Kroton Educacional







Conference Call - 1Q11 Results

May 17th 2011

KROT11 NÍVEL 2 BM&FBOVESPA | PITÁGORAS | UNIC | UNIME | FAMA | Projecta melhor escola

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Initial Highlights

- POST SECONDARY EDUCATION:
  - ✓ 22,967 new students as of April 2011, for growth of 13.9% from 1Q10 and a record high for the Company
  - ✓ 13,079 FIES students as of May (16% of student base). Base of students eligible increased from 61% to 77% of the student body after visits by the Ministry of Education in 1Q11
- PRIMARY AND SECONDARY EDUCATION:
  - ✓ Number of Primary and Secondary Education students increased by 6.2% with a high renewal rate of 93%
- DISTANCE LEARNING:
  - ✓ New operations in the graduate distance learning segment reaches enrollment of 2,626 students as of May
- FINANCIAL RESULTS:
  - ✓ Net Revenue up 5.6% on 1Q10
  - ✓ **EBITDA reaches R$52.1 million, for EBITDA margin of 26.7%**

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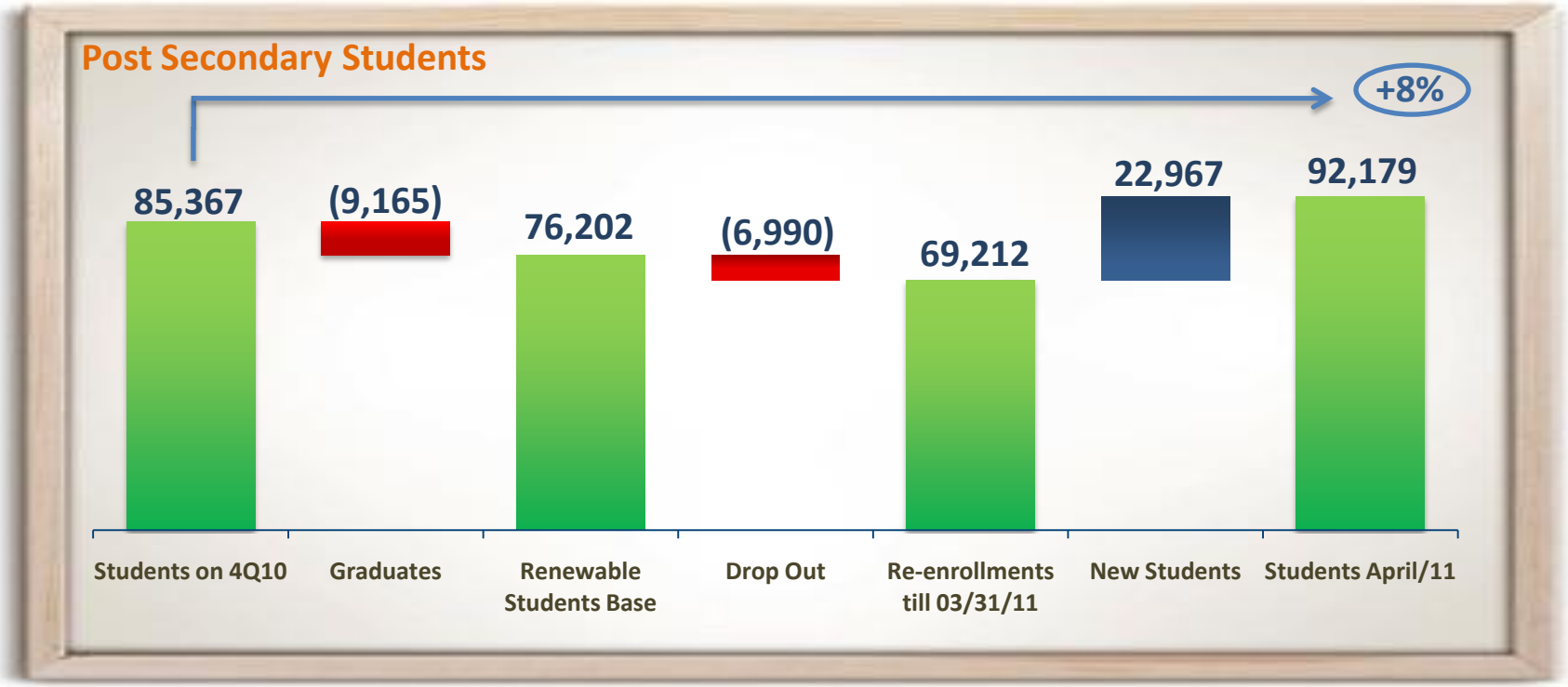


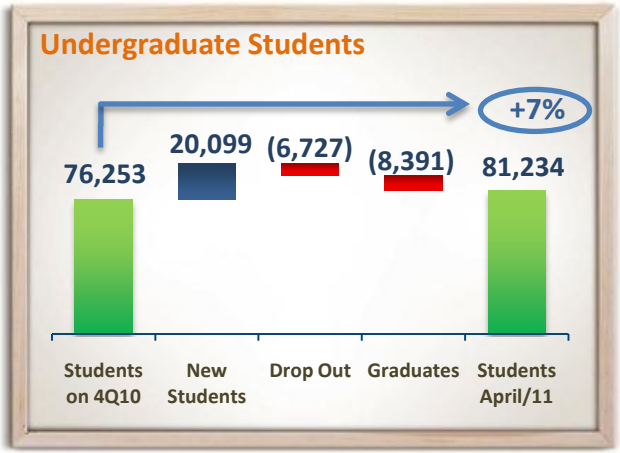


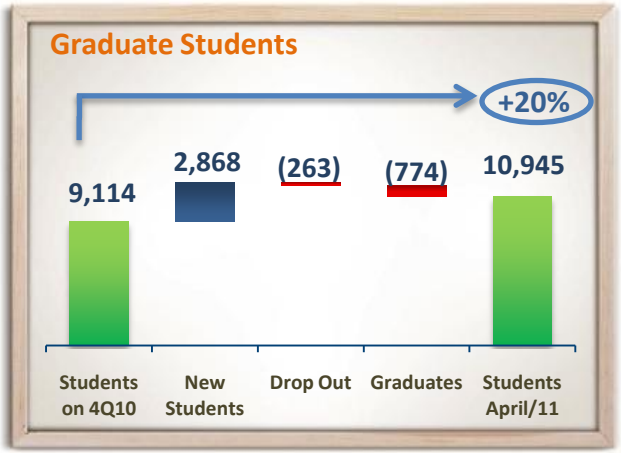


Operating Results

Post Secondary Education – Growth in Student Base



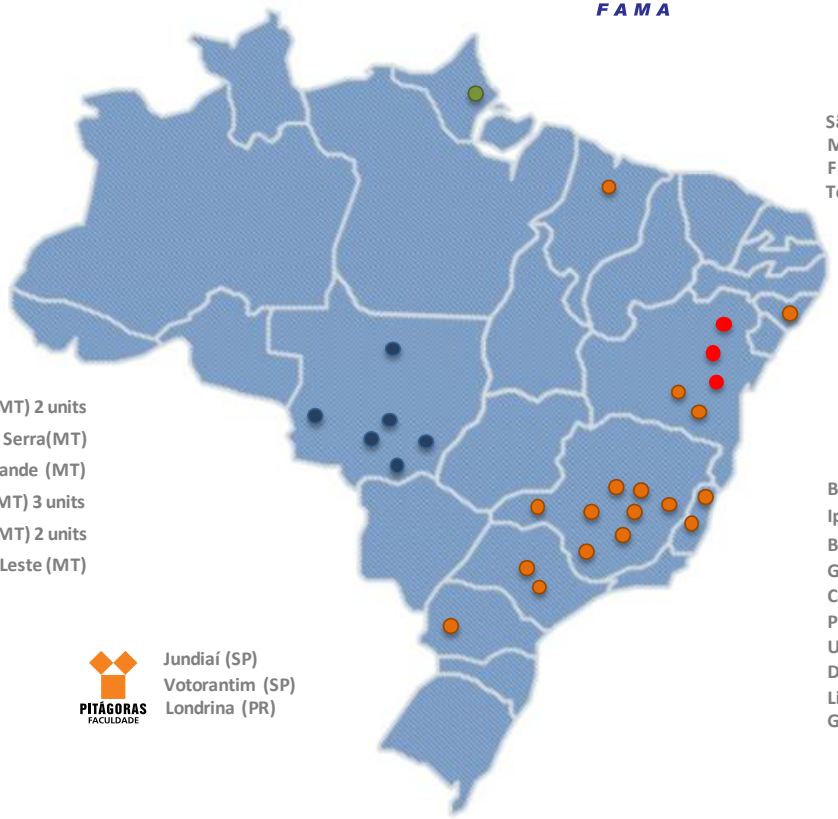




- Growth of 8% in student base
- Record enrollment in post secondary segment: +14% from 1Q10

Post Secondary – New Operational Map

- ✓ 37 Units
- ✓ 27 Cities
- ✓ 9 States



Macapá (AP)

São Luís (MA)
Maceió (AL)
Feira de Santana (BA)
Teixeira de Freitas (BA)

Lauro de Freitas (BA)
Salvador (BA)
Itabuna (BA)

Sinop (MT) 2 units
Tangará da Serra(MT)
Várzea Grande (MT)
Cuiabá (MT) 3 units
Rondonópolis (MT) 2 units
Primavera do Leste (MT)

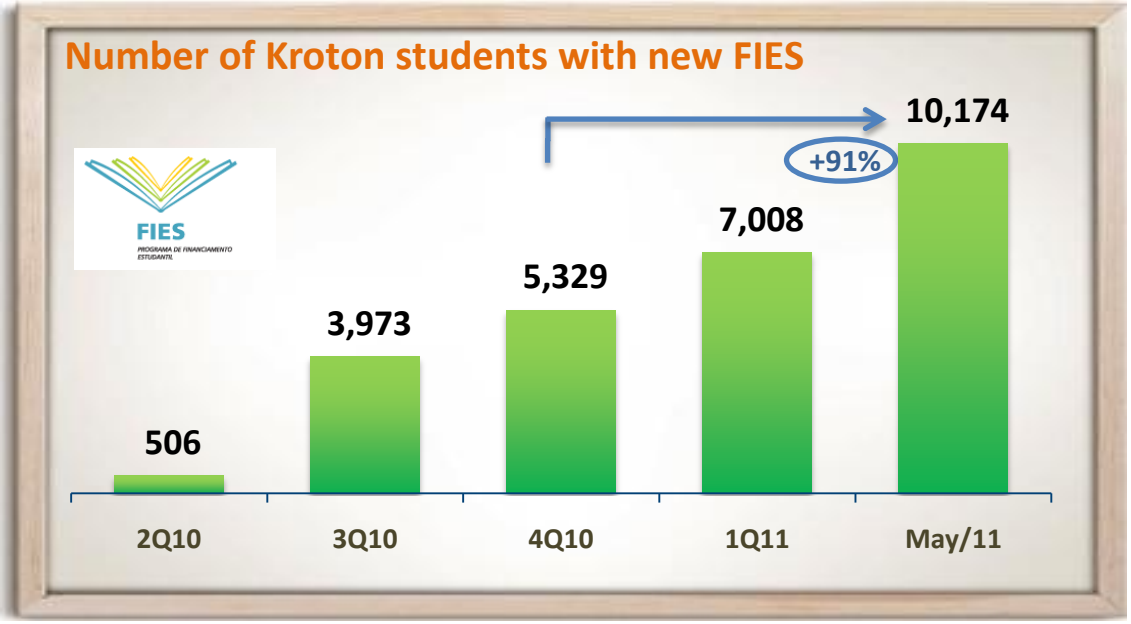
Betim (MG)
Ipatinga MG)
Belo Horizonte(MG) 7 units
Governador Valadares (MG)
Contagem (MG)
Poços de Caldas (MG)
Uberlândia (MG)
Divinópolis (MG)
Linhares (ES)
Guarapari (ES)

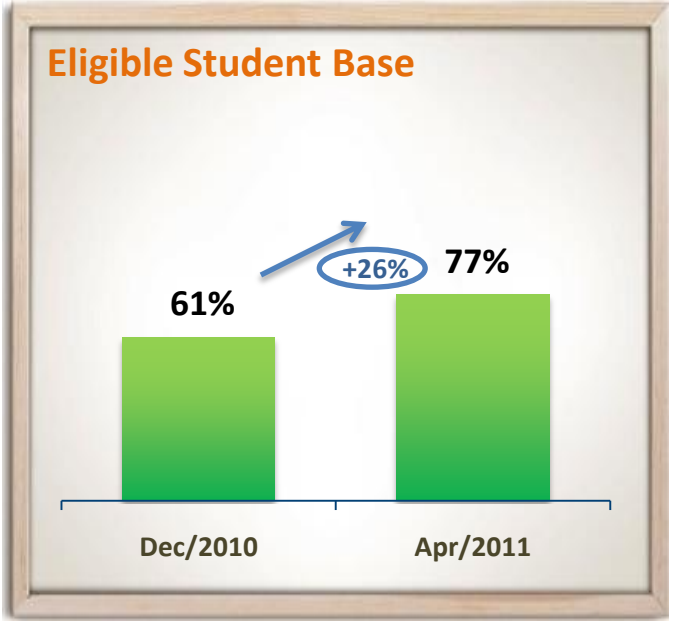
Jundiaí (SP)
Votorantim (SP)
Londrina (PR)

Main Events:

- Sale of 1 unit in Rio de Janeiro (RJ), improving efficiency and business margins
- Closing of the Belo Horizonte Unit and transfer of students to a Unit nearby, with margin gains
- Installation of a start-up operation in the city of Governador Valadares (MG): 7 undergraduate programs with a total of 700 openings each year
- Implementation of a start-up operation in the city of Maceió (AL): 7 undergraduate programs with a total of 700 openings each year

New FIES Student Loan Program

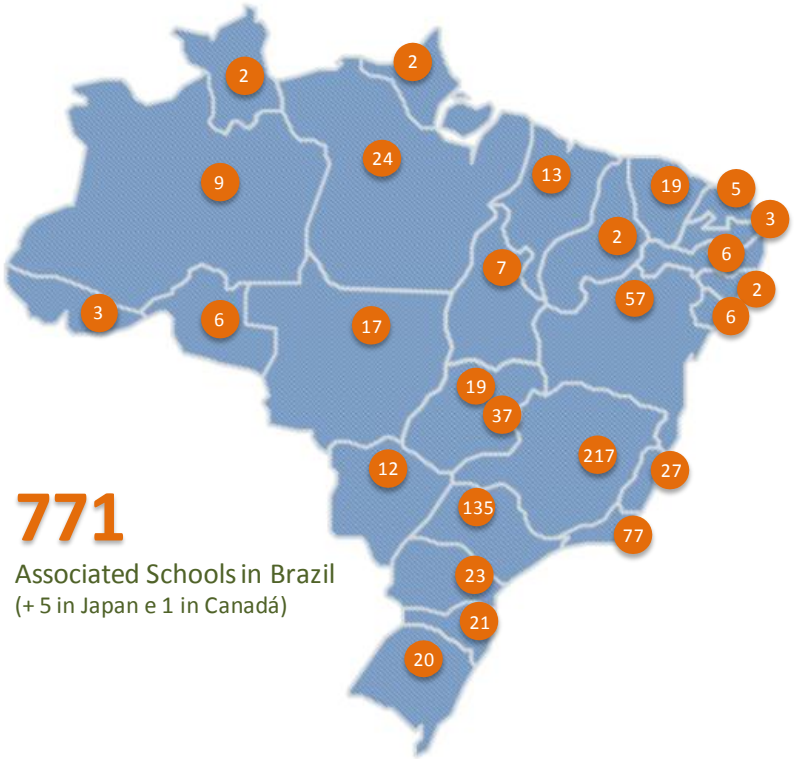




- Goal of 10,000 students in the new FIES achieved
- Around 11.1% of newly enrolled students took out new FIES loans as of May
- Expansion in students eligibility, from 61% to 77% of the base, due to the on-site evaluations conducted by the Ministry of Education, followed by improvements in concepts
- Around 1,500 students in approval process as of May 16

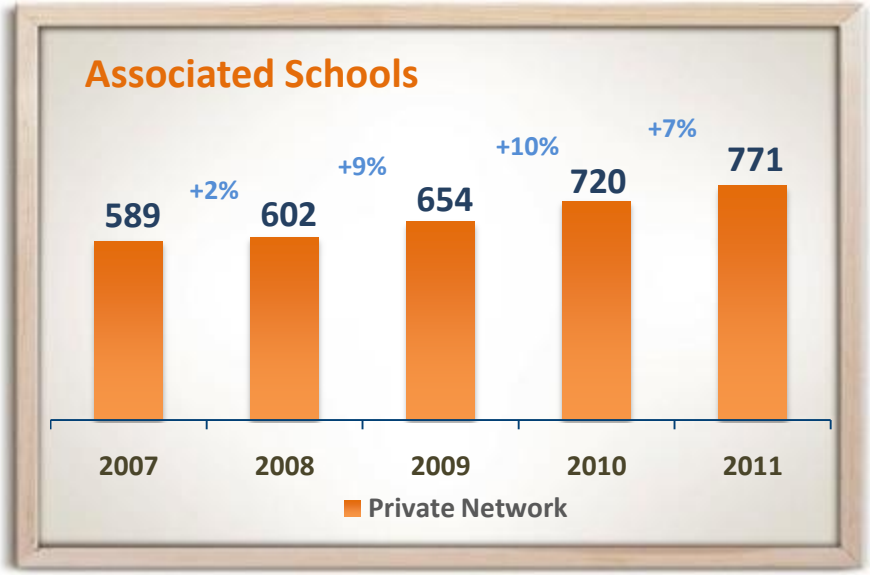
- New FIES students: 10,174
- Former FIES students: 2,905
- **Total FIES students: 13,079**
- Kroton student body: 81,234
- **% FIES students: 16.1%**

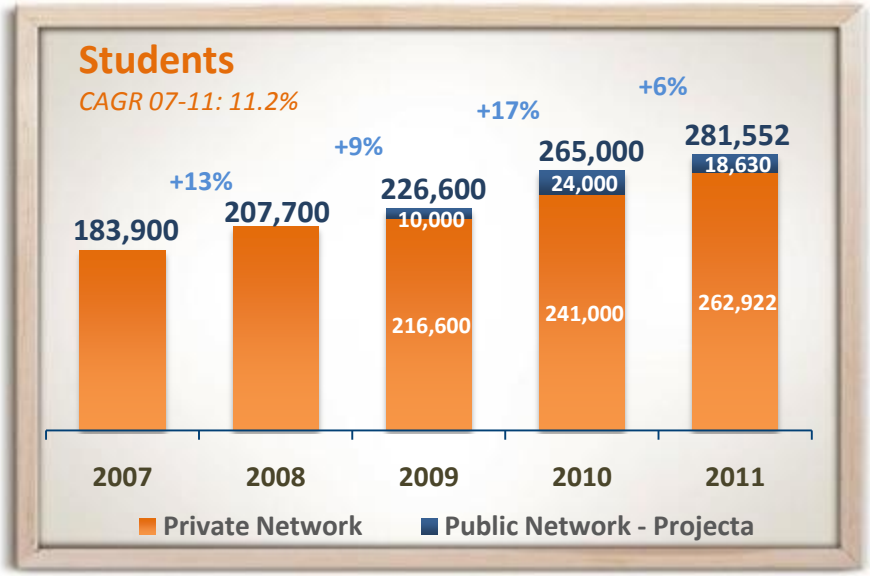
Primary and Secondary Education – Growth of Schools and Student



771

Associated Schools in Brazil
(+ 5 in Japan e 1 in Canadá)





- Growth in base of Associated Schools of 7%
- Growth in student base of 6%
- High level of renewals of Associated Schools: 93%
- Projecta still participating in final phase of the bidding process in 2 municipalities

Distance Learning – Growth Accelarate

Mode	Methodology	Courses implemented till 05/13/2011	Centers as of 05/13/2011	Students enrolled as of 05/13/2011
Online	100% online content. On-campus exams	14	91	1,218
Telepresencial	Content developed through the Network of Primary and Secondary Education Satellites. On-campus exams.	4	51	1,408
Total – Graduate Distance Learning		18	121*	2,626

*There are 21 common centers between the 2 projects



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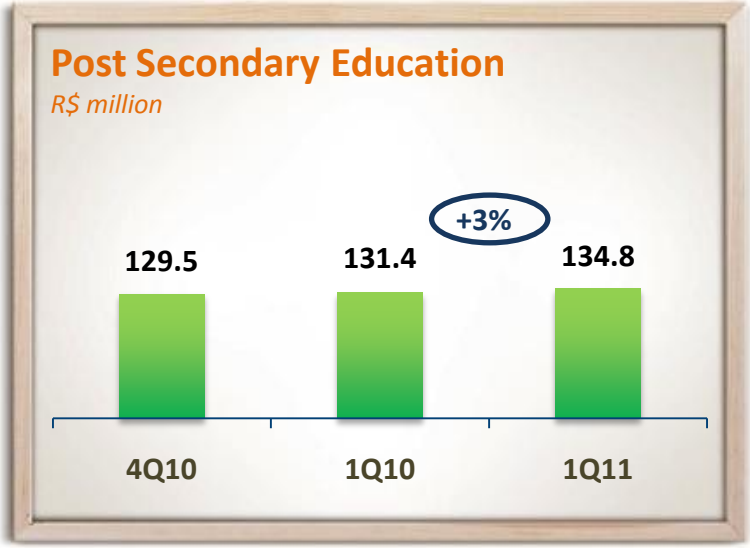


Financial Results

Net Revenue

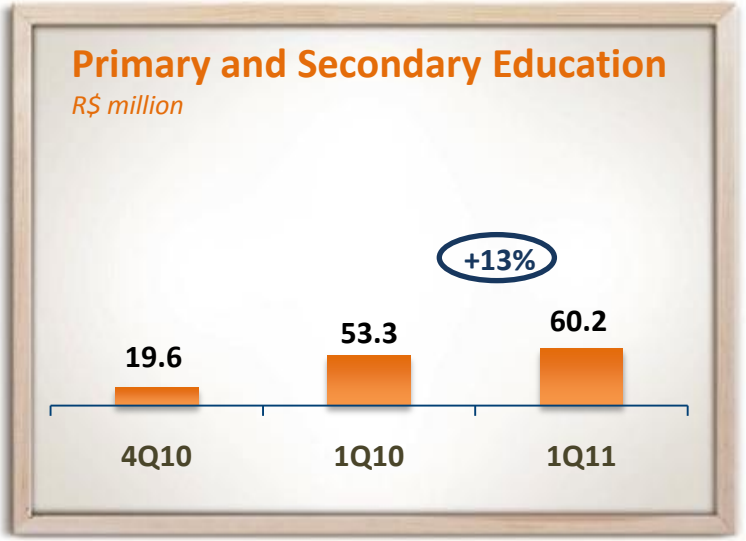


- Growth of 4.4% in the average undergraduate ticket from 4Q10
- Average graduate ticket of R$155, due to the policy of subsidies for professors and employees, with an upward trend
- Growth of 7.3% in the average Primary and Secondary Education ticket from 2010



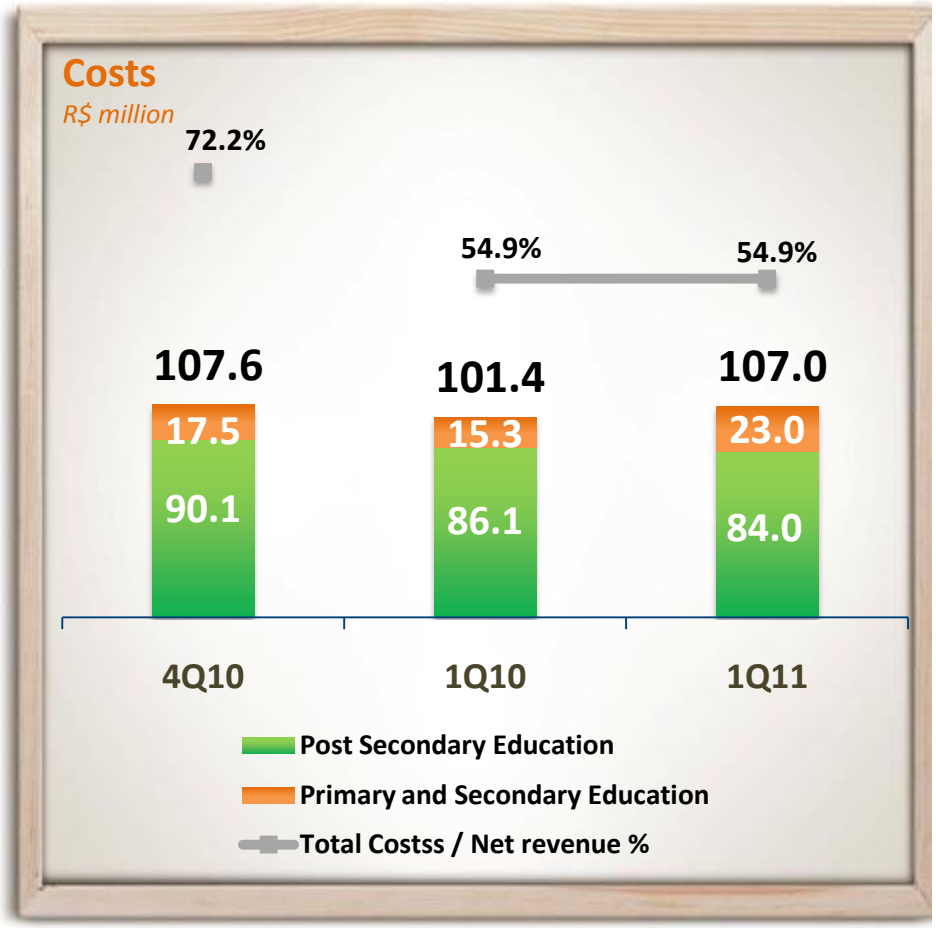
Undergraduate Average Ticket
1Q11: R$ 553.16

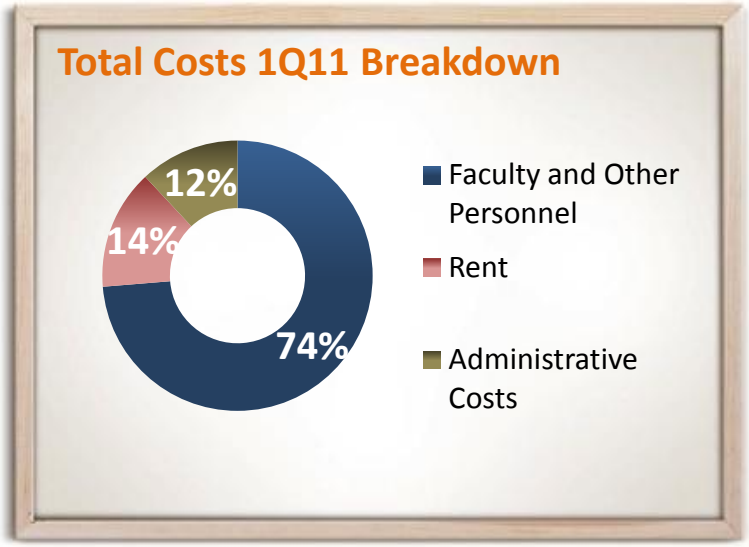
Graduate Average Ticket
1Q11: R$ 155.21



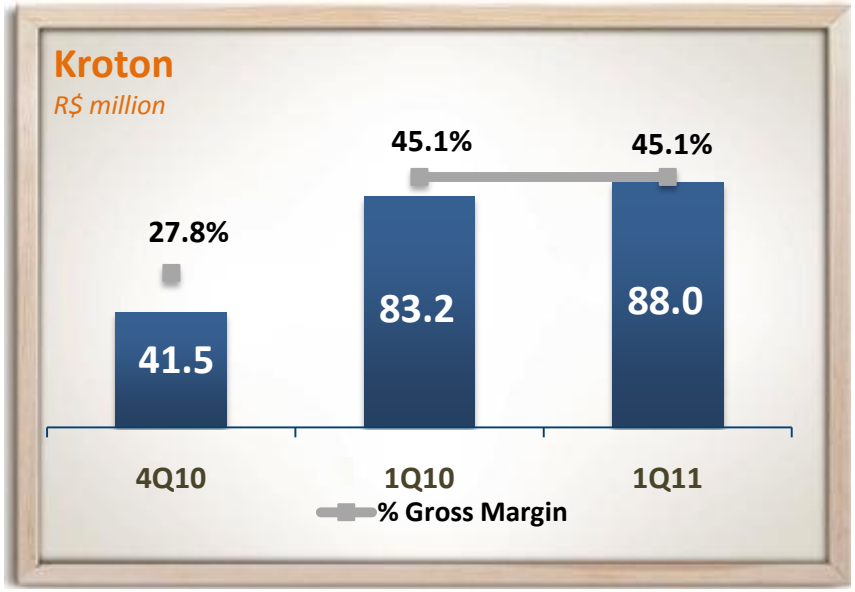
K-12 Annual Average Ticket
2011: R$ 375,19

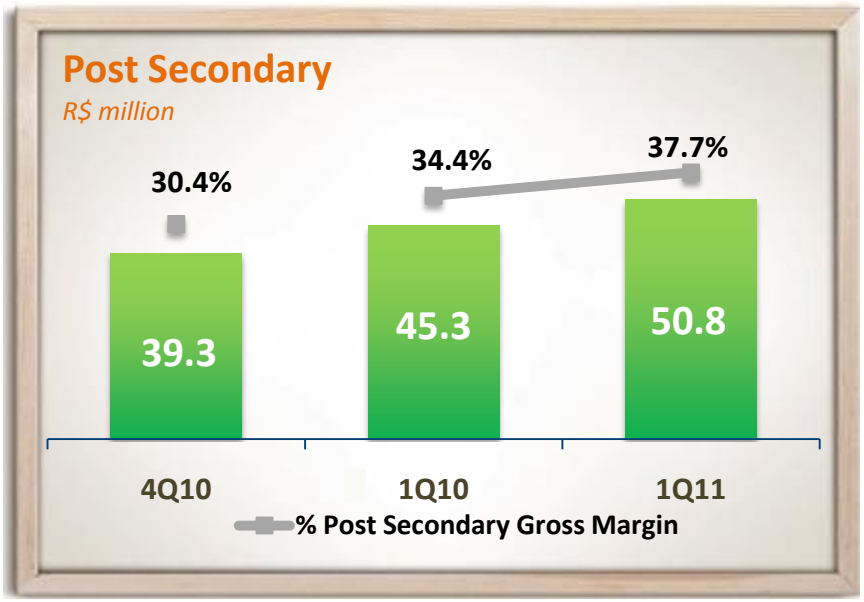
Cost of Goods and Services

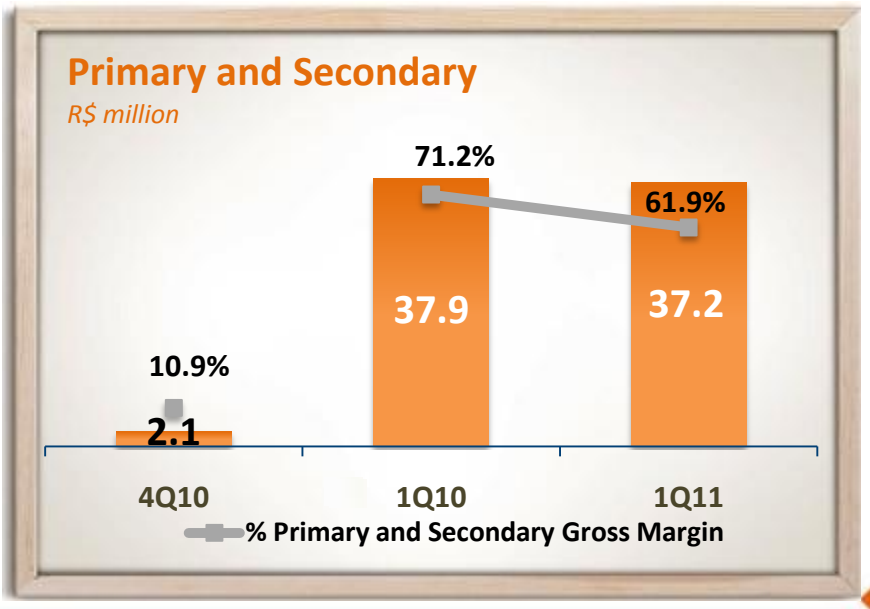




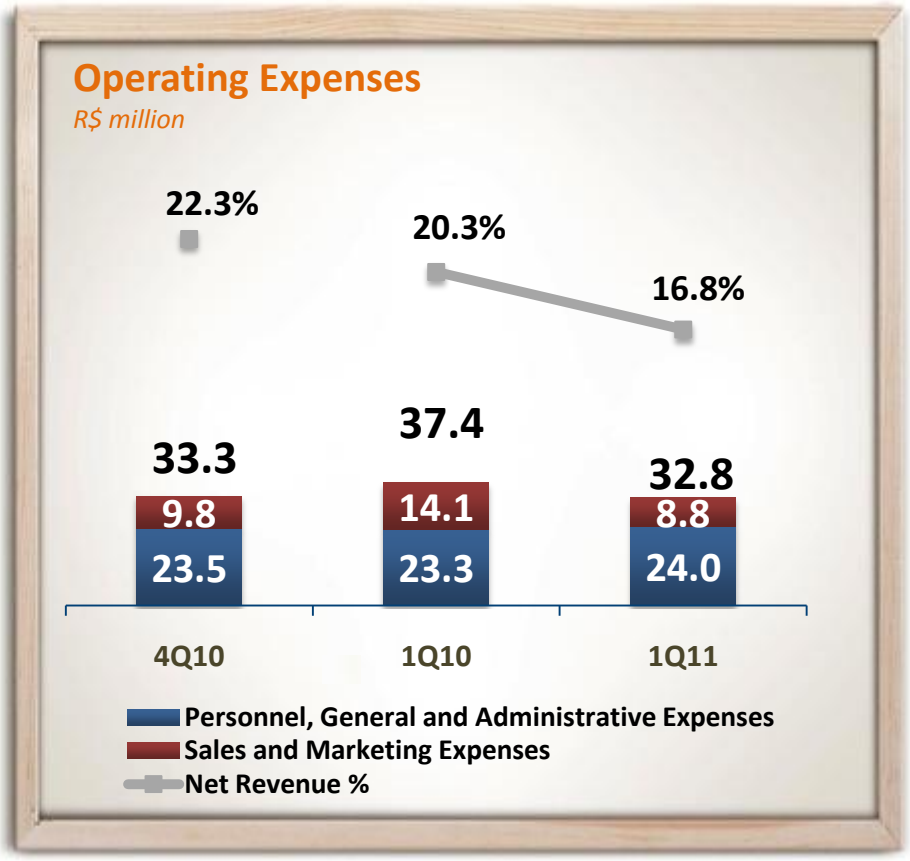
Gross Income

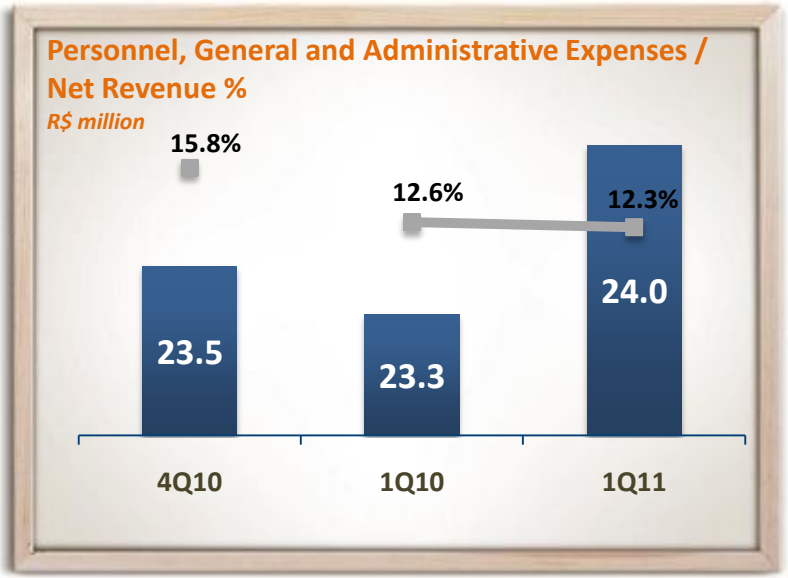


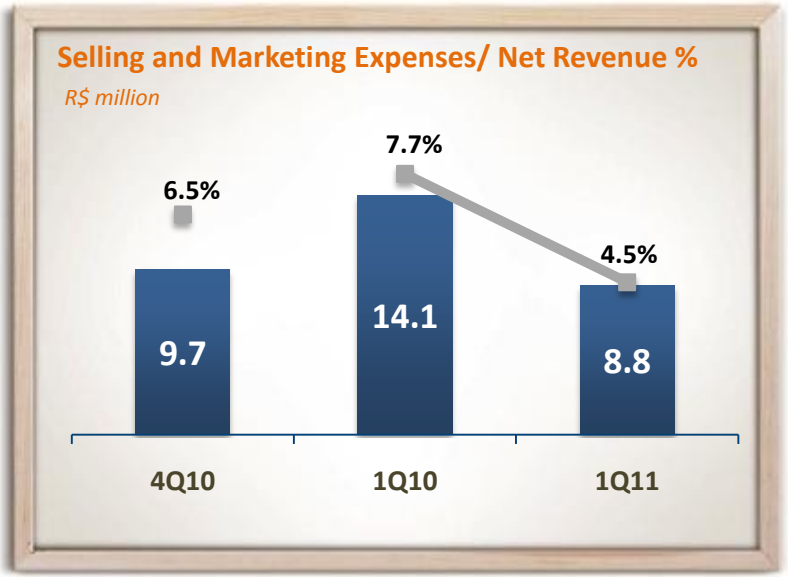




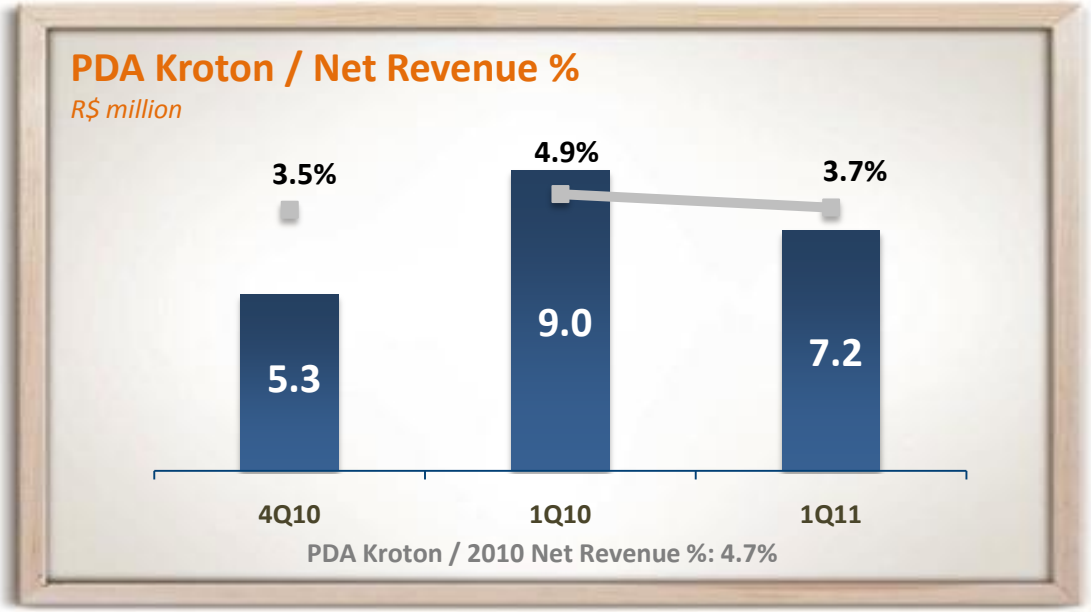
Operating Expenses

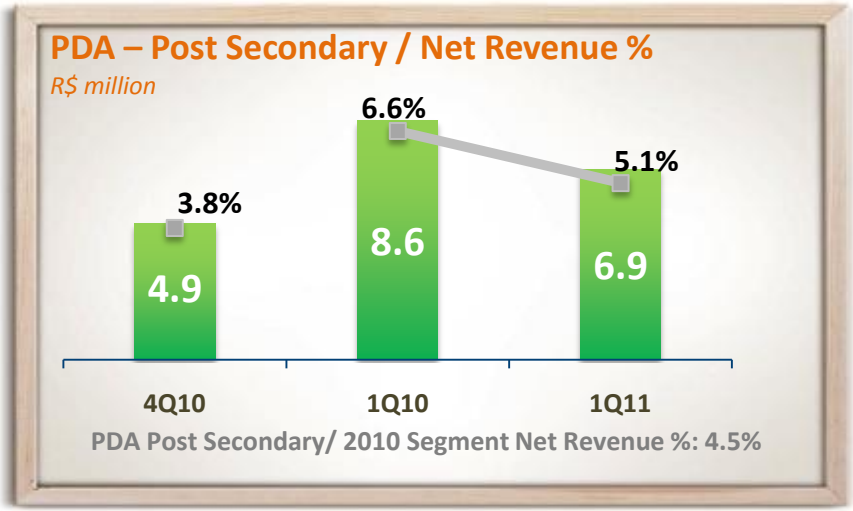


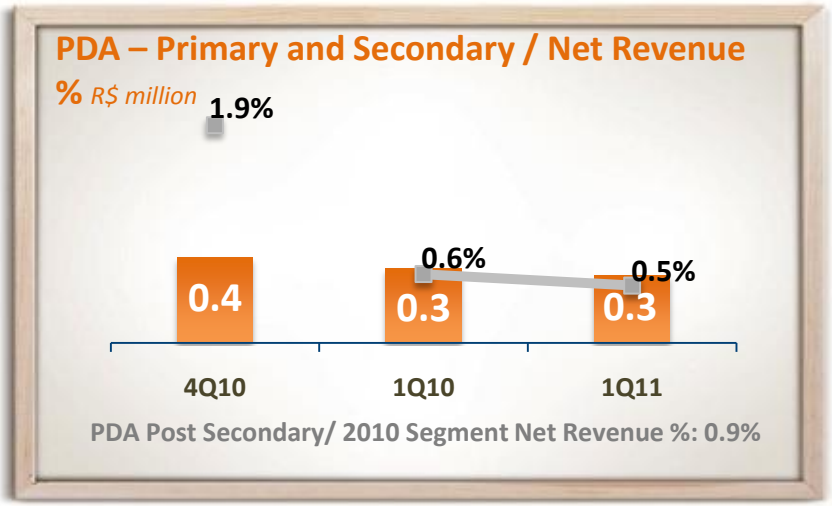




Provision for Doubtfull Account - PDA







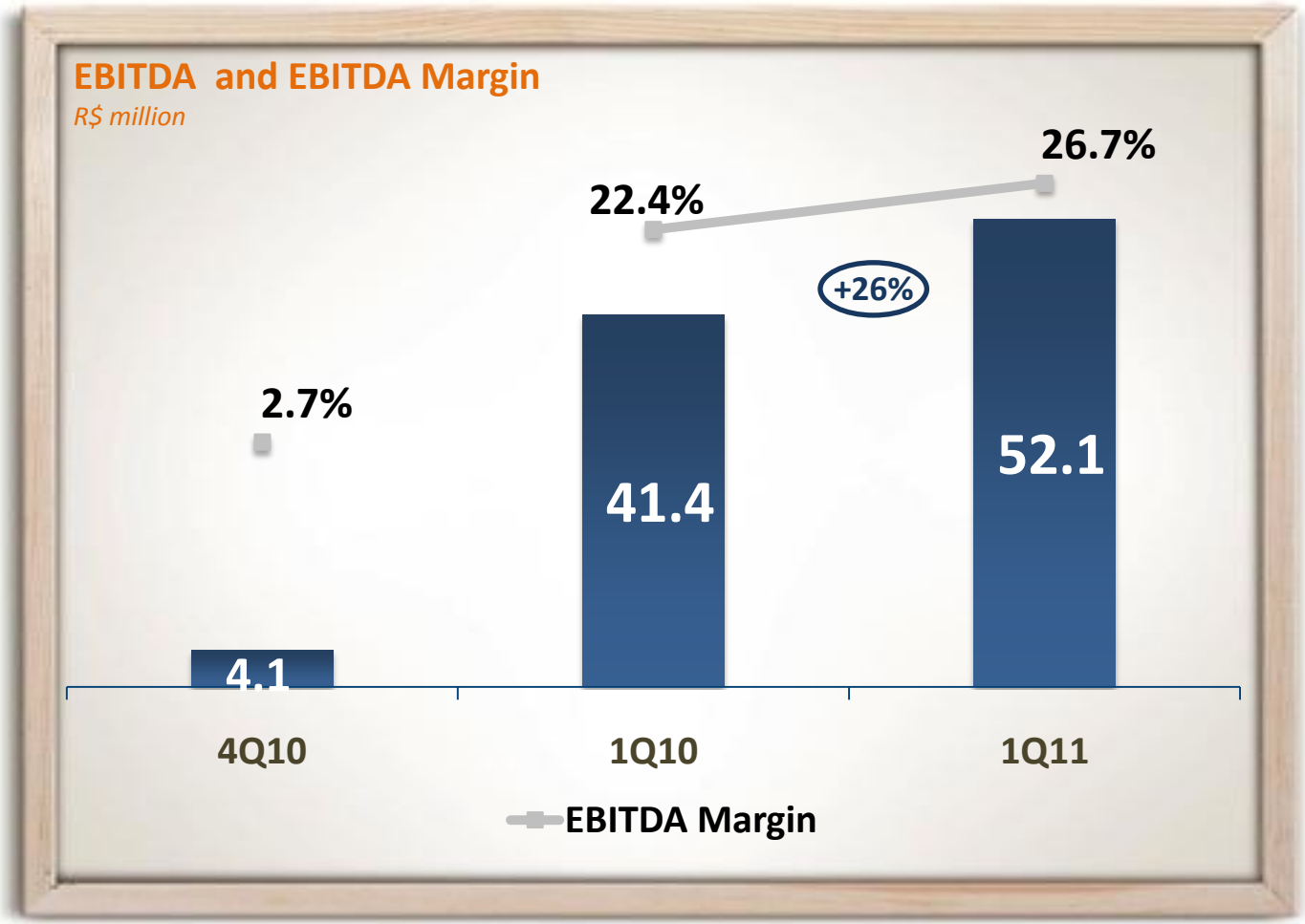
Accounts Receivable

Values in R$ (´000)

Kroton – Post Secondary	1Q11	1Q10	Chg.%	4T10	Chg.%
Accounts Receivable	138,031	83,554	65.2%	122,021	13.1%
Direct Student´s Financial Credit	18,456	-	n.a.	18,638	-1.0%
FIES	27,779	-	n.a.	16,392	69.5%
Tuitions and Agreements to Receive	91,796	79,333	9.9%	86,991	5.5%
Accounts Receivable Turnover (days)	**61**	**56**	**9.2%**	**60**	**1.7%**

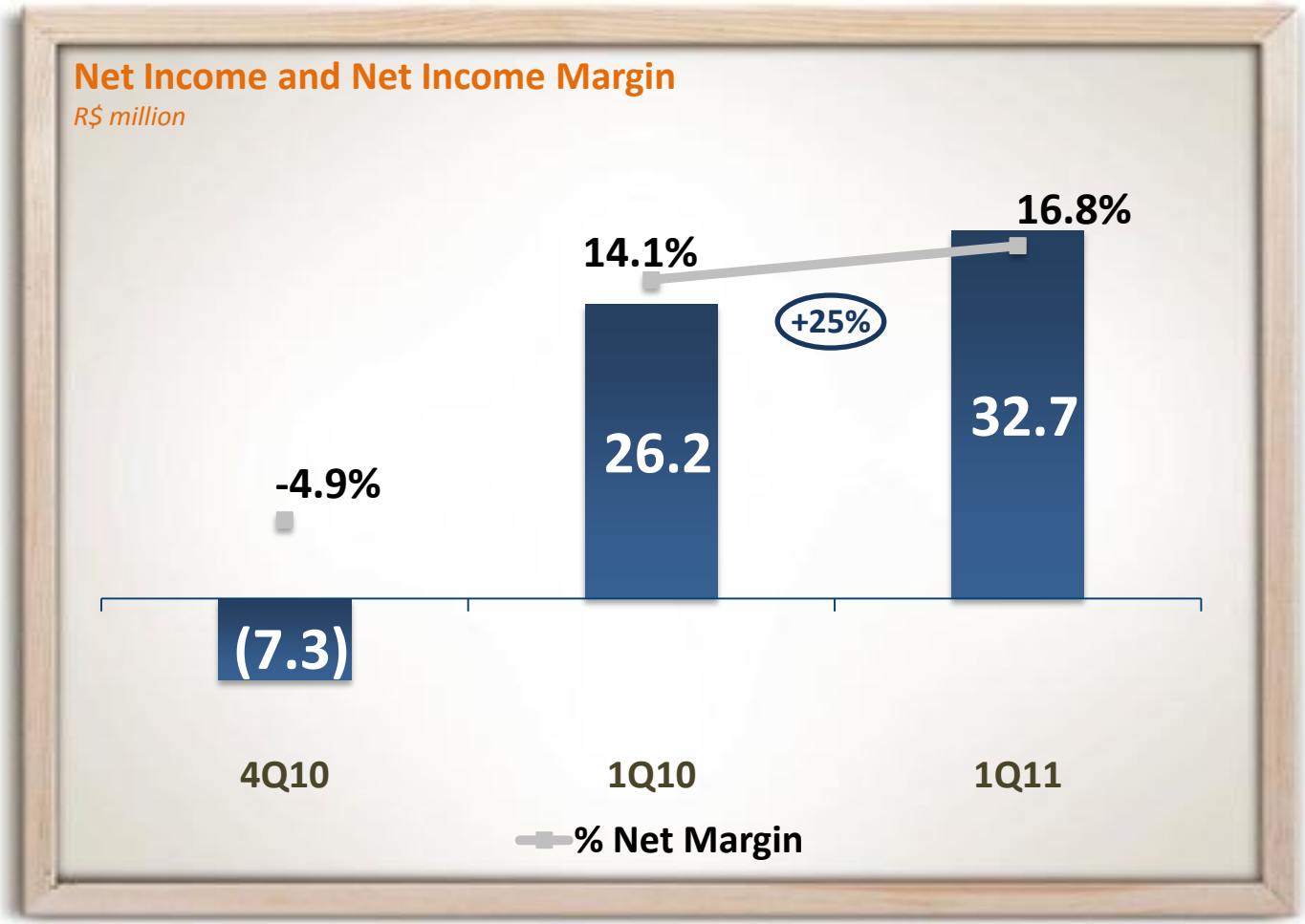
Kroton – Primary and Secondary	1Q11	1Q10	Chg.%	4Q10	Chg.%
Accounts Receivable	57,895	65,899	-12.3%	35,562	62.6%
Accounts Receivable Turnover (days)	**162**	**212**	**-23.3%**	**106**	**53.7%**

EBITDA



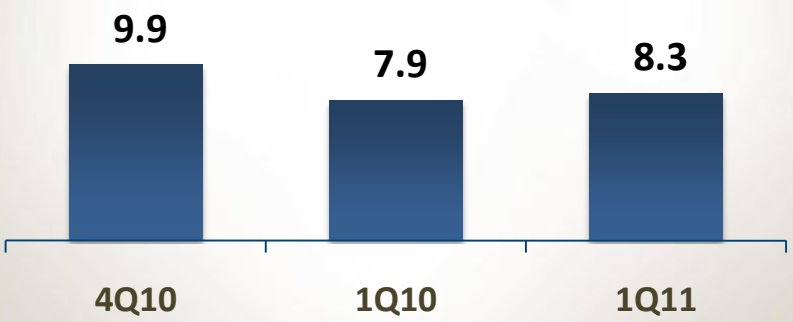
R$ million	4Q10	1Q10	1Q11
Non Recurring	(4,813)	(4,040)	(474)

Net Income

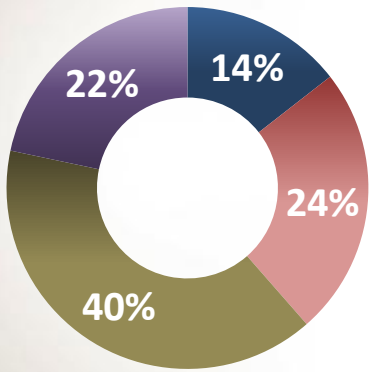

Net Income and Net Income Margin
R$ million
-4.9%
14.1%
16.8%
+25%
(7.3)
26.2
32.7
4Q10
1Q10
1Q11
% Net Margin

Capex: 4.3% of Net Revenue on 1Q11

Capex
R$ million



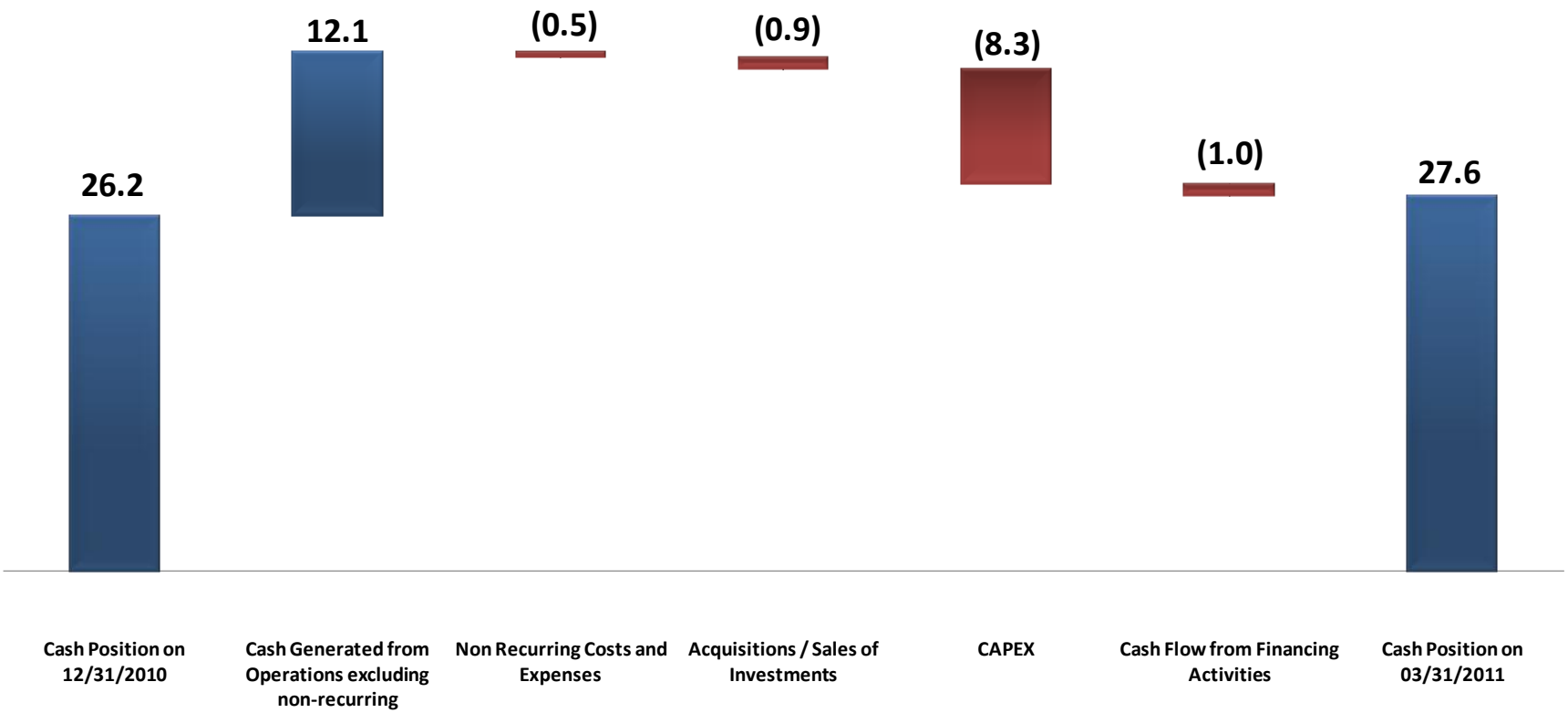
Capex 1Q11
R$ million



- Computer Equipment and Library
- Systems Development and Software
- Laboratory and Similar Equipment
- Expansion of physical facilities

Cash Flow

R$ million



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Final Statements

Closing Remarks

2011: Focus on Growth

1Q11 Results

Operating

- Post Secondary Students **+8%**
- K-12 Students **+6%**
- Distance Learning Students **+ 2,600 in 4 months**

Financial

- Net Revenue **+6%**
- EBITDA **R$ 52,1 mm**
- EBITDA Margin **26,7%**
- Net Income **R$ 32,3 mm**
- Net Margin **16,8%**

1 Margin Expansion

• Actions to expand margins by the end of 2013 have already been mapped and are being executed

2 Acquisitions

• Consistent pipeline

• First acquisitions planned for 2Q11

3 Organic Growth

Post Secondary Education: New start-ups and creation of 74 new programs by 2013

Distance Learning – Graduate: Over 2,500 students after less than 4 months of operations

K-12: Maintenance of high rate of revenue growth

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