

**Belo Horizonte, November 9, 2018, Kroton Educacional S.A. (B3: KROT3; OTCQX: KROTY)** – “Kroton” or “Company,” announces today its results for the third quarter of 2018 (3Q18). 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)	3Q18	3Q17	Chg.%	1Q18	Chg.%	9M18	9M17	Chg.%
Gross Revenue	1,667,959	1,717,295	-2.9%	2,036,156	-18.1%	5,461,941	5,396,679	1.2%
Net Revenue	1,250,099	1,323,546	-5.5%	1,526,273	-18.1%	4,139,696	4,208,059	-1.6%
Gross Income	893,859	975,822	-8.4%	1,130,807	-21.0%	3,075,216	3,168,894	-3.0%
Gross Margin	71.5%	73.7%	-2.2 p.p.	74.1%	-2.6 p.p.	74.3%	75.3%	-1.0 p.p.
Operating Result	681,158	712,597	-4.4%	816,606	-16.6%	2,283,560	2,377,074	-3.9%
Operating Margin	54.5%	53.8%	0.6 p.p.	53.5%	1.0 p.p.	55.2%	56.5%	-1.3 p.p.
Adjusted EBITDA	535,412	576,775	-7.2%	641,549	-16.5%	1,791,674	1,916,537	-6.5%
Adjusted EBITDA Margin	42.8%	43.6%	-0.7 p.p.	42.0%	0.8 p.p.	43.3%	45.5%	-2.3 p.p.
Adjusted Net Income	440,444	529,710	-16.9%	562,075	-21.6%	1,541,511	1,751,661	-12.0%
Adjusted Net Margin	35.2%	40.0%	-4.8 p.p.	36.8%	-1.6 p.p.	37.2%	41.6%	-4.4 p.p.
Adjusted Net Income /share	0.27	0.32	-16.3%	0.34	-21.6%	0.94	1.07	-12.4%
Operating Cash Generation (OCG) after Capex <sup>1</sup>	538,250	415,386	29.6%	318,066	69.2%	731,044	927,449	-21.2%
OCG after Capex <sup>1</sup> / EBITDA (unadjusted)	114.2%	79.7%	34.5 p.p.	56.3%	57.9 p.p.	45.5%	52.8%	-7.3 p.p.

<sup>1</sup> Excludes investments in M&A and Special Projects.

Special note: 3Q17 and 9M17 figures include the results from FAIR, FAC/FAMAT and NOVATEC operations.

## HIGHLIGHTS – MANAGERIAL ANALYSIS (Ex-asset divestment and greenfields<sup>1</sup>)

Consolidated - Values in R\$ ('000)	3Q18	3Q17	Chg.%	9M18	9M17	Chg.%
Net Revenue	1,236,388	1,320,852	-6.4%	4,110,615	4,188,778	-1.9%
Adjusted EBITDA	546,247	575,797	-5.1%	1,828,095	1,904,579	-4.0%
Adjusted EBITDA Margin	44.2%	43.6%	0.6 p.p.	44.5%	45.5%	-1.0 p.p.
Adjusted Net Income	453,331	528,725	-14.3%	1,581,958	1,739,682	-9.1%
Adjusted Net Margin	36.7%	40.0%	-3.4 p.p.	38.5%	41.5%	-3.0 p.p.

<sup>1</sup> Excludes figures from FAIR, FAC/FAMAT and NOVATEC for 2017, as well as the results of new units (Greenfields).

## HIGHLIGHTS

- On October 11, Kroton concluded its acquisition of a controlling interest of 73.35% in the capital of Somos. Since then, it has been executing the integration plan that it had planned over the previous six months. The acquisition marks yet another important step for Kroton in expanding its presence in the education sector through a comprehensive platform of products, services and content with a national footprint and high quality. This strategic step also should further diversify the Company’s markets and revenue sources, as well as providing synergies and operating efficiency gains that are already being captured.
- Kroton, through its subsidiary Saber, concluded in September the acquisition of Colégio Lato Sensu, which is a reference in primary and second education in the North region of the country. With 4 units in Manaus, Amazonas, and 1 in Rio Branco, Acre, the school has over 3,800 students and has been a top-ranked institution in the ENEM national exam in the region for the past ten years.

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- New units continue to be opened at a strong pace, supported by the startup of 15 campuses during the mid-year student recruitment process, which include two acquisitions of on-campus units concluded in recent months. For next year, Kroton plans to open another 30 new campuses. Furthermore, new DL centers continue to open at the intense pace of 200 new units annually. Despite the natural maturation curve and the short-term impact that these new units will have on the Company as a whole, the move will serve as an important lever of future growth by expanding the addressable market and enabling broader offerings in many regions across Brazil.
- Despite all the economic adversities and the highly challenging competitive scenario, Kroton presented very solid results in its student recruitment for the second semester of 2018 in both the On-Campus and Distance Learning formats. In all, Kroton added about 183,300 new Undergraduate On-Campus and Distance Learning students, representing growth of 2.6% on the same period last year.
- Kroton also achieved satisfactory results in controlling its dropout rate, especially in the On-Campus segment. This performance directly reflects the expansion and consolidation of initiatives associated with the Retention Program, with the teams gaining experience and gradual enhancements being made to the academic model.
- In terms of the quarter's financial performance, net revenue fell 5.5% from the same period of 2017, reflecting the divestment of assets, in addition to the smaller student base and higher pressure on the average ticket, which offset the improvement in the mix of academic programs and the solid student recruitment processes in the year. In the nine months to September, net revenue reached R\$4,139.7 million, which corresponds to 76% of the guidance given for the full year, which demonstrates the Company's planning and execution capacity and conveys confidence that the targets for the year will be met.
- Adjusted EBITDA (managerial analysis) was R\$535.4 million in the quarter, down 7.2% from 3Q17, accompanied by EBITDA margin contraction of only 0.7 p.p. In the year to date, adjusted EBITDA decreased 6.5%, with EBITDA margin contracting 2.3 p.p. from 9M17. The lower profitability reflects the pressures from the shift in the profile of the student base, with higher provisioning to support the installment plans, as well as the increase in 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. Moreover, the results reinforce the expectation of delivering the guidance given for the full year.
- Adjusted net income was R\$440.4 million in 3Q18, down 16.9% from the R\$529.7 million reported in the same quarter of 2017, with adjusted net margin contracting 480 bps. In the nine months to September, adjusted net income decreased 12.0% to R\$1.5 billion, with adjusted net margin contracting 4.4 p.p. Excluding the figures from FAIR, FAC/FAMAT and Novatec for 9M17, this decrease in the period is lower, of 9.1%, and also reflects the higher depreciation rate and the lower financial result in the period.
- Operating cash generation after capex (before special projects) came to R\$538.3 million in 3Q18, for an EBITDA-to-Cash conversion rate of 114.2%. The performance reflects the receipt of the last installment due under PN23 and attests to the Company's resilience in the face of all the difficulties posed by the country's current economic scenario.
- As previously mentioned, Kroton, through its subsidiary Saber, raised in 3Q18 R\$5.5 billion through a debenture issue for the Somos acquisition. This was the largest issue made in history by non-financial companies, which demonstrates the perception of the market regarding the Company's financial solidity. With this, the cash flow, debt and balance sheet were impacted in this quarter, since the payment to the controlling shareholders of Somos was made only in early October, with effect on the 4Q18 results. Despite the significant increase in debt, Kroton continues to hold a comfortable level of debt that is below the limits stipulated in the financial covenants agreed upon with debenture holders.

## MESSAGE FROM MANAGEMENT

In 1966, Kroton was born as a preparatory course for college admission exams, which became a school, which, in turn, has served as the foundation for the pioneering development of a learning system concept for Primary and Secondary Education in Brazil. From the 1960s to the 2000s, Kroton operated exclusively in the Primary & Secondary Education segment. Therefore, the conclusion of the Somos acquisition, in October, represents a return to its roots, to its fundamental essence that reinforces the sense of purpose of the transformational capacity that we see in Education. This combination, therefore, leaves us with a sense of great satisfaction and immense pride.

With Somos, we now offer Brazilians across the country a robust platform with relevant and high-quality operations throughout the entire educational cycle, from Pre-School, Primary Education and Secondary Education to On-Campus and Distance-Learning Undergraduate Education, to Master's and Doctoral degrees. We have taken many strategic steps over the last ten years. In 2010, the acquisition of IUNI enabled the turnaround required to implement a new academic and management model at the Company. In 2012, we made an important strategic decision: to believe in the impact of digital transformation in undergraduate education and to opt to enter the market by acquiring Brazil's largest and best distance learning institution, Unopar. The years have shown the enormous positive impact of this strategic step for our organization. In 2014, we made another important move, this time by acquiring Anhanguera, which supported growth and quality improvements in all official indicators.

The acquisition of Somos, concluded in 2018, is much like the one made in 2012. The transaction with Somos was not just an acquisition, but also a conscientious decision to follow a strategic path. After evaluating the Primary and Secondary Education market for over one year, we decided that the opportunities were enormous and that we should, as we did in 2012, tap this market by bringing into the group Brazil's largest and best platform. The more we learn about Somos, the more certain we are that we took the right decision.

With Somos, we now offer a complete and integrated portfolio of educational solutions that include high-quality products and services in all segments of Primary & Secondary Education. We offer content solutions from notable authors and high-quality teachers, and always strive to build long-term relationships with our partner schools. Our brands are recognized, are references in their regions and we have a nationwide footprint. We offer technological platforms to support teaching, student engagement, teacher development and educational advisory services. We also have an enormous capacity to generate and analyze data (big data), which produces intelligence for identifying and capturing opportunities for expanding our operations and improving our academic quality. Our brand equity surveys show that no other company has brands as strong as ours. No other network of partners is as solid as ours, and we can guarantee that these advantages will be further reinforced in this new phase.

The challenge is big, but we are absolutely certain that we are on the right path to increasingly improve our quality indicators, reputation, growth and efficiency. These are the attributes that will ensure the sustainability of our company and will continue to permeate all of our actions.

To ensure that all opportunities from this union will be identified and captured, over the past six months we have been implementing a robust integration methodology with clear activities, detailed timetables and a transparent and objective monitoring system. We are aware that each integration process is unique, but Kroton's track record in integrating large assets has been a fundamental part of the process.

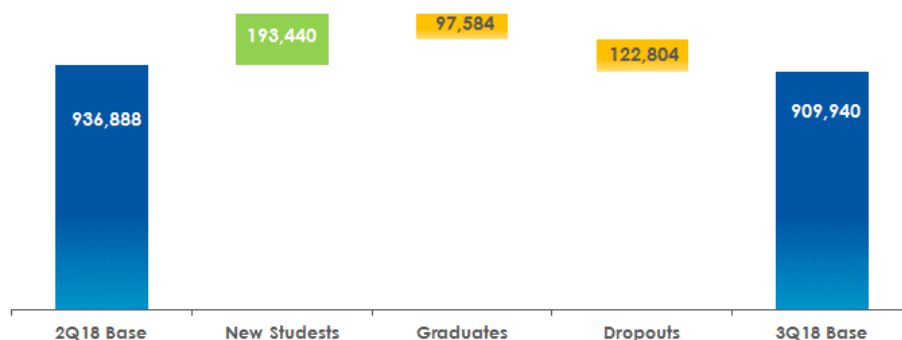
In 2019, we will conduct a strategic planning process to advance discussions, but during these initial months of planning and the first weeks of integration, we already have formulated a very solid strategic vision and identified very clear opportunities for the future. This new perspective of Somos will be presented to the market on Kroton Day, to be held on November 26. For now, we can say that the deeper we go, the more excited and optimistic we are on the outlook we envision for the company.

In closing, it is worth to highlight an important consideration regarding these first few weeks of integration. We know that a company is made, above all, of its people, and we are positively impressed with the people who form the team at Somos and their technical quality, engagement and sense of purpose. We take this opportunity to express our appreciation to the employees of Somos, both those directly involved in the integration process, as well as those conducting other operations. I am certain that, together, we will create a stronger company with a singular and reinforced culture, with ever-higher standards of quality and better prepared to create sustainable value.

## OPERATING PERFORMANCE

## POSTSECONDARY EDUCATION

Evolution in Number of Students



The evolution in the number of Postsecondary students between 2Q18 and 3Q18 by product (Undergraduate and Graduate) and teaching format (On-Campus and Distance Learning) is presented below.

Students	On-Campus			Distance Learning		
	Undergraduate	Graduate	Total	Undergraduate	Graduate	Total
3Q17 Base	399,862	8,731	408,593	501,780	26,794	528,574
Asset sales*	4,852	20	4,872	-	-	-
Comparable 3Q17	395,010	8,711	403,721	501,780	26,794	528,574
2Q18 Base	385,684	7,817	393,501	515,981	27,406	543,387
New Enrollments	68,221	1,982	70,203	115,091	8,146	123,237
Graduates	(39,734)	(1,041)	(40,775)	(51,983)	(4,826)	(56,809)
Dropouts	(44,783)	(185)	(44,968)	(77,234)	(602)	(77,836)
3Q18 Base	369,388	8,573	377,961	501,855	30,124	531,979
% 3Q18 Base / 3Q17 Base	-6.5%	-1.6%	-6.4%	0.0%	12.4%	0.6%
% 3Q18 Base / 2Q18 Base	-4.2%	9.7%	-3.9%	-2.7%	9.9%	-2.1%

Students	Total Undergraduate	Total Graduate	Total
3Q17 Base	901,642	35,525	937,167
Asset sales*	4,852	20	4,872
Comparable 3Q17	896,790	35,505	932,295
2Q18 Base	901,665	35,223	936,888
New Enrollments	183,312	10,128	193,440
Graduates	(91,717)	(5,867)	(97,584)
Dropouts	(122,017)	(787)	(122,804)
3Q18 Base	871,243	38,697	909,940
% 3Q18 Base / 3Q17 Base	-2.8%	9.0%	-2.4%
% 3Q18 Base / 2Q18 Base	-3.4%	9.9%	-2.9%

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

Following the same trend observed in the start of the year, the process for admitting and reenrolling Undergraduate students for the second semester was concluded with very solid results, especially given all the pressures generated by the uncertain political environment, the still-stagnant economy, with high unemployment rates and the challenging competitive environment. Nevertheless, Kroton was able to grow the number of freshmen students in both the On-Campus and Distance Learning segments, which attests to the effectiveness of its commercial strategy, the strength of its brands and a program portfolio aligned with market demands. Moreover, this good performance was achieved despite the already expected reduction in the offering of FIES student financing, which confirms the resilience of the Company's business. Other factors contributing to this result was the balanced offering of installment plans, in addition to a robust employability channel, with the latter proving an important advantage and significant transformational agent for students.

Overall, about 183,300 new Undergraduate students were added, or 2.1% more than in the same period of 2017. This result was influenced by (i) the new programs being launched in both the On-Campus (especially in the health and engineering fields) and Premium DL segments, which have helped to expand the product offering and addressable market; (ii) the offering of installment plans, including the Private Special Installment Plan (PEP) and Late-Enrollment Installment Program (PMT), which can be considered efficient student-recruiting tools; (iii) the good performance of new students paying out of pocket, which currently account for a majority of freshmen; and (iv) the new campuses and centers opened in recent months, which, despite their low significance in the first student-recruiting processes, will be important drivers of future growth.

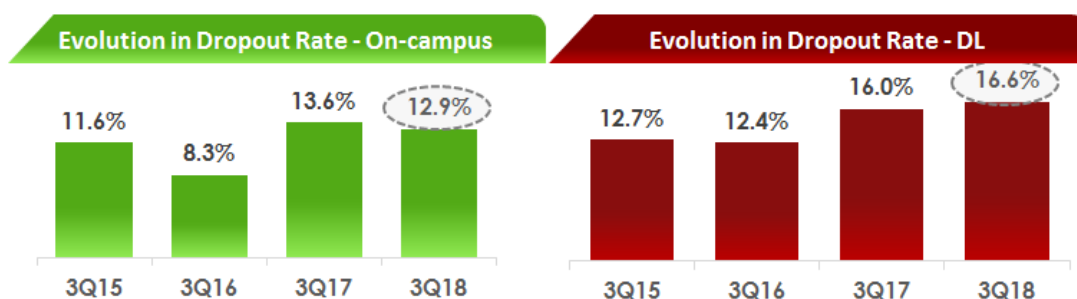
The re-enrollment process (enrollments of students in the second to last academic semesters) also achieved very good results considering the market conditions faced in the period, registering a decline of 4.7% from the same period last year, a lower level compared to the increase in graduations in this semester (+8.3% compared to 3Q17). It is important to note that this pressure from graduations is a consequence of the strong student recruitment processes of 2013 and 2014 and that its effects should wane in the upcoming re-enrollment processes.

Considering only Graduate programs, the student base expanded 9.0% on the year-ago period, supported by the enrollment of around 10,000 new students coming mainly from Distance Learning programs. The performance more than offset the significant number of graduations, which totaled approximately 6,000 students. Bear in mind that the LFG brand also offers Graduate programs, whose students are included in the above table.

Accordingly, the Company ended the quarter with roughly 910,000 Postsecondary students (Undergraduate and Graduate) in the On-Campus and Distance Learning segments combined, representing a slight reduction of 2.4% from the same period last year and demonstrating the resilience of Kroton's operations in a still-adverse scenario, with increased competition, economic uncertainty and a higher number of graduations. Compared to 2Q18, the student base contracted by 2.9%, which is in line with the smaller base of students eligible for re-enrollment. Broken down by teaching format, the On-Campus student base accounted for 42% of the total student base in the quarter, while the Distance Learning student base accounted for 58%.

Note that the student recruitment and reenrollment processes for the first semester of 2019 already have begun and that Kroton continues to focus on constantly evolving its Student Success projects, while reinforcing its organic growth strategies by opening new On-Campus units and new Distance Learning centers, as well as strengthening its commercial strategies to deliver growing results in student recruiting and retention.

### Evolution of Undergraduate Dropouts



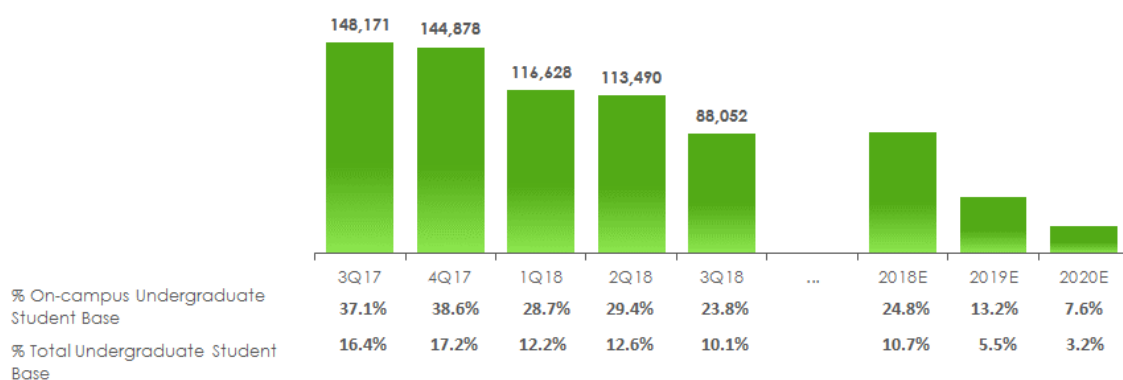
The dropout rate in the On-Campus segment improved by 0.7 p.p., reversing the increase in the prior quarter. Despite the continued pressures on this indicator, such as the change in the student base profile (lower share of FIES students, which historically are less likely to drop out) and the persistently high unemployment rate in a turbulent political/economic

scenario, this is the second straight semester in which the Company managed to deliver a reduction in the dropout rate. This simply attests that the initiatives under the Retention Project continue to advance, with the teams gaining maturity and experience and gradual enhancements being made to the academic model. In this respect, if we exclude FIES students from the indicator, you already can observe stronger trends of improvement in the dropout rates among other student groups. Another important factor is the attention Kroton has been giving to the student satisfaction index, investing significantly in the Company's units and in managing students to ensure an increasingly improved 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 higher 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 rates for this product compared to other Distance Learning formats.

## FIES

### Number of FIES Students



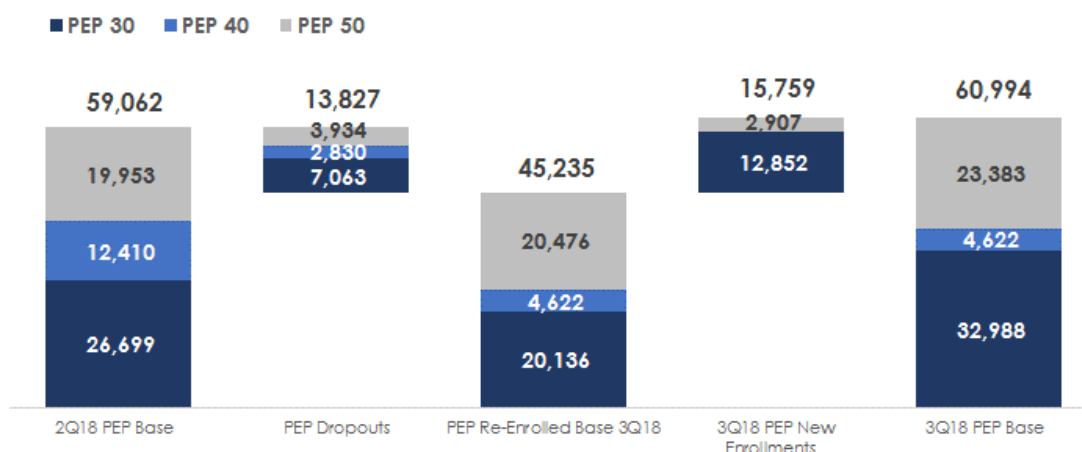
At the end of 3Q18, the Company had 88,052 students enrolled with FIES contracts, down 40.6% from the same period of 2017, following the trend of recent quarters, with increasingly fewer new students under the financing program and higher graduations of these students. To illustrate this behavior, in the latest student-recruiting cycle, FIES accounted for less than 3% of new enrollments in On-Campus Undergraduate programs and for only 1% of total Undergraduate new enrollments. Moreover, the number of graduations of FIES students at the end of the semester was very relevant, which indicates that the program should account for a marginal share of students over the coming years. As a result, FIES students accounted for 23.8% of the On-Campus Undergraduate base, or 10.1% of the total Undergraduate student base, down 13.3 p.p. and 6.3 p.p., respectively, on the prior-year period.

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

At the end of 3Q18, Kroton had about 61,000 students enrolled in PEP programs, of whom around 37,600 enrolled in PEP30 and almost 23,400 in PEP50. In the most recent student recruitment process, approximately 15,800 new students were enrolled with one of the two PEP plans (PEP30 and PEP50), representing roughly 23% of On-Campus new enrollments. Although higher than in the second semester of last year, the level is in line with the enrollment observed at the start of the year and with the Company's expected exposure in the coming cycles.



As already presented throughout 2017, the following analysis shows the evolution in the PEP student base, including the number of students who migrated from PEP30 (when students paid 30% of tuitions during the contract's first year) to PEP40 and PEP50 (when students began to pay 40% and 50% of tuitions during the contract's second and third years, respectively), in accordance with the plans' rules. Likewise, students who re-enrolled and remained with PEP30 are those admitted in 1Q18 and who will migrate to PEP40 in 1Q19. Furthermore, note that the dropout curve is naturally higher during the first semesters of academic programs and that the actual dropout rate of PEP students is comparable to the dropout rates of students without financing plans from the same classes, which corroborates the product's sustainability. This behavior is valid for both PEP30 and PEP50.



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

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

### Preparatory Courses (LFG), Unregulated Programs and Language Courses

Through the brand LFG, the Company offers preparatory courses for the examination of the Brazilian Bar Association (OAB) and for examinations for civil servant positions. Always positioned as a reference in preparatory courses, LFG registered an average student base of 27,512 in 3Q18 (note that these students were not included in the number of Postsecondary students reported above), representing expansion of 8.4% from the same period of 2017, reflecting the efforts to improve the operation 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 3Q18, there were 53,333 students enrolled in these



programs (who also are not considered in the total number of Postsecondary students above), down 16.0% from the previous year.

## PRIMARY & SECONDARY

As part of the Company's expansion strategy already disclosed to the market, Kroton created "Saber," a *holding* company dedicated exclusively to the Primary & Secondary Education market. Up until this quarter's results, Saber had 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, for 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. The Leonardo Da Vinci Educational Center, acquired in April, serves a total of 1,311 students (as of December 2017), 71% of whom under a full-time scheme.

In September, Saber also concluded its third acquisition, of Colégio Lato Sensu, an institution founded in 1984 and operating in the pre-school, primary and secondary education segments. Colégio Lato Sensu, which features a unique educational proposition with a focus on academic quality (a top performer in the region on the ENEM exam), has 5 units, 4 of which in Manaus, Amazonas, and 1 in Rio Branco, Acre, serving a total of 3,806 students in 2018. Although the acquisition was concluded in mid-September, the figures did not impact the Primary & Secondary Education segment, only the opening balance was recognized on the balance sheet.

As of October 11, Saber also begins to consolidate Somos' business, which include schools, learning systems, textbooks, digital content, language courses and other businesses. With this, Saber integrates a complete platform offering solutions, products and services to Brazil's entire Primary & Secondary Education segment, serving around 37,000 students through own schools (numbers relate to 2017), 25,000 students in language courses and 1.2 million students in partner private schools, as well as reaching more than 33 million students in public schools through the National Textbook Program (PNLD).

Saber has 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, learning systems and publishing houses, such as Pitágoras, PH, Anglo, Leonardo da Vinci, Red Balloon, and for the publishing houses Ática, Scipione and Saraiva, among others, with nationwide presence in all Brazilian states.

Because the transaction with Somos was consummated in October, the opening balance will be recorded in 4Q18 with the combination of the businesses.

### FINANCIAL PERFORMANCE

### 3Q18 RESULTS – CORPORATE

	On-Campus Education		Distance Learning		Primary and Secondary Education		Kroton Consolidated	
Values in R\$ ('000)	3Q18	% Net Rev.	3Q18	% Net Rev.	3Q18	% Net Rev.	3Q18	% Net Rev.
<b>Gross Revenue</b>	<b>1,291,755</b>	<b>132.3%</b>	<b>340,392</b>	<b>140.6%</b>	<b>35,811</b>	<b>112.1%</b>	<b>1,667,959</b>	<b>133.4%</b>
Gross Revenue Deductions	(315,732)	-32.3%	(98,263)	-40.6%	(3,865)	-12.1%	(417,860)	-33.4%
Tax	(29,950)	-3.1%	(6,962)	-2.9%	(2,001)	-6.3%	(38,913)	-3.1%
ProUni	(201,880)	-20.7%	(67,743)	-28.0%	-	0.0%	(269,623)	-21.6%
Returns	-	0.0%	-	0.0%	(1,865)	-5.8%	(1,865)	-0.1%
Total Discounts	(83,902)	-8.6%	(23,557)	-9.7%	-	0.0%	(107,459)	-8.6%
<b>Net Revenue</b>	<b>976,023</b>	<b>100.0%</b>	<b>242,130</b>	<b>100.0%</b>	<b>31,946</b>	<b>100.0%</b>	<b>1,250,099</b>	<b>100.0%</b>
<b>Costs (COGS)</b>	<b>(315,163)</b>	<b>-32.3%</b>	<b>(24,045)</b>	<b>-9.9%</b>	<b>(17,032)</b>	<b>-53.3%</b>	<b>(356,239)</b>	<b>-28.5%</b>
Cost of Goods	-	0.0%	-	0.0%	(1,826)	-5.7%	(1,826)	-0.1%
Cost of Services	(315,163)	-32.3%	(24,045)	-9.9%	(15,205)	-47.6%	(354,413)	-28.4%
Faculty, Other Personnel and Third-Party Services	(212,559)	-21.8%	(20,895)	-8.6%	(14,334)	-44.9%	(247,787)	-19.8%
Rent	(84,955)	-8.7%	(4,846)	-2.0%	(1,651)	-5.2%	(91,452)	-7.3%
Materials	(4,136)	-0.4%	(3,160)	-1.3%	(12)	0.0%	(7,308)	-0.6%
Maintenance	(2,754)	-0.3%	(273)	-0.1%	(207)	-0.6%	(3,235)	-0.3%
Other	(10,758)	-1.1%	5,129	2.1%	998	3.1%	(4,631)	-0.4%
<b>Gross Income</b>	<b>660,860</b>	<b>67.7%</b>	<b>218,085</b>	<b>90.1%</b>	<b>14,914</b>	<b>46.7%</b>	<b>893,859</b>	<b>71.5%</b>
<b>Operating Expenses</b>	<b>(115,295)</b>	<b>-11.8%</b>	<b>(25,228)</b>	<b>-10.4%</b>	<b>(4,789)</b>	<b>-15.0%</b>	<b>(145,312)</b>	<b>-11.6%</b>
Personnel, General and Administrative Expenses	(115,295)	-11.8%	(25,228)	-10.4%	(4,789)	-15.0%	(145,312)	-11.6%
Personnel Expenses	(72,147)	-7.4%	(20,525)	-8.5%	(4,173)	-13.1%	(96,844)	-7.7%
General and Administrative Expenses	(43,148)	-4.4%	(4,704)	-1.9%	(616)	-1.9%	(48,468)	-3.9%
<b>Provision for Doubtful Accounts - PDA</b>	<b>(130,955)</b>	<b>-13.4%</b>	<b>(23,857)</b>	<b>-9.9%</b>	<b>(256)</b>	<b>-0.8%</b>	<b>(155,067)</b>	<b>-12.4%</b>
(+) Interest and Penalties on Tuition	68,168	7.0%	18,840	7.8%	670	2.1%	87,678	7.0%
<b>Operating Result</b>	<b>482,779</b>	<b>49.5%</b>	<b>187,840</b>	<b>77.6%</b>	<b>10,539</b>	<b>33.0%</b>	<b>681,158</b>	<b>54.5%</b>
<b>Sales and Marketing Expenses</b>							<b>(88,912)</b>	<b>-7.1%</b>
<b>Corporate Expenses</b>							<b>(56,837)</b>	<b>-4.5%</b>
<b>Adjusted EBITDA</b>							<b>535,412</b>	<b>42.8%</b>
(-) Nonrecurring Items							(64,227)	-5.1%
<b>EBITDA</b>							<b>471,184</b>	<b>37.7%</b>
Depreciation and Amortization							(112,871)	-9.0%
Financial Result							5,473	0.4%
Income and Social Contribution Tax							(15,969)	-1.3%
<b>Net Profit</b>							<b>347,818</b>	<b>27.8%</b>
(+) Nonrecurring Items							64,227	5.1%
(+) Intangible Amortization (Acquisitions)							19,060	1.5%
(+) Net Effect of Debenture Issuances							9,339	0.7%
<b>Adjusted Net Profit</b>							<b>440,444</b>	<b>35.2%</b>

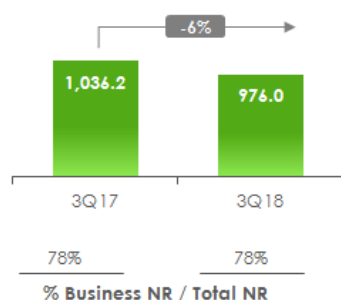
### 9M18 RESULTS – CORPORATE

Values in R\$ ('000)	On-Campus Education		Distance Learning		Primary and Secondary Education		Kroton Consolidated	
	9M18	% Net Rev.	9M18	% Net Rev.	9M18	% Net Rev.	9M18	% Net Rev.
<b>Gross Revenue</b>	<b>4,242,185</b>	<b>131.4%</b>	<b>1,079,728</b>	<b>135.9%</b>	<b>140,029</b>	<b>118.9%</b>	<b>5,461,941</b>	<b>131.9%</b>
Gross Revenue Deductions	(1,014,813)	-31.4%	(285,149)	-35.9%	(22,283)	-18.9%	(1,322,245)	-31.9%
Tax	(109,882)	-3.4%	(21,751)	-2.7%	(5,186)	-4.4%	(136,819)	-3.3%
ProUni	(592,229)	-18.4%	(198,092)	-24.9%	-	0.0%	(790,321)	-19.1%
Returns	-	0.0%	-	0.0%	(17,098)	-14.5%	(17,098)	-0.4%
Total Discounts	(312,702)	-9.7%	(65,306)	-8.2%	-	0.0%	(378,007)	-9.1%
<b>Net Revenue</b>	<b>3,227,371</b>	<b>100.0%</b>	<b>794,579</b>	<b>100.0%</b>	<b>117,746</b>	<b>100.0%</b>	<b>4,139,696</b>	<b>100.0%</b>
<b>Costs (COGS)</b>	<b>(931,217)</b>	<b>-28.9%</b>	<b>(76,899)</b>	<b>-9.7%</b>	<b>(56,365)</b>	<b>-47.9%</b>	<b>(1,064,480)</b>	<b>-25.7%</b>
Cost of Goods	-	0.0%	-	0.0%	(17,291)	-14.7%	(17,291)	-0.4%
Cost of Services	(931,217)	-28.9%	(76,899)	-9.7%	(39,074)	-33.2%	(1,047,189)	-25.3%
Faculty, Other Personnel and Third-Party Services	(636,323)	-19.7%	(61,291)	-7.7%	(35,935)	-30.5%	(733,548)	-17.7%
Rent	(249,835)	-7.7%	(13,140)	-1.7%	(3,328)	-2.8%	(266,302)	-6.4%
Materials	(10,126)	-0.3%	(8,755)	-1.1%	(27)	0.0%	(18,908)	-0.5%
Maintenance	(8,049)	-0.2%	(699)	-0.1%	(464)	-0.4%	(9,212)	-0.2%
Other	(26,884)	-0.8%	6,985	0.9%	680	0.6%	(19,219)	-0.5%
<b>Gross Income</b>	<b>2,296,155</b>	<b>71.1%</b>	<b>717,681</b>	<b>90.3%</b>	<b>61,381</b>	<b>52.1%</b>	<b>3,075,216</b>	<b>74.3%</b>
<b>Operating Expenses</b>	<b>(371,853)</b>	<b>-11.5%</b>	<b>(79,893)</b>	<b>-10.1%</b>	<b>(13,243)</b>	<b>-11.2%</b>	<b>(464,989)</b>	<b>-11.2%</b>
Personnel, General and Administrative Expenses	(371,853)	-11.5%	(79,893)	-10.1%	(13,243)	-11.2%	(464,989)	-11.2%
Personnel	(205,871)	-6.4%	(54,886)	-6.9%	(10,646)	-9.0%	(271,403)	-6.6%
General and Administrative	(165,982)	-5.1%	(25,007)	-3.1%	(2,597)	-2.2%	(193,585)	-4.7%
<b>Provision for Doubtful Accounts - PDA</b>	<b>(419,622)</b>	<b>-13.0%</b>	<b>(78,139)</b>	<b>-9.8%</b>	<b>(924)</b>	<b>-0.8%</b>	<b>(498,686)</b>	<b>-12.0%</b>
(+) Interest and Penalties on Tuition	128,192	4.0%	42,624	5.4%	1,202	1.0%	172,018	4.2%
<b>Operating Result</b>	<b>1,632,871</b>	<b>50.6%</b>	<b>602,273</b>	<b>75.8%</b>	<b>48,416</b>	<b>41.1%</b>	<b>2,283,560</b>	<b>55.2%</b>
<b>Sales and Marketing Expenses</b>							<b>(313,122)</b>	<b>-7.6%</b>
<b>Corporate Expenses</b>							<b>(178,763)</b>	<b>-4.3%</b>
<b>Adjusted EBITDA</b>							<b>1,791,674</b>	<b>43.3%</b>
(-) Nonrecurring Items							(186,286)	-4.5%
<b>EBITDA</b>							<b>1,605,388</b>	<b>38.8%</b>
Depreciation and Amortization							(318,186)	-7.7%
Financial Result							26,788	0.6%
Income and Social Contribution Tax							(23,410)	-0.6%
Income Tax / Social Cont. - Disposal of Uniassselvi							-	0.0%
<b>Net Profit</b>							<b>1,290,580</b>	<b>31.2%</b>
(+) Nonrecurring Items							186,286	4.5%
(+) Intangible Amortization (Acquisitions)							55,305	1.3%
(+) Income Tax / Social Cont. - Disposal of Assets							-	0.0%
(+) Net Effect of Debenture Issuances							9,339	0.2%
<b>Adjusted Net Profit</b>							<b>1,541,511</b>	<b>37.2%</b>

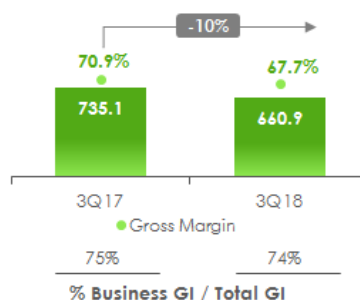
CORPORATE FINANCIAL PERFORMANCE – ON-CAMPUS EDUCATION<sup>1</sup>

On-Campus Education - Values in R\$ ('000)	3Q18	3Q17	Chg.%	2Q18	Chg.%	9M18	9M17	Chg.%
<b>Gross Revenue</b>	<b>1,291,755</b>	<b>1,337,849</b>	<b>-3.4%</b>	<b>1,586,931</b>	<b>-18.6%</b>	<b>4,242,185</b>	<b>4,204,465</b>	<b>0.9%</b>
Gross Revenue Deductions	(315,732)	(301,649)	4.7%	(400,570)	-21.2%	(1,014,813)	(921,531)	10.1%
Tax	(29,950)	(34,566)	-13.4%	(39,479)	-24.1%	(109,882)	(117,517)	-6.5%
ProUni	(201,880)	(177,469)	13.8%	(205,283)	-1.7%	(592,229)	(516,846)	14.6%
Returns	-	-	n.a.	-	n.a.	-	-	n.a.
Total Discounts	(83,902)	(89,613)	-6.4%	(155,808)	-46.2%	(312,702)	(287,167)	8.9%
FGEDUC	(21,639)	(27,615)	-21.6%	(29,873)	-27.6%	(75,559)	(92,527)	-18.3%
FIES - Administrative Fee	(7,789)	(10,919)	-28.7%	(11,399)	-31.7%	(28,140)	(35,984)	-21.8%
Other	(54,474)	(51,078)	6.6%	(114,536)	-52.4%	(209,002)	(158,656)	31.7%
<b>Net Revenue</b>	<b>976,023</b>	<b>1,036,200</b>	<b>-5.8%</b>	<b>1,186,361</b>	<b>-17.7%</b>	<b>3,227,371</b>	<b>3,282,935</b>	<b>-1.7%</b>
<b>Net Revenue - Undergraduate</b>	<b>963,186</b>	<b>1,026,710</b>	<b>-6.2%</b>	<b>1,176,465</b>	<b>-18.1%</b>	<b>3,171,282</b>	<b>3,246,967</b>	<b>-2.3%</b>
Net Revenue - Out-of-pocket	447,347	359,805	24.3%	541,630	-17.4%	1,435,127	1,055,620	36.0%
Net Revenue - FIES (financed part net of APV)	332,728	447,692	-25.7%	419,768	-20.7%	1,142,270	1,592,051	-28.3%
Net Revenue - PEP (installment part net of APV)	138,977	158,732	-12.4%	150,893	-7.9%	415,587	439,319	-5.4%
Net Revenue - PMT (installment part net of APV)	44,136	60,480	-27.0%	64,175	-31.2%	178,297	159,979	11.5%
<b>Net Revenue - Graduate, Unregulated Programs, Pronatec</b>	<b>12,837</b>	<b>9,491</b>	<b>35.3%</b>	<b>9,895</b>	<b>29.7%</b>	<b>56,090</b>	<b>35,968</b>	<b>55.9%</b>
<b>Total of Costs</b>	<b>(315,163)</b>	<b>(301,130)</b>	<b>4.7%</b>	<b>(338,385)</b>	<b>-6.9%</b>	<b>(931,217)</b>	<b>(891,821)</b>	<b>4.4%</b>
Cost of Goods	-	-	n.a.	-	n.a.	-	-	n.a.
Cost of Services	(315,163)	(301,130)	4.7%	(338,385)	-6.9%	(931,217)	(891,821)	4.4%
Faculty, Other Personnel and Third-Party Services	(212,559)	(210,999)	0.7%	(239,076)	-11.1%	(636,323)	(630,412)	0.9%
Rent	(84,955)	(81,505)	4.2%	(83,039)	2.3%	(249,835)	(241,092)	3.6%
Materials	(4,136)	(2,835)	45.9%	(3,395)	21.8%	(10,126)	(8,567)	18.2%
Maintenance	(2,754)	(3,722)	-26.0%	(2,182)	26.2%	(8,049)	(5,867)	37.2%
Other	(10,758)	(2,070)	419.9%	(10,693)	0.6%	(26,884)	(5,882)	357.1%
<b>Gross Income</b>	<b>660,860</b>	<b>735,070</b>	<b>-10.1%</b>	<b>847,976</b>	<b>-22.1%</b>	<b>2,296,155</b>	<b>2,391,114</b>	<b>-4.0%</b>
Gross Margin	67.7%	70.9%	-3.2 p.p.	71.5%	-3.8 p.p.	71.1%	72.8%	-1.7 p.p.
<b>Total Operating Expenses</b>	<b>(115,295)</b>	<b>(108,593)</b>	<b>6.2%</b>	<b>(139,972)</b>	<b>-17.6%</b>	<b>(371,853)</b>	<b>(340,055)</b>	<b>9.4%</b>
Personnel Expenses	(72,147)	(65,225)	10.6%	(73,070)	-1.3%	(205,871)	(190,153)	8.3%
General and Administrative Expenses	(43,148)	(43,368)	-0.5%	(66,901)	-35.5%	(165,982)	(149,902)	10.7%
<b>Provision for Doubtful Account - PDA</b>	<b>(130,955)</b>	<b>(140,915)</b>	<b>-7.1%</b>	<b>(153,688)</b>	<b>-14.8%</b>	<b>(419,622)</b>	<b>(394,831)</b>	<b>6.3%</b>
(+) Interest and Penalties on Tuition	68,168	26,655	155.7%	33,126	105.8%	128,192	86,884	47.5%
<b>Operating Result</b>	<b>482,779</b>	<b>512,217</b>	<b>-5.7%</b>	<b>587,442</b>	<b>-17.8%</b>	<b>1,632,871</b>	<b>1,743,112</b>	<b>-6.3%</b>
Operating Margin	49.5%	49.4%	0.0 p.p.	49.5%	-0.1 p.p.	50.6%	53.1%	-2.5 p.p.

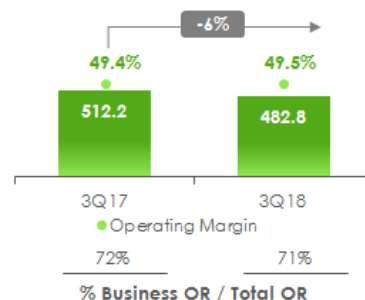
### Net Revenue (NR) Quarterly - R\$ MM



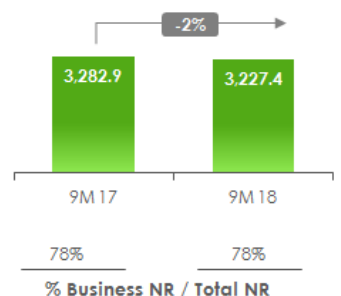
### Gross Income (GI) Quarterly - R\$ MM



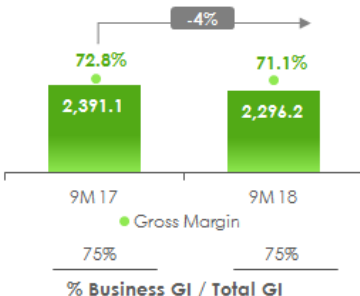
### Operating Result (OR) Quarterly - R\$ MM



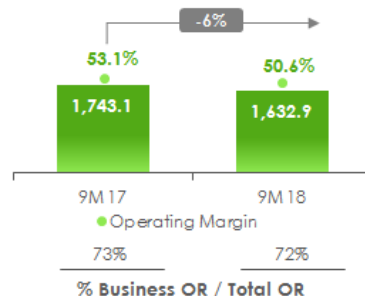
### Net Revenue (NR) YTD - R\$ MM



### Gross Income (GI) YTD - R\$ MM



### Operating Result (OR) YTD - R\$ MM



<sup>1</sup> 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, 2017, 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

<i>On-Campus Education - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Gross Revenue</b>	<b>1,291,755</b>	<b>1,337,849</b>	<b>-3.4%</b>	<b>1,586,931</b>	<b>-18.6%</b>
Gross Revenue Deductions	(315,732)	(301,649)	4.7%	(400,570)	-21.2%
Tax	(29,950)	(34,566)	-13.4%	(39,479)	-24.1%
ProUni	(201,880)	(177,469)	13.8%	(205,283)	-1.7%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(83,902)	(89,613)	-6.4%	(155,808)	-46.2%
FGEDUC	(21,639)	(27,615)	-21.6%	(29,873)	-27.6%
FIES - Administrative Fee	(7,789)	(10,919)	-28.7%	(11,399)	-31.7%
Other	(54,474)	(51,078)	6.6%	(114,536)	-52.4%
<b>Net Revenue</b>	<b>976,023</b>	<b>1,036,200</b>	<b>-5.8%</b>	<b>1,186,361</b>	<b>-17.7%</b>
<b>Net Revenue - Undergraduate</b>	<b>963,186</b>	<b>1,026,710</b>	<b>-6.2%</b>	<b>1,176,465</b>	<b>-18.1%</b>
Net Revenue - Out-of-pocket	447,347	359,805	24.3%	541,630	-17.4%
Net Revenue - FIES (financed part net of APV)	332,728	447,692	-25.7%	419,768	-20.7%
Net Revenue - PEP (installment part net of APV)	138,977	158,732	-12.4%	150,893	-7.9%
Net Revenue - PMT (installment part net of APV)	44,136	60,480	-27.0%	64,175	-31.2%
<b>Net Revenue - Graduate, Unregulated Programs, Pronatec</b>	<b>12,837</b>	<b>9,491</b>	<b>35.3%</b>	<b>9,895</b>	<b>29.7%</b>

## Deductions

In 3Q18, deductions as a ratio of gross revenue increased 1.9 p.p. compared to the year-ago period, explained by the larger base of ProUni students at the start of the year and the higher volume of discounts during renegotiations with former students. These factors offset the decrease in charges related to FIES, given the smaller FIES student base, an effect that has been increasingly relevant in the most recent turns of semesters. Compared to the prior quarter, deductions as a ratio of gross revenue decreased 0.8 p.p., reflecting the smaller FIES student base and the seasonality of the Tuition Adjustment Process (PAM), which affects primarily even-numbered quarters, due to adjustments in the number of classroom hours.

## Net Revenue

Net revenue, in turn, decreased 5.8% compared to the same period of 2017, mainly due to the smaller student base, resulting from the higher number of graduations, as well as the higher impact from the reversals of Adjustment to Present Value (APV) in 3Q17 and from the asset divestments carried out in late 2017. This performance also was supported by the reduced offering of PMT plans in the student recruitment process for this semester. With regard to installment payment plans, bear in mind that the result in 3Q17 benefitted from the reversal of APV in PEP and PMT, given the drop-outs of students with these plans during that period. Excluding this impact, revenue in 3Q18 was practically stable, despite the 32% increase in graduations. This attests to the Company's capacity to mitigate the effects from the economic crisis and higher competition with a robust operation that offers academic programs aligned with market demand as well as exclusive payment plans and employability products that supported growth in recent recruitment processes. In this respect, note that, despite all the changes in its student profile, Kroton has managed to improve its mix of academic programs, with the majority of its student base formed by students paying out of pocket and a sustainable composition of installment plans, which not only are important sales tools, but also have the added benefit of not being affected by any discounts (although the associated revenue is reduced by APV). As a result, in the quarter, revenue from PEP plans accounted for R\$139.0 million (net of APV), or 14% of total revenue from the On-Campus segment, while revenue from PMT plans accounted for R\$44.1 million (also net of APV), or 5% of the segment's revenue. Meanwhile, FIES revenue decreased 25.7% on the prior-year period, basically due to the fewer FIES students in the base, which is explained by the graduations observed at the most recent turn of semester. Compared to 2Q18, the 17.7% decline in net revenue is essentially due to seasonality, which generates positive impacts in even-numbered quarters with the recognition of late enrollments in a single period. In the nine months to September, net revenue was R\$3.2 billion, down only 1.7% from 9M17, which demonstrates the consistency of Kroton's

results despite the pressure from asset divestments, higher graduations and the highly challenging macroeconomic and competitive scenario.

### Average Net Ticket

On-Campus Postsecondary Education - Values in R\$	3Q18	3Q17	Chg.%	2Q18	Chg.%
Total	855.71	862.60	-0.8%	860.42	-0.5%

Calculation of the average net 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 bills effectively recognized in the period (including those related to ProUni students), since, due to retroactive contract amendments, a student could be billed more than once in a certain month. The net average ticket in On-Campus education in 3Q18 was R\$855.71, down less than 1% from the year-ago period, reflecting the change in the student-base profile with the graduation of FIES students and the admission of mostly students paying out of pocket (whose tickets are discounted), as well as the temporary commercial campaigns granted during the recruitment process for the second semester. Furthermore, the reduced offering of PMT plans this quarter also had a negative impact on the year-on-year comparison of the average ticket, since PMT, like PEP, does not grant any form of discount on monthly tuitions. However, note that the offering of PMT plans this semester was more relevant at the end of the recruitment period, with this revenue to be recognized in the results of the coming quarter (4Q18). These factors offset the annual adjustment of monthly tuitions and the share of programs with higher tuitions in the base. Compared to 2Q18, the average ticket declined slightly by 0.5%, which shows that the pricing policy of the latest recruitment process was, although very competitive, not very different from that of recent cycles.

### 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 PMT plans. Meanwhile, the PEP and FIES average tickets are divided into Out-of-pocket, Installment/Financing and PMT parts. The analysis of the combination of the Ex-FIES and PEP 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		3Q18					3Q17					Chg.%	
Student	Product	Net Revenue	APV	NR Ex-APV <sup>1</sup>	Invoices <sup>2</sup>	Net Ticket	Net Revenue	APV	NR Ex-APV <sup>1</sup>	Invoices <sup>2</sup>	Net Ticket	Δ Net Ticket	Δ NR
Ex-FIES e Ex-PEP	Ex-FIES Ex-PEP	379,865	(14,556)	365,309	509	717.7	309,875	7,336	317,211	445	712.6	0.7%	18.3%
	Out-of-Pocket	348,492	-	348,492	-	-	250,914	-	250,914	-	-	-	-
	PMT	31,374	(14,556)	16,817	-	-	58,960	7,336	66,297	-	-	-	-
PEP	PEP	208,166	10,593	218,759	180	1,212.3	224,867	(35,461)	189,406	151	1,253.7	-3.3%	10.2%
	Out-of-Pocket	57,069	-	57,069	-	-	65,910	-	65,910	-	-	-	-
	Installment	138,977	10,063	149,040	-	-	158,732	(34,732)	124,000	-	-	-	-
	PMT	12,121	530	12,651	-	-	224	(729)	(504)	-	-	-	-
Out-of-Pocket On-Campus Undergrad. Ex-FIES Ex-Prouni		588,031	(3,963)	584,068	689	847.2	534,742	(28,125)	506,617	596	849.7	-0.3%	15.3%
FIES	FIES	375,155	(692)	374,463	278	1,345.9	491,968	(2,023)	489,945	413	1,186.0	13.5%	-23.6%
	Out-of-Pocket	41,786	-	41,786	-	-	42,981	-	42,981	-	-	-	-
	Installment	332,728	-	332,728	-	-	447,692	(1,947)	445,745	-	-	-	-
	PEP+PMT	641	(692)	(51)	-	-	1,295	(76)	1,219	-	-	-	-
TOTAL On-Campus Undergraduate <sup>3</sup> Ex-Prouni		963,186	(4,655)	958,531	968	990.6	1,026,710	(30,148)	996,562	1,009	987.4	0.3%	-3.8%
TOTAL On-Campus Undergraduate <sup>3</sup>		963,186	(4,655)	958,531	1,100	871.3	1,026,710	(30,148)	996,562	1,136	877.3	-0.7%	-3.8%

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

As noted previously, an analysis of the above table shows that offering student financing/payment plans is important for enabling students to pursue careers with more expensive monthly tuitions, which is a policy that was adopted by the Brazilian government itself in the offer of FIES financing. Since there is no difference in the amounts of the base tuition among



students in the same class, the differences in the average ticket observed among financing/payment products reinforces this point, given the higher share of students enrolled in more expensive programs. Accordingly, FIES is the segment's channel in 3Q18 with the highest average ticket, of R\$1,345.9 per student. Next comes PEP, with an average ticket of R\$1,212.3, followed by students paying out of pocket, with an average ticket of R\$717.7.

## Costs

<i>On-Campus Education - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Total of Costs</b>	<b>(315,163)</b>	<b>(301,130)</b>	<b>4.7%</b>	<b>(338,385)</b>	<b>-6.9%</b>
Cost of Goods (CG)	-	-	n.a.	-	n.a.
Cost of Services (CS)	(315,163)	(301,130)	4.7%	(338,385)	-6.9%
Faculty, Other Personnel and Third-Party Services	(212,559)	(210,999)	0.7%	(239,076)	-11.1%
Rent	(84,955)	(81,505)	4.2%	(83,039)	2.3%
Materials	(4,136)	(2,835)	45.9%	(3,395)	21.8%
Maintenance	(2,754)	(3,722)	-26.0%	(2,182)	26.2%
Other	(10,758)	(2,070)	419.9%	(10,693)	0.6%
<b>% of Net Revenues</b>	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.%</b>	<b>2Q18</b>	<b>Chg.%</b>
<b>Total of Costs</b>	<b>-32.3%</b>	<b>-29.1%</b>	<b>-3.2 p.p.</b>	<b>-28.5%</b>	<b>-3.8 p.p.</b>
Cost of Goods (CG)	0.0%	0.0%	n.a.	0.0%	n.a.
Cost of Services (CS)	-32.3%	-29.1%	-3.2 p.p.	-28.5%	-3.8 p.p.
Faculty, Other Personnel and Third-Party Services	-21.8%	-20.4%	-1.4 p.p.	-20.2%	-1.6 p.p.
Rent	-8.7%	-7.9%	-0.8 p.p.	-7.0%	-1.7 p.p.
Materials	-0.4%	-0.3%	-0.2 p.p.	-0.3%	-0.1 p.p.
Maintenance	-0.3%	-0.4%	0.1 p.p.	-0.2%	-0.1 p.p.
Other	-1.1%	-0.2%	-0.9 p.p.	-0.9%	-0.2 p.p.

In 3Q18, cost of services as a ratio of net revenue moved up by 3.2 p.p. compared to the same period of 2017. The increase basically reflects 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 which seeks to stimulate future growth, all efforts related to projects to capture efficiency gains and streamline the cost structure remain in place. In other words, when these new units reach full maturity, it will be possible to see the results produced by initiatives related to the operational research (OR) software, combined with the more efficient allocation of faculty and use of infrastructure, in addition to negotiations related to strategic sourcing. The main proof of this is that, even with the new units, costs increased in line with inflation, which reinforces the deliveries made by the efficiency initiatives. Compared to the previous quarter, total costs as a ratio of net revenue increased 3.8 p.p., mainly due to seasonality and to the lower revenue in the period.

## Gross Income

<i>On-Campus Education - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Gross Income</b>	<b>660,860</b>	<b>735,070</b>	<b>-10.1%</b>	<b>847,976</b>	<b>-22.1%</b>
Gross Margin	67.7%	70.9%	-3.2 p.p.	71.5%	-3.8 p.p.

Gross income from On-Campus Education was R\$660.9 million in 3Q18, decreasing 10.1% from the same period last year. The combination of lower revenue due to the behavior of the student base and the larger cost structure to support growth projects led gross margin in the quarter to contract 3.2 p.p. compared to the year-ago period. Compared to 2Q18, the 3.8 p.p. contraction in the gross margin also reflects the lower revenue, since costs (especially with faculty) also decreased in the period. In the nine months to September, gross income was R\$2.3 billion, with gross margin of 71.1%, down 1.7 p.p. from the same period of 2017, which reflects the accelerated growth of new units in the Company's portfolio, which offset the efforts made to ensure continuous gains in efficiency indicators.



## Operating Expenses

<i>On-Campus Education - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Total Operating Expenses</b>	<b>(115,295)</b>	<b>(108,593)</b>	<b>6.2%</b>	<b>(139,972)</b>	<b>-17.6%</b>
Personnel Expenses	(72,147)	(65,225)	10.6%	(73,070)	-1.3%
General and Administrative Expenses	(43,148)	(43,368)	-0.5%	(66,901)	-35.5%
<b>% of Net Revenues</b>	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.%</b>	<b>2Q18</b>	<b>Chg.%</b>
<b>Total Operating Expenses</b>	<b>-11.8%</b>	<b>-10.5%</b>	<b>-1.3 p.p.</b>	<b>-11.8%</b>	<b>0.0 p.p.</b>
Personnel Expenses	-7.4%	-6.3%	-1.1 p.p.	-6.2%	-1.2 p.p.
General and Administrative Expenses	-4.4%	-4.2%	-0.2 p.p.	-5.6%	1.2 p.p.

## Personnel, General and Administrative Expenses

As a ratio of net revenue, total personnel, general and administrative expenses increased 1.3 p.p. from the year-ago quarter, which also was due to the larger workforce to support the new units and to the lower volume of contingency reversals. Compared to 2Q18, the ratio was stable, due to exclusively the performance of revenue, since expenses were significantly lower, reflecting the segment's natural seasonality, marked by lower utility expenses.

## Provision for Doubtful Accounts (PDA)

<i>On-Campus Education - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
Provision for Doubtful Account - PDA	(130,955)	(140,915)	-7.1%	(153,688)	-14.8%
PDA / Postsecondary Net Revenues <sup>1</sup>	-13.5%	-13.6%	0.1 p.p.	-13.0%	-0.5 p.p.
PDA Out-of-pocket	(36,404)	(27,326)	33.2%	(42,376)	-14.1%
PDA Out-of-pocket / Postsecondary Net Revenues Out-of-pocket <sup>1</sup>	-8.0%	-7.4%	-0.6 p.p.	-7.7%	-0.3 p.p.
PDA FIES - Financed Part	(2,995)	(4,029)	-25.7%	(3,778)	-20.7%
PDA FIES / Postsecondary Net Revenues FIES <sup>1</sup>	-0.9%	-0.9%	-0.0 p.p.	-0.9%	-0.0 p.p.
PDA PEP - Installment Part	(69,488)	(79,320)	-12.4%	(75,446)	-7.9%
PDA PEP / Postsecondary Net Revenues PEP <sup>1</sup>	-50.0%	-50.0%	-0.0 p.p.	-50.0%	0.0 p.p.
PDA PMT - Installment Part	(22,068)	(30,240)	-27.0%	(32,088)	-31.2%
PDA PMT / Postsecondary Net Revenues PMT <sup>1</sup>	-50.0%	-50.0%	0.0 p.p.	-50.0%	0.0 p.p.

<sup>1</sup> Net Revenue for the On-Campus excludes revenues from Pronatec

Total PDA as a ratio of net revenue in the On-Campus segment decreased by 0.1 p.p. from the same period last year, to 13.5%. The stability in this indicator reflects the reduced offering of PMT plans in the latest student recruitment cycle, which was partially offset by increases in out-of-pocket PDA to strengthen the deterioration in delinquency indicators. Compared to the previous quarter, PDA as a ratio of net revenue increased 0.5 p.p., also due to the lower revenue in the period, since total provisioning in the quarter was lower.

## Accounts Receivables by Payment Form

<i>On-Campus Higher Education</i> <i>Values in R\$ ('000) net of APV and PDA</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Net Accounts Receivable</b>	<b>1,856,758</b>	<b>1,713,483</b>	<b>8.4%</b>	<b>2,173,681</b>	<b>-14.6%</b>
<b>Out-of-Pocket</b>	<b>555,050</b>	<b>344,377</b>	<b>61.2%</b>	<b>489,048</b>	<b>13.5%</b>
Tuition + FIES + PEP	547,946	343,326	59.6%	486,159	12.7%
Agreements to Receive	3,205	1,051	204.9%	2,147	49.3%
Pronatec	3,900	-	n.a	742	n.a
<b>Installments</b>	<b>940,309</b>	<b>566,580</b>	<b>66.0%</b>	<b>859,483</b>	<b>9.4%</b>
PEP	735,574	441,353	66.7%	670,128	9.8%
PMT	204,735	125,227	63.5%	189,355	8.1%
<b>FIES</b>	<b>361,399</b>	<b>802,525</b>	<b>-55.0%</b>	<b>825,150</b>	<b>-56.2%</b>
PN23	-	365,379	n.a	390,981	n.a
Short Term	-	365,379	n.a	390,981	n.a
Long Term	-	-	n.a	-	n.a
Other FIES - Short Term	361,399	437,147	-17.3%	434,169	-16.8%

Total Accounts Receivables net of PDA declined 14.6% between 3Q18 and 2Q18, due to the receipt of the last outstanding installment related to PN23. Consequently, all outstanding installments from 2015 have been repaid and the current FIES balance is related only to existing contracts. The payment of the FIES installment offset the still-high volume of overdue monthly tuitions due to the unstable economic scenario and the higher volume of negotiations with students. There also was an increase in exposure to the Company's installment plans, such as PEP and PMT, which are repaid only after graduation.

## Average Accounts Receivable Term

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

## 1. Accounts Receivable – Total

<b>On-Campus - Average Accounts Receivable Term (days)</b>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Net Accounts Receivable</b>	<b>157</b>	<b>128</b>	<b>29 Days</b>	<b>181</b>	<b>-24 Days</b>
<b>Total Net Revenue On-Campus</b>					

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 3Q18, the average term increased by 29 days compared to the same period last year, mainly due to the higher balance of PEP and PMT accounts receivable and the higher volume of overdue tuitions and of negotiations. Compared to 2Q18, the decline of 24 days in the average term is related to the receipt, in August, of the last installment under PN23. Excluding this effect, the average term increased, accompanying the higher share of installment products and the higher volume of renegotiated agreements.

## 2. Accounts Receivable – Out-of-pocket

<b>On-Campus - Average Accounts Receivable Term (days)</b>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Net Accounts Receivable (Out-of-Pocket ex-Pronatec)</b>	<b>107</b>	<b>86</b>	<b>21 Days</b>	<b>99</b>	<b>08 Days</b>
<b>Net Revenue (Out-of-Pocket ex-Pronatec)</b>					

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 by net revenue (Out-of-pocket ex-Pronatec) in the On-Campus business in the last 12 months, multiplied by 360 days.

In 3Q18, the average receivables term of out-of-pocket students (i.e., without installment/financing plans) increased 21 days from the same period of 2017, which mainly reflects the still-challenging economic conditions in Brazil, which led to deterioration in on-time payment of tuitions, as well as a higher volume of debt renegotiations, with the incidence of charges, and a higher number of agreements with inactive students. Compared to the previous quarter, the increase of 8 days is due to the higher volume of renegotiations in the latest re-enrollment process.

### 3. Accounts Receivable – FIES

On-Campus - Average Accounts Receivable Term (days)	3Q18	3Q17	Chg.%	2Q18	Chg.%
<u>Net Accounts Receivable (FIES)</u>					
<u>Net Revenue (FIES)</u>	78	107	-29 Days	166	-88 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 3Q18, the average term of FIES accounts receivable was 78 days, down 29 days compared to the same period of 2017. The decrease reflects the receipt of the last installment of outstanding repurchases due under PN23, leading the average term of FIES accounts receivables to return to pre-2015 levels.

### 4. Accounts Receivable - Installment Payment Products

On-Campus - Average Accounts Receivable Term (days)	3Q18	3Q17	Chg.%	2Q18	Chg.%
<u>Net Accounts Receivable (PEP/PMT)</u>					
<u>Net Revenue (PEP/PMT)</u>	489	305	184 Days	425	64 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 3Q18, the average term of installment plans increased by 184 days and 64 days compared to 3Q17 and to the prior quarter, respectively, reflecting the maturation of PEP and PMT students in the Company's student base, as well as the latest student-recruiting process carried out in the period.

## Operating Result

On-Campus Education - Values in R\$ ('000)	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Gross Income</b>	<b>660,860</b>	<b>735,070</b>	<b>-10.1%</b>	<b>847,976</b>	<b>-22.1%</b>
(-) Total Operating Expenses	(115,295)	(108,593)	6.2%	(139,972)	-17.6%
(-) Provision for Doubtful Account - PDA	(130,955)	(140,915)	-7.1%	(153,688)	-14.8%
(+) Interest and Penalties on Tuition	68,168	26,655	155.7%	33,126	105.8%
<b>Operating Result</b>	<b>482,779</b>	<b>512,217</b>	<b>-5.7%</b>	<b>587,442</b>	<b>-17.8%</b>
Operating Margin	49.5%	49.4%	0.0 p.p.	49.5%	-0.1 p.p.

The operating result (before marketing expenses) in 3Q18 amounted to R\$482.8 million, with operating margin of 49.5%, in line with 3Q17 and 2Q18. Despite the pressures observed during the year regarding the larger cost structure to support the growth projects, the smaller student base and the shifts in the profile of the On-Campus student base, operating margin benefitted from the line interest and late charges on tuitions, given the progress made on optimizing collections policies and operations, as well as the higher inflation adjustment of the balance of accounts receivable. Nevertheless, the stability in operating margins at around 50% despite these short-term challenges demonstrates the effectiveness of the various levers at the Company's disposal for continuing to deliver high efficiency levels. In the nine-month period, the operating result was R\$1,632.9 million, with operating margin of 50.6%, down 2.5 p.p. from the same period of 2017.

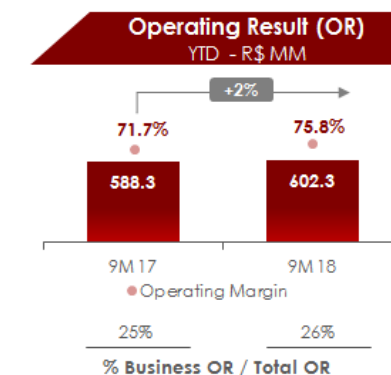
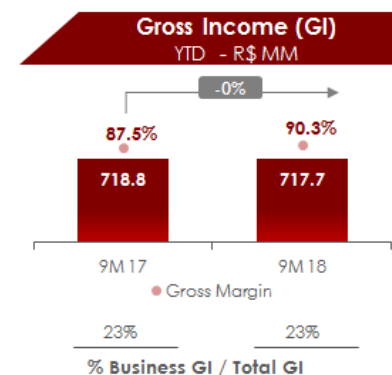
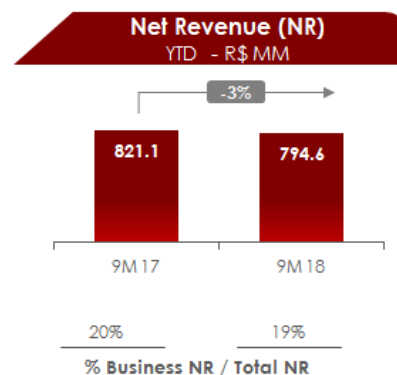
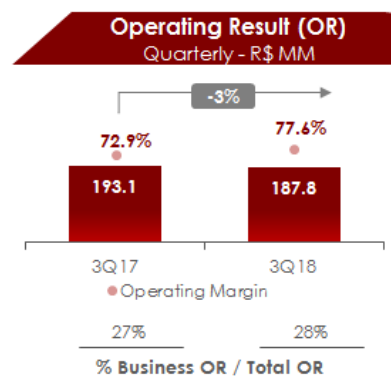
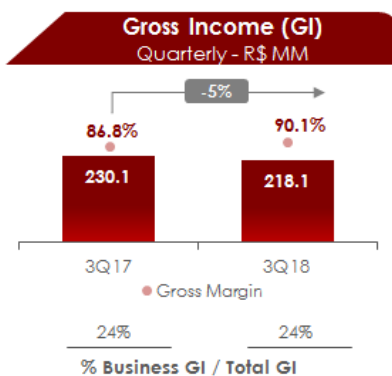
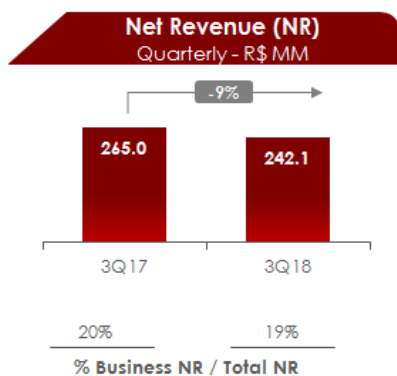
## OPERATING RESULT EX FAIR, FAC/FAMAT and NOVATEC

<i>On-Campus - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	9M18	9M17	Chg.%
Net Revenue	976,023	1,033,506	-5.6%	3,227,371	3,263,654	-1.1%
Gross Income	660,860	733,487	-9.9%	2,296,155	2,375,885	-3.4%
Gross Margin	67.7%	71.0%	-3.3 p.p.	71.1%	72.8%	-1.7 p.p.
Operating Result	482,779	511,059	-5.5%	1,632,871	1,730,671	-5.7%
Operating Margin	49.5%	49.4%	0.0 p.p.	50.6%	53.0%	-2.4 p.p.

Excluding the divestments of FAIR, FAC/FAMAT and NOVATEC from the result for 2017, indicators for the On-Campus segment remained pressured, with revenue declining 5.6% in the quarter and gross income decreasing nearly 10%. On the same basis, gross margin was 3.3 p.p. lower than in the same period of 2017. Meanwhile, operating result ex-divestments declined 5.5% in 3Q18, with operating margin virtually stable from the year-ago period. In the nine months to September, revenue decreased only 1.1%, while gross income and gross margin declined by 3.4% and 1.7 p.p., respectively. In the nine-month period, operating result decreased 5.7% compared to 9M17, with operating margin contracting 2.4 p.p.

### CORPORATE FINANCIAL PERFORMANCE – DISTANCE LEARNING

Distance Learning - Values in R\$ ('000)	3Q18	3Q17	Chg.%	2Q18	Chg.%	9M18	9M17	Chg.%
<b>Gross Revenue</b>	<b>340,392</b>	<b>354,976</b>	<b>-4.1%</b>	<b>393,010</b>	<b>-13.4%</b>	<b>1,079,728</b>	<b>1,078,842</b>	<b>0.1%</b>
Gross Revenue Deductions	(98,263)	(89,956)	9.2%	(102,889)	-4.5%	(285,149)	(257,788)	10.6%
Tax	(6,962)	(7,353)	-5.3%	(7,757)	-10.2%	(21,751)	(24,086)	-9.7%
ProUni	(67,743)	(60,747)	11.5%	(71,770)	-5.6%	(198,092)	(166,685)	18.8%
Returns	-	-	n.a.	-	n.a.	-	-	n.a.
Total Discounts	(23,557)	(21,855)	7.8%	(23,363)	0.8%	(65,306)	(67,018)	-2.6%
<b>Net Revenue</b>	<b>242,130</b>	<b>265,021</b>	<b>-8.6%</b>	<b>290,121</b>	<b>-16.5%</b>	<b>794,579</b>	<b>821,053</b>	<b>-3.2%</b>
Net Revenue - Undergraduate	223,654	248,710	-10.1%	271,923	-17.8%	743,517	773,069	-3.8%
Net Revenue - Out-of-pocket	222,798	245,428	-9.2%	269,138	-17.2%	736,400	747,009	-1.4%
Net Revenue - PMT (installment part net of APV)	857	3,283	-73.9%	2,784	-69.2%	7,117	26,060	-72.7%
Net Revenue - Graduate, LFG and Unregulated Programs	18,475	16,310	13.3%	18,198	1.5%	51,063	47,984	6.4%
<b>Total of Costs</b>	<b>(24,045)</b>	<b>(34,964)</b>	<b>-31.2%</b>	<b>(30,645)</b>	<b>-21.5%</b>	<b>(76,899)</b>	<b>(102,233)</b>	<b>-24.8%</b>
Cost of Goods	-	-	n.a.	-	n.a.	-	-	n.a.
Cost of Services	(24,045)	(34,964)	-31.2%	(30,645)	-21.5%	(76,899)	(102,233)	-24.8%
Faculty, Other Personnel and Third-Party Services	(20,895)	(27,150)	-23.0%	(23,027)	-9.3%	(61,291)	(79,249)	-22.7%
Rent	(4,846)	(4,136)	17.2%	(4,619)	4.9%	(13,140)	(12,327)	6.6%
Materials	(3,160)	(3,364)	-6.0%	(2,367)	33.5%	(8,755)	(8,801)	-0.5%
Maintenance	(273)	(238)	15.0%	(241)	13.5%	(699)	(1,118)	-37.5%
Other	5,129	(76)	n.a.	(391)	n.a.	6,985	(738)	n.a.
<b>Gross Income</b>	<b>218,085</b>	<b>230,057</b>	<b>-5.2%</b>	<b>259,476</b>	<b>-16.0%</b>	<b>717,681</b>	<b>718,820</b>	<b>-0.2%</b>
Gross Margin	90.1%	86.8%	3.3 p.p.	89.4%	0.6 p.p.	90.3%	87.5%	2.8 p.p.
<b>Total Operating Expenses</b>	<b>(25,228)</b>	<b>(27,094)</b>	<b>-6.9%</b>	<b>(29,488)</b>	<b>-14.4%</b>	<b>(79,893)</b>	<b>(75,495)</b>	<b>5.8%</b>
Personnel Expenses	(20,525)	(20,271)	1.3%	(18,961)	8.2%	(54,886)	(52,556)	4.4%
General and Administrative Expenses	(4,704)	(6,823)	-31.1%	(10,526)	-55.3%	(25,007)	(22,939)	9.0%
Provision for Doubtful Account - PDA	(23,857)	(24,426)	-2.3%	(28,721)	16.9%	(78,139)	(80,606)	-3.1%
(+) Interest and Penalties on Tuition	18,840	14,598	29.1%	9,640	95.4%	42,624	25,622	66.4%
<b>Operating Result</b>	<b>187,840</b>	<b>193,135</b>	<b>-2.7%</b>	<b>210,908</b>	<b>-10.9%</b>	<b>602,273</b>	<b>588,340</b>	<b>2.4%</b>
Operating Margin	77.6%	72.9%	4.7 p.p.	72.7%	4.9 p.p.	75.8%	71.7%	4.1 p.p.



## Revenue and Deductions

<i>Distance Learning - Values in R\$ ('000)</i>	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.%</b>	<b>2Q18</b>	<b>Chg.%</b>
<b>Gross Revenue</b>	<b>340,392</b>	<b>354,976</b>	<b>-4.1%</b>	<b>393,010</b>	<b>-13.4%</b>
Gross Revenue Deductions	(98,263)	(89,956)	9.2%	(102,889)	-4.5%
Tax	(6,962)	(7,353)	-5.3%	(7,757)	-10.2%
ProUni	(67,743)	(60,747)	11.5%	(71,770)	-5.6%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(23,557)	(21,855)	7.8%	(23,363)	0.8%
<b>Net Revenue</b>	<b>242,130</b>	<b>265,021</b>	<b>-8.6%</b>	<b>290,121</b>	<b>-16.5%</b>
Net Revenue - Undergraduate	223,654	248,710	-10.1%	271,923	-17.8%
Net Revenue - Out-of-pocket	222,798	245,428	-9.2%	269,138	-17.2%
Net Revenue - PMT (installment part net of APV)	857	3,283	-73.9%	2,784	-69.2%
Net Revenue - Graduate, LFG and Unregulated Programs	18,475	16,310	13.3%	18,198	1.5%

## Deductions

In the Distance Learning business, the main deduction items are the discounts granted and ProUni, which combined corresponded to 26.8% of total gross revenue in 3Q18, up 3.6 p.p. from the same period of 2017, reflecting the larger ProUni student base after the most recent student recruitment processes and a higher volume of discounts granted in negotiations with former students. Compared to the prior quarter, the main deduction items increased 2.6 p.p., reflecting the lower gross revenue in the period, since deductions decreased on a nominal basis.

## Net Revenue

Net revenue amounted to R\$242.1 million in 3Q18, down 8.6% from the same period of 2017, due to the more competitive environment, which resulted in lower prices for freshmen, an increase in the number of new students enrolled in 100%-online programs, which have lower monthly tuitions than programs with one weekly encounter, and higher dropout rates in the segment. Furthermore, the reduced offering of PMT plans in the latest recruitment cycle also adversely affected revenue performance. The combination of these factors ended up neutralizing the solid results of the mid-year recruitment process and the positive impact from the expansion of Premium DL programs. Compared to the prior quarter, net revenue from the Distance Learning segment declined even further, by 16.5%, due to the higher dropout rate and the fact that the previous quarter had a positive impact from late re-enrollments. In the nine-month period, net revenue from the DL segment was R\$794.6 million, down 3.2% from 9M17.

## Average Net Ticket

<i>Distance Learning - Values in R\$</i>	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.%</b>	<b>2Q18</b>	<b>Chg.%</b>
<b>Total (Student)</b>	<b>258.50</b>	<b>266.86</b>	<b>-3.1%</b>	<b>270.90</b>	<b>-4.6%</b>

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 invoices. As a result, considering 100% of revenue and the DL Undergraduate, DL Graduate and LFG businesses combined, the average ticket stood at R\$258.5, down 3.1% from 3Q17, reflecting the higher penetration of students in 100%-online programs (which have a lower average ticket) and the higher competition in the segment, which led to a lower average ticket for freshmen. These factors offset the annual adjustment of tuitions and the higher number of students enrolled in Premium DL programs, whose strategic importance is due not just to its competitive advantage, but also because tuitions in this segment are higher than those in the once a week format. Compared to the prior quarter, the average ticket in the DL segment decreased 4.6%, due to the same factors

mentioned earlier, which are the product of a challenging competitive environment, and to the reduced offering of PMT plans in the recruitment process for the second semester.

### 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 revenue sources of 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		3Q18					3Q17					Chg.%	
Student	Product	Net Revenue <sup>1</sup>	APV	NR Ex-APV <sup>2</sup>	Invoices <sup>3</sup>	Net Ticket	Net Revenue <sup>1</sup>	APV	NR Ex-APV <sup>2</sup>	Invoices <sup>3</sup>	Net Ticket	Δ Net Ticket	Δ NR
Distance Learning	Out-of-Pocket	353,209	-	353,209	1,254	281.6	385,019	-	385,019	1,310	293.9	-4.2%	-8.3%
	PMT	1,354	(821)	533	1	370.0	4,376	507	4,883	15	316.2	-	-
TOTAL DL UNDERGRAD. OUT-OF-POCKET <sup>4</sup> Ex-ProUni		354,563	(821)	353,742	1,256	281.7	389,395	507	389,902	1,326	294.1	-4.2%	-9.3%
TOTAL DISTANCE LEARNING UNDERGRAD <sup>4</sup>		354,563	(821)	353,742	1,373	257.7	389,395	507	389,902	1,443	270.2	-4.6%	-9.3%

<sup>1</sup> Revenue ex-Transfers; <sup>2</sup> Revenue used to calculate average ticket; <sup>3</sup> Amounts /'000; <sup>4</sup> Undergraduate Only (ex-graduate and other courses)

### Costs

Distance Learning - Values in R\$ ('000)	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Total of Costs</b>	<b>(24,045)</b>	<b>(34,964)</b>	<b>-31.2%</b>	<b>(30,645)</b>	<b>-21.5%</b>
Cost of Goods	-	-	n.a.	-	n.a.
Cost of Services	(24,045)	(34,964)	-31.2%	(30,645)	-21.5%
Faculty, Other Personnel and Third-Party Services	(20,895)	(27,150)	-23.0%	(23,027)	-9.3%
Rent	(4,846)	(4,136)	17.2%	(4,619)	4.9%
Materials	(3,160)	(3,364)	-6.0%	(2,367)	33.5%
Maintenance	(273)	(238)	15.0%	(241)	13.5%
Other	5,129	(76)	n.a.	(391)	n.a.
<b>% of Net Revenues</b>	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.%</b>	<b>2Q18</b>	<b>Chg.%</b>
<b>Total of Costs</b>	<b>-9.9%</b>	<b>-13.2%</b>	<b>3.3 p.p.</b>	<b>-10.6%</b>	<b>0.6 p.p.</b>
Cost of Goods (CG)	0.0%	0.0%	0.0 p.p.	0.0%	0.0 p.p.
Cost of Services (CS)	-9.9%	-13.2%	3.3 p.p.	-10.6%	0.6 p.p.
Faculty, Other Personnel and Third-Party Services	-8.6%	-10.2%	1.6 p.p.	-7.9%	-0.7 p.p.
Rent	-2.0%	-1.6%	-0.4 p.p.	-1.6%	-0.4 p.p.
Materials	-1.3%	-1.3%	0.0 p.p.	-0.8%	-0.5 p.p.
Maintenance	-0.1%	-0.1%	0.0 p.p.	-0.1%	0.0 p.p.
Other	2.1%	0.0%	2.1 p.p.	-0.1%	2.3 p.p.

In 3Q18, cost of services (CS) came to R\$24.0 million and as a ratio of net revenue decreased 3.3 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 once a week model. Also, efficiency gains were captured by projects related to strategic sourcing and by economies of scale in recent years. Compared to the prior quarter, costs as ratio of net revenue decreased 0.6 p.p., which is explained by the seasonal reduction in direct payroll costs and by the positive effect from the line other due to the receipt of compensation for damages.



## Gross Income

<i>Distance Learning - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Gross Income</b>	<b>218,085</b>	<b>230,057</b>	<b>-5.2%</b>	<b>259,476</b>	<b>-16.0%</b>
Gross Margin	90.1%	86.8%	3.3 p.p.	89.4%	0.6 p.p.

In 3Q18, gross income was R\$218.1 million, with gross margin of 90.1%, increasing 3.3 p.p. from the same period last year. Despite all the pressures from the more intense competition in the segment, the Company was able to deliver profitability gains in the period, which attests to the superior management that Kroton has been able to maintain in the segment. The result benefited from economies of scale and from lower payroll costs in the period. Compared to the prior quarter, the 0.6 p.p. gross margin expansion was mainly due to the lower costs with faculty and other personnel due to seasonality and the mid-year student recruitment process. In the nine months to September, gross income reached R\$717.7 million, with gross margin expanding 2.8 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 positive results despite the scenario of more intense competition and lower regulatory barriers.

## Operating Expenses

<i>Distance Learning - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Total Operating Expenses</b>	<b>(25,228)</b>	<b>(27,094)</b>	<b>-6.9%</b>	<b>(29,488)</b>	<b>-14.4%</b>
Personnel Expenses	(20,525)	(20,271)	1.3%	(18,961)	8.2%
General and Administrative Expenses	(4,704)	(6,823)	-31.1%	(10,526)	-55.3%
<i>% of Net Revenues</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Total Operating Expenses</b>	<b>-10.4%</b>	<b>-10.2%</b>	<b>-0.2 p.p.</b>	<b>-10.2%</b>	<b>-0.3 p.p.</b>
Personnel Expenses	-8.5%	-7.6%	-0.8 p.p.	-6.5%	-1.9 p.p.
General and Administrative Expenses	-1.9%	-2.6%	0.6 p.p.	-3.6%	1.7 p.p.

## Personnel, General and Administrative Expenses

In the quarter, personnel expenses as a ratio of net revenue in the segment increased by only 0.2 p.p. compared to 3Q17, reflecting the lower revenue in the period, since expenses were lower in nominal terms. The growth in headcount to support the expansion of centers was offset by efficiency gains stemming from the initiatives being implemented to optimize the performance of the Distance Learning segment. Compared to the previous quarter, expenses decreased by 14.4%, despite increasing as a ratio of net revenue. The nominal decrease in expenses is explained by the segment's seasonality and by the continued savings on utilities, maintenance and security.

## Provision for Doubtful Accounts (PDA)

<i>Distance Learning (DL) - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
Provision for Doubtful Account - PDA	(23,857)	(24,426)	-2.3%	(28,721)	-16.9%
PDA / Distance Learning Net Revenues	-9.9%	-9.2%	-0.7 p.p.	-9.9%	0.0 p.p.
PDA Out-of-pocket	(23,428)	(22,784)	2.8%	(27,329)	-14.3%
PDA Out-of-pocket/ Out-of-pocket DL Net Revenues	-9.7%	-8.7%	-1.0 p.p.	-9.5%	-0.2 p.p.
PCLD PMT - Installment Part	(428)	(1,641)	-73.9%	(1,392)	-69.2%
PDA PMT/ PMT DL Net Revenues	-50.0%	-50.0%	0.0 p.p.	-50.0%	0.0 p.p.

Provisioning for the DL business in 3Q18 stood at 9.9%, up 0.7 p.p. from the year-ago period, following the same trend observed in the On-campus segment, with a higher provisioning over out-of-pocket revenue to address the worsening in delinquency indicators. This is due to a higher representativeness of 100%-online in the Company's student base, who have higher dropout rates, coupled with the adverse economic environment. Compared to 2Q18, provisioning remained stable.

If, on the one hand, PDA for out-of-pocket students increased due to seasonality and to the effects from the mid-year recruitment process, on the other hand, the reduced offering of PMT plans offset this effect.

## Accounts Receivable

<i>Distance Learning - Values in R\$ ('000) net of APV and PDA</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Net Accounts Receivable</b>	<b>256,295</b>	<b>272,012</b>	<b>-5.8%</b>	<b>292,425</b>	<b>-12.4%</b>
Tuition and Agreements to Receive - Short term	252,819	260,667	-3.0%	285,016	-11.3%
PMT	3,476	11,345	-69.4%	7,409	-53.1%

Net accounts receivable in the DL segment came to R\$256.3 million in 3Q18, down 5.8% from the same period of 2017, due to the lower volume of overdue negotiations as a result of the efforts made by the collections team at the turn of the last semester. This factor offset the increase in the base of 100%-online students, who are more likely to drop out, which has a direct effect on the profile of the delinquent student base. Compared to the prior quarter, the 13.3% decline was due to the seasonality of the business and the stricter policy for contract renegotiations adopted in the latest re-enrollment process.

## Average Accounts Receivable Term

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

### 1. Accounts Receivable – Out-of-pocket

<i>Distance Learning - Days</i>	3Q18	3Q17	Chg.(Days)	2Q18	Chg.(Days)
<b>Net Accounts Receivable (Out-of-Pocket)</b>	<b>85</b>	<b>88</b>	<b>-03 Days</b>	<b>95</b>	<b>-10 Days</b>
<b>Net Revenue (Out-of-Pocket)</b>					

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 3 days lower than in the year-ago period, due to the same factors cited above, i.e., a more effective policy for debt renegotiations at the turn of the last semester, which mitigated the more challenging economic scenario, in addition to the effects from a larger 100%-online student base. The decrease of 10 days compared to 2Q18 is due the improvement in on-time payments, the lower number of agreements for past-due payments and the seasonality of the business, which is similar to that observed in the same periods of 2017.

### 2. Accounts Receivable PMT

<i>Distance Learning - Days</i>	3Q18	3Q17	Chg.(Days)	2Q18	Chg.(Days)
<b>Net Accounts Receivable (PMT)</b>	<b>556</b>	<b>200</b>	<b>356 Days</b>	<b>472</b>	<b>84 Days</b>
<b>Net Revenue (PMT)</b>					

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 556 days, remembering that students who opted for the product in the last student recruitment 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 cycle had a direct effect on revenue, which affected the ratio.

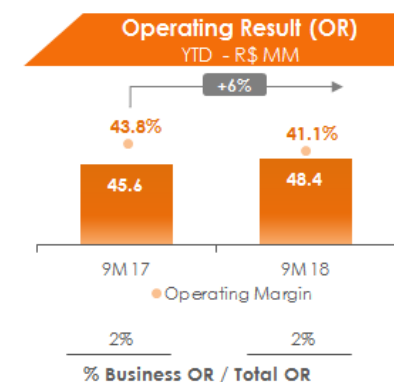
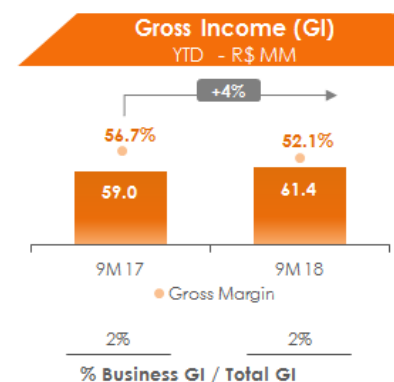
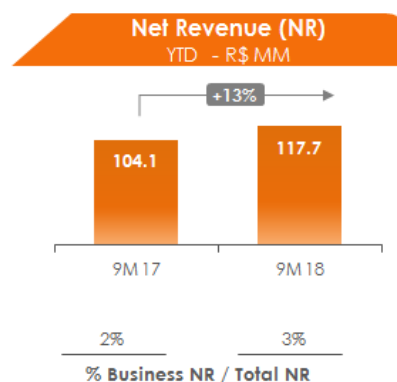
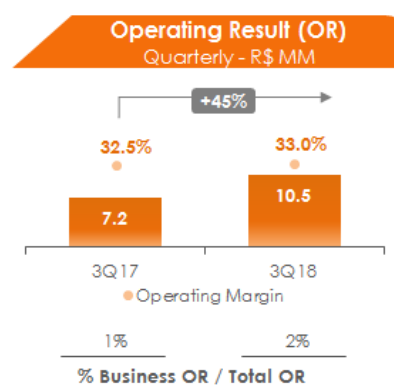
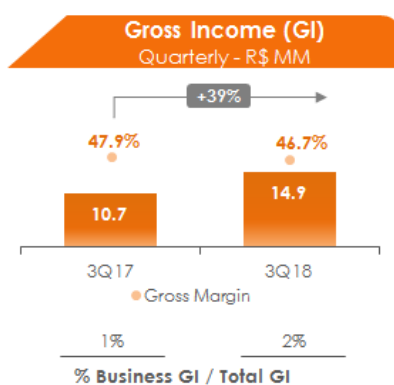
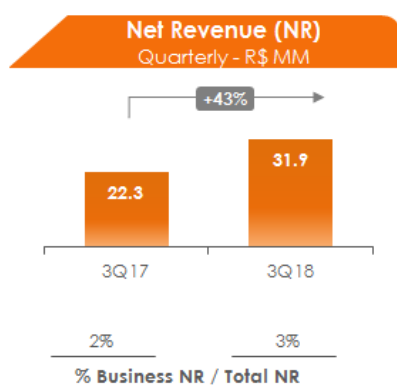
## Operating Result

<i>Distance Learning - Values in R\$ ('000)</i>	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.%</b>	<b>2Q18</b>	<b>Chg.%</b>
<b>Gross Income</b>	<b>218,085</b>	<b>230,057</b>	<b>-5.2%</b>	<b>259,476</b>	<b>-16.0%</b>
(-) Total Operating Expenses	(25,228)	(27,094)	-6.9%	(29,488)	-14.4%
(-) Provision for Doubtful Account - PDA	(23,857)	(24,426)	-2.3%	(28,721)	-16.9%
(+) Interest and Penalties on Tuition	18,840	14,598	29.1%	9,640	95.4%
<b>Operating Result</b>	<b>187,840</b>	<b>193,135</b>	<b>-2.7%</b>	<b>210,908</b>	<b>-10.9%</b>
<i>Operating Margin</i>	<i>77.6%</i>	<i>72.9%</i>	<i>4.7 p.p.</i>	<i>72.7%</i>	<i>4.9 p.p.</i>

The operating result (before marketing expenses) of the DL segment in 3Q18 was R\$187.8 million, with operating margin expanding 4.7 p.p. from the same period of 2017. The result reflects not only the solid results of the student recruiting and re-enrollment processes, but also all the initiatives implemented to increase business efficiency. Compared to the prior quarter, the 4.9 p.p. increase in operating margin was influenced mainly by seasonality. In the nine-month period, operating result was R\$602.3 million, with operating margin of 75.8%, up 4.1 p.p. from 9M17.

## CORPORATE FINANCIAL PERFORMANCE – PRIMARY & SECONDARY

Primary and Secondary Education - Values in R\$ ('000)	3Q18	3Q17	Chg.%	2Q18	Chg.%	9M18	9M17	Chg.%
<b>Gross Revenue</b>	<b>35,811</b>	<b>24,470</b>	<b>46.3%</b>	<b>56,215</b>	<b>-36.3%</b>	<b>140,029</b>	<b>113,372</b>	<b>23.5%</b>
Gross Revenue Deductions	(3,865)	(2,145)	80.2%	(6,424)	-39.8%	(22,283)	(9,301)	139.6%
Tax	(2,001)	(1,212)	65.1%	(1,900)	5.3%	(5,186)	(3,723)	39.3%
ProUni	-	-	n.a.	-	n.a.	-	-	n.a.
Returns	(1,865)	(933)	99.8%	(4,524)	-58.8%	(17,098)	(5,578)	206.5%
Total Discounts	-	-	n.a.	-	n.a.	-	-	n.a.
<b>Net Revenue</b>	<b>31,946</b>	<b>22,325</b>	<b>43.1%</b>	<b>49,791</b>	<b>-35.8%</b>	<b>117,746</b>	<b>104,071</b>	<b>13.1%</b>
Management Contracts and Own Operations	27,928	14,522	92.3%	24,612	13.5%	67,194	45,471	47.8%
Associated Schools Network	4,018	7,803	-48.5%	25,179	-84.0%	50,551	58,600	-13.7%
<b>Total of Costs</b>	<b>(17,032)</b>	<b>(11,631)</b>	<b>46.4%</b>	<b>(26,436)</b>	<b>-35.6%</b>	<b>(56,365)</b>	<b>(45,111)</b>	<b>24.9%</b>
Cost of Goods	(1,826)	(4,434)	-58.8%	(10,371)	-82.4%	(17,291)	(18,548)	-6.8%
Cost of Services	(15,205)	(7,197)	111.3%	(16,065)	-5.4%	(39,074)	(26,563)	47.1%
Faculty, Other Personnel and Third-Party Services	(14,334)	(6,220)	130.4%	(15,006)	-4.5%	(35,935)	(22,604)	59.0%
Rent	(1,651)	(266)	519.9%	(1,475)	11.9%	(3,328)	(819)	306.4%
Materials	(12)	-	n.a.	(16)	-24.0%	(27)	(0)	n.a.
Maintenance	(207)	(84)	145.8%	(196)	6.1%	(464)	(181)	156.2%
Other	998	(626)	n.a.	627	59.3%	680	(2,959)	-123.0%
<b>Gross Income</b>	<b>14,914</b>	<b>10,694</b>	<b>39.5%</b>	<b>23,355</b>	<b>-36.1%</b>	<b>61,381</b>	<b>58,959</b>	<b>4.1%</b>
Management Contracts and Own Operations	11,617	7,695	51.0%	5,413	114.6%	24,972	20,401	22.4%
Associated Schools Network	3,297	2,999	9.9%	17,941	-81.6%	36,409	38,558	-5.6%
<b>Gross Margin</b>	<b>46.7%</b>	<b>47.9%</b>	<b>-1.2 p.p.</b>	<b>46.9%</b>	<b>-0.2 p.p.</b>	<b>52.1%</b>	<b>56.7%</b>	<b>-4.5 p.p.</b>
Management Contracts and Own Operations	41.6%	53.0%	-11.4 p.p.	22.0%	19.6 p.p.	37.2%	44.9%	-7.7 p.p.
Associated Schools Network	82.1%	38.4%	43.6 p.p.	71.3%	10.8 p.p.	72.0%	65.8%	6.2 p.p.
<b>Total Operating Expenses</b>	<b>(4,789)</b>	<b>(3,563)</b>	<b>34.4%</b>	<b>(4,885)</b>	<b>-2.0%</b>	<b>(13,243)</b>	<b>(13,172)</b>	<b>0.5%</b>
Personnel Expenses	(4,173)	(2,760)	51.2%	(3,368)	23.9%	(10,646)	(9,882)	7.7%
General and Administrative Expenses	(616)	(803)	-23.2%	(1,518)	-59.4%	(2,597)	(3,290)	-21.1%
Provision for Doubtful Account - PDA	(256)	(179)	43.2%	(380)	-32.6%	(924)	(833)	11.0%
(+) Interest and Penalties on Tuition	670	293	128.8%	166	304.4%	1,202	667	80.2%
<b>Operating Result</b>	<b>10,539</b>	<b>7,245</b>	<b>45.5%</b>	<b>18,255</b>	<b>-42.3%</b>	<b>48,416</b>	<b>45,622</b>	<b>6.1%</b>
Operating Margin	33.0%	32.5%	0.5 p.p.	36.7%	-3.7 p.p.	41.1%	43.8%	-2.7 p.p.



## Revenue and Deductions

<i>Primary and Secondary Education - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Gross Revenue</b>	<b>35,811</b>	<b>24,470</b>	<b>46.3%</b>	<b>56,215</b>	<b>-36.3%</b>
Gross Revenue Deductions	(3,865)	(2,145)	80.2%	(6,424)	-39.8%
Tax	(2,001)	(1,212)	65.1%	(1,900)	5.3%
ProUni	-	-	n.a.	-	n.a.
Returns	(1,865)	(933)	99.8%	(4,524)	-58.8%
Total Discounts	-	-	n.a.	-	n.a.
<b>Net Revenue</b>	<b>31,946</b>	<b>22,325</b>	<b>43.1%</b>	<b>49,791</b>	<b>-35.8%</b>
Management Contracts and Own Operations	27,928	14,522	92.3%	24,612	13.5%
Associated Schools Network	4,018	7,803	-48.5%	25,179	-84.0%

## Deductions

In 3Q18, deductions as a ratio of gross revenue increased 2.0 p.p. compared to the same period of 2017, which is basically explained by the increase in returns observed in the period, given the still-challenging economic scenario, and by the increase in the line taxes due to the higher revenue from the latest acquisitions of own schools. Compared to the prior quarter, deductions as a ratio of gross revenue decreased 0.6 p.p., which is explained by the lower volume of returns, since sales of book collections are concentrated in even-numbered quarters.

## Net Revenue

In 3Q18, net revenue reached R\$31.9 million, up 43.1% from the same period of 2017, reflecting the consolidation in the segment's results of the numbers from Leonardo da Vinci. The recent acquisition of Colégio Lato Sensu, announced in mid-September, did not impact the segment's results, and only the opening balance was recognized in the balance sheet. This growth of own operations more than offset the lower revenue from the Associated Schools Network, given the concentration of commercial activity in the previous quarter due to sales of book collections for the second semester. Compared to the prior quarter, net revenue fell 35.8%, explained by seasonality, since sales of book collections are concentrated in even-numbered quarters. Net revenue in the nine months to September was R\$117.7 million, up 13.1% from 9M17, which attests not only to the successful commercial efforts, but also to the success of the Company's current 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

<i>Primary and Secondary Education - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Total of Costs</b>	<b>(17,032)</b>	<b>(11,631)</b>	<b>46.4%</b>	<b>(26,436)</b>	<b>-35.6%</b>
Cost of Goods (CG)	(1,826)	(4,434)	-58.8%	(10,371)	-82.4%
Cost of Services (CS)	(15,205)	(7,197)	111.3%	(16,065)	-5.4%
Faculty, Other Personnel and Third-Party Services	(14,334)	(6,220)	130.4%	(15,006)	-4.5%
Rent	(1,651)	(266)	519.9%	(1,475)	11.9%
Materials	(12)	-	n.a.	(16)	-24.0%
Maintenance	(207)	(84)	145.8%	(196)	6.1%
Other	998	(626)	n.a.	627	59.3%
<b>% of Net Revenues</b>	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.%</b>	<b>2Q18</b>	<b>Chg.%</b>
<b>Total of Costs</b>	<b>-53.3%</b>	<b>-52.1%</b>	<b>-1.2 p.p.</b>	<b>-53.1%</b>	<b>-0.2 p.p.</b>
Cost of Goods (CG)	-5.7%	-19.9%	14.1 p.p.	-20.8%	15.1 p.p.
Cost of Services (CS)	-47.6%	-32.2%	-15.4 p.p.	-32.3%	-15.3 p.p.
Faculty, Other Personnel and Third-Party Services	-44.9%	-27.9%	-17.0 p.p.	-30.1%	-14.7 p.p.
Rent	-5.2%	-1.2%	-4.0 p.p.	-3.0%	-2.2 p.p.
Materials	0.0%	0.0%	0.0 p.p.	0.0%	0.0 p.p.
Maintenance	-0.6%	-0.4%	-0.3 p.p.	-0.4%	-0.3 p.p.
Other	3.1%	-2.8%	5.9 p.p.	1.3%	1.9 p.p.

In 3Q18, cost of goods sold as a ratio of net revenue in the business decreased 14.1 p.p. on the prior-year period, which is explained by the lower sales volume compared to the year-ago period, since a portion of sales was concentrated in the previous quarter. Compared to 2Q18, the indicator suffered an even sharper decline, of 15.1 p.p., influenced by seasonality of the business. As a ratio of net revenue, cost of services increased 15.4 p.p. on the prior-year period, which is explained by the consolidation in the Company's results of the figures from Leonardo da Vinci, since the school has higher costs than other Kroton institutions, especially with regards to rent and faculty. Compared to the prior quarter, the increase of 15.3 p.p. in cost of services is due to seasonality, since even-numbered quarters concentrate most of the sales activity and consequently most of the revenue.

## Gross Income

<i>Primary and Secondary Education - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Gross Income</b>	<b>14,914</b>	<b>10,694</b>	<b>39.5%</b>	<b>23,355</b>	<b>-36.1%</b>
Management Contracts and Own Operations	11,617	7,695	51.0%	5,413	114.6%
Associated Schools Network	3,297	2,999	9.9%	17,941	-81.6%
<b>Gross Margin</b>	<b>46.7%</b>	<b>47.9%</b>	<b>-1.2 p.p.</b>	<b>46.9%</b>	<b>-0.2 p.p.</b>
Management Contracts and Own Operations	41.6%	53.0%	-11.4 p.p.	22.0%	19.6 p.p.
Associated Schools Network	82.1%	38.4%	43.6 p.p.	71.3%	10.8 p.p.

In 2Q18, gross income amounted to R\$14.9 million, up 39.5% from the same period last year, accompanied by gross margin contraction of 1.2 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 43.6 p.p. on the prior-year period attests to the Company's ongoing efforts to impose cost controls on its operations. Compared to the previous quarter, gross margin was practically stable, with the lower costs offset by the lower revenue in the period. Gross income in the nine months to September was R\$61.4 million, with gross margin of 52.1%, down 4.5 p.p. from 9M17.

## Operating Expenses

<i>Primary and Secondary Education - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Total Operating Expenses</b>	<b>(4,789)</b>	<b>(3,563)</b>	<b>34.4%</b>	<b>(4,885)</b>	<b>-2.0%</b>
Personnel Expenses	(4,173)	(2,760)	51.2%	(3,368)	23.9%
General and Administrative Expenses	(616)	(803)	-23.2%	(1,518)	-59.4%
<b>% of Net Revenues</b>	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.%</b>	<b>2Q18</b>	<b>Chg.%</b>
<b>Total Operating Expenses</b>	<b>-15.0%</b>	<b>-16.0%</b>	<b>1.0 p.p.</b>	<b>-9.8%</b>	<b>-5.2 p.p.</b>
Personnel Expenses	-13.1%	-12.4%	-0.7 p.p.	-6.8%	-6.3 p.p.
General and Administrative Expenses	-1.9%	-3.6%	1.7 p.p.	-3.0%	1.1 p.p.

## Personnel, General and Administrative Expenses

Personnel, general and administrative expenses as a ratio of net revenue decreased 1.0 p.p. from 3Q17, despite the increase in headcount 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 the prior quarter, nominal operating expenses were virtually stable, despite the increase of 5.2 p.p. as a ratio of net revenue, reflecting the seasonality of the operation, given the different schedule for revenue recognition.

## Provision for Doubtful Accounts (PDA)

<i>Primary and Secondary Education - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
Provision for Doubtful Account - PDA	(256)	(179)	43.2%	(380)	-32.6%
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

<i>Primary and Secondary Education</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Net Accounts Receivable</b>	<b>44,634</b>	<b>23,468</b>	<b>90.2%</b>	<b>42,844</b>	<b>4.2%</b>

In 3Q18, Accounts Receivable increased 90.2% compared to 3Q17, reflecting the consolidation in the Company's results of new schools, which have longer receivables terms. On the other hand, compared to the prior quarter, Accounts Receivable were practically stable.

## Average Accounts Receivable Term

<i>Primary and Secondary Education - Days</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Net Accounts Receivable</b>	<b>84</b>	<b>50</b>	<b>34 Days</b>	<b>85</b>	<b>-01 Day</b>
<b>Net Revenue</b>					

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 34-day increase in the average accounts receivable term in the Primary & Secondary Education segment in 3Q18 compared to 3Q17 is associated with the consolidation of new schools into Kroton's results.



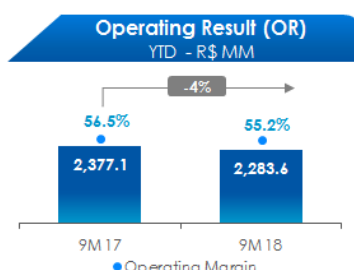
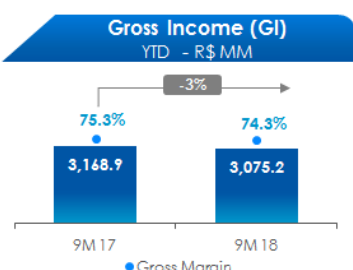
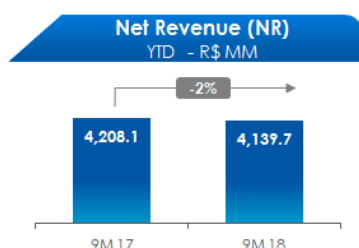
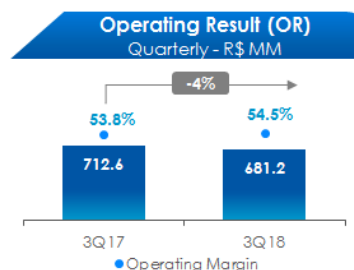
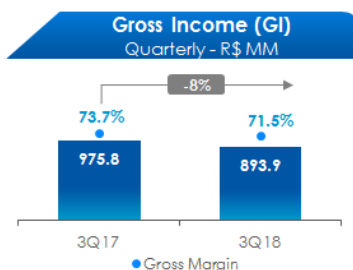
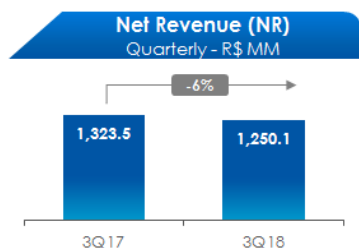
## Operating Result

<i>Primary and Secondary Education - Values in R\$ ('000)</i>	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Gross Income</b>	<b>14,914</b>	<b>10,694</b>	<b>39.5%</b>	<b>23,355</b>	<b>-36.1%</b>
(-) Total Operating Expenses	(4,789)	(3,563)	34.4%	(4,885)	-2.0%
(-) Provision for Doubtful Account - PDA	(256)	(179)	43.2%	(380)	-32.6%
(+) Interest and Penalties on Tuition	670	293	128.8%	166	304.4%
<b>Operating Result</b>	<b>10,539</b>	<b>7,245</b>	<b>45.5%</b>	<b>18,255</b>	<b>-42.3%</b>
<i>Operating Margin</i>	<i>33.0%</i>	<i>32.5%</i>	<i>0.5 p.p.</i>	<i>36.7%</i>	<i>-3.7 p.p.</i>

The operating result (before marketing expenses) was R\$10.6 million in 3Q18, with margin of 33.0%, expanding 0.5 p.p. on the year-ago period. The higher profitability, despite the consolidation of own schools that have more robust cost and expense structures, attests to the adequate management focused on quality and efficiency in the different operating segments. Compared to 2Q18, the 3.7 p.p. decrease in operating margin mostly reflects the seasonality of the business segment. In the nine months to September, operating income was R\$48.4 million, with operating margin contracting 2.7 p.p. from the same period of 2017.

### FINANCIAL PERFORMANCE – KROTON

Consolidated - Values in R\$ ('000)	3Q18	3Q17	Chg.%	2Q18	Chg.%	9M18	9M17	Chg.%
<b>Gross Revenue</b>	<b>1,667,959</b>	<b>1,717,295</b>	<b>-2.9%</b>	<b>2,036,156</b>	<b>-18.1%</b>	<b>5,461,941</b>	<b>5,396,679</b>	<b>1.2%</b>
Gross Revenue Deductions	(417,860)	(393,749)	6.1%	(509,883)	-18.0%	(1,322,245)	(1,188,620)	11.2%
Tax	(38,913)	(43,131)	-9.8%	(49,136)	-20.8%	(136,819)	(145,326)	-5.9%
ProUni	(269,623)	(238,217)	13.2%	(277,053)	-2.7%	(790,321)	(683,530)	15.6%
Returns	(1,865)	(933)	99.8%	(4,524)	-58.8%	(17,098)	(5,578)	206.5%
Total Discounts	(107,459)	(111,469)	-3.6%	(179,171)	-40.0%	(378,007)	(354,185)	6.7%
<b>Net Revenue</b>	<b>1,250,099</b>	<b>1,323,546</b>	<b>-5.5%</b>	<b>1,526,273</b>	<b>-18.1%</b>	<b>4,139,696</b>	<b>4,208,059</b>	<b>-1.6%</b>
<b>Total of Costs</b>	<b>(356,239)</b>	<b>(347,724)</b>	<b>2.4%</b>	<b>(395,466)</b>	<b>-9.9%</b>	<b>(1,064,480)</b>	<b>(1,039,165)</b>	<b>2.4%</b>
Cost of Goods	(1,826)	(4,434)	-58.8%	(10,371)	-82.4%	(17,291)	(18,548)	-6.8%
Cost of Services	(354,413)	(343,290)	3.2%	(385,095)	-8.0%	(1,047,189)	(1,020,617)	2.6%
Faculty, Other Personnel and Third-Party Services	(247,787)	(244,369)	1.4%	(277,108)	-10.6%	(733,548)	(732,266)	0.2%
Rent	(91,452)	(85,907)	6.5%	(89,133)	2.6%	(266,302)	(254,238)	4.7%
Materials	(7,308)	(6,199)	17.9%	(5,778)	26.5%	(18,908)	(17,368)	8.9%
Maintenance	(3,235)	(4,044)	-20.0%	(2,618)	23.6%	(9,212)	(7,166)	28.5%
Other	(4,631)	(2,772)	67.1%	(10,458)	-55.7%	(19,219)	(9,579)	100.6%
<b>Gross Income</b>	<b>893,859</b>	<b>975,822</b>	<b>-8.4%</b>	<b>1,130,807</b>	<b>-21.0%</b>	<b>3,075,216</b>	<b>3,168,894</b>	<b>-3.0%</b>
Gross Margin	71.5%	73.7%	-2.2 p.p.	74.1%	-2.6 p.p.	74.3%	75.3%	-1.0 p.p.
<b>Total Operating Expenses</b>	<b>(145,312)</b>	<b>(139,250)</b>	<b>4.4%</b>	<b>(174,345)</b>	<b>-16.7%</b>	<b>(464,989)</b>	<b>(428,722)</b>	<b>8.5%</b>
Personnel, General and Administrative Expenses	(145,312)	(139,250)	4.4%	(174,345)	-16.7%	(464,989)	(428,722)	8.5%
Personnel Expenses	(96,844)	(88,255)	9.7%	(95,400)	1.5%	(271,403)	(252,591)	7.4%
General and Administrative Expenses	(48,468)	(50,994)	-5.0%	(78,945)	-38.6%	(193,585)	(176,131)	9.9%
<b>Provision for Doubtful Account - PDA</b>	<b>(155,067)</b>	<b>(165,520)</b>	<b>-6.3%</b>	<b>(182,788)</b>	<b>-15.2%</b>	<b>(498,686)</b>	<b>(476,270)</b>	<b>4.7%</b>
(+) Interest and Penalties on Tuition	87,678	41,545	111.0%	42,931	104.2%	172,018	113,172	52.0%
<b>Operating Result</b>	<b>681,158</b>	<b>712,597</b>	<b>-4.4%</b>	<b>816,606</b>	<b>-16.6%</b>	<b>2,283,560</b>	<b>2,377,074</b>	<b>-3.9%</b>
Operating Margin	54.5%	53.8%	0.6 p.p.	53.5%	1.0 p.p.	55.2%	56.5%	-1.3 p.p.
<b>Selling and Marketing Expenses</b>	<b>(88,912)</b>	<b>(69,112)</b>	<b>28.6%</b>	<b>(110,285)</b>	<b>-19.4%</b>	<b>(313,122)</b>	<b>(271,701)</b>	<b>15.2%</b>
<b>Corporate Expenses</b>	<b>(56,837)</b>	<b>(66,710)</b>	<b>-14.8%</b>	<b>(64,772)</b>	<b>-12.3%</b>	<b>(178,763)</b>	<b>(188,836)</b>	<b>-5.3%</b>
<b>Adjusted EBITDA</b>	<b>535,412</b>	<b>576,775</b>	<b>-7.2%</b>	<b>641,548</b>	<b>-16.5%</b>	<b>1,791,674</b>	<b>1,916,537</b>	<b>-6.5%</b>
Adjusted EBITDA Margin	42.8%	43.6%	-0.7 p.p.	42.0%	0.8 p.p.	43.3%	45.5%	-2.3 p.p.
(-) Non-Recurring Items	(64,227)	(32,407)	98.2%	(76,587)	-16.1%	(186,286)	(135,807)	37.2%
<b>EBITDA</b>	<b>471,184</b>	<b>544,368</b>	<b>-13.4%</b>	<b>564,961</b>	<b>-16.6%</b>	<b>1,605,388</b>	<b>1,780,731</b>	<b>-9.8%</b>
EBITDA Margin	37.7%	41.1%	-3.4 p.p.	37.0%	0.7 p.p.	38.8%	42.3%	-3.5 p.p.
Depreciation and Amortization	(112,871)	(104,913)	7.6%	(103,092)	9.5%	(318,186)	(311,061)	2.3%
Financial Result	5,473	24,649	-77.8%	3,503	56.2%	26,788	64,827	-58.7%
Income Tax / Social Contribution	(24,947)	(18,477)	35.0%	(21,706)	14.9%	(67,033)	(87,508)	-23.4%
Deferred Income Tax / Social Contribution	8,977	12,993	-30.9%	23,681	-62.1%	43,623	52,457	-16.8%
Income Tax / Social Cont. - Disposal of Assets	-	(7,786)	n.a.	-	n.a.	-	(7,786)	n.a.
<b>Net Income</b>	<b>347,818</b>	<b>450,834</b>	<b>-22.9%</b>	<b>467,348</b>	<b>-25.6%</b>	<b>1,290,580</b>	<b>1,491,660</b>	<b>-13.5%</b>
Net Margin	27.8%	34.1%	-6.2 p.p.	30.6%	-2.8 p.p.	31.2%	35.4%	-4.3 p.p.
(+) Non Recurring Items	64,227	32,407	98.2%	76,587	-16.1%	186,286	135,807	37.2%
(+) Intangible Amortization (Acquisitions)	19,060	38,682	-50.7%	18,141	5.1%	55,305	116,408	-52.5%
(+) Income Tax / Social Cont. - Disposal of assets	-	7,786	n.a.	-	n.a.	-	7,786	n.a.
(+) Net Effect of Debenture Issuances	9,339	-	n.a.	-	n.a.	9,339	-	n.a.
<b>Adjusted Net Income</b>	<b>440,444</b>	<b>529,710</b>	<b>-16.9%</b>	<b>562,075</b>	<b>-21.6%</b>	<b>1,541,511</b>	<b>1,751,661</b>	<b>-12.0%</b>
Adjusted Net Margin	35.2%	40.0%	-4.8 p.p.	36.8%	-1.6 p.p.	37.2%	41.6%	-4.4 p.p.



## Selling and Marketing Expenses

<b>Consolidated - Values in R\$ ('000)</b>	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.%</b>	<b>2Q18</b>	<b>Chg.%</b>
Selling and Marketing Expenses	(88,912)	(69,112)	28.6%	(110,285)	-19.4%
<b>% of Net Revenue</b>	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.%</b>	<b>2Q18</b>	<b>Chg.%</b>
Selling and Marketing Expenses	-7.1%	-5.6%	-1.5 p.p.	-6.0%	-1.1 p.p.

Selling and marketing expenses as a ratio of net revenue increased by 1.5 p.p. compared to the same period of 2017, despite the more competitive scenario in the DL segment and the brand's promotion in new regions for both the new on-campus units and new DL centers. Compared to the previous quarter, the 1.1 p.p. increase is due to seasonality, following the intensification of campaigns for the mid-year student recruitment process.

## Corporate Expenses

<b>Consolidated - Values in R\$ ('000)</b>	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.%</b>	<b>2Q18</b>	<b>Chg.%</b>
Corporate Expenses	(56,837)	(66,710)	-14.8%	(64,772)	-12.3%
Personnel Expenses	(48,031)	(56,380)	-14.8%	(49,216)	-2.4%
General and Administrative Expenses	(8,806)	(10,330)	-14.7%	(15,556)	-43.4%
<b>% of Net Revenue</b>	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.%</b>	<b>2Q18</b>	<b>Chg.%</b>
Corporate Expenses	-4.5%	-5.0%	0.5 p.p.	-3.8%	-0.7 p.p.
Personnel Expenses	-3.8%	-4.3%	0.5 p.p.	-3.0%	-0.9 p.p.
General and Administrative Expenses	-0.7%	-0.8%	0.1 p.p.	-0.9%	0.2 p.p.

The ratio of personnel expenses to net revenue within corporate expenses fell 0.5 p.p. from the year-ago period, due to the positive results of the initiatives to control expenses at the corporate level, which included the termination and shift in the scope of work of certain areas and is aligned with the strategy to manage the operation more efficiently. Compared to the prior quarter, the increase of 0.9 p.p. reflects exclusively the lower revenue in the period, since expenses were lower in nominal terms. Analyzing separately general and administrative expenses as a ratio of net revenue, there were decreases in both the sequential and annual comparisons, which were supported by greater budget austerity.

## Nonrecurring Events

<b>Values in R\$ ('000)</b>	<b>3Q18</b>	<b>3Q17</b>	<b>Chg.%</b>	<b>2Q18</b>	<b>Chg.%</b>
Severance	(24,413)	(11,731)	108.1%	(13,104)	86.3%
Restructuring of units	(9,222)	(8,155)	13.1%	(7,895)	16.8%
M&A and expansion	(21,945)	(9,604)	128.5%	(38,252)	-42.6%
Other projects	(8,647)	(25,818)	-66.5%	(17,336)	-50.1%
<b>Total Nonrecurring</b>	<b>(64,227)</b>	<b>(55,308)</b>	<b>16.1%</b>	<b>(76,587)</b>	<b>-16.1%</b>
Capital Gain - Asset Sale	-	22,901	n.a.	-	n.a.
<b>Total Nonrecurring</b>	<b>(64,227)</b>	<b>(32,407)</b>	<b>98.2%</b>	<b>(76,587)</b>	<b>-16.1%</b>

Non-recurring items in 3Q18 amounted to R\$64.2 million, led by: 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 M&A and Expansion, which includes expenses related to expansion projects, which have accelerated in recent months, especially with the acquisitions of Somos and of Lato Sensus school in the Primary and Secondary Education segment, and of a postsecondary education institution in João Pessoa. The Company also has been

implementing a series of projects related to digital transformation and the work plans in various segments that affected the line other projects. Furthermore, total non-recurring expenses include the restructuring of On-Campus units, a project that is aligned with the guidelines established in the latest strategic planning, which aims to improve student satisfaction and comfort.

## Financial Result

Consolidated - Values in R\$ ('000)	3Q18	3Q17	Chg.%	2Q18	Chg.%
(+) Financial Revenues	76,105	43,675	74.3%	22,526	237.9%
Interest on Financial Investment	70,646	35,311	100.1%	17,226	310.1%
Others	5,459	8,364	-34.7%	5,300	3.0%
(-) Financial Expenses	(70,631)	(19,026)	271.2%	(19,023)	271.3%
Banks Expenses	(4,691)	(5,678)	-17.4%	(8,415)	-44.3%
Interest on Loans	(55,976)	(6,384)	776.8%	(2,484)	n.a.
Interest and Tax on Late Payment	(1,136)	(806)	40.9%	(1,224)	-7.2%
Interest on Loans for Acquisitions	(3,520)	(1,762)	99.8%	(2,742)	28.4%
Restatement of Contingencies	(528)	(2,080)	-74.6%	(2,457)	-78.5%
Others	(4,780)	(2,316)	106.4%	(1,701)	181.0%
<b>Financial Result<sup>1</sup></b>	<b>5,474</b>	<b>24,649</b>	<b>-77.8%</b>	<b>3,503</b>	<b>56.3%</b>

<sup>1</sup> Excludes interest and fines on late monthly tuition payments.

In 3Q18, financial income recovered in relation to the prior quarter due to the income earned between the raising of proceeds for the Somos acquisition and the effective payment to controlling shareholders. The situation generated a positive impact on the line interest and financial investments in the period. Excluding this non-recurring item, financial income was impacted by the reduction in cash ex- raising of debt, due to the distribution of dividends and to the expenditures for asset acquisitions (Colégio Lato Sensu and another on-campus unit in João Pessoa). However, since debt also is impacted by a considerable volume of interest on borrowings, Kroton's financial result was positive by only R\$5.4 million in 3Q18, down 77.8% from the same period in 2017, but up 56% from the prior quarter.

## Net Income

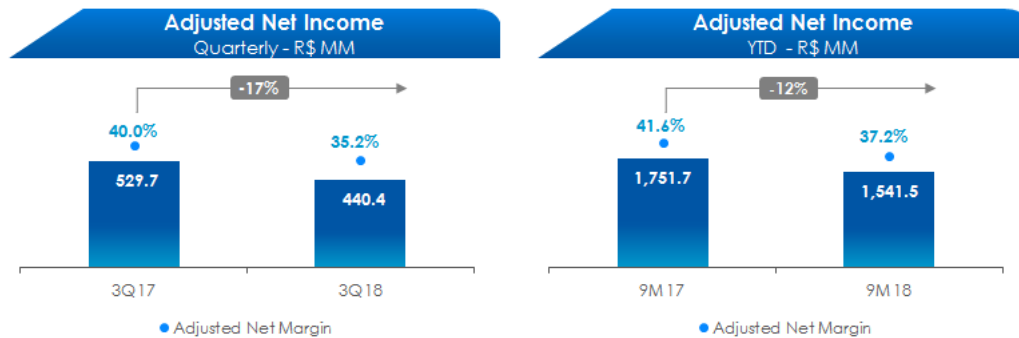
Consolidated - Values in R\$ ('000)	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Operating Result</b>	<b>681,158</b>	<b>712,597</b>	<b>-4.4%</b>	<b>816,606</b>	<b>-16.6%</b>
(+) Selling and Marketing Expenses	(88,912)	(69,112)	28.6%	(110,285)	-19.4%
(+) Corporate Expenses	(56,837)	(66,710)	-14.8%	(64,772)	-12.3%
(+) Depreciation and Amortization ex-Intangible	(93,811)	(66,231)	41.6%	(84,951)	10.4%
(+) Financial Result <sup>1</sup>	5,473	24,649	-77.8%	3,503	56.2%
(+) Income Tax / Social Contribution	(24,947)	(18,477)	35.0%	(21,706)	14.9%
(+) Deferred Income Tax / Social Contribution	8,977	12,993	-30.9%	23,681	-62.1%
(+) Net Effect of Debenture Issuances	9,339	-	n.a.	-	n.a.
<b>Adjusted Net Income</b>	<b>440,444</b>	<b>529,710</b>	<b>-16.9%</b>	<b>562,075</b>	<b>-21.6%</b>
Adjusted Net Margin	35.2%	40.0%	-4.8 p.p.	36.8%	-1.6 p.p.
(+) Nonrecurring Items	(64,227)	(32,407)	98.2%	(76,587)	-16.1%
(+) Intangible Amortization (Acquisitions)	(19,060)	(38,682)	-50.7%	(18,141)	5.1%
(+) Income Tax / Social Cont. - Other Subsidiaries	-	(7,786)	n.a.	-	n.a.
<b>Net Income</b>	<b>347,818</b>	<b>450,834</b>	<b>-22.9%</b>	<b>467,347</b>	<b>-25.6%</b>
Net Margin	27.8%	34.1%	-6.2 p.p.	30.6%	-2.8 p.p.

<sup>1</sup> Excludes interest and fines on late monthly tuition payments.

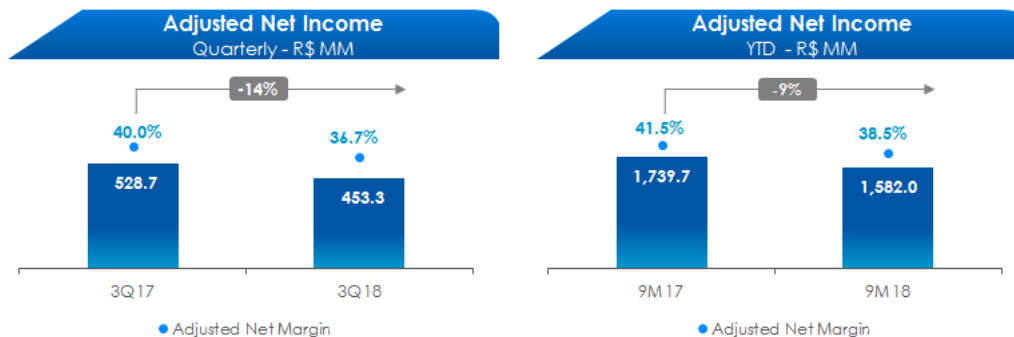
In 3Q18, adjusted net income (adjusted for the amortization of intangible assets, nonrecurring events and taxes related to most recent divestments) amounted to R\$440.4 million, with adjusted net margin of 35.2%, down 4.8 p.p. from the same period of 2017. The factors behind this performance include the asset divestments at the end of last year, the higher depreciation levels deriving from investments made in the production of content and technology, which have shorter useful lives, and the lower financial result in the period. In the nine months to September, adjusted net income was down 12.0% at R\$1,541.5 million, with adjusted net margin contracting 4.4 p.p. to 37.2%. Despite the decrease, the result in the nine-month

period already represents 79% of the guidance for the full year, which means that the Company is very close to delivering, once again, the target established with the market. In the analysis excluding asset divestments and new units, adjusted net income decreased 9.1% compared to 9M17.

### CORPORATE:



### EX-ASSET DIVESTMENTS & GREENFIELD PROJECTS:



Excluding the adjustments for nonrecurring items, amortization of intangible assets and the net effect from the debenture issue, net income was R\$347.8 million in 3Q18 and R\$1,290.6 million in 9M18. 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

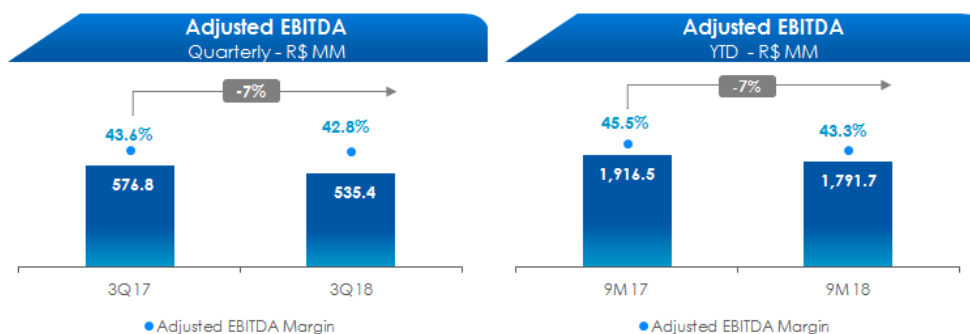
Consolidated - Values in R\$ ('000)	3Q18	3Q17	Chg.%	2Q18	Chg.%
<b>Net Income (Loss)</b>	<b>347,818</b>	<b>450,834</b>	<b>-22.9%</b>	<b>467,347</b>	<b>-25.6%</b>
(+) Depreciation and Amortization	112,871	104,913	7.6%	103,092	9.5%
(+) Financial Result <sup>1</sup>	(5,473)	(24,649)	-77.8%	(3,503)	56.2%
(+) Income Tax / Social Contribution	24,947	26,263	-5.0%	21,706	14.9%
(+) Deferred Income Tax / Social Contribution	(8,977)	(12,993)	-30.9%	(23,681)	-62.1%
<b>EBITDA</b>	<b>471,184</b>	<b>544,368</b>	<b>-13.4%</b>	<b>564,961</b>	<b>-16.6%</b>
EBITDA Margin	37.7%	41.1%	-3.4 p.p.	37.0%	0.7 p.p.
(-) Nonrecurring Items	64,227	32,407	98.2%	76,587	-16.1%
<b>Adjusted EBITDA</b>	<b>535,412</b>	<b>576,775</b>	<b>-7.2%</b>	<b>641,548</b>	<b>-16.5%</b>
Adjusted EBITDA Margin	42.8%	43.6%	-0.7 p.p.	42.0%	0.8 p.p.

<sup>1</sup> Excludes interest and fines on late monthly tuition payments.

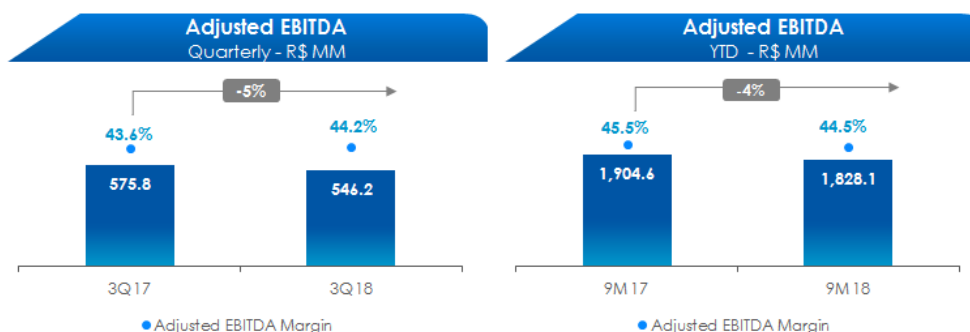
Adjusted EBITDA was R\$535.4 million in the quarter, down 7.2% from 3Q17, with adjusted EBITDA margin contraction of 0.7 p.p. As already discussed in previous quarters, the lower profitability this year reflects the pressures from the shift in the student-base profile, with higher provisioning to support 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 its industry peers. The Company also was able to expand its EBITDA margin by 0.8 p.p. compared to 2Q18, even taking into consideration the commercial efforts for the mid-year acquisition, which attests to its austere budget management. In the nine-month period, adjusted EBITDA was R\$1,791.7 million, with adjusted EBITDA margin of 43.3%, or 2.3 p.p. lower than in the same period of 2017. In line with the comment made about net income, EBITDA in the nine months to September represents 79% of the guidance for the full year, which attests to the Company's capacity to deliver on its targets. Excluding the figures from the latest asset divestments (FAIR, FAC/FAMAT and NOVATEC) and from the new units in the period, Kroton's adjusted EBITDA in 9M18 was only 4.0% lower, with margin contraction of 1.0 p.p. from 9M17.

### CORPORATE:



### EX-ASSET DIVESTMENTS & GREENFIELD PROJECTS:

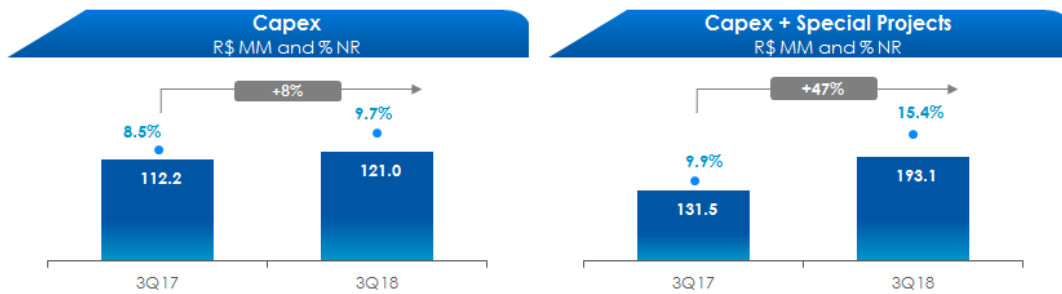


Excluding the adjustments for nonrecurring events, the Company generated EBITDA of R\$471.2 million in 3Q18 and R\$1,605.4 million in 9M18, down 13.4% and 9.8%, respectively from the same periods of 2017, following the same trend and scenario mentioned above.

### Investments

In 3Q18, Kroton invested R\$121.0 million, allocated as follows:

- Information technology and library equipment: R\$12.4 million (10%);
- Content and systems development and software licenses: R\$46.8 million (39%);
- Laboratory and related equipment: R\$19.0 million (16%);
- Expansions – construction and improvements: R\$42.8 million (35%).



\* Excludes building sold in 2017

In 3Q18, investments corresponded to 9.7% as a ratio of net revenue, most of which was allocated to content development, systems and software licenses, which accounted for 39% 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 nine months to September, capex amounted to R\$330.1 million, which corresponds to 8.0% of the Company's 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\$72.1 million in 3Q18 and to R\$140.5 million in 9M18. Therefore, total investment as a ratio of net revenue stood at 18.3% in the quarter and 11.4% in 9M18. Despite the higher investments this quarter, the amount invested in the first nine months was in line with the guidance of 13.5% of net revenue and consistent with the strategy to accelerate expansion projects and focus on students.

## Net Debt

Consolidated - Values in R\$ ('000)	3Q18	3Q17	Chg.%	2Q18	Chg.%
Cash and Cash Equivalents	6,793,655	1,645,020	313.0%	1,128,763	501.9%
Cash	99	5,107	-98.1%	353	-72.0%
Securities	6,793,556	1,639,913	314.3%	1,128,410	502.0%
Loans and Financing	5,703,559	414,011	n.a.	229,510	n.a.
Short-term Debt	170,401	239,645	-28.9%	175,865	-3.1%
Long-term Debt	5,533,158	174,366	n.a.	53,645	n.a.
<b>Net Cash (Debt) <sup>1</sup></b>	<b>1,090,096</b>	<b>1,231,009</b>	<b>-11.4%</b>	<b>899,253</b>	<b>21.2%</b>
Other Short and Long Term Debt <sup>2</sup>	309,108	154,928	99.5%	178,803	72.9%
<b>(1) Net Cash (Debt)</b>	<b>780,988</b>	<b>1,076,081</b>	<b>-27.4%</b>	<b>720,450</b>	<b>8.4%</b>
<b>Short Term Accounts Receivable <sup>3</sup></b>	<b>134,085</b>	<b>368,072</b>	<b>-63.6%</b>	<b>522,372</b>	<b>-74.3%</b>
FIES - NR 23 - cash balance and Uniasselvi Disposal	-	365,379	n.a.	390,981	n.a.
Uniasselvi Disposal	118,532	-	n.a.	116,777	1.5%
FAIR and FAC/FAMAT Disposal	15,554	2,693	477.6%	14,614	6.4%
<b>Long-Term Accounts Receivable <sup>3</sup></b>	<b>483,271</b>	<b>567,545</b>	<b>-14.8%</b>	<b>472,041</b>	<b>2.4%</b>
FIES - NR 23 - cash balance	-	-	n.a.	-	n.a.
Uniasselvi Disposal	439,990	520,022	-15.4%	429,266	2.5%
FAIR and FAC/FAMAT Disposal	43,281	47,523	-8.9%	42,775	1.2%
<b>(2) Other Accounts Receivable <sup>3</sup></b>	<b>617,356</b>	<b>935,616</b>	<b>-34.0%</b>	<b>994,413</b>	<b>-37.9%</b>
<b>(1)+(2) Pro Forma Net Cash (Debt)</b>	<b>1,398,344</b>	<b>2,011,697</b>	<b>-30.5%</b>	<b>1,714,863</b>	<b>-18.5%</b>

<sup>1</sup> Net cash (debt) considering only bank obligations.

<sup>2</sup> 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.

<sup>3</sup> 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 3Q18, total cash and financial investments stood at R\$6.8 billion, which is considerably higher than in the prior quarter, reflecting the capital raised through the debenture issue for the Somos acquisition. This cash, however, was held only temporarily, since most of it was used to pay the controlling shareholders of Somos on October 11, the transaction's settlement date. This situation, coupled with the income earned on financial investments, offset the disbursements made throughout the quarter related to the distribution of dividends for 2Q18, the repayment of a portion of the Company's existing debentures in the amount of R\$50.0 million (R\$52.1 million including interest and charges), and the disbursements for the acquisitions of assets in the Postsecondary and Primary & Secondary Education segments. Consequently, and including also the capital raised through debt, net cash and equivalents ended 3Q18 at R\$1.1 billion, increasing 21.2% from the end of the prior quarter, which also attests to the solid cash generation in the period, which was positively impacted from the receipt of the last FIES installment under PN23. 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\$781.0 million. Total long-term obligations include amounts related to installment payments for acquisitions, especially those for Uniasselvi, which are being made 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 short-term accounts receivables, which correspond to one of the installments from the sales of Uniasselvi, FAIR and FAC/FAMAT, and long-term accounts receivables related to the remaining 4 installments of the payment for Uniasselvi, FAIR and FAC/FAMAT adjusted to present value (excluding the earn-out amounts), which will be received annually through 2022. Therefore, adding all short-term and long-term receivables, the net cash balance would be even more robust, surpassing R\$1.4 billion. As explained previously, the result in the fourth quarter should present a reversal of the cash position, since the Company should hold a net debt position after making the payment to the controlling shareholders of Somos. However, the net debt/EBITDA ratio should remain at levels considered adequate and in compliance with the financial covenants agreed upon with debenture holders.

## Cash Flow

Consolidated - Values in R\$ ('000)	3Q18	3Q17	Chg.%	2Q18	Chg.%	9M18	9M17	Chg.%
<b>Net Income before Income Interest</b>	<b>363,786</b>	<b>464,104</b>	<b>-21.6%</b>	<b>465,368</b>	<b>-21.8%</b>	<b>1,313,984</b>	<b>1,534,496</b>	<b>-14.4%</b>
(+) Net Income adjustments before Income Interest	354,546	205,698	72.4%	273,027	29.9%	849,792	661,533	28.5%
Depreciation and Amortization	112,870	104,914	7.6%	103,092	9.5%	318,185	311,062	2.3%
Provision for Doubtful Accounts (PDA)	155,067	165,519	-6.3%	182,770	-15.2%	498,667	476,268	4.7%
Others	86,609	(64,735)	n.a.	(12,835)	n.a.	32,940	(125,797)	n.a.
(+) Income Tax and Social Contribution	(8,270)	(12,055)	-31.4%	(8,369)	-1.2%	(56,458)	(63,595)	-11.2%
(+) Changes in Working Capital	(50,802)	(159,667)	-68.2%	(304,300)	-83.3%	(1,046,081)	(944,646)	10.7%
(Increase) Reduction in Accounts Receivable ex-FIES	(278,848)	(249,525)	11.8%	(375,142)	-25.7%	(555,826)	(976,325)	-43.1%
(Increase) Reduction in Accounts Receivable FIES	475,043	109,157	335.2%	(33,500)	n.a.	(219,235)	131,762	n.a.
Others	(246,997)	(19,299)	1179.9%	104,342	n.a.	(271,020)	(100,083)	170.8%
<b>Operating Cash Generation before Capex</b>	<b>659,260</b>	<b>498,080</b>	<b>32.4%</b>	<b>425,726</b>	<b>54.9%</b>	<b>1,061,237</b>	<b>1,187,788</b>	<b>-10.7%</b>
Capex - Recurring	(121,010)	(82,695)	46.3%	(107,660)	12.4%	(330,193)	(260,339)	26.8%
<b>Operating Cash Generation after Capex</b>	<b>538,250</b>	<b>415,386</b>	<b>29.6%</b>	<b>318,066</b>	<b>69.2%</b>	<b>731,044</b>	<b>927,449</b>	<b>-21.2%</b>
Capex - Special Projects	(72,086)	(17,681)	307.7%	(55,094)	30.8%	(140,494)	(42,444)	231.0%
<b>Operating Cash Generation after Capex and Special Projects</b>	<b>466,165</b>	<b>397,705</b>	<b>17.2%</b>	<b>262,971</b>	<b>77.3%</b>	<b>590,550</b>	<b>885,005</b>	<b>-33.3%</b>
(+) M&A Activities	(83,390)	(15,314)	444.5%	(107,093)	-22.1%	(191,147)	(78,639)	143.1%
(+) Cash Flow from Financing Activities	5,282,117	(147,917)	n.a.	(564,010)	n.a.	4,666,947	(512,031)	n.a.
<b>Free Cash Flow</b>	<b>5,664,891</b>	<b>234,473</b>	<b>n.a.</b>	<b>(408,131)</b>	<b>n.a.</b>	<b>5,066,350</b>	<b>294,334</b>	<b>n.a.</b>

Consolidated - Values in R\$ ('000)	3Q18	3Q17	Chg.%	9M18	9M17	Chg.%
<b>Operating Cash Generation (OCG) before Capex</b>	<b>659,260</b>	<b>498,080</b>	<b>32.4%</b>	<b>1,061,237</b>	<b>1,187,788</b>	<b>-10.7%</b>
OCG / EBITDA	139.9%	95.5%	44.4 p.p.	66.1%	67.6%	-1.5 p.p.
<b>Operating Cash Generation after Capex</b>	<b>538,250</b>	<b>415,386</b>	<b>29.6%</b>	<b>731,044</b>	<b>927,449</b>	<b>-21.2%</b>
OCG / EBITDA	114.2%	79.7%	34.5 p.p.	45.5%	52.8%	-7.3 p.p.
<b>Operating Cash Generation after Capex and Special Projects</b>	<b>466,165</b>	<b>397,705</b>	<b>17.2%</b>	<b>590,550</b>	<b>885,005</b>	<b>-33.3%</b>
OCG / EBITDA	98.9%	73.1%	25.9 p.p.	36.8%	49.7%	-12.9 p.p.
<b>Free Cash Flow</b>	<b>5,664,891</b>	<b>234,473</b>	<b>n.a.</b>	<b>5,066,350</b>	<b>294,334</b>	<b>n.a.</b>

The Company's Free Cash Flow stems from cash flow from operating activities, which is derived from net income adjusted for all noncash effects in the profit and loss and comprises all variations in working capital, taxes paid (income tax and social contribution) and investments made (ex-acquisitions), and from cash flow from non-operating activities, which includes all

financial flows not related to the operations. All figures in the above table exclude any adjustments or pro forma analyses and reflect only the actual cash flow in the periods.

Accordingly, operating cash flow before capex amounted to R\$659.3 million in 3Q18, which is 32.4% higher than the amount reported in 3Q17, mainly due to the payment by the federal government of the last outstanding installment (50% of the balance not received in 2015) of FIES related to PN23. Considering the disbursements for Capex, operating cash flow was R\$538.3 million in 3Q18. Including also capex and special projects, operating cash generation amounted to R\$466.2 million, a very solid level that transcends the amounts received under PN23 and confirms the resilience of the Company in generating strong results despite all the pressures from the changing student profile and the costs with offering installment payment products to students using own capital. Free cash flow was positive R\$5.7 billion, a result that should be considered nonrecurring, given the funding activities involving a debenture issue for the Somos acquisition.

Operating cash flow after capex corresponded to 114.2% of EBITDA in 3Q18. In the nine months to September, operating cash generation after capex corresponded to 45.5% of EBITDA, a very solid performance that attests to the solidity of the Company's operations and normalizes the cash conversion cycle after the issues involving PN23.

## CAPITAL MARKETS AND SUBSEQUENT EVENTS

### OWNERSHIP STRUCTURE

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

<i>Kroton Ownership Structure*</i>	Quantity	%
Treasury	17,043,412	1.04%
Free Float	1,627,204,794	98.96%
<b>Total</b>	<b>1,644,248,206</b>	<b>100.00%</b>

\* Position as of 10/31/2018.

### 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 the quarter, registering financial trading volume of R\$5.3 billion and 1,128,805 trades in the period, which represents average daily trading volume of R\$84.4 million. Kroton stock is currently covered by research analysts at 11 different local and international institutions. At September 30, 2018, Kroton's market capitalization was R\$18.7 billion.

In the third quarter of 2018, Kroton's stock price increased 22.3%, while the Bovespa Index (Ibovespa) advanced 9.0%. In the same period, the IGC ITAG and ICON gained 8.5%, 9.3% and 1.8%, respectively. In 9M18, Kroton's stock lost 38.0% and registered average daily trading volume of R\$125.8 million. In the same period, the Ibovespa gained 3.8%, while the IGC and ICON decreased 0.6% and 16.8%, respectively, and the ITAG gained 0.3%.

<b>Highlights- KROT3</b>	<b>3Q18</b>	<b>9M18</b>
Average Daily Trade Volume (average)	R\$ 84.4 million	R\$ 125.8 million
Maximum (R\$ per share)	R\$ 12.00	R\$ 18.75
Minimum (R\$ per share)	R\$ 9.50	R\$ 9.16
Average (R\$ per share)	R\$ 10.73	R\$ 12.79
Closing Quote	R\$ 11.40	R\$ 11.40
Variation in the period (%)	22.3%	-38.0%

## SHARE BUYBACK PROGRAM

On June 28, 2017, the Company approved its 6<sup>th</sup> 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. There were no share repurchases by the Company in 3Q18. However, since the launch of the program, 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 November 9, 2018, the Board of Directors approved the distribution of dividends related to the results for the third quarter of 2018 in the amount of R\$132.2 million, which will be calculated towards the minimum mandatory dividend for 2018 and corresponds to R\$0.0812251509 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 November 16, 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 3Q18, Kroton had 910,000 students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 143 Postsecondary units and its 1,310 Distance Learning centers. It also offers Preparatory Courses under the brand LFG. On October 11, 2018, Kroton concluded the acquisition of SOMOS Educação, the leading primary and secondary education group in Brazil, making it a complete educational platform with an important presence in all segments. In Primary & Secondary Education, the consolidated operation has 32,000 students distributed in 46 own schools, 28,000 students distributed in 133 units of Red Balloon, and 1.4 million students served through approximately 4,000 associated schools using the learning systems, PAR and O Líder em Mim.

## 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)

<b>Assets</b>	<b>3Q18</b>	<b>% AV</b>	<b>2Q18</b>	<b>% AV</b>
<b>Current Assets</b>	<b>8,714,119</b>	<b>45.5%</b>	<b>3,411,109</b>	<b>17.8%</b>
Cash and cash equivalents	99	0.0%	353	0.0%
Financial Investments	3,372,065	17.6%	401,222	2.1%
Securities	3,420,487	17.9%	726,171	3.8%
Accounts Receivable	1,521,898	7.9%	1,904,490	9.9%
Inventories	14,813	0.1%	8,363	0.0%
Prepayments	50,756	0.3%	53,879	0.3%
Recoverable Taxes	118,661	0.6%	100,421	0.5%
Other Accounts Receivable	215,340	1.1%	216,210	1.1%
<b>Non current Assets</b>	<b>16,271,066</b>	<b>85.0%</b>	<b>15,733,617</b>	<b>82.2%</b>
Securities	1,004	0.0%	1,017	0.0%
Accounts Receivables	635,789	3.3%	604,460	3.2%
Deferred Taxes	751,397	3.9%	730,669	3.8%
Judicial Deposits	97,331	0.5%	97,312	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	375,413	2.0%	320,179	1.7%
Other	541,149	2.8%	529,894	2.8%
Fixed Assets	2,191,281	11.4%	2,023,448	10.6%
Intangible	11,670,644	61.0%	11,419,580	59.6%
<b>Total Assets</b>	<b>24,985,185</b>	<b>130.5%</b>	<b>19,144,726</b>	<b>100.0%</b>
<b>Liabilities and Equity</b>				
<b>Current Liabilities</b>	<b>1,194,927</b>	<b>6.2%</b>	<b>1,191,676</b>	<b>6.2%</b>
Suppliers	310,365	1.6%	343,923	1.8%
Loans and Financing	2,484	0.0%	2,455	0.0%
Debenture	167,917	0.9%	173,410	0.9%
Social security and labor liabilities	383,511	2.0%	344,265	1.8%
Income Tax and Social Contribution	51,498	0.3%	29,986	0.2%
Taxes and Contribution	71,956	0.4%	72,892	0.4%
Advances from Clients	63,224	0.3%	153,627	0.8%
Tax and Contribution Payment Installments	7,795	0.0%	5,731	0.0%
Accounts Payable - Acquisitions	129,249	0.7%	58,734	0.3%
Dividends Payable	396	0.0%	-	0.0%
Other	6,532	0.0%	6,653	0.0%
<b>Non current Liabilities</b>	<b>7,896,359</b>	<b>41.2%</b>	<b>2,230,597</b>	<b>11.7%</b>
Loans and Financing	31,762	0.2%	32,395	0.2%
Debenture	5,501,396	28.7%	21,250	0.1%
Provision for Tax, Labor and Civil Lawsuit Losses	783,537	4.1%	665,388	3.5%
Tax and Contribution Payment Installments	28,857	0.2%	30,925	0.2%
Accounts Payable - Acquisitions	143,207	0.7%	83,413	0.4%
Deferred Taxes	1,388,607	7.3%	1,376,856	7.2%
Others	18,993	0.1%	20,370	0.1%
<b>Consolidated Equity</b>	<b>15,893,899</b>	<b>83.0%</b>	<b>15,722,453</b>	<b>82.1%</b>
<b>Total Liabilities and Equity</b>	<b>24,985,185</b>	<b>130.5%</b>	<b>19,144,726</b>	<b>100.0%</b>

### APPENDIX 2 – QUARTERLY INCOME STATEMENT RECONCILIATION

	Non-accounting adjustments						
	3Q18 Results (Book)	Interest and Penalties on Tuition	Depre- ciation	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain	Reclassification between Costs and expenses	3Q18 Results (Release)
	(In thousand reais, except otherwise indicated)						
Gross Revenue	1,667,959	-	-	-	-	-	1,667,959
Postsecondary	1,632,148	-	-	-	-	-	1,632,148
Primary and Secondary	35,811	-	-	-	-	-	35,811
Deductions from Gross Revenue	(417,860)	-	-	-	-	-	(417,860)
Postsecondary	(413,994)	-	-	-	-	-	(413,994)
Primary and Secondary	(3,866)	-	-	-	-	-	(3,866)
Net Revenue	1,250,099	-	-	-	-	-	1,250,099
Postsecondary	1,218,154	-	-	-	-	-	1,218,154
Primary and Secondary	31,945	-	-	-	-	-	31,945
Costs of Goods/Services	(555,756)	-	93,811	-	4,133	101,573	(356,239)
Cost of Goods Sold	(1,826)	-	-	-	-	-	(1,826)
Cost of Services Rendered	(553,930)	-	93,811	-	4,133	101,573	(354,413)
Gross Income	694,343	-	93,811	-	4,133	101,573	893,860
Operating Expenses	(423,579)	-	-	19,060	59,965	(101,572)	(446,126)
Selling Expenses	(244,957)	-	-	-	736	155,310	(88,911)
Provision for Doubtful Accounts	-	-	-	-	-	(155,067)	(155,067)
Personnel Expenses	-	-	-	-	-	(96,844)	(96,844)
General and Administrative Expenses	(178,426)	-	-	19,060	59,033	51,866	(48,467)
Other Operating Income (Expenses)	(196)	-	-	-	196	-	-
Corporate Expenses	-	-	-	-	-	(56,837)	(56,837)
Income before Financial Result	270,764	-	93,811	19,060	64,098	-	447,733
Interest and Penalties on Tuition	-	87,678	-	-	-	-	87,678
Adjusted EBITDA	270,764	87,678	93,811	19,060	64,098	-	535,411
(-) Nonrecurring itens	-	-	-	-	(64,227)	-	(64,227)
Depreciation and Amortization	-	-	(93,811)	(19,060)	-	-	(112,871)
Financial Result	93,023	(87,678)	-	-	128	-	5,473
Financial Expenses	(60,468)	-	-	-	-	-	(60,468)
Financial Revenues	153,491	(87,678)	-	-	128	-	65,941
Income from Operations	363,787	-	-	-	(0)	-	363,787
Income and Social Contribution Tax	(15,970)	-	-	-	-	-	(15,970)
Current	(24,947)	-	-	-	-	-	(24,947)
Deferred	8,977	-	-	-	-	-	8,977
Net Income	347,817	-	-	-	(0)	-	347,817

## APPENDIX 3 – FULL YEAR INCOME STATEMENT RECONCILIATION

	Non-accounting adjustments						
	9M18 Results (Book)	Interest and Penalties on Tuition	Depre- ciation	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain	Reclassifi- cation between Costs and expenses	9M18 Results (Release)
	(In thousand reais, except otherwise indicated)						
Gross Revenue	5,461,941	-	-	-	-	-	5,461,941
Postsecondary	5,321,912	-	-	-	-	-	5,321,912
Primary and Secondary	140,029	-	-	-	-	-	140,029
Deductions from Gross Revenue	(1,322,245)	-	-	-	-	-	(1,322,245)
Postsecondary	(1,299,961)	-	-	-	-	-	(1,299,961)
Primary and Secondary	(22,284)	-	-	-	-	-	(22,284)
Net Revenue	4,139,696	-	-	-	-	-	4,139,696
Postsecondary	4,021,951	-	-	-	-	-	4,021,951
Primary and Secondary	117,745	-	-	-	-	-	117,745
Costs of Goods/Services	(1,638,684)	-	262,881	-	15,596	295,727	(1,064,480)
Cost of Goods Sold	(17,291)	-	-	-	-	-	(17,291)
Cost of Services Rendered	(1,621,393)	-	262,881	-	15,596	295,727	(1,047,189)
Gross Income	2,501,012	-	262,881	-	15,596	295,727	3,075,216
Operating Expenses	(1,385,639)	-	-	55,305	170,500	(295,727)	(1,455,561)
Selling Expenses	(823,080)	-	-	-	11,031	498,926	(313,123)
Provision for Doubtful Accounts	-	-	-	-	-	(498,686)	(498,686)
Personnel Expenses	-	-	-	-	-	(271,403)	(271,403)
General and Administrative Expenses	(555,836)	-	-	55,305	152,746	154,200	(193,585)
Other Operating Income (Expenses)	(6,723)	-	-	-	6,723	-	-
Corporate Expenses	-	-	-	-	-	(178,763)	(178,763)
Income before Financial Result	1,115,373	-	262,881	55,305	186,096	-	1,619,655
Interest and Penalties on Tuition	-	172,018	-	-	-	-	172,018
Adjusted EBITDA	1,115,373	172,018	262,881	55,305	186,096	-	1,791,673
(-) Nonrecurring itens	-	-	-	-	(186,286)	-	(186,286)
Depreciation and Amortization	-	-	(262,881)	(55,305)	-	-	(318,186)
Financial Result	198,616	(172,018)	-	-	190	-	26,788
Financial Expenses	(90,237)	-	-	-	-	-	(90,237)
Financial Revenues	288,853	(172,018)	-	-	190	-	117,025
Income from Operations	1,313,989	-	-	-	(0)	-	1,313,989
Income and Social Contribution Tax	(23,410)	-	-	-	-	-	(23,410)
Current	(67,033)	-	-	-	-	-	(67,033)
Deferred	43,623	-	-	-	-	-	43,623
Net Income	1,290,579	-	-	-	(0)	-	1,290,579

## APPENDIX 4 – QUARTERLY INCOME STATEMENT

	3Q18	% Net Rev.	3Q17	% Net Rev.	3Q18 / 3Q17	2Q18	% Net Rev.	3Q18 / 2Q18
	(In thousand reais, except otherwise indicated)							
<b>Gross Revenue</b>	<b>1,667,958</b>	<b>133.4%</b>	<b>1,717,295</b>	<b>129.7%</b>	<b>-2.9%</b>	<b>2,036,155</b>	<b>133.4%</b>	<b>-18.1%</b>
Postsecondary	1,632,147	130.6%	1,692,825	127.9%	-3.6%	1,979,940	129.7%	-17.6%
Primary and Secondary	35,811	2.9%	24,470	1.8%	46.3%	56,215	3.7%	-36.3%
<b>Deductions from Gross Revenue</b>	<b>(417,860)</b>	<b>-33.4%</b>	<b>(393,748)</b>	<b>-29.7%</b>	<b>6.1%</b>	<b>(509,882)</b>	<b>-33.4%</b>	<b>-18.0%</b>
Postsecondary	(413,994)	-33.1%	(391,603)	-29.6%	5.7%	(503,458)	-33.0%	-17.8%
Primary and Secondary	(3,866)	-0.3%	(2,145)	-0.2%	80.2%	(6,424)	-0.4%	-39.8%
<b>Net Revenue</b>	<b>1,250,098</b>	<b>100.0%</b>	<b>1,323,547</b>	<b>100.0%</b>	<b>-5.5%</b>	<b>1,526,273</b>	<b>100.0%</b>	<b>-18.1%</b>
Postsecondary	1,218,153	97.4%	1,301,222	98.3%	-6.4%	1,476,482	96.7%	-17.5%
Primary and Secondary	31,945	2.6%	22,325	1.7%	43.1%	49,791	3.3%	-35.8%
<b>Costs of Goods/Services</b>	<b>(555,756)</b>	<b>-44.5%</b>	<b>(513,739)</b>	<b>-38.8%</b>	<b>8.2%</b>	<b>(592,377)</b>	<b>-38.8%</b>	<b>-6.2%</b>
Cost of Goods Sold	(1,826)	-0.1%	(4,434)	-0.3%	-58.8%	(10,386)	-0.7%	-82.4%
Cost of Services Rendered	(553,930)	-44.3%	(508,945)	-38.5%	8.8%	(581,991)	-38.1%	-4.8%
<b>Gross Income</b>	<b>694,342</b>	<b>55.5%</b>	<b>810,168</b>	<b>61.2%</b>	<b>-14.3%</b>	<b>933,896</b>	<b>61.2%</b>	<b>-25.7%</b>
<b>Operating Expenses</b>	<b>(423,578)</b>	<b>-33.9%</b>	<b>(412,242)</b>	<b>-31.1%</b>	<b>2.7%</b>	<b>(514,904)</b>	<b>-33.7%</b>	<b>-17.7%</b>
Selling Expenses	(244,956)	-19.6%	(235,684)	-17.8%	3.9%	(303,029)	-19.9%	-19.2%
General and Administrative Expenses	(178,426)	-14.3%	(199,827)	-15.1%	-10.7%	(206,078)	-13.5%	-13.4%
Other Operating Income (Expenses)	(196)	-0.0%	23,269	1.8%	n.a.	(5,797)	-0.4%	-96.6%
<b>Income before Financial Result</b>	<b>270,764</b>	<b>21.7%</b>	<b>397,926</b>	<b>30.1%</b>	<b>-32.0%</b>	<b>418,992</b>	<b>27.5%</b>	<b>-35.4%</b>
<b>Financial Result</b>	<b>93,023</b>	<b>7.4%</b>	<b>66,178</b>	<b>5.0%</b>	<b>40.6%</b>	<b>46,379</b>	<b>3.0%</b>	<b>100.6%</b>
Financial Expenses	(70,631)	-5.7%	(19,042)	-1.4%	270.9%	(19,079)	-1.3%	270.2%
Financial Revenues	163,654	13.1%	85,220	6.4%	92.0%	65,458	4.3%	150.0%
<b>Income from Operations</b>	<b>363,787</b>	<b>29.1%</b>	<b>464,104</b>	<b>35.1%</b>	<b>-21.6%</b>	<b>465,371</b>	<b>30.5%</b>	<b>-21.8%</b>
Income and Social Contribution Tax	(15,970)	-1.3%	(13,270)	-1.0%	20.3%	1,976	0.1%	n.a.
Current	(24,947)	-2.0%	(18,477)	-1.4%	35.0%	(21,705)	-1.4%	14.9%
Deferred	8,977	0.7%	5,207	0.4%	72.4%	23,681	1.6%	-62.1%
<b>Net Income</b>	<b>347,817</b>	<b>27.8%</b>	<b>450,834</b>	<b>34.1%</b>	<b>-22.9%</b>	<b>467,347</b>	<b>30.6%</b>	<b>-25.6%</b>



## APPENDIX 5 – FULL YEAR CORPORATE INCOME STATEMENT

	9M18	% Net Rev.	9M17	% Net Rev.	9M18 / 9M17
	(In thousand reais, except otherwise indicated)				
<b>Gross Revenue</b>	<b>5,461,942</b>	<b>131.9%</b>	<b>5,396,679</b>	<b>128.2%</b>	<b>1.2%</b>
Postsecondary	5,321,913	128.6%	5,283,307	125.6%	0.7%
Primary and Secondary	140,029	3.4%	113,572	2.7%	23.3%
<b>Deductions from Gross Revenue</b>	<b>(1,322,246)</b>	<b>-31.9%</b>	<b>(1,188,620)</b>	<b>-28.2%</b>	<b>11.2%</b>
Postsecondary	(1,299,962)	-31.4%	(1,179,319)	-28.0%	10.2%
Primary and Secondary	(22,284)	-0.5%	(9,301)	-0.2%	139.6%
<b>Net Revenue</b>	<b>4,139,696</b>	<b>100.0%</b>	<b>4,208,059</b>	<b>100.0%</b>	<b>-1.6%</b>
Postsecondary	4,021,951	97.2%	4,103,988	97.5%	-2.0%
Primary and Secondary	117,745	2.8%	104,071	2.5%	13.1%
<b>Costs of Goods/Services</b>	<b>(1,638,684)</b>	<b>-39.6%</b>	<b>(1,536,938)</b>	<b>-36.5%</b>	<b>6.6%</b>
Cost of Goods Sold	(17,306)	-0.4%	(18,548)	-0.4%	-6.7%
Cost of Services Rendered	(1,621,378)	-39.2%	(1,518,390)	-36.1%	6.8%
<b>Gross Income</b>	<b>2,501,012</b>	<b>60.4%</b>	<b>2,671,121</b>	<b>63.5%</b>	<b>-6.4%</b>
<b>Operating Expenses</b>	<b>(1,385,638)</b>	<b>-33.5%</b>	<b>(1,314,591)</b>	<b>-31.2%</b>	<b>5.4%</b>
Selling Expenses	(823,080)	-19.9%	(750,737)	-17.8%	9.6%
General and Administrative Expenses	(555,835)	-13.4%	(586,665)	-13.9%	-5.3%
Other Operating Income (Expenses)	(6,723)	-0.2%	22,811	0.5%	n.a.
<b>Income before Financial Result</b>	<b>1,115,374</b>	<b>26.9%</b>	<b>1,356,530</b>	<b>32.2%</b>	<b>-17.8%</b>
<b>Financial Result</b>	<b>198,616</b>	<b>4.8%</b>	<b>177,967</b>	<b>4.2%</b>	<b>11.6%</b>
Financial Expenses	(112,506)	-2.7%	(73,564)	-1.7%	52.9%
Financial Revenues	311,122	7.5%	251,531	6.0%	23.7%
<b>Income from Operations</b>	<b>1,313,990</b>	<b>31.7%</b>	<b>1,534,497</b>	<b>36.5%</b>	<b>-14.4%</b>
Income and Social Contribution Tax	(23,410)	-0.6%	(42,837)	-1.0%	-45.4%
Current	(67,033)	-1.6%	(87,508)	-2.1%	-23.4%
Deferred	43,623	1.1%	44,671	1.1%	-2.3%
<b>Net Income</b>	<b>1,290,580</b>	<b>31.2%</b>	<b>1,491,660</b>	<b>35.4%</b>	<b>-13.5%</b>

## APPENDIX 6 – CASH FLOW STATEMENT

R\$ 000	3Q18	3Q17	2Q18
<b>Net Income before Income Taxes</b>	<b>363,786</b>	<b>464,104</b>	<b>465,368</b>
Net Income (Loss) Adjustments before Income Taxes			
Depreciation and Amortization	112,870	104,914	103,092
Provision for Doubtful Accounts	155,067	165,519	182,770
Provision for Tax, Labor and Civil Losses	98,300	(29,588)	(14,829)
Provision (Reversal) for Inventories Losses	(108)	129	(72)
Financial Charges	56,054	14,826	7,824
Income from Securities	(63,514)	(37,231)	(12,244)
Grant of Stock Options	5,042	8,926	802
Income from disposal of subsidiaries	(9,165)	-	5,684
Income from sale or disposal of assets and other investments	-	(21,797)	-
<b>Changes in Working Capital</b>	<b>(50,802)</b>	<b>(159,667)</b>	<b>(304,300)</b>
(Increase) Reduction in Accounts Receivable (ex-FIES)	(278,848)	(249,525)	(375,142)
(Increase) Reduction in Accounts Receivable FIES	475,043	109,157	(33,500)
(Increase) Reduction in Inventories	(6,342)	1,835	3,812
(Increase) Reduction in Advances	3,076	14,372	(27,044)
(Increase) Reduction in Recoverable Taxes	(9,970)	10,069	11,289
(Increase) Decrease in Escrow Deposits	(19)	(17,499)	(2,571)
Increase (Decrease) in Other Assets	5,920	(22,990)	(67,961)
Increase (Reduction) in Suppliers	(30,230)	(8,470)	196,729
Increase (Decrease) in Payroll and Related Taxes	39,296	26,879	58,185
Increase (Decrease) in Fiscal Obligations	7,370	(1,470)	(6,294)
Increase (Decrease) in Advances to Clients	(90,451)	5,423	18,362
(Decrease) in Taxes Installments	356	(991)	(4,087)
(Decrease) in Provision for Tax, Labor and Civil Losses	(35,385)	(24,445)	(28,188)
Increase (Decrease) in Other Liabilities	(130,618)	(2,012)	(47,890)
<b>Income Tax and Social Contribution</b>	<b>(8,270)</b>	<b>(12,055)</b>	<b>(8,369)</b>
<b>Capex</b>	<b>(121,010)</b>	<b>(82,695)</b>	<b>(107,660)</b>
Additions to Fixed Assets	(69,583)	(32,466)	(44,348)
Additions to Intangible Assets	(51,427)	(50,229)	(63,312)
<b>Cash Flow from Operating Activities after Capex - Recurring</b>	<b>538,250</b>	<b>415,385</b>	<b>318,066</b>
<b>Capex - Special Projects</b>	<b>(72,086)</b>	<b>(17,681)</b>	<b>(55,094)</b>
Brownfields	(72,086)	(17,681)	(55,094)
<b>Cash Flow from Operating Activities after total Capex</b>	<b>466,165</b>	<b>397,704</b>	<b>262,971</b>
<b>(+) M&amp;A Activities</b>	<b>(83,390)</b>	<b>(15,314)</b>	<b>(107,093)</b>
Acquisition of subsidiaries	(67,510)	889	(105,652)
Accounts Receivable from former owners	(2,245)	(830)	(898)
M&A Costs and Expenses	1,365	427	(543)
Proceeds from sale of investments	(15,000)	(15,800)	-
<b>(+) Cash Flow from Financing Activities</b>	<b>5,282,117</b>	<b>(147,917)</b>	<b>(564,010)</b>
Sale (Acquisition) of Treasury Shares	(7,805)	2,862	(203,770)
Capital Increase, Net of Issuance Costs	4,914	90,312	1,619
Issuance of CCB, net of issuance costs	-	-	-
Borrowings and financing	5,500,000	-	-
Payments of Borrowings and Financing	(51,451)	(51,516)	(22,701)
Interest Paid on Borrowings and Debentures	(30,489)	(9,004)	(9,635)
Redemption (Investment) of Securities	51,786	30,658	12,410
Refis Payment	(360)	(1,674)	(348)
Bank and Charges Fees	(6,888)	(1,648)	(12,479)
Payment of Dividends	(177,591)	(207,906)	(329,106)
<b>(=) Cash Flow from Non-Operating Activities</b>	<b>5,198,726</b>	<b>(163,231)</b>	<b>(671,103)</b>
<b>Total Cash Generation</b>	<b>5,664,891</b>	<b>234,473</b>	<b>(408,131)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>			
Cash and Cash Equivalents at the Start of the Period	1,127,746	1,403,843	1,535,877
Cash and Cash Equivalents at the End of the Period	6,792,637	1,638,316	1,127,746
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>5,664,891</b>	<b>234,473</b>	<b>(408,131)</b>