(Convenience Translation into English from the Original Previously Issued in Portuguese)

Kroton Educacional S.A. and Subsidiaries

Individual and Consolidated Interim Financial Information for the Quarter Ended March 31, 2012 and Report on Review of Interim Financial Information

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders and Management
Kroton Educacional S.A.
Belo Horizonte - MG

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Kroton Educacional S.A. (the "Company"), included in the Interim Financial Information Form (ITR), which comprises the balance sheet as at March 31, 2012 and the related income statement, statement of changes in equity, and statement of cash flows for the quarter then ended, including the explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 - Interim Financial Reporting and the consolidated interim financial information in accordance with CPC 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 and ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the Individual Interim Financial Information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission.

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Conclusion on the Consolidated Interim Financial Information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission.

Other Matters

Interim statements of value added

We have also audited the individual and consolidated statements of value added ("DVA"), for the quarter ended March 31, 2012, prepared under the responsibility of the Company's management, the presentation of which is required by the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Interim Financial Information (ITR), and as supplemental information for IFRS that does not require a presentation of a DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that there are not fairly presented, in all material respects, in relation to the individual and consolidated interim financial statements taken as a whole.

The accompanying interim financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, May 14, 2012

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Ismar de Moura
Engagement Partner

The interim financial information sheets reviewed by us are initialed for identification purpose only.

2012-0328

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

BALANCE SHEETS AS AT MARCH 31, 2012
(In thousands of Brazilian reais - R$)

	Company (BR GAAP)		Consolidated (BR GAAP & IFRS)	
ASSETS	03/31/2012	03/31/2010	03/31/2012	03/31/2010
CURRENT ASSETS				
Cash and cash equivalents:				
Cash and banks	953	27	28,607	44,709
Securities	10,902	4,568	502,773	106,638
Trade receivables	-	-	306,282	240,558
Inventories	-	-	9,769	22,128
Advances	4	-	12,405	17,938
Recoverable taxes	785	317	29,495	19,622
Other receivables	-	-	11,276	5,536
Total current assets	12,644	4,912	900,607	457,129
NONCURRENT ASSETS				
Securities	-	-	1,263	1,227
Trade receivables	-	-	19,197	19,568
Deferred taxes	-	-	7,250	7,333
Escrow deposits	-	-	8,882	9,216
Advances	-	-	11,655	11,757
Recoverable taxes	-	-	1,537	1,537
Contingent collateral	-	-	109,792	109,957
Other receivables	-	-	3,927	4,267
Advance for future capital increase	590,369	-	-	-
Investments:				
In subsidiary	1,233,069	1,152,801	-	-
Other	-	-	1,600	1,600
Property, plant and equipment	-	-	255,239	246,264
Intangible assets	350,375	351,509	2,092,134	2,096,617
Total noncurrent assets	2,173,813	1,504,310	2,512,476	2,509,343
TOTAL ASSETS	2,186,457	1,509,222	3,413,083	2,966,472

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

BALANCE SHEETS AS AT MARCH 31, 2012
(In thousands of Brazilian reais - R$)

	Company (BR GAAP)		Consolidated (BR GAAP & IFRS)	
LIABILITIES AND EQUITY	03/31/2012	03/31/2010	03/31/2012	03/31/2010
CURRENT LIABILITIES				
Trade payables	5,641	31	72,922	62,800
Borrowings and financing	-	-	8,895	10,461
Debentures	-	-	19,098	-
Payroll and related taxes	616	202	60,548	60,162
Income tax and social contribution payable	199	199	11,521	4,315
Taxes payable	183	183	12,247	11,091
Advances from customers	-	-	13,179	22,582
Taxes in installments	-	-	8,716	9,721
Payables - acquisitions	-	-	144,379	401,095
Other payables	-	-	1,958	1,455
Total current liabilities	6,639	615	353,463	583,682
NONCURRENT LIABILITIES				
Borrowings and financing	-	-	8,882	10,468
Debentures	-	-	541,498	544,339
Related-party transactions	-	1,884	-	-
Provisions for tax, labor and civil risks	-	-	195,889	192,619
Taxes in installments	-	-	36,506	36,856
Payables - acquisitions	-	-	15,447	15,830
Deferred taxes	19,603	20,117	99,539	101,992
Allowance for investment losses	3,743	11,275	-	-
Other payables	-	-	5,387	5,355
Total noncurrent liabilities	23,346	33,276	903,148	907,459
EQUITY				
Issued capital	1,851,101	1,254,061	1,851,101	1,254,061
Capital reserves	(6,018)	(1,219)	(6,018)	(1,219)
Treasury shares	(19,990)	(24,112)	(19,990)	(24,112)
Equity instruments arising on business combination	260,000	260,000	260,000	260,000
Accumulated Earning (losses)	71,379	(13,399)	71,379	(13,399)
Total equity	2,156,472	1,475,331	2,156,472	1,475,331
TOTAL LIABILITIES AND EQUITY	2,186,457	1,509,222	3,413,083	2,966,472

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

STATEMENTS OF OPERATIONS
FOR THE QUARTER ENDED MARCH 31, 2012
(In thousands of Brazilian reais - R$, except basic/diluted earnings [loss] per share)

	Company (BR GAAP)		Consolidated (BR GAAP & IFRS)	
	03/31/2012	03/31/2011	03/31/2012	03/31/2011
GROSS REVENUE FROM SALES AND SERVICES				
Higher education	-	-	275,423	134,806
K-12 education	-	-	65,174	60,205
	-	-	340,597	195,011
COST OF SALES AND SERVICES				
Cost of sales	-	-	(11,521)	(11,511)
Cost of services	-	-	(142,839)	(102,647)
	-	-	(154,360)	(114,158)
GROSS PROFIT	-	-	186,237	80,853
OPERATING INCOME (EXPENSES)				
Selling expenses	-	-	(30,664)	(15,988)
General and administrative expenses	(4,189)	(413)	(62,721)	(27,438)
Other operating income	-	-	25	-
Other operating expenses	-	-	(155)	(100)
Equity in subsidiaries:				
Share in profits of subsidiaries	87,800	32,670	-	-
OPERATING INCOME (LOSS) BEFORE FINANCE INCOME (EXPENSES)	83,611	32,257	92,722	37,327
FINANCE INCOME (COSTSES)				
Finance income	656	-	21,031	5,089
Finance costs	(3)	(1)	(24,095)	(6,059)
OPERATING INCOME (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	84,264	32,256	89,658	36,357
INCOME TAX AND SOCIAL CONTRIBUTION				
Current	-	-	(7,250)	(3,031)
Deferred taxes	514	-	2,370	(1,070)
	514	-	(4,880)	(4,101)
PROFIT FOR THE QUARTER	84,778	32,256	84,778	32,256
Basic earnings (loss) per share:				
Basic earnings (loss) per unit - R$	0.30	0.14	0.30	0.14
Basic earnings (loss) per common share - R$	0.22	0.14	0.22	0.14
Basic earnings (loss) per preferred share - R$	0.89	0.43	0.89	0.43

Comprehensive income-
The Company has no transactions requiring presentation of the statement of comprehensive income for the current and prior years.

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

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KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY (COMPANY AND CONSOLIDATED)
FOR THE QUARTER ENDED MARCH 31, 2012
(In thousands of Brazilian reais - R$)

	Equity attributable to owners of the Company								
	Share capital	Share issuance costs	Capital reserves	Treasury shares	Equity instruments arising on business combination	Accumulated Earnings (losses)	Controlling interests	Noncomtrolling interests	Total equity
BALANCE AS AT DECEMBER 31, 2010	873,831	-	17,859	(24,740)	-	(50,774)	816,176	-	816,176
Treasury shares acquired	-	-	-	(4,704)	-	-	(4,704)	-	(4,704)
Treasury shares disposed of	-	-	-	4,421	-	-	4,421	-	4,421
Stock options recognized	-	-	1,284	-	-	-	1,284	-	1,284
Loss on disposal of treasury shares	-	-	(185)	-	-	-	(185)	-	(185)
Share options exercised	-	-	(458)	-	-	-	(458)	-	(458)
Net income	-	-	-	-	-	32,256	32,256	-	32,256
BALANCE AS AT MARCH 31, 2011	873,831	-	18,500	(25,023)	-	(18,518)	848,790	-	848,790
BALANCE AS OF DECEMBER 31, 2011	1,254,061	(22,555)	21,336	(24,112)	260,000	(13,399)	1,475,331	-	1,475,331
Capital increase	597,040	-	-	-	-	-	597,040	-	597,040
Share issuance costs	-	(5,091)	-	-	-	-	(5,091)	-	(5,091)
Treasury shares disposed of	-	-	-	4,122	-	-	4,122	-	4,122
Stock options recognized	-	-	742	-	-	-	742	-	742
Gain on disposal of treasury shares	-	-	1,523	-	-	-	1,523	-	1,523
Share options exercised	-	-	(1,973)	-	-	-	(1,973)	-	(1,973)
Net income	-	-	-	-	-	84,778	84,778	-	84,778
BALANCE AS AT MARCH 31, 2012	1,851,101	(27,646)	21,628	(19,990)	260,000	71,379	2,156,472	-	2,156,472

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED MARCH 31, 2012
(In thousands of Brazilian reais - R$)

	Company (BR GAAP)		Consolidated (BR GAAP & IFRS)	
	03/31/2012	03/31/2011	03/31/2012	03/31/2011
CASH FLOW FROM OPERATING ACTIVITIES				
Profit or loss before income tax and social contribution and after noncontrolling interests	84,264	32,256	89,658	36,357
Adjustments to reconcile profit or loss for the year before income tax and social and noncontrolling interests with net cash used in operating activities:				
Depreciation and amortization	1,134	-	18,224	10,105
Allowance for doubtful debts	-	-	15,900	7,169
Provision for tax, labor and civil contingencies	-	-	4,777	4,971
Allowance for (reversal of) inventory losses	-	-	1,648	553
Financial charges on loans and CCB	-	-	17,211	3,188
Financial charges from acquisitions	-	-	3,599	250
Proceeds from securities	-		(12,333)	(209)
Grant of stock option	742	-	742	1,284
Gain on disposal of noncurrent assets	-	-	130	-
Share of profits of subsidiaries	(87,800)	(32,670)	-	-
Changes in operating assets and liabilities:				
(Increase) in trade receivables	-	-	(81,253)	(54,838)
(Increase) in inventories	-	-	5,873	6,359
(Increase) in advances	(4)	-	5,635	1,216
(Increase) decrease in recoverable taxes	(468)	-	(6,897)	(661)
(Increase) in escrow deposits	-	-	334	872
Decrease in other assets	-	2	(5,400)	165
(Decrease) increase in trade payables	519	-	4,743	259
Increase in salaries and related taxes	414	131	386	(575)
(Decrease) increase in taxes payable	-	(84)	1,112	2,330
(Decrease) increase in advances to customers	-	-	(9,403)	208
(Decrease) in taxes in installments	-	-	(1,355)	(547)
(Decrease) increase in the provision for tax, labor and civil risks	-	-	(988)	(4,806)
(Decrease) increase in other liabilities	-	-	535	(2,071)
Cash used in operating activities	(1,199)	(365)	52,878	11,579
Income tax and social contribution paid	-	-	(2,976)	-
Interest on borrowings paid	-	-	(539)	(2,814)
Net cash used in operating activities	(1,199)	(365)	49,363	8,765
CASH FLOW FROM INVESTING ACTIVITIES				
Redemption of (investment in) securities	-	-	12,297	194
Purchases of property, plant and equipment	-	-	(16,053)	(6,282)
Purchase of intangible assets	-	-	(2,334)	(2,058)
Acquisition of new colleges, net of cash acquired	-	-	(260,698)	(889)
Proceeds for disposal of property	-	-	25	-
Net cash used in investing activities	-	-	(266,763)	(9,035)
CASH FLOW FROM FINANCING ACTIVITIES				
Treasury shares	3,672	3,778	3,672	(926)
Capital increase, net of borrowing costs	597,040	-	597,040	-
Issuance of debentures, net of related costs	-	-	(242)	-
Borrowings and financing	-	-	-	40,525
Repayments of borrowings and financing	-	-	(3,037)	(37,905)
Intragroup loans	(1,884)	(3,423)	-	-
Advance for capital increase in subsidiary	(590,369)	-	-	-
Net cash generated by (used in) financing activities	8,459	355	597,433	1,694
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, NET	7,260	(10)	380,033	1,424
Cash and cash equivalents at beginning of period	4,595	13	151,347	26,168
Cash and cash equivalents at end of period	11,855	3	531,380	27,592
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, NET	7,260	(10)	380,033	1,424

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

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KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
FOR THE QUARTER ENDED MARCH 31, 2012
(In thousands of Brazilian reais - R$)

	Company (BR GAAP)		Consolidated (BR GAAP & IFRS)	
	03/31/2012	03/31/2011	03/31/2012	03/31/2011
REVENUE				
Higher education	-	-	66,449	60,949
K-12 education	-	-	282,577	138,198
Recognition of allowance for doubtful debts	-	-	(15,900)	(7,169)
INPUTS PURCHASED FROM THIRD PARTIES				
Cost of products and services	-	-	(39,505)	(25,940)
Materials, power, outside services and other	(1,056)	(9)	(32,676)	(16,095)
GROSS VALUE ADDED	(1,056)	(9)	260,945	149,943
Depreciation and amortization	(1,134)	-	(18,224)	(10,105)
WEALTH CREATED	(2,190)	(9)	242,721	139,838
WEALTH RECEIVED IN TRANSFER				
Share in profits of subsidiaries	87,800	32,670	-	-
Finance income	656	-	21,031	5,089
TOTAL WEALTH FOR DISTRIBUTION	86,266	32,661	263,752	144,927
WEALTH DISTRIBUTED	86,266	32,661	263,752	144,927
Personnel:				
Salaries and wages	283	254	95,753	69,715
Benefits	1,471	8	14,791	4,075
Severance pay fund (FGTS)	56	13	8,404	5,672
Taxes and fees:				
Federal	(330)	-	6,731	5,251
State	1	129	238	43
Municipal	4	-	7,747	4,156
Lenders and lessors:				
Interest	3	1	24,095	6,059
Leases	-	-	18,725	14,302
Copyrights	-	-	2,490	3,398
Shareholders-				
Net income	84,778	32,256	84,778	32,256

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

1. GENERAL INFORMATION

Kroton Educacional S.A., headquartered in the city of Belo Horizonte, and its subsidiaries ("Company" or "Kroton") is engaged in holding equity interests, as partner or shareholder, in companies engaged in: (a) the management of preschool, elementary, high school, adult high school, college preparatory school, higher, professional, and post-graduation education, free courses, and other related educational activities; and (b) the wholesale, retail, distribution, import and export of textbooks, course books, magazines and other publications related to preschool, elementary, high school, adult high school, college preparatory school, higher, professional, and post-graduation education, free courses, and or other related educational activities, and the licensing of school-related and pedagogical products. The Company conducts its activities through its subsidiary Editora e Distribuidora Educacional S.A. ("EDE").

The Company is listed on BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros (São Paulo Stock, Mercantile and Futures Exchange), under ticker symbol KROT11, where it trades its units, which are assets consisting of one common share and six preferred shares.

The Company's management model is operated by EDE and its subsidiaries engaged in the education industry:

a) By providing regular and formal preschool, elementary, high school, higher, distance learning (online) and short-duration market-oriented (*tecnólogo*) education, as well as training for individuals and professional organizations.

b) By developing, distributing, and selling textbooks, newspapers, magazines and periodicals, advertising and publicity, training the technical staff of partner schools, and providing a set of solutions to public and private schools.

The Company's direct and indirect subsidiaries are summarized in note 4, below.

Comparability

The interim financial information for the quarter ended March 31, 2012 does not include the profit (loss) of subsidiaries: União and Ceama, consolidated as of July 1, 2011; Fais, consolidated as of November 1, 2011; and Unopar and Alba, consolidated as of December 1, 2011. Therefore, in reading this interim financial information, these events should be taken into consideration.The interim financial information as at March 31, 2012 and December 31, 2011 have been changed in relation to the originally reported balances so as to include the flowing reclassifications and to be consistent with the classifications used as at March 31, 2012.

a) Statement of value added

	Balance reported on March 31, 2011	Reclassifications	Restated balance
Distribution of wealth:			
Revenue - Higher education	134.807	3.391	138.198
Revenue - K-12 education	60.204	745	60.949
Wealth distributed:			
Federal	4.399	852	5.251
State	-	43	43
Municipal	915	3.241	4.156

b) Statement of cash flows

	Balance stated as at March 31, 2011	Reclassifications	Restated balance
Net cash used in operating activities			
Interest on borrowings paid	-	(2,814)	(2,814)
Net cash generated by (used in) investing activities			
Purchases of property, plant and equipment	(7,210)	928	(6,282)
Net cash generated by (used in) financing activities			
Interest on borrowings paid	(2,814)	2,814	-
Repayments of borrowings and financing	(36,977)	(928)	(37,905)

c) The net share issuance costs previously stated as a reduction of capital as at December 31, 2011 were reclassified to a specific reserve line item of equity as at March 31, 2012, in the amount of R$22,555.

Seasonality

The Company expects to reach higher revenue and profitability levels in the first and third quarters.

The sale of elementary education textbooks peaks in the first quarter. Enrollments in college degrees for each semester are made in the first and third quarters, which generate revenue peaks in these quarters. As a result, this seasonality tends to produce changes in the quarterly results of our operations.

2. BASIS OF PREPARATION, PRESENTATION OF INTERIM FINANCIAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's interim financial information comprise:

- The Company's individual interim financial information prepared and presented in accordance with the Accounting Pronouncement CPC 21 *Interim Financial Reporting* and with the standards issued by the Brazilian Securities and Exchange Commission applicable to the preparation of the Interim Financial Information (ITR), identified as "Parent - BR GAAP", and

- The consolidated interim financial information in accordance with CPC 21 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (IASB), and in accordance with the standards issued by the Brazilian Securities and Exchange Commission applicable to the preparation of the Interim Financial statements (ITR), identified as "Consolidated - IFRS and BR GAAP".

The information related to the basis for preparation and presentation of the interim financial information, the summary of the significant accounting policies and the use of estimates and judgment did not change as compared to the information disclosed in notes 2 and 3 to the annual financial statements for the year ended December 31, 2011 (hereinafter referred to as "Financial Statements for the year ended December 31, 2011"), published on March 29, 2012 in the newspaper Economic Value and on April 2, 2012 in the Minas Gerais State Official Gazette, and made available on the following: www.cvm.gov.br, www.bmfbovespa.com.br and www.kroton.com.br/ri.

The changes in the balances of property, plant and equipment, intangible assets and other balances related to the quarter ended March 31, 2011 can also be obtained in the interim financial information for the quarter ended March 31, 2011 made available on the following websites: www.cvm.gov.br, www.bmfbovespa.com.br and www.kroton.com.br/ri.

3. NEW AND REVISED STANDARDS AND INTERPRETATIONS

In the first quarter of 2012, some new standards issued by the IASB became effective and other standards will become effective for fiscal years 2012 and 2013. The Company's management assessed these new standards and does not expect any significant effects on the reported amounts.

The CPC had not yet issued certain pronouncements equivalent to IFRSs that became or would become effective on or after March 31, 2012.However, because of the CPC's commitment to keep the set of standards issued updated according to the changes made by the IASB, it is expected that the standards and/or revised standards issued by the IASB will be approved and become effective.

4. CONSOLIDATED INTERIM FINANCIAL INFORMATION

The consolidated interim financial information includes the Company and its majority-held subsidiaries and interests in entities where the Company is considered the primary beneficiary, i.e., the holder of the main risks and rewards (even when the company does not hold the majority of voting shares therein).

The consolidated financial statements include the accounts of the Company and the following subsidiaries:

	Interest in total capital - %	
Consolidated companies	03/31/2012	12/31/2011
Direct subsidiaries:		
UNOPAR - Universidade de Arapongas, Bandeirantes, Londrina and partner in EAD centers (i)	20.00	20.00
EDE - Editora e Faculdade de Divinópolis, Guarapari, Jundiaí, Teixeira de Freitas e Uberlândia, and parent of:	100.00	100.00
Indirect subsidiaries:		
ÁGORA - Sports schools	99.99	99.99
ALBA - Service provider (i)	99.99	99.99
CEAMA - Faculdade de São Luís (ii)	99.99	99.99
FAIS - Faculdade de Sorriso (iii)	99.99	99.99
FATEC - Faculdade de Londrina	99.99	99.99
GK - Faculdade de Feira de Santana	99.99	99.99
INADE - Examination institute	99.99	99.99
ORME - Faculdade de Tecnologia de Belo Horizonte	99.99	99.99
PAX - Editora Rede Católica	99.99	99.99
PROJECTA EDE - Editora	99.99	99.99
PSES - Faculdade de Belo Horizonte, Betim, Contagem, Governador Valadares, Ipatinga, Poços de Caldas, São Luís e Votorantim	99.99	99.99
SPES - K-12 education	99.99	99.99
UMEP - Faculdade de Londrina	99.99	99.99
UNIÃO - Faculdade de Ponta Grossa (ii)	99.99	99.99
UNILINHARES - Faculdade de Linhares	99.99	99.99
UNOPAR - Universidade de Arapongas, Bandeirantes, Londrina and partner in EAD centers (i)	80.00	80.00
IUNI - Universidade de Cuiabá and parent of:	100.00	100.00
UNIC PRIMAVERA ANTIGA - Faculdade Primavera do Leste	99.99	99.99
UNIC PRIMAVERA NOVA - Faculdade Primavera do Leste	99.99	99.99
UNIC ROO AE - Faculdade de Rondonópolis	99.99	99.99
UNIC ROO FP - Faculdade de Rondonópolis	99.99	99.99
UNIC SINOP - Faculdade de Sinop	99.99	99.99
UNIC TANGARÁ NORTE - Faculdade de Tangará da Serra	99.99	99.99
UNIC TANGARÁ SUL - Faculdade de Tangará da Serra	99.99	99.99
UNIC VG - Faculdade de Várzea Grande	99.99	99.99
UNIME ITABUNA - Faculdade de Itabuna	99.99	99.99
UNIME SALVADOR - Faculdade de Salvador	99.99	99.99
FAMA MARABÁ - Faculdade de Marabá	99.99	99.99
UNIME LF - Faculdade de Lauro de Freitas, and parent of-	99.99	99.99
FAMA MACAPÁ - Faculdade de Macapá	99.99	99.99

(i) Subsidiaries acquired in December 2011.

(ii) Subsidiaries acquired in July 2011.

(iii) Subsidiary acquired in November 2011.

5. FINANCIAL RISK MANAGEMENT - CONSOLIDATED (IFRS & BR GAAP)

5.1. Financial risk factors

a) Financial instruments policy

In the normal course of business, the Company is exposed to market, credit, and liquidity risks.

The Company's objective in capital management is to ensure that the necessary resources are available to implement its strategy at the lowest capital cost, seeking to maximize return to shareholders.

In the quarter ended March 31, 2011, the Company recorded sufficient net cash to meet the requirements of its business cycles and make its growth strategy feasible. Investment decisions take into account the expected return potential.

b) Market risk

Interest rate-related cash flow risk

This risk arises from the possibility of Kroton's group companies incurring losses because of interest rate fluctuations that increase financial expenses related to borrowings and financing raised in the market. The Company continuously monitors market interest rates with the objective of assessing the need to hedge against the risk of volatility in these rates.

Interest rates for borrowings and financing in current and non-current liabilities are as follows:

	Consolidated (IFRS & BR GAAP)	
	03/31/2012	12/31/2011
Borrowings and financing:		
Extended Consumer Price Index (IPCA)	6.920	7.786
Interbank deposit rate (CDI)	1.846	2.076
Debentures (i)	560.596	544.339
Other (ii)	9.011	11.067
Total	578.373	565.268

(i) The debentures pay interest of 100% of the CDI plus 2.0% per year.

(ii) Refer to finance leases adjusted by fixed average rates of 6.68% per year.

For details, see notes 20 and 21.

c) Credit risk

The Company's and its subsidiaries' sales policy is closely related to the level of credit risk that they are willing to assume in the ordinary course of their businesses, limited to Federal Government rules (Law 9870/99, which provides for total school annual tuitions). Enrollm'ent for the next school year is blocked whenever a student is in default with the institution. Possible default is minimized by diversifying the receivables portfolio, selecting students, and monitoring collection deadlines. The Company has recognized an allowance for doubtful debts totaling R$83,310 (December 31, 2011 - R$72,117) of the gross balance of outstanding receivables from third parties, to cover credit risk.

The Company restricts its exposure to credit risks related to banks and short-term investments by investing through prime financial institutions and in accordance with previously established limits.

d) Liquidity risk

The table below analyses the Company's non-derivative financial liabilities, by maturity ranges, corresponding to the remaining period in the balance sheet through the contractual maturity date.

	Consolidated (IFRS and BR GAAP)			
	Less than 1 year	1 to 2 years	Over 2 years	Total
As at March 31, 2010:				
Borrowings and financing	4,484	3,975	763	9,222
Debentures	19,098	-	541,498	560,596
Finance lease obligations	4,411	3,356	788	8,555
Trade payables	72,922	-	-	72,922
Payroll and related taxes	60,548	-	-	60,548
Taxes payable and provision for tax, labor and civil contingencies	32,484	4,567	327,367	364,418
Advances from customers	13,179	-	-	13,179
Payables - acquisitions	144,379	13,671	1,776	159,826
Other payables	1,958	5,387	-	7,345
	353,463	30,956	872,192	1,256,611
As at December 31, 2011:				
Borrowings and financing	4,520	4,351	1,632	10,503
Bank credit note	-	-	544,339	544,339
Finance lease obligations	5,941	3,675	810	10,426
Trade payables	62,800	-	-	62,800
Payroll and related taxes	60,162	-	-	60,162
Taxes payable and provision for tax, labor and civil contingencies	25,127	5,126	326,341	356,594
Advances from customers	22,582	-	-	22,582
Payables - acquisitions	401,095	14,084	1,746	416,925
Other payables	1,455	2,014	3,341	6,810
	583,682	29,250	878,209	1,491,141

5.2. Capital management

The Company's objective when managing its capital is to secure the resources necessary to implement its strategy at the lowest capital cost, seeking to maximize return to shareholders.

	Company (BR GAAP)		Consolidated (IFRS & BR GAAP)	
	03/31/2012	12/31/2011	03/31/2012	12/31/2011
Debt (a)	-	-	578.373	565.268
Cash and cash equivalents (note 8) and securities (note 9)	(11.855)	(4.595)	(532.643)	(152.574)
Net debt	(11.855)	(4.595)	45.730	412.694
Equity (b)	2.156.472	1.475.331	2.156.472	1.475.331
Financial leverage ratio	(0,55%)	(0,31%)	2,12%	27,97%

In the period ended March 31, 2012, the Company presented a capital structure adequate to make its growth strategy feasible, whether organically or through acquisitions. Investment decisions take into account the expected return potential.

The financial leverage ratios are as shown below:

(a) Debt is defined as current and noncurrent bank loans, as detailed in notes 20 and 21.

(b) Equity includes the entire Company's share capital and reserves, managed as capital.

5.3. Fair value estimate

It is assumed that the account balance of trade accounts receivable less the allowance for losses approximates its fair value. The fair value of the financial liabilities, for disclosure purposes, is estimated by discounting future contractual cash flows at the prevailing market interest rate available to the Company for similar financial instruments

a) Financial instruments measured at fair value in the balance sheet

The Company applies the amendment to IFRS 7 for financial instruments measured at fair value in the balance sheet, which requires disclosure of fair value measurements based on the following fair value measurement hierarchy:

- Prices quoted (unadjusted) in active markets for identical assets or liabilities (Level 1).

- In addition to the quoted prices, included in level 1, inputs used by the market for assets or liabilities, whether directly (such as prices) or indirectly (such as those derived from prices) (level 2).

- Inputs for assets or liabilities that are not based on the data adopted by the market (unobservable inputs) (level 3).

The table below shows the Company's assets and liabilities measured at fair value:

	Company (BR GAAP)	
	Level 2 03/31/2012	Level 2 12/31/2011
Assets-		
Available-for-sale financial assets:		
Investment fund units	10,902	4,568
Total assets	10,902	4,568

	Consolidated (IFRS & BR GAAP)	
	Level 2 03/31/2012	Level 2 12/31/2011
Assets-		
Available-for-sale financial assets:		
Bank Certificates of Deposit (CDBs)	24,641	8,373
Investment fund units	478,570	98,692
Other	825	800
Total assets	504,036	107,865

For details, see 9.

The fair value of the financial instruments traded in active markets is based on market prices at the balance sheet date. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. As at March 31, 2012, the Company had no financial instruments classified within level 1.

The fair value of financial instruments not traded in active markets is determined using valuation techniques. These measurement methods make maximum use of market inputs, where available, and rely as little as possible on entity-specific inputs. If all relevant inputs required with regard to the fair value of an instrument are adopted by the market, the instrument will be included in level 2. The financial instruments included in level 2 comprise mainly investments classified as available-for-sale securities

If one or more relevant inputs are not based on data adopted by the market, the instrument will be included in level 3. As at March 31, 2012, the Company had no financial instruments classified within level 3.

b) Fair value of borrowings and financing

The carrying amount of borrowings includes rates pegged to the IPCA and UMBNDES and approximates their fair value.

c) Fair value of debentures

The carrying amounts of debentures are pegged to the CDI plus 2% and approximate their fair values.

d) Other financial assets and liabilities

The fair value of other financial assets and liabilities does not differ materially from their carrying amounts, since they were contracted and recorded at market rates and conditions for transactions with similar nature, risk and terms

5.4. Sensitivity analysis

The table below shows the sensitivity analysis for financial instruments, describing the risks that may result in material losses for the Company using a most probable scenario, according to an assessment made by Management for a 12-month period. Additionally, two other scenarios are shown to present a 25% and 50% stress at the risk variable considered, respectively.

For the sensitivity analysis, we used as assumption the macroeconomic indicators prevailing at the close of the reporting period

a) Securities

Company (BR GAAP)

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
CDI	10,902	Decrease of CDI	981	736	490

Consolidated (IFRS & BR GAAP)

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
CDI	504,036	Decrease of CDI	45.363	34.022	22.681

b) Borrowings and financing

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
IPCA	6.920	Increase of CDI	363	454	544
CDI	1.846	Increase of CDI	166	208	249

Indices used (probable scenario): CDI - 9% and IPCA - 5.24%.

c) Debentures

Index	Amount	Risk	Probable scenario	Possible scenario (25%)	Remote scenario (50%)
Debentures-CDI (i)	560,596	Increase of CDI	50,454	63,068	75,681

(i) The adjustment index of debentures is added of 2% per year in accordance with the issuance indenture.

Management prepared a sensitivity analysis for the other financial instruments as at March 31, 2012 and verified that they do not present risk of material loss.

6. FINANCIAL INSTRUMENTS BY CATEGORY - COMPANY (BR GAAP) AND CONSOLIDATED (IFRS & BR GAAP)

Parent (BR GAAP)

	Loans and receivables	Available for sale	Total
Assets at March 31, 2012			
Securities	-	10,902	10,902
Recoverable taxes	785	-	785
	785	10,902	11,687

	Liabilities measured at amortized cost
Liabilities at March 31, 2012	
Trade payables	5,641
Taxes payable	382
Deferred taxes	19,603
Payroll and related taxes	616
	26,242

	Loans and receivables	Available for sale	Total
Assets at December 31, 2011			
Securities	-	4,568	4,568
Other receivables (excluding prepayments)	317	-	317
	317	4,568	4,885

	Liabilities measured at amortized cost
Liabilities at December 31, 2010:	
Trade payables	31
Taxes payable	382
Deferred taxes	20,117
Other obligations (excluding statutory obligations)	202
	20,732

Consolidated (BR GAAP & IFRS)

	Loans and receivables	Available for sale	Total
Assets at March 31, 2012			
Securities	-	504,036	504,036
Trade receivables	325,479	-	325,479
Inventories	9,769	-	9,769
Recoverable taxes	31,032	-	31,032
Deferred taxes	7,250	-	7,250
Escrow deposits	8,882	-	8,882
Contingencies' guarantee	109,792	-	109,792
Total receivables	15,203	-	15,203
	507,407	504,036	1,011,443

	Liabilities measured at amortized cost
Liabilities at March 31, 2012	
Borrowings	8,910
Finance lease obligations	8,867
Debentures	560,596
Trade payables	72,922
Payroll and related taxes	60,548
Taxes payable and provision for tax, labor and civil contingencies	264,879
Payables - acquisitions	159,826
Advances from customers	13,179
Deferred taxes	99,539
Other payables	7,345
	1,256,611

	Loans and receivables	Available for sale	Total
Assets at December 31, 2011			
Securities	-	107,865	107,865
Trade receivables	260,126	-	260,126
Other receivables and contingencies' guarantee	119,760	-	119,760
Inventories	22,128	-	22,128
Recoverable taxes	21,159	-	21,159
Deferred taxes	7,333	-	7,333
Escrow deposits	9,216	-	9,216
	439,722	107,865	547,587

	Liabilities measured at amortized cost
Liabilities at December 31, 2011	
Borrowings	10,011
Finance lease obligations	10,918
Bank credit note/debentures	544,339
Trade payables	62,800
Payroll and related taxes	60,162
Taxes payable and provision for tax, labor and civil contingencies	356,594
Payables - acquisitions	416,925
Advances from customers	22,582
Other payables	6,810
	1,491,141

7. CREDIT QUALITY OF FINANCIAL ASSETS- CONSOLIDATED (IFRS & BR GAAP)

The credit quality of financial assets that are not past due or impaired may be evaluated by reference to external credit ratings (if any) or historical information on default rates for counterparties:

	03/31/2012	12/31/2011
Trade receivables-		
Counterparties without external credit rating:		
Group 1 - higher education	338,066	294,590
Group 2 - K-12 education	71,615	38,545
	409,681	333,135
Cash at bank and short-term bank deposits:		
AAA	27,796	43,658
A	59	68
Other	700	798
	28,555	44,524

The residual balance in 'Cash and cash equivalents' in the balance sheet represents cash.

	03/31/2012	12/31/2011
Available-for-sale debt securities:		
AAA	504,036	107,865
	504,036	107,865

8. CASH AND BANKS

	Company (BR GAAP)		Consolidated (IFRS & BR GAAP)	
	03/31/2012	12/31/2011	03/31/2012	12/31/2011
Cash and banks	953	27	28,607	44,709

9. SECURITIES

Securities include financial assets classified as available for sale, as follows:

	Company (BR GAAP)	
	03/31/2012	12/31/2011
Current		
Fixed income fund (a)	10,902	4,568

	Consolidated (IFRS & BR GAAP)	
	03/31/2012	12/31/2011
Current		
Fixed income fund (a)	3,815	1,552
Exclusive fund (b)	474,755	104,982
CDB (c)	24,203	104
	502,773	106,638
Noncurrent		
Capitalization bonds (d)	825	800
CDB (e)	438	427
	1,263	1,227

(a) Refers to short-term investments in a fixed income fund of daily cash surplus whose yield is indexed to the CDI fluctuation. These investments can be immediately redeemed.

(b) Refers to a short-term investment fund formed as an exclusive fund that qualifies as fixed income investment, according to current regulations, the investment policy focus mainly on the domestic interest rate fluctuation and seeks the appreciation of its units by investing funds in a conservative portfolio. To attain its objectives, the portfolio consists basically of government and private securities that can be immediately converted into a known cash amount and are subject to an immaterial risk of changes in value, and Kroton has the right to redeem them at any time.

The fund's portfolio consists of fixed income securities issued by prime banks and Financial Treasury Bills (LFTs), where 84.32% are CDBs and 15.68% are LFTs. The Fund's return has reached 102% of the CDI.

(c) Refers to short-term investments in CDB whose yield is indexed to the CDI fluctuation. The average yield was 99.62% of the CDI.

(d) Refers to the acquisition of capitalization certificates with a 24-month maturity beginning December 2011, and a 12-month grace period for early redemption.

(e) Refers to short-term investments that are not highly liquid and have been classified as noncurrent assets. Include only short-term investments in CDB whose yield is indexed to the CDI fluctuation. The yield was 106% of the CDI.

The average monthly yield for the quarter ended March 31, 2012 was 101% of the CDI and financial income generated totaled R$12,333 (R$209 for the quarter ended March 31, 2011).

None of these financial assets is past due or impaired. The maximum exposure to credit risk at the reporting date is the carrying amount of debt securities classified as available for sale.

10. TRADE RECEIVABLES - CONSOLIDATED (IFRS & BR GAAP)

	03/31/2012	12/31/2011
Higher education	338,066	294,590
K-12 education	71,615	38,545
	409,681	333,135
Allowance for doubtful debts		
Higher education	(74,659)	(64,551)
K-12 education	(8,651)	(7,566)
	(83,310)	(72,117)
Trade receivables, net	326,371	261,018
Discount to present value (a)	(892)	(892)
	325,479	260,126
Current	306,282	240,558
Noncurrent (b)	19,197	19,568

(a) The Adjustment to Present Value (APV) is calculated on receivables from book collections only, through the discounted cash flow method, using the Central Bank's policy rate (SELIC) as the discount rate at March 31, 2012 and 2011, as Management understands that this is the rate that better represents its cost of capital. The average rate used was 11% per year. As the receivables are realized, the balance classified as APV is recognized as finance income (costs).

(b) Refers to renegotiations and student loans (higher education).

Beginning fiscal year 2010, it was decided that only higher education tuitions past-due up to 360 days would be kept in trade receivables.

	03/31/2012	12/31/2011
Write-off of receivables past-due for more than 360 days	(4,707)	(11,230)
Reversal of accumulated allowance for doubtful debts	4,707	11,230

The Company does not have factoring transactions as at March 31, 2012 and December 31, 2011.

The aging list of these trade receivables, gross is as follows:

	03/31/2012	12/31/2011
Current	261,221	153,952
Past-due		
Up to 30 days	34,837	27,236
31 to 60 days	17,516	20,994
61 to 90 days	5,654	12,406
91 and 180 days	24,794	38,686
Over 181	65,659	79,861
Allowance for doubtful debts	(83,310)	(72,117)
Adjustment to present value	(892)	(892)
	325,479	260,126

Changes in the Company's allowance for doubtful debts are as follows:

Balance as at December 31, 2011	(72,117)
Write-off	4,707
Recognition	(15,900)
Balance as at March 31, 2012	(83,310)

The recognition of the allowance for doubtful debts is recognized in the income statement for the quarter in line item 'Selling expenses' (note 32). Expense on discounts was recorded in 'Sales deductions'. Amounts charged to the allowance account are usually derecognized when the recovery of the involved amounts is not expected.

11. INVENTORIES - CONSOLIDATED (IFRS & BR GAAP)

	03/31/2012	12/31/2011
"Pitágoras" books and collections	8,900	14,497
Educational software (i)	-	4,969
Advertising and other materials	62	69
Commercial books	1,133	2,158
Raw materials	1,653	450
Other	822	1,138
Allowance for losses (ii)	(2,801)	(1,153)
	9,769	22,128

(i) The educational software was transferred to software, in line item 'Intangible assets'. See note 18.

(ii) The allowance for probable losses on inventories of books and collections is calculated based on their realization.

The cost of inventories recognized as cost of sales for the quarter ended March 31, 2012 totaled R$11,521 (R$11,511 as at March 31, 2012).

Changes in the allowance for inventory losses are as follows:

Balance as at December 31, 2011	(1,153)
Recognition	(1,648)
Balance as at March 31, 2012	(2,801)

12. ADVANCES - CONSOLIDATED (IFRS & BR GAAP)

	03/31/2012	12/31/2011
Suppliers:		
PFC Gestão Patrimonial - Campus Betim (a)	10,740	10,896
Construtora Almeida - Campus Raja (a)	3,827	4,277
Other	4,287	2,447
Employees (b)	4,662	11,591
Travel expenses	544	484
	24,060	29,695
Current	12,405	17,938
Noncurrent	11,655	11,757

(a) Refers to prepayments to suppliers for the construction and upkeep of the buildings at the higher education units in Betim and Raja. These amounts are classified as recoverable amounts in current assets, as they will be offset against monthly lease payments and adjusted on a monthly basis as contractually prescribed.

(b) Refers mainly to advanced vacation pay.

13. RECOVERABLE TAXES

	Parent (BR GAAP)	
	3/31/2012	12/31/2011
Current:		
Corporate income tax (IRPJ) and social contribution (CSLL)	785	317

	Consolidated (IFRS & BR GAAP)	
	3/31/2012	12/31/2011
Current:		
IRPJ and CSLL (a)	24,104	14,620
Social security tax (INSS) (b)	3,613	2,985
Taxes on revenue (PIS and COFINS) (b)	726	699
REFIS IV (Tax Debt Refinancing Program) - adhesion installments (c)	607	405
Tax on services (ISSQN) (b)	439	849
State VAT (ICMS)	6	64
	29,495	19,622
Noncurrent		
INSS (d)	1,537	1,537
	31,032	21,159

(a) Refers to an IRPJ credit and CSLL tax loss carryforwards; of this total, R$12,010 correspond to EDE, R$3,014 correspond to IUNI, and R$609 to PROJECTA EDE, R$2,505 to SPES, and the other companies in aggregate correspond to R$3,820 of the carried balance. These amounts can be utilized to be offset against any federal tax managed by the Brazilian Revenue Service.

(b) Refer to taxes withheld at the source associated to the issuance of invoices for services provided by subsidiaries SPES and PROJECTA EDE which hold the amount R$3,059 and R$319, respectively. The other companies in aggregate hold R$1,400.

(c) In April 2008, some subsidiaries joined the tax installment plan established by the Joint Administrative Rule PGFN/RFB 06/2007, referred to as “IES Installment Plan”. Thereafter, these subsidiaries decided not to use that installment payment program and joined the Tax Debt Refinancing Program (REFIS IV), created by Law 11941/09. By July 2011 most of the tax debts had not been consolidated, and the Company successfully obtained court decisions requiring the Federal Revenue Service to consolidate the tax installment plan. This government agency has already publicly stated that it will comply with the court decisions. Until the Federal Revenue Service (RFB) solves its system problems, the adhesion installments paid under REFIS IV will be controlled in assets.

(d) Refers to payments under the “IES installment plan”, an installment plan exclusive for higher education institutions and that was discontinued because of the adhesion to the REFIS IV installment plan. Amounts are concentrated in the company UNIME LF, which will file an administrative request for refund and/or offset against other tax debts.

14. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution in profit or loss

Income tax and social contribution differ from the theoretical amount that would have been obtained by using the statutory income tax and social contribution rates applicable to the profit of the consolidated entities, as follows:

a.1) Company (BR GAAP)

	03/31/2012	03/31/2011
Profit before income tax and social contribution for the quarter	84,264	32,256
Combined income tax and social contribution rate - %	34	34
Income tax and social contribution at statutory rate	(28,650)	(10,967)
Reconciliation:		
Share of profits of subsidiaries		
Unrecognized tax credit	29,852	11,108
Income tax and social contribution in income statement	(688)	(141)
Profit (loss) before income tax and social contribution for the quarter	514	-

a.2) Consolidated (IFRS & BR GAAP)

	03/31/2012	03/31/2011
Profit (loss) before income tax and social contribution for the year	89,658	36,357
Combined income tax and social contribution rate - %	34	34
Income tax and social contribution at statutory rate	(30,484)	(12,361)
Reconciliation:		
Tax incentive of subsidiary entitled to Prouni benefit (i)	26,152	8,266
Additions (deductions), net (ii)	15,687	12,945
Unrecognized tax credit	(16,235)	(12,951)
	(4,880)	(4,101)
Income tax and social contribution in income statement	(7,250)	(3,031)
Deferred income tax and social contribution in income statement	2,370	(1,070)

(i) Corresponds to companies exempt from income tax and social contribution due to their participation in the University for All Program (ProUni).

(ii) The main additions and deductions are: allowance for doubtful debts, provisions for contingencies, and utilization of prior years' tax loss carryforwards.

The differences between the tax bases at assets and liabilities included in accounting records, prepared under the IFRSs, were recognized as temporary differences for deferred tax accounting purposes, as a contra entry to income (or expenses) in the income statement.

b) Deferred income tax and social contribution

Deferred tax assets basically recognized by subsidiary EDE, are as follows:

	Consolidated (IFRS & BR GAAP)	
	03/31/2012	12/31/2011
Income tax loss carryforwards	5,331	5,392
Social contribution loss carryforwards	1,919	1,941
	7,250	7,333

Management prepared a technical study on the viability of the future realization of deferred tax assets, considering the probable ability of the companies to generate future taxable income, using the main variables applicable to their businesses, which are, therefore, subject to changes.

According to projections prepared by the Company's management, noncurrent deferred income tax and social contribution will be realized in the following years

	03/31/2012	12/31/2011
2013	5,188	5,271
2014	808	808
2015	844	844
2016	410	410
	7,250	7,333

In addition to these deferred tax assets, the Company has in its tax records the amount of R$16,235 (R$16,874 as at December 31, 2011) to be offset against future taxable profits; such amount has not yet been recorded as its realization cannot be reasonably assured.

As the taxable basis for income tax and social contribution arises not only from income that may be generated, but also from non-taxable revenues, nondeductible expenses, tax incentives and other variables, there is no immediate correlation between the Company's subsidiaries' profits and income tax and social contribution amounts. Therefore, the expected utilization of tax credits should not be the sole indication of the Company's future earnings.

Balances at and changes in deferred income tax and social contribution assets and liabilities, recognized at their statutory rates, are as follows:

Company (BR GAAP)

In liabilities	12/31/2011	Recognized in profit or loss	03/31/2012
Deferred income tax	14,792	(378)	14,414
Deferred social contribution	5,325	(136)	5,189
Noncurrent liabilities	20,117	(514)	19,603

Consolidated (BR GAAP & IFRS)

	12/31/2011	Recognized in profit or loss	Recognized in goodwill allocated to intangible assets	03/31/2012
In assets				
Income tax:				
Tax loss carryforwards	5,392	(61)	-	5,331
Social contribution:				
Tax loss carryforwards	1,941	(22)	-	1,919
Noncurrent assets	7,333	(83)	-	7,250
In liabilities				
Deferred income tax	74,994	87	(1,891)	73,190
Deferred social contribution	26,998	32	(681)	26,349
Noncurrent liabilities	101,992	119	(2,572)	99,539

Deferred income tax and social contribution liabilities arise on intangible assets from acquisitions of assets with indefinite useful lives.

In subsidiary SPES, it arises on the acquisition of Colégio Cidade Jardim, subsequently merged, which made goodwill deductible for income tax and social contribution purposes. Intangible assets with indefinite useful lives should not be amortized; however, this goodwill is being amortized for tax purposes, thus reducing the related tax base. On the amount amortized for tax purposes, deferred income tax and social contribution were recognized, amounting to R$1,524 (R$1,405 as at December 31, 2011).

In subsidiary EDE, deferred income tax and social contribution liabilities were recognized by applying the statutory rate to intangible assets arising on the acquisition of subsidiary Unopar, occurred in December 2011.

c) Tax incentive

The University for All Program (ProUNI) grants, under Law 11096 of January 13, 2005, exemption from several federal taxes to higher education entities that grant partial and full scholarships to low-income students enrolled in traditional and technology degrees. The higher education entities controlled by the Company have joined this program.

Under Federal Revenue Service Regulatory Instruction 456 of October 5, 2004, private higher education entities that joined the ProUNI are fully or partially exempt from the following taxes while they are part of the program:

- Income tax and social contribution levied on net income proportional to revenue generated by traditional and technology graduation degrees.
- COFINS and PIS levied on revenue from traditional and technology graduation degrees.

By virtue of the tax exemptions granted to companies joining ProUNI, the subsidiaries that have tax loss carryforwards do not recognize tax credits due to the immateriality of their effective tax rate. Tax credits not recognized under ProUNI in the first quarter of 2012 total R$36,424.

Additionally, the companies, which are mainly engaged in the sale of books, have the benefit of not paying PIS and COFINS on the revenue arising from the sale of books in the domestic market, as set out in Article 28 of Law 10865/04. These companies benefit also from exemption of ICMS on the sale of textbooks.

15. OTHER RECEIVABLES - CONSOLIDATED (IFRS & BR GAAP)

	03/31/2012	12/31/2011
Current		
Credit card transactions (a)	5,037	2,831
Rights on assigned assets (b)	1,078	1,494
Prepaid expenses (c)	5,161	1,211
	11,276	5,536
Noncurrent		
Sale of subsidiary SUESC (d)	2,076	2,014
Receivables from Fundação Pitágoras (e)	1,098	1,098
Rights on assigned assets (f)	753	995
Receivables from acquirees (g)	-	160
	3,927	4,267

(a) Balance receivables from credit card companies related to payments by credit card made students.

(b) Balance receivables for the transfer of the ownership of IT and audiovisual equipment to the EAD centers. Subsidiary Unopar is a party to goods purchase under finance lease agreements and transfers the leased assets to the partner centers. Thus, this subsidiary records a financial liability, as referred to in note 20.

(c) Refer to the balances of prepaid expenses represented mainly by prepayment of textbooks for EAD courses and insurance premium.

(d) The amount receivable for the sale of SUESC is linked to the remaining balance of the ISSQN tax liability, which depends of the final decision on the tax collection action filed by the City of Rio de Janeiro. If favorable, the Company is entitled to receive from the buyer the amount agreed by the parties and therefore, reverse the liability. If unfavorable, the Company will pay the difference between the contractual price of R$2,075 and the lawsuit amount. The amount payable is recorded in line item ‘Other payables’ in current liabilities. The balance of R$2,075 as at March 31, 2012 is adjusted on a monthly basis.

(e) Refers to receivables from Fundação Pitágoras by subsidiary EDE.

(f) Refers to the payment of expenses incurred by the acquired subsidiaries that were discounted from the sellers in the first quarter of 2012.

16. INVESTMENTS

a) Information on Company investments

Subsidiary EDE

	03/31/2012	12/31/2011
Number of shares held	1.147.360.783	1.115.447.396
Equity interest - %	100	100
Capital (a)	1.147.361	1.115.447
Equity	1.223.069	1.152.801
Profit for the quarter/year	80.268	41.352
Investment balance	1.223.069	1.152.801
Share in profits of subsidiaries	80.268	41.352

(a) On March 29, 2012, the Annual and Extraordinary Shareholders' Meeting approved the allocation of the 2011 profit totaling R$41,352 as follows: (i) R$7,758 as offset of accumulated losses; (ii) R$1,680 to set up a legal reserve; and (iii) R$31,914 was allocated to increase capital from R$1,115,447 to R$1,147,361.

Changes in the investment for the quarter are as follows:

	03/31/2012	12/31/2011
Opening balance	1.152.801	765.427
Capital increase (i)	-	324.556
Share of profit of subsidiary	80.268	41.352
Purchase of treasury shares	-	(4.704)
Grant of stock options	-	2.469
Spin-off of treasury stock option plan (ii)	-	23.701
Closing balance	1.233.069	1.152.801

(i) In September 2011, Kroton formalized the remittance of funds to subsidiary EDE for the capital increase approved in December 2011, in the net amount of R$324,556, i.e., less the balances of treasury shares and the stock option plan that EDE recorded in its equity and that corresponded to cross shareholdings between the parties.

(ii) With the formalization of Kroton's advance for future capital increase sent to EDE in September 2011, the balances of Kroton shares held by EDE in treasury were canceled and also the discontinuation of EDE's stock option plan, transferred to Kroton, the balances of cross shareholdings between parent and subsidiary were eliminated.

Subsidiary Unopar

	03/31/2012	12/31/2011
Number of shares held	16,125,360	16,125,360
Equity interest - %	20	20
Issued capital	80,627	80,627
Equity deficit	(18,715)	(56,375)
Profit for the period/year	37,660	5,225
Carrying amount of investment - equity deficit	(3,743)	(11,275)
Share of profit of subsidiary (one month)	7,532	1,045

Changes in the investment - shareholders' deficiency is as follows:

	03/31/2012	12/31/2011
Opening balance	(11,275)	(12,320)
Share in profit of subsidiary	7,532	1,045
Closing balance	(3,743)	(11,275)

b) Information on investments at March 31, 2012 - EDE's equity interest in its subsidiaries:

	Number of shares held		Issued capital		Shareholders' equity (deficiency)	
	03/31/2012	12/31/2011	03/31/2012	12/31/2011	03/31/2012	12/31/2011
ÁGORA	915.250	915.250	915	915	(340)	(219)
ALBA (i)	250.000	250.000	250	250	3.203	2.767
CEAMA (ii)	1.100.000	1.100.000	1.100	1.100	(11.112)	(13.176)
FAIS (iii)	100.000	100.000	100	100	(486)	(1.391)
FATEC	916.919	916.919	917	917	724	729
GK	920.095	920.095	920	920	175	98
INADE	1.174.539	1.174.539	1.175	1.175	1.569	1.883
ORME	23.756.323	23.756.323	23.756	23.756	7.818	9.098
PAX	7.076.972	7.076.972	7.077	7.077	13.050	9.524
PROJECTA EDE	10.234.275	10.234.275	10.234	10.234	6.680	6.043
PSES	126.706.854	126.706.854	126.707	126.707	170.146	170.146
SPES	18.352.151	18.352.151	18.352	18.352	20.642	19.656
UMEP	20.292.748	20.292.748	20.293	20.293	8.820	8.122
UNIÃO (v)	3.200.000	3.200.000	3.200	3.200	109	(594)
UNILINHARES	8.670.535	8.670.535	8.671	8.671	8.645	7.317
UNOPAR (vi)	64.501.440	64.501.440	80.627	80.627	(18.715)	(56.375)
IUNI	220.571.006	220.571.006	220.571	220.571	233.907	211.978
FAMA MARABÁ	291.900	291.900	292	292	(224)	(227)
UNIC PRIMAVERA ANTIGA	366.000	366.000	366	366	1.944	1.455
UNIC PRIMAVERA NOVA	1.457.000	1.457.000	1.457	1.457	8.522	6.276
UNIC ROO AE	150.000	150.000	150	150	6.934	5.720
UNIC ROO FP	2.847.631	2.847.631	2.848	2.848	962	776
UNIC SINOP	120.000	120.000	120	120	5.791	4.238
UNIC TANGARÁ NORTE	3.446.488	3.446.488	3.446	3.446	245	(21)
UNIC TANGARÁ SUL	3.236.010	3.236.010	3.236	3.236	7.325	4.905
UNIC VG	271.100	271.100	271	271	1.188	1.335
UNIME ITABUNA	5.329.858	5.329.858	5.330	5.330	11.345	9.590
UNIME SALVADOR	8.273.991	8.273.991	8.274	8.274	7.876	5.884
UNIME LF	27.429.224	27.429.224	27.429	27.429	19.440	14.012
FAMA MACAPÁ	4.153.364	4.153.364	4.153	4.153	6.358	4.557

	Profit (loss) for the quarter		Carrying amount of investment in subsidiary EDE		Share of profit of subsidiary EDE	
	03/31/2012	03/31/2011	03/31/2012	12/31/2011	03/31/2012	03/31/2011
ÁGORA	(120)	(165)	(340)	(219)	(120)	(165)
ALBA (i)	436	-	3.203	2.767	436	-
CEAMA (ii)	1.710	-	(11.112)	(13.176)	1.710	-
FAIS (iii)	905	-	(486)	(1.391)	905	-
FATEC	(5)	21	724	729	(5)	21
GK	77	(31)	175	98	77	(31)
INADE	(314)	(296)	1.569	1.883	(314)	(296)
ORME	(1.280)	(1.233)	7.818	9.098	(1.280)	(1.233)
PAX	3.526	3.563	13.050	9.524	3.526	3.563
PROJECTA EDE	638	(224)	6.680	6.043	638	(224)
PSES	15.348	7.684	169.140	154.797	15.348	7.684
SPES	986	1	20.642	19.656	986	1
SUESC (iv)	-	(288)	-	-	-	(288)
UMEP	698	(55)	8.820	8.122	698	(55)
UNIÃO (v)	703	-	109	(594)	703	-
UNILINHARES	1.327	(860)	8.645	7.317	1.327	(860)
UNOPAR (vi)	37.660	-	(18.715)	(56.375)	37.660	-
IUNI	21.929	19.859	233.907	211.978	21.929	19.859
FAMA MARABÁ	3	4	(224)	(227)	3	4
UNIC PRIMAVERA ANTIGA	489	443	1.944	1.455	489	443
UNIC PRIMAVERA NOVA	2.247	1.196	8.522	6.276	2.247	1.196
UNIC ROO AE	1.213	1.559	6.934	5.720	1.213	1.559
UNIC ROO FP	186	428	962	776	186	428
UNIC SINOP	1.553	735	5.791	4.238	1.553	735
UNIC TANGARÁ NORTE	265	224	245	(21)	265	224
UNIC TANGARÁ SUL	2.420	820	7.325	4.905	2.420	820
UNIC VG	(146)	441	1.188	1.335	(146)	441
UNIME ITABUNA	1.754	1.596	11.345	9.590	1.754	1.596
UNIME SALVADOR	1.992	1.212	7.876	5.884	1.992	1.212
UNIME LF	5.428	4.798	19.440	14.012	5.428	4.798
FAMA MACAPÁ	1.801	1.219	6.358	4.557	1.801	1.219

(i) On 15 December 15, 2011, EDE acquired 100% of Alba shares. The acquiree was consolidated beginning December 1, 2011.

(ii) On July 18, 2011, EDE acquired 100% of Ceama's shares. The acquiree was consolidated beginning July 1, 2011.

(iii) On November 3, 2011, EDE acquired 100% of FAIS's shares. The acquiree was consolidated beginning November 1, 2011.

(iv) Subsidiary SUESC was sold on April 30, 2011, and the Company recorded a loss on disposal of investment of R$3,221.

(v) On July 14, 2011, EDE acquired 100% of União's shares. The acquiree was consolidated beginning July 1, 2011; therefore, six months of the results of its operations are reflected in the Company.

(vi) On December 15, 2011, the Company acquired 100% of Unopar's shares, of which 20% directly by the Company and 80% through its subsidiary EDE. The acquiree was consolidated beginning December 1, 2011.

17. PROPERTY PLANT AND EQUIPMENT - CONSOLIDATED (IFRS & BR GAAP)

		03/31/2012			12/31/2011		
	Average annual depreciation rate - %	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
IT equipment	20	45.277	(27.264)	18.013	42.699	(25.762)	16.937
Furniture, equipment and fixtures	10	120.146	(45.297)	74.849	113.711	(42.387)	71.324
Library	10	61.059	(25.398)	35.661	60.436	(23.902)	36.534
Buildings and improvements	4	100.557	(15.124)	85.433	92.746	(14.182)	78.564
Construction in progress	-	8.937	-	8.937	10.559	-	10.559
Land	-	32.346	-	32.346	32.346	-	32.346
		368.322	(113.083)	255.239	352.497	(106.233)	246.264

The depreciation for the year ended December 31, 2011 allocated to 'Cost of services' and 'Administrative expenses', was R$23,273 (R$20,528 for the year ended December 31, 2010).

The is no evidence that property, plant and equipment items are impaired.

Changes in the property, plant and equipment balance are as follows

	IT equipment	Furniture, equipment and fixtures	Library	Buildings and improvements	Constructions in progress	Land	Total
Balances at December 31, 2011	16.937	71.324	36.534	78.564	10.559	32.346	246.264
Additions	2.626	6.615	623	2.487	3.702	-	16.053
Write-offs	(8)	(147)	-	-	-	-	(155)
Depreciation	(1.542)	(2.943)	(1.496)	(942)	-	-	(6.923)
Transfers	-	-	-	5.324	(5.324)	-	-
Balances at March 31, 2012	18.013	74.849	35.661	85.433	8.937	32.346	255.239

The Company leases IT equipment under irreversible agreements subject to average interest of 6.68% per year, with purchase option clauses, whose lease period ranges from 24 to 36 months. The equipment is owned by Kroton. As at March 31, 2012, leases totaled R$8,868 (R$10,98 as at December 31, 2011).

18. INTANGIBLE ASSETS - CONSOLIDATED (IFRS & BR GAAP)

	Software	Development of internal projects (a)	Goodwill paid on acquisitions (b)	Intangible assets identified in acquisitions (c)	Total
Total cost	31.894	84.017	1.703.095	332.946	2.151.952
Accumulated amortization	(11.836)	(17.025)	(12.521)	(13.953)	(55.335)
Balance at December 31, 2011	20.058	66.992	1.690.574	318.993	2.096.617
Additions	1.546	788	-	-	2.334
Other additions (*)	4.838	-	-	-	4.838
Write-offs	-	-	(354)	-	(354)
Amortization	(1.518)	(2.255)	-	(7.528)	(11.301)
Balances as at March 31, 2012	24.924	65.525	1.690.220	311.465	2.092.134
Total cost	38.278	84.805	1.702.741	332.946	2.158.770
Accumulated amortizaion	(13.354)	(19.280)	(12.521)	(21.481)	(66.636)

(*) Addition arising from the transfer of educational software previously recorded in line item 'Inventories'.

In the quarter ended March 31, 2011, the amortization allocated to 'Cost of services' and 'Administrative expenses' totaled R$11,301 (R$4,230 as at March 31, 2011).

a) Development of internal projects

	Consolidated (IFRS & BR GAAP)	
	03/31/2012	12/31/2011
New units and new degrees (i)	42.913	44.250
Pitágoras University System (ii)	5.421	5.658
New Chain contracts (iii)	6.230	6.438
Distance learning (iv)	2.787	2.876
Higher education assessment (v)	1.603	1.650
Content production (vi)	6.571	6.120
	65.525	66.992

(i) Refers to expenses incurred on the development of projects with useful life estimated at ten years, as follows:

- The opening of the Ipatinga, Betim, São Luís, Poços de Caldas, Uberlândia, Guarapari, Votorantim, Feira de Santana, Contagem and Governador Valadares units, and the expansion of the Venda Nova and Cidade Jardim campuses, in Belo Horizonte.

- Investments in new product launchings.

- Additional operating and technology infrastructures required by the Ministry of Education (MEC) to allow the operation of higher education units.

(i) Development of a PDI (Institutional Development Plan) detailing all the degrees to be requested to the MEC and the expenses incurred in the certification of the new campuses and degrees.

(ii) Refers to expenses incurred on the development of a teaching methodology (student and teacher handbooks and assessment systems) and an operating methodology (operations manual) to ensure the growth of the Pitágoras University System. Expenses are amortized over a period of up to 10 years.

(iii) Refers to expenses incurred on the development of products to be sold in the Catholic Chain and the Pitágoras Chain. Expenses are amortized over a period of up to 10 years.

(iv) Refers to expenses incurred on the design and development of the new distance learning business, which will offer partial distance and web-based learning courses in several Brazilian cities. Expenses are amortized over a period of up to 10 years.

(v) Refers to expenses incurred on the development of a new higher education product and assessment methodology, offered by subsidiary INADE. Expenses are amortized over a period of up to 10 years.

(vi) Refers to expenses incurred on the development of learning content and an educational database. Expenses are amortized over a period of up to 2 years from the date projects are completed.

b) Goodwill paid on the acquisition of subsidiaries

Goodwill arising on the difference the difference between the amount paid upon the acquisition of investments in subsidiaries and the fair value of assets and liabilities (for acquisitions after January 1, 2009) is classified in intangible assets in the consolidated financial statements.

The breakdown of goodwill paid on acquisitions is as follows:

	Company (BR GAAP)		Consolidated (IFRS & BR GAAP)	
	03/31/2012	12/31/2011	03/31/2012	12/31/2011
Aesg (i) (v)	-	-	2.209	2.209
Ceama (i) (vi)	-	-	33.643	33.997
Cidade Jardim (ii)	-	-	6.889	6.889
EDE (iii)	59.450	59.450	59.450	59.450
Factef (i) (v)	-	-	5.423	5.423
Fadom (i) (v)	-	-	9.358	9.358
FAIS (i)	-	-	5.722	5.722
Fatec (i)	-	-	305	305
GK (i)	-	-	500	500
Japi (i) (v)	-	-	3.809	3.809
Nabec (i) (v)	-	-	130	130
São Francisco (i) (v)	-	-	928	928
Sesg (i) (v)	-	-	1.819	1.819
Umep (i)	-	-	11.550	11.550
Unilinhares (i)	-	-	10.477	10.477

	Company (BR GAAP)		Consolidated (IFRS & BR GAAP)	
	03/31/2012	12/31/2011	03/31/2012	12/31/2011
União (i)	-	-	6.037	6.037
Uniminas (i) (v)	-	-	20.030	20.030
Unopar (i)	233.268	233.268	1.163.607	1.163.607
IUNI (iv) (v)	-	-	271.197	271.197
Fama Macapá (i)	-	-	8.007	8.007
Unic Primavera Antiga (i)	-	-	3.457	3.457
Unic Primavera Nova (i)	-	-	7.673	7.673
Unic ROO AE (i)	-	-	8.848	8.848
Unic ROO FP (i)	-	-	2.780	2.780
Unic Sinop (i)	-	-	2.666	2.666
Unic Tangará Norte (i)	-	-	8.084	8.084
Unic Tangará Sul (i)	-	-	8.792	8.792
Unime Itabuna (i)	-	-	15.700	15.700
Unime Salvador (i)	-	-	11.130	11.130
	292.718	292.718	1.690.220	1.690.574

(i) Refers to goodwill recognized on the acquisitions of colleges based on expected future earnings, except for SUESC, basically recognized based on the appreciation of its property, plant and equipment, written off in 2011, after the sale of the property located in Rio de Janeiro.

(ii) Refers to goodwill recognized on the increase in PSES's equity interest in Colégio Pitágoras Cidade Jardim S.A., which was merged by PSES in October 2003. In January 2007, such goodwill was transferred to SPES because of the acquisition of Colégio Cidade Jardim.

(iii) Refers to goodwill originally recognized by Apollo Partners, due to the acquisition of EDE shares held by Apollo Europe. During the corporate restructuring undertaken in the second quarter of 2007, there was the downstream merger of Apollo Partners into and with EDE to allow the utilization of goodwill for tax purposes, and in line with CVM Instruction 349/01 guidelines, the merged company recognized an allowance amounting to the difference between goodwill and the tax benefit arising from its amortization. When the corporate restructuring was completed, goodwill was recognized by the Company pursuant to CVM Instruction 349/01. The remaining balance, totaling R$52,259, refers to goodwill arising on the share exchange in September 2010 between Company shareholders and the shareholders of IUNI, which converted EDE into a wholly-owned subsidiary of Kroton.

(iv) Refers to goodwill arising on the acquisition of IUNI, represented by the payment of R$188,859 in cash and 4,200,000 Company units, less the amounts attributed to the customer portfolio and the appreciation of property, plant and equipment, as prescribed by CPC 15, *Business Combinations*.

(v) Subsidiaries merged with and into EDE on August 1, 2010.

(vi) In March 2012, the Company wrote off R$354 from the provision for contingencies against the subsidiary's equity, and the same amount was recognized as an adjustment to investment against goodwill recorded by EDE.

Goodwill impairment testing

Goodwill is allocated to the CGUs, which are identified based on the operating segment.

Below is a summary of goodwill allocation by operating segment level:

	Company (BR GAAP)		Consolidated (IFRS & BR GAAP)	
	03/31/2012	12/31/2011	03/31/2012	12/31/2011
K-12 education	59.450	59.450	66.339	66.339
Higher education	233.268	233.268	1.623.881	1.624.235
	292.718	292.718	1.690.220	1.690.574

Goodwill amounts were tested for impairment and making adjustments were considered unnecessary.

The discounted cash flow (future earnings) method was used in the testing, and the CGUs determined by the Company to test goodwill for impairment correspond to each of the higher education entities. The calculation considers a five-year projection, adding a perpetuity value with a real growth of 3.0% per year. A discount rate of 19.6% per year was used.

The assumptions used in the projection consider the average number of students at the campuses, with an average growth of 5.3% per year, supported by the offering of new degrees.

c) Intangible assets identified in acquisitions

Part of the goodwill paid on the acquisition of the acquirees was allocated to identifiable intangible assets with finite useful lives, after an analysis of the acquired assets and the calculation of the future earnings projection.

Company (BR GAAP)

	03/31/2012				
	Customer portfolio (i)		Center licenses and partner network (ii)	Trademark (ii)	
	Cost	Accumulated amortization	Cost	Cost	Total
Unopar	22,693	(1,512)	36,470	6	57,657

	12/31/2011				
	Customer portfolio (i)		Center licenses and partner network (ii)	Trademark (ii)	
	Cost	Accumulated amortization	Cost	Cost	Total
Unopar	22,693	(378)	36,470	6	58,791

Consolidated (IFRS & BR GAAP)

	03/31/2012						
	Customer portfólio (i)		Noncompetition (i)		Center licenses and partner network (ii)	Trademark (ii)	
	Custo	Accumulated amortization	Cost	Accumulated amortization	Cost	Cost	Total
Ceama	5.283	(792)	204	(31)	-	-	4.664
Fais	819	(68)	213	(18)	-	-	946
Iuni	28.069	(12.631)	-	-	-	-	15.438
União	2.110	(317)	403	(60)	-	-	2.136
Unopar	113.464	(7.564)	-	-	182.350	31	288.281
	149.745	(21.372)	820	(109)	182.350	31	311.465

	12/31/2011						
	Customer portfólio (i)		Noncompetition (i)		Center licenses and partner network (ii)	Trademark (ii)	
	Cost	Accumulated amortization	Cost	Accumulated amortization	Cost	Cost	Total
Ceama	5.283	(528)	204	(21)	-	-	4.938
Fais	819	(27)	213	(7)	-	-	998
Iuni	28.069	(11.228)	-	-	-	-	16.841
União	2.110	(211)	403	(40)	-	-	2.262
Unopar	113.464	(1.891)	-	-	182.350	31	293.954
	149.745	(13.885)	820	(68)	182.350	31	318.993

(i) Intangible assets with useful lives estimated at up to five years.

(ii) Intangible assets with indefinite useful lives, subject to annual impairment testing.

19. TRADE PAYABLES - CONSOLIDATED (IFRS & BR GAAP)

The consolidated balance of trade payables consists of materials and services for our higher education degrees (in-class and EAD), goods and services necessary for the production and sale of Pitágoras system's and own high schools' textbooks, and advisory services in the education area.

20. BORROWINGS AND FINANCING - CONSOLIDATED (IFRS & BR GAAP)

a) Breakdown of borrowings and financing

	03/31/2012	12/31/2011
Local currency:		
BDMG (i)	7,010	7,883
Working capital (ii)	1,900	2,128
Finance lease (iii)	8,867	10,918
	17,777	20,929
Current	8,895	10,461
Noncurrent	8,882	10,468

(i) Refers to financing using funds from the Development Incentive Fund (FINDES), granted by Banco de Desenvolvimento de Minas Gerais S.A. - BDMG (state development bank), to expand higher education operations. Funding obtained was invested in books, furniture, machinery, laboratory and IT equipment, construction, and logistics and IT infrastructure.

The total financing amount is R$15,000, bearing interest at the rate of 6% per year and adjusted based on IPCA (2010 - 5.91%), with a grace period of 24 months from December 2006 and repayable in 60 monthly installments. Interest rate decreases to 4% per year in case of timely payment of the first 12 installments. This agreement was settled in advance in April 2012.

The agreement does not require compliance with any financial covenants.

(ii) Refers to a working capital loan. The contractual borrowing costs are pegged to a fixed interest rate of 9.5% per year.

(iii) Certain equipment was leased under irreversible agreements subject to interest of 6.68% per year and variable charges ranging from 1.09% to 1.70%, with purchase option clauses, whose lease period ranges from 24 to 36 months. The last installment under the loan will be settled in June 2013. The agreements do not require compliance with any financial covenants.

The amount of R$1,831 refers to finance leases from the purchase of goods for the partner centers, as referred to in note 15. The period and the amount receivable from the centers are the same as the lease agreement.

The noncurrent portion matures as follows:

	03/31/2012	12/31/2011
Maturity year:		
2013	5.566	7.112
2014	1.765	1.777
2015	697	715
2016	379	384
2017	379	384
2018	96	96
	8.882	10.468

b) Changes in borrowings and financing are as follows:

	03/31/2012	12/31/2011
Opening balance	20.929	91.271
Additions	-	43.802
Additions from acquisitions (i)	-	9.422
Accrued interest	424	6.897
Write-off due to sale of subsidiary SUESC	-	(20)
Changes paid	(539)	(7.609)
Amortization of principal (ii)	(3.037)	(122.834)
Closing balance	17.777	20.929

(i) Addition related to the balances of subsidiaries Ceama and União acquired in July 2011, FAIS in November 2011, Unopar in December 2011.

(ii) All borrowings were settled with the proceeds from the issuance of Kroton shares, except for those that the company's management understands as having a low cost of capital.

c) Finance leases

Lease obligations are effectively guaranteed, since the leased asset is reversed to the lessor in case of default.

21. DEBENTURES - CONSOLIDATED (IFRS & BR GAAP)

	03/31/2012	12/31/2011
Current liaibilities	19,098	-
Noncurrent liabilities	541,498	544,339

On December 15, 2011, the Bank Credit Note was issued with interest equivalent to 100% of the CDI plus 2.078% per year.

On January 12, 2012, Kroton held, through its subsidiary EDE, its first issue of debentures, in a single series. On the date, 550 debentures with unit face value of R$1,000 were subscribed, totaling R$550,000.

The debentures subscription date has a retrospective effect, according to the existing loan terms and conditions agreed for the CCB and replace such CCB in the amount of R$550,000, issued on December 15, 2011.

The debentures issued are registered, book-entry, without issue of certificates and nonconvertible.

The debentures pay interest of 2.0% per year plus charges equivalent to 100% of the CDI. The debentures mature within seven years after the issue date. After the three-year grace period, payments will be made annually, in 2014, 2015, 2016, 2017 and 2018.

	03/31/2012	12/31/2011
Opening balance	544.339	-
Issue of Bank credit note (CCB) (replaced by debentures)	-	550.000
Accrued interest	16.137	2.961
Debenture issuance cost	(530)	(8.674)
Accrued costs	650	52
Closing balance	560.596	544.339

Breakdown of payments by maturity year:

	03/31/2012	12/31/2011
Maturity year:		
2014	108.300	108.868
2015	108.300	108.868
2016	108.300	108.868
2017	108.300	108.868
2018	108.298	108.867
	541.498	544.339

The agreement requires compliance with financial covenants. The covenants will be calculated based on Kroton's financial statements, which are the issue's guarantor, for the period from June 30 to December 31 of each fiscal year, and compliance will be required from 2012 to 2018, the final maturity date.

The financial ratios are calculated by dividing net debt by the adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and the adjusted EBITDA by the adjusted finance income (costs).

The required ratios are: net adjusted debt-to-EBITDA of 4 or less up to 2013, and 3 or lower in 2016, and adjusted EBITDA-to-finance income (costs) of 1 or not lower than 2.

As at March 31, 2012, even though it is not a measurement period, the net debt-to-adjusted EBITDA ratio and the adjusted EBITDA-to-adjusted financial income (expenses) are stated according to the calculation below (information not reviewed by the auditor):

Profit for the period (i)	158,165
Financial income (expenses), net (i)	3,922
Interest on monthly tuitions (i)	(21,225)
Income tax and social contribution (i)	7,378
Depreciation and amortization (i)	56,607
Nonrecurring integration expenses	13,336
Provision for contingencies	864
Derecognition of impaired goodwill	57
Stock option costs	3,608
Adjusted EBITDA for the last 12 months (*)	222,712
Net debt at March 31, 2012	(100,073)
Net debt-to-adjusted EBITDA ratio (< 4)	(0.45)
Positive adjusted financial income (expenses) for the last 12 months	23,182
Adjusted EBITDA-to-financial income (expenses) (> 1.2) (ii)	-

(*) The adjusted EBITDA represents only the calculation required by the underlying agreement and should not be construed as a measurement of our operational performance.

(i) The Company's balances are added of profit for the last twelve months of subsidiary Unopar acquired and consolidated beginning December 2011. Accordingly, the indices presented take into consideration eight pro forma months and four consolidated months of subsidiary Unopar.

(ii) Under the agreement, if adjusted financial income (expenses) are positive the calculation is not taken into consideration.

22. PAYROLL AND RELATED TAXES

	Company (BR GAAP)		Consolidated (IFRS & BR GAAP)	
	03/31/2012	12/31/2011	03/31/2012	12/31/2011
Salaries payable	-	-	14.217	13.725
Social security tax (INSS)	114	13	8.584	7.843
Severance pay fund (FGTS) payable	39	10	2.198	2.881
Withholding income tax (IRRF) payable	134	37	6.485	6.696
Accrued vacation pay	134	106	12.080	17.304
Accrued 13th salary	13	-	5.507	-
Provision expenses	49	35	5.471	5.538
Other	133	1	6.006	6.175
	616	202	60.548	60.162

Accrued payroll and related taxes were recorded in the income statement for the quarter under 'Cost of services', 'Selling expenses' and 'General and administrative expenses', according to the employee's assignment.

Changes in payroll and related taxes are as follows:

	Accrued vacation pay	Accrued 13th salary	Accrued payroll taxes	Total
Balances as at December 31, 2011	17.304	-	5.538	22.842
Additions	39.093	9.833	16.322	65.248
Payments	(44.317)	(4.326)	(16.389)	(65.032)
Balances as at March 31, 2012	12.080	5.507	5.471	23.058

23. ADVANCES FROM CUSTOMERS - CONSOLIDATED (IFRS & BR GAAP)

	03/31/2012	12/31/2011
Prepaid enrollment fees and tuitions	13,179	22,582

Prepaid enrollment fees and/or tuitions for the school year or semester are recognized to revenue to the extent services are provided.

24. TAXES AND INSTALLMENTS - CONSOLIDATED (IFRS & BR GAAP)

	12/31/2012	12/31/2011
REFIS IV (a)	37.346	37.535
INSS installment plans (b)	3.536	3.970
Municipal tax installment plans (c)	2.806	3.503
Labor installment plans (d)	1.534	1.569
	45.222	46.577
Current	8.716	9.721
Noncurrent	36.506	36.856

(a) REFIS IV

The Federal Revenue Service created on May 27, 2009, pursuant to Law 11941 and National Treasury Attorney General (PGFN)/Federal Revenue Service (RFB) Joint Administrative Rule 06/2009, the Special Tax Installment Plan called "REFIS IV". The option for the payment of taxes in installments as set out in said Law entails an irrevocable acknowledgment by a taxpayer of the debts to be included in such installment plan, which constitutes extrajudicial acknowledgment. The plan permits the payment of tax debts outstanding until November 30, 2008 and debts arising from tax assessment notices issued by the Federal Revenue Service in 180 monthly installments, and requires the withdrawal of any lawsuits challenging such debts.

Such installment plan provides for, without limitation: (i) the abatement of a certain percentage of fine and interest due, depending on the number of installments elected by the Company's subsidiaries, and (ii) the offset of tax loss carryforwards against the In September to November 2009, the subsidiaries filed their option for the payment of 180 monthly installments, and so far have complied all the requirements to remain eligible for said plan, while most of the installment plan has not yet been consolidated due to the lack of and/or problems in the RFB and PGFN computer systems. The Company successfully obtained court decisions requiring the consolidation of the tax installment plan, and the RFB and PGFN have formally replied that they will abide to the decisions and that they are awaiting the resolution of the IT problems to consolidate the REFIS IV.

The tax installment plan covers debts managed by the RFB and the PGFN, including the remaining consolidated debts at the REFIS and PAEX (exceptional tax installment plan), and the taxes in installment addressed by Article 38 of Law 8212/91 and Article 10 of Law 10522/02 remaining fine and interest.

The subsidiaries' tax debts included in this new installment plan consist basically of social security contributions (INSS) and the remaining balances at previous tax installment plans related to business income tax (IRPJ), social contribution on net income (CSLL), withholding income tax (IRRF), social integration program tax on revenue (PIS), and social security funding tax on revenue (COFINS). The table below shows the adjusted debt amount in installments at March 31, 2012:

Total outstanding debt	52.650
Decrease in fine, interest and legal charges under adhesion to installment plan	(9.954)
Amortization with utilization of tax loss carryforwards to abate fine and interest	(7.990)
Accumulated adjustments	9.169
Payments made	(6.439)
	37.346
Current	4.399
Noncurrent	32.947

Under the program, the Company agreed to pay 180 monthly installments, and at March 31, 2012 there are 151 installments payable. The balance of installments payable is adjusted on a monthly basis using the SELIC rate, and at March 31, 2012, R$607 had been paid as adhesion installments before debt consolidation.

As at March 31, 2012, the net effects recognized are as follows:

Subsidiary	Tax in installment	Amount
Unime LF	INSS, IRPJ, CSLL, IRRF, PIS and COFINS	21.838
Iuni	INSS, IRPJ, CSLL, IRRF, PIS and COFINS	10.301
Fama Macapá	INSS, IRPJ, CSLL, IRRF, PIS and COFINS	2.341
Unic Tangará Sul	INSS, IRPJ, CSLL, IRRF, PIS and COFINS	542
Unime Itabuna	IRPJ, CSLL, IRRF and COFINS	477
Ede	IRPJ, CSLL, PIS, COFINS and IRRF	394
Unime Salvador	IRPJ, CSLL, IRRF, PIS and COFINS	289
Unic Primavera Nova	INSS and IRRF	247
Unic Primavera Antiga	INSS and IRRF	234
Unic Roo AE	IRPJ, CSLL and IRRF	152
Fais	INSS	135
Unic Roo FP	INSS, IRRF, PIS and COFINS	129
Unopar	INSS and IRRF	125
Unic Sinop	INSS, IRPJ, CSLL and IRRF	72
Unic Tangará Norte	INSS and IRRF	70
Total current and noncurrent		37.346

As at March 31, 2012, the noncurrent portion of REFIS matures as follows, by maturity year:

	03/31/2012
Maturity year:	
2013	2.722
2014	3.552
2015	3.516
2016	3.253
2017	2.871
2018	2.446
2019	2.445
2020	2.445
2021	2.445

	03/31/2012
2022	2.445
2023	2.445
2024	2.445
	33.030

The tax loss carryforwards utilized to settle tax debts total R$7,990 at March 31, 2012.

(b) National Social Security Institute (INSS) installment plans

(i) IUNI

PAEX article 1: Refers to the remaining 2000 REFIS balance. It was consolidated into 130 installments, and payment started in September 2006. There are 48 installments of R$41 each outstanding, adjusted on a monthly basis using monthly Long-term Interest Rate (TJLP).

(ii) Unime Lauro de Freitas

Installment plan: Debt referring to INSS not paid in 2008 and 2009. Initially there were 60 installments in September 2009, of which 26 installments at R$38 each, adjusted by monthly SELIC, remain payable.

(iii) Other subsidiaries

Unime Itabuna, Unic Roo FP, Fama Macapá, Unime Salvador, Unic Tangará Norte, and Unic Roo AE joined different installment plans to pay 2008 and 2009 debts, which total R$580 and have different installment amounts and payment periods.

(c) Municipal tax installment plans

(i) IUNI

Refers to ISSQN tax assessment notices issued from April 2008 to June 2009. The total debt was divided into 36 installments; at March 31, 2012, there are 8 installments payable in the amount of R$80, which are adjusted annually using the IPCA

(ii) Unime Lauro de Freitas

Refers to the payment in installments at tax assessment notices issued in January 2002-July 2007, related to ISSQN. As at March 31, 2011, the outstanding balance totals R$1,117. The company has an agreement with the municipal government of Lauro de Freitas, BA to pay up to 90% of the debt balance with scholarships.

(iii) Other subsidiaries

Subsidiaries Unime Itabuna, Unic ROO FP, Fama Macapá, Unime Salvador, Unic Tangará Norte, and Unic ROO AE joined different installment plans to pay 2008 and 2009 debts, which total R$1,049 and have different installment amounts and payment periods

(d) Labor installment plans

Refers to a labor fine notice issued against IUNI, which was divided into 60 installments. As at March 31, 2012, there are 55 installments outstanding.

Changes in fiscal, social security and labor taxes in installments are as follows:

	03/31/2012	12/31/2011
Opening balance	46.577	52.398
Addition	-	3.130
Addition from acquisitions	-	13.558
Gain from tax amnesty (i)	-	(555)
Accrued interest	358	2.138
Amortization and write-offs	(1.713)	(11.395)
Acquiree's amortization (ii)	-	(12.697)
Closing balance	45.222	46.577

(i) Projected gain on partial consolidation of REFIS. Amount to be confirmed after compliance with court decision.

(ii) Refers to the payment of part of the installment plan recorded by acquiree Ceama in August 2011.

25. TRADE PAYABLES - ACQUISITIONS - CONSOLIDATED (IFRS & BR GAAP)

	03/31/2012	12/31/2011
Current		
Acquisition of CEAMA	4.914	4.854
Acquisition of FAIS	222	219
Acquisition of UCES	782	764
Acquisition of UNIÃO	666	654
Acquisition of UNIC TANGARA SUL	1.007	1.095
Acquisition of UNOPAR	134.396	391.176
Acquisition of Ipatinga property	2.392	2.333
	144.379	401.095
Noncurrent		
Acquisition of CEAMA	9.827	9.708
Acquisition of FAIS	887	877
Acquisition of UNIÃO	2.664	2.616
Acquisition of UNIC TANGARÁ SUL	2.069	2.046
Acquisition of Ipatinga property	-	583
	15.447	15.830
	159.826	416.925

Changes in payables - acquisitions are as follows:

Balance as at December 31, 2011	416.925
Accrued interest	3.599
Amortization and write-offs	(260.698)
Balance as at March 31, 2012	159.826

Amounts recorded in noncurrent liabilities mature as follows:

	31/03/2012	31/12/2011
Maturity year:		
2013	7.870	8.357
2014	5.801	5.727
2015	888	873
2016	888	873
	15.447	15.830

26. PROVISION FOR TAX, LABOR AND CIVIL CONTINGENCIES AND ESCROW DEPOSITS - CONSOLIDATED (IFRS &d BR GAAP)

The Company is a party to lawsuits and administrative proceedings arising from the normal course of business. The provisions for losses on these lawsuits are estimated and adjusted by Management, based on the opinion of its legal counsel. Some escrow deposits were made related to these lawsuits, which can be recovered by the Company and its subsidiaries or utilized to settle potential unfavorable outcomes.

	03/31/2012			12/31/2011		
	Estimated cash disbursement	Escrow deposits	Balance, net	Estimated cash disbursement	Escrow deposits	Balance, net
Tax (a)	167.705	(5.518)	162.187	168.646	(6.068)	162.578
Labor (b)	26.575	(3.161)	23.413	22.407	(2.960)	19.447
Civil (c)	1.609	(203)	1.406	1.566	(188)	1.378
	195.889	(8.882)	187.006	192.619	(9.216)	183.403

(a) The subsidiaries acquired in 2011, Unopar and Ceama, increased tax, labor and civil contingencies by R$159,758. These contingencies refer mainly to administrative and judicial proceedings challenging ISSQN levied on revenue from EAD Graduation degree tuitions, INSS on payroll, and claiming exemption from federal taxes under ProUni rules. They are all covered by guarantees provided by the sellers, set out in the purchase and sale agreements.

IUNI is challenging in court the collection of taxes related to the immunity period with regard to social contribution linked to FGTS, according to Supplementary Law 110/2001, in the amount of R3,173, and PIS on payroll in the amount of 2,282. Three FGTS assessment notices in the amount of R$1,564 are also being discussed at administrative level. Other provisions in the amount of R$928 refer to other taxes, discussed at administrative and judicial levels, with regard to the other Company's subsidiaries

(b) As at March 31, 2012, Kroton was the defendant in approximately 510 labor lawsuits, including the contingencies resulting from its acquisitions. Most lawsuits where filed by terminated employees and teachers, basically claiming the payment of overtime, full salary for reduced working hours, worked breaks, salary differences, and proportional increase of FGTS, 13th salary, vacation pay, and constitutional one-third vacation bonus. To date, there has been no lower court decision on most of the lawsuits. In subsidiary UNOPAR, there was a R$9,654 increase in labor contingencies related mainly to overtime payment claims.

(c) As at March 31, 2012, the Company and its subsidiaries were defendants in 1,599 civil lawsuits, which generally refer to lawsuits filed by current and former students with small claims courts, most of whom claim compensation for pain and suffering, under Law 9870/99 (Tuitions Law), because they were allegedly prevented from entering Kroton's and its subsidiaries' facilities. Kroton understands that the civil lawsuits filed against the companies are immaterial and will not have any adverse or significant impact on their performance.

Provisions for tax, labor and civil contingencies are recognized based on the full amount of proceedings classified as probable loss, according to opinions at legal counsel, and tax contingencies are adjusted using the SELIC rate.

Changes in said provisions in the quarter ended March 31, 2012 are as follows:

	Tax	Labor	Civil	Total
Balances as at December 31, 2011	168.646	22.407	1.566	192.619
Additions	-	5.360	144	5.504
Write-offs	(539)	(174)	(14)	(727)
Other write-offs (i)	(354)	-	-	(354)
Offset of collaterals (ii)	(48)	(117)	-	(165)
Payments	-	(901)	(87)	(988)
Balances as at March 31, 2012	167.705	26.575	1.609	195.889
Balances of escrow deposits	(5.518)	(3.161)	(203)	(8.882)
Balances as at March 31, 2012, net	162.187	23.413	1.406	187.007

(i) In March 2012, the company wrote off R$354 of the provision for tax contingencies against equity of subsidiary Ceama. The same balance was adjusted in the investment against goodwill recorded by EDE, parent of Ceama. The change took place within one year from acquisition.

(ii) The change refers to the offset against the guarantees for contingencies recorded in noncurrent assets and the related provision for litigation. The balance of the provision is offset against the balance of the guarantee as the provision's statutory period expires.

Guarantees of contingencies

The purchase and sale agreement of Unopar and Iuni already provides for guarantees tied to ongoing lawsuits filed against the Company. In the event of unfavorable outcomes, these amounts can be collected from the sellers without any losses for the Company.

The table below shows a schedule of the mentioned guarantees:

Subsidiary	Contingencies	Amount
Unopar	Labor and tax	107,073
IUNI	Labor and tax	2,719
Total noncurrent		109,792

Also as regards the purchase and sale agreement, the IUNI agreement, entered into on March 12, 2010, contains a clause that provides for R$106 million (balance at March 31, 2012) as guarantee for tax contingencies, classified by our legal counsel as remote, backdating the period IUNI had a charitable entity status.

Possible losses (contingencies)

The Company is a party to tax, labor and civil lawsuits whose risk of an unfavorable outcome is classified by management as possible, based on the assessment of its legal counsel, for which no reserve is recognized. As prescribed by accounting standard, the estimated amounts are broken down as follows:

	Tax	Labor	Civil	Total
Balance at December 31, 2011	69.758	6.822	4.501	81.081
Additions	16.303	1.021	1.545	18.869
Amortization and write-offs	-	(4.004)	(546)	(4.550)
Balances as at March 31, 2012	86.061	3.839	5.500	95.400

Out of the total administrative and judicial proceedings, 10 refer to the period when IUNI was classified as a nonprofit entity. These proceedings originate from tax assessments issued by the RFB for the nonpayment of social security tax (employer's contribution, work accident insurance (SAT/RAT), and third-party tax) payable to the INSS, and other taxes (COFINS and PIS). As at March 31, 2012, the involved amount of R$86,061 are assessed by Kroton's legal counsel as possible loss.

27. OTHER PAYABLES - CONSOLIDATED (IFRS & BR GAAP)

	03/31/2012	12/31/2011
Current:		
Transfer of student portfolio - acquisition of subsidiary IUNI (a)	1.701	1.341
Unidentified deposits	257	114
	1.958	1.455
Noncurrent:		
Deposit - acquisition of Uniminas (b)	3.311	3.341
Sale of subsidiary SUESC (c)	2.076	2.014
	5.387	5.355

(a) As provided for by the IUNI acquisition agreement, of March 2010, the entire portfolio of payables falling due within more than 180 days on this date are collected by the Company and transferred to the former owner of IUNI.

(b) Refers to payables for the acquisition of Uniminas, provided for in the purchase and sale agreement. Balance consisting of student loans received from students and retained as deposits. The maturity will occur in 2013.

(c) The amount receivable for the sale of SUESC is linked to the remaining balance of the ISSQN tax liability, which depends of the final decision on the tax collection action filed by the City of Rio de Janeiro. If favorable, the Company is entitled to receive the amount agreed by the parties. If unfavorable, the Company will pay the difference between the contractual price and the lawsuit amount. The amount receivable is recognized in line item 'Other receivables', in current assets, and is adjusted on an annual basis.

28. EQUITY

a) Issued capital

The Company's subscribed and paid-in capital totals R$1,851,101 at March 31, 2012 (R$1,254,061 at December 31, 2011), represented by 355,089,922 common shares and 488,231,433 preferred shares, held as follows:

	Balance
Balance at December 31, 2011	1,254,061
Capital increase	597,040
Balance at March 31, 2012	1,851,101

	Number of shares	
	Common	Preferred
As at December 31, 2011	253,865,915	350,639,107
Total ex-treasury shares	252,543,379	342,703,891
Total treasury shares	1,322,536	7,935,216
Capital increase - on March 5, 2012 (i)	101,224,007	137,592,326
As at March 31, 2012	355,089,922	488,231,433
Total ex-treasury shares	353,993,454	481,652,625
Total treasury shares	1,096,468	6,578,808

(i) On December 15, 2011, the Company's Board of Directors decided to increase capital by a ceiling of R$600,000,000 through the issuance of up to 101,823,921 common shares and up to 138,176,079 preferred shares, in local currency, at R$2.50 per share, equivalent to R$17.50 per unit.

On March 5, 2012, the Company's Board of Directors confirmed the capital increase of R$597,040, through the issuance of 101,224,007 common shares and 137,592,326 preferred shares, which were paid in upon their subscription in cash and in local currency, at R$2.50 per share, equivalent to R$17.50 per unit.

b) Authorized capital

The Company, after decision made by Board of Directors on November 22, 2011, is authorized to increase its capital, regardless of any amendment to its bylaws, up to a ceiling of 1,000,000,000 shares, through the issuance of common or preferred shares, without being required to maintain the current proportion between the two types of shares, but within the statutory ceiling of two thirds of preferred shares.

The Board of Directors can, within the authorized capital limit, decide on the issuance of shares, simple debentures, or warrants, establishing the subscription method, the payment terms and issuance price, and also discontinue the preemptive rights or reduce the exercise period for issuances placed in a stock exchange, through public subscription, or a takeover bid, as provided for by the current law.

Under the plan approved by the Shareholders' Meeting, the Board of Directors can grant stock options to officers, employees or other individuals who provide services to the Company or any of its subsidiaries, provided that such stock options do not permit the change of Company control.

c) Shareolders agreement

The Shareholders' Agreement entered into on June 24, 2009 by: (i) Advent Educacional Empreendimentos e Participações S.A., or Advent Educacional; (ii) Fundo de Investimento em Participações - Brasil Gestão e Participação, or FIP Gestão, and jointly with Advent Educacional, Advent; (iii) Citíssimo do Brasil Participações Ltda., or Citíssimo; (iv) Neiva Participações Ltda., or Neiva; (v) Samos Participações Ltda., or Samos; e (vi) Santori Participações Ltda., or Santori, and, jointly with Citíssimo, Neiva, and Samos, the Shareholders' Group; and also, as intervening approving parties, (vii) Pitágoras Administração e Participações S.A., or PAP; (viii) Evando José Neiva, or Evando; (ix) Henriqueta Martins dos Mares Guia, or Henriqueta; (x) Júlio Fernando Cabizuca, or Cabizuca; (xi) Walfrido Silvino dos Mares Guia Neto, or Walfrido, and, jointly with Evando, Henriqueta and Cabizuca, the indirect controlling shareholders of PAP; and (xii) Kroton Educacional S.A. (Company and, jointly with PAP, the Companies), FIP Gestão, and Advent, prescribes that certain Board of Directors' decisions shall be make by majority of the votes of the elected directors and not by majority of the votes cast by directors attending the meeting, as provided for by the Brazilian corporate law.

d) Capital reserves

Total costs of the share issue carried out in 2011 were R$22,555 and in March 2012 were R$5,091.

On June 24, 2009, the Board of Directors determined that R$0.09805 of each new share issued would be allocated to the establishment of a capital reserve. On September 2, 2009, the amount of the reserve was approved at R$21,247. Said reserve is presented in the amount of R$14,585, net of transaction costs at R$6,662 from the issuance of said shares.

The fair value provision for stock options granted under the plan approved on October 23, 2009 is recognized as an expense. The consideration is recognized under in line item 'Capital reserves - stock option plan' in equity. The total amount recognized through the quarter ended March 31, 2012 is R$742.

In the quarter ended March 31, 2012, 320,000 units of the stock option plan had been exercised, at the fair value of R$1,973, as a balancing item to the disposal of 226,068 treasury units for a total amount of R$4,122 and the payment received from the exercise of stock options, totaling R$3,672.

Of the 320,000 exercised stock options, 200,000 were exercised through the receipt of the payment and 120,000 stock options exercised through the exchange of the stock options for a lower number of units, without payment.

The net gains on the disposal of treasury shares for the quarter ended March 31, 2012 were R$1,523.

e) Treasury shares

The share buyback is in conformity with Article 157, paragraph 4, of Law 6404/76, CVM Regulatory Instructions 10/80 and 390/03, and other relevant legislation.

	Number of shares	
	Common	Preferred
As at December 31, 2011	1,322,536	7,935,216
Sale of shares (i)	(226,068)	(1,356,408)
As at March 31, 2012	1,096,468	6,578,808

(i) On February 27, 2012, 50,000 units, represented by 50,000 common shares and 300,000 preferred shares, were sold for R$912. In the transactions, a gain of R$343 was recognized was recorded in “Capital reserves - losses/gains on shares”.

On February 27, 2012, 50,000 units, represented by 50,000 common shares and 300,000 preferred shares, were sold for R$912. In the transactions, a gain of R$347 was recognized was recorded in “Capital reserves - losses/gains on shares”.

On February 27, 2012, 50,000 units, represented by 50,000 common shares and 300,000 preferred shares, were sold for R$912. In the transactions, a gain of R$347 was recognized was recorded in “Capital reserves - losses/gains on shares”.

On March 30, 2012, the Company sold 76,068 units, represented by 76,068 common shares and 456,408 preferred shares, at the cost of R$1,386. The disposal generated a gain of R$486, recorded in line item ‘Capital reserves - losses/gains on shares’.

f) Equity instruments arising on business combination

The amount of R$260,000 refers to 13,877,460 common shares and 83,264,760 preferred shares related to the acquisition of subsidiary Unopar, which, under the purchase and sale agreement, will be paid with Kroton shares.

g) Legal reserve

Recognized annually with the allocation of 5% of net income for the year, without exceeding 20% of capital. The objective of the legal reserve is to ensure the integrity of capital and can only be utilized to offset losses or increase capital.

29. SHARE-BASED COMPENSATION PLAN

The Company approved on October 23, 2009 a stock option plan with the objective of retaining Company executives and aligning their interests with the interests at the shareholders and the Company. Independent directors, officers, and senior executives at the Company are eligible to the plan.

The options granted must not exceed the cap of 5 million common shares and 30 million preferred shares, corresponding to 5 million units, equivalent to 8.01% of the Company's capital on approval date.

The Board of Directors or the Human Resources Committee has set out the terms and conditions at each option in a stock option agreement signed by the Company and each beneficiary.

The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The strike price will be paid by the beneficiaries to the Company at sight, upon the acquisition or subscription or as determined by the Board of Directors or the Human Resources Committee for each agreement. As at March 31, 2012, the prices established under the agreements range from R$16.00 to R$20.42.

In the quarter ended March 31, 2012, of the 320,000 exercised stock options, 120,000 stock options were exercised through the exchange of the stock options for a lower number of units, without payment.

The ratio of this exchange of stock options for units was defined as the difference between the proceeds at the strike price times the number of stock options and the proceeds at the average unit market price on the exercise date times the number of stock options, divided y the average unit market price on the exercise date:

$$\text{Number of units} = \frac{(\text{strike price X No. of options}) - (\text{averge price X No. of options})}{\text{average price}}$$

When a beneficiary elects to receive units, he or she does not have to pay the stock options but, on the other hand, receives a smaller number of units.

Changes in the number of outstanding share purchase options and their corresponding weighted average prices for the quarter ended March 31, 2012 are as follows:

	03/31/2012		12/31/2011	
	Average strike price per share - R$	Options	Average strike price per share - R$	Options
Opening balance	18.35	2,172,236	18.13	2,597,236
Granted	-	-	19.20	245,000
Cancelled (i)	19.05	(30,000)	18.23	(400,000)
Exercised (ii)	19.17	(320,000)	17.17	(270,00)
Closing balance	18.27	1,822,236	18.35	2,172,236

(i) In January 2012, 30,000 units, represented by 30,000 common shares and 180,000 preferred shares, were cancelled for the average price of R$19.05 per unit.

(ii) In February 2012, 50,000 units, represented by 200,000 common shares and 1,200,000 preferred shares, were exercised for the average price of R$18.30 per unit.

In March 2012, 270,000 units, represented by 270,000 common shares and 1,620,000 preferred shares, were exercised for the average price of R$19.34 per unit.

The balance of options that can be granted at March 31, 2012 is 2,545,000 (2,515,000 stock options at December 31, 2011).

Stock options granted in the year ended March 31, 2012 present the following strike prices and expiration/vesting periods:

	Options			
Expiration/vesting periods	Average strike price per share - R$	Number of options	Option average fair value in R$	R$
2012	18.41	453,000	4.53	2,053,172
2013	18.41	453,000	4.93	2,231,538
2014	18.31	223,000	5.62	1,252,867
2015	19.10	123,000	5.47	672,601
2016	19.19	49,000	8.56	419,507
	18.49	1,301,000	5.10	6,629,685

The weighted average fair value of options granted through March 31, 2012, determined based on the Black-Scholes valuation model, was R$2.71 per option. Significant data included in the model was weighted average share price of R$18.35 at the grant date, exercise price as previously stated, average volatility, average expected life of the option corresponding to 1,404 days, and average annual risk-free interest rate of 6%.

The volatility measured at the standard deviation of continuously compounded share return is based on statistical analysis at daily share prices, using the historic interim periods that management believes are more appropriate to measure our expected volatility

The fair value of stock options granted is recognized as an expense. The consideration is recognized under the caption ‘Capital reserve - stock option plan’ in equity. The total amount recognized as at March 31, 2012 was R$742 (R$1,284 as at March 31, 2011).

The vesting date of the last stock options granted is January 1, 2016 and the exercise period is 60 months after this date.

30. SEGMENT INFORMATION

The Company's management uses three operating segments that are allocated to analyze and make its strategic decisions. The Company's management analyzes and approves the data, segmenting it based on the products offered in the education area, namely, K-12 education and higher education.

Information on profit (loss), assets and liabilities per operating sement

Information by business segment, as reviewed by the Board of Directors, for the quarters ended March 31, 2012 and 2011 is as follows:

	03/31/12				
	Higher education - Presencial	Higher education - EAD	K-12 education	Unallocated portion	Total
Net revenue	202.011	73.412	65.174	-	340.597
Cost of sales and services	(120.182)	(11.217)	(22.961)	-	(154.360)
Gross profit	81.829	62.195	42.213	-	186.237
Operating expenses:					
Selling expenses	(19.863)	(5.315)	(5.486)	-	(30.664)
General and administrative expenses	(45.238)	(13.930)	(3.553)	-	(62.721)
Other expenses, net	-	-	-	(130)	(130)
Operating profit (loss) before finance income (costs)	16.728	42.950	33.174	(130)	92.722
Assets	2.725.517	40.081	118.820	409.845	3.413.083
Current and noncurrent liabilities	591.658	43.367	21.913	599.673	1.256.611

	03/31/2011			
	Higher education - Presencial	K-12 education	Unallocated portion	Total
Net revenue	134.806	60.205	-	195.011
Cost of sales and services	(91.376)	(22.782)	-	(114.158)
Gross profit	43.430	37.423	-	80.853
Operating expenses:				
Selling expenses	(11.724)	(4.264)	-	(15.988)
General and administrative expenses	(24.762)	(2.676)	-	(27.438)
Other expenses, net	-	-	(100)	(100)
Operating profit (loss) before finance income (costs)	6.944	30.483	(100)	37.327
Assets	925.597	35.746	71.738	1.133.081
Current and noncurrent liabilities	189.872	25.731	68.688	284.291

Intersegment sales were made on an arm's-length basis. The reported revenue from foreign related parties was measured in accordance with that presented in the income statements.

a) Reconciliation of revenue from sales and services

	03/31/2012	03/31/2011
Analysis at revenue by category		
Gross revenue from sales	58.305	61.183
Gross revenue from services	351.578	160.155
Deductions from gross revenue (mainly scholarships, discounts and taxes on sales and services)	(69.286)	(26.327)
Net revenue from sales	55.490	60.205
Net revenue from services	285.107	134.806
	340.597	195.011

31. BREAKDOWN OF NET REVENUE - CONSOLIDATED (IFRS & BR GAAP)

	03/31/2012	03/31/2011
Gross revenue:		
K-12 education	68.924	61.183
Higher education	340.960	160.155
	409.884	221.338
Deductions from gross revenue:		
K-12 education	(3.750)	(978)
Higher education	(65.537)	(25.349)
	(69.287)	(26.327)
Net revenue:		
K-12 education	65.174	60.205
Higher education	275.423	134.806
	340.597	195.011

32. EXPENSES BY NATURE

	Company (BR GAAP)		Consolidated (BR GAAP & IFRS)	
	03/31/2012	03/31/2011	03/31/2012	03/31/2011
Payroll and related taxes	(1.810)	(275)	(118.948)	(79.462)
Rent and common area maintenance fees	-	-	(18.725)	(14.302)
Depreciation and amortization	(1.134)	-	(18.224)	(10.105)
Utilities, cleaning and security	(104)	-	(15.931)	(7.749)
Outside services	(892)	-	(11.174)	(1.253)
Allowance for doubtful debts	-	-	(15.900)	(7.169)
Advertising and publicity	-	-	(9.802)	(3.387)
Cost of sales	-	-	(11.521)	(11.511)
Travel expenses	-	-	(3.411)	(1.958)
Copyrights	-	-	(2.490)	-
Taxes	(189)	(129)	(1.407)	(1.213)
Legal and contingencies	-	-	(6.599)	-
Other costs and expenses	(60)	(9)	(13.743)	(19.575)
	(4.189)	(413)	(247.875)	(157.684)
Cost of sales and services	-	-	(154.360)	(114.158)
Selling expenses	-	-	(30.664)	(15.988)
General and administrative expenses	(4.189)	(413)	(62.721)	(27.438)
Other operating expenses, net	-	-	(130)	(100)
	(4.189)	(413)	(247.875)	(157.684)

33. FINANCE INCOME (COSTS)

	Company (BR GAAP)	
	03/31/2012	03/31/2011
Finance income:		
Income on securities	656	-
Finance costs:		
Tax on financial transactions (IOF)	(3)	(1)
Finance income (costs)	653	(1)

	Consolidated (IFRS & BR GAAP)	
	03/31/2012	03/31/2011
Finance income:		
Interest on tuitions	7.729	4.159
Income on short-term investments and securities	12.333	209
Discounts obtained	92	500
Reduction of charges on taxes in installments	-	221
Other	877	-
	21.031	5.089
Finance costs:		
Interest on borrowings and financing	(424)	(3.239)
Interest and costs of debentures	(16.787)	-
Late tax payment interest and fines	(1.370)	(1.676)
Adjustment of obligations arising from acquisition of subsidiaries	(3.599)	-
Bank and collection fees	(1.325)	(602)
Interest and fines for late bill payment	(271)	(300)
IOF	(139)	(211)
Other	(180)	(31)
	(24.095)	(6.059)
Finance income (costs)	(3.064)	(970)

34. EARNINGS PER SHARE

a) Basic

Basic earnings per share are calculated by the division of the profit or loss attributable to the Company's owners by the weighted average number of units issued during the period.

	03/31/2012	03/31/2011
Profit (loss) attributable to owners of the Company	84.778	32.256
Weighted average number of common shares issued (in thousands)	281.821	232.878
Basic earnings per common share	0,30	0,14

	03/31/2012	03/31/2011
Profit (loss) attributable to owners of the Company	84.778	32.256
Weighted average number of preferred shares issued (in thousands)	382.665	224.749
Basic earnings per preferred share	0,22	0,14

	03/31/2012	03/31/2011
Profit (loss) attributable to owners of the Company	84.778	32.256
Weighted average number of units issued (in thousands)	94.927	65.374
Basic earnings per unit	0,89	0,49

b) Diluted

The Company has no debt convertible into shares, and the stock options granted were not presumed to have been exercised, as they were anti-dilutive; their exercise price was higher than the average market price. Therefore, there are no potentially dilutive units.

35. RELATED-PARTY TRANSACTIONS

The main intragroup balances and transactions are as follows:

a) Receivables from and payables to related parties (Company)

	03/31/2012		12/31/2011	
	Assets	Liabilities	Assets	Liabilities
Cash (i)	-	-	-	1.884
Advance for future capital increase (ii)	590,369	-	-	-

(i) Refers to funds transferred from subsidiary EDE to the Company to build up cash.

(ii) Refers to the funds obtained with the Company's capital increase on March 5, 2012 and transferred to subsidiary EDE.

The Company does not grant any severance or short-term benefits to its employees or officers, or postemployment or other long-term benefits.

b) Other related-party transactions

The companies PSES and SPES use properties leased by CNG Patrimonial Ltda. As at March 31, 2012, future payments amount to R$13,119.

The companies IUNI, Unic Tangará do Sul, Unic Primavera Nova, Unic Sinop, Unime Lauro de Freitas and Unic Várzea Grande use properties leased by Vertia Empreendimentos Imobiliários Ltda. These amounts are recorded in the income statement, in line item 'Cost of services'. As at March 31, 2012, future payments amount to R$128,887.

IUNI entered into an assignment agreement for the use by its university of the University General Hospital ("HGU") of Cuiabá, MT, for which it pays R$277 per month. As at March 31, 2012, future payments amount to R$27,566 and there is no outstanding balance.

EDE entered into with Fundação Pitágoras an agreement for the sale of learning materials. Total sales in the first quarter of 2012 totaled R$4,453 (R$5,006 as at March 31, 2011). The balance of receivables as at March 31, 2012 amounts to R$13,287 (R$8,865 as at December 31, 2011) and the amount receivable from Fundação Pitágoras related to a capital contribution totals R$1,098 (note 15).

EDE entered into a financing agreement with the bank BDMG, the outstanding balance of which at March 31, 2012 is R$6,920 (R$7,786 as at March 31, 2012), and which is guaranteed by the Company's controlling shareholders.

c) Key management personnel

Key management personnel refer to the members at the Board of Directors and the Supervisory Board, the CEO, the vice president, and the officers.

Total estimated compensation for 2012 is R$15,000. Compensation paid to key management personnel through March 31, 2012 is as follows:

	03/31/2012	03/31/2011
Salaries	902	853
Variable compensation (*)	1.349	1.192
Share-based compensation plan - stock options	214	1.501
	2.465	3.546

(*) Variable compensation defined in agreement with officers.

36. STATEMENTS OF CASH FLOWS - CONSOLIDATED (IFRS & BR GAAP)

a) Cash and cash equivalents

The breakdown of cash and cash equivalents disclosed in the statements of cash flows is stated in notes 8 and 9.

b) Non-cash transactions

As part of the payment for the acquisition of Unopar, Kroton will issue 13,877,460 common shares and 83,264,760 preferred shares in the aggregate amount of R$260,000. As at March 31, 2012, this balance is recorded in line item ‘Equity instruments arising on business combination’ in equity.

In March 2012, R$4,838 of the educational software balance recorded in line item ‘Inventories’ was transferred to line item ‘Intangible assets’.

In March 2012 there were changes related to the offset of contingencies’ guarantees recorded in noncurrent assets against the related provision for litigation amounting to R$165.

The balance R$288, which is part of the balance recognized as cost of debentures is provided for at March 31, 2012.

The share issuance cost of R$5,091 is provided for at March 31, 2012.

37. INSURANCE

Company has a risk management program designed to limit risks, seeking in the market coverage that is compatible with their size and operations. Insurance coverage was obtained in the amount below to cover possible losses, considering the type of its activities, risks involved in the operations, and advice from insurance brokers.

As at March 31, 2012, the Company had insurance policies with single maximum compensation of R$167,296 (R$137,597 at December 31, 20101, covering electrical damages, riots, window breaking, electronic equipment, fire, robbery, lightning, explosions, windstorms, vehicle impact, and aircraft crashes.

38. EVENTS AFTER THE REPORTING DATE

Acquisition of Unirondon

On April 27, 2012, the Company entered into, through its subsidiary EDE, a purchase and sale agreement for the acquisition of 100% of the shares of União Educacional Cândido Rondon (Unirondon), the company that manages Centro Universitário Cândido Rondon, a university, which operates in Cuiabá and Campo Verde, both in the State of Mato Grosso.

The acquisition price is R$22,000, consisting of the price of R$28,300 attributed to the transaction plus R$23,700 of the property, less net debt of R$30,000.

The price will be paid in 60 months, beginning on the transaction date, and is subject to possible adjustments, retentions and offsets arising from Unirondon's liabilities for which the sellers are liable under the agreement.

Unirondon has approximately 5,470 students and the completion of the acquisition is still contingent to the compliance, by the sellers, of certain conditions precedent set out in the underlying agreement.

39. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The individual and consolidated interim financial information was approved by the Board of Directors at the meeting held and authorized for issue on May 14, 2012.

MESSAGE FROM MANAGEMENT

The year 2012 should be a memorable one for Kroton, with the first quarter bringing solid results that have led us to believe in this positive outlook.

The student base registered organic growth (on a same-unit basis) of 29% between December 2011 and March this year, with this expansion having a positive impact on financial performance. EBITDA in the quarter was R$126.3 million, with EBITDA margin of 37.1%, representing substantial improvement compared to 1Q11. This path was also observed in net income, which reached R$99.0 million in the quarter, with net margin of 29.1%. Another highlight was the operating cash flow, which was R$51.6 million before capex disbursements and R$33.2 million after capex. These indicators confirm the significant evolution in the level of performance of our businesses and solidify the Company's strategic pillars to enable it to continue implementing and enhancing its strategy for long-term growth.

On the M&A front, during this April, we announced to the market the acquisition of Centro Universitário Unirondon, which is located in the State of Mato Grosso and has 5,400 students. Meanwhile, the integration of Unopar acquisition has advanced significantly in these first few months of 2012, and synergies have already begun to be captured across the entire operation.

In our relationship with the financial community, we further improved our transparency by disclosing, starting this quarter, the Company's performance broken down by its three main business lines: On-campus Postsecondary Education, Distance Learning Postsecondary Education and Primary and Secondary Education. This will make it possible to analyze the evolution in the financial and operational indicators of each business line.

Strong organic growth, regular and highly disciplined M&A deals, an efficient integration model, rigorous management of costs and expenses and profound expertise in the Education business. These are the main differentials that will enable Kroton to continue registering consistent growth, while maximizing value for shareholders and contributing to Brazil's development.

OPERATING PERFORMANCE

POSTSECONDARY EDUCATION

All analyses of operational data in the Postsecondary Education segment adopt the following assumptions:

- On-campus Postsecondary: considers all undergraduate and graduate students in Kroton's On-campus Postsecondary business, including students in this business added by the Unopar acquisition.

- Distance Learning (DL) Postsecondary: includes all Undergraduate and Graduate students in Kroton's Distance Learning Postsecondary business including students from Unopar and Kroton's existing Distance Learning Graduate students.

The beginning of 2012 was highlighted by a record-high new enrollments in the On-Campus Undergraduate and Distance Learning Undergraduate business, which combined surpassed 110,000 new students, beating the Company's targets, due to the intense sales efforts and the various marketing and sales actions implemented in the period. Total re-enrollments (i.e., enrollments of students in the second to the last academic semesters) also increased from the same quarter of 2011, reaching 195,000 students.

It is worth emphasizing the following points:

- 33,379 new On-Campus Undergraduate students, growing 42.7% from 1Q11.
- 76,939 new Distance Learning Undergraduate students, up 37.2% from 1Q11.
- 79,544 students re-enrolled in the On-Campus Undergraduate business, up 16.6% from 1Q11.
- 115,516 students re-enrolled in the Distance Learning Undergraduate business, up 16.5% from 1Q11.

Meanwhile, the Graduate business registered total new enrollments of 4,501 students, driven primarily by the Distance Learning business, which registered 2,617 new students. Kroton shall increase its sales efforts in the Graduate business, given its belief that this segment will play a more important role in supporting its organic growth over the coming years.

At the end of 1Q12, the number of Postsecondary students, considering both the On-campus and Distance Learning model, reached 325,599, increasing 28.8% compared to 4Q11. Broken down by teaching model, the On-Campus student base registered growth of 14.9% and represented 37.9% of the total student base, while the distance learning student base grew by 39.0% and accounted for 62.1% of the total student base.

Graduations

During 1Q12, the number of students graduating in the Undergraduate product was 21,716, which corresponded to 9.3% of the students in this product. In the Graduate product, 1,486 students graduated in the period.

Dropouts

In the Undergraduate product, the number of students dropping out in 1Q12 was 17,949, which corresponded to 7.6% of the students potentially re-enrolling (i.e., starting student base less graduations). In the Graduate product, the number of students dropping out was 933.

Student Loan Program (FIES)

Kroton continues to excel nationally in its offering of student loans under the federal government's FIES program, due to the high rate with which its academic programs qualify for this program (reflecting the high quality of its educational services), as well as to the marketing, communication and sales actions it has implemented to promote this financing program at all of its Units.

At the end of 1Q12, 37,637 students had contracted student loans under the FIES program, up 83.6% from the previous quarter. This growth was mainly driven by the new enrollments in the period and the efforts to promote the student loan program. During the new enrollment process in the quarter, 47.0% of freshmen contracted a FIES loan, up significantly from 27.6% in the second half of 2011 (2H11) and from 14.1% at the start of 2011.

Note also that in May 2012 Kroton surpassed the mark of 40,000 students with FIES loans. The percentage of Kroton students eligible for a FIES loan remained stable compared to 4Q11 at 92.5%.

Acquisition of Unirondon

In April 2012, Kroton entered into an Agreement for Purchase and Sale and other Covenants for the acquisition of 100% of the ownership interests in *União Educacional Cândido Rondon* ("Unirondon"), which owns *Centro Universitário Cândido Rondon* with 5,470 students (base date: Apr/20/2012) and also two units in the state of Mato Grosso.

The acquisition also includes a property owned by Unirondon located in Cuiabá, Mato Grosso, on which are located the operations of *Centro Universitário Cândido Rondon*, with total land area of 38,500 m2 and a building with 14,600 m2 of floor space ("Property"). Following the conclusion of the Acquisition, the Company plans to evaluate the possibility of a sale-leaseback operation for this Property.

Once the Acquisition is completed, the Company will pay the Sellers R$22.0 million ("Price"). The Price is the results of the sum of the value attributed to the business of R$28.3 million and the book value of the Property of R$23.7 million, less the net debt at Unirondon of R$30.0 million.

With the Acquisition, Kroton becomes to have 46 campuses located in 33 municipalities and 9 states in Brazil.

Unopar Integration

With a robust support methodology and structure, 15 work fronts, 110 projects and 4 different phases, the process to integrate Unopar, which began immediately after the conclusion of the transaction in December 2011, has already registered important advances in these first few months of 2012.

Phase 1 was concluded in March, and focused primarily on optimizing sales actions in order to increase new enrollments and re-enrollments for the first academic semester of 2012, which generated outstanding results, as demonstrated by the operational performance figures disclosed previously.

Phase 2 was launched in April and has two main objectives: i) optimizing Unopar's organizational structure, and ii) developing projects with upside in revenue. Unopar's organizational restructuring was concluded in April. The actions implemented included:

a) All of Unopar's structures received a matrix report aligned with Kroton's corporate structures;

b) Full integration of the Distance Learning activities (Kroton and Unopar), drawing on Unopar's platform and expertise;

c) Dismissal of 53 employees and capture of savings in payroll expenses related to administrative functions, in line with the business plan for the acquisition of Unopar.

In addition, studies were begun on revenue-upside projects in the Distance Learning business, which included projects to expand the distribution channel (activation of accredited centers and accreditation of new centers) and the launch of new educational products/services using the Distance Learning platform.

Analyses were also begun for the implementation of Phase 3, which will include adjustments to the academic model in the On-Campus business at Unopar. Lastly, Phase 4 will be carried up to December and focus on the full integration of the systems and processes.

Ministry of Education (MEC) Evaluations

At the end of 1Q12, around 99.4% of the academic programs and 97.6% of the institutions that form Kroton had received evaluations ranging from satisfactory to excellent, which reinforces the commitment to teaching quality in all of the educational services offered to students.

Language Courses

Kroton also offers language courses at a number of its Postsecondary Education units, seeking to offer yet another opportunity for the development of its students, and at special conditions. The initiative also works to attract students while they are still in Secondary Education and establish a relationship that could culminate in the selection of one of Kroton's Units for their Postsecondary Education. At the end of 1Q12, the number of students in this segment was 5,156 (not included the number of Postsecondary students informed above).

PRIMARY AND SECONDARY EDUCATION

In the Primary and Secondary Education segment, which operates through the Pitágoras Network, Kroton offers teaching book collections, teacher training, educational evaluations and other services to private schools in the Pre-School, Primary and Secondary Education segments. For schools in the public school system, Kroton offers, under the brand Projecta-Melhor Escola, besides teaching material for Pre-School, Primary and Secondary Education segments, also educational management programs, continuous training and educational evaluations.

In 2012, Kroton is serving 289,000 students in the various networks targeting the private sector as well as in three municipalities in the public sector. Considering the private networks separately, the Company began 2012 serving 271,983 students, or 3.4% more than in 2011. Meanwhile, the public school system registered a decline in the number of students, due to one of the municipalities served in 2011 not renewing its contract. However, significant advances were observed in other services provided to the public school system, where 12 different municipalities are served.

The number of Associated Schools increased by 5.1%, reflecting the successful commercial negotiations in the period and the high level of service quality offered, as demonstrated by the strong renewal rate of around 90%.

The growth in the student body and Associated Schools, and especially the higher number of services offered by the Associated Schools and municipalities served, should lead to revenue growth between 2011 and 2012, accompanying the trend of recent years.

FINANCIAL PERFORMANCE

1Q12 RESULTS

Seeking to increase the transparency of its financial indicators, as of 1Q12, Kroton is including new performance data for its various business: On-Campus Postsecondary, Distance Learning Postsecondary and Primary and Secondary Education. Therefore, the financial performance of all of these business will be detailed to the level of operating result rather than just to gross income, as previously. This will give a more detailed picture of the evolution in results in each of the business operated by the Company. The following assumptions were adopted for the allocation of revenue, costs and operating expenses:

- On-Campus Postsecondary: includes all results of the Undergraduate and Graduate operations in the On-Campus Postsecondary business of Kroton, including the results from the acquisition of the operations in this business of Unopar. The results prior to 1Q12 also included the amounts registered in the Distance Learning Graduate business that Kroton had in prior periods, which were irrelevant due to the product's scale at that time.

- Distance Learning Postsecondary: includes all results of the Undergraduate and Graduate operations in the Distance Learning Postsecondary business of Kroton, including the results of Unopar and the Distance Learning Graduate business of Kroton as of 1Q12.

- Primary and Secondary Education: considers all of the Primary and Secondary Education operations, as reported previously.

After operating result, the numbers are considered on a consolidated basis, including for the new breakdown of corporate expenses, which include the personnel, general and administrative expenses of the areas that provide services to all of the segments, which is why they cannot be allocated separately.

In addition to the criteria described above, except where stated otherwise, all of the following analyses exclude the impacts of nonrecurring events in the periods and excludes Unopar impact in 4Q11 results.

FINANCIAL PERFORMANCE - ON-CAMPUS POSTSECONDARY

Revenues and Deductions

Deductions

A large part of the deductions registered in the On-Campus Postsecondary operations stems from the ProUni scholarships awarded in exchange for the exemption of taxes levied on the Undergraduate operations (Income Tax, Social Contribution, PIS and COFINS). In 1Q12, the ratio between discounts and gross revenue reached 5.7%, increasing 2.8 p.p. from the same quarter of 2011, reflecting the different practices used for On-campus students at Unopar, which should be aligned with the standards used by Kroton during 2012.

Net Revenue
The behavior of net revenue accompanied the path of Gross Revenue, reflecting the higher average ticket, the growth in the student base driven by organic growth and the recent acquisitions, most notably of Unopar. Analyzing separately the net revenue for On-Campus Postsecondary same units, the increase would be 30.1%. Other highlight was the higher share of revenue under the FIES student loan program in relation to the total, in line with the trend observed of the program's growing penetration in Kroton's student base. In 1Q12, net revenue from FIES accounted for 39.9% of total revenue in the On-campus Postsecondary business, compared to 16.7% in 1Q11 and 28.9% in 4Q11.

Average Net Ticket

In the On-Campus Postsecondary business, the average monthly tuition in 1Q12 for the courses and programs offered was R$546.16, increasing 6.1% from 4Q11, driven by the higher share of the On-Campus Undergraduate product in the total student base. Therefore, analyzing the On-Campus Undergraduate product separately, the average ticket increased by 5.2%, due to the increase in tuitions and to the higher number of FIES students, which reflects the adjustment in the portfolio generated by students opting to study courses and programs with higher tickets.

Costs

The cost of services as a ratio of net revenue in this business decreased by 6.9 p.p. in 1Q12 compared to the same quarter of 2011, driven mainly by two effects: i) the higher number of students per class, due to the strong growth in new enrollments in 2012, and ii) the operational improvements at the acquired units, with the implementation of the academic model during 2011 (ex-Unopar). However Management notes that, an analysis of the managerial budget showed that the realization of certain costs was postponed and therefore not recognized in 1Q12, which means that these costs should be incurred over the coming quarters. Costs with property rent corresponded to 8.3% of net revenue in 1Q12, representing improvement of 1.5 p.p. from 1Q11.

Gross Income

With strong revenue growth and rigorous control of costs, the On-Campus Postsecondary business registered significant improvement in gross income and gross margin. Compared to 1Q11, gross income grew by 77.5%, while gross margin expanded by 6.9 p.p.

Operating Expenses

Operating Expenses
Total operating expenses in the On-campus Postsecondary business corresponded to 11.7% of net revenue in 1Q12, which represents improvement of 0.6 p.p. from 4Q11, driven by the lower volume of selling and marketing expenses in the period. Compared to 1Q11, the increase of 2.3 p.p. reflects the higher general and administrative expenses following the Unopar acquisition, since the synergies from the merger should only be captured as of April.

Personnel, General and Administrative Expenses
In the vertical analysis, the increase of 1.7 p.p. in 1Q12 compared to 1Q11 reflects the higher general and administrative expenses resulting from the Unopar operation. Note that in April, Kroton implemented an organizational restructuring at Unopar that led to a reduction in the number of employees, as described in the section "Unopar Integration".

Selling and Marketing Expenses
Selling and marketing expenses as a ratio of net revenue in the business increased by 0.5 p.p. in 1Q12 compared to 1Q11, but ensured strong growth in new enrollments and re-enrollments in the quarter.

Provision for Doubtful Accounts (PDA)

Analyzing separately the data for the On-campus Postsecondary business, the provision for doubtful accounts (PDA) corresponded to 4.8% of net revenue in 1Q12, down 0.3 p.p. from 1Q11. This reduction reflects the growth in the FIES student loan program at the Company, for which provisioning requirements are lower.

The PDA for ex-FIES students increased from 5.7% of net revenue in 1Q11 to 6.5% in 1Q12, due to the more conservative posture adopted for provisioning, accompanying the trend observed at various financial institutions since the start of 2012, based on a negative expectation of default levels in Brazil.

Meanwhile, in the FIES portfolio, it is important to note that since 2010, Kroton has been building provisions to cover any future losses from FIES in amounts corresponding to 2.25% of total FIES revenue. Since FIES credits have lower risk and the Company's responsibility is 15% of any future losses in the receivables of students with guarantors and 7% of the net revenue of students in the guarantor fund, the Company believes that its level of provisioning is adequate. Management is carefully monitoring the dynamics and the growth in the student base participating in the program to, if so required, adjust the level of provisioning going forward.

Accounts Receivable

Total accounts receivable net of PDA increased by 20.1% between 1Q12 and 4Q11, mainly driven by the growth of 48.0% in accounts receivable under FIES.

Analyzing the monthly tuition and agreements portfolio decreased by 4.7% between 1Q12 and 4Q11, due to the higher provisioning mentioned above, as well as the seasonality impact typical between the two quarters.

In the FIES portfolio, in addition to the higher share of FIES students in the total base mentioned earlier, part of this increase was due to the blocking of FIES balances arising from the lack of Debt Clearance Certificates (CND) at certain Kroton companies, which made them ineligible for credit repurchases by the federal government. As commented in 4Q11, this issue should be resolved by the end of 2Q12. Management has already adopted a set of measures, which include contracting a bank guarantee to secure certain debts under discussion. These measures have already generated concrete effects, and it is important to mention that of the total amount of R$55.9 million blocked due to the lack of CNDs, R$11.2 million has already been released and repurchased in April/2012. A definitive solution to these blocked amounts will result in a significant reduction in accounts receivable and in the average receivables period of FIES contracts.

As of 2012, the National Education Development Fund (FNDE) established a monthly repurchase program of FIES credits (in 2011 repurchases were made on a quarterly basis). In 1Q12, Kroton already received R$27.0 million through monthly repurchases. In addition, during the same period, around R$7.1 million was used to pay federal taxes owed. Note also that an additional R$27.0 million was repurchased in April, due to the high number of new students enrolling at the start of the year who contracted FIES student loans and the partial unblocking of one CND, as mentioned before. As such, the amount of FIES repurchases in the period from January to April was R$54 million.

Average Accounts Receivable Term

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

1. Accounts Receivable, excluding the balance of FIES receivables

Calculation base: net balance of short-term accounts receivable related solely to monthly tuition fees and agreements receivable (ex-FIES), divided by Postsecondary net revenue in the last 12 months, multiplied by 360 days.

On this basis, the average term registered a sharp reduction of 14 days compared to 1Q11, due to the higher proportion of FIES students in the base, as commented earlier.

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

Calculation base: net balance of short-term accounts receivable related solely to monthly tuition fees and agreements receivable, divided by Postsecondary net revenue (ex-FIES) in the last 12 months, multiplied by 360 days.

Under this measure, the average term decreased by two and nine days in relation to 1Q11 and 4Q11, respectively, affirming the correct provision position.

3. FIES Accounts Receivable

Calculation base: net balance of short-term accounts receivable related solely to FIES, divided by net revenue from monthly FIES payments in the last 12 months, multiplied by 360 days.

The average term of FIES accounts receivable increased 74 compared to 1Q11 and 8 days compared to 4Q11. To better understand this average term, we must first exclude the FIES balances blocked due to absence of a CND (as commented above). The increase of 27 days compared to 4Q11 was due to the high revenue in the period. Bear in mind that due to the timetable of federal transfers, the amounts recognized in February and March (the months with the highest enrollment rates) will only receive the associated transfers as of April.

Management expects the average term of FIES accounts receivable to converge towards 80 days, when the program's operating conditions reach more adequate levels. Although this term is longer than the one observed for ex-FIES accounts receivable, bear in mind that these are receivables with practically no default risk.

Operating Result

Operating Result and margin in the On-Campus Postsecondary business registered significant increases in 1Q12. Compared to the same quarter last year, operating margin expanded by 5.0 p.p., driven by the higher gross income, the control of operating expenses and the success of the collections practices implemented, which led the amount received in interest and penalties on monthly tuition fees to account for 3.1% of net revenue in both quarters.

FINANCIAL PERFORMANCE - DISTANCE LEARNING POSTSECONDARY

Note: accounting criteria for the recognition of revenue and rebates in the Distance Learning business

As commented in the 4Q11 earnings release, Kroton adopted a criterion for revenue recognition in the Distance Learning whereby only the services rendered by the Company are accounted. As a result, the services rendered by the Distance Learning center to students, but collected by Kroton, will not be recognized in the profit and loss. In other words, the amounts related to transfers to the centers corresponding to 36% of receivables do not impact either revenues or costs. Note that this basis does not change the operating dynamics and operating result for the Distance Learning business model incorporated from Unopar and also does not apply to the revenue originating from Kroton's Distance Learning Graduate Education product.

Revenue and Deductions

Deductions

The main item under deductions in the Distance Learning business are the discounts, which represent 16.4% of total gross revenue, arising from the practice of giving discounts for the timely payment of more aggressive plans offered to students, in line with the business dynamics.

Net Revenue

Net revenue in the Distance Learning business in 1Q12 was R$73.4 million, which corresponded to 21.6% of Kroton's total net revenue in the period.

Average Net Ticket

In the Distance Learning business, when 100% of revenue is considered, the combined average ticket of both the Undergraduate and Graduate operations is R$189.36. This amount represents the monthly tuition fee effectively paid by the student. Based on the accounting criteria for the recognition of revenue and rebate in the Distance Learning segment mentioned previously, the average ticket of the courses and programs offered in 1Q12 was R$121.19.

Costs

Cost of services rendered was R$10.5 million and represented 7.2% of Kroton's total costs in 1Q12. The main item in cost of services is the costs with teachers, technical staff and outsourcing.

Gross Income

Gross income was R$62.9 million, which represents 32.2% of the total registered by Kroton in 1Q12. In the same period, the gross margin of 85.7% reflects the low-level of costs inherent to this business, which allows for superior results compared to on-campus teaching models.

Operating Expenses

Operating Expenses

Operating expenses were R$10.0 million and represented 23.8% of Kroton's total in 1Q12.

Personnel, General and Administrative Expenses

Personnel, general and administrative expenses totaled R$7.3 million in 1Q12. As was also the case in the On-Campus Postsecondary business, the organizational restructuring at Unopar carried out in April should also impact the Distance Learning business as of 2Q12.

Selling and Marketing Expenses

This group of expenses represented 3.7% of total net revenue, which is virtually in line with the amount posted in the On-Campus Postsecondary business. This amount already considers the post-acquisition marketing actions adopted, which culminated in the strong new enrollments at the start of the year.

Provision for Doubtful Accounts (PDA)

As in the On-Campus business, Kroton's provisioning in the Distance Learning is based on an analysis of historical data for write-offs of receivables overdue more than 360 days and assessment by Management of the default levels expected in the short term. Accordingly, a level of provisioning of 6.9% was established for this business. During 2012, the integration of the Unopar operations and the subsequent integration of the billing and collections operations should lead to improvements in the recovery rate of the Distance Learning business and potential reductions in the level of provisioning.

Accounts Receivable

Accounts receivable in the Distance Learning business in 1Q12 were R$16.3 million.

Average Accounts Receivable Term

Calculation base: net balance of short-term accounts receivable, divided by the estimated Distance Learning net revenue in the last 12 months, multiplied by 360 days.

The average receivables term in the Distance Learning business in 1Q12 was 24 days. This reflects the receivables portfolio's higher aging than in the Postsecondary portfolio, due to the collections practices at Unopar until December 2011 (i.e., prior to its acquisition by Kroton). This receivables portfolio was adjusted by the adoption of Kroton's provisioning criteria, which includes writing off accounts overdue more than 360 days. Management believes that the profile of this receivables will converge to levels closer to those of the On-Campus business, following the unification of collections practices in the Distance Learning business with the collections practices used by Kroton in the On-Campus business.

Operating Result

Operating Result in the Distance Learning business in 1Q12 was R$49.2 million, which corresponded to 33.8% of Kroton's total in the period. The operating margin of 67.0% sets the Distance Learning business apart in terms of profitability for Kroton.

FINANCIAL PERFORMANCE - PRIMARY AND SECONDARY

Revenue and Deductions

Deductions
Historically, the first quarter typically registers the highest level of revenues in the year. The amount in 1Q12 increased from the same period last year, due to the higher number of cancellations (returns) received from the Associated Schools in the period.

Net Revenue
The net revenue growth of 8.3% compared to 1Q11 basically reflects the increase in the average ticket and the higher number of students served by the private associated school networks, as well as the services rendered during the period. Despite this growth, the contribution by this segment to Kroton's total net revenue was significantly lower than last year, with 31% in 1Q11, compared to 19% in 1Q12.

Average Net Ticket
In the Primary and Secondary Education business, the average annual amount charged for the sale of teaching materials to the Associated Schools is R$ 393.16 per student, which represents an increase of 4.8% increase from R$ 375.19 in the previous year.

Costs

Cost of goods as a ratio to net revenue in the segment decreased by 1.4 p.p. in 1Q12 compared to the same quarter of 2011, driven by lower spending needs for producing the teaching book collections. Meanwhile, the reduction in costs of services rendered of 2.2 p.p. as a ratio of net revenue in the period was due to the reduction and optimization of personnel.

Gross Income

The gross margin expansion of 3.7 p.p. in 1Q12 compared to 1Q11 was driven by the better performance of own operations, as well as by the strategy adopted by the Company in late 2010 aimed at increasing the number services rendered to the Associated Schools.

Operating Expenses

Operating Expenses
Operating expenses increased 18.3% compared to 4Q11, basically explained by the sales actions implemented in early 2012.

Personnel, General and Administrative Expenses
The increase of 50.9% in 1Q12 compared to 1Q11 was driven by the higher number of service agreements signed in the year and the increase in the number of Associated Schools between the two periods.

Selling and Marketing Expenses
Between 1Q12 and 1Q11, selling and marketing expenses remained stable as a ratio of net revenue. For 2012, Kroton expects to expand its sales structure for the segment.

Provision for Doubtful Account (PDA)

The increase in the level of provisioning, from 0.5% of net revenue in 1Q11 to 1.7% of net revenue in 1Q12, reflects the more conservative provisioning policy (as mentioned in the comments for 4Q11) adopted due to the more restrictive posture adopted for renegotiations and shorter payment periods with the Associated Schools.

Accounts Receivable

As well as in revenue, accounts receivable in the Primary and Secondary Education segment suffered a natural increase in 1Q12, due to the seasonality inherent to the business. Accounts receivable in the Primary and Secondary Education segment ended 1Q12 at R$63.0 million, up 10.4% from the same period last year.

Average Accounts Receivable Term

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

The average term of accounts receivable in the Primary and Secondary segment remained stable in relation to a year earlier, at 160 days, also given the adequate provisioning policy adopted.

Operating Result

The improvement of 0.9 p.p. in operating margin in 1Q12 compared to 1Q11 indicates that the expansion in the offering of services in the Primary and Secondary segment and the growth in the number of students served and in the Associated Schools is related to the rigorous control of costs and expenses.

FINANCIAL PERFORMANCE - KROTON

CORPORATE EXPENSES

In 1Q12, corporate expenses increased by 42.9% compared to 1Q11, mainly due to the integration into Kroton of the corporate operations of Unopar. However, as a ratio of net revenue, corporate expenses decreased by 1.2 p.p., demonstrating the rigorous control of costs and expenses exercised by the Company.

NONRECURRING EVENTS

The Company has a very restrictive policy for its treatment of nonrecurring events, with only specific and clearly nonrecurring items are considered.

As noted last quarter, Kroton was already expecting non-recurring events in early 2012, most notably those related to the Unopar acquisition. Accordingly, R$4.1 million in nonrecurring items was verified in 1Q12, which were mainly related to the capital increase and integration expenses. The Company still expects more nonrecurring events related to the acquisition in the coming quarters.

In addition, nonrecurring expenses related to M&A projects, excluding Unopar, were also registered in 1Q12, which mainly consisted of auditing and integration processes, which totaled R$3.5 million.

EBITDA

In 1Q12, EBITDA was R$126.3 million, increasing 142.5% from the same quarter of 2011, with EBITDA margin of 37.1%. This strong performance was driven by the acquisitions made during 2011, especially the Unopar acquisition, the successful integration processes and the rigorous control of costs and expenses.

Note also that, even after excluding the adjustments for nonrecurring costs and expenses, the Company generated Actual EBITDA of R$118.7 million with 34.8% margin in 1Q12, up 8.4 p.p. from the same quarter of 2011.

FINANCIAL RESULT

The net financial result was an expense R$10.8 million in 1Q12, impacted by the higher interest on related loans, especially the R$550 million debentures issue with maturity in seven years and restated by the variation in the CDI overnight rate + 2.0% per annum, which substituted the Bank Credit Notes (CCBs) issued at the time of the Unopar acquisition, as well as the interest on acquisition obligations related primarily to the Unopar acquisition. These items more than offset the increase in interest from financial investments related to the higher balance of cash and equivalents, reflecting the inflow of R$597 million received between February and March from the capital increase.

NET INCOME

The Company's posted net income in 1Q12 of R$99.0 million, increasing 202.4% from the same quarter a year ago. Note that the adjustments to net income also include the amortization of intangibles, which was negatively impacted by the Unopar acquisition.

Excluding the adjustments for nonrecurring costs and expenses and amortization of intangibles, accounting net income was R$84.8 million in 1Q12, compared to R$32.3 million in 1Q11, consolidating Kroton at a new level of performance.

INVESTMENT (CAPEX)

In 1Q12, Kroton invested R$21.5 million, allocated as follows:

(i) information technology and library equipment: R$3.3 million;
(ii) content and systems development and software licenses: R$6.1 million;
(iii) laboratory and similar equipment: R$6.6 million;
(iv) expansions - construction and improvements: R$5.5 million.

The amount of investments corresponded to 6.3% of net revenue in the quarter, remaining stable in relation to full year 2011 (6.4%). The highlights in the period were the investments in content in Primary and Secondary Education segment, and the expenditures made to support the strong growth in the student base at the start of the year. This line does not include the investments made to acquire educational institutions.

NET DEBT

At the end of 1Q12, Kroton's cash and financial investments totaled R$531.4 million, impacted by the cash inflow of R$597.0 million related to the capital increase concluded in 1Q12. A portion of funds were used to pay, in March 2012, the second installment for the Unopar acquisition of R$260.0 million. The increase in Kroton's level of debt, which was disclosed with the fourth quarter results, is directly linked to the financing for the Unopar acquisition. To finance the acquisition, R$550 million in debentures were issued, which replaced the Bank Credit Notes (CCBs) issued in December 2011 in the same amount. As a result, Kroton's net debt considering only bank debt was R$47.0 million in 1Q12.

Considering also the other short- and long-term obligations, which include the tax liabilities under the Refis tax amnesty program and the obligations related to the acquisitions made through 1Q12, net debt was R$244.2 million, due most notably to the amount of the last installment for the Unopar acquisition to be paid in late 2012.

CASH FLOW

The Company's free cash flow stems from cash flow from operating activities, which comes from net income adjusted for all non-cash 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 is related to all financial flows not related to the operations.

The table above provides a breakdown of the groups that form the Company's free cash flow. Operating cash flow before capex was R$51.6 million in 1Q12, up from the same quarter last year, mainly due to the robust financial performance in the quarter. Considering the disbursements made under capex, operating cash flow was R$33.2 million, also higher than in 1Q11.

The Company's Free Cash Flow was R$380.0 million, mainly impacted by the cash inflow of R$597.0 million from the capital increase, which was used to pay the second installment of the Unopar acquisition of R$260 million in March.

Free Cash Flow ex-FIES[1]

1 - Free Cash Flow ex-FIES considers the variation in the balance of accounts receivables from FIES as Cash

The table above presents operating cash flow before and after capex, considering the variations in FIES balances in the period as cash. During 1Q12, the balance of Kroton's gross accounts receivables from FIES increased by R$ 47.6 million, which, if considered as cash, ensured R$99.3 million in operating cash flow before capex.

Under the same analysis considering the variations in FIES balances as cash, operating cash flow before capex corresponds to 83.6% of Actual EBITDA, while operating cash flow after capex corresponds to 68.1%.

FINANCIAL PERFORMANCE – KROTON (Ex-Unopar)

To ensure accurate analyses of the evolution in Kroton's results (ex-Unopar), a managerial analysis presenting the revenue and EBITDA lines on both quarterly and cumulative bases will be made available over the course of 2012. These analyses exclude all impacts related to Unopar and consider 100% of the corporate expenses allocated to Kroton's profit or loss.

In 1Q12, Kroton's EBITDA (ex-Unopar) was R$82.7 million, with margin of 33.1%, up 6.4 p.p. from the same quarter last year. These results demonstrate the improvement in the financial and operating performance, especially in Kroton's On-Campus Postsecondary business.

CAPITAL MARKETS AND SUBSEQUENT EVENTS

PERFORMANCE OF KROTON'S UNITS

Kroton's units (KROT11) have been listed on the Level 2 segment of the BM&FBovespa S.A. - Securities, Commodities and Futures Exchange since July 2007 and are a component of the Special Corporate Governance Stock Index (IGC), Special Tag-Along Stock Index (ITAG), Consumption Sector Index (ICON) and Small Cap Index (SMLL).

The units were negotiated in 100% of trading sessions during 1Q12, reaching trading volume of R$579.0 million and 26,977 orders in the period, which represents average daily trading volume of R$9.4 million. On March 30, 2012, the units were quoted at R$26.59, corresponding to market capitalization of R$3.2 billion.

During 1Q12, the price of the units increased 44.6%, while in the same period the Ibovespa gained 13.7%, the IGC 14.0%, the ITAG 12.9%, the ICON 18.4% and the SMLL 20.6%. Kroton's units are currently covered by research analysts at 13 different local and international institutions.

Bear in mind that, under the scope of the Unopar acquisition, companies that hold a 20% interest in Unopar (which were not part of the first stage of the acquisition) will still be merged by Kroton ("merger"). Once approved, the merger will result in the issuance of 13,877,460 new units by the Company at a price of R$18.74 per unit, representing 10.33% of its capital stock, already including the effects of dilution arising from the capital increase and the merger itself. The expected post-merger ownership structure is shown in the above chart.

As soon as they are available, the Company will disclose the additional documents and information on this merger, pursuant to the applicable legislation.

RELATIONSHIP WITH INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu was engaged by Kroton Educacional S.A. to provide external audit services related to the audit of the financial statements, and due diligence services.

The performance report information on EBITDA, recurring EBITDA, recurring EBTIDA margin, pro forma adjusted EBITDA, pro forma information, recurring Gross profit and recurring margin, recurring Gross margin, adjusted net income, adjusted net profit, adjusted profit margin and net financial, adjusted net margin and evolution number of students were not subject to special review by independent auditors.

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