(A free translation of the original in Portuguese)

Kroton Educacional S.A.

Quarterly Information (ITR) at March 31, 2018 and report on review of quarterly information

(A free translation of the original in Portuguese)

Report on review of quarterly information

To the Board of Directors and Stockholders
Kroton Educacional S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Kroton Educacional S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2018, comprising the balance sheet at that date and the statements of income, comprehensive income, changes in equity and cash flows for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

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

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the quarter ended March 31, 2018. These statements are the responsibility of the Company's management, are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR), and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Belo Horizonte, May 11, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Marcos Donizete Panassol
Contador CRC 1SP155975/O-8

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Company information/Capital composition

Number of shares (In thousands)	Current quarter 3/31/2018
Paid-up capital	
Common shares	1,639,442,141
Preferred shares	0
Total	1,639,442,141
Treasury shares	
Common shares	1,206,065
Preferred shares	0
Total	169,265

(A free translation of the original in Portuguese)

Parent company financial statements/balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 3/31/2018	Prior year 12/31/2017
1	Total assets	16,585,488	16,190,160
1.01	Current assets	200,008	203,080
1.01.01	Cash and cash equivalents	197,111	200,570
1.01.06	Taxes recoverable	2,829	2,308
1.01.06.01	Current taxes recoverable	0	2,308
1.01.08	Other current assets	68	202
1.01.08.03	Other	68	202
1.01.08.03.01	Advances	0	29
1.01.08.03.02	Other credits	68	173
1.02	Non-current assets	16,385,480	15,987,080
1.02.01	Long-term receivables	44,678	44,862
1.02.01.09	Other non-current assets	44,678	44,862
1.02.01.09.03	Other receivables	285	285
1.02.01.09.04	Guarantees for tax, labor, and civil losses	44,393	44,577
1.02.02	Investments	16,278,131	15,878,784
1.02.04	Intangible assets	62,671	63,434

(A free translation of the original in Portuguese)

Parent company financial statements/balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 3/31/2018	Prior year 12/31/2017
2	Total liabilities and equity	16,585,488	16,190,160
2.01	Current liabilities	113,359	178,870
2.01.01	Social security and labor liabilities	19,191	85,527
2.01.02	Trade payables	69	221
2.01.03	Tax liabilities	1,255	321
2.01.03.01	Federal tax liabilities	1,255	321
2.01.05	Other liabilities	92,844	92,801
2.01.05.02	Other	92,844	92,801
2.01.05.02.04	Dividends payable	92,780	92,780
2.01.05.02.05	Other accounts payable	64	21
2.02	Non-current liabilities	793,714	803,564
2.02.02	Other obligations	8,293	0
2.02.02.02	Other	8,293	0
2.02.02.02.03	Other payables	8,293	0
2.02.03	Deferred taxes	688,208	694,320
2.02.03.01	Deferred income tax and social contribution	688,208	694,320
2.02.04	Provisions	97,213	109,244
2.02.04.01	Tax, social security, labor and civil provisions	0	109,244
2.03	Equity	15,678,415	15,207,726
2.03.01	Paid-up capital	4,417,390	4,363,825
2.03.02	Capital reserves	6,328,885	6,337,176
2.03.02.05	Treasury shares	-19,058	-2,506
2.03.02.07	Other reserves	6,347,943	6,339,682
2.03.04	Revenue reserves	4,932,140	4,506,725

(A free translation of the original in Portuguese)

Parent company financial statements/statement of income

(R$ thousand unless otherwise stated)

1 - Code	2 - Description	Accumulated - current year 1/1/2018 to 3/31/2018	Accumulated – prior year 1/1/2017 to 3/31/2017
3.04	Operating income	468,121	481,104
3.04.02	General and administrative expenses	50,856	37,724
3.04.06	Equity in the results of investees	417,265	443,380
3.05	Profit before finance result and taxes	468,121	481,104
3.06	Finance result	2,572	98
3.06.01	Finance income	2,939	1,725
3.06.02	Finance costs	-367	-1,627
3.07	Profit before taxation	470,693	481,202
3.08	Income tax and social contribution on net income	4,722	12,471
3.08.01	Current	-1,390	0
3.08.02	Deferred	6,112	12,471
3.09	Net result of continued operations	475,415	493,673
3.11	Profit for the period	475,415	493,673
3.99	Earnings per share - (reais/share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	0.29000	0.90000
3.99.02	Diluted earnings per share		
3.99.02.01	Common shares	0.29000	0.30000

(A free translation of the original in Portuguese)

Parent company financial statements/statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2018 to 3/31/2018	Accumulated – prior year 1/1/2017 to 3/31/2017
4.01	Profit for the period	475,415	493,673
4.03	Comprehensive income for the period	475,415	493,673

(A free translation of the original in Portuguese)

Parent company financial statements/statement of cash flows - indirect method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2018 to 3/31/2018	Accumulated - prior year 1/1/2017 to 3/31/2017
6.01	Net cash provided by (used in) operating activities	9,528	-9
6.01.01	Cash provided by operations	68,818	67,427
6.01.01.01	Profit before income tax and social contribution	470,693	481,202
6.01.01.02	Depreciation and amortization	18,681	37,246
6.01.01.03	Provision for tax, labor and civil losses	-11,842	-17,593
6.01.01.04	Options granted	8,551	9,952
6.01.01.06	Equity in the results of investees	-417,265	-443,380
6.01.02	Changes in assets and liabilities	-59,290	-67,224
6.01.02.01	(Increase) decrease in taxes recoverable	-521	78
6.01.02.02	(Increase) decrease in other assets	105	-330
6.01.02.03	(Increase) decrease in trade payables	-152	51
6.01.02.04	Increase (decrease) in social security and labor obligations	-66,336	-66,605
6.01.02.05	Increase (decrease) in tax obligations	-456	-365
6.01.02.06	Increase (decrease) in other payables	8,046	-1
6.01.02.07	Decrease in provisions for tax, labor, and civil losses	-5	-52
6.01.02.08	Increase in prepayments	29	0
6.01.03	Other	0	-212
6.02	Net cash used in investing activities	-50,000	0
6.03	Net cash provided by financing activities	37,013	4,426
6.03.01	Disposals (acquisitions) of treasury shares	-16,552	4,426
6.03.02	Capital increase, net of issuance costs	53,565	0
6.05	Increase (decrease) in cash and cash equivalents	-3,459	4,417
6.05.01	Cash and cash equivalents at the beginning of the period	200,570	58,390
6.05.02	Cash and cash equivalents at the end of the period	197,111	62,807

(A free translation of the original in Portuguese)

Parent company financial statements/statement of changes in equity - 1/1/2018 to 3/31/2018

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity
5.01	Opening balances	4,363,825	6,337,176	4,506,725	0	0	15,207,726
5.03	Adjusted opening balances	4,363,825	6,337,176	4,506,725	0	0	15,207,726
5.04	Equity transactions with stockholders	53,565	-8,291	-50,000	0	0	-4,726
5.04.01	Capital increases	53,565	0	0	0	0	53,565
5.04.02	Share issue expenditures	0	0	-50,000	0	0	-50,000
5.04.03	Options granted	0	8,551	0	0	0	8,551
5.04.04	Treasury shares acquired	0	-18,131	0	0	0	-18,131
5.04.05	Treasury shares sold	0	1,289	0	0	0	1,289
5.05	Total comprehensive income	0	0	0	475,415	0	475,415
5.05.01	Profit for the period	0	0	0	475,415	0	475,415
5.07	Closing balances	4,417,390	6,328,885	4,456,725	475,415	0	15,678,415

(A free translation of the original in Portuguese)

Parent company financial statements/statement of changes in equity - 1/1/2017 to 3/31/2017

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity
5.01	Opening balances	4,249,901	6,279,511	3,319,952	0	0	13,849,364
5.03	Adjusted opening balances	4,249,901	6,279,511	3,319,952	0	0	13,849,364
5.04	Equity transactions with stockholders	0	14,378	0	0	0	14,378
5.04.03	Options granted	0	9,989	0	0	0	9,989
5.04.04	Treasury shares acquired	0	4,389	0	0	0	4,389
5.05	Total comprehensive income	0	0	0	493,673	0	493,673
5.05.01	Profit for the period	0	0	0	493,673	0	493,673
5.07	Closing balances	4,249,901	6,293,889	3,319,952	493,673	0	14,357,415

(A free translation of the original in Portuguese)

Parent company financial statements/statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2018 to 3/31/2018	Accumulated - prior year 1/1/2017 to 3/31/2017
7.02	Inputs acquired from third parties	11,755	18,367
7.02.02	Materials, electricity, third-party services and other	11,755	18,367
7.03	Gross value added	11,755	18,367
7.04	Retentions	-18,681	-37,246
7.04.01	Depreciation, amortization and depletion	-18,681	-37,246
7.05	Net value added produced	-6,926	-18,879
7.06	Value added received through transfer	420,204	445,105
7.06.01	Equity in the results of investees	417,265	443,380
7.06.02	Finance income	2,939	1,725
7.07	Total value added to distribute	413,278	426,226
7.08	Distribution of value added	413,278	426,226
7.08.01	Personnel	-57,784	-56,617
7.08.01.01	Direct remuneration	-53,354	-55,617
7.08.01.02	Benefits	-4,430	-1,000
7.08.02	Taxes, fees and contributions	-4,720	-12,457
7.08.02.01	Federal	-4,722	-12,458
7.08.02.02	State	2	1
7.08.03	Remuneration of third-party capital	367	1,627
7.08.03.01	Interest	367	1,627
7.08.04	Remuneration of own capital	475,415	493,673
7.08.04.03	Retained earnings	475,415	493,673

(A free translation of the original in Portuguese)

Consolidated financial statements/balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 3/31/2018	Prior year 12/31/2017
1	Total assets	18,988,485	18,667,762
1.01	Current assets	3,698,644	3,536,141
1.01.01	Cash and cash equivalents	807,793	921,328
1.01.02	Financial investments	728,138	805,212
1.01.03	Accounts receivable	1,789,753	1,448,662
1.01.04	Inventories	12,103	11,540
1.01.06	Taxes recoverable	103,341	102,684
1.01.08	Other current assets	257,516	246,715
1.01.08.03	Other	257,516	246,715
1.01.08.03.01	Prepayments	26,787	48,065
1.01.08.03.02	Other accounts receivable	104,782	74,016
1.01.08.03.03	Accounts receivable for sale of subsidiaries	125,947	124,634
1.02	Non-current assets	15,289,841	15,131,621
1.02.01	Long-term receivables	2,034,477	1,901,270
1.02.01.02	Financial investments at amortized cost	6,814	6,729
1.02.01.03	Accounts receivable	493,325	447,809
1.02.01.06	Deferred taxes	742,602	689,208
1.02.01.09	Other non-current assets	791,736	757,524
1.02.01.09.03	Prepayments	1,680	1,680
1.02.01.09.04	Taxes recoverable	5,378	5,303
1.02.01.09.05	Judicial deposits	94,742	71,025
1.02.01.09.06	Guarantee for social security, labor, and civil provisions	163,326	162,222
1.02.01.09.07	Other accounts receivable	70,304	70,403
1.02.01.09.08	Accounts receivable for sale of subsidsiaries	456,306	446,891
1.02.03	Property and equipment	1,961,116	1,931,462
1.02.04	Intangible assets	11,294,248	11,298,889

(A free translation of the original in Portuguese)

Consolidated financial statements/balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 3/31/2018	Prior year 12/31/2017
2	Total liabilities and equity	18,988,485	18,667,762
2.01	Current liabilities	1,182,800	1,345,534
2.01.01	Social security and labor liabilities	285,151	328,429
2.01.02	Trade payables	272,241	314,285
2.01.03	Tax liabilities	98,254	104,583
2.01.03.01	Federal tax liabilities	98,254	104,583
2.01.03.01.01	Income tax and social contribution payable	15,158	32,215
2.01.03.01.02	Taxes payable	77,938	61,756
2.01.03.01.03	Taxes and contributions payable in installments	5,158	10,612
2.01.04	Borrowings	177,861	227,767
2.01.04.01	Borrowings	2,397	3,733
2.01.04.02	Debentures	175,464	224,034
2.01.05	Other liabilities	349,293	370,470
2.01.05.02	Other	349,293	370,470
2.01.05.02.04	Dividends payable	92,780	92,780
2.01.05.02.05	Accounts payable - acquisitions	114,220	107,907
2.01.05.02.06	Advances from customers	135,265	163,103
2.01.05.02.07	Other accounts payable	7,028	6,680
2.02	Non-current liabilities	2,127,270	2,114,502
2.02.01	Borrowings	75,512	76,114
2.02.01.01	Borrowings	33,012	33,614
2.02.01.02	Debentures	42,500	42,500
2.02.02	Other liabilities	87,736	78,108
2.02.02.02	Other	87,736	78,108
2.02.02.02.03	Taxes and contributions payable in installments	35,933	37,793
2.02.02.02.04	Accounts payable - acquisitions	19,328	14,879
2.02.02.02.05	Other accounts payable	32,475	25,436
2.02.03	Deferred taxes	1,412,470	1,370,041
2.02.04	Provisions	551,552	590,239
2.02.04.01	Tax, social security, labor and civil provisions	551,552	590,239
2.03	Consolidated equity	15,678,415	15,207,726
2.03.01	Paid-up capital	4,417,390	4,363,825
2.03.02	Capital reserves	6,328,885	6,337,176
2.03.02.05	Treasury shares	-19,058	-2,506
2.03.02.07	Capital reserve	6,347,943	6,339,682
2.03.04	Revenue reserves	4,456,725	4,506,725
2.03.05	Retained earnings	475,415	0

(A free translation of the original in Portuguese)

Consolidated financial statements/statement of income

(R$ thousand unless otherwise stated)

1 - Code	2 - Description	Accumulated - current year 1/1/2018 to 3/31/2018	Accumulated – prior year 1/1/2017 to 3/31/2017
3.01	Net revenue from sales and services	1,363,325	1,365,122
3.02	Cost of goods and/or services	-490,551	-456,756
3.03	Gross profit	872,774	908,366
3.04	Operating expenses	-447,157	-459,883
3.04.01	Selling expenses	-275,095	-269,843
3.04.02	General and administrative expenses	-171,332	-189,212
3.04.04	Other operating income	-730	-828
3.04.04.02	Other operating income	-730	-828
3.05	Profit before finance result and taxes	425,617	448,483
3.06	Finance result	59,214	66,463
3.06.01	Finance income	69,904	90,851
3.06.02	Finance costs	-10,690	-24,388
3.07	Profit before taxation	484,831	514,946
3.08	Income tax and social contribution on net income	-9,416	-21,273
3.08.01	Current	-20,381	-45,050
3.08.02	Deferred	10,965	23,777
3.09	Net result of continued operations	475,415	493,673
3.11	Consolidated profit for the period	475,415	493,673
3.11.01	Attributable to the owners of the parent company	475,415	493,673
3.99	Earnings per share (reais/share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares	0.29000	0.30000
3.99.02	Diluted earnings per share		
3.99.02.01	Common shares	0.29000	0.30000

(A free translation of the original in Portuguese)

Consolidated financial statements/statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2018 to 3/31/2018	Accumulated – prior year 1/1/2017 to 3/31/2017
4.01	Consolidated profit for the period	475,415	493,673
4.03	Consolidated comprehensive income for the period	475,415	493,673
4.03.01	Attributable to the owners of the parent company	475,415	493,673

(A free translation of the original in Portuguese)

Consolidated financial statements/statement of cash flows - indirect method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2018 to 3/31/2018	Accumulated - prior year 1/1/2017 to 3/31/2017
6.01	Net cash provided by operating activities	11,484	147,672
6.01.01	Cash provided by operations	745,346	790,539
6.01.01.01	Profit before income tax and social contribution	484,831	514,946
6.01.01.02	Depreciation and amortization	102,223	102,739
6.01.01.03	Provision for doubtful accounts	160,831	158,508
6.01.01.04	Provision for tax, labor and civil losses	-20,998	-19,007
6.01.01.05	Recording (reversal) of provision for inventory losses	109	126
6.01.01.06	Financial charges on borrowings and debentures	5,789	19,016
6.01.01.07	Financial charges on acquisitions	345	4,210
6.01.01.08	Options granted	8,551	9,989
6.01.01.10	Result from the sale or write-off of non-current assets	3,665	12
6.01.02	Changes in assets and liabilities	-688,128	-597,817
6.01.02.01	(Increase) in trade receivable	-547,438	-468,335
6.01.02.02	(Increase) decrease in inventories	-672	889
6.01.02.03	(Increase) decrease in prepayments	21,278	8,930
6.01.02.04	(Increase) decrease in taxes recoverable	39,086	-2,277
6.01.02.05	(Increase) decrease in judicial deposits	-23,717	-2,938
6.01.02.06	(Increase) decrease in other assets	-30,628	-24,240
6.01.02.07	Increase (decrease) in trade payables	-42,044	-42,196
6.01.02.08	Increase (decrease) in labor liabilities	-43,278	-56,616
6.01.02.09	Increase (decrease) in tax liabilities	-21,256	-3,865
6.01.02.10	Increase (decrease) in advances from customers	-27,838	2,382
6.01.02.11	(Decrease) in taxes and contributions payable in installments	-7,314	-1,536
6.01.02.12	(Decrease) in tax, labor and civil provisions	-18,793	-21,649
6.01.02.13	Increase (decrease) in other accounts payable	14,486	13,634
6.01.03	Other	-45,734	-45,050
6.01.03.01	Income tax and social contribution paid	-39,818	-30,337
6.01.03.02	Interest on borrowings and debentures paid	-5,916	-14,713
6.02	Net cash used in investing activities	-111,651	-243,290
6.02.01	Redemption of (investment in) marketable securities	76,989	-149,410
6.02.02	Purchases of property and equipment	-72,850	-64,446
6.02.03	Additions to intangible assets	-58,051	-29,446
6.02.04	Acquisition of control, net of cash acquired	-7,700	-46
6.02.05	Receipt from disposal of non-current asset	-39	58
6.02.06	Write-off of capital reserve	-50,000	0
6.03	Net cash used in financing activities	-13,368	-47,134
6.03.01	Disposals of treasury shares	-16,552	4,389
6.03.02	Capital increase, net of issuance cost	53,565	0
6.03.04	Payment of borrowings	-50,381	-51,523
6.05	Decrease in cash and cash equivalents	-113,535	-142,752
6.05.01	Cash and cash equivalents at the beginning of the period	921,328	1,144,570
6.05.02	Cash and cash equivalents at the end of the period	807,793	1,001,818

(A free translation of the original in Portuguese)

Consolidated financial statements/statement of changes in equity - 1/1/2018 to 3/31/2018

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	4,363,825	6,337,176	4,506,725	0	0	15,207,726	0	15,207,726
5.03	Adjusted opening balances	4,363,825	6,337,176	4,506,725	0	0	15,207,726	0	15,207,726
5.04	Equity transactions with stockholders	53,565	-8,291	-50,000	0	0	-4,726	0	-4,726
5.04.01	Capital increases	53,565	0	0	0	0	53,565	0	53,565
5.04.02	Share issue expenditures	0	0	-50,000	0	0	-50,000	0	-50,000
5.04.03	Options granted	0	8,551	0	0	0	8,551	0	8,551
5.04.04	Treasury shares acquired	0	-18,131	0	0	0	-18,131	0	-18,131
5.04.05	Treasury shares sold	0	1,289	0	0	0	1,289	0	1,289
5.05	Total comprehensive income	0	0	0	475,415	0	475,415	0	475,415
5.05.01	Profit for the period	0	0	0	475,415	0	475,415	0	475,415
5.07	Closing balances	4,417,390	6,328,885	4,456,725	475,415	0	15,678,415	0	15,678,415

Consolidated financial statements/statement of changes in equity - 1/1/2017 to 3/31/2017

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	4,249,901	6,279,511	3,319,952	0	0	13,849,364	0	13,849,364
5.03	Adjusted opening balances	4,249,901	6,279,511	3,319,952	0	0	13,849,364	0	13,849,364
5.04	Equity transactions with stockholders	0	14,378	0	0	0	14,378	0	14,378
5.04.03	Options granted	0	9,989	0	0	0	9,989	0	9,989
5.04.04	Treasury shares purchased	0	4,389	0	0	0	4,389	0	4,389
5.05	Total comprehensive income	0	0	0	493,673	0	493,673	0	493,673
5.05.01	Profit for the period	0	0	0	493,673	0	493,673	0	493,673
5.07	Closing balances	4,249,901	6,293,889	3,319,952	493,673	0	14,357,415	0	14,357,415

(A free translation of the original in Portuguese)

Consolidated financial statements/statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2018 to 3/31/2018	Accumulated - prior year 1/1/2017 to 3/31/2017
7.01	Revenue	1,201,738	1,206,165
7.01.01	Revenue from sales of goods and services	1,363,325	1,365,122
7.01.02	Other revenue	-756	-449
7.01.02.02	Other revenue, net	-756	-449
7.01.04	Provision for doubtful accounts	-160,831	-158,508
7.02	Inputs purchased from third parties	-192,754	-181,612
7.02.01	Cost of sales and services	-1,805	-2,921
7.02.02	Materials, electricity, third-party services and other	-190,949	-178,691
7.03	Gross value added	1,008,984	1,024,553
7.04	Retentions	-102,223	-102,739
7.04.01	Depreciation, amortization and depletion	-102,223	-102,739
7.05	Net value added produced	906,761	921,814
7.06	Value added received through transfer	69,904	90,851
7.06.02	Finance income	69,904	90,851
7.07	Total value added to distribute	976,665	1,012,665
7.08	Distribution of value added	976,665	1,012,665
7.08.01	Personnel	370,666	363,629
7.08.01.01	Direct remuneration	258,585	250,486
7.08.01.02	Benefits	20,857	20,614
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	91,224	92,529
7.08.02	Taxes, fees and contributions	17,803	32,183
7.08.02.01	Federal	9,597	23,932
7.08.02.02	State	73	365
7.08.02.03	Municipal	8,133	7,886
7.08.03	Remuneration of third-party capital	112,781	123,180
7.08.03.01	Interest	10,690	24,388
7.08.03.02	Rentals	101,012	97,421
7.08.03.03	Other	1,079	1,371
7.08.04	Remuneration of own capital	475,415	493,673
7.08.04.03	Retained earnings	475,415	493,673

(A free translation of the original in Portuguese)

Comments on company performance

Belo Horizonte, May 11, 2018, Kroton Educacional S.A. (B3: KROT3; OTCQX: KROTY) – "Kroton" or "Company," announces today its results for the first quarter of 2018 (1Q18). 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.

MESSAGE FROM MANAGEMENT

As we wrote in one of our Messages from Management a few years back, we believe that people figure at the center of the educational process and that, at the end of the day, the most important agent in this process is the student.

Well, although not a new principle, the focus on our students has gained greater relevance as of the review of our strategic planning process concluded in the first quarter of this year. More than that, "Student Success" has consolidated itself as the structural pillar of all actions and decisions taken at the various levels of the organization as we strive to offer an exceptional experience in our different learning platforms. To us, Student Success is a combination of i) academic quality, ii) employability and iii) the student experience in all its dimensions (physical and digital experience, in the academic and administrative areas). That is what we seek relentlessly at Kroton, since our students' success is an essential condition for our sustainable growth.

With that in mind, in April, we held our annual meeting with around 450 leaders of the Company to disseminate our strategic guidelines and intensify all of the efforts to improve Kroton's position from the perspective of our students and other stakeholders. It was three intense days, filled with content and always highlighting that efficiency and a mindset guided by Student Success go hand in hand, and will be embraced by all the digital transformation initiatives that we are currently developing.

And, speaking of digital transformation, we have made extensive progress to date. We have approximately 150 professionals with IT and Business profiles already working and organized into 3 "trains" of agile deliveries. Another 150 professionals are being trained and reorganized into 3 new "trains," to be launched in June. By the end of the year, 100% of Kroton's system development teams will be working under a Scalable Agile Framework (SAFe) model to ensure complete alignment between the business and technology areas, which is an essential step on our digital transformation journey.

Meanwhile, we continue to advance in our strategy to promote structured organic growth. For the first student-recruiting process of 2018, we were able to implement 13 new units, of which ten are greenfield projects (all of which enjoyed successful student-recruiting and class-formation processes) and three are acquisitions of smaller institutions. Another 20 new units are already in the process of recruiting students for the second semester of 2018 and another 38 greenfield projects are currently being prepared to launch their recruiting processes for next year. So, we started with 115 units and will reach 186 on-campus units by the end of 2019, representing expansion of 62% in three years. In Distance Learning, the situation is no different, since we launched 300 new centers since August 2017 and will open another 100 for the recruitment process this second semester, reaching a total of 1,310 centers, or 44% more than in July 2017 (before the new regulatory framework). But our strategy is not just about opening a campus or center. We know there is a huge difference between obtaining authorization to open a unit and successfully implementing it. Today, the competitive advantage no longer lies in obtaining accreditation, but in the quality of the implementation process, which involves selecting the city, determining the best location in the city, selecting a partner, training local teams and monitoring, managing and supporting the administration of these units. This is the major competitive advantage for implementing new units, whether in the on-campus or distance learning segment, and the positive results achieved by Kroton's campuses and centers to date show that we are fully prepared to successfully deliver this organic growth.

Having at Kroton people who truly understand education certainly continues to help us make the right strategic decisions. That was the case of the acquisition of Unopar and the merger with Anhanguera, which were ideal partners for building the Company we are today. Likewise, we are convinced that the acquisition of a controlling interest in Somos Educação (Somos) by our holding company Saber, which was created exclusively to manage our Primary & Secondary Education assets, also has the potential to become a new milestone in our history. More than that, the operation represents a return to our origins, given that Kroton operated exclusively in the Primary & Secondary Education segment since its creation in 1966 up until 2001, when it first began offering programs in Postsecondary Education. But our determination to strengthen our presence in this segment at this time was a very conscious decision. Some two years ago, we decided to conduct a more in-depth study of this market and, after a comprehensive analysis, we began forming the management team and made the strategic decision to grow in the segment. Somos is, without a doubt, the best partner for this new milestone in our history. The transaction is subject to typical precedent conditions and must be submitted for analysis by Brazil's antitrust authority (CADE). If approved, the acquisition will enable the creation of an educational platform with relevant operations in various segments. Moreover, given the high degree of complementarity, we will be able to diversify our markets and revenue sources, opening up a new growth avenue.

In a country that so desperately needs Education to sustain its development and reduce inequality, we will continue to work tirelessly to do our part. To achieve that, we have over 26,000 employees who are fully engaged in transforming the lives of our students.

OPERATING PERFORMANCE

POSTSECONDARY EDUCATION

Evolution in Number of Students

The new enrollment and reenrollment processes at the start of the year were concluded with very positive results in both the On-Campus and Distance Learning businesses. The Company managed to register growth in both formats, despite the more challenging competitive scenario and persistently high unemployment rates. Moreover, it is worth noting that this performance was delivered despite the significant decrease in the offering of FIES student financing, which underscores the Company's resilience to deliver consistent and sustainable results. The result was supported by a combination of brand recognition, an efficient sales team, a balanced offering of installment products and an employability channel that has proven to be an important competitive advantage.

Overall, 322,800 new Undergraduate students were added, or 3.4% more than in the same period of 2017. This result reflects: (i) the new programs being launched in both the On-Campus segment (especially in medical and engineering fields) and Premium DL, which have helped to expand the product offering and addressable market; (ii) the offering of installment plans, including the Private Special Installment Plan (PEP) and Late-Enrollment Installment Program (PMT), which can be considered efficient student-recruiting tools; (iii) the good performance of new students paying out of pocket, which currently account for the majority of freshmen; and (iv) the new campuses and centers opened in recent months, which, despite their low significance in the first student-recruiting processes, will be important drivers of future growth.

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 4% from the same period last year, a level much lower than the increase in graduations which occurred before the start of this semester (+12% compared to 1Q17).

Considering only Graduate programs, the student base expanded 8.3% on the year-ago period, supported by the enrollment of almost 11,000 new students coming mainly from Distance Learning programs, which more than offset the significant number of graduations, of approximately 6,000 students in total. Bear in mind that the LFG brand also offers Graduate programs.

Considering these results, the Company ended the quarter with nearly one million Postsecondary students (Undergraduate and Graduate) in the On-Campus and Distance Learning segments combined, representing a slight reduction of 1.3% from the same period last year and demonstrating the resilience of Kroton's operations in a still-adverse scenario, with increased competition, economic uncertainty and a higher number of graduations. Compared to 4Q17, the student base expanded 13.8%, supported by the solid student-recruiting process at the start of the year. Broken down by teaching format, the On-Campus student base accounted for 42% of the total student base in the quarter, while the Distance Learning student base accounted for 58%.

Note that the admissions and reenrollment processes for the second semester of 2018 already have begun and that Kroton remains focused on maintaining its high academic standards, while strengthening its organic growth strategies, with the opening of new On-Campus units and new Distance Learning centers, besides strengthening its brands and sales actions to deliver growing results in student recruiting and retention.

Evolution of Undergraduate Dropouts

Dropout rates improved significantly in both segments. In On-Campus Education, the dropout rate stood at 11.2%, lower even than in 1Q15. In the Distance Learning segment, the dropout rate was 13.0%, down by nearly 200 bps compared to last year. These improvements directly reflect the expansion and consolidation of initiatives under the Retention Program, which include, for instance, retention teams available at all units and predictive dropout models that seek to better understand the profile of Kroton's students, aiming to identify and determine the dropout likelihood and treat the causes beforehand. Note that this decrease in dropout rates occurred despite the change in the profile of the student base in both segments, which makes the result in the period even more significant and reinforces the importance and success of the initiatives implemented to improve this indicator.

FIES

At the end of 1Q18, Kroton had 116,628 students enrolled with FIES financing, substantially fewer than in the same period of 2017, which confirms the lower share of FIES in recent student-recruiting cycles, as well as highlighting the higher number of graduations of seniors with FIES financing. To illustrate this behavior, in the latest student-recruiting cycle, FIES accounted for less than 3% of new enrollments in On-Campus Undergraduate programs and for only 1% of total Undergraduate new enrollments. Moreover, the number of graduations of FIES students before the start of this semester was one of the highest of recent years, which indicates that the program should account for a declining share of students over the coming years. As a result, the penetration of students with FIES financing decreased 10.8 p.p. from the previous year, accounting for 28.7% of the On-Campus Undergraduate student base, or 12.2% of the total Undergraduate student base.

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

At the end of 1Q18, Kroton had 61,605 students enrolled in PEP programs, of which 47,500 enrolled in PEP30 and 14,100 in PEP50. In the most recent student-recruiting process, 24,754 new students were enrolled using PEP plans (PEP30 and PEP50), representing approximately 21% of On-Campus new enrollments. This level was above that of the second semester of last year and is in line with the commercial strategy adopted for the segment.

Remember that Kroton adopts a conservative approach for revenue recognition and provisioning for PEP students, which includes Adjustment to Present Value (APV) of revenues and provisioning for bad debt equivalent to 50% of the amount paid in installments by PEP students, as has been done since the launch of the program.

PMT plans (or temporary PEP) are 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 payment of these installments occurs over the months following graduation and 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 this amount. 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.

Preparatory Courses (LFG), Unregulated Programs and Language Courses

Through the brand LFG, the Company offers preparatory courses for the examination of the Brazilian Bar Association (OAB) and for examinations for civil servant positions. Always positioned as a reference in preparatory courses, LFG registered an average of 29,518 students during 1Q18, which represents growth of 13.3% on the prior year. This is the best result presented by LFG in recent years, which demonstrates the efforts made recently to improve the operation as a whole.

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 1Q18, there were 12,365 students enrolled in these programs, down 13.7% from the previous year.

PRIMARY & SECONDARY EDUCATION

As part of the Company's expansion strategy already disclosed to the market, Kroton created "Saber," a holding company dedicated exclusively to the Primary & Secondary Education market. Saber will consolidate all of Kroton's current operations in the Primary & Secondary Education business, which include learning systems, operating own schools and managing schools for renowned corporations, as well as any future deals that the Company carries out in this segment, including asset acquisitions and their subsequent expansion through new units using the brand of the acquired asset. Note no alterations will be made to the educational projects of institutions under Saber, since they concentrate a large part of the value attributed to the brand.

Through the Pitágoras Network, which offers Learning Systems, including textbook collections, teacher training, education; assessments and other services to private schools in the Pre-School, Primary & Secondary Education, Saber serves a total of 687 Associated Schools and approximately 227,000 students in the private sector, which represent increases of 2.2% and 3.1% compared to last year, respectively.

In April, Saber concluded its first acquisition, of Centro Educacional Leonardo Da Vinci ("CELV"). Founded in the 1990s and located in Vitória, Espírito Santo, CELV has unique facilities and serves 1,311 students (December 2017 base), 71% of whom are enrolled in full-time programs. With a strong focus on quality, CELV placed first in the state's ENEM examination for six times in recent years, and offers a bilingual program from pre school to secondary school, including the option of a high school diploma that facilitates acceptance by U.S. universities.

More recently, on April 22, Saber announced the signing of an agreement to acquire a controlling interest in Somos Educação S.A., which has complementary operations, offering a wide array of high-quality products and services in Primary & Secondary Education, including high schools, learning systems, textbooks, publishing houses and language courses. With the acquisition, Saber will serve 37,000 students in own schools, 25,000 students in language courses, 1.2 million students in private schools served by learning systems, and reach 33 million students in public schools through the National Textbook Program (PNLD). Saber will also become an important community of teachers who use its products and services in Brazil, with approximately 85,000 professionals working in private schools and 1.7 million teachers in public schools.

Saber will be responsible for renowned teaching institutions, such as Pitágoras, PH, Anglo, Red Balloon, and publishing houses, such as Ática, Scipione and Saraiva, among others, with a nationwide presence in all Brazilian states.

The consummation of the transaction is subject to evaluation and prior approval by Brazil's antitrust authority (CADE). Until all due validations are obtained and the operation is approved by the regulatory agency, the companies will continue to operate independently.

FINANCIAL PERFORMANCE

Revenue and Deductions

Deductions

In 1Q18, deductions corresponded to 22.4% of gross revenue, increasing 0.9 p.p. compared to the year-ago period, which is explained by the larger base of ProUni students in the On-Campus and Distance Learning segments verified in the last two student-recruiting processes. This situation offset the decrease in charges related to FIES, given the reduction in the FIES student base and the lower volume of discounts granted at the start of this year in the On-Campus and Distance Learning segments. In the Primary & Secondary Education segment, there was a higher volume of returns, due to process problems verified soon after the strong commercial activity of the previous quarter. However, note that these problems were systemic and not related to the physical return of materials or to dissatisfaction with the product. Furthermore, this is a non-recurring impact that should not affect future quarters.

Net Revenue

Net revenue came to R$1,363.3 million in the first quarter of 2018, virtually stable compared to the previous year. In the On-Campus Postsecondary segment, net revenue was practically stable compared to the same period of 2017, due to the lower revenue from the On-Campus Undergraduate segment being offset by the stronger performance of the Graduate segment. The lower revenue from the Undergraduate segment in the quarter is explained by the lower number of students given the increase in graduations of students admitted during the strong student-recruiting processes of 2013 and 2014, and by the change in the profile of our student base. Note that most graduations were of FIES students and that the volume of PEP plans decreased in the latest student-recruiting cycles, which adversely affected the comparison of product revenue. Also contributing to this performance was the divestment of the units FAIR, FAC/FAMAT and Novatec in late 2017. On the other hand, it is important to mention the revenue posted by the Late-Enrollment Installment Program (PMT), which has been helping the Company to reduce the total volume of discounts granted. Note also that the decrease in revenue was significantly lower than the decrease in the student base, which is explained by the continued shift in the program mix towards more-premium programs by the Company, with positive impacts on the segment's average ticket. In the Distance Learning Postsecondary segment, net revenue amounted to R$262.3 million in 1Q18, an increase of 0.5% from the same quarter of 2017, reflecting the solid new enrollment and re-enrollment processes at the start of the year, the higher number of new DL centers and the positive effect from the expanded offering of Premium DL programs, which accounted for 10% of all new students in the process at the start of this year. These factors offset the sharp increase in competition in the segment and the higher number of students enrolled in 100%-online programs, which have lower tuitions than programs in the once a week model. Lastly, in the Primary & Secondary Education segment, net revenue in 1Q18 was R$36.0 million, down 3.7% from the same period of 2017, given the anticipation of sales to the previous quarter, given the very strong commercial activity in 4Q17.

Costs

Cost of goods and services corresponded to 36.0% of net revenue, up 2.5 p.p. from 1Q17, mainly due to the higher costs associated with the Company's growth projects, with significant expansion in the number of new units in recent months. This ends up creating additional costs related to both faculty and rent, which are the On-Campus segment's main expenses. Although all the efficiency levers are functioning fully, it is only natural to assume that pressures from growth projects will adversely affect results in the short term in the On-Campus segment. However, initiatives related to the implementation of the operational research (OR) software, combined with increased efficiency of faculty allocation and facilities usage and the negotiations related to strategic sourcing, continue to be key factors for maintaining a streamlined cost structure for the On-Campus segment. In the Distance Learning segment, costs as a ratio of net revenue decreased, mainly due to the optimization of the online tutoring process last year to improve the service offered to students, the quality of responses and the productivity of the operation. Furthermore, the expansion in the base of 100%-online students also had a positive impact on faculty costs in the Dl segment, since their cost structure is lower than that of the once a week model. Also, efficiency gains were captured by projects related to strategic sourcing and by economies of scale in recent years. Lastly, the Primary & Secondary Education segment also presented efficiency gains, showing that the Company has been able to manage its distribution logistics more efficiently.

Gross Income

Gross income came to R$872.8 million in the quarter, with gross margin of 64.0%, down 3.9% and 2.5 p.p. from 1Q17, respectively, reflecting the impacts from higher costs associated with the Company's organic expansion project, with a growing number of units that will serve as important value generation levers for the Company in the medium term.

Operating Expenses

Selling Expenses

Selling expenses include expenses with the sales team, advertising and marketing, copyrights and the Provision for Doubtful Accounts (PDA). In 1Q18, these expenses corresponded to 20.2% of net revenue, up 0.4 p.p. on the prior-year period, given the impact from the slight increase in PDA, which in turn was mainly due to: (i) the higher share of the Company's installment plan, PEP, for which provisioning corresponds to 50% of installments; (ii) the growth in the base of 100%-online students, which are more likely to drop out; and (iii) the pressure from still-high unemployment rates. Note that PDA for On-Campus Out-Of-Pocket Students was stable in relation to both the prior quarter and same quarter last year, demonstrating the more sustainable behavior of the student base, which is in line with the positive trend observed last quarter.

General and Administrative Expenses

General and administrative expenses mainly include expenses with administrative personnel, consulting services, travel, outsourcing and other. In 1Q18, these expenses corresponded to 12.6% of net revenue, improving 1.3 p.p. from the same period last year, which is explained by the initiatives to streamline the workforce in the Distance Learning and Primary & Secondary Education segments with the goal of capturing operating efficiency gains, which offset the increase in headcount to support the higher number of campuses and DL centers, following the robust organic expansion project announced by the Company, as well as by the lower reversal of contingencies compared to the previous year.

Other Operating Income (Expenses)

Other operating expenses came to R$730 thousand in 1Q18, corresponding to 0.1% of net revenue, stable in relation to the prior-year period.

Financial Result

Since the end of 2016, Kroton has been holding a significant cash balance, which has had a direct positive impact on the line 'interest from financial investments'. However, the lower financial income compared to 1Q17 reflects the significant decline in interest rates in recent months. This effect more than offset the impact that the reduction in interest rates also has on the line interest on loans, leading the Company's financial result to amount to R$59.2 million in 1Q18, down 10.9% from the same period of 2017.

Net Income (Loss)

Adjusted net income (adjusted for the amortization of intangible assets, nonrecurring events and taxes related to the recent divestments) amounted to R$539.0 million, with adjusted net margin of 39.5%, down 2.7 p.p. from the same period of 2017. The factors behind this performance include the recent asset divestments and the higher levels of depreciation of investments in the production of content and technology, which have higher depreciation rates and shorter depreciable useful lives, as well as the lower financial result in the period. These effects were partially offset by the efforts to increase the Company's efficiency, with increasingly austere management of costs and expenses.

Capital Expenditure

In 1Q18, Kroton invested R$101.5 million, allocated as follows:

- Information technology and library equipment: R$7.1 million (7%);
- Content and systems development and software licenses: R$39.1 million (30%);
- Laboratory and related equipment: R$21.2 million (21%);
- Expansions – construction and improvements: R$34.2 million (34%).

At the start of the year, investments corresponded to 7.4% of net revenue, mostly allocated to expansion projects, including works and improvements at existing units to better prepare them for the start of the academic year and for the shift in the program portfolio being implemented by the Company. Another large portion of expenditures was made in content and system development and in software licensing, which accounted for 30% of the total.

Kroton has also been investing in special projects related to infrastructure expansion and implementation of new units, which came to R$13.3 million in 1Q18. Therefore, total investment as a ratio of net revenue stood at 8.4% in the quarter. Despite the lower investments in the period, it is important to highlight that this behavior is seasonal and an acceleration of expenditures is expected over the course of the coming quarters to reach a ratio of CAPEX to net revenue that is closer to the consolidated levels seen at the end of 2017, in line with the strategy to accelerate expansion projects.

Net Debt

At the end of 1Q18, total cash and financial investments amounted to R$1,542.7 million, down 11.0% from the previous quarter, reflecting the stock repurchases at the start of the year, in addition to the payment of dividends relating to 4Q17 and of a portion of the Company's debentures, in the amount of R$50 million (or R$54.4 million including interest and charges). Net cash generation stood at R$1,289.4 million in 1Q18, increasing 49.9% from the same period in 2017, driven by the solid cash generation in the previous quarters. Considering all short-term and long-term obligations, which include taxes and contributions paid in installments and the obligations and rights related to the acquisitions, Kroton ended the period with net cash of over R$1.1 billion. Total long-term obligations include amounts related to the installment payments for acquisitions, especially those for Uniasselvi, which are being repaid in six annual installments since 2013. In addition, it is important to remember that Kroton also has short-term and long-term receivables that will have a positive impact on its cash in the coming years. These receivables include both the short-term accounts receivables corresponding to one of the installments from the sale of Uniasselvi and 50% of the FIES installments not paid in 2015, which will be credited in August 2018 (impacting 3Q18), and the long-term accounts receivables related to the remaining 4 installments of the payment for Uniasselvi adjusted to present value (excluding the earn-out amounts) that will be received annually until 2022, as well as the proceeds from the divestment of FAIR, FAC/FAMAT and NOVATEC. Therefore, adding all short-term and long-term receivables, the net cash balance was even more robust, surpassing R$2.0 billion and placing Kroton in a unique position in terms of its capital structure and prepared to advance in its growth projects.

Cash Flow

The Company's Free Cash Flow stems from cash flow from operating activities - derived from net income adjusted for all noncash effects in the profit and loss and comprises all variations in working capital, taxes paid (income tax and social contribution) and investments made (ex-acquisitions) - and from cash flow from non-operating activities, which includes all financial flows not related to the operations.

As a result, operating cash generation before CAPEX was negative R$23.7 million in 1Q18, mainly due to the postponement of the start of the FIES re-enrollment process compared to 1Q17, leading to lower revenue being received in this quarter. Furthermore, the result was affected by higher payments in January compared to December due to the implementation of collective vacations, which led to stricter payment dates and temporarily increased the Company's average payment term. Lastly, the result was adversely affected by the higher number of students using installment plans and by the repurchases in the quarter. Compared to the prior quarter, the decline is even more significant, since that period recorded an additional installment of FIES payments, coupled with the impacts from the expanded offering of installment plans in the student-recruiting process at the start of the year. Adding disbursements for capex and special projects, operating cash generation was negative R$138.6 million, which resulted in a cash flow which was also negative, by R$190.4 million.

Note that the first quarters of 2015 and 2016 also presented negative cash generation, which was aggravated by the receipt of one fewer FIES installment. Moreover, note that the expectation is for FIES re-enrollments to stabilize already by next quarter, which should significantly improve cash generation in 2Q18 and 3Q18. If, on the hand, the impact from the offering of installment plans will continue to adversely affect working capital, on the other hand, the Company has significant cash receivables this year (final FIES installment under PN23), of R$376.7 million, which should lead to a level of cash generation before capex of special projects in 2018 similar to what was presented in 2017.

CAPITAL MARKETS AND SUBSEQUENT EVENTS

STOCK PERFORMANCE

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

The stock was traded in 100% of trading sessions during 1Q18, registering financial trading volume of R$10.2 billion and 1,244,016 trades in the period, which represents average daily trading volume of R$170.4 million. On March 31, 2018, Kroton's market capitalization was R$22.4 billion.

In the first quarter of 2018, Kroton's stock price fell 26.1%, while the Bovespa Index (Ibovespa) appreciated by 11.7%. In the same period, the IGC and ITAG gained 6.8% and 9.2%, respectively. Meanwhile, the ICON fell 2.9% in the quarter. Kroton stock is currently covered by research analysts at 13 different local and international institutions.

SHARE BUYBACK PROGRAM

On June 28, 2017, the Company approved its 6th share buyback program, with a duration of 18 months and a limit of shares to be acquired of 48,773,702, equivalent to 3% of the free-float on said date. Since the launch of the program through April 30, 2018, a total of 13,767,400 common shares issued by the Company were repurchased at an average price of R$13.83 per share, representing 28.2% of the limit established by the program.

OWNERSHIP STRUCTURE

After the most recent capital increases approved in 2017, Kroton's share capital is divided into 1,644,248,206 common shares.

DIVIDENDS

In a Meeting held on May 11, 2018, the Board of Directors approved the distribution of dividends related to the results for the first quarter of 2018 in the amount of R$180.7 million, which will be calculated towards the minimum mandatory dividend for 2018 and corresponds to R$ 0.1107914697 per common share and to 40% of adjusted net income, after deduction of the legal reserve. Shareholders of record at the close of trading on May 18, 2018 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 1Q18, Kroton had 997,000 students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 128 Postsecondary units and

Comments on company performance

its 1,210 Distance Learning centers. It also offers Preparatory Courses under the brand LFG. In Primary & Secondary Education, its main business is offering Learning Systems, which in 2018 serves 687 private schools in the country.

1. GENERAL INFORMATION

Kroton Educacional S.A. ("Company", "Parent company" or " Kroton "), headquartered at Rua Santa Madalena Sofia, 25, in the City of Belo Horizonte, State of Minas Gerais, and its subsidiaries (together, the "Group") are mainly engaged in offering in-class and distance-learning higher education and post-graduate courses; managing child, K-12 and high school teaching activities; selling textbooks and learning aids, and licensing teaching and pedagogic products, in addition to technical and preparatory courses for civil service examinations and Brazilian Bar Association (OAB); advising and/or offering the possibility of direct and indirect financing for students, developing software for adaptative teaching and optimizing academic management.

The Group has 21 companies, including Kroton Educacional S.A., of which 11 maintain higher education institutions, being: 10 constituted as limited liability corporate entities and 1 as a corporation, and comprising 119 Higher education units, present in 15 Brazilian states and 74 cities, in addition to 1,111 Distance Learning Graduation Centers, accredited by the Ministry of Education and Culture (MEC), located in all the Brazilian states and the Federal District. The Company also counts on more than 870 associated Basic Education schools all over Brazil.

The Company is listed on BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros, in the special segment named New Market, under ticker symbol KROT3, where its common shares are traded.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING PRACTICES

The Company presents its parent company and consolidated quarterly information in accordance with the accounting standard CPC 21, Interim Financial Reporting, issued by the Brazilian Accounting Pronouncements Committee (CPC), and with IAS 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as the standards issued by the Brazilian Securities Commission (CVM).

Based on Management's evaluation of the significant impacts of the information to be disclosed, the explanatory notes listed below are not being presented.

- Summary of significant accounting policies:
- Accounting estimates and judgments;
- Insurance.

The other notes are presented to permit a perfect understanding of this quarterly information if read in conjunction with the explanatory notes in the financial statements at December 31, 2017.

No material changes were made in the accounting policies to those disclosed in the financial statements for the year ended December 31, 2017, except with regard to the adoption of IFRS 15, "Revenue from Contracts with Customers" and IFRS 9, "Financial Instruments". Changes in accounting policies that arise from the adoption of IFRS 15 and 9 started to be applied since January 1, 2018 and generated no effects on the measurement of the Company's balances.

(All amounts in thousands of reais unless otherwise stated)

The issue of the parent company and consolidated interim accounting information was approved by the Board of Directors in a meeting held on May 11, 2018.

2.1. RESTATEMENT OF COMPARATIVE FIGURES

In 2017, reclassifications were identified in the quarterly information for the period ended March 31, 2017 referring to the classification and disclosure of the Financial Bills (LF), Financial Treasury Bills (LFT) and National Treasury Bills (LTN).

The Company and its management reviewed the classifications of its financial investments and concluded that the National Treasury Bills, Financial Bills and Financial Treasury Bills should be classified as marketable securities. This conclusion results from the fact that the Government is not obliged to repurchase, which when performed before maturity, occurs only in the secondary market, therefore, not in compliance with the immediate liquidity requirement.

	3/31/2017		
	Original balance	Reclassifications	Reclassified balance
Cash flows			
Cash and cash equivalents at the beginning of the period	1,343,982	199,412	1,144,570
Cash and cash equivalents at the end of the period	1,350,293	(348,475)	1,001,818
Redemption of (investment in) marketable securities	-	149,063	(149,063)
		-	

2.2. NEW STANDARDS, AMENDMENTS TO AND INTERPRETATIONS OF STANDARDS

(iii) IFRS 16 - Leases

It was approved and issued by the International Accounting Standards Board (IASB). IFRS 16, "Leases", effective as from January 1, 2019. This standard is not yet in effect and has not been adopted by the Company as early adoption has not been implemented in Brazil. Management is assessing the possible impacts of the adoption of IFRS 16.

(All amounts in thousands of reais unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

The Company's management assesses financial risk on a Group basis.

3.1. Financial risk factors

The Company's activities expose it to financial risks: market risk, credit risk and liquidity risk.

The Company's management and the Board of Directors supervise the administration of such risks in line with the objectives defined in the capital management policy.

There were no significant changes in relation to financial risks since the financial statements at December 31, 2017.

a) Market risk - cash flow interest rate risk

There were no significant changes in comparison with the year ended December 31, 2017.

Interest rates contracted are as follows:

TABLE 3 - Contracted interest rates

			Consolidated
	3/31/2018	12/31/2017	Interest rate
Borrowings			
Leasing	35,377	37,221	IPCA
Leasing - Equipment and Other	32	126	6.7% p.a.
Debentures	217,964	266,534	100% of the CDI + interest of 1.5% to 2% p.a.
Accounts payable for acquisitions	67,163	66,262	Interbank Deposit Certificate (CDI)
Accounts payable for acquisitions	54,353	44,954	IPCA
Accounts payable for acquisitions (i)	12,032	11,570	Other
Total	386,921	426,667	

(i) This refers mainly to the acquisitions subject to the Special System for Settlement and Custody (SELIC) rate.

b) Credit risk

There were no significant changes in comparison with the year ended December 31, 2017.

c) Liquidity risk

There were no significant changes in comparison with the year ended December 31, 2017. The table below analyses the Company's financial liabilities by maturity range, corresponding to the remaining period of the security or liability.

TABLE 3.1 - Financial liabilities by maturity range Consolidated

(All amounts in thousands of reais unless otherwise stated)

				Consolidated
	Less than 1 year	1 and 2 years	Over 2 years	Total
At March 31, 2018				
Suppliers	272,241	-	-	272,241
Borrowings	2,397	2,501	30,511	35,409
Debentures	175,464	42,500	-	217,964
Accounts payable for acquisitions	114,220	7,731	11,597	133,548
	564,322	52,732	42,108	659,162

TABLE 3.2 - Financial liabilities by maturity ranges - Projected Consolidated

				Consolidated
	Less than 1 year	1 and 2 years	Over 2 years	Total
At March 31, 2018				
Suppliers	272,241	-	-	272,241
Borrowings	2,397	2,826	34,477	39,701
Debentures	242,290	48,025	-	290,315
Accounts payable - acquisitions	114,220	8,736	13,105	136,061
	631,148	59,587	47,582	738,317

The balances in Table 3.2 reflect the balances payable of principal and interest and monetary adjustment up to the last installment and, therefore, they do not reflect the balances presented in the related notes for the period ended March 31, 2018.

3.2. Capital management

The main objectives of the Company's capital management are to safeguard its ability to continue as a going concern, offer good returns to stockholders and reliability to other stakeholders and to maintain an optimal capital structure with a focus on reducing cost and maximizing the return to stockholders.

To maintain or adjust the capital structure, the Company could revise the policy to pay dividends and return capital to stockholders, issue new shares or buy back shares.

At March 31, 2018, the Company's capital structure was aimed at promoting its growth strategy, whether organically or through acquisitions. The investment decisions consider the expected return potential.

The gearing ratios are as follows:

TABLE 3 - Calculation of the gearing ratios

		Consolidated
	3/31/2018	12/31/2017
Borrowings, debentures and accounts payable due to acquisitions (i)	(386,921)	(426,667)
Cash and cash equivalents and marketable securities - current and non-current	1,542,745	1,733,269
Net cash	1,155,824	1,306,602
Equity	15,678,415	15,207,726
Gearing ratio	-7.37%	-8.59%

(All amounts in thousands of reais unless otherwise stated)

(i) See composition shown in Note 3.1 (a) of borrowings, debentures and accounts payable due to acquisitions.

3.3. Sensitivity analysis

The following table presents the sensitivity analysis of the financial instruments, describing the risks that could generate losses to the Company, according to the assessment made by management, considering for a period as the most probable basic scenario in a 12-month horizon, the following projected rates: CDI - 8.49% and IPCA - 3.95% p.a. Additionally, two other scenarios are shown to present, respectively, a 25% and 50% deterioration of the risk variable considered.

Management believes that, because it has a net positive cash scenario, that is, a higher amount of financial investments than bank debts, the best scenario to represent a deterioration in the Company's position is a reduction of CDI accompanied by a decrease in the IPCA rate. In summary, to facilitate the interpretation, we presented the sum of the total variations.

TABLE 4 - Sensitivity analysis

					Consolidated
	Exposure at the base date 3/31/2018	Risk	Probable	Possible scenario -25%	Remote scenario -50%
Financial investments and marketable securities	1,542,745	Reduction of the CDI	130,933	98,200	65,466
Debentures and accounts payable linked to the CDI	(285,127)	Reduction of the CDI	(24,199)	(18,149)	(12,099)
Accounts payable linked to the IPCA	(89,730)	Reduction of the IPCA	(3,544)	(2,658)	(1,772)
	1,167,888		103,190	77,393	51,595

Source: IPCA from Focus report of the Central Bank of Brazil (BACEN) and CDI, in accordance with the reference rates of the São Paulo Commodities, Futures and Stock Exchange (BM&F), both available on the websites of the respective institutions.

4. FINANCIAL INSTRUMENTS BY CATEGORY

The market value of financial assets and liabilities was determined based on available market information and appropriate valuation methodologies for each situation. However, significant judgment is required to interpret market data and produce the most appropriate estimates of realizable values. Consequently, the estimates below do not necessarily indicate the amounts that could be realized in the current market. The use of different market inputs and/or valuation methodologies could have a material impact on the estimated fair value.

(All amounts in thousands of reais unless otherwise stated)

TABLE 5 - Financial instruments

						Consolidated
			3/31/2018			12/31/2017
Assets as per balance sheet	**Loans and receivables**	**Fair value through profit or loss**	**Total**	**Loans and receivables**	**Fair value through profit or loss**	**Total**
Cash and cash equivalents	807,793	-	807,793	921,328	-	921,328
Marketable securities	-	734,952	734,952	-	811,941	811,941
Other receivables	2,457,824	-	2,457,824	2,040,890	-	2,040,890
	3,265,617	734,952	4,000,569	2,962,218	811,941	3,774,159

						Consolidated
			3/31/2018			12/31/2017
Liabilities as per balance sheet	**Liabilities at fair value through profit or loss**	**Other financial liabilities**	**Total**	**Liabilities at fair value through profit or loss**	**Other financial liabilities**	**Total**
Borrowings	-	35,409	35,409	-	37,347	37,347
Debentures	-	217,964	217,964	-	266,534	266,534
Trade and other payables, excluding legal obligations	-	445,292	445,292	-	469,188	469,188
	-	698,665	698,665	-	773,069	773,069

The Company's financial assets and liabilities at March 31, 2018 are recorded in the balance sheet at amounts that are consistent with those prevailing in the market.

The carrying amounts and market values of financial instruments are similar, except for debentures. In the period ended March 31, 2018, the total carrying amount of the debentures was R$ 217,964 and the fair value was R$ 199,937 (R$ 244,670 at December 31, 2017).

5. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

TABLE 6 - Credit quality of financial assets

		Consolidated
	3/31/2018	12/31/2017
Trade receivables (Note 8)		
Group 1 - higher education	3,456,437	2,995,692
Group 2 - basic education	72,788	79,788
	3,529,225	3,075,480

Trade receivables in Group 1 are mainly comprised of individual customers, linked to the rendering of graduation services and debt negotiation. The risk of this group is managed in accordance with the aging of debts, and segregate students per type of product and profile: Student Financing Fund (FIES) and Private Special Installment Plan (PEP), for example. Trade receivables in Group 2 are mainly comprised of sales of products to legal entities (companies), which are subject to a credit analysis for approval.

(All amounts in thousands of reais unless otherwise stated)

	Consolidated	
Cash and cash equivalents (Note 6)	3/31/2018	12/31/2017
AAA	6,193	1,144
AA+	12,678	60,166
A+	741,615	-
AA (i)	-	845,743
A	8	61
A-	46,876	13,884
Not applicable	423	330
	807,793	921,328
Marketable securities (Note 7)		
AAA	121,865	51,421
AA+	27,623	
A+	555,620	3,240
AA (i)	-	733,243
Not applicable	29,844	24,037
	734,952	811,941

(i) The variation in the classification of balances between periods is attributed to the changes in ratings by risk-rating agencies Fitch Ratings and Standard & Poor's (S&P).

6. CASH AND CASH EQUIVALENTS

TABLE 7 - Composition of cash and cash equivalents

	Parent company		Consolidated	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Cash				
Current account	84	133	257	294
	84	133	257	294
Financial investments				
Fixed-income fund	-	-	5,862	11,456
OPCM - Repurchase Operation	-	-	260,739	133,970
National Treasury Note (NTN)	197,027	200,437	482,279	713,176
Bank Deposit Certificate (CDB)	-	-	58,656	62,432
	197,027	200,437	807,536	921,034
	197,111	200,570	807,793	921,328

The Company has short-term investments with high liquidity and immaterial risk of change in value. A significant portion of these investments is carried out through wholly-owned funds. Financial investments presented an average gross yield of 99.46% of CDI at March 31, 2018 (100.79% of CDI at December 31, 2017).

(All amounts in thousands of reais unless otherwise stated)

7. MARKETABLE SECURITIES

TABLE 8 - Composition of marketable securities

		Consolidated
	3/31/2018	12/31/2017
National Treasury Bills (LTN)	9,248	34,746
Financial Bills (LF)	171,186	48,977
Financial Treasury Bills (LFT)	554,518	728,218
	734,952	811,941
Current	728,138	805,212
Non-current	6,814	6,729
	734,952	811,941

The average gross profitability of the marketable securities is 99.46% of the CDI at March 31, 2018 (December 31, 2017 - 100.79% of CDI).

8. TRADE RECEIVABLES

a) Composition

TABLE 9 - Composition of trade receivables

		Consolidated
	3/31/2018	12/31/2017
Higher education (i)	3,456,437	2,999,080
Basic education	72,788	79,788
	3,529,225	3,078,868
Provision for impairment of receivables		
Higher education	(1,060,704)	(990,635)
Basic education	(3,610)	(4,095)
	(1,064,314)	(994,730)
Trade receivables, net	2,464,911	2,084,138
Adjustment to present value (ii)	(181,833)	(187,667)
	2,283,078	1,896,471
Current	1,789,753	1,448,662
Non-current (iii)	493,325	447,809
	2,283,078	1,896,471

(i) Basically comprised of monthly tuition fees overdue or falling due of students, FIES, and students with installment receivable.

(ii) The adjustment to present value (APV) is calculated on the amounts of revenue recognized every month, which maturity date is in future periods, mainly for the products used by students who benefit from the Private Special Installment (PEP) or the Late Enrollment Installment (PMT). The weighted average rate used to discount the amounts was 2.86% during the quarter.

The reversal of the APV constituted in the month of the revenue may occur in two different manners: a) through the natural evolution of the agreements over the time, that is, every month the proportional amount related to the month is reversed, originating a positive impact on the result; and b) in the event of student dropout, which, in accordance with the agreement signed, allows the Company to charge in advance the debt balance, in this case, the APV balance is fully reversed. The FIES-PN23 balances receivable were recorded at present value in 2015 and, every month, the corresponding APV is reversed.

(iii) Accounts receivable from PEP and from the renegotiation of monthly higher education fees with maturities above 365 days, net of the adjustments to present value.

The increase in accounts receivable is basically due to the increase in the investment of the installment products in the Company's revenue, such as PEP and PMT, in which part of the payment is only made after completion of the course. Similarly, the provision for doubtful accounts linked to these products also increased, since the Company's policy is to make a provision of 50% of the amount divided into installments, net of the adjustments to present value.

The information related to FIES, PN23 and PEP, as well as the related criteria of the Provision for doubtful accounts and write-offs did not change; they can be consulted, for obtaining further details, in the financial statements for the year ended December 31, 2017.

At March 31, 2018, the receivables from FIES, net of the Provision for doubtful accounts and the adjustment to present value, amounted to R$ 797,150 (R$ 532,209 at December 31, 2017, including the balance of PN23).

(All amounts in thousands of reais unless otherwise stated)

b) Analysis of maturities

TABLE 10 - Maturities of trade receivables

		Consolidated
	3/31/2018	12/31/2017
Not yet due (i)	2,809,878	2,368,262
Past due		
Up to 30 days	167,019	126,868
From 31 to 60 days	95,173	112,281
From 61 to 90 days	23,748	99,643
From 91 to 365 days	433,407	371,814
Total past due	719,347	710,606
Provision for impairment of receivables	(1,064,314)	(994,730)
Adjustment to present value	(181,833)	(187,667)
	2,283,078	1,896,471

c) Provision for doubtful accounts and write-offs.

The Company recognizes the Provision for doubtful accounts on a monthly basis, by analyzing the receivables and the related composition per default range and by calculating the recovery performance. According to this methodology, each default range is assigned a percentage of loss likelihood, which is provided for on a recurring basis.

TABLE 11 - Changes in provision for the impairment of trade receivables

		Consolidated
	3/31/2018	12/31/2017
Opening balance	(994,730)	(605,945)
Addition from acquiree	-	(2,710)
Write-off against trade receivables	91,247	197,105
Constitution	(160,831)	(583,180)
Closing balance	(1,064,314)	(994,730)

When the default exceeds 365 days, the receivable is written off. Collection efforts continue to be made, even for the receivables that have been written off, and the related collected amounts are directly recognized in the result when received.

(All amounts in thousands of reais unless otherwise stated)

9. ACCOUNTS RECEIVABLE FOR THE SALE OF SUBSIDIARIES

TABLE 12 - Accounts receivable for the sale of subsidiaries

	Consolidated	
	3/31/2018	12/31/2017
UNIASSELVI	532,276	528,549
FAC	31,809	27,353
FAIR	18,168	15,623
	582,253	571,525
Current	125,947	124,634
Non-current	456,306	446,891
	582,253	571,525

10. OTHER RECEIVABLES

TABLE 13 - Composition of other accounts receivable

	Consolidated	
	3/31/2018	12/31/2017
Prepaid expenses (i)	40,714	11,730
Receivables of acquired companies (ii)	81,226	81,265
Sale of real estate and other subsidiaries (iii)	22,217	21,880
Other	30,929	29,544
Total	175,086	144,419
Current	104,782	74,016
Non-current	70,304	70,403
	175,086	144,419

(i) Mainly comprised of: R$ 14,793 - marketing expenses; and R$ 21,923 - prepayment of Real Estate Tax (IPTU) expenses.

(ii) The subsidiary Anhanguera Educacional S.A recorded an asset as a result of the contractual rights of reimbursement from the former owners of Academia Paulista Anchieta Ltda. (APA), in the restated amount of R$ 46,027, referring to the Services Tax (ISS) balance payable in installments through the Installment Payment Incentive Program (PPI) and R$ 10,998 referring to a tax foreclosure, which is in progress in the 2nd Court of the Public Treasury, resulting from an educational agreement entered into in the 90s between APA and the Municipality of São Bernardo do Campo, whose debt originated from the absence of approval of the municipal accounts by the Accounting Court.

The subsidiary Unime LF has R$ 2,400 receivable from former owners, referring to the payment in installment of the Tax Recovery Program (REFIS) taxes. The other subsidiaries together have a balance of R$ 21,770, mainly arising from taxes and lawsuit losses paid, guaranteed by the former owners.

(All amounts in thousands of reais unless otherwise stated)

(iii) Comprised of: R$ 4,493 of the remaining balance for the sale of Colégio Anchieta, entered into in 2012 through the subsidiary Anhanguera Educacional Ltda., which will be received in installments, the last of which in December 2021; R$ 4,248 receivable for the sale of subsidiary Suesc (Sociedade Unificada de Ensino Superior e Cultura), in April 2011, linked to the remaining balance of the ISS tax liability, according to the final decision to be sentenced as regards the tax foreclosure proceeding claimed in court by the Municipality of Rio de Janeiro. If favorable, the Company will be entitled to receive from the purchaser the amount agreed by the parties and, therefore, may reverse the liability. If unfavorable, the Company will pay the difference between the price defined in the agreement and the value of the matter in controversy; R$ 2,760 referring to the sale of subsidiary FCR (Faculdade Cândido Rondon); R$ 2,477 of the remaining balance referring to the sale of a property located in the city of São Paulo; R$ 2,860 referring to the sale of a property located in the city of Santo André; and R$ 1,139 referring to the sale of the subsidiary FAUSB (Faculdades Integradas Desembargador Sávio Brandão).

11. PROPERTY AND EQUIPMENT

TABLE 16 - Changes in property and equipment

Consolidated

	IT equipment	Furniture, equipment and fittings	Library	Buildings and improvements	Property and equipment in progress	Land	Total
At December 31, 2017	89,512	347,898	154,086	1,168,463	71,724	99,779	1,931,462
Additions	5,043	23,750	6,449	-	37,608	-	72,850
Disposals	(943)	(458)	(1,410)	-	(440)	-	(3,251)
Depreciation	(8,501)	(11,726)	(6,135)	(13,583)	-	-	(39,945)
At March 31, 2018	85,111	359,464	152,990	1,154,880	108,892	99,779	1,961,116
Annual average depreciation rate	30%	11%	10%	4%	-	-	

(All amounts in thousands of reais unless otherwise stated)

12. INTANGIBLE ASSETS

TABLE 17 - Composition of intangible assets

						Consolidated
	Software	Internal projects	License to operate	Goodwill and intangible assets allocated	Other intangible assets	Total
At December 31, 2017	264,025	158,310	8,262	10,729,359	138,933	11,298,889
Additions	21,198	18,332	2,071	16,450	-	58,051
Disposals	(55)	(59)	-	-	(300)	(414)
Amortization	(16,285)	(22,742)	(227)	(18,107)	(4,917)	(62,278)
At March 31, 2018	268,883	153,841	10,106	10,727,702	133,716	11,294,248
Average annual amortization rate	20%	21%	1%	1%	5%	-

a) Goodwill generated in the acquisition of subsidiaries and intangible assets allocated from business combinations

The goodwill arising from the difference between the amount paid on acquisition of investments in subsidiaries and the fair value of the assets and liabilities is classified in intangible assets in the consolidated financial statements.

Part of the price paid on the acquisition of subsidiaries was allocated to identifiable intangible assets with finite and indefinite useful lives, after analysis of the assets acquired.

TABLE 18 - Composition of Goodwill and Intangible Assets Allocated

		Consolidated
	3/31/2018	12/31/2017
Goodwill (i)	8,521,965	8,505,515
Trademarks (ii)	1,536,550	1,554,526
Operation license and partner network (iii)	665,746	665,746
Portfolio of customers (iv)	3,190	3,234
Non-compete agreement (iv)	251	338
	10,727,702	10,729,359

(i) Refers to goodwill arising on acquisition of subsidiaries, classified as derived from expected future profitability. Does not have a finite useful life and is subject to annual impairment tests.

(ii) Intangible assets with useful life estimated between 25 and 30 years.

(iii) Refer to licenses for operation of in-class and distance teaching and to the network of teaching units. Does not have a finite useful life and is subject to annual impairment tests.

(iv) Intangible assets with useful life estimated between 3.5 and 5 years.

(All amounts in thousands of reais unless otherwise stated)

13. INVESTMENTS

TABLE 19 - Composition of investments in subsidiaries

	Parent company	
	3/31/2018	12/31/2017
Editora e Distribuidora Educacional S.A. ("EDE")	5,598,821	5,353,840
Anhanguera Educacional Participações S.A. (“AESAPAR”)	3,154,745	2,982,461
Subtotal	8,753,566	8,336,301
Goodwill, including of Anhanguera	7,524,565	7,542,483
Total	16,278,131	15,878,784

TABLE 20 - Information on direct subsidiaries

						March 31, 2018
	Participation in equity	Number of shares	Total assets	Total liabilities	Equity	Profit for the period
EDE	100%	2,549,437,961	6,676,903	1,078,082	5,598,821	244,981
AESAPAR	74.46%	563,398,783	5,544,860	1,308,029	4,236,831	231,379
		3,112,836,744	12,221,763	2,386,111	9,835,652	476,360

						December 31, 2017
	Participation in equity	Number of shares	Total assets	Total liabilities	Equity	Profit for the period
EDE	100%	2,549,437,961	6,339,875	986,031	5,353,840	1,251,122
AESAPAR	74.46%	437,228,783	5,217,758	1,212,209	4,005,549	866,219
		2,986,666,744	11,557,633	2,198,240	9,359,389	2,117,341

TABLE 21 - Composition of investments in direct subsidiaries

				Parent company
Investment	12/31/2017	Allocated goodwill amortization	Equity Income	3/31/2018
EDE	5,353,840	-	244,981	5,598,821
AESAPAR	2,982,461	-	172,284	3,154,745
Goodwill, including of Anhanguera	7,542,483	(17,918)	-	7,524,565
Total	15,878,784	(17,918)	417,265	16,278,131

(All amounts in thousands of reais unless otherwise stated)

TABLE 22 - Information on indirect subsidiaries

	March 31, 2018					
	Participation in equity	Number of quotas	Total assets	Total liabilities	Equity	Profit for the year
Subsidiaries - Editora e Distribuidora Educacional						
Pax Editora e Distribuidora	100%	17,956,763	25,438	1,228	24,210	486
Projecta Educacional	100%	10,234,275	5,444	330	5,114	35
Saber Serviços Educacionais Ltda. (i)	100%	23,480,389	44,773	13,410	31,363	3,201
Centro de Ensino Atenas Maranhense	100%	76,850,364	204,220	11,165	193,055	11,951
Faculdade Integradas de Sorriso	99.99%	8,913,752	61,853	2,333	59,520	4,592
Orme Serviços Educacionais	99.99%	142,357,196	68,196	2,087	66,109	(5,589)
Pitágoras Sistema de Ensino Sociedade	99.99%	384,011,229	699,858	88,540	611,318	97,812
União de Ensino Unopar	99.99%	32,640,534	58,646	3,829	54,817	3,603
União Educacional Candido Rondon	99.99%	28,025,000	46,429	4,152	42,277	1,564
Iuni Educacional	99.99%	456,396,305	1,009,859	108,757	901,102	55,508
Unic Educacional	99.99%	203,030,858	449,160	31,414	417,746	50,087
Iuni Educacional - Unime Salvador	99.99%	15,916,973	85,485	11,142	74,343	6,520
União Metropolitana para o Desenvolvimento da Educação e Cultura	99.99%	49,701,183	331,917	35,105	296,812	40,277
União de Faculdades do Amapá	99.99%	11,619,489	146,138	23,673	122,465	14,914
Subsidiaries - Anhanguera Educacional Participações S.A.						
Clínica Médica Anhanguera Ltda.	99.99%	100,000	502	2	500	(1)
Anhanguera Educacional Ltda.	99.99%	49,163,929	139,812	12,882	126,930	17,109
Edufor Serviços Educacionais Ltda. - ME	99.99%	60,000	549	601	(52)	(153)
Sociedade Piauense de Ensino Superior Ltda.	100%	3,168,470	5,965	11,808	(5,843)	(1,269)
Anhanguera Educacional Fundo de Investimento em Direitos Creditórios	99.99%	20,739,818	41,595	(34,000)	75,595	4,103
Instituto Excelência Ltda.	99.99%	17,935,579	3,789	223	3,566	(5)
			3,429,628	328,681	3,100,947	304,745

(i) Change in corporate name, the former denomination of Sistema Pitágoras de Ensino Superior

(All amounts in thousands of reais unless otherwise stated)

14. DEBENTURES

TABLE 25 - Composition of Debentures

	Remuneration	Date of issue	Maturity	3/31/2018	Consolidated 12/31/2017
1st issue of debentures (i)	CDI + 2.00% p.a.	1/12/2011	12/15/2018	80,898	78,932
2nd issue of debentures - 1st series (ii)	CDI + 1.95% p.a.	2/26/2015	9/28/2018	49,987	102,235
2nd issue of debentures - 3rd series (ii)	CDI + 1.70% p.a.	2/26/2015	12/10/2019	87,079	85,367
Total				217,964	266,534
Current liabilities				175,464	224,034
Non-current liabilities				42,500	42,500
				217,964	266,534

(i) Through subsidiary EDE, the Company made its first issuance of debentures, in a single series. 550 debentures with unit value of R$ 1,000 were subscribed, totaling R$ 550,000. The debentures were issued in the registered, book-entry form, without issuance of certificates and without the possibility of conversion into shares. The debentures do not have renegotiation clauses. The payments of the principal are made annually and the interest due, calculated up to the dates, is paid every six months (June and December).

(ii) Through subsidiary EDE, the Company made its second issuance of debentures, in three series. 570 debentures with unit value of R$ 1,000 were subscribed, totaling R$ 570,000. The debentures are registered, book-entry and non-convertible into shares. The debentures do not have renegotiation clauses. The payments of the principal and interest due, calculated up to the dates, are made every six months (March and September).

TABLE 26 - Changes in Debentures

		Consolidated
	3/31/2018	12/31/2017
Opening balance	266,534	505,573
Interest accrued	5,445	54,678
Appropriated costs	344	1,375
Payment of interest	(4,359)	(86,759)
Payment of principal	(50,000)	(208,333)
Closing balance	217,964	266,534

The contracts require the compliance with financial ratios (covenants), calculated based on the financial statements of the Company, which is the guarantor of the issue. The contracts establish that the calculations must be made from 2012 to 2019, the final maturity date.

The financial ratios of the first issue, the calculation of which is realized every six months, are:

(All amounts in thousands of reais unless otherwise stated)

(i) Result of the quotient of dividing the net debt by the adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA). In 2018, the value should not be equal to or less than 3.5.

(ii) Result of the quotient of dividing the adjusted EBITDA by the adjusted finance result. The value should not be less than 1.2.

The financial ratio of the second issue, the calculation of which is realized annually, is:

(i) Result of the quotient of dividing the net debt by the adjusted EBITDA. The resulting value should not be greater than 3.

At March 31, 2018, the financial ratios of both issues had been complied with.

15. SALARIES AND SOCIAL CHARGES

TABLE 27 - Composition of social security and labor liabilities

	Parent company		Consolidated	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Salaries payable	-	-	67,616	55,584
INSS payable in installments	-	-	42,745	51,695
FGTS payable	-	-	7,854	12,670
IRRF payable	-	-	29,408	24,271
Provision for vacation pay	-	-	77,053	57,940
Charges on provisions	-	-	25,714	19,308
Provision for profit sharing	15,663	82,407	15,663	82,407
Other	3,528	3,120	19,098	24,554
	19,191	85,527	285,151	328,429

(All amounts in thousands of reais unless otherwise stated)

16. TAXES AND CONTRIBUTIONS PAYABLE IN INSTALLMENTS

TABLE 28 - Composition of taxes and contributions payable in installments

	Consolidated	
	3/31/2018	12/31/2017
Municipal charges payable in installments (a)	40,297	40,394
Tax Recovery Program (REFIS) IV - federal - payable in installments	156	5,952
INSS payable in installments	638	2,059
	41,091	48,405
Current	5,158	10,612
Non-current	35,933	37,793

(a) Municipal charges payable in installments

Anhanguera

On July 27, 2012, the former owners of Academia Paulista Anchieta - APA enrolled in the Installment Payment Incentive Program (PPI), resulting in a balance of ISS payable in installments of R$ 32,249, which are adjusted by the monthly Special System for Settlement and Custody (SELIC) rate.

Balance of Municipal Real Estate Tax (IPTU) payable in installments in the total amount of R$ 5,531 with different terms and conditions, adjusted by the Selic rate on a monthly basis.

17. ACCOUNTS PAYABLE - ACQUISITIONS

TABLE 30 - Composition of payables for acquisitions

	Consolidated	
	3/31/2018	12/31/2017
Ítala	67,163	65,987
Uniabc	27,833	27,544
ICF	17,170	16,810
LFG	2,453	2,455
Iesville Educar / Intesc	5,116	5,000
Iracema	9,350	-
Other	4,463	4,990
Total	133,548	122,786

(All amounts in thousands of reais unless otherwise stated)

	Consolidated	
	3/31/2018	12/31/2017
Current	114,220	107,907
Non-current	19,328	14,879
	133,548	122,786

TABLE 31 - Changes in payables for acquisitions

	Consolidated	
	3/31/2018	12/31/2017
Opening balance	122,786	147,166
Additions	16,450	29,630
Interest adjustment	1,667	10,395
Write-offs/Offsets	-	(7,019)
Adjustment to present value	345	(1,913)
Payments	(7,700)	(55,473)
Closing balance	133,548	122,786

The amounts are mainly adjusted by the CDI and IPCA rate variations, according to the related contracts.

TABLE 32 - Maturities of payables for acquisitions

		3/31/2018	
	Maturity of installments	Total	%
Total current liabilities	2018	114,220	85.5
	2019	3,866	2.9
	2020	3,866	2.9
	2021	3,866	2.9
	2022	3,866	2.9
	2023	3,864	2.9
Total non-current liabilities		19,328	14.5
Total		133,548	100.0

(All amounts in thousands of reais unless otherwise stated)

18. PROVISION FOR TAX, LABOR AND CIVIL LOSSES AND JUDICIAL DEPOSITS

18.1 Proceedings involving probable losses

The Company's management, based on the opinion of its legal advisors, classifies the possibility of loss of judicial/administrative proceedings in which it is a party as a defendant. The proceedings with probable losses are provided for, as well as the liabilities acquired (business combination) with risk of possible loss. We present below the changes for the period:

TABLE 33 - Changes in contingencies

				Subsidiaries (i)
	Tax	Civil	Labor	Total
At 12/31/2017	57,942	15,936	35,366	109,244
Monetary restatement	-	-	326	326
Reversals (ii)	-	(513)	(11,655)	(12,168)
Total effect – result	-	(513)	(11,329)	(11,842)
Proceedings - former owner	(157)	(6)	(21)	(184)
Payments	-	(5)	-	(5)
Total payments	(157)	(11)	(21)	(189)
At 3/31/2018	57,785	15,412	24,016	97,213

(i) This item mainly refers to the changes in possible contingencies arising from the business combination with Anhanguera.

(ii) The main reversals refer to: (a) change in the risk of loss; (b) fully and/or partially favorable outcome.

(All amounts in thousands of reais unless otherwise stated)

TABLE 34 - Changes in contingencies

				Consolidated
	Tax	Civil	Labor	Total
At 12/31/2017	243,966	99,169	247,104	590,239
Additions (i)	80	22,413	8,548	31,041
Monetary restatement	456	41	708	1,205
Reversals	(13,499)	(5,002)	(34,743)	(53,244)
Total effect – result	(12,963)	17,452	(25,487)	(20,998)
Proceedings - former owner	(157)	1,066	197	1,106
Payments	(235)	(11,609)	(6,951)	(18,795)
Total payments	(392)	(10,543)	(6,754)	(17,689)
At 3/31/2018	230,611	106,078	214,863	551,552
Number of proceedings	52	4,536	1,743	6,331
Average value	4,435	23	123	

(i) Reversal of 2,832 different civil proceedings that total R$ 22,413. The individual amounts attributed to these proceedings are not significant.

At March 31, 2018, the main judicial and administrative proceedings filed against the Group with the risk of loss classified as probable were:

Tax

The subsidiary Anhanguera is a party to 16 tax foreclosures regarding municipal taxes (ISSQN) in the State of São Paulo, for which there is a provision of R$ 127,982, and the responsibility is shared; R$ 127,887 is the responsibility of the former owner.

Civil

The subsidiary Anhanguera is a party to a proceeding regarding the rental of a property, for which there is a provision of R$ 9,428. This proceeding is under the responsibility of the former owner and the Company has sufficient contractual guarantee.

(All amounts in thousands of reais unless otherwise stated)

Labor

The subsidiary Anhanguera is a party to a collective proceeding filed by the Teacher's Union of the industrial hub of São Paulo (the ABC region) claiming: Weekly Remunerated Rest (DSR) in respect of night shifts, and differentials related to five-year periods; hourly rates per activity and other salary related amounts, for which there is a provision of R$ 8,517.

TABLE 35 - Composition of proceedings - possible loss

				Consolidated
	At 3/31/2018	At 12/31/2017	Number 3/31/2018	Number 3/31/2017
Tax	408,838	368,651	129	147
Civil	237,488	216,156	11,372	11,473
Labor	92,079	80,591	1,126	1,144
Total	738,405	665,398	12,627	12,764

The proceedings classified as possible loss are not provided for in the Company's financial statements, among which are the proceedings arising from business combinations. At March 31, 2018, the Company and its subsidiaries had 12,627 proceedings, of which we emphasize the following:

(i) The subsidiary IUNI is a party to tax assessment notices for the collection of Corporate Income Tax (IRPJ), Social Contribution on Net Income (CSLL), Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) during the period in which it had immunity from taxation of R$ 146,870, for which no provision was recorded.

(ii) The subsidiary Editora is a party to a proceeding that discusses the nullity of an amendment to the agreement of R$ 15,000, for which no provision was recorded;

(iii) The subsidiary Anhanguera Valinhos, State of São Paulo, is a party to a labor proceeding in which the plaintiff claims accumulation of function, tangible damage, moral harassment and rectification of the Labor and Social Security Card (CTPS) of R$ 2,402, for which no provision was recorded;

(All amounts in thousands of reais unless otherwise stated)

18.2 Judicial deposits

The Company has judicial deposits as follows.

TABLE 36 - Composition of judicial deposits

	Consolidated	
	3/31/2018	12/31/2017
Tax	9,210	9,208
Civil	10,323	10,036
Labor	75,209	51,781
Total	94,742	71,025

18.3 Guarantees of provision for tax, labor, and civil losses

The composition of the judicial and administrative proceedings provisioned, the responsibility for which is guaranteed contractually by the former owners, is as follows:

TABLE 37 - Composition of lawsuits that are the responsibility of former owners

	Parent company		Consolidated	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Tax	41,170	41,328	115,262	115,419
Civil	1,961	1,281	22,616	24,382
Labor	1,262	1,968	25,448	22,421
Total	44,393	44,577	163,326	162,222

19. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution

The income tax and social contribution differ from the theoretical amount that would arise using the income tax and social contribution standard rates, applicable to the profits of the consolidated entities, as follows:

(All amounts in thousands of reais unless otherwise stated)

TABLE 38 - Reconciliation of the income tax and social contribution

	Parent company		Consolidated	
	1/1 to 3/31/2018	1/1 to 3/31/2017	1/1 to 3/31/2018	1/1 to 3/31/2017
Profit before income tax and social contribution for the period	470,693	481,202	484,831	514,946
Combined nominal rate of income tax and social contribution - 34% 34%	34%	34%	34%	34%
IRPJ and CSLL calculated at the standard rates	(160,036)	(163,609)	(164,843)	(175,082)
Equity in the results of investees	141,870	150,749	-	-
Tax incentive in subsidiaries entitled to the University for All Program (PROUNI) benefit	-	-	133,462	141,634
Additions (exclusions), net (i)	22,881	25,281	21,826	13,923
Difference in deemed profit rate of subsidiary	-	-	106	102
Consumption of tax loss for the period	-	78	-	78
Unrecognized deferred IRPJ and CSLL on loss of subsidiaries for the period	-	-	(1,932)	(4,445)
IRPJ and CSLL - other changes	7	(28)	1,965	2,517
Total IRPJ and CSLL	4,722	12,471	(9,416)	(21,273)
Current IRPJ and CSLL in the result	(1,390)	-	(20,381)	(45,050)
Deferred IRPJ and CSLL in the result	6,112	12,471	10,965	23,777

(i) The main additions and exclusions are: provisions for tax, labor and civil losses and for employee participation in profit.

b) Deferred income tax and social contribution

The deferred tax asset balances are recorded on the temporary differences identified in companies of the Group, and are classified into two groups:

TABLE 39 - Deferred income tax and social contribution assets

	Consolidated	
	3/31/2018	12/31/2017
Income tax and social contribution losses	155,948	168,830
Temporary differences (book/tax)	586,654	520,378
	742,602	689,208

In August 2017, AESA was partially merged into AESAPAR, which will allow the consumption of the income tax and social contribution losses during the next years through offset of the current taxes payable.

(All amounts in thousands of reais unless otherwise stated)

TABLE 40 - Deferred income tax and social contribution assets by year of realization

	Consolidated	
Period	Total	%
2018	191,771	25.8
2019	149,307	20.2
2020	144,117	19.4
2021	128,703	17.3
2023 onwards	128,704	17.3
	550,831	74.2
	742,602	100

The balances of, and the changes in, deferred income tax and social contribution assets and liabilities are as follows:

TABLE 41 - Deferred income tax and social contribution - effect on profit (loss)

Parent company		Effect on profit		
	12/31/2017	Amortization of goodwill	Other	3/31/2018
In liabilities				
Goodwill on business combination	(694,320)	6,112	-	(688,208)
Non-current liabilities, net	(694,320)	6,112	-	(688,208)

Consolidated		Effect on profit		
	12/31/2017	Amortization of goodwill	Other	3/31/2018
In assets				
Income tax/social contribution:				
Income tax and social contribution losses	168,830	-	(12,882)	155,948
Temporary differences (book/tax)	520,378	-	66,276	586,654
Non-current assets	689,208	-	53,394	742,602
In liabilities				
Goodwill on business combination	(1,256,398)	(3,667)	-	(1,260,065)
Other adjustments	(113,643)	-	(38,762)	(152,405)
Non-current liabilities, net	(1,370,041)	(3,667)	(38,762)	(1,412,470)
	(680,833)	(3,667)	14,632	(669,868)

(All amounts in thousands of reais unless otherwise stated)

The deferred income tax and social contribution liabilities mainly arise from intangible assets resulting from acquisitions, whereas the deferred income tax and social contribution assets refer to tax losses and additions to taxable income of prior and current years.

c) Tax incentives

As established by Law 11,096 of January 13, 2005, the University for All Program (ProUni) exempts from the payment of several federal taxes higher education entities that grant partial and full scholarships to low-income students enrolled in traditional and technology degrees. The higher education entities controlled by the Company have joined this program.

The tax credits not recognized because of ProUni for the period ended March 31, 2018, including PIS and COFINS, amounted to R$ 174,814 (March 31, 2017 -R$ 191,838).

20. EQUITY

a) Share capital

The Company's subscribed and paid-up capital at March 31, 2018 totaled R$ 4,417,390 (R$ 4,363,825 at December 31, 2017). On March 16, 2018, the Board of Directors approved an increase in the Company's capital amounting to R$ 50 million, through capitalization of part of the balance of the reserve for investment, without the issue of new shares and without modifying the number of shares.

TABLE 42 - Composition of share capital

	3/31/2018	12/31/2017
Total shares (except treasury)	1,639,442,141	1,640,357,183
Total treasury shares	1,206,065	169,265
Total shares	1,640,648,206	1,640,526,448

b) Treasury shares

TABLE 43 - Changes in treasury shares

		Number of shares
	3/31/2018	12/31/2017
At December 31, 2017	169,265	2,211,075
Repurchase of treasury shares	1,136,800	200,000
Disposal of shares	(100,000)	(2,241,810)
At March 31, 2018	1,206,065	169,265

c) Legal reserve

This reserve comprises an allocation of 5% of the profit for the year, after the offset of accumulated losses, and the balance cannot exceed 20% of the share capital. The purpose of the legal reserve is to protect capital, and it can only be used to offset losses and increase capital.

d) Reserve for investments

The remaining balance of the profit for the year ended December 31, 2017, after the offset of accumulated losses, the recognition of the legal reserve and the proposal for payment of dividends in the amount of R$ 1,072,869 (R$ 1,151,412 at December 31, 2016), was transferred to "Investment reserve", in accordance with article 42 of the bylaws, and will be used for investment in the Company, in order to finance the expansion of its activities, either organic or through acquisitions in the market, complying with the business growth plan established by Management for 2017.

e) Dividends

On May 11, 2018, the Board of Directors approved the interim dividends for the first quarter of 2018 in the amount of R$ 180,658.

f) Equity instruments arising on a business combination

The balance of the reserve for equity instruments is mainly due to the merger of the shares of Anhanguera, which occurred on July 3, 2014, with 135,362,103 registered book-entry common shares with no par value issued by the Company.

On the same date, the Company made a capital increase based on the net book value of R$ 2,327,299, related to Anhanguera's equity at December 31, 2013. The difference between the total purchase price and the amount assigned to the share capital of R$ 5,981,227 was recorded as capital reserve (equity instruments resulting from the business combination).

21. STOCK OPTION PLAN

Plans maintained by Kroton Educacional S.A.

The purpose of the Company's stock option plans is to attract and retain the executives of the Company and its direct and indirect subsidiaries, and also encourage a greater integration of these executives with the Company, providing them the opportunity to become shareholders, or increase their interest in the Company, thus obtaining a greater alignment of interests, and sharing the success of achieving its objectives.

The officers and the senior executives of the Company and its subsidiaries, appointed by the Board of Directors or by the Financial and Human Resources Committee, as applicable, are eligible for the program.

(All amounts in thousands of reais unless otherwise stated)

Stock option programs approved in the Board of Directors' meetings have the following characteristics:

TABLE 45 - Main characteristics of the plan

Plan	Grant date	Exercise price	Vesting period	Options granted - active
KROT_Plano2009	10/23/2009 to 5/6/2013	R$ 2.18 to R$ 5.78	5 lots with 12, 24, 36, 48 and 60-month term; or 4 lots with 6, 18, 30 and 42-month term	5,914,666
AEDU_Plano2010	8/17/2010 to 7/3/2014	R$ 6.06 to R$ 11.20	3 lots with 36, 48 and 60-month term	91,731
AEDU_Plano2013	6/18/2013 to 7/3/2014	R$ 9.94 to R$ 11.20	3 lots with 36, 48 and 60-month term	4,428,403
KROT_Plano2013	11/26/2013 to 8/24/2015	R$ 5.67 to R$ 13.01	4 lots with 6, 18, 30 and 42-month term	9,010,000
KROT_Plano2015	10/5/2015 to 1/29/2018	R$ 8.42 to R$ 18.86	4 lots with 6, 18, 30 and 42-month term	26,187,794
				45,632,594

The exercise price will be paid by the beneficiaries to the Company, in cash, at the time of acquisition or subscription, or as determined by the Board of Directors for each contract.

Changes in the stock option plans

The variations in the number of share options outstanding and their related weighted average exercise prices, on a retrospective basis, were as follows:

(All amounts in thousands of reais unless otherwise stated)

TABLE 46 - Changes in the stock option plans - 2018

PLANS	12/31/2017	Granted	Exercised (i)	Canceled/forfeited	3/31/2018	Average exercise price
KROT_Plan 2009	5,914,666	-	-	-	5,914,666	10.86
AEDU_Plan 2010	213,489	-	(121,758)	-	91,731	10.01
AEDU_Plan 2013	4,428,403	-	-	-	4,428,403	2.46
KROT_Plan 2013	9,130,000	-	-	(120,000)	9,010,000	6.05
KROT_Plan 2015	25,477,794	1,500,000	(100,000)	(690,000)	26,187,794	9.76
TOTAL	45,164,352	1,500,000	(221,758)	(810,000)	45,632,594	

(i) In the period ended March 31, 2018, 221,758 options were exercised, with 121,758 through a capital increase with the specific objective of delivering these new shares to the beneficiary and 100,000 in consideration of the disposal of treasury shares (December 31, 2017 - 16,698,480 options were exercised, of which 14,456,670 via capital increase and 2,241,810 in consideration of the disposal of treasury shares).

Calculation of fair value and expense in the result

The fair value of the shares granted is recognized as an expense. The corresponding entry is recorded in equity as a credit to "Capital reserve - share options".

As from 2015, the Company started to use the Binominal model for the calculation of the fair value of the options of each grant.

The Company did not modify the previous grants, in accordance with the standards established in pronouncement CPC 10, which continue to be calculated under the Black and Scholes model.

The options contract with the longest maturity has as the last vesting date June 28, 2021.

The assumptions used for the calculation of the fair value of the grants of each outstanding Stock Option Plans are presented below:

(All amounts in thousands of reais unless otherwise stated)

TABLE 47 - Fair value calculation

	Plans				
	Kroton			AEDU	
	Plan 2009	Plan 2013	Plan 2015	Plan 2010	Plan 2013
Share price	R$2.31 to R$7.00	R$9.48 to R$15.84	R$8.81 to R$18.86 R$ 3.73	R$ 3.73	R$ 3.73
Risk-free rate	6.0% to 9.7%	7.0% to 12.5%	6.8% to 16.5%	12.6%	12.6%
Expectation of annual volatility	27.9% to 35.0%	24.7% to 37.3%	38.4% to 42.2%	31.1%	31.1%
Model for the Calculation of Volatility	Standard deviation	Standard deviation or EWMA	EWMA or Garch	Standard deviation	Standard deviation
Expected dividends	0% to 3.4%	2.1% to 3.5%	3.5%	2.6%	2.6%
Duration of the program in years	6 to 10	5 to 8	8	6	5
Option fair value on grant date (R$/share)	R$0.75 to R$2.22	R$2.44 to R$5.64	R$3.27 to R$7.46	R$ 2.73	R$ 5.55

In the period ended March 31, 2018, R$ 8,551 was recognized as an expense regarding the fair value of the options (R$ 9,989 at March 31, 2017).

22. RELATED PARTIES

The balances and transactions between the Company and its subsidiaries and related parties were as follows:

(i) The subsidiaries Unic Educacional, Unime LF and Iuni use properties leased from Vertia Empreendimentos Imobiliários Ltda. (a company that is controlled by a stockholder and member of the Company's Board of Directors):

	Effective until	Monthly amount	Adjustment index
Unic Educacional	March 2020	232	IPCA
Unime LF	March 2020	669	IPCA
Iuni	March 2020	1,177	IPCA

(i) Subsidiary EDE uses properties leased from Creare Administração de Bens Móveis e Imóveis Ltda. (a company that is controlled by members of the Company's Board of Directors). The agreement is effective until January 2032, with a fixed monthly amount of R$ 1,298, adjusted based on the IPCA.

(ii) On January 19, 2017, a donation agreement with charges was entered into between Kroton Educacional S.A. and Fundação Pitágoras, aiming to fulfill the social and institutional objectives of Fundação

(All amounts in thousands of reais unless otherwise stated)

Pitágoras. There was a disbursement of R$ 455 referring to this agreement in 2018.

(iii) On March 29, 2018, R$ 8,287 was received from a member of management as related to the exercise of options of shares converted into capital increase in April 2018.

a) Remuneration of key management personnel

Key management personnel include the members of the Board of Directors and the Statutory Audit Board, the CEO, the vice-presidents and the statutory officers.

At the Ordinary and Extraordinary General Meeting of Stockholders, the annual global remuneration of the Company's key management for the year ending December 31, 2018 was defined at a maximum of R$ 83,785 (R$ 71,464 in the year ended December 31, 2017), of which: R$ 75,771 of fixed and variable remuneration, and R$ 8,014 of stock option plan. Key management remuneration is as follows:

TABLE 48 - Management remuneration

	1/1 to 3/31/2018	1/1 to 3/31/2017
Salaries	3,170	2,444
Benefits	139	91
Social charges	654	511
Variable remuneration (i)	1,839	2,876
Stock option plan	3,163	5,027
	8,965	10,949

(i) Variable remuneration established in contract with the statutory officers.

(All amounts in thousands of reais unless otherwise stated)

23. NET REVENUE FROM SALES AND SERVICES

TABLE 50 - Composition of the net revenue

	Consolidated	
	1/1 to 3/31/2018	1/1 to 3/31/2017
In-class higher education		
Gross revenue	1,363,499	1,358,762
Deductions from gross revenue		
Taxes	(40,453)	(39,553)
ProUni	(185,066)	(165,846)
Discounts	(72,992)	(86,734)
Net revenue	1,064,988	1,066,629
Distance learning higher education		
Gross revenue	346,325	341,051
Deductions from gross revenue		
Taxes	(7,032)	(7,652)
ProUni	(58,579)	(49,354)
Discounts	(18,386)	(22,934)
Net revenue	262,328	261,111
Basic education		
Gross revenue	48,003	40,967
Deductions from gross revenue		
Taxes	(1,285)	(1,147)
Returns	(10,709)	(2,438)
Net revenue	36,009	37,382
Total		
Gross revenue	1,757,827	1,740,780
Deductions from gross revenue		
Taxes	(48,770)	(48,352)
ProUni	(243,645)	(215,200)
Discounts	(91,378)	(109,668)
Returns	(10,709)	(2,438)
Net revenue	1,363,325	1,365,122

(All amounts in thousands of reais unless otherwise stated)

24. COSTS AND EXPENSES BY NATURE

TABLE 51 - Composition of the costs and expenses by nature

	Parent company		Consolidated	
	1/1 to 3/31/2018	1/1 to 3/31/2017	1/1 to 3/31/2018	1/1 to 3/31/2017
Salaries and payroll charges	57,784	56,617	(370,666)	(363,629)
Depreciation and amortization	(18,739)	(37,246)	(102,223)	(102,739)
Rental and condominium fees	-	-	(101,012)	(97,421)
Provision for doubtful accounts	-	-	(160,831)	(158,508)
Utilities, cleaning and security	(95)	(10)	(47,256)	(46,286)
Advertising and publicity	(178)	(186)	(98,898)	(98,958)
Third-party services	-	-	(2,278)	(4,913)
Consulting and advisory services	(83)	(116)	(33,884)	(27,762)
Cost of sales	-	-	(5,094)	(3,258)
Travel	-	-	(6,466)	(7,400)
Copyright	-	-	(1,079)	(1,371)
Taxes and contributions	(2)	(12)	(8,406)	(10,895)
Contingencies	12,168	19,215	22,203	23,620
Other income (expenses), net	1	(538)	(21,818)	(14,607)
	50,856	37,724	(937,708)	(916,639)
Cost of sales and services	-	-	(490,551)	(456,756)
Selling expenses	-	-	(275,095)	(269,843)
General and administrative expenses	50,856	37,724	(171,332)	(189,212)
Other operating income (expenses), net	-	-	(730)	(828)
	50,856	37,724	(937,708)	(916,639)

(All amounts in thousands of reais unless otherwise stated)

25. FINANCE RESULT

TABLE 52 - Composition of the finance result

	Parent company		Consolidated	
	1/1 to 3/31/2018	1/1 to 3/31/2017	1/1 to 3/31/2018	1/1 to 3/31/2017
Finance income				
Interest on monthly tuition fees	-	-	41,408	43,794
Income from financial investments and marketable securities	2,939	1,704	23,416	38,400
Discounts obtained	-	-	41	227
Other	-	21	5,039	8,430
	2,939	1,725	69,904	90,851
Finance costs				
Debentures - interest and costs (i)	-	-	(3,645)	(11,747)
Adjustment of obligations due to the purchase of subsidiaries	-	-	(1,667)	(3,920)
Bank and collection fees	(1)	(2)	(3,834)	(1,955)
Interest and fines for late payments	-		(338)	(2,182)
Interest and fines for late tax payments	-	-	(640)	(1,220)
Adjustment of contingencies	(326)	(1,573)	(1,205)	(4,588)
Other	(40)	(52)	639	1,224
	(367)	(1,627)	(10,690)	(24,388)
Finance result	2,572	98	59,214	66,463

(i) Refers to the interest on debentures of R$ 5,445 (Note 14 - Debentures), less capitalized interest of R$ 1,800 (R$ 5,958 at March 31, 2017) recorded in property and equipment and intangible assets in progress.

26. SEGMENT INFORMATION

The Company's products are categorized into three operating segments: in-class higher education, distance-learning higher education (EAD) and basic education.

(All amounts in thousands of reais unless otherwise stated)

TABLE 53 - Information per Segment – Consolidated

	Period ended 3/31/2018				
	In-class higher education	Distance learning higher education	Basic education	Un-allocated	Total
Net revenue	1,064,987	262,329	36,009	-	1,363,325
Cost of sales and services rendered	(436,188)	(34,481)	(19,882)	-	(490,551)
	628,799	227,848	16,127	-	872,774
Operating expenses:					
Selling expenses	(195,504)	(75,842)	(3,749)	-	(275,095)
General and administrative expenses	(56,944)	(16,145)	(985)	(97,258)	(171,332)
Other expenses, net	-	-	-	(730)	(730)
Operating profit (loss) before finance result	376,351	135,861	11,393	(97,988)	425,617
Assets	12,485,677	5,720,707	216,856	564,906	18,988,145
Current and non-current liabilities	1,662,609	536,647	42,986	1,067,488	3,309,730

TABLE 54 - Information per Segment - Consolidated

	Period ended 3/31/2017				
	In-class higher education	Distance learning higher education	Basic education	Un-allocated	Total
Net revenue	1,066,629	261,111	37,382	-	1,365,122
Cost of sales and services rendered	(398,374)	(37,388)	(20,994)	-	(456,756)
	668,255	223,723	16,388	-	908,366
Operating expenses:					
Selling expenses	(190,308)	(75,278)	(4,257)	-	(269,843)
General and administrative expenses	(71,262)	(14,586)	(1,447)	(101,917)	(189,212)
Other expenses, net	-	-	-	(828)	(828)
Operating profit (loss) before finance result	406,685	133,859	10,684	(102,745)	448,483
Assets	11,725,813	5,622,483	189,803	1,129,664	18,667,762
Current and non-current liabilities	1,648,421	591,499	37,814	1,182,302	3,460,036

(All amounts in thousands of reais unless otherwise stated)

27. EARNINGS PER SHARE

a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to holders of common shares of the Company by the weighted average number of common shares held by stockholders (excluding treasury) during the period.

TABLE 55 - Basic earnings per share

	1/1 to 3/31/2018	1/1 to 3/31/2017
Profit attributable to stockholders of the Company	475,415	493,673
Weighted average number of outstanding common shares (thousands)	1,639,501	1,624,221
Basic earnings per common share - R$	0.29	0.30

b) Diluted

The Company offers a stock option plan to the beneficiaries, by means of which it is possible to issue shares at the time the option is exercised. At March 31, 2018, there were shares with the potential for dilution, since their average exercise price was lower than the average price of the Company's shares in the market.

TABLE 56 - Diluted earnings per share

	1/1 to 3/31/2018	1/1 to 3/31/2017
Profit attributable to stockholders of the Company	475,415	493,673
Weighted average number of outstanding common shares (thousands)	1,639,501	1,624,221
Possible increase in common shares (thousands)	19,314	17,796
Diluted earnings per common share - R$	0.29	0.30

28. EVENTS AFTER THE REPORTING PERIOD

Acquisition of Centro Educacional Leonardo Da Vinci ("CELV")

On April 10, 2018, the Company concluded the acquisition of Centro Educacional Leonardo Da Vinci ("CELV") pursuant to its expansion efforts in the basic education sector. CELV was established in 1990 and is headquartered in Vitória, in the State of Espírito Santo. It has 1,311 students (December 2017).

Acquisition of SOMOS by the holding SABER

On April 23, 2018, the Contract for the Purchase and Sale of Shares and Other Covenants ("Contract") was executed regarding the purchase of an ownership control of Somos Educação S.A. ("SOMOS") ("Operation").

The Contract was executed by Saber Serviços Educacionais Ltda. (formerly Sistema Pitágoras de Ensino Superior ("SPES") ("Purchaser"), an indirect subsidiary of Saber Serviços Educacionais Ltda. ("SABER") and by certain investment funds managed by Tarpon Gestora de Recursos S.A., which are also stockholders of SOMOS.

The price per share is R$ 23.75 reais, totaling R$ 4,566,542 ("Price"), of which R$ 4,116,542 will be paid in a lump sum at the closing date and the remaining will be maintained in a linked account so as to guarantee the payment of a number of indemnification-related obligations assumed by the selling party in the Contract. If the Operation is not closed until October 23, 2018, the Price will start to be adjusted according to the Interbank Deposit Certificate (CDI) rate variation as from October 24, 2018 up to the Operation's closing date.

The Operation was agreed upon under the usual precedent conditions in similar operations, including the approval by the Fair Trade Commission ("CADE").

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(A free translation of the original in Portuguese)

Report on review of quarterly information

To the Board of Directors and Stockholders
Kroton Educacional S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Kroton Educacional S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2018, comprising the balance sheet at that date and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

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

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

(A free translation of the original in Portuguese)

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the quarter ended March 31, 2018. These statements are the responsibility of the Company's management and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Belo Horizonte, May 11, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Marcos Donizete Panassol
Contador CRC 1SP155975/O-8

Opinions and representations/Officers' representation on the accounting information

Pursuant to CVM Instruction 480, dated December 7, 2009, Kroton's Officers state that they have reviewed, discussed, and agreed with the accounting information for the period ended March 31, 2018.

Opinions and representations / Officers' representation on the independent auditor's report

Pursuant to the CVM Instruction 480, dated December 7, 2009, Kroton's Officers state that they reviewed, discussed, and agreed with the content and opinions disclosed in the independent auditor's report of PricewaterhouseCoopers Auditores Independentes issued on May 11, 2018.