

Operator:

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everyone to Somos Educação 2Q15 earnings conference call. Today with us, we have Mr. Daniel Cordeiro, CFO and IRO.

We would like to inform you that this call and the slides are being broadcast simultaneously through the internet and the Company's website, www.abrieducação.com.br/investidor and the presentation is available to download at the Investor Information section.

Also, this event is being recorded and all participants will be in listening only mode during the Company's presentation. After the Company's remarks are completed, there will be a question and answer session. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Before proceeding, let me mention that forward looking statements are based on the beliefs and assumptions of Abril Educação's Management and on information currently available to the Company. They involve risks, uncertainties and assumptions, because they relate to future events and, therefore, depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future result of Abril Educação and could cause results to differ materially from those expressed in such forward looking statement. Now, I will turn the conference over to Mr. Daniel Cordeiro, CFO and IRO. Mr. Cordeiro, you may begin your conference.

Daniel Cordeiro:

Hi, everyone and thank you all for participating in the earnings conference call of Somos Educação for the 2Q and 1H15. In the first part of the presentation, I want to say thanks to our former CFO, Guilherme Melega, who has been very supportive in the hand-over and transition in the past few weeks. I want also to wish him success in his new role as CEO of our business unit Red Balloon. I will with the summary of the highlights for the period and then I will briefly present the operating and the financial performance.

Now, moving to slide number two. On June 18, we signed the acquisition of Saraiva Educação, which is the holder of all basic education, technical and and post-secondary business of Saraiva Group, including Editora Saraiva, Editora Érica, Sistema de Ensino Ético and Sistema de Ensino Ágora. The transaction does not include the retail business of Saraiva Group and the transaction is also still subject to the approval of the Antitrust Authority, CADE.

Another highlight was the announcement of the list of works approved in PNLD 2016, this year's national textbook program for elementary school. Out of 52 collections submitted by Editora Ática and Editora Scipione, 36 collections were approved. We highlighted the approvals obtained in all subjects of this program's cycle.

Another highlight; after the reporting period, we had the change in the corporate name of the Company to Somos Educação S.A. and since July 28, our stocks traded on BMS&BOVESPA's exchange, under the new stock ticker SEDU3 replacing the former ticker ABRE3. Lastly, it is a pleasure to announce the acquisition of Colégio Doze de

Outubro, in São Paulo, which in 2016, will become the first proprietary school unit of Anglo offering all segments of basic education.

Now, I will start discussing our operating performance with learning system on slide number four. First, in traditional learning systems which represent K12 school, we increased in 18% the number of students. We ended up in the 2Q15 with 751,000 students. In the same period last year we had 635,000 students. This increase of 116,000 students for our base is next of net of return and sales cancelation that typically occur in the 2Q.

This year, we have returns of 25.2 thousand representing a 3.2% rate of return, in line with historical average. Our technical learning system, ETB, ended 2Q15 with 76,000 students, down 41% from 130,000 students in the 2Q14, reflecting the postponement of the enrolment process of PRONATEC, the technical education program for new students in this 1H15. Lastly, The Leader in Me learning system had 86,000 students in the end of 2Q15, a solid growth compared to the 29,000 students last year.

When we add up the traditional learning system, ETB and The Leader in Me, we come up with 913,000 students served by our learning system. A 15% increase on the same period last year.

Now, moving to our publishing business in slide number five. In the private segment, during the 1H15, our sales volume decreased 14% to 2.2 million books, compared to 2.6 million last year.

In the public segment we have registered no sales in the 1H15 in comparison to 0.6 million books sold in the same period last year, when we had the National School Library program, PNBE for teachers, which has not been repeated this year. On the right side of the slide we show the sales cycle numbers from July to June.

When we compare last year's period, we end up with a decrease of 8%, and this reduction is mostly explained by overall contraction in the book sales market and the higher penetration of learning systems according to internal data.

On slide number six, we have the number of students for schools and preparatory courses. We ended the 2Q15 with 27.4 thousand students enrolled in our 24 units of K12 schools and preparatory courses, which represent an increase of 18% over 2Q14, including the new acquisitions Sigma Águas Claras and Maxi Cuiabá. In the schools segment, a growth of 32%, including the 3.1 thousand students from the acquired assets.

On a comparable base, the school segment posed an organic growth of 10%, with an increase of 7.2% in the average ticked over the past year. In prep course, the student base had a contraction of 2%, reflecting the more aggressive competition in the segment as reported in the last quarter.

Now, let us move to slide number seven, where we have the operating data for our English school business. I will start with the number of students for Red Balloon, which ended the 2Q15 with 17.8 thousand students, representing an increase of 24% over past year. Moving for the total number of franchisees, Red Balloon increased from 48, in 2Q14, to 82, in 2Q15, including the In-school program unit.

Moving to Wise Up, at the end of 2Q15, there was a 68.4 thousand students enrolled, down 4% from 2Q14. There was a reduction of 19% in the number of franchisees, from

376 in 2Q14 to 306 in 2Q15, as part of the ongoing process of restructuring the franchising system.

As a result, there was a significant increase in the number of students per franchisee. In 2Q15, the enrollment at Wise Up amounted to 11.9 thousand, a decrease of 17% over past year.

The reformulation of teaching material this year has minimized the effect of a contraction in the number of kits sold, which decreased only 6% in the period.

Now, moving to the financial performance, in slide number nine we have the revenue growth breakdown for the 2Q15 and the 1H15. In the 2Q, the major contribution came from schools and preparatory courses, adding R\$21.9 million to our revenue.

Net revenue advanced 9% from 2Q14 to R\$228.8 million, which includes R\$9.8 million in revenue from the newly acquired assets, Sigma Águas Claras and Maxi Cuiabá. On a comparable basis, net revenue grew 5%.

Net revenue, in the 1H15, was R\$603.5 million, up 11% of the R\$543.1 million reported in the 1H14. The major contribution came from schools and preparatory courses business line, with R\$34.5 million. On a comparable basis, net revenue grew 8% excluding R\$15.1 million from newly acquired assets.

Moving to slide number 10. Here we have the total SG&A for Somos Educação. And in the 2Q15, expenses amounted to R\$147.4 million, decrease in 12% from the R\$167 million reported in the 2Q14.

To make an apple to apple comparison, we must exclude first, the recognition of expenses relate to the new stock-based compensation plan of R\$1.7 million in the 2Q15; second, the increase in expenses related to the school Sigma Águas Claras and Maxi Cuiabá, of R\$2.7 million in 2Q15; and third, the non-recurring expenses announced in the 2Q14, of R\$27.9 million, and 2Q15, of R\$10.5 million. In this case, total expenses still would have decreased 5% year over year.

In the next slide, we have the adjusted EBITDA growth breakdown. In the 2Q15, EBITDA adjusted by stock-based compensation plan and non-recurring expenses amounted to R\$47 million, advancing 65% on 2Q14. EBITDA margin expanded 7% p.p. from 14% in 2Q14 to 21% in 2Q15.

Excluding the effects from the acquired assets of R\$2.6 million in 2Q15, the adjusted EBITDA would have advanced by 56% in the quarter. In the 1H15, adjusted EBITDA increased 16% over 1H14, excluding R\$4.6 million from the acquired assets.

In the slide number 12 we have the composition of our investments for the period. In the 1H15, the total capex amounted to R\$73.5 million and the number was 50% higher than the R\$49 million reported in the same period last year.

The increase is basically explained by, first, the expanding with software licensing, due to the internalization of shared service center, previously operated by Grupo Abril; second, the acquisition of copyrights for unrestricted use by ETB, the technical learning system; and third, the reformulation of teaching materials in Wise Up.

Now, moving to the last slide, number 13. Here we have the Company's capital structure and the evolution of net debt. We ended 2Q15 with a total debt of R\$1.3

billion, a total cash of R\$437 million, which was opened in a net debt of R\$850 million, a decrease of R\$33 million in our net debt in a comparison with 1Q15.

Our leverage ratio in the 2Q15 reached 2.2x net debt EBITDA and you remember that our debenture covenants for 2015 and 2016 is in 3.5x net debt to EBITDA.

Before opening to Q&A, I have just one remark about the tender offer. As you know, this process is being handled by our new controlling shareholder, Thunnus Participações. It is a Company owned by an investment fund managed by Tarpon and, actually, here in the Company, in Somos, we have no news regarding the timing of the tender offer.

The process is still under CVM's analysis and after CVM finds a decision following the schedule, the tender offer notice will be published and our shareholders will have 30 days more to decide to take their shares or not.

That concludes my presentation and we can move forward to the Q&A session.

Rodrigo Gastin, BTG Pactual:

Good morning, Daniel. I just have a question regarding the learning system segment. We saw a sharp drop in margins in the 2Q15, so I was just wondering if there were any other reasons behind this drop in profitability apart from the changes in the mix.

I mean, are these new brands that are changing the mix of the portfolio of the learning system segment? I would like just to understand how structural are the margins of this new brand and just try to understand if margins should keep under pressure, going forward, when we compare to last year results on the back of these changes in the mix.

Daniel Cordeiro:

Hi, Rodrigo. This is Daniel. Thank you for your question. Actually, regarding learning systems, we have two effects. The first is the blending, as you mentioned, and the second, basically represents half of the gap in the margin of this quarter is related to the PRONATEC's effect.

We have basically 3 p.p. in our margin related to the postponement of this program. We are expecting some revenues in the 1H. We had the expenses related to this segment, but the revenues did not come.

Looking forward, we do not expect this to be a recurring situation. We hope PRONATEC will have a positive effect in the Company in the 2H. And the effect of the blending in the mix is actually reducing the margin, but has a positive effect in terms of (inaudible) and the new contracts that we agreed. Thank you for your question.

Rodrigo Gastin, BTG Pactual:

Sorry, Daniel, just to better understand you. You said that margins should keep growing moving forward. You are not seeing a big change in the level of the margin of the segment on the back of this change in mix, right? It was a punctual effect from the PRONATEC and from the mix but, going forward, you expect margins to keep growing already in the short term. Is that right?

Daniel Cordeir:

Just to be clear, we expect margins to rise in relation to the 2Q, because of the effect of PRONATEC, but not going back to same level of last year, because of the mix effect.

Rodrigo Gastin, BTG Pactual:

Sure, pretty clear. Thanks, Daniel.

Operator:

This concludes the Q&A session. At this time, I would like to turn the word back to Mr. Daniel Cordeiro for any closing remarks.

Daniel Cordeiro:

I just want to reinforce that this is a year of restructuring for the Company. We have attracted a lot of new talented people. We are improving some processes and I believe this is a year to start to pave the way for a very sustainable long-term growth in the Company. Thank you all for your attention in the conference call. I hope to see you again in the next conference call. Have a good day.

Operator:

Thank you. This, thus, concludes today's presentation. You may disconnect your lines at this time and have a nice day.

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