Belo Horizonte, May 12, 2017, Kroton Educacional S.A. (B3: **KROT3**; OTCQX: **KROTY**), "Kroton" or "Company," announces today its results for the first quarter of 2017 (1Q17). 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 – CORPORATE ANALYSIS

Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Revenue	1,740,781	1,618,544	7.6%	1,742,552	-0.1%
Net Revenue	1,365,122	1,268,139	7.6%	1,361,514	0.3%
Gross Income	1,061,151	933,984	13.6%	934,228	13.6%
Gross Margin	*77.7%*	*73.6%*	*4.1 p.p.*	*68.6%*	*9.1 p.p.*
Operating Result	814,001	774,835	5.1%	685,857	18.7%
Operating Margin	*59.6%*	*61.1%*	*-1.5 p.p.*	*50.4%*	*9.3 p.p.*
Adjusted EBITDA	639,529	606,756	5.4%	528,729	21.0%
Adjusted EBITDA Margin	*46.8%*	*47.8%*	*-1.0 p.p.*	*38.8%*	*8.0 p.p.*
Adjusted Net Income	577,063	505,909	14.1%	487,598	18.3%
Adjusted Net Margin	*42.3%*	*39.9%*	*2.4 p.p.*	*35.8%*	*6.5 p.p.*
Adjusted Net Income /share	0.35	0.31	14.1%	0.30	18.3%
Operating Cash Generation (OCG) after Capex [1]	51,155	(39,533)	n.a.	466,744	-89.0%
OCG after Capex [1] / EBITDA (unadjusted)[2]	*8.6%*	-	*n.a.*	*104.0%*	*-95.4 p.p.*

[1] Capex excludes investments in M&A and Special Projects.
[2] EBITDA excluding the capital gain from the divestment of Uniasselvi.
Note: 1Q16 figures include two months (January and February) of Uniasselvi results.

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

Consolidated - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Net Revenue	1,365,122	1,226,580	11.3%	1,361,514	0.3%
Adjusted EBITDA	639,529	588,724	8.6%	528,729	21.0%
Adjusted EBITDA Margin	*46.8%*	*48.0%*	*-1.1 p.p.*	*38.8%*	*8.0 p.p.*
Adjusted Net Income	577,063	490,502	17.6%	487,598	18.3%
Adjusted Net Margin	*42.3%*	*40.0%*	*2.3 p.p.*	*35.8%*	*6.5 p.p.*

[1] Excludes figures from Uniasselvi for 1Q16 (January and February).

QUARTER HIGHLIGHTS:

❖ The first student admissions process of 2017 was concluded successfully and should enable the Company to deliver solid performance over the year. In all, Kroton added 313,500 new Undergraduate On-Campus and Distance Learning students, representing growth of 11% from the same period last year (ex-Uniasselvi).

❖ Kroton's Postsecondary student base once again surpassed 1 million students, with annual growth of 0.5%, supported by the continuous efforts to improve the quality of the education offered, despite the challenging economic scenario and the increase in graduations, which once again reinforces the resilience of the operations and effectiveness of the sales strategies adopted.

❖ Filing for accreditation with the Ministry of Education (MEC) of another 13 on-campus units, which, combined with the 44 requests already filed and still pending approval, represent the foundation of the Company's medium-term organic growth strategy. In 1Q17, two new units were opened in the cities of Bacabal (MA) and Luis Eduardo Magalhães (BA).

❖ Net revenue advanced 11.3% from 1Q16 (excluding the results of Uniasselvi), which demonstrates the solid results achieved in the enrollment and re-enrollment processes, as well as the better program mix in the period.

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❖ Adjusted EBITDA totaled R$639.5 million, representing growth of 8.6% compared to ex-Uniasselvi EBITDA in 1Q16. Meanwhile, adjusted EBITDA margin contracted by 1.1 p.p., mainly due to the higher provisioning to support the Company's offering of private installment options, as well as the introduction of the FIES administrative fee. From a purely operational perspective, the quarter's performance once again highlighted the capture of efficiency gains through several initiatives in various segments as well as the rigorous control of costs and expenses.

❖ Adjusted net income came to R$ 577.1 million in 1Q17, growing 17.6% from net income ex-Uniasselvi in 1Q16, while adjusted net margin expanded 228 basis points.

❖ Operating cash generation after capex was R$ 51.2 million, despite receiving one less installment of FIES credits in the quarter, which was paid in December. If we include this installment, operating cash generation in 1Q17 was R$242.8 million, representing an EBITDA-to-Cash conversion ratio of 40.8%.

❖ Approval by the Board of Directors of another increase in the Company's payout, from 35% to 40% of distributable net income in the quarter, which should be maintained over the year.

MESSAGE FROM MANAGEMENT

During our 2014 strategic planning, we reviewed our organization's mission and vision and reached the conclusion that our reason for being goes beyond merely offering a high-quality education. The value proposition sought by students was "employability," which means that our mission should reflect the ambition of giving them the conditions to access or advance in the job market. This, of course, is achieved not only by delivering high-quality education, by also by offering other services and initiatives that improve their access to jobs.

In this light, in 2014, we created Canal Conecta, Kroton's employability platform. On one side of the platform are students and the mechanisms for diagnosing their technical, social and emotional competencies. On the other side are companies and the job openings available. Kroton's human resources teams maintain contact with companies, whether in person or through centralized teams, in all cities where we operate. The companies are assisted in registering the technical, social and emotional competencies they seek for each opening. Then a set of algorithms matches the two sides and uses geolocation to recommend to companies those students who best meet their needs. Companies can use the platform to schedule interviews and conduct all phases of the process. One in every three students interviewed is hired.

In addition to helping students find jobs or increase their income, Conecta can identify structural gaps in competencies that are fed back into our academic model, transforming it into an organic system that constantly adapts to the market.

The project began as a small pilot project in the cities of Cuiabá and Rondonópolis that produced very promising results. In 2015, we launched the platform's rollout and, in 2017, Conecta is available to over 1 million On-Campus and Distance Learning students at all of our units and centers. Today, more than 217,000 students have already used the platform and 5,000 companies have advertised 50,000 job openings. Canal Conecta is on track to becoming one of Brazil's largest employment platforms. And all of this is offered at no charge to students and companies.

The results are very encouraging. We divided students who use Conecta into three groups: i) unemployed or students seeking their first job; ii) students seeking to change their careers (who work in one field and are seeking a job in their field of study, regardless of the starting salary, since they believe their new career will offer career advancement); and iii) students seeking to increase their income in their current career. For this third group, the average income increase after using the platform was 74% in the last 12 months. This effectively changes the lives of these students.

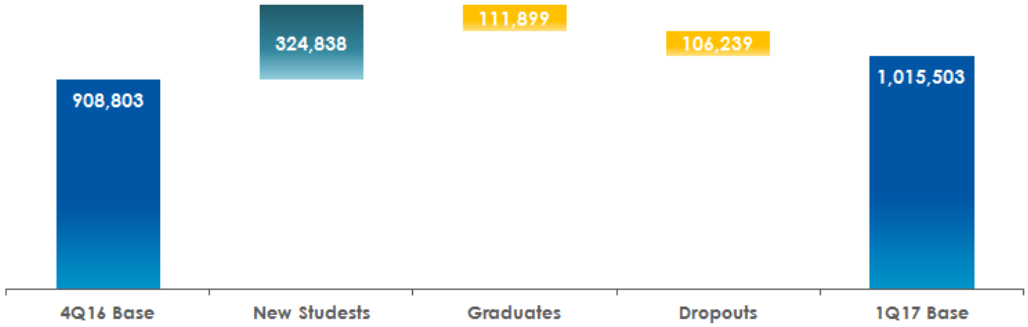
We believe that Conecta effectively represents how Kroton sees the educational challenge. Theoretical discussions on how to conciliate the academic world with the job market are not enough. We need projects that perform this function in a structured way, and Conecta does exactly that.

In 2016, we consolidated Kroton as a major facilitator of access to higher education through its offering of PEP, our Private Student Installment program. In 2017, we will clearly show Kroton's competitive advantage as a facilitator of employability in Brazil. In this way, we are delivering on our mission to "improve people's lives through responsible and high-quality education, developing citizens and preparing professionals for the market, while helping them develop their life plans."

OPERATING PERFORMANCE

POSTSECONDARY EDUCATION

Evolution in Number of Students



The evolution in the number of Postsecondary students between 4Q16 and 1Q17 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**
1Q16 Base ex-Uniasselvi	**436,824**	**12,514**	**449,338**	**529,693**	**31,694**	**561,387**
4Q16 Base	**412,247**	**6,489**	**418,736**	**464,786**	**25,281**	**490,067**
New Students	112,223	3,265	115,488	201,276	8,074	209,350
Graduates	(45,274)	(546)	(45,820)	(60,551)	(5,528)	(66,079)
Dropouts	(45,584)	(140)	(45,724)	(59,930)	(585)	(60,515)
1Q17 Base	**433,612**	**9,068**	**442,680**	**545,581**	**27,242**	**572,823**
% 1Q17 Base / 1Q16 Base ex-Uniasselvi	-0.7%	-27.5%	-1.5%	3.0%	-14.0%	2.0%
% 1Q17 / 4Q16 Base	5.2%	39.7%	5.7%	17.4%	7.8%	16.9%

Students	**Total Undergraduate**	**Total Graduate**	**Total**
1Q16 Base ex-Uniasselvi	**966,517**	**44,208**	**1,010,725**
4Q16 Base	**877,033**	**31,770**	**908,803**
New Students	313,499	11,339	324,838
Graduates	(105,825)	(6,074)	(111,899)
Dropouts	(105,514)	(725)	(106,239)
1Q17 Base	**979,193**	**36,310**	**1,015,503**
% 1Q17 Base / 1Q16 Base ex-Uniasselvi	1.3%	-17.9%	0.5%
% 1Q17 / 4Q16 Base	11.6%	14.3%	11.7%

The admissions and re-enrollment processes for the first semester of the year were concluded with very solid results, which attests to the quality perception of the education offered by our institutions and to the intense efforts by our sales and marketing teams in the more challenging scenario marked by recession and mounting unemployment.

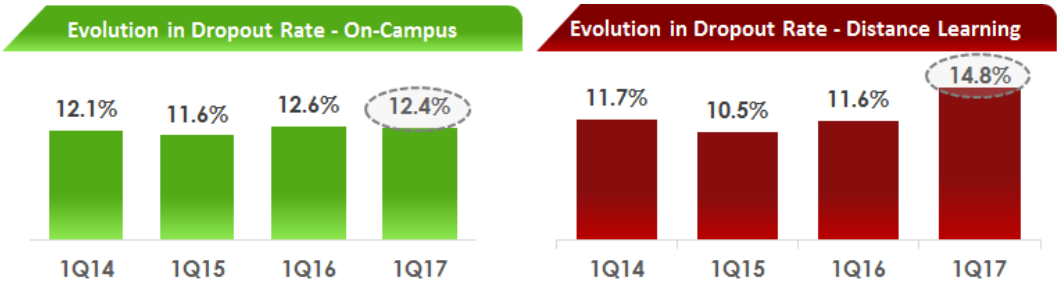
Overall, almost 313,500 new Undergraduate students were added, or 11% more than in the same period of 2016. Factors contributing to the result include (i) the new programs being launched in both the On-Campus and Premium DL segments that have helped expand the program offering; (ii) the growing number of students using the Private Special Installment Plan (PEP), which can be considered an important competitive advantage; and (iii) the good performance of new students paying out of pocket, even with the lower level of discounts and scholarships offered in this admissions process.

The re-enrollment process (enrollments of students in the second to last academic semesters) also achieved robust results, considering the market conditions faced in the period, registering a decline of 3% from the same period last year, with this figure also influenced by the increase in graduations (+7.9% compared to 1Q16).

The Graduate business alone registered around 11,300 new enrollments, mainly in the Distance Learning format, as well as a significant number of graduations, of approximately 6,000 students. Bear in mind that our LFG brand also offers Graduate programs, whose students are included in the above table.

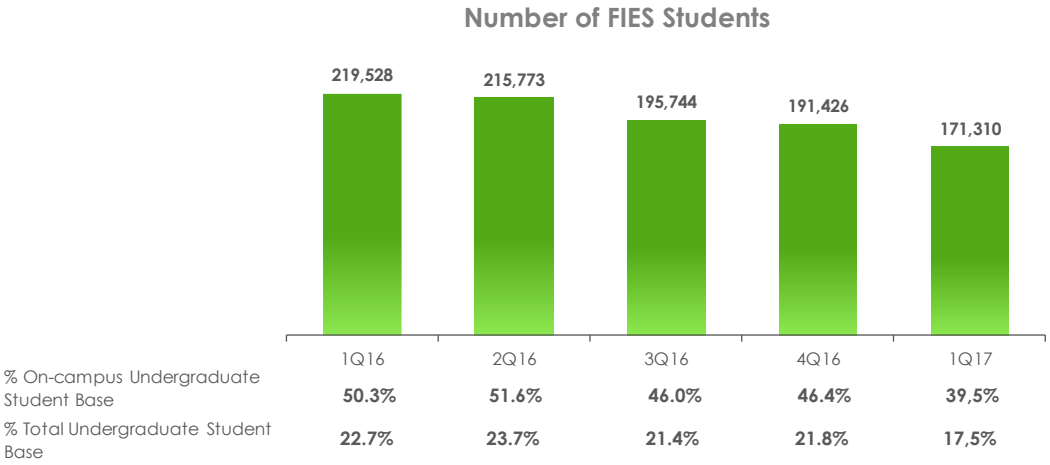
At the end of 1Q17, the number of Postsecondary students (Undergraduate and Graduate) in both the On-Campus and Distance Learning formats surpassed the 1 million mark, growing 12% on the prior quarter and stable in relation to 1Q16. Broken down by teaching format, the On-Campus student base accounted for 43.6% of the total student base in the quarter, while the Distance Learning student base accounted for 56.4%.

Evolution of Undergraduate Dropouts



The above analysis shows the history of dropouts among On-Campus and Distance Learning Undergraduate students. Since the turn of 2015 to 2016, Kroton has been making progress on implementing initiatives associated with its Retention Program, which seeks to identity and assign probability to dropouts in order to treat the root causes even before a student decides to drop out. The results of these initiatives were perceived mainly in the On-campus segment, which registered a reduction in its dropout rate, from 12.6% in 1Q16 to 12.4% in 1Q17, which helped to mitigate the pressures from the deterioration in unemployment and the recession on this indicator, as well as from the significant change in the profile of freshmen students, with a lower share of students with FIES financing. It is important to note that this reduction occurred despite the more rigorous debt collections and renegotiation practices adopted by the Company in relation to prior semesters, which should have a positive effect on the accounts receivables line. On the other hand, the Distance Learning business registered an increase in the dropout rate, from 11.6% in 1Q16 to 14.8% in 1Q17, which also was influenced by the more rigorous renegotiation policies and by the higher number of students in 100% Online programs, which naturally have a higher dropout rate than other DL teaching formats.

FIES



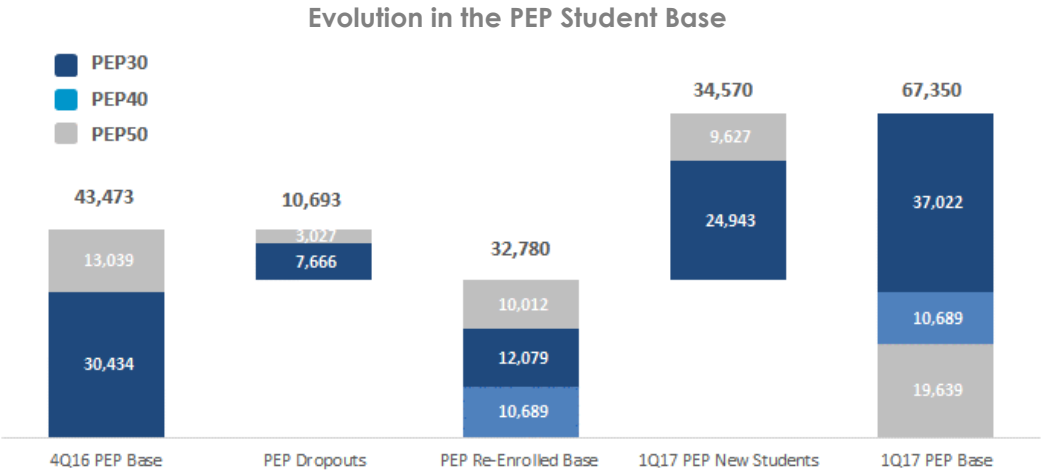
At the end of 1Q17, the Company had 171,310 students enrolled with FIES financing, substantially lower than in both 1Q16 and 4Q16, which confirms the lower share of FIES in the latest admissions cycles and the higher number of graduations of seniors with FIES financing. To illustrate this trend, in the admissions

process for this semester, FIES accounted for only 7% of new students in the On-campus segment and for less than 3% of total new students in the Company's undergraduate programs. As a result, the penetration of FIES students has been declining gradually over recent cycles, to 39.5% of the On-Campus Undergraduate student base, or 17.5% of the total Undergraduate student base.

Private Student Installment Plan (PEP)

During the 1Q17 admissions cycle, Kroton maintained its strategy of offering its own Private Special Installment Plan (PEP) as an instrument to attract new students. As a result, PEP accounted for some 31% of total new enrollments in the On-campus segment, or 34,570 new students, of which 24,943 enrolled under PEP30 and 9,627 under PEP50, figures in line with the exposure Kroton plans for the product. 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, and remains at the highest rate during the amortization period, which leads the rate of return of these students to equal that of PEP50, under which students pay 50% of their monthly tuition throughout their entire academic program and during the amortization period. Specifically with regard 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 inflation adjustments of the outstanding balance. Furthermore, Kroton continues to adopt the same conservative policies for revenue recognition as in 2016, including for calculating the Adjustment to Present Value (APV) of revenue and for provisioning losses from bad debt, which is accrued at 50% of the installment for all PEP students. At the end of 1Q17, approximately 67,400 students were enrolled in PEP programs, with about 37,000 enrolled in PEP30, 10,700 in PEP40 and 19,600 in PEP50.

The following analysis shows the evolution in the PEP student base, including the number of students who migrated from PEP30 (who paid 30% of tuitions in the first year of contract) to PEP40 (paying 40% of tuitions) during the re-enrollment process, in accordance with the program's rules. Likewise, students who re-enrolled and remained at PEP30 are those admitted in 3Q16 and who will migrate to PEP40 in 3Q17. Moreover, note that the dropout rate is no different from that of students without the installment payment plan within the same classes (in fact, it is lower), which attests to the product's sustainability. The same analyses can be seen for the students that contracted PEP50.



Late Enrollment Installment Payment Plan (PMT or Temporary PEP)

PMT (or temporary PEP) is the offering of an option for the payment in installments of monthly tuitions for students who enrolled late, referring exclusively to the period in which these students had not yet concluded their enrollment, because they were admitted after the start of classes, but still with sufficient time to complete the minimum classroom hours in the semester. Instead of exempting from payment or offering discounts on these tuitions, Kroton began to offer this option as of the second semester of 2016 to new On-Campus students, and as of 1Q17 also to DL students, as a way to continue to attract freshmen and enable their late enrollment without foregoing revenue through scholarships or discounts. The

outstanding installments, which are limited to 4 monthly tuitions, are repaid in the months after graduation. For PMT, Kroton adopts the same accounting practices as for PEP, i.e. the revenue from the full monthly tuitions (without discounts) is brought to present value and provisioned for at a rate of 50% of this amount. In the same way which happens with PEP, the balance of these unpaid monthly tuitions is automatically due if the student drops out throughout the program.

As of 1Q17, the Company opted to present separate information on PEP and PMT (temporary PEP) to enable the market to accompany these products independently. Furthermore, improvements were already made to PMT for the admissions cycle in the second semester of 2017, which include changing the form of payment of the installments: instead of being repaid only after graduation, the outstanding balance will be diluted over the duration of the program and come due early in the event of dropout, thereby significantly reducing this payment option's risk and average receivables term.

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 first quarter of the year, the Company administered these programs to 14,333 students (these students are not considered in the figure for Postsecondary students), down 16.2% from 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 26,048 students during 1Q17 (as with unregulated courses, these students are not considered in the Postsecondary student base), which represents growth of 4.0% on the prior quarter.

PRIMARY & SECONDARY

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 2017, the Company is serving 672 Associated Schools and around 220,000 students in the private segment, with these figures virtually stable in relation to last year. Kroton will continue to enhance the quality of its teaching model and to create competitive advantages for the Pitágoras Learning System.

FINANCIAL PERFORMANCE

Note 1: Corporate financial data for 1Q16 include two months (January and February) of the operations of Uniasselvi in its various operating segments (On-Campus and Distance Learning). The financial data ex-Uniasselvi exclude the operations of Uniasselvi in its various operating segments (On-Campus and Distance Learning) for all periods.

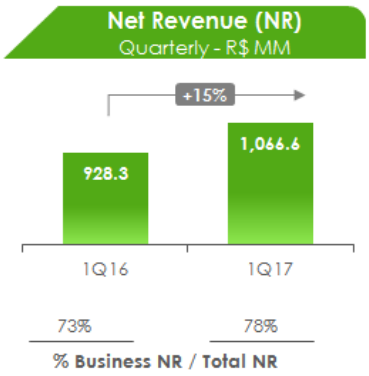
Note 2: As a result of the delayed start of the Student Financing Fund Transfer System (SisFIES) system for re-enrollments of FIES students in the second semester of 2016, analyses of financial performance in 4Q16 (On-Campus and Consolidated) follow the same format presented previously, i.e. on a pro-forma basis to give a more realistic portrait of performance in the period. Otherwise, the results for 3Q16 would be significantly lower than what actually should have been recorded following the normalization of the schedule for renewing FIES agreements, while the results for 4Q16 would be artificially higher due to the recognition of tuitions related to the immediately prior quarter.

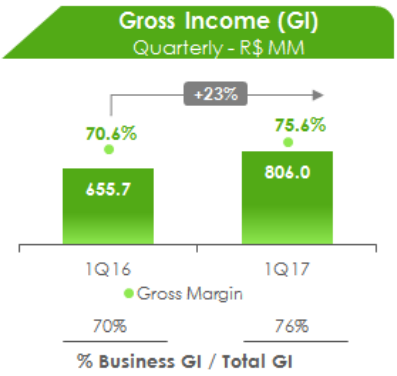
1Q17 RESULTS – CORPORATE

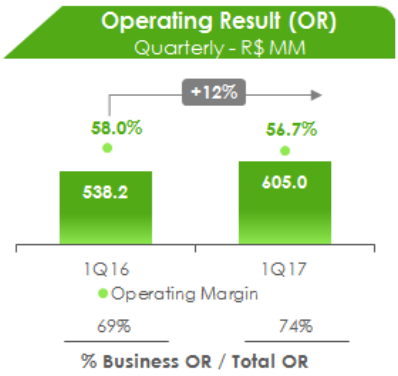
	On-Campus Education		Distance Learning		Primary and Secondary Education		Kroton Consolidated	
Values in R$ ('000)	1Q17	% Net Rev.	1Q17	% Net Rev.	1Q17	% Net Rev.	1Q17	% Net Rev.
Gross Revenue	**1,358,763**	**127.4%**	**341,051**	**130.6%**	**40,967**	**109.6%**	**1,740,781**	**127.5%**
Gross Revenue Deductions	(292,133)	-27.4%	(79,940)	-30.6%	(3,585)	-9.6%	(375,659)	-27.5%
Tax	(39,553)	-3.7%	(7,652)	-2.9%	(1,147)	-3.1%	(48,352)	-3.5%
ProUni	(165,846)	-15.5%	(49,354)	-18.9%	-	0.0%	(215,200)	-15.8%
Returns	-	0.0%	-	0.0%	(2,438)	-6.5%	(2,438)	-0.2%
Total Discounts	(86,734)	-8.1%	(22,934)	-8.8%	-	0.0%	(109,668)	-8.0%
Net Revenue	**1,066,629**	**100.0%**	**261,111**	**100.0%**	**37,382**	**100.0%**	**1,365,122**	**100.0%**
Costs (COGS)	**(260,601)**	**-24.4%**	**(27,975)**	**-10.7%**	**(15,395)**	**-41.2%**	**(303,971)**	**-22.3%**
Cost of Goods	-	0.0%	-	0.0%	(5,770)	-15.4%	(5,770)	-0.4%
Cost of Services	(260,601)	-24.4%	(27,975)	-10.7%	(9,625)	-25.7%	(298,201)	-21.8%
Faculty, Other Personnel and Third-Party Services	(177,476)	-16.6%	(20,989)	-8.0%	(7,722)	-20.7%	(206,187)	-15.1%
Rent	(80,015)	-7.5%	(4,072)	-1.6%	(256)	-0.7%	(84,343)	-6.2%
Materials	(1,948)	-0.2%	(2,727)	-1.0%	-	0.0%	(4,675)	-0.3%
Maintenance	(230)	-0.0%	(14)	0.0%	(15)	0.0%	(258)	0.0%
Other	(932)	-0.1%	(173)	-0.1%	(1,632)	-4.4%	(2,737)	-0.2%
Gross Income	**806,029**	**75.6%**	**233,136**	**89.3%**	**21,987**	**58.8%**	**1,061,151**	**77.7%**
Operating Expenses	**(104,812)**	**-9.8%**	**(22,954)**	**-8.8%**	**(4,670)**	**-12.5%**	**(132,435)**	**-9.7%**
Personnel, General and Administrative Expenses	(104,812)	-9.8%	(22,954)	-8.8%	(4,670)	-12.5%	(132,435)	-9.7%
Personnel Expenses	(58,299)	-5.5%	(16,083)	-6.2%	(3,810)	-10.2%	(78,191)	-5.7%
General and Administrative Expenses	(46,514)	-4.4%	(6,871)	-2.6%	(860)	-2.3%	(54,244)	-4.0%
Provision for Doubtful Accounts - PDA	**(131,473)**	**-12.3%**	**(26,737)**	**-10.2%**	**(299)**	**-0.8%**	**(158,508)**	**-11.6%**
(+) Interest and Penalties on Tuition	35,232	3.3%	8,334	3.2%	227	0.6%	43,794	3.2%
Operating Result	**604,976**	**56.7%**	**191,780**	**73.4%**	**17,245**	**46.1%**	**814,001**	**59.6%**
Sales and Marketing Expenses							**(110,737)**	**-8.1%**
Corporate Expenses							**(63,735)**	**-4.7%**
Adjusted EBITDA							**639,529**	**46.8%**
(-) Nonrecurring Items							(44,519)	-3.3%
EBITDA							**595,010**	**43.6%**
Depreciation and Amortization							(102,739)	-7.5%
Financial Result							22,674	1.7%
Income and Social Contribution Tax							(21,273)	-1.6%
Income Tax / Social Cont. - Disposal of Uniasselvi							-	0.0%
Net Profit							**493,673**	**36.2%**
(+) Nonrecurring Items							44,519	3.3%
(+) Intangible Amortization (Acquisitions)							38,870	2.8%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi							-	0.0%
Adjusted Net Profit							**577,063**	**42.3%**

CORPORATE FINANCIAL PERFORMANCE – ON-CAMPUS EDUCATION

On-Campus Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Revenue	**1,358,763**	**1,189,240**	**14.3%**	**1,336,706**	**1.7%**
Gross Revenue Deductions	(292,133)	(260,960)	11.9%	(302,413)	-3.4%
Tax	(39,553)	(29,000)	36.4%	(36,688)	7.8%
ProUni	(165,846)	(166,058)	-0.1%	(166,857)	-0.6%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(86,734)	(65,902)	31.6%	(98,868)	-12.3%
FGEDUC	(30,371)	(32,310)	-6.0%	(35,243)	-13.8%
FIES - Administratuve Fee	(12,769)	-	n.a.	(13,796)	-7.4%
Other	(43,594)	(33,592)	29.8%	(49,829)	-12.5%
Net Revenue	**1,066,629**	**928,280**	**14.9%**	**1,034,293**	**3.1%**
Net Revenue - Undergraduate	**1,052,315**	**908,777**	**15.8%**	**1,021,018**	**3.1%**
Net Revenue - Out-of-pocket	310,528	264,327	17.5%	349,883	-11.2%
Net Revenue - FIES (financed part net of APV)	536,407	606,913	-11.6%	601,400	-10.8%
Net Revenue - PEP (installment part net of APV)	145,931	37,537	288.8%	67,751	115.4%
Net Revenue - PMT (installment part net of APV)	59,448	-	n.a.	1,985	n.a.
Net Revenue - Graduate, Unregulated Programs, Pronatec	**14,314**	**19,503**	**-26.6%**	**13,275**	**7.8%**
Net Revenue - Pronatec	7,174	8,992	-20.2%	6,296	13.9%
Net Revenue - Graduate and Unregulated Programs	7,140	10,511	-32.1%	6,979	2.3%
Total of Costs	**(260,601)**	**(272,535)**	**-4.4%**	**(355,107)**	**-26.6%**
Cost of Goods	-	-	n.a.	-	n.a.
Cost of Services	(260,601)	(272,535)	-4.4%	(355,107)	-26.6%
Faculty, Other Personnel and Third-Party Services	(177,476)	(182,728)	-2.9%	(262,052)	-32.3%
Rent	(80,015)	(76,926)	4.0%	(78,802)	1.5%
Materials	(1,948)	(2,069)	-5.8%	(2,630)	-25.9%
Maintenance	(230)	(2,493)	-90.8%	(5,866)	-96.1%
Other	(932)	(8,319)	-88.8%	(5,757)	-83.8%
Gross Income	**806,029**	**655,745**	**22.9%**	**679,186**	**18.7%**
Gross Margin	*75.6%*	*70.6%*	*4.9 p.p.*	*65.7%*	*9.9 p.p.*
Total Operating Expenses	**(104,812)**	**(104,973)**	**-0.2%**	**(142,800)**	**-26.6%**
Personnel Expenses	(58,299)	(58,559)	-0.4%	(69,604)	-16.2%
General and Administrative Expenses	(46,514)	(46,415)	0.2%	(73,196)	-36.5%
Provision for Doubtful Account - PDA	**(131,473)**	**(42,280)**	**211.0%**	**(66,647)**	**97.3%**
(+) Interest and Penalties on Tuition	35,232	29,745	18.4%	18,543	90.0%
Operating Result	**604,976**	**538,236**	**12.4%**	**488,282**	**23.9%**
Operating Margin	*56.7%*	*58.0%*	*-1.3 p.p.*	*47.2%*	*9.5 p.p.*







Revenue and Deductions

On-Campus Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Revenue	**1,358,763**	**1,189,240**	**14.3%**	**1,336,706**	**1.7%**
Gross Revenue Deductions	(292,133)	(260,960)	11.9%	(302,413)	-3.4%
Tax	(39,553)	(29,000)	36.4%	(36,688)	7.8%
ProUni	(165,846)	(166,058)	-0.1%	(166,857)	-0.6%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(86,734)	(65,902)	31.6%	(98,868)	-12.3%
FGEDUC	(30,371)	(32,310)	-6.0%	(35,243)	-13.8%
FIES - Administratuve Fee	(12,769)	-	n.a.	(13,796)	-7.4%
Other	(43,594)	(33,592)	29.8%	(49,829)	-12.5%
Net Revenue	**1,066,629**	**928,280**	**14.9%**	**1,034,293**	**3.1%**
Net Revenue - Undergraduate	**1,052,315**	**908,777**	**15.8%**	**1,021,018**	**3.1%**
Net Revenue - Out-of-pocket	310,528	264,327	17.5%	349,883	-11.2%
Net Revenue - FIES (financed part net of APV)	536,407	606,913	-11.6%	601,400	-10.8%
Net Revenue - PEP (installment part net of APV)	145,931	37,537	288.8%	67,751	115.4%
Net Revenue - PMT (installment part net of APV)	59,448	-	n.a.	1,985	n.a.
Net Revenue - Graduate, Unregulated Programs, Pronatec	**14,314**	**19,503**	**-26.6%**	**13,275**	**7.8%**

Deductions

Deductions as a ratio of gross revenue decreased 0.4 p.p. in 1Q17 compared to the year-ago period, which is explained by the lower discounts offered during the admissions process and strong gross revenue growth, which mitigated the impact from the new charging of a 2% FIES administrative fee on the amount of educational fees (recorded under the line Total Discounts). Compared to the prior quarter, the reduction is even more significant, of 1.1 p.p., reflecting the seasonality of the Tuition Adjustment Process (PAM), which occurs primarily in even-numbered quarters, due to the adjustments in the number of classroom hours completed.

Net Revenue

Net revenue grew 14.9% in 1Q17 compared to the year-ago period, mainly due to the expansion in the out-of-pocket student base following the new enrollment and re-enrollment processes at the start of the year, as well as the higher average ticket in the period. Another factor contributing to revenue growth is the performance of the Private Student Installment Plan (PEP) and the Late Enrollment Installment (PMT, read more about this product on page 6), which are not only important sales tools, but have the added benefit of not including any form of discount (although their revenues are net of APV). On this basis, PEP revenue accounted for R$145.9 million (net of Adjustment to Present Value – APV), or 13.7% of total revenue from the On-Campus segment, while PMT revenue accounted for R$59.5 million (also net of APV), or 5.6% of the segment's revenue. Including APV (not booked in the P&L), revenue from PEP and PMT students in 1Q17 comes to approximately R$145.1 million and R$79.2 million, respectively. Note that the positive amount of APV of PEP in the quarter is due to dropouts of students with the plan and the consequent reversal of this adjustment. The performance observed at the start of the year reinforces Kroton's resilience in a challenging economic environment and shows that it has effectively managed to maintain revenue growth sustainably. Compared to the prior quarter, the net revenue growth of 3.1% reflects the results of the new enrollment and re-enrollment process, which was able to mitigate the effects of seasonality due to the recognition of 6 months of FIES monthly credits in a single quarter.

Average Net Ticket

On-Campus Postsecondary Education- Values in R$	1Q17	1Q16	Chg.%	4Q16	Chg.%
Total	**877.71**	**744.34**	**17.9%**	**810.76**	**8.3%**

Calculation of the average net ticket considers Net Revenue after FGEDUC, FIES Administrative Fee, ProUni Scholarship and Taxes on all On-campus products (Undergraduate, Graduate, Research Degree and Extension), excluding revenue from Pronatec and the effects of APV.

For a better understanding, the calculation of Kroton's average ticket considers the number of students effectively billed in the period (including ProUni students), since, due to retroactive contract amendments, a student could be billed more than once in a certain month. The net average ticket of On-Campus programs in 1Q17 was R$877.71, an increase of 17.9% from the year-ago period, reflecting the annual adjustment of monthly tuitions and the share of programs with higher tickets in the base, as well as the lower number of ProUni students in the period. Other relevant factors observed at the start of this year included (i) admissions of PEP students, which positively impacted the ticket mix, since their pricing does not include any form of discount or scholarship; and (ii) the recent introduction of PMT, which led to a significant drop in the granting of discounts and of registration exemptions for students who enrolled late.

Breakdown of On-Campus Undergraduate Net Average Ticket by product (student perspective)

Starting this quarter, analyses of average ticket in the On-campus segment will include additional information based on "student perspective by product" for the Undergraduate business. This perspective considers the different sources of each product separately, i.e., the Ex-FIES and Ex-PEP average ticket is formed by the amounts of students paying 100% of tuition out of pocket and those contracting the PMT plan. Meanwhile, the PEP and FIES average tickets are divided into Out-of-pocket, Installment/Financing and PMT. The combination of the Ex-FIES and PMT average tickets is called "On-Campus Undergraduate Out-Of-Pocket (ex-FIES and ex-ProUni)." This analysis enables a better understanding of the dynamics of the average ticket across the various types of students and of payment products offered by the Company.

ON-CAMPUS UNDERGRADUATE		1Q17					1Q16 [3]					Chg.%	
Student	Product	Net Revenue	APV	NR Ex-APV [1]	Invoices [2]	Net Ticket	Net Revenue	APV	NR Ex-APV [1]	Invoices [2]	Net Ticket	Δ Net Ticket	Δ NR
Ex-FIES e Ex-PEP	**Ex-FIES Ex-PEP**	**261,503**	**11,785**	**273,287**	**376**	**726.1**	**206,162**	**-**	**206,162**	**383**	**538.4**	**34.9%**	**26.8%**
	Out-of-Pocket	218,259	n.a	218,259	n.a	n.a	206,162	-	206,162	n.a	n.a	n.a	5.9%
	PMT	43,244	11,785	55,028	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
PEP	**PEP**	**215,091**	**5,719**	**220,810**	**191**	**1,154.4**	**76,931**	**26,516**	**103,447**	**102**	**1,016.1**	**13.6%**	**179.6%**
	Out-of-Pocket	61,622	n.a	61,622	n.a	n.a	39,394	n.a	39,394	n.a	n.a	n.a	56.4%
	Installment	139,500	- 759	138,741	n.a	n.a	37,537	26,516	64,053	n.a	n.a	n.a	271.6%
	PMT	13,969	6,479	20,447	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Out-of-Pocket On-Campus Undergrad. Ex-FIES Ex-Prouni		**476,594**	**17,504**	**494,098**	**568**	**870.4**	**283,093**	**26,516**	**309,609**	**485**	**638.7**	**36.3%**	**68.4%**
FIES	**FIES**	**575,721**	**- 1,482**	**574,239**	**517**	**1,110.7**	**625,684**	**- 1,013**	**624,670**	**608**	**1,027.3**	**8.1%**	**-8.0%**
	Out-of-Pocket	30,650	n.a	30,650	n.a	n.a	18,770	n.a	18,770	n.a	n.a	n.a	63.3%
	Financed	536,404	- 2,938	533,466	n.a	n.a	606,913	- 1,013	605,900	n.a	n.a	n.a	-11.6%
	PEP+PMT	8,666	1,456	10,122	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
TOTAL On-Campus Undergradraduate [4] Ex-Prouni		**1,052,315**	**16,022**	**1,068,337**	**1,085**	**984.9**	**908,777**	**25,502**	**934,279**	**1,093**	**854.9**	**15.2%**	**15.8%**
TOTAL On-Campus Undergradraduate [4]		**1,052,315**	**16,022**	**1,068,337**	**1,203**	**887.9**	**908,777**	**25,502**	**934,279**	**1,232**	**758.5**	**17.1%**	**15.8%**

[1] Revenue used to calculate net average ticket; [2] Amounts / '000; [3] On-campus including Uniasselvi; [4] On-campus ex graduate programs/Unregulated /Extension/Language/Pronatec.

An initial reading of the above table shows that offering student financing/installment plans is essential for enabling students to pursue careers with more expensive monthly tuitions, which is a policy that was adopted by the Brazilian government when it offered FIES financing. Because there is no difference in the amount of the base monthly tuition for students in the same class, it becomes evident that there is an important difference in the mix that has a positive impact on the tickets of students with one of the financing/installment products offered. Accordingly, PEP was the segment's channel with the highest average ticket, of R$1,154.4 per student, in 1Q17. Next comes FIES, with an average ticket of R$1,110.7, followed by out-of-pocket students, with an average ticket of R$726.1.

The figures presented are now consistent with the analysis made at end-2016, when the Company segregated the average ticket into FIES and Ex-FIES students. As in the previous paragraph, the fact that students had available a financing/installment product is a key condition for understanding this difference. Bear in mind also that there are certain scholarships and discounts and adjustments to

classroom hours that apply exclusively to certain students paying out of pocket that lead the average ticket in this category to be lower than that for FIES students.

Lastly, improvements already have been made to the PMT plan for the admissions cycle in the second semester of 2017, which include changing the installment payment form: instead of being repaid only after graduation, the outstanding balance is diluted over the duration of the program and comes due early in the event of dropout, thereby significantly reducing the product's risk and average receivables term.

Costs

On-Campus Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Total of Costs	**(260,601)**	**(272,535)**	**-4.4%**	**(355,107)**	**-26.6%**
Cost of Goods (CG)	-	-	n.a.	-	n.a.
Cost of Services (CS)	(260,601)	(272,535)	-4.4%	(355,107)	-26.6%
Faculty, Other Personnel and Third-Party Services	(177,476)	(182,728)	-2.9%	(262,052)	-32.3%
Rent	(80,015)	(76,926)	4.0%	(78,802)	1.5%
Materials	(1,948)	(2,069)	-5.8%	(2,630)	-25.9%
Maintenance	(230)	(2,493)	-90.8%	(5,866)	-96.1%
Other	(932)	(8,319)	-88.8%	(5,757)	-83.8%
% of Net Revenues	**1Q17**	**1Q16**	**Chg.%**	**4Q16**	**Chg.%**
Total of Costs	**-24.4%**	**-29.4%**	**4.9 p.p.**	**-34.3%**	**9.9 p.p.**
Cost of Goods (CG)	0.0%	0.0%	n.a.	0.0%	n.a.
Cost of Services (CS)	-24.4%	-29.4%	4.9 p.p.	-34.3%	9.9 p.p.
Faculty, Other Personnel and Third-Party Services	-16.6%	-19.7%	3.0 p.p.	-25.3%	8.7 p.p.
Rent	-7.5%	-8.3%	0.8 p.p.	-7.6%	0.1 p.p.
Materials	-0.2%	-0.2%	0.0 p.p.	-0.3%	0.1 p.p.
Maintenance	0.0%	-0.3%	0.2 p.p.	-0.6%	0.5 p.p.
Other	-0.1%	-0.9%	0.8 p.p.	-0.6%	0.5 p.p.

In 1Q17, cost of services as a ratio of net revenue fell 4.9 p.p. compared to the same period in 2016. As observed in recent quarters, this improvement is explained by the optimization obtained from implementing the operations research (OR) software at Kroton units as of the second half of 2015, which led to significant savings in costs with faculty, other personnel and third-party services. Although the tool has yet to reach its full capacity in terms of scope, gains from the more efficient allocation of faculty and utilization of facilities remain the key drivers of gross margin expansion in the segment. Other positive contributions were made by the strategic sourcing initiatives, the restructuring of units to optimize occupancy levels and the lower costs with rent, following the renegotiation of lease agreements and the shutdown of certain units. Compared to the prior quarter, total costs as a ratio of net revenue decreased 9.9 p.p., a result that exceeds the seasonality of the operation and attests to the consistency of efficiency gains.

Gross Income

On-Campus Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Income	**806,029**	**655,745**	**22.9%**	**679,186**	**18.7%**
Gross Margin	*75.6%*	*70.6%*	*4.9 p.p.*	*65.7%*	*9.9 p.p.*

Gross income from On-Campus Education was R$806.0 million in 1Q17, increasing 22.9% on the same period last year. The increase was driven by the combination of revenue growth in the period and the continued capture of efficiency gains at units, which supported gross margin expansion of 4.9 p.p. Compared to the prior quarter, gross margin expanded 9.9 p.p., supported by revenue growth in the period and by the seasonally lower operating costs.

Operating Expenses

On-Campus Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Total Operating Expenses	**(104,812)**	**(104,973)**	**-0.2%**	**(142,800)**	**-26.6%**
Personnel Expenses	(58,299)	(58,559)	-0.4%	(69,604)	-16.2%
General and Administrative Expenses	(46,514)	(46,415)	0.2%	(73,196)	-36.5%

% of Net Revenues	1Q17	1Q16	Chg.%	4Q16	Chg.%
Total Operating Expenses	**-9.8%**	**-11.3%**	**1.5 p.p.**	**-13.8%**	**4.0 p.p.**
Personnel Expenses	-5.5%	-6.3%	0.8 p.p.	-6.7%	1.3 p.p.
General and Administrative Expenses	-4.4%	-5.0%	0.6 p.p.	-7.1%	2.7 p.p.

Personnel, General and Administrative Expenses

This quarter, total personnel, general and administrative expenses as a ratio of net revenue decreased 1.5 p.p. from the same quarter last year, due to the efforts to control operating expenses. To illustrate this effect, note that despite inflation in the period, the Company kept its expenses practically stable. Compared to 4Q16, this indicator decreased 4.0 p.p., accompanying the segment's natural seasonality, while also reflecting the higher contingency expenses recorded in the previous quarter.

Provision for Doubtful Accounts (PDA)

On-Campus Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Provision for Doubtful Account - PDA	(131,473)	(42,280)	211.0%	(66,647)	97.3%
PDA / Postsecondary Net Revenues[1]	*-12.4%*	*-4.6%*	*-7.8 p.p.*	*-6.5%*	*-5.9 p.p.*
PDA Out-of-pocket	(23,928)	(18,278)	30.9%	(26,366)	-9.2%
PDA Out-of-pocket / Postsecondary Net Revenues Out-of-pocket[1]	*-7.5%*	*-6.7%*	*-0.9 p.p.*	*-7.4%*	*-0.1 p.p.*
PDA FIES - Financed Part	(4,762)	(5,234)	-9.0%	(5,413)	-12.0%
PDA FIES / Postsecondary Net Revenues FIES[1]	*-0.9%*	*-0.9%*	*-0.0 p.p.*	*-0.9%*	*0.0 p.p*
PDA PEP - Installment Part	(73,036)	(18,769)	289.1%	(33,875)	115.6%
PDA PEP / Postsecondary Net Revenues PEP[1]	*-50.0%*	*-50.0%*	*-0.0 p.p.*	*-50.0%*	*-0.0 p.p.*
PDA PMT - Installment Part	(29,747)	-	n.a.	(992)	n.a.
PDA PMT / Postsecondary Net Revenues PMT[1]	*-50.0%*	*n.a.*	*n.a.*	*-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 7.8 p.p. from the same period last year, to 12.4%. This performance is explained by the higher share of PEP students and the impact from PMT, which also is provisioned for at a rate of 50% of the installment, and by the adjustments carried out since the start of 2016 in Out-of-Pocket PDA (excluding financing/installment) to better reflect the expected delinquency levels in light of the deterioration in the macroeconomic scenario. Although the delinquency curve already is showing signs of improvement when compared to the prior quarter, Kroton expects Out-of-Pocket PDA to continue on its gradual upward path through next quarter, before reaching an inflection point.

Accounts Receivables by Payment Form

On-Campus Higher Education Values in R$ (´000) net of APV and PDA	1Q17	1Q16[1]	Chg.%	4Q16	Chg.%
Net Accounts Receivable	**1,669,081**	**1,695,125**	**-1.5%**	**1,326,233**	**25.9%**
Out-of-Pocket	**308,321**	**208,534**	**47.9%**	**279,484**	**10.3%**
Tuition and Agreements to Receive	308,321	202,974	51.9%	279,484	10.3%
Pronatec	-	5,560	n.a.	-	n.a
Installments	**371,848**	**101,925**	**264.8%**	**252,433**	**47.3%**
PEP	298,814	101,925	193.2%	214,780	39.1%
PMT	73,034	-	n.a	37,653	94.0%
FIES	**988,912**	**1,384,667**	**-28.6%**	**794,316**	**24.5%**
NR23	556,089	699,951	-20.6%	547,307	1.6%
Short Term	196,910	183,693	7.2%	193,390	1.8%
Long Term	359,178	516,258	-30.4%	353,917	1.5%
Other FIES - Short Term	432,823	684,716	-36.8%	247,009	75.2%

[1] Amounts for 1Q16 adjusted on the same comparison base of 1Q17 and 4Q16, including accounts receivable from credit cards.

Total Accounts Receivable net of PDA increased 25.9% in 1Q17 in comparison with 4Q16, due to the natural growth in the Company's installment payment products, such as PEP and PMT, which are repaid only after graduation. Another important factor affecting accounts receivable this quarter was the receipt of one less FIES installment, since the installment from November, which is usually received in January, was anticipated to December. Furthermore, the higher volume of outstanding monthly tuitions due to the deterioration in economic indicators also contributed to the increase in 1Q17. Meanwhile, the long-term FIES line, as explained in previous quarters, consists of 50% of the installments not paid in 2015 and which will be repurchased in 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 four distinct analyses:

1. Accounts Receivable – Total

On-Campus - Average Accounts Receivable Term (days)	1Q17	1Q16	Chg.(Days)	4Q16	Chg.(Days)
Net Accounts Receivable / Total Net Revenue On-Campus	146	155	-09 Days	120	26 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 1Q17, the average term decreased 9 days from the same period last year, mainly due to the normalization of the FIES payment flow, as well as to the fact that 1Q16 was adversely affected by the payment schedule of PN23. This situation ended up offsetting the increase in accounts receivables from PEP and PMT, as well as the higher volume of outstanding tuitions. Compared to the prior quarter, the increase of 26 days in the average term reflects not only the higher share of PEP and PMT in the student base, but also the receipt of one additional FIES installment in the prior quarter.

2. Accounts Receivable – Out-of-pocket

On-Campus - Average Accounts Receivable Term (days)	1Q17	1Q16	Chg.(Days)	4Q16	Chg.(Days)
Net Accounts Receivable (Out-of-Pocket ex-Pronatec) / Net Revenue (Out-of-Pocket ex-Pronatec)	88	74	14 Days	84	04 Days

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

In 1Q17, the average receivables term for the out-of-pocket balance (i.e., without installment/financing plans) increased 14 days from the same period of 2016, which mainly reflects the deterioration in the economic scenario and the higher volume of agreements. Note that part of the Company's student retention strategy consisted of optimizing the ratio of dropouts to the average receivables term, without any additional impact on PDA. Another important factor is that the increase observed in the period was significantly lower than that between 4Q16 and 4Q15, which demonstrates the improvement in the Company's accounts receivables and points to a positive outlook. Compared to the prior quarter, the increase of 4 days was due to seasonality between the quarters.

3. Accounts Receivable – FIES

On-Campus - Average Accounts Receivable Term (days)	1Q17	1Q16	Chg.(Days)	4Q16	Chg.(Days)
Net Accounts Receivable (FIES) / Net Revenue (FIES)	150	184	-34 Days	117	33 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 1Q17, the average term of FIES Accounts Receivables was 150 days, down 34 days compared to the same period of 2016, which demonstrates the normalization of the repurchase flow and the payment of 25% of the installments not paid in 2015, due to PN23. Compared to the prior quarter, the increase of 33 days reflects the anticipation to December of the credit usually repurchased in January, which decreased the amount that would normally be received in 1Q17.

4. Accounts Receivable - Installment Payment Products

On-Campus - Average Accounts Receivable Term (days)	1Q17	1Q16	Chg.(Days)	4Q16	Chg.(Days)
Net Accounts Receivable (PEP/PMT) / Net Revenue (PEP/PMT)	281	239	42 Days	274	07 Days

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

In 1Q17, the average term of installment products increased 42 days and 7 days compared to 1Q16 and 4Q16, respectively, reflecting the expansion in the PEP student base and the launch of PMT in the last admissions process. As previously explained in the section on operating performance, note that the Company has made improvements to PMT already for the 2017/2 admissions process by changing the repayment form: instead of paying only after graduation, the outstanding balance is repaid by students over the duration of their program, which considerably reduces the risk and average receivables term of this product.

Operating Result

On-Campus Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Income	**806,029**	**655,745**	**22.9%**	**679,186**	**18.7%**
(-) Total Operating Expenses	(104,812)	(104,973)	-0.2%	(142,800)	-26.6%
(-) Provision for Doubtful Account - PDA	(131,473)	(42,280)	211.0%	(66,647)	97.3%
(+) Interest and Penalties on Tuition	35,232	29,745	18.4%	18,543	90.0%
Operating Result	**604,976**	**538,236**	**12.4%**	**488,282**	**23.9%**
Operating Margin	*56.7%*	*58.0%*	*-1.3 p.p.*	*47.2%*	*9.5 p.p.*

Operating result (before marketing expenses) in 1Q17 amounted to R$605.0 million, with operating margin of 56.7%, down 1.3 p.p. from the prior-year period, which was mainly due to the higher provisioning in the segment, reflecting the responsible provisioning policy adopted by the Company for its installment payment products. Excluding these effects, the efficiency gains being captured in recent quarters become clear, in line with the trend observed in gross margin. Compared to the prior quarter, operating margin expanded 9.5 p.p., reflecting the seasonality of the operation and the strong results achieved in the new enrollment and re-enrollment processes at the start of the year. 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 line interest and penalties on tuitions, in the amount of R$5.8 million in 1Q17, compared to the significantly higher amount in the year-ago period (R$16.6 million).

RESULTS EX-UNIASSELVI

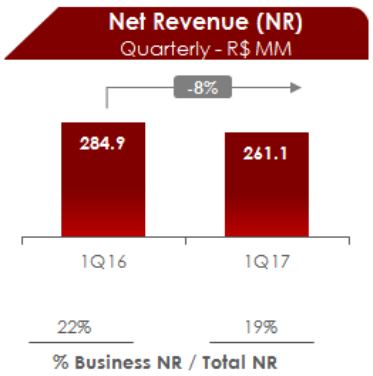
The following table presents the main P&L lines excluding data from Uniasselvi for 1Q16:

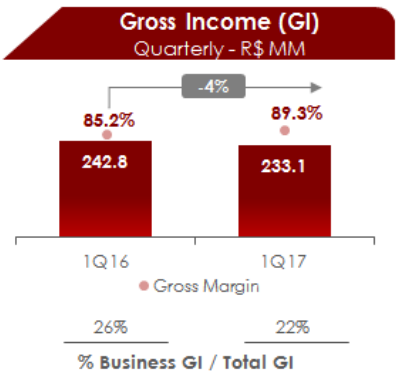
On-Campus - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Net Revenue	1,066,629	915,925	16.5%	1,034,293	3.1%
Gross Income	806,029	648,321	24.3%	679,186	18.7%
Gross Margin	*75.6%*	*70.8%*	*4.8 p.p.*	*65.7%*	*9.9 p.p.*
Operating Result	604,976	533,690	13.4%	488,282	23.9%
Operating Margin	*56.7%*	*58.3%*	*-1.5 p.p.*	*47.2%*	*9.5 p.p.*

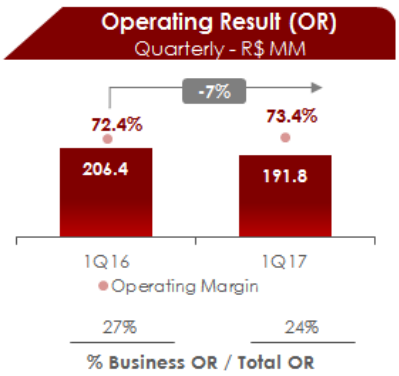
Excluding Uniasselvi from the results for 1Q16, the figures for the on-campus segment would be even stronger, with net revenue growth of 16.5%. Meanwhile, gross profit grew 24.3%, with margin expansion of 4.8 p.p. from the same period of 2016. Operating income, however, despite the growth of 13.4% on the prior-year period, represented operating margin contraction of 1.5 p.p. from the ex-Uniasselvi 1Q16 result.

CORPORATE FINANCIAL PERFORMANCE – DISTANCE LEARNING

Distance Learning - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Revenue	**341,051**	**371,769**	**-8.3%**	**340,375**	**0.2%**
Gross Revenue Deductions	(79,940)	(86,840)	-7.9%	(77,140)	3.6%
Tax	(7,652)	(8,294)	-7.7%	(5,696)	34.3%
ProUni	(49,354)	(56,859)	-13.2%	(49,799)	-0.9%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(22,934)	(21,687)	5.8%	(21,644)	6.0%
Net Revenue	**261,111**	**284,929**	**-8.4%**	**263,235**	**-0.8%**
Net Revenue - Undergraduate	246,093	262,345	-6.2%	248,083	-0.8%
Net Revenue - Out-of-pocket	233,857	262,345	-10.9%	248,083	-5.7%
Net Revenue - PMT (installment part net of APV)	12,237	-	n.a.	-	n.a.
Net Revenue - Graduate, LFG and Unregulated Programs	15,018	22,583	-33.5%	15,152	-0.9%
Total of Costs	**(27,975)**	**(42,104)**	**-33.6%**	**(44,403)**	**-37.0%**
Cost of Goods	-	-	n.a.	-	n.a.
Cost of Services	(27,975)	(42,104)	-33.6%	(44,403)	-37.0%
Faculty, Other Personnel and Third-Party Services	(20,989)	(30,597)	-31.4%	(33,475)	-37.3%
Rent	(4,072)	(5,894)	-30.9%	(4,643)	-12.3%
Materials	(2,727)	(4,755)	-42.7%	(1,948)	40.0%
Maintenance	(14)	(235)	-94.3%	(190)	-92.9%
Other	(173)	(623)	-72.2%	(4,146)	-95.8%
Gross Income	**233,136**	**242,824**	**-4.0%**	**218,832**	**6.5%**
Gross Margin	*89.3%*	*85.2%*	*4.1 p.p.*	*83.1%*	*6.2 p.p.*
Total Operating Expenses	**(22,954)**	**(24,695)**	**-7.1%**	**(33,633)**	**-31.8%**
Personnel Expenses	(16,083)	(16,349)	-1.6%	(22,397)	-28.2%
General and Administrative Expenses	(6,871)	(8,346)	-17.7%	(11,235)	-38.8%
Provision for Doubtful Account - PDA	(26,737)	(21,221)	26.0%	(21,315)	-25.4%
(+) Interest and Penalties on Tuition	8,334	9,508	-12.3%	3,818	118.3%
Operating Result	**191,780**	**206,416**	**-7.1%**	**167,702**	**14.4%**
Operating Margin	*73.4%*	*72.4%*	1.0 p.p.	*63.7%*	9.7 p.p.







Revenue and Deductions

Distance Learning - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Revenue	**341,051**	**371,769**	**-8.3%**	**340,375**	**0.2%**
Gross Revenue Deductions	(79,940)	(86,840)	-7.9%	(77,140)	3.6%
Tax	(7,652)	(8,294)	-7.7%	(5,696)	34.3%
ProUni	(49,354)	(56,859)	-13.2%	(49,799)	-0.9%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(22,934)	(21,687)	5.8%	(21,644)	6.0%
Net Revenue	**261,111**	**284,929**	**-8.4%**	**263,235**	**-0.8%**
Net Revenue - Undergraduate	246,093	262,345	-6.2%	248,083	-0.8%
Net Revenue - Out-of-pocket	233,857	262,345	-10.9%	248,083	-5.7%
Net Revenue - PMT (installment part net of APV)	12,237	-	n.a.	-	n.a.
Net Revenue - Graduate, LFG and Unregulated Programs	15,018	22,583	-33.5%	15,152	-0.9%

Deductions

In the Distance Learning business, the main deduction items are the discounts granted and ProUni, which combined corresponded to 21.2% of total gross revenue in 1Q17, stable in relation to both the same period last year and the prior quarter. Another factor contributing to the stability in the line discounts, despite the period being marked by mounting unemployment and deterioration in economic indicators, was the adoption of PMT in 1Q17 for the DL business as well, which enables students to pay tuitions from periods prior to their enrollment (due to late enrollment) in installments, without any discount on the outstanding balance.

Net Revenue

Net revenue in 1Q17 came to R$261.1 million, down 8.4% from the same period of 2016, reflecting the divestment of Uniasselvi and the lower revenue contribution from LFG and unregulated programs. Compared to the prior quarter, net revenue was virtually stable, with the performance of the new enrollment and re-enrollment process at the start of the year offset by the lower average ticket in the period.

Average Net Ticket

Distance Learning - Values in R$	1Q17	1Q16	Chg.%	4Q16	Chg.%
Total (Student)	**263.10**	**232.70**	**13.1%**	**273.80**	**-3.9%**

Calculation of the average net ticket considers Net Revenue before Transfers to owners of the centers and after ProUni scholarships and Taxes for all DL products (Undergraduate, Graduate, Unregulated Programs and LFG) and excludes the effects of APV.

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 ProUni students. 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$263.10, or 13.1% higher than in 1Q16, reflecting the annual tuition increase and a still-marginal impact from new Premium DL students, whose monthly tuitions are higher than in the other programs in the portfolio. Compared to the prior quarter, the average ticket fell 3.9%, due to the higher share of students enrolled in 100%-online programs at the start of this year.

Distance Learning Undergraduate Average Net Ticket by Student per Product

Starting this quarter, analyses of average ticket in the DL segment will include additional information based on the "student perspective by product" for the Undergraduate business. This perspective considers the different sources of each product separately, i.e., the DL average ticket is formed by the amounts of students paying 100% of tuition out of pocket and those contracting the PMT plan. The combination of the Out-of-pocket and PMT average ticket is called the "Total DL Undergrad. Out-Of-Pocket (Ex-ProUni)." This analysis enables a better understanding of the dynamics of the average ticket across the various types of students and of payment products offered by the Company.

DISTANCE LEARNING UNDERGRADUATE		1Q17					1Q16 [4]					Chg.%	
Student	Product	Net Revenue [1]	APV	NR Ex-APV [2]	Invoices [3]	Net Ticket	Net Revenue [1]	APV	NR Ex-APV [2]	Invoices [3]	Net Ticket	Δ Net Ticket	Δ NR
Distance Learning	Out-of-Pocket	370,889	n.a	370,889	1,413	262.5	404,540	n.a	404,540	1,721	235.0	11.7%	-8.3%
	PMT	15,649	4,249	19,898	67	295.13	n.a	n.a	n.a	n.a	n.a	n.a	n.a
TOTAL DL UNDERGRAD. OUT-OF-POCKET [5] Ex-ProUni		386,538	4,249	390,787	1,399	279.3	404,540	-	404,540	1,588	254.8	9.6%	-4.4%
TOTAL DISTANCE LEARNING UNDERGRAD. [5]		386,538	4,249	390,787	1,481	263.9	404,540	-	404,540	1,721	235.0	12.3%	-4.4%

[1] Net Revenue before Transfers; [2] Revenue adopted to calculate the ticket; [3] Amounts / '000; [4] Includes Uniasselvi; [5] Only Undergraduate

Although PMT does not account for a significant share of DL, since it only began to be offered in the last admissions process, it becomes apparent that the difference between the average ticket of out-of-pocket students and the consolidated figures in the above table varied only slightly, corroborating the arguments made above. Also in Distance Learning, note that the Company is already introducing improvements to PMT for the admissions cycle in the second semester of 2017, which include changing the installment payment form: instead of repaying only after graduation, the outstanding balance is diluted over the duration of the program and comes due early in the event of dropout, which significantly reduces the product's risk and average receivables term.

Costs

Distance Learning - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Total of Costs	**(27,975)**	**(42,104)**	**-33.6%**	**(44,403)**	**-37.0%**
Cost of Goods	-	-	n.a.	-	n.a.
Cost of Services	(27,975)	(42,104)	-33.6%	(44,403)	-37.0%
Faculty, Other Personnel and Third-Party Services	(20,989)	(30,597)	-31.4%	(33,475)	-37.3%
Rent	(4,072)	(5,894)	-30.9%	(4,643)	-12.3%
Materials	(2,727)	(4,755)	-42.7%	(1,948)	40.0%
Maintenance	(14)	(235)	-94.3%	(190)	-92.9%
Other	(173)	(623)	-72.2%	(4,146)	-95.8%
% of Net Revenues	**1Q17**	**1Q16**	**Chg.%**	**4Q16**	**Chg.%**
Total of Costs	**-10.7%**	**-14.8%**	**4.1 p.p.**	**-16.9%**	**6.2 p.p.**
Cost of Goods (CG)	0.0%	0.0%	0.0 p.p.	0.0%	0.0 p.p.
Cost of Services (CS)	-10.7%	-14.8%	4.1 p.p.	-16.9%	6.2 p.p.
Faculty, Other Personnel and Third-Party Services	-8.0%	-10.7%	2.7 p.p.	-12.7%	4.7 p.p.
Rent	-1.6%	-2.1%	0.5 p.p.	-1.8%	0.2 p.p.
Materials	-1.0%	-1.7%	0.6 p.p.	-0.7%	-0.3 p.p.
Maintenance	0.0%	-0.1%	0.1 p.p.	-0.1%	0.1 p.p.
Other	-0.1%	-0.2%	0.2 p.p.	-1.6%	1.5 p.p.

In 1Q17, cost of services (CS) came to R$28.0 million and as a ratio of net revenue decreased 4.1 p.p. from the same period in 2016. The reduction is mainly explained by the insourcing of the tutor team, which previously was outsourced. The change aims to improve the quality of the services offered to students and of the responses given and to boost the operation's productivity. Moreover, efficiency gains were captured from the expansion in the student base in recent years and from the ongoing initiatives to optimize performance in the DL segment. Furthermore, the expansion in the base of 100%-online students also had a positive impact on this line, since their cost structure is lower compared to the blended learning model. Compared to the prior quarter, costs as a ratio of revenue decreased even further, by 6.2 p.p., due to deferred expenses that had adversely affected the prior quarter.

Gross Income

Distance Learning - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Income	**233,136**	**242,824**	**-4.0%**	**218,832**	**6.5%**
Gross Margin	*89.3%*	*85.2%*	*4.1 p.p.*	*83.1%*	*6.2 p.p.*

Gross income was R$233.1 million in 1Q17, with gross margin of 89.3%, expanding 4.1 p.p. from the year-ago period, even considering the Uniasselvi results that impacted the first two months of 1Q16. This improvement in profitability was supported by the capture of efficiency and synergy gains in recent quarters, and by the lower payroll costs in the period. Compared to the prior quarter, the gross margin

expansion reflects the results achieved in the admissions process at the start of the year, and also the fact that 4Q16 included certain extraordinary costs that adversely affected profitability in that period.

Operating Expenses

Distance Learning - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Total Operating Expenses	**(22,954)**	**(24,695)**	**-7.1%**	**(33,633)**	**-31.8%**
Personnel Expenses	(16,083)	(16,349)	-1.6%	(22,397)	-28.2%
General and Administrative Expenses	(6,871)	(8,346)	-17.7%	(11,235)	-38.8%

% of Net Revenues	1Q17	1Q16	Chg.%	4Q16	Chg.%
Total Operating Expenses	**-8.8%**	**-8.7%**	**-0.1 p.p.**	**-12.9%**	**4.1 p.p.**
Personnel Expenses	-6.2%	-5.7%	-0.4 p.p.	-8.6%	2.4 p.p.
General and Administrative Expenses	-2.6%	-2.9%	0.3 p.p.	-4.3%	1.7 p.p.

Personnel, General and Administrative Expenses

This quarter, personnel expenses as a ratio of net revenue in the segment increased 0.4 p.p. from 1Q16, reflecting the lower revenue in the period, since nominal expenses were practically stable, even after considering the pressure from the annual adjustments and the growth in headcount to support the expansion of the centers in operation. General and administrative expenses as a ratio of net revenue decreased in relation to 4Q16 due to the higher reversals of contingencies in relation to prior periods, as well as the improvements in the advisory and collection process. When compared to 1Q16, the reduction is also related to savings in the line Utilities, Cleaning and Safety, due to renegotiations and centralized contracts.

Provision for Doubtful Accounts (PDA)

Distance Learning (DL) - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Provision for Doubtful Account - PDA	(26,737)	(21,221)	26.0%	(21,315)	25.4%
PDA / Distance Learning Net Revenues	*-10.2%*	*-7.4%*	*-2.8 p.p.*	*-8.1%*	*-2.1 p.p.*
PDA Out-of-pocket	(20,621)	(21,221)	-71.2%	(21,315)	-71.3%
PDA Out-of-pocket/ Out-of-pocket DL Net Revenues	*-8.3%*	*-7.4%*	*-0.8 p.p.*	*-8.1%*	*-0.2 p.p.*
PCLD PMT - Installment Part	(6,116)	-	n.a.	-	n.a.
PDA PMT/ PMT DL Net Revenues	*-50.0%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*

Provisioning in the DL business stood at 10.2% in 1Q17, which is significantly higher than in prior quarters, reflecting the launch of PMT for DL students, which, like PEP, has a conservative provisioning policy, with the provisioning of 50% of the tuitions paid in installments. Excluding this effect, PDA increased gradually, as expected, accompanying the trend in the On-campus segment and the deterioration in the economic scenario.

Accounts Receivable

Distance Learning - Values in R$ ('000) net of APV and PDA	1Q17	1Q16	Chg.%	4Q16	% AH
Net Accounts Receivable	**229,867**	**199,730**	**15.1%**	**249,798**	**-8.0%**
Tuition and Agreements to Receive - Short term	223,447	199,730	13.1%	249,798	-9.6%
PMT	6,420	-	n.a	-	n.a

[1] Amounts for 1Q16 adjusted to the same comparison base of 1Q17 and 4Q16, including accounts receivable from credit cards

In 1Q17, net accounts receivables in the DL business amounted to R$229.9 million, increasing 15.1% from the same period of 2016, which is basically explained by expansion in the receivables-generating student base and by the longer receivables term of PMT, as well as by the more adverse economic scenario. Compared to the prior quarter, the decrease reflects the rigorous renegotiation policies practiced by the Company during the re-enrollment process at the start of the year.

1. Average Accounts Receivable Term - Out-of-pocket

Distance Learning - Days	1Q17	1Q16	Chg.(Days)	4Q16	Chg.(Days)
Net Accounts Receivable (Out-of-Pocket) / Net Revenue (Out-of-Pocket)	78	63	15 Days	84	-06 Days

Calculation base: net balance of short-term and long-term Accounts Receivable for Out-of-pocket students 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 DL segment increased by 15 days on the prior-year period, reflecting the higher amount of receivables due to the macroeconomic scenario and the expansion in the student base in the last admissions process. Meanwhile, the decline of 6 days from 4Q16 reflects the rigorous renegotiation policies adopted during the re-enrollment process.

2. Average Accounts Receivable Term - PMT

Distance Learning - Days	1Q17	1Q16	Chg.(Days)	4Q16	Chg.(Days)
Net Accounts Receivable (PMT) / Net Revenue (PMT)	189	n.a.	n.a.	n.a.	n.a.

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

The average receivables term of PMT students in the DL segment was 189 days, remembering that students who contract this product will pay the outstanding monthly tuitions after they graduate.

Operating Result

Distance Learning - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Income	**233,136**	**242,824**	**-4.0%**	**218,832**	**6.5%**
(-) Total Operating Expenses	(22,954)	(24,695)	-7.1%	(33,633)	-31.8%
(-) Provision for Doubtful Account - PDA	(26,737)	(21,221)	26.0%	(21,315)	25.4%
(+) Interest and Penalties on Tuition	8,334	9,508	-12.3%	3,818	118.3%
Operating Result	**191,780**	**206,416**	**-7.1%**	**167,702**	**14.4%**
Operating Margin	*73.4%*	*72.4%*	*1.0 p.p.*	*63.7%*	*9.7 p.p.*

The operating result (before marketing expenses) in the DL business came to R$191.8 million in 1Q17, or 7.1% lower than in the same period of 2016, due to the lower revenue following the divestment of the Uniasselvi operations and the weaker performance in the LFG operations, as well as the higher provisioning in the period to support the offering of PMT. However, despite the lower operating result in the quarter and the divestment of a relevant asset such as Uniasselvi, the Company was able to expand its operating margin by 1.0 p.p. in the period, supported by the lower costs and expenses in the quarter. Compared to the prior quarter, the 9.7 p.p. increase in operating margin was influenced mainly by seasonality.

RESULTS EX-UNIASSELVI

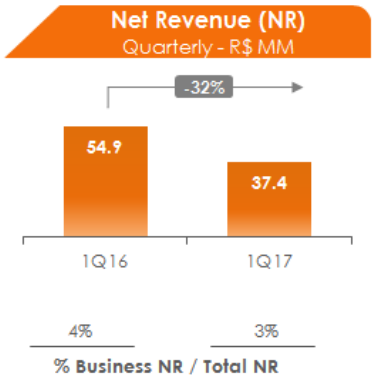
The following table presents the main P&L lines excluding data from Uniasselvi for 1Q16:

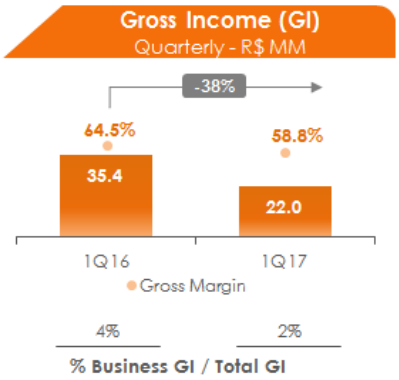
Distance Learning - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Net Revenue	261,111	255,725	2.1%	263,235	-0.8%
Gross Income	233,136	222,838	4.6%	218,832	6.5%
Gross Margin	*89.3%*	*87.1%*	*2.1 p.p.*	*83.1%*	*6.2 p.p.*
Operating Result	191,780	189,165	1.4%	167,702	14.4%
Operating Margin	*73.4%*	*74.0%*	*-0.5 p.p.*	*63.7%*	*9.7 p.p.*

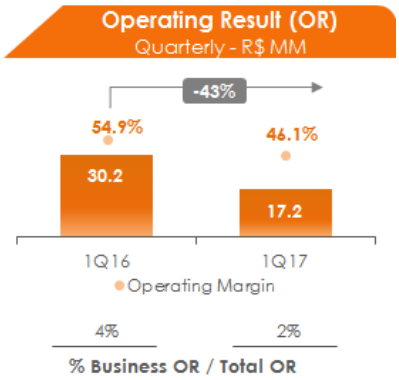
Excluding Uniasselvi, net revenue in the quarter grew 2.1% from 1Q16, which is explained by the robust results achieved in the new enrollment and re-enrollment process at the start of the year. Meanwhile, gross income advanced 4.6%, with gross margin of 89.3%, expanding 1.4 p.p. from 1Q16. Operating income in the quarter decreased 1.4%, with operating margin down slightly from the same period of 2016.

CORPORATE FINANCIAL PERFORMANCE – PRIMARY AND SECONDARY

Primary and Secondary Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Revenue	**40,967**	**57,535**	**-28.8%**	**65,472**	**-37.4%**
Gross Revenue Deductions	(3,585)	(2,605)	37.6%	(1,485)	141.4%
Tax	(1,147)	(1,768)	-35.1%	(1,328)	-13.7%
ProUni	-	-	n.a.	-	n.a.
Returns	(2,438)	(837)	191.3%	(117)	n.a.
Total Discounts	-	-	n.a.	(40)	n.a.
Net Revenue	**37,382**	**54,930**	**-31.9%**	**63,986**	**-41.6%**
Management Contracts and Own Operations	15,438	15,482	-0.3%	14,392	7.3%
Associated Schools Network	21,944	39,449	-44.4%	49,594	-55.8%
Total of Costs	**(15,395)**	**(19,516)**	**-21.1%**	**(27,776)**	**-44.6%**
Cost of Goods	(5,770)	(9,922)	-41.8%	(15,339)	-62.4%
Cost of Services	(9,625)	(9,595)	0.3%	(12,437)	-22.6%
Faculty, Other Personnel and Third-Party Services	(7,722)	(6,576)	17.4%	(8,812)	-12.4%
Rent	(256)	(265)	-3.4%	(199)	28.7%
Materials	-	-	n.a.	-	n.a.
Maintenance	(15)	(4)	292.2%	(225)	-93.3%
Other	(1,632)	(2,749)	-40.6%	(3,201)	-49.0%
Gross Income	**21,987**	**35,414**	**-37.9%**	**36,210**	**-39.3%**
Management Contracts and Own Operations	6,329	7,787	-18.7%	5,844	8.3%
Associated Schools Network	15,657	27,628	-43.3%	30,366	-48.4%
Gross Margin	*58.8%*	*64.5%*	-5.7 p.p.	56.6%	2.2 p.p.
Management Contracts and Own Operations	*41.0%*	*50.3%*	-9.3 p.p.	40.6%	0.4 p.p.
Associated Schools Network	*71.4%*	*70.0%*	1.3 p.p.	61.2%	10.1 p.p.
Total Operating Expenses	**(4,670)**	**(4,918)**	**-5.1%**	**(6,020)**	**-22.4%**
Personnel Expenses	(3,810)	(4,175)	-8.8%	(5,115)	-25.5%
General and Administrative Expenses	(860)	(743)	15.8%	(905)	-4.9%
Provision for Doubtful Account - PDA	(299)	(438)	-31.8%	(514)	-41.8%
(+) Interest and Penalties on Tuition	227	125	82.0%	198	14.9%
Operating Result	**17,245**	**30,183**	**-42.9%**	**29,874**	**-42.3%**
Operating Margin	*46.1%*	*54.9%*	-8.8 p.p.	46.7%	-0.6 p.p.







Revenue and Deductions

Primary and Secondary Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Revenue	**40,967**	**57,535**	**-28.8%**	**65,472**	**-37.4%**
Gross Revenue Deductions	(3,585)	(2,605)	37.6%	(1,485)	141.4%
Tax	(1,147)	(1,768)	-35.1%	(1,328)	-13.7%
ProUni	-	-	n.a.	-	n.a.
Returns	(2,438)	(837)	191.3%	(117)	1988.9%
Total Discounts	-	-	n.a.	(40)	-100.0%
Net Revenue	**37,382**	**54,930**	**-31.9%**	**63,986**	**-41.6%**
Management Contracts and Own Operations	15,438	15,482	-0.3%	14,392	7.3%
Associated Schools Network	21,944	39,449	-44.4%	49,594	-55.8%

Deductions

In 1Q17, deductions as a ratio of gross revenue increased significantly by 4.2 p.p. compared to the same period of 2016, basically due to the higher volume of returns in the quarter. This is an extraordinary impact that should not affect future quarters. The increase in this indicator also is explained by the lower gross revenue in the period, due to the anticipation of a portion of the revenue to the prior quarter. Compared to 4Q16, deductions as a ratio of gross increased even more, by 6.5 p.p., due to the non-recurring gross revenue recognized in that quarter, and to the increase in total returns, as mentioned above.

Net Revenue

As discussed in previous quarters, 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 were previously recognized in odd-numbered quarters is now being anticipated to the quarter immediately prior. Although this had already occurred in early 2016, the impact was even more relevant at the start of this year and affected all lines in the P&L, with the trend expected to recur between 4Q17 and 1Q18 as well. Therefore, the additional revenue in 4Q17 is expected to minimize the reduction in revenue in 1Q17, similar to what occurred in the same periods of 2016. Considering this circumstance, net revenue declined by 31.9% from the same period last year and by 41.6% compared to 4Q16.

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 2017 was R$515.15 per student, or 6.2% higher than in 2016.

Costs

Primary and Secondary Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Total of Costs	**(15,395)**	**(19,516)**	**-21.1%**	**(27,776)**	**-44.6%**
Cost of Goods (CG)	(5,770)	(9,922)	-41.8%	(15,339)	-62.4%
Cost of Services (CS)	(9,625)	(9,595)	0.3%	(12,437)	-22.6%
Faculty, Other Personnel and Third-Party Services	(7,722)	(6,576)	17.4%	(8,812)	-12.4%
Rent	(256)	(265)	-3.4%	(199)	28.7%
Materials	-	-	n.a.	-	n.a.
Maintenance	(15)	(4)	292.2%	(225)	-93.3%
Other	(1,632)	(2,749)	-40.6%	(3,201)	-49.0%

% of Net Revenues	1Q17	1Q16	Chg.%	4Q16	Chg.%
Total of Costs	**-41.2%**	**-35.5%**	**-5.7 p.p.**	**-43.4%**	**2.2 p.p.**
Cost of Goods (CG)	-15.4%	-18.1%	2.6 p.p.	-24.0%	8.5 p.p.
Cost of Services (CS)	-25.7%	-17.5%	-8.3 p.p.	-19.4%	-6.3 p.p.
Faculty, Other Personnel and Third-Party Services	-20.7%	-12.0%	-8.7 p.p.	-13.8%	-6.9 p.p.
Rent	-0.7%	-0.5%	-0.2 p.p.	-0.3%	-0.4 p.p.
Materials	0.0%	0.0%	0.0 p.p.	0.0%	0.0 p.p.
Maintenance	0.0%	0.0%	0.0 p.p.	-0.4%	0.3 p.p.
Other	-4.4%	-5.0%	0.6 p.p.	-5.0%	0.6 p.p.

In 1Q17, cost of goods sold as a ratio of net revenue in the business decreased 2.6 p.p. from the year-ago period, reflecting the lower sales volume due to the anticipation of textbook collection deliveries to even-numbered quarters. Compared to 4Q16, the decline is even more significant, of 8.3 p.p., due to the segment's new seasonality. Likewise, compared to 1Q16, the ratio of cost of services to net revenue also was affected by the new revenue recognition schedule, since nominal costs were virtually stable, despite the pressure from inflation, demonstrating the Company's cost control efforts.

Gross Income

Primary and Secondary Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Income	**21,987**	**35,414**	**-37.9%**	**36,210**	**-39.3%**
Management Contracts and Own Operations	6,329	7,787	-18.7%	5,844	8.3%
Associated Schools Network	15,657	27,628	-43.3%	30,366	-48.4%
Gross Margin	*58.8%*	*64.5%*	*-5.7 p.p.*	*56.6%*	*2.2 p.p.*
Management Contracts and Own Operations	*41.0%*	*50.3%*	*-9.3 p.p.*	*40.6%*	*0.4 p.p.*
Associated Schools Network	*71.4%*	*70.0%*	*1.3 p.p.*	*61.2%*	*10.1 p.p.*

In 1Q17, gross income came to R$22.0 million, down 38.0% from the same period last year, accompanied by gross margin contraction of 5.7 p.p., due to the lower revenue in the period, as already discussed.

Operating Expenses

Primary and Secondary Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Total Operating Expenses	**(4,670)**	**(4,918)**	**-5.1%**	**(6,020)**	**-22.4%**
Personnel Expenses	(3,810)	(4,175)	-8.8%	(5,115)	-25.5%
General and Administrative Expenses	(860)	(743)	15.8%	(905)	-4.9%

% of Net Revenues	1Q17	1Q16	Chg.%	4Q16	Chg.%
Total Operating Expenses	**-12.5%**	**-9.0%**	**-3.5 p.p.**	**-9.4%**	**-3.1 p.p.**
Personnel Expenses	-10.2%	-7.6%	-2.6 p.p.	-8.0%	-2.2 p.p.
General and Administrative Expenses	-2.3%	-1.4%	-0.9 p.p.	-1.4%	-0.9 p.p.

Personnel, General and Administrative Expenses

Personnel, general and administrative expenses as a ratio of revenue increased 3.5 p.p. compared to 1Q16, which is mainly explained by the new revenue recognition schedule, since nominal expenses actually decreased as a result of the initiatives to optimize headcount. Compared to the prior quarter, operating expenses also fell due to the capture of efficiency gains and the seasonality of the operation.

Provision for Doubtful Accounts (PDA)

Primary and Secondary Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Provision for Doubtful Account - PDA	(299)	(438)	-31.8%	(514)	-41.8%
PDA / Primary and Secondary Education Net Revenues	*-0.8%*	*-0.8%*	*0.0 p.p.*	*-0.8%*	*0.0 p.p.*

This quarter, PDA stood at 0.8% of net revenue, stable compared to both the same period last year and the prior quarter, attesting to the effective provisioning policies adopted for the primary and secondary education segment.

Accounts Receivable

Primary and Secondary Education	1Q17	1Q16	Chg.%	4Q16	Chg.%
Net Accounts Receivable	**51,541**	**48,872**	**5.5%**	**64,636**	**-20.3%**

In 1Q17, the increase in Accounts Receivable compared to 1Q16 also reflects the higher sales volume in the prior quarter, given that the maturity conditions were maintained until March of this year. Compared to 4Q16, the decline is explained by the segment's new seasonality.

Average Accounts Receivable Term

Primary and Secondary Education - Days	1Q17	1Q16	Chg.(days)	4Q16	Chg.(days)
Net Accounts Receivable / Net Revenue	108	102	06 Days	123	-15 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 6-day increase in the average accounts receivable term in the Primary and Secondary Education segment in 1Q17 compared to 1Q16 is associated with the longer payment term for the distribution of school materials.

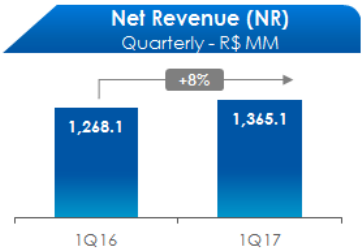
Operating Result

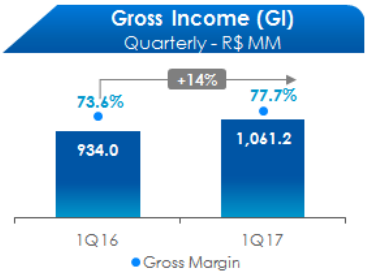
Primary and Secondary Education - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Income	**21,987**	**35,414**	**-37.9%**	**36,210**	**-39.3%**
(-) Total Operating Expenses	(4,670)	(4,918)	-5.1%	(6,020)	-22.4%
(-) Provision for Doubtful Account - PDA	(299)	(438)	-31.8%	(514)	-41.8%
(+) Interest and Penalties on Tuition	227	125	82.0%	198	14.9%
Operating Result	**17,245**	**30,183**	**-42.9%**	**29,874**	**-42.3%**
Operating Margin	*46.1%*	*54.9%*	-8.8 p.p.	46.7%	-0.6 p.p.

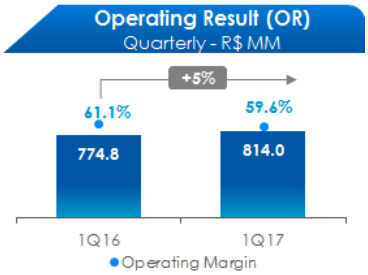
In 1Q17, the operating result (before marketing expenses) was R$17.2 million, with margin of 46.1%, down 8.8 p.p. on the year-ago period, due to the new revenue recognition schedule, which ended up offsetting the rigorous control of costs and expenses in the Primary and Secondary Education business.

FINANCIAL PERFORMANCE - KROTON

Consolidated - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Gross Revenue	**1,740,781**	**1,618,544**	**7.6%**	**1,742,552**	**-0.1%**
Gross Revenue Deductions	(375,659)	(350,405)	7.2%	(381,038)	-1.4%
Tax	(48,352)	(39,062)	23.8%	(43,713)	10.6%
ProUni	(215,200)	(222,918)	-3.5%	(216,656)	-0.7%
Returns	(2,438)	(837)	191.3%	(117)	1988.9%
Total Discounts	(109,668)	(87,588)	25.2%	(120,512)	-9.0%
Net Revenue	**1,365,122**	**1,268,139**	**7.6%**	**1,361,514**	**0.3%**
Total of Costs	**(303,971)**	**(334,156)**	**-9.0%**	**(427,287)**	**-28.9%**
Cost of Goods	(5,770)	(9,922)	-41.8%	(15,339)	-62.4%
Cost of Services	(298,201)	(324,234)	-8.0%	(411,948)	-27.6%
Faculty, Other Personnel and Third-Party Services	(206,187)	(219,901)	-6.2%	(304,339)	-32.3%
Rent	(84,343)	(83,085)	1.5%	(83,645)	0.8%
Materials	(4,675)	(6,825)	-31.5%	(4,578)	2.1%
Maintenance	(258)	(2,732)	-90.5%	(6,281)	-95.9%
Other	(2,737)	(11,692)	-76.6%	(13,104)	-79.1%
Gross Income	**1,061,151**	**933,984**	**13.6%**	**934,228**	**13.6%**
Gross Margin	*77.7%*	*73.6%*	*4.1 p.p.*	*68.6%*	*9.1 p.p.*
Total Operating Expenses	**(132,435)**	**(134,586)**	**-1.6%**	**(182,452)**	**-27.4%**
Personnel, General and Administrative Expenses	(132,435)	(134,586)	-1.6%	(182,452)	-27.4%
Personnel Expenses	(78,191)	(79,083)	-1.1%	(97,116)	-19.5%
General and Administrative Expenses	(54,244)	(55,503)	-2.3%	(85,336)	-36.4%
Provision for Doubtful Account - PDA	**(158,508)**	**(63,940)**	**147.9%**	**(88,476)**	**79.2%**
(+) Interest and Penalties on Tuition	43,794	39,378	11.2%	22,558	94.1%
Operating Result	**814,001**	**774,835**	**5.1%**	**685,857**	**18.7%**
Operating Margin	*59.6%*	*61.1%*	*-1.5 p.p.*	*50.4%*	*9.3 p.p.*
Selling and Marketing Expenses	**(110,737)**	**(101,627)**	**9.0%**	**(63,963)**	**73.1%**
Corporate Expenses	**(63,735)**	**(66,453)**	**-4.1%**	**(93,166)**	**-31.6%**
Adjusted EBITDA	**639,529**	**606,756**	**5.4%**	**528,729**	**21.0%**
Adjusted EBITDA Margin	*46.8%*	*47.8%*	*-1.0 p.p.*	*38.8%*	*8.0 p.p.*
(-) Non-Recurring Items	44,519	187,049	n.a.	(67,980)	-165.5%
EBITDA	**595,010**	**793,805**	**-25.0%**	**460,749**	**29.1%**
EBITDA Margin	*43.6%*	*62.6%*	*-19.0 p.p.*	*33.8%*	*9.7 p.p.*
Depreciation and Amortization	(102,739)	(97,645)	5.2%	(100,090)	2.6%
Financial Result	22,674	(29,365)	n.a.	6,966	225.5%
Income Tax / Social Contribution	(45,050)	(19,846)	127.0%	20,069	n.a.
Deferred Income Tax / Social Contribution	23,777	(448)	n.a.	(9,999)	n.a.
Income Tax / Social Cont. - Disposal of Uniasselvi	-	(47,147)	n.a.	-	n.a.
Net Income	**493,673**	**599,355**	**-17.6%**	**377,694**	**30.7%**
Net Margin	*36.2%*	*47.3%*	*-11.1 p.p.*	*27.7%*	*8.4 p.p.*
(+) Non Recurring Items	44,519	(187,049)	n.a.	67,980	-34.5%
(+) Intagnible Amortization (Acquisitions)	38,870	46,457	-16.3%	41,924	-7.3%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi	-	47,147	n.a.	-	n.a.
Adjusted Net Income	**577,063**	**505,909**	**14.1%**	**487,598**	**18.3%**
Adjusted Net Margin	*42.3%*	*39.9%*	*2.4 p.p.*	*35.8%*	*6.5 p.p.*







SELLING AND MARKETING EXPENSES

Consolidated - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Selling and Marketing Expenses	(110,737)	(101,627)	9.0%	(63,963)	73.1%

% of Net Revenue	1Q17	1Q16	Chg.%	4Q16	Chg.%
Selling and Marketing Expenses	-8.1%	-8.0%	-0.1 p.p.	-4.7%	-3.4 p.p.

Selling and marketing expenses as a ratio of net revenue were virtually stable in relation to same period last year, with a repetition of the same cycle for contracting campaigns from agencies and the media for the entire year, as observed in 2016. Compared to the prior quarter, the 3.4 p.p. increase is due to seasonality, with a higher volume of sales actions during the admissions process at the start of the year, which registered strong growth in new students.

CORPORATE EXPENSES

Consolidated - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Corporate Expenses	(63,735)	(66,453)	-4.1%	(93,166)	-31.6%
Personnel Expenses	(52,800)	(52,964)	-0.3%	(68,989)	-23.5%
General and Administrative Expenses	(10,935)	(13,489)	-18.9%	(24,177)	-54.8%

% of Net Revenue	1Q17	1Q16	Chg.%	4Q16	Chg.%
Corporate Expenses	-4.7%	-5.2%	0.6 p.p.	-6.8%	2.2 p.p.
Personnel Expenses	-3.9%	-4.2%	0.3 p.p.	-5.1%	1.2 p.p.
General and Administrative Expenses	-0.8%	-1.1%	0.3 p.p.	-1.8%	1.0 p.p.

The ratio of personnel expenses to net revenue within corporate expenses fell 0.3 p.p. from the year-ago period, due to the positive results of the initiatives to control expenses, and also because 1Q16 was affected by a higher volume of new grants of stock option plans. Compared to the prior quarter, the decline was even greater, of 1.2 p.p., reflecting adjustments to the amounts estimated under the variable compensation plans in that quarter. General and administrative expenses as a ratio of net revenue also declined, by 0.3 p.p. compared to 1Q16 and by 1.0 p.p. compared to 4Q16, due to the reduction in expenses achieved by the strategic sourcing process, combined with one-off reversals of contingencies.

NONRECURRING EVENTS

Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Integrations	(12,338)	(5,258)	134.6%	(17,947)	-31.3%
Severance	(10,698)	(20,169)	-47.0%	(13,315)	-19.7%
Restructuring of units	(9,865)	(8,663)	13.9%	(28,648)	-65.6%
M&A and Other projects	(11,619)	(4,185)	177.6%	(20,088)	-42.2%
Subtotal ex-Capital gain from Uniasselvi	**(44,519)**	**(38,275)**	**16.3%**	**(79,999)**	**-44.3%**
Capital Gain - Uniasselvi	-	225,325	n.a.	12,019	n.a.
Total Nonrecurring	**(44,519)**	**187,049**	**n.a.**	**(67,980)**	**-34.5%**

As reported since the divestment of Uniasselvi, non-recurring items are divided into two groups, as shown in the above table: (1) nonrecurring events that generated non-recurring costs and expenses, and (2) the capital gain recorded from the sale of Uniasselvi. The non-recurring items in the first group came to R$44.5 million and included: (i) expenses with planning for the Estácio integration; (ii) severance charges, especially those related to the reduction in classroom hours generated by the initiatives to capture efficiency gains, such as the operational research software; (iii) the restructuring of on-campus units, which includes campus deactivations; and (iv) other organic growth projects in the On-campus and DL segments, as well as the prospecting of potential new acquisitions. The capital gain from the sale of Uniasselvi had a residual impact on the result, but with a substantial impact on non-recurring items in the same period of 2016. In all, nonrecurring items in the quarter came to R$44.5 million.

FINANCIAL RESULT

Consolidated - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
(+) Financial Revenues	47,057	19,585	140.3%	38,555	22.1%
Interest on Financial Investment	38,400	14,734	160.6%	33,341	15.2%
Others	8,657	4,851	n.a.	5,214	n.a.
(-) Financial Expenses	(24,387)	(48,950)	-50.2%	(31,589)	-22.8%
Banks Expenses	(1,955)	(2,780)	-29.7%	(2,156)	-9.3%
Interest on Loans	(11,747)	(22,165)	-47.0%	(16,337)	-28.1%
Interest and Tax on Late Payment	(3,402)	(3,026)	12.4%	(1,111)	206.3%
Interest on Loans for Acquisitions	(3,920)	(5,375)	-27.1%	3,444	n.a.
Restatement of Contingencies	(4,588)	(12,848)	-64.3%	(4,764)	-3.7%
Others	1,225	(2,756)	n.a.	(10,665)	n.a.
Financial Result[1]	**22,670**	**(29,365)**	**n.a.**	**6,966**	**225.4%**

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

Similar to the previous two quarters, in 1Q17, Kroton posted net financial income of R$22.6 million, due to the higher cash balance and resulting increase in the line interest income. As the Company increases its cash position, financial income will become more and more significant.

NET INCOME

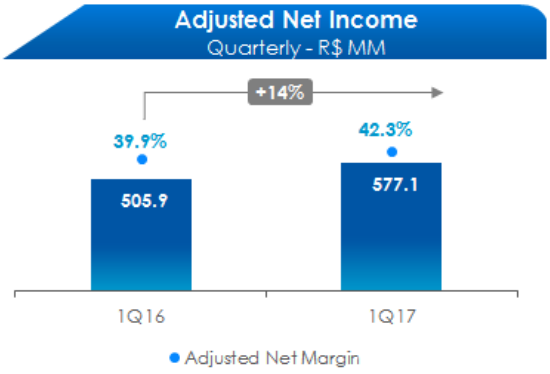
Consolidated - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Operating Result	**814,001**	**774,835**	**5.1%**	**685,857**	**18.7%**
(+) Selling and Marketing Expenses	(110,737)	(101,627)	9.0%	(63,963)	73.1%
(+) Corporate Expenses	(63,735)	(66,453)	-4.1%	(93,166)	-31.6%
(+) Depreciation and Amortization ex-Intangible	(63,868)	(51,189)	24.8%	(58,166)	9.8%
(+) Financial Result[1]	22,674	(29,365)	n.a.	6,966	225.5%
(+) Income Tax / Social Contribution	(45,050)	(19,846)	127.0%	20,069	n.a.
(+) Deferred Income Tax / Social Contribution	23,777	(448)	n.a.	(9,999)	n.a.
Adjusted Net Income	**577,063**	**505,909**	**14.1%**	**487,598**	**18.3%**
Adjusted Net Margin	*42.3%*	*39.9%*	*2.4 p.p.*	*35.8%*	*6.5 p.p.*
(+) Nonrecurring Items	44,519	187,049	-76.2%	(67,980)	n.a.
(+) Intangible Amortization (Acquisitions)	(38,870)	(46,457)	-16.3%	(41,924)	-7.3%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi	-	(47,147)	n.a.	-	n.a.
Net Income	**493,673**	**599,355**	**-17.6%**	**377,694**	**30.7%**
Net Margin	*36.2%*	*47.3%*	*-11.1 p.p.*	*27.7%*	*8.4 p.p.*

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

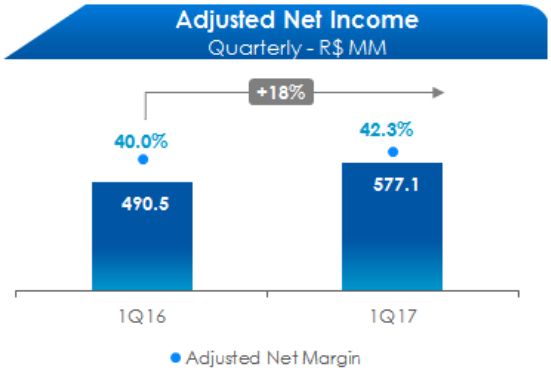
Adjusted net income (adjusted for the amortization of intangible assets, nonrecurring events and taxes related to the Uniasselvi divestment) amounted to R$577.1 million, with adjusted net margin of 42.3%, expanding 2.4 p.p. from the same period in 2016. The result reflects the capture of synergy and efficiency gains, the projects successfully executed by the Company and the strong results achieved in the new enollment and re-enrollment process at the start of the year, which combined were able to offset pressures from the change in profile of Kroton's student base and the higher provisioning to enable the offering to students of installment payment plans.

Excluding Uniasselvi from the analysis, adjusted net income posted even stronger growth, of 17.6%, however the change in accounting net income presented a decrease of 17.6% between 1Q17 and 1Q16, essentially due to (nonrecurring) gains recorded with the Uniasselvi divestment in the 2016 period. In this sense, the most adequate comparison to correctly evaluate the evolution in net income should consider the adjustments mentioned in the previous paragraph.

CORPORATE:



EX-UNIASSELVI:



Excluding the adjustments for nonrecurring items, amortization of intangible assets and taxes on the sale of Uniasselvi, net income amounted to R$493.7 million in 1Q17. Given the significant impact from these adjustments in 1Q16, the Company recommends the pro-forma and adjusted result as the best metric for accompanying financial performance.

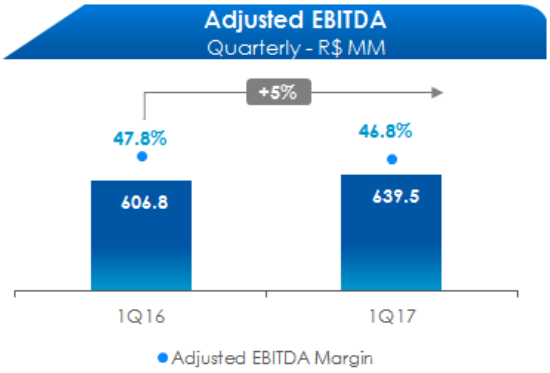
EBITDA

Consolidated - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Net Income (Loss)	**493,673**	**599,355**	**-17.6%**	**377,694**	**30.7%**
(+) Depreciation and Amortization	102,739	97,645	5.2%	100,090	2.6%
(+) Financial Result [1]	(22,674)	29,365	n.a.	(6,966)	225.5%
(+) Income Tax / Social Contribution	45,050	66,992	-32.8%	(20,069)	n.a.
(+) Deferred Income Tax / Social Contribution	(23,777)	448	n.a.	9,999	n.a.
EBITDA	**595,010**	**793,805**	**-25.0%**	**460,749**	**29.1%**
EBITDA Margin	*43.6%*	*62.6%*	*-19.0 p.p.*	*33.8%*	*9.7 p.p.*
(+) Nonrecurring Items	(44,519)	(187,049)	-76.2%	67,980	n.a.
Adjusted EBITDA	**639,529**	**606,756**	**5.4%**	**528,729**	**21.0%**
Adjusted EBITDA Margin	*46.8%*	*47.8%*	*-1.0 p.p.*	*38.8%*	*8.0 p.p.*

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

Adjusted EBITDA came to R$639.5 million in the quarter, increasing 5.4% from the same period last year, with Adjusted EBITDA margin contracting 1.0 p.p. The lower profitability this quarter is explained almost exclusively by the higher level of provisioning to support products such as PEP and PMT, which are part of the commercial strategy for attracting new students. Analyzed exclusively from Kroton's operating perspective, performance in the quarter once again corroborates capture of efficiency gains and creation of value for shareholders, with sustainable revenue growth accompanied by rigorous control of costs and expenses. Excluding Uniasselvi from the analysis, adjusted EBITDA advanced 8.6% from 1Q16.

CORPORATE:



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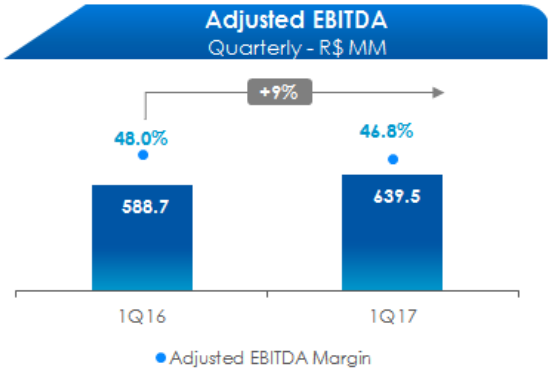
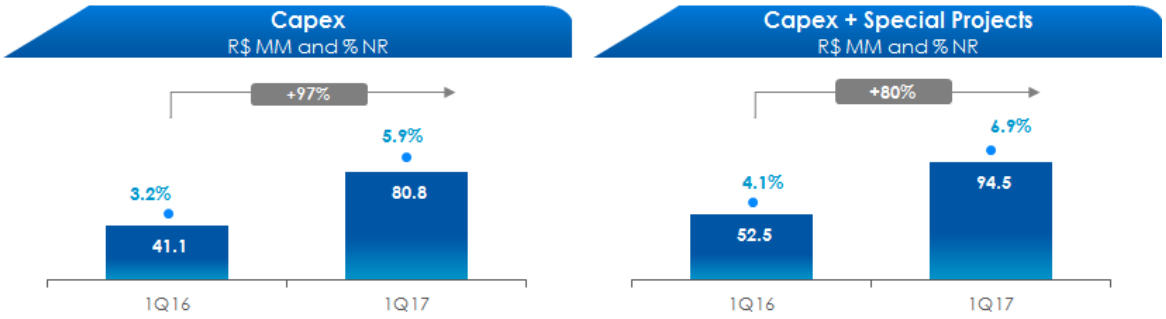


Excluding the adjustment for non-recurring events, the Company reported EBITDA of R$595.0 million in 1Q17, down 25.0% from the previous year, since the 1Q16 result benefited from the capital gain from the Uniasselvi divestment. EBITDA margin stood at 43.6% in 1Q17.

INVESTMENT (CAPEX)

In 1Q17, Kroton invested R$80.7 million, allocated as follows:

(i) information technology and library equipment: R$9.3 million (12%);
(ii) content and systems development and software licenses: R$29.4 million (36%);
(iii) laboratory and related equipment: R$16.4 million (20%);
(iv) expansions – construction and improvements: R$25.6 million (32%).



In the period, investments corresponded to 5.9% of net revenue, with the largest portion allocated to projects involving content development, systems development and software licensing, as well as construction works and improvements at existing units, with the objective of preparing the units for the 2017 academic year.

Kroton has also been investing in special projects, such as expansion and greenfield projects, which came to R$13.7 million in 1Q17. Therefore, total investment as a ratio of net revenue stood at 6.9% in the quarter. Despite the lower investments in the period, it is important to highlight that this behavior is seasonal and an acceleration of expenditures is expected over the course of the coming quarters to reach a ratio of capex to net revenue that is closer to the levels seen in the consolidated year of 2016.

NET DEBT

Consolidated - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Cash and Cash Equivalents	1,356,720	574,432	136.2%	1,349,700	0.5%
Cash	2,796	10,214	-72.6%	2,077	34.6%
Securities	1,353,924	564,218	140.0%	1,347,623	0.5%
Loans and Financing	496,783	711,650	-30.2%	544,002	-8.7%
Short-term Debt	250,691	227,788	10.1%	219,282	14.3%
Long-term Debt	246,092	483,862	-49.1%	324,720	-24.2%
Net Cash (Debt)[1]	**859,937**	**(137,218)**	**n.a.**	**805,698**	**6.7%**
Other Short and Long Term Debt[2]	202,354	253,080	-20.0%	199,560	1.4%
(1) Net Cash (Debt)	**657,583**	**(390,298)**	**n.a.**	**606,138**	**8.5%**
Short Term Accounts Receivable[3]	**196,910**	**183,693**	7.2%	**193,390**	1.8%
FIES - NR 23 - cash balance in Aug/17	196,910	183,693	7.2%	193,390	1.8%
Long-Term Accounts Receivable[3]	**866,950**	**893,195**	-2.9%	**852,492**	1.7%
FIES - NR 23 - cash balance in Aug/18	359,178	516,258	-30.4%	353,917	1.5%
Uniasselvi Disposal	507,772	376,937	34.7%	498,575	1.8%
(2) Other Accouts Receivable[3]	**1,063,861**	**1,076,888**	-1.2%	**1,045,882**	1.7%
(1)+(2) Pro Forma Net Cash (Debt)	**1,721,444**	**686,590**	**150.7%**	**1,652,020**	**4.2%**

[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 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 1Q17, total cash and financial investments amounted to R$1,356.7 million, up 0.5% from the previous quarter, reflecting cash generation in the period, which more than offset the payment of dividends for 4Q16 and the payment of R$50 million (or R$64.7 million including interest and charges) to settle a portion of the Company's debentures. Since last year, Kroton has been consolidating its net cash position, which currently amounts to R$859.9 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$657.6 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 25% of the FIES installments not paid in 2015, which will be credited in August 2017, and the long-term accounts, including receivables related to the second portion of the payment for Uniasselvi 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$1.7 billion and placing Kroton in a unique position in terms of its capital structure.

CASH FLOW

Actual Cash Flow

Consolidated - Values in R$ ('000)	1Q17	1Q16	Chg.%	4Q16	Chg.%
Net Income before Income Interest	**514,946**	**603,712**	**-7.9%**	**880,281**	**-41.5%**
(+) Net Income adjustments before Income Interest	232,135	17,397	n.a.	198,844	16.7%
Depreciation and Amortization	102,739	97,647	5.2%	100,090	2.6%
Provision for Doubtful Accounts (PDA)	158,508	63,940	147.9%	93,152	70.2%
Others	(29,112)	(144,190)	-79.8%	5,602	n.a.
(+) Income Tax and Social Contribution	(30,336)	(27,528)	10.2%	(6,839)	343.6%
(+) Changes in Working Capital	(583,743)	(584,432)	-0.1%	(475,426)	22.8%
(Increase) Reduction in Accounts Receivable ex-FIES	(334,180)	(567,114)	-41.1%	(473,493)	-29.4%
(Increase) Reduction in Accounts Receivable FIES	(134,155)	189,836	n.a.	(102,169)	31.3%
Others	(115,408)	(207,154)	-44.3%	100,236	n.a.
Operating Cash Generation before Capex	**133,002**	**9,149**	**n.a.**	**596,860**	**-77.7%**
Capex - Recurring	(81,848)	(48,683)	68.1%	(130,115)	-37.1%
Operating Cash Generation after Capex	**51,155**	**(39,533)**	**n.a.**	**466,744**	**-89.0%**
Capex - Special Projects	(12,395)	(21,264)	-41.7%	(20,821)	-40.5%
Operating Cash Generation after Capex and Special Projects	**38,759**	**(60,798)**	**n.a.**	**445,923**	**-91.3%**
(+) M&A Activities	(2,335)	356,639	n.a.	(53,222)	-95.6%
(+) Cash Flow from Financing Activities	(30,113)	(124,781)	-75.9%	(223,767)	-86.5%
Free Cash Flow	**6,311**	**171,060**	**-96.3%**	**168,934**	**-96.3%**

Consolidated - Values in R$ ('000)	1Q17	1Q16	Chg.%
Operating Cash Generation (OCG) before Capex	**133,002**	**9,149**	**n.a.**
OCG / EBITDA[1]	*19.4%*	*1.6%*	17.8 p.p.
Operating Cash Generation after Capex	**51,155**	**(39,533)**	**n.a.**
OCG / EBITDA[1]	*7.5%*	-	n.a.
Operating Cash Generation after Capex and Special Projects	**38,759**	**(60,798)**	**n.a.**
OCG / EBITDA[1]	*5.7%*	-	n.a.
Free Cash Flow	**6,311**	**171,060**	**-96.3%**

[1] EBITDA excluding the capital gain from the divestment Uniasselvi

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$133.0 million in 1Q17, growing significantly from 1Q16, as a result of the normalization of the tuition receivables cycle for FIES students and the strong results delivered in recent quarters. If we include the additional FIES installment of R$191.7 million received in 4Q16 related to November (which normally would be received in January), operating cash generation before capex was R$324.7 million. Considering the capex disbursements in the period, operating cash flow was R$51.2 million in 1Q17 (or R$242.8 million including the additional repurchase made in 2016, but related to 2017). Including also capex and special projects, operating cash generation came to R$38.8 million (or R$230.5 million including the additional repurchase in 2016, but related to 2017), which is considerably higher than in the same period of 2016, but lower than the previous quarter, precisely because 4Q16 includes 4 FIES repurchases, instead of the usual 3 installments in a quarter. Meanwhile, free cash flow in the quarter amounted to R$6.3 million and was negatively impacted by the factors described above.

Operating cash flow after capex corresponded to 8.6% of EBITDA in 1Q17. After the disbursements for capex and special projects, cash flow corresponded to 6.5% of EBITDA in the period (or 38.7% including the additional repurchase in 2016). This performance once again demonstrates the strength of the Company's operations, despite all the challenges faced due to the worsening of the economic crisis and the need to offer students an alternative installment payment plan using own capital.

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 stock was traded in 100% of trading sessions during 1Q17, registering financial trading volume of R$7.3 billion and 1,134,314 trades in the period, which represents average daily trading volume of R$118.3 million. On March 31, 2017, Kroton's market capitalization was R$21.6 billion.

In the first quarter of 2017, Kroton's stock price fell 0.4%, while the Bovespa Index (Ibovespa) gained 7.9% in the same period. In the same period, the IGC ITAG and ICON gained 9.6%, 9.5% and 4.5%, respectively. Kroton stock is currently covered by research analysts at 15 different local and international institutions.

Highlights- KROT3	1Q17
Average Daily Trade Volume (average)	R$ 118.3 million
Maximum (R$ per share)	R$ 14.67
Minimum (R$ per share)	R$ 12.55
Average (R$ per share)	R$ 13.54
Closing Quote	R$ 13.28
Variation in the period (%)	-0.4%

OWNERSHIP STRUCTURE

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

*Kroton Ownership Structure**	Quantity	%
Treasury	1,223,170	0.1%
Free Float	1,624,846,608	99.9%
Total	**1,626,069,778**	**100.0%**

* Position on Apr. 30, 2017.

DIVIDENDS

In a Meeting held on May 12, 2017, the Board of Directors approved the distribution of dividends related to the results for the first quarter of 2017 in the amount of R$ 187,595,799.23, which will be calculated towards the minimum mandatory dividend for 2017, which corresponds to R$0.1154544671 per common share and to 40% of adjusted net income, after deduction of the legal reserve. Shareholders of record at the close of trading on May 18, 2017 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 50 years, the Company has a nationwide presence in all of Brazil's states. On March 31, 2017, Kroton had more than 1 million students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 114 Postsecondary units and its 910 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 2017 served 672 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	1Q17	% AV	4Q16	% AV
Current Assets	**2,977,960**	**16.9%**	**2,645,028**	**15.0%**
Cash and Banks	2,796	0.0%	2,077	0.0%
Financial Investments	1,347,497	7.7%	1,341,905	7.6%
Accounts Receivable	1,368,163	7.8%	1,043,905	5.9%
Inventories	31,105	0.2%	32,120	0.2%
Advances	58,670	0.3%	67,600	0.4%
Recoverable Taxes	83,243	0.5%	81,423	0.5%
Other Accounts Receivable	86,486	0.5%	75,998	0.4%
Non current Assets	**14,960,123**	**85.0%**	**14,956,037**	**85.0%**
Long Term Assets	**1,935,579**	**11.0%**	**1,920,568**	**10.9%**
Securities	6,427	0.0%	5,718	0.0%
Accounts Receivables	582,331	3.3%	596,762	3.4%
Deferred Taxes	542,152	3.1%	528,239	3.0%
Judicial Escrow Deposits	48,556	0.3%	45,618	0.3%
Advances to Suppliers	1,680	0.0%	1,680	0.0%
Taxes to Recover	7,519	0.0%	7,062	0.0%
Warranty for Fiscal, Work and Civil Losses	179,853	0.0%	184,538	0.0%
Other	567,061	3.2%	550,951	3.1%
Investments	0	0.0%	0	0.0%
Fixed Assets	1,728,777	9.8%	1,704,683	9.7%
Intangible	11,295,767	64.2%	11,330,786	64.4%
Total Assets	**17,938,083**	**101.9%**	**17,601,065**	**100.0%**
Liabilities and Shareholders' Equity				
Current Liabilities	**1,208,439**	**6.9%**	**1,245,420**	**7.1%**
Suppliers	205,894	1.2%	248,090	1.4%
Loans and Financing	2,510	0.0%	2,426	0.0%
Debenture	248,181	1.4%	216,856	1.2%
Payroll and Related Charges	294,265	1.7%	350,881	2.0%
Income Tax and Social Contribution	30,266	0.2%	23,987	0.1%
Taxes and Contribution	78,993	0.4%	74,588	0.4%
Advances to Clients	134,109	0.8%	131,727	0.7%
Tax and Contribution Payment Installments	10,519	0.1%	10,826	0.1%
Accounts Payable - Acquisitions	89,346	0.5%	86,948	0.5%
Dividends Payable	89,703	0.5%	89,703	0.5%
Other	24,653	0.1%	9,388	0.1%
Non current Liabilities	**2,372,228**	**13.5%**	**2,506,281**	**14.2%**
Suppliers	-	0.0%	-	0.0%
Loans and Financing	35,364	0.2%	36,003	0.2%
Debenture	210,728	1.2%	288,717	1.6%
Provision for Tax, Labor and Civil Lawsuit Losses	741,684	4.2%	787,025	4.5%
Tax and Contribution Payment Installments	40,339	0.2%	41,568	0.2%
Accounts Payable - Acquisitions	62,150	0.4%	60,218	0.3%
Deferred Taxes	1,257,818	7.1%	1,267,691	7.2%
Others	24,145	0.1%	25,059	0.1%
Shareholder´s Equity	**14,357,416**	**81.6%**	**13,849,364**	**78.7%**
Total Liabilities and Shareholders' Equity	**17,938,083**	**101.9%**	**17,601,065**	**100.0%**

APPENDIX 2 – QUARTERLY INCOME STATEMENT RECONCILIATION

	1Q17 Results (Book)	Non-accounting adjustments: Interest and Penalties on Tuition	Depre-ciation	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain	Reclassification between Costs and expenses	FIES Pro Forma	1Q17 Results (Release)
	(In thousand reais, except otherwise indicated)							
Gross Revenue	**1,740,780**	-	-	-	-	-	**-**	**1,740,780**
Postsecondary	1,699,813	-	-	-	-	-	-	1,699,813
Primary and Secondary	40,967	-	-	-	-	-	-	40,967
Deductions from Gross Revenue	**(375,658)**	-	-	-	-	-	**-**	**(375,658)**
Postsecondary	(372,073)	-	-	-	-	-	-	(372,073)
Primary and Secondary	(3,585)	-	-	-	-	-	-	(3,585)
Net Revenue	**1,365,122**	-	-	-	-	-	**-**	**1,365,122**
Postsecondary	1,327,740	-	-	-	-	-	-	1,327,740
Primary and Secondary	37,382	-	-	-	-	-	-	37,382
Costs of Goods/Services	**(456,756)**	-	63,868	-	4,880	84,134	**-**	**(303,874)**
Cost of Goods Sold	(5,770)	-	-	-	-	-	-	(5,770)
Cost of Services Rendered	(450,986)	-	63,868	-	4,880	84,134	-	(298,104)
Gross Income	**908,366**	-	63,868	-	4,880	84,134	**-**	**1,061,248**
Operating Expenses	**(459,884)**	-	-	38,870	84,154	(84,134)	**-**	**(420,993)**
Selling Expenses	(269,843)	-	-	-	598	158,508	-	(110,737)
Provision for Doubtful Accounts	-	-	-	-	-	(158,508)	-	(158,508)
Personnel Expenses	-	-	-	-	-	(78,191)	-	(78,191)
General and Administrative Expenses	(189,212)	-	-	38,870	38,209	57,791	-	(54,341)
Other Operating Income (Expenses)	(828)	-	-	-	828	0	-	0
Corporate Expenses	-	-	-	-	-	(63,735)	-	(63,735)
Non recurring items	-	-	-	-	44,519	-	-	44,519
Income before Financial Result	**448,482**	-	63,868	38,870	89,034	(0)	**-**	**640,255**
Interest and Penalties on Tuition	-	43,794	-	-	-	-	-	43,794
Depreciation and Amortization	-	-	(63,868)	(38,870)	-	-	-	(102,738)
Financial Result	**66,464**	(43,794)	-	-	4	-	**-**	**22,674**
Financial Expenses	(24,387)	-	-	-	-	-	-	(24,387)
Financial Revenues	90,851	(43,794)	-	-	4	-	-	47,061
Income from Operations	**514,946**	-	-	-	89,039	(0)	**-**	**603,985**
	-	-	-	-	-	-		
Income and Social Contribution Tax	(21,273)	-	-	-	-	-	-	(21,273)
Current	(45,050)	-	-	-	-	-	-	(45,050)
Deferred	23,777	-	-	-	-	-	-	23,777
Net Income	**493,673**	**-**	**-**	**-**	**89,039**	**(0)**	**-**	**582,712**

APPENDIX 3 – QUARTERLY INCOME STATEMENT

	1Q17	% Net Rev.	1Q16	% Net Rev.	1Q17 / 1Q16	4Q16	% Net Rev.	1Q17 / 4Q16
	(In thousand reais, except otherwise indicated)							
Gross Revenue	**1,740,780**	**127.5%**	**1,618,544**	**127.6%**	**7.6%**	**2,334,678**	**124.3%**	**-25.4%**
Postsecondary	1,699,813	124.5%	1,561,009	123.1%	8.9%	2,269,207	120.8%	-25.1%
Primary and Secondary	40,967	3.0%	57,535	4.5%	-28.8%	65,472	3.5%	-37.4%
Deductions from Gross Revenue	**(375,658)**	**-27.5%**	**(350,405)**	**-27.6%**	**7.2%**	**(455,832)**	**-24.3%**	**-17.6%**
Postsecondary	(372,073)	-27.3%	(347,800)	-27.4%	7.0%	(454,346)	-24.2%	-18.1%
Primary and Secondary	(3,585)	-0.3%	(2,605)	-0.2%	37.6%	(1,485)	-0.1%	141.3%
Net Revenue	**1,365,122**	**100.0%**	**1,268,139**	**100.0%**	**7.6%**	**1,878,846**	**100.0%**	**-27.3%**
Postsecondary	1,327,740	97.3%	1,213,209	95.7%	9.4%	1,814,860	96.6%	-26.8%
Primary and Secondary	37,382	2.7%	54,930	4.3%	-31.9%	63,986	3.4%	-41.6%
Costs of Goods/Services	**(456,756)**	**-33.5%**	**(480,973)**	**-37.9%**	**-5.0%**	**(585,122)**	**-31.1%**	**-21.9%**
Cost of Goods Sold	(5,770)	-0.4%	(9,922)	-0.8%	-41.8%	(15,339)	-0.8%	-62.4%
Cost of Services Rendered	(450,986)	-33.0%	(471,052)	-37.1%	-4.3%	(569,783)	-30.3%	-20.8%
Gross Income	**908,366**	**66.5%**	**787,166**	**62.1%**	**15.4%**	**1,293,724**	**68.9%**	**-29.8%**
Operating Expenses	**(459,884)**	**-33.7%**	**(193,382)**	**-15.2%**	**137.8%**	**(442,957)**	**-23.6%**	**3.8%**
Selling Expenses	(269,843)	-19.8%	(165,773)	-13.1%	62.8%	(158,342)	-8.4%	70.4%
General and Administrative Expenses	(189,212)	-13.9%	(193,717)	-15.3%	-2.3%	(273,158)	-14.5%	-30.7%
Other Operating Income (Expenses)	(828)	-0.1%	166,108	13.1%	n.a.	(11,457)	-0.6%	n.a.
Income before Financial Result	**448,482**	**35.4%**	**593,784**	**46.8%**	**-24.5%**	**850,767**	**45.3%**	**-47.3%**
Financial Result	**66,464**	**4.9%**	**9,928**	**0.8%**	**569.5%**	**29,513**	**1.6%**	**125.2%**
Financial Expenses	(24,387)	-1.8%	(49,035)	-3.9%	-50.3%	(54,214)	-2.9%	-55.0%
Financial Revenues	90,851	6.7%	58,963	4.6%	54.1%	83,727	4.5%	8.5%
Income from Operations	**514,946**	**37.7%**	**603,712**	**47.6%**	**-14.7%**	**880,281**	**46.9%**	**-41.5%**
Income and Social Contribution Tax	(21,273)	-1.6%	(4,357)	-0.3%	388.2%	(9,469)	-0.5%	124.6%
Current	(45,050)	-3.3%	(48,495)	-3.8%	-7.1%	530	0.0%	n.a.
Deferred	23,777	1.7%	44,138	3.5%	-46.1%	(9,999)	-0.5%	n.a.
Net Income	**493,673**	**36.2%**	**599,355**	**47.3%**	**-17.6%**	**870,811**	**46.3%**	**-43.3%**

APPENDIX 4 – CASH FLOW STATEMENT

R$ 000	1Q17	1Q16	4Q16
Net Income before Income Taxes	**514,946**	**603,712**	**880,281**
Net Income (Loss) Adjustments before Income Taxes			
Depreciation and Amortization	102,739	97,647	100,090
Provision for Doubtful Accounts	158,508	63,940	93,152
Provision for Tax, Labor and Civil Losses	(21,557)	(9,615)	(2,527)
Provision (Reversal) for Invetories Losses	(126)	238	(2,226)
Financial Charges	23,226	33,297	43,841
Income from Securities	(40,656)	(16,608)	(35,222)
Grant of Stock Options	9,989	14,390	13,766
Income from disposal of Uniasselvi	-	(162,255)	-
Income from sale or disposal of assets and other investments	12	(3,637)	(12,030)
Changes in Working Capital	**(583,743)**	**(584,432)**	**(475,426)**
(Increase) Reduction in Accounts Receivable (ex-FIES)	(334,180)	(567,114)	(473,493)
(Increase) Reduction in Accounts Receivable FIES	(134,155)	189,836	(102,169)
(Increase) Reduction in Inventories	889	(12,341)	9,231
(Increase) Reduction in Advances	8,931	9,671	(9,613)
(Increase) Decrease in Escrow Deposits	(2,938)	(1,104)	(1,105)
Increase (Decrease) in Other Assets	(23,457)	4,442	10,453
Increase (Reduction) in Suppliers	(22,129)	(52,420)	84,428
Increase (Decrease) in Payroll and Related Taxes	(56,616)	(54,103)	(23,262)
Increase (Decrease) in Fiscal Obligations	(6,142)	(63,824)	34,889
Increase (Decrease) in Advances to Clients	2,381	(16,076)	28,535
(Decrease) in Taxes Installments	(536)	(199)	(480)
(Decrease) in Provision for Tax, Labor and Civil Losses	(19,099)	(18,062)	(30,791)
Increase (Decrease) in Other Liabilities	3,309	(3,138)	(2,050)
Income Tax and Social Contribution	**(30,336)**	**(27,528)**	**(6,839)**
Capex	**(81,848)**	**(48,683)**	**(130,115)**
Additions to Fixed Assets	(52,398)	(21,712)	(75,877)
Additions to Intangible Assets	(29,450)	(26,971)	(54,238)
Cash Flow from Operating Activities after Capex - Recurring	**51,155**	**(39,533)**	**466,744**
Capex - Special Projects	**(12,395)**	**(21,264)**	**(20,821)**
Asset Acquisition	-	-	-
Brownfields	(12,395)	(21,264)	(20,821)
Cash Flow from Operating Activities after total Capex	**38,759**	**(60,798)**	**445,923**
(+) M&A Activities	**(2,335)**	**356,639**	**(53,222)**
Acquisition of New Units	(1,067)	(1,513)	(41,416)
Accounts Receivable from former owners	(390)	-	(10,735)
M&A Costs and Expenses	(878)	-	(1,071)
Proceeds from sale of investments	-	358,152	-
(+) Cash Flow from Financing Activities	**(30,113)**	**(124,781)**	**(223,767)**
Sale (Acquisition) of Treasury Shares	4,426	3,580	19,707
Capital Increase, Net of Issuance Costs	-	-	-
Borrowings and financing	-	-	-
Payments of Borrowings and Financing	(51,524)	(50,189)	(109,924)
Interest Paid on Borrowings and Debentures	(14,713)	(23,037)	(32,097)
Income from Financial Investments	-	-	-
Redemption (Investment) of Securities	34,909	16,613	24,759
Disposal of Non-current Asset	-	-	-
Refis Payment	(1,000)	(1,282)	(992)
Bank and Charges Fees	(2,212)	(297)	(2,849)
Payment of Dividends	-	(70,168)	(122,371)
(=) Cash Flow from Non-Operating Activities	**(32,448)**	**231,858**	**(276,989)**
Total Cash Generation	**6,311**	**171,060**	**168,934**
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the Start of the Period	1,343,982	398,232	1,175,048
Cash and Cash Equivalents at the End of the Period	1,350,293	569,292	1,343,982
Net Increase (Decrease) in Cash and Cash Equivalents	**6,311**	**171,060**	**168,934**