Belo Horizonte, August 14, 2018 – Kroton Educacional S.A. (B3: KROT3; OTCQX: KROTY), "Kroton" or the "Company," announces today its results for the second quarter of 2018 (2Q18). 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.

HIGHLIGHTS – MANAGERIAL ANALYSIS

Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%	1H18	1H17	Chg.%
Gross Revenue	2,036,156	1,938,603	5.0%	1,757,827	15.8%	3,793,983	3,679,384	3.1%
Net Revenue	1,526,273	1,519,391	0.5%	1,363,325	12.0%	2,889,598	2,884,513	0.2%
Gross Income	1,130,807	1,131,921	-0.1%	1,050,550	7.6%	2,181,357	2,193,072	-0.5%
Gross Margin	*74.1%*	*74.5%*	*-0.4 p.p.*	*77.1%*	*-3.0 p.p.*	*75.5%*	*76.0%*	*-0.5 p.p.*
Operating Result	816,606	850,475	-4.0%	785,792	3.9%	1,602,397	1,664,477	-3.7%
Operating Margin	*53.5%*	*56.0%*	*-2.5 p.p.*	*57.6%*	*-4.1 p.p.*	*55.5%*	*57.7%*	*-2.2 p.p.*
Adjusted EBITDA	641,549	700,230	-8.4%	614,713	4.4%	1,256,262	1,339,759	-6.2%
Adjusted EBITDA Margin	*42.0%*	*46.1%*	*-4.1 p.p.*	*45.1%*	*-3.1 p.p.*	*43.5%*	*46.4%*	*-3.0 p.p.*
Adjusted Net Income	562,075	644,885	-12.8%	538,991	4.3%	1,101,067	1,221,947	-9.9%
Adjusted Net Margin	*36.8%*	*42.4%*	*-5.6 p.p.*	*39.5%*	*-2.7 p.p.*	*38.1%*	*42.4%*	*-4.3 p.p.*
Adjusted Net Income /share	0.34	0.39	-12.8%	0.33	4.3%	0.67	0.74	-9.9%
Operating Cash Generation (OCG) after Capex [1]	318,066	460,908	-31.0%	(125,271)	n.a.	192,795	512,063	-62.3%
OCG after Capex [1] / EBITDA (unadjusted)	*56.3%*	*71.9%*	*-15.6 p.p.*	-	*n.a.*	*17.0%*	*41.4%*	*-24.4 p.p.*

[1] Excludes investments in M&A and Special Projects.
Special note: 2Q17 and 1H17 figures include the results from FAIR, FAC/FAMAT and NOVATEC operations.

HIGHLIGHTS – MANAGERIAL ANALYSIS (Ex-asset divestment and greenfields[1])

Consolidated - Values in R$ ('000)	2Q18	2Q17	Chg.%	1H18	1H17	Chg.%
Net Revenue	1,516,278	1,510,670	0.4%	2,874,230	2,867,926	0.2%
Adjusted EBITDA	652,103	694,331	-6.1%	1,281,852	1,328,782	-3.5%
Adjusted EBITDA Margin	*43.0%*	*46.0%*	*-3.0 p.p.*	*44.6%*	*46.3%*	*-1.7 p.p.*
Adjusted Net Income	573,899	638,979	-10.2%	1,128,632	1,210,957	-6.8%
Adjusted Net Margin	*37.8%*	*42.3%*	*-4.4 p.p.*	*39.3%*	*42.2%*	*-3.0 p.p.*

[1] Excludes figures form FAIR, FAC/FAMAT and NOVATEC for 2017, as well as the results of new units (Greenfields).

HIGHLIGHTS

- On July 16, Kroton was rated triple A (brAAA) by Standard & Poor's, which noted that the Company should continue to capture economies of scale and efficiency gains and that, after the acquisition of Somos, be able to capture synergies and to deleverage by growing its cash generation. Previously, Fitch Ratings already had attributed a Long-Term National Rating of AA+(bra), having a positive view on the acquisition of Somos, since it will enable greater complementarity and diversification of the services portfolio, with sufficient potential operational and financial synergies to offset the higher financial leverage. These ratings are the highest in the industry and attest to the Company's strong balance sheet and solid future prospects.
- Saber, Kroton's subsidiary in the primary and secondary education segment, concluded its registration as a category B issuer of securities and the Board of Directors has already approved its funding instrument, whose conditions are disclosed on the CVM website. This represents yet another important step in the acquisition of Somos, whose conclusion is still pending approval by CADE.
- The pace of new unit openings remains vigorous and, for the second semester of the year, a total of 13 new on-campus units and 100 new DL centers will participate in the student admissions process for 2018/2. Kroton also acquired a small institution in Bacabal and another in João Pessoa, which is still pending approval by CADE.

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- With regard to the quarter's financial performance, net revenue grew 0.5% from the same period of 2017, reflecting the solid performance of the latest student recruiting processes, in addition to the improvement in the mix of academic programs and the higher average ticket, with these factors neutralizing the asset divestments carried out late last year and the higher number of graduates and dropouts, which adversely affected the student base. In the six-month period, net revenue was R$2,889.6 million, up 0.2% from the same period of 2017, corroborating the assertive sales strategy adopted in the period, which was able to mitigate the challenges posed by the challenging economic scenario.
- Adjusted EBITDA (managerial analysis) amounted to R$641.5 million in the quarter, down 8.4% from 2Q17, accompanied by EBITDA margin contraction of 4.1 p.p. In the six-month period, adjusted EBITDA decreased 6.2%, with EBITDA margin contracting 3.0 p.p. from 1H17. The lower profitability reflects the pressures from the shift in the profile of the student base, with higher provisioning to support the installment plans, and the higher level of costs and expenses related to the new units. This latter factor, however, is only temporary and should become increasingly less relevant as the greenfield projects naturally mature. The results reinforce the expectation of delivering the Guidance announced for the end of the year.
- Adjusted net income was R$562.1 million in 2Q18, down 12.8% from R$644.9 million in the same quarter of 2017, with adjusted net margin contracting 560 bps. In the first six months of the year, adjusted net income fell 9.9% to R$1.1 billion, with adjusted net margin contracting 4.3 p.p. Excluding the figures from FAIR, FAC/FAMAT and Novatec for 1H17, the decrease in the period would be slightly lower, of 6.8%, and reflects, additionally, the higher depreciation rate and lower financial result in the period.
- Operating cash generation after capex (before special projects) came to R$318.1 million in 2Q18, with an EBITDA-to-cash conversion ratio of 56.3%, which represents a recovery from the negative conversion ratios of the previous quarter due to FIES-related issues. Performance this quarter attests to the Company's resilience and to the strength of its operations, despite all the challenges posed by the country's economic crisis. It also confirms the positive outlook for cash generation in the second half of the year, which also includes receipt of the last installment under PN23, credited in early August.
- In 2Q18, the Company intensified share buybacks by spending over R$200 million to optimize returns for shareholders. Since the program's start, a total of 17,412,500 ordinary shares have been repurchased at an average price of R$12.61 per share, which represents 35.7% of the limit established by the program.
- On September 3, 2018, Kroton will hold an Extraordinary Shareholders Meeting (ESM) to approve the Company's New Restricted Share Plan. The maximum number of shares under the plan is 19.4 million, which corresponds to 1.18% of the total capital of the Company. The plan aims to align the long-term interests of its participants and to strengthen retention incentives.

MESSAGE FROM MANAGEMENT

At the start of 2018, we clearly defined our organization's strategies, which are based on four key pillars: i) Student Success; ii) Organic & Inorganic Growth; iii) Operating & Financial Efficiency; all supported by a far-reaching Digital Transformation iv) in the services offered to our students (GO DIGITAL) and in the construction of a company with a truly digital mindset (BE DIGITAL). The actions and projects developed in this second quarter reaffirm that we are on the right path for delivering these strategies.

As you will see, we have evolved on each of these strategic fronts. In Organic & Inorganic Growth, we have very good news. In terms of organic growth, between 2017 and the first semester of 2019, we will implement 61 new units, expanding the number of our on-campus units from 112 to 173, which represents expansion of 55%. The project to implement new units has been a success, with the results far exceeding the figures projected in the business plan. On a consolidated basis, the units in 2018/1 delivered net revenue growth of 38%, new enrollment growth of 24% and a reduction in costs and expenses of 5%. Considering the IRR of the original business plan of 42.4% in perpetuity and 26.2% in 10 years, the project is expected to create significant value for shareholders. In addition to own units, we have implemented, since 2017, 400 new centers, with another 200 planned for 2019, all of which duly installed with high-quality, well-selected and prepared partners. As we always say, it is one thing to have a center accredited to offer DL education and another to have a structured network of partners and products to offer quality DL services efficiently and profitably in order to remain sustainable over time.

Still on the growth front, in addition to our movements in postsecondary education (on-campus and DL), we took a transformational step with the acquisition of Somos, which was announced in April and currently is awaiting analysis by the antitrust agency CADE. On this front, we are working to plan the integration with a "clean team" to execute all phases of the integration after receiving approval from CADE to create an even more solid and efficient company. This is an important strategic step that was structured over one year ago and will enable the Company to operate in a market twice the size of the private Postsecondary Education market. As widely announced, our strategy in this segment is to offer high quality education, while maintaining the characteristics of the educational projects of the high schools that have come to integrate the group and increasing the operation's efficiency.

On the strategy for our Digital Transformation, we have completed important steps in recent months. One of the most important of these was completely changing the methods for developing systems or the organization's way of working. In six months, we migrated 100% of Kroton's development teams to the agile methodology. It was an aggressive process, since many large companies in the market have spent years pursuing this change. We were able to engage the entire team in a complete migration in a short period of time, which increases productivity and avoids any risks of teams working with a combination of old and new methodologies. The migration demanded the total commitment of everyone at the organization (both inside and outside of the technology area), but was a complete success. Today, we have over 500 professionals (IT and business) working on 55 agile teams, distributed among seven agile delivery "trains," supported by the methodology Scaled Agile Framework (SAFe), ensuring complete alignment between the business and technology areas, in order to deliver a faster, more flexible and more productive way of working.

However, we understand that the success of any digital transformation requires more than just an internal process. There are changes that come from within, such as transforming the way we develop systems described above and promoting a cultural change at the organization. But we also must stay open to everything that is happening outside of our company. And one of the ways we chose to stay open to what's new is to associate with Cubo Itaú, as the partner responsible for the verticalization of Education, giving rise to *Cubo Education*, which is born already Latin America's largest innovation and entrepreneurship hub in applied educational technology. Cubo Education, a center dedicated to fostering "edtech" companies, will focus on adding technological value and knowledge to the development of education in Brazil. By establishing close contact with startup companies, Kroton not only fosters the educational technology market, but also supports the discovery of new ways to transform the future of its students. The partnership also will give students an opportunity to experience the innovation and entrepreneurship environment that exists in this market. More recently, Kroton announced another partnership, this time with Udacity (a platform of online programs positioned as the University of Silicon Valley), along with the launch of an Executive MBA in Digital Marketing. The program, which will be offered by Kroton's Distance Learning institutions with a mixture of content from Kroton and Udacity, seeks to meet the needs of the job market.

But, despite the relevance of the other strategic pillars, the largest number of projects and initiatives by the company is related to the strategic pillar Student Success. We base student success on a set of three attributes: quality, student experience at all touchpoints (on-campus and digital; academic and non-academic) and employability. Of the 126 projects ongoing at the organization, 37 are related to Student Success. The bulk of the company's energy, efforts and resources is being allocated to ensure Student Success, given our belief that this is the only way to ensure the sustainability of our business in the long run.

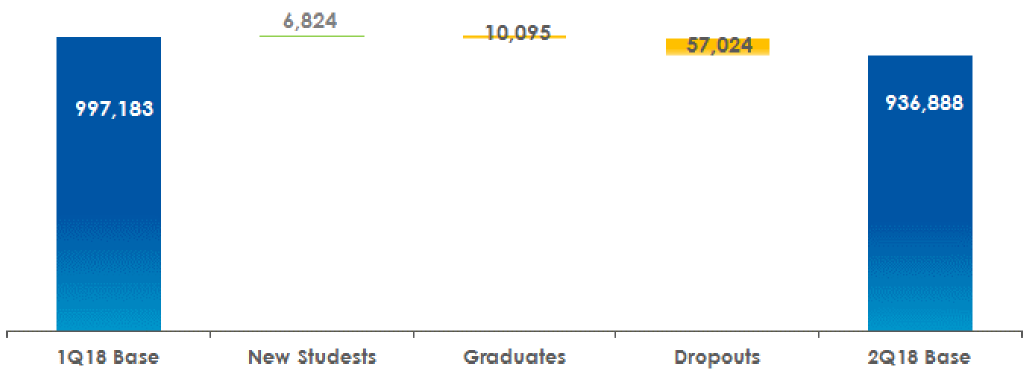
However, when we designed our strategic map, we imposed on ourselves the challenge of delivering all the other strategic pillars without losing sight of the Operating & Financial Efficiency we have achieved over the years, with this delivery becoming even more challenging in light of the scenario and context we are facing this year. In 2018, we have the impacts from the graduation, in late 2017, of large classes of FIES students who enrolled in the admissions processes of 2013 and 2014, coupled with the macroeconomic effects, especially high unemployment and a scenario of more intense competition in distance learning. Despite this combination of pressures, we have been able to capture efficiency gains in virtually all cost and expense lines and to sustain a unique level of financial and operating performance with much resilience. In this respect, we reaffirm our expectation of delivering the guidance we announced last quarter, with the results we achieved in the first six months corroborating this expectation.

Lastly, in order to better manage all of these simultaneous projects, the Company recently reformulated its corporate structure, which led to the creation of two presidencies: Primary & Secondary Education and Postsecondary Education. The integration of the on-campus and DL operations into a single Postsecondary Education structure is aligned with the new reality of this market, that education is increasingly hybrid, which will make our decision making more agile. This new structure will help to improve management in the Company's various areas, which have unique strategies and different target publics, but common goals: to be a reference in teaching quality and ensure growing returns for all stakeholders.

OPERATING PERFORMANCE

POSTSECONDARY EDUCATION

Evolution in Number of Students



The evolution in the number of Postsecondary students between 1Q18 and 2Q18 by product (Undergraduate and Graduate) and teaching format (On-Campus and Distance Learning) is presented below.

	On-Campus			Distance Learning		
Students	Undergraduate	Graduate	Total	Undergraduate	Graduate	Total
2Q17 Base	**417,010**	**8,099**	**425,109**	**516,250**	**25,601**	**541,851**
Asset sales*	5,060	21	5,081	-	-	-
Comparable 2Q17	**411,950**	**8,078**	**420,028**	**516,250**	**25,601**	**541,851**
1Q18 Base	**406,040**	**9,600**	**415,640**	**551,874**	**29,669**	**581,543**
New Enrollments	-	488	488	-	6,336	6,336
Graduates	-	(2,079)	(2,079)	-	(8,016)	(8,016)
Dropouts	(20,356)	(192)	(20,548)	(35,893)	(583)	(36,476)
2Q18 Base	**385,684**	**7,817**	**393,501**	**515,981**	**27,406**	**543,387**
% 2Q18 Base / 2Q17 Base	-6.4%	-3.2%	-6.3%	-0.1%	7.1%	0.3%
% 2Q18 Base / 1Q18 Base	-5.0%	-18.6%	-5.3%	-6.5%	-7.6%	-6.6%

Students	Total Undergraduate	Total Graduate	Total
2Q17 Base	**933,260**	**33,700**	**966,960**
Asset sales*	5,060	21	5,081
Comparable 2Q17	**928,200**	**33,679**	**961,879**
1Q18 Base	**957,914**	**39,269**	**997,183**
New Enrollments	-	6,824	6,824
Graduates	-	(10,095)	(10,095)
Dropouts	(56,249)	(775)	(57,024)
2Q18 Base	**901,665**	**35,223**	**936,888**
% 2Q18 Base / 2Q17 Base	-2.9%	4.6%	-2.6%
% 2Q18 Base / 1Q18 Base	-5.9%	-10.3%	-6.0%

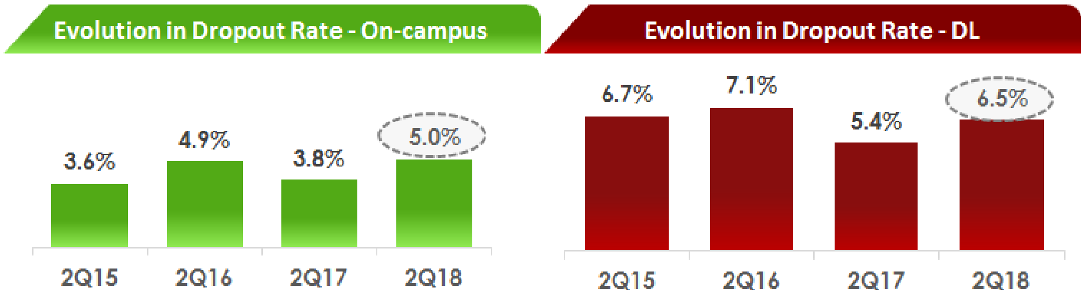
* Divestment of FAIR, FAC/FAMAT and NOVATEC at the end of 2017

At the end of 1S18, Kroton had 936,888 students enrolled in Postsecondary Education (Undergraduate and Graduate), considering on-campus and distance-learning formats, down 2.6% from the same period last year. However, note that this result incorporates a 29.4% increase in the level of graduations, as well as a shift in the student base profile, with fewer FIES students, who historically have lower dropout rates. Furthermore, the country's persistently high unemployment rate contributed to the higher dropout rate, adversely affecting student base growth. Excluding factors beyond the Company's control, such as social and economic indicators, the resilience and effectiveness of its commercial strategy in recent student-recruiting cycles becomes clear, with solid and consistent results despite the increased competition. Compared to the prior quarter, the 6.0% reduction is explained by the natural seasonality of the business. A breakdown by teaching format shows that On-Campus Postsecondary Education accounted for 42% of the student base, while Distance Learning Education accounted for the other 58%.

Considering only Graduate programs, the student base expanded by 4.6% from the same period last year, supported by the student-recruiting processes conducted during the year, with most students enrolling in Distance Learning programs. Compared to the prior quarter, the 10.3% decline is explained by the seasonality of the operation, with graduations and dropouts offsetting the new students admitted in the period. Bear in mind that the LFG business also offers Graduate programs, whose students are included in the above table.

The admissions and re-enrollment processes for the second semester of 2018 are still ongoing, including 13 new campuses and 100 new Distance Learning centers compared to the first semester. The processes are expected to end in September.

Evolution of Undergraduate Dropouts

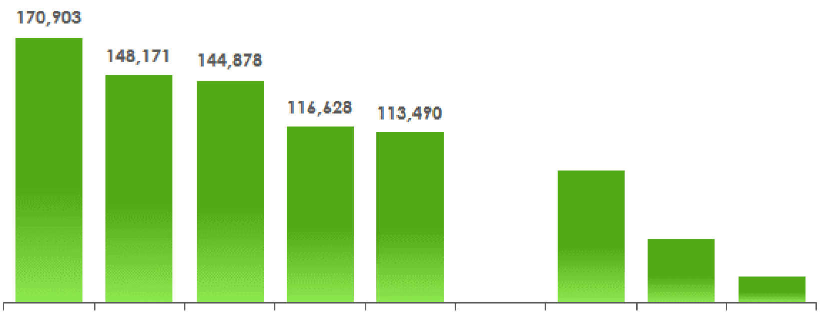


The above charts show the evolution in the dropout rate in the On-Campus and Distance Learning segments in recent quarters. In 2Q18, the rate deteriorated in both segments, reflecting the shift in the profile of the Company's student base, and the still-high unemployment rate. Starting with an analysis of the On-Campus Undergraduate segment, the dropout rate stood at 5.0%, increasing 120 basis points from a year earlier, reflecting the substitution of FIES students, who, because of the program's original characteristics, were less prone to drop out, by primarily students paying out of pocket or PEP students. In addition, the persistently high levels of unemployment and the continued political/economic turbulence also impacted this indicator. On the other hand, the Company continued to pursue all initiatives under the Retention Project, with the retention teams gaining scale and experience, and to perform consistent improvements to the academic model. In this sense, when analyzing dropouts per type of product, it is already possible to see a tendency of improvement. The initiatives of the Retention Project should continue yielding substantial results as the Company gains increasing experience throughout the following cycles. Another important aspect to be highlighted is the attention paid by Kroton to student satisfaction, which is supported by significant investment in the units and student management to ensure an increasingly better experience.

In the Distance Learning format, in addition to the macroeconomic environment, the higher dropout rate is due to the accelerated growth observed in recent student-recruiting processes, given that students in the first few semesters of programs have a higher propensity to drop out. Moreover, the increase in the number of students in the 100%-online format also helped to worsen this indicator, since the lower student engagement in this format results in higher dropout compared to other Distance Learning formats.

FIES

Number of FIES Students



	2Q17	3Q17	4Q17	1Q18	2Q18	...	2018E	2019E	2020E
% On-campus Undergraduate Student Base	41.0%	37.1%	38.6%	28.7%	29.4%		22.6%	12.1%	6.0%
% Total Undergraduate Student Base	18.3%	16.4%	17.2%	12.2%	12.6%		9.4%	5.2%	2.8%

At the end of 2Q18, the Company had 113,490 students enrolled with FIES contracts, down 33.6% from the same period of 2017, following the trend of recent quarters, with increasingly fewer new students and higher graduations of these students. As a result, FIES students accounted for 29.4% of the On-Campus Undergraduate base, or 12.6% of the total Undergraduate student base, down 11.6 p.p. and 5.7 p.p., respectively, on the prior-year period.

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

Considering its installment payment products, Kroton closed the semester with around 59,100 students enrolled in PEP programs, with about 45,400 enrolled in PEP30 and 13,600 in PEP50. For the student-recruiting process for the second semester of 2018, Kroton will continue to draw on the strength of this product to attract new students, projecting a similar exposure to the level observed at the start of the year. Note that Kroton continues to adopt the same conservative policies as it did in previous quarters with regards to revenue recognition, including the calculation of the Adjustment to Present Value (APV) of revenue, and for provisioning losses from bad debt, which is accrued at 50% of the financed portion for all PEP students, as was done over the past few quarters.

Furthermore, note that the dropout curve is naturally higher during the first semesters of academic programs and that the actual dropout rate of PEP students is comparable to the dropout rates of students without installment plans within the same classes, which corroborates the product's sustainability. This behavior is true for both PEP30 and PEP50.

PMT (or temporary PEP) is an alternative for the payment in installments of monthly tuitions related exclusively to periods during which new students were not yet enrolled because they were admitted after the start of classes, but still with sufficient time to complete the minimum classroom hours in the semester. Instead of exempting students from these monthly tuitions, Kroton started to offer this option to new On-campus students as of the second semester of 2016, and to new DL students as of the first semester of 2017. Therefore, the Company continues to attract freshmen, enabling their late enrollment without foregoing revenues by granting scholarships or discounts. Note that Kroton adopts the same accounting practice for PEP and PMT, whereby revenues are adjusted to present value and provisions for bad debt are accrued for 50% of the installment amounts. 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. Positioned as a reference in preparatory courses, LFG registered an average student base of 28,535 in 2Q18 (note that these students were not included in the number of Postsecondary students reported previously), representing expansion of 3.4% from the same period of 2017, reflecting the efforts to improve the operation carried out since the start of the year.

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 2Q18, there were 33,515 students enrolled in these programs (who also are not considered in the total number of Postsecondary students), down 13.5% from 2Q17.

PRIMARY & SECONDARY

As part of the Company's expansion strategy already disclosed to the market, Kroton created "Saber," a holding company exclusively dedicated 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 and operating own and third-party schools, as well as any future deals that the Company eventually carries out in this segment, including asset acquisitions and their subsequent expansion through new units, using the brand of the acquired asset. Note that the educational projects of the institutions under the holding company Saber will be maintained, 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, educational assessments and other services to private schools in the Pre-School, Primary & Secondary Education, the Company 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 primary to secondary school, including the option of a high school diploma that facilitates acceptance by U.S. universities. This was the first quarter in which CELV figures were incorporated into Kroton's primary and secondary education segment, increasing to 2 the number of own schools (Pitágoras and now CELV), in addition to the management contracts.

More recently, on April 22, Saber announced the execution 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 schools, learning systems, textbooks, publishing houses and language courses. With this acquisition, Saber will serve about 37,000 students in own schools, 25,000 students in language courses, 1.2 million students in partner private schools, in addition to reaching some 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 in a totally independent manner.

FINANCIAL PERFORMANCE

2Q18 RESULTS – CORPORATE

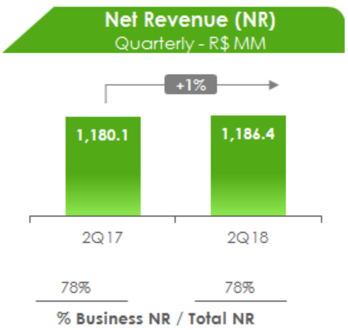
	On-Campus Education		Distance Learning		Primary and Secondary Education		Kroton Consolidated	
Values in R$ ('000)	2Q18	% Net Rev.	2Q18	% Net Rev.	2Q18	% Net Rev.	2Q18	% Net Rev.
Gross Revenue	**1,586,931**	**133.8%**	**393,011**	**135.5%**	**56,215**	**112.9%**	**2,036,156**	**133.4%**
Gross Revenue Deductions	(400,570)	-33.8%	(102,889)	-35.5%	(6,424)	-12.9%	(509,883)	-33.4%
Tax	(39,479)	-3.3%	(7,757)	-2.7%	(1,900)	-3.8%	(49,136)	-3.2%
ProUni	(205,283)	-17.3%	(71,770)	-24.7%	-	0.0%	(277,053)	-18.2%
Returns	-	0.0%	-	0.0%	(4,524)	-9.1%	(4,524)	-0.3%
Total Discounts	(155,808)	-13.1%	(23,363)	-8.1%	-	0.0%	(179,171)	-11.7%
Net Revenue	**1,186,360**	**100.0%**	**290,122**	**100.0%**	**49,791**	**100.0%**	**1,526,273**	**100.0%**
Costs (COGS)	**(338,385)**	**-28.5%**	**(30,645)**	**-10.6%**	**(26,436)**	**-53.1%**	**(395,466)**	**-25.9%**
Cost of Goods	-	0.0%	-	0.0%	(10,386)	-20.9%	(10,386)	-0.7%
Cost of Services	(338,385)	-28.5%	(30,645)	-10.6%	(16,050)	-32.2%	(385,079)	-25.2%
Faculty, Other Personnel and Third-Party Services	(239,076)	-20.2%	(23,027)	-7.9%	(15,006)	-30.1%	(277,108)	-18.2%
Rent	(83,040)	-7.0%	(4,618)	-1.6%	(1,475)	-3.0%	(89,133)	-5.8%
Materials	(3,395)	-0.3%	(2,367)	-0.8%	-	0.0%	(5,762)	-0.4%
Maintenance	(2,181)	-0.2%	(242)	-0.1%	(196)	-0.4%	(2,618)	-0.2%
Other	(10,693)	-0.9%	(391)	-0.1%	627	1.3%	(10,458)	-0.7%
Gross Income	**847,975**	**71.5%**	**259,477**	**89.4%**	**23,355**	**46.9%**	**1,130,807**	**74.1%**
Operating Expenses	**(139,971)**	**-11.8%**	**(29,488)**	**-10.2%**	**(4,885)**	**-9.8%**	**(174,344)**	**-11.4%**
Personnel, General and Administrative Expenses	(139,971)	-11.8%	(29,488)	-10.2%	(4,885)	-9.8%	(174,344)	-11.4%
Personnel Expenses	(73,070)	-6.2%	(18,962)	-6.5%	(3,367)	-6.8%	(95,399)	-6.3%
General and Administrative Expenses	(66,901)	-5.6%	(10,526)	-3.6%	(1,518)	-3.0%	(78,945)	-5.2%
Provision for Doubtful Accounts - PDA	**(153,688)**	**-13.0%**	**(28,721)**	**-9.9%**	**(380)**	**-0.8%**	**(182,788)**	**-12.0%**
(+) Interest and Penalties on Tuition	33,126	2.8%	9,640	3.3%	166	0.3%	42,931	2.8%
Operating Result	**587,442**	**49.5%**	**210,908**	**72.7%**	**18,255**	**36.7%**	**816,606**	**53.5%**
Sales and Marketing Expenses							**(110,285)**	**-7.2%**
Corporate Expenses							**(64,772)**	**-4.2%**
Adjusted EBITDA							**641,548**	**42.0%**
(-) Nonrecurring Items							(76,587)	-5.0%
EBITDA							**564,961**	**37.0%**
Depreciation and Amortization							(103,092)	-6.8%
Financial Result							3,503	0.2%
Income and Social Contribution Tax							1,975	0.1%
Net Profit							**467,347**	**30.6%**
(+) Nonrecurring Items							76,587	5.0%
(+) Intangible Amortization (Acquisitions)							18,141	1.2%
Adjusted Net Profit							**562,075**	**36.8%**

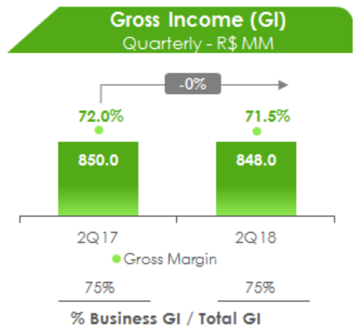
1H18 RESULTS – CORPORATE

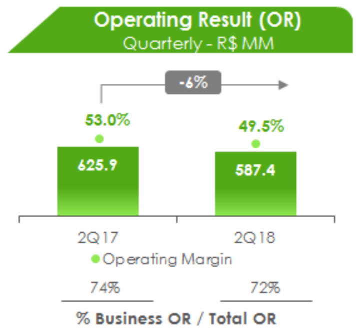
Values in R$ ('000)	On-Campus Education		Distance Learning		Primary and Secondary Education		Kroton Consolidated	
	1H18	% Net Rev.	1H18	% Net Rev.	1H18	% Net Rev.	1H18	% Net Rev.
Gross Revenue	**2,950,429**	**131.1%**	**739,336**	**133.8%**	**104,218**	**121.5%**	**3,793,983**	**131.3%**
Gross Revenue Deductions	(699,081)	-31.1%	(186,886)	-33.8%	(18,418)	-21.5%	(904,385)	-31.3%
Tax	(79,932)	-3.6%	(14,789)	-2.7%	(3,185)	-3.7%	(97,906)	-3.4%
ProUni	(390,350)	-17.3%	(130,349)	-23.6%	-	0.0%	(520,698)	-18.0%
Returns	-	0.0%	-	0.0%	(15,233)	-17.8%	(15,233)	-0.5%
Total Discounts	(228,799)	-10.2%	(41,749)	-7.6%	-	0.0%	(270,548)	-9.4%
Net Revenue	**2,251,348**	**100.0%**	**552,450**	**100.0%**	**85,800**	**100.0%**	**2,889,598**	**100.0%**
Costs (COGS)	**(616,054)**	**-27.4%**	**(52,854)**	**-9.6%**	**(39,333)**	**-45.8%**	**(708,241)**	**-24.5%**
Cost of Goods	-	0.0%	-	0.0%	(15,480)	-18.0%	(15,480)	-0.5%
Cost of Services	(616,054)	-27.4%	(52,854)	-9.6%	(23,853)	-27.8%	(692,761)	-24.0%
Faculty, Other Personnel and Third-Party Services	(423,764)	-18.8%	(40,396)	-7.3%	(21,601)	-25.2%	(485,761)	-16.8%
Rent	(164,879)	-7.3%	(8,294)	-1.5%	(1,677)	-2.0%	(174,850)	-6.1%
Materials	(5,990)	-0.3%	(5,595)	-1.0%	-	0.0%	(11,585)	-0.4%
Maintenance	(5,295)	-0.2%	(425)	-0.1%	(257)	-0.3%	(5,976)	-0.2%
Other	(16,126)	-0.7%	1,856	0.3%	(318)	-0.4%	(14,588)	-0.5%
Gross Income	**1,635,294**	**72.6%**	**499,596**	**90.4%**	**46,467**	**54.2%**	**2,181,357**	**75.5%**
Operating Expenses	**(256,562)**	**-11.4%**	**(54,664)**	**-9.9%**	**(8,454)**	**-9.9%**	**(319,681)**	**-11.1%**
Personnel, General and Administrative Expenses	(256,562)	-11.4%	(54,664)	-9.9%	(8,454)	-9.9%	(319,681)	-11.1%
Personnel	(133,728)	-5.9%	(34,362)	-6.2%	(6,473)	-7.5%	(174,563)	-6.0%
General and Administrative	(122,834)	-5.5%	(20,303)	-3.7%	(1,980)	-2.3%	(145,118)	-5.0%
Provision for Doubtful Accounts - PDA	**(288,667)**	**-12.8%**	**(54,283)**	**-9.8%**	**(669)**	**-0.8%**	**(343,619)**	**-11.9%**
(+) Interest and Penalties on Tuition	60,024	2.7%	23,784	4.3%	532	0.6%	84,340	2.9%
Operating Result	**1,150,088**	**51.1%**	**414,432**	**75.0%**	**37,877**	**44.1%**	**1,602,397**	**55.5%**
Sales and Marketing Expenses							**(224,210)**	**-7.8%**
Corporate Expenses							**(121,927)**	**-4.2%**
Adjusted EBITDA							**1,256,261**	**43.5%**
(-) Nonrecurring Items							(122,059)	-4.2%
EBITDA							**1,134,203**	**39.3%**
Depreciation and Amortization							(205,316)	-7.1%
Financial Result							21,315	0.7%
Income and Social Contribution Tax							(7,440)	-0.3%
Income Tax / Social Cont. - Disposal of Uniasselvi							-	0.0%
Net Profit							**942,762**	**32.6%**
(+) Nonrecurring Items							122,059	4.2%
(+) Intangible Amortization (Acquisitions)							36,246	1.3%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi							-	0.0%
Adjusted Net Profit							**1,101,066**	**38.1%**

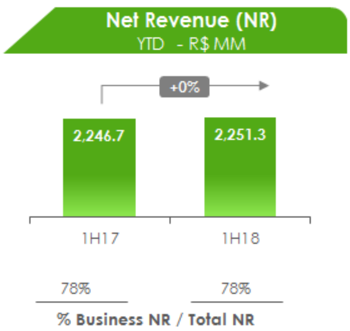
CORPORATE FINANCIAL PERFORMANCE – ON-CAMPUS EDUCATION[1]

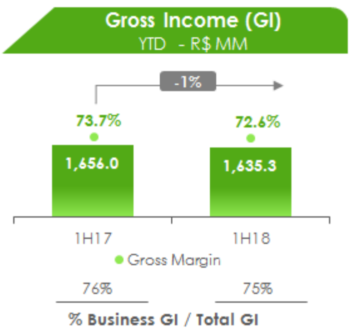
On-Campus Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%	1H18	1H17	Chg.%
Gross Revenue	**1,586,931**	**1,507,854**	**5.2%**	**1,363,498**	**16.4%**	**2,950,429**	**2,866,616**	**2.9%**
Gross Revenue Deductions	(400,570)	(327,748)	22.2%	(298,511)	34.2%	(699,081)	(619,882)	12.8%
Tax	(39,479)	(43,398)	-9.0%	(40,453)	-2.4%	(79,932)	(82,951)	-3.6%
ProUni	(205,283)	(173,530)	18.3%	(185,066)	10.9%	(390,350)	(339,376)	15.0%
Returns	-	-	n.a.	-	n.a.	-	-	n.a.
Total Discounts	(155,808)	(110,820)	40.6%	(72,992)	113.5%	(228,799)	(197,554)	15.8%
FGEDUC	(29,873)	(34,541)	-13.5%	(24,048)	24.2%	(53,921)	(64,912)	-16.9%
FIES - Administratuve Fee	(11,399)	(12,296)	-7.3%	(8,952)	27.3%	(20,351)	(25,065)	-18.8%
Other	(114,536)	(63,984)	79.0%	(39,992)	186.4%	(154,528)	(107,578)	43.6%
Net Revenue	**1,186,361**	**1,180,105**	**0.5%**	**1,064,987**	**11.4%**	**2,251,348**	**2,246,735**	**0.2%**
Net Revenue - Undergraduate	**1,176,465**	**1,167,942**	**0.7%**	**1,031,629**	**14.0%**	**2,208,095**	**2,220,257**	**-0.5%**
Net Revenue - Out-of-pocket	541,630	384,757	40.8%	446,150	21.4%	987,780	695,285	42.1%
Net Revenue - FIES (financed part net of APV)	419,768	608,479	-31.0%	389,775	7.7%	809,543	1,144,886	-29.3%
Net Revenue - PEP (installment part net of APV)	150,893	134,655	12.1%	125,718	20.0%	276,611	280,587	-1.4%
Net Revenue - PMT (installment part net of APV)	64,175	40,051	60.2%	69,987	-8.3%	134,162	99,499	34.8%
Net Revenue - Graduate, Unregulated Programs, Pronatec	**9,895**	**12,163**	**-18.6%**	**33,358**	**-70.3%**	**43,253**	**26,477**	**63.4%**
Total of Costs	**(338,385)**	**(330,090)**	**2.5%**	**(277,669)**	**21.9%**	**(616,054)**	**(590,691)**	**4.3%**
Cost of Goods	-	-	n.a.	-	n.a.	-	-	n.a.
Cost of Services	(338,385)	(330,090)	2.5%	(277,669)	21.9%	(616,054)	(590,691)	4.3%
Faculty, Other Personnel and Third-Party Services	(239,076)	(241,938)	-1.2%	(184,688)	29.4%	(423,764)	(419,414)	1.0%
Rent	(83,039)	(79,572)	4.4%	(81,840)	1.5%	(164,879)	(159,587)	3.3%
Materials	(3,395)	(3,792)	-10.5%	(2,595)	30.8%	(5,990)	(5,740)	4.3%
Maintenance	(2,182)	(1,916)	13.9%	(3,113)	-29.9%	(5,295)	(2,145)	146.8%
Other	(10,693)	(2,872)	272.3%	(5,433)	96.8%	(16,126)	(3,804)	323.9%
Gross Income	**847,976**	**850,014**	**-0.2%**	**787,319**	**7.7%**	**1,635,294**	**1,656,044**	**-1.3%**
Gross Margin	*71.5%*	*72.0%*	*-0.6 p.p.*	*73.9%*	*-2.5 p.p.*	*72.6%*	*73.7%*	*-1.1 p.p.*
Total Operating Expenses	**(139,972)**	**(126,650)**	**10.5%**	**(116,591)**	**20.1%**	**(256,562)**	**(231,463)**	**10.8%**
Personnel Expenses	(73,070)	(66,630)	9.7%	(60,658)	20.5%	(133,728)	(124,929)	7.0%
General and Administrative Expenses	(66,901)	(60,020)	11.5%	(55,933)	19.6%	(122,834)	(106,534)	15.3%
Provision for Doubtful Account - PDA	**(153,688)**	**(122,443)**	**25.5%**	**(134,980)**	**13.9%**	**(288,667)**	**(253,916)**	**13.7%**
(+) Interest and Penalties on Tuition	33,126	24,997	32.5%	26,898	23.2%	60,024	60,229	-0.3%
Operating Result	**587,442**	**625,918**	**-6.1%**	**562,646**	**4.4%**	**1,150,088**	**1,230,895**	**-6.6%**
Operating Margin	*49.5%*	*53.0%*	*-3.5 p.p.*	*52.8%*	*-3.3 p.p.*	*51.1%*	*54.8%*	*-3.7 p.p.*

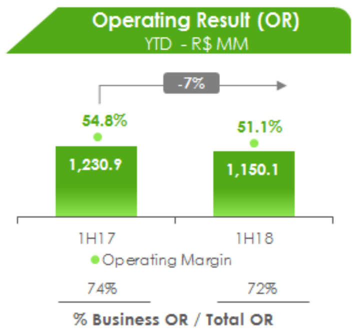












[1] The corporate financial data for 2017 include eight months (January to August) of the operations of the units FAIR, FAC/ FAMAT and 12 months of the operations of NOVATEC in the On-Campus segment, since the sales were concluded on August 31, 2017 and on December 29, 2917, respectively. Meanwhile, the financial data ex FAIR, FAC/FAMAT and NOVATEC exclude the figures from these operations from the On-Campus segment for all periods.

Revenue and Deductions

On-Campus Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Gross Revenue	**1,586,931**	**1,507,854**	**5.2%**	**1,363,498**	**16.4%**
Gross Revenue Deductions	(400,570)	(327,748)	22.2%	(298,511)	34.2%
Tax	(39,479)	(43,398)	-9.0%	(40,453)	-2.4%
ProUni	(205,283)	(173,530)	18.3%	(185,066)	10.9%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(155,808)	(110,820)	40.6%	(72,992)	113.5%
FGEDUC	(29,873)	(34,541)	-13.5%	(24,048)	24.2%
FIES - Administratuve Fee	(11,399)	(12,296)	-7.3%	(8,952)	27.3%
Other	(114,536)	(63,984)	79.0%	(39,992)	186.4%
Net Revenue	**1,186,361**	**1,180,105**	**0.5%**	**1,064,987**	**11.4%**
Net Revenue - Undergraduate	**1,176,465**	**1,167,942**	**0.7%**	**1,031,629**	**14.0%**
Net Revenue - Out-of-pocket	541,630	384,757	40.8%	446,150	21.4%
Net Revenue - FIES (financed part net of APV)	419,768	608,479	-31.0%	389,775	7.7%
Net Revenue - PEP (installment part net of APV)	150,893	134,655	12.1%	125,718	20.0%
Net Revenue - PMT (installment part net of APV)	64,175	40,051	60.2%	69,987	-8.3%
Net Revenue - Graduate, Unregulated Programs, Pronatec	**9,895**	**12,163**	**-18.6%**	**33,358**	**-70.3%**

Deductions

In 2Q18, deductions as a ratio of gross revenue increased 3.5 p.p. compared to the year-ago period, which is explained by the increased use of the Tuition Adjustment Program (PAM) due to the adjustment to classroom hours to meet a higher volume of late enrollments, in addition to the higher volume of discounts granted, especially in contract renegotiations, and by the larger ProUni student base in the last two student-recruiting processes. These factors offset the decrease in charges related to FIES, given the smaller FIES student base. Compared to the prior quarter, deductions as a ratio of gross revenue increased 3.3 p.p., reflecting the seasonality of PAM, which occurs primarily in even-numbered quarters, as well as the late enrollments under the FIES and ProUni programs and the impact from contract renegotiations mentioned previously.

Net Revenue

Net revenue grew 0.5% compared to the year-ago period, mainly due to the improvement in the mix of academic programs, the expansion in the out-of-pocket student base following the student-recruiting process at the start of the year and the higher average ticket in the period. Other products contributing positively to revenue performance in the period were the Private Special Installment Plan (PEP) and the Late Enrollment Installment Plan (PMT), which not only are important sales tools, but also have the added benefit of not involving any discounts (even though their revenue is reduced by Adjustment to Present Value – APV). In the quarter, PEP revenue accounted for R$150.9 million (net of APV), or 13% of total revenue from the on-campus segment, while PMT revenue accounted for R$64.2 million (also net of APV), or 5% of the segment's revenue. Note that PMT is offered only to freshmen students and that its incidence is more intense at the start of the semester. Meanwhile, FIES revenue decreased 31.0% year-on-year, basically due to the fewer FIES students in the base, in turn explained by the graduations observed at the turn of the semester. The result this quarter shows that the Company has been successful in offering a structure of programs and products which were able to offset the lower number of students due to the increase in graduations caused by the strong admission cycles of 2013 and 2014. Furthermore, net revenue in the quarter grew despite the divestments of the FAIR, FAC/FAMAT and Novatec units in late 2017. Compared to 1Q18, the 11.4% growth in net revenue reflects seasonality, due to the occurrence of late enrollments, which result in the recognition of tuitions for the entire semester in a single quarter. In the six-month period, net revenue came to R$2.3 billion, virtually stable (+0.2%) from 1H17, which demonstrates Kroton's sustainability and resilience despite the challenging economic environment and higher number of graduations.

Average Net Ticket

On-Campus Postsecondary Education- Values in R$	2Q18	2Q17	Chg.%	1Q18	Chg.%
Total	860.42	855.74	0.5%	898.80	-4.3%

Calculation of the net average ticket considers Net Revenue after FGEDUC, FIES Administrative Fee, Prouni Scholarship and Taxes on all On-campus products (Undergraduate, Graduate, Research Degree and Extension), excluding revenue from Pronatec and the effects of APV.

For a better understanding, the calculation of Kroton's average ticket considers the number of students effectively billed in the period (including ProUni students), since, due to retroactive contract amendments, a student could be billed more than once in a certain month. The net average ticket of On-Campus programs in 2Q18 was R$860.42, an increase of 0.5% from the year-ago period, reflecting the annual adjustment of monthly tuitions and the increased share of programs with higher monthly tuitions in the base, with these factors offset by the lower price practiced for late enrollments and by the higher number of ProUni students. Furthermore, the increase in the average ticket below inflation in the period also reflects the different mix of new students, with a higher share of out-of-pocket students (which have discounted tickets). Compared to the previous quarter, the 4.3% decrease in average ticket is due to the increased use of PAM this quarter to enable classroom hours better aligned with students' needs. In the six-month period, the average ticket in the On-Campus segment was R$877.67, up 1.4% from the same period of 2017.

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

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

ON-CAMPUS UNDERGRADUATE		2Q18					2Q17					Chg.%	
Student	Product	Net Revenue	APV	NR Ex-APV [1]	Invoices[2]	Net Ticket	Net Revenue	APV	NR Ex-APV [1]	Invoices[2]	Net Ticket	Δ Net Ticket	Δ NR
Ex-FIES e Ex-PEP	**Ex-FIES Ex-PEP**	**405,476**	**206**	**405,682**	**591**	**686.8**	**265,832**	**1,350**	**267,182**	**409**	**653.9**	**5.0%**	**51.8%**
	Out-of-Pocket	346,493	-	346,493	-	-	225,993	-	225,993	-	-	-	-
	PMT	58,983	206	59,189	-	-	39,839	1,350	41,189	-	-	-	-
PEP	**PEP**	**242,652**	**22,516**	**265,167**	**205**	**1,296.1**	**222,450**	**25,284**	**247,734**	**204**	**1,216.5**	**6.5%**	**7.0%**
	Out-of-Pocket	87,772	-	87,772	-	-	85,900	-	85,900	-	-	-	-
	Installment	150,893	21,732	172,624	-	-	134,626	27,433	162,060	-	-	-	-
	PMT	3,987	784	4,771	-	-	1,924	(2,149)	(226)	-	-	-	-
Out-of-Pocket On-Campus Undergrad. Ex-FIES Ex-Prouni		**648,128**	**22,722**	**670,849**	**795**	**843.6**	**488,282**	**26,634**	**514,917**	**612**	**841.0**	**0.3%**	**30.3%**
FIES	**FIES**	**528,284**	**(2,549)**	**525,735**	**427**	**1,232.0**	**679,658**	**(4,181)**	**675,477**	**627**	**1,077.8**	**14.3%**	**-22.2%**
	Out-of-Pocket	107,311	-	107,311	-	-	72,862	-	72,862	-	-	-	-
	Installment	419,768	(1,941)	417,827	-	-	608,479	(2,936)	605,543	-	-	-	-
	PEP+PMT	1,205	(608)	597	-	-	(1,683)	(1,245)	(2,928)	-	-	-	-
TOTAL On-Campus Undergradraduate[3] ExProuni		**1,176,412**	**20,173**	**1,196,584**	**1,222**	**979.2**	**1,167,940**	**22,453**	**1,190,393**	**1,239**	**960.8**	**1.9%**	**0.5%**
TOTAL On-Campus Undergradraduate[3]		**1,176,412**	**20,173**	**1,196,584**	**1,370**	**873.6**	**1,167,940**	**22,453**	**1,190,393**	**1,368**	**870.3**	**0.4%**	**0.5%**

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

As noted previously, an analysis of the above table proves the importance of offering student financing/installment plans in terms of enabling students to pursue careers with more expensive monthly tuitions, which is a policy that was adopted by the Brazilian government itself in offering FIES financing. Since there is no difference in the amounts of the base tuition among students in the same class, the differences in the average ticket observed among installment/financing products reinforces this point, given the higher share of students enrolled in more expensive programs. Accordingly, PEP is the segment's channel with the highest average ticket, of R$1,296.1 per student, in 2Q18. Next comes FIES, with an average ticket of R$1,232.0, followed by students paying out of pocket, with an average ticket of R$688.5.

To exclude seasonality from the quarterly comparison, such as the effects from PMT, the Tuition Adjustment Process (PAM) and the different contracting curves of ProUni and FIES students, the following table presents an analysis of On-campus average ticket by product in the semester:

ON-CAMPUS UNDERGRADUATE		1H18					1H17					Chg.%	
Student	Product	Net Revenue	APV	NR Ex-APV [1]	Invoices[2]	Net Ticket	Net Revenue	APV	NR Ex-APV [1]	Invoices[2]	Net Ticket	Δ Net Ticket	Δ NR
Ex-FIES and Ex-PEP	**Ex-FIES Ex-PEP**	**796,516**	**(9,420)**	**787,096**	**1,064**	**739.9**	**527,335**	**13,135**	**540,470**	**785**	**688.5**	**7.5%**	**45.6%**
	Out-of-Pocket	684,896	-	684,896	-	-	444,252	-	444,252	-	-	-	-
	PMT	111,620	(9,420)	102,200	-	-	83,082	13,135	96,127	-	-	-	-
PEP	**PEP**	**439,940**	**32,438**	**472,377**	**368**	**1,285.0**	**437,542**	**31,003**	**468,545**	**395**	**1,186.4**	**8.3%**	**0.8%**
	Out-of-Pocket	142,384	-	142,384	-	-	147,522	-	147,522	-	-	-	-
	Installment	276,611	29,606	306,217	-	-	274,127	26,674	300,801	-	-	-	-
	PMT	20,945	2,831	23,776	-	-	15,892	4,329	20,222	-	-	-	-
Out-of-Pocket On-Campus Undergrad. Ex-FIES Ex-Prouni		**1,236,456**	**23,018**	**1,259,474**	**1,431**	**879.9**	**964,876**	**44,138**	**1,009,014**	**1,180**	**855.2**	**2.9%**	**24.8%**
FIES*	**FIES**	**971,599**	**(5,186)**	**966,412**	**783**	**1,233.7**	**1,255,378**	**(5,663)**	**1,249,716**	**1,144**	**1,092.6**	**12.9%**	**-22.7%**
	Out-of-Pocket	160,459	-	160,459	-	-	103,509	-	103,509	-	-	-	-
	Installment	809,543	(3,882)	805,661	-	-	1,144,886	(5,874)	1,139,012	-	-	-	-
	PEP+PMT	1,597	(1,304)	293	-	-	6,983	211	7,194	-	-	-	-
TOTAL On-Campus Undergradraduate[3] ExProuni		**2,208,054**	**17,831**	**2,225,886**	**2,215**	**1,005.0**	**2,220,255**	**38,475**	**2,258,730**	**2,324**	**972.1**	**3.4%**	**-1.5%**
TOTAL On-Campus Undergradraduate[3]		**2,208,054**	**17,831**	**2,225,886**	**2,497**	**891.4**	**2,220,255**	**38,475**	**2,258,730**	**2,571**	**878.6**	**1.5%**	**-1.5%**

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

Costs

On-Campus Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Total of Costs	**(338,385)**	**(330,090)**	**2.5%**	**(277,669)**	**21.9%**
Cost of Goods (CG)	-	-	n.a.	-	n.a.
Cost of Services (CS)	(338,385)	(330,090)	2.5%	(277,669)	21.9%
Faculty, Other Personnel and Third-Party Services	(239,076)	(241,938)	-1.2%	(184,688)	29.4%
Rent	(83,039)	(79,572)	4.4%	(81,840)	1.5%
Materials	(3,395)	(3,792)	-10.5%	(2,595)	30.8%
Maintenance	(2,182)	(1,916)	13.9%	(3,113)	-29.9%
Other	(10,693)	(2,872)	272.3%	(5,433)	96.8%

% of Net Revenues	2Q18	2Q17	Chg.%	1Q18	Chg.%
Total of Costs	**-28.5%**	**-28.0%**	**-0.6 p.p.**	**-26.1%**	**-2.5 p.p.**
Cost of Goods (CG)	0.0%	0.0%	n.a.	0.0%	n.a.
Cost of Services (CS)	-28.5%	-28.0%	-0.6 p.p.	-26.1%	-2.5 p.p.
Faculty, Other Personnel and Third-Party Services	-20.2%	-20.5%	0.3 p.p.	-17.3%	-2.8 p.p.
Rent	-7.0%	-6.7%	-0.3 p.p.	-7.7%	0.7 p.p.
Materials	-0.3%	-0.3%	0.0 p.p.	-0.2%	0.0 p.p.
Maintenance	-0.2%	-0.2%	0.0 p.p.	-0.3%	0.1 p.p.
Other	-0.9%	-0.2%	-0.7 p.p.	-0.5%	-0.4 p.p.

In 2Q18, cost of services as a ratio of net revenue increased 0.6 p.p. compared to the same period of 2017, basically due to costs related to the Company's growth projects, which significantly expanded the number of new units in recent months. This ends up creating additional costs related to faculty, rent and materials, which represent the segment's main expenses. Despite this pressure to spur future growth, all efforts related to projects to capture efficiency gains and streamline the cost structure remain in place. The main proof of this is that, despite the more than 29 new units opened or integrated into the portfolio, the increase in costs was only marginal, with some lines even presenting decreases. This result attests to the efforts made under initiatives such as implementing the operational research (OR) software, combined with the more efficient allocation of faculty and utilization of facilities, as well as negotiations related to the strategic sourcing project. Compared to the previous quarter, total costs as a ratio of net revenue increased 2.5 p.p.. In addition to seasonality, this upturn is explained by wage increases under collective bargaining agreements.

Gross Income

On-Campus Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Gross Income	**847,976**	**850,014**	**-0.2%**	**787,319**	**7.7%**
Gross Margin	*71.5%*	*72.0%*	*-0.6 p.p.*	*73.9%*	*-2.5 p.p.*

Gross income from On-Campus Education was R$848.0 million in 2Q18, virtually stable compared to the same period last year. Gross margin, however, contracted 0.6 p.p., due to the higher cost structure to support the growth projects. Compared to the prior quarter, the 2.5 p.p. gross margin contraction reflects the seasonal increases in costs with faculty and third-party services, which more than offset the higher revenue and the positive impact from the normalization of FIES enrollments. In the six-month period, gross margin fell 1.1 p.p. to 72.6%, which reflects the accelerated addition of new units to the Company's portfolio, which offset the efforts to ensure continuous efficiency gains.

Operating Expenses

On-Campus Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Total Operating Expenses	**(139,972)**	**(126,650)**	**10.5%**	**(116,591)**	**20.1%**
Personnel Expenses	(73,070)	(66,630)	9.7%	(60,658)	20.5%
General and Administrative Expenses	(66,901)	(60,020)	11.5%	(55,933)	19.6%
% of Net Revenues	2Q18	2Q17	Chg.%	1Q18	Chg.%
Total Operating Expenses	**-11.8%**	**-10.7%**	**-1.1 p.p.**	**-10.9%**	**-0.9 p.p.**
Personnel Expenses	-6.2%	-5.6%	-0.5 p.p.	-5.7%	-0.5 p.p.
General and Administrative Expenses	-5.6%	-5.1%	-0.6 p.p.	-5.3%	-0.4 p.p.

Personnel, General and Administrative Expenses

As a ratio of net revenue, total personnel, general and administrative expenses increased 1.1 p.p. from the year-ago quarter, which also was due to the larger workforce and the higher administrative expenses related to the new units, particularly with utilities. Compared to the prior quarter, the increase of 0.9 p.p. in this indicator is explained by the segment's natural seasonality.

Provision for Doubtful Accounts (PDA)

On-Campus Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Provision for Doubtful Account - PDA	(153,688)	(122,443)	25.5%	(134,980)	13.9%
PDA / Postsecondary Net Revenues[1]	*-13.0%*	*-10.4%*	*-2.6 p.p.*	*-13.0%*	*-0.0 p.p.*
PDA Out-of-pocket	*(42,376)*	*(29,613)*	*43.1%*	*(33,620)*	*26.0%*
PDA Out-of-pocket / Postsecondary Net Revenues Out-of-pocket[1]	*-7.7%*	*-7.5%*	*-0.2 p.p.*	*-7.4%*	*-0.3 p.p.*
PDA FIES - Financed Part	*(3,778)*	*(5,476)*	*-31.0%*	*(3,508)*	*7.7%*
PDA FIES / Postsecondary Net Revenues FIES[1]	*-0.9%*	*-0.9%*	*0.0 p.p*	*-0.9%*	*-0.0 p.p.*
PDA PEP - Installment Part	*(75,446)*	*(67,328)*	*12.1%*	*(62,859)*	*20.0%*
PDA PEP / Postsecondary Net Revenues PEP[1]	*-50.0%*	*-50.0%*	*0.0 p.p*	*-50.0%*	*0.0 p.p*
PDA PMT - Installment Part	*(32,088)*	*(20,026)*	*60.2%*	*(34,993)*	*-8.3%*
PDA PMT / Postsecondary Net Revenues PMT[1]	*-50.0%*	*-50.0%*	*0.0 p.p*	*-50.0%*	*0.0 p.p*

[1] Net Revenue for the On-Campus excludes revenues from Pronatec

Total PDA as a ratio of net revenue in the On-Campus segment increased 2.6 p.p. from the same period last year, to 13.0%. The performance is related to the higher share of PEP and PMT students, as well as to the accruals to PDA out-of-pocket to better reflect the change in the mix of the student base. Furthermore, the higher dropout rate observed in 2017 and the higher delinquency rate led the Company to increase provisioning for the out-of-pocket student base in order to balance its coverage rate. Compared to the prior quarter, PDA as a ratio of net revenue remained stable at 13%, considering the adjustment of PDA for out-of-pocket students and the impact from late enrollments with a higher share of PEP and PMT students, which neutralized the period's seasonality.

Accounts Receivables by Payment Form

On-Campus Higher Education Values in R$ (´000) net of APV and PDA	2Q18	2Q17	Chg.%	1Q18	Chg.%
Net Accounts Receivable	**2,173,681**	**1,710,722**	**27.1%**	**1,946,314**	**11.7%**
Out-of-Pocket	**489,048**	**339,460**	**44.1%**	**400,041**	**22.2%**
Tuition + FIES + PEP	486,159	337,295	44.1%	398,283	22.1%
Agreements to Receive	2,147	2,166	-0.9%	1,758	22.1%
Installments	**859,483**	**455,138**	**88.8%**	**749,123**	**14.7%**
PEP	670,128	362,753	84.7%	591,456	13.3%
PMT	189,355	92,386	105.0%	157,667	20.1%
FIES	**825,150**	**916,123**	**-9.9%**	**797,150**	**3.5%**
PN23	390,981	563,112	-30.6%	376,726	3.8%
Short Term	390,981	199,275	96.2%	376,726	3.8%
Long Term	-	363,837	n.a.	0	n.a.
Other FIES - Short Term	434,169	353,011	23.0%	420,423	3.3%

Total Accounts Receivable net of PDA increased 11.7% in 2Q18 compared to 1Q18, as a result of higher exposure to the Company's installment payment products, such as PEP and PMT, under which payment is made only after graduation, combined with the still-high volume of past-due tuitions due to the unstable economic scenario and the higher volume of negotiations with students. Lastly, note that the only FIES installment outstanding under PN23 is recorded in the short-term line and corresponds to 50% of the amount not received in 2015 (adjusted to present value), which was received in early August and should positively impact the result for the coming quarter (3Q18).

Average Accounts Receivable Term

For calculating the average term of accounts receivable in the On-Campus Postsecondary business, Kroton presents four distinct analyses:

1. Total Accounts Receivable

On-Campus - Average Accounts Receivable Term (days)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Net Accounts Receivable / Total Net Revenue On-Campus	**181**	**146**	**35 Days**	**163**	**18 Days**

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

In 2Q18, the average term increased by 35 days compared to the same period last year, mainly due to the factors mentioned above, such as the higher balance of PEP and PMT accounts receivable and the higher volume of past-due tuitions and negotiations. Compared to 1Q18, the increase of 18 days in the average term reflects not only the higher share of PEP and PMT in the student base, but also the longer receivables term of FIES, since revenue from the program has been decreasing substantially in recent quarters. In general, it is important to note that Kroton reviewed its policy for renegotiating contracts with students early this year and integrated its entire collections system, which should improve Accounts Receivable flow and management as a whole.

2. Out-of-pocket Accounts Receivable

On-Campus - Average Accounts Receivable Term (days)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Net Accounts Receivable (Out-of-Pocket ex-Pronatec) / Net Revenue (Out-of-Pocket ex-Pronatec)	99	90	09 Days	89	10 Days

Calculation base: net balance of short-term and long-term Accounts Receivable (Out-of-pocket ex-Pronatec) in the On-Campus business related exclusively to monthly tuitions, agreements and other academic services, divided 7by net revenue (Out-of-pocket ex-Pronatec) in the On-Campus business in the last 12 months, multiplied by 360 days.

In 2Q18, the average receivables term of out-of-pocket students (i.e., without installment/financing plans) increased 9 days from the same period of 2017, which mainly reflects the still-challenging economic conditions in Brazil, which led to a higher volume of renegotiations and to a worsening of on-time payment of tuitions. Compared to the previous quarter, the increase of 10 days is due to seasonality and to the higher volume of renegotiations.

3. FIES Accounts Receivable

On-Campus - Average Accounts Receivable Term (days)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Net Accounts Receivable (FIES) / Net Revenue (FIES)	166	144	22 Days	145	21 Days

Calculation base: net balance of short-term and long-term Accounts Receivable related solely to FIES, divided by net revenue from monthly FIES tuitions in the last 12 months, multiplied by 360 days.

In 2Q18, the average term of FIES accounts receivable was 166 days, increasing 22 days compared to the same period of 2017. However, this increase is temporary, since the comparison base, which corresponds precisely to net revenue from FIES, decreased sharply in recent quarters. The same situation applies to the increase of 21 days compared to the prior quarter, in addition to late enrollments in the program. On the other hand, the Company already has received, in early August, the last installment of repurchases not paid under PN23, which should bring the average FIES Accounts Receivables term in line with pre-2015 levels.

4. Installment Payment Products Accounts Receivable

On-Campus - Average Accounts Receivable Term (days)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Net Accounts Receivable (PEP/PMT) / Net Revenue (PEP/PMT)	425	288	137 Days	392	33 Days

Calculation base: net balance of short-term and long-term Accounts Receivable related exclusively to PEP and PMT, divided by net revenue from monthly PEP and PMT tuitions in the last 12 months, multiplied by 360 days.

In 2Q18, the average term of installment plans increased by 137 days and 33 days compared to 2Q17 and to the prior quarter, respectively, reflecting the maturation of PEP and PMT students in the Company's student base and the latest student-recruiting process in the period.

Operating Result

On-Campus Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Gross Income	**847,976**	**850,014**	**-0.2%**	**787,319**	**7.7%**
(-) Total Operating Expenses	(139,972)	(126,650)	10.5%	(116,591)	20.1%
(-) Provision for Doubtful Account - PDA	(153,688)	(122,443)	25.5%	(134,980)	13.9%
(+) Interest and Penalties on Tuition	33,126	24,997	32.5%	26,898	23.2%
Operating Result	**587,442**	**625,918**	**-6.1%**	**562,646**	**4.4%**
Operating Margin	*49.5%*	*53.0%*	*-3.5 p.p.*	*52.8%*	*-3.3 p.p.*

The operating result (before marketing expenses) in 2Q18 amounted to R$587.4 million, with operating margin of 49.5%, down 3.5 p.p. from the prior-year period. The lower margin reflects not only the larger cost structure to support the

Company's growth projects, but also all other pressures, which mainly refer to the shift in the profile of the On-Campus student base and to the higher provisioning to support the Company's conservative approach to its installment plans. However, note that the maintenance of operating margins around 50%, despite these short-term challenges, the weaker economic activity and the accelerated expansion of units, demonstrates the effectiveness and consistency of the Company's various levers for continuing to deliver a high level of efficiency. Compared to the previous quarter, operating margin fell 3.3 p.p., due to the seasonal increase in costs and expenses and to the higher provisioning for out-of-pocket students in the quarter. In the six-month period, operating result was R$1,150.1 million, with operating margin of 51.1%, down 3.7 p.p. from the same period of 2017.

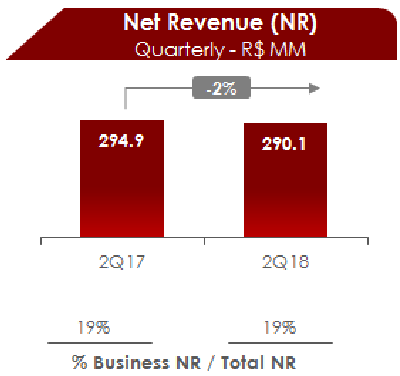
OPERATING RESULT EX FAIR, FAC/FAMAT and NOVATEC

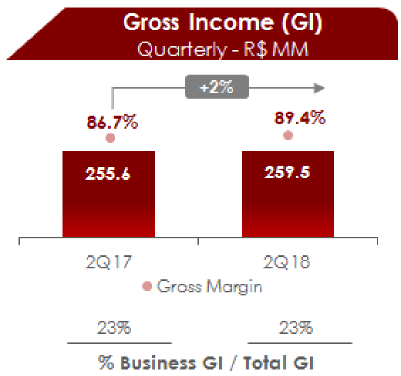
On-Campus - Values in R$ ('000)	2Q18	2Q17	Chg.%	1H18	1H17	Chg.%
Net Revenue	1,186,361	1,171,384	1.3%	2,251,348	2,230,148	1.0%
Gross Income	847,976	842,832	0.6%	1,635,294	1,642,398	-0.4%
Gross Margin	*71.5%*	*72.0%*	*-0.5 p.p.*	*72.6%*	*73.6%*	*-1.0 p.p.*
Operating Result	587,442	619,867	-5.2%	1,150,088	1,219,611	-5.7%
Operating Margin	*49.5%*	*52.9%*	*-3.4 p.p.*	*51.1%*	*54.7%*	*-3.6 p.p.*

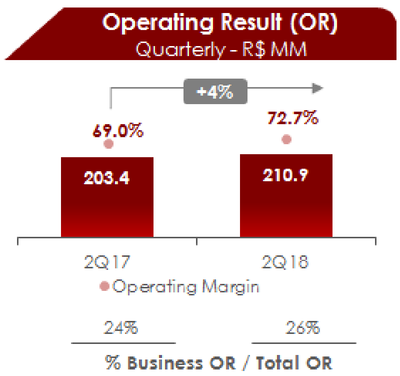
Excluding the recent divestments of FAIR, FAC/FAMAT and NOVATEC from the results for 2017 leads to a slight improvement in indicators for the On-campus segment in relation to the corporate result, with revenue growing 1.3% in the quarter and gross income reversing its trend to grow 0.6%. Gross margin, however, would still be 0.5 p.p. lower than in the same period of 2017. Meanwhile, operating result ex-divestments declined 5.2% in 2Q18, with operating margin 3.4 p.p. lower than in the year-ago period. In the six-month period, revenue increased 1.0%, compared to declines of 0.4% in gross income and 1.0 p.p. in gross margin. Operating result for the period, in turn, decreased 5.7%, with operating margin contracting 3.6 p.p. from 1H17.

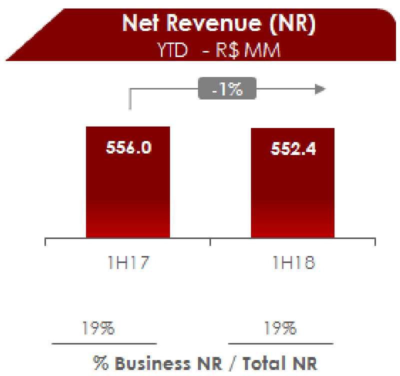
CORPORATE FINANCIAL PERFORMANCE – DISTANCE LEARNING

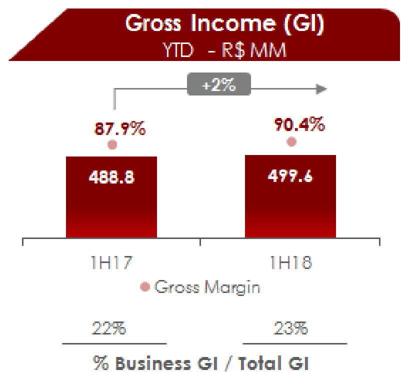
Distance Learning - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%	1H18	1H17	Chg.%
Gross Revenue	**393,010**	**382,814**	**2.7%**	**346,325**	**13.5%**	**739,336**	**723,866**	**2.1%**
Gross Revenue Deductions	(102,889)	(87,893)	17.1%	(83,997)	22.5%	(186,886)	(167,833)	11.4%
Tax	(7,757)	(9,081)	-14.6%	(7,032)	10.3%	(14,789)	(16,733)	-11.6%
ProUni	(71,770)	(56,583)	26.8%	(58,579)	22.5%	(130,349)	(105,937)	23.0%
Returns	-	-	n.a.	-	n.a.	-	-	n.a.
Total Discounts	(23,363)	(22,228)	5.1%	(18,386)	27.1%	(41,749)	(45,162)	-7.6%
Net Revenue	**290,121**	**294,922**	**-1.6%**	**262,329**	**10.6%**	**552,450**	**556,033**	**-0.6%**
Net Revenue - Undergraduate	271,923	278,382	-2.3%	247,941	9.7%	519,863	524,475	-0.9%
Net Revenue - Out-of-pocket	269,138	267,842	0.5%	244,465	10.1%	513,603	501,698	2.4%
Net Revenue - PMT (installment part net of APV)	2,784	10,540	-73.6%	3,476	-19.9%	6,260	22,777	-72.5%
Net Revenue - Graduate, LFG and Unregulated Programs	18,198	16,540	10.0%	14,388	26.5%	32,587	31,557	3.3%
Total of Costs	**(30,645)**	**(39,295)**	**-22.0%**	**(22,209)**	**38.0%**	**(52,854)**	**(67,270)**	**-21.4%**
Cost of Goods	-	-	n.a.	-	n.a.	-	-	n.a.
Cost of Services	(30,645)	(39,295)	-22.0%	(22,209)	38.0%	(52,854)	(67,270)	-21.4%
Faculty, Other Personnel and Third-Party Services	(23,027)	(31,110)	-26.0%	(17,370)	32.6%	(40,396)	(52,100)	-22.5%
Rent	(4,619)	(4,119)	12.1%	(3,675)	25.7%	(8,294)	(8,192)	1.3%
Materials	(2,367)	(2,710)	-12.6%	(3,227)	-26.6%	(5,595)	(5,437)	2.9%
Maintenance	(241)	(866)	-72.2%	(184)	30.8%	(425)	(880)	-51.7%
Other	(391)	(489)	-20.0%	2,247	n.a.	1,856	(662)	n.a.
Gross Income	**259,476**	**255,626**	**1.5%**	**240,119**	**8.1%**	**499,596**	**488,763**	**2.2%**
Gross Margin	*89.4%*	*86.7%*	*2.8 p.p.*	*91.5%*	*-2.1 p.p.*	*90.4%*	*87.9%*	*2.5 p.p.*
Total Operating Expenses	**(29,488)**	**(25,448)**	**15.9%**	**(25,177)**	**17.1%**	**(54,664)**	**(48,401)**	**12.9%**
Personnel Expenses	(18,961)	(16,203)	17.0%	(15,400)	23.1%	(34,362)	(32,286)	6.4%
General and Administrative Expenses	(10,526)	(9,245)	13.9%	(9,777)	7.7%	(20,303)	(16,116)	26.0%
Provision for Doubtful Account - PDA	(28,721)	(29,444)	-2.5%	(25,562)	-12.4%	(54,283)	(56,181)	-3.4%
(+) Interest and Penalties on Tuition	9,640	2,689	258.5%	14,144	-31.8%	23,784	11,024	115.8%
Operating Result	**210,908**	**203,424**	**3.7%**	**203,524**	**3.6%**	**414,432**	**395,204**	**4.9%**
Operating Margin	*72.7%*	*69.0%*	*3.7 p.p.*	*77.6%*	*-4.9 p.p.*	*75.0%*	*71.1%*	*3.9 p.p.*

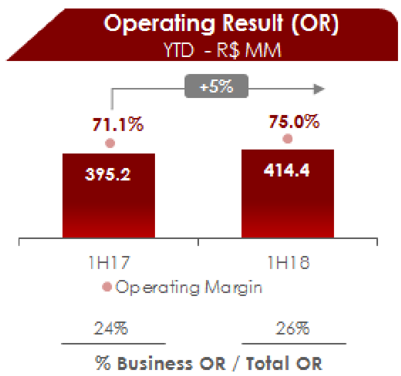












Revenue and Deductions

Distance Learning - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Gross Revenue	**393,010**	**382,814**	**2.7%**	**346,325**	**13.5%**
Gross Revenue Deductions	(102,889)	(87,893)	17.1%	(83,997)	22.5%
Tax	(7,757)	(9,081)	-14.6%	(7,032)	10.3%
ProUni	(71,770)	(56,583)	26.8%	(58,579)	22.5%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(23,363)	(22,228)	5.1%	(18,386)	27.1%
Net Revenue	**290,121**	**294,922**	**-1.6%**	**262,329**	**10.6%**
Net Revenue - Undergraduate	271,923	278,382	-2.3%	247,941	9.7%
Net Revenue - Out-of-pocket	269,138	267,842	0.5%	244,465	10.1%
Net Revenue - PMT (installment part net of APV)	2,784	10,540	-73.6%	3,476	-19.9%
Net Revenue - Graduate, LFG and Unregulated Programs	18,198	16,540	10.0%	14,388	26.5%

Deductions

In the Distance Learning business, the main deduction items are the discounts granted and ProUni, which combined corresponded to 24.2% of total gross revenue in 2Q18, up 3.6 p.p. from the same period of 2017, reflecting the larger ProUni student base after the most recent student-recruiting processes. Compared to the prior quarter, deductions increased 2.0 p.p., reflecting the late enrollments in ProUni and the discounts granted during the final phase of the student-recruiting process.

Net Revenue

In 2Q18, net revenue amounted to R$290.1 million, down 1.6% from the same period of 2017, due to the lower offering of PMT plans in the last student-recruiting cycle. Comparing exclusively the line net revenue from out-of-pocket students, growth was 0.5% on the prior-year period, reflecting the solid results of the student-recruiting processes, the higher number of new centers and the positive impact from the expanded offering of Premium DL programs. 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 with blended-learning formats. Compared to the previous quarter, net revenue from the DL segment increased 10.6%, due to the late enrollments observed in the period. In 1H18, net revenue from the DL segment was R$552.5 million, down 0.6% from 1H17.

Average Net Ticket

Distance Learning - Values in R$	2Q18	2Q17	Chg.%	1Q18	Chg.%
Total (Student)	**270.90**	**261.51**	**3.6%**	**266.91**	**1.5%**

Calculation of the average net ticket considers Net Revenue before Transfers to owners of the centers and after ProUni scholarships and Taxes for all DL products (Undergraduate, Graduate, Unregulated Programs and LFG) and excludes the effects of APV.

For comparison purposes, Kroton reports only the effective ticket paid by the student, without discounting the transfers to the partners of the centers. To enable a better understanding, when calculating the average ticket, Kroton uses the number of invoices effectively recognized as revenue in the period, including ProUni sales. On this basis, considering all (100%) of the revenue and the combination of the DL Undergraduate, DL Graduate and LFG businesses, the average ticket was R$270.90, or 3.6% higher than in 2Q17, reflecting the annual tuition increase and the increase in the base of Premium DL, which has a strategic relevance not only for representing an important competitive advantage, but also for having monthly tuitions significantly higher than in the once a week model. These factors offset the higher number of students enrolled in 100%-online programs (which have lower average tickets), and the increased competition in the segment. Compared to the previous quarter, the average ticket in the DL segment increased 1.5%, in line with the trend mentioned in the last earnings release due to the effect from late enrollments. In the six-month period, the average ticket stood at R$269.00, increasing 2.6% from 1H17, which reinforces the assertive commercial strategy adopted for the segment.

Breakdown of Average Net Ticket of DL Undergraduate – Student by Product Perspective

Since the start of 2017, analyses of average ticket in the DL segment include additional information based on "student by product perspective" for the Undergraduate business. This perspective considers the different sources of revenue for each product separately, i.e., the DL average ticket is formed by the amounts of students paying 100% of tuition out of pocket and those contracting the PMT plan. The combination of the Out-of-pocket and PMT average ticket is called the "DL Undergraduate Out-Of-Pocket (ex-Prouni)." This analysis enables a better understanding of the dynamics of the average ticket across the various types of students and of payment products offered by the Company.

DISTANCE LEARNING UNDERGRADUATE		2Q18					2Q17					Chg.%	
Student	Product	Net Revenue [1]	APV	NR Ex-APV [2]	Invoices [3]	Net Ticket	Net Revenue [1]	APV	NR Ex-APV [2]	Invoices [3]	Net Ticket	Δ Net Ticket	Δ NR
Distance Learning	Out-of-Pocket	425,166	-	425,166	1,445	294.2	424,757	-	424,757	1,502	282.9	4.0%	0.1%
	PMT	4,389	(229)	4,159	12	347.5	13,380	(742)	12,639	39	320.5	-	-
TOTAL DL UNDERGRAD. OUT-OF-POCKET[4] Ex-ProUni		**429,555**	**(229)**	**429,325**	**1,457**	**294.7**	**438,137**	**(742)**	**437,396**	**1,541**	**283.8**	**3.8%**	**-1.8%**
TOTAL DISTANCE LEARNING UNDERGRAD[4]		**429,555**	**(229)**	**429,325**	**1,587**	**270.6**	**438,137**	**(742)**	**437,396**	**1,663**	**263.0**	**2.9%**	**-1.8%**

[1] Revenue ex-Transfers; [2] Revenue used to calculate average ticket; [3] Amounts /'000; [4] Undergraduate Only (ex-graduate, unregulated programs, etc.)

The above analysis illustrates the impact of PMT on the performance of average ticket in the period. However, since the offering of this product is still not that significant and was very residual this quarter, only a small difference is perceived in the out-of-pocket average ticket ex-ProUni in relation to the consolidated figure shown in the previous table.

Furthermore, to exclude seasonality from the quarterly comparison, such as the effects from PMT and the different curve of ProUni students, the following table presents an analysis of the DL average ticket by product in the semester:

DISTANCE LEARNING UNDERGRADUATE		1H18					1H17					Chg.%	
Student	Product	Net Revenue [1]	APV	NR Ex-APV [2]	Invoices [3]	Net Ticket	Net Revenue [1]	APV	NR Ex-APV [2]	Invoices [3]	Net Ticket	Δ Net Ticket	Δ NR
EAD	Out-of-Pocket	801,412	-	801,412	2,746	291.9	787,196	-	787,196	2,805	280.6	4.0%	1.8%
	PMT	8,482	(1,163)	7,319	21	346.2	37,480	3,507	40,987	124	330.4	-	-
TOTAL DL UNDERGRAD. OUT-OF-POCKET[4] Ex-ProUni		**809,895**	**(1,163)**	**808,731**	**2,767**	**292.3**	**824,676**	**3,507**	**828,183**	**2,929**	**282.8**	**3.4%**	**-2.3%**
TOTAL DISTANCE LEARNING UNDERGRAD[4]		**809,895**	**(1,163)**	**808,731**	**3,005**	**269.2**	**824,676**	**3,507**	**828,183**	**3,143**	**263.5**	**2.2%**	**-2.3%**

[1] Revenue ex-Transfers; [2] Revenue used to calculate average ticket; [3] Amounts /'000; [4] Undergraduate Only (ex-graduate, unregulated programs, etc.)

Costs

Distance Learning - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Total of Costs	**(30,645)**	**(39,295)**	**-22.0%**	**(22,209)**	**38.0%**
Cost of Goods	-	-	n.a.	-	n.a.
Cost of Services	(30,645)	(39,295)	-22.0%	(22,209)	38.0%
Faculty, Other Personnel and Third-Party Services	(23,027)	(31,110)	-26.0%	(17,370)	32.6%
Rent	(4,619)	(4,119)	12.1%	(3,675)	25.7%
Materials	(2,367)	(2,710)	-12.6%	(3,227)	-26.6%
Maintenance	(241)	(866)	-72.2%	(184)	30.8%
Other	(391)	(489)	-20.0%	2,247	n.a.

% of Net Revenues	2Q18	2Q17	Chg.%	1Q18	Chg.%
Total of Costs	**-10.6%**	**-13.3%**	**2.8 p.p.**	**-8.5%**	**-2.1 p.p.**
Cost of Goods (CG)	0.0%	0.0%	0.0 p.p.	0.0%	0.0 p.p.
Cost of Services (CS)	-10.6%	-13.3%	2.8 p.p.	-8.5%	-2.1 p.p.
Faculty, Other Personnel and Third-Party Services	-7.9%	-10.5%	2.6 p.p.	-6.6%	-1.3 p.p.
Rent	-1.6%	-1.4%	-0.2 p.p.	-1.4%	-0.2 p.p.
Materials	-0.8%	-0.9%	0.1 p.p.	-1.2%	0.4 p.p.
Maintenance	-0.1%	-0.3%	0.2 p.p.	-0.1%	0.0 p.p.
Other	-0.1%	-0.2%	0.0 p.p.	0.9%	-1.0 p.p.

In 2Q18, cost of services (CS) came to R$30.6 million and as a ratio of net revenue decreased 2.8 p.p. from the same period of 2017. The decrease is mainly due to the optimization of online tutoring, which seeks to improve the quality of the services and responses given to students and to boost the operation's productivity. Furthermore, the expansion in the base of 100%-online students also had a positive impact on faculty costs, since their cost structure is lower compared to the blended-learning model. In addition, efficiency gains were captured by projects related to strategic sourcing and by economies of scale in recent years. Compared to the previous quarter, costs as a ratio of net revenue increased 2.1 p.p., which is explained by the seasonal increase in direct payroll costs, especially those related to the hiring of new professors and tutors.

Gross Income

Distance Learning - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Gross Income	**259,476**	**255,626**	**1.5%**	**240,119**	**8.1%**
Gross Margin	*89.4%*	*86.7%*	*2.8 p.p.*	*91.5%*	*-2.1 p.p.*

In 2Q18, gross income was R$259.5 million, with gross margin of 89.4%, increasing 2.8. p.p. from the same period last year. The improvement in profitability despite all the pressures from the higher competition in the segment reflects the efficiency gains captured in recent quarters, economies of scale and the lower payroll costs in the period, demonstrating the differentiated level of management achieved by Kroton in the segment. Compared to the prior quarter, the lower gross margin reflects the seasonal increase in costs. In the first six months of the year, gross income reached R$499.6 million, with gross margin expanding 2.5 p.p. to over 90%, which attests to the effectiveness of the projects carried out by the Company in the DL segment, which have yielded good results despite the scenario of more intense competition and lower regulatory barriers.

Operating Expenses

Distance Learning - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Total Operating Expenses	**(29,488)**	**(25,448)**	**15.9%**	**(25,177)**	**17.1%**
Personnel Expenses	(18,961)	(16,203)	17.0%	(15,400)	23.1%
General and Administrative Expenses	(10,526)	(9,245)	13.9%	(9,777)	7.7%
% of Net Revenues	**2Q18**	**2Q17**	**Chg.%**	**1Q18**	**Chg.%**
Total Operating Expenses	**-10.2%**	**-8.6%**	**-1.5 p.p.**	**-9.6%**	**-0.6 p.p.**
Personnel Expenses	-6.5%	-5.5%	-1.0 p.p.	-5.9%	-0.7 p.p.
General and Administrative Expenses	-3.6%	-3.1%	-0.5 p.p.	-3.7%	0.1 p.p.

Personnel, General and Administrative Expenses

In the quarter, personnel expenses as a ratio of net revenue in the segment increased 1.0 p.p. compared to 2Q17, as a result of the expansion in the workforce to support the higher number of centers and since, unlike in other periods, there was no reversal of provisioning for the variable compensation program (PRV), given that the reversal was calculated and recognized in the previous quarter. This factor, as well as seasonality, also explains the increase of 0.7 p.p. compared to the prior period. Meanwhile, general and administrative expenses as a ratio of net revenue increased 0.5 p.p. from the prior-year period, since 2Q17 benefitted from the recognition of PIS/COFINS tax credits. Compared to 1Q18, however, the decline of 0.1 p.p. in general and administrative expenses was due to higher savings in the line utilities, cleaning and security achieved by the Company in the segment.

Provision for Doubtful Accounts (PDA)

Distance Learning (DL) - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Provision for Doubtful Account - PDA	(28,721)	(29,444)	-2.5%	(25,562)	12.4%
PDA / Distance Learning Net Revenues	*-9.9%*	*-10.0%*	*0.1 p.p.*	*-9.7%*	*-0.2 p.p.*
PDA Out-of-pocket	(27,329)	(24,174)	13.1%	(23,824)	14.7%
PDA Out-of-pocket/ Out-of-pocket DL Net Revenues	*-9.5%*	*-8.5%*	*-1.0 p.p.*	*-9.2%*	*-0.3 p.p.*
PCLD PMT - Installment Part	(1,392)	(5,270)	-73.6%	(1,738)	-19.9%
PDA PMT/ PMT DL Net Revenues	*-50.0%*	*-50.0%*	*0.0 p.p.*	*-50.0%*	*0.0 p.p.*

Provisioning in the DL business stood at 9.9% in 2Q18, down 0.1 p.p. from the same period last year, reflecting the lower offering of PMT plans in the last student-recruiting cycle, for which, like PEP, the Company adopts the conservative provisioning policy of accruing 50% of the tuition installments. This situation ended up offsetting the increase in out-of-pocket PDA, given the expansion in the 100%-online student base, which has a higher dropout rate, and the still-challenging economic environment. The same factors explain the increase of 0.2 p.p. in the level of provisioning compared to the prior quarter.

Accounts Receivable

Distance Learning - Values in R$ ('000) net of APV and PDA	2Q18	2Q17	Chg.%	1Q18	Chg.%
Net Accounts Receiveble	**292,425**	**280,987**	**4.1%**	**267,699**	**9.2%**
Tuit ion and Agreements to Receive - Short term	285,016	268,044	6.3%	260,356	9.5%
PMT	7,409	12,943	-42.8%	7,343	0.9%

Net accounts receivable in the Distance Learning business amounted to R$292.4 million in 2Q18, increasing 4.1% from the same period of 2017, reflecting the growth in the receivables-generating student base and the impact from the increase in new enrollments of students in 100%-online programs, who are more likely to drop out, directly affecting the profile of the delinquent student base and total agreements closed. Meanwhile, the 9.2% increase compared to the previous quarter was driven by seasonality and the higher dropouts observed in the segment.

Average Accounts Receivable Term

In relation to the average Accounts Receivable term for the DL Postsecondary business, Kroton presents two distinct analyses:

1. Out-of-pocket Accounts Receivable

Distance Learning - Days	2Q18	2Q17	Chg.(Days)	1Q18	Chg.(Days)
Net Accounts Receivable (Out-of-Pocket) / Net Revenue (Out-of-Pocket)	**95**	**91**	**04 Days**	**87**	**08 Days**

Calculation base: net balance of short-term and long-term Accounts Receivable for out-of-pocket students in the DL business, divided by net revenue in the DL business in the last 12 months, multiplied by 360 days.

The average receivables term of out-of-pocket DL students was 4 days higher than in the year-ago period, due to the same factors cited above, i.e., the combination of a higher number of students from the latest admissions and re-enrollment processes, especially in the 100%-online student base. The increase of 8 days compared to the prior quarter is due to the seasonality of the operation, which is in line with that observed in the same period of 2017.

2. PMT Accounts Receivable

Distance Learning - Days	2Q18	2Q17	Chg.(Days)	1Q18	Chg.(Days)
Net Accounts Receivable (PMT) / **Net Revenue (PMT)**	**472**	**231**	**241 Days**	**242**	**230 Days**

Calculation base: net balance of short-term and long-term Accounts Receivable exclusively related to DL PMT, divided by net revenue of DL PMT tuitions in the last 12 months, multiplied by 360 days.

The average receivables term of PMT in the DL segment was 472 days, remembering that students who opted for the product in the last admissions cycle will repay the outstanding monthly tuitions only after they graduate from their program. Furthermore, the low number of new enrollments with PMT plans in the last student-recruiting cycle had a direct effect on revenue, which affected the ratio.

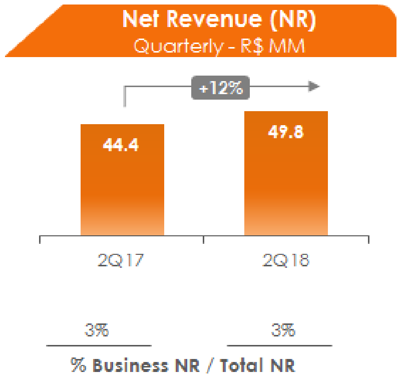
Operating Result

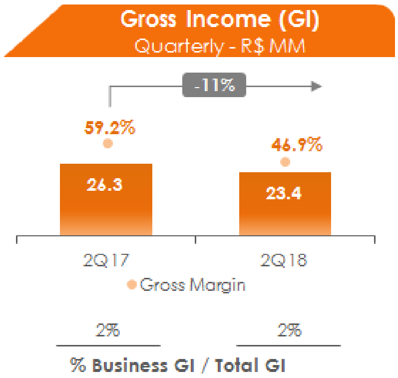
Distance Learning - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Gross Income	**259,476**	**255,626**	**1.5%**	**240,119**	**8.1%**
(-) Total Operating Expenses	(29,488)	(25,448)	15.9%	(25,177)	17.1%
(-) Provision for Doubtful Account - PDA	(28,721)	(29,444)	-2.5%	(25,562)	12.4%
(+) Interest and Penalties on Tuition	9,640	2,689	258.5%	14,144	-31.8%
Operating Result	**210,908**	**203,424**	**3.7%**	**203,524**	**3.6%**
Operating Margin	*72.7%*	*69.0%*	*3.7 p.p.*	*77.6%*	*-4.9 p.p.*

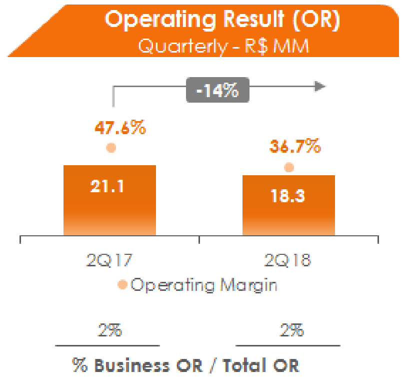
The operating result (before marketing expenses) of the DL segment in 2Q18 was R$210.9 million, with operating margin expanding 3.7 p.p. from the same period of 2017. This margin expansion was achieved despite the scenario of more-intense competition, highlighting the resilience of the Company and the efficiency of the operation, delivering rigorous cost control while strongly expanding the number of centers. Compared to the prior quarter, the 4.9 p.p. decrease in operating margin was influenced primarily by seasonality. in the six-month period, the operating result was R$414.4 million, with margin of 75.0%, up 3.9 p.p. from 1H17, which corroborates the commercial strategy adopted after the regulatory changes.

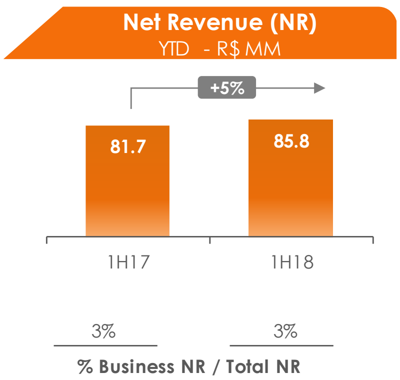
CORPORATE FINANCIAL PERFORMANCE – PRIMARY & SECONDARY

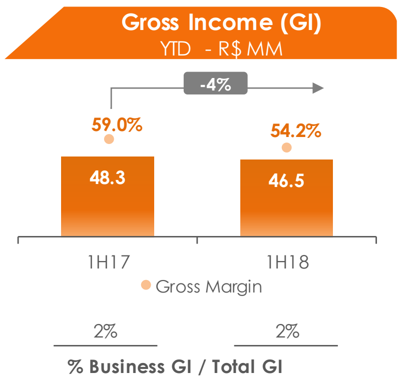
Primary and Secondary Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%	1H18	1H17	Chg.%
Gross Revenue	**56,215**	**47,935**	**17.3%**	**48,003**	**17.1%**	**104,218**	**88,902**	**17.2%**
Gross Revenue Deductions	(6,424)	(3,571)	79.9%	(11,994)	-46.4%	(18,418)	(7,156)	157.4%
Tax	(1,900)	(1,364)	39.3%	(1,285)	47.9%	(3,185)	(2,511)	26.8%
ProUni	-	-	n.a.	-	n.a.	-	-	n.a.
Returns	(4,524)	(2,207)	105.0%	(10,709)	-57.8%	(15,233)	(4,645)	227.9%
Total Discounts	-	-	n.a.	-	n.a.	-	-	n.a.
Net Revenue	**49,791**	**44,364**	**12.2%**	**36,009**	**38.3%**	**85,800**	**81,746**	**5.0%**
Management Contracts and Own Operations	24,612	15,511	58.7%	14,654	68.0%	39,267	30,949	26.9%
Associated Schools Network	25,179	28,853	-12.7%	21,355	17.9%	46,533	50,797	-8.4%
Total of Costs	**(26,436)**	**(18,085)**	**46.2%**	**(12,897)**	**105.0%**	**(39,333)**	**(33,480)**	**17.5%**
Cost of Goods	(10,371)	(8,344)	24.3%	(5,094)	103.6%	(15,465)	(14,114)	9.6%
Cost of Services	(16,065)	(9,742)	64.9%	(7,803)	105.9%	(23,869)	(19,367)	23.2%
Faculty, Other Personnel and Third-Party Services	(15,006)	(8,662)	73.2%	(6,595)	127.5%	(21,601)	(16,384)	31.8%
Rent	(1,475)	(296)	397.8%	(202)	629.4%	(1,677)	(552)	203.5%
Materials	(16)	(0)	n.a.	-	n.a.	(16)	(0)	n.a.
Maintenance	(196)	(82)	139.5%	(61)	219.6%	(257)	(97)	165.3%
Other	627	(701)	n.a.	(945)	n.a.	(318)	(2,333)	-86.4%
Gross Income	**23,355**	**26,279**	**-11.1%**	**23,112**	**1.1%**	**46,467**	**48,265**	**-3.7%**
Management Contracts and Own Operations	5,413	6,377	-15.1%	7,941	-31.8%	13,354	11,537	15.8%
Associated Schools Network	17,941	19,901	-9.8%	15,171	18.3%	33,112	36,772	-10.0%
Gross Margin	*46.9%*	*59.2%*	-12.3 p.p.	64.2%	-17.3 p.p.	*54.2%*	*59.0%*	-4.9 p.p.
Management Contracts and Own Operations	*22.0%*	*41.1%*	-19.1 p.p.	54.2%	-32.2 p.p.	*34.0%*	*37.3%*	-3.3 p.p.
Associated Schools Network	*71.3%*	69.0%	2.3 p.p.	71.0%	0.2 p.p.	*71.2%*	*72.4%*	-1.2 p.p.
Total Operating Expenses	**(4,885)**	**(4,939)**	**-1.1%**	**(3,568)**	**36.9%**	**(8,454)**	**(9,608)**	**-12.0%**
Personnel Expenses	(3,368)	(3,312)	1.7%	(3,106)	8.4%	(6,473)	(7,121)	-9.1%
General and Administrative Expenses	(1,518)	(1,627)	-6.7%	(463)	228.0%	(1,980)	(2,487)	-20.4%
Provision for Doubtful Account - PDA	(380)	(355)	7.0%	(289)	31.5%	(669)	(654)	2.2%
(+) Interest and Penalties on Tuition	166	147	12.9%	367	-54.9%	532	374	42.3%
Operating Result	**18,255**	**21,131**	**-13.6%**	**19,622**	**-7.0%**	**37,877**	**38,377**	**-1.3%**
Operating Margin	*36.7%*	*47.6%*	-11.0 p.p.	54.5%	-17.8 p.p.	*44.1%*	*46.9%*	-2.8 p.p.

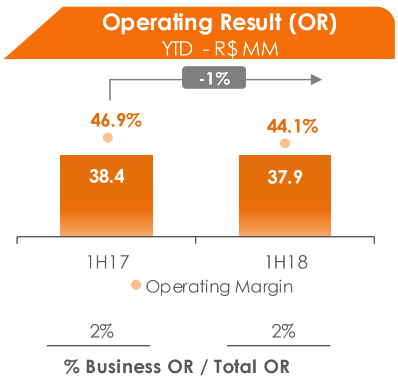












Revenue and Deductions

Primary and Secondary Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Gross Revenue	**56,215**	**47,935**	**17.3%**	**48,003**	**17.1%**
Gross Revenue Deductions	(6,424)	(3,571)	79.9%	(11,994)	-46.4%
Tax	(1,900)	(1,364)	39.3%	(1,285)	47.9%
ProUni	-	-	n.a.	-	n.a.
Returns	(4,524)	(2,207)	105.0%	(10,709)	-57.8%
Total Discounts	-	-	n.a.	-	n.a.
Net Revenue	**49,791**	**44,364**	**12.2%**	**36,009**	**38.3%**
Management Contracts and Own Operations	24,612	15,511	58.7%	14,654	68.0%
Associated Schools Network	25,179	28,853	-12.7%	21,355	17.9%

Deductions

In 2Q18, deductions as a ratio of gross revenue increased 4.0 p.p. compared to the same period of 2017, basically due to the higher volume of returns in the period, given the increased commercial activity with the distribution of textbooks for the second semester. Compared to the prior quarter, deductions fell significantly by 13.6 p.p., since systemic problems adversely affected returns in that quarter. Furthermore, the decline in in deductions as a ratio of gross revenue also reflects the seasonality of the operation, since sales of school materials are concentrated in even-numbered quarters, positively affecting revenue in those periods.

Net Revenue

In 2Q18, net revenue reached R$49.8 million, up 12.2% from the same period of 2017, reflecting the consolidation in the segment's results of the numbers from Leonardo da Vinci, a school acquired by Saber in April, as well as the commercial activity in the period, with sales of book collections for the second semester of the year. Compared to the prior quarter, the increase was even more substantial (+38.3%), reflecting the seasonality of the business and the consolidation of Leonardo da Vinci. In the six-month period, net revenue amounted to R$85.8 million, increasing 5.0% from 1H17, which shows not just the sales efforts made in the period, but also the Company's ongoing strategy to acquire schools with strong brands.

Average Net Ticket

In the Primary & Secondary Education business, the average annual amount charged for the sale of textbooks to the Associated Schools (learning systems) in 2018 was R$529.67 per student, or 2.8% higher than in 2017.

Costs

Primary and Secondary Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Total of Costs	**(26,436)**	**(18,085)**	**46.2%**	**(12,897)**	**105.0%**
Cost of Goods (CG)	(10,371)	(8,344)	24.3%	(5,094)	103.6%
Cost of Services (CS)	(16,065)	(9,742)	64.9%	(7,803)	105.9%
Faculty, Other Personnel and Third-Party Services	(15,006)	(8,662)	73.2%	(6,595)	127.5%
Rent	(1,475)	(296)	397.8%	(202)	629.4%
Materials	(16)	(0)	n.a.	-	n.a.
Maintenance	(196)	(82)	139.5%	(61)	219.6%
Other	627	(701)	n.a.	(945)	n.a.

% of Net Revenues	2Q18	2Q17	Chg.%	1Q18	Chg.%
Total of Costs	**-53.1%**	**-40.8%**	**-12.3 p.p.**	**-35.8%**	**-17.3 p.p.**
Cost of Goods (CG)	-20.8%	-18.8%	-2.0 p.p.	-14.1%	-6.7 p.p.
Cost of Services (CS)	-32.3%	-22.0%	-10.3 p.p.	-21.7%	-10.6 p.p.
Faculty, Other Personnel and Third-Party Services	-30.1%	-19.5%	-10.6 p.p.	-18.3%	-11.8 p.p.
Rent	-3.0%	-0.7%	-2.3 p.p.	-0.6%	-2.4 p.p.
Materials	0.0%	0.0%	0.0 p.p.	0.0%	0.0 p.p.
Maintenance	-0.4%	-0.2%	-0.2 p.p.	-0.2%	-0.2 p.p.
Other	1.3%	-1.6%	2.8 p.p.	-2.6%	3.9 p.p.

In 2Q18, cost of goods sold as a ratio of net revenue in the business increased 2.0 p.p. compared to year-ago period, reflecting the higher costs with logistics to distribute textbook collections for the upcoming semester. Compared to the previous quarter, the indicator increased even more substantially, by 6.7 p.p., influenced by seasonality of the business. As a ratio of net revenue, cost of services increased 10.3 p.p. from the prior year and 10.6 p.p. sequentially, explained by the consolidation of the figures of Leonardo da Vinci into the Company's results. In this respect, note that the school's operation has higher costs compared to Kroton's other institutions, especially with regards to rent and faculty, since this is a 15,000-sq.m. unit located in a premium district of Vitória, with some of the best teachers in the region.

Gross Income

Primary and Secondary Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Gross Income	**23,355**	**26,279**	**-11.1%**	**23,112**	**1.1%**
Management Contracts and Own Operations	5,413	6,377	-15.1%	7,941	-31.8%
Associated Schools Network	17,941	19,901	-9.8%	15,171	18.3%
Gross Margin	*46.9%*	*59.2%*	*-12.3 p.p.*	*64.2%*	*-17.3 p.p.*
Management Contracts and Own Operations	*22.0%*	*41.1%*	*-19.1 p.p.*	*54.2%*	*-32.2 p.p.*
Associated Schools Network	*71.3%*	*69.0%*	*2.3 p.p.*	*71.0%*	*0.2 p.p.*

Gross income amounted to R$23.4 million in 2Q18, down 11.1% from the same period last year, accompanied by gross margin contraction of 12.3 p.p. The result reflects the consolidation of Leonardo da Vinci into the segment's figures, since the school has a higher cost structure compared to Kroton's original activities. Considering separately the gross margin from the associated schools network, the increase of 2.3 p.p. on the prior-year period attests to the Company's ongoing efforts to impose cost controls on its operations. The same reasons presented above explain the decline of 17.3 p.p. in gross margin compared to the prior quarter, which even diverges from the seasonality of the business. In the six-month period, gross income was R$46.5 million, with gross margin of 54.2%, down 4.9 p.p. from 1H17.

Operating Expenses

Primary and Secondary Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Total Operating Expenses	**(4,885)**	**(4,939)**	**-1.1%**	**(3,568)**	**36.9%**
Personnel Expenses	(3,368)	(3,312)	1.7%	(3,106)	8.4%
General and Administrative Expenses	(1,518)	(1,627)	-6.7%	(463)	228.0%
% of Net Revenues	2Q18	2Q17	Chg.%	1Q18	Chg.%
Total Operating Expenses	**-9.8%**	**-11.1%**	**1.3 p.p.**	**-9.9%**	**0.1 p.p.**
Personnel Expenses	-6.8%	-7.5%	0.7 p.p.	-8.6%	1.9 p.p.
General and Administrative Expenses	-3.0%	-3.7%	0.6 p.p.	-1.3%	-1.8 p.p.

Personnel, General and Administrative Expenses

Personnel, general and administrative expenses as a percentage of revenue decreased 1.3 p.p. from 2Q17, despite the nominal increase with the integration of Leonardo da Vinci. The result is mainly explained by the higher revenue in the period and by the better control of general and administrative expenses. Compared to 1Q18, operating expenses were virtually stable, despite the seasonality of the business, which is explained by low level of general and administrative expenses recorded in the previous quarter.

Provision for Doubtful Accounts (PDA)

Primary and Secondary Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Provision for Doubtful Account - PDA	(380)	(355)	7.0%	(289)	31.5%
PDA / Primary and Secondary Education Net Revenues	*-0.8%*	*-0.8%*	*0.0 p.p.*	*-0.8%*	*0.0 p.p.*

This quarter, PDA stood at 0.8% of net revenue, stable compared to both the same period last year and the prior quarter, attesting to the effective provisioning policies adopted for the Primary & Secondary Education segment.

Accounts Receivable

Primary and Secondary Education	2Q18	2Q17	Chg.%	1Q18	Chg.%
Net Accounts Receivable	**42,844**	**42,405**	**1.0%**	**69,065**	**-38.0%**

In 2Q18, Accounts Receivable was practically stable compared to 2Q17, which demonstrates the effectiveness of the collection policy despite the highly challenging scenario and all the sales of textbook collections for the second semester. Meanwhile, the decrease sequentially is explained by the fact that 1Q18 carried a portion of the average term of late 2017, since the maturity conditions were maintained through March of this year.

Average Accounts Receivable Term

Primary and Secondary Education - Days	2Q18	2Q17	Chg.%	1Q18	Chg.%
Net Accounts Receivable / Net Revenue	**85**	**90**	**-05 Days**	**141**	**-56 Days**

Calculation base: net balance of short-term Accounts Receivable in Primary & Secondary Education, divided by the net revenue in Primary & Secondary Education in the last 12 months, multiplied by 360 days.

As mentioned in the analysis of Accounts Receivable, the decrease of 5 days in the average accounts receivable term in the Primary and Secondary Education business in 2Q18 compared to 2Q17 is associated with revenue growth in the period, since Accounts Receivable was practically stable.

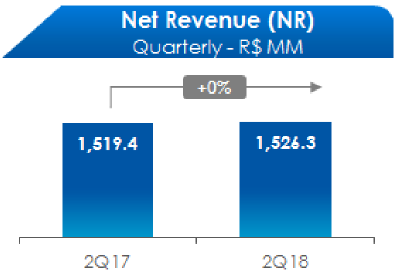
Operating Result

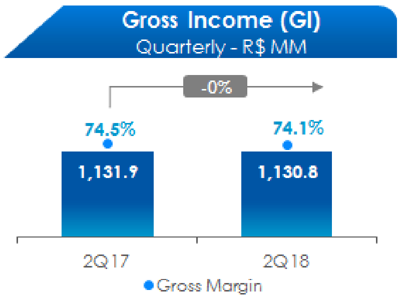
Primary and Secondary Education - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Gross Income	**23,355**	**26,279**	**-11.1%**	**23,112**	**1.1%**
(-) Total Operating Expenses	(4,885)	(4,939)	-1.1%	(3,568)	36.9%
(-) Provision for Doubtful Account - PDA	(380)	(355)	7.0%	(289)	31.5%
(+) Interest and Penalties on Tuition	166	147	12.9%	367	-54.9%
Operating Result	**18,255**	**21,131**	**-13.6%**	**19,622**	**-7.0%**
Operating Margin	*36.7%*	*47.6%*	-11.0 p.p.	54.5%	-17.8 p.p.

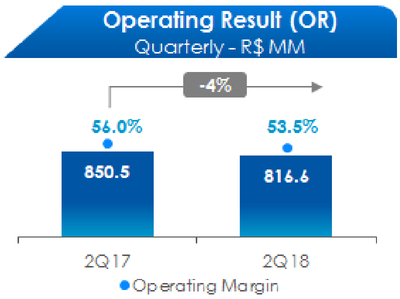
In 2Q18, the operating result (before marketing expenses) was R$18.3 million, with margin of 36.7%, down 11.0 p.p. from the year-ago period and 17.8 p.p. from 1Q18. As explained for the performance of gross income, this decline in profitability is associated with the consolidation of the school Leonardo da Vinci, which has a higher cost and expense structure compared to the learning system, which offset the positive revenue impact. However, bear in mind that this cost structure is fully related to the teaching quality offered and, naturally, as Saber advances in its project to acquire strong brands, the segment's margin should be lower than the Company’s historical margins. Another important factor is that the quality of the education offered by these schools is critical for unleashing value through the opening of new units. In 1H18, operating income was R$37.9 million, with operating margin contracting 2.8 p.p. from the same period of 2017.

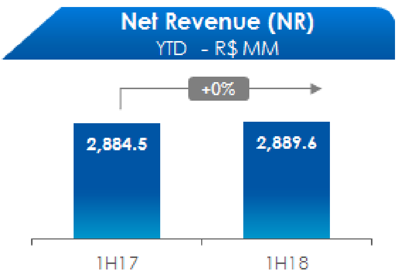
FINANCIAL PERFORMANCE – KROTON

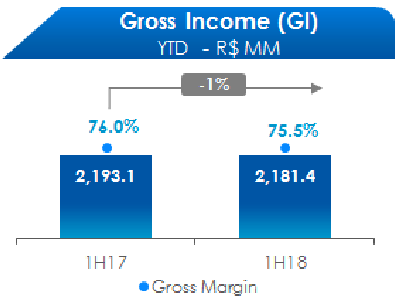
Consolidated - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%	1H18	1H17	Chg.%
Gross Revenue	**2,036,156**	**1,938,603**	**5.0%**	**1,757,827**	**15.8%**	**3,793,983**	**3,679,384**	**3.1%**
Gross Revenue Deductions	(509,883)	(419,212)	21.6%	(394,502)	29.2%	(904,385)	(794,871)	13.8%
Tax	(49,136)	(53,843)	-8.7%	(48,770)	0.8%	(97,906)	(102,195)	-4.2%
ProUni	(277,053)	(230,114)	20.4%	(243,645)	13.7%	(520,698)	(445,314)	16.9%
Returns	(4,524)	(2,207)	105.0%	(10,709)	-57.8%	(15,233)	(4,645)	227.9%
Total Discounts	(179,171)	(133,049)	34.7%	(91,377)	96.1%	(270,548)	(242,717)	11.5%
Net Revenue	**1,526,273**	**1,519,391**	**0.5%**	**1,363,325**	**12.0%**	**2,889,598**	**2,884,513**	**0.2%**
Total of Costs	**(395,466)**	**(387,470)**	**2.1%**	**(312,775)**	**26.4%**	**(708,241)**	**(691,441)**	**2.4%**
Cost of Goods	(10,371)	(8,344)	24.3%	(5,094)	103.6%	(15,465)	(14,114)	9.6%
Cost of Services	(385,095)	(379,126)	1.6%	(307,681)	25.2%	(692,776)	(677,327)	2.3%
Faculty, Other Personnel and Third-Party Services	(277,108)	(281,710)	-1.6%	(208,653)	32.8%	(485,761)	(487,897)	-0.4%
Rent	(89,133)	(83,988)	6.1%	(85,717)	4.0%	(174,850)	(168,331)	3.9%
Materials	(5,778)	(6,502)	-11.1%	(5,822)	-0.8%	(11,600)	(11,177)	3.8%
Maintenance	(2,618)	(2,864)	-8.6%	(3,358)	-22.0%	(5,976)	(3,122)	91.4%
Other	(10,458)	(4,063)	157.4%	(4,130)	153.2%	(14,588)	(6,800)	114.5%
Gross Income	**1,130,807**	**1,131,921**	**-0.1%**	**1,050,550**	**7.6%**	**2,181,357**	**2,193,072**	**-0.5%**
Gross Margin	*74.1%*	*74.5%*	*-0.4 p.p.*	*77.1%*	*-3.0 p.p.*	*75.5%*	*76.0%*	*-0.5 p.p.*
Total Operating Expenses	**(174,345)**	**(157,037)**	**11.0%**	**(145,336)**	**20.0%**	**(319,681)**	**(289,472)**	**10.4%**
Personnel, General and Administrative Expenses	(174,345)	(157,037)	11.0%	(145,336)	20.0%	(319,681)	(289,472)	10.4%
Personnel Expenses	(95,400)	(86,145)	10.7%	(79,164)	20.5%	(174,563)	(164,336)	6.2%
General and Administrative Expenses	(78,945)	(70,892)	11.4%	(66,172)	19.3%	(145,118)	(125,137)	16.0%
Provision for Doubtful Account - PDA	**(182,788)**	**(152,242)**	**20.1%**	**(160,831)**	**13.7%**	**(343,619)**	**(310,750)**	**10.6%**
(+) Interest and Penalties on Tuition	42,931	27,833	54.2%	41,408	3.7%	84,340	71,627	17.7%
Operating Result	**816,606**	**850,475**	**-4.0%**	**785,792**	**3.9%**	**1,602,397**	**1,664,477**	**-3.7%**
Operating Margin	*53.5%*	*56.0%*	*-2.5 p.p.*	*57.6%*	*-4.1 p.p.*	*55.5%*	*57.7%*	*-2.2 p.p.*
Selling and Marketing Expenses	**(110,285)**	**(91,852)**	**20.1%**	**(113,924)**	**-3.2%**	**(224,210)**	**(202,589)**	**10.7%**
Corporate Expenses	**(64,772)**	**(58,394)**	**10.9%**	**(57,154)**	**13.3%**	**(121,927)**	**(122,129)**	**-0.2%**
Adjusted EBITDA	**641,548**	**700,230**	**-8.4%**	**614,713**	**4.4%**	**1,256,262**	**1,339,759**	**-6.2%**
Adjusted EBITDA Margin	*42.0%*	*46.1%*	*-4.1 p.p.*	*45.1%*	*-3.1 p.p.*	*43.5%*	*46.4%*	*-3.0 p.p.*
(-) Non-Recurring Items	(76,587)	(58,881)	30.1%	(45,471)	68.4%	(122,059)	(103,400)	18.0%
EBITDA	**564,961**	**641,353**	**-11.9%**	**569,242**	**-0.8%**	**1,134,203**	**1,236,362**	**-8.3%**
EBITDA Margin	*37.0%*	*42.2%*	*-5.2 p.p.*	*41.8%*	*-4.7 p.p.*	*39.3%*	*42.9%*	*-3.6 p.p.*
Depreciation and Amortization	(103,092)	(103,409)	-0.3%	(102,223)	0.9%	(205,316)	(206,147)	-0.4%
Financial Result	3,503	17,503	-80.0%	17,812	-80.3%	21,315	40,177	-46.9%
Income Tax / Social Contribution	(21,706)	(23,981)	-9.5%	(20,381)	6.5%	(42,086)	(69,031)	-39.0%
Deferred Income Tax / Social Contribution	23,681	15,686	51.0%	10,965	116.0%	34,646	39,464	-12.2%
Net Income	**467,347**	**547,149**	**-14.6%**	**475,415**	**-1.7%**	**942,763**	**1,040,822**	**-9.4%**
Net Margin	*30.6%*	*36.0%*	*-5.4 p.p.*	*34.9%*	*-4.3 p.p.*	*32.6%*	*36.1%*	*-3.5 p.p.*
(+) Non Recurring Items	76,587	58,881	30.1%	45,471	68.4%	122,059	103,400	18.0%
(+) Intagnible Amortization (Acquisitions)	18,141	38,855	-53.3%	18,105	0.2%	36,246	77,726	-53.4%
Adjusted Net Income	**562,075**	**644,885**	**-12.8%**	**538,991**	**4.3%**	**1,101,067**	**1,221,947**	**-9.9%**
Adjusted Net Margin	*36.8%*	*42.4%*	*-5.6 p.p.*	*39.5%*	*-2.7 p.p.*	*38.1%*	*42.4%*	*-4.3 p.p.*

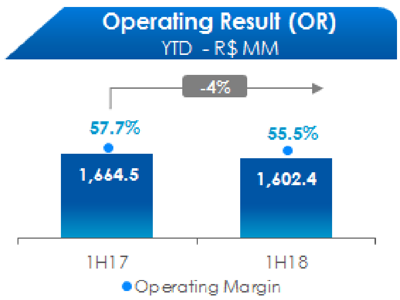












Selling and Marketing Expenses

Consolidated - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Selling and Marketing Expenses	(110,285)	(91,852)	20.1%	(113,924)	-3.2%

% of Net Revenue	2Q18	2Q17	Chg.%	1Q18	Chg.%
Selling and Marketing Expenses	-6.0%	-5.7%	-0.3 p.p.	-8.1%	2.1 p.p.

Selling and marketing expenses as a ratio of net revenue increased by only 0.3 p.p. when compared to the same period of 2017, which reflects the more competitive scenario in the DL segment and the brand's promotion in new regions for both new on-campus units and new DL centers. Compared to the previous quarter, the 2.1 p.p. decline reflects seasonality, given that the student-recruiting process at the start of the year is the most relevant.

Corporate Expenses

Consolidated - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Corporate Expenses	(64,772)	(58,394)	10.9%	(57,154)	13.3%
Personnel Expenses	(49,216)	(45,096)	9.1%	(48,739)	1.0%
General and Administrative Expenses	(15,556)	(13,298)	17.0%	(8,416)	84.8%

% of Net Revenue	2Q18	2Q17	Chg.%	1Q18	Chg.%
Corporate Expenses	-3.8%	-4.5%	0.7 p.p.	-4.7%	0.8 p.p.
Personnel Expenses	-3.0%	-3.7%	0.7 p.p.	-3.9%	0.9 p.p.
General and Administrative Expenses	-0.9%	-0.8%	-0.1 p.p.	-0.8%	-0.1 p.p.

The ratio of personnel expenses to net revenue within corporate expenses fell 0.7 p.p. from the year-ago period, due to the positive results of the initiatives to control expenses, even though 2Q17 benefitted from the reversal of amounts related to the variable compensation program (PRV). Compared to the prior quarter, the decline was even sharper, of 0.9 p.p., reflecting the initiatives to streamline the corporate workforce, with the elimination and change in scope of positions in certain areas. A separate analysis of general and administrative expenses as a ratio of net revenue shows that the line was virtually stable both year on year and sequentially, reflecting the one-off increase in expenses with consulting services.

Nonrecurring Events

Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Severance	(13,104)	(10,904)	20.2%	(11,245)	16.5%
Restructuring of units	(7,895)	(9,312)	-15.2%	(9,418)	-16.2%
M&A and expansion	(38,252)	(31,723)	20.6%	(15,975)	139.5%
Other projects	(17,336)	(6,942)	149.7%	(8,833)	96.3%
Total Nonrecurring	**(76,587)**	**(58,881)**	**30.1%**	**(45,471)**	**68.4%**

Non-recurring items in 2Q18 amounted to R$76.6 million, with a highlight to the line M&A and Expansion, which includes expenses related to expansion projects, which have accelerated in recent months, in addition to the acquisitions of a postsecondary education unit in Bacabal and Leonardo da Vinci in the primary and secondary education segment, besides the prospecting of various other assets being analyzed in both segments. The Company also has been implementing a series of projects related to digital transformation and working plans in its various operational segments that affected the line other projects. Furthermore, the Company recorded fixed asset write-offs in the quarter that had a negative impact of R$5.2 million on this line. In addition to the aforementioned items, total non-recurring items include: (i) severance charges, especially those related to the reduction in classroom hours generated by the initiatives to capture efficiency gains, such as the operational research software and the DL tutoring model; and (ii) the restructuring of On-campus units.

Financial Result

Consolidated - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
(+) Financial Revenues	22,526	47,627	-52.7%	35,612	-36.7%
Interest on Financial Investment	17,226	33,950	-49.3%	23,416	-26.4%
Others	5,300	13,677	-61.2%	12,196	-56.5%
(-) Financial Expenses	(19,023)	(30,124)	-36.9%	(17,800)	6.9%
Banks Expenses	(8,415)	(4,163)	102.1%	(3,834)	119.5%
Interest on Loans	(2,484)	(9,096)	-72.7%	(3,645)	-31.9%
Interest and Tax on Late Payment	(1,224)	(916)	33.6%	(978)	25.2%
Interest on Loans for Acquisitions	(2,742)	(2,969)	-7.6%	(1,667)	64.5%
Restatement of Contingencies	(2,457)	(4,201)	-41.5%	(1,205)	103.9%
Others	(1,701)	(8,779)	-80.6%	(6,471)	-73.7%
Financial Result[1]	**3,503**	**17,503**	**-80.0%**	**17,812**	**-80.3%**

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

In 2Q18, the Company registered a significant decrease in financial income directly due to the lower cash balance in the period, which is explained by two dividend distributions in a single quarter (for the results of 4Q17 and 1Q18) and by the expenditures made in the period to acquire assets (Leonardo da Vinci and another On-Campus unit in Bacabal) and share repurchases in the period. Furthermore, the significant decrease in interest rates in the last 12 months also had an adverse effect on interest income from financial investments. However, since lower interest rates also have a positive impact on interest expenses on borrowings, Kroton's financial result was positive R$3.5 million in 2Q18, up 80.0% from the same period in 2017, but down 80.3% from 1Q18.

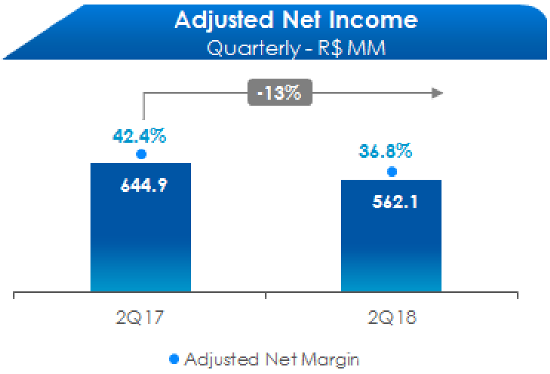
Net Income

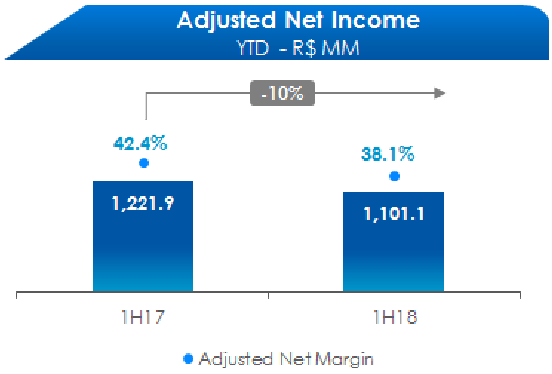
Consolidated - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Operating Result	**816,606**	**850,475**	**-4.0%**	**785,792**	**3.9%**
(+) Selling and Marketing Expenses	(110,285)	(91,852)	20.1%	(113,924)	-3.2%
(+) Corporate Expenses	(64,772)	(58,394)	10.9%	(57,154)	13.3%
(+) Depreciation and Amortization ex-Intangible	(84,951)	(64,553)	31.6%	(84,118)	1.0%
(+) Financial Result[1]	3,503	17,503	-80.0%	17,812	-80.3%
(+) Income Tax / Social Contribution	(21,706)	(23,981)	-9.5%	(20,381)	6.5%
(+) Deferred Income Tax / Social Contribution	23,681	15,686	51.0%	10,965	116.0%
Adjusted Net Income	**562,075**	**644,885**	**-12.8%**	**538,991**	**4.3%**
Adjusted Net Margin	*36.8%*	*42.4%*	*-5.6 p.p.*	*39.5%*	*-2.7 p.p.*
(+) Nonrecurring Items	(76,587)	(58,881)	30.1%	(45,471)	68.4%
(+) Intangible Amortization (Acquisitions)	(18,141)	(38,855)	-53.3%	(18,105)	0.2%
Net Income	**467,347**	**547,149**	**-14.6%**	**475,415**	**-1.7%**
Net Margin	*30.6%*	*36.0%*	*-5.4 p.p.*	*34.9%*	*-4.3 p.p.*

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

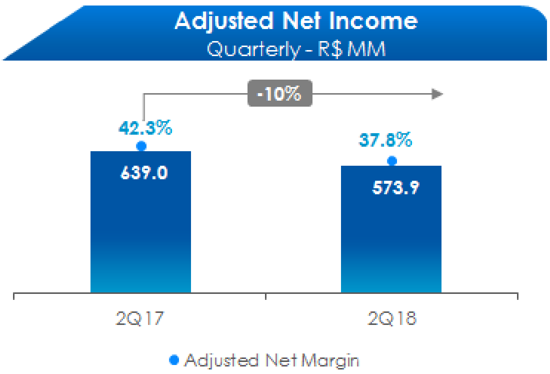
In 2Q18, adjusted net income (adjusted for the amortization of intangible assets, nonrecurring events and taxes related to most recent divestments) amounted to R$562.1 million, with adjusted net margin of 36.8%, down 5.6 p.p. from the same period of 2017. The factors behind this performance include the asset divestments at the end of last year, the higher depreciation of investments in the production of content and technology, which have shorter useful lives, and the lower financial result in the period. These effects, combined with operational pressures, especially related to the change in the profile of the student base, the still-challenging economic environment and higher competition, mitigated the efforts to increase the Company's efficiency through more austere management of costs and expenses. In the first six months of the year, adjusted net income decreased 9.9% compared to 1H17, to R$1,101.1 million, with adjusted net margin of 38.1%, down 4.3 p.p. In an analysis of the result ex-asset divestments and ex-greenfields opened in 2018, adjusted net income decreased 6.8% compared to 1H17.

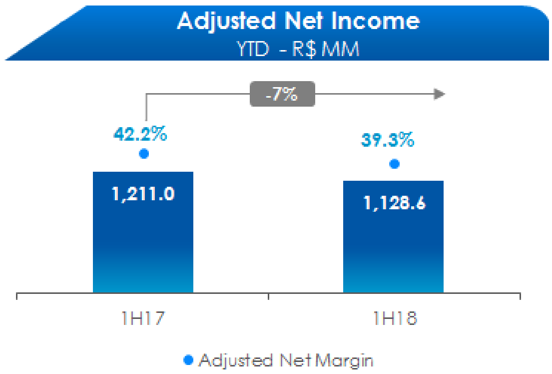
CORPORATE:





EX ASSET DIVESTMENTS & GREENFIELD PROJECTS:





Excluding the adjustments for nonrecurring items, amortization of intangible assets and taxes on the latest divestments, net income amounted to R$467.3 million in 2Q18 and to R$942.8 million in 1H18. Given the significant impact from these adjustments, the Company recommends the pro-forma and adjusted result as the best metric for accompanying financial performance.

EBITDA

Consolidated - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%
Net Income (Loss)	**467,347**	**547,149**	**-14.6%**	**475,416**	**-1.7%**
(+) Depreciation and Amortization	103,092	103,409	-0.3%	102,223	0.9%
(+) Financial Result [1]	(3,503)	(17,503)	-80.0%	(17,812)	-80.3%
(+) Income Tax / Social Contribution	21,706	23,981	-9.5%	20,381	6.5%
(+) Deferred Income Tax / Social Contribution	(23,681)	(15,686)	51.0%	(10,965)	116.0%
EBITDA	**564,961**	**641,349**	**-11.9%**	**569,242**	**-0.8%**
EBITDA Margin	*37.0%*	*42.2%*	*-5.2 p.p.*	*41.8%*	*-4.7 p.p.*
(+) Nonrecurring Items	76,587	58,881	n.a.	45,471	68.4%
Adjusted EBITDA	**641,548**	**700,230**	**-8.4%**	**614,713**	**4.4%**
Adjusted EBITDA Margin	*42.0%*	*46.1%*	*-4.1 p.p.*	*45.1%*	*-3.1 p.p.*

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

Adjusted EBITDA was R$641.5 million in the quarter, down 8.4% from 2Q17, with adjusted EBITDA margin contraction of 4.1 p.p. As already discussed last quarter, the lower profitability this year reflects the pressures from the shift in the profile of the student base, with higher provisioning to support the installment plans, the still-challenging economic scenario and the higher costs and expenses related to the new units. The latter factor, however, is of a temporary nature, since as the units mature, they will contribute to sustaining the high levels of performance achieved by Kroton. Note also that, despite all these negative impacts on the result, the Company has been able to maintain high margins, especially compared to the rest of the industry. In the six-month period, adjusted EBITDA amounted to R$1,256.3 million, with adjusted EBITDA margin of 43.5%, or 3.0 p.p. lower than in the same period of 2017. Excluding the figures from the latest asset divestments (FAIR, FAC/FAMAT and NOVATEC) and greenfield projects, Kroton's adjusted EBITDA in 1H18 was only 3.5% lower, with margin contraction of 1.7 p.p. from 1H17.

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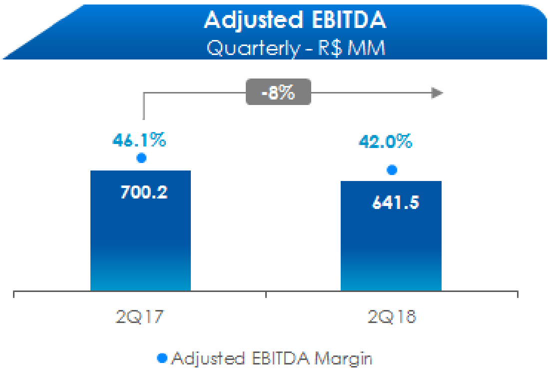
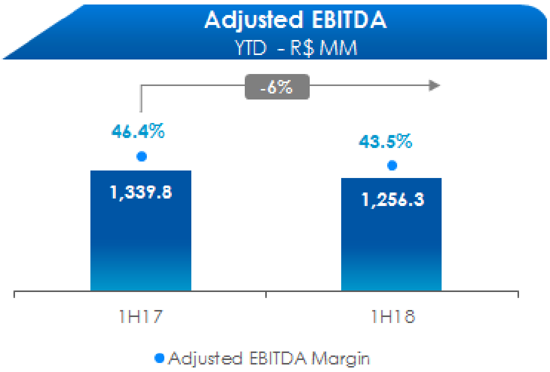
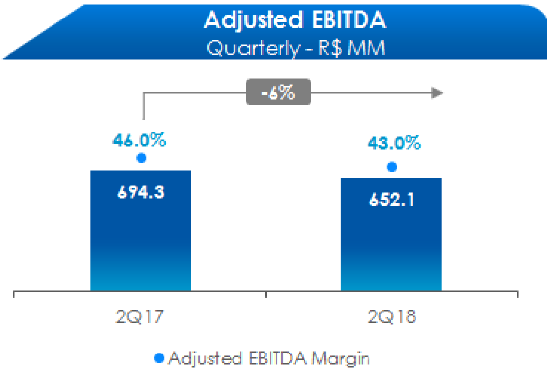
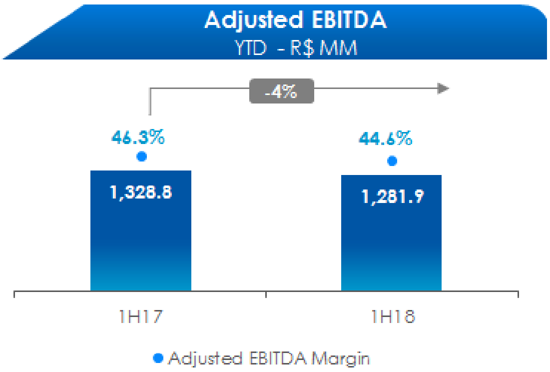




EX-ASSET DIVESTMENTS & GREENFIELD PROJECTS:



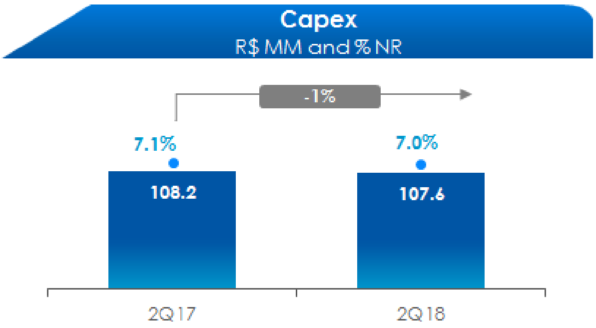


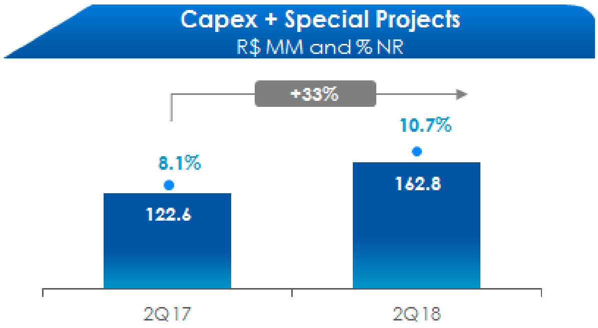
Excluding the adjustments for nonrecurring events, the Company generated EBITDA of R$565.0 million in 2Q18 and R$1,134.2 million in 1H18, down 11.9% and 8.3%, respectively from the same periods of 2017, following the same trend and scenario mentioned above.

Investments

In 2Q18, Kroton invested R$107.6 million, allocated as follows:

- Information technology and library equipment: R$9.2 million (9%);
- Content and systems development and software licenses: R$55.1 million (51%);
- Laboratory and related equipment: R$17.6 million (16%);
- Expansions – construction and improvements: R$25.7 million (24%).





In 2Q18, investments corresponded to 7.0% of net revenue, most of which was allocated to content and systems development and software licenses, which accounted for 51% of the total amount and accompanied the expansion of Kroton's portfolio in recent years, especially with the addition of new Premium DL programs. Another large expenditure was related to the expansion projects, with renovations and improvements at existing units to prepare them to meet students' expectations and to adapt them to the change in the program portfolio being implemented by the Company. In the six-month period, capex amounted to R$209.1 million, which corresponds to 7.2% of net revenue in the period.

Kroton also invests in special projects related to the expansion of physical units and to the implementation of new units, as well as in projects related to the Company's ongoing digital transformation. These investments amounted to R$55.1 million in 2Q18 and to R$68.4 million in 1H18. Therefore, total investment as a ratio of net revenue stood at 10.7% in the quarter and 9.6% in 1H18. Despite the lower investments in the period compared to the Guidance given last quarter, note that this behavior is seasonal and that investments should accelerate in the second half of the year, which should increase the ratio of capex to net revenue to the projected level of 13.5%, in line with the strategy to accelerate the expansion projects.

Net Debt

Consolidated - Values in R$ ('000)	**2Q18**	**2Q17**	**Chg.%**	**1Q18**	**Chg.%**
Cash and Cash Equivalents	1,128,763	1,410,354	-20.0%	1,542,745	-26.8%
Cash	353	3,399	-89.6%	257	37.4%
Securities	1,128,410	1,406,955	-19.8%	1,542,488	-26.8%
Loans and Financing	229,510	461,464	-50.3%	253,373	-9.4%
Short-term Debt	175,865	236,868	-25.8%	177,861	-1.1%
Long-term Debt	53,645	224,596	-76.1%	75,512	-29.0%
Net Cash (Debt) [1]	**899,253**	**948,890**	**-5.2%**	**1,289,372**	**-30.3%**
Other Short and Long Term Debt [2]	178,803	156,678	14.1%	174,639	2.4%
(1) Net Cash (Debt)	**720,450**	**792,212**	**-9.1%**	**1,114,733**	**-35.4%**
Short Term Accounts Receivable [3]	**517,825**	**199,275**	**159.9%**	**502,674**	**3.0%**
FIES - NR 23 - cash balance and Uniasselvi Disposal	390,981	199,275	96.2%	376,726	3.8%
Uniasselvi Disposal	116,777	-	n.a.	115,952	0.7%
FAIR and FAC/FAMAT Disposal	10,067	-	n.a.	9,996	0.7%
Long-Term Accounts Receivable [3]	**464,086**	**879,132**	**-47.2%**	**456,306**	**1.7%**
FIES - NR 23 - cash balance	-	363,837	n.a.	-	n.a.
Uniasselvi Disposal	429,266	515,295	-16.7%	422,290	1.7%
FAIR and FAC/FAMAT Disposal	34,820	-	n.a.	34,016	2.4%
(2) Other Accouts Receivable [3]	**981,911**	**1,078,407**	**-8.9%**	**958,980**	**2.4%**
(1)+(2) Pro Forma Net Cash (Debt)	**1,702,361**	**1,870,619**	**-9.0%**	**2,073,713**	**-17.9%**

[1] Considers only bank obligations.

[2] Considering all short- and long-term obligations related to the taxes paid in installments and the acquisitions, including the amount to be paid within 6 years related to the Uniasselvi acquisition.

[3] Considers the short-term receivables related to 50% of the FIES installments not paid in 2015 and the long-term receivables related to the Uniasselvi, FAIR and FAC/FAMAT divestment to be earned from 2018 to 2022 adjusted to present value (excluding the earn-out amounts).

At the end of 2Q18, total cash and financial investments stood at R$1,128.8 million, down 26.8% from the prior quarter. As explained in the comments on the financial result, the decrease in cash and cash equivalents is related to share buybacks in the quarter, which amounted to roughly R$205 million, the distribution of dividends for two periods (4Q17 and 1Q18), in the aggregate amount of R$329 million, and the disbursement of R$106 million for the acquisition of assets and payment of part of the Company's debentures, in the amount of R$21.3 million (R$28.0 million including interest and charges). Consequently, the net cash balance at the end of 2Q18 was R$899.3 million, down 30.3% from 1Q18, since the disbursements offset the strong cash generation in the period. Considering all short-term and long-term obligations, which include taxes and contributions paid in installments and the obligations and rights related to past acquisitions, Kroton ended the period with net cash of R$720.5 million. Total long-term obligations include amounts related to the installment payments for acquisitions, especially those for Uniasselvi, which are being paid 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, FAIR and FAC/FAMAT and 50% of the FIES installments not paid in 2015, which were already credited in early August 2018 (impacting 3Q18), and the long-term accounts receivables related to the remaining 4 installments of the payment for Uniasselvi, FAIR and FAC/FAMAT adjusted to present value (excluding the earn-out amounts) that will be received annually through 2022. Therefore, adding all short-term and long-term receivables, the net cash balance was even more robust, surpassing R$1.7 billion and placing Kroton in a unique position in terms of its capital structure and poised to advance its growth projects.

Cash Flow

Consolidated - Values in R$ ('000)	2Q18	2Q17	Chg.%	1Q18	Chg.%	1H18	1H17	Chg.%
Net Income before Income Interest	**465,368**	**555,446**	**-16.2%**	**484,830**	**-4.0%**	**950,198**	**1,070,392**	**-11.2%**
(+) Net Income adjustments before Income Interest	273,027	223,700	22.1%	222,219	22.9%	495,246	455,835	8.6%
Depreciation and Amortization	103,092	103,409	-0.3%	102,223	0.9%	205,315	206,148	-0.4%
Provision for Doubtful Accounts (PDA)	182,770	152,241	20.1%	160,830	13.6%	343,600	310,749	10.6%
Others	(12,835)	(31,950)	-59.8%	(40,834)	-68.6%	(53,669)	(61,062)	-12.1%
(+) Income Tax and Social Contribution	(8,369)	(21,204)	-60.5%	(39,819)	-79.0%	(48,188)	(51,540)	-6.5%
(+) Changes in Working Capital	(304,301)	(201,239)	51.2%	(690,979)	-56.0%	(995,280)	(784,981)	26.8%
(Increase) Reduction in Accounts Receivable ex-FIES	(391,264)	(310,197)	26.1%	(347,797)	12.5%	(739,061)	(644,377)	14.7%
(Increase) Reduction in Accounts Receivable FIES	(17,378)	74,337	n.a.	(214,817)	-91.9%	(232,195)	(59,818)	288.2%
Others	104,341	34,621	201.4%	(128,365)	n.a.	(24,024)	(80,786)	-70.3%
Operating Cash Generation before Capex	**425,725**	**556,703**	**-23.5%**	**(23,749)**	**n.a.**	**401,976**	**689,706**	**-41.7%**
Capex - Recurring	(107,659)	(95,795)	12.4%	(101,522)	6.0%	(209,181)	(177,643)	17.8%
Operating Cash Generation after Capex	**318,066**	**460,908**	**-31.0%**	**(125,271)**	**n.a.**	**192,795**	**512,063**	**-62.3%**
Capex - Special Projects	(55,094)	(12,367)	345.5%	(13,315)	313.8%	(68,409)	(24,763)	176.3%
Operating Cash Generation after Capex and Special Projects	**262,971**	**448,541**	**-41.4%**	**(138,586)**	**n.a.**	**124,385**	**487,300**	**-74.5%**
(+) M&A Activities	(107,093)	(60,990)	75.6%	(664)	n.a.	(107,756)	(63,325)	70.2%
(+) Cash Flow from Financing Activities	(564,010)	(334,001)	68.9%	(51,160)	n.a.	(615,170)	(364,114)	68.9%
Free Cash Flow	**(408,131)**	**53,551**	**n.a.**	**(190,409)**	**114.3%**	**(598,541)**	**59,862**	**n.a.**

Consolidated - Values in R$ ('000)	2Q18	2Q17	Chg.%	1H18	1H17	Chg.%
Operating Cash Generation (OCG) before Capex	**425,725**	**556,703**	**-23.5%**	**401,976**	**689,706**	**-41.7%**
OCG / EBITDA	*75.4%*	*86.8%*	-11.4 p.p.	*35.4%*	*55.8%*	-20.3 p.p.
Operating Cash Generation after Capex	**318,066**	**460,908**	**-31.0%**	**192,795**	**512,063**	**-62.3%**
OCG / EBITDA	*56.3%*	*71.9%*	-15.6 p.p.	*17.0%*	*41.4%*	-24.4 p.p.
Operating Cash Generation after Capex and Special Projects	**262,971**	**448,541**	**-41.4%**	**124,385**	**487,300**	**-74.5%**
OCG / EBITDA	*46.5%*	*69.9%*	-23.4 p.p.	*11.0%*	*39.4%*	-28.4 p.p.
Free Cash Flow	**(408,131)**	**53,551**	**n.a.**	**(598,541)**	**59,862**	**n.a.**

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. All figures in the above table exclude any adjustments or pro forma analyses and reflect only the actual cash flow in the periods.

Therefore, operating cash generation before capex amounted to R$425.7 million in 2Q18, which is 23.5% lower than in 2Q17 due to the higher cash burn and higher PDA to cover the Company's installment payment products. However, compared to the prior quarter, cash generation improved significantly, reflecting the normalization of the FIES contracting process. Considering the disbursements for capex, operating cash flow was R$318.1 million in 2Q18. Including also capex and special projects, operating cash generation amounted to R$263.0 million, a level which confirms the resilience of the Company in generating strong results despite all the pressures from the changing profile of the student base and the costs with offering installment payment products to students using own capital. Free cash flow was negative R$408.1 million in the period, due to the non-recurring events in 2Q18, with two dividend distributions in a single quarter, the acquisition of two new assets and a considerable volume of stock buybacks to offset the low prices the Company's stock was traded in the period.

Operating cash flow after capex corresponded to 56.3% of EBITDA in 2Q18. In the six-month period, operating cash generation after capex corresponded to 17.0% of EBITDA, due to all the factors involving FIES at the start of the year, such as anticipation of the payment of an installment to 4Q17 and the delays in amending contracts. Excluding this effect and the impacts from the disbursements made this quarter, performance was very strong and reinforced the solidity of the Company's operations and the good prospects for the second semester.

CAPITAL MARKETS AND SUBSEQUENT EVENTS

OWNERSHIP STRUCTURE

After the capital increases approved in the first quarter, Kroton's share capital is divided into 1,644,248,206 common shares, distributed as follows:

Kroton Ownership Structure*	Quantity	%
Treasury	17,281,765	1.05%
Free Float	1,626,966,441	98.95%
Total	**1,644,248,206**	**100.00%**

* Position as of 7/31/2018.

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 2Q18, registering financial trading volume of R$7.8 billion and 1,375,044 trades in the period, which represents average daily trading volume of R$124.7 million. On June 30, 2018, Kroton's market capitalization was R$15.3 billion.

In the second quarter of 2018, Kroton's stock price fell 31.5%, while the Bovespa Index (Ibovespa) fell 14.8% in the same period. Meanwhile, the IGC, ITAG and ICON devalued 14.2%, 16.0% and 15.8%, respectively. Kroton stock is currently covered by research analysts at 13 different local and international institutions. In the six-month period, Kroton's stock price declined 49.3% and registered an average daily trading volume of R$147.0 million. In the same period, the Ibovespa fell 4.8%, while the IGC, ITAG and ICON decreased 8.4%, 8.2% and 18.2%, respectively.

Highlights- KROT3	2Q18	1H18
Average Daily Trade Volume (average)	R$ 124.7 million	R$ 147.0 million
Maximum (R$ per share)	R$ 14.50	R$ 18.75
Minimum (R$ per share)	R$ 9.16	R$ 9.16
Average (R$ per share)	R$ 11.88	R$ 13.84
Closing Quote	R$ 9.32	R$ 9.32
Variation in the period (%)	-31.5%	-49.3%

SHARE BUYBACK PROGRAM

On June 28, 2017, the Company approved its 6th share buyback program, which will be valid for 18 months and authorizes the acquisition of up to 48,773,702 shares, which corresponds to 3% of the free-float on said date. Since the launch of the program through July 31, 2018, a total of 17,412,500 common shares issued by the Company were repurchased at an average price of R$12.61 per share, with this number of shares representing 35.7% of the limit established by the program.

CREDIT RATINGS

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

DIVIDENDS

In a Meeting held on August 14, 2017, the Board of Directors approved the distribution of dividends related to the results for the second quarter of 2018 in the amount of R$177.6 million, which will be calculated towards the minimum mandatory dividend for 2018 and corresponds to R$0.1091546243 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 August 20, 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 2Q18, Kroton had around 937,000 students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 128 Postsecondary units and 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 served 687 private schools in the country, and the management of own schools, such as Pitágoras in Belo Horizonte and Leonardo da Vinci in Vitória.

DISCLAIMER

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

APPENDIX 1 – CORPORATE BALANCE SHEET

R$ ('000)

Assets	2Q18	% AV	1Q18	% AV
Current Assets	**3,411,109**	**17.8%**	**3,698,644**	**19.5%**
Cash and cash equivalents	353	0.0%	257	0.0%
Financial Investments	401,222	2.1%	807,536	4.3%
Securities	726,171	3.8%	728,138	3.8%
Accounts Receivable	1,904,490	9.9%	1,789,753	9.4%
Inventories	8,363	0.0%	12,103	0.1%
Prepayments	53,879	0.3%	26,787	0.1%
Recoverable Taxes	100,421	0.5%	103,341	0.5%
Other Accounts Receivable	216,210	1.1%	230,729	1.2%
Non current Assets	**15,733,617**	**82.2%**	**15,289,841**	**80.5%**
Securities	1,017	0.0%	6,814	0.0%
Accounts Receivables	604,460	3.2%	493,325	2.6%
Deferred Taxes	730,669	3.8%	742,602	3.9%
Judicial Deposits	97,312	0.5%	94,742	0.5%
Prepayments	1,680	0.0%	1,680	0.0%
Taxes to Recover	5,378	0.0%	5,378	0.0%
Guarantee for social security, labor and civil provisions	320,179	1.7%	163,326	0.9%
Other	529,894	2.8%	526,610	2.8%
Fixed Assets	2,023,448	10.6%	1,961,116	10.3%
Intangible	11,419,580	59.6%	11,294,248	59.5%
Total Assets	**19,144,726**	**100.0%**	**18,988,485**	**100.0%**
Liabilities and Equity				
Current Liabilities	**1,191,676**	**6.2%**	**1,182,800**	**6.2%**
Suppliers	343,923	1.8%	272,241	1.4%
Loans and Financing	2,455	0.0%	2,397	0.0%
Debenture	173,410	0.9%	175,464	0.9%
Social security and labor liabilities	344,265	1.8%	285,151	1.5%
Income Tax and Social Contribution	29,986	0.2%	15,158	0.1%
Taxes and Contribution	72,892	0.4%	77,938	0.4%
Advances from Clients	153,627	0.8%	135,265	0.7%
Tax and Contribution Payment Installments	5,731	0.0%	5,158	0.0%
Accounts Payable - Acquisitions	58,734	0.3%	114,220	0.6%
Dividends Payable	-	0.0%	92,780	0.5%
Other	6,653	0.0%	7,028	0.0%
Non current Liabilities	**2,230,597**	**11.7%**	**2,127,270**	**11.2%**
Loans and Financing	32,395	0.2%	33,012	0.2%
Debenture	21,250	0.1%	42,500	0.2%
Provision for Tax, Labor and Civil Lawsuit Losses	665,388	3.5%	551,552	2.9%
Tax and Contribution Payment Installments	30,925	0.2%	35,933	0.2%
Accounts Payable - Acquisitions	83,413	0.4%	19,328	0.1%
Deferred Taxes	1,376,856	7.2%	1,412,470	7.4%
Others	20,370	0.1%	32,475	0.2%
Consolidated Equity	**15,722,453**	**82.1%**	**15,678,415**	**82.6%**
Total Liabilities and Equity	**19,144,726**	**100.0%**	**18,988,485**	**100.0%**

APPENDIX 2 – QUARTERLY INCOME STATEMENT RECONCILIATION

	2Q18 Results (Book)	Non-accounting adjustments: Interest and Penalties on Tuition	Depre-ciation	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain	Reclassification between Costs and expenses	2Q18 Results (Release)
	(In thousand reais, except otherwise indicated)						
Gross Revenue	**2,036,156**	**-**	**-**	**-**	**-**	**-**	**2,036,156**
Postsecondary	1,979,941	-	-	-	-	-	1,979,941
Primary and Secondary	56,215	-	-	-	-	-	56,215
Deductions from Gross Revenue	**(509,883)**	**-**	**-**	**-**	**-**	**-**	**(509,883)**
Postsecondary	(503,459)	-	-	-	-	-	(503,459)
Primary and Secondary	(6,424)	-	-	-	-	-	(6,424)
Net Revenue	**1,526,273**	**-**	**-**	**-**	**-**	**-**	**1,526,273**
Postsecondary	1,476,482	-	-	-	-	-	1,476,482
Primary and Secondary	49,791	-	-	-	-	-	49,791
Costs of Goods/Services	**(592,377)**	**-**	**84,951**	**-**	**7,566**	**104,395**	**(395,465)**
Cost of Goods Sold	(10,386)	-	-	-	-	-	(10,386)
Cost of Services Rendered	(581,991)	-	84,951	-	7,566	104,395	(385,079)
Gross Income	**933,896**	**-**	**84,951**	**-**	**7,566**	**104,395**	**1,130,807**
Operating Expenses	**(514,904)**	**-**	**-**	**18,141**	**68,965**	**(104,394)**	**(532,192)**
Selling Expenses	(303,029)	-	-	-	9,960	182,782	(110,287)
Provision for Doubtful Accounts	-	-	-	-	-	(182,788)	(182,788)
Personnel Expenses	-	-	-	-	-	(95,399)	(95,399)
General and Administrative Expenses	(206,078)	-	-	18,141	53,208	55,784	(78,945)
Other Operating Income (Expenses)	(5,797)	-	-	-	5,797	-	0
Corporate Expenses	-	-	-	-	-	(64,772)	(64,772)
Income before Financial Result	**418,992**	**-**	**84,951**	**18,141**	**76,531**	**-**	**598,616**
Interest and Penalties on Tuition	-	42,931	-	-	-	-	42,931
Adjusted EBITDA	**418,992**	**42,931**	**84,951**	**18,141**	**76,531**	**-**	**641,547**
(-) Nonrecurring itens	-	-	-	-	(76,587)	-	(76,587)
Depreciation and Amortization	-	-	(84,951)	(18,141)	-	-	(103,092)
Financial Result	**46,379**	**(42,931)**	**-**	**-**	**56**	**-**	**3,503**
Financial Expenses	(19,079)	-	-	-	-	-	(19,079)
Financial Revenues	65,458	(42,931)	-	-	56	-	22,582
Income from Operations	**465,371**	**-**	**-**	**-**	**-**	**-**	**465,371**
Income and Social Contribution Tax	**1,976**	**-**	**-**	**-**	**-**	**-**	**1,976**
Current	(21,705)	-	-	-	-	-	(21,705)
Deferred	23,681	-	-	-	-	-	23,681
Net Income	**467,347**	**-**	**-**	**-**	**-**	**-**	**467,347**

APPENDIX 3 – FULL YEAR INCOME STATEMENT RECONCILIATION

	1H18 Results (Book)	Non-accounting adjustments: Interest and Penalties on Tuition	Depre-ciation	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain	Reclassifi-cation between Costs and expenses	1H18 Results (Release)
(In thousand reais, except otherwise indicated)							
Gross Revenue	**3,793,983**	**-**	**-**	**-**	**-**	**-**	**3,793,983**
Postsecondary	3,689,765	-	-	-	-	-	3,689,765
Primary and Secondary	104,218	-	-	-	-	-	104,218
Deductions from Gross Revenue	**(904,385)**	**-**	**-**	**-**	**-**	**-**	**(904,385)**
Postsecondary	(885,967)	-	-	-	-	-	(885,967)
Primary and Secondary	(18,418)	-	-	-	-	-	(18,418)
Net Revenue	**2,889,598**	**-**	**-**	**-**	**-**	**-**	**2,889,598**
Postsecondary	2,803,798	-	-	-	-	-	2,803,798
Primary and Secondary	85,800	-	-	-	-	-	85,800
Costs of Goods/Services	**(1,082,928)**	**-**	**169,070**	**-**	**11,459**	**194,159**	**(708,241)**
Cost of Goods Sold	(15,480)	-	-	-	-	-	(15,480)
Cost of Services Rendered	(1,067,448)	-	169,070	-	11,459	194,159	(692,761)
Gross Income	**1,806,670**	**-**	**169,070**	**-**	**11,459**	**194,159**	**2,181,357**
Operating Expenses	**(962,061)**	**-**	**-**	**36,246**	**110,537**	**(194,159)**	**(1,009,437)**
Selling Expenses	(578,124)	-	-	-	10,296	343,619	(224,209)
Provision for Doubtful Accounts	-	-	-	-	-	(343,619)	(343,619)
Personnel Expenses	-	-	-	-	-	(174,563)	(174,563)
General and Administrative Expenses	(377,410)	-	-	36,246	93,714	102,331	(145,120)
Other Operating Income (Expenses)	(6,527)	-	-	-	6,527	-	-
Corporate Expenses	-	-	-	-	-	(121,927)	(121,927)
Income before Financial Result	**844,609**	**-**	**169,070**	**36,246**	**121,996**	**-**	**1,171,920**
Interest and Penalties on Tuition	-	84,340	-	-	-	-	84,340
Adjusted EBITDA	**844,609**	**84,340**	**169,070**	**36,246**	**121,996**	**-**	**1,256,260**
(-) Nonrecurring itens	-	-	-	-	(122,058)	-	(122,058)
Depreciation and Amortization	-	-	(169,070)	(36,246)	-	-	(205,315)
Financial Result	**105,593**	**(84,340)**	**-**	**-**	**62**	**-**	**21,315**
Financial Expenses	(29,769)	-	-	-	-	-	(29,769)
Financial Revenues	135,362	(84,340)	-	-	62	-	51,084
Income from Operations	**950,202**	**-**	**-**	**-**	**-**	**-**	**950,201**
Income and Social Contribution Tax	**(7,440)**	**-**	**-**	**-**	**-**	**-**	**(7,440)**
Current	(42,086)	-	-	-	-	-	(42,086)
Deferred	34,646	-	-	-	-	-	34,646
Net Income	**942,762**	**-**	**-**	**-**	**-**	**-**	**942,762**

APPENDIX 4 – QUARTERLY INCOME STATEMENT

	2Q18	% Net Rev.	2Q17	% Net Rev.	2Q18 / 2Q17	1Q18	% Net Rev.	2Q18 / 1Q18
	(In thousand reais, except otherwise indicated)							
Gross Revenue	**2,036,155**	**133.4%**	**1,938,602**	**127.6%**	**5.0%**	**1,757,827**	**128.9%**	**15.8%**
Postsecondary	1,979,940	129.7%	1,890,667	124.4%	4.7%	1,709,824	125.4%	15.8%
Primary and Secondary	56,215	3.7%	47,935	3.2%	17.3%	48,003	3.5%	17.1%
Deductions from Gross Revenue	**(509,882)**	**-33.4%**	**(419,210)**	**-27.6%**	**21.6%**	**(394,502)**	**-28.9%**	**29.2%**
Postsecondary	(503,458)	-33.0%	(415,639)	-27.4%	21.1%	(382,508)	-28.1%	31.6%
Primary and Secondary	(6,424)	-0.4%	(3,571)	-0.2%	79.9%	(11,994)	-0.9%	-46.4%
Net Revenue	**1,526,273**	**100.0%**	**1,519,392**	**100.0%**	**0.5%**	**1,363,325**	**100.0%**	**12.0%**
Postsecondary	1,476,482	96.7%	1,475,028	97.1%	0.1%	1,327,316	97.4%	11.2%
Primary and Secondary	49,791	3.3%	44,364	2.9%	12.2%	36,009	2.6%	38.3%
Costs of Goods/Services	**(592,377)**	**-38.8%**	**(566,803)**	**-37.3%**	**4.5%**	**(490,551)**	**-36.0%**	**20.8%**
Cost of Goods Sold	(10,386)	-0.7%	(8,344)	-0.5%	24.5%	(5,094)	-0.4%	103.9%
Cost of Services Rendered	(581,991)	-38.1%	(558,459)	-36.8%	4.2%	(485,457)	-35.6%	19.9%
Gross Income	**933,896**	**61.2%**	**952,589**	**62.7%**	**-2.0%**	**872,774**	**64.0%**	**7.0%**
Operating Expenses	**(514,904)**	**-33.7%**	**(442,469)**	**-29.1%**	**16.4%**	**(447,157)**	**-32.8%**	**15.2%**
Selling Expenses	(303,029)	-19.9%	(245,211)	-16.1%	23.6%	(275,095)	-20.2%	10.2%
General and Administrative Expenses	(206,078)	-13.5%	(197,626)	-13.0%	4.3%	(171,332)	-12.6%	20.3%
Other Operating Income (Expenses)	(5,797)	-0.4%	368	0.0%	n.a.	(730)	-0.1%	n.a.
Income before Financial Result	**418,992**	**27.5%**	**510,120**	**33.6%**	**-17.9%**	**425,617**	**31.2%**	**-1.6%**
Financial Result	**46,379**	**3.0%**	**45,326**	**3.0%**	**2.3%**	**59,214**	**4.3%**	**-21.7%**
Financial Expenses	(19,079)	-1.3%	(30,134)	-2.0%	-36.7%	(10,690)	-0.8%	78.5%
Financial Revenues	65,458	4.3%	75,460	5.0%	-13.3%	69,904	5.1%	-6.4%
Income from Operations	**465,371**	**30.5%**	**555,446**	**36.6%**	**-16.2%**	**484,831**	**35.6%**	**-4.0%**
Income and Social Contribution Tax	1,976	0.1%	(8,294)	-0.5%	n.a.	(9,416)	-0.7%	n.a.
Current	(21,705)	-1.4%	(23,981)	-1.6%	-9.5%	(20,381)	-1.5%	6.5%
Deferred	23,681	1.6%	15,687	1.0%	51.0%	10,965	0.8%	116.0%
Net Income	**467,347**	**30.6%**	**547,152**	**36.0%**	**-14.6%**	**475,415**	**34.9%**	**-1.7%**

APPENDIX 5 – FULL YEAR CORPORATE INCOME STATEMENT

	1H18	% Net Rev.	1H17	% Net Rev.	1H18 / 1H17
	(In thousand reais, except otherwise indicated)				
Gross Revenue	**3,793,981**	**131.3%**	**3,679,382**	**127.6%**	**3.1%**
Postsecondary	3,689,763	127.7%	3,590,480	124.5%	2.8%
Primary and Secondary	104,218	3.6%	88,902	3.1%	17.2%
Deductions from Gross Revenue	**(904,383)**	**-31.3%**	**(794,868)**	**-27.6%**	**13.8%**
Postsecondary	(885,965)	-30.7%	(787,712)	-27.3%	12.5%
Primary and Secondary	(18,418)	-0.6%	(7,156)	-0.2%	157.4%
Net Revenue	**2,889,598**	**100.0%**	**2,884,514**	**100.0%**	**0.2%**
Postsecondary	2,803,798	97.0%	2,802,768	97.2%	0.0%
Primary and Secondary	85,800	3.0%	81,746	2.8%	5.0%
Costs of Goods/Services	**(1,082,928)**	**-37.5%**	**(1,023,559)**	**-35.5%**	**5.8%**
Cost of Goods Sold	(15,480)	-0.5%	(14,114)	-0.5%	9.7%
Cost of Services Rendered	(1,067,448)	-36.9%	(1,009,445)	-35.0%	5.7%
Gross Income	**1,806,670**	**62.5%**	**1,860,955**	**64.5%**	**-2.9%**
Operating Expenses	**(962,061)**	**-33.3%**	**(902,353)**	**-31.3%**	**6.6%**
Selling Expenses	(578,124)	-20.0%	(515,054)	-17.9%	12.2%
General and Administrative Expenses	(377,410)	-13.1%	(386,838)	-13.4%	-2.4%
Other Operating Income (Expenses)	(6,527)	-0.2%	(460)	-0.0%	n.a.
Income before Financial Result	**844,609**	**29.2%**	**958,602**	**33.2%**	**-11.9%**
Financial Result	**105,593**	**3.7%**	**111,790**	**3.9%**	**-5.5%**
Financial Expenses	(29,769)	-1.0%	(54,521)	-1.9%	-45.4%
Financial Revenues	135,362	4.7%	166,311	5.8%	-18.6%
Income from Operations	**950,202**	**32.9%**	**1,070,392**	**37.1%**	**-11.2%**
Income and Social Contribution Tax	(7,440)	-0.3%	(29,567)	-1.0%	-74.8%
Current	(42,086)	-1.5%	(69,031)	-2.4%	-39.0%
Deferred	34,646	1.2%	39,464	1.4%	-12.2%
Net Income	**942,762**	**32.6%**	**1,040,825**	**36.1%**	**-9.4%**

APPENDIX 6 – CASH FLOW STATEMENT

R$ 000	2Q18	2Q17	1Q18
Net Income before Income Taxes	**465,371**	**555,446**	**484,830**
Net Income (Loss) Adjustments before Income Taxes			
Depreciation and Amortization	103,092	103,409	102,223
Provision for Doubtful Accounts	182,770	152,241	160,830
Provision for Tax, Labor and Civil Losses	(14,829)	(16,494)	(22,779)
Provision (Reversal) for Invetories Losses	(72)	112	(108)
Financial Charges	7,824	11,415	7,060
Income from Securities	(12,244)	(35,380)	(25,273)
Grant of Stock Options	802	8,372	(4,637)
Income from disposal of subsidiaries	-	-	-
Income from sale or disposal of assets and other investments	5,684	25	4,903
Changes in Working Capital	**(304,304)**	**(201,239)**	**(690,979)**
(Increase) Reduction in Accounts Receivable (ex-FIES)	(391,264)	(310,197)	(347,797)
(Increase) Reduction in Accounts Receivable FIES	(17,378)	74,337	(214,817)
(Increase) Reduction in Inventories	3,812	(1,240)	(455)
(Increase) Reduction in Advances	(27,044)	7,040	22,270
(Increase) Decrease in Escrow Deposits	(2,571)	(3,048)	(24,010)
Increase (Decrease) in Other Assets	(67,961)	(37,250)	(48,136)
Increase (Reduction) in Suppliers	196,729	48,947	(26,231)
Increase (Decrease) in Payroll and Related Taxes	58,185	41,050	(22,178)
Increase (Decrease) in Fiscal Obligations	4,995	(9,139)	22,495
Increase (Decrease) in Advances to Clients	18,362	13,863	(28,153)
(Decrease) in Taxes Installments	(4,087)	(830)	(2,618)
(Decrease) in Provision for Tax, Labor and Civil Losses	(28,188)	(25,295)	(18,795)
Increase (Decrease) in Other Liabilities	(47,894)	524	(2,554)
Income Tax and Social Contribution	**(8,369)**	**(21,204)**	**(39,819)**
Capex	**(107,659)**	**(95,795)**	**(101,522)**
Additions to Fixed Assets	(44,348)	(52,430)	(62,274)
Additions to Intangible Assets	(63,311)	(43,365)	(39,248)
Cash Flow from Operating Activities after Capex - Recurring	**318,066**	**460,908**	**(125,271)**
Capex - Special Projects	**(55,094)**	**(12,367)**	**(13,315)**
Brownfields	(55,094)	(12,367)	(13,315)
Cash Flow from Operating Activities after total Capex	**262,971**	**448,541**	**(138,586)**
(+) M&A Activities	**(107,093)**	**(60,990)**	**(664)**
Acquisition of subsidiaries	(105,652)	(58,587)	(2,295)
Accounts Receivable from former owners	(898)	(996)	1,632
M&A Costs and Expenses	(543)	(1,407)	-
Proceeds from sale of investments	-	-	-
(+) Cash Flow from Financing Activities	**(564,010)**	**(334,001)**	**(51,160)**
Sale (Acquisition) of Treasury Shares	(203,770)	7,648	(54,939)
Capital Increase, Net of Issuance Costs	1,619	-	50,000
Payments of Borrowings and Financing	(22,701)	(29,925)	(51,582)
Interest Paid on Borrowings and Debentures	(9,635)	(20,555)	(4,359)
Redemption (Investment) of Securities	12,410	24,736	21,099
Refis Payment	(348)	(796)	(4,697)
Bank and Charges Fees	(12,479)	(1,932)	(6,681)
Payment of Dividends	(329,106)	(313,177)	-
(=) Cash Flow from Non-Operating Activities	**(671,103)**	**(394,991)**	**(51,823)**
Total Cash Generation	**(408,131)**	**53,551**	**(190,409)**
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the Start of the Period	1,535,877	1,350,293	1,726,287
Cash and Cash Equivalents at the End of the Period	1,127,746	1,403,843	1,535,877
Net Increase (Decrease) in Cash and Cash Equivalents	**(408,131)**	**53,551**	**(190,409)**