Belo Horizonte, August 12, 2016 – Kroton Educacional S.A. (BM&FBovespa: **KROT3**; OTCQX: **KROTY**), "Kroton" or the "Company," announces today its results for the second quarter of 2016 (2Q16). The Company's financial information is presented on a consolidated basis and in Brazilian real, in accordance with Brazilian Corporate Law and Generally Accepted Accounting Principles in Brazil (BRGAAP), and already conforms to International Financial Reporting Standards (IFRS), except where stated otherwise.

HIGHLIGHTS – CORPORATE ANALYSIS

Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%	1H16	1H15	Chg.%
Gross Revenue	1,783,049	1,808,764	-1.4%	1,618,544	10.2%	3,401,593	3,432,462	-0.9%
Net Revenue	1,391,149	1,411,185	-1.4%	1,268,139	9.7%	2,659,288	2,699,060	-1.5%
Gross Income	988,586	950,268	4.0%	933,984	5.8%	1,922,569	1,847,408	4.1%
Gross Margin	*71.1%*	*67.3%*	*3.7 p.p.*	*73.6%*	*-2.6 p.p.*	*72.3%*	*68.4%*	*3.9 p.p.*
Operating Result	774,462	733,565	5.6%	774,835	0.0%	1,549,297	1,437,399	7.8%
Operating Margin	*55.7%*	*52.0%*	*3.7 p.p.*	*61.1%*	*-5.4 p.p.*	*58.3%*	*53.3%*	*5.0 p.p.*
Adjusted EBITDA	632,578	600,884	5.3%	606,756	4.3%	1,239,333	1,152,453	7.5%
Adjusted EBITDA Margin	*45.5%*	*42.6%*	*2.9 p.p.*	*47.8%*	*-2.4 p.p.*	*46.6%*	*42.7%*	*3.9 p.p.*
Adjusted Net Income	561,780	513,760	9.3%	505,909	11.0%	1,067,689	969,071	10.2%
Adjusted Net Margin	*40.4%*	*36.4%*	*4.0 p.p.*	*39.9%*	*0.5 p.p.*	*40.1%*	*35.9%*	*4.2 p.p.*
Adjusted Net Income /share	0.35	0.32	9.3%	0.31	11.0%	0.66	0.60	10.1%
Operating Cash Generation (OCG) after Capex [1]	613,188	209,213	n.a.	(39,533)	n.a.	573,654	213,920	168.2%
OCG after Capex [1] / EBITDA (unadjusted)	*93.0%*	*38.2%*	*54.8 p.p.*	*-5.0%*	*98.0 p.p.*	*39.5%*	*20.1%*	*19.3 p.p.*

[1] Capex excludes investments in M&A and Special Projects.

HIGHLIGHTS – MANAGEMENT ANALYSIS (PRO FORMA[1])

Consolidated - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%	1H16	1H15	Chg.%
Net Revenue	1,391,149	1,344,944	3.4%	1,226,579	13.4%	2,617,728	2,548,796	2.7%
Adjusted EBITDA	632,578	580,181	9.0%	588,894	7.4%	1,221,472	1,091,757	11.9%
Adjusted EBITDA Margin	*45.5%*	*43.1%*	*2.3 p.p.*	*48.0%*	*-2.5 p.p.*	*46.7%*	*42.8%*	*3.8 p.p.*
Adjusted Net Income	561,780	496,441	13.2%	490,672	14.5%	1,052,453	916,135	14.9%
Adjusted Net Margin	*40.4%*	*36.9%*	*3.5 p.p.*	*40.0%*	*0.4 p.p.*	*40.2%*	*35.9%*	*4.3 p.p.*

[1] Excludes figures of Uniasselvi.

❖ Execution of the Stock Merger Protocol for the combination of Kroton and Estácio follows a highly strategic rationale and offers vast potential for the capture of synergies and efficiency gains of great value for students, shareholders and other stakeholders. The next steps in the transaction involve the approval of shareholders convened in General meetings to be held on August 15, the planning of the integration process with the formation of a "clean team" and the launch of the analysis process by Brazil's antitrust agency CADE.

❖ Regarding the financial results for 2Q16, net revenue advanced 3.4% on 2Q15 pro forma, primarily due to the higher number of students paying out of pocket added through the admissions and re-enrollments processes conducted in recent cycles, which offset the lower revenue contribution from Pronatec and LFG. It is important to point out that the 2Q15 results had a positive impact from the atypical recognition of late re-enrollments due to the delays in the FIES system last year, an effect that in 2016 was concentrated in 1Q16, resulting in a lower concentration of late enrollments in 2Q16. In 1H16, pro forma net revenue amounted to R$2,617.7 million.

❖ Adjusted EBITDA amounted to R$632.6 million, advancing 9.0% from the pro forma figure for 2Q15. Meanwhile, adjusted EBITDA margin expanded 233 basis points to 45.5%, demonstrating all of the efforts made to date to capture operating efficiency gains. In 1H16, pro forma adjusted EBITDA amounted to R$1,221.5 million, with margin of 46.7%.

❖ Adjusted net income amounted to R$561.8 million in 2Q16, increasing 13.2% on pro forma net income for the same period last year. Adjusted net margin also posted solid expansion in the period, of 350 basis points. In the six-month period, pro forma adjusted net income advanced 14.9% on the pro forma figure for 1H15, to R$1,052.5 million, with adjusted net margin of 40.2%.

❖ As announced in the previous quarter, the flow of FIES payments has normalized, supporting the Company's operating cash generation to the program's levels before any changes were implemented. In 2Q16, operating cash generation after capex amounted to R$613.2 million. The ratio of this indicator to EBITDA represents a conversion rate of 93.0%.

❖ Full receipt of 25% of the FIES installments not paid under NR23 in 2015, further strengthening Kroton's cash position in 3Q16.

❖ Kroton won four awards in the IR Magazine Awards 2016, once again demonstrating its efforts in recent years to improve its relations with investors and the financial community.

MESSAGE FROM MANAGEMENT

Kroton's recent history has been marked by a combination of sustainable organic growth and important inorganic strategic transactions supported by a clear strategy and intense focus on execution. That has been our path in these last six years, during which we have taken a major step forward every two years. In 2010, the association with IUNI transformed the Company by incorporating a new academic model and new management model. In 2012, we took the strategic decision to enter the Distance Learning segment through Brazil's best and largest DL asset, Unopar. In 2014, the association with Anhanguera once again transformed the Company by supporting not only strong growth, but also the capture of important synergies and efficiencies. Now, in 2016, we are surpassing a new milestone in Kroton's history: the merger with Estácio.

The union of all these educational projects, which on their own were already exceptional, has only created effective value, since we successfully built a model in which the final academic and financial results are bigger than the sum of the parts. In academic quality, the figures show just how positive these operations have been. If we analyze the General Program Index (IGC) of all institutions that currently form Kroton, in 2009, when most of them were not yet part of the group, 60% enjoyed a satisfactory score. In 2014, as part of Kroton, the share of satisfactory IGC scores was 98%, which means the combination of the academic projects created social value, which is highly beneficial for both students and society.

From the standpoint of shareholders, the results delivered and synergies captured clearly indicate the creation of value. The merger with Estácio meets these same requirements: creating social value and creating value for shareholders through the construction of a more solid and efficient company with a greater capacity to invest in quality and innovation. This strategic vision concerned with value creation in the long term is one of our differentials, but since looking only to the future is not enough, we continued to deliver robust operating and financial results, with the numbers for the first half of 2016 further attesting to Kroton's capacity to identify the best opportunities in the short and long term.

In 1H16, we posted net revenue of more than R$2.6 billion and generated pro forma adjusted EBITDA of over R$1.2 billion with margin of 46.7%. Pro forma adjusted net income followed the same positive trend to surpass R$1 billion with net margin of 40.2%. But the main highlight was the line cash generation, which amounted to R$548 million, assuring an even more solid capital structure for Kroton. We are very confident that we will continue to deliver strong results over the coming quarters and once again deliver our official guidance.

As expected, dropout and provisioning indicators increased slightly, due to not only all of the factors related to the country's adverse macroeconomic scenario, but also to the rigorous operating and accounting practices that we have been reinforcing, while also prioritizing transparency and consistency. At the same time, we continued working to enhance our management tools, such as the Permanence Program, a series of projects to improve student retention, and the investment to expand the Conecta Channel, our employability tool that should be rolled out to all Kroton units by 2017, effectively expanding the reach of this competitive advantage that we offer to our students and alumni. Furthermore, despite the adverse macroeconomic scenario in 2016, we maintained our investments in projects to enhance teaching quality, with the highlight the continued rollout of our academic model (KLS 2.0), which, together with various other projects, is promoting significant improvement in the quality of our educational and customer services.

Targeting growth in the medium and long term, we opened our first greenfield on-campus unit in the city of João Pessoa, which launched its academic activities already in the second semester of 2016. We currently have another three units in the final phase of accreditation by the National Education Council (CNE), which are slated to open their doors in early 2017, as well as another 41 greenfield on-campus units and 275 new DL centers currently under analysis by the Ministry of Education (MEC).

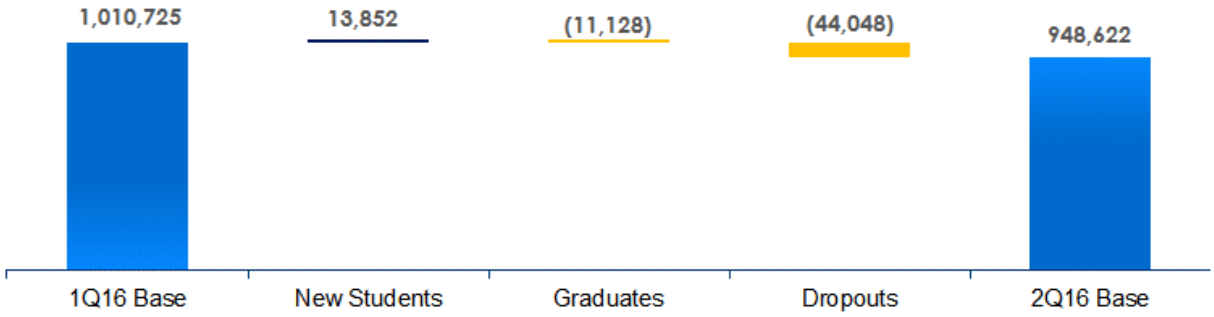
In addition to all of the organic growth projects, we now have an opportunity to write a new chapter in the Company's history with the merger of Estácio. Critical steps still lie ahead, such as approval by the shareholders of both companies and by Brazil's antitrust agency CADE, but once concluded, we will be ready to carry out the integration, for which we will capitalize on all of the experience acquired in the previous successful integrations, such as of IUNI, Unopar and Anhanguera.

In 2016, Pitágoras, which gave rise to Kroton, completes 50 years, and we have much to commemorate. These 50 years have transformed Kroton into a company that is capable of contributing to the life projects of millions of people through high-quality Education. Happy anniversary Pitágoras, congratulations Kroton and congratulations to all of you who helped write this success story!

OPERATING PERFORMANCE

POSTSECONDARY EDUCATION

Evolution in Number of Students



The evolution in the number of Postsecondary students between 1Q16 and 2Q16 by product (Undergraduate and Graduate) and teaching format (On-Campus and Distance Learning) is presented below.

	On-Campus			Distance Learning		
Students	**Undergraduate**	**Graduate**	**Total**	**Undergraduate**	**Graduate**	**Total**
2Q15 Base ex-Uniasselvi	**435,055**	**15,184**	**450,239**	**491,261**	**22,564**	**513,825**
1Q16 Base	**436,824**	**12,514**	**449,338**	**529,693**	**31,694**	**561,387**
New Students	2,847	1,048	3,895	-	5,641	5,641
Graduates	-	(4,413)	(4,413)	-	(6,715)	(6,715)
Dropouts	(21,308)	(654)	(21,962)	(37,784)	(765)	(38,549)
2Q16 Base	**418,363**	**8,495**	**426,858**	**491,909**	**29,855**	**521,764**
% 2Q16 Base / 2Q15 Base ex-Uniasselvi	-3.8%	-44.1%	-5.2%	0.1%	32.3%	1.5%
% 2Q16 / 1Q16 Base	-4.2%	-32.1%	-5.0%	-7.1%	-5.8%	-7.1%

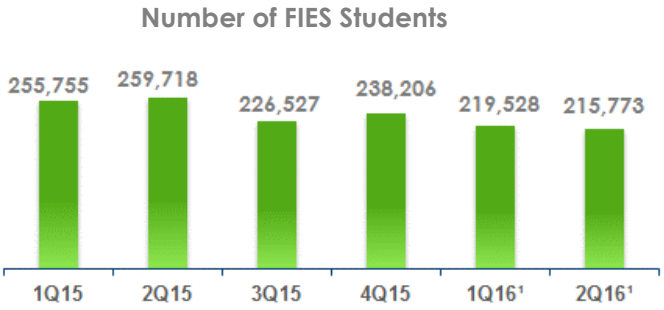
Students	**Total Undergraduate**	**Total Graduate**	**Total**
2Q15 Base ex-Uniasselvi	**926,316**	**37,748**	**964,064**
1Q16 Base	**966,517**	**44,208**	**1,010,725**
New Students	2,847	6,689	9,536
Graduates	-	(11,128)	(11,128)
Dropouts	(59,092)	(1,419)	(60,511)
2Q16 Base	**910,272**	**38,350**	**948,622**
% 2Q16 Base / 2Q15 Base ex-Uniasselvi	-1.7%	1.6%	-1.6%
% 2Q16 / 1Q16 Base	-5.8%	-13.3%	-6.1%

At the end of 2Q16, the number of students enrolled in Postsecondary (Undergraduate and Graduate) programs in both the On-Campus and DL teaching formats fell 1.6% compared to the same period last year, due to the impact from the reduction in the number of FIES openings offered in the 2015 and 2016 admissions processes. Broken down by teaching format, the On-Campus student base accounted for 45.0% of the total student base in the quarter, while the Distance Learning student base accounted for 55.0%.

Meanwhile, the Graduate business alone registered 6,689 new enrollments, mainly in Distance Learning programs. Bear in mind that the Preparatory Courses (LFG) business also offers Graduate programs, whose students are included in the above table.

It is important to note that the enrollment and re-enrollment processes for the second semester of 2016 are currently ongoing.

FIES



	1Q15	2Q15	3Q15	4Q15	1Q16¹	2Q16¹
% On-Campus Undergraduate Student Base	56.8%	58.0%	50.9%	54.4%	50.3%	51.6%
% Total Undergraduate Student Base	24.1%	24.3%	22.5%	24.5%	22.7%	23.7%

¹ Ex-Uniasselvi

At the end of 2Q16, the Company had 215,773 students enrolled with FIES contracts, which is 1.7% fewer than in the previous quarter, due to the different curve for new student loans, especially for re-enrollments this year. As a result, the penetration of students supported by the financing program stood at 51.6% of the On-Campus Undergraduate student base, or 23.7% of the total Undergraduate student base.

Private Student Installment Plan (PEP)

At the end of 2Q16, a total of around 32,800 students were enrolled in PEP programs, with about 20,700 enrolled in PEP30 and 12,100 in PEP50. Furthermore, during the admissions process in 2H16, the Company will continue to offer PEP with the same commercial conditions of the admissions process for the first semester of the year and based on the same conservative accounting practices.

Ministry of Education (MEC) Evaluations

Ratio	Below 3	Equal as 3	Above 3	Equal or Above 3
Course Concept (CC)	1.4%	47.8%	50.8%	98.6%
Institutional Concept (IC)	1.0%	68.6%	30.4%	99.0%

At the end of 2Q16, 98.6% of the academic programs and 99.0% of the institutions that form Kroton had received evaluations ranging from satisfactory to excellent, bolstering its commitment to teaching quality in all of the educational services offered to students.

National Program to Promote Access to Vocational Education and Jobs (Pronatec)

With regard to Pronatec (*Bolsa Formação*), Kroton (including the Anhanguera institutions) ended the quarter offering 39 different programs lasting 12 to 18 months at 37 On-Campus institutions. The average student base (average number of students with revenue recognized) in the quarter was 1,993 students (which are not included in the Postsecondary student base figure informed above).

Unregulated Programs and Language Courses

Kroton offers Unregulated Programs through its On-Campus units and Distance Learning centers operated under various brands. These short-duration open enrollment programs allow students to increase their knowledge in various fields, such as Management, Education, Mathematics and Languages. In the six-month period, the Company administered these programs to 38,324 students (as with preparatory courses, these students are not considered in the figure for Postsecondary students), for growth of 5.3% from the same period last year.

Preparatory Courses (LFG)

Through the brand LFG, the Company offers preparatory courses for the examination of the Brazilian Bar Association (OAB) and for examinations for civil servant positions. Always positioned as a reference in preparatory courses, LFG's student base averaged 25,087 in 2Q16, representing growth of 4.3% on the same period a year earlier.

PRIMARY AND SECONDARY EDUCATION

In the Primary and Secondary Education business, Kroton's main activity is offering, through the Pitágoras Network, its Learning System, which comprises teaching book collections, teacher training, educational evaluations and other services, to private schools in the Pre-School, Primary and Secondary Education businesses. The segment also manages schools, especially for large companies, and operates an own school in Belo Horizonte, the capital of Minas Gerais state. In 2016, the Company is serving a total 669 Associated Schools and approximately 228,000 students in the private sector.

FINANCIAL PERFORMANCE

Note: the corporate financial data for 2Q15 and 1H15 include, respectively, three and six months of the operations of Uniasselvi in its various operating segments (On-Campus and Distance Learning). Meanwhile, the corporate financial data for 1Q16 include two months (January and February) of the operations of Uniasselvi in its various operating segments (On-Campus and Distance Learning). Lastly, the pro forma financial data excludes the operations of Uniasselvi in its various operating segments (On-Campus and Distance Learning).

2Q16 RESULTS

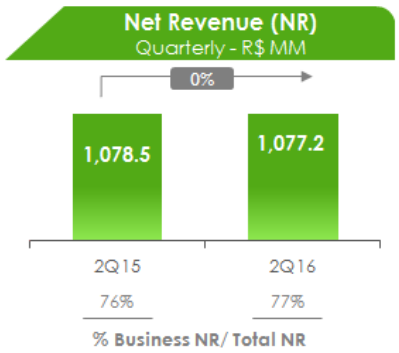
	On-Campus Education		Distance Learning		Primary and Secondary Education		Kroton Consolidated	
Values in R$ ('000)	2Q16	% Net Rev.	2Q16	% Net Rev.	2Q16	% Net Rev.	2Q16	% Net Rev.
Gross Revenue	**1,375,741**	**127.7%**	**356,044**	**133.3%**	**51,264**	**109.4%**	**1,783,049**	**128.2%**
Gross Revenue Deductions	(298,535)	-27.7%	(88,951)	-33.3%	(4,415)	-9.4%	(391,900)	-28.2%
Tax	(36,896)	-3.4%	(8,736)	-3.3%	(1,254)	-2.7%	(46,887)	-3.4%
ProUni	(169,204)	-15.7%	(57,926)	-21.7%	-	0.0%	(227,130)	-16.3%
Returns	-	0.0%	-	0.0%	(3,160)	-6.7%	(3,160)	-0.2%
Total Discounts	(92,434)	-8.6%	(22,288)	-8.3%	-	0.0%	(114,723)	-8.2%
Net Revenue	**1,077,206**	**100.0%**	**267,093**	**100.0%**	**46,850**	**100.0%**	**1,391,149**	**100.0%**
Costs (COGS)	**(341,067)**	**-31.7%**	**(38,831)**	**-14.5%**	**(22,665)**	**-48.4%**	**(402,563)**	**-28.9%**
Cost of Goods	-	0.0%	-	0.0%	(11,275)	-24.1%	(11,275)	-0.8%
Cost of Services	(341,067)	-31.7%	(38,831)	-14.5%	(11,390)	-24.3%	(391,288)	-28.1%
Faculty, Other Personnel and Third-Party Services	(248,661)	-23.1%	(31,839)	-11.9%	(8,320)	-17.8%	(288,820)	-20.8%
Rent	(76,191)	-7.1%	(4,187)	-1.6%	(290)	-0.6%	(80,669)	-5.8%
Materials	(3,144)	-0.3%	(2,377)	-0.9%	-	0.0%	(5,521)	-0.4%
Maintenance	(3,370)	-0.3%	(260)	-0.1%	(400)	-0.9%	(4,029)	-0.3%
Other	(9,701)	-0.9%	(168)	-0.1%	(2,381)	-5.1%	(12,249)	-0.9%
Gross Income	**736,139**	**68.3%**	**228,262**	**85.5%**	**24,184**	**51.6%**	**988,586**	**71.1%**
Operating Expenses	**(126,501)**	**-11.7%**	**(26,123)**	**-9.8%**	**(4,662)**	**-10.0%**	**(157,286)**	**-11.3%**
Personnel, General and Administrative Expenses	(126,501)	-11.7%	(26,123)	-9.8%	(4,662)	-10.0%	(157,286)	-11.3%
Personnel Expenses	(65,961)	-6.1%	(17,489)	-6.5%	(3,541)	-7.6%	(86,991)	-6.3%
General and Administrative Expenses	(60,540)	-5.6%	(8,634)	-3.2%	(1,121)	-2.4%	(70,295)	-5.1%
Provision for Doubtful Accounts - PDA	**(69,863)**	**-6.5%**	**(20,113)**	**-7.5%**	**(406)**	**-0.9%**	**(90,382)**	**-6.5%**
(+) Interest and Penalties on Tuition	28,310	2.6%	5,155	1.9%	80	0.2%	33,545	2.4%
Operating Result	**568,085**	**52.7%**	**187,181**	**70.1%**	**19,196**	**41.0%**	**774,462**	**55.7%**
Sales and Marketing Expenses							**(79,267)**	**-5.7%**
Corporate Expenses							**(62,618)**	**-4.5%**
Adjusted EBITDA							**632,578**	**45.5%**
(-) Nonrecurring Items							26,896	1.9%
EBITDA							**659,473**	**47.4%**
Depreciation and Amortization							(99,371)	-7.1%
Financial Result							(7,642)	-0.5%
Income and Social Contribution Tax							(8,461)	-0.6%
Income Tax / Social Cont. - Disposal of Uniasselvi							(24,625)	-1.8%
Net Profit							**519,374**	**37.3%**
(+) Nonrecurring Items							(26,896)	-1.9%
(+) Intangible Amortization (Acquisitions)							44,677	3.2%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi							24,625	1.8%
Adjusted Net Profit							**561,780**	**40.4%**

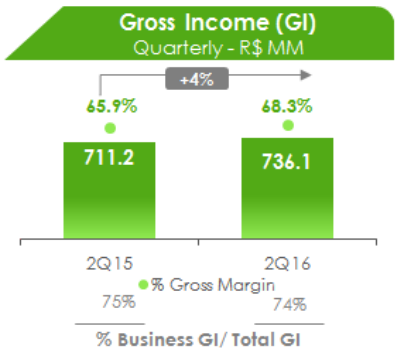
1H16 RESULTS – CORPORATE

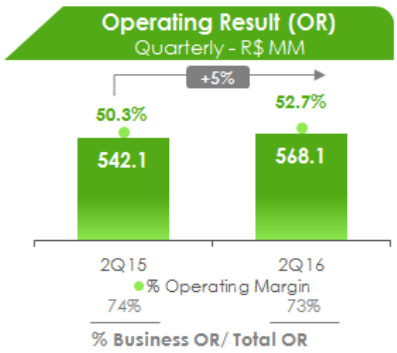
	On-Campus Education		Distance Learning		Primary and Secondary Education		Kroton Consolidated	
Values in R$ ('000)	1H16	% Net Rev.	1H16	% Net Rev.	1H16	% Net Rev.	1H16	% Net Rev.
Gross Revenue	**2,564,981**	**127.9%**	**727,813**	**131.8%**	**108,799**	**106.9%**	**3,401,593**	**127.9%**
Gross Revenue Deductions	(559,494)	-27.9%	(175,791)	-31.8%	(7,019)	-6.9%	(742,305)	-27.9%
Tax	(65,896)	-3.3%	(17,030)	-3.1%	(3,022)	-3.0%	(85,948)	-3.2%
ProUni	(335,262)	-16.7%	(114,786)	-20.8%	-	0.0%	(450,048)	-16.9%
Returns	-	0.0%	-	0.0%	(3,998)	-3.9%	(3,998)	-0.2%
Total Discounts	(158,336)	-7.9%	(43,975)	-8.0%	-	0.0%	(202,311)	-7.6%
Net Revenue	**2,005,486**	**100.0%**	**552,022**	**100.0%**	**101,780**	**100.0%**	**2,659,288**	**100.0%**
Costs (COGS)	**(613,602)**	**-30.6%**	**(80,935)**	**-14.7%**	**(42,182)**	**-41.4%**	**(736,719)**	**-27.7%**
Cost of Goods	-	0.0%	-	0.0%	(21,197)	-20.8%	(21,197)	-0.8%
Cost of Services	(613,602)	-30.6%	(80,935)	-14.7%	(20,985)	-20.6%	(715,522)	-26.9%
Faculty, Other Personnel and Third-Party Services	(431,389)	-21.5%	(62,436)	-11.3%	(14,896)	-14.6%	(508,721)	-19.1%
Rent	(153,117)	-7.6%	(10,081)	-1.8%	(555)	-0.5%	(163,754)	-6.2%
Materials	(5,214)	-0.3%	(7,132)	-1.3%	-	0.0%	(12,345)	-0.5%
Maintenance	(5,863)	-0.3%	(495)	-0.1%	(403)	-0.4%	(6,761)	-0.3%
Other	(18,020)	-0.9%	(791)	-0.1%	(5,130)	-5.0%	(23,941)	-0.9%
Gross Income	**1,391,884**	**69.4%**	**471,087**	**85.3%**	**59,598**	**58.6%**	**1,922,569**	**72.3%**
Operating Expenses	**(231,474)**	**-11.5%**	**(50,817)**	**-9.2%**	**(9,580)**	**-9.4%**	**(291,872)**	**-11.0%**
Personnel, General and Administrative Expenses	(231,474)	-11.5%	(50,817)	-9.2%	(9,580)	-9.4%	(291,872)	-11.0%
Personnel	(124,520)	-6.2%	(33,838)	-6.1%	(7,716)	-7.6%	(166,074)	-6.2%
General and Administrative	(106,954)	-5.3%	(16,980)	-3.1%	(1,864)	-1.8%	(125,798)	-4.7%
Provision for Doubtful Accounts - PDA	**(112,144)**	**-5.6%**	**(41,335)**	**-7.5%**	**(844)**	**-0.8%**	**(154,323)**	**-5.8%**
(+) Interest and Penalties on Tuition	58,055	2.9%	14,663	2.7%	205	0.2%	72,922	2.7%
Operating Result	**1,106,321**	**55.2%**	**393,597**	**71.3%**	**49,379**	**48.5%**	**1,549,297**	**58.3%**
Sales and Marketing Expenses							**(180,893)**	**-6.8%**
Corporate Expenses							**(129,070)**	**-4.9%**
Adjusted EBITDA							**1,239,333**	**46.6%**
(-) Nonrecurring Items							213,945	8.0%
EBITDA							**1,453,279**	**54.6%**
Depreciation and Amortization							(197,017)	-7.4%
Financial Result							(37,007)	-1.4%
Income and Social Contribution Tax							(28,755)	-1.1%
Income Tax / Social Cont. - Disposal of Uniasselvi							(71,772)	-2.7%
Net Profit							**1,118,728**	**42.1%**
(+) Nonrecurring Items							(213,945)	-8.0%
(+) Intangible Amortization (Acquisitions)							91,134	3.4%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi							71,772	2.7%
Adjusted Net Profit							**1,067,689**	**40.1%**

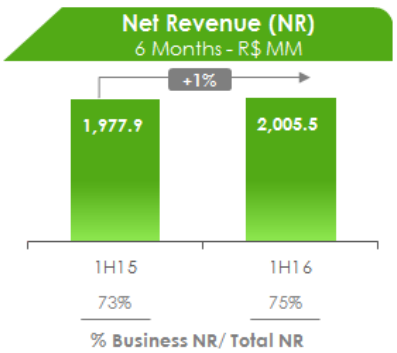
CORPORATE FINANCIAL PERFORMANCE – ON-CAMPUS EDUCATION

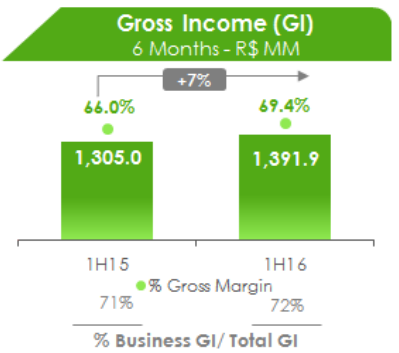
On-Campus Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%	1H16	1H15	Chg.%
Gross Revenue	**1,375,741**	**1,367,041**	**0.6%**	**1,189,240**	**15.7%**	**2,564,981**	**2,501,258**	**2.5%**
Gross Revenue Deductions	(298,535)	(288,587)	3.4%	(260,960)	14.4%	(559,494)	(523,367)	6.9%
Tax	(36,896)	(33,753)	9.3%	(29,000)	27.2%	(65,896)	(61,829)	6.6%
ProUni	(169,204)	(159,541)	6.1%	(166,058)	1.9%	(335,262)	(313,275)	7.0%
Returns	-	-	n.a.	-	n.a.	-	-	n.a.
Total Discounts	(92,434)	(95,293)	-3.0%	(65,902)	40.3%	(158,336)	(148,263)	6.8%
Net Revenue	**1,077,206**	**1,078,454**	**-0.1%**	**928,280**	**16.0%**	**2,005,486**	**1,977,891**	**1.4%**
Net Revenue - Undergraduate	**1,061,905**	**1,031,411**	**3.0%**	**908,777**	**16.8%**	**1,970,682**	**1,874,956**	**5.1%**
Net Revenue - Ex-FIES and ex-PEP	279,767	213,254	31.2%	264,327	5.8%	544,095	474,647	14.6%
Net Revenue - FIES (net of APV)	695,564	782,812	-11.1%	606,913	14.6%	1,302,477	1,330,320	-2.1%
Net Revenue - PEP (net of APV)	86,573	35,345	144.9%	37,537	130.6%	124,110	69,990	77.3%
Net Revenue - Graduate, Unregulated Programs, Pronatec	**15,302**	**47,043**	**-67.5%**	**19,503**	**-21.5%**	**34,804**	**102,935**	**-66.2%**
Net Revenue - Pronatec	1,179	34,508	-96.6%	8,992	-86.9%	10,170	76,891	-86.8%
Net Revenue - Graduate and Unregulated Programs	14,123	12,535	12.7%	10,511	34.4%	24,634	26,043	-5.4%
Total of Costs	**(341,067)**	**(367,218)**	**-7.1%**	**(272,535)**	**25.1%**	**(613,602)**	**(672,927)**	**-8.8%**
Cost of Goods	-	-	n.a.	-	n.a.	-	-	n.a.
Cost of Services	(341,067)	(367,218)	-7.1%	(272,535)	25.1%	(613,602)	(672,927)	-8.8%
Faculty, Other Personnel and Third-Party Services	(248,661)	(273,845)	-9.2%	(182,728)	36.1%	(431,389)	(484,243)	-10.9%
Rent	(76,191)	(75,749)	0.6%	(76,926)	-1.0%	(153,117)	(149,157)	2.7%
Materials	(3,144)	(1,993)	57.8%	(2,069)	51.9%	(5,214)	(10,500)	-50.3%
Maintenance	(3,370)	(4,599)	-26.7%	(2,493)	35.2%	(5,863)	(9,021)	-35.0%
Other	(9,701)	(11,032)	-12.1%	(8,319)	16.6%	(18,020)	(20,006)	-9.9%
Gross Income	**736,139**	**711,236**	**3.5%**	**655,745**	**12.3%**	**1,391,884**	**1,304,963**	**6.7%**
Gross Margin	*68.3%*	*65.9%*	*2.4 p.p.*	*70.6%*	*-2.3 p.p.*	*69.4%*	*66.0%*	*3.4 p.p.*
Total Operating Expenses	**(126,501)**	**(131,289)**	**-3.6%**	**(104,973)**	**20.5%**	**(231,474)**	**(253,564)**	**-8.7%**
Personnel Expenses	(65,961)	(73,095)	-9.8%	(58,559)	12.6%	(124,520)	(142,291)	-12.5%
General and Administrative Expenses	(60,540)	(58,194)	4.0%	(46,415)	30.4%	(106,954)	(111,273)	-3.9%
Provision for Doubtful Account - PDA	**(69,863)**	**(52,313)**	**33.5%**	**(42,280)**	**65.2%**	**(112,144)**	**(94,661)**	**18.5%**
(+) Interest and Penalties on Tuition	28,310	14,462	95.8%	29,745	-4.8%	58,055	32,209	80.2%
Operating Result	**568,085**	**542,097**	**4.8%**	**538,236**	**5.5%**	**1,106,321**	**988,947**	**11.9%**
Operating Margin	*52.7%*	*50.3%*	*2.5 p.p.*	*58.0%*	*-5.2 p.p.*	*55.2%*	*50.0%*	*5.2 p.p.*

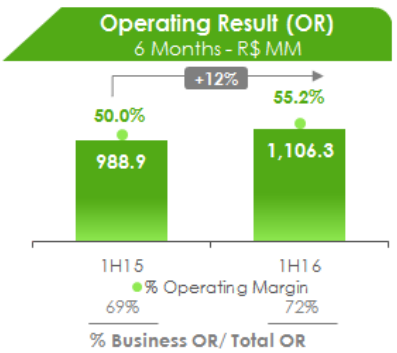












CORPORATE RESULTS

Revenue and Deductions

On-Campus Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Gross Revenue	**1,375,741**	**1,367,041**	**0.6%**	**1,189,240**	**15.7%**
Gross Revenue Deductions	(298,535)	(288,587)	3.4%	(260,960)	14.4%
Tax	(36,896)	(33,753)	9.3%	(29,000)	27.2%
ProUni	(169,204)	(159,541)	6.1%	(166,058)	1.9%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(92,434)	(95,293)	-3.0%	(65,902)	40.3%
Net Revenue	**1,077,206**	**1,078,454**	**-0.1%**	**928,280**	**16.0%**
Net Revenue - Undergraduate	**1,061,905**	**1,031,411**	**3.0%**	**908,777**	**16.8%**
Net Revenue - Ex-FIES and ex-PEP	279,767	213,254	31.2%	264,327	5.8%
Net Revenue - FIES (net of APV)	695,564	782,812	-11.1%	606,913	14.6%
Net Revenue - PEP (net of APV)	86,573	35,345	144.9%	37,537	130.6%
Net Revenue - Graduate, Unregulated Programs, Pronatec	**15,302**	**47,043**	**-67.5%**	**19,503**	**-21.5%**
Net Revenue - Pronatec	1,179	34,508	-96.6%	8,992	-86.9%
Net Revenue - Graduate and Unregulated Programs	14,123	12,535	12.7%	10,511	34.4%

Deductions

Deductions as a ratio of gross revenue increased 0.6 p.p. in 2Q16 compared to 2Q15, which is explained by the higher deductions related to ProUni. Compared to 1Q16, deductions as a ratio of gross revenue decreased 0.2 p.p., reflecting primarily the growth in gross revenue due to the late normalization of reenrollments. This effect more than offset the increase in the line total discounts due to the seasonality of the Tuition Adjustment Process (PAM), which occurs primarily in even-numbered quarters.

Net Revenue

Net revenue amounted to R$ 1,077.2 million in 2Q16, similar to the level in 2Q15. The higher number of students paying out of pocket originating from the admissions and re-enrollment processes at the start of the year and the higher average ticket in the period were offset by the lower recognition of late re-enrollments, given that 2Q15 was affected by the delays in the FIES program that caused an atypical increase in the numbers for that period. Other factors that adversely affected the comparison with the prior year were: the significant reduction in the Pronatec program (which this quarter posted revenue of only R$1.2 million, compared to R$34.5 million in 2Q15), and the divestment of Uniasselvi in 1Q16. Despite all these factors pressuring the annual comparison, performance in 2Q16 further attests to the Company's resilience in this more challenging scenario. Another factor that supported the segment's performance was the maturation of the Special Installment Program, which in 2Q16 accounted for R$86.6 million (net of the Adjustment to Present Value – APV), or 8.0% of the segment's total revenue. Excluding solely the Pronatec figures from both periods (for a more adequate analysis of the trend going forward), revenue would have increased 3.1% on the prior-year period. Compared to the prior quarter, the net revenue growth of 16.0% is explained by the normalization of FIES re-enrollments in the period and, most importantly, the full recognition of tuitions after the one-off effects from the discounts granted solely in the first quarter. These factors more than offset the effects described above (lower Pronatec revenue and Uniasselvi divestment). In the first six months of the year, net revenue amounted to R$2.0 billion, increasing 1.4% from the same period of 2015.

Average Net Ticket [1]

On-Campus Postsecondary Education- Values in R$	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total	**760.22**	**691.71**	**9.9%**	**744.34**	**2.1%**

[1] The calculation of average net ticket excludes the impacts from the APV.

For a better understanding, the calculation of Kroton's average ticket considers the number of students effectively billed in the period (excluding Pronatec students, but including ProUni students), since, due to retroactive contract amendments, a student could be billed more than once in a certain month. Accordingly, the net average ticket of On-Campus programs in 2Q16 was R$760.22, an increase of 9.9% from the year-ago period, reflecting the annual adjustment of monthly tuitions and the share of programs with higher tickets in the base. Considering the impacts from the one-off discounts and exemptions of enrollment fees granted in 1Q16, the most adequate analysis falls on the evolution of the average ticket for the semester, because it neutralizes any seasonal effects between quarters. In such analysis, the average ticket in 1H16 was R$752.60, increasing 8.6% from the same period last year.

Costs

On-Campus Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total of Costs	**(341,067)**	**(367,218)**	**-7.1%**	**(272,535)**	**25.1%**
Cost of Goods (CG)	-	-	n.a.	-	n.a.
Cost of Services (CS)	(341,067)	(367,218)	-7.1%	(272,535)	25.1%
Faculty, Other Personnel and Third-Party Services	(248,661)	(273,845)	-9.2%	(182,728)	36.1%
Rent	(76,191)	(75,749)	0.6%	(76,926)	-1.0%
Materials	(3,144)	(1,993)	57.8%	(2,069)	51.9%
Maintenance	(3,370)	(4,599)	-26.7%	(2,493)	35.2%
Other	(9,701)	(11,032)	-12.1%	(8,319)	16.6%
% of Net Revenues	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total of Costs	**-31.7%**	**-34.1%**	**2.4 p.p.**	**-29.4%**	**-2.3 p.p.**
Cost of Goods (CG)	0.0%	0.0%	n.a.	0.0%	n.a.
Cost of Services (CS)	-31.7%	-34.1%	2.4 p.p.	-29.4%	-2.3 p.p.
Faculty, Other Personnel and Third-Party Services	-23.1%	-25.4%	2.3 p.p.	-19.7%	-3.4 p.p.
Rent	-7.1%	-7.0%	0.0 p.p.	-8.3%	1.2 p.p.
Materials	-0.3%	-0.2%	-0.1 p.p.	-0.2%	-0.1 p.p.
Maintenance	-0.3%	-0.4%	0.1 p.p.	-0.3%	0.0 p.p.
Other	-0.9%	-1.0%	0.1 p.p.	-0.9%	0.0 p.p.

In 2Q16, cost of services as a ratio of net revenue fell 2.4 p.p. from 2Q15. As observed in the beginning of the year, this improvement is mainly explained by the implementation of the operational research software at Kroton units as of the second half of 2015, which led to significant savings in costs with faculty, personnel and third-party services. Although the tool has yet to reach its maximum capacity in terms of scope, the important contribution it makes to the quality and efficiency of the On-Campus operations is already clear. Other positive contributions were related to the strategic sourcing initiatives and to the restructuring of units to optimize occupancy rates. Compared to 1Q16, total costs as a ratio of net revenue increased 2.3 p.p., mainly because of seasonality due to the wage increases under the collective bargaining agreement.

Gross Income

On-Campus Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Gross Income	**736,139**	**711,236**	**3.5%**	**655,745**	**12.3%**
Gross Margin	*68.3%*	*65.9%*	*2.4 p.p.*	*70.6%*	*-2.3 p.p.*

Gross income from On-Campus Education was R$736.1 million in 2Q16, increasing 3.5% on the same period last year. The result reflects the continued capture of efficiency gains at the institutions, which supported gross margin expansion of 2.4 p.p.. Compared to the prior quarter, the 2.3 p.p. gross margin contraction is due to seasonal increases in costs with faculty and third-party services, which more than offset the positive impact from the higher average ticket in the period and the normalization of FIES enrollments. In the 1H16, gross margin expanded 3.4 p.p. to 69.4%, which demonstrates the efforts made to ensure the continuous capture of efficiency gains at the various institutions.

Operating Expenses

On-Campus Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total Operating Expenses	**(126,501)**	**(131,289)**	**-3.6%**	**(104,973)**	**20.5%**
Personnel Expenses	(65,961)	(73,095)	-9.8%	(58,559)	12.6%
General and Administrative Expenses	(60,540)	(58,194)	4.0%	(46,415)	30.4%

% of Net Revenues	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total Operating Expenses	**-11.7%**	**-12.2%**	**0.4 p.p.**	**-11.3%**	**-0.4 p.p.**
Personnel Expenses	-6.1%	-6.8%	0.7 p.p.	-6.3%	0.2 p.p.
General and Administrative Expenses	-5.6%	-5.4%	-0.2 p.p.	-5.0%	-0.6 p.p.

Personnel, General and Administrative Expenses

In 2Q16, total personnel, general and administrative expenses as a ratio of net revenue decreased 0.4 p.p. from 2Q15, primarily due to the capture of economies of scale, synergies and to the efforts to control operating expenses, especially personnel expenses. Compared to the previous quarter, the increase of 0.4 p.p. in this indicator is due to the segment's natural seasonality.

Provision for Doubtful Accounts (PDA)

On-Campus Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Provision for Doubtful Account - PDA	(69,863)	(52,313)	33.5%	(42,280)	65.2%
PDA / Postsecondary Net Revenues[1]	*-6.5%*	*-5.0%*	*-1.5 p.p.*	*-4.6%*	*-1.9 p.p.*
Provision for Doubtful Account - PDA ex-FIES & PEP	(20,350)	(14,643)	39.0%	(18,278)	11.3%
PDA ex-FIES / Postsecondary Net Revenues ex-FIES & ex-PEP[1]	*-6.9%*	*-6.5%*	*-0.4 p.p.*	*-6.7%*	*-0.3 p.p.*
Provision for Doubtful Account - PDA FIES	(6,227)	(19,997)	-68.9%	(5,234)	19.0%
PDA FIES / Postsecondary Net Revenues FIES[1]	*-0.9%*	*-2.6%*	*1.7 p.p*	*-0.9%*	*-0.0 p.p.*
Provision for Doubtful Account - PDA PEP	(43,286)	(17,672)	144.9%	(18,769)	130.6%
PDA PEP / Postsecondary Net Revenues PEP[1]	*-50.0%*	*-50.0%*	*-0.0 p.p.*	*-50.0%*	*0.0 p.p*

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

Total PDA as a ratio of net revenue in the On-Campus business increased 1.5 p.p. from the same period last year, to 6.5%. This performance is explained by the accruals made since 1Q16 in ex-FIES and ex-PEP PDA to more accurately reflect the expected delinquency given the deterioration in the macroeconomic scenario. Although Kroton has created a high accounts receivable coverage ratio in recent years and since effective losses have been below the level of provisioning, the decision to increase PDA levels is consistent with the policy of observing historical cycles and reinforces the Company's conservative approach to provisioning.

Accounts Receivable

On-Campus Education - Values in R$ (´000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Net Accounts Receivable	**1,551,831**	**1,172,666**	**32.3%**	**1,683,487**	**-7.8%**
Tuition and Agreements to Receive	274,433	263,370	4.2%	195,640	40.3%
FIES - Short Term	602,764	874,128	-31.0%	868,409	-30.6%
FIES - Long Term	550,395	n.a	n.a	516,258	6.6%
Long Term Portfolio - ex-FIES	124,239	35,168	253.3%	103,180	20.4%

Total accounts receivables net of PDA fell 7.8% between 2Q16 and 1Q16, reflecting the normalization of the FIES payment flow, as previously announced in 1Q16. This is the first quarter in which the flow has been fully reestablished. Likewise, the expectation is of a further reduction in 3Q16, since the Company received, in August, 25% of the installments not paid in 2015 related to NR23. The line long-term FIES, as explained in previous quarters, consists of the remaining 75% of the installments not paid in 2015 and which will be repurchased in 2017 and 2018 (adjusted to present value). Excluding the FIES lines from the analysis, the growth in net accounts receivable mainly reflects the higher base of PEP students enrolled in recent admissions cycles.

Average Accounts Receivable Term

For the calculation of the average term of accounts receivable in the Postsecondary business, Kroton presents three distinct analyses:

1. Total Accounts Receivable

On-Campus Education - days	2Q16	2Q15	Chg.(days)	1Q16	Chg.(days)
Net Accounts Receivable / Total Net Revenue On-Campus	142	114	28 Days	154	-12 Days

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

In 2Q16, the average term increased by 28 days compared to the same period last year, mainly due to the higher balance of PEP and FIES accounts receivable, as commented above. Compared to the previous quarter, the reduction of 12 days in the average term is due to the normalization of the FIES payment flow.

2. Accounts Receivable, excluding the balances of FIES receivables and revenues

On-Campus Education - days	2Q16	2Q15	Chg.(days)	1Q16	Chg.(days)
Net Accounts Receivable (ex-FIES) / Net Revenue (ex-FIES)	109	82	27 Days	86	23 Days

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

In 2Q16, the average term ex-FIES increased 27 days from 2Q15, mainly reflecting the effect from the longer average term of PEP students. Excluding this effect from both periods, the average receivables term (ex-FIES and ex-PEP) was 81 days in 2Q16, or 2 days less than in 2Q15 (83 days), which reinforces the effectiveness of the renegotiation and collection practices adopted. Compared to the previous quarter, the increase of 23 days is due to seasonality and to the deterioration in the macroeconomic scenario, which led to a higher volume of renegotiations.

3. FIES Accounts Receivable

On-Campus Education - days	2Q16	2Q15	Chg.(days)	1Q16	Chg.(days)
Net Accounts Receivable Fies / Net Revenue Fies	159	124	35 Days	184	-25 Days

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

In 2Q16, the average term of FIES accounts receivable was 159 days, increasing 35 days from 2Q15 but decreasing 25 days from 1Q16. This decline is an unequivocal indication of the normalization of the flow of payments and will further intensify in 3Q16, since the Company registered, on August 3, the receipt of 25% of the FIES installments not paid in 2015 due to NR23. Therefore, the Company expects the average FIES receivables term to gradually return to historical levels in the coming years.

Operating Result

On-Campus Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Gross Income	**736,139**	**711,236**	**3.5%**	**655,745**	**12.3%**
(-) Total Operating Expenses	(126,501)	(131,289)	-3.6%	(104,973)	20.5%
(-) Provision for Doubtful Account - PDA	(69,863)	(52,313)	33.5%	(42,280)	65.2%
(+) Interest and Penalties on Tuition	28,310	14,462	95.8%	29,745	-4.8%
Operating Result	**568,085**	**542,097**	**4.8%**	**538,236**	**5.5%**
Operating Margin	*52.7%*	*50.3%*	*2.5 p.p.*	*58.0%*	*-5.2 p.p.*

The operating result (before marketing expenses) in 2Q16 amounted to R$568.1 million, with an operating margin of 52.7%, for expansion of 2.5 p.p. on the prior-year period, primarily reflecting the capture of efficiency gains and synergies from the Anhanguera merger and the progress made in the operational research process for forming classes. Compared to 1Q16, operating margin fell 5.2 p.p. due to the seasonal increase in costs and expenses. As mentioned in previous quarters, the operating result includes an impact from the agreement for the receipt of FIES installments, which generated a positive effect from the recognition of inflation adjustment (accrual method of accounting) on the line interest and penalties on tuitions, in the amount of R$12.9 million in 2Q16. In the six-month period, the operating result was R$1,106.3 million, with operating margin of 55.2%, or 5.2 p.p. higher than in the same period of 2015, despite the lower Pronatec revenue and the Uniasselvi divestment.

PRO FORMA RESULT

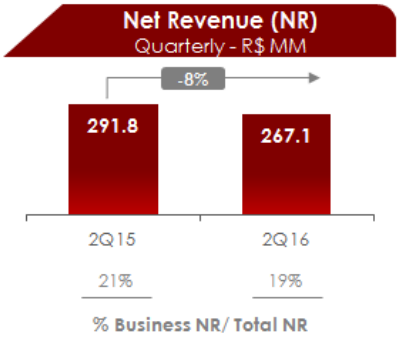
The following table presents the main P&L lines excluding the data for Uniasselvi from 2015 and 1Q16:

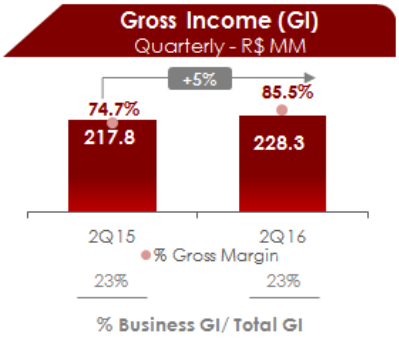
On-Campus - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%	1H16	1H15	Chg.%
Net Revenue	1,077,206	1,052,335	2.4%	915,925	17.6%	1,993,131	1,926,476	3.5%
Gross Income	736,139	696,437	5.7%	648,321	13.5%	1,384,460	1,273,699	8.7%
Gross Margin	*68.3%*	*66.2%*	*2.2 p.p.*	*70.8%*	*-2.4 p.p.*	*69.5%*	*66.1%*	*3.3 p.p.*
Operating Result	568,085	533,531	6.5%	533,690	6.4%	1,101,775	969,300	13.7%
Operating Margin	*52.7%*	*50.7%*	*2.0 p.p.*	*58.3%*	*-5.5 p.p.*	*55.3%*	*50.3%*	*5.0 p.p.*

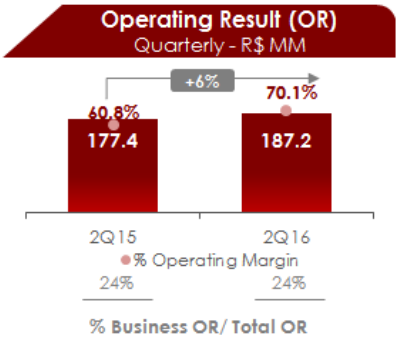
In this analysis, net revenue advanced 2.4%, supported by the higher average ticket, which offset the lower contribution from Pronatec. Gross income in the quarter increased 5.7% from the prior-year period, with gross margin expanding 2.2 p.p., while the operating result grew 6.5% to R$568.1 million, with operating margin expanding 2.0 p.p..

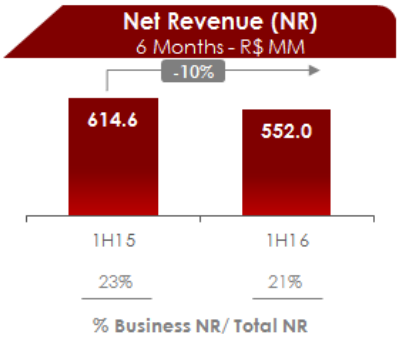
CORPORATE FINANCIAL PERFORMANCE – DISTANCE LEARNING

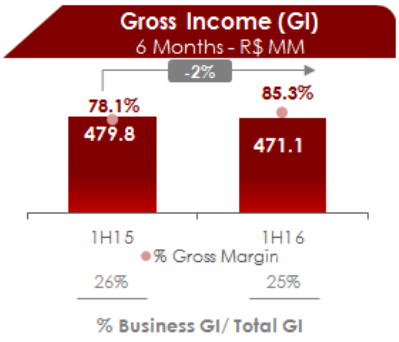
Distance Learning - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%	1H16	1H15	Chg.%
Gross Revenue	**356,044**	**397,803**	**-10.5%**	**371,769**	**-4.2%**	**727,813**	**818,567**	**-11.1%**
Gross Revenue Deductions	(88,951)	(106,036)	-16.1%	(86,840)	2.4%	(175,791)	(203,954)	-13.8%
Tax	(8,736)	(7,880)	10.9%	(8,294)	5.3%	(17,030)	(16,665)	2.2%
ProUni	(57,926)	(64,222)	-9.8%	(56,859)	1.9%	(114,786)	(125,861)	-8.8%
Returns	-	-	n.a.	-	n.a.	-	-	n.a.
Total Discounts	(22,288)	(33,934)	-34.3%	(21,687)	2.8%	(43,975)	(61,427)	-28.4%
Net Revenue	**267,093**	**291,767**	**-8.5%**	**284,929**	**-6.3%**	**552,022**	**614,613**	**-10.2%**
Net Revenue - Undergraduate	246,068	265,798	-7.4%	262,345	-6.2%	508,414	562,819	-9.7%
Net Revenue - Graduate, LFG and Unregulated Programs	21,024	25,969	-19.0%	22,583	-6.9%	43,608	51,795	-15.8%
Total of Costs	**(38,831)**	**(73,956)**	**-47.5%**	**(42,104)**	**-7.8%**	**(80,935)**	**(134,852)**	**-40.0%**
Cost of Goods	-	-	n.a.	-	n.a.	-	-	n.a.
Cost of Services	(38,831)	(73,956)	-47.5%	(42,104)	-7.8%	(80,935)	(134,852)	-40.0%
Faculty, Other Personnel and Third-Party Services	(31,839)	(62,556)	-49.1%	(30,597)	4.1%	(62,436)	(107,782)	-42.1%
Rent	(4,187)	(6,681)	-37.3%	(5,894)	-29.0%	(10,081)	(13,617)	-26.0%
Materials	(2,377)	(2,985)	-20.4%	(4,755)	-50.0%	(7,132)	(11,065)	-35.5%
Maintenance	(260)	(799)	-67.5%	(235)	10.6%	(495)	(1,176)	-57.9%
Other	(168)	(935)	-82.1%	(623)	-73.1%	(791)	(1,212)	-34.8%
Gross Income	**228,262**	**217,811**	**4.8%**	**242,824**	**-6.0%**	**471,087**	**479,762**	**-1.8%**
Gross Margin	*85.5%*	*74.7%*	*10.8 p.p.*	*85.2%*	*0.2 p.p.*	*85.3%*	*78.1%*	*7.3 p.p.*
Total Operating Expenses	**(26,123)**	**(27,131)**	**-3.7%**	**(24,695)**	**5.8%**	**(50,817)**	**(55,211)**	**-8.0%**
Personnel Expenses	(17,489)	(21,833)	-19.9%	(16,349)	7.0%	(33,838)	(44,355)	-23.7%
General and Administrative Expenses	(8,634)	(5,298)	63.0%	(8,346)	3.5%	(16,980)	(10,856)	56.4%
Provision for Doubtful Account - PDA	(20,113)	(21,691)	-7.3%	(21,221)	5.2%	(41,335)	(45,556)	-9.3%
(+) Interest and Penalties on Tuition	5,155	8,429	-38.8%	9,508	-45.8%	14,663	20,648	-29.0%
Operating Result	**187,181**	**177,418**	**5.5%**	**206,416**	**-9.3%**	**393,597**	**399,643**	**-1.5%**
Operating Margin	*70.1%*	*60.8%*	9.3 p.p.	*72.4%*	-2.4 p.p.	*71.3%*	*65.0%*	6.3 p.p.

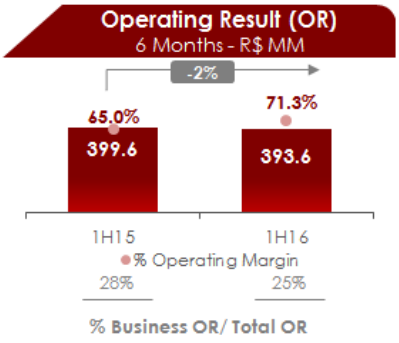












CORPORATE RESULTS

Revenue and Deductions

Distance Learning - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Gross Revenue	**356,044**	**397,803**	**-10.5%**	**371,769**	**-4.2%**
Gross Revenue Deductions	(88,951)	(106,036)	-16.1%	(86,840)	2.4%
Tax	(8,736)	(7,880)	10.9%	(8,294)	5.3%
ProUni	(57,926)	(64,222)	-9.8%	(56,859)	1.9%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(22,288)	(33,934)	-34.3%	(21,687)	2.8%
Net Revenue	**267,093**	**291,767**	**-8.5%**	**284,929**	**-6.3%**
Net Revenue - Undergraduate	246,068	265,798	-7.4%	262,345	-6.2%
Net Revenue - Graduate, LFG and Unregulated Programs	21,024	25,969	-19.0%	22,583	-6.9%

Deductions

In the Distance Learning business, the main deduction items are the discounts granted and ProUni, which combined corresponded to 22.5% of total gross revenue in 2Q16, down 2.1 p.p. from the same period last year, which reflects the more effective adjustment and filling of ProUni openings. Another positive factor in the period's lower deductions was the lower volume of total discounts, reflecting the pricing strategy adopted at the start of the year. Compared to the prior quarter, the 1.4 p.p. increase was due to the weaker revenue resulting from the fact that the Uniasselvi figures are no longer consolidated into those of the Company.

Net Revenue

Net revenue in 2Q16 came to R$267.1 million, down 8.5% from the same period of 2015, reflecting the divestment of Uniasselvi and the lower revenue contribution from LFG and unregulated programs. These same factors were responsible for the 10.2% decline in net revenue for the six-month period, to R$552.0 million, which neutralized the positive effects from the admissions and re-enrollment processes conducted in recent cycles.

Average Net Ticket

Distance Learning - Values in R$	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total (Student)	**265.62**	**243.31**	**9.2%**	**232.70**	**14.1%**

For comparison purposes, Kroton reports only the effective ticket paid by the student, without discounting the transfers to the partners of the centers. To enable a better understanding, when calculating the average ticket, Kroton uses the number of invoices effectively recognized as revenue in the period, including the invoices of ProUni. Accordingly, considering 100% of revenue and the combination of the DL Undergraduate, DL Graduate and LFG businesses, the average ticket was R$265.62, increasing 9.2% from 2Q15 and 14.1% from 1Q16, driven by one-off campaigns to offer discounts and exemptions of enrollment fees to new students in that period, but which do not affect the student's average ticket over the duration of their program. In the first six months of the year, the average ticket was R$247.03, increasing 0.5% from 1H15, which also was influenced by (i) the Uniasselvi divestment; (ii) the poorer performance of LFG resulting from the restructuring of the program portfolio; and (iii) the difference in the mix of new enrollments, including those related to the expansion of programs under the 100% DL teaching format, which have lower prices compared to hybrid programs.

Costs

Distance Learning - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total of Costs	**(38,831)**	**(73,956)**	**-47.5%**	**(42,104)**	**-7.8%**
Cost of Goods	-	-	n.a.	-	n.a.
Cost of Services	(38,831)	(73,956)	-47.5%	(42,104)	-7.8%
Faculty, Other Personnel and Third-Party Services	(31,839)	(62,556)	-49.1%	(30,597)	4.1%
Rent	(4,187)	(6,681)	-37.3%	(5,894)	-29.0%
Materials	(2,377)	(2,985)	-20.4%	(4,755)	-50.0%
Maintenance	(260)	(799)	-67.5%	(235)	10.6%
Other	(168)	(935)	-82.1%	(623)	-73.1%

% of Net Revenues	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total of Costs	**-14.5%**	**-25.3%**	**10.8 p.p.**	**-15.8%**	**1.2 p.p.**
Cost of Goods (CG)	0.0%	0.0%	0.0 p.p.	0.0%	0.0 p.p.
Cost of Services (CS)	-14.5%	-25.3%	10.8 p.p.	-15.8%	1.2 p.p.
Faculty, Other Personnel and Third-Party Services	-11.9%	-21.4%	9.5 p.p.	-11.5%	-0.5 p.p.
Rent	-1.6%	-2.3%	0.7 p.p.	-2.2%	0.6 p.p.
Materials	-0.9%	-1.0%	0.1 p.p.	-1.8%	0.9 p.p.
Maintenance	-0.1%	-0.3%	0.2 p.p.	-0.1%	0.0 p.p.
Other	-0.1%	-0.3%	0.3 p.p.	-0.2%	0.2 p.p.

In 2Q16, cost of services (CS) came to R$38.8 million and as a ratio of net revenue decreased 10.8 p.p. from the same period in 2015. This reduction is mainly explained by the capture of efficiency gains from the expansion in the student base over the past few years, as well as by the ongoing initiatives to optimize the performance of DL programs at Anhanguera, highlighting the migration of the teaching model to one on-campus meeting per week (instead of two), the restructuring of the commercial model in the segment, and the lower costs with rent and maintenance. Compared to the prior quarter, costs as a ratio of net revenue fell 1.2 p. p., mainly due to the lower costs with rent and materials, which are lines that are being optimized by the progress in strategic sourcing waves.

Gross Income

Distance Learning - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Gross Income	**228,262**	**217,811**	**4.8%**	**242,824**	**-6.0%**
Gross Margin	*85.5%*	*74.7%*	*10.8 p.p.*	*85.2%*	*0.2 p.p.*

Gross income was R$228.3 million in 2Q16, with gross margin of 85.5%, up 10.8 p.p. from 2Q15, due to the lower payroll costs in the period. Compared to the prior quarter, gross income was lower, reflecting the weaker revenue following the Uniasselvi divestment, although gross margin remained virtually stable. In 1H16, gross income amounted to R$471.1 million, with gross margin of 85.3% (+7.3 p.p.). Despite the lower revenue resulting from the divestment the Company was forced to carry out, cost efficiency registered a significant improvement.

Operating Expenses

Distance Learning - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total Operating Expenses	**(26,123)**	**(27,131)**	**-3.7%**	**(24,695)**	**5.8%**
Personnel Expenses	(17,489)	(21,833)	-19.9%	(16,349)	7.0%
General and Administrative Expenses	(8,634)	(5,298)	63.0%	(8,346)	3.5%

% of Net Revenues	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total Operating Expenses	**-9.8%**	**-9.3%**	**-0.5 p.p.**	**-9.2%**	**-0.5 p.p.**
Personnel Expenses	-6.5%	-7.5%	0.9 p.p.	-6.1%	-0.4 p.p.
General and Administrative Expenses	-3.2%	-1.8%	-1.4 p.p.	-3.1%	-0.1 p.p.

Personnel, General and Administrative Expenses

In 2Q16, personnel expenses as a ratio of the segment's net revenue decreased 0.9 p.p. from 2Q15, due to economies of scale and the initiatives to streamline personnel expenses implemented since last year. Meanwhile, general and administrative expenses as a ratio of net revenue increased 1.4 p.p. from 2Q15, due to the higher expenses with contingencies.

Provision for Doubtful Accounts (PDA)

Distance Learning - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Provision for Doubtful Account - PDA	(20,113)	(21,691)	-7.3%	(21,221)	-5.2%
PDA / Distance Learning Net Revenues	*-7.5%*	*-7.4%*	*-0.1 p.p.*	*-7.4%*	*-0.1 p.p.*

Provisioning as a ratio of net revenue in the DL business stood at 7.5% in 2Q16, remaining stable in relation to recent quarters, which reinforces the effectiveness of the collections policy, despite the more challenging economic scenario. Unlike in the On-campus segment, where the effects from the economic crisis led to a slight increase in provisioning, the DL segment was not impacted in this respect.

Accounts Receivable

Distance Learning - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Net Accounts Receiveble	**216,949**	**219,611**	**-1.2%**	**190,733**	**13.7%**
Tuition and Agreements to Receive - Short term	216,949	219,611	-1.2%	190,733	13.7%

In 2Q16, net accounts receivables in the DL segment amounted to R$216.9 million, down 1.2% from the same period a year earlier, reflecting the Company's strict renegotiation policies during the re-enrollment process despite the more adverse economic scenario this year. Compared to 1Q16, the increase is due to the seasonality of the business.

Average Accounts Receivable Term

Distance Learning - Days	2Q16	2Q15	Chg.(days)	1Q16	Chg.(days)
Net Accounts Receivable / Net Revenue	**70**	**66**	**04 Days**	**59**	**11 Days**

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

The average term of accounts receivable in the Distance Learning segment increased by 4 days compared to the prior-year period, due to the higher average receivables term at LFG. Excluding this effect, the average term in the segment was stable compared to 2Q15. The increase of 11 days compared to 1Q16 is due to the seasonality of the operation, which is in line with that observed in the same periods of 2015.

Operating Result

Distance Learning - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Gross Income	**228,262**	**217,811**	**4.8%**	**242,824**	**-6.0%**
(-) Total Operating Expenses	(26,123)	(27,131)	-3.7%	(24,695)	5.8%
(-) Provision for Doubtful Account - PDA	(20,113)	(21,691)	-7.3%	(21,221)	-5.2%
(+) Interest and Penalties on Tuition	5,155	8,429	-38.8%	9,508	-45.8%
Operating Result	**187,181**	**177,418**	**5.5%**	**206,416**	**-9.3%**
Operating Margin	*70.1%*	*60.8%*	*9.3 p.p.*	*72.4%*	*-2.4 p.p.*

In 2Q16, the operating result (excluding marketing expenses) of the Distance Learning segment amounted to R$187.2 million, increasing 5.5% from 2Q15, with operating margin expanding 9.3 p.p. to 70.1%. This performance reflects the capture of significant synergies and operating efficiency gains in the segment and was achieved despite the sale of an important asset such as Uniasselvi and the weaker performance of the LFG operations. Compared to the previous quarter, the 2.4 p.p. contraction in operating margin was influenced by seasonality and the Uniasselvi divestment. In the first six months of 2016, the operating result was R$393.6 million, with margin of 71.3%, an improvement of 6.3 p.p., even with the 4 fewer months from Uniasselvi.

PRO FORMA RESULT

The following table presents the main P&L lines excluding data from Uniasselvi for 2015 and 1Q16:

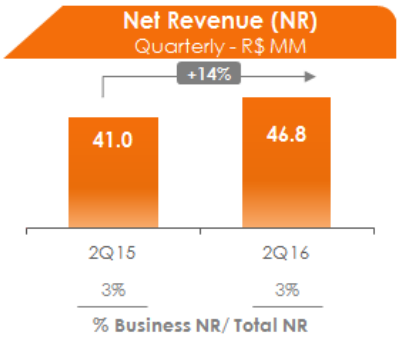
Distance Learning - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%	1H16	1H15	Chg.%
Net Revenue	267,093	251,645	6.1%	255,725	4.4%	522,818	515,765	1.4%
Gross Income	228,262	195,944	16.5%	222,838	2.4%	451,100	417,476	8.1%
Gross Margin	*85.5%*	*77.9%*	*7.6 p.p.*	*87.1%*	*-1.7 p.p.*	*86.3%*	*80.9%*	*5.3 p.p.*
Operating Result	187,181	162,514	15.2%	189,165	-1.0%	376,346	351,580	7.0%
Operating Margin	*70.1%*	*64.6%*	*5.5 p.p.*	*74.0%*	*-3.9 p.p.*	*72.0%*	*68.2%*	*3.8 p.p.*

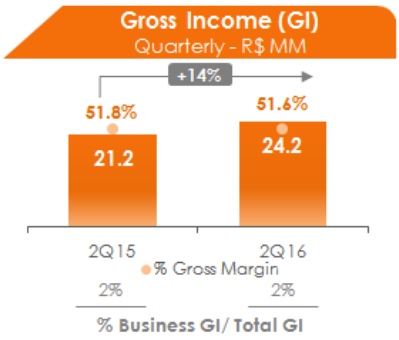
In the pro forma analysis, net revenue in the quarter grew 6.1% from 2Q15, which is explained by the enrollment and re-enrollment processes, which more than offset the higher pressure on the average ticket and the weaker performance of LFG.

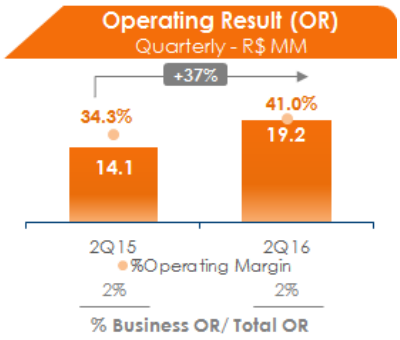
Meanwhile, gross income advanced 16.5%, with gross margin of 85.5%, expanding 7.6 p.p. from the pro forma figure for 2Q15. Lastly, operating result in the quarter increased 15.2%, accompanied by operating margin expansion of 5.5 p.p., reflecting the efforts to streamline costs and expenses in the segment.

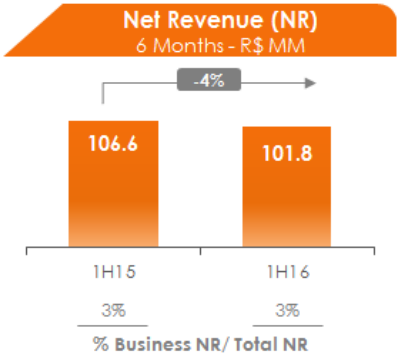
CORPORATE FINANCIAL PERFORMANCE – PRIMARY AND SECONDARY

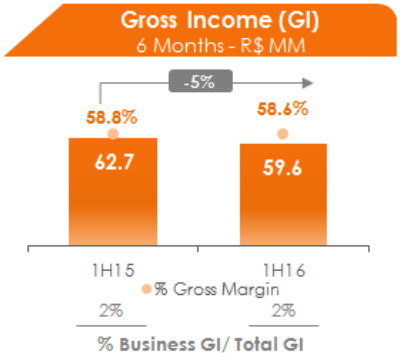
Primary and Secondary Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%	1H16	1H15	Chg.%
Gross Revenue	**51,264**	**43,920**	**16.7%**	**57,535**	**-10.9%**	**108,799**	**112,637**	**-3.4%**
Gross Revenue Deductions	(4,415)	(2,957)	49.3%	(2,605)	69.5%	(7,019)	(6,081)	15.4%
Tax	(1,254)	(1,130)	11.0%	(1,768)	-29.1%	(3,022)	(2,462)	22.7%
ProUni	-	-	n.a.	-	n.a.	-	-	n.a.
Returns	(3,160)	(1,827)	73.0%	(837)	277.6%	(3,998)	(3,619)	10.5%
Total Discounts	-	-	n.a.	-	n.a.	-	-	n.a.
Net Revenue	**46,850**	**40,964**	**14.4%**	**54,930**	**-14.7%**	**101,780**	**106,556**	**-4.5%**
Management Contracts and Own Operations	14,883	15,439	-3.6%	15,482	-3.9%	30,365	30,634	-0.9%
Associated Schools Network	31,966	25,524	25.2%	39,449	-19.0%	71,415	75,922	-5.9%
Total of Costs	**(22,665)**	**(19,743)**	**14.8%**	**(19,516)**	**16.1%**	**(42,182)**	**(43,872)**	**-3.9%**
Cost of Goods	(11,275)	(7,931)	42.2%	(9,922)	13.6%	(21,197)	(20,950)	1.2%
Cost of Services	(11,390)	(11,811)	-3.6%	(9,595)	18.7%	(20,985)	(22,923)	-8.5%
Faculty, Other Personnel and Third-Party Services	(8,320)	(9,053)	-8.1%	(6,576)	26.5%	(14,896)	(16,395)	-9.1%
Rent	(290)	(271)	7.1%	(265)	9.5%	(555)	(617)	-9.9%
Materials	-	(5)	n.a.	-	n.a.	-	(35)	n.a.
Maintenance	(400)	(136)	193.6%	(4)	n.a.	(403)	(299)	35.1%
Other	(2,381)	(2,346)	1.5%	(2,749)	-13.4%	(5,130)	(5,577)	-8.0%
Gross Income	**24,184**	**21,221**	**14.0%**	**35,414**	**-31.7%**	**59,598**	**62,684**	**-4.9%**
Management Contracts and Own Operations	4,778	6,177	-22.6%	7,787	-38.6%	12,565	12,354	1.7%
Associated Schools Network	19,406	15,044	29.0%	27,628	-29.8%	47,034	50,330	-6.5%
Gross Margin	*51.6%*	*51.8%*	-0.2 p.p.	64.5%	-12.9 p.p.	*58.6%*	*58.8%*	-0.3 p.p.
Management Contracts and Own Operations	*10.2%*	*15.1%*	-4.9 p.p.	14.2%	-4.0 p.p.	*12.3%*	*11.6%*	0.8 p.p.
Associated Schools Network	*41.4%*	*36.7%*	4.7 p.p.	50.3%	-8.9 p.p.	*46.2%*	*47.2%*	-1.0 p.p.
Total Operating Expenses	**(4,662)**	**(6,821)**	**-31.6%**	**(4,918)**	**-5.2%**	**(9,580)**	**(12,790)**	**-25.1%**
Personnel Expenses	(3,541)	(5,128)	-30.9%	(4,175)	-15.2%	(7,716)	(9,601)	-19.6%
General and Administrative Expenses	(1,121)	(1,693)	-33.8%	(743)	51.0%	(1,864)	(3,189)	-41.5%
Provision for Doubtful Account - PDA	(406)	(484)	-16.2%	(438)	-7.5%	(844)	(1,341)	-37.1%
(+) Interest and Penalties on Tuition	80	134	-40.5%	125	-36.1%	205	257	-20.3%
Operating Result	**19,196**	**14,050**	**36.6%**	**30,183**	**-36.4%**	**49,379**	**48,809**	**1.2%**
Operating Margin	*41.0%*	*34.3%*	6.7 p.p.	54.9%	-14.0 p.p.	*48.5%*	*45.8%*	2.7 p.p.

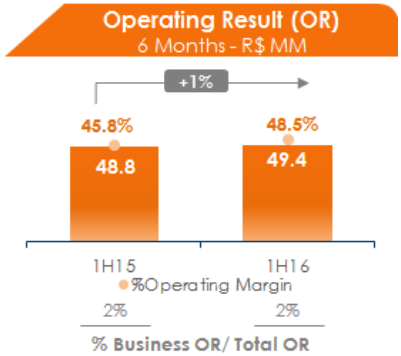












Revenue and Deductions

Primary and Secondary Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Gross Revenue	**51,264**	**43,920**	**16.7%**	**57,535**	**-10.9%**
Gross Revenue Deductions	(4,415)	(2,957)	49.3%	(2,605)	69.5%
Tax	(1,254)	(1,130)	11.0%	(1,768)	-29.1%
ProUni	-	-	n.a.	-	n.a.
Returns	(3,160)	(1,827)	73.0%	(837)	277.6%
Total Discounts	-	-	n.a.	-	n.a.
Net Revenue	**46,850**	**40,964**	**14.4%**	**54,930**	**-14.7%**
Management Contracts and Own Operations	14,883	15,439	-3.6%	15,482	-3.9%
Associated Schools Network	31,966	25,524	25.2%	39,449	-19.0%

Deductions

In 2Q16, deductions as a ratio of gross revenue increased 1.9 p.p. compared to 2Q15, basically due to the one-off increase in the line returns observed in the quarter.

Net Revenue

Net revenue in the segment increased 14.4% from the same period last year, due to the anticipation of deliveries of textbook collections for the second semester of 2016. The effect is observed in all even-numbered quarters and involves the better management of textbook collection deliveries to the Associated Schools. Compared to the previous quarter, the decrease of 14.7% in net revenue reflects seasonality. In the 1H16, net revenue amounted to R$101.8 million.

Average Net Ticket

In the Primary and Secondary Education business, the average annual amount charged for the sale of textbooks to the Associated Schools in 2016 was R$485.00 per student, or 5.0% higher than in 2015.

Costs

Primary and Secondary Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total of Costs	**(22,665)**	**(19,743)**	**14.8%**	**(19,516)**	**16.1%**
Cost of Goods (CG)	(11,275)	(7,931)	42.2%	(9,922)	13.6%
Cost of Services (CS)	(11,390)	(11,811)	-3.6%	(9,595)	18.7%
Faculty, Other Personnel and Third-Party Services	(8,320)	(9,053)	-8.1%	(6,576)	26.5%
Rent	(290)	(271)	7.1%	(265)	9.5%
Materials	-	(5)	n.a.	-	n.a.
Maintenance	(400)	(136)	193.6%	(4)	n.a.
Other	(2,381)	(2,346)	1.5%	(2,749)	-13.4%

% of Net Revenues	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total of Costs	**-48.4%**	**-48.2%**	**-0.2 p.p.**	**-35.5%**	**-12.9 p.p.**
Cost of Goods (CG)	-24.1%	-19.4%	-4.7 p.p.	-18.1%	-6.0 p.p.
Cost of Services (CS)	-24.3%	-28.8%	4.5 p.p.	-17.5%	-6.8 p.p.
Faculty, Other Personnel and Third-Party Services	-17.8%	-22.1%	4.3 p.p.	-12.0%	-5.8 p.p.
Rent	-0.6%	-0.7%	0.0 p.p.	-0.5%	-0.1 p.p.
Materials	0.0%	0.0%	0.0 p.p.	0.0%	0.0 p.p.
Maintenance	-0.9%	-0.3%	-0.5 p.p.	0.0%	-0.8 p.p.
Other	-5.1%	-5.7%	0.6 p.p.	-5.0%	-0.1 p.p.

In 2Q16, cost of goods sold as a ratio of net revenue in the business increased 4.7 p.p. compared to year-ago period, reflecting the anticipation of textbook collection deliveries for the upcoming semester. Compared to the previous quarter, the increase is explained by seasonality. In turn, costs with services compared to 2Q15 benefitted from the streamlining of the technical faculty to optimize the segment's operations. Compared to the prior quarter, the 6.8 p.p. increase in cost of services as a ratio of net revenue reflects the different schedule for revenue recognition and the higher costs with faculty due to wage increases under the collective union agreement.

Gross Income

Primary and Secondary Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Gross Income	**24,184**	**21,221**	**14.0%**	**35,414**	**-31.7%**
Management Contracts and Own Operations	4,778	6,177	-22.6%	7,787	-38.6%
Associated Schools Network	19,406	15,044	29.0%	27,628	-29.8%
Gross Margin	*51.6%*	*51.8%*	*-0.2 p.p.*	*64.5%*	*-12.9 p.p.*
Management Contracts and Own Operations	*10.2%*	*15.1%*	*-4.9 p.p.*	*14.2%*	*-4.0 p.p.*
Associated Schools Network	*41.4%*	*36.7%*	*4.7 p.p.*	*50.3%*	*-8.9 p.p.*

Gross income in 2Q16 grew 14.0% from the same period last year, while gross margin was virtually flat, reflecting the higher costs from the anticipation of the calendar of textbook collections sales. In the six-month period, gross income was R$59.6 million, with gross margin of 58.6%, also stable compared to the same period a year earlier.

Operating Expenses

Primary and Secondary Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total Operating Expenses	**(4,662)**	**(6,821)**	**-31.6%**	**(4,918)**	**-5.2%**
Personnel Expenses	(3,541)	(5,128)	-30.9%	(4,175)	-15.2%
General and Administrative Expenses	(1,121)	(1,693)	-33.8%	(743)	51.0%

% of Net Revenues	2Q16	2Q15	Chg.%	1Q16	Chg.%
Total Operating Expenses	**-10.0%**	**-16.7%**	**6.7 p.p.**	**-9.0%**	**-1.0 p.p.**
Personnel Expenses	-7.6%	-12.5%	5.0 p.p.	-7.6%	0.0 p.p.
General and Administrative Expenses	-2.4%	-4.1%	1.7 p.p.	-1.4%	-1.0 p.p.

Personnel, General and Administrative Expenses

Personnel, general and administrative expenses as a ratio of net revenue decreased significantly compared to 2Q15, which is mainly explained by the initiatives to optimize headcount and better control indirect expenses. Compared to the prior quarter, operating expenses were virtually unchanged, with a slight increase caused by the different schedule for revenue recognition.

Provision for Doubtful Accounts (PDA)

Primary and Secondary Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Provision for Doubtful Account - PDA	(406)	(484)	-16.2%	(438)	-7.5%
PDA / Primary and Secondary Education Net Revenues	*-0.9%*	*-1.2%*	*0.3 p.p.*	*-0.8%*	*-0.1 p.p.*

This quarter, PDA stood at 0.9% of net revenue, down 0.3 p.p. from the same period of 2015, due to the effective collection policies. Compared to the prior quarter, PDA was virtually stable.

Accounts Receivable

Primary and Secondary Education	2Q16	2Q15	Chg.%	1Q16	Chg.%
Net Accounts Receivable	**40,174**	**35,567**	**13.0%**	**48,872**	**-17.8%**

In 2Q16, the increase in accounts receivable compared to 2Q15 is explained by the anticipation of textbook collection deliveries for the upcoming semester. Compared to 1Q16, the decline is explained by seasonality.

Average Accounts Receivable Term

Primary and Secondary Education - Days	2Q16	2Q15	Chg.(days)	1Q16	Chg.(days)
Net Accounts Receivable / Net Revenue	81	72	09 Days	102	-21 Days

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

As mentioned in the analysis of accounts receivable, the 9-day increase in the average accounts receivable term in the Primary and Secondary Education business in 2Q16 compared to 2Q15 is associated with higher sales in the period.

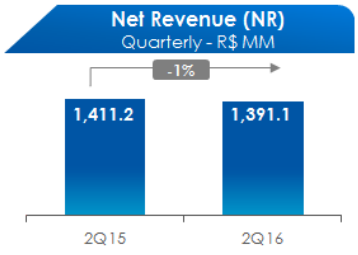
Operating Result

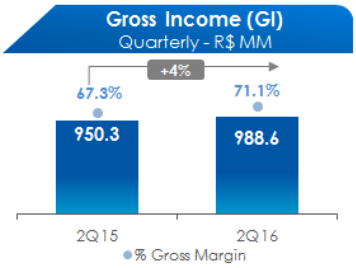
Primary and Secondary Education - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Gross Income	**24,184**	**21,221**	**14.0%**	**35,414**	**-31.7%**
(-) Total Operating Expenses	(4,662)	(6,821)	-31.6%	(4,918)	-5.2%
(-) Provision for Doubtful Account - PDA	(406)	(484)	-16.2%	(438)	-7.5%
(+) Interest and Penalties on Tuition	80	134	-40.5%	125	-36.1%
Operating Result	**19,196**	**14,050**	**36.6%**	**30,183**	**-36.4%**
Operating Margin	*41.0%*	*34.3%*	6.7 p.p.	54.9%	-14.0 p.p.

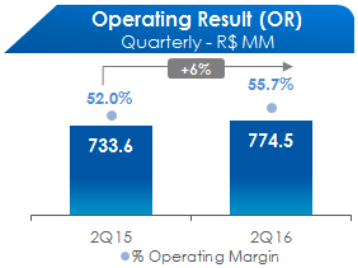
In 2Q16, the operating result (before marketing expenses) was R$19.2 million, with margin of 41.0%, expanding 6.7 p.p. on the year-ago period, which demonstrates the success of the programs to capture operating efficiency gains and the rigorous control of costs and expenses in the Primary and Secondary Education business. As a result of this performance, the operating result in the six-month period was R$49.4 million, with operating margin expanding 2.7 p.p. from the same period last year.

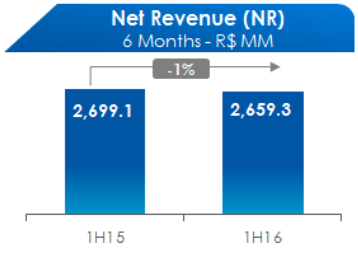
CORPORATE FINANCIAL PERFORMANCE – KROTON

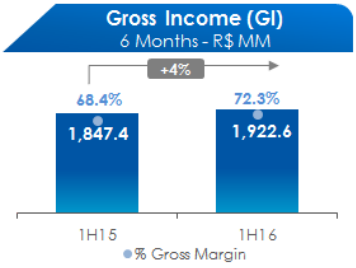
Consolidated - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%	1H16	1H15	Chg.%
Gross Revenue	**1,783,049**	**1,808,764**	**-1.4%**	**1,618,544**	**10.2%**	**3,401,593**	**3,432,462**	**-0.9%**
Gross Revenue Deductions	(391,900)	(397,579)	-1.4%	(350,405)	11.8%	(742,305)	(733,402)	1.2%
Tax	(46,887)	(42,763)	9.6%	(39,062)	20.0%	(85,948)	(80,957)	6.2%
ProUni	(227,130)	(223,763)	1.5%	(222,918)	1.9%	(450,048)	(439,136)	2.5%
Returns	(3,160)	(1,827)	73.0%	(837)	277.6%	(3,998)	(3,619)	10.5%
Total Discounts	(114,723)	(129,227)	-11.2%	(87,588)	31.0%	(202,311)	(209,690)	-3.5%
Net Revenue	**1,391,149**	**1,411,185**	**-1.4%**	**1,268,139**	**9.7%**	**2,659,288**	**2,699,060**	**-1.5%**
Total of Costs	**(402,563)**	**(460,917)**	**-12.7%**	**(334,156)**	**20.5%**	**(736,719)**	**(851,651)**	**-13.5%**
Cost of Goods	(11,275)	(7,931)	42.2%	(9,922)	13.6%	(21,197)	(20,950)	1.2%
Cost of Services	(391,288)	(452,985)	-13.6%	(324,234)	20.7%	(715,522)	(830,702)	-13.9%
Faculty, Other Personnel and Third-Party Services	(288,820)	(345,454)	-16.4%	(219,901)	31.3%	(508,721)	(608,420)	-16.4%
Rent	(80,669)	(82,701)	-2.5%	(83,085)	-2.9%	(163,754)	(163,390)	0.2%
Materials	(5,521)	(4,983)	10.8%	(6,825)	-19.1%	(12,345)	(21,601)	-42.8%
Maintenance	(4,029)	(5,534)	-27.2%	(2,732)	47.5%	(6,761)	(10,496)	-35.6%
Other	(12,249)	(14,313)	-14.4%	(11,692)	4.8%	(23,941)	(26,795)	-10.7%
Gross Income	**988,586**	**950,268**	**4.0%**	**933,984**	**5.8%**	**1,922,569**	**1,847,408**	**4.1%**
Gross Margin	*71.1%*	*67.3%*	*3.7 p.p.*	*73.6%*	*-2.6 p.p.*	*72.3%*	*68.4%*	*3.9 p.p.*
Total Operating Expenses	**(157,286)**	**(165,241)**	**-4.8%**	**(134,586)**	**16.9%**	**(291,872)**	**(321,565)**	**-9.2%**
Personnel, General and Administrative Expenses	(157,286)	(165,241)	-4.8%	(134,586)	16.9%	(291,872)	(321,565)	-9.2%
Personnel Expenses	(86,991)	(100,056)	-13.1%	(79,083)	10.0%	(166,074)	(196,247)	-15.4%
General and Administrative Expenses	(70,295)	(65,185)	7.8%	(55,503)	26.7%	(125,798)	(125,318)	0.4%
Provision for Doubtful Account - PDA	**(90,382)**	**(74,487)**	**21.3%**	**(63,940)**	**41.4%**	**(154,323)**	**(141,558)**	**9.0%**
(+) Interest and Penalties on Tuition	33,545	23,025	45.7%	39,378	-14.8%	72,922	53,114	37.3%
Operating Result	**774,462**	**733,565**	**5.6%**	**774,835**	**0.0%**	**1,549,297**	**1,437,399**	**7.8%**
Operating Margin	*55.7%*	*52.0%*	*3.7 p.p.*	*61.1%*	*-5.4 p.p.*	*58.3%*	*53.3%*	*5.0 p.p.*
Selling and Marketing Expenses	**(79,267)**	**(67,206)**	**17.9%**	**(101,627)**	**-22.0%**	**(180,893)**	**(155,788)**	**16.1%**
Corporate Expenses	**(62,618)**	**(65,475)**	**-4.4%**	**(66,453)**	**-5.8%**	**(129,070)**	**(129,158)**	**-0.1%**
Adjusted EBITDA	**632,578**	**600,884**	**5.3%**	**606,756**	**4.3%**	**1,239,333**	**1,152,453**	**7.5%**
Adjusted EBITDA Margin	*45.5%*	*42.6%*	*2.9 p.p.*	*47.8%*	*-2.4 p.p.*	*46.6%*	*42.7%*	*3.9 p.p.*
(-) Non-Recurring Items	26,896	(53,597)	n.a.	187,049	-85.6%	213,945	(89,495)	n.a.
EBITDA	**659,473**	**547,287**	**20.5%**	**793,805**	**-16.9%**	**1,453,279**	**1,062,959**	**36.7%**
EBITDA Margin	*47.4%*	*38.8%*	*8.6 p.p.*	*62.6%*	*-15.2 p.p.*	*54.6%*	*39.4%*	*15.3 p.p.*
Depreciation and Amortization	(99,371)	(99,072)	0.3%	(97,645)	1.8%	(197,017)	(200,032)	-1.5%
Financial Result	(7,642)	(33,476)	-77.2%	(29,365)	-74.0%	(37,007)	(74,482)	-50.3%
Income Tax / Social Contribution	3,992	(23,683)	n.a.	(19,846)	n.a.	(15,853)	(40,458)	-60.8%
Deferred Income Tax / Social Contribution	(12,453)	25,092	n.a.	(448)	n.a.	(12,901)	39,904	n.a.
Income Tax / Social Cont. - Disposal of Uniasselvi	(24,625)	-	n.a.	(47,147)	n.a.	(71,772)	-	n.a.
Net Income	**519,374**	**416,149**	**24.8%**	**599,355**	**-13.3%**	**1,118,728**	**787,891**	**42.0%**
Net Margin	*37.3%*	*29.5%*	*7.8 p.p.*	*47.3%*	*-9.9 p.p.*	*42.1%*	*29.2%*	*12.9 p.p.*
(+) Non Recurring Items	(26,896)	53,597	n.a.	(187,049)	-85.6%	(213,945)	89,495	n.a.
(+) Intagnible Amortization (Acquisitions)	44,677	44,014	1.5%	46,457	-3.8%	91,134	91,685	-0.6%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi	24,625	-	n.a.	47,147	-47.8%	71,772	-	n.a.
Adjusted Net Income	**561,780**	**513,760**	**9.3%**	**505,909**	**11.0%**	**1,067,689**	**969,071**	**10.2%**
Adjusted Net Margin	*40.4%*	*36.4%*	*4.0 p.p.*	*39.9%*	*0.5 p.p.*	*40.1%*	*35.9%*	*4.2 p.p.*

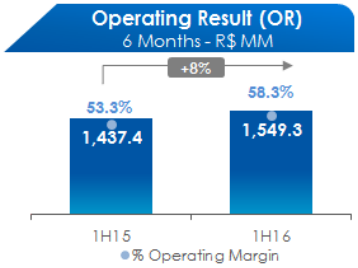












SELLING AND MARKETING EXPENSES

Consolidated - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Selling and Marketing Expenses	(79,267)	(67,206)	17.9%	(101,627)	-22.0%

% of Net Revenue	2Q16	2Q15	Chg.%	1Q16	Chg.%
Selling and Marketing Expenses	-5.7%	-4.8%	-0.9 p.p.	-8.0%	2.3 p.p.

Selling and marketing expenses as a ratio of net income increased 0.9 p.p. from the same period last year, reflecting the increase in commercial actions during the admissions process for the second semester, particularly campaigns related to PEP, which have helped attract both students who require an installment payment plan and those paying out of pocket. In addition, and as discussed last quarter, the contracting of marketing campaigns in general was accelerated to the first semester, which should lead selling expenses to decline as from the second semester. This movement is consistent with the strategy to optimize costs with advertising agencies and media vehicles that the Company has been implementing since last year.

CORPORATE EXPENSES

Consolidated - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Corporate Expenses	(62,618)	(65,475)	-4.4%	(66,453)	-5.8%
Personnel Expenses	(51,411)	(49,002)	4.9%	(52,964)	-2.9%
General and Administrative Expenses	(11,207)	(16,474)	-32.0%	(13,489)	-16.9%

% of Net Revenue	2Q16	2Q15	Chg.%	1Q16	Chg.%
Corporate Expenses	-4.5%	-4.6%	0.1 p.p.	-5.2%	0.7 p.p.
Personnel Expenses	-3.7%	-3.5%	-0.2 p.p.	-4.2%	0.5 p.p.
General and Administrative Expenses	-0.8%	-1.2%	0.4 p.p.	-1.1%	0.3 p.p.

Personnel expenses as a ratio of net revenue within corporate expenses increased 0.2 p.p. compared to 2Q15, due to the new stock options granted and the wage increases in the period, which were partially offset by the positive effects from the synergies captured from the merger and the optimization of the corporate workforce. Compared to the prior quarter, the 0.5 p.p. decline reflects the reduction in the workforce observed at the start of the year. Analyzing separately general and administrative expenses as a ratio of net revenue, it was observed a decrease in both the sequential and annual comparisons, due to the reductions in expenses achieved by the strategic sourcing process and by greater budget austerity.

NONRECURRING EVENTS

Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Integrations	(3,987)	(11,052)	-63.9%	(5,258)	-24.2%
Severance	(18,409)	(34,811)	-47.1%	(20,169)	-8.7%
Restructuring of units	(12,319)	-	n.a.	(8,663)	42.2%
M&A and Other projects	(10,816)	(7,733)	39.9%	(4,185)	158.4%
Subtotal ex-Capital gain from Uniasselvi	**(45,531)**	**(53,597)**	**-15.0%**	**(38,275)**	**19.0%**
Capital Gain - Uniasselvi	72,427	-	n.a.	225,325	-67.9%
Total Nonrecurring	**26,896**	**(53,597)**	**n.a.**	**187,049**	**-85.6%**

As reported in the prior quarter, non-recurring items are divided into two groups, as shown in the table above: (1) nonrecurring events that generated non-recurring costs and expenses, and (2) the capital gain recorded from the sale of Uniasselvi. The non-recurring items in the first group amounted to R$45.5 million and included: (i) severance charges, especially those related to the reduction in classroom hours generated by the initiatives to capture efficiency gains, such as the operational research software; (ii) the

integration with Anhanguera, which, due to the advanced stage of the process, is already at significantly lower levels; (iii) the restructuring of On-campus units, which included the deactivation of 8 campuses, which initially generates costs and expenses, but which should continue to support a significant increase in the efficiency of the On-Campus segment; and (iv) other costs and expense, such as those related to greenfield projects and the Uniasselvi sale process. On the other hand, the capital gain from the Uniasselvi divestment had a positive impact of R$72.4 million on the result. Nonrecurring items in the quarter had an aggregate positive impact of R$26.9 million. In the 1H16, nonrecurring expenses, excluding the capital gain from Uniasselvi, amounted to R$83.8 million.

FINANCIAL RESULT

Consolidated - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
(+) Financial Revenues	37,446	12,857	191.2%	19,585	91.2%
Interest on Financial Investment	24,908	9,369	165.9%	14,734	69.1%
Others	12,538	3,488	259.4%	4,851	158.5%
(-) Financial Expenses	(45,089)	(46,334)	-2.7%	(48,950)	-7.9%
Banks Expenses	(2,107)	(2,100)	0.3%	(2,780)	-24.2%
Interest on Loans	(21,272)	(25,652)	-17.1%	(22,165)	-4.0%
Interest and Tax on Late Payment	(1,691)	(1,151)	46.9%	(3,026)	-44.1%
Interest on Loans for Acquisitions	(11,746)	(5,480)	114.3%	(5,375)	118.5%
Restatement of Contingencies	(7,675)	(8,383)	-8.5%	(12,848)	-40.3%
Others	(597)	(3,568)	-83.3%	(2,756)	-78.3%
Financial Result[1]	**(7,642)**	**(33,476)**	**-77.2%**	**(29,365)**	**-74.0%**

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

In 2Q16, the net financial result was an expense of R$7.6 million, which is considerably lower than in 2Q15 and 1Q16, reflecting the positive impact from the higher cash balance held by the Company, and consequently the higher interest income. As was the case in prior quarters, the breakdown of the line "Restatement of Contingencies," which also had an adverse impact on the quarter's financial result, proved necessary due to the higher amount assessed after preparing the Opening Balance Sheet due to the Anhanguera merger.

NET INCOME

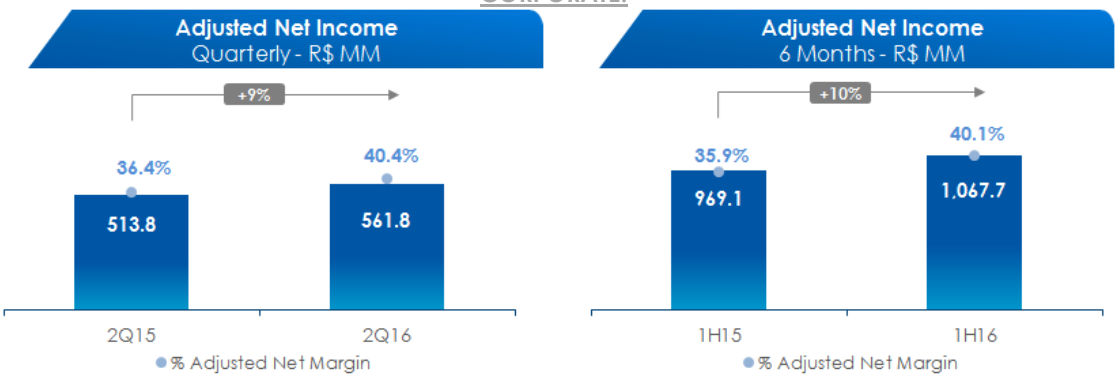
Consolidated - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Operating Result	**774,462**	**733,565**	**5.6%**	**774,835**	**0.0%**
(+) Selling and Marketing Expenses	(79,267)	(67,206)	17.9%	(101,627)	-22.0%
(+) Corporate Expenses	(62,618)	(65,475)	-4.4%	(66,453)	-5.8%
(+) Depreciation and Amortization ex-Intangible	(54,694)	(55,058)	-0.7%	(51,189)	6.8%
(+) Financial Result[1]	(7,642)	(33,476)	-77.2%	(29,365)	-74.0%
(+) Income Tax / Social Contribution	3,992	(23,683)	-116.9%	(19,846)	-120.1%
(+) Deferred Income Tax / Social Contribution	(12,453)	25,092	n.a.	(448)	n.a.
Adjusted Net Income	**561,780**	**513,760**	**9.3%**	**505,909**	**11.0%**
Adjusted Net Margin	*40.4%*	*36.4%*	*4.0 p.p.*	*39.9%*	*0.5 p.p.*
(+) Nonrecurring Items	26,896	(53,597)	n.a.	187,049	-85.6%
(+) Intangible Amortization (Acquisitions)	(44,677)	(44,014)	1.5%	(46,457)	-3.8%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi	(24,625)	-	n.a.	(47,147)	-47.8%
Net Income	**519,374**	**416,149**	**24.8%**	**599,355**	**-13.3%**
Net Margin	*37.3%*	*29.5%*	*7.8 p.p.*	*47.3%*	*-9.9 p.p.*

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

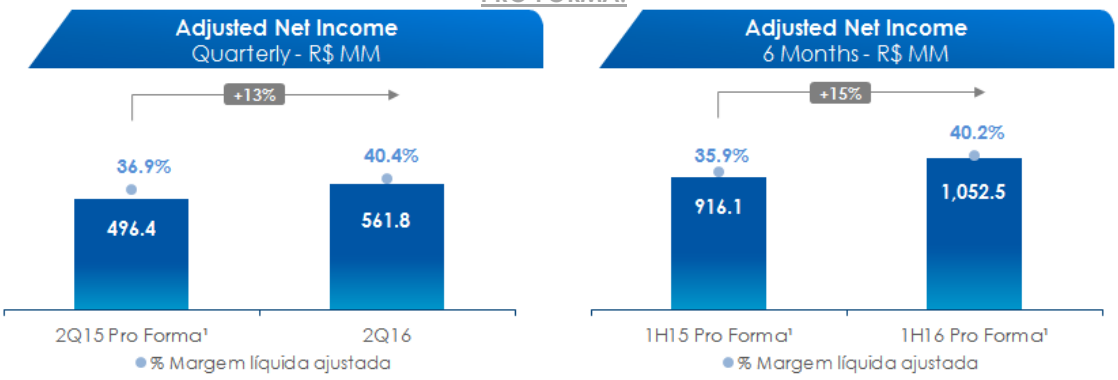
Adjusted net income (adjusted for the amortization of intangible assets, nonrecurring events and taxes related to the Uniasselvi divestment) amounted to R$561.8 million, with adjusted net margin of 40.4%, expanding 4.0 p.p. from the same period in 2015. The result reflects the capture of synergy and efficiency gains and the projects successfully executed in recent years, which have supported higher profitability, despite the country's economic crisis. In the pro forma analysis, which excludes Uniasselvi from the 2Q15 figures, adjusted net income grew even more substantially, by 13.2%, with net margin expansion of 3.5 p.p.. Note also that the variation in the line Deferred Income Tax / Social Contribution is due to temporary

tax differences (for more information, see Note 9 to the Financial Statements). In 1H16, adjusted net income increased 10.2% to R$1,067.7 million, with adjusted net margin of 40.1%.

CORPORATE:



PRO FORMA:



Excluding the adjustments for nonrecurring items, amortization of intangible assets and taxes on the sale of Uniasselvi, net income amounted to R$519.4 million in 2Q16 and R$1.1 billion in 1H16. Given the material impact from these adjustments in the six-month period, the Company recommends the adjusted result as the best metric for accompanying financial performance.

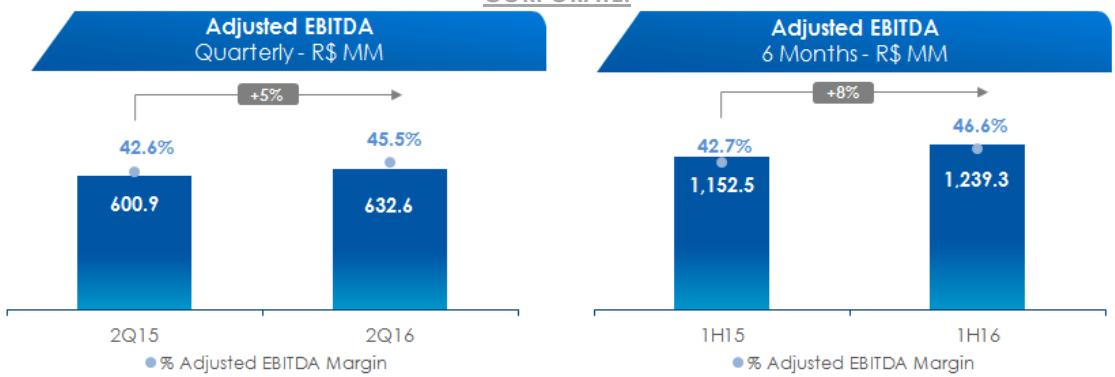
EBITDA

Consolidated - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Net Income (Loss)	**519,374**	**416,149**	**24.8%**	**599,355**	**-13.3%**
(+) Depreciation and Amortization	99,371	99,072	0.3%	97,645	1.8%
(+) Financial Result [1]	7,642	33,476	-77.2%	29,365	-74.0%
(+) Income Tax / Social Contribution	20,633	23,683	-12.9%	26,401	-21.8%
(+) Deferred Income Tax / Social Contribution	12,453	(25,092)	n.a.	41,039	-69.7%
EBITDA	**659,473**	**547,287**	**20.5%**	**793,805**	**-16.9%**
EBITDA Margin	*47.4%*	*38.8%*	*8.6 p.p.*	*62.6%*	*-15.2 p.p.*
(+) Nonrecurring Items	(26,896)	53,597	n.a.	(187,049)	-85.6%
Adjusted EBITDA	**632,578**	**600,884**	**5.3%**	**606,755**	**4.3%**
Adjusted EBITDA Margin	*45.5%*	*42.6%*	*2.9 p.p.*	*47.8%*	*-2.4 p.p.*

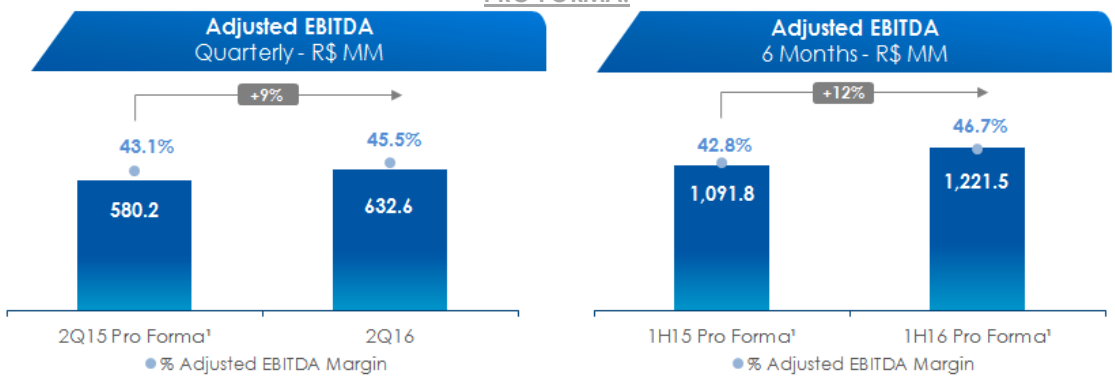
[1] Excludes interest and fines on late monthly tuition payments.

Adjusted EBITDA was R$632.6 million in the quarter, increasing 5.3% from 2Q15, with adjusted EBITDA margin expanding 2.9 p.p., despite the positive impact on 2Q15 from the higher recognition of late re-enrollments of FIES students. The performance in the period reflects the efforts being made to capture operating efficiency gains and rigorously control costs and expenses. This improvement in profitability in a very challenging economic scenario and with negative pressures on revenues (e.g., Uniasselvi divestment, reduction in Pronatec and fewer FIES seats) is extremely important and underscores the Company's capacity to continue creating value for its shareholders. In the pro forma analysis, which excludes the Uniasselvi figures from 2Q15, adjusted EBITDA rose 9.0% from the same period a year earlier, with margin expansion of 2.3 p.p. In the first six months of the year, adjusted EBITDA came to R$1,239.3 million, with adjusted EBITDA margin of 46.6%, an increase of 3.9 p.p. from 1H15.

CORPORATE:



PRO FORMA:

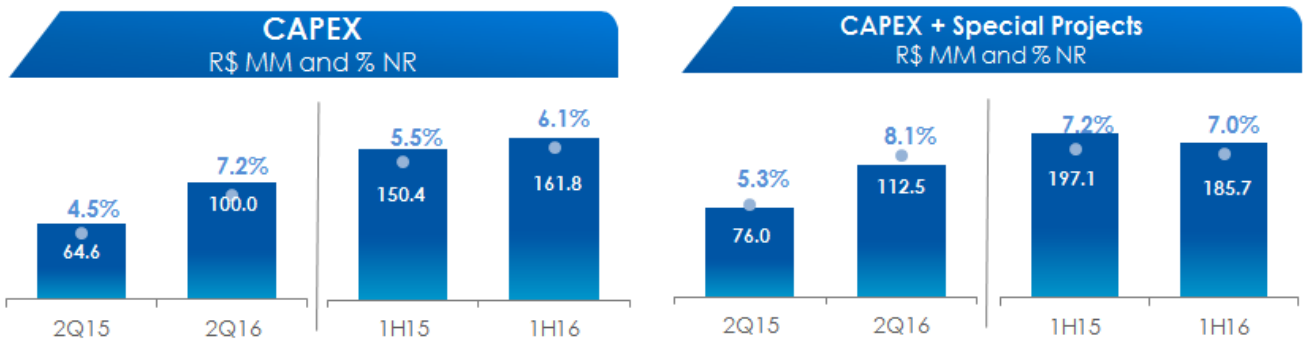


Excluding the adjustments for nonrecurring events, the Company generated EBITDA of R$659.5 million in 2Q16 and R$1,453.3 million in 1H16, representing growth of 20.5% and 36.7%, respectively. Meanwhile, EBITDA margin stood at 47.4% in the quarter and 54.6% in the first six months of the year.

INVESTMENT (CAPEX)

In 2Q16, Kroton invested R$100.0 million, allocated as follows:

(i) information technology and library equipment: R$16.1 million (16%);
(ii) content and systems development and software licenses: R$34.8 million (35%);
(iii) laboratory and related equipment: R$24.8 million (25%);
(iv) expansions – construction and improvements: R$24.3 million (24%).



In 2Q16, investments corresponded to 7.2% of net revenue, with the largest portion allocated to expansion projects involving content development, systems development and software licensing, as well as construction works and improvements at existing units. In 1H15, capex amounted to R$161.8 million, which corresponds to 6.1% of period net revenue.

Kroton has also been investing in special projects, such as infrastructure expansion and greenfield projects, which came to R$12.5 million in 2Q16 and to R$23.9 million in 1H16. Therefore, total investment as a ratio of net revenue stood at 8.1% in the quarter and 7.0% in the six-month period, which is in line with the guidance given for the whole of the year (capex as a ratio of net revenue of 8.0%).

NET DEBT

Consolidated - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%
Cash and Cash Equivalents	934,337	389,290	140.0%	574,432	62.7%
Cash	6,182	12,035	-48.6%	10,214	-39.5%
Securities	928,155	377,255	146.0%	564,218	64.5%
Loans and Financing	705,867	889,915	-20.7%	711,650	-0.8%
Short-term Debt	250,595	196,982	27.2%	227,788	10.0%
Long-term Debt	455,272	692,933	-34.3%	483,862	-5.9%
Net Cash (Debt)[1]	**228,470**	**(500,625)**	**n.a.**	**(137,218)**	**n.a.**
Other Short and Long Term Debt[2]	228,558	272,901	-16.2%	253,080	-9.7%
(1) Net Cash (Debt)	**(88)**	**(773,526)**	**n.a.**	**(390,298)**	**n.a.**
Short Term Accounts Receivable: FIES - NR 23[3]	**183,693**	**-**	n.a.	**183,693**	0.0%
FIES - NR 23 - cash balance in aug/16	183,693	-	n.a.	183,693	0.0%
Long-Term Accounts Receivable: FIES - NR 23 + Uniasselvi disposal[3]	**1,014,134**	**-**	n.a.	**893,195**	13.5%
FIES - NR 23 - cash balance Aug/17 - Aug/18	550,395	-	n.a.	516,258	6.6%
Uniasselvi Disposal	463,739	-	n.a.	376,937	23.0%
(2) Other Accouts Receivable[3]	**1,197,827**	**-**	n.a.	**1,076,888**	11.2%
(1)+(2) Pro Forma Net Cash (Debt)	**1,197,739**	**(773,526)**	**n.a.**	**686,590**	**74.4%**

[1] Considers only bank obligations.
[2] Considering all short- and long-term obligations related to the taxes paid in installments and the acquisitions, including the amount to be paid within 6 years related to the Uniasselvi acquisition.
[3] Considers the short-term receivables related to 25% of the FIES installments not paid in 2015 and the long-term receivables related to the Uniasselvi divestment to be earned from 2018 to 2022 adjusted to present value (excluding the earn-out amounts) and to the remaining 75% of FIES installments not paid in 2015 (also adjusted to present value).

At the end of 2Q16, cash and financial investments amounted to R$934.3 million, which is 62.7% higher than in the prior quarter, which basically reflects the normalization of FIES payments, as already commented in the last earnings release. This performance more than offset the payment of dividends for 1Q16 and of interest on the Company's debentures, in the amount of R$31.5 million. As a result, Kroton ended the period with a net cash position of R$228.5 million. Considering all short-term and long-term obligations, which include taxes and contributions paid in installments and the obligations and rights related to the acquisitions, Kroton ended the period with net debt of only R$88 thousand. Total long-term obligations include amounts related to the installment payments for acquisitions, especially those for Uniasselvi, which are being repaid in six annual installments since 2013. On the other hand, 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 25% of the FIES installments not paid in 2015, which were credited on August 3 (impacting 3Q16), and the long-term accounts receivables related to the second portion of the payment for Uniasselvi adjusted to present value (excluding the earn-out amounts) that will be received in five annual installments from 2018 to 2022 and to 75% of the remaining FIES installments not paid in 2015, also adjusted to present value. Therefore, adding only the short-term receivables that have already been credited to the Company's cash, Kroton would have a net cash position of R$183.6 million. Adding the long-term receivables, the net cash balance would be even more robust, surpassing R$1 billion and placing Kroton in a unique position in terms of its capital structure.

CASH FLOW

Actual Cash Flow

Consolidated - Values in R$ ('000)	2Q16	2Q15	Chg.%	1Q16	Chg.%	1H16	1H15	Chg.%
Net Income before Income Interest	**552,460**	**414,739**	**33.2%**	**603,712**	**-8.5%**	**1,156,172**	**788,445**	**46.6%**
(+) Net Income adjustments before Income Interest	133,947	211,711	-36.7%	17,397	n.a.	151,344	398,190	-62.0%
Depreciation and Amortization	99,371	99,073	0.3%	97,647	1.8%	197,018	200,032	-1.5%
Provision for Doubtful Accounts (PDA)	90,400	74,488	21.4%	63,940	41.4%	154,340	141,558	9.0%
Others	(55,824)	38,150	n.a.	(144,190)	-61.3%	(200,014)	56,600	n.a.
(+) Income Tax and Social Contribution	(9,332)	(2,826)	230.2%	(27,528)	-66.1%	(36,860)	(6,855)	n.a.
(+) Changes in Working Capital	38,779	(355,440)	n.a.	(584,432)	n.a.	(545,654)	(814,387)	-33.0%
(Increase) Reduction in Accounts Receivable ex-FIES	(216,769)	(44,008)	392.6%	(40,827)	n.a.	(257,596)	(296,687)	-13.2%
(Increase) Reduction in Accounts Receivable FIES	240,508	(320,195)	n.a.	(336,451)	-171.5%	(95,943)	(529,960)	-81.9%
Others	15,040	8,763	71.6%	(207,154)	n.a.	(192,115)	12,260	n.a.
Operating Cash Generation before Capex	**715,854**	**268,184**	**166.9%**	**9,149**	**n.a.**	**725,003**	**365,393**	**98.4%**
Capex - Recurring	(102,666)	(58,970)	74.1%	(48,683)	110.9%	(151,349)	(151,473)	-0.1%
Operating Cash Generation after Capex	**613,188**	**209,213**	**193.1%**	**(39,533)**	**n.a.**	**573,654**	**213,920**	**168.2%**
Capex - Special Projects	(4,266)	(8,776)	-51.4%	(21,264)	-79.9%	(25,530)	(35,566)	-28.2%
Operating Cash Generation after Capex and Special Projects	**608,922**	**200,438**	**203.8%**	**(60,798)**	**n.a.**	**548,124**	**178,354**	**207.3%**
(+) M&A Activities	(55,666)	(35,788)	55.5%	356,639	n.a.	300,973	(41,870)	n.a.
(+) Cash Flow from Financing Activities	(193,869)	(107,259)	80.7%	(124,781)	55.4%	(318,649)	(202,644)	57.2%
Free Cash Flow	**359,387**	**57,391**	**n.a.**	**171,060**	**110.1%**	**530,447**	**(66,160)**	**n.a.**

Consolidated - Values in R$ ('000)	2Q16	2Q15	Chg.%	1H16	1H15	Chg.%
Operating Cash Generation (OCG) before Capex	**715,854**	**268,184**	**166.9%**	**725,003**	**365,393**	**98.4%**
OCG / EBITDA	*108.5%*	*49.0%*	*59.5 p.p.*	*49.9%*	*34.4%*	*15.5 p.p.*
Operating Cash Generation after Capex	**613,188**	**209,213**	**193.1%**	**573,654**	**213,920**	**168.2%**
OCG / EBITDA	*93.0%*	*38.2%*	*54.8 p.p.*	*39.5%*	*20.1%*	*19.3 p.p.*
Operating Cash Generation after Capex and Special Projects	**608,922**	**200,438**	**203.8%**	**548,124**	**178,354**	**207.3%**
OCG / EBITDA	*92.3%*	*36.6%*	*55.7 p.p.*	*37.7%*	*16.8%*	*20.9 p.p.*
Free Cash Flow	**359,387**	**57,391**	**n.a.**	**530,447**	**(66,160)**	**n.a.**

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

Accordingly, operating cash flow before capex amounted to R$715.9 million in 2Q16, which is considerably higher than the amount reported in 2Q15, as a result of the normalization of the tuition receivables cycle for FIES students after the end of Normative Rule 23 (PN23). Even in comparison with the prior quarter, this growth was substantial, since, as commented in the last earnings release, the normalization of FIES payments would be perceived only as from the second quarter due to the seasonality of the flow of re-enrollments of FIES students. Considering the disbursements for capex in the period, operating cash flow was R$613.2 million in 2Q16. Considering also capex and special projects, operating cash generation came to R$608.9 million, which is higher than the level of recent quarters and in line with the level registered by the Company before the changes in the FIES program. Therefore, it is important to note that this situation is consistent and should ensure solid cash generation in the coming quarters. Meanwhile, free cash flow in the quarter amounted to R$359.4 million and benefitted from the factors described above.

Operating cash flow after capex corresponded to 93.0% of EBITDA in 2Q16. After the disbursements for capex and special projects, cash flow corresponded to 92.3% of EBITDA in the period. In 1H16, operating cash flow after capex disbursements corresponded to 37.7% of period EBITDA. This performance once again underscores the strengths of the Company's operations, even with all the difficulties faced due to the deterioration in the country's economic crisis.

CAPITAL MARKETS AND SUBSEQUENT EVENTS

STOCK PERFORMANCE

Kroton stock (KROT3) is a component of 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 2Q16, registering financial trading volume of R$8.2 billion and 1,298,221 trades in the period, which represents average daily trading volume of R$129.7 million. On June 30, 2016, Kroton's market capitalization was R$22.1 billion.

In 2Q16, Kroton's stock price rose 18.5%, while the Bovespa Index (Ibovespa) gained 2.9%. In the same period, the ICON, IGC and ITAG gained 3.4%, 3.4% and 2.3%, respectively. Kroton stock is currently covered by research analysts at 15 different local and international institutions.

In 1H16, Kroton's stock appreciated 42.7% and registered average daily trading volume of R$131.8 million. In the same period, the Ibovespa gained 18.9%, while the ICON, IGC and ITAG gained 10.6%, 15.4% and 16.4%, respectively.

Highlights- KROT3	**2Q16**
Average Daily Trade Volume (average)	R$ 129.7 million
Maximum (R$ per share)	R$ 13.92
Minimum (R$ per share)	R$ 10.89
Average (R$ per share)	R$ 12.31
Closing Quote	R$ 13.60
Variation in the period (%)	18.5%

SHARE BUYBACK PROGRAM

On July 8, 2016, the Company closed its 5th share buyback program, which was limited to the acquisition of 54,007,297 Shares, which corresponds to 4% of its free-float at the start of the program. During the second quarter of 2016, the Company did not repurchase any shares. However, since the start of the 5th program, a total of 11,717,600 shares have been repurchased, which represents 21.7% of the limit established by the program.

OWNERSHIP STRUCTURE

Kroton's capital is composed of 1,626,069,778 common shares, distributed as follows:

Kroton Ownership Structure*	**Quantity**	**%**
Treasury	7,452,542	0.5%
Free Float	1,618,617,236	99.5%
Total	**1,626,069,778**	**100.0%**

* Position on July 15, 2016.

DIVIDENDS

In a Meeting held on August 12, 2016, the Board of Directors approved the distribution of dividends for the results of the second quarter of 2016 in the amount of R$172,691,686.41, which will be calculated towards the minimum mandatory dividend for 2016, which corresponds to R$0.10665941 per common share and to 35% of adjusted net income, after deduction of the legal reserve. Shareholders of record at the close of trading on August 17, 2016 are entitled to the dividends.

BUSINESS COMBINATION WITH ESTÁCIO

On July 8, 2016, the Boards of Kroton and Estácio approved the business combination between the two companies, through the merger of Estácio shares into Kroton, at the ratio of 1.281 common share of Kroton for each common share of Estácio, plus the distribution of extraordinary dividends to the shareholders of Estácio of R$420 million. The transaction will be submitted for approval to the respective shareholders of the companies gathered in Extraordinary Shareholders Meetings (AGE) scheduled for August 15, 2016. Lastly, the transaction and stock merger are subject to, among other typical conditions established in the Merger Protocol, approval by Brazil's antitrust agency CADE.

ABOUT KROTON EDUCACIONAL

Kroton Educacional S.A. (BM&FBovespa: KROT3) is one of the largest for-profit private educational organizations in the world. Operating for over 45 years, Kroton has a nationwide presence in all of Brazil's states. Following the sale of Uniasselvi, on March 31, 2016, Kroton had more than one million students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 113 Postsecondary units and its 910 accredited Undergraduate Distance Learning centers. It also offers Vocational Programs under the National Program to Promote Access to Vocational Education and Jobs (Pronatec) and Preparatory Courses under the brand LFG. In Primary and Secondary Education, its main business is offering Learning Systems, which in 2016 served 669 private schools in the country.

DISCLAIMER

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

APPENDIX 1 – CORPORATE BALANCE SHEET

R$ ('000)

Assets	2Q16	% AV	1Q16	% AV
Current Assets	**2,372,595**	**13.7%**	**2,214,933**	**13.1%**
Cash and Banks	6,182	0.0%	10,214	0.1%
Financial Investments	922,497	5.3%	559,078	3.3%
Accounts Receivable	1,130,438	6.5%	1,335,782	7.9%
Inventories	43,652	0.3%	43,639	0.3%
Advances	54,640	0.3%	40,445	0.2%
Recoverable Taxes	84,824	0.5%	95,931	0.6%
Other Accounts Receivable	130,362	0.8%	129,844	0.8%
Non current Assets	**14,907,867**	**86.3%**	**14,746,559**	**86.9%**
Long Term Assets	**1,919,076**	**11.1%**	**1,769,220**	**10.4%**
Securities	5,658	0.0%	5,140	0.0%
Accounts Receivables	678,516	3.9%	587,310	3.5%
Deferred Taxes	507,919	2.9%	509,582	3.0%
Judicial Escrow Deposits	41,001	0.2%	41,513	0.2%
Advances to Suppliers	1,645	0.0%	1,645	0.0%
Judicial Escrow Deposits	5,778	0.0%	5,307	0.0%
Warranty for Fiscal, Work and Civil Losses	203,221	1.2%	230,881	1.4%
Other	475,338	2.8%	387,842	2.3%
Investments	0	0.0%	0	0.0%
Fixed Assets	1,622,724	9.4%	1,580,928	9.3%
Intangible	11,366,067	65.8%	11,396,411	67.2%
Total Assets	**17,280,462**	**100.0%**	**16,961,492**	**100.0%**
Liabilities and Shareholders' Equity				
Current Liabilities	**1,121,132**	**6.5%**	**1,040,816**	**6.1%**
Suppliers	172,641	1.0%	171,338	1.0%
Loans and Financing	2,327	0.0%	2,329	0.0%
Debenture	248,268	1.4%	225,459	1.3%
Payroll and Related Charges	338,006	2.0%	291,574	1.7%
Income Tax and Social Contribution	33,127	0.2%	66,452	0.4%
Taxes and Contribution	70,478	0.4%	69,710	0.4%
Advances to Clients	138,399	0.8%	115,516	0.7%
Tax and Contribution Payment Installments	11,212	0.1%	11,129	0.1%
Accounts Payable - Acquisitions	96,710	0.6%	77,902	0.5%
Dividends Payable	8	0.0%	7	0.0%
Other	9,956	0.1%	9,400	0.1%
Non current Liabilities	**2,735,870**	**15.8%**	**2,843,664**	**16.8%**
Suppliers	-	0.0%	-	0.0%
Loans and Financing	37,242	0.2%	37,842	0.2%
Debenture	418,030	2.4%	446,020	2.6%
Provision for Tax, Labor and Civil Lawsuit Losses	888,149	5.1%	957,750	5.6%
Tax and Contribution Payment Installments	43,773	0.3%	45,003	0.3%
Accounts Payable - Acquisitions	76,863	0.4%	119,046	0.7%
Deferred Taxes	1,244,166	7.2%	1,209,140	7.1%
Others	27,647	0.2%	28,863	0.2%
Shareholder´s Equity	**13,423,460**	**77.7%**	**13,077,012**	**77.1%**
Total Liabilities and Shareholders' Equity	**17,280,462**	**100.0%**	**16,961,492**	**100.0%**

APPENDIX 2 – QUARTERLY INCOME STATEMENT RECONCILIATION

		Non-accounting adjustments					
	2Q16 Results (Book)	Interest and Penalties on Tuition	Depre-ciation	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain	Reclassification between Costs and expenses	2Q16 Results (Release)
	(In thousand reais, except otherwise indicated)						
Gross Revenue	**1,783,049**	-	-	-	-	-	**1,783,049**
Postsecondary	1,731,784	-	-	-	-	-	1,731,784
Primary and Secondary	51,264	-	-	-	-	-	51,264
Deductions from Gross Revenue	**(391,900)**	-	-	-	-	-	**(391,900)**
Postsecondary	(387,485)	-	-	-	-	-	(387,485)
Primary and Secondary	(4,415)	-	-	-	-	-	(4,415)
Net Revenue	**1,391,149**	-	-	-	-	-	**1,391,149**
Postsecondary	1,344,299	-	-	-	-	-	1,344,299
Primary and Secondary	46,850	-	-	-	-	-	46,850
Costs of Goods/Services	**(569,478)**	-	-	-	-	-	**(402,563)**
Cost of Goods Sold	(11,275)	-	-	-	-	-	(11,275)
Cost of Services Rendered	(558,203)	-	54,644	-	9,671	(102,601)	(391,288)
Gross Income	**821,671**	-	-	-	-	-	**988,586**
Operating Expenses	**(295,111)**	-	-	-	-	-	**(389,553)**
Selling Expenses	(80,011)	-	-	-	744	-	(79,267)
Provision for Doubtful Accounts	(90,382)	-	-	-	-	-	(90,382)
Personnel Expenses	(99,519)	-	-	-	14,018	52,901	(138,402)
General and Administrative Expenses	(97,586)	-	44,728	-	21,057	49,700	(81,502)
Other Operating Income (Expenses)	72,387	-	-	-	(72,387)	-	-
Income before Financial Result	**526,559**	-	-	-	-	-	**599,033**
Interest and Penalties on Tuition	-	33,545	-	-	-	-	33,545
Depreciation and Amortization	-	-	(99,371)	44,677	-	-	(54,694)
Financial Result	**25,901**	-	-	-	-	-	**(7,642)**
Financial Expenses	(45,089)	-	-	-	-	-	(45,089)
Financial Revenues	70,989	(33,545)	-	-	2	-	37,446
Income from Operations	**552,460**	-	-	-	-	-	**570,242**
Income and Social Contribution Tax	(33,086)	-	-	-	-	-	(8,461)
Current	3,992	-	-	-	-	-	3,992
Deferred	(37,078)	-	-	-	24,625	-	(12,453)
Net Income	**519,374**	**-**	**0**	**44,677**	**(2,271)**	**0**	**561,780**

APPENDIX 3 – SIX-MONTH INCOME STATEMENT RECONCILIATION

		Non-accounting adjustments					
	1H16 Results (Book)	Interest and Penalties on Tuition	Depre-ciation	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain	Reclassifi-cation between Costs and expenses	1H16 Results (Release)
	(In thousand reais, except otherwise indicated)						
Gross Revenue	**3,401,593**	-	-	-	-	-	**3,401,593**
Postsecondary	3,292,793	-	-	-	-	-	3,292,793
Primary and Secondary	108,799	-	-	-	-	-	108,799
Deductions from Gross Revenue	**(742,305)**	-	-	-	-	-	**(742,305)**
Postsecondary	(735,285)	-	-	-	-	-	(735,285)
Primary and Secondary	(7,019)	-	-	-	-	-	(7,019)
Net Revenue	**2,659,288**	-	-	-	-	-	**2,659,288**
Postsecondary	2,557,508	-	-	-	-	-	2,557,508
Primary and Secondary	101,780	-	-	-	-	-	101,780
Costs of Goods/Services	**(1,050,451)**	-	-	-	-	-	**(736,719)**
Cost of Goods Sold	(21,197)	-	-	-	-	-	(21,197)
Cost of Services Rendered	(1,029,254)	-	105,817	-	11,519	(196,397)	(715,522)
Gross Income	**1,608,837**	-	-	-	-	-	**1,922,569**
Operating Expenses	**(488,495)**	-	-	-	-	-	**(756,158)**
Selling Expenses	(181,843)	-	-	-	950	-	(180,893)
Provision for Doubtful Accounts	(154,323)	-	-	-	-	-	(154,323)
Personnel Expenses	(205,687)	-	-	-	37,456	102,218	(270,448)
General and Administrative Expenses	(185,137)	-	91,201	-	37,622	94,179	(150,494)
Other Operating Income (Expenses)	238,495	-	-	-	(238,495)	-	-
Income before Financial Result	**1,120,343**	-	-	-	-	-	**1,166,411**
Interest and Penalties on Tuition	-	72,923	-	-	-	-	72,923
Depreciation and Amortization	-	-	(197,017)	91,134	-	-	(105,883)
Financial Result	**35,830**	-	-	-	-	-	**(37,007)**
Financial Expenses	(94,124)	-	-	-	86	-	(94,038)
Financial Revenues	129,954	(72,923)	-	-	-	-	57,031
Income from Operations	**1,156,172**	-	-	-	-	-	**1,096,444**
Income and Social Contribution Tax	(37,444)	-	-	-	-	-	(28,755)
Current	(44,503)	-	-	-	28,650	-	(15,853)
Deferred	7,060	-	-	-	(19,961)	-	(12,901)
Net Income	**1,118,729**	**-**	**-**	**91,134**	**(142,174)**	**0**	**1,067,689**

APPENDIX 4 – QUARTERLY INCOME STATEMENT

	2Q16	% Net Rev.	2Q15	% Net Rev.	2Q16 / 2Q15	1Q16	% Net Rev.	2Q16 / 1Q16
	(In thousand reais, except otherwise indicated)							
Gross Revenue	**1,783,049**	**128.2%**	**1,808,764**	**128.2%**	**-1.4%**	**1,618,544**	**127.6%**	**10.2%**
Postsecondary	1,731,784	124.5%	1,764,844	125.1%	-1.9%	1,561,009	123.1%	10.9%
Primary and Secondary	51,264	3.7%	43,920	3.1%	16.7%	57,535	4.5%	-10.9%
Deductions from Gross Revenue	**(391,900)**	**-28.2%**	**(397,579)**	**-28.2%**	**-1.4%**	**(350,405)**	**-27.6%**	**11.8%**
Postsecondary	(387,485)	-27.9%	(394,623)	-28.0%	-1.8%	(347,800)	-27.4%	11.4%
Primary and Secondary	(4,415)	-0.3%	(2,957)	-0.2%	49.3%	(2,605)	-0.2%	69.5%
Net Revenue	**1,391,149**	**100.0%**	**1,411,185**	**100.0%**	**-1.4%**	**1,268,139**	**100.0%**	**9.7%**
Postsecondary	1,344,299	96.6%	1,370,221	97.1%	-1.9%	1,213,209	95.7%	10.8%
Primary and Secondary	46,850	3.4%	40,964	2.9%	14.4%	54,930	4.3%	-14.7%
Costs of Goods/Services	**(569,478)**	**-40.9%**	**(595,978)**	**-42.2%**	**-4.4%**	**(480,973)**	**-37.9%**	**18.4%**
Cost of Goods Sold	(11,275)	-0.8%	(7,931)	-0.6%	42.2%	(9,922)	-0.8%	13.6%
Cost of Services Rendered	(558,203)	-40.1%	(588,047)	-41.7%	-5.1%	(471,052)	-37.1%	18.5%
Gross Income	**821,671**	**59.1%**	**815,207**	**57.8%**	**0.8%**	**787,166**	**62.1%**	**4.4%**
Operating Expenses	**(295,111)**	**-21.2%**	**(389,380)**	**-27.6%**	**-24.2%**	**(193,382)**	**-15.2%**	**52.6%**
Selling Expenses	(80,011)	-5.8%	(68,905)	-4.9%	16.1%	(101,833)	-8.0%	-21.4%
Provision for Doubtful Accounts	(90,382)	-6.5%	(74,487)	-5.3%	21.3%	(63,940)	-5.0%	41.4%
Personnel Expenses	(99,519)	-7.2%	(127,832)	-9.1%	-22.1%	(106,168)	-8.4%	-6.3%
General and Administrative Expenses	(97,586)	-7.0%	(118,342)	-8.4%	-17.5%	(87,550)	-6.9%	11.5%
Other Operating Income (Expenses)	72,387	5.2%	186	0.0%	n.a.	166,108	13.1%	-56.4%
Income before Financial Result	**526,559**	**37.3%**	**425,827**	**30.2%**	**23.7%**	**593,784**	**46.8%**	**-11.3%**
Financial Result	**25,901**	**1.9%**	**(11,088)**	**-0.8%**	**n.a.**	**9,928**	**0.8%**	**160.9%**
Financial Expenses	(45,089)	-3.2%	(46,970)	-3.3%	-4.0%	(49,035)	-3.9%	-8.0%
Financial Revenues	70,989	5.1%	35,882	2.5%	97.8%	58,963	4.6%	20.4%
Income from Operations	**552,460**	**39.7%**	**414,739**	**29.4%**	**33.2%**	**603,712**	**47.6%**	**-8.5%**
Income and Social Contribution Tax	(33,086)	-2.4%	1,410	0.1%	-2,446.8%	(4,357)	-0.3%	659.3%
Current	3,992	0.3%	(23,683)	-1.7%	n.a.	(48,495)	-3.8%	-108.2%
Deferred	(37,078)	-2.7%	25,092	1.8%	n.a.	44,138	3.5%	n.a.
Net Income	**519,374**	**37.3%**	**416,149**	**29.5%**	**24.8%**	**599,355**	**47.3%**	**-13.3%**

APPENDIX 5 – SIX-MONTH CORPORATE INCOME STATEMENT

	1H16	% Net Rev.	1H15	% Net Rev.	1H16 / 1H15
	(In thousand reais, except otherwise indicated)				
Gross Revenue	**3,401,593**	**127.9%**	**3,432,462**	**127.2%**	**-0.9%**
Postsecondary	3,292,793	123.8%	3,319,825	123.0%	-0.8%
Primary and Secondary	108,799	4.1%	112,637	4.2%	-3.4%
Deductions from Gross Revenue	**(742,305)**	**-27.9%**	**(733,402)**	**-27.2%**	**1.2%**
Postsecondary	(735,285)	-27.6%	(727,321)	-26.9%	1.1%
Primary and Secondary	(7,019)	-0.3%	(6,081)	-0.2%	15.4%
Net Revenue	**2,659,288**	**100.0%**	**2,699,060**	**100.0%**	**-1.5%**
Postsecondary	2,557,508	96.2%	2,592,504	96.1%	-1.3%
Primary and Secondary	101,780	3.8%	106,556	3.9%	-4.5%
Costs of Goods/Services	**(1,050,451)**	**-39.5%**	**(1,131,494)**	**-41.9%**	**-7.2%**
Cost of Goods Sold	(21,197)	-0.8%	(20,950)	-0.8%	1.2%
Cost of Services Rendered	(1,029,255)	-38.7%	(1,110,544)	-41.1%	-7.3%
Gross Income	**1,608,837**	**60.5%**	**1,567,566**	**58.1%**	**2.6%**
Operating Expenses	**(488,493)**	**-18.4%**	**(757,116)**	**-28.1%**	**-35.5%**
Selling Expenses	(181,843)	-6.8%	(160,078)	-5.9%	13.6%
Provision for Doubtful Accounts	(154,323)	-5.8%	(141,558)	-5.2%	9.0%
Personnel Expenses	(205,687)	-7.7%	(172,830)	-6.4%	19.0%
General and Administrative Expenses	(185,136)	-7.0%	(281,612)	-10.4%	-34.3%
Other Operating Income (Expenses)	238,496	0.0%	(1,037)	-0.0%	n.a.
Income before Financial Result	**1,120,344**	**41.5%**	**810,450**	**30.0%**	**38.2%**
Financial Result	**35,829**	**1.3%**	**(22,004)**	**-0.8%**	**-262.8%**
Financial Expenses	(94,123)	-3.5%	(99,571)	-3.7%	-5.5%
Financial Revenues	129,952	4.9%	77,566	2.9%	67.5%
Income from Operations	**1,156,173**	**43.5%**	**788,445**	**29.2%**	**46.6%**
Income and Social Contribution Tax	(37,444)	-1.4%	(554)	-0.0%	n.a.
Current	(44,503)	-1.7%	(40,458)	-1.5%	10.0%
Deferred	7,059	0.3%	39,904	1.5%	-82.3%
Net Income	**1,118,729**	**42.1%**	**787,892**	**29.2%**	**42.0%**

APPENDIX 6 – CASH FLOW STATEMENT

R$ 000	2Q16	2Q15	1Q16
Net Income before Income Taxes	**552,460**	**414,739**	**603,712**
Net Income (Loss) Adjustments before Income Taxes			
Depreciation and Amortization	99,371	99,073	97,647
Provision for Doubtful Accounts	90,400	74,488	63,940
Provision for Tax, Labor and Civil Losses	(14,250)	3,358	(9,615)
Provision (Reversal) for Invetories Losses	649	(190)	238
Financial Charges	41,164	34,139	33,297
Income from Securities	(24,691)	(9,369)	(16,608)
Grant of Stock Options	13,688	10,398	14,390
Income from disposal of Uniasselvi	(72,426)	-	(162,255)
Income from sale or disposal of assets and other investments	42	(186)	(3,637)
Changes in Working Capital	**38,779**	**(355,440)**	**(584,432)**
(Increase) Reduction in Accounts Receivable (ex-FIES)	(216,769)	(44,008)	(40,827)
(Increase) Reduction in Accounts Receivable FIES	240,508	(320,195)	(336,451)
(Increase) Reduction in Inventories	(662)	(1,453)	(12,341)
(Increase) Reduction in Advances	(14,195)	(56,878)	9,671
(Increase) Decrease in Escrow Deposits	513	(2,843)	(1,104)
Increase (Decrease) in Other Assets	(5,786)	7,289	4,442
Increase (Reduction) in Suppliers	739	12,429	(52,420)
Increase (Decrease) in Payroll and Related Taxes	46,432	73,495	(54,103)
Increase (Decrease) in Fiscal Obligations	(6,415)	(6,650)	(63,824)
Increase (Decrease) in Advances to Clients	22,883	11,357	(16,076)
(Decrease) in Taxes Installments	(117)	1,560	(199)
(Decrease) in Provision for Tax, Labor and Civil Losses	(27,691)	(29,952)	(18,062)
Increase (Decrease) in Other Liabilities	(662)	409	(3,138)
Income Tax and Social Contribution	**(9,332)**	**(2,826)**	**(27,528)**
Capex	**(102,666)**	**(58,970)**	**(48,683)**
Additions to Fixed Assets	(67,805)	(42,459)	(21,712)
Additions to Intangible Assets	(34,861)	(16,511)	(26,971)
Cash Flow from Operating Activities after Capex - Recurring	**613,188**	**209,213**	**(39,533)**
Capex - Special Projects	**(4,266)**	**(8,776)**	**(21,264)**
Asset Acquisition	-	-	-
Brownfields	(4,266)	(8,776)	(21,264)
Cash Flow from Operating Activities after total Capex	**608,922**	**200,438**	**(60,798)**
(+) M&A Activities	**(55,666)**	**(35,788)**	**356,639**
Acquisition of New Units	(32,981)	(35,788)	(1,513)
Accounts Receivable from former owners	(17,999)	-	-
Received for Uniassselvi Sale Net of Sales Expenses	(4,686)	-	358,152
(+) Cash Flow from Financing Activities	**(193,869)**	**(107,259)**	**(124,781)**
Sale (Acquisition) of Treasury Shares	12,672	483	3,580
Capital Increase, Net of Issuance Costs	-	2,624	-
Borrowings and financing	-	-	-
Payments of Borrowings and Financing	(145)	(758)	(50,189)
Interest Paid on Borrowings and Debentures	(31,485)	(28,478)	(23,037)
Income from Financial Investments	-	9,266	-
Redemption (Investment) of Securities	26,287	-	16,613
Disposal of Non-current Asset	-	-	-
Refis Payment	(1,030)	(3,633)	(1,282)
Bank and Charges Fees	(886)	1,521	(297)
Payment of Dividends	(199,281)	(88,284)	(70,168)
(=) Cash Flow from Non-Operating Activities	**(249,535)**	**(143,047)**	**231,858**
Total Cash Generation	**359,387**	**57,391**	**171,060**
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the Start of the Period	569,292	327,213	398,232
Cash and Cash Equivalents at the End of the Period	928,679	384,604	569,292
Net Increase (Decrease) in Cash and Cash Equivalents	**359,387**	**57,391**	**171,060**