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

Kroton Educacional S.A. and Subsidiaries

Individual and Consolidated Financial Statements for the Year Ended December 31, 2014 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of
Kroton Educacional S.A.
Belo Horizonte - MG

We have audited the accompanying individual and consolidated financial statements of Kroton Educacional S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as of December 31, 2014, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of Kroton Educacional S.A. as of December 31, 2014, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added ("DVA"), for the year ended December 31, 2014, prepared under the responsibility of the Company's Management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies and as supplemental information for IFRSs, which does not require the presentation of a DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, March 19, 2015

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Ismar de Moura
Engagement Partner

2014-3153

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

BALANCE SHEETS AS OF DECEMBER 31, 2014
(In thousands of Brazilian reais - R$, except earnings per share)

		Parent		Consolidated	
ASSETS	Note	12/31/2014	12/31/2013	12/31/2014	12/31/2013
CURRENT ASSETS					
Cash and cash equivalents:	8	55,177	1,005	450,764	418,932
Trade receivables	10	-	-	732,410	328,141
Inventories	11	-	-	36,076	16,642
Advances	12	-	-	49,962	25,320
Recoverable taxes	13	1,036	1,227	55,077	22,856
Dividends receivable		-	12,472	-	-
Other receivables	15	12	3	126,282	23,188
Total current assets		56,225	14,707	1,450,571	835,079
NONCURRENT ASSETS					
Securities	9	-	-	4,568	4,154
Trade receivables	10	-	-	10,345	26,512
Deferred income tax and social contribution	14.b)	-	-	434,849	1,498
Escrow deposits	27	10	7	43,221	10,769
Advances	12	-	-	2,577	3,614
Recoverable taxes	13	-	-	6,282	6,324
Contingencies' guarantees	27	80,146	-	169,734	110,605
Other receivables	15	-	-	6,691	2,533
Investments:					
In subsidiaries	16	12,351,581	2,579,780	-	-
Other		-	-	1,600	1,600
Property, plant and equipment	17	-	-	1,421,876	470,121
Intangible assets	18	59,450	59,450	11,933,866	2,606,353
Total noncurrent assets		12,491,187	2,639,237	14,035,609	3,244,083
TOTAL ASSETS		12,547,412	2,653,944	15,486,180	4,079,162

The accompanying notes are an integral part of these financial statements.

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

BALANCE SHEETS AS OF DECEMBER 31, 2014
(In thousands of Brazilian reais - R$, except earnings per share)

		Parent		Consolidated	
LIABILITIES AND EQUITY	Note	12/31/2014	12/31/2013	12/31/2014	31/12/2013
CURRENT LIABILITIES					
Trade payables	19	276	122	184,416	79,602
Borrowings and financing	20	-	-	7,279	1,770
Debentures	21		-	193,976	111,408
Payroll and related taxes	22	36,768	-	304,286	121,564
Income tax and social contribution		-	-	9,763	6,911
Taxes payable		398	389	48,733	17,790
Advances from customers	23	-	-	101,212	56,596
Taxes in installments	25	-	-	16,123	7,163
Payables - acquisitions	24	-	-	74,802	43,171
Dividends payable	28.e)	1	27,742	17	27,742
Other payables	26	-	9	5,298	5,375
Total current liabilities		37,443	28,262	945,905	479,092
NONCURRENT LIABILITIES					
Borrowings and financing	20	-	-	40,855	1,301
Debentures	21	-	-	700,008	434,741
Provision for tax, labor and civil risks	27	247,466	6,993	915,374	198,243
Taxes in installments	25	-	-	50,827	39,862
Payables - acquisitions	24	-	-	170,720	145,731
Deferred taxes	14.b)	815,220	-	1,211,952	158,972
Other payables	26	875	-	4,131	2,531
Total noncurrent liabilities		1,063,561	6,993	3,093,867	981,381
EQUITY	28				
Capital		4,239,757	1,867,228	4,239,757	1,867,228
Capital reserves		6,237,379	235,264	6,237,379	235,264
Treasury shares		(5,603)	(6,333)	(5,603)	(6,333)
Earnings reserves		974,875	522,530	974,875	522,530
Total equity		11,446,408	2,618,689	11,446,408	2,618,689
TOTAL LIABILITIES AND EQUITY		12,547,412	2,653,944	15,486,180	4,079,162

The accompanying notes are an integral part of these financial statements.

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands of Brazilian reais - R$, except earnings per share)

		Parent		Consolidated	
	Note	12/31/2014	12/31/2013	12/31/2014	12/31/2013
NET REVENUE FROM SALES AND SERVICES					
Higher education	31	-	-	3,583,866	1,853,780
K-12 education	31	-	-	190,609	162,162
		-	-	3,774,475	2,015,942
COST OF SALES AND SERVICES					
Cost of sales	32	-	-	(39,198)	(24,859)
Cost of services	32	-	-	(1,603,932)	(897,529)
		-	-	(1,643,130)	(922,388)
GROSS PROFIT		-	-	2,131,345	1,093,554
OPERATING INCOME (EXPENSES)	32				
Selling	32	-	-	(379,405)	(200,510)
General and administrative	32	(163,971)	(13,435)	(709,109)	(332,680)
Other operating expenses, net	32	-	-	(2,014)	(1,614)
Share of profit of subsidiaries					
Equity method	16	1,137,579	529,808	-	-
INCOME FROM OPERATIONS BEFORE FINANCE INCOME (COSTS)		973,608	516,373	1,040,817	558,750
FINANCE INCOME (COSTS)					
Finance income	33	1,594	209	124,157	68,173
Finance costs	33	(9)	(11)	(149,133)	(93,383)
OPERATING INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		975,193	516,571	1,015,841	533,540
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	14	-	-	(28,936)	(19,023)
Deferred	14	25,407	-	13,695	2,054
		25,407	-	(15,241)	(16,969)
PROFIT FOR THE YEAR		1,000,600	516,571	1,000,600	516,571
Attributable to Company's owners		1,000,600	516,571	1,000,600	516,571
Basic earnings per ON share - R$	34	0.74	0.48	0.74	0.48
Diluted earnings per ON share - R$	34	0.74	0.48	0.74	0.48

The accompanying notes are an integral part of these financial statements.

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	31/12/2014	31/12/2013	12/31/2014	12/31/2013
PROFIT FOR THE YEAR	1,000,600	516,571	1,000,600	516,571
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,000,600	516,571	1,000,600	516,571
ATTRIBUTABLE TO				
Company's owners	1,000,600	516,571	1,000,600	516,571
Noncontrolling interests	-	-	-	-

The accompanying notes are an integral part of these financial statements.

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KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY (PARENT AND CONSOLIDATED)
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands of Brazilian reais - R$, except earnings per share)

			Capital reserves			Earnings reserves				
	Note	Capital	Capital reserve	Equity instruments arising from business combinations	Treasury shares	Legal reserve	Additional dividends proposed	Investment reserve	Retained earnings	Total equity
BALANCE AT DECEMBER 31, 2012		1,867,228	(1,702)	243,873	(7,037)	9,432	15,197	119,213	-	2,246,204
										-
Treasury shares acquired	28.d)	-	-	-	(18,408)	-	-	-	-	(18,408)
Options granted recognized	28.c)	-	12,205	-	-	-	-	-	-	12,205
Options exercised using treasury shares	28.c)	-	(19,112)	-	19,112	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	-	516,571	516,571
Legal reserve		-	-	-	-	25,829	-	-	(25,829)	-
Recognition of investment reserve	28.e)	-	-	-	-	-	-	368,056	(368,056)	-
Distribution of additional dividends (R$0.223938 per share)	28.e)	-	-	-	-	-	(15,197)	-	-	(15,197)
Distribution of interim dividends (R$0.152715 per share)	28.e)	-	-	-	-	-	-	-	(94,944)	(94,944)
Proposed dividends	28.e)								(27,742)	(27,742)
BALANCE AT DECEMBER 31, 2013		1,867,228	(8,609)	243,873	(6,333)	35,261	-	487,269	-	2,618,689
Capital increase - acquisition of AEDU	28.a)	2,327,299	-	5,981,227	-	-	-	-	-	8,308,526
Capital increase	28.a)	45,230	-	-	(45,230)	-	-	-	-	-
Treasury shares acquired	28.d)	-	-	-	(41,039)	-	-	-	-	(41,039)
Recognition of stock option plan of acquiree	28.c)	-	72,913	(72,913)	-	-	-	-	-	-
Options granted recognized	28.c)	-	53,505	-	-	-	-	-	-	53,505
Treasury shares cancelled		-	-	-	86,999	-	-	-	-	86,999
Stock options exercised using treasury shares		-	(32,617)	-	-	-	-	-	-	(32,617)
Profit for the year		-	-	-	-	-	-	-	1,000,600	1,000,600
Legal reserve	28.e)	-	-	-	-	50,030	-	-	(50,030)	-
Recognition of investment reserve	28.e)	-	-	-	-	-	-	885,315	(885,315)	-
Distribution of interim dividends (R$0.24321982 per share)	28.e)	-	-	-	-	-	-	-	(65,255)	(65,255)
Distribution of additional dividends (R$1.7987010 per share)	28.e)	-	-	-	-	-	-	(483,000)	-	(483,000)
BALANCE AT DECEMBER 31, 2014		4,239,757	85,192	6,152,187	(5,603)	85,291	-	889,584	-	11,446,408

The accompanying notes are an integral part of these financial statements.

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
	Note	12/31/2014	12/31/2013	12/31/2014	12/31/2013
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax and social contribution		975,193	516,571	1,015,841	533,540
Adjustment to reconcile profit before income tax and social contribution to net cash (used in) generated by operating activities:					
Depreciation and amortization	17 e 18	74,758	-	249,768	108,212
Allowance for doubtful accounts	10	-	-	147,542	92,343
Provision (reversal) for tax, labor and civil risks	27	(12,992)	589	(500)	6,975
Allowance for inventory losses	11	-	-	106	3,122
Financial charges on borrowings, debentures and prepayment premiums	20 e 21	-	-	106,428	57,127
Financial charges on acquisitions	24	-	-	18,122	15,823
Income from securities	9	(414)	(83)	(414)	(27,916)
Grant of stock options	29	53,505	12,205	53,505	12,205
Gain (loss) on the sale or write-off of noncurrent assets		-	-	2,366	1,063
Equity in subsidiaries	16	(1,137,579)	(529,808)	-	-
Changes in operating assets and liabilities:					
(Increase) in trade receivables		-	-	(171,385)	(187,490)
(Increase) decrease in inventories		-	-	2,123	(3,861)
(Increase) in advances		-	-	(16,767)	7,286
(Increase) decrease in recoverable taxes		191	(120)	22,334	27,104
(Increase) decrease in escrow deposits		(3)	(7)	(15,109)	(2,123)
Increase (decrease) in other receivables		(9)	(3)	1,488	(3,017)
Increase (decrease) in trade payables		154	(177)	24,781	1,819
Increase (decrease) in payroll and related taxes		36,768	(18)	(12,023)	21,026
Increase (decrease) in taxes		9	8	(51,131)	(20,247)
Increase in advances from customers		-	-	4,406	20,289
(Decrease) in taxes and contributions in installments		-	-	(44,406)	(10,739)
(Decrease) in provision for tax, labor and civil risks		-	-	(10,524)	(4,812)
Increase (decrease) in other liabilities		866	9	14,810	(15,091)
Cash (used in) generated by operating activities		(9,553)	(834)	1,341,361	632,638
Income tax and social contribution paid		-	-	(16,487)	(17,340)
Interest on borrowings and debentures		-	-	(119,975)	(55,702)
Net cash (used in) generated by operating activities		(9,553)	(834)	1,204,899	559,596
CASH FLOW FROM INVESTING ACTIVITIES					
Redemption of securities	9	414	81	-	27,602
Increase in property, plant and equipment	17	-	-	(277,872)	(145,501)
Increase in intangible assets	18	-	-	(89,939)	(16,861)
Other payables	24	-	-	(40,607)	(40,526)
Cash arising from acquiree	6	-	-	188,806	-
Receipt of dividends from subsidiary		625,947	173,358	-	-
Net cash generated by (used in) investing activities		626,361	173,439	(219,612)	(175,286)
CASH FLOW FROM FINANCING ACTIVITIES					
Sale (acquisition) of treasury shares	28	13,344	(18,408)	13,344	(18,408)
Borrowings and financing	20 e 21	-	-	-	665
Repayments of borrowings and financing	20 e 21	-	-	(338,612)	(8,311)
Payment of dividends to shareholders		(575,980)	(154,944)	(628,187)	(154,944)
Net cash used in financing activities		(562,636)	(173,352)	(953,455)	(180,998)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS, NET		54,172	(747)	31,832	203,312
Cash and cash equivalents at the beginning of the year	8	1,005	1,752	418,932	215,620
Cash and cash equivalents at the end of the year	8	55,177	1,005	450,764	418,932
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS, NET		54,172	(747)	31,832	203,312

The accompanying notes are an integral part of these financial statements.

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
REVENUE				
Revenue from sales and services	-	-	3,881,217	2,067,984
Other income	-	-	60	-
Recognition of allowance for doubtful debts	-	-	(147,542)	(92,343)
INPUTS PURCHASED FROM THIRD PARTIES				
Cost of products and services	-	-	(40,216)	(24,859)
Materials, power, outside services and other	912	(1,010)	(645,318)	(435,532)
GROSS VALUE ADDED	912	(1,010)	3,048,201	1,515,250
Depreciation and amortization	(74,758)	-	(249,768)	(108,212)
NET WEALTH (CONSUMED)	(73,846)	(1,010)	2,798,433	1,407,038
WEALTH RECEIVED IN TRANSFER				
Share of profit of subsidiaries	1,137,579	529,808	-	-
Finance income	1,594	209	124,157	68,173
WEALTH FOR DISTRIBUTION	1,065,327	529,007	2,922,590	1,475,211
WEALTH DISTRIBUTED	1,065,327	529,007	2,922,590	1,475,211
Personnel:				
Salaries and wages	89,987	12,205	1,047,306	565,398
Benefits	-	-	54,494	27,879
Severance pay fund (FGTS)	-	-	88,863	49,304
Taxes and fees:				
Federal	(25,271)	212	247,797	155,993
State	2	6	442	257
Municipal	-	-	102,537	50,023
Interest on debt:				
Interest	9	11	149,259	93,383
Leases	-	2	223,244	15,366
Copyrights	-	-	8,048	1,037
Shareholders	1,000,600	516,571	1,000,600	516,571
Legal reserve	50,030	25,829	50,030	25,829
Recognition of earnings reserve	885,315	368,056	885,315	368,056
Distribution of dividends	548,255	122,686	548,255	122,686

The accompanying notes are an integral part of these financial statements.

1. GENERAL INFORMATION

Kroton Educacional S.A., headquartered at Rua Santa Madalena Sofia, 25, in the City of Belo Horizonte - MG, and its subsidiaries ("Company" or "Kroton") are engaged mainly in offering in-class and distance-learning higher education and post-graduate courses; managing child, K-12 and high school teaching activities; selling textbooks and handouts, and licensing teaching and pedagogic products.

Corporate transaction:

On July 3, 2014, the acquisition of shares of Anhanguera Educacional Participações S.A. by the Company was approved by the respective Extraordinary General Meetings, and Anhanguera Educacional Participações S.A became the Company's subsidiary (note 5).

This Transaction was approved by the Administrative Council of Economic Defense (CADE) on May 14, 2014, which compiled the concentration acts relating to the transaction for purposes of analysis of antitrust effects and entered into the "Concentration Control Agreement" comprising the transfer of a few rights and obligations ("Remedies"), considered as necessary for the maintenance of entry and competition conditions in the relevant market. The Company is preparing studies to fulfill CADE's decisions.

The Company conducts its operating activities through its direct subsidiaries: Editora e Distribuidora Educacional S.A. - EDE and Anhanguera Educacional Participações S.A. The Company's direct and indirect subsidiaries are summarized in note 2.3.b).

The Company is listed at the BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros and, under the special listing segment called "Novo Mercado" ("New Market"), under the ticker symbol KROT3, where it trades its common shares.

Seasonality

The Company expects to reach higher revenue and profitability levels in the first and third quarters of the year.

The sale of elementary education textbooks peaks in the first quarter. For college degrees, enrollments for each semester are made in the first and third quarters. As a result, this seasonality tends to produce changes in the quarterly and annual results of the Company's operations.

Comparability

Arising from the merger of shares issued by Anhanguera on July 3, 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for 2014, contemplate twelve months of Kroton's operations and six months of Anhanguera's operations.

Such fact must be taken into consideration in the comparative analysis of these financial statements.

Amendment to FIES legislation

In December 2014, the Ministry of Education and Culture (MEC) issued Regulatory Instructions 21 and 23 that primarily change the flow of payments to educational institutions reducing the annual number of transfers made by MEC, besides imposing new minimum score rules for the National High School Test (ENEM) for students entering beginning March 2015.

The impacts of the amendment to the legislation will start beginning 2015 and were analyzed by the Company's Management. The transfer impacts will take place in 2015 only and will be regularized beginning 2016, including delayed transfers.

As of December 31, 2014, no material effect was identified, including on the projections support the impairment calculation.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Declaration of conformity

The Company's financial statements comprise:

The individual and consolidated financial statements prepared in accordance with the International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB and the accounting practices adopted in Brazil.

The accounting practices adopted in Brazil include those established in the Brazilian Corporate Law, as well as the technical pronouncements, instructions and interpretations issued by the Accounting Pronouncements Committee ("CPC") and approved by the Federal Accounting Council ("CFC") and the Brazilian Securities Commission ("CVM").

2.2. Basis of preparation

The financial statements have been prepared based on the historical cost, except if otherwise stated, and contain material information on the Company used by Management as a management tool. The historical cost is generally based on the fair value of the consideration paid in exchange for an asset.

The following is a summary of the main accounting policies adopted by the Company:

2.3. Basis of consolidation and investment measurement

a) Subsidiaries

The consolidation of the subsidiaries corresponds to the sum of assets, liabilities, income and expenses, according to their nature, with the following eliminations:

(i) Intragroup investments, reserves and retained earnings.

(ii) Bank accounts and other amounts stated in assets and/or liabilities jointly held by the companies.

(iii) Identification of noncontrolling interests.

The fiscal years of the subsidiaries included in the consolidation coincide with the Company's, and the subsidiaries' accounting practices were applied consistently with the Company's.

b) Companies included in the consolidated financial statements

The consolidated financial statements include the accounts of the Company and the following subsidiaries:

Consolidated companies	Ownership interest in total capital - % 12/31/2014	12/31/2013
Direct subsidiary-		
Anhanguera - Anhanguera Educacional Participações S.A (i)	100	-
Indirect subsidiaries:		-
Aeltda- Anhanguera Educacional	100	-
Clínica - Clínica Médica Anhanguera	100	-
Imob I - AESA Empreendimentos Imobiliários	100	-
Unipli - Sociedade Educacional Plinio Leite S/S	100	-
Luiz Rosa - Instituto Educacional Professor Luiz Rosa	100	-
Imob II - AESA Empreendimentos Imobiliários da Região Metropolitana	100	-
Imob III - AESA Empreendimentos Imobiliários do ABC	100	-
FIDC - Anhanguera Educacional Fundo de Investimento em Direitos Creditórios	100	-
Juspodivm - Instituto Excelência	100	-

	Ownership interest in total capital - %	
	12/31/2014	12/31/2013
Direct subsidiary-		
EDE - Editora e Distribuidora Educacional	100	100
Indirect subsidiaries:		
Assevim - Sociedade Educacional do Vale do Itajaí Mirim	99.99	99.99
Ceama - Centro de Ensino Atenas Maranhense	99.99	99.99
Fais - Faculdade Integradas de Sorriso	99.99	99.99
Fameg - Sociedade Educacional do Vale do Itapocu	99.99	99.99
Famelages - Sociedade Educacional do Planalto Serrano	99.99	99.99
Famesul - Instituto Educacional Alto Vale do Itajaí	99.99	99.99
GK - União Metropolitana Unime Feira de Santana	99.99	99.99
Orme - Orme Serviços Educacionais	99.99	99.99
Pax - Pax Editora e Distribuidora	99.99	99.99
Projecta - Projecta Educacional	99.99	99.99
Pses - Pitágoras Sistema de Ensino Sociedade	99.99	99.99
Spes - Sistema Pitágoras de Ensino	99.99	99.99
União - União de Ensino Unopar	99.99	99.99
Uniasselvi - Sociedade Educacional Leonardo da Vinci	99.99	99.99
Unirondon - Uniao Educacional Candido Rondon	99.99	99.99
Iuni - Iuni Educacional	100	100
Unic Educacional - Unic Educacional	99.99	99.99
Unime Salvador - Iuni Educacional - Unime Salvador	99.99	99.99
Unime LF - União Metropolitana para o Desenvolvimento da Educação e Cultura	99.99	99.99
Fama Macapá - União de Faculdades do Amapá	99.99	99.99

(i) The direct subsidiary Anhanguera Educacional Participações S.A. and its indirect subsidiaries were merged into the Company through the merger of shares on July 3, 2014.

2.4. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Board of Directors, which is also responsible for making the Company’s strategic decisions.

2.5. Functional and reporting currency

The items included in the financial statements of each of the Company’s subsidiaries are measured using the currency of the main economic environment in which the Company operates (“functional currency”). The financial statements are presented in Brazilian reais (R$), which is the Company’s functional and reporting currency.

2.6. Statement of comprehensive income

Other comprehensive income comprises revenue and expense components (including reclassification adjustments) that are not recognized in the income statement as required or permitted by the pronouncements, interpretations and guidelines issued by the CPC.

2.7. Cash and cash equivalents

Include cash, bank accounts and highly-liquid, short-term investments with insignificant risk of change in value, stated at cost plus interest earned. Cash and cash equivalents are classified as loans and receivables and their income is recorded in profit or loss for the year.

2.8. Financial assets and financial liabilities

2.8.1. Classification and measurement

The Company classifies its financial assets in the following categories: loans and receivables and available for sale. Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets on initial recognition.

a) <u>Loans and receivables</u>

Loans and receivables are represented by non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are stated as current assets, except those with maturities exceeding 12 months after the balance sheet date (which are classified as noncurrent assets). Loans and receivables include cash and cash equivalents, trade and other receivables.

b) <u>Available-for-sale financial assets</u>

Available-for-sale financial assets are non-derivative assets designated in this category or which are not classified in any other category. They are classified as noncurrent assets, unless Management intends to dispose of the investment within up to 12 months after the balance sheet date. Available-for-sale financial assets are classified at fair value. Interest on available-for-sale securities, calculated under the effective interest method, is recognized as ‘Finance income’ in the income statement.

c) <u>Fair value through profit or loss</u>

For financial assets with no active market or public quotation, the Company establishes he fair value using valuation techniques that can include, where applicable, the use of recent transactions with third parties, the reference to other substantially similar instruments, the analysis of discounted cash flows and option pricing models, which makes maximum use of market inputs and relies as little as possible on entity-specific inputs.

d) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortized cost under the effective interest method, and interest expenses are recognized based on effective compensation. The effective interest method is a method for calculating the amortized cost of a liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, over a shorter period.

2.8.2. Recognition

Regular purchases and sales of financial assets classified as loans and receivables and available for sale are recognized on the transaction date, which is the date the Company agrees to buy or sell the asset. Investments are initially recognized at fair value, plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred, in the latter case, provided that the Company has transferred significantly all risks and rewards of ownership.

2.8.3. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has a legally enforceable right to set off recognized amounts and the intent to either settle them on a net basis, or to recognize the asset and settle the liability simultaneously.

Impairment of financial assets

a) Assets stated at amortized cost

The Company assesses if there is objective evidence that a financial asset or a group of financial assets might be impaired at the balance sheet date. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurred after initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria used by the Company to determine if there is objective evidence that a financial asset is impaired include, but are not limited to:

- Significant financial difficulty of the issuer or obligor.
- Breach of contract, such as default or delinquency in interest or principal payments.
- It is likely that the borrower will file for bankruptcy or another financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties; or existence of observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - Adverse changes in the payment status of borrowers in the portfolio.
  - National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company firstly observes if there is objective evidence of impairment.

The loss amount is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recognized in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed and recognized in profit or loss.

b) Assets classified as available for sale

The Company assesses if there is objective evidence that a financial asset or a group of financial assets might be impaired at the balance sheet date. For debt securities, the Company uses the criteria set out in item a). If there is any evidence of impairment of available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and current fair value, less any impairment loss for the financial asset previously recognized in profit or loss, is transferred from equity and recognized in profit or loss.

2.9. Trade receivables

Correspond to the amounts receivable from customers for goods sold or services provided.

Trade receivables are initially recognized at fair value and subsequently measured at their amortized cost using the effective interest method less the allowance for impairment losses. The allowance for losses is recognized upon billing, based on the performance of the several lines of business and the respective expected collection within up to 365 days after the due date.

The allowance is calculated based on efficiency estimates to cover potential losses on the collection of receivables, considering its adequacy as determined against the performance of receivables for each line of business, consistently with the policy of impairment of financial assets at amortized cost. Usually, in practice, they are recognized at billed amount, as adjusted by the allowance for impairment losses, if necessary.

2.10. Inventories

Inventories are carried at the lower of cost and net realizable value. The costs of inventories are determined under the average cost method. The net realizable value corresponds to the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. An allowance for losses on obsolete items is recognized, when necessary.

2.11. Property, plant and equipment

Carried at purchase, production or construction cost, less depreciation.

Land is not depreciated. Depreciation of other assets is calculated on a straight-line basis to allocate their costs to their residual values over their estimated useful lives, as follows:

	Year
Buildings	25
IT equipment	5
Furniture, fixtures and facilities	10
Leasehold improvements (i)	17
Library	10
Laboratory	10

(i) The useful life takes into consideration the term of lease agreements.

The carrying amount of an asset will be immediately written down to its recoverable amount if its carrying amount is higher than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in line item "Other operating (income) expenses", in the income statement.

The Company reviewed the useful lives of its assets and concluded the amortization and depreciation rates used are consistent with its operations at December 31, 2014.

2.12. Intangible assets

a) Goodwill

Goodwill is represented by the positive difference between the amount paid or payable and the net fair value of the assets and liabilities of the acquired entity and other equity instruments acquired/exchanged. Goodwill of subsidiaries is recorded as "intangible assets". Should the acquirer record negative goodwill, it must be recognized in the income statement on the acquisition date. Goodwill is tested for impairment on an annual basis, or more frequently if circumstances indicate that it has been impaired, and accounted for at cost less accumulated impairment losses, which are not reversed. Gains and losses on the sale of an entity include the carrying amount of goodwill related to the entity sold.

The goodwill is allocated to the cash-generating units (CGUs) for impairment testing purposes. The allocation is made to the CGUs or group of CGUs that will benefit from the business combination from which the goodwill originated, duly segregated in accordance with the operating segment.

b) Software and development of internal projects

Software licenses acquired are capitalized and amortized over their estimated useful lives.

Development costs directly attributable to the project and the testing of identifiable, exclusive software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- The completion of the software/project to make it available for use or sale is technically feasible.
- Management has the intention to complete the software/project and use or sell it.
- The software/project can be sold or used.
- The software/project will generate probable future economic benefits, which can be evidenced.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the software/project.
- The expenditure attributable to the software/project during its development can be measured reliably.

Directly attributable costs that are capitalized as part of software/project include the costs on employees allocated to software/project development and an adequate portion of the applicable direct expenditures.

Development costs that do not meet these criteria are recognized as expenses, when incurred. Development costs previously recognized as expenses are not recognized as assets in a subsequent period.

Software/project development costs recognized as assets are amortized under the straight-line method during their useful lives.

2.13. Impairment of nonfinancial assets

Assets with indefinite useful lives, such as goodwill, are not subject to amortization and are annually tested for impairment. Assets with finite useful lives are reviewed to assess if there are indications of impairment at each balance sheet date or whenever significant events or changes in circumstances indicate that their carrying amounts might be impaired. When such an indication exists, the assets are tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable value is the higher of an asset's fair value less costs to sell and its value in use. Assets are grouped for impairment assessment purposes at the lowest levels at which there are separately identifiable cash flows (CGUs). Nonfinancial assets - except goodwill - that suffered impairment are reviewed for a possible reversal of the impairment on the reporting date.

2.14. Trade payables

Trade payables are payables for goods or services acquired from suppliers in the normal course of business.

2.15. Borrowings, financing and debentures

Borrowings and financing are initially recognized at fair value, less transaction costs incurred, and subsequently stated at amortized cost. Any difference between the amounts raised (less transaction costs) and the redemption amount is recognized in the income statement over the period borrowings are outstanding, using the effective interest method.

Classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.16. Provisions for tax, labor and civil risks

Provisions for losses related to labor, tax and civil lawsuits and administrative proceedings are recognized when the Company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of funds will be required to settle the obligation, and its value can be reliably estimated.

Provisions are measured at the present value of the expenditures required to settle the obligation, using a pretax rate that reflects current market valuations of the time value of money and the obligation-specific risks. The increase in the obligation as a result of the time elapsed is recognized as finance costs.

2.17. Current and deferred income tax and social contribution

Tax expenses for the year comprise current and deferred income tax (IRPJ) and social contribution (CSLL). The tax is recognized in profit or loss.

IRPJ is calculated based on income adjusted to taxable income by additions and deductions provided for in legislation. CSLL is calculated at the current rate on income before income tax, adjusted pursuant to the prevailing legislation. Deferred income tax and social contribution are calculated on tax loss carryforwards and temporary differences between the tax bases on assets and liabilities and the carrying amounts reported in the financial statements. Deferred income tax and social contribution liabilities are fully recognized while the asset depends on realization. The tax rates currently set are 25% for income tax and 9% for social contribution.

Deferred income tax assets are recognized only to the extent that there is a reasonable certainty that future taxable income will be available, against which temporary differences and tax loss carryforwards can be offset.

Deferred income tax and social contribution assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred income tax and social contribution assets and liabilities are related to the taxes imposed by the same tax authorities on the taxable entity or different taxable entities, when there is the intention to settle balances on a net basis.

The higher education companies controlled by the Company are included in the University for All Program (PROUNI), which grants, under Law 11096, of January 13, 2005, exemption from several federal taxes to higher education entities that grant partial and full scholarships to low-income students enrolled in traditional and technology degrees. For further details, refer to note 14.

As permitted by the tax laws, certain subsidiaries, whose annual revenue for the prior year does not exceed R$78,000, elected to be taxed under the deemed income regime. For these entities, income tax and social contribution are calculated at the rates of 8% and 12%, respectively, on gross revenue (32% when revenue arises from the provision of services and 100% for finance income), upon which regular income tax and social contribution rates are levied.

2.18. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares issued in the year, excluding common shares bought by the Company and held in treasury.

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares, assuming the conversion of all potential common shares that would result in dilution. The Company has one class of potentially dilutive common shares: the stock option plan.

2.19. Employee benefits - share-based compensation

The Company's officers and strategic employees are offered share-based compensation plans, settled with Company shares, and the Company receives services as consideration for the stock options granted. The fair values of options granted are recognized as expenses over the vesting period, which represents the period during which certain vesting terms and conditions must be met. The consideration is recognized under caption "Capital reserve - stock option plan" in equity. At the end of the reporting period, the Company reviews its estimates of the number of options that should be vested based on their specific terms and conditions. The impact of the revision of initial estimates, if any, is recognized prospectively in the income statement.

2.20. Finance lease

Finance leases are classified when contracted. Leases in which the lessor retains substantially all the risks and rewards incidental to ownership are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

Leases where the Company retains substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalized in the balance sheet at the commencement of the lease term at the lower of the fair value of the leased asset and the present value of minimum lease payments.

Each lease payment is apportioned between liabilities and the finance charges so as to permit obtaining a constant effective interest rate on the outstanding liability. The corresponding obligations, less finance charge, are classified in current and noncurrent liabilities, according to the lease term. Fixed assets purchased through finance leases are depreciated over their economic useful lives or over the lease term, when it is shorter.

2.21. Other current and noncurrent assets and liabilities

Carried at realizable amounts (assets) and at known or estimated amounts plus accrued charges inflation adjustments incurred (liabilities), when applicable.

2.22. Share capital

On December 5, 2012, the Company was listed in the special trading segment called Novo Mercado, which permits the issuance and trading of common shares only. Common shares are classified in equity.

Incremental costs directly attributable to the issuance of new shares or stock options are stated in equity as a deduction of the amounts raised, net of taxes.

When any of the Company’s subsidiaries purchases own shares of the Company (treasury shares), the amount paid, including any directly attributable additional costs (net of income tax), is deducted from the capital attributed to the Company’s shareholders until the shares are cancelled or reissued. When those shares are subsequently reissued, any amount received, net of any directly attributable additional transaction costs and the respective effects of IRPJ and CSLL, is included in the capital attributable to the Company’s shareholders.

2.23. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the normal course of the Company’s activities. Revenue is presented net of taxes, returns, rebates and discounts, as well as after the elimination of intercompany sales.

The Company recognizes revenue when: (a) the amount of revenue can be measured reliably; (b) it is probable that future economic benefits will flow to the Company; and (c) specific criteria have been met for each of the Company’s activities, as described below. The amount of revenue is not considered to be reliably measurable until all contingencies related to the sale have been settled. The Company’s estimates are calculated based on past results, taking into account the type of customer, the type of transaction and the terms of each sale.

a) Sale of products

Sales revenue is recognized when all significant risks and rewards incidental to product ownership are transferred to the buyer. Therefore, pursuant to the Company’s policy, revenue is recognized when the product is delivered to the buyer.

Prepayments related to sales of textbook collections are recorded in “Advances from customers” and recognized upon delivery of the material.

b) Sale of services

Revenue from services is recognized based on services provided through the balance sheet date.

Tuitions and discounts vary depending on the course, the unit, and the education level. Six tuitions are charged for each six-month period, including an enrollment fee. Prepayments related to enrollment fees and tuitions are recorded under “Advances from customers” and recognized in the respective month of provision of the services.

For tuitions of distance learning courses (EAD), arising from subsidiaries Unopar and Anhanguera Educacional, 36% and 30% of the student’s tuition is transferred to the partner center where the telepresence classes are held, respectively; accordingly, revenue is recognized on 64% and 70%, respectively.

For tuitions of distance learning courses (EAD), arising from subsidiary Uniasselvi, the transfer amount varies according to the size of the classes and has specific rules that can vary from center to center. Revenue is recognized only for the portion of revenues relating to subsidiaries.

Center: it is a local operating unit that can be both Company-owned or owned by third parties (partners) that is responsible for providing to students a structure - audiovisual resources, library and computer resources - that support distance learning through telepresence classes.

c) Finance income and costs

Finance income is recognized on a time proportionate basis using the effective interest method. When impairment is recognized with regard to a receivable, the Company reduces the carrying amount to its recoverable amount, which corresponds to the estimated future cash flows, discounted at the original effective interest rate of the instrument. Subsequently, based on the time elapsed, interest is incorporated to trade receivables as a balancing item to finance income. This finance income is calculated at the same effective interest rate used to calculate the recoverable amount, i.e., the original rate of receivables.

Finance costs comprise expenses on borrowing interest, debentures, taxes in installments and other financial liabilities, less the discount to present value of provisions and impairment losses recognized in financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are measured through profit or loss under the effective interest method.

2.24. Dividend distribution

The distribution of dividends to the Company’s shareholders is recognized as liability in the Company’s financial statements at the balance sheet date, according to its bylaws. Any amount in excess of the mandatory minimum dividend is accrued on the date it is approved by shareholders at the General Meeting.

2.25. New and revised standards and interpretations

The new and revised International Financial Reporting Standards (IFRSs) below, effective for annual periods beginning on or after January 1, 2014, were adopted in these financial statements. The adoption of these new and revised IFRSs did not have any material impact on the amounts reported and/or disclosed for the current and prior years:

- IFRIC 21 - Levies.
- CPC 39/IAS 32 - Offsetting Financial Assets and Financial Liabilities.
- CPC 38/IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting.

New standards and interpretations

Standard	Description
IFRS 9	Financial Instruments (e)
IFRS 15	Revenue from Contracts with Costumers (d)
Amendments to IFRS 11/CPC 19 (R2)	Joint Arrangements (c)
Amendments to IFRSs	Annual improvements to IFRSs: 2010-2012 Cycle (b)
Amendments to IFRSs	Annual improvements to IFRSs: 2011-2013 Cycle (a)
Amendments to IAS 16/CPC 27 and IAS 41/CPC 29	Agriculture: Bearer Plants (c)
Amendments to IAS 19/CPC 33 (R1)	Defined Benefit Plan: Employee Contribution

(a) Effective for annual periods beginning on or after July 1, 2014.

(b) Effective for annual periods beginning on or after July 1, 2014, with exceptions.

(c) Effective for annual periods beginning on or after January 1, 2016.

(d) Effective for annual periods beginning on or after January 1, 2017.

(e) Effective for annual periods beginning on or after January 1, 2018.

Sine of the amendments to the IFRSs effective for annual periods beginning on January 1, 2014 were not yet issued by the CPC. However, because of CPC's and CVM's commitment to keep the set of standards issued up-to-date as updates and amendments are made by the IASB, Management expects such new and revised standards to be issued by CPC and approved by CVM through December 31,2014.

There are no other IFRS standards or IFRIC interpretations that are not yet effective and that could have a material impact.

The Company's Management has not yet analyzed the new standards but it does not expect significant impacts.

2.26. Analysis of the impacts arising from Law 12973/14

Provisional Act 627, converted into Law 12973 on May 13, 2014, which revokes the Transitional Tax Regime (RTT) and introduces other procedures as follows, was published on November 11, 2013:

i. Changes in Decree Law 1598/77, which addresses corporate income tax, as well as changes the law relating to social contribution.

ii. Establishes that the change or adoption of accounting methods and criteria, through administrative acts issued based on the authority set forth in the commercial law, that are subsequent to the publication of such Provisional Act, will not impact the computation of federal taxes until the tax law governs the matter.

After the Provisional Act was converted into Ordinary Law, the possible effects reported in the 1st quarter of 2014 in relation to the distribution of dividends and interest on capital were reviewed in the legal text and had no effect until it becomes effective in 2015, or upon adoption in 2014.

The Company prepared a study on the possible effects that could arise from the application of such new standard and decided not to early adopt said law.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

Accounting policies are those that are important to show of the Company’s financial condition and results and require Management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgments become even more subjective and complex.

In the preparation of the financial statements, the Company adopted variables and assumptions based on past experience and other factors that it believes to be reasonable and relevant. Even if those estimates and assumptions are revised by the Company in the normal course of business, the portrayal of its financial condition and results often requires the use of judgments as regards the effects of matters inherently uncertain on the carrying amount of its assets and liabilities.

Actual results may differ from estimates based on different variables, assumptions or conditions. In order to provide an understanding of how the Company forms its judgments about future events, including the variables and assumptions underlying the estimates, comments have been included that relate to each critical accounting practice described below:

a) Estimated goodwill impairment

Assets with indefinite lives, such as goodwill, are not amortized, but are annually tested for impairment to identify if they are impaired, using a methodology known as impairment test. In order to identify if goodwill is impaired, these assets are grouped in the smallest identifiable group of assets that generates cash inflows and allocation is proportionally made. Goodwill is recorded at cost less accumulated impairment losses. Goodwill impairment losses are recognized in profit or loss for the year in which they occur and cannot be reversed in subsequent years, even if the conditions that caused the impairment cease to exist, when applicable. See note 18.

b) Deferred income tax and social contribution

The liability method (according to the concept described in IAS 12 - Liability Method”) of accounting for income tax and social contribution is used for temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred income tax assets are revised on each reporting date and decreased by the amount that is no longer realizable through future taxable income. Deferred income tax assets and liabilities are calculated using tax rates applicable to taxable income in the years in which those temporary differences are expected to be realized. Future taxable income may be higher or lower than estimates made when determining whether it is necessary to record a tax asset and the amount to be recorded. See note 14.

c) Provision for tax, labor and civil risks

The Company is a defendant to several lawsuits and administrative proceedings. Provisions are recognized for all lawsuits that represent probable losses. The assessment of the likelihood of loss takes into consideration available evidence, including the opinion of the Company’s in-house and outside legal counsel. Management believes that this provision is adequate and fairly stated in the financial statements. See note 27.

d) Useful lives of long-lived assets

The Company recognizes the depreciation of its long-lived assets based on estimated useful lives. The useful lives of these assets affect the impairment tests, when required.

e) Adjustment to present value of certain assets and liabilities

For certain assets and liabilities that are part of the Company’s operations, Management assesses and recognizes the impacts of the adjustment to present value taking into consideration the time value of money and the uncertainties associated them.

4. FINANCIAL RISK MANAGEMENT- CONSOLIDATED

4.1. Financial risk factors

a) Financial instruments policy

The Company’s objective in managing capital is to ensure that the necessary resources are available to implement its strategy at the lowest capital cost, seeking to maximize return to shareholders.

The Company’s activities are exposed to financial risks: market, credit and liquidity.

The Company’s Management supervises the management of such risks in line with the capital management policy objectives and relies on the Board of Directors’ support, monitoring and supervision for decisions related to capital management and its alignment with objectives and risks.

The Company does not have any derivative transactions.

b) Market risk

Interest rate-related cash flow risk

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

Interest rates in current and noncurrent liabilities are as follows:

	Consolidated	
	12/31/2014	12/31/2013
Borrowings and financing:		
Borrowings and leases (i)	48,134	3,071
Debentures (ii)	897,240	546,149
Payables for acquisitions:		
Interbank Certificates of Deposit (CDI)	151,594	166,416
Extended Consumer Price Index (IPCA)	92,293	20,052
Other	1,635	2,434
	1,190,896	738,122

(i) R$42,740 refers to leases adjusted based on average fixed rates of 6.7% p.y. See note 20.

(ii) Debentures are adjusted based on 100% of the CDI, including the following rates per issue:

1st issue of debentures	+ 2.00% p.y.
4th issue of debentures	+ 1.95% p.y.
5th issue of debentures- 1st series	+ 1.50% p.y.
5th issue of debentures- 2nd series	+ 1.70% p.y.

c) Credit risk

Credit risk is the risk of a business counterparty not complying with an obligation set forth in a financial instrument or agreement with a customer, which would cause the Company to incur a financial loss. The Company is exposed to credit risk arising from its operating activities (mainly relating to trade receivables) and financing activities, including deposits in banks and financial institutions, and other financial instruments.

Trade receivables

The Company's and its subsidiaries' sales policy is aligned with the risk inherent in its industry and is governed by federal government rules (Law 9870/99, which provides for the total annual tuition fees). Enrollment for the next school year is blocked whenever a student is in default with the institution. Possible default is minimized by diversifying the receivables portfolio, selecting students, and monitoring collection deadlines.

In the in-class higher education segment, for students included in the Higher Education Student Financing Program (FIES), a substantial portion of the Company's credits is secured by the Program. The Company recognizes an allowance for doubtful debts of the gross balance of outstanding receivables from third parties, to cover credit risk, including potential risks of default of the non-secured portion of students included in the FIES.

Financial instruments and cash deposits

The Company restricts its exposure to credit risks related to financial instruments, bank deposits and short-term investments by holding investments with prime financial institutions and in accordance with previously established limits.

d) Liquidity risk

Liquidity risk arises from the possibility that the Company may not have sufficient funds to meet its commitments in view of the different terms to settle its rights and obligations.

The Company's main financial liabilities refer to borrowings, debentures, trade payables and other payables. The main purpose of such financial liabilities is to raise funds to finance the Company's operations. The Company has demand and short-term deposits, trade receivables, other receivables and other assets directly arising from its operations.

The table below analyses the Company's financial liabilities, by maturity ranges, corresponding to the remaining period in the balance sheet through the contractual maturity date.

	Consolidated			
	Less than 1 year	1 to 2 years	Over 2 years	Total
As of December 31, 2013				
Borrowings and financing	1,770	786	515	3,071
Debentures	111,408	217,370	217,371	546,149
Payables - acquisitions	43,171	69,612	76,119	188,902
	156,349	287,768	294,005	738,122
As of December 31, 2014				
Borrowings and financing	7,279	4,727	36,128	48,134
Debentures	193,976	440,351	262,913	897,240
Payables - acquisitions	74,802	94,477	76,243	245,522
	276,057	539,555	375,284	1,190,896

4.2. Capital management

The main objective of the Company's capital management policy is to ensure that a strong credit rating is maintained to support the business and maximize the value for the shareholder.

The Company manages and adjusts the capital structure based on changes in economic conditions. To maintain or adjust its capital structure, the Company can adjust the payment of dividends to shareholders, return capital to them, or issue new shares.

In the year ended December 31, 2014, the Company presented a capital structure adequate to make its growth strategy feasible, whether organically or through acquisitions. Investment decisions take into account the expected return potential.

Financial leverage ratios are as follows:

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Debt (i)	-	-	1,190,896	738,122
Cash and cash equivalents and securities - current and noncurrent (ii)	(55,177)	(1,005)	(455,332)	(423,086)
Net debt	(55,177)	(1,005)	735,564	315,036
Equity (iii)	11,446,408	2,618,689	11,446,408	2,618,689
Financial leverage ratio	-	-	6.4%	12.0%

(i) Debt is defined as short- and long-term bank loans and financing, debentures and payables for acquisitions, as detailed in notes 20, 21 and 24.

(ii) Refers to cash and cash equivalents and noncurrent securities, as detailed in notes 8 and 9.

(iii) Equity includes all the Company's capital and reserves, as detailed in note 28.

4.3. Sensitivity analysis

The table below shows the sensitivity analysis for financial instruments, describing the risks that may result in relevant losses for the Company using a most probable scenario, according to an assessment made by Management for a 12-month period. Additionally, two other scenarios are shown to present a 25% and 50% stress at the risk variable considered, respectively.

For the sensitivity analysis, we used as assumption the macroeconomic indicators prevailing at the end of the reporting period.

a) Short-term investments and securities - current and noncurrent

Parent

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
CDI	54,947	Decrease of CDI	6,594	4,946	3,297

Consolidated

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
CDI	438,497	Decrease of CDI	53,058	39,794	26,529

b) Borrowings, financing, debentures and payables - acquisitions

Consolidated

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
CDI	1,048,834	Increase of CDI	126,909	158,636	237,954
IPCA	92,293	Increase of IPCA	6,091	7,614	9,137

Finance lease agreements in the amount of R$42,740, adjusted based on an average rate of 6.7%, as detailed in note 20, and are not taken into consideration.

In analyzing interest rates for sensitivity, the Company shows the effect of interest to be incurred over the next 12 months using projected rates: CDI - 12.1 % and IPCA - 6.6% per year.

Gains and losses on these transactions are consistent with the policies and strategies designed by the Management of the Company and its subsidiaries.

The rates used for the projection were obtained from independent external sources: IPCA from Focus report of the Central Bank of Brazil (BACEN), and CDI from estimates disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA).

5. BUSINESS COMBINATION

Anhanguera’s acquisition

On July 3, 2014, the Extraordinary General Meetings approve the merger into the Company of all 437,070,783 common shares issued by Anhanguera Educacional Participações S.A. (“Anhanguera”).

As a result of the merger of shares, 135,362,103 registered, book-entry common shares, without par value, were issued by the Company and assigned to Anhanguera's shareholders. Consequently, Anhanguera became the Company's subsidiary.

The Company's capital increase amounted to R$2,327,299, corresponding to Anhanguera's equity as of December 31, 2013, according to the appraisal report issued by independent appraisers. The difference between the total acquisition amount and the capital amount of R$5,981,227 was recorded as capital reserve in "equity instruments arising from business combination".

The total acquisition amount was determined based on the fair value (closing price) of the Company's share on acquisition date (July 3, 2014), as follows:

Number of shares issued by the Company	135,362,103
Closing price of the Company's share (KROT3) (*)	61,38
Acquisition price	8,308,526

(*) Before the stock split

The acquisition price and preliminary balances at fair value of Anhanguera are broken down as follows:

	07/03/2014
Assets	
Cash and cash equivalents	188,806
Trade receivables	364,259
Inventories	21,663
Advances	6,838
Recoverable taxes	38,026
Escrow deposits	22,669
Contingencies' guarantee	128,788
Deferred income tax and social contribution	416,643
Property, plant and equipment	744,422
Intangible assets:	
Goodwill in interests	1,268,282
Content development	75,761
Non-compete agreements	47,082
Software	28,784
Other intangible assets	95,268
Trademarks (i)	1,805,523
Center licenses and partner network (ii)	490,066
Customer portfolio (iii)	273,118
Other assets	115,581
Total assets	6,131,579

	07/03/2014
Liabilities	
Trade payables	(80,032)
Borrowings and financing	(161,785)
Debentures	(583,272)
Payroll and related taxes	(194,745)
Taxes and contributions payable	(107,529)
Advances from customers	(40,390)
Acquisitions payable	(50,503)
Deferred income tax and social contribution	(1,050,297)
Provision for tax, labor and civil risks	(811,627)
Other liabilities	(52,230)
Total liabilities	(3,132,410)
Net assets	2,999,169
Acquisition price	(8,308,526)
Acquisition price surplus on the fair value previously classified as goodwill	5,309,357

(i) Trademark with finite useful life of 25 years.

(ii) Center licenses and partner network with indefinite useful life.

(iii) Customer portfolio with a finite life of 3.5 years.

The study on the final allocation of the price surplus will be made within a period of one year counted from beginning of activities but Management does not expect significant effects on profit or loss arising from the completion of such allocation.

Proforma profit or loss

Had Anhanguera been consolidated since January 1, 2014, the consolidated income statements would have included net revenue of R$2,028,404 and profit of R$242,231, and the consolidated net revenue would have been R$4,818,899 and the consolidated profit would have been R$1,126,414;

CADE's remedies

On May 14, 2014, the Administrative Council for Economic Defense (CADE) entered into a Concentration Control Agreement (ACC), whereby the Company agreed to abide by a series of restrictive market measures (remedies), including the sale of Uniasselvi's sponsor, that offers graduation courses in the distance learning system (EAD), under Uniasselvi brand, and also other two higher education institutions that offer in-class courses in Rondonópolis and Cuiabá. Moreover, it has assumed the commitment to restrict the number of students that can be attracted by its brands in certain EAD courses in 48 specific municipalities, until 2017. During the same period, the Company agreed not to concurrently use its brands to attract new students to certain EAD courses in municipalities where the Company and subsidiary Anhanguera will operate.

The Company started internal activities necessary for the full compliance with CADE’s remedies, such as: partial spin-off of assets and establishment of companies, transfers of courses to the new companies; segregation of administrative duties, and identification of potential buyer. In Management’s opinion, on the reporting period, the conditions necessary for the classification of such assets as available for sale were not met.

6. FINANCIAL INSTRUMENTS PER CATEGORY

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

The Company’s financial assets and liabilities as of December 31, 2014 are recorded in balance sheet accounts at amounts compatible with those prevailing in the market. The main financial assets and financial liabilities, as well as the criteria, assumptions and limitations used in calculating fair values, are described below:

a) Cash and cash equivalents and securities

The amounts recorded approximate their fair values due to the short-term maturity of these instruments.

b) Borrowings, financing and debentures

Measured at amortized cost using the effective interest method.

c) Trade receivables

Classified as receivables and recorded at the original amounts, which approximate their fair values.

d) Other financial instruments (assets and liabilities)

The estimated realizable value of the Company’s financial assets and financial liabilities was determined based on available market information and appropriate measurement methodologies. As of December 31, 2014, the Company does not have derivative financial instruments.

Consolidated

The carrying amounts and fair values of the financial instruments are as follows:

As of December 31, 2014	Classification	Carrying amount	Fair value
Assets:			
Cash and cash equivalents	Loans and receivables	450,764	450,764
Securities (i)	Loans and receivables	4,568	4,568
Trade receivables (ii)	Loans and receivables	742,755	742,755
Other receivables	Loans and receivables	132,973	132,973
Liabilities:			
Trade payables (iv)	Other financial liabilities	184,415	184,415
Borrowings and financing (v)	Other financial liabilities	48,134	48,134
Debentures	Other financial liabilities	897,240	893,984
Payables - acquisitions	Other financial liabilities	245,522	245,522
Other payables (iii)	Other financial liabilities	9,429	9,429

As of December 31, 2013	Classification	Carrying amount	Fair value
Assets:			
Cash and cash equivalents	Loans and receivables	418,932	418,932
Securities (i)	Loans and receivables	4,154	4,154
Trade receivables (ii)	Loans and receivables	354,653	354,653
Other receivables (except for prepaid expenses) (iii)	Loans and receivables	25,721	25,721
Liabilities:			
Trade payables (iv)	Other financial liabilities	79,602	79,602
Borrowings and financing (v)	Other financial liabilities	3,071	3,071
Debentures (vi)	Other financial liabilities	546,149	546,149
Payables - acquisitions	Other financial liabilities	188,902	188,902
Other payables (iii)	Other financial liabilities	7,906	7,906

(i) Balances of short-term investments and securities approximate their fair values at the balance sheet date.

(ii) The average term of receivables is 68 days; therefore, they approximate the fair value expected by the Company. The average term is calculated based on the net balance of short-term receivables divided by net revenues.

(iii) Refer to instruments agreed upon by means of agreements to be settled in cash, whose fair values approximate their carrying amounts.

(iv) The average term of payables is up to 45 days, therefore, approximating the fair value expected by the Company.

(v) The Company understands that, if it enters into new leases or working capital loans, under the same characteristics, the related costs and charges would approximate their carrying amounts.

7. CREDIT QUALITY OF FINANCIAL ASSETS

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

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Trade receivables				
Counterparties without external credit rating:				
Group 1 - higher education	-	-	1,067,270	441,484
Group 2 - K-12 education	-	-	46,204	36,125
	-	-	1,113,474	477,609
Cash at bank and short-term bank deposits: (i)				
AAA	96	5	16,305	24,086
AA	133	-	133	43
A			17	
Other	-	-	380	64
	229	5	16,835	24,193
Short-term investments and securities - current and noncurrent: (i)				
AAA	54,947	1,000	438,497	398,893

(i) Rating awarded by risk rating agencies Fitch Ratings and Standard & Poor’s (S&P).

8. CASH AND CASH EQUIVALENTS

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Checking account	230	5	16,835	24,193
Short-term investments				
Fixed-income fund (i)	-	1,000	19,875	12,909
Investment fund (ii)	-	-	228,642	-
Exclusive fund (iii)	48,729	-	165,021	372,273
CDB (iv)	6,218	-	6,310	8,557
Treasury bills and notes (v)	-	-	14,081	-
Capitalization bonds	-	-	-	1,000
	55,177	1,005	450,764	418,932

(i) Refers to short-term investments in a fixed income fund of daily cash surplus, yielding average interest of 70% of the CDI. Balances can be immediately converted into a known cash amount and are subject to an insignificant risk of change in value, and the Company has the right to redeem them at any time.

(ii) Refers to a short-term investment fund formed as an exclusive fund that qualifies as fixed income investment, according to current regulations, whose investment policy focus mainly on the domestic interest rate fluctuation and seeks the appreciation of its units by investing funds in a conservative portfolio. To attain its objectives, the portfolio consists basically of government and private securities that can be immediately converted into a known cash amount and are subject to an insignificant risk of change in value, and the Company has the right to redeem them at any time.

The Atenas fund's portfolio consists of fixed income securities issued by prime banks and Treasury Bonds - Financial Treasury Bills (LFTs), National Treasury Bills (LTNs), Financial Bills (LFs) and other investment indexed to the CDI, of which 68.3% of Private Credit - Banks and 31.7% in Treasury Bills. The Fund's average yield has reached 103.3% of the CDI.

(iii) Refers to a short-term investment fund formed as an exclusive fund that qualifies as fixed income investment, according to current regulations, whose investment policy focus mainly on the domestic interest rate fluctuation and seeks the appreciation of its units by investing funds in a conservative portfolio. To attain its objectives, the portfolio consists basically of government and private securities that can be immediately converted into a known cash amount and are subject to an insignificant risk of change in value, and the Company has the right to redeem them at any time.

The Tenerife fund's portfolio consists of fixed income securities issued by prime banks and Treasury Bonds - Financial Treasury Bills (LFTs), National Treasury Bills (LTNs), Financial Bills (LFs) and other investments indexed to the CDI, of which 55.5% of Private Credit - Banks and 44.5% in Treasury Bills. The Fund's average yield has reached 103.6% of the CDI.

(iv) Refers to short-term investments in CDB whose yield is indexed to the CDI fluctuation. The average yield was 100.1% of the CDI.

(v) Comprised of National Treasury Notes (NTNs).

9. SECURITIES - NONCURRENT

	Consolidated	
	12/31/2014	12/31/2013
CDB (i)	4,568	500
Debentures (ii)	-	3,654
	4,568	4,154

(i) Refers to short-term investments that are not highly liquid and have been classified as noncurrent assets. The yield was 100% of the CDI.

(ii) Refer to investments linked to debentures issued by third parties, with no immediate liquidity.

10. TRADE RECEIVABLES - CONSOLIDATED

	Consolidated	
	12/31/2014	12/31/2013
Higher education (i)	1,067,270	441,484
K-12 education	47,812	36,125
	1,115,082	477,609
Allowance for doubtful debts		
Higher education	(353,922)	(114,105)
K-12 education	(5,854)	(7,865)
	(359,776)	(121,970)
Trade receivables, net (ii)	755,306	355,639
Adjustment to present value (iii)	(12,551)	(986)
	742,755	354,653
Current	732,410	328,141
Noncurrent (iv)	10,345	26,512

(i) In the in-class higher education segment, the Company has students included in the FIES Program.

Pursuant to the law that introduced such Program, the Company receives from the National Education Development Fund (FNDE) transfers relating (98% without guarantee fund and 94.2% with guarantee fund) to the amount financed by students. In addition, the Company can also offset federal taxes against the amounts to be transferred by FNDE.

(ii) As of December 31, 2014, receivables from FIES, less allowance for doubtful debts, is R$314,538 (R$153,268 as of December 31, 2013).

(iii) The adjustment to present value is calculated only on the balances of receivables with future maturities, whose interest was recognized as at the present date. The average rate used was 6.2% per year.

(iv) Refer to renegotiations and student loans (higher education). Only high education tuitions past-due up to 365 days would continue to be recorded in trade receivables. Past-due receivables over 365 days are written off, as well as the related allowance for doubtful debts.

	12/31/2014	12/31/2013
Write-off of receivables past-due for more than 365 days	(125,322)	(65,736)

The Company does not have factoring transactions as at December 31, 2014 and December 31, 2013.

The aging list of trade receivables is as follows:

	12/31/2014	12/31/2013
Current (i)	626,157	263,872
Past-due:		
Up to 30 days	98,719	40,661
31 to 60 days	83,339	34,749
61 to 90 days	51,879	18,878
91 to 365 days	254,988	119,449
Allowance for doubtful debts	(359,776)	(121,970)
Adjustment to present value	(12,551)	(986)
	742,755	354,653

(i) Amounts receivables from FIES are classified in this line item.

The Company has monthly recognized an allowance for doubtful debts by analyzing monthly receivables and the respective breakdown by day in arrears and evaluating the recovery performance. Under such methodology, each default range is assigned a percentage of likelihood of loss which is recurrently accrued. The likelihood of loss increases according to the payment default period and, when the default reaches a range above 365 days, the receivable is written off. Even for receivables written off, the collection efforts continue and collection of receivables already written off are recognized directly in profit or loss upon collection.

The Company recognizes an allowance for doubtful accounts for amounts under the FIES according to the likelihood of loss associated with the students included in the Program. The Company is responsible for a portion of any potential student's default to the FNDE according to the type of agreement. For agreements without a guarantor, the Company is responsible for 15% of any potential student's default. For agreements with a guarantor, the Company is responsible for 1.5% of any potential student's default.

Changes in the Company's allowance for doubtful accounts are as follows:

Balance as of December 31, 2012	(95,363)
Write-off of trade receivables	65,736
Recognition	(92,343)
Balance as of December 31, 2013	(121,970)
Write-off of trade receivables	125,322
Recognition	(147,542)
Addition arising from acquire (note 5)	(215,586)
Balance as of December 31, 2014	(359,776)

11. INVENTORIES

	Consolidated 12/31/2014	Consolidated 12/31/2013
"Pitágoras" books and collections	22,022	15,599
School books - Programa Livro Texto (PLT)	20,036	-
Commercial books	1,301	5,575
Other	210	-
Allowance for losses (i)	(7,493)	(4,532)
	36,076	16,642

(i) The allowance for probable losses on inventories of prior years' books and collections is calculated based on their realization.

The cost of inventories recognized as cost of sales for the year ended December 31, 2014 was R$40,216 (R$24,859 as of December 31, 2013).

Changes in the allowance for inventory losses are as follows:

Balance as of December 31, 2012	(1,410)
Recognition	(3,834)
Write-offs	712
Balance as of December 31, 2013	(4,532)
Addition arising from acquires (note 5)	(2,855)
Recognition	(4,752)
Write-offs	4,646
Balance as of December 31, 2014	(7,493)

12. ADVANCES

	Consolidated 12/31/2014	Consolidated 12/31/2013
Trade payables:		
Betim Campus (i)	4,146	6,669
Teixeira de Freitas Campus (i)	89	-
Macapá Campus (i)	-	341
Raja Campus (i)	1,390	-
Governador Valadares Campus (i)	700	450
Barreiro Campus (i)	3,000	3,000
Londrina Campus (i)	847	-
São José Campus (i)	1,680	-
Communication plan (ii)	-	1,807
Employees (iii)	29,178	12,666
Transfer to EAD centers (iv)	5,340	1,247
Travel	628	530
Other	5,541	2,224
	52,539	28,934
Current	49,962	25,320
Noncurrent	2,577	3,614

(i) Refers to prepayments to suppliers for the construction and upkeep of the buildings at the higher education units in Betim, Teixeira de Freitas, Raja, Valadares, Barreiro, Londrina and São José. These amounts are classified as recoverable amounts in current assets, as they will be offset against monthly lease payments and adjusted on a monthly basis as contractually prescribed. All amounts are realized within two years, except for Betim, which exceeds such period.

(ii) Refers to advances to advertising agencies for the development of marketing campaigns.

(iii) Refer mainly to advanced vacation pay.

(iv) Refers to receivables from students advanced to the EAD centers for operation maintenance. As payments from students are made, the respective amounts are deducted from the advance amount transferred to the EAD center.

13. RECOVERABLE TAXES

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Current:				
IRPJ and CSLL (i)	1,036	1,227	44,384	16,679
PIS, Cofins and ISS (iii)	-	-	5,761	2,835
Social security tax (INSS) (ii)	-	-	3,985	1,061
Other recoverable taxes (iv)	-	-	615	2,166
State VAT (ICMS)	-	-	332	115
	1,036	1,227	55,077	22,856
Noncurrent liabilities-				
Other recoverable taxes	-	-	6,282	6,324

(i) Refers to IRRF (withholding income tax) and estimated IRPJ and CSLL tax loss carryforwards, which can be utilized to offset any federal tax managed by the Brazilian Federal Revenue Service.

(ii) Refer to taxes withheld at source related to the issuance of service invoices.

(iii) Refers to taxes withheld at source by corporate customers (legal entities).

(iv) Refers to installments relating to the adhesion to the Tax Recovery Program (Refis IV), established by Law 11941/09.

14. INCOME TAX AND SOCIAL CONTRIBUTION - CURRENT AND DEFERRED

a) Income tax and social contribution in profit or loss

Income tax and social contribution differ from the theoretical amount that would have been obtained by using the statutory income tax and social contribution rates applicable to the profit of the consolidated entities, as follows:

	Parent	
	12/31/2014	12/31/2013
Profit before income tax and social contribution	975,193	516,571
Combined income tax and social contribution rate - %	34	34
IRPJ and CSLL at statutory rates	(331,566)	(175,634)
Reconciliation:		
Equity in subsidiaries	386,777	180,135
Additions (deductions), net (ii)	(51,597)	(4,350)
Deferred IRPJ and CSLL on amortization of goodwill	25,407	-
Unrecorded deferred income tax and social contribution	(3,614)	(151)
Total income tax and social contribution	25,407	-
Deferred IRPJ and CSLL in profit or loss	25,407	-

	Consolidated	
	12/31/2014	12/31/2013
Profit before income tax and social contribution for the year	1,015,841	533,540
Combined income tax and social contribution rate - %	34	34
IRPJ and CSLL at statutory rates	(345,386)	(181,404)
Tax incentive of subsidiary entitled to PROUNI benefit (i)	338,893	145,307
Unrecognized IRPJ and CSLL on temporary difference and tax losses (ii)	(24,760)	2,525
Offset of tax loss carryforwards in subsidiaries against unrecognized tax credits	1,724	7,342
Deferred income tax and social contribution not recognized on subsidiaries’ losses for the year	(7,215)	(2,877)
Other	1,232	105
Offset of installment payments against tax losses (v)	6,576	-
Deferred IRPJ and CSLL, net - recognized in the year	13,695	12,033
Total income tax and social contribution	(15,241)	(16,969)
Current IRPJ and CSLL in profit or loss	(28,936)	(19,023)
Deferred IRPJ and CSLL in profit or loss	13,695	2,054

(i) Corresponds to tax benefits granted under Law 11096/2005 (PROUNI), calculated under the operating profit method on tax-advantaged activities (see item c).

(ii) The main additions and deductions are: allowance for doubtful debts, accrued profit sharing and provision for tax, labor and civil risks, amortization of goodwill on interests, in addition to RTT adjustments relating to the adjustment to present value, difference between tax and accounting depreciation rates and deemed cost of assets.

(iii) Refer to subsidiaries PAX and AESA Imobiliária subject to the deemed income regime in 2014. Deemed income regime refers to the tax regime where the income tax and social contribution is paid based on deemed income (32% for services) on the Company's revenues.

(iv) The Company enjoyed the federal installment payment benefit set forth in Law 13043/2014, using tax credits arising from tax losses of subsidiaries.

b) Deferred income tax and social contribution

The balances of deferred tax assets as of December 31, 2014 are recorded in various group companies.

According to projections adjusted to present value and reflecting the expectation of certain corporate restructuring processes, noncurrent deferred income tax and social contribution will be realized in subsequent years, prepayment being authorized:

	Consolidated	
	12/31/2014	12/31/2013
Tax loss carryforwards	191,377	1,498
Temporary differences of taxable income	231,609	-
Other adjustments	11,863	-
	434,849	1,498

(i) Deferred IRPJ and CSLL on temporary differences arise from addition adjustment to taxable income made in the tax calculation of the allowance for doubtful debts and provisions for tax, civil and labor risks.

Deferred IRPJ and CSLL on RTT adjustments arise from the accounting differences based on Law 11638/2007 in relation to the previously adopted procedure, relating to the adjustment to present value and differences between tax and accounting depreciation rates of Anhanguera group companies comprising the Company in this year;

Management prepared a technical study on the viability of the future realization of deferred tax assets, considering the probable ability of the companies to generate future taxable income, using the main variables applicable to their businesses, which are, therefore, subject to changes.

According to the projections prepared by the Company's Management, noncurrent deferred income tax and social contribution will be realized in the following years:

	12/31/2014	12/31/2013
2015-2016	36,843	-
2017-2018	103,530	353
2019-2020	178,498	387
2020-2021	73,430	424
2022-2023	42,548	334
	434,849	1,498

Balances of and changes in deferred income tax and social contribution assets and liabilities, recognized are as follows:

Parent

	12/31/2013	Effect on profit (loss) Amortization of goodwill allocated to intangible assets	Effect on profit (loss) Other	Through acquisition	12/31/2014
In liabilities					
Goodwill on business combination	-	25,407	-	(840,627)	(815,220)

Consolidated

	12/31/2013	Effect on profit (loss) Amortization of goodwill allocated to intangible assets	Effect on profit (loss) Other	Through acquisition	12/31/2014
In assets					
Income tax and social contribution:					
Tax loss carryforwards	1,498	-	(1,498)	191,377	191,377
Temporary differences of taxable income	-	-	14,926	216,683	231,609
Other adjustments	-	-	-	11,862	11,862
Noncurrent assets	1,498	-	13,428	419,922	434,848
In liabilities					
Goodwill on business combination	(158,972)	37,440	(37,173)	(1,015,953)	(1,174,658)
Other adjustments	-	-	-	(37,294)	(37,294)
	(158,972)	37,440	(37,173)	(1,053,247)	(1,211,952)

The changes in deferred income tax and social contribution assets relating to RTT adjustments refer to differences between the tax and accounting effects from the adjustment to present value and depreciation rates, contemplate as other adjustments.

Deferred income tax and social contribution liabilities primarily arise on goodwill allocated arising from acquisitions and deferred income tax and social contribution assets arise from tax losses and balances of additions to prior-year and current taxable income.

c) Tax incentives

The University for All Program (PROUNI) grants, under Law 11096 of January 13, 2005, exemption from several federal taxes (PIS, Cofins, IRPJ and CSLL) to higher education entities that grant partial and full scholarships to low-income students enrolled in traditional and technology degrees. The higher education entities controlled by the Company have joined this program.

Under Regulatory Instruction 456 of October 5, 2004, issued by the Federal Revenue Service, private higher education entities that joined the PROUNI are fully or partially exempt from the following taxes while they are part of the program:

i. Income tax and social contribution levied on profit proportional to revenue generated by traditional and technology graduation degrees.

ii. Cofins and PIS levied on revenue from traditional and technology graduation degrees.

By virtue of the tax exemptions granted to companies joining PROUNI, the subsidiaries that have tax loss carryforwards do not recognize tax credits due to the materiality of their effective tax rate. Tax credits not recognized under PROUNI in the year ended December 31, 2014 total R$456,605.

Additionally, the subsidiaries, which are mainly engaged in the sale of books, have the benefit of not paying PIS and Cofins on the revenue arising from the sale of books in the domestic market, as set out in article 28 of Law 10865/04. These subsidiaries benefit also from exemption of ICMS on the sale of textbooks.

Upon issuance of Regulatory Instruction 1394 of September 6, 2013, the RFB regulated the calculation of the partial exemption upon application of the Effective Scholarships Ratio (POEB) beginning. Accordingly, beginning 2015, the institution that fails to reach the goal stipulated by Law 11096/2005 will have proportional exemption according to the POEB.

15. OTHER RECEIVABLES

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Current				
Credit card transactions (i)	-	-	15,639	4,775
Rights on assigned assets (ii)	-	-	1,421	496
Prepaid expenses (iii)	-	3	5,135	1,201
Receivables from acquires (iv)	-	-	74,631	16,716
Sale of properties (vi)	-	-	28,386	-
Other	12	-	1,070	-
	12	3	126,282	23,188
Noncurrent				
Sale of subsidiary Suesc (v)	-	-	2,882	2,533
Sale of properties (vi)	-	-	3,809	-
	-	-	6,691	2,533

(i) Balance receivable from credit card companies related to payments by credit card made by students.

(ii) Balance receivables for the transfer of the property and IT and audiovisual equipment to the EAD centers. Subsidiary EDE is a party to goods purchase agreements under finance leases and transfers the leased assets to the partner centers. Thus, this subsidiary records a finance lease, as referred to in note 20.

(iii) Refer to the balances of prepaid expenses represented mainly by prepayment of textbooks for EAD courses and insurance premium.

(iv) Subsidiary Anhanguera Educacional S.A recorded a disbursement asset as a result of the contractual rights of reimbursement of former employees of Academia Paulista Anchieta Ltda. (APA) in the adjusted amount of R$47,233 relating to the balance payable of ISS in installments under the installment payment program (PPI) of the São Paulo municipal government.

The Company recognizes balances receivable in the amount of R$8,325 corresponding to reimbursement of expenses paid from former owners.

Subsidiary Unirondon has social security debts to INSS of R$6,596, which will be settled in 60 installments; installments will be paid by the Company and are the sellers' responsibility. The Company will deduct the installments payable for the acquisition.

Other subsidiaries have an aggregate balance of R$11,059 relating to taxes and fees that will be charged from former sellers.

(v) The amount receivable for the sale of Suesc is linked to the remaining balance of the ISSQN tax liability, which depends of the final decision on the tax collection action filed by the City of Rio de Janeiro. If favorable, the Company is entitled to receive from the buyer the amount agreed by the parties and therefore, reverse the liability. If unfavorable, the Company will pay the difference between the price contractually set and the lawsuit amount. The amount payable is recorded in line item "Other payables" in current liabilities. The balance is adjusted on a monthly basis at the rate of 1%.

(vi) Mainly refers to the balance receivable for the sale on August 19, 2013 of a property in Morumbi, located in the city of São Paulo, whose adjusted balance receivable is R$25,820 in 12 monthly installments. The balance is adjusted on a monthly basis by 100% of the CDI.

16. INVESTMENTS

a) Breakdown

	12/31/2014	12/31/2013
Investments in subsidiaries:		
EDE	2,860,824	2,579,780
Anhanguera	1,668,830	-
Subtotal	4,529,654	2,579,780
Goodwill and goodwill allocated to Anhanguera (i)	7,821,927	-
Total	12,351,581	2,579,780

(i) The changes in goodwill allocated arising from the business combination with Anhanguera are informed in note 5 - Business combination and note 18 - Intangible assets.

b) Information on the direct Parent's investments

Subsidiary EDE

	12/31/2014	12/31/2013
Number of shares held	2,160,752,536	2,160,752,536
Equity interest (%)	100	100
Capital	2,160,753	2,160,753
Equity	2,860,824	2,592,252
Profit for the year	1,021,162	529,808
Carrying amount of investments	2,860,824	2,579,780
Equity in subsidiaries	1,021,162	529,808

Subsidiary Anhanguera

	12/31/2014
Number of shares held	437,070,783
Equity interest (%)	100
Capital	1,928,435
Equity (i)	1,668,830
Profit for the year (ii)	116,417
Carrying amount of investments	1,668,830
Equity in subsidiaries	116,417

Changes in investments are as follows:

	12/31/2014	12/31/2013
Opening balance	2,579,780	2,186,232
Capital increase	126,170	3,930
Addition arising from business combination (i)	1,426,240	-
Equity in subsidiaries	1,137,579	529,808
Dividends (iii)	(740,115)	(140,190)
Goodwill and goodwill allocated to Anhanguera	7,821,927	-
Closing balance	12,351,581	2,579,780

(i) On July 3, 2014, the joint venture agreement with Anhanguera Educação Participações S.A. was approved. Thereafter, the company became the Company’s subsidiary.

(ii) Profit for the year from July 3 to December 31, 2014.

(iii) Additional dividends on adjusted profit for the year ended December 31, 2013 and dividends on profit for the year ended December 31, 2014.

c) Information on investments of subsidiary EDE in its respective direct and indirect subsidiaries:

	Number of shares held		Capital		Equity	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Ceama	34,958,305	34,078,305	34,958	34,078	66,998	37,722
Fais	8,228,752	8,228,752	8,229	8,229	10,823	14,427
GK	5,471,044	5,471,044	5,471	5,471	6,505	6,229
Orme	78,854,388	51,344,388	78,854	51,344	38,370	19,801
Pax	11,031,163	11,031,163	11,031	11,031	11,545	15,364
Projecta	10,234,275	10,234,275	10,234	10,234	4,223	5,760
Pses	127,296,879	127,296,879	127,297	127,297	195,107	263,819
Spes	23,480,389	18,031,325	23,480	18,031	24,101	21,961
União	6,708,878	6,708,878	6,709	6,709	10,466	4,757
Unirondon	28,025,000	28,025,000	28,025	28,025	31,519	23,866
Assevim	6,195,918	6,195,918	6,196	6,196	6,496	5,086
Fameg	6,471,685	6,471,685	6,472	6,472	7,450	6,292
Famelages	4,030,842	4,030,842	4,031	4,031	871	1,676
Famesul	13,942,641	13,942,641	13,943	13,943	5,372	4,081
Uniasselvi	1,690,000	1,690,000	1,690	1,690	55,176	83,136
Iuni	296,932,868	291,911,168	296,933	291,911	351,163	314,662
Unic Educacional	75,515,856	75,515,856	75,516	75,516	107,564	82,610
Unime Salvador	13,726,544	13,726,544	13,727	13,727	22,874	25,349
Unime LF	37,409,183	37,409,183	37,409	37,409	60,789	78,165
Fama Macapá	11,619,489	11,619,489	11,619	11,619	22,235	44,192

	Total assets		Total liabilities		Net revenue	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Ceama	74,901	55,865	7,903	18,143	42,950	26,238
Fais	14,092	15,986	3,269	1,559	23,838	15,783
GK	7,472	6,798	967	568	6,077	4,690
Orme	40,868	24,422	2,498	4,620	15,780	10,204
Pax	19,293	17,667	7,749	2,303	23,850	18,451
Projecta	4,710	6,228	488	468	7	1,922
Pses	237,904	287,542	42,798	23,723	400,568	265,364
Spes	32,088	34,254	7,987	12,293	57,012	51,570
União	12,874	6,489	2,408	1,732	13,669	8,012
Unirondon	59,489	54,885	27,970	31,019	32,772	26,163
Assevim	7,501	8,548	1,005	3,462	8,233	6,803
Fameg	8,716	9,860	1,265	3,568	14,500	11,237
Famelages	1,106	2,424	236	748	-	-
Famesul	6,730	9,097	1,358	5,016	5,688	3,917
Uniasselvi	80,038	154,852	24,863	71,716	235,085	205,152
Iuni	406,875	392,914	55,712	78,252	323,248	238,175
Unic Educacional	129,189	100,491	24,939	17,881	207,614	138,547
Unime Salvador	28,539	30,235	5,665	4,886	42,194	28,566
Unime LF	84,080	120,626	23,291	42,461	122,463	85,256
Fama Macapá	29,887	50,580	7,652	6,388	81,110	45,010

	Profit (loss)		Carrying amount of investments		Equity in subsidiaries	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Ceama	33,397	11,817	66,998	37,722	33,397	11,817
Fais	14,336	8,630	10,823	14,427	14,336	8,630
GK	1,296	1,290	6,505	6,229	1,296	1,290
Orme	(8,941)	(9,743)	38,370	19,801	(8,941)	(9,743)
Pax	2,961	2,211	11,544	15,364	2,961	2,211
Projecta	(1,536)	(106)	4,222	5,760	(1,536)	(106)
Pses	211,638	111,081	195,106	263,819	211,638	111,081
Spes	9,937	2,621	24,101	21,961	9,937	2,621
União	6,269	1,179	10,466	4,757	6,269	1,179
Unirondon	15,993	10,006	31,519	23,866	15,993	10,006
Assevim	1,410	1,082	6,496	5,086	1,410	1,082
Fameg	4,396	2,256	7,451	6,292	4,396	2,256
Famelages	(806)	(567)	870	1,676	(806)	(567)
Famesul	1,291	(59)	5,372	4,081	1,291	(59)
Uniasselvi	96,570	75,694	55,175	83,136	96,570	75,694
Iuni	310,629	132,683	354,478	314,662	313,944	132,683
Unic Educacional	120,5350	67,779	104,250	82,610	123,850	67,779
Unime Salvador	15,893	9,791	22,874	25,349	15,893	9,791
Unime LF	120,519	50,616	81,389	78,165	120,519	50,616
Fama Macapá	54,443	26,010	42,835	44,192	54,443	26,010

d) Information on investments of subsidiary Anhanguera - Anhanguera Educacional Participações S.A in its respective direct and indirect subsidiaries:

	Number of shares held		Capital		Equity	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Nakspe (Clínica Médica)	20,500	-	21	-	491	-
UniPli	44,590,778	-	44,591	-	92,829	-
Fac Luiz Rosa	1,754,406	-	1,754	-	5,510	-
AESA Imob I	20,721,553	-	20,722	-	18,717	-
AESA Imob II	12,880,324	-	12,880	-	13,571	-
AESA Imob III	7,187,106	-	7,187	-	7,031	-
FIDC	31,405	-	31,405	-	54,960	-
Juspodivm	12,829,000	-	12,829	-	1,247	-
Anhanguera	1,456,464,361	-	1,456,464	-	1,443,942	-

	Total assets		Total liabilities		Net revenue	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Nakspe (Clínica Médica)	506	-	14	-	-	-
UniPli	119,411	-	26,597	-	95,190	-
Fac Luiz Rosa	5,774	-	264	-	3,216	-
AESA Imob I	24,034	-	5,316	-	-	-
AESA Imob II	15,045	-	1,475	-	-	-
AESA Imob III	7,456	-	425	-	-	-
FIDC	55,021	-	62	-	15,793	-
Juspodivm	1,741	-	495	-	195	-
Anhanguera	2,498,817	-	1,066,050	-	1,842,203	-

	Profit (loss)		Carrying amount of investments		Equity in subsidiaries	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Nakspe (Clínica Médica)	17	-	491	-	17	-
UniPli	24,381	-	92,814	-	24,381	-
Fac Luiz Rosa	2,296	-	5,510	-	2,296	-
AESA Imob I	911	-	18,717	-	911	-
AESA Imob II	610	-	13,571	-	610	-
AESA Imob III	284	-	7,031	-	284	-
FIDC	4,932	-	54,960	-	4,932	-
Juspodivm	(1,232)	-	1,247	-	(1,232)	-
Anhanguera	114,212	-	1,432,767	-	114,212	-

17. PROPERTY, PLANT AND EQUIPMENT

Consolidated

		31/12/2014			31/12/2013		
	Annual average depreciation rate - %	Cost	Accumulated depreciation	Property, plant and equipment, net	Cost	Accumulated depreciation	Property, plant and equipment, net
IT equipment	20	175,023	(96,940)	78,083	73,211	(46,702)	26,509
Furniture, equipment and fixtures	10	435,923	(169,412)	266,511	178,636	(76,100)	102,536
Library	10	202,823	(105,032)	97,791	91,087	(44,078)	47,009
Buildings and improvements	6	915,703	(138,897)	776,806	217,332	(37,522)	179,810
Property, plant and equipment in progress	-	91,826	-	91,826	31,687	-	31,687
Land	-	110,859	-	110,859	82,570	-	82,570
		1,932,157	(510,281)	1,421,876	674,523	(204,402)	470,121

The depreciation allocated to "Cost of services" and "Administrative expenses" for the year ended December 31, 2014 is R$99,079 (R$46,431 as of December 31, 2013).

The depreciation of property, plant and equipment items is calculated on a straight-line basis and there is no evidence that property, plant and equipment items are impaired.

Changes in the property, plant and equipment are as follows:

	IT equipment	Furniture, equipment and fixtures	Library	Buildings and improvements	Property, plant and equipment in progress	Land	Total
Balances as of December 31, 2012	19,229	88,868	46,379	130,404	27,237	59,735	371,852
Additions	15,061	29,677	8,694	5,338	64,075	22,656	145,501
Other additions	-	-	-	-	-	179	179
Write-offs	(47)	(323)	-	(450)	(160)	-	(980)
Depreciation	(7,734)	(15,686)	(8,064)	(14,947)	-	-	(46,431)
Transfers	-	-	-	59,465	(59,465)	-	-
Balances as of December 31, 2013	26,509	102,536	47,009	179,810	31,688	82,570	470,121

	IT equipment	Furniture, equipment and fixtures	Library	Buildings and improvements	Property, plant and equipment in progress	Land	Total
Balances as of December 31, 2013	26,509	102,536	47,008	179,810	31,688	82,570	470,121
Additions	32,404	65,605	21,208	5,059	182,952	8	307,236
Additions arising from acquires (i)	33,381	124,856	42,370	434,712	81,172	27,931	744,422
Write-offs	(91)	(446)	(282)	-	-	-	(819)
Depreciation	(13,981)	(26,179)	(12,513)	(46,411)	-	-	(99,084)
Transfers	(139)	139	-	203,636	(203,986)	350	-
Balances as of December 31, 2014	78,083	266,511	97,791	776,806	91,826	110,859	1,421,876

(i) Net addition relating to the acquisition of Anhanguera Educacional Participações S.A. See note 5.

The Company leases IT equipment under irreversible agreements subject to average interest of 6.7% per year, with purchase option clauses, whose lease period ranges from 24 to 36 months. The equipment is owned by the Company. As of December 31, 2014, the balance of leases totaled R$42,726 (R$3,018 as of December 31, 2013), which are guaranteed by the leased equipment.

18. INTANGIBLE ASSETS

Parent

Of the balance of R$59,450, the amount of R$52,259 refers to goodwill generated on the exchange of shares in September 2010, among the Company's and Iuni's shareholders. As a result of such exchange of shares, EDE became the Company's wholly-owned subsidiary; the remaining balance refers to the goodwill originally recorded in Apollo Partners.

Consolidated

	Annual average depreciation rate - %	12/31/2014			12/31/2013		
		Cost	Accumulated amortization	Intangible assets, net	Cost	Accumulated amortization	Intangible assets, net
Software	20	166,810	(64,420)	102,390	59,745	(28,334)	31,410
Internal projects	10	227,999	(95,873)	132,126	92,549	(39,491)	53,058
Goodwill and intangible assets allocated	20	11,909,894	(357,163)	11,552,731	2,625,009	(103,125)	2,521,885
Other intangible assets	5	172,282	(25,663)	146,619	-	-	-
		12,476,985	(543,119)	11,933,866	2,777,303	(170,950)	2,606,353

Changes in intangible assets were as follows:

	Software	Internal projects (a)	Goodwill and intangible assets allocated (b)	Total
Balances as of December 31, 2012	27,166	61,277	2,572,340	2,660,783
Addition	12,561	4,300	1,762	18,623
Write-off	(47)	(36)	-	(83)
Other write-offs	-	-	(11,189)	(11,189)
Transfers	139	(139)	-	-
Amortization	(8,409)	(12,344)	(41,028)	(61,781)
Balances as of December 31, 2013	31,410	53,058	2,521,885	2,606,353

	Software licenses	Internal projects (a)	Goodwill and intangible assets allocated (b)	Other intangible assets (c)	Total
Balances as of December 31, 2013	31,410	53,058	2,521,885	-	2,606,353
Additions	56,335	22,074	-	11,530	86,503
Additions arising from acquires (i)	28,784	75,761	9,146,346	138,914	9,389,805
Write-offs	(1,539)	(8)	-	-	(1,547)
Amortization	(12,600)	(18,759)	(115,500)	(3,825)	(150,684)
Balances as of December 31, 2014	102,390	132,126	11,552,731	146,619	11,933,866

(i) Net addition relating to the acquisition of Anhanguera Educacional Participações S.A. and subsidiaries on July 2, 2014 (note 5).

a) Development of internal projects

	Consolidated	
	12/31/2014	12/31/2013
New units and new degrees (i)	28,218	33,525
Pitágoras University System (ii)	2,843	3,758
New Chain contracts (iii)	3,957	4,766
Distance learning (iv)	90,316	8,656
Higher education assessment (v)	1,102	1,279
Content production (vi)	5,690	1,074
	132,126	53,058

(i) Refer to expenses incurred on the development of projects with useful life estimated at ten years, as follows:

- The opening of the Ipatinga, Betim, São Luís, Poços de Caldas, Uberlândia, Guarapari, Votorantim, Feira de Santana, Contagem and Governador Valadares units, and the expansion of the Venda Nova and Cidade Jardim campuses, in Belo Horizonte.

- Investments in new product launchings.

- Additional operating and technology infrastructures required by the Ministry of Education (MEC) to allow the operation of higher education units.

- Development of a PDI (Institutional Development Plan) detailing all the degrees to be requested to the MEC and the expenses incurred in the certification of the new campuses and degrees.

(ii) Refers to expenses incurred on the development of a teaching methodology (student and teacher handbooks and assessment systems) and an operating methodology (operations manual) to ensure the growth of the Pitágoras University System. Expenses are amortized over a period of up to 10 years.

(iii) Refers to expenses incurred on the development of products to be sold in the Catholic Chain and the Pitágoras Chain. Expenses are amortized over a period of up to 10 years.

(iv) Refers to expenses incurred on the design and development of the new distance learning business, which will offer partial distance and web-based learning courses in several Brazilian cities. Expenses are amortized over a period of up to 10 years.

(v) Refers to expenses incurred on the development of a new product and a higher education assessment methodology. Expenses are amortized over a period of up to 10 years.

(vi) Refers to expenses incurred on the development of learning content and an educational database. Expenses are amortized over a period of up to 2 years from the date projects are completed.

b) Goodwill generated on acquisition of subsidiaries and intangible assets allocated from business combination

Goodwill arising on the difference the difference between the amount paid upon the acquisition of investments in subsidiaries and the fair value of assets and liabilities (for acquisitions after January 1, 2009) is classified in intangible assets in the consolidated financial statements.

Part of goodwill arising on the acquisition of subsidiaries was allocated to identifiable intangible assets with finite and indefinite useful lives, after an analysis of the acquired assets.

	12/31/2014	12/31/2013
Goodwill (i)	8,656,341	2,088,861
Trademark (ii)	1,794,029	7,040
Operating license and partner network (iii)	785,691	314,450
Customer portfolio (iv)	315,783	110,221
Non-compete agreements (iv)	887	1,313
	11,552,731	2,521,885

(i) Goodwill arising on the acquisitions of subsidiaries, classified as arising on the expected future earnings. No finite life and subject to annual impairment tests.

(ii) Intangible assets with estimated useful life between 25 and 30 years.

(iii) Refer to in-class education operating licenses and distance learning partner network. No finite life and subject to annual impairment tests.

(iv) Intangible assets with estimated useful life of five years.

Goodwill impairment testing

Goodwill is allocated to the Cash-Generating Units (CGUs), which are identified based on the operating segment.

Below is a summary of goodwill allocation by operating segment level:

	Parent		Consolidated	
	12/30/2014	12/31/2013	12/31/2014	12/31/2013
K-12 education	59,450	59,450	66,339	66,339
Higher education	-	-	8,590,002	2,022,522
	59,450	59,450	8,656,341	2,088,861

As of December 31, 2014, goodwill amounts were tested for impairment and no need for adjustments was considered as necessary.

The method used was the discounted cash flow (future earnings) to test goodwill for impairment that corresponds to each CGU. The calculation considers an eight-year projection, adding a perpetuity value with a real growth of 3.0% per year. The nominal discount rate used was 12.9% p.y., according to market references from prime financial institutions. The calculation also considered the impacts from the recent MEC instructions described in note 1 and projected inflation criteria (6.5% for 2015 and 4.5% from 2016 to 2022) to estimate growth in costs and expenses for other years.

c) Other intangible assets

	12/31/2014	12/31/2013
Non-compete agreements and other	137,959	-
Trademarks and patents	7,716	-
Key money	862	-
Customer portfolio	82	-
	146,619	-

19. TRADE PAYABLES

The balance consists of materials and services for our higher education degrees (in-class and EAD), goods and services necessary for the production and sale of Pitágoras system’s and own high schools’ textbooks, and advisory services in the education area.

20. BORROWINGS AND FINANCING

a) Breakdown of borrowings and financing

		Consolidated	
	Currencies	12/31/2014	12/31/2013
Finance lease (i)	R$	42,740	3,071
Third-party borrowings (ii)	R$	4,815	-
Banco Safra BNDES PSI Finame	R$	579	-
		48,134	3,071
Current		7,279	1,770
Noncurrent		40,855	1,301

(i) Refers mainly to property lease agreement of operating units with a 15-year term, comprised of installments payable relating to Unibero property and the property in São Bernardo do Campo.

(ii) The Company's borrowings and financing are collateralized by equipment, land and buildings and receivables. For more information on the Company's exposure to interest rate, foreign currency, and liquidity risks.

The noncurrent portion matures as follows:

	12/31/2014	12/31/2013
2015	-	400
2016	2,301	386
2017	2,426	386
2018	2,512	129
Over 2018	33,616	-
	40,855	1,301

b) Changes in borrowings and financing are as follows:

	12/31/2014	12/31/2013
Opening balance	3,071	11,632
Additions	-	665
Addition arising from acquire (note 5)	161,785	-
Accrued interest	5,656	726
Exchange rate changes	2,292	-
Bonus for prepayment	3,467	-
Interest payments	(16,058)	(1,640)
Payment of premium	(3,467)	-
Principal payment	(108,612)	(8,312)
Closing balance	48,134	3,071

c) Payment of loans

In October 2014, the Company settled the borrowings from subsidiary Anhanguera with International Finance Corporation, DEG - Deutsche Investitions, e Proparco - Société de Promotion et de Participation pour la Coopération Éconimique.

d) Finance leases

Finance lease obligations are effectively guaranteed since the leased asset is handed over to the lessor in case of default.

21. DEBENTURES

	Consolidated	
	12/31/2014	12/31/2013
Current liabilities	193,976	111,408
Noncurrent liabilities	700,008	434,741
	893,984	546,149

Breakdown of debentures per issue:

	Yield	12/31/2014
1st issue of debentures (i)	CDI + 2.00% p.y.	316,554
4th issue of debentures (ii)	CDI + 1.95% p.y.	406,870
5th issue of debentures- 1st series (iii)	CDI + 1.50% p.y.	85,303
5th issue of debentures- 2nd series (iii)	CDI + 1.70% p.y.	85,257
Total		893,984

(i) On January 12, 2012, the Company held, through its subsidiary EDE, its first issue of debentures, in a single series. On this date, 550 debentures with unit face value of R$1.000 were subscribed, totaling R$550,000. Debentures issued are registered, book-entry, without issue of certificates and nonconvertible. Debentures bear interest equivalent to 100% of the CDI plus 2.0% per year. The debentures mature within seven years after the issue date. After the three-year grace period, payments will be made annually, in 2014, 2015, 2016, 2017 and 2018. Debentures do not have a renegotiation clause. In June and December of each year, interest calculated through that date should be paid.

(ii) On September 28, 2011, Parent Anhanguera Educacional held the 4th issue of unsecured debentures with real guarantee by the Company as follows: (i) R$400,000, upon issuance of 400 debentures, with par value of R$1,000; (ii) nonconvertible; and (iii) maturity date within seven years counted from issue date, therefore, maturing on September 28, 2018. The debentures are entitled to the payment of interest corresponding to 100% of accrued variation of the average daily interbank deposit (DI) rate, “over extra group” (“DI Rate”), calculated and disclosed by CETIP S.A. - Balcão Organizado de Ativos e Derivativos, capitalized based on a surcharge of 1.95%, expressed as percentage per year, year of 252 business days. The par value will be repaid in 8 semiannual, equal and consecutive installments, beginning the 42nd month counted from the issue date, including, the first installment maturing on March 28, 2015.

(iii) On December 10, 2012, Parent Anhanguera Educacional held the 5th issue of simple, unsecured, non-convertible debentures, in two series (“Issue”), in the total amount of R$170,000. 170 debentures were issued, with a par value of R$1,000 each, of which 8.5 debentures in the 1st series (“First Series Debentures”) and 8.5 debentures in the 2nd series (“"Second Series Debentures”). First Series Debentures mature within five years counted from the issue date and therefore expire on December 10, 2017 and Second Series Debentures mature within seven years counted from the issue date and therefore expire on December 10, 2019. Debentures bear compensatory interest equivalent to 100% of the accumulated fluctuation of the average daily rates of the CDI Interbank Deposit (DI) rates, over extra group (“DI Rate”), daily calculated and disclosed by CETIP S.A. - Balcão Organizado de Ativos e Derivativos (“CETIP”), capitalized based on a surcharge of 1.50% per year, expressed as percentage per year, year of 252 business days for the First Series Debentures, and 1.70% expressed as percentage per year, year of 252 business days for the Second Series Debentures.

Changes in the balances are as follows:

	12/31/2014	12/31/2013
Opening balance	546,149	543,809
Accrued interest	91,984	55,086
Bonus for prepayment	1,200	-
Addition arising from acquires (note 5)	583,272	-
Recognition of costs	1,829	1,315
Interest payment (i)	(99,250)	(54,061)
Payment of premium (i)	(1,200)	-
Payment of principal(i)	(230,000)	-
Closing balance	893,984	546,149

(i) In April 2014, the Company paid the amount of R$150,000 as prepayment of principal. Additionally, it has paid the amount of R$2,000 as interest calculated through that date and R$1,200 relating to the contractual fees.

Breakdown of the noncurrent balance, by maturity year:

	12/31/2014	12/31/2013
2015	-	108,685
2016	202,754	108,685
2017	234,341	108,685
2018	220,481	108,686
2019	42,432	-
	700,008	434,741

The agreement contains covenants requiring the maintenance of certain financial ratios, calculated on the financial statements of the Company, which is the guarantor of the issuance, relating to the periods from June 30 to December 31 of each fiscal year, and required from 2012 to 2018, the final maturity date. The covenants calculated for the year ended December 31, 2014 also comprise the debentures from subsidiary Anhanguera Educacional S.A.

The financial ratios of the 1st issue are:

(ii) Net debt-to-adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). The resulting amount should not be higher than 4 up to 2013 and 3 in 2016.

(iii) Adjusted EBITDA-to-finance income (cost). The amount should note be lower than 1.2.

The required financial ratios as of December 31, 2014 were met.

The financial ratios of the 4th and 5th issues are:

(i) Net debt-to-adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). O The amount should note be higher than 3.

As at December 31, 2014, the index was met.

22. PAYROLL AND RELATED TAXES

	Consolidated	
	12/31/2014	12/31/2013
Wages and accrued profit sharing	126,105	49,026
Social security tax (INSS) payable	44,232	13,862
Severance pay fund (FGTS) payable	10,315	4,687
Withholding income tax (IRRF) payable	19,520	8,254
Accrued vacation pay	76,736	33,272
Accrual expenses	25,694	11,172
Other	1,684	1,291
Total	304,286	121,564

Accrued payroll and related taxes are recognized in profit or loss for the year, in line items “Cost of services”, “Selling expenses”, and “General and administrative expenses”, according to the employee’s assignment.

23. ADVANCES FROM CUSTOMERS

	Consolidated	
	12/31/2014	12/31/2013
Prepaid enrollment fees and tuitions	101,212	56,596

Early receipts refer to the prepaid enrollment fees and year or semester tuitions by students. The balance is allocated to revenue as services are provided.

24. PAYABLES - ACQUISITIONS

	Consolidated	
	12/31/2014	12/31/2013
Current:		
Ítala	34,371	31,027
Uniabc	22,369	-
Ceama	5,796	8,160
Unirondon	2,962	2,807
Iesville Educar	2,193	-
Intesc	1,575	-
Fabrai	1,374	-
UNIA Santo André	985	-
União	820	752
JK	726	-
Veritas	700	-
Noiva Mar	353	-
Other	578	425
Total	74,802	43,171
Noncurrent:		
Ítala	115,648	135,389
Sorocaba	29,356	-
LFG	9,800	-
Unipli	8,390	-
Unirondon	5,922	8,348
União	816	1,503
Other	788	491
Subtotal	170,720	145,731
Total	245,522	188,902

Amounts are adjusted based on the CDI and IPCA, depending on each agreement.

Changes in balances are as follows:

Balance as of December 31, 2012	226,346
Land addition	16,871
Interest adjustment	15,823
Payments	(57,294)
Write-offs	(12,844)
Balance as of December 31, 2013	188,902
Addition arising from acquires (note 5)	50,503
Addition	29,356
Interest adjustment	18,122
Write-offs	(754)
Payments	(40,607)
Balance as of December 31, 2014	245,522

Amounts recorded in noncurrent liabilities mature as follows:

	12/31/2014	12/31/2013
2015	-	34,806
2016	54,857	34,806
2017	39,620	34,809
2018	76,243	42,310
	170,720	145,731

25. TAXES IN INSTALLMENTS

	Consolidated	
	12/31/2014	12/31/2013
Current:		
Municipal tax installment plans (a)	11,063	-
INSS installment plans (b)	3,172	1,528
Refis IV (c)	1,296	4,782
Labor installment plans (d)	437	380
Federal tax installment plans (e)	155	473
Total	16,123	7,163
Noncurrent		
Municipal tax installment plans (a)	41,027	35,511
INSS installment plans (b)	2,723	3,405
Refis IV (c)	6,720	-
Labor installment plans (d)	344	696
Federal tax installment plans (e)	13	250
Total	50,827	39,862

(a) Municipal tax installment plans

Anhanguera

On July 27, 2012, the former owners of Academia Paulista Anchieta - APA joined the tax installment payment program (PPI), resulting in as ISS balance payable in installments of R$40,203**,** remaining 91 installments of R$442, adjusted based on the monthly Selic rate.

IPTU installments in the total amount of R$7,236 with differentiated terms and installments, adjusted based on the monthly Selic rate.

The noncurrent liabilities portion matures as follows:

	12/31/2014	12/31/2013
Maturity year:		
2016	6,393	4,782
2017	6,393	4,782
2018	6,348	4,782
2019	6,325	4,224
2020	6,325	3,667
2021	6,075	3,667
After 2022	3,168	9,607
Total	41,027	35,511

(b) INSS installment plans

(i) Unirondon

Regular installment payment of unpaid INSS from November 2008 to January 2009, which was paid in 60 installments beginning October 2012, remaining 33 installments of R$91, adjusted based on the monthly Selic rate.

(ii) Anhanguera

IPTU installments in the total amount of R$2,209 with differentiated terms and installments, adjusted based on the monthly Selic rate.

(iii) Iuni

PAEX article 1: refers to the remaining 2000 REFIS balance. It was consolidated into 130 installments, and payment started in September 2006. There are 15 installments of R$46 each outstanding, adjusted on a monthly basis using monthly Long-term Interest Rate (TJLP).

(c) Refis IV

The Federal Revenue Service created on May 27, 2009, pursuant to Law 11941, of May 27, 2009, and National Treasury Attorney General (PGFN)/Federal Revenue Service (RFB) Joint Administrative Rule 06/2009, the Special Tax Installment Plan called “Refis IV”. The option for the payment of taxes in installments as set out in said Law entails an irrevocable acknowledgment by a taxpayer of the debts to be included in such installment plan, which constitutes extrajudicial acknowledgment. The plan permits the payment of tax debts outstanding until November 30, 2008 and debts arising from tax assessment notices issued by the Federal Revenue Service in 180 monthly installments, and requires the withdrawal of any lawsuits challenging such debts.

Such installment plan provides for, without limitation: (i) the abatement of a certain percentage of fine and interest due, depending on the number of installments elected by the Company’s subsidiaries; and (ii) the offset of tax loss carryforwards against the against the remaining fine and interest.

In November 2014, upon enactment of Law 12973 on May 14, 2014 and PGFN/RFB Joint Ordinance 7, of October 15, 2013, the period for payment and installment payment of debts from the National Treasury Attorneys' Office and the Brazilian Federal Service Revenue was reopened, which can be settled using tax loss carryforwards on own profits and those from controlling companies and subsidiaries.

Below are the changes:

		Law 12973/14			
Subsidiary	Balance	Addition	Payment - 30%:	Offset against tax loss	12/31/14
Unime	19,426	-	(5,828)	(13,598)	-
Anhanguera	12,074	4,737	(2,993)	(5,802)	8,016
IUNI	8,457	582	(2,732)	(6,307)	-
Fama Macapá	1,966	-	(590)	(1,376)	-
Total	41,923	5,319	(12,143)	(27,083)	8,016

(d) Labor installment plans

Refer to a labor fine notice issued against subsidiary Iuni, which was divided into 60 installments, there are 22 installments of R$34 each outstanding, adjusted monthly SELIC.

(e) Federal tax installment plans

Refer to federal outstanding debt, IRPJ, CSLL, PIS and COFINS, of subsidiary Uniasselvi - R$168, with differentiated terms and installments, adjusted based on the monthly Selic rate.

Below are the changes in taxes and contributions in installments:

	12/31/2014	12/31/2013
Opening balance:	47,025	50,207
Addition	4,651	7,557
Addition of acquisition (see note 5)	64,302	-
Interest adjustment	5,927	2,757
Payments	(21,048)	(13,496)
Law 12973/14:		
Addition	5,319	-
Payment - 30%	(12,143)	-
Offset of tax loss carryforwards	(27,083)	-
Closing balance	66,950	47,025

26. OTHER PAYABLES

	Consolidated	
	12/31/2014	12/31/2013
Current:		
Transfer of students’ portfolio - acquisition of Ítala	-	169
Transfer of students’ portfolio - acquisition of Iuni	690	627
Pledge portion - acquisition of Uniminas (i)	2,278	2,707
Other	2,330	1,872
Total	5,298	5,375
Noncurrent:		
Sale of subsidiary Suesc (ii)	2,883	2,531
Other	1,248	-
Total	4,131	2,531

(i) Refers to payables for the acquisition of Uniminas, provided for in the purchase and sale agreement. Balance consisting of student loans received from students and retained as deposits.

(ii) The amount receivable for the sale of Suesc, occurred in April 2011, is linked to the remaining balance of the ISS tax liability, according to the final decision on the tax collection action filed by the City of Rio de Janeiro. If favorable, the Company is entitled to receive from the buyer the amount agreed by the parties and therefore, reverse the liability. If unfavorable, the Company will pay the difference between the contractual price and the amount involved in the lawsuit. The amount receivable is recognized in line item ‘Other receivables’, in noncurrent assets. Balances in assets and herein are monthly adjusted using a 1% rate.

27. PROVISION FOR TAX, LABOR AND CIVIL RISKS AND ESCROW DEPOSITS - CONSOLIDATED

The Company is a party to lawsuits and administrative proceedings arising from the normal course of business. The provision for contingencies on these lawsuits are estimated and adjusted by Management, based on the opinion of its internal and external legal counsel.

Parent

Due to the volume of lawsuits whose likelihood of loss is assessed as possible, as of December 31, 2014, the Company recognized a provision of R$3,525 as attorneys’ fees and burden of defeat in those lawsuits.

	12/31/2014			12/31/2013		
	Estimated disbursement	Escrow deposits	Net balance	Estimated disbursement	Escrow deposits	Net balance
Tax (i)	85,863	(10)	85,853	6,928	(7)	6,921
Labor (ii)	77,225	-	77,225	65	-	65
Civil (iii)	84,378	-	84,378	-	-	-
	247,466	(10)	247,456	6,993	(7)	6,986

The balances of guarantees are as follows.

	12/31/2014	12/31/2013
Tax	55,234	-
Labor	6,850	-
Civil	18,062	-
	80,146	-

Consolidated

	12/31/2014			12/31/2013		
	Estimated disbursement	Escrow deposits	Net balance	Estimated disbursement	Escrow deposits	Net balance
Tax (i)	256,847	(12,861)	243,986	140,737	(5,987)	134,750
Labor (ii)	461,862	(29,375)	432,487	51,957	(4,613)	47,344
Civil (iii)	196,665	(985)	195,680	5,549	(169)	5,380
	915,374	(43,221)	872,153	198,243	(10,769)	187,474

(i) As of December 31, 2014, the Company was a defendant in approximately 340 tax proceedings, filed either at court or administrative level, and in the latter cases, the Company has filed administrative defense with the oversight agency, which are pending final judgment at this level. Out of the amount above, the subsidiaries acquired participate in the following proportion: Unopar R$24,911, Unirondon R$19,224, Ceama R$2,598, Anhanguera R$197,957, and the subsidiaries, R$12,157.

The tax provisions primarily consist of administrative and judicial discussions and social security contribution (INSS) on payroll and exemption of federal taxes under PROUNI rules and ISSQN. Part of the accrued amounts are collateralized by the sellers, as provided for in the purchase and sale contracts.

Uniban, acquired from Anhanguera, is subject to tax assessment notice with probable loss in the amount of R$47,647, relating to the non-payment of ISSQN by Academia Paulista Anchieta Ltda. (Uniban) from 2007 to 2011. Such tax debt is secured by Uniban’s purchase and sale agreement and in case of loss, the Company will be indemnified by the former investor.

Anhanguera’s subsidiary in Niterói (Unipli) is a party to 10 tax lawsuits totaling R$42,338 arising from social security amounts, as well an action for annulment of the philanthropy certificate to which it was entitled. The lawsuits are secured by the former investor.

(ii) As of December 31, 2014, the Company was a defendant in approximately 3,110 labor lawsuits, including litigations arising from its acquisitions. Most lawsuits were filed by terminated administrative employees and teachers, basically claiming the payment of overtime, compensation for reduced working hours, work breaks, salary differences, and proportional increase of FGTS, 13th salary, vacation pay, and constitutional one-third vacation bonus. Of the 3,110 labor claims, 2.115 claims are the Company's responsibility and 493 claims are the responsibility of the sellers of the higher education institutions acquired by the Company. The Company has an own labor contingency whose likelihood of loss is probable in the total amount of R$354,926 and a labor contingency under the responsibility of the sellers of the higher education institutions in the amount of R$56,291, for which the Company maintains contractual warranties. The Company is also a party to 502 labor claims under the joint responsibility with the sellers of the higher education institutions, resulting in a probable loss in the amount of R$26,412. The Company has contractual warranties on its behalf, being R$17,774, Iuni R$469, Unopar R$821, Anhanguera R$46,145, and other subsidiaries together totaling R$3,168.

Subsidiary EDE is a party to a labor claim under the responsibility of the former owners, which is secured by an agreement, relating to the collection of wage differences, in the amount of R$2,200. The likelihood of loss was assessed as probable by the legal counsel.

(iii) As of December 31, 2014, the Company was a defendant in 14,119 civil lawsuits, which generally refer to lawsuits filed by current and former students with small claims courts and common court, most of whom claim compensation for property damages and pain based on the consumer relationship between the Company's units and the student. The Company understands that the civil lawsuits filed against it are immaterial and will not have any adverse or significant impact on its performance. Of the 14,119 civil lawsuits, 12,708 lawsuits are the Company's responsibility and 1,397 lawsuits are the responsibility of the sellers of the higher education institutions acquired by the Company and 14 civil lawsuits are the joint responsibility with the sellers of the higher education institutions. The Company is also a party to a civil lawsuits whose likelihood of loss is assessed as probable in the total amount of R$164,672 and a civil lawsuit is the responsibility of the sellers of the higher education institutions in the amount of R$30,540, for which the Company maintains contractual warranties. The Company has contractual warranties on its behalf, being Anhanguera R$28,958, and the remaining of the balance from other subsidiaries.

Subsidiary Anhanguera, through its unit in Joinville, files a repossession action with respect to the area used as a parking space in the unit in the amount of R$1,134. The loss was assessed as probable by the legal counsel.

Subsidiary Anhanguera, through its unit in Sorocaba, is a party to a civil class action brought by the Federal General Attorneys' Office against the principal of the unit accused of alleged moral harassment in the amount of R$1,560. The loss was assessed as probable by the legal counsel.

The provisions for tax, labor and civil contingencies are recognized based on the full amount of proceedings classified as probable loss, according to opinions of the legal counsel, and tax contingencies are adjusted using the Selic rate.

Changes in the provisions for contingencies are as follows:

	Tax	Labor	Civil	Total
Balances as of December 31, 2012	186,362	54,654	3,558	244,574
Additions and write-offs	(3,210)	6,877	3,308	6,975
Write-offs against guarantees	(42,415)	(5,074)	(1,005)	(48,494)
Payments	-	(4,500)	(312)	(4,812)
Balances as of December 31, 2013	140,737	51,957	5,549	198,243
Balances of escrow deposits	(5,987)	(4,613)	(169)	(10,769)
Balances as of December 31, 2013, net	134,750	47,344	5,380	187,474

	Tax	Labor	Civil	Total
Balances as of December 31, 2013	140,737	51,957	5,549	198,243
Additions and write-offs (i)	(16,618)	7,880	8,237	(501)
Write-offs against guarantees	(62,390)	(7,673)	623	(69,440)
Additions due to business combinations - note 5	199,806	417,063	194,758	811,627
Payments (ii)	(4,688)	(7,365)	(12,502)	(24,555)
Balances as of December 31, 2014	256,847	461,862	196,665	915,374
Balances of escrow deposits	(12,861)	(29,375)	(985)	43,221
Balances as of December 31, 2014, net	243,986	432,487	195,680	872,153

(i) Subsidiary CEAMA has tax assessment notice relating to the social contribution (CSLL), taxes on revenues (Cofins and PIS) and corporate income tax (IRPJ), in the amount of R$10,499. The likelihood of loss is assessed as probable by the Company.

(ii) Payment of taxes refer to disbursement of attorneys' fees to law firms that were successful in the lawsuit with CARF.

Contingencies' guarantees

The purchase and sale agreement of companies Ceama, Ítala, Iuni, Unirondon, Unopar and former Anhanguera's sponsors already provides for collaterals tied to ongoing lawsuits/administrative proceedings filed against the Company. In the event of unfavorable outcomes, these amounts can be collected from the sellers.

The table below shows a schedule of the mentioned guarantees:

Subsidiary	Nature	12/31/2014	12/31/2013
Ítala	Civil, labor and tax	18,484	76,707
Unirondon	Civil, labor and tax	19,250	20,530
Unopar	Civil, labor and tax	1,687	9,431
Iuni	Labor and tax	658	1,315
Ceama	Labor and civil	697	2,562
Former sellers - Anhanguera (ii)	Tax, labor and civil	126,194	-
Others	Labor and civil	2,764	60
		169,734	110,605

(i) Anhanguera acquired higher education institutions with which it has entered a purchase and sale agreement with projected warranties in case of contingencies whose taxable event is prior to the acquisition date, thus ensuring that Anhanguera incurs no financial loss on such contingencies.

Possible losses

	Tax	Labor	Civil	Total
Balance as of December 31, 2013	344,297	16,790	52,625	413,712
Additions	13,641	22,966	66,694	103,301
Write-offs	(260,299)	(18,005)	(17,180)	(295,484)
Addition from acquire - Anhanguera	82,338	77,225	84,378	243,941
Balance as of December 31, 2014	179,977	98,976	186,517	465,470

The Company is a defendant to tax, labor and civil lawsuits whose risk of an unfavorable outcome is classified by Management as possible, based on the assessment of its legal counsel, for which no reserve is recognized. Amounts are broken down as follows:

Out of the total administrative proceedings and/or lawsuits, nine lawsuits classified as possible losses refer to the period when subsidiary Iuni was classified as a nonprofit entity. These proceedings originate from tax assessments issued by the RFB for the nonpayment of social security contributions (employer’s contribution, worker’s accident compensation (SAT) occupational accident risk (RAT), and third parties) payable to the INSS, and other taxes (COFINS and PIS). The amount of R$94,059 is assessed by the Company’s legal counsel as possible loss and the balance is guaranteed as described in “Contingencies’ guarantees” described above.

Subsidiary Uniasselvi joined the 2014 REFIS program and settled its tax debts arising from the tax audit performed by the RFB. The Company had no financial disbursement because the former investors assumed the settlement using own funds.

28. EQUITY

a) Share capital

The Company’s subscribed and paid-in capital as of December 31, 2014 totals R$4,239,757, represented by 1,623,795,559 common shares. The Company’s subscribed and paid-in capital as of December 31, 2013 totals R$1,867,228, represented by 268,703,876 common shares, as follows:

	Number of shares
As of December 31, 2013	268,703,876
Total ex-treasury shares	268,380,932
Total treasury shares	322,944
As of December 31, 2014	1,623,795,559
Total ex-treasury shares	1,621,375,407
Total treasury shares	2,420,152

Changes are as follows:

	Quantity	In R$
As of December 31, 2013	268,703,876	1,867,228
Share issuance (i)	135,362,103	2,327,299
Share split (ii)	1,212,197,937	-
Share issuance (iii)	7,531,643	45,230
As of December 31, 2014	1,623,795,559	4,239,757

(i) On July 3, 2014, as a result of the approval of the joint venture agreement with Anhanguera, the Extraordinary General Meeting approved the merger of the all 135,362,103 shares issued by Anhanguera Educacional Participações S.A. based on their book value in the amount R$2,327,299, relating to the audited balance sheet as of December 31, 2013, which made Anhanguera to become the Company's wholly--owned subsidiary as of the date hereof.

(ii) On September 11, 2014, the Extraordinary General Meeting approved the split of all shares issued by the Company at the ratio of 1:4, so that for each share currently issued by the Company, three new shares issued by the Company will be created and assigned to its holder, based on the same rights and advantages of the shares currently issued, so that each Company's share will correspond to four registered, book-entry common shares, without par value, therefore changing the main paragraph of articles 5 and 6 of the Company's bylaws.

(iii) On September 30, 2014, the Board of Directors approved the Company's capital increase upon the issuance of 5,112,645 new common shares, totaling R$30,958.

On October 31, 2014, the Board of Directors approved the Company's capital increase upon the issuance of 1,193,187 new common shares, totaling R$7,026.

On December 3, 2014, the Board of Directors approved the Company's capital increase upon the issuance of 1,225,811 new common shares, totaling R$7,246.

b) Authorized capital

On September 11, 2014, the Shareholders' Meeting changed the Company's authorized capital limit to 2,000,000,000 common shares.

Within the authorized capital limit, the Board of Directors can approve the issuance of subscription warrants and convertible debentures; approve, under the plan approved at the General Meeting, approve the issuance of shares due to grants of stock options to the Company's Management and employees or those of a company under its control, or any natural persons who provide services to the Company, without any preemptive right to shareholders in the granting or subscription of these shares; and approve a capital increase through the capitalization of profits or reserves, with or without share bonuses.

c) Capital reserves

Capital reserve

On June 24, 2009, the Board of Directors determined that R$0.09805 of each new share issued would be allocated to capital reserves. On September 2, 2009, the amount of the reserve was approved at R$21,247. Said reserve is presented in the amount of R$14,585, net of transaction costs at R$6,662 from the issuance of said shares.

Stock option plans

The fair value provision for stock options granted under the plan approved on October 23, 2009 is recognized as an expense. The balancing item is recorded against the Company's equity.

Since the plan's approval, 10,482,000 stock options were granted, 1,110,000 were cancelled and 4,793,806 were exercised by the beneficiaries.

On July 3, 2014, as a result of the joint venture agreement with Anhanguera Educacional, the Company recognized the amount of R$72,913 relating to the acquiree's stock option plan.

In the year ended December 31, 2014, 11,275,831 options were exercised as a balancing item to the sale of 10,823,815 treasury shares. R$53,505 relating to the option fair value premium (R$12,205 as of December 31, 2013) and R$32,617 relating to options exercised using treasury shares (R$19,112 as of December 31, 2013) were recognized.

In the year ended December 31, 2014, treasury shares were granted to settle the stock option plan in the amount of R$86,999 (R$19,112 as of December 31, 2013).

Equity instruments arising from business combination

The balance of R$6,152,187 refers to the gain on the acquisition of subsidiary Unopar and subsidiary Anhanguera.

i) Anhanguera

On July 3, 2014, as a result of the merger of Anhanguera's shares, 135,362,103 registered, book-entry common shares, without par value, were issued by the Company.

On the same date, the Company increased capital based on the carrying amount of R$2,327,299, relating to Anhanguera's equity as of December 31, 2013. The difference between the total acquisition amount and the capital amount of R$5,981,227 was accounted for as capital reserve in "Equity instruments arising from business combination.

On December 15, 2011, 20% of the acquisition payment, according to the purchase and sale agreement, should be made through the Company's shares. The amount of 20% of the acquisition price was R$260,000, consisting of 13,877,460 common shares and 83,264,760 preferred shares.

On September 28, 2012, 13,877,460 common shares and 83,264,760 preferred shares were issued in the amount of R$16,127, corresponding to the carrying amount of the holding companies that hold a 20% stake in Unopar's capital.

d) Treasury shares

The share buyback is in conformity with article 157, paragraph 4, of Law 6404/76, CVM Regulatory Instructions 10/80 and 390/03, and other relevant legislation.

	Number of shares
Balance as of December 31, 2013	322,944
Shares sold (i)	(7,510,408)
Share acquisition (ii)	718,500
Share split (iii)	1,357,473
Share issuance (iv)	7,531,643
Balance as of December 31, 2014	2,420,152

(i) In the year ended December 31, 2014, 2,397,763 shares were sold at the cost of R$86,999.

(ii) The Board of Directors' meeting held on July 3, 2014 approved the creation of the Company's share buyback plan. In the period ended December 31, 2014, 718,500 shares were bought back at the cost of R$41,039.

(iii) On September 11, 2014, the Extraordinary General Meeting approved the split of all shares issued by the Company at the ratio of 1:4, so that for each share currently issued by the Company, three new shares issued by the Company will be created and assigned to its holder, based on the same rights and advantages of the shares currently issued, so that each Company's share will correspond to four registered, book-entry common shares, without par value, therefore changing the main paragraph of articles 5 and 6 of the Company's bylaws.

(iv) On September 30, 2014, the Board of Directors approved the Company's capital increase upon the issuance of 5,112,645 new common shares, totaling R$30,958.

On October 31, 2014, the Board of Directors approved the Company's capital increase upon the issuance of 1,193,187 new common shares, totaling R$7,026.

On December 03, 2014, the Board of Directors approved the Company's capital increase upon the issuance of 1,225,811 new common shares, totaling R$7,246.

The respective capital increases were made to support the distribution of shares to the stock option plan's beneficiaries.

(v) The Board of Directors' meeting held on July 3, 2014 approved the creation of the Company's share buyback plan. In the year ended December 31, 2013, 625,200 shares were bought at the cost of R$18,408.

e) Earnings reserve

Legal reserve

Recognized annually with the allocation of 5% of profit for the year, after offset against accumulated losses, which cannot exceed 20% of capital. The objective of the legal reserve is to ensure the integrity of capital and can only be used to offset losses or increase capital.

Dividends

Profit for the year ended December 31, 2014	1,000,600
Recognition of legal reserve - 5%	(50,030)
Adjusted profit	950,570
Minimum dividends - 25%	(237,643)
Interim dividends paid - May (i)	65,255
Dividends from the joint venture agreement (ii)	483,000

(i) Interim dividends

May 2014

The Board of Directors' meeting held on May 13, 2014 approved the payment of R$65,255 as interim dividends for the quarter ended March 31, 2014, corresponding to 25% of adjusted profit (after deducting the legal reserve) for the quarter.

(ii) Agreement with Anhanguera

As part of the joint venture agreement with Anhanguera, approved on July 3, 2014, the distribution of interim dividends in the total amount of R$483,000 was charged against the investment reserve.

The dividends declared were distributed to the Company's shareholders proportionally u to their respective interests in capital based on the amount of R$1.798710 per common share issued by the Company, less the shares held in treasury.

Investment reserve

The remaining balance of profit for the year ended December 31, 2014, after offset of accumulated loss, recognition of legal reserve and proposed dividends, in the amount of R$885,315 (R$368,056 as of December 31, 2013), was transferred to line item "Investment reserve", pursuant to article 42 of the Bylaws, and will be used for investment in the own Company, to finance the expansion of activities, either organically or through acquisitions in the market, in accordance with the growth plan projected by Management for 2015.

29. SHARE-BASED COMPENSATION PLAN

a) Plans with Kroton Educacional S.A.

The Company approved on October 23, 2009 a stock option plan with the objective of retaining and motivating Company executives and aligning their interests with the interests at the shareholders and the Company. Independent directors, officers, and senior executives at the Company are eligible to the plan.

Initially, the options granted must not exceed the ceiling of 10 million common shares (at the time of the plan's approval, 5 million common shares and 30 million preferred shares, corresponding to 5 million units), equivalent to 8.01% of the Company's capital on approval date.

On November 26, 2013, once the stock option plan described above reached the maximum limit of options to be granted, the Extraordinary General Meeting approved the new stock option plan to replace the prior plan.

The granting of shares under this new plan should not exceed the ceiling of 2.0% of the Company's capital, equivalent to 5,374,078 common shares on approval date, before any split.

The Board of Directors has set out the terms and conditions at each option in a stock option agreement signed by the Company and each beneficiary.

The Company has no legal or constructive obligation to repurchase or settle the options in cash.

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

Up to December 31, 2014, the prices established under the agreements range from R$4.53 to R$22.78.

The ratio of this exchange of stock options for common share is defined as the difference between the strike price and the average share price, and the number of options divided by the average share price in the market on the exercise date:

$$\text{Number of shares} = \frac{(\text{average price} - \text{strike price})\ \text{X number of options}}{\text{average price}}$$

When a beneficiary elects to receive shares, he or she does not have to pay the stock options but, on the other hand, receives a smaller number of shares.

b) Addenda of the executive officers of Anhanguera Educacional S.A.

The Extraordinary General Meeting held on July 3, 2014 approved a new stock option plan of Kroton (New Kroton Plan) to receive the options granted and not exercised (after expiration or not of the grace period for the exercise, provided that such options can be exercised under the Anhanguera Plans).

The options received by Kroton, under the New Kroton Plan, will be replaced for stock options of shares issued by Kroton in a number resulting from the application of the same exchange ratio proposed for the merger of shares, that is, 0.30970293 common share issued by Kroton (exchange ratio), and will correspond to the issuance of up to 6,520,299 common shares of Kroton in the future (before splits), if and when exercised. Anhanguera Educacional S.A. offered two option plans, one offered in 2010 and another in 2013.

The total number of shares that can be acquired under the new plan will not exceed 1.62% of the shares issued by Kroton after the merger of shares during the term of the New Kroton Plan, considering in such calculation all shares issued by Kroton as a result of the merger of shares.

The fair value was calculated based on the Black & Scholes model using the same assumptions of the calculations made by Kroton in connection with a grant of 6,520,299 options, within the limit set for the New Kroton Plan and the term of these agreements varies from 2015 to 2019.

Below is the summary of Anhanguera Plans (grants in 2010 and 2013) after calculation and conversion to the New Kroton Plan before the last split in May 2014:

New Kroton Plan	Data
Number of options	6,520,299
Average strike price	31.22
Weighted average fair value	36.05
Share price volatility	31.11%

Changes in stock option plans

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

	12/31/2014		12/31/2013	
	Average strike price per share in R$	Options	Average strike price per share in R$	Options
Opening balance		35,832,000		21,688,000
Arising from business combination		26,081,196		-
Granted	2.55	1,600,000	5.24	20,360,000
Exercised	5.26	(11,275,831)	6.05	(6,216,000)
Closing balance		52,237,365		35,832,000

The plans are within the limits approved in the year ended December 31, 2014.

The maturities and strike prices of stock options granted through the year ended December 31, 2014, considering the split in prior periods, are as follows:

Vesting period in	Options: Average strike price per option in R$	Quantity of stock options	Average fair value of option in R$	R$
2013	2.36	477,996	0.74	354,595
2014	5.51	2,591,367	3.26	16,257,653
2015	5.18	13,796,600	2.54	22,539,217
2016	6.33	14,877,335	2.82	19,883,658
2017	7.53	9,215,800	3.21	17,441,682
2018	11.04	10,835,800	4.43	31,282,860
2019	10.01	442,467	3.39	720,941
	7.03	52,237,365	3.18	108,480,606

The weighted average fair value of options granted during the year ended December 31, 2014, relating to the business combination, determined based on the Black-Scholes valuation model, was R$9.04 per option. Significant data included in the model was weighted average price of R$7.71 per option (defined on the grant date), the share price on the grant date of R$15.34 (after split) per share, average volatility of 27.76%, average expected life of the option corresponding to 1,795 days, and average annual risk-free interest rate of 8.86% and dividend yield of 2.89%.

The volatility measured at the standard deviation of continuously compounded share return is based on statistical analysis of daily share prices.

The fair value of stock options granted is recognized as an expense. The consideration is recognized under line item “Capital reserves - stock option plan” in equity.

The last vesting date of the longest option agreement is June 2, 2019, which can be exercised in up to 12 months after that date.

30. SEGMENT REPORTING

The Company’s products are categorized into 3 operating segments: Higher education - classroom, higher education - EAD, and K-12 education.

Consolidated

	Year ended 12/31/2014: Higher education - classroom	Higher education - EAD	K-12 education	Unallocated portion	Total
Net revenue	2,589,803	994,063	190,609	-	3,774,475
Cost of sales and services	(1,283,732)	(270,498)	(88,900)	-	(1,643,130)
Gross profit	1,306,071	723,565	101,709	-	2,131,345
Operating expenses:					
Selling expenses	(193,714)	(149,856)	(35,835)	-	(379,405)
General and administrative expenses	(282,208)	(62,466)	(19,482)	(344,953)	(709,109)
Other expenses, net	-	-	-	(2,014)	(2,014)

	Year ended 12/31/2014				
	Higher education - classroom	Higher education - EAD	K-12 education	Unallocated portion	Total
Income from operations before finance income (costs)	830,149	511,243	46,392	(346,967)	1,040,817
Assets	11,525,375	3,498,849	104,303	357,653	15,486,180
Current and noncurrent liabilities	2,922,824	718,839	79,242	318,867	4,039,772

	Year ended 12/31/2013				
	Higher education - classroom	Higher education - EAD	K-12 education	Unallocated portion	Total
Net revenue	1,234,938	618,842	162,162	-	2,015,942
Cost of sales and services	(695,571)	(152,550)	(74,267)	-	(922,388)
Gross profit	539,367	466,292	87,895	-	1,093,554
Operating expenses:					
Selling expenses	(108,145)	(65,443)	(26,922)	-	(200,510)
General and administrative expenses	(131,482)	(27,129)	(18,939)	(155,130)	(332,680)
Other expenses, net	-	-	-	(1,614)	(1,614)
Income from operations before finance income (costs)	299,740	373,720	42,034	(156,744)	558,750
Assets	2,288,008	1,361,020	95,552	334,582	4,079,162
Current and noncurrent liabilities	235,754	50,638	67,235	1,106,846	1,460,473

Intersegment sales were made on an arm’s-length basis. The reported revenue from foreign related parties was measured in accordance with that presented in the income statements.

Unrecognized portion refers to assets, liabilities and expenses related to the administrative and operational support areas, not directly related to revenue-generating segments.

31. BREAKDOWN OF NET REVENUE

	12/31/2014	12/31/2013
Higher education - classroom		
Gross revenue	3,246,241	1,522,781
Deductions from gross revenue:		
Taxes	(77,829)	(34,793)
PROUNI	(363,003)	(123,830)
Discounts	(215,606)	(129,220)
Net revenue	2,589,803	1,234,938

	12/31/2014	12/31/2013
Higher education - EAD		
Gross revenue	1,247,442	748,891
Deductions from gross revenue:		
Taxes	(23,450)	(12,541)
PROUNI	(167,742)	(73,074)
Discounts	(62,187)	(44,434)
Net revenue	994,063	618,842
K-12 education		
Gross revenue	206,495	171,294
Deductions from gross revenue:		
Taxes	(5,297)	(4,708)
Returns	(10,589)	(4,424)
Net revenue	190,609	162,162
Total		
Gross revenue	4,700,178	2,442,966
Deductions from gross revenue:		
Taxes	(106,576)	(52,042)
PROUNI	(530,745)	(196,904)
Discounts	(277,793)	(173,654)
Returns	(10,589)	(4,424)
Net revenue	3,774,475	2,015,942

32. COSTS AND EXPENSES BY NATURE

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Payroll and related taxes	(89,987)	(12,205)	(1,420,701)	(773,041)
Depreciation and amortization	(74,758)	-	(249,768)	(108,212)
Rent and common area maintenance fees	-	-	(223,726)	(104,632)
Allowance for doubtful debts	-	-	(147,542)	(92,343)
Utilities, cleaning and security	(3)	(98)	(151,884)	(74,366)
Publicity and advertising	(406)	(274)	(171,472)	(80,105)
Outside services	-	-	(24,165)	(13,300)
Consulting and advisory	(11,670)	(4)	(127,708)	(50,208)
Cost of sales	-	-	(39,198)	(24,859)
Legal and contingencies	12,992	(615)	(20,415)	(20,991)
Travel	-	-	(34,253)	(24,729)
Copyrights	-	-	(8,048)	(6,190)
Taxes and contributions	(139)	(218)	(1,053)	(7,052)
Other costs and expenses	-	(21)	(113,725)	(77,164)
	(163,971)	(13,435)	(2,733,658)	(1,457,192)
Cost of sales and services	-	-	(1,643,130)	(922,388)
Selling expenses	-	-	(379,405)	(200,510)
General and administrative expenses	(163,971)	(13,435)	(709,109)	(332,680)
Other operating income (expenses), net	-	-	(2,014)	(1,614)
	(163,971)	(13,435)	(2,733,658)	(1,457,192)

33. FINANCE INCOME (COSTS)

Parent	12/31/2014	12/31/2013
Finance income		
Income on short-term investments and securities	1,373	108
Interest on short-term investments	220	93
Other	1	8
	1,594	209
Finance costs		
Interest and fines for late bill payment	-	(6)
Bank and collection fees	(9)	(5)
	(9)	(11)
Finance income (costs)	1,585	198

Consolidated	12/31/2014	12/31/2013
Finance income		
Interest on tuitions	66,090	36,618
Income on short-term investments and securities	53,306	27,916
Discounts obtained	-	438
Exchange gains	1,808	-
Other	2,953	3,201
	124,157	68,173
Finance costs		
Interest and costs of debentures	(94,334)	(56,401)
Adjustment of payment for acquisition of subsidiaries	(18,122)	(15,823)
Bank and collection fees	(10,679)	(7,770)
Interest and fines for late bill payment	(3,734)	(2,472)
Interest and fines for late tax payment	(4,113)	(7,101)
Interest on borrowings and financing	(8,479)	(726)
Exchange losses	(4,046)	-
Other	(5,626)	(3,090)
	(149,133)	(93,383)
Finance income (costs)	(24,976)	(25,210)

34. EARNINGS PER SHARE

a) Basic

Basic earnings per share calculated by the division of the profit or loss attributable to the Company's shareholders and the weighted average number of shares issued in the year.

	12/31/2014	12/31/2013
Profit attributable to Company's owners	1,000.600	516,571
Weighted average number of common shares issued (in thousands)	1,343,523	1,072,959
Basic earnings per common share	0.74	0.48

b) Diluted

For dilution purposes, the Company has a stock option plan offered to beneficiaries, which permits the issuance of shares when the option is exercised. As of December 31, 2014, there are shares with dilution potential since its average strike price is lower than the average price of the Company's shares in the market.

	12/31/2014	12/31/2013
Profit attributable to Company's owners	1,000,600	516,571
Weighted average number of common shares issued (in thousands)	1,343,523	1,072,959
Potential increase in common shares (in thousands)	991	425
Diluted earnings per common share	0.74	0.48

35. RELATED-PARTY TRANSACTIONS

Other related-party transactions

(i) Subsidiary Pses uses properties leased from subsidiary Spes. The agreements are effective until June 2016, with a fixed monthly amount of R$161, based on INPC adjustment index.

(ii) Subsidiaries Unic Educacional, Unime LF and Iuni use properties leased from Vertia Empreendimentos Imobiliários Ltda. (company controlled by a Company shareholder and member of the Board of Directors):

Subsidiary	Termination date	Monthly amount	Adjustment index
Unic Educacional	March/2020	185	IPCA
Unime LF	March/2020	519	IPCA
Iuni	March/2020	914	IPCA

(iii) Subsidiary Ede uses properties leased from Creare Administração de Bens Móveis e Imóveis Ltda. (company controlled by the members of the Board of Directors). Agreements are effective until January 2032, with a fixed monthly amount of R$992, based on IPCA index.

(iv) Subsidiary Iuni entered into an assignment agreement, for the use by its university operations, with University General Hospital (“HGU”) (company controlled by a Company shareholder and member of the Board of Directors) of Cuiabá, MT, for which it pays a fixed monthly amount of R$228 and a variable amount of R$3 per student, relating to the Scholarship.

(v) Anhanguera Educacional Ltda. uses properties leased from HK Campinas Participações Ltda. (the company’s shareholder is AFZ Participações Ltda., a company controlled by a family member of one of the members of the Company’s Board of Directors). The agreement is effective until December 2024, with a fixed monthly amount of R$267, based on IPCA index.

(vi) Subsidiary Anhanguera Educacional Ltda. uses properties leased from controlling shareholder Anhanguera Educacional Participações S.A. The agreement is effective until December 2020, with a fixed monthly amount of R$89, based on IPCA index.

These amounts are recorded in profit or loss, in line item “Cost of services”.

(vii) EDE entered into with Fundação Pitágoras an agreement for the sale of learning materials. Sales in the year ended December 31, 2014 is R$18,421 (R$14,470 in the year ended December 31, 2013). The ‘Trade receivables’ balance as of December 31, 2014 is R$3,304 (R$1,942 as of December 31, 2013).

(viii) Fundação Manoel de Barros, (an assignee of FM educational radio, called Rádio Uniderp, since February 16, 2005), whose board maintains members of the Company’s Board of Directors and Executive Board, entered into an agreement with Anhanguera Educacional Ltda., the Company’s subsidiary, for the donation of financial resources. The agreement will end on January 1, 2016. There is no adjustment index. Anhanguera Educacional Participações S.A. disbursed in the year ended December 31, 2014 the amount of R$240 in connection with this agreement.

Key Management personnel compensation

Key Management personnel refer to the members at the Board of Directors and the Supervisory Board, the CEO, the vice presidents, and the officers.

The Annual General Meeting set Management annual overall compensation for the year ending December 31, 2014 at R$24,000.

On April 28, 2014, the Annual General Meeting of subsidiary Anhanguera defined the annual overall compensation of its Management for the year ending December 31, 2014, in the amount of R$14,316.

Compensation paid to Management is as follows:

	12/31/2014	12/31/2013
Wages	7,340	5,969
Benefits	163	133
Charges	1,466	1,194
Variable compensation (i)	15,076	12,348
Stock option plan (ii)	31,501	8,781
	55,546	28,425

(i) Variable compensation defined in agreement with officers.

(ii) Relating to the accrued stock option plan, which is not considered within the overall annual management compensation limit approved at the Extraordinary General Meeting.

36. INSURANCE

The Company has a risk management program designed to limit risks, seeking in the market coverage that is compatible with its size and operations. Insurance coverage was obtained in the amount below to cover possible losses, considering the type of its activities, risks involved in the operations, and advice from insurance brokers.

The Company and its subsidiaries have the following main insurance policies obtained from third parties:

	Insured amounts	
	12/31/2014	12/31/2013
Fire (PP&E items)	257,764	87,405
D&O	196,000	60,000
Vehicles	22,533	6,253
	476,297	153,658

37. STATEMENTS OF CASH FLOWS

a) Cash and cash equivalents

The breakdown of cash and cash equivalents recorded in the statement of cash flows is shown in note 8.

b) Non-cash transactions

(i) Of options exercised in 2014, R$1,868 refers to options exercised through disbursement by the beneficiary.

(ii) There is an outstanding balance of R$128 related to the property acquired in June 2013 in Ipatinga, MG, for R$8,140, recognized in line item “Trade payables - acquisitions”.

(iii) Effects from the acquisition of Anhanguera Educacional, as described in note 5.

38. EVENTS AFTER THE REPORTING PERIOD

Issue of debentures

On February 9, 2015, the Company’s Board of Directors approved the 2nd issue of debentures by the issuer, in the total amount of R$570,000,000.00, whose terms and proceeds will be contributed to subsidiary Anhanguera Educacional S.A. The funds contributed will be fully used in the early redemption of all simple, non-convertible, unsecured debentures of the 4th and 5th issues of Anhanguera.

39. APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 FOR ISSUANCE

The individual and consolidated financial statements were approved by the Board of Directors at the meeting held and authorized for issue on March 19, 2015.

2014 MANAGEMENT REPORT

Dear Shareholders,

In accordance with applicable legislation, the management of Kroton Educacional S.A. ("Kroton" or the "Company") presents its Management Report and Financial Statements for the fiscal year ended December 31, 2014, with comparisons in relation to fiscal year 2013. The consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC). They were also prepared and are presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

About Kroton

Kroton (BM&FBovespa: KROT3; OTCQX: KROTY) is the largest private educational organization in Brazil and the world. With operations spanning over 45 years, the Company has a nationwide presence in all of Brazil's states in the Primary and Secondary Education and the Postsecondary Education business segments. On December 31, 2014, Kroton had approximately one million students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 130 Postsecondary units and its 726 Undergraduate Distance Learning centers. It also offers Vocational Programs under the National Program to Promote Access to Vocational Education and Jobs (Pronatec) and Preparatory Courses under the brand LFG. In the Primary and Secondary Education business, Kroton has 290,000 students through its Learning System, which in 2014 served 876 private schools nationwide.

Message from Management

The year 2014 was a special one for Kroton, especially the consummation of the merger with Anhanguera and consequently the launch of a comprehensive and well-planned integration process that will benefit all of our stakeholders. For the Institution, the merger strengthens its operating and financial structures. For students, the benefits come in the form of improvements in the level of academic quality, since our larger scale will make possible higher investments, especially in professor development and in technologies applied to education. For our employees and professors, the merger creates more opportunities for new career challenges at one of the country's largest organizations. For our shareholders, it will improve our capacity to create value in the short term by capturing synergies and in the long term through the vast strategic potential captured in the merger. And finally, for Brazil, the merger supports the continuity and improvement of the solid educational projects that contribute to the development of people and qualified labor that is required for the country's growth.

A highlight of the integration is the adoption of a robust methodology for controlling and accompanying the process. There are 27 functional fronts, whose managers are working on more than 200 integration projects, each with clear activities, a specific timetable and a transparent and objective monitoring system. The challenge is enormous, but we are absolutely comfortable and certain that we are on the right path for capturing gains in quality, efficiency and synergies.

This entire environment has enabled us once again to present important advances in our operational and financial performance over the course of the year and to strengthen our management differentials and our capacity to create value in every business. We also strengthened our corporate governance with the entry of new members to the Board of Directors and with the expansion of our advisory committees with the creation of the Social Responsibility Committee.

The results in the year were truly positive, and although they must be commemorated, we are working with great dedication to overcome the challenges and capture the best opportunities that 2015 will bring so that we can continue to build an operation that is able to create sustainable and growing value over the long term.

Merger with Anhanguera

As announced on July 3, 2014, the shareholders of Kroton and Anhanguera approved the combination of the two companies through the merger of the stock of Anhanguera into Kroton. As a result of the stock merger, Kroton issued 135,362,103 registered, book-entry common shares without par value, which were attributed to the shareholders of Anhanguera, respecting the exchange ratio of 0.30970293 common share in Kroton for each common share in Anhanguera merged. The merger created a stronger and more robust company with the capacity to deliver high-quality educational services nationwide. More importantly than scale, the transaction also combines the assets, talents and competencies to support the capture of synergies and the construction of a company that is even more efficient and capable of creating increasingly more value for society. As per the Concentrations Control Agreement signed with Brazil’s antitrust agency CADE (*Conselho Administrativo de Defesa Econômica*), Kroton will have to divest the Distance Learning Undergraduate operation of Uniasselvi, as well as two institutions of higher learning that offer On-Campus programs in the cities of Rondonópolis and Cuiabá, and is also subject to certain restrictions on its offerings. As a result of the consummation of the transaction, all financial and operational data for periods as from 3Q14 include the impacts of the Anhanguera merger.

Macroeconomic Environment

The year 2014 featured many events of major importance to the country, such as the World Cup and the presidential elections. In this context, economic activity slowed, with GDP growing lower than initially expected. To combat inflation, the government increased the basic interest rate of the economy, from 10.0% at the end of 2013 to 11.75% at the end of 2014. This performance of the local economy and the improvement in the international scenario contributed to the depreciation in the Brazilian real against the U.S. dollar, which registered an average daily exchange rate of R$2.35/US$ in 2014 in comparison with R$2.16/US$ in 2013. Bucking the trend in the overall economy, unemployment in 2014 reached its lowest level ever, which benefited the Education industry. For 2015, the market is expecting the federal government to implement austerity measures, with reductions in spending and investment in government programs.

Operating Performance

In the Postsecondary Education segment, the Company closed 2014 with 986,827 students, of whom 930,456 were enrolled in Undergraduate (On-Campus and Distance Learning) programs and 56,371 were enrolled in Graduate (On-Campus and Distance Learning) programs. The number of Postsecondary students increased 90.3% from 2013, mainly due to the incorporation of the student base from Anhanguera and to the organic growth of the business.

At the end of 2014, Kroton had 258,800 students registered in the Student Financing Fund, which represents 61.2% of the total base of On-Campus Undergraduate students, or 26.2% of the total base of Postsecondary students. Under Pronatec, or the National Program to Promote Access to Vocational Education and Jobs (*Bolsa Formação* mode), Kroton registered revenue from 31,700 students enrolled in 40 different programs.

In the Primary and Secondary Education business segment, Kroton's main activity is offering, through the Pitágoras Network, teaching book collections, teacher training, educational evaluations and other services to private schools at the Pre-School, Primary and Secondary Education levels. In 2014, Kroton served around 290,000 students enrolled in private schools, which represents growth of 4.7% on the prior year. Meanwhile, the number of private Associated Schools stood at 876, or 9.0% more than in 2013.

The Company offers, under the LFG brand, preparatory courses to prepare students to pass the Brazilian bar (OAB) examination and examinations for civil servant positions. Always positioned as a reference in preparatory courses, LFG had 29,837 students in December and one of the market's highest passing rates on the bar examination.

In parallel, the Company also offers Language Programs and Unregulated Programs through its On-Campus units and Distance Learning centers operated under various brands. In 2014, the Company administered these programs to 57,052 students (which are not included in the figure for Postsecondary students).

Ministry of Education (MEC) Evaluations

Ratio	Below 3	Equal as 3	Above 3	Total Equal or Above 3
Course Concept (CC)	2.0%	45.3%	52.7%	98.0%
Institutional Concept (IC)	1.9%	73.6%	24.5%	98.1%

At the end of 2014, 98.0% of the academic programs and 98.1% of the institutions that form Kroton had received evaluations ranging from satisfactory to excellent, which reinforces its commitment to teaching quality in all of the educational services offered to students.

Financial Performance

Except where stated otherwise, the financial data used to prepare the following analyses reflect the consolidated result of Kroton, which consider the impacts from the Anhanguera merger only as from July 2014.

- *Gross and Net Revenue* – Kroton ended fiscal year 2014 with total gross revenue of R$4,700.2 million, up 92.4% from 2013. This growth was mainly driven by the expansion in the student base resulting from the new enrollment and re-enrollment processes conducted in the year, as well as to the incorporation of the Anhanguera figures and the revenue from Pronatec students. The Company ended 2014 with total net revenue of R$3,774.5 million, increasing 87.2% from 2013, driven by the same factors that affected gross revenue. Considering 12 months of revenue from Anhanguera, Kroton's net revenue would reach R$4,821.6 million.

- *Cost of Goods Sold and Services Rendered* – Kroton's total costs amounted to R$1,643.1 million, or 43.5% of net revenue in 2014, decreasing 2.2 p.p. from 2013, reflecting the important economies of scale and efficiency gains captured at all units, the continuous improvement from the integration of the acquired institutions and the rigorous budget control exercised by Management. Cost of services rendered corresponded to 97.6% of total costs due to the higher share of the Postsecondary Education operations.

  - Costs of goods sold, which are costs related to the publishing and printing costs of the teaching materials sold to the Associated Schools in the Primary and Secondary Education business, was R$39.2 million, or 20.6% of the segment's net revenue, up 5.2 p.p. from 2013, due to the adjustments in the logistics operations during the first semester of 2014, such as restructuring the storage and transport operations. The benefits from this restructuring were already reflected in the second semester of 2014, and in the delivery of collections in the first semester of 2015.

  - Cost of services rendered, which are costs related mainly to the operations of the units in the Postsecondary business, was R$1,603.9 million in 2014, or 42.5% of consolidated net revenue, increasing 2.0 p.p. from the prior year, due to the initiatives being implemented by the Company to optimize the cost structure and to the economies of scale.

- *Gross Income and Gross Margin* – gross income was R$2,131.3 million in 2014, increasing 94.9% compared to 2013. Gross margin was 56.5%, expanding 2.3 p.p. from the prior year, reflecting the operational improvement initiatives described above.

- *Operating Expenses* – in 2014, Kroton's total operating expenses amounted to R$1,090.5 million, which corresponds to 28.9% of net revenue, representing an increase of 2.4 p.p. from the prior year. Operating expenses are divided into two major lines, namely:

  - Personnel, General and Administrative Expenses: are derived from the business segments and include primarily expenses with consulting services, travel, outsourcing and other operating revenues/expenses. This group of expenses amounted to R$709.1 million in 2014, corresponding to 18.8% of net revenue, which represents an increase of 2.3 p.p. from the previous year, with the main impact coming from the incorporation of the Anhanguera operation, which has a less centralized structure than that of the other institutions of Kroton, an issue being addressed in the context of the integration.

  - Selling Expenses: are expenses with the sales team, advertising and marketing, copyrights and the Provision for Doubtful Accounts (PDA), which combined amounted to R$379.4 million:

    - Sales team, advertising and marketing and copyrights: combined these expenses amounted to R$231.9 million, corresponding to 6.1% of net revenue, which represents an increase of 0.7 p.p. from 2013, basically due to the Anhanguera merger.

  - Provision for Doubtful Accounts (PDA): Kroton uses a model for provisioning losses from student receivables based on historical patterns and trends in the recovery curves of these receivables over a 365-day cycle. The amount of PDA accrued covers this entire receivables cycle as from the month of billing. Amounts not received within 365 days are fully written off from Assets. However, all receivables related to trade accounts over 365 days already written off are recognized directly in the profit or loss. Based on this criteria, PDA for 2014 amounted to R$147.5 million, corresponding to 3.9% of net revenue, down 0.7 p.p. from 2013, mainly due to the higher exposure to FIES student financing, which has slower provisioning levels.

- *Adjusted EBITDA* – the Company posted adjusted EBITDA of R$1,456.8 million. In the period, EBITDA margin stood at 38.6%, expanding 2.5 p.p. from 2013. This margin improvement reflects the economies of scale captured in the admissions processes and the rigorous control of costs and expenses. This EBITDA includes the interest and fines on overdue monthly tuition payments. Excluding nonrecurring events (R$100.1 million), EBITDA was R$1,356.7 million in 2014 (margin of 35.9%, up 1.0 p.p. from 2013). Considering 12 months of EBITDA from Anhanguera, Kroton's adjusted EBITDA would have amounted to R$1,701.8 million.

- *Debt* – Kroton ended the year with net debt of R$799.3 million, 120.8% higher than in 2013, reflecting the impact from the incorporation of the debt of Anhanguera, which was minimized by the positive cash generation in the period. Debt is basically formed by, in addition to the debt from Anhanguera, the balance of the Debentures issued in 2011 and by the outstanding installment payments for the acquisitions made, including Uniasselvi, which was acquired in May 2012; this balance is deducted from the amount of financial investments and cash equivalents.

- *Financial Result* - in 2014, the net financial result was an expense of R$25.0 million, compared to the expense of R$25.2 million in 2013, which was basically due to the behavior of the lines “interest on loans for acquisitions" and “interest on obligations under acquisitions,” due to the carryover of debt from Anhanguera.

- *Income Tax and Social Contribution* – the amount of Income Tax and Social Contribution paid in 2014 was R$15.2 million.

- *Net Income* – net income amounted to R$1,000.6 million, increasing 93.7% from 2013. Meanwhile, adjusted net income (adjusted for the amortization of intangible assets and nonrecurring costs and expenses) amounted to R$1,216.3 million, increasing 108.8% from 2013. Considering 12 months of net income from Anhanguera, Kroton's adjusted net income would reach R$1,372.4 million.

- *Investments* – the investments made in 2014 amounted to R$294.6 million, which corresponds to 7.8% of net revenue, with this percentage virtually in line with 2013. Considering also special projects, which include the acquisition of properties and the construction of buildings to support stronger growth rates over the coming years, which came to R$91.1 million, total investments amounted to R$385.7 million in 2014, corresponding to 10.2% of net revenue, which is within the targets established by the Company.

Corporate Governance, Investor Relations and Awards

Kroton has always adopted an ethical, responsible and transparent approach to managing its business and constantly seeks to improve its corporate governance standards in accordance with best market practices. Accordingly, the Company's stock (KROT3) is listed on the Novo Mercado segment of the BM&FBovespa, which is the listing segment with the best corporate governance practices, which reaffirms its commitment to the financial community and to all shareholders. The Board of Directors, which is responsible for the general orientation of the business, was expanded as from the Anhanguera merger and is now formed by 13 directors, three of whom are independent directors. The Company also has four advisory committees: Financial and Human Resources Committee, Audit Committee, Academic and Corporate Committee and Social Responsibility Committee. The main function of the committees is to provide the Board of Directors with the elements and support required for its decision-making process and to support the Board of Executive Officers in its execution of the policies approved by the Board of Directors. In 2014, Kroton also had an Audit Board formed by three members responsible for overseeing the activities of the management, reviewing the financial statements of the Company and reporting their findings to the shareholders. Lastly, the Company has an Internal Controls department whose mission is to evaluate and inform the Board of Directors, through the Audit Committee, on the effectiveness of risk management and governance processes, as well as on the adequacy of the managerial controls and compliance with the rules contained in the internal Code of Conduct.

In 2014, the Company continued to make progress on optimizing its compliance structure by executing a series of activities, which included creating the whistleblowing channel (*Canal Confidencial Kroton*) and revising its Code of Conduct.

Charged with the permanent mission of maintaining transparency with regard to Kroton's business and performance, the Investor Relations (IR) team organized more than 25 events for the financial community, considering the conferences with analysts and Brazilian and international investors and the local and international road shows. In recognition of this effort, the Company once again was conferred awards, including the “Sectorial Award – Cyclical Consumption” from *IR Magazine*, and Best CEO, Best CFO and Best IR from *Institutional Investor* magazine. Kroton also received “Company of the Year” and “Best Performance in the Education and Teaching Industry” from *Jornal Valor* Econômico newspaper and “Domestic M&A Deal of 2014” from *Latin Finance* magazine, thanks to its merger with Anhanguera.

Capital Markets

In 2014, the Company's stock (“KROT3”) was traded in 100% of trading sessions on the BM&FBovespa, with average daily financial trading volume of R$176.5 million. Kroton’s stock price gained 61.51% in the period, while the Bovespa Index (Ibovespa) fell 0.66%. At the end of 2014, the Company's market capitalization was R$25.2 billion. The Company's stock is also a component of the Bovespa Index (Ibovespa), Special Corporate Governance Stock Index (IGC), Special Tag-Along Stock Index (ITAG), Consumption Sector Index (ICON), Small Cap Index (SMLL) and Morgan Stanley Capital International (MSCI Brazil).

On July 3, 2014, the shareholders of Kroton and Anhanguera approved the merger between the two companies. As a result, the shares issued by Anhanguera, under the ticker AEDU3, were incorporated into the equity of Kroton and delisted on July 4.

Under the scope of the third stock buyback program that expired on July 1, the Company acquired 3,311,600 shares at an average price of R$9.44 per share (considering the stock split conducted subsequently). Also in July, the fourth Stock Buyback Program was announced, with duration of 12 months. Under the new program, up to 5,234,810 common shares may be repurchased, which corresponds to 2.5% of the free-float on the approval date (or 20,939,240 shares after the stock split carried out on September 11). The program aims to maximize value creation for shareholders and the shares repurchased may be held in treasury, cancelled and/or subsequently sold, and may also be used to meet any exercise of options under the scope of the stock option plans. Under the scope of this program, as of December 31, 2014, a total of 3,002,800 shares were repurchased at an average price of R$15.48 per share.

In September, a stock split was carried out in the proportion of 1:4. Therefore, for each existing common share issued by the Company, three new book-entry, registered common shares without par value and with the same rights as the existing shares were created and attributed to their holder. Another consequence was an increase in the total number of shares that form the Company's capital, which increased from 404,065,979 to 1,616,263,916 common shares.

Lastly, three capital increases were approved in 2014, which were carried out on September 30, October 31 and December 1. Accordingly, the capital stock of Kroton is now composed of 1,623,795,559 common shares, distributed as follows:

Remuneration of Shareholders

The Bylaws of Kroton provide for the distribution of a mandatory dividend corresponding to 25% of net income adjusted by the deductions and increases provided for by Article 202, Paragraphs II and III of Brazilian Corporation Law. For fiscal year 2014, Kroton declared dividends of R$548.3 million, of which R$65.3 million were distributed in accordance with the result of the first quarter (paid on May 26, 2014) and R$483 million were distributed in connection with the association agreement with Anhanguera (paid in three installments on July 21, August 20 and September 26, 2014).

Social Responsibility

One of Kroton's main pillars in the area of Social Responsibility is the sustainability of its actions involving its various stakeholders, with the highlight its relationship with local communities. The practices adopted to benefit these communities promote higher social inclusion and development, while also further strengthening the Company's relationship with its consumers.

In 2014, all of Kroton's institutions were successfully incorporated into the ongoing Corporate Social Responsibility programs, including Anhanguera, further increasing the importance of these initiatives. Kroton also created the Social Responsibility Committee to define policies and monitor the development of the programs in this area.

During the year, Kroton's 130 Postsecondary Education and its distance learning Centers developed approximately 2,000 Social Responsibility projects, which benefitted over 1.7 million people in the areas of health and well-being and legal assistance.

The following corporate programs merit special mention: Solidarity Hazing, with actions to promote the well-being and health of the 60,000 people involved; Social Responsibility Week, an initiative that involves programs in various fields and offers activities free of charge to 300,000 people in the local community in the areas of education, health, culture, the environment and more; Entrepreneur Challenge, whose site received 80,000 hits and registered 1,124 students, who competed with ideas and businesses for awards that enabled them to advance their life projects; and participation in Entrepreneurship Week, an international event that fosters an entrepreneurial culture among students and graduates.

Independent Auditor

In compliance with CVM Instruction 381/03, we inform that Deloitte Touche Tohmatsu Auditores Independentes was hired to render the following services in 2014: the audit of the financial statements in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards ("IFRS") and the review of interim quarterly financial information in accordance with Brazilian and international standards for the review of interim information (NBC TR 2410 - “Revisão de Informações Intermediárias Executadas pelo Auditor da Entidade” and ISRE 2410 – “Review of Interim Financial Information Performed by the Independent Auditor of the Entity,” respectively). The Company hired the independent auditors to perform work related to the due diligence services. For these special services, which lasted less than one year, the fees were R$385 thousand, which represents 26% of the fees for auditing the financial statements.

The hiring of independent auditors is based on principles that safeguard the independence of the auditor, which are: (a) auditors may not audit their own work; (b) auditors may not exercise managerial functions; and (c) auditors may not provide any services that may be considered prohibited by governing law. Furthermore, the Management must obtain from the independent auditors a declaration that the special services rendered do not affect their professional independence.

Any information in the performance report that is not clearly identified as a copy of the information contained in the financial statements was not the subject of an audit or review by the independent auditors.

Submission to Arbitration

As a solution for corporate conflicts, Kroton submits to arbitration by the Market Arbitration Chamber, in accordance with Article 44 of the Bylaws of the Company.

Declaration of the Board of Executive Officers

The Board of Executive Officers of Kroton hereby declares, pursuant to CVM Instruction 480 of December 7, 2009, to have reviewed, discussed and approved (i) the contents and opinions expressed by Deloitte Touche Tohmatsu Auditores Independentes in the report issued on March 18, 2015; and (ii) the financial statements for the fiscal year ended December 31, 2014.

Acknowledgments

The Management of Kroton would like to express its sincere appreciation to its students, associated schools, partners, government agencies, suppliers, as well as its employees, for their commitment and dedication over the course of 2014.

For more details on the analysis of our 2014 results, please go to our website:
www.kroton.com.br/ir
THE MANAGEMENT