(A free translation of the original in Portuguese)

Estácio Participações S.A.

Financial statements at
December 31, 2014
and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Estácio Participações S.A.

We have audited the accompanying parent company financial statements of Estácio Participações S.A. ("Parent company" or "Company"), which comprise the balance sheet as at December 31, 2014 and the statements of income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Estácio Participações S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated statements of income, changes in equity and 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 these financial statements in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Estácio Participações S.A. and of Estácio Participações S.A. and its subsidiaries as at December 31, 2014, and the parent company financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the year then ended, in accordance with accounting practices adopted in Brazil and the IFRS issued by the IASB.

Other matters

Supplementary information -
Statements of value added

We have also audited the parent company and consolidated statements of value added for the year ended December 31, 2014, which are the responsibility of the Company's management. The presentation of this statement is required by the Brazilian corporate legislation for listed companies, but it is considered supplementary information for IFRS. The statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Rio de Janeiro, March 19, 2015

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" RJ

Claudia Eliza Medeiros de Miranda
Contadora CRC 1RJ087128/O-0

Estácio Participações S.A.

Balance sheet

All amounts in thousands of reais (A free translation of the original in Portuguese)

Assets	**Parent company December 31, 2014**	**Parent company December 31, 2013**	**Consolidated December 31, 2014**	**Consolidated December 31, 2013**
Current assets				
Cash and cash equivalents (Note 3)	249	160	48,011	7,132
Marketable securities (Note 3)	440,995	654,505	667,070	732,051
Trade receivables (Note 4)			451,414	334,632
Accounts to be offset - FIES system (Note 29 (a))			85,081	48,647
Advances to employees/third parties	361	19	50,427	33,442
Related parties (Note 5)	1,555	1,074		259
Prepaid expenses (Note 6)	351	122	66,158	57,515
Dividends receivable (Note 8)	101,091	58,118		
Interest on capital receivable	1,275	1,275		
Taxes and contributions (Note 7)	12,463	651	70,624	30,004
Other	1,400	1,340	36,965	26,319
	559,740	717,264	1,475,750	1,270,001
Non-current assets				
Long-term receivables				
Prepaid expenses (Note 6)			8,805	2,554
Judicial deposits (Note 16)	2,339	2,169	120,941	104,058
Deferred taxes (Note 28)			31,168	16,999
Taxes and contributions (Note 7)	3,660	6,483	25,337	25,634
Other		586	10,818	14,262
	5,999	9,238	197,069	163,507
Investments				
In subsidiaries (Note 8)	1,679,111	1,127,596		
Other			228	228
	1,679,111	1,127,596	228	228
Intangible assets (Note 9)	853,505	401	1,375,428	369,301
Property and equipment (Note 10)	262	2,356	465,711	335,614
	2,532,878	1,130,353	1,841,367	705,143
	2,538,877	1,139,591	2,038,436	868,650
Total assets	3,098,617	1,856,855	3,514,186	2,138,651

Liabilities and equity	**Parent company December 31, 2014**	**Parent company December 31, 2013**	**Consolidated December 31, 2014**	**Consolidated December 31, 2013**
Current liabilities				
Trade payables	112	483	50,344	40,429
Borrowings (Note 11)	19,833	31,246	28,464	36,692
Salaries and social charges (Note 12)	199	135	121,614	79,672
Taxes payable (Note 13)	2,111	2,156	40,506	34,022
Monthly tuitions received in advance (Note 29 (b))			20,067	11,090
Advances under agreements (Note 17)	1,800	1,800	2,887	2,887
Taxes payable in installments (Note 14)			3,590	1,495
Related parties (Note 5)	4,209	4,218		
Dividends payable (Note 18)	101,169	58,118	101,169	58,118
Price of acquisition payable (Note 15)			20,486	22,206
Other	4	5	9,638	3,498
	129,437	98,161	398,765	290,109
Non-current liabilities				
Long-term payables				
Borrowings (Note 11)	544,827	235,352	560,709	238,214
Contingencies (Note 16)			26,883	28,380
Advances under agreements (Note 17)	3,900	5,700	6,254	9,141
Taxes payable in installments (Note 14)			15,763	6,939
Deferred taxes (Note 28)	27,593		46,348	8,366
Provision for asset decommissioning (Note 29(c))			15,031	14,095
Price of acquisition payable (Note 15)			39,213	17,266
Other			12,360	8,499
	576,320	241,052	722,561	330,900
Equity (Note 18)				
Share capital	1,053,098	1,010,687	1,053,098	1,010,687
Share issue costs	(26,852)	(26,852)	(26,852)	(26,852)
Capital reserves	642,736	120,981	642,736	120,981
Treasury shares	(24,851)	(11,348)	(24,851)	(11,348)
Revenue reserves	748,729	424,174	748,729	424,174
	2,392,860	1,517,642	2,392,860	1,517,642
Total liabilities and equity	3,098,617	1,856,855	3,514,186	2,138,651

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

Estácio Participações S.A.

Statement of income
Years ended December 31

All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Continuing operations				
Net operating revenue (Note 23)			2,404,464	1,731,010
Cost of services rendered (Note 24)			(1,375,839)	(1,036,536)
Gross profit			1,028,625	694,474
Operating income (expenses)				
Finance costs (Note 25)			(238,323)	(183,872)
General and administrative expenses (Note 25)	(21,796)	(9,448)	(383,873)	(277,864)
Equity in the results of subsidiaries (Note 8)	432,422	238,437		
Other operating income (Note 26)	1,674	1,746	18,214	15,807
Operating profit	412,300	230,735	424,643	248,545
Finance income (Note 27)	51,561	42,335	109,228	61,770
Finance costs (Note 27)	(41,247)	(26,245)	(100,965)	(53,579)
Finance result, net	10,314	16,090	8,263	8,191
Profit before income tax and social contribution	422,614	246,825	432,906	256,736
Income tax (Note 28)	3,123	(1,551)	(4,120)	(8,595)
Social contribution (Note 28)	(92)	(567)	(3,141)	(3,434)
Profit for the year attributable to stockholders	425,645	244,707	425,645	244,707
Earnings per share - basic (Note 22)	0.00139	0.00084	0.00139	0.00084
Earnings per share - diluted (Note 22)	0.00139	0.00084	0.00138	0.00084

There was no comprehensive income for the years ended December 31, 2014 and 2013.

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

Estácio Participações S.A.

Statement of changes in equity

All amounts in thousands of reais (A free translation of the original in Portuguese)

			Capital reserves				Revenue reserves			
	Share capital	**Expenditure on issuance of shares**	**Long-term incentives**	**Share subscription premium**	**Options granted**	**Legal**	**Profit retention**	**Treasury shares**	**Retained earnings**	**Total**
At January 1, 2013	369,319	(2,819)		96,565	17,733	19,263	218,322	(11,348)		707,035
Public offering of shares (Note 18(a))	616,858									616,858
Stock Option Plan Exercise	24,510									24,510
Options granted					6,683					6,683
Profit for the year									244,707	244,707
Allocation of profit										
Transfer to reserves						12,235	174,354		(186,589)	
Proposed dividends									(58,118)	(58,118)
Cost of issuance of shares		(24,033)								(24,033)
Treasury shares acquired								(4,216)		(4,216)
Share repurchase option								4,216		4,216
At December 31, 2013	1,010,687	(26,852)		96,565	24,416	31,498	392,676	(11,348)		1,517,642
Exercise of stock options (Note 21)	19,106									19,106
Issue of common shares related to business combinations (Note 18(d))	23,305									23,305
Options granted			-		20,378					20,378
Long-term incentive			2,478							2,478
Profit for the year									425,645	425,645
Allocation of profit										
Transfer to reserves						21,282	303,273		(324,555)	
Proposed dividends									(101,090)	(101,090)
Treasury shares acquired								(13,503)		(13,503)
Premium on subscription of shares (Note 18 (d))				498,899						498,899
At December 31, 2014	1,053,098	(26,852)	2,478	595,464	44,794	52,780	695,949	(24,851)		2,392,860

The accompanying notes are an integral part of these financial statements

Estácio Participações S.A.

Statement of cash flows
Years ended December 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2014	2013	2014	2013
Cash flows from operating activities				
Profit before income tax and social contribution	422,614	246,825	432,906	256,736
Adjustments to reconcile profit with cash generated				
Depreciation and amortization	11,158	2,530	107,301	67,203
Amortization of funding costs	641	624	641	624
Net book value of property and equipment and intangible assets written off	980		3,819	4,799
Provision for impairment of trade receivables			99,411	92,260
Options granted	20,378		20,378	6,683
Long-term incentive (ILP)	2,478		2,478	
Gains on unrealized financial investments	(15,260)	(4,153)	(28,519)	(12,653)
Provision for contingencies			(3,913)	4,944
Appropriation of agreements	(1,800)	(1,800)	(2,887)	(2,886)
Interest on commitments payable			4,089	2,853
Indexation of tax credits			(20,875)	(3,009)
Interest on borrowings	39,660	25,622	39,660	25,622
Increase in the provision for decommissioning			949	1,130
Equity in the results of investees	(432,422)	(238,437)		
	48,427	31,211	655,438	444,306
Changes in assets and liabilities				
Decrease (increase) in marketable securities	228,770	(561,857)	93,500	(597,059)
(Increase) in trade receivables			(195,655)	(145,308)
Reduction (increase) in other assets	(60)	24	(47,532)	(51,597)
(Increase) decrease in advances to employees / third parties	(342)	5	(16,340)	(7,411)
(Increase) decrease in prepaid expenses	(229)	420	(4,155)	(26,584)
(Increase) in taxes and contributions	(8,989)	(412)	(31,013)	(26,459)
Increase (decrease) in trade payables	(371)	78	6,558	4,394
Increase (decrease) in taxes payable	2,986	14	(6,314)	(4,837)
Increase (decrease) in salaries and social charges	64	(1)	32,467	12,403
(Decrease) in monthly tuitions received in advance			7,343	2,106
Payment of civil lawsuits			(2,139)	224
Intercompany loans	(490)	919	259	
Provision for decommissioning of assets			(13)	(1,039)
Increase (decrease) in other liabilities	27,594	4	47,396	10,515
(Decrease) in taxes paid in installments			(8,575)	(889)
(Increase) decrease in non-current assets	586	437	2,069	(6,824)
(Increase) decrease in judicial deposits	(170)	(272)	(16,617)	(20,837)
	297,776	(529,430)	516,677	(414,896)
Dividends received	58,118	40,000		
Interest paid on borrowings	(31,581)	(12,215)	(31,581)	(12,215)
IRPJ and CSLL paid			2,587	4,480
Net cash provided by (used in) operating activities	324,313	(501,645)	487,683	(422,631)
Cash flows from investing activities:				
Property and equipment		(1,010)	(117,802)	(81,414)
Intangible assets	(71)	(20)	(71,087)	(6,079)
Goodwill on investment acquisition	(863,077)		(978,602)	(42,065)
Investments in subsidiaries	(172,669)	(38,975)		(31,067)
Commitments payable			(47,776)	
Acquisition of subsidiaries, net of cash obtained on acquisition			10,157	
Advance for future capital increase	(47,515)	(29,868)		
Net cash used in investing activities	(1,083,332)	(69,873)	(1,205,110)	(160,625)
Cash flows from financing activities				
Proceeds from issuance of common shares	42,411	641,368	42,411	641,368
Purchases of treasury shares	(13,503)		(13,503)	
Expenditure on issuance of shares		(24,033)		(24,033)
Dividends distributed	(58,040)	(26,051)	(58,040)	(26,051)
Share subscription premium	498,898		498,898	
Proceeds from debentures issued	300,683		300,683	
Repayment of borrowings	(11,341)	(19,738)	(12,143)	(19,028)
Net cash provided by financing activities	759,108	571,546	758,306	572,256
Increase (decrease) in cash and cash equivalents	89	28	40,879	(11,000)
Cash and cash equivalents at the beginning of the year	160	132	7,132	18,132
Cash and cash equivalents at the end of the year	249	160	48,011	7,132

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

(Decrease) increase in cash and cash equivalents	89	28	40,879	(11,000)

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

Estácio Participações S.A.

Statement of value added
Years ended December 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2014	2013	2014	2013
Revenue				
Educational services			2,487,820	1,787,699
Other income			17,314	15,828
Provision for impairment of trade receivables			(99,411)	(92,260)
Other commercial expenses			(3,861)	(3,142)
			2,401,862	1,708,125
Inputs acquired from third parties				
Materials, energy and outsourced services	(7,588)	(4,622)	(443,445)	(321,767)
Impairment/recovery of assets			38	
Contingencies			3,913	(4,944)
	(7,588)	(4,622)	(439,494)	(326,711)
Gross value added	(7,588)	(4,622)	1,962,368	1,381,414
Depreciation and amortization	(11,800)	(3,154)	(107,941)	(71,734)
Net value added generated by the entity	(19,388)	(7,776)	1,854,427	1,309,680
Value added received through transfer				
Equity in the results of subsidiaries	432,422	238,437		
Finance income	51,561	42,335	109,222	61,770
Other	1,799	1,834	18,333	15,807
	485,782	282,606	127,555	77,577
Total value added to distribute	466,394	274,830	1,981,982	1,387,257
Distribution of value added				
Work remuneration				
Direct remuneration	1,926	1,300	904,090	655,059
Benefits	1	1	31,286	23,231
Government Severance Indemnity Fund for Employees (FGTS)			62,127	46,779
	1,927	1,301	997,503	725,069
Taxes and contributions				
Federal	(2,425)	2,575	185,510	154,540
State			2	1
Municipal		2	108,532	78,476
	(2,425)	2,577	294,044	233,017
Third-party capital remuneration				
Interest	41,247	26,245	100,960	53,579
Rentals			163,830	130,885
	41,247	26,245	264,790	184,464
Own capital remuneration				
Dividends		58,118		58,118
Profits reinvested	425,645	186,589	425,645	186,589
	425,645	244,707	425,645	244,707
Value added distributed	466,394	274,830	1,981,982	1,387,257

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

1 General information

Estácio Participações S.A. ("Estácio" or "Company") and its subsidiaries (together the "Group") have as their main activities the development and/or administration of activities and/or institutions in the college and professional education areas and other areas associated to education, to the administration of own assets and business, and the interest, as partner or shareholder, in other limited companies in Brazil.

The Company is a corporation headquartered at Avenida Embaixador Abelardo Bueno, 199, in the Municipality and State of Rio de Janeiro, incorporated by the private subscription of shares on March 31, 2007, and currently listed on the New Market.

The Group has nineteen companies, including Estácio Participações, sixteen of which are sponsors of college institutions, incorporated as limited-liability companies, and has one University, seven University Centers and thirty-six colleges, distributed in twenty-two States of the country and in the Federal District.

The Company's Board of Directors, in a meeting held on March 18, 2015, authorized the disclosure of these financial statements.

2 Summary of significant accounting policies

The financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) measured at fair value, when applicable.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the quarterly information, include: goodwill loss (*impairment*), transactions with share-based payment, provision for tax, civil and labor risks, as well as the useful lives of assets (Note 2.24).

Consolidated financial statements

The consolidated financial statements were prepared in accordance with CPC 26 (R1)/IAS 1, "Presentation of Financial Statements". The Company also applies accounting policies set out in the Brazilian corporation law and specific rules issued by the Brazilian Securities Commission (CVM), which do not conflict with CPC 26 (R1)/IAS 01.

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, while it is not required by IFRS. Therefore, under the IFRS, the presentation of such statements is considered supplementary information, and not part of the set of financial statements.

Parent company financial statements

The parent company financial statements were prepared and are being presented in accordance with accounting practices adopted in Brazil, based on the technical accounting pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC). Because the accounting practices adopted in Brazil applicable to individual financial statements, as from 2014, do not differ from the International Financial Reporting Standards (IFRS) applicable to separate financial statements, which now allow entities to use the equity method to account for investments in subsidiaries, associates and joint ventures in the separate financial statements, they are also in compliance with the IFRS issued by the IASB. The parent company financial statements are disclosed together with the consolidated financial statements.

Changes in accounting policies and disclosures

Amendments and interpretations adopted by the group

The following standards and amendments to standards have been adopted by the Group for the first time in the financial year beginning on January 1, 2014 and have impacts on the Group:

(i) Amendment to CPC 01/IAS 36, "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of Cash-generating Units (CGUs) which had been included in IAS 36 by the issue of IFRS 13.

(ii) Amendment to CPC 39/IAS 32, "Financial instruments: Presentation" on offsetting of financial assets and financial liabilities. This amendment clarifies that the right of offset must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.

(iii) ICPC 19/IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37, "Provisions". The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized.

(iv) CPC Guidance (OCPC) 07, "Disclosure in General Purpose Accounting and Financial Reports", deals with quantitative and qualitative aspects of disclosures in notes to financial statements, reinforcing the existing accounting standard requirements and observing that only information significant for users of financial statements should be disclosed.

(v) Revision of CPC 07, "Equity Method of Accounting in Separate Financial Statements ", amends the wording of CPC 35, "Separate Financial Statements" in order to include the changes made by the IASB to IAS 27, "Separate Financial Statements". The amendment allows entities to use the equity method to account for investments in subsidiaries, associates and joint ventures in the separate financial statements and, as a result, the accounting practices adopted in Brazil are in line with the International accounting standards. Especially for IFRS purposes, the amendments to IAS 27 were early adopted.

Other amendments and interpretations which are effective for the year ended December 31, 2014 are not material to the Group.

2.2 Consolidation

The following accounting policies are applied in the preparation of the consolidated financial statements.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity instruments issued by the Group. The consideration transferred includes the fair value of assets or liabilities resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred plus the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. When the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

Transactions, balances and unrealized gains on transactions between Group companies are eliminated.

Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

All amounts in thousands of reais unless otherwise stated

The consolidated financial statements include the operations of the Company and the following subsidiaries, together with its ownership interest in each:

	Direct - %	
	2014	**2013**
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")	100	100
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")	100	100
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")	100	100
Estácio Editora ("EDITORA")	100	100
União dos Cursos Superiores SEB Ltda. ("UNISEB")	100	

	Indirect - %	
	2014	**2013**
Sociedade Educacional Atual da Amazônia ("ATUAL")	100	100
ANEC - Sociedade Natalense de Educação e Cultura ("FAL")	100	100
Sociedade Universitária de Excelência Educacional do Rio Grande do Norte ("FATERN")	100	100
Idez Empreendimentos Educacionais Sociedade Simples Ltda. ("IDEZ")	100	100
Sociedade Educacional do Rio Grande do Sul S/S Ltda. ("FARGS")	100	100
Unisãoluis Educacional S.A ("UNISÃOLUIS")	100	100
Uniuol Gestão de Empreendimentos Educacionais e Participações S.A. ("UNIUOL")	100	100
Sociedade Educacional da Amazônia ("SEAMA")	100	100
Instituto de Ensino Superior Social e Tecnológico Ltda. ("FACITEC")	100	100
Associação de Ensino de Santa Catarina ("ASSESC")	100	100
Instituto de Estudos Superiores da Amazônia ("IESAM")	100	
Centro de Assistência ao Desenvolvimento de formação Profissional Unicel Ltda. ("LITERATUS")	100	
Centro de Ensino Unificado de Teresina ("CEUT")	100	

The reporting periods of the financial statements of the subsidiaries included in consolidation are the same as those of the Company. Accounting practices were applied uniformly by the consolidated companies and are consistent with those used in the prior year.

The consolidation process of the equity and result accounts corresponds to the sum of the balances of the assets, liabilities, revenues and expenses accounts, according to their nature, complemented by the eliminations of the operations carried out between the consolidated companies, as well as the economically unrealized balances and results between the mentioned companies.

2.3 Business combinations

The purchases and purchase commitments made in 2014 are summarized as follows:

All amounts in thousands of reais unless otherwise stated

(i) Group UNISEB (UNISEB Holding and União dos Cursos Superiores SEB Ltda.

On July 1, 2014, Estácio Participações S.A. purchased all the shares of UNISEB Holding, headquartered in the city of Ribeirão Preto, State of São Paulo, and the holding company of UNISEB - União dos Cursos Superiores SEB Ltda. ("UNISEB Operating Company"). This transaction amounted to R$ 850,672, paid in cash and through the issue of equity instruments (17,853,127 common shares) as presented below.

On the date of acquisition, UNISEB Operating Company had about 35,700 students distributed in 14 on-site courses, 13 distance courses, 24 graduation programs, 36 postgraduation/MBA courses in partnership with Getúlio Vargas Foundation (FGV), and 85 fully online extension courses.

The Company's consolidated financial statements include the net revenue of R$ 24,901 and profit of R$ 4,368 related to the Group UNISEB for the period from July 1 to December 31, 2014.

The consideration paid, the values of acquired assets and contracted liabilities recognized at the dates of the acquisitions and the allocation of purchase price preliminary determined based on the fair value of assets acquired and liabilities assumed are summarized below:

	UNISEB Holding company
Acquisition value	
Cash	328,468
Equity instruments (17,853,127 thousand common shares)	522,204
Total consideration	850,672
Net assets acquired and liabilities assumed at book value	(27,913)
Goodwill	822,759
Allocation of goodwill	
Trademark	35,582
License to operate	621
Students Portfolio	54,820
Deferred income tax and social contribution	(30,947)
Goodwill	762,683
	822,759

	UNISEB Holding company
Investment in UNISEB - "Operational"	19,172
Goodwill	9,371
Trade payables	(630)
Net assets acquired at book value	27,913

The fair value of the 17,853,127 thousand common shares issued as part of the consideration paid for UNISEB Holding (R$ 522,204) was based on the published share price on June 30, 2014. On July 1, 2014, the equity of Uniseb Holding SA, parent company of União dos Cursos Superiores SEB Ltda. ("UNISEB"), was incorporated by the Group, for the net book value on the date of incorporation.

All amounts in thousands of reais unless otherwise stated

Due to the merger, the Company incorporated was extinguished and succeeded by Estácio Participações SA. in all its rights, assets and obligations.

(ii) Instituto de Estudos Superiores da Amazônia Ltda. ("IESAM")

On July 1, 2014, Estácio acquired, through its indirect subsidiary Sociedade Educacional Atual da Amazônia Ltda. ("ATUAL"), all quotas of Instituto de Estudos Superiores da Amazônia Ltda. ("IESAM") for R$ 80,000, which reduced the net debt of the Company on the closing date declared by the sellers in the amount of 27,381, accounts for the amount of R$ 52,621. Part of this amount, total of R$ 36,429, was paid in cash and the remaining balance shall be paid in six installments due by July 1, 2019, restated by the IPC-A.

Established in 2000, IESAM has approximately 4,500 students for a total capacity of 15,440 students, and 130 teachers allocated in campus 1. Its portfolio includes 23 graduate courses and 18 postgraduate courses, in addition to extension and free courses.

The consideration paid, the values of acquired assets and contracted liabilities recognized at the dates of the acquisitions and the allocation of purchase price preliminary determined based on the fair value of assets acquired and liabilities assumed are summarized below:

	IESAM
Acquisition value	
Cash	36,429
Commitments payable	16,192
Total consideration	52,621
Net assets acquired and liabilities assumed at book value	(11,696)
Goodwill	40,925
Allocation of goodwill	
Appreciation[1]	13,216
Trademark	4,346
License to operate	621
Students portfolio	3,223
Deferred income tax and social contribution	(7,278)
Goodwill	26,797
	40.925

	IESAM
Cash and cash equivalents	125
Trade receivables	147
Prepaid expenses	46
Judicial deposits	139
Property and equipment	38,439
Borrowings	(15,218)
Trade payables	(177)
Labor obligations	(1,519)
Taxes payable	(525)
Payments in installments	(8,831)
Provisions	(930)
Net assets acquired at book value	11,696

[1] Amount related to the appreciation of the real estate property acquired, as established by the difference between the fair value and its carrying amount.

All amounts in thousands of reais unless otherwise stated

(iii) Centro de Assistência ao Desenvolvimento de Formação Profissional Unicel Ltda. ("LITERATUS")

On August 7, 2014, the Company acquired, through its indirect subsidiary Sociedade Educacional Atual da Amazônia Ltda. ("ATUAL"), all quotas of Centro de Assistência ao Desenvolvimento de Formação Profissional UNICEL Ltda. ("LITERATUS") for R$ 21,822, which R$ 15,651 will be paid in cash and the remaining balance shall be paid in five installments due by August 7, 2019, restated by the IPC-A.

Founded in 2007, LITERATUS has approximately 4,800 students, allocated in two campuses, for an authorized total number of 14,170 students, and 22 graduation courses and 25 postgraduation courses. This acquisition introduces the Company in the capital of the State of Amazonas, therefore promoting the expansion of its operations in the North region of Brazil, through one of its major markets.

The consideration paid, the values of acquired assets and contracted liabilities recognized at the dates of the acquisitions and the allocation of purchase price preliminary determined based on the fair value of assets acquired and liabilities assumed are summarized below:

	LITERATUS
Acquisition value	
Cash	15,651
Commitments payable	6,171
Total consideration	21,822
Net liabilities assumed at book value	7,368
Goodwill	29,190
Allocation of goodwill	
Trademark	3,179
License to operate	600
Students portfolio	2.246
Deferred income tax and social contribution	(2,049)
Goodwill	26,214
	29.190

	LITERATUS
Cash and cash equivalents	106
Trade receivables	300
Property and equipment	27,413
Borrowings	(16,970)
Trade payables	(3,441)
Labor obligations	(2,011)
Taxes payable	(1,161)
Payments in installments	(10,066)
Provisions	(1,191)
Other liabilities	(347)
Net liabilities assumed	(7,368)

All amounts in thousands of reais unless otherwise stated

(iv) Centro de Ensino Unificado de Teresina ("CEUT")

On November 18, 2014, Estácio acquired, through its indirect subsidiary Sociedade Educacional Atual da Amazônia Ltda. ("ATUAL"), all quotas of Centro de Ensino Unificado de Teresina ("CEUT") for R$ 33,000, less CEUT's net indebtedness of R$ 10,617 at the closing date as declared by the selling party, accounts for the amount of R$ 22,383, paid as follows: R$ 14,549 in cash and R$ 7,834 in eleven installments due by November 18, 2019, restated by the IPC-A.
CEUT was established in 1994, and currently has approximately 3,700 students in a campus and a total of 7,080 authorized vacancies (2,250 vacancies only for Law). It offers 12 graduation courses (two of which recently authorized and under development) and 29 postgraduation courses. in 2012, it received from the Ministry of Education (MEC) a grade of 3 (from 1 to 5) in the General Index of Courses (IGC).

The consideration paid, the values of acquired assets and contracted liabilities recognized at the dates of the acquisitions and the allocation of purchase price preliminary determined based on the fair value of assets acquired and liabilities assumed are summarized below:

	CEUT
Acquisition value	
Cash	14,549
Commitments payable	7,834
Total consideration	22,383
Net liabilities assumed at book value	10,385
Goodwill	32,768
Allocation of goodwill	
Trademark	2,942
License to operate	401
Students portfolio	4,536
Deferred income tax and social contribution	(2,679
Goodwill	27,568
	32.768

All amounts in thousands of reais unless otherwise stated

	CEUT
Cash and cash equivalents	
Trade receivables	1,157
Other receivables	410
Prepaid expenses	8
Tax and contributions recoverable	1,057
Property and equipment	724
Borrowings	(6,366)
Trade payables	(269)
Labor obligations	(3,119)
Taxes payable	(392)
Payments in installments	(595)
Contingencies	(3,000)
Net liabilities assumed at book value	(10,385)

2.4 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The parent company and consolidated financial statements are presented in Brazilian reais (R$), which is the Company's functional currency, and also the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the dates of valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash, bank accounts and other highly liquid short-term investments with original maturities of three months or less and with immaterial risk of change in value, which are held to meet the Company's short-term commitments.

2.6 Marketable securities

At initial recognition, the Company classifies its marketable securities in the following categories, depending on the purpose for which the securities were acquired:

- held for trading - they are bought for the purpose of sale in the near term and are measured at fair value. Interest, monetary variation and fair value changes are recognized in profit or loss;

- held to maturity - they are purchased with the intention and ability to hold them to maturity, and are recognized and measured at amortized cost using the effective interest method, with earnings allocated to profit or loss; and

- available for sale - they are non-derivative instruments that are either designated in this category or not classified in any of the previous categories. They are measured at fair value, and interest and monetary variations are charged to profit or loss, while the fair value changes are recorded in equity under carrying value adjustments and transferred to profit or loss for the year upon the settlement of the security.

At December 31, 2014 and 2013, all of the Company's marketable securities are classified as "held for trading".

2.7 Trade receivables and monthly tuition fees received in advance

These receivables arise mainly from the rendering of educational activity services and do not include services provided after the balance sheet date. Services billed but not yet provided at the balance sheet date are recorded as monthly tuition fees received in advance and are recognized in the respective statement of income for the year, on the accrual basis.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment of trade receivables.

2.8 Provision for impairment of trade receivables

This provision, recorded as a reduction of accounts receivable, is set up at an amount considered sufficient by management to cover any losses on the realization of amounts receivable from monthly tuition fees and checks receivable, considering the risks involved.

2.9 Investments in subsidiaries

The investments in subsidiaries are accounted for using the equity method. In the parent company's financial statements, the goodwill based on the expected future profitability is presented in the investment account.

2.10 Property and equipment

Property and equipment are measured at acquisition or construction cost, less accumulated depreciation.

Depreciation is calculated under the straight-line method over the useful life of the assets at the rates mentioned in Note 10.

Costs subsequent to initial recognition are included in the net book value of property and equipment or recognized as a specific item, as applicable, only if the economic benefits related to these items are probable and the amounts can be reliably measured. The net book value of the replaced item is written off. Other repairs and maintenance are recognized directly in profit (loss) as incurred.

Property and equipment items are derecognized when sold or when no future economic benefit is expected to flow from their use or disposal. Any gain or losses arising from the asset derecognition (calculated as the difference between the net disposal proceeds and its net book value) are recognized in the statement of income when the asset is derecognized.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.11 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition after the purchase price allocation of all tangible and intangible assets and liabilities of the acquired entity. If negative goodwill is determined, the amount is recorded as a gain in profit or loss for the year on the date of acquisition. Goodwill is tested annually for *impairment* and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of *goodwill* relating to the entity sold.

Goodwill is allocated to Cash-generating units (CGUs) for the purpose of *impairment* testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

(b) Goodwill

(b.1) Portfolio of students

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship.

(b.2) Trademark

Trademark is an intangible asset with defined useful life, since it is an identifiable non-monetary, measurable asset with no physical substance. Its value is calculated using the average rate for teaching companies as obtained with Royalty Source. Amortization is calculated based on the Company's strategy regarding the maintenance period of the company's trademark acquired up to its total change into the trademark "Estácio".

(b.3) License to operate

The fair value of the existing License to operate is established using the cost approach. This value results from expenses incurred to purchase the license, including: MEC fees, preparation of the Institutional Development Plan (PDI) and Course Pedagogic Project (PPC) , rental before the beginning of operations and sundry costs with teachers for visits, travels, meals, transportation, etc. Amortization is calculated based on the teaching institution registration period, that is, every three years.

(b.4) Appreciation of assets

Established by the difference between the sum of the fair value of the identifiable net assets (determined based on CPC 15, "Business Combinations") and the carrying amount of the asset acquired.

(c) Software

Computer software licenses purchased are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the software.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.

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

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of applicable overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recorded as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful life, which does not exceed five years.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs (or groups of CGUs) that is expected to benefit from the synergies of the combination, which are identified at the operating segment level.

Non-financial assets other than goodwill that were adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date. The impairment of goodwill recognized in the statement of income is not reversed.

In estimating an asset's value in use, estimated future cash flows are discounted to present value, using a pre-tax discount rate reflecting the weighted average cost of capital for the industry in which the cash generating unit operates. The net sales price is determined, whenever possible, based on firm sale contracts in a transaction on an arm's length basis, between well informed and willing parties, adjusted by expenses attributable to the asset sale, or, when there is no firm sale contract, based on the price in an active market, or the most recent transaction price with similar assets.

2.13 Leases

Finance lease

Lease agreements transfer to the Company substantially all the risks and rewards inherent to the ownership of the leased item. They are classified as finance lease agreements, and the corresponding assets are recognized at fair value or present value of minimum lease payments provided for in the agreements. Items recognized as assets are depreciated according to the period of the lease agreement. Financial charges related to finance lease agreements are appropriated to profit (loss) over the lease term, based on the amortized cost and effective interest rate method.

Operating leases

Operating lease expenses are recognized in the statement of income on a straight-line method, according to the accrual basis.

2.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the borrowings using the effective interest rate method.

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

2.15 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Company's stockholders is recognized as a liability in the Company's financial statements at year-end based on the Company's bylaws. Any amount that exceeds the minimum required is only provided on the date it is approved by the stockholders at the General Meeting.

The tax benefit of interest on capital is recognized in the statement of income.

2.16 Provision for asset decommissioning

This represents the estimated future cost of the renovation of rented buildings where the Group's teaching units are located. They are recognized in property and equipment at present value, discounted at an adjusted credit rate, as part of the value of the assets that gave rise to it, since there is a legal obligation and its value can be reliably estimated, with a corresponding entry to the provision recorded in the Company's liabilities. Interest incurred on this provision is classified as finance costs. The annually reviewed decommissioning estimates suffer depreciation/amortization on the same bases of the main assets.

2.17 Provisions

Provisions for legal claims (labor, civil and tax) are recognized when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapses is recognized as interest expense.

2.18 Taxation

Subsidiaries that enrolled in the "University for All" Program (PROUNI) benefit from exemption of the federal taxes listed below, for as long as they remain registered with the program:

- Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Income (CSLL), introduced by Law 7,689, of December 15, 1988.
- Social Contribution on Revenues (COFINS), introduced by Supplementary Law 70, of December 30, 1991.
- Social Integration Program (PIS), introduced by Supplementary Law 7, of September 7, 1970.

The above exemptions are originally calculated on the amount of revenues earned from higher education activities, derived from undergraduate and occupationally specific sequential courses. Also as a result of the change in the form of organization to limited companies, the Company became subject to the following events as from October 2005 and February 2007:

(i) Loss of Services Tax (ISS) immunity.

(ii) Loss of 100% exemption regarding the employer's contribution to the National Institute for Social Security (INSS), which is required to be paid on a graduating scale as defined under PROUNI legislation (20% in the first year, 40% in the second year and up to 100% in the fifth year). In 2012, the Company began to pay 100% of the employer's contribution to INSS.

Estácio Participações S.A. (Parent company) does not benefit from PROUNI-related exemptions and computes its federal taxes payable in the normal manner.

Current income tax and social contribution

Current income tax and social contribution were determined considering the criteria established by Normative Instruction issued by the Brazilian Federal Revenue Secretariat (RFB), with specific regard to PROUNI, whereby such taxes may not be paid on profits from regular undergraduate and technological educational activities and may be subsequently transferred to a reserve account.

Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)

The rules governing PROUNI establish that revenues from traditional undergraduate and technological courses are exempt from PIS and COFINS contributions. Revenues from other educational activities are subject to PIS and COFINS at the rate of 0.65% and 3.00%, respectively, whereas non-education related revenues are subject to PIS at the rate of 1.65% and to COFINS at 7.6%.

Deferred income tax and social contribution

Deferred assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- Over deductible tax temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is likely that temporary differences will be reversed in the near future and the taxable income will be available against which the temporary differences may be used.

The carrying amount of the deferred tax assets is reviewed at each balance sheet date and written down to the extent that it is no longer probable that taxable income will be available to permit the use of all or part of the deferred tax assets. Deferred tax assets written off are reviewed at each balance sheet date and reinstated to the extent that it becomes likely that future taxable income will allow the deferred tax assets to be recovered. Deferred tax assets and liabilities are measured at the tax rates expected to be applicable in the year when the asset will be realized or the liability will be settled, based on the tax rate (and tax law) in effect on the balance sheet date.

Deferred taxes relating to items recognized directly in equity are also recognized in equity and not in the statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are presented net if a legally enforceable right exists to offset tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.19 Share-based payments

The Company grants to its main executives and officers an equity-settled, share-based compensation plan, under which the Company receives services from these executives and officers as consideration for equity instruments (options) of the Group. The fair value of the services received in exchange for the grant of the options is recognized as an expense. The total amount to be recognized is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining of an entity's employee over a specified period of time). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the balance sheet date, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Beyond the Stock Option Plan, the Company granted a Special Program for Long-term Incentive for Statutory Officers ("ILP"), as included in the global annual compensation of the Company's officers.

2.20 Profit sharing

The Group recognizes a liability and an expense for profit-sharing based on a methodology that takes into consideration the profit attributed to the Company's stockholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21 Earnings per share

The Company calculates earnings per thousand shares using the weighted average number of outstanding common shares, in the period to which the profit refers, according to Technical Pronouncement CPC 41 (IAS 33). (Note 22)

Diluted earnings per share is calculated by adjusting the weighted average number of outstanding common shares to assume conversion of all potential common shares with dilutive effects. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would be outstanding assuming the exercise of the share options.

2.22 Share capital

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to the Company's stockholders until the shares are canceled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax and social contribution effects, is included in equity attributable to the Company's stockholders.

2.23 Recognition of revenue, costs and expenses

Revenues, costs and expenses are recognized on an accrual basis.

(a) Revenue from services

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. The revenue is shown net of taxes, returns, rebates and discounts.

The Group recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will result from the transaction and when specific criteria have been met.

(b) Finance income and costs

The finance income and costs include mainly income from interest on financial investments, expenses for interest on financing, gains and losses stated at fair value, according to the classification of the note, besides net exchange and monetary variations.

Interest income is recognized on the accrual basis, using the effective interest rate method. When a loan and receivable instrument is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Subsequently, as time elapses, interest is incorporated into loans and receivables against interest income. This interest income is calculated at the same effective interest rate used to determine the recoverable amount, that is, the original rate of the instrument.

All amounts in thousands of reais unless otherwise stated

2.24 Critical accounting judgments, estimates and assumptions

Judgments

The preparation of the parent company and consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, the uncertainty related to these assumptions and estimates could lead to results that would require a significant adjustment to the carrying amount of the respective asset or liability in future periods.

Estimates and assumptions

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial information due to the uncertainties inherent in their estimation process. The Company reviews its estimates and assumptions at least annually.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.12. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of the following estimates:

	In percentages	
	2014	**2013**
Average gross margin (i)	41.5	41.5
Growth rate (ii)	5	5
Discount rate (iii)	13.5	14.6

(i) Average budgeted gross margin.

(ii) Weighted average growth rate used to extrapolate cash flows beyond the budget period.

(iii) Pre-tax discount rate applied to the cash flow projections.

If the estimated pre-tax discount rate on the discounted cash flows had been 1% higher than management's estimates (for example, 14.5% instead of 13.5%), the Group would not have recognized a further impairment against goodwill.

(ii) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date they are granted. The fair value estimate of the share-based payments requires the determination of the most adequate model of evaluation for the grant of equity instruments, which depends on the terms and conditions of the concession. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 21(b).

The Special Program for Long-term Incentive for Statutory Officers (ILP) has the statutory directors of the Company as the exclusive beneficiaries, and was structured in a variable compensation form, whose value depends on the value of its shares. The compensation within the Program will be paid in four annual installments, calculated by multiplying the number of shares determined at market value thereof on the last trading day of the BM&F BOVESPA SA - Securities, Commodities and Futures immediately preceding the year in which each payment will occur. The characteristics and models used to estimate the fair value of the program payments are disclosed in Note 21 (c).

(iii) Provisions for tax, civil and labor risks

The Company recognizes provisions for civil, tax and labor cases. The assessment of the likelihood of loss includes the evaluation of the available evidence, the hierarchy of laws, available case law, recent court decisions and their significance in the legal system, as well as the opinion of outside legal advisors. The provisions are reviewed and adjusted to account for changes in circumstances, such as the applicable statute of limitations, completion of tax inspections, or additional exposures identified on the basis of new matters or court decisions.

(iv) Useful life of assets

The Company annually reviews the economic useful life of its assets, based on the opinion of external appraisers. The depreciation is recognized in the income statement based on the remaining useful life of the asset.

2.25 Statements of cash flows

The statements of cash flows were prepared using the indirect method and are presented in accordance with Technical Pronouncement CPC 03 R2 (IAS 7) - Statement of cash flows, issued by CPC (IASB).

2.26 Statement of value added ("DVA")

The purpose of the statement of value added is to disclose the wealth generated by the Company and its subsidiaries and the wealth distribution over a given period, and it is presented as required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies. This statement is not required under the IFRS. Therefore, under the IFRS, the presentation of such statement is considered supplementary information, and not part of the set of financial statements.

The statement of value added was prepared based on information obtained from the accounting records used to prepare the financial statements and pursuant to the provisions of Technical Pronouncement CPC 09. The first part shows the wealth created by the Company, represented by revenues (gross sales revenue, including applicable taxes, other revenues and the effects of the provision for impairment of trade receivables), inputs acquired from third parties (cost of sales and purchases of materials, electric power and outsourced services, including taxes levied upon acquisition, effects of impairment and recovery of assets, depreciation and amortization), and value added received from third parties (equity in the results of subsidiaries, finance and other income). The second part of the statement of value added shows how this wealth is distributed among personnel, taxes, charges and contributions, and return on equity and remuneration of third-party capital.

2.27 Financial instruments

(a) Initial recognition and measurement

The Company's financial instruments are represented by cash and cash equivalents, marketable securities, accounts receivable, judicial deposits, accounts payable, debentures, borrowings and financing. The instruments are initially recognized at fair value plus costs directly attributable to their acquisition or issue, except for financial instruments classified at fair value through profit or loss, when such costs are directly recorded in the income statement.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that a lender would not otherwise consider;

(iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio 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; and
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the statement of income within "Other gains (losses), net" in the period in which they arise.

(b) Subsequent measurement

The measurement of financial assets and liabilities depends on their classification as follows:

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition at fair value through profit or loss. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by CPC 38 (IAS 39). Gains and losses with liabilities for trading are recognized in the statement of income.

At December 31, 2014 and 2013, the Company did not have derivative operations.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

(c) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(d) Impairment of financial assets

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

The amount of any impairment loss is measured as the difference between the 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 amount of the loss is recognized in the statement of income.

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

2.28 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, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board, which also makes the Group's strategic decisions.

Because the Company concentrates its businesses on college educational activities, it is organized into one single business unit. The courses offered by the Company, even though being targeted to a diverse public, are not controlled and managed by the Company's management as independent segments and, accordingly, the Company's results are accompanied, monitored and assessed on an integral basis.

All amounts in thousands of reais unless otherwise stated

2.29 New standards and interpretations to existing standards that are not yet effective

The following new standards and interpretations to existing standards were issued by IASB but are not effective for December 31, 2014. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

IFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective as from January 1, 2018. It replaces the orientation included in IAS 39 related to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. There is now a new expected credit losses model that replaces the current incurred loss impairment model. IFRS 9 relaxes the requirements for hedge effectiveness. It also requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Management is yet to assess IFRS 9's full impact.

IFRS 15, "Revenue from Contracts with Customers", replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and related interpretations and introduces the principles to be applied by an entity to determine the measure and recognition of revenue. Effective date is January 1, 2017. Management is yet to assess IFRS 15's full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 Cash and cash equivalents and marketable securities

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Cash and banks	249	160	48,011	7,132
Cash and cash equivalents	249	160	48,011	7,132
Bank Deposit Certificates (CDBs)	21,786	100,846	52,997	107,692
Investment funds	210,776	145,184	232,930	153,825
Repurchase agreements	208,433	408,475	381,143	470,534
Marketable securities	440,995	654,505	667,070	732,051
	441,244	654,665	715,081	739,183

The Bank Deposit Certificates (CDBs) are remunerated at the Interbank Deposit Certificate (CDI) rates varying from 90.0% to 101.2% at December 31, 2014 (from 94.2% to 101.6% at December 31, 2013).

All amounts in thousands of reais unless otherwise stated

Repurchase agreements backed by first-tier debentures are recorded at the effective rate, bearing interest at 75% to 104.0% of CDI at December 31, 2014 (from 75% to 105.7% of the CDI at December 31, 2013).

The investment fund is backed by financial allocations in private credit fund quotas, CDBs, and repurchase agreements with first-tier banks and issuers.

The Company has a Financial Investments and Derivatives Policy that stipulates that investments must be in low risk marketable securities with highly-rated financial institutions. At December 31, 2014, the operations earn interest based on the variation of the Interbank Deposit Certificate (CDI) rate.

At December 31, 2014 and 2013, all of the Company's marketable securities are classified as "held for trading".

4 Trade receivables

	Consolidated	
	2014	**2013**
Monthly tuition	326,965	261,670
Student Financing Fund (FIES) (a)	149,730	78,885
Agreements and exchanges	26,985	27,762
Receivables on credit cards (b)	30,824	25,281
Renegotiated receivables	38,715	30,226
	573,219	423,824
Amounts to be identified	(6,807)	797
Provision for impairment of trade receivables (c)	(114,998)	(89,989)
	451,414	334,632

The composition of receivables by age is as follows:

	Consolidated			
	2014	**%**	**2013**	**%**
FIES	149,730	26	78,885	19
Not yet due	79,697	14	81,179	19
Overdue for up to 30 days	51,587	9	45,683	11
Overdue from 31 to 60 days	55,780	10	39,169	9
Overdue from 61 to 90 days	45,704	8	29,897	7
Overdue from 91 to 179 days	75,723	13	59,022	14
Overdue for more than 180 days	114,998	20	89,989	21
	573,219	100	423,824	100

All amounts in thousands of reais unless otherwise stated

The composition of receivables from agreements by age is as follows:

	Consolidated			
	2014	**%**	**2013**	**%**
Not yet due	15,030	39	16,732	55
Overdue for up to 30 days	4,231	11	3,157	10
Overdue from 31 to 60 days	2,759	7	2,055	7
Overdue from 61 to 90 days	2,280	6	1,866	6
Overdue from 91 to 179 days	5,877	15	3,225	11
Overdue for more than 180 days	8,538	22	3,191	11
	38,715	100	30,226	100

(a) Accounts receivable from the Student Financing Fund (FIES) are represented by educational loans obtained by students from Caixa Econômica Federal (CEF) and the National Education Development Fund (FNDE), whereby the financed funds are transferred monthly by CEF and Banco do Brasil to a specific bank account. This amount has been used exclusively to pay the social security contributions and federal taxes and converted into cash by means of auctions of Brazilian National Treasury securities. These receivables presented a growth of 88% at December 31, 2014 compared to December 31, 2013, explained by the increase in the FIES student baseThe postponement of transfers by the federal government from the end of 2014 will produce growth effects in the balance receivable from FIES from 2015. Additionally, the Company is studying strategic actions to mitigate the effects of reducing and/or restriction of said line concession credit to students and, therefore, does not expect significant losses in the volume of revenue in the coming years and/or a significant reduction in its cash flow.

In 2014, the provision for credit risk of "Student Financing Fund" (FIES) amounted to R$ 12,360 (R$ 8,499 at December 31, 2013) and it is recorded in "Others" on the long-term liabilities. The provision is established as follows:

(i) For FIES students with guarantor, a provision was recognized for 2.25% of the accounts receivable with this characteristic, considering the assumptions of 15% of the credit risk on 15% of default.

(ii) For the uncovered risk of FGEDUC, with enrollment since April 2012, a provision was recognized for 10% of the receivables under the responsibility of the sponsors (and the Guarantor Fund is responsible for the remaining 90%) on the 15% credit risk on an estimate of 15% of default, i.e. 0.225%.

(iii) For the uncovered risk of FGEDUC, with enrollment up to March 2012, a provision was recognized for 20% under the responsibility of the sponsors (and the Guarantor Fund is responsible for the remaining 80%) on the 15% credit risk on an estimate of 15% of default, i.e. 0.450%.

A substantial part of the receivables on credit cards arises from the negotiation of default monthly tuitions.Changes in the consolidated provision for impairment of receivables were as follows:

Description	2013	Gross increase in provision for impairment of trade receivables	Recovered amounts	Net effect of provision	Disposals	2014

Monthly tuition and fees	89,989	222,329	(109,836)	112,493	(87,484)	114,998
	89,989	222,329	(109,836)	112,493	(87,484)	114,998

For the years ended December 31, 2014 and 2013, expenses with the provision for impairment of trade receivables (Note 25), recognized in the statement of income as selling expenses, consist of the following (consolidated):

	2014	2013
Supplementary provision (i)	112,493	105,312
Unidentified deposits and collections written-off		(2,748)
Sale of customer portfolio		(8,603)
Provision for impairment of trade receivables - acquired companies (ii)	(13,583)	(2,323)
Credit risk - FIES		9
Other	501	613
	99,411	92,260

(i) In order to facilitate understanding and to allow a direct reconciliation of the provision for impairment of trade receivables between the balance sheet and statement of income, the Company believes that this change should consider the consolidated amount not recovered after 180 days from the due date as supplementary amounts, and the consolidated amount received/renegotiated relating to bills not settled up to the previous month as recovered amounts.

(ii) Companies acquired in 2014 as described in Note 2.3.

All amounts in thousands of reais unless otherwise stated

5 Related-party transactions

The related-party transactions were carried out in terms equivalent to those prevailing in the transactions with independent parties, according to item 23 of Technical Pronouncement CPC 05 and are as follows:

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Current assets				
Current account				
SESES	1,367	912		
Nova Academia do Concurso	1	1		
FAL	2	1		
FATERN	3	2		
IREP	160	138		
Atual	4	4		
SEAMA	4	3		
Editora	6	6		
FARGS	2	1		
São Luís	3	3		
FACITEC	3	3		
Subsidiaries	1,555	1,074		
Related parties				259
	1,555	1,074		259
Investment fund (i)			10,542	5,511
			10,542	5,511

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Current liabilities				
Current account				
SESES	4,131	4,140		
IREP	65	65		
Atual	3	3		
Nova Academia	3	3		
FAL	1	1		
Fatern	2	2		
Seama	4	4		
	4,209	4,218		

All amounts in thousands of reais unless otherwise stated

Composition of results

	Parent company	
	2014	**2013**
Result of loan operations		
Interest paid	1	
Net result at December 31	1	

(i) At December 31, 2014, the Company had R$ 10,542 invested in the BRZ Renda Fixa Fundo de Investimento CP fund, whose quotas were acquired by Fundo Exclusivo de Investimento Estapart fund of BTG Pactual. GP Investimentos, stockholder of the Company up to September 20, 2013, has a 82% interest in the share capital of BRZ Investimentos, manager of BRZ Fund. Mr. Eduardo Alcalay, a member of the Board of Directors, has a Partner-Director and/or Associate relationship with GP Investimentos.

6 Prepaid expenses

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Insurance	98	122	1,305	2,073
Municipal Real Estate Tax (IPTU)			39	
Teaching materials (i)			17,605	12,932
Anticipation of vacation pay and charges			41,424	41,920
Registration fee - Ministry of Education (MEC)			3,896	2,573
Professional services	253		253	
Sponsorship (2016 Olympic Games)			4,286	
Technical-pedagogical cooperation - Santa Casa			4,000	
Other prepaid expenses			2,155	571
Total	351	122	74,963	60,069
Current assets	351	122	66,158	57,515
Non-current assets			8,805	2,554
	351	122	74,963	60,069

(i) It refers to the costs incurred for copyright, printing and postage for the production of education material to be used in the subsequent year. They are recorded as prepaid expenses and allocated during the period they are used, after being effectively delivered.

All amounts in thousands of reais unless otherwise stated

7 Taxes and contributions

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Corporate Income Tax (IRPJ)/ Withholding Income Tax (IRRF)	14,451	6,119	29,769	21,066
Social Contribution on Net Income (CSLL)	1,458	828	4,778	4,600
Social Integration Program (PIS) (i)	6	3	29,143	253
Social Contribution on Revenues (COFINS)	25	1	1,425	848
Services Tax (ISS)	77	77	22,471	17,601
National Institute of Social Security (INSS)			7,658	11,112
Government Severance Indemnity Fund for Employees (FGTS)			454	46
Tax on Financial Transactions (IOF)	106	106	115	112
OTHERS			148	
	16,123	7,134	95,961	55,638
Current assets	12,463	651	70,624	30,004
Non-current assets	3,660	6,483	25,337	25,634
	16,123	7,134	95,961	55,638

(i) It refers pimarily to the recognition in the first semester of 2014of PIS credit related to the Declaratory Action and Undue Payments issued by the Federal Government to its subsidiary SESES, regarding the years 1995 to 2005, representing the total amount of R$ 28,766, adjusted by the Special System for Settlement and Custody (SELIC) rate.

8 Investments in subsidiaries

	Parent company	
	2014	**2013**
Sociedade de Ensino Superior Estácio de Sá Ltda. ("SESES")	878,511	626,935
Sociedade de Ensino Superior, Médio e Fundamental Ltda. ("IREP")	748,571	484,405
Nova Academia do Concurso - Cursos Preparatórios Ltda. ("NACP")	17,317	16,280
Estácio Editora ("EDITORA")	(30)	(24)
União dos Cursos Superiores SEB Ltda. ("UNISEB")	34,742	
	1,679,111	1,127,596

All amounts in thousands of reais unless otherwise stated

The subsidiaries' information is as follows:

									2014
	Int	Number of quotas	Total assets	Total liabilities	Equity	Advance for future capital increase	Goodwill	Deferred income tax on goodwill from downstream merger	Equity in the results of subsidiaries
Seses	100%	391,077	1,068,197	189,686	878,511				178,720
Irep	100%	319559	1,051,308	411,144	640,164	45,965	62,442		238,652
Nova Academia de Concurso	100%	8,155	5,862	4,113	1,749	1,550	14,018		(513)
Estácio Editora e Distribuidora Ltda.	100%	250	42	77	(35)		5		(7)
Uniseb Operacional	100%	22,337	52,014	15,042	36,972			(2,230)	15,570
Total - December 31, 2014			2,177,423	620,062	1,557,361	47,515	76,465	(2,230)	432,422

									2013
	Interest	Number of quotas	Total assets	Total liabilitie s	Equity	Advance for future capital increase	Goodwill	Deferred income t Goodwill from dov	Equity in the results of subsidiaries
Seses	100%	340,577	774,453	148,018	626,435	500			106,000
Irep	100%	211,000	630,238	236,193	394,045	27,918	62,442		133,953
Nova Academia de Concurso	100%	6,370	4,425	3,613	812	1,450	14,018		(1,510)
Estácio Editora e Distribuidora	100%	250	42	71	(29)		5		(6)
Total - December 31, 2013			1,409,158	387,895	1,021,263	29,868	76,465		238,437

The global changes in the investments in subsidiaries in the period and year ended December 31, 2014 and December 31, 2013, respectively, are as follows:

Investments in subsidiaries	
December 31, 2012	818,052
Equity in the results of investees	238,437
Capital increase	38,975
Advance for future capital increase	29,868
Dividends proposed (ii)	(58,118)
Profit retention reserve (i)	53,699
Options granted	6,683
Investments in subsidiaries	
December 31, 2013	1,127,596
Equity in the results of investees	432,422
Capital increase (iii)	130,640
Advance for future capital increase	47,516
Dividends proposed (ii)	(101,091)
Options granted	22,856
Acquisition of subsidiary (Note 2.3 (i))	19,171
Investments in subsidiaries	
December 31, 2014	1,679,111

(i) During the year ended December 31, 2012, the subsidiaries IREP and SESES proposed the distribution of dividends of R$ 93,699. The Annual and Extraordinary General Meeting held on June 17, 2013 approved the payment of dividends of R$ 40,000, of which R$ 26,000 and R$ 14,000 was paid in June 26 and October 30, 2013, respectively. The remaining R$ 53,699 was allocated to the profit retention reserve.

(ii) For the year ended December 31, 2014, the subsidiary IREP presented distribution proposal and dividends of R$ 101,091 (2013 - R$ 58,118). In 2014, were received R$ 58,040 of dividends proposed in 2013.

Refers to the capital increase in SESES and IREP subsidiaries for the year ended December 31, 2014.

All amounts in thousands of reais unless otherwise stated

The accounting information of the subsidiaries used for application of the equity method of accounting was prepared at December 31, 2014.

9 Intangible assets

Intangible assets - Parent company

		2012		**2013**
		Cost	**Additions**	**Cost**
Cost				
Software licenses		8	20	28
Students portfolio		818		818
		826	20	846
	Amortization rates	**Amortization**	**Additions**	**Amortization**
Amortization				
Software licenses	20% p.a.	(2)	(6)	(8)
Students portfolio	20% p.a.	(273)	(164)	(437)
		(275)	(170)	(445)
Net book value		551	(150)	401

		2013		**2014**
		Cost	**Additions**	**Cost**
Cost				
Goodwill on investment acquisitions (i)			772,054	772,054
Software licenses		28	71	99
Students portfolio (i)		818	91,023	91,841
		846	863,148	863,994
	Amortization rates	**Amortization**	**Additions**	**Amortization**
Amortization				
Goodwill on investment acquisitions				
Software licenses	20% p.a.	(8)	(12)	(20)
Students portfolio	20% p.a.	(437)	(10,032)	(10,469)
		(445)	(10,044)	(10,489)
Net book value		401	853,104	853,505

(i) Additions in 2014 refers to the acquisition of UNISEB, merged into the Company in July 2014, as detailed in Note 2.3 (i).

All amounts in thousands of reais unless otherwise stated

		December 31, 2012 Cost	Additions per acquisition	Additions	Disposals	Transfers	December 31, 2013 Cost
Cost							
Goodwill on investment acquisitions		204.190		32.769			236.959
Software licenses		70.565	26	24.474	(4.712)		90.353
Integration and distance learning project		14.656		647			15.303
CSC		1.940					1.940
Learning Center		46.837		7.317			54.154
Relationship Center		2.348					2.348
Hemispheres		1.346					1.346
IT architeture		7.323		4.874			12.197
On line class material		4.628		1.142			5.770
Knowledge Factory - EAD		4.505		6.308			10.813
Students portfolio		17.133		9.296			26.429
Trademarks and patents		2			(2)		
Other		1.994		3.384			5.378
		377.467	**26**	**90.211**	**(4.714)**	**-**	**462.990**

	Annual amortization rate	December 31, 2012 Amortization	Additions per acquisition	Additions	Disposals	Transfers	December 31, 2013 Amortization
Amortization							
Goodwill on investment acquisitions	Indefinite	(6.924)					(6.924)
Software licenses	20% a.a.	(39.515)		(10.647)			(50.162)
Integration and distance learning project	20% a.a.	(9.118)		(2.733)			(11.851)
CSC	20% a.a.	(1.403)		(388)			(1.791)
Learning Center	5% a.a.	(6.425)		(1.995)			(8.420)
Relationship Center	20% a.a.	(939)		(470)			(1.409)
Hemispheres	20% a.a.	(534)		(269)			(803)
On line class material	20% a.a.			(1.010)			(1.010)
Knowledge Factory - EAD	5% a.a.			(317)			(317)
Students portfolio	20% a.a.	(4.627)		(6.170)			(10.797)
Trademarks and patents		(2)			2		
Other	20% a.a.	(82)		(123)			(205)
		(69.569)		**(24.122)**	**2**	**-**	**(93.689)**
Net book value		**307.898**	**26**	**66.089**	**(4.712)**	**-**	**369.301**

		December 31, 2013 Cost	Additions per acquisition	Additions	Disposals	Transfers	December 31, 2014 Cost
Cost							
Goodwill on investment acquisitions		236.959		851.939	(524)		1.088.374
Software licenses		90.353	2.198	45.843	(18)	59	138.435
Integration and distance learning project		15.303		1.466			16.769
CSC		1.940					1.940
Learning Center		54.154		6.949			61.103
Relationship Center		2.348					2.348
Hemispheres		1.346					1.346
IT architeture		12.197		3.654			15.851
On line class material		5.770		614			6.384
Knowledge Factory - EAD		10.813		6.118			16.931
Students portfolio		26.429		126.663			153.092
Other		5.378	3	6.443			11.824
		462.990	**2201**	**1.049.689**	**(542)**	**59**	**1.514.397**

	Annual amortization rate	December 31, 2012 Amortization	Additions per acquisition	Additions	Disposals	Transfers	December 31, 2013 Amortization
Amortization							
Goodwill on investment acquisitions	Indefinite	(6.924)					(6.924)
Software licenses	20% a.a.	(50.162)	(1.131)	(20.392)		(59)	(71.744)
Integration and distance learning project	20% a.a.	(11.851)		(1.233)			(13.084)
CSC	20% a.a.	(1.791)		(149)			(1.940)
Learning Center	5% a.a.	(8.420)		(2.398)			(10.818)
Relationship Center	20% a.a.	(1.409)		(469)			(1.878)

All amounts in thousands of reais unless otherwise stated

Hemispheres	20% a.a.	(803)		(269)			(1.072)
On line class material	20% a.a.	(1.010)		(1.158)			(2.168)
Knowledge Factory - EAD	20% a.a.	(317)		(625)			(942)
Students portfolio	20% a.a.	(10.797)		(17.194)			(27.991)
Other	20% a.a.	(205)		(203)			(408)
		(93.689)	**(1.131)**	**(44.090)**	-	**(59)**	**(138.969)**
Net book value		**369.301**	**1.070**	**1.005.59 9**	**(542)**	-	**1.375.428**

At December 31, 2014 and 2013, goodwill on acquisition of investments was comprised as follows:

	Consolidated	
	2014	**2013**
Goodwill on acquisition of investments net of accumulated amortization		
IREP	89,090	89,090
ATUAL	15,503	15,503
Seama	18,035	18,035
Idez	2,047	2,047
Uniuol	956	956
Fargs	8,055	8,055
São Luis	27,369	27,369
Facitec(i)	26,654	27,124
Assesc (i)	4,723	4,778
Iesam (Note 2.3)	26,797	
Literatus (Note 2.3)	25,521	
Ceut (Note 2.3)	27,568	
FAL	8,076	8,076
FATERN	14,979	14,979
Nova Academia	14,018	14,018
Estácio Editora	5	5
Uniseb (Note 2.3)	9,371	
Uniseb Holding (Note 2.3)	762,683	
	1,081,450	230,035

(i) The variation is due to the correction in the PPA (Purchase Price Allocation) in operations license intangible calculations and in the rate calculation of deferred tax liability.

The Company carries out annual analyses for impairment purposes, the last being for the year ended December 31, 2014, relative to goodwill on investment acquisitions and mergers, based on expected future profitability, considering projections of future results for the next 10 years, at the nominal perpetuity growth rate of 5.0% p.a. (equivalent to the long-term inflation rate, not considering any real growth) and a single nominal discount rate of 13.5% to discount estimated future cash flows. Asset impairment testing did not result in the need to recognize losses.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and the impairment loss is recognized in the statement of income.

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

The key assumptions were based on the Company's historical performance and reasonable macroeconomic assumptions using financial market projections, duly documented and approved by the Company's management.

The Company annually performs the test for impairment. The goodwill on the evaluation made at year end of December 31 of the acquisition of investments and mergers, due to the expected future profitability was based on the following assumptions i) projection of future cash flows for 10 years with a growth rate in perpetuity of 5% (equivalent to long-term inflation rate without any real growth) and ii) nominal discount rate of 13.5% to discount estimated future cash flows.
The recovery test of active effected has not resulted in loss of recognition of need.

Specifically as to the goodwill paid in the acquisition of Uniseb, the main assumptions underlying the projections of results, are:

. Average increase of 8% on the base of students;
. Monthly value adjusted for inflation for the period;
. Growth rate of cash flows in perpetuity of 5.0%;
. Nominal discount rate of 13.5%;
. Projection of future results for the period of 10 years.

All amounts in thousands of reais unless otherwise stated

0 Property and equipment

Property and equipment - Parent

		2012			2013
		Cost	**Additions**	**Disposals**	**Cost**
Cost					
Computers and peripherals		9,080	1,011		10,090
		9,080	1,011		10,090
	Depreciation rate	**Depreciation**	**Additions**	**Disposals**	**Depreciation**
Depreciation					
Computers and peripherals	25% p.a.	(5,373)	(2,362)		(7,734)
		(5,373)	(2,362)		(7,734)
Net book value		3,707	(1,351)		2,356

		2013			2014
		Cost	**Additions**	**Disposals**	**Cost**
Cost					
Computers and peripherals		10,090		(1,015)	9,075
Facilities			33		33
		10,090	33	(1,015)	9,108
	Depreciation rate	**Depreciation**	**Additions**	**Disposals**	**Depreciation**
Depreciation					
Computers and peripherals	25% p.a.	(7,734)	(1,114)	2	(8,846)
		(7,734)	(1,114)	2	(8,846)
Net book value		2,356	(1,081)	(1,013)	262

All amounts in thousands of reais unless otherwise stated

Property and equipment - Consolidated

		December 31, 2012 Cost	Additions per acquisition	Additions	Disposals	Transfers	Consolidado December 31, 2013 Cost
Cost							
Land		19.480					19.480
Buildings		84.610		503	(52)	4.932	89.993
Leashold improvements		101.081		5,625		24.967	131.673
Furniture and fittings		52.035	412	7.737	(48)	2.630	62.766
Computers and peropherals		82.590	268	7.430	(42)	2.885	93.131
Machinery and equipment		64.181	635	7.874	(92)	937	73.535
Physucal activities / hospital equipment		25.523		6.434	(6)	196	32.147
Library		78.792	1.271	13,050		3.335	96.448
Facilities		12.526	41	4.854		95	17.516
Tablets		18,701		15.479	(1)	(2.053)	32.126
Other		6,457	83	1.113	(42)	2.409	10.020
Construction in progress		24.328		11.315	(95)	(24.417)	11.131
Decommisioning		12.060			(507)	97	11.650
		582.364	**2.710**	**81,414**	**(885)**	**- 16.013**	**681.616**
	Depreciation rates	**2012 Depreciation**	**Additions per acquisition**	**Additions**	**Disposals**	**Transfers**	**2013 Depreciation**
Depreciation							
Land							-
Buildings	1,67 % a.a.	(38.159)		(1.169)		124	(39.204)
Leashold improvements	11,11% a.a.	(65.217)		(9.036)		(5.607)	(79.860)
Furniture and fittings	8,33% a.a.	(27.347)		(3.547)		(2.604)	(33.498)
Computers and peropherals	25% a.a.	(53.826)		(12.682)		(2.875)	(69.383)
Machinery and equipment	8,33% a.a.	(37.906)		(7.851)		(937)	(46.694)
Physucal activities / hospital equipment	6,67% a.a.	(11.390)		(1.269)		(113)	(12.772)
Library	5% a.a.	(33.077)		(3.267)		(3.335)	(39.679)
Facilities	8,33% a.a.	(4.911)		(1.094)		(93)	(6.098)
Tablets	20% a.a.	(1.718)		(2.200)			(3.918)
Other	14,44% a.a.	(3.253)		(1.177)		(476)	(4.906)
Construction in progress							
Decommisioning		(10.900)		1.007		(97)	(9.990)
		(287.704)	**-**	**(42.285))**		**(16.013)**	**(346.002)**
Net book value		**294.660**	**2.710**	**39.129**	**(885)**	**-**	**335.614**

		December 31, 2013 Cost	Additions per acquisition	Additions	Disposals	Transfers	December 31, 2014 Cost
Cost							
Land		19,480			-107		19,373
Buildings		89,993	36,224	1,045	-450	-14,563	112,249
Leashold improvements		131,673	23,575	17,955		37,692	210,895
Furniture and fittings		62,766	9,048	7,372	-316		78,870
Computers and peropherals		93,131	19,203	10,139	-2,060		120,413
Machinery and equipment		73,535	10,884	12,503	-565		96,357
Physucal activities / hospital equipment		32,147	1,615	7,748	-85		41,425
Library		96,448	15,357	15,096	-18		126,883
Facilities		17,516	1,786	7,857	-24		27,135
Tablets		32,126	62	13,273	-2		45,459
Other		10,020	525	1,879	-53		12,371
Construction in progress		11,131		22,935	-2,678	-23,617	7,771
Decommisioning		11,650			-12		11,638
		681,616	**118,279**	**117,802**	**-6,370**	**-488**	**910,839**
	Depreciation rates	**December 31, 2013 Depreciation**	**Additions per acquisition**	**Additions**	**Disposals**	**Transfers**	**December 31, 2014 Depreciation**
Depreciation							
Land							-
Buildings	1,67 % a.a.	-39,204	(6.647)	-1,986	67	493	-47,493
Leashold improvements	11,11% a.a.	-79,860	(2.120)	-15,495		-5	-97,264
Furniture and fittings	8,33% a.a.	-33,498	-3,919	-4,555	170		-41,802
Computers and peropherals	25% a.a.	-69,383	-12,649	-14,419	1,585		-94,866
Machinery and equipment	8,33% a.a.	-46,694	-4,150	-10,844	1,094		-60,594
Physucal activities / hospital equipment	6,67% a.a.	-12,772	-1,569	-1,833	41		-16,133
Library	5% a.a.	-39,679	-6,375	-4,708			-50,762
Facilities	8,33% a.a.	-6,098	-1,632	-1,710			-9,440
Tablets	20% a.a.	-3,918	-38	-6,403	2		-10,357
Other	14,44% a.a.	-4,906	-398	-842	20		-6,126
Decommisioning		-9,990		-415	114		-10,291
		-346,002	**-39,497**	**-63,210**	**3,093**	**488**	**-445,128**
Net book value		**335,614**	**78,782**	**54,592**	**-3,277**	**-**	**465,711**

All amounts in thousands of reais unless otherwise stated

As mentioned in Note 11, certain assets acquired through financing were used as a financing guarantee. The Company has not pledged any other of its properties to secure transactions.

Machinery and IT equipment include the following amounts where the Group is a lessee under a finance lease:

		2013			2014
		Cost	**Additions**	**Disposals**	**Cost**
Cost					
Capitalized finance leases		48,392	10,234		58,626
		48,392	10,234		58,626
	Depreciation rate	**Depreciation**	**Additions**	**Disposals**	**Depreciation**
Depreciation					
Capitalized finance leases	25% p.a.	(35,625)	(8,663)		(44,288)
		(35,625)	(8,663)		(44,288)
Net book value		12,767	1,571		14,338

The Group leases various vehicles and machinery under non-cancelable lease agreements. The lease terms are between three to four years, after which the ownership of the assets is transferred to the Group.

Impairment of assets

Under Technical Pronouncement CPC 01 (IAS 36), "Impairment of Assets", property and equipment items that present evidence that their recorded costs exceed their recoverable value (market value) will be reviewed to determine the need for setting up a provision for impairment. Management performed an annual analysis of operating and financial performance of its assets and did not identify changes in circumstances or indication of technological obsolescence. At December 31, 2014 and 2013, there was no need to record any provision for impairment of property and equipment.

All amounts in thousands of reais unless otherwise stated

11 Borrowings

		Parent company		Consolidated	
Category	**Financial charges**	**2014**	**2013**	**2014**	**2013**
In local currency					
Working capital	1,70% a.m e/ou CDI + 0,25% p.m.				228
Lease agreements	IGPM + 12.3% p.a.		1,010		1,010
Lease agreements - Colortel	INPC + 0.32% p.a.			8,751	5,721
Lease agreements - Assist				191	653
Lease agreements - CIT				647	
Lease agreements - Total Service				11	113
Lease agreements - Springer	IGPM + 1% p.a.			72	
Lease agreements - Santander	15.2% p.a.			11	
Lease agreements - Santander	12.23% p.a.			8	
Borrowing - IFC	CDI +1.53% p.a.	59,179	66,914	59,179	66,914
IFIC expenditures		(2,189)	(2,519)	(2,189)	(2,519)
First issue of debentures	CDI +1.50% p.a.	202,460	202,166	202,460	202,166
Second issue of debentures	CDI 1,18% p.a.	307,675		307,675	
Expenditures with issue of debentures		(2,499)	(1,007)	(2,499)	(1,007)
Share repurchase option Banco Itaú		34	34	34	34
Borrowing - FEE BNB	3% p.a.			2,241	1,593
Borrowing - Banco da Amazônia	9.5% p.a.			12,634	
Borrowing - Banco CEF	14.39%			(77)	
Borrowing - Banco Itaú	29.44%			24	
		564,660	266,598	589,173	274,906
Current liabilities		19,833	31,246	28,464	36,692
Non-current liabilities		544,827	235,352	560,709	238,214
		564,660	266,598	589,173	274,906

The costs of funding to be settled amounted to R$ 4,688 at December 31, 2014, being R$ 2,189 related to the borrowings from IFC (R$ 477 of the 1st borrowing and R$ 1,712 of the 2nd borrowing) and R$ 2,499 to the debentures.

The maturity of amounts recorded in non-current liabilities at December 31, 2014 and December 31, 2013 is as follows:

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
2015		49,118		51,310
2016	8,385	68,613	12,956	69,067
2017	68,385	88,613	71,751	88,829
2018	228,385	8,863	229,974	8,863
2019	228,385	8,863	229,974	8,863
2020	8,866	8,863	10,455	8,863
2021	2,421	2,419	4,010	2,419
2022			1,589	
Non-current liabilities	544,827	235,352	560,709	238,214

The borrowed funds will be used to finance the expansion of the Company including, but not limited to, acquisition of other enterprises in the industry and/or organization of new campuses.

The Group's borrowings are denominated in Brazilian reais.

All amounts in thousands of reais unless otherwise stated

(a) Lease contracts

Promissory notes endorsed by shareholders and leased assets, in the amount of R$ 58,626, were given to guarantee the lease agreements.

(b) IFC borrowing

Receivables of the IREP and UNESA units in an escrow account were given to guarantee the borrowings from IFC, and there was no pledge of assets, securities or investments; a minimum monthly flow in the escrow accounts was set at R$ 33,000. On June 2, 2014, the Company negotiated with the IFC the centralization of the receivables relating to both contracts in the UNESA units only, without any changes to the minimum monthly flow of R$ 33,000, and, therefore, made the receivables of IREP available for future transactions.

These borrowings contain restrictive covenants that require the borrower to maintain certain financial ratios within fixed limits. In the financial statements at December 31, 2014, the Company and its subsidiaries are compliant with all contractually required ratios.

(c) Debentures - First issue

Just as the borrowing agreements with IFC, the debentures also contain restrictive covenants that require maintenance of certain financial ratios within fixed limits. In the financial statements at December 31, 2014, the Company and its subsidiaries are compliant with all contractually required ratios.

Debentures were issued as registered, book-entry and without certificates. They are subordinated, simple debentures, non-convertible into shares. On May 20, 2014, the 2nd General Meeting of Debenture Holders (AGD) approved the renegotiation of this issuance.

The debentures pay interest of 100% of the Interbank Deposit Certificate (CDI) rate plus a spread of 1.50% p.a. Its maturity date (principal) is November 25, 2019, except for any early redemption offers and accelerated maturity events as provided in the indenture. Interest is paid every six months (May and November).

The fair value of the current long-term borrowings equals the carrying amount, as the impact of discounting is not significant. The fair values are based on discounted cash flows using a rate based on the borrowing rate of 12.91% p.a. (2013 - 11.52% p.a.).

The annual effective interest rate of the debentures (TIR) is 12.09%.

	2014
2014	2,460
2018	100,000
2019	100,000
	202,460

All amounts in thousands of reais unless otherwise stated

Debentures - Second issue

Just as the first issue, the debentures also contain restrictive covenants that require maintenance of certain financial ratios within fixed limits. In the financial statements at December 31, 2014, the Company and its subsidiaries are compliant with all contractually required ratios.
Debentures were issued as registered, book-entry and without certificates. They are subordinated, simple debentures, non-convertible into shares. The 2nd issue of debentures was approved at the Board of Directors' meeting held on September 15, 2014.

The debentures pay interest of 100% of the Interbank Deposit Certificate (CDI) rate plus a spread of 1.18% p.a. Its maturity date (principal) is October 15, 2019, except for any early redemption offers and accelerated maturity events as provided in the indenture. Interest is paid every six months (April and October).

The fair value of the current long-term borrowings equals the carrying amount, as the impact of discounting is not significant. The fair values are based on discounted cash flows using a rate based on the borrowing rate of 12.91% p.a. (2013 - 11.52% p.a.).

The annual effective interest rate of the debentures (TIR) is 12.96%.

The debentures payment flow is as follows:

	2014
2014	7,675
2017	60,000
2018	120,000
2019	120,000
	307,675

12 Salaries and social charges

	Parent company		**Consolidated**	
	2014	**2013**	**2014**	**2013**
Salaries and social charges payable	199	135	94,736	64,956
Provision for vacation pay			26,878	14,716
	199	135	121,614	79,672

All amounts in thousands of reais unless otherwise stated

13 Taxes payable

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
ISS payable	4	4	15,908	13,212
IRRF payable	56	40	13,466	6,282
PIS and COFINS payable	40	(7)	1,598	759
Tax on Financial Transactions (IOF)			384	384
National Institute of Social Security (INSS)			290	
	100	37	31,646	20,637
IRPJ payable	1,465	1,551	6,401	9,660
CSLL	546	568	2,459	3,725
	2,011	2,119	8,860	13,385
	2,111	2,156	40,506	34,022

14 Taxes payable in installments

	Consolidated	
	2014	**2013**
IRPJ	6,461	67
CSLL	1,543	107
Government Severance Indemnity Fund for Employees (FGTS)	1,307	12
ISS	1,341	1,008
PIS	493	85
COFINS	1553	323
INSS	6,596	6,832
IPTU	59	
	19,353	8,434
Current liabilities	3,590	1,495
Non-current liabilities	15,763	6,939
	19,353	8,434

Monthly, the amount of installments is adjusted based on the Special System for Settlement and Custody (SELIC) rate.

All amounts in thousands of reais unless otherwise stated

These refer basically to taxes and social security contributions payable in installments to Municipalities, the Brazilian IRS and Social Security and the payment flow is as follows:

	Consolidated	
	2014	**2013**
2015	1,217	777
2016	1,331	777
2017	1,331	777
2018 to 2027	11,884	4,608
	15,763	6,939

15 Purchase price payable

	Consolidated	
	2014	**2013**
FAL	557	785
FATERN	1,082	1,529
SEAMA	-	2,011
IDEZ	-	217
FARGS	-	1,108
UNIUOL	327	461
FACITEC	10,912	19,032
SÃO LUIS	14,252	12,848
ASSESC	644	1,481
IESAM	17,190	
LITERATUS	6,424	
CEUT	8,311	
	59,699	39,472
Current liabilities	20,486	22,206
Non-current liabilities	39,213	17,266
	59,699	39,472

These basically refer to the amount payable to the former owners for the acquisition of related companies, subjected monthly to one the following rates: Special System for Settlement and Custody (SELIC), Amplified Consumer Price Index (IPCA) or the Interbank Deposit Certificate (CDI).

All amounts in thousands of reais unless otherwise stated

The table below analyzes the Group's acquisition price payable into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

			Consolidated
	Less than one year	**Between 1 and 2 years**	**Between 2 and 5 years**
At December 31, 2014			
IESAM	2,045	2,580	12,565
LITERATUS	832	1,205	4,387
CEUT	2,487	1,356	4,468

16 Contingencies

The Company's subsidiaries are parties in various civil, labor and tax proceedings at different court levels. Management, based on the opinion of its external legal advisors, recorded a provision for an amount considered sufficient to cover expected losses arising from pending litigation.

At December 31, 2014 and 2013, the provision for contingencies was comprised as follows:

				Consolidated
		2014		**2013**
	Contingencies	**Judicial deposits**	**Contingencies**	**Judicial deposits**
Civil	1,762	24,311	3,250	17,491
Labor	25,121	79,572	25,130	78,319
Tax		17,058		8,248
	26,883	120,941	28,380	104,058

The changes in the provision for contingencies were as follows:

				Consolidated
	Tax	**Labor**	**Civil**	**Total**
At December 31, 2013		25,130	3,250	28,380
Additions		19,998	2,175	22,173
Reversals/derecognition		(20,007)	(3,663)	(23,670)
At December 31, 2014		25,121	1,762	26,883

For the years ended December 31, 2013 and 2014, the expense for the provision for contingencies, recognized in the statement of income as "general and administrative expenses", was as follows:

	2014	2013
Composition of results		
Additions	22,173	24,459
Reversals	(23,670)	(19,284)
Reversal of liability of former quotaholders		(161)
Balance added in business combinations	(2,416)	
Other		(70)
General and administrative expenses (Note 25)	(3,913)	4,944

(a) Civil

Most proceedings mainly involve claims for indemnity for moral and property damages arising from incorrect collections, late issue of diplomas, failure to return summer course registration fees, among other matters of an operational and/or educational nature.

The provisions recognized for civil lawsuits are due to the following:

Matters	All amounts in thousands of reais
Indemnity for moral damages	1.239
Incorrect collection	299
Prevention of enrollment/reenrollment	37
Discipline-related problems	25
Return of fees	24
Delay in issuance of diploma	19
Other*	119
	1.762

These arise from other operating and/or academic problems, civil class actions, actions for review and other suits for damages.

(b) Labor

The main labor claims refer to overtime, unused vacation time, recognition of an employment relationship, salary parity and salary differences arising from the decrease in the working hours of certain professors.

All amounts in thousands of reais unless otherwise stated

The provisions recognized for labor lawsuits are due to the following:

Matters	**R$ thousand**
Salary differences + reduction of working time + CCT fine + FGTS + notice	5,424
Fines (article 467 CLT, article 477 CLT and CCT/ACT)	3,996
Overtime + suppression Inter + Intra	3,522
Moral/property damage/moral harassment	2,763
Correction CTPS + indirect repeal + recognition of employment relationship	1,521
Vacations	1,426
Allowances (health hazards/night shift pay/ improvement/length of service/risk premium)	951
Deviation of function and parity	857
Other*	4,661
	25,121

(*) Pleadings complementary to the main ones described above (effects) and Union's fees.

(c) Tax

The Company's legal advisors reviewed, assessed and quantified the various tax proceedings and, considering that there are no proceedings assessed as probable losses, management considered as not necessary the recognition of a provision for such proceedings.

(d) Possible losses, not provided for in the balance sheet

The Company has the following tax, civil and labor litigation involving risks of loss classified by management as possible, based on the evaluation of the legal advisors. In accordance with this risk assessment and the provision-related criteria adopted by the Company, certain contingencies are not provided as for, as follows:

	Consolidated	
	2014	**2013**
Tax	384,539	348,689
Civil	101,765	89,038
Labor	33,597	71,309
	519,901	509,036

Among the main proceedings not provided for in the financial statements, we highlight:

(i) In 2011, the Brazilian Federal Revenue Secretariat (SRF) issued four tax assessment notices, due to alleged debts of social security contributions for the period from January 2006 to January 2007 and noncompliance with record-keeping and reporting obligations. The referred defenses were filed with the Special SRF Office for the Largest Taxpayers of the State of Rio de Janeiro (DEMAC/RJO). In August 2012, an administrative lower court sentence was rendered, which partially granted the Company's objections, to recognize the extinguishment of right and exclude the entries of the period from January to July 2006, the other inspection arguments were maintained. The Company filed appeals, which are waiting judgment by the Board of Tax Appeals. The total amount involved, disregarding the effects of the extinguishment of right, is R$ 204,153. According to the opinion of the external legal advisors, the risk of loss in these cases remains possible.

(ii) In 2009, SESES filed a common civil action against the Federal Government/Federal Tax Authorities, through which it claims authorization to pay the social security contributions, according to the graduation provided by Article 13 of Law 11,096/05 ("PROUNI Law"), with the beginning of the graduation as from the 1st month that a general meeting took place that authorized the change of its legal nature to a company for profit, in February 2007, consequently resulting in the following gradation for the payment of the social security contributions by SESES: 20% in 2007; 40% in 2008; 60% in 2009; 80% in 2010; and 100% in 2011, notwithstanding the understanding of INSS inspectors, who claim that the five-year period for application of the escalated rates as defined in Article 13 of the PROUNI Law should start to be counted as from the date of publication of such Law, which occurred in 2005. On August 7, 2012, the Federal Regional Court (TRF) favorably judged the Company's appeal. According to the mentioned decision, the enjoyment begins as from the date of the Shareholders' Meeting that changed the legal nature of SESES and not the publication date of the Prouni Act. Currently, the suit is awaiting judgment of the appeal filed by Federal Tax Authorities. The outside legal advisors assessed this case as a possible loss and the estimated amount involved is R$ 13,455.

(iii)Given the divergence of understanding of Article 13 of Law 11,096/05 ("PROUNI Law"), as mentioned in item (ii) above, Tax Foreclosures were issued by the National Treasury aimed at the judicial recovery of debts related to the alleged differences in payments of social security contributions. Embargoes were imposed on these executions, which are still being tried. The total case amount is R$ 78,941. According to the opinion of the outside legal advisors, the likelihood of loss in this case remains possible..

17 Advances under exclusivity agreements

On August 3, 2006, an agreement was entered into between the Company's subsidiaries and Unibanco (now “Itaú”), effective until July 31, 2011. The purpose of such agreement was granting exclusivity/preference to Itaú with respect to the offering and provision of products and services to students, employees and suppliers, as well as for Itaú to be the main provider of financial services.

In exchange for the exclusivity granted to Itaú, and for maintaining such a condition during the term of the agreement, i.e. until July 31, 2011, Itaú paid to the subsidiaries a fixed amount of R$ 15,954, which has been recognized in income over the term of the agreement. On February 18, 2008, without significant changes in the main contractual clauses, the parties entered into a new agreement extending the partnership until February 18, 2018. In consideration for the exclusive rights granted to Itaú while the agreement remains effective, Itaú paid the Company an additional amount of R$ 18,000. At December 31, 2014, the balance related to amounts advanced in connection with the agreement amounted to R$ 9,141 (R$ 12,028 at December 31, 2013), being R$ 2,887 classified in consolidated current liabilities, which will be amortized over the life of the agreement.

All amounts in thousands of reais unless otherwise stated

18 Equity

(a) Share capital

Capital may be increased by the Board of Directors, regardless of any amendment to the bylaws, up to the limit of 1,000,000,000 shares. At December 31, 2014, share capital is represented by 315,429,884 common shares.

The Company's shareholding structure at December 31, 2014 and 2013 is as follows:

	Common shares			
Stockholders	**December 31, 2014**	**%**	**December 31, 2013**	**%**
Officers and directors	24,755,424	7.9	3,379,507	1.2
Treasury	2,351,800	0.7	1,796,700	0.6
Other (*)	288.142.660	91.4	290,035,939	98.2
	315,429.884	100.0	295,212,146	100.0

(*) Free float.

During 2013, the Company made a public offering and, as a result, its share capital was increased by R$ 616,858, corresponding to 44,061,300 shares. Also in 2013, the Company's share capital was increased by R$ 24,510, corresponding to 3,634,793 shares, as a result of exercise of stock options.

On September 20, 2013, Estácio Participações S.A., in compliance with Article 12, paragraph 4 of CVM Instruction 358, of January 3, 2002, as amended by CVM Instruction 449, of March 16, 2007, issued a communication informing that the Company had been advised by "Private Equity Partners C, LLC" and "GPCP4- Fundo de Investimento em Participações", about the fact that they had sold, on September 19, 2013, all of their interest holding in the Company's capital, the settlement of which was carried out on September 23, 2013.

The Annual General Meeting of Stockholders held on April 22, 2014 approved the private issue of 2,182,342 registered common shares, with no par value, which resulted in the consequent increase of the Company's capital in the amount of R$ 17,365, within the limit of the authorized capital in order to meet the exercise of the options granted to the beneficiaries of the stock option plan.

At the board meeting held on August 7, 2014 it was approved the private placement of 182,269 common shares without no par value, with consequent increase in the Company's capital of R$ 1,726, within the authorized capital limit, in order to meet the exercise of options granted to the beneficiaries of the stock option plan.

(b) Changes in shares

At December 31, 2013	295,212,146
Issue of common shares due to exercise of granted options	
- Board of Directors minutes of meeting held on April 22, 2014	2,182,342
Issue of common shares due to the merger of UNISEB Holding	
- Extraordinary General Meeting held on July 1, 2014	17,853,127
Issue of common shares due to exercise of granted options	
- Board of Directors minutes of meeting held on August 07, 2014	182,269
At December 31, 2014	315,429,884

The share capital is composed of shares with no par value.

The cost for issuing public offering shares in 2013 was R$ 24,033.

All amounts in thousands of reais unless otherwise stated

(c) Treasury shares

At the Board of Directors' Meeting on May 12, 2010, the Board unanimously approved the 1st Program for Repurchase of the Company's shares on the stock exchange, up to 1,527,788 common shares, equivalent to 7.21% of the total of 21,182,085 common shares outstanding in the market.

On May 11, 2011, the program was closed and 59,000 (fifty-nine thousand) common shares were acquired, equivalent to 3.86% of the total shares provided for the Program.

The Board of Directors approved the 2nd Share Repurchase Program, initiated on July 14, 2011, whose objective was to invest available funds, observing the limit of the balance of profits or reserves at December 31, 2010, in order to maximize the generation of value to the shareholder, within a stipulated limit of up to 3,323,796 common shares, equivalent to 5% of the total of 66,475,925 common shares outstanding in the market. 193,500 common shares were acquired, equivalent to 5.82% of the total shares provided for the program.

Complementing the 2nd Repurchase Program, the Company's Board of Directors, in a meeting held on September 27, 2011, approved the repurchase of its own shares by entering into call and put options (collectively, "options") on shares issued by the Company, for the purpose of canceling, keeping in treasury and/or subsequently disposing of such shares, which may also be used to cover options exercised under the Company's share repurchase programs, pursuant to CVM Rule 390/03, according to the conditions below, and having Banco Itaú as agent in the transaction. This operation carries a floating-rate cost for the Company since the obligation represents the amount disbursed by the financial institution on the date of repurchase, plus a fixed rate equal to the DI rate plus spread.

After the 2nd share repurchase program was closed on July 13, 2012, the Company began to exercise the options of the repurchase program with derivatives, and the first call was exercised on September 17, 2012.
The program ended on April 15, 2013 after the exercise of the last call. The Company exercised a call option to acquire 1,007,700 shares at an average cost of R$ 7.09.

At the Board of Directors' meeting held on December 8, 2014, the creation of the 3rd Stock Repurchase Program in Stock Exchanges was approved, comprising up to 6,308,598 common shares, nominatives with no par value (555,100 common shares repurchased during the period from December 8 to December 30, 2014 and 5,753,498 common shares repurchased in the period from January 2 to February 3, 2015), which is equivalent to 2% of total shares issued by the Company.

	Number	**Average cost**	**Balance**
Treasury shares at December 31, 2014	2,351,800	10.57	24,851

All amounts in thousands of reais unless otherwise stated

(d) Capital reserves

(d.1) Share subscription premium

The share premium reserve refers to the difference between the subscription price that the stockholders pay for the shares and their par value. Since this is a capital reserve, it can only be used to increase capital, offset losses, redeem, reimburse or purchase shares or pay cumulative dividends on preferred shares.

The amount of the share premium in the financial statements at December 31, 2014 and 2013 is as follows:

	Parent company	
	2014	**2013**
Tax reserve	3	3
Undistributed profits (i)	96,477	96,477
Special reserve for goodwill on merger	85	85
Share subscription premium	498,899	
	595,464	96,565

(i) Profits earned prior to the Company's conversion into a profit-oriented company

The premium on issue of shares is represented as follows:

	2014
Subscription of 17,853,127 shares	(23,305)
Amount paid for the 17,853,127 shares	522,204
Share premium	498,899

(d.2) Grant options

The Company recorded the Capital Reserve for Share Options granted in the amount of R$ 20,378 during the year ended December 31, 2014 (R$ 6,683 during the year ended December 31, 2013), as mentioned in Note 21 (b). As required by the applicable technical accounting pronouncement, the fair value of options was determined on the grant date and has been recognized over the vesting period up to the date of these parent company and consolidated financial statements.

(d.3) Long-term incentive

The Company recorded a capital reserve for long-term incentives (Note 21 (c)) in the amount of R$ 2,478 for the year ended December 31, 2014.

All amounts in thousands of reais unless otherwise stated

(e) Revenue reserves

(e.1) Legal reserve

The Brazilian legislation requires that 5% of the profit for the year must be allocated to the legal reserve until this reserve equals 20% of the paid-in capital, or 30% of capital plus capital reserves. After this limit is reached, further transfer to such reserve is not necessary. The capital reserve may only be used to increase capital or offset accumulated losses.

(e.2) Profit retention reserve

This reserve is intended to be used for scheduled investments established in the capital budget, in conformity with Article 196 of Brazilian corporation law.
On December 31, 2014, from the results accumulated by the Company, R$ 303,273 was allocated to the profit retention reserve (2013 - R$ 174,354) to finance the investments expected in the Company's capital budget, prepared by management to be approved at the Annual General Meeting of Stockholders that will be held on April 28, 2015.

(f) Dividends

The Company's bylaws provide for a mandatory minimum dividend, equivalent to 25% of net income, after transfer to the legal reserve, as established by the Corporate Law, except for cases in which the Company's Shareholders' Agreement otherwise provides, when applicable. Since the secondary public offering held in 2010, there are no shareholders' agreements with respect to the Company.

The dividends calculated and the related changes at December 31, 2014 and 2013 are as follows:

	Parent company	
	2014	**2013**
Parent company's profit for the year	425,645	244,707
Transfer to legal reserve (Article 193 of Law 6,404)	(21,282)	(12,235)
Profit after transfer to legal reserve	404,363	232,472
Mandatory minimum dividend - 25%	101,090	58,118
Number of shares at December 31	315,429,884	295,212,146
Number of shares in treasury at December 31	2,351.800	1,796,700
Dividend per share in circulating - in Brazilian reais	0.32289	0.19807

19 Financial instruments and sensitivity analysis of financial assets and liabilities

The fair value of financial assets and liabilities was determined based on available market information and appropriate valuation methodologies for each situation. However, considerable judgment was required in the interpretation of the market data to estimate the most appropriate realizable values. Consequently, the estimates presented do not necessarily indicate the amounts that could be realized in the current exchange market. The use of different market information and/or estimation methodologies may have a material effect on the market value amounts.

The Company's financial assets and liabilities at December 31, 2014 and December 31, 2013, are recorded in the balance sheet at amounts that are consistent with those prevailing in the market. The main financial instruments are described below, as well as the criteria and assumptions used in the calculation of market values:

(a) Cash and cash equivalents and marketable securities

The carrying amounts approximate fair values due to the grace period in the maximum period of 90 days.

(b) Borrowings

These are measured at amortized cost using the effective interest rate method.

(c) Trade receivables

These are classified as loans and receivables and are recorded at the contractual amounts, which approximate fair value.

(d) Other financial assets and liabilities

The estimated realizable value of the Group's financial assets and liabilities was determined based on available market information and appropriate valuation methodologies.

Financial risk factors

All operations of the Group are carried out with first-tier banks, which minimizes risks. Management records a provision for impairment of receivables at an amount considered sufficient to cover possible losses on the collection of receivables; therefore the risk of incurring losses on billed amounts is duly measured and recorded. The main market risk factors that affect the Group's business are as follows:

(a) Credit risk

This risk relates to any difficulties experienced in collecting amounts for services rendered.

The Group is also subject to credit risk from their short-term investments.

The credit risk relating to the rendering of services is minimized by a strict control of the student base and active management of default levels and dispersion of balances.

With respect to the credit risk associated with financial institutions, the Company and its subsidiaries operate in accordance with the Financial Investments and Derivatives Policy approved by the Board of Directors. The balances of cash and cash equivalents, marketable securities and judicial deposits are held at financial institutions with AA to AAA credit rating according to the credit rating agencies Standard & Poor's, Fitch and Moody's.

(b) Interest rate risk

The Group is exposed to fluctuations in the Interbank Deposit Certificate (CDI) rate, which is used to adjust the balance of its short-term investments and debts, as mentioned in Note 19 (e). Additionally, any increase in interest rates could drive up the cost of student loans, including loans under the FIES program, and reduce the demand for the courses.

All amounts in thousands of reais unless otherwise stated

(c) Foreign exchange rate risk

The Group's income is not subject to changes due to exchange rate volatility, as it does not have significant operations denominated in foreign currency.

(d) Liquidity risk

Liquidity risk consists of the possibility that the Group may not have sufficient funds to meet its financial commitments due to the different settlement terms of its rights and obligations.

The Group's liquidity and cash flow control is monitored on a daily basis by the Group's financial management department, in order to ensure that cash flows from operations and funding, when necessary, are sufficient to meet its commitment schedule, not generating liquidity risks for the Group. There was no significant change in the financial liabilities of the Group as of December 31, 2014 compared to December 31, 2013.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

				Consolidated
	Less than one year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At December 31, 2014				
Trade payables	50,344			
Borrowings	79,010	78,371	664,846	13,442
Finance lease liabilities	6,054		3,547	
Price of acquisition payable	20,318	3,387	42,129	
At December 31, 2013				
Trade payables	40,429			
Borrowings	57,071	74,401	200,896	24,549
Finance lease liabilities	4,763		1,724	
Price of acquisition payable	22,206	4,734	15,211	

(e) Sensitivity analysis

CVM Resolution 550, of October 17, 2008, establishes that publicly-held companies must disclose, in a specific note, qualitative and quantitative information on all their financial instruments, recognized or not as assets or liabilities in their balance sheet.

The Group's financial instruments are represented by cash and cash equivalents, accounts receivable, accounts payable, judicial deposits, borrowings and financing, and are recorded at cost plus interest earned or incurred, which at December 31, 2014 and December 31, 2013 approximate fair value.

The main risks to the Group's operations refer to changes in the CDI (Interbank Deposit Certificate) rate.

CVM Instruction 475, of December 17, 2008, requires the presentation of information on financial instruments, in a specific note, as well as disclosure of the sensitivity analysis.

All amounts in thousands of reais unless otherwise stated

With respect to loans, these refer to transactions for which the carrying amount approximates their fair value.

Investments at the Interbank Deposit Certificate (CDI) rate are recorded at market value, in accordance with quotations disclosed by the respective financial institutions. Most of the other investments refer to bank deposit certificates and repurchase agreements and, therefore, the value recorded for these securities does not differ from the market value.

For purposes of verifying the sensitivity of the index in the financial investments to which the Company was exposed on the base date of December 31, 2014, three different scenarios were defined. The most recent benchmark rate (SELIC) determined by the Brazilian Central Bank's Monetary Policy Committee at its September 2, 2014 meeting - 11.00% p.a. - was used as the probable scenario for the year. Rate changes of 25% and 50% were then calculated.

For each scenario, a "gross finance income" was calculated, disregarding the effect of taxes on the investment yields. The base date used for the portfolio was December 30, 2014, with projections for one year and verification of the sensitivity of the CDI for each scenario.

				CDI increase scenario
	Risk	**Probable scenario (I)**	**Scenario (II)**	**Scenario (III)**
Operations				
Financial investments	CDI	11.57%	14.46 %	17.36%
R$ 667,070		77,181	96,476	115,771
Debentures I	CDI+1.50	13.24%	16.18%	19.12%
R$ (202,460)		(26,813)	(32,757)	(38,701)
Debentures II	CDI+1.18	12.89%	15.81%	18.74%
R$ (307,675)		(39,649)	(48,653)	(57,658)
IFC I	CDI+1.53	13.28%	16.21%	19.15%
R$ (39,449)		(5,238)	(6,396)	(7,555)
IFC II	CDI+1.69	13.46%	16.40%	19.34%
R$ (19,730)		(2,655)	(3,235)	(3,815)
Net position		2,826	5,4345	8,042

All amounts in thousands of reais unless otherwise stated

			CDI decrease scenario	
	Risk	**Probable scenario (I)**	**Scenario (II)**	**Scenario (III)**
Operations				
Financial investments	CDI	11.57%	8.68%	5.79%
R$ 667,070		77,181	57,885	38,590
Debentures I	CDI+1.50	13.24%	10.31%	7.37%
R$ (202,460)		(26,813)	(20,869)	(14,925)
Debentures II	CDI+1.18	12.89%	9.96%	7.03%
R$ (307,675)		(39,649)	(30,644)	(21,640)
IFC I	CDI+1.53	13.28%	10.34%	7.40%
R$ (39,449)		(5,238)	(4,079)	(2,921)
IFC II	CDI+1.69	13.46%	10.51%	7.57%
R$ (19,730)		(2,655)	(2,074)	(1,494)
Net position		2,826	219	(2,390)

(f) Capital management

The Company's debt in relation to the share capital at the end of the year is presented by the consolidated data as follows:

	Consolidated	
	December 31, 2014	**December 31, 2013**
Total liabilities	1,121,326	621,009
(-) Cash and cash equivalents	(48,011)	(7,132)
Net debt	1,073,315	613,877
Equity	2,392,860	1,517,642
Net debt on equity	0.45	0.40

(g) Fair value of financial instruments

On December 31, 2014 and 2013, the carrying values of the Company's financial instruments approximate their fair value.

The Group's financial instruments were classified as loans and receivables or other financial liabilities, except marketable securities (Note 3), classified as securities held for trading (Level 2).

All amounts in thousands of reais unless otherwise stated

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments classified as trading or available-for-sale securities.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on Group-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(h) Offsetting of financial instruments

There were no significant assets or liabilities subject to offset during the year ended December 31, 2014 and 2013.

20 Insurance (not reviewed)

The Company and its subsidiaries have a risk management program in order to limit its risks, looking for insurance coverages that are compatible with their business size and operations in the market. The insurance amounts are considered sufficient by management to cover possible losses, taking into account the nature of the activities, the risks involved in the operations and the advice of insurance consultants.

The Company and its subsidiaries had the following main insurance policies with third-party insurers:

	Amounts insured	
	2014	**2013**
D&O insurance	80,000	80,000
Fire insurance for fixed assets	53,876	53,876
Civil liability	10,000	10,000
Fixed expense	5,000	5,000
Electronic equipment	200	200
Group life	419,570	353,160
Other lines	2,720	2,720

21 Management remuneration

(a) Remuneration

According to Brazilian Corporation Law and the Company's bylaws, shareholders are responsible for setting the aggregate amount of management's annual compensation at a General Meeting. The Board of Directors is responsible for the allocation of funds among officers. The Annual General Meeting held on April 3, 2012 fixed the monthly limit of total compensation of management (Board of Directors and Executive Officers) of the Company.

For the years ended December 31, 2014 and 2013, total compensation (salaries and profit sharing) paid to the Company's directors, officers and main executives amounted to R$ 15,025 and R$ 12,438, respectively. These amounts are within the limits fixed at the corresponding General Meetings.

The Company and its subsidiaries do not grant post-employment benefits, employment termination benefits or other long-term benefits to its management and employees (except for the share option plan described in Note 21(b).

(b) Stock option plan

The Extraordinary General Meeting held on September 12, 2008 approved the Company's Stock Option Plan ("Plan"), for the Company's management, employees and service providers ("beneficiaries"). The Plan is managed by the Plan's Administration Committee, created by the Board of Directors specifically for that purpose in a meeting held on July 1, 2008. The Committee is responsible for periodically creating share option programs and granting to the Beneficiaries (often reviewed) the options and the specific applicable rules, always observing the Plan's ("Program") general rules.

The volume of stock options is limited to 5% of the total shares of the Company's share capital existing on the date each Program is approved.

The stock options are formally documented in an individual contract between the Company and each beneficiary. As a condition to acquire the right to purchase shares, the beneficiary will pay the price of the shares within 30 (thirty) days from the subscription or acquisition of shares related to the lot acquired and exercised. For the first share option program, as approved by the Committee on July 15, 2008, the exercise price of the options will be R$ 16.50 per share, adjusted by reference to the IGPM index since July 11, 2008, less the amount of dividends and interest on capital per share that may be paid by the Company from the date of execution of the individual contracts with the beneficiaries.

For the second share option program, as approved by the Committee on April 20, 2010, the exercise price of the options will be R$ 19.00, equivalent to the average price of the shares over the last thirty trading days on the São Paulo Stock Exchange prior to the date the beneficiary joins the 2nd program, adjusted by reference to the IGPM index from the date the beneficiary is included in the 2nd program, less the amount of dividends and interest on capital per share that may be paid by the Company from the date of execution of the individual contracts with the beneficiaries. The Committee may, upon inclusion of the beneficiary in the 2nd program, determine the granting of a discount of up to 10% (ten percent) on the exercise price.

On December 20, 2010, upon termination of the 2nd program, the creation of the 3rd program was approved, with an issue price of shares to be acquired of R$ 23.60, to be increased based on the variation of the IGPM index from January 3, 2011 until the date of the actual option is exercised.

On April 2, 2012, upon termination of the 3rd program, the creation of the 4th program was approved, with an issue price of shares to be acquired of R$ 19.00, to be increased based on the variation of the IGPM index from April 2, 2012 until the date of the actual option is exercised.

As from 2013, the Company uses for the calculation of the fair value of the options of each grant the Binomial model, but the old grants will not be changed, according to the standards established by Technical Pronouncement CPC 10, which will continue being calculated by the Black and Scholes model.

On March 1, 2013, upon termination of the 4th program, the creation of the 5th program was approved, with an issue price of shares to be acquired of R$ 40.00, to be increased based on the variation of the IGPM index from March 1, 2013 until the date of the actual option is exercised.

On October 2, 2013, upon termination of the 5th program, the creation of the 6th program was approved, with an issue price of shares to be acquired of R$ 15.67, to be increased based on the variation of the IGPM index from October 2, 2013 until the date of the actual option is exercised.

On October 14, 2014, upon termination of the 6th program, the creation of the 7th program was approved, with an issue price of shares to be acquired of R$ 23.60, to be increased based on the variation of the IGPM index from October 14, 2014 until the date of the actual option is exercised.

A 3-for-1 share split was approved at the Extraordinary General Meeting on May 21, 2013. The Company's capital at December 31, 2014 was divided into 315,429,884 registered, common shares.

At December 31, 2014, the number of options granted from active employees which were exercised totaled 2,364,611 shares (R$ 19,106), and the total shares granted were 16,523,555 (R$ 38,068).

As from 2013, the Company started to use for the calculation of the fair value of the options of each grant the Binomial model, but the old grants will not be changed, according to the standards established by Technical Pronouncement CPC 10, which will continue being calculated by the Black and Scholes model.

The assumptions used to determine each grant, based on the Black-Scholes model, are described as follows:

All amounts in thousands of reais unless otherwise stated

Program	End of grace period	Expiration date	Fair Value	Price of the underlying asset (*)	Expected annual volatility	Expected dividends	Risk-free interest rate	Estimated life (years)	Number of options granted	Number of lapsed options
Program 1P Jul/08	4/15/2009	4/15/2019	R$ 3.35	R$ 7.83	57.49%	0.97%	6.85%	11	727,668	521,100
	4/15/2010	4/15/2020	R$ 4.14	R$ 7.83	57.49%	0.97%	6.85%	12	727,626	550,176
	4/15/2011	4/15/2021	R$ 4.68	R$ 7.83	57.49%	0.97%	6.85%	13	727,626	564,720
	4/14/2012	4/14/2022	R$ 5.36	R$ 7.83	57.49%	0.97%	6.85%	14	727,626	564,720
	4/14/2013	4/14/2023	R$ 4.70	R$ 7.83	57.49%	0.97%	6.85%	15	727,626	564,720
Program 1P Sep/08	4/15/2009	4/15/2019	R$ 1.06	R$ 4.68	56.00%	1.62%	8.42%	11	663,645	-
	4/15/2010	4/15/2020	R$ 1.71	R$ 4.68	56.00%	1.62%	8.42%	12	663,633	399,999
	4/15/2011	4/15/2021	R$ 2.14	R$ 4.68	56.00%	1.62%	8.42%	13	663,633	399,999
	4/14/2012	4/14/2022	R$ 2.37	R$ 4.68	56.00%	1.62%	8.42%	14	663,633	399,999
	4/14/2013	4/14/2023	R$ 2.67	R$ 4.68	56.00%	1.62%	8.42%	15	663,633	399,999
Program 1P Jan/09	4/15/2010	4/15/2020	R$ 1.02	R$ 4.40	63.99%	1.72%	6.83%	11	636,369	18,180
	4/15/2011	4/15/2021	R$ 1.66	R$ 4.40	63.99%	1.72%	6.83%	12	636,363	72,729
	4/14/2012	4/14/2022	R$ 2.07	R$ 4.40	63.99%	1.72%	6.83%	13	636,363	72,729
	4/14/2013	4/14/2023	R$ 2.37	R$ 4.40	63.99%	1.72%	6.83%	14	636,363	72,729
	4/14/2014	4/14/2024	R$ 2.56	R$ 4.40	63.99%	1.72%	6.83%	15	636,363	72,729
Program 1P Sep/09	4/15/2010	4/15/2020	R$ 2.37	R$ 6.70	56.75%	1.13%	5.64%	11	174,582	-
	4/15/2011	4/15/2021	R$ 3.10	R$ 6.70	56.75%	1.13%	5.64%	12	174,537	32,727
	4/14/2012	4/14/2022	R$ 3.59	R$ 6.70	56.75%	1.13%	5.64%	13	174,537	32,727
	4/14/2013	4/14/2023	R$ 3.99	R$ 6.70	56.75%	1.13%	5.64%	14	174,537	32,727
	4/14/2014	4/14/2024	R$ 4.21	R$ 6.70	56.75%	1.13%	5.64%	15	174,537	101,814
Program 1P Jan/10	4/15/2011	4/15/2021	R$ 3.73	R$ 8.17	63.15%	0.93%	6.23%	11	89,115	10,914
	4/14/2012	4/14/2022	R$ 4.55	R$ 8.17	63.15%	0.93%	6.23%	12	89,085	38,181
	4/14/2013	4/14/2023	R$ 5.11	R$ 8.17	63.15%	0.93%	6.23%	13	89,085	38,181
	4/14/2014	4/14/2024	R$ 5.53	R$ 8.17	63.15%	0.93%	6.23%	14	89,085	52,728
	4/14/2015	4/14/2025	R$ 5.80	R$ 8.17	63.15%	0.93%	6.23%	15	89,085	52,728
Program 1P Mar/10	4/15/2011	4/15/2021	R$ 3.16	R$ 7.50	62.20%	1.01%	6.21%	11	90,909	-
	4/14/2012	4/14/2022	R$ 3.96	R$ 7.50	62.20%	1.01%	6.21%	12	90,909	-
	4/14/2013	4/14/2023	R$ 4.50	R$ 7.50	62.20%	1.01%	6.21%	13	90,909	-
	4/14/2014	4/14/2024	R$ 4.91	R$ 7.50	62.20%	1.01%	6.21%	14	90,909	-
	4/14/2015	4/14/2025	R$ 5.16	R$ 7.50	62.20%	1.01%	6.21%	15	90,909	-
Program 2P Jul/10	4/15/2011	4/15/2021	R$ 2.05	R$ 6.73	58.84%	1.52%	6.25%	11	129,702	39,063
	4/14/2012	4/14/2022	R$ 2.87	R$ 6.73	58.84%	1.52%	6.25%	12	129,684	39,063
	4/14/2013	4/14/2023	R$ 3.40	R$ 6.73	58.84%	1.52%	6.25%	13	129,684	48,438
	4/14/2014	4/14/2024	R$ 3.80	R$ 6.73	58.84%	1.52%	6.25%	14	129,684	48,438
	4/14/2015	4/14/2025	R$ 4.04	R$ 6.73	58.84%	1.52%	6.25%	15	129,684	60,936
Program 2P Nov/10	4/15/2011	4/15/2021	R$ 3.36	R$ 8.40	57.60%	1.52%	5.88%	11	12,000	-
	4/14/2012	4/14/2022	R$ 4.22	R$ 8.40	57.60%	1.52%	5.88%	12	12,000	-
	4/14/2013	4/14/2023	R$ 4.80	R$ 8.40	57.60%	1.52%	5.88%	13	12,000	-
	4/14/2014	4/14/2024	R$ 5.24	R$ 8.40	57.60%	1.52%	5.88%	14	12,000	-
	4/14/2015	4/14/2025	R$ 5.52	R$ 8.40	57.60%	1.52%	5.88%	15	12,000	-
Program 3P Jan/11	4/15/2012	4/15/2022	R$ 2.96	R$ 9.00	56.55%	1.14%	5.79%	11	195,861	10,170
	4/14/2013	4/14/2023	R$ 3.99	R$ 9.00	56.55%	1.14%	5.79%	12	195,807	35,592
	4/14/2014	4/14/2024	R$ 4.69	R$ 9.00	56.55%	1.14%	5.79%	13	195,807	51,072
	4/14/2015	4/14/2025	R$ 5.22	R$ 9.00	56.55%	1.14%	5.79%	14	195,807	51,072
	4/14/2016	4/14/2026	R$ 5.57	R$ 9.00	56.55%	1.14%	5.79%	15	195,807	51,072
Program 1P Apr/11	4/15/2012	4/15/2022	R$ 2.15	R$ 7.80	54.94%	1.32%	6.20%	11	165,324	12,717
	4/14/2013	4/14/2023	R$ 3.13	R$ 7.80	54.94%	1.32%	6.20%	12	165,240	38,133
	4/14/2014	4/14/2024	R$ 3.78	R$ 7.80	54.94%	1.32%	6.20%	13	165,240	61,011
	4/14/2015	4/14/2025	R$ 4.28	R$ 7.80	54.94%	1.32%	6.20%	14	165,240	61,011
	4/14/2016	4/14/2026	R$ 4.60	R$ 7.80	54.94%	1.32%	6.20%	15	165,240	61,011
Program 4P Apr/12	4/15/2013	4/15/2023	R$ 1.65	R$ 6.50	51.66%	1.65%	4.29%	11	306,000	27,000
	4/14/2014	4/14/2024	R$ 2.34	R$ 6.50	51.66%	1.65%	4.29%	12	306,000	42,000
	4/14/2015	4/14/2025	R$ 2.79	R$ 6.50	51.66%	1.65%	4.29%	13	306,000	42,000
	4/14/2016	4/14/2026	R$ 3.13	R$ 6.50	51.66%	1.65%	4.29%	14	306,000	42,000
	4/14/2017	4/14/2027	R$ 3.35	R$ 6.50	51.66%	1.65%	4.29%	15	306,000	42,000
Program 4P Jul/12	4/15/2013	4/15/2023	R$ 2.80	R$ 8.10	50.78%	1.23%	4.29%	11	48,000	-
	4/14/2014	4/14/2024	R$ 3.53	R$ 8.10	50.78%	1.23%	4.29%	12	48,000	-
	4/14/2015	4/14/2025	R$ 4.03	R$ 8.10	50.78%	1.23%	4.29%	13	48,000	9,000
	4/14/2016	4/14/2026	R$ 4.43	R$ 8.10	50.78%	1.23%	4.29%	14	48,000	9,000
	4/14/2017	4/14/2027	R$ 4.69	R$ 8.10	50.78%	1.23%	4.29%	15	48,000	9,000
Program 4P Nov/12	4/15/2014	4/15/2024	R$ 7.19	R$ 13.13	49.44%	0.76%	3.50%	12	15,000	-
	4/15/2015	4/15/2025	R$ 7.76	R$ 13.13	49.44%	0.76%	3.50%	13	15,000	-
	4/15/2016	4/15/2026	R$ 8.24	R$ 13.13	49.44%	0.76%	3.50%	14	15,000	-
	4/15/2017	4/15/2027	R$ 8.67	R$ 13.13	49.44%	0.76%	3.50%	15	15,000	-
	4/15/2018	4/15/2028	R$ 8.96	R$ 13.13	49.44%	0.76%	3.50%	16	15,000	-

(*) Market price on the respective grant dates.

All amounts in thousands of reais unless otherwise stated

The assumptions used to determine each grant, based on the Binomial model, are described as follows:

Program	End of grace period	Expiration date	Fair Value	Price of the underlying asset (*)	Expected anual volatility	Expected dividends	Risk-free interest rate	Estimated life (years)	Number of options granted	Numbef of prescribed options
Program 4P	01/10/2014	01/10/2024	R$ 8.23	R$ 14.40	33.47%	0.00%	3.90%	11	160,200	7,200
Program 4P	01/10/2015	01/10/2025	R$ 8.35	R$ 14.40	33.47%	0.00%	3.90%	12	160,200	7,200
Program 4P	01/10/2016	01/10/2026	R$ 8.48	R$ 14.40	33.47%	0.00%	3.90%	13	160,200	7,200
Program 4P	01/10/2017	01/10/2027	R$ 8.62	R$ 14.40	33.47%	0.00%	3.90%	14	160,200	7,200
Program 4P	01/10/2018	01/10/2028	R$ 8.75	R$ 14.40	33.47%	0.00%	3.90%	15	160,200	7,200
Program 5P 3	03/01/2014	03/01/2024	R$ 6.37	R$ 16.16	39.85%	0.00%	11.02%	11	144,000	
Program 5P 3	03/01/2015	03/01/2025	R$ 7,02	R$ 16.16	39.85%	0.00%	11.02%	12	144,000	21,000
Program 5P 3	03/01/2016	03/01/2026	R$ 7.60	R$ 16.16	39.85%	0.00%	11.02%	13	144,000	21,000
Programa5P 3	03/01/2017	03/01/2027	R$ 8.11	R$ 16.16	39.85%	0.00%	11.02%	14	144,000	21,000
Programa5P 3	03/01/2018	03/01/2028	R$ 8.58	R$ 16.16	39.85%	0.00%	11.02%	15	144,000	21,000
Program 6P	04/10/2014	04/10/2024	R$ 5.05	R$ 16.82	28.80%	0.00%	11.99%	11	265,000	-
Program 6P	04/10/2015	04/10/2025	R$ 5.79	R$ 16.82	28.80%	0.00%	11.99%	12	265,000	5,000
Program 6P	04/10/2016	04/10/2026	R$ 6.40	R$ 16.82	28.80%	0.00%	11.99%	13	265,000	5,000
Program 6P	04/10/2017	04/10/2027	R$ 6.94	R$ 16.82	28.80%	0.00%	11.99%	14	265,000	5,000
Program 6P	04/10/2018	04/10/2028	R$ 7.43	R$ 16.82	28.80%	0.00%	11.99%	15	265,000	5,000
Program 6P	04/15/2015	04/15/2025	R$ 15.13	R$ 29.94	26.43%	0.00%	11.99%	11	770,500	-
Program 6P	04/15/2016	04/15/2026	R$ 15.76	R$ 29.94	26.43%	0.00%	11.99%	12	770,500	-
Program 6P	04/15/2017	04/15/2027	R$ 16.41	R$ 29.94	26.43%	0.00%	11.99%	13	608,000	-
Program 6P	04/15/2018	04/15/2028	R$ 17.05	R$ 29.94	26.43%	0.00%	11.99%	14	608,000	-
Program 6P	04/15/2019	04/15/2029	R$ 17.65	R$ 29.94	26.43%	0.00%	11.99%	15	608,000	-
Program 6P	04/15/2015	04/15/2025	R$ 14,48	R$ 29.16	26.68%	0.00%	11,.9%	11	110,000	-
Program 6P	04/15/2016	04/15/2026	R$ 15.10	R$ 29.16	26.68%	0.00%	11,99%	12	110,000	-
Program 6P	04/15/2017	04/15/2027	R$ 15.74	R$ 29.16	26,.68%	0.00%	11,99%	13	60,000	-
Program 6P	04/15/2018	04/15/2028	R$ 16,.8	R$ 29.16	26.68%	0.00%	11,99%	14	60,000	-
Program 6P	04/15/2019	04/15/2029	R$ 16.98	R$ 29.16	26.68%	0.00%	11,99%	15	60,000	-
Program 7P	04/15/2015	04/15/2025	R$ 8.58	R$ 26.83	28.80%	0.00%	11,99%	11	177,800	-
Program 7P	04/15/2016	04/15/2026	R$ 9.71	R$ 26.83	28.80%	0.00%	11,99%	12	177,800	-
Program 7P	04/15/2017	04/15/2027	R$ 10.64	R$ 26.83	28.80%	0.00%	11,99%	13	177,800	-
Program 7P	04/15/2018	104/15/2028	R$ 11.47	R$ 26.83	28.80%	0.00%	11,99%	14	177,800	-
Program 7P	04/15/2019	04/15/2029	R$ 12.24	R$ 26.83	28.80%	0.00%	11,99%	15	177,800	-

(*) Market price on the respective grant dates.

Pursuant to the requirements of Technical Pronouncement CPC 10, share-based payments that were outstanding at December 31, 2014 were measured and recognized by the Company.

The Company recognizes on a monthly basis the share options, granted in a capital reserve account with a corresponding entry in the statement of income, of R$ 20,378 for the year ended December 31, 2014 (R$ 6,683 for the year ended December 31, 2013).

The change in the number of share options outstanding and their related weighted average exercise prices is as follows:

Statutory Board

	2014		**2013**	
	Average exercise price per share	**Options - thousands**	**Average exercise price per share**	**Options - thousands**
January 1	7.00	570,141	22.07	2,110,233
Transfer to the Board of Directors			6.58	1,250,472
Granted	7.24	514,881	6.63	734,214
Exercised	7.06	583,061	7.00	1,023,834
	8.28	501,961	7.00	570,141

All amounts in thousands of reais unless otherwise stated

Board of Directors

	2014		2013	
	Average exercise price per share	**Options - thousands**	**Average exercise price per share**	**Options - thousands**
January 1	6.67	30,000	22.07	30,000
Board of Directors' transfer			6.58	1,250,472
Granted	5.71	725,454	6.32	725,454
Exercised	6.57	724,824	6.67	1,975,926
	6.76	30,630	6.67	30,000

(c) Special Program for Long-term Incentive

The Special Program for Long-term Incentive for Statutory Officers (ILP), approved at the Board of Directors' Meeting on January 28, 2014 and ratified by the Annual/Extraordinary General Meeting of April 30, 2014, was granted in order to improve the corporate governance practices of the Company and strengthen incentives for the retention and long-term stability of the Statutory Directors, within the context of a listed company with spread stock control.

The Program has the Company's statutory officers as the beneficiaries, and was structured in the form of variable remuneration, whose value depends on the value of its shares, which may be settled in cash or shares, the entity ruling the form of settlement. Currently, the Company estimates to settle with shares held in treasury. As described in Note 30, on February 5, 2015, the Letter CVM/SEP/GEA-2/No. 034/2014, issued by the CVM, approved the Company's request (filed on August 25, 2014) to use the treasury shares in its Long-term compensation program (ILP).

The remuneration under this program will be paid in four annual installments, maturing on April 30, 2015, April 30, 2016, April 30, 2017 and April 30, 2018, calculated by multiplying the specific number of shares (being such a quantity called "Reference Shares") at market value on the last trading day of the BM&F BOVESPA immediately preceding the year in which each payment will occur. The sum of the quantity of the Reference Shares to be granted to all beneficiaries taken together will be 994,080.

It should be noted that the payment of each annual installment of compensation payable under the Program is conditional upon discussion and approval by the Company's stockholders, at the annual general meeting in the related year, as part of the overall remuneration fixed for the Company's management.

Additionally, at the sole discretion of the Board of Directors, one or more installments of compensation provided, may be paid by delivery of shares that the Company has held in treasury, since in strict accordance with the Brazilian Corporation Law and the regulations of the Brazilian Securities Commission.

The provision of the program at December 31, 2014 is R$ 2,478.

22 Earnings per share

In compliance with CPC 41 (IAS 33) (approved by CVM Rule 636, "Earnings per Share"), the Company sets out below the information on earnings per share at December 31, 2014.

The calculation of basic earnings per share is made by dividing the profit for the year, attributed to the common stockholders of the parent company, by the weighted average number of shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit attributable to common stockholders of the parent company by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

The following tables reflect the income and share data used in the calculation of basic and diluted earnings per share.

(a) Basic earnings per share

	2014	2013
Numerator		
Profit for the year	425,645	244,707
Denominator (in thousands of shares)		
Weighted average number of shares outstanding	305,748,765	289,167,945
Earnings per share - basic	0.001392	0.000846

(b) Diluted earnings per share

	2014	2013
Numerator		
Profit for the year	425,645	244,707
Denominator (in thousands of shares)		
Weighted average number of shares outstanding	305,748,765	289,167,945
Potential increase in the number of shares relating to the share option plan	889,000	419,083
Adjusted weighted average number of shares outstanding	306,637,765	289,587,028
Earnings per share - diluted	0.001388	0.000845

All amounts in thousands of reais unless otherwise stated

23 Net operating revenue

	Consolidated	
	2014	**2013**
Gross operating revenue	3,415,980	2,490,985
Gross revenue deductions	(1,011,516)	(759,975)
Grants - scholarships	(827,990)	(635,993)
Return of monthly tuition and charges	(24,728)	(19,870)
Discounts granted	(4,146)	(6,648)
Taxes	(100,670)	(72,516)
FGEDUC	(53,982)	(24,948)
Net operating revenue	2,404,464	1,731,010

24 Cost of services rendered

	Consolidated	
	2014	**2013**
Personnel and social charges	(998,168)	(741,303)
Electricity, water, gas and telephone	(31,200)	(26,631)
Rents, condominium fees and IPTU	(176,549)	(138,951)
Mailing and courier expenses	(6,219)	(5,001)
Depreciation and amortization	(71,377)	(48,666)
Education material	(54,238)	(42,973)
Outsourced services - security and cleaning	(38,088)	(33,011)
Cost of services rendered	(1,375,839)	(1,036,536)

All amounts in thousands of reais unless otherwise stated

25 Expenses by nature

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Impairment of trade receivables			(99,411)	(92,260)
Publicity			(102,024)	(60,824)
Sales and marketing			(33,026)	(27,647)
Other			(3,862)	(3,141)
Selling expenses			(238,323)	(183,872)
Personnel and social charges	(2,313)	(1,560)	(168,681)	(120,895)
Outsourced services	(3,463)	(3,129)	(64,181)	(50,000)
Rental of machinery and lease contract			(2,477)	(1,592)
Consumption material	(3)		(2,321)	(1,961)
Maintenance and repairs	(66)	(5)	(28,107)	(22,857)
Depreciation and amortization (i)	(11,799)	(3,154)	(36,565)	(23,068)
Educational covenants	(278)	(307)	(7,906)	(6,417)
Travels and accommodation	(196)	(117)	(10,690)	(6,320)
Conviction paid	(9)	(118)	(19,316)	(13,315)
Institutional events	(107)	(5)	(11,217)	(2,435)
Provision for contingencies			3,913	(4,944)
Copies and bookbinding			(4,343)	(2,174)
Insurance	(2,559)	(173)	(4,798)	(1,260)
Cleaning supplies			(2,323)	(1,936)
Transportation	(2)	(4)	(2,774)	(1,892)
Car rental			(2,391)	(2,333)
Other	(1001)	(876)	(19,696)	(14,465)
General and administrative expenses	(21,796)	(9,448)	(383,873)	(277,864)

(i) Includes the amortization of funding costs of R$ 641.

26 Other operating income

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Income from agreements	1,675	1,800	2,884	2,968
Rental income			12,978	10,520
Business agency			1,106	1,081
Reversal of administrative provisions				(310)
Web class income			1,556	
Other operating income (expenses)	(1)	(54)	(310)	1,548
	1,674	1,746	18,214	15,807

All amounts in thousands of reais unless otherwise stated

27 Finance income and costs

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Finance income				
Late payment fine and interest			13,327	9,327
Earnings from financial investments	50,699	41,963	68,899	48,942
Monetary variation gains (i)	694	11	23,089	3,069
Other	168	361	3,913	432
	51,561	42,335	109,228	61,770
Finance costs				
Banking expenses	(1,425)	(427)	(10,042)	(7,724)
Interest and financial charges	(39,660)	(25,622)	(55,013)	(28,437)
Financial discounts (ii)			(27,446)	(11,216)
Monetary variation losses			(6,519)	(3,991)
Other	(162)	(196)	(1,945)	(2,211)
	(41,247)	(26,245)	(100,965)	(53,579)

(i) This value corresponds to the update of recoverable taxes. Monetary variation gains increased in the year ended December 31, 2014 when compared to December 31, 2013, which is mainly explained by the recognition of the PIS credit, as mentioned in Note 7.

(ii) This value corresponds to the discounts granted upon renegotiation of overdue monthly tuition.

28 Income tax and social contribution

Under Law 11,096/2005, regulated by Decree 5,493/2005 and Federal Revenue Secretariat Decree 456/2004, in the terms of Article 5 of Provisional Measure 213/2004, college educational entities while participating in the PROUNI program are exempt from IRPJ and CSLL, among other taxes, and the taxes will be computed based on profit from operations benefiting from incentives.

Reconciliation of income tax and social contribution determined at statutory rates and taxes recognized in the income statement for the years ended December 31, 2014 and 2013 is as follows:

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Profit before income tax and social contribution	422,614	246,825	432,906	256,736
Combined statutory rate of income tax and social contribution - %	34	34	34	34
Income tax and social contribution at the statutory rates	(143,689)	(83,921)	(147,188)	(87,290)
Adjustments of Law 11,638/2007			(5,918)	(225)
Equity in the results of investees	147,023	81.944		(1,547)
Amortization of goodwill	(3,411)	(278)	(5,846)	(508)
Non-deductible expenses (a)	(421)	(805)	(3,657)	(2,773)
ILP provision - employees			(843)	
Tax losses	149	918	149	(691)
Decommissioning expenses			(141)	(1,013)
Provision for contingencies			1,331	(2,753)
Reversal of non-deductible provision for impairment of trade receivables and monthly tuitions to be canceled (b)			(9,759)	(2,274)
Reversal of administrative provisions				(105)
Other	25	24	2,059	1,213
	(324)	(2,118)	(169,813)	(97,966)
Tax benefits				
Tax incentives - PROUNI			145,812	82,960
Tax incentive - Rouanet Law				768
Current income tax and on profit (loss) for the year	(324)	(2,118)	(24,001)	(14,238)
Effective rate - %	(0.08)	(0,86)	(5.54)	(5.55)

(a) These primarily refer to expenses for sponsorships, donations and gifts.

(b) Refers to non-deductible provision for impairment of receivables relating to students with payments overdue for more than 180 days, and the provision for cancellation of monthly tuition.

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Current income tax and social contribution	(324)	(2,118)	(24,001)	(14,238)
Deferred income tax and social contribution	3,355		16,740	1.736
Income tax and social contribution from prior years				473
	3,031	(2,118)	(7,261)	(12,029)

At December 31, 2014, the Company recorded deferred tax assets on temporary differences of R$ 15,180. The breakdown of the tax effects of temporary differences which originated the deferred tax assets is summarized below:

All amounts in thousands of reais unless otherwise stated

	Parent Company		Consolidated	
	2014	2013	2014	2013
Provision for contingencies			10.976	11.532
Monthly tuitions to be canceled			4.398	2.273
Provision for decommisioning			3.526	3.424
Ammortization of goodwill (Note 2.3)	(27.593)		(46.067)	(8.596)
Provision for risk - Fies			1.259	
Recognized options granted			8.704	
Decommisioning adjustment			323	
Students portfolio			(745)	
Tax losses			2.584	
Other assets			(138)	
	(27.593)		(15.180)	8.633
Assets			31.168	16.999
Liabilities	(27.593)		(46.348)	(8.366)
	(27.593)		(15.180)	8.633

The realization of the deferred tax effect on temporary differences recorded at December 31, 2014 is linked to the realization of the provision which gave rise to this credit. Consequently, it is not currently possible to present expected annual realization, since the Company's management is not yet able to forecast the timing of the realization of the provision for contingencies and the provision for decommissioning of assets.

At December 31, 2014, the subsidiary IREP accounted for a deferred tax liability in the amount of R$ 2,367 due to the tax depreciation of goodwill generated upon acquisition of the companies merged into it.

On December 31, 2014, the Company has tax credits arising from tax loss carryforwards in the amount of R$ 13,188 (R$ 14,332 on December 31, 2013) that are not yet accounted for, because it is not possible to state at this time that their realization is considered probable.

On May 2014 the Provisional Measure 627 (November 2013) was converted into Law 12,973, thus amending tax rules and revoking the Transitional Tax Regime (RTT). The Company and its subsidiaries, as supported by the legal counsel, analyzed the provisions of this Law, the early adoption effects and the possible impacts to the financial statements and the internal control structure for the year ended December 31, 2014 and concluded that there will be no material effects to these financial statements. Therefore, the Company did not opt for the early adoption for 2014.

29 Other information

(a) Accounts to offset - FIES system - in current assets, refer to available amounts from the Student Finance Program for future compensation with federal taxes or, in case of option, cash withdrawal.

(b) Monthly tuition paid in advance - in current liabilities, refer to amounts received in advance from students as part of a negotiation for discounts. They are recognized in the statement of income, according to the services provided to the student by the Company.

(c) Provision for decommissioning of assets - in non-current liabilities, refers to expenditures to be incurred on decommissioning of leased educational units for recovering or returning them to their original attributes, that is, before leasing. This amount is calculated by engineers and takes into consideration the leasing terms.

30 Events after the reporting period

On February 3, 2015 the 3rd share buyback program was terminated and the company repurchased 6,308,598 options (6.308 million and five hundred ninety-eight) of common shares, nominatives and without par value, which were acquired on the stock exchange at market price at the time of each respective date of repurchase.

On February 5, 2015, the Letter CVM/SEP/GEA-2/No. 034/2014, issued by the CVM, approved the Company's request (filed on August 25, 2014) to use the treasury shares in its Long-term compensation program (ILP).

On March 19, 2015 the company disclosed the following relevant transaction to the market : (i) a loan agreement in foreign currency, signed with Itaú Unibanco SA Nassau Branch; (ii) Swap Agreement with Itaú Unibanco; and (iii) Fiduciary Assignment of swap receivables signed with the Itaú Unibanco SA Nassau Branch, with a final rate (all in) CDI + 0.12% pa, with the following general characteristics:

Term: 361 days;

Maturity: 14/03/2016;

Principal amount: US $ 61,218, 214 equivalent to R $ 200 million.

Guarantee: Promissory Note in the amount of 130% of the loan and swap agreements.

The funds will be used to increase the Company's working capital and maintain of the Company's expansion plan.

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MANAGEMENT REPORT

Dear Shareholders,

In compliance with the legal provisions and Bylaws, the Management of Estácio Participações S.A. ("Estácio" or "Company") hereby presents its Management Report and Consolidated Financial Statements for the fiscal years ended December 31, 2014 and 2013, prepared in accordance with International Financial Reporting Standards (IFRS), and accompanied by the Independent Auditors' report.

Corporate profile

One of Brazil's largest private-sector post-secondary education groups in terms of numbers of students enrolled, Estácio Participações S.A. was incorporated as a publicly-held corporation on March 31, 2007 and is listed in the Bovespa's Novo Mercado trading segment. It has 16 direct or indirect subsidiaries incorporated as limited-liability companies. Estácio is present in the major urban centers of all Brazilian states, as well as the Federal District, and its education network comprises one university, seven university centers, 36 colleges and 182 distance-learning centers, accredited by the Ministry of Education (MEC), with nationwide coverage represented by 85 units (campuses). At the close of 2014, 437,400 students were enrolled in the Company's on-campus and distance-learning undergraduate and graduate courses.

Estácio's growth and market leadership reflect the quality of its courses and its faculty, the adoption of modern management practices, the technological and academic innovations provided to its students, the strategic location of its units, and its competitive prices which are affordable for its target public. With integrated national curricula, Estácio offers approximately 80 undergraduate and associate degree courses in Exact Sciences, Biological Sciences and the Humanities, in addition to *sensu lato* and *sensu stricto* graduate, masters and doctoral programs, as well as extension courses. Backed by a results-driven management model, it has developed a modern and differentiated teaching methodology. Thanks to its business and financial capacity, its innovation and the constant improvement of its academic programs, the Estácio brand is today widely recognized and highly valued in the market.

Economic scenario and business sector

The global economy recorded moderate growth in 2014, estimated at 3.3% by the International Monetary Fund (IMF). The result was positively impacted by the gradual recovery of the United States economy, which grew by 1.8%, and the emergence from the recession of the Eurozone countries, which recorded growth of 0.8%. Once again, the best performance came from the emerging nations, which posted growth of 4.4% in 2014, let yet again by China (+7.4%). Nevertheless the relative Chinese slowdown had repercussions in both the global and Brazilian economies.

Brazil contributed little to the global expansion, since its GDP edged up by only 0.1%, less than the 2.3% posted in 2013. O the other hand, the continuation of the educational support programs and the post-secondary segment's low penetration in Brazil helped maintain demand for higher education, gradually making the education sector less cyclical.

Inflation as measured by the IPCA consumer price index came to 6.4% in 2014, above the mid-point of the Central Bank's target band (4.5%), but still within the upper limit, despite increased inflationary pressure in recent quarters.

According to the IBGE (Brazilian Institute of Geography and Statistics), unemployment remained low, closing the year at 4.8%. It is worth remembering that there is a general shortage of talent in the Brazilian job market at the moment and that growing demand for qualified professionals is in line with Estácio's academic model, which was constructed precisely in order to meet this demand. Our role is to integrate academic and managerial excellence in order to offer a transforming educational experience to the greatest number of people possible, with a positive impact on society as a whole. We firmly believe we are helping the lives of our students, preparing them for the job market and contributing to the sustainable development of Brazil.

Message from Management

In June 2008, with the arrival of GP Investimentos and a group of executives brought by the private equity fund, Estácio initiated a new phase in its history. The institution, which at the time had already been operating for 38 years in the post-secondary education segment with a constant focus on young workers wishing to improve their lives through study, was in clear need of a new management approach. In order to achieve this, it was necessary to create a strategy capable of long-term survival and, at the same time, implement the resulting actions in a highly disciplined manner. It was imperative to remain focused and not abandon this strategy, which was based on certain fundamental principles that it is always worth remembering:

• ***Long-term vision:*** Estácio is founded on a long-term vision, based on the belief that continuous improvements are more long-lasting and generate greater returns than sudden leaps. Consequently, ever since 2012, the Company has been determining its goals with 2020 as its horizon.

• ***Discipline in relation to positive externalities:*** At the same time, Estácio believes that it is crucial to maintain discipline in regard to positive externalities, such as opportunities for consolidation and opportunities for growth through the FIES student financing program of the Ministry of Education (MEC). Mergers and acquisitions can only occur with the agreement of the other parties and there are always risks associated with integration and, occasionally, financial restrictions. In regard to the second point, FIES is a public policy and, as such, subject to change in line with the priorities of the moment, as recently shown in Brazil. As a result, Estácio seeks to avoid strategies that do not depend on internal factors for their execution becoming key elements in the Company's long-term plans.

• Focus on corporate culture: Estácio has always worked hard on creating and instilling a corporate culture, which it believes constitutes a major competitive advantage. Estácio holds that "its corporate culture *is* its strategy" and, at the same time, facilitates the implementation of such differentials as innovation, the quality system, focus on the students and their employability, investments in service and the hospitality concept, branding, and the 2020 academic model, which has been constructed based on the already pioneering academic model created in 2010.

• ***Constant, sustainable and responsible growth:*** Estácio seeks to ensure regular, sustainable and responsible growth, preferably with a controlled level of risk, paying less attention to externalities and more to those factors that depend on the Company itself. Nothing is more indicative of this than author Jim Collins' analogy of the '20-Mile March', which in times of less positive externalities, should be recalled and emphasized once again;

• ***Corporate governance practices:*** In each cycle Estácio has been seeking to implement corporate governance practices that are more aligned with its long-term strategy, while building a management system that has been constantly improved. It also considers a balance between academia and administration, quality and quantity, and short term and long term to be absolutely essential.

• ***Risk management:*** It is also worth highlighting the Company's concern with managing its risks, leading it to diversify its businesses in order to reduce dependence on the on-campus undergraduate segment, by constructing a nationwide distance-learning operation and pursuing new businesses through the Continuing Education area, always respecting the Company's time and limits and without losing its focus on results.

Because it is a service company, Estácio has built its strategy on the maintenance of strong relations with its employees and the development of a positive working environment. With this in mind, since 2008 the Hay Group has been conducting an annual organizational climate survey. The historical series, which showed a satisfaction rating of 56% in 2008, was crowned by a brilliant result of 73% in 2014, showing that Estácio has gradually, and with considerable work, obtained the trust and respect of those with whom it strives to build a victorious company increasingly capable of meeting the needs of all its stakeholders.

With more engaged employees and a growing "focus on the student", Estácio's main value, that drives all the initiatives the Company has developed to improve quality both inside and outside the classroom, it is only natural that this perception is also reflected in our student satisfaction surveys, which are conducted by the consulting firm Copernicus, also since 2008. Once more it is possible to perceive the positive tendency of this indicator, which recorded equally spectacular results, increasing from 58% in 2008 to 73% in 2014 in the on-campus segment, and from 63% in 2010 to 77% in 2014 in the distance-learning segment.

Estácio is growing with security, despite being less leveraged by the previously-mentioned positive externalities. Even though it is more prudent in its acquisitions and its offer of FIES than its peers, it has been recording solid growth since 2008, exemplified by the upturn in EBITDA, from R$65 million in the latter year to R$533 million in 2014.

With a student base that is growing in a solid and sustainable manner, Estácio's governance and management models, together with the scalability generated by an organizational framework that is strongly based on centralization and standardization have allowed it to generate significant results.

The Company closed 2014 with 437,400 students, 301,700 of whom enrolled in on-campus programs and 83,000 in distance-learning programs, in addition to more than 52,000 acquired in the last 12 months, almost 40,000 of whom UniSEB students, whose integration is moving ahead at full speed and should generate major benefits in the upcoming cycles. It is also worth noting the substantial growth of the graduate base, which reached 43,800 students, fueled by the expansion of the partnership network.

Net Revenue also moved up substantially, reaching R$2.4 billion in 2014, 38.9% up on the previous year. EBITDA increased by 66.3% to R$532.6 million, with a consolidated EBITDA margin of 22.2%, up by 3.7 percentage points. Net Income totaled R$425.6 million, a 73.9% improvement over the 2013 figure, generating Earnings per Share of R$1.35, up by more than 63%. Annual cash generation was equally sound, helping increase the Company's financial stability. Operational Cash Flow stood at R$192.7 million, R$125.4 million more than the year before. All of these results point to yet another year of significant progress, albeit gradual and sustainable without undue leaps and bounds.

Although Estácio was able to take full advantage of the favorable conditions to build yet another cycle of excellent results in 2014, it is worth emphasizing that the three final days of the year were marked by changes to the FIES regulations, which brought uncertainties and generated innumerable questions on the part of all those involved in Brazil's education value chain in Brazil. The MEC's Ordinances 21 and 23 of December 2014, drastically altered, with no previous warning, the rules of a program that until then had been working extremely well. It is therefore vital to remember Estácio's stance in relation to FIES since the beginning of the new phase of the program in 2010. Despite believing that it is an excellent program capable of changing Brazil's future for the better, Estácio always:

(a) believed that FIES was a program created by the government for society, and not for post-secondary educational institutions, whose only function is to provide students who choose them with education;

(b) avoided adopting FIES as if it was an Estácio tool, because there was always a risk that the rules could change;

(c) sought not to use FIES as a student intake tool in the belief that students should choose Estácio for what it has to offer, and not because of a government program;

(d) prioritized the use of FIES by students with proven financial difficulties, thereby escaping from the "adverse selection" effect and making better and more responsible use of public funds; and

(e) sought to maintain a FIES penetration rate lower than the market average, so that if significant changes did occur, we would not be the worst hit.

The following factors have ensured that Estácio is much better equipped to deal with the scenario following the changes introduced by the Ordinances, given that it:

(a) is not dependent on FIES, especially in regard to its ability to attract new students;

(b) used this period of positive externalities not to speed up the pace of acquisitions and subsequent integrations, but rather to strengthen the Company's fundamentals and build differentials that will be of major help in the coming cycles;

(c) has no complex challenges ahead in regard to integration and can therefore focus all its management tools, as well as its human and material resources, on the healthy growth of its student base, independently of what happens with FIES;

(d) has an exceptionally solid cash position, fueled by the debenture issue at the end of 2014, and a relatively unleveraged balance sheet, so it is fully equipped to continue with its disciplined expansion, marching the "20 miles" without facing cash flow difficulties;

(e) has a structured organizational culture, corporate governance system and management system fully prepared to react rapidly and efficiently to eventual changes in the scenario.

It is also important to point out what the Company has done in terms of reacting to the changes in the FIES regulations. On the one hand, Estácio believes that the MEC's restrictions on the number of financing contracts are positive, since they will allow it to naturally diminish its exposure to the program without creating any type of "competitive disadvantage". On the other, because it believes FIES to be an excellent project for society, it intends to continue actively participating in the discussions on the necessary improvements to the program so that it becomes increasingly sustainable. Estácio also intends to create and offer the best possible financing alternatives for students who dream of rising in life through their own efforts, but who are unable to meet the tuition fees of a post-secondary institution.

The Company's 2014 results, and even those of the last few years, are part of a very special moment – a moment of self-affirmation and the strengthening of our conviction that Estácio's 2020 vision is not based on quarterly results alone, but on long periods of hard work.

Finally, Estácio closed 2014 with excellent qualitative and quantitative results and is beginning 2015 with the same strong growth expectations and determination to improve its operation. The Company is continuing firmly in the direction of its mission and vision, always with responsibility, "20 miles" at a time, in order to help the highest possible number of Brazilians to further their development and achieve their personal and professional goals.

Financial Performance

All financial figures are consolidated.

- **Student base.** The Company closed 2014 with a base of 437,400 students, 38.5% up on 2013, 301,700 of whom enrolled in on-campus programs and 83,000 in distance-learning programs, in addition to 52,700 students arising from the acquisitions concluded in the last 12 months. Excluding these acquisitions, the Company recorded solid organic growth of 21.9%.

- **Average ticket.** The average on-campus ticket was R$580.6, 10.5% up on 2013, while the average distance learning ticket came to R$189.7, up by 5.6%.

- **Net operating revenue.** Estácio posted net operating revenue of R$2,404.5 million in 2014, 38.9% more than in 2013, mainly due to the 38.5% growth of the student base, the increase in the average ticket and the integration of the acquired companies' results.
- **Cost of services.** Our cash cost as a percentage of net revenue recorded an efficiency gain of 2.8 percentage points (p.p.), with significant gains in three lines: Personnel (reflecting the more efficient faculty cost controls we have been seeking in the class formation process) and Rentals (reflecting scale gains and the dilution we have been presenting consistently in recent cycles).
- **Gross income.** Gross income totaled R$1,028.6 million in 2014, with a margin of 42.8%, 2.7 p.p. higher than in 2013.
- **General and administrative expenses.** G&A expenses represented 13.7% of net revenue in 2014, with a 0.1 p.p. margin improvement over the year before, with most lines remained stable in the year, despite of the increase in agreements and adverse judgments related to civil suits; and the impact of the amount related to sponsorship of the 2016 Olympic Games in Rio de Janeiro (remembering that there is a counter-entry of the same amount under revenue).
- **Selling expenses.** Selling expenses came to 9.9% of net revenue in 2014, a 0.7 p.p. margin gain over 2013, thanks to the consistent improvement in provisions for doubtful accounts throughout the year.
- **EBITDA**. EBITDA came to R$532.6 million in 2014, 66.3% higher than in 2013, with an EBITDA margin of 22.2%, up by 3.7 p.p., thanks to improved cost and expense management and the consolidation of the acquired companies.
- **Net income.** Net income totaled R$425.6 million, 73.9% higher than in 2013, mainly reflecting the 38.9% upturn in net revenue and efficiency gains in the cost and expenses lines, which led to EBITDA growth of 66.3%.
- **Cash.** The Company closed 2014 with cash and cash equivalents of R$715.1 million. These funds are conservatively invested in fixed-income instruments pegged to the CDI interbank rate, government bonds and certificates of deposit with top-tier Brazilian banks.
- **Dividends.** Based on the solid financial situation and net income growth, the Company will be proposing the payment of dividends totaling R$101.1 million, equivalent to 25% of 2014 net income, at the next annual shareholders' meeting.
- **Investments.** Capex totaled R$1,167.7 million, 570.3% up on 2013. Of this total, R$978.6 million went to acquisitions, especially that of UniSEB in 3Q14, partly in cash (R$308.8 million) and partly through the issue of 17,853,127 common shares. The Company also concluded the acquisition of CEUT in 4Q14 and invested R$125.8 million in upgrading systems, equipment, libraries and laboratories in Estacios' units.

- **Receivables, debt provisions, and delinquency**. The number of student receivable days (tuition and agreements) came to 65 at the end of 2014, five days less than in 2013, reflecting the efforts to avoid delinquency in Estácios' units.

Strategic Priorities

Estácio is guided by long-term objectives involving sustainability, the principles of academic quality, research and innovation, the perpetuation of its organizational culture and management model, and investments in its staff.

In order to capture the growth opportunities in Brazil's education sector, Estácio plans to expand its activities by increasing its enrolled student base, offering innovative courses tailored to the needs of the job market and the specific economic development tendencies of each region. In regard to growth in the distance-learning segment, the acquisition of UniSEB, approved by CADE (Brazil 's antitrust authority) and Estácio's shareholders at a Shareholders' Meeting in 2014, added 111 new centers throughout Brazil, as well as marking our entry into the distance-learning segment in São Paulo, an exceptionally strategic market that is also closely aligned with Estácio's total online learning model, given its position as the country's largest urban center, with severe personal mobility problems. Aiming to further increase its national reach in this market, Estácio is awaiting MEC approval for 190 new centers. In the on-campus modality, the Company continues to open new units in locations with as yet unmet demand and through the acquisition of institutions that complement its operational strategy and geographic presence in all Brazil's urban centers. Estácio is also exploring other business segments, especially Continuing Education, adding activities such as lato-sensu graduate programs, preparatory courses for public examinations, and in-company training courses, as well as the Pronatec Program (Training Scholarship Modality).

We also created new areas, such as Innovation, which is responsible for promoting the concepts of innovation and entrepreneurship, and the Espaço NAVE (Estácio Acceleration and Valorization Center) which, among other matters, is responsible for the pre-acceleration of start-ups by students and ex-students. Also in 2014, we inaugurated Estácio's Corporate University, reinforcing the professional excellence of our employees and preparing the Company for growth.

Finally, we are very proud of the fact that our efforts have resulted in solid competitive advantages, the prioritization of our organizational culture and an increase in our projected growth potential for the coming years.

Education

Academic Model

Aware of its size and the depth of its responsibility for contributing to the formation of a plural, critical and adept society, Estácio based its operations on an Academic Model. The result of the most advanced education techniques and developed by a highly-qualified team, the academic model offers a product with unique features that match students' real needs and job market demands. This model, together with a faculty that undergoes ceaseless training, allows us to offer tailor-made academic programs and state-of-the-art teaching tools and methodologies that are able to ensure quality teaching on a scalable basis in all our units nationwide.

Innovation and technology also play an essential role in the academic model, which transformed the tablet – a portable, mobile and individualized platform – into a key tool for communications and the sharing of information among students. More recently, aiming to increase the convenience and mobility, Estacio chose to implant the concept bring your own device providing Estácio's students have real-time online access to the Estácio portal and its academic and administrative content, produced by our specialists in partnership with the country's most respected publishing houses, using any technological device of your property. Our nationally-integrated curricula provide Estácios' academic model with total mobility and flexibility. Furthermore, all our actions are grounded in the principles of sustainability and are aimed at helping to democratize education, foster social development and improve learning conditions for our students, while causing the least possible environmental impact, while highlighting the Company's differentials.

Quality of education

Estácio's academic model embodies innovative educational methods in a collective and collaborative environment. With contributions from almost 6,000 professors, in 2014 we produced 83,000 new questions, feeding a total database of more than 275,000 test questions. The Estácio academic model integrates all the group's institutions in a knowledge management system led by professors renowned in their fields, who coordinate, through a network, the constant evolution of the academic precepts of their courses. Students are assessed via the National Integrated Test, applied to 90% of Estácio's student base, and the results are subjected to meticulous analysis, allowing us to correct any deviations and insert new guidelines with the maximum amount of detail.

Still within the scope of knowledge management, in 2014 we launched the "Learning Evaluation" project for our on-campus students, which consists of a number of online simulations that allow students to assess their progress in the course, while showing professors and coordinators the frailties and potentialities that need to be concentrated on. In other words, our system of evaluation is a continuous process, not limited to the formal assessments built into the academic calendar.

As a result, aligned with the expectations of the job market and the dynamism of the ongoing social transformations, the academic model combines mixed, collaborative and autonomous learning methods in order to ensure that students receive a high quality education and enter the job market with excellent levels of employability.

Regulatory environment

ENADE evaluation and *in loco* visits

Estácio's courses evaluated in the 2013 ENADE cycle (whose results were published in 2014) received satisfactory grades in the Preliminary Course Concept (CPC) in approximately 80% of the total assessed. The satisfactory grades moved up by 52% over the courses evaluated in 2010 (last equivalent cycle). In the case of the General Course Index (IGC), 85% of Estácio's institutions received satisfactory grades in 2013. As for *in loco* visits, in a development that is important for the consolidation of our academic model in regulatory terms, we received grades of 3, 4 and 5 (on a scale of 1 to 5) in 100% of our courses evaluated nationwide by the Ministry of Education in 2014 (196 visits).

Master's and Doctoral Evaluation

The Company also maintained high grades in our *sensu stricto* master's and doctoral programs in Law with a grade of 5 on the Capes post-secondary improvement scale. The Company 4 grade in the Education and Family Health courses points to the continuation of their excellence in the upcoming assessments. We also received a 4 for our master's and doctoral degree programs in Dentistry.

New Accreditation for Distance-Learning Education

In April, INEP appraisers granted the maximum grade (5) following their *in loco* visit as part of the accreditation process of the Santa Catarina Estácio University Center's distance-learning facilities. The process still has to go through the final stages, but the positive result points to the distance-learning accreditation of yet another Estácio post-secondary institution, allowing the diversification of courses and locations and substantially increasing the student base for this type of course.

New University Centers

In May and June 2014, the MEC authorized the operation of two more university centers: the Estácio de Sá University Center in Belo Horizonte and the Estácio University Center in Brasília, both of which with the autonomy to increase their number of places, develop new courses and create new locations. Two other university centers were approved by the National Education Council and are in the final pre-operational stage: the Amazônia Estácio University Center (given a grade 5 – on a scale of 1 to 5 – during the *in loco* visit); and the Juiz de Fora Estácio University Center (given a grade 4 during the *in loco* visit), creating new growth prospects for Estácio's operations in Boa Vista and Juiz de Fora.

Authorization of UniSEB's Med Course

In July 2014, the MEC authorized the UniSEB University Center's medicine course. The rigorous course appraisal criteria and the limited number of new processes due to the federal government's More Doctors program, have increased the value of the recent authorizations, resulting from processes filed before the new rules were introduced. Thus the 76 places authorized for UniSEB, plus the 308 in Rio de Janeiro (RJ), 68 of which from the Assisted Transfer Process mentioned below, and the 100 in Juazeiro do Norte (CE) have made Estácio a powerful force in Brazil's medical education.

Increased Number of Places in Post-Secondary Education Institutions

Despite the Ministry of Education's strict criteria for increasing the number of places, in February 2014, it accepted six requests for additional places in Estácio Institutions without the right of autonomy, totaling 335 new places for the Group's institutions.

Assisted Transfer Process (PTA) – Centro Universitário da Cidade and Universidade Gama Filho

When the MEC disaccredited Centro Universitário da Cidade and Universidade Gama Filho, it announced a public call for the Assisted Transfer Process, so that other institutions could receive students from these universities. The MEC's choice of Estácio de Sá University (close to Veiga de Almeida Universidade and Faculdade de Tecnologia Senac Rio, together making up the Rio Universitário Consortium), underlined our credibility with and recognition by the Ministry. The transfers included bachelor's and teaching degree courses, with an emphasis on medical degree courses, which were confirmed by a specific assessment commission. Altogether, approximately 10,000 students from 32 undergraduate courses (including 2,000 medical students) were qualified to join our base in 2014.

Greenfield Projects

In 2014, the Company filed two new accreditation requests for educational institutions with the MEC, one in the Southeast (Bauru/SP) and the other in the Midwest (Jataí/GO). Including the requests filed in 2013, the Company now have 13 processes for new institutions under way with the MEC.

Operations

Estácio relies on a highly experienced management team consisting of talented professionals from our 85 units nationwide, all of whom have a deep understanding of the education sector and our management model, and speak the same language, aligned by our culture and management system, ensuring exemplary teaching quality and concrete results for both the students and the organization as a whole. In addition, our processes – from student enrollment, regulatory framework, supplies, accounting, HR and IT, among others – are increasingly efficient and integrated into our operations, resulting in gains in efficiency and advances in quality in our day-to-day activities.

On-campus programs

The Company is recording increasing efficiency gains thanks to improved academic planning and the positive effects of the continuous implantation of our academic model, which provides for the sharing of disciplines, with up to 20% of our on-campus content available online, thereby generating considerable savings in terms of resources. At the same time we have experienced a substantial increase in our academic quality, as attested to by the results of the last ENADE exams. In 2014, our on-campus base, excluding acquisitions, totaled 301,700 students, 18.3% more than the year before.

Distance learning – EAD

The Company believes the distance-learning segment will record strong growth, given its attractive prices and greater convenience in regard to mobility, allowing it to attract students with less purchasing power and/or with problems in traveling to a traditional campus.

The Company began our EAD courses in July 2009 and had 83,000 students at the close of 2014 (organic growth only, i.e. excluding acquisitions). The Company put this success down to the quality of our programs and technological support structure, as well as the ability of the professor tutors involved in course coordination and student support activities.

Continuous Education

The continuous education area is represented by graduate courses, short-duration courses and corporate solutions. Focusing on adult education, we also aim to explore new business opportunities in this sector, expanding our growth through programs that meet the population's educational and development needs.

- **Graduate courses**

The Company has more than 43,800 graduate students, excluding acquisitions in the last 12 months, and a highly-qualified faculty, with more than 110 courses in the legal, management, humanities, health and technology areas. These courses are offered on a nationwide basis through distance-learning programs and also on-campus in state capitals and other cities throughout the country. Our courses are distinguished for their modern differentiated methodology in line with the world's best learning systems.

- **Short-Duration Courses**

The Company new *Você Aprende Mais* (You Learn More) short-duration course portal closed 2014 with more than 200 courses and more than 7 million accesses. The creation of a new brand and an exclusive environment for a portfolio of courses was geared towards professionals wishing to increase their knowledge and invest in their employability and career development. All courses are certified by Estácio and are currently available nationwide through the distance-learning channel. On-campus courses are scheduled for start-up at the beginning of this year.

- **Corporate Solutions**

The corporate solutions area was created to develop customized education solutions for public and private companies, thereby contributing directly to improving the skills of their employees and, therefore, sustaining their results. Operations involve continuous contact with midsized and large companies nationwide in order to sell tailor-made educational solutions characterized by a methodology that combines the theoretical and practical aspects of professional development.

- **Pronatec – Bolsa Formação Program**

In 2014, the Company began exploring vocational courses, through the National Program for Access to Technical Education and Employment (Pronatec). When the Company decided to participate in Pronatec, we assembled a first-class team to conduct the process, applying the same high standards as our regular post-secondary program, ensuring that we were fully equipped to successfully administer these courses in Rio de Janeiro, in locations where there was sufficient demand, penetration and idle capacity to receive the new students. At year-end, 19,600 students were enrolled in the Pronatec courses.

Academia do Concurso

The Academia do Concurso, acquired by Estácio in 2011, is the oldest public examination preparatory institution in Rio de Janeiro, distinguished for its high student approval ratings and exceptionally well qualified faculty. Academia do Concurso is currently expanding its market in two modalities: on-campus, which is mainly for students beginning to study for public examinations and who have not yet learned to administer their study project individually. This model makes use of our existing network of units, primarily in the metropolitan region of Rio de Janeiro, but with plans to expand to other states. The second expansion modality is through distance learning, enabling greater access to our products nationwide.

Companies acquired in 2014

In 2014, Estácio acquired three post-secondary education institutions: IESAM, LITERATUS and CEUT. IESAM, located in Belém, Pará, was acquired in July for R$80 million. At the time of the acquisition it had around 130 professors and 4,500 students in 23 undergraduate and 18 graduate courses, as well as extension and short-duration courses. LITERATUS, located in Manaus, Amazonas, was acquired in August for R$48 million. At the time of acquisition, it had 4,800 students and two campuses, with 22 undergraduate and 25 graduate courses. This acquisition marked Estácio's entry into the capital of Amazonas state and will enable us to expand operations in the country's North region through one of its main markets. CEUT, located in the Teresina, Piauí, was acquired in November for R$33 million. It had 3,700 students divided into 12 undergraduate and 29 graduate courses.

In the second half of 2014, Estácio also announced that an Extraordinary Shareholders' Meeting had approved the Company's acquisition of UniSEB Holding S.A., which had been previously approved by CADE, Brazil's antitrust authority, in a judgment session held in May 2014. The operation will expand our penetration of the post-secondary distance-learning segment, adding 111 new authorized centers and marking our definitive entry into the state of São Paulo. We will also reinforce our presence in the on-campus post-secondary segment by adding a University Center based in Ribeirão Preto.

Opening of two new units – Belo Horizonte and Goiânia

The Company continued with our expansion plan throughout 2014, not only through acquisitions, growing organically through greenfield projects and the inauguration of two new units: Venda Nova, in Belo Horizonte, and Bueno, in Goiânia, thereby leveraging our operations in these cities.

Innovation

The aim of the Innovation area is to develop future university environments, focusing on new interactive classroom interfaces, technologies, processes and languages in the virtual education area, thereby further streamlining the learning process. We currently have seven games available to all students in the Game Center and via mobile device online stores, including *Meus Direitos* (My Rights), which simulates a law firm's office and the real daily needs of the lawyers involved. There is also an Olympic-type game competition that encourages the participation of all students. We also launched the new *Leitor Estácio* (Estácio Reader) platform, through which students and professors have free access to educational material in digital format in all IOS, Android and Windows platforms via their tablets, smartphones or computers. We launched *Espaço NAVE* (Estácio's Acceleration and Valuation Center), and opened the first class of the NAVE Startup program, the only free pre-acceleration program for startups in Brazil. Every semester we will qualify new entrepreneurs with high impact projects ready for the market, promoting a new generation of talented business people and their associated businesses. In 2014, the INPI (Brazil's patents bureau) published Estácio's first patent request, related to the Connected Educator Support Interface, a device to facilitate future classroom dynamics by providing access to digital education material, enabling online information searches and, most importantly, ensuring real-time collaborative exchanges between professors and students to create interactivity in the classroom of the future.

Corporate Governance

Quality and excellence in management are Estácio's commitments to its shareholders and other stakeholders. In November 2008, we joined the Novo Mercado listing segment, which contains those companies with the highest standards of corporate governance in Brazil, in the pursuit of greater management transparency and efficiency. Consequently, Estácio began complying with the regulations set forth in the Novo Mercado Listing Rules, such as capital stock consisting of common shares only, the election of independent members to the Board of Directors, and the settlement of disputes by the Market Arbitration Chamber.

Due to the highly fragmented shareholder base in October 2010 (free float of 80%), in 2011 Estácio adopted additional governance practices, including: (i) remote voting via the Assembleias Online system, to facilitate and increase participation in shareholders' meetings, (ii) preparation of the Manual for Participation in Shareholders' Meetings, and (iii) the creation of an internal area focused on corporate governance and compliance practices. In 2014, Estácio adopted the Public Power of Attorney Request system in order to facilitate shareholders' participation in Shareholders' Meetings when they are unable to attend in person or cannot be represented by a proxy indicated by them , by appointing proxies assigned by the Company to help them.

In 2012 the Company created its Corporate Governance Portal, which acts as a direct communications channel between management and members of the Fiscal Council and the Board of Directors' Advisory Committees. The portal also allows secure access to corporate information, including corporate acts, meeting agendas and important news, and also serves as a repository of documents for consultation. Users can discuss subjects using a chat facility, create closed groups for debates and/or meetings, and propose and vote on subjects and texts. Also in 2012, we became affiliated to the Brazilian Corporate Governance Institute.

Structure of the Board of Directors and Board of Executive Officers

Estácio's Board of Directors, with a term of office until the 2016 Annual Shareholders' Meeting, consists of nine members, four of whom independent. In January 2014, in order to optimize the operations of the non-statutory Advisory Committees by streamlining their response to requests by the Board, Estácio's Board of Directors approved changes in the attributions of the People and Management Committee and the Audit Committee, which will now have the following denominations and responsibilities: (i) People and Governance Committee (formerly People and Management Committee), charged with assisting Board members in any matters related to human resources policies and standards, as well as corporate governance practices; and (ii) Finance and Audit Committee (formerly Audit Committee), charged with assisting Board' members in any matters related to the Company's financial policies, as well as the internal and external audit processes. Underlining its commitment to its corporate purpose, Estácio also created the Academic Committee, whose purpose is to assist Board members in any matters related to the educational, research and extension activities developed by the institutions maintained by the Company and its subsidiaries. It is worth noting, however, that the existence of these Committees in no way implies the delegation of the Board's competences or responsibilities. As part of its principle of adopting best corporate governance practices, the Board of Directors adopted a set of Internal Regulations. As of 2014, it also created the post of Secretary to the Board of Directors and appointed a Secretary General whose main responsibility is to assist the Board directly with its work.

Capital Market

2014 was another year of market consolidation for Brazil's listed education companies, and Estácio's shares once again recorded an excellent performance on the BM&FBovespa. Year after year, we have seen an increase in our average daily liquidity, with average daily traded volume reaching R$78.1 million in 2014, 79% more than in 2013, ranking us among the most liquid shares traded on BM&FBovespa. Our shares closed at R$23.82, 16.7% up on the end of the previous year, ensuring excellent returns for our investors and outperforming the Bovespa Index (Ibovespa), which fell by 2.9% in the same period.

OTCQX

In November 2014, our American Depositary Receipts (ADRs) began trading in the International Premier segment of the OTCQX electronic platform operated by OTC Markets Group Inc., in the United States. This initiative reinforces the Company's commitment to increasing the liquidity of its ADR program and offering its investors new alternatives for trading its securities in U.S. over-the-counter markets. It also underlines the Company's commitment to transparency, since real-time rates and financial information will be available at www.otcmarkets.com.

Debenture Issue

In September 2014, the Company's Board of Directors approved the 2nd issue of 30,000 non-convertible debentures in a single series, with a nominal unit value of R$10,000.00, totaling R$300,000,000.00 on the issue date. Maturity is in five years as of the issue date, except in the case of: (i) optional early acquisition with the consequent cancellation of the debentures; (ii) optional early redemption, (iii) an early redemption offer; and (iv) early maturity, pursuant to the provisions of the "Private Indenture of the Second Public Issue of Non-convertible Unsecured Debentures, in a Single Series, for Distribution with Restricted Placement Efforts of Estácio Participações S.A.". The proceeds from the issue will be used to strengthen the Company's cash position in order to meet its expansion and investment policy.

Share Buyback

In December 2014, the Company announced the acquisition of its own shares to be held in treasury, cancelled and/or sold, without no capital reduction. These shares may also be used to cover the eventual exercise of stock options within the scope of the Company's Stock Option Plan and/or other types of share-based compensation. The acquisition took place at market prices on the stock exchange and the Board of Executive Officers was responsible for deciding the precise timing and the number of shares to be acquired, respecting the limits provided for in the applicable legislation. The Program was concluded in February 2015.

Investor Relations

The Investor Relations area focuses on improving the market's perception of the Company, increasing the liquidity of its shares, and strengthening its relations with investors. Since 2010, we have relied on new communication channels that allow us to keep shareholders constantly informed, increase transparency, and provide updated IR information through the leading social media channels. We also make sure that our website is functional, easy to use and fully up to date. We also have a specific IR app, available for download at the APP Store and Google Play.

Sustainability and Corporate Social Responsibility

In 2014, Estácio expanded its sustainability initiatives in a structured manner, impacting its stakeholders' network and recording a consistent improvement in relation to the metrics used to measure the Company's performance in the economic, social, environmental, corporate governance and post-secondary education areas. In April, it launched its first Sustainability Report based on the Global Reporting Initiative (GRI) guidelines, adopting the Essential/G4 criteria.

Estácio's performance in the corporate social responsibility area was consolidated through the implementation of several activities in the Education to Transform Program, which unites the following pillars: Estácio at School, Estácio in Sports, Estácio Cultural and Estácio Citizenship. The Company also developed and launched a website (http://portaladm.estacio.br/educar-para-transformar.aspx), which is accessible to all stakeholders, whose goal is to disclose Estácio's initiatives and provide transparent information on its social investments.

Estácio at School

The Estácio at School project promoted several initiatives in its five regions, impacting more than 2,500 high school students and encouraging their interest in further studies. The Company also entered into a partnership with Solar Meninos de Luz, an institution based in the Pavão-Pavãozinho community in Copacabana, Rio de Janeiro, that provides full-time education, from nursery to high school level, for more than 400 underprivileged children and teenagers. In addition to monthly financial aid, Estácio offers scholarships to Solar's former students and employees.

Estácio in Sports

Estácio is heavily involved in sponsoring sports and Brazilian athletes in several events, both in individual and collective competitions. Our initiatives are intended to promote the athletes' careers and their lives after they have retired from sport. With this in mind, we support the education and continued education of over 100 athletes by offering scholarships.

The major highlight in 2014 was our appointment as an Official Sponsor of the Olympic Games by the Rio 2016 Organizing Committee. Estácio will be the main partner in the training area, responsible for qualifying 120,000 volunteers who will work at the event. All in all, the Company will create the content for 1,600 different courses consisting of 4-12 hour modules on topics established by the Organizing Committee, including "Service Guidelines" and "Leadership". Also in 2014, for the first time Estácio invested in sports projects through the Sports Incentive Law and expanded its operations in this segment.

Estácio Cultural

In 2014, Estácio sponsored its highest ever number of cultural projects nationwide, including books, audiovisual events, concerts and plays. By supporting these initiatives, Estácio seeks to strengthen its brand, in addition to providing real opportunities for students to enjoy this type of experience, complementing their academic studies. Of all the projects sponsored in 2014, 12 will take place in 2015 as part of the Company's 45th anniversary celebrations. In 2014, Estácio was made a "Rio de Janeiro Culture Partner Company" by the city's Municipal Department of Culture for its support for cultural and artistic projects.

Estácio Citizenship

Ever attentive to its role in social development, and in compliance with its mission of Educating to Transform, Estácio Citizenship comprises a series of socially responsible initiatives through partnerships with associations, institutes and NGOs involving the granting of scholarships to promote social inclusion through access to post-secondary education.

In May 2014, Estácio once again held E Day, a special day for national mobilization and integration, with simultaneous activities in all our units and the provision of services to our surrounding communities, in which all our employees were involved in social initiatives. In 2014, more than 39,000 people were assisted. Estácio also held its second Sustainability Week in parallel with the Social Responsibility Week of the Brazilian Association of Post-Secondary Education Controlling Institutions (ABMES), in 70 campuses, which involved students, employees, faculty and the surrounding communities in more than 400 activities in the social, environmental and economic areas.

Also in 2014, Estácio planned the creation of a volunteer platform for its employees. The website, which will be implemented in 2015, aims to disclose opportunities for voluntary work and encourage employees to sign up.

On the environmental front, we continued to raise the awareness of students, faculty and staff. In 2015, we will implement an electronic waste collection program in order to ensure the correct disposal of damaged or neglected equipment in our units. The initiative has been successfully tested in the São Paulo and Rio de Janeiro units through a pilot project in November and December 2014. With the assistance of a company specialized in the sustainable management of electrical and electronic waste, 8 tonnes of equipment were collected and correctly disposed of. The material generated revenue and some of the equipment was readied for reuse by the Technology Democratization Committee (CDI), an NGO focused on social transformation that promotes the access of unprivileged communities to information technology.

Also in 2014, Estácio published a series of sustainability booklets, designed to raise employees' awareness of environmental matters. The eco-efficiency and waste management booklets were made available to all Estácio's units. The company also created communication initiatives to make students, faculty and staff more aware of the conscientious consumption of water, electricity and materials, such as paper and plastic cups.

Branding Project

Work on the Branding Project, which seeks to increase perception of the Estácio Brand's value through a nexus of relations with various stakeholders, moved ahead throughout 2014. Through a collective project, Estácio's Mission, Vision and Values were discussed and revised and the positioning and attributes through which the institution seeks to be recognized were defined. One of the most important initiatives for the future was the creation of a group of managers from several areas of the Company charged with indicating opportunities and possibilities for improvement in order to strengthen our reputation and the perception of our Brand's value with our various stakeholders. The project will be called Estácio 2020 as of 2015, when we plan to fully consolidate this unique differential that has increased our Brand's prestige and made it so much admired

Suppliers

The Company relations with suppliers are based on the guidelines laid down in our Code of Ethics and Conduct. In 2014, we complied with all the prevailing legislation (labor, social security and tax, among others).

Certain requirements are taken into consideration when selecting and contracting suppliers, including technical, professional, ethical and environmental protection criteria. It is worth noting that all suppliers have access to the same information base during negotiations. Our professionals are instructed to conduct these negotiations with transparency and report any situations that may involve conflicts of interest to their managers. Our suppliers' ethical standards must be compatible with our own and we require them to keep information to which they have access in each stage of the negotiations in strict confidentiality. They must also be fully aware of our Code of Ethics.

Institutional Relations

We continued to maintain regular relations with federal, state and municipal governments throughout 2014, always based on professionalism and the highest standards of ethics and transparency. Our team in Brasília continued helping all the Estácio Group's institutions in processes with the regulators, monitoring educational issues that interest the Company and the industry in the executive, legislative and judicial spheres.

The Company played an active role in the Brazilian Association for the Development of Post-Secondary Education (ABRAES), an entity that unites companies in the education sector with the highest corporate governance standards (Estácio, Kroton, Laureate, DeVry, Anima and Ser), executing an action plan to defend the legitimate interests of the private education sector. We also continued to actively participate in the Private Post-Secondary Educational Representative Bodies Forum and the Brazilian Association of Post-Secondary Education Controlling Institutions (ABMES). By operating on all these fronts, we substantially expanded our role in liaising with government representatives on the discussion and preparation of public policies focused on the educational inclusion of an even higher number of Brazilians.

Always in compliance with the Company's Institutional Relations Policy, we promoted a series of debates and lectures in our units and through our broadcast channels, in order to encourage democratic discussion and disclosure of the political platforms of the presidential and federal and state legislature election candidates. In this context, it is particularly worth noting the lecture by presidential candidate Eduardo Campos and two debates involving candidates for Rio de Janeiro state governor, held jointly with the Brazilian Bar Association and *VEJA* magazine.

Also in 2014, Estácio successfully held the fourth edition of the Estácio Journalism Awards which, once again, recognized the best media contributions to post-secondary education issues. We also held the first Innovation and Education Workshop, which was attended by dozens of journalists interested in finding out what innovations the education sector, and Estácio in particular, had to offer in the university environment, as well as projections for the future.

Employees

The 2014 results also reflect the employees' engagement with the Company's business model and organizational culture. Following heavy investments in the training and development of its academic and management teams, Estácio closed 2013 with 14,192 employees, 9,025 of whom faculty members and 5,167 in administrative and educational support positions. In 2014 as a whole, the Institution paid R$1,073.4 million in payroll and benefits.

The success of the internal policies and the consolidation of our leaderships were once again reflected in our Annual Climate Survey, concluded in December. We achieved our favorability goal, with a 73% approval rating from our employees throughout Brazil, 5 percentage points more than in the previous edition.

Focused on the permanent pursuit of improvement, whether in processes, people and products, Estácio believes in the constant training of its employees in order to further improve their skills and abilities. In 2014, we invested R$2,601,111 to train faculty members and administrative staff.

In March 2014, we inaugurated our Corporate University, which is designed to improve the individual performance of Estácios' employees and of the organization as a whole, ensuring that the learning and knowledge propagated are fully aligned with Estácio's organizational competencies and strategy.

In addition to continuing with our already consolidated qualification and development projects, such as the Trainee, Post-Graduate Studies in Post-Secondary Educational Institution Management, and the Efficiency for Operation Leaders (ELO) programs, Educare (the Company's Corporate University) launched new programs, such as a mandatory qualification matrix for employees who interact directly with students, and the First Management Program, whose purpose is to qualify new leaders for the new challenges ahead.

Faculty Training Incentive Program

The Faculty Training Incentive Program - PIQ is one of the most important training investment pillars. In 2014, 7,054 of Estácio's professors took part in the Program, which is divided into four modalities: PIQ Continued Training, PIQ Merit, PIQ Compensation and PIQ Forum.

- **PIQ Continued Training**

In 2014, 5,794 faculty members from all regions of Brazil took part in the PIQ Continued Training program, which is aimed at academic improvement and keeping faculty abreast of the latest teaching advances, and whose purpose is to generate an identity of excellence in Estácio's academic model, creating a platform for constant updates and improvements.

- **PIQ Merit**

The purpose of PIQ Merit is to acknowledge faculty's output, and improve post-secondary education and research activities, as well as to enhance the production of scientifically and socially important knowledge. It encompasses the National Scientific Production Contest, Extension Projects and the Outstanding Faculty Program, which recognizes and motivates the performance of faculty members as a means of strengthening their ties with Estácio, deepening their commitment to our mission, vision and values.

In 2014, Estácio offered 80 master's and doctoral scholarships and 130 sponsored participations in scientific events. In addition, 50 professors received awards for scientific articles, extension projects and studies.

The program began in 2011 and currently offers a total of 149 active master's and doctoral study grants for courses in Estácio and elsewhere, through which 104 professors have already been qualified. Sponsorship of scientific events also allowed 305 professors to represent Estácio at congresses abroad.

- **PIQ Compensation**

PIQ Compensation is the meritocracy culture applied to Estácio's faculty, identifying and recognizing the most outstanding professors in their fields. The variable compensation benefits the top 25% of those professors with the best performance according to criteria established by the People Management and Operational areas.

- **PIQ Forum**

PIQ Forum unites professors from every region of Brazil at a major event: the Annual Faculty Forum. In 2014, 1,000 professors from all over the country took part in the PIQ Forum entitled "Everywhere is a place of study – learning beyond the classroom", to discuss initiatives to ensure that classrooms cease to be regarded as the only space where information is transmitted, since classes do not stop there when we are talking of educating students.

Management System and Variable Compensation

Estácio has more than 550 managers with specific targets based on financial and non-financial indicators. With the exception of trainees, underage apprentices and third parties, all our administrative employees are eligible for bonus programs, in accordance with the performance of their area and of the Company as a whole. We also have specific compensation programs for coordinators and professors. In addition, 102 of our executives participate in the stock option plan.

Held in April, 2014, our annual senior management meeting brought together 450 executives to discuss the topic "Accelerating Growth". Focused on the 2020 Vision, the meeting generated strong results in regard to the progress and maturation of our projects, as well as providing an opportunity for the dissemination of best practices and the transmission of priority targets and projects for 2014. The event's main lecturer was executive Luíza Helena.

The Company moved ahead with the Management Excellence Program – PEG, through which the units evaluate themselves in relation to the benchmark standards expected for financial-administrative, commercial, service-related, academic, and people management processes. In 2014, the Company concluded the first cycle of PEG evaluations, recognizing and rewarding the highest performing units. By using the Six Sigma methodology, implemented in 2012, Estácio is also qualifying a team of green belts and, subsequently, black belts, specialized in implementing the methodology for strategic projects.

As part of the continuous results monitoring process, our Management System adds to Operational Performance Management - GDO, a series of other systematized meetings such as Academic Development Management - GDA, focused on teaching, and Corporate Development Management - GDC, which enables direct interaction between the administrative-financial and unit quality areas and the People, Management & Services and Financial & Investor Relations areas.

The Company also has an internal online Standardization Management system – SGP, which compiles information on all of Estácio's regulatory documents. The transparency of our processes, policies and institutional guidelines, as well as their easy access, helps with the execution of tasks, encourages learning and helps ensure quality.

Independent Auditors

Pursuant to CVM Instruction 381/2003, which addresses the provision of other services by our independent auditors, Estácio's policy regarding relations with its independent auditors and their provision of services not related to the external audit is guided by principles that preserve their independence. We hired PricewaterhouseCoopers Auditores Independentes to audit Estácio's individual and consolidated financial statements for the fiscal year ended December 31, 2014, prepared in accordance with Brazilian accounting practices. The fee for the external audit was R$1,120,663.18. We also contracted PricewaterhouseCoopers for additional services not related to the examination of our financial statements and the fees referring to each service are shown below.

Service	Fee (R$)	Term	Nature
Audit	1,120,663.18	April 2014 to Mach 2015	Quarterly reviews and analysis of the 2014 financial statements
Due Diligence	267,007.04	January 2014 to July 2014	Due Diligence
Tax	24,675.00	August 2014	Review of 2014 Corporate Income Tax Return
Accounting	26,315.79	June 2014	Advisory services
Training	2,500.00	December 2014	Training
TOTAL	**1,441,161.01**		

Arbitration Clause

Estácio Participações is bound by decisions of the Market Arbitration Chamber, as per Article XII of the Company's Bylaws.

Acknowledgements

All our achievements in 2014 were only possible thanks to the support and trust of our shareholders, students, suppliers and financial institutions and, especially, the dedication and efforts of our faculty and employees. We hope we can rely on this same support and dedication in 2015, when we intend to record even greater achievements.

Many, many thanks!

Management

Statement by the Executive Board

In compliance with Article 25, V and VII of CVM Instruction 480/2009, the members of the Board of Executive Officers of Estácio Participações S.A. hereby declare, unanimously and without dissent, that they have reviewed, discussed and agree with the content of the Company's financial statements and the unqualified opinion in the independent auditor's report issued by PricewaterhouseCoopers Auditores Independentes, both of which for the fiscal year ended December 31, 2014.

Rio de Janeiro, March 20, 2015.

Rogério Frota Melzi, Virgílio Deloy Capobianco Gibbon, Pedro Jorge Guterres Quintans Graça, Miguel Filisbino Pereira de Paula, Gilberto Teixeira de Castro, João Luis Tenreiro Barroso, Marcos de Oliveira Lemos, Marcos Noll Barboza and Alexandre Ferraz.

For details on the analysis of 2014 results, see the website:

www.estacioparticipacoes.com.br