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

Kroton Educacional S.A. and Subsidiaries

Report on Review of
Interim Financial Information
Quarter Ended September 30, 2011

Deloitte Touche Tohmatsu Auditores Independentes

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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 Educacional S.A. (the "Company") and its subsidiaries, included in the Interim Financial Information Form (ITR) for the quarter ended September 30, 2011, which comprises the balance sheet as at September 30, 2011 and the related income statement for the three- and nine-month periods then ended, and the statement of changes in equity and statement of cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 - Interim Financial Reporting and the consolidated interim financial information in accordance with 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 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 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission.

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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 is not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission.

Other matters

Statement of value added

We have also reviewed the individual and consolidated interim statements of value added ("DVA"), for the nine-month period ended September 30, 2011, the presentation of which is required by the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Interim Financial Information (ITR), and is considered as supplemental information for IFRS that does not require the presentation of 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 financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, November 9, 2011

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Ismar de Moura
Audit Partner

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

2011-1732

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

KROTON EDUCACIONAL S.A.

BALANCE SHEETS AS AT SEPTEMBER 30, 2011 AND DECEMBER 31, 2010
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
ASSETS	09/30/2011	12/31/2010	09/30/2011	12/31/2010
CURRENT ASSETS				
Cash and cash equivalents	264	13	39,511	26,168
Short-term investments	5,924	-	236,581	-
Trade accounts receivable	-	-	192,992	124,451
Inventories	-	-	15,145	18,922
Advances to suppliers	-	-	5,872	8,353
Recoverable taxes	286	-	18,939	15,217
Receivables from sale of noncurrent assets	-	-	23,500	-
Other receivables	-	-	12,087	7,811
Total current assets	6,474	13	544,627	200,922
NONCURRENT ASSETS				
Securities	-	-	17,102	7,435
Receivables	-	-	20,918	22,844
Deferred income tax and social contribution	-	-	9,968	10,513
Escrow deposits	-	-	8,740	8,880
Advances to suppliers	-	-	12,001	13,395
Recoverable taxes	-	-	4,128	4,693
Noncurrent assets for sale	-	-	-	-
Other receivables	324,557	2	3,667	3,984
Investments:			-	
In subsidiaries	834,621	765,427	-	-
Others	-	-	1,600	1,600
Property, plant and equipment	-	-	220,454	223,366
Intangible assets	59,450	59,450	633,305	597,154
Total noncurrent assets	1,218,628	824,879	931,883	893,864
TOTAL ASSETS	1,225,102	824,892	1,476,510	1,094,786

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

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KROTON EDUCACIONAL S.A.

BALANCE SHEETS AS AT SEPTEMBER 30, 2011 AND DECEMBER 31, 2010
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
LIABILITIES AND SHAREHOLDERS' EQUITY	09/30/2011	12/31/2010	09/30/2011	12/31/2010
CURRENT LIABILITIES				
Trade accounts payable	2,137	-	22,045	24,653
Borrowings and financing	-	-	7,516	34,046
Payroll and related taxes	215	-	57,371	39,891
Income tax and social contribution	199	84	4,656	1,775
Taxes payable	75	8	12,156	9,322
Advance from customers	-	-	8,309	6,089
Taxes in installments	-	-	8,080	7,090
Payables - acquisitions	-	-	9,540	4,154
Share issuance costs	-	-	-	-
Other payables	-	-	7,283	6,748
Total current liabilities	2,626	92	136,956	133,768
NONCURRENT LIABILITIES				
Borrowings and financing	-	-	8,478	57,225
Due to related parties	-	8,624	-	-
Reserve for tax, labor and civil contingencies	-	-	40,580	30,441
Taxes in installments	-	-	43,562	45,308
Payables - acquisitions	-	-	15,634	6,496
Deferred income tax and social contribution	-	-	3,114	1,617
Other payables	-	-	5,710	3,755
Total noncurrent liabilities	-	8,624	117,078	144,842
SHAREHOLDERS' EQUITY				
Capital	1,232,361	873,831	1,232,361	873,831
Capital reserve	20,348	17,859	20,348	17,859
Treasury shares	(24,112)	(24,740)	(24,112)	(24,740)
Retained earnings (accumulated losses)	(6,121)	(50,774)	(6,121)	(50,774)
Total shareholders' equity	1,222,476	816,176	1,222,476	816,176
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,225,102	824,892	1,476,510	1,094,786

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

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KROTON EDUCACIONAL S.A.

STATEMENTS OF INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands of Brazilian reais - R$, except per share data)

	Company				Consolidated			
	Quarter		Accrued as at		Quarter		Accrued as at	
	09/30/2011	09/30/2010	09/30/2011	09/30/2010	09/30/2011	09/30/2010	09/30/2011	09/30/2010
NET REVENUE FROM SALES AND SERVICES								
K-12 education	-	-	-	-	32,533	22,786	112,951	100,937
Higher education	-	-	-	-	147,496	130,783	424,407	349,666
	-	-	-	-	180,029	153,569	537,358	450,603
COST OF SALES AND SERVICES								
Cost of products sold	-	-	-	-	(15,427)	(14,238)	(55,382)	(41,128)
Cost of services	-	-	-	-	(104,125)	(101,581)	(299,310)	(275,051)
	-	-	-	-	(119,552)	(115,819)	(354,692)	(316,179)
GROSS PROFIT	-	-	-	-	60,477	37,750	182,666	134,424
OPERATING INCOME (EXPENSES)								
Selling	-	-	-	-	(17,964)	(17,518)	(49,671)	(56,708)
General and administrative	(4,744)	(499)	(5,572)	(1,520)	(34,325)	(30,191)	(90,893)	(93,053)
Other operating income	-	-	-	-	40,766	-	40,766	3,489
Other operating expenses	-	-	-	-	(36,219)	(859)	(39,540)	(6,415)
Equity in subsidiaries:								
Equity in investees	22,897	(9,795)	47,728	(16,004)	-	-	-	-
(LOSS) INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)	18,153	(10,294)	42,156	(17,524)	12,735	(10,818)	43,328	(18,263)
FINANCIAL INCOME (EXPENSES)								
Financial income	2,736	-	2,736	-	12,930	7,345	21,373	21,401
Financial expenses	(38)	(2)	(40)	(3)	(4,084)	(4,668)	(15,303)	(13,684)
(LOSS) INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	20,851	(10,296)	44,852	(17,527)	21,581	(8,141)	49,398	(10,546)
INCOME TAX AND SOCIAL CONTRIBUTION								
Current	(199)	-	(199)	-	(482)	(2,414)	(2,703)	(6,147)
Deferred	-	-	-	-	(447)	261	(2,042)	(826)
	(199)	-	(199)	-	(929)	(2,153)	(4,745)	(6,973)
NET INCOME (LOSS)	20,652	(10,296)	44,653	(17,527)	20,652	(10,294)	44,653	(17,519)
ATTRIBUTABLE TO								
Company's owners	20,652	(10,296)	44,653	(17,527)	20,652	(10,294)	44,653	(17,519)
Noncontrolling interests	-	-	-	-	-	(2)	-	(8)
	20,652	(10,296)	44,653	(17,527)	20,652	(10,296)	44,653	(17,527)
Basic loss per share - R$	0.05	(0.04)	0.12	(0.07)	0.05	(0.04)	0.12	(0.07)
Diluted loss per share - R$	0.05	(0.05)	0.11	(0.09)	0.05	(0.05)	0.11	(0.09)

Comprehensive income (loss):
The Company has no transactions requiring presentation of the statement of comprehensive income.

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

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KROTON EDUCACIONAL S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands of Brazilian reais - R$, except per share data)

	Attributable to the Company's owners						
	Capital	Capital reserve	Treasury shares	Retained earnings (accumulate losses)	Company's owners	Noncontrolling interests	Total shareholders' equity
BALANCES AT DECEMBER 31, 2009	821,020	14,962	(21,436)	(21,151)	793,395	23	793,418
Capital increase	52,811	-	-	-	52,811	-	52,811
Options granted	-	2,551	-	-	2,551	-	2,551
Treasury shares purchased	-	-	(4,163)	-	(4,163)	-	(4,163)
Net loss	-	-	-	(17,527)	(17,527)	(8)	(17,535)
Other	-	-	-	1	1	-	1
BALANCES AT SEPTEMBER 30, 2010	873,831	17,513	(25,599)	(38,677)	827,068	15	827,083
BALANCES AT DECEMBER 31, 2010	873,831	17,859	(24,740)	(50,774)	816,176	-	816,176
Capital increase	358,530	-	-	-	358,530	-	358,530
Options granted	-	3,162	-	-	3,162	-	3,162
Treasury shares purchased	-	-	(4,704)	-	(4,704)	-	(4,704)
Treasury shares sold	-	-	5,332	-	5,332	-	5,332
Loss on sale of treasury shares	-	(111)	-	-	(111)	-	(111)
Options exercised	-	(562)	-	-	(562)	-	(562)
Net income	-	-	-	44,653	44,653	-	44,653
BALANCES AT SEPTEMBER 30, 2011	1,232,361	20,348	(24,112)	(6,121)	1,222,476	-	1,222,476

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

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

KROTON EDUCACIONAL S.A.

STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	09/30/2011	09/30/2010	09/30/2011	09/30/2010
CASH FLOW FROM OPERATING ACTIVITIES				
Net income (loss) before income tax and social contribution and noncontrolling interests	44,852	(17,527)	49,398	(10,546)
Adjustment to reconcile (loss) income before income tax and social contribution and noncontrolling interests to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	31,164	23,414
Allowance for doubtful accounts	-	-	22,311	22,846
Provision for tax, labor and civil contingencies	-	-	(1,220)	3,265
Allowance for losses on inventories	-	-	(1,306)	(654)
Financial charges on borrowings and financing	-	-	6,519	2,329
Financial charges on acquisitions	-	-	1,004	943
Income on securities	(2,736)	-	(7,596)	(8,848)
Equity in investees	(47,728)	16,004	-	-
Stock option	693	-	3,162	2,551
Investment loss	-	-	3,031	2,390
Gain (loss) on property sale	-	-	(9,605)	-
Losses on and other write-offs of noncurrent assets	-	-	5,058	435
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	-	-	(88,608)	(49,347)
(Increase) decrease in inventories	-	-	5,083	4,019
(Increase) decrease in advances to suppliers	-	45	3,876	(6,405)
(Increase) decrease in recoverable taxes	(102)	-	(2,634)	(8,363)
(Increase) decrease in escrow deposits	-	-	116	(4,323)
(Increase) decrease in other receivables	2	-	(4,103)	2,138
(Decrease) increase in trade accounts payable	2,137	(29)	(4,174)	4,486
(Decrease) increase in payroll and related taxes	215	377	14,407	(1,848)
(Decrease) increase in taxes payable	182	11	2,015	2,512
(Decrease) increase in advances to receivables	-	-	2,220	(8,100)
(Decrease) increase in taxes in installments	-	-	(933)	(1,916)
(Decrease) increase in other payables	-	-	2,638	(3,037)
Net cash provided by (used in) operating activities	(2,485)	(1,119)	31,823	(32,059)
Income tax and social contribution paid	(383)	-	(590)	(2,660)
Payment of interest	-	-	(7,232)	(2,690)
Net cash provided by (used in) operating activities	(2,868)	(1,119)	24,001	(37,409)
CASH FLOW FROM INVESTING ACTIVITIES				
Redemption of (investment in) securities	(3,188)	-	(238,652)	385,726
Capital increase	(324,557)	-	-	-
Transfer of treasury shares	(23,701)	-	-	-
Purchase of property and equipment	-	-	(25,025)	(25,572)
Increase in intangible assets	-	-	(7,846)	(3,767)
Acquisition of new colleges, net of cash acquired	-	-	(22,690)	(169,394)
Repayments of tax liabilities	-	-	(12,374)	-
Advance due to property sale	-	-	15,022	1,500
Net cash provided by (used in) investing activities	(351,446)	-	(291,565)	188,493
CASH FLOW FROM FINANCING ACTIVITIES				
Treasury shares	4,659	-	(45)	(4,163)
Capital increase	358,530	-	358,530	-
Borrowings and financing	-	-	43,513	5,751
Repayment of borrowings and financing	-	-	(121,091)	(145,558)
Share issuance costs	-	-	-	-
Intercompany loans	(8,624)	1,067	-	(115)
Net cash provided by (used in) financing activities	354,565	1,067	280,907	(144,085)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, NET	251	(52)	13,343	6,999
Cash and cash equivalents at beginning of period	13	53	26,168	17,264
Cash and cash equivalents at end of period	264	1	39,511	24,263
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, NET	251	(52)	13,343	6,999

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

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KROTON EDUCACIONAL S.A.

STATEMENTS OF VALUE ADDED
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	09/30/2011	09/30/2010	09/30/2011	09/30/2010
REVENUE				
K-12 education	-	-	112,951	100,937
Higher education	-	-	424,407	349,666
Recognition of allowance for doubtful accounts	-	-	(22,310)	(22,846)
INPUTS PURCHASED FROM THIRD PARTIES				
Cost of products and services	-	-	(62,765)	(65,644)
Materials, electricity, outside services and other	(1,408)	(408)	(56,960)	(68,546)
GROSS VALUE ADDED	(1,408)	(408)	395,323	293,567
Depreciation and amortization	-	-	(31,164)	(23,416)
WEALTH CREATED	(1,408)	(408)	364,159	270,151
WEALTH RECEIVED IN TRANSFER				
Equity in subsidiaries	47,728	(16,004)	-	-
Financial income	2,736	-	21,373	21,401
WEALTH FOR DISTRIBUTION	49,056	(16,412)	385,532	291,552
WEALTH DISTRIBUTED				
Personnel:				
Salaries and wages	3,962	967	238,267	216,270
Benefits	-	-	10,902	6,974
Severance Pay Fund (FGTS)	28	62	18,682	16,944
Taxes and fees:				
Federal	199	-	4,745	6,938
State	7	-	-	-
Municipal	167	83	4,210	3,131
Debt:				
Interest	40	3	15,303	13,684
Leases	-	-	43,826	40,422
Copyrights	-	-	4,944	4,716
Equity:				
Net loss	44,653	(17,527)	44,653	(17,519)
Noncontrolling interests in retained earnings	-	-	-	(8)
WEALTH DISTRIBUTED	49,056	(16,412)	385,532	291,552

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

MESSAGE FROM MANAGEMENT

We surpassed the barrier of 100,000 Post Secondary Education students! This important milestone demonstrates how Kroton has grown; just two years ago, we had a little more than 40,000 students.

The growth in the number of students has been accompanied by significant and sustainable increases in all of our financial indicators. When we analyze the results for the first nine months of 2011, comparing them to the same period of 2010, the Company's positive earnings evolution is evident, with EBITDA a highlight, up 57%, along with Net Profit, which grew by 171%.

This improvement can also be confirmed in the 3Q11 (pro forma), as all of the main financial indicators increased substantially, when compared to the same period the previous year: Net Revenue by 13%, Net Profit by 15%, EBITDA by 28% and Net Income by 167%. These are significant numbers and unequivocally demonstrate the Company's new level of performance.

Some other operating indicators ratify Kroton's new solidity. In 2011, three acquisitions were carried out, of which two have been fully integrated with our operations. The operating income from these institutions in 3Q11 was 19.4%, a performance level that is practically the equivalent of Kroton's other Units, validating the Company's know-how in terms of conducting efficient integration processes that deliver results in the short-term.

Also in 3Q11, we reached the mark of 18,000 FIES students, which represents more than 20% of our undergraduate student base and places Kroton in the forefront of student financing in the country.

Distance Education (EAD) has now become a priority for the Company, which is investing in the creation of a network of centers that has extensive capillarity, taking advantage of Primary and Secondary Education synergies, converting Associated Schools into EAD complexes.

All of these financial achievements have been accompanied by a substantial improvement in the quality of teaching and our regulatory indicators. Some 99% of the courses evaluated by the Minister of Education (MEC) received satisfactory/excellent grades and 97% of Kroton's institutions evaluated by the MEC received satisfactory/excellent marks, as well. These are important results and attest to fact that the growth of margins has also been accompanied by a solid academic project, permitting continuity of the generation of long-term value.

Such results were sustained by a very transparent relationship with the capital markets. In the previous quarter, we included informational sets in the earnings release and, all of them, whenever applicable, have been maintained and/or expanded. Furthermore, this quarter we have included an additional analysis of Receivables Average Term, further increasing the transparency of the Company's Accounts Receivable reporting item.

OPERATING PERFORMANCE

POST SECONDARY EDUCATION

In 3Q11, the Company reported a number of important events affecting the Post Secondary Education Units, including:

- Closing of the Guajajaras Unit in Belo Horizonte: in July 2011, the Company closed the Guajajaras Unit in Belo Horizonte, with the transfer of students to nearby Units, capturing important benefits in terms of cost reductions and operational improvements.

- Acquisition of Units in São Luís and Imperatriz: in July 2011, the Company concluded the acquisition of 100% of Centro de Ensino Atenas Maranhense Ltda. (CEAMA), the institution that owns Faculdade Atenas Maranhense. CEAMA operation has a total of 5,007 students in its Units (São Luís and Imperatriz) and is of strategic importance because it strengthens Kroton's position in the state of the Maranhão, where it had already been present with a unit in São Luís

- Acquisition of a Unit in Ponta Grossa: also in July 2011, it was announced the acquisition of 100% of União de Ensino de Vila Velha Ltda., the institution that owns Faculdade Educacional de Ponta Grossa (União) in the state of the Paraná, which has 1,486 students. The purchase of União is aligned with the Company's growth thesis and strengthens its presence in the state of Paraná.

- Acquisition of a Unit in Sorriso: in November 2011, it was announced the conclusion of the acquisition of 100% of União Sorrisense de Educação Ltda. (USE), the institution that owns Faculdade de Sorriso, which has 1,302 students. The acquisition strengthens the presence of the Company in the state of Mato Grosso, where we already operate nine other Post Secondary Education units.

As a result of these events, Kroton now has 40 Post Secondary Education Units located in 30 cities and nine states.

INTEGRATION PROCESS OF THE ACQUIRED UNITS

In 3Q11, Kroton concluded the process for merging all of the three units acquired last July (São Luís - MA, Imperatriz - MA and Ponta Grossa – PR). Promoting agile and efficient actions, such as the adoption as of the beginning of the second half of 2011 of the Kroton Academic Model for all students (freshmen and upper classmen) and the carrying out of all of the scheduled lay-offs, reducing the number of employees by 24%, the Company was able to capture significant synergies throughout the entire operation.

As a result, these actions guaranteed results superior to those that had been used by Kroton in the analyses it carried out to evaluate and price the potential acquisitions.

With these results, the three acquired units reached in less than 90 days operating performance levels close to Kroton's other Post Secondary Education units.

For its part, the integration process for the Sorriso unit (FAIS) was initiated shortly after the signing of the contract, that is before the full closing of the acquisition and is occurring within the scheduled timetable, as can be seen below:

EVALUATION BY THE MINISTRY OF EDUCATION (MEC)

Kroton achieved important results in the evaluations published during the past 12 months by MEC, when 98.9% of the Courses and Units were awarded grades between satisfactory or excellent. The evaluations are carried out regularly and, during the visits, various aspects of the operation are taken into consideration. The results generate grades for the course or the institution, respectively:

- Course Concept (CC): indicator generated through a site visit when the course is evaluated in three dimensions (didactic-pedagogic organization, faculty and physical installations).

- Institutional Concept (CI): generated through a site visit, when the Institution is evaluated in 10 dimensions for recertification purposes. When the Institution is new, the CI represents the certification grade.

EVOLUTION IN NUMBER OF STUDENTS

The highlight of the second intake process for 2011 was the record number of students enrolled in Post Secondary Education for the period, that accumulated more than 15,000 undergraduate new students, thus surpassing the target by some 20%. The number of students after the end of the intake process, and taking into consideration the acquisitions that were carried out, totaled 101,798, which was 11.2% higher than the previous quarter.

With regard to organic growth (excluding acquisitions), it is important to mention that historically the second half of the year presents a reduction in the base compared to the first half, although, in 3Q11, due to the high level of new students, the Company posted a 2.7% increase between June and September.

The number of total enrollments was 68.0% higher than the same period of 2010, due to a strong sales force effort and a wide variety of marketing and commercial actions conducted by the Company during the period. Another important factor for increasing student enrollment was the continuous commercial effort related to the new FIES. During 3Q11, approximately 28% of the new students contracted the FIES, compared to about 14% at the beginning of 2011.

The main factors regarding the growth of Post Secondary Education students in 3Q11 are:

- 100,496 Post Secondary students in 3Q11, already taking into account the acquisitions of two institutions in July, of which:

  – 86,915 students enrolled in undergraduate courses, 12.4% higher than in 2Q11;

  – 9,987 students in live graduate courses, 8.4% less than in 2Q11, mainly due to the higher numbers of graduations; and

  – 3,594 in distance graduate courses, 9.1% higher than in 2Q11.

- 1,302 undergraduate students acquired in November.

- 101,798 Post Secondary Education students, including acquisitions, an increase of 11.2% over 2Q11.

In order to sustain this line of natural growth or the next few years, Kroton expects that the MEC will approve 92 new courses, totaling a potential of more than 15,000 authorized new places in Kroton's Units by 2013.

The company also offers foreign language courses at several of its Post Secondary Education facilities, providing yet another opportunity for students to develop in special conditions. At the same time, this initiative also works as a means of attracting students who have not yet graduated from secondary school in order to establish a relationship that could culminate in the choice of one of the Kroton Units when it comes time to enter Post Secondary Education. At the close of 3Q11, the number of students in this modality totaled 5,136 (excluding the number of Post Secondary Education student figures already mentioned).

NEW FIES (WWW.NOVOFIES.COM.BR)

With relation to the New FIES, Kroton has been notable as one of the main institutions disseminating this student financing instrument, which is indispensable to the significant transformation of the level of penetration of Post Secondary Education in Brazil.

Through September 30, 2011, 15,367 Kroton students already had signed new FIES contracts, which represented an increase of 37.9% over June 2011. Considering also the 2,760 students who migrated from the former FIES, the total number of Kroton students involved in the program has reached 18,127, or 20.9% of the undergraduate base (including students from acquisitions through July).

The percentage of eligible students presented significant growth, going from 82.8% in 2Q11 to 91.5% in September 2011, due to *in loco* evaluations conducted by the MEC in Kroton's units and the subsequent improvements in the grades given to its courses.

DISTANCE LEARNING (EAD)

In 2011, Kroton began to offer graduate distance learning courses in the online and telepresence modalities, aimed at first at the Management, Law and Health areas. After significant growth in the number of centers and students during the first months of operation, the focus during 3Q11 was to create better conditions for the sustainable development of this type of course in the forthcoming years. Among the actions and factors needed for achieving its objective, are the following:

(i) the creation of a specific structure to develop course areas, infrastructure and opportunities through the use of EAD;

(ii) the strengthening of the relationship at the network of centers that already exist; and

(iii) expansion and the adjustment of the course portfolio.

(i) In view of the potential and the importance of the EAD project and the need to meet a specific demand, during 3Q11 the Company set up an exclusive Business Area, hiring a market professional and four Associate Directors to support the growth of this modality.

(ii) In order to support the operations, as a competitive advantage Kroton has very wide capillarity thanks to its strategy to take on partners from the network of Associated Primary and Secondary Education Schools throughout the country. After substantial growth in the number of centers through June 2011, the Company decided to practically halt adding new centers to its base during 3Q11, choosing to strengthen the relationship with the already established partners. Currently, there are 147 centers located in 128 cities and 22 states of Brazil.

(iii) Currently, 22 graduate online courses are available, of which 12 are linked to a contract signed last September with the Rede de Ensino Desportivo (Rede) sports educational network, based on the field of sports in different topical aspects (Health, Law, Management, Marketing and Journalism). Kroton signed a contract giving it the right to use the image of Edson Arantes do Nascimento (Pelé) for the EAD courses that are aimed at the field of sports and also in all other products and services that are offered.

For distance undergraduate courses, Kroton also maintains a structured project. The strategy here also will be to make use of our various campuses and some of our Associated Schools to offer programs throughout Brazil. In June 2011, a project was filed with the MEC for a project for accrediting the EAD graduation program and 76 centers distributed in various regions in the country. The prospect is that approval will be granted by the end of the first half of 2012.

As a result of all of these initiatives, Management is convinced that EAD will become increasingly more important for the evolution of the Company's operating and financial performance in the upcoming years.

PRIMARY AND SECONDARY EDUCATION

For Primary and Secondary Education segment, Kroton offers Learning Systems (teaching book collections, teacher training, educational technology and other services) for early childhood, primary and secondary schools. For private schools, the products and services are offered through the Pitágoras Network and for public schools they are offered through the Projecta brand.

In 2011, Kroton is supplying 771 Associated Schools in the private sector (as well as six other schools located in Japan and Canada). These schools have approximately 263,000 students, which is 9.0% higher than the number served in 2010.

For its part, Projecta, which was restructured to improve its business model at the end of 2010, continued to maintain contracts with four cities, one less than in 2010. However, the reduction should not impact Primary and Secondary Education revenues because the brand has been rendering a number of other services (management, evaluation and consulting), guaranteeing the revenues expected for the Projecta Network.

FINANCIAL PERFORMANCE

SPECIAL NOTE ABOUT 2Q11'S AND 3Q11'S RESULTS

As reported by the Company when it published its 2Q11 earnings results, revenues for the Primary and Secondary Education in July were R$7.2 million higher than budget, practically offsetting the entire deficit that was posted in June. The numbers for 3Q11 prove that the Company adopted the appropriate position to be able to conduct a pro forma analysis of the previous quarter.

As can be seen in the previous chart, there were no financial losses with the event, because revenues registered in July were R$7.2 million higher than forecast. Through the (pro forma) transfer of R$6.5 million referring to June's billings, the difference between budget and actual invoicing for the two months totaled R$1.1 million, or 2.9% under estimated.

For purposes of a better comparison, the Company decided to supply an analysis of the pro forma results in 2Q11. The pro forma earnings of that quarter took into account the following assumptions:

- The transference of all revenues higher than budget forecasts in July to the month of June (R$6.5 million);

- The incurrence of a 20% rate (R$1.3 million) on additional billing allocated in June regarding the cost of products sold, in line with 1Q11; and

- The incurrence of a 10% tax on taxable profits (R$0.6 million), also experienced in previous periods.

Regarding deduction, costs of services and operating expenses line items, it should be noted that there were neither positive nor negative impacts, even with the delay in billing because the nature of this billing (didactic materials) is not taxable, nor was there a relationship between the delay and the execution of the work of the shared service center or corporate departments.

These same effects were taken into consideration in the pro forma analysis for 3Q11. According to these assumptions, the pro forma earnings of 2Q11 were higher than the accounting results, and the pro forma earnings for 3Q11 were lower than the accounting results. Regarding the analysis of the first nine months of the year, the event mentioned is neutral, because that period takes into consideration all three quarters of 2011.

3Q11 RESULTS

Except where otherwise indicated, all of the following analyses take in account the following assumptions:

- Consider the accounting results of Primary and Secondary Education (without considering the pro forma adjustment);

- Exclude non-recurring events of the periods;

- Consider the consolidation of IUNI in all of 9M10's results.

REVENUES & DEDUCTIONS

Total gross revenue was R$213.3 million in 3Q11, which represents an increase of 17.8% over the same period of the previous year. For 9M11, gross revenue was R$633.2 million, or 9.2% higher than 9M10.

Deductions from revenue totaled R$33.2 million during the quarter, of which 94.6% originated from Post Secondary Education operations and 5.4% from the Primary and Secondary Education segment.

Total net revenue was R$180.0 million in 3Q11, which represents an increase of 17.2% compared to the same period of the previous year and a 10.9% increase over 2Q11. Accrued for the year, net revenue was R$537.4 million, or 9.1% higher than in 9M10.

POST SECONDARY EDUCATION

The Company's gross revenue from Post Secondary Education increased 14.4% over 3Q10, mainly as a result of the growth in the number of students and a higher average ticket between these two periods. Compared to 2Q11, gross revenue was up 1.3%, due to the impressive intake process and to the positive balance between acquisitions (FAMA - MA and União - PR units) and a sell-off (SUESC - RJ) during this time, factors which were partially offset by the incidence of a relevant number of enrollments in April, which promoted an additional revenue during that quarter.

Most of the Post Secondary Education deductions came from ProUni scholarships, which grants exemptions from Income, Social Contribution, PIS and COFINS for the undergraduate segment. Of a total of R$31.5 million in deductions, R$18.2 million refers to ProUni.

Total discounts declined 32.4% compared to 2Q11, reflecting the seasonal nature of the application of the Tuition Adjustment Process (TAP), which occurs between April to June and October to December. This process is applied to adjust the value of tuition fees paid in monthly installments according to actual course time for each student, usually leading to an increase in the volume of discounts in the second and fourth quarters of the year. Accrued for the year, the ratio between the volume of discounts and gross revenue was 5.4%, compared to 5.7% in 9M10, demonstrating a stricter policy regarding the awarding of discounts.

Net revenue in the Post Secondary Education segment increased 12.8% over 3Q10. In the comparison with the previous quarter, the increase was 3.8%, reflecting the lower volume of deductions.

PRIMARY AND SECONDARY EDUCATION

The 39.5% increase of Primary and Secondary Education's gross revenue between 3Q11 and 3Q10 is related to the delay in billing during the month of June, as commented on page 10 of this report. Accrued for the year, where this effect is neutralized, gross revenue increased by 8.9%, reaching R$117.4 million in 9M11.

With regard to deductions, there was a significant decline in the volume of returns in the analysis of the accrued volume (9M11 vs. 9M10) of 60.3%.

The net revenue for the quarter totaled R$32.5 million, an increase of 42.8% over 3Q10, the reflecting the aforementioned factors. Accrued for the year, net revenue was R$112.9 million, or 11.9% higher than 9M10, with the highlight being the 16.2% increase in revenue of the Associated Schools network.

NET AVERAGE TICKET

In Post Secondary Education, the average monthly tuition for the courses and programs offered in 3Q11 was R$506.65 per student, compared to R$536.38 in 2Q11. This reduction had been expected and occurred, basically, for the event commented about the previous quarter regarding enrollments going into effect after the closing of 1Q11, notably in April, which impacted revenue in 2Q11. The graduation ticket was 2.2% lower than in 1Q11, reflecting the entry of students from acquisitions that have been carried out, with a monthly average tuition lower than that practiced by Kroton.

On the other hand, the net average ticket for in-class graduate students increased 30.7%, resulting from the graduation of employees who received scholarships.

For Primary and Secondary Education, the annual average ticket for 2011 charged for the sale of learning systems to the Associated Schools was R$375.19 per student, which represents an increase of 7.3% over the amount from the previous year, which was R$349.65.

COST OF PRODUCTS AND SERVICES

Costs during the 3Q11 totaled R$112.1 million and represented 62.3% of the net revenue for the period. In 9M11, accrued costs totaled R$332.3 million, or 61.8% of net revenue, an increase of 2.3 p.p. compared to the same period of the previous year.

In the analysis of accrued costs in 2011, while the cost of products compared to net revenue remained stable, the costs of services were lower than seen during the same period of 2010.

POST SECONDARY EDUCATION

Costs of Post Secondary Education services in 3Q11 totaled R$96.6 million, representing 65.5% of the segment's net revenue during the period, lower than in 3Q10 and 2Q11. For 9M11, costs improved by 5.4 p.p. compared to the same period of the previous year.

For a better understanding, it is recommended that the analysis of the personnel costs of this segment be conducted based on the sum of the line items "Faculty and other Personnel" and "Third-Party Services," because these were impacted by adjustments to the payroll of graduate program faculty and contract teachers, who previously were hired as third parties but now have been placed under the CLT regime.

Taking these criteria into account, the cost of personnel in the Post Secondary Units (as the sum of the line items "Faculty & Other Personnel" and "Third-Party Services") in 3Q11 was R$82.0 million, which represented 55.6% of the segment's net revenue for the period, stable compared to the same period of the previous year. Accrued for the year, these costs totaled R$234.7 million, 55.3% of net revenue, up 3.8 p.p. compared to 9M10.

The cost of rental in 3Q11 represented 9.7% of net revenue, a decline of 1.0 p.p. over the same period of the previous year. Accrued for the year, this same item was down 1.2 p.p. compared to 2010, a consequence of initiatives in the operating environment that are being implemented with the aim of increasing the Company's margins.

PRIMARY AND SECONDARY EDUCATION

The cost analyses that compare the quarters is prejudiced when the adjustment of net revenue and costs as indicated on page 10 are not taken into account. Accrued for the year, costs increased 41.2%, reaching R$55.4 million. According to information we disclosed in earnings results reports for previous quarters, this change derives from the strategic position adopted by Kroton, which emphasizes increasing services rendered to the schools (especially consultancy and teacher training), with two main goals: (i) to boost client loyalty; and (ii) make it possible to raise the average ticket. It is important to point out that this strategic decision generates an immediate increase in costs, but the benefits should be perceived in the medium and long terms, with an increase in the loyalty rate and a gradual increase in the average ticket.

GROSS INCOME & GROSS MARGIN

In 3Q11, gross income was up 24.5% over the same period of the previous year, going from R$54.6 million to R$67.9 million. The gross margin was 37.7%, 2.2 p.p. higher than the same period of 2010. For the first nine months of 2011, gross income totaled R$205.0 million, representing a gross margin of 38.2%, compared to 35.9% for the same period of 2010.

POST SECONDARY EDUCATION

The Post Secondary Education segment's gross income totaled R$50.8 million, 14.9% higher than 3Q10. It should be noted that gross margin was 34.8% during the first nine months of 2011, an increase of 5.4 p.p. when compared to the 29.3% posted in 9M10, due to all of the operating improvement actions put into effect by the Company since 2010.

PRIMARY AND SECONDARY EDUCATION

In Primary and Secondary Education, in line with the behavior of the costs, accrued gross income for the year totaled R$57.6 million, with a gross margin of 51.0%.

OPERATING EXPENSES

Kroton's operating expense lines comprise personnel, general and administrative expenses, along with selling and marketing and provisions for doubtful accounts, totaling R$43.5 million in 3Q11, representing 24.2% of net revenue, 2.0 p.p. lower than in 3Q10. In the comparison between 9M11 and 9M10, the amount of expenses declined 2.9% nominally and 2.9 p.p. compared to net revenues, confirming the Company´s efforts to control all kind of expenses.

PERSONNEL, GENERAL AND ADMINISTRATIVE

The personnel, general and administrative expenses mainly comprise personnel expenses and those related to the stock option program, as well as those incurred by the business segments, such as advisory services, travel and third parties.

For better understanding, we recommend a combined analysis of the "Personnel Expenses" and "General and Administrative Expenses", because the in-company restructuring processes (such as outsourcing or insourcing) impact a separate analysis, but are offset in the joint analysis. Regarding net revenue, the sum of the personnel, general and administrative expenses were exactly equal in 3Q11 and 3Q10.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses mainly comprise sales force along with advertising, marketing and copyright expenses. In 3Q11, these expenses were stable in comparison with the third quarter of 2010, and in proportion to net revenue, this line item declined 0.9 p.p., ending at 5.7%. Compared to 2Q11, the expenses were up 24.2%, but made it possible to surpass the target established by the Company for attracting and retaining students. Accrued for the year, selling and marketing expenses presented a 22.8% reduction, totaling R$27.3 million in 9M11, or 5.1% of net revenue, compared to 7.2% of net revenue in 9M10.

PROVISION FOR DOUBTFUL ACCOUNTS

Kroton uses a loss provision model based on the historical performance of debt collection and the behavior of the collection curves during the course of a 360-day cycle. These curves are monitored monthly and the provisions are adjusted according to the recovery trend of each one of the periods. The amount of the provision constituted covers this entire receipts cycle, from the month of billing. The amounts overdue by 360 days are fully written off from assets.

Applying the provisioning criteria adopted by the Company, the allowance established in 3Q11 to face future losses was R$7.7 million (4.3% of net revenue). Analyzing only the Post Secondary Education business, the doubtful accounts provision was 5.0% of net revenue for the segment, the same level of the previous quarter and within a band adjusted according to Management's criteria.

ACCOUNTS RECEIVABLE AVERAGE TERM

Regarding Post Secondary Education, Kroton offers three different analyses for accounts receivable average term, as follows:

(1) Accounts Receivable, excluding balances due of receivables and revenues from FIES and from acquired institutions

Calculation Base: the numerator is the balance of accounts receivable of monthly tuition fees and agreements to receive in September 2011. The denominator is the net Post Secondary Education revenues accrued from October 2010 through September 2011, excluding revenues generated by FIES students during this period and revenues from the units acquired during the course of 3Q11. The result of this calculation is multiplied by 360 days.

This is a new analysis that began to be disclosed as of this quarter. In this analysis, it is excluded the FIES revenues and also the revenues and balances from accounts receivable of the acquired units, to make possible the analysis of average term over the same calculation base in the ratio between the amounts of "Tuition and Agreements to Receive" and revenues from the past 12 months.

Considering this new information, the average term of Post Secondary Education "Tuition and Agreements to Receive" in 3Q11, is 64 days, two days higher than registered for the same period of the previous year, and five days less than in 2Q11, due to the seasonality present in this segment. Another factor are the internal indicators for past due receivables which illustrate an improvement in the behavior of the more recent harvests, which reinforces the correct management of the doubtful account situation and the quality of the receivables.

(2) Accounts Receivable, excluding balances of receivables from acquired institutions and including balances and revenues from FIES and balances of receivables from acquired institutions

Calculation Base: the numerator is the balance of accounts receivable of direct monthly tuition fees and agreements to receive in September 2011, plus the balance of accounts receivable from the acquired units. The denominator is the net Post Secondary Education revenues accrued between October 2010 and September 2011, excluding revenues generated by FIES students. The result of this calculation is multiplied by 360 days.

Considering this analysis, the average term of Post Secondary Education "Tuition and Agreements to Receive" in 3Q11, is 66 days, in view of the fact that the impact of revenues of only three months for the units acquired is observed. Even with this effect, it was recorded a reduction of number of days, according to the seasonal factor already mentioned.

(3) Accounts Receivable (Tuition and Agreements to Receive), including revenues from FIES and excluding balances from FIES and balances and revenues from acquired institutions

Calculation Base: the numerator is the balance of accounts receivable of direct monthly tuition fees and agreements to receive in September 2011. The denominator is the total net Post Secondary Education revenues accrued between October 2010 and September 2011, excluding revenues of units acquired during the course of 3Q11. The result of this calculation is multiplied by 360 days.

This analysis excludes all impact of the acquired institutions and the FIES receivables, but takes into account the revenues from FIES students. Once the Company remains positive with the participation of FIES receivables in its accounts, this analysis will not be disclosed anymore beyond the next quarter.

Additional comments about the FIES Accounts Receivable

The accounts receivable regarding FIES credits has been gaining importance in the makeup of the Company's overall accounts receivable. Currently, this credit is characterized by a longer period for receiving it, although at a much lower risk, because the debtor is the Federal Government.

The FIES accounts receivable increased 51.6% between 3Q11 and 2Q11. This increase stems from two different factors, which are: (i) increase in the number of new FIES students between the periods; (ii) the blocking of the FIES balance in view of the unavailability of a needed certificate from UNIC (a bureaucratic question that should be solved in the short-term).

Analysis of Primary and Secondary Education Accounts Receivable

The average term of Primary and Secondary Education accounts receivable presented a reduction compared to 2Q11 of 11 days, in view of the seasonal nature of the business, because most of these sales occur at the beginning of the year, with subsequent payments. The four-day increase, compared to 2Q10, stemmed from delays in billing, already commented.

NON-RECURRING EVENTS

The Company's policy is quite strict regarding the treatment of non-recurring events. Only specific items, evidently non-recurring, are considered. In order to guarantee a high level of transparency, it is presented below the details of the non-recurring impacts:

As highlighted in the earnings results for the previous quarter, the Company already expected some important non-recurring events in 3Q11. Within this context, Management is emphasizing the following details about the main impacts presented above:

- Cancellation fines/Unit closing expenses: based on the strategy of expanding margins over the medium-term, the Company has been making a series of adjustments in its Post Secondary Education units since the beginning of the year. In 3Q11, an expense (R$0.4 million) was recorded for a cancellation fine related to a rental contract for the Guajajaras unit.

- Investment write-offs: during 3Q11, Kroton prepared and finalized calculations regarding assets related to three units in Minas Gerais that were deactivated during the first half of the year, causing a negative effect (non-cash) of R$5.1 million.

- Sell-off of assets: as announced on September 29, the Company sold its property located in Rio de Janeiro (RJ), where the SUESC brand operated effective by April of this year, for a net value of R$38.8 million. The impact on the result was a non-recurring gain of R$9.6 million, already discounting the cost of the property.

- Shares offering: in July, Kroton concluded the operation to issue new shares (follow-on), obtaining some R$358.5 million (net of commissions). The non-recurring expenses (R$1.5 million) in this item are related to extraordinary payroll costs.

- M&A projects: on the acquisitions front, during the 3Q11 Kroton announced and promoted the integration of two institutions that together accounted for 6,493 students. The non-recurring costs and expenses (R$3.7 million) basically stemmed from the realization of several audit processes, the integration team and the lay-offs carried out at the units.

For 4Q11, Management expects non-recurring events deriving basically from new M&A projects.

EBITDA AND EBITDA MARGIN

Kroton's EBITDA in 3Q11 totaled R$29.6 million, generating a margin of 16.4%. For the nine-month period, the EBITDA in 2011 was R$92.5 million, generating a 17.2% margin, compared to 12.0% in 9M10. This increase came about as a result of the actions taken over the course of 2010 that placed the Company in a better level of performance, notably in the Post Secondary Education segment.

CAPITALIZATION AND CASH

At the end of 3Q11, Kroton's Cash and Securities (financial investments) totaled R$297.2 million as a consequence of the funding obtained in the follow-on concluded in July. As of this event, the Company's strategy was to reduce its level of indebtedness, both short- as well as long-term. This led to a volume of loans declined 81.5% compared to 2Q11. Moreover, shareholder´s equity also was impacted through the capital increase by Kroton.

FINANCIAL RESULT

In 3Q11, Kroton's financial result was positive by R$3.7 million, reversing the negative performance of the previous quarter due to the interest on the financial investments made using the funds from the shares offering. The reduction in net financial expenses in the comparison with 2Q11 mainly was due to a lower volume of loans registered in 2Q11.

NET INCOME & NET MARGIN

The Company's net income in 3Q11 was positive by R$21.7 million. In 9M11, the accrued net income was R$50.8 million, 170.8% higher than the same period of the previous year.

Without taking into account any type of adjustment, the Company generated net accounting income of R$44.7 million in 9M11, compared to a R$13.1 million loss for the same period of 2010, which demonstrates its unequivocal change in the level performance.

INVESTMENT (CAPEX)

In 3Q11, Kroton invested R$11.5 million, distributed in the following manner:

(i) Computer equipment and library: R$2.7 million;
(ii) Content and systems development and software licenses: R$3.5 million;
(iii) Laboratory and similar equipment: R$3.3 million;
(iv) Expansion of physical facilities - construction and improvements: R$2.0 million.

The investment volume carried out in 9M11 of R$32.9 million is in line with the 6% of net revenue target defined by the Company.

CAPITAL MARKETS AND SUBSEQUENT EVENTS

PERFORMANCE OF THE UNITS

Kroton's units (KROT11) have been listed on Level 2 of the São Paulo Stock Exchange BM&FBovespa since July 2007 and are part of the Exchange's Special Corporate Governance Stock Index (IGC), the Special Tag Along Stock Index (ITAG), and Consumption Index (ICON) and the Small Cap Index (SMLL)

The units traded in all sessions during 3Q11, reaching a trading volume of R$296.1 million with 23,122 trades. The average daily value of trades was R$4.5 million. On September 30, 2011 the price was quoted at R$17.95 per unit, giving Kroton a market capitalization of R$1.5 billion.

In 3Q11, the units declined 11.4% in value while during the same period the Ibovespa was down 16.2%, the IGC, 12,7%, the ITAG, 13.7%, the ICON, 7.5% and the SMLL, 15.4%. Currently, Kroton's units are followed by 12 different local and international (*research*) brokers.

SHARES PUBLIC OFFER – FOLLOW-ON

Kroton announced on August 4, 2011 the closing of the primary and secondary public offer of shares (units) through the Brazilian Securities Exchange Commission (CVM). With placement efforts in Brazil and abroad, the Company issued a total of 19.7 million new units (18.5 million units through the base offer, 1.2 million units in the greenshoe) at R$19.25 each. The operation led to the obtaining of R$358.5 million (net of commissions) in funds for Kroton, which will be earmarked, in the majority, for the acquisition of Post Secondary Education institutions, the natural development of the business and the new Distance Learning business, thereby sustaining the Company's growth plan.

The follow-on, which included 800,000 units in a secondary offer, also led to an increase in the free-float, 58.4%, as can be seen in the following table that presents the Company's Consolidated pre- and post-follow-on ownership breakdown

KROTON DAY

On September 26, 2011, Kroton promoted its public annual meeting with the financial community. The event, named "Kroton Day 2011", was held in one of the main institutions of the Company - the UNIME Lauro de Freitas unit - located in the state of Bahia. Kroton Day was attended by approximately 40 investors and analysts from the capital markets, in addition to members of the Board of Directors and the Executive Officers of Kroton.

Throughout the entire day, presentations were made about the different areas of the Company, always followed by a brief question-and-answer session where the participants were able to clarify specific doubts. Another important activity on Kroton Day was the opportunity enjoyed by the participants to learn about the details of the operation of the UNIME Lauro de Freitas and to interact with the teachers and students of different courses.

ACQUISITION OF UNITS

- On July 14, 2011 the Company announced through a Material Fact the acquisition of 100% of União de Ensino de Vila Velha Ltda., the institution that owns Faculdade Educacional de Ponta Grossa - União, which operates in the city of Ponta Grossa, in the state of Paraná. The institution has 1,486 students and 2,500 annual places available. The Company paid R$7.8 million for the acquisition, already deducting the debt of Faculdade in the amount of R$0.1 million.

- On July 18, 2011, the Company announced through a Material Fact the acquisition of 100% of Centro de Ensino Atenas Maranhense Ltda. ("CEAMA"), the institution that owns Faculdade Atenas Maranhense, located in the city of São Luís and with a branch in Imperatriz, both in the state of Maranhão. CEAMA has 5,007 students in São Luís and in Imperatriz and 2,100 places annually. The acquisition also included the building that is a property of CEAMA, out of which FAMA in São Luís operates, containing total area of 24,500 m² and construction area of 14,000 m². The total price of the operation and real estate was R$28.4 million.

- On November 4, 2011 the Company announced through a Material Fact the conclusion of the acquisition of 100% of União Sorrisense de Educação Ltda. (USE), the institution that owns Faculdade de Sorriso, located in the city of Sorriso, state of Mato Grosso. USE has 1,302 students and 1,400 annual places available. The Company paid R$5.4 million in the deal, already deducting the school's debt in the amount of R$1.6 million.

RELATIONSHIP WITH INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu was engaged by Kroton Educacional S.A. to provide external audit services related to the audit of the financial statements, and due diligence services.

The performance report information on EBITDA, recurring EBITDA, recurring EBTIDA margin, pro forma adjusted EBITDA, pro forma information, recurring Gross profit and recurring margin, recurring Gross margin, adjusted net income, adjusted net profit, adjusted profit margin and net financial, were not subject to special review by independent auditors.

1. GENERAL INFORMATION

Kroton Educacional S.A., with registered offices in Belo Horizonte, and its subsidiaries (hereinafter the "Company" or "Parent" or "Kroton") are engaged in holding equity interests, as partner or shareholder, in companies engaged in: (a) the management of preschool, elementary, secondary, adult high school, college preparatory school, higher, professional, and post-graduation education, free courses, and other related educational activities; and (b) the wholesale, retail, distribution, import and export of textbooks, course books, magazines and other publications related to preschool, elementary, secondary, adult high school, college preparatory school, higher, professional, and post-graduation education, free courses, and/or other related educational activities, and the licensing of school-related and pedagogical products. The Company conducts its business through its subsidiary Editora e Distribuidora Educacional Ltda. - EDE.

The Company is listed on BM&FBovespa S.A. - Bolsa de Valores, Mercadorias e Futuros (São Paulo Mercantile and Stock Exchange), under ticker code KROT11, where it trades its units, which are assets consisting of one (1) common share and six (6) preferred shares.

The Company's management model is implemented by EDE and its subsidiaries that operate in education segments by:

a) Conducting regular and formal preschool, elementary, secondary, distance (online), and technology courses, and providing training to individuals and professional organizations.

b) Developing, distributing, and selling textbooks, newspapers, magazines, and periodicals, advertising and publicizing, training the staff of partner schools, and offering a set of solutions to public and private schools.

Acquisition of Ceama and União

On July 14, 2011, the Company acquired, through its subsidiary EDE, 100% of the shares in União de Ensino de Vila Velha Ltda., a higher education unit based in Ponta Grossa, State of Paraná.

On July 18, 2011, the Company acquired, through its subsidiary EDE, 100% of the shares in Centro de Ensino Atenas Maranhense Ltda. (Ceama), a higher education unit based in São Luís and Imperatriz, State of Maranhão.

For consolidation purposes, these companies are part of the Parent beginning July 1, 2011.

Sale of SUESC

On April 30, 2011, Kroton sold 100% of SUESC - Sociedade Unificada de Ensino Superior e Cultura Ltda., a company based in Rio de Janeiro, RJ.

A loss of R$3,221 (note 14) was recorded on the transaction.

Acquisition of IUNI Educacional

After the approval of the transaction by the Board of Directors, the Company entered into a purchase and sale agreement for 100% of the shares of IUNI Educacional on March 12, 2010. The transaction price was set based on a financial valuation of current and projected earnings, based on the financial statements for the period ended June 30, 2009.

Comparability

The consolidated financial statements for the period ended September 30, 2010 include the 7--month results of subsidiary IUNI operations, from March 1 to September 30, 2010, since IUNI was acquired on March 12, 2010. Therefore, these financial statements should be read taking this fact into account.

Seasonality

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

The sale of K-12 education textbooks peaks in the first quarter. Enrollments in college degrees for each semester are made in the first and third quarters, which generates revenue peaks in these quarters. As a result, this seasonality tends to produce changes in the quarterly results of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance and basis of preparation

The Company's interim financial statements, disclosed in the Interim Financial Information Form (ITR) for the quarter ended September 30, 2011, comprise:

a) The consolidated interim financial information prepared in accordance with CPC 21 and IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board (IASB), and presented consistently with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of interim financial statements.

b) The individual interim financial information of the Company prepared in accordance with CPC 21 Interim Financial Reporting and presented consistently with the standards issued by the CVM, applicable to the preparation of interim financial statements.

The significant accounting policies applied to the preparation of these interim financial statements are presented below. These policies have been consistently applied in the previous annual reporting period presented, except as otherwise indicated.

2.2. Basis of preparation

The financial statements have been prepared based on the historical cost, unless otherwise indicated, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

a) Consolidated financial statements

The interim financial statements have been prepared and are presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC).

The consolidated interim financial statements have also been prepared and are presented in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

b) Individual financial statements

The individual financial statements of the Parent have been prepared in accordance with the accounting practices adopted in Brazil issued by the CPC. The individual financial statements present the valuation of investments in subsidiaries by the equity method of accounting, pursuant to prevailing Brazilian statutes. Therefore, these individual financial statements are not considered as being in conformity with IFRSs, which require the measurement of these investments in the parent's separate financial statements at their fair value or cost.

2.3. Consolidation

a) Subsidiaries

Subsidiaries are all the entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date when control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets offered, the equity instruments (e.g.: shares) issued, and the liabilities incurred or assumed on the date of change of control, plus the costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, regardless of the proportion of any noncontrolling interests. The acquisition cost amount exceeding the fair value of the Company's interest in the identifiable net assets acquired is recognized as goodwill. If the acquisition cost is lower than the fair value of the acquired subsidiary's net assets acquired, the difference is recognized directly in the income statement.

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

(i) Intragroup equity interests, reserves and retained earnings (accumulated losses).

(ii) Bank accounts and other balances stated in assets and/or liabilities jointly held by the companies, including unrealized earnings.

(iii) Separate disclosure of noncontrolling interests.

The reporting periods of the subsidiaries included in consolidation correspond to the Company's reporting period and the accounting policies of subsidiaries were applied consistently with the Company's accounting policies.

b) Transactions with and interests held by noncontrolling shareholders

The Company treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases of noncontrolling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to noncontrolling interests are also recorded in equity.

When the Company no longer holds control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

c) Companies included in the consolidated financial statements

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

	Interest in total capital - %	
Consolidated companies	09/30/2011	12/31/2010
Company's direct subsidiary		
EDE - Publisher and college of Divinópolis, Guarapari, Jundiaí, Teixeira de Freitas and Uberlândia, and parent of:	100.00	100.00
Indirect subsidiaries:		
ÁGORA - Escolinhas de esporte	99.99	99.99
CEAMA - Faculdade de São Luís (i)	99.99	-
FATEC - Faculdade de Londrina	99.99	99.99
GK - Faculdade de Feira de Santana	99.99	99.99
INADE - Instituto de avaliação	99.99	99.99
ORME - Faculdade de tecnologia de Belo Horizonte	99.99	99.99
PAX - Editora Rede Católica	99.99	99.99
PROJECTA EDE - Editora	99.99	99.99
PSES - Faculdade de Belo Horizonte, Betim, Contagem, Gov. Valadares, Ipatinga, Poços de Caldas, São Luís e Votorantim	99.99	99.99

Consolidated companies	Interest in total capital - % 09/30/2011	12/31/2010
SPES - Educação básica	99.99	99.99
SUESC - Faculdade do Rio de Janeiro (ii)	-	99.99
UMEP - Faculdade de Londrina	99.99	99.99
UNIÃO - Faculdade de Ponta Grossa (i)	99.99	-
UNILINHARES - Faculdade de Linhares	99.99	99.99
IUNI - Universidade de Cuiabá and parent (iii)	100.00	100.00
UNIC PRIMAVERA ANTIGA - Faculdade Primavera do Leste (iii)	99.99	99.99
UNIC PRIMAVERA NOVA - Faculdade Primavera do Leste (iii)	99.99	99.99
UNIC ROO AE - Faculdade de Rondonópolis (iii)	99.99	99.99
UNIC ROO FP - Faculdade de Rondonópolis (iii)	99.99	99.99
UNIC SINOP - Faculdade de Sinop (iii)	99.99	99.99
UNIC TANGARÁ NORTE - Faculdade de Tangará da Serra (iii)	99.99	99.99
UNIC TANGARÁ SUL - Faculdade de Tangará da Serra (iii)	99.99	99.99
UNIC VG - Faculdade de Várzea Grande (iii)	99.99	99.99
UNIME ITABUNA - Faculdade de Itabuna (iii)	99.99	99.99
UNIME SALVADOR - Faculdade de Salvador (iii)	99.99	99.99
FAMA MARABÁ - Faculdade de Marabá (iii)	99.99	99.99
UNIME LF - Faculdade de Lauro de Freitas e controladora de: (iii)	99.99	99.99
FAMA MACAPÁ - Faculdade de Macapá (iii)	99.99	99.99

(i) Subsidiaries acquired in July 2011.

(ii) Subsidiary sold on April 30, 2011.

(iii) Companies originating from IUNI, acquired on March 12, 2010.

2.4. Segment reporting

Reporting on operating segments is consistent with the internal report provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources to the operating segments and assessing their performance, is the Board of Directors, also responsible for the Company's strategic decision making.

2.5. Functional and reporting currency

Items included in the financial statements of each one of the Company's subsidiaries are measured using the currency of the main economic environment in which they operate ("functional currency"). The financial statements are presented in Brazilian reais - R$, which is the Company's functional and reporting currency.

2.6. Cash and cash equivalents

Include cash and bank deposits.

2.7. Financial assets

2.7.1. Classification and measurement

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

a) Held-to-maturity loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included as current assets, except those with maturities exceeding 12 months after the end of the reporting period (which are classified as noncurrent assets). Loans and receivables comprise cash and cash equivalents and trade and other receivables. Loans and receivables are carried at amortized cost, under the effective interest rate method.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets designated in this category or which are not classified in any of other category. They are included in noncurrent assets, unless management intends to sell the investment within 12 months after the end of the reporting period. Available-for-sale assets are measured at fair value. Interest on available-for-sale securities, calculated under the effective interest rate method, is recognized in the income statement as “Financial income”.

c) At fair value through profit or loss

For financial assets without an active market or public quotation, the Company determines fair value using valuation techniques, which consist of, where applicable, the use of recent transactions with third parties, the reference to other substantially similar instruments, the analysis of discounted cash flows and option pricing models, which make the makes maximum use of market inputs and relies as little as possible on entity-specific inputs.

2.7.2. Recognition

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

2.7.3. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is recorded in the balance sheet when there is a legally enforceable right to set off recognized amounts and intention to either settle them on a net basis, or to recognize the asset and settle the liability simultaneously.

2.7.4. Impairment of financial assets

a) Assets recognized at amortized cost

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

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

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

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

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

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

b) Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. The Company uses the criteria described in a) above for debt securities. When such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value less any impairment loss on this financial asset previously recognized in profit or loss -is transferred from equity to the income statement.

2.8. Trade receivables

Correspond to the amounts receivable from customers for goods sold or services provided in the normal course of Company activities.

Trade receivables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. The allowance for losses is recognized on billing based on the performance of the different lines of business and the related expected collection within up to 360 days after due date.

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

2.9. Inventories

Stated at average purchase cost, which is lower than the replacement costs or realizable value. An allowance for impairment losses is recognized for discontinued textbooks.

2.10. Held-for-sale current assets

Current assets and groups of assets are classified as held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the current asset (or group of assets) is available for immediate sale in its present condition. Management must be committed to the sale, expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a plan to sell the asset that involves the loss of control of a subsidiary, and the criteria above are met, all assets and liabilities of such subsidiary are classified as available for sale in the consolidated financial statements, even if the Company retains interest in the entity after the sale.

Assets (or group of assets) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.11. Property, plant and equipment

Stated at purchase, production or construction cost, less accumulated depreciation.

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

	Years
Buildings and improvements	25
IT equipment	5
Furniture, fixtures and facilities	10
Leasehold improvements	10
Library	10
Laboratory	10

The carrying amount of an asset is immediately written down to its recoverable amount if its carrying amount is higher than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in line item “Other operating (income) expenses, net”, in the income statement.

2.12. Intangible assets

a) Goodwill

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

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

b) Software and development of internal projects

Software licenses acquired are capitalized and amortized over their estimated useful lives, at the rates detailed in note 17.

The development costs that are directly attributable to the project and the tests of identifiable, exclusive software, controlled by the Company, are recognized as intangible assets when the following criteria are met:

- Completing the software/project so that it will be available for use or sale is technically feasible.
- Management has the intention to complete the software/project and use or sell it.
- The Company has the ability to use or sell the software/project.
- The software/project will generate probable future economic benefits, which can be evidenced.
- There are adequate technical, financial and other resources available to complete the development and to use or sell the software/project.
- The expenditure attributable to the software/project during its development can be measure reliably.

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

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

Software/project development costs recognized as assets are amortized on a straight-line basis over their useful lives, at the rates described in note 17.

2.13. Impairment of nonfinancial assets

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

2.14. Trade payables

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

These are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the related invoice amount.

2.15. Borrowings and financing

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

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

2.16. Provisions for tax, labor and civil contingencies

Provisions for tax, labor and civil contingencies involving lawsuits are recognized when the Company has a legal or constructive obligation as a result of past events, and it is probable that a disbursement will be required to settle the obligation, and its value can be reliably estimated.

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

2.17. Current and deferred income tax and social contribution

Tax expenses for the period comprise current and deferred income tax (IRPJ) and social contribution (CSLL). A tax is recognized in the income statement, except to the extent it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

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

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

The amounts of deferred income tax assets and liabilities are only utilized when there is a legally enforceable right to offset current tax assets against tax liabilities and when current deferred income tax assets and liabilities are related to the income taxes levied by the same tax authority on the taxable entity or different taxable entities, where there is intention to settle the net balances.

The Company's college education subsidiaries are included in The University for All Program (ProUNI), which grants, under Law 11096 of January 13, 2005, exemption from several federal taxes to higher education entities that grant partial and full scholarships to lower-income students enrolled in traditional and technology degrees.

2.18. Employee benefits - share-based compensation

The Company offers its officers and middle managers share-based compensation plans, settled in shares, under which the Company grants stock options as consideration for the services received. The fair value of stock options granted is recognized as expenses over the vesting period, during which certain vesting terms and conditions must be met. The consideration is recognized in a capital reserve - stock option award, in equity. At the end of the reporting period, the Company reviews its estimate of the number of options that should be vested based on their specific terms and conditions. The Company recognizes prospectively the impact of the revised initial estimates, if any, in the income statement.

2.19. Leases

Lease classification is made at the inception of the lease. Leases where the lessor retains substantially all the risks and rewards incidental to ownership are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

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

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

2.20. Other current and noncurrent assets and liabilities

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

2.21. Capital

Common and preferred shares are classified in equity.

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

When any of the Company's subsidiaries buys back own shares (treasury shares), the amount paid, including any directly attributable additional costs (net of income tax), is deducted from the capital attributable to the owners of the Company until the shares are cancelled or reissued. When those shares are subsequently reissued, any amount received, net of any directly attributable additional transaction costs and the related income tax and social contribution effects, is included in the capital attributable to the owners of the Company.

2.22. Revenue recognition

Revenue consists of the fair value of the consideration received or receivable from the sale of products and services in the normal course of the Company's business. Revenue is stated net of taxes, returns, rebates, commercial discounts, and after the elimination of intragroup sales.

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

a) Product sales

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

Prepaid textbooks are recorded in line item "Advances form customers" and recognized when the textbooks are delivered.

b) Service provided

Revenue from services is recognized based on services actually provided as of the balance sheet date.

Tuitions and discounts vary depending on the course, the unit, and the education level. Six tuitions are charged for each semester, including an enrollment fee. Prepaid enrollment fees and tuitions are recorded as "Advances from customers" and recognized in income in the month services are provided.

c) Financial income

Financial income is recognized according to the period elapsed, under the effective interest rate method. When an impairment loss of receivables is identified, the Company writes down its carrying amount to its recoverable amount, which corresponds to the estimated future cash flows, discounted at the original effective interest rate of the instrument. Subsequently, with the passage of time, interest is incorporated into receivables as a balancing item to financial income. This finance income is calculated at the same effective interest rate used to calculate the recoverable amount, i.e., the original rate of the receivables.

2.23. Distribution of dividends

The distribution of dividends to the Company's shareholders is recognized as a liability in Kroton's financial statements at yearend, pursuant to its bylaws. Any amounts in excess of mandatory minimum dividends can only be accrued on the date they are approved by the shareholders at a general meeting.

2.24. Information on the statement of value added ("DVA")

This statement is intended to disclose the wealth created by the Company and its distribution during a certain period and is presented by the Company, as required by Brazilian corporate law, as part of its individual financial statements and as supplemental information to the consolidated financial statements, since it is not either provided for or mandatory under IFRSs.

The statement of value added was prepared using information obtained in the same accounting records used to prepare the financial statements and pursuant to the provisions of CPC 09 Statement of Value Added. The first part of the DVA presents the wealth created by the Company, represented by revenues (gross sales revenue, including taxes levied on sales, other revenues and the effects of the allowance for doubtful accounts), inputs purchased from third parties (cost of sales and purchases of materials, energy and services from third parties, including the taxes included upon purchase, the effects of impairment and recovery of assets, and depreciation and amortization) and the value added received from third parties (share of profits or losses of subsidiaries, financial income and other income). The second part of the DVA presents the distribution of wealth among personnel, taxes and contributions, lenders and lessors, and shareholders.

2.25. New and revised standards and interpretations

The IASB's standards described below have been issued or revised but are not yet effective, and have not yet been issued by the CPC and approved by the CFC; therefore, these new and revised standards have not been early adopted by the Company and applied to its interim financial statements for the period ended September 30, 2011. The Company will implement these standards as they become effective, and expects no material impacts on its financial statements.

Standard	Main requirements	Effective date
IFRS 9 - Financial Instruments	Introduces new requirements for the classification, measurement, and derecognition of financial assets and financial liabilities. Clarifies other IAS 39 - related issues.	Effective for annual periods beginning on or after January 1, 2013
IFRS 7 - Financial Instruments: Disclosures	Enhancement of financial asset transaction disclosure requirements, aiming at the disclosure of risk exposures when a financial asset is transferred; however, the Company still retains exposure risk to a certain degree. The amendments also require the disclosure of transfers of financial assets when they are not distributed in the period on a pro rata basis.	Effective for annual periods beginning on or after July 1, 2011

Standard	Main requirements	Effective date
IAS 12 - Income Taxes	Deferred taxes - recovery of underlying assets when the asset is measured under the fair value framework of IAS 40	Effective for annual periods beginning on or after January 1, 2012
IAS 28 - Investments in Associates	Amendment to IAS 28 to include the changes introduced by IFRSs 10, 11 and 12 Clarifies the concept of "Significant Influence", examples for application of the equity method of accounting and how to conduct impairment tests for associates and joint ventures.	Effective for annual periods beginning on or after January 1, 2013
IAS 27 - Separate Financial Statements	The IAS 27 requirements relating to the consolidated financial statements were replaced by IFRS 10. The requirements applicable to separate financial statements remained unchanged.	Effective for annual periods beginning on or after January 1, 2013
IFRS 10 - Consolidated Financial Statements	Replaces IAS 27 in relation to the requirements applicable to the consolidated financial statements and SIC 12. IFRS 10 established a single control-based consolidation model, regardless of the investment nature. Additionally, IFRS 10 provides a new definition of control encompassing three components: (a) authority over an investee; (b) exposure, or right to variable returns on its interest in the investee; and (c) ability to use its authority over the investee to affect the amount of returns to the investor	Effective for annual periods beginning on or after January 1, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	Explains how to account for stripping costs in the production phase of a surface mine, including the initial recognition of assets, noncurrent assets, depreciation and amortization, among others	Effective for annual periods beginning on or after January 1, 2013
IFRS 11 - Joint Arrangement	Eliminated the proportionate consolidation model for jointly-controlled entities and maintained the equity method model only. It also eliminated the concept of "jointly-controlled assets" and maintained "jointly-controlled operations" and "jointly-controlled entities" only.	Effective for annual periods beginning on or after January 1, 2013
IFRS 12 - Disclosure of Interests in Other Entities	Increases the requirements for disclosure of both consolidated entities and unconsolidated entities in which they have interest.	Effective for annual periods beginning on or after January 1, 2013

Standard	Main requirements	Effective date
IFRS 13 - Fair Value Measurement	Replaces and consolidates all instructions and requirements related to the fair value measurement contained in other IFRS pronouncements in one single pronouncement. IFRS 13 defines fair value and provides guidance on how to measure fair value and requirements for disclosure relating to fair value measurement. However, it does not introduce any new requirement or amendment with respect to items to be measured at fair value, which remain as originally issued.	Effective for annual periods beginning on or after January 1, 2013
IAS 19 - Employee Benefits	Eliminates the corridor approach. All actuarial gains and losses should be recognized through other comprehensive income (OCI) for pension plan and through profit or loss for other long-term benefits, when incurred, and introduces other changes.	Effective for annual periods beginning on or after January 1, 2013
IAS 1 - Presentation of Financial Statements	Introduces the requirement that items recorded in other comprehensive income should be segregated and recorded among items that are subsequently reclassified to profit and loss or not.	Effective for annual periods beginning on or after January 1, 2013

Additionally, the standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) listed below are effective for the current year and have been, therefore, adopted by the Company for all its interim financial statements for the period ended September 30, 2011. These standards did not have any impact on these interim financial statements.

Standard	Main requirements	Effective date
Improvements to IFRSs - 2010	Change in several accounting pronouncements	Effective for annual periods beginning on or after January 1, 2011
IFRS 1 - First-time Adoption of IFRS	Clarifications on the first-time adoption of IFRSs, e.g., limited exemption from comparative IFRS 7 disclosures and elimination of fixed dates for first-time adopters of IFRSs.	Effective for annual periods beginning on or after July 1, 2010
IAS 24 - Related Party Disclosures	The amendments are already adopted by CPC. Further clarifies the concept of related parties, including using specific examples.	Effective for annual periods beginning on or after January 1, 2011
IFRIC 14 - Limit of defined-benefit asset	Prepayments of minimum funding requirements	Effective for annual periods beginning on or after January 1, 2011

Standard	Main requirements	Effective date
IAS 32 - Financial Instruments: Presentation	Classification of issue rights	Effective for annual periods beginning on or after February 1, 2010
IFRIC 19 - Extinguishing financial liabilities with equity instruments	Clarifies the measurement of such financial instruments through the fair value method.	Effective for annual periods beginning on or after July 1, 2010

3. ESTIMATES AND CRITICAL ACCOUNTING JUDGMENTS

Critical accounting policies are those that: (a) are important to the portrayal of the Company's financial condition and results; and (b) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgments become even more subjective and complex. In the preparation of the financial statements, the Company has relied on variables and assumptions derived from historical experience and various other factors that it deems reasonable and relevant. Even if those estimates and assumptions are revised by the Company in the normal course of business, the portrayal of its financial position and results of operations often requires the use of judgments with regard to the effects of matters inherently uncertain on the carrying amounts of its assets and liabilities. Actual results may differ from these estimates. In order to provide an understanding of how the Company form its judgments about future events, including the variables and assumptions underlying the estimates, comments have been included that relate to each critical accounting policy described below:

a) Estimated goodwill impairment loss

Intangible assets with indefinite lives, such as goodwill, are not amortized, but are annually tested for impairment to identify if they are impaired, using a methodology known as impairment test. In order to identify if goodwill is impaired, assets are proportionally grouped in the smallest identifiable group of assets that generates cash inflows (CGUs). Goodwill is recognized at cost less accumulated impairment losses. Impairment losses are recognized in profit or loss for the period when they occur and cannot be reversed in subsequent periods, even if the conditions that caused the impairment cease to exist. Consolidated goodwill as of September 30, 2011 is R$531,205 (R$488,818 at December 31, 2010).

b) Deferred income tax

The liability method (according to the concept set out in IAS 12 - Liability Method) of accounting for income tax is used for deferred income taxes arising from temporary differences between the carrying amount of assets and liabilities and their and tax amounts. Deferred income tax assets are revised at the end of each reporting period and written down by the amount that is not realizable using future taxable income. Deferred income tax assets and liabilities are calculated tax rates applicable to taxable income in the years in which those temporary differences are expected to be realized. Future taxable income may be

higher or lower than estimates made when determining whether it is necessary to record a tax asset and the amount to be recorded. As of September 30, 2011, the consolidated balance of deferred income tax and social contribution assets is R$9,968 (R$10,513 at December 31, 2010) and consolidated deferred tax liabilities are R$3,114 (R$1,617 at December 31, 2010).

c) Provisions for tax, labor and civil contingencies

The Company is a party to several judicial and administrative proceedings. Provisions recognized for all lawsuits that represent probable losses. The assessment of the likelihood of loss takes into consideration available evidence, including the opinion of the Company's in-house and outside legal counsel. Management believes that these provisions are correctly presented in the financial statements. As of September 30, 2011, the consolidated balance of the da provision for tax, labor and civil contingencies is R$40,580 (R$30,441 at December 31, 2010).

d) Useful lives of long-lived assets

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

4. FINANCIAL RISK MANAGEMENT- CONSOLIDATED

4.1. Financial risk factors

a) Derivatives policy

The Company's activities expose it to several financial risks: market risk, credit risk, and liquidity risk.

The Company's capital management objective is to ensure the resources necessary to implement its strategy at the lowest capital cost, seeking to maximize return to shareholders.

In the nine-month period ended September 30, 2011, the Company posted net cash to be used for its business cycles and allow the implementation of its growth strategy. Investment decision-making takes into account the expected return potential.

b) Market risk

Interest rate-related cash flow risk

This risk arises from the possibility of the Company incurring losses due to interest rate fluctuations that increase financial expenses related to borrowings and financing raised in the market. The Company continuously monitors market interest rates with the objective of assessing the need to hedge against the risk of volatility in these rates.

The contracted interest rates on borrowings and financing in current and noncurrent liabilities are as follows:

	09/30/2011	12/31/2010
Borrowings and financing:		
Extended Consumer Price Index (IPCA)	8,647	10,911
Interbank deposit rate (CDI)	2,033	74,617
Other	5,314	5,743
	15,994	91,271

c) Credit risk

The Company's and its subsidiaries' sales policy is closely related to the level of credit risk that they are willing to assume in the ordinary course of their businesses, limited to Federal Government rules (Law 6870/99, which provides for total school annual tuitions). Enrollment for the next school period 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. The Company and its subsidiaries recognized an allowance for doubtful accounts totaling R$52,098 (R$58,247 at December 31, 2010), on the gross balance of outstanding receivables from third parties, to face credit risk.

The Company mitigates its exposure to credit risks related to banks and short-term investments by investing in prime financial institutions and in accordance with previously established limits.

d) Liquidity risk

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. The amounts disclosed in the table are the contracted undiscounted cash flows.

	Consolidated		
	Less than 1 year	1 to 2 years	Over 2 years
At September 30, 2011:			
Borrowings and financing	3,971	5,792	917
Finance lease obligations	2,325	1,375	1,614
Trade payables	22,045	-	-
Taxes payable	82,263	5,439	81,816
Other payables	25,132	12,684	8,661
	135,736	25,290	93,008
At December 31, 2010:			
Borrowings and financing	30,569	29,892	25,069
Finance lease obligations	3,477	1,896	368
Trade payables	24,653	-	-
Other payables	75,069	28,987	58,630
	133,768	60,775	84,067

4.2. Capital management

The Company's capital management objective is to ensure the resources necessary to implement its strategy at the lowest capital cost, seeking to maximize return to shareholders.

In the period ended September 30, 2011, the Company posted net cash intended to allow the implementation of its growth strategy, whether organically, or through acquisitions. Investment decision-making takes into account the expected return potential.

The financial leverage indices are as follows:

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
Total borrowings and financing (note 19)	-	-	15,994	91,271
Less: cash and cash equivalents (note 7) and securities (note 8)	(6,189)	(13)	(293,194)	(33,603)
Net debt (cash)	(6,189)	(13)	(277,200)	57,668
Total equity	1,222,476	816,176	1,222,476	816,176
Total	1,216,288	816,163	945,276	873,844
Financial leverage index	(0.5)%	(0.0)%	(22.7)%	7.1%

4.3. Fair value estimate

It is assumed that the carrying amount of trade receivables less the allowance for doubtful accounts approximates its fair value. The fair value of financial liabilities, for disclosure purposes, is estimated by discounting future contractual cash flows using the prevailing market interest rate available for similar financial instruments.

a) Financial instruments measured in balance sheet

The Company applies the amendment to IFRS 7 for financial instruments measured in the balance sheet at fair value, which requires the disclosure of fair value measurements using the following measurement hierarchy:

- Prices quoted (non-adjusted) in active markets for identical assets and liabilities (Level 1).

- In addition to the quoted prices, included in Level 1, inputs used by the market for assets or liabilities, whether directly (e.g. prices) or indirectly (e.g., derived from prices) (Level 2).

Inputs on assets or liabilities that are not based on market data (non-observable inputs) (Level 3).

The table below shows the Company's assets and liabilities measured at fair value:

	Consolidated	
	Level 2	Level 2
	09/30/11	12/31/10
Assets-		
Available-for-sale financial assets:		
Bank certificates of deposit (CDBs)	8,010	7,435
Fixed income fund	836	-
Investments in fund shares	244,837	-
	253,683	7,435

The fair values of financial instruments traded in active markets are based on market prices quoted at the end of the reporting period. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. As of September 30, 2011, the Company did not have any financial instruments classified in Level 1.

The fair value of financial instruments not traded in active markets is determined using valuation techniques. These valuation techniques make maximum use of market inputs, where available, and rely as little as possible on entity specific inputs. If all material inputs required for the fair value measurement of an instrument are adopted by the market, the instrument is included in Level 2. The financial instruments include in Level 2 comprise basically the investments classified as available for sale.

If one or more than one material input is not based on market inputs, the instrument is included in Level 3. As of September 30, 2011, the Company did not have any financial instruments classified in Level 3.

a) Total borrowings and financing

The carrying amounts of financing are indexed to IPCA and UMBNDES and approximate their market value.

b) Other financial assets and financial liabilities

The fair values of other financial assets and liabilities do not differ materially from their carrying amounts, since they were contracted and recorded at rates and conditions used by the market for transactions with similar nature, risk and terms.

4.4. 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 twelve-month period. Additionally, two other scenarios are shown to present a 25 and 50 percent stress, respectively, of the risk variable considered.

For the sensitivity analysis, Kroton used as assumption the macroeconomic indicators prevailing at the end of the year, as it understood that in view of market volatility, the probable scenario for the coming twelve months would be similar to the scenario at September 30, 2011.

a) Marketable securities

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
CDI	253,683	Decrease of CDI	30,442	22,831	15,221

b) Borrowings and financing

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
IPCA	8,647	IPCA increase	632	790	948
CDI	2,033	CDI increase	238	298	357

Indices used (probable scenario): CDI - 12.00% and IPCA - 7.31%.

Management prepared a sensitivity analysis for the other financial instruments as of September 30, 2011 and concluded that they do not present risks of material losses.

5. FINANCIAL INSTRUMENTS PER CATEGORY - CONSOLIDATED

	Loans and receivables	Available for sale	Total
Assets at September 30, 2011			
Securities (illiquid)	9,092	8,010	17,102
Trade receivables	213,910	-	213,910
Other receivable (less prepayments)	96,174	-	96,174
Short-term investments	236,581	-	236,581
Cash and cash equivalents	39,511	-	39,511
	595,268	8,010	603,278

	Liabilities measured at amortized cost
Liabilities at September 30, 2011	
Borrowings	10,680
Finance lease transactions	5,314
Trade payables	22,045
Other obligations (less statutory obligations)	215,995
	254,034

	Loans and receivables	Available for sale	Total
Assets at December 31, 2010			
Securities (illiquid)	-	7,435	7,435
Trade receivables	147,295	-	147,295
Other receivable (less prepayments)	70,020	-	70,020
Cash and cash equivalents	26,168	-	26,168
	243,483	7,435	250,918

	Liabilities measured at amortized cost
Liabilities at December 31, 2010	
Borrowings	85,530
Finance lease transactions	5,741
Trade payables	24,653
Other obligations (less statutory obligations)	162,686
	278,610

6. CREDIT QUALITY OF FINANCIAL ASSETS - CONSOLIDATED

The credit quality of financial assets that are not past due or impaired can be valued by reference to external credit ratings (if any) or historical information on default rates of counterparties:

	09/30/2011	12/31/2010
Trade receivables		
Counterparties without external credit rating:		
Group 1 - higher education	226,211	185,456
Group 2 - K-12 education	40,689	64,586
	266,900	250,042
Cash, bank account and short-term bank deposits:		
AAA	35,936	14,487
AA	-	10,420
A	2,038	3
Other	1,537	1,258
	39,511	26,168

The residual balance in line item “Cash and cash equivalents” in the balance sheet consists of cash.

	09/30/2011	12/31/2010
Available-for-sale debt securities		
AA	245,993	278
A	7,274	6,774
Other	416	383
	253,683	7,435

- Group 1 - Existing customers/related parties for higher education products offered.
- Group 2 - Existing customers/related parties for K-12 education products offered.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include financial assets classified as loans and receivables, as follows:

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
Cash and cash equivalents	264	13	39,511	26,168

8. SECURITIES

Securities include financial assets classified as available for sale, as follows:

	Consolidated	
	09/30/2011	12/31/2010
Current		
Fixed-income fund (a)	836	-
Investment in fund shares (b)	235,745	-
	236,581	-
Noncurrent		
CDB (c)	17,102	7,435
	253,683	7,435

Average monthly income for the period ended September 30, 2011 was 0.92% (0.98% at September 30, 2010), and financial income generated totaled R$503 and R$124 for the three-month period ended September 30, 2010 (R$460 at September 30, 2010 and R$154 for the three-month period ended September 30, 2010).

(a) Refers to short-term investments in Fixed-income Fund whose yield is pegged to CDI fluctuation, ranging from 26.34% to 64.21% of CDI.

(b) Refers to investments in fund shares whose yield is pegged to 105% of the CDI rate.

(c) Refer to illiquid investments classified as noncurrent. R$8,010 refers to loans and R$9,092 refers to long-term investments. Refers to short-term investments in CDBs whose yield is pegged to 104% to 106% of CDI fluctuation (100% to 104.5% of CDI at September 30, 2010). Securities classified as available-for-sale financial assets at September 30, 2011 and December 31, 2010 are held in Brazilian reais.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of debt securities classified as available for sale.

None of these financial assets is past due or impaired.

9. TRADE RECEIVABLES - CONSOLIDATE

	09/30/2011	12/31/2010
Higher education	226,210	173,301
K-12 education	40,689	33,212
	266,899	206,513
Allowance for doubtful accounts		
Higher education	(44,826)	(51,280)
K-12 education	(7,272)	(6,967)
	(52,098)	(58,247)
Trade receivables, net	214,801	148,266
Discount to present value (a)	(891)	(971)
	213,910	147,295
Current assets	192,992	124,451
Noncurrent assets (b)	20,918	22,844

(a) The discount to present value is only calculated on receivables from book collection sales, under the discounted cash flow method, using the Central Bank's policy (SELIC) as the discount rate at September 30, 2011 and December 31, 2010, as management understands that it is the rate that best represents the cost of capital. As the receivables are realized, the balance classified as discount to present value is recognized as financial income (expenses).

(b) Refer to renegotiations and student loans (higher education).

Receivables from book sales were initially recognized at fair value and subsequently measured at their amortized cost using the effective interest rate method.

Beginning December 31, 2010, it was decided that only high education tuitions past-due up to 360 days would be kept in trade receivables:

	09/30/2011
Write-off of past-due receivables for more than 360 days	28,460
Write-off of accumulated allowance for doubtful accounts	(28,460)

The Company does not have factoring transactions at September 30, 2011.

As of September 30, 2011, trade receivables amounting to R$109,289 (R$63,222 at December 31, 2010) were fully performing.

As of September 30, 2011, trade receivables amounting to R$104,620 (R$84,073 at December 31, 2010) were past-due but not impaired. These receivables refer to several default customers with a recent history of default.

The aging list of these net trade receivables is as follows:

	09/30/2011	12/31/2010
Up to 3 months	63,448	31,427
From 3 to 6 months	17,606	31,006
From 7 to 12 months	23,566	21,640
	104,620	84,073

As of September 30, 2011, trade receivables amounting to R$52,098 (R$58,247 at December 31, 2010) were impaired and accrued.

As of September 30, 2011, the balance of trade receivables totaled R$213,910 (R$147,295 at December 31, 2010).

The aging list of these trade receivables is as follows:

	09/30/2011	12/31/2010
Current	109,793	64,439
Past-due:		
Up to 30 days	18,950	19,231
31 to 60 days	10,928	15,979
61 to 90 days	22,807	9,259
Over 91 days	104,421	97,605
Allowance for doubtful accounts	(52,098)	(58,247)
Discount to present value	(891)	(971)
	213,910	147,295

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

Balance at December 31, 2010	58,247
Write-off	(28,460)
Recognition	22,311
Balance at September 30, 2011	52,098

The recognition and write-off of impaired trade receivables were recorded in the income statement, in line item "Selling expenses" (note 29). Expense on discounts was recorded in line item "Sales deductions". The amounts charged to the allowance account are usually derecognized when the recovery of the involved amounts is not expected.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables as mentioned above. The Company has not pledged any receivables as collateral.

10. INVENTORIES - CONSOLIDATED

	09/30/2011	12/31/2010
Books and "Pitágoras" collections	7,659	11,066
Educational software	4,838	5,010
Advertising and other materials	68	1,935
Commercial books	774	1,737
Raw material	3,163	1,477
Other	348	708
Allowance for losses (a)	(1,705)	(3,011)
	15,145	18,922

(a) The allowance for probable losses on prior-year book and collection inventories is calculated based on their expected realization. Part of these inventories is used by the customer prospecting team and its cost is allocated to profit or loss as the books are delivered to prospective schools.

The cost of inventories recognized as cost of sales totaled R$17,719 for the period ended September 30, 2011 (R$13,119 at September 30, 2010), and R$3,266 for the three-month period ended September 30, 2011 (R$5,031 at September 30, 2010).

In the period ended September 30, 2011, the Company reversed the allowance for inventory losses in the amount of R$1,306 (R$654 at September 30, 2010), related to collections inventory items prior to 2010. In the three-month period ended September 30, 2011, the amount reversed was R$1,426 (R$1,719 at September 30, 2010). The amounts related to said allowance were recorded in line item "Costs of sales", in the income statement.

Changes in the allowance for inventory losses are as follows:

Balance at December 31, 2010	(3,011)
Reversal of provision	1,306
Balance at September 30, 2011	(1,705)

11. ADVANCES TO SUPPLIERS - CONSOLIDATED

Campus	Supplier	09/30/2011	12/31/2010
Betim Campus (a)	PFC Gestão Patrimonial	10,986	11,253
Raja Campus (a)	Construtora Almeida	4,710	5,837
Other		2,177	4,658
		17,873	21,748
Current		5,872	8,353
Noncurrent		12,001	13,395

(a) Consist of prepayments to suppliers for the construction and maintenance of the buildings of the higher education units in Betim and Raja. These amounts are classified as recoverable amounts in current assets, as they will be offset against monthly lease payments, and are adjusted on a monthly basis as contractually prescribed.

12. RECOVERABLE TAXES - CONSOLIDATED

	09/30/2011	12/31/2010
Current		
Income tax and social contribution (a)	12,986	11,714
Tax Debt Refinancing Program (REFIS) IV - accession installments (b)	3,222	1,912
Social security tax (INSS) (d)	2,216	1,055
Taxes on revenue (PIS and Cofins)	179	290
Tax on services (ISSQN)	336	224
State VAT (ICMS)	-	22
	18,939	15,217
Noncurrent		
Social security tax (INSS) (c)	4,128	4,693
	23,067	19,910

(a) Refer to the negative balance of recoverable income tax and social contribution, originating mainly in 2010, of which R$7,914 correspond to EDE, R$1,259 to IUNI, R$1,233 refer to withholding income tax at SPES, and the remaining R$1,233 to the other companies. These amounts can be utilized to offset against any federal tax managed by the Federal Revenue Service.

(b) In April 2008, some subsidiaries joined the installment plan governed by Joint Administrative Rule National Treasury Attorney General (PGFN)//Federal Revenue Service (RFB) 06/07, referred to as "IES Installment Plan". Subsequently, these subsidiaries decided to leave this plan and join REFIS IV, established by Law 11941/09. Through July 2011, most of the debts to be included in the installment plan had not been consolidated, and, since the Company obtained favorable court decisions establishing that the Federal Revenue Service should consolidate the tax debt, this governmental agency has already declared that it will comply with the court order. As soon as the Federal Revenue Service resolve systemic problems, the REFIS IV adhesion installments will be recorded in assets.

(c) Refer to withholdings on services provided by subsidiary SPES.

(d) As the "IES installment plan" debt had not yet been consolidated, all installments paid thereunder will be reimbursed and/or offset against other taxes payable, under administrative or judicial proceedings filed by the Company with the relevant authorities.

13. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution in income statement

Income tax and social contribution differ from the hypothetical amount that would be obtained using the statutory income tax and social contribution rates levied on the profit of the consolidated entities, as follows:

a.1) Parent

	Period ended at 09/30/2011	Quarter ended at 09/30/2011	Period ended at 09/30/2010	Quarter ended at 09/30/2010
Income before income tax and social contribution for the year	44,852	20,851	(17,527)	(10,296)
Combined income tax and social contribution rate - %	34	34	34	34
Income tax and social contribution at statutory rates	(15,250)	(7,089)	5,959	3,500
Reconciliation of income tax and social contribution income				
Equity in subsidiaries	16,228	7,785	(5,442)	(3,331)
Unrecognized tax credit	(1,177)	(895)	(517)	(169)
Income tax and social contribution in income statement for the year	(199)	(199)	-	-

a.2) Consolidated

	Period ended at 09/30/2011	Quarter ended at 09/30/2011	Period ended at 09/30/2010	Quarter ended at 09/30/2010
Income (loss) before income tax and social contribution for the year	49,398	21,581	(10,546)	(8,141)
Combined income tax and social contribution rate - %	34	34	34	34
Income tax and social contribution at statutory rates	(16,795)	(7,337)	3,586	2,768
Reconciliation of income tax and social contribution income				
Tax incentive of subsidiary entitled to PROUNI benefit (i)	18,419	4,883	6,463	4,895
Additions (deductions), net (ii)	(6,369)	(112)	(15,184)	(9,673)
Reversal of tax credit and prior years' increase	-	1,637	(1,338)	(94)
Unrecognized tax credit (iii)	-	-	(500)	(49)
Income tax and social contribution in income statement for the year	(2,703)	(482)	(6,147)	(2,414)
Deferred income tax and social contribution in income statement for the year	(2,042)	(447)	(826)	261
	(4,745)	(929)	(6,973)	(2,153)

(i) Refers to o companies exempt from income tax and social contribution because they joined the University for All Program (ProUni).

(ii) Refers to share of profits or losses of subsidiaries.

(iii) These amounts are related to the tax credit arising from the corporate restructuring, which is being utilized at the ratio of 1/120th per month.

The differences between the tax bases of assets and liabilities included in accounting records, prepared under IFRSs, were recognized as temporary differences for deferred taxes accounting purposes, as a balancing item to expenses (or income) in the income statement.

b) Deferred income tax and social contribution

Deferred tax assets, basically recognized by subsidiary EDE, are as follows:

	Consolidated	
	09/30/2011	12/31/2010
Income tax loss carryforwards	4,771	5,171
Social contribution tax loss carryforwards	1,717	1,861
Temporary differences (primarily goodwill)	3,480	3,481
	9,968	10,513

Management prepared a technical study on the likelihood 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.

Income tax and social contribution on temporary additions result mainly from goodwill arising on the merger of Apollo do Brasil Participações Ltda. ("Apollo Brasil") with and into Pitágoras Apollo Internacional S.A. ("PAI").

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

	09/30/2011	12/31/2010
2011	3,174	3,449
2012	1,235	1,504
2013	1,941	1,941
2014	2,608	2,608
2015	1,010	1,011
	9,968	10,513

In addition to these deferred tax assets, the Company has records in the amount of R$19,093 (R$13,366 at December 31, 2010) to be offset against future taxable profits; such amount has not yet been recognized since is not possible to assert that its realization is probable.

As the income tax and social contribution taxable bases arises not only from income that can be generated but also from nontaxable revenues, nondeductible expenses, tax incentives, and other variables, there is no direct correlation between the Company's subsidiaries' profits and income tax and social contribution amounts. Therefore, the expected utilization of tax credits should not be the sole indication of the Company's future earnings.

The balances and changes of deferred income tax and social contribution assets and liabilities, recognized at their statutory rates, are as follows:

	12/31/2010	Recognized in profit or loss	09/30/2011
In assets			
Income tax:			
Tax loss carryforwards	5,171	(400)	4,771
Temporary provisions:			
Goodwill on merger	1,989	-	1,989
Derecognition of deferred charges	570	-	570
	7,730	(400)	7,330
Social contribution			
Tax loss carryforwards	1,861	(145)	1,716
Temporary provisions:			
Goodwill on merger	716	-	716
Derecognition of deferred charges	206	-	206
	2,783	(145)	2,638
Noncurrent assets	10,513	(545)	9,968
In liabilities			
Deferred income tax	1,189	1,101	2,290
Deferred social contribution	428	396	824
Noncurrent liabilities	1,617	1,497	3,114

Deferred income tax and social contribution liabilities arise from goodwill, which is an intangible asset with indefinite useful life, recognized by subsidiary SPES, arising on the acquisition of Colégio Cidade Jardim, subsequently merged, rendering goodwill deductible for income tax and social contribution purposes. Intangible assets with indefinite useful lives cannot be amortized; however, this goodwill is being amortized for tax purposes, writing down the related tax base. Deferred income tax and social contribution amounting to R$1,210 (R$937 at December 31, 2010) were recognized on the amount amortized for tax purposes.

In August 2010, EDE merged some direct subsidiaries and started to amortize for tax purposes the existing goodwill at the ratio of 1/120th per month, and recognized R$1,904 as deferred income tax and social contribution (R$680 at December 31, 2010).

c) Tax incentives

ProUNI, grants, under Law 11096 of January 13, 2005, exemption from several federal tax to higher education entities that grant partial and full scholarships to low-income graduate students enrolled in traditional and technology degrees. The higher education entities controlled by the Company have joined this program.

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

- Income tax and social contribution levied on net income proportional to revenue generated by traditional and technology graduation degrees.
- Cofins and PIS levied on revenue from traditional and technology degrees.

In view of the tax exemptions granted to companies joining ProUni, the subsidiaries that have tax loss carryforwards do not recognize tax credits. In 2011, tax credits not recognized because of the ProUNI amount to R$34,516.

Additionally, the companies which are mainly engaged in the sale of books are entitled to 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. The textbooks sold by these companies are also exempt from ICMS.

14. RECEIVABLES FROM SALE OF NONCURRENT ASSETS

In September 2011, the process to sell the property located in Rio de Janeiro, which had started in June 2011, was completed in the net amount of R$40,766.

The transaction amount will be received as follows:

Down payment (i)	5,000
1st portion (ii)	12,266
2nd portion (iii)	11,750
3rd portion (iv)	11,750
	40,766

(i) Refers to the down payment received in June 2011, on the date the "Property purchase and sale commitment" was signed.

(ii) The 1st portion was received in September 2011, on the date the "Property purchase and sale deed" was signed.

(iii) Portion receivable 30 days after the date the deed was signed, with no adjustment for inflation.

(iv) Portion receivable 60 days after the date the deed was signed, with no adjustment for inflation.

Accordingly, the Company has the right to receive the amount of R$23,500 within 60 days from September 30, 2011.

The proceeds from the property is as follows:

Gross amount	48,500
Discount	(7,734)
Net amount	40,766
Transaction costs	(2,244)
Write-off of property and improvements, net (i)	(25,477)
Write-off of goodwill (ii)	(7,550)
Write-off of municipal real estate tax (IPTU) contingency (iii)	4,110
Gain on the sale (iv)	9,605

(i) Balance of property and improvements recorded in property, plant and equipment, as stated in note 16.

(ii) Balance of goodwill recorded on the asset appreciation, as stated in note 17.

(iii) Write-off of the provision for tax losses on the municipal real estate tax (IPTU) of the property under litigation, as stated in note 24.

(iv) Gain generated on the sale. The transaction revenues and expenses are recorded in the income statements under line items “Other operating income” and “Other operating expenses”, respectively.

15. INVESTMENT

a) Information on the Parent’s investments

Subsidiary EDE

	09/30/2011	12/31/2010
Number of shares held	843,569,174	843,569,174
Equity interest - %	100	100
Capital	790,891	790,891
Shareholders’ equity	834,621	786,893
Profit (loss) for the period/year	47,728	(28,131)
Investment balance (*)	834,621	765,427
Equity in subsidiaries	47,728	(28,131)

(*) The Company’s carrying amount of investments and shareholders’ equity are different due to intragroup cross shareholdings at December 31, 2010. As at September 30, 2011 there is no intragroup cross shareholding, the Parent’s investment balance does not differ from the subsidiary’s equity balance.

Changes in the investment for the period are as follows:

	09/30/2011	12/31/2010
Opening balance	765,427	793,415
Capital increase (i)	-	551
Equity in subsidiaries	47,728	(28,131)
Purchase of treasury shares	(4,704)	(3,304)
Grant of stock options	2,469	3,031
Spin-off of the stock option plan and treasury shares (ii)	23,701	-
Other	-	(135)
Closing balance	834,621	765,427

(i) In September 2011, the Company formalized the remittance of funds to its subsidiary Ede to increase capital in the net amount of R$324,557, net of the treasury shares and stock option plan recorded in Ede's equity, which generated intragroup cross shareholding.

(ii) As a result, the Company's shares held by Ede in treasury were derecognized and the stock option plan was transferred from Ede to the Company, which, accordingly, eliminated intragroup cross shareholding.

(iii) Information on investments at September 30, 2010 and December, 31, 2010 - EDE's equity interest in its subsidiaries

	Number of shares held		Capital		Shareholders' equity	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010	09/30/2011	12/31/2010
ÁGORA	915,250	809,198	915	809	(213)	114
CEAMA (i)	1,100,000	-	1,100	-	(13,352)	-
FATEC	916,919	916,919	917	917	715	687
GK	920,095	471,168	920	471	299	(62)
INADE	1,174,539	1,000,000	1,175	1,000	2,840	2,647
ORME	23,756,323	19,563,840	23,756	19,564	10,245	12,804
PAX	7,076,972	7,076,972	7,077	7,077	9,433	6,522
PROJECTA EDE	10,234,275	9,233,336	10,234	9,233	6,260	4,951
PSES	126,706,854	124,036,613	126,707	124,037	155,228	136,407
SPES	18,352,151	18,352,151	18,352	18,352	17,788	19,201
SUESC (ii)	-	24,762,598	-	24,763	-	15,052
UMEP	20,292,748	19,759,874	20,293	19,760	8,302	7,464
UNIÃO (iii)	3,200,000	-	3	-	(587)	-
UNILINHARES	8,670,535	8,157,757	8,671	8,158	6,628	6,831
IUNI (iv)	190,920,150	2,000,000	190,920	2,000	166,891	(73,755)
FAMA MARABÁ (iv)	291,900	291,900	292	292	(223)	(228)
UNIC PRIMAVERA ANTIGA (iv)	366,000	366,000	366	366	1,126	(61)
UNIC PRIMAVERA NOVA (iv)	1,457,000	1,457,000	1,457	1,457	4,904	2,009
UNIC ROO AE (iv)	150,000	150,000	150	150	4,399	3,267
UNIC ROO FP (iv)	2,847,631	2,111,703	2,848	2,112	317	(1,504)
UNIC SINOP (iv)	120,000	120,000	120	120	3,694	2,840
UNIC TANGARÁ NORTE (iv)	3,446,448	3,097,000	3,446	3,097	(372)	(1,278)
UNIC TANGARÁ SUL (iv)	3,236,010	3,236,010	3,236	3,236	1,792	541
UNIC VG (iv)	271,100	271,100	271	271	396	1,340

	Number of shares held		Capital		Shareholders' equity	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010	09/30/2011	12/31/2010
UNIME ITABUNA	5,329,858	5,069,000	5,330	5,069	8,462	2,889
UNIME SALVADOR (iv)	8,272,991	7,115,000	8,273	7,115	4,690	178
UNIME LF (iv)	27,429,224	23,718,026	27,429	23,718	12,192	(1,119)
FAMA MACAPÁ (iv)	4,153,364	40,000	4,153	40	4,505	(1,585)

	Profit (loss) for the period/year		Carrying amount of investment in EDE		Equity in subsidiary EDE	
	09/30/2011	09/30/2010	09/30/2011	12/31/2010	09/30/2011	09/30/2010
ÁGORA	(433)	(123)	(213)	114	(433)	(123)
CEAMA (i)	3,692		(13,352)		3,692	-
FATEC	28	4	715	687	28	4
GK	(86)	(241)	299	(62)	(86)	(241)
INADE	19	(685)	2,840	2,647	19	(685)
ORME	(6,752)	(430)	10,245	12,804	(6,752)	(430)
PAX	2,911	1,229	9,433	6,522	2,911	1,229
PROJECTA EDE	308	(1,004)	6,260	4,951	308	(1,004)
PSES	16,150	(11,628)	155,228	136,407	16,150	(11,628)
SPES	(1,413)	2,861	17,788	19,201	(1,413)	2,861
SUESC (ii)	-	(3,692)	-	15,052	-	(3,692)
UMEP	305	(211)	8,302	7,464	305	(211)
UNIÃO (iii)	596		(587)		596	-
UNILINHARES	(716)	(45)	6,628	6,831	(716)	(45)
IUNI (iv)	51,726	15,862	166,891	(73,755)	51,726	15,862
FAMA MARABÁ (iv)	5	(44)	(223)	(228)	5	(44)
UNIC PRIMAVERA ANTIGA (iv)	1,187	265	1,126	(61)	1,187	265
UNIC PRIMAVERA NOVA (iv)	3,447	932	4,904	2,009	3,447	932
UNIC ROO AE (iv)	4,249	2,514	4,399	3,267	4,249	2,514
UNIC ROO FP (iv)	1,085	319	317	(1,504)	1,085	319
UNIC SINOP (iv)	1,781	811	3,694	2,840	1,781	811
UNIC TANGARÁ NORTE (iv)	557	(70)	(372)	(1,278)	557	(70)
UNIC TANGARÁ SUL (iv)	2,671	772	1,792	541	2,671	772
UNIC VG (iv)	640	457	396	1,340	640	457
UNIME ITABUNA	5,312	949	8,462	2,889	5,312	949
UNIME SALVADOR (iv)	3,353	(538)	4,690	178	3,353	(538)
UNIME LF (iv)	9,539	2,711	12,192	(1,119)	9,539	2,711
FAMA MACAPÁ (iv)	1,977	673	4,505	(1,585)	1,977	673

(i) On July 18, 2011, Ede acquired 100% of the shares in Ceama. As the acquiree started to be consolidated on July 1, 2011, three months of its net income (loss) are reflected in the Company.

(ii) Subsidiary Suesc was sold on April 30, 2011 and an investment loss of R$3,221 was recognized.

(iii) On July 14, 2011, EDE acquired 100% of the shares in União. As the acquiree started to be consolidated on July 1, 2011, three months of its net income (loss) are reflected in the Company.

(iv) Profit and equity in subsidiaries since March 2010, as described in note 1.

16. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED

	Average annual depreciation rate - %	09/30/2011 Cost	09/30/2011 Accumulated depreciation	09/30/2011 Property, plant and equipment, net	12/31/2010 Cost	12/31/2010 Accumulated depreciation	12/31/2010 Property, plant and equipment, net
IT equipment	20	29,603	(18,554)	11,049	27,215	(14,947)	12,268
Furniture, equipment and fixtures	10	87,872	(29,633)	58,239	76,228	(24,049)	52,179
Library	10	47,039	(18,461)	28,578	42,873	(15,321)	27,552
Buildings and improvements	4	108,749	(16,760)	91,989	112,100	(16,386)	95,714
Property, plant and equipment in progress	-	9,425	-	9,425	14,479	-	14,479
Land	-	21,174	-	21,174	21,174	-	21,174
		303,862	(83,408)	220,454	294,069	(70,703)	223,366

Depreciation allocated to line item “Cost of services” and “Administrative expenses” was R$17,450 (R$23,416 at September 30, 2010) for the nine-month period ended September 30, 2011, and R$5,686 for the quarter ended September 30, 2011 (R$2,950 at September 30, 2010).

There is no evidence that property, plant and equipment items are impaired.

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

	IT equipment	Furniture, equipment and fixtures	Library	Buildings and improvements	Property, plant and equipment in progress	Land	Total
Balance at December 31, 2010	12,268	52,179	27,552	95,714	14,479	21,174	223,366
Additions	2,758	12,801	4,366	2,755	2,345	-	25,025
Addition arising from acquirees (i)	215	529	606	20,206	-	-	21,556
Write-off due to the sale of subsidiary (ii)	(157)	(726)	(625)	-	-	-	(1,508)
Write-off due to the sale of property (ii)	-	-	-	(25,477)	-	-	(25,477)
Other write-offs (iv)	-	(149)	-	(4,909)	-	-	(5,058)
Depreciation	(4,003)	(6,427)	(3,321)	(3,699)	-	-	(17,450)
Transfers	(32)	32	-	7,399	(7,399)	-	-
Balances at September 30, 2011	11,049	58,239	28,578	91,989	9,425	21,174	220,454

(i) Net addition related to the acquisition of Ceama and União in July 2011 (see note 15).

(ii) Write-off of the balances of subsidiary Suesc, sold in April 2011.

(iii) Write-off of the net balance of property and improvements on the sale of a property in Rio de Janeiro in September 2011.

(iv) The amount of R$4,909 refers to the net balance of the administrative structure and improvements of Centro and Guajajaras higher education units, based in Belo Horizonte, whose operations were discontinued.

The Company leases IT equipment under irreversible agreements subject to average interest of 6.68% per year, with purchase option clauses, and lease periods ranging from 24 to 36 months. The Company owns this equipment. As of September 30, 2011, the balance of leases totaled R$6,181 (R$5,472 at December 31, 2010).

17. INTANGIBLE ASSETS - CONSOLIDATED

	Software	Goodwill paid on acquisitions (a)	Development of internal projects (b)	Customer Portfolio (c)	Total
Total cost	23,201	501,339	78,250	28,069	630,859
Accumulated amortization	(6,373)	(12,521)	(9,197)	(5,614)	(33,705)
Balance at December 31, 2010	16,828	488,818	69,053	22,455	597,154
Additions	5,392	49,937	2,454	-	57,783
Additions arising from acquirees (i)	22	-	-	-	22
Write-offs (ii)	(5)	(7,550)	(385)	-	(7,940)
Amortization	(3,653)	-	(5,851)	(4,210)	(13,714)
Balances at September 30, 2011	18,584	531,205	65,271	18,245	633,305
Total cost	28,783	543,726	80,272	28,069	680,850
Accumulated amortization	(10,199)	(12,521)	(15,001)	(9,824)	(47,545)

(i) Net addition related to the acquisition of Ceama and União in July 2011(see note 15).

(ii) The write-off of R$7,550 refers to the sale of the property in Rio de Janeiro, in September 2011. The other balances refer to the sale of subsidiary Suesc in April 2011.

Amortization allocated to line item "Cost of services" and "Administrative expenses" was R$13,714 (R$9,321 at September 30, 2010) for the period ended September 30, 2011, and R$4,945 for the quarter ended September 30, 2011 (R$3,818 at September 30, 2010).

(a) Goodwill paid on acquisition of subsidiaries

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

Goodwill paid on acquisition of subsidiaries and merged companies is broken down as follows:

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
Aesg (i) (vi)	-	-	2,209	2,209
Ceama (ii)			41,387	-
Cidade Jardim (iii)	-	-	6,889	6,889
Ede (iv)	59,450	59,450	59,450	59,450
Factef (i) (vi)	-	-	5,423	5,423
Fadom (i) (vi)	-	-	9,358	9,358
Fatec (i)	-	-	305	305
GK (i)	-	-	500	500
Japi (i) (vi)	-	-	3,809	3,809
Nabec (i) (vi)	-	-	130	130
São Francisco (i) (vi)	-	-	928	928
Sesg (i) (vi)	-	-	1,819	1,819
Suesc (i)	-	-	-	7,550

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
Umep (i)	-	-	11,550	11,550
Unilinhares (i)	-	-	10,477	10,477
União (ii)			8,550	-
Uniminas (i) (vi)	-	-	20,030	20,030
Iuni (v)	-	-	271,197	271,197
Fama Marabá (i)	-	-	254	254
Fama Macapá (i)	-	-	8,007	8,007
Unic Primavera Antiga (i)	-	-	3,457	3,457
Unic Primavera Nova (i)	-	-	7,673	7,673
Unic Roo AE (i)	-	-	8,848	8,848
Unic Roo FP (i)	-	-	2,780	2,780
Unic Sinop (i)	-	-	2,666	2,666
Unic Tangará do Norte (i)	-	-	8,084	8,084
Unic Tangará do Sul (i)	-	-	8,792	8,792
Unic Várzea Grande	-	-	(197)	(197)
Unime Itabuna (i)	-	-	15,700	15,700
Unime Salvador (i)	-	-	11,130	11,130
	59,450	59,450	531,205	488,818

(i) Refers to goodwill recognized upon the acquisition of colleges based on expected future earnings, except for Suesc, basically recognized based on the appreciation of its property, plant and equipment, written off in September 2011, as stated in note 14.

(ii) Refers to goodwill recorded on acquisitions in July 2011, not assessed and allocated in accordance with CPC 15 - Business combinations, as stated in note 32.

(iii) Refers to goodwill recognized on the increase in PSES's equity interest in Colégio Pitágoras Cidade Jardim S.A., which was merged by PSES in October 2003. In January 2007, such goodwill was transferred to SPES because of the acquisition of Colégio Cidade Jardim.

(iv) The balance of R$7,191 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 with and into EDE to allow the utilization of goodwill for tax purposes and, in line with CVM Resolution 349/01 guidelines, the merged company recognized an allowance amounting to the difference between goodwill and the tax benefit arising from its amortization. When the corporate restructuring was completed, goodwill was recognized by the Company pursuant to CVM Instruction 349/01. The remaining balance in the amount of R$52,259 refers to goodwill generated on the exchange of shares in September 2010, among the Company's and Iuni's shareholders. As a result of such exchange of shares, EDE became the Company's wholly-owned subsidiary.

(v) As referred to in note 1, refers to goodwill arising on the acquisition of Iuni, represented by the payment of R$188,859 in cash and 4,200,000 Company units, less the amounts attributed to the customer portfolio and the appreciation of property, plant and equipment, as prescribed by CPC 15 - Business Combinations.

(vi) Subsidiaries merged into by EDE on August 1, 2010.

Goodwill impairment testing

Goodwill is allocated to the CGUs, identified according to the operating segment.

The following is a summary of goodwill allocation for operating segment level:

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
K-12 education	59,450	59,450	63,339	63,339
Higher education	-	-	467,866	425,479
	59,450	59,450	531,205	488,818

Goodwill was tested for impairment and no need to adjust goodwill amounts was identified.

The method used was the discounted cash flow (future earnings) method and the CGUs determined by the Company to test goodwill for impairment correspond to each of the higher education entities. The calculation considers a five-year projection, adding a perpetuity value with an actual growth of 3.0% per year. The nominal discount rate used was 19.6% per year.

The assumptions used in the projection consider the average number of students per campus, with an average growth of 19.6% per year, supported by the offering of new degrees.

(b) Development of internal projects

	Consolidated	
	09/30/2011	12/31/2010
New units and new degrees (i)	45,607	50,077
Pitágoras University System (ii)	5,899	6,621
New Chain contracts (iii)	6,651	7,287
Distance learning (iv)	2,965	3,233
Higher education assessment (v)	1,696	1,835
Content production (vi)	2,453	-
	65,271	69,053

(i) Refer to expenses incurred on:

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

- Investments in new product launchings.

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

- Development of an Institutional Development Plan (PDI) 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 design and development of teaching methodologies (student and teacher handbooks and assessment systems) and an operating methodology (operations manual) to ensure the growth of the Pitágoras University System.

(iii) Refers to expenses incurred on the development of products to be sold in the Catholic Chain and the Pitágoras Chain.

(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.

(v) Refers to expenses incurred on the development of a new product and a higher education assessment methodology, offered by subsidiary INADE.

(vi) Refers to expenses incurred on the development of learning content of the Pitágoras teaching system handouts. Material still under development. There is no amortization.

(c) Customer portfolio

Part of goodwill paid on the acquisition of IUNI was allocated to the customer portfolio, after an analysis of the acquired assets and the calculation of the future earnings projection. Cost was R$28,069 and is being amortized over five years, maximum estimated cash generation period of the acquired portfolio, and accumulated amortization as of September 30, 2011 is R$9,824.

18. TRADE PAYABLES - CONSOLIDATED

The consolidated balance of trade payables consists of services and products necessary for the production and sale of the Pitágoras collection textbooks, which are distributed to the K-12 Education school chain by material suppliers, services to our higher education degrees, and education advisory services.

19. BORROWINGS AND FINANCING - CONSOLIDATED

a) Borrowings and financing are broken down as follows

	09/30/2011	12/31/2010
Local currency		
BDMG (i)	8,647	10,912
Working capital (ii)	2,033	74,618
Leases (iii)	5,314	5,741
	15,994	91,271
Current liabilities	7,516	34,046
Noncurrent liabilities	8,478	57,225

(i) Refers to financing using funds from the Development Incentive Fund (FINDES), granted by Banco de Desenvolvimento de Minas Gerais S.A. - BDMG (state development bank), to expand higher education operations. Funding obtained was invested in books, furniture, machinery, laboratory and IT equipment, construction, and the logistics and IT infrastructure.

Total financing is R$15,000, bearing interest of 6% per year and adjustment using on the Extended Consumer Price Index (IPCA) (2009 - 4.31%; 2008 - 5.90%; 2007 - 4.46%), a 24-month grace period beginning December 2006 and amortization in 60 months. Interest rate decreases to 4% per year in case of timely payment of the first 12 installments.

The agreement does not require compliance with any financial covenants.

(ii) Refers to working capital loans whose charges are pegged to a fixed rate of 9.5% per year.

(iii) Certain IT equipment was leased under irreversible agreements subject to interest of 6.68% per month, with purchase option clauses, whose lease period ranges from 24 to 36 months. The last loan installment will be settled in June 2013. The agreements do not require compliance with any financial covenants.

In July and August 2011, the Company settled working capital loans in the amount of R$71,784.

The noncurrent portion matures as follows:

	09/30/2011	12/31/2010
Maturity year:		
2012	1,986	31,788
2013	4,310	20,586
2014	683	1,315
2015	644	1,343
2016	380	833
2017	380	833
2018	95	527
	8,478	57,225

b) Changes in borrowings and financing

The change in borrowings and financing is as follows:

Balance at December 31, 2010	91,271
Additions	43,513
Additions arising from acquirees (i)	3,034
Accrued interest	6,519
Write-off due to sale of Suesc	(20)
Interest amortization	(7,232)
Amortization of principal (ii)	(121,091)
Balance at September 30, 2011	15,994

(i) Addition related to the balances of subsidiaries Ceama and União acquired in July 2011.

(ii) All onerous liabilities were settled using the funds from the issuance of the Company's shares, except for those that the Company's management understands that represent low capital cost.

c) Finance leases

Lease obligations are effectively guaranteed, since the leased asset is reversed to the lessor in case of default.

20. PAYROLL AND RELATED TAXES - CONSOLIDATED

	09/30/2011	12/31/2010
Payroll	8,933	6,437
Social security tax (INSS)	5,780	6,516
Severance Pay Fund (FGTS)	2,029	2,679
Withholding income tax (IRRF)	4,693	3,388
Accrued vacation pay	12,864	12,874
Accrued 13th salary	11,682	-
Charges of accruals	7,738	3,802
Other	3,652	4,195
	57,371	39,891

Accrued payroll and related taxes were recognized in the income statement, in line items "Cost of services", "Selling expenses" and "General and administrative expenses", according to the employee's assignment.

Changes in payroll and related taxes are as follows:

	Accrued vacation pay	Accrued 13th salary	Accrued payroll taxes	Total
Balance at December 31, 2010	12,874	-	3,802	16,676
Additions	108,936	56,719	54,913	220,568
Payments	(108,946)	(45,037)	(50,977)	(204,960)
Balance at September 30, 2011	12,864	11,682	7,738	32,284

21. ADVANCES FROM CUSTOMERS - CONSOLIDATED

	09/30/2011	12/31/2010
Prepaid enrollment fees and tuitions (a)	8,309	6,089

(a) Prepaid enrollment fees and/or tuitions for the school year that begins are allocated to revenue to the extent the services are provided.

22. TAXES IN INSTALLMENTS - CONSOLIDATED

	09/30/2011	12/31/2010
Refis IV (a)	41,612	40,893
INSS installment plans (b)	5,783	6,635
Municipal tax installment plans (c)	4,247	4,870
	51,642	52,398
Current	8,080	7,090
Noncurrent	43,562	45,308

(a) REFIS IV

The Federal Revenue Service created on May 27, 2009, pursuant to Law 11941 and Federal Revenue Service (RFB)/National Treasury Attorney General (PGFN) Joint Administrative Rule 06/2009, the Special Tax Installment Plan named "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.

This installment plan provides for, without limitations, (i) the rebate of a certain percentage of fine and interest due, depending on the number of installments elected by the Company's subsidiaries and (ii) the offset of tax loss carryforwards against the remaining fine and interest.

From September to November 2009, the subsidiaries filed their option for the payment of 180 monthly installments and to the reporting date have complied with all the requirements to remain eligible for said plan. However, most installments were not consolidated yet in view of the lack of and/or problems in the automated systems of the Federal Revenue Service (RFB) and the National Treasury Attorney General (PGFN). The Company obtained favorable court decisions establishing that the installment plan should be consolidated and received a formal response from the Federal Revenue Service and the National Treasury Attorney General declaring that the decisions will be complied with and that they are awaiting a solution to their automated systems' problems to consolidate REFIS IV.

Tax installment plan for the debts managed by the Federal Revenue Service and the National Treasury Attorney General, including the remaining consolidated debts of REFIS (tax debt refinancing program) and PAEX (exceptional tax installment plan), and the taxes in installment addressed by Article 38 of Law 8212 and Article 10 of Law 10522.

The subsidiaries' tax debts included in the installment plan consist basically of social security contributions (INSS) and the remaining balances of previous tax installment plans related to business income tax (IRPJ), social contribution on net income (CSLL), withholding income tax (IRRF), and taxes on revenue (PIS and Cofins). The table below shows the adjusted debt amount in installments as of September 30, 2011:

Total outstanding debt	63,052
Decrease in fine, interest and legal charges under adhesion to installment plan	(13,440)
Amortization utilizing tax loss carryforwards to rebate fine and interest	(8,000)
	41,612
Current	2,763
Noncurrent	38,849

The installment plan consists of 180 monthly installments, and as of September 30, 2011 there are 157 installments payable. The balance of installments playable is adjusted on a monthly basis using the SELIC and by September 30, 2011, R$3,222 had been paid as accession installments before debt consolidation.

As of September 30, 2011, the net effect recognized are as follows:

Subsidiary	Tax in installments	Amount
Unime LF	INSS, IRPJ, CSLL, IRRF, PIS and Cofins	23,950
Iuni	INSS, IRPJ, CSLL, IRRF, PIS and Cofins	10,874
Fama Macapá	INSS, IRPJ, CSLL, IRRF, PIS and Cofins	2,219
Unic Tangará Sul	INSS, IRPJ, CSLL, IRRF, PIS and Cofins	1,117
Unic Tangará Norte	INSS, IRRF	839
Unic Primavera Nova	INSS, IRRF	732
Unic Primavera Antiga	INSS, IRRF	616
Unime Itabuna	IRPJ, CSLL, IRRF and Cofins	444
Unic Sinop	INSS, IRPJ, CSLL and IRRF	320
Unime Salvador	IRPJ, CSLL, IRRF, PIS and Cofins	272
Unic Roo AE	IRPJ, CSLL and IRRF	143
Unic Roo FP	INSS, IRRF, PIS and Cofins	86
Total current and noncurrent		41,612

As of September 30, 2011, the noncurrent portion matures as follows:

	Amount
2012	796
2013	3,182
2014	3,182
2015	3,182
2016	3,182
2017	3,182
2018	3,182
2019	3,182
2020	3,182
2021	3,182
2022	3,182
2023	3,182
2024	3,051
	38,849

The tax loss carryforwards utilized to settle tax debts total is R$8,000 as of September 30, 2011.

(b) National Social Security Institute (INSS) installment plans

(i) Iuni

Currently there are two outstanding INSS installment plans:

Article 1 PAEX: Refers to the remaining 2000 REFIS balance. It was consolidated in 130 installments and started to be paid in September 2006. There are 55 installments of R$41 each outstanding, adjusted on a monthly basis using the monthly Long-term Interest Rate (TJLP).

Regular installment plan: debt referring to social security tax (INSS) not paid in 2008 and 2009. The installment plan consists of 60 installments that started to be paid in November 2009. Each installment amounts to R$44, and 37 installments, adjusted monthly using the SELIC, remain outstanding.

(ii) Unime Lauro de Freitas

Regular installment plan: refers to INSS not paid in 2008 and 2009. In September 2009, there were 60 installments and 35 installments of R$36, adjusted monthly using the SELIC, remain outstanding.

(iii) Other subsidiaries

The other subsidiaries, Unime Itabuna, Unic Roo FP, Fama Macapá, Unime Salvador, Unic Tangará Norte, and Unic Roo AE, joined different installment plans to pay 2008 and 2009 debts, which total R$640 and have different installment amounts and payment periods.

(c) Municipal tax installment plans

(i) Iuni

Refers to ISSQN assessment notices issued from April 2008 to June 2009. The total debt was divided into 36 installments; as of September 30, 2011, there are 14 installments payable, totaling R$71, which are adjusted annually using the IPCA.

(ii) Unime Lauro de Freitas

Refers to the payment in installments of ISSQN assessment notices issued in January 2002-July 2007. As of September 30, 2011, the outstanding balance totals R$1,558. The company has an agreement with the City of Lauro de Freitas, BA, to pay up to 90% of the outstanding balance with scholarships.

(iii) Other subsidiaries

The other subsidiaries, Unic Primavera Nova and Unic Primavera Antiga, Unic ROO AE, Unic ROO FP and Ceama, joined tax installment plans totaling R$1,695, which have different installment amounts and payment periods.

Changes in taxes in installment are as follow:

Balance at December 31, 2010	52,398
Addition	1,340
Addition due to acquisition	12,551
Gain on tax amnesty (i)	(454)
Interest adjustment	1,614
Amortization and write-offs	(3,433)
Amortization of acquiree (ii)	(12,374)
Balance at September 30, 2011	51,642

(i) Projected gain on the partial consolidation of Refis. Amount to be confirmed after compliance with court decision.

(ii) Refers to the payment of part of the installment recorded in acquiree Ceama in August 2011.

23. ACCOUNTS PAYABLE - ACQUISITIONS - CONSOLIDATED

	09/30/2011	12/31/2010
Current		
Acquisition of AESG and SESG	-	26
Acquisition of CBTA	-	16
Acquisition of CEAMA	4,785	-
Acquisition of FATEC	-	37
Acquisition of SÃO FRANCISCO	-	34
Acquisition of UNIÃO	641	-
Acquisition of UNIC TANGARÁ SUL	1,838	1,747
Acquisition of property in Ipatinga	2,276	2,089
Acquisition of property in Rondonópolis	-	205
	9,540	4,154

	09/30/2011	12/31/2010
Noncurrent		
Acquisition of CBTA	281	252
Acquisition of CEAMA	9,569	-
Acquisition of UCES	744	684
Acquisition of UNIÃO	2,563	-
Acquisition of UNIC TANGARÁ SUL	1,214	2,611
Acquisition of property in Ipatinga	1,263	2,949
	15,634	6,496
	25,174	10,650

Changes in accounts payable - acquisitions are as follows:

Balance at December 31, 2010	10,650
Additions in the period (i)	36,255
Interest adjustment (ii)	1,004
Amortization and write-offs	(3,822)
Amortizations and write-offs of acquirees (iii)	(18,913)
Balance at September 30, 2011	25,174

(i) Additions arise from companies acquired in July 2011. The selling price established by the agreement was R$28,405 for Ceama and R$7,850 for União.

(ii) Of the interest incurred in the nine-month period of 2011, R$215 arise from União and Ceama, companies acquired in July 2011.

(iii) The amortization related to the companies acquired in July 2011 was R$4,710 of União and R$14,203 of Ceama, paid when the agreement was signed.

The amounts recorded in noncurrent liabilities mature as follow:

Maturity year:	09/30/2011	12/31/2010
2012	3,502	4,499
2013	5,425	1,997
2014	5,425	-
2015	641	-
2016	641	-
	15,634	6,496

24. PROVISION FOR TAX, LABOR AND CIVIL CONTINGENCIES AND ESCROW DEPOSITS - CONSOLIDATED

The Company and its subsidiaries are parties to judicial and administrative proceedings arising from the normal course of business. The provisions for potential losses on these proceedings are estimated and adjusted by management, based on the opinion of its legal counsel. Some escrow deposits were made related to these proceedings, which can be recovered by the Company and its subsidiaries or utilized to settle potential unfavorable outcomes.

	09/30/2011			12/31/2010		
	Estimated disbursement	Escrow deposits	Net	Estimated disbursement	Escrow deposits	Net
Tax (a)	24,248	(5,885)	18,363	12,496	(7,155)	5,341
Labor (b)	14,686	(2,778)	11,908	16,162	(1,698)	14,464
Civil (c)	1,646	(77)	1,569	1,783	(27)	1,756
	40,580	(8,740)	31,840	30,441	(8,880)	21,561

(a) The company acquired in São Luis, State of Maranhão, resulted in an increase of R$15,671 related to administrative proceedings related to federal tax exemption as established by Prouni. IUNI is challenging at court the payment, during the period of immunity, of the severance pay fund (FGTS), in accordance with supplementary Law 110/01, in the amount of R$3,021, and tax on revenue (PIS), in the amount of R$2,864. The Company is also challenging at administrative level three FGTS assessment notices, totaling R$1,489.

The other provisions, totaling R$1,203, refer to other taxes, challenged at the administrative and judicial levels, involving the Company's other subsidiaries.

(b) As of September 30, 2011, the Company and its subsidiaries were defendants in approximately 484 labor lawsuits, including the contingencies resulting from our acquisitions. Most lawsuits were filed by terminated employees and teachers, basically claiming the payment of overtime, full salary for reduced working hours, worked breaks, salary differences, and proportional increase of severance pay fund (FGTS), 13th salary, vacation pay, and constitutional one-third vacation bonus. To date, there has been no lower court decision on most of the lawsuits.

(c) As of September 30, 2011, the Company and its subsidiaries were defendants in 1,441 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 our facilities. We understand that the civil lawsuits filed against us are immaterial and will not have any adverse or significant impact on our performance.

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

Changes in said provisions in the nine-month period ended September 30, 2011 are as follow:

	Tax	Labor	Civil	Total
Balance at December 31, 2010	12,496	16,162	1,783	30,441
Additions	404	1,638	284	2,327
Additions arising from acquirees (i)	15,824	227	-	16,050
Write-off of municipal real estate tax (IPTU) (ii)	(4,110)	-	-	(4,110)
Payments and write-offs	(366)	(3,341)	(421)	(4,128)
Balance at September 30, 2011	24,248	14,686	1,646	40,580
Balance of escrow deposits	(5,885)	(2,778)	(77)	(8,740)
Net balance at September 30, 2011	18,363	11,908	1,569	31,840

(i) Addition arising from the acquisition of subsidiaries União and Ceama in July 2011.

(ii) In September 2011, the property located in Rio de Janeiro was sold and the tax liability related to the challenge of IPTU on this property was written-off, as, according to the agreement, the acquirer of the property is required to continue to challenge such payment.

Possible losses (contingencies)

The Company is a party 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. The estimated amounts are broken down as follows:

	Tax	Labor	Civil	Total
Balance at December 31, 2010	69,743	5,798	2,470	78,011
Additions	5,596	1,434	2,159	9,189
Amortization and write-offs	(6,000)	(567)	(332)	(6,899)
Balance at September 30, 2011	69,339	6,665	4,297	80,301

32 of total administrative and judicial proceedings refer to the period when IUNI was classified as a nonprofit entity. These proceedings originate from tax assessments issued by the Federal Revenue Service for the nonpayment of social security tax - employer's contribution, work accident insurance (SAT/RAT), and third-party tax - payable to the INSS, and other taxes (Cofins and PIS). As of September 30, 2011, the involved amount of R$68,814 are assessed by our legal counsel as a possible loss.

In view of the IUNI purchase and sale agreement, entered into on March 12, 2010 by the Company and the seller, the Company recognized R$95 million (balance at September 30, 2011) as guarantee for the tax contingencies above related to the period IUNI was classified as a nonprofit entity, against the possible collection of taxes for this period.

25. OTHER PAYABLES - CONSOLIDATED

	09/30/2011	12/31/2010
Current		
Transfer of student portfolio - acquisition of subsidiary IUNI (a)	5,485	4,701
Unidentified deposits	1,798	2,047
	7,283	6,748
Noncurrent		
Deposits - acquisition of Uniminas (b)	3,755	3,755
Sale of subsidiary Suesc (c)	1,955	-
	5,710	3,755
	12,993	10,503

(a) As provided for by the IUNI acquisition agreement, of March 2010, the entire portfolio of payables with maturity exceeding 180 days on this date are collected and received by the Company and transferred to the former owner of IUNI.

(b) 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. Matures in 2013.

(c) The amount receivable for the sale of Suesc is linked to the remaining balance of the ISSQN tax liability, which depends of the final decision on the tax collection action filed by the City of Rio de Janeiro. If favorable, the Company is entitled to receive the amount agreed by the parties. If unfavorable, the Company will pay the difference between the contractual price and the lawsuit amount. The amount receivable is recognized in line item "Other receivables", in current assets. Both balances, as of September 30, 2011, amount to R$1,995 and are adjusted on a monthly basis.

26. SHAREHOLDERS' EQUITY

a) Capital

As of September 30, 2011, the Company's capital is R$1,232,361 (R$873,831 at December 31, 2010), represented by 253,865,915 common shares and 350,639,107 preferred shares, held as follows:

Balance at December 31, 2010	873,831
Capital increase	380,230
Share issue costs	(21,700)
Balance at September 30, 2011	1,232,361

	Number of shares	
	Common	Preferred
December 31, 2010	234,113,715	232,125,907
Total former treasury shares	232,882,479	224,738,491
Total treasury shares	1,231,236	7,387,416
Capital increase - 06/30/2011 (i)	18,500,000	111,000,000
Capital increase - 02/08/2011 (i)	1,252,200	7,513,200
September 30, 2011	253,865,915	350,639,107
Total former treasury shares	252,543,379	342,703,891
Total treasury shares	1,322,536	7,935,216

(i) The Board of Directors' meeting held on June 30 approved the subscription of all 18,500,000 common shares and 111,000,000 preferred shares, totaling 129,500,000 shares, to be distributed to the public as 18,500,000 units, at the price of R$19.25 per unit, in the context of the public offering of shares, as approved by the Board of Directors' meeting held on June 29, 2011. These units were paid in on July 5, 2011, generating gross proceeds of R$356,125.

On August 2, 2011, the Company approved, at the do Board of Directors' meeting, the issuance for public subscription of 1,252,200 common shares and 7,513,200 preferred shares, distributed to the public as 1,252,200 units, at the price of R$19.25, pursuant to CVM Instruction 400, and the exercise of the overallotment option. This overallotment was paid in on August 5, 2011, at the gross amount of R$24,105.

Total costs on the issue of shares were R$21,699.

b) Authorized capital

The Company, after decision made by Board of Directors on May 16, 2011, is authorized to increase its capital, regardless of any amendment to its bylaws, up to a cap of 700,000,000 shares, through the issuance of common or preferred shares, without being required to maintain the current proportion between the two types of shares, but within the statutory cap of two thirds of preferred shares.

The Board of Directors can, within the authorized capital limit, decide on the issuance of shares, simple debentures, or warrants, establishing the subscription method, the payment terms and issuance price, and also discontinue the preemptive rights or reduce the exercise period for issuances placed in a stock exchange, through public subscription, or a takeover bid, as provided for by the current law.

Under the plan approved by the Shareholders' Meeting, the Board of Directors can grant stock options to officers, employees or other individuals who provide services to the Company or any of its subsidiaries, provided that such stock options do not permit the change of Company control.

c) Shareholders' agreement

The Shareholders' Agreement entered into on June 24, 2009 by: (i) Advent Educacional Empreendimentos e Participações S.A., or Advent Educacional; (ii) Fundo de Investimento em Participações - Brasil Gestão e Participação, or FIP (Periodic Information Form) (Periodic Information Form) Gestão, and, jointly with Advent Educacional, or Advent; (iii) Citíssimo do Brasil Participações Ltda., or Citíssimo; (iv) Neiva Participações Ltda., or Neiva; (v) Samos Participações Ltda., or Samos; and (vi) Santori Participações Ltda., or Santori, and, jointly with Citíssimo, Neiva, and Samos, the Shareholders' Group; and also, as intervening approving parties, (vii) Pitágoras Administração e Participações S.A., or PAP; (viii) Evando José Neiva, or Evando; (ix) Henriqueta Martins dos Mares Guia, or Henriqueta; (x) Júlio Fernando Cabizuca, or Cabizuca; (xi) Walfrido Silvino dos Mares Guia Neto, or Walfrido, and, jointly with Evando, Henriqueta and Cabizuca, the indirect controlling shareholders of PAP); and (xii) Kroton Educacional S.A. (Company and, jointly with PAP, the Companies), FIP Gestão, and Advent, prescribes that certain Board of Directors' decisions will be make by majority of the votes of the elected directors and not by majority of the votes cast by directors attending the meeting, as provided for by the Brazilian corporate law.

d) Treasury shares

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

	Number of shares	
	Common	Preferred
December 31, 2010	1,231,236	7,387,416
Share buyback (i)	361,300	2,167,800
Shares sold (ii)	(270,000)	(1,620,000)
September 30, 2011	1,322,536	7,935,216

(i) On February 3, 2011, EDE acquired 361,300 units, representing 361,300 common shares and 2,167,800 preferred shares, at the cost of R$4,704.

(ii) On January 4, 70,000 units, representing 70,000 common shares and 420,000 preferred shares, were sold due to the exercise of stock options, for R$1,407. The sale generated a loss of R$64, recognized in line item “Capital reserve - losses/gains on disposal of shares”;

On February 7, 2011, 150,000 units, representing 150,000 common shares and 900,000 preferred shares, were sold due to the exercise of stock options, for R$3,014. The sale generated a loss of R$121, recognized in line item “Capital reserve - losses/gains on disposal of shares”;

On May 12, 2011, 50,000 units, representing 50,000 common shares and 300,000 preferred shares, were sold due to the exercise of stock options, for R$911. The sale generated a gain of R$74, recognized in line item “Capital reserve - losses/gains on disposal of shares”;

As of September 30, 2011, the Company has 1,322,536 treasury units, at the cost amount of R$24,112 (1,372,536 units at the cost amount of R$25,023 at March 31, 2011). As of September 30, 2011, the 1,322,536 units at fair value amount to R$24,004 (1,231,236 units at fair value of R$26,903 at December 31, 2010).

e) Capital reserve

On June 24, 2009, the Board of Directors determined that R$0.09805 of each new share issued would be allocated to a capital reserve. On September 2, 2009, the amount of the reserve was approved at R$21,247. This reserve amounts to R$14,585, net of share issuance costs of R$6,662.

The accrued fair value of the stock options granted under the plan approved on October 23, 2009 is recognized as an expense. The balancing item to this amount is the “Capital reserve - stock options”, in equity. The amount recorded in the period ended September 30, 2011 was R$3,163.

Up to September 30, 2011, 270,000 units of the stock option plan had been exercised, at the fair value of R$562, as a balancing item to treasury shares sold and the payment received from stock options exercised, totaling R$4,659.

Net losses on the sale of treasury shares for the period ended September 30, 2011 are R$111.

f) Legal reserve

Recognized annually with the allocation of 5% of profit for the year until it reaches 20% of capital. The objective of the legal reserve is to ensure the integrity of capital and can only be utilized to offset losses or increase capital.

27. SHARE-BASED COMPENSATION PLAN

Under the Company's stock option plan approved on October 23, 2009, with the objective of retaining Company executives and aligning their interests with the interests of the shareholders and the Company, independent directors, officers, and senior executives of the Company are eligible to the plan.

Options granted must not exceed the cap of five million common shares and thirty million preferred shares, corresponding to five million units, equivalent to 8.01% of the Company's capital on approval date.

The Board of Directors or the Human Resources Committee set the terms and conditions of each stock option in a stock option agreement signed by the Company and each beneficiary.

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

The exercise price will be paid by the beneficiaries to the Company in cash, on share acquisition or subscription, or as determined by the Board of Directors or the Human Resources Committee in each agreement. As of September 30, 2011, the prices set in the stock option agreements range from R$16.00 to R$20.42.

The changes in the number of outstanding stock options and their related weighted-average prices are as follows:

	09/30/2010		12/31/2010	
	Average exercise price per share - R$	Stock options	Average exercise price per share - R$	Stock options
Opening balance	18.13	2,597,236	17.22	1,000,000
Granted (i)	19.20	245,000	18.59	2,380,000
Cancelled (ii)	17.42	(200,000)	18.69	(740,000)
Exercised (iii)	17.17	(220,000)	16.97	(42,764)
Closing balance	18.37	2,422,236	18.13	2,597,236

(i) In April 2011, 220,000 units, represented by 220,000 common shares and 1,320,000 preferred shares, were granted for the price of R$19.05 per unit.

In July 2011, 25,000 units, represented by 25,000 common shares and 150,000 preferred shares, were granted for the price of R$20.42 per unit.

(ii) In August 2011, 200,000 units, represented by 200,000 common shares and 1,200,000 preferred shares, were canceled at the price of R$17.42 per unit.

(iii) In February 2011, 220,000 units, corresponding to 220,000 common shares and 1,320,000 preferred shares, were exercised at the average price of R$17.17 per unit.

The balance of options that can be granted as of September 30, 2011 is 2,315,000 (2,360,000 stock options at December 31, 2010).

The maturities and exercise prices of stock options granted in the year ended December 31, 2010 are as follows:

	Stock options			
Maturity date - in	Average exercise price per share - R$	Number of options	Average fair value of the option - R$	R$
2011	18.38	444,000	1.29	674,440
2012	18.53	468,000	2.25	1,230,640
2013	18.49	463,000	3.14	1,705,440
2014	18.46	233,000	3.22	1,008,680
2015	19.13	173,000	4.12	712,000
2016	19.05	44,000	6.86	301,840
	18.54	1,825,000	2.63	5,633,040

The weighted average fair value of the stock options granted, determined based on the Black-Scholes pricing model, was R$2.71 per option. The significant inputs included in the model were the weighted average share price of R$18.37 on grant date, the exercise price as previously stated, 35% average volatility, the expected average life of the option, corresponding to 1,562 days, and average annual risk-free interest rate of 6%.

Volatility was measured at the standard deviation of continuously compounded share returns, based on a statistical analysis of daily share prices, using the historic interim periods that management believes are more appropriate to measure our expected volatility.

The fair value of stock options granted is recognized as an expense. The balancing item to this amount is the “Capital reserve - stock options”, in shareholders’ equity. The amount recognized in the nine-month period ended September 30, 2011 was R$3,162 (R$2,551 at September 30, 2010), and the amount recognized in the three-month period ended September 30, 2011 was R$693 (R$1,299 at September 30, 2010).

The vesting date of the last stock options granted is January 1, 2016 and the exercise period is 60 months after this date.

28. SEGMENT REPORTING

The Company’s management uses two operating segments and corporate expenses, which are not allocated to the segments, in order to analyze and make its strategic decisions, which are reviewed by our Board of Directors. The Board of Directors analyzes and approves the data, segmenting it based on the products offered in the education area, namely K-12 education and higher education.

28.1. Information on profit (loss), assets and liabilities of the reportable segment

The information by business segment, reviewed by the Board of Directors, for the period ended September 30, 2011 and 2010 is as follows:

	Period ended at 09/30/2011			
	Higher education	K-12 education	Unallocated portion	Total
Net sales	424,407	112,951	-	537,358
Cost of sales and services	(299,310)	(55,382)	-	(354,692)
Gross profit	125,097	57,569	-	182,666
Operating expenses				
Selling	(44,423)	(5,248)	-	(49,671)
General and administrative	(81,804)	(9,089)	-	(90,893)
Other, net	-	-	1,226	1,226
Income (loss) from operations before financial income (expenses)	(1,130)	43,232	1,226	43,328
Assets	966,266	192,767	318,477	1,477,510
Current and noncurrent liabilities	202,675	34,526	14,393	251,594

	Quarter ended at 09/30/2011			
	Higher education	K-12 education	Unallocated portion	Total
Net sales	147,496	32,533	-	180,029
Cost of sales and services	(104,125)	(15,427)	-	(119,552)
Gross profit	43,371	17,106	-	60,477
Operating expenses				
Selling	(16,386)	(1,578)	-	(17,964)
General and administrative	(30,893)	(3,432)	-	(34,325)
Other, net	-	-	4,547	4,547
Income (loss) from operations before financial income (expenses)	(3,908)	12,096	4,547	12,735
Assets	966,266	192,767	318,477	1,477,510
Current and noncurrent liabilities	202,675	34,526	14,393	251,594

	Period ended at 09/30/2010			
	Higher education	K-12 education	Unallocated portion	Total
Net sales	349,666	100,937	-	450,603
Cost of sales and services	(275,051)	(41,128)	-	(316,179)
Gross profit	74,615	59,809	-	134,424
Operating expenses				
Selling	(51,738)	(4,970)	-	(56,708)
General and administrative	(83,748)	(9,305)	-	(93,053)
Other, net	-	-	(2,926)	(2,926)
Income (loss) from operations before financial income (expenses)	(60,871)	45,534	(2,926)	(18,263)
Assets	909,514	105,780	63,867	1,079,161
Current and noncurrent liabilities	214,393	11,989	25,696	252,078

	Quarter ended at 09/30/2010			
	Higher education	K-12 education	Unallocated portion	Total
Net sales	130,783	22,786	-	153,569
Cost of sales and services	(101,581)	(14,238)	-	(115,819)
Gross profit	29,202	8,548	-	37,750
Operating expenses				
Selling	(17,053)	(465)	-	(17,518)
General and administrative	(27,172)	(3,019)	-	(30,191)
Other, net	-	-	(859)	(859)
Income (loss) from operations before financial income (expenses)	(15,023)	5,064	(859)	(10,818)
Assets	909,514	105,780	63,867	1,079,161
Current and noncurrent liabilities	214,393	11,989	25,696	252,078

The information by business segment, reviewed by the Board of Directors, for the year ended December 31, 2010 is as follows:

	Higher education	K-12 education	Unallocated portion	Total
Assets	911,143	119,736	63,907	1,094,786
Current and noncurrent liabilities	202,260	18,210	58,140	278,610

Intersegment sales were made on an arm's-length basis. The reported revenue from foreign parties was measured in accordance with the revenue disclosed in the income statement.

a) Reconciliation of revenue from sales and services

Analysis of revenues by category	Period ended at 09/30/2011	Quarter ended at 09/30/2011	Period ended at 09/30/2010	Quarter ended at 09/30/2010
Gross sales	89,982	24,620	80,646	15,140
Gross revenue from services	543,205	188,661	449,577	165,856
Deductions from gross revenue, mainly ProUni scholarships and taxes on sales	(95,829)	(33,252)	(79,620)	(27,427)
Net sales	85,568	21,442	75,842	14,087
Net revenue from services	451,790	158,587	374,761	139,482
	537,358	180,029	450,603	153,569

29. BREAKDOWN OF NET REVENUE - CONSOLIDATED

	Period ended at 09/30/2011	Quarter ended at 09/30/2011	Period ended at 09/30/2010	Quarter ended at 09/30/2010
Gross revenue:				
K-12 education	117,365	34,321	107,789	24,600
Higher education	515,822	178,960	422,434	156,396
	633,187	213,281	530,223	180,996
Deductions from gross revenue:				
K-12 education	(4,414)	(1,788)	(6,852)	(1,814)
Higher education	(91,415)	(31,464)	(72,768)	(25,613)
	(95,829)	(33,252)	(79,620)	(27,427)
Net revenue:				
K-12 education	112,951	32,533	100,937	22,786
Higher education	424,407	147,496	349,666	130,783
	537,358	180,029	450,603	153,569

30. EXPENSES BY NATURE - CONSOLIDATED

	Period ended at 09/30/2011	Quarter ended at 09/30/2011	Period ended at 09/30/2010	Quarter ended at 09/30/2010
Payroll and related taxes	(267,851)	(93,992)	(240,188)	(87,967)
Rental and common area maintenance fees	(43,826)	(15,245)	(40,422)	(17,919)
Depreciation and amortization	(31,164)	(10,631)	(23,416)	(8,433)
Utilities (water, power and telephone)	(27,084)	(10,212)	(20,672)	(7,624)
Outside services	(25,209)	(9,165)	(43,455)	(10,116)
Allowance for doubtful accounts	(22,310)	(7,667)	(22,846)	(7,366)
Cost of sales	(17,719)	(3,266)	(18,150)	(5,031)
Publicity and advertising	(15,912)	(6,614)	(17,807)	(6,274)
Travel expenses	(7,304)	(2,878)	(10,578)	(3,461)
Taxes	(4,209)	(1,756)	(3,131)	(1,317)
Other	(31,442)	(5,868)	(28,201)	(8,879)
	(494,030)	(167,294)	(468,866)	(164,387)
Cost of sales and services	(354,692)	(119,552)	(316,179)	(115,819)
Selling	(49,671)	(17,964)	(56,708)	(17,518)
General and administrative	(90,893)	(34,325)	(93,053)	(30,191)
Other operating income (expenses), net	1,226	4,547	(2,926)	(859)
	(494,030)	(167,294)	(468,866)	(164,387)

31. FINANCIAL INCOME (EXPENSES) - CONSOLIDATED

Financial income (expenses) can be summarized as follows:

	Period ended at 09/30/2011	Quarter ended at 09/30/2011	Period ended at 09/30/2010	Quarter ended at 09/30/2010
Financial income				
Interest on tuitions	11,709	5,121	8,638	4,655
Income on short-term investments and securities	7,596	7,167	8,848	455
Discounts obtained	885	67	1,148	503
Reduction of charges on taxes in installments	454	-	241	187
Other	729	575	2,526	1,545
	21,373	12,930	21,401	7,345

	Period ended at 09/30/2011	Quarter ended at 09/30/2011	Period ended at 09/30/2010	Quarter ended at 09/30/2010
Financial expenses				
Interest on borrowings and financing	(6,819)	(797)	(4,870)	(248)
Interest and fines for late tax payment	(3,306)	(613)	(1,876)	(1,122)
Adjustment of payment for acquisition of subsidiaries	(1,009)	(515)	(958)	(101)
Bank and collection fees	(1,932)	(1,041)	(891)	(352)
Interest and fines for late bill payment	(730)	(223)	(562)	(216)
Tax on financial transactions (IOF)	(529)	(122)	(149)	(99)
Other	(978)	(773)	(4,378)	(2,530)
	(15,303)	(4,084)	(13,684)	(4,668)
Financial income (expenses)	6,070	8,846	7,717	2,677

32. EARNINGS PER SHARE

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to Company shareholders by the weighted average number of units issued during the period.

	Period ended at 09/30/2011	Quarter ended at 09/30/2011	Period ended at 09/30/2010	Quarter ended at 09/30/2010
Profit (loss) attributable to Company's shareholders	44,653	20,652	(17,527)	(10,296)
Weighted average number of common shares issued (in thousands)	376,332	376,332	234,051	234,051
Basic earnings per common share	0.12	0.05	(0.07)	(0.04)

	Period ended at 09/30/2011	Quarter ended at 09/30/2011	Period ended at 09/30/2010	Quarter ended at 09/30/2010
Profit (loss) attributable to Company's shareholders	44,653	20,652	(17,527)	(10,296)
Weighted average number of preferred shares issued (in thousands)	416,642	416,642	205,978	205,978
Basic earnings per preferred share	0.11	0.05	(0.09)	(0.05)

	Period ended at 09/30/2011	Quarter ended at 09/30/2011	Period ended at 09/30/2010	Quarter ended at 09/30/2010
Profit (loss) attributable to Company's shareholders	44,653	20,652	(17,527)	(10,296)
Weighted average number of units issued (in thousands)	113,282	113,282	62,861	62,861
Basic earnings per unit	0.39	0.18	(0.28)	(0.16)

b) Diluted

The Company has no debt convertible into shares and the stock options granted were not presumed to have been exercised, as they were anti-dilutive; their exercise price was higher than the average market price. Therefore, there are no potential dilutive units.

33. BUSINESS COMBINATIONS

Acquisition of União

On July 14, 2011, the Company acquired, through its subsidiary EDE, 100% of the shares of União for R$7,850, of which R$4,710 was paid at sight and R$3,140 is payable in 5 annual, equal installments adjusted for inflation, beginning 1 year after the acquisition date.

The goodwill of R$8,550, generated by the difference between the amount paid and the acquiree's equity, was not yet assessed or allocated in accordance with CPC 15 - Business combinations. The acquisition cash flow was as follows:

	Balances at 07/01/2011
Total assets	1,205
Total liabilities	(1,905)
Shareholders' deficit acquired	(700)
Goodwill generated by the transaction (without the issuance of units)	8,550
Total acquisition cost	(7,850)
Cash and cash equivalents of the acquired subsidiary	13
Acquisition cash flow less acquired subsidiary's cash	(7,837)

The balance sheet as of July 1, 2011 was considered as the opening balance sheet, as follows:

	Fair value on acquisition date
Acquired assets (liabilities), net	(700)
Cash and cash equivalents	13
Trade receivables	307
Advances	107
Property, plant and equipment	684
Software	23
Other	70
Trade payables	(123)
Borrowings and financing	(98)
Payroll and related taxes	(1,238)
Taxes payable	(66)
Contingencies	(379)

Since the aforementioned information is based on a preliminary estimate of the fair value of the assets acquired and liabilities assumed, the final calculation may differ from these estimates.

Net revenue included in the consolidated income statement for the three-month period ended September 30, 2011 amounted to R$1,891 and net income was R$248.

Acquisition of Ceama

On July 18, 2011, the Company acquired, through its subsidiary EDE, 100% of the shares of Ceama for R$28,405, of which R$14,203 was paid at sight and R$4,734 is payable in 3 annual installments adjusted for inflation, beginning 1 year after the acquisition date.

The goodwill of R$41,837, generated by the difference between the amount paid and the acquiree's equity, was not yet assessed or allocated in accordance with CPC 15 - Business combinations. The acquisition cash flow was as follows:

	Balances at 07/01/2011
Total assets	22,440
Total liabilities	(35,422)
Shareholders' deficit acquired	(12,982)
Goodwill generated by the transaction (without the issuance of units)	41,837
Total acquisition cost	(28,405)
Cash and cash equivalents of the acquired subsidiary	32
Acquisition cash flow less acquired subsidiary's cash	(28 373)

The balance sheet as of July 1, 2011 was considered as the opening balance sheet, as follows:

	Fair value on acquisition date
Acquired assets (liabilities), net	(12,982)
Cash and cash equivalents	32
Trade receivables	1,536
Property, plant and equipment	20,872
Trade payables	(1,526)
Borrowings and financing	(2,936)
Payroll and related taxes	(2,197)
Taxes payable	(541)
Taxes in installments	(12,551)
Contingencies	(15,671)

Since the aforementioned information is based on a preliminary estimate of the fair value of the assets acquired and liabilities assumed, the final calculation may differ from these estimates.

Net revenue included in the consolidated income statement for the three-month period ended September 30, 2011 amounted to R$3,152 and net loss was R$264.

34. RELATED-PARTY TRANSACTIONS

The main intragroup balances and transactions are as follows:

a) Receivables from and payables to related parties (subsidiary)

	09/30/2011 Assets	12/31/2010 Liabilities
Advance for future capital increase (i)	324,557	-
Expense reimbursement (ii)	-	8,624

(i) Refers to the Company's capital contribution to its direct subsidiary Ede for capital increase purposes.

(ii) Refers to the costs incurred on the issuance of new Company shares and other expenses incurred recognized under Parent. Cash for payment of subsidiary EDE expenses and settling the intragroup transaction was recognized as an intragroup loan, where the Company recognized a liability and subsidiary EDE an asset. In the nine-month period ended September 30, 2011, the Company paid the outstanding balance to subsidiary EDE.

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

b) Other related-party transactions

PSES and SPES use rented properties of CNG Patrimonial Ltda. As of September 30, 2011, future payments amount to R$14,334.

IUNI, Unic Tangará do Sul, Unic Primavera Nova, Unic Sinop, Unime Lauro de Freitas, and Unic Várzea Grande use properties leased by Vertia Empreendimentos Imobiliários Ltda. These amounts are recorded in the income statement, in line account "Cost of services". As of September 30, 2011, future payments amount to R$137,195.

IUNI entered into an assignment agreement of the University General Hospital ("HGU") of Cuiabá, MT, to be used by its university, for which it pays R$277 per month. As of September 30, 2011, future payments amount to R$29,085 and there is no outstanding balance.

EDE entered into a contract for the sale of learning material with Fundação Pitágoras. The amount of sales in the three-month period ended September 30, 2011 was R$3,970 (R$330 at September 30, 2010). The balances receivable in 2011 is R$7,274 (R$6,262 at December 31, 2010).

EDE entered into financing agreement with the bank BDMG, the outstanding balance of which September 30, 2011 is R$8,647, and which are guaranteed by the Company's controlling shareholders.

c) Compensation of key management personnel

Key management personnel refer to the members of the board of directors, the supervisory board, the CEO, the vice president, and the officers.

Total compensation expected for 2011 is R$15,000. Compensation paid to key management personnel in the period ended September 30, 2011 is as follows:

	Period ended at 09/30/2011	Quarter ended at 09/30/2011	Period ended at 09/30/2010	Quarter ended at 09/30/2010
Salaries	2,480	746	2,542	2,542
Variable compensation (*)	1,956	764	560	560
Share-based compensation plan - stock option plan	2,737	268	1,252	1,252
	7,173	1,778	4,354	4,354

(*) Variable compensation set out in an agreement with officers.

35. STATEMENTS OF CASH FLOWS - CONSOLIDATED

a) Cash and cash equivalents

The breakdown of cash and cash equivalents disclosed in the statements of cash flows is stated in note 7.

36. INSURANCE - CONSOLIDATED

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

As of September 30, 2011, the Company had insurance policies with single maximum indemnity of R$123,704 (R$105,878 at September 30, 2010), and which cover electrical damages, riots, window breaking, electronic equipment, fire, robbery, lightning, explosions, windstorms, vehicle impact, and aircraft crashes.

37. EVENTS AFTER THE REPORTING PERIOD

a) Acquisition of FAIS

On November 3, 2011, the Company acquired, through its subsidiary Editora e Distribuidora Educacional S.A. ("EDE"), 100% of the shares of União Sorrisense de Educação Ltda. (USE), the company that manages Faculdade de Sorriso (FAIS), which is based in Sorriso, State of Mato Grosso.

As a result, EDE will pay the sellers the amount of R$5,424, which is calculated based on the business value of R$7,000 less USE's net debt of R$1,576.

On November 4, 2011, 80% of this amount was paid and the remaining amount is payable to the sellers in 60 months from the transaction date, and is subject to adjustments, retentions and compensations arising from USE's liabilities, for which the sellers are responsible according to the agreement. USE has 1,302 students and 1,400 annual openings.

38. APPROVAL OF THE FINANCIAL STATEMENTS FOR DISCLOSURE

The individual and consolidated financial statements were approved by the Board of Directors for disclosure at the meeting held on November 9, 2011.