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

Kroton Educacional S.A. and Subsidiaries

Interim Financial Information for the Quarter Ended March 31, 2014 and Report on Review of Interim Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

Deloitte Touche Tohmatsu
Rua Alexandre Dumas, 1.981
04717-906 - São Paulo - SP
Brasil

Telefone: (11) 5186-1000
Fac-símile: (11) 5181-2911
www.deloitte.com.br

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Kroton Educational S.A. (the "Company"), identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form (ITR), for the quarter ended March 31, 2014, which comprises the balance sheet as of March 31, 2014 and the related statements of income, comprehensive income, changes in equity and cash flows for quarter then ended, including the explanatory notes.

The Company's management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 (R1) - Interim Financial Reporting and the consolidated interim financial information in accordance with CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

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Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the ITR referred to above has not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Interim statements of value added

We have also reviewed the individual and consolidated interim statements of value added (DVA), for the quarter ended March 31, 2014, prepared by Management, the presentation of which is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Interim Financial Information (ITR), and considered supplemental information by the International Financial Reporting Standards - IFRS, which do not require the presentation of a DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the individual and consolidated interim financial information taken as a whole.

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, May 13, 2014

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Ismar de Moura
Engagement Partner

The sheets related to the Interim Financial Information (ITR) reviewed by us are marked for identification purpose only.

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

BALANCE SHEET AS OF MARCH 31, 2014
(In thousands of Brazilian reais - R$)

		Parent (BR GAAP)		Consolidated (IFRS and BR GAAP)	
ASSETS	Note	03/31/2014	12/31/2013	03/31/2014	12/31/2013
CURRENT ASSETS					
Cash and cash equivalents:	8				
Cash and banks		18	5	5,136	24,193
Short-term investments		353	1,000	523,223	394,739
Trade receivables	10	-	-	457,823	328,141
Inventories	11	-	-	5,606	16,642
Advances	12	99	-	15,956	25,320
Recoverable taxes	13	1,223	1,227	27,420	22,856
Dividends receivable	16	-	12,472	-	-
Other receivables	15	-	3	29,416	23,188
Total current assets		1,693	14,707	1,064,580	835,079
NONCURRENT ASSETS					
Securities	9	-	-	4,227	4,154
Trade receivables	10	-	-	26,018	26,512
Deferred income tax and social contribution	14.b)	-	-	1,498	1,498
Escrow deposits	26	6	7	11,642	10,769
Advances	12	-	-	3,013	3,614
Recoverable taxes	13	-	-	6,016	6,324
Contingencies' guarantees	26	-	-	105,466	110,605
Other receivables	15	-	-	2,635	2,533
Investments:					
In subsidiaries	16	2,845,837	2,579,780	-	-
Other		-	-	1,600	1,600
Property, plant and equipment	17	-	-	501,441	470,121
Intangible assets	18	59,450	59,450	2,596,882	2,606,353
Total noncurrent assets		2,905,293	2,639,237	3,260,438	3,244,083
TOTAL ASSETS		2,906,986	2,653,944	4,325,018	4,079,162

The accompanying notes are an integral part of these interim financial information.

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

BALANCE SHEET AS OF MARCH 31, 2014
(In thousands of Brazilian reais - R$)

		Parent (BR GAAP)		Consolidated (IFRS and BR GAAP)	
LIABILITIES AND EQUITY	Note	03/31/2014	12/31/2013	03/31/2014	12/31/2013
CURRENT LIABILITIES					
Trade payables	19	188	122	74,938	79,602
Borrowings and financing	20	-	-	1,197	1,770
Debentures	21	-	-	127,421	111,408
Payroll and related taxes	22	-	-	111,807	121,564
Income tax and social contribution		-	-	9,745	6,911
Taxes payable		381	389	22,100	17,790
Advances from customers	23	-	-	43,384	56,596
Taxes in installments	25	-	-	7,297	7,163
Payables - acquisitions	24	-	-	44,098	43,171
Dividends payable		-	27,742	-	27,742
Other payables	27	12	9	4,639	5,375
Total current liabilities		581	28,262	446,626	479,092
NONCURRENT LIABILITIES					
Borrowings and financing	20	-	-	1,267	1,301
Debentures	21	-	-	435,047	434,741
Provision for tax, labor and civil risks	26	7,111	6,993	191,609	198,243
Taxes in installments	25	-	-	39,112	39,862
Payables - acquisitions	24	-	-	149,208	145,731
Deferred taxes	14.b)	-	-	160,220	158,972
Other payables	27	-	-	2,635	2,531
Total noncurrent liabilities		7,111	6,993	979,098	981,381
EQUITY	28				
Capital		1,867,228	1,867,228	1,867,228	1,867,228
Capital reserves		244,815	235,264	244,815	235,264
Treasury shares		(10,036)	(6,333)	(10,036)	(6,333)
Earnings reserves		797,287	522,530	797,287	522,530
Total equity		2,899,294	2,618,689	2,899,294	2,618,689
TOTAL LIABILITIES AND EQUITY		2,906,986	2,653,944	4,325,018	4,079,162

The accompanying notes are an integral part of these interim financial information.

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

INTERIM STATEMENT OF INCOME
FOR THE QUARTER ENDED MARCH 31, 2014
(In thousands of Brazilian reais - R$, except earnings per share)

	Note	Parent (BR GAAP) 03/31/2014	Parent (BR GAAP) 03/31/2013	Consolidated (IFRS and BR GAAP) 03/31/2014	Consolidated (IFRS and BR GAAP) 03/31/2013
NET REVENUE FROM SALES AND SERVICES	31	-	-	674,045	499,710
COST OF SALES AND SERVICES					
Cost of sales	32	-	-	(17,170)	(11,047)
Cost of services	32	-	-	(222,907)	(192,326)
		-	-	(240,077)	(203,373)
GROSS PROFIT		-	-	433,968	296,337
OPERATING INCOME (EXPENSES)					
Selling	32	-	-	(62,928)	(46,530)
General and administrative	32	(10,592)	(2,691)	(86,059)	(67,848)
Other operating income	32	-	-	60	-
Other operating expenses	32	-	-	(15)	(1,463)
Equity in subsidiaries- Equity method	16	285,336	174,977	-	-
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)		274,744	172,286	285,026	180,496
FINANCIAL INCOME (EXPENSES)					
Financial income	33	14	27	24,057	14,572
Financial expenses	33	(1)	-	(25,934)	(19,524)
OPERATING INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		274,757	172,313	283,149	175,544
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	14	-	-	(7,144)	(5,587)
Deferred	14	-	-	(1,248)	2,356
		-	-	(8,392)	(3,231)
INCOME FOR THE QUARTER		274,757	172,313	274,757	172,313
ATTRIBUTABLE TO					
Company owners				274,757	172,313
Noncontrolling interests				-	-
Basic and diluted earnings per share - ON - R$	33	1.02	0.64	1.02	0.64

The accompanying notes are an integral part of these interim financial information.

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED MARCH 31, 2014
(In thousands of Brazilian reais - R$)

	Parent (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	03/31/2014	03/31/2013	03/31/2014	03/31/2013
INCOME FOR THE QUARTER	274,757	172,313	274,757	172,313
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	274,757	172,313	274,757	172,313
ATTRIBUTABLE TO				
Company owners	274,757	172,313	274,757	172,313
Noncontrolling interests	-	-	-	-

The accompanying notes are an integral part of these interim financial information.

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KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

INTERIM STATEMENT OF CHANGES IN EQUITY (PARENT AND CONSOLIDATED)
FOR THE QUARTER ENDED MARCH 31, 2014
(In thousands of Brazilian reais - R$, except earnings per share)

		Capital reserves			Earnings reserves				
	Capital	Capital reserves	Equity instruments arising from business combination	Treasury shares	Legal reserve	Proposed additional dividends	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 sold	-	-	-	435	-	-	-	-	435
Options granted recognized	-	2,528	-	-	-	-	-	-	2,528
Loss on sale of treasury shares	-	(199)	-	-	-	-	-	-	(199)
Share options exercised	-	(236)	-	-	-	-	-	-	(236)
Profit for the quarter	-	-	-	-	-	-	-	172,313	172,313
Dividend distribution (R$0.223938 per share)	-	-	-	-	-	(15,197)	-	-	(15,197)
BALANCE AT MARCH 31, 2013	1,867,228	391	243,873	(6,602)	9,432	-	119,213	172,313	2,405,848
BALANCE AT DECEMBER 31, 2013	1,867,228	(8,609)	243,873	(6,333)	35,261	-	487,269	-	2,618,689
Treasury shares sold	-	-	-	643	-	-	-	-	643
Treasury shares acquired	-	-	-	(4,346)	-	-	-	-	(4,346)
Options granted recognized	-	10,194	-	-	-	-	-	-	10,194
Loss on sale of treasury shares	-	(410)	-	-	-	-	-	-	(410)
Share options exercised	-	(233)	-	-	-	-	-	-	(233)
Profit for the quarter	-	-	-	-	-	-	-	274,757	274,757
BALANCE AT MARCH 31, 2014	1,867,228	942	243,873	(10,036)	35,261	-	487,269	274,757	2,899,294

The accompanying notes are an integral part of these interim financial information.

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

INTERIM STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED MARCH 31, 2014
(In thousands of Brazilian reais - R$)

	Note	Parent (BR GAAP) 03/31/2014	Parent (BR GAAP) 03/31/2013	Consolidated (IFRS and BR GAAP) 03/31/2014	Consolidated (IFRS and BR GAAP) 30/31/2013
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax and social contribution		274,757	172,313	283,149	175,544
Adjustment to reconcile profit before income tax and social contribution to net cash (used in) generated by operating activities:					
Depreciation and amortization	17 and 18	-	-	30,657	24,753
Allowance for doubtful accounts	10	-	-	28,140	23,088
Provision for tax, labor and civil risks	26	118	105	1,088	425
(Reversal) recognition of allowance for inventory losses	11	-	-	683	(382)
Financial charges on borrowings and debentures	20 and 21	-	-	16,329	12,263
Financial charges on acquisitions	24	-	-	4,484	3,419
Income from securities	9	(83)	(27)	(12,810)	(3,473)
Grant of stock options	28	10,194	2,528	10,194	2,528
Gain on sale or write-off of noncurrent assets		-	-	15	673
Equity in subsidiaries	16	(285,336)	(174,977)	-	-
Changes in operating assets and liabilities:					
(Increase) in trade receivables		-	-	(157,328)	(80,630)
(Increase) decrease in inventories		-	-	10,353	10,708
(Increase) decrease in advances		(99)	(99)	9,965	8,864
(Increase) decrease in recoverable taxes		4	(12)	3,516	4,897
(Increase) decrease in escrow deposits		1	-	(873)	(741)
Increase (decrease) in other receivables		3	(78)	(6,330)	(7,933)
Increase (decrease) in trade payables		66	(48)	(4,664)	5,812
Increase (decrease) in payroll and related taxes		-	-	(9,757)	(1,921)
Increase (decrease) in taxes		(8)	-	-	(4,345)
Increase in advances form customers		-	-	(13,212)	(12,481)
(Decrease) in taxes in installments		-	-	(616)	(2,840)
(Decrease) in provision for tax, labor and civil risks		-	-	(2,585)	(663)
Increase (decrease) in other liabilities		3	-	(632)	(19,864)
Cash (used in) generated by operating activities		(380)	(295)	189,766	137,701
Income tax and social contribution paid		-	-	(7,771)	(5,301)
Interest on borrowings and debentures		-	-	(15)	(151)
Net cash (used in) generated by operating activities		(380)	(295)	181,980	132,249
CASH FLOW FROM INVESTING ACTIVITIES					
Redemption of securities	9	83	27	12,737	3,450
Increase in property, plant and equipment	17	-	-	(46,345)	(35,400)
Increase in intangible assets	18	-	-	(6,254)	(1,857)
Acquisition of control net of cash acquired		-	-	-	(1,316)
Receipt of dividends from subsidiary		31,751	-	-	-
Net cash generated by (used in) investing activities		31,834	27	(39,862)	(35,123)
CASH FLOW FROM FINANCING ACTIVITIES					
Sale (acquisition) of treasury shares	28	(4,346)	-	(4,346)	-
Borrowings and financing	20	-	-	-	639
Repayments of borrowings and financing	20	-	-	(603)	(2,357)
Payment of dividends to shareholders		(27,742)	-	(27,742)	-
Net cash used in financing activities		(32,088)	-	(32,691)	(1,718)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS, NET		(634)	(268)	109,427	95,408
Cash and cash equivalents at the beginning of the quarter	8	1,005	1,752	418,932	215,620
Cash and cash equivalents at the end of the quarter	8	371	1,484	528,359	311,028
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS, NET		(634)	(268)	109,427	95,408

The accompanying notes are an integral part of these interim financial information.

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

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

	Parent (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	03/31/2014	03/31/2013	03/31/2014	03/31/2013
REVENUE				
Revenue from sales and services	-	-	689,682	511,423
Other income	-	-	60	-
Recognition of allowance for doubtful accounts	-	-	(28,140)	(23,088)
INPUTS PURCHASED FROM THIRD PARTIES				
Cost of products and services	-	-	(17,170)	(11,047)
Materials, power, outside services and other	(363)	(51)	(81,628)	(68,278)
GROSS VALUE ADDED	(363)	(51)	562,804	409,010
Depreciation and amortization	-	-	(30,657)	(24,753)
NET WEALTH (CONSUMED)	(363)	(51)	532,147	384,257
WEALTH RECEIVED IN TRANSFER				
Equity in subsidiaries	285,336	174,977	-	-
Finance income	14	27	24,057	14,572
WEALTH FOR DISTRIBUTION	284,987	174,953	556,204	398,829
WEALTH DISTRIBUTED	284,987	174,953	556,204	398,829
Personnel:				
Salaries and wages	10,194	2,528	142,162	115,987
Benefits	-	-	7,195	5,849
Severance pay fund (FGTS)	-	-	13,544	12,576
Taxes and fees:				
Federal	34	111	45,226	34,266
State	-	1	184	165
Municipal	-	-	15,180	11,167
Interest on debt:				
Interest	1	-	25,934	19,524
Leases	-	-	28,489	23,571
Copyrights	1	-	3,533	3,411
Shareholders	274,757	172,313	274,757	172,313
Retained earnings	274,757	172,313	274,757	172,313

The accompanying notes are an integral part of these interim financial information.

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.

The Company conducts is operating activities through its direct subsidiary: Editora e Distribuidora Educacional S.A. - EDE.

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.

The Company's direct and indirect subsidiaries are listed in note 4.

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, which generate revenue peaks in these quarters. As a result, this seasonality tends to produce changes in the quarterly and annual results of the Company's operations.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company's interim financial information comprises:

- The individual interim financial information prepared and presented in accordance with CPC 21 (R1) - Interim Financial Reporting and in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Interim Financial Statements (ITR) identified as "Company - BR GAAP"

- The consolidated interim financial information prepared and presented in accordance with CPC 21 (R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, and in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Interim Financial Statements (ITR) identified as "Consolidated - IFRS and BR GAAP".

The information related to the basis for preparation and presentation of the interim financial information, the summary of the significant accounting policies and the use of estimates and judgment did not change as compared to the information disclosed in notes 2 and 3 to the annual financial statements for the year ended December 31, 2013 (hereinafter referred to as "Financial Statements for the year ended December 31, 2013"), published on March 19, 2014 on the newspaper *Folha de São Paulo* and on Minas Gerais State's Official Gazette, and made available on the following websites: www.cvm.gov.br, www.bmfbovespa.com.br and www.kroton.com.br/ri. Accordingly, this interim financial information should be read in conjunction with these financial statements.

3. NEW AND REVISED STANDARDS AND INTERPRETATIONS

In 2014, some new standards issued by IASB became effective. The Company's management assessed these new standards and did not identify any significant effects on the reported amounts.

The CPC had not yet issued certain pronouncements equivalent to IFRSs that became or would become effective on or after March 31, 2014. However, because of the CPC's commitment to keep the set of standards issued up-to-date as amendments are made by the IASB, it is expected that the standards and/or revised standards issued by the IASB will be approved and become effective.

4. CONSOLIDATED INTERIM FINANCIAL INFORMATION

The consolidated interim financial information comprise the Company and its wholly-owned subsidiaries and interests in entities in which the Company is considered as the primary beneficiary, i.e., the holder of the main risks and rewards (even if the Company does not hold the majority of voting shares).

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

	Equity interest - %	
Consolidated companies	03/31/2014	12/31/2013
Direct subsidiaries:		
EDE - Editora, Universidades de Arapongas, Bandeirantes e Londrina; Faculdades de Divinópolis, Guarapari, Jundiaí, Linhares, Londrina, Teixeira de Freitas e Uberlândia; partner of EAD and controlling shareholder as described below:	100.00	100.00

Consolidated companies	Equity interest - % 03/31/2014	12/31/2013
Indirect subsidiaries:		
Assevim - Faculdade de Brusque	99.99	99.99
Ceama - Faculdade de São Luís	99.99	99.99
Fais - Faculdade de Sorriso	99.99	99.99
Fameg - Faculdade de Guaramirim	99.99	99.99
Famelages - Faculdade de Lages	99.99	99.99
Famesul - Faculdade de Rio do Sul	99.99	99.99
GK - Faculdade de Feira de Santana	99.99	99.99
Orme - Faculdade de tecnologia de Belo Horizonte	99.99	99.99
Pax - Editora	99.99	99.99
Projecta - Editora	99.99	99.99
Pses - Faculdades de Belo Horizonte, Betim, Contagem, Governador Valadares, Ipatinga, Maceió, Poços de Caldas, São Luís and Votorantim	99.99	99.99
Spes - Educação básica	99.99	99.99
União - Faculdade de Ponta Grossa	99.99	99.99
Uniasselvi - Universidades de Blumenau, Indaial e Timbó, partner of EAD	99.99	99.99
Unirondon - Faculdade de Campo Verde e Cuiabá	99.99	99.99
Iuni - Universidade de Cuiabá and Parent Company of:	100.00	100.00
Unic Educacional - Faculdades de Itabuna, Primavera do Leste, Rondonópolis, Sinop, Tangará da Serra and Várzea Grande	99.99	99.99
Unime Salvador - Faculdade de Salvador	99.99	99.99
Unime LF - Faculdade de Lauro de Freitas and Parent Company of-	99.99	99.99
Fama Macapá - Faculdade de Macapá	99.99	99.99

5. FINANCIAL RISK MANAGEMENT

5.1. 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.

In the normal course of business, the Company is exposed to several 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.

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 financial expenses related to borrowings and financing raised in the market. 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 non-current liabilities are as follows:

	Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013
Borrowings and financing:		
Finance leases (i)	2,464	3,071
Debentures (ii)	562,468	546,149
Payables for acquisitions:		
Interbank deposit rate (CDI)	170,412	166,416
IPCA - Extended Consumer Price Index	20,488	20,052
Other	2,406	2,434
	758,238	738,122

(i) Adjusted based on average fixed interest rates of 6.7% per year.

(ii) Debentures bear interest equivalent to 100% of the CDI plus 2.0% per year.

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 accounts in the amount of R$137,889 (R$121,970 as of December 31, 2013) 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 Company does not have any derivative transactions.

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

	Consolidated (IFRS and BR GAAP)			
	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
At 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
At March 31, 2014:				
Borrowings and financing	1,197	751	516	2,464
Debentures	127,421	217,524	217,523	562,468
Payables - acquisitions	44,098	71,268	77,940	193,306
	172,716	289,543	295,979	758,238

5.2. Capital management

The main objective of the Company´s capital management policy is to ensure that a strong credit rating and a capital ratio free of problems are 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 quarter ended March 31, 2013, 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:

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Debt (i)	-	-	758,238	738,122
Cash and cash equivalents and securities - noncurrent (ii)	(371)	(1,005)	(532,586)	(423,086)
Net debt	(371)	(1,005)	225,652	315,036
Equity (iii)	2,899,294	2,618,689	2,899,294	2,618,689
Financial leverage ratio	-	-	7.8%	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 securities - noncurrent, as detailed in notes 8 and 9.

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

5.3. Sensitivity analysis

The table below shows the sensitivity analysis for financial instruments, describing the risks that may result in material 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 (BR GAAP)

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
CDI	371	CDI decrease	40	30	20

Consolidated

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
CDI	527.450	CDI decrease	56,965	42,723	28,483

b) Borrowings, financing, debentures and payables - acquisitions

Consolidated (IFRS and BR GAAP)

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
CDI	732.880	Increase of CDI	79,151	98,939	118,727
IPCA	20.488	IPCA increase	1,244	1,555	1,866

Lease agreements in the amount of R$2,464, adjusted based on an average rate of 6.7%, as detailed in note 19, 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 - 10.8% and IPCA - 6.1% 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 - The Central Bank of Brazil's Focus newsletter; CDI - estimate disclosed by the Brazilian Association of Financial and Capital Market Entities (Anbima).

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 March 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 March 31, 2014, the Company does not have derivative financial instruments.

Consolidated (IFRS and BR GAAP)

The carrying amounts and fair values of financial instruments as of March 31, 2014 are as follows:

	Classification	Carrying amount	Fair value
Assets:			
Cash and cash equivalents	Loans and receivables	528,359	528,359
Securities (i)	Loans and receivables	4,227	4,227
Trade receivables (ii)	Loans and receivables	483,841	483,841
Other receivables (except for prepaid expenses) (iii)	Loans and receivables	28,170	28,170
Liabilities:			
Trade payables (iv)	Other financial liabilities	74,938	74,938
Borrowings, financing and finance lease (v)	Other financial liabilities	2,464	2,464
Debentures (vi)	Other financial liabilities	562,468	561,210
Payables for acquisitions	Other financial liabilities	193,306	193,306
Other payables (iii)	Other financial liabilities	7,274	7,274

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

(ii) The average term of receivables is 61dias 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 by means of an agreement to be settled in cash, whose fair values approximate their carrying amounts.

(iv) The balances of "Trade payables" mature substantially within up to 45 days; therefore, they approximate 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.

(vi) We identified market conditions that differ from debenture conditions.

7. CREDIT QUALITY OF FINANCIAL ASSETS

Consolidated (IFRS and BR GAAP)

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:

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Trade receivables-				
Counterparties without external credit rating:				
Group 1 - Higher Education	-	-	547,846	441,484
Group 2 - K-12 education	-	-	75,305	35,125
	-	-	623,151	476,609
Checking account and short-term bank deposits: (i)				
AAA	14	5	4,850	24,085
AA	4	-	124	43
Other	-	-	162	65
	18	5	5,136	24,193
Short-term investments and securities - current and noncurrent- (i)				
AAA	353	1,000	527,450	398,893

(i) Rating assigned by risk rating agencies: Fitch Ratings and Standard & Poor's (S&P) to the Banks where the Company holds short-term investments.

8. CASH AND CASH EQUIVALENTS

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Checking account	18	5	5,136	24,193
Short-term investments				
Fixed-income fund (i)	-	1,000	15,205	12,909
Exclusive fund (ii)	353	-	494,305	372,273
CDB (iii)	-	-	13,713	8,557
Capitalization certificate	-	-	-	1,000
	371	1,005	528,359	418,932

(i) Refers to short-term investments in a fixed income fund of daily cash surplus whose yield is indexed to the CDI fluctuation. 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 fund's portfolio consists of fixed income securities issued by prime banks and Treasury Bonds - LFT, LTN and NTN, where 68.73% are Private Credit - Banks and 31.27% are Treasury Bills. The Fund's average yield has reached 104% of the CDI.

(iii) Refers to short-term investments in CDB whose yield is indexed to the CDI fluctuation. The average yield was 100.7% of the CDI.

Average monthly income for the quarter ended March 31, 2013 was 104%, and finance income generated in the quarter totaled R$12,810 (R$3,473 as of March 31, 2013).

9. SECURITIES - NONCURRENT

	Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013
CDB (i)	4,227	500
Debentures (ii)	-	3,654
	4,227	4,154

(i) Refers to short-term investments that are not highly liquid and have been classified as noncurrent assets. Include all short-term investments in CDB whose yield is indexed to the CDI fluctuation. The yield was 100.2% of the CDI.

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

10. TRADE RECEIVABLES

	Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013
Higher education (i)	547,846	441,484
K-12 education	75,305	36,125
	623,151	477,609
Allowance for doubtful accounts:		
Higher education	(128,864)	(114,105)
K-12 education	(9,025)	(7,865)
	(137,889)	(121,970)

	Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013
Trade receivables, net	485,262	355,639
Adjustment to present value (ii)	(1,421)	(986)
	483,841	354,653
Current	457,823	328,141
Noncurrent (iii)	26,018	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 March 31, 2014, receivables from FIES, less allowance for doubtful accounts, is R$242,640 (R$153,268 as of December 31, 2013). The adjustment to present value is calculated only on the balances of receivables with future maturities, whose interest was recognized as of the present date. Calculation is made through discounted cash flow. The average rate used was 6.2% per year. As the receivables are realized, the balance classified as APV is recognized as finance income.

(iii) 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 accounts.

	03/31/2014	12/31/2013
Write-off of receivables past-due for more than 365 days	(12,221)	(65,736)

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

The aging list of trade receivables is as follows:

	03/31/2014	12/31/2013
Current (i)	424,336	263,872
Past-due:		
Up to 30 days	54,573	40,661
31 to 60 days	28,715	34,749
61 to 90 days	7,501	18,878
91 to 365 days	108,026	119,449
Allowance for doubtful accounts	(137,889)	(121,970)
Present value adjustment	(1,421)	(986)
	483,841	354,653

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

The Company has monthly recognized an allowance for doubtful accounts 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 or 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 at December 31, 2012	(95,363)
Write-off	65,736
Recognition	(92,343)
Balance at December 31, 2013	(121,970)
Write-off	12,221
Recognition	(28,140)
Balance at March 31, 2014	(137,889)

11. INVENTORIES

	Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013
Books and collections	9,569	15,599
Commercial books	1,252	5,575
Allowance for losses (i)	(5,215)	(4,532)
	5,606	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 totaled R$17,170 in the quarter ended March 31, 2014 (R$11,047 as of March 31, 2013).

Changes in the allowance for inventory losses are as follows:

Balance at December 31, 2012	(1,410)
Write-off	382
Balance at March 31, 2013	1,028
Balance at December 31, 2013	(4,532)
Recognition	(683)
Balance at March 31, 2014	(5,215)

12. ADVANCES

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Trade payables:				
Campus Betim (i)	-	-	6,067	6,669
Campus Teixeira de Freitas (i)	-	-	300	-
Campus Macapá (i)	-	-	195	341
Campus Valadares (i)	-	-	350	450
Campus Barreiro (i)	-	-	3,000	3,000
Campus Londrina (i)	-	-	847	-
Communication plan (ii)	-	-	183	1,807
Employees (iii)	-	-	2,844	12,666
Transfer to EAD centers (iv)	-	-	1,032	1,247
Travels	-	-	678	530
Others	99	-	3,473	2,224
	99	-	18,969	28,934
Current	99	-	15,956	25,320
Noncurrent	-	-	3,013	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, Macapá, Valadares, Barreiro and Londrina. These amounts are classified as recoverable amounts, as they will be offset against monthly lease payments and adjusted on a monthly basis, as contractually prescribed. All amounts are realized in up two years, except for Betim, for which the realization term is longer.

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

(iii) Refer mainly to advanced vacation pay to employees.

(iv) Refers to receivables from students advanced to the EAD centers for operation maintenance. To the extent that receivables from students are collected, amounts are deducted from the transfer to the center.

13. RECOVERABLE TAXES

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Current:				
IRPJ and CSLL (i)	1,223	1,227	21,456	16,679
Social security tax (INSS) (ii)	-	-	278	1,061
Taxes on revenue (PIS and COFINS) (iii)	-	-	3,153	2,835
Tax recovery program (Refis IV) (iv)	-	-	2,367	2,166
ICMS (State VAT)	-	-	166	115
	1,223	1,227	27,420	22,856
Noncurrent-				
INSS (v)	-	-	6,016	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) Refers to taxes relating to the Social Security Contribution (INSS) withheld by corporate customers.

(iii) Refer to taxes on revenues (PIS and Cofins) and Service Tax (ISS) withheld at source related to the issuance of service invoices.

(iv) Refers to installments under the Tax Debt Refinancing Program (REFIS). In April 2008, some subsidiaries joined the tax installment plan established by the Joint Administrative Rule PGFN/RFB 06/2007, referred to as "IES Installment Plan". Thereafter, these subsidiaries decided not to use that installment payment program and joined the Tax Debt Refinancing Program (REFIS IV), created by Law 11941/09.

Through March 2013, part of the tax debts had not been consolidated, and the Company successfully obtained court decisions requiring the Federal Revenue Service to consolidate the tax installment plan. This government agency has already publicly stated that it will comply with the court decisions. Until the Federal Revenue Service (RFB) solves its system problems, the adhesion installments paid under REFIS IV will be controlled in assets.

(v) Refers to payments under the "IES installment plan", an installment plan exclusive for higher education institutions and that was discontinued because of the adhesion to the REFIS IV installment plan. The amounts are concentrated in subsidiary Unime LF, in the amount of R$2,717. In subsidiary Spes, there are credits from INSS withholdings at source on contracts. The monthly credits originated by the withholdings exceed the amount of the tax payable, which generates cumulative credits. As of March 31, 2013, the accrued balance amounts to R$3,276 and will be subject to an administrative request for refund and/or offset against other tax debits. The other subsidiaries in the aggregate have R$23.

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:

	Company (BR GAAP)	
	03/31/2014	03/31/2013
Profit before income tax and social contribution in the quarter	274,757	172,313
Combined income tax and social contribution rate - %	34	34
IRPJ and CSLL at statutory rates	(93,417)	(58,586)
Reconciliation		
Share in the profit of subsidiaries	97,014	59,492
Additions (deductions), net (ii)	(3,506)	(896)
Deferred income tax and social contribution not recognized on loss for the quarter	(91)	(10)
IRPJ and CSLL in profit or loss	-	-

	Consolidated (IFRS and BR GAAP)	
	31/03/2014	31/03/2013
Profit before income tax and social contribution in the quarter	283,149	175,544
Combined income tax and social contribution rate - %	34	34
IRPJ and CSLL at statutory rates	(96,271)	(59,685)
Reconciliation		
Tax incentive in subsidiaries subject to ProUni benefit (i)	73,892	40,207
Additions (deductions), net (ii)	(1,754)	5,966
Offset of prior-year tax loss carryforwards	12,896	6,823
Difference of tax rate relating to subsidiary's deemed income (iii)	718	1,178
Deferred income tax and social contribution not recognized on subsidiaries' losses	(881)	(640)
Deferred IRPJ and CSLL on amortization of goodwill allocated	3,008	2,920
Total income tax and social contribution	(8,392)	(3,231)
Current IRPJ and CSLL in profit or loss	(7,144)	(5,587)
Deferred IRPJ and CSLL in profit or loss	(1,248)	2,356

(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 accounts, accrued profit sharing and provision for tax, labor and civil risks.

(iii) Refer to subsidiary Pax 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), as set forth in tax laws, on the Company's revenues.

b) Deferred income tax and social contribution

Deferred tax assets at March 31, 2014 and at December 31, 2013 are recorded only in subsidiary Projecta.

	03/31/2014	12/31/2013
Income tax loss carryforwards	1,101	1,101
Social contribution loss carryforwards	397	397
	1,498	1,498

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:

	03/31/2014	12/31/2013
2014	353	353
2015	347	387
2016	395	424
2017	403	334
	1,498	1,498

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

Consolidated (IFRS and BR GAAP)

	12/31/2013	Allocation of goodwill to intangible assets	Amortization of goodwill allocated	03/31/2014
In assets				
Income tax-				
Tax losses	1,101	-	-	1,101
Social contribution-				
Tax loss carryforwards	397	-	-	397
Noncurrent assets	1,498	-	-	1,498
In liabilities				
Deferred income tax	(116,892)	(3,130)	2,212	(117,810)
Deferred social contribution	(42,080)	(1,126)	796	(42,410)
Noncurrent liabilities, net	(158,972)	(4,256)	3,008	(160,220)

Deferred income tax and social contribution liabilities primarily arise on intangible assets from acquisitions while deferred income tax and social contribution assets arise from prior years' tax losses.

c) Tax incentives

The University for All Program (ProUNI) grants, under Law 11096 of January 13, 2005, exemption from certain federal taxes 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) PIS and COFINS 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 quarter ended March 31, 2014 total R$98,866.

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. However, all subsidiaries have injunctions ensuring that the changes introduced by IN 1394/2013 will show no impact while these changes are not consummated through a change in the law.

d) Provisional Act 627

Provisional Act 627, 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 prescribed by commercial law, that are subsequent to the publication of said MP, will not impact the calculation of federal taxes until the tax law governs the matter.

(iii) Includes specific treatment on the potential taxation of profits or dividends.

(iv) Includes provisions on the calculation of interest on capital.

(v) Includes considerations on investments under the equity method.

The provisions in the MP are effective beginning 2015 and their early adoption in 2014 can eliminate potential tax effects, in particular those related to the payment of dividends and interest on capital, effectively paid through the date of publication of this MP, as well as share of profits of subsidiaries.

The Company prepared a study on the potential effects that could arise from the adoption of this new standard and concluded that its early adoption or not would result in immaterial adjustments to the financial statements as of March 31, 2014.

Management expects the analysis of said MP by the Legislative Branch so as to decide on its possible early adoption for calendar year 2014.

15. OTHER RECEIVABLES

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Current:				
Credit card transactions (i)	-	-	7,963	4,775
Rights on assigned assets (ii)	-	-	357	496
Prepaid expenses (iii)	-	3	3,881	1,201
Receivables from acquirees (iv)	-	-	17,215	16,716
	-	3	29,416	23,188
Noncurrent-				
Sale of subsidiary Suesc (v)	-	-	2,635	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 ownership of 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) Out of the balance, subsidiary Unirondon has social security debts 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$10,619 relating to taxes and fees that will be charged from former sellers.

(v) 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 lawsuit amount. The amount payable is recorded in line item "Other payables" in noncurrent liabilities. It is adjusted on a monthly basis at the percentage rate of 1%.

16. INVESTMENTS

a) Information on the Parent's investments

Subsidiary EDE

	03/31/2014	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 (i)	2,845,837	2,592,252
At end of the quarter/year	285,336	529,808
Carrying amount of investments	2,845,837	2,579,780
Share in the profit of subsidiaries	285,336	529,808

(i) On March 28, 2014, the General Shareholders Meeting approved the allocation of the profit for 2013, totaling R$529,808, out of which: R$141,107 as distribution of dividends, R$26,490 to the legal reserve and the remaining amount was allocated to the investment reserve.

Changes in the investment for the quarter are as follows:

	03/31/2014	03/31/2013	12/31/2013
Opening balance	2,579,780	2,186,232	2,186,232
Capital increase	-	-	3,930
Share of profits of subsidiaries	285,336	174,977	529,808
Dividends (i)	(19,279)	(14,361)	(140,190)
Closing balance	2,845,837	2,346,848	2,579,780

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

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

	Number of shares held		Capital		Equity	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Ceama	34,958,305	34,078,305	34,958	34,078	41,821	37,722
Fais	8,228,752	8,228,752	8,229	8,229	17,737	14,427
GK	5,471,044	5,471,044	5,471	5,471	6,805	6,229
Orme	58,613,388	51,344,388	58,613	51,344	25,711	19,801
Pax	11,031,163	11,031,163	11,031	11,031	17,393	15,364
Projecta	10,234,275	10,234,275	10,234	10,234	5,822	5,760
Pses	127,296,879	127,296,879	127,297	127,297	283,316	263,819
Spes	18,031,325	18,031,325	18,031	18,031	27,621	21,961
União	6,708,878	6,708,878	6,709	6,709	6,357	4,757
Unirondon	28,025,000	28,025,000	28,025	28,025	27,771	23,866
Assevim	6,195,918	6,195,918	6,196	6,196	5,608	5,086
Fameg	6,471,685	6,471,685	6,472	6,472	7,457	6,292
Famelages	4,030,842	4,030,842	4,031	4,031	1,485	1,676
Famesul	13,942,641	13,942,641	13,943	13,943	4,096	4,081
Uniasselvi	1,690,000	1,690,000	1,690	1,690	116,876	83,136
Iuni	296,932,868	291,911,168	296,933	291,911	375,288	314,662
Unic Educacional	75,515,856	75,515,856	75,516	75,516	109,482	82,610
Unime Salvador	13,726,544	13,726,544	13,727	13,727	21,604	25,349
Unime LF	37,409,183	37,409,183	37,409	37,409	90,475	78,165
Fama Macapá	11,619,489	11,619,489	11,619	11,619	55,081	44,192

	Total assets		Total liabilities		Net revenue	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Ceama	60,119	55,865	18,298	18,143	7,330	26,238
Fais	19,492	15,986	1,756	1,559	5,173	15,783
GK	7,484	6,798	679	568	1,442	4,690
Orme	28,408	24,422	2,697	4,620	3,676	10,204
Pax	19,486	17,667	2,092	2,303	8,230	18,451
Projecta	6,196	6,228	374	468	6,196	1,922
Pses	311,427	287,542	28,112	23,723	87,018	265,364
Spes	37,783	34,254	10,162	12,293	37,783	51,570
União	8,243	6,489	1,887	1,732	8,243	8,012
Unirondon	57,018	54,885	29,248	31,019	7,117	26,163
Assevim	8,869	8,548	3,261	3,462	1,917	6,803
Fameg	10,802	9,860	3,345	3,568	3,465	11,237
Famelages	2,266	2,424	781	748	-	-
Famesul	9,101	9,097	5,005	5,016	1,289	3,917
Uniasselvi	184,583	154,852	67,706	71,716	66,066	205,152
Iuni	442,063	392,914	66,775	78,252	67,565	238,175
Unic Educacional	129,565	100,491	20,083	17,881	42,686	138,547
Unime Salvador	26,748	30,235	5,144	4,886	26,748	28,566
Unime LF	134,092	120,626	43,617	42,461	26,042	85,256
Fama Macapá	63,012	50,580	7,931	6,388	63,012	45,010

	Profit (loss), net		Carrying amount of the investment		Share of profit in subsidiaries	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Ceama	3,219	11,817	41,821	37,722	3,219	11,817
Fais	3,310	8,630	17,737	14,427	3,310	8,630
GK	576	1,290	6,805	6,229	576	1,290
Orme	(1,360)	(9,743)	25,711	19,801	(1,360)	(9,743)
Pax	2,029	2,211	17,393	15,364	2,029	2,211
Projecta	62	(106)	5,822	5,760	62	(106)
Pses	50,247	111,081	283,316	263,819	50,247	111,081
Spes	5,660	2,621	27,621	21,961	5,660	2,621
União	1,600	1,179	6,357	4,757	1,600	1,179
Unirondon	3,905	10,006	27,771	23,866	3,905	10,006
Assevim	522	1,082	5,608	5,086	522	1,082
Fameg	1,166	2,256	7,457	6,292	1,166	2,256
Famelages	(191)	(567)	1,485	1,676	(191)	(567)
Famesul	445	(59)	4,096	4,081	445	(59)
Uniasselvi	33,741	75,694	116,876	83,136	33,741	75,694
Iuni	54,121	132,683	375,288	314,662	54,121	132,683
Unic Educacional	25,389	67,779	109,482	82,610	25,389	67,779
Unime Salvador	3,255	9,791	21,604	25,349	3,255	9,791
Unime LF	22,310	50,616	90,475	78,165	22,310	50,616
Fama Macapá	10,889	26,010	55,081	44,192	10,889	26,010

17. PROPERTY, PLANT AND EQUIPMENT

Consolidated (IFRS and BR GAAP)

		03/31/2014			12/31/2013		
	Annual average depreciation/ rate - %	Cost	Accumulated depreciation	Property, plant and equipment, net	Cost	Accumulated depreciation	Property, plant and equipment net
IT equipment	20	76,697	(48,906)	27,791	73,211	(46,702)	26,509
Furniture, equipment and fixtures	10	192,443	(80,482)	111,961	178,636	(76,100)	102,536
Library	10	92,654	(46,199)	46,455	91,087	(44,078)	47,009
Buildings and improvements	6	248,137	(43,729)	204,408	217,332	(37,522)	179,810
PP&E in progress	-	28,248	-	28,248	31,687	-	31,687
Land	-	82,578	-	82,578	82,570	-	82,570
		720,757	(219,316)	501,441	674,523	(204,402)	470,121

The depreciation allocated to “Cost of sales” and “Administrative expenses” for the quarter ended March 31, 2014 amounted to R$14,931 (R$9,743 as of March 31, 2013).

The depreciation of property, plant and equipment items is calculated on a straight-line basis. There is no evidence that the recognized costs are higher than their recoverable value.

Changes in 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 at December 31, 2012	19,229	88,868	46,379	130,404	27,237	59,735	371,852
Additions	4,626	6,758	1,348	388	22,280	-	35,400
Write-offs	(2)	(24)	-	(412)	(158)	-	(596)
Depreciation	(1,728)	(3,622)	(1,944)	(2,449)	-	-	(9,743)
Transfers	-	-	-	16,137	(16,137)	-	-
Balances at March 31, 2013	22,125	91,980	45,783	144,068	33,222	59,735	396,913

	IT equipment	Furniture, equipment and fixtures	Library	Buildings and improvements	Property, plant and equipment in progress	Land	Total
Balances at December 31, 2013	26,509	102,536	47,009	179,810	31,687	82,570	470,121
Additions	3,590	13,734	1,570	108	27,257	8	46,267
Write-offs	-	(15)	-	-	-	-	(15)
Depreciation	(2,215)	(4,387)	(2,124)	(6,206)	-	-	(14,932)
Transfers	(93)	93	-	30,696	(30,696)	-	-
Balances at March 31, 2014	27,791	111,961	46,455	204,408	28,248	82,578	501,441

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 March 31, 2014, the balance of leases totaled R$2,458 (R$5,458 as of March 31, 2013).

18. INTANGIBLE ASSETS

Consolidated (IFRS and BR GAAP)

	Annual average amortization rate - %	03/31/2014			12/31/2013		
		Cost	Accumulated amortization	Intangible assets, net	Cost	Accumulated amortization	Intangible assets, net
Software licenses	20	65,101	(30,782)	34,319	59,745	(28,334)	31,411
Development of internal projects	10	93,448	(42,620)	50,828	92,549	(39,491)	53,058
Goodwill on acquisitions	-	2,101,382	(12,521)	2,088,861	2,101,382	(12,521)	2,088,861
Intangible assets identified in acquisitions	20	523,627	(100,753)	422,874	523,627	(90,604)	433,023
		2,783,558	(186,676)	2,596,882	2,777,303	(170,950)	2,606,353

The amortization allocated to “Cost of services” and “Administrative expenses” in the quarter ended March 31, 2014 totaled R$15,726 (R$15,010 as of March 31, 2013).

Changes in intangible assets were as follows:

	Software licenses	Development of internal projects (a)	Goodwill generated on acquisitions (b)	Intangible asset identified on acquisitions (c)	Total
Balances at December 31, 2012	27,166	61,277	2,103,471	468,869	2,660,783
Additions	944	913	-	-	1,857
Write-offs	(47)	(30)	-	-	(77)
Other write-offs (i)	-	-	(3,689)	-	(3,689)
Transfers	139	(139)	-	-	-
Amortization	(2,023)	(3,097)	-	(9,890)	(15,010)
Balances as of March 31, 2013	26,179	58,924	2,099,782	458,979	2,643,864

(i) Refers to the cash adjustment retained in favor of sellers, recorded in the opening balance of the merged subsidiary Ítala on the acquisition date. The amount was adjusted against subsidiary EDE's "Other payables".

	Software licenses	Development of internal projects (a)	Goodwill generated on acquisitions (b)	Intangible assets identified on acquisitions (c)	Total
Balances at December 31, 2013	31,411	53,058	2,088,861	433,023	2,606,353
Additions	5,356	899	-	-	6,255
Amortization	(2,448)	(3,129)	-	(10,149)	(15,726)
Balances as of March 31, 2014	34,319	50,828	2,088,861	422,874	2,596,882

a) Development of internal projects

	03/31/2014	12/31/2013
New units and new degrees (i)	32,178	33,524
Pitágoras University System (ii)	3,523	3,758
New Chain contracts - Rede (iii)	4,558	4,766
Distance learning (iv)	8,568	8,656
Higher education assessment (v)	1,232	1,279
Content production (vi)	769	1,075
	50,828	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 acquisitions of subsidiaries

Goodwill arising on 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.

The goodwill generated on acquisitions of subsidiaries, classified as arising from future expected profitability is comprised of the following:

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Aesg (i)	-	-	2,209	2,209
Ceama	-	-	35,879	35,879
Cidade Jardim (ii)	-	-	6,889	6,889
EDE (iii)	59,450	59,450	59,450	59,450
Factef (i)	-	-	5,423	5,423
Fadom (i)	-	-	9,358	9,358
Fais	-	-	5,857	5,857
Fatec (iv)	-	-	305	305
GK (iv)	-	-	500	500
Ítala (v)	-	-	375,588	375,588
Japi (i)	-	-	3,809	3,809
Nabec (i)	-	-	130	130
São Francisco (i)	-	-	928	928
Sesg (i)	-	-	1,819	1,819
Umep (iv)	-	-	11,550	11,550
Unilinhares	-	-	10,477	10,477
União	-	-	6,891	6,891
Uniminas (i)	-	-	20,030	20,030

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Unirondon	-	-	19,828	19,828
Unopar (iv)	-	-	1,163,607	1,163,607
Iuni	-	-	271,197	271,197
Unic Primavera Antiga (vi)	-	-	3,457	3,457
Unic Primavera Nova (vi)	-	-	7,673	7,673
Unic Roo AE (vi)	-	-	8,848	8,848
Unic Roo FP (vi)	-	-	2,780	2,780
Unic Sinop (vi)	-	-	2,666	2,666
Unic Tangará Norte (vi)	-	-	8,084	8,084
Unic Tangará Sul (vi)	-	-	8,792	8,792
Unime Itabuna (vi)	-	-	15,700	15,700
Unime Salvador	-	-	11,130	11,130
Fama Macapá	-	-	8,007	8,007
	59,450	59,450	2,088,861	2,088,861

(i) Subsidiary merged by EDE in August 2010.

(ii) Refers to goodwill recognized on the increase in Pse's equity interest in Colégio Pitágoras Cidade Jardim S.A., which was merged by PSES in October 2003. In January 2007, this goodwill was transferred to Spes due to the acquisition of Colégio Cidade Jardim.

(iii) Refers to goodwill originally recognized by Apollo Partners, due to the acquisition of EDE shares held by Apollo Europe. During the corporate restructuring undertaken in the second quarter of 2007, there was the downstream merger of Apollo Partners into and with EDE to allow the utilization of goodwill for tax purposes, and in line with CVM Instruction 349/01 guidelines, the merged company recognized an allowance amounting to the difference between goodwill and the tax benefit arising from its amortization. Upon completion of the restructuring process, goodwill was recovered in the Parent. The remaining balance, totaling R$52,259, refers to goodwill arising on the share exchange in September 2010 between Company shareholders and the shareholders of Iuni, which converted EDE into a wholly-owned subsidiary of the Company.

(iv) Subsidiary merged by EDE in January 2013.

(v) In March 2013, a cash adjustment of R$3,689 was made retained in favor of sellers, recorded in the opening balance of subsidiary Ítala on the acquisition date. The amount was adjusted against subsidiary EDE's "Other payables", since it was within the measurement period.

In May 2013, an adjustment of R$7,500 was made to the additional portion of the price for the acquisition of subsidiary Ítala. The amount was adjusted against line item "Trade payables - acquisitions" of subsidiary EDE, because it is within one-year period after the acquisition date.

(vi) Subsidiary merged by Unic Educacional in January 2013.

Goodwill impairment testing

Goodwill is allocated to the CGUs, which are identified based on the operating segment.

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

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
K-12 education	59,450	59,450	66,339	66,339
Higher education	-	-	2,022,522	2,022,522
	59,450	59,450	2,088,861	2,088,861

As of December 31, 2013, goodwill amounts were tested for impairment and no need for adjustments was considered as necessary.

The discounted cash flow (future earnings) method was used in the testing, and the CGUs determined by the Company to test goodwill for impairment correspond to each unit. The calculation considers a seven-year projection, adding a perpetuity value with a real growth of 3.0% per year. A notional discount rate of 14.3% per year was used.

c) Intangible assets identified in acquisitions

A portion of the goodwill paid on the acquisition of subsidiaries was allocated to identifiable intangible assets with finite and indefinite useful lives, after an analysis of the assets acquired and calculation of projected future earnings.

Consolidated (IFRS and BR GAAP)

	03/31/2014							
	Customer portfolio (i)		Noncompetition (i)		Licenses and partner network (ii)	Trademark (ii)		
	Cost	Accumulated amortization	Cost	Accumulated amortization	Cost	Cost	Accumulated amortization	Total
Ceama	5,283	(2,906)	204	(112)	-	-	-	2,469
Fais	819	(396)	213	(103)	-	-	-	533
Ítala	44,700	(16,390)	1,300	(477)	132,100	7,400	(452)	168,181
Iuni	28,069	(23,859)	-	-	-	-	-	4,210
União	2,110	(1,161)	403	(222)	-	-	-	1,130
Unirondon	5,182	(1,727)	-	-	-	-	-	3,455
Unopar	113,464	(52,949)	-	-	182,350	31	-	242,896
	199,627	(99,388)	2,120	(914)	314,450	7,431	(452)	422,874

	03/31/2013							
	Customer portfolio (i)		Noncompetition (i)		Licenses and partner network (ii)	Trademark (ii)		
	Cost	Accumulated amortization	Cost	Accumulated amortization	Cost	Cost	Accumulated amortization	Total
Ceama	5,283	(1,849)	204	(71)	-	-	-	3,567
Fais	819	(232)	213	(60)	-	-	-	740
Ítala	44,700	(7,450)	1,300	(217)	132,100	7,400	(206)	177,627
Iuni	28,069	(18,245)	-	-	-	-	-	9,824
União	2,110	(739)	403	(141)	-	-	-	1,633
Unopar	113,464	(30,257)	-	-	182,350	31	-	265,588
	194,445	(58,772)	2,120	(489)	314,450	7,431	(206)	458,979

(i) Intangible assets with useful lives estimated at up to five years.

(ii) Intangible assets with indefinite useful lives, subject to annual impairment testing.

(iii) The balance arising from subsidiary Ítala has an estimated useful life of 30 years. The balance arising from subsidiary Unopar has an indefinite useful life and is subject to annual impairment tests.

19. TRADE PAYABLES

The consolidated balance of trade payables consists of suppliers of materials and services for the Company's 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 (IFRS and BR GAAP)	
	03/31/2014	12/31/2013
Local currency - finance lease (i)	2,464	3,071
Current	1,197	1,770
Noncurrent	1,267	1,301

(i) Certain equipment was leased under irrevocable agreements subject to average charges of 6.7% per year and interest rate between 1.1% and 1.7%, containing a purchase option, which are effective between 24 and 36 months. The agreements do not require the maintenance of financial ratios (covenants).

The amount of R$357 refers to finance leases for the purchase of goods for partner centers, as mentioned in note 15. The period and amount receivable from partner centers are the same as those in the lease agreements.

The noncurrent portion matures as follows:

	03/31/2014	12/31/2013
2015	365	400
2016	386	386
2017	386	386
2018	130	129
	1,267	1,301

b) Changes in borrowings and financing are as follows:

	03/31/2014	03/31/2013	12/31/2013
Opening balance	3,071	11,632	11,632
Additions	-	639	665
Accrued interest	11	184	726
Interest payments	(15)	(151)	(1,641)
Principal repayment	(603)	(2,357)	(8,311)
Closing balance	2,464	9,947	3,071

c) 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 (IFRS and BR GAAP)	
	03/31/2014	12/31/2013
Current liabilities	127,421	111,408
Noncurrent liabilities	435,047	434,741
	562,468	546,149

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.

No restructuring clauses.

In June and December of each year, interest calculated through that date should be paid.

Changes in the balances are as follows:

	03/31/2014	03/31/2013	12/31/2013
Opening balance	546,149	543,809	543,809
Accrued interest	15,990	11,750	55,086
Recognition of costs	329	329	1,315
Interest payments	-	-	(54,061)
Closing balance	562,468	555,888	546,149

Breakdown of the noncurrent balance, by maturity year:

	03/31/2014	12/31/2013
2015	108,762	108,685
2016	108,762	108,685
2017	108,762	108,685
2018	108,761	108,686
	435,047	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 financial ratios required are:

(i) Result of the division of net debt and adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). The resulting amount cannot exceed 4 through 2013, and should be reduced to 3 in 2016.

(ii) Result of the division of adjusted EBITDA and adjusted finance income/costs. The amount cannot be below 1.2.

As of March 31, 2014, the Company complied with the contractual limits: below 4 for the first ratio and above 1.2 for the second ratio.

22. PAYROLL AND RELATED TAXES

	Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013
Payroll	19,735	18,842
Social security tax (INSS) payable	15,223	13,862
Severance pay fund (FGTS) payable	3,574	4,687
Withholding income tax (IRRF) payable	12,044	8,254
Accrued vacation pay	24,201	33,272
Accrued 13th salary	8,234	-
Accrual expenses	10,922	11,172
Other	17,874	31,475
	111,807	121,564

Accrued payroll and related taxes are recognized in profit or loss for the quarter, in line items "Cost of services", "Selling expenses", and "General and administrative expenses", according to where the employee is allocated.

23. ADVANCES FROM CUSTOMERS

	Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013
Prepaid enrollment fees and tuitions	43,384	56,596

Advances 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 (IFRS and BR GAAP)	
	03/31/2014	12/31/2013
Current		
Uniasselvi	31,772	31,027
Ceama	8,338	8,160
Unirondon	2,868	2,807
União	769	752
Property in Ipatinga - Unit II	100	179
Fais	251	246
	44,098	43,171
Noncurrent		
Uniasselvi	138,640	135,389
Unirondon	8,529	8,348
União	1,537	1,503
Fais	502	491
	149,208	145,731
	193,306	188,902

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

Changes in the quarter are as follows:

Balance at December 31, 2012	226,346
Interest adjustment	3,419
Payments	(1,316)
Balance at March 31, 2013	228,449

Balance at December 31, 2013	188,902
Interest adjustment	4,484
Payments (i)	(80)
Balance at March 31, 2013	193,306

(i) Refers to the payment for the property in Ipatinga.

Amounts recorded in noncurrent liabilities mature as follows:

	03/31/2014	12/31/2013
2015	35,634	34,806
2016	35,634	34,806
2017	34,615	33,809
2018	43,325	42,310
	149,208	145,731

25. TAXES IN INSTALLMENTS

	Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013
Current:		
REFIS IV (a)	4,873	4,782
INSS installment plans (b)	1,556	1,528
Federal tax installment plans (c)	480	473
Labor installment plans (d)	388	380
	7,297	7,163
Noncurrent:		
REFIS IV (a)	35,280	35,511
INSS installment plans (b)	3,082	3,405
Federal tax installment plans (c)	136	250
Labor installment plans (d)	614	696
	39,112	39,862

(a) Refis IV

On May 27, 2009, the Federal Revenue Service created, pursuant to Law 11941 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 the following, among others: (i) a reduction of fine and late payment interest amounts due, depending on the number of installments elected by the Company's subsidiaries; and (ii) the use of tax loss carryforwards on fine and interest.

Between September and November 2009, the subsidiaries filed their option for the payment of 180 monthly installments, and so far have complied all the requirements to remain eligible for said plan. A few installment plans were not yet consolidated due to the lack and/or problems in the RFB's and PGFN's automated systems. The Company successfully obtained court decisions requiring the consolidation of the tax installment plan, and the RFB and PGFN have formally replied that they will abide by the decisions and that they are awaiting the resolution of the IT problems to consolidate the REFIS IV.

The tax installment plan covers debts managed by the RFB and the PGFN, including the remaining consolidated debts at the REFIS and PAEX (exceptional tax installment plan), and the taxes in installment addressed by Article 38 of Law 8212/91 and Article 10 of Law 10522/02.

The debt is payable in 180 monthly installments. As of March 31, 2014, there are 130 installments outstanding. The balance of installments payable is adjusted on a monthly basis using the SELIC (central bank overnight rate), and through March 2013, R$2,367 was paid as adhesion installments before debt consolidation.

As of March 31, 2014, the balance by subsidiary is broken down as follows:

Subsidiary	Tax in installments	Balance
Unime LF	INSS, IRPJ, CSLL, IRRF, PIS e Cofins	27,182
Iuni	INSS, IRPJ, CSLL, IRRF, PIS e Cofins	10,526
Fama Macapá	INSS, IRPJ, CSLL, IRRF, PIS e Cofins	2,445
Total current and noncurrent		40,153

The noncurrent liabilities portion matures as follows:

	03/31/2014
Maturity	
2015	4,874
2016	4,874
2017	4,874
2018	4,306
2019	3,739
2020	3,739
2021	3,739
2022	2,541
2023	1,577
2024	1,017
	35,280

(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 42 of R$85, adjusted based on the monthly Selic rate.

(ii) Iuni

PAEX, article 1: Refers to the remaining balance of Refis for year 2000, which was consolidated in 130 installments, beginning September 2006. As of March 31, 2013, 24 installments of R$45, adjusted based on the monthly TJLP (long-term interest rate) remain outstanding.

(c) Federal tax installment plans

Refer to the debt to the federal government involving IRPJ, CSLL, PIS and COFINS of subsidiaries: EDE - R$344 and Uniasselvi - R$272, which total R$616, payable over different periods and different number of installments, as of March 31, 2014.

(d) Labor installment plans

Refers to a labor fine notice issued against Iuni, which was divided into 60 installments, and at March 31, 2014 there are 31 installments payable in the amount of R$32, adjusted by monthly Selic rate.

Changes in taxes in installment payment plans are as follows:

	03/31/2014	03/31/2013	12/31/2013
Opening balance	47,025	50,207	50,207
Addition	-	-	7,557
Interest adjustment	899	525	2,757
Payments	(1,515)	(3,365)	(13,496)
Closing balance	46,409	47,367	47,025

26. PROVISION FOR TAX, LABOR AND CIVIL RISKS AND ESCROW DEPOSITS

The Company is a party to lawsuits and administrative proceedings arising from the normal course of business. The provisions for risks on these lawsuits are estimated and adjusted by Management, based on the opinion of its internal and external legal counsel. Some escrow deposits were made related to these lawsuits, which can be recovered by the Company and its subsidiaries or utilized to settle potential unfavorable outcomes.

Parent

Due to the volume of lawsuits whose likelihood of loss is assessed as possible, at March 31, 2014, the Company recognized a provision of R$7,111 as of attorneys' fees and burden of defeat in those lawsuits.

Consolidated (IFRS and BR GAAP)

	03/31/2014			12/31/2013		
	Estimated disbursement	Escrows deposits	Balance, net	Estimated disbursement	Escrows deposits	Balance, net
Tax (i)	133,132	(6,133)	126,999	140,737	(5,987)	134,750
Labor (ii)	52,393	(5,140)	47,253	51,957	(4,613)	47,344
Civil (iii)	6,084	(369)	5,715	5,549	(169)	5,380
	191,609	(11,642)	179,967	198,243	(10,769)	187,474

(i) As of March 31, 2013, the Company was a defendant to lawsuits involving approximately 134 tax lawsuits at the judicial and administrative levels, and, in the latter event, the Company has submitted an administrative defense to the inspection authorities which is pending final judgment. Out of the amount above, the subsidiaries acquired in 2011 and 2012 participate in the following proportion: Ítala R$47,423, Unopar R$35,733, Unirondon R$20,710, Ceama R$14,113, and the other subsidiaries acquired had a total of R$15,153.

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

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. . Since they refer to matters prior to the acquisition, the former owners are responsible for those matters, as set forth in the agreement.

(ii) As of March 31, 2014, the Company was a defendant in approximately 652 labor lawsuits, including litigations arising from its acquisitions. Most lawsuits were filed by terminated administrative employees and teachers, basically claiming the payment of overtime, full salary for reduced working hours, work breaks, salary differences, and proportional increase of FGTS, 13th salary, vacation pay, and constitutional one-third vacation bonus. Out of 652 labor claims, 567 lawsuits, totaling a probable loss of R$25,030, are the Company's responsibility and 85 lawsuits are the responsibility of the sellers of the higher education institutions acquired, of which 11 lawsuits refer to joint liability, totaling a probable loss of R$27,363, which is secured by an agreement on behalf of the Company, being Ítala responsible for R$21,887, Iuni for R$820, Unopar for R$1,655, and other subsidiaries together for R$3,001.

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 March 31, 2014, the Company was a defendant in 3.800 civil lawsuits, which generally refer to lawsuits filed by current and former students with small claims courts, most of whom claim compensation for pain and suffering, under Law 9870/99 (Tuitions Law), because they were allegedly prevented from entering the Company's and its subsidiaries' facilities. The Company understands that the civil lawsuits filed against it are immaterial and will not have any adverse or significant impact on its performance. Out of the total civil lawsuits, 2,978 lawsuits, totaling a probable loss of R$5,213, are the Company's responsibility and 822 are under the responsibility of the sellers of the higher education institutions acquired by the Company, totaling a probable loss of R$871, which are secured by an agreement on behalf of the Company, being 03 lawsuits of joint responsibility. Civil lawsuits assessed as probable loss under the sellers' responsibility are broken down as follows: Ítala - R$442, Unopar - R$372, Unirondon - R$52 and other subsidiaries together - R$5.

Subsidiary Iuni is a party to a civil claim relating to pain and suffering and property damages in the amount of R$200. The likelihood of loss was assessed as probable by the legal counsel.

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

Changes in said provisions are as follows:

	Tax	Labor	Civil	Total
Balances at December 31, 2012	186,362	54,654	3,558	244,574
Additions and write-offs	(478)	746	157	425
Additions (write-offs) against collaterals	(1,428)	(1,011)	(117)	(2,556)
Payments	-	(657)	(6)	(663)
Balances at March 31, 2013	184,456	53,732	3,592	241,780
Balances of escrow deposits	(5,697)	(3,498)	(192)	(9,387)
Balances at March 31, 2013, net	178,759	50,234	3,400	232,393

	Tax	Labor	Civil	Total
Balances at December 31, 2012	140,737	51,957	5,549	198,243
Additions and write-offs	(2,768)	2,508	1,348	1,088
Additions (write-offs) against collaterals	(4,837)	(312)	12	(5,137)
Payments	-	(1,760)	(825)	(2,585)
Balances at March 31, 2014	133,132	52,393	6,084	191,609
Balances of escrow deposits	(6,133)	(5,140)	(369)	(11,642)
Balances at March 31, 2014, net	126,999	47,253	5,715	179,967

Contingencies' guarantees

The purchase and sale agreement of companies Ceama, Ítala, Iuni, Unirondon, and Unopar already provides for guarantees tied to ongoing lawsuits filed against the Company. In the event of unfavorable outcomes, these amounts can be collected from the sellers without any losses for the Company.

The table below shows a schedule of the mentioned guarantees:

Subsidiary	Nature	03/31/2014	12/31/2013
Ítala	Tax, labor and civil	69,752	76,707
Unirondon	Tax, labor and civil	20,802	20,530
Unopar	Tax, labor and civil	9,033	9,431
Iuni (i)	Labor and tax	1,151	1,315
Ceama	Labor and civil	2,413	2,562
Others	Labor and civil	2,315	60
		105,466	110,605

The purchase and sale agreement of Iuni provides for R$100,000 as collateral for tax loss, assessed by our legal counsel as remote, arising from the period Iuni had a charitable entity status. The collateral amount is adjusted for inflation annually based on IPCA and, as of March 31, 2014, the adjusted amount corresponds to R$115,051.

Possible losses

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:

	Tax	Labor	Civil	Total
Balances at December 31, 2013	344,297	16,790	52,625	413,712
Additions	1,084	3,994	3,648	8,726
Write-offs	(2,297)	(3,513)	(2,564)	(8,374)
Balances at March 31, 2014	343,084	17,271	53,709	414,064

Out of the total administrative proceedings and/or lawsuits, 9 lawsuits 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$151,574 are assessed by the Company's legal counsel as possible loss.

The amounts involved contractually are collateralized by the sellers.

27. OTHER PAYABLES

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Current				
Transfer of students' portfolio - acquisition of Ítala (i)	-	-	50	169
Transfer of students' portfolio - acquisition of Iuni (ii)	-	-	53	627
Pledge portion - acquisition of Uniminas (iii)			2,610	2,707
Unidentified deposits	-	-	1,577	1,543
Others	12	9	349	329
	12	9	4,639	5,375
Noncurrent				
Sale of subsidiary Suesc (iv)	-	-	2,635	2,531

(i) As set forth in the purchase agreement of Ítala, all portfolio of students maturing through May 28, 2012 (date of signature of the agreement) is collected and received by the Company and transferred to Ítala's former owner.

(ii) As provided for by the Iuni sale and purchase agreement, occurred in March 2010, the entire portfolio of payables falling due within more than 180 days on that date is collected and received by the Company and transferred to Iuni's former owner.

(iii) 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

(iv) 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. It is adjusted on a monthly basis at the percentage rate of 1%.

28. EQUITY

a) Capital

The Company's subscribed and paid-in capital at March 31, 2014 and at December 31, 2013 totals R$1,867,228 and is comprised of 268,703,876 common shares, as follows:

	Common shares
At December 31, 2013	268,703,876
Total ex-treasury shares	268,380,932
Total treasury shares	322,944
As of March 31, 2014	268,703,876
Total ex-treasury shares	268,294,923
Total treasury shares	408,953

b) Authorized capital

On March 5, 2013, the General Shareholders Meeting changed the Company's authorized capital limit to 500,000,000 common shares.

Within the authorized capital limit, the Board of Directors can approve the issuance of subscription warrants and convertible debentures; 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 other individuals who provide services to the Company, 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

Share issuance costs

Costs incurred with the capital increase through the issuance of shares by the Company were R$22,555 in June 2011 and R$5,091 in March 2012.

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 provision for the fair value 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, 6,041,000 stock options were granted, 1,110,000 were cancelled and 2,078,334 were exercised by the beneficiaries.

During the quarter ended March 31, 2014, 54.667 options were exercised as a balancing item to the sale of 32,791 treasury shares. R$10,194 relating to the option fair value premium (R$12,205 as of December 31, 2013) and R$233 relating to options exercised (R$6,967 as of December 31, 2013).

In the quarter ended March 31, 2014, treasury shares were granted to settle the stock option plan in the amount of R$643 (R$435 as of March 31, 2013).

Equity instruments arising from business combination

The balance of R$243,873 refers to the gain (loss) on the acquisition of subsidiary Unopar.

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.

	Common shares
As of December 31, 2013	322,944
Shares sold (i)	(32,791)
Share acquisition (ii)	118,800
As of March 31, 2014	408,953

(i) In the quarter ended March 31, 2014, 32.791 shares were sold at the cost of R$643. A loss of R$410, recorded in line item "Capital reserves - losses/gains on shares", was recognized on the sale.

(ii) The Board of Directors' meeting held on July 2, 2013 approved the creation of the Company's share buyback plan. In the quarter ended March 31, 2014, 118,800 shares were bought back at the cost of R$4,346.

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 purpose of the legal reserve is to ensure the integrity of capital and can only be used to offset accumulated losses or increase capital. As of March 31, 2014, the legal reserve balance is R$35,261 (R$35,261 as of December 31, 2013).

Investment reserve

The remaining balance of profit for the year ended December 31, 2013, after offset of accumulated loss, recognition of legal reserve and proposed dividends, in the amount of R$368.056, 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 2014. The balance of this reserve as of March 31, 2014 is R$487,269 (R$119,213 as of March 31, 2013).

29. SHARE-BASED COMPENSATION PLAN

The Company approved on October 23, 2009 a stock option plan with the objective of retaining 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.

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. As of December 31, 2013, the prices established under the grant agreements range from R$16.00 to R$57.32 (with the effects of the split of shares: from R$8.00 to R$28.66, respectively).

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.

In the quarter ended March 31, 2014, the 54,667 stock options exercised (after the share split) were realized through the exchange of stock options at average price, equivalent to 32,791 common shares (after the share split), without payment.

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

	03/31/2014		12/31/2013	
	Average strike price per share in R$	Options	Average strike price per share in R$	Options
Opening balance		8,958,000		5,422,000
Granted (i)	21.91	240,000	20,97	5,090,000
Cancelled (ii)	-	-	-	-
Exercised (iii)	11.90	(54,667)	24,20	(1,554,000)
Closing balance		9,143,333		8,958,000

(i) In the quarter ended March 31, 2014, the Company granted 240,000 stock options, represented by 240,000 common shares, at the average price of R$21.91 per share.

(ii) All cancelled stock options had been granted to beneficiaries who left the Company thus failing to meet the vesting requirement.

(iii) In the quarter ended March 31, 2014, the Company granted 54,667 stock options, represented by 32,791 common shares, at the average price of R$11.90 per share.

The balance of options that can be granted at March 31, 2014 is 1,279,933 (1,094,000 stock options at December 31, 2013).

The maturities and exercise prices of stock options granted through the quarter ended March 31, 2013, considering the split in prior periods, are as follows:

	Options			
Maturity date in the year of	Average strike price per option in R$	Number stock options	Average fair value of option in R$	R$
2011	9.52	24,000	1,29	31,048
2012	8.84	149,000	2,63	391,338
2013	10.20	213,666	2,90	619,654
2014	19.54	2,014,332	10,03	20,211,379
2015	17.86	3,147,667	8,40	26,433,366
2016	23.34	2,168,001	9,93	21,528,187
2017	30.06	1,366,667	12,71	17,366,767
2018	38.50	60,000	15,55	933,100
	20.89	9,143,333	9,57	87,514,839

The weighted average fair value of options granted through the quarter ended March 31, 2014, determined based on the Black-Scholes valuation model, was R$9.80 per option. Significant data included in the model was weighted average price of R$21.23 per option (defined on grant date and adjusted based on the IPCA through the exercise date), which is the share price on the granting date of R$24.83 per share, average volatility of 27.77%, average expected life of the option corresponding to 970 days, and average annual risk-free interest rate of 8.94% and the dividend yield of 2.91%.

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 the line item "Capital reserve - stock option plan" in equity. The amount recognized in the quarter ended March 31, 2014 amounted to R$10,194 (R$2,528 as of March 31, 2013).

The last vesting date of the longest option agreement is February 27, 2018, which can be exercised in up to 36 months after that date.

30. SEGMENT INFORMATION

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

Consolidated (IFRS and BR GAAP)

	03/31/2014				
	Higher education - classroom	Higher education - EAD	K-12 education	Unallocated portion	Total
Net sales revenue	386,867	209,238	77,940	-	674,045
Cost of sales and services	(171,241)	(41,483)	(27,353)	-	(240,077)
Gross profit	215,626	167,755	50,587	-	433,968
Operating expenses:					
Selling expenses	(31,308)	(22,767)	(8,853)	-	(62,928)
General and administrative expense	(31,823)	(8,534)	(4,090)	(41,612)	(86,059)
Other, net	-	-	-	45	45
Operating profit (loss) before finance income (costs)	152,495	136,454	37,644	(41,567)	285,026
Assets-	1,060,785	2,875,299	118,545	270,389	4,325,018
Current and noncurrent liabilities	668,556	551,593	52,216	153,359	1,425,724

	03/31/2013				
	Higher education - classroom	Higher education - EAD	K-12 education	Unallocated portion	Total
Net sales revenue	269,955	156,985	72,770	-	499,710
Cost of sales and services	(147,766)	(33,445)	(22,162)	-	(203,373)
Gross profit	122,189	123,540	50,608	-	296,337
Operating expenses:					
Selling expenses	(22,003)	(15,871)	(8,656)	-	(46,530)
General and administrative expense	(27,823)	(5,274)	(3,348)	(31,403)	(67,848)
Other, net	-	-	-	(1,463)	(1,463)
Operating profit (loss) before finance income (costs)	72,363	102,395	38,604	(32,866)	180,496
Assets-	2,194,300	1,514,803	116,408	110,496	3,936,008
Current and noncurrent liabilities	1,198,910	185,245	37,493	108,512	1,530,160

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.

31. BREAKDOWN OF NET REVENUE

Consolidated (IFRS and BR GAAP)

	03/31/2014	03/31/2013
Higher education - classroom		
Gross sales revenue	468,953	335,305
Deductions from gross revenue		
Taxes	(10,802)	(7,692)
ProUni	(47,420)	(29,246)
Discounts	(23,864)	(28,412)
Net sales revenue	386,867	269,955
Higher education - EAD		
Gross sales revenue	256,803	187,099
Deductions from gross revenue		
Taxes	(3,630)	(2,795)
ProUni	(30,999)	(16,672)
Discounts	(12,936)	(10,647)
Net sales revenue	209,238	156,985

	03/31/2014	03/31/2013
K-12 education		
Gross sales revenue	81,889	75,376
Deductions from gross revenue		
Taxes	(1,204)	(1,226)
Returns	(2,745)	(1,380)
Net sales revenue	77,940	72,770
Total		
Gross sales revenue	807,645	597,780
Deductions from gross revenue		
Taxes	(15,636)	(11,713)
ProUni	(78,419)	(45,918)
Discounts	(36,800)	(39,059)
Returns	(2,745)	(1,380)
Net sales revenue	674,045	499,710

32. COSTS AND EXPENSES BY NATURE

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	03/31/2014	03/31/2013	03/31/2014	03/31/2013
Payroll and related taxes	(10,437)	(2,528)	(197,067)	(163,646)
Depreciation and amortization	-	-	(30,657)	(24,753)
Rent and common area maintenance fees	-	-	(28,489)	(23,571)
Allowance for loan losses	-	-	(28,140)	(23,088)
Utilities, cleaning and security	(3)	-	(21,512)	(16,698)
Publicity and advertising	-	-	(23,387)	(15,366)
Outside services	-	-	(2,581)	(2,312)
Consulting and advisory			(10,168)	(9,641)
Cost of sales	-	-	(17,170)	(11,047)
Legal fees and provision for tax, labor and civil risks	(118)	(106)	(1,618)	(4,001)
Travels	-	-	(4,733)	(3,754)
Copyrights	-	-	(3,533)	(3,411)
Taxes and contributions	(34)	(57)	(2,396)	(1,797)
Other costs and expenses	-	-	(17,568)	(16,129)
	(10,592)	(2,691)	(389,019)	(319,214)
Cost of sales and services	-	-	(240,077)	(203,373)
Selling expenses	-	-	(62,928)	(46,530)
General and administrative expenses	(10,592)	(2,691)	(86,059)	(67,848)
Other operating expenses, net	-	-	45	(1,463)
	(10,592)	(2,691)	(389,019)	(319,214)

33. FINANCIAL INCOME (EXPENSES)

	Company (BR GAAP)	
	03/31/2014	03/31/2013
Financial income-		
Interest on short-term investments	14	27
Financial expenses-		
Bank and collection fees	(1)	-
Financial income (expenses)	13	27

	Consolidated (IFRS and BR GAAP)	
	03/31/2014	03/31/2013
Financial income:		
Interest on tuitions	10,697	9,726
Interest on short-term investments	12,810	3,473
Discounts obtained	125	205
Other	425	1,168
	24,057	14,572
Financial expenses:		
Interest and costs of debentures	(16,319)	(12,079)
Adjustment of payment for acquisition of subsidiaries	(4,484)	(3,420)
Bank and collection fees	(2,056)	(1,684)
Interest and fines for late bill payment	(345)	(804)
Interest and fines for late tax payment	(896)	(767)
Interest on borrowings and financing	(10)	(184)
Others	(1,824)	(586)
	(25,934)	(19,524)
Financial income (expenses)	(1,877)	(4,952)

34. EARNINGS PER SHARE

a) Basic

Basic earnings per share are calculated by the division of the profit or loss attributable to the Company's owners by the weighted average number of shares outstanding in the quarter.

	03/31/2014	03/31/2013
Profit attributable to Company's owners	274,757	172,313
Weighted average number of outstanding common shares	266,585	267,978
Basic earnings per common share	1.02	0.64

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 March 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.

	03/31/2014	03/31/2013
Profit attributable to Company's owners	274,757	172,313
Weighted average number of outstanding common shares	266,585	267,978
Potential increase in common shares	387	99
Diluted earnings per common share	1.02	0.64

35. RELATED-PARTY TRANSACTIONS

The Company does not grant any short-term severance benefits to its employees or officers, or postemployment or other long-term benefits.

a) Other related-party transactions

(i) Subsidiary Pses uses properties leased from Spes. The agreements are effective until June 2016, with a fixed monthly amount of R$150, 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 shareholder and member of the Company's Board of Directors):

Subsidiary	Effective 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 members of the Company's Board of Directors). Agreements are effective until January 2032, with a fixed monthly amount of R$897, 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 shareholder and member of the Company's 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.

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

EDE entered into with Fundação Pitágoras an agreement for the sale of learning materials. Sales in the period ended March 31, 2014 is R$12,120 (R$7,863 through March 31, 2013). The "Trade receivables" balance as of March 31, 2014 is R$13,531 (R$1,942 as of December 31, 2013).

b) 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 Extraordinary Shareholders Meeting set management annual overall compensation for the year ending December 31, 2014 at R$25,000.

Compensation paid to management is as follows:

	03/31/2014	12/31/2013
Payroll	1,697	5,969
Variable compensation (i)	2,065	12,348
Stock option plan	10,194	8,781
	13,956	27,098

(i) Variable compensation defined in agreement with officers.

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 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	
	03/31/2014	12/31/2013
Fire (PP&E items)	87,405	87,405
D&O	60,000	60,000
Vehicles	20,504	6,253
	167,909	153,658

37. EVENTS AFTER THE REPORTING PERIOD

a) Payment of debentures

In April 2014 the Company paid the amount of R$150,000 as prepayment of principal. Additionally, it has paid the amount of R$20,363 as interest calculated through that date and R$1,200 relating to the contractual fees.

b) Interim dividends

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.

The amount of dividends per share, if we consider the number of common shares outstanding at March 31, 2014 (shares issued less treasury shares) is R$0.24322.

c) New addendum to the joint venture agreement

On May 7, 2014, Kroton and Anhanguera announced to the market that they have entered into a new addendum to the joint venture agreement entered into on April 20, 2013.

The new addendum determines that the companies agree to adjust the exchange ratio applicable to the merger of shares issued by Anhanguera into Kroton. The new exchange ratio negotiated among the companies will give rise to the allocation of 0.30970293 common share sued by Kroton to each common share issued by Anhanguera, if the merger of shares is approved by the general meetings of both companies.

Moreover, the companies agreed that, in addition to the mandatory minimum dividend set forth in its bylaws, Kroton can distribute to its shareholders as dividends, before or concurrently with the merger of shares of shares, up to 100% of the profit recorded by Kroton and distributable to its shareholders until the first quarter of 2014, limited to the total amount of R$483 million.

Additionally, the companies also agreed not to make, propose or consummate any measure or acquisition offer that was not requested or is considered as hostile by the other company or its shareholders within a period of three years, if the merger of shares is not approved by the general meeting of one of the companies. If applicable, a fine will be imposed only in relation to the company whose general meeting has rejected the share merger proposal.

38. APPROVAL OF THE FINANCIAL STATEMENTS FOR ISSUANCE

The Company’s individual and consolidated interim financial information was approved by the Board of Directors at the meeting held on May 13, 2014.

MESSAGE FROM MANAGEMENT

When we started to build the new management model of Kroton, we were frequently asked whether it would be possible for a large-scale educational model to combine high profitability, strong growth rates and quality education. Now, some years later, we have proof that, yes, this challenge is possible.

This fact is even reinforced by recent results. Purely organic growth in the student base between December 2013 and March 2014 was 22%. Adjusted EBITDA in the quarter was R$331.7 million, with EBITDA margin of 49.2%, representing substantial improvement compared to 1Q13. This level of improvement was also observed in net income, which reached R$290.2 million, with net margin of 43.1%. The pace of operating cash generation also remained strong, corroborating the significant improvement in the performance of our businesses and strengthening the Company's strategic pillars to support the continued implementation of its long-term growth strategy. And all of this was achieved while maintaining highly satisfactory quality indicators, as demonstrated by the results of the National Student Performance Examination (Enade), in which we received a level of satisfactory scores that is on par with public universities.

Therefore, scale, profitability, growth and quality can advance together if they are supported by an efficient and responsible management model.

And to crown this project, we have the merger with Anhanguera, which is our most important step and challenge for the coming years. As we mentioned right after the announcement of the association agreement, we have found in Anhanguera the strategic partner for advancing our corporate mission. We are still awaiting the final approvals by Brazil's antitrust agency CADE and by the shareholders' meetings of both companies to proceed with the integration, which over these last 12 months has continued to be meticulously planned. In all, there are 21 integration fronts in which we have invested over 20,000 hours in planning all the steps of the integration to ensure that we reach a high level of understanding of the operations to enable us to reach the positive impacts that are expected from the merger in an expeditious and comprehensive manner.

We are certain that this association will bring innumerous benefits to all of our stakeholders. For the Institution, the merger will strengthen its operating and financial structures. For students, the benefits will come in the form of improvements in the level of academic quality, since our larger scale will make possible higher investments, especially in technologies applied to education. For our employees and professors, the merger will bring new career opportunities 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 will support 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.

We know the merger is a fundamental step for Kroton, but it also represents an important step forward for education in the country. We are aware of the responsibility we undertake to deliver high-quality education to over 1 million Brazilians, but we are also certain that the combined team of over 32,000 employees is more than ready to take on this new challenge.

OPERATING PERFORMANCE

POSTSECONDARY EDUCATION

The results of the new enrollment and re-enrollment processes were once again outstanding and supported strong growth in both the On-Campus and Distance Learning Undergraduate student bases. A total of 201,910 new Undergraduate students were added, or 15% more than in the same period of 2013. This performance was made possible by the strength of our brands, the recognition of our educational quality, the intense efforts of our sales teams and our marketing and sales initiatives, including those related to FIES program.

The re-enrollment process (i.e., enrollments of students in the second to the last academic semesters) also registered strong growth of 29.7% from 1Q13 with 390,173 students. Note also that these increases occurred despite the fact that no new acquisitions were made and no new distance learning centers were opened in the period.

These results led the Undergraduate student base to grow by 24.3% in 1Q14 compared to 1Q13.

Evolution in Number of Students

The evolution in the number of Postsecondary students by product (Undergraduate and Graduate) and teaching format (On-Campus and Distance Learning) is presented below.

At the end of 1Q14, the number of Postsecondary students (Undergraduate and Graduate) in both the On-Campus and Distance Learning formats reached around 635,000, growing by 22.4% from 4Q13. Broken down by teaching format, the On-Campus student base accounted for 30.0% of the total student base, while the Distance Learning student base accounted for 70.0%.

Meanwhile, the Graduate business registered 11,123 new enrollments, mainly in the Distance Learning programs. The two segments combined (Undergraduate and Graduate) registered growth of 22.3% in 1Q14 compared to 1Q13, with substantial expansion in both the On-campus base (+17.6%) and Distance Learning base (+24.5%).

Graduations

During 1Q14, the number of Undergraduate students who graduated in the period totaled 34,941, which corresponded to 7.3% of the student base of this product. The number of Graduate students graduating amounted to 2,813.

Dropouts

Among Undergraduate students, the number of dropouts amounted to 52,399, which corresponded to 11.8% of the base of students eligible for re-enrollment (i.e., initial student base less graduates). In the Graduate segment, dropouts amounted to 6,703 students.

STUDENT LOAN PROGRAM (FIES)

Evolution in FIES Students

Since the beginning of the federal government's FIES program, Kroton has been enjoying a prominent position due to the high rate with which its academic programs qualify for this program (reflecting the high quality of its educational services), as well as to the marketing, communication and sales actions it has implemented to promote this financing program at all of its units.

At the close of 1Q14, 110,699 students enrolled had FIES contracts, growing 27.3% on the previous quarter, for an increase of 7.6 p.p. in the share of FIES students in the base to 63.2%, due to the high number of new students opting for the financing program. The percentage of Kroton students who qualify for the program also remained high, at 97.9%.

Ministry of Education (MEC) Evaluations

At the end of 1Q14, 99.4% of the academic programs and 96.4% 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.

In addition to the program and institution concepts, the Company also performed very well in the 2012 National Student Performance Examination (Enade), with approximately 80% of the programs evaluated scoring equal to or greater than 3. This represents improvement of 21 p.p. from 2011 and of 10 p.p. from 2009, when the same programs were analyzed (Law, Business Administration and Accounting Sciences).

National Program to Promote Access to Vocational Education and Jobs (Pronatec)

Since August 2013, the Company offers vocational programs through Pronatec under the Development Scholarship format, which offers scholarships that are fully subsidized by the federal government.

During the first student recruiting cycle carried out in August 2013, Kroton offered 10 programs with durations ranging from 12 to 18 months at 18 of its On-Campus institutions. It registered an average base of 4,584 students (with this figure not included in the number of Postsecondary students informed above) in the period from September 2013 to March 2014. Note that, since 4Q13, the Program's financial impact is recorded together with the results from the On-campus teaching format.

In the second recruiting cycle that ended in early 2Q14, 14,978 students were enrolled in 38 different programs and at 34 different institutions. Of these students, 56% enrolled for morning classes, 22% for afternoon classes and 22% for night classes. Moreover, 24% of the students enrolled in 12-month programs, while 76% enrolled in 18-month programs. Note that the financial impact of these new Pronatec students will be felt only as from the second quarter of 2014, since classes started in April and that the revenue will be recognized upon confirmation of the presence in the classroom.

Language Courses

Kroton also offers language courses at a number of its Postsecondary Education units, seeking to offer yet another opportunity for its students' development, while also building relationships with students still in their Secondary Education, who later may come to choose one of Kroton's units for their postsecondary education. At the end of 1Q14, the number of students in this business was 6,627 (note that these students are not included in the figure for Postsecondary students informed above).

Unregulated Programs

Kroton also offers Unregulated Programs in order to expand the portfolio of services offered by the Distance Learning centers. These short-duration programs allow students to increase their knowledge in various fields, such as Management, Education and Mathematics. During the first quarter, the Company administered these programs to 8,602 students (as with language courses, these students are not considered in the figure for Postsecondary Education students).

PRIMARY AND SECONDARY EDUCATION

In the Primary and Secondary Education business, Kroton's main activity is offering, through the Pitágoras Network, teaching book collections, teacher training, educational evaluations and other services to private schools in the Pre-School, Primary and Secondary Education businesses.

In 2014, Kroton is serving 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 the previous year, supported by the high renewal rate, which reached 90%.

FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE - ON-CAMPUS POSTSECONDARY

Deductions

Deductions from gross revenue decreased 2.0 p.p. in 1Q14 compared to 1Q13, mainly due to the lower level of discounts resulting from the adoption of more restrictive policies, which more than offset the increase in the ProUni student base. In this regard, note that during the recruiting cycle at the start of this year, the Company offered the number of openings required under the ProUni program to ensure that 100% of its Units were in compliance with the new rules that consider the Proportion of Scholarships Effectively Granted (POEB) during the academic year. Compared to 4Q13, deductions as a ratio of gross revenue decreased 0.6 p.p., which mainly reflects the decrease in the line total discounts resulting from the seasonality of the Tuition Adjustment Process (PAM), which is carried out mostly in even quarters.

Net Revenue

Net revenue grew 43.3% in 1Q14 compared to 1Q13, due to the expansion in the student base registered mainly during the recruiting process at the start of the year, the higher average ticket and the revenue from students enrolled in vocational programs (Pronatec), which came to R$9.7 million.

Average Net Ticket

The calculation of Kroton's average ticket considers only the average number of students effectively billed in the period (excluding Pronatec students), since this provides a better understanding of the real variation in this indicator. As a result, the net average ticket in 1Q14 was R$676.92, increasing 12.2% from 4Q13, reflecting the annual increase in monthly tuitions, the lower level of discounts, as well as the increased share of programs with higher tickets in the revenue composition.

Costs

Cost of services as a ratio of net revenue in this business decreased 10.3 p.p. in 1Q14 compared to 1Q13, driven by the scale and efficiency gains achieved at Units. Significant improvement was also observed in costs with faculty, other personnel and third-party services, which was also due to the larger scale and to a better ratio of student per class, as well as to the implementation of distance learning courses in the curriculum of the On-campus Education business and the continued improvement of the acquired institutions.

Gross Income

Revenue growth stemming from the student base growth in recent recruiting processes, combined with projects to capture efficiency and quality gains, supported gross income growth of 72.8% in the quarter accompanied by gross margin expansion of 10.3 p.p., both in relation to the same period of 2013.

Operating Expenses

Personnel, General and Administrative Expenses

Total payroll, general and administrative expenses as a ratio of net revenue decreased 1.3 p.p. compared to 1Q13, which is explained by the larger scale and was achieved despite the higher number of employees qualifying for variable compensation in the segment.

Selling and Marketing Expenses

The 0.9 p.p. increase in selling and marketing expenses as a ratio of net revenue in 1Q14 compared to 1Q13 is in line with the strategy to strengthen the brands and further improve market intelligence initiatives, which are essential for supporting sustainable growth in the student base. Compared to 4Q13, the reduction is explained by the fact that a portion of the expenses with the enrollment process for the first semester was incurred in the last quarter of last year.

Provision for Doubtful Accounts (PDA)

In 1Q14, total PDA in the On-Campus Postsecondary business corresponded to 3.4% of net revenue, in line with the level in 4Q13. Compared to 1Q13, the 0.8 p.p. reduction is explained by the higher share of FIES students in the total student base. As mentioned last quarter, the FIES program recently underwent certain changes that included the determination that all new FIES students be included in the Guarantee Fund (initial contribution of 5.6% of revenue impacting the line Deductions). As a result, starting from 1Q14, Kroton adopted a new policy of differentiated provisioning for each type of FIES student, whereby Kroton is responsible for 15% of the future delinquency of all FIES students with co-signor, and 1.5% (10% of 15%) for all FGEDUC students (new and old). Meanwhile, ex-FIES PDA remained virtually stable as a ratio of net revenue in 1Q14 compared to 1Q13, attesting to the solid provisioning policies adopted by the Company.

Accounts Receivable

Total Accounts Receivables Net of PDA increased 25.1% in 1Q14 compared to 4Q13, influenced by the reduction in FIES accounts receivables, since its transfer payment curve is more relevant in even quarters. Additionally, regarding the balance of FIES credits, the calendar for the payment of monthly repurchases made under the program was officially changed by the FNDE in 2Q14, but had been adopted already since December 2013, when the repurchase scheduled for that month was postponed to January 2014. As a result, in 1Q14, in accordance with this new calendar, the amount previously scheduled to be received in March was rescheduled for April, i.e. in 2Q14. The amount related to this effect was R$117.3 million (amount related to March, but received on April 2). Considering, therefore, the balance of repurchases effectively made through March and adding the amount of R$117.3 million to improve comparability with 1Q13, pro forma FIES accounts receivables in 1Q14 amounted to R$114.2 million, or virtually stable compared to 1Q13. Actual FIES accounts receivables in 1Q14 amounted to R$231.5 million.

Average Accounts Receivable Term

For calculating the average term of accounts receivable in the Postsecondary business, Kroton presents four distinct analyses:

1. Total Accounts Receivable

Calculation base: net balance of Short-Term Accounts Receivable related to monthly tuition fees and agreements receivable (ex-FIES and FIES), divided by Postsecondary net revenue in the last 12 months, multiplied by 360 days.

As mentioned earlier, to improve comparability, the average accounts receivables term adjusted for the effects from the repurchases related to 1Q14 includes the receipt of R$117.3 million. In this analysis, the average term was 53 days, or 26 days less than in 1Q13. Note also that the average accounts receivable term without the pro forma adjustment described above stood at 84 days in 1Q14.

2. Accounts Receivable, excluding the balance of FIES receivables

Calculation base: net balance of short-term accounts receivable related solely to monthly tuition fees and agreements receivable (ex-FIES), divided by Postsecondary net revenue in the last 12 months, multiplied by 360 days.

The average term registered a reduction of 14 days in 1Q14 compared to 1Q13, due to the higher share of FIES students in the base.

3. Accounts Receivable, excluding the balances of FIES receivables and revenues

Calculation base: net balance of short-term accounts receivable related solely to monthly tuition fees and agreements receivable (ex-FIES), divided by Postsecondary net revenue (ex-FIES) in the last 12 months, multiplied by 360 days.

The average term decreased by 13 days in 1Q14 compared to 1Q13 due to the improvements in the billing process and the reduction in the balance of short term accounts receivable, as well as adequate provisioning levels.

4. FIES Accounts Receivable

Calculation base: net balance of short-term accounts receivable related solely to FIES, divided by net revenue from monthly FIES payments in the last 12 months, multiplied by 360 days.

To improve comparability, we consider the adjustments in the amounts of FIES credits in 1Q14 (including the amount of R$117.4 million received in April, but related to March) in the average pro forma FIES accounts receivable term in 1Q14, which stood at 50 days, decreasing by 40 days from 1Q13. Excluding the aforementioned pro forma adjustment, the average FIES accounts receivable term was 101 days.

OPERATING RESULT

In 1Q14, operating income amounted to R$188.9 million, with operating margin of 48.8%, or 11.0 p.p. higher than in 1Q13. This performance reflects the positive effects mentioned in the comments related to costs, such as economies of scale and continuous improvement in launching new classes, as well as the rigorous control of expenses and the successful new enrollment and student retention process early this year.

FINANCIAL PERFORMANCE - DISTANCE LEARNING POSTSECONDARY

Revenue and Deductions

Deductions

In the Distance Learning business, the main deduction items are the discounts granted and ProUni, which combined corresponded to 17.1% of total gross revenue in 1Q14, increasing 2.5 p.p. from the same period last year. Similar to the On-Campus teaching format, the ProUni student base expanded to ensure full compliance by the Institutions with the new POEB requirement. Compared to 1Q13, the line total discounts contracted by 0.7 p.p. as a ratio of gross revenue.

Net Revenue

In 1Q14, net revenue amounted to R$209.2 million, increasing 33.3% compared to 1Q13, basically due to the growth in the student base driven by the new enrollment and re-enrollment processes for the first semester of 2014.

Average Net Ticket

For comparison purposes, Kroton reports only the effective ticket paid by the student, without discounting the transfers. Therefore, considering all (100%) revenue for both institutions, the combined average ticket of the Undergraduate and Graduate Distance Learning businesses was R$239.49, or 4.1% higher than in 4Q13, mainly due to the seasonal effects influencing the Uniasselvi operation and the change in composition of academic programs.

Costs

In 1Q14, cost of services came to R$39.1 million, decreasing 2.2 p.p. as a ratio of net revenue compared to 1Q13, mainly due to efficiency gains, economies of scale and seasonal impacts related to faculty, other personnel and third-party services.

Gross Income

In 1Q14, gross income amounted to R$170.1 million, with gross margin of 81.3%, or 2.2 p.p. higher than in 1Q13, which demonstrates the economies of scale and operating efficiencies achieved, as described above in the comments on costs.

Operating Expenses

Personnel, General and Administrative Expenses

In the quarter, personnel expenses as a ratio of net revenue in the segment increased 0.7 p.p. from the same period last year, due to adjustments in the customer service team, particularly at Uniasselvi. General and administrative expenses, on the other hand, remained stable as a ratio of net revenue compared to 1Q13.

Selling and Marketing Expenses

As was the case in the On-Campus product, selling and marketing expenses as a ratio of net revenue increased, by 0.7 p.p. in 1Q14 compared to 1Q13, reflecting the strategy to strengthen the brands and further improve market intelligence initiatives.

Provision for Doubtful Accounts (PDA)

The level of provisioning for the Distance Learning business remained stable compared to both 4Q13 and 1Q13.

Accounts Receivable

In 1Q14, net accounts receivables in the Distance Learning business amounted to R$84.9 million, increasing 112.6% from the same period of 2013, reflecting the growth in the student base generating receivables and the maturation of the portfolio.

Average Accounts Receivable Term

Calculation base: net balance of short-term accounts receivable, divided by estimated Distance Learning net revenue in the last 12 months, multiplied by 360 days.

In 1Q14, the average receivables term in the Distance Learning business increased by 17 days compared to 1Q13 to 46 days, reflecting the convergence of the provisioning levels to the On-campus business. Compared to 4Q13, the average term remained practically stable.

Operating Result

The operating result of the distance learning segment in the quarter was R$143.0 million, increasing 34.5% from the year-ago period, with operating margin of 68.3%, which reflects the positive impacts from economies of scale and strict control of costs and expenses.

FINANCIAL PERFORMANCE - PRIMARY AND SECONDARY

Revenue and Deductions

Deductions

The volume of returns of materials increased this quarter compared to the same period in 2013, mainly due to the launch of a new outsourced logistics operation as of 1Q14, which consists of storage, sorting and transport activities in order to improve all process in the Company. However, during the migration, certain operational problems occurred in the distribution of teaching material, resulting in delays or errors in deliveries. The losses were fully borne by Kroton and offset by returns to clients of the network. This operation should be fully stabilized in the second half of 2014 and all the necessary measures have been taken to rectify these problems.

Net Revenue

The net revenue growth of 7.1% in 1Q14 compared to 1Q13 was driven mainly by management contracts, as well as by the higher number of book collections sold and the increase in the average ticket.

Average Net Ticket

In the Primary and Secondary Education business, the average annual amount charged for the sale of teaching materials to the Associated Schools in 2014 was R$428.00 per student, or 4.9% higher than in 2013.

Costs

In 1Q14, cost of goods sold as a ratio of the revenue generated by the business increased 6.4 p.p. from 1Q13, which is explained by the new logistics operation implemented in the period, which will be totally managed by the Corporate level as of 2015, as well as by impacts related to the provision for inventory losses and to the loyalty building initiatives practiced in the period. Meanwhile, compared to 1Q13, cost of services remained stable.

Gross Income

In 1Q14, gross income amounted to R$50.6 million, accompanied by gross margin contraction of 5.4 p.p. compared to 1Q13, due to the increase in costs mentioned above.

Operating Expenses

Personnel, General and Administrative Expenses

Both personnel expenses and general and administrative expenses, which increased throughout 2013, decreased compared to 4Q13, due to the transfer of the logistics team and services from this segment to Corporate, as well as to the impact from the lower provision for variable compensation (personnel expenses).

Selling and Marketing Expenses

Selling and marketing expenses decreased 0.4 p.p. as a ratio of net revenue, thanks to the rigorous control of the sales actions developed for the Primary and Secondary Education business, which led to an increase in both the student base and the number of Associated Schools served.

Provision for Doubtful Accounts (PDA)

PDA reached 1.6% of net revenue in 1Q14, stable from the prior-year period, reflecting the solid billing and collections policies adopted in the relationships with the Associated Schools.

Accounts Receivable

In 1Q14, the increase in accounts receivables compared to 4Q13 is explained by the seasonality of the business and the larger student base.

Average Accounts Receivable Term

Calculation base: net balance of short-term accounts receivable, divided by Primary and Secondary Education net revenue in the last 12 months, multiplied by 360 days.

The increase of 80 days in the average Accounts Receivable term in the Primary and Secondary Education business in 1Q14 compared to 4Q13 is related with seasonality. Compared to 1Q13, the average term remained stable.

Operating Result

In the quarter, the operating result decreased 3.5% from 1Q13, due to the operational problems mentioned above.

FINANCIAL PERFORMANCE - KROTON

CORPORATE EXPENSES

Personnel expenses as a ratio of net revenue within corporate expenses increased 0.6 p.p. from 1Q13, due to the higher provisioning accrued in connection with stock option programs, as well as to the expansion of the operations, IT and logistics teams. As a ratio of net revenue, general and administrative expenses fell compared to 1Q13, due to the expiration of contingencies at the acquired units.

NONRECURRING EVENTS

In 1Q14, Kroton recognized certain nonrecurring events, mainly those related to M&A activity and the integration of the acquired operations. Expenses of R$3.3 million related to the merger with Anhanguera were recorded in 1Q14, which were mainly related to consulting and legal advisory services for the integration. Of the total amount in the quarter, R$1.8 million is still related to expenses with the integrations of Uniasselvi and Unopar.

FINANCIAL RESULT

In 1Q14, the net financial result was an expense of R$12.6 million, which was impacted by the lines “bank expenses" and “interest on loans for acquisitions,” which were partially offset by the higher financial income in the period. It is also worth noting that in April 2014, the Company promoted a pre-payment of the debentures in the amount of R$150 million, which will generate positive impacts in the coming quarters.

NET INCOME

Adjusted net income (adjusted for the amortization of intangible assets and nonrecurring costs and expenses) amounted to R$290.2 million, with adjusted net margin of 43.1%, which increased 5.9 p.p. from 1Q13. .

EBITDA

In 1Q14, Adjusted EBITDA was R$331.7 million, increasing 51.9% from the year-ago quarter, with Adjusted EBITDA margin of 49.2%. The performance in the period further corroborates the operating efficiency gains and rigorous control of costs and expenses achieved, as well as the success of the new enrollment and re-enrollment process for the first semester of 2014.

INVESTMENT (CAPEX)

In 1Q14, Kroton invested R$43.3 million, allocated as follows:

(i) Information technology and library equipment: R$5.1 million (12%);

(ii) Content and systems development and software licenses: R$6.2 million (14%);

(iii) Laboratory and related equipment: R$12.5 million (29%);

(iv) Expansions - construction and improvements: R$19.4 million (45%).

Kroton has also been investing in special projects, such as construction and expansion projects to support a stronger pace of growth over the coming years.

Total investment in special projects in the quarter amounted to R$9.2 million, which were basically related to the expansion of units in light of the substantial growth in the student base early in the year. In 1Q14, investment corresponded to 7.8% of net revenue, with the largest portion allocated to expansion projects to meet the growth in the student base projected for 2014.

NET DEBT

At the end of 1Q14, cash and financial investments amounted to R$532.6 million, a level significantly higher than in the prior-year period, reflecting the cash generation in the period, which more than offset the disbursements related to the payment of acquisitions and the interest on the debentures. As previously mentioned, the Company's debt level is directly related to the financing for the acquisition of Unopar, which included a R$550 million debentures issue, of which the Company prepaid, in April 2014, R$150 million (R$171.5 million including interest and charges), which will affect the loans and financing and also the Company's cash in 2Q14.

The Company's net debt considering only bank debt amounted to R$32.3 million in 1Q14, or 87.1% less than in 1Q13. Considering also all short and long term obligations, which include taxes and contributions paid in installments and the obligations related to the acquisitions made through 1Q14, net debt stood at R$272.1 million, or 48.4% less than in the prior-year period, reflecting the positive impact from cash generation between the periods. Note that the bulk of this amount is represented by the Uniasselvi acquisition, which is being paid in six annual installments starting in 2013.

CASH FLOW

The Company's free cash flow stems from cash flow from operating activities, which is derived from net income adjusted for all noncash effects in the profit and loss and comprises all variations in working capital, taxes paid (income tax and social contribution) and investments made (ex-acquisitions), and from cash flow from non-operating activities, which includes all financial flows not related to the operations.

As mentioned previously, due to the new FIES repurchase calendar, receivables recognition is having a different timeframe in 2014. As a result, for better comparability with the previous year, in addition to actual free cash flow, we will present a pro forma analysis considering the same calendar of receivables in both periods, based on the 2013 calendar.

Accordingly, in the pro forma analysis, operating cash flow before Capex amounted to R$225.6 million, or 46.4% more than in 1Q13, reflecting primarily the net income in the period, which was offset by the working capital variations in the period. Considering the disbursements for Capex in the period, pro forma operating cash flow was R$180.8 million in 1Q14. Considering also the Capex for special projects, pro forma operating cash flow was R$173.0 million. The Company's pro forma free cash flow in the quarter amounted to R$149.1 million.

Pro forma operating cash flow after recurring Capex corresponded to 55.4% of EBITDA in 1Q14. After the disbursements for Capex (both recurring and for special projects), pro forma cash flow corresponded to 53.0% of EBITDA in the period.

CAPITAL MARKETS AND SUBSEQUENT EVENTS

STOCK PERFORMANCE

Kroton stock (KROT3) is a component of the BOVESPA Index (IBOVESPA), Special Corporate Governance Stock Index (IGC), Special Tag-Along Stock Index (ITAG), Consumption Sector Index (ICON) and MSCI Brazil.

The stock was traded in 100% of trading sessions during 1Q14, registering financial trading volume of R$5.8 billion and 450,446 orders in the period, which represents average daily trading volume of R$94.6 million. On March 31, 2014, Kroton's market capitalization was R$13.4 billion.

In 1Q14, Kroton stock gained 27.1%, making it the best performing stock on the IBOVESPA, which fell by 2.1% in the period. In the same period, the ICON and IGC fell by 2.5% and 1.9%, respectively, while the ITAG gained 0.1%. Kroton stock is currently covered by research analysts at 16 different local and international institutions.

OWNERSHIP STRUCTURE

Kroton's capital is composed of 268,703,876 common shares, distributed as follows:

SHARE BUYBACK PROGRAM

In accordance with the Material Fact notice dated July 2, 2013, approval was given for the Share Buyback Program. As a result, a total of 118,800 common shares issued by the Company were repurchased during the first quarter of 2014 at an average price of R$36.52 per share. Since the start of the program, a total of 744,000 common shares issued by the Company have been repurchased, which represents 11.1% of the limit established by the program.

ASSOCIATION BETWEEN KROTON AND ANHANGUERA

As informed in the Material Fact dated May 7, 2014, the Companies executed an amendment to the association agreement. The New Amendment establishes that the Companies agree to adjust the exchange ratio applied to the merger of the stock issued by Anhanguera into Kroton, in accordance with Article 252 of Brazilian Corporation Law. The new exchange ratio negotiated between the Companies will result in the attribution of 0.30970293 common share issued by Kroton to each common share issued by Anhanguera, provided that the stock merger is approved by the meeting of shareholders of both Companies.

DIVIDENDS

In the Meeting held on May 13, 2014, the Board of Directors approved the distribution of dividends related to the results for the first quarter of 2014 in the amount of R$65.3 million, which corresponds to R$0.2432 per common share and to 25% of distributable net income. Shareholders of record on May 13, 2014 are entitled to the dividends.

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.

RELATIONSHIP WITH INDEPENDENT AUDITOR

In compliance with CVM Instruction 381/03, we hereby inform you that we engaged Deloitte Touche Tohmatsu Auditores Independentes to provide the following services in 2013: audit of the financial statements prepared in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards ("IFRS"s); review of internal controls; and review of the quarterly interim financial information in accordance with Brazilian and international standards on review of interim financial 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 engaged the independent auditor to provide due diligence services and audit services of the net sales and services revenue financial statement of an acquired subsidiary, and fees paid for these special services totaled R$1,000 thousand.

The information in the performance report on Nonrecurring events and expenses, Recurring Capex, Adjusted net revenue, Profit (loss) for the period, Finance income (costs), Number of students, MEC valuation percentages, Balances of nonrecurring events, and Average ticket has not been reviewed by the independent auditor.