

2Q19 Earnings Release

Recife, August 9, 2019 – Ser Educacional S.A. (B3 SEER3, Bloomberg SEER3:BZ and Reuters SEER3.SA), announces its results for the second quarter of 2019 (2Q19). The basis for presentation and analysis of results are described on page 2 of this document.

- **Total student base grew by 1.5%** in 1H19, from 163,000 students to 165,500 students, mainly due to the 50.9% increase in the Distance Learning student base (undergraduate + graduate).
- At the end of 1H19, the Company had **226 Distance Learning centers, an increase of 11%** compared to 203 centers at the end of 1H18.
- In 2Q19, **Adjusted EBITDA** for non-recurring effects totaled **R\$88.4 million**, a decrease of 16.2% compared to the R\$105.5 million registered in 2Q18. Adjusted EBITDA margin was 4.5 p.p. lower, reaching 26.6%, versus 31.1% in 2Q18.
- **Adjusted EBITDA from the Distance Learning segment reached R\$6.3 million, with adjusted EBITDA margin of 17.3%**, recording its first semester with a positive result since the beginning of its operations.
- **The average collection period declined by 13 days** in the quarter, from 120 days in 2Q18 to 107 days in 2Q19, mainly due to the reduction in the average collection period from the FIES program, which settled the remaining balance of the agreement signed with the Federal Government in 2015.
- **Net income totaled R\$59.0 million in 2Q19**, a decrease in relation to the comparable adjusted net income of R\$70.2 million registered in 2Q18.

Adjusted income reached R\$0.42 per share, down by 31.4% compared to R\$0.61 per share in 2Q18 Comparable.

2Q19 Conference Call

August 9, 2019

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Financial Highlights (R\$ '000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
Net Revenue	332,605	339,167	-1.9%	636,769	656,416	-3.0%
Adjusted Cash Gross Profit	217,630	225,664	-3.6%	402,364	424,225	-5.2%
Adjusted Cash Gross Margin	65.4%	66.5%	-1.1 p.p.	63.2%	64.6%	-1.4 p.p.
Adjusted EBITDA	88,400	105,516	-16.2%	185,467	183,736	0.9%
Adjusted EBITDA Margin	26.6%	31.1%	-4.5 p.p.	29.1%	28.0%	1.1 p.p.
Adjusted Net Income	53,794	83,339	-35.5%	117,843	141,871	-16.9%
Adjusted Net Margin	16.2%	24.6%	-8.4 p.p.	18.5%	21.6%	-3.1 p.p.
Adjusted Net Income per Share	0.42	0.61	-31.4%	0.92	1.04	-11.8%
Net Income	59,006	70,172	-15.9%	115,098	124,218	-7.3%
Net Margin	17.7%	20.7%	-2.9 p.p.	18.1%	18.9%	-0.8 p.p.

- On April 17, 2019, the Company **announced the acquisition, through its subsidiary CENESUP, of UNINORTE in Manaus (AM)** for a purchase price (enterprise value) of R\$194.8 million, from which the net debt of R\$9.8 million will be deducted, as applicable. On December 31, 2018, UNINORTE had a total of 25,200 active enrolled students – 23,200 undergraduate and 2,000 graduate students – as well as an adjusted EBITDA of R\$18.7 million. The transaction is in line with Ser Educacional’s strategy of becoming a relevant player in the North and Northeast regions and to maintain its operations in other regions of Brazil, as it strengthens its presence in the northern region of Brazil by taking on a significant number of undergraduate students in Manaus, through a brand recognized in the city, which won the top of mind survey in the last 8 consecutive years, and becoming a market benchmark in the two largest cities in this region, as the group is already a market leader in Belém, in the state of Pará. The conclusion of the transaction is subject to the Brazilian Antitrust Authority (CADE) approval and the fulfillment of certain preceding conditions that are common for these types of operations.
- On May 24, 2019, the Company carried out the **extraordinary distribution of dividends in the amount of R\$250.0 million, representing R\$1.942177 per share**, as resolved at the Company’s Board of Directors meeting held on May 9, 2019. The distribution of dividends is aimed at optimizing the Company’s capital structure. Accordingly, the Board of Directors also resolved to change its dividend policy by providing for a minimum distribution of 30% of net income, to be calculated semiannually.
- **Fitch Ratings affirmed the ‘AA-(bra)’ Long-term National Rating** of Ser Educacional S.A. and the Company’s second issue of unsecured debentures, in the amount of R\$200 million and final maturity in 2021. The corporate rating outlook was considered “Stable” mainly impacted by the adverse macroeconomic scenario. According to the statement issued by the agency, “Ser Educacional’s rating is based on its strong credit indicators, supported by a conservative capital structure and adequate liquidity, as well as consistent operating cash flow and positive free cash flow (FCF) from 2020”.
- In July 2019, **Ser Educacional group’s Distance Learning segment received the Blackboard Catalyst Award**, unprecedented for Brazilian companies, in the Student Success category, for the “Tutor Guardião” project, due to the project’s success in its student retention and support initiatives, using the Blackboard Analytics for Learn solution with motivational study techniques in Distance Learning education.
- In August 2019, **Ser Educacional had 3 courses in the top 10 distance learning courses** according to [EAD Ranking](#), published by Canvas, Rede Rankitacs, ABED (Brazilian Association for Distance Education), ABTD (Brazilian Association for Training and Development) and the Gestão RH group. The ranking highlights UNINASSAU Recife’s Portuguese Language Graduation course, which was placed 1st among the undergraduate courses.

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

The information is presented in accordance with international financial reporting standards (IFRS) and consolidated in Brazilian Reals (R\$). Comparisons refer to the second quarter of 2018, unless otherwise indicated. As of 1Q19, the Company adopted IFRS 16 – Leases / CPC 06 (R2), which replaces existing lease standards, including CPC 06 (R1) (IAS 17), Leasing Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27), Complementary Aspects of Leasing Operations. The new standard establishes a single lease model, based on the right to use an asset for a period of time in exchange for consideration, similarly to financial leases.

In 2Q19, the Company revised the specific aspects of the new standard, as it already applied the previous standard, and identified the need to change the calculation methodology used to re-measure previous contracts, resulting in an

increase, from R\$118.2 million to R\$289.7 million, already recorded in 1Q19 as “Right of Use” in assets and “Lease Obligations” in liabilities. Despite the increase in assets and liabilities generated by the review, the effect of this change in 2Q19’s results reduced the impact of the adoption of the standard by R\$0.7 million.

For comparison purposes, the Company prepared the income statement for the previous quarters for the 2018 fiscal year applying the IFRS 16 standards (Pro Forma and Non-Audited by the independent auditors), and called these figures “2Q18 Comparable and 6M18 Comparable”. The reconciliation of these results is demonstrated in the “IFRS 16 Reconciliation” section of this document.

Message from Management

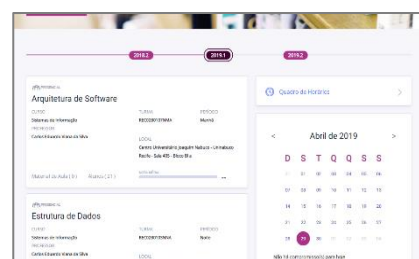
Ser Educacional ends the first half of 2019 with significant advances in relation to the execution of its business plan in the Brazilian higher education segment, based on 3 fundamental pillars: (i) organic growth in the on-campus education segment, (ii) consolidate and expand its activities in the Distance Learning segment and (iii) growth through acquisitions.

The Company continued the maturation of 14 units opened in recent years, still considered in the initial stage of operation or in the maturation process, and began preparing for the opening of a new unit during the second half of 2019. The new unit will be launched in the Campus 2.0 model, a new concept as part of the **#serdigital** initiatives, aimed at an overall digital transformation of the Company, which began in April 2018.

Campus 2.0 is increasingly integrating on-campus, semi-distance, hybrid, and 100% online courses in modern units with premium lab facilities and classroom infrastructure. The new units in the Campus 2.0 model are also differentiated in terms of location, prioritized to start operations in shopping malls, or close to them, following market trends and young people’s preference and, therefore, offering an increasingly attractive value proposition, combining quality education through brands recognized in the job market, with convenience and experience, at affordable prices, increasingly relevant to students.

The new concept is also being gradually implemented in the legacy units, since a significant part of the model is focused on the Company’s digital transformation. In the first half of the year, significant advances were made in its teaching platform that can be used across all units, of which we highlight:

- **New student and teacher portals:** platforms with more intuitive and modern layout, new features to facilitate academic and student and teaching activities.
- **Migration to Blackboard:** implementation of the new version of the LMS (Learning Management System) used by the Company, which provides a faster and more convenient access of students to Distance Learning modules. The migration process was successfully executed in July 2019.
- **Virtual labs:** software that enables students to attend practical classes from anywhere using flexible technology that allows students to perform directly from their computers, tablets, or even through virtual reality glasses. Virtual labs provide students greater flexibility, enabling them to perform an even wider range of distance learning activities, which may lead to the increase of the portfolio of Distance Learning courses offered by the centers over time, or increase the reach of units offering hybrid courses.
- **Remodeling of Distance Learning modules:** started the conversion to a new pedagogical and technological concept, providing students with even greater interactivity, access to games, infographics and practical activities, and facilitating the learning process in order to reduce students’ difficulty in adapting to Distance Learning education.



New teacher portal



New virtual labs

- **Training for the use the new teaching methodology:** in 2019.1, training was implemented for a new teaching methodology, based on active teaching methodologies with the support of applications dedicated to the education sector. Teachers of the first courses were trained in all units of the Company, in order to implement a new, more modern academic culture, focused on improved quality of education, more attractive to its target audience, integrating higher education and Distance Learning education.



New teaching methodology using active methodologies and applications

Regarding the Distance Learning segment, the Company had a positive semester, with 23 new centers opened, expanding the Distance Learning center base to 226 at the end of 1H19, compared to 203 at the end of 1H18, an increase of 11%. The student base (undergraduate + graduate) grew by 51% in the semester and, as a result, the Distance Learning segment ended the six-month period with a positive EBITDA margin of 17.3%, the first positive result since the beginning of its operations.

The acquisition of UNINORTE, announced in April 2019, is being processed by CADE. The management remains confident that the transaction will have the potential to create value for Ser Educacional, with the possibility of adding a brand of strong recognition in the northern region of Brazil in the regional brand portfolio, as well as generating operational synergies in revenues and costs, since the institution does not operate in the 100% online Distance Learning segment and has operating margins below those recently recorded by the Company. Also in the M&A segment, the Company continues to evaluate new growth opportunities in higher education, especially cases that may complement its activities.

The Brazilian higher education scenario is still challenging, with low economic activity and high unemployment indicators. On the other hand, 2019 has not been affected by the chain of non-recurring events that reduced economic activity during the second half of 2018, such as the truck drivers' strike, the FIFA World Cup and the uncertainties generated by the presidential and state governor elections.

In this sense, the Company opted to maintain its cost and expense discipline plan, introduced in 2Q18. However, it began to increase its marketing activities in order to resume its student base growth once the maturation of its new units is accelerated and the economic activity in the cities where it has its largest operations is recovered.

The Ser Educacional group has focused its efforts on keeping the Company with a lean operating structure, as well as the efficient management of its accounts receivable, even if this represents a higher dropout rate for financial reasons, in order to remain prepared to resume its historical operating margins as soon as economic activity improves. At the same time, it maintains investments allocated to activities that guarantee the Company's sustainability and growth capacity, in order to take advantage of the possible resumption of the Brazilian economic cycle, especially the reduction of unemployment levels.

OPERATING PERFORMANCE

The first half of 2019 also ended in a highly competitive scenario, similar to that observed in 2018, with prolonged unemployment and low economic growth, which leads to a lower disposable income of students for investment in education.

Despite the adverse scenario, the Company had already enrolled 60,100 students at the end of 1H19, compared to 53,500 new students in the same period in 2018, an increase of 12.5%.

Student Enrollment			
In thousands	1H19	1H18	% Chg
Undergraduate Enrollments	60.1	53.5	12.5%
Distance Learning	17.7	12.5	41.0%
On-campus	42.4	40.9	3.7%
Graduate Enrollments	5.3	3.6	48.1%
On-campus	1.6	2.3	-29.3%
Distance Learning	3.7	1.3	183.0%
Vocational (On Campus + Distance Learning)	1.2	0.2	518.9%
TOTAL	66.7	57.2	16.5%

On-campus undergraduate student intake

In 1H19, the on-campus undergraduate student intake process registered a 3.7% increase compared to 1H18, with the enrollment of 42,400 students. The enrollment of non-FIES students grew by 3.3% and the enrollment of FIES students increased by 18.2%, however, the Federal Government reduced the number of vacancies in the program, from 1,100 students in 1H18 to 1,300 students in 1H19.

The increase in student intake in the first half of 2019 is mainly due to the Company's commercial efforts to improve student experience through the offer of a broader range of courses, especially in the health area, introduction of the Campus 2.0 concept, as well as a more dynamic pricing strategy and reduced selling expenses, which led to a more efficient intake process.

At the end of 1H19, of the total number of new students enrolled, approximately 2,700 students adhered to student financing programs, 300 of which enrolled through PraValer, 1,100 through Educured and 1,300 through FIES. In 1H18, of the 3,900 students who adhered to student financing programs, 1,100 students enrolled through FIES, 1,200 through PraValer and 1,600 through Educured. As a result, the percentage of students enrolled through financing programs went from 9.6% in 1H18 to 6.3% in 1H19. It is worth mentioning that the Company's intake resumed its growth, even with FIES representing only about 3.0% of all student intake in the semester.

The total number of new finalized FIES contracts up to June 30, 2019 was 1,600 (1,300 freshmen and 300 upperclassmen), filling approximately 26% of the 6,200 vacancies allocated to the Company by the Federal Government in 2019.1, versus 29% of the 4,900 vacancies available in 2018.1.

Distance Learning undergraduate student intake

The Distance Learning segment presented a consistent intake performance, with a 41.0% growth and 17,700 students enrolled, compared to 12,500 students in 1H18. This increase was mainly due to the maturation of the Company's operations in this segment, improved management of Distance Learning centers and the introduction of the Campus 2.0 concept and semi-distance courses. Up to June 30, 2019, the Company had 226 Distance Learning centers in operation.

Graduate student intake

The on-campus graduate segment showed a 29.3% drop in intake in 1H19, due to a change in the Company's business practices, reducing the number of partnerships and creating stricter parameters for the formation of

classes, in order to focus on operating margins per course, which resulted in a drop of 23.0% in the final student base of on-campus graduate courses in 1H19.

On the other hand, the Distance Learning graduate segment had an increase of 183.0%, reaching 3,700 students in 1H19, compared to 1,300 students in 1H18.

As a result, total graduate student intake showed a positive variation of 48.1%, from 3,600 students in 1H18 to 5,300 students in 1H19 and, consequently, the total graduate student base rose by 20.8%.

Student Growth Trends

Number of Students	Undergraduate		Graduate		Vocational		Total
	On Campus	Distance Learning	On Campus	Distance Learning	On Campus	Distance Learning	Total
2019.1							
Dec18 Base	127,837	13,759	5,235	3,123	183	72	150,209
Enrollments	42,444	17,672	1,613	3,702	1,230	14	66,675
Leavers	(13,064)	(267)	(1,860)	(353)	(14)	-	(15,558)
Dropouts	(24,671)	(10,854)	(123)	(53)	(118)	(25)	(35,844)
Jun19 Base	132,546	20,310	4,865	6,419	1,281	61	165,482
% Jun19 Base / Dec18 Base	3.7%	47.6%	-7.1%	105.5%	600.0%	-15.3%	10.2%
% Jun19 Base / Jun18 Base	-4.4%	38.2%	-23.0%	112.7%	543.7%	-11.6%	1.5%

The on-campus undergraduate student base totaled 132,500 students, 4.4% lower compared to the 138,700 students registered in 1H18, still due to the high dropout rate, a reflection of the current economic scenario of high and prolonged unemployment levels and lower disposable income, combined with the Company's policy of maintaining its student base's credit risk profile adequate to its operating cash generation policy. In addition, the Company had a high volume of graduating students due to the higher number of students enrolled in previous years.

The Distance Learning undergraduate and graduate student base increased by 50.9%, from 17,700 students in 1H18 to 26,700 in 1H19. Total student base grew by 1.5% compared to June 30, 2018.

Dropout Rate

On-campus undergraduate student dropout rate

The 1H19 re-enrollment rate of on-campus programs reached 92.4% of the renewable base, an increase of 1.6 p.p. compared to 1H18, when the indicator was 90.8%. The 1H19 dropout rate was 15.7%, versus 14.6% in 1H18. This increase is mainly due to the maintenance of high unemployment levels in Brazil and the Company's re-enrollment policy, which focuses on the students' credit profile.

Average Net Ticket

Average Ticket (R\$)	2Q19	2Q18	% Chg. 2Q19 x 2Q18
On Campus Undergraduate	769.09	763.77	0.7%
Distance Learning Undergraduate	235.38	241.26	-2.4%
Total Net Average Ticket	664.90	685.22	-3.0%

In 2Q19, the average ticket was R\$769.09, up by 0.7% year-on-year, mainly due to the pass-through of inflation and the improvement in the course mix, gradually increasing the share of engineering and health courses, partially offset by the increase in discounts and scholarships in the year.

In the Distance Learning segment, the average ticket decrease by 2.4% compared to 2Q18, mainly due to the higher participation of 100% online postgraduate and undergraduate courses, due to the growth of the Company's distance learning, especially in the partner centers that offset the improvement in the course mix in the engineering and health areas, the introduction of semi-distance courses and the pass-through of inflation.

As the Distance Learning student base increased from 11% to 16% of the total student base and there was an increase of the average ticket in the on-campus segment, partially offset by the increase in discounts and scholarships, as mentioned above, the overall average ticket decreased by 3.0% in 2Q19.

Student Financing

STUDENT LOANS	Dec/13	Dec/14	Dec/15	Dec/16	Dec/17	2Q18	Dec/18	2Q19
On Campus Undergraduate Students	70,255	101,195	123,988	131,092	133,945	138,670	127,837	132,546
FIES Students	31,432	48,048	56,089	58,840	55,565	48,154	40,427	34,554
% of FIES Students	44.7%	47.5%	45.2%	44.9%	41.5%	34.7%	31.6%	26.1%
EDUCRED Students			754	1,922	2,390	3,905	3,952	4,439
% of EDUCRED Students			0.6%	1.5%	1.8%	2.8%	3.1%	3.3%
PRAVALER Students			954	1,794	2,873	3,352	3,265	1,841
% of PRAVALER Students			0.8%	1.4%	2.1%	2.4%	2.6%	1.4%
Total Students Loans			57,797	62,556	60,828	55,411	47,644	40,834
% of Total Students Loans			46.6%	47.7%	45.4%	40.0%	37.3%	30.8%

On June 30, 2019, FIES students accounted for 26.1% of the on-campus undergraduate student base, a reduction of 8.7 p.p. compared to the 34.7% recorded at the end of 2Q18. This decline is due to the Federal Government's decision to reduce the number of vacancies in the FIES program as of 2015, with a further decrease as of 2018.

As of April 2015, the Company re-designed its student financing plans, offering new student financing products through PraValer, one of Brazil's largest private programs, and the re-launch of Educred, the Company's own student loan program, which enables students to pay a portion of their semiannual tuition fee after they graduate or drop out. With these changes in private financing alternatives, approximately 1,400 students enrolled through PraValer and Educred in 1H19. On June 30, 2019, the Company had approximately 6,300 students enrolled through Educred and PraValer, equivalent to 4.7% of the 1H19 on-campus undergraduate student base.

Organic Growth

In 2Q19, 39 new courses were authorized, giving a total of 1,698, while the number of vacancies in some courses also increased. As a result, in June 2019, the Company had approximately 1,069.4 thousand vacancies per year, 688,500 of which in the Distance Learning segment. Ser Educacional continues to develop its organic growth strategy based on the accreditation of new units and Distance Learning centers, as well as the authorization of new courses.

FINANCIAL PERFORMANCE

Gross Revenue

Gross Revenue - Accounting (R\$ '000)	2Q19	2Q18	% Chg. 2Q19 x 2Q18	6M19	6M18	% Chg. 6M19 x 6M18
Gross Operating Revenue	562,017	471,604	19.2%	1,058,875	908,783	16.5%
Undergraduate Monthly Tuition	519,025	442,195	17.4%	973,835	852,203	14.3%
Graduate Monthly Tuition	7,001	6,968	0.5%	14,585	14,207	2.7%
Vocational Courses Revenues	480	404	19.0%	983	685	43.5%
Distance Learning Revenues	32,854	18,927	73.6%	62,723	34,532	81.6%
Others	2,657	3,110	-14.6%	6,749	7,156	-5.7%
Deductions from Gross Revenue	(229,412)	(132,437)	73.2%	(422,106)	(252,367)	67.3%
Discounts and Scholarships	(155,769)	(66,886)	132.9%	(287,377)	(129,396)	122.1%
PROUNI	(54,770)	(43,367)	26.3%	(99,308)	(80,719)	23.0%
FGEDUC And FIES charges	(7,929)	(10,268)	-22.8%	(14,553)	(19,385)	-24.9%
Taxes	(10,944)	(11,916)	-8.2%	(20,868)	(22,867)	-8.7%
% Discounts and Scholarships/ Net Oper. Rev.	27.7%	14.2%	13.5 p.p.	27.1%	14.2%	12.9 p.p.
Net Operating Revenue	332,605	339,167	-1.9%	636,769	656,416	-3.0%
Undergraduate Monthly Tuition	306,246	317,716	-3.6%	582,989	614,017	-5.1%
Graduate Monthly Tuition	4,936	5,223	-5.5%	10,304	10,735	-4.0%
Vocational Courses Revenues	448	379	18.2%	919	643	43.0%
Distance Learning Revenues	18,921	12,874	47.0%	36,581	24,140	51.5%
Others	2,054	2,976	-31.0%	5,976	6,882	-13.2%

In 2Q19, gross revenue totaled R\$562.0 million, up 19.2% on 2Q18. This increase reflects the pass-through of prices of 6% in the comparison between the two periods and the difference between 6% and 19.2% also refers to the improvement in the course mix, but mainly to the final effect of the implementation of IFRS 15, which began to recognize monthly tuition fees without the discount for timely payment from 2018, being applied only to the open monthly fees in the first half of 2018 and to 100% of the monthly fees billed in the second half of 2018. This change led to a R\$38.3 million increase in gross revenue and in the discounts and scholarships line in this quarter, which were not reflected in the second quarter of 2018.

Net revenue was R\$332.6 million in 2Q19, a 1.9% decrease compared to 2Q18, mainly due to the 4.4% reduction in the on-campus student base, partially offset by the 50.9% growth in the Distance Learning undergraduate and graduate student base, which resulted in an increase of 1.5% in the total student base. This change in the student base mix with a higher volume of Distance Learning students, which went from 11% to 16% of the total student base, led to a 3.0% drop in the overall average ticket. As mentioned above, the change in the application of IFRS 15 generated an increase of R\$38.3 million in gross revenue and discounts for timely payment.

Cost of Services Rendered

Breakdown of Cost of Services Rendered ¹ Accounting (R\$ '000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
Cash Cost of Services Rendered	(116,130)	(118,831)	-2.3%	(231,556)	(239,217)	-3.2%
Payroll and Charges	(94,175)	(103,752)	-9.2%	(183,314)	(195,507)	-6.2%
Rent	2,317	3,883	-40.3%	(7,651)	(8,755)	-12.6%
Concessionaires (Electricity, Water and Telephone)	(10,983)	(9,344)	17.5%	(20,092)	(18,545)	8.3%
Third-Party Services and Others	(13,289)	(9,618)	38.2%	(20,499)	(16,410)	24.9%

¹ Excluding depreciation and amortization.

The cash cost of services rendered (excluding depreciation and amortization) totaled R\$116.1 million in 2Q19, down 2.3% on 2Q18 comparable. The most significant components of service costs registered a variation in the quarter mainly due to the following reasons:

a) Payroll and charges decreased 9.2% in 2Q19 over 2Q18, mainly due to the personnel structure optimization carried out in 2018 in order to adjust the teacher and employee base to the Company's current student base, especially in the on-campus higher education segment. In this scenario, the Company incurred non-recurring costs in the amount of R\$1.2 million in the quarter, which can be better analyzed in the table presented below.

b) After the additional adjustments for the adoption of IFRS 16 (as detailed in "Basis for presentation of results"), the line rental costs recorded a positive balance for 2Q19 and 2Q18. Excluding the effect of the adjustments, rental expense in 2Q19 and 2Q18 was R\$4.1 million and R \$4.6 million, respectively, due to the reduction in the rental property base.

c) The "Concessionaires" line increased by 17.5%, closing 2Q19 at R\$11.0 million vs. R\$9.3 million in 2Q18, due to the increase in tariffs in several states of the Company's operation, varying on average between 6% and 15%, and the start-up of new units that started to increase their student base.

d) Third-party Services and Others rose by 38.2%, from R\$9.6 million in 2Q18 to R\$13.3 million in 2Q19, due to the hiring of a larger number of service providers, mainly to support health courses (preceptorship and practical classes), costs related to licenses for Distance Learning courses and online modules for on-campus students, as well as the transfer of tuition revenue to partner centers.

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

Breakdown of Cost of Services Rendered¹ Adjusted (R\$ '000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
Cash Cost of Services Rendered	(114,975)	(113,503)	1.3%	(227,511)	(232,191)	-2.0%
Payroll and Charges	(93,020)	(98,424)	-5.5%	(179,269)	(188,481)	-4.9%
Rent	2,317	3,883	-40.3%	(7,651)	(8,755)	-12.6%
Concessionaires (Electricity, Water and Telephone)	(10,983)	(9,344)	17.5%	(20,092)	(18,545)	8.3%
Third-Party Services and Others	(13,289)	(9,618)	38.2%	(20,499)	(16,410)	24.9%

¹ Excluding depreciation and amortization.

Gross Profit

Gross Profit - Accounting (R\$ '000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
Net Operating Revenue	332,605	339,167	-1.9%	636,769	656,416	-3.0%
Cost of Services Rendered	(146,687)	(143,767)	2.0%	(284,748)	(281,558)	1.1%
Gross Profit	185,918	195,400	-4.9%	352,021	374,858	-6.1%
Gross Margin	55.9%	57.6%	-1.7 p.p.	55.3%	57.1%	-1.8 p.p.
(-) Depreciation	30,557	24,936	22.5%	53,192	42,341	25.6%
Cash Gross Profit	216,475	220,336	-1.8%	405,213	417,199	-2.9%
Cash Gross Margin	65.1%	65.0%	0.1 p.p.	63.6%	63.6%	0.1 p.p.

Comparable cash gross profit decreased by 1.8%, from R\$220.3 million in 2Q18 to R\$216.5 million in 2Q19. The cash gross margin stood at 65.1% in 2Q19, in line compared to 2Q18, when it reached 65.0%, due to the 1.9% reduction in net revenues, comparing 2Q19 x 2Q18. The table below shows the adjusted cash gross profit by the main non-recurring cost effects increased by 3.6% mainly due to the increase in recurring costs with concessionaires and third party services:

Gross Profit - Adjusted (R\$ '000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
Net Operating Revenue	332,605	339,167	-1.9%	636,769	656,416	-3.0%
Cost of Services Rendered	(145,532)	(138,439)	5.1%	(280,703)	(274,532)	2.2%
Adjusted Gross Profit	187,073	200,728	-6.8%	356,066	381,884	-6.8%
Adjusted Gross Margin	56.2%	59.2%	-2.9 p.p.	55.9%	58.2%	-2.3 p.p.
(-) Depreciation	30,557	24,936	22.5%	53,192	42,341	25.6%
Adjusted Cash Gross Profit	217,630	225,664	-3.6%	409,258	424,225	-3.5%
Adjusted Cash Gross Margin	65.4%	66.5%	-1.1 p.p.	64.3%	64.6%	-0.4 p.p.

Operating Expenses (Selling, General and Administrative)

Operating Expenses - Accounting (R\$ '000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
General and Administrative Expenses	(113,937)	(104,939)	8.6%	(203,060)	(223,910)	-9.3%
Payroll and Charges	(35,573)	(36,538)	-2.6%	(70,472)	(71,648)	-1.6%
Third-Party Services	(16,651)	(8,238)	102.1%	(29,436)	(16,442)	79.0%
Advertising	(22,473)	(16,486)	36.3%	(42,200)	(52,257)	-19.2%
Materials	(3,556)	(4,466)	-20.4%	(6,933)	(9,914)	-30.1%
PDA	(22,311)	(21,880)	2.0%	(28,839)	(37,569)	-23.2%
Others	(9,632)	(10,798)	-10.8%	(17,586)	(23,068)	-23.8%
Depreciation and Amortization	(3,741)	(6,533)	-42.7%	(7,594)	(13,012)	-41.6%
Operating Income	88,970	89,860	-1.0%	164,448	151,309	8.7%
General and Administrative Expenses (Ex-Depreciation and Amortization)	(110,196)	(98,406)	12.0%	(195,466)	(210,898)	-7.3%

General and administrative expenses increased by 8.6%, from R\$104.9 million in 2Q18 to R\$113.9 million in 2Q19, mainly due to:

- Payroll and charges, which decreased 2.6% over 2Q18, mainly fueled by the administrative staff optimization as a result of the 2018 action plan and non-recurring severance pay of R\$0.5 million related to the adjustment of the administrative structure to support the Company's current student base. In the analysis excluding non-recurring effects, there was a 15.4% increase in personnel expenses, due to (i) the return of the bonus provision for executives in 2019, (ii) collective bargaining agreement and (iii) hiring personnel to support the growth of the total student base.
- Third-party services, which had an increase of 102.1%, from R\$8.2 million in 2Q18 to R\$16.7 million in 2Q19, mainly due to the hiring of a consulting firm to carry out the Ser Digital project, as well as expenses with legal fees and audit services to carry out due diligence for the acquisition of Uninorte. The Ser Digital project has the long-term strategic goal of preparing the Company's digital transformation in order to improve the students' experience in all stages of the learning process and contact with the Company's educational institutions. In 2Q19, non-recurring expenses related to these activities totaled approximately R\$6.7 million. Excluding these non-recurring effects, the Services Rendered line showed an increase of 55.5% in the comparison between quarters, mainly due to the outsourcing of cleaning services, building maintenance and the increase of expenses with IT service providers and in the legal area.
- Advertising expenses, which increased by 36.3%, from R\$16.5 million in 2Q18 to R\$22.5 million in 2Q19, representing 6.8% of net revenue. The rise reflects the effect of the resumption of the Company's intake growth, as well as the decrease in advertising expenses created by the absence of non-recurring events (truck drivers' strike and World Cup) in 2Q19. At that time the Company opted to reduce expenses due to these non-recurring events. In 2Q19, with the normalization of its activities and the expected resumption of economic development, the Company resumed its investments, returning to its seasonality. It is worth noting that, even with the increase in advertising expenses in 2Q19, this line totaled R\$42.2 million in the year to date, a 19.2% decrease compared to 6M18, which

demonstrates the Company's continued focus on maintaining its expenses more efficient, as student enrollment presented consolidated growth of 16.5% in the semester.

d) The Provision for Doubtful Accounts and Effective Losses line, increased by 2.0% compared to 2Q18, from R\$21.9 million in 2Q18 to R\$22.3 million in 2Q19, mainly due to the reduction in the FIES student base.

e) Materials, which fell 20.4%, from R\$4.5 million in 2Q18 to R\$3.6 million in 2Q19, due to the ongoing expense reduction plan, which led to a downturn in these expenses in existing operations, as well as a decline in the volume of accreditation of new courses and units.

f) Other expenses, which decreased by 10.8%, from R\$10.8 million in 2Q18 to R\$9.6 million in 2Q19, following a reduction in the number of new units in preparation to be accredited.

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

Operating Expenses - Adjusted (R\$ '000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
General and Administrative Expenses	(106,795)	(96,890)	10.2%	(190,584)	(212,936)	-10.5%
Payroll and Charges	(35,117)	(30,421)	15.4%	(68,894)	(64,830)	6.3%
Third-Party Services	(9,965)	(6,407)	55.5%	(18,539)	(14,335)	29.3%
Advertising	(22,473)	(16,486)	36.3%	(42,200)	(52,257)	-19.2%
Materials	(3,556)	(4,466)	-20.4%	(6,933)	(9,914)	-30.1%
PDA	(22,311)	(21,880)	2.0%	(28,839)	(37,569)	-23.2%
Others	(9,632)	(10,697)	-10.0%	(17,586)	(21,019)	-16.3%
Depreciation and Amortization	(3,741)	(6,533)	-42.7%	(7,594)	(13,012)	-41.6%
Adjusted Operating Income	83,601	103,237	-19.0%	167,302	169,310	-1.2%
General and Administrative Expenses (Ex-Depreciation and Amortization)	(103,054)	(90,357)	14.1%	(182,990)	(199,924)	-8.5%

EBITDA and Adjusted EBITDA

EBITDA (R\$ '000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
Net Income¹	59,006	70,172	-15.9%	115,098	124,218	-7.3%
(+) Net financial expense ²	28,178	18,575	51.7%	44,779	24,652	81.6%
(+) Income and social contribution taxes	1,786	1,114	60.4%	4,571	2,440	87.4%
(+) Depreciation and amortization	34,298	31,469	9.0%	60,786	55,353	9.8%
EBITDA¹	123,268	121,329	1.6%	225,234	206,662	9.0%
EBITDA Margin	37.1%	35.8%	1.3 p.p.	35.4%	31.5%	3.9 p.p.
(+) Revenue from Interest on Agreements and Others ²	1,835	3,399	-46.0%	6,936	8,992	-22.9%
(+) Non-recurring costs and expenses ³	(5,369)	13,376	-140.1%	2,854	18,000	-84.1%
(-) Minimum rent paid ⁴	(31,334)	(32,589)	-3.9%	(49,557)	(49,918)	-0.7%
Adjusted EBITDA⁵	88,400	105,516	-16.2%	185,467	183,736	0.9%
Adjusted EBITDA Margin	26.6%	31.1%	-4.5 p.p.	29.1%	28.0%	1.1 p.p.

1. EBITDA is not an official accounting measurement.

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

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

4. Minimum rent refers to rental agreements recorded under financial leasing in accordance with CPC 06. The expenses from such leasing are not recorded under EBITDA, but are part of adjusted EBITDA.

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

Cash generation measured by Adjusted EBITDA amounted to R\$88.4 million in 2Q19, down by 16.2% compared to the R\$105.5 million posted in 2Q18. The adjusted EBITDA margin closed 2Q19 at 26.6%, versus 31.1% in 2Q18, a decrease of 4.5 p.p. It is worth noting that the Company maintained the uniformity of its adjusted EBITDA calculation

by deducting from EBITDA the minimum leases paid under IFRS 16, therefore maintaining comparability with its historical adjusted EBITDA.

The statement of non-recurring items is shown below:

SUMMARY OF NON-RECURRING ITEMS (R\$ '000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
Non-Recurring Costs and Expenses Impacting Adjusted EBITDA	(5,369)	13,376	-140.1%	2,854	18,000	-84.1%
Payroll	1,611	11,444	-85.9%	5,623	13,844	-59.4%
Cost	1,155	5,328	-78.3%	4,045	7,026	-42.4%
Expense	456	6,117	-92.5%	1,578	6,818	-76.9%
Third-Party Services	6,686	1,831	265.2%	10,897	2,107	417.2%
Expense	6,686	1,831	265.2%	10,897	2,107	417.2%
Other Expenses / Other Net Operating Expenses	(13,666)	101	-13625.6%	(13,666)	2,049	-767.0%
Sale of property, plant and equipment	(6,773)	-	N.M.	(6,773)	-	N.M.
Reversal of lease agreements	(6,893)	-	N.M.	(6,893)	-	N.M.
Other Expenses	-	101	-100.0%	-	2,049	-100.0%
Non-Recurring Costs and Expenses that do not Impact Adjusted EBITDA	158	(209)	-175.5%	(109)	(347)	-68.6%
Income tax and social contribution - Complementary Tax on Adjusted Net Income	158	(209)	-175.5%	(109)	(347)	-68.6%
Total Non Recurring Costs and Expenses	(5,212)	13,168	-139.6%	2,745	17,653	-84.5%

Other net operating income (expenses) totaled R\$13.7 million in the quarter due to the following non-recurring events: (i) R\$6.8 million related to the write-off of the aircraft sold to Ocktus Participações LTDA, company held by the controlling shareholder, pursuant to the notice to the market of June 25, 2019, through the minutes of the Board of Directors meeting, and notice of transaction with related party, and (ii) R\$6.9 million from the write-off of lease obligations, net of rights of use, arising from the actual delivery of properties leased by the Company, whose rents were already suspended, under the operational optimization plan.

Adjusted EBITDA Excluding Organic Expansion

Result excluding new units and Distance Learning (R\$ '000))	2Q19				6M19			
	On Campus	New units (1)*	Distance Learning*	Consolidated	On Campus	New units (1)*	Distance Learning*	Consolidated
Net Revenue	311,395	2,653	18,556	332,605	595,159	5,299	36,312	636,769
Adjusted Cash Gross Profit	201,272	1,477	13,726	216,475	378,079	1,747	25,388	405,213
<i>Adjusted Cash Gross Margin</i>	<i>64.6%</i>	<i>55.7%</i>	<i>74.0%</i>	<i>65.1%</i>	<i>63.5%</i>	<i>33.0%</i>	<i>69.9%</i>	<i>63.6%</i>
Adjusted EBITDA	87,661	(2,668)	3,407	88,400	184,962	(5,767)	6,272	185,467
<i>Adjusted EBITDA Margin</i>	<i>28.2%</i>	<i>-100.6%</i>	<i>18.4%</i>	<i>26.6%</i>	<i>31.1%</i>	<i>-108.8%</i>	<i>17.3%</i>	<i>29.1%</i>

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

* Result allocations are not audited.

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

In 2Q19, the Distance Learning segment started generating positive Adjusted EBITDA of R\$3.4 million, but with a still low margin of 18.4% and not equal to the potential margins of this segment and the average margins obtained by Ser Educacional's on-campus segment, which gives us the strength to focus on the expansion and cost control of this operation that is scalable by the number of students.

On the other hand, new units generated negative Adjusted EBITDA of R\$2.7 million, but are within the range expected to begin operations.

These two activities have a 1.6 p.p. impact on the Company's consolidated adjusted EBITDA margin, which, excluding these organic growth initiatives went from 26.6% to 28.2%, demonstrating that the Company is focused on maintaining operational efficiency in its mature units.

Reconciliation of IFRS 16 Adjustments

Income Statement - Accounting R\$ ('000)	2Q18			2Q19		
	Accounting	IFRS 16	Comparable IFRS 16	Reported IFRS 16	IFRS 16	2Q19 Ex-IFRS 16
Net Operating Revenue	339,167		339,167	332,605		332,605
Cost of Services Rendered	(153,212)	9,445	(143,767)	(146,687)	(8,406)	(155,093)
Rent	(18,955)	22,838	3,883	2,317	(24,664)	(22,347)
Depreciation and Amortization	(11,543)	(13,393)	(24,936)	(30,557)	16,257	(14,300)
Gross Profit	185,955	9,445	195,400	185,918	(8,406)	177,512
<i>Gross Margin</i>	<i>54.8%</i>		<i>57.6%</i>	<i>55.9%</i>		<i>53.4%</i>
Depreciation and Amortization	18,076	13,393	31,469	34,298	(16,257)	18,040
EBITDA	98,490	22,838	121,328	123,269	(24,664)	98,605
Non-recurring costs and expenses	13,376		13,376	(5,370)		(5,370)
Interest on tuition and agreements	3,399		3,399	1,835		1,835
Minimum rent paid	(9,750)	(22,838)	(32,588)	(31,334)	24,664	(6,671)
Adjusted EBITDA	105,516		105,516	88,400		88,400
<i>Adjusted EBITDA Margin (%)</i>	<i>31.1%</i>		<i>31.1%</i>	<i>26.6%</i>		<i>26.6%</i>
Financial Result	(6,256)	(12,319)	(18,574)	(28,178)	11,155	(17,023)
Interest on Leasing	(8,278)	(12,319)	(20,597)	(26,761)	11,155	(15,606)
Income and Social Contribution Taxes	(1,136)	22	(1,114)	(1,786)	(61)	(1,848)
Adjusted Consolidated Net Income/Loss	86,194	(2,851)	83,343	53,822	2,688	56,509
<i>Adjusted Net Margin (%)</i>	<i>25.4%</i>		<i>24.6%</i>	<i>16.2%</i>		<i>17.0%</i>

Income Statement - Accounting R\$ ('000)	6M18			6M19		
	Accounting	IFRS 16	Comparable IFRS 16	Reported IFRS 16	IFRS 16	6M19 Ex-IFRS 16
Net Operating Revenue	656,416		656,416	636,769		636,769
Cost of Services Rendered	(292,083)	10,525	(281,558)	(284,748)	(9,560)	(294,308)
Rent	(39,173)	30,418	(8,755)	(7,651)	(33,137)	(40,788)
Depreciation and Amortization	(22,448)	(19,893)	(42,341)	(53,192)	23,577	(29,615)
Gross Profit	364,333	10,525	374,858	352,021	(9,560)	342,460
<i>Gross Margin</i>	<i>55.5%</i>		<i>57.1%</i>	<i>55.3%</i>		<i>53.8%</i>
Depreciation and Amortization	35,460	19,893	55,353	60,786	(23,577)	37,209
EBITDA	176,244	30,418	206,662	225,235	(33,137)	192,097
	7,493	(30,418)	(22,926)	(39,767)	33,137	(6,630)
Non-recurring costs and expenses	18,000		18,000	2,854		2,854
Interest on tuition and agreements	8,992		8,992	6,936		6,936
Minimum rent paid	(19,500)	(30,418)	(49,918)	(49,557)	33,137	(16,420)
Adjusted EBITDA	183,736		183,736	185,468		185,468
<i>Adjusted EBITDA Margin (%)</i>	<i>28.0%</i>		<i>28.0%</i>	<i>29.1%</i>		<i>29.1%</i>
Financial Result	(6,977)	(17,675)	(24,651)	(44,779)	16,526	(28,253)
Interest on Leasing	(16,600)	(17,675)	(34,275)	(35,083)	16,526	(18,557)
Income and Social Contribution Taxes	(2,564)	124	(2,440)	(4,571)	(261)	(4,833)
Adjusted Consolidated Net Income/Loss	148,898	(7,025)	141,873	117,843	6,704	124,547
<i>Adjusted Net Margin (%)</i>	<i>22.7%</i>		<i>21.6%</i>	<i>18.5%</i>		<i>19.6%</i>

Balance Sheet (R\$ '000)	12/31/2018			06/30/2019		
	Accounting	IFRS 16	Comparable IFRS 16	Accounting	IFRS 16	Ex-IFRS 16
Assets						
Current Assets	1,143,639		1,143,639	936,939		936,939
Non-Current Assets	1,285,921	374,536	1,660,457	1,662,266	(387,000)	1,275,266
Right-of-Use Assets	181,527	374,536	556,063	543,298	(387,000)	156,298
Property, plant and equipment	508,364		508,364	491,407		491,407
Total Assets	2,429,560	374,536	2,804,096	2,599,205	(387,000)	2,212,205
Liabilities						
Current Liabilities	407,265	17,547	424,812	458,567	(29,666)	428,901
Leasing	17,209	17,672	34,881	36,500	(29,927)	6,573
Taxes payable	2,590	(124)	2,466	10,895	261	11,156
Non-Current Liabilities	551,752	364,013	915,765	814,558	(364,038)	450,520
Leasing	221,050	364,013	585,063	565,712	(364,038)	201,674
Consolidated Shareholders' Equity	1,470,543	(7,025)	1,463,518	1,326,080	6,704	1,332,784
Income Reserve	548,521	(7,025)	541,496	229,188	6,704	235,892
Retained income	-	-	-	109,343	-	109,343
Total Liabilities and Shareholders' Equity	2,429,560	374,536	2,804,096	2,599,205	(387,000)	2,212,205

Financial Result

Financial Result - Accounting (R\$ '000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
(+) Financial Revenue	12,625	17,544	-28.0%	30,553	40,184	-24.0%
Interest on Agreements and Others	1,835	3,399	-46.0%	6,936	8,992	-22.9%
Returns on Financial Investments	11,177	12,715	-12.1%	24,649	26,415	-6.7%
Others	(387)	1,430	-127.1%	(1,032)	4,777	-121.6%
(-) Financial Expenses	(40,803)	(36,119)	13.0%	(75,332)	(64,836)	16.2%
Interest Expenses	(5,280)	(5,396)	-2.1%	(10,584)	(11,844)	-10.6%
Interest on Leasing	(21,576)	(20,597)	4.8%	(35,083)	(34,275)	2.4%
Discounts Granted	(8,621)	(5,835)	47.7%	(21,188)	(9,195)	130.4%
Monetary Variation Expenses	(1,711)	(2,454)	-30.3%	(3,602)	(5,253)	-31.4%
Others	(3,615)	(1,837)	96.8%	(4,875)	(4,269)	14.2%
Financial Result	(28,178)	(18,575)	51.7%	(44,779)	(24,652)	81.6%

Financial revenue decreased by 28.0% against the 2Q18 comparable financial revenue, from R\$17.5 million in 2Q18 to R\$12.6 million in 2Q19, due to the following factors:

- Interest on Agreements and Others, which decreased from R\$3.4 million in 2Q18 to R\$1.8 million in 2Q19, due to lower volume of negotiations with students regarding the payment of monthly interest and the settlement of FIES balance for PN23 in July 2018, whose interest income was still recorded in 2Q18.
- Returns on financial investments, which went from R\$12.7 million in 2Q18 to R\$11.2 million in 2Q19, a decrease of 12.1% due to the reduction of the average interest rate and the reduction of the Company's cash position given the extraordinary distribution of R\$250.0 million in dividends.
- The Others line, under Financial Revenue, which was negative by R\$0.4 million in 2Q19, compared to R\$1.4 million in 2Q18, mainly related to PIS and COFINS on financial income that were lower in the quarter.

Financial expenses came to R\$40.8 million in 2Q19, 13.0% higher over comparable financial expenses of R\$36.1 million in 1Q18, primarily due to:

- a) Interest Expenses, which fell 2.1%, from R\$5.4 million in 2Q18 to R\$5.3 million in 2Q19, basically due to a reduction in net debt and Brazilian interest rates.
- b) Comparable Interest on Leasing, which went from R\$20.6 million in 2Q18 to R\$21.6 million in 2Q19, up by 4.8% due to the financial leasing new contracts during their term.
- c) Discounts Granted, which increased by 47.7% to R\$8.6 million in 2Q19, compared to R\$5.8 million in 2Q18, due to the greater volume of renegotiation agreements with students in arrears for more than 180 days.
- d) Monetary Passive Variation, which fell 30.3%, from R\$2.5 million in 2Q18 to R\$1.7 million in 2Q19, due to the payment of the last installment of the acquisition of UNG in January 2019.

As a result of the factors mentioned above, net financial expense was R\$28.2 million in 2Q19 against a comparable expense of R\$18.6 million in 2Q18, an increase of 51.7%, considering the changes implemented by IFRS 16.

Net Income

Net Income - Accounting (R\$ 000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
Operating Income	88,970	89,860	-1.0%	164,448	151,309	8.7%
(+) Financial Result	(28,178)	(18,575)	51.7%	(44,779)	(24,652)	81.6%
(+) Income and Soc. Contrib. Taxes	(1,786)	(1,114)	60.4%	(4,571)	(2,440)	87.4%
Net Income (Loss)	59,006	70,172	-15.9%	115,098	124,218	-7.3%
Net Margin	17.7%	20.7%	-2.9 p.p.	18.1%	18.9%	-0.8 p.p.

Comparable operating income totaled R\$89.0 million in 2Q19, a decrease of 1.0% compared to the R\$89.9 million registered in 2Q18.

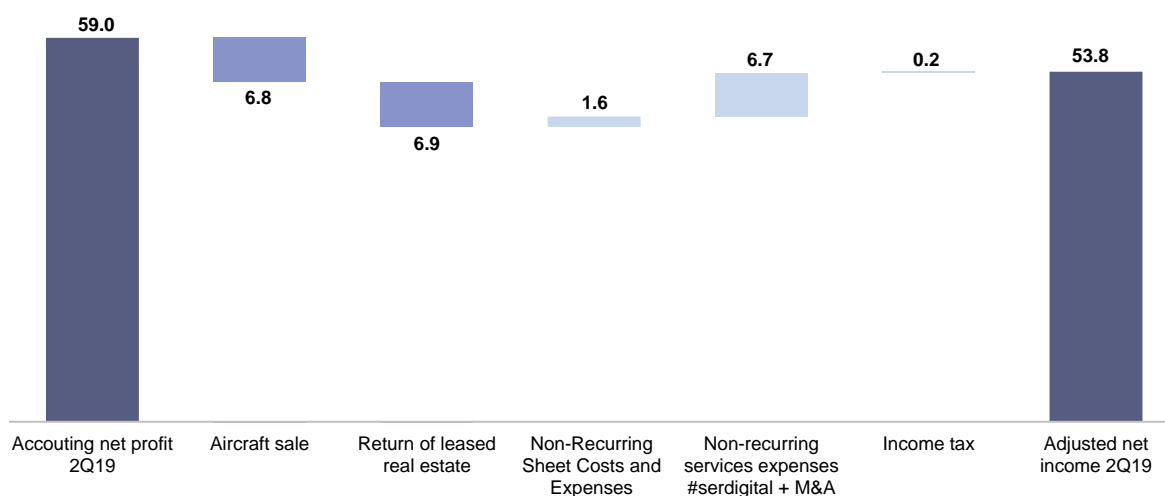
Comparable net income went from R\$70.2 million in the three-month period ended June 30, 2018 to R\$59.0 million in the same period of 2019, a decrease of 15.9%. Comparable adjusted net income decreased by 35.5%, from R\$83.3 million in 2Q18 to R\$53.8 million in 2Q19.

Income tax and social contribution increased 60.4% in the quarter and 87.4% in the six-month period, even with the decreased net income subject to tax, due to higher volumes in profitable units and to impacts of the adoption of IFRS 16, affecting the profit of the operation, but with no effect on the actual profit.

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

Net Income - Adjusted (R\$ 000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
Operating Income	83,601	103,237	-19.0%	167,302	169,310	-1.2%
(+) Financial Result	(28,178)	(18,575)	51.7%	(44,779)	(24,652)	81.6%
(+) Income and Soc. Contrib. Taxes	(1,628)	(1,323)	23.1%	(4,680)	(2,787)	67.9%
Adjusted Net Income (Loss)	53,794	83,339	-35.5%	117,843	141,871	-16.9%
Adjusted Net Margin	16.2%	24.6%	-8.4 p.p.	18.5%	21.6%	-3.1 p.p.

The chart below illustrates the impacts of non-recurring effects on 2Q19 results:



Accounts Receivable and Average Collection Period

As from 2Q18, the Company began to calculate the estimated loss on doubtful accounts following a model established in IFRS 9 (CPC 48), which records expected losses during the entire cycle of accounts receivable. For a better analysis, the table below presents the average net receivables days for the PDA in order to better reflect the effect of provisioning under IFRS 9 (CPC 48).

Accounts Receivable and Average Receivable Days (R\$ '000)	2Q18	4Q18	1Q19	2Q19
Gross Accounts Receivable	504,179	308,464	371,324	451,144
Monthly tuition fees	128,251	125,616	127,588	157,174
FIES	265,603	62,120	107,426	159,837
Negotiated agreements receivable	68,082	66,277	71,437	67,948
Education credits receivable	26,840	35,092	38,428	45,552
Credit Card and Others	15,403	19,359	26,445	20,633
PDA balance	(87,923)	(94,037)	(81,347)	(81,230)
Net Accounts Receivable	416,256	214,427	289,977	369,914
Net Revenue (Last 12 Months - FIES+Ex-FIES+Pronatec)	1,253,141	1,262,486	1,249,401	1,242,839
Net Receivable Days (FIES+Ex-FIES+Pronatec)	120	61	84	107
Net Revenue FIES (Last 12 Months)	515,501	447,731	413,854	388,686
Net Receivable Days (FIES)	174	36	78	131
Net Receivable Days (Monthly tuition fees + Negotiated agreements receivable + Education credits receivable)	74	67	75	88

The average net receivables days declined 10.4% between 2Q18 and 2Q19, due to the payment, on August 2, 2018, of the last installment of the agreement with the Federal Government for the settlement of unpaid FIES amounts related to 2015 (PN 23), totaling R\$137.4 million.

The increase from 74 to 88 days in net receivables days from monthly tuition fees, agreements and education credits receivable is mainly due to the revision of the provisioning estimate made in 1Q19 and the current average collection period, which, as the Company believes, better reflects the cycle of accounts receivable related to semi-annually renewed contracts.

Aging of Monthly tuition fees (R\$ '000)	2Q18	% Chg.	4Q18	% Chg.	2Q19	% Chg.
Overdue by up to 30 day	26,281	20.5%	24,908	19.8%	34,816	22.2%
Overdue from 31 to 60 days	21,021	16.4%	22,175	17.7%	27,894	17.7%
Overdue from 61 to 90 days	21,758	17.0%	20,208	16.1%	26,312	16.7%
Overdue from 91 to 180 days	32,066	25.0%	25,937	20.6%	30,669	19.5%
Overdue from 181 to 360 days	27,125	21.1%	32,388	25.8%	37,483	23.8%
TOTAL	128,251	100.0%	125,616	100.0%	157,174	100.0%
% of Gross Accounts Receivable	25.4%		40.7%		34.8%	

Aging of Negotiated Agreements (R\$ '000)	2Q18	% Chg.	4Q18	% Chg.	2Q19	% Chg.
Not yet due	17,443	25.6%	18,523	27.9%	18,949	27.9%
Overdue by up to 30 day	8,745	12.8%	7,655	11.6%	9,148	13.5%
Overdue from 31 to 60 days	7,634	11.2%	7,213	10.9%	7,616	11.2%
Overdue from 61 to 90 days	6,469	9.5%	6,641	10.0%	6,742	9.9%
Overdue from 91 to 180 days	10,222	15.0%	12,029	18.1%	10,900	16.0%
Overdue from 181 to 360 days	17,569	25.8%	14,216	21.4%	14,593	21.5%
TOTAL	68,082	100.0%	66,277	100.0%	67,948	100.0%
% of Gross Accounts Receivable	13.5%		21.5%		15.1%	

The total increase in tuition fees and agreements receivable as a percentage of gross accounts receivable was due to an upturn in net revenue from tuition fees, agreements and Educured, as the FIES student base fell from 33.1% in 2Q18 to 24.4% in 2Q19.

The table below shows the evolution of our PDA from December 31, 2018 to June 30, 2019:

Constitution of Provision for Doubtful Accounts in the Income Statement (R\$ '000)	12/31/2018	Adjustment by change of estimate	Gross Increase in Provision for Doubtful Accounts	Write-off	06/30/2019
Total	94,037	(16,036)	36,592	(33,363)	81,230

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

Investments (CAPEX)

CAPEX (R\$ ('000))	6M19	% of Total	6M18	% of Total
CAPEX Total	29,915	100.0%	48,391	100.0%
Property acquisition / Construction / Maintenance of campuses	7,872	26.3%	20,714	42.8%
Equipment / Library / IT	16,980	56.8%	21,717	44.9%
MEC Licenses	939	3.1%	1,924	4.0%
Software Licenses	780	2.6%	305	0.6%
Partnerships	1,101	3.7%	973	2.0%
Intangibles and Others	2,243	7.5%	2,758	5.7%
Acquisitions Debt Payment	40,013		37,324	
Total CAPEX + Acquisitions Payables	69,928		85,715	

In 6M19, the Company invested R\$7.9 million in the expansion renovation of campuses renovation in the cities of Fortaleza, Recife, Caruaru, Belém and Guarulhos. Acquisitions of equipment, library and IT consumed R\$17.0 million, mostly allocated to the purchase of books and journals for the libraries of the operational units, as well as IT and labs equipment. for Campi expansion and renovation in the cities of Fortaleza, Recife, Caruaru, Belém and Guarulhos.

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

Indebtedness

Indebtedness (R\$ '000)	06/30/2019	12/31/2018	% Chg. Jun19 x Dec18
Total Cash	604,378	951,679	-36.5%
Judicial deposits	(40,525)	(29,380)	37.9%
FG-FIES Guarantee Fund	(7,043)	(1,401)	402.7%
Cash, Cash equivalents and Securities	556,810	920,898	-39.5%
Cash and cash equivalents	313,825	314,731	-0.3%
Securities	242,985	606,167	-59.9%
Gross debt	(383,723)	(423,672)	-9.4%
Loans and financing	(302,627)	(306,218)	-1.2%
Short term	(176,028)	(133,446)	31.9%
Long term	(126,599)	(172,772)	-26.7%
Aquisitions Payables*	(81,096)	(117,454)	-31.0%
Net Cash	173,087	497,226	-65.2%
Net Cash / Adjusted EBITDA (LTM)	0.54	1.55	

* Acquisitions payables refer to acquisition scheduled payments

Cash and cash equivalents totaled R\$556.8 million, down 39.5% compared to December 2018. This variation is mainly due to payment commitments from the acquisition of UNG in the amount of R\$40.0 million in the quarter, the extraordinary distribution of dividends in the amount of R\$250.0 million, as mentioned in the page 2 and the lower operating cash generation.

The Company's gross debt basically reflects commitments related to the acquisitions and the issue of two long-term debts with the following characteristics: (i) financing from the IFC over 7 years, totaling R\$120.0 million at the CDI+2.05% p.a., payable semi-annually as of April 15, 2017 and maturing on April 15, 2022, (ii) the Company's 2nd issue of simple, unsecured, non-convertible debentures in 2 series, 100,000 of which are Debentures of the First Series and 100,000 are Debentures of the Second Series. The First Series Debentures will earn interest of 100% of the average daily rate of Interbank Deposits, plus a spread of 0.65% per year, based on 252 business days, maturing on September 15, 2019. The Second Series Debentures will earn interest of 100% of the average daily rate of Interbank Deposits, plus a spread of 1.35% per year, based on 252 business days, maturing on September 15, 2021. The Debentures have a unit face value of R\$1,000.00 as of the date of issue, totaling R\$200,000,000.00.

On June 30, 2019, Grupo Ser Educacional's gross debt totaled R\$383.7 million, down 9.4% from the R\$423.7 million registered on December 31, 2018, mainly due to the settlement of payment commitments in the amount of R\$40.0 million in the first quarter. In 2Q19, the Company's net cash amounted to R\$173.1 million against net cash of R\$497.2 million in 4Q18.

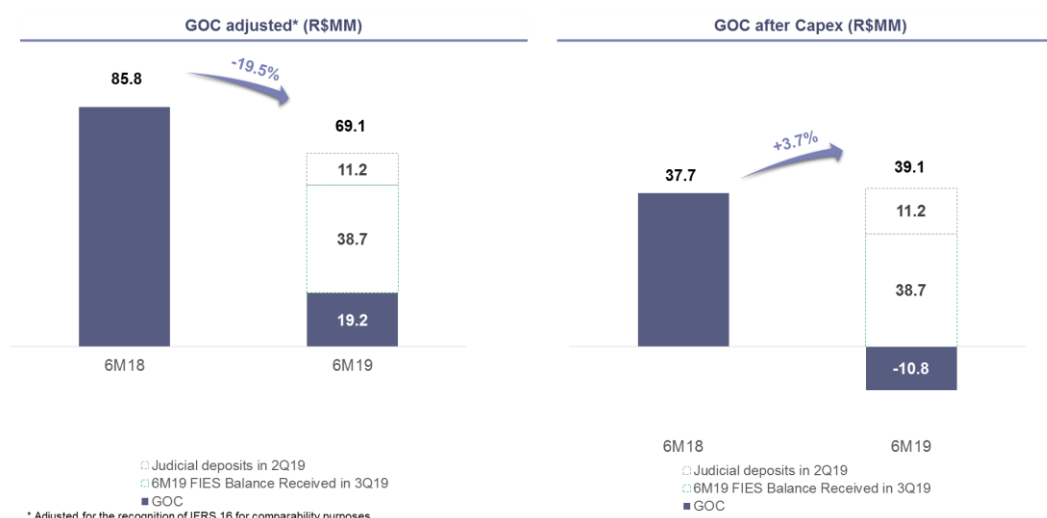
Debt Amortization Schedule (R\$ '000)	Loans and Financing	A.V. (%)	Aquisitions Payables	A.V. (%)	Debentures	A.V. (%)	Total	A.V. (%)
Short Term	24,688	32.1%	81,096	100.0%	151,340	67.0%	257,124	67.0%
Total Long Term	52,115	67.9%	-	0.0%	74,484	33.0%	126,599	33.0%
1-2 years	23,530	30.6%	-	0.0%	49,587	22.0%	73,117	19.1%
2-3 years	23,542	30.7%	-	0.0%	24,897	11.0%	48,439	12.6%
3-4 years	1,952	2.5%	-	0.0%	-	0.0%	1,952	0.5%
4-5 years	1,952	2.5%	-	0.0%	-	0.0%	1,952	0.5%
After five years	1,139	1.5%	-	0.0%	-	0.0%	1,139	0.3%
Total Loans, Financing and Acquisitions payables	76,803	100.0%	81,096	100.0%	225,824	100.0%	383,723	100.0%

In regard to the debt payment schedule, 67.0% corresponds to short-term debt, showing that the Company has adequate debt amortization terms, as well as a comfortable level of financial leverage.

Cash Flow

Cash Flow (R\$ '000)	6M18			6M19		
	Accounting	IFRS 16	Comparable IFRS 16	Reported IFRS 16	IFRS 16	6M19 Ex-IFRS 16
Operating activities						
Consolidated Net Income for the Period before Income Taxes	133,807	(7,149)	126,658	119,669	6,965	126,634
Income Adjustments	99,946	37,568	137,514	149,125	(40,103)	109,022
Depreciation and amortization	35,460	19,893	55,353	60,786	(23,577)	37,209
Interest and exchange variation, net	31,859	17,675	49,534	50,478	(16,526)	33,952
Adjusted Net Income	233,753	30,418	264,171	268,794	(33,137)	235,657
Changes in Assets and Liabilities	(136,918)		(136,918)	(206,114)		(206,114)
Cash generated from operations	96,835	30,418	127,253	62,680	(33,137)	29,543
Interest on loans	(20,902)	(17,675)	(38,577)	(38,196)	16,526	(21,670)
Income and social contribution taxes paid	(2,903)		(2,903)	(5,272)		(5,272)
Net Cash from Operating Activities	73,030	12,743	85,773	19,212	(16,611)	2,601
Net Cash from Investing Activities	13,732		13,732	293,254		293,254
Net Cash from Financing Activities	(84,057)	(12,743)	(96,800)	(313,372)	16,611	(296,761)
Amortization of leasing	(2,899)	(12,743)	(15,642)	(14,474)	16,611	2,137
Increase (Reduction) in Cash and Cash Equivalents	2,705		2,705	(906)		(906)
Demonstration of Increase (Reduction) in Cash and Cash Equivalents						
Beginning of period	279,286		279,286	314,731		314,731
End of period	281,991		281,991	313,825		313,825
Increase (Reduction) in Cash and Cash Equivalents	2,705		2,705	(906)		(906)
Cash and Securities changes	(96,742)		(96,742)	(364,088)		(364,088)
Beginning of period	911,713		911,713	920,898		920,898
End of period	814,971		814,971	556,810		556,810

Operating cash generation, adjusted for comparison with IFRS 16, reclassifying the “lease amortization” line into the “operating cash flow” calculation, went from R\$85.8 million in 6M18 to R\$19.2 million in 6M19. This drop is mainly due to the late receipt of R\$41.1 million of monthly tuitions from FIES in 1H19 and from court deposits and blocks totaling R\$11.2 million in the quarter, referring to contingencies arising from business mergers whose liability is contractually assured by the sellers. The charts below show these effects before and after the investments made in the six-month period.



ABOUT GRUPO SER EDUCACIONAL

Founded in 2003 and headquartered in Recife, Grupo Ser Educacional (B3 SEER3, Bloomberg SEER3:BZ and Reuters SEER3.SA) is one of the largest private education groups in Brazil and the leader in the Northeast and North regions in terms of number of students enrolled. It offers undergraduate, graduate, vocational and distance learning courses in 26 states and the Federal District, with a consolidated base of approximately 165,000 students. The Company operates under the following brands: UNINASSAU, UNINASSAU – Centro Universitário Maurício de Nassau, UNINABUCO – Centro Universitário Joaquim Nabuco, Faculdades UNINABUCO, Joaquim Nabuco and Maurício de Nassau Vocational Schools, UNIVERITAS/UNG, UNAMA – Universidade da Amazônia and Faculdade da Amazônia, UNIVERITAS – Centro Universitário Universus Veritas and Faculdades UNIVERITAS, through which it offers 1,698 courses.

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

ATTACHMENTS – Income Statement (Comparable)

Income Statement - Accounting R\$ ('000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
Gross Operating Revenue	562,017	471,604	19.2%	1,058,875	908,783	16.5%
Undergraduate Monthly Tuition	519,025	442,195	17.4%	973,835	852,203	14.3%
Graduate Monthly Tuition	7,001	6,968	0.5%	14,585	14,207	2.7%
Vocational Courses Revenues	480	404	19.0%	983	685	43.5%
Distance Learning Revenues	32,854	18,927	73.6%	62,723	34,532	81.6%
Others	2,657	3,110	-14.6%	6,749	7,156	-5.7%
Deductions from Gross Revenue	(229,412)	(132,437)	73.2%	(422,106)	(252,367)	67.3%
Discounts and Scholarships	(155,769)	(66,886)	132.9%	(287,377)	(129,396)	122.1%
PROUNI	(54,770)	(43,367)	26.3%	(99,308)	(80,719)	23.0%
FGEDUC And FIES charges	(7,929)	(10,268)	-22.8%	(14,553)	(19,385)	-24.9%
Taxes	(10,944)	(11,916)	-8.2%	(20,868)	(22,867)	-8.7%
Net Operating Revenue	332,605	339,167	-1.9%	636,769	656,416	-3.0%
Cash Cost of Services Rendered	(146,687)	(143,767)	2.0%	(284,748)	(281,558)	1.1%
Payroll and Charges	(94,175)	(103,752)	-9.2%	(183,314)	(195,507)	-6.2%
Rent	2,317	3,883	-40.3%	(7,651)	(8,755)	-12.6%
Concessionaires (Electricity, Water and Telephone)	(10,983)	(9,344)	17.5%	(20,092)	(18,545)	8.3%
Third-Party Services	(13,289)	(9,618)	38.2%	(20,499)	(16,410)	24.9%
Depreciation and Amortization	(30,557)	(24,936)	22.5%	(53,192)	(42,341)	25.6%
Managerial Gross Profit	185,918	195,400	-4.9%	352,021	374,858	-6.1%
<i>Gross Margin</i>	<i>55.9%</i>	<i>57.6%</i>	<i>-1.7 p.p.</i>	<i>55.3%</i>	<i>57.1%</i>	<i>-1.8 p.p.</i>
Operating Expenses/Revenue	(96,948)	(105,540)	-8.1%	(187,573)	(223,549)	-16.1%
General and Administrative Expenses	(113,937)	(104,939)	8.6%	(203,060)	(223,910)	-9.3%
Payroll and Charges	(35,573)	(36,538)	-2.6%	(70,472)	(71,648)	-1.6%
Third-Party Services	(16,651)	(8,238)	102.1%	(29,436)	(16,442)	79.0%
Advertising	(22,473)	(16,486)	36.3%	(42,200)	(52,257)	-19.2%
Materials	(3,556)	(4,466)	-20.4%	(6,933)	(9,914)	-30.1%
PDA	(22,311)	(21,880)	2.0%	(28,839)	(37,569)	-23.2%
Others	(9,632)	(10,798)	-10.8%	(17,586)	(23,068)	-23.8%
Depreciation and Amortization	(3,741)	(6,533)	-42.7%	(7,594)	(13,012)	-41.6%
Other Operating Expenses/Revenue	16,989	(601)	-2926.8%	15,487	361	4190.0%
Managerial Operating Income	88,970	89,860	-1.0%	164,448	151,309	8.7%
<i>Operating Margin</i>	<i>26.7%</i>	<i>26.5%</i>	<i>0.3 p.p.</i>	<i>25.8%</i>	<i>23.1%</i>	<i>2.8 p.p.</i>
(+) Adjusted Depreciation and Amortization	34,298	31,469	9.0%	60,786	55,353	9.8%
EBITDA	123,268	121,329	1.6%	225,234	206,662	9.0%
<i>EBITDA Margin</i>	<i>37.1%</i>	<i>35.8%</i>	<i>1.3 p.p.</i>	<i>35.4%</i>	<i>31.5%</i>	<i>3.9 p.p.</i>
(+) Non-recurring costs and expenses	(5,369)	13,376	-140.1%	2,854	18,000	-84.1%
(+) Interest on tuition and agreements	1,835	3,399	-46.0%	6,936	8,992	-22.9%
(-) Minimum rent paid	(31,334)	(32,589)	-3.9%	(49,557)	(49,918)	-0.7%
Adjusted EBITDA	88,400	105,516	-16.2%	185,467	183,736	0.9%
<i>Adjusted EBITDA Margin</i>	<i>26.6%</i>	<i>31.1%</i>	<i>-4.5 p.p.</i>	<i>29.1%</i>	<i>28.0%</i>	<i>1.1 p.p.</i>
(-) Adjusted Depreciation and Amortization	(34,298)	(31,469)	9.0%	(60,786)	(55,353)	9.8%
Adjusted EBIT	54,102	74,047	-26.9%	124,681	128,383	-2.9%
<i>Adjusted EBIT Margin</i>	<i>16.3%</i>	<i>21.8%</i>	<i>-5.6 p.p.</i>	<i>19.6%</i>	<i>19.6%</i>	<i>0.0 p.p.</i>
Financial Result	(28,178)	(18,575)	51.7%	(44,779)	(24,652)	81.6%
(+) Financial Revenue	12,625	17,544	-28.0%	30,553	40,184	-24.0%
Interest on Agreements and Others	1,835	3,399	-46.0%	6,936	8,992	-22.9%
Returns on Financial Investments	11,177	12,715	-12.1%	24,649	26,415	-6.7%
Others	(387)	1,430	-127.1%	(1,032)	4,777	-121.6%
(-) Financial Expenses	(40,803)	(36,119)	13.0%	(75,332)	(64,836)	16.2%
Interest Expenses	(5,280)	(5,396)	-2.1%	(10,584)	(11,844)	-10.6%
Interest on Leasing	(21,576)	(20,597)	4.8%	(35,083)	(34,275)	2.4%
Discounts Granted	(8,621)	(5,835)	47.7%	(21,188)	(9,195)	130.4%
Monetary Variation Expenses	(1,711)	(2,454)	-30.3%	(3,602)	(5,253)	-31.4%
Others	(3,615)	(1,837)	96.8%	(4,875)	(4,269)	14.2%
Income Before Income Taxes	60,792	71,286	-14.7%	119,669	126,658	-5.5%
Income and Social Contribution Taxes	(1,786)	(1,114)	60.4%	(4,571)	(2,440)	87.4%
Current	(21,279)	(26,076)	-18.4%	(44,909)	(44,380)	1.2%
Tax Incentive - Prouni	19,493	24,962	-21.9%	40,338	41,940	-3.8%
Consolidated Net Income/Loss	59,006	70,172	-15.9%	115,098	124,218	-7.3%
<i>Net Margin</i>	<i>17.7%</i>	<i>20.7%</i>	<i>-2.9 p.p.</i>	<i>18.1%</i>	<i>18.9%</i>	<i>-0.8 p.p.</i>

Income Statement – Managerial

Income Statement - Adjusted R\$ ('000)	2Q19	2Q18 Comparable	% Chg. 2Q19 x 2Q18	6M19	6M18 Comparable	% Chg. 6M19 x 6M18
Gross Operating Revenue	562,017	471,604	19.2%	1,058,875	908,783	16.5%
Undergraduate Monthly Tuition	519,025	442,195	17.4%	973,835	852,203	14.3%
Graduate Monthly Tuition	7,001	6,968	0.5%	14,585	14,207	2.7%
Vocational Courses Revenues	480	404	19.0%	983	685	43.5%
Distance Learning Revenues	32,854	18,927	73.6%	62,723	34,532	81.6%
Others	2,657	3,110	-14.6%	6,749	7,156	-5.7%
Deductions from Gross Revenue	(229,412)	(132,437)	73.2%	(422,106)	(252,367)	67.3%
Discounts and Scholarships	(155,769)	(66,886)	132.9%	(287,377)	(129,396)	122.1%
PROUNI	(54,770)	(43,367)	26.3%	(99,308)	(80,719)	23.0%
FGEDUC And FIES charges	(7,929)	(10,268)	-22.8%	(14,553)	(19,385)	-24.9%
Taxes	(10,944)	(11,916)	-8.2%	(20,868)	(22,867)	-8.7%
Net Operating Revenue	332,605	339,167	-1.9%	636,769	656,416	-3.0%
Cash Cost of Services Rendered	(145,532)	(138,439)	5.1%	(280,703)	(274,532)	2.2%
Payroll and Charges	(93,020)	(98,424)	-5.5%	(179,269)	(188,481)	-4.9%
Rent	2,317	3,883	-40.3%	(7,651)	(8,755)	-12.6%
Concessionaires (Electricity, Water and Telephone)	(10,983)	(9,344)	17.5%	(20,092)	(18,545)	8.3%
Third-Party Services	(13,289)	(9,618)	38.2%	(20,499)	(16,410)	24.9%
Depreciation and Amortization	(30,557)	(24,936)	22.5%	(53,192)	(42,341)	25.6%
Managerial Gross Profit	187,073	200,728	-6.8%	356,066	381,884	-6.8%
<i>Managerial Gross Margin</i>	<i>56.2%</i>	<i>59.2%</i>	<i>-2.9 p.p.</i>	<i>55.9%</i>	<i>58.2%</i>	<i>-2.3 p.p.</i>
Operating Expenses/Revenue	(103,473)	(97,491)	6.1%	(188,764)	(212,575)	-11.2%
General and Administrative Expenses	(106,795)	(96,890)	10.2%	(190,584)	(212,936)	-10.5%
Payroll and Charges	(35,117)	(30,421)	15.4%	(68,894)	(64,830)	6.3%
Third-Party Services	(9,965)	(6,407)	55.5%	(18,539)	(14,335)	29.3%
Advertising	(22,473)	(16,486)	36.3%	(42,200)	(52,257)	-19.2%
Materials	(3,556)	(4,466)	-20.4%	(6,933)	(9,914)	-30.1%
PDA	(22,311)	(21,880)	2.0%	(28,839)	(37,569)	-23.2%
Others	(9,632)	(10,697)	-10.0%	(17,586)	(21,019)	-16.3%
Depreciation and Amortization	(3,741)	(6,533)	-42.7%	(7,594)	(13,012)	-41.6%
Other Operating Expenses/Revenue	3,323	(601)	-652.9%	1,821	361	404.4%
Managerial Operating Income	83,601	103,237	-19.0%	167,302	169,310	-1.2%
<i>Managerial Operating Margin</i>	<i>25.1%</i>	<i>30.4%</i>	<i>-5.3 p.p.</i>	<i>26.3%</i>	<i>25.8%</i>	<i>0.5 p.p.</i>
(+) Depreciation and Amortization	34,298	31,469	9.0%	60,786	55,353	9.8%
(+) Interest on tuition and agreements	1,835	3,399	-46.0%	6,936	8,992	-22.9%
(-) Minimum rent paid	(31,334)	(32,589)	-3.9%	(49,557)	(49,918)	-0.7%
Adjusted EBITDA	88,400	105,516	-16.2%	185,467	183,736	0.9%
<i>Adjusted EBITDA Margin</i>	<i>26.6%</i>	<i>31.1%</i>	<i>-4.5 p.p.</i>	<i>29.1%</i>	<i>28.0%</i>	<i>1.1 p.p.</i>
(-) Depreciation and Amortization	(34,298)	(31,469)	9.0%	(60,786)	(55,353)	9.8%
Adjusted EBIT	54,102	74,047	-26.9%	124,681	128,383	-2.9%
<i>Adjusted EBIT Margin</i>	<i>16.3%</i>	<i>21.8%</i>	<i>-5.6 p.p.</i>	<i>19.6%</i>	<i>19.6%</i>	<i>0.0 p.p.</i>
Financial Result	(28,178)	(18,575)	51.7%	(44,779)	(24,652)	81.6%
(+) Financial Revenue	12,625	17,544	-28.0%	30,553	40,184	-24.0%
Interest on Agreements and Others	1,835	3,399	-46.0%	6,936	8,992	-22.9%
Returns on Financial Investments	11,177	12,715	-12.1%	24,649	26,415	-6.7%
Others	(387)	1,430	-127.1%	(1,032)	4,777	-121.6%
(-) Financial Expenses	(40,803)	(36,119)	13.0%	(75,332)	(64,836)	16.2%
Interest Expenses	(5,280)	(5,396)	-2.1%	(10,584)	(11,844)	-10.6%
Interest on Leasing	(21,576)	(20,597)	4.8%	(35,083)	(34,275)	2.4%
Discounts Granted	(8,621)	(5,835)	47.7%	(21,188)	(9,195)	130.4%
Monetary Variation Expenses	(1,711)	(2,454)	-30.3%	(3,602)	(5,253)	-31.4%
Others	(3,615)	(1,837)	96.8%	(4,875)	(4,269)	14.2%
Income Before Income Taxes	55,423	84,662	-34.5%	122,523	144,658	-15.3%
Income and Social Contribution Taxes	(1,628)	(1,323)	23.1%	(4,680)	(2,787)	67.9%
Current	(21,121)	(26,285)	-19.6%	(45,018)	(44,727)	0.7%
Tax Incentive - Prouni	19,493	24,962	-21.9%	40,338	41,940	-3.8%
Adjusted Consolidated Net Income/Loss	53,794	83,339	-35.5%	117,843	141,871	-16.9%
<i>Adjusted Net Margin</i>	<i>16.2%</i>	<i>24.6%</i>	<i>-8.4 p.p.</i>	<i>18.5%</i>	<i>21.6%</i>	<i>-3.1 p.p.</i>

Balance Sheet

Balance Sheet - ASSETS (R\$ '000)	06/30/2019	12/31/2018	% Chg. Jun19 x Dec18
Total Assets	2,599,205	2,429,560	7.0%
Current Assets	936,939	1,143,639	-18.1%
Cash and cash equivalents	313,825	314,731	-0.3%
Securities	242,985	606,167	-59.9%
Accounts receivable	331,739	185,560	78.8%
Taxes recoverable	13,138	8,254	59.2%
Related parties	1,952	-	0.0%
Other assets	33,300	28,927	15.1%
Non-Current Assets	1,662,266	1,285,921	29.3%
Long-Term Assets	207,129	171,663	20.7%
Accounts receivable	38,175	28,867	32.2%
Related parties	8,949	-	0.0%
Other assets	40,947	29,380	39.4%
Indemnifications	112,015	112,015	0.0%
FG-FIES Guarantee Fund	7,043	1,401	402.7%
Intangible assets	420,432	424,367	-0.9%
Right-of-Use Assets	543,298	181,527	199.3%
Property, plant and equipment	491,407	508,364	-3.3%
Balance Sheet - LIABILITIES (R\$ '000)	06/30/2019	12/31/2018	% Chg. Jun19 x Dec18
Total Liabilities	1,273,125	959,017	32.8%
Current Liabilities	458,567	407,265	12.6%
Suppliers	35,474	33,921	4.6%
Accounts payable	81,096	82,770	-2.0%
Loans and financing	24,688	24,970	-1.1%
Debentures	151,340	108,476	39.5%
Payroll and charges	92,050	73,692	24.9%
Taxes payable	10,895	15,648	-30.4%
Leasing	36,500	17,209	112.1%
Dividends payable	-	27,119	-100.0%
Other liabilities	26,524	23,460	13.1%
Non-Current Liabilities	814,558	551,752	47.6%
Loans and financing	52,115	63,880	-18.4%
Debentures	74,484	108,892	-31.6%
Leasing	565,712	221,050	155.9%
Accounts payable	-	34,684	-100.0%
Taxes payable	962	1,154	-16.6%
Provision for contingencies	119,614	119,759	-0.1%
Other liabilities	1,671	2,333	-28.4%
Consolidated Shareholders' Equity	1,326,080	1,470,543	-9.8%
Capital Realized	987,549	987,549	0.0%
Income Reserve	229,188	548,521	-58.2%
Retained income	109,343	-	N.M.
Treasury shares	-	(65,527)	-100.0%
Total Liabilities and Shareholders' Equity	2,599,205	2,429,560	7.0%

Cash Flow

Cash Flow Statement (R\$ '000)	06/30/2019	06/30/2018	% Chg. Jun19 x Jun18
Consolidated Net Income for the Period before Income Taxes	119,669	133,807	-10.6%
Depreciation and amortization	60,786	35,460	71.4%
Provisions	(145)	(2,381)	-93.9%
Adjustment present value of accounts receivable	2,490	(2,727)	N.M.
Provision for doubtful accounts	28,839	37,569	-23.2%
Sale of Non-Current Assets	6,677	166	3922.3%
Interest and exchange variation, net	50,478	31,859	58.4%
Adjusted Net Income	268,794	233,753	15.0%
Changes in Assets and Liabilities	(206,114)	(136,918)	50.5%
Accounts receivable	(186,816)	(144,188)	29.6%
Taxes recoverable	(4,884)	(1,191)	310.1%
Related parties	(10,901)	-	0.0%
Other assets	(21,582)	(7,947)	171.6%
Suppliers	1,553	(638)	-343.4%
Payroll and charges	18,358	19,015	-3.5%
Taxes payable	(4,945)	(792)	524.4%
Income and social contribution taxes payable	701	339	106.8%
Other liabilities	2,402	(1,516)	-258.4%
Cash generated from operations	62,680	96,835	-35.3%
Other	(43,468)	(23,805)	82.6%
Interest on loans	(38,196)	(20,902)	82.7%
Income and social contribution taxes paid	(5,272)	(2,903)	81.6%
Net Cash from Operating Activities	19,212	73,030	-73.7%
Net Cash from Investing Activities	293,254	13,732	2035.6%
Securities	363,182	99,447	265.2%
Additions to property, plant and equipment	(25,446)	(43,210)	-41.1%
Additions to intangible assets	(4,469)	(5,181)	-13.7%
Acquisition of subsidiaries Payments	(40,013)	(37,324)	7.2%
Net Cash from Financing Activities	(313,372)	(84,057)	272.8%
Amortization of loans and financing	(12,218)	(13,104)	-6.8%
Amortization of leasing	(14,474)	(2,899)	399.3%
Treasury Shares	-	(30,207)	-100.0%
Dividends	(286,680)	(37,847)	657.5%
Increase (Reduction) in Cash and Cash Equivalents	(906)	2,705	-133.5%
Cash and Cash Equivalents at Beginning of Period	314,731	279,286	12.7%
Cash and Cash Equivalents at End of Period	313,825	281,991	11.3%
Cash changes and Securities	(364,088)	(96,742)	276.3%

Income Statement – Accounting

Without the reclassification of the amounts in depreciation and interest on leasing according to IFRS 16 in 2Q18.

Income Statement - Accounting R\$ ('000)	2Q19	2Q18	% Chg. 2Q19 x 2Q18	6M19	6M18	% Chg. 6M19 x 6M18
Gross Operating Revenue	562,017	471,604	19.2%	1,058,875	908,783	16.5%
Undergraduate Monthly Tuition	519,025	442,195	17.4%	973,835	852,203	14.3%
Graduate Monthly Tuition	7,001	6,968	0.5%	14,585	14,207	2.7%
Vocational Courses Revenues	480	404	19.0%	983	685	43.5%
Distance Learning Revenues	32,854	18,927	73.6%	62,723	34,532	81.6%
Others	2,657	3,110	-14.6%	6,749	7,156	-5.7%
Deductions from Gross Revenue	(229,412)	(132,437)	73.2%	(422,106)	(252,367)	67.3%
Discounts and Scholarships	(155,769)	(66,886)	132.9%	(287,377)	(129,396)	122.1%
PROUNI	(54,770)	(43,367)	26.3%	(99,308)	(80,719)	23.0%
FGEDUC And FIES charges	(7,929)	(10,268)	-22.8%	(14,553)	(19,385)	-24.9%
Taxes	(10,944)	(11,916)	-8.2%	(20,868)	(22,867)	-8.7%
Net Operating Revenue	332,605	339,167	-1.9%	636,769	656,416	-3.0%
Cash Cost of Services Rendered	(146,687)	(153,212)	-4.3%	(284,748)	(292,083)	-2.5%
Payroll and Charges	(94,175)	(103,752)	-9.2%	(183,314)	(195,507)	-6.2%
Rent	2,317	(18,955)	-112.2%	(7,651)	(39,173)	-80.5%
Concessionaires (Electricity, Water and Telephone)	(10,983)	(9,344)	17.5%	(20,092)	(18,545)	8.3%
Third-Party Services	(13,289)	(9,618)	38.2%	(20,499)	(16,410)	24.9%
Depreciation and Amortization	(30,557)	(11,543)	164.7%	(53,192)	(22,448)	137.0%
Managerial Gross Profit	185,918	185,955	0.0%	352,021	364,333	-3.4%
<i>Gross Margin</i>	<i>55.9%</i>	<i>54.8%</i>	<i>1.1 p.p.</i>	<i>55.3%</i>	<i>55.5%</i>	<i>-0.2 p.p.</i>
Operating Expenses/Revenue	(96,948)	(105,540)	-8.1%	(187,573)	(223,549)	-16.1%
General and Administrative Expenses	(113,937)	(104,939)	8.6%	(203,060)	(223,910)	-9.3%
Payroll and Charges	(35,573)	(36,538)	-2.6%	(70,472)	(71,648)	-1.6%
Third-Party Services	(16,651)	(8,238)	102.1%	(29,436)	(16,442)	79.0%
Advertising	(22,473)	(16,486)	36.3%	(42,200)	(52,257)	-19.2%
Materials	(3,556)	(4,466)	-20.4%	(6,933)	(9,914)	-30.1%
PDA	(22,311)	(21,880)	2.0%	(28,839)	(37,569)	-23.2%
Others	(9,632)	(10,798)	-10.8%	(17,586)	(23,068)	-23.8%
Depreciation and Amortization	(3,741)	(6,533)	-42.7%	(7,594)	(13,012)	-41.6%
Other Operating Expenses/Revenue	16,989	(601)	-2926.8%	15,487	361	4190.0%
Managerial Operating Income	88,970	80,415	10.6%	164,448	140,784	16.8%
<i>Operating Margin</i>	<i>26.7%</i>	<i>23.7%</i>	<i>3.0 p.p.</i>	<i>25.8%</i>	<i>21.4%</i>	<i>4.4 p.p.</i>
(+) Adjusted Depreciation and Amortization	34,298	18,076	89.7%	60,786	35,460	71.4%
EBITDA	123,268	98,491	25.2%	225,234	176,244	27.8%
<i>EBITDA Margin</i>	<i>37.1%</i>	<i>29.0%</i>	<i>8.0 p.p.</i>	<i>35.4%</i>	<i>26.8%</i>	<i>8.5 p.p.</i>
(+) Non-recurring costs and expenses	(5,369)	13,376	-140.1%	2,854	18,000	-84.1%
(+) Interest on tuition and agreements	1,835	3,399	-46.0%	6,936	8,992	-22.9%
(-) Minimum rent paid	(31,334)	(9,750)	221.4%	(49,557)	(19,500)	154.1%
Adjusted EBITDA	88,400	105,516	-16.2%	185,467	183,736	0.9%
<i>Adjusted EBITDA Margin</i>	<i>26.6%</i>	<i>31.1%</i>	<i>-4.5 p.p.</i>	<i>29.1%</i>	<i>28.0%</i>	<i>1.1 p.p.</i>
(-) Adjusted Depreciation and Amortization	(34,298)	(18,076)	89.7%	(60,786)	(35,460)	71.4%
Adjusted EBIT	54,102	87,440	-38.1%	124,681	148,276	-15.9%
<i>Adjusted EBIT Margin</i>	<i>16.3%</i>	<i>25.8%</i>	<i>-9.5 p.p.</i>	<i>19.6%</i>	<i>22.6%</i>	<i>-3.0 p.p.</i>
Financial Result	(28,178)	(6,256)	350.4%	(44,779)	(6,977)	541.8%
(+) Financial Revenue	12,625	17,544	-28.0%	30,553	40,184	-24.0%
Interest on Agreements and Others	1,835	3,399	-46.0%	6,936	8,992	-22.9%
Returns on Financial Investments	11,177	12,715	-12.1%	24,649	26,415	-6.7%
Others	(387)	1,430	-127.1%	(1,032)	4,777	-121.6%
(-) Financial Expenses	(40,803)	(23,800)	71.4%	(75,332)	(47,161)	59.7%
Interest Expenses	(5,280)	(5,396)	-2.1%	(10,584)	(11,844)	-10.6%
Interest on Leasing	(21,576)	(8,278)	160.6%	(35,083)	(16,600)	111.3%
Discounts Granted	(8,621)	(5,835)	47.7%	(21,188)	(9,195)	130.4%
Monetary Variation Expenses	(1,711)	(2,454)	-30.3%	(3,602)	(5,253)	-31.4%
Others	(3,615)	(1,837)	96.8%	(4,875)	(4,269)	14.2%
Income Before Income Taxes	60,792	74,159	-18.0%	119,669	133,807	-10.6%
Income and Social Contribution Taxes	(1,786)	(1,136)	57.2%	(4,571)	(2,564)	78.3%
Current	(21,279)	(26,098)	-18.5%	(44,909)	(44,504)	0.9%
Tax Incentive - Pronoi	19,493	24,962	-21.9%	40,338	41,940	-3.8%
Consolidated Net Income/Loss	59,006	73,023	-19.2%	115,098	131,243	-12.3%
<i>Net Margin</i>	<i>17.7%</i>	<i>21.5%</i>	<i>-3.8 p.p.</i>	<i>18.1%</i>	<i>20.0%</i>	<i>-1.9 p.p.</i>