KROTON EDUCACIONAL S.A.
(B3: KROT3; OTCQX: KROTY)

Market cap on 3/31/2019:
17.4 billion

Average daily trading volume in 1Q19: 138.0 million

Ratings: triple A (brAAA) at Standard & Poor's and AA+(bra) at Fitch

Earnings Conference Call:
May 15, 2019 at 11 a.m.

1Q19
EARNINGS RELEASE

Belo Horizonte, May 15, 2019, Kroton Educacional S.A. (B3: KROT3; OTCQX: KROTY), "Kroton" or "Company," announces today its results for the first quarter of 2019 (1Q19). The Company's financial information is presented on a consolidated basis and in Brazilian real, in accordance with Brazilian Corporate Law and Generally Accepted Accounting Principles in Brazil (BRGAAP), and already conforms to International Financial Reporting Standards (IFRS), except where stated otherwise.

DISCLAIMER

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

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HIGHLIGHTS – MANAGEMENT ANALYSIS

Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Net Revenue	1,837,100	1,363,325	34.8%	1,921,016	-4.4%
EBITDA [1]	750,818	667,103	12.5%	591,171	27.0%
EBITDA Margin	*40.9%*	*48.9%*	*-8.1 p.p.*	*30.8%*	*10.1 p.p.*
Adjusted Net Income [2]	318,692	484,127	-34.2%	191,789	66.2%
Adjusted Net Margin	*17.3%*	*35.5%*	*-18.2 p.p.*	*10.0%*	*7.4 p.p.*
Operating Cash Generation (OCG) after Capex [3]	(229,799)	(125,271)	83.4%	171,193	-234.2%
OCG after Capex [1] / EBITDA (unadjusted)	-30.6%	-18.8%	-11.8 p.p.	29.0%	-59.6 p.p.

[1] EBITDA considers interest and late-payment fees and excludes impacts from inventory surplus value; [2] Net income adjusted by the amortization of intangible assets and inventory surplus value.
[3] Excludes investments with M&A and Expansion.

FINANCIAL HIGHLIGHTS 1Q19

- Net revenue grew 34.8% on 1Q18, supported by the acquisition of Somos.
- EBITDA advanced 12.5%, with EBITDA Margin above 40%.
- Adjusted Net income was R$318.7 million in 1Q19, down 34.2%, impacted by financial expenses and the amortization of intangible assets arising from the Somos acquisition.
- Cash generation was impacted by non-recurring effects in the quarter, such as the different schedule for PNLD and FIES receivables. Despite the lower cash generation in the quarter, the dividend payout was maintained at 40%.

MESSAGE FROM MANAGEMENT

The years 2017 and 2018 were of investment. In Postsecondary Education, new own units (greenfield projects) and new distance learning centers were launched. In Primary and Secondary Education, we carried out the relevant acquisition of Somos. Now, in 2019, despite the highly challenging year, we already are beginning to reap the fruits of these strategic decisions.

The guidance we are announcing today (corporate perspective) indicates that Kroton's Net Revenue should grow by over 21% this year, EBITDA should grow by 24% and Cash Generation after Capex should post even more robust increase, of 64%. And the cash generation outlook for the coming years is even more promising.

A massive effort was made to ensure these deliveries. In Primary and Secondary Education, we are certain that we have the best and largest integrated platform for K12 services powered by technology in Brazil, with the capacity to meet all the educational needs of schools through the delivery of innovative and high-quality solutions, including print and digital content, methodology, assessment, teacher training and technology platforms to support the teaching-learning process, and more. To deliver this integrated platform, Kroton has launched the new commercial strategy for Somos with a highly effective and unique approach. The go-to-market strategy was completely reformulated, with the sales team, which previously interfaced with the school offering isolated products and services, now reinforced and positioned as an integrated services platform. It is an important change that guides in a new phase in the relationship between Somos and its Partner Schools.

Meanwhile, in Postsecondary Education, by next year, we will have 71 new own units launched since 2017, representing growth of 63% from the initial number of units. We also are inaugurating another 200 new third-party units this year, effectively increasing the number of DL centers from 910 at the start of 2017 to 1,510 at the end of 2019. The performance of all this new capacity is exceeding our initial projections and signaling a very prosperous future, which will make an important contribution to the segment's growth over the coming years.

And all this has been accompanied by consistent improvement in our net promoter score (NPS), which gauges the level of satisfaction based on our students' experience of the academic and the service offered at the various Business Units. In the last 12 months, we have managed to improve our performance in all analyses. At own units the increase was 31 percentage points, at third-party units we improved 4 percentage points, and in Graduate education the increase was even more relevant, of 48 percentage points.

An important factor supporting the improvement of NPS is the digitalization of the student experience, whether in our academic, administrative or financial services. This evolution is clear evidence that the Company's digital transformation is effectively revolutionizing the quality and velocity of deliveries guided by the Strategic Planning, whose core focus is Student Success.

Kroton's digital transformation is based on three key pillars that ultimately seek a cultural transformation. The first is implementing agility on a large scale, i.e., implementing agile systems development models. For this, we migrated 100% of our team to the agile method and currently have over 600 people distributed among 55 agile teams to ensure the delivery of over 500,000 hours of development in the last 12 months. It is a relevant and bold cultural change that places Kroton among the few Brazilian companies with 100% of their development teams working on agile teams. A second pillar of our transformation is the development of digital capabilities. We are investing time, financial resources and attracting and retaining talent to develop in the organization the capabilities considered key for this transformation: Systems Architecture, Analytics and Customer Experience and User Experience Design. The third pillar is the development of a comprehensive open innovation project, through our partnership with Cubo Itaú. The contact with the innovation ecosystem oxygenates the entire company. We already have a pipeline of 250 startups, 30 of which are in the process of curatorship/connection, 8 in the pilot design phase, 2 in experimentation and 5 with investments concluded or in the closing process. All these initiatives already are having a material impact on our organization, which is the greatest goal of our digital transformation movement.

Imbued with this enthusiasm, in April, we held our annual meeting with around 600 leaders of the Company, including those originally from Kroton and Somos, to align our strategic guidelines and increase all efforts to better position Kroton before our students, partners and other stakeholders. It was three intense days of much content that always underscored that our possibilities for growth, efficiency and quality improvement go hand in hand and will be embraced by all the digital transformation initiatives.

And with all this happening, we are certain that, once again, we will overcome any challenges and deliver solid short-term results, without losing sight of future value creation.

EXPECTATIONS FOR 2019

R$ million and %	Kroton Consolidated					
	2018 Corporate[1] With IFRS16[3]	*Guidance 2019*	Chg.	2018 Pro Forma[2] With IFRS16[3]	*Guidance 2019*	Chg.
Net Revenue	6,059	7,353	21.4%	7,417	7,353	-0.9%
Results						
Adjusted EBITDA	2,870	3,240	12.9%	3,240	3,240	0.0%
Adjusted EBITDA Margin	*47.4%*	*44.1%*	***-3.3 p.p.***	*43.7%*	*44.1%*	***0.4 p.p.***
EBITDA[4]	2,484	3,040	22.4%	2,509	3,040	21.1%
EBITDA Margin	*41.0%*	*41.3%*	***0.3 p.p.***	*33.8%*	*41.3%*	***7.5 p.p.***
Adjusted Net Income[5]	1,477	1,348	-8.7%	1,183	1,348	14.0%
Adjusted Net Margin	*24.4%*	*18.3%*	***-6.0 p.p.***	*15.9%*	*18.3%*	***2.4 p.p.***
Cash Generation After Capex						
OCG after Capex	489	800	63.9%	572[6]	800	40.1%
Conversion (with IFRS 16)	***19.7%***	***26.3%***	***6.7 p.p.***	***22.8%***[6]	***26.3%***	***3.6 p.p.***
Conversion (without IFRS 16)	*23.6%*	*31.6%*	***8.0 p.p.***	*28.0%*[6]	*31.6%*	***3.6 p.p.***

[1] Considers 80 days of results from Somos, from October 11 (transaction settlement date) to December 31, 2018 / [2] Considering 12 months of Somos, after convergence of accounting practices / [3] Impact from IFRS16 based on estimates; / [4] EBITDA considers operating financial income (RFOP) and excludes the Impact from Surplus Value of Inventories / [5] Net income excludes the impacts from Surplus Value of Inventories and Amortization of Intangible Assets / [6] Excludes the impacts from PN23 in 2018

Guidance 2019 vs. Corporate 2018 (considering 80 days of Somos)

The first column presents the corporate perspective, i.e. considering only the results of the 80 days of consolidation of Somos into Kroton's financial statements. Based on this analysis, the key messages of our guidance for 2019 are: Net revenue growing 21.4%, Adjusted EBITDA growing 12.9% and Operating Cash Generation after CAPEX growing 63.9%.

Guidance 2019 vs. Pro Forma 2018 (considering the full year of Somos)

The above table also presents the pro forma results for 2018, i.e. considering Somos fully consolidated (12 months) into Kroton's results. Compared with the Guidance for 2019, there is a slight decrease in revenue, of 0.9%, reflecting the impact from the graduations of FIES students and the fact that the Company assumed the management of Somos only in October 2018, when virtually all actions that would ensure revenues in the following year already had been taken. Meanwhile, EBITDA should be R$3,040 million, with margin of 41.3%, representing increases of 21.1% and 7.5 p.p., due to the significant decrease in non-recurring costs and expenses and to the capture of synergies and efficiency gains at Somos. And Consolidated Operating Cash Generation after Capex should be R$800 million, for an EBITDA-to-Cash conversion ratio of 26.3%, representing increases of 40.1% and 3.6 p.p., with a reversal from cash burn to cash generation at Somos, combined with cash generation growth at Kroton ex-Somos, signaling a new trend of cash generation already as of this year.

SPECIAL NOTE

As of 1Q19, the Company is introducing a new reporting format to better align its presentation to the market with how the company is managed internally. In short, the Company has the following managerial distribution: from the business perspective, it has 2 operating segments and 5 Business Units, each offering preferential products, as described below:

Operating Segment	Business Unit	Description	Products
Postsecondary	**Undergraduate - Own Units**	Postsecondary campus and DL centers (units with human, physical and administrative resources fully managed by Kroton)	Undergraduate On-Campus & DL
	Undergraduate - Third-Party Units	Postsecondary centers managed by third parties through partnerships	DL Undergraduate
	Continuing Education	Autonomous business unit offering graduate products, unregulated programs and preparatory courses that can use any channel to offer their services, but whose results are consolidated into a separate business unit	On-Campus Graduate, DL Graduate, Unregulated Programs, Preparatory Courses for Examinations, Programs and Textbooks of SETS
K-12 Education	**Integrated Service Platforms K-12 & PNLD/Official Contracts**	Integrated Service Platform for K-12 private Brazilian schools (K-12 Platform) & Services and contents for participation in official government programs	At K-12 Platform: Educational and support content, digital or print, extracurricular content (after school), teaching support, assessments, teacher training, educational technology, etc. For PNLD/Official Contracts: Services and content for official programs of government agencies
	School Management	Management of own K-12 schools and Management of contracts of third-party K-12 schools, in addition to management of extracurricular education schools (Red Balloon)	K-12, extracurricular activities (Red Balloon)

The Business Units represent how the Company manages its performance and defines its organizational structure. Therefore, all financial analyses (P&L) are presented based on this perspective. However, to facilitate understanding, certain operating analyses make more sense when considered from the product perspective, rather than from the business perspective. Such is the case of new enrollments and drop-outs of Undergraduate students. For such reason, the operating indicators for Postsecondary Education will continue to be presented from the product perspective, which is also how they are managed internally at Kroton. Management believes this adjustment offers a more transparent vision and greater alignment between the internal (managerial) and external (market) analyses.

For assessing the operating performance of the Postsecondary Education segment, the product perspectives analyzed will be:

Postsecondary Education:

1 Undergraduate:
- 1.1 On-Campus
- 1.2 Distance Learning (DL)

2 Continuing Education:
- 2.1 Graduate (On-Campus & DL)
- 2.2 Unregulated Programs, Preparatory Courses for Exams and SETS

For assessing the operating performance of the Primary and Secondary Education segment, the product perspectives analyzed will be:

K-12 Education:

1 K-12 Integrated Services Platform & PNLD/Official Contracts:
- 1.1 Core Content
- 1.2 Other Solutions in Extracurricular Education (After School)

2 School Management
- 2.1 Management of Own Schools/K-12 Contracts
- 2.2 Red Balloon

OPERATING PERFORMANCE

POSTSECONDARY EDUCATION

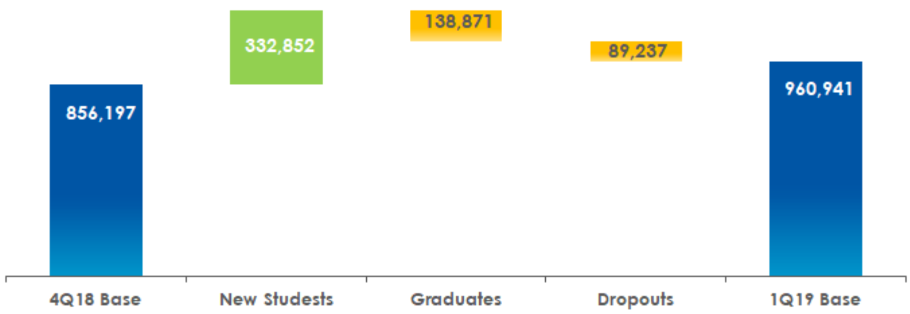
The following table presents the operating indicators of the various products offered by Kroton in Postsecondary Education. This is a summarized table of the various indicators the Company already presented previously.

Description of Operating Indicators		1Q19	1Q18	Chg %
Units	Own	155	128	21.1%
	Third Party	1,410	1,210	16.5%

Description of Operating Indicators				1Q19	1Q18	Chg %
Undergraduate	On-campus Students	On-campus Students	New Enrollments (ex-ProUni)	108,407	104,158	4.1%
			Dropouts	10.4%	11.2%	-0.8 p.p.
			Base	379,188	406,040	-6.6%
		FIES	% On-Campus New Enrollments	0.7%	2.6%	-1.9 p.p.
			% On-Campus Base	17.4%	28.7%	-11.3 p.p.
		PEP	% On-Campus New Enrollments	10.9%	21.4%	-10.6 p.p.
			% PEP50 New Enrollments in total PEP New Enrollments	71.1%	16.4%	54.6 p.p.
			% On-Campus Base	14.5%	15.2%	-0.7 p.p.
	DL Students	DL Students	New Enrollments (ex-ProUni)	199,798	199,683	0.1%
			Dropouts	14.6%	13.0%	1.6 p.p.
			Base	536,890	551,874	-2.7%
Continuing Education	Graduate	Graduate Students	New Enrollments (On-Campus + DL)	17,259	10,970	57.3%
			Base (On-Campus + DL)	44,863	39,269	14.2%
	Unregulated Programs and Courses for Exams	LFG, Unregulated and Preparatory Students	Unregulated Programs & LFG	39,067	41,883	-6.7%
	SETS	SETS	Books Sold	562,778	502,480	12.0%

Below are details on the operating indicators for Postsecondary Education, starting with the evolution in the student base between 4Q18 and 1Q19:

Evolution in Number of Postsecondary Students



The following table presents the evolution in the number of students by product (Undergraduate and Graduate) and teaching format (On-Campus and Distance Learning).

Students	On-Campus Undergraduate	On-Campus Graduate	On-Campus Total	Distance Learning Undergraduate	Distance Learning Graduate	Distance Learning Total
1Q18 Base	**406,040**	**9,600**	**415,640**	**551,874**	**29,669**	**581,543**
4Q18 Base	**358,093**	**7,210**	**365,303**	**457,239**	**33,655**	**490,894**
New Enrollments	112,967	3,600	116,567	202,626	13,659	216,285
Graduates	(60,907)	(968)	(61,875)	(65,868)	(11,128)	(76,996)
Dropouts	(30,965)	(305)	(31,270)	(57,107)	(860)	(57,967)
1Q19 Base	**379,188**	**9,537**	**388,725**	**536,890**	**35,326**	**572,216**
% 1Q19 Base / 1Q18 Base	-6.6%	-0.7%	-6.5%	-2.7%	19.1%	-1.6%
% 1Q19 Base / 4Q18 Base	5.9%	32.3%	6.4%	17.4%	5.0%	16.6%

Students	Total Undergraduate	Total Graduate	Total
1Q18 Base	**957,914**	**39,269**	**997,183**
4Q18 Base	**815,332**	**40,865**	**856,197**
New Enrollments	315,593	17,259	332,852
Graduates	(126,775)	(12,096)	(138,871)
Dropouts	(88,072)	(1,165)	(89,237)
1Q19 Base	**916,078**	**44,863**	**960,941**
% 1Q19 Base / 1Q18 Base	-4.4%	14.2%	-3.6%
% 1Q19 Base / 4Q18 Base	12.4%	9.8%	12.2%

At the end of 1Q19, Kroton had 960,941 students enrolled in the Postsecondary segment (Undergraduate and Graduate), considering the On-campus and Distance Learning formats, representing contraction of 3.6% from the same period last year. This marginally negative variation in the student base reflects the higher number of graduations in the period due to the robust new enrollments in 2013 and 2014, as well as the shift in the student profile, with fewer FIES students (who traditionally have lower dropout rates) and more students enrolled in 100%-online DL programs (who have a higher propensity to drop out). The dropout rate also was pressured by the political and economic uncertainty observed in the prior year and the persistence of a high unemployment rate. At any rate, this attest to the resilience and effectiveness of the commercial strategy adopted by Kroton, which was able to deliver robust student-recruiting results despite the scenario of more intense competition. This performance reinforces Kroton's strong brands, academic quality and key competitive advantages for continually enhancing the student experience, such as its employability channel Conecta, which continues to expand rapidly. Compared to the prior quarter, the 12.2% expansion in the base reflects the student-recruiting process at the start of the year, which added about 332,000 students to the base at once. A breakdown by teaching format in Postsecondary Education shows that the On-campus segment accounted for 40% of the student base, while the Distance Learning segment accounted for the other 60%.

Note that the new enrollment and re-enrollment processes for the second semester of 2019 already have begun and that Kroton continues to focus on maintaining its high academic standards, while strengthening its organic growth strategies by opening new On-Campus units and new Distance Learning centers and strengthening its brands and sales actions to deliver growing results in student recruiting and retention.

1. Undergraduate

1.1 On-Campus Undergraduate:

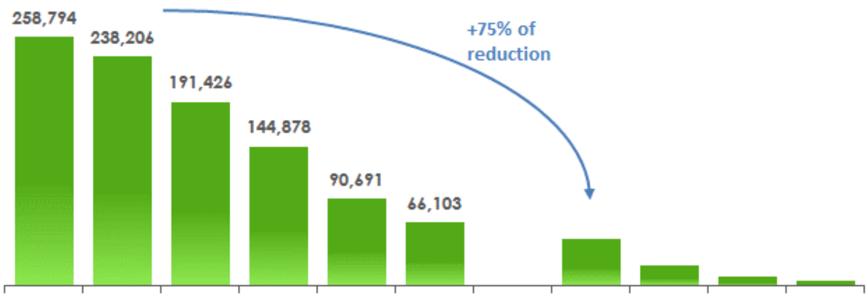
The new enrollment and re-enrollment processes in the On-campus at the start of the year were concluded with very solid results, which reinforces the Company's resilience to deliver consistent and sustainable results. A total of around 108,000 students were enrolled in Undergraduate programs, including out-of-pocket, FIES and PEP students, representing growth of 4.1% on the prior year, which reflects the Company's efforts to adopt a commercial strategy effectively aligned with market demand, with a strong share of engineering and healthcare programs. These factors were crucial for neutralizing the impacts from the still-challenging economic scenario, particularly the high unemployment rate. The results also were supported by the 29 new units (greenfield and acquisitions) launched in 2018.2 and 2019.1, which enrolled about 3,500 new students in this last process, surpassing the target for this group. These initial results attest to the effectiveness of Kroton's expansion project with regard to the selection of markets, infrastructure of units, program portfolio, academic quality and building of brand awareness. Excluding the figures from expansion projects, new enrollments in the On-Campus grew 1%, which is still a solid result considering the current economic context and competitive scenario.

In addition, 4,560 ProUni students were enrolled in the process, down from the same period last year, although still in compliance with the program's rules (POEB), since Kroton still exceeds the minimum number of students required.

The re-enrollment process (enrollments of students in the second to last academic semesters) also achieved very solid results considering the market conditions faced in the period, registering a decline of 8% from the same period last year, which lagged the growth in graduations (17.0%, versus 12.8% in 2018.1).

Adding to the 112,967 new students enrolled in 2019.1 the 266,221 students re-enrolled in the period, the student base in the On-Campus Undergraduate business in the semester came to 379,188 students, down 6.6% from 2018.1, reflecting the higher number of graduations and the lower number of ProUni students enrolled. These effects ended up neutralizing the robust enrollment of students paying out of pocket and the improvement in the dropout rate given the maturation of the initiatives implemented under the Retention Program.

FIES



	2014	2015	2016	2017	2018	1T19	2019E	2020E	2021E	2022E
% On-campus Undergraduate Student Base	61.2%	54.4%	46.4%	38.6%	25.3%	17.4%	14.0%	5.7%	2.5%	1.2%
% Total Undergraduate Student Base	27.8%	24.5%	21.8%	17.2%	11.1%	7.2%	5.8%	2.4%	1.1%	0.5%

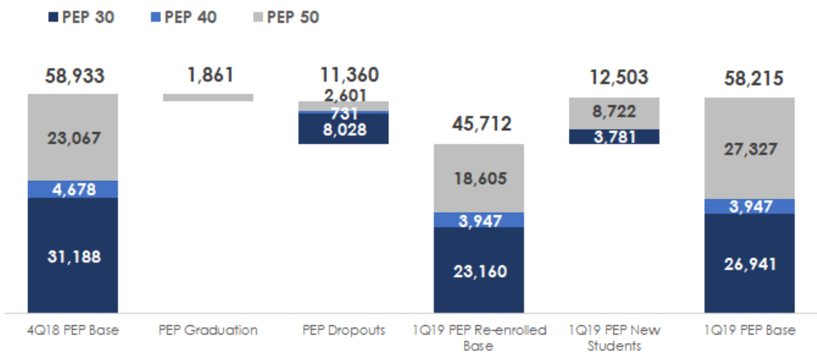
At the end of 1Q19, the Company had 66,103 students enrolled with FIES contracts, down 43.3% from the same period of 2018, following the trend of recent quarters, with increasingly fewer new students under the financing program and higher graduations of these students. To illustrate this behavior, in the recently ended student-recruiting process, FIES accounted for only 810 students, down 73.1% from the number of new FIES students enrolled last year, which already was low. Moreover, the number of graduations of FIES students at the end of the semester was very high, which indicates that the program should account for a marginal share of students over the coming years. As a result, FIES students accounted for 17.4% of the On-Campus Undergraduate base, or 7.2% of the total Undergraduate student base, down 11.3 p.p. and 5.0 p.p., respectively, from a year earlier.

From 2014 to end-2019, the FIES student base will contract by over 75%, which shows that the Company's student base already has been practically replaced by students without any government student financing program. As of 2020, it is estimated that less than 14% of the on-campus base or 5.8% of the total Kroton student base will use FIES.

Private Special Installment Plan (PEP) and Late Enrollment Installment Plan (PMT)

At the end of 1Q19, Kroton had 58,215 students enrolled in PEP programs, of whom 30,888 were enrolled in PEP30 and 27,327 in PEP50. In the most recent student-recruitment process, 12,503 new students were enrolled with one of the two PEP plans (PEP30 and PEP50), representing roughly 11% of On-Campus new enrollments. The figure was 50.4% lower than in the second semester of last year, reflecting the new commercial strategy adopted, with a sharper focus on PEP50 students, who, for the first time ever, accounted for more than 70% of all new students enrolled in the program, which should help improve Kroton's cash generation.

The following analysis shows the evolution in the PEP student base, including the number of students who migrated from PEP30 (who paid 30% of tuitions during the contract's first year) to PEP40 and PEP50 (who began paying 40% and 50% of tuition during the contract's second and third years, respectively), in accordance with the plans' rules. Similarly, students who re-enrolled and remained with PEP30 are those admitted in 3Q18 and who will migrate to PEP40 in 3Q19. Furthermore, note that the dropout curve is naturally higher during the first semesters of academic programs and that the actual dropout rate of PEP students is comparable to the dropout rates of students without financing plans from the same classes, which corroborates the product's sustainability. This behavior is true for both PEP30 and PEP50.



Note that Kroton continues to adopt the same conservative policies as it did in previous quarters for revenue recognition, including for calculating the Adjustment to Present Value (APV) of revenue and for provisioning losses from bad debt, which is accrued at 50% of the financed portion for all PEP students.

Meanwhile, PMT (or temporary PEP) is an alternative for the payment in installments of monthly tuitions related exclusively to periods during which new students were not yet enrolled because they were admitted after the start of classes, but still with sufficient time to complete the minimum classroom hours in the semester. Instead of exempting students from these monthly tuitions, Kroton started to offer this option to new On-campus students as of the second semester of 2016, and to new DL students as of the first semester of 2017. Therefore, the Company continues to attract freshmen, enabling their late enrollment without foregoing revenues by granting scholarships or discounts. Note that Kroton adopts the same accounting practice for PEP and PMT, whereby revenues are adjusted to present value and provisions for bad debt are accrued for 50% of the amounts financed. In addition, as with the policy adopted for PEP, the outstanding balance of these tuitions becomes due automatically if the student drops out before graduation.

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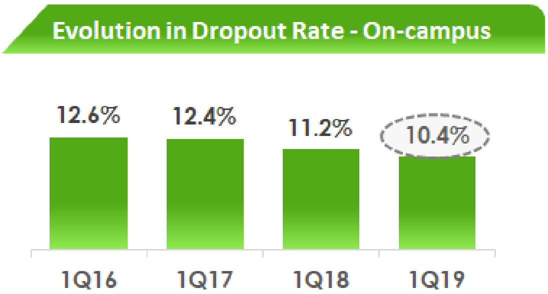
On-Campus Dropout Rate



The dropout rate in the On-Campus segment improved significantly, to 10.4% in 1Q19, down 0.8 p.p. from a year earlier and even below the dropout rate in 1Q16. The result reflects the efforts made to reduce the indicator concentrated under the Retention Program, which, since 2018, includes retention teams at all units, who use predictive models to identify students with the highest propensity to drop out. The Company also has adopted various measures to drive student engagement through both adaptive learning products and assessment solutions based on gamification, in which student engagement is a part of the overall score for the semester. The result is even more remarkable considering the pressures from the macroeconomic scenario marked by still-high unemployment rates and from the shift in the student base profile, with the graduation of FIES students, since, given the program's original characteristics, these students were less likely to drop out.

Average Net Ticket of On-Campus Undergraduate – Student Perspective by Product

The following analysis presents the performance of average tickets from the "student perspective by product" for the On-Campus Undergraduate business. This perspective considers the different sources of each product separately, i.e., the ex-FIES and ex-PEP average ticket is formed by the amounts of students paying 100% of tuition out of pocket and those contracting PMT plans. Meanwhile, the PEP and FIES average tickets are divided into Out-of-pocket, Installment/Financing and PMT. The analysis of the combination of the Ex-FIES and PMT average tickets is called "On-Campus Undergraduate Out-Of-Pocket (ex-FIES and ex-Prouni)." This analysis enables a better understanding of the dynamics of the average ticket across the various types of students and of products offered by the Company.

ON-CAMPUS UNDERGRADUATE		1Q19					1Q18					Chg.%	
Student	Product	Net Revenue	APV	NR Ex-APV [1]	Invoices [2]	Net Ticket	Net Revenue	APV	NR Ex-APV [1]	Invoices [2]	Net Ticket	Δ Net Ticket	Δ NR
Ex-FIES e Ex-PEP	**Ex-FIES Ex-PEP**	**442,173**	**13,074**	**455,247**	**591**	**770.3**	**385,903**	**(9,626)**	**376,277**	**467**	**805.5**	**-4.4%**	**21.0%**
	Out-of-Pocket	307,849	-	307,849	-	-	332,950	-	332,950	-	-	-	-
	PMT	134,324	13,074	147,398	-	-	52,952	(9,626)	43,327	-	-	-	-
PEP	**PEP**	**217,429**	**(3,655)**	**213,774**	**161**	**1,327.8**	**197,288**	**9,922**	**207,210**	**163**	**1,271.0**	**4.5%**	**3.2%**
	Out-of-Pocket	79,898	-	79,898	-	-	54,953	-	54,953	-	-	-	-
	Installment	131,947	- 1,317	130,630	-	-	125,718	(4,751)	120,967	-	-	-	-
	PMT	5,584	(2,338)	3,246	-	-	16,617	14,673	31,290	-	-	-	-
Pagante Graduação Presencial Ex-FIES Ex-Prouni		**659,602**	**9,419**	**669,021**	**752**	**889.7**	**583,191**	**296**	**583,487**	**630**	**926.0**	**-3.9%**	**14.7%**
FIES	**FIES**	**302,563**	**(41)**	**302,522**	**206**	**1,468.6**	**443,306**	**(2,637)**	**440,669**	**357**	**1,235.8**	**18.8%**	**-31.3%**
	Out-of-Pocket	34,425	-	34,425	-	-	53,114	-	53,114	-	-	-	-
	Installment	267,936	-	267,936	-	-	389,775	(1,941)	387,834	-	-	-	-
	PEP+PMT	202	(41)	161.00	-	-	417	(696)	(279)	-	-	-	-
TOTAL On-Campus Undergradraduate[3] ExProuni		**962,165**	**9,378**	**971,543**	**958**	**1,014.1**	**1,026,496**	**(2,341)**	**1,024,155**	**987**	**1,037.9**	**-2.3%**	**-5.1%**
TOTAL On-Campus Undergradraduate[3]		**962,165**	**9,378**	**971,543**	**1,083**	**897.1**	**1,026,496**	**(2,341)**	**1,024,155**	**1,121**	**913.3**	**-1.8%**	**-5.1%**

[1] Revenue used to calculate net average ticket; [2] Amounts / '000; [3] On-Campus ex-Graduate/ Extension/ Languages /Pronatec.

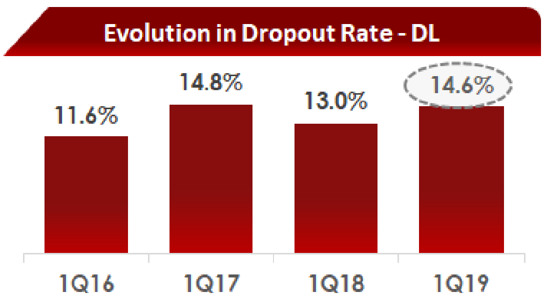
For a better understanding, the calculation of Kroton's average ticket considers the number of bills effectively recognized in the period (including ProUni students), since, due to retroactive contract amendments, a student could be billed more than once in a certain month. As noted in previous periods, an analysis of the above table shows that the offering of student financing/installment plans is important for enabling students to pursue careers with more expensive monthly tuitions, which is a policy that was adopted by the Brazilian government itself when it offered FIES financing. Since there is no difference in the amounts of the base tuition among students in the same class, the differences in the average ticket observed among financing/payment products reinforces this point, given the higher share of students enrolled in more expensive programs. Accordingly, FIES is the segment's channel in 1Q19 with the highest average ticket, of R$1,468.6 per student, reflecting the higher number of students nearing graduation in longer-duration and higher-price programs (Healthcare and Engineering). Next comes PEP, with an average ticket of R$1,327.8, followed by out-of-pocket students, with an average ticket of R$770.3. Meanwhile, the net average ticket of On-Campus programs in 1Q19 was R$897.1, down 1.8% from the year-ago period, mainly reflecting the following negative and temporary impacts: (i) higher volume of discounts granted under debt renegotiations with inactive students; and (ii) lower classroom hours/student in the period, due to changes in processes that will have a lesser impact in 2Q19. This quarter, these factors more than offset the higher starting ticket observed in the student-recruiting process at the beginning of the year, the annual tuition increases implemented, the participation of programs with higher tuitions in the base and the increased offering of PMT in the period. Despite the lower average ticket in the On-Campus format in 1Q19, the expectation is for the average ticket in the first semester of 2019 to grow in line with inflation.

1.2 Distance Learning Undergraduate

In the Distance Learning business, the Company once again demonstrated its resilience and competitive advantages by delivering another period of positive results, especially considering the scenario of significantly higher competition following the introduction of the new regulatory framework for the segment in 2017. This quarter, more than 199,000 students paying out of pocket were enrolled in DL Undergraduate programs (including roughly 16,000 new students from the centers opened in 2018.2 and 2019.1), which is in line with the performance of the same period last year. Despite the stability, this is a very satisfactory result given the current competitive environment and reflects the Company's efforts and expertise in this segment, coupled with its high-quality education, cutting-edge technology, unique and constantly monitored partner network and complete program portfolio, with offerings ranging from 100%-online programs to Premium DL programs. This semester, Premium DL programs accounted for 14% of total new enrollments in the Distance Learning segment, increasing 4 p.p. from 1S18, which attests to the product's excellent acceptance, which once again enabled Kroton to expand its footprint in higher-value programs and to grow its addressable market. Meanwhile, 100%-online programs accounted for 22% of new students in 1Q19, with this share stable compared to the same period last year. Lastly, as in the On-Campus, the recruiting of ProUni students decreased, with 2,828 new enrollments, which also did not affect compliance with the POEB rules.

Adding the 202,026 new students to the 334,264 students who re-enrolled in the period, the Company ended the first quarter of 2019 with 536,890 students, down 2.7% from a year earlier.

DL Dropout Rate



In the Distance Learning segment, the dropout rate was 14.6% in 1Q19, up 1.6 p.p. from last year (although still lower than in 1Q17), reflecting the growth in 100%-online students, who are more likely to drop out given their lower engagement, as well as the effects from the high unemployment and the significantly more intense competitive environment. These effects were partially offset by the roll-out to this segment of the initiatives of the Retention Program.

Average Net Ticket – Student Perspective by Product

For comparison purposes, Kroton reports only the effective ticket paid by the student, without discounting the transfers to the partners of the centers. To enable a better understanding, when calculating the average ticket, Kroton uses the number of bills effectively recognized as revenue in the period, including ProUni sales. Therefore, considering 100% of revenue from Distance Learning Undergraduate programs, the average ticket in 1Q19 was R$267.0, which is virtually unchanged from the same period of 2018, reflecting the Company's efforts to offer an increasingly broader program portfolio to neutralize the effects from the still intense competition and from the higher share of 100%-online students in the base (since they have lower average tickets). In this respect, an important factor was the 50% increase on a year earlier in the number of students enrolled in Premium DL programs, whose strategic importance is due not just to it representing a competitive advantage, but also because tuitions in this segment are higher than those in the blended-learning format.

DISTANCE LEARNING UNDERGRADUATE		1Q19					1Q18					Chg.%	
Student	Product	Net Revenue	APV	NR Ex-APV [1]	Invoices [2]	Net Ticket	Net Revenue	APV	NR Ex-APV [1]	Invoices [2]	Net Ticket	Δ Net Ticket	Δ NR
TOTAL DL UNDERGRAD. OUT-OF-POCKET[4] Ex-ProUni		390,596	(777)	389,819	1,360	286.6	380,340	(934)	379,406	1,310	289.6	-1.0%	2.7%
TOTAL DISTANCE LEARNING UNDERGRAD[4]		390,596	(777)	389,819	1,460	267.0	380,340	(934)	379,406	1,418	267.6	-0.2%	2.7%

[1] Revenue ex-Transfers; [2] Revenue used to calculate average ticket; [3] Amounts/'000; [4] Undergraduate only (ex-graduate and other programs).

2. Continuing Education

2.1 Graduate

Considering only Graduate programs, the student base expanded 14.2% on the year-ago period, supported by the enrollment of around 17,000 new students coming mainly from Distance Learning programs. The performance more than offset the significant number of graduations, of approximately 12,000 students. Bear in mind that the Preparatory Courses (LFG) business also offers Graduate programs, whose students are included in the total student number in the segment. Therefore, Kroton ended the quarter with about 44,900 students enrolled in Graduate programs, of whom 35,300 students were in Distance Learning programs and 9,500 were in On-Campus programs.

2.2 Preparatory Courses (LFG), Unregulated Programs, Language Courses and SETS

Through the brand LFG, the Company offers preparatory courses for the examination of the Brazilian Bar Association (OAB) and for examinations for civil servant positions. Positioned as a reference in preparatory courses, LFG registered an average student base of 28,427 in 1Q19 (note that these students were not included in the number of Postsecondary students reported above), representing a decrease of 3.7% from the same period of 2018.

Kroton also offers short-duration open enrollment programs that allow students to increase their knowledge in various fields, such as Management, Education, Mathematics and Languages. In 1Q19, there were 10,640 students enrolled in these programs (who also are not considered in the total number of Postsecondary students), down 14.0% from the previous year.

With the acquisition of Somos, the business segment of Educational Solutions for Vocational and Postsecondary Education (SETS) was consolidated under the Continuing Education Vice-President. SETS is responsible for the sale of books with the Saraiva brand to Postsecondary Education, learning systems to vocational programs under the brand Érica, and preparatory courses for civil servant exams. The main products offered include the sale of Scientific, Technical and Professional books, especially in the fields of Law, Business Administration, Economics and Accounting, Technical and Non-Fiction. in 1Q19, a total of 562,778 books were sold, representing an increase of 12.0% from the same period last year, despite the adverse scenario for book retailers in the period.

PRIMARY & SECONDARY EDUCATION (K-12)

Structuring of K-12 Education segment

Following the consolidation of Somos, Kroton now has the most complete platform of solutions, products and services for Primary and Secondary Education in Brazil, including own schools, physical and digital teaching content, assessments, teacher training, extracurricular educational content (after school), educational technology and other services.

Kroton's K-12 Education segment is now structured into two Business Units:

1. K-12 Integrated Platform as a Services & PNLD/Official Contracts: includes all products and services offered to partner schools, such as physical and digital content, teaching support, assessment, teacher training, extracurricular educational content (after school), educational technology and other services. The segment also includes services related to the National Textbook Program (PNLD) and other contracts with official government agencies. The PNLD/Official Contracts business uses the same publishing, support and marketing areas, etc. as the integrated K-12 platforms. Therefore, to better reflect the business as a whole (without the need for allocations), both businesses were combined, but their revenues are presented separately to enable a segregated analysis of their individual growth. As soon as their combined expenses are separated, and as long as it makes sense from a managerial perspective, PNLD/Official Contracts may be treated as an individual Business Unit separately from the K-12 Segment.

2. School Management: includes the performance of own K-12 schools, as well management contracts for third-party schools (in which large companies/organizations contract us to manage their school units), in addition to all Red Balloon operations (own schools, franchises and in-school units). The Red Balloon operation is consolidated under the School Management Unit, since most of its students study at autonomous units.

The services that were offered at Somos by SETS (related to Vocational and Postsecondary Education, and Preparatory courses for civil servant exams) now comprise the results of the Postsecondary Education segment, in the Continuing Education Business Unit.

1.1 K-12 Integrated Platform as a Service & PNLD/Official Contracts

The K-12 Integrated Platform as a Service & PNLD/Official Contracts (K-12 Platform) includes a comprehensive portfolio of products and services, through brands such as: Anglo, Saraiva, Pitágoras, Ática, Maxi, PH, Plurall, Ético, Scipione, Livro Fácil, OLEM, English Stars and others to support our partners schools in all their needs.

As a Platform, the Company opts to be agnostic with regard to the teaching choices made by each school, providing the methodology solution the school chooses: Learning Systems or Textbooks. As a result, instead of an addressable market of 3.8 million students (in schools using the Learning System), it is added as potential market another 2.4 million students (in schools using Textbooks), thereby expanding our addressable market by 63%. From the business perspective, the relationship with the school that opts for Textbooks is maintained through long-term contracts. In 2017, the Company developed the Educational Partnership (PAR), a new way of interacting with the schools that adopt textbooks, through long-term contracts whereby schools undertake to adopt a certain minimum percentage of books published by the group's publishers in exchange for services that are equivalent to those offered by the Learnings Systems (teaching assistance, access to technology, assessments and more). Also from the business perspective, the dynamics of PAR is similar to that of

Learning Systems, but enables the Company to address the huge market of schools that prefer textbooks or blended-learning schools. Therefore, this business decisions gives us a competitive edge with an adequate business model (subscription model and recurring revenue), while expanding the addressable market by 63%.

1.2 School Management

In School Management, we operate a total of 54 schools, with 47 own schools and 7 contracted schools (for which third-party companies contract us to fully manage their schools). Kroton has various brands that are references in quality and serve roughly 37,000 students.

The School Management Business Unit includes the Red Balloon language operations, which are offered in three formats: own units, in-school operations and franchises. Red Balloon currently serves approximately 25,800 students. As a result, the total number of students served by the School Management Business Unit is about 62,800.

The table below presents a summary of the key operating indicators of the K-12 Education segment:

Description of Operating Indicators			1Q19	1Q18	Chg %
K-12 Platform	Core Content	Private Schools w/ Contracts	3,538	3,186	11.0%
		Students enrolled in Private Schools w/ Contracts ('000)	1,291.7	1,120.0	15.3%
	Other solutions in Extracurricular Education (After School)	Number of Schools w/ Contracts in Extracurricular Education (After School)	423	381	11.0%
		Students enrolled in Extracurricular Education (After School) ('000)	124.6	112.8	10.5%
School Management	Management Own Schools/K-12 Contracts	Own Schools/K-12 Contracts	54	36	50.0%
		Students enrolled in Own Schools/ K-12 Contracts ('000)	36.9	24.6	50.1%
	Red Balloon	Red Balloon Own Schools/Franchises	125	132	-5.3%
		Students enrolled in Red Balloon Own Schools/Franchises	25.8	27.5	-6.2%

FINANCIAL PERFORMANCE

The Special Note at the start of this earnings release presents the changes implemented in the reporting of results as of 1Q19, which seek to align the internal monitoring and management model with the company's reporting to the market. In the Postsecondary Education segment, for many years, the concept of Channel and Product were practically the same, since the On-Campus channel offered practically only On-Campus Undergraduate programs and the DL Centers Channel offered only DL Undergraduate programs. With the introduction of blended-learning formats and Premium DL programs and the growing offering of On-campus and Distance-learning products, the situation has changed and it now makes more sense to analyze the performance of the Business Unit instead of the Channel or Product. At Kroton, the Undergraduate education operations is divided into two distinct Business Units: Own Units and Third-Party Units. Own Units are those managed entirely by Kroton, while Third-Party Units are managed through a partnership agreement with a Third Party. This segregation makes the most sense, since the P&L, the management model, the monitoring methods and responsibilities of the Company are completely different.

This change in perspective from Channel/Product to Business Unit also is important for accompanying financial performance, since it avoids the allocation of costs and expenses within Own Units. Furthermore, there is no substantial change from the previous reporting, since what is now referred to as a Third-Party business unit is nothing more than the former DL Channel excluding the DL Centers located on campuses, which correspond to a small fraction of the total. Although not very representative, all adjustments have been made also to fiscal year 2018 to make the figures fully comparable.

To complement the Postsecondary Education segment, we have also an autonomous Business Unit called Continuing Education. This segment includes the results from all Graduate Education activities, preparatory, unregulated and language courses, and now also includes the results from SETS (acquired with Somos) with educational solutions for Vocational and Postsecondary Schools.

As such, the Financial Performance of the Postsecondary Segment will be presented in accordance with Kroton's management model, distributed as follows:

1. Own Units
2. Third-Party Units
3. Continuing Education

The Operating Indicators will continue to present breakdowns by product to facilitate accompaniment, as described in the item "Operating Indicators" herein.

Other important changes in the presentation of financial performance as of 1Q19 (and retroactive to 1Q18) include:

(i) reclassification of selling and marketing expenses to before the operating result of the Postsecondary and K-12 businesses, therefore, as of 1Q19, the only additional line impacting consolidated EBITDA will be Corporate;
(ii) change in the criteria for allocating non-recurring items, which now include the restructuring expenses of units and other projects such as recurring expenses with the operation, which will substantially reduce the total non-recurring costs and expenses;
(iii) review of EBITDA and Recurring EBITDA criteria, which, in addition to being impacted by financial income from interest and late-payment fees (and non-recurring items, in the case of Recurring EBITDA), are also adjusted by inventory surplus value (non-cash) from the K-12 operation;

(iv) review of the criteria of Adjusted Net Income, which is now impacted exclusively by non-cash effects from the amortization of intangible assets and inventory surplus value from the K-12 operation;

(v) new criteria for allocating capital expenditures, with Special Projects CAPEX now treated as Operating CAPEX, with the separation only of investments related to the expansion of operations.

These changes address various recommendations from the financial community and are aligned with the Company's primary focus, which is Cash Generation. Lastly, all financial figures reported herein, including those for fiscal year 2018 (pro forma), are in accordance with IFRS16 (unless explicitly stated otherwise) to ensure full comparability.

1Q19 RESULTS

	Postsecondary		Primary and Secondary Education		Kroton Consolidated	
Values in R$ ('000)	**1Q19**	**% Net Rev.**	**1Q19**	**% Net Rev.**	**1Q19**	**% Net Rev.**
Gross Revenue	**1,684,593**	**129.3%**	**613,614**	**114.9%**	**2,298,207**	**125.1%**
Gross Revenue Deductions	(381,345)	-29.3%	(79,763)	-14.9%	(461,108)	-25.1%
Tax	(37,520)	-2.9%	(16,887)	-3.2%	(54,407)	-3.0%
ProUni	(253,537)	-19.5%	-	0.0%	(253,537)	-13.8%
Returns	-	0.0%	(62,876)	-11.8%	(62,876)	-3.4%
Total Discounts	(90,287)	-6.9%	-	0.0%	(90,287)	-4.9%
Net Revenue	**1,303,248**	**100.0%**	**533,852**	**100.0%**	**1,837,100**	**100.0%**
Costs (COGS)	**(227,900)**	**-17.5%**	**(202,304)**	**-37.9%**	**(430,204)**	**-23.4%**
Cost of Goods	(18,023)	-1.4%	(102,016)	-19.1%	(120,039)	-6.5%
Cost of Services	(209,876)	-16.1%	(100,288)	-18.8%	(310,165)	-16.9%
Faculty, Other Personnel and Third-Party Services	(195,335)	-15.0%	(85,518)	-16.0%	(280,854)	-15.3%
Rent	(840)	-0.1%	(2,007)	-0.4%	(2,848)	-0.2%
Materials	(4,787)	-0.4%	(2,516)	-0.5%	(7,303)	-0.4%
Maintenance	(2,774)	-0.2%	(9,120)	-1.7%	(11,895)	-0.6%
Other	(6,140)	-0.5%	(1,126)	-0.2%	(7,266)	-0.4%
Gross Income	**1,075,348**	**82.5%**	**331,547**	**62.1%**	**1,406,895**	**76.6%**
Operating Expenses	**(165,235)**	**-12.7%**	**(50,168)**	**-9.4%**	**(215,402)**	**-11.7%**
Personnel, General and Administrative Expenses	(165,235)	-12.7%	(50,168)	-9.4%	(215,402)	-11.7%
Personnel Expenses	(87,405)	-6.7%	(41,701)	-7.8%	(129,106)	-7.0%
General and Administrative Expenses	(77,830)	-6.0%	(8,467)	-1.6%	(86,297)	-4.7%
Provision for Doubtful Accounts - PDA	**(207,756)**	**-15.9%**	**(3,117)**	**-0.6%**	**(210,872)**	**-11.5%**
(+) Interest and Penalties on Tuition	65,622	5.0%	528	0.1%	66,150	3.6%
(+) Equity	577	0.0%	-	0.0%	577	0.0%
Sales and Marketing Expenses	(127,933)	-9.8%	(41,051)	-7.7%	(168,984)	-9.2%
Operating Result	**640,624**	**49.2%**	**237,740**	**44.5%**	**878,364**	**47.8%**
Corporate Expenses					**(71,845)**	**-3.9%**
Recurring EBITDA					**806,518**	**43.9%**
(-) Nonrecurring Items					(55,700)	-3.0%
EBITDA					**750,818**	**40.9%**
Depreciation and Amortization					(291,318)	-15.9%
Financial Result					(202,993)	-11.0%
Income and Social Contribution Tax					(6,336)	-0.3%
Minority Interest					229	0.0%
Net Profit					**250,400**	**13.6%**
(+) Intagnible Amortization (Acquisitions)					64,820	**3.5%**
(+) Inventory surplus value					3,472	**0.2%**
Adjusted Net Profit					**318,692**	**17.3%**

FINANCIAL PERFORMANCE – POSTSECONDARY

Postsecondary Education - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Gross Revenue	**1,684,593**	**1,691,722**	**-0.4%**	**1,713,417**	**-1.7%**
Gross Revenue Deductions	(381,345)	(364,407)	4.6%	(402,054)	-5.2%
Tax	(37,520)	(47,485)	-21.0%	(50,624)	-25.9%
ProUni	(253,537)	(240,103)	5.6%	(261,823)	-3.2%
Total Discounts	(90,287)	(76,819)	17.5%	(89,161)	1.3%
FGEDUC	(14,313)	(24,048)	-40.5%	(24,022)	-40.4%
FIES - Administratuve Fee	(5,279)	(8,952)	-41.0%	(8,756)	-39.7%
Other	(70,695)	(43,819)	61.3%	(56,383)	25.4%
Net Revenue	**1,303,248**	**1,327,316**	**-1.8%**	**1,311,363**	**-0.6%**
Total of Costs	**(227,900)**	**(208,868)**	**9.1%**	**(258,712)**	**-11.9%**
Cost of Goods	(18,023)	(0)	n.a.	(12,788)	40.9%
Cost of Services	(209,876)	(208,868)	0.5%	(245,924)	-14.7%
Faculty, Other Personnel and Third-Party Services	(195,335)	(202,058)	-3.3%	(240,460)	-18.8%
Rent	(840)	0	n.a.	0	n.a.
Materials	(4,787)	(4,461)	7.3%	(4,719)	1.4%
Maintenance	(2,774)	(3,297)	-15.9%	(3,101)	-10.5%
Other	(6,140)	948	n.a.	2,356	-360.5%
Gross Income	**1,075,348**	**1,118,447**	**-3.9%**	**1,052,651**	**2.2%**
Gross Margin	*82.5%*	*84.3%*	***-1.8 p.p.***	*80.3%*	***2.2 p.p.***
Total Operating Expenses	**(165,235)**	**(141,740)**	**16.6%**	**(172,237)**	**-4.1%**
Personnel Expenses	(87,405)	(76,232)	14.7%	(84,718)	3.2%
General and Administrative Expenses	(77,830)	(65,508)	18.8%	(87,519)	-11.1%
Provision for Doubtful Account - PDA	**(207,756)**	**(160,542)**	**29.4%**	**(169,134)**	**22.8%**
(+) Interest and Penalties on Tuition	65,622	41,042	59.9%	30,117	117.9%
(+) Equity	577	-	n.a.	500	15.5%
Selling and Marketing Expenses	**(127,933)**	**(110,464)**	**15.8%**	**(124,155)**	**3.0%**
Operating Result	**640,624**	**746,743**	**-14.2%**	**617,741**	**3.7%**
Operating Margin	*49.2%*	*56.3%*	*-7.1 p.p.*	*47.1%*	*2.0 p.p.*

Net Revenue

Net revenue from Postsecondary Education amounted to R$1,303.2 million in 1Q19, down 1.8% from the same period last year. The decrease reflects the lower number of students enrolled in Own Units, due to the higher number of graduations associated with the robust enrollment of new students in 2013 and 2014, as well as the shift in the student profile and the lower average ticket in the period (fewer classroom hours and higher discounts granted in renegotiations of enrollments). Furthermore, over the course of 1H19, the Company underwent changes in processes that intensified the impacts (i) from discounts on renegotiations with inactive students; and (ii) from the lower adjustment of classroom hours/student in the period, causing a greater impact on 1Q19, which should be offset in 2Q19. These factors offset the higher revenue from Undergraduate programs at Third-Party Units, with an increase in the number of students enrolled in Premium DL programs and an expansion in the number of partner centers, as well as the incorporation of SETS under Continuing Education. Regarding installment payment products, note that, despite all the impacts from a highly adverse economic scenario, with high unemployment rates and a more competitive environment, Kroton has been maintaining a balanced offering of PEP and PMT plans, and has managed to grow its new enrollments, primarily of students paying out of pocket, and with a program mix with higher-value products. In particular, the higher PMT revenue this quarter was due to the anticipation of enrollment curve, leading to a higher concentration of PMT in 1Q19. In the analysis of 1S19, this effect should be normalized, and our expectation is for PMT revenue to grow by around 15% compared to 1S18. Compared to 4Q18, the 0.6% decline in net revenue is essentially explained by seasonality, which generates positive impacts in even-numbered quarters with the recognition of late enrollments in a single quarter, and by one-off effects from discounts granted during the enrollment process.

Gross Income

Gross income from Postsecondary Education was R$1,075.3 million in 1Q19, decreasing 3.9% from the same period last year. The combination of the lower revenue observed in the period due to the behavior of the student base and the expenses with sales of books to the Postsecondary Education of SETS led to gross margin contraction of 1.8 p.p. in the segment. Excluding SETS from the result of Postsecondary Education, gross margin in the quarter was stable, which attests to the efficiency of the operation, especially with regard to economies of scale from a consolidated operation and the reduction in payroll expenses, enabling the dilution of costs despite the scenario of strong expansion of new units. Compared to the previous quarter, gross margin improved 10 p.p., reflecting the seasonality of the business, with a lower operating costs in the period, and the improved budgetary control imposed by the Company.

Postsecondary Education PDA

On-Campus Education - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Provision for Doubtful Account - PDA	(207,756)	(160,542)	29.4%	(169,134)	22.8%
PDA / Postsecondary Net Revenues¹	*-15.9%*	*-12.1%*	*-3.8 p.p.*	*-12.9%*	*-3.0 p.p.*
PDA Out-of-pocket	(68,970)	(57,443)	20.1%	(80,279)	-14.1%
PDA Out-of-pocket / Postsecondary Net Revenues Out-of-pocket¹	*-9.0%*	*-7.8%*	*-1.3 p.p.*	*-10.6%*	*1.6 p.p*
PDA FIES - Financed Part	(2,411)	(3,508)	-31.3%	(3,457)	-30.2%
PDA FIES / Postsecondary Net Revenues FIES¹	*-0.9%*	*-0.9%*	*-0.0 p.p.*	*-0.9%*	*-0.0 p.p.*
PDA PEP - Installment Part	(65,974)	(62,859)	5.0%	(82,149)	-19.7%
PDA PEP / Postsecondary Net Revenues PEP¹	*-50.0%*	*-50.0%*	*0.0 p.p*	*-50.0%*	*0.0 p.p*
PDA PMT - Installment Part	(70,400)	(36,731)	91.7%	(3,249)	n.a.
PDA PMT / Postsecondary Net Revenues PMT¹	*-50.0%*	*-50.0%*	*-0.0 p.p.*	*-50.0%*	*-0.0 p.p.*

Total PDA as a ratio of net revenue in Postsecondary Education increased 3.8 p.p. from the same period last year, to 15.9%. The performance reflects the higher recognition of revenue from PMT students, in addition to increases in out-of-pocket PDA to better reflect the change in the student mix, with the graduation of FIES students (who require lower levels of provisioning) and the growing share of 100%-online students in the DL base (who have higher dropout rates). Furthermore, out-of-pocket PDA also been adversely affected by the continuation of an adverse economic environment, with higher number of delinquent students, which led the Company to increase provisioning to protect against future losses. The result was partially offset by the lower offering of PEP plans in the last student-recruiting cycle and by the efficiency of collection efforts, especially in the DL student base. Compared to the prior quarter, the 3.0 p.p. increase is explained by seasonality, by the student-recruiting process at the start of the year and by the 0.2 p.p. increase in out-of-pocket On-Campus PDA. Meanwhile, DL out-of-pocket PDA remained stable in relation to 4Q18.

Accounts Receivables from Postsecondary Education

Postseconday Education Values in R$ (´000) net of APV and PDA	1Q19	1Q18	Chg.%	4Q18	Chg.%
Net Accounts Receivable	**2,518,884**	**2,214,013**	**13.8%**	**2,213,437**	**13.8%**
Out-of-Pocket	**955,782**	**660,398**	**44.7%**	**907,443**	**5.3%**
Tuition + FIES + PEP	951,060	658,640	44.4%	904,252	5.2%
Agreements to Receive	4,722	1,758	168.7%	3,191	48.0%
Installments	**1,147,280**	**756,466**	**51.7%**	**1,036,226**	**10.7%**
PEP	873,520	591,456	47.7%	819,896	6.5%
PMT	273,759	165,010	65.9%	216,330	26.5%
FIES	**415,822**	**797,150**	**-47.8%**	**269,768**	**54.1%**

Total Accounts Receivable net of PDA in Postsecondary Education increased 13.8% in 1Q19 compared to 4Q18, due to the following factors: (i) higher exposure of the Company's installment products, such as PEP and PMT, which are repaid mostly after graduation; (ii) higher revenue from out-of-pocket students due to the change in the student mix with the graduation of FIES students; (iii) the still-high volume of overdue tuitions due to the adverse economic scenario, which pressures the number of students in default and the volume of negotiations with students; and (iv) the temporary delay observed in the amendment of FIES contracts, which led to a postponement of the receipt of tuitions under the program.

Average Accounts Receivable Term

Postsecondary - Average Accounts Receivable Term (days)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Net Accounts Receivable / Total Net Revenue Higher Education	169	148	21 Days	146	23 Days
Net Accounts Receivable (Paying) / Net Revenue (Paying)	110	88	22 Days	104	06 Days
Net Accounts Receivable (PEP/PMT) / Net Revenue (PEP/PMT)	489	388	101 Days	483	06 Days
Net Accounts Receivable (FIES) / Net Revenue (FIES)	107	145	-38 Days	64	43 Days

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

In 1Q19, the average term increased by 21 days compared to the same period last year, mainly due to the higher balance of PEP and PMT accounts receivable and the higher volume of overdue tuitions and of negotiations, which offset the decline in FIES Accounts Receivables. Compared to 4Q18, the increase of 23 days in the average term is related to the higher share of PMT revenue and the higher volume of renegotiations at the turn of the last semester. Among the different products, FIES presented the steepest increase in the average term as a result of delays in renewals under the program at the start of the year, as well as the early payment that has been made in the fourth quarter of each year, with the payment related to November made in December instead of January. However, note that this is a temporary factor that already is being normalized. The average receivables term of out-of-pocket students (i.e., without installment/financing plans) increased 11 days from the prior quarter, mainly due to the still-challenging economic conditions in Brazil, which led to deterioration in the performance of on-time payment of tuitions, as well as higher volume of debt renegotiations and agreements with inactive students. The increase of 6 days in the average term of installment payment products reflects the increased adoption of PMT in the last cycle and the maturation of PEP and PMT students in the Company's student base.

Operating Result

In 1Q19, the operating result in Postsecondary Education (before marketing expenses) was R$640.6 million, with operating margin of 49.2%. Note that the current level of operating margin observed reflects not only the impact from the new accounting practice (IFRS16), but also the incorporation of marketing expenses in the analysis of segments, since this line previously was presented only in the corporate analysis. Analysis of behavior this quarter shows that operating margin in 1Q19 contracted 7.1 p.p. from 1Q18, reflecting the lower number of students and the shift in the student base profile in both the On-campus and DL businesses, with higher provisioning required for newly enrolled students. Furthermore, operating margin also was pressured by the higher cost and expense structure related to the new units and by the higher marketing expenses to promote the brand in a significant number new markets and to ensure an effective commercial campaign in a scenario marked by higher competition and a highly challenging macroeconomic environment. The impacts of the provisioning level and marketing costs and expenses are expected to partially reverse in 2Q19 due to the lower incidence of PMT. Lastly, another factor that adversely affected margins in Postsecondary Education was the incorporation of the SETS business, which has lower profitability compared to the other Graduate and unregulated programs in the Continuing Education. On the other hand, these effects were partially offset by interest and late-payment fees on tuitions due to the advances made in optimizing collection policies and operations and by the higher inflation adjustment of the balance of accounts receivable. In general, the operating margin of close to 50% in Postsecondary Education, considering own units, third-party units and Continuing Education, and taking into consideration all the current difficulties related to the economy and competitive landscape, reinforces and attests to the solidity of the business and to the Company's high levels of efficiency and profitability. Compared to the previous quarter, the operating result advanced 24.2%, with operating margin expanding 9.8 p.p., due to the seasonality of the business.

Own Units (Undergraduate) – Financial Indicators:

Undergraduate: Own Units - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Net Revenue - Undergraduate - Own units	**1,009,769**	**1,076,407**	**-6.2%**	**1,081,187**	**-6.6%**
Net Revenue - On-Campus Out-of-pocket	422,172	446,151	-5.4%	481,407	-12.3%
Net Revenue - FIES (financed part net of APV)	267,936	389,775	-31.3%	384,117	-30.2%
Net Revenue - PEP (installment part net of APV)	131,947	125,718	5.0%	164,297	-19.7%
Net Revenue - On-Campus PMT (installment part net of APV)	140,110	69,987	100.2%	6,099	n.a.
Net Revenue - DL Out-of-pocket	47,444	43,777	8.4%	45,182	5.0%
Net Revenue - DL PMT (installment part net of APV)	160	1,000	-84.1%	84	89.7%
Gross Income - Undergraduate - Own units	**813,414**	**880,981**	**-7.7%**	**838,221**	**-3.0%**
Gross Margin - Undergraduate: Own units	*80.6%*	*81.8%*	*-1.3 p.p.*	*77.5%*	*3.0 p.p.*
Operating Result - Undergraduate - Own units	**479,842**	**592,462**	**-19.0%**	**491,835**	**-2.4%**
Operating Margin - Undergraduate: Own units	*47.5%*	*55.0%*	*-7.5 p.p.*	*45.5%*	*2.0 p.p.*

From the Own Units perspective, which represents the main portion of the results from Postsecondary Education, the pressures mentioned previously become clear with respect to the shift in the student base profile, since FIES graduations and installment payment products affect only this Business Unit, which is composed primarily of on-campus students. Furthermore, all costs and expenses related to the expansion of units also affect this analysis, representing another (albeit smaller) temporary factor weighing on margins. Lastly, the analysis shows a higher and more accelerated volume of marketing expenses to promote the brands in new regions, seeking to address the more competitive landscape, resulting in an operating margin for Undergraduate Own Units of 47.5%, down 7.5 p.p. from 1Q18. Meanwhile, the increase of 2.0 p.p. on the prior quarter mainly reflects the seasonality of the operation.

Third-Party Units (Undergraduate) – Financial Indicators:

Undergraduate: Third-party Units - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Net Revenue - Undergraduate - Third-party units	**227,796**	**203,163**	**12.1%**	**195,949**	**16.3%**
Net Revenue - Out-of-pocket	227,265	200,687	13.2%	195,634	16.2%
Net Revenue - PMT (installment part net of APV)	531	2,476	-78.5%	315	68.5%
Gross Income - Undergraduate - Third-party units	**218,780**	**192,347**	**13.7%**	**188,088**	**16.3%**
Gross Margin - Undergraduate - Third-party units	*96.0%*	*94.7%*	*1.4 p.p.*	*96.0%*	*0.1 p.p.*
Operating Result - Undergraduate - Third-party units	**138,558**	**120,831**	**14.7%**	**108,888**	**27.2%**
Operating Margin - Undergraduate - Third-party units	*60.8%*	*59.5%*	*1.4 p.p.*	*55.6%*	*5.3 p.p.*

On the other hand, the analysis of results from Third-party Units shows the ongoing efficiency gains the Company has managed to capture, supporting consistent results in new enrollments coupled with rigorous cost control. The 1.4 p.p. expansion in operating margin compared to 1Q18 was achieved in the scenario of intense competition in the Distance Learning market and reinforces the Company's resilience and excellent management of partner centers.

Continuing Education – Financial Indicators:

Continuing Education - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Net Revenue - Continuing Education	**65,683**	**47,746**	**37.6%**	**34,227**	**91.9%**
Gross Income - Continuing Education	**43,154**	**45,120**	**-4.4%**	**26,342**	**63.8%**
Gross Marging - Continuing Education	*65.7%*	*94.5%*	*-28.8 p.p.*	*77.0%*	*-11.3 p.p.*
Operating Result - Continuing Education	**22,224**	**33,451**	**-33.6%**	**17,018**	**30.6%**
Operating Result - Continuing Education	*33.8%*	*70.1%*	*-36.2 p.p.*	*49.7%*	*-15.9 p.p.*

Lastly, the analysis of Continuing Education reflects primarily the incorporation of the SETS segment and its larger cost structure with the distribution of materials concentrated at the start of the year, as well as the late revenue from Pronatec recorded in 1Q18, which ended up offsetting the excellent result achieved by the Company's Graduate and Unregulated Programs. Nevertheless, it is important to mention that all Continuing Education businesses continue to show strong growth potential with the current product portfolio.

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FINANCIAL PERFORMANCE – PRIMARY & SECONDARY EDUCATION (K-12)

The only adjustment made to the financial figures of Primary & Secondary Education (K-12) was to reconcile the 2018 figures to the IFRS16 accounting standard, i.e. no pro forma analysis was made to include the results of Somos and other investees in other quarters, only adjustments for the segment's new business units, as explained previously (beyond the exclusion of performance of SETS). This standard is aligned with what was adopted in the other acquisitions made by Kroton over its history. In this respect, the 1Q18 figures represent only Kroton's historical K-12 activities, while the 4Q18 figures include 80 days of results from Somos (since the acquisition was concluded on October 11) and the acquisitions made by Saber (Leonardo da Vinci and Lato Sensu).

Primary and Secondary Education - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Gross Revenue	**613,614**	**48,003**	**1178.3%**	**627,436**	**-2.2%**
Gross Revenue Deductions	(79,762)	(11,994)	565.0%	(17,783)	348.5%
Tax	(16,887)	(1,285)	1214.2%	(18,890)	-10.6%
Returns	(62,876)	(10,709)	487.1%	1,107	n.a.
Net Revenue	**533,852**	**36,009**	**1382.6%**	**609,653**	**-12.4%**
Total of Costs	**(202,304)**	**(12,551)**	**1511.9%**	**(189,724)**	**6.6%**
Cost of Goods	(102,016)	(5,924)	1622.2%	(66,680)	53.0%
Cost of Services	(100,288)	(6,627)	1413.3%	(123,044)	-18.5%
Faculty, Other Personnel and Third-Party Services	(85,518)	(6,595)	1196.7%	(97,537)	-12.3%
Rent	(2,007)	0	n.a.	(2,684)	-25.2%
Materials	(2,516)	(26)	9459.4%	(90)	2706.3%
Maintenance	(9,120)	(61)	14808.9%	(4,476)	103.8%
Other	(1,126)	55	n.a.	(18,258)	-93.8%
Gross Income	**331,548**	**23,458**	**1313.3%**	**419,929**	**-21.0%**
Gross Margin	*62.1%*	*65.1%*	-3.0 p.p.	*68.9%*	-6.8 p.p.
Total Operating Expenses	**(50,168)**	**(3,579)**	**1301.7%**	**(44,505)**	**12.7%**
Personnel Expenses	(41,701)	(3,117)	1237.9%	(50,301)	-17.1%
General and Administrative Expenses	(8,467)	(462)	1732.4%	5,796	n.a.
Provision for Doubtful Account - PDA	(3,117)	(289)	979.1%	(11,747)	-73.5%
(+) Interest and Penalties on Tuition	528	367	44.1%	477	10.7%
(+) Equity	-	-	n.a.	-	n.a.
Selling and Marketing Expenses	**(41,051)**	**(3,460)**	**1086.5%**	**(82,427)**	**-50.2%**
Operating Result	**237,740**	**16,497**	**1341.1%**	**281,726**	**-15.6%**
Operating Margin	*44.5%*	*45.8%*	*-1.3 p.p.*	*46.2%*	*-1.7 p.p.*

Net Revenue

Net revenue in the K-12 segment was R$533.8 million in 1Q19, up significantly from the same period of 2018, reflecting the consolidation of Somos and the other schools acquired by Saber throughout 2018 (Leonardo da Vinci and Lato Sensu). These consolidations distorted the comparison base, but also show the new and important scale attained by the segment after all these transactions, now accounting for 29% of the Company's total revenue. Note also that, as previously discussed in the operating analysis, the K-12 segment is now composed of two business units: (i) the K-12 Integrated Platform as a Service & PNLD/Official Contracts, which accounts for 64% of the segment's revenue and includes the group's learning systems, after-school activities and technology services, as well as the National Textbook Program (PNLD) and official contracts with government bodies; and (ii) School Management, which accounts for the other 36% of revenue and includes all the schools owned and managed by the group (54) and Red Balloon own, franchise and in-school operations. This quarter, the highlight was the performance of learning systems, which posted annual growth in both the number of students served and average ticket. Lastly, the school management business unit also registered an important increase in its revenue after consolidating all the schools acquired in 2018 by both Somos and Kroton. On the negative side, revenue from PNLD declined due to delayed purchases related to the 2020 program and the lower revenue from book sales, which was postponed to subsequent quarters.

Gross Income

Gross income from Primary & Secondary Education in 1Q19 came to R$331.5 million, with gross margin of 62.1%, down 3.0 p.p. from the same period last year, due to the increased share of businesses that require a more robust cost structure than learning systems, which accounted for the bulk of results up to 1Q18. Nevertheless, note that, despite the inclusion of all fixed costs involving the school management, publishers and after-school businesses, the segment's margin remained high and has the potential to further expand as a result of the integration process that has been advancing as planned. Compared to 4Q18, gross margin fell 6.8 p.p. as a result of the seasonality of the operation and the higher volume of materials distributed in the period.

Provision for Doubtful Accounts (PDA)

Primary and Secondary Education - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Provision for Doubtful Account - PDA	(3,117)	(289)	979.1%	(11,747)	-73.5%
PCLD / Net Revenues Primary and Secondary Education	*-0.6%*	*-0.8%*	*0.2 p.p.*	*-1.9%*	*1.3 p.p.*
PCLD K-12 Integrated Platform & PNLD	(1,768)	(234)	654.7%	(11,473)	-84.6%
PCLD Integrated Platform/ Net Revenues. Integrated Platform	*-0.5%*	*-1.1%*	*0.6 p.p.*	*-2.5%*	*2.0 p.p.*
PCLD School Management	(1,349)	(55)	2371.6%	(275)	391.1%
PCLD School Management/ Net Revenues School Management	*-0.7%*	*-0.4%*	*-0.3 p.p.*	*-0.2%*	*-0.5 p.p.*

Provisioning for the Primary and Secondary segment corresponded to 0.6% of net revenue in 1Q19, which was 0.2 p.p. lower than in the same period last year, as a result of the incorporation of Somos and the higher weight of B2B businesses in the segment's results. Another factor meriting attention is the lower PDA from school management, reflecting the more Premium profile of the units acquired. Compared to the previous quarter, the 1.3 p.p. decrease in PDA reflects the seasonality of the operation, as well as the provision made in 4Q18 for possible losses in companies under judicial reorganization.

Accounts Receivables

Primary and Secondary Education	1Q19	1Q18	Chg.%	4Q18	Chg.%
Net Accounts Receivable	**503,408**	**69,065**	**628.9%**	**420,631**	**19.7%**
K-12 Integrated Platform	458,570	69,065	564.0%	381,319	20.3%
School Management	44,838	-	n.a.	39,312	14.1%

Accounts receivable from Primary and Secondary education amounted to R$503.4 million in 1Q19, representing substantial growth from the same period last year, reflecting the consolidation of Somos into the results, especially with regard to the volume of learning systems and the textbooks business. Compared to the prior quarter, the 19.7% increase in Accounts Receivable reflects not only the 10 more days of results from Somos, but also the seasonality of the operation with all the commercial activity of the beginning of the year and the distribution of didactic material.

Average Accounts Receivable Term

Primary and Secondary Education - Days	1Q19	1Q18	Chg.%	4Q18	Chg.%
Net Accounts Receivable of Basic Education / Net Revenue of Basic Education	93	141	-48 Days	76	17 Days
Net Accounts Receivable - K-12 Integrated Platform / Net Revenue - K-12 Integrated Platform	121	141	-20 Days	96	25 Days
Net Accounts Receivable - School Management / Net Revenue - School Management	28	-	-	25	03 Days

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

In 1Q19, the average term decreased 48 days from the same period last year, mostly due to the shorter term of receivables from the businesses incorporated after the acquisition of Somos, especially in the own school management business. Furthermore, note that the learning systems of Somos had a lower receivables term compared to Pitágoras, as shown in the line for the Integrated Platform. This is true even if you take into consideration that this line also includes the textbook and PNLD/Official Contracts businesses, i.e. it can be seen as offering good prospects for the future sharing of best practices for this business. Lastly, the increase in the line school management reflects the acquisitions concluded throughout 2018 and the relevance that this segment acquired once the Company reached over 54 schools under management. Compared to the prior quarter, the average term of the K-12 business increased 17 days due to the higher number of receivables days of the Integrated Platform and in line with the seasonality of the period, which includes the distribution of books and collections for the 2019 school year.

Operating Result

The operating result (after marketing expenses) of the K-12 segment in 1Q19 was R$237.7 million, with operating margin expanding to 44.5%, up 1.3 p.p. from the same period of 2018. As mentioned in the gross margin analysis, the lower profitability reflects the consolidation of businesses with more robust cost structures, such as the management of a higher number of own schools. Note also that this level of operating margin already considers the important amount of marketing expenses, which is crucial to ensuring the growing results of the schools served, whether for selling learning systems or distributing textbooks. Even so, the operating margin of over 44% this quarter demonstrates the segment's high rate of return and the efforts made since the start of the year to accelerate the capture of synergies and efficiency gains in the operation's management. Compared to the prior quarter, the 1.7 p.p. decrease in operating margin reflects the seasonality of revenue recognition, the higher costs with the distribution of materials and the lower revenue from PNLD due to delays in government purchases.

K-12 Integrated Platform as a Services & PNLD/Official Contracts – Financial Indicators:

K12 Integrated Platform & PNLD/ Official Contracts - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Net Revenue - K-12 Integrated Platform & PNLD/ Official Contracts	**333,447**	**21,356**	**1461.4%**	**453,675**	**-26.5%**
Net Revenue - K-12 Integrated Platform	307,028	21,356	1337.7%	266,594	15.2%
Net Revenue - PNLD / Official Contracts	26,419	-	n.a.	187,081	-85.9%
Gross Income - K-12 Integrated Platform & PNLD/ Official Contracts	**226,348**	**15,172**	**1391.9%**	**347,893**	**-34.9%**
Gross Margin - K-12 Integrated Platform & PNLD/ Official Contracts	*67.9%*	*71.0%*	-3.2 p.p.	*76.7%*	-8.8 p.p.
Operating Result - K-12 Integrated Platform & PNLD/ Official Contracts	**173,344**	**11,381**	**1423.1%**	**224,484**	**-22.8%**
Operating Result - K-12 Integrated Plat. & PNLD/ Official Contracts	*52.0%*	*53.3%*	-1.3 p.p.	*49.5%*	2.5 p.p.

From the perspective of the K-12 Integrated Platform & PNLD/Official Contracts, you can see the relevance of the main business offered by the Company in K-12 Education, which are the learning systems and after school services offered to the Associated Schools, especially this quarter. This business is marked by recurring revenue, a high level of client retention and high returns on invested capital, as well as a large potential market. The performance of the line PNLD/Official Contracts was impacted by the postponement of the program, which should be normalized throughout the year. Because it is a highly scalable business model, margins are usually above 50%, with the potential to further improve as the Company accelerates the capture of synergies with the consolidation of Somos.

School Management – Financial Indicators:

School Management - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Net Revenue - School Management	**200,405**	**14,653**	**1267.7%**	**155,978**	**28.5%**
Net Revenue - Own Schools	170,752	14,653	1065.3%	145,189	17.6%
Net Revenue - Counter Shift	29,653	-	n.a.	10,789	174.9%
Gross Income - School Management	**105,199**	**8,286**	**1169.6%**	**72,036**	**46.0%**
Gross Margin - School Management	*52.5%*	*56.6%*	-4.1 p.p.	*46.2%*	6.3 p.p.
Operating Result - School Management	**64,396**	**5,116**	**1158.7%**	**57,243**	**12.5%**
Operating Result - School Management	*32.1%*	*34.9%*	-2.8 p.p.	*36.7%*	-4.6 p.p.

The School Management results reflects the growth in the number of schools acquired over the course of 2018, as well as the positive impact from the consolidation of Red Balloon and other services as after school options. Note also that margins in this channel benefitted from the adoption of IFRS16, by excluding the impact of rentals from the operating result, which increased profitability in this quarter to levels above 30%. Furthermore, margin in the first quarter is higher than the level expected for the whole of the year, due to seasonality, with the concentration of sales of textbooks and uniforms at the start of the year, which have higher margins. Even so, this points to the high potential for efficiency gains in this business unit, since a sizeable portion of the integration of back office management is taking place this year and has strong potential to benefit future results.

FINANCIAL PERFORMANCE – KROTON

Consolidated - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Gross Revenue	**2,298,207**	**1,739,726**	**32.1%**	**2,340,853**	**-1.8%**
Gross Revenue Deductions	(461,107)	(376,401)	22.5%	(419,837)	9.8%
Tax	(54,407)	(48,770)	11.6%	(69,514)	-21.7%
ProUni	(253,537)	(240,103)	5.6%	(261,823)	-3.2%
Returns	(62,876)	(10,709)	487.1%	661	-9608.9%
Total Discounts	(90,287)	(76,819)	17.5%	(89,161)	1.3%
Net Revenue	**1,837,100**	**1,363,325**	**34.8%**	**1,921,016**	**-4.4%**
Total of Costs	**(430,204)**	**(221,419)**	**94.3%**	**(448,436)**	**-4.1%**
Cost of Goods	(120,039)	(5,924)	1926.4%	(79,468)	51.1%
Cost of Services	(310,165)	(215,495)	43.9%	(368,968)	-15.9%
Faculty, Other Personnel and Third-Party Services	(280,854)	(208,653)	34.6%	(337,998)	-16.9%
Rent	(2,848)	(0)	n.a.	(2,683)	6.1%
Materials	(7,303)	(4,488)	62.7%	(4,809)	51.9%
Maintenance	(11,895)	(3,358)	254.2%	(7,577)	57.0%
Other	(7,266)	1,004	n.a.	(15,901)	-54.3%
Gross Income	**1,406,896**	**1,141,906**	**23.2%**	**1,472,580**	**-4.5%**
Gross Margin	*76.6%*	*83.8%*	*-7.2 p.p.*	*76.7%*	*-0.1 p.p.*
Total Operating Expenses	**(215,402)**	**(145,319)**	**48.2%**	**(216,743)**	**-0.6%**
Personnel, General and Administrative Expenses	(215,402)	(145,319)	48.2%	(216,743)	-0.6%
Personnel Expenses	(129,106)	(79,349)	62.7%	(135,019)	-4.4%
General and Administrative Expenses	(86,297)	(65,970)	30.8%	(81,723)	5.6%
Provision for Doubtful Account - PDA	**(210,872)**	**(160,831)**	**31.1%**	**(180,881)**	**16.6%**
(+) Interest and Penalties on Tuition	66,150	41,408	59.8%	30,594	116.2%
Equity	577	-	n.a.	500	15.5%
Selling and Marketing Expenses	(168,984)	(113,924)	48.3%	(206,582)	-18.2%
Operating Result	**878,364**	**763,241**	**15.1%**	**899,468**	**-2.3%**
Operating Margin	*47.8%*	*56.0%*	*-8.2 p.p.*	*46.8%*	*1.0 p.p.*
Corporate Expenses	(71,845)	(52,512)	36.8%	(108,900)	-34.0%
Recurring EBITDA	**806,519**	**710,729**	**13.5%**	**790,567**	**2.0%**
Recurring EBITDA Margin	*43.9%*	*52.1%*	*-8.2 p.p.*	*41.2%*	*2.7 p.p.*
(-) Non-Recurring Items	(55,700)	(43,626)	27.7%	(199,396)	-72.1%
EBITDA	**750,818**	**667,103**	**12.5%**	**591,171**	**27.0%**
EBITDA Margin	*40.9%*	*48.9%*	*-8.1 p.p.*	*30.8%*	*10.1 p.p.*
Depreciation and Amortization	(291,318)	(146,459)	98.9%	(366,211)	-20.5%
Financial Result	(202,993)	(45,206)	349.0%	(174,019)	16.6%
Income Tax / Social Contribution	(51,225)	(20,381)	151.3%	21,607	n.a.
Deferred Income Tax / Social Contribution	44,889	10,965	309.4%	15,269	194.0%
Income Tax / Social Cont.	-	-	n.a.	-	n.a.
Minority Interest	229	-	n.a.	129	77.2%
Net Income	**250,400**	**466,023**	**-46.3%**	**87,947**	**184.7%**
Net Margin	*13.6%*	*34.2%*	*-20.6 p.p.*	*4.6%*	*9.1 p.p.*
(+) Intagnible Amortization (Acquisitions)	64,820	18,105	258.0%	77,172	-16.0%
(+) inventory surplus value	3,472	-	n.a.	26,670	-87.0%
Adjusted Net Income	**318,692**	**484,127**	**-34.2%**	**191,789**	**66.2%**
Adjusted Net Margin	*17.3%*	*35.5%*	*-18.2 p.p.*	*10.0%*	*7.4 p.p.*

Corporate Expenses

Consolidated - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Corporate Expenses	(71,845)	(52,512)	36.8%	(108,900)	-34.0%
Personnel Expenses	(37,949)	(50,400)	-24.7%	(68,365)	-44.5%
General and Administrative Expenses	(33,896)	(2,112)	n.a.	(40,535)	-16.4%

% of Net Revenue	1Q19	1Q18	Chg.%	4Q18	Chg.%
Corporate Expenses	-3.9%	-3.9%	-0.1 p.p.	-5.7%	1.8 p.p.
Personnel Expenses	-2.1%	-3.7%	1.6 p.p.	-3.6%	1.5 p.p.
General and Administrative Expenses	-1.8%	-0.2%	-1.7 p.p.	-2.1%	0.3 p.p.

The ratio of personnel expenses to net revenue within corporate expenses fell 1.6 p.p. from the year-ago period and 1.5 p.p. from 4Q18, due to the positive results of the initiatives to control expenses at the corporate level and aligned with the strategy to capture synergies. Furthermore, 1Q19 registered a lower impact from stock option grants and provision for variable compensation program. When analyzed separately, general and administrative expenses as a ratio of net revenue increased 1.7 p.p. from 1Q18, since that quarter benefitted from a higher volume of reversal of provision for contingencies.

Nonrecurring Events

Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Severance	(25,808)	(11,245)	129.5%	(36,106)	-28.5%
Restructuring of units	-	(10,188)	n.a.	(12,665)	n.a.
M&A and expansion	(29,892)	(13,353)	123.9%	(132,629)	-77.5%
Other projects	-	(8,840)	n.a.	(17,996)	n.a.
Nonrecurring Items	**(55,700)**	**(43,626)**	**27.7%**	**(199,396)**	**-72.1%**

As of this quarter, the Company opted to incorporate the lines restructuring of units and other projects under the recurring results for the year, i.e. to recognize each project in its original business unit. Non-recurring items in 1Q19 amounted to R$55.7 million, led by: (i) severance from Somos acquisition (ii) expenses related to the new units; and (iii) costs related to the Somos acquisition, with consulting services and other firms contracted for the integration process. Despite the one-time increase in non-recurring expenses in 1Q19 (expected, due to the acquisition of Somos), the Company assumes a significant reduction in total non-recurring items over the year.

Financial Result

Consolidated - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
(+) Financial Revenues	42,009	35,612	18.0%	83,792	-49.9%
Interest on Financial Investment	30,911	23,416	32.0%	22,444	37.7%
Others	11,098	12,196	-9.0%	61,348	-81.9%
(-) Financial Expenses	(245,002)	(17,800)	n.a.	(178,864)	37.0%
Banks Expenses	(6,660)	(3,834)	73.7%	(10,663)	-37.5%
Interest on leasing	(75,824)	-	n.a.	-	n.a.
Interest on Loans	(136,633)	(3,645)	n.a.	(144,536)	-5.5%
Interest and Tax on Late Payment	(10,876)	(978)	n.a.	(8,829)	n.a.
Interest on Loans for Acquisitions	(5,815)	(1,667)	248.8%	(2,849)	104.1%
Restatement of Contingencies	-	(1,205)	n.a.	(137)	n.a.
Others	(9,194)	(6,471)	42.1%	(11,850)	-22.4%
Financial Result Ex-Somos[1]	**(202,993)**	**17,812**	**n.a.**	**(95,072)**	**113.5%**

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

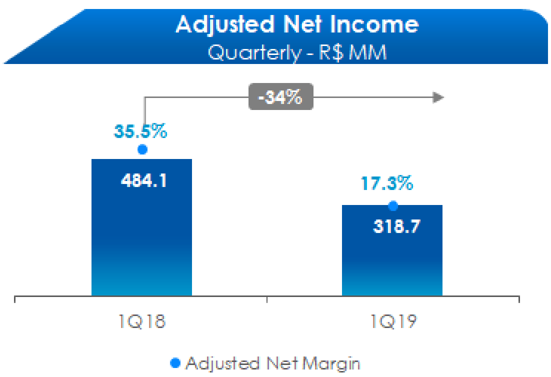
In 1Q19, the Company's financial result reversed course compared to 1Q18, reflecting the financial charges on the debt secured to acquired Somos, in addition to the impact of the adoption of IFRS16. As a result of the higher debt balance and the liabilities arising from IFRS16, the line interest on loans and leases was directly impacted, significantly increasing the Company's financial expenses. However, the current level is consistent with the new capital structure and with a direct impact on the Company's Net Income in the coming years. In short, the financial result in 1Q19 was an expense of R$203.0 million, which is substantially higher than in the same period last year. Compared to 4Q18, the increase of 113.5% reflects the carryover of cash in the first days of the quarter, since the payment to the controlling shareholders of Somos was made only on October 11.

Net Income

Consolidated - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Operating Result	**878,364**	**763,241**	**15.1%**	**899,468**	**-2.3%**
(+) Corporate Expenses	(71,845)	(52,512)	36.8%	(108,900)	-34.0%
(+) Nonrecurring Items	(55,700)	(43,626)	27.7%	(199,396)	-72.1%
(+) Depreciation and Amortization ex-Intangible	(291,318)	(146,459)	98.9%	(366,211)	-20.5%
(+) Financial Result [1]	(202,993)	(45,206)	349.0%	(174,019)	16.6%
(+) Income Tax / Social Contribution	(51,225)	(20,381)	151.3%	21,607	n.a.
(+) Deferred Income Tax / Social Contribution	44,889	10,965	309.4%	15,269	194.0%
(+) Participation of Minority	229	-	n.a.	129	77.2%
(+) Intangible Amortization (Acquisitions)	64,820	18,105	258.0%	77,172	-16.0%
(+) Inventory surplus value	3,472	-	n.a.	26,670	-87.0%
Adjusted Net Income	**318,692**	**484,127**	**-34.2%**	**191,789**	**66.2%**
Adjusted Net Margin	*17.3%*	*35.5%*	*-18.2 p.p.*	*10.0%*	*7.4 p.p.*
(-) Intangible Amortization (Acquisitions)	(64,820)	(18,105)	258.0%	(77,172)	-16.0%
(-) Inventory surplus value	(3,472)	-	n.a.	(26,670)	-87.0%
Net Income	**250,400**	**466,023**	**-46.3%**	**87,947**	**184.7%**
Net Margin	*13.6%*	*34.2%*	*-20.6 p.p.*	*4.6%*	*9.1 p.p.*

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

Adjusted net income (adjusted for the amortization of intangible assets and inventory surplus value) amounted to R$318.7 million, with adjusted net margin of 17.3%, which decreased 18.2 p.p. from the same period of 2018. The factors affecting this performance include: (i) the deterioration in the operating result from Postsecondary Education due to the smaller student base and the shift in the student profile, which required higher provisioning; (ii) the higher depreciation related to the investments in the production of content and technology, which have shorter useful lives; and (iii) the higher volume of financial expenses due to the debt secured for the acquisition of Somos. Note that an important change was made to the composition of adjusted net income, which no longer includes non-recurring items. Therefore, adjustments are now made only for the amortization of intangible assets from acquisitions and for inventory surplus value, absorbing all other items that, in some way, are inherent to the operation (even if non-recurring). In the analysis of Kroton on a standalone basis, i.e., excluding the impact from the consolidation of Somos, adjusted net income in 1Q19 was R$ 316.4 million, with margin of 23.9%, down 11.6 p.p. from the same period last year.



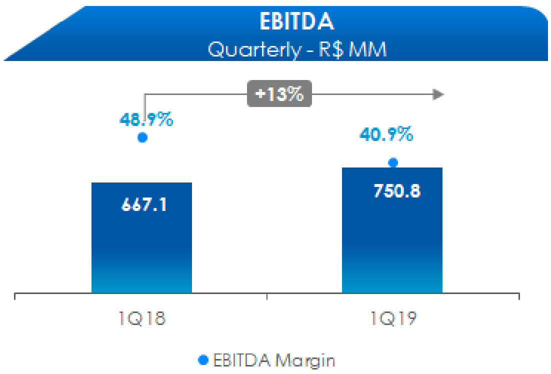
Excluding the adjustments for amortization of intangible assets and inventory surplus value, net income was R$250.4 million in 1Q19. Given the significant impact from these adjustments, especially given the relevance of the latest acquisition, the Company recommends the adjusted result as the best metric for accompanying its financial performance.

EBITDA[1]

Consolidated - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Net Income (Loss)	**250,400**	**466,023**	**-46.3%**	**87,947**	**184.7%**
(+) Depreciation and Amortization	291,318	146,459	98.9%	366,211	-20.5%
(+) Financial Result	202,993	45,206	349.0%	174,019	16.6%
(+) Income Tax / Social Contribution	51,225	20,381	151.3%	(21,607)	-337.1%
(+) Deferred Income Tax / Social Contribution	(44,889)	(10,965)	309.4%	(15,269)	194.0%
(+) Minority Participation	(229)	-	n.a.	(129)	77.2%
EBITDA	**750,818**	**667,103**	**12.5%**	**591,171**	**27.0%**
EBITDA Margin	*40.9%*	*48.9%*	*-8.1 p.p.*	*30.8%*	*10.1 p.p.*
(+) Nonrecurring Items	55,700	43,626	27.7%	199,396	-72.1%
Recurring EBITDA	**806,519**	**710,729**	**13.5%**	**790,567**	**2.0%**
Recurring EBITDA Margin	*43.9%*	*52.1%*	*-8.2 p.p.*	*41.2%*	*2.7 p.p.*

[1] Includes interest and late-payment fees on monthly tuition payments and excludes inventory surplus value.

EBITDA amounted to R$750.8 million in the quarter, up 12.5% from the year-ago period, accompanied by EBITDA margin contraction of 8.1 p.p. This nominal EBITDA growth reflects the consolidation into the result of Somos, which consequently adversely affected the Company's overall profitability, given the acquired company's less scalable cost structure, particularly in the School Management segments. Furthermore, EBITDA margin was impacted by pressures arising from the shift in the student-base profile, with higher provisioning to support the installment plans, by seasonal effects that adversely affected revenue in 1Q19 compared to 1Q18, by the still-challenging economic scenario and by the higher costs and expenses associated with the new units. The latter factor, however, is also of a temporary nature, since as the units mature, they will contribute to sustaining the high levels of performance achieved by Kroton. Lastly, note that, as of this quarter, Kroton is focusing the EBITDA analysis, considering only certain adjustments to operating financial income (interest and late-payment fees) and inventory surplus value, but without adjusting for non-recurring items, so as to make the final performance of the operating activities clearer, even though some of these expenses are of a non-recurring nature. Therefore, bear in mind that, despite all the detractors from the result and the increased relevance of a segment with a distinct level of profitability compared to Postsecondary Education, the Company has been able to maintain its margins at fairly healthy level. Compared to the previous quarter, the 10.1 p.p. expansion in EBITDA margin reflects the lower costs in Postsecondary Education, due to the seasonality of the operation.



Analysis ex-IFRS16

Complementing the previous analyses, the following table shows the pro-forma result of the main lines of 1Q19 excluding the adoption of IFRS 16.

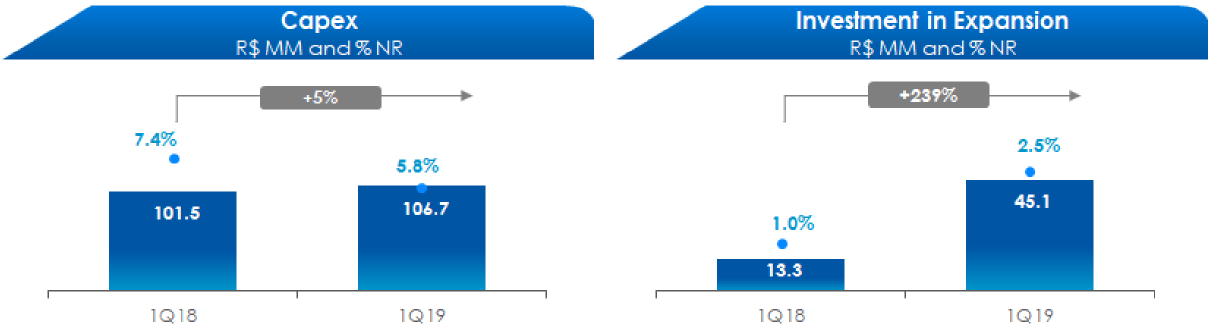
Consolidated - Values in R$ ('000)	1Q19	1Q18	Chg.%
Net Revenue	1,837,100	1,363,325	34.8%
EBITDA[1]	624,599	571,105	9.4%
EBITDA Margin	*34.0%*	*41.9%*	*-7.9 p.p.*
Adjusted Net Income[2]	340,801	493,537	-30.9%
Adjusted Net Margin	*18.6%*	*36.2%*	*-17.6 p.p.*

Excludes the impacts from adoption of IFRS16 on the results of 2019 and 2018.
[1] EBITDA considers interest and late-payment fees and excludes impacts from inventory surplus.
[2] Net income adjusted by the amortization of intangible assets and inventory surplus value.

Capex and Investments in Expansion

In 1Q19, Kroton invested R$106.7 million, allocated as follows:

- Information technology and library equipment: R$7.2 million (7%);
- Content and systems development and software licenses: R$74.3 million (70%);
- Laboratory and related equipment: R$8.0 million (6%);
- Expansions – construction and improvements: R$18.9 million (18%).



In 1Q19, capex corresponded to 5.8% as a ratio of net revenue, most of which was allocated to content development, systems and software licenses, which accounted for 70% of the total amount and accompanied the expansion of Kroton's portfolio in recent years, especially with the addition of new Premium DL programs, in addition to K-12 content. In this respect, note that, after the consolidation of Somos, Kroton now makes publishing investments for the production of teaching materials, already incorporated in total capex. Another large expenditure was related to the expansion projects, with renovations and improvements at existing units to prepare them to meet students' expectations at the start of the school year, and to adapt them to the change in the program portfolio being implemented by the Company.

We highlight that as of this quarter investments in special projects are part of recurring Capex, i.e. all investments, except expansion, are contained in the "Capex" line.

Net Debt

Consolidated - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Cash and Cash Equivalents	2,023,522	1,542,745	31.2%	2,595,570	-22.0%
Cash	6,537	257	n.a.	3,076	112.5%
Securities	2,016,985	1,542,488	30.8%	2,592,494	-22.2%
Loans and Financing	7,535,472	253,373	n.a.	7,683,622	-1.9%
Short-term Debt	394,184	177,861	121.6%	527,517	-25.3%
Long-term Debt	7,141,288	75,512	n.a.	7,156,105	-0.2%
Net Cash (Debt) [1]	**(5,511,950)**	**1,289,372**	**n.a.**	**(5,088,052)**	**8.3%**
Other Short and Long Term Debt [2]	369,318	174,639	111.5%	367,617	0.5%
(1) Net Cash (Debt)	**(5,881,268)**	**1,114,733**	**n.a.**	**(5,455,669)**	**7.8%**
Short Term Accounts Receivable [3]	**135,053**	**507,103**	**-73.4%**	**132,854**	**1.7%**
FIES - NR 23 - cash balance and Uniasselvi Disposal	-	376,726	n.a.	-	n.a.
Uniasselvi Disposal	120,688	115,952	4.1%	119,611	0.9%
FAIR and FAC/FAMAT Disposal	14,365	14,425	-0.4%	13,243	8.5%
Long-Term Accounts Receivable [3]	**367,581**	**464,509**	**-20.9%**	**361,551**	**1.7%**
Uniasselvi Disposal	333,945	422,290	-20.9%	327,751	1.9%
FAIR and FAC/FAMAT Disposal	33,636	42,219	-20.3%	33,800	-0.5%
(2) Other Accouts Receivable [3]	**502,634**	**971,612**	**-48.3%**	**494,405**	**1.7%**
(1)+(2) Pro Forma Net Cash (Debt)	**(5,378,634)**	**2,086,345**	**n.a.**	**(4,961,264)**	**8.4%**

[1] Net cash (debt) considering only bank obligations.
[2] Considering all short- and long-term obligations related to the taxes paid in installments and the acquisitions, including the amount to be paid within 6 years related to the Uniasselvi acquisition, in addition to debentures issued by both Companies (Kroton and Somos).
[3] Considers the short-term receivables related to the Uniasselvi, FAIR and FAC/FAMAT divestment and long-term receivables related to the other installments of Uniasselvi, FAIR and FAC/FAMAT to be earned from 2018 to 2022 adjusted to present value (excluding the earn-out amounts).

At the end of 1Q19, total cash and financial investments amounted to R$2.0 billion, down 22.0% from the previous quarter, reflecting the expenditures made in the quarter related to the cash burn of the operation and the payment of interest on debentures. After the consolidation of Somos and its liabilities into the balance sheet of Saber (a wholly owned subsidiary of Kroton), total net debt ended 1Q19 at R$5.5 billion. Considering all short-term and long-term obligations, which include taxes and contributions paid in installments and the obligations and rights related to past acquisitions, Kroton ended the period with net debt of R$5.9 billion. Total long-term obligations include amounts related to installment payments for acquisitions, especially those for Uniasselvi, which are being repaid in six annual installments since 2013, in addition to various debentures issued by Kroton and Somos over the last few years. In addition, it is important to remember that Kroton also has short-term and long-term receivables that will have a positive impact on its cash in the coming years. These receivables include both short-term accounts receivables, which correspond to one of the installments from the sales of Uniasselvi, FAIR and FAC/FAMAT, and long-term accounts receivables related to the remaining 4 installments of the payment for Uniasselvi, FAIR and FAC/FAMAT adjusted to present value (excluding the earn-out amounts), which will be received annually through 2022. Therefore, adding all short-term and long-term receivables, the net debt balance would be even slightly lower, at R$5.4 billion. However, it is important to note that the current investment level is consistent with the Company's projects and opportunities, and is below the financial covenants agreed upon with bondholders.

Cash Flow

Consolidated - Values in R$ ('000)	1Q19	1Q18	Chg.%	4Q18	Chg.%
Net Income before Income Interest	**256,485**	**484,830**	**-47.1%**	**65,400**	**292.2%**
(+) Net Income adjustments before Income Interest	559,165	222,219	151.6%	656,215	-14.8%
Depreciation and Amortization	255,085	102,223	149.5%	158,591	60.8%
Provision for Doubtful Accounts (PDA)	210,872	160,830	31.1%	173,823	21.3%
Others	93,208	(40,834)	n.a.	323,801	-71.2%
(+) Income Tax and Social Contribution	(2,774)	(39,819)	-93.0%	(24,399)	-88.6%
(+) Changes in Working Capital	(936,038)	(690,979)	35.5%	(318,404)	194.0%
(Increase) Reduction in Accounts Receivable ex-FIES	(390,517)	(347,797)	12.3%	(462,609)	-15.6%
(Increase) Reduction in Accounts Receivable FIES	(151,792)	(214,817)	-29.3%	118,006	n.a.
Others	(393,729)	(128,365)	206.7%	26,199	n.a.
Operating Cash Generation before Capex	**(123,162)**	**(23,749)**	**418.6%**	**378,812**	**n.a.**
Capex	(106,637)	(101,522)	5.0%	(207,620)	-48.6%
Operating Cash Generation after Capex	**(229,799)**	**(125,271)**	**83.4%**	**171,193**	**n.a.**
(+) Investments in Expansion	(45,175)	(13,315)	239.3%	(125,444)	-64.0%
(+) M&A Activities	(61,370)	(664)	n.a.	(4,521,363)	-98.6%
(+) Cash Flow from Financing Activities	(252,221)	(51,160)	393.0%	(435,834)	-42.1%
Free Cash Flow	**(588,565)**	**(190,409)**	**209.1%**	**(4,911,448)**	**-88.0%**

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

On this basis, operating cash generation before capex was negative R$123.2 million in 1Q19, which is substantially lower than in 1Q18, explained by the consolidation of Somos in 1Q19, which has a cash burn profile in the first quarter of each year. Excluding Somos, the performance of operating cash generation before capex in 1Q19 was in line with 1Q18, despite the significant decrease in the FIES student base. Considering the disbursements for capex in the period, operating cash generation was negative R$229.8 million in 1Q19, a level that could be considered temporary, since the payments under federal programs are expected in the coming months, as also is a recovery in operating result over the year. Meanwhile, free cash flow was negative R$588.6 million, which reflects not only the negative cash generation in the period, but also all the ongoing special projects, such as the expansion projects (organic and via acquisitions) and the payment of interest expenses.

The guidance for operating cash generation after capex forecasts a 64% growth in 2019 (corporate analysis), with a positive generation of R$800.0 million.

CAPITAL MARKETS AND SUBSEQUENT EVENTS

OWNERSHIP STRUCTURE

Kroton's capital is composed of 1,644,248,206 common shares, distributed as follows:

Kroton Ownership Structure*	Quantity	%
Treasury	14,373,248	0.87%
Free Float	1,629,874,958	99.13%
Total	**1,644,248,206**	**100.00%**

* Position as of 4/30/2019.

STOCK PERFORMANCE

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

The stock was traded in 100% of trading sessions during the quarter, registering financial trading volume of R$8.3 billion and 1,513,983 trades in the period, which represents average daily trading volume of R$138.0 million. Kroton stock is currently covered by research analysts at 11 different local and international institutions. On March 31, 2019, Kroton's market capitalization was R$17.4 billion.

In the first quarter of 2019, Kroton's stock price increased 19.5%, while the Bovespa Index (Ibovespa) advanced 8.6%. In the same period, the IGC ITAG and ICON gained 8.3%, 8.1% and 6.6%, respectively.

Highlights- KROT3	1Q19
Average Daily Trade Volume (average)	R$ 138.0 million
Maximum (R$ per share)	R$ 11.94
Minimum (R$ per share)	R$ 9.13
Average (R$ per share)	R$ 10.78
Closing Quote	R$ 10.60
Variation in the period (%)	19.5%

CREDIT RATINGS

Kroton is currently rated triple A (brAAA) by Standard & Poor's and AA+(bra) by Fitch Rating.

DIVIDENDS

In a Meeting held on May 15, 2019, the Board of Directors approved the distribution of dividends related to the results for the first quarter of 2019 in the amount of R$90.5 million, which will be calculated towards the minimum mandatory dividend for 2019 and corresponds to R$ 0.0555371865 per common share and to 40% of adjusted net income, after deduction of the legal reserve. Shareholders of record at the close of trading on May 21, 2019 are entitled to the dividends.

ABOUT KROTON EDUCACIONAL

Kroton Educacional S.A. is one of the largest private for-profit educational organizations in the world. Operating for over 50 years, the Company has a nationwide presence in all of Brazil's states. At the end of 1Q19, Kroton had 961,000 students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 155 Postsecondary units and its 1,410 Distance Learning centers. It also offers Preparatory Courses under the brand LFG. On October 11, 2018, Kroton concluded the acquisition of SOMOS Educação, the leading primary and secondary education group in Brazil, making it a complete educational platform with an important presence in all segments. In Primary & Secondary Education, in 1Q19, the consolidated operation had 37,000 students in 54 own schools, 26,000 students in 125 units of Red Balloon, and 1.6 million students served through approximately 4.6,000 associated schools using the learning systems PAR and O Líder em Mim.

APPENDIX 1 – CORPORATE BALANCE SHEET

R$ ('000)

Assets	1Q19	% AV	4Q18	% AV
Current Assets	**5,440,228**	**16.2%**	**5,563,269**	**18.2%**
Cash and cash equivalents	6,537	0.0%	3,076	0.0%
Financial Investments	1,477,794	4.4%	1,482,535	4.8%
Securities	527,752	1.6%	1,098,185	3.6%
Accounts Receivable	2,306,023	6.9%	1,940,313	6.3%
Inventories	390,234	1.2%	370,657	1.2%
Prepayments	83,603	0.2%	69,239	0.2%
Recoverable Taxes	334,169	1.0%	315,169	1.0%
Other Accounts Receivable	314,116	0.9%	284,095	0.9%
Non current Assets	**28,206,280**	**83.8%**	**25,081,770**	**81.8%**
Securities	11,439	0.0%	11,774	0.0%
Accounts Receivables	716,268	2.1%	694,283	2.3%
Deferred Taxes	614,605	1.8%	515,900	1.7%
Judicial Deposits	111,173	0.3%	102,656	0.3%
Prepayments	1,680	0.0%	1,680	0.0%
Taxes to Recover	6,429	0.0%	5,829	0.0%
Guarantee for social security, labor and civil provisions	952,487	2.8%	933,219	3.0%
Other	433,389	1.3%	419,676	1.4%
Fixed Assets	5,454,185	16.2%	2,485,643	8.1%
Intangible	19,904,625	59.2%	19,911,110	65.0%
Total Assets	**33,646,508**	**100.0%**	**30,645,039**	**100.0%**
Liabilities and Equity				
Current Liabilities	**2,539,802**	**7.5%**	**2,581,624**	**8.4%**
Suppliers	820,887	2.4%	866,954	2.8%
Loans and Financing	2,915	0.0%	4,671	0.0%
Debenture	391,269	1.2%	522,846	1.7%
Lease	219,092	0.7%	0	0.0%
Social security and labor liabilities	468,748	1.4%	508,251	1.7%
Income Tax and Social Contribution	29,979	0.1%	27,875	0.1%
Taxes and Contribution	87,460	0.3%	75,676	0.2%
Advances from Clients	297,156	0.9%	303,857	1.0%
Tax and Contribution Payment Installments	14,515	0.0%	14,521	0.0%
Accounts Payable - Acquisitions	121,530	0.4%	132,440	0.4%
Dividends Payable	43,054	0.1%	43,304	0.1%
Other	43,197	0.1%	81,229	0.3%
Non current Liabilities	**15,043,923**	**44.7%**	**12,072,711**	**39.4%**
Loans and Financing	31,171	0.1%	50,445	0.2%
Debenture	7,110,117	21.1%	7,105,660	23.2%
Lease	3,052,197	9.1%	0	0.0%
Provision for Tax, Labor and Civil Lawsuit Losses	401,080	1.2%	422,933	1.4%
Liabilities assumed in the business combination	3,197,389	9.5%	3,213,048	10.5%
Tax and Contribution Payment Installments	25,049	0.1%	27,299	0.1%
Accounts Payable - Acquisitions	208,224	0.6%	193,357	0.6%
Deferred Taxes	1,002,095	3.0%	1,042,115	3.4%
Others	16,601	0.0%	17,854	0.1%
Consolidated Equity	**16,062,783**	**47.7%**	**15,990,704**	**52.2%**
Total Liabilities and Equity	**33,646,508**	**100.0%**	**30,645,039**	**100.0%**

APPENDIX 2 – QUARTERLY INCOME STATEMENT RECONCILIATION

	1Q19 Results (Book)	Non-accounting adjustments					1Q19 Results (Release)
		Interest and Penalties on Tuition	Depreciation	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain	Reclassification between Costs and expenses	
	(In thousand reais, except otherwise indicated)						
Gross Revenue	2,298,208	-	-	-	-	-	2,298,208
Postsecondary	1,684,594	-	-	-	-	-	1,684,594
Primary and Secondary	613,614	-	-	-	-	-	613,614
Deductions from Gross Revenue	**(461,108)**	**-**	**-**	**-**	**-**	**-**	**(461,108)**
Postsecondary	(381,345)	-	-	-	-	-	(381,345)
Primary and Secondary	(79,763)	-	-	-	-	-	(79,763)
Net Revenue	**1,837,100**	**-**	**-**	**-**	**-**	**-**	**1,837,100**
Postsecondary	1,303,248	-	-	-	-	-	1,303,248
Primary and Secondary	533,851	-	-	-	-	-	533,851
Costs of Goods/Services	**(682,239)**	**-**	**226,498**	**-**	**25,429**	**108**	**(430,203)**
Cost of Goods Sold	(120,558)	-	-	-	-	519	(120,039)
Cost of Services Rendered	(561,681)	-	226,498	-	25,429	(411)	(310,164)
Gross Income	**1,154,860**	**-**	**226,498**	**-**	**25,429**	**108**	**1,406,896**
Operating Expenses	**(761,231)**	**-**	**-**	**64,820**	**29,971**	**(87)**	**(666,527)**
Selling Expenses	(349,029)	-	-	-	740	179,304	(168,985)
Provision for Doubtful Accounts	-	-	-	-	-	(210,872)	(210,872)
Personnel Expenses	-	-	-	-	-	(129,106)	(129,106)
General and Administrative Expenses	(415,241)	-	-	64,820	29,231	234,894	(86,296)
Other Operating Income (Expenses)	2,462	-	-	-	-	(2,462)	-
Corporate Expenses	-	-	-	-	-	(71,845)	(71,845)
Equity	577	-	-	-	-	-	577
Income before Financial Result	**393,629**	**-**	**226,498**	**64,820**	**55,401**	**21**	**740,369**
Interest and Penalties on Tuition	-	66,150	-	-	-	-	66,150
Adjusted EBITDA	**393,629**	**66,150**	**226,498**	**64,820**	**55,401**	**21**	**806,519**
(-) Nonrecurring itens	-	-	-	-	(55,701)	-	(55,701)
Depreciation and Amortization	-	-	(226,498)	(64,820)	-	-	(291,318)
Financial Result	**(137,143)**	**(66,150)**	**-**	**-**	**300**	**-**	**(202,993)**
Financial Expenses	(245,355)	-	-	-	300	-	(245,055)
Financial Revenues	108,212	(66,150)	-	-	-	-	42,062
Income from Operations	**256,486**	**-**	**-**	**-**	**-**	**21**	**256,507**
Income and Social Contribution Tax	**(6,337)**	**-**	**-**	**-**	**-**	**-**	**(6,337)**
Current	(53,240)	-	-	-	-	-	(53,240)
Deferred	46,903	-	-	-	-	-	46,903
Participation of Minority Shareholders	(11,908)	-	-	-	-	12,137	229
Net Income	**238,241**	**-**	**-**	**-**	**-**	**12,158**	**250,399**

APPENDIX 3 – QUARTERLY INCOME STATEMENT

	1Q19	% Net Rev.	1Q18	% Net Rev.	1Q19 / 1Q18	4Q18	% Net Rev.	1Q19 / 4Q18
	(In thousand reais, except otherwise indicated)							
Gross Revenue	**2,336,269**	**127.0%**	**1,757,827**	**128.9%**	**32.9%**	**2,441,475**	**127.1%**	**-4.3%**
Postsecondary	1,657,697	90.1%	1,709,824	125.4%	-3.0%	1,726,232	89.9%	-4.0%
Primary and Secondary	678,572	36.9%	48,003	3.5%	n.a.	715,243	37.2%	-5.1%
Deductions from Gross Revenue	**(497,162)**	**-27.0%**	**(394,502)**	**-28.9%**	**26.0%**	**(520,463)**	**-27.1%**	**-4.5%**
Postsecondary	(392,433)	-21.3%	(382,508)	-28.1%	2.6%	(430,527)	-22.4%	-8.8%
Primary and Secondary	(104,729)	-5.7%	(11,994)	-0.9%	n.a.	(89,936)	-4.7%	16.4%
Net Revenue	**1,839,107**	**100.0%**	**1,363,325**	**100.0%**	**34.9%**	**1,921,012**	**100.0%**	**-4.3%**
Postsecondary	1,265,264	68.8%	1,327,316	97.4%	-4.7%	1,295,705	67.4%	-2.3%
Primary and Secondary	573,843	31.2%	36,009	2.6%	n.a.	625,307	32.6%	-8.2%
Costs of Goods/Services	**(682,239)**	**-37.1%**	**(490,551)**	**-36.0%**	**39.1%**	**(630,120)**	**-32.8%**	**8.3%**
Cost of Goods Sold	(561,681)	-30.5%	(5,094)	-0.4%	n.a.	(166,628)	-8.7%	237.1%
Cost of Services Rendered	(120,558)	-6.6%	(485,457)	-35.6%	-75.2%	(463,492)	-24.1%	-74.0%
Gross Income	**1,156,868**	**62.9%**	**872,774**	**64.0%**	**32.6%**	**1,290,892**	**67.2%**	**-10.4%**
Operating Expenses	**(763,239)**	**-41.5%**	**(447,157)**	**-32.8%**	**70.7%**	**(1,161,368)**	**-60.5%**	**-34.3%**
Selling Expenses	(351,037)	-19.1%	(275,095)	-20.2%	27.6%	(679,500)	-35.4%	-48.3%
General and Administrative Expenses	(415,241)	-22.6%	(171,332)	-12.6%	142.4%	(496,155)	-25.8%	-16.3%
Other Operating Income (Expenses)	2,462	0.1%	(730)	-0.1%	n.a.	16,314	0.8%	-84.9%
Equity	577	0.0%	-	0.0%	n.a.	(2,027)	-0.1%	n.a.
Income before Financial Result	**393,629**	**21.4%**	**425,617**	**31.2%**	**-7.5%**	**129,524**	**6.7%**	**203.9%**
Financial Result	**(137,143)**	**-7.5%**	**59,214**	**4.3%**	**n.a.**	**(64,125)**	**-3.3%**	**113.9%**
Financial Expenses	108,212	5.9%	(10,690)	-0.8%	n.a.	(173,812)	-9.0%	n.a.
Financial Revenues	(245,355)	-13.3%	69,904	5.1%	n.a.	109,687	5.7%	n.a.
Income from Operations	**256,486**	**13.9%**	**484,831**	**35.6%**	**-47.1%**	**65,399**	**3.4%**	**292.2%**
Income and Social Contribution Tax	(6,337)	-0.3%	(9,416)	-0.7%	-32.7%	36,877	1.9%	n.a.
Current	(53,240)	-2.9%	(20,381)	-1.5%	161.2%	(55,389)	-2.9%	n.a.
Deferred	46,903	2.6%	10,965	0.8%	327.8%	92,266	4.8%	-49.2%
Net Income	**250,149**	**13.6%**	**475,415**	**34.9%**	**-47.4%**	**102,276**	**5.3%**	**144.6%**
Non-controlling interests	**11,908**	**0.6%**	**-**	**0.0%**	**n.a.**	**(10,891)**	**-0.6%**	**n.a.**

APPENDIX 4 – CASH FLOW STATEMENT

R$ 000	1Q19	1Q18	4Q18
Net Income before Income Taxes	**256,485**	**484,830**	**65,400**
Net Income (Loss) Adjustments before Income Taxes			
Depreciation and Amortization	255,085	102,223	158,591
Provision for Doubtful Accounts	210,872	160,830	173,823
Provision for Tax, Labor and Civil Losses	(29,506)	(22,779)	152,585
Provision (Reversal) for Invetories Losses	2,145	(108)	26,596
Financial Charges	145,185	7,060	185,812
Income from Securities	(33,887)	(25,273)	(47,991)
Grant of Stock Options	1,671	(4,637)	40
Income from disposal of subsidiaries	-	-	(497)
Income from sale or disposal of assets and other investments	8,177	4,903	5,229
Result of Equity Restatement	(577)	-	2,027
Changes in Working Capital	**(936,038)**	**(690,979)**	**(318,404)**
(Increase) Reduction in Accounts Receivable (ex-FIES)	(390,517)	(347,797)	(462,609)
(Increase) Reduction in Accounts Receivable FIES	(151,792)	(214,817)	118,006
(Increase) Reduction in Inventories	(21,722)	(455)	(58,221)
(Increase) Reduction in Advances	(14,348)	22,270	(409)
(Increase) Reduction in Recoverable Taxes	(16,490)	-	(2,825)
(Increase) Decrease in Escrow Deposits	6,075	(24,010)	(24,753)
Increase (Decrease) in Other Assets	(35,841)	(48,136)	271,343
Increase (Reduction) in Suppliers	(35,874)	(26,231)	142,167
Increase (Decrease) in Payroll and Related Taxes	(40,487)	(22,178)	(136,891)
Increase (Decrease) in Fiscal Obligations	(131,276)	22,495	29,050
Increase (Decrease) in Advances to Clients	(6,701)	(28,153)	89,219
(Decrease) in Taxes Installments	(2,878)	(2,618)	663
(Decrease) in Provision for Tax, Labor and Civil Losses	(37,212)	(18,795)	(35,616)
Increase (Decrease) in Other Liabilities	(56,975)	(2,554)	(247,529)
Income Tax and Social Contribution	**(2,774)**	**(39,819)**	**(24,399)**
Capex	**(106,637)**	**(101,522)**	**(207,620)**
Additions to Fixed Assets	(25,219)	(62,274)	(95,264)
Additions to Intangible Assets	(81,418)	(39,248)	(112,356)
Cash Flow from Operating Activities after Capex - Recurring	**(229,799)**	**(125,271)**	**171,193**
Capex - Special Projects	**(45,175)**	**(13,315)**	**(125,444)**
Brownfields	(45,175)	(13,315)	(125,444)
Cash Flow from Operating Activities after total Capex	**(274,973)**	**(138,586)**	**45,748**
(+) M&A Activities	**(61,370)**	**(664)**	**(4,521,363)**
Acquisition of subsidiaries	(61,370)	(2,295)	(4,526,210)
Accounts Receivable from former owners	-	1,632	(18,476)
M&A Costs and Expenses	-	-	23,323
(+) Cash Flow from Financing Activities	**(252,221)**	**(51,160)**	**(435,834)**
Sale (Acquisition) of Treasury Shares	-	(54,939)	14,976
Capital Increase, Net of Issuance Costs	-	50,000	1,321
Payments of Borrowings and Financing	(593)	(51,582)	(295,575)
Interest Paid on Borrowings and Debentures	(267,393)	(4,359)	(13,043)
Redemption (Investment) of Securities	26,657	21,099	31,034
Refis Payment	(378)	(4,697)	(7,608)
Bank and Charges Fees	(10,515)	(6,681)	(34,770)
Payment of Dividends	-	-	(132,170)
(=) Cash Flow from Non-Operating Activities	**(313,592)**	**(51,823)**	**(4,957,197)**
Total Cash Generation	**(588,565)**	**(190,409)**	**(4,911,449)**
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the Start of the Period	2,583,881	1,726,287	7,495,255
Cash and Cash Equivalents at the End of the Period	1,995,316	1,535,877	2,583,806
Net Increase (Decrease) in Cash and Cash Equivalents	**(588,565)**	**(190,409)**	**(4,911,449)**