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

Kroton Educacional S.A. and Subsidiaries

Financial Statements for the Year Ended December 31, 2012 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying individual and consolidated financial statements of Kroton Educacional S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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Opinion on the individual financial statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Kroton Educacional S.A. as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kroton Educacional S.A. as at December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

We draw attention to Note 2 to the financial statements, which states that the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of the Company these accounting practices differ from the IFRSs, applicable to separate financial statements, only with respect to the measurement of investments in subsidiaries by the equity method of accounting, which, for purposes of IFRS would be measured at cost or fair value. Our opinion is not qualified with respect to this matter.

Other matters

We have also audited the individual and consolidated statements of value added ("DVA"), for the year ended December 31, 2012, prepared under the responsibility of the Company's management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies and as supplemental information for IFRS that does not require the presentation of a DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

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

São Paulo, March 19, 2013

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Ismar de Moura
Engagement Partner

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

BALANCE SHEETS AS OF DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

		Parent (BR GAAP)		Consolidated (IFRS and BR GAAP)	
ASSETS	Note	12/31/2012	12/31/2011	12/31/2012	12/31/2011
CURRENT ASSETS					
Cash and cash equivalents:	7				
Cash and banks		33	27	132,226	44,709
Short-term investments		1,719	4,568	83,394	106,638
Trade receivables	9	-	-	245,104	240,558
Inventories	10	-	-	15,903	22,128
Advances	11	-	-	27,443	17,938
Recoverable taxes	12	1,107	317	25,555	19,622
Dividends	15	45,639	-	-	-
Other receivables	14	-	-	10,918	5,536
Total current assets		48,498	4,912	540,543	457,129
NONCURRENT ASSETS					
Securities	8	-	-	3,840	1,227
Trade receivables	9	-	-	14,402	19,568
Deferred income tax and social contribution	13.b)	-	-	1,546	7,333
Escrow deposits	25	-	-	8,646	9,216
Advances	11	-	-	8,777	11,757
Recoverable taxes	12	-	-	9,811	1,537
Contingencies' guarantees	25	-	-	159,098	109,957
Other receivables	14	-	-	3,022	4,267
Advance for future capital increase	35	3,930	-	-	-
Investments:					
In subsidiaries	15	2,186,232	1,152,801	-	-
Other		-	-	1,600	1,600
Property, plant and equipment	16	-	-	371,852	246,264
Intangible assets	17	59,450	351,509	2,660,783	2,096,617
Total noncurrent assets		2,249,612	1,504,310	3,243,377	2,509,343
TOTAL ASSETS		2,298,110	1,509,222	3,783,920	2,966,472

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

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

BALANCE SHEETS AS OF DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

		Parent (BR GAAP)		Consolidated (IFRS and BR GAAP)	
LIABILITIES AND EQUITY	Note	12/31/2012	12/31/2011	12/31/2012	12/31/2011
CURRENT LIABILITIES					
Trade payables	18	300	31	72,666	62,800
Borrowings and financing	19	-	-	4,706	10,461
Debentures	20	-	-	1,698	-
Payroll and related taxes	21	18	202	100,538	60,162
Income tax and social contribution		-	199	4,993	4,315
Taxes payable		381	183	17,353	11,091
Advance from customers	22	-	-	36,307	22,582
Taxes in installments	23	-	-	7,764	9,721
Payables - acquisitions	24	-	-	54,823	401,095
Dividends	27	44,803	-	44,803	-
Other payables	26	-	-	22,906	1,455
Total current liabilities		45,502	615	368,557	583,682
NONCURRENT LIABILITIES					
Borrowings and financing	19	-	-	6,926	10,468
Debentures	20	-	-	542,111	544,339
Due to related parties	35	-	1,884	-	-
Provision for tax, labor and civil risks	25	6,404	-	244,574	192,619
Taxes in installments	23	-	-	42,443	36,856
Payables - acquisitions	24	-	-	171,523	15,830
Deferred income tax and social contribution	13	-	20,117	159,312	101,992
Provision for investment losses	15	-	11,275	-	-
Other payables	26	-	-	2,270	5,355
Total noncurrent liabilities		6,404	33,276	1,169,159	907,459
EQUITY	27				
Capital		1,867,228	1,254,061	1,867,228	1,254,061
Capital reserves		242,171	258,781	242,171	258,781
Treasury shares		(7,037)	(24,112)	(7,037)	(24,112)
Earnings reserves		143,842	-	143,842	-
Accumulated losses		-	(13,399)	-	(13,399)
Total equity		2,246,204	1,475,331	2,246,204	1,475,331
TOTAL LIABILITIES AND EQUITY		2,298,110	1,509,222	3,783,920	2,966,472

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

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

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$, except earnings per share)

	Note	Parent (BR GAAP) 12/31/2012	Parent (BR GAAP) 12/31/2011	Consolidated (IFRS and BR GAAP) 12/31/2012	Consolidated (IFRS and BR GAAP) 12/31/2011
NET REVENUE FROM SALES AND SERVICES					
Higher education	30	-	-	1,257,461	597,874
K-12 education	30	-	-	148,105	136,679
		-	-	1,405,566	734,553
COST OF SALES AND SERVICES					
Cost of sales	31	-	-	(25,896)	(23,528)
Cost of services	31	-	-	(736,945)	(469,926)
		-	-	(762,841)	(493,454)
GROSS PROFIT		-	-	642,725	241,099
OPERATING INCOME (EXPENSES)					
Selling	31	-	-	(138,511)	(71,943)
General and administrative	31	(20,957)	(7,647)	(260,809)	(127,290)
Other operating income	31	-	-	117	40,816
Other operating expenses	31	-	-	(466)	(41,697)
Equity in subsidiaries:					
Equity in investees	15	220,651	42,397	-	-
Gain (loss) on sale of investment	31	-	-	-	(3,221)
INCOME FROM OPERATIONS BEFORE FINANCE INCOME (COSTS)		199,694	34,750	243,056	37,764
FINANCE INCOME 9COSTS)					
Finance income	32	894	2,875	60,708	31,028
Finance costs	32	(87)	(51)	(95,143)	(26,112)
INCOME FROM OPERATIONS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		200,501	37,574	208,621	42,680
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	13	-	(199)	(16,300)	(2,338)
Deferred	13	1,543	-	9,723	(2,967)
		1,543	(199)	(6,577)	(5,305)
PROFIT FOR THE YEAR		202,044	37,375	202,044	37,375
ATTRIBUTABLE TO					
Company's shareholders		202,044	37,375	202,044	37,375
Noncontrolling interests		-	-	-	-
Basic earnings per share ON - R$	33	0.86	0.25	0.86	0.25
Diluted earnings per share ON - R$	33	0.86	-	0.86	-

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

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KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Parent (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
PROFIT FOR THE YEAR	202,044	37,375	202,044	37,375
OTHER COMPREHENSIVE INCOME	-	-	-	-
COMPREHENSIVE INCOME FOR THE YEAR	202,044	37,375	202,044	37,375
ATTRIBUTABLE TO				
Company's shareholders			202,044	37,375
Noncontrolling interests			-	-

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

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KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY (PARENT AND CONSOLIDATED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$, except amount per share)

			Capital reserves			Earnings reserves			Retained earnings	
	Note	Capital	Capital reserves	Equity instruments arising from business combination	Treasury shares	Legal reserve	Proposed additional dividends	Investment reserve	(accumulated losses)	Total equity
BALANCES AS OF DECEMBER 31, 2010		873,831	17,859	-	(24,740)	-	-	-	(50,774)	816,176
Capital increase	27.a)	380,230	-	-	-	-	-	-	-	380,230
Share issuance cost	27.c)	-	(22,555)	-	-	-	-	-	-	(22,555)
Treasury shares acquired	27.d)	-	-	-	(4,704)	-	-	-	-	(4,704)
Treasury shares sold	27.d)	-	-	-	5,332	-	-	-	-	5,332
Options granted recognized	27.c)	-	4,150	-	-	-	-	-	-	4,150
Loss on sale of treasury shares	27.c)	-	(111)	-	-	-	-	-	-	(111)
Options of shares exercised	27.c)	-	(562)	-	-	-	-	-	-	(562)
Share exchange on acquisition of subsidiary	27.e)	-	-	260,000	-	-	-	-	-	260,000
Profit for the year		-	-	-	-	-	-	-	37,375	37,375
BALANCES AS OF DECEMBER 31, 2011		1,254,061	(1,219)	260,000	(24,112)	-	-	-	(13,399)	1,475,331
Capital increase	27.a)	613,167	-	(16,127)	-	-	-	-	-	597,040
Share issuance cost	27.c)	-	(5,091)	-	-	-	-	-	-	(5,091)
Treasury shares sold	27.d)	-	-	-	17,075	-	-	-	-	17,075
Options granted recognized	27.c)	-	7,109	-	-	-	-	-	-	7,109
Gain on sale of treasury shares	27.c)	-	4,698	-	-	-	-	-	-	4,698
Options of shares exercised	27.c)	-	(7,199)	-	-	-	-	-	-	(7,199)
Profit for the year		-	-	-	-	-	-	-	202,044	202,044
Allocation of profit:										
Legal reserve	27.f)	-	-	-	-	9,432	-	-	(9,432)	-
Recognition of investment reserve	27.h)	-	-	-	-	-	-	119,213	(119,213)	-
Distribution of dividends (R$0.223938 per share)	27.g)	-	-	-	-	-	15,197	-	(60,000)	(44,803)
BALANCES AS OF DECEMBER 31, 2012		1,867,228	(1,702)	243,873	(7,037)	9,432	15,197	119,213	-	2,246,204

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

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KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Note	Parent (BR GAAP) 12/31/2012	Parent (BR GAAP) 12/31/2011	Consolidated (IFRS and BR GAAP) 12/31/2012	Consolidated (IFRS and BR GAAP) 12/31/2011
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax and social contribution		200,501	37,574	208,621	42,680
Adjustment to reconcile profit before income tax and social contribution to net cash provided by (used in) operating activities:					
Depreciation and amortization	16 e 17	4,160	378	85,935	44,407
Allowance for doubtful accounts	9	-	-	66,083	31,314
Provision for tax, labor and civil risks	25	6,404	-	5,272	3,076
Recognition (reversal) of allowance for inventory losses	10	-	-	257	(1,858)
Financial charges on borrowings and debentures	19 e 20	-	-	59,413	9,858
Financial charges on acquisition	24	-	-	19,785	2,535
Income from securities	8	(894)	-	(29,514)	(13,775)
Grant of stock options	27	7,109	1,681	7,109	4,150
Loss of investment on sale of subsidiary		-	-	-	3,031
Gain (loss) on sale or write-off of noncurrent assets		-	-	335	832
Equity in subsidiaries	15	(220,651)	(42,396)	-	-
Changes in operating assets and liabilities:					
(Increase) in trade receivables		-	-	(56,728)	(117,944)
(Increase) decrease in inventories		-	-	982	(1,173)
(Increase) in advances		-	-	(4,997)	(7,122)
(Increase) decrease in recoverable taxes		(790)	99	(3,634)	5,187
(Increase) decrease in escrow deposits		-	-	570	(201)
Increase (decrease) in other assets		-	2	(3,953)	2,616
Increase (decrease) in trade payables		269	31	(2,224)	(7,786)
Increase (decrease) in payroll and related taxes		(184)	202	25,882	2,811
Increase (decrease) in taxes		-	90	(11,312)	(3,971)
Increase in advances form customers		-	-	13,698	11,146
(Decrease) in taxes in installments		-	-	(5,357)	(6,680)
(Decrease) in provision for tax, labor and civil risks		-	-	(2,259)	(6,166)
Increase (decrease) in other liabilities		-	-	12,211	(3,545)
Cash provided by (used in) operating activities		(4,076)	(2,339)	386,175	(6,578)
Income tax and social contribution		-	(416)	(10,322)	(2,249)
Interest on borrowings and debentures		-	-	(61,702)	(7,609)
Net cash provided by (used in) operating activitie		(4,076)	(2,755)	314,151	(16,436)
CASH FLOW FROM INVESTING ACTIVITIES					
Redemption of securities	8	894	-	26,901	19,983
Increase in property, plant and equipment	16	-	-	(106,668)	(33,013)
Increase in intangible assets	17	-	-	(13,371)	(13,555)
Acquisition of control net of cash acquired		-	-	(738,302)	(669,122)
Transfer of treasury shares and stock option plan of subsidiary		-	(23,701)	-	-
Advance for capital increase in subsidiary		(3,930)	-	-	-
Capital increase in subsidiary	15	(600,370)	(324,556)	-	-
Payment of liabilities of acquirees		-	-	-	(21,176)
Receipt for the sale of property, net of selling expenses		-	-	-	38,522
Receipt for the sale of noncurrent assets		-	-	131	-
Net cash used in investing activities		(603,406)	(348,257)	(831,309)	(678,361)
CASH FLOW FROM FINANCING ACTIVITIES					
Sales (acquisitions) of treasury shares	27	14,574	4,659	14,574	(45)
Capital increase, net of issuance costs	27	591,949	357,675	591,949	357,675
Issuance of CCB, net of issuance costs	20	-	-	(530)	541,378
Borrowings and financing	19	-	-	-	43,802
Payment of borrowings and financing	19	-	-	(24,562)	(122,834)
Settlement of intragroup loans		(1,884)	(6,740)	-	-
Net cash provided by financing activities		604,639	355,594	581,431	819,976
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS, NET		(2,843)	4,582	64,273	125,179
Cash and cash equivalents at the beginning of the year	7	4,595	13	151,347	26,168
Cash and cash equivalents at the end of the year	7	1,752	4,595	215,620	151,347
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS, NET		(2,843)	4,582	64,273	125,179

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

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KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Parent (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
REVENUE				
Higher education	-	-	1,290,441	613,353
K-12 education	-	-	153,177	140,573
Other revenues	-	-	117	40,816
Recognition of allowance for doubtful accounts	-	-	(66,083)	(31,314)
INPUTS PURCHASED FROM THIRD PARTIES				
Cost of products and services	-	-	(25,896)	(23,528)
Materials, electricity, outside services and other	(8,332)	(1,856)	(272,107)	(314,890)
GROSS VALUE ADDED	(8,332)	(1,856)	1,079,649	425,010
Depreciation and amortization	(4,160)	(378)	(85,935)	(44,407)
WEALTH CREATED	(12,492)	(2,234)	993,714	380,603
WEALTH RECEIVED IN TRANSFER				
Equity in subsidiaries	220,651	42,397	-	-
Finance income	894	2,875	60,708	31,028
WEALTH FOR DISTRIBUTION	209,053	43,038	1,054,422	411,631
WEALTH DISTRIBUTED	209,053	43,038	1,054,422	411,631
Personnel:				
Salaries and wages	7,981	4,955	443,644	269,817
Benefits	-	-	21,289	14,148
Severance Pay Fund (FGTS)	69	60	42,523	25,827
Taxes and fees:				
Federal	(1,137)	434	123,859	76,378
State	4	9	454	174
Municipal	5	154	35,858	19,014
Interest on debt:				
Interest	87	51	95,143	26,112
Leases	-	-	84,047	(62,967)
Copyrights	-	-	5,561	5,753
Interest on capital:	202,044	37,375	202,044	37,375
Profit for the year	-	37,375	-	37,375
Accumulated losses	13,399	-	13,399	-
Legal reserve	9,432	-	9,432	-
Recognition of earnings reserve	119,213	-	119,213	-
Distribution of dividends	60,000	-	60,000	-

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

1. GENERAL INFORMATION

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

The Company conducts its activities through its subsidiary Editora e Distribuidora Educacional S.A. ("EDE").

The Company is listed at the BM&FBovespa S.A. - Bolsa de Valores, Mercadorias e Futuros and, on December 5, 2012, it has migrated to the special listing segment called Novo Mercado, under ticker symbol KROT3, where it trades its common shares.

The Company's direct and indirect subsidiaries are summarized in note 2.3.c) below.

Acquisition of Ítala

On May 28, 2012, the Company, through its direct subsidiary EDE, acquired 100% of the shares in Ítala Participações Ltda. Ítala is the controlling shareholder of Uniasselvi Group, comprised of subsidiaries: Assevim, Fameg, Famelages, Famesul, Pós EAD, Pós Uniasselvi, Uniasselvi and LDV.

Uniasselvi Group operates in the distance learning (EAD) segment through 48 authorized establishments and in the in-class learning segment, with units in the cities of Blumenau, Indaial, Brusque, Timbó, Rio do Sul and Guaramirim, all in the State of Santa Catarina.

Ítala was merged into subsidiary EDE in December 2012.

Acquisition of Unirondon

On August 2, 2012, the Company, through its subsidiary EDE, acquired 100% of the shares of União Educacional Cândido Rondon (Unirondon), which operates in the in-class higher education segment in the cities of Cuiabá and Campo Verde, in the State of Mato Grosso.

Establishment of CSL Educacional

On August 1, 2012, part of the equity of indirect subsidiary Spes was spun off. The spun-off balances correspond to the High Scholl operation located in São Luís, Maranhão (MA).

The spin-off originated a new company, called CSL Educacional Ltda., a subsidiary of EDE.

Comparability

The financial statements for the year ended December 31, 2012 include the profit or loss of subsidiary Ítala, which was consolidated beginning June 1, 2012; and subsidiary Unirondon, which was consolidated beginning August 1, 2012.

The financial statements for the year ended December 31, 2012 include the profit or loss of subsidiaries União and Ceama, consolidated beginning July 1, 2011; subsidiary Fais, consolidated beginning November 1, 2011; subsidiaries Unopar and Alba, consolidated beginning December 1, 2011.

Therefore, the readers of these financial statements should take these aspects into consideration.

Reclassifications

The net share issuance costs of R$22,555, previously stated as a reduction of capital as of December 31, 2011 were reclassified to a specific reserve line item of equity.

Seasonality

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Declaration of conformity

The Company's financial statements comprise:

a) The consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board - IASB, and the accounting practices adopted in Brazil, identified as Consolidated - IFRS and BR GAAP.

b) The Company's individual financial statements prepared in accordance accounting practices adopted in Brazil, identified as Parent - BR GAAP.

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

The individual financial statements present the valuation of investments in subsidiaries by the equity method of accounting, pursuant to prevailing Brazilian laws. Accordingly, the individual financial statements do not fully comply with IFRS, which requires that these investments be measured separately from the parent company at fair value or cost.

As there is no difference between the consolidated equity and the consolidated profit attributable to the owners of the Company, disclosed in the consolidated financial statements prepared in accordance with IFRSs and the accounting practices adopted in Brazil, and the Company's equity and profit disclosed in the individual financial statements prepared in accordance with accounting practices adopted in Brazil, the Company opted for presenting these individual and consolidated financial statements in a single set, using a side-by-side format.

2.2. Basis of preparation

The financial statements have been prepared based on the historical cost, except if otherwise stated, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration paid in exchange for an asset.

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

2.3. Basis of consolidation and investment measurement

a) Subsidiaries

Subsidiaries are all entities regarding which the Company has the power to determine the financial and operating policies, in general by virtue of holding more than half of the voting rights. The existence and the effect of potential voting rights, currently exercisable or convertible, are taken into consideration to determine if the Company controls another entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and cease to be consolidated when control is no longer exercised.

The acquisition accounting method 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, equity instruments (e.g. shares) issued and liabilities incurred or assumed on the exchange date, plus any costs directly attributable to the acquisition. The identifiable assets acquired and contingencies and liabilities assumed in a business combination are initially recognized at their fair values at the acquisition date, regardless of the share of any noncontrolling interests. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired and the allocated balances is recorded 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, revenues and expenses, according to their nature, with the following eliminations:

(i) Intragroup investments, reserves and retained earnings.

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

(iii) Identification of noncontrolling interests.

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

b) Transactions with and interests of noncontrolling shareholders

The Company treats transactions with noncontrolling interests as transactions with owners of the Company's assets. For acquisitions of noncontrolling interests, the difference between any consideration paid and the acquired portion of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to noncontrolling interests are also recorded in equity.

When the Company ceases to have control, any retained interest in the entity is remeasured at fair value, and the change in the carrying amount is 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. Furthermore, any amounts previously recognized in other comprehensive income in relation to that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This means 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 accounts of the Company and the following subsidiaries:

	Interest in total capital - %	
Consolidated companies	12/31/2012	12/31/2011
Direct subsidiaries:		
UNOPAR - Universidade de Arapongas, Bandeirantes, Londrina and partner in EAD centers (i) (ii)	-	20.00
EDE - Publisher and college of Divinópolis, Guarapari, Jundiaí, Teixeira de Freitas and Uberlândia, and parent of:	100.00	100.00
Indirect subsidiaries:		
ÁGORA - Sports schools (iii)	-	99.99
ALBA - Service provider (i)	99.99	99.99
CEAMA - Faculdade de São Luís (iv)	99.99	99.99
CSL - K-12 education (v)	99.99	-
FAIS - Faculdade de Sorriso (vi)	99.99	99.99
FATEC - Faculdade de Londrina	99.99	99.99
GK - Faculdade de Feira de Santana	99.99	99.99
INADE - Instituto de Avaliação (vii)	-	99.99
ORME - Faculdade de Tecnologia de Belo Horizonte	99.99	99.99
PAX - Editora Rede Católica	99.99	99.99
PROJECTA - Publisher	99.99	99.99
PSES - Faculdade de Belo Horizonte, Betim, Contagem, Governador Valadares, Ipatinga, Maceió, Poços de Caldas, São Luís and Votorantim	99.99	99.99

Consolidated companies	Interest in total capital - % 12/31/2012	12/31/2011
SPES - K-12 education	99.99	99.99
UMEP - Faculdade de Londrina	99.99	99.99
UNIÃO - Faculdade de Ponta Grossa (iv)	99.99	99.99
UNILINHARES - Faculdade de Linhares	99.99	99.99
UNIRONDON - Faculdade de Campo Verde e Cuiabá (viii)	99.99	-
UNOPAR - Universidade de Arapongas, Bandeirantes, Londrina and partner in EAD centers (i) (ii)	99.99	80.00
ASSEVIM - Faculdade de Brusque (ix)	99.99	-
FAMEG - Faculdade de Guaramirim (ix)	99.99	-
FAMELAGES - Faculdade de Lages (ix)	99.99	-
FAMESUL - Faculdade de Rio do Sul (ix)	99.99	-
PÓS EAD - University partner in EAD centers (ix)	99.99	-
PÓS UNIASSELVI - Universidade de Blumenau e Itajaí (ix)	99.99	-
UNIASSELVI - Universidade de Blumenau, Indaial e Timbó, partner in EAD centers, and parent of: (ix)	99.99	-
LDV - Publisher (ix)	99.99	-
IUNI - Universidade de Cuiabá and parent of:	100.00	100.00
UNIC PRIMAVERA ANTIGA - Faculdade Primavera do Leste	99.99	99.99
UNIC PRIMAVERA NOVA - Faculdade Primavera do Leste	99.99	99.99
UNIC ROO AE - Faculdade de Rondonópolis	99.99	99.99
UNIC ROO FP - Faculdade de Rondonópolis	99.99	99.99
UNIC SINOP - Faculdade de Sinop	99.99	99.99
UNIC TANGARÁ NORTE - Faculdade de Tangará da Serra	99.99	99.99
UNIC TANGARÁ SUL - Faculdade de Tangará da Serra	99.99	99.99
UNIC VG - Faculdade de Várzea Grande	99.99	99.99
UNIME ITABUNA - Faculdade de Itabuna	99.99	99.99
UNIME SALVADOR - Faculdade de Salvador	99.99	99.99
FAMA MARABÁ - Faculdade de Marabá	99.99	99.99
UNIME LF - Faculdade de Lauro de Freitas and parent of-	99.99	99.99
FAMA MACAPÁ - Faculdade de Macapá	99.99	99.99

(i) Subsidiary acquired in December 2011.

(ii) In December 2012, the Company increased the capital of subsidiary EDE by means of the interest in subsidiary Unopar. Accordingly, EDE started to fully control Unopar.

(iii) Subsidiary merged into Spes, by means of capital increase made by EDE in December 2012.

(iv) Subsidiary acquired in July 2011.

(v) Subsidiary established in August 2012.

(vi) Subsidiary acquired in November 2011.

(vii) Subsidiary merged into EDE in October 2012.

(viii) Subsidiary acquired in August 2012.

(ix) Subsidiary acquired in June 2012.

In June 2012, the Company, through subsidiary EDE, acquired the control of Ítala and, in December 2012, it conducted the merger process.

2.4. Segment reporting

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

2.5. Functional and reporting currency

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

2.6. Statement of comprehensive income

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

2.7. Cash and cash equivalents

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

2.8. Financial assets

2.8.1. Classification and measurement

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

a) Loans and receivables

Loans and receivables are represented by non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included as current assets, except those with maturities exceeding 12 months after the balance sheet date (which are classified as noncurrent assets). The Company's loans and receivables include cash and cash equivalents, trade and other receivables. Loans and receivables are accounted for at amortized cost, using the effective interest 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 other category. They are classified as noncurrent assets, unless Management intends to dispose of the investment within up to 12 months after the balance sheet date. Available-for-sale assets are classified at fair value. Interest on available-for-sale securities, calculated under the effective interest method, is recognized as “Finance Income” in the income statement.

c) Fair value through profit or loss

The Company determines the fair value of financial instruments without an active market or which are not publicly quoted using valuation techniques. These techniques may include, where applicable, the use of recent transactions with third parties, the reference to other substantially similar instruments, the analysis of discounted cash flows and option pricing models, which makes maximum use of market inputs and relies as little as possible on entity-specific inputs.

d) Other financial liabilities

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

2.8.2. Recognition

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

2.8.3. Offsetting of financial instruments

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

2.8.4. Impairment of financial assets

a) Assets stated at amortized cost

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

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

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

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

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

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

b) Assets classified as available for sale

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

2.9. Trade receivables

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

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

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

2.10. Inventories

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

2.11. Property, plant and equipment

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

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

	Years
Buildings	25
IT equipment	5
Furniture, fixtures and facilities	10
Leasehold improvements	17
Library	10
Laboratory	10

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

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

The Company reviewed the useful lives of its assets and concluded the amortization and depreciation rates used are consistent with its operations at December 31, 2012 and 2011.

2.12. Intangible assets

a) Goodwill

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

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

b) Software and development of internal projects

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

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

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

- The expenditure attributable to the software/project during its development can be measured reliably.

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

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

Software/project development costs recognized as assets are amortized 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 each balance sheet date or whenever significant events or changes in circumstances indicate that their carrying amounts might be impaired. When such an indication exists, the assets are tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable value is the higher of an asset's fair value less costs to sell and its value in use. Assets are grouped for impairment assessment purposes at the lowest levels at which there are separately identifiable cash flows (CGUs). Nonfinancial assets - except goodwill - that suffered impairment are reviewed for a possible reversal of the impairment on the reporting date.

2.14. Trade payables

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

2.15. Borrowings 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 raised (less transaction costs) and the redemption amount is recognized in the income statement over the period borrowings are outstanding, using the effective interest method.

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 risks

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

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

2.17. Current and deferred income tax and social contribution

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

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

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

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

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

2.18. Earnings per share

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to the Company’s shareholders by the weighted average number of common shares.

b) Diluted

The Company does not have any debt convertible into shares. The stock option plan offered to beneficiaries allows the Company to issue share to grant to the beneficiary when the option is exercised.

2.19. Employee benefits - share-based compensation

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

2.20. Finance lease

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

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

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

2.21. Other current and noncurrent assets and liabilities

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

2.22. Share capital

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

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

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

2.23. Revenue recognition

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

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

a) Sale of products

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

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

b) Sale of services

Revenue from services is recognized based on services actually provided through the end of the reporting period.

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

With respect to distance learning courses (EAD) provided by subsidiary Unopar, 36% of a student's tuition is transferred to the partner center where the telepresence classes are held. Revenue recognized corresponds to only 64% of total tuitions paid to the subsidiary.

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

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

c) Finance income and costs

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

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

2.24. Dividend distribution

The distribution of dividends to the Company's shareholders is recognized as a liability in the Company's financial statements at the end of the reporting period, as set forth in the Company's bylaws. Any amount in excess of the mandatory minimum dividend is accrued on the date it is approved by shareholders at the General Meeting.

2.25. Statement of value added ("DVA")

The purpose of this statement is to disclose the wealth created by the Company and its distribution during a certain reporting period, and is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as additional disclosure of the consolidated financial statements, since this statement is not required by IFRSs.

The statement of value added has been 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 thereon, other income 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 (equity in subsidiaries, finance income and other income). The second part of the statement of value added presents the distribution of wealth among personnel, taxes and contributions, lenders and lessors, and shareholders.

2.26. New and revised standards and interpretations

Standards, interpretations and revised standards not yet effective and which were not early adopted by the Company

The Company did not adopt the new and revised IFRSs already issued but not yet effective below:

Effective for annual periods beginning on or after January 1, 2013:

- IFRS 10 - Consolidated Financial Statements - under IFRS 10 there is only one basis for consolidation, that is, control. Additionally, IFRS 10 includes a new definition of control.

- IFRS 11 - Joint Arrangements - addresses how a joint arrangement where two or more parties have joint control should be classified.

- IFRS 12 - Disclosure of Interests in Other Entities - it is a disclosure standard applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

- IFRS 13 - Fair Value Measurement – establishes a single source of guidance for fair value measurements and disclosures about fair value measurements.

- Amendments to IFRS 7 - Disclosures - Offset of Financial Assets and Financial Liabilities - increase the disclosure requirements for transactions involving financial assets.

- Amendments to IFRS 10, 11 and 12 - clarify certain transition rules applicable to the first-time adoption of IFRSs.

- IAS 19 (revised in 2011) - Employee Benefits - changes the accounting for defined benefit plans and termination benefits.

- IAS 27 (revised in 2011) - Separate Financial Statements - reflects the changes in the accounting for noncontrolling interests (minority interests) and relates primarily to accounting for increases and decreases in ownership interests in subsidiaries after control is obtained.

- IAS 28 (revised in 2011) - Investments in Subsidiaries and Joint Ventures - clarify procedures for the application of impairment tests to associates and joint ventures.

- Amendments to IFRSs - the annual improvements to the 2009-2011 IFRS cycle include several changes to different IFRSs. The amendments to IFRSs applicable to annual periods beginning on or after January 1, 2013 include:

  a) Amendments to IAS 16 - Property, Plant and Equipment - clarify that spare parts, stand-by equipment and service equipment are classified as property, plant and equipment when they meet the definition of property, plant and equipment set out in IAS 16, or otherwise as inventory.

b) Amendments to IAS 32 - Financial Instruments - Presentation - clarify that the income tax related to distributions to holders of equity instruments and equity transaction costs should be accounted for pursuant to IAS 12 - Income Taxes.

Effective for annual periods beginning on or after January 1, 2014:

- Amendments to IAS 32 - Offset of Financial Assets and Financial Liabilities - address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities.

Effective for annual periods beginning on or after January 1, 2015:

- IFRS 9 - Financial Instruments - introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities.

Because of the CPC's commitment to keep the set of standards issued up-to-date as amendments are made by the IASB, Management expects such new and revised standards to be issued by CPC by the date they become effective.

By the reporting date, the following technical pronouncements were issued by CPC:

CPC 19 (R2)	Joint Arrangements (equivalent to IFRS 11)
CPC 33 (R1)	Employee Benefits (equivalent to IAS 19, revised)
CPC 36 (R3)	Consolidated Financial Statements (equivalent to IFRS 10)
CPC 45	Disclosure of Interests in Other Entities (equivalent to IFRS 12).
CPC 46	Fair Value Measurement (equivalent to IFRS 13)

The Company's Management assessed these new standards and interpretations and does not expect any significant impacts on the reported amounts.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

Accounting policies are those that: (a) are important to show 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 adopted variables and assumptions based on past experience and other factors that it believes to be reasonable and relevant. Even if those estimates and assumptions are revised by the Company in the normal course of business, the portrayal of its financial condition and results often requires the use of judgments as regards the effects of matters inherently uncertain on the carrying amount of its assets and liabilities. Actual results may differ from estimates based on different variables, assumptions or conditions. In order to provide an understanding of how the Company forms its judgments about future events, including the variables and assumptions underlying the estimates, comments have been included that relate to each critical accounting practice described below:

a) Estimated goodwill impairment

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, these assets are grouped in the smallest identifiable group of assets that generates cash inflows (CGU) and allocation is proportionally made. Goodwill is recorded at cost less accumulated impairment losses. Goodwill impairment losses are recognized in profit or loss for the year in which they occur and cannot be reversed in subsequent years, even if the conditions that caused the impairment cease to exist, when applicable. As of December 31, 2012, consolidated goodwill is R$2,103,471 (R$1,690,574 as of December 31, 2011). See note 17.

b) Deferred taxes

The liability method (according to the concept described in IAS 12 - Liability Method) of accounting for income tax is used for deferred income taxes arising from temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred income tax assets are revised on each reporting date and decreased by the amount that is no longer realizable through future taxable income. Deferred income tax assets and liabilities are calculated using tax rates applicable to taxable income in the years in which those temporary differences are expected to be realized. Future taxable income may be higher or lower than estimates when determining whether it is necessary to record a tax asset and the amount to be recorded. As of December 31, 2012, the consolidated balance of deferred income tax and social contribution is R$1,546 (R$7,333 as of December 31, 2011) and the consolidated balance of deferred tax liabilities is R$159,312 (R$101,992 as of December 31, 2011). See note 13.

c) Provisions for tax, labor and civil risks

The Company is a defendant to several lawsuits 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 this provision is adequate and accurately presented in the financial statements. As of December 31, 2012, the consolidated balance of the provision for tax, labor and civil contingencies is R$244,574 (R$192,619 as of December 31, 2011). See note 25.

d) Useful lives of long-lived assets

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

e) Adjustment to present value of certain assets and liabilities

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

4. FINANCIAL RISK MANAGEMENT- CONSOLIDATED (IFRS and BR GAAP)

4.1. Financial risk factors

a) Financial instruments policy

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

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

b) Market risk

Interest rate-related cash flow risk

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

Interest rates in current and noncurrent liabilities are as follows:

	Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011
Borrowings and financing:		
Extended Consumer Price Index (IPCA)	-	7,786
Interbank deposit rate (CDI)	5,972	2,076
Other (i)	5,660	11,067
Debentures (ii)	543,809	544,339
Payables for acquisitions:		
Interbank deposit rate (CDI)	198,801	394,856
Extended Consumer Price Index (IPCA)	23,384	15,658
Consumer Price Index (INPC)	1,359	3,141
Other	2,802	3,270
	781,787	982,193

(i) Refer to finance leases adjusted by fixed average rates of 6.68% per year.

(ii) The debentures pay interest of 100% of the CDI plus 2.078% per year.

For more information, see notes 19 and 24.

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 9870/99, which provides for total school annual tuitions). Enrollment for the next school year is blocked whenever a student is in default with the institution. Possible default is minimized by diversifying the receivables portfolio, selecting students, and monitoring collection deadlines. In the in-class higher education segment, for students included in the Higher Education Student Financing Program (FIES), a substantial portion of the Company's credits is secured by the Program. The Company recognizes an allowance for doubtful accounts in the amount of R$95,363 (R$72,117 as of December 31, 2011) of the gross balance of outstanding receivables from third parties, to cover credit risk, including potential risks of default of the non-secured portion of students included in the FIES.

The Company restricts its exposure to credit risks related to banks and short-term investments by investing through 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.

	Consolidated (IFRS and BR GAAP)			
	Less than 1 year	Between 1 and 2 years	Over 2 years	Total
As of December 31, 2012:				
Borrowings and financing	4,706	5,586	1,340	11,632
Debentures	1,698	216,844	325,267	543,809
Payables - acquisitions	54,823	69,240	102,283	226,346
	61,227	291,670	428,890	781,787
As of December 31, 2011:				
Borrowings and financing	10,461	8,889	1,579	20,929
Bank Credit Note (CCB)	-	217,736	326,603	544,339
Payables - acquisitions	401,095	14,084	1,746	416,925
	411,556	240,709	329,928	982,193

4.2. Capital management

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

In the year ended December 31, 2012, the Company presented a capital structure adequate to make its growth strategy feasible, whether organically or through acquisitions. Investment decisions take into account the expected return potential.
Financial leverage ratios are as follows:

	Parent (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Debt (i)	-	-	555,441	565,268
Cash and cash equivalents and securities - noncurrent (ii)	(1,752)	(4,595)	(219,460)	(152,574)
Net debt	(1,752)	(4,595)	335,981	412,694
Equity (iii)	2,246,204	1,475,331	2,246,204	1,475,331
Financial leverage ratio	-	-	15.0%	28.0%

(i) Debt is defined as short- and long-term bank loans and debentures, as detailed in notes 18 and 19.

(ii) Refers to cash and cash equivalents and securities - noncurrent, as detailed in notes 7 and 8.

(iii) Equity includes all the Company's capital and reserves, managed as capital.

4.3. Sensitivity analysis

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

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

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

Parent (BR GAAP)

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
CDI	1,719	Decrease of CDI	125	94	63

Consolidated (IFRS and BR GAAP)

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
CDI	87,234	Decrease of CDI	6,368	4,776	3,184

b) Borrowings, financing and payables - acquisitions

Consolidated (IFRS and BR GAAP)

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
CDI	210,433	Increase of CDI	15,359	19194	23,048

c) Debentures

Consolidated (IFRS and BR GAAP)

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Debentures-CDI (*)	543,809	Increase of CDI	39,698	49,623	59,547

(*) The adjustment index of debentures is added by 2% per year in accordance with the issuance indenture.

Index used (probable scenario): 12-month projected CDI - 7.3% per year.

For interest rate sensitivity analysis purposes, the Company adopted as a criteria to show the impact of total interest to be incurred over the next 12 months.

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

The independent outside source of the interest rate used in market projection was: www.cetip.com.br.

5. FINANCIAL INSTRUMENTS PER CATEGORY - CONSOLIDATED (IFRS and BR GAAP)

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

	Classification	Carrying amount	Fair value
Assets:			
Cash and cash equivalents	Loans and receivables	215,620	215,620
Securities (i)	Loans and receivables	3,840	3,840
Trade receivables (ii)	Loans and receivables	259,506	259,506
Other receivables (except for prepaid expenses) (iii)	Loans and receivables	13,171	13,171
Liabilities			
Trade payables (ii)	Other financial liabilities	72,666	72,666
Borrowings, financing and finance lease (iv)	Other financial liabilities	11,632	11,228
Debentures (v)	Other financial liabilities	543,809	543,809
Payables for acquisitions (vi)	Other financial liabilities	226,346	225,912
Other payables (iii)	Other financial liabilities	25,176	25,176

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

(ii) The balances of line items “Trade receivables” and “Trade payables” mature substantially within up to 45 days; therefore, they approximate the fair value expected by the Company.

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

(iv) Calculated through discounted cash flow, at a rate of 8% per year, based on installments falling due. The Company understands that, if it enters into new leases or working capital loans, under the same characteristics, the related costs and charges would approximate their carrying amounts.

(v) As of December 31, 2012, considering that raising occurred in January 2012 and considering that the conditions for a new raising remain unchanged, the Company understands that the carrying amount approximate market values.

(vi) Calculated on balances, adjusted using a projected DI rate of 7.3%.

6. CREDIT QUALITY OF FINANCIAL ASSETS - CONSOLIDATED (IFRS and BR GAAP)

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

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Trade receivables				
Counterparts without external credit rating				
Group 1 - higher education			319,610	294,590
Group 2 - K-12 education	-	-	36,298	38,545
	-	-	355,908	333,135
Cash at bank and short-term bank deposits (i) (ii)				
AAA	31	27	128,569	43,658
AA	-	-	3,165	-
A	2	-	-	68
Other	-	-	492	983
	33	27	132,226	44,709

The residual balance in “Cash and cash equivalents” in the balance sheet represents cash.

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Short-term investments (i)				
AAA	1,719	4,568	85,258	107,865
AA	-	-	1,976	-
	1,719	4,568	87,234	107,865

(i) Rating awarded by risk rating agency Fitch Ratings.

(ii) Rating awarded by risk rating agency Standard & Poor’s (S&P).

7. CASH AND CASH EQUIVALENTS

	Parent (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Cash and banks	33	27	132,226	44,709
Fixed-income fund (i)	1,719	4,568	13,932	1,100
Exclusive fund (ii)	-	-	59,460	97,592
CDB (iii)	-	-	7,186	7,946
Short-term investments (iv)	-	-	1,916	-
Capitalization certificate (v)	-	-	900	-
	1,752	4,595	215,620	151,347

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

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

The fund's portfolio consists of fixed income securities issued by prime banks and Treasury Bonds - LFT, LTN and NTN, where 73.34% are Private Credit - Banks and 26.66% are Treasury Bills. The Fund's average yield has reached 102% of the CDI.

(iii) Refers to short-term investments in CDB whose yield is indexed to the CDI fluctuation. The average yield was 98% of the CDI.

(iv) Refers to investments committed to debentures, with yields pegged to the CDI. The yield was 101% of the CDI.

(v) Refers to the acquisition of capitalization certificates at the face value of R$1,000, with a 24-month maturity beginning December 2011, and a 12-month grace period for early redemption.

The average monthly yield for the year ended December 31, 2012 was 100.9% of CDI and generated finance income totaled R$894 in the Parent (R$2,871 as of December 31, 2011) and R$29,514 (R$13,775 as of December 31, 2011).

8. SECURITIES - NONCURRENT

	Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011
Capitalization certificates	-	800
CDB (i)	463	427
Debentures (ii)	3,377	-
	3,840	1,227

(i) Refers to short-term investments that are not highly liquid and have been classified as noncurrent assets. Include all short-term investments in CDB whose yield is indexed to the CDI fluctuation. The yield was 100% of the CDI.

(ii) Refer to short-term investments linked to debentures and collaterals provided to third parties, with no immediate liquidity.

9. TRADE RECEIVABLES - CONSOLIDATED (IFRS and BR GAAP)

	12/31/2012	12/31/2011
Higher education (i)	319,610	294,590
K-12 education	36,298	38,545
	355,908	333,135
Allowance for doubtful accounts		
Higher education	(85,526)	(64,551)
K-12 education	(9,837)	(7,566)
	(95,363)	(72,117)
Trade receivables, net	260,545	261,018
Adjustment to present value (ii)	(1,039)	(892)
	259,506	260,126
Current	245,104	240,558
Noncurrent (iii)	14,402	19,568

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

Pursuant to the law that introduced such Program, the Company receives from the National Education Development Fund (FNDE) transfers relating to the amount financed by students. In addition, the Company can also offset federal taxes against the amounts to be transferred by FNDE.

As of December 31, 2012, net receivables from FIES amount to R$83,531 (R$95,381 as of December 31, 2011).

(ii) The adjustment to present value is calculated only on the balances of receivables with future maturities, whose interest was recognized as of the present date. Calculation is made through discounted cash flow, using the Selic rate, projected average disclosed in the Focus report published by the Central Bank of Brazil - BACEN, as the discount rate. The average rate used was 9% per year. As the receivables are realized, the balance classified as APV is recognized as finance income.

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

	12/31/2012	12/31/2011
Write-off of receivables past-due for more than 360 days	(47,344)	(38,465)
Reversal of accumulated allowance for doubtful debts	47,344	38,465

Beginning 2010, it was decided that only high education tuitions past due up to 360 days would continue to be recorded in trade receivables. Past-due receivables over 360 days are written off, as well as the related allowance for doubtful accounts.

The Company does not have factoring transactions as of December 31, 2012 and 2011.

The aging list of these trade receivables is as follows:

	12/31/2012	12/31/2011
Current (i)	166,713	153,952
Past-due		
Up to 30 days	34,357	27,236
31 to 60 days	27,089	20,994
61 to 90 days	13,221	12,406
91 to 360 days	114,528	118,547
Allowance for doubtful accounts	(95,363)	(72,117)
Adjustment to present value	(1,039)	(892)
	259,506	260,126

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

The Company has monthly recognized an allowance for doubtful accounts by analyzing monthly receivables and the respective breakdown by day in arrears and evaluating the recovery performance. Under such methodology, each default range is assigned a percentage of likelihood of loss that is recurrently accrued. The likelihood of loss increases according to the payment default period and when the default reaches a range above 360 days the receivable is written off as mentioned. Event his receivable written off, the collection efforts continue and collection of written-down receivables are recognized directly in profit or loss upon collection.

The Company recognizes an allowance for doubtful accounts for amounts under the FIES according to the likelihood of loss associated with the students included in the Program. The Company is responsible for a portion of any potential student's default to the FNDE according to the type of agreement. For agreements with a guarantor, the Company is responsible for 15% of any potential student's default. For agreements secured by the Educational Credit Guarantee Fund (FGEDUC), the Company is responsible for 3% of the default under agreements executed before April 3, 2012 and 1.5% under agreements executed after that date.

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

	Consolidated (IFRS and BR GAAP)
Balance as of December 31, 2010	(58,247)
Additions from acquisitions	(21,021)
Write-off	38,465
Recognition	(31,314)
Balance as of December 31, 2011	(72,117)
Additions from acquisitions (*)	(4,507)
Write-off	47,344
Recognition	(66,083)
Balance as of December 31, 2012	(95,363)

(*) Includes the acquisitions of Ítala in June 2012 and Unirondon in August 2012.

10. INVENTORIES - CONSOLIDATED (IFRS and BR GAAP)

	12/31/2012	12/31/2011
"Pitágoras" books and collections	13,431	14,497
Educational software	-	4,969
Commercial books	2,157	2,158
Raw material	-	450
Other	1,725	1,207
Allowance for losses (*)	(1,410)	(1,153)
	15,903	22,128

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

The cost of inventories recognized as cost of sales for the year ended December 31, 2012 totaled R$25,896 (R$23,528 for the year ended December 31, 2011).

Changes in the allowance for inventory losses are as follows:

Balance as of December 31, 2010	(3,011)
Write-off	1,858
Balance as of December 31, 2011	(1,153)
Write-off	3,041
Recognition	(3,298)
Balance as of December 31, 2012	(1,410)

11. ADVANCES - CONSOLIDATED (IFRS and BR GAAP)

	12/31/2012	12/31/2011
Trade payables:		
Betim Campus (i)	9,956	10,896
Raja Campus (i)	2,370	4,277
Macapá Campus (i)	730	-
São Luís Campus (i)	2,054	-
Communication plan (ii)	1,543	-
Other	1,919	2,447
Employees (iii)	14,096	11,591
Transfer to EAD centers (iv)	2,987	-
Travels	565	484
	36,220	29,695
Current	27,443	17,938
Noncurrent	8,777	11,757

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

(ii) Refers to the communication division development project.

(iii) Refer mainly to advanced vacation pay.

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

12. RECOVERABLE TAXES

	Parent (BR GAAP)	
	12/31/2012	12/31/2011
Current-		
Recoverable IRPJ and CSLL	1,107	317

	Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011
Current:		
IRPJ and CSLL (i)	17,590	14,620
Social security tax (INSS) (ii)	3,809	2,985
Taxes on revenue (PIS and COFINS) (iii)	2,380	1,548
REFIS IV (Tax Debt Refinancing Program) - adhesion installments (iv)	1,766	405
State VAT (ICMS)	10	64
	25,555	19,622
Noncurrent:		
INSS (v)	6,093	1,537
IRPJ (vi)	3,718	-
	9,811	1,537

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

(ii) Refers to taxes withheld by legal entities.

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

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

Through December 2012, part of the tax debts had not been consolidated, and the Company successfully obtained court decisions requiring the Federal Revenue Service to consolidate the tax installment plan. This government agency has already publicly stated that it will comply with the court decisions. Until the Federal Revenue Service (RFB) solves its system problems, the adhesion installments paid under REFIS IV will be controlled in assets.

(v) Refers to payments under the "IES installment plan", an installment plan exclusive for higher education institutions and that was discontinued because of the adhesion to the REFIS IV installment plan. The amounts are concentrated in subsidiary Unime LF, in the amount of R$2,718. In subsidiary SPES, there are credits from INSS withholdings at source on contracts. The monthly credits originated by the withholdings exceed the amount of the tax payable, which generates cumulative credits. As of December 31, 2012, the accumulated balance amounts to R$3,353 and will be subject to an administrative request for refund and/or offset against other tax debts. The other subsidiaries in the aggregate have R$22.

(vi) Refers to IRRF on short-term investments that, according to Management's analysis, will not be offset within a term below 12 months.

13. INCOME TAX AND SOCIAL CONTRIBUTION - CURRENT AND DEFERRED

a) Income tax and social contribution in profit or loss

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

	Parent (BR GAAP)	
	12/31/2012	12/31/2011
Profit before income tax and social contribution for the year	200,501	37,574
Combined income tax and social contribution rate - %	34	34
IRPJ and CSLL at statutory rates	(68,170)	(12,775)
Reconciliation:		
Equity in subsidiaries	75,021	14,415
Additions (deductions), net (ii)	(2,986)	-
Deferred income tax and social contribution not recognized on tax losses	(2,322)	(1,839)
IRPJ and CSLL in profit or loss	1,543	(199)

	Consolidated (IFRS e BR GAAP)	
	12/31/2012	12/31/2011
Profit before income tax and social contribution for the year	208,621	42,680
Combined income tax and social contribution rate - %	34	34
IRPJ and CSLL at statutory rates	(70,931)	(14,511)
Reconciliation:		
Tax incentive of subsidiary entitled to ProUni benefit (i)	94,556	25,487
Additions (deductions), net (ii)	(24,078)	(2,135)
Offset of prior-year tax loss carryforwards	5,251	1,866
Difference of tax rate relating to subsidiary's deemed income (iii)	(2,388)	(78)
Deferred income tax and social contribution not recognized on subsidiaries' losses	(20,161)	(15,934)
Deferred IRPJ and CSLL on amortization of the goodwill allocated	11,174	-
Total IRPJ/CSLL	(6,577)	(5,305)
Current IRPJ and CSLL in profit or loss	(16,300)	(2,338)
Deferred IRPJ and CSLL in profit or loss	9,723	(2,967)

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

(ii) The main additions and deductions are allowance for doubtful accounts, accrued profit sharing and provision for tax, labor and civil risks.

(iii) Refers to subsidiary Alba and subsidiaries Pós EAD, Pós Uniasselvi and LDV acquired in 2012.

b) Deferred income tax and social contribution

As of December 31, 2012, deferred assets are recorded only in subsidiary Projecta and, as of December 31, 2011, they are recorded in subsidiaries Pax, Projecta and Spes.

	Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011
Income tax loss carryforwards	1,137	5,392
Social contribution loss carryforwards	409	1,941
	1,546	7,333

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

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

	12/31/2012	12/31/2011
2013	401	5,271
2014	347	808
2015	395	844
2016	403	410
	1,546	7,333

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

Parent (BR GAAP)

	12/31/2011	Recognized in profit or loss	Transferred to subsidiary (*)	12/31/2012
In liabilities:				
Deferred income tax	14,792	(1,135)	(13,657)	-
Deferred social contribution	5,325	(408)	(4,917)	-
Noncurrent liabilities	20,117	(1,543)	(18,574)	-

(*) In December 2012, capital of subsidiary EDE was increased, consisting of the balances representing the Company's interest in subsidiary Unopar (note 15).

Consolidated (BR GAAP and IFRS)

		Effect on profit (loss)			
	12/31/2011	Amortization of goodwill allocated to intangible assets	Other	Recognized against goodwill by allocation to intangibles	12/31/2012
In assets					
Income tax-					
Tax losses	5,392	-	(4,255)	-	1,137
Social contribution-					
Tax loss carryforwards	1,941	-	(1,532)	-	409
Noncurrent assets	7,333	-	(5,787)	-	1,546
In liabilities					
Deferred income tax	(74,994)	8,216	3,188	(53,551)	(117,141)
Deferred social contribution	(26,998)	2,958	1,148	(19,279)	(42,171)
Noncurrent liabilities	(101,992)	11,174	4,336	(72,830)	(159,312)

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

c) Tax incentives

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

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

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

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

By virtue of the tax exemptions granted to companies joining ProUni, the subsidiaries that have tax loss carryforwards do not recognize tax credits due to the materiality of their effective tax rate. Tax credits not recognized under ProUni in the year ended December 31, 2012 total R$123,265.

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

14. OTHER RECEIVABLES - CONSOLIDATED (IFRS and BR GAAP)

	12/31/2012	12/31/2011
Current		
Credit card transactions (i)	3,644	2,831
Rights on assigned assets (ii)	281	1,494
Prepaid expenses (iii)	769	1,211
Receivables from acquirees - Unirondon (iv)	6,224	-
	10,918	5,536
Noncurrent		
Sale of subsidiary Suesc (v)	2,270	2,014
Receivables from Fundação Pitágoras (vi)	-	1,098
Rights on assigned assets (ii)	752	995
Receivables from acquirees - Suesc (vii)	-	160
	3,022	4,267

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

(ii) Balance receivables for the transfer of the ownership of IT and audiovisual equipment to the EAD centers. Subsidiary Unopar is a party to goods purchase agreements under finance leases and transfers the leased assets to the partner centers. Thus, this subsidiary records a finance lease, as referred to in note 19.

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

(iv) Subsidiary Unirondon has social security debts of R$6,224, which will be settled in 60 installments; installments will be paid by the Company and are the sellers' responsibility. The Company will deduct the installments payable for the acquisition.

(v) The amount receivable for the sale of Suesc is linked to the remaining balance of the ISSQN tax liability, which depends of the final decision on the tax collection action filed by the City of Rio de Janeiro. If favorable, the Company is entitled to receive from the buyer the amount agreed by the parties and therefore, reverse the liability. If unfavorable, the Company will pay the difference between the price contractually set at R$2,270 and the lawsuit amount. The amount payable is recorded in line item "Other payables" in current liabilities. The balance of R$2,270 as of December 31, 2012 is adjusted on a monthly basis at the rate of 1%.

(vi) Refers to receivables from Fundação Pitágoras by subsidiary EDE, settled in June 2012.

(vii) Refers to the payment of expenses incurred by the acquired subsidiaries that were discounted from the sellers in the first half of 2012.

15. INVESTMENTS

a) Information on the Parent's investments

Subsidiary EDE

	12/31/2012	12/31/2011
Number of shares held	2,034,266,657	1,115,447,396
Equity interest - %	100	100
Share capital	2,034,267	1,115,447
Equity	2,186,232	1,152,801
Profit for the year (*)	192,228	41,352
Carrying amount of investments	2,186,232	1,152,801
Equity in subsidiaries	192,164	41,352

(*) On March 29, 2012, the Annual and Extraordinary Shareholders' Meeting approved the allocation of the 2011 profit totaling R$41,352 as follows: (i) R$7,758 as offset of accumulated losses; (ii) R$1,680 to set up a legal reserve; and (iii) R$31,914 was allocated to increase capital.

Changes in the investment for the year are as follows:

	12/31/2012	12/31/2011
Opening balance	1,152,801	765,427
Capital increase (i)	886,906	324,556
Share of profit of subsidiaries	192,164	41,352
Minimum dividends receivable(ii)	(45,639)	-
Purchase of treasury shares	-	(4,704)
Grant of the stock option plan (iii)	-	2,469
Spin-off of the stock option plan and treasury shares (iii)	-	23,701
Closing balance	2,186,232	1,152,801

(i) In August 2012 there was a capital increase amounting to R$600,370. In December 2012, capital was increased by R$286,536, representing the Company's interest in subsidiary Unopar, comprised of:

Investment	17,212
Intangible assets	287,899
Deferred taxes	(18,575)
	286,536

Upon the capital increase, EDE started to fully control Unopar.

(ii) Dividends of 25% on adjusted profit for 2012.

(iii) With the formalization of the Company's advance for future capital increase sent to EDE in September 2011, the balances of Company shares held by EDE in treasury were canceled and also the discontinuation of EDE's stock option plan, transferred to the Company, the balances of cross shareholdings between parent and subsidiary were eliminated.

Subsidiary Unopar

	12/31/2012	12/31/2011
Number of shares held	-	16,125,360
Equity interest - %	-	20
Share capital	-	80,627
Equity	-	(56,375)
Profit for the year	161,119	5,225
Equity deficiency	-	(11,275)
Equity in subsidiaries (*)	28,487	1,045

(*) Corresponds to 20% of the 11-month profit for the year ended December 31, 2012, which was R$142,435.

The changes in investments (allowance for investment losses) relating to Unopar are as follows:

	12/31/2012	12/31/2011
Opening balance	(11,275)	(12,320)
Share of profit of subsidiaries	28,487	1,045
Transfer of equity interest (*)	(17,212)	-
Closing balance	-	(11,275)

(*) In December 2012, the Company increased the capital of subsidiary EDE through the transfer of interest held by the Company in subsidiary Unopar.

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

	Number of shares held		Share capital		Equity (equity deficiency)	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
ÁGORA (i)	-	915,250	-	915	-	(219)
ALBA	250,000	250,000	250	250	7,799	2,767
CEAMA	27,362,100	1,100,000	27,362	1,100	19,185	(13,176)
CSL (ii)	766,812	-	767	-	846	-
FAIS	4,926,952	100,000	4,927	100	7,692	(1,391)
FATEC	916,919	916,919	917	917	684	729
GK	3,118,691	920,095	3,119	920	2,584	98
INADE (iii)	-	1,174,539	-	1,175	-	1,883
ORME	29,825,388	23,756,323	29,825	23,756	8,017	9,098
PAX	11,031,163	7,076,972	11,031	7,077	13,478	9,524
PROJECTA	10,234,275	10,234,275	10,234	10,234	5,868	6,043
PSES	126,706,854	126,706,854	126,707	126,707	188,440	154,797
SPES	18,386,098	18,352,151	18,386	18,352	18,937	19,656
SUESC (iv)	-		-		-	-
UMEP	21,518,385	20,292,748	21,518	20,293	11,983	8,122
UNIÃO	4,708,878	3,200,000	4,709	3,200	1,571	(594)
UNILINHARES	10,155,818	8,670,535	10,156	8,671	10,156	7,317
UNIRONDON (v)	16,059,232	-	16,059	-	(14,146)	-
UNOPAR (vi)	80,626,800	64,501,440	80,627	80,627	80,627	(56,375)
ÍTALA (vii) (viii)	-	-	-	-	-	-
ASSEVIM (vii)	3,738,861	-	3,739	-	1,547	-
FAMEG (vii)	3,492,678	-	3,493	-	1,057	-
FAMELAGES (vii)	1,195,692	-	1,196	-	(592)	-
FAMESUL (vii)	9,398,555	-	9,399	-	(405)	-
PÓS - EAD (vii)	82,423	-	82	-	3,591	-
PÓS - UNIASSELVI (vii)	1,924,009	-	1,924	-	(1,618)	-
UNIASSELVI (vii)	10,000	-	10	-	29,317	-
LDV (vii)	50,000	-	50	-	(54)	-
IUNI	291,911,168	220,571,006	291,911	220,571	291,912	211,978
UNIC VG	1,134,663	271,100	1,135	271	2,529	1,335
UNIC PRIMAVERA ANTIGA	366,000	366,000	366	366	2,439	1,455
UNIC PRIMAVERA NOVA	2,097,470	1,457,000	2,097	1,457	11,101	6,276
UNIC SINOP	1,714,672	120,000	1,715	120	12,045	4,238
UNIC TANGARÁ SUL	4,423,861	3,446,488	4,424	3,446	13,890	4,905
UNIC TANGARÁ NORTE	3,987,510	3,236,010	3,988	3,236	1,759	(21)
UNIC ROO AE	287,000	150,000	287	150	6,576	5,720
UNIC ROO FP	6,035,934	2,847,631	6,036	2,848	4,625	776
UNIME ITABUNA	8,989,577	5,329,858	8,990	5,330	20,512	9,590

	Number of shares held		Share capital		Equity (equity deficiency)	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
UNIME SALVADOR	13,726,544	8,273,991	13,727	8,274	16,163	5,884
FAMA MARABÁ	522,450	291,900	522	292	6	(227)
UNIME LF	37,409,183	27,429,224	37,409	27,429	37,409	14,012
FAMA MACAPÁ	9,722,407	4,153,364	9,722	4,153	16,276	4,557

	Total assets		Total liabilities		Net revenue	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
ÁGORA (i)	-	10	-	229	99	118
ALBA	36,587	13,938	28,788	11,171	497	38
CEAMA	36,798	24,882	17,613	38,058	19,712	7,910
CSL (ii)	1,413	-	567	-	1,491	-
FAIS	9,775	1,671	2,083	3,062	10,883	1,271
FATEC	690	742	6	13	52	96
GK	4,296	847	1,712	749	3,063	1,156
INADE (iii)	-	2,069	-	186	1,361	1,366
ORME	14,023	13,062	6,006	3,964	8,870	11,839
PAX	17,824	15,774	4,345	6,250	18,707	18,771
PROJECTA	7,278	7,637	1,410	1,594	5,282	7,480
PSES	207,427	175,470	18,987	20,673	183,622	134,785
SPES	27,134	28,675	8,196	9,019	47,077	36,443
SUESC (iv)	-	-	-	-	-	2,564
UMEP	15,576	9,900	3,593	1,778	15,982	13,105
UNIÃO	3,124	2,558	1,553	3,152	7,086	3,773
UNILINHARES	13,308	10,638	3,152	3,321	23,129	17,837
UNIRONDON (v)	39,135	-	53,281	-	10,725	-
UNOPAR (vi)	209,287	172,929	128,661	229,304	369,125	20,621
ÍTALA (vii) (viii)	-	-	-	-	739	-
ASSEVIM (vii)	5,379	-	3,832	-	3,232	-
FAMEG (vii)	5,030	-	3,973	-	5,258	-
FAMELAGES (vii)	903	-	1,495	-	-	-
FAMESUL (vii)	5,335	-	5,740	-	1,989	-
PÓS - EAD (vii)	7,849	-	4,258	-	6,747	-
PÓS - UNIASSELVI (vii)	8,247	-	9,865	-	2,803	-
UNIASSELVI (vii)	161,970	-	132,653	-	97,146	-
LDV (vii)	29	-	83	-	168	-
IUNI	373,399	276,089	81,487	64,111	191,210	162,627
UNIC VG	3,482	1,893	953	558	3,181	3,071
UNIC PRIMAVERA ANTIGA	3,530	2,758	1,090	1,303	3,253	2,625
UNIC PRIMAVERA NOVA	16,180	10,279	5,080	4,003	18,858	11,561
UNIC SINOP	14,308	6,594	2,263	2,356	13,720	7,708
UNIC TANGARÁ SUL	18,180	10,742	4,290	5,837	16,104	9,739
UNIC TANGARÁ NORTE	2,554	1,151	795	1,172	2,616	1,676
UNIC ROO AE	8,747	7,825	2,171	2,105	16,667	12,991
UNIC ROO FP	6,513	5,083	1,888	4,307	4,736	4,711
UNIME ITABUNA	26,706	17,285	6,194	7,695	24,779	20,443
UNIME SALVADOR	20,591	13,096	4,428	7,212	21,881	15,745
FAMA MARABÁ	61	1	55	228	-	10
UNIME LF	73,118	53,057	35,709	39,045	61,363	55,006
FAMA MACAPÁ	23,153	11,566	6,877	7,009	22,397	14,302

	Profit (loss)		Carrying amount of the investment		Equity in subsidiaries	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
ÁGORA (i)	(419)	(439)	-	(219)	(419)	(439)
ALBA	5,032	32	7,799	2,767	5,032	32
CEAMA	5,390	35	19,185	(13,176)	5,390	35
CSL (ii)	79	-	846	-	79	-
FAIS	4,257	289	7,692	(1,391)	4,257	289
FATEC	(45)	43	684	729	(45)	43
GK	287	(289)	2,584	98	287	(289)
INADE (iii)	233	(938)	-	1,883	233	(938)
ORME	(7,150)	(7,899)	8,017	9,098	(7,150)	(7,899)
PAX	1,639	3,003	13,478	9,524	1,639	3,003
PROJECTA	(175)	91	5,868	6,043	(175)	91
PSES	54,230	15,720	188,440	154,797	54,230	15,720
SPES	5,781	456	18,937	19,656	5,781	456
SUESC (iv)	-	63	-	-	-	63
UMEP	2,636	125	11,983	8,122	2,636	125
UNIÃO	656	106	1,571	(594)	656	106
UNILINHARES	4,270	(27)	10,156	7,317	4,270	(27)
UNIRONDON (v)	646	-	(14,146)	-	646	-
UNOPAR (vi)	161,119	5,225	80,627	(56,375)	161,119	5,225
ÍTALA (vii) (viii)	(2,155)	-	-	-	(2,155)	-
ASSEVIM (vii)	(488)	-	1,547	-	(488)	-
FAMEG (vii)	(607)	-	1,057	-	(607)	-
FAMELAGES (vii)	(474)	-	(592)	-	(474)	-
FAMESUL (vii)	(706)	-	(405)	-	(706)	-
PÓS - EAD (vii)	3,970	-	3,591	-	3,970	-
PÓS - UNIASSELVI (vii)	(370)	-	(1,618)	-	(370)	-
UNIASSELVI (vii)	16,025	-	29,317	-	16,025	-
LDV (vii)	(42)	-	(54)	-	(42)	-
IUNI	53,675	67,162	291,912	211,978	53,675	67,162
UNIC VG	331	786	2,529	1,335	331	786
UNIC PRIMAVERA ANTIGA	1,766	1,516	2,439	1,455	1,766	1,516
UNIC PRIMAVERA NOVA	7,888	4,819	11,101	6,276	7,888	4,819
UNIC SINOP	6,212	2,325	12,045	4,238	6,212	2,325
UNIC TANGARÁ SUL	7,797	4,364	13,890	4,905	7,797	4,364
UNIC TANGARÁ NORTE	1,238	908	1,759	(21)	1,238	908
UNIC ROO AE	6,553	5,570	6,576	5,720	6,553	5,570
UNIC ROO FP	660	1,544	4,625	776	660	1,544
UNIME ITABUNA	7,262	6,440	20,512	9,590	7,262	6,440
UNIME SALVADOR	6,725	4,548	16,163	5,884	6,725	4,548
FAMA MARABÁ	3	1	6	(227)	3	1
UNIME LF	16,145	11,420	37,409	14,012	16,145	11,420
FAMA MACAPÁ	6,150	2,028	16,276	4,557	6,150	2,028

(i) On December 1 EDE increase the capital of subsidiary Spes through Ágora's shares, by means of the merger of Ágora into Spes.

(ii) On August 1, 2012, EDE established the company CSL used the assets spun off from subsidiary Spes.

(iii) On October 1, EDE merged subsidiary Inade.

(iv) Subsidiary Suesc was sold on April 30, 2011.

(v) On August 2, 2012, EDE acquired 100% of Unirondon's shares.

(vi) On December 21, 2012, the Company increased the capital of subsidiary EDE using Unopar's shares, which caused EDE to become the controlling shareholder of Unopar.

(vii) On May 28, 2012, the Company acquired 100% of the shares in Ítala and related subsidiaries.

(viii) On December 1, 2012, EDE merged Ítala, and became the direct controlling shareholder of its subsidiaries.

16. PROPERTY, PLANT AND EQUIPMENT - CONSOLIDATED (IFRS and BR GAAP)

		12/31/2012			12/31/2011		
	Annual average depreciation rate - %	Cost	Accumulated depreciation	Property, plant and equipment, net	Cost	Accumulated depreciation	Property, plant and equipment, net
IT equipment	20	58,392	(39,163)	19,229	42,699	(25,762)	16,937
Furniture, equipment and fixtures	10	150,022	(61,154)	88,868	113,711	(42,387)	71,324
Library	10	82,394	(36,015)	46,379	60,436	(23,902)	36,534
Buildings and improvements	6	152,998	(22,594)	130,404	92,746	(14,182)	78,564
Property, plant and equipment in progress	-	27,237	-	27,237	10,559	-	10,559
Land	-	59,735	-	59,735	32,346	-	32,346
		530,778	(158,926)	371,852	352,497	(106,233)	246,264

The depreciation for the year ended December 31, 2012 allocated to "Cost of services" and "Administrative expenses", was R$32,642 (R$23,273 for the year ended December 31, 2011).

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

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

	IT equipment	Furniture, equipment and fixtures	Library	Buildings and improvements	Property, plant and equipment in progress	Land	Total
Balances as of December 31, 2010	12.268	52.179	27.552	95.714	14.479	21.174	223.366
Additions	3.288	15.340	5.803	3.581	5.001	-	33.013
Addition from acquirees (i)	6,237	13,512	8,406	9,034	30	11,172	48,391
Addition from goodwill allocation (ii)	-	-	-	2,132	-	-	2,132
Write-off from sale of subsidiary (iii)	(157)	(726)	(625)	-	-	-	(1,508)
Write-off from sale of property (iv)	-	-	-	(25,477)	-	-	(25,477)
Other write-offs (v)	-	(159)	-	(10,221)	-	-	(10,380)
Depreciation	(4,667)	(8,854)	(4,602)	(5,150)	-	-	(23,273)
Transfers	(32)	32	-	8,951	(8,951)	-	-
Balances as of December 31, 2011	16,937	71,324	36,534	78,564	10,559	32,346	246,264

	IT equipment	Furniture, equipment and fixtures	Library	Buildings and improvements	Property, plant and equipment in progress	Land	Total
Additions (i)	6,726	23,303	6,356	15,096	39,498	15,689	106,668
Addition from acquirees (ii)	2,152	7,649	10,350	11,613	700	1,914	34,378
Additions from appreciation (iii)	-	-	-	7,759	-	9,786	17,545
Write-offs	(16)	(339)	(6)	-	-	-	(361)
Depreciations	(6,570)	(13,069)	(6,855)	(6,148)	-	-	(32,642)
Transfers (iv)	-	-	-	23,520	(23,520)	-	-
Balances as of December 31, 2012	19,229	88,868	46,379	130,404	27,237	59,735	371,852

(i) Out of additions for 2012, the main were: the acquisition of the property of the Timbiras unit, of buildings for R$9,799 and of land for R$4,697, and the acquisition of Iraí property for R$10,988, both located in Belo Horizonte.

(ii) Addition relating to the acquisition of Ítala and subsidiaries, in June 2012, and Unirondon in August 2012 (see note 34).

(iii) Addition arising from the allocation of the goodwill arising on the acquisition of Unirondon in August 2012.

(iv) Out of the balance of transfers, the amount of R$6,738 refers to the placement into operation of Maceió unit in June 2012.

The Company leases IT equipment under irreversible agreements subject to average interest of 6.68% per year, with purchase option clauses, whose lease period ranges from 24 to 36 months. The equipment is owned by the Company. As of December 31, 2012, the balance of leases totaled R$5,660 (R$10,918 as of December 31, 2011).

17. INTANGIBLE ASSETS

Parent (BR GAAP)

Changes in intangible assets are as follows:

	Parent (BR GAAP)	
	12/31/2012	12/31/2011
Opening balance	351,509	59,450
Additions	-	292,437
Amortization	(4,160)	(378)
Transfers (*)	(287,899)	-
	59,450	351,509

(*) In December 2012, capital of subsidiary EDE was increased, consisting of the balances corresponding to the Company's interest in subsidiary Unopar.

Consolidated (BR GAAP and IFRS)

	Annual average amortization rate - %	12/31/2012			12/31/2011		
		Cost	Accumulated amortization	Intangible assets, net	Cost	Accumulated amortization	Intangible assets, net
Software	20	47,108	(19,942)	27,166	31,894	(11,836)	20,058
Development of internal projects	10	88,424	(27,147)	61,277	84,017	(17,025)	66,992
Gooding paid on acquisitions	-	2,115,992	(12,521)	2,103,471	1,703,095	(12,521)	1,690,574
Intangible assets identified in acquisitions	20	518,446	(49,577)	468,869	332,946	(13,953)	318,993
		2,769,970	(109,187)	2,660,783	2,151,952	(55,335)	2,096,617

The amortization for the year ended December 31, 2012 allocated to "Cost of services" and "Administrative expenses", was R$53,293 (R$21,134 for the year ended December 31, 2011). Changes in intangible assets are as follows:

	Software	Development of internal projects (a)	Goodwill paid on acquisitions (b)	Intangible assets identified in acquisitions (c)	Total
Balances as of December 31, 2010	16,828	69,053	488,818	22,455	597,154
Additions	7,356	6,199	1,209,363	304,877	1,527,795
Addition from acquirees (i)	799	-	-	-	799
Write-offs (ii)	-	-	(7,607)	-	(7,607)
Write-off from sale of subsidiary (iii)	(5)	(385)	-	-	(390)
Amortization	(4,920)	(7,875)	-	(8,339)	(21,134)
Balances as of December 31, 2011	20,058	66,992	1,690,574	318,993	2,096,617
Additions (i)	8,546	4,825	413,606	185,500	612,477
Addition arising from acquirees (ii)	728	1,382	-	-	2,110
Other additions (iii)	4,986	-	-	-	4,986
Write-off (iv)	-	-	(709)	-	(709)
Other write-offs (v)	(5)	(1,400)	-	-	(1,405)
Amortizations	(7,147)	(10,522)	-	(35,624)	(53,293)
Balances as of December 31, 2012	27,166	61,277	2,103,471	468,869	2,660,783

(i) Of the balance recognized in goodwill, R$444,873 refers to the acquisition of Ítala in June 2012; R$17,282 refers to the acquisition of Unirondon in July 2012; and goodwill adjustments, of which R$2,591 relating to subsidiary Ceama and R$854 relating to subsidiary União, both acquired in July 2011, and R$135 relating to subsidiary Fais, acquired in November 2011.

(ii) Addition relating to the acquisition of Ítala and subsidiaries in June 2012 for R$2,088 and the acquisition of Unirondon in July 2012 for R$22 (see note 34).

(iii) Addition arising from the transfer of the balance of educational software previously recorded in caption "Inventories".

(iv) Refers to the review of the provision for tax, labor and civil risks prior to the measurement period of business combinations, recognized within a one-year period, occurred in subsidiary Ceama acquired in July 2011.

(v) Out of the total balance, R$1,400 refer to the write-off of software license due to the termination of the agreement with the partner. Upon termination, the balance of payables recorded in "Trade payables" in the amount of R$1,300 was also written off as of December 31, 2012.

a) Development of internal projects

	Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011
New units and new degrees (i)	38,888	44,250
Pitágoras University System (ii)	4,709	5,658
New Chain contracts (iii)	5,603	6,438
Distance learning (iv)	9,013	2,876
Higher education assessment (v)	1,464	1,650
Content production (vi)	1,600	6,120
	61,277	66,992

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

- The opening of the Ipatinga, Betim, São Luís, Poços de Caldas, Uberlândia, Guarapari, Votorantim, Feira de Santana, Contagem and Governador Valadares units, and the expansion of the Venda Nova and Cidade Jardim campuses, in Belo Horizonte.
- Investments in new product launchings.
- Additional operating and technology infrastructures required by the Ministry of Education (MEC) to allow the operation of higher education units.
- Development of a PDI (Institutional Development Plan) detailing all the degrees to be requested to the MEC and the expenses incurred in the certification of the new campuses and degrees.

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

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

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

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

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

b) Goodwill paid on acquisition of subsidiaries

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

The breakdown of goodwill paid on acquisitions is as follows:

	Parent (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Aesg (i) (v)	-	-	2,209	2,209
Ceama (i) (vi)	-	-	35,879	33,997
Cidade Jardim (ii)	-	-	6,889	6,889
EDE (iii)	59,450	59,450	59,450	59,450
Factef (i) (v)	-	-	5,423	5,423
Fadom (i) (v)	-	-	9,358	9,358
Fais (i) (vii)	-	-	5,857	5,722
Fatec (i)	-	-	305	305
GK (i)	-	-	500	500
Japi (i) (v)	-	-	3,809	3,809
Nabec (i) (v)	-	-	130	130
São Francisco (i) (v)	-	-	928	928
Sesg (i) (v)	-	-	1,819	1,819
Umep (i)	-	-	11,550	11,550
Unilinhares (i)	-	-	10,477	10,477
União (i) (ix)	-	-	6,891	6,037
Uniminas (i) (v)	-	-	20,030	20,030
Unirondon (i) (x)	-	-	23,248	-
Unopar (i)	-	233,268	1,163,607	1,163,607
Ítala (viii)	-	-	386,778	-
Iuni (iv) (v)	-	-	271,197	271,197
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 Norte (i)	-	-	8,084	8,084
Unic Tangará Sul (i)	-	-	8,792	8,792
Unime Itabuna (i)	-	-	15,700	15,700
Unime Salvador (i)	-	-	11,130	11,130
	59,450	292,718	2,103,471	1,690,574

(i) Refers to goodwill arising on a business combination, based on expected future earnings.

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

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

(iv) 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.

(v) Subsidiaries merged with and into EDE on August 1, 2010.

(vi) In 2012, R$709 was relating to the provision for tax, labor and civil risks written off against the subsidiary's equity. This balance was accounted for by adjusting the investment against the goodwill recorded in EDE.

In 2012, R$2,591 relating to deferred tax on identifiable intangible assets allocated to goodwill was recorded. As a balancing item, the same balance was accounted for in line item "deferred taxes" in liabilities of parent EDE.

(vii) In 2012, R$135 relating to deferred tax on identifiable intangible assets allocated to goodwill was recorded. As a balancing item, the same balance was accounted for in line item "deferred taxes" in liabilities of parent EDE.

(viii) Refers to the goodwill arising from the acquisition of Ítala in June 2012 (note 34).

(ix) In 2012, R$854 relating to deferred tax on identifiable intangible assets allocated to goodwill was recorded. As a balancing item, the same balance was accounted for in line item "deferred taxes" in liabilities of parent EDE.

(x) Refers to the goodwill arising from the acquisition of Unirondon in August 2012.

Goodwill impairment testing

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

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

	Parent (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
K-12 education	59,450	59,450	66,339	66,339
Higher education	-	233,268	2,037,132	1,624,235
	59,450	292,718	2,103,471	1,690,574

As of December 31, 2012, goodwill amounts were tested for impairment and no need for adjustments was considered as necessary.

The discounted cash flow (future earnings) method was used in the testing, and the CGUs determined by the Company to test goodwill for impairment correspond to each unit. The calculation considers a five-year projection, adding a perpetuity value with a real growth of 3.0% per year. A discount rate of 12.1% per year was used.

c) Intangible assets identified in acquisitions

A portion of the goodwill paid on the acquisition of subsidiaries was allocated to identifiable intangible assets with finite and indefinite useful lives, after analysis of the assets acquired and calculation of projected profit or loss, as shown below:

Parent (BR GAAP)

	12/31/2011				
	Customer portfolio (i)		Licenses and partner network (ii)	Trademark (ii)	
	Cost	Accumulated amortization	Cost	Cost	Total
Unopar	22,693	(378)	36,470	6	58,791

Consolidated (IFRS and BR GAAP)

	12/31/2012							
	Customer portfolio (i)		Noncompetition (i)		Trademark (ii)		Licenses and partner network (iii)	
	Cost	Accumulated amortization	Cost	Accumulated amortization	Cost	Accumulated amortization	Cost	Total
Ceama	5,283	(1,585)	204	(61)	-	-	-	3,841
Fais	819	(191)	213	(50)	-	-	-	791
Ítala	44,700	(5,215)	1,300	(152)	7,400	(144)	132,100	179,989
Iuni	28,069	(16,841)	-	-	-	-	-	11,228
União	2,110	(633)	403	(121)	-	-	-	1,759
Unopar	113,464	(24,584)	-	-	31	-	182,350	271,261
	194,445	(49,049)	2,120	(384)	7,431	(144)	314,450	468,869

	12/31/2011							
	Customer portfolio (i)		Noncompetition (i)		Trademark (ii)		Licenses and partner network (iii)	
	Cost	Accumulated amortization	Cost	Accumulated amortization	Cost	Accumulated amortization	Cost	Total
Ceama	5,283	(528)	204	(21)	-		-	4,938
Fais	819	(27)	213	(7)	-		-	998
Iuni	28,069	(11,228)	-	-	-		-	16,841
União	2,110	(211)	403	(40)	-		-	2,262
Unopar	113,464	(1,891)	-	-	31		182,350	293,954
	149,745	(13,885)	820	(68)	31		182,350	318,993

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

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

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

18. TRADE PAYABLES - CONSOLIDATED (IFRS and BR GAAP)

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

19. BORROWINGS AND FINANCING - CONSOLIDATED (IFRS and BR GAAP)

a) Breakdown of borrowings and financing

	12/31/2012	12/31/2011
Local currency		
BDMG (i)	-	7,883
Working capital (ii)	5,972	2,128
Finance lease (iii)	5,660	10,918
	11,632	20,929
Current	4,706	10,461
Noncurrent	6,926	10,468

(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. This agreement was settled in advance in April 2012.

(ii) Refers to a working capital loan. The contractual borrowing costs are pegged to a fixed CDI rate plus 3.0% per year.

(iii) Certain equipment was leased under irrevocable agreements subject to average charges of 6.68% p.a. and interest rate between 1.09% and 1.70%, containing a purchase option, which are effective between 24 and 36 months. The agreements do not require the maintenance of financial ratios (covenants).

The amount of R$1,034 refers to finance leases for the purchase of goods for the partner centers, as referred to in note 1. The period and the amount receivable from the centers are the same as the lease agreement.

The noncurrent portion matures as follows:

	12/31/2012	12/31/2011
2013	-	7,112
2014	3,471	1,777
2015	2,115	715
2016	835	384
2017	379	384
2018	126	96
	6,926	10,468

b) Changes in borrowings and financing are as follows:

	12/31/2012	12/31/2011
Opening balance	20,929	91,271
Additions	-	43,802
Additions from acquisitions (i)	17,554	9,422
Accrued interest	1,376	6,897
Write-off due to sale of subsidiary Suesc	-	(20)
Repayment of charges	(3,665)	(7,609)
Repayment of principal (ii)	(24,562)	(122,834)
Closing balance	11,632	20,929

(i) Addition related to the balances of acquired subsidiaries. In 2011, Ceama, União, Fais and Unopar were acquired. In 2012 refers to the acquisitions of Ítala and subsidiaries, in June 2012, and Unirondon in August 2012. The acquisition of the latter was settled in the quarter ended September 30, 2012, disclosed in item (ii).

(ii) In 2012, borrowings were settled with the proceeds from the issuance of Company's shares, except for those that Management understands as having a low cost of capital.

c) Finance leases

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

20. DEBENTURES - CONSOLIDATED (IFRS and BR GAAP)

	12/31/2012	12/31/2011
Current liabilities	1,698	-
Noncurrent liabilities	542,111	544,339

On December 15, 2011, the Bank Credit Note (CCB) was issued with interest equivalent to 100% of the CDI plus 2.078% per year.

On January 12, 2012, the Company held, through its subsidiary EDE, its first issue of debentures, in a single series. On this date, 550 debentures with unit face value of R$1,000 were subscribed, totaling R$550,000.

The debentures subscription date has a retrospective effect, according to the existing loan terms and conditions agreed for the CCB and replace such CCB in the amount of R$550,000, issued on December 15, 2011.

The debentures issued are registered, book-entry, without issue of certificates and nonconvertible.

The debentures pay interest of 2.0% per year plus charges equivalent to 100% of the CDI. The debentures mature within seven years after the issue date. After the three-year grace period, payments will be made annually, in 2014, 2015, 2016, 2017 and 2018.

Debentures do not have a renegotiation clause.

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

Changes in the balances are as follows:

	12/31/2012	12/31/2011
Opening balance	544,339	-
Issue of Bank credit note (CCB) (replaced by debentures)	-	550,000
Accrued interest	56,774	2,961
Debenture issuance cost	(530)	(8,674)
Recognition of costs	1,263	52
Interest payment	(58,037)	-
Closing balance	543,809	544,339

Breakdown of the noncurrent balance, by maturity year:

	12/31/2012	12/31/2011
2014	108,422	108,868
2015	108,422	108,868
2016	108,422	108,868
2017	108,422	108,868
2018	108,423	108,867
	542,111	544,339

The agreement requires compliance with financial ratios. The covenants will be calculated based on the Company's financial statements, which are the issue's guarantor, for the period from June 30 to December 31 of each fiscal year, and compliance will be required from 2012 to 2018, the final maturity date.

Financial ratios required are:

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

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

These ratios were met on December 31, 2012.

21. PAYROLL AND RELATED TAXES

	Parent (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Payroll	-	-	15,502	13,725
Social security tax (INSS) payable	-	13	14,698	7,843
Severance pay fund (FGTS) payable	5	10	5,746	2,881
Withholding income tax (IRRF) payable	12	37	7,481	6,696
Accrued vacation pay	-	106	29,091	17,304
Accrual expenses	-	35	9,826	5,538
Other	1	1	18,194	6,175
	18	202	100,538	60,162

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

22. ADVANCES FROM CUSTOMERS - CONSOLIDATED (IFRS and BR GAAP)

	12/31/2012	12/31/2011
Prepaid enrollment fees and tuitions	36,307	22,582

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

23. TAXES IN INSTALLMENTS - CONSOLIDATED (IFRS and BR GAAP)

	12/31/2012	12/31/2011
REFIS IV (a)	37,975	37,535
INSS installment plans (b)	9,159	3,970
Federal tax installment plans (c)	1,425	-
Municipal tax installment plans (d)	290	3,503
Labor installment plans (e)	1,358	1,569
	50,207	46,577
Current	7,764	9,721
Noncurrent	42,443	36,856

(a) REFIS IV

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

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

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

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

Total outstanding debt	52,136
Addition from acquisitions	5,659
Decrease in fine, interest and legal charges under adhesion to installment plan	(11,060)
Amortization with utilization of tax loss carryforwards to abate fine and interest	(7,990)
Accumulated adjustments	6,456
Payments made	(7,226)
	37,975
Current	4,045
Noncurrent	33,930

The installment plan consists of up to 180 monthly installments, and as of December 31, 2012, there are 142 installments payable. The balance of installments payable is adjusted on a monthly basis using the Selic rate, and up to December 2012, R$4,073 had been paid as adhesion installments before debt consolidation.

As of December 31, 2012, the balance by subsidiary is broken down as follows:

Subsidiary	Tax in installments	12/31/2012
Unime LF	INSS, IRPJ, CSLL, IRRF, PIS and Cofins	22,466
Iuni	INSS, IRPJ, CSLL, IRRF, PIS and Cofins	10,411
Fama Macapá	INSS, IRPJ, CSLL, IRRF, PIS and Cofins	2,384
Unic Tangará Sul	INSS, IRPJ, CSLL, IRRF, PIS and Cofins	470
Unime Itabuna	IRPJ, CSLL, IRRF and Cofins	414
EDE	IRPJ, CSLL, PIS, Cofins and IRRF	389
Unime Salvador	IRPJ, CSLL, IRRF and Cofins	282
Fameg	IRPJ, CSLL, PIS, Cofins and IRRF	278
Unic Primavera Nova	INSS, IRRF	243
Unic Primavera Antiga	INSS and IRRF	210
Unic Roo AE	IRPJ, CSLL and IRRF	149
Unic Roo FP	INSS	127
Fais	INSS, IRRF, PIS and Cofins	81
Unic Sinop	INSS, IRPJ, CSLL and IRRF	71
Total current and noncurrent		37,975

As of December 31, 2012, the noncurrent portion matures as follows:

Maturity year:	
2014	3,894
2015	3,894
2016	3,890
2017	3,308
2018	2,780
2019	2,779
2020	2,779
2021	2,779
2022	2,779
2023	2,779
2024	2,269
	33,930

The tax loss carryforwards utilized to settle tax debts total R$7,990 as of December 31, 2012.

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

(i) Unirondon

Regular installment payment of unpaid INSS from November 2008 to January 2009, which was paid in 60 installments beginning October 2012, remaining 57 installments of R$81, adjusted based on the monthly Selic rate.

Regular installment payment of unpaid INSS from July to August 2011, which was paid in 60 installments beginning July 2012, remaining 54 installments of R$34, adjusted based on the monthly Selic rate.

(ii) Iuni

PAEX article 1: refers to the remaining 2000 REFIS balance. It was consolidated into 130 installments, and payment started in September 2006. There are 39 installments of R$43 each outstanding, adjusted on a monthly basis using monthly Long-term Interest Rate (TJLP).

(iii) Unime Lauro de Freitas

Regular installment plan: refers to INSS not paid in 2008 and 2009. Initially there were 60 installments in September 2009, of which 18 installments of R$39 each are outstanding, adjusted by monthly Selic.

(iv) Other subsidiaries

Unime Itabuna, Unic Roo FP, Fama Macapá and Unime Salvador joined different installment plans to pay 2008 and 2009 debts, which total R$332 and have different installment amounts and payment periods.

(c) Federal tax installment plans

Refers to the IRPJ, CSLL, PIS, and COFINS debt to the federal Government incurred in the acquisition of Ítala. Total debt was paid in installments by subsidiaries: Pós Uniasselvi - R$700, Uniasselvi - R$428, Pós EAD - R$293 and Assevim - R$4, which in the aggregate total R$1,425, with different terms and installments, as of December 31, 2012.

(d) Municipal tax installment plans

The subsidiaries Assevim, Pós Uniasselvi, Uniasselvi, Unic Roo AE, and Unic Roo FP joined tax installment plans totaling R$290, which have different installment amounts and payment periods.

(e) Labor installment plans

Refer to a labor fine notice issued against Iuni, which was divided into 60 installments, and at December 31, 2012there are 46 installments payable in the amount of R$30, adjusted by monthly Selic rate.

Changes in taxes in installment payment plans are as follows:

	12/31/2012	12/31/2011
Opening balance	46,577	52,398
Addition	2,960	3,130
Addition from acquirees (i)	8,987	13,558
Gain from tax amnesty (ii)	-	(555)
Interest adjustment	4,018	2,138
Payments	(6,493)	(11,395)
Payments of acquirees (iii)	(5,842)	(12,697)
Closing balance	50,207	46,577

(i) Refer to installment payments on acquisition of Ítala and Unirondon.

(ii) Projected gain on partial consolidation of REFIS. Amount to be confirmed after compliance with court decision.

(iii) Payments on Unirondon installments in August 2012.

24. PAYABLES - ACQUISITIONS - CONSOLIDATED (IFRS and BR GAAP)

	12/31/2012	12/31/2011
Current		
Ítala	43,683	-
Ceama	5,138	4,854
Unirondon	2,436	-
Unic Tangará Sul	1,359	1,095
União	700	654
Unopar	641	391,176
Fais	232	219
Uces	-	764
Ipatinga property	634	2,333
	54,823	401,095
Noncurrent		
Ítala	153,843	-
Unirondon	9,744	-
Ceama	5,138	9,708
União	2,102	2,616
Fais	696	877
Unic Tangará Sul	-	2,046
Ipatinga property	-	583
	171,523	15,830

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

The changes in balances are as follows:

Opening balance as of December 31, 2010	10,650
Additions	1,081,329
Interest adjustment	2,535
Payments	(677,589)
Balance as of December 31, 2011	416,925
Additions	570,519
Interest adjustment	19,786
Payments	(780,884)
Balance as of December 31, 2012	226,346

Out of additions for the year:

(i) R$525,000 refers to the purchase of Ítala occurred in June 2012 (note 34).

(ii) R$14.496 refers to the purchase of a property where Timbiras campus is set up, in the city of Belo Horizonte.

(iii) R$10,988 refers to the purchase of Iraí land in the city of Belo Horizonte.

(iv) R$20,035 refers to the purchase of Unirondon occurred in August 2012 (note 34).

Amounts recorded in noncurrent liabilities mature as follows:

	12/31/2012	12/31/2011
2013	-	8.357
2014	37.189	5.727
2015	32.051	873
2016	32.051	873
2017	31.119	-
2018	39.113	-
	171.523	15.830

25. PROVISION FOR TAX, LABOR AND CIVIL RISKS AND ESCROW DEPOSITS - CONSOLIDATED (IFRS and BR GAAP)

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

	12/31/2012			12/31/2011		
	Estimated disbursement	Escrow deposits	Net balance	Estimated disbursement	Escrow deposits	Net balance
Tax (i)	186,362	(5,606)	180,756	168,646	(6,068)	162,578
Labor (ii)	54,654	(2,809)	51,845	22,407	(2,960)	19,447
Civil (iii)	3,558	(231)	3,327	1,566	(188)	1,378
	244,574	(8,646)	235,928	192,619	(9,216)	183,403

(i) The subsidiaries acquired in 2011, Unopar and Ceama, increased tax, labor and civil contingencies by R$159,404. These provisions refer mainly to administrative proceedings and lawsuits challenging ISS levied on revenue from EAD Graduation degree tuitions, INSS on payroll, and claiming exemption from federal taxes under ProUni rules. They are all covered by guarantees provided by the sellers, set out in the purchase and sale agreements.

The subsidiaries acquired in 2012 increased provisions by R$139,185, where: R$113,803 in subsidiary Ítala, R$25,382 in Unirondon, arising from administrative proceedings addressing IRPJ, CSLL, PIS, COFINS, and INSS matters, whose likelihood of loss is assessed as probable by the legal counsel.

(ii) As of December 31, 2012, the Company was a defendant in approximately 616 labor lawsuits, including litigations arising from its acquisitions. Most lawsuits were filed by terminated administrative employees and teachers, basically claiming the payment of overtime, full salary for reduced working hours, work breaks, salary differences, and proportional increase of FGTS, 13th salary, vacation pay, and constitutional one-third vacation bonus. Out of 616 labor claim, 134 are the responsibility of the sellers of the higher education institutions acquired, totaling a probable loss of R$4,176, which are provided for in the agreement on behalf of the Company, of which Unopar - R$1,450, Ítala - R$2,598, Ceama - R$125 and Unirondon - R$3.

The subsidiaries acquired in 2012 increased provisions by R$31,037, where: R$29,584 in subsidiary Ítala, R$1,450 in Unopar and R$3 in Unirondon.

(iii) As of December 31, 2012, the Company was a defendant in 2,937 civil lawsuits, which generally refer to lawsuits filed by current and former students with small claims courts, most of whom claim compensation for pain and suffering, under Law 9870/99 (Tuitions Law), because they were allegedly prevented from entering the Company's and its subsidiaries' facilities. The Company understands that the civil lawsuits filed against it are immaterial and will not have any adverse or significant impact on its performance. Of the total civil lawsuits, 2,112 lawsuits, totaling a probable loss of R$1,695 are the Company's responsibility and 825 lawsuits, totaling a probable loss of R$1,890, are the responsibility of the sellers of the higher education institutions acquired by the Company and are provided for in the agreement on behalf of the Company. Civil lawsuits assessed as probable loss under the sellers' responsibility are broken down as follows: Ítala - R$1,261; Unopar - R$598 and Ceama - R$31.

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

Changes in the provisions for contingencies are as follows:

	Tax	Labor	Civil	Total
Balances as of December 31, 2010	12,496	16,162	1,783	30,441
Additions	850	1,878	348	3,076
Additions from acquisitions	160,113	9,654	-	169,767
Write-off on sale of subsidiary	(334)	(209)	(39)	(582)
Other write-offs (i)	(4,110)	-	-	(4,110)
Payments	(369)	(5,078)	(526)	(5,973)
Balances as of December 31, 2011	168,646	22,407	1,566	192,619
Additions	2,057	4,041	189	6,287
Additions from acquisitions	138,676	27,230	-	165,906
Other write-offs (ii)	(709)	-	-	(709)
Additions (write-offs) against collaterals (iii)	(122,308)	3,653	1,890	(116,765)
Payments	-	(2,677)	(87)	(2,764)
Balances as of December 31, 2012	186,362	54,654	3,558	244,574
Balances of escrow deposits	(5,606)	(2,809)	(231)	(8,646)
Net balances as of December 31, 2012	180,756	51,845	3,327	235,928

(i) In September 2011, the Company sold the property located in Rio de Janeiro and the tax liability related to the challenged IPTU was transferred to the buyer upon sale.

(ii) In 2012, the amount of R$709 relating to the provision for tax risks was written off against subsidiary Ceama's equity. The same balance was adjusted in the investment against goodwill recorded by EDE, parent of Ceama. Changes occurred within the measurement period.

(iii) The changes refer to the offset of the collaterals for the provision for tax, labor and civil losses recorded in noncurrent assets against the related provision for risks. The balance of the provision is offset against the balance of the guarantee as the provision's statutory period expires.

As of December 31, 2012, R$122,831 was reversed, of which R$100,109 relating to the ISS of subsidiary Unopar, which was paid by the seller, R$15,836 of subsidiary Ítala for lapse of the statute of limitation, R$6,228 of subsidiary Unirondon for INSS debt payments secured by the seller and R$658 of subsidiary Iuni for lapse of the statute of limitation.

Contingencies' guarantees

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

The table below shows a schedule of the mentioned guarantees:

Subsidiary	Nature	12/31/2012	12/31/2011
Ítala	Civil, labor and tax	129,025	-
Unirondon	Civil, labor and tax	18,680	-
Unopar	Civil, labor and tax	9,011	107,073
Iuni	Labor and tax	2,226	2,884
Ceama	Civil and labor	156	-
		159,098	109,957

In the acquisition of Iuni, the purchase and sale agreement entered into on March 12, 2010, contains a clause that provides for R$106,000 as guarantee for tax losses, classified by our legal counsel as remote, arising from the period Iuni had a charitable entity status.

Possible losses

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

	Tax	Labor	Civil	Total
Balances as of December 31, 2010	69,743	5,798	2,470	78,011
Additions	6,015	1,509	2,386	9,910
Write-offs	(6,000)	(485)	(355)	(6,840)
Balances as of December 31, 2011	69,758	6,822	4,501	81,081
Additions	98,125	5,408	13,275	116,808
Write-offs	-	(4,489)	(509)	(4,998)
Balances as of December 31, 2012	167,883	7,741	17,267	192,891

Out of the total administrative proceedings and/or lawsuits, 10 lawsuits refer to the period when subsidiary Iuni was classified as a nonprofit entity. These proceedings originate from tax assessments issued by the RFB for the nonpayment of social security tax (employer's contribution, work accident insurance (SAT/RAT), and third-party tax) payable to the INSS, and other taxes (COFINS and PIS). The amount of R$150,776 are assessed by the Company's legal counsel as possible loss.

Due to the volume of lawsuits whose likelihood of loss is assessed as possible, the Company recognized a provision of R$6,404 as of attorneys' fees and burden of defeat in those lawsuits.

26. OTHER PAYABLES - CONSOLIDATED (IFRS and BR GAAP)

	12/31/2012	12/31/2011
Current		
Transfer of students' portfolio - acquisition of Ítala (i)	13,256	-
Transfer of students' portfolio - acquisition of Iuni (ii)	6,501	1,341
Pledge portion - acquisition of Uniminas (iii)	3,047	-
Unidentified deposits	102	114
	22,906	1,455
Noncurrent		
Pledge portion - acquisition of Uniminas (iii)	-	3,341
Sale of subsidiary Suesc (iv)	2,270	2,014
	2,270	5,355

(i) As set forth in the purchase agreement of Ítala, all portfolio of students maturing through May 28, 2012 (date of signature of the agreement) is collected and received by the Company and transferred to Ítalas's former owner. The Company is entitled to 10% of the amounts received in this collection transaction.

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

(iii) Refers to payables for the acquisition of Uniminas, provided for in the purchase and sale agreement. The balance consists of student loans received from students and retained as deposits Maturity will take place in 2013.

(iv) The amount receivable for the sale of Suesc, occurred in April 2011, is linked to the remaining balance of the ISS tax liability, according to the final decision on the tax collection action filed by the City of Rio de Janeiro. If favorable, the Company is entitled to receive from the buyer the amount agreed by the parties and therefore, reverse the liability. If unfavorable, the Company will pay the difference between the contractual price and the amount involved in the lawsuit. The amount receivable is recognized in line item "Other receivables", in noncurrent assets. As of December 31, 2012, the balance amounts to R$2,270 and is adjusted on a monthly basis at the percentage rate of 1%.

27. EQUITY

a) Share capital

The Company's subscribed and paid-in capital totals R$1,867,228 at December 31, 2012 (R$1,254,061 at December 31, 2011), represented by 134,351,938 common shares, held as follows:

Balance as of December 31, 2010	873,831
Capital increase in June	356,125
Capital increase in August	24,105
Balance as of December 31, 2011	1,254,061
Capital increase in March	597,040
Capital increase in September	16,127
Balance as of December 31, 2012	1,867,228

	Number of shares	
	Common	Preferred
At December 31, 2010	234,113,715	232,125,907
Total ex-treasury shares	232,882,479	224,738,491
Total treasury shares	1,231,236	7,387,416
Capital increase in June (i)	18,500,000	111,000,000
Capital increase in August (ii)	1,252,200	7,513,200
At December 31, 2011	253,865,915	350,639,107
Total ex-treasury shares	252,543,379	342,703,891
Total treasury shares	1,322,536	7,935,216
Capital increase in March (iii)	101,224,007	137,592,326
Capital increase in September (iv)	13,877,460	83,264,760
Conversion of shares (v)	(234,615,444)	(220,857,086)
At December 31, 2012	134,351,938	-
Total ex-treasury shares	133,965,939	-
Total treasury shares	385,999	-

(i) The Board of Directors' meeting held on June 30, 2011 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 IPO, as approved at 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.

(ii) On August 2, 2011, the Company approved, at the 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 per unit, pursuant to CVM 400 Instruction, and the exercise of the overallotment option. These units were paid in on August 5, 2011, generating gross proceeds of R$24,105.

(iii) On March 5, 2012, the Company's Board of Directors approved the capital increase of R$597,040, through the issuance of 101,224,007 common shares and 137,592,326 preferred shares, which were paid in upon their subscription in cash and in local currency, at R$2.50 per share, equivalent to R$17.50 per unit.

(iv) On September 28, 2012, the Company's Board of Directors approved a capital increase of R$16,127 through the issuance of 13,877,460 common shares and 83,264,760 preferred shares. The issuance is part of the payment for the acquisition of subsidiary Unopar on December 15, 2011 and set forth in the purchase and sale agreement.

The capital increase is accounted for in line item "Equity instruments arising from business combination" and the amount corresponds to the carrying amount of the holding companies that hold a 20% stake in Unopar's capital.

(v) Through September 4, 2012, the Company's shareholders were allowed to convert their common shares into preferred shares for tradable groups of shares totaling one unit (one common share and 6 preferred shares).

On December 5, 2012, the Company completed the migration to the special listing segment of BM&FBovespa, called Novo Mercado. This segment permits the trading of common shares only; hence, all Company's shareholders made the reverse split of shares, converting all preferred shares into common shares and each 7 common shares into 1 new common share of the Novo Mercado.

The migration changed the distribution of shares from the former controlling group, which held more common shares than preferred shares and did not comply with the reverse split by unit. This reverse split by unit was complied with only for trades in the market, and which was also cancelled as a trading method due to the migration.

b) Authorized capital

As of December 31, 2012, the Company is authorized to increase its capital by up to 250,000,000 common shares, regardless of any amendment to the bylaws.

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

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

c) Capital reserves

Share issuance costs

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

Capital reserves

Correspond to the stock option plan, share issuance cost and proceeds from treasury shares as described below:

Stock option plans

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

Since the plan's approval, 5,241,000 stock options were granted, 930,000 were cancelled and 1,600,000 were exercised by the beneficiaries.

In the year ended December 31, 2012, 1,287,236 options were exercised as a balancing item to the sale of 936,537 treasury shares. R$7,109 relating to the option fair value premium (R$4,150 as of December 31, 2011) and R$7,199 relating to options exercised (R$562 as of December 31, 2011) were recognized.

The balance of this provision at December 31, 2012 is R$6,817 (R$6,907 at December 31, 2011).

Gain or loss on the sale of treasury shares

Net gains on the disposal of treasury shares for the year ended December 31, 2012 are R$4,698. The balance of the line item as of December 31, 2012, which considers prior-year balances, corresponds to a gain of R$4,542 (loss of R$156 as of December 31, 2011).

d) Treasury shares

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

	Number of shares	
	Common	Preferred
At December 31, 2010	1,231,236	7,387,416
Share acquisition (i)	361,300	2,167,800
Shares sold (ii)	(270,000)	(1,620,000)
At December 31, 2011	1,322,536	7,935,216
Shares sold (iii)	(936,537)	(5,619,222)
Conversion of shares (iv)	-	(2,315,994)
At December 31, 2012	385,999	-

(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) In the year ended December 31, 2011, 270,000 units were sold, represented by 270,000 common shares and 1,620,000 preferred shares, at the cost of R$5,332, all relating to the exercise of stock options granted. A loss of R$111 was recognized upon disposal.

(iii) In the year ended December 31, 2012, 936,537 common shares were sold at the cost of R$17,075, all relating to the exercise of stock options granted. A gain of R$4,698 was recognized upon disposal.

(iv) On December 5, 2012, the Company has migrated to the Novo Mercado segment of BM&FBovespa. Consequently, the Company's shares were grouped, and all preferred shares were converted into common shares, and every 7 common shares were converted into 1 new common share. Since treasury shares already had a reverse split ratio of 1 common share to 6 preferred shares, the number of common shares remained unchanged, and preferred shares were cancelled.

e) Equity instruments arising from business combination

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

On December 15, 2011, 20% of the acquisition payment, according to the purchase and sale agreement, should be made through the Company's shares.

The amount of 20% of the acquisition price was R$260,000, consisting of 13,877,460 common shares and 83,264,760 preferred shares.

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

f) Legal reserve

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

g) Proposed dividends

The Company's Management will propose to the General Meeting the payment of R$60,000 as dividends for the year ended December 31, 2012. Of the amount proposed, R$44,803 recorded in current liabilities refer to the mandatory minimum dividend, corresponding to 25% of profit for the year after the offset of prior-year accumulated losses and the recognition of legal reserve. The excess amount of R$15,197 is recorded in equity as "Reserve for proposed additional dividends", as follows:

Profit for the year	202,044
Offset of accumulated losses	(13,399)
Recognition of legal reserve - 5%	(9,432)
Adjusted profit	179,213
Minimum dividends (25%)	(44,803)
Proposed additional dividends	(15,197)
Total dividends	(60,000)

The amount of dividends per share, considering the number of outstanding common shares as of December 31, 2012 (shares issued excluding treasury shares), is R$0.447875. Considering as of December 31, 2012 the retrospective effects from the sale of treasury shares occurred in January 2013, of 23,857 common shares, and the split of shares (note 38) occurred in March 2013, the amount per share is R$0.223898.

h) Earnings reserve - recognition of investment reserve

The remaining balance of profit for the year ended December 31, 2012, after offset of accumulated loss, recognition of legal reserve and proposed dividends, in the amount of R$119,213, was transferred to line item “Investment reserve”, pursuant to article 42 of the Bylaws, and will be used for investment in the own Company, to finance the expansion of activities, either organically or through acquisitions in the market, in accordance with the growth plan projected by Management for 2013.

28. SHARE-BASED COMPENSATION PLAN

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

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

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

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

The strike price will be paid by the beneficiaries to the Company at sight, upon the acquisition or subscription or as determined by the Board of Directors for each agreement. As of December 31, 2012, the prices established under the agreements range from R$16.00 to R$24.67.

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

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

Changes in the number of outstanding call options and their corresponding weighted average prices for the years ended December 31, 2012 and 2011 are as follows:

	12/31/2012		12/31/2011	
	Average strike price per share in R$	Options	Average strike price per share in R$	Options
Opening balance	18.35	2,172,236	18.13	2,597,236
Granted (i)	25.03	1,896,000	19.20	245,000
Cancelled (ii)	20.51	(70,000)	18.23	(400,000)
Exercised (iii)	20.28	(1,287,236)	17.17	(270,000)
Closing balance		2,711,000		2,172,236

(i) In the year ended December 31, 2012, the Company granted 1,896,000 stock options represented by 1,896,000 common shares, at the average price of R$25.03 per share.

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

In the year ended December 31, 2012, the Company cancelled 70,000 stock options represented by 50,000 common shares, at the average price of R$20.51 per share.

(iii) In the year ended December 31, 2012, the Company exercised 1,287,236 stock options represented by 1,287,236 common shares, at the average price of R$20.28 per share.

The balance of options that can be granted at December 31, 2012 is 689,000 (2,515,000 stock options at December 31, 2011).

Stock options granted through the year ended December 31, 2012 present the following strike prices and maturities:

	Options			
Maturity date in the year of	Average strike price per option in R$	Number of options	Average fair value of option in R$	R$
2011	19.05	12,000	2.59	31,048
2012	17.84	101,000	5.51	556,356
2013	20.10	876,333	8.51	7,461,030
2014	22.78	396,333	6.89	2,730,182
2015	23.34	924,667	9.09	8,405,700
2016	29.87	400,667	8.55	3,425,886
		2,711,000		22,610,202

The weighted average fair value of options granted during the year ended December 31, 2012, determined based on the Black-Scholes valuation model, was R$9.38 per option. Significant data included in the model was weighted average price of R$24.67 per option, which is the share price on the granting date of R$29.17 per share, average volatility of 30.99%, average expected life of the option corresponding to 1,017 days, and average annual risk-free interest rate of 9.14% and dividend yield of 3.39%.

The volatility measured at the standard deviation of continuously compounded share return is based on statistical analysis at daily share prices, using the historic interim and/or continuous 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 consideration is recognized under the caption “Capital reserve - stock option plan” in equity. The total amount recognized in the year ended December 31, 2012 was R$7,109 (R$4,150 at December 31, 2011).

The last vesting date of the longest option agreement is November 1, 2016, which can be exercised in up to 36 months after that date.

29. SEGMENT REPORTING

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

	12/31/2012				
	Higher education - classroom	Higher education - EAD	K-12 education	Unallocated portion	Total
Net revenue	870,570	386,891	148,105	-	1,405,566
Cost of sales and services	(587,827)	(99,712)	(75,302)	-	(762,841)
Gross profit	282,743	287,179	72,803	-	642,725
Operating expenses:					
Selling expenses	(76,292)	(41,504)	(20,715)	-	(138,511)
General and administrative expenses	(111,497)	(30,035)	(15,550)	-	(157,082)
Corporate expenses	-	-	-	(103,727)	(103,727)
Other expenses, net	-	-	-	(349)	(349)
Income from operations before finance income (costs)	94,954	215,640	36,538	(104,076)	243,056
Assets	2,155,286	1,462,911	84,054	81,669	3,783,920
Current and noncurrent liabilities	1,254,844	198,582	23,692	60,598	1,537,716

	12/31/2011				
	Higher education - classroom	Higher education - EAD	K-12 education	Unallocated portion	Total
Net revenue	581,845	16,029	136,679	-	734,553
Cost of sales and services	(416,533)	(2,801)	(74,120)	-	(493,454)
Gross profit	165,312	13,228	62,559	-	241,099
Operating expenses:					
Selling expenses	(55,977)	(1,510)	(14,456)	-	(71,943)
General and administrative expenses	(53,822)	(4,435)	(12,652)	-	(70,909)
Corporate expenses	-	-	-	(56,381)	(56,381)
Other expenses, net	-	-	-	(881)	(881)
Gain (loss) on sale of investment	-	-	-	(3,221)	(3,221)
Income from operations before finance income (costs)	55,513	7,283	35,451	(60,483)	37,764
Assets	2,620,439	144,609	101,459	99,965	2,966,472
Current and noncurrent liabilities	1,269,058	188,072	20,358	13,653	1,491,141

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

30. BREAKDOWN OF NET REVENUE - CONSOLIDATED (IFRS and BR GAAP)

Higher education - classroom

	12/31/2012	12/31/2011
Gross sales revenue	1,090,634	713,216
Deductions from gross revenue		
Taxes	(24,292)	(15,003)
ProUni	(93,487)	(71,885)
Discounts	(102,285)	(44,483)
Net revenue	870,570	581,845

Higher education - EAD

	12/31/2012	12/31/2011
Gross sales revenue	466,803	24,006
Deductions from gross revenue		
Taxes	(8,688)	(475)
ProUni	(36,727)	(1,851)
Discounts	(34,497)	(5,651)
Net revenue	386,891	16,029

K-12 education

	12/31/2012	12/31/2011
Gross sales revenue	157,996	142,752
Deductions from gross revenue		
Taxes	(5,072)	(3,895)
Returns	(4,819)	(2,178)
Net revenue	148,105	136,679

31. COSTS AND EXPENSES BY NATURE - CONSOLIDATED (IFRS and BR GAAP)

	Parent (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Payroll and related taxes	(8,273)	(5,206)	(614,229)	(375,400)
Depreciation and amortization	(4,160)	(378)	(85,935)	(44,407)
Rent and common area maintenance fees	-	-	(84,047)	(62,967)
Utilities, cleaning and security	(104)	-	(67,169)	(38,414)
Allowance for doubtful accounts	-	-	(66,083)	(31,314)
Publicity and advertising	(349)	-	(58,772)	(26,404)

	Parent (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Outside services	(1,361)	(1,828)	(47,198)	(45,184)
Cost of sales	-	-	(25,896)	(23,528)
Legal and contingencies	(6,420)	-	(22,223)	(4,526)
Travels	(5)	-	(18,747)	(10,752)
Taxes and contributions	(193)	(206)	(7,031)	(5,281)
Copyrights	-	-	(5,561)	(5,753)
Other costs and expenses	(92)	(29)	(59,619)	(22,859)
	(20,957)	(7,647)	(1,162,510)	(696,789)
Cost of sales and services	-	-	(762,841)	(493,454)
Selling expenses	-	-	(138,511)	(71,943)
General and administrative expenses	(20,957)	(7,647)	(260,809)	(127,290)
Other operating expenses, net	-	-	(349)	(881)
Gain (loss) on sale of investment	-	-	-	(3,221)
	(20,957)	(7,647)	(1,162,510)	(696,789)

32. FINANCE INCOME (COSTS)

	Parent (BR GAAP)	
	12/31/2012	12/31/2011
Finance income:		
Income on short-term investments and securities	894	2,871
Discounts obtained	-	4
	894	2,875
Finance costs:		
Interest and fines for late tax payment	(1)	-
Interest and fines for late bill payment	(86)	(28)
Tax on financial transactions (IOF)	-	(23)
	(87)	(51)
Finance income (costs)	807	2,824

	Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011
Finance income:		
Interest on tuitions	28,259	14,658
Income on short-term investments and securities	29,514	13,775
Discounts obtained	115	893
Reduction of charges - taxes in installments	123	555
Other	2,697	1,147
	60,708	31,028

	Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011
Finance costs:		
Interest on borrowings and financing	(1,376)	(6,845)
Interest and costs of debentures	(58,037)	(3,013)
Interest and fines for late tax payment	(4,205)	(7,423)
Adjustment of payment for acquisition of subsidiaries	(19,786)	(2,535)
Bank and collection fees	(6,027)	(2,752)
Interest and fines for late bill payment	(3,457)	(1,247)
Tax on financial transactions (IOF)	(199)	(569)
Other	(2,056)	(1,728)
	(95,143)	(26,112)
Finance income (costs)	(34,435)	4,916

33. EARNINGS PER SHARE

a) Basic

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

	12/31/2012	12/31/2011
Profit attributable to owners of the Company	202,044	37,375
Weighted average number of common shares issued (in thousands)	234,279	150,255
Basic earnings per common share	0.86	0.25

The average number of shares retrospectively considered the effect of the split of shares occurred in March 2013, as described in note 38.

b) Diluted

For dilution purposes, the Company has a stock option plan offered to beneficiaries, which permits the issuance of shares when the option is exercised. As of December 31, 2012, there are shares with dilution potential since its average strike price is lower than the average price of the Company's shares in the market.

	12/31/2012	12/31/2011
Profit attributable to owners of the Company	202,044	37,375
Weighted average number of common shares issued (in thousands)	234,279	150,255
Potential increase in common shares (in thousands)	113	-
Diluted earnings per common share	0.86	0.25

34. BUSINESS COMBINATION

Acquisition of Ítala

On May 28, 2012, the Company acquired the total capital of Ítala Participações Ltda. - "Ítala" (controlling shareholder of Uniasselvi Group) at the amount of R$525,000, paid as follows:

(i) R$335,000 on sight.

(ii) R$175,000 to be paid in six annual and consecutive installments beginning June 2013, adjusted based on the CDI fluctuation.

(iii) R$15,000 of variable price to be calculated based on the financial statements as of December 31, 2012, with payment scheduled to be made in June 2013.

Ítala is the direct controlling shareholder of Assevim, Fameg, Famelages, Famesul, Pós EAD, Pós Uniasselvi and Uniasselvi. Uniasselvi is the controlling shareholder of LDV.

The goodwill of R$572,278 arising from the difference between the amount paid and the acquiree's net assets was valued and allocated as follows:

(i) R$386,778 as future earnings with indefinite useful life.

(ii) R$132,100 from center licenses and partner with indefinite useful life.

(iii) R$44,700 from customer portfolio with a five-year useful life.

(iv) R$7,400 from trademarks with 30-year useful life.

(v) R$1,300 from noncompete agreement with a five-year useful life.

Changes in acquisition are as follows:

Equity	19,930
Adjustment to the opening balance	(4,138)
Adjusted equity	15,792
Acquisition price	525,000
Initial goodwill	509,208
Deferred tax on allocation of intangible assets	63,070
Goodwill on acquisition	572,278

The consolidated balance sheet as of June 1, 2012 was considered as the opening balance sheet, as follows:

	As of 06/01/2012	Adjustments after the opening balance sheet	As of 06/01/2012 post adjustment
Assets			
Cash and cash equivalents	69,590		69,590
Trade receivables	9,327	(1,435)	7,892
Advances	1,528	-	1,528
Recoverable taxes	830	(579)	251
Prepaid expenses	184	-	184
Contingencies' guarantee	141,030	-	141,030
Property, plant and equipment	26,219	-	26,219
Intangible assets	2,087	-	2,087
Liabilities			
Trade payables	(10,633)	(780)	(11,413)
Borrowings and financing	(4,270)	(1,344)	(5,614)
Payroll and related taxes	(12,231)	-	(12,231)
Taxes	(1,773)	-	(1,773)
Trade payables - retained cash	(6,155)	-	(6,155)
Taxes in installments	(2,223)	-	(2,223)
Dividends payable	(52,550)	-	(52,550)
Provision for tax, labor and civil risks	(141,030)	-	(141,030)
Net assets acquired	19,930	(4,138)	15,792

Net revenue incorporated in the 2012 consolidated income statement was R$118,082 and profit for the year was R$15,152. If the subsidiary was consolidated during a period of 12 months, the net effect would be R$48,759.

Acquisition of Unirondon

On August 2, 2012, the Company acquired the total capital of União Educacional Cândido Rondon Ltda. - "Unirondon" for R$20,035, paid as follows:

(i) R$8,210 on sight.

(ii) R$11,825 to be paid in five annual, consecutive installments beginning August 2012, indexed to the IPCA fluctuation.

(iii) R$1,860 as amount retained to settle the net debt to be determined, scheduled for payment in November 2012 and indexed to the Extended Consumer Price Index (IPCA) fluctuation. The amount was deducted from the price.

The goodwill of R$40,793 arising on the difference between the amount paid and the acquiree's equity has been preliminarily valued in accordance with CPC 15 - Business Combinations, of which:

(i) R$23,248 as future earnings with indefinite useful life.

(ii) R$9,786 as appreciation of property, plant and equipment, in land, with definite useful life.

(iii) R$7,759 as appreciation of property, plant and equipment, in buildings, with 25-year finite useful life.

Since it refers to a preliminary valuation, goodwill can change with respect to its allocation within the measurement period.

Changes in acquisition are as follows:

Equity deficiency	(16,205)
Adjustment to the opening balance	1,413
Equity deficit adjusted	(14,792)
Acquisition price	21,895
Price adjustment	(1,860)
Adjusted price	20,035
Initial goodwill	34,827
Deferred tax on goodwill allocation	5,966
Goodwill on acquisition	40,793

The balance sheet (equity deficiency) as of August 1, 2012 was considered as the opening balance sheet, as follows:

	As of 08/01/2012	Adjustments after the opening balance sheet	As of 08/01/2012 post adjustment
Assets:			
Cash and cash equivalents	58	-	58
Trade receivables	843	-	843
Contingencies' guarantee	24,876	-	24,876
Property, plant and equipment	8,159	-	8,159
Intangible assets	23	-	23
Liabilities:			
Borrowings and financing	(11,940)	-	(11,940)
Trade payables	(3,606)	1,413	(2,193)
Taxes	(178)	-	(178)
Payroll and related taxes	(2,263)	-	(2,263)
Advances from customers	(27)	-	(27)
Tax installment plans	(6,764)	-	(6,764)
Provision for tax, labor and civil risks	(25,386)	-	(25,386)
Equity deficiency acquired	(16,205)	1,413	(14,792)

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

Net revenue incorporated in the 2012 consolidated income statement was R$10,725 and profit for the year was R$646. If the subsidiary was consolidated during a period of 12 months, the net effect would be R$3,309.

35. RELATED-PARTY TRANSACTIONS

The main intragroup balances and transactions are as follows:

a) Due to/from related parties (Parent)

	12/31/2012 Assets	12/31/2011 Liabilities
Cash (i)	-	1,884
Advance for future capital increase (ii)	3,930	-

(i) Refers to funds transferred from subsidiary EDE to the Parent to build up cash.

(ii) Refers to the funds arising from the sale of treasury shares transferred 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

Subsidiaries Pses and Spes use properties leased from CNG Patrimonial Ltda. As of December 31, 2012, future payments amount to R$12,041.

Subsidiaries Iuni, Unic Tangará do Sul, Unic Primavera Nova, Unic Sinop, Unime LF and Unic VG use properties leased from Vertia Empreendimentos Imobiliários Ltda. These amounts are recorded in profit or loss, in line item “Cost of services”. As of December 31, 2012, future payments amount to R$115,364.

Subsidiary Unopar uses properties leased from Creare Administração de Bens Móveis e Imóveis Ltda. These amounts are recorded in profit or loss, in line item “Cost of services”.

Subsidiary Iuni entered into an assignment agreement for the use by its university of the University General Hospital (“HGU”) of Cuiabá, MT, for which it pays a fixed amount of R$322 per month and a variable amount of R$2 per student, relating to the Scholarship. As of December 31, 2012, future payments amount to R$23,077 and there is no outstanding balance.

EDE entered into with Fundação Pitágoras an agreement for the sale of learning materials. Sales amount of R$9,825 as of December 31, 2012 (R$13,213 as of December 31, 2011). The balance of trade receivables as of December 31, 2012 is R$2,487 (R$8,865 as of December 31, 2011). The balance receivable from Fundação Pitágoras as of December 31, 2011 of R$1,098 was settled in the period ended June 30, 2012 (note 14).

In May 2012 the Company, through its subsidiary Pses, acquired the property where the Timbiras campus is located, in the amount of R$14,496, and a land, in the amount of R$10,750, both in the City of Belo Horizonte, based an appraisal report prepared by independent appraisers. The acquisitions were carried out between the Company and its related parties, members of the Board of Directors and holders of interest in the Company, directly or through subsidiaries.

c) Key Management personnel compensation

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

The Annual General Meeting set Management annual overall compensation for the year ending December 31, 2012 at R$15,000.

Compensation paid to Management for the year is as follows:

	12/31/2012	12/31/2011
Payroll	4,412	3,341
Variable compensation (*)	7,324	2,581
Share-based compensation plan - stock options	3,172	1,536
	14,908	7,458

(*) Variable compensation defined in agreement with officers.

36. STATEMENTS OF CASH FLOWS - CONSOLIDATED (IFRS and BR GAAP)

a) Cash and cash equivalents

The breakdown of cash and cash equivalents recorded in the statement of cash flows is shown in note 7.

b) Non-cash transactions

(i) Ítala was acquired in June 2012. The changes in cash flows should disregard the opening acquisition balances and goodwill allocations (note 34).

(ii) In June 2012, the amount of R$709 was written off from the provision for tax contingencies against subsidiary Ceama's equity. The same balance was adjusted in the investment against goodwill recorded by EDE, parent of Ceama. The change took place within one year from the acquisition.

(iii) In June 2012, goodwill was adjusted against the balance of deferred tax liability in acquirees in 2011, of which R$2,591 relating to subsidiary Ceama, R$854 relating to subsidiary União and R$135 relating to subsidiary Fais.

(iv) Unirondon was acquired in August 2012. The changes in cash flows should disregard the opening acquisition balances, goodwill allocations and price adjustments (note 34).

(v) As part of the payment for the acquisition of Unopar, in September 2012 the Company issued 13,877,460 common shares and 83,264,760 preferred shares at the amount of R$16,127. This balance is recorded in line item "Equity instruments arising on business combination" in equity.

(vi) In December 2012, EDE capital was increased, with balances recorded in the Parent relating to Unopar, in the amount of R$286,536. Upon transfer, EDE started to fully control Unopar.

(vii) In the year ended December 31, 2012, R$4,986 of the educational software balance recorded in line item “Inventories” was transferred to line item “Intangible assets”.

(viii) In the year ended December 31, 2012, there were changes related to the offset of contingencies’ guarantees recorded in noncurrent assets against the related provision for risks amounting to R$116,435.

37. INSURANCE

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

As of December 31, 2012, the Company had insurance policies with maximum indemnity limit of R$99,058 (R$214,244 at December 31, 2011), covering electrical damages, riots, window breaking, electronic equipment, fire, robbery, lightning, explosions, windstorms, vehicle impact, and aircraft crashes.

38. EVENTS AFTER THE REPORTING PERIOD

Stock split

On March 6, 2013, the Company split its common shares at the ratio of 2:1, as approved at the Extraordinary General Meeting held on March 5, 2013.

The Company’ capital increased from 134,351,938 common shares to 268,703,876 common shares.

39. APPROVAL OF THE FINANCIAL STATEMENTS FOR ISSUANCE

The individual and consolidated financial statements were approved by the Board of Directors at the meeting held and authorized for issue on March 19, 2013.

2012 MANAGEMENT REPORT

Dear Shareholders,

In accordance with applicable legislation, the management of Kroton Educacional S.A. ("Kroton" or the "Company") presents its Management Report and Financial Statements for the fiscal year ended December 31, 2012, with comparisons in relation to fiscal year 2011. The consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC). In addition, they were prepared and are presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

About Kroton

Kroton Educacional S.A. (BM&FBovespa: KROT3) is one of the largest for-profit private educational organizations in the world. Operating in Brazil's education sector for over 45 years, the Company has a nationwide presence in all of Brazil's states, with operations in Primary and Secondary Education as well as Postsecondary Education. As of December 31, 2012, Kroton had approximately 410,000 Postsecondary students in both the On-Campus and Distance Learning business, primarily through its 53 Postsecondary units and 447 active Undergraduate Distance Learning centers. In the Primary and Secondary Education segment, Kroton served 289,000 students both in the private sector through 810 Associated Schools and in the public school system with operations in four cities.

Message from Management

At the start of 2012, the Company mentioned that the year would be a memorable one. Today, we can confirm this statement, given everything that was accomplished and the various achievements delivered in both the operational and financial areas.

On the operational front, the highlight was the progress made on integrating Unopar and the acquisition of Uniasselvi, which further strengthened our positioning in Distance Learning. We ended the year with 410,000 Postsecondary students, for strong growth of 62% from 2011, which was driven by the acquisitions made as well as by organic growth. Another important factor in these achievements was the continuous effort made by Kroton to expand the base of students contracting loans under FIES, which is a program of critical importance to increasing penetration in Brazil's postsecondary education.

Operational improvements supported robust financial performance in 2012. With net revenue of R$1.4 billion, adjusted EBITDA of R$387.6 million (over three times more than in 2011), adjusted EBITDA margin of 27.6% and adjusted net income of R$268.0 million, Kroton has consolidated at a new level of profitability that exceeds even our guidance. Moreover, operating cash generation in the period surpassed R$314.2 million, which was only made possible by the relentless efforts of our nearly 15,000 employees to increase efficiency and ensure that the institution offers responsible, high-quality education to all our students.

However, we know that many challenges still remain! Therefore, we have dedicated considerable attention to the long-term strategic planning and have invested time and capital in structural projects to ensure the sustainability of the Company. These include the Kroton Learning System (KLS), which ensures continuous improvement in the quality of our educational services, especially with regard to the use of technology applied to education.

For 2013, we are also optimistic on our operational and financial performance, since the partial results of the new enrollment and re-enrollment processes for the first semester of the year are already showing significant improvement from last year.

In the capital markets, in December 2012, we migrated to the Novo Mercado segment of the BM&FBovespa, reaffirming the commitment to all our stakeholders that Kroton adheres to the country's highest standards of transparency and corporate governance.

For these reasons and in view of the facts already observed early this year, we believe another memorable year is being built and that we will continue to play a leading role in Brazil's education sector and capital markets.

Macroeconomic Environment

In general, the performance of the Brazilian economy in 2012 was not consistent with the market's initial expectations. Gross Domestic Product (GDP) in the year had a growth of 0.9%, marking the worst annual performance since 2009, when it contracted by 0.3%. The level of growth was also below the federal government's expectations of 2%, which is basically explained by the external crisis that affected major global economies (Europe and the United States) and by the weak performance the country had recorded already in 2011. Note that during 2012, the government introduced a series of economic stimulus measures that included tax incentive packages and lower interest rates, but which did not have the desired effects, as demonstrated by the actual level of economic growth. Unemployment ratio, however, remained at historically low levels, contributing to a better environment in the education sector. For 2013, based on the market's current expectations that call for more robust economic growth in the year, demand for professional qualification should remain strong, which also should have positive effects for the education sector.

Acquisitions in 2012

In the first semester of 2012, Kroton acquired two Postsecondary Institutions: Unirondon and Uniasselvi. Unirondon was acquired in August 2012 for R$20 million. At the time of its acquisition, it had 5,470 On-Campus students in two units located in the state of Mato Grosso. Meanwhile, Uniasselvi was acquired in May 2012 for R$525 million. In March 2012, it had 86,200 students, of which 73,700 were enrolled in Distance Learning Undergraduate and Graduate programs through 48 centers. As a result, in addition to the supplementary gains to Kroton's distance learning operations, the Company acquired a presence in a new region in the On-Campus Postsecondary Education business through seven units in the state of Santa Catarina.

Operating Performance

In the Postsecondary Education business, the Company closed 2012 with 410,035 Postsecondary students, of whom 371,519 were enrolled in undergraduate programs (on-campus and distance learning) and 38,516 were enrolled in graduate programs (on-campus and distance learning). The number of Postsecondary students increased 62% from 2011, mainly due to the acquisition of Uniasselvi in May 2012 and the organic growth of the business. Kroton believes the federal government's student loan program known as FIES will play an important role in increasing penetration in Brazil's postsecondary education. Based on this belief, the Company has been a major player nationwide in offering these loans to students and has achieved very significant results. At the end of 2012, 58,943 students had contracted FIES loans, or 45.0% of the total undergraduate on-campus student base. In Primary and Secondary Education, where the Company is present in all states of Brazil through the Pitágoras Network, in 2012, it served 810 Associated Schools or approximately 289,000 students, which represents growth of 2.5% compared to 2011.

Financial Performance

The financial data used for conducting the following analysis consider Kroton's consolidated results and take into account the results from all acquisitions as of the settlement date of the transactions mentioned above.

- *Gross and Net Revenue* - Kroton ended 2012 with total gross revenue of R$1,715.4 million, increasing 94.9% from 2011. This growth basically reflects the acquisitions and growth in the student base in the period. The Company ended 2012 with total net revenue of R$1,405.6 million, increasing 91.3% from 2011, driven by the same factors that affected gross revenue.

- *Cost of Goods Sold and Services Rendered* - Kroton's total costs were R$762.8 million, or 54.3% *of* net revenue in 2012, decreasing 12.9 p.p. from 2011, reflecting the scale gains, the efficient integration of the acquired institutions and the rigorous control of costs exercised by Management. Cost of services rendered accounted for 96.6% of total costs due to the higher share of operations in the Postsecondary business.

  – Costs of goods sold, which are costs related to the publishing and printing costs of the teaching materials sold to the primary and secondary Associated Schools, was R$25.9 million, or 17.5% of the segment's net revenue, up 0.3 p.p. from 2011.

  – Cost of services rendered, which are costs related mainly to the operations of the units in the Postsecondary business, was R$736.9 million in 2012, or 52.4% of consolidated net revenue, increasing 11.5 p.p. from the prior year, due to the initiatives being implemented to optimize the cost structure and to the scale gains.

- *Gross Income and Gross Margin* - gross income was R$642.7 million in 2012, increasing 167.0% from 2011. Gross margin was 45.7% expanding 13.0 p.p. from 2011, driven by the operational improvement actions implemented at the Company and by the higher exposure of the Distance Learning Postsecondary business.

- *Operating expenses* - in 2012, Kroton's total operating expenses were R$399.7 million, corresponding to 28.4% of net revenue, which represents relative stability compared to the prior year, attesting to the Company's rigorous control of expenses. Operating expenses are composed of general and administrative expenses, selling expenses, and expenses with the provision for doubtful accounts.

– Personnel, General and Administrative Expenses: these expenses include mainly those originating from the business segments, such as consulting services, travel, outsourcing and other operating revenues/expenses. This group of expenses amounted to R$261.2 million in 2012, corresponding to 18.6% of net revenue, increasing 1.1 p.p. from the prior year, driven by the integration of the acquisitions.

– Selling Expenses: these are composed of expenses with the sales team, advertising and marketing, copyrights and of the Provision for Doubtful Accounts (PDA), which combined amounted to R$138.5 million:

- Sales team, advertising and marketing and copyrights: these expenses combined amounted to R$72.4 million, corresponding to 5.2% of net revenue, which represents improvement of 0.3 p.p. from 2011.

- Provision for Doubtful Accounts (PDA): Kroton uses a model for provisioning losses from student receivables based on historical patterns and trends in the recovery curves of these receivables over a 360-day cycle. The amount of PDA accrued covers this entire receivables cycle as from the month of billing. Amounts not received within 360 days are fully written off from Assets. Based on this criteria, PDA for 2012 amounted to R$66.1 million, equivalent to 4.7% of net revenue, increasing from 4.3% in 2011, due to the more conservative position adopted by the Company.

- *EBITDA* (unaudited) - the Company posted EBITDA, including interest and penalty on overdue monthly tuition payments, of R$357.3 million in 2012. In the period, EBITDA margin stood at 25.4%, expanding 12.2 p.p. from 2011. The margin improvement reflects the scale gains, the rigorous control of costs and expenses and the successful processes to integrate Unopar and Uniasselvi during 2012.

  – Note that Management observed the occurrence of negative nonrecurring costs and expenses related in particular to the Unopar and Uniasselvi integrations, as well as the other acquisitions made, that generated a net negative impact of R$30.4 million on the results in 2012. Excluding these events, adjusted EBITDA in 2012 would be R$387.6 million, with a margin of 27.6%.

- *Debt - Kroton* ended 2012 with net debt of R$612.5 million, which reflects the higher volume of loans contracted to meet the payments for the Unopar acquisition and the amounts related to installment payments for the other acquisitions.

- *Financial Result* - the financial result in 2012 was an expense of R$34.4 million, which was *basically* due to the higher interest expenses resulting from the higher volume of loans contracted to meet the needs of primarily the Unopar acquisition.

- *Income Tax and Social Contribution* - the amount of Income Tax and Social Contribution paid in 2012 was R$6.6 million.

- *Net Income* - in 2012, Kroton posted net income of R$202.0 million, increasing 440.6% from 2011. Excluding the nonrecurring events and amortization of intangible assets identified in the acquisitions (R$35.6 million), adjusted net income was R$268.0 million, corresponding to 19.1% of net revenue.

- *Investments* - the investments made in 2012 amounted to R$74.6 million, which corresponds to 5.3% of net revenue, percentage lower in relation to 2011. Considering also special projects, which include the acquisition of properties and the construction of buildings to support stronger growth rates over the coming years, which came to R$45.4 million, total investments amounted to R$120.0 million in 2012.

Corporate Governance

Kroton has always adopted an ethical, responsible and transparent approach to managing its business and constantly seeks to improve its corporate governance standards in accordance with best market practices. As a result, in December 2012, the Company migrated its stock to the Novo Mercado segment of the BM&FBovespa, which boasts the highest levels of corporate governance, effectively reaffirming its commitment to the financial community and all shareholders. As a result, its stock is now traded under the ticker "KROT3". The Board of Directors, which is responsible for the general orientation of the business, is currently composed of 11 members, two of whom are independent.

Capital Markets

The Company's stock was traded in 100% of trading sessions on the BM&FBovespa during 2012, with average daily trading volume of R$16.6 million. In 2012, Kroton's stock price gained 151.5%, while the Brazil Index (Ibovespa) gained 7.4% in the same period. Kroton stock is currently a component of the Special Corporate Governance Stock Index (IGC), Special Tag-Along Stock Index (ITAG), Consumption Sector Index (ICON), Small Cap Index (SMLL) and Morgan Stanley Capital International (MSCI Brazil).

Also with regard to the capital markets, bear in mind that in September 2012 shares were issued (corresponding to 10.3% of Kroton's capital stock) to the former owners of Unopar, as agreed in the negotiations for the institution's acquisition.

Independent Auditor

In compliance with CVM Instruction 381/2003, we inform that in the fiscal year ended December 31, 2012, Deloitte Auditores Independentes provided the following services: audit of the individual (Kroton Educacional S.A. and Editora e Distribuidora Educacional S.A.) and consolidated financial statements for the fiscal year ended December 31, 2012, which were prepared in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards ("IFRS"); Review of Interim Quarterly Financial Information in accordance with Brazilian and international standards for the review of interim information (NBC TR 2410 - "Revisão de Informações Intermediárias Executadas pelo Auditor da Entidade" and ISRE2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", respectively). The Company contracted services involving the review of the debt calculations of Uniasselvi and due diligence services for approximately R$1,000 thousand.

The information in the report on the performance of EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Pro-forma EBITDA, Adjusted net income, Adjusted net margin and Growth in the number of students was not subjected to the special review by the independent auditors.

Arbitration Clause

Kroton Educacional is subject to arbitration through the Market Arbitration Chamber, as described in Article 44 of the Bylaws of the Company.

Declaration of the Board of Executive Officers

The Board of Executive Officers of Kroton hereby declares, pursuant to CVM Instruction 480 of December 7, 2009, to have reviewed, discussed and approved (i) the contents and opinions expressed by Deloitte Touche Tohmatsu Auditores Independentes in the report issued on March 18, 2013; and (ii) the financial statements for the fiscal year ended December 31, 2012.

Acknowledgments

The Management of Kroton would like to thank all its students and the Associated Schools for the confidence they have placed in our services, our shareholders for their continued support and our suppliers for their partnership. We also would like to express our special gratitude to our employees for their dedication and commitment throughout 2012.

For more details on the analysis of our 2012 results, please go to our website:
www.kroton.com.br/ri.

The Management