Kroton Educacional

2Q12 Conference Call

August 2012

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Initial Highlights

Operations

- ✓ Integration processes remain on schedule
- ✓ Resolution of pending Debt Clearance Certificates (CNDs)
- ✓ Targets for new enrollment and re-enrollment processes almost fully achieved

Financial Performance (R$ MM)

	2Q12		1H12	
EBITDA	R$ 72.4	24.1%	R$ 198.7	31.0%
Net Income	R$ 49.2	16.4%	R$ 148.1	23.1%

Operating Cash Generation (R$ MM)

	2Q12		1H12	
		EBITDA to Cash[1]		EBITDA to Cash[1]
Before Capex	R$ 92.3	142.4%	R$ 143.9	78.4%
After Capex	R$ 73.8	113.8%	R$ 107.0	58.3%

Upward revision in Guidance

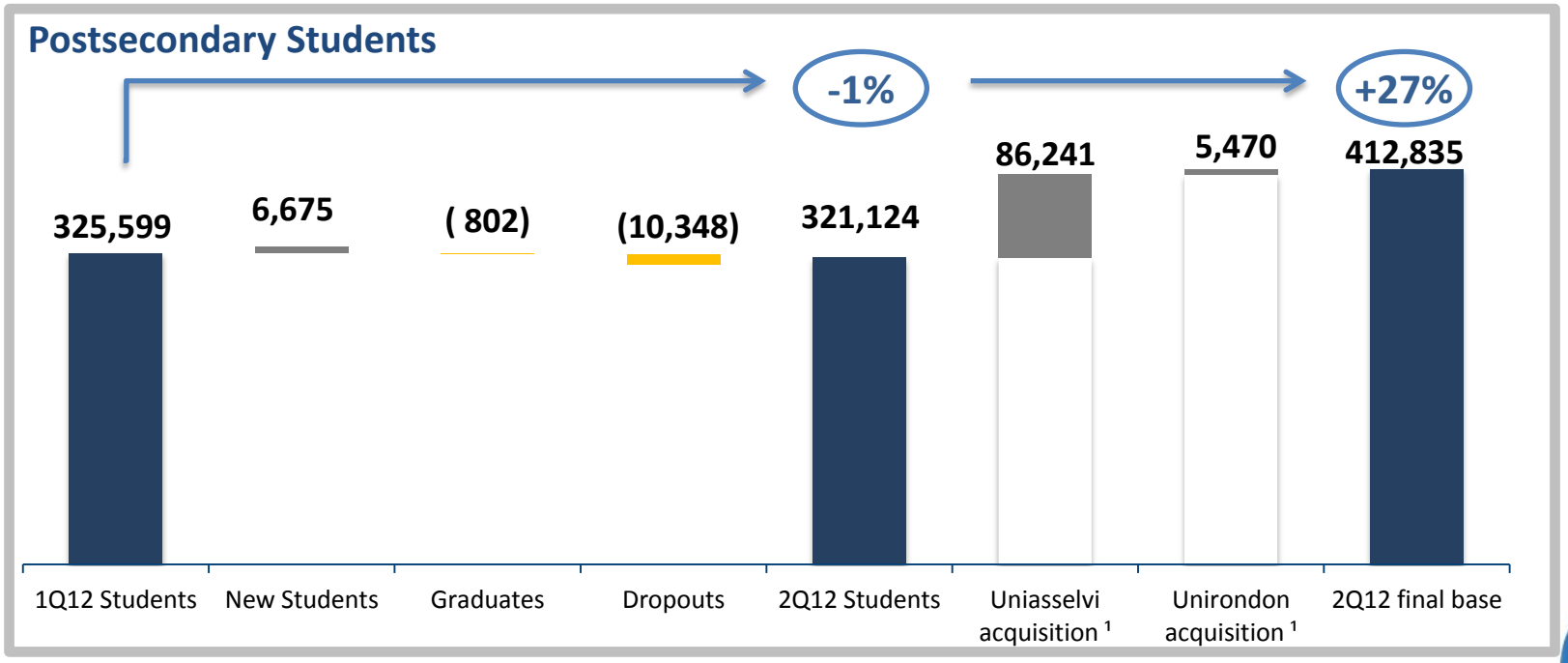
[1] Operating Cash Generation / Actual EBITDA

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Operating Results

Postsecondary Student Base - 2Q12 vs. 1Q12

Students	Total Undergraduate	Total Graduate	Total
1Q12 Base	**305,378**	**20,221**	**325,599**
New Students	2,491	4,184	6,675
Graduates	(223)	(579)	(802)
Dropouts	(9,471)	(877)	(10,348)
2Q12 Base ex-acquisitions	**298,175**	**22,949**	**321,124**
% Change 2Q12 (ex-acquisitions) / 1Q12	-2.4%	13.5%	-1.4%
Uniasselvi acquisition [1]	72,707	13,534	86,241
Unirondon acquisition [1]	4,959	511	5,470
2Q12 Base post-acquisitions	**375,841**	**36,994**	**412,835**
% Change 2Q12 (post-acquisitions) / 1Q12	23.1%	82.9%	26.8%

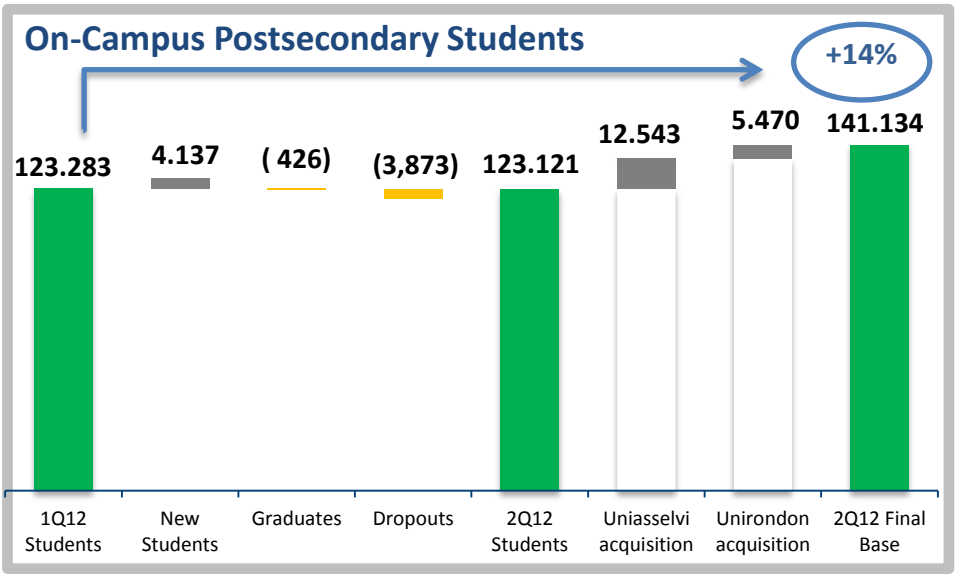


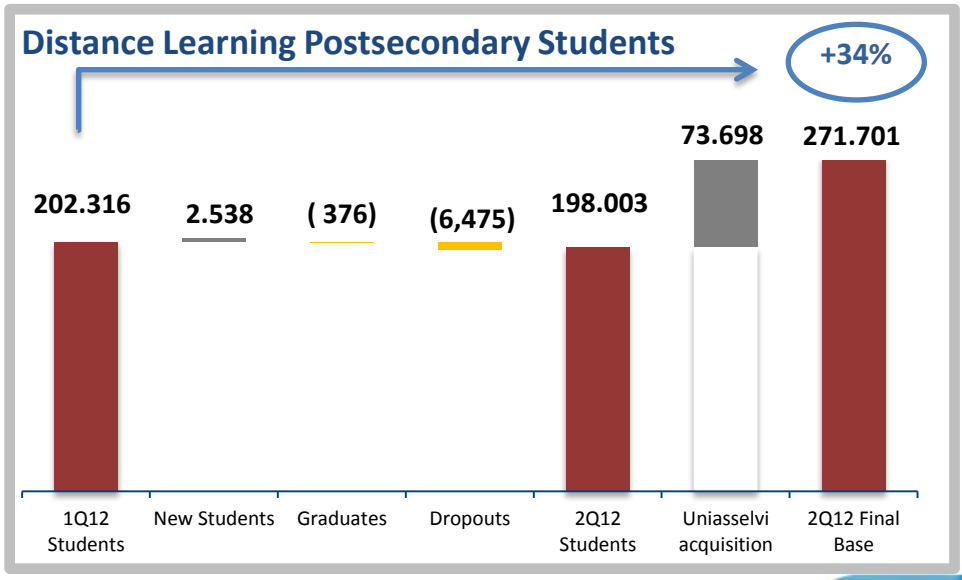
[1] Figures for Uniasselvi are as of March 31, 2012, and for Unirondon are as of April 20, 2012

On-Campus and Distance Learning Student Base - 2Q12 vs. 1Q12

Students	On-Campus Undergraduate	On-Campus Graduate	On-Campus Total
1Q12 Base	**112,923**	**10,360**	**123,283**
New Students	2,172	1,965	4,137
Graduates	(123)	(303)	(426)
Dropouts	(3,330)	(543)	(3,873)
2Q12 Base ex-acquisitions	**111,642**	**11,479**	**123,121**
% Change 2Q12 (ex-acquisitions) / 1Q12	-1.1%	10.8%	-0.1%
Uniasselvi acquisition[1]	11,276	1,267	12,543
Unirondon acquisition[1]	4,959	511	5,470
2Q12 Base post-acquisitions	**127,877**	**13,257**	**141,134**
% Change 2Q12 (post-acquisitions) / 1Q12	13.2%	28.0%	14.5%

Students	DL Undergraduate	DL Graduate	DL Total
1Q12 Base	**192,445**	**9,861**	**202,316**
New Students	319	2,219	2,538
Graduates	(100)	(276)	(376)
Dropouts	(6,141)	(334)	(6,475)
2Q12 Base ex-acquisitions	**186,533**	**11,470**	**198,003**
% Change 2Q12 (ex-acquisitions) / 1Q12	-3.1%	16.3%	-2.1%
Uniasselvi acquisition[1]	61,431	12,267	73,698
Unirondon acquisition[1]	-	-	-
2Q12 Base post-acquisitions	**247,964**	**23,737**	**271,701**
% Change 2Q12 (post-acquisitions) / 1Q12	28.8%	140.7%	34.3%

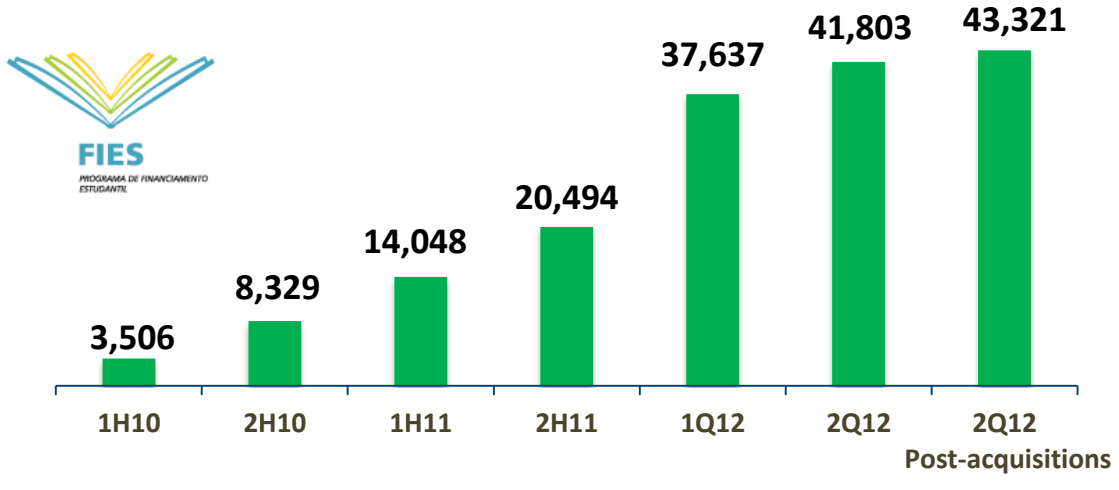




[1] Figures for Uniasselvi are as of March 31, 2012, and for Unirondon are as of April 20, 2012

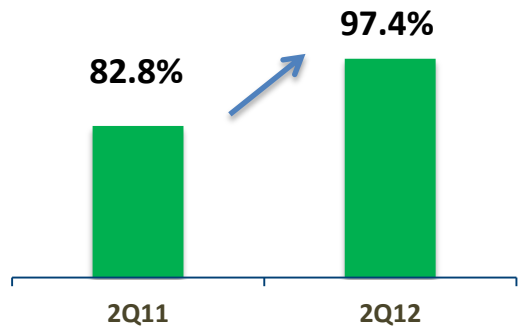
FIES Student Loan Program

Number of Kroton students with FIES*



- Number of students with FIES loans reached 33.9% of the post-acquisition student base
- Opportunity to increase FIES penetration in the Unopar and Uniasselvi operations

Eligible Student Base



- Base of students eligible for FIES increased from 82.8% to 97.4% due to the acquisitions made and the higher scores of certain academic programs that previously were ineligible

* Considering Unopar data as from 2H11

Enrollment and Re-enrollments* - 2H12

New enrollments

Target for 2012/2: + 20% more than the number in 2011/2

Current status:

- ✓ Number of enrollments in 2011/2 already surpassed
- ✓ Target expected to reached

Re-enrollments

Target for 2012/2: + 20% more than the number in 2011/2

Current status:

- ✓ Number of enrollments in 2011/2 already surpassed
- ✓ Target expected to reached

* Base date: August 8, 2012

Integration Processes



- 17 Work Fronts
- 125 Projects

Phase 1	Phase 2	Phase 3	Phase 4
✓	✓	✓	○
Control, stability and enrollment	Organizational restructuring	Academic Model	Integration of systems and processes

Conclusion: March 2013

- 17 Work Fronts
- 89 Projects

Phase 1	Phase 2	Phase 3	Phase 4
✓	○		
Control, stability and enrollment	Organizational restructuring and systems	Academic Model	Integration of systems and processes

Conclusion: June 2013

90-days Integration ✓

Integration Concluded:
- ✓ ERP
- ✓ Academic System and LMS
- ✓ Academic Model

✓ Concluded
○ Ongoing

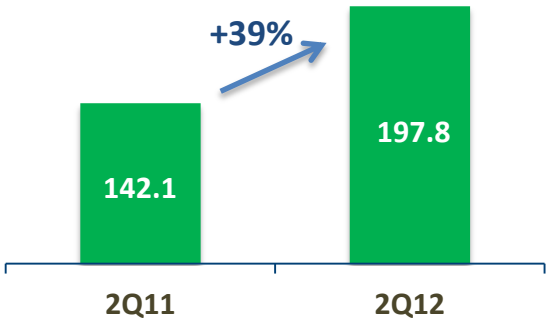
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Financial Performance

Financial Performance – On-Campus Postsecondary Business

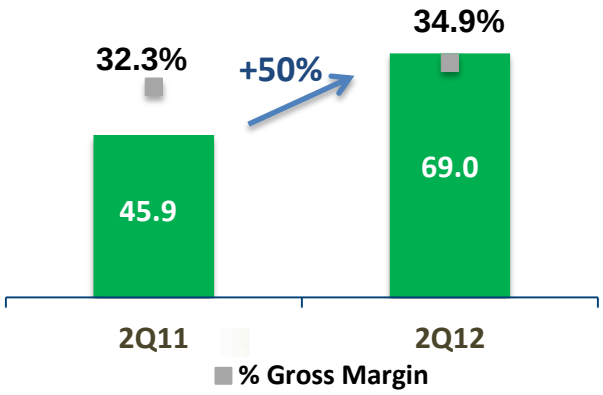
Net Revenue (NR)

Quarterly - R$ million



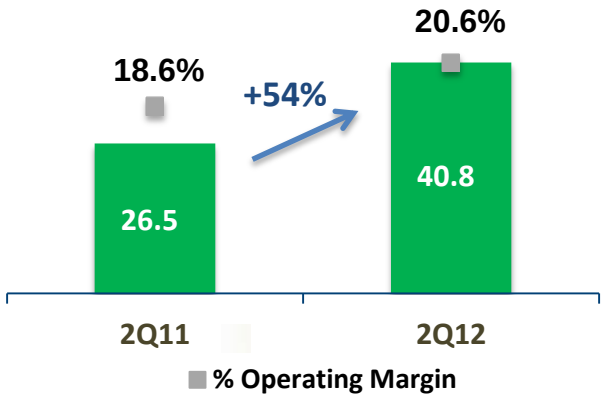
Gross Income (GI)

Quarterly - R$ million



Operating Result (OR)

Quarterly - R$ million



% Business NR / Total NR	
88%	66%

% Business GI / Total GI	
93%	49%

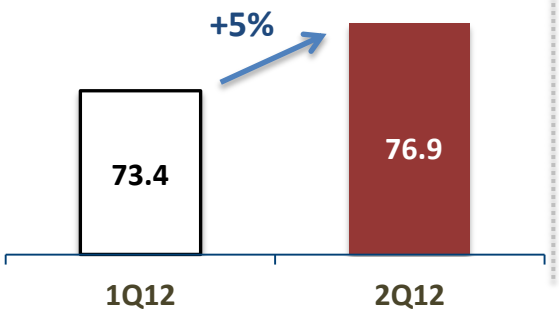
% Business OR / Total OR	
111%	46%

- On-Campus Postsecondary net revenue increased 39% from 2Q11
- Average ticket of R$535.38. Considering only undergraduates, average ticket was R$569.48
- Gross income grew 50%, with gross margin expanding 2.6 p.p.
- Operating result up 54% from 2Q11, with operating margin expanding 2.0 p.p.

Financial Performance – Distance Learning Postsecondary Business

Net Revenue (NR)

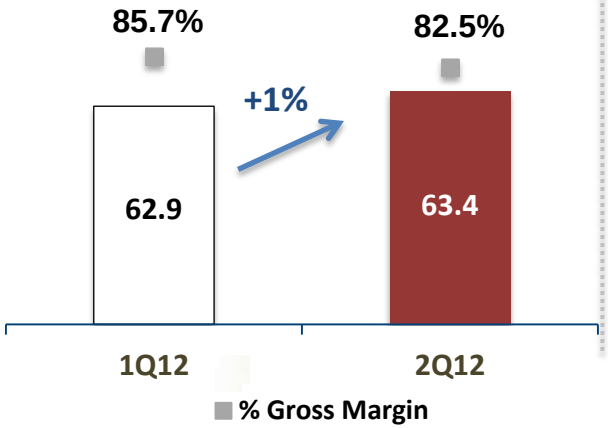
Quarterly - R$ million



% Business NR / Total NR	
22%	26%

Gross Income (GI)

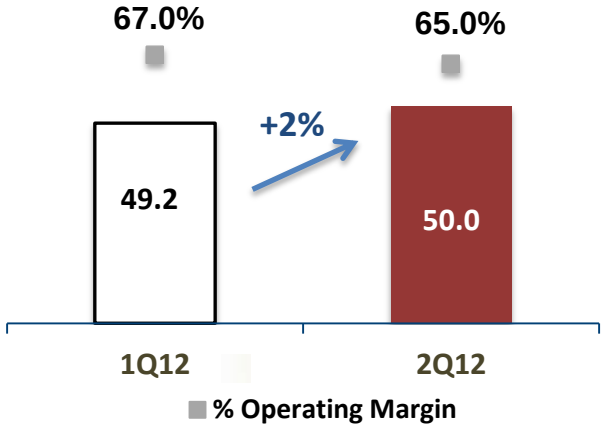
Quarterly - R$ million



% Business GI / Total GI	
32%	45%

Operating Result (OR)

Quarterly - R$ million



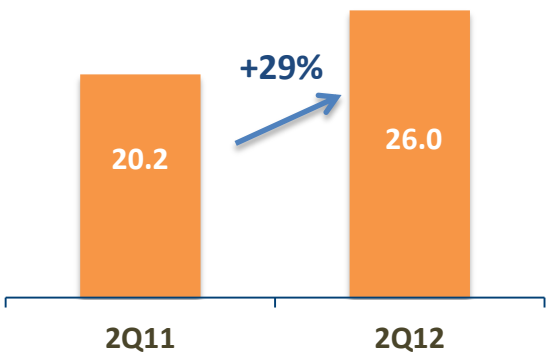
% Business OR / Total OR	
34%	56%

- Distance Learning margins stable at high levels contributed to the 2Q12 results
- Company's average Distance Learning ticket (considering only Kroton's revenue) was R$129.40. Students' average ticket (considering the monthly tuition payments actually made) was R$202.19
- In 2Q12, operating result reached R$50.0 million, accounting for 56% of the Company's total. Operating margin was 65.0%

Financial Performance – Primary and Secondary Education Business

Net Revenue (NR)

Quarterly - R$ million



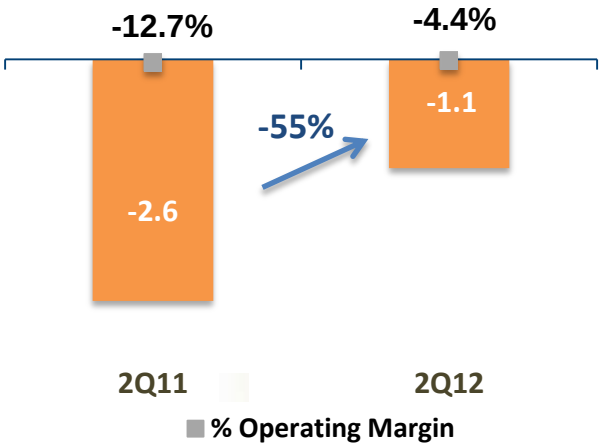
Gross Income (GI)

Quarterly - R$ million



Operating Result (OR)

Quarterly - R$ million



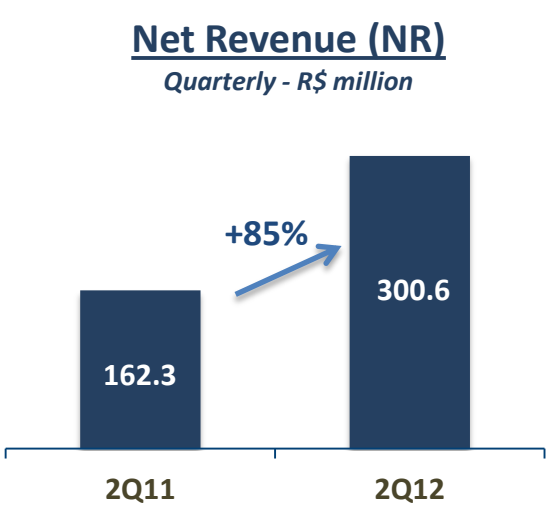
% Business NR / Total NR	
12%	9%

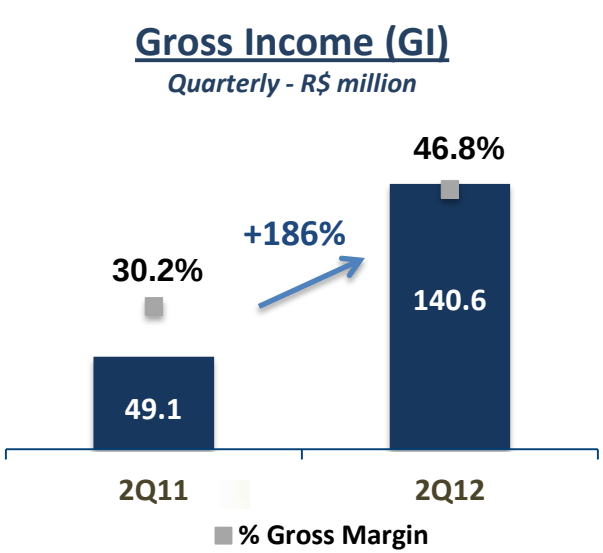
% Business GI / Total GI	
7%	6%

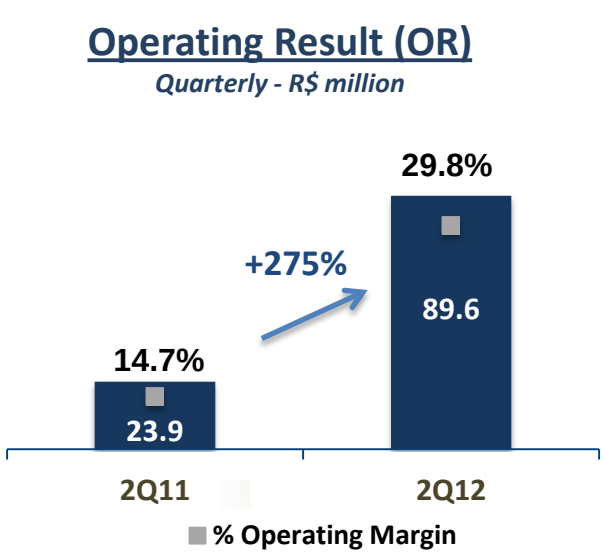
% Business OR / Total OR	
-11%	-1%

- Net revenue growth of 29% compared to 2Q11
- Gross income increased 157%, improving gross margin by 15.8 p.p.
- Operating margin expansion of 8.3 p.p.

Financial Performance – Consolidated







- Consolidated net revenue grew 85% compared to 2Q11
- Gross income increased 186%, with gross margin expansion of 16.5 p.p.
- Operating results grew 275% compared to 2Q11, with operating margin up 15.1 p.p.

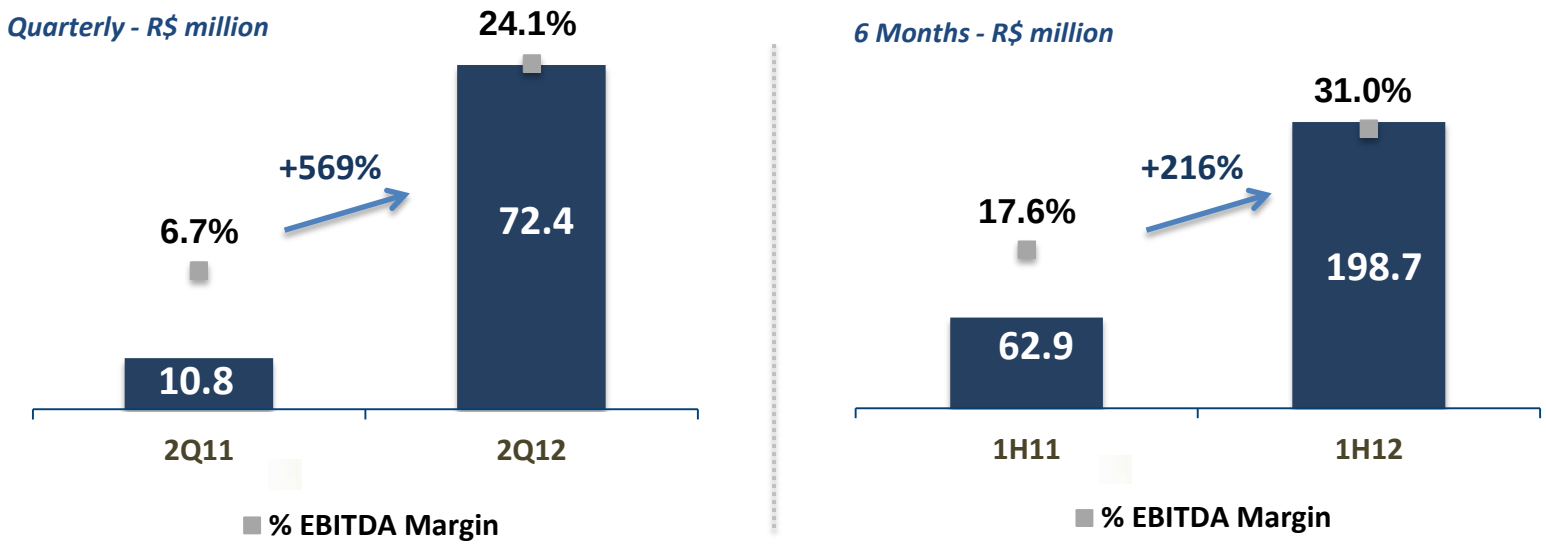
Nonrecurring Events in 2Q12

Item (R$ '000)	1Q12	2Q12	1H12
Unopar Integration	(4.137)	(5.255)	(9.392)
M&A Projects	(3.455)	(2.346)	(5.800)
Total of Nonrecurring Items	**(7.591)**	**(7.601)**	**(15.192)**

- **Total nonrecurring events in 2Q12 of R$7.6 million, with more than half related to expenses with the Unopar integration**
- **Expectation of R$10 million in additional nonrecurring items in 2012, resulting from the Uniasselvi and Unirondon integrations**

EBITDA

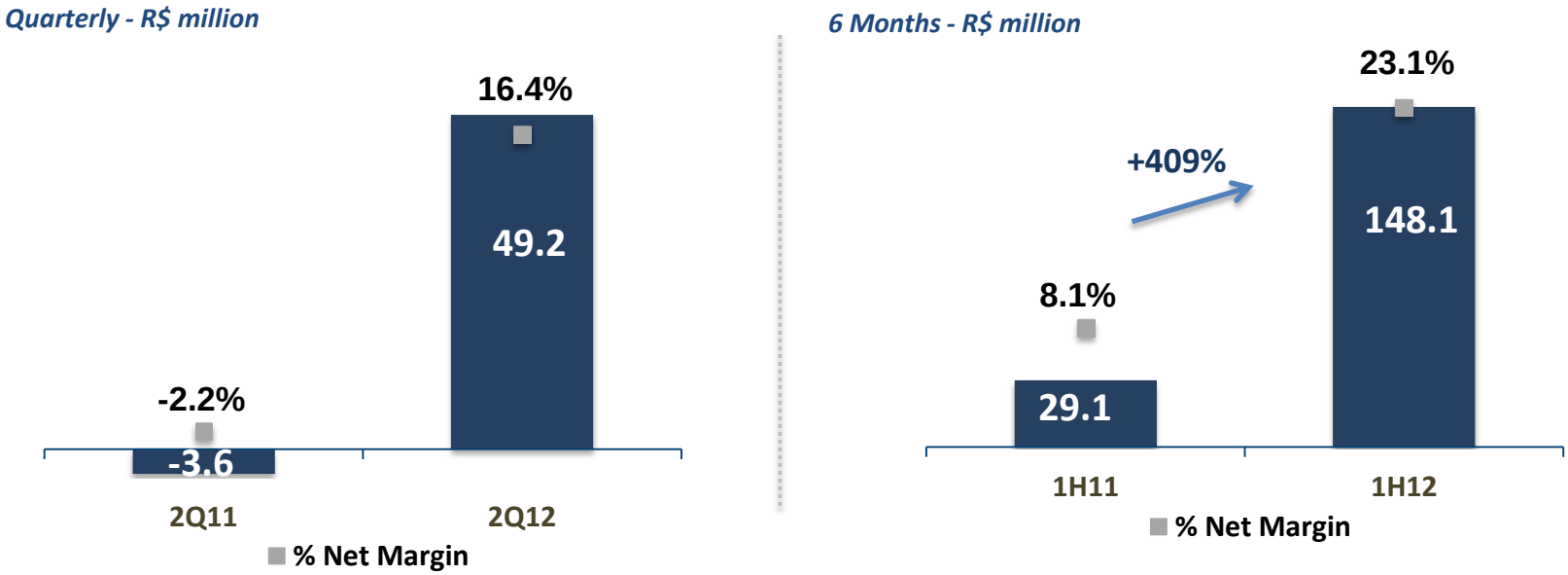
EBITDA and EBITDA Margin



- EBITDA of R$72 million in 2Q12, 569% higher than in 2Q11
- EBITDA of R$199 million in 1H12, 216% higher than in 1H11
- EBITDA Margin of 31.0%, expanding 13.4 p.p. from 1H11

Net Income

Net Income and Net Margin*



- Net income of R$148 million in 1H12, growing 409% from 1H11, with net margin of 23.1%
- In 2Q12, net income was R$49 million, with net margin of 16.4%

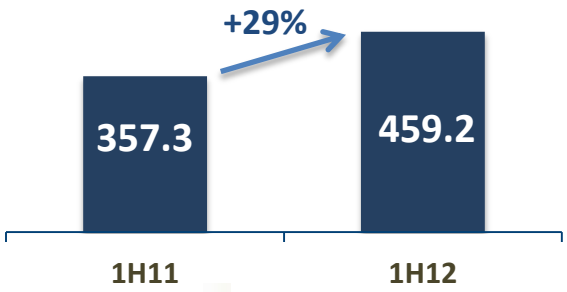
* Excludes amortization of intangible assets (acquisitions)

Managerial Analysis - Kroton (ex-Unopar and Uniasselvi)

Analysis: excludes effects from Unopar and Uniasselvi acquisition

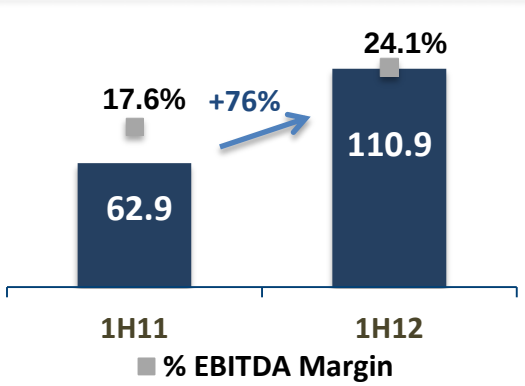
Net Revenue

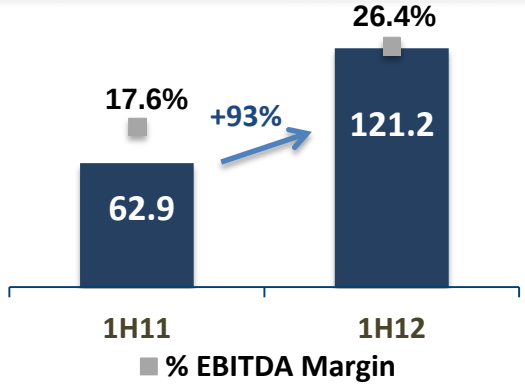
6 Months - R$ million

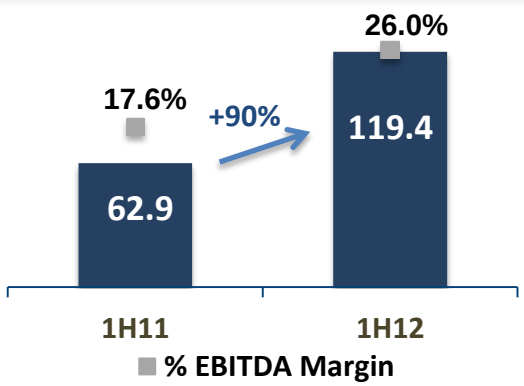


- Net revenue of R$459 million, growing 29% from 1H11
- Excluding the On-Campus Postsecondary Units acquired (FAMA, FAIS, União), organic (same-unit) growth in Net Revenue was 26% in 1H12

EBITDA







1. 100% of Corporate Expenses at Kroton
2. Corporate Expenses allocated in accordance with Net Revenue
3. Corporate Expenses in 1H11 restated by IPCA

[1] In 1H11, EBITDA was R$62.9 million with EBITDA Margin of 17.6%

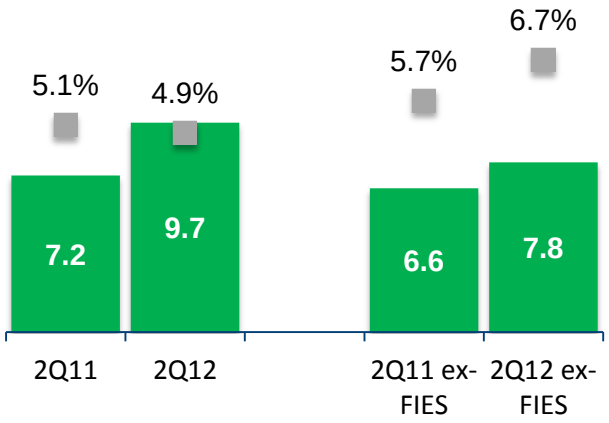


Provisioning and Receivables

Provision for Doubtful Accounts

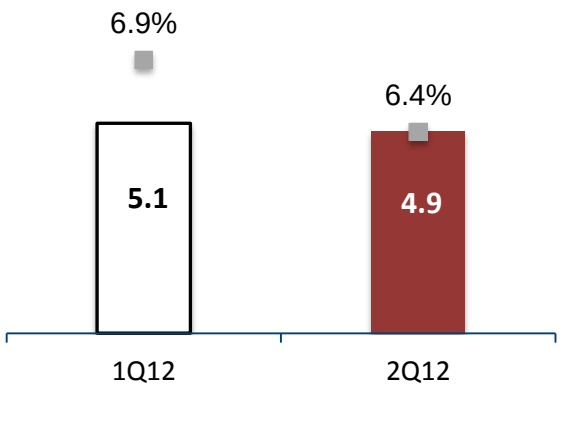
On-Campus Postsecondary

Quarterly - R$ million and % NR of Business



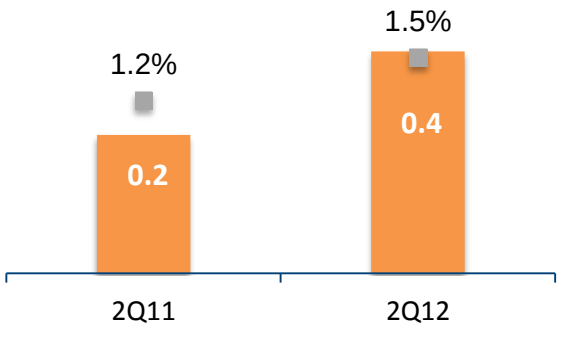
DL Postsecondary

Quarterly - R$ million and % NR of Business



Primary and Secondary

Quarterly - R$ million and % NR of Business



- PDA in the On-Campus Postsecondary business fell from 5.1% to 4.9%, while for ex-FIES students it increased from 5.7% of net revenue in 2Q11 to 6.7% in reinforcing the Company's conservative posture regarding delinquency
- PDA in the Distance Learning business should converge to levels closer to those in the On-Campus business
- PDA in the Primary and Secondary business also reflects the more conservative posture adopted by the Company

Accounts Receivable

On-Campus Postsecondary Education Values in R$ '000	2Q12	2Q11	Chg. %	1Q12	Chg. %
Net Accounts Receivable	255,185	163,074	56.5%	247,149	3.3%
Short Term - Tuition and Agreements Receivable	94,412	93,195	1.3%	89,101	6.0%
Long Term Receivables	16,718	18,099	-7.6%	16,921	-1.2%
FIES	144,055	51,780	178.2%	141,127	2.1%
Balance of certificates issued and blocked by CND	74,806	23,347	220.4%	55,924	33.8%

Distance Leaning Postsecondary Education Values in R$ '000	2Q12	2Q11	Chg. %	1Q12	Chg. %
Net Accounts Receivable	25,991	n.a	n.a	16,257	59.9%

Primary and Secondary Education Values in R$ '000	2Q12	2Q11	Chg. %	1Q12	Chg. %
Net Accounts Receivable	31,042	33,607	-7.6%	62,964	-50.7%

- **Issue of CND in July allowed Kroton to receive R$103.2 million through credit repurchases during the month, of which R$79.6 million was related to CND-related blocked amounts**
- **Increase in accounts receivable in the Distance Learning business compared to 1Q12, reflecting the seasonality inherent to the business**

Accounts Receivable Average Term

On-Campus Postsecondary - Accounts Receivable Average Term (days)	2Q12	2Q11	Chg. (days)	1Q12	Chg. (days)
Criterion (1) Net Accounts Receivable (ex-FIES) / Net Revenues	47	59	-12 days	47	0 days
Criterion (2) Net Accounts Receivable (ex-FIES) / Net Revenues (ex-FIES)	70	69	+1 day	65	+5 days
Criterion (3) FIES Net Accounts Receivable ex-blocked CND / FIES Net Revenues	101	126	-25 days	160	-59 days
DL Postsecondary - Accounts Receivable Average Term (days)	**2Q12**	**2Q11**	**Chg. (days)**	**1Q12**	**Chg. (days)**
Net Accounts Receivable / Net Revenues	37	n.a	n.a	24	+13 days
Primary and Secondary Education – Accounts Receivable Average Term (days)	**2Q12**	**2Q11**	**Chg. (days)**	**1Q12**	**Chg. (days)**
Net Accounts Receivable / Net Revenues	76	98	-22 days	160	-84 days

- **In the On-Campus Postsecondary business, accounts receivable ex-FIES (Criterion 1) remained stable compared to 1Q12 and decreased from 2Q11, indicating a consistent provisioning policy**
- **In Criterion 3, the reduction of 25 days from 2Q11 reflects the good management of FIES receivables and the improvements in the credit repurchase process**
- **As a result of the increase in accounts receivable, the average term in the Distance Learning business increased 13 days, reflecting the seasonality of the second quarter**
- **In the Primary and Secondary business, the improvement of 22 days from 2Q11 was due to the stricter collections policy**

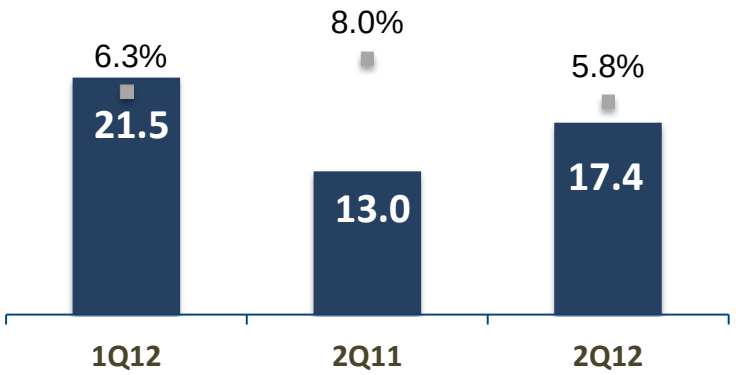
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Capex and Debt

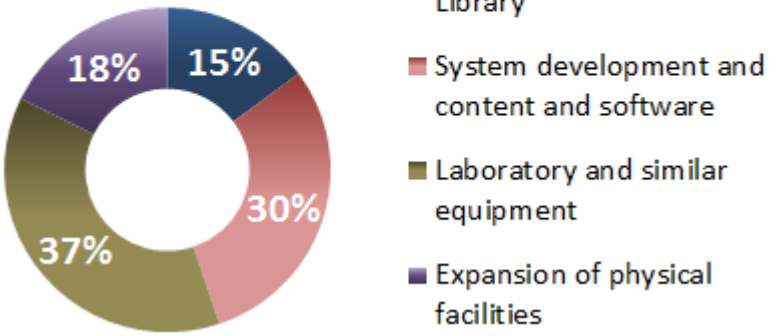
Capital Expenditure*

Kroton's Capex

Quarterly - R$ million



Capex 2Q12



- **Ratio of Capex to Net Revenue stood at 5.8% in 2Q12, down from the same quarter last year (8.0%)**

*** Excludes amounts related to acquisitions of Education Institutions and Special Projects (acquisitions of properties and brownfield projects)**

Debt

Consolidated Values in R$ ('000)	2Q12	1Q12	Chg.%
Cash	56,984	28,607	99.2%
Securities	155,713	502,773	-69.0%
Loans and Financing	553,298	578,373	-4.3%
Short-term Debt	6,388	27,993	-77.2%
Long-term Debt	546,910	550,380	-0.6%
Net Cash (Debt)[1]	**(340,601)**	**(46,993)**	**624.8%**
Other Short and Long Term Debt	401,605	197,172	103.7%
Net Cash (Debt)[2]	**(742,206)**	**(244,165)**	**204.0%**

[1] Net cash (debt) considering only bank obligations
[2] Net cash (debt) considering all short- and long-term obligations related to tax liabilities and the acquisitions concluded up to 2Q12, including the Seller's Note for the Unopar acquisition maturing in December 2012 and the amount to be paid over 6 years for the Uniasselvi acquisition

- **Reduction in the balance of Cash and Financial Investments arising from the payment of R$335 million related to the Uniasselvi acquisition**
- **Increase in Other short and long-term obligations due to the Seller's Note for the Unopar acquisition (due year-end 2012) and the outstanding amounts for the Uniasselvi acquisition**
- **Adequate debt level:**

Financial Net Debt[1] / EBITDA* = 0.9x
Total Net Debt[2] / EBITDA* = 1.9x

*** Based on pro-forma EBITDA in the New Guidance for 2012**

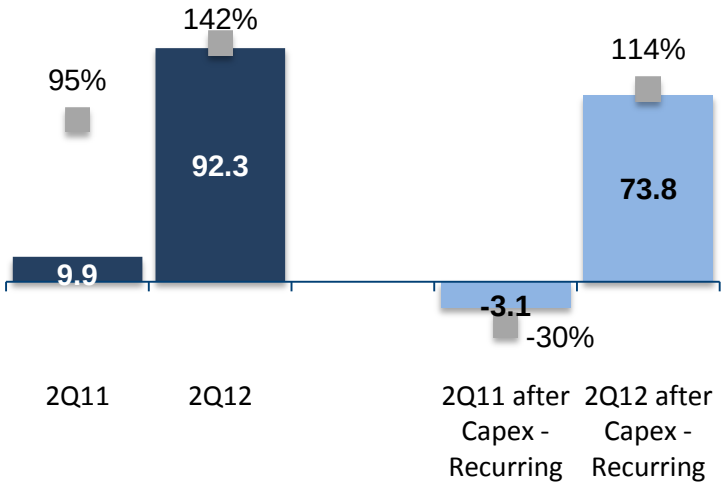
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Cash Generation

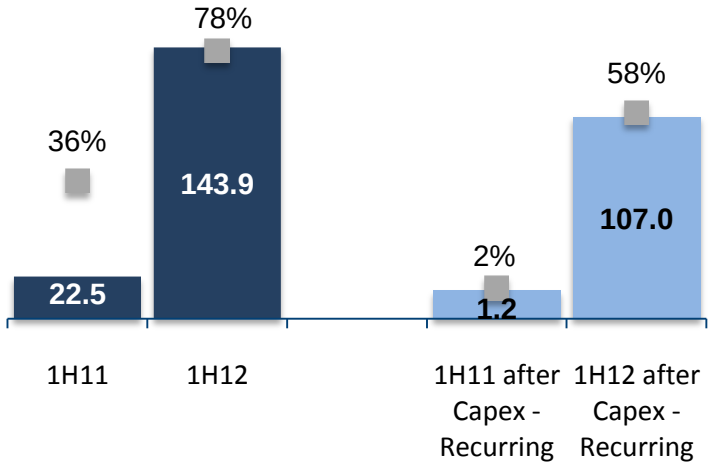
Cash Generation

Operating Cash Generation

Quarterly - R$ million and % "Actual" EBITDA



6 Months - R$ million and % "Actual" EBITDA



- **Strong increases in operating cash generation before capex, which reached 142% and 78% of "Actual" EBITDA in 2Q12 and 1H12**
- **After recurring capex, operating cash generation was R$73.8 million in 2Q12 and R$107 million in 1H12**
- **Considering also the capex for special projects, cash generation was R$55.4 million in 2Q12 and R$88.6 million in 1H12**

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Guidance and Closing Remarks

Guidance

- **Guidance Kroton + Unopar:**

EBITDA	R$305 million	+10%	R$336 million	+ R$21 MM from Uniasselvi[1] + R$1 MM from Unirondon[1]

- **Guidance Kroton + Unopar + Uniasselvi [1] + Unirondon[1]:**

		New 2012 Guidance
Net Revenue	R$1,303 million[2]	R$1,351 million
EBITDA	R$326 million	R$358 million
EBITDA Margin (%)	25%	26%

- **Pro Forma: considering 12 months of results from Uniasselvi and Unirondon leads to EBITDA of R$384 million**

Capex Guidance unchanged	6.5% of Net Revenue + R$60 million in Special Projects	R$90 million R$60 million R$150 million

[1] Considers 7 months from Uniasselvi and 5 months from Unirondon
[2] Considers adjustment in Net Revenue from Uniasselvi due to the standardization of accounting criteria

Closing Remarks

1. Revenue growth
2. Margin expansion
3. Strong cash generation
4. High student enrollment and re-enrollment rates, pointing to future revenue growth
5. Robust integration processes
6. Efficient management and market recognition

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