Belo Horizonte, November 10, 2016 – Kroton Educacional S.A. (BM&FBovespa: **KROT3**; OTCQX: **KROTY**) - "Kroton" or "Company," announces today its results for the third quarter of 2016 (3Q16). The Company's financial information is presented on a consolidated basis and in Brazilian real, in accordance with Brazilian Corporate Law and Generally Accepted Accounting Principles in Brazil (BRGAAP), and already conforms to International Financial Reporting Standards (IFRS), except where stated otherwise.

HIGHLIGHTS – PRO FORMA CORPORATE ANALYSIS

SPECIAL NOTE:

Due to delays in the opening of the Student Financing Fund Transfer System (SisFIES) to effect the reenrollment of FIES students for 2H16, the Company opted to analyze the 3Q16 financial performance (On Campus and Consolidated) on a pro forma basis considering the historical levels of FIES amendments to ensure a better comparison base. Therefore, the 3Q16 pro forma FIES revenue translates as best as possible the actual amount that would be recorded if amendments in SisFIES had been concluded within the historically observed periods. Furthermore, the Company emphasizes that it has not changed its policy for recognizing students and revenues, but merely has adopted this procedure to portray more realistically its performance in the period. The reconciliation of this result with the balance sheet is provided in "Appendix 2" hereto. Lastly, note that this is a temporary particularity and that the opening of the system has already been normalized, with amendments being processed through December 2016.

Values in R$ ('000)	3Q16	3Q15 [2]	Chg.%	2Q16	Chg.%	9M16	9M15 [2]	Chg.%
Gross Revenue	1,588,831	1,600,880	-0.8%	1,783,049	-10.9%	4,990,424	5,033,342	-0.9%
Net Revenue	1,223,907	1,234,796	-0.9%	1,391,149	-12.0%	3,883,195	3,933,856	-1.3%
Gross Income	866,511	830,257	4.4%	988,586	-12.3%	2,789,080	2,677,666	4.2%
Gross Margin	*70.8%*	*67.2%*	*3.6 p.p.*	*71.1%*	*-0.3 p.p.*	*71.8%*	*68.1%*	*3.8 p.p.*
Operating Result	667,150	658,690	1.3%	774,462	-13.9%	2,216,447	2,096,090	5.7%
Operating Margin	*54.5%*	*53.3%*	*1.2 p.p.*	*55.7%*	*-1.2 p.p.*	*57.1%*	*53.3%*	*3.8 p.p.*
Adjusted EBITDA	532,238	508,210	4.7%	632,578	-15.9%	1,771,571	1,660,664	6.7%
Adjusted EBITDA Margin	*43.5%*	*41.2%*	*2.3 p.p.*	*45.5%*	*-2.0 p.p.*	*45.6%*	*42.2%*	*3.4 p.p.*
Adjusted Net Income	452,723	407,432	11.1%	561,780	-19.4%	1,520,412	1,376,504	10.5%
Adjusted Net Margin	*37.0%*	*33.0%*	*4.0 p.p.*	*40.4%*	*-3.4 p.p.*	*39.2%*	*35.0%*	*4.2 p.p.*
Adjusted Net Income /share	0.28	0.25	11.1%	0.35	-19.4%	0.94	0.85	10.5%
Operating Cash Generation (OCG) after Capex [1]	465,486	334,287	39.2%	613,188	-24.1%	1,039,140	548,207	89.6%
OCG after Capex [1] / EBITDA (unadjusted)	*94.7%*	*72.7%*	*22.0 p.p.*	*93.0%*	*1.7 p.p.*	*53.4%*	*36.0%*	*17.4 p.p.*

[1] Capex excludes investments in M&A and Special Projects.
[2] 2015 figures includes Uniasselvi results. For 2016, it impacts only the year to date analysis since Uniasselvi was sold in February 29th.

HIGHLIGHTS – MANAGERIAL ANALYSIS (EX-UNIASSELVI[1])

Consolidated - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%	9M16	9M15	Chg.%
Net Revenue	1,223,907	1,170,162	4.6%	1,391,149	-12.0%	3,841,635	3,727,347	3.1%
Adjusted EBITDA	532,238	483,298	10.1%	632,578	-15.9%	1,753,710	1,575,055	11.3%
Adjusted EBITDA Margin	*43.5%*	*41.3%*	*2.2 p.p.*	*45.5%*	*-2.0 p.p.*	*45.7%*	*42.3%*	*3.4 p.p.*
Adjusted Net Income	452,723	385,835	17.3%	561,780	-19.4%	1,505,176	1,301,970	15.6%
Adjusted Net Margin	*37.0%*	*33.0%*	*4.0 p.p.*	*40.4%*	*-3.4 p.p.*	*39.2%*	*34.9%*	*4.3 p.p.*

[1] Excludes the figures for Uniasselv both in 2016 (January and February) and 2015.

Carlos Lazar – IRO
Pedro Gomes – Manager
Ana Troster – Coordenator

Tel: + 55 (11) 3133-7309 / 7311 / 7314
E-mail: dri@kroton.com.br
Site: www.kroton.com.br/ri

QUARTER HIGHLIGHTS:

❖ Kroton registered solid intake results for the second semester of 2016 in both the On-Campus and Distance Learning segments, with new enrollments up 1.5% and 12%, respectively (ex-Uniasselvi), reflecting the successful commercial actions and the positive impact from organic expansion over the past few years.

❖ Net revenue advanced 4.6% on 3Q15 (excluding Uniasselvi's results), supported by the intake processes, which recently included significant decreases in the amounts of discounts and scholarships awarded. These effects were partially offset by the lower revenue from Pronatec and LFG. In the first nine months of the year, pro forma net revenue amounted to R$3,841.6 million, increasing 3.1% from 9M15.

❖ Adjusted EBITDA reached R$532.3 million in 3Q16, increasing 4.7% compared to 3Q15, with adjusted EBITDA margin expanding 233 basis points to 43.5%. Excluding the effects from Uniasselvi in 3Q15, adjusted EBITDA grew 10.1%, reflecting the student intake and retention initiatives and the focus on operating efficiency. In 9M16, adjusted EBITDA totaled R$1,771.6 million, with margin of 45.6%.

❖ Adjusted net income came to R$ 452.7 million in 3Q16, growing 11.1% from 3Q15, with adjusted net margin expanding 399 basis points. Excluding Uniasselvi, adjusted net income posted solid growth of 17.3% compared to 3Q15. In 9M16, adjusted net income was R$1,520.4 million, with margin of 39.2%, growing 10.5% in relation to the same period last year.

❖ Operating cash generation after capex in the period was R$465.5 million, for an EBITDA-to-Cash ratio of 94.7%, enhanced by the receipt of the first installment under NR23 in the period. In 9M16, operating cash generation after capex amounted to R$ 1,039.1 million, despite the delay in the FIES amendment process for 2S16.

MESSAGE FROM MANAGEMENT

On October 24, we held our most important event for the financial community, Kroton Day, which welcomed over 400 analysts and investors from around the world. During the event, we presented a series of technical information showing all the deliveries that Kroton is making and its excellent prospects. But one specific presentation was different. The goal was to present the main reasons that lead students to choose Kroton, with the key projects grouped into four macro topics: (i) increasing income and employability, (ii) quality and innovation, (iii) broadening opportunities, and (iv) service excellence.

On increasing income, we showed that, although the country is experiencing a highly challenging moment, with weak economic indicators and mounting unemployment, the only group of people who registered job growth in 2016 was those with college degrees. Moreover, the undergraduate cycle has a proven impact on boosting incomes over 80% on average in the various careers offered by Kroton, according to a study conducted by market institutes. To further leverage opportunities for our students, we accelerated the expansion of our employability channel, "Conecta", which offers a nationwide platform and invests in putting our students in closer contact with the job market. Since its launch, the Conecta Channel hasn't stopped growing: it already serves over 800,000 students and 3,200 partner companies and has over 28,000 jobs advertised and 149,000 résumés on record. The Conecta Channel has become a major competitive advantage for Kroton and has the potential to fast become one of Brazil's largest job platforms.

In the area of quality and innovation, we highlight the solid position of our regulatory indicators, with 98% satisfactory IGC scores and substantial investments in our academic model (KLS 2.0), both of which play key roles in highlighting our competitive advantages and leading the continuous improvement in our educational services. One of the main innovations adopted under KLS 2.0 is the adaptive learning methodology, which already is being used by over 350,000 students and brings significant advances in the teaching-learning process by using technology to combine customization and scale. We also are taking a major step next year towards digitalizing our customer service, which includes launching the Digital Student Portal (PDA), a platform that contains all our academic services (classes, video-classes, digital textbooks, exams, etc.) and administrative and financial support services. The PDA is the Digital College of our student accessed from any device, including mobile, and handles the needs of the new digital student.

In the area of broadening opportunities, the highlights include our geographic expansion projects, the diversification of our program portfolio and the student retention efforts in both the Distance-Learning and On-Campus segments. This year we opened 232 new DL centers, bringing the total number of centers nationwide to 910. We also expanded our offering of academic programs, introducing Premium DL. In 2016, Premium DL began offering 5 programs in the fields of engineering and healthcare, with another 7 programs coming in 2017. In On-campus education, we inaugurated, in the second semester, the new campus in João Pessoa, with new enrollments surpassing our initial expectations. In early 2017, we also will launch a new campus in Luís Eduardo Magalhães and a new medical program in Eunápolis, both cities in Bahia state. In all, we will open 100 new campuses, 47 of which are already being analyzed by the Ministry of Education (MEC). Combined with these expansions, we strengthened our initiatives to improve student re-enrollment rates through the Retention Program, which already has yielded solid results by reducing dropout rates. We also are giving special attention to the issue of "affordability" so that our potential students are able to pay for college. On this front, we have been agile and efficient in innovating new products, such as the Private Student Installment Plan (PEP), which is constantly being enhanced to fulfill its critical role in our student recruiting and retention processes. Another financing vehicle, the Private Student Loan (FEP), a solution developed in partnership with a financial institution, will also be launched in 2017 to further expand the possibilities for students and differentiate our market positioning.

Lastly, we are working to offer service excellence by optimizing interactions between students and the institution both inside and outside of the academic environment. The results are already visible. In November, we were awarded "Company of the Year in Service" by an important local communication vehicle, which is a clear sign that all our efforts and investments in enhancing the student experience at our units and centers are being perceived and recognized.

To guarantee the service excellence that makes students choose Kroton, we must have qualified, motivated and engaged people. For this, we have been achieving important results through our corporate university, "Kroton University", which supports the training and development of our faculty and administrative staff. Another challenge is ensuring alignment between the rules and policies defined at the corporate level and their application at the teaching units. And to further strengthen this bond between the corporate area and the frontline, this semester we launched the Synch Project. Through the project, Kroton's corporate employees participate in all stages of a student's life, experiencing everything from the admissions exam to classroom activities to better understand their actual needs and rethink and improve all processes.

These are clear examples and competitive advantages built together with our potential and current students that leave us certain that Kroton is ready to create future value.

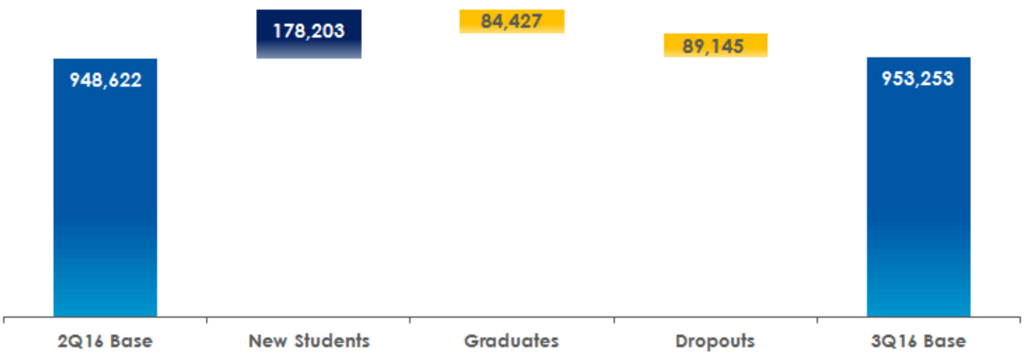
This was a challenging year, but we have effectively traversed this highly adverse scenario, while surpassing the established targets and goals. We were able to deliver very satisfactory results in new enrollments and re-enrollments throughout the year and expanded our Undergraduate student base (ex-Uniasselvi). We have attained a whole new level of efficiency in the industry, with significant growth in practically all financial indicators, and surpassed the mark of R$ 1 billion in operating cash generation after capex in the first nine months of the year. And we did that while paving the way for a new wave of opportunities via the transaction with Estácio (pending approval from CADE), in yet another transformational move for our company.

The challenges of 2016 have been transcended and we're ready for 2017, with a permanent focus on building a solid foundation for the creation of value sustainably over the long term.

OPERATING PERFORMANCE

POSTSECONDARY EDUCATION

Evolution in Number of Students



The evolution in the number of Postsecondary students between 2Q16 and 3Q16 by product (Undergraduate and Graduate) and teaching format (On-Campus and Distance Learning) is presented below.

	On-Campus			Distance Learning		
Students	Undergraduate	Graduate	Total	Undergraduate	Graduate	Total
3Q15 Base ex-Uniasselvi	**432,537**	**13,370**	**445,907**	**478,466**	**30,412**	**508,878**
2Q16 Base	**418,363**	**8,495**	**426,858**	**491,909**	**29,855**	**521,764**
New Students	65,633	2,005	67,638	103,121	7,444	110,565
Graduates	(26,297)	(1,731)	(28,028)	(50,177)	(6,222)	(56,399)
Dropouts	(32,453)	(489)	(32,942)	(54,918)	(1,285)	(56,203)
3Q16 Base	**425,246**	**8,280**	**433,526**	**489,935**	**29,792**	**519,727**
% 3Q16 Base / 3Q15 Base ex-Uniasselvi	-1.7%	-38.1%	-2.8%	2.4%	-2.0%	2.1%
% 3Q16 / 2Q16 Base	1.6%	-2.5%	1.6%	-0.4%	-0.2%	-0.4%

Students	Total Undergraduate	Total Graduate	Total
3Q15 Base ex-Uniasselvi	**911,003**	**43,782**	**954,785**
2Q16 Base	**910,272**	**38,350**	**948,622**
New Students	168,754	9,449	178,203
Graduates	(76,474)	(7,953)	(84,427)
Dropouts	(87,371)	(1,774)	(89,145)
3Q16 Base	**915,181**	**38,072**	**953,253**
% 3Q16 Base / 3Q15 Base ex-Uniasselvi	0.5%	-13.0%	-0.2%
% 3Q16 / 2Q16 Base	0.5%	-0.7%	0.5%

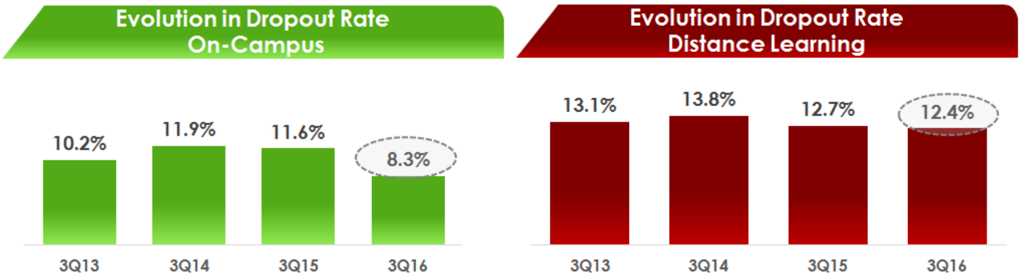
The results of the admissions and re-enrollment processes for the second semester of the year were concluded with very strong results, which attests to the recognition of the quality of the education offered by our institutions and to the intense efforts by our sales and marketing teams given the more challenging scenario faced by the sector as a whole.

Overall, 168,754 new Undergraduate students were added, or 7.8% more than in the same period of 2015. This result was driven by (i) new programs being launched in both On-Campus and Premium DL segments; (ii) the higher number of students with the Private Special Installment Plan (PEP), whose positioning and pricing have been constantly enhanced since 3Q15; and (iii) the new centers and a new campus that were opened during the year. The re-enrollment process (enrollment of students from the second to the last academic semesters), also adjusted by the historical rates of FIES contract amendments (see the special note on page 1), posted consistent results considering the market conditions in the period, remaining virtually stable in relation from the same period last year, at 746,427 Undergraduate students.

When analyzing the Graduate business alone, there were 9,449 new enrollments, mainly in the Distance Learning format, and a significant volume of graduations, of approximately 8,000 students.

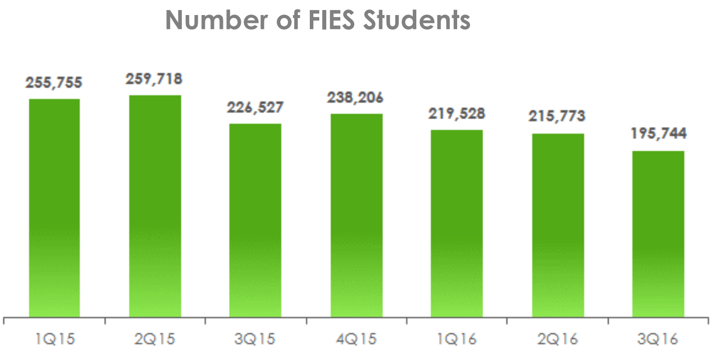
At the end of 3Q16, the number of Postsecondary students (Undergraduate and Graduate) in both the On-Campus and Distance Learning formats reached 953,253, growing by 0.5% from 2Q16 and almost flat compared to 3Q15. Broken down by teaching format, the On-Campus student base accounted for 45.5% of the total student base in the quarter, while the Distance Learning student base accounted for 54.5%.

Evolution of Undergraduate Dropouts



The above analysis shows the evolution of dropouts rates among On-Campus and Distance Learning Undergraduate students. It shows that Kroton continues to make progress on implementing the initiatives associated with its Student Retention Program. The Company is also implementing various improvements in its collections and debt renegotiation practices in order to adjust them to the weaker macroeconomic scenario and maintain healthy levels of accounts receivables. The results of these initiatives can easily be seen in the improvement in dropout indicators in both the On-campus segment (from 11.6% in 3Q15 to 8.3% in 3Q16) and the DL segment (from 12.7% to 12.4%).

FIES



	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
% On-Campus Undergraduate Student Base	56.8%	58.0%	50.9%	54.4%	50.3%	51.6%	46.0%
% Total Undergraduate Student Base	24.1%	24.3%	22.5%	24.5%	22.7%	23.7%	21.4%

A total of 6,031 new FIES students were admitted in the midyear enrollment process, of which 4,030 were freshmen and 2,001 were students transferred from other institutions. At the end of 3Q16, the Company had 195,744 students enrolled with FIES contracts, which is 9.3% fewer than in the previous quarter, mainly due to graduations and the lower number of new contracts. Bear in mind that this figure is based on the historical student conversion rate, given the delay in the FIES amendment process. As a result, the penetration of students supported by the financing program stood at 46.0% of the On-Campus Undergraduate student base, or 21.4% of the total Undergraduate student base. For 4Q16, we expect the number of FIES students to normalize following the regularization of contracts still pending at this time.

Private Student Installment Plan (PEP)

During the 3Q16 admissions cycle, a total of 23,944 students were enrolled with PEP financing (18,743 with PEP30 and 5,201 with PEP50). These figures are in line with the Company's budget for the period and indicate the level of exposure potentially replicated in future admissions processes. As a reminder, the payment conditions of both products are as follows: in PEP30, students start the cycle paying 30% of their monthly tuition, which gradually increases to 40%, 50% and 60% in subsequent years, remaining at the higher percentage including during the amortization period, which makes the rate of return of these students equivalent to that of PEP50, for which students pay 50% of their monthly tuition throughout their academic program and amortization period. Specifically, in relation to the amortization period, both products give graduates a period equal to the length of their program to repay the accumulated debt interest-free, subject only to annual indexation adjustments of the tuition. Kroton also maintained the same conservative policies that it adopted in 2015 for revenue recognition and provisioning for all PEP students. At the end of 3Q16, a total of around 49,147 students were enrolled in PEP programs, with about 34,513 enrolled in PEP30 and 14,634 in PEP50.

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

With regard to Pronatec (*Bolsa Formação*), Kroton (including the Anhanguera institutions) ended the quarter offering 15 different programs with durations between 12 to 18 months at 13 On-Campus institutions. The average student base (average number of students with revenue recognized) in the quarter was 2,193 students (which are not included in the Postsecondary student base figure informed above).

Unregulated Programs and Language Courses

Kroton offers Unregulated Programs through its On-Campus units and Distance Learning centers operated under various brands. These short-duration open enrollment programs allow students to increase their knowledge in various fields, such as Management, Education, Mathematics and Languages. In the nine-month period, the Company provided these programs to 59,197 students (as with Pronatec courses, these students are not considered in the figure for Postsecondary students), a growth of 7.1% over the same period last year.

Preparatory Courses (LFG)

Through the brand LFG, the Company offers preparatory courses for the examination of the Brazilian Bar Association (OAB) and for examinations for civil servant positions. Always positioned as a reference in preparatory courses, LFG registered an average of 29,027 students throughout 3Q16 (as with Pronatec courses, these students are not considered in the figure for Postsecondary students), an increase of 42.1% compared to 3Q15.

PRIMARY AND SECONDARY EDUCATION

In the Primary and Secondary Education business, Kroton's main activity is offering, through the Pitágoras Network, its Learning System, which comprises teaching book collections, teacher training, educational evaluations and other services, to private schools in the Pre-School, Primary and Secondary Education businesses. The segment also manages schools, especially for large companies, and operates an own school in Belo Horizonte, the capital of Minas Gerais state. In 2016, the Company is serving a total 669 Associated Schools and approximately 228,000 students in the private sector.

FINANCIAL PERFORMANCE

Note 1: Due to delays in the opening of the Student Financing Fund Transfer System (SisFIES) during the amendment process for FIES students during 2H16, the Company opted to analyze the 3Q16 financial performance (On Campus and Consolidated) on a pro forma basis based on the historical rates for FIES contract amendments to ensure a better comparison base. Therefore, the 3Q16 pro forma FIES revenue translates as best as possible the actual amount that would be recorded if SisFIES amendments had been concluded within the historically observed periods. Furthermore, the Company emphasizes that it has not changed its policy for recognizing students and revenues, but merely has adopted this procedure to portray more realistically its performance in the period. The reconciliation of this result with the balance sheet is provided in "Appendix 2" hereto. Lastly, note that this is a temporary particularity and that the opening of the system has already been normalized, with amendments being processed through December 2016.

Note 2: the corporate financial data for 3Q15 and 9M15 includes, respectively, the three and nine months of the operations of Uniasselvi in its various operating segments (On-Campus and Distance Learning). Meanwhile, the corporate financial data for 9M16 includes two months (January and February) of the operations of Uniasselvi in its various operating segments (On-Campus and Distance Learning). Lastly, the financial data ex-Uniasselvi excludes the operations of Uniasselvi in its various operating segments (On-Campus and Distance Learning) for all periods.

3Q16 RESULTS – PRO FORMA

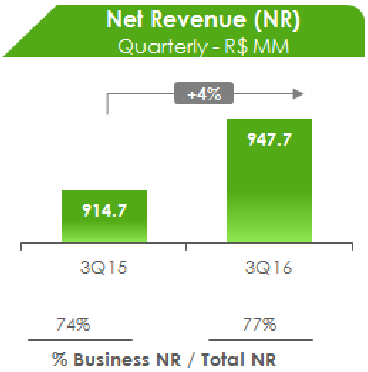
	On-Campus Education		Distance Learning		Primary and Secondary Education		Kroton Consolidated	
Values in R$ ('000)	**3Q16**	**% Net Rev.**	**3Q16**	**% Net Rev.**	**3Q16**	**% Net Rev.**	**3Q16**	**% Net Rev.**
Gross Revenue	**1,229,442**	**129.7%**	**333,865**	**132.2%**	**25,523**	**108.1%**	**1,588,831**	**129.8%**
Gross Revenue Deductions	(281,773)	-29.7%	(81,240)	-32.2%	(1,910)	-8.1%	(364,923)	-29.8%
Tax	(34,859)	-3.7%	(7,948)	-3.1%	(1,140)	-4.8%	(43,947)	-3.6%
ProUni	(170,924)	-18.0%	(51,584)	-20.4%	-	0.0%	(222,508)	-18.2%
Returns	-	0.0%	-	0.0%	(771)	-3.3%	(771)	-0.1%
Total Discounts	(75,990)	-8.0%	(21,707)	-8.6%	-	0.0%	(97,698)	-8.0%
Net Revenue	**947,669**	**100.0%**	**252,626**	**100.0%**	**23,613**	**100.0%**	**1,223,907**	**100.0%**
Costs (COGS)	**(306,166)**	**-32.3%**	**(37,710)**	**-14.9%**	**(13,521)**	**-57.3%**	**(357,397)**	**-29.2%**
Cost of Goods	-	0.0%	-	0.0%	(4,276)	-18.1%	(4,276)	-0.3%
Cost of Services	(306,166)	-32.3%	(37,710)	-14.9%	(9,245)	-39.2%	(353,120)	-28.9%
Faculty, Other Personnel and Third-Party Services	(218,226)	-23.0%	(30,038)	-11.9%	(7,949)	-33.7%	(256,212)	-20.9%
Rent	(74,142)	-7.8%	(4,478)	-1.8%	(292)	-1.2%	(78,912)	-6.4%
Materials	(3,323)	-0.4%	(2,537)	-1.0%	-	0.0%	(5,861)	-0.5%
Maintenance	(2,709)	-0.3%	(210)	-0.1%	(198)	-0.8%	(3,117)	-0.3%
Other	(7,767)	-0.8%	(446)	-0.2%	(806)	-3.4%	(9,019)	-0.7%
Gross Income	**641,503**	**67.7%**	**214,916**	**85.1%**	**10,092**	**42.7%**	**866,511**	**70.8%**
Operating Expenses	**(105,387)**	**-11.1%**	**(23,055)**	**-9.1%**	**(5,310)**	**-22.5%**	**(133,752)**	**-10.9%**
Personnel, General and Administrative Expenses	(105,387)	-11.1%	(23,055)	-9.1%	(5,310)	-22.5%	(133,752)	-10.9%
Personnel Expenses	(65,124)	-6.9%	(19,283)	-7.6%	(4,191)	-17.7%	(88,597)	-7.2%
General and Administrative Expenses	(40,263)	-4.2%	(3,772)	-1.5%	(1,119)	-4.7%	(45,154)	-3.7%
Provision for Doubtful Accounts - PDA	**(84,851)**	**-9.0%**	**(19,704)**	**-7.8%**	**(185)**	**-0.8%**	**(104,740)**	**-8.6%**
(+) Interest and Penalties on Tuition	32,596	3.4%	6,300	2.5%	235	1.0%	39,131	3.2%
Operating Result	**483,860**	**51.1%**	**178,458**	**70.6%**	**4,832**	**20.5%**	**667,150**	**54.5%**
Sales and Marketing Expenses							**(71,748)**	**-5.9%**
Corporate Expenses							**(63,164)**	**-5.2%**
Adjusted EBITDA							**532,238**	**43.5%**
(-) Nonrecurring Items							(40,673)	-3.3%
EBITDA							**491,565**	**40.2%**
Depreciation and Amortization							(104,498)	-8.5%
Financial Result							11,990	1.0%
Income and Social Contribution Tax							(30,847)	-2.5%
Income Tax / Social Cont. - Disposal of Uniasselvi							-	0.0%
Net Profit							**368,211**	**30.1%**
(+) Nonrecurring Items							40,673	3.3%
(+) Intangible Amortization (Acquisitions)							43,840	3.6%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi							-	0.0%
Adjusted Net Profit							**452,723**	**37.0%**

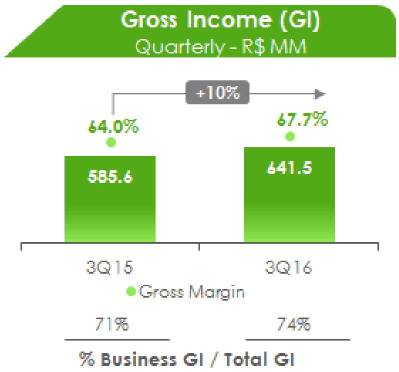
9M16 RESULTS – PRO FORMA

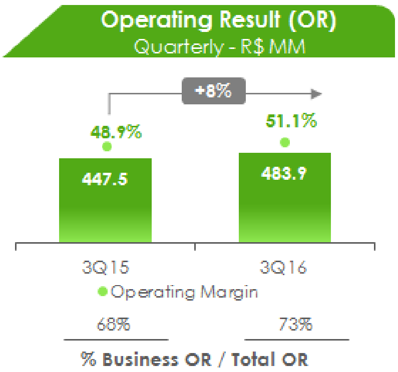
	On-Campus Education		Distance Learning		Primary and Secondary Education		Kroton Consolidated	
Values in R$ ('000)	9M16	% Net Rev.	9M16	% Net Rev.	9M16	% Net Rev.	9M16	% Net Rev.
Gross Revenue	**3,794,423**	**128.5%**	**1,061,678**	**131.9%**	**134,323**	**107.1%**	**4,990,424**	**128.5%**
Gross Revenue Deductions	(841,268)	-28.5%	(257,031)	-31.9%	(8,930)	-7.1%	(1,107,228)	-28.5%
Tax	(100,755)	-3.4%	(24,979)	-3.1%	(4,162)	-3.3%	(129,896)	-3.3%
ProUni	(506,187)	-17.1%	(166,369)	-20.7%	-	0.0%	(672,556)	-17.3%
Returns	-	0.0%	-	0.0%	(4,768)	-3.8%	(4,768)	-0.1%
Total Discounts	(234,326)	-7.9%	(65,683)	-8.2%	-	0.0%	(300,009)	-7.7%
Net Revenue	**2,953,155**	**100.0%**	**804,647**	**100.0%**	**125,393**	**100.0%**	**3,883,195**	**100.0%**
Costs (COGS)	**(919,768)**	**-31.1%**	**(118,645)**	**-14.7%**	**(55,703)**	**-44.4%**	**(1,094,115)**	**-28.2%**
Cost of Goods	-	0.0%	-	0.0%	(25,473)	-20.3%	(25,473)	-0.7%
Cost of Services	(919,768)	-31.1%	(118,645)	-14.7%	(30,230)	-24.1%	(1,068,642)	-27.5%
Faculty, Other Personnel and Third-Party Services	(649,615)	-22.0%	(92,474)	-11.5%	(22,844)	-18.2%	(764,933)	-19.7%
Rent	(227,259)	-7.7%	(14,559)	-1.8%	(847)	-0.7%	(242,665)	-6.2%
Materials	(8,537)	-0.3%	(9,669)	-1.2%	-	0.0%	(18,206)	-0.5%
Maintenance	(8,571)	-0.3%	(705)	-0.1%	(601)	-0.5%	(9,878)	-0.3%
Other	(25,786)	-0.9%	(1,237)	-0.2%	(5,937)	-4.7%	(32,960)	-0.8%
Gross Income	**2,033,387**	**68.9%**	**686,003**	**85.3%**	**69,690**	**55.6%**	**2,789,080**	**71.8%**
Operating Expenses	**(336,861)**	**-11.4%**	**(73,872)**	**-9.2%**	**(14,891)**	**-11.9%**	**(425,623)**	**-11.0%**
Personnel, General and Administrative Expenses	(336,861)	-11.4%	(73,872)	-9.2%	(14,891)	-11.9%	(425,623)	-11.0%
Personnel	(189,644)	-6.4%	(53,120)	-6.6%	(11,907)	-9.5%	(254,671)	-6.6%
General and Administrative	(147,217)	-5.0%	(20,752)	-2.6%	(2,984)	-2.4%	(170,952)	-4.4%
Provision for Doubtful Accounts - PDA	**(196,995)**	**-6.7%**	**(61,039)**	**-7.6%**	**(1,029)**	**-0.8%**	**(259,063)**	**-6.7%**
(+) Interest and Penalties on Tuition	90,650	3.1%	20,963	2.6%	440	0.4%	112,053	2.9%
Operating Result	**1,590,182**	**53.8%**	**572,055**	**71.1%**	**54,211**	**43.2%**	**2,216,447**	**57.1%**
Sales and Marketing Expenses							**(252,641)**	**-6.5%**
Corporate Expenses							**(192,235)**	**-5.0%**
Adjusted EBITDA							**1,771,571**	**45.6%**
(-) Nonrecurring Items							173,273	4.5%
EBITDA							**1,944,844**	**50.1%**
Depreciation and Amortization							(301,514)	-7.8%
Financial Result							(25,017)	-0.6%
Income and Social Contribution Tax							(59,602)	-1.5%
Income Tax / Social Cont. - Disposal of Uniasselvi							(71,772)	-1.8%
Net Profit							**1,486,939**	**38.3%**
(+) Nonrecurring Items							(173,273)	-4.5%
(+) Intangible Amortization (Acquisitions)							134,974	3.5%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi							71,772	1.8%
Adjusted Net Profit							**1,520,412**	**39.2%**

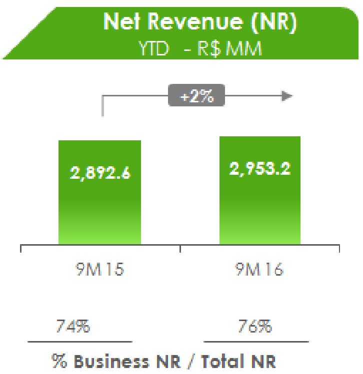
PRO FORMA FINANCIAL PERFORMANCE – ON-CAMPUS EDUCATION

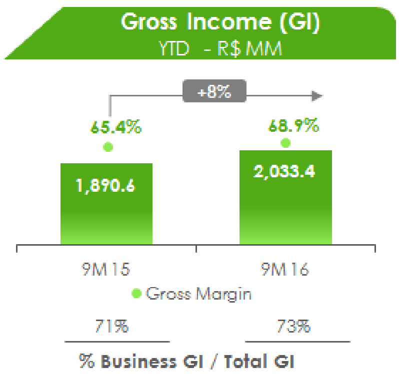
On-Campus Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%	9M16	9M15	Chg.%
Gross Revenue	**1,229,442**	**1,180,690**	**4.1%**	**1,375,741**	**-10.6%**	**3,794,423**	**3,681,948**	**3.1%**
Gross Revenue Deductions	(281,773)	(266,004)	5.9%	(298,535)	-5.6%	(841,268)	(789,371)	6.6%
Tax	(34,859)	(28,513)	22.3%	(36,896)	-5.5%	(100,755)	(90,342)	11.5%
ProUni	(170,924)	(164,430)	3.9%	(169,204)	1.0%	(506,187)	(477,705)	6.0%
Returns	-	-	n.a.	-	n.a.	-	-	n.a.
Total Discounts	(75,990)	(73,061)	4.0%	(92,434)	-17.8%	(234,326)	(221,324)	5.9%
Net Revenue	**947,669**	**914,686**	**3.6%**	**1,077,206**	**-12.0%**	**2,953,155**	**2,892,577**	**2.1%**
Net Revenue - Undergraduate	**937,571**	**879,814**	**6.6%**	**1,061,905**	**-11.7%**	**2,908,253**	**2,754,770**	**5.6%**
Net Revenue - Ex-FIES and ex-PEP	282,072	229,020	23.2%	279,767	0.8%	826,166	703,666	17.4%
Net Revenue - FIES (net of APV)	537,311	624,125	-13.9%	695,564	-22.8%	1,839,788	1,954,445	-5.9%
Net Revenue - PEP (net of APV)	118,188	26,669	343.2%	86,573	36.5%	242,299	96,659	150.7%
Net Revenue - Graduate, Unregulated Programs, Pronatec	**10,098**	**34,872**	**-71.0%**	**15,302**	**-34.0%**	**44,902**	**137,807**	**-67.4%**
Net Revenue - Pronatec	1,451	23,206	-93.7%	1,179	23.1%	11,621	100,097	-88.4%
Net Revenue - Graduate and Unregulated Programs	8,647	11,666	-25.9%	14,123	-38.8%	33,281	37,710	-11.7%
Total of Costs	**(306,166)**	**(329,097)**	**-7.0%**	**(341,067)**	**-10.2%**	**(919,768)**	**(1,002,025)**	**-8.2%**
Cost of Goods	-	-	n.a.	-	n.a.	-	-	n.a.
Cost of Services	(306,166)	(329,097)	-7.0%	(341,067)	-10.2%	(919,768)	(1,002,025)	-8.2%
Faculty, Other Personnel and Third-Party Services	(218,226)	(238,495)	-8.5%	(248,661)	-12.2%	(649,615)	(722,738)	-10.1%
Rent	(74,142)	(72,507)	2.3%	(76,191)	-2.7%	(227,259)	(221,664)	2.5%
Materials	(3,323)	(6,887)	-51.7%	(3,144)	5.7%	(8,537)	(17,387)	-50.9%
Maintenance	(2,709)	(2,497)	8.5%	(3,370)	-19.6%	(8,571)	(11,519)	-25.6%
Other	(7,767)	(8,711)	-10.8%	(9,701)	-19.9%	(25,786)	(28,717)	-10.2%
Gross Income	**641,503**	**585,589**	**9.5%**	**736,139**	**-12.9%**	**2,033,387**	**1,890,552**	**7.6%**
Gross Margin	*67.7%*	*64.0%*	*3.7 p.p.*	*68.3%*	*-0.6 p.p.*	*68.9%*	*65.4%*	*3.5 p.p.*
Total Operating Expenses	**(105,387)**	**(114,886)**	**-8.3%**	**(126,501)**	**-16.7%**	**(336,861)**	**(368,450)**	**-8.6%**
Personnel Expenses	(65,124)	(62,733)	3.8%	(65,961)	-1.3%	(189,644)	(205,024)	-7.5%
General and Administrative Expenses	(40,263)	(52,153)	-22.8%	(60,540)	-33.5%	(147,217)	(163,426)	-9.9%
Provision for Doubtful Account - PDA	**(84,851)**	**(39,019)**	**117.5%**	**(69,863)**	**21.5%**	**(196,995)**	**(133,680)**	**47.4%**
(+) Interest and Penalties on Tuition	32,596	15,783	106.5%	28,310	15.1%	90,650	47,991	88.9%
Operating Result	**483,860**	**447,466**	**8.1%**	**568,085**	**-14.8%**	**1,590,182**	**1,436,413**	**10.7%**
Operating Margin	*51.1%*	*48.9%*	*2.1 p.p.*	*52.7%*	*-1.7 p.p.*	*53.8%*	*49.7%*	*4.2 p.p.*

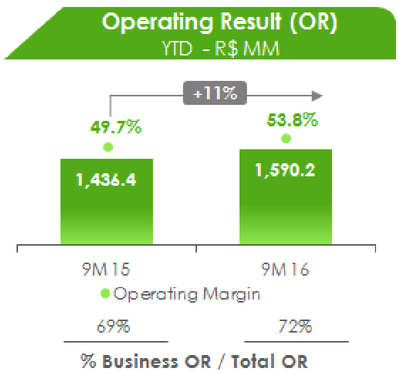












PRO FORMA RESULT

Revenue and Deductions

On-Campus Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Gross Revenue	**1,229,442**	**1,180,690**	**4.1%**	**1,375,741**	**-10.6%**
Gross Revenue Deductions	(281,773)	(266,004)	5.9%	(298,535)	-5.6%
Tax	(34,859)	(28,513)	22.3%	(36,896)	-5.5%
ProUni	(170,924)	(164,430)	3.9%	(169,204)	1.0%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(75,990)	(73,061)	4.0%	(92,434)	-17.8%
Net Revenue	**947,669**	**914,686**	**3.6%**	**1,077,206**	**-12.0%**
Net Revenue - Undergraduate	**937,571**	**879,814**	**6.6%**	**1,061,905**	**-11.7%**
Net Revenue - Ex-FIES and ex-PEP	282,072	229,020	23.2%	279,767	0.8%
Net Revenue - FIES (net of APV)	537,311	624,125	-13.9%	695,564	-22.8%
Net Revenue - PEP (net of APV)	118,188	26,669	343.2%	86,573	36.5%
Net Revenue - Graduate, Unregulated Programs, Pronatec	**10,098**	**34,872**	**-71.0%**	**15,302**	**-34.0%**
Net Revenue - Pronatec	1,451	23,206	-93.7%	1,179	23.1%
Net Revenue - Graduate and Unregulated Programs	8,647	11,666	-25.9%	14,123	-38.8%

Deductions

Deductions as a ratio of gross revenue increased only 0.4 p.p. in 3Q16 compared to 3Q15, which is explained by a seasonal one-off impact in 3Q15, which registered a PIS/Confins tax reversal, in addition to the deductions related to ProUni and the impact from the implementation of a FIES 2% administrative fee on the amount of educational charges. Compared to 2Q16, deductions as a ratio of gross revenue increased 1.2 p.p., reflecting the higher gross revenue received in 2Q16 due to the delayed normalization of FIES amendments and the additional FIES fee in the pro forma result of 3Q16. These effects more than offset the decrease in the total discounts line due to the seasonality of the Tuition Adjustment Process (PAM), which occurs primarily in even-numbered quarters.

Net revenue

Net revenue was R$947.7 million in 3Q16, growing 3.6% compared to 3Q15, despite the lower number of students in the period and the significant reduction in the Pronatec program (which this quarter recorded revenue of only R$1.5 million, versus R$23.2 million in 3Q15), as well as the divestment of Uniasselvi. These effects were offset by the higher average ticket and the increase in intakes in the second semester, mainly under the PEP special installment program, which has been supporting the segment's performance, including with a higher average ticket compared to other payment methods. Revenue from PEP accounted for R$118.2 million in the quarter (net of Adjustment to Present Value, or APV), or 12.5% of the On-campus segment's total revenue. Excluding solely the Pronatec figures from both periods (for a more adequate analysis of the trend going forward), revenue would have increased 6.1% from the prior-year period. In other words, despite all the economic factors pressuring the annual comparison, performance in 3Q16 further attests to the Company's resilience in this more challenging scenario. Compared to the prior quarter, the 12.0% decline in net revenue is mainly due to seasonality, which generates positive impacts in even-numbered months, with the recognition of 6 months of FIES tuitions in a single quarter, due to the delayed amendments. In the first nine months of the year, net revenue amounted to R$3.0 billion, increasing 2.1% over the same period in 2015, despite the negative effects noted above, such as the Uniasselvi divestment and the significantly lower Pronatec results.

Average Net Ticket [1]

On-Campus Postsecondary Education- Values in R$	3Q16	3Q15	Chg.%	2Q16	Chg.%
Total	**794.30**	**675.69**	**17.6%**	**760.22**	**4.5%**

[1] The calculation of average net ticket excludes the impacts from the APV.

For a better understanding, the calculation of Kroton's average ticket considers the number of students effectively billed in the period (excluding Pronatec students, but including ProUni students), since, due to retroactive contract amendments, a student could be billed more than once in a certain month. The average net ticket in the On-campus segment totaled R$ 794.30 in 3Q16, an increase of 17.6% from the same period in the previous year, basically reflecting the lower volumes of scholarships and discounts granted during the admissions process this year and the higher intakes under PEP, which had a positive impact on the ticket composition, since these students are priced without any discounts or scholarships. In addition, the annual adjustment to tuitions and the participation of programs with higher tickets in the mix also supported the increase in average ticket. Note that this performance includes one-off sales campaigns that offered discounts and exemptions from enrollment fees for new students in the admissions process. To neutralize these seasonal effects between quarters, the best analysis excludes the impacts from these actions. On this basis, the average ticket in 3Q16 reached R$ 801.27, increasing 15.8% in relation to the ticket excluding effects from one-off sales initiatives last year, which included a much more aggressive policy for granting discounts and scholarships than in this semester.

Costs

On-Campus Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Total of Costs	**(306,166)**	**(329,097)**	**-7.0%**	**(341,067)**	**-10.2%**
Cost of Goods (CG)	-	-	n.a.	-	n.a.
Cost of Services (CS)	(306,166)	(329,097)	-7.0%	(341,067)	-10.2%
Faculty, Other Personnel and Third-Party Services	(218,226)	(238,495)	-8.5%	(248,661)	-12.2%
Rent	(74,142)	(72,507)	2.3%	(76,191)	-2.7%
Materials	(3,323)	(6,887)	-51.7%	(3,144)	5.7%
Maintenance	(2,709)	(2,497)	8.5%	(3,370)	-19.6%
Other	(7,767)	(8,711)	-10.8%	(9,701)	-19.9%

% of Net Revenues	3Q16	3Q15	Chg.%	2Q16	Chg.%
Total of Costs	**-32.3%**	**-36.0%**	**3.7 p.p.**	**-31.7%**	**-0.6 p.p.**
Cost of Goods (CG)	0.0%	0.0%	n.a.	0.0%	n.a.
Cost of Services (CS)	-32.3%	-36.0%	3.7 p.p.	-31.7%	-0.6 p.p.
Faculty, Other Personnel and Third-Party Services	-23.0%	-26.1%	3.0 p.p.	-23.1%	0.1 p.p.
Rent	-7.8%	-7.9%	0.1 p.p.	-7.1%	-0.8 p.p.
Materials	-0.4%	-0.8%	0.4 p.p.	-0.3%	-0.1 p.p.
Maintenance	-0.3%	-0.3%	0.0 p.p.	-0.3%	0.0 p.p.
Other	-0.8%	-1.0%	0.1 p.p.	-0.9%	0.1 p.p.

In 3Q16, cost of services as a ratio of net revenue fell 3.7 p.p. compared to the same period in 2015. Similarly, to what was observed in the first half of the year, this improvement is explained by the implementation of the operational research (OR) software at Kroton units as of the second half of 2015, which led to significant savings in costs with faculty, personnel and third-party services. In this respect, note that 3Q16 marked the start of the third phase of OR, which optimizes faculty and existing infrastructure by distributing classes across physical spaces and days of the week, having generated savings to date of 13.3% in the allocation of weekly classroom hours per student. Although this tool has yet to reach its maximum capacity in terms of scope, the important contribution it makes to the quality and efficiency of the On-Campus operations is already clear. Other positive contributions were related to the strategic sourcing initiatives and to the restructuring of units to optimize occupancy rates. Compared to 2Q16, total costs as a ratio of net revenue increased 0.6 p.p., due to seasonality.

Gross Income

On-Campus Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Gross Income	**641,503**	**585,589**	**9.5%**	**736,139**	**-12.9%**
Gross Margin	*67.7%*	*64.0%*	*3.7 p.p.*	*68.3%*	*-0.6 p.p.*

Gross income from On-Campus Education was R$641.5 million in 3Q16, increasing 9.5% on the same period last year. The result reflects the continued capture of efficiency gains at the units, which supported gross margin expansion of 3.7 p.p. Compared to the previous quarter, the 0.6 p.p. contraction in gross margin is explained by lower revenue and seasonality, since 2Q16 was positively impacted by the normalization of re-enrollments. In 9M16, gross margin expanded 3.5 p.p. to 68.9%, which demonstrates the efforts made to ensure the continuous capture of efficiency gains at the various institutions.

Operating Expenses

On-Campus Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Total Operating Expenses	**(105,387)**	**(114,886)**	**-8.3%**	**(126,501)**	**-16.7%**
Personnel Expenses	(65,124)	(62,733)	3.8%	(65,961)	-1.3%
General and Administrative Expenses	(40,263)	(52,153)	-22.8%	(60,540)	-33.5%

% of Net Revenues	3Q16	3Q15	Chg.%	2Q16	Chg.%
Total Operating Expenses	**-11.1%**	**-12.6%**	**1.4 p.p.**	**-11.7%**	**0.6 p.p.**
Personnel Expenses	-6.9%	-6.9%	0.0 p.p.	-6.1%	-0.7 p.p.
General and Administrative Expenses	-4.2%	-5.7%	1.5 p.p.	-5.6%	1.4 p.p.

Personnel, General and Administrative Expenses

In 3Q16, total personnel, general and administrative expenses as a ratio of net revenue decreased 1.4 p.p. from the same period last year, primarily due to the capture of economies of scale and synergies and to the efforts to control operating expenses, especially general and administrative expenses. General and administrative expenses were also positively impacted by the reversal of contingencies. Compared to the previous quarter, the reduction of 0.6 p.p. in this indicator reflects the lower expenses with utilities given the segment's natural seasonality.

Provision for Doubtful Accounts (PDA)

On-Campus Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Provision for Doubtful Account - PDA	(84,851)	(39,019)	117.5%	(69,863)	21.5%
PDA / Postsecondary Net Revenues[1]	*-9.0%*	*-4.4%*	*-4.6 p.p.*	*-6.5%*	*-2.5 p.p.*
Provision for Doubtful Account - PDA ex-FIES & PEP	(20,927)	(15,550)	34.6%	(20,350)	2.8%
PDA ex-FIES / Postsecondary Net Revenues ex-FIES & ex-PEP[1]	*-7.2%*	*-6.5%*	*-0.7 p.p.*	*-6.9%*	*-0.3 p.p.*
Provision for Doubtful Account - PDA FIES	(4,829)	(10,132)	-52.3%	(6,227)	-22.4%
PDA FIES / Postsecondary Net Revenues FIES[1]	*-0.9%*	*-1.6%*	*0.7 p.p*	*-0.9%*	*-0.0 p.p.*
Provision for Doubtful Account - PDA PEP	(59,095)	(13,338)	343.1%	(43,286)	36.5%
PDA PEP / Postsecondary Net Revenues PEP[1]	*-50.0%*	*-50.0%*	*0.0 p.p*	*-50.0%*	*-0.0 p.p.*

[1] Net Revenue for the On-Campus excludes revenues from Pronatec

Total PDA as a ratio of net revenue in the On-Campus segment increased 4.6 p.p. from the same period last year, to 9.0%. This performance is basically related to the higher share of PEP students (for whom provisioning is highly conservative) in the base, in addition to the increases made since 1Q16 to PDA ex-FIES and ex-PEP to better reflect the expected delinquency levels in light of the deterioration in the macroeconomic scenario. Although Kroton has created a high Accounts Receivable coverage ratio in recent years since effective losses have been below the level of provisioning, the decision to increase PDA levels is consistent with the policy of observing historical cycles and reinforces the Company's conservative approach to provisioning.

Accounts Receivable

On-Campus Education - Values in R$ (´000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Net Accounts Receivable	**1,453,519**	**1,217,222**	**19.4%**	**1,551,831**	**-6.3%**
Tuition and Agreements to Receive	253,866	203,923	24.5%	274,433	-7.5%
FIES - Short Term	661,569	956,243	-30.8%	602,764	9.8%
FIES - Long Term	350,811	n.a	n.a	550,395	-36.3%
Long Term Portfolio - ex-FIES	187,274	57,056	228.2%	124,239	50.7%

Total Accounts Receivables net of PDA declined 6.3% between 3Q16 and 2Q16, mainly due to the payment in August of 25% of the unpaid installments related to 2015 under NR23. This payment mitigated the impacts from the higher base of PEP students and the delays faced in amending FIES contracts in the second semester, since FIES students were unable to amend their contracts by the end of the quarter meaning credits for the repurchases were not generated. The long-term FIES line, as explained in previous quarters, consists of 75% of the installments not paid in 2015 which will be repurchased in 2017 and 2018 (adjusted to present value).

Average Accounts Receivable Term

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

1. Total Accounts Receivable

On-Campus Education - days	3Q16	3Q15	Chg.(days)	2Q16	Chg.(days)
Net Accounts Receivable / Total Net Revenue On-Campus	132	115	17 Days	142	-10 Days

Calculation base: net balance of short-term and long-term Accounts Receivable in the On-Campus Postsecondary business related to monthly tuitions, agreements and other academic services, divided by net operating revenue in the On-Campus Postsecondary business in the last 12 months, multiplied by 360 days.

In 3Q16, the average term increased by 17 days compared to the same period last year, mainly due to the higher balance of PEP and FIES accounts receivable, as commented above. Compared to the previous quarter, the reduction of 10 days in the average term is due to the payment of 25% of FIES repurchases related to 2015.

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

On-Campus Education - days	3Q16	3Q15	Chg.(days)	2Q16	Chg.(days)
Net Accounts Receivable (ex-FIES) / Net Revenue (ex-FIES)	110	74	36 Days	109	01 Day

Calculation base: net balance of short-term and long-term Accounts Receivable (excludes FIES and includes PEP) in the On-Campus Postsecondary business related exclusively to monthly tuitions, agreements and other academic services, divided by net revenue (ex-FIES) in the On-Campus Postsecondary business in the last 12 months, multiplied by 360 days.

In 3Q16, the average term ex-FIES increased 36 days over the same period in 2015, mainly reflecting the effect from the longer average term of PEP students. Excluding this effect from both periods, the average receivables term (ex-FIES and ex-PEP) was 73 days in 3Q16, 8 days more than in 3Q15 (65 days), which reflects the deterioration in the economic scenario and the higher volume of negotiations. In this sense, it is important to highlight that part of the Company's retention strategy consisted in optimizing the relation between lower dropout rates and the increase in average accounts receivable terms, without bringing any additional impact in PDA. Compared to the prior quarter, the term was stable, reflecting the successful renegotiation and collection practices in the re-enrollment process for the second semester of the year.

3. FIES Accounts Receivable

On-Campus Education - days	3Q16	3Q15	Chg.(days)	2Q16	Chg.(days)
Net Accounts Receivable Fies / Net Revenue Fies	145	132	13 Days	159	-14 Days

Calculation base: net balance of short-term and long-term Accounts Receivable related solely to FIES, divided by net revenue from monthly FIES tuitions in the last 12 months, multiplied by 360 days.

In 3Q16, the average term of FIES accounts receivable was 145 days, increasing 13 days from 3Q15 and decreasing 14 days from 2Q16. The decrease reflects the payment of 25% of installments not paid in 2015 due to NR23 and the normalization of the repurchase payment flow, despite the problems with amending contracts in the second semester of the year. As a result, the expectation remains of a gradual reduction in the average FIES term following the normalization of the payment flow.

Operating Result

On-Campus Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Gross Income	**641,503**	**585,589**	**9.5%**	**736,139**	**-12.9%**
(-) Total Operating Expenses	(105,387)	(114,886)	-8.3%	(126,501)	-16.7%
(-) Provision for Doubtful Account - PDA	(84,851)	(39,019)	117.5%	(69,863)	21.5%
(+) Interest and Penalties on Tuition	32,596	15,783	106.5%	28,310	15.1%
Operating Result	**483,860**	**447,466**	**8.1%**	**568,085**	**-14.8%**
Operating Margin	*51.1%*	*48.9%*	*2.1 p.p.*	*52.7%*	*-1.7 p.p.*

The operating result (before marketing expenses) in 3Q16 amounted to R$483.9 million, with operating margin of 51.1%, for expansion of 2.1 p.p. on the prior-year period, primarily reflecting the capture of efficiency gains and synergies from the Anhanguera merger and the progress made in the operational research software in the class formation process. Compared to 2Q16, operating margin deceased 1.7 p.p., which was exclusively due to the positive seasonal impact which occurred in the previous quarter. As mentioned in previous quarters, the operating result includes an impact from the agreement for the receipt of FIES installments, which generated a positive effect from the recognition of inflation adjustment (accrual method of accounting) on the interest and penalties on tuitions line, in the amount of R$8.1 million in 3Q16. In the nine-month period, the operating result was R$1,590.2 million, with operating margin of 53.8%, or 4.2 p.p. higher than in the same period of 2015, despite the lower Pronatec revenue and the Uniasselvi divestment.

RESULTS EX-UNIASSELVI

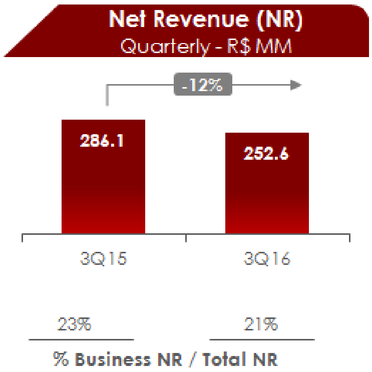
The following table presents the main P&L lines excluding data from Uniasselvi for 2015 and 1Q16:

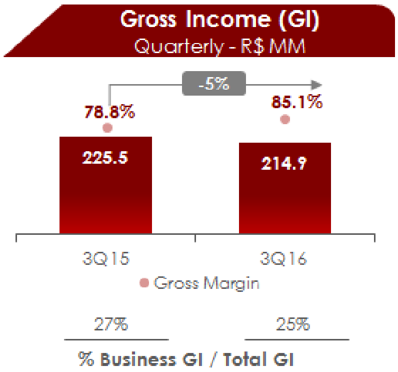
On-Campus - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%	9M16	9M15	Chg.%
Net Revenue	947,669	890,027	6.5%	1,077,206	-12.0%	2,940,799	2,816,503	4.4%
Gross Income	641,503	572,396	12.1%	736,139	-12.9%	2,025,962	1,846,095	9.7%
Gross Margin	*67.7%*	*64.3%*	*3.4 p.p.*	*68.3%*	*-0.6 p.p.*	*68.9%*	*65.5%*	*3.3 p.p.*
Operating Result	483,860	440,257	9.9%	568,085	-14.8%	1,585,635	1,409,557	12.5%
Operating Margin	*51.1%*	*49.5%*	*1.6 p.p.*	*52.7%*	*-1.7 p.p.*	*53.9%*	*50.0%*	*3.9 p.p.*

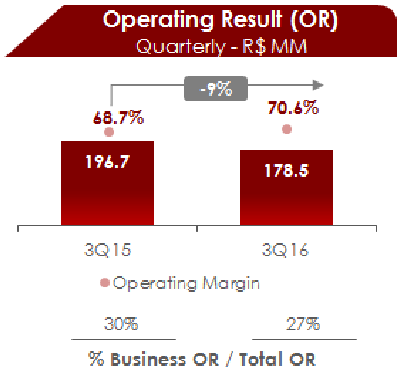
In this analysis, net revenue advanced 6.5%, supported by the higher average ticket, which offset the lower contribution from Pronatec. Gross income in the quarter increased 12.1% from the prior-year period, with gross margin expanding 3.4 p.p., while the operating result grew 9.9% to R$483.9 million, with operating margin expansion of 1.6 p.p. in the same comparison.

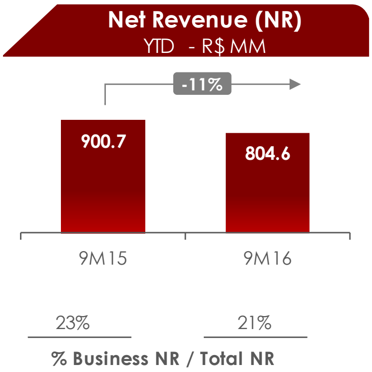
CORPORATE FINANCIAL PERFORMANCE – DISTANCE LEARNING

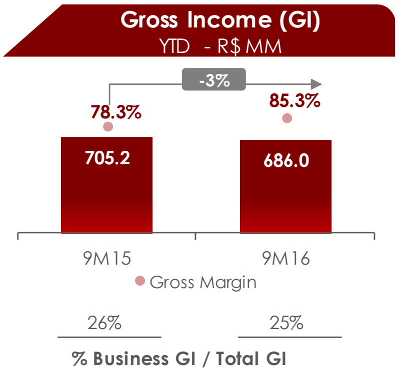
Distance Learning - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%	9M16	9M15	Chg.%
Gross Revenue	**333,865**	**383,865**	**-13.0%**	**356,044**	**-6.2%**	**1,061,678**	**1,202,432**	**-11.7%**
Gross Revenue Deductions	(81,240)	(97,763)	-16.9%	(88,951)	-8.7%	(257,031)	(301,717)	-14.8%
Tax	(7,948)	(6,640)	19.7%	(8,736)	-9.0%	(24,979)	(23,306)	7.2%
ProUni	(51,584)	(62,002)	-16.8%	(57,926)	-10.9%	(166,369)	(187,863)	-11.4%
Returns	-	-	n.a.	-	n.a.	-	-	n.a.
Total Discounts	(21,707)	(29,121)	-25.5%	(22,288)	-2.6%	(65,683)	(90,548)	-27.5%
Net Revenue	**252,626**	**286,102**	**-11.7%**	**267,093**	**-5.4%**	**804,647**	**900,715**	**-10.7%**
Net Revenue - Undergraduate	234,432	261,093	-10.2%	246,068	-4.7%	742,845	823,912	-9.8%
Net Revenue - Graduate, LFG and Unregulated Programs	18,194	25,009	-27.3%	21,024	-13.5%	61,802	76,804	-19.5%
Total of Costs	**(37,710)**	**(60,646)**	**-37.8%**	**(38,831)**	**-2.9%**	**(118,645)**	**(195,497)**	**-39.3%**
Cost of Goods	-	-	n.a.	-	n.a.	-	-	n.a.
Cost of Services	(37,710)	(60,646)	-37.8%	(38,831)	-2.9%	(118,645)	(195,497)	-39.3%
Faculty, Other Personnel and Third-Party Services	(30,038)	(47,247)	-36.4%	(31,839)	-5.7%	(92,474)	(155,029)	-40.4%
Rent	(4,478)	(6,434)	-30.4%	(4,187)	6.9%	(14,559)	(20,051)	-27.4%
Materials	(2,537)	(6,044)	-58.0%	(2,377)	6.8%	(9,669)	(17,109)	-43.5%
Maintenance	(210)	(426)	-50.7%	(260)	-19.1%	(705)	(1,602)	-56.0%
Other	(446)	(494)	-9.6%	(168)	166.4%	(1,237)	(1,706)	-27.5%
Gross Income	**214,916**	**225,457**	**-4.7%**	**228,262**	**-5.8%**	**686,003**	**705,218**	**-2.7%**
Gross Margin	*85.1%*	*78.8%*	*6.3 p.p.*	*85.5%*	*-0.4 p.p.*	*85.3%*	*78.3%*	*7.0 p.p.*
Total Operating Expenses	**(23,055)**	**(22,246)**	**3.6%**	**(26,123)**	**-11.7%**	**(73,872)**	**(77,457)**	**-4.6%**
Personnel Expenses	(19,283)	(17,766)	8.5%	(17,489)	10.3%	(53,120)	(60,504)	-12.2%
General and Administrative Expenses	(3,772)	(4,480)	-15.8%	(8,634)	-56.3%	(20,752)	(16,953)	22.4%
Provision for Doubtful Account - PDA	(19,704)	(21,200)	-7.1%	(20,113)	2.0%	(61,039)	(66,756)	-8.6%
(+) Interest and Penalties on Tuition	6,300	14,683	-57.1%	5,155	22.2%	20,963	35,331	-40.7%
Operating Result	**178,458**	**196,694**	**-9.3%**	**187,181**	**-4.7%**	**572,055**	**596,337**	**-4.1%**
Operating Margin	*70.6%*	*68.7%*	*1.9 p.p.*	*70.1%*	*0.6 p.p.*	*71.1%*	*66.2%*	*4.9 p.p.*

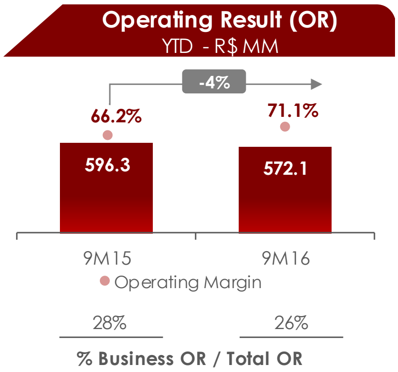












CORPORATE RESULTS

Revenue and Deductions

Distance Learning - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Gross Revenue	**333,865**	**383,865**	**-13.0%**	**356,044**	**-6.2%**
Gross Revenue Deductions	(81,240)	(97,763)	-16.9%	(88,951)	-8.7%
Tax	(7,948)	(6,640)	19.7%	(8,736)	-9.0%
ProUni	(51,584)	(62,002)	-16.8%	(57,926)	-10.9%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(21,707)	(29,121)	-25.5%	(22,288)	-2.6%
Net Revenue	**252,626**	**286,102**	**-11.7%**	**267,093**	**-5.4%**
Net Revenue - Undergraduate	234,432	261,093	-10.2%	246,068	-4.7%
Net Revenue - Graduate, LFG and Unregulated Programs	18,194	25,009	-27.3%	21,024	-13.5%

Deductions

In the Distance Learning business, the main deduction items are the discounts granted and ProUni, which combined corresponded to 22.0% of total gross revenue in 3Q16, down 1.8 p.p. from the same period last year, which reflects the more effective adjustment and filling of ProUni openings. Another positive factor in the period's lower deductions was the lower volume of total discounts, reflecting the less aggressive pricing strategy adopted since the beginning of the year. Compared to the previous quarter, the main deduction items fell 0.6 p.p., reflecting the lower number of enrollments of ProUni students in the second semester.

Net Revenue

Net revenue in 3Q16 came to R$252.6 million, down 11.7% from the same period of 2015, reflecting the divestment of Uniasselvi and the lower revenue contribution from LFG and unregulated programs. These same factors were responsible for the 10.7% decline in net revenue for the nine-month period, to R$804.6 million, which neutralized the positive effects from the intake and re-enrollment processes conducted in recent cycles and from the higher average net ticket in the period.

Average Net Ticket

Distance Learning - Values in R$	3Q16	3Q15	Chg.%	2Q16	Chg.%
Total (Student)	**257.63**	**235.96**	**9.2%**	**265.62**	**-3.0%**

For comparison purposes, Kroton reports only the effective ticket paid by the student, without discounting the transfers to the partners of the centers. To enable a better understanding, when calculating the average ticket, Kroton uses the number of invoices effectively recognized as revenue in the period, including the invoices of ProUni. On this basis, considering all (100%) of the revenue and the combination of the DL Undergraduate, DL Graduate and LFG businesses, the average ticket was R$257.63, 9.2% higher than in 3Q15, reflecting the annual tuition increase and a still-marginal impact from Premium DL programs. Compared to the previous quarter, the 3.0% decrease in the period's average ticket reflects the one-off impact from the campaigns offering discounts and exemptions of enrollment fees for new students in the mid-year enrollment process, but which do not affect the student's average ticket over course of their program. Excluding only the effect from one-off commercial campaigns, the average ticket in 3Q16 was R$266.18, 9.5% higher than in 3Q15, excluding the effects from sales actions, and 0.2% higher over the previous quarter.

Costs

Distance Learning - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Total of Costs	**(37,710)**	**(60,646)**	**-37.8%**	**(38,831)**	**-2.9%**
Cost of Goods	-	-	n.a.	-	n.a.
Cost of Services	(37,710)	(60,646)	-37.8%	(38,831)	-2.9%
Faculty, Other Personnel and Third-Party Services	(30,038)	(47,247)	-36.4%	(31,839)	-5.7%
Rent	(4,478)	(6,434)	-30.4%	(4,187)	6.9%
Materials	(2,537)	(6,044)	-58.0%	(2,377)	6.8%
Maintenance	(210)	(426)	-50.7%	(260)	-19.1%
Other	(446)	(494)	-9.6%	(168)	166.4%

% of Net Revenues	3Q16	3Q15	Chg.%	2Q16	Chg.%
Total of Costs	**-14.9%**	**-21.2%**	**6.3 p.p.**	**-15.4%**	**0.4 p.p.**
Cost of Goods (CG)	0.0%	0.0%	0.0 p.p.	0.0%	0.0 p.p.
Cost of Services (CS)	-14.9%	-21.2%	6.3 p.p.	-15.4%	0.4 p.p.
Faculty, Other Personnel and Third-Party Services	-11.9%	-16.5%	4.6 p.p.	-12.6%	0.7 p.p.
Rent	-1.8%	-2.2%	0.5 p.p.	-1.7%	-0.1 p.p.
Materials	-1.0%	-2.1%	1.1 p.p.	-0.9%	-0.1 p.p.
Maintenance	-0.1%	-0.1%	0.1 p.p.	-0.1%	0.0 p.p.
Other	-0.2%	-0.2%	0.0 p.p.	-0.1%	-0.1 p.p.

In 3Q16, cost of services (CS) came to R$37.7 million and as a ratio of net revenue decreased 6.3 p.p. from the same period in 2015. This reduction is mainly explained by the capture of efficiency gains from the expansion in the student base over the past few years, as well as by the ongoing initiatives to optimize the performance of DL programs at Anhanguera, highlighting the migration of the teaching model to one on-campus meeting per week (instead of two), the restructuring of the commercial model in the segment, and the lower costs with rent and materials. Compared to the previous quarter, costs as ratio of net revenue also fell, by 0.4 p.p., which is mainly explained by the decline in the faculty and other personnel line.

Gross Income

Distance Learning - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Gross Income	**214,916**	**225,457**	**-4.7%**	**228,262**	**-5.8%**
Gross Margin	*85.1%*	*78.8%*	*6.3 p.p.*	*85.5%*	*-0.4 p.p.*

Gross income was R$214.9 million in 3Q16, with gross margin of 85.1%, up 6.3 p.p. from the same period last year, due to the capture of efficiency gains and synergies in the period. Compared to the prior quarter, the lower gross income is explained by weaker sales in the period, due to one-off discounts granted to new students, although gross margin remained virtually stable. In the nine-month period, gross income amounted to R$686.0 million, with gross margin of 85.3% (up 7.0 p.p.); in other words, despite the lower revenue caused by the divestment the Company was required to make, cost efficiency improved substantially.

Operating Expenses

Distance Learning - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Total Operating Expenses	**(23,055)**	**(22,246)**	**3.6%**	**(26,123)**	**-11.7%**
Personnel Expenses	(19,283)	(17,766)	8.5%	(17,489)	10.3%
General and Administrative Expenses	(3,772)	(4,480)	-15.8%	(8,634)	-56.3%

% of Net Revenues	3Q16	3Q15	Chg.%	2Q16	Chg.%
Total Operating Expenses	**-9.1%**	**-7.8%**	**-1.4 p.p.**	**-10.3%**	**1.2 p.p.**
Personnel Expenses	-7.6%	-6.2%	-1.4 p.p.	-6.9%	-0.7 p.p.
General and Administrative Expenses	-1.5%	-1.6%	0.1 p.p.	-3.4%	1.9 p.p.

Personnel, General and Administrative Expenses

This quarter, personnel expenses as a ratio of the segment's net revenue increased 1.4 p.p. and 0.7 p.p. from 3Q15 and 2Q16, respectively, due to wage increases and the startup of new centers, which offset the capture of economies of scale and the initiatives to streamline personnel expenses implemented since last year. As a ratio of net revenue, general and administrative expenses were practically flat in relation to the prior-year period and decreased by 1.9 p.p. from the prior quarter, a period that was marked by a one-off increase in expenses with contingencies.

Provision for Doubtful Accounts (PDA)

Distance Learning - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Provision for Doubtful Account - PDA	(19,704)	(21,200)	-7.1%	(20,113)	-2.0%
PDA / Distance Learning Net Revenues	*-7.8%*	*-7.4%*	*-0.4 p.p.*	*-7.5%*	*-0.3 p.p.*

The level of provisioning for the Distance Learning segment stood at 7.8% in 3Q16, increasing in line with what is being observed in the On-campus segment since the start of the year to respond to the more challenging economic scenario.

Accounts Receivable

Distance Learning - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Net Accounts Receiveble	**209,673**	**200,043**	**4.8%**	**216,949**	**-3.4%**
Tuition and Agreements to Receive - Short term	209,673	200,043	4.8%	216,949	-3.4%

In 3Q16, net Accounts Receivables in the Distance Learning business amounted to R$209.7 million, increasing 4.8% from the same period a year ago, which is basically explained by the growth in the receivables-generating student base and by the limited increase in the average receivables term due to the more adverse economic scenario. Compared to 2Q16, the decrease is due to the Company's effective renegotiation and collections policies practiced during the re-enrollment process for the second semester.

Average Accounts Receivable Term

Distance Learning - Days	3Q16	3Q15	Chg.(days)	2Q16	Chg.(days)
Net Accounts Receivable / Net Revenue	**69**	**61**	**08 Days**	**70**	**-01 Day**

Calculation base: net balance of short-term and long-term Accounts Receivable in the DL business, divided by net revenue in the DL business in the last 12 months, multiplied by 360 days.

The average term of accounts receivable in the Distance Learning segment increased by 8 days compared to the prior-year period, due to the higher average receivables term at LFG. Compared to 2Q16, the average term remained practically stable.

Operating Result

Distance Learning - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Gross Income	**214,916**	**225,457**	**-4.7%**	**228,262**	**-5.8%**
(-) Total Operating Expenses	(23,055)	(22,246)	3.6%	(26,123)	-11.7%
(-) Provision for Doubtful Account - PDA	(19,704)	(21,200)	-7.1%	(20,113)	-2.0%
(+) Interest and Penalties on Tuition	6,300	14,683	-57.1%	5,155	22.2%
Operating Result	**178,458**	**196,694**	**-9.3%**	**187,181**	**-4.7%**
Operating Margin	*70.6%*	*68.7%*	*1.9 p.p.*	*70.1%*	*0.6 p.p.*

The operating result (before marketing expenses) in the Distance Learning business came to R$178.5 million in 3Q16, or 9.3% worse than in the same period of 2015, due to the lower gross revenue following the sale of the Uniasselvi operations and the weaker performance of the LFG operations. However, operating margin increased 1.9 p.p. in the period, to 70.6%, reflecting the capture of important synergy and operating efficiency gains in the segment, despite the divestment of such an important asset as Uniasselvi. Compared to the prior quarter, the 0.6 p.p. expansion in operating margin was influenced by seasonality. In the first nine months of 2016, the operating result was R$572.1 million, with margin of 71.1%, an improvement of 4.9 p.p., even with the 7 fewer months of contribution from Uniasselvi.

RESULTS EX-UNIASSELVI

The following table presents the main P&L lines excluding data from Uniasselvi for 2015 and 1Q16:

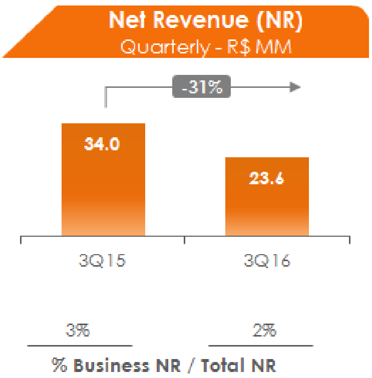
Distance Learning - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%	9M16	9M15	Chg.%
Net Revenue	252,626	246,127	2.6%	267,093	-5.4%	775,443	770,281	0.7%
Gross Income	214,916	203,055	5.8%	228,262	-5.8%	666,016	628,920	5.9%
Gross Margin	*85.1%*	*82.5%*	*2.6 p.p.*	*85.5%*	*-0.4 p.p.*	*85.9%*	*81.6%*	*4.2 p.p.*
Operating Result	178,458	173,472	2.9%	187,181	-4.7%	554,804	525,053	5.7%
Operating Margin	*70.6%*	*70.5%*	*0.2 p.p.*	*70.1%*	*0.6 p.p.*	*71.5%*	*68.2%*	*3.4 p.p.*

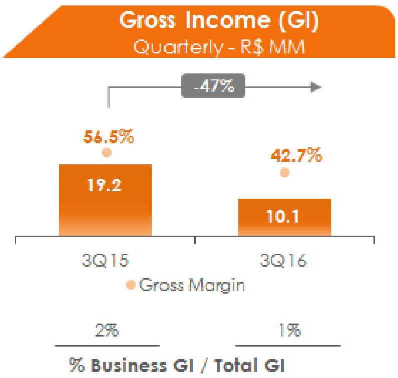
Excluding Uniasselvi, net revenue in the quarter grew 2.6% from 3Q15, which is explained by the intake and re-enrollment processes and by the average ticket.

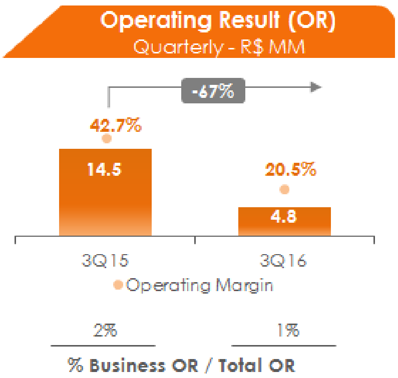
Meanwhile, gross income advanced 5.8%, with gross margin of 85.1%, expanding 2.6 p.p. from 3Q15. Operating result in the quarter increased 2.9%, with operating margin virtually stable.

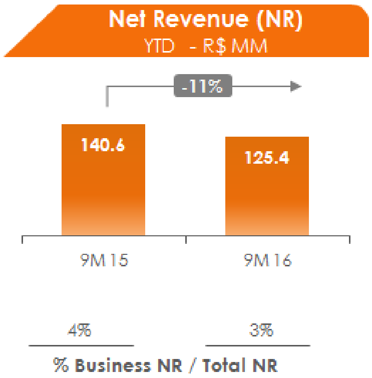
CORPORATE FINANCIAL PERFORMANCE – PRIMARY AND SECONDARY EDUCATION

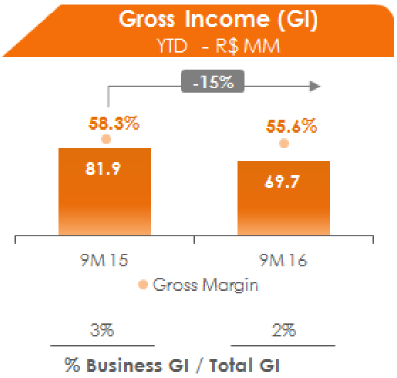
Primary and Secondary Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%	9M16	9M15	Chg.%
Gross Revenue	**25,523**	**36,325**	**-29.7%**	**51,264**	**-50.2%**	**134,323**	**148,962**	**-9.8%**
Gross Revenue Deductions	(1,910)	(2,317)	-17.6%	(4,415)	-56.7%	(8,930)	(8,398)	6.3%
Tax	(1,140)	(925)	23.2%	(1,254)	-9.1%	(4,162)	(3,387)	22.9%
ProUni	-	-	n.a.	-	n.a.	-	-	n.a.
Returns	(771)	(1,392)	-44.6%	(3,160)	-75.6%	(4,768)	(5,011)	-4.9%
Total Discounts	-	-	n.a.	-	n.a.	-	-	n.a.
Net Revenue	**23,613**	**34,007**	**-30.6%**	**46,850**	**-49.6%**	**125,393**	**140,563**	**-10.8%**
Management Contracts and Own Operations	14,182	16,036	-11.6%	14,883	-4.7%	44,547	46,671	-4.6%
Associated Schools Network	9,432	17,971	-47.5%	31,966	-70.5%	80,846	93,893	-13.9%
Total of Costs	**(13,521)**	**(14,796)**	**-8.6%**	**(22,665)**	**-40.3%**	**(55,703)**	**(58,668)**	**-5.1%**
Cost of Goods	(4,276)	(5,800)	-26.3%	(11,275)	-62.1%	(25,473)	(26,750)	-4.8%
Cost of Services	(9,245)	(8,996)	2.8%	(11,390)	-18.8%	(30,230)	(31,918)	-5.3%
Faculty, Other Personnel and Third-Party Services	(7,949)	(6,832)	16.3%	(8,320)	-4.5%	(22,844)	(23,227)	-1.6%
Rent	(292)	(333)	-12.4%	(290)	0.5%	(847)	(950)	-10.8%
Materials	-	(6)	n.a.	-	n.a.	-	(41)	n.a.
Maintenance	(198)	(177)	12.0%	(400)	n.a.	(601)	(475)	26.5%
Other	(806)	(1,648)	-51.1%	(2,381)	-66.1%	(5,937)	(7,225)	-17.8%
Gross Income	**10,092**	**19,212**	**-47.5%**	**24,184**	**-58.3%**	**69,690**	**81,895**	**-14.9%**
Management Contracts and Own Operations	5,934	8,440	-29.7%	4,778	24.2%	18,498	21,442	-13.7%
Associated Schools Network	4,158	10,771	-61.4%	19,406	-78.6%	51,192	60,454	-15.3%
Gross Margin	*42.7%*	*56.5%*	-13.8 p.p.	51.6%	-8.9 p.p.	*55.6%*	*58.3%*	-2.7 p.p.
Management Contracts and Own Operations	*25.1%*	*24.8%*	0.3 p.p.	10.2%	14.9 p.p.	*14.8%*	*15.3%*	-0.5 p.p.
Associated Schools Network	*17.6%*	*31.7%*	-14.1 p.p.	41.4%	-23.8 p.p.	*40.8%*	*43.0%*	-2.2 p.p.
Total Operating Expenses	**(5,310)**	**(4,454)**	**19.2%**	**(4,662)**	**13.9%**	**(14,891)**	**(17,244)**	**-13.7%**
Personnel Expenses	(4,191)	(3,335)	25.7%	(3,541)	18.4%	(11,907)	(12,936)	-8.0%
General and Administrative Expenses	(1,119)	(1,119)	0.0%	(1,121)	-0.2%	(2,984)	(4,309)	-30.7%
Provision for Doubtful Account - PDA	(185)	(359)	-48.4%	(406)	-54.3%	(1,029)	(1,700)	-39.4%
(+) Interest and Penalties on Tuition	235	132	78.4%	80	194.5%	440	389	13.1%
Operating Result	**4,832**	**14,531**	**-66.7%**	**19,196**	**-74.8%**	**54,211**	**63,340**	**-14.4%**
Operating Margin	*20.5%*	*42.7%*	-22.3 p.p.	41.0%	-20.5 p.p.	*43.2%*	*45.1%*	-1.8 p.p.

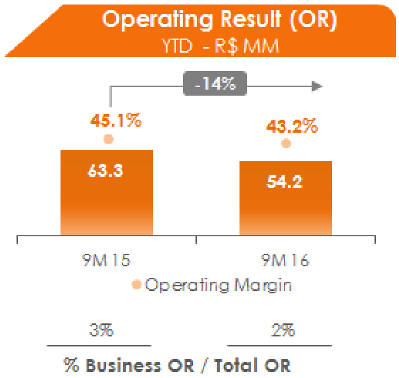












Revenue and Deductions

Primary and Secondary Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Gross Revenue	**25,523**	**36,325**	**-29.7%**	**51,264**	**-50.2%**
Gross Revenue Deductions	(1,910)	(2,317)	-17.6%	(4,415)	-56.7%
Tax	(1,140)	(925)	23.2%	(1,254)	-9.1%
ProUni	-	-	n.a.	-	n.a.
Returns	(771)	(1,392)	-44.6%	(3,160)	-75.6%
Total Discounts	-	-	n.a.	-	n.a.
Net Revenue	**23,613**	**34,007**	**-30.6%**	**46,850**	**-49.6%**
Management Contracts and Own Operations	14,182	16,036	-11.6%	14,883	-4.7%
Associated Schools Network	9,432	17,971	-47.5%	31,966	-70.5%

Deductions

In 3Q16, deductions as a ratio of gross revenue increased 1.1 p.p. compared to 3Q15, basically due to the lower gross revenue in the period, reflecting the anticipation of book collection sales in the previous quarter. Compared to 2Q16, performance was the opposite, with deductions decreasing 1.1 p.p. as a ratio of gross revenue, due to the lower volume of returns and consequently of deliveries.

Net Revenue

When analyzing net revenue for the Primary and Secondary Education segment it is important to remember that Kroton has been anticipating the delivery of book collections to even-numbered quarters to better manage the distribution of books to the Associated Schools. As a result, part of the revenues that previously were recognized in odd-numbered quarters is now being anticipated to the previous quarters. This event, which already happened at the start of the year, was even more relevant at the transition between semesters and impacted all P&L lines in 3Q16. However, the same impact will also be observed between 4Q16 and 1Q17. Therefore, not only is fourth-quarter revenue expected to neutralize the reduction observed to date, but revenue should also increase in the comparison between 2015 and 2016. Considering the new dynamic of the segment, net revenue declined 30.6% from the same period last year and by 49.6% compared to 2Q16. Meanwhile, in 9M16, net revenue in the Primary and Secondary Education segment amounted to R$125.4 million, or 10.8% lower than in the same nine-month period last year.

Average Net Ticket

In the Primary and Secondary Education business, the average annual amount charged for the sale of textbooks to the Associated Schools in 2016 was R$485.00 per student, or 5.0% higher than in 2015.

Costs

Primary and Secondary Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Total of Costs	**(13,521)**	**(14,796)**	**-8.6%**	**(22,665)**	**-40.3%**
Cost of Goods (CG)	(4,276)	(5,800)	-26.3%	(11,275)	-62.1%
Cost of Services (CS)	(9,245)	(8,996)	2.8%	(11,390)	-18.8%
Faculty, Other Personnel and Third-Party Services	(7,949)	(6,832)	16.3%	(8,320)	-4.5%
Rent	(292)	(333)	-12.4%	(290)	0.5%
Materials	-	(6)	n.a.	-	n.a.
Maintenance	(198)	(177)	12.0%	(400)	n.a.
Other	(806)	(1,648)	-51.1%	(2,381)	-66.1%

% of Net Revenues	3Q16	3Q15	Chg.%	2Q16	Chg.%
Total of Costs	**-57.3%**	**-43.5%**	**-13.8 p.p.**	**-48.4%**	**-8.9 p.p.**
Cost of Goods (CG)	-18.1%	-17.1%	-1.1 p.p.	-24.1%	6.0 p.p.
Cost of Services (CS)	-39.2%	-26.5%	-12.7 p.p.	-24.3%	-14.8 p.p.
Faculty, Other Personnel and Third-Party Services	-33.7%	-20.1%	-13.6 p.p.	-17.8%	-15.9 p.p.
Rent	-1.2%	-1.0%	-0.3 p.p.	-0.6%	-0.6 p.p.
Materials	0.0%	0.0%	0.0 p.p.	0.0%	0.0 p.p.
Maintenance	-0.8%	-0.5%	-0.3 p.p.	-0.9%	0.0 p.p.
Other	-3.4%	-4.8%	1.4 p.p.	-5.1%	1.7 p.p.

In 3Q16, cost of goods sold as a ratio of net revenue in the segment increased 1.1 p.p. on the prior-year period, explained by the lower revenue in the period, since the nominal amounts were lower. Compared to the previous quarter, the decline of 6.0 p.p. reflects the new seasonality of the segment, with the anticipation of sales to even-numbered quarters. Likewise, compared to 3Q15, cost of services was adversely affected by the new schedule of revenue recognition. Moreover, the wage increase for faculty members furthered pressured costs.

Gross Income

Primary and Secondary Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Gross Income	**10,092**	**19,212**	**-47.5%**	**24,184**	**-58.3%**
Management Contracts and Own Operations	5,934	8,440	-29.7%	4,778	24.2%
Associated Schools Network	4,158	10,771	-61.4%	19,406	-78.6%
Gross Margin	*42.7%*	*56.5%*	*-13.8 p.p.*	*51.6%*	*-8.9 p.p.*
Management Contracts and Own Operations	*25.1%*	*24.8%*	*0.3 p.p.*	*10.2%*	*14.9 p.p.*
Associated Schools Network	*17.6%*	*31.7%*	*-14.1 p.p.*	*41.4%*	*-23.8 p.p.*

Gross income fell 47.5% in 3Q16 compared to the same period last year, while gross margin contracted 13.8 p.p., due to the factors mentioned above. In the nine-month period, gross income was R$69.7 million, with gross margin of 55.6%, down 2.7 p.p. from the same period a year earlier.

Operating Expenses

Primary and Secondary Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Total Operating Expenses	**(5,310)**	**(4,454)**	**19.2%**	**(4,662)**	**13.9%**
Personnel Expenses	(4,191)	(3,335)	25.7%	(3,541)	18.4%
General and Administrative Expenses	(1,119)	(1,119)	0.0%	(1,121)	-0.2%
% of Net Revenues	**3Q16**	**3Q15**	**Chg.%**	**2Q16**	**Chg.%**
Total Operating Expenses	**-22.5%**	**-13.1%**	**-9.4 p.p.**	**-10.0%**	**-12.5 p.p.**
Personnel Expenses	-17.7%	-9.8%	-7.9 p.p.	-7.6%	-10.2 p.p.
General and Administrative Expenses	-4.7%	-3.3%	-1.4 p.p.	-2.4%	-2.3 p.p.

Personnel, General and Administrative Expenses

Personnel, general and administrative expenses as a ratio of net revenue increased 9.4 p.p. from 3Q15, basically explained by personnel expenses, due to the higher provisioning for variable compensation for those eligible in the segment, which offset the initiatives to streamline headcount in the Primary and Secondary Education segment. Compared to the previous quarter, operating expenses also grew due to the same reason described above.

Provision for Doubtful Accounts (PDA)

Primary and Secondary Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Provision for Doubtful Account - PDA	(185)	(359)	-48.4%	(406)	-54.3%
PDA / Primary and Secondary Education Net Revenues	*-0.8%*	*-1.1%*	*0.3 p.p.*	*-0.9%*	*0.1 p.p.*

This quarter, PDA stood at 0.8% of net revenue, down 0.3 p.p. from the same period of 2015, due to the effective collection policies. Compared to the prior quarter, PDA was virtually stable.

Accounts Receivable

Primary and Secondary Education	3Q16	3Q15	Chg.%	2Q16	Chg.%
Net Accounts Receivable	**26,486**	**28,676**	**-7.6%**	**40,174**	**-34.1%**

In 3Q16, the reduction in Accounts Receivable compared to 3Q15 and 2Q16 is explained by the anticipation of book collection deliveries to the previous quarter, which increased the volume of receivables in the period.

Average Accounts Receivable Term

Primary and Secondary Education - Days	3Q16	3Q15	Chg.(days)	2Q16	Chg.(days)
Net Accounts Receivable / Net Revenue	57	58	-01 Day	81	-24 Days

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

As mentioned in the analysis of accounts receivable, the 1-day decrease in the average accounts receivable term in the Primary and Secondary Education business in 3Q16 compared to 3Q15 is connected with the lower sales in the period.

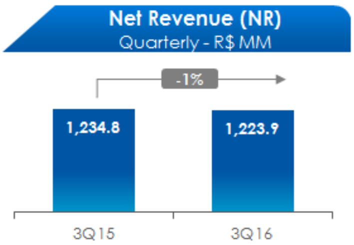
Operating Result

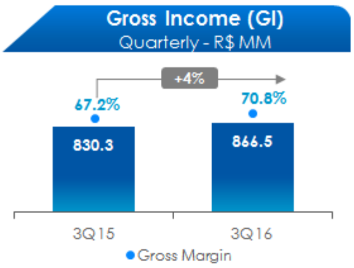
Primary and Secondary Education - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Gross Income	**10,092**	**19,212**	**-47.5%**	**24,184**	**-58.3%**
(-) Total Operating Expenses	(5,310)	(4,454)	19.2%	(4,662)	13.9%
(-) Provision for Doubtful Account - PDA	(185)	(359)	-48.4%	(406)	-54.3%
(+) Interest and Penalties on Tuition	235	132	78.4%	80	194.5%
Operating Result	**4,832**	**14,531**	**-66.7%**	**19,196**	**-74.8%**
Operating Margin	*20.5%*	*42.7%*	-22.3 p.p.	41.0%	-20.5 p.p.

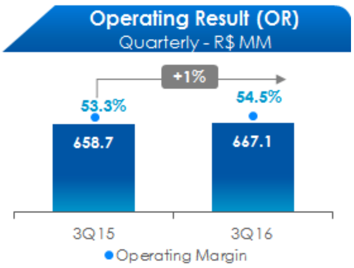
In 3Q16, the operating result (before marketing expenses) was only R$4.8 million, with margin of 20.5%, which is significantly lower than in 3Q15 and 2Q16, reflecting the different revenue recognition schedule, as well as the one-off increases in costs and expenses. As a result of this performance, operating result in the nine-month period reached R$54.2 million, down 14.4% from the same period last year, while operating margin fell only 1.8 p.p., reflecting the efficiency targets reached in the first half of the year. Similarly, to the impact on revenue, operating result in the fourth quarter is expected to contribute to the full year result for 2016 registering growth on the prior year.

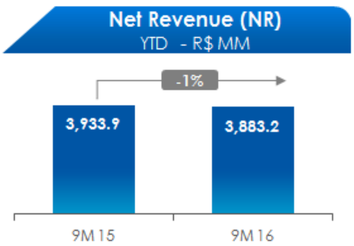
PRO FORMA FINANCIAL PERFORMANCE – KROTON

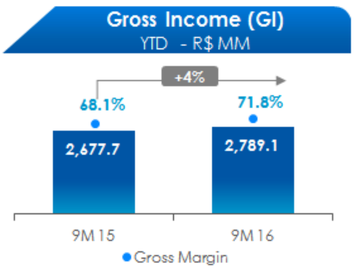
Consolidated - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%	9M16	9M15	Chg.%
Gross Revenue	**1,588,831**	**1,600,880**	**-0.8%**	**1,783,049**	**-10.9%**	**4,990,424**	**5,033,342**	**-0.9%**
Gross Revenue Deductions	(364,923)	(366,084)	-0.3%	(391,900)	-6.9%	(1,107,228)	(1,099,486)	0.7%
Tax	(43,947)	(36,078)	21.8%	(46,887)	-6.3%	(129,896)	(117,035)	11.0%
ProUni	(222,508)	(226,432)	-1.7%	(227,130)	-2.0%	(672,556)	(665,568)	1.0%
Returns	(771)	(1,392)	-44.6%	(3,160)	-75.6%	(4,768)	(5,011)	-4.9%
Total Discounts	(97,698)	(102,182)	-4.4%	(114,723)	-14.8%	(300,009)	(311,872)	-3.8%
Net Revenue	**1,223,907**	**1,234,796**	**-0.9%**	**1,391,149**	**-12.0%**	**3,883,195**	**3,933,856**	**-1.3%**
Total of Costs	**(357,397)**	**(404,539)**	**-11.7%**	**(402,563)**	**-11.2%**	**(1,094,115)**	**(1,256,190)**	**-12.9%**
Cost of Goods	(4,276)	(5,800)	-26.3%	(11,275)	-62.1%	(25,473)	(26,750)	-4.8%
Cost of Services	(353,120)	(398,739)	-11.4%	(391,288)	-9.8%	(1,068,642)	(1,229,440)	-13.1%
Faculty, Other Personnel and Third-Party Services	(256,212)	(292,574)	-12.4%	(288,820)	-11.3%	(764,933)	(900,994)	-15.1%
Rent	(78,912)	(79,274)	-0.5%	(80,669)	-2.2%	(242,665)	(242,664)	0.0%
Materials	(5,861)	(12,937)	-54.7%	(5,521)	6.2%	(18,206)	(34,538)	-47.3%
Maintenance	(3,117)	(3,100)	0.5%	(4,029)	-22.7%	(9,878)	(13,596)	-27.3%
Other	(9,019)	(10,853)	-16.9%	(12,249)	-26.4%	(32,960)	(37,648)	-12.5%
Gross Income	**866,511**	**830,257**	**4.4%**	**988,586**	**-12.3%**	**2,789,080**	**2,677,666**	**4.2%**
Gross Margin	*70.8%*	*67.2%*	*3.6 p.p.*	*71.1%*	*-0.3 p.p.*	*71.8%*	*68.1%*	*3.8 p.p.*
Total Operating Expenses	**(133,752)**	**(141,586)**	**-5.5%**	**(157,286)**	**-15.0%**	**(425,623)**	**(463,152)**	**-8.1%**
Personnel, General and Administrative Expenses	(133,752)	(141,586)	-5.5%	(157,286)	-15.0%	(425,623)	(463,152)	-8.1%
Personnel Expenses	(88,597)	(83,834)	5.7%	(86,991)	1.8%	(254,671)	(278,464)	-8.5%
General and Administrative Expenses	(45,154)	(57,753)	-21.8%	(70,295)	-35.8%	(170,952)	(184,687)	-7.4%
Provision for Doubtful Account - PDA	**(104,740)**	**(60,578)**	**72.9%**	**(90,382)**	**15.9%**	**(259,063)**	**(202,136)**	**28.2%**
(+) Interest and Penalties on Tuition	39,131	30,598	27.9%	33,545	16.7%	112,053	83,712	33.9%
Operating Result	**667,150**	**658,690**	**1.3%**	**774,462**	**-13.9%**	**2,216,447**	**2,096,090**	**5.7%**
Operating Margin	*54.5%*	*53.3%*	*1.2 p.p.*	*55.7%*	*-1.2 p.p.*	*57.1%*	*53.3%*	*3.8 p.p.*
Selling and Marketing Expenses	**(71,748)**	**(79,937)**	**-10.2%**	**(79,267)**	**-9.5%**	**(252,641)**	**(235,726)**	**7.2%**
Corporate Expenses	**(63,164)**	**(70,543)**	**-10.5%**	**(62,618)**	**0.9%**	**(192,235)**	**(199,700)**	**-3.7%**
Adjusted EBITDA	**532,238**	**508,210**	**4.7%**	**632,578**	**-15.9%**	**1,771,571**	**1,660,664**	**6.7%**
Adjusted EBITDA Margin	*43.5%*	*41.2%*	*2.3 p.p.*	*45.5%*	*-2.0 p.p.*	*45.6%*	*42.2%*	*3.4 p.p.*
(-) Non-Recurring Items	(40,673)	(48,443)	n.a.	26,896	-251.2%	173,273	(137,938)	n.a.
EBITDA	**491,565**	**459,767**	**6.9%**	**659,473**	**-25.5%**	**1,944,844**	**1,522,726**	**27.7%**
EBITDA Margin	*40.2%*	*37.2%*	*2.9 p.p.*	*47.4%*	*-7.2 p.p.*	*50.1%*	*38.7%*	*11.4 p.p.*
Depreciation and Amortization	(104,498)	(87,653)	19.2%	(99,371)	5.2%	(301,514)	(287,684)	4.8%
Financial Result	11,990	(30,074)	-139.9%	(7,642)	-256.9%	(25,017)	(104,556)	-76.1%
Income Tax / Social Contribution	(37,539)	(36,589)	n.a.	3,992	n.a.	(53,393)	(77,047)	-30.7%
Deferred Income Tax / Social Contribution	6,692	7,346	n.a.	(12,453)	n.a.	(6,209)	47,250	n.a.
Income Tax / Social Cont. - Disposal of Uniasselvi	-	-	n.a.	(24,625)	n.a.	(71,772)	-	n.a.
Net Income	**368,211**	**312,798**	**17.7%**	**519,374**	**-29.1%**	**1,486,939**	**1,100,689**	**35.1%**
Net Margin	*30.1%*	*25.3%*	*4.8 p.p.*	*37.3%*	*-7.2 p.p.*	*38.3%*	*28.0%*	*10.3 p.p.*
(+) Non Recurring Items	40,673	48,443	n.a.	(26,896)	-251.2%	(173,273)	137,938	n.a.
(+) Intagible Amortization (Acquisitions)	43,840	46,191	-5.1%	44,677	-1.9%	134,974	137,876	-2.1%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi	-	-	n.a.	24,625	-100.0%	71,772	-	n.a.
Adjusted Net Income	**452,723**	**407,432**	**11.1%**	**561,780**	**-19.4%**	**1,520,412**	**1,376,504**	**10.5%**
Adjusted Net Margin	*37.0%*	*33.0%*	*4.0 p.p.*	*40.4%*	*-3.4 p.p.*	*39.2%*	*35.0%*	*4.2 p.p.*

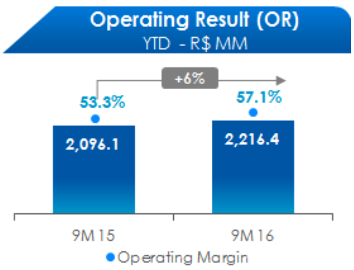












SELLING AND MARKETING EXPENSES

Consolidated - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Selling and Marketing Expenses	(71,748)	(79,937)	-10.2%	(79,267)	-9.5%

% of Net Revenue	3Q16	3Q15	Chg.%	2Q16	Chg.%
Selling and Marketing Expenses	-5.9%	-6.5%	0.6 p.p.	-5.7%	-0.2 p.p.

Selling and marketing expenses as a ratio of net revenue declined 0.6 p.p. compared to the same period a year ago. As commented in previous quarters, the decline was already expected and reflects the anticipation of part of the marketing campaigns to the first half of the year to consolidate the Company's new strategy to streamline costs with advertising and media agencies as part of the strategic sourcing project. Compared to the previous quarter, the 0.2 p.p. increase reflects the increased level of sales initiatives for the mid-year admissions process, with a highlight for campaigns related to PEP, which have been helping to attract both students that require an installment payment program and those paying out of pocket.

CORPORATE EXPENSES

Consolidated - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Corporate Expenses	(63,164)	(70,543)	-10.5%	(62,618)	0.9%
Personnel Expenses	(56,846)	(60,302)	-5.7%	(51,411)	10.6%
General and Administrative Expenses	(6,319)	(10,241)	-38.3%	(11,207)	-43.6%

% of Net Revenue	3Q16	3Q15	Chg.%	2Q16	Chg.%
Corporate Expenses	-5.2%	-5.7%	0.6 p.p.	-4.5%	-0.7 p.p.
Personnel Expenses	-4.6%	-4.9%	0.2 p.p.	-3.7%	-0.9 p.p.
General and Administrative Expenses	-0.5%	-0.8%	0.3 p.p.	-0.8%	0.3 p.p.

Personnel expenses as a ratio of net revenue within corporate expenses decreased 0.2 p.p. compared to 3Q15, due to the positive effects from the synergies captured from the merger and the optimization of the corporate workforce, which offset the wage increases under collective bargaining agreements in the period. Compared to the previous quarter, the 0.9 p.p. increase reflects new stock option grants to eligible employees. Analyzing separately general and administrative expenses as a ratio of net revenue, we observed a decrease in both the sequential and annual comparisons, due to the reductions in expenses achieved by the strategic sourcing process, combined with greater budget austerity and the reversal of contingencies impacting this line.

NONRECURRING EVENTS

Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Integrations	(5,216)	(14,098)	-63.0%	(3,987)	30.8%
Severance	(13,591)	(21,023)	-35.3%	(18,409)	-26.2%
Restructuring of units	(13,936)	(10,328)	34.9%	(12,319)	13.1%
M&A and Other projects	(15,137)	(2,994)	405.6%	(10,816)	40.0%
Subtotal ex-Capital gain from Uniasselvi	**(47,880)**	**(48,443)**	**-1.2%**	**(45,531)**	**5.2%**
Capital Gain - Uniasselvi	7,207	-	n.a.	72,427	-90.0%
Total Nonrecurring	**(40,673)**	**(48,443)**	**n.a.**	**26,896**	**-251.2%**

As reported in the prior quarter, non-recurring items are divided into two groups, as shown in the table above: (1) nonrecurring events that generated non-recurring costs and expenses, and (2) the capital gain recorded from the sale of Uniasselvi. The main nonrecurring events in the first group amounted to R$47.9 million and included: (i) severance/contract terminations, especially those related to the reduction in classroom hours resulting from the efficiency initiatives, such as the operational research software; (ii) the transaction with Estácio and its corresponding consulting expenses; (iii) the restructuring of on-campus units, which, since the start of the year, included the deactivation of 8 campuses, which initially generates costs and expenses, but which should continue to support a significant increase in the efficiency of the On-Campus segment; and (iv) other costs and expenses, such as those associated with greenfield projects. On the other hand, the capital gain from the Uniasselvi divestment had a positive impact of R$7.2 million on the result. In all, nonrecurring items in the quarter amounted to R$40.7 million. In 9M16, nonrecurring expenses, excluding the capital gain from Uniasselvi, amounted to R$131.7 million.

FINANCIAL RESULT

Consolidated - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
(+) Financial Revenues	49,727	17,343	186.7%	37,446	32.8%
Interest on Financial Investment	41,187	16,240	153.6%	24,908	65.4%
Others	8,540	1,103	674.3%	12,538	-31.9%
(-) Financial Expenses	(37,737)	(47,417)	-20.4%	(45,089)	-16.3%
Banks Expenses	(1,776)	(2,206)	-19.5%	(2,107)	-15.7%
Interest on Loans	(21,089)	(28,839)	-26.9%	(21,272)	-0.9%
Interest and Tax on Late Payment	(2,903)	(1,623)	78.9%	(1,691)	71.7%
Interest on Loans for Acquisitions	(5,246)	(7,024)	-25.3%	(11,746)	-55.3%
Restatement of Contingencies	(6,390)	(6,456)	-1.0%	(7,675)	-16.7%
Others	(333)	(1,269)	-73.8%	(597)	-44.3%
Financial Result[1]	**11,990**	**(30,074)**	**n.a.**	**(7,642)**	**n.a.**

[1] Excludes interest and fines on late monthly tuition payments.

In 3Q16, for the first time we observed an inflection in Kroton's financial result, which was positive R$12.0 million, due to the higher cash balance and resulting increase in the line interest income. As was the case in prior quarters, the breakdown of the line "Restatement of Contingencies," which had an adverse impact on the quarter's financial result, proved necessary due to the higher amount assessed after preparing the Opening Balance Sheet due to the Anhanguera merger.

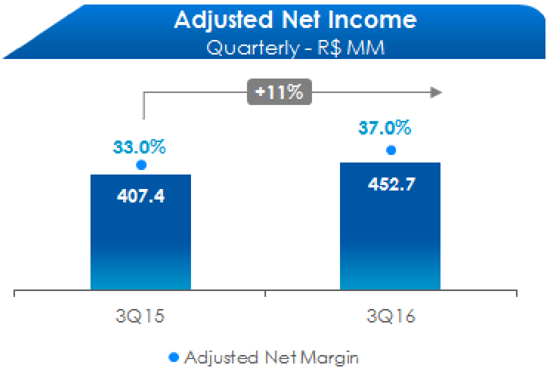
NET INCOME

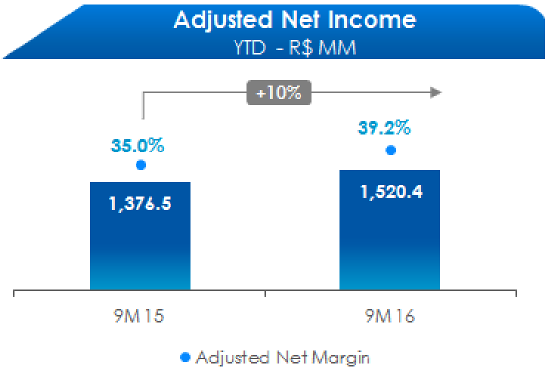
Consolidated - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Operating Result	**667,150**	**658,690**	**1.3%**	**774,462**	**-13.9%**
(+) Selling and Marketing Expenses	(71,748)	(79,937)	-10.2%	(79,267)	-9.5%
(+) Corporate Expenses	(63,164)	(70,543)	-10.5%	(62,618)	0.9%
(+) Depreciation and Amortization ex-Intangible	(60,658)	(41,461)	46.3%	(54,694)	10.9%
(+) Financial Result[1]	11,990	(30,074)	n.a.	(7,642)	n.a.
(+) Income Tax / Social Contribution	(37,539)	(36,589)	2.6%	3,992	n.a.
(+) Deferred Income Tax / Social Contribution	6,692	7,346	-8.9%	(12,453)	n.a.
Adjusted Net Income	**452,723**	**407,432**	**11.1%**	**561,780**	**-19.4%**
Adjusted Net Margin	*37.0%*	*33.0%*	*4.0 p.p.*	*40.4%*	*-3.4 p.p.*
(+) Nonrecurring Items	(40,673)	(48,443)	-16.0%	26,896	n.a.
(+) Intangible Amortization (Acquisitions)	(43,840)	(46,191)	-5.1%	(44,677)	-1.9%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi	-	-	n.a.	(24,625)	n.a.
Net Income	**368,211**	**312,798**	**17.7%**	**519,374**	**-29.1%**
Net Margin	*30.1%*	*25.3%*	*4.8 p.p.*	*37.3%*	*-7.2 p.p.*

[1] Excludes interest and fines on late monthly tuition payments.

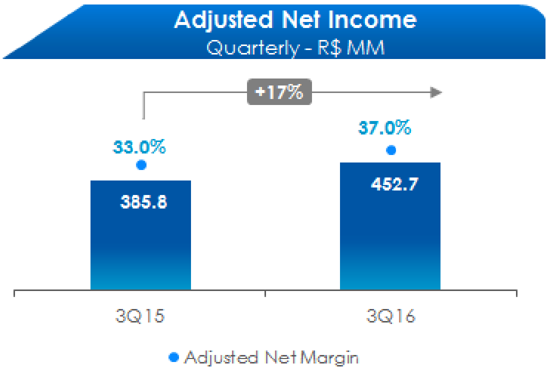
Adjusted net income (adjusted for the amortization of intangible assets, nonrecurring events and taxes related to the Uniasselvi divestment) amounted to R$452.7 million, with adjusted net margin of 37.0%, expanding 4.0 p.p. from the same period in 2015. The result was mainly supported by the capture of synergies and efficiency gains in the various operations. Excluding Uniasselvi from the analysis, adjusted net income posted even stronger growth, of 17.3%. Note also that the variation in the line Deferred Income Tax / Social Contribution is due to temporary tax differences (for more information, see Note 9 to the Financial Statements). In 9M16, adjusted net income increased 10.5% to R$1,520.4 million, with adjusted net margin of 39.2%.

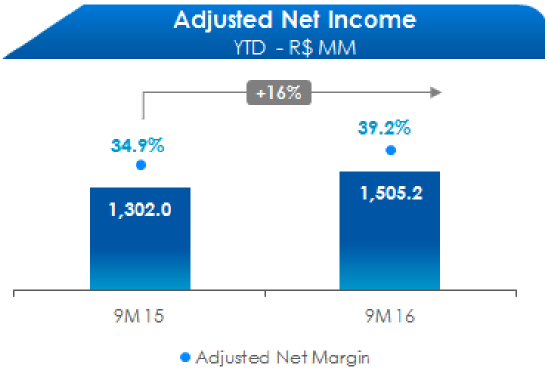
PRO FORMA:





EX-UNIASSELVI:





Excluding the adjustments for nonrecurring items, amortization of intangible assets and taxes on the sale of Uniasselvi, net income amounted to R$368.2 million in 3Q16 and R$1.5 billion in 9M16. Given the significant impact from these adjustments in the nine-month period, the Company recommends the pro forma and adjusted result as the best metric for accompanying financial performance.

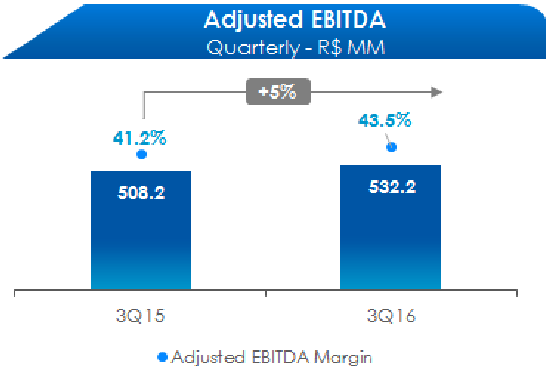
EBITDA

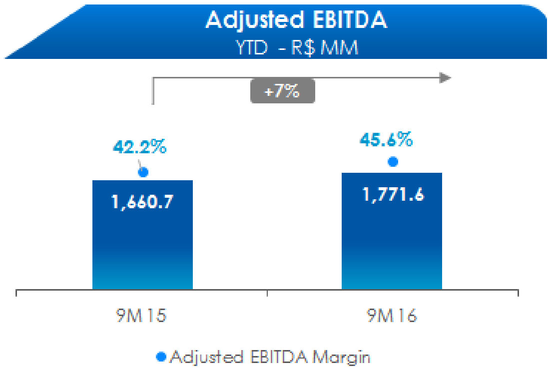
Consolidated - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Net Income (Loss)	**368,211**	**312,798**	**17.7%**	**519,374**	**-29.1%**
(+) Depreciation and Amortization	104,498	87,653	19.2%	99,371	5.2%
(+) Financial Result [1]	(11,990)	30,074	n.a.	7,642	n.a.
(+) Income Tax / Social Contribution	37,539	36,589	2.6%	20,633	81.9%
(+) Deferred Income Tax / Social Contribution	(6,692)	(7,346)	-8.9%	12,453	n.a.
EBITDA	**491,565**	**459,767**	**6.9%**	**659,473**	**-25.5%**
EBITDA Margin	*40.2%*	*37.2%*	*2.9 p.p.*	*47.4%*	*-7.2 p.p.*
(+) Nonrecurring Items	40,673	48,443	-16.0%	(26,896)	n.a.
Adjusted EBITDA	**532,238**	**508,210**	**4.7%**	**632,578**	**-15.9%**
Adjusted EBITDA Margin	*43.5%*	*41.2%*	*2.3 p.p.*	*45.5%*	*-2.0 p.p.*

[1] Excludes interest and fines on late monthly tuition payments.

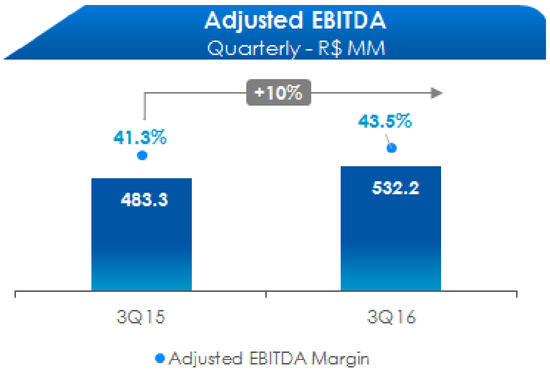
Adjusted EBITDA grew 4.7% in 3Q16 compared to the same period of 2015 to reach R$532.2 million, with adjusted EBITDA margin expanding 2.3 p.p. The performance reflects the efforts being made to capture operating efficiency gains and rigorously control costs and expenses. This improvement in profitability in a very challenging economic scenario and with negative pressures on revenues (e.g. Uniasselvi divestment, reduction in Pronatec program and fewer FIES seats) is extremely important and underscores the Company's capacity to continue generating value for its shareholders. Excluding Uniasselvi, adjusted EBITDA increased 10.1% on the prior-year period, with margin expansion of 2.2 p.p. In the first nine months of the year, adjusted EBITDA totaled R$1,771.6 million, with margin expanding 3.4 p.p. year over year to 45.6%.

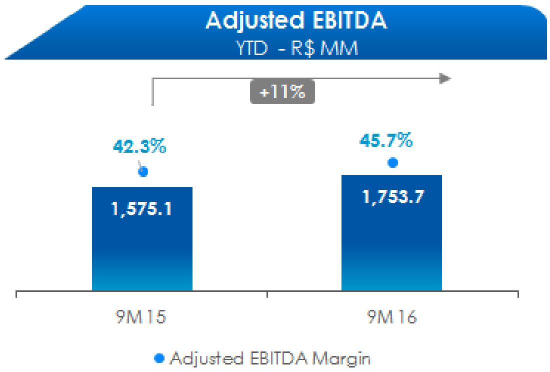
PRO FORMA:





EX-UNIASSELVI:



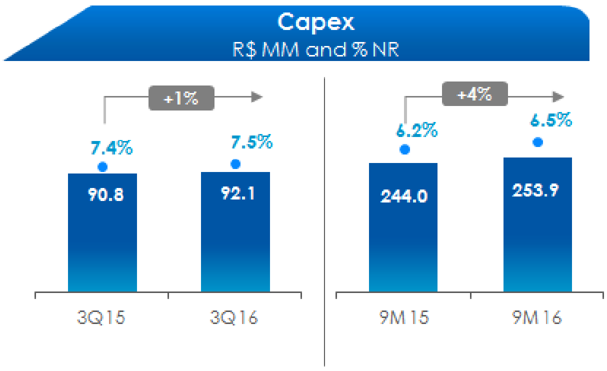


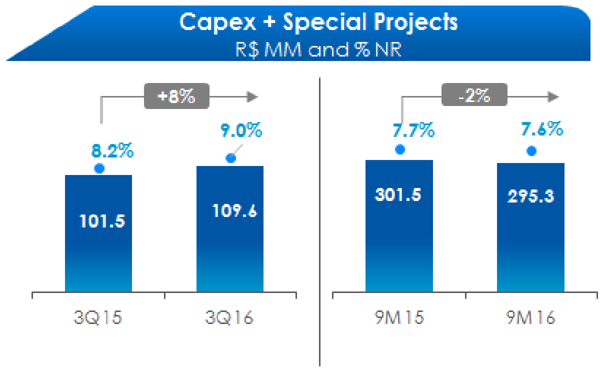
Excluding the adjustments for nonrecurring events, the Company generated EBITDA of R$491.6 million in 3Q16 and R$1,944.8 million in 9M16, representing growth of 6.9% and 27.7%, respectively. Meanwhile, EBITDA margin stood at 40.2% in the quarter and 50.1% in the first nine months of the year.

INVESTMENT (CAPEX)

In 3Q16, Kroton invested R$92.1 million, allocated as follows:

(i) information technology and library equipment: R$11.7 million (13%);
(ii) content and systems development and software licenses: R$39.0 million (42%);
(iii) laboratory and related equipment: R$16.7 million (18%);
(iv) expansions - construction and improvements: R$24.6 million (27%).





In 3Q16, investments corresponded to 7.5% of net revenue, with the largest portion allocated to expansion projects involving content and systems development and software licenses, as well as construction works and improvements at existing units. In the first nine months of the year, CAPEX amounted to R$253.9 million, which corresponds to 6.5% of the Company's net revenue in the period.

Kroton also has been investing in special projects, such as infrastructure expansion and greenfield projects, which came to R$17.5 million in 3Q16 and to R$41.4 million in 9M16. Therefore, total investment as a ratio of net revenue stood at 9.0% in the quarter and 7.6% in the nine-month period, which is in line with the guidance given for the whole of the year (capex as a ratio of net revenue of 8.0%).

NET DEBT

Consolidated - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%
Cash and Cash Equivalents	1,180,746	481,551	145.2%	934,337	26.4%
Cash	3,558	10,364	-65.7%	6,182	-42.4%
Securities	1,177,188	471,187	149.8%	928,155	26.8%
Loans and Financing	662,273	846,881	-21.8%	705,867	-6.2%
Short-term Debt	257,271	204,052	26.1%	250,595	2.7%
Long-term Debt	405,002	642,829	-37.0%	455,272	-11.0%
Net Cash (Debt)[1]	**518,473**	**(365,330)**	**n.a.**	**228,470**	**126.9%**
Other Short and Long Term Debt[2]	228,891	273,436	-16.3%	228,558	0.1%
(1) Net Cash (Debt)	**289,582**	**(638,766)**	**n.a.**	**(88)**	**n.a.**
Short Term Accounts Receivable: FIES - NR 23[3]	**190,736**	**-**	n.a.	**183,693**	3.8%
FIES - NR 23 - cash balance in Aug/17	190,736	-	n.a.	183,693	3.8%
Long-Term Accounts Receivable: FIES - NR 23 + Uniasselvi disposal[3]	**826,116**	**-**	n.a.	**1,014,134**	-18.5%
FIES - NR 23 - cash balance in Aug/18	350,811	-	n.a.	550,395	-36.3%
Uniasselvi Disposal	475,305	-	n.a.	463,739	2.5%
(2) Other Accouts Receivable[3]	**1,016,852**	**-**	n.a.	**1,197,827**	-15.1%
(1)+(2) Pro Forma Net Cash (Debt)	**1,306,434**	**(638,766)**	**n.a.**	**1,197,739**	**9.1%**

[1] Considers only bank obligations.
[2] Considering all short- and long-term obligations related to the taxes paid in installments and the acquisitions, including the amount to be paid within 6 years related to the Uniasselvi acquisition.
[3] Considers the short-term receivables related to the second part of the 25% of the FIES installments not paid in 2015 and the long-term receivables related to the Uniasselvi divestment to be earned from 2018 to 2022 adjusted to present value (excluding the earn-out amounts) and to the remaining 50% of FIES installments not paid in 2015 (also adjusted to present value).

At the end of 3Q16, total cash and financial investments amounted to R$1,180.7 million, which is 26.4% higher than in the prior quarter and basically reflects the receipt of 25% of the FIES installments not paid in 2015 (NR23), as already explained previously. This performance more than offset the payment of dividends for 2Q16 and of part of the Company's debentures, in the amount of R$50 million (R$ 70 million including interest and charges). As a result, Kroton further strengthened its net cash position, which ended the period at R$518.5 million. Considering all short-term and long-term obligations, which include taxes and contributions paid in installments and the obligations and rights related to the acquisitions, Kroton ended the period with net cash of R$289.6 million. Total long-term obligations include amounts related to the installment payments for acquisitions, especially those for Uniasselvi, which are being repaid in six annual installments since 2013. In addition, it is important to remember that Kroton also has short-term and long-term receivables that will have a positive impact on its cash in the coming years. These receivables include both the short-term accounts receivables corresponding to the second part of the 25% of the FIES installments not paid in 2015, which will be credited in August 2017, and the long-term accounts receivables related to the second portion of the payment for the Uniasselvi divestment adjusted to present value (excluding the earn-out amounts) that will be received in five annual installments from 2018 to 2022 and to 50% of the remaining FIES installments not paid in 2015, also adjusted to present value. Therefore, adding all short-term and long-term receivables, the net cash balance would be even more robust, surpassing R$1.3 billion and placing Kroton in a unique position in terms of its capital structure.

CASH FLOW

Actual Cash Flow

Consolidated - Values in R$ ('000)	3Q16	3Q15	Chg.%	2Q16	Chg.%	9M16	9M15	Chg.%
Net Income before Income Interest	**(113,598)**	**342,041**	**n.a.**	**552,460**	**n.a.**	**1,042,574**	**1,130,486**	**-7.8%**
(+) Net Income adjustments before Income Interest	175,526	165,022	6.4%	133,947	31.0%	326,870	563,212	-42.0%
Depreciation and Amortization	104,504	87,668	19.2%	99,371	5.2%	301,522	287,700	4.8%
Provision for Doubtful Accounts (PDA)	100,067	60,578	65.2%	90,400	10.7%	254,407	202,136	25.9%
Others	(29,045)	16,776	n.a.	(55,824)	-48.0%	(229,059)	73,376	n.a.
(+) Income Tax and Social Contribution	(9,361)	(4,451)	110.3%	(9,332)	0.3%	(46,221)	(11,306)	308.8%
(+) Changes in Working Capital	508,680	(76,308)	n.a.	38,779	n.a.	(36,973)	(890,695)	-95.8%
(Increase) Reduction in Accounts Receivable ex-FIES	(121,410)	(18,687)	549.7%	(216,769)	-44.0%	(379,006)	(315,374)	20.2%
(Increase) Reduction in Accounts Receivable FIES	672,140	(59,989)	n.a.	240,508	179.5%	576,197	(589,949)	n.a.
Others	(42,050)	2,368	n.a.	15,040	n.a.	(234,164)	14,628	n.a.
Operating Cash Generation before Capex	**561,247**	**426,304**	**31.7%**	**715,854**	**-21.6%**	**1,286,250**	**791,696**	**62.5%**
Capex - Recurring	(95,761)	(92,017)	4.1%	(102,666)	-6.7%	(247,110)	(243,490)	1.5%
Operating Cash Generation after Capex	**465,486**	**334,287**	**39.2%**	**613,188**	**-24.1%**	**1,039,140**	**548,207**	**89.6%**
Capex - Special Projects	(13,126)	11,505	n.a.	(4,266)	207.7%	(38,656)	(24,061)	60.7%
Operating Cash Generation after Capex and Special Projects	**452,360**	**345,792**	**30.8%**	**608,922**	**-25.7%**	**1,000,484**	**524,145**	**90.9%**
(+) M&A Activities	201	(5,001)	n.a.	(55,666)	n.a.	301,174	(46,871)	n.a.
(+) Cash Flow from Financing Activities	(206,193)	(248,538)	-17.0%	(193,869)	6.4%	(524,842)	(451,181)	16.3%
Free Cash Flow	**246,369**	**92,253**	**167.1%**	**359,387**	**-31.4%**	**776,816**	**26,093**	**n.a.**

Consolidated - Values in R$ ('000)	3Q16	3Q15	Chg.%	9M16	9M15	Chg.%
Operating Cash Generation (OCG) before Capex	**561,247**	**426,304**	**31.7%**	**1,286,250**	**791,696**	**62.5%**
OCG / EBITDA	*114.2%*	*92.7%*	21.5 p.p.	*66.1%*	*52.0%*	14.1 p.p.
Operating Cash Generation after Capex	**465,486**	**334,287**	**39.2%**	**1,039,140**	**548,207**	**89.6%**
OCG / EBITDA	*94.7%*	*72.7%*	22.0 p.p.	*53.4%*	*36.0%*	17.4 p.p.
Operating Cash Generation after Capex and Special Projects	**452,360**	**345,792**	**30.8%**	**1,000,484**	**524,145**	**90.9%**
OCG / EBITDA	*92.0%*	*75.2%*	16.8 p.p.	*51.4%*	*34.4%*	17.0 p.p.
Free Cash Flow	**246,369**	**92,253**	**167.1%**	**776,816**	**26,093**	**n.a.**

The Company's Free Cash Flow stems from cash flow from operating activities - derived from net income adjusted for all noncash effects in the profit and loss and comprises all variations in working capital, taxes paid (income tax and social contribution) and investments made (ex-acquisitions) - and from cash flow from non-operating activities, which includes all financial flows not related to the operations. All figures in the above table exclude any adjustments or pro forma analyses and reflect only the actual cash flow in the periods.

Accordingly, operating cash flow before capex amounted to R$561.2 million in 3Q16, which is 31.7% higher than the amount reported in 3Q15, as a result of the normalization of the tuition receivables cycle for FIES students after the end of Normative Rule 23 (NR 23) and the payment of 25% of the outstanding installments from 2015. Considering the disbursements for capex in the period, operating cash flow was R$465.5 million in 3Q16. Adding also capex and special projects, operating cash generation amounted to R$452.4 million, which is higher than in the same period of 2015, but lower than in the previous quarter, due to problems involving the amendments of FIES contracts in the second semester of the year. However, these issues are temporary and are already being normalized, ensuring strong cash generation for the coming quarters. Meanwhile, free cash flow in the quarter amounted to R$246.4 million, positively impacted by the factors described above.

Operating cash flow after capex corresponded to 94.7% of EBITDA in 3Q16. After the disbursements for capex and special projects, cash flow corresponded to 92.0% of EBITDA in the period. In 9M16, operating cash flow after capex and special projects disbursements corresponded to 51.4% of period EBITDA. This performance once again underscores the strengths of the Company's operations, in spite of all the difficulties faced due to the deterioration in the economic crisis.

CAPITAL MARKETS AND SUBSEQUENT EVENTS

STOCK PERFORMANCE

Kroton stock (KROT3) is a component of several indices, such as the Bovespa Index (Ibovespa), Special Corporate Governance Stock Index (IGC), Special Tag-Along Stock Index (ITAG), Consumption Sector Index (ICON) and MSCI Brazil.

The shares were present in 100% of trading sessions during 3Q16, registering financial trading volume of R$7.6 billion and 1,170,115 trades in the period, which represents average daily trading volume of R$117.3 million. On September 30, 2016, Kroton's market capitalization was R$24.0 billion.

In 3Q16, Kroton's stock price rose 8.7%, while the Bovespa Index (Ibovespa) gained 13.3%. In the same period, the ICON, IGC and ITAG gained 13.0%, 10.7% and 11.8%, respectively. Kroton stock is currently covered by research analysts at 15 different local and international institutions.

In 9M16, Kroton's stock appreciated 55.2% and registered average daily trading volume of R$126.8 million. In the same period, the Ibovespa gained 34.6%, while the ICON, IGC and ITAG gained 24.9%, 27.7% and 30.1%, respectively.

Highlights- KROT3	3Q16	9M16
Average Daily Trade Volume (average)	R$ 117.3 million	R$ 126.8 million
Maximum (R$ per share)	R$ 15.80	R$ 15.80
Minimum (R$ per share)	R$ 13.56	R$ 7.74
Average (R$ per share)	R$ 14.66	R$ 12.30
Closing Quote	R$ 14.79	R$ 14.79
Variation in the period (%)	8.7%	55.2%

SHARE BUYBACK PROGRAM

On July 8, 2016, the Company closed its 5th share buyback program, which was limited to the acquisition of 54,007,297 shares, which corresponds to 4% of its free-float at the start of the program. Since the start of the 5th program, a total of 11,717,600 shares have been repurchased, which represents 21.7% of the limit established by the program.

OWNERSHIP STRUCTURE

Kroton's capital is composed of 1,626,069,778 common shares, distributed as follows:

*Kroton Ownership Structure**	Quantity	%
Treasury	2,685,785	0.2%
Free Float	1,623,383,993	99.8%
Total	**1,626,069,778**	**100.0%**

* Position on Oct. 28, 2016.

DIVIDENDS

In the Meeting held on November 10, 2016, the Board of Directors approved the distribution of interim dividends based on the Company's Adjusted Net Income in the first semester of 2016, corresponding also to the pro forma Adjusted Net Income of 3Q16, in the amount of R$122,430,155.47, which will be calculated towards the minimum mandatory dividend for 2016, which corresponds to R$0.0754166334 per common share and to 35% of adjusted net income, after deduction of the legal reserve. Shareholders of record at the close of trading on November 16th, 2016 are entitled to the dividends.

ABOUT KROTON EDUCACIONAL

Kroton Educacional S.A. (BM&FBovespa: KROT3) is one of the largest for-profit private educational organizations in the world. Operating for over 45 years, Kroton has a nationwide presence in all of Brazil's states. Following the sale of Uniasselvi, on September 30, 2016, Kroton had approximately one million students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 113 campuses and its 910 accredited Distance Learning centers. It also offers Vocational Programs under the National Program to Promote Access to Vocational Education and Jobs (Pronatec) and Preparatory Courses under the brand LFG. In Primary and Secondary Education, its main business is offering Learning Systems, which in 2016 served 669 private schools in the country.

DISCLAIMER

This document contains forward-looking statements and information. These forward-looking statements and information are merely forecasts and not guarantees of future performance. All stakeholders are cautioned that such forward-looking statements and information involve risks, uncertainties and factors relating to the operations and business environments of Kroton and its subsidiaries and affiliates, and that the actual results of the companies could differ materially from the future results anticipated explicitly or implicitly by such forward-looking statements and information.

APPENDIX 1 – CORPORATE BALANCE SHEET

R$ ('000)

Assets	3Q16	% AV	2Q16	% AV
Current Assets	**2,115,282**	**12.2%**	**2,372,595**	**13.7%**
Cash and Banks	3,558	0.0%	6,182	0.0%
Financial Investments	1,171,490	6.8%	922,497	5.3%
Accounts Receivable	636,472	3.7%	1,130,438	6.5%
Inventories	39,124	0.2%	43,652	0.3%
Advances	57,988	0.3%	54,640	0.3%
Recoverable Taxes	104,084	0.6%	84,824	0.5%
Other Accounts Receivable	102,566	0.6%	130,362	0.8%
Non current Assets	**14,789,932**	**85.6%**	**14,907,867**	**86.3%**
Long Term Assets	**1,802,070**	**10.4%**	**1,919,076**	**11.1%**
Securities	5,698	0.0%	5,658	0.0%
Accounts Receivables	547,547	3.2%	678,516	3.9%
Deferred Taxes	512,824	3.0%	507,919	2.9%
Judicial Escrow Deposits	44,514	0.3%	41,001	0.2%
Advances to Suppliers	1,680	0.0%	1,645	0.0%
Judicial Escrow Deposits	6,253	0.0%	5,778	0.0%
Warranty for Fiscal, Work and Civil Losses	196,948	1.1%	203,221	1.2%
Other	486,606	2.8%	475,338	2.8%
Investments	0	0.0%	0	0.0%
Fixed Assets	1,648,365	9.5%	1,622,724	9.4%
Intangible	11,339,497	65.6%	11,366,067	65.8%
Total Assets	**16,905,214**	**97.8%**	**17,280,462**	**100.0%**
Liabilities and Shareholders' Equity				
Current Liabilities	**1,123,030**	**6.5%**	**1,121,132**	**6.5%**
Suppliers	167,582	1.0%	172,641	1.0%
Loans and Financing	2,407	0.0%	2,327	0.0%
Debenture	254,864	1.5%	248,268	1.4%
Payroll and Related Charges	374,143	2.2%	338,006	2.0%
Income Tax and Social Contribution	32,340	0.2%	33,127	0.2%
Taxes and Contribution	67,993	0.4%	70,478	0.4%
Advances to Clients	103,192	0.6%	138,399	0.8%
Tax and Contribution Payment Installments	11,247	0.1%	11,212	0.1%
Accounts Payable - Acquisitions	99,038	0.6%	96,710	0.6%
Dividends Payable	9	0.0%	8	0.0%
Other	10,215	0.1%	9,956	0.1%
Non current Liabilities	**2,625,025**	**15.2%**	**2,735,870**	**15.8%**
Suppliers	-	0.0%	-	0.0%
Loans and Financing	36,629	0.2%	37,242	0.2%
Debenture	368,373	2.1%	418,030	2.4%
Provision for Tax, Labor and Civil Lawsuit Losses	832,751	4.8%	888,149	5.1%
Tax and Contribution Payment Installments	42,618	0.2%	43,773	0.3%
Accounts Payable - Acquisitions	75,988	0.4%	76,863	0.4%
Deferred Taxes	1,242,378	7.2%	1,244,166	7.2%
Others	26,288	0.2%	27,647	0.2%
Shareholder´s Equity	**13,157,159**	**76.1%**	**13,423,460**	**77.7%**
Total Liabilities and Shareholders' Equity	**16,905,214**	**97.8%**	**17,280,462**	**100.0%**

APPENDIX 2 – QUARTERLY INCOME STATEMENT RECONCILIATION

	3Q16 Results (Book)	Interest and Penalties on Tuition	Depre-ciation	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain	Reclassification between Costs and expenses	FIES Pro Forma	3Q16 Results (Release)
		Non-accounting adjustments (In thousand reais, except otherwise indicated)						
Gross Revenue	**996,705**	-	-	-	-	-	**592,126**	**1,588,831**
Postsecondary	971,181	-	-	-	-	-	592,126	1,563,308
Primary and Secondary	25,523	-	-	-	-	-	-	25,523
Deductions from Gross Revenue	**(290,129)**	-	-	-	-	-	**(74,794)**	**(364,923)**
Postsecondary	(288,219)	-	-	-	-	-	(74,794)	(363,013)
Primary and Secondary	(1,910)	-	-	-	-	-	-	(1,910)
Net Revenue	**706,575**	-	-	-	-	-	**517,332**	**1,223,907**
Postsecondary	682,962	-	-	-	-	-	517,332	1,200,294
Primary and Secondary	23,613	-	-	-	-	-	-	23,613
Costs of Goods/Services	**(514,118)**	-	-	-	-	-	**-**	**(357,397)**
Cost of Goods Sold	(4,276)	-	-	-	-	-	-	(4,276)
Cost of Services Rendered	(509,841)	-	60,577	-	3,926	(92,219)	-	(353,120)
Gross Income	**192,458**	-	-	-	-	-	**517,332**	**866,511**
Operating Expenses	**(357,169)**	-	-	-	-	-	**(4,676)**	**(373,404)**
Selling Expenses	(72,412)	-	-	-	664	-	-	(71,748)
Provision for Doubtful Accounts	(100,064)	-	-	-	-	-	(4,676)	(104,740)
Personnel Expenses	(114,485)	-	-	-	20,959	51,917	-	(145,443)
General and Administrative Expenses	(76,241)	-	43,921	-	21,150	40,302	-	(51,473)
Other Operating Income (Expenses)	6,034	-	-	-	(6,034)	-	-	-
Income before Financial Result	**(164,712)**	-	-	-	-	-	**512,656**	**493,107**
Interest and Penalties on Tuition	-	39,131	-	-	-	-	-	39,131
Depreciation and Amortization	-	-	(104,498)	43,840	-	-	-	(60,658)
Financial Result	**51,113**	-	-	-	-	-	**-**	**11,990**
Financial Expenses	(37,745)	-	-	-	8	-	-	(37,737)
Financial Revenues	88,858	(39,131)	-	-	-	-	-	49,727
Income from Operations	**(113,598)**	-	-	-	-	-	**512,656**	**483,570**
Income and Social Contribution Tax	(11,308)	-	-	-	-	-	(19,539)	(30,847)
Current	(18,000)	-	-	-	-	-	(19,539)	(37,539)
Deferred	6,692	-	-	-	-	-	-	6,692
Net Income	**(124,906)**	**-**	**0**	**43,840**	**40,673**	**-**	**493,117**	**452,723**

APPENDIX 3 – NINE-MONTH INCOME STATEMENT RECONCILIATION

	9M16 Results (Book)	Non-accounting adjustments: Interest and Penalties on Tuition	Depre-ciation	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain	Reclassifi-cation between Costs and expenses	FIES Pro Forma	9M16 Results (Release)
(In thousand reais, except otherwise indicated)								
Gross Revenue	**4,398,297**	-	-	-	-	-	**592,126**	**4,990,424**
Postsecondary	4,263,975	-	-	-	-	-	592,126	4,856,101
Primary and Secondary	134,323	-	-	-	-	-	-	134,323
Deductions from Gross Revenue	**(1,032,434)**	-	-	-	-	-	**(74,794)**	**(1,107,228)**
Postsecondary	(1,023,504)	-	-	-	-	-	(74,794)	(1,098,299)
Primary and Secondary	(8,930)	-	-	-	-	-	-	(8,930)
Net Revenue	**3,365,863**	-	-	-	-	-	**517,332**	**3,883,195**
Postsecondary	3,240,470	-	-	-	-	-	517,332	3,757,802
Primary and Secondary	125,393	-	-	-	-	-	-	125,393
Costs of Goods/Services	**(1,564,569)**	-	-	-	-	-	**-**	**(1,094,115)**
Cost of Goods Sold	(25,473)	-	-	-	-	-	-	(25,473)
Cost of Services Rendered	(1,539,096)	-	166,394	-	15,445	(288,616)	-	(1,068,642)
Gross Income	**1,801,294**	-	-	-	-	-	**517,332**	**2,789,080**
Operating Expenses	**(845,663)**	-	-	-	-	-	**(4,676)**	**(1,129,562)**
Selling Expenses	(254,255)	-	-	-	1,614	-	-	(252,641)
Provision for Doubtful Accounts	(254,387)	-	-	-	-	-	(4,676)	(259,063)
Personnel Expenses	(320,171)	-	-	-	58,415	154,135	-	(415,891)
General and Administrative Expenses	(261,379)	-	135,121	-	58,772	134,481	-	(201,967)
Other Operating Income (Expenses)	244,529	-	-	-	(244,529)	-	-	-
Income before Financial Result	**955,631**	-	-	-	-	-	**512,656**	**1,659,518**
Interest and Penalties on Tuition	-	112,054	-	-	-	-	-	112,054
Depreciation and Amortization	-	-	(301,515)	134,974	-	-	-	(166,541)
Financial Result	**86,943**	-	-	-	-	-	**-**	**(25,017)**
Financial Expenses	(131,869)	-	-	-	94	-	-	(131,776)
Financial Revenues	218,813	(112,054)	-	-	-	-	-	106,759
Income from Operations	**1,042,574**	-	-	-	-	-	**512,656**	**1,580,015**
Income and Social Contribution Tax	(48,751)	-	-	-	-	-	(19,539)	(59,602)
Current	(62,503)	-	-	-	28,650	-	(19,539)	(53,393)
Deferred	13,752	-	-	-	(19,961)	-	-	(6,209)
Net Income	**993,823**	**-**	**-**	**134,974**	**(101,500)**	**-**	**493,117**	**1,520,413**

APPENDIX 4 – QUARTERLY INCOME STATEMENT

	3Q16	% Net Rev.	3Q15	% Net Rev.	3Q16 / 3Q15	2Q16	% Net Rev.	3Q16 / 2Q16
	(In thousand reais, except otherwise indicated)							
Gross Revenue	**996,705**	**141.1%**	**1,600,880**	**129.6%**	**-37.7%**	**1,783,049**	**128.2%**	**-44.1%**
Postsecondary	971,181	137.4%	1,564,555	126.7%	-37.9%	1,731,784	124.5%	-43.9%
Primary and Secondary	25,523	3.6%	36,325	2.9%	-29.7%	51,264	3.7%	-50.2%
Deductions from Gross Revenue	**(290,129)**	**-41.1%**	**(366,084)**	**-29.6%**	**-20.7%**	**(391,900)**	**-28.2%**	**-26.0%**
Postsecondary	(288,219)	-40.8%	(363,767)	-29.5%	-20.8%	(387,485)	-27.9%	-25.6%
Primary and Secondary	(1,910)	-0.3%	(2,317)	-0.2%	-17.6%	(4,415)	-0.3%	-56.7%
Net Revenue	**706,575**	**100.0%**	**1,234,796**	**100.0%**	**-42.8%**	**1,391,149**	**100.0%**	**-49.2%**
Postsecondary	682,962	96.7%	1,200,788	97.2%	-43.1%	1,344,299	96.6%	-49.2%
Primary and Secondary	23,613	3.3%	34,007	2.8%	-30.6%	46,850	3.4%	-49.6%
Costs of Goods/Services	**(514,118)**	**-72.8%**	**(535,586)**	**-43.4%**	**-4.0%**	**(569,478)**	**-40.9%**	**-9.7%**
Cost of Goods Sold	(4,276)	-0.6%	(5,800)	-0.5%	-26.3%	(11,275)	-0.8%	-62.1%
Cost of Services Rendered	(509,841)	-72.2%	(529,787)	-42.9%	-3.8%	(558,203)	-40.1%	-8.7%
Gross Income	**192,458**	**27.2%**	**699,209**	**56.6%**	**-72.5%**	**821,671**	**59.1%**	**-76.6%**
Operating Expenses	**(357,169)**	**-50.5%**	**(357,780)**	**-29.0%**	**-0.2%**	**(295,111)**	**-21.2%**	**21.0%**
Selling Expenses	(72,412)	-10.2%	(81,158)	-6.6%	-10.8%	(80,011)	-5.8%	-9.5%
Provision for Doubtful Accounts	(100,064)	-14.2%	(60,578)	-4.9%	65.2%	(90,382)	-6.5%	10.7%
Personnel Expenses	(114,485)	-16.2%	(105,479)	-8.5%	8.5%	(99,519)	-7.2%	15.0%
General and Administrative Expenses	(76,241)	-10.8%	(113,718)	-9.2%	-33.0%	(97,586)	-7.0%	-21.9%
Other Operating Income (Expenses)	6,034	0.9%	3,152	0.3%	91.4%	72,387	5.2%	-91.7%
Income before Financial Result	**(164,712)**	**-13.3%**	**341,429**	**27.7%**	**-148.2%**	**526,559**	**37.9%**	**-131.3%**
Financial Result	**51,113**	**7.2%**	**612**	**0.0%**	**n.a.**	**25,901**	**1.9%**	**97.3%**
Financial Expenses	(37,745)	-5.3%	(47,329)	-3.8%	-20.3%	(45,089)	-3.2%	-16.3%
Financial Revenues	88,858	12.6%	47,941	3.9%	85.3%	70,989	5.1%	25.2%
Income from Operations	**(113,598)**	**-16.1%**	**342,041**	**27.7%**	**-133.2%**	**552,460**	**39.7%**	**-120.6%**
Income and Social Contribution Tax	(11,308)	-1.6%	(29,243)	-2.4%	-61.3%	(33,086)	-2.4%	-65.8%
Current	(18,000)	-2.5%	(36,589)	-3.0%	-50.8%	3,992	0.3%	-550.9%
Deferred	6,692	0.9%	7,346	0.6%	-8.9%	(37,078)	-2.7%	-118.0%
Net Income	**(124,906)**	**-17.7%**	**312,798**	**25.3%**	**-139.9%**	**519,374**	**37.3%**	**-124.0%**

APPENDIX 5 – NINE-MONTH CORPORATE INCOME STATEMENT

(In thousand reais, except otherwise indicated)	9M16	% Net Rev.	9M15	% Net Rev.	9M16 / 9M15
Gross Revenue	**4,398,297**	**130.7%**	**5,033,342**	**127.9%**	**-12.6%**
Postsecondary	4,263,975	126.7%	4,884,380	124.2%	-12.7%
Primary and Secondary	134,323	4.0%	148,962	3.8%	-9.8%
Deductions from Gross Revenue	**(1,032,434)**	**-30.7%**	**(1,099,486)**	**-27.9%**	**-6.1%**
Postsecondary	(1,023,504)	-30.4%	(1,091,088)	-27.7%	-6.2%
Primary and Secondary	(8,930)	-0.3%	(8,398)	-0.2%	6.3%
Net Revenue	**3,365,863**	**100.0%**	**3,933,856**	**100.0%**	**-14.4%**
Postsecondary	3,240,470	96.3%	3,793,292	96.4%	-14.6%
Primary and Secondary	125,393	3.7%	140,563	3.6%	-10.8%
Costs of Goods/Services	**(1,564,569)**	**-46.5%**	**(1,667,080)**	**-42.4%**	**-6.1%**
Cost of Goods Sold	(25,473)	-0.8%	(26,750)	-0.7%	-4.8%
Cost of Services Rendered	(1,539,096)	-45.7%	(1,640,331)	-41.7%	-6.2%
Gross Income	**1,801,294**	**53.5%**	**2,266,775**	**57.6%**	**-20.5%**
Operating Expenses	**(845,662)**	**-25.1%**	**(1,114,897)**	**-28.3%**	**-24.1%**
Selling Expenses	(254,255)	-7.6%	(241,236)	-6.1%	5.4%
Provision for Doubtful Accounts	(254,387)	-7.6%	(202,136)	-5.1%	25.8%
Personnel Expenses	(320,172)	-9.5%	(344,629)	-8.8%	-7.1%
General and Administrative Expenses	(261,378)	-7.8%	(329,010)	-8.4%	-20.6%
Other Operating Income (Expenses)	244,529	0.0%	2,114	0.1%	n.a.
Income before Financial Result	**955,632**	**24.3%**	**1,151,879**	**29.3%**	**-17.0%**
Financial Result	**86,942**	**2.6%**	**(21,393)**	**-0.5%**	**-506.4%**
Financial Expenses	(131,868)	-3.9%	(146,900)	-3.7%	-10.2%
Financial Revenues	218,810	6.5%	125,507	3.2%	74.3%
Income from Operations	**1,042,574**	**31.0%**	**1,130,486**	**28.7%**	**-7.8%**
Income and Social Contribution Tax	(48,751)	-1.4%	(29,797)	-0.8%	n.a.
Current	(62,503)	-1.9%	(77,047)	-2.0%	-18.9%
Deferred	13,752	0.4%	47,250	1.2%	-70.9%
Net Income	**993,823**	**29.5%**	**1,100,689**	**28.0%**	**-9.7%**

APPENDIX 6 – CASH FLOW STATEMENT

R$ 000	3Q16	3Q15	2Q16
Net Income before Income Taxes	**(113,651)**	**342,041**	**552,460**
Net Income (Loss) Adjustments before Income Taxes			
Depreciation and Amortization	104,504	87,668	99,371
Provision for Doubtful Accounts	100,067	60,578	90,400
Provision for Tax, Labor and Civil Losses	(29,012)	(23,817)	(14,250)
Provision (Reversal) for Invetories Losses	1,292	5,026	649
Financial Charges	35,143	42,328	41,164
Income from Securities	(43,587)	(13,717)	(24,691)
Grant of Stock Options	13,142	10,108	13,688
Income from disposal of Uniasselvi	-	-	(72,426)
Income from sale or disposal of assets and other investments	(6,023)	(3,152)	42
Changes in Working Capital	**508,733**	**(76,308)**	**38,779**
(Increase) Reduction in Accounts Receivable (ex-FIES)	(121,410)	(18,687)	(216,769)
(Increase) Reduction in Accounts Receivable FIES	672,140	(59,989)	240,508
(Increase) Reduction in Inventories	3,236	694	(662)
(Increase) Reduction in Advances	(3,383)	46,161	(14,195)
(Increase) Decrease in Escrow Deposits	(3,514)	1,844	513
Increase (Decrease) in Other Assets	(13,835)	(1,080)	(5,786)
Increase (Reduction) in Suppliers	20,252	(46,708)	739
Increase (Decrease) in Payroll and Related Taxes	36,137	9,386	46,432
Increase (Decrease) in Fiscal Obligations	(24,396)	(1,340)	(6,415)
Increase (Decrease) in Advances to Clients	(35,207)	19,140	22,883
(Decrease) in Taxes Installments	(67)	2,112	(117)
(Decrease) in Provision for Tax, Labor and Civil Losses	(20,113)	(26,656)	(27,691)
Increase (Decrease) in Other Liabilities	(1,107)	(1,186)	(662)
Income Tax and Social Contribution	**(9,361)**	**(4,451)**	**(9,332)**
Capex	**(95,761)**	**(92,017)**	**(102,666)**
Additions to Fixed Assets	(56,708)	(66,429)	(67,805)
Additions to Intangible Assets	(39,053)	(25,588)	(34,861)
Cash Flow from Operating Activities after Capex - Recurring	**465,486**	**334,287**	**613,188**
Capex - Special Projects	**(13,126)**	**11,505**	**(4,266)**
Asset Acquisition	-	-	-
Brownfields	(13,126)	11,505	(4,266)
Cash Flow from Operating Activities after total Capex	**452,360**	**345,792**	**608,922**
(+) M&A Activities	**201**	**(5,001)**	**(55,666)**
Acquisition of New Units	(4,977)	(5,001)	(32,981)
Accounts Receivable from former owners	8,540	-	(17,999)
M&A Costs and Expenses	(10,569)	-	-
Proceeds from sale of investments	7,207	-	(4,686)
(+) Cash Flow from Financing Activities	**(206,193)**	**(248,538)**	**(193,869)**
Sale (Acquisition) of Treasury Shares	18,207	(85,260)	12,672
Capital Increase, Net of Issuance Costs	-	2,142	-
Borrowings and financing	-	-	-
Payments of Borrowings and Financing	(54,428)	(50,211)	(145)
Interest Paid on Borrowings and Debentures	(20,157)	(26,324)	(31,485)
Income from Financial Investments	-	13,709	-
Redemption (Investment) of Securities	35,771	-	26,287
Disposal of Non-current Asset	-	-	-
Refis Payment	(1,054)	(3,404)	(1,030)
Bank and Charges Fees	(11,840)	(356)	(886)
Payment of Dividends	(172,691)	(98,834)	(199,281)
(=) Cash Flow from Non-Operating Activities	**(205,991)**	**(253,539)**	**(249,535)**
Total Cash Generation	**246,369**	**92,253**	**359,387**
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the Start of the Period	928,679	384,604	569,292
Cash and Cash Equivalents at the End of the Period	1,175,048	476,857	928,679
Net Increase (Decrease) in Cash and Cash Equivalents	**246,369**	**92,253**	**359,387**