

DEAR SHAREHOLDERS,

Saraiva S.A. Livreiros Editores (B3: SLED3 and SLED4), controller of Saraiva e Siciliano S.A, one of the largest retailers in content focused on culture and education in Brazil, announces its financial results for the third quarter ended on September 30, 2018 (3Q18).

The financial information contained herein refers to the second quarter ended on September 30, 2018, 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.

HIGHLIGHTS

- Achievement in market share¹ through gains in our core business segment, Books (+0.5 p.p.).
- 11.7% decrease in Operating Expenses.
- Improvement of 7 days in Accounts Receivable.
- 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 18.4% of the online orders are placed in under this model. Of those customers who opt for this service, 20.0% make an additional purchase when they pick up the product at the physical store;
 - Partnership with Mercado Livre to use the *in-store pickup* feature, a service that allows our customers to pick up their online purchases in physical stores. Currently, consumers who were not customers made about 70% of the purchases of Saraiva products on display in Mercado Livre.
- Saraiva Plus loyalty program increased by 5.0% its customer reactivation rate when compared to 3Q17. In sep/18, the program had 16.7 million registered customers (+13.4% vs 3Q17) and around 84.9% of our revenue identified (+2.8 p.p. vs 2Q18).
- As a result of the Capital Structure optimization process, in jul/18, the Company completed an initial stage of debt reprofiling, enabling the release of receivables in guarantee in the amount of approximately R\$40 million to the banks.

SUBSEQUENT EVENTS

- Negotiation rounds with our main creditors to restructure our capital structure. If the renegotiation of the Retail liabilities with its suppliers does not have the expected result, other protection alternatives will be evaluated for the sustainable financial restructuring of Retail. The way forward will depend on the final outcome of the ongoing discussions between Retail and its main creditors.
- Implementation of a comprehensive Plan of Action focused on improving profitability and strengthening the operating cash:
 - Change in Product Mix with portfolio reduction;
 - Closing of 19 units that had a low prospect of value generation;
 - Termination of employees in all business units, adjusting the Company's cost structure and expenses;
 - Revisions and optimizations in the logistics network, adapting our supply system to the new Category Mix.
- Implementation of SAP's Integrated Enterprise Management System. Composed of a set of modules that integrate the Company's information and processes, the system aims to generate continuous gains in operational and financial efficiency.

¹ YoY: 9M18 vs 9M17 consolidated data of expanded Market (Consultoria GFK)

- Opening, in oct/18, of a new store in Shopping Estação Cuiabá (Cuiabá/MT) with new, more modern and attractive architectural design that requires less investment than the previous model, favoring faster paybacks.

Message from the Management

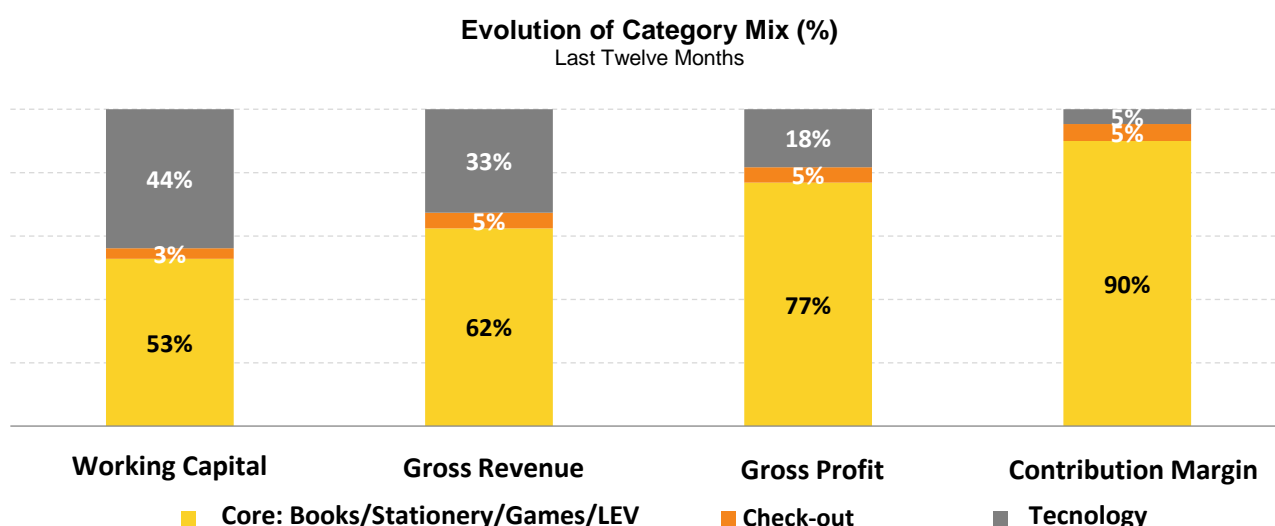
As an important action to support the Company's strategic plans, the Company began to adopt a series of **cash strengthening** measures focused on three main pillars:

- **Operating Results Generation;**
- **Optimization of the Company's Capital Structure;**
- **Optimization of Tax Credits Management.**

We have made a structural change in the Company once we were faced with the economic crisis that has been affecting the book market for four years, coupled with a framework of tax credit generation and a closed financial system. In line with our strategy, we carried out several initiatives that reflect an effort by the Company to achieve profitability and gain operational efficiency, within a leaner and more dynamic structure.

Therefore, we are discontinuing some categories, such as Technology, which had lower profitability and greater demand for working capital. In this movement, we will no longer generate a large part of our tax credits, one of the main reasons for the consumption of cash in recent years. It is worth mentioning that we will continue to offer these product categories, which include telephony and computing, through our own marketplace, which is currently in operation, integrated into our *e-commerce*. Within the marketplace, and through curation, we have been able to expand the offer and diversity of products, keeping our operation healthy and increasingly omnichannel, to serve our clients on all platforms. This operation is part of the Company's Digital Transformation, which provides an even more qualified experience to our customers, in addition to including complementary product categories in synergy with our business, such as smartphones, computers, toys, decorative items, among others.

Chart 1. Reduction/Elimination of categories regarded as the most offensive to Profitability



As a reflection of the change in the Company's Category Mix, coupled with the economic and operational challenges of the market, as well as with indicators that depict a change in retail dynamics, we made difficult transformative and courageous decisions aimed at the evolution of the operation and business continuity:

- Closure of 11 Saraiva stores, which had a low prospect of value generation and would be impacted by the change in the Company's Mix, and all of the 8 iTown units, Saraiva's specialized Apple stores focused on the Technology mix;

- Termination of approximately 700 employees in all the Company's business units, adapting the structure of costs and expenses to the Company's new strategy with a greater focus on competitiveness and sustainable development of the operation;
- Revisions and optimizations in the logistics network, adapting our supply system to the new Category Mix.

We will now direct all our efforts to the publishing market and partnerships with suppliers, focusing on our business in the book market, which is the essence of Saraiva. Complementing the reading universe, we will continue to offer directly stationery, games, movies and music, and we will offer the other technology items through our own marketplace business model, as previously mentioned. We are going back to our origins, giving focus and attention to the categories to which we are the go-to store, the reference and where we have competitive advantages. With these content categories (books, Lev, games, stationery, movies and music), which represent more than 60.0% of Saraiva's revenues, we will have a better profitability, generating better results for all our stakeholders.

With the change, we will continue with our goal to offer the best experience to our clients. We never stagnate and we always look for the best positioning. We were one of the pioneers to invest in e-commerce in Brazil and today we have one of the largest retail websites in the country. To be a leader and reference in e-commerce is to be a company that actively participates in technological innovations. We will continue to evolve our omnichannel platform, one of the most sophisticated on the market, where 20.0% of online revenue comes from products that are picked up in our stores, always maintaining the best customer ratings.

There is a big market challenge. Our industry shrank in the last years and we still managed to keep our revenue stable in nominal terms, as we increased our customer base with strong growth in the Saraiva Plus subscriber base, in addition to the significant and recurring gain in the market share in our main category. We are fully confident in the growth and recovery of the Brazilian book market, which has shown a slight recovery in sales in the last few months. The latest results point to an improvement in the segment, which tends to benefit the retail chains and their suppliers. Considering we already see a recovery in other relevant sectors of the domestic retail market, in addition to recent releases that show an improvement of important economic indicators, we now face a scenario that favors the prospect of recovery for our main sectors of activity.

Along these lines, relying on the recovery of the book and publishing market in Brazil, we began an extensive renegotiation of our payment schedule through a new payment model for our broad and pulverized supplier base, thus seeking more flexible terms. If the renegotiation of the Retail liabilities with its suppliers does not have the expected result, other protection alternatives will be evaluated for the sustainable financial restructuring of Retail. The way forward will depend on the final outcome of the ongoing discussions between Retail and its main creditors.

We are aware that the results have fallen short of expectations, but we have made the necessary adjustments to reverse this scenario quickly. We have a lighter and leaner structure, with a better-adjusted operating cycle, and on top of that, we have implemented several initiatives under the omnichannel, customer centricity, digital transformation and operational efficiency fronts that are beginning to mature and will contribute significantly to improving profitability. In addition, we have good partners who believe that access to culture and education can transform the country, and that reading is one of the essential pillars for the development of the nation.

Saraiva is a 104-year-old company and one of the nation's largest retailers of education, culture and entertainment. The Company is an active participant in the lives of people, children, youngsters and adults. With the strength of our brand, our strong and growing customer base and our partnerships, we believe that we are structured and prepared to capture significant gains that will contribute to increased profitability and cash generation.

Strategic Vision

In accordance with the evolution of the Company's mindset to review the brand positioning and the organizational culture, in 2018 we remain investing in restructuring our operation to increase productivity, and in making decision-process more assertive.

In this context, we remain focused on four transforming fronts: Omnichannel, Customer Centricity, Digital Transformation and Operational Efficiency, targeting solid gains in Market Share and profitability.

Omnichannel

In order to transform consumption into an integrated experience, with a seamless interaction between the digital and the offline world, we have developed important initiatives designed to improve the consumer experience, regardless of the shopping channel.

Our actions are supported by a differentiation pillar comprising the improvement of services and a more convenient and practical shopping process, in addition to challenging the last mile of delivery to customers. We continue improving in several service modalities, including:

- **Click & Collect:** Customers shop on our E-commerce channel and pick up their purchases at one of our stores free of charge. In 2018, around 18.4% of the online orders are placed in under this model. Of those customers who opt for this service, 20.0% make an additional purchase when they pick up the product at the physical store.
- **Partnership with Mercado Livre** to use the in-store pickup feature, a service that allows our customers to pick up their purchases in physical stores. Saraiva already tested the model with the books and stationery categories. Currently, consumers who were not customers made about 70% of purchases of Saraiva products on display in Mercado Livre.

In oct/18, we **inaugurated one store** in the Shopping Estação Cuiabá (Cuiabá/MT) with new, more modern and attractive architectural design that requires less investment than the previous model, favoring faster paybacks. This new store concept was the result of more in-depth studies on consumer profile and shopping behavior, the competitive environment in the region, the presence of educational institutions and the influence of one channel on the other (Store/E-commerce).

Customer Centricity

Our main value is the focus on the customer. In this sense, we seek to understand the needs of our public, providing more personalized and relevant shopping experiences that best suit our customers' needs.

Here we would like to point out that:

- We continue investing in **Saraiva Plus, one of the largest retail loyalty programs in the country.** Our model favors the customer-centered strategy based on the solid knowledge of consumer behavior and preferences. The clients of the program represented on average 85.4% of customers with purchases, and 84.9% of the billing identified. In the third quarter, we reactivated 5.0% more customers than in the same period of last year. Currently, 83.9% of active customers (with purchases in the last 12 months) are program participants.
- With the purpose of inviting the public to experience Saraiva not only as a shopping place but also as an entertainment and leisure option for the whole family, we continue to expand the **café operation** in our stores through strategic partnerships with Starbucks, Havanna, Grão Espresso, Nespresso and Feito a Grão, Sterna, among others. During the third quarter of 2018, we inaugurated the Sterna Café at Shopping Eldorado (São

Paulo/SP), and we already have two more openings scheduled with Sterna Café, in Shopping Park São Caetano (São Caetano/SP), and with Café Havanna, in Shopping Rio Sul (Rio de Janeiro/RJ).

- We continue to focus on the **games experience category**. Fourteen of our stores have areas dedicated exclusively to allowing customers to experience games, with cockpit and gaming laptops.
- During the third quarter of 2018, we hosted **events and** entered into important **partnerships** that contribute to further enhancing our customers' experience. During the period, we held events for different audiences, such as Fan Encounters, Children's Storytelling, *Papos & Ideias*, Autograph Sessions with national and international important names, and the Fifa 2018 Championship.

Digital Transformation

We are making progress in the implementation of a digital culture, increasing interaction between Saraiva and its customers. This allows customers to have a unified experience in all points of contact with the brand, regardless of the chosen platform and form.

We have thus invested in:

- Expansion of our **own marketplace**, where partner stores sell and have the opportunity to expose their products on Saraiva's website. Operating through agile methodology, the new channel is part of Saraiva's strategy to provide a complete experience to its customers with a greater variety and diversity of products and services that converge and complement our DNA. For the implementation, we conduct identification studies choosing the partners according to the profile of their clients, with products that complete our mix, and that have synergy with the preferences and desires of the clients, as well as consistency with our own brand. The new channel, which has curated products and content, will bring even greater benefits to the Company and its customers, contributing to the increase in operating revenues and to the improvement of Saraiva's working capital.
- Expansion of **marketplace** partnerships for the sale of products on websites of strategic partners, such as Walmart, Mercado Livre, and B2W, among others. Currently, 65% of purchases of our products through this channel, for example, were made by consumers that were not our customers. We continue making progress on this front through negotiation with other partners.

Operational Efficiency

We achieved important advances that will help the Company prepare for a new phase of revenue growth and dilution of costs. We constantly work on the rigorous and continuous control of expenses, strict investment selection process and balanced management of working capital in order to enable value creation. With this focus, we point out:

- **Transformation of the physical store channel:**
 - Inauguration of one unit based on the **new ideal store concepts**, with investments in capex/m² 25% lower, on average, and favoring faster paybacks;
 - **Closing**, during the quarter, of one store with low perspective to add value;
 - **Assortment Project**, refining the supply algorithms and improving the assertiveness of inventory in each store, as part of the process of continuous evolution in the Company's inventory management;
- **Logistics management and supply system:**
 - Adjustments to the distribution model by installing **Transit Points** in strategic, reducing transportation costs and improving the lead time of deliveries, both to supply physical stores and to deliver products sold online;
 - Review of the logistics and supply chain planning, optimizing the store supply process and improving our E-commerce competitiveness by reducing the lead time of deliveries and contributing to reduce the accumulation of tax credits and increase operational efficiency.

- **Galeazzi Consulting:**
 - Contracted in early 2018, with the objective of generating continuous gains in operational efficiency, reviewing and optimizing processes and ensuring that the structure can support higher sales with an effective dilution of costs. With the expectation of generating results in 2018, we started the implementation of several work fronts:
 - Assortment;
 - Supply;
 - Pricing;
 - Maximization of Operating Results;
 - Inventory/Internal Logistics;
 - Transportation and Freight;
 - Performance Indicators; and
 - Support the financial team.

Main Indicators

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

| Consolidated | 3Q18 | 3Q17 | Q/Q | 2Q18 | Q/Q | 9M18 | 9M17 | H/H |
|---|-----------|-----------|------------|-----------|------------|-----------|-----------|-----------|
| Gross Revenue (<i>Stores + E-commerce</i>) ¹ | 329,281 | 408,601 | -19.4% | 395,339 | -16.7% | 1,333,034 | 1,354,107 | -1.6% |
| Store Sales | 211,949 | 249,886 | -15.2% | 243,567 | -13.0% | 809,654 | 855,402 | -5.3% |
| E-commerce Sales | 117,333 | 158,716 | -26.1% | 151,772 | -22.7% | 523,381 | 498,705 | 4.9% |
| Net Revenue (<i>Stores + E-commerce</i>) ¹ | 310,388 | 374,279 | -17.1% | 364,565 | -14.9% | 1,245,324 | 1,248,044 | -0.2% |
| Store Sales | 201,517 | 233,265 | -13.6% | 227,973 | -11.6% | 765,128 | 798,790 | -4.2% |
| E-commerce Sales | 108,870 | 141,014 | -22.8% | 136,592 | -20.3% | 480,196 | 449,254 | 6.9% |
| Gross Profit | 81,215 | 122,051 | -33.5% | 107,681 | -24.6% | 368,573 | 413,595 | -10.9% |
| Gross Margin (%) | 26.2% | 32.6% | -6.4 p.p. | 29.5% | -3.4 p.p. | 29.6% | 33.1% | -3.5 p.p. |
| Operating Expenses | (130,695) | (148,005) | -11.7% | (137,146) | -4.7% | (422,928) | (421,763) | 0.3% |
| Recurring Operating Expenses ¹ | (130,695) | (129,742) | 0.7% | (137,146) | -4.7% | (419,363) | (395,250) | 6.1% |
| EBITDA | (49,480) | (25,954) | 90.6% | (29,465) | 67.9% | (54,355) | (8,168) | >500% |
| EBITDA Margin (%) | -15.9% | -6.9% | -9.0 p.p. | -8.1% | -7.9 p.p. | -4.4% | -0.7% | -3.7 p.p. |
| Adjusted EBITDA | (49,480) | (7,691) | >500% | (29,465) | 67.9% | (50,790) | 18,345 | - |
| Adjusted EBITDA Margin (%) ² | -15.9% | -2.1% | -13.9 p.p. | -8.1% | -7.9 p.p. | -4.1% | 1.5% | -5.5 p.p. |
| Adjusted Net Income (Loss) before Disc. Operations ² | (65,384) | (20,548) | 218.2% | (36,725) | 78.0% | (98,346) | (30,670) | 220.7% |
| Adjusted Net Margin (%) before Disc. Operations ² | -21.1% | -5.5% | -15.6 p.p. | -10.1% | -11.0 p.p. | -7.9% | -2.5% | -5.4 p.p. |
| Net results from Discontinued Operations | (1,218) | (836) | 45.7% | (932) | 30.7% | (2,240) | (1,626) | 37.8% |
| Adjusted Net Income (Loss) ² | (66,602) | (21,384) | 211.5% | (37,657) | 76.9% | (100,586) | (32,296) | 211.5% |
| Adjusted Net Margin (%) ² | -21.5% | -5.7% | -15.7 p.p. | -10.3% | -11.1 p.p. | -8.1% | -2.6% | -5.5 p.p. |
| Net Income (Loss) | (66,602) | (33,438) | 99.2% | (37,657) | 76.9% | (102,939) | (49,794) | 106.7% |
| Net Margin (%) | -21.5% | -8.9% | -12.5 p.p. | -10.3% | -11.1 p.p. | -8.3% | -4.0% | -4.3 p.p. |
| SSS - Same Store Sales Growth (%) | -15.5% | -7.9% | -7.6 p.p. | -4.6% | -10.9 p.p. | -4.0% | -6.0% | 2.0 p.p. |
| E-Commerce Sales Growth | -26.1% | 17.2% | -43.3 p.p. | 2.5% | -28.6 p.p. | 4.9% | 11.6% | -6.7 p.p. |
| Number of Stores – End of Period | 103 | 100 | 3.0% | 104 | -1.0% | 103 | 100 | 3.0% |
| Sales Area – End of Period (m ²) | 60,127 | 59,477 | 1.1% | 60,420 | -0.5% | 60,127 | 59,477 | 1.1% |

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

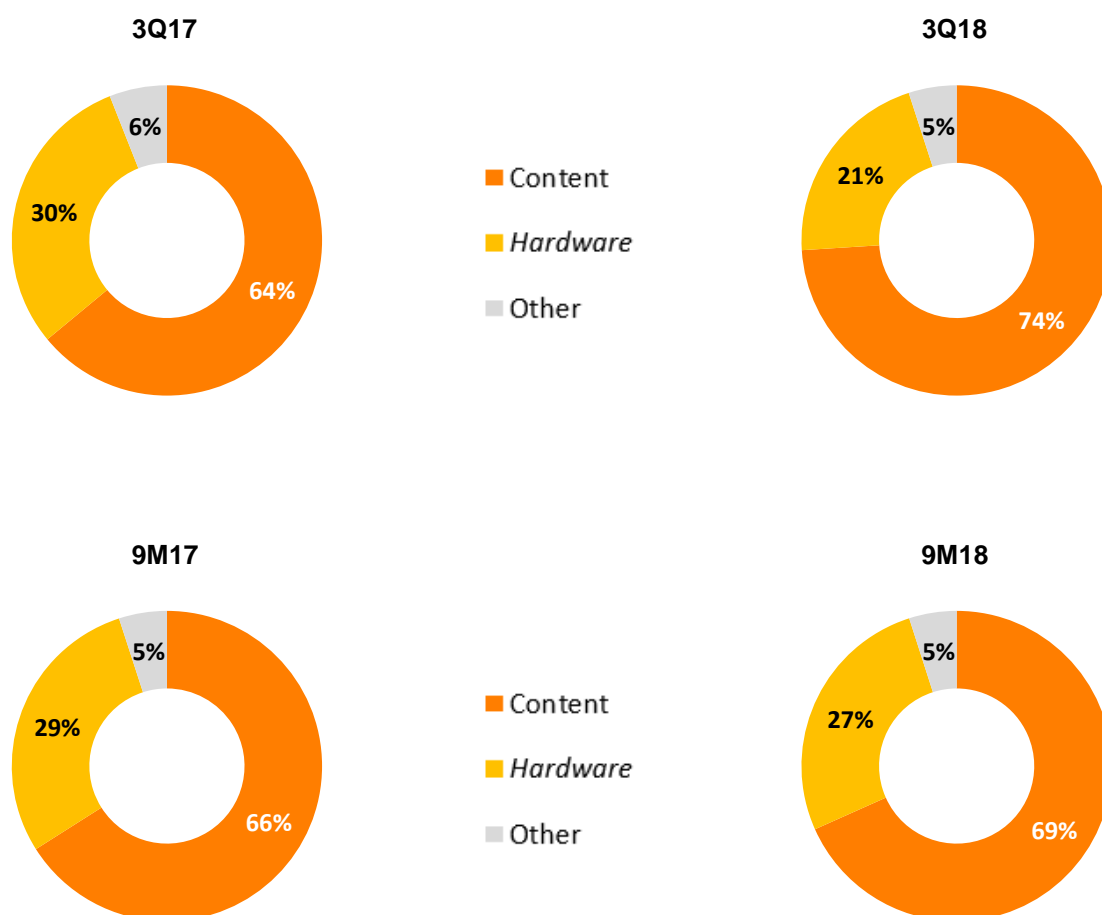
Note 2: Excludes the effects of extraordinary expenses in 9M18 (R\$ 3.6 million), 3Q17 (R\$ 18.3 million) and 9M17 (R\$ 26.5 million).

RESULTS

REVENUE – Gross revenue totaled R\$ 329.3 million in 3Q18, down 19.4% when compared to the R\$ 408.6 million registered in 3Q17. Net revenue followed the same trend, decreasing 17.1% in the quarter. It is worth noting that a portion of the reduction in sales is the result of the beginning of the discontinuation of the electronics category, which already had its supply reduced during the quarter.

As one of our value creation proposition is based on the omnichannel strategy, designed to provide a unique experience regardless of the channel, it makes more sense to analyze the sales result as a whole, consolidating the physical stores and E-commerce. During the purchase process, there are several initiatives in which customers begin contact on one channel, but complete the purchase on another, such as *Saraiva Entrega* and Click and Collect.

Chart 2. Gross Revenue in Retail by segment (R\$ million)



PHYSICAL STORES REVENUE – In 3Q18, gross revenue from physical stores reached R\$ 201.5 million, which represents a 15.2% decrease over the same period of the previous year. In terms of comparable stores, we had a decrease of 15.5% when compared to 3Q17. Along similar lines, net revenue reduced 13.6% in the same period.

E-COMMERCE REVENUE – In 3Q18, gross sales of our website Saraiva.com decreased 26.1% when compared to the same period last year, reaching R\$117.3 million. Net sales totaled R\$108.9 million, a decrease of 22.8% when compared to the third quarter of 2017.

GROSS PROFIT – Gross profit presented a reduction of 33.5% in 3Q18, reaching R\$ 81.2 million with a decrease of 6.4 p.p. in gross margin, which went from 32.6% in 3Q17 to 26.2% in 3Q18.

During the quarter, as the fiercest competitive scenario in online retail continued to affect us, we adopted the strategy of discontinuing products that had lower margins, depreciating the gross result of the period. To mitigate these effects not only in the current quarter but also in the future, 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 operating expenses line totaled R\$ 130.7 million in 3Q18, a decrease of 11.7% over the same period of the previous year. Excluding the impact of non-recurring restructuring expenses in 3Q17, we would have a 0.7% increase. It is important to mention that we remain focused on rationalizing our expenses in order to improve results, and we expect to reap the rewards of measures recently taken in the near term.

EBITDA – EBITDA totaled a negative R\$49.5 million in 3Q18, with a margin of 9.0 p.p. less than 3Q17.

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

| Consolidated | 3Q18 | 3Q17 | Q/Q | 2Q18 | Q/Q | 9M18 | 9M17 | H/H |
|---|-----------------|-----------------|-----------------|-----------------|--------------|------------------|-----------------|-----------------|
| Net Income (Loss) | (66,602) | (33,438) | 99.2% | (37,657) | 76.9% | (102,939) | (49,794) | 106.7% |
| (+) Financial Result | 14,360 | 13,780 | 4.2% | 15,525 | -7.5% | 42,324 | 34,286 | 23.4% |
| (+) Income Tax / Social | (6,954) | (15,795) | -56.0% | (17,338) | -59.9% | (22,672) | (20,099) | 12.8% |
| (+) Depreciation Amortization | 8,503 | 8,665 | -1.9% | 9,076 | -6.3% | 26,700 | 25,816 | 3.4% |
| (+) Net Income from Discontinued Operations/Other | 1,213 | 834 | 45.4% | 929 | 30.6% | 2,232 | 1,623 | 37.5% |
| EBITDA | (49,480) | (25,954) | 90.6% | (29,465) | 67.9% | (54,355) | (8,168) | >500% |
| <i>EBITDA Margin (%)</i> | -15.9% | -6.9% | -9.0 p.p. | -8.1% | -7.9 p.p. | -4.4% | -0.7% | -3.7 p.p. |
| (+) Non-Recurring Expenses ¹ | - | 18,263 | -100.0% | - | - | 3,565 | 26,513 | -86.6% |
| Adjusted EBITDA | (49,480) | (7,691) | >500% | (29,465) | 67.9% | (50,790) | 18,345 | - |
| <i>Adjusted EBITDA Margin (%)</i> | -15.9% | -2.1% | -13.9 p.p. | -8.1% | -7.9 p.p. | -4.1% | 1.5% | -5.5 p.p. |

Note: 1. Excludes the effects of extraordinary expenses.

WORKING CAPITAL* – The working capital/net revenue ratio improved reaching 10.5% in 3Q18. The Retail operating cycle was 39 days in 3Q18 against 67 days in 3Q17.

The average term of accounts receivable went from 62 days in 3Q17 to 55 days in 3Q18. The average inventory coverage period increased by 19 days, from 91 days in 3Q17 to 110 days in 3Q18 but was offset by the improvement in the supplier payment term, which increased by 40 days, reaching 126 days in 3Q18, when compared to 86 days in 3Q17.

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

NET FINANCIAL REVENUE (EXPENSES) – Net financial result was an expense of R\$ 14.4 million in 3Q18, against R\$ 13.8 million registered in 3Q17.

NET INCOME (LOSS) FOR THE PERIOD – Net Loss before the results of discontinued operations reached R\$ 65.4 million in 3Q18 against an Adjusted Net Loss of R\$ 20.5 million in 3Q17.

INVESTMENTS (CAPEX) – The investments made totaled R\$48.2 million in 3Q18 versus R\$12.6 million in 3Q17. The volume of investments, which tend to have a reduction over the year, was mainly directed to initiatives and new tools for e-commerce, projects covering the area of Information Technology, and the opening of stores.

In addition, in order to generate continuous gains in operational and financial efficiency, we are allocating part of the investments to the implementation of the SAP Enterprise Resource Planning (ERP), consisting of a set of modules that integrate the Company's information and processes. Large companies worldwide already use SAP's Integrated Enterprise Management System and it is helping to optimize Saraiva's internal processes by accessing a solid, rich corporate information base that is aligned with best market practices.

LIQUIDITY – The following table presents information on maturities by financing line on September 30, 2018:

Table 3. Sources of financing for working capital and investments and their respective maturities (R\$'000)

| Consolidated | Average Cost (p.a) | Total | Until 2018 | Until 2019 | Until 2020 | After 2020 |
|-------------------------------------|--------------------|----------------|---------------|---------------|---------------|---------------|
| Transaction Type | | | | | | |
| BNDES ¹ | 8.21% | 42,933 | 2,375 | 9,500 | 9,500 | 21,557 |
| Working Capital/other | 8.25% | 135,082 | 45,744 | 71,722 | 17,616 | - |
| Total Gross Debt² | 8.24% | 178,015 | 48,119 | 81,222 | 27,117 | 21,557 |

Note 1: Cost at the close of 2Q18 from the balance of the 2014 BNDES agreement, without considering the cost of bank guarantee, considering TJLP of 6.8% p.a. and SELIC of 6.5% p.a.

Note 2: Loans net of financial derivative instruments.

On jul/18, the Company, through its capital structure optimization strategy, completed an initial stage of debt reprofiling, enabling the release of receivables in guarantee in the amount of R\$20 million with Banco Itaú through the settlement of the debt, and R\$20 million with Banco do Brasil through the change of the type of guarantee with the institution.

The table below presents the Saraiva's consolidated net debt, which totaled R\$ 164.8 million on September 30, 2018, versus R\$ 249.5 million on June 30, 2018, and R\$ 299.1 million on September 30, 2017.

If we consider credit card receivables, net debt came to R\$ 122.2 million on September 30, 2018, versus R\$ 59.0 million on June 30, 2018, and R\$ 107.6 million on September 30, 2017.

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

| Consolidated ¹ | 3Q18 | 3Q17 | Y/Y | 2Q18 | Q/Q |
|---|----------------|----------------|---------------|----------------|---------------|
| Transaction Type | | | | | |
| Loans and Financing ² | 178,015 | 322,097 | -44.7% | 296,187 | -39.9% |
| (+) Acquisition Obligations | 2,597 | 2,434 | 6.7% | 2,557 | 1.6% |
| (-) Cash and Cash Equivalents / Financial Investments | 15,812 | 25,442 | -37.8% | 49,215 | -67.9% |
| Consolidated Net Debt Before Receivables | 164,800 | 299,089 | -44.9% | 249,529 | -34.0% |
| (-) Credit Card Receivables | 42,580 | 191,456 | -77.8% | 190,480 | -77.6% |
| Consolidated Net Debt After Receivables | 122,220 | 107,633 | 13.6% | 59,049 | 107.0% |

Note 1: "Receivables Prepayment" (R\$69.5 million in 3Q18, R\$75.1 million in 3Q17, and R\$71.8 million in 2Q18)

Note 2: Loans net of financial derivative instruments.

OUR STORES – Saraiva closed 2Q18 with 103 stores in 17 Brazilian states and in the Federal District. In 2018, in line with our strategy of prioritizing assets that have stronger value creation potential, we closed two stores until September 30, 2018:

- Store in Afonso Pena Airport (Curitiba/PR), in mar/18;
- Store in Aeroporto de Airport (Manaus/AM), in apr/18;
- Store in Norte Shopping (Rio de Janeiro/RJ), in sep/18.

Regarding the prioritization of investments, we inaugurated four new units are scheduled to open another one in 2018, in line with the new ideal store concepts defined by Management, with investment/m² 25% lower, on average, and favoring faster paybacks:

- Store in Recreio Shopping (Rio de Janeiro/RJ), with sales area of 266 m², in apr/17;
- Store in Patteo Olinda Shopping (Olinda/PE), with sales area of 579 m², in apr/17;
- Store in Ilha Plaza Shopping (Rio de Janeiro/RJ), with sales area of 213 m², in jun/18;
- Store in Shopping Estação Cuiabá (Cuiabá/MT), with sales area of 483 m², in oct/18.

In addition, we inaugurated, in sep/18 the Sterna Café in Shopping Eldorado (São Paulo/SP), and we already have two more openings scheduled with Sterna Café and Havanna, in Park São Caetano (São Caetano/SP) and Rio Sul (Rio de Janeiro/RJ) shoppings, respectively.

ANNEX – RETAIL

| <i>R\$ thousand</i> | 3Q18 | 3Q17 | Y/Y | 3Q17 | Q/Q |
|---|----------------|----------------|---------------|----------------|---------------|
| CURRENT ASSETS | | | | | |
| Cash and Cash Equivalents / Financial Investments | 15,589 | 25,411 | -38.7% | 39,247 | -60.3% |
| Accounts Receivable | 62,164 | 195,683 | -68.2% | 204,968 | -69.7% |
| Inventories | 245,222 | 286,327 | -14.4% | 325,910 | -24.8% |
| Recoverable Taxes | 110,978 | 195,886 | -43.3% | 174,567 | -36.4% |
| Financial Derivative Instruments | - | 48 | -100.0% | 20,024 | -100.0% |
| NON-CURRENT ASSETS | | | | | |
| Other Long Term Assets | 300,265 | 157,688 | 90.4% | 235,123 | 27.7% |
| Financial Derivative Instruments | - | 338 | -100.0% | - | - |
| Investments | - | - | - | - | - |
| Property, Plant & Equipment | 62,818 | 64,420 | -2.5% | 67,019 | -6.3% |
| Intangible assets | 247,350 | 177,624 | 39.3% | 203,491 | 21.6% |
| CURRENT LIABILITIES | | | | | |
| Loans and Financing | 115,847 | 95,398 | 21.4% | 234,880 | -50.7% |
| Suppliers | 445,284 | 290,000 | 53.5% | 484,083 | -8.0% |
| Financial Derivative Instruments | - | - | - | - | - |
| NON-CURRENT LIABILITIES | | | | | |
| Related Parties | - | - | - | - | - |
| Loans and Financings | 62,169 | 227,085 | -72.6% | 81,330 | -23.6% |
| Financial Derivative Instruments | - | - | - | - | - |
| SHAREHOLDERS' EQUITY | 343,361 | 440,167 | -22.0% | 406,803 | -15.6% |

CONFERENCE CALL DETAILS

Saraiva's 3Q18 Earnings Conference Call, to be held in Portuguese and simultaneously translated to English, will be held on **November 13, 2018**, at **10.30 AM** (local time) / **7.30 AM** (US EST).

The call will be webcast live through streaming audio.

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

CONFERENCE CALL IN PORTUGUESE WITH SIMULTANEOUS TRANSLATION INTO ENGLISH

Time:

Brazil BRT (Brasília): 10.30 am

US Eastern Standard Time US EST (New York):7.30 am

Telephone Numbers:

Dial-in for connecting from the United States: +1 646 828-8246

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) and 7142493# (English)

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

Portuguese: [Click Here](#)

English: [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.