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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of August, 2019

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**Commission File Number: 001-38673**

**Arco Platform Ltd.**

(Exact name of registrant as specified in its charter)

**Rua Augusta 2840, 9th floor, suite 91  
Consolação, São Paulo – SP  
01412-100, Brazil  
+55 (11) 3047-2655**

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F	X	Form 40-F	_____
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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes	_____	No	X
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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes	_____	No	X
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## Arco Platform Limited

Unaudited interim condensed consolidated statements of financial position  
As of June 30, 2019 and December 31, 2018  
(In thousands of Brazilian reais)

	Notes	June 30, 2019 (unaudited)	December 31, 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	8,530	12,301
Financial investments	5	869,141	806,789
Trade receivables	6	142,943	136,611
Inventories	7	14,598	15,131
Recoverable taxes	8	20,690	11,227
Other assets		12,838	6,091
<b>Total current assets</b>		<b>1,068,740</b>	<b>988,150</b>
<b>Non current assets</b>			
Financial instruments from acquisition of interests	14	21,261	26,630
Deferred income tax	22	133,419	99,460
Recoverable taxes	8	1,033	1,033
Financial investments	5	4,473	4,370
Loans to related parties	9	15,631	1,226
Other assets		6,027	1,060
Investments and interests in other entities	10	58,113	11,862
Property and equipment	11	15,959	13,347
Right-of-use assets	12	17,593	-
Intangible assets	13	157,960	187,740
<b>Total non current assets</b>		<b>431,469</b>	<b>346,728</b>
<b>Total assets</b>		<b>1,500,209</b>	<b>1,334,878</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		13,991	14,845
Labor and social obligations		31,786	15,888
Advances from customers		20,506	5,997
Lease liabilities	12	4,736	-
Loans and financing		161	-
Taxes and contributions payable		1,509	2,555
Income taxes payable		26,731	17,294
Financial instruments from acquisition of interests	14	15,562	51
Accounts payable to selling shareholders	15	90,829	830
Other liabilities		138	428
<b>Total current liabilities</b>		<b>205,949</b>	<b>57,888</b>
<b>Non current liabilities</b>			
Labor and social obligations		2,064	-
Lease liabilities	12	16,752	-
Loans and financing		376	-
Financial instruments from acquisition of interests	14	49,242	25,046
Accounts payable to selling shareholders	15	106,931	180,551
Provision for legal proceedings	26	342	131
Deferred income tax	22	1,560	1,378
Other liabilities		125	-
<b>Total non current liabilities</b>		<b>177,392</b>	<b>207,106</b>
<b>Total liabilities</b>		<b>383,341</b>	<b>264,994</b>
<b>Equity</b>			
Share capital	17	10	10
Capital reserve		1,066,710	1,089,505
Share-based compensation reserve		81,783	67,350
Accumulated losses		(31,635)	(86,687)
Equity attributable to equity holders of the parent		1,116,868	1,070,178
Non-controlling interests		-	(294)
<b>Total equity</b>		<b>1,116,868</b>	<b>1,069,884</b>
<b>Total liabilities and equity</b>		<b>1,500,209</b>	<b>1,334,878</b>

The accompanying notes are part of the unaudited interim condensed consolidated financial statements.

## Arco Platform Limited

Unaudited interim condensed consolidated statements of income and comprehensive income  
For the three- and six-month periods ended June 30, 2019 and 2018  
(In thousands of Brazilian reais, except earnings per share)

	Notes	Three-month period ended		Six-month period ended	
		June 30, 2019 (unaudited)	June 30, 2018 (unaudited)	June 30, 2019 (unaudited)	June 30, 2018 (unaudited)
Net revenue	19	137,566	81,436	254,621	195,070
Cost of sales	20	(25,827)	(16,862)	(47,696)	(42,702)
<b>Gross profit</b>		<b>111,739</b>	<b>64,574</b>	<b>206,925</b>	<b>152,368</b>
Selling expenses	20	(39,315)	(24,074)	(75,450)	(48,386)
General and administrative expenses	20	(44,926)	(17,033)	(65,758)	(30,728)
Other (expense) income, net		(437)	(1,476)	2,922	2,172
<b>Operating profit</b>		<b>27,061</b>	<b>21,991</b>	<b>68,639</b>	<b>75,426</b>
Finance income	21	13,961	3,582	30,917	7,291
Finance costs	21	(12,374)	(3,840)	(28,855)	(7,765)
Finance result	21	1,587	(258)	2,062	(474)
Share of loss of equity-accounted investees	10	(667)	(229)	(1,159)	(294)
<b>Profit before income taxes</b>		<b>27,981</b>	<b>21,504</b>	<b>69,542</b>	<b>74,658</b>
Income taxes - income (expense)					
Current		(10,899)	(6,071)	(29,151)	(20,879)
Deferred	22	8,617	(1,517)	16,149	528
		(2,282)	(7,588)	(13,002)	(20,351)
<b>Profit for the period</b>		<b>25,699</b>	<b>13,916</b>	<b>56,540</b>	<b>54,307</b>
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>25,699</b>	<b>13,916</b>	<b>56,540</b>	<b>54,307</b>
Profit (loss) attributable to					
Equity holders of the parent		25,699	14,143	56,540	54,682
Non-controlling interests		-	(227)	-	(375)
Basic earnings per share - in Brazilian reais	18				
Class A		0.51	0.28	1.12	1.09
Class B		0.51	0.28	1.12	1.09
Diluted earnings per share - in Brazilian reais	18				
Class A		0.49	0.27	1.09	1.04
Class B		0.50	0.27	1.10	1.05

The accompanying notes are part of the unaudited interim condensed consolidated financial statements.

## Arco Platform Limited

Unaudited interim condensed consolidated statements of changes in equity  
 For the three- and six-month periods ended June 30, 2019 and 2018  
 (In thousands of Brazilian reais, unless otherwise stated)

	Attributable to equity holders of the parent							Non-controlling interests	Total equity
	Earnings reserves				Share-based compensation reserve	Retained earnings	Total		
	Share capital	Capital reserve	Legal reserve	Retained earnings reserve					
<b>Balances at March 31, 2018 (unaudited)</b>	<b>55,897</b>	<b>160,682</b>	<b>8,165</b>	<b>73,827</b>	<b>7,396</b>	<b>36,232</b>	<b>342,199</b>	<b>41</b>	<b>342,240</b>
Profit for the period	-	-	-	-	-	14,143	14,143	(227)	13,916
Total comprehensive income	-	-	-	-	-	14,143	14,143	(227)	13,916
Non-controlling interest increase	-	-	-	-	-	-	-	17	17
Share-based compensation plan	-	-	-	-	344	-	344	-	344
Distribution of dividends	-	-	-	(73,827)	-	(712)	(74,539)	-	(74,539)
<b>Balances at June 30, 2018 (unaudited)</b>	<b>55,897</b>	<b>160,682</b>	<b>8,165</b>	<b>-</b>	<b>7,740</b>	<b>49,663</b>	<b>282,147</b>	<b>(169)</b>	<b>281,978</b>

	Attributable to equity holders of the parent							Non-controlling interests	Total equity
	Earnings reserves				Share-based compensation reserve	Retained earnings	Total		
	Share capital	Capital reserve	Legal reserve	Retained earnings reserve					
<b>Balance at December 31, 2017</b>	<b>55,897</b>	<b>160,682</b>	<b>8,165</b>	<b>73,827</b>	<b>7,053</b>	<b>-</b>	<b>305,624</b>	<b>111</b>	<b>305,735</b>
Change in accounting policy – IFRS 9	-	-	-	-	-	(4,307)	(4,307)	-	(4,307)
Profit for the period	-	-	-	-	-	54,682	54,682	(375)	54,307
Total comprehensive income	-	-	-	-	-	54,682	54,682	(375)	54,307
Non-controlling interest increase	-	-	-	-	-	-	-	95	95
Share-based compensation plan	-	-	-	-	687	-	687	-	687
Distribution of dividends	-	-	-	(73,827)	-	(712)	(74,539)	-	(74,539)
<b>Balances at June 30, 2018 (unaudited)</b>	<b>55,897</b>	<b>160,682</b>	<b>8,165</b>	<b>-</b>	<b>7,740</b>	<b>49,663</b>	<b>282,147</b>	<b>(169)</b>	<b>281,978</b>

	Attributable to equity holders of the parent					Non-controlling interests	Total equity
	Share capital	Capital reserve	Share-based compensation reserve	Accumulated losses	Total		
<b>Balances at March 31, 2019 (unaudited)</b>	<b>10</b>	<b>1,081,261</b>	<b>67,487</b>	<b>(57,334)</b>	<b>1,091,424</b>	<b>-</b>	<b>1,091,424</b>
Profit for the period	-	-	-	25,699	25,699	-	25,699
Total comprehensive income	-	-	-	25,699	25,699	-	25,699
Capital increase (Note 17)	-	12,611	-	-	12,611	-	12,611
Corporate restructuring (Note 2.2)	-	(27,162)	-	-	(27,162)	-	(27,162)
Restricted stock units (Note 16)	-	-	14,158	-	14,158	-	14,158
Share-based compensation plan - International School	-	-	138	-	138	-	138
<b>Balances at June 30, 2019 (unaudited)</b>	<b>10</b>	<b>1,066,710</b>	<b>81,783</b>	<b>(31,635)</b>	<b>1,116,868</b>	<b>-</b>	<b>1,116,868</b>

	Attributable to equity holders of the parent					Non-controlling interests	Total equity
	Share capital	Capital reserve	Share-based compensation reserve	Accumulated losses	Total		
<b>Balances at December 31, 2018</b>	<b>10</b>	<b>1,089,505</b>	<b>67,350</b>	<b>(86,687)</b>	<b>1,070,178</b>	<b>(294)</b>	<b>1,069,884</b>
Change in accounting policy – IFRS 16 (Note 2.3)	-	-	-	(1,488)	(1,488)	-	(1,488)
Profit for the period	-	-	-	56,540	56,540	-	56,540
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,540</b>	<b>56,540</b>	<b>-</b>	<b>56,540</b>
Capital increase (Note 17)	-	13,829	-	-	13,829	-	13,829
Corporate restructuring (Note 2.2)	-	(36,624)	-	-	(36,624)	-	(36,624)
Restricted stock units (Note 16)	-	-	14,158	-	14,158	-	14,158
Non-controlling interest	-	-	-	-	-	294	294
Share-based compensation plan - International School	-	-	275	-	275	-	275
<b>Balances at June 30, 2019 (unaudited)</b>	<b>10</b>	<b>1,066,710</b>	<b>81,783</b>	<b>(31,635)</b>	<b>1,116,868</b>	<b>-</b>	<b>1,116,868</b>

The accompanying notes are part of the unaudited interim condensed consolidated financial statements.

## Arco Platform Limited

Unaudited interim condensed consolidated statements of cash flows  
For the six-month periods ended June 30, 2019 and 2018  
(In thousands of Brazilian reais)

	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)
<b>Operating activities</b>		
Profit before income taxes for the period	69,542	74,658
Adjustments to reconcile profit before income taxes		
Depreciation and amortization	16,343	8,902
Inventory reserves	3,560	3,242
Allowance for doubtful accounts	2,203	3,137
Residual value of property and equipment and intangible assets disposed	131	138
Changes in fair value of derivative instruments	1,866	(1,974)
Share of loss of equity-accounted investees	1,159	294
Share-based compensation plan	275	687
Restricted stock units	14,158	-
Provision for payroll taxes (restricted stock units)	6,518	-
Accrued interest	14,440	4,052
Interest in lease liabilities	782	-
Provision for legal proceedings	211	76
Foreign exchange results, net	516	-
Alienation of investment	(3,286)	-
Other financial cost/revenue, net	(1,202)	-
Changes in assets and liabilities		
Trade receivables	(8,409)	3,087
Inventories	(2,031)	(947)
Recoverable taxes	(5,373)	(1,190)
Other assets	(7,826)	(8,556)
Trade payables	659	1,574
Labor and social obligations	11,354	3,757
Taxes and contributions payable	(1,047)	639
Advances from customers	14,998	7,645
Other liabilities	(354)	(911)
<b>Cash generated from operations</b>	<b>129,187</b>	<b>98,310</b>
Income taxes paid	(23,210)	(21,031)
Interest paid on lease liabilities	(220)	-
<b>Net cash flows from operating activities</b>	<b>105,757</b>	<b>77,279</b>
<b>Investing activities</b>		
Acquisition of property and equipment	(5,829)	(2,158)
Payment of investments and interests in other entities	(4,200)	-
Acquisition of subsidiaries, net of cash acquired	(16,137)	(13,820)
Acquisition of intangible assets	(18,379)	(4,911)
Financial investments	(62,529)	33,470
Loans to related parties	(14,000)	-
<b>Net cash flows from (used in) investing activities</b>	<b>(121,074)</b>	<b>12,581</b>
<b>Financing activities</b>		
Capital increase	13,829	-
Share issuance costs	(673)	-
Payment of lease liabilities	(1,080)	-
Payment of loans and financing	(14)	-
Dividends paid	-	(85,050)
<b>Net cash flows from (used in) financing activities</b>	<b>12,062</b>	<b>(85,050)</b>
Foreign exchange effects on cash and cash equivalents	(516)	-
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(3,771)</b>	<b>4,810</b>
Cash and cash equivalents at the beginning of the period	12,301	834
Cash and cash equivalents at the end of the period	8,530	5,644
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(3,771)</b>	<b>4,810</b>

The accompanying notes are part of the unaudited interim condensed consolidated financial statements.



**Notes to the unaudited interim condensed consolidated financial statements**  
**Expressed in thousands of Brazilian reais, unless otherwise stated**

**1 Corporate information**

Arco Platform Limited (“Arco”) is a holding company incorporated under the laws of the Cayman Islands on April 12, 2018. Arco and its subsidiaries are collectively referred to as the Company. Arco became the parent company of Arco Educação S.A. (“Arco Brazil”) through the completion of the corporate reorganization described in Note 1 Corporate reorganization and initial public offering of the Company’s consolidated financial statements for the year ended December 31, 2018.

Arco Brazil is the holding company of the operating subsidiaries, including EAS Educação S.A. (“EAS”), which provides educational content from basic to secondary education (“K-12 curriculum”). Since 2015, the Company has been investing in technology and its printed methodology evolved to an educational platform, capable of delivering the entire K-12 curriculum content.

The Company offers a complete pedagogical methodology using technology features to deliver educational content to improve the learning process. The Company’s activities comprise the editing, publishing, advertising and sale of educational content for private schools.

The address of the Company’s principal executive office is 2840 Rua Augusta, 11th Floor, Consolação, São Paulo, Brazil. The Company is listed on the NASDAQ Global Select Market (Symbol: ARCE).

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 27, 2019.

**Acquisition of Sistema Positivo de Ensino (“Positivo”)**

On May 7, 2019, the Company announced that it entered into a definitive agreement to acquire Sistema Positivo de Ensino (Positivo), one of the largest K-12 content providers to private schools in Brazil.

Under terms of the agreement, Arco will acquire Positivo for R\$1,650 million in cash, with 50% due at the time of closing. The remaining 50% will be paid over 5 years, 20% payable in 2021 and 2022, and 30% payable in 2023 and 2024, all adjusted by the Brazilian Interbank Certificate of Deposit rate (CDI). The acquisition has been approved by the Boards of Directors of both Arco and Positivo. The transaction is not subject to any shareholder approval, but is subject to customary closing conditions, including antitrust and other regulatory approvals in Brazil, and accordingly, the Company does not have control of Positivo and has not consolidated it as of June 30, 2019.

## **2 Significant accounting policies**

### **2.1 Basis for preparation and presentation of the unaudited interim condensed consolidated financial statements**

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the Company's annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted. These interim condensed consolidated financial statements should be read in conjunction with the Company's last annual consolidated financial statements for the year ended December 31, 2018, which include information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies were presented in Note 2 Significant accounting policies to the consolidated financial statements for the year ended December 31, 2018.

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2018, with the exception of the application of certain new and amended IFRSs issued by the IASB, which were effective from January 1, 2019. Those new and amended IFRSs that had a significant impact on the Company's interim condensed consolidated financial statements are described in Note 2.3 Changes in accounting policies and disclosures.

In preparing these interim condensed consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. The critical judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied and disclosed in Note 3 Significant accounting estimates and assumptions to the Company's consolidated financial statements for the year ended December 31, 2018.

The unaudited interim condensed consolidated financial statements are presented in Brazilian reais ("BRL" or "R\$"), which is the Company's functional and presentation currency. All amounts are rounded to the nearest thousand, except when otherwise indicated.

### **2.2 Changes in the Company's subsidiaries**

During the six-month period ended June 30, 2019, the Company had the following changes in the corporate organization:

On January 2, 2019, the Company entered in an agreement to sell its participation of 69.9% of Escola de Aplicação São José dos Campos Ltda. to its minority shareholders, which is part of the Company's Core segment. The transaction price of R\$ 3,741 will be received in 16 quarterly installments from January 2022 to October 2025, adjusted by the IGP-M (Brazilian general market price index issued by the FGV – "Fundação Getúlio Vargas").

On February 1, 2019 because of a corporate restructuring, EAS spun-off its investment in SAE Digital to a new holding company, which was subsequently merged by SAE Digital and its shares were issued to Arco Brazil. When EAS acquired SAE Digital, goodwill was treated as not deductible; however, after this transaction SAE Digital has the tax benefit of the deductibility of the goodwill, which generates a future benefit and has recorded a deferred tax asset of R\$ 5,135. The goodwill of this transaction is R\$ 14,597. This deferred tax asset and the write off of the goodwill, have a net effect of R\$ 9,462 and were accounted in equity.

Novagaúcha Editora e Livraria Ltda. was merged by Barra Américas Editora Ltda. on March 31, 2019. The goodwill of this transaction is R\$ 4,330 and was written of to equity, no tax benefit was generated in this transaction.

On May 1, 2019, continuing the corporate restructuring, SAE Digital merged NS Educação Ltda. ("NS Educação") and NS Ventures Participações S.A. ("NS Ventures"). In 2017, when NS Ventures acquired 30% interest in SAE Digital and 100% interest in NS Educação, the goodwill was treated as not deductible; however, after this transaction, SAE Digital has the tax benefit of the deductibility of the goodwill, which generates a future tax benefit and has recorded a deferred tax asset of R\$ 11,762. The goodwill of this transaction is R\$ 34,594. This deferred tax asset and the write off of the goodwill, have a net effect of R\$ 22,832 and were accounted in equity.

### 2.3 Changes in accounting policies and disclosures

#### New standards, interpretations and amendments adopted by the Company

On January 1, 2019, the Company adopted IFRS 16 Leases. The nature and effect of the initial adoption of this new standard are disclosed below.

Other amendments and interpretations apply for the first time in 2019, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Company.

#### IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, *IFRIC 4 Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets', i.e., below US\$ 5,000).

The effects of adoption of IFRS 16 as at January 1, 2019 is as follows:

<b>Assets</b>	
Right-of-use assets	20,102
Deferred tax assets	731
<b>Total assets</b>	<b>20,833</b>
<b>Liabilities</b>	
<b>Lease liabilities</b>	<b>22,321</b>
<b>Total liabilities</b>	<b>22,321</b>
<b>Total adjustment on equity:</b>	
<b>Retained earnings</b>	<b>(1,488)</b>

*a) Nature of the effect of adoption of IFRS16*

The Company has lease contracts for properties. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. The Company did not have finance leases as of December 31, 2018. In an operating lease, the leased property was not capitalized, and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Other assets and Trade payables, respectively. Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- ✓ Used an intrinsic discount rate, according to the characteristics for each lease;
- ✓ Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- ✓ Applied the short-term leases and low-value assets exemptions to leases at the date of initial application;
- ✓ Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- ✓ Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at January 1, 2019:

- ✓ Right-of -use assets of R\$ 20,102 were recognized and presented separately in the consolidated statement of financial position.
- ✓ Lease liabilities of R\$ 22,321 were recognized and presented separately in the consolidated statement of financial position;
- ✓ Deferred tax assets increased by R\$ 731 because of the deferred tax impact of the changes in assets and liabilities;
- ✓ The net effect of these adjustments had been adjusted to accumulated losses (R\$ 1,488).

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as at December 31, 2018 as follows:

<b>Operating lease commitments as at December 31, 2018</b>	<b>27,397</b>
Weighted average incremental borrowing rate as at January 1, 2019	7.35%
Discounted operating lease commitments at January 1, 2019	22,874
Less:	
Commitments related to sale of Escola de Aplicação São José dos Campos Ltda.	(553)
<b>Lease liabilities as at January 1, 2019</b>	<b>22,321</b>

*b) Summary of new accounting policies*

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

✓ *Right-of-use assets*

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of use assets are subject to impairment.

✓ *Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liabilities are measured at amortized cost using the effective interest method. The lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

✓ *Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

✓ *Significant judgement in determining the lease term of contracts with renewal options*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

#### *IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions. The Company applied the interpretation and concluded that it did not have a significant impact on the unaudited interim condensed consolidated financial statements.

### **3 Business combination**

#### **(a) EEM Licenciamento de Programas Educacionais S.A. (“Escola em Movimento”)**

On April 29, 2019, the Company entered into an agreement to acquire control of Escola em Movimento, by acquiring 100% of its outstanding ordinary shares and voting interests. The Company acquired Escola em Movimento to expand both its existing product portfolio and customer base. The acquisition was subject to CADE’s approval, the Brazilian anti-trust agency, which was a condition precedent for closing the acquisition. CADE approved the acquisition in May 2019, and the transaction closing date occurred on June 4, 2019.

Escola em Movimento is an application developer that enhances communication between schools and parents.

The purchase consideration transferred was R\$ 18,285. The amount of R\$ 16,095 was paid on the acquisition date; R\$260 was paid on June 29, 2019 and a deferred payment in the amount of R\$ 1,930, which has been retained in an escrow account for the period of 2 years as a guarantee for the payment of any contingent liabilities that may arise. Any remaining balance will be transferred to the former owners of the acquired entity. The amount will be released in two annual installments adjusted by the Brazilian basic interest rate (SELIC).

The fair value of the identifiable assets and liabilities as of the date of the acquisition was:

	<b>Escola em Movimento</b>
<b>Assets</b>	
Cash and cash equivalents	218
Trade receivables	126
Recoverable taxes	12
Other assets	13
Property and equipment	83
Intangible assets	5,865
	<u>6,317</u>
<b>Liabilities</b>	
Trade payables	48
Labor and social obligations	200
Taxes and contributions payable	149
Loans and financing	547
Other liabilities	157
	<u>1,101</u>
<b>Total identifiable net assets at fair value</b>	<b><u>5,216</u></b>
Goodwill arising on acquisition	<u>13,069</u>
<b>Purchase consideration transferred</b>	<b><u>18,285</u></b>
Cash paid	16,355
Escrow payments	1,930
<b>Analysis of cash flows on acquisition:</b>	
Transaction costs of the acquisition (included in cash flows from operating activities)	(306)
Cash paid and subscribed capital net of cash acquired with the subsidiary (included in cash flows from investing activities)	(16,137)

#### *Goodwill*

The goodwill recorded on the acquisition was R\$ 13,069 and it is expected to be deductible for tax purposes after the Company merges the acquiree. For the purpose of impairment testing, the goodwill has been allocated to the Supplemental operating segment.



The goodwill recognized is primarily attributable to the expected synergies and other benefits from combining the assets and activities of Escola em Movimento with those of the Company. The goodwill paid is based on the Business Plan prepared for purposes of the acquisition, and the principal business assumptions used were considered by the administration as appropriate

*Transaction costs*

Transaction costs of R\$ 306 were expensed and are included in general and administrative expenses for the six-month period ended June 30, 2019.

*Measurement of fair value*

The valuation techniques used for measuring the fair value of separate identified intangible assets acquired were as follows:

<b>Asset acquired</b>	<b>Valuation technique</b>
<b>Customer list</b>	<b>Multi-period excess earning method</b> The method considers the present value of net cash flows expected to be generated by customer relationship, by excluding any cash flows related to contributory assets.
<b>Software</b>	<b>Replacement cost</b> The method considers the amount that an entity would have to pay to replace at the present time, according to its current worth.
<b>Trademarks</b>	<b>Relief-from-royalty method</b> The relief-from-royalty method considers the discount estimated royalty payments that are expected to be avoided as a result of the trademarks being owned.
<b>Non-compete agreement</b>	<b>With-and-without method</b> The With-and-Without method consists of estimating the fair value of an asset by the difference between the value of this asset in two scenarios: a scenario considering the existence of the asset in question and another, considering its non-existence.

From the date of acquisition to June 30, 2019, Escola em Movimento had revenues of R\$ 335 and a loss before income taxes of R\$ 250. If the combination had taken place at the beginning of the six month period ended June 30, 2019, net revenue of the Company would have been R\$ 256,175 and profit before income taxes would have been R\$ 68,980.

#### 4 Cash and cash equivalents

	June 30, 2019	December 31,
	(unaudited)	2018
Cash and bank deposits	245	366
Bank deposits in foreign currency (a)	4,124	3,615
Cash equivalents (b)	4,161	8,320
	<b>8,530</b>	<b>12,301</b>

(a) Short-term deposits (mainly IPO proceeds) maintained in U.S. dollar.

(b) Cash equivalents correspond to financial investments in Bank Certificates of Deposit ("CDB") of highly rated financial institutions. As of June 30, 2019, the average interest on these CDB are equivalent to 64.5% (December 31, 2018: 61.7%) of the Interbank Certificates of Deposit ("CDI"). These funds are available for immediate use and have insignificant risk of changes in value.

#### 5 Financial investments

	June 30, 2019	December 31,
	(unaudited)	2018
Financial investments (a)	860,746	810,812
Financial investments in foreign currency	12,517	-
Other	351	347
	<b>873,614</b>	<b>811,159</b>
Current	869,141	806,789
Non-current	4,473	4,370

(a) Financial investments correspond to investments in funds managed by highly rated financial institutions. As of June 30, 2019, the average interest on these funds are equivalent to 101.6% (December 31, 2018: 100.9%) of the CDI.

#### 6 Trade receivables

	June 30, 2019	December 31,
	(unaudited)	2018
From sales of educational content	156,236	146,114
From related parties (Note 9)	1,523	3,916
	<b>157,759</b>	<b>150,030</b>
(-) Allowance for doubtful accounts	(14,816)	(13,419)
	<b>142,943</b>	<b>136,611</b>

As of June 30, 2019, and December 31, 2018, the aging of trade receivables was as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	(unaudited)	
Neither past due nor impaired	132,947	127,387
Past due	24,812	22,643
1 to 60 days	13,033	8,931
61 to 90 days	2,997	3,868
91 to 120 days	2,150	1,978
121 to 180 days	1,632	3,173
More than 180 days	5,000	4,693
	<b>157,759</b>	<b>150,030</b>

The movement in the allowance for doubtful accounts for the six-month periods ended June 30, 2019 and 2018, was as follows:

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
	(unaudited)	(unaudited)
Balance at beginning of the period	(13,419)	(4,533)
Change in accounting policy – IFRS 9	-	(5,757)
Additions	(2,203)	(3,137)
Receivables written off during the period as uncollectible	806	1,346
<b>Balance at end of period</b>	<b>(14,816)</b>	<b>(12,081)</b>

## 7 Inventories

	<b>June, 2019</b>	<b>December 31, 2018</b>
	(unaudited)	
Educational content	5,400	8,335
Educational content in progress (a)	7,909	6,205
Consumables and supplies	644	286
Inventories held by third parties	645	305
	<b>14,598</b>	<b>15,131</b>

(a) Costs being incurred to develop educational content. These costs include incurred personnel costs and third-party services for editing educational content and related activities (graphic design, editing, proofreading and layout, among others).

Educational content is presented net of inventory reserve. The movement in the inventory reserve for the six-month periods ended June 30, 2019 and 2018 was as follows:

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
	(unaudited)	(unaudited)
Balance at beginning of the period	(4,403)	(2,047)
Inventory reserve	(3,560)	(3,242)
Write-off of inventories against reserve	3,505	-
<b>Balance at end of the period</b>	<b>(4,458)</b>	<b>(5,289)</b>

## 8 Recoverable taxes

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	(unaudited)	
Withholding Income Tax (IRRF) on financial investments	8,178	5,291
Recoverable IRPJ and CSLL	11,566	5,520
Recoverable PIS and COFINS	1,280	1,223
Other recoverable taxes	699	226
	<b>21,723</b>	<b>12,260</b>
Current	20,690	11,227
Non current	1,033	1,033

Withholding income tax (IRRF) will be utilized to offset federal taxes payable.

## 9 Related parties

The table below summarizes the balances and transactions with related parties:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	(unaudited)	
<b>Assets</b>		
<b>Trade receivables</b>		
Livraria ASC Ltda. and Educadora ASC Ltda. (a)	1,523	3,916
	<b>1,523</b>	<b>3,916</b>
<b>Loans to related parties</b>		
WPensar S.A. (b)	1,263	1,226
Loans - Geekie (c)	4,106	-
Debentures – Geekie (c)	10,262	-
	<b>15,631</b>	<b>1,226</b>
<b>Advances from customers</b>		
Livraria ASC Ltda. and Educadora ASC Ltda. (a)	(918)	-
	<b>(918)</b>	<b>-</b>
	<b>June 30, 2019</b>	<b>June 30, 2018</b>
	(unaudited)	(unaudited)
<b>Net revenue</b>		
Livraria ASC Ltda. and Educadora ASC Ltda. (a)	3,585	3,718
<b>Expenses</b>		
ASC Empreendimentos Ltda. and OSC Empreendimentos Ltda. (d)	(4)	(10)

(a) SAS Desenvolvimento Educacional Ltda. and International School sell educational content to Livraria ASC Ltda. and Educadora ASC Ltda., entities under common control of the Company's controlling shareholder. The transactions are priced based on contract price at the sales date.

(b) The amounts receivable from joint venture are monetarily indexed to the Brazilian *Sistema Especial de Liquidação e Custódia* (SELIC) interest rate and have due date in July 2020.

(c) On January 17, 2019, the Company entered into an agreement with its associated company, Geekie Desenvolvimento de Softwares S.A. (“Geekie”) buying 100,000 debentures issued at same date at par value of R\$ 100.00 (hundred reais) each, totaling R\$ 10,000. The debentures are due in June 2022 and bear interest of 110% of the CDI. The debentures are convertible at the option of Arco on maturity at the same mechanics of the call and put options presented in the investment agreement.

On the same date, the Company lent R\$ 4,000 to Geekie Partners S.A., the controlling shareholder of Geekie, through a loan agreement with payment in June 2022, interest of 110% of the CDI, and with their entire interest on Geekie’s shares as collateral to the transaction.

The transactions totaled R\$ 14,000 and are intended to support Geekie’s working capital needs.

(d) SAS Sistema de Ensino Ltda. had leased a facility from ASC Empreendimentos Ltda., which agreement was terminated in June 2018; SAS Livrarias Ltda. had leased a facility from OSC Empreendimentos Ltda., which agreement was also terminated in June 2018; and SAS Desenvolvimento Educacional Ltda. leases a facility from OSC Empreendimentos Ltda., which are entities under common control of the Company’s controlling shareholder.

*Key management personnel compensation*

Key management personnel compensation comprised the following:

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
	(unaudited)	(unaudited)
Short-term employee benefits	6,527	3,888
Share-based compensation plan	-	412
Restricted stock units	20,676	-
	<b>27,203</b>	<b>4,300</b>

For the six-month period ended June 30, 2019, there was no recognition of expenses for Arco’s stock option plan, since it is fully vested (see note 16.b).

The expense of restricted stock units (“RSUs”) represents the grant of new awards (see note 16.b).

Compensation of the Company’s key management includes short-term employee benefits comprised by salaries, bonuses, labor and social charges, and other ordinary short-term employee benefits.

## 10 Investments and interests in other entities

### (a) Investments

Nave à Vela Ltda. ("Nave")

On May 13, 2019, the selling shareholders of Nave, a developer of competence-based learning content and methodology, approved a capital increase from SAS Desenvolvimento Educacional Ltda. ("SAS Desenvolvimento") through the issuance of 760 new common shares, registered and without par value, for the total subscription price of R\$ 4,200, corresponding to a minority interest of 13.2% of the total amount of shares issued. Nave will be managed by Directors, subject to the guidelines of the Consulting Board, composed of three members, which one member will be indicated by SAS Desenvolvimento and the others by the sellers and, accordingly, as of June 30, 2019, SAS Desenvolvimento does not control Nave.

The acquisition of the remaining 86.8% of the total capital will occur over the next three years (subject to price adjustments, net of debt at each closing date) and was accounted as forward contract.

(i) First tranche: It will be paid on February 15, 2020 or within 15 days after the final and definitive determination of the acquisition price relating to this tranche, whichever occurs last. SAS Desenvolvimento will acquire 37.8% interest, for the amount of 37.8% of Nave's revenues from October 1, 2018 to September 30, 2019 multiplied by 6.5, net of debt. As from the closing date of the first tranche, Nave will be managed by the Board of Directors, and SAS Desenvolvimento will indicate two members.

(ii) Second tranche: It will be paid on February 15, 2021 or within 15 days after the final and definitive determination of the acquisition price relating to this tranche, whichever occurs last. SAS Desenvolvimento will acquire 24% interest, for the amount of 24% of Nave's revenues from October 1, 2019 to September 30, 2020 multiplied by 5.3, net of debt;

(iii) Third tranche: It will be paid on February 15, 2022 or within 15 days after the final and definitive determination of the acquisition price relating to this tranche, whichever occurs last. SAS Desenvolvimento will acquire the remaining 25% interest, for the amount of 25% of the Nave's revenues from October 1, 2020 to September 30, 2021 multiplied by 3, net of debt.

(i) Investments and interests in other entities

Reconciliation of carrying amount:

	June 30, 2019				June 30,
	(unaudited)				2018
	WPensar	Geekie	Nave	Total	(unaudited)
At beginning of the period	3,237	8,625	-	11,862	12,654
Capital contributions	-	-	4,200	4,200	-
Forward contract (Note 10a)	-	-	43,210	43,210	-
Share of profit (loss) of equity-accounted investees	14	(887)	(286)	(1,159)	(294)
<b>At end of the period</b>	<b>3,251</b>	<b>7,738</b>	<b>47,124</b>	<b>58,113</b>	<b>12,360</b>
Percentage of ownership	25.0%	8.05%	13.2%		

(ii) Selected financial information for associates and joint ventures

	Geekie	WPensar	Nave
<b>June 30, 2019 (unaudited)</b>			
Current assets	5,209	1,697	6,511
Non-current assets	13,851	1,573	242
Current liabilities	4,391	302	1,608
Non-current liabilities	10,277	1,206	398
Equity	4,392	1,762	4,747
Net revenue	5,554	2,482	93
Costs and expenses (*)	(12,426)	(2,303)	(1,136)
<b>Profit (loss) for the period</b>	<b>(6,872)</b>	<b>179</b>	<b>(1,043)</b>
<b>June 30, 2018 (unaudited)</b>			
Net revenue	3,902	1,945	-
Costs and expenses (*)	(8,422)	(1,726)	-
<b>Profit (loss) for the period</b>	<b>(4,520)</b>	<b>219</b>	<b>-</b>
<b>December 31, 2018</b>			
Current assets	5,215	1,625	-
Non-current assets	12,174	1,414	-
Current liabilities	7,681	286	-
Non-current liabilities	-	1,170	-
Equity	9,708	1,583	-

(\*) Comprise costs, selling and administrative expenses, finance result, other expenses and income tax and social contribution.

## 11 Property and equipment

Reconciliation of carrying amount:

	June 30, 2019 (unaudited)							June 30, 2018 (unaudited)	
	Machinery and equipment	Vehicles	Furniture and fixtures	IT equipment	Facilities	Leasehold improvements	Others	Total	Total
<b>Cost</b>									
At beginning of the period	896	191	2,296	5,080	325	4,638	6,199	19,625	12,926
Additions	34	-	388	977	-	3,569	861	5,829	2,158
Disposals	(17)	-	-	(27)	-	(23)	(1,055)	(1,122)	(155)
Business combination	17	-	21	45	-	-	-	83	-
Sale of Escola de Aplicação São José dos Campos Ltda.	(50)	-	(201)	(51)	-	(710)	-	(1,012)	-
Write-offs	-	-	-	-	-	-	(792)	(792)	-
<b>At end of the period</b>	<b>880</b>	<b>191</b>	<b>2,504</b>	<b>6,024</b>	<b>325</b>	<b>7,474</b>	<b>5,213</b>	<b>22,611</b>	<b>14,929</b>
<b>Depreciation</b>									
At beginning of the period	(254)	(144)	(527)	(1,910)	(100)	(1,274)	(2,069)	(6,278)	(3,847)
Depreciation charge for the period	(41)	(13)	(110)	(497)	(17)	(260)	(638)	(1,576)	(1,146)
Depreciation of disposals	-	-	-	-	11	46	934	991	17
Sale of Escola de Aplicação São José dos Campos	10	-	34	17	-	150	-	211	-
<b>At end of the period</b>	<b>(285)</b>	<b>(157)</b>	<b>(603)</b>	<b>(2,390)</b>	<b>(106)</b>	<b>(1,338)</b>	<b>(1,773)</b>	<b>(6,652)</b>	<b>(4,976)</b>
<b>Net book value</b>									
<b>As of December 31</b>	<b>642</b>	<b>47</b>	<b>1,769</b>	<b>3,170</b>	<b>225</b>	<b>3,364</b>	<b>4,130</b>	<b>13,347</b>	<b>9,079</b>
<b>As of June 30 (unaudited)</b>	<b>595</b>	<b>34</b>	<b>1,901</b>	<b>3,634</b>	<b>219</b>	<b>6,136</b>	<b>3,440</b>	<b>15,959</b>	<b>9,953</b>
Annual depreciation rates	10%	20%	10%	20%	10%	10% to 30%	33%		

(\*) The additions of leasehold improvements during the six-month period ended June 30, 2019 refers to the construction of a new corporate headquarter.

The Company assesses, at each reporting date, whether there is an indication that a property and equipment asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. There were no indications of impairment of property and equipment for the six-month periods ended June 30, 2019 and 2018.

## 12 Leases

The balance sheet shows the following amounts relating to leases:

	June 30, 2019 (unaudited)
<b>Right-of-use assets</b>	
Properties	17,593
	<u>17,593</u>
<b>Lease liabilities *</b>	
Current	(4,736)
Non-current	(16,752)
	<u>(21,488)</u>

\* For the adjustments recognized on adoption of IFRS 16 on January 1, 2019, see Note 2.3.



Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

	<b>Right-of-use assets – Properties</b>	<b>Lease Liabilities</b>
<b>As at January 1, 2019</b>	<b>20,102</b>	<b>(22,321)</b>
Lease modification	(315)	315
Depreciation expense	(2,194)	-
Interest expense	-	(782)
Payments of lease liabilities	-	1,080
Interest paid	-	220
<b>As at June 30, 2019</b>	<b>17,593</b>	<b>(21,488)</b>
Average annual depreciation rate	18%	

The Company recognized rent expense from short-term leases and low-value assets of R\$ 1,506 for the six-month period ended June 30, 2019.

There were no additions to the right-of-use assets during the six-month period ended June 30, 2019.

### 13 Intangible assets

											June 30, 2019 (unaudited)	June 30, 2018 (unaudited)
	Goodwill	Rights on contracts	Customer relationships	Educational system	Copyrights	Software license	Trademarks	Educational platform	Non- complete agreement	In Progress	Total	Total
<b>Cost</b>												
At the beginning of the period	89,634	15,263	23,045	36,656	12,692	2,808	19,141	21,911	1,097	2,249	224,496	195,093
Corporate restructuring (Note 2.2)	(53,521)	-	-	-	-	-	-	-	-	-	(53,521)	-
Acquisitions	-	-	-	-	4,107	1,024	-	10,539	-	2,709	18,379	4,911
Business combination	13,069	-	1,218	-	-	3,029	1,161	-	457	-	18,934	-
<b>At end of the period</b>	<b>49,182</b>	<b>15,263</b>	<b>24,263</b>	<b>36,656</b>	<b>16,799</b>	<b>6,861</b>	<b>20,302</b>	<b>32,450</b>	<b>1,554</b>	<b>4,958</b>	<b>208,288</b>	<b>200,004</b>
<b>Amortization</b>												
At the beginning of the period	-	(3,949)	(7,560)	(12,716)	(3,939)	(648)	(3,810)	(3,860)	(274)	-	(36,756)	(19,610)
Amortization	-	(671)	(1,203)	(3,275)	(2,788)	(474)	(797)	(4,245)	(119)	-	(13,572)	(7,756)
<b>At end of the period</b>	<b>-</b>	<b>(4,620)</b>	<b>(8,763)</b>	<b>(15,991)</b>	<b>(6,727)</b>	<b>(1,122)</b>	<b>(4,607)</b>	<b>(8,105)</b>	<b>(393)</b>	<b>-</b>	<b>(50,328)</b>	<b>(27,366)</b>
<b>Net book value</b>												
At the beginning of the period	89,634	11,314	15,485	23,940	8,753	2,160	15,331	18,051	823	2,249	187,740	175,483
At end of the period (unaudited)	49,182	10,643	15,500	20,665	10,072	5,739	15,695	24,345	1,161	4,958	157,960	172,638
Average annual amortization rates	-	10%	13%	17%	33%	33%	10%	33%	21%	-		

(a) Goodwill

The carrying amount of goodwill by operating segment was:

	<u>June 30, 2019</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2018</u>
Core	8,515	62,036
Supplemental	40,667	27,598
	<u>49,182</u>	<u>89,634</u>

*Impairment test for goodwill*

There were no indications of impairment for the six-month periods ended June 30, 2019 and 2018.

(a) Other intangible assets

Intangible assets, other than goodwill, are valued separately for each acquisition and are amortized over their expected useful lives. The useful lives and methods of amortization of other intangibles are reviewed at each financial year end and adjusted prospectively, if appropriate.

For the six-month periods ended June 30, 2019 and 2018 there were no indications that the Company's other intangible assets with definite lives might be impaired.

**14 Financial instruments from acquisition of interests**

The breakdown of derivative instruments related to business combinations and acquisition of investments in associates and joint ventures is as follows:

	<u>June 30, 2019</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2018</u>
<b>Assets</b>		
<b>Derivative financial instruments (*)</b>		
Call option in Geekie	19,456	23,346
Call option in WPensar	1,805	3,284
	<u>21,261</u>	<u>26,630</u>
Current	-	-
Non current	21,261	26,630

<b>Liabilities</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Derivative financial instruments</b>	(unaudited)	
Put option in Geekie	(19,767)	(22,037)
Put option in WPensar	(1,827)	(3,006)
Deferred revenue in Escola de Aplicação São José dos Campos Ltda.	-	(54)
<b>Forward contract</b>		
Investment in Nave (Note 10a)	(43,210)	-
	<b>(64,804)</b>	<b>(25,097)</b>
Current	(15,562)	(51)
Non current	(49,242)	(25,046)

(\*) Refer to Note 11 of the consolidated financial statements ate December 31, 2018 for a description of the terms and condition of the call and put options.

#### 15 Accounts payable to selling shareholders

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	(unaudited)	
<b>Accounts payable to selling shareholders</b>		
Acquisition of International School (a)	(188,637)	(174,410)
Acquisition of NS Educação Ltda. (b)	(7,186)	(6,971)
Acquisition of Escola em Movimento (c)	(1,937)	-
	<b>(197,760)</b>	<b>(181,381)</b>
Current	(90,829)	(830)
Non-current	(106,931)	(180,551)

- (a) Upon acquiring control of International School, the shareholders entered into an agreement with put and call options over the remaining interest. Because the terms of the put and call options are symmetrical, the Company concluded that it is virtually certain that either the parent or the non-controlling shareholder will exercise the option because it will be in the economic interests of one of them to do so. The financial liability is recorded at the present value of the estimated amount payable to the non-controlling shareholder upon the exercise of the put option and discounted to present value using an estimated interest rate of 17,6%.
- (b) This amount was retained as an escrow for any losses, which will be released in annual installments from December 30, 2018 to December 30, 2022.
- (c) This amount was retained as an escrow for any losses, which will be released in two annual installments on the first and second anniversary of the acquisition. The amount is being adjusted by the basic interest rate (SELIC).

## 16 Labor and social obligations

### (a) Variable remuneration (bonuses)

The Company recorded bonuses related to variable remuneration of employees and management in cost of sales, selling and administrative expenses in the amount of R\$ 7,642 and R\$ 2,420 for the six-month periods ended June 30, 2019 and 2018, respectively.

### (b) Share-based compensation plan

#### Arco Plan

Members of the Company's Management participate in a share-based compensation plan. In 2019, all directors exercised their stock options.

As of June 30, 2019, there were no outstanding share options (December 31, 2018: 1,091,039).

There was no share-based compensation expense for the six-month period ended June 30, 2019.

The following table illustrates the number and movements of share options during the period:

	Number of share options	Average exercise price per share option
Outstanding at December 31, 2018	1,091,039	12.56
Granted	-	-
Forfeited	-	-
Exercised	(1,091,039)	12.68
Expired	-	-
<b>Outstanding at June 30, 2019</b>	<b>-</b>	<b>-</b>

#### International School plan

There were no share options granted, forfeited, exercised and expired for the six-month period ended June 30, 2019.

The share-based compensation expense for the International School Plan recognized in the statement of income for the six-month period ended June 30, 2019 was R\$ 275 (R\$ 275 in 2018).

#### Restricted stock units

On April 30, 2019, the Company granted 566,890 restricted stock units (RSUs), which will be available for sale by the beneficiaries annually, over three years, on each date of the anniversary of the IPO. The related compensation expense will be recognized over a period of three years. The total compensation expense for the six-month period

ended June 30, 2019, including taxes and social charges, was R\$ 20,676. These awards are classified as equity.

After the vesting period, the restricted shares have the same rights and privileges as any shareholder. The condition for the employee to receive the restricted shares is to continue working at the Company during the vesting period.

## 17 Equity

### Share capital

As of June 30, 2019, the Company's share capital is represented by 51,352,066 common shares (December 31, 2018: 50,261,027) of par value of US\$ 0.00005 each, comprised by 27,658,290 Class B common shares (December 31, 2018: 27,658,290) and 23,693,776 Class A common shares (December 31, 2018: 22,602,737).

In 2019, the directors exercised their stock options, resulting in a capital increase of R\$13,829 and 1,091,039 of Class A common shares.

## 18 Earnings per share (EPS)

### Basic

Basic EPS is calculated by dividing profit attributable to the equity holders of the parent by the weighted average number of Class A and Class B common shares outstanding during the period.

### Diluted

Diluted EPS is calculated by dividing profit attributable to the equity holders of the parent by the weighted average number of Class A and Class B common shares outstanding during the period plus the weighted average number of common shares that would be issued on conversion of all potential common shares with dilutive effects.

The following table reflects the profit attributable to equity holders of the parent and the share data used in the basic and diluted EPS computations:

	<u>Three-month period ended</u>			<u>Three-month period ended</u>		
	<u>June 30, 2019 (unaudited)</u>			<u>June 30, 2018 (unaudited)</u>		
	<u>Class A</u>	<u>Class B</u>	<u>Total</u>	<u>Class A</u>	<u>Class B</u>	<u>Total</u>
<b>Profit attributable to equity holders of the parent</b>	<b>11,857</b>	<b>13,842</b>	<b>25,699</b>	<b>6,360</b>	<b>7,783</b>	<b>14,143</b>
Weighted average number of common shares outstanding (thousand)	23,397	27,312	50,709	22,603	27,658	50,261
Effects of dilution from:						
Share-based compensation plan (thousands)	567	-		981	-	
Basic earnings per share - R\$	0.51	0.51		0.28	0.28	
Diluted earnings per share - R\$	0.49	0.50		0.27	0.27	

	<u>Six-month period ended</u>			<u>Six-month period ended</u>		
	<u>June 30, 2019 (unaudited)</u>			<u>June 30, 2018 (unaudited)</u>		
	<u>Class A</u>	<u>Class B</u>	<u>Total</u>	<u>Class A</u>	<u>Class B</u>	<u>Total</u>
<b>Profit attributable to equity holders of the parent</b>	<b>26,087</b>	<b>30,453</b>	<b>56,540</b>	<b>24,591</b>	<b>30,091</b>	<b>54,682</b>
Weighted average number of common shares outstanding (thousand)	23,303	27,202	50,505	22,603	27,658	50,261
Effects of dilution from:						
Share-based compensation plan (thousands)	567	-		981	-	
Basic earnings per share - R\$	1.12	1.12		1.09	1.09	
Diluted earnings per share - R\$	1.09	1.10		1.04	1.05	

The number of Class A and Class B common shares outstanding was retrospectively adjusted due to the issuance of new shares as a result of the IPO and the corporate reorganization, described in Note 1.

Diluted earnings per share is calculated by the weighted average number of outstanding shares, in order to assume the conversion of all potential dilutive shares. Diluted result per share is calculated considering the instruments that may have a potential dilutive effect in the future, such as share-based payment instruments, using the treasury shares method when the effect is dilutive.

## 19 Revenue

The Company's net revenue is as follows:

	Three-month period ended		Six-month period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Educational content	146,919	88,293	275,824	205,527
Other	356	695	356	1,742
Returns	(5,913)	(5,298)	(12,889)	(5,913)
Discounts	(3,775)	(2,247)	(8,649)	(6,256)
Taxes	(21)	(7)	(21)	(30)
<b>Net revenue</b>	<b>137,566</b>	<b>81,436</b>	<b>254,621</b>	<b>195,070</b>

Segments	For the six-month period ended 30 June 2019			For the six-month period ended 30 June 2018		
	Core	Supplemental	Total	Core	Supplemental	Total
Type of goods or service	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Educational content	199,982	54,304	254,286	160,236	33,140	193,376
Other	-	335	335	1,694	-	1,694
<b>Total net revenue from contracts with customers</b>	<b>199,982</b>	<b>54,639</b>	<b>254,621</b>	<b>161,930</b>	<b>33,140</b>	<b>195,070</b>
Timing of revenue recognition						
Transferred at a point in time	199,982	54,639	254,621	161,930	33,140	195,070
<b>Total net revenue from contracts with customers</b>	<b>199,982</b>	<b>54,639</b>	<b>254,621</b>	<b>161,930</b>	<b>33,140</b>	<b>195,070</b>

Segments	For the three-month period ended 30 June 2019			For the three-month period ended 30 June 2018		
	Core	Supplemental	Total	Core	Supplemental	Total
Type of goods or service	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Educational content	100,832	36,399	137,231	62,482	18,271	80,753
Other	-	335	335	683	-	683
<b>Total net revenue from contracts with customers</b>	<b>100,832</b>	<b>36,734</b>	<b>137,566</b>	<b>63,165</b>	<b>18,271</b>	<b>81,436</b>
Timing of revenue recognition						
Transferred at a point in time	100,832	36,734	137,566	63,165	18,271	81,436
<b>Total net revenue from contracts with customers</b>	<b>100,832</b>	<b>36,734</b>	<b>137,566</b>	<b>63,165</b>	<b>18,271</b>	<b>81,436</b>

The Company's revenues from contracts with customers are all in Brazil.



The Company recognized impairment losses on trade receivables arising from contracts with customers, included under selling expenses in the statement of income, of R\$ 2,203 and R\$ 3,137 for the six-month periods ended June 30, 2019 and 2018, respectively.

#### Revenues tax benefits

The Company is not subjected to the payment of the social integration program tax (*Programa de Integração Social*, or PIS) and the social contribution on revenues tax (*Contribuição para o Financiamento da Seguridade Social*, or COFINS) on the sale of books. The sale of printed and digital books is also exempt from the Brazilian municipal taxes and from the Brazilian value added tax (*Imposto sobre Operações relativas à Circulação de Mercadorias e sobre Prestações de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação*, or ICMS).

## 20 Expenses by nature

	Three-month period ended		Six-month period ended	
	June 30, 2019 (unaudited)	June 30, 2018 (unaudited)	June 30, 2019 (unaudited)	June 30, 2018 (unaudited)
Content providing	11,272	5,108	22,480	20,994
Operations personnel	3,651	5,192	5,974	9,334
Inventory reserves	1,332	1,146	3,560	3,242
Freight	4,387	2,931	7,481	3,790
Depreciation and amortization	4,068	1,303	6,611	2,158
Other	1,117	1,182	1,590	3,184
<b>Cost of sales</b>	<b>25,827</b>	<b>16,862</b>	<b>47,696</b>	<b>42,702</b>
Sales personnel	17,972	11,107	37,444	21,884
Depreciation and amortization	3,388	2,849	6,483	5,900
Sales & marketing	7,556	4,439	10,626	5,886
Customer support	7,875	4,438	14,885	8,419
Allowance for doubtful accounts	550	(397)	2,203	3,137
Real estate rentals	381	433	944	880
Other	1,593	1,205	2,865	2,280
<b>Selling expenses</b>	<b>39,315</b>	<b>24,074</b>	<b>75,450</b>	<b>48,386</b>
Corporate personnel	10,298	9,219	22,735	16,040
Third party services	8,265	4,581	12,323	7,349
Real estate rents	928	775	1,506	1,703
Travel expenses	649	629	1,218	1,162
Tax expenses	365	366	1,088	916
Software licenses	109	262	298	721
Share-based compensation plan, restricted stock units and payroll taxes	20,814	343	20,951	687
Depreciation and amortization	1,647	424	3,249	844
Other	1,851	434	2,390	1,306
<b>General and administrative expenses</b>	<b>44,926</b>	<b>17,033</b>	<b>65,758</b>	<b>30,728</b>
<b>Total</b>	<b>110,068</b>	<b>57,969</b>	<b>188,904</b>	<b>121,816</b>

## 21 Finance result

	Three-month period ended		Six-month period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Income from financial investments	8,781	261	20,844	577
Changes in fair value of financial investments (a)	4,383	1,606	4,661	2,889
Changes in fair value of derivative instruments (b)	-	1,203	3,449	3,083
Foreign exchange gains	65	-	377	-
Other	732	512	1,586	742
<b>Finance income</b>	<b>13,961</b>	<b>3,582</b>	<b>30,917</b>	<b>7,291</b>
Changes in fair value of derivative instruments (b)	-	(836)	(5,369)	(1,109)
Interest expenses (c)	(6,916)	(2,326)	(14,440)	(4,824)
Financial discounts granted	(1,316)	(230)	(2,382)	(933)
Bank fees	(1,094)	(89)	(2,174)	(169)
Interest on lease expenses	(387)	-	(782)	-
Foreign exchange loss	(893)	-	(893)	-
Other	(1,768)	(359)	(2,815)	(730)
<b>Finance costs</b>	<b>(12,374)</b>	<b>(3,840)</b>	<b>(28,855)</b>	<b>(7,765)</b>
<b>Finance result</b>	<b>1,587</b>	<b>(258)</b>	<b>2,062</b>	<b>(474)</b>

(a) Refers to gains on financial investments measured at FVPL.

(b) Refers to changes in the fair value of derivative financial instruments, comprised of the put and call options from business acquisitions and investments in associates and joint ventures.

(c) Refer to interest expense on liabilities related to business combinations and investments in associates.

## 22 Income taxes

### (a) Reconciliation of income taxes expense

	Three-month period ended		Six-month period ended	
	June 30, 2019 (unaudited)	June 30, 2018 (unaudited)	June 30, 2019 (unaudited)	June 30, 2018 (unaudited)
Profit before income taxes	27,981	21,504	69,542	74,658
Combined statutory income taxes rate - %	34%	34%	34%	34%
	(9,513)	(7,311)	(23,644)	(25,384)
Income taxes at statutory rates				
Reconciliation adjustments:				
Share of loss of equity-accounted investees (a)	(227)	(78)	(394)	(100)
Effect of presumed profit of subsidiaries (b)	3,429	(79)	8,167	5,444
Other additions (exclusions), net	4,029	(120)	2,869	(311)
<b>Income taxes expense</b>	<b>(2,282)</b>	<b>(7,588)</b>	<b>(13,002)</b>	<b>(20,351)</b>
Current	(10,899)	(6,071)	(29,151)	(20,879)
Deferred	8,617	(1,517)	16,149	528
<b>Income taxes expense</b>	<b>(2,282)</b>	<b>(7,588)</b>	<b>(13,002)</b>	<b>(20,351)</b>
Effective rate	8.2%	35.3%	18.7%	27.3%

(a) Refers to the effect of 34% on the share of profit of investees for the year.

(b) Brazilian tax law establishes that companies that generate gross revenues of up to R\$ 78,000 in the prior fiscal year may calculate income taxes as a percentage of gross revenue, using the presumed profit income tax regime. The Company's subsidiaries adopted this tax regime and the effect of the presumed profit of subsidiaries represents the difference between the taxation based on this method and the amount that would be due based on the statutory rate applied to the taxable profit of the subsidiaries. The variance between for the six-month periods ended June 30, 2019 and 2018 is due to the effect of presumed profit taxation of certain subsidiaries, which have a lower income tax rate but had a higher profit before income tax.

## (b) Deferred income taxes

The changes in the deferred tax assets and liabilities are as follows:

	As of December 31, 2018	Change in accounting practice	Recognized in profit or loss	Recognized in equity	As of June 30, 2019
<b>Deferred tax assets</b>					(unaudited)
Tax losses carryforward	4,364	-	(1,178)	-	3,186
Temporary differences					
Financial instruments from acquisition of interests	59,166	-	6,703	-	65,869
Other temporary differences	6,585	731	5,103	-	12,419
Tax benefit from tax deductible goodwill (a)	46,314	-	(166)	16,897	63,045
Amortization of intangible assets	1,282	-	1,756	-	3,038
Restricted stock units	-	-	6,571	-	6,571
<b>Total deferred tax assets</b>	<b>117,711</b>	<b>731</b>	<b>18,789</b>	<b>16,897</b>	<b>154,128</b>
<b>Deferred tax liabilities</b>					
Financial instruments from acquisition of interests	(18,166)	-	(1,140)	-	(19,306)
Other temporary differences	(1,463)	-	(1,500)	-	(2,963)
<b>Total deferred tax liabilities</b>	<b>(19,629)</b>	<b>-</b>	<b>(2,640)</b>	<b>-</b>	<b>(22,269)</b>
<b>Deferred tax assets (liabilities), net</b>	<b>98,082</b>	<b>731</b>	<b>16,149</b>	<b>16,897</b>	<b>131,859</b>

Deferred tax assets – non current	99,460				133,419
Deferred tax liabilities – non current	(1,378)				(1,560)

- (a) Refers to R\$ 46,314 of tax benefit generated from the goodwill in the acquisition of EAS interest by GA Holding and R\$ 16,897 to tax benefits generated from the corporates restructuring described in Note 2.2.

As of June 30, 2019, the Company had unrecognized deferred income tax assets in the amount of R\$ 85 (December 31, 2018: R\$ 3,228) with respect to tax loss carryforward. The net operating losses carried forwards do not expire, however, their compensation is limited to 30% of the annual taxable income. The recognition of the deferred income tax assets is supported by the Company's forecasts of the future profitability and historical results.

## 23 Segment information

Segment information is presented consistently with the internal reports provided to the Company's main key executives. They are responsible for allocating resources, assessing the performance of the operating segments, and making the Company's strategic decisions.

The Executive Officers have defined the operating segments based on the reports used to make structured strategic decisions, which allow for decision-making based on these structures:

- (i) **Core:** The Core Curriculum business segment provides solutions that address the Brazilian K-12 curriculum requirements through a personalized and interactive learning experience. Students access content in various formats, such as digital, video, print, and other audiovisual formats that are aligned with the daily curriculum of their classes;

- (ii) **Supplemental:** The Supplemental Solutions business segment provide additional value-added content that private schools can opt in for, in addition to the Core Curriculum solution. Currently, the Company's primary Supplemental product is an English as a second language (ESL) bilingual teaching program.

The Executive Officers do not make strategic decisions or evaluate performance based on geographic regions. Currently, the Company operates solely in Brazil and all the assets, liabilities and results are allocated in Brazil. Also, based on the agreements signed with schools as of June 30, 2019 , none of our customers individually represented more than 5% of our total revenue.

#### **Seasonality of operations**

The Company typically delivers Core Curriculum content four times each year: in March, June, August and December. Supplemental Solutions content is delivered twice each year in June and December, typically two to three months prior to the start of each school quarter. This allows the private schools and their teachers to prepare classes in advance of each school quarter. Because revenue is recognized at the moment of delivery of the educational content, the fourth quarter results reflect the growth in the number of students from one school year to another. Consequently, the Company generally have higher revenues in the fourth quarter of the year compared to the preceding quarters.

**Six-month period ended June 30, 2019 (unaudited)**

	<b>Core</b>	<b>Supplemental</b>	<b>Total reportable segments</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Net revenue	199,982	54,639	254,621	-	254,621
Cost of sales	(40,274)	(7,422)	(47,696)	-	(47,696)
<b>Gross profit</b>	<b>159,708</b>	<b>47,217</b>	<b>206,925</b>	<b>-</b>	<b>206,925</b>
Selling expenses	(57,738)	(17,712)	(75,450)	-	(75,450)
<b>Segment profit</b>	<b>101,970</b>	<b>29,505</b>	<b>131,475</b>	<b>-</b>	<b>131,475</b>
General and administrative expenses					(65,758)
Other income, net					2,922
<b>Operating profit</b>					<b>68,639</b>
Finance income					30,917
Finance costs					(28,855)
Share of loss of equity-accounted investees					(1,159)
<b>Profit before income taxes</b>					<b>69,542</b>
Income taxes expense					(13,002)
<b>Profit for the period</b>					<b>56,540</b>
<b>Other disclosures</b>					
Depreciation and amortization	14,414	1,929	16,343	-	16,343
Investments in associates and joint ventures	58,113	-	58,113	-	58,113
Capital expenditures	6,417	17,791	24,208		24,208

**Six-month period ended June 30, 2018 (unaudited)**

	<b>Core</b>	<b>Supplemental</b>	<b>Total reportable segments</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Net revenue	161,930	33,140	195,070	-	195,070
Cost of sales	(37,332)	(5,370)	(42,702)	-	(42,702)
<b>Gross profit</b>	<b>124,598</b>	<b>27,770</b>	<b>152,368</b>	<b>-</b>	<b>152,368</b>
Selling expenses	(39,241)	(9,145)	(48,386)	-	(48,386)
<b>Segment profit</b>	<b>85,357</b>	<b>18,625</b>	<b>103,982</b>	<b>-</b>	<b>103,982</b>
General and administrative expenses					(30,728)
Other income, net					2,172
<b>Operating profit</b>					<b>75,426</b>
Finance income					7,291
Finance costs					(7,765)
Share of loss of equity-accounted investees					(294)
<b>Profit before income taxes</b>					<b>74,658</b>
Income taxes expense					(20,351)
<b>Profit for the period</b>					<b>54,307</b>
<b>Other disclosures</b>					
Depreciation and amortization	8,156	746	8,902	-	8,902
Investments in associates and joint ventures	12,360	-	12,360	-	12,360
Capital expenditures	6,223	846	7,069	-	7,069

**Three-month period ended June 30, 2019 (unaudited)**

	<b>Core</b>	<b>Supplemental</b>	<b>Total reportable segments</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue	100,832	36,734	137,566	-	137,566
Cost of sales	(20,589)	(5,238)	(25,827)	-	(25,827)
<b>Gross profit</b>	<b>80,243</b>	<b>31,496</b>	<b>111,739</b>	<b>-</b>	<b>111,739</b>
Selling expenses	(28,602)	(10,713)	(39,315)	-	(39,315)
<b>Segment profit</b>	<b>51,641</b>	<b>20,783</b>	<b>72,424</b>	<b>-</b>	<b>72,424</b>
General and administrative expenses					(44,926)
Other expenses, net					(437)
<b>Operating profit</b>					<b>27,061</b>
Finance income					13,961
Finance costs					(12,374)
Share of loss of equity-accounted investees					(667)
<b>Profit before income taxes</b>					<b>27,981</b>
Income taxes expense					(2,282)
<b>Profit for the period</b>					<b>25,699</b>

**Three-month period ended June 30, 2018 (unaudited)**

	<b>Core</b>	<b>Supplemental</b>	<b>Total reportable segments</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue	63,165	18,271	81,436	-	81,436
Cost of sales	(13,773)	(3,089)	(16,862)	-	(16,862)
<b>Gross profit</b>	<b>49,392</b>	<b>15,182</b>	<b>64,574</b>	<b>-</b>	<b>64,574</b>
Selling expenses	(19,645)	(4,429)	(24,074)	-	(24,074)
<b>Segment profit</b>	<b>29,747</b>	<b>10,753</b>	<b>40,500</b>	<b>-</b>	<b>40,500</b>
General and administrative expenses					(17,033)
Other expenses, net					(1,476)
<b>Operating profit</b>					<b>21,991</b>
Finance income					3,582
Finance costs					(3,840)
Share of loss of equity-accounted investees					(229)
<b>Profit before income taxes</b>					<b>21,504</b>
Income taxes expense					(7,588)
<b>Profit for the period</b>					<b>13,916</b>



Capital expenditures consist of additions of property and equipment and intangible assets. There were no inter-segment revenues in the six-month periods ended June 30, 2019 and 2018.

Segment performance is evaluated based on segment profit or loss and is measured consistently with profit or loss in the consolidated financial statements. General and administrative expenses, other income (expenses) net, finance result, share of profit (loss) of equity-accounted investees and income taxes are managed on a Company basis and are not allocated to operating segments.

Segment profit or loss excludes general and administrative expenses, other income (expenses), net, finance result, share of profit (loss) of equity-accounted investees and income taxes in order to demonstrate the results without the influence of shared service center expenses or significant items of income and expenses which may have an impact on the quality of earnings such as restructuring costs, legal expenses, and impairments.

There were no adjustments or eliminations in the profit or loss between segments. Segment assets and liabilities are measured in the same way as in the financial statements. These assets and liabilities are allocated based on the operations of the segment.

	<b>Core</b>	<b>Supplemental</b>	<b>Total reportable segments</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
<b>As of June 30, 2019 (unaudited)</b>					
Total assets	1,407,331	95,645	1,502,976	(2,767)	1,500,209
Total liabilities	362,436	23,672	386,108	(2,767)	383,341
<b>As of December 31, 2018</b>					
Total assets	1,273,107	62,006	1,335,113	(235)	1,334,878
Total liabilities	254,744	10,485	265,229	(235)	264,994

## 24 Financial instruments

The Company holds the following financial instruments:

	<b>Assets at FVPL</b>	<b>Assets at amortized cost</b>	<b>Total</b>
<b>Financial assets</b>			
<b>June 30, 2019 (unaudited)</b>			
Cash and cash equivalents	8,530	-	8,530
Financial investments	413,756	459,858	873,614
Trade receivables	-	142,943	142,943
Financial instruments from acquisition of interests	21,261	-	21,261
	<b>443,547</b>	<b>602,801</b>	<b>1,046,348</b>

	Assets at FVPL	Assets at amortized cost	Total
<b>Financial assets</b>			
<b>December 31, 2018</b>			
Cash and cash equivalents	12,301	-	12,301
Financial investments	2,370	808,789	811,159
Trade receivables	-	136,611	136,611
Financial instruments from acquisition of interests	26,630	-	26,630
	<b>41,301</b>	<b>945,400</b>	<b>986,701</b>

	Liabilities at FVPL	Liabilities at amortized cost	Total
<b>Financial liabilities</b>			
<b>June 30, 2019 (unaudited)</b>			
Trade payables	-	13,991	13,991
Financial instruments from acquisition of interests	64,804	-	64,804
Accounts payable to selling shareholders	197,760	-	197,760
Lease liabilities	-	21,488	21,488
Loans and financing	-	537	537
	<b>262,564</b>	<b>36,016</b>	<b>298,580</b>

	Liabilities at FVPL	Liabilities at amortized cost	Total
<b>Financial liabilities</b>			
<b>December 31, 2018</b>			
Trade payables	-	14,845	14,845
Financial instruments from acquisition of interests	25,097	-	25,097
Accounts payable to selling shareholders	-	181,381	181,381
	<b>25,097</b>	<b>196,226</b>	<b>221,323</b>

The Company's exposure to certain risks associated with the financial instruments is discussed in Note 25.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

**(a) Financial instruments at fair value through profit or loss**

*Financial investments*

The Company designated part of its financial investments as financial assets at fair value through profit or loss.

### *Derivative instruments*

The Company acquired entities under business combinations and through the acquisition of interests in associates and joint ventures. The share purchase agreements contain put and call options and forward contracts that are also measured at fair value through profit or loss.

As of and for the six-month periods ended June 30, 2019 and 2018 none of the Company's derivatives have been designated as hedges for accounting purposes.

#### *(ii) Amounts recognized in profit or loss*

Changes in fair values of financial instruments at fair value through profit or loss are recorded in finance income (costs) in profit or loss (loss of R\$ 1,866 and gain of R\$ 1,974 for the six-month periods ended in June 30, 2019 and 2018, respectively).

### **(b) Recognized fair value measurements**

#### *(i) Fair value hierarchy*

The table below explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value through profit or loss in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels.

Assets and liabilities are measured and recognized at fair value as follows:

	<b>Hierarchy</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Financial assets</b>			
Cash and cash equivalents	Level 2	8,530	12,301
Financial investments	Level 2	413,756	2,370
Derivative financial instruments	Level 3	21,261	26,630
<b>Financial liabilities</b>			
Derivative financial instruments and forward contracts	Level 3	64,804	25,097
Accounts payable to selling shareholders	Level 3	197,760	-

As of June 30, 2019, and December 31, 2018, the Company assessed the fair values of its financial instruments. This assessment does not indicate fair values significantly different from the carrying amounts. The estimated realizable values of financial assets and liabilities were determined based on available market information and appropriate valuation methodologies.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels for recurring fair value measurements during the financial statement period.

*(ii) Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of derivatives is calculated with Black & Scholes; and
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All the resulting fair value estimates are included in level 2 except for contingent consideration and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

*(iii) Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 items for the six-month periods ended June 30, 2019 and 2018.

	Financial instruments from acquisition of interests (assets)	Financial instruments from acquisition of interests (liabilities)	Accounts payable to selling shareholders
<b>Recurring fair value measurements</b>			
Balances as of December 31, 2017	12,511	(13,637)	-
Deferred revenue in Escola de Aplicação São José dos Campos Ltda.	-	25	-
Gains recognized in statement of income	1,782	167	-
<b>Balances as of June 30, 2018 (unaudited)</b>	<b>14,293</b>	<b>(13,445)</b>	<b>-</b>
<b>Balances as of June 30, 2019 (unaudited)</b>			
Balances as of December 31, 2018	26,630	(25,097)	181,381
Acquisition of Escola em Movimento	-	-	1,929
Forward contract of Nave	-	(43,210)	-
Interest expense	-	-	14,450
Deferred revenue in Escola de Aplicação São José dos Campos Ltda.	-	54	-
Gains (loss) recognized in statement of income	(5,369)	3,449	-
<b>Balances as of June 30, 2019 (unaudited)</b>	<b>21,261</b>	<b>(64,804)</b>	<b>197,760</b>

*(iv) Transfers between levels 2 and 3*

In the six-month periods ended June 30, 2019 and 2018, the Company did not transfer any financial instruments from level 2 into level 3.

#### *(v) Valuation processes*

The finance department of the Company performs and reviews the valuations of items required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results conform with the Company's yearly reporting periods. Also, the Company hires specialists to measure fair value of certain financial assets independently.

The main level 3 inputs used by the Company are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from observable market data of credit risk grading.
- Earnings growth factors for unlisted equity securities are estimated based on market information for similar types of companies.
- Contingent consideration – expected cash outflows are estimated based on the terms of the business combinations and the entity's knowledge of the business as well as how the current economic environment is likely to impact it.

## **25 Risk**

### **(a) Financial risk management**

The Company monitors market, credit and operational risks in line with the objectives in capital management and counts with the support, monitoring and oversight of the Board of Directors in decisions related to capital management and its alignment with the objectives and risks. The Company monitors the effectiveness of the Company's risk management.

The sensitivity analyses in the following sections relate to the position as of June 30, 2019 .

#### *Capital management*

The Company's objectives when managing capital are to:

- maximize shareholder value;
- safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or alter the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

No changes were made in the objectives, policies or processes for managing capital during the six-month period ended June 30, 2019.

(i) *Foreign exchange risk*

*Exposure*

The Company's exposure to foreign currency risk as of June 30, 2019 and December 31, 2018, was as follows:

	June 30, 2019	December 31, 2018
Cash and cash equivalents	4,124	3,615
Financial investments	12,517	-

The Company does not operate outside Brazil and does not have exposure to foreign exchange risk on commercial transactions, i.e., revenues or expenses.

Sensitivity analysis

The sensitivity analysis as of June 30, 2019 consider three scenarios of U.S. dollar exchange rate variation, as follows:

- Base scenario - exchange rate as of June 30, 2019 of R\$ 3.8322 per US\$ 1.00;
- Scenario I - a 10% increase in the U.S. dollar exchange rate, to R\$ 4.2154; and
- Scenario II - a 10% decrease in the U.S. dollar exchange rate, to R\$ 3.4490.

The table below set forth the sensitivity analysis as of June 30, 2019, for the amount of cash and cash equivalents and financial investments denominated in U.S. dollar of US\$ 4,342 thousand:

	<b>Base scenario</b>	<b>Scenario I</b>	<b>Scenario II</b>
	Exchange rate: R\$ 3.8322	Exchange rate: R\$ 4.2154	Exchange rate: R\$ 3.4490
Finance income (costs)		R\$ 1,664	R\$ (1,664)

(ii) *Liquidity risk*

Management of the Company has responsibility for mitigating liquidity risk. In order to achieve their goals, management regularly reviews the risk and maintains appropriate reserves, including bank credit facilities with first tier financial institutions. Management also continuously monitors projected and actual cash flows and the combination of the maturity profiles of the financial assets and liabilities.

The main requirements for financial resources used by the Company arise from the need to make payments for printing educational content, freight expenses, operating expenses, labor and social obligations and other operating disbursements.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted amounts:

<b>As of June 30, 2019 (unaudited)</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Trade payables	-	13,991	-	-	-	13,991
Lease liabilities	269	1,031	3,436	16,752	-	21,488
Loans and financing	-	40	121	376	-	537
Financial instruments from acquisition of interests	-	-	15,562	49,242	-	64,804
Accounts payable to selling shareholders	-	-	90,829	106,931	-	197,760
	<b>269</b>	<b>15,062</b>	<b>109,948</b>	<b>173,301</b>	<b>-</b>	<b>298,580</b>

*(iii) Financial counterparty risk*

This risk arises from the possibility that the Company may incur losses due to the default of its counterparties. To mitigate these risks, the Company adopts as practice the analysis of the financial and equity situation of its counterparties.

Counterparty credit limits, which take published credit ratings and other factors into account, are set to cover the Company's total aggregate exposure to a single financial institution. Exposures and limits applicable to each financial institution are approved by our treasury within guidelines approved by the board and are reviewed on a regular basis.

*(iv) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investments with floating interest rates. The Company is mainly exposed to fluctuations in CDI interest rates on financial investments.

Sensitivity analysis

The Company has a significant portion of its financial investments indexed to the CDI variation. According to the reference rates obtained from the website of the Brazilian Stock Exchange – B3 S.A. - Brasil, Bolsa, Balcão ("B3") and projected for 12 months, as of June 30, 2019 the CDI rate was 6.40%.

As of June 30, 2019, the Company's management estimated two scenarios of the CDI rates at +10% and -10%, which were used as a basis for the possible and remote scenarios, respectively. The table below shows a summary of the scenarios estimated by Management and the effect on profit before income taxes:

<b>June 30, 2019 (unaudited)</b>	<b>Exposure</b>	<b>+10%</b>	<b>-10%</b>
Cash, bank deposits and cash equivalents	4,406	28	(28)
Financial investments	861,097	5,511	(5,511)

The Company has derivatives (calls and put options) on non-controlling interests in associates and joint ventures acquired. The fair value of these derivatives is calculated using multiple scenarios and intrinsic methods. The major inputs are: exercise price, exercise date, volatility and gross profit of the associates and joint ventures.

The Company performed evaluation of their fair value at the end of each period in order to account for any changes to it, as disclosed in Note 24. These derivatives, which are not publicly traded, have specific conditions that do not enable us to present a sensitivity analysis in relation to specific interest rates or market indexes. Also, these derivatives are part of the Company's strategy to acquire companies directly related to its continuous growth and are considered by the Company as a deferred payment to the previous shareholders of the acquirees.

## 26 Commitments and contingencies

### (i) Legal proceedings

The Company is party to labor and tax litigation in progress, which arise during the ordinary course of business. The provisions for probable losses arising from these matters are estimated and periodically adjusted by Management, supported by the opinion of its external legal advisors.

	<b>Labor</b>	<b>Taxes</b>	<b>Total</b>
	(unaudited)	(unaudited)	(unaudited)
<b>Balances at December 31, 2018</b>	<b>17</b>	<b>114</b>	<b>131</b>
Additions	213	-	213
Reversals	(2)	-	(2)
<b>Balances at June 30, 2019</b>	<b>228</b>	<b>114</b>	<b>342</b>

As of June 30, 2019, the Company was party to lawsuits classified as possible losses totaling R\$ 5,496 (R\$ 5,170 as of December 31, 2018), as shown below:



	<b>June 30, 2019</b>	<b>December 31,</b>
	(unaudited)	<b>2018</b>
Civil (a)	4,919	4,425
Labor (b)	577	745
<b>Total</b>	<b>5,496</b>	<b>5,170</b>

- (a) The civil proceedings relate mainly to customer claims, including those related to the early termination of certain agreements, among others.
- (b) The labor proceedings to which the Company is a party were filed by former employees or suppliers and third-party service providers' employees seeking joint liability for the acts of the Company's suppliers and service providers.

## 27 Transactions not involving cash

The Company carried out the non-cash activities in the six-month period ended June 30, 2019 , which are not reflected in the statement of cash flows, mainly related to the corporate restructuring described in Note 2.2, the recognition of right-of-use asses and lease liabilities as a result of the adoption of IFRS 16, the forward contract (Note 10 and Note 14) and the escrow account described in note 3 (Business combination)

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Arco Platform Ltd.**

By: /s/ Ari de Sá Cavalcante Neto

Name: Ari de Sá Cavalcante Neto

Title: Chief Executive Officer

Date: August 27, 2019

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