

KROTON EDUCACIONAL S.A.

Corporate Taxpayer ID (CNPJ/MF): 02.800.026/0001-40

Company Registry (NIRE): 31.300.025.187

Publicly held company

MATERIAL FACT

Kroton Educacional S.A. (B3: **KROT3**; OTCQX: **KROTY**) ("Kroton" or "Company"), in accordance with Instruction 358/02 ("CVM Instruction 358"), as amended, issued by the Brazilian Securities and Exchange Commission ("CVM"), hereby informs its shareholders the financial guidance for 2018 ("Guidance"). The Guidance was based on premises established during the Company's budget management process, as follows:

R\$ million and %	2017 ¹	2018 Guidance (Ex- Greenfields) ²	Change	Guidance 2018 (Consolidated)	Change
Net Revenue	R\$ 5,538	R\$ 5,440	-1.8%	R\$ 5,480	-1.1%
Adjusted EBITDA ³	R\$ 2,439	R\$ 2,350	-3.7%	R\$ 2,275	-6.7%
Adjusted EBITDA Margin	44.0%	43.2%	-0.8 p.p.	41.5%	-2.5 p.p.
Adjusted Net Income ⁴	R\$ 2,221	R\$ 2,030	-8.6%	R\$ 1,940	-12.7%
Adjusted Net Margin	40.1%	37.3%	-2.8 p.p.	35.4%	-4.7 p.p.
Total CAPEX (% of Net Revenue)	10.7%	-	-	13.5%	+2.8 p.p.

¹ Excludes figures relating to FAIR and FAC/FAMAT, which impacted eight months of 2017, as well as figures relating to NOVATEC, which impacted all twelve months of 2017

² Guidance excluding numbers related to new On-Campus units

³ EBITDA adjusted for non-recurring items, as well as interest and fine on tuition

⁴ Net income adjusted by the amortization of intangible assets, non-recurring items and income tax and social contribution relating to asset divestments

2018 presents several important challenges that should impact the operational and financial performance of Kroton, especially the higher number of graduations of students with FIES financing, who were admitted in the large enrollments of the years 2013 and 2014, and the still adverse macroeconomic scenario, resulting in the current high unemployment levels and fiercer competition.

In this scenario, the Company will continue to seek to reach a high level of efficiency in its different business segments, combining solid short-term results and the construction of bases for future value generation.

In this regard, Kroton is committed to delivering a robust organic growth plan in both Postsecondary Education segments, which includes the opening of 112 own units and 1,788 units in partnership by 2028. This expansion has evolved in a very positive manner, given the initial admissions processes at new units and engagement of our

partners. Initially, however, this growth will negatively impact margins, especially in the short term, as the maturation of these units evolves over time. On the other hand, the rates of return on investment for this organic growth are highly attractive, which justifies the initiative.

Hence, and to offer better comparability between the results of previous years and future results, the Company decided to disclose guidance in two formats: one consolidated, including the Company and all of its growth projects, and the other ex-greenfields (on-campus units opened since 2016).

Analyzing the ex-greenfields guidance for 2018 first, net revenue should reach R\$ 5,440 million, down 1.8% from 2017. Guidance for adjusted EBITDA stood at R\$ 2,350 million, down 3.7%, impacted mainly by the maturation of the PEP students base, bearing in mind that the Company provisions 50% for losses for this group of students. Moreover, in this scenario EBITDA margin should decrease by only 80 basis points, which is fully in line with Management's decision to preserve margins despite all the adversities faced, maintaining and improving the quality of services provided in order to ensure future value generation. Finally, guidance for adjusted net income in this vision is R\$ 2,030 million, with net margin of 37.3%, impacted by the reduction in the financial result, as a consequence of the lower interest rate, which in turn results in a lower remuneration on cash balance, as well as the higher level of depreciation resulting from investments made recently, especially in content and technology.

In the consolidated guidance, which includes all of the Company's organic growth projects, net revenue is expected to reach R\$ 5,480 million, down 1.1% from 2017. Guidance for adjusted EBITDA is R\$2,275 million, down 6.7%, with adjusted EBITDA margin of 41.5%, down 250 basis points year-over-year, reflecting all the higher costs required for the growth projects, which includes expanding the workforce, rent, utilities, third-party services, etc. Guidance for adjusted net income is R\$ 1,940 million, following the same line of explanation of the other guidance vision.

Finally, given the capex required for these projects, the Company estimates an increase in capex as a ratio of net revenue of 280 basis points, totaling 13.5% in 2018.

This guidance reflects Management's belief in continuing to deliver healthy results in the short term, while also focusing on future value generation.

Guidance of financial results is a mere estimate and should not be considered as a promise of performance. These estimates are subject to diverse risks and uncertainties and are based on information currently available. As such, they depend heavily on market conditions, performance of the Brazilian economy, the industry in which the Company operates and international markets, and are therefore subject to change. Any change in the perception or aforementioned factors may lead to actual results differing from the Guidance prepared and announced by the Company.

Any changes in the Guidance will be announced to the market through a Material Fact notice, in accordance with CVM Instruction 358. Furthermore, we would like to note

that the Company will compare the Guidance with actual results from the quarter in its Quarterly Financial Information (ITR) and Standardized Financial Statements (DFP).

The Guidance announced hereby will also be included in section 11 of the Company's Reference Form and will be available on CVM's website, www.cvm.gov.br, B3's website, www.b3.com.br, and on the Company's website www.kroton.com.br/ir

Carlos Alberto Bolina Lazar

Investor Relations Officer of
Kroton Educacional S.A.