

Belo Horizonte, August 11, 2017 – Kroton Educacional S.A. (B3: **KROT3**; OTCQX: **KROTY**), “Kroton” or the “Company”, announces today its results for the second quarter of 2017 (2Q17). The Company’s financial information is presented on a consolidated basis and in Brazilian reais, in accordance with Brazilian Corporate Law and Generally Accepted Accounting Principles in Brazil (BRGAAP), which already conform to International Financial Reporting Standards (IFRS), except where stated otherwise.

HIGHLIGHTS – CORPORATE ANALYSIS

Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%	1H17	1H16	Chg.%
Gross Revenue	1,938,603	1,783,049	8.7%	1,740,781	11.4%	3,679,384	3,401,593	8.2%
Net Revenue	1,519,391	1,391,149	9.2%	1,365,122	11.3%	2,884,513	2,659,288	8.5%
Gross Income	1,131,921	988,586	14.5%	1,061,151	6.7%	2,193,072	1,922,569	14.1%
Gross Margin	74.5%	71.1%	3.4 p.p.	77.7%	-3.2 p.p.	76.0%	72.3%	3.7 p.p.
Operating Result	850,475	774,462	9.8%	814,001	4.5%	1,664,477	1,549,297	7.4%
Operating Margin	56.0%	55.7%	0.3 p.p.	59.6%	-3.7 p.p.	57.7%	58.3%	-0.6 p.p.
Adjusted EBITDA	700,230	632,578	10.7%	639,529	9.5%	1,339,759	1,239,333	8.1%
Adjusted EBITDA Margin	46.1%	45.5%	0.6 p.p.	46.8%	-0.8 p.p.	46.4%	46.6%	-0.2 p.p.
Adjusted Net Income	644,885	561,780	14.8%	577,062	11.8%	1,221,947	1,067,689	14.4%
Adjusted Net Margin	42.4%	40.4%	2.1 p.p.	42.3%	0.2 p.p.	42.4%	40.1%	2.2 p.p.
Adjusted Net Income /share	0.40	0.35	14.8%	0.35	11.8%	0.75	0.66	14.4%
Operating Cash Generation (OCG) after Capex ¹	460,908	613,188	-24.8%	51,155	n.a.	512,063	573,654	-10.7%
OCG after Capex ¹ / EBITDA (unadjusted) ²	71.9%	104.5%	-32.6 p.p.	8.6%	63.3 p.p.	41.4%	49.6%	-8.2 p.p.

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

² EBITDA excluding the capital gain from the divestment of Uniasselvi.

Note: 1H16 figures include two months (January and February) of Uniasselvi results.

HIGHLIGHTS – MANAGEMENT ANALYSIS (EX-UNIASSELVI¹)

Consolidated - Values in R\$ ('000)	1H17	1H16	Chg.%
Net Revenue	2,884,513	2,617,728	10.2%
Adjusted EBITDA	1,339,759	1,221,472	9.7%
Adjusted EBITDA Margin	46.4%	46.7%	-0.2 p.p.
Adjusted Net Income	1,221,947	1,052,453	16.1%
Adjusted Net Margin	42.4%	40.2%	2.2 p.p.

¹ Excludes figures relating to Uniasselvi from 1H16 (January and February).

QUARTER HIGHLIGHTS:

❖ Three new units have begun their enrollment processes for the second semester, all in the state of Bahia (Vitória da Conquista, Bom Jesus da Lapa and Jequié), further strengthening the Company’s footprint in the Northeast of Brazil. Kroton also obtained, last week, accreditation of another two units that will start operating in 2018, one in Arapiraca, Alagoas and another in Tucuruí, the first unit in the state of Pará. This means that, of the 60 applications filed by the Company, 8 units have already been accredited, which will support its medium-term organic growth strategy.

❖ Despite the highly challenging economic environment, Kroton was able to reduce dropout rates in both the on-campus and distance learning segments, underscoring the success of its Retention project in effectively managing its student base. As a result, the Company ended the first semester with 967,000 students enrolled in its Postsecondary Education programs.

❖ In the quarter, net revenue grew 9.2% compared to 2Q16, reflecting the solid performance of the enrollment and re-enrollment processes, the launch of PMT, which enabled a reduction in the offering of discounts and enrollment fees exemptions, and the better program mix (which included the offering of Premium DL programs). In the first half of the year, net revenue came to R\$2,884.5 million, increasing 8.5% from 1H16.

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- ❖ Adjusted EBITDA amounted to R\$700.2 million in the quarter, advancing 10.7% from 2Q16, accompanied by EBITDA margin expansion of 60 bps. The improvement in profitability in a scenario marked by pressures on revenue and the need to increase provisioning to support the student installment plans is a clear indication that Kroton has been able to consistently produce increasingly solid results, paving the way to meeting the guidance established for the year. In 1H17, adjusted EBITDA was R\$1,339.8 million, with margin of 46.4%, virtually flat compared to 1H16.
- ❖ Adjusted net income came to R\$644.9 million in 2Q17, growing 14.8% from R\$561.8 million in the same period of 2016, with adjusted net margin expanding 206 bps. In the first half, adjusted net income grew 14.4% to R\$1.2 billion, with adjusted net margin expanding 220 bps. Excluding the figures for Uniasselvi from 1H16, net income growth in the first half was even stronger, at 16.1%.
- ❖ Operating cash generation after capex was one of the highlights in 2Q17, reaching R\$460.9 million, with an EBITDA-to-Cash conversion rate of 71.9%, attesting to the strength and resilience of the operation. In 1H17, operating cash flow after capex amounted to R\$512.1 million, for a conversion rate of 41.4%. Including the FIES installment normally paid in January, but that this year was anticipated to December 2016, operating cash generation after capex in 1H17 was R\$703.7 million, for a conversion rate of 56.9%.
- ❖ Further strengthening its cash position, Kroton already recorded in August the full payment of the second installment of the FIES amounts outstanding from 2015 under Administrative Rule 23 (PN 23), in the amount of R\$198.2 million.
- ❖ Kroton garnered two accolades in the IR Magazine Awards 2017, which demonstrates the recognition of its continuous efforts to improve its relations with investors and the financial community.

MESSAGE FROM MANAGEMENT

In the 10-year anniversary of our IPO which occurred in July 2007, we also celebrate the achievements obtained on a solid foundation and with a clear strategy focused on quality, operational excellence and growth. However, history shows that successful organizations are those able to realize changes in the scenario and make adjustments – or anticipate itself – to these changes. And in realizing the transformations which the world is undergoing, we launch today a new phase for our Company.

That does not mean that growth, quality and operating excellence will no longer be relevant in this new phase of the organization. To the contrary, they will be valued even more because they are already part of our corporate DNA. But we understand that they alone are not enough to overcome the challenges that lie ahead. And based on this reading of the market, Kroton had decided to embark on its journey of digital transformation.

Today, we use cutting-edge technology to provide educational services, and we do this very well. Flipped Classroom, Adaptive Learning, Student Digital Portal, Faculty Digital Portal, KLS 2.0, Conecta Employability Channel are clear examples of how we already use technology to provide high-quality services. But we believe that digital transformation is much more than that. Undergoing a digital transformation means changing the organization's mindset, creating an organizational culture based on agile management models and thinking digitally. Certain sectors of the economy already have suffered the consequences of not taking this step and have been engulfed by new business models. In Education, we have yet to feel pressure from the disruptive models that threaten the industry, but that is another reason to begin this journey now: we will create the disruption in our industry rather than protect ourselves from it.

The project is bold, but our Company has the maturity to take this step. We will do this by maintaining and reinforcing our strengths and the results of the first half of 2017, and our ongoing growth projects confirm this vision.

We ended the first half of the year with net revenue growth of 8.5% year-over-year, gross margin expansion of 373 basis points and stable EBITDA margin, despite the pressures from the smaller FIES student base and the higher provisioning for losses due to the conservative provisioning policy adopted for PEP.

We identified efficiency levers to neutralize the adverse effects and maintain margins. We will deliver our guidance for 2017 and have strong elements to affirm that in 2018 we will maintain the same course.

We also have been working hard to accelerate the organic expansion plans. Of the 100 greenfield projects proposed, 52 are already pending approval by the Ministry of Education (MEC) and 8 have already been accredited (3 will start their operations in 2017/2 and 2 in 2018/1). Other accreditations are expected for 2018/1 and new applications will be filed, therefore this growth lever will be increasingly more relevant.

In Distance Learning, we see the new regulatory framework as an excellent opportunity for expansion. If, on the one hand, competition is growing, on the other hand, we believe we are well prepared to benefit from this new scenario, with a robust academic model, innovative systemic platforms, trained sales teams and, above all, a network of partners that make a huge difference in this growth process. By the end of this month, we will have another 200 centers in operation, with 200 more coming in January 2018, with high-quality partners connected to a network based on a very solid management model. We believe our competitive advantages will enable us to grow with quality and sustainably.

We have yet over 400 new programs at on-campus units pending accreditation at MEC, mostly in the fields of engineering and healthcare. In Distance Learning, we continue to expand our Premium DL offers to new programs and centers, as part of a strategy to improve even more our portfolio and add value to the Company's brands, in both the on-campus and distance learning businesses.

Another source of growth will continue to be inorganic growth in Postsecondary Education, where we see a market that is still highly fragmented and offers various opportunities, especially in small and mid-sized institutions. We also developed a robust strategy to strengthen our presence in the Primary & Secondary Education business, based on expansion via acquisitions of strong schools and brands, which should make Kroton an important consolidator in this market as well.

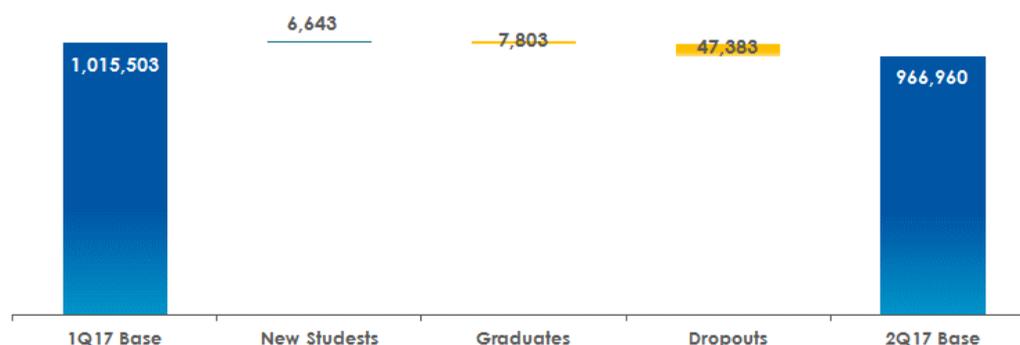
To materialize all these projects, the Company recently reformulated its corporate structure, which included creating two new vice-presidencies: Management & Expansion VP and Technology & Digital Transformation VP. The two departments will participate actively in the coordination of growth projects and in ensuring the feasibility of technology and innovation investments, effectively preparing the entire Company for the digital transformation journey of the coming years. This is an ambitious project that Kroton wants to lead, taking advantage of the strength of its team, organizational culture and capital structure to consolidate its position as a reference in high-quality education.

As part of this goal, in July, we launched the Strategic Planning 2022, which will continue to be executed throughout the rest of the year. The Company's key executives were invited to come up with and define strategies, paths and alternatives to guarantee stronger growth and higher quality across the organization over the coming years, always from the perspective of digital transformation. We are certain that, if in the short term the results delivered to date attest to the effectiveness of the decisions taken in the past, the Strategic Planning 2022 will give Kroton an opportunity to pave its path to the future, ensuring growing returns to all its stakeholders.

OPERATING PERFORMANCE

POSTSECONDARY EDUCATION

Evolution in Number of Students



The evolution in the number of Postsecondary students between 1Q17 and 2Q17 by product (Undergraduate and Graduate) and teaching format (On-Campus and Distance Learning) is presented below.

Students	On-Campus			Distance Learning		
	Undergraduate	Graduate	Total	Undergraduate	Graduate	Total
2Q16 Base	418,363	8,495	426,858	491,909	29,855	521,764
1Q17 Base	433,612	9,068	442,680	545,581	27,242	572,823
New Students	-	849	849	-	5,794	5,794
Graduates	-	(1,037)	(1,037)	-	(6,766)	(6,766)
Dropouts	(16,602)	(781)	(17,383)	(29,331)	(669)	(30,000)
2Q17 Base	417,010	8,099	425,109	516,250	25,601	541,851
% 2Q17 Base / 2Q16 Base	-0.3%	-4.7%	-0.4%	4.9%	-14.2%	3.8%
% 2Q17 / 1Q17 Base	-3.8%	-10.7%	-4.0%	-5.4%	-6.0%	-5.4%

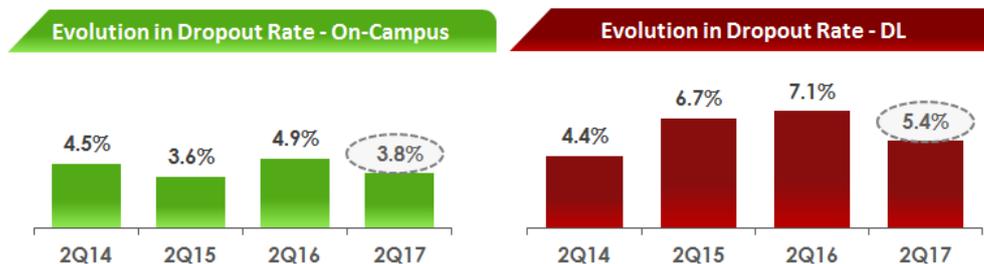
Students	Total	Total	Total
	Undergraduate	Graduate	
2Q16 Base	910,272	38,350	948,622
1Q17 Base	979,193	36,310	1,015,503
New Students	-	6,643	6,643
Graduates	-	(7,803)	(7,803)
Dropouts	(45,933)	(1,450)	(47,383)
2Q17 Base	933,260	33,700	966,960
% 2Q17 Base / 2Q16 Base	2.5%	-12.1%	1.9%
% 2Q17 / 1Q17 Base	-4.7%	-7.2%	-4.8%

At the end of 2Q17, the number of students enrolled in Postsecondary (Undergraduate and Graduate) programs, considering both On-campus and Distance Learning formats, increased 1.9% over the same period last year. The increase is explained by the solid results of the enrollment and re-enrollment processes of the start of the year, which reinforces the resilience and effectiveness of the commercial strategy adopted by the Company, even in a scenario marked by economic crisis and mounting unemployment. Compared to the prior quarter, the 4.8% reduction is explained by the natural seasonality of the business. Broken down by teaching format, the On-Campus student base accounted for 44% of the total student base at the end of 1H17, while the Distance Learning student base accounted for 56%.

The Graduate business alone registered about 6,600 new enrollments, mainly in the Distance Learning format, as well as a significant number of graduations, of approximately 7,800 students total. Bear in mind that our LFG business also offers Graduate programs, whose students are included in the above table.

It is important to note that the enrollments and re-enrollment processes for the second semester of 2017 are currently ongoing.

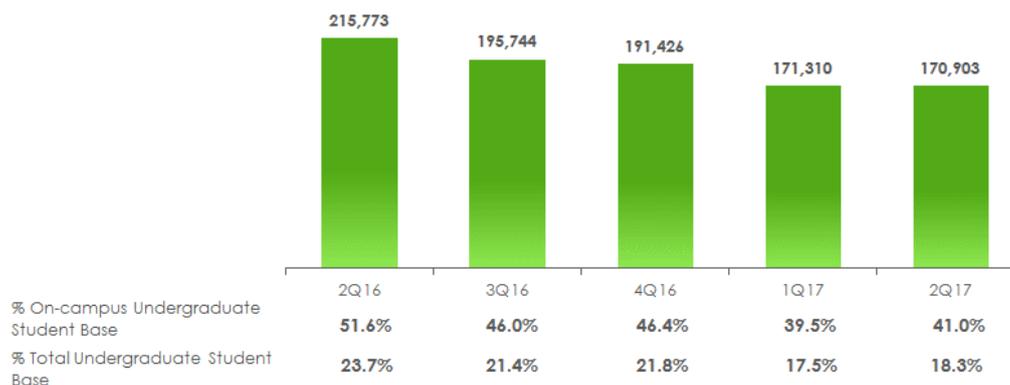
Evolution of Undergraduate Dropouts



The above analysis shows the evolution in dropouts by students in the On-Campus and Distance Learning Undergraduate segments. Since the turn of 2015 to 2016, Kroton has been making progress on implementing initiatives associated with its Retention Program, which seeks to identify and assign probability to dropouts in order to treat the root causes before a student takes that decision. These actions, whose results are already visible, are important for mitigating the deterioration in social and economic indicators faced in recent quarters. In 2Q17, dropouts improved in both the on-campus segment (from 4.9% in 2Q16 to 3.8% in 2Q17) and DL segment (down 170 bps in the period), attesting to the effectiveness of these actions and their importance in the current scenario. Note that this reduction occurred despite the more rigorous debt collections and renegotiation practices adopted by the Company in relation to prior semesters, which should have a positive effect on the accounts receivables line. Another interesting aspect is that the improvement in the dropout rate was achieved during a period of significant change in the profile of freshmen students due to the fewer FIES seats available, which attests to the sustainability of the products offered by the Company. Lastly, another period highlight was the performance of the dropout rate in the DL segment, which reversed the upward trend observed in the previous quarter.

FIES

Number of FIES Students



At the end of 2Q17, the Company had 170,903 students enrolled with FIES financing, substantially lower than in the same period of 2016, which confirms the lower share FIES has been representing in recent enrollment cycles and the higher number of graduations of seniors with FIES financing. To illustrate this trend, in the enrollment process for this semester, FIES accounted for only 9% of new students in the On-campus segment and for 3% of total new students in the Company's undergraduate programs. As a result, the penetration of students supported by the financing program decreased 10.6 p.p. from the previous year to account for 41.0% of the On-Campus Undergraduate student base, or 18.3% of the total Undergraduate student base.

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

At the end of 2Q17, Kroton had 61,500 students enrolled in PEP programs, with about 44,000 enrolled in PEP30/PEP40 and around 17,500 in PEP50. During the enrollment process for 2S17, the Company will continue to offer installment plans with the same commercial conditions of the enrollment processes of recent cycles. It is important to highlight again that Kroton continues to adopt the same conservative policies in terms of revenue recognition, including an Adjustment to Present Value (APV) of revenue, and for provisioning losses from bad debt, which is accrued at 50% of the installment portion for all PEP students, as seen in 2016.

PMT (or temporary PEP) is an alternative for the payment in installments of monthly tuitions for late enrollments related exclusively to periods during which new students were not yet enrolled because they were admitted after the start of classes, but still with sufficient time to complete the minimum classroom hours in the semester. Instead of offering exemptions or discounts on these monthly tuitions, Kroton began to offer this product as of the second semester of 2016 to new On-Campus students, and as of 1Q17 also to DL students, as a way to continue to attract freshmen and enable their late enrollment without foregoing revenue through scholarships or discounts. The outstanding installments, which are limited to 4 monthly tuitions, are repaid in the months after graduation. For PMT, Kroton adopts the same accounting practices as for PEP, i.e. the revenue from the full monthly tuitions (without discounts) has an APV and a delinquency provision for 50% of this amount is made. As with the policy adopted for PEP, the outstanding balance of these tuitions becomes due automatically if the student drops out before graduation.

Preparatory Courses (LFG), Unregulated Programs and Language Courses

Through the LFG brand, the Company offers preparatory courses for the examination of the Brazilian Bar Association (OAB) and for examinations for civil servant positions. Always positioned as a reference in preparatory courses, LFG registered a total of 27,604 students during 2Q17 (these students are not considered in the Postsecondary student base), which represents growth of 10.0% over 2Q16.

Kroton also 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 second quarter, the Company administered these programs to 38,752 students (as with LFG courses, these students are not considered in the figure for Postsecondary students), for growth of 1.1% on the same period last year.

PRIMARY & SECONDARY

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 2017, the Company is serving 672 Associated Schools and around 220,000 students in the private segment, with these figures virtually stable in relation to last year. Kroton will continue to enhance the quality of its teaching model and to create competitive advantages for the Pitágoras Learning System.

FINANCIAL PERFORMANCE

Note: Corporate financial data for 1H16 include two months (January and February) of the operations of Uniasselvi in its various operating segments (On-Campus and Distance Learning). The financial data ex-Uniasselvi exclude the operations of Uniasselvi in its various operating segments (On-Campus and Distance Learning) for all periods.

2Q17 RESULTS – CORPORATE

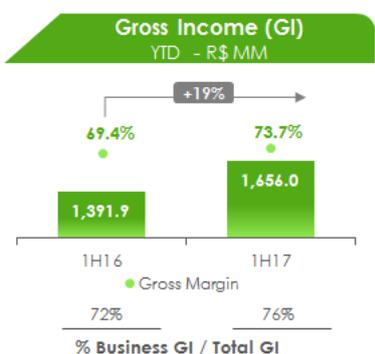
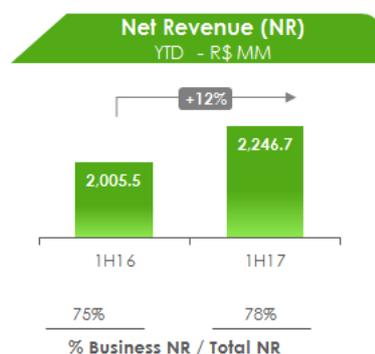
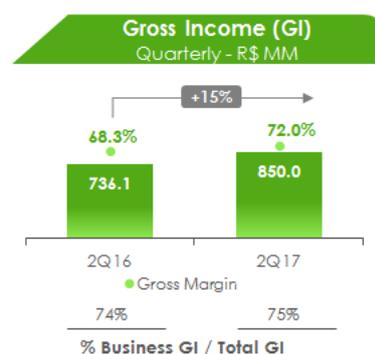
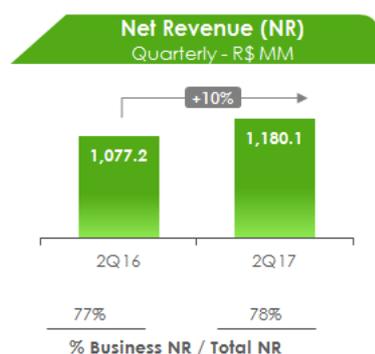
Values in R\$ ('000)	On-Campus Education		Distance Learning		Primary and Secondary Education		Kroton Consolidated	
	2Q17	% Net Rev.	2Q17	% Net Rev.	2Q17	% Net Rev.	2Q17	% Net Rev.
Gross Revenue	1,507,854	127.8%	382,814	129.8%	47,935	108.0%	1,938,603	127.6%
Gross Revenue Deductions	(327,748)	-27.8%	(87,893)	-29.8%	(3,571)	-8.0%	(419,212)	-27.6%
Tax	(43,398)	-3.7%	(9,081)	-3.1%	(1,364)	-3.1%	(53,843)	-3.5%
ProUni	(173,530)	-14.7%	(56,583)	-19.2%	-	0.0%	(230,114)	-15.1%
Returns	-	0.0%	-	0.0%	(2,207)	-5.0%	(2,207)	-0.1%
Total Discounts	(110,820)	-9.4%	(22,228)	-7.5%	-	0.0%	(133,049)	-8.8%
Net Revenue	1,180,105	100.0%	294,922	100.0%	44,364	100.0%	1,519,391	100.0%
Costs (COGS)	(330,090)	-28.0%	(39,295)	-13.3%	(18,085)	-40.8%	(387,470)	-25.5%
Cost of Goods	-	0.0%	-	0.0%	(8,344)	-18.8%	(8,344)	-0.5%
Cost of Services	(330,090)	-28.0%	(39,295)	-13.3%	(9,742)	-22.0%	(379,126)	-25.0%
Faculty, Other Personnel and Third-Party Services	(241,938)	-20.5%	(31,110)	-10.5%	(8,662)	-19.5%	(281,710)	-18.5%
Rent	(79,572)	-6.7%	(4,119)	-1.4%	(296)	-0.7%	(83,988)	-5.5%
Materials	(3,792)	-0.3%	(2,710)	-0.9%	(0)	0.0%	(6,502)	-0.4%
Maintenance	(1,916)	-0.2%	(866)	-0.3%	(82)	-0.2%	(2,864)	-0.2%
Other	(2,872)	-0.2%	(489)	-0.2%	(701)	-1.6%	(4,063)	-0.3%
Gross Income	850,015	72.0%	255,627	86.7%	26,279	59.2%	1,131,921	74.5%
Operating Expenses	(126,650)	-10.7%	(25,448)	-8.6%	(4,939)	-11.1%	(157,037)	-10.3%
Personnel, General and Administrative Expenses	(126,650)	-10.7%	(25,448)	-8.6%	(4,939)	-11.1%	(157,037)	-10.3%
Personnel Expenses	(66,630)	-5.6%	(16,203)	-5.5%	(3,312)	-7.5%	(86,145)	-5.7%
General and Administrative Expenses	(60,020)	-5.1%	(9,245)	-3.1%	(1,627)	-3.7%	(70,892)	-4.7%
Provision for Doubtful Accounts - PDA	(122,443)	-10.4%	(29,444)	-10.0%	(355)	-0.8%	(152,242)	-10.0%
(+) Interest and Penalties on Tuition	24,997	2.1%	2,689	0.9%	147	0.3%	27,833	1.8%
Operating Result	625,919	53.0%	203,425	69.0%	21,131	47.6%	850,475	56.0%
Sales and Marketing Expenses							(91,852)	-6.0%
Corporate Expenses							(58,394)	-3.8%
Adjusted EBITDA							700,230	46.1%
(-) Nonrecurring Items							(58,881)	-3.9%
EBITDA							641,349	42.2%
Depreciation and Amortization							(103,409)	-6.8%
Financial Result							17,503	1.2%
Income and Social Contribution Tax							(8,295)	-0.5%
Income Tax / Social Cont. - Disposal of Uniasselvi							-	0.0%
Net Profit							547,149	36.0%
(+) Nonrecurring Items							58,881	3.9%
(+) Intangible Amortization (Acquisitions)							38,855	2.6%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi							-	0.0%
Adjusted Net Profit							644,885	42.4%

1H17 RESULTS – CORPORATE

Values in R\$ ('000)	On-Campus Education		Distance Learning		Primary and Secondary Education		Kroton Consolidated	
	1H17	% Net Rev.	1H17	% Net Rev.	1H17	% Net Rev.	1H17	% Net Rev.
Gross Revenue	2,866,616	127.6%	723,866	130.2%	88,902	108.8%	3,679,384	127.6%
Gross Revenue Deductions	(619,882)	-27.6%	(167,833)	-30.2%	(7,156)	-8.8%	(794,871)	-27.6%
Tax	(82,951)	-3.7%	(16,733)	-3.0%	(2,511)	-3.1%	(102,195)	-3.5%
ProUni	(339,376)	-15.1%	(105,937)	-19.1%	-	0.0%	(445,314)	-15.4%
Returns	-	0.0%	-	0.0%	(4,645)	-5.7%	(4,645)	-0.2%
Total Discounts	(197,554)	-8.8%	(45,162)	-8.1%	-	0.0%	(242,717)	-8.4%
Net Revenue	2,246,735	100.0%	556,033	100.0%	81,746	100.0%	2,884,513	100.0%
Costs (COGS)	(590,691)	-26.3%	(67,270)	-12.1%	(33,480)	-41.0%	(691,441)	-24.0%
Cost of Goods	-	0.0%	-	0.0%	(14,114)	-17.3%	(14,114)	-0.5%
Cost of Services	(590,691)	-26.3%	(67,270)	-12.1%	(19,367)	-23.7%	(677,327)	-23.5%
Faculty, Other Personnel and Third-Party Services	(419,414)	-18.7%	(52,099)	-9.4%	(16,384)	-20.0%	(487,897)	-16.9%
Rent	(159,587)	-7.1%	(8,192)	-1.5%	(552)	-0.7%	(168,331)	-5.8%
Materials	(5,740)	-0.3%	(5,437)	-1.0%	(0)	0.0%	(11,177)	-0.4%
Maintenance	(2,145)	-0.1%	(880)	-0.2%	(97)	-0.1%	(3,122)	-0.1%
Other	(3,804)	-0.2%	(662)	-0.1%	(2,333)	-2.9%	(6,800)	-0.2%
Gross Income	1,656,044	73.7%	488,763	87.9%	48,265	59.0%	2,193,072	76.0%
Operating Expenses	(231,463)	-10.3%	(48,401)	-8.7%	(9,608)	-11.8%	(289,472)	-10.0%
Personnel, General and Administrative Expenses	(231,463)	-10.3%	(48,401)	-8.7%	(9,608)	-11.8%	(289,472)	-10.0%
Personnel	(124,929)	-5.6%	(32,286)	-5.8%	(7,121)	-8.7%	(164,336)	-5.7%
General and Administrative	(106,534)	-4.7%	(16,116)	-2.9%	(2,487)	-3.0%	(125,137)	-4.3%
Provision for Doubtful Accounts - PDA	(253,916)	-11.3%	(56,181)	-10.1%	(654)	-0.8%	(310,750)	-10.8%
(+) Interest and Penalties on Tuition	60,229	2.7%	11,024	2.0%	374	0.5%	71,627	2.5%
Operating Result	1,230,895	54.8%	395,205	71.1%	38,377	46.9%	1,664,477	57.7%
Sales and Marketing Expenses							(202,589)	-7.0%
Corporate Expenses							(122,129)	-4.2%
Adjusted EBITDA							1,339,759	46.4%
(-) Nonrecurring Items							(103,400)	-3.6%
EBITDA							1,236,359	42.9%
Depreciation and Amortization							(206,147)	-7.1%
Financial Result							40,177	1.4%
Income and Social Contribution Tax							(29,567)	-1.0%
Income Tax / Social Cont. - Disposal of Uniasselvi							-	0.0%
Net Profit							1,040,822	36.1%
(+) Nonrecurring Items							103,400	3.6%
(+) Intangible Amortization (Acquisitions)							77,726	2.7%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi							-	0.0%
Adjusted Net Profit							1,221,947	42.4%

CORPORATE FINANCIAL PERFORMANCE – ON-CAMPUS EDUCATION

On-Campus Education - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%	1H17	1H16	Chg.%
Gross Revenue	1,507,854	1,375,741	9.6%	1,358,763	11.0%	2,866,616	2,564,981	11.8%
Gross Revenue Deductions	(327,748)	(298,535)	9.8%	(292,133)	12.2%	(619,882)	(559,494)	10.8%
Tax	(43,398)	(36,896)	17.6%	(39,553)	9.7%	(82,951)	(65,896)	25.9%
ProUni	(173,530)	(169,204)	2.6%	(165,846)	4.6%	(339,376)	(335,262)	1.2%
Returns	-	-	n.a.	-	n.a.	-	-	n.a.
Total Discounts	(110,820)	(92,434)	19.9%	(86,734)	27.8%	(197,554)	(158,336)	24.8%
FGEDUC	(34,541)	(37,887)	-8.8%	(30,371)	13.7%	(64,912)	(70,198)	-7.5%
FIES - Administrative Fee	(12,296)	-	n.a.	(12,769)	-3.7%	(25,065)	-	n.a.
Other	(63,984)	(54,547)	17.3%	(43,594)	46.8%	(107,578)	(88,138)	22.1%
Net Revenue	1,180,105	1,077,206	9.6%	1,066,629	10.6%	2,246,735	2,005,486	12.0%
Net Revenue - Undergraduate	1,167,943	1,061,905	10.0%	1,052,315	11.0%	2,220,257	1,970,682	12.7%
Net Revenue - Out-of-pocket	384,757	279,767	37.5%	310,528	23.9%	695,286	544,095	27.8%
Net Revenue - FIES (financed part net of APV)	608,479	695,564	-12.5%	536,407	13.4%	1,144,886	1,302,477	-12.1%
Net Revenue - PEP (installment part net of APV)	134,655	86,573	55.5%	145,931	-7.7%	280,587	124,110	126.1%
Net Revenue - PMT (installment part net of APV)	40,051	-	n.a.	59,448	n.a.	99,499	-	n.a.
Net Revenue - Graduate, Unregulated Programs, Pronatec	12,163	15,302	-20.5%	14,314	-15.0%	26,477	34,804	-23.9%
Net Revenue - Pronatec	1,916	1,179	62.5%	7,174	-73.3%	9,090	10,170	-10.6%
Net Revenue - Graduate and Unregulated Programs	10,247	14,123	-27.4%	7,140	43.5%	17,387	24,634	-29.4%
Total of Costs	(330,090)	(341,067)	-3.2%	(260,601)	26.7%	(590,691)	(613,602)	-3.7%
Cost of Goods	-	-	n.a.	-	n.a.	-	-	n.a.
Cost of Services	(330,090)	(341,067)	-3.2%	(260,601)	26.7%	(590,691)	(613,602)	-3.7%
Faculty, Other Personnel and Third-Party Services	(241,938)	(248,661)	-2.7%	(177,476)	36.3%	(419,414)	(431,389)	-2.8%
Rent	(79,572)	(76,191)	4.4%	(80,015)	-0.6%	(159,587)	(153,117)	4.2%
Materials	(3,792)	(3,144)	20.6%	(1,948)	94.6%	(5,740)	(5,214)	10.1%
Maintenance	(1,916)	(3,370)	-43.2%	(230)	733.7%	(2,145)	(5,863)	-63.4%
Other	(2,872)	(9,701)	-70.4%	(932)	208.3%	(3,804)	(18,020)	-78.9%
Gross Income	850,015	736,139	15.5%	806,029	5.5%	1,656,044	1,391,884	19.0%
Gross Margin	72.0%	68.3%	3.7 p.p.	75.6%	-3.5 p.p.	73.7%	69.4%	4.3 p.p.
Total Operating Expenses	(126,650)	(126,501)	0.1%	(104,812)	20.8%	(231,463)	(231,474)	0.0%
Personnel Expenses	(66,630)	(65,961)	1.0%	(58,299)	14.3%	(124,929)	(124,520)	0.3%
General and Administrative Expenses	(60,020)	(60,540)	-0.9%	(46,514)	29.0%	(106,534)	(106,954)	-0.4%
Provision for Doubtful Account - PDA	(122,443)	(69,863)	75.3%	(131,473)	-6.9%	(253,916)	(112,144)	126.4%
(+) Interest and Penalties on Tuition	24,997	28,310	-11.7%	35,232	-29.0%	60,229	58,055	3.7%
Operating Result	625,919	568,085	10.2%	604,976	3.5%	1,230,895	1,106,321	11.3%
Operating Margin	53.0%	52.7%	0.3 p.p.	56.7%	-3.7 p.p.	54.8%	55.2%	-0.4 p.p.



Revenue and Deductions

<i>On-Campus Education - Values in R\$ ('000)</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Gross Revenue	1,507,854	1,375,741	9.6%	1,358,763	11.0%
Gross Revenue Deductions	(327,748)	(298,535)	9.8%	(292,133)	12.2%
Tax	(43,398)	(36,896)	17.6%	(39,553)	9.7%
ProUni	(173,530)	(169,204)	2.6%	(165,846)	4.6%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(110,820)	(92,434)	19.9%	(86,734)	27.8%
FGEDUC	(34,541)	(37,887)	-8.8%	(30,371)	13.7%
FIES - Administrative Fee	(12,296)	-	n.a.	(12,769)	-3.7%
Other	(63,984)	(54,547)	17.3%	(43,594)	46.8%
Net Revenue	1,180,105	1,077,206	9.6%	1,066,629	10.6%
Net Revenue - Undergraduate	1,167,943	1,061,905	10.0%	1,052,315	11.0%
Net Revenue - Out-of-pocket	384,757	279,767	37.5%	310,528	23.9%
Net Revenue - FIES (financed part net of APV)	608,479	695,564	-12.5%	536,407	13.4%
Net Revenue - PEP (installment part net of APV)	134,655	86,573	55.5%	145,931	-7.7%
Net Revenue - PMT (installment part net of APV)	40,051	-	n.a.	59,448	n.a.
Net Revenue - Graduate, Unregulated Programs, Pronatec	12,163	15,302	-20.5%	14,314	-15.0%

Deductions

In 2Q17, deductions as a ratio of gross revenue were stable in relation to the same period of 2016. The effects from the start of collection of the 2% administrative fee for FIES on the amount of educational charges and from the higher rate of ISS tax on the line "Tax" were offset by the strong gross revenue growth in the period. Compared to the prior quarter, the growth of 0.2 p.p. directly reflects the seasonality of the Tuition Adjustment program (PAM), which occurs primarily in even-numbered quarters, due to the adjustments in the number of classroom hours completed.

Net Revenue

Net revenue reached R\$1,180.1 million in 2Q17, growing 9.6% from the year-ago period, driven mainly by expansion in the out-of-pocket student base in the enrollment and re-enrollment processes at the start of the year, as well as by the higher average ticket in the period. Other products contributing to revenue growth in the period were the Private Installment Plan (PEP) and the Late Enrollment Installment Plan (PMT), which not only are important commercial tools, but also have the added advantage of not involving any discounts (although their revenue is reduced by Adjustment to Present Value – APV). In the quarter, PEP revenue accounted for R\$134.7 million (net of APV), or 11.5% of total revenue for the on-campus segment, while PMT revenue accounted for R\$40.1 million (also net of APV), or 3.4% of the segment's revenue. Note that PMT is offered to freshmen students who enroll by the fourth month of the semester, which means that its effects are felt in even-numbered quarters as well, although to a smaller extent. Meanwhile, FIES revenue decreased 12.5% year-on-year, basically due to the lower number of FIES students in the base. Compared to 1Q17, the 10.6% growth in net revenue reflects seasonality, due to the recognition of 6 months of FIES tuitions in a single quarter, which ended up offsetting the positive effect from PMT in the first quarter. In the first half, net revenue came to R\$2.2 billion, increasing 12.0% from 1H16, which demonstrates Kroton's sustainability and resilience even in a challenging economic environment.

Average Net Ticket

<i>On-Campus Postsecondary Education- Values in R\$</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Total	855.74	760.22	12.6%	877.71	-2.5%

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

For a better understanding, the calculation of Kroton's average ticket considers the number of students effectively billed in the period (including ProUni students), since, due to retroactive contract amendments, a student could be billed more than once in a certain month. The average net ticket in the on-campus

format in 2Q17 was R\$855.74, increasing 12.6% from the same period last year, reflecting the annual adjustment in tuitions and the reduction in scholarships and discounts in this year's enrollment process, due to the offering of products such as PEP and PMT, whose pricing does not include any discounts on the final price. Furthermore, the share of programs with higher monthly tuitions also made a significant contribution to the higher average ticket in the period. Note that the admissions process at the start of the year was the first in which engineering and healthcare programs accounted for more than 50% of new enrollments. In the first half, a period which neutralizes the impacts from one-off discounts, the average ticket in the On-campus segment stood at R\$865.96, increasing 15.1%, which corroborates the arguments made above.

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

Since last quarter, analyses of average ticket in the on-campus segment include additional information based on "student perspective by product" for the Undergraduate business. This perspective considers the different sources of each product separately, i.e., the ex-FIES and ex-PEP average ticket is formed by the amounts of students paying 100% of tuition out of pocket and those contracting the PMT plan. Meanwhile, the PEP and FIES average tickets are divided into Out-of-pocket, Installment/Financing and PMT. The analysis of the combination of the Ex-FIES and PMT average tickets is called "On-Campus Undergraduate Out-Of-Pocket (ex-FIES and ex-Prouni)." This analysis enables a better understanding of the dynamics of the average ticket across the various types of students and of payment products offered by the Company.

ON-CAMPUS UNDERGRADUATE		2Q17					2Q16 ³					Chg.%	
Student	Product	Net Revenue	APV	NR Ex-APV ¹	Invoices ²	Net Ticket	Net Revenue	APV	NR Ex-APV ¹	Invoices ²	Net Ticket	Δ Net Ticket	Δ NR
Ex-FIES e Ex-PEP	Ex-FIES Ex-PEP	265,832	1,350	267,182	409	653.9	234,449	-	234,449	346	677.6	-3.5%	13.4%
	Out-of-Pocket	225,993	n.a	225,993	n.a	n.a	234,449	n.a	234,449	n.a	n.a	n.a	-3.6%
	PMT	39,839	1,350	41,189	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
PEP	PEP	222,450	25,284	247,734	204	1,216.5	110,258	- 6,973	103,285	109	948.0	28.3%	101.8%
	Out-of-Pocket	85,900	n.a	85,900	n.a	n.a	23,685	n.a	23,685	n.a	n.a	n.a	262.7%
	Installment	134,626	27,433	162,060	n.a	n.a	86,573	- 6,973	79,600	n.a	n.a	n.a	55.5%
	PMT	1,924	- 2,149	- 226	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Out-of-Pocket On-Campus Undergrad. Ex-FIES Ex-Prouni		488,282	26,634	514,917	612	841.0	344,707	- 6,973	337,734	455	742.3	13.3%	41.7%
FIES	FIES	679,658	- 4,181	675,477	627	1,077.8	717,198	- 3,664	713,534	778	917.7	17.4%	-5.2%
	Out-of-Pocket	72,862	-	72,862	n.a	n.a	21,634	n.a	21,634	n.a	n.a	n.a	236.8%
	Financed	608,479	- 2,936	605,543	n.a	n.a	695,564	- 3,664	691,900	n.a	n.a	n.a	-12.5%
	PEP+PMT	- 1,683	- 1,245	- 2,928	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
TOTAL On-Campus Undergraduate⁴ Ex-Prouni		1,167,940	22,453	1,190,393	1,239	960.8	1,061,905	- 10,637	1,051,268	1,232	853.0	12.6%	10.0%
TOTAL On-Campus Undergraduate⁴		1,167,940	22,453	1,190,393	1,368	870.3	1,061,905	- 10,637	1,051,268	1,358	774.0	12.4%	10.0%

¹ Revenue used to calculate net average ticket; ² Amounts / '000; ³ On-campus including Uniasselvi; ⁴ On-campus ex Undergraduate/Unregulated/Extension/Language/Pronatec programs.

As observed in 1Q17, an analysis of the above table shows that offering of student financing/installment plans is important for enabling students to pursue careers with more expensive monthly tuitions, which is a policy that was adopted by the Brazilian government itself when it offered FIES financing. Since there is no difference in the amounts of the base tuition among students in the same class, the differences in the average ticket observed among installment/financing products reinforces this point, given the higher share of students enrolled in more expensive programs. Accordingly, PEP is the segment's channel with the highest average ticket, of R\$1,216.5 per student, in 2Q17. Next comes FIES, with an average ticket of R\$1,077.8, followed by out-of-pocket students, with an average ticket of R\$653.9.

With the objective of removing the impact of seasonality between the quarters, including the effects of PMT, the Tuition Adjustment Program (PAM) and the different enrollment curves for ProUni and FIES, we present below the analysis for on-campus ticket by product for the semester:

ON-CAMPUS UNDERGRADUATE		1H17					1H16 ³					Chg.%	
Student	Product	Net Revenue	APV	NR Ex-APV ¹	Invoices ²	Net Ticket	Net Revenue	APV	NR Ex-APV ¹	Invoices ²	Net Ticket	Δ Net Ticket	Δ NR
Ex-FIES e Ex-PEP	Ex-FIES Ex-PEP	527,335	13,135	540,470	785	688.5	440,611	-	440,611	729	604.4	13.9%	19.7%
	Out-of-Pocket	444,252	n.a	444,252	n.a	n.a	440,611	n.a	440,611	n.a	n.a	n.a	0.8%
	PMT	83,082	13,135	96,217	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
PEP	PEP	437,542	31,003	468,545	395	1,186.4	187,189	19,543	206,732	211	980.9	20.9%	133.7%
	Out-of-Pocket	147,522	n.a	147,522	n.a	n.a	63,079	n.a	63,079	n.a	n.a	n.a	133.9%
	Installment	274,127	26,674	300,801	n.a	n.a	124,110	19,543	143,652	n.a	n.a	n.a	120.9%
	PMT	15,892	4,329	20,222	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Out-of-Pocket On-Campus Undergrad. Ex-FIES Ex-Prouti		964,876	44,138	1,009,014	1,180	855.2	627,800	19,543	647,343	940	688.9	24.1%	53.7%
FIES	FIES	1,255,378	- 5,663	1,249,716	1,144	1,092.6	1,342,882	- 4,678	1,338,204	1,386	965.8	13.1%	-6.5%
	Out-of-Pocket	103,509	-	103,509	n.a	n.a	40,404	n.a	40,404	n.a	n.a	n.a	156.2%
	Financed	1,144,886	- 5,874	1,139,012	n.a	n.a	1,302,477	- 4,678	1,297,799	n.a	n.a	n.a	-12.1%
	PEP+PMT	6,983	211	7,194	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
TOTAL On-Campus Undergraduate⁴ Ex-Prouti		2,220,255	38,475	2,258,730	2,324	972.1	1,970,682	14,865	1,985,546	2,325	853.9	13.8%	12.7%
TOTAL On-Campus Undergraduate⁴		2,220,255	38,475	2,258,730	2,571	878.6	1,970,682	14,865	1,985,546	2,590	766.6	14.6%	12.7%

¹ Revenue used to calculate net average ticket; ² Amounts / '000; ³ On-campus including Uniasselvi; ⁴ On-campus ex Undergraduate/Unregulated/Extension/Language/Pronatec programs.

Costs

On-Campus Education - Values in R\$ ('000)		2Q17	2Q16	Chg.%	1Q17	Chg.%
Total of Costs		(330,090)	(341,067)	-3.2%	(260,601)	26.7%
Cost of Goods (CG)		-	-	n.a.	-	n.a.
Cost of Services (CS)		(330,090)	(341,067)	-3.2%	(260,601)	26.7%
Faculty, Other Personnel and Third-Party Services		(241,938)	(248,661)	-2.7%	(177,476)	36.3%
Rent		(79,572)	(76,191)	4.4%	(80,015)	-0.6%
Materials		(3,792)	(3,144)	20.6%	(1,948)	94.6%
Maintenance		(1,916)	(3,370)	-43.2%	(230)	733.7%
Other		(2,872)	(9,701)	-70.4%	(932)	208.3%
% of Net Revenues		2Q17	2Q16	Chg.%	1Q17	Chg.%
Total of Costs		-28.0%	-31.7%	3.7 p.p.	-24.4%	-3.5 p.p.
Cost of Goods (CG)		0.0%	0.0%	n.a.	0.0%	n.a.
Cost of Services (CS)		-28.0%	-31.7%	3.7 p.p.	-24.4%	-3.5 p.p.
Faculty, Other Personnel and Third-Party Services		-20.5%	-23.1%	2.6 p.p.	-16.6%	-3.9 p.p.
Rent		-6.7%	-7.1%	0.3 p.p.	-7.5%	0.8 p.p.
Materials		-0.3%	-0.3%	0.0 p.p.	-0.2%	-0.1 p.p.
Maintenance		-0.2%	-0.3%	0.2 p.p.	0.0%	-0.1 p.p.
Other		-0.2%	-0.9%	0.7 p.p.	-0.1%	-0.2 p.p.

In 2Q17, cost of services as a ratio of net revenue fell 3.7 p.p. compared to the same period in 2016. As observed in recent quarters, this improvement is mainly due to the optimization obtained from implementing the operational research (OR) software at Kroton units as of the second semester of 2015, which led to significantly lower costs with faculty, other personnel and third-party services. Although the tool has yet to reach its full capacity in terms of scope, gains from the more efficient allocation of faculty and utilization of facilities remain the key drivers of gross margin expansion in the segment. Other positive factors are related to the strategic sourcing initiatives, currently in "Wave 4," and to the growing share of digital content in the curriculum. Compared to 1Q17, total costs as a ratio of net revenue increased 3.5 p.p., explained by seasonality and by wage increases under collective bargaining agreements.

Gross Income

On-Campus Education - Values in R\$ ('000)		2Q17	2Q16	Chg.%	1Q17	Chg.%
Gross Income		850,015	736,139	15.5%	806,029	5.5%
Gross Margin		72.0%	68.3%	3.7 p.p.	75.6%	-3.5 p.p.

Gross income from On-Campus Education was R\$850.0 million in 2Q17, increasing 15.5% from the same period last year. The increase was driven by the combination of revenue growth in the period and the continued efficiency gains at units, which supported gross margin expansion of 3.7 p.p. Compared to the prior quarter, the 3.5 p.p. gross margin contraction reflects the seasonal increases in costs with faculty and third-party services, which more than offset the higher revenue and the positive impact from the normalization of FIES enrollments. In 1H17, gross margin expanded 4.3 p.p. to 73.7%, which demonstrates the efforts made to ensure the continuous efficiency gains at the various institutions.

Operating Expenses

<i>On-Campus Education - Values in R\$ ('000)</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Total Operating Expenses	(126,650)	(126,501)	0.1%	(104,812)	20.8%
Personnel Expenses	(66,630)	(65,961)	1.0%	(58,299)	14.3%
General and Administrative Expenses	(60,020)	(60,540)	-0.9%	(46,514)	29.0%
<i>% of Net Revenues</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Total Operating Expenses	-10.7%	-11.7%	1.0 p.p.	-9.8%	-0.9 p.p.
Personnel Expenses	-5.6%	-6.1%	0.5 p.p.	-5.5%	-0.2 p.p.
General and Administrative Expenses	-5.1%	-5.6%	0.5 p.p.	-4.4%	-0.7 p.p.

Personnel, General and Administrative Expenses

This quarter, total personnel, general and administrative expenses as a ratio of net revenue decreased 1.0 p.p. from the same quarter last year, due to the efforts to control operating expenses, particularly personnel expenses. Compared to 1Q17, the increase of 0.9 p.p. in this indicator is explained by the segment's natural seasonality.

Provision for Doubtful Accounts (PDA)

<i>On-Campus Education - Values in R\$ ('000)</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Provision for Doubtful Account - PDA	(122,443)	(69,863)	75.3%	(131,473)	-6.9%
<i>PDA / Postsecondary Net Revenues¹</i>	<i>-10.4%</i>	<i>-6.5%</i>	<i>-3.9 p.p.</i>	<i>-12.4%</i>	<i>2.0 p.p.</i>
PDA Out-of-pocket	(29,613)	(20,350)	45.5%	(23,928)	23.8%
<i>PDA Out-of-pocket / Postsecondary Net Revenues Out-of-pocket¹</i>	<i>-7.5%</i>	<i>-6.9%</i>	<i>-0.6 p.p.</i>	<i>-7.5%</i>	<i>0.0 p.p.</i>
PDA FIES - Financed Part	(5,476)	(6,227)	-12.0%	(4,762)	15.0%
<i>PDA FIES / Postsecondary Net Revenues FIES¹</i>	<i>-0.9%</i>	<i>-0.9%</i>	<i>-0.0 p.p.</i>	<i>-0.9%</i>	<i>-0.0 p.p.</i>
PDA PEP - Installment Part	(67,328)	(43,286)	55.5%	(73,036)	-7.8%
<i>PDA PEP / Postsecondary Net Revenues PEP¹</i>	<i>-50.0%</i>	<i>-50.0%</i>	<i>0.0 p.p.</i>	<i>-50.0%</i>	<i>0.0 p.p.</i>
PDA PMT - Installment Part	(20,026)	-	n.a.	(29,747)	-32.7%
<i>PDA PMT / Postsecondary Net Revenues PMT¹</i>	<i>-50.0%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>-50.0%</i>	<i>0.0 p.p.</i>

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

Total PDA as a ratio of net revenue in the On-Campus segment increased 3.9 p.p. from the same period last year, to 10.4%. The performance is related to the higher share of PEP students, as well as to the impact from PMT, which also is provisioned at the rate of 50% of the total amount financed. Compared to the previous quarter, the 2.0 p.p. reduction is due to seasonality, with a lower volume of PMT and improvement in the delinquency curve for paying students. As already expected by Management, this was the first quarter since the start of 2016 without any increase in out-of-pocket PDA (without installment/financing programs), which should result in an inflection in this curve during the second half of the year.

Accounts Receivables by Payment Form

<i>On-Campus Higher Education Values in R\$ ('000) net of APV and PDA</i>	2Q17	2Q16 ¹	Chg.%	1Q17	Chg.%
Net Accounts Receivable	1,710,722	1,563,071	9.4%	1,669,081	2.5%
Out-of-Pocket	339,460	265,779	27.7%	308,321	10.1%
Tuition and Agreements to Receive	339,460	264,694	28.2%	308,321	10.1%
Pronatec	-	1,084	n.a.	-	n.a.
Installments	455,138	144,133	215.8%	371,848	22.4%
PEP	362,753	144,133	151.7%	298,814	21.4%
PMT	92,386	-	n.a.	73,034	26.5%
FIES	916,123	1,153,159	-20.6%	988,912	-7.4%
NR23	563,112	734,088	-23.3%	556,089	1.3%
Short Term	199,275	183,693	8.5%	196,910	1.2%
Long Term	363,837	550,395	-33.9%	359,178	1.3%
Other FIES - Short Term	353,011	419,071	-15.8%	432,823	-18.4%

¹ Amounts for 2Q16 adjusted on the same comparison base of 2Q17 and 1Q17, including accounts receivable from credit cards.

Total Accounts Receivable net of PDA increased 2.5% in the comparison of 2Q17 with 1Q17, due to the natural growth in the Company's installment payment products, such as PEP and PMT, which are repaid only after graduation. Another aspect that has been affecting accounts receivable is the higher balance of overdue tuitions due to the deterioration in economic indicators. However, note that actual losses in the On-Campus segment are declining, which should support a reduction in this line in the second half of the year. The combination of the aforementioned factors offset the reduction in FIES accounts receivables, since the Company received in 1Q17 the payment of one fewer installment under the program, which had been anticipated to the prior quarter. Furthermore, the expectation is for a new reduction in this line in 3Q17, since the second installment of the amount not paid in 2015, related to PN23, was already received in August. The long-term FIES line basically comprises the remaining 50% of the amounts not received in 2015 (adjusted to present value), which will be paid in 2018.

Average Accounts Receivable Term

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

1. Accounts Receivable – Total

On-Campus - Average Accounts Receivable Term (days)	2Q17	2Q16	Chg.(Days)	1Q17	Chg.(Days)
<u>Net Accounts Receivable</u>	146	143	03 Days	146	00 Days
<u>Total Net Revenue On-Campus</u>					

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 2Q17, the average term increased by 3 days compared to the same period last year, mainly due to the higher balance of PEP and FIES accounts receivable and to the higher volume of overdue tuitions, with these factors mitigated by the normalization of FIES payments. However, note that the increase was much less significant than in prior periods, which bodes well for the second half of the year. Compared to 1Q17, the average term was stable at 146 days, with FIES neutralizing the growth of the base of students with installment products.

2. Accounts Receivable – Out-of-pocket

On-Campus - Average Accounts Receivable Term (days)	2Q17	2Q16	Chg.(Days)	1Q17	Chg.(Days)
<u>Net Accounts Receivable (Out-of-Pocket ex-Pronatec)</u>	90	89	01 Day	88	02 Days
<u>Net Revenue (Out-of-Pocket ex-Pronatec)</u>					

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

In 2Q17, the average out-of-pocket term (i.e., without installment/financing plans), increased by only 1 day from the same period of 2016 and by 2 days compared to 1Q17, which reinforces our outlook for improvement in student delinquency and a downward trend in this line going forward.

3. Accounts Receivable – FIES

On-Campus - Average Accounts Receivable Term (days)	2Q17	2Q16	Chg.(Days)	1Q17	Chg.(Days)
<u>Net Accounts Receivable (FIES)</u>	144	159	-15 Days	150	-06 Days
<u>Net Revenue (FIES)</u>					

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 2Q17, the average term of FIES Accounts Receivables was 144 days, a reduction of 15 days from the same period of 2016, which reflects the payment of 25% of the installments not paid in 2015, due to PN23. The decline will be even sharper in 3Q17, since the second installment of 25% of the amount not paid in 2015 (PN23) has already been received. Compared to the prior quarter, the decline of 6 days reflects the fact that 1Q17 recorded the receipt of one fewer installment in the quarter, whose payment was anticipated to December.

4. Accounts Receivable – Installment Payment Products

On-Campus - Average Accounts Receivable Term (days)	2Q17	2Q16	Chg.(Days)	1Q17	Chg.(Days)
Net Accounts Receivable (PEP/PMT)	288	258	30 Days	281	07 Days
Net Revenue (PEP/PMT)					

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

In 2Q17, the average term of installment products increased by 30 days and 7 days compared to 2Q16 and 1Q17, respectively, reflecting the higher share of PEP and PMT students in the Company's total student base.

Operating Result

On-Campus Education - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%
Gross Income	850,015	736,139	15.5%	806,029	5.5%
(-) Total Operating Expenses	(126,650)	(126,501)	0.1%	(104,812)	20.8%
(-) Provision for Doubtful Account - PDA	(122,443)	(69,863)	75.3%	(131,473)	-6.9%
(+) Interest and Penalties on Tuition	24,997	28,310	-11.7%	35,232	-29.0%
Operating Result	625,919	568,085	10.2%	604,976	3.5%
Operating Margin	53.0%	52.7%	0.3 p.p.	56.7%	-3.7 p.p.

The operating result (before marketing expenses) in 2Q17 amounted to R\$625.9 million, with operating margin of 53.0%, expanding 0.3 p.p. from the prior-year period. The result demonstrates the positive effects from the initiatives and projects to increase efficiency, which offset the higher provisioning for installment products, reflecting the responsible posture adopted. Compared to the prior quarter, the 3.7 p.p. contraction in operating margin reflects the seasonal increase in costs and expenses. As mentioned in prior quarters, the operating result includes an impact from the agreement for the receipt of FIES installments (PN23), 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\$4.1 million in 2Q17, compared to the significantly higher amount in the year-ago period (R\$12.9 million). Year to date, the operating result was R\$1,230.9 million, with operating margin of 54.8%, or 0.4 p.p. lower than in the same period of 2016, demonstrating the margin recovery in relation to 1Q17.

RESULTS EX-UNIASSELVI

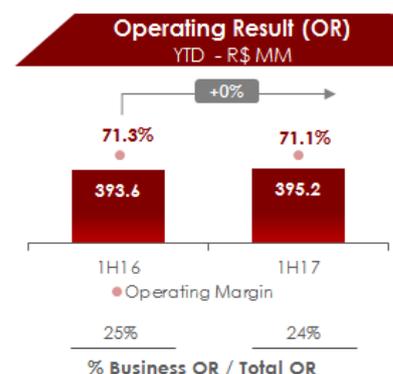
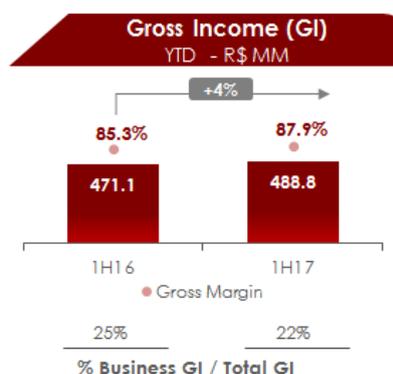
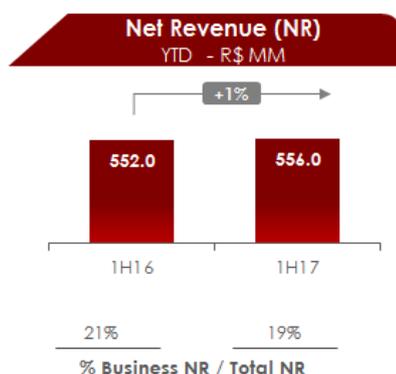
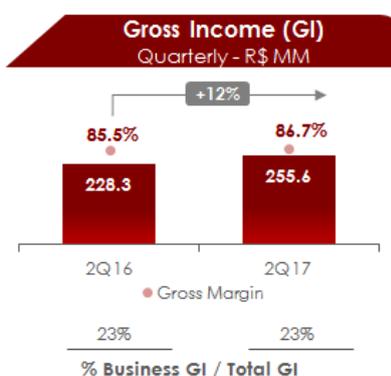
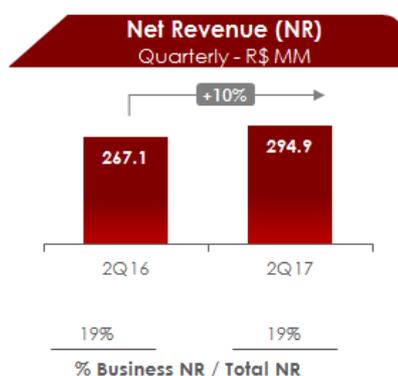
The following table presents the main P&L lines excluding data from Uniasselvi for 1H16:

On-Campus - Values in R\$ ('000)	1H17	1H16	Chg.%
Net Revenue	2,246,735	1,993,131	12.7%
Gross Income	1,656,044	1,384,460	19.6%
Gross Margin	73.7%	69.5%	4.2 p.p.
Operating Result	1,230,895	1,101,775	11.7%
Operating Margin	54.8%	55.3%	-0.5 p.p.

Excluding Uniasselvi from the results for 1H16 (impact on only two months), the figures for the On-Campus segment were even stronger, with net revenue growth of 12.7%. Meanwhile, gross profit grew 19.6% in 1H17, with margin expansion of 4.2 p.p. from the same period of 2016. Operating margin, however, remained slightly below (0.5 p.p.) the ex-Uniasselvi performance observed in 1H16.

CORPORATE FINANCIAL PERFORMANCE – DISTANCE LEARNING

Distance Learning - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%	1H17	1H16	Chg.%
Gross Revenue	382,814	356,044	7.5%	341,051	12.2%	723,866	727,813	-0.5%
Gross Revenue Deductions	(87,893)	(88,951)	-1.2%	(79,940)	9.9%	(167,833)	(175,791)	-4.5%
Tax	(9,081)	(8,736)	3.9%	(7,652)	18.7%	(16,733)	(17,030)	-1.7%
ProUni	(56,583)	(57,926)	-2.3%	(49,354)	14.6%	(105,937)	(114,786)	-7.7%
Returns	-	-	n.a.	-	n.a.	-	-	n.a.
Total Discounts	(22,228)	(22,288)	-0.3%	(22,934)	-3.1%	(45,162)	(43,975)	2.7%
Net Revenue	294,922	267,093	10.4%	261,111	12.9%	556,033	552,022	0.7%
Net Revenue - Undergraduate	278,382	246,068	13.1%	246,093	13.1%	524,475	508,414	3.2%
Net Revenue - Out-of-pocket	267,842	246,068	8.8%	233,857	14.5%	501,698	508,414	-1.3%
Net Revenue - PMT (installment part net of APV)	10,540	-	n.a.	12,237	-13.9%	22,777	-	n.a.
Net Revenue - Graduate, LFG and Unregulated Programs	16,540	21,024	-21.3%	15,018	10.1%	31,557	43,608	-27.6%
Total of Costs	(39,295)	(38,831)	1.2%	(27,975)	40.5%	(67,270)	(80,935)	-16.9%
Cost of Goods	-	-	n.a.	-	n.a.	-	-	n.a.
Cost of Services	(39,295)	(38,831)	1.2%	(27,975)	40.5%	(67,270)	(80,935)	-16.9%
Faculty, Other Personnel and Third-Party Services	(31,110)	(31,839)	-2.3%	(20,989)	48.2%	(52,099)	(62,436)	-16.6%
Rent	(4,119)	(4,187)	-1.6%	(4,072)	1.2%	(8,192)	(10,081)	-18.7%
Materials	(2,710)	(2,377)	14.0%	(2,727)	-0.6%	(5,437)	(7,132)	-23.8%
Maintenance	(866)	(260)	233.3%	(14)	n.a.	(880)	(495)	77.8%
Other	(489)	(168)	191.9%	(173)	182.3%	(662)	(791)	-16.3%
Gross Income	255,627	228,262	12.0%	233,136	9.6%	488,763	471,087	3.8%
Gross Margin	86.7%	85.5%	1.2 p.p.	89.3%	-2.6 p.p.	87.9%	85.3%	2.6 p.p.
Total Operating Expenses	(25,448)	(26,123)	-2.6%	(22,954)	10.9%	(48,401)	(50,817)	-4.8%
Personnel Expenses	(16,203)	(17,489)	-7.4%	(16,083)	0.7%	(32,286)	(33,838)	-4.6%
General and Administrative Expenses	(9,245)	(8,634)	7.1%	(6,871)	34.6%	(16,116)	(16,980)	-5.1%
Provision for Doubtful Account - PDA	(29,444)	(20,113)	46.4%	(26,737)	-10.1%	(56,181)	(41,335)	35.9%
(+) Interest and Penalties on Tuition	2,689	5,155	-47.8%	8,334	-67.7%	11,024	14,663	-24.8%
Operating Result	203,425	187,181	8.7%	191,780	6.1%	395,205	393,597	0.4%
Operating Margin	69.0%	70.1%	-1.1 p.p.	73.4%	-4.5 p.p.	71.1%	71.3%	-0.2 p.p.



Revenue and Deductions

<i>Distance Learning - Values in R\$ ('000)</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Gross Revenue	382,814	356,044	7.5%	341,051	12.2%
Gross Revenue Deductions	(87,893)	(88,951)	-1.2%	(79,940)	9.9%
Tax	(9,081)	(8,736)	3.9%	(7,652)	18.7%
ProUni	(56,583)	(57,926)	-2.3%	(49,354)	14.6%
Returns	-	-	n.a.	-	n.a.
Total Discounts	(22,228)	(22,288)	-0.3%	(22,934)	-3.1%
Net Revenue	294,922	267,093	10.4%	261,111	12.9%
Net Revenue - Undergraduate	278,382	246,068	13.1%	246,093	13.1%
Net Revenue - Out-of-pocket	267,842	246,068	8.8%	233,857	14.5%
Net Revenue - PMT (installment part net of APV)	10,540	-	n.a.	12,237	-13.9%
Net Revenue - Graduate, LFG and Unregulated Programs	16,540	21,024	-21.3%	15,018	10.1%

Deductions

In the Distance Learning business, the main deduction items are the discounts granted and ProUni, which combined corresponded to 20.6% of total gross revenue in 2Q17, down 1.9 p.p. from the same period last year, which reflects the better optimization and filling of ProUni seats and the positive effect that offering PMT has on reducing discounts and exemptions of enrollment fees. Compared to the previous quarter, the decrease of 0.6 p.p. reflects the higher gross revenue in the period.

Net Revenue

In 2Q17, net revenue was R\$294.9 million, or 10.4% more than in the same period of 2016, reflecting the solid results of the enrollment and reenrollment processes at the start of the year and the positive effect from the offering of PMT, which offset the lower average ticket in the period and the deterioration in the results of LFG and unregulated programs. The same factors supported an increase of 0.7% in net revenue in 1H17, which surpassed the result in the year-ago period despite the two fewer months of Uniasselvi revenue.

Average Net Ticket

<i>Distance Learning - Values in R\$</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Total (Student)	261.51	265.62	-1.5%	263.10	-0.6%

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

For comparison purposes, Kroton reports only the effective ticket paid by the student, without discounting the transfers to the partners of the centers. To enable a better understanding, when calculating the average ticket, Kroton uses the number of invoices effectively recognized as revenue in the period, including ProUni sales. Therefore, considering 100% of revenue and the DL Undergraduate, DL Graduate and LFG businesses combined, the average ticket stood at R\$261.51, down 1.5% from 2Q16, due to the higher number of temporary scholarships granted in the admissions process at the start of the year and to the expansion in the number of new students in the 100% online format. This means that the best way to analyse the variation in average ticket is by looking at the half-year figures. In 1H17, the average ticket was R\$262.26, increasing 6.2% from the same period of 2016. Compared to the prior quarter, the average ticket was virtually stable, with the change mainly due to impact from the migration of PMT students to the out-of-pocket category.

Breakdown of Average Net Ticket of Distance Learning Undergraduate – Student Perspective by Product

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

DISTANCE LEARNING UNDERGRADUATE		2Q17					2Q16 ⁴					Chg.%	
Student	Product	Net Revenue ¹	APV	NR Ex-APV ²	Invoices ³	Net Ticket	Net Revenue ¹	APV	NR Ex-APV ²	Invoices ³	Net Ticket	Δ Net Ticket	Δ NR
Distance	Out-of-Pocket	424,757	n.a	424,757	1,502	282.9	432,536	n.a	432,536	1,376	314.4	-10.0%	-1.8%
Learning	PMT	13,380	742	12,639	39	320.5	n.a	n.a	n.a	n.a	n.a	n.a	n.a
TOTAL DL UNDERGRAD. OUT-OF-POCKET⁵ Ex-ProUni		438,137	742	437,396	1,541	283.8	432,536	-	432,536	1,510	286.5	-0.9%	1.3%
TOTAL DISTANCE LEARNING UNDERGRAD.⁵		438,137	742	437,396	1,663	263.0	432,536	-	432,536	1,655	261.4	0.6%	1.3%

¹ Revenue ex-Transfers; ² Revenue used to calculate average ticket; ³ Amounts /'000; ⁴ Includes Uniasselvi; ⁵ Undergraduate Only (ex-graduate, unregulated programs, etc.)

The above analysis illustrates the impact of PMT on the performance of average ticket in the period. Since the offering of this product is still not very representative, only a small difference is perceived in the out-of-pocket average ticket in relation to the consolidated figure shown in the above table.

Furthermore, with the objective of removing the impact of seasonality between the quarters, including the effects of PMT and the different enrollment curves for ProUni, we present below the analysis for the distance learning ticket by product for the semester:

DISTANCE LEARNING UNDERGRADUATE		1H17					1H16 ⁴					Chg.%	
Student	Product	Net Revenue ¹	APV	NR Ex-APV ²	Invoices ³	Net Ticket	Net Revenue ¹	APV	NR Ex-APV ²	Invoices ³	Net Ticket	Δ Net Ticket	Δ NR
Distance	Out-of-Pocket	787,196	n.a	787,196	2,805	280.7	837,076	n.a	837,076	3,097	270.3	3.9%	-6.0%
Learning	PMT	37,480	3,507	40,987	124	330.4	n.a	n.a	n.a	n.a	n.a	n.a	n.a
TOTAL DL UNDERGRAD. OUT-OF-POCKET⁵ Ex-ProUni		824,676	3,507	828,183	2,929	282.8	837,076	-	837,076	3,097	270.3	4.6%	-1.5%
TOTAL DISTANCE LEARNING UNDERGRAD.⁵		824,676	3,507	828,183	3,143	263.5	837,076	-	837,076	3,376	247.9	6.3%	-1.5%

¹ Revenue ex-Transfers; ² Revenue used to calculate average ticket; ³ Amounts /'000; ⁴ Includes Uniasselvi; ⁵ Undergraduate Only (ex-graduate, unregulated programs, etc.)

Finally, the following table presents a reclassification of the breakdown by product in 1Q17 published in the previous earnings release, since some of the students classified exclusively as out-of-pocket benefited from PMT and the total revenue presented previously did not exclude ProUni students from the analysis.

DISTANCE LEARNING UNDERGRADUATE		1Q17					1Q16 ⁴					Chg.%	
Student	Product	Net Revenue ¹	APV	NR Ex-APV ²	Invoices ³	Net Ticket	Net Revenue ¹	APV	NR Ex-APV ²	Invoices ³	Net Ticket	Δ Net Ticket	Δ NR
Distance	Out-of-Pocket	362,439	n.a	362,439	1,303	278.2	404,540	n.a	404,540	1,721	235.0	18.4%	-10.4%
Learning	PMT	24,100	4,249	28,348	85	335.0	n.a	n.a	n.a	n.a	n.a	n.a	n.a
TOTAL DL UNDERGRAD. OUT-OF-POCKET⁵ Ex-ProUni		386,538	4,249	390,787	1,388	281.6	404,540	-	404,540	1,588	254.8	10.5%	-4.4%
TOTAL DISTANCE LEARNING UNDERGRAD.⁵		386,538	4,249	390,787	1,481	263.9	404,540	-	404,540	1,721	235.0	12.3%	-4.4%

¹ Revenue ex-Transfers; ² Revenue used to calculate average ticket; ³ Amounts /'000; ⁴ Includes Uniasselvi; ⁵ Undergraduate Only (ex-graduate, unregulated programs, etc.)

Costs

<i>Distance Learning - Values in R\$ ('000)</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Total of Costs	(39,295)	(38,831)	1.2%	(27,975)	40.5%
Cost of Goods	-	-	n.a.	-	n.a.
Cost of Services	(39,295)	(38,831)	1.2%	(27,975)	40.5%
Faculty, Other Personnel and Third-Party Services	(31,110)	(31,839)	-2.3%	(20,989)	48.2%
Rent	(4,119)	(4,187)	-1.6%	(4,072)	1.2%
Materials	(2,710)	(2,377)	14.0%	(2,727)	-0.6%
Maintenance	(866)	(260)	233.3%	(14)	n.a.
Other	(489)	(168)	191.9%	(173)	182.3%
% of Net Revenues	2Q17	2Q16	Chg.%	1Q17	Chg.%
Total of Costs	-13.3%	-14.5%	1.2 p.p.	-10.7%	-2.6 p.p.
Cost of Goods (CG)	0.0%	0.0%	0.0 p.p.	0.0%	0.0 p.p.
Cost of Services (CS)	-13.3%	-14.5%	1.2 p.p.	-10.7%	-2.6 p.p.
Faculty, Other Personnel and Third-Party Services	-10.5%	-11.9%	1.4 p.p.	-8.0%	-2.5 p.p.
Rent	-1.4%	-1.6%	0.2 p.p.	-1.6%	0.2 p.p.
Materials	-0.9%	-0.9%	0.0 p.p.	-1.0%	0.1 p.p.
Maintenance	-0.3%	-0.1%	-0.2 p.p.	0.0%	-0.3 p.p.
Other	-0.2%	-0.1%	-0.1 p.p.	-0.1%	-0.1 p.p.

In 2Q17, cost of services (CS) amounted to R\$39.3 million and as a ratio of net revenue decreased 1.2 p.p. from the same period in 2016. The decrease is mainly due to the optimization of online tutors at the start of the year, which seeks to improve the quality of the services and responses given to students and to boost the operation's productivity. Efficiency gains also were captured from the expansion in the student base in recent years and from the ongoing initiatives to optimize performance in the DL segment, such as the conversion of the Anhanguera model to the Unopar model. Furthermore, the expansion in the base of 100%-online students also had a positive impact on this line, since the cost structure is lower compared to the once a week model. Compared to the previous quarter, costs as a ratio of net revenue increased 2.6 p.p., which is explained by the seasonal increase in direct payroll costs, especially those related to the hiring of new professors and tutors.

Gross Profit

<i>Distance Learning - Values in R\$ ('000)</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Gross Income	255,627	228,262	12.0%	233,136	9.6%
Gross Margin	86.7%	85.5%	1.2 p.p.	89.3%	-2.6 p.p.

Gross profit in 2Q17 reached R\$255.6 million, with gross margin of 86.7%, expanding 1.2 p.p. from the prior-year period, supported by the better management of costs achieved by Kroton in the segment, further demonstrating the resilience of the operation. In comparison with the previous quarter, the decrease in gross margin is explained by seasonality. Year to date, gross profit reached R\$488.8 million, with gross margin expanding 2.6 p.p., which corroborates the effectiveness of the projects carried out by the Company in the DL segment, which have yielded good results despite the scenario of deterioration in social and economic indicators and more intense competition.

Operating Expenses

<i>Distance Learning - Values in R\$ ('000)</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Total Operating Expenses	(25,448)	(26,123)	-2.6%	(22,954)	10.9%
Personnel Expenses	(16,203)	(17,489)	-7.4%	(16,083)	0.7%
General and Administrative Expenses	(9,245)	(8,634)	7.1%	(6,871)	34.6%
% of Net Revenues	2Q17	2Q16	Chg.%	1Q17	Chg.%
Total Operating Expenses	-8.6%	-9.8%	1.2 p.p.	-8.8%	0.2 p.p.
Personnel Expenses	-5.5%	-6.5%	1.1 p.p.	-6.2%	0.7 p.p.
General and Administrative Expenses	-3.1%	-3.2%	0.1 p.p.	-2.6%	-0.5 p.p.

Personnel, General and Administrative Expenses

In 2Q17, personnel expenses as a ratio of the segment's net revenue decreased 1.1 p.p. from 2Q16, due to the initiatives to streamline personnel expenses to increase operational efficiency, which also benefited from economies of scale in the period. Compared to the previous quarter, personnel expenses reduced 0.7 p.p., despite the expansion project of centers in operation. General and administrative expenses as a ratio of net revenue were practically stable year-over-year, but increased by 0.5 p.p. sequentially, reflecting the higher volume of reversal of contingencies in the previous quarter.

Provision for Doubtful Accounts (PDA)

Distance Learning (DL) - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%
Provision for Doubtful Account - PDA	(29,444)	(20,113)	46.4%	(26,737)	10.1%
PDA / Distance Learning Net Revenues	-10.0%	-7.5%	-2.5 p.p.	-10.2%	0.3 p.p.
PDA Out-of-pocket	(24,174)	(20,113)	-73.8%	(20,621)	17.2%
PDA Out-of-pocket/ Out-of-pocket DL Net Revenues	-8.5%	-7.5%	-1.0 p.p.	-8.3%	-0.2 p.p.
PCLD PMT - Installment Part	(5,270)	-	n.a.	(6,116)	-13.8%
PDA PMT/ PMT DL Net Revenues	-50.0%	n.a.	n.a.	-50.0%	0.0 p.p.

Provisioning in the DL business stood at 10.0% in 2Q17, which is significantly higher than in the same period last year, reflecting the launch of PMT for DL students, which, like PEP, has a conservative provisioning policy, with provisioning for 50% of the tuitions financed. Excluding this effect, a gradual and expected increase was observed in line with the deterioration in the economic scenario and with expansion in the 100% online student base, which has a higher dropout rate.

Accounts Receivable

Distance Learning - Values in R\$ ('000) net of APV and PDA	2Q17	2Q16¹	Chg.%	1Q17	% AH
Net Accounts Receivable	280,987	224,829	25.0%	229,867	22.2%
Tuition and Agreements to Receive - Short term	268,044	224,829	19.2%	223,447	20.0%
PMT	12,943	n.a.	n.a.	6,420	101.6%

¹ Amounts for 2Q16 adjusted to the same comparison base of 2Q17 and 1Q17, including accounts receivable from credit cards

In 2Q17, net accounts receivables in the Distance Learning business amounted to R\$281.0 million, increasing by 25.0% from the same period of 2016, due to the following factors: (i) the longer receivables term of PMT; (ii) the expansion in the base of receivables-generating students; and (iii) the impacts from the more adverse economic scenario and the higher number of 100% online students. Meanwhile, the increase in relation to the previous quarter is explained by the seasonality of the business.

1. Average Accounts Receivable Term - Out-of-pocket

Distance Learning - Days	2Q17	2Q16	Chg.(Days)	1Q17	Chg.(Days)
Net Accounts Receivable (Out-of-Pocket) Net Revenue (Out-of-Pocket)	91	72	19 Days	78	13 Days

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

The average receivables out-of-pocket term was 19 days higher than in the year-ago period, due to the same factors cited above, i.e., the combination of the deterioration in the macro scenario with a higher number of renegotiations and the expansion in the base generated by the most recent admissions and reenrollment process, especially in the 100% online student base. The increase of 13 days compared to 1Q17 is due to the seasonality of the operation, which is in line with that observed in the same periods of 2016.

2. Average Accounts Receivable Term - PMT

Distance Learning - Days	2Q17	2Q16	Chg.(Days)	1Q17	Chg.(Days)
Net Accounts Receivable (PMT) Net Revenue (PMT)	231	n.a.	n.a.	189	42 Days

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

The average receivables term of PMT in the DL segment was 231 days, remembering that students who opted for the product in the last admissions cycle will repay the outstanding monthly tuitions only after they graduate from their program.

Operating Result

<i>Distance Learning - Values in R\$ ('000)</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Gross Income	255,627	228,262	12.0%	233,136	9.6%
(-) Total Operating Expenses	(25,448)	(26,123)	-2.6%	(22,954)	10.9%
(-) Provision for Doubtful Account - PDA	(29,444)	(20,113)	46.4%	(26,737)	10.1%
(+) Interest and Penalties on Tuition	2,689	5,155	-47.8%	8,334	-67.7%
Operating Result	203,425	187,181	8.7%	191,780	6.1%
<i>Operating Margin</i>	<i>69.0%</i>	<i>70.1%</i>	<i>-1.1 p.p.</i>	<i>73.4%</i>	<i>-4.5 p.p.</i>

In 2Q17, the operating result (before marketing expenses) in the DL segment came to R\$203.4 million, with margin contracting only 1.1 p.p., which shows how the Company has been able to offset the higher provisioning for its PMT offering with various initiatives to increase efficiency. Compared to the prior quarter, the 4.5 p.p. decrease in operating margin was influenced primarily by seasonality. Year to date, operating income was R\$395.2 million, with margin of 71.1%, virtually flat compared to 1H16, despite the two additional months of contribution of Uniasselvi results in the prior-year period.

RESULTS EX-UNIASSELVI

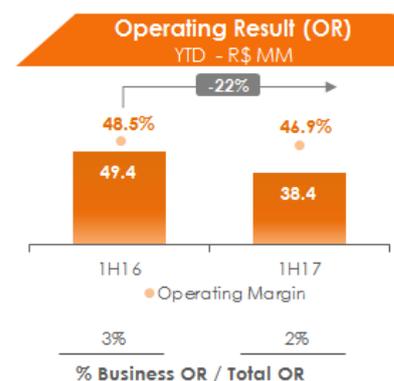
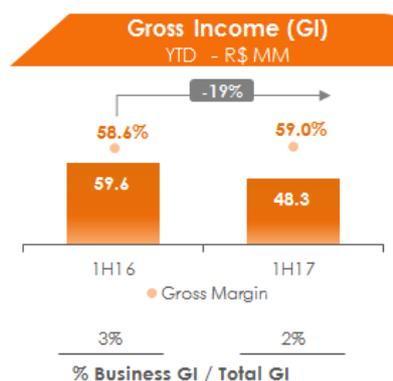
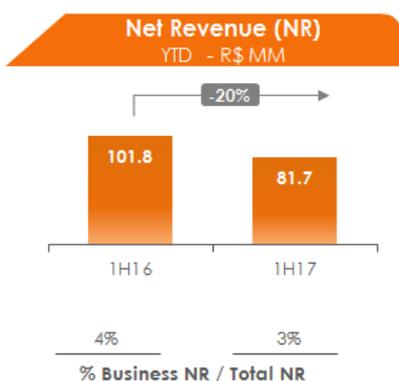
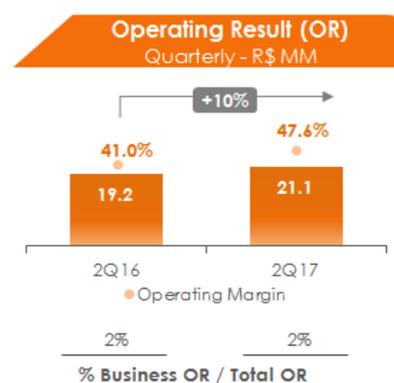
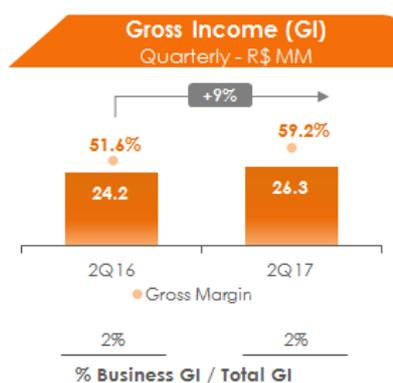
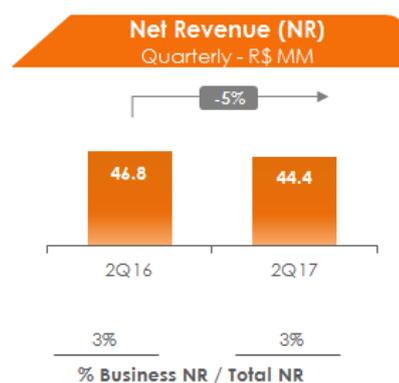
The following table presents the main P&L lines excluding data from Uniasselvi for 1H16:

<i>Distance Learning - Values in R\$ ('000)</i>	1H17	1H16	Chg.%
Net Revenue	556,033	522,817	6.4%
Gross Income	488,763	451,100	8.3%
<i>Gross Margin</i>	<i>87.9%</i>	<i>86.3%</i>	<i>1.6 p.p.</i>
Operating Result	395,205	376,346	5.0%
<i>Operating Margin</i>	<i>71.1%</i>	<i>72.0%</i>	<i>-0.9 p.p.</i>

Excluding Uniasselvi, net revenue in the six-month period grew 6.4% from 1H16, which is explained by the robust results achieved in the enrollment and re-enrollment process at the start of the year. Meanwhile, gross income advanced 8.3%, with gross margin of 87.9%, representing expansion of 1.6 p.p. from 1H16. The operating result in the six-month period advanced 5.0%, with operating margin slightly down over the same period of 2016.

CORPORATE FINANCIAL PERFORMANCE – PRIMARY AND SECONDARY

Primary and Secondary Education - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%	1H17	1H16	Chg.%
Gross Revenue	47,935	51,264	-6.5%	40,967	17.0%	88,902	108,799	-18.3%
Gross Revenue Deductions	(3,571)	(4,415)	-19.1%	(3,585)	-0.4%	(7,156)	(7,019)	1.9%
Tax	(1,364)	(1,254)	8.8%	(1,147)	18.9%	(2,511)	(3,022)	-16.9%
ProUni	-	-	n.a.	-	n.a.	-	-	n.a.
Returns	(2,207)	(3,160)	-30.2%	(2,438)	-9.5%	(4,645)	(3,998)	16.2%
Total Discounts	-	-	n.a.	-	n.a.	-	-	n.a.
Net Revenue	44,364	46,850	-5.3%	37,382	18.7%	81,746	101,780	-19.7%
Management Contracts and Own Operations	15,511	14,883	4.2%	15,438	0.5%	30,949	30,365	1.9%
Associated Schools Network	28,853	31,966	-9.7%	21,944	31.5%	50,797	71,415	-28.9%
Total of Costs	(18,085)	(22,665)	-20.2%	(15,395)	17.5%	(33,480)	(42,182)	-20.6%
Cost of Goods	(8,344)	(11,275)	-26.0%	(5,770)	44.6%	(14,114)	(21,197)	-33.4%
Cost of Services	(9,742)	(11,390)	-14.5%	(9,625)	1.2%	(19,367)	(20,985)	-7.7%
Faculty, Other Personnel and Third-Party Services	(8,662)	(8,320)	4.1%	(7,722)	12.2%	(16,384)	(14,896)	10.0%
Rent	(296)	(290)	2.1%	(256)	15.7%	(552)	(555)	-0.5%
Materials	(0)	-	n.a.	-	n.a.	(0)	-	n.a.
Maintenance	(82)	(400)	-79.6%	(15)	440.5%	(97)	(403)	-76.0%
Other	(701)	(2,381)	-70.5%	(1,632)	-57.0%	(2,333)	(5,130)	-54.5%
Gross Income	26,279	24,184	8.7%	21,987	19.5%	48,265	59,598	-19.0%
Management Contracts and Own Operations	6,377	4,778	33.5%	6,329	0.8%	12,707	12,565	1.1%
Associated Schools Network	19,901	19,406	2.6%	15,657	27.1%	35,558	47,034	-24.4%
Gross Margin	59.2%	51.6%	7.6 p.p.	58.8%	0.4 p.p.	59.0%	58.6%	0.5 p.p.
Management Contracts and Own Operations	41.1%	32.1%	9.0 p.p.	41.0%	0.1 p.p.	41.1%	41.4%	-0.3 p.p.
Associated Schools Network	69.0%	60.7%	8.3 p.p.	71.4%	-2.4 p.p.	70.0%	65.9%	4.1 p.p.
Total Operating Expenses	(4,939)	(4,662)	5.9%	(4,670)	5.8%	(9,608)	(9,580)	0.3%
Personnel Expenses	(3,312)	(3,541)	-6.5%	(3,810)	-13.1%	(7,121)	(7,716)	-7.7%
General and Administrative Expenses	(1,627)	(1,121)	45.1%	(860)	89.2%	(2,487)	(1,864)	33.4%
Provision for Doubtful Account - PDA	(355)	(406)	-12.5%	(299)	18.7%	(654)	(844)	-22.5%
(+) Interest and Penalties on Tuition	147	80	83.7%	227	-35.5%	374	205	82.7%
Operating Result	21,131	19,196	10.1%	17,245	22.5%	38,377	49,379	-22.3%
Operating Margin	47.6%	41.0%	6.7 p.p.	46.1%	1.5 p.p.	46.9%	48.5%	-1.6 p.p.



Revenue and Deductions

Primary and Secondary Education - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%
Gross Revenue	47,935	51,264	-6.5%	40,967	17.0%
Gross Revenue Deductions	(3,571)	(4,415)	-19.1%	(3,585)	-0.4%
Tax	(1,364)	(1,254)	8.8%	(1,147)	18.9%
ProUni	-	-	n.a.	-	n.a.
Returns	(2,207)	(3,160)	-30.2%	(2,438)	-9.5%
Total Discounts	-	-	n.a.	-	n.a.
Net Revenue	44,364	46,850	-5.3%	37,382	18.7%
Management Contracts and Own Operations	15,511	14,883	4.2%	15,438	0.5%
Associated Schools Network	28,853	31,966	-9.7%	21,944	31.5%

Deductions

In 2Q17, deductions as a ratio of gross revenue decreased by 1.2 p.p. from the same period of 2016, basically due to the efforts of the logistics team, which was able to reduce the volume of returns in the period. Compared to the prior quarter, the decrease was more significant, with deductions as a ratio of gross revenue declining 1.3 p.p. from 1Q17. The result reflects the seasonality of the operation, since sales of school materials are concentrated in even-numbered quarters.

Net Revenue

As discussed in previous quarters, it is important to remember that Kroton has been anticipating the delivery of book collections to even-numbered quarters to better manage the distribution of books to the Associated Schools. As a result, part of the revenues that were previously recognized in odd-numbered quarters is now being anticipated to the quarter immediately prior. This event is essential for understanding the dynamics of revenue behavior in the segment and is expected to recur in the coming quarters. As a result, net revenue in 2Q17 was R\$44.4 million, down 5.3% from 2Q16, due to the lower volume of book collections in the period. Compared to 1Q17, the 18.7% increase is explained by the seasonality of the business. In 1H17, net sales came to R\$81.7 million and, although 19.7% lower than in the same period of 2016, the expectation is for improvement in this result in the second half of 2017, to end the full year with revenue growth in the segment.

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 2017 was R\$515.15 per student, or 6.2% higher than in 2016.

Costs

Primary and Secondary Education - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%
Total of Costs	(18,085)	(22,665)	-20.2%	(15,395)	17.5%
Cost of Goods (CG)	(8,344)	(11,275)	-26.0%	(5,770)	44.6%
Cost of Services (CS)	(9,742)	(11,390)	-14.5%	(9,625)	1.2%
Faculty, Other Personnel and Third-Party Services	(8,662)	(8,320)	4.1%	(7,722)	12.2%
Rent	(296)	(290)	2.1%	(256)	15.7%
Materials	(0)	-	n.a.	-	n.a.
Maintenance	(82)	(400)	-79.6%	(15)	440.5%
Other	(701)	(2,381)	-70.5%	(1,632)	-57.0%
% of Net Revenues	2Q17	2Q16	Chg.%	1Q17	Chg.%
Total of Costs	-40.8%	-48.4%	7.6 p.p.	-41.2%	0.4 p.p.
Cost of Goods (CG)	-18.8%	-24.1%	5.3 p.p.	-15.4%	-3.4 p.p.
Cost of Services (CS)	-22.0%	-24.3%	2.4 p.p.	-25.7%	3.8 p.p.
Faculty, Other Personnel and Third-Party Services	-19.5%	-17.8%	-1.8 p.p.	-20.7%	1.1 p.p.
Rent	-0.7%	-0.6%	0.0 p.p.	-0.7%	0.0 p.p.
Materials	0.0%	0.0%	0.0 p.p.	0.0%	0.0 p.p.
Maintenance	-0.2%	-0.9%	0.7 p.p.	0.0%	-0.1 p.p.
Other	-1.6%	-5.1%	3.5 p.p.	-4.4%	2.8 p.p.

In 2Q17, cost of goods sold as a ratio of net revenue in the business decreased 5.3 p.p. on the prior-year period, which is explained by lower sales volume compared to the same period in 2016. Compared to 1Q17, the 3.4 p.p. increase reflects the seasonality of the segment, with sales concentrated in even-numbered quarters. Likewise, compared to the previous quarter, the ratio of cost of services to net revenue also was affected by the different revenue recognition schedule, since nominal costs were virtually stable.

Gross Profit

<i>Primary and Secondary Education - Values in R\$ ('000)</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Gross Income	26,279	24,184	8.7%	21,987	19.5%
Management Contracts and Own Operations	6,377	4,778	33.5%	6,329	0.8%
Associated Schools Network	19,901	19,406	2.6%	15,657	27.1%
Gross Margin	59.2%	51.6%	7.6 p.p.	58.8%	0.4 p.p.
Management Contracts and Own Operations	41.1%	32.1%	9.0 p.p.	41.0%	0.1 p.p.
Associated Schools Network	69.0%	60.7%	8.3 p.p.	71.4%	-2.4 p.p.

Gross profit in 2Q17 grew 8.7% from the same period last year, with gross margin expanding 7.6 p.p., due to the lower commercial activity, which required a leaner cost structure and offset the lower revenue in the quarter. Year to date, gross profit was R\$48.3 million, with gross margin of 59.0%, up 0.5 p.p. from 1H16.

Operating Expenses

<i>Primary and Secondary Education - Values in R\$ ('000)</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Total Operating Expenses	(4,939)	(4,662)	5.9%	(4,670)	5.8%
Personnel Expenses	(3,312)	(3,541)	-6.5%	(3,810)	-13.1%
General and Administrative Expenses	(1,627)	(1,121)	45.1%	(860)	89.2%
% of Net Revenues	2Q17	2Q16	Chg.%	1Q17	Chg.%
Total Operating Expenses	-11.1%	-10.0%	-1.2 p.p.	-12.5%	1.4 p.p.
Personnel Expenses	-7.5%	-7.6%	0.1 p.p.	-10.2%	2.7 p.p.
General and Administrative Expenses	-3.7%	-2.4%	-1.3 p.p.	-2.3%	-1.4 p.p.

Personnel, General and Administrative Expenses

Personnel, general and administrative expenses as a ratio of net revenue rose 1.2 p.p. compared to 2Q16, mainly due to the increase in general and administrative expenses and the higher expenses with consulting services in the period. Compared to the prior quarter, operating expenses as a ratio of net revenue decreased 1.4 p.p., reflecting the different schedule for revenue recognition.

Provision for Doubtful Accounts (PDA)

<i>Primary and Secondary Education - Values in R\$ ('000)</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Provision for Doubtful Account - PDA	(355)	(406)	-12.5%	(299)	18.7%
PDA / Primary and Secondary Education Net Revenues	-0.8%	-0.9%	0.1 p.p.	-0.8%	0.0 p.p.

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

Accounts Receivable

<i>Primary and Secondary Education</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Net Accounts Receivable	42,405	40,174	5.6%	51,541	-17.7%

In 2Q17, the increase in Accounts Receivable compared to 2Q16 reflects the deterioration in the economic scenario. Meanwhile, the decrease sequentially is explained by the fact that 1Q17 carried a portion of the average term of late 2016, since the maturity conditions were maintained through March of this year.

Average Accounts Receivable Term

<i>Primary and Secondary Education - Days</i>	2Q17	2Q16	Chg.(days)	1Q17	Chg.(days)
Net Accounts Receivable	90	81	09 Days	108	-18 Days
Net Revenue					

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 segment in 2Q17 compared to 2Q16 is associated with the different seasonality of book collection sales to partner schools.

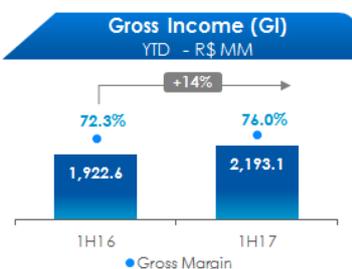
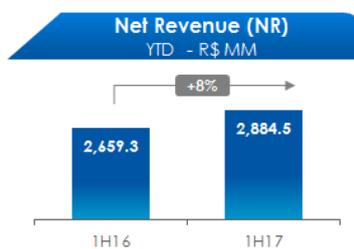
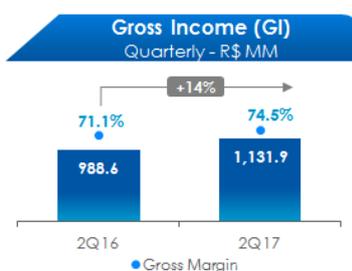
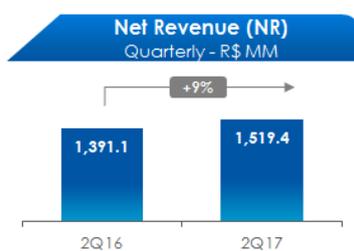
Operating Result

<i>Primary and Secondary Education - Values in R\$ ('000)</i>	2Q17	2Q16	Chg.%	1Q17	Chg.%
Gross Income	26,279	24,184	8.7%	21,987	19.5%
(-) Total Operating Expenses	(4,939)	(4,662)	5.9%	(4,670)	5.8%
(-) Provision for Doubtful Account - PDA	(355)	(406)	-12.5%	(299)	18.7%
(+) Interest and Penalties on Tuition	147	80	83.7%	227	-35.5%
Operating Result	21,131	19,196	10.1%	17,245	22.5%
<i>Operating Margin</i>	47.6%	41.0%	6.7 p.p.	46.1%	1.5 p.p.

In 2Q17, the operating result (before marketing expenses) was R\$21.1 million, with margin of 47.6%, expanding 6.7 p.p. on the year-ago period. Despite the lower sales volume in the quarter, the Company was able to implement a rigorous policy for managing costs and expenses that supported the profitability gain in the period. Compared to 1Q17, the 1.5 p.p. increase in operating margin mostly reflects the seasonality of the segment. In 1H17, operating income was R\$38.4 million, with operating margin contracting 1.6 p.p.

FINANCIAL PERFORMANCE – KROTON

Consolidated - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%	1H17	1H16	Chg.%
Gross Revenue	1,938,603	1,783,049	8.7%	1,740,781	11.4%	3,679,384	3,401,593	8.2%
Gross Revenue Deductions	(419,212)	(391,900)	7.0%	(375,659)	11.6%	(794,871)	(742,305)	7.1%
Tax	(53,843)	(46,887)	14.8%	(48,352)	11.4%	(102,195)	(85,948)	18.9%
ProUni	(230,114)	(227,130)	1.3%	(215,200)	6.9%	(445,314)	(450,048)	-1.1%
Returns	(2,207)	(3,160)	-30.2%	(2,438)	-9.5%	(4,645)	(3,998)	16.2%
Total Discounts	(133,049)	(114,723)	16.0%	(109,668)	21.3%	(242,717)	(202,311)	20.0%
Net Revenue	1,519,391	1,391,149	9.2%	1,365,122	11.3%	2,884,513	2,659,288	8.5%
Total of Costs	(387,470)	(402,563)	-3.7%	(303,971)	27.5%	(691,441)	(736,719)	-6.1%
Cost of Goods	(8,344)	(11,275)	-26.0%	(5,770)	44.6%	(14,114)	(21,197)	-33.4%
Cost of Services	(379,126)	(391,288)	-3.1%	(298,201)	27.1%	(677,327)	(715,522)	-5.3%
Faculty, Other Personnel and Third-Party Services	(281,710)	(288,820)	-2.5%	(206,187)	36.6%	(487,897)	(508,721)	-4.1%
Rent	(83,988)	(80,669)	4.1%	(84,343)	-0.4%	(168,331)	(163,754)	2.8%
Materials	(6,502)	(5,521)	17.8%	(4,675)	39.1%	(11,177)	(12,345)	-9.5%
Maintenance	(2,864)	(4,029)	-28.9%	(258)	1008.3%	(3,122)	(6,761)	-53.8%
Other	(4,063)	(12,249)	-66.8%	(2,737)	48.5%	(6,800)	(23,941)	-71.6%
Gross Income	1,131,921	988,586	14.5%	1,061,151	6.7%	2,193,072	1,922,569	14.1%
Gross Margin	74.5%	71.1%	3.4 p.p.	77.7%	-3.2 p.p.	76.0%	72.3%	3.7 p.p.
Total Operating Expenses	(157,037)	(157,286)	-0.2%	(132,435)	18.6%	(289,472)	(291,872)	-0.8%
Personnel, General and Administrative Expenses	(157,037)	(157,286)	-0.2%	(132,435)	18.6%	(289,472)	(291,872)	-0.8%
Personnel Expenses	(86,145)	(86,991)	-1.0%	(78,191)	10.2%	(164,336)	(166,074)	-1.0%
General and Administrative Expenses	(70,892)	(70,295)	0.8%	(54,244)	30.7%	(125,137)	(125,798)	-0.5%
Provision for Doubtful Account - PDA	(152,242)	(90,382)	68.4%	(158,508)	-4.0%	(310,750)	(154,323)	101.4%
(+) Interest and Penalties on Tuition	27,833	33,545	-17.0%	43,794	-36.4%	71,627	72,922	-1.8%
Operating Result	850,475	774,462	9.8%	814,001	4.5%	1,664,477	1,549,297	7.4%
Operating Margin	56.0%	55.7%	0.3 p.p.	59.6%	-3.7 p.p.	57.7%	58.3%	-0.6 p.p.
Selling and Marketing Expenses	(91,852)	(79,267)	15.9%	(110,737)	-17.1%	(202,589)	(180,893)	12.0%
Corporate Expenses	(58,394)	(62,618)	-6.7%	(63,735)	-8.4%	(122,129)	(129,070)	-5.4%
Adjusted EBITDA	700,230	632,578	10.7%	639,529	9.5%	1,339,759	1,239,333	8.1%
Adjusted EBITDA Margin	46.1%	45.5%	0.6 p.p.	46.8%	-0.8 p.p.	46.4%	46.6%	-0.2 p.p.
(-) Non-Recurring Items	(58,881)	26,896	n.a.	(44,519)	32.3%	(103,400)	213,945	n.a.
EBITDA	641,349	659,474	-2.7%	595,010	7.8%	1,236,359	1,453,279	-14.9%
EBITDA Margin	42.2%	47.4%	-5.2 p.p.	43.6%	-1.4 p.p.	42.9%	54.6%	-11.8 p.p.
Depreciation and Amortization	(103,409)	(99,371)	4.1%	(102,739)	0.7%	(206,147)	(197,017)	4.6%
Financial Result	17,503	(7,642)	n.a.	22,674	-22.8%	40,177	(37,007)	-208.6%
Income Tax / Social Contribution	(23,981)	3,992	-700.7%	(45,050)	n.a.	(69,031)	(15,853)	335.4%
Deferred Income Tax / Social Contribution	15,686	(12,453)	n.a.	23,777	n.a.	39,464	(12,901)	n.a.
Income Tax / Social Cont. - Disposal of Uniasselvi	-	(24,625)	n.a.	-	n.a.	-	(71,772)	-100.0%
Net Income	547,149	519,374	5.3%	493,673	10.8%	1,040,822	1,118,729	-7.0%
Net Margin	36.0%	37.3%	-1.3 p.p.	36.2%	-0.2 p.p.	36.1%	42.1%	-6.0 p.p.
(+) Non Recurring Items	58,881	(26,896)	n.a.	44,519	32.3%	103,400	(213,945)	n.a.
(+) Intangible Amortization (Acquisitions)	38,855	44,677	-13.0%	38,870	0.0%	77,726	91,134	-14.7%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi	-	24,625	n.a.	-	n.a.	-	71,772	-100.0%
Adjusted Net Income	644,885	561,780	14.8%	577,062	11.8%	1,221,947	1,067,689	14.4%
Adjusted Net Margin	42.4%	40.4%	2.1 p.p.	42.3%	0.2 p.p.	42.4%	40.1%	2.2 p.p.



SELLING AND MARKETING EXPENSES

Consolidated - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%
Selling and Marketing Expenses	(91,852)	(79,267)	15.9%	(110,737)	-17.1%
% of Net Revenue	2Q17	2Q16	Chg.%	1Q17	Chg.%
Selling and Marketing Expenses	-6.0%	-5.7%	-0.3 p.p.	-8.1%	2.1 p.p.

Selling and marketing expenses as a ratio of net income increased 0.3 p.p. from the same period last year, reflecting the increase in commercial actions during the enrollment 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. Compared to the previous quarter, the 2.1 p.p. decline reflects seasonality, given that the enrollment process at the start of the year is more relevant.

CORPORATE EXPENSES

Consolidated - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%
Corporate Expenses	(58,394)	(62,618)	-6.7%	(63,735)	-8.4%
Personnel Expenses	(45,096)	(51,411)	-12.3%	(52,800)	-14.6%
General and Administrative Expenses	(13,298)	(11,207)	18.7%	(10,935)	21.6%
% of Net Revenue	2Q17	2Q16	Chg.%	1Q17	Chg.%
Corporate Expenses	-3.8%	-4.5%	0.7 p.p.	-4.7%	0.8 p.p.
Personnel Expenses	-3.0%	-3.7%	0.7 p.p.	-3.9%	0.9 p.p.
General and Administrative Expenses	-0.9%	-0.8%	-0.1 p.p.	-0.8%	-0.1 p.p.

Personnel expenses as a ratio of net revenue within corporate expenses decreased 0.7 p.p. year-over-year and by 0.9 p.p. sequentially, due to the reversal in the quarter of amounts related to the variable compensation program, in addition to a lower impact relating to expenses with stock option plans for the Company's executives. Analyzing general and administrative expenses only as a ratio of net revenue, the line remained stable in relation to both periods.

NONRECURRING EVENTS

Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%
Severance	(10,904)	(18,409)	-40.8%	(10,633)	2.6%
Restructuring of units	(9,312)	(13,154)	-29.2%	(9,876)	-5.7%
M&A	(31,723)	(5,904)	437.3%	(19,459)	63.0%
Other projects	(6,942)	(8,064)	-13.9%	(4,551)	52.5%
Subtotal ex-Capital gain from Uniasselvi	(58,881)	(45,530)	29.3%	(44,519)	32.3%
Capital Gain - Uniasselvi	-	72,426	n.a.	-	n.a.
Total Nonrecurring	(58,881)	26,896	n.a.	(44,519)	32.3%

As reported since the divestment of Uniasselvi, non-recurring items are divided into two groups, as shown in the table above: (1) nonrecurring events that generated nonrecurring costs and expenses, and (2) the capital gain recorded from the sale of Uniasselvi, which mainly impacted 1H16. Nonrecurring events in the first group came to R\$58.9 million, led by expenses with the operation with Estácio, which accounted for most of the nonrecurring items in the period. In this regard, note that all expenses with the operation have already been settled and that the expectation is for a significant reduction in the second half of the year. In addition to the items related to M&A activity, total nonrecurring events also 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 restructuring of on-campus units, which includes campus deactivations; and (iii) other organic growth projects in the On-campus and DL segments, as well as the prospecting of potential new acquisitions. In the six-month period, nonrecurring items amounted to R\$103.4 million.

FINANCIAL RESULT

Consolidated - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%
(+) Financial Revenues	47,627	37,446	27.2%	47,057	1.2%
Interest on Financial Investment	33,950	24,908	36.3%	38,400	-11.6%
Others	13,677	12,538	9.1%	8,657	58.0%
(-) Financial Expenses	(30,124)	(45,089)	-33.2%	(24,387)	23.5%
Banks Expenses	(4,163)	(2,107)	97.6%	(1,955)	112.9%
Interest on Loans	(9,096)	(21,272)	-57.2%	(11,747)	-22.6%
Interest and Tax on Late Payment	(916)	(1,691)	-45.8%	(3,402)	-73.1%
Interest on Loans for Acquisitions	(2,969)	(11,746)	-74.7%	(3,920)	-24.3%
Restatement of Contingencies	(4,201)	(7,675)	-45.3%	(4,588)	-8.4%
Others	(8,779)	(597)	n.a.	1,225	n.a.
Financial Result¹	17,503	(7,642)	-329.0%	22,670	-22.8%

¹ Excludes interest and fines on late monthly tuition payments.

Since the end of 2016, Kroton has been holding a significant cash balance, which has had a direct positive impact on the line 'interest from financial investments'. This effect should become more significant as the Company improves its cash position. As a result, the net financial income in 2Q17 amounted to R\$17.5 million, reversing the net financial expense recorded in the same period last year. Compared to 1Q17, the 22.8% decrease in the net financial result reflects the lower interest rate in the period and the negative impact on the line "Others" from bank expenses related to fees for collection actions and negative credit reports.

NET INCOME

Consolidated - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%
Operating Result	850,475	774,462	9.8%	814,001	4.5%
(+) Selling and Marketing Expenses	(91,852)	(79,267)	15.9%	(110,737)	-17.1%
(+) Corporate Expenses	(58,394)	(62,618)	-6.7%	(63,735)	-8.4%
(+) Depreciation and Amortization ex-Intangible	(64,553)	(54,694)	18.0%	(63,868)	1.1%
(+) Financial Result ¹	17,503	(7,642)	n.a.	22,674	-22.8%
(+) Income Tax / Social Contribution	(23,981)	3,992	n.a.	(45,050)	-46.8%
(+) Deferred Income Tax / Social Contribution	15,686	(12,453)	n.a.	23,777	-34.0%
Adjusted Net Income	644,885	561,780	14.8%	577,062	11.8%
Adjusted Net Margin	42.4%	40.4%	2.1 p.p.	42.3%	0.2 p.p.
(+) Nonrecurring Items	(58,881)	26,896	n.a.	(44,519)	32.3%
(+) Intangible Amortization (Acquisitions)	(38,855)	(44,677)	-13.0%	(38,870)	0.0%
(+) Income Tax / Social Cont. - Disposal of Uniasselvi	-	(24,625)	n.a.	-	n.a.
Net Income	547,149	519,374	5.3%	493,673	10.8%
Net Margin	36.0%	37.3%	-1.3 p.p.	36.2%	-0.2 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\$644.9 million, with adjusted net margin of 42.4%, expanding 2.1 p.p. from the same period of 2016. The result reflects the Company's consistent operating efficiency gains achieved through a combination of rigorous management of costs and expenses and initiatives to maximize the results of the enrollment and reenrollment processes. This combination has managed to offset pressures from the change in the profile of Kroton's student base and from the higher provisioning to support the offering of installment plans for students. Year to date, adjusted net income advanced 14.4% compared to 1H16, to R\$1,221.9 million, with adjusted net margin of 42.4%, expanding 2.2 p.p. Excluding the impact of Uniasselvi from the result in 1H16, adjusted net income posted even more robust growth, of 16.1%.

CORPORATE:



EX-UNIASSELVI:



Excluding the adjustments for nonrecurring items, amortization of intangible assets and taxes on the sale of Uniasselvi, net income amounted to R\$547.2 million in 2Q17 and R\$1,040.8 million in 1H17. Note that the decrease in reported net income between 2Q17 and 2Q16 (as well as in the respective six-month periods) was exclusively due to nonrecurring gains from the sale of Uniasselvi recorded in the respective prior-year periods. Given the significant impact from these adjustments, the Company recommends the pro forma and adjusted result as the best metric for analysing financial performance.

EBITDA

Consolidated - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%
Net Income (Loss)	547,149	519,374	5.3%	493,673	10.8%
(+) Depreciation and Amortization	103,409	99,371	4.1%	102,739	0.7%
(+) Financial Result ¹	(17,503)	7,642	n.a.	(22,674)	-22.8%
(+) Income Tax / Social Contribution	23,981	20,633	16.2%	45,050	-46.8%
(+) Deferred Income Tax / Social Contribution	(15,686)	12,453	n.a.	(23,777)	-34.0%
EBITDA	641,349	659,474	-2.7%	595,010	7.8%
EBITDA Margin	42.2%	47.4%	-5.2 p.p.	43.6%	-1.4 p.p.
(+) Nonrecurring Items	58,881	(26,896)	n.a.	44,519	32.3%
Adjusted EBITDA	700,230	632,578	10.7%	639,529	9.5%
Adjusted EBITDA Margin	46.1%	45.5%	0.6 p.p.	46.8%	-0.8 p.p.

¹ Excludes interest and fines on late monthly tuition payments.

In 2Q17, adjusted EBITDA surpassed the mark of R\$700 million, growing 10.7% compared to 2Q16, with EBITDA margin expanding 0.6 p.p. The margin expansion in a very challenging economic scenario with negative pressures on both revenue and PDA is a clear sign that the Company has been able to consistently generate solid growth levers in order to create value for its shareholders and pave the way to fulfilling the guidance established for the full year. Year to date, adjusted EBITDA advanced 8.1% to R\$1,339.8 million, with margin virtually stable in relation to the same period of 2016. Excluding the figures from Uniasselvi from this period, Kroton's adjusted EBITDA in 1H17 advanced by 9.7%.

CORPORATE:



EX-UNIASSELVI:

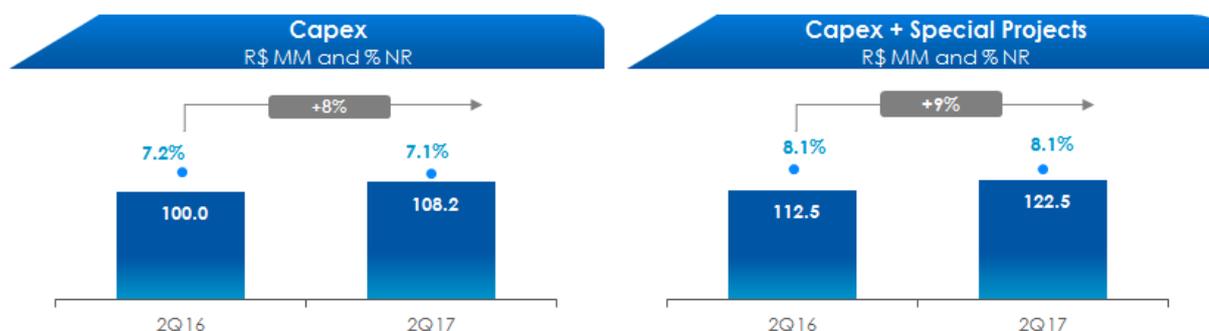


Excluding the adjustment for nonrecurring events, the Company reported EBITDA of R\$641.4 million in 2Q17 and of R\$1,236.4 million in 1H17, down 2.7% and 14.9%, respectively, from the previous year, when the results benefited from the capital gain from the Uniasselvi divestment.

INVESTMENT (CAPEX)

In 2Q17, Kroton invested R\$108.2 million, allocated as follows:

- (i) information technology and library equipment: R\$20.3 million (19%);
- (ii) content and systems development and software licenses: R\$43.4 million (40%);
- (iii) laboratory and related equipment: R\$20.0 million (18%);
- (iv) expansions – construction and improvements: R\$24.9 million (23%).



In 2Q17, investments corresponded to 7.1% of net revenue, with the largest portion allocated to projects involving content development, systems development and software licensing, as well as to the expansion and improvement of existing facilities, with the objective of preparing the units for the change in the portfolio of programs currently being implemented by the Company. In 1H17, capex amounted to R\$188.9 million, which corresponds to 6.5% of period net revenue.

Kroton has also been investing in special projects, such as infrastructure expansion and implementation of new units, which came to R\$14.4 million in 2Q17 and to R\$28.0 million in 1H17. Therefore, total investment as a ratio of net revenue stood at 8.1% in the quarter and 7.5% in the six-month period, which is lower than the investment planned for the whole of the year (8.9%), but which should accelerate in the second half of the year.

NET DEBT

Consolidated - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%
Cash and Cash Equivalents	1,410,354	934,337	50.9%	1,356,720	4.0%
Cash	3,399	6,182	-45.0%	2,796	21.6%
Securities	1,406,955	928,155	51.6%	1,353,924	3.9%
Loans and Financing	461,464	705,867	-34.6%	496,783	-7.1%
Short-term Debt	236,868	250,595	-5.5%	250,691	-5.5%
Long-term Debt	224,596	455,272	-50.7%	246,092	-8.7%
Net Cash (Debt)¹	948,890	228,470	315.3%	859,937	10.3%
Other Short and Long Term Debt ²	156,678	228,558	-31.4%	202,354	-22.6%
(1) Net Cash (Debt)	792,212	(88)	n.a	657,583	20.5%
Short Term Accounts Receivable³	199,275	183,693	8.5%	196,910	1.2%
FIES - NR 23 - cash balance in Aug/17	199,275	183,693	8.5%	196,910	1.2%
Long-Term Accounts Receivable³	879,132	1,014,134	-13.3%	866,950	1.4%
FIES - NR 23 - cash balance in Aug/18	363,837	550,395	-33.9%	359,178	1.3%
Uniasselvi Disposal	515,295	463,739	11.1%	507,772	1.5%
(2) Other Accounts Receivable³	1,078,407	1,197,827	-10.0%	1,063,861	1.4%
(1)+(2) Pro Forma Net Cash (Debt)	1,870,619	1,197,739	56.2%	1,721,444	8.7%

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 50% of FIES installments not paid in 2015 (also adjusted to present value).

At the end of 2Q17, total cash and cash equivalents amounted to R\$1,410.4 million, up 4.0% from the previous quarter, reflecting cash generation in the period, which more than offset the payment of dividends for 1Q17 and the payment of R\$28.3 million (or R\$37.9 million including interest and charges) to settle a portion of the Company's debentures. As has been the case since the second half of 2016, Kroton has been strengthening its net cash position, which currently amounts to R\$948.9 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 cash of R\$792.2 million. Total long-term obligations include amounts related to the installment payments for acquisitions, especially those for Uniasselvi, which are being repaid in six annual installments since 2013. In addition, it is important to remember that Kroton also has short-term and long-term receivables that will have a positive impact on its cash in the coming years. These receivables include both the short-term accounts receivables corresponding to the second portion of the 25% of the FIES installments not paid in 2015, which were credited in August 2017 (impacting 3Q17), 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 50% of the remaining FIES installments not paid in 2015, also adjusted to present value. Therefore, adding all short-term and long-term receivables, the net cash balance would be even more robust, surpassing R\$1.9 billion and placing Kroton in a unique position in terms of its capital structure.

CASH FLOW

Actual Cash Flow

Consolidated - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1Q17	Chg.%	1H17	1H16	Chg.%
Net Income before Income Interest	555,446	552,460	0.5%	514,946	7.9%	1,070,392	1,156,172	-7.4%
(+) Net Income adjustments before Income Interest	223,700	133,947	67.0%	232,135	-3.6%	455,835	151,344	201.2%
Depreciation and Amortization	103,409	99,371	4.1%	102,739	0.7%	206,148	197,018	4.6%
Provision for Doubtful Accounts (PDA)	152,241	90,400	68.4%	158,508	-4.0%	310,749	154,340	101.3%
Others	(31,950)	(55,824)	-42.8%	(29,112)	9.7%	(61,062)	(200,014)	-69.5%
(+) Income Tax and Social Contribution	(21,204)	(9,332)	127.2%	(30,336)	-30.1%	(51,540)	(36,860)	39.8%
(+) Changes in Working Capital	(201,239)	38,779	n.a.	(583,743)	-65.5%	(784,981)	(545,654)	43.9%
(Increase) Reduction in Accounts Receivable ex-FIES	(310,197)	(216,769)	43.1%	(334,180)	-7.2%	(644,377)	(257,596)	150.2%
(Increase) Reduction in Accounts Receivable FIES	74,337	240,508	-69.1%	(134,155)	n.a.	(59,818)	(95,943)	-37.7%
Others	34,621	15,040	130.2%	(115,408)	n.a.	(80,786)	(192,115)	-57.9%
Operating Cash Generation before Capex	556,703	715,854	-22.2%	133,002	318.6%	689,706	725,003	-4.9%
Capex - Recurring	(95,795)	(102,666)	-6.7%	(81,848)	17.0%	(177,643)	(151,349)	17.4%
Operating Cash Generation after Capex	460,908	613,188	-24.8%	51,155	n.a.	512,063	573,654	-10.7%
Capex - Special Projects	(12,367)	(4,266)	189.9%	(12,395)	-0.2%	(24,763)	(25,530)	-3.0%
Operating Cash Generation after Capex and Special Projects	448,541	608,922	-26.3%	38,759	n.a.	487,300	548,124	-11.1%
(+) M&A Activities	(60,990)	(55,666)	9.6%	(2,335)	n.a.	(63,325)	300,973	n.a.
(+) Cash Flow from Financing Activities	(334,001)	(193,869)	72.3%	(30,113)	n.a.	(364,114)	(318,649)	14.3%
Free Cash Flow	53,551	359,387	-85.1%	6,311	n.a.	59,862	530,447	-88.7%

Consolidated - Values in R\$ ('000)	2Q17	2Q16	Chg.%	1H17	1H16	Chg.%
Operating Cash Generation (OCG) before Capex	556,703	715,854	-22.2%	689,706	725,003	-4.9%
OCG / EBITDA ¹	86.8%	121.9%	-35.1 p.p.	55.8%	62.7%	-7.0 p.p.
Operating Cash Generation after Capex	460,908	613,188	-24.8%	512,063	573,654	-10.7%
OCG / EBITDA ¹	71.9%	104.5%	-32.6 p.p.	41.4%	49.6%	-8.2 p.p.
Operating Cash Generation after Capex and Special Projects	448,541	608,922	-26.3%	487,300	548,124	-11.1%
OCG / EBITDA ¹	69.9%	103.7%	-33.8 p.p.	39.4%	47.4%	-8.0 p.p.
Free Cash Flow	53,551	359,387	-85.1%	59,862	530,447	-88.7%

¹ EBITDA excluding the capital gain from the divestment Uniassevi

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.

As a result, operating cash generation before capex amounted to R\$556.7 million in 2Q17, which is lower than in 2Q16, since that period benefitted from the normalization of FIES payments and the flows from the recognition of FIES students after the delays in payment in late 2015. Compared to the previous quarter, the substantial growth is explained by the recording of only two FIES installments in 1Q17, due to the anticipation to December of one installment that typically is paid in January. Furthermore, the strong result in the quarter also contributed to this expansion. Considering the disbursements for capex, operating cash flow was R\$460.9 million in 2Q17. If we include capex and special projects, operating cash generation amounted to R\$448.5 million, which is similar to the levels prior to the reduction in FIES, which not only underscores the success of the initiatives to mitigate the reduction in the offering of public student financing, but also corroborates the resilience of the Company, which has generated strong results despite the unprecedented crisis. Meanwhile, the Company's free cash flow in the period, which amounted to R\$53.6 million, was adversely affected by the payment of dividends in the period.

Operating cash flow after capex corresponded to 71.9% of EBITDA in 2Q17. After the disbursements for capex and special projects, cash flow corresponded to 69.9% of EBITDA in the period. In the six-month period, operating cash flow after total disbursements for capex and special projects corresponded to 39.4% of EBITDA. This performance once again highlights the strength of the Company's operations, despite all the challenges faced due to the deterioration of the economic crisis and the need to offer students an alternative installment payment plan using own capital.

CAPITAL MARKETS AND SUBSEQUENT EVENTS

STOCK PERFORMANCE

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

The stock was traded in 100% of trading sessions during 2Q17, registering financial trading volume of R\$9.0 billion and 1,188,724 trades in the period, which represents average daily trading volume of R\$148.0 million. On June 30, 2017, Kroton's market capitalization was R\$24.2 billion.

In the second quarter of 2017, Kroton's stock price gained 12.0%, while the Bovespa Index (Ibovespa) fell 3.2%. In the same period, the IGC and ITAG fell 0.7% and 1.2%, respectively, while the ICON gained 4.5%. Kroton stock is currently covered by research analysts at 15 different local and international institutions.

Highlights- KROT3	2Q17
Average Daily Trade Volume (average)	R\$ 148.0 million
Maximum (R\$ per share)	R\$ 15.94
Minimum (R\$ per share)	R\$ 13.20
Average (R\$ per share)	R\$ 14.48
Closing Quote	R\$ 14.87
Variation in the period (%)	12.0%

SHARE BUYBACK PROGRAM

On June 28, 2017, the Company approved its 6th buyback program, which will be valid for 18 months and authorizes the acquisition of up to 48,773,702 shares, which corresponds to 3% of the free-float on said date. During July, a total of 200,000 common shares issued by the Company were repurchased at an average price of R\$14.79 per share, with this number of shares representing 0.4% of the limit established by the program.

OWNERSHIP STRUCTURE

After the capital increases approved on July 31, 2017, Kroton's share capital is divided into 1,627,588,326 common shares, distributed as follows:

Kroton Ownership Structure*	Quantity	%
Treasury	200,000	0.01%
Free Float	1,627,388,326	99.99%
Total	1,627,588,326	100.00%

* Position on Jul. 31, 2017.

DIVIDENDS

In a Meeting held on August 11, 2017, the Board of Directors approved the distribution of dividends related to the results for the second quarter of 2017 in the amount of R\$207.9 million, which will be calculated towards the minimum mandatory dividend for 2017 and corresponds to R\$0.1277616157 per common share and to 40% of adjusted net income, after deduction of the legal reserve. Shareholders of record at the close of trading on August 17, 2017 are entitled to the dividends.

ABOUT KROTON EDUCACIONAL

Kroton Educacional S.A. is one of the largest for-profit private educational organizations in the world. Operating for over 50 years, the Company has a nationwide presence in all of Brazil's states. On July 31, 2017, Kroton had 967 thousands students enrolled in its On-Campus and Distance Learning Postsecondary Education programs at its 116 Postsecondary units and its 910 Distance Learning centers. It also offers Preparatory Courses under the brand LFG. In Primary and Secondary Education, its main business is offering Learning Systems, which in 2017 served 672 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	2Q17	% AV	1Q17	% AV
Current Assets	2,989,465	16.5%	2,977,960	16.6%
Cash and Banks	3,399	0.0%	2,796	0.0%
Financial Investments	779,945	4.3%	1,005,449	5.6%
Securities	620,500	3.4%	342,048	1.9%
Accounts Receivable	1,288,026	7.1%	1,368,163	7.6%
Inventories	32,233	0.2%	31,105	0.2%
Advances	51,631	0.3%	58,670	0.3%
Recoverable Taxes	110,599	0.6%	83,243	0.5%
Other Accounts Receivable	103,132	0.6%	86,486	0.5%
Non current Assets	15,154,240	83.5%	14,960,123	83.4%
Long Term Assets	2,110,281	11.6%	1,935,579	10.8%
Securities	6,510	0.0%	6,427	0.0%
Accounts Receivables	746,087	4.1%	582,331	3.2%
Deferred Taxes	547,564	3.0%	542,152	3.0%
Judicial Escrow Deposits	51,604	0.3%	48,556	0.3%
Advances to Suppliers	1,680	0.0%	1,680	0.0%
Taxes to Recover	7,984	0.0%	7,519	0.0%
Warranty for Fiscal, Work and Civil Losses	175,536	1.0%	179,853	1.0%
Other	573,316	3.2%	567,061	3.2%
Fixed Assets	1,769,904	9.8%	1,728,777	9.6%
Intangible	11,274,055	62.1%	11,295,767	63.0%
Total Assets	18,143,705	100.0%	17,938,083	100.0%
Liabilities and Shareholders' Equity				
Current Liabilities	1,217,052	6.7%	1,208,439	6.7%
Suppliers	251,981	1.4%	205,894	1.1%
Loans and Financing	2,468	0.0%	2,510	0.0%
Debenture	234,400	1.3%	248,181	1.4%
Payroll and Related Charges	335,314	1.8%	294,265	1.6%
Income Tax and Social Contribution	42,662	0.2%	30,266	0.2%
Taxes and Contribution	77,494	0.4%	78,993	0.4%
Advances to Clients	147,971	0.8%	134,109	0.7%
Tax and Contribution Payment Installments	10,289	0.1%	10,519	0.1%
Accounts Payable - Acquisitions	107,446	0.6%	89,346	0.5%
Dividends Payable	0	0.0%	89,703	0.5%
Other	7,027	0.0%	24,653	0.1%
Non current Liabilities	2,229,651	12.3%	2,372,228	13.2%
Loans and Financing	34,774	0.2%	35,364	0.2%
Debenture	189,821	1.0%	210,728	1.2%
Provision for Tax, Labor and Civil Lawsuit Losses	695,577	3.8%	741,684	4.1%
Tax and Contribution Payment Installments	38,943	0.2%	40,339	0.2%
Accounts Payable - Acquisitions	0	0.0%	62,150	0.3%
Deferred Taxes	1,247,654	6.9%	1,257,818	7.0%
Others	22,882	0.1%	24,145	0.1%
Shareholder's Equity	14,697,002	81.0%	14,357,416	80.0%
Total Liabilities and Shareholders' Equity	18,143,705	100.0%	17,938,083	100.0%

APPENDIX 2 – QUARTERLY INCOME STATEMENT RECONCILIATION

	2Q17 Results (Book)	Non-accounting adjustments				Reclassification between Costs and expenses	2Q17 Results (Release)
		Interest and Penalties on Tuition	Depre- cia-tion	Intangible Amortization (Acquisitions)	Non- recurring Items/ Capital Gain		
(In thousand reais, except otherwise indicated)							
Gross Revenue	1,938,602	-	-	-	-	-	1,938,602
Postsecondary	1,890,667	-	-	-	-	-	1,890,667
Primary and Secondary	47,935	-	-	-	-	-	47,935
Deductions from Gross Revenue	(419,210)	-	-	-	-	-	(419,210)
Postsecondary	(415,639)	-	-	-	-	-	(415,639)
Primary and Secondary	(3,571)	-	-	-	-	-	(3,571)
Net Revenue	1,519,392	-	-	-	-	-	1,519,392
Postsecondary	1,475,028	-	-	-	-	-	1,475,028
Primary and Secondary	44,364	-	-	-	-	-	44,364
Costs of Goods/Services	(566,803)	-	64,554	-	4,631	110,148	(387,470)
Cost of Goods Sold	(8,344)	-	-	-	-	-	(8,344)
Cost of Services Rendered	(558,459)	-	64,554	-	4,631	110,148	(379,126)
Gross Income	952,589	-	64,554	-	4,631	110,148	1,131,922
Operating Expenses	(442,469)	-	-	38,855	(4,642)	(110,148)	(518,404)
Selling Expenses	(245,211)	-	-	-	1,118	152,241	(91,852)
Provision for Doubtful Accounts	-	-	-	-	-	(152,242)	(152,242)
Personnel Expenses	-	-	-	-	-	(86,145)	(86,145)
General and Administrative Expenses	(197,626)	-	-	38,855	53,564	34,317	(70,890)
Other Operating Income (Expenses)	368	-	-	-	(443)	75	-
Corporate Expenses	-	-	-	-	-	(58,394)	(58,394)
Non recurring items	-	-	-	-	(58,881)	-	(58,881)
Income before Financial Result	510,120	-	64,554	38,855	(11)	0	613,518
Interest and Penalties on Tuition	-	27,833	-	-	-	-	27,833
Depreciation and Amortization	-	-	(64,554)	(38,855)	-	-	(103,409)
Financial Result	45,326	(27,833)	-	-	11	-	17,504
Financial Expenses	(30,134)	-	-	-	-	-	(30,134)
Financial Revenues	75,460	(27,833)	-	-	11	-	47,638
Income from Operations	555,446	-	-	-	-	0	555,446
Income and Social Contribution Tax	(8,294)	-	-	-	-	-	(8,294)
Current	(23,981)	-	-	-	-	-	(23,981)
Deferred	15,687	-	-	-	-	-	15,687
Net Income	547,152	-	-	-	-	0	547,152

APPENDIX 3 – FULL YEAR INCOME STATEMENT RECONCILIATION

	1H17 Results (Book)	Non-accounting adjustments				Reclassi- fication between Costs and expenses	1H17 Results (Release)
		Interest and Penalties on Tuition	Depre- ciation	Intangible Amortization (Acquisitions)	Non-recurring Items/ Capital Gain		
(In thousand reais, except otherwise indicated)							
Gross Revenue	3,679,382	-	-	-	-	-	3,679,382
Postsecondary	3,590,480	-	-	-	-	-	3,590,480
Primary and Secondary	88,902	-	-	-	-	-	88,902
Deductions from Gross Revenue	(794,868)	-	-	-	-	-	(794,868)
Postsecondary	(787,712)	-	-	-	-	-	(787,712)
Primary and Secondary	(7,156)	-	-	-	-	-	(7,156)
Net Revenue	2,884,514	-	-	-	-	-	2,884,514
Postsecondary	2,802,768	-	-	-	-	-	2,802,768
Primary and Secondary	81,746	-	-	-	-	-	81,746
Costs of Goods/Services	(1,023,559)	-	128,422	-	8,888	194,809	(691,440)
Cost of Goods Sold	(14,114)	-	-	-	-	-	(14,114)
Cost of Services Rendered	(1,009,445)	-	128,422	-	8,888	194,809	(677,326)
Gross Income	1,860,955	-	128,422	-	8,888	194,809	2,193,074
Operating Expenses	(902,352)	-	-	77,725	(8,903)	(194,809)	(1,028,339)
Selling Expenses	(515,054)	-	-	-	1,715	310,750	(202,589)
Provision for Doubtful Accounts	-	-	-	-	-	(310,750)	(310,750)
Personnel Expenses	-	-	-	-	-	(164,336)	(164,336)
General and Administrative Expenses	(386,838)	-	-	77,725	92,396	91,581	(125,136)
Other Operating Income (Expenses)	(460)	-	-	-	385	75	(0)
Corporate Expenses	-	-	-	-	-	(122,129)	(122,129)
Non recurring items	-	-	-	-	(103,399)	-	(103,399)
Income before Financial Result	958,603	-	128,422	77,725	(15)	0	1,164,735
Interest and Penalties on Tuition	-	71,627	-	-	-	-	71,627
Depreciation and Amortization	-	-	(128,422)	(77,725)	-	-	(206,147)
Financial Result	111,789	(71,627)	-	-	15	-	40,177
Financial Expenses	(54,522)	-	-	-	-	-	(54,522)
Financial Revenues	166,311	(71,627)	-	-	15	-	94,699
Income from Operations	1,070,392	-	-	-	-	0	1,070,392
Income and Social Contribution Tax	(29,567)	-	-	-	-	-	(29,567)
Current	(69,031)	-	-	-	-	-	(69,031)
Deferred	39,464	-	-	-	-	-	39,464
Net Income	1,040,825	-	-	-	-	0	1,040,825

APPENDIX 4 – QUARTERLY INCOME STATEMENT

	2Q17	% Net Rev.	2Q16	% Net Rev.	2Q17 / 2Q16	1Q17	% Net Rev.	2Q17 / 1Q17
	(In thousand reais, except otherwise indicated)							
Gross Revenue	1,938,602	127.6%	1,783,049	128.2%	8.7%	1,740,780	127.5%	11.4%
Postsecondary	1,890,667	124.4%	1,731,784	124.5%	9.2%	1,699,813	124.5%	11.2%
Primary and Secondary	47,935	3.2%	51,264	3.7%	-6.5%	40,967	3.0%	17.0%
Deductions from Gross Revenue	(419,210)	-27.6%	(391,900)	-28.2%	7.0%	(375,658)	-27.5%	11.6%
Postsecondary	(415,639)	-27.4%	(387,485)	-27.9%	7.3%	(372,073)	-27.3%	11.7%
Primary and Secondary	(3,571)	-0.2%	(4,415)	-0.3%	-19.1%	(3,585)	-0.3%	-0.4%
Net Revenue	1,519,392	100.0%	1,391,149	100.0%	9.2%	1,365,122	100.0%	11.3%
Postsecondary	1,475,028	97.1%	1,344,299	96.6%	9.7%	1,327,740	97.3%	11.1%
Primary and Secondary	44,364	2.9%	46,850	3.4%	-5.3%	37,382	2.7%	18.7%
Costs of Goods/Services	(566,803)	-37.3%	(569,478)	-40.9%	-0.5%	(456,756)	-33.5%	24.1%
Cost of Goods Sold	(8,344)	-0.5%	(11,275)	-0.8%	-26.0%	(5,770)	-0.4%	44.6%
Cost of Services Rendered	(558,459)	-36.8%	(558,203)	-40.1%	0.0%	(450,986)	-33.0%	23.8%
Gross Income	952,589	62.7%	821,671	59.1%	15.9%	908,366	66.5%	4.9%
Operating Expenses	(442,469)	-29.1%	(295,111)	-21.2%	49.9%	(459,884)	-33.7%	-3.8%
Selling Expenses	(245,211)	-16.1%	(165,773)	-11.9%	47.9%	(269,843)	-19.8%	-9.1%
General and Administrative Expenses	(197,626)	-13.0%	(193,717)	-13.9%	2.0%	(189,212)	-13.9%	4.4%
Other Operating Income (Expenses)	368	0.0%	72,387	5.2%	-99.5%	(828)	-0.1%	-144.4%
Income before Financial Result	510,120	36.7%	526,559	37.9%	-3.1%	448,482	32.9%	13.7%
Financial Result	45,326	3.0%	25,901	1.9%	75.0%	66,464	4.9%	-31.8%
Financial Expenses	(30,134)	-2.0%	(45,089)	-3.2%	-33.2%	(24,387)	-1.8%	23.6%
Financial Revenues	75,460	5.0%	70,989	5.1%	6.3%	90,851	6.7%	-16.9%
Income from Operations	555,446	36.6%	552,460	39.7%	0.5%	514,946	37.7%	7.9%
Income and Social Contribution Tax	(8,294)	-0.5%	(33,086)	-2.4%	-74.9%	(21,273)	-1.6%	-61.0%
Current	(23,981)	-1.6%	3,992	0.3%	n.a.	(45,050)	-3.3%	-46.8%
Deferred	15,687	1.0%	(37,078)	-2.7%	n.a.	23,777	1.7%	-34.0%
Net Income	547,152	36.0%	519,374	37.3%	5.3%	493,673	36.2%	10.8%

APPENDIX 5 – FULL YEAR CORPORATE INCOME STATEMENT

	1H17	% Net Rev.	1H16	% Net Rev.	1H17 / 1H16
	(In thousand reais, except otherwise indicated)				
Gross Revenue	3,679,382	127.6%	3,401,593	127.9%	8.2%
Postsecondary	3,590,480	124.5%	3,292,793	123.8%	9.0%
Primary and Secondary	88,902	3.1%	108,799	4.1%	-18.3%
Deductions from Gross Revenue	(794,868)	-27.6%	(742,305)	-27.9%	7.1%
Postsecondary	(787,712)	-27.3%	(735,285)	-27.6%	7.1%
Primary and Secondary	(7,156)	-0.2%	(7,019)	-0.3%	1.9%
Net Revenue	2,884,514	100.0%	2,659,288	100.0%	8.5%
Postsecondary	2,802,768	97.2%	2,557,508	96.2%	9.6%
Primary and Secondary	81,746	2.8%	101,780	3.8%	-19.7%
Costs of Goods/Services	(1,023,559)	-35.5%	(1,050,451)	-39.5%	-2.6%
Cost of Goods Sold	(14,114)	-0.5%	(21,197)	-0.8%	-33.4%
Cost of Services Rendered	(1,009,445)	-35.0%	(1,029,255)	-38.7%	-1.9%
Gross Income	1,860,955	64.5%	1,608,837	60.5%	15.7%
Operating Expenses	(902,353)	-31.3%	(488,493)	-18.4%	84.7%
Selling Expenses	(515,054)	-17.9%	(336,166)	-12.6%	53.2%
General and Administrative Expenses	(386,838)	-13.4%	(390,823)	-14.7%	-1.0%
Other Operating Income (Expenses)	(460)	0.0%	238,496	9.0%	n.a.
Income before Financial Result	958,602	36.0%	1,120,344	42.1%	-14.4%
Financial Result	111,790	3.9%	35,829	1.3%	n.a.
Financial Expenses	(54,521)	-1.9%	(94,123)	-3.5%	-42.1%
Financial Revenues	166,311	5.8%	129,952	4.9%	28.0%
Income from Operations	1,070,392	37.1%	1,156,173	43.5%	-7.4%
Income and Social Contribution Tax	(29,567)	-1.0%	(37,444)	-1.4%	-21.0%
Current	(69,031)	-2.4%	(44,503)	-1.7%	55.1%
Deferred	39,464	1.4%	7,059	0.3%	459.0%
Net Income	1,040,825	36.1%	1,118,729	42.1%	-7.0%

APPENDIX 6 – CASH FLOW STATEMENT

R\$ 000	2Q17	2Q16	1Q17
Net Income before Income Taxes	555,446	552,460	514,946
Net Income (Loss) Adjustments before Income Taxes			
Depreciation and Amortization	103,409	99,371	102,739
Provision for Doubtful Accounts	152,241	90,400	158,508
Provision for Tax, Labor and Civil Losses	(16,494)	(14,250)	(21,557)
Provision (Reversal) for Inventories Losses	112	649	(126)
Financial Charges	11,415	41,164	23,226
Income from Securities	(35,380)	(24,691)	(40,656)
Grant of Stock Options	8,372	13,688	9,989
Income from disposal of Uniasselvi	-	(72,426)	-
Income from sale or disposal of assets and other investments	25	42	12
Changes in Working Capital	(201,239)	38,779	(583,743)
(Increase) Reduction in Accounts Receivable (ex-FIES)	(310,197)	(216,769)	(334,180)
(Increase) Reduction in Accounts Receivable FIES	74,337	240,508	(134,155)
(Increase) Reduction in Inventories	(1,240)	(662)	889
(Increase) Reduction in Advances	7,040	(14,195)	8,931
(Increase) Decrease in Escrow Deposits	(3,048)	513	(2,938)
Increase (Decrease) in Other Assets	(37,250)	(5,786)	(23,457)
Increase (Reduction) in Suppliers	48,947	739	(22,129)
Increase (Decrease) in Payroll and Related Taxes	41,050	46,432	(56,616)
Increase (Decrease) in Fiscal Obligations	(9,139)	(6,415)	(6,142)
Increase (Decrease) in Advances to Clients	13,863	22,883	2,381
(Decrease) in Taxes Installments	(830)	(117)	(536)
(Decrease) in Provision for Tax, Labor and Civil Losses	(25,295)	(27,691)	(19,099)
Increase (Decrease) in Other Liabilities	524	(662)	3,309
Income Tax and Social Contribution	(21,204)	(9,332)	(30,336)
Capex	(95,795)	(102,666)	(81,848)
Additions to Fixed Assets	(52,430)	(67,805)	(52,398)
Additions to Intangible Assets	(43,365)	(34,861)	(29,450)
Cash Flow from Operating Activities after Capex - Recurring	460,908	613,188	51,155
Capex - Special Projects	(12,367)	(4,266)	(12,395)
Asset Acquisition	-	-	-
Brownfields	(12,367)	(4,266)	(12,395)
Cash Flow from Operating Activities after total Capex	448,541	608,922	38,759
(+) M&A Activities	(60,990)	(55,666)	(2,335)
Acquisition of New Units	(58,587)	(32,981)	(1,067)
Accounts Receivable from former owners	(996)	(17,999)	(390)
M&A Costs and Expenses	(1,407)	-	(878)
Proceeds from sale of investments	-	(4,686)	-
(+) Cash Flow from Financing Activities	(334,001)	(193,869)	(30,113)
Sale (Acquisition) of Treasury Shares	7,648	12,672	4,426
Capital Increase, Net of Issuance Costs	-	-	-
Borrowings and financing	-	-	-
Payments of Borrowings and Financing	(29,925)	(145)	(51,524)
Interest Paid on Borrowings and Debentures	(20,555)	(31,485)	(14,713)
Income from Financial Investments	-	-	-
Redemption (Investment) of Securities	24,736	26,287	34,909
Disposal of Non-current Asset	-	-	-
Refis Payment	(796)	(1,030)	(1,000)
Bank and Charges Fees	(1,932)	(886)	(2,212)
Payment of Dividends	(313,177)	(199,281)	-
(=) Cash Flow from Non-Operating Activities	(394,991)	(249,535)	(32,448)
Total Cash Generation	53,551	359,387	6,311
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the Start of the Period	1,350,293	569,292	1,343,982
Cash and Cash Equivalents at the End of the Period	1,403,843	928,679	1,350,293
Net Increase (Decrease) in Cash and Cash Equivalents	53,551	359,387	6,311