

DEAR SHAREHOLDERS,

Saraiva Livreiros S.A. – em Recuperação Judicial (“Company”) (B3: SLED3 and SLED4), controller of Saraiva e Siciliano S.A. – em Recuperação Judicial (“Retail”), one of the largest retailers in content focused on culture and education in Brazil, announces its financial results for the second quarter and first half ended on June 30, 2019 (2Q19 and 1H19).

The financial information contained herein refers to the first quarter ended on June 30, 2019, and the comparisons are made in relation to the same period last year unless otherwise stated.

The financial information has been prepared in accordance with the International Financial Reporting Standards (IFRS) and accounting practices adopted in Brazil.

Any non-accounting information or information derived from non-accounting figures has not been reviewed by the independent auditors.

Judicial Reorganization Process

On November 18, the Company filed a request for judicial reorganization with the 2nd Bankruptcy and Judicial Recovery Court of the Judicial District of São Paulo, in the State of São Paulo, in order to reorganize the obligations with its creditors. We opted for this move due to the need to seek protection for the rescheduling of Saraiva's liabilities with its suppliers, thus, guaranteeing the continuity of the operation.

The economic crisis that began in 2015 was one of the most challenging periods in the country's recent economic history, with significant repercussions on the Company's operations and largely contributed to the need for the request for judicial reorganization.

In recent years, the Company has adopted several initiatives to reverse the negative effects caused by the economic crisis: at the end of 2015, it completed the sale of its publishing segment and, with the persistent scenario of economic crisis in the following years, implemented a robust project of transformation, which led to the achievement, at the beginning of 2018, of growth in gross sales and market share in the categories of Books, Games, Telephony and in the Back to Class segment. Other emergency measures were taken in early nov/18, in the development of a restructuring plan designed to make the operation lean, dynamic and aimed at obtaining operational profitability and strengthening the Cash.

However, the impacts caused by the economic crisis, associated with the effects of events in time, such as the increase below expectations in the average price of books, the shrinkage of some segments of products that had significant representation in the billing, the difficulties we faced for the realization of tax credits and in contracting new lines of credit, in addition to other events relevant to the operation, as the reduction in revenues due to difficulties in the implementation of a new internal management system, compromised the achievement of the desired results, which undermined the Company's prospect of meeting its short-term obligations.

Due to the worsening of this situation, we believe that the presentation of the request for judicial reorganization was the most appropriate measure in the context of the crisis in the publishing market, which reflects the country's economic scenario. The purpose of the transaction is to protect the cash, making the Company regain its stability and, subsequently, its economic growth, as well as guarantee the preservation of the continuity of its operation.

With the approval of the request for judicial reorganization, the Company intensified negotiations with its main creditors in order to establish commercial conditions and payment models that could facilitate common interests, mainly aiming at the successful approval of the judicial reorganization plan, in addition to implementing several actions to ensure the sustainability of the business, during and after the period prior to the approval of the plan.

In this respect, we can highlight:

- **Product supply:** Over the last few months, the Company has entered into a contract addendum with the suppliers, guaranteeing the resumption of product supply, including on consignment. With this action, the Company has active contracts with suppliers who represented most of the book sale estimated, and that should ensure supplies and assortment in the coming months. The result of the measure was positive and there was no reduction in the expected supply levels.

- **Release of receivables:** In mar/19, the Company concluded the negotiation with Banco Itaú for the release of R\$31 million in credit card receivables that guaranteed the payments of financial operations, allowing the Company to have access to a large part of the billing. Negotiations with Banco do Brasil are in progress and the Company expects that alternatives will be found that will benefit Saraiva's cash.
- **Reduction of operating expenses:** The restructuring plan, which began in Nov/18, already showed important results in 2019. With sales realized in line with the Company's expectation, we observed a reduction of more than 30% in relation to the same period of 2018, demonstrating the potential success of the recovery process.
- **Consolidated image and market leadership:** Despite the impacts of successive crises, the Company maintains its strengthened image and leadership in some segments of the book market, evidenced by the success in negotiations with suppliers of the book category, who value the success of Saraiva in the judicial reorganization process

The results of the above actions, together with the restructuring of the operation, including the adjustment of its product mix, reduction of operating expenses and adjustments in the number of stores, confirm the Company's operational feasibility. Saraiva expects that the General Creditor Meeting, to be held on August 23, 2019, will approve the Judicial Reorganization Process. The Company will maintain its stakeholders updated on this matter.

Message from Management

In the face of the economic crisis that has been affecting the book market for four years, coupled with an accumulation of tax credits and a closed financial system, we understand that the **efforts and searches for alternatives** made in recent periods **were not sufficient to reverse the scenario**. Therefore, we are **making abrupt changes throughout Saraiva's structure in order to** raise the operational and financial level, so that they were consistent with the projection presented in the judicial reorganization plan report and that would assist in **the Company's continuity**.

These changes in the **Omnichannel** are focused on enhancing the results of our stores and e-commerce operations, improving our **Category Management** in order to reduce our tax credits and increase our cash generation, mainly focusing on Books, and on our **Organizational Restructuring** that will improve productivity, which, along with the strength of the Saraiva brand, will contribute to the Company's future.

Re-adjustment of the product mix: We discontinued the categories that had lower profitability and increased demand for working capital, such as Technology, including Computer items (excluding minor accessories), Telephony (excluding minor accessories), Technical Assistance and Adventure and Leisure. The Technology categories consumed 44% of the Company's Working Capital, but contributed with only 18% of Gross Profit and 5% of Margin Contribution, damaging our profitability.

Reduction of Operating Expenses: As a result of the change in the product mix and the extremely delicate financial situation of the Company, we made decisions aimed at the evolution of the operation, including reduction in the number of employees, renegotiation and review of our main contracts with service providers, reduction of scope with prioritization of alternatives with higher cost/benefit ratio, and revisions and optimizations in the logistics network, adapting our supply system to the new product mix.

Restructuring of the Number of Stores: Prioritizing higher-yielding units with EBITDA greater than 5.0%, we restructured our fleet of stores, closing down stores with a low value generation perspective that did not fit the Company's new product mix. In the quarter, we evolved in terms of **negotiations with shopping malls** where, through partnerships, we **optimized the areas** of our units. In line with our discussions with several stakeholders, we are also defining a new standard service model for Saraiva, **focused on customer experience and conversion into sales**.

Migration to a new e-commerce platform: We are reassessing our e-commerce sales projections for the coming quarters since we have seen a resilient recovery of online sales, due mainly to higher competition in the bookstore category with the entry of new players in the marketplace model. In addition, sales in our e-commerce channel, one of the most significant in the country, covering the entire national territory, were also negatively impacted by instabilities in our e-commerce and therefore recorded performances below our expectations. In order to mitigate the inconsistencies of e-commerce channel, we began in April 2019, the **implementation of a new e-commerce platform**, which has a lighter, more agile and stable system than the one currently used and will contribute with improvements in performance and increases in the website visits. This new platform also optimizes the process of including partners in our own marketplace, where we will continue to offer **Technology product categories**, which include items such as **Telephony and Computer items**. Our own marketplace, where **partner stores sell and have the opportunity to expose their products to our website visitors**, operates through an agile methodology, and is part of Saraiva's strategy to provide a complete experience to our customers with a greater variety of products and services that relate to and complement our DNA.

Product Supply: Following the filing for judicial reorganization, the Company, with the support and partnership of our suppliers, began an extensive process to standardize the supply of products of all categories, with a greater focus on Books, our main line of business. Through agreements that had the adhesion of the majority of our suppliers, we are **gradually normalizing our supply**, albeit with adjustments in the volume, in physical stores and e-commerce, enabling the necessary return of our operation.

Even with the changes mentioned, **we will maintain our goal to offer the best experience to our customers**. We will continue to evolve our platform, one of the most sophisticated in the market, always seeking the best customer ratings, such as **online to Store actions through curation initiatives** implemented in all stores and fairs, with own curatorship

in each of the units, according to stock availability, with cheap and fast replacement, and also implemented in our e-commerce where, for example, we have influencer curators (*booktubers*, authors etc.) who recommend 10 chosen titles and explain their choices in video.

In spite of the substantial market challenge ahead of us, **we are fully confident in the growth and recovery of the book market in Brazil**. Considering we already see a recovery in other relevant sectors of the national retail market, in addition to recent releases that show an improvement in important economic indicators, we now face a scenario that favors the prospect of recovery for our main sectors of activity.

We have made the necessary adjustments to reverse the negative scenario and ensure the Company's sustainability. Through our main initiatives **to readjust the product mix, reduce expenses**, gather the **support of specialized consultancies** and the **strength of the Saraiva brand**, we are convinced that we will surpass this process.

HIGHLIGHTS

- 26.1% decrease in Recurring Operating Expenses.
- Improvement of 12 days in Accounts Receivable when compared to 2Q18.
- Progress in our strategy to position the Company as an omnichannel operation:
 - Click & Collect service, through which customers shop on our E-commerce channel and pick up their purchases at one of our stores. Currently, around 18.1% of the online orders are placed in under this model;
- In mar/19, Saraiva Plus program had 17.3 million registered customers and around 69% of our revenue identified. Currently 90% of active customers (with purchases in the last 12 months) are participants of the program.
- Closing of 5 stores with a low value generation perspective.

Main Indicators

Table 1. (R\$'000, unless otherwise specified)

Consolidated	2Q19	2Q18	Y/Y	1Q19	Q/Q	1H19	1H18	Y/Y
Gross Revenue (Stores + E-commerce) ¹	161,328	395,339	-59.2%	212,662	-24.1%	373,990	1,003,753	-62.7%
Store Sales	105,443	243,567	-56.7%	130,826	-19.4%	236,269	597,705	-60.5%
E-commerce Sales	55,885	151,772	-63.2%	81,836	-31.7%	137,721	406,048	-66.1%
Net Revenue (Stores + E-commerce) ¹	155,827	364,565	-57.3%	204,762	-23.9%	360,589	934,936	-61.4%
Store Sales	102,331	227,973	-55.1%	126,040	-18.8%	228,371	563,611	-59.5%
E-commerce Sales	53,496	136,592	-60.8%	78,722	-32.0%	132,218	371,326	-64.4%
Gross Profit	44,870	107,681	-58.3%	49,274	-8.9%	94,144	287,358	-67.2%
Gross Margin (%)	28.8%	29.5%	-0.7 p.p.	24.1%	4.7 p.p.	26.1%	30.7%	-4.6 p.p.
Operating Expenses ²	(101,293)	(137,146)	-26.1%	(96,369)	5.1%	(197,662)	(292,233)	-32.4%
Recurring Operating Expenses ^{2 3}	(101,293)	(137,146)	-26.1%	(96,369)	5.1%	(197,662)	(288,668)	-31.5%
EBITDA	(56,423)	(29,465)	91.5%	(47,095)	19.8%	(103,518)	(4,875)	>500%
EBITDA Margin (%)	-36.2%	-8.1%	-28.1 p.p.	-23.0%	-13.2 p.p.	-28.7%	-0.5%	-28.2 p.p.
Adjusted EBITDA ^{2 3}	(56,423)	(29,465)	91.5%	(47,095)	19.8%	(103,518)	(1,309)	>500%
Adjusted EBITDA Margin (%) ²	-36.2%	-8.1%	-28.1 p.p.	-23.0%	-13.2 p.p.	-28.7%	-0.1%	-28.6 p.p.
Adjusted Net Income (Loss) before Disc. Operations ³	(70,489)	(36,725)	91.9%	(63,261)	11.4%	(133,750)	(32,962)	305.8%
Adjusted Net Margin (%) before Disc. Operations ³	-45.2%	-10.1%	-35.2 p.p.	-30.9%	-14.3 p.p.	-37.1%	-3.5%	-33.6 p.p.
Net results from Discontinued Operations	(1,196)	(932)	28.3%	(576)	107.6%	(1,772)	(1,022)	73.4%
Adjusted Net Income (Loss) ³	(71,685)	(37,657)	90.4%	(63,837)	12.3%	(135,522)	(33,984)	298.8%
Adjusted Net Margin (%) ³	-46.0%	-10.3%	-35.7 p.p.	-31.2%	-14.8 p.p.	-37.6%	-3.6%	-33.9 p.p.
Net Income (Loss)	(71,685)	(37,657)	90.4%	(63,837)	12.3%	(135,522)	(36,337)	273.0%
Net Margin (%)	-46.0%	-10.3%	-35.7 p.p.	-31.2%	-14.8 p.p.	-37.6%	-3.9%	-33.7 p.p.
SSS - Same Store Sales Growth (%)	-46.4%	-4.6%	-41.8 p.p.	-60.3%	13.9 p.p.	-52.2%	0.4%	-52.6 p.p.
E-Commerce Sales Growth	-63.2%	2.5%	-65.7 p.p.	-67.8%	4.6 p.p.	-66.1%	19.4%	-85.5 p.p.
Number of Stores – End of Period	74	104	-28.8%	79	-6.3%	74	104	-28.8%
Sales Area – End of Period (m ²)	49,469	60,420	-18.1%	51,935	-4.7%	49,469	60,420	-18.1%

Note 1: Includes the "Saraiva Entrega" revenue in the Physical Stores results.

Note 2: Includes the Depreciation and Interest accounts (CPC 06 (R2) - IFRS 16) of R\$ 16.8 million in 2Q19 and R\$ 33.1 million in 1H19.

Note 3: Excludes the impact of non-recurring and extraordinary restructuring expenses to increase productivity: R\$3.6 million in 1H18.

RESULTS

REVENUE – Gross revenue totaled R\$ 161.3 million in 2Q19, down 59.2% when compared to 2Q18. Net revenue followed the same trend, decreasing 57.3% in the quarter. It should be noted that a portion of the reduction in sales is explained by the initiation of the Company's restructuring process, which includes the discontinuation of the Technology category, the supply that is still being normalized, a decrease in the number of physical stores, and a significant reduction in revenues due to stability problems of our online channel.

PHYSICAL STORES REVENUE – In 2Q19, gross revenue from physical stores reached R\$ 105.4 million, which represents a 56.7% decrease over the same periods of the previous year. In terms of comparable stores, we had a decrease of 46.4%. Along similar lines, net revenue reduced 55.1%.

E-COMMERCE REVENUE – In 2Q19, gross sales and net sales of our website Saraiva.com decreased 63.2% and 60.8%, respectively, when compared to the same period last year. Sales in our e-commerce channel, one of the most significant in the country, covering the entire national territory, were strongly and negatively impacted by instabilities in our e-commerce, which are being solved and will be eliminated with the new e-commerce platform, which has a lighter, more agile and stable system than the one currently used. In addition to reassessing our projections for the coming quarters, we have seen a resilient recovery of online sales, due mainly to higher competition in the bookstore category with the entry of new players in the marketplace model.

GROSS PROFIT – Gross profit, despite the reduction of 58.3% in 2Q19, presented a stable margin, which went from 29.5% in 2Q18 to 28.8% in 2Q19. During the quarter, we adopted the strategy of discontinuing products that had lower margins, depreciating the gross result of the period. During the first quarter, we remained discontinuing products with lower margins, which strongly impacted the gross result.

We continue to invest in new tools, particularly a new dynamic pricing system for e-commerce, aimed at contributing to increased sales and better management of gross margin. Moreover, we will focus on our book business, which has margins higher than the other categories being discontinued.

OPERATING EXPENSES – The recurring operating expenses totaled R\$ 101.3 million in 2Q19, representing a strong decrease of 26.1% in the quarter as a response to the Company's recent initiatives. It is important to mention that we remain focused on rationalizing our expenses in order to improve results, and we are already reaping the gains of the measures recently taken. We continue to make ongoing adjustments to our structure, always aiming for improvements in performance and productivity that solidify the basis for the Company's recovery.

EBITDA – EBITDA, strongly affected by the discontinuation of the Technology category, the supply that is still being normalized, and the significant reduction in revenues due to stability problems of our online channel, totaled a negative R\$56.4 million in 2Q19.

Table 2. EBITDA (R\$'000, unless otherwise indicated)

Consolidated	2Q19	2Q18	Y/Y	1Q19	Q/Q	1H19	1H18	Y/Y
Net Income (Loss)	(71,685)	(37,657)	90.4%	(63,837)	12.3%	(135,522)	(36,337)	273.0%
(+) Financial Result ¹	3,667	15,525	-76.4%	5,795	-36.7%	9,462	27,964	-66.2%
(+) Income Tax / Social	-	(17,338)	-100.0%	-	-	-	(15,718)	-100.0%
(+) Depreciation Amortization ¹	10,405	9,076	14.6%	10,376	0.3%	20,781	18,197	14.2%
(+) Net Income from Discontinued Oper./Other	1,190	929	28.1%	571	108.4%	1,761	1,019	72.8%
EBITDA¹	(56,423)	(29,465)	91.5%	(47,095)	19.8%	(103,518)	(4,875)	>500%
<i>EBITDA Margin (%)</i>	-36.2%	-8.1%	-28.1 p.p.	-23.0%	-13.2 p.p.	-28.7%	-0.5%	-28.2 p.p.
(+) Non-Recurring Expenses ²	-	-	-	-	-	-	3,565	-100.0%
Adjusted EBITDA	(56,423)	(29,465)	91.5%	(47,095)	19.8%	(103,518)	(1,309)	>500%
<i>Adjusted EBITDA Margin (%)</i>	-36.2%	-8.1%	-28.1 p.p.	-23.0%	-13.2 p.p.	-28.7%	-0.1%	-28.6 p.p.

Note 1. Includes the Depreciation and Interest accounts (CPC 06 (R2) - IFRS 16) of R\$ 16.8 million in 2Q19 and R\$ 33.1 million in 1H19.

Note 2. Excludes the impact of non-recurring and extraordinary restructuring expenses to increase productivity: R\$3.6 million in 1H18.

WORKING CAPITAL* – The average term of accounts receivable went from 57 days in 2Q18 to 45 days in 2Q19. The average inventory coverage period decreased by 8 days, from 109 days in 2Q18 to 101 days in 2Q19. The supplier payment term reached 383 days in 2Q19, when compared to 107 days in 2Q18.

* to calculate the operating cycle days, we used the average of the last 12 months

NET FINANCIAL REVENUE (EXPENSES) – Net financial result, excluding the impact of the accounting change due to the CPC 06 (R2) - IFRS 16, was an expense of R\$ 3.7 million in 2Q19, representing a reduction of 76.4% when compared to 2Q18.

NET INCOME (LOSS) FOR THE PERIOD – Net Loss before the results of discontinued operations reached R\$ 70,5 million in 2Q19.

INVESTMENTS (CAPEX) – The investments made totaled R\$ 5.2 million in 2Q19 versus R\$ 15.7 million in 2Q18, confirming the reduction indicated by the Company. It's worth to mention that the major part of the investments was directed to the implementation of a new e-commerce platform, which has a lighter, more agile and stable system.

LIQUIDITY – According to the guidelines of the ongoing Judicial Reorganization process, the payment flows of the Company's financing lines were paralyzed after the filing of the application.

The current balance of the Company's obligations with financial institutions is currently under negotiation with Banco do Brasil. It is important to note that during this process, the Company has a portion of its bank cash position blocked due to Legal Deposits.

On June 30, 2019, the total balance of available cash, blocked cash and credit card receivables totaled R\$ 79.5 million, against R\$ 134,3 million on March 31, 2019, mainly explained by lower sales and the discontinuation of the Technology category.

The table below presents the Saraiva's consolidated net debt, which totaled R\$ 135.5 million on June 30, 2019, versus R\$ 116,7 million on March 31, 2019, and R\$ 249.5 million on June 30, 2018. If we consider credit card receivables, net debt came to R\$ 103.8 million on June 30, 2019, versus R\$ 52.2 million on March 31, 2018, and R\$ 59.0 million on June 30, 2018.

Table 4. Evolution of the main CONSOLIDATED debt indicators monitored by the Company (R\$'000)

Consolidated ^{1 2}	2Q19	2Q18	Y/Y	1Q19	Q/Q
Transaction Type					
Loans and Financing	154,570	296,187	-47.8%	153,688	0.6%
(+) Acquisition Obligations	2,718	2,557	6.3%	2,677	1.5%
(-) Cash and Cash Equivalents / Financial Investments	21,811	49,215	-55.7%	39,681	-45.0%
Consolidated Net Debt Before Receivables	135,477	249,529	-45.7%	116,684	16.1%
(-) Credit Card Receivables	31,664	190,480	-83.4%	64,473	-50.9%
Consolidated Net Debt After Receivables	103,813	59,049	75.8%	52,212	98.8%

Note 1: Excludes the impact of CPC 06 (R2) - IFRS 16).

Note 2: "Receivables Prepayment" (R\$ 1.2 million in 2Q19, R\$7.4 million in 1Q19, , and 71.8 million in 2Q18).

OUR STORES – Saraiva closed 2Q19 with 74 stores in 17 Brazilian states and in the Federal District. In line with our strategy of prioritizing assets that have stronger value creation potential and the recent initiatives, we closed 5 stores until June 30, 2019.

CONFERENCE CALL DETAILS

Saraiva's 1Q19 Earnings Conference Call, to be held in Portuguese and simultaneously translated to English, will be held on **August 15, 2019**, at **10.30 AM** (local time) / **9.30 AM** (US EST).

The call will be webcast live through streaming audio.

For more details, visit: www.saraivari.com.br

CONFERENCE CALL IN PORTUGUESE

Time:

Brazil BRT (Brasília): 10.30 am

US Eastern Standard Time US EST (New York):9.30 am

Telephone Numbers:

Dial-in for connecting from Brazil: +55 11 3193-1001

Dial-in for connecting from Brazil: +55 11 2820-4001

Password: **SARAIVA**

Replay: +55 11 3193-1012 or 2820-4012 (available for 7 days)

Access codes: 5867963# (Portuguese)

To listen in on the conference call over the Internet, connect to the **webcast platform**:

Portuguese: [Click Here](#)

ABOUT SARAIVA

Saraiva, a Company focused on education, culture, and entertainment is present in all phases of its clients' lives. The Company operates through an omnichannel concept, offering a wide range of products and services. The Company conducts its e-commerce business through the site Saraiva.com.br, whose operations are fully integrated with those of the physical stores, and Saraiva has a presence throughout the entire country.

DISCLAIMER

This report contains forward-looking statements that are subject to risk and uncertainty. These statements are based on beliefs and assumptions of management and on information currently available. Our future results and shareholder value may differ materially from those expressed or implied in these forward-looking statements.