

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 third quarter and nine months ended on September 30, 2019 (3Q19 and 9M19).

The financial information contained herein refers to the first quarter ended on September 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

In November 2018, 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, such as the development of a restructuring plan designed to make the operation leaner, dynamic and aimed at obtaining operational profitability and strengthening the Company's cash balance.

However, the impacts caused by the economic crisis, associated with the effects of events over time, such as the lower than expected increase in the average price of books, the shrinkage of certain product segments that had significant representation in revenue and the difficulties we faced to achieve tax credits and hire new credit lines, in addition to other events relevant for the operation, such as the reduction in revenues due to difficulties in implementing a new internal management system, jeopardized the achievement of the desired results and thus 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 judicial reorganization request was the most appropriate measure within the context of the crisis in the publishing market, which reflects the country's economic scenario. The purpose of the transaction is to protect cash, allowing the Company to regain its stability and, subsequently, its economic growth, as well as guaranteeing the continuity of its operation.

The Judicial Reorganization Plan was approved in Aug/19, authorized in Sep/19 and was approved by more than 80% of the Company's creditors. During the Plan's approval process, in addition to the measures mentioned aimed at the operation's perpetuity, the Company also brought its partners together for dialogues and met with various creditors to elaborate proposals that could balance market interests to allow the Company's recovery.

The approval of the Judicial Reorganization Plan also provides for the restructuring of the leadership positions, specifically for the CEO position and the Board of Directors, which will be subject to the pre-established rules of the Plan, but following the Corporate Governance best practices without any prejudice to the Company's current shareholders. After the hiring of a specialized executive search company and an internal corporate plan to attract managers with relevant experience, during the General Creditors' Meeting held on November 11, 2019, a list of nominees for the Board of Directors were indicated and will be submitted to the Extraordinary Shareholders' Meeting.

Message from Management

During the first nine months of 2019¹, factors such as the discontinuity of technology products and the systemic problems in our e-commerce platform, among others, resulted in a cash burn above our expectations. However, we are making the necessary adjustments to reverse this negative scenario and ensure the Company's continuity. We are on top of each issue and establishing measures that have already brought results in the Company's operation. In this regard, we can highlight the initiatives below that will have a strong positive impact over the coming periods:

- **Product Supply:** Throughout the year, the Company signed an amendment to the agreement with its suppliers in order to guarantee product supply, including under the consignment model. With this, the Company has an active agreement with suppliers responsible for a large portion of the estimated book sales to ensure supply and variety of these products in the coming months. Additionally, within the scope of the approval process of Judicial Reorganization Plan, 84% of the essential suppliers for the maintenance of the Company's activities signed the Incentive Supplier Creditor Term (*Termo de Credor Fornecedor Incentivador*), receiving from the Company, a Subscription Bonus for maintaining/renewing the existing product supply agreement.
- **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. During 3Q19, where we still have some negative impacts from discontinued categories, our gross margin increased 13.5 p.p., and we expect to maintain our margins at the current level, which are in line with the Judicial Reorganization Plan presented.
- **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.
- **Prioritizing Profit through Higher E-commerce Margins:** During 3Q19, the Company began to work with a strategy that prioritizes the profitability of its online channel. With this strategy, even with the channel's lower revenues, its gross margins are higher and variable expenses are lower, thus generating an additional gain in contribution margin.
- **Migration to a New E-commerce Platform:** Until Aug/19, our e-commerce sales, which is one of the most relevant platforms in the country with nationwide coverage, were negatively impacted by instabilities in our platform and resulted in a performance below our expectations. In order to mitigate these inconsistencies, we launched in August 2019 a new, lighter, more agile and stable system than the previous one and the new platform has already started to contribute with improved performance and increased the website's conversion rate. 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. In September 2019, 20% of our e-commerce revenues were generated from our Marketplace In, which increased approximately 100% in relation to the months prior to the implementation of the new platform.
- **Reduction in Operating Expenses:** The reorganization plan, which began in November 2018, has already brought positive effects in 2019, with a reduction of over 25% in our recurring expenses over the same period in 2018, demonstrating the potential success of our recovery process. During 3Q19, the Company continued its pursuit for additional profitability gains and carried out additional restructuring measures, such as the reduction in headcount in all its business units, overview of existing agreements, reduction in occupancy costs, among others. These measures are expected to generate additional reductions of approximately R\$45 million in expenses in 2020.

- **Release of receivables:** In March 2019, the Company concluded the negotiation with Banco Itaú for the release of R\$31.0 million in credit card receivables to guarantee the payment of financial operations, making it possible to access most of its billed volume.
- **Consolidated Image and Market Leadership:** Despite the impacts from successive crises, the Company maintains a strong image and market leadership in certain book segments, as seen through the successful negotiations with book suppliers who support Saraiva's success in the judicial reorganization process.
- **Omnichannel:** There is great synergy between the Company's physical and online operations. The multichannel customer has an average annual spending behavior that is 197% higher than store customers and 270% higher than website customers, due to a frequency 2.3x and 3x higher store and website clients, respectively.

We have made every effort to carry out the necessary adjustments to ensure operational continuity. The measures already taken, along with the approval of the Judicial Reorganization Plan, which establishes efficiency measures for the balancing and settlement of our corporate liabilities, such as the restructuring of liabilities and preservation of investments that are essential for the continuity of our operations, and changes in our Corporate Governance structure prove the Company's feasibility for the future.

The Company's Management is aware of its significant challenges and engaged in making the necessary adjustments to ensure the success of the Company's financial recovery and operational continuity, pursuant to the financial plan that enabled the approval of the Judicial Reorganization Plan, and is also optimistic regarding its judgment capacity to make the right decisions for the recovery and maintenance of the Company's operating activities.

Significant market challenges exists, but we fully believe in the growth and recovery of the book market in Brazil. Considering the initial recovery already observed in the country's other relevant retail segments and the recent numbers evidencing the improvement in key economic indicators, we are under a favorable scenario for the expected recovery for our main sectors.

Non-Recurring Impacts

During 3Q19, the Company reached as Net Profit of R\$ 11.5 million. However, in addition to the many adjustments made to its operations in the pursuit of increase profitability, the Company also approved its Recovery Plan, resulting in positive and negative impacts on its results. Among the key impacts on results, both due to the restructuring and the Judicial Reorganization Process, we highlight the following:

- Cuts and provisions: negative R\$5.7 million in Net Income.
- Impairment and goodwill: negative R\$97.2 million in Expenses.
- Write-off of projects and licenses: negative R\$ 22.7 million in Expenses.
- Other impacts: negative R\$ 45.5 million in Expenses.
- Adjustment to present value of debt and Interest related to the Judicial Reorganization Process: positive R\$ 277.7 million in Financial Result.

Thus, in order to perform a more reliable analysis of the Company's operation, all the results in this Management Report consider recurring amounts, excluding the non-recurring impacts listed above. The table below illustrates the reconciliation of results:

Reconciliation - 3Q19 (R\$ MM)	3Q19	CPC 06 (R2) IFRS 16	Non-Recurring Impacts	3Q19 Adjusted
Gross Revenue	159,638			159,638
Taxes	(6,975)			(6,975)
Net Revenue	152,663			152,663
Cost of Goods Sold	(97,812)		5,715	(92,097)
Gross Profit	54,851		5,715	60,566
<i>Gross Margin (%)</i>	<i>35.9%</i>			<i>39.7%</i>
Operating Expenses	(241,729)	(16,750)	165,327	(93,152)
EBITDA	(186,878)	(16,750)	171,042	(32,587)
<i>EBITDA Margin (%)</i>	<i>-122.4%</i>			<i>-21.3%</i>
Other Operating Expenses/Revenues	245,629	16,750	(277,670)	(15,290)
Net Financial Result	266,449	6,286	(277,670)	(4,935)
Depreciation and Amortization	(20,820)	10,464		(10,356)
Net Income (Loss) before Before Tax	58,751		(106,628)	(47,877)
Income tax and social contribution	(47,368)		36,254	(11,114)
Net Income (Loss) before Before Minority inte	11,383		(70,375)	(58,992)
Minority interest	1			1
Adjusted Net Income (Loss) before Disc. Operations	11,384		(70,375)	(58,991)
Net results from Discontinued Operations	160			160
Net Income (Loss)	11,544		(70,375)	(58,831)
<i>Net Margin (%)</i>	<i>7.6%</i>			<i>-38.5%</i>

HIGHLIGHTS

- 13.5 p.p. increase in 3Q19 adjusted Gross Margin.
- 28.7% decrease in Recurring Operating Expenses.
- R\$ 16.9 million improvement in adjusted EBITDA.
- 20 days improvement in Accounts Receivable when compared to 3Q18.

SUBSEQUENT EVENTS

- Pursuant to the Notice to Shareholders released on October 28, 2018, the Company paid a portion of the Dividends declared by the Extraordinary and General Shareholders' Meeting held on April 26, 2018, in the amount of R\$5.8 million. Under the terms of the approved Judicial Reorganization Plan, the Dividends were paid up to the limit of R\$10,000 per shareholder. Shareholders entitled to Dividends above R\$10,000 will receive the balance of the remaining Dividends as provided for in Clause 9.2 of the Judicial Reorganization Plan.
- The increase in the Company's authorized capital, in up to the limit of 66 million shares, was approved at the Extraordinary Shareholders' Meeting held on October 31, 2019, along with the inclusion of a statutory rule conferring powers to the Company's Board of Directors to issue subscription warrants within the authorized capital limit.
- Pursuant to the Notice to Shareholders released on November 4, 2019, the Board of Directors approved, at a meeting held on November 3, 2019 and assisted by the Fiscal Council, the increase of the Company's share capital as well as the issuance of Subscription Warrants, both within authorized capital limit and in accordance with the Judicial Reorganization Plan and the Company's Bylaws.
- The final list of nominees for the positions of members to the Board of Directors and Chief Executive Officer was submitted at the General Creditors' Meeting held on November 11, 2019, in accordance with the initial list presented by consulting firm Korn Ferry and pursuant to the Judicial Reorganization Plan.

Main Indicators

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

Consolidated - Adjusted	3Q19	3Q18	Y/Y	2Q19	Q/Q	9M19	9M18	Y/Y
Gross Revenue (Stores + E-commerce) ¹	159,638	329,281	-51.5%	161,328	-1.0%	533,628	1,333,034	-60.0%
Store Sales	109,987	211,949	-48.1%	105,443	4.3%	346,256	809,654	-57.2%
E-commerce Sales	49,651	117,333	-57.7%	55,885	-11.2%	187,372	523,381	-64.2%
Net Revenue (Stores + E-commerce) ¹	152,663	310,388	-50.8%	155,827	-2.0%	513,252	1,245,324	-58.8%
Store Sales	105,686	201,517	-47.6%	102,331	3.3%	334,056	765,128	-56.3%
E-commerce Sales	46,977	108,870	-56.9%	53,496	-12.2%	179,196	480,196	-62.7%
Adjusted Gross Profit ¹	60,566	81,215	-25.4%	44,870	35.0%	154,710	368,573	-58.0%
Adjusted Gross Margin (%)	39.7%	26.2%	13.5 p.p.	28.8%	10.9 p.p.	30.1%	29.6%	0.5 p.p.
Recurring Operating Expenses ^{1 3}	(93,152)	(130,695)	-28.7%	(101,293)	-8.0%	(290,814)	(419,363)	-30.7%
Adjusted EBITDA ³	(32,587)	(49,480)	-34.1%	(56,423)	-42.2%	(136,104)	(50,790)	168.0%
Adjusted EBITDA Margin (%) ¹	-21.3%	-15.9%	-5.4 p.p.	-36.2%	14.9 p.p.	-26.5%	-4.1%	-22.4 p.p.
Adjusted Net Income (Loss) before Disc. Operations ¹	(58,991)	(65,384)	-9.8%	(70,489)	-16.3%	(192,741)	(98,346)	96.0%
Adjusted Net Margin (%) before Disc. Operations ¹	-38.6%	-21.1%	-17.6 p.p.	-45.2%	6.6 p.p.	-37.6%	-7.9%	-29.7 p.p.
Net results from Discontinued Operations	160	(1,218)	-	(1,196)	-	(1,612)	(2,240)	-28.0%
Adjusted Net Income (Loss) ¹	(58,831)	(66,602)	-11.7%	(71,685)	-17.9%	(194,353)	(100,586)	93.2%
Adjusted Net Margin (%) ¹	-38.5%	-21.5%	-17.1 p.p.	-46.0%	7.5 p.p.	-37.9%	-8.1%	-29.8 p.p.
SSS - Same Store Sales Growth (%)	-36.3%	-15.5%	-20.8 p.p.	-46.4%	10.2 p.p.	-48.0%	-4.0%	-44.0 p.p.
E-Commerce Sales Growth	-57.7%	-26.1%	-31.6 p.p.	-63.2%	5.5 p.p.	-64.2%	4.9%	-69.1 p.p.
Number of Stores – End of Period	73	103	-29.1%	74	-1.4%	73	103	-29.1%
Sales Area – End of Period (m ²)	49,259	60,127	-18.1%	49,469	-0.4%	49,259	60,127	-18.1%

RESULTS

REVENUE – Gross revenue totaled R\$ 159.6 million in 3Q19, down 51.5% when compared to 3Q18. Net revenue followed the same trend, decreasing 50.8% 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 3Q19, gross revenue from physical stores reached R\$ 110.0 million, which represents a 48.1% decrease over the same periods of the previous year. In terms of comparable stores, we had a decrease of 36.6%. Along similar lines, net revenue reduced 47.6%.

E-COMMERCE REVENUE – In 3Q19, gross sales and net sales of our website Saraiva.com decreased 57.7% and 59.6%, 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, during 3Q19, the Company began to work with a strategy that prioritizes the profitability of its online channel. With this strategy, even with the channel's lower revenues, its gross margins are higher and variable expenses are lower, thus generating an additional gain in contribution margin.

GROSS PROFIT – Adjusted Gross profit, despite the reduction of 25.4% in 3Q19, presented a increased adjusted margin, which went from 26.2% in 3Q18 to 39.7% in 3Q19. During the quarter, we adopted the strategy of discontinuing products that had lower margins, depreciating the gross result of the period. 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\$ 93.2 million in 3Q19, representing a strong decrease of 28.7% 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\$32.6 million in 3Q19, presenting an improvement of R\$ 16.9 million when compared to 3Q18.

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

Consolidated - Adjusted	3Q19	3Q18	Y/Y	2Q19	Q/Q	9M19	9M18	Y/Y
Net Income (Loss)	(58,831)	(66,602)	-11.7%	(71,685)	-17.9%	(194,353)	(100,586)	93.2%
(+) Financial Result	4,935	14,360	-65.6%	3,667	34.6%	14,397	42,324	-66.0%
(+) Income Tax / Social	11,114	(6,954)	-	-	0.0%	11,114	(21,460)	-
(+) Depreciation Amortization	10,356	8,503	21.8%	10,405	-0.5%	31,137	26,700	16.6%
(+) Net Income from Discontinued Oper./Other	(161)	1,213	-	1,190	-	1,600	2,232	-28.3%
Adjusted EBITDA	(32,587)	(49,480)	-34.1%	(56,423)	-42.2%	(136,104)	(50,790)	168.0%
<i>Adjusted EBITDA Margin (%)</i>	<i>-21.3%</i>	<i>-15.9%</i>	<i>-5.4 p.p.</i>	<i>-36.2%</i>	<i>14.9 p.p.</i>	<i>-26.5%</i>	<i>-4.1%</i>	<i>-22.4 pp</i>

WORKING CAPITAL* – The average term of accounts receivable went from 55 days in 3Q18 to 35 days in 3Q19. The average inventory coverage period decreased by 9 days, from 110 days in 3Q18 to 101 days in 3Q19.

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

NET FINANCIAL REVENUE (EXPENSES) – Adjusted Net financial result, excluding the impact of the accounting change due to the CPC 06 (R2) - IFRS 16, was an expense of R\$ 4.9 million in 3Q19, representing a reduction of 65.6% when compared to 3Q18.

NET INCOME (LOSS) FOR THE PERIOD – Net Loss before the results of discontinued operations reached R\$ 58.9 million in 3Q19.

INVESTMENTS (CAPEX) – The investments made totaled R\$ 3.4 million in 3Q19 versus R\$ 48.2 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 – On September 30, 2019, the total balance of available cash, blocked cash and credit card receivables totaled R\$ 39.2 million, against R\$ 79.5 million on June 30, 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\$ 139.7 million on September 30, 2019, versus R\$ 135.5 million on June 30, 2019, and R\$ 164.8 million on September 30, 2018. If we consider credit card receivables, net debt came to R\$ 119.6 million on September 30, 2019, versus R\$ 103.8 million on June 30, 2018, and R\$ 122.2 million on September 30, 2018.

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

Consolidated¹	3Q19	3Q18	Y/Y	2Q19	Q/Q
Transaction Type					
Loans and Financing	156,680	178,016	-12.0%	154,569	1,4%
(+) Acquisition Obligations	0	2,597	-100.0%	2,718	-100,0%
(-) Cash and Cash Equivalents / Financial Investments	16,970	15,813	7.3%	21,811	-22,2%
Consolidated Net Debt Before Receivables	139,710	164,800	-15.2%	135,476	3,1%
(-) Credit Card Receivables	20,144	42,580	-52.7%	31,664	-36,4%
Consolidated Net Debt After Receivables	119,566	122,220	-2.2%	103,812	15,2%
Judicial Reorganization Process Debt	258,533	-	-	671,271	-61,5%

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

OUR STORES – Saraiva closed 3Q19 with 73 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 2 stores until September 30, 2019.