(A free translation of the original in Portuguese)

Kroton Educacional S.A.

Quarterly information (ITR) at June 30, 2018 and report on review

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Company information/Capital composition

Number of shares (In thousands)	Current quarter 6/30/2018
Paid-up capital	
Common shares	1,644,248,206
Preferred shares	0
Total	1,644,248,206
Treasury shares	
Common shares	16,957,165
Preferred shares	0
Total	16,957,165

Parent company financial statements/Balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2018	Prior year 12/31/2017
1	Total assets	16,527,325	16,190,160
1.01	Current assets	56,180	203,080
1.01.01	Cash and cash equivalents	52,484	200,570
1.01.06	Taxes recoverable	3,356	2,308
1.01.08	Other current assets	340	202
1.01.08.03	Other	340	202
1.01.08.03.01	Advances	0	29
1.01.08.03.02	Other credits	340	173
1.02	Non-current assets	16,471,145	15,987,080
1.02.01	Long-term receivables	44,339	44,862
1.02.01.10	Other non-current assets	44,339	44,862
1.02.01.09.03	Other receivables	288	285
1.02.01.09.04	Guarantees for tax, labor, and civil provision	44,051	44,577
1.02.02	Investments	16,364,135	15,878,784
1.02.04	Intangible assets	62,671	63,434

Parent company financial statements/Balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2018	Prior year 12/31/2017
2	Total liabilities and equity	16,527,325	16,190,160
2.01	Current liabilities	37,862	178,870
2.01.01	Social security and labor liabilities	37,188	85,527
2.01.02	Trade payables	319	221
2.01.03	Tax liabilities	290	321
2.01.03.01	Federal tax liabilities	290	321
2.01.03.01.02	Taxes payable	290	321
2.01.05	Other liabilities	65	92,801
2.01.05.02	Other	65	92,801
2.01.05.02.04	Dividends payable	0	92,780
2.01.05.02.07	Other accounts payable	65	21
2.02	Non-current liabilities	767,010	803,564
2.02.02	Other obligations	5	0
2.02.02.02	Other	5	0
2.02.02.02.05	Other payables	5	0
2.02.03	Deferred taxes	682,096	694,320
2.02.04	Provision	84,909	109,244
2.02.04.01	Tax, social security, labor and civil provision	84,909	109,244
2.03	Equity	15,722,453	15,207,726
2.03.01	Paid-up capital	4,425,677	4,363,825
2.03.02	Capital reserves	6,133,615	6,337,176
2.03.02.05	Treasury shares	-221,207	-2,506
2.03.02.07	Other reserves	6,354,822	6,339,682
2.03.04	Revenue reserves	4,220,399	4,506,725
2.03.05	Retained earnings	942,762	0

Parent company financial statements/Statement of income

(R$ thousand unless otherwise stated)

1 - Code	2 - Description	Current quarter 4/1/2018 to 6/30/2018	Accumulated - current year 1/1/2018 to 6/30/2018	Same quarter of prior year 4/1/2017 to 6/30/2017	Accumulated - prior year 1/1/2017 to 6/30/2017
3.04	Operating income	459,104	927,225	534,295	1,015,399
3.04.02	General and administrative expenses	-31,044	19,812	-29,271	8,453
3.04.06	Equity in the results of investees	490,148	907,413	563,566	1,006,946
3.05	Profit before finance results and taxes	459,104	927,225	534,295	1,015,399
3.06	Finance results	1,242	3,814	749	847
3.06.01	Finance income	1,435	4,374	1,849	3,574
3.06.02	Finance costs	-193	-560	-1,100	-2,727
3.07	Profit before taxation	460,346	931,039	535,044	1,016,246
3.08	Income tax and social contribution on net income	7,001	11,723	12,108	24,579
3.08.01	Current	890	-500	-714	-714
3.08.02	Deferred	6,111	12,223	12,822	25,293
3.09	Net result of continued operations	467,347	942,762	547,152	1,040,825
3.11	Profit for the period	467,347	942,762	547,152	1,040,825
3.99	Earnings per share - (reais/share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.58000	0.58000	0.64000	0.64000
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.57000	0.57000	0.63000	0.63000

Parent company financial statements/Statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2018 to 6/30/2018	Accumulated - current year 1/1/2018 to 6/30/2018	Same quarter of prior year 4/1/2017 to 6/30/2017	Accumulated - prior year 1/1/2017 to 6/30/2017
4.01	Profit for the period	467,347	942,762	547,152	1,040,825
4.03	Comprehensive income for the period	467,347	942,762	547,152	1,040,825

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

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2018 to 6/30/2018	Accumulated - prior year 1/1/2017 to 6/30/2017
6.01	Net cash provided by (used in) operating activities	1,529	-346
6.01.01	Cash provided by operations	44,373	71,577
6.01.01.01	Profit before income tax and social contribution	931,039	1,016,246
6.01.01.02	Depreciation and amortization	29,119	74,488
6.01.01.04	Provision for tax, labor and civil losses	-23,803	-30,572
6.01.01.08	Options granted	15,431	18,361
6.01.01.11	Equity in the results of investees	-907,413	-1,006,946
6.01.02	Changes in assets and liabilities	-42,844	-71,527
6.01.02.03	(Increase) decrease in prepayments	29	0
6.01.02.04	Increase (decrease) in taxes recoverable	-1,048	39
6.01.02.05	Increase (decrease) in judicial deposits	-3	154
6.01.02.06	Increase (decrease) in other receivables	-167	-553
6.01.02.07	Increase (decrease) in trade payables	98	323
6.01.02.08	Increase (decrease) in labor obligations	-48,339	-70,805
6.01.02.09	Decrease in tax obligations	-532	-589
6.01.02.12	Decrease in the provision for tax, labor, and civil losses	-6	-93
6.01.02.13	Increase (decrease) in other accounts payable	7,124	-3
6.01.03	Other	0	-396
6.01.03.01	Income tax and social contribution paid	0	-396
6.02	Net cash provided by investing activities	386,340	329,749
6.02.07	Capital increase in subsidiaries	-240,000	0
6.02.09	Receipt of dividends of subsidiaries	626,340	329,749
6.03	Net cash provided by financing activities	-535,955	-301,250
6.03.01	Disposals (acquisitions) of treasury shares	-218,701	12,037
6.03.02	Capital increase, net of issuance costs	11,852	0
6.03.05	Payment of dividends to stockholders	-329,106	-313,287
6.05	Increase (decrease) in cash and cash equivalents	-148,086	28,153
6.05.01	Cash and cash equivalents at the beginning of the period	200,570	58,390
6.05.02	Cash and cash equivalents at the end of the period	52,484	86,543

Parent company financial statements/Statement of changes in equity - 1/1/2018 to 6/30/2018

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity
5.01	Opening balances	4,363,825	6,337,176	4,506,725	0	0	15,207,726
5.03	Adjusted opening balances	4,363,825	6,337,176	4,506,725	0	0	15,207,726
5.04	Equity transactions with stockholders	61,852	-203,561	-50,000	-236,326	0	-428,035
5.04.01	Capital increases	61,852	0	-50,000	0	0	11,852
5.04.03	Options granted	0	15,431	0	0	0	15,431
5.04.04	Treasury shares acquired	0	-220,281	0	0	0	-220,281
5.04.05	Treasury shares sold	0	1,289	0	0	0	1,289
5.04.06	Dividends	0	0	0	-236,326	0	-236,326
5.05	Total comprehensive income	0	0	0	942,762	0	942,762
5.05.01	Profit for the period	0	0	0	942,762	0	942,762
5.07	Closing balances	4,425,677	6,133,615	4,456,725	706,436	0	15,722,453

Parent company financial statements/Statement of changes in equity - 1/1/2017 to 6/30/2017

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity
5.01	Opening balances	4,249,901	6,279,511	3,319,952	0	0	13,849,364
5.03	Adjusted opening balances	4,249,901	6,279,511	3,319,952	0	0	13,849,364
5.04	Equity transactions with stockholders	0	30,398	0	-223,585	0	-193,187
5.04.03	Options granted	0	18,324	0	0	0	18,324
5.04.05	Treasury shares sold	0	12,074	0	0	0	12,074
5.04.06	Dividends	0	0	0	-223,585	0	-223,585
5.05	Total comprehensive income	0	0	0	1,040,825	0	1,040,825
5.05.01	Profit for the period	0	0	0	1,040,825	0	1,040,825
5.07	Closing balances	4,249,901	6,309,909	3,319,952	817,240	0	14,697,002

Parent company financial statements/Statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2018 to 6/30/2018	Accumulated - prior year 1/1/2017 to 6/30/2017
7.02	Inputs acquired from third parties	15,096	30,499
7.02.01	Cost of products and services rendered	0	30,499
7.02.02	Materials, electricity, third-party services and other	15,096	0
7.03	Gross value added	15,096	30,499
7.04	Retentions	-29,119	-74,488
7.04.01	Depreciation, amortization and depletion	-29,119	-74,488
7.05	Net value added produced	-14,023	-43,989
7.06	Value added received through transfer	911,787	1,010,520
7.06.01	Equity in the results of investees	907,413	1,006,946
7.06.02	Finance income	4,374	3,574
7.07	Total value added to distribute	897,764	966,531
7.08	Distribution of value added	897,764	966,531
7.08.01	Personnel	-33,837	-52,481
7.08.01.01	Direct remuneration	-31,637	-52,006
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	-2,200	-475
7.08.02	Taxes, fees, and contributions	-11,721	-24,540
7.08.02.01	Federal	-11,724	-24,542
7.08.02.02	State	3	2
7.08.03	Remuneration of third-party capital	560	2,727
7.08.03.01	Interest	560	2,727
7.08.04	Remuneration of own capital	942,762	1,040,825
7.08.04.03	Retained earnings	942,762	1,040,825

Consolidated financial statements/Balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2018	Prior year 12/31/2017
1	Total assets	19,144,726	18,667,762
1.01	Current assets	3,411,109	3,536,141
1.01.01	Cash and cash equivalents	401,575	921,328
1.01.02	Financial investments	726,171	805,212
1.01.03	Accounts receivable	1,904,490	1,448,662
1.01.04	Inventories	8,363	11,540
1.01.06	Taxes recoverable	100,421	102,684
1.01.08	Other current assets	270,089	246,715
1.01.08.03	Other	270,089	246,715
1.01.08.03.01	Prepayments	53,879	48,065
1.01.08.03.02	Other accounts receivable	84,819	64,689
1.01.08.03.04	Accounts receivable for sale of subsidiaries	131,391	133,961
1.02	Non-current assets	15,733,617	15,131,621
1.02.01	Long-term receivables	2,290,589	1,901,270
1.02.01.02	Financial investments at fair value through other comprehensive income	1,017	6,729
1.02.01.04	Accounts receivable	604,460	447,809
1.02.01.04.01	Customers	604,460	447,809
1.02.01.07	Deferred taxes	730,669	689,208
1.02.01.10	Other non-current assets	954,443	757,524
1.02.01.10.03	Prepayments	1,680	1,680
1.02.01.10.04	Taxes recoverable	5,378	5,303
1.02.01.19.05	Accounts receivable for sale of subsidiaries	472,041	450,014
1.02.01.19.06	Guarantee for social security, labor, and civil provision	320,179	162,222
1.02.01.10.07	Judicial deposits	97,312	71,025
1.02.01.10.08	Other accounts receivable	57,853	67,280
1.02.03	Property and equipment	2,023,448	1,931,462
1.02.04	Intangible assets	11,419,580	11,298,889

Consolidated financial statements/Balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2018	Prior year 12/31/2017
2	Total liabilities and equity	19,144,726	18,667,762
2.01	Current liabilities	1,191,676	1,345,534
2.01.01	Social security and labor liabilities	344,265	328,429
2.01.02	Trade payables	343,923	314,285
2.01.03	Tax liabilities	108,609	104,583
2.01.03.01	Federal tax liabilities	108,609	104,583
2.01.03.01.01	Income tax and social contribution payable	29,986	32,215
2.01.03.01.02	Taxes payable	72,892	61,756
2.01.03.01.03	Taxes and contributions payable in installments	5,731	10,612
2.01.04	Borrowings	175,865	227,767
2.01.04.01	Borrowings	2,455	3,733
2.01.04.02	Debentures	173,410	224,034
2.01.05	Other liabilities	219,014	370,470
2.01.05.02	Other	219,014	370,470
2.01.05.02.04	Dividends payable	0	92,780
2.01.05.02.05	Accounts payable - acquisitions	58,734	107,907
2.01.05.02.06	Advances from customers	153,627	163,103
2.01.05.02.07	Other accounts payable	6,653	6,680
2.02	Non-current liabilities	2,230,597	2,114,502
2.02.01	Borrowings	53,645	76,114
2.02.01.01	Borrowings	32,395	33,614
2.02.01.02	Debentures	21,250	42,500
2.02.02	Other liabilities	134,708	78,108
2.02.02.02	Other	134,708	78,108
2.02.02.02.03	Taxes and contributions payable in installments	30,925	37,793
2.02.02.02.04	Accounts payable - acquisitions	83,413	14,879
2.02.02.02.05	Other accounts payable	20,370	25,436
2.02.03	Deferred taxes	1,376,856	1,370,041
2.02.04	Provision	665,388	590,239
2.02.04.01	Tax, social security, labor, and civil provision	665,388	590,239
2.03	Consolidated equity	15,722,453	15,207,726
2.03.01	Paid-up capital	4,425,677	4,363,825
2.03.02	Capital reserves	6,133,615	6,337,176
2.03.02.05	Treasury shares	-221,207	-2,506
2.03.02.07	Capital reserve	6,354,822	6,339,682
2.03.04	Revenue reserves	4,220,399	4,506,725
2.03.05	Retained earnings	942,762	0

Consolidated financial statements/Statement of income

(R$ thousand unless otherwise stated)

1 - Code	2 - Description	Current quarter 4/1/2018 to 6/30/2018	Accumulated - current year 1/1/2018 to 6/30/2018	Same quarter of prior year 4/1/2017 to 6/30/2017	Accumulated - prior year 1/1/2017 to 6/30/2017
3.01	Net revenue from sales and services	1,526,273	2,889,598	1,519,392	2,884,514
3.02	Cost of goods and/or services	-592,377	-1,082,928	-566,803	-1,023,559
3.02.01	Cost of sales	-10,386	-15,480	-8,344	-14,114
3.02.02	Cost of services	-581,991	-1,067,448	-558,459	-1,009,445
3.03	Gross profit	933,896	1,806,670	952,589	1,860,955
3.04	Operating expenses	-514,904	-962,061	-442,469	-902,352
3.04.01	Selling expenses	-303,029	-578,124	-245,211	-515,054
3.04.02	General and administrative expenses	-206,078	-377,410	-197,626	-386,838
3.04.05	Other operating income	-5,797	-6,527	368	-460
3.05	Profit before finance results and taxes	418,992	844,609	510,120	958,603
3.06	Finance results	46,379	105,593	45,326	111,789
3.06.01	Finance income	65,458	135,362	75,460	166,311
3.06.02	Finance costs	-19,079	-29,769	-30,134	-54,522
3.07	Profit before taxation	465,371	950,202	555,446	1,070,392
3.08	Income tax and social contribution on net income	1,976	-7,440	-8,294	-29,567
3.08.01	Current	-21,705	-42,086	-23,981	-69,031
3.08.02	Deferred	23,681	34,646	15,687	39,464
3.09	Net result of continued operations	467,347	942,762	547,152	1,040,825
3.11	Consolidated profit for the period	467,347	942,762	547,152	1,040,825
3.11.01	Attributable to the owners of the parent company	467,347	942,762	547,152	1,040,825
3.99	Earnings per share (reais/share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.58000	0.58000	0.64000	0.64000
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.57000	0.57000	0.63000	0.63000

Consolidated financial statements/Statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2018 to 6/30/2018	Accumulated - current year 1/1/2018 to 6/30/2018	Same quarter of prior year 4/1/2017 to 6/30/2017	Accumulated - prior year 1/1/2017 to 6/30/2017
4.01	Consolidated profit for the period	467,347	942,762	547,152	1,040,825
4.03	Consolidated comprehensive income for the period	467,347	942,762	547,152	1,040,825
4.03.01	Attributable to the owners of the parent company	467,347	942,762	547,152	1,040,825

Consolidated financial statements/Statement of cash flows - indirect method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2018 to 6/30/2018	Accumulated - prior year 1/1/2017 to 6/30/2017
6.01	Net cash provided by operating activities	394,792	712,742
6.01.01	Cash provided by operations	1,493,066	1,602,391
6.01.01.01	Profit before income tax and social contribution	950,202	1,070,392
6.01.01.02	Depreciation and amortization	205,315	206,147
6.01.01.03	Provision for doubtful accounts	343,606	310,750
6.01.01.04	Provision for tax, labor, and civil losses	-47,176	-35,502
6.01.01.05	Recording (reversal) of provision for inventory losses	24	239
6.01.01.06	Financial charges on borrowings and debentures	10,494	34,164
6.01.01.07	Financial charges on acquisitions	4,694	888
6.01.01.08	Options granted	15,431	18,324
6.01.01.10	Result from the sale or write-off of non-current assets	10,476	-3,011
6.01.02	Changes in assets and liabilities	-1,038,969	-802,838
6.01.02.01	(Increase) in trade receivables	-952,215	-704,196
6.01.02.02	(Increase) decrease in inventories	3,153	-352
6.01.02.03	(Increase) decrease in prepayments	-5,629	15,969
6.01.02.04	(Increase) decrease in taxes recoverable	50,381	-30,098
6.01.02.05	(Increase) decrease in judicial deposits	-25,593	-5,986
6.01.02.06	(Increase) decrease in other assets	-11,562	-32,291
6.01.02.07	Increase (decrease) in trade payables	29,226	3,891
6.01.02.08	Increase (decrease) in labor liabilities	13,081	-15,567
6.01.02.09	Increase (decrease) in tax liabilities	-34,545	4,091
6.01.02.10	Increase (decrease) in advances from customers	-11,401	16,244
6.01.02.11	(Decrease) in taxes and contributions payable in installments	-11,749	-3,162
6.01.02.12	(Decrease) in tax, labor, and civil provision	-46,982	-46,944
6.01.02.13	Increase (decrease) in other accounts payable	-35,134	-4,437
6.01.03	Other	-59,305	-86,811
6.01.03.01	Income tax and social contribution paid	-48,187	-51,542
6.01.03.02	Interest on borrowings and debentures paid	-11,118	-35,269
6.02	Net cash used in investing activities	-304,843	-487,118
6.02.01	Redemption of (investment in) marketable securities	85,351	-217,677
6.02.02	Purchases of property and equipment	-173,248	-144,886
6.02.03	Additions to intangible assets	-115,624	-72,762
6.02.04	Payables for acquisition	-112,782	-40,608
6.02.05	Acquisition of control, net of cash acquired	385	0
6.02.06	Acquisition of subsidiaries	10,216	0
6.02.08	Accounts receivable from former owners	859	-11,185
6.03	Net cash used in financing activities	-609,702	-382,647
6.03.01	Disposals of treasury shares	-218,701	12,074
6.03.02	Capital increase, net of issuance cost	11,852	0
6.03.04	Payment of borrowings	-73,747	-81,434
6.03.05	Payment of dividends to stockholders	-329,106	-313,287
6.05	Decrease in cash and cash equivalents	-519,753	-157,023
6.05.01	Cash and cash equivalents at the beginning of the period	921,328	940,367
6.05.02	Cash and cash equivalents at the end of the period	401,575	783,344

Consolidated financial statements/Statement of changes in equity - 1/1/2018 to 6/30/2018

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	4,363,825	6,337,176	4,506,725	0	0	15,207,726	0	15,207,726
5.03	Adjusted opening balances	4,363,825	6,337,176	4,506,725	0	0	15,207,726	0	15,207,726
5.04	Equity transactions with stockholders	61,852	-203,561	-50,000	-236,326	0	-428,035	0	-428,035
5.04.01	Capital increases	61,852	0	-50,000	0	0	11,852	0	11,852
5.04.03	Options granted	0	15,431	0	0	0	15,431	0	15,431
5.04.04	Treasury shares acquired	0	-220,281	0	0	0	-220,281	0	-220,281
5.04.05	Treasury shares sold	0	1,289	0	0	0	1,289	0	1,289
5.04.06	Dividends	0	0	0	-236,326	0	-236,326	0	-236,326
5.05	Total comprehensive income	0	0	0	942,762	0	942,762	0	942,762
5.05.01	Profit for the period	0	0	0	942,762	0	942,762	0	942,762
5.07	Closing balances	4,425,677	6,133,615	4,456,725	706,436	0	15,722,453	0	15,722,453

Consolidated financial statements/Statement of changes in equity - 1/1/2017 to 6/30/2017

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	4,249,901	6,279,511	3,319,952	0	0	13,849,364	0	13,849,364
5.03	Adjusted opening balances	4,249,901	6,279,511	3,319,952	0	0	13,849,364	0	13,849,364
5.04	Equity transactions with stockholders	0	30,398	0	-223,585	0	-193,187	0	-193,187
5.04.03	Options granted	0	18,324	0	0	0	18,324	0	18,324
5.04.05	Treasury shares sold	0	12,074	0	0	0	12,074	0	12,074
5.04.06	Dividends	0	0	0	-223,585	0	-223,585	0	-223,585
5.05	Total comprehensive income	0	0	0	1,040,825	0	1,040,825	0	1,040,825
5.05.01	Profit for the period	0	0	0	1,040,825	0	1,040,825	0	1,040,825
5.07	Closing balances	4,249,901	6,309,909	3,319,952	817,240	0	14,697,002	0	14,697,002

Consolidated financial statements/Statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2018 to 6/30/2018	Accumulated - prior year 1/1/2017 to 6/30/2017
7.01	Revenue	2,545,009	2,575,950
7.01.01	Revenue from sales of goods and services	2,889,598	2,884,514
7.01.02	Other revenue	-983	2,186
7.01.02.02	Other revenue, net	-983	2,186
7.01.04	Provision for doubtful accounts	-343,606	-310,750
7.02	Inputs purchased from third parties	-434,386	-377,797
7.02.01	Cost of sales and services	-7,180	-4,131
7.02.02	Materials, electricity, third-party services and other	-427,206	-373,666
7.03	Gross value added	2,110,623	2,198,153
7.04	Retentions	-205,315	-206,147
7.04.01	Depreciation, amortization and depletion	-205,315	-206,147
7.05	Net value added produced	1,905,308	1,992,006
7.06	Value added received through transfer	135,362	166,311
7.06.02	Finance income	135,362	166,311
7.07	Total value added to distribute	2,040,670	2,158,317
7.08	Distribution of value added	2,040,670	2,158,317
7.08.01	Personnel	837,274	805,925
7.08.01.01	Direct remuneration	591,012	559,807
7.08.01.02	Benefits	45,074	43,614
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	201,188	202,504
7.08.02	Taxes, fees and contributions	23,932	56,555
7.08.02.01	Federal	7,750	40,739
7.08.02.02	State	170	402
7.08.02.03	Municipal	16,012	15,414
7.08.03	Remuneration of third-party capital	236,702	255,012
7.08.03.01	Interest	29,769	54,522
7.08.03.02	Rentals	207,448	197,268
7.08.03.03	Other	-515	3,222
7.08.04	Remuneration of own capital	942,762	1,040,825
7.08.04.03	Retained earnings	942,762	1,040,825

Comments on company performance

Belo Horizonte, August 14, 2018 – Kroton Educacional S.A. (B3: KROT3; OTCQX: KROTY), "Kroton" or the "Company," announces today its results for the second quarter of 2018 (2Q18). The Company's financial information is presented on a consolidated basis and in Brazilian real, in accordance with Brazilian Corporate Law and Generally Accepted Accounting Principles in Brazil (BRGAAP), and already conforms to International Financial Reporting Standards (IFRS), except where stated otherwise.

MESSAGE FROM MANAGEMENT

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

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

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

On the strategy for our **Digital Transformation**, we have completed important steps in recent months. One of the most important of these was completely changing the methods for developing systems or the organization's way of working. In six months, we migrated 100% of Kroton's development teams to the agile

Comments on company performance

methodology. It was an aggressive process, since many large companies in the market have spent years pursuing this change. We were able to engage the entire team in a complete migration in a short period of time, which increases productivity and avoids any risks of teams working with a combination of old and new methodologies. The migration demanded the total commitment of everyone at the organization (both inside and outside of the technology area), but was a complete success. Today, we have over 500 professionals (IT and business) working on 55 agile teams, distributed among seven agile delivery "trains," supported by the methodology Scaled Agile Framework (SAFe), ensuring complete alignment between the business and technology areas, in order to deliver a faster, more flexible and more productive way of working.

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

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

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

Comments on company performance

and to sustain a unique level of financial and operating performance with much resilience. In this respect, we reaffirm our expectation of delivering the guidance we announced last quarter, with the results we achieved in the first six months corroborating this expectation.

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

OPERATING PERFORMANCE

POSTSECONDARY EDUCATION

Evolution in Number of Students

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

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

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

Comments on company performance

Evolution of Undergraduate Dropouts

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

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

FIES

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

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

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

Comments on company performance

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

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

Preparatory Courses (LFG), Unregulated Programs and Language Courses

Through the brand LFG, the Company offers preparatory courses for the examination of the Brazilian Bar Association (OAB) and for examinations for civil servant positions. Positioned as a reference in preparatory courses, LFG registered an average student base of 28,535 in 2Q18, representing expansion of 3.4% from the same period of 2017, reflecting the efforts to improve the operation carried out since the start of the year.

Kroton also offers short-duration open enrollment programs that allow students to increase their knowledge in various fields, such as Management, Education, Mathematics and Languages. In 2Q18, there were 33,515 students enrolled in these programs, down 13.5% from 2Q17.

PRIMARY & SECONDARY EDUCATION

As part of the Company's expansion strategy already disclosed to the market, Kroton created "Saber," a holding company exclusively dedicated to the Primary & Secondary Education market. Saber will consolidate all of Kroton's current operations in the Primary & Secondary Education business, which include learning systems and operating own and third-party schools, as well as any future deals that the Company eventually carries out in this segment, including asset acquisitions and their subsequent expansion through new units, using the brand of the acquired asset. Note that the educational projects of the institutions under the holding company Saber will be maintained, since they concentrate a large part of the value attributed to the brand.

Through the Pitágoras Network, which offers Learning Systems, including textbook collections, teacher training, educational assessments and other services to private schools in the Pre-School, Primary & Secondary

Comments on company performance

Education, the Company serves a total of 687 Associated Schools and approximately 227,000 students in the private sector, which represent increases of 2.2% and 3.1% compared to last year, respectively.

In April, Saber concluded its first acquisition, of Centro Educacional Leonardo Da Vinci ("CELV"). Founded in the 1990s and located in Vitória, Espírito Santo, CELV has unique facilities and serves 1,311 students (December 2017 base), 71% of whom are enrolled in full-time programs. With a strong focus on quality, CELV placed first in the state's ENEM examination for six times in recent years, and offers a bilingual program from primary to secondary school, including the option of a high school diploma that facilitates acceptance by U.S. universities. This was the first quarter in which CELV figures were incorporated into Kroton's primary and secondary education segment, increasing to 2 the number of own schools (Pitágoras and now CELV), in addition to the management contracts.

More recently, on April 22, Saber announced the execution of an agreement to acquire a controlling interest in Somos Educação S.A., which has complementary operations, offering a wide array of high-quality products and services in Primary & Secondary Education, including schools, learning systems, textbooks, publishing houses and language courses. With this acquisition, Saber will serve about 37,000 students in own schools, 25,000 students in language courses, 1.2 million students in partner private schools, in addition to reaching some 33 million students in public schools through the National Textbook Program (PNLD). Saber will also become an important community of teachers who use its products and services in Brazil, with approximately 85,000 professionals working in private schools and 1.7 million teachers in public schools. Saber will be responsible for renowned teaching institutions, such as Pitágoras, PH, Anglo, Red Balloon, and publishing houses, such as Ática, Scipione and Saraiva, among others, with a nationwide presence in all Brazilian states. The consummation of the transaction is subject to evaluation and prior approval by Brazil's antitrust authority CADE. Until all due validations are obtained and the operation is approved by the regulatory agency, the companies will continue to operate in a totally independent manner.

FINANCIAL PERFORMANCE

Revenue and Deductions

Deductions

In 2Q18, deductions as a ratio of gross revenue were 25.0%, up 3.4 p.p. from the previous year, due to the increased use of Tuition Adjustment Process (PAM) in the On-Campus Segment on account of the adjustment to classroom hours for a higher number of late enrollments, in addition to the higher amount of discounts granted, especially in relation to contract renegotiations and growth in the ProUni student base in the On-Campus Postsecondary and DL segments. The increase also reflected the higher volume of returned materials in the Primary and Secondary Education segment in the period, given the increased commercial activity with the distribution of school books of the second semester. These factors offset the decrease in charges related to

Comments on company performance

FIES, given the smaller FIES student base. In 1H18, deductions as a ratio of gross revenue were 23.8%, up 2.2. p.p. for the same reasons.

Net Revenue

Net revenue reached R$ 1,526.3 million in 2Q18, in line with the same period last year. The result was positively impacted by the improved mix of On-Campus Postsecondary Education programs, coupled with the higher number of out-of-pocket students from the admissions and re-enrollment processes at the start of the year and the higher average ticket in the segment in the period. Other products that positively contributed to the performance of On-campus revenue in the period were the Private Special Installment Plan (PEP) and the Late Enrollment Installment Plan (PMT), which not only are important sales tools, but also have the added benefit of not involving any discounts (even though their revenue is reduced by Adjustment to Present Value – APV). The result was also impacted, in the Primary and Secondary Education segment, by the inclusion of the figures from the Leonardo da Vinci School acquired in April, and by commercial activity in the period, with the sale of school books for the second semester of the year. These effects were partially offset by the decline in Net Revenue from the DL Postsecondary segment due to the lower PMT offering in the last admissions cycle. In the first six months, Net Revenue came to R$ 2,889.6 million, remaining stable compared to the same period a year ago.

Costs

In 2Q18, cost of goods and services corresponded to 38.8% of net revenue, up 1.5 p.p. from 2Q17, mainly due to the costs associated with the Company's growth projects, with significant expansion in the number of new units in recent months. This ends up creating additional costs related to faculty, rent and materials, which represent the main expenses in the On-Campus segment. Despite this pressure to spur future growth, all efforts related to projects to capture efficiency gains and streamline the cost structure remain in place. The greatest proof of this is that, despite the more than 29 new units opened or integrated to the portfolio, the increase in costs was only marginal, with some lines even presenting decreases. The result attests to the efforts made under initiatives such as implementing the operational research (OR) software, combined with the more efficient allocation of faculty and utilization of facilities and the negotiations related to strategic sourcing. In addition, the increased efficiency in the DL Postsecondary segment helped mitigate this increase in costs through economies of scale and initiatives such as streamlining of the online tutoring process as of last year, seeking to improve the services offered to students, the quality of answers and the productivity of the operation. Furthermore, the expansion of the 100%-online student base also had a positive impact on faculty costs, since their cost structure is lower compared to the once a week model. The Primary and Secondary Education segment saw an increase in logistics costs with the distribution of school materials for the coming semester, in addition to the impact of the consolidation of the results of Leonardo da Vinci in the Company's financial statements. As a result, in 1H18, cost of goods and services as a ratio of net revenue was 37.5%, up 2.0 p.p. from the same period in 2017.

Comments on company performance

Gross income

Gross income totaled R$933.9 million, with margin of 61.2%, down 2.0% and 1.5 p.p., respectively, compared to the same period last year, due to the increased costs to sustain the organic growth plan announced by the Company. In 1H18, gross income was R$1,806.7 million, with margin of 62.5%, down 2.9% and 2.0 p.p. compared to the first semester last year.

Operating expenses

Selling Expenses

Selling expenses, which include expenses with the sales team, advertising and marketing, copyrights and the Provision for Doubtful Accounts (PDA), corresponded to 19.9% of net revenue in 2Q18, up 3.7 p.p. from the same period in 2017. The increase is due to the upturn in provisioning for losses, which, in turn, reflect the higher share of students with PEP and PMT, in addition to the increases in the PDA for Out-of-Pocket students in the On-Campus and DL segments to better reflect the change in the student base mix, increased dropouts in the period and a challenging macroeconomic environment, with the worsening of delinquency indicators. Marketing expenses also increased in the quarter, mainly due to the fiercer competitive landscape in the DL segment and the promotion of the brand in new regions, both in relation to new on-campus units and new DL centers. In 1H18, selling expenses as a ratio of net revenue were 20.0%, up 2.2 p.p., impacted by the same reasons above.

General and Administrative Expenses

General and administrative expenses include expenses with administrative personnel, consulting services, travel, outsourcing and others. In 2Q18, these expenses corresponded to 13.5% of net revenue, increasing 0.5 p.p. compared to the prior year, mainly due to the increased headcount and administrative expenses related to the new On-campus units, especially regarding utilities, as well as the higher number of centers. On the other hand, in the Primary and Secondary Education segment, despite the integration of Leonardo da Vinci, general and administrative expenses decreased, reflecting the increase in revenue during the period and greater control over these expenses. In 1H18, this group of expenses corresponded to 13.1% of net revenue, improving 0.3 p.p. on the year-ago period.

Other Operating Income (Expenses)

Other operating expenses came to R$5.8 million in 2Q18, corresponding to 0.4% of net revenue, compared to revenue of R$368 thousand in 2Q17. In 1H18, other operating expenses reached R$6.5 million, or 0.2% of net revenue, up 0.2 p.p. compared to 1H17.

Comments on company performance

Financial Result

In 2Q18, the Company registered a 13.3% decrease in financial income directly due to the lower cash balance in the period, which is explained by two dividend distributions in a single quarter (for the results of 4Q17 and 1Q18) and by the expenditures made in the period to acquire assets (Leonardo da Vinci and one On-Campus unit in Bacabal) and buy back shares. Furthermore, the significant decrease in interest rates in the last 12 months also had an adverse effect on interest income from financial investments. However, since lower interest rates also have a positive impact on interest expenses on borrowings, combined with the amortization of part of the Company's debt, Kroton's consolidated financial result was positive R$46.4 million in 2Q18, up 2.3% from the same period in 2017. In 1H18, the consolidated financial result was R$105.6 million, down 5.5% compared to the previous year, mainly due to the lower financial income in the period.

Net Income (Loss)

Net income amounted to R$467.3 million in 2Q18, down 14.6%, with margin of 30.6%, down 5.4 p.p. from 2Q17. The factors behind this performance include the asset divestments at the end of last year, the higher depreciation of investments in the production of content and technology, which have shorter useful lives, and the lower financial result in the period. These effects, combined with operational pressures, especially the change in the student profile, the still-challenging economic environment and higher competition, mitigated all the efforts to increase the Company's efficiency through more austere management of costs and expenses. In 1H18, net income amounted to R$942.8 million, with net margin of 32.6%, representing decreases of 9.4% and 3.5 p.p., respectively, on the prior-year periods.

Investments

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

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

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

Comments on company performance

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

Net Debt

At the end of 2Q18, total cash and financial investments stood at R$1,128.8 million, down 26.8% from the prior quarter. As explained in the comments on the financial result, the decrease in cash and cash equivalents is related to share buybacks in the quarter, which amounted to roughly R$205 million, the distribution of dividends for two periods (4Q17 and 1Q18), in the aggregate amount of R$329 million, and the disbursement of R$106 million for the acquisition of assets and payment of part of the Company's debentures, in the amount of R$21.3 million (R$28.0 million including interest and charges). Consequently, the net cash balance at the end of 2Q18 was R$899.3 million, down 30.3% from 1Q18, since the disbursements offset the strong cash generation in the period. Considering all short-term and long-term obligations, which include taxes and contributions paid in installments and the obligations and rights related to past acquisitions, Kroton ended the period with net cash of R$720.5 million. Total long-term obligations include amounts related to the installment payments for acquisitions, especially those for Uniasselvi, which are being paid in six annual installments since 2013. In addition, it is important to remember that Kroton also has short-term and long-term receivables that will have a positive impact on its cash in the coming years. These receivables include both the short-term accounts receivables corresponding to one of the installments from the sale of Uniasselvi, FAIR and FAC/FAMAT and 50% of the FIES installments not paid in 2015, which were already credited in early August 2018 (impacting 3Q18), and the long-term accounts receivables related to the remaining 4 installments of the payment for Uniasselvi, FAIR and FAC/FAMAT adjusted to present value (excluding the earn-out amounts) that will be received annually through 2022. Therefore, adding all short-term and long-term receivables, the net cash balance was even more robust, surpassing R$1.7 billion and placing Kroton in a unique position in terms of its capital structure and poised to advance its growth projects.

Cash Flow

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

Therefore, operating cash generation before capex amounted to R$425.7 million in 2Q18, which is 23.5% lower than in 2Q17 due to the higher cash burn and higher PDA to cover the Company's installment payment

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

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

CAPITAL MARKETS AND SUBSEQUENT EVENTS

STOCK PERFORMANCE

Kroton stock (KROT3) is a component of several indices, such as the Bovespa Index (Ibovespa), Special Corporate Governance Stock Index (IGC), Special Tag-Along Stock Index (ITAG), Consumption Sector Index (ICON) and MSCI Brazil. The stock was traded in 100% of trading sessions during 2Q18, registering financial trading volume of R$7.8 billion and 1,375,044 trades in the period, which represents average daily trading volume of R$124.7 million. On June 30, 2018, Kroton's market capitalization was R$15.3 billion.

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

SHARE BUYBACK PROGRAM

On June 28, 2017, the Company approved its 6th share buyback program, which will be valid for 18 months and authorizes the acquisition of up to 48,773,702 shares, which corresponds to 3% of the free-float on said date. Since the launch of the program through July 31, 2018, a total of 17,412,500 common shares issued by

Comments on company performance

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.

OWNERSHIP STRUCTURE

After the capital increases approved in the first quarter, Kroton’s share capital is divided into 1,644,248,206 common shares.

DIVIDENDS

In a Meeting held on August 14, 2017, the Board of Directors approved the distribution of dividends related to the results for the second quarter of 2018 in the amount of R$177.6 million, which will be calculated towards the minimum mandatory dividend for 2018 and corresponds to R$0.1091546243 per common share and to 40% of adjusted net income, after deduction of the legal reserve. Shareholders of record at the close of trading on August 20, 2018 are entitled to the dividends.

ABOUT KROTON EDUCACIONAL

Kroton Educacional S.A. is one of the largest private for-profit educational organizations in the world. Operating for over 50 years, the Company has a nationwide presence in all of Brazil’s states. At the end of 2Q18, Kroton had around 937,000 students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 128 Postsecondary units and its 1,210 Distance Learning centers. It also offers Preparatory Courses under the brand LFG. In Primary & Secondary Education, its main business is offering Learning Systems, which in 2018 served 687 private schools in the country, and the management of own schools, such as Pitágoras in Belo Horizonte and Leonardo da Vinci in Vitória.

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

NOTES TO THE PARENT COMPANY AND CONSOLIDATED
INTERIM ACCOUNTING INFORMATION FOR
THE QUARTER ENDED JUNE 30, 2018
(All amounts in thousands of reais unless otherwise stated)

1. GENERAL INFORMATION

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

The Group has 27 companies, including Kroton Educacional S.A., of which 13 maintain higher education institutions, being: nine constituted as limited liability corporate entities and four as a corporation, and comprising 136 Higher education units, present in 15 Brazilian states and 74 cities, in addition to 1,180 Distance-Learning Graduation Centers, accredited by the Ministry of Education and Culture (MEC), located in all the Brazilian states and the Federal District. The Company also counts on more than 870 associated Basic Education schools all over Brazil.

1.1. ACQUISITIONS OF SUBSIDIARIES

SOMOS

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

The Contract was executed by the Company and certain investment funds managed by Tarpon Gestora de Recursos S.A. (the seller), which are also stockholders of SOMOS.

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

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

CELV and DA VINCI

On April 10, 2018, the Company concluded the acquisition of 100% of the capital of Centro Educacional Leonardo da Vinci S/S Ltda. ("CELV") and of Da Vinci Serviços Educacionais Ltda. ("DA VINCI"). The main purpose of this acquisition is to follow the Company's expansion plan in the basic education area via renowned prime companies in the teaching industry.

We present below a summary of the main balance sheet account groups of the acquired companies, at the date of acquisition, with the purpose of allowing a better understanding of the interim accounting information for the period ended June 30, 2018.

TABLE 1 - Balance sheet at April 10, 2018

ASSETS	CELV	DA VINCI	LIABILITIES AND EQUITY	CELV	DA VINCI
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	46	3	Accounts payable	132	88
Marketable securities	308	259	Salaries and payroll charges	1,363	651
Accounts receivable	1,181	178	Tax obligations	388	870
Advances	78	49	Advances from customers	1,341	584
Taxes recoverable	3	3	Total current liabilities	3,224	2,193
Total current assets	1,616	492			
			NON-CURRENT LIABILITIES		
NON-CURRENT ASSETS			Provision for tax, labor and civil losses	164,648	37
Guarantees for tax, labor and civil losses	164,648	37	Other payables	1,410	397
Judicial deposits	676	-	Total non-current liabilities	166,058	434
Property and equipment	1,256	1,491			
Intangible assets	70	-			
Total non-current assets	166,650	1,528	TOTAL LIABILITIES	169,282	2,627
			EQUITY		
			Share capital	2,839	1,870
			Revenue reserves	(3.855)	(2,477)
			Total equity	(1,016)	(607)
TOTAL ASSETS	168,266	2,020	TOTAL LIABILITIES AND EQUITY	168,266	2,020

FATECI and CLAUDER

On March 7, 2018, the Company concluded the acquisition of 100% of the capital of Fateci Cursos Técnicos S/S ("FATECI") and of Clauder Ciarlini Filho S/S ("CLAUDER"). The acquisition amount is R$ 16,450, of which R$ 8,100 to be paid in a lump sum and R$ 8,350 to be paid in five equal

installments with maturity date in 2023. This acquisition generated goodwill of R$ 25,043.

We present below a summary of the main balance sheet account groups of the acquired companies, at the date of acquisition, with the purpose of allowing a better understanding of the interim accounting information for the period ended June 30, 2018.

TABLE 2 - Balance sheets at March 7, 2018

ASSETS	FATECI	CLAUDER	LIABILITIES AND EQUITY	FATECI	CLAUDER
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	35	301	Accounts payable	10	182
Accounts receivable	153	2,358	Salaries and payroll charges	223	518
Advances	-	58	Tax obligations	13	95
Total current assets	188	2,717	Total current liabilities	246	795
NON-CURRENT ASSETS			NON-CURRENT LIABILITIES		
Marketable securities	-	31	Provision for tax, labor and civil losses	-	20,225
Guarantees for tax, labor and civil losses	-	19	Total non-current liabilities	-	20,225
Judicial deposits	-	8,874			
Property and equipment	11	833	TOTAL LIABILITIES	246	21,020
Total non-current assets	11	9,757			
			EQUITY		
			Share capital	100	2,100
			Accumulated deficit	(147)	(10,646)
			Total equity	(47)	(8,546)
TOTAL ASSETS	199	12,474	TOTAL LIABILITIES AND EQUITY	199	12,474

Taking into account the acquisitions of CELV, DA VINCI, FATECI, and CLAUDER, all concluded during the first half of 2018, the comparison of the Group's consolidated interim accounting information at June 30, 2018 with that for the year ended December 31, 2017 must consider the balance sheets of the acquired companies.

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING PRACTICES

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

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

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

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

No material changes were made in the accounting policies to those disclosed in the financial statements for the year ended December 31, 2017, except with regard to the adoption of IFRS 15, "Revenue from Contracts with Customers" and IFRS 9, "Financial Instruments". These are commented on below:

IFRS 9 - Financial Instruments

The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The main IFRS 9 changes consist of the new criteria for the classification of financial assets under three categories (measured at fair value through other comprehensive income, measured at amortized cost, and measured at fair value through profit or loss), depending on the characteristics of each instrument and the purpose for which they were acquired. They can be classified in profit or loss or in other comprehensive income. The standard also introduces a new impairment model for financial assets, which is an "expected credit losses" prospective template based on the historic losses incurred, replacing the current model of incurred losses, in addition to the relaxation of the requirements for adoption of hedge accounting.

After analyzing the measurement and classification of financial assets and liabilities as well as the credit and impairment risks, the Company concluded that IFRS 9 would result in no impacts, since the Company already complies with the expected loss concept, in addition to the fact that the disclosure of its financial assets and liabilities was not affected.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 introduces the principles that an entity will apply to establish the revenue measurement and recognition, based on five steps: a) identify the contract(s) with a customer; b) identify the performance obligations in the contract; c) determine the transaction price; d) allocate the transaction price to the performance obligations in the contract; and d) recognize revenue when (or as) the entity satisfies a performance obligation. IFRS 15 replaces IAS 11, "Construction Contracts", and IAS 18, "Revenue", and their respective interpretations.

The changes establish the criteria for the measurement and accounting of sales as they have been effectively carried out, with their proper disclosure, as well as the accounting of the amounts for which the Company has the rights in the operation, considering any estimated impairment.

Management assessed this new standard and identified no impacts on its interim accounting information, taking into consideration the nature of the education services rendered by the Company's three business segments, since it is possible to identify the rights of each party, the payment terms are clear, there is commercial substance, and it is probable that the entity will receive the amount to which the performance obligation is linked.

The issue of the parent company and consolidated interim accounting information was approved by the Board of Directors in a meeting held on August 14, 2018.

2.1. NEW STANDARDS, AMENDMENTS TO AND INTERPRETATIONS OF STANDARDS

IFRS 16 - Leases

This new standard replaces IAS 17, "Leases" and the corresponding interpretations and requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The criteria for recognition and measurement of leases in the interim accounting information of the lessors are substantially maintained. The standard became effective as from January 1, 2019. Management is currently assessing the related impacts, mainly in terms of those related to third-party leases.

3. FINANCIAL RISK MANAGEMENT

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

3.1. Financial risk factors

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

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

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

a) Market risk - cash flow interest rate risk

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

Interest rates contracted are as follows:

TABLE 3 - Contracted interest rates

	Consolidated		
	6/30/2018	12/31/2017	Interest rate
Borrowings			
Leasing	34,850	37,221	IPCA
Leasing - Equipment and Other	-	126	6.7% p.a.
Debentures	194,660	266,534	100% of the CDI + interest of 1.5% to 2% p.a.
Accounts payable for acquisitions	76,703	66,262	CDI
Accounts payable for acquisitions	52,882	44,954	IPCA
Accounts payable for acquisitions (i)	12,562	11,570	Other
Total	371,657	426,667	

CDI - Interbank Deposit Certificate
IPCA - Amplified Consumer Price Index

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

b) Credit risk

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

c) Liquidity risk

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

TABLE 3.1 - Financial liabilities by maturity range

	Consolidated			
	Less than one year	Between one and two years	Over two years	Total
At June 30, 2018				
Suppliers	343,923	-	-	343,923
Borrowings	2,455	2,379	30,016	34,850
Debentures	173,410	21,250	-	194,660
Accounts payable for acquisitions	58,734	24,863	58,550	142,147
	578,522	48,492	88,566	715,580

TABLE 3.2 - Financial liabilities by maturity ranges - Projected

	Consolidated			
	Less than one year	Between one and two years	Over two years	Total
At June 30, 2018				
Suppliers	343,923	-	-	343,923
Borrowings	2,701	2,617	32,717	38,035
Debentures	182,525	22,306	-	204,831
Accounts payable - acquisitions	58,734	27,374	63,234	149,342
	587,883	52,297	95,951	736,131

The balances in Table 3.2 reflect the balances payable of principal and interest and monetary adjustment up to the last installment and, therefore, they do not reflect the balances presented in the related notes for the period ended June 30, 2018.

3.2. Capital management

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

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

At June 30, 2018, the Company's capital structure was aimed at promoting its growth strategy, whether organically or through acquisitions. The investment decisions consider the expected return potential.

The gearing ratios are as follows:

TABLE 4 - Calculation of the gearing ratios

	Consolidated	
	6/30/2018	12/31/2017
Borrowings, debentures and accounts payable due to acquisitions (i)	(371,657)	(426,667)
Cash and cash equivalents and marketable securities - current and non-current	1,128,763	1,733,269
Net cash	757,106	1,306,602
Equity	15,722,453	15,207,726
Gearing ratio	-4.82%	-8.59%

(i) See composition shown in Note 3 of borrowings, debentures and accounts payable due to acquisitions.

3.3. Sensitivity analysis

The following table presents the sensitivity analysis of the financial instruments, describing the risks that could generate losses for the Company, according to the assessment made by management, considering for a period as the most probable basic scenario in a 12-month horizon, the following projected rates: CDI - 7.35% and IPCA - 4.11% p.a. Additionally, two other scenarios are shown to present, respectively, a 25% and 50% deterioration of the risk variable considered.

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

TABLE 5 - Sensitivity analysis

					Consolidated
	Exposure at the base date 6/30/2018	Risk	Probable scenario	Possible scenario -25%	Remote scenario -50%
Financial investments and marketable securities	1,128,763	Reduction of the CDI	82,964	62,223	41,482
Debentures and accounts payable linked to the CDI	(271,363)	Reduction of the CDI	(19,945)	(14,959)	(9,973)
Accounts payable linked to the IPCA	(87,732)	Reduction of the IPCA	(3,606)	(2,704)	(1,803)
	769,668		59,413	44,560	29,706

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

4. FINANCIAL INSTRUMENTS BY CATEGORY

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

TABLE 6 - Financial instruments

	Consolidated					
	6/30/2018			12/31/2017		
	Loans and receivables	**Fair value through profit or loss**	**Total**	**Loans and receivables**	**Fair value through profit or loss**	**Total**
Assets as per balance sheet						
Cash and cash equivalents	401,622	-	401,622	921,328	-	921,328
Marketable securities	-	727,188	727,188	-	811,941	811,941
Trade and other receivables	2,664,124	-	2,664,124	2,040,890	-	2,040,890
	3,065,746	727,188	3,792,934	2,962,218	811,941	3,774,159

	Consolidated					
	6/30/2018			12/31/2017		
	Liabilities at fair value through profit or loss	**Other financial liabilities**	**Total**	**Liabilities at fair value through profit or loss**	**Other financial liabilities**	**Total**
Liabilities as per balance sheet						
Borrowings	-	34,850	34,850	-	37,347	37,347
Debentures	-	194,660	194,660	-	266,534	266,534
Trade and other payables, excluding legal obligations	-	513,093	513,093	-	469,187	469,187
	-	742,603	742,603	-	773,068	773,068

The Company's financial assets and liabilities at June 30, 2018 are recorded in the balance sheet at amounts that are consistent with those prevailing in the market.

The carrying amounts and market values of financial instruments are similar, except for debentures. In the period ended June 30, 2018, the total carrying amount of the debentures was R$ 194,660 and the fair value was R$ 178,560 (R$ 266,534 and R$ 244,670 at December 31, 2017, respectively).

5. BUSINESS COMBINATIONS

Note 1 describes that, on April 10, 2018, Saber acquired all quotas of the capital of CELV and DA VINCI (together, the "Companies" or "College").

The table below shows the preliminary allocation of the acquisition price between the future profitability goodwill and other intangible assets (customer portfolio):

	CELV	DA VINCI
Liabilities, net (Note 1.1)	1,016	607
Purchase price	72,531	47,469
Adjustment to present value	(465)	-
Surplus of the purchase price over the fair value preliminarily classified as goodwill	**73,082**	**48,076**
Allocation of goodwill		
Goodwill	43,040	19,279
Portfolio of customers	30,042	28,797

The economic reasons used for the acquisition of CELV and DA VINCI were as follows:

a) to increase the revenue by : i) opening new schools using the employees' experience and the renowned quality of the teaching services rendered by the College; ii) rendering new services, such as extracurricular and full-time courses; b) the College is recognized as the best school in the State of Espírito Santo, since it has obtained the top grade in the National High School Test ("ENEM") in the state for the last few years (six times in the last seven years); c) the College has a bilingual school, with international agreements, allowing that students obtain the High School degree that allows them to enroll in United States of America universities.

Regarding the customer portfolio, specifically, the specialized company that issued the reports was able to identify that there exists a regular, consistent relationship between the College and their students for a period, which determines that the current student portfolio is a relevant part of the amount paid in the acquisition. Accordingly, the relationship with the students has been identified as an intangible asset acquired in the transaction.

A turnover rate (or stress rate) was considered - that is, the student evasion in each period calculated from the student base's historical average loss of 8.3% p.a. The remaining useful lives were estimated as 13.72 years and 12.72 years for DA VINCI and CELV, respectively. They were calculated based on the concentration criteria of approximately 90% of the total flow generated by the asset should it have an indefinite useful life.

Because the customer portfolio's operational flow depends on other assets from both the companies (contribution-based assets) to make its future benefit feasible, the respective remunerations of each of them on these assets (working capital, property and equipment, and workforce) were considered in the future cash flows as projected for the "customer portfolio" intangible asset.

The main assumptions used in the business plan that validated the future profitability goodwill and provided subsidies for calculating the intangible asset allocated under the "customer portfolio" were: a) an average price growth close to the future inflation rate, that is, approximately 5% p.a.; b) conservative growth, close to 3.5% p.a., for the next few years, in the number of students, taking into account the opening of new classes and courses, using the installed capacity; c) decrease in costs by better using the current capacity as well as synergies due to the new purchase volume level, taking into account the possible set of the other parent company's units; d) the other assumptions used in the Business plan, such as investments and working capital, that follow the historical indicators.

For the calculation of the intangible asset's projected cash flow present value, a discount rate of 15.30% p.a. was adopted. This rate was estimated based on the Weighted Average Capital Cost ("WACC") calculated for CELV and DA VINCI, on the risks associated with the intangible asset, and in the estimated returns for its other assets.

The intangible asset's fair value includes the calculation of the tax benefit arising from the possible amortization of such fair value of the asset according to its estimated useful life (that is, the Tax Amortization Benefit), taking into consideration its acquisition by a potential market player.

In the specific case of the future profitability goodwill, it is based on the business plan prepared for purposes of the acquisition, and the main business assumptions used were considered by management as adequate, since they estimate revenue growth slightly above the expected inflation rate for the next few years based on the existing additional, significant potential for revenue through the installed student's base. Other cash flow items and discount rates adopt the same assumptions mentioned above for the customer portfolio.

On April 10, 2018, on a preliminary basis, the Company completed the process of validating the identifiable net assets, without any alterations or adjustments to be considered in the financial statements.

According to the Purchase Price Allocation preliminary report issued by Company's consultants, the balance of R$ 121,158 was allocated in "Intangible Assets" upon the acquisition of CELV and DA VINCI.

6. CREDIT QUALITY OF FINANCIAL ASSETS

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

TABLE 7 - Credit quality of financial assets

	Consolidated	
	6/30/2018	12/31/2017
Trade receivables (Note 9)		
Group 1 - higher education	3,828,280	2,995,692
Group 2 - basic education	47,384	79,788
	3,875,664	3,075,480

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

	Consolidated	
Cash and cash equivalents (Note 7)	6/30/2018	12/31/2017
AAA	272	1,144
AA+	-	60,166
AA (i)	12,919	845,743
A+	306,214	-
A	-	61
A-	81,594	13,884
Not applicable	576	330
	401,575	921,328
Marketable securities (Note 8)		
AAA	109,842	51,421
AA (i)	30,727	733,243
A+	570,557	3,240
Not applicable	16,062	24,037
	727,188	811,941

(i) The variation in the classification of balances between periods is attributed to the changes in ratings by risk-rating agencies such as Fitch Ratings.

7. CASH AND CASH EQUIVALENTS

TABLE 8 - Composition of cash and cash equivalents

	Parent company		Consolidated	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Cash				
Current account	91	133	353	294
	91	133	353	294
Financial investments				
Fixed-income fund	-	-	32,324	11,456
OPCM - Repurchase Operation	-	-	99,932	133,970
National Treasury Note ("NTNs")	52,393	200,437	205,008	713,176
Bank Deposit Certificate ("CDBs")	-	-	63,958	62,432
	52,393	200,437	401,222	921,034
	52,484	200,570	401,575	921,328

(i) NTNs are one-day financial investments made with private banks guaranteed by government securities.

The Company has short-term investments with high liquidity and immaterial risk of change in value. A significant portion of these investments are carried out through wholly-owned funds. Financial investments presented an average gross yield of 99.81% of the CDI rate at June 30, 2018 (100.79% of the CDI rate at December 31, 2017).

8. MARKETABLE SECURITIES

TABLE 9 - Composition of marketable securities

	Consolidated	
	6/30/2018	12/31/2017
National Treasury Bills ("LTNs")	-	34,746
Financial Bills ("LFs")	153,144	48,977
Financial Treasury Bills ("LFTs")	574,044	728,218
	727,188	811,941
Current	726,171	805,212
Non-current	1,017	6,729
	727,188	811,941

The average gross profitability of the marketable securities was 99.81% of the CDI rate at June 30, 2018

(December 31, 2017 - 100.79% of CDI).

9. TRADE RECEIVABLES

a) Composition

TABLE 10 - Composition of trade receivables

	Consolidated	
	6/30/2018	12/31/2017
Higher education (i)	3,828,280	2,999,080
Basic education	47,384	79,788
	3,875,664	3,078,868
Provision for doubtful accounts		
Higher education	(1,160,373)	(990,635)
Basic education	(4,441)	(4,095)
	(1,164,814)	(994,730)
Trade receivables, net	2,710,850	2,084,138
Adjustment to present value (ii)	(201,900)	(187,667)
	2,508,950	1,896,471
Current	1,904,490	1,448,662
Non-current (iii)	604,460	447,809
	2,508,950	1,896,471

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

(ii) The adjustment to present value ("APV") is calculated on the amounts of revenue recognized every month, which maturity date is in future periods, mainly for the products used by students who benefit from the PEP or the Late Enrollment Installment ("PMT"). The weighted average rate used to discount the amounts was 3.54% during the period.

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

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

The increase in accounts receivable is basically due to the increase in the investment of the installment products in the Company's revenue, such as PEP and PMT, in which part of the payment is only made after completion of the course. It is also connected to the current elevated volume of overdue tuition fees due to the unstable economic scenario and to the systemic integration of the different collection programs, where the concept consolidation has brought a short-term negative impact. Similarly, the provision for doubtful accounts linked to the PEP and PMT also increased, since the Company's policy is to make a provision of 50% of the amount divided into installments, net of the adjustments to present value.

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

At June 30, 2018, the receivables from FIES, net of the provision for Provision for doubtful accounts and the APV, amounted to R$ 825,150 (R$ 532,209 at December 31, 2017, including the balance of PN23).

b) Analysis of maturities

TABLE 11 - Maturities of trade receivables

	Consolidated	
	6/30/2018	12/31/2017
Not yet due	3,042,571	2,368,262
Past due		
Up to 30 days	153,373	126,868
From 31 to 60 days	136,521	112,281
From 61 to 90 days	120,575	99,643
From 91 to 365 days	422,624	371,814
Total past due	833,093	710,606
Provision for doubtful accounts	(1,164,814)	(994,730)
APV	(201,900)	(187,667)
	2,508,950	1,896,471

c) Provision for Provision for doubtful accounts and write-offs.

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

TABLE 12 - Changes in provision for the Provision for doubtful accounts

	Consolidated	
	6/30/2018	12/31/2017
Opening balance	(994,730)	(605,945)
Addition from acquiree	-	(2,710)
Write-off against trade receivables	173,522	197,105
Constitution	(343,606)	(583,180)
Closing balance	(1,164,814)	(994,730)

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

10. ACCOUNTS RECEIVABLE FOR THE SALE OF SUBSIDIARIES

TABLE 13 - Accounts receivable for the sale of subsidiaries

	Consolidated	
	6/30/2018	12/31/2017
UNIASSELVI	546,042	528,549
FAC	28,569	27,353
FAIR	16,319	15,623
Colégio Anchieta	4,546	4,438
NOVATEC	4,305	4,171
FCR	2,796	2,720
FAUSB	855	1,121
	603,432	583,975
Current	131,391	133,961
Non-current	472,041	450,014
	603,432	583,975

11. OTHER RECEIVABLES

TABLE 14 - Composition of other accounts receivable

	Consolidated	
	6/30/2018	12/31/2017
Prepaid expenses (i)	28,841	11,730
Receivables of acquired companies (ii)	78,133	81,265
National Institute of Social Security ("INSS") contribution recoverable (iii)	30,859	25,424
Other (iv)	4,839	13,550
Total	142,672	131,969
Current	84,819	64,689
Non-current	57,853	67,280
	142,672	131,969

(i) Mainly consists of: R$ 10,213 - marketing expenses; R$ 13,583 - Municipal real estate tax ("IPTU") expenses; R$ 2,907 - expenses for teaching material, and R$ 1,125 expenses for software licenses.

(ii) Mainly consist of accounts receivable from the Uniban Group's former owners amounting to R$ 65,528, of which a) R$ 32,571 with future maturity is related to a payment in installment of the Services Tax ("IASS") which is also provisioned in liabilities; and b) R$ 32,957 receivable from a number of

proceedings that are under the responsibility of the former sponsor. The amounts are under negotiation and discussion at the Arbitration Chamber. The Company is retaining the rental payments related to the real estate being used. In addition, the balance of R$ 12,605 consists of amounts receivable from another sponsor and is currently being challenge.

(iii) Consists mainly of INSS contribution recoverable originating from favorable judicial decisions regarding termination payments.

(iv) Consists mainly of balances receivable, amounting to R$ 2,477 and R$ 2,880, for the sale of two real estate units, the first located in the city of São Paulo and the second in the city of Santo André, respectively.

12. PROPERTY AND EQUIPMENT

TABLE 15 - Changes in property and equipment

	Consolidated						
	IT equipment	Furniture, equipment and fittings	Library	Buildings and improvements	Property and equipment in progress	Land	Total
At December 31, 2017	89,512	347,898	154,086	1,168,463	71,724	99,779	1,931,462
Additions	16,953	52,933	10,376	215	92,496	-	172,973
Business combination additions	147	1,214	404	1,827	-	-	3,592
Disposals	(985)	(572)	(1,410)	-	(440)	-	(3,407)
Depreciation	(17,339)	(23,984)	(12,621)	(27,228)	-	-	(81,172)
Transfers	-	-	-	84,525	(84,525)	-	-
At June 30, 2018	88,288	377,489	150,835	1,227,802	79,255	99,779	2,023,448
Annual average depreciation rate	30%	11%	10%	4%	-	-	

13. INTANGIBLE ASSETS

TABLE 16 - Composition of intangible assets

	Consolidated					
	Software	Content production	License to operate	Goodwill and intangible assets allocated	Other intangible assets	Total
At December 31, 2017	264,025	158,310	8,262	10,729,359	138,933	11,298,889
Additions (i)	48,936	46,364	4,324	146,374	5,561	251,559
Business combination additions	70	-	-	-	-	70
Disposals	(3,735)	(59)	(1,777)	(828)	(396)	(6,795)
Amortization	(32,668)	(44,049)	(1,053)	(36,248)	(10,125)	(124,143)
At June 30, 2018	276,628	160,566	9,756	10,838,657	133,973	11,419,580
Average annual amortization rate	20%	21%	33%	1%	5%	-

(i) Addition of allocated intangible asset and goodwill resulting mainly from the acquisition of the subsidiaries CELV and DA VINCI (Note 5).

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

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

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

TABLE 17 - Composition of goodwill and intangible assets allocated

	Consolidated	
	6/30/2018	12/31/2017
Goodwill (i)	8,602,662	8,505,515
Trademarks (ii)	1,518,575	1,554,526
Operation license and partner network (iii)	665,746	665,746
Portfolio of customers (iv)	51,511	3,234
Non-compete agreement (iv)	163	338
	10,838,657	10,729,359

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

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

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

(iv) Addition of customer portfolio in the acquisition of CELV and DA VINCI with estimated useful life of 13 years (others with estimated useful lives of 3.5 and five years).

14. INVESTMENTS

TABLE 18 - Composition of investments in subsidiaries

	Parent company	
	6/30/2018	12/31/2017
Editora e Distribuidora Educacional S.A. ("EDE")	5,851,119	5,353,840
Anhanguera Educacional Participações S.A. ("AESAPAR")	3,006,255	2,982,461
Subtotal	8,857,374	8,336,301
Goodwill, including of Anhanguera	7,506,761	7,542,483
Total	16,364,135	15,878,784

TABLE 19 - Information on direct subsidiaries

						June 30, 2018
	Participation in equity	Number of shares	Total assets	Total liabilities	Equity	Profit for the period
EDE	100%	2,789,437,961	6,636,156	785,037	5,851,119	585,779
AESAPAR	74.46%	563,398,783	5,295,419	1,258,010	4,037,409	431,956
		3,352,836,744	11,931,575	2,043,047	9,888,528	1,017,735

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

NOTES TO THE PARENT COMPANY AND CONSOLIDATED
INTERIM ACCOUNTING INFORMATION FOR
THE QUARTER ENDED JUNE 30, 2018
(All amounts in thousands of reais unless otherwise stated)

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

TABLE 20 - Composition of investments in direct subsidiaries

Parent company

Investment	12/31/2017	Allocated goodwill amortization	Equity in results of subsidiaries	Capital increase	Dividends	6/30/2018
EDE - Editora e Distribuidora Educacional	5,353,840	-	585,779	240,000	(328,500)	5,851,119
Anhanguera - Anhanguera Educacional Participações S.A.	2,982,461	-	321,634	-	(297,840)	3,006,255
Goodwill, including of Anhanguera	7,542,483	(35,722)	-	-	-	7,506,761
Total	15,878,784	(35,722)	907,413	240,000	(626,340)	16,364,135

TABLE 21 - Information on indirect subsidiaries

			June 30, 2018			
	Participation in equity	Number of quotas	Total assets	Total liabilities	Equity	Profit for the period
Direct subsidiaries - Editora e Distribuidora Educacional						
Pax Editora e Distribuidora	100%	17,956,763	26,285	1,955	24,330	606
Projecta Educacional	100%	10,234,275	5,490	342	5,148	69
Saber Serviços Educacionais S.A. (i)	100%	223,480,389	316,882	86,536	230,346	2,373
Centro Educacional Leonardo Da Vinci S/S Ltda.	100%	2,839,000	168,598	170,211	(1,613)	(597)
Da Vinci Serviços Educacionais Ltda.	100%	1,870,000	3,104	2,998	106	713
Centro de Ensino Atenas Maranhense	100%	76,850,364	207,649	24,051	183,598	27,494
Faculdade Integradas de Sorriso	99.99%	8,913,752	60,231	4,985	55,246	10,318
Orme Serviços Educacionais	99.99%	148,447,196	70,666	5,827	64,839	(12,949)
Pitágoras Sistema de Ensino Sociedade	99.99%	384,011,229	841,956	117,429	724,527	211,021
União de Ensino Unopar	99.99%	32,640,534	58,952	6,141	52,811	7,597
União Educacional Candido Rondon	99.99%	28,025,000	39,766	4,362	35,404	4,692
Iuni Educacional	99.99%	456,396,305	1,026,072	108,021	918,051	188,000
Unic Educacional	99.99%	203,030,858	472,143	44,338	427,805	111,977
Iuni Educacional - Unime Salvador	99.99%	15,916,973	74,822	13,568	61,254	13,430
União Metropolitana para o Desenvolvimento da Educação e Cultura	99.99%	49,701,183	323,699	68,182	255,517	91,448
União de Faculdades do Amapá	99.99%	11,619,489	171,578	24,848	146,730	39,179
Direct subsidiaries - Anhanguera Educacional Participações S.A.						
Clínica Médica Anhanguera Ltda.	99.99%	100,000	492	1	491	(11)

	June 30, 2018					
	Participation in equity	Number of quotas	Total assets	Total liabilities	Equity	Profit for the period
Anhanguera Educacional Ltda.	99.99%	49,163,929	143,760	9,384	134,376	24,556
Edufor Serviços Educacionais Ltda. - ME	99.99%	798,300	752	536	216	(623)
Sociedade Piauense de Ensino Superior Ltda.	100%	12,425,750	8,721	6,394	2,327	(2,356)
Fateci Cursos Técnicos	100%	100,000	215	609	(394)	(507)
Fateci, Fateci-Pi, Ceneti, Ceneti-Pi, Colégio Síntese	100%	2,100,000	12,707	22,202	(9,495)	(939)
Anhanguera Educacional Fundo de Investimento em Direitos Creditórios	99.99%	12,799,298	52,906	82	52,824	5,314
Instituto Excelência Ltda.	99.99%	17,935,579	3,786	197	3,589	18
			4,091,232	723,199	3,368,033	720,823

(i) Change in corporate name, being the former denomination of Sistema Pitágoras de Ensino Superior Empresa S.A. and closely-held capital.

15. DEBENTURES

TABLE 22 - Composition of Debentures

				Consolidated	
	Remuneration	Date of issue	Maturity	6/30/2018	12/31/2017
1st issue of debentures (i)	CDI + 2.00% p.a.	1/12/2011	12/15/2018	79,602	78,932
2nd issue of debentures - 1st series (ii)	CDI + 1.95% p.a.	2/26/2015	9/28/2018	51,028	102,235
2nd issue of debentures - 3rd series (ii)	CDI + 1.70% p.a.	2/26/2015	12/10/2019	64,030	85,367
Total				194,660	266,534
Current liabilities				173,410	224,034
Non-current liabilities				21,250	42,500
				194,660	266,534

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

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

TABLE 23 - Changes in Debentures

	Consolidated	
	6/30/2018	12/31/2017
Opening balance	266,534	505,573
Interest accrued	9,806	54,678
Appropriated costs	688	1,375
Payment of interest	(11,118)	(86,759)
Payment of principal	(71,250)	(208,333)
Closing balance	194,660	266,534

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

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

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

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

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

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

At June 30, 2018, the financial ratios of both issues had been complied with.

16. SALARIES AND SOCIAL CHARGES

TABLE 24 - Composition of social security and labor liabilities

	Parent company		Consolidated	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Salaries payable	-	-	67,974	55,584
INSS payable in installments	-	-	40,997	51,695
FGTS payable	-	-	7,901	12,670
IRRF payable	-	-	15,642	24,271
Provision for vacation pay and 13th month salary	-	-	115,469	57,940
Charges on provision	-	-	38,038	19,308
Provision for profit-sharing	30,550	82,407	30,550	82,407
Other (i)	6,638	3,120	27,694	24,554
	37,188	85,527	344,265	328,429

17. TAXES AND CONTRIBUTIONS PAYABLE IN INSTALLMENTS

TABLE 25 - Composition of taxes and contributions payable in installments

	Consolidated	
	6/30/2018	12/31/2017
Municipal charges payable in installments (a)	33,323	40,394
Tax Recovery Program ("REFIS") IV - federal - payable in installments	2,677	5,952
INSS payable in installments	656	2,059
	36,656	48,405
Current	5,731	10,612
Non-current	30,925	37,793
	36,656	48,405

(a) Municipal charges payable in installments

Anhanguera

On July 27, 2012, the former owners of Academia Paulista Anchieta - APA enrolled in the Installment Payment Incentive Program ("PPI"), resulting in a balance of ISS payable in installments of R$ 28,593, which are adjusted by the monthly SELIC rate.

Balance of IPTU payable in installments in the total amount of R$ 4,730 with different terms and conditions, adjusted by the SELIC rate on a monthly basis.

18. ACCOUNTS PAYABLE - ACQUISITIONS

TABLE 26 - Composition of payables for acquisitions

	Consolidated	
	6/30/2018	12/31/2017
DA VINCI	72,865	-
Uniabc	28,031	27,544
ICF	15,861	16,810
FATECI/CLAUDER	8,350	-
Iesville Educar/Intesc	5,232	5,000
Ítala	3,838	65,987
LFG	2,455	2,455
Other	5,515	4,990
Total	142,147	122,786
Current	58,734	107,907
Non-current	83,413	14,879
	142,147	122,786

TABLE 27 - Changes in payables for acquisitions

	Consolidated	
	6/30/2018	12/31/2017
Opening balance	122,786	147,166
Additions	135,934	29,630
Interest adjustment	4,409	10,395
Write-offs/Offsets	(8,485)	(7,019)
APV	285	(1,913)
Payments	(112,782)	(55,473)
Closing balance	142,147	122,786

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

TABLE 28 - Maturities of payables for acquisitions

		6/30/2018	
	Maturity of installments	Total	%
Total current liabilities	2018	58,734	41.3
	2019	2,621	1.8
	2020	22,242	15.7
	2021	13,267	9.3
	2022	22,554	15.9
	2023	22,729	16.0
Total non-current liabilities		83,413	58.7
Total		142,147	100.0

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

19.1 Proceedings involving probable losses

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

TABLE 29 - Changes in contingencies

	Subsidiaries (i)			
	Tax	Civil	Labor	Total
At 12/31/2017	57,942	15,936	35,366	109,244
Monetary restatement	-	-	485	485
Reversals (ii)	(4,924)	(1,244)	(18,121)	(24,289)
Total effect - result	(4,924)	(1,244)	(17,636)	(23,804)
Proceedings - former owner	(157)	(192)	(176)	(525)
Payments	-	(6)	-	(6)
Total payments	(157)	(198)	(176)	(531)
At 6/30/2018	52,861	14,494	17,554	84,909

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

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

TABLE 30 - Changes in contingencies

	Consolidated			
	Tax	Civil	Labor	Total
At 12/31/2017	243,966	99,169	247,104	590,239
Additions (i)	342	47,859	17,678	65,880
Business combination additions (ii)	153,598	15	31,298	184,910
Monetary restatement	768	1,802	1,092	3,662
Reversals	(38,371)	(15,147)	(63,200)	(116,718)
Total effect - result	116,337	34,529	(13,132)	137,734
Proceedings - former owner	(16,121)	579	(61)	(15,603)
Payments	(414)	(32,174)	(14,394)	(46,982)
Total payments	(16,535)	(31,595)	(14,455)	(62,585)
At 6/30/2018	343,768	102,103	219,517	665,388
Number	59	5,552	1,933	7,544
Average value	5,827	18	114	

(i) Reversal of 6,140 different civil proceedings that total R$ 47,859. The individual amounts attributed to these proceedings are not significant.

(ii) Business combination addition related to the acquisitions of CELV, DA VINCI, FATECI, and CLAUDER (Note 19.2).

On June 30, 2018, the main judicial and administrative proceedings whose likelihood of loss is considered as probable, excluding the business combination additions related to the companies acquired in 2018, as disclosed in Note 19.2, were as follows:

Tax

The subsidiary Anhanguera is a party to 20 tax foreclosures regarding municipal taxes ("ISSQN") in the State of São Paulo, for which there is a provision of R$ 110,824, and the responsibility is shared; R$ 102,510 is the responsibility of the former owner. The Company has sufficient contractual guarantee.

Civil

The subsidiary Anhanguera is a party to a proceeding regarding the rental of a property, for which there is a provision of R$ 9,428. The amount collected was deposited in court by the Company.

Labor

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

19.2 Provision for liabilities assumed in business combinations

In the context of CPC 15, Business Combinations, the Company, based on the reports of its legal and financial advisors, recognized in its liabilities a provision amounting to R$ 184,910, which refers to potential nonconformities related to past practices of the Company's subsidiaries CELVI, DA VINCI, FATECI, and CLAUBER, when they belonged to their former owners, regarding the compliance with legal and tax legal proceedings. The Company has contractual guarantees in relation to the sellers of these entities in case it incurs losses due to contingencies whose responsibilities are contractually assigned to the sellers.

The Company accounted for the potential obligation resulting from past events whose fair value can be measured, even though it depends on the occurrence of future events, such as the review of procedures and amounts disclosed in the advisors' report. In addition, considering that the companies were acquired in 2018, management is still within the 12-month period, in accordance with CPC 15, Business Combinations, for the review of all procedures whose responsibility dates before the acquisition. The provisioned amounts have been estimated based on reports issued by external advisors, which took into account interviews and qualitative information, which therefore, can be reviewed in the aforementioned period.

TABLE 31 - Main provisioned amounts in detail

	Consolidated		
	Tax	Labor	Total
Contingencies related to judicial administrative proceedings			
CELV/DA VINCI	33,611	471	34,082
	33,611	471	34,082
Liabilities assumed in business combinations			
CELV/DA VINCI	99,762	30,841	130,603
FATECI/CLAUDER	20,225		20,225
	119,987	30,841	150,828
	153,598	31,312	184,910

Contingencies related to judicial administrative proceedings

These refer administrative/judicial proceedings related to assessment notices linked to the ISSQN issued by the Municipality of Vitória, since CELV and DA VINCI are headquartered there, amounting to R$ 33,611, for which the Company has guarantee in relation to the sellers.

Liabilities assumed in business combinations

Tax

Discussions regarding a potential contingency resulting mainly from lack of compliance with the payment of federal and state taxes during the period from 2013 to 2017, in the acquired entities CELV and DA VINCI, plus fine and legal interest, whose costs were estimated through interviews and sampling tests prepared by the Company's external advisors.

Labor

Discussions mainly about a potential failure to pay social contribution and federal tax in the 2013-2017 period, as well as labor and/or social security obligations of the subsidiaries CELVI and DA VINCI.

The Company's external advisors classified the items above as probable losses, in the case of tax assessment notices by tax authorities, because there is consolidated caselaw on some of the matters. A hypothetical favorable decision to the Company would be linked to a documentation to be presented and to the proof of correct payment at the right time, a matter that management has neither assessed nor discussed.

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

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

TABLE 32 - Composition of lawsuits that are the responsibility of former owners

	Parent company			
	Tax	Civil	Labor	Total
At 12/31/2017	41,328	1,281	1,968	44,577
Additions	-	-	-	-
Business combination additions	-	-	-	-
Reversals	(171)	(191)	(164)	(526)
At 6/30/2018	41,157	1,090	1,804	44,051

	Consolidated			
	Tax	Civil	Labor	Total
At 12/31/2017	115,419	24,382	22,421	162,222
Additions	-	1,333	1,895	3,228
Business combination additions	142,246	15	31,338	173,599
Reversals	(16,120)	(756)	(1,994)	(18,870)
At 6/30/2018	241,545	24,974	53,660	320,179

Guarantees provided for liabilities assumed in business combinations

Guarantees are provided in the acquisition process, as offsetting entries to the contingencies mentioned in Note 19.2.

The guarantees provided because of the acquisitions, as offsetting entries to the contingencies mentioned in Note 19.2, are contractually established and consist of: a) retention of the rental amounts linked to real estate units rented by the Company; b) retention of a portion of the acquisition price; and c) mortgage of the rented real estate. The provision for contingencies accounted for and its offsetting entry in the seller guarantee may be reviewed by the Company in up to 12 months, as established by CPC 15, and these are the amounts calculated so far, based on information made available by the due diligence carried out by the Company's external advisors, which is to be reviewed in the subsequent three-month periods.

19.4 Proceedings involving possible losses

TABLE 33 - Composition of proceedings - possible loss

	Consolidated			
	6/30/2018	12/31/2017	Number 6/30/2018	Number 12/31/2017
Tax	334,981	368,651	125	147
Civil	229,592	216,156	14,279	11,473
Labor	98,381	80,591	1,453	1,144
Total	662,954	665,398	15,857	12,764

The proceedings classified as possible loss are not provided for in the Company's financial statements, among which are the proceedings arising from business combinations. At June 30, 2018, the Company and its subsidiaries had 15,955 proceedings classified as possible losses, of which we emphasize the following:

(i) The subsidiary Iuni is a party to tax foreclosures whose purpose is to collect social contributions related to the period in which it had immunity from taxation. These proceedings are classified by the Company's legal advisors as a possible loss, amount to R$ 33,750, and are not provided for.

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

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

19.5 Judicial deposits

TABLE 34 - Composition of judicial deposits

	Consolidated	
	6/30/2018	12/31/2017
Tax	9,211	9,208
Civil	10,695	10,036
Labor	77,406	51,781
Total	97,312	71,025

20. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution

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

TABLE 35 - Reconciliation of the income tax and social contribution

	Parent company				Consolidated			
	4/1 to 6/30/2018	6/30/2018	4/1 to 6/30/2017	6/30/2017	4/1 to 6/30/2018	6/30/2018	4/1 to 6/30/2017	6/30/2017
Profit before income tax and social contribution for the year	460,346	931,039	535,044	1,016,246	465,371	950,202	555,446	1,070,392
Combined nominal rate of income tax and social contribution - %	34%	34%	34%	34%	34%	34%	34%	34%
IRPJ and CSLL calculated at the standard rates	(156,518)	(316,553)	(181,915)	(345,524)	(158,226)	(323,069)	(188,852)	(363,933)
Equity in the results of investees	166,650	308,520	191,612	342,362	-	-	-	-
Tax incentive in subsidiaries entitled to the University for All Program ("PRoUni") benefit	-	-	-	-	147,680	281,142	176,920	318,554
Additions (exclusions), net (i)	(3,138)	19,743	2,448	27,729	(6,352)	15,474	(4,841)	9,081
Difference in deemed profit rate of subsidiary	-	-	-	-	50	156	224	326
Unrecognized deferred IRPJ and CSLL on loss of subsidiaries for the period	-	-	-	-	(2,478)	(4,410)	1,265	(3,180)
IRPJ and CSLL - other changes	7	13	(37)	12	21,302	23,267	6,990	9,585
Total IRPJ and CSLL	7,001	11,723	12,108	24,579	1,976	(7,440)	(8,294)	(29,567)
Current IRPJ and CSLL in the result	890	(500)	(714)	(714)	(21,705)	(42,086)	(23,981)	(69,031)
Deferred IRPJ and CSLL in the result	6,111	12,223	12,822	25,293	23,681	34,646	15,687	39,464

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

b) Deferred income tax and social contribution

The deferred tax asset balances are recorded on the temporary differences and income tax and social contribution losses identified in companies of the Group:

TABLE 36 - Deferred income tax and social contribution assets

	Consolidated	
	6/30/2018	12/31/2017
Income tax and social contribution losses	146,615	168,830
Temporary differences - taxable profit	584,054	520,378
	730,669	689,208

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

TABLE 37 - Deferred income tax and social contribution assets by year of realization

		Consolidated
Period	Total	%
2018	113,786	15.6
2019	172,317	23.6
2020	181,544	24.8
2021	182,859	25.0
2023 onwards	80,163	11.0
	616,883	84.4
	730,669	100

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

TABLE 38 - Deferred income tax and social contribution - effect on profit (loss)

		Effect on profit		Parent company
	12/31/2017	Amortization of goodwill	Other	6/30/2018
In liabilities				
Goodwill on business combination	(694,320)	12,224	-	(682,096)
Non-current liabilities, net	(694,320)	12,224	-	(682,096)

		Effect on profit		Consolidated
	12/31/2017	Amortization of goodwill	Other	6/30/2018
In assets				
Income tax/social contribution:				
Income tax and social contribution losses	168,830	-	(22,215)	146,615
Temporary differences - taxable profit	520,378	-	63,676	584,054
Non-current assets	689,208	-	41,461	730,669
In liabilities				
Goodwill on business combinations	(1,215,942)	(7,628)	-	(1,223,570)
Other adjustments	(154,099)	-	813	(153,286)
Non-current liabilities, net	(1,370,041)	(7,628)	813	(1,376,856)
	(680,833)	(7,628)	42,274	(646,187)

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

c) Tax incentives

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

The tax benefits arising from ProUni calculated for the period ended June 30, 2018, including PIS and COFINS, amounted to R$ 384,625 (June 30, 2017 - R$ 426,222).

21. EQUITY

a) Share capital

The Company's subscribed and paid-up capital at June 30, 2018 totaled R$ 4,425,677 (R$ 4,363,825 at December 31, 2017). On March 16, 2018, the Board of Directors approved an increase in the Company's capital amounting to R$ 50 million, through capitalization of part of the balance of the reserve for investment, without the issue of new shares and without modifying the number of shares.

TABLE 39 - Composition of share capital

	6/30/2018	12/31/2017
Total shares (except treasury)	1,627,291,041	1,640,357,183
Total treasury shares	16,957,165	169,265
Total shares	1,644,248,206	1,640,526,448

b) Treasury shares

TABLE 40 - Changes in treasury shares

	Number of shares	
	6/30/2018	12/31/2017
At December 31, 2017	169,265	2,211,075
Repurchase of treasury shares	16,887,900	200,000
Disposal of shares	(100,000)	(2,241,810)
At June 30, 2018	16,957,165	169,265

c) Legal reserve

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

d) Reserve for investments

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

e) Dividends

On August 15, 2018, the Board of Directors approved the interim dividends for the first quarter of 2018 amounting to R$ 177,591. In May 2018, the interim dividends for the first quarter of 2018 amounting to R$ 180,658 were paid.

f) Equity instruments arising on a business combination

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

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

22. STOCK OPTION PLAN

Plans maintained by Kroton Educacional S.A.

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

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

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

TABLE 41 - Main characteristics of the plan

Plan	Grant date	Grant exercise price	Vesting period	Options granted - active
KROT_Plan2009	10/23/2009 to 5/6/2013	R$ 2.18 to R$ 5.78	Five lots with 12, 24, 36, 48 and 60-month term; or four lots with six, 18, 30 and 42-month term	2,314,666
AEDU_Plan2010	8/17/2010 to 7/3/2014	R$ 6.06 to R$ 11.20	Three lots with 36, 48 and 60-month term	85,655
AEDU_Plan2013	6/18/2013 to 7/3/2014	R$ 9.94 to R$ 11.20	Three lots with 36, 48 and 60-month term	4,406,104
KROT_Plan2013	11/26/2013 to 8/24/2015	R$ 5.67 to R$ 13.01	Four lots with six, 18, 30 and 42-month term	9,010,000
KROT_Plan2015	10/5/2015 to 1/29/2018	R$ 8.42 to R$ 18.86	Four lots with six, 18, 30 and 42-month term	26,492,794
				42,309,219

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

Changes in the stock option plans

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

TABLE 42 - Changes in the stock option plans - 2018

PLANS	12/31/2017	Granted	Exercised (i)	Canceled/forfeited	6/30/2018	Average exercise price
KROT_Plan 2009	5,914,666	-	(3,600,000)	-	2,314,666	2.91
AEDU_Plan 2010	213,489	-	(121,758)	(6,076)	85,655	6.20
AEDU_Plan 2013	4,428,403	-	-	(22,299)	4,406,104	9.81
KROT_Plan 2013	9,130,000	-	-	(120,000)	9,010,000	7.25
KROT_Plan 2015	25,477,794	2,630,000	(100,000)	(1,515,000)	26,492,794	9.10
TOTAL	45,164,352	2,630,000	(3,821,758)	(1,663,375)	42,309,219	

(i) In the period ended June 30, 2018, 3,821,758 options were exercised, with 3,721,758 through a capital increase with the specific objective of delivering these new shares to the beneficiary and 100,000 in

consideration of the disposal of treasury shares (December 31, 2017 - 16,698,480 options were exercised, of which 14,456,670 via capital increase and 2,241,810 in consideration of the disposal of treasury shares).

Calculation of fair value and expense in the result

The fair value of the share options granted is calculated at the grant date and recognized as expense during the period. The corresponding entry is recorded in equity as a credit to "Capital reserve - share options".

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

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

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

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

TABLE 43 - Fair value calculation

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

In the period ended June 30, 2018, R$ 15,431 was recognized as an expense regarding the vesting period of the grants made (R$ 18,324 at June 30, 2017).

23. RELATED PARTIES

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

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

	Effective until	Monthly amount	Adjustment index
Unic Educacional	March 2020	238	IPCA
Unime LF	March 2020	669	IPCA
Iuni	March 2020	1,177	IPCA

(i) The subsidiary EDE uses properties leased from Creare Administração de Bens Móveis e Imóveis Ltda. (a company that is controlled by members of the Company's Board of Directors). The agreement is effective until January 2032, with a fixed monthly amount of R$ 1,297, adjusted based on the IPCA.

(ii) The subsidiary AESAPAR uses a rented estate belonging to HK Campinas Empreendimentos Imobiliários Ltda. (a company that is controlled by a first-degree descendant of a member of the Company's Board of Directors). The agreement is effective until December 2024, with a fixed monthly amount of R$ 345 (June 2018), adjusted based on the IPCA.

(iii) The subsidiary PITÁGORAS uses a rented estate belonging to Sistema Pitágoras de Ensino Sociedade Ltda. (a company that is controlled by members of the Company's Board of Directors). The agreement is effective until August 2023, with a fixed monthly amount of R$ 197 (June 2018) adjusted based on the IPCA.

(iv) On January 26, 2018, a donation agreement with charges was entered into between Kroton Educacional S.A. and Fundação Pitágoras, aiming to fulfill the social and institutional objectives of Fundação Pitágoras. There was a disbursement of R$ 994 referring to this agreement in 2018.

a) Remuneration of key management personnel

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

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

TABLE 44 - Management remuneration

	1/1 to 6/30/2018	1/1 to 6/30/2017
Salaries	6,295	5,045
Benefits	274	186
Social charges	1,324	1097
Variable remuneration (i)	5,749	6,355
Stock option plan	4,984	8,930
	18,626	21,613

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

24. NET REVENUE FROM SALES AND SERVICES

TABLE 45 - Composition of the net revenue

	Consolidated			
	4/1 to 6/30/2018	6/30/2018	4/1 to 6/30/2017	6/30/2017
In-class higher education				
Gross revenue	1,586,929	2,950,427	1,507,854	2,866,616
Deductions from gross revenue				
Taxes	(39,477)	(79,929)	(43,398)	(82,951)
ProUni	(205,283)	(390,350)	(173,530)	(339,376)
Discounts	(155,808)	(228,799)	(110,819)	(197,553)
Net revenue	1,186,361	2,251,349	1,180,107	2,246,736
Distance-learning higher education				
Gross revenue	393,011	739,336	382,813	723,864
Deductions from gross revenue				
Taxes	(7,757)	(14,789)	(9,081)	(16,733)
ProUni	(71,770)	(130,349)	(56,583)	(105,937)
Discounts	(23,363)	(41,749)	(22,228)	(45,162)
Net revenue	290,121	552,449	294,921	556,032
Basic education				
Gross revenue	56,215	104,218	47,935	88,902
Deductions from gross revenue				
Taxes	(1,900)	(3,185)	(1,364)	(2,511)
Returns	(4,524)	(15,233)	(2,207)	(4,645)
Net revenue	49,791	85,800	44,364	81,746
Total				
Gross revenue	2,036,155	3,793,981	1,938,602	3,679,382
Deductions from gross revenue				
Taxes	(49,134)	(97,903)	(53,843)	(102,195)
ProUni	(277,053)	(520,699)	(230,113)	(445,313)
Discounts	(179,171)	(270,548)	(133,047)	(242,715)
Returns	(4,524)	(15,233)	(2,207)	(4,645)
Net revenue	1,526,273	2,889,598	1,519,392	2,884,514

KROTON EDUCACIONAL S.A. AND SUBSIDIARIES

NOTES TO THE PARENT COMPANY AND CONSOLIDATED
INTERIM ACCOUNTING INFORMATION FOR
THE QUARTER ENDED JUNE 30, 2018
(All amounts in thousands of reais unless otherwise stated)

25. COSTS AND EXPENSES BY NATURE

TABLE 46 - Composition of the costs and expenses by nature

	Parent company			
	4/1 to 6/30/2018	6/30/2018	4/1 to 6/30/2017	6/30/2017
Salaries and payroll charges	(23,947)	33,837	(4,136)	52,481
Depreciation and amortization	(18,738)	(37,477)	(37,242)	(74,488)
Utilities, cleaning and security	(55)	(150)	(10)	(20)
Advertising and publicity	(40)	(218)	(38)	(224)
Consulting and advisory services	(362)	(445)	(1,706)	(1,822)
Taxes and contributions	(2)	(3)	(26)	(38)
Contingencies	12,121	24,289	13,892	33,107
Other income (expenses), net	(21)	(21)	(5)	(543)
	(31,044)	19,812	(29,271)	8,453
General and administrative expenses	(31,044)	19,812	(29,271)	8,453
	(31,044)	19,812	(29,271)	8,453

	Consolidated			
	4/1 to 6/30/2018	6/30/2018	4/1 to 6/30/2017	6/30/2017
Salaries and payroll charges	(466,608)	(837,274)	(442,296)	(805,925)
Depreciation and amortization	(103,093)	(205,315)	(103,408)	(206,147)
Rental and condominium fees	(106,436)	(207,448)	(99,847)	(197,268)
Provision for doubtful accounts	(182,770)	(343,601)	(152,242)	(310,750)
Utilities, cleaning and security	(56,466)	(103,722)	(51,572)	(97,858)
Advertising and publicity	(102,860)	(201,758)	(78,921)	(177,879)
Third-party services	(2,620)	(4,898)	(5,202)	(10,115)
Consulting and advisory services	(41,722)	(75,606)	(40,469)	(68,231)
Cost of sales	(10,386)	(15,480)	(8,344)	(14,114)
Travel	(13,560)	(20,026)	(8,341)	(15,741)
Copyright	1,594	515	(1,851)	(3,222)
Taxes and contributions	(8,475)	(16,880)	(16,290)	(27,185)
Contingencies	28,635	50,838	37,115	60,735
Other income (expenses), net	(42,514)	(64,334)	(37,604)	(52,211)
	(1,107,281)	(2,044,989)	(1,009,272)	(1,925,911)
Cost of sales and services	(592,377)	(1,082,928)	(566,803)	(1,023,559)
Selling expenses	(303,029)	(578,124)	(245,211)	(515,054)
General and administrative expenses	(206,078)	(377,410)	(197,626)	(386,838)
Other operating income (expenses), net	(5,797)	(6,527)	368	(460)
	(1,107,281)	(2,044,989)	(1,009,272)	(1,925,911)

26. FINANCE RESULT

TABLE 47 - Composition of the finance results

				Parent company
	4/1 to 6/30/2018	6/30/2018	4/1 to 6/30/2017	6/30/2017
Finance income				
Income from financial investments and marketable securities	1,435	4,374	1,847	3,551
Other	-	-	2	23
	1,435	4,374	1,849	3,574
Finance costs				
Bank and collection fees	(3)	(4)	-	-
Adjustment of contingencies	(159)	(485)	(1,043)	(2,615)
Other	(31)	(71)	(57)	(112)
	(193)	(560)	(1,100)	(2,727)
Finance results	1,242	3,814	749	847

				Consolidated
	4/1 to 6/30/2018	6/30/2018	4/1 to 6/30/2017	6/30/2017
Finance income				
Interest on monthly tuition fees	42,932	84,340	27,833	71,627
Income from financial investments and marketable securities	17,226	40,642	33,950	72,349
Discounts obtained	49	90	-	-
Other	5,251	10,290	13,677	22,335
	65,458	135,362	75,460	166,311
Finance costs				
Debentures - interest and costs (i)	(2,484)	(6,129)	(9,096)	(20,843)
Adjustment of obligations due to the purchase of subsidiaries	(2,742)	(4,409)	(2,969)	(6,889)
Bank and collection fees	(8,415)	(12,249)	(4,163)	(6,119)
Interest and fines for late payments	(708)	(1,046)	-	(2,154)
Interest and fines for late tax payments	(516)	(1,156)	(926)	(2,146)
Adjustment of contingencies	(2,457)	(3,662)	(4,201)	(8,788)
Other	(1,757)	(1,118)	(8,779)	(7,583)
	(19,079)	(29,769)	(30,134)	(54,522)
Finance results	46,379	105,593	45,326	111,789

(i) Refers to the interest on debentures of R$ 5,445 (Note 14 - Debentures), less capitalized interest of R$ 1,800 (R$ 10,720 at June 30, 2017) recorded in property and equipment and intangible assets in progress.

27. SEGMENT INFORMATION

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

TABLE 48 - Segment reporting - Consolidated 2018

	Quarter ended 6/30/2018				
	In-class higher education	Distance-learning higher education	Basic education	Un-allocated	Total
Net revenue	1,186,360	290,122	49,791	-	1,526,273
Cost of sales and services rendered	(515,834)	(42,333)	(34,210)	-	(592,377)
	670,526	247,789	15,581	-	933,896
Operating expenses:					
Selling expenses	(221,710)	(75,546)	(5,773)	-	(303,029)
General and administrative expenses	(67,494)	(22,422)	(1,947)	(114,215)	(206,078)
Other expenses, net	-	-	-	(5,797)	(5,797)
Operating profit (loss) before finance results	381,322	149,821	7,861	(120,012)	418,992
Assets	12,878,555	5,691,743	561,027	13,402	19,144,726
Current and non-current liabilities	1,829,557	531,921	290,081	770,714	3,422,273

	Period ended 6/30/2018				
	In-class higher education	Distance-learning higher education	Basic education	Un-allocated	Total
Net revenue	2,251,348	552,450	85,800	-	2,889,598
Cost of sales and services rendered	(952,044)	(76,792)	(54,092)	-	(1,082,928)
	1,299,304	475,658	31,708	-	1,806,670
Operating expenses:					
Selling expenses	(417,284)	(151,318)	(9,522)	-	(578,124)
General and administrative expenses	(124,932)	(38,062)	(2,942)	(211,474)	(377,410)
Other expenses, net	-	-	-	(6,527)	(6,527)
Operating profit (loss) before finance results	757,088	286,278	19,244	(218,001)	844,609
Assets	12,878,555	5,691,743	561,027	13,402	19,144,726
Current and non-current liabilities	1,829,557	531,921	290,081	770,714	3,422,273

TABLE 49 - Segment Reporting - Consolidated 2017

	Quarter ended 6/30/2017				
	In-class higher education	Distance-learning higher education	Basic education	Un-allocated	Total
Net revenue	1,180,107	294,921	44,364	-	1,519,392
Cost of sales and services rendered	(495,061)	(47,983)	(23,759)	-	(566,803)
	685,046	246,938	20,605	-	952,589
Operating expenses:					
Selling expenses	(173,224)	(66,874)	(5,113)	-	(245,211)
General and administrative expenses	(67,767)	(17,127)	(1,732)	(111,000)	(197,626)
Other expenses, net	-	-	-	368	368
Operating profit (loss) before finance results	444,055	162,937	13,760	(110,632)	510,120
Assets	12,042,258	5,632,960	182,491	285,991	18,143,699
Current and non-current liabilities	1,627,207	564,012	43,383	1,212,095	3,446,697

	Period ended 6/30/2017				
	In-class higher education	Distance-learning higher education	Basic education	Un-allocated	Total
Net revenue	2,246,736	556,032	81,746	-	2,884,514
Cost of sales and services rendered	(893,435)	(85,371)	(44,753)	-	(1,023,559)
	1,353,301	470,661	36,993	-	1,860,955
Operating expenses:					
Selling expenses	(363,532)	(142,153)	(9,369)	-	(515,054)
General and administrative expenses	(139,030)	(31,713)	(3,179)	(212,916)	(386,838)
Other expenses, net	-	-	-	(460)	(460)
Operating profit (loss) before finance results	850,739	296,795	24,445	(213,376)	958,603
Assets	12,042,258	5,632,960	182,491	285,991	18,143,699
Current and non-current liabilities	1,627,207	564,012	43,383	1,212,095	3,446,697

28. EARNINGS PER SHARE

a) Basic

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

TABLE 50 - Basic earnings per share

	6/30/2018	6/30/2017
Profit attributable to stockholders of the Company	942,762	1,040,825
Weighted average number of outstanding common shares (thousands)	1,632,588	1,624,769
Basic earnings per common share - R$	0.58	0.64

b) Diluted

The Company offers a stock option plan to the beneficiaries, by means of which it is possible to issue shares at the time the option is exercised. At June 30, 2018, there were shares with the potential for dilution, since their average exercise price was lower than the average price of the Company's shares in the market.

TABLE 51 - Diluted earnings per share

	6/30/2018	6/30/2017
Profit attributable to stockholders of the Company	942,762	1,040,825
Weighted average number of outstanding common shares (thousands)	1,632,588	1,624,769
Possible increase in common shares (thousands)	27,482	28,916
Diluted earnings per common share - R$	0.57	0.63

29. EVENTS AFTER THE REPORTING PERIOD

Guarantee

As approved by the Company's Board of Directors on June 28, 2018, the Company offered an unsecured guarantee, as a surety, in the context of the first issue of simple, non-convertible and unsecured debentures, with unsecured additional guarantee, in up to three series, of Saber Serviços Educacionais S.A, the amount of which could total R$ 5.5 billion.

Acquisition of FEBAC - Faculdade de Educação de Bacabal.

On July 3, 2017, the Company, through its subsidiary Anhanguera Educacional Participações S.A., purchased the total amount of quotas issued by FEBAC - Faculdade de Educação de Bacabal, a higher education institution located in the municipality of Bacabal, in the State of Maranhão. The acquisition price

totaled R$ 12,974, of which R$ 5,190 was paid in a lump sum and R$ 7,784 will be paid in five annual equal installments. With this new acquisition, the Company now has two units in the city, which makes the Company the region's major option in higher education.

Approval of the Company's restricted share option plan proposed by management

On August 2, 2018, the Company called an Extraordinary General Meeting to be held on September 3, 2018 in order to discuss the approval of the new restricted share plan. The purpose of the Plan is to: (i) establish rules to allow Participants to receive Restricted Shares on a non-onerous basis; (ii) improve the long-term alignment of the Participants' interests with the stockholders', increasing the sense of ownership, commitment, and generation of value to the Participants via the investment-risk concept; and (iii) strengthen the incentives for Participants' permanence and stability, within the context of a listed company.

"B" category listed company registration - Saber Serviços Educacionais S.A.

On August 13, 2018, the Company's subsidiary Saber Serviços Educacionais S.A. ("Saber") was granted the "B" category listed company registration. It will consolidate all the Company's basic operations, including those derived from the acquisition of Somos Educação S.A. when it is concluded.

Capital increase - Saber Serviços Educacionais S.A.

On August 13, 2018, Saber's share capital was increased by R$ 290,000, from the current R$ 223,480 to R$ 513,480, upon the issue of 290,000,000 new, registered common shares with no par value, with issue price of R$ 1.00, fully subscribed and paid-up by the Company's subsidiaries, in the respective proportion of their ownership interests.

* * *

Comments on the behavior of business projections:

In item 11.1 of the Reference Form, the Company provided projections for the major profit or loss lines in 2018 under two perspectives: one considering the consolidated figures and the other excluding from the figures the impacts of the opening of new On-Campus units and new Distant Learning centers. The follow-up of these two perspectives is as follows:

Consolidated Results:

	2018 - Consolidated (Projection)	1Q18 - Consolidated (Realized)	2Q18 - Consolidated (Realized)	1H18 - Consolidated (Realized)
Net Revenues	R$ 5,480 million	R$ 1,363 million	R$ 1,526 million	R$ 2,890 million
EBITDA	R$ 1,992 million	R$ 569 million	R$ 565 million	R$ 1,134 million
EBITDA Margin	36.3%	41.8%	37.0%	39.3%
Interest and late payments on tuitions	R$ 193 million	R$ 41 million	R$ 43 million	R$ 84 million
Non-recurring costs and expenses	R$ 283 million	R$ 45 million	R$ 77 million	R$ 122 million
Adjusted EBITDA	R$ 2,275 million	R$ 615 million	R$ 642 million	R$ 1,256 million
Adjusted EBITDA Margin	41.5%	45.1%	42.0%	43.5%
Net profit	R$ 1,582 million	R$ 475 million	R$ 467 million	R$ 943 million
Net margin	28.9%	34.9%	30.6%	32.6%
Amortization of intangible assets	R$ 74 million	R$ 18 million	R$ 18 million	R$ 36 million
Adjusted profit	R$ 1,940 million	R$ 539 million	R$ 562 million	R$ 1,101 million
Adjusted net margin	35.4%	39.5%	36.8%	38.1%
Capex (total)	13.5% of net revenue	8.4% of net revenue	10.7% of net revenue	9.6% of net revenue

Considering the new funding process for the year, which happens in the year's first half, this period offers a very significant contribution to the year's result. Accordingly, in 1Q18, Kroton achieved 25% of net revenue and 27% of the adjusted EBITDA included in the 2018 guidance.

The second quarter is also very relevant for the year results, since it has a larger average ticket, considering that is it not affected by scholarships and occasional funding discounts. The 2Q18 was responsible for 28% of net revenue and 28% of the Adjusted EBITDA projected for the year.

So, in the accumulated for the year, the Company has already achieved 53% of net revenue and 55% of Adjusted EBITDA expected for the 2018 consolidated results.

Former Greenfields Results

	2018 - Former Greenfields (Projection)	1Q18 - Former Greenfields (Realized)	2Q18 - Former Greenfields (Realized)	1H18 - Former Greenfields (Realized)
Net Revenues	R$ 5,440 million	R$ 1,358 million	R$ 1,516 million	R$ 2,874 million
EBITDA	R$ 2,203 million	R$ 593 million	R$ 605 million	R$ 1,198 million
EBITDA Margin	40.5%	43.7%	39.9%	41.7%
Interest and late payments on tuitions	R$ 192 million	R$ 41 million	R$ 43 million	R$ 84 million
Non-recurring costs and expenses	R$ 147 million	R$ 36 million	R$ 47 million	R$ 84 million
Adjusted EBITDA	R$ 2,350 million	R$ 630 million	R$ 652 million	R$ 1,282 million
Adjusted EBITDA Margin	43.2%	46.4%	43.0%	44.6%
Net profit	R$ 1,810 million	R$ 500 million	R$ 508 million	R$ 1,009 million
Net margin	33.3%	36.8%	33.5%	35.1%
Amortization of intangible assets	R$ 74 million	R$ 18 million	R$ 18 million	R$ 36 million
Adjusted profit	R$ 2,030 million	R$ 555 million	R$ 574 million	R$ 1,129 million
Adjusted net margin	37.3%	40.9%	37.8%	39.3%

In the Ex-Greenfields perspective, Kroton achieved 25% of net revenue and 27% of the adjusted EBITDA that are projected for 2018. The 2Q18 was responsible for 28% of net revenue and 28% of the Adjusted EBITDA as expected for the year. With this, in the accumulated of the year, Kroton achieved 53% of net revenue and 55% of Adjusted EBITDA disclosed in the guidance.

Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Kroton Educacional S.A. ("Parent company" or "Company"), included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2018, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and six-month period then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

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

Conclusion on the interim information

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

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2018. These statements are the responsibility of the Company's management, are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR), and are considered supplementary information under the International Financial Reporting Standards (IFRS), which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Belo Horizonte, August 14, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Marcos Donizete Panassol
Contador CRC 1SP155975/O-8

Opinions and representations/Officers' representation on the accounting information

Pursuant to CVM Instruction 480, dated December 7, 2009, Kroton's Officers state that they have reviewed, discussed, and agreed with the accounting information for the period ended June 30, 2018.

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

Pursuant to the CVM Instruction 480, dated December 7, 2009, Kroton's Officers state that they reviewed, discussed, and agreed with the content and opinions disclosed in the independent auditor's report of PricewaterhouseCoopers Auditores Independentes issued on August 14, 2018.