposal	124,850	120,688	3.4%	122,865	1.6%
FAIR and FAC/FAMAT Disposal	17,249	14,365	20.1%	15,397	12.0%
Long-Term Accounts Receivable ³	256,740	367,581	-30.2%	251,431	2.1%
Uniasselvi Disposal	233,533	333,945	-30.1%	227,308	2.7%
FAIR and FAC/FAMAT Disposal	23,208	33,636	-31.0%	24,124	-3.8%
(2) Other Accounts Receivable ³	398,839	502,634	-20.7%	389,694	2.3%
(1)+(2) Pro Forma Net Cash (Debt)	(4,969,309)	(5,378,634)	-7.6%	(7,167,264)	-30.7%

¹ Net cash (debt) considering only bank obligations.

² Considering all short- and long-term obligations related to the taxes paid in installments and the acquisitions, including the amount to be paid within 6 years related to the Uniasselvi acquisition, in addition to debentures issued by both Companies (Kroton and Somos).

³ Considers the short-term receivables related to the Uniasselvi, FAIR and FAC/FAMAT divestment and long-term receivables related to the other installments of Uniasselvi, FAIR and FAC/FAMAT to be earned from 2020 to 2022 adjusted to present value (excluding the *earn-out* amounts).

At the end of 1Q20, total cash and financial investments amounted to R\$2.9 billion, which is up considerably from the end of the prior quarter due to the capital increase carried out in the period that put the Company in a comfortable situation to weather the challenges posed by the moment. As a result, net debt fell to R\$5.1 billion in 1Q20 (or to R\$5.4 billion including other obligations related to payments for acquisitions and tax amnesty programs) or 2.45x net debt in the last 12 months. An important factor is the Company's comfortable debt amortization schedule, with short-term liabilities representing only 5% of the total (the next significant principal repayment is due in August 2021). Moreover, on May 15, 2020, the Company announced a new issue of R\$500 million in debt due in 3 years, which further reinforced the cash position and lengthened the debt profile.

Cash Flow

Consolidated - Values in R\$ ('000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Net Income before Income Interest	(11,198)	256,485	-104.4%	(68,706)	-83.7%
(+) Net Income adjustments before Income Interest	713,418	559,165	27.6%	905,042	-21.2%
Depreciation and Amortization	289,070	255,085	13.3%	231,674	24.8%
Provision for Doubtful Accounts (PDA)	213,940	210,872	1.5%	342,239	-37.5%
Others	210,408	93,208	125.7%	331,129	-36.5%
(+) Income Tax and Social Contribution	(314)	(2,774)	-88.7%	(18,206)	-98.3%
(+) Changes in Working Capital	(729,428)	(936,038)	-22.1%	(329,002)	121.7%
(Increase) Reduction in Accounts Receivable ex-FIES	(222,950)	(390,517)	-42.9%	(575,776)	-61.3%
(Increase) Reduction in Accounts Receivable FIES	41,174	(151,792)	-127.1%	102,240	n.a.
Others	(547,652)	(393,729)	39.1%	144,534	n.a.
Operating Cash Generation before Capex	(27,522)	(123,162)	-77.7%	489,128	n.a.
Capex	(91,990)	(106,637)	-13.7%	(121,761)	-24.5%
(+) Investments in Expansion	(27,158)	(45,175)	-39.9%	(60,151)	-54.8%
Operating Cash Generation after total Capex	(146,670)	(274,973)	-46.7%	307,216	n.a.
(+) M&A Activities	(51,773)	(61,370)	-15.6%	132,216	n.a.
(+) Cash Flow from Financing Activities	2,282,106	(252,222)	n.a.	(33,948)	n.a.
Free Cash Flow	2,083,663	(588,565)	n.a.	405,484	413.9%

Operating cash generation before capex was negative R\$28 million in 1Q20, which represents a significantly lower level of cash consumption than in 1Q19, despite all the pressures observed on the Company's result. Note that working capital consumption in the period reversed the upward trend of recent years, benefitting from the receipt of cash under the PNLD 2020 (of the R\$233 million pending R\$146 million was received in 1Q20 and the remaining R\$87 million as of the reporting date), and was partially offset by higher credit card receivables, which led to a R\$44 million increase in the outstanding credit card balance in relation to 1Q19.

Consolidated - Values in R\$ ('000)	1Q20	1Q19	Chg.%
Operating Cash Generation (OCG) before Capex	(27,522)	(123,162)	-77.7%
OCG / EBITDA	-	-	-
Operating Cash Generation after total Capex	(146,670)	(274,973)	-46.7%
OCG / EBITDA	-	-	-
Free Cash Flow	2,083,663	(588,565)	n.a.

Including the capex disbursements in the period (considering expansion investments), operating cash flow was negative R\$147 million in 1Q20. Excluding the cash generated by PNLD purchases in the 1Q20 result (in line with historical seasonality), operating cash generation after capex in the quarter was negative R\$293 million, down R\$18 million in relation to 1Q19 due to the increase in the outstanding credit card balance. Meanwhile, the Company's free cash flow was positive R\$2.1 billion, reflecting the capital increase carried out.

CAPITAL MARKETS AND SUBSEQUENT EVENTS

OWNERSHIP STRUCTURE

After the capital increase carried out in February, Cognia's capital is now composed of 1,876,606,210 common shares, distributed as follows:

Cogna Ownership Structure*	Quantity	%
Treasury	7,799,189	0.42%
Free Float	1,868,807,021	99.58%
Total	1,876,606,210	100.00%

* Position as of 4/30/2020.

STOCK PERFORMANCE

Cogna's stock (COGN3) is a component of several indices, such as the Bovespa Index (Ibovespa), Special Corporate Governance Stock Index (IGC), Special Tag-Along Stock Index (ITAG), Consumption Sector Index (ICON) and MSCI Brazil.

The stock was traded in 100% of trading sessions during 1Q20, registering financial trading volume of R\$12.9 billion and 3,622,350 trades in the period, which represents average daily trading volume of R\$207.4 million. Cognia's stock is currently covered by research analysts at 11 different local and international institutions. On March 31, 2020, Cognia's market capitalization was R\$7.5 billion.

In the first quarter of 2020, Cognia's stock price fell 65.0%, while the Ibovespa contracted 36.9%. In the same period, the IGC, ITAG and ICON lost 36.1%, 37.2% and 36.1%, respectively.

Highlights- COGN3	1Q20
Average Daily Trade Volume (average)	R\$ 207.4 million
Maximum (R\$ per share)	R\$ 12.79
Minimum (R\$ per share)	R\$ 4.00
Average (R\$ per share)	R\$ 9.85
Closing Quote	R\$ 4.00
Variation in the period (%)	-65.0%

CREDIT RATINGS

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

DIVIDENDS

Due to the net loss reported in the period and to the circumstances imposed by COVID-19, no dividend will be distributed this quarter.

ABOUT COGNA EDUCAÇÃO

Cogna Educação is one of the largest private educational organizations in the world. Operating for over 70 years, the Company has a nationwide presence in all Brazilian states in a wide array of educational segments and a complete platform of services and content delivered under different business models. At the end of 1Q20, Cognia had 966,000 students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 176 Postsecondary units and its 1,510 accredited Distance Learning centers. In K-12 Education, in 1Q20, the consolidated operation had 33,000 students at 52 own/contract schools, 26,000 students at 121 Red Balloon units and 2.1 million students served through approximately 5,600 associated schools using solutions in core content, extracurricular content and digital services.

ACCOUNTS RECEIVABLE

This section presents more detailed information on Cogná's accounts receivable and levels of provisioning in its different businesses, with a focus on the more relevant items. The section is divided into three parts:

- Cogna: the Company's consolidated accounts receivable by company
- Private Installment Plans (PEP/PMT): the receivables from own installment products at Kroton
- Kroton's ex-Private Installment Plans: other receivables from Kroton students

COGNA

Gross Accounts Receivable

Gross Accounts Receivable - Values in R\$ (000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Cogna	5,550,291	4,650,789	19.3%	5,388,580	3.0%
Credit Card	79,164	34,870	127.0%	20,767	281.2%
Kroton	4,668,545	3,941,090	18.5%	4,550,153	2.6%
Private Special Installment Plan (PEP/PMT)	3,129,540	2,307,979	35.6%	2,989,565	4.7%
Kroton ex-Installment payment products	1,539,006	1,633,111	-5.8%	1,560,588	-1.4%
Out-of-Pocket	1,333,300	1,092,535	22.0%	1,314,584	1.4%
FIES (Public Financing)	205,705	540,576	-61.9%	246,004	-16.4%
Plafos	76,394	56,434	35.4%	71,795	6.4%
Saber	65,609	49,114	33.6%	40,823	60.7%
Vasta	478,210	492,811	-3.0%	494,853	-3.4%
Others	182,368	76,470	138.5%	210,189	-13.2%
Cogna ex-Installment payment products and Credit Card	2,341,587	2,307,940	1.5%	2,378,247	-1.5%

Gross Accounts Receivable after Adjustment to Present Value (APV). ¹. For comparison purposes, 1Q19 data for businesses arising from the acquisition of Somos are presented on the same basis adopted as of 3Q19, i.e., considering the write-off of liabilities due over 360 days with the respective write-off of the PDA balance.

Cogna's accounts receivable reached R\$5.6 billion at the end of 1Q20, up 19% and 3% compared to 1Q19 and 4Q19, respectively, due to the higher receivables from Private Installment Plan (PEP/PMT) products, following the natural maturation of the portfolio with a PEP penetration of approximately 15% in Kroton's on-campus student recruiting process. Excluding the portfolio of credit card and PEP/PMT receivables, gross accounts receivable grew 0.5% from 1Q19, mainly due to: i) the balance of R\$98 million in outstanding PNLD receivables that affect the Other Business line, which were fully received by the end of April; and ii) the contraction in the FIES student base, following the trend of graduations.

Accounts Receivable Coverage Rate

Coverage Ratio	1Q20	1Q19	Chg.%	4Q19	Chg.%
Cogna	40.2%	35.0%	5.2 p.p	38.0%	2.2 p.p
Credit Card	0.0%	0.0%	n/a	0.0%	n/a
Kroton	45.4%	39.1%	6.3 p.p	42.7%	2.7 p.p
Private Special Installment Plan (PEP/PMT)	50.1%	49.6%	0.5 p.p	48.1%	2.0 p.p
Kroton ex-Installment payment products	36.0%	24.3%	11.7 p.p	32.4%	3.6 p.p
Plafos	24.1%	16.7%	7.4 p.p	23.7%	0.4 p.p
Saber	24.4%	19.4%	5.0 p.p	25.2%	-0.8 p.p
Vasta	9.5%	11.6%	-2.1 p.p	9.3%	0.2 p.p
Others	15.6%	14.0%	1.6 p.p	14.1%	1.5 p.p
Cogna ex-Installment payment products and Credit Card	28.3%	20.9%	7.4 p.p	25.6%	2.7 p.p

¹. For comparison purposes, 1Q19 data for businesses arising from the acquisition of Somos are presented on the same basis adopted as of 3Q19, i.e., considering the write-off of liabilities due over 360 days with the respective write-off of the PDA balance.

In 1Q20, we maintained the PDA coverage balance for PEP/PMT at 50%, in accordance with the policy in effect since the creation of these products, which contributed to Cogná's higher coverage rate. However, even excluding the PEP/PMT and

credit card balance, Cognia's coverage rate increased 7.4 p.p. from 1Q19 and 2.7 p.p. from 4Q19, mainly due to the higher provisioning at Kroton in anticipation of a potential increase in delinquency given the physical distancing imposed by the COVID-19 pandemic.

Accounts Receivable, Net

Net Accounts Receivable - Values in R\$ (000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Cogna	3,320,862	3,022,291	9.9%	3,341,215	-0.6%
Credit Card	79,164	34,870	127.0%	20,767	281.2%
Kroton	2,547,621	2,399,431	6.2%	2,605,731	-2.2%
Private Special Installment Plan (PEP/PMT)	1,562,039	1,162,435	34.4%	1,551,098	0.7%
Kroton ex-Installment payment products	985,582	1,236,996	-20.3%	1,054,633	-6.5%
Out-of-Pocket	911,557	821,174	11.0%	939,753	-3.0%
FIES (Public Financing)	74,025	415,822	-82.2%	114,880	-35.6%
Platos	57,965	46,984	23.4%	54,805	5.8%
Saber	49,605	39,591	25.3%	30,530	62.5%
Vasta	432,549	435,648	-0.7%	448,922	-3.6%
Others	153,957	65,768	134.1%	180,460	-14.7%
Cogna ex-Installment payment products and Credit Card	1,679,658	1,824,986	-8.0%	1,769,350	-5.1%

Accounts receivables net of APV and PDA

As a result, accounts receivable, net, ended 1Q20 up 10% from 1Q19 and down 0.6% from 4Q19, mainly due to the increase in private installment products. Excluding these products and the credit card balance, accounts receivable, net, decreased 8% compared to 1Q19 and 5% in relation to 4Q19.

Average Collection Period (ART)

Average Accounts Receivable Term (days)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Cogna	175	147	28 days	171	4 days
Kroton	209	168	41 days	197	12 days
Private Special Installment Plan (PEP/PMT)	744	495	249 days	691	53 days
Kroton ex-Installment payment products	98	103	-5 days	96	2 days
Out-of-Pocket	115	102	13 days	114	1 days
FIES (Public Financing)	35	107	-72 days	42	-7 days
Platos	186	176	10 days	181	5 days
Saber	24	20	4 days	15	9 days
Vasta	159	168	-9 days	180	-21 days
Others	95	45	50 days	122	-27 days
Cogna ex-Installment payment products and Credit Card	100	100	0 days	102	-2 days

Calculation base: Net balance of accounts receivable, divided by net operating revenue in the last 12 months and multiplied by 360 days.

At the end of 1Q20, Cognia's ART was 175 days, increasing by 28 days compared to 1Q19 and by 4 days from 4Q19, mainly due to the natural maturation of the PEP/PMT portfolio. Excluding these products and the credit card balance from the analysis, Cognia's ART was 100 days, stable in relation to 1Q19 and down 2 days from 4Q19. The stability of ART combined with the higher coverage rates reinforce the adequacy of our provisioning policy.

PRIVATE INSTALLMENT PLANS (PEP/PMT)

The accounts receivable from Private Installment Plans (PEP/PMT) are composed of receivables from installment products offered in Kroton's on-campus education segment, which is divided into two main products:

- i) Private Installment Plan (PEP). The product enables access to education for students who need government student financing (FIES) to study but do not have access to it. With this product, students pay around half the amount of the monthly tuitions of the program after their graduation, with payments expected to be concluded with a period twice as long as the program's duration. The program's offering is controlled by a significant restriction on the granting of discounts to ensure the profitability of the business.
- ii) Late-Enrollment Installment Plan (PMT). The product is offered only during the semester in which the student enrolls in the program and aims to facilitate payment by those enrolling in the middle of the semester cycle. Instead of charging accumulated monthly tuitions from the first month of the semester to the month of enrollment, they pay only one monthly tuition and the remaining are postponed until after their graduation or diluted up to the duration of the course.

PEP and PMT Accounts Receivable and Coverage Rate

Gross Accounts Receivable - Values in R\$ (000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Private Special Installment Plan (PEP/PMT)	3,129,540	2,307,979	35.6%	2,989,565	4.7%
Late Enrollment Installment Plan (PMT)	913,021	576,144	58.5%	811,601	12.5%
Private Special Installment Plan (PEP)	2,216,518	1,731,835	28.0%	2,177,964	1.8%

Gross Accounts Receivable after Adjustment to Present Value (APV)

The balance of gross accounts receivable of private installment plans (PEP/PMT) after adjustment to present value (APV) increased by 36% in relation to 1Q19 and by 5% compared to 4Q19 due to the portfolio's natural maturation, since the percentage shares of these products in new enrollments has remained stable.

PEP/PMT - Values in R\$ (000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Gross Accounts Receivable	3,296,100	2,513,182	31.2%	3,161,275	4.3%
(-) Adjustment to Present Value	(166,560)	(205,203)	-18.8%	(171,710)	-3.0%
Gross Accounts Receivable after APV	3,129,540	2,307,979	35.6%	2,989,565	4.7%
(-) PDA Balance	(1,567,500)	(1,145,544)	36.8%	(1,438,467)	9.0%
Net Accounts Receivable	1,562,039	1,162,435	34.4%	1,551,098	0.7%
Coverage Ratio	-50.1%	-49.6%	-0.5 p.p.	-48.1%	-2.0 p.p.

The balance of gross accounts receivable of PEP/PMT followed the same growth trend of gross accounts receivable, with the provisioning policy remaining at 50% for the balance financed.

Expected PEP Recovery vs. PEP PDA Balance

PEP Loss Expectation	1Q20	Initial Estimate	Difference	Coverage Balance	Difference
Total Expected Effective Loss	46.8%	50.0%	-3.2 p.p.	50.1%	-3.3 p.p.
Contribution loss from graduated student	10.3%	10.0%	0.3 p.p.	-	-
Graduated student revenue (% of wallet)	45.3%	50.0%	-4.7 p.p.	-	-
Effective loss from graduated student	22.8%	20.0%	2.8 p.p.	-	-
Contribution loss from dropped-out student	36.5%	40.0%	-3.5 p.p.	-	-
Dropped-out student revenue (% of wallet)	54.7%	50.0%	4.7 p.p.	-	-
Effective loss	66.7%	80.0%	-13.3 p.p.	-	-
(-) Worsening recovery - COVID-19	2.5 p.p.	-	-	-	-
Expected effective loss with deterioration (%)	49.3%	50.0%	-0.7 p.p.	-	-

The current estimated PEP recovery is 49.3%, already considering possible deterioration in receivables due to COVID-19. Considering a normal scenario, the expected loss for PEP is 46.8%, based on a portfolio with 45% of revenue from graduated students with an actual loss of 22.8% and 55% of revenue from dropout students with an actual loss of 66.7%. Accordingly, the expected loss is 3.3 p.p. lower than the current coverage rate and 3.2 p.p. lower than the initial estimates, due to the better prospects for the recovery of dropout students, which more than offset the higher dropout rate and the expected actual loss for graduated students. However, due to the adverse scenario caused by COVID-19, a non-recurring deterioration in receivables of 2.5p.p. is expected for the coming 12 months, reducing recovery by 2.5 p.p., and leading to an expected loss of 49.3%, which is still 0.7 p.p. below the initial estimate.

PEP Accounts Receivable Profile (Graduated and Dropout Students)

The following table provides details on the projected breakdown of PEP portfolio when it reaches its maturation phase, which is when, hypothetically, 100% of current active students become inactive (due to dropout or graduation), without the inclusion of new active students. Our current expectation is that 45% of the portfolio is composed of graduated students and 55% of dropout students.

PEP receivables by student status - Values in R\$ (000)	Total balance	Graduated Students (Estimated)	Chg.%	Dropped Students (Estimated)	Chg.%
Expected Gross Accounts Receivable (Estimate)	3,347,066	1,517,726	45%	1,829,340	55%
Gross Accounts Receivable Before Write-Offs	2,606,792	909,944	35%	1,696,848	65%
Inactive Students (Graduated + Dropped)	1,495,800	168,498	11%	1,327,303	89%
Active Students	1,110,992	741,446	67%	369,546	33%
Projected Gross Accounts Receivable (Estimate)	740,274	607,782	82%	132,492	18%

The following table provides more details on current breakdown and future expectations of PEP accounts receivable.

PEP receivables by student status and receivable aging - Values in R\$ (000)	Current Balance	% of Total Accounts Receivable	Past-due up to 360 days	% of Total Accounts Receivable	Past-due more than 360 days	% of Total Accounts Receivable
Gross Accounts Receivable Before Write-Offs	2,606,792	100%	2,158,502	82.8%	448,290	17.2%
Active Students (balance due)	1,110,992	43%	1,110,992	42.6%	-	0.0%
Graduated Students	168,498	6%	161,327	6.2%	7,170	0.3%
Dropped Students	1,327,303	51%	886,183	34.0%	441,120	16.9%
(-) Write-offs due to recovery	(263,780)	-10%				
Gross Accounts Receivable	2,343,012	90%				

At the end of 1Q20, the balance of gross accounts receivable before APV and write-offs of PEP came to R\$2.6 billion, which was composed mainly of receivables from active and dropout students past due up to 360 days. The balance due over 360 days represents 17.2% of the portfolio and is concentrated in the dropout students' portfolio, which has a lower recovery rate.

PEP receivables by student status and length of stay - Values in R\$ (000)

	Active Students	% of Total Accounts Receivable	Dropped Students	% of Total Accounts Receivable	Graduated	% of Total Accounts Receivable
Gross Accounts Receivable before write-offs	1,110,992	43%	1,327,303	51%	168,498	6%
Enrolled up to 2 years	238,034	9%	967,249	37%	28,300	1%
Enrolled between 2 and 4 years	646,772	25%	325,560	12%	80,959	3%
Enrolled for more than 4 years	226,186	9%	34,493	1%	59,239	2%
Average duration (in semesters)	6.3		3.5		7.4	

An analysis of accounts receivable by status and retention period shows that the dropout students' portfolio accounts for 51% of the total amount and has an average retention period of 3.5 semesters, in line with the high dropout rate in the first semesters of programs. Furthermore, the portfolio of students who have graduated is composed of students with an average retention period of 7.4 semesters, but is concentrated in shorter-duration programs. The active students' portfolio, meanwhile, is more concentrated in students who first enrolled over 2 years ago who are closer to graduation. Since re-enrolment rates in more advanced semesters are higher and active students will continue to generate new receivables as their graduation nears, an increase in the share of graduated students in the total portfolio is expected. This is a natural process considering that the dropout curves are steeper in the first semesters of the programs and that the PEP receivables portfolio is still in the maturation phase.

Expected Recovery– Graduated and Dropout Students

PEP Recovery and Loss Expectation - Values in R\$ (000)

	Total balance	Graduated Students (Estimated)	Chg.%	Dropped Students (Estimated)	Chg.%
Contas a Receber Bruto Esperado (Estimativa)	3,347,066	1,517,726	45%	1,829,340	55%
Expected Gross Accounts Receivable	(1,780,753)	(1,171,978)	66%	(608,775)	34%
Current Recovery (Estimate)	(263,780)	(28,865)	11%	(234,915)	89%
Projected Recovery (Estimate)	(1,516,973)	(1,143,113)	75%	(373,860)	25%
Expected effective loss (%)	46.8%	22.8%		66.7%	
(-) Worsening recovery - COVID-19	2.5 p.p.	0.7 p.p.		4.0 p.p.	
Expected effective loss with deterioration (%)	49.3%	23.5%		70.7%	

Based on the recoveries observed to date, our current estimate for losses is 22.8% for graduated students and 66.7% for dropout students, based on the estimated accounts receivable recovery of 77.2% and 33.3%, respectively. These estimates were based on the profile of each student in the current portfolio, the expectation regarding their graduation or dropping out, the negotiation policies in effect and the history of recovery by student profile to date. Weighing these expected losses by the expected gross accounts receivable for graduated and dropout students, our current expected losses came to 46.8% for the PEP portfolio. Moreover, due to the effects of COVID-19, we foresee a potential reduction in receivables in the coming months, causing additional deterioration in PDA of 2.5p.p., for total expected losses of 49.3%.

KROTON EX-PRIVATE INSTALMENT PLANS

The balance of the accounts receivable of Kroton ex-Private Installment Plans are composed of receivables from FIES government financing products and by receivables from students paying out of pocket, for the services rendered to students:

- i) Government financing plan (FIES): Includes receivables from the Student Financing Fund (FIES) offered by the federal government. In this program, students contract financing from the government every semester through the FIES System (SisFIES) and the transfers are made to the postsecondary educational institution on a monthly basis, 60 days after the services contracted by the student through SisFIES, already discounting any contributions to the funds backing losses.
- ii) Out-of-pocket students: Include receivables from monthly tuitions payable directly to the educational institution by the students who contract the services every semester after enrolling or re-enrolling. These receivables are composed of monthly tuitions paid in full by the students, the installments payable in cash under the Private Installment Plan (PEP) and the installments payable directly to the educational institution by students using partial public financing (partial FIES). Furthermore, receivables from out-of-pocket students include installments under agreements resulting from renegotiations of these receivables and other educational services required by students.

Gross Accounts Receivable

Gross Accounts Receivable - Values in R\$ (000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Kroton ex-Installments Plan	1,539,006	1,633,111	-5.8%	1,560,588	-1.4%
Public Financing (FIES)	205,705	540,576	-61.9%	246,004	-16.4%
Out-of-Pocket	1,333,300	1,092,535	22.0%	1,314,584	1.4%
Agreements	675,055	645,591	4.6%	660,341	2.2%
Tuitions	658,246	446,945	47.3%	654,243	0.6%

* Excludes Credit Card balance.

Kroton's gross accounts receivable ex-private installment came to R\$1.5 billion at the end of 1Q20, representing reductions of 6% from 1Q19 and 1% from 4Q19 due to the lower revenue from FIES, whose amounts are being received in accordance with the normal schedule. This reduction in FIES receivables more than offset the increase in receivables from out-of-pocket students registered in 2019, but stabilized after 4Q19. This increase is due to higher dropout rate in 2019 without the payment or renegotiation of monthly tuitions and the higher charges (interest and late-payment fees) in view of the high volume of renegotiations with financing.

Coverage Rate

Coverage Ratio	1Q20	1Q19	Chg.%	4Q19	Chg.%
Kroton ex-Installments Plan	36.0%	24.3%	11.7 p.p	32.4%	3.6 p.p
Public Financing (FIES)	64.0%	23.1%	40.9 p.p	53.3%	10.7 p.p
Out-of-Pocket	31.6%	24.8%	6.8 p.p	28.5%	3.1 p.p
Agreements	19.3%				
Tuitions	44.3%				

* Excludes Credit Card balance.

In 1Q20, the coverage rate of the accounts receivable of Kroton ex-private installment plans increased 11.7p.p. and 3.6p.p. in relation to 1Q19 and 4Q19, respectively, due to the natural reduction in the FIES receivables portfolio, with stability in the PDA balance and an increase in provisioning at Kroton to anticipate the higher volume of agreements and the potential increase in delinquency given the physical distancing imposed by COVID-19. Note that the difference between the coverage rate of agreements and monthly tuitions is due to the aging of the liability, as shown below.

Net Accounts Receivable

<i>Net Accounts Receivable - Values in R\$ (000)</i>	1Q20	1Q19	Chg.%	4Q19	Chg.%
Kroton ex-Installments Plan	985,582	1,236,996	-20.3%	1,054,633	-6.5%
Public Financing (FIES)	74,025	415,822	-82.2%	114,880	-35.6%
Out-of-Pocket	911,557	821,174	11.0%	939,753	-3.0%
Agreements	544,687	645,591	-15.6%	660,341	-17.5%
Tuitions	366,870	175,583	108.9%	279,412	31.3%

* Excludes Credit Card balance.

The accounts receivable, net of Kroton ex-private installment plans decreased significantly by 20% and 6.5% in relation to 1Q19 and 4Q19, due to the natural receivables from FIES and the increase in provisioning for receivables from out-of-pocket students mentioned above.

Accounts Receivable Profile and Expected Recovery from Out-of-Pocket Students vs. PDA Balance

The following table presents more details on the gross accounts receivable from out-of-pocket students by origin (monthly tuitions or agreements) and aging of liabilities.

<i>Kroton out-of-pocket by origin and aging in 1Q20 - Values in R\$ (000)</i>	Total balance	% Gross Accounts Receivable	Agreements	% Gross Accounts Receivable	Tuitions	% Gross Accounts Receivable
Out-of-Pocket Gross Accounts Receivable	1,333,300	100%	675,055	51%	658,246	49%
balance due	336,859	25%	336,859	25%	-	0%
Past due 1 to 30 days	168,436	13%	33,055	2%	135,380	10%
Past due 31 to 60 days	89,285	7%	32,370	2%	56,915	4%
Past due 61 to 90 days	44,239	3%	33,346	3%	10,893	1%
Past due 91 to 180 days	296,350	22%	99,889	7%	196,461	15%
Past due 181 to 360 days	398,132	30%	139,536	10%	258,596	19%
(-) Balance of PDA	421,743	32%	-	-	-	-
Coverage requirement (Estimate)	727,665	55%	-	-	-	-
(-) Recovery over 360 days	(305,922)	-23%	-	-	-	-
Out-of-Pocket Net Accounts Receivable	911,557	68%	-	-	-	-
Coverage ratio	31.6%	-	-	-	-	-

* Excludes Credit Card balance.

At the end of 1Q20, gross accounts receivable from out-of-pocket students came to R\$1.3 billion, distributed uniformly between outstanding monthly tuitions and agreements. The higher concentration of the balance of agreements of liabilities follows the natural seasonality of business, since the incidence of renegotiations occurs during re-enrollment periods (even-numbered quarters).

To ensure adequate coverage of accounts receivable, we estimated expected losses based on the breakdown of accounts receivable by aging and rollovers of historical classes. In the current scenario of physical distancing caused by COVID-19, we also included the expected deterioration in recoveries, which led us to estimate that 55% of accounts receivable from out-of-pocket students in 1Q20 would reach 361 days, moving to write-off, given the higher concentration of monthly tuitions in longer aging brackets. At the same time, based on the average recovery over 360 days in the last 24 months, we estimate recovery over 360 days equivalent to 23% of gross accounts receivable from out-of-pocket students. Accordingly, the PDA balance required to cover expected losses is 32%.

Average Accounts Receivable Term (ART)

<i>Average Accounts Receivable Term (Days)</i>	1Q20	1Q19	Chg.%	4Q19	Chg.%
Kroton ex-Installments Plan	98	103	-5 days	96	2 days
Public Financing (FIES)	35	107	-72 days	42	-7 days
Out-of-Pocket	115	102	13 days	114	1 days
Agreements	68	80	-12 days	80	-12 days
Tuitions	46	22	24 days	34	12 days

* Excludes Credit Card balance.

The ART of Kroton ex-private installment plans ended 1Q20 at 98 days, decreasing 5 days from 1Q19 and increasing 2 days from 4Q19. This is due to the reduction in ART of FIES, given the continuous reduction in the FIES revenue and portfolio combined with the normalized schedule of payments transferred by the National Education Development Fund (FNDE). Excluding FIES from the analysis, the ART for out-of-pocket students was 115 days, increasing 13 days in relation to 1Q19 and 1 day compared to 4Q19, mainly due to the increase in ART for monthly tuitions.

Lastly, note that Kroton's ART for out-of-pocket students is structurally high, given the dynamics of renegotiations that not only result in agreements but also result in the payment of interest and increase the balance of receivables in installments. To better understand this effect, we present below an analysis including the calculation of ART for out-of-pocket students, considering as well the operating financial income resulting from the interest arising from the renegotiations. In this analysis, note that renegotiations generated operating financial income (OFI) of R\$165 million between 2Q19 and 1Q20 in the calculation, indicating ART for out-of-pocket students of 108 days.

Average Accounts Receivable Term (Days)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Out-of-Pocket adjusted by Interest and Penalties	108	96	12 days	107	1 days
Agreements adjusted by Interest and Penalties	65	76	-11 days	75	-10 days
Tuitions adjusted by Interest and Penalties	44	21	23 days	32	12 days

ART adjusted by OFI = Accounts receivable, Net / (Net income in the last 12 months + OFI in the last 12 months) x 360 days

Net Revenues LTM - Values in R\$ (000)	1Q20	1Q19	Chg.%	4Q19	Chg.%
Kroton ex-Installments Plan	3,632,616	4,305,494	-15.6%	3,943,408	-7.9%
Public Financing (FIES)	769,614	1,404,549	-45.2%	975,663	-21.1%
Out-of-Pocket	2,863,002	2,900,946	-1.3%	2,967,744	-3.5%
RFOP (interest on agreements)	164,744	173,423	-5.0%	187,091	-11.9%

* Excludes Credit Card balance.

APPENDIX 1 – CORPORATE BALANCE SHEET

R\$ ('000)

Assets	1Q20	% AV	4Q19	% AV
Current Assets	6,448,989	17.8%	4,478,450	13.1%
Cash and cash equivalents	11,064	0.0%	63	0.0%
Financial Investments	1,675,770	4.6%	371,620	1.1%
Securities	1,222,464	3.4%	453,952	1.3%
Accounts Receivable	2,380,605	6.6%	2,586,529	7.6%
Inventories	403,610	1.1%	407,120	1.2%
Prepayments	73,290	0.2%	77,078	0.2%
Recoverable Taxes	340,255	0.9%	346,162	1.0%
Deferred Taxes	142,099	0.4%	139,162	0.4%
Other Accounts Receivable	199,832	0.6%	96,764	0.3%
Non current Assets	29,834,332	82.2%	29,639,996	86.9%
Securities	16,393	0.0%	17,438	0.1%
Accounts Receivables	940,257	2.6%	754,687	2.2%
Accounts receivable on sale of subsidiaries	256,740	0.7%	250,531	0.7%
Deferred Taxes	768,590	2.1%	776,733	2.3%
Judicial Deposits	93,093	0.3%	95,671	0.3%
Prepayments	0	0.0%	1,680	0.0%
Taxes to Recover	130,443	0.4%	130,428	0.4%
Guarantee for social security, labor and civil provisions	1,105,104	3.0%	1,130,019	3.3%
Other	90,394	0.2%	97,107	0.3%
Investments	8,216	0.0%	8,213	0.0%
Fixed Assets	5,952,913	16.4%	5,855,264	17.2%
Intangible	20,472,189	56.4%	20,522,225	60.1%
Total Assets	36,283,321	100.0%	34,118,446	100.0%
Liabilities and Equity				
Current Liabilities	3,280,075	9.0%	2,750,625	8.1%
Suppliers	396,496	1.1%	147,773	0.4%
Suppliers drawn risk	329,643	0.9%	537,430	1.6%
Loans and Financing	48	0.0%	531	0.0%
Debenture	1,269,663	3.5%	578,998	1.7%
Lease	158,461	0.4%	341,656	1.0%
Social security and labor liabilities	455,483	1.3%	463,527	1.4%
Income Tax and Social Contribution	90,510	0.2%	60,608	0.2%
Taxes and Contribution	95,143	0.3%	101,792	0.3%
Advances from Clients	297,281	0.8%	318,409	0.9%
Tax and Contribution Payment Installments	14,298	0.0%	14,384	0.0%
Accounts Payable - Acquisitions	117,231	0.3%	117,976	0.3%
Dividends Payable	64	0.0%	42	0.0%
Other	55,754	0.2%	67,499	0.2%
Non current Liabilities	14,704,412	40.5%	15,532,552	45.5%
Loans and Financing	998	0.0%	161	0.0%
Debenture	6,707,131	18.5%	7,504,875	22.0%
Lease	4,006,468	11.0%	3,873,701	11.4%
Provision for Tax, Labor and Civil Lawsuit Losses	421,408	1.2%	471,924	1.4%
Liabilities assumed in the business combination	2,546,241	7.0%	2,631,543	7.7%
Tax and Contribution Payment Installments	15,240	0.0%	17,846	0.1%
Accounts Payable - Acquisitions	169,230	0.5%	165,260	0.5%
Deferred Taxes	760,406	2.1%	786,947	2.3%
Others	77,290	0.2%	80,295	0.2%
Consolidated Equity	18,298,834	50.4%	15,835,269	46.4%
Total Liabilities and Equity	36,283,321	100.0%	34,118,446	100.0%

APPENDIX 2 – QUARTERLY INCOME STATEMENT RECONCILIATION

	1Q20 Results (Book)	Interest and Penalties on Tuition	Depreciation	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain	Reclassification between Costs and expenses	Opening balance Reversals	B.U. Elimination	1Q20 Results (Release)
(In thousand reais, except otherwise indicated)									
Gross Revenue	2,055,480	-	-	-	-	1,553	-	20,963	2,057,233
Kraton	1,241,596	-	-	-	-	-	-	-	1,241,596
Platos	21,780	-	-	-	-	1,553	-	-	23,333
Saber	250,753	-	-	-	-	-	-	-	250,753
Vasta	428,067	-	-	-	-	-	-	-	428,067
Outros	113,484	-	-	-	-	-	-	20,963	134,447
Elimination entre BU's / Cogna	-	-	-	-	-	-	-	(20,963)	(20,963)
Deductions from Gross Revenue	(428,212)	-	-	-	-	(1,553)	-	-	(429,765)
Kraton	(358,900)	-	-	-	-	-	-	-	(358,900)
Platos	(112)	-	-	-	-	(1,553)	-	-	(1,665)
Saber	(40,215)	-	-	-	-	-	-	-	(40,215)
Vasta	(25,607)	-	-	-	-	-	-	-	(25,607)
Outros	(3,378)	-	-	-	-	-	-	-	(3,378)
Elimination entre BU's / Cogna	-	-	-	-	-	-	-	-	-
Net Revenue	1,627,468	-	-	-	-	-	-	-	1,627,468
Kraton	882,696	-	-	-	-	-	-	-	882,696
Platos	21,668	-	-	-	-	-	-	-	21,668
Saber	210,538	-	-	-	-	-	-	-	210,538
Vasta	402,460	-	-	-	-	-	-	-	402,460
Outros	110,106	-	-	-	-	-	-	20,963	131,069
Elimination entre BU's / Cogna	-	-	-	-	-	-	-	(20,963)	(20,963)
Costs of Goods/Services	(653,240)	-	145,081	-	1,510	(1,413)	-	-	(508,062)
Cost of Goods Sold	(170,836)	-	3,300	-	-	(48,027)	-	-	(215,563)
Cost of Services Rendered	(482,404)	-	141,781	-	1,510	46,614	-	-	(292,499)
Gross Income	974,228	-	145,081	-	1,510	(1,413)	-	-	1,119,406
Operating Expenses	(812,366)	-	61,357	82,631	30,086	1,414	(96,149)	-	(733,026)
Selling Expenses	(204,061)	-	-	-	106	(193)	-	-	(204,148)
Provision for Doubtful Accounts	(213,940)	-	-	-	-	-	-	-	(213,940)
Personnel Expenses	-	-	-	-	-	(122,909)	-	-	(122,909)
General and Administrative Expenses	(392,825)	-	61,357	82,631	29,786	203,899	(96,149)	-	(111,301)
Other Operating Income (Expenses)	(1,062)	-	-	-	194	868	-	-	-
Corporate Expenses	-	-	-	-	-	(80,250)	-	-	(80,250)
Equity	(478)	-	-	-	-	-	-	-	(478)
Income before Financial Result	161,862	-	206,438	82,631	31,596	1	(96,149)	-	386,380
Interest and Penalties on Tuition	-	53,874	-	-	-	-	-	-	53,874
(+) Opening Balance; Reversals of Contingencies	-	-	-	-	-	-	96,149	-	96,149
(-) Nonrecurring Items	-	-	-	-	(31,596)	-	-	-	(31,596)
EBITDA	161,862	53,874	206,438	82,631	0	1	-	-	504,808
Depreciation and Amortization	-	-	(206,438)	(82,631)	-	-	-	-	(289,070)
Financial Result	(173,060)	(53,876)	-	-	-	-	-	-	(226,936)
Financial Expenses	(262,347)	-	-	-	-	-	-	-	(262,347)
Financial Revenues	89,287	(53,876)	-	-	-	-	-	-	35,411
Income from Operations	(11,198)	(2)	(0)	-	0	1	-	-	(11,198)
Income and Social Contribution Tax	(26,609)	-	-	-	-	-	-	-	(26,609)
Current	(45,007)	-	-	-	-	-	-	-	(45,007)
Deferred	18,398	-	-	-	-	-	-	-	18,398
Participation of Minority Shareholders	(1,313)	-	-	-	-	(1)	-	-	(1,314)
Net Income Attributed to Controlling Shareholders	(39,120)	(2)	(0)	-	0	0	-	-	(39,122)

APPENDIX 3 – MANAGERIAL INCOME STATEMENT BY BUSINESS SEGMENT

	Postsecondary		Primary and Secondary Education		Cogna Consolidated	
	1Q20	% AV	1Q20	% AV	1Q20	% AV
Values in R\$ ('000)						
Gross Revenue	1,297,425	138.7%	758,256	109.6%	2,055,681	126.3%
Gross Revenue Deductions	(361,889)	-38.7%	(66,325)	-9.6%	(428,213)	-26.3%
Tax	(34,064)	-3.6%	(18,436)	-2.7%	(52,501)	-3.2%
ProUni	(226,640)	-24.2%	-	0.0%	(226,640)	-13.9%
Returns	(2,714)	-0.3%	(23,800)	-3.4%	(26,515)	-1.6%
Total Discounts	(98,470)	-10.5%	(24,088)	-3.5%	(122,558)	-7.5%
Net Revenue	935,536	100.0%	691,932	100.0%	1,627,468	100.0%
Costs (COGS)	(220,001)	-23.5%	(288,061)	-41.6%	(508,062)	-31.2%
Cost of Goods	(21,618)	-2.3%	(193,945)	-28.0%	(215,563)	-13.2%
Cost of Services	(198,383)	-21.2%	(94,116)	-13.6%	(292,499)	-18.0%
Faculty, Other Personnel and Third-Party Services	(174,566)	-18.7%	(80,688)	-11.7%	(255,254)	-15.7%
Rent	(4,386)	-0.5%	(2,562)	-0.4%	(6,949)	-0.4%
Materials	(3,273)	-0.3%	(1,102)	-0.2%	(4,375)	-0.3%
Maintenance	(5,497)	-0.6%	(7,298)	-1.1%	(12,794)	-0.8%
Other	(10,661)	-1.1%	(2,466)	-0.4%	(13,127)	-0.8%
Gross Income	715,535	76.5%	403,871	58.4%	1,119,406	68.8%
Operating Expenses	(161,905)	-17.3%	(72,304)	-10.4%	(234,209)	-14.4%
Personnel, General and Administrative Expenses	(161,905)	-17.3%	(72,304)	-10.4%	(234,209)	-14.4%
Personnel Expenses	(77,282)	-8.3%	(45,627)	-6.6%	(122,909)	-7.6%
General and Administrative Expenses	(84,623)	-9.0%	(26,677)	-3.9%	(111,300)	-6.8%
Provision for Doubtful Accounts - PDA	(207,754)	-22.2%	(6,187)	-0.9%	(213,940)	-13.1%
(+) Interest and Penalties on Tuition	53,653	5.7%	221	0.0%	53,874	3.3%
(+) Equity	(478)	-0.1%	-	0.0%	(478)	0.0%
Sales and Marketing Expenses	(151,306)	-16.2%	(52,842)	-7.6%	(204,149)	-12.5%
Operating Result	247,745	26.5%	272,759	39.4%	520,504	32.0%
Corporate Expenses	(55,820)	-6.0%	(24,430)	-3.5%	(80,250)	-4.9%
(+) Opening Balance; Reversals of Contingencies	8,108	0.9%	88,041	12.7%	96,149	5.9%
(-) Nonrecurring Items	(25,611)	-2.7%	(5,985)	-0.9%	(31,596)	-1.9%
EBITDA	174,422	18.6%	330,385	47.7%	504,807	31.0%
Depreciation and Amortization					(289,070)	-17.8%
Financial Result					(226,936)	-13.9%
Income and Social Contribution Tax					(26,610)	-1.6%
Minority Interest					(1,314)	-0.1%
Net Profit					(39,122)	-2.4%
(+) Intangible Amortization (Acquisitions)					82,631	5.1%
(+) inventory surplus value					3,300	0.2%
Adjusted Net Profit					46,809	2.9%

APPENDIX 4 – QUARTERLY CORPORATE INCOME STATEMENT

	1Q20	% Net Rev.	1Q19	% Net Rev.	1Q20 / 1Q19	4Q19	% Net Rev.	1Q20 / 4Q19
	(In thousand reais, except otherwise indicated)							
Gross Revenue	2,055,680	126.3%	2,300,215	125.1%	-10.6%	2,355,702	122.1%	-12.7%
Kroton	1,241,596	76.3%	1,612,098	87.7%	-23.0%	1,438,310	74.5%	-13.7%
Platos	21,780	1.3%	35,944	2.0%	-39.4%	22,264	1.2%	-2.2%
Saber	250,753	15.4%	241,391	13.1%	3.9%	218,168	11.3%	14.9%
Vasta	428,067	26.3%	359,587	19.6%	19.0%	330,449	17.1%	29.5%
Outros	113,484	7.0%	51,195	2.8%	121.7%	346,511	18.0%	-67.2%
Deductions from Gross Revenue	(428,212)	-26.3%	(461,108)	-25.1%	-7.1%	(425,992)	-22.1%	0.5%
Kroton	(358,900)	-22.1%	(374,497)	-20.4%	-4.2%	(351,377)	-18.2%	2.1%
Platos	(112)	-0.0%	(4,842)	-0.3%	-97.7%	(151)	-0.0%	-25.8%
Saber	(40,215)	-2.5%	(45,415)	-2.5%	-11.4%	(43,648)	-2.3%	-7.9%
Vasta	(25,607)	-1.6%	(34,223)	-1.9%	-25.2%	(28,212)	-1.5%	-9.2%
Outros	(3,378)	-0.2%	(2,131)	-0.1%	58.5%	(2,605)	-0.1%	29.7%
Net Revenue	1,627,468	100.0%	1,839,107	100.0%	-11.5%	1,929,710	100.0%	-15.7%
Kroton	882,696	54.2%	1,237,601	67.3%	-28.7%	1,086,933	56.3%	-18.8%
Platos	21,668	1.3%	31,102	1.7%	-30.3%	22,113	1.1%	-2.0%
Saber	210,538	12.9%	195,976	10.7%	7.4%	174,520	9.0%	20.6%
Vasta	402,460	24.7%	325,364	17.7%	23.7%	302,238	15.7%	33.2%
Outros	110,106	6.8%	49,064	2.7%	124.4%	343,906	17.8%	-68.0%
Costs of Goods/Services	(653,240)	-40.1%	(682,239)	-37.1%	-4.3%	(812,418)	-42.1%	-19.6%
Cost of Goods Sold	(170,836)	-10.5%	(120,558)	-6.6%	41.7%	(291,249)	-15.1%	-41.3%
Cost of Services Rendered	(482,404)	-29.6%	(561,681)	-30.5%	-14.1%	(521,169)	-27.0%	-7.4%
Gross Income	974,228	59.9%	1,156,868	62.9%	-15.8%	1,117,292	57.9%	-12.8%
Operating Expenses	(812,366)	-49.9%	(763,239)	-41.5%	6.4%	(854,350)	-44.3%	-4.9%
Selling Expenses	(418,001)	-25.7%	(351,037)	-19.1%	19.1%	(486,457)	-25.2%	-14.1%
General and Administrative Expenses	(392,825)	-24.1%	(415,241)	-22.6%	-5.4%	(408,789)	-21.2%	-3.9%
Other Operating Income (Expenses)	(1,062)	-0.1%	2,462	0.1%	-143.1%	41,031	2.1%	-102.6%
Equity in the results of investees	(478)	-0.0%	577	0.0%	-182.8%	(136)	-0.0%	251.5%
Income before Financial Result	161,862	9.9%	393,629	21.4%	-58.9%	262,942	13.6%	-38.4%
Financial Result	(173,060)	-10.6%	(137,143)	-7.5%	26.2%	(331,914)	-17.2%	-47.9%
Financial Expenses	(262,347)	-16.1%	(245,355)	-13.3%	6.9%	(402,095)	-20.8%	-34.8%
Financial Revenues	89,287	5.5%	108,212	5.9%	-17.5%	70,181	3.6%	27.2%
Income from Operations	(11,198)	-0.7%	256,486	13.9%	-104.4%	(68,972)	-3.6%	-83.8%
Income and Social Contribution Tax	(26,609)	-1.6%	(6,337)	-0.3%	319.9%	(99,416)	-5.2%	-73.2%
Current	(45,007)	-2.8%	(53,240)	-2.9%	-15.5%	(25,900)	-1.3%	73.8%
Deferred	18,398	1.1%	46,903	2.6%	-60.8%	(73,516)	-3.8%	-125.0%
Net Income	(37,807)	-2.3%	250,149	13.6%	-115.1%	(168,388)	-8.7%	-77.5%
Net Income Attributed to Controlling Shareholders	(39,120)	-2.4%	238,241	13.0%	-116.4%	(168,582)	-8.7%	-76.8%
Net Income Attributed to Non-Controlling Shareholders	1,313	0.1%	11,908	0.6%	-89.0%	194	0.0%	576.8%

APPENDIX 4 – CASH FLOW STATEMENT

R\$ 000	1Q20	1Q19	4Q19
Net Income before Income Taxes	(11,198)	256,485	(68,706)
Net Income (Loss) Adjustments before Income Taxes			
Depreciation and Amortization	289,070	255,085	231,674
Editorial Costs	31,278	-	109,990
Provision for Doubtful Accounts	213,940	210,872	342,239
Accounts Receivable - adjusted to present value	(4,930)	-	-
Provision for Tax, Labor and Civil Losses	(75,871)	(29,506)	(118,464)
Provision (Reversal) for Inventories Losses	18,578	2,145	(16,731)
Financial Charges	122,868	145,185	220,110
Income from Securities	-	(33,887)	(15,293)
Grant of Stock Options	7,561	1,671	(2,425)
Finance lease	102,839	-	168,400
Income from sale or disposal of assets and other investments	8,563	8,177	(14,322)
Result of Equity Restatement	(478)	(577)	(136)
Changes in Working Capital	(729,428)	(936,038)	(329,002)
(Increase) Reduction in Accounts Receivable (ex-FIES)	(222,950)	(390,517)	(575,776)
(Increase) Reduction in Accounts Receivable FIES	41,174	(151,792)	102,240
(Increase) Reduction in Inventories	(39,806)	(21,722)	(31,765)
(Increase) Reduction in Advances	4,489	(14,348)	(31,738)
(Increase) Reduction in Recoverable Taxes	6,954	(16,490)	(44,926)
(Increase) Decrease in Escrow Deposits	2,578	6,075	(15,952)
Increase (Decrease) in Other Assets	(91,767)	(35,841)	8,442
Increase (Reduction) in Suppliers	(154,259)	(35,874)	285,927
Finance Lease Payment Rentals	(37,960)	-	(35,786)
Leasing interest paid	(102,949)	-	(98,998)
Increase (Decrease) in Payroll and Related Taxes	(8,354)	(40,487)	(88,478)
Increase (Decrease) in Fiscal Obligations	(18,470)	(131,276)	36,772
Increase (Decrease) in Advances to Clients	(21,395)	(6,701)	132,659
(Decrease) in Taxes Installments	(2,695)	(2,878)	(2,562)
(Decrease) in Provision for Tax, Labor and Civil Losses	(53,691)	(37,212)	(42,371)
Increase (Decrease) in Other Liabilities	(30,327)	(56,975)	73,310
Income Tax and Social Contribution	(314)	(2,774)	(18,206)
Capex	(91,990)	(106,637)	(121,761)
Additions to Fixed Assets	(27,632)	(25,219)	(78,698)
Additions to Intangible Assets	(64,357)	(81,418)	(43,063)
Cash Flow from Operating Activities after Capex - Recurring	(119,512)	(229,799)	367,367
Capex - Special Projects	(27,158)	(45,175)	(60,151)
Brownfields	(27,158)	(45,175)	(60,151)
Cash Flow from Operating Activities after total Capex	(146,670)	(274,973)	307,216
(+) M&A Activities	(51,773)	(61,370)	132,216
Investment acquisitions	-	(61,370)	(0)
Accounts Receivable from former owners	-	-	133,834
Payment for acquisition of companies	(51,915)	-	(3,491)
M&A Costs and Expenses	142	-	1,873
Proceeds from sale of investments	-	-	-
(+) Cash Flow from Financing Activities	2,282,106	(252,222)	(33,948)
Sale (Acquisition) of Treasury Shares	8,660	-	3,984
Capital Increase, Net of Issuance Costs	2,485,151	-	-
Debentures, Loans and Financing Payments	-	-	-
Payments of Borrowings and Financing	(642)	(593)	(21,385)
Interest Paid on Borrowings and Debentures	(213,177)	(278,286)	(22,822)
Redemption (Investment) of Securities	2,114	26,657	14,022
Payment of Dividends	-	-	(7,747)
(=) Cash Flow from Non-Operating Activities	2,230,333	(313,592)	98,268
Total Cash Generation	2,083,663	(588,565)	405,484
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the Start of the Period	825,635	2,583,881	420,151
Cash and Cash Equivalents at the End of the Period	2,909,298	1,995,316	825,635
Net Increase (Decrease) in Cash and Cash Equivalents	2,083,663	(588,565)	405,484