Saraiva Livreiros S.A. - Under judicial reorganization (formerly “Saraiva S.A. Livreiros Editores”)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Independent auditor’s report on review of the interim financial information

As of September 30, 2019

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Independent auditor's report on review of the interim financial information

Grant Thornton Auditores Independentes

Av. Eng. Luís Carlos Berrini, 105 - 12º andar Itaim Bibi, São Paulo (SP) Brasil

T +55 11 3886-5100

To the Management, Directors and Shareholders of
Saraiva Livreiros S.A. - Under Judicial Reorganization
São Paulo – SP

Introduction

We have reviewed the individual and consolidated interim financial information of Saraiva Livreiros S.A. Under Judicial Reorganization ("Company"), identified as Parent and consolidated, respectively, included in the Interim Financial Information Form (ITR) for the quarter ended September 30, 2019, which comprises the balance sheet as of September 30, 2019 and the related statement of operations, statement of comprehensive loss for the three- and nine-month periods then ended, and statement of changes in equity and statement of cash flows for the nine-month period then ended, including the explanatory notes.

The Company's Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with NBC TG 21 - Interim Financial Reporting and the consolidated interim financial information in accordance with NBC TG 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this individual and consolidated interim financial information based on our review.

Scope of review

Except for the matters described in the "Basis for qualified conclusion on the individual and consolidated interim financial information" paragraph, we conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion on the individual and consolidated interim financial information

Measurement of credits arising from deduction of ICMS from the tax base for PIS and Cofins (taxes on revenue)

As disclosed in Note 7, the individual and consolidated interim financial information, the Company obtained a final unappealable decision for three lawsuits in December 2018 (for this lawsuit, we were informed that the Company´s legal advisors communicated such outcome to Management only in the current period), August and September 2019, favorably to the deduction of ICMS from the tax base of PIS and Cofins for the tax determination period beginning 2001. Through the reporting date of this individual and consolidated interim financial information, the Company had not completed its analysis of the credit amount to be recognized arising from the abovementioned favorable decisions and of the possible tax impacts, if any, on the gain determined and the respective recoverability analysis ("impairment") of such tax credits.

If the Company had completed the analysis of these tax credits, certain elements of the individual and consolidated interim financial information, including certain disclosures, might be significantly affected.

Qualified conclusion on the individual and consolidated interim financial information

Based on our review, except for the effects of the matter described in the "Basis for qualified conclusion on the individual and consolidated interim financial information" paragraph, if any, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (SEC).

Significant uncertainty as to the ability to continue as a going concern and judicial reorganization plan

As described in Notes 1 and 31 to the individual and consolidated financial statements, the Company, together with is subsidiary, filed a request for judicial reorganization on November 23, 2018, which was approved on November 26, 2018. The Company and its subsidiary then submitted a judicial reorganization plan on February 04, 2019, which was discussed with their creditors and amended. The revised judicial reorganization plan was finally approved by all classes of creditors, under article 45 of Law No. 11.101/2005, on August 29, 2019, and ratified on September 04, 2019.

In its judicial reorganization plan, the Company mentioned the recovery actions to be taken and the respective economic feasibility of the plan as supported by a financial-economic appraisal report which was attached to the plan approved by the creditors. The judicial reorganization plan takes into account, among other aspects, a significant reduction of operating expenses and the replacement of the Chief Executive Office and the Board of Directors' members.

The Company's ability to continue as a going concern will depend on whether future events will allow the Company to successfully execute the projected financial-economic feasibility plan and meet other requirements defined in the respective judicial reorganization plan. Our conclusion is not qualified regarding this matter.

Emphasis of matter

Recognition of the effects arising from the approval of the judicial reorganization plan

As described in Note 31, the judicial reorganization plan was approved by all classes of creditors on August 29, 2019 and establishes a payment schedule relating to the respective creditors. As required by Technical Pronouncement CPC 12 – Adjustment to Present Value, the Company recorded in the quarter ended September 30, 2019 the effect of the adjustment to present value, considering the payment schedule established in the respective plan, and an adjustment to present value in the amount of R$5,532 thousand was recognized in the quarter, generating a tax effect of R$1,881 thousand, Parent, and R$292,397 thousand, generating a tax effect of R$99,415 thousand, Consolidated.

Additionally, the judicial reorganization plan established that the sub-class of creditors referred to as "incentive supplier creditor" will be able to convert part of their receivables, limited to a total amount of R$50 million, into subscription warrants convertible into shares in the Company in up to three (03) years as of the issuance date of the respective subscription warrants. The recognition of the effect of this matter will depend on whether the respective creditors will exercise their subscription options. Consequently, no adjustments arising from this matter was made to date. Our conclusion is not qualified regarding these matters.

Other matters

Statements of value added

The interim financial information referred to above includes the statements of value added ("DVA") for the nine-month period ended September 30, 2019, prepared under the responsibility of the Company's Management and presented as additional information for IAS 34 purposes. These statements were subject to review procedures performed together with the review of the interim financial information in order to conclude whether they are reconciled to the interim financial information and accounting records, as applicable, and whether their form and substance are in accordance with the criteria defined in NBC TG 09 – Statement of value added. Based on our review, except for the effects of the matter described in the "Basis for qualified conclusion on the individual and consolidated interim financial information" paragraph, nothing has come to our attention that causes us to believe that such statements of value added were not prepared, in all material respects, according to the criteria defined in that Standard and consistently in relation to the individual and consolidated interim financial information taken as a whole.

São Paulo, November 13, 2019

Rafael Dominguez Barros
Assurance Partner

Grant Thornton Auditores Independentes

Contents

Company information/Capital composition

Quantity of shares (Thousand)	Current quarter 09/30/2019
Paid-in capital	
Common	9,622
Preferred shares	17,080
Total	26,702
Treasury	
Common	16
Preferred shares	0
Total	16

Individual interim financial information / Balance sheet - Assets - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	09/30/2019	12/31/2018
1	Total assets	41,908	164,650
1.01	Current assets	22,317	23,043
1.01.01	Cash and cash equivalents	177	760
1.01.03	Trade receivables	51	52
1.01.03.02	Other receivables	51	52
1.01.06	Recoverable taxes	179	179
1.01.06.01	Current recoverable taxes	179	179
1.01.07	Prepaid expenses	483	625
1.01.08	Other current assets	21,427	21,427
1.01.08.01	Noncurrent assets available for sale	21,427	21,427
1.02	Noncurrent assets	19,591	141,607
1.02.01	Long-term assets	19,337	20,281
1.02.01.08	Prepaid expenses	1,319	1,680
1.02.01.10	Other noncurrent assets	18,018	18,601
1.02.02	Investments	23	120,966
1.02.02.01	Equity interests	23	120,966
1.02.02.01.02	Equity interests in subsidiaries	-	120,943
1.02.02.01.04	Other investments	23	23
1.02.03	Property and equipment	231	360
1.02.03.01	Property, plant and equipment in use	231	360

Individual interim financial information / Balance sheet - Liabilities - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	09/30/2019	12/31/2018
2	Total liabilities	41,908	164,650
2.01	Current liabilities	9,984	23,913
2.01.01	Payroll and related taxes	397	383
2.01.01.01	Social security obligations	115	111
2.01.01.02	Payroll related obligations	282	272
2.01.02	Trade payables	338	1,719
2.01.02.01	Domestic suppliers	338	1,719
2.01.03	Taxes payable	77	63
2.01.03.01	Taxes payable - Federal	77	63
2.01.05	Other payables	9,172	21,748
2.01.05.01	Payables to related parties	6,066	2,183
2.01.05.01.02	Payables to subsidiaries	6,066	2,183
2.01.05.02	Other	3,106	19,565
2.01.05.02.01	Dividends and interest on capital payable	-	5.832
2.02	Noncurrent liabilities	13,344	19,831
2.02.02	Other payables	3,444	11,634
2.02.02.01	Payables to related parties	1,027	-
2.02.02.01.01	Payables to associates	1,027	-
2.02.02.02	Other	2,417	11,634
2.02.03	Deferred taxes	6,558	4,586
2.02.03.01	Deferred income tax and social contribution	6,558	4,586
2.02.04	Provisions	3,342	3,611
2.02.04.01	Provisions for social security, labor and civil risks	3,342	3,611
2.02.04.01.02	Provision for social security and labor risks	2,930	3,246
2.02.04.01.04	Provision for civil risks	412	365
2.03	Equity	18,580	120,906
2.03.01	Paid-in capital	282,999	282,999
2.03.02	Capital reserves	15,329	5,311
2.03.02.04	Stock options granted	5,329	5,311
2.03.02.06	Advance for future capital increase	10,000	-
2.03.04	Earnings reserves	11,401	-233
2.03.04.06	Special reserve for undistributed dividends	11,634	-
2.03.04.09	Treasury shares	-233	-233
2.03.05	Retained earnings (accumulated losses)	-302,428	-178,450
2.03.06	Valuation adjustments to equity	11,279	11,279

Individual interim financial information / Statement of profit and loss - (R$ thousand)
(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	07/01/2019 to 09/30/2019	01/01/2019 to 09/30/2019	01/07/2018 to 09/30/2018	01/01/2018 to 09/30/2018
3.04	Operating income (expenses)	7,836	-125,809	-65,376	-100,574
3.04.02	General and administrative expenses	-516	-3,676	-1,025	-3,390
3.04.04	Other operating income	20,524	20,525	246	277
3.04.05	Other operating expenses	-124	-216	-176	-797
3.04.06	Share of profit (loss) of investees	-12,048	-142,442	-64,421	-96,664
3.05	Profit (loss) before finance income (costs) and taxes	7,836	-125,809	-65,376	-100,574
3.06	Finance income (costs)	5,429	5,324	-8	-125
3.06.01	Finance income	5,676	5,984	220	785
3.06.02	Finance costs	-247	-660	-228	-910
3.07	Profit (loss) before taxes on income	13,265	-120,485	-65,384	-100,699
3.08	Income tax and social contribution	-1,881	-1,881	-	-
3.08.02	Deferred	-1,881	-1,881	-	-
3.09	Profit (loss) from continuing operations	11,384	-122,366	-65,384	-100,699
3.10	Profit (loss) from discontinued operations	160	-1,612	-1,218	-2,240
3.10.01	Profit/loss from discontinued operations	160	-1,612	-1,218	-2,240
3.11	Profit/loss for the period	11,544	-123,978	-66,602	-102,939

Individual interim financial information / Statement of comprehensive loss - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	07/01/2019 to 09/30/2019	01/01/2019 to 09/30/2019	07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018
4.01	Profit (loss) for the period	-11,544	-123,978	-66,602	-102,939
4.02	Other comprehensive income	0	0	984	547
4.03	Comprehensive income for the period	-11,544	-123,978	-65,618	-102,392

Individual interim financial information / Statement of cash flows - (R$ thousand) - Indirect Method

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	01/01/2019 to 09/30/2019	01/01/2018 to 09/31/2018
6.01	Net cash provided by operating activities	-4,464	-6,849
6.01.01	Cash provided by operations	-3,729	-2,701
6.01.02	Changes in assets and liabilities	-735	-4,148
6.02	Net cash provided by investing activities	10	-
6.03	Net cash provided by financing activities	3,871	7,062
6.03.08	Foreign currency borrowings	-583	213
6.05	Increase (decrease) in cash and cash equivalents	760	11
6.05.01	Cash and cash equivalents at the beginning of the period	177	224
6.05.02	Cash and cash equivalents at the end of the period	-583	213

Individual interim financial information / Statement of changes in equity - DMPL-01/01/2019–09/30/2019 (R$ thousand)
(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings or accumulated losses	Other comprehensive income (loss)	Equity
5.01	Opening balances	282,999	5,078	-	-178,450	11,279	120,906
5.03	Adjusted opening balances	282,999	5,078	-	-178,450	11,279	120,906
5.04	Capital transactions with shareholders	-	10,018	11,634	-	-	21,652
5.04.01	Capital increases	-	10,000	-	-	-	10,000
5.04.03	Options granted recognized	-	18	-	-	-	18
5.04.08	Special reserve for undistributed mandatory dividends	-	-	11,634	-	-	11,634
5.05	Total comprehensive income (loss)	-	-	-	-123,978	-	-123,978
5.05.01	Profit (loss) for the period	-	-	-	-123,978	-	-123,978
5.07	Closing balances	282,999	15,096	11,634	-302,428	11,279	18,580

Individual interim financial information / Statement of changes in equity - DMPL-01/01/2018–09/30/2018 (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings or accumulated losses	Other comprehensive income (loss)	Equity
5.01	Opening balances	282,999	5,011	123,280	-	10,732	422,022
5.03	Adjusted opening balances	282,999	5,011	123,280	-	10,732	422,022
5.04	Capital transactions with shareholders	-	55	-	-	-	55
5.04.03	Options granted recognized	-	55	-	-	-	55
5.05	Total comprehensive income (loss)	-	-	-	-102,939	547	-102,392
5.05.01	Profit (loss) for the period	-	-	-	-102,939	-	-102,939
5.05.02	Other comprehensive income	-	-	-	-	547	547
5.07	Closing balances	282,999	5,066	123,280	-102,939	11,279	319,685

Individual interim financial information / Statement of value added - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	01/01/2019 to 09/30/2019	01/01/2018 to 09/31/2018
7.01	Revenue	20,683	277
7.01.02	Other income	20,535	277
7.01.04	Allowance/Reversal of allowance for expected credit losses	148	-
7.02	Inputs acquired from third parties	-1,730	-947
7.02.02	Materials, electric power, outside services and other	-1,730	-947
7.03	Gross value added	18,953	-670
7.04	Retentions	-1,741	-3,034
7.04.01	Depreciation, amortization and depletion	-129	-794
7.04.02	Other	-1,612	-2,240
7.05	Net wealth created	17,212	-3,704
7.06	Wealth received in transfer	-136,458	-95,879
7.06.01	Share of profit (loss) of investees	-142,442	-96,664
7.06.02	Finance income	5,984	785
7.07	Total wealth for distribution	-119,246	-99,583
7.08	Wealth distributed	-119,246	-99,583
7.08.01	Personnel	1,635	2,034
7.08.01.01	Salaries and wages	1,049	1,452
7.08.01.02	Benefits	153	105
7.08.01.03	Severance Pay Fund (FGTS)	1	-14
7.08.01.04	Other	432	491
7.08.02	Taxes and contributions	2,484	536
7.08.02.01	Federal	2,097	213
7.08.02.03	Municipal	387	323
7.08.03	Lenders and lessors	613	786
7.08.03.01	Interest	303	571
7.08.03.03	Other	310	215
7.08.04	Shareholders	-123,978	-102,939
7.08.04.03	Retained earnings / Loss for the period	-123,978	-102,939

Consolidated interim financial information / Balance sheet - Assets - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	09/30/2019	12/31/2018
1	Total assets	937,906	978,674
1.01	Current assets	302,419	483,634
1.01.01	Cash and cash equivalents	16,970	95,423
1.01.02	Short-term investments	-	6
1.01.02.03	Short-term investments at amortized cost	-	6
1.01.03	Trade receivables	51,694	91,185
1.01.03.01	Trade receivables	27,704	57,685
1.01.03.02	Other receivables	23,990	33,500
1.01.04	Inventories	124,660	174,851
1.01.06	Recoverable taxes	86,451	97,976
1.01.06.01	Current recoverable taxes	86,451	97,976
1.01.07	Prepaid expenses	1,217	2,766
1.01.08	Other current assets	21,427	21,427
1.01.08.01	Noncurrent assets available for sale	21,427	21,427
1.02	Noncurrent assets	635,487	495,040
1.02.01	Long-term assets	228,108	240,488
1.02.01.08	Prepaid expenses	1,701	2,483
1.02.01.10	Other noncurrent assets	226,407	238,005
1.02.02	Investments	149	23
1.02.02.01	Equity interests	23	23
1.02.02.01.05	Other investments	23	23
1.02.02.02	Investment Properties	126	-
1.02.03	Property and equipment	334,683	51,584
1.02.03.01	Property, plant and equipment in use	41,854	51,584
1.02.03.02	Right of use - Lease	292,808	-
1.02.03.03	Construction in progress	21	-
1.02.04	Intangible assets	72,547	202,945
1.02.04.01	Intangible assets	72,547	202,945

Consolidated interim financial information / Balance sheet - Liabilities - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	09/30/2019	12/31/2018
2	Total liabilities	937,906	978,674
2.01	Current liabilities	244.429	800.036
2.01.01	Payroll and related taxes	17.369	13.514
2.01.01.01	Social security obligations	5.281	6.111
2.01.01.02	Payroll related obligations	12.088	7.403
2.01.02	Trade payables	79.214	549.324
2.01.02.01	Domestic suppliers	76.984	545.385
2.01.02.02	Foreign suppliers	2.230	3.939
2.01.03	Taxes payable	5.555	6.823
2.01.03.01	Taxes payable - Federal	1.866	1.749
2.01.03.02	Taxes payable - State	3.645	5.067
2.01.03.03	Taxes payable - Municipal	44	7
2.01.04	Borrowings and financing	52.362	154.468
2.01.04.01	Borrowings and financing	8.300	154.468
2.01.04.01.01	In local currency	8.300	154.468
2.01.04.03	Finance lease	44.062	-
2.01.05	Other payables	86.675	71.587
2.01.05.02	Other	86.675	71.587
2.01.05.02.01	Dividends and interest on capital payable	-	5.832
2.01.06	Provisions	3.254	4.320
2.01.06.02	Other provisions	3.254	4.320
2.02	Noncurrent liabilities	674.897	57.720
2.02.01	Borrowings and financing	411.488	18.403
2.02.01.01	Borrowings and financing	141.270	18.403
2.02.01.01.01	In local currency	141.270	18.403
2.02.01.03	Finance lease	270.218	-
2.02.02	Other payables	196.439	17.924
2.02.02.02	Other	196.439	17.924
2.02.03	Deferred taxes	52.045	4.586
2.02.03.01	Deferred income tax and social contribution	52.045	4.586
2.02.04	Provisions	14.925	16.807
2.02.04.01	Provisions for social security, labor and civil risks	14.925	16.807
2.02.04.01.01	Provisions for tax risks	3.223	3.210
2.02.04.01.02	Provision for social security and labor risks	7.990	11.564
2.02.04.01.04	Provision for civil risks	3.712	2.033
2.03	Consolidated Equity	18.580	120.918
2.03.01	Paid-in capital	282.999	282.999
2.03.02	Capital reserves	15.329	5.311
2.03.02.04	Stock options granted	5.329	5.311
2.03.02.06	Advance for future capital increase	10.000	-
2.03.04	Earnings reserves	11.401	-233
2.03.04.06	Special reserve for undistributed dividends	11.634	-
2.03.04.09	Treasury shares	-233	-233
2.03.05	Retained earnings (accumulated losses)	-302.428	-178.450
2.03.06	Valuation adjustments to equity	11.279	11.279
2.03.09	Noncontrolling Interests	-	12

Consolidated interim financial information/Statement of profit and loss - (R$ thousand)
(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	01/07/2019 to 09/30/2019	01/01/2019 to 09/30/2019	01/07/2018 to 09/30/2018	01/01/2018 to 09/30/2018
3.01	Revenue from sales and/or services	152.663	513.252	310.388	1.245.324
3.02	Cost of sales and/or services	-97.812	-364.257	-229.173	-876.751
3.03	Gross profit (loss)	54.851	148.995	81.215	368.573
3.04	Operating income (expenses)	-262.549	-468.139	-139.198	-449.628
3.04.01	Selling expenses	-63.729	-171.963	-99.573	-344.179
3.04.02	General and administrative expenses	-34.091	-94.383	-30.786	-79.141
3.04.04	Other operating income	3.716	11.340	3.306	11.220
3.04.05	Other operating expenses	-168.445	-213.133	-12.145	-37.528
3.05	Profit (loss) before finance income (costs) and taxes	-207.698	-319.144	-57.983	-81.055
3.06	Finance income (costs)	266.449	244.134	-14.360	-42.324
3.06.01	Finance income	293.657	296.098	-199	17.553
3.06.02	Finance costs	-27.208	-51.964	-14.161	-59.877
3.07	Profit (loss) before taxes on income	58.751	-75.010	-72.343	-123.379
3.08	Income tax and social contribution	-47.368	-47.368	6.954	22.672
3.08.02	Deferred	-47.368	-47.368	6.954	22.672
3.09	Profit (loss) from continuing operations	11.383	-122.378	-65.389	-100.707
3.10	Profit (loss) from discontinued operations	160	-1.612	-1.218	-2.240
3.10.01	Profit/loss from discontinued operations	160	-1.612	-1.218	-2.240
3.11	Consolidated profit/loss for the period	11.543	-123.990	-66.607	-102.947
3.11.01	Attributable to the Company's owners	11.544	-123.978	-66.602	-102.939
3.11.02	Attributable to noncontrolling interests	-1	-12	-5	-8

Consolidated interim financial information / Statement of comprehensive loss - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	07/01/2019 to 09/30/2019	01/01/2019 to 09/30/2019	07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018
4.01	Consolidated profit (loss) for the period	-17,260	-118,273	-66,607	-102,947
4.02	Other comprehensive income	-	-	984	547
4.03	Consolidated comprehensive income (loss) for the period	-17,260	-118,273	-65,623	-102,400
4.03.01	Attributable to the Company's owners	-17,261	-118,261	-65,618	-102,392
4.03.02	Attributable to noncontrolling interests	-1	-12	-5	-8

Consolidated interim financial information / Statement of cash flows - (R$ thousand) - Indirect Method

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	01/01/2019 to 09/30/2019	01/01/2018 to 09/30/2018
6.01	Net cash provided by operating activities	1,113	185,789
6.01.01	Cash provided by operations	-136,898	-43,995
6.01.02	Changes in assets and liabilities	138,011	229,784
6.02	Net cash provided by investing activities	-9,122	-84,035
6.03	Net cash provided by financing activities	-70,440	-154,902
6.05	Increase (decrease) in cash and cash equivalents	-78,453	-53,148
6.05.01	Cash and cash equivalents at the beginning of the period	95,423	68,943
6.05.02	Cash and cash equivalents at the end of the period	16,970	15,795

Consolidated interim financial information / Statement of changes in equity DMPL-01/01/2019–06/30/2019 - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Account	Description	Paid-in	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings or accumulated losses	Other comprehensive income (loss)	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening balances	282,999	5,078	0	-178,450	11,279	120,906	12	120,918
5.03	Adjusted opening balances	282,999	5,078	0	-178,450	11,279	120,906	12	120,918
5.04	Capital transactions with shareholders	0	10.018	11.634	0	0	21.652	0	21.652
5.04.03	Options granted recognized	0	18	0	0	0	18	0	18
5.05	Total comprehensive income (loss)	0	0	0	-123,978	0	-123,978	-12	-123,990
5.05.01	Profit (loss) for the period	0	0	0	-123,978	0	-123,978	-12	-123,990
5.07	Closing balances	282,999	15,096	11.634	-302,428	11,279	-14,598	1	-18,580

Consolidated interim financial information / Statement of changes in equity - DMPL-01/01/2018–06/30/2018 (R$ thousand)

(Free translation from the original issued in Portuguese, In the event of any discrepancies, the Portuguese language version shall prevail,)

Account	Description	Paid-in	Capital reserves, stock options granted and treasury shares	Earnings reserves	Retained earnings or accumulated losses	Other comprehensive income (loss)	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening balances	282,999	5,011	123,280	-	10,732	422,022	36	422,058
5.03	Adjusted opening balances	282,999	5,011	123,280	-	10,732	422,022	36	422,058
5.04	Capital transactions with shareholders	-	55	-	-	0	55	0	55
5.04.03	Options granted recognized	-	55	-	-	0	55	0	55
5.05	Total comprehensive income (loss)	-	-	-	-102,939	-547	-102,392	-8	-102,400
5.05.01	Profit (loss) for the period	-	-	-	-102,939	0	-102,939	-8	-102,947
5.05.02	Other comprehensive income	-	-	-	-	-547	-547	0	-547
5.07	Closing balances	282,999	5,066	123,280	-102,939	11,279	319,685	28	385,323

Consolidated interim financial information / Statement of value added - (R$ thousand)
(Free translation from the original issued in Portuguese, In the event of any discrepancies, the Portuguese language version shall prevail,)

Account	Description	01/01/2019 to 09/30/2019	01/01/2018 to 09/30/2018
7.01	Revenue	563,827	1,338,294
7.01.01	Sales of goods, products and services	534,694	1,333,522
7.01.02	Other income	31,853	16,469
7.01.04	Allowance/Reversal of allowance for expected credit losses	-2,720	-11,697
7.02	Inputs acquired from third parties	-697,580	-1.172,407
7.02.01	Cost of products, goods and services rendered	-375,045	-936,368
7.02.02	Materials, electric power, outside services and other	-237,350	-235,826
7.02.04	Other	-85,185	-213
7.03	Gross value added	-133,753	165,887
7.04	Retentions	-63,796	-29,593
7.04.01	Depreciation, amortization and depletion	-62,184	-27,353
7.04.02	Other	-1,612	-2,240
7.05	Net wealth created	-197,549	136,294
7.06	Wealth received in transfer	296,098	3,957
7.06.02	Finance income	296,098	3,957
7.07	Total wealth for distribution	98,549	140,251
7.08	Wealth distributed	98,549	140,251
7.08.01	Personnel	98,637	131,653
7.08.01.01	Salaries and wages	58,993	82,004
7.08.01.02	Benefits	20,555	26,005
7.08.01.03	Severance Pay Fund (FGTS)	8,442	7,972
7.08.01.04	Other	10,647	15,672
7.08.02	Taxes and contributions	69,979	20,665
7.08.02.01	Federal	55,511	-14,176
7.08.02.02	State	9,444	28,367
7.08.02.03	Municipal	5,024	6,474
7.08.03	Lenders and lessors	53,923	90,880
7.08.03.01	Interest	42,677	37,079
7.08.03.02	Rentals	2,812	44,899
7.08.03.03	Other	8,434	8,902
7.08.04	Shareholders	-123,990	-102,947
7.08.04.03	Retained earnings / Loss for the period	-123,978	-102,939
7.08.04.04	Noncontrolling interests in retained earnings	-12	-8

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 exist, 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**
Gross Margin (%)	*35.9%*			*39.7%*
Operating Expenses	**(241,729)**	**(16,750)**	**165,327**	**(93,152)**
EBITDA	**(186,878)**	**(16,750)**	**171,042**	**(32,587)**
EBITDA Margin (%)	*-122.4%*			*-21.3%*
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)**
Net Margin (%)	*7.6%*			*-38.5%*

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 (m²)	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%**
Adjusted EBITDA Margin (%)	-21.3%	-15.9%	-5.4 p.p.	-36.2%	14.9 p.p.	-26.5%	-4.1%	-22.4 pp

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)

Consolidated[1]	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.

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

SARAIVA LIVREIROS S.A. - UNDER JUDICIAL REORGANIZATION AND SUBSIDIARY

NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2019
(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

1. GENERAL INFORMATION

Saraiva Livreiros S.A. – under judicial reorganization ("Parent Company") is a Brazilian publicly-held corporation founded in 1914 and headquartered at Rua Henrique Schaumann, 270, in the city of São Paulo, State of São Paulo, with shares traded on B3 S.A. - Brasil, Bolsa, Balcão ("B3") under the ticker symbols SLED3 and SLED4, and Level 2 of Corporate Governance, engaged in the retail segment by means of Saraiva e Siciliano S. A. under judicial reorganization ("Varejo").

Varejo is a Brazilian privately-held company headquartered in the city of São Paulo, State of São Paulo, controlled by the Parent, which holds a direct equity interest of 99.99% in its common shares, and primarily engaged in the retail of books, games, films, music, stationery, digital content, and e-readers. Sales are made through electronic retailing and a chain of 73 stores. Varejo also operates technology products by means of its own marketplace, integrated to the e-commerce.

In the year ended December 31, 2018, the Parent recorded loss of R$301,730 mainly due to the current scenario of economic crisis, started in 2015, which has caused consecutive economic downturns and, consequently, contraction in consumption, strongly impacting Varejo's operations.

On November 23, 2018, the Company filed a request for judicial reorganization to make it feasible overcoming the financial crisis while preserving the source of income and the continuity of the business. The request for judicial reorganization was approved and a trustee was appointed on November 26, 2018. On August 1, 2019, the revised Judicial Reorganization Plan submitted on February 04, 2019 was added to the tax debt refinancing process. On September 04, 2019, the Judicial Reorganization Plan approved by the General Creditors Meeting of August 29, 2019, was ratified. The decision was published in São Paulo State Official Gazette of September 18, 2019 (Note 31).

The full text of the Judicial Reorganization Plan, as well as the General Creditors Meeting's minutes and other documents relating to the Company's and Varejo's judicial reorganization process were made available on the Investor Relations page of the Company's website. (http://www.saraivari.com.br) and on the Brazilian Securities and Exchange Securities' website (http://www.cvm.gov.br).

Management has endeavored all efforts to make the adjustments necessary to ensure that the Company is able to continue as a going concern. The actions taken, coupled with the Judicial Reorganization Plan, which establishes efficiency actions for the equalization and settlement of the companies' liabilities, such as the restructuring of liabilities and the maintenance of investments considered critical for the operating continuity, and, also, changes to the Corporate Governance structure, support the Company's future feasibility.

Management, aware of the importance of such challenges, is mobilized to make the adjustments required to ensure the success of the Judicial Reorganization Plan and, consequently, the Company’s ability to continue as a going concern, according to the financial-economic appraisal report that supported the approval of the Judicial Reorganization Plan. Accordingly, Management is optimistic as to its judgment of the Company’s ability to recover and maintain its operating activity.

There is a huge market challenge ahead. However, we are fully confident that Brazil’s book segment will grow and recover from the crisis. Considering that we can already see recovery in other major retail segments in Brazil, in addition to recent disclosures with improvement of key economic indicators, we have a scenario showing prospects of improvement for all of our main operating segments.

2. BASIS OF PREPARATION AND PRESENTATION OF the INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION

Statement of compliance

The interim financial information includes the individual and consolidated interim financial information, prepared and presented in accordance with CPC 21 - Interim Financial Reporting, and the consolidated interim financial information in accordance with CPC 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Interim Financial Information (ITR). The accounting practices adopted in Brazil applied to the individual financial information do not differ from the International Financial Reporting Standards (IFRS), which has permitted entities to measure investments in subsidiaries, associates and shared-control companies in the separate financial statements using the equity method of accounting.

All information relevant for the individual and consolidated interim financial information, and only this information, is disclosed and corresponds to that used by Management in managing the operations of the Parent and Varejo.

The basis of preparation and presentation of the Parent’s and Varejo’s interim financial information relating to the measurement, functional currency and sources of judgment and estimates is the same as that disclosed in the financial statements for the year ended December 31, 2018 (Note 2), published on March 29, 2019.

The Executive Board’s meeting held on September 13, 2019 authorized the completion and disclosure of this individual and consolidated interim financial information, which comprises, when applicable, events occurred subsequently to September 30, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The individual and consolidated interim financial information was prepared under the same accounting policies as those disclosed in the financial statements for the year ended December 31, 2018 (Note 3), published on March 29, 2019.

In the quarter ended September 30, 2019, the plot of land and the building that lodges the Parent’s operating unit in Guarulhos are presented as assets held for sale for the amount of R$21,427, equivalent to the lower of the carrying amount and the fair value less selling expenses.

The results from discontinued operations presented in the quarter comprise the residual results from operations related to the Parent's publishing segment, sold to Editora Ática S.A. in 2015.

New standards and interpretations issued by IASB and CPC

Standards and amendments that are effective beginning January 01, 2019:

- IFRS 16 – Leases – CPC 06 (R2);
- IFRIC 23 – Uncertainty over income tax treatments;
- Amendments to IFRS 9 – prepayment features with negative compensation;
- Amendments to IAS 28 – Long-term interests in associates and joint ventures;
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture.

Standard applicable to Varejo effective beginning January 01, 2019:

IFRS 16/CPC 06 – Leases

Since January 01, 2019, the Company has adopted CPC 06 (R2)/IFRS 16 Leases, which introduced a single lease model that replaced the concept of classification between operating and finance leases. IFRS 16 replaced the existing standards applicable to leases, including CPC 06/IAS 17 - Leases and ICPC 03/IFRIC 4, SIC 15 and SIC 27 - Additional Aspects of Leases. The main objective is to define if the agreement contains a lease or the agreement relates to service provision.

The Management of the Company and its subsidiary evaluated the impacts of the new standard and elected to use the modified simplified approach of the retrospective transition effect, without restating comparative periods. The following criteria were adopted in the initial recognition and measurement of assets and liabilities:

- Recognition of the right-of-use asset on the initial application date to leases formerly classified as operating leases. The measurement of the right-of-use asset at the amount equivalent to the lease liability adjusted to present value;

- Recognition of the lease liability on the initial application date for leases formerly classified as operating leases. The lease liability was measured at the present value of the remaining lease payments.

CPC 06 (R2)/IFRS 16 includes two recognition exemptions for lessees which were applied by the Company and its subsidiary on the initial application date, January 01, 2019:

i. Agreements whose remaining term on the first-time adoption date was equal or lower than 12 months: the Company continued to recognize lease payments associated to these leases as expenses on a straight-line basis, over the lease term;

ii. Agreements for which underlying assets were low value: the Company continued to recognize lease payments associated to these leases as expenses on a straight-line basis, over the lease term.

The new standard defines the principles for recognition, measurement, presentation and disclosure of leases and introduces a single model to account for leases in the balance sheet for lessees. A lessee recognizes a right-of-use asset that represents their right to use the leased asset and a lease liability that represents their obligation to make lease payments, Optional exemptions are available for short-term leases and low value assets. For lessors, the accounting treatment remains unchanged; leases continue to be classified either as operating or finance leases.

Impact of the adoption of CPC 06 (R2) on the consolidated interim financial information:

	Financial statements as at 12/31/2018	Impacts of adopting IFRS16 / CPC 06(R2)	Financial statements as at 01/01/2019
Assets			
Current	483,634	-	483,634
Noncurrent	495,040	313,948	808,988
intangible Assets (right of use)	-	313,948	313,948
Total do Assets	978,674	313,948	1,292,622
Liabilities			
Current	800,036	30,108	830,144
Leases payable		30,108	30,108
Noncurrent	57,720	283,840	341,560
Leases payable		283,840	283,840
Equity	120,918	-	120,918
Total do Liabilities and Equity	978,674	313,948	1,292,622

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

a) Cash and cash equivalents

	Parent		Consolidated	
	09/30/19	12/31/18	09/30/19	12/31/18
Cash and banks - hecking account	177	119	16,970	49,110
Short-term investments - cash equivalents	-	641	-	46,313
	177	760	16,970	95,423

b) Short-term investments

	Consolidated	
	09/30/19	12/31/18
Short-term investments	-	6

The exposure to interest rate risks and a sensitivity analysis of financial assets and financial liabilities are disclosed in Note 27.

5. TRADE RECEIVABLES - CUSTOMERS

	Consolidated	
	09/30/19	12/31/18
Trade notes	9,359	10,910
Credit cards	20,459	47,114
	29,818	58,024
Allowance for expected credit losses	(2,114)	(339)
	27,704	57,685

Varejo's days sales outstanding (trade notes receivable) is 35 days (55 days at December 31, 2018). Trade receivables, represented by credit cards, are primarily distributed among the following acquirers: Private Label, Rede and Cielo.

Management did not recognize the adjustment to present value, since all transactions are short term and the effect of such adjustments is considered immaterial when compared to the financial statements taken as a whole.

Maximum exposure to credit risk at the end of each reporting period is the carrying amount of each aging range.

Aging list of receivables

	Consolidated	
	09/30/19	12/31/18
Current	25,672	53,693
Overdue:		
Up To 60 days	65	1,420
61 - 90 days	23	587
91 - 180 days	32	533
> 180 days	4,026	1,791
	29,818	58,024

Trade receivables from Varejo customers are mostly represented by credit and debit card receivables whose losses are originated by sales cancellations or charge back, either because the transaction is not recognized by the cardholder or due to fraud involving the use of cards. Estimated losses on credit card receivables are calculated on sales, based on historical losses, and adjusted as receivables are collected. An allowance for expected credit losses is recognized based on the likelihood of collection and its calculation considers receivables more than 180 days past due and objective evidence of insolvency, default our delays on the part of the debtor. No other significant losses were identified in analyzing impairment of receivables.

Amount charged to profit and loss:

	Consolidated			
	07/01/19 to 09/30/19	01/01/19 to 09/30/19	07/01/18 to 09/30/18	01/01/18 to 09/30/18
Estimated loss on trade receivables	-	-	-	(107)
Effective loss on trade receivables and credit cards	(581)	(2,872)	(6,163)	(11,617)
Recovery of trade receivables considered uncollectible	-	4	-	26
	(581)	(2,868)	(6,163)	(11,698)

6. INVENTORIES

	Consolidated	
	09/30/19	12/31/18
Goods for resale	123,443	173,147
Packaging materials and consumables	1,217	1,704
	124,660	174,851

Loss on obsolescence of inventories

Losses on obsolescence of Varejo's transactions are estimated for groups of similar inventory items in which there was evidence that the net value of realization of goods, due to sales made in the normal course of business, will be lower than the cost value, due to impairment, obsolescence, low turnover or slow moving according to the criteria established by the policy relating to losses on obsolescence of inventories.

The actions adopted by Management in 2018 to increase profitability and strengthen cash included an important adjustment to the mix of products, with the focus remaining on the books segment and technology categories (information technology, telephony, technical assistance and leisure) being discontinued. The strategy to realize the inventory of technology items required a revision to the estimate of loss for such inventory in the first half of 2019.

Goods for resale are presented net of losses on obsolescence of inventories in the amount of R$38,229 as of September 30, 2019 (R$24,002 at December 31, 2018).

7. RECOVERABLE TAXES

	Parent		Consolidated	
	09/30/19	12/31/18	09/30/19	12/31/18
Social Contribution to Finance Social Security - COFINS (ii)	1,745	1,744	124,954	127,655
Social Integration Program - PIS (ii)	36	39	25,791	26,485
Corporate Income Tax - IRPJ	2,781	2,745	19,423	26,210
Social Contribution on Net Profit - CSLL	1,940	2,216	12,696	14,154
State VAT - ICMS				
Recoverable ICMS (i)	-	-	90,802	97,383
Other	179	179	262	261
	6,681	6,923	273,928	292,148
Current assets	179	179	86,451	97,976
Noncurrent assets	6,502	6,744	187,477	194,172
	6,681	6,923	273,928	292,148

(i) ICMS and ICMS ST on Varejo's business and supply operations. There are ongoing actions addressed to the São Paulo State's Treasury Department, where the retail supply operations are centralized, with a view to recover credits accumulated through e-CredAc costing system, under the prevailing RICMS-SP legislation, in the amount of R$67,922, net of loss at realizable value of R$2,100. With the reduction in the mix of products offered by Varejo taxed by ICMS, beginning the last quarter of 2018, there will be a substantial reduction in the accrued amounts of tax credits, In the year ended December 31, 2018, impairment losses were estimated and provided for in the amount of R$20,169;

(ii) Represented substantially by credits from PIS/Cofins contributions, originating from Varejo’s operations, in the amount of R$161,919 (R$152,357 at December 31, 2018) recognized on purchases of goods and services, inputs and expenses, under the prevailing legislation, between 2014 to 2019, which, through the current reporting date, had not been offset against the amount due and paid of the respective contributions.

(iii) Represented by credits arising from annual determinations of income tax and social contribution on net profit, paid on an estimate basis.

Deduction of ICMS from PIS/Cofins tax base

Varejo is a party to four lawsuits discussing the deduction of ICMS from the tax base of PIS and Cofins (taxes on revenue), and an Extraordinary Appeal under the General Repercussion System – RE 574.706/PR was judged and defined that, since ICMS is not included in the companies’ gross revenues or earnings ICMS may be deducted from the tax base of PIS and Cofins. For three out of the four lawsuits, a final unappealable decision was issued in December 2018, August and September 2019.Due to the complexity of the matter, given most of goods subject to ICMS are under the taxpayer substitution regime (reverse charge), and calculations are retrospective to 2001, making it difficult to gather supporting documents and information, generating uncertainty about the credit amounts, the Company engaged an independent specialized tax advisory firm to assist in calculating the amounts that may be deducted from PIS and Cofns tax base. No credits relating to these lawsuits were recognized by the Company.

8. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred income tax and social contribution

	Parent		Consolidated	
	09/30/19	12/31/18	09/30/19	12/31/18
Noncurrent assets:				
Provisions for taxes and contributions payable	-	-	361	1,583
Provision for Tax, civil and labor risks	1,136	1,227	3,979	3,441
Provision for cost of sales of goods held on consignment	-	-	8,738	3,987
Impairment losses	-	-	37,126	16,737
Other provisions	-	-	9,672	1,468
	1,136	1,227	59,876	27,216
Noncurrent liabilities:				
Tax amortization of goodwill on business acquisitions	-	-	-	21,214
Deemed cost of property, plant and equipment - ‘land’	5,810	5,810	5,810	5,810
Finance lease	-	-	6,693	4,775
APV - Recovery Lenders	1,881	-	99,415	-
Other	3	3	3	3
	7,694	5,813	111,921	31,802
	(6,558)	(4,586)	(52,045)	(4,586)
Noncurrent liabilities	(6,558)	(4,586)	(52,045)	(4,586)

The realization of deferred tax assets recognized in Parent and Varejo on temporary differences was considered up to the limit of deferred tax liabilities recognized on temporary differences.

Tax credits arising from income tax and social contribution calculated, respectively, on Varejo’s social contribution tax loss carryforwards were reversed since there is no history of taxable income, under CPC 32 - Income taxes.

b) Reconciliation of effective income tax and social contribution expense

	Parent		Consolidated	
	09/30/19	09/30/18	09/30/19	09/30/18
Accounting loss before income tax and social contributiion	(120,485)	(100,699)	(75,010)	(123,379)
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution at the combined tax rate	40,965	34,238	25,503	41,949
Permanent additions - nondeductible expenses	6,954	(29)	744	(3,418)
Permanent deductions:				
Share of profit (loss) of investees	(48,430)	(32,866)	-	-
Unrecognized tax credits	(1,370)	(1,343)	(73,615)	(15,859)
	(1,881)	-	(47,368)	22,672
Income tax and social contribution on profit (loss) for the period:				
Deffered	(1,881)	-	(47,368)	22,672

9. RELATED PARTIES

a) Business transactions and intragroup loans

The Parent's related parties are as follows:

- Varejo - subsidiary;
- Instituto Jorge Saraiva - other related parties,

Related-party transactions include donation operations; reimbursement of subsidiary´s expenses; intragroup loans; and Advance for Future Capital Increase (AFCI).

Donations in cash are made to Instituto Jorge Saraiva, which was founded in 2004 to support social and community actions in the local community. In the nine-month period ended September 30, 2019, donations made amounted to R$361 (R$343 at September 30, 2018).

The Board of Directors’ meeting of November 03, 2019, attended by the Supervisory Board, resolved that shareholder Mr. Jorge Eduardo Saraiva, in line with the Judicial Reorganization Plan, will use his advance for future capital increase (AFCI), in the amount of R$10,000, to pay in the shares that he subscribes (Note 32). Therefore, the amount recorded in current liabilities was reclassified to Equity, where it will remain until a resolution is made on its capitalization.

Balances and transactions with Varejo:

	09/30/19	12/31/18
Balances at the beginning of the period/year	2,183	7,996
Borrowings	4,235	8,754
Payments made	(543)	(15,100)
Finance costs	191	533
Balances at the end of the period/year	6,066	2,183

b) Board of Directors' and Executive Board's members compensation:

	Parent				Consolidated			
	07/01/19 to 09/30/19	01/01/19 to 09/30/19	07/01/18 to 09/30/18	01/01/18 to 09/30/18	07/01/19 to 09/30/19	01/01/19 to 09/30/19	07/01/18 to 09/30/18	01/01/18 to 09/30/18
Board of Directors´ fees	339	1,016	338	1,019	375	1,124	394	1,091
Executive Board fees	6	18	6	18	333	999	333	3,811
Subtotal	345	1,034	344	1,037	708	2,123	727	4,902
Share-based payment	-	18	13	55	-	18	13	55
Other compensation	88	262	87	252	191	567	158	1,147
	433	1,314	444	1,344	899	2,708	898	6,104

The Parent does not grant postemployment and severance benefits. Under Brazilian Corporate Law and the Parent's bylaws, shareholders are responsible for setting, at the Annual Shareholders' Meeting, the overall compensation of the Board of Directors and the Executive Board. Management members may be granted profit sharing under article 152 of Law No. 6404/76.

The information on the nine-month period ended September 30, 2018 was rectified due to the presentation of Supervisory Board's compensation, in the amount of R$462 (Management fees - R$385 and Other - R$77) together with the compensation of the Board of Directors' members.

10. INVESTMENTS

Varejo's equity interests and main information:

	09/30/19	12/31/18
Number of shares - in thousands	489,666	489,666
Number of shares held - in thousands	489,626	489,626
Equity interest	99.99%	99.99%
Parent´s share in equity (including receivables from Varejo)	100.00%	100.00%
Capital	515,123	515,123
Equity	3,883	146,337
(-) Unrealized profit on sale of intangible assets to Varejo	(3,883)	(25,382)
Total	-	120,955
Investment value	-	120,943

Basis to calculate share of profit (loss) of investees by the Parent:

	Parent			
	01/07/19 to 09/30/19	01/01/19 to 09/30/19	01/07/18 to 09/30/18	01/01/18 to 09/30/18
Calculation basis of share of (profit) loss of investee:				
Varejo's loss	(12,049)	(142,454)	(64,427)	(96,672)
Share of (profit) loss of investee	(12,048)	(142,442)	(64,421)	(96,664)

Changes in investments were as follows:

	09/30/19	12/31/18
Balances at the beginning of period/ye	120,943	414,068
Share of Varejo's profit	(142,442)	(293,672)
Unrealized profit in subsidiary	20,473	-
Portion of unrealized profit on downward operations in excess of equity accounting balance	1,026	-
Share in Varejo's hedge accounting	-	547
Balance at the end of period/year	-	120,943

Varejo's main information:

	09/30/19	12/31/18
Total assets	906,974	962,562
Current and noncurrent liabilities	903,091	816,225
Equity	3,883	146,337

	09/30/19	09/30/18
Net operating revenue	513,252	1,245,324
Costs of sales and services	(364,257)	(876,751)
Gross profit	148,995	368,573
Operating expenses	(262,670)	(419,930)
Depreciation	(61,752)	(25,949)
Other	(160,350)	161
Profit (loss) from operations	(335,777)	(77,145)
Finance income (costs)	238,810	(42,199)
Profit (loss) before taxes	(96,967)	(119,344)
Income tax and social contribution	(45,487)	22,672
Loss	(142,454)	(96,672)

11. PROPERTY AND EQUIPMENT

		Parent					
	Annual depreciation rate - %	09/30/19 Cost	09/30/19 Accumulated depreciation	09/30/19 Net value	12/31/18 Cost	12/31/18 Accumulated depreciation	12/31/18 Net value
Machinery and equipment	10	783	(782)	1	799	(798)	1
Furniture, fixtures and facilities	10	2,490	(2,296)	194	2,490	(2,253)	237
Leasehold improvements	(*)	5,421	(5,388)	33	5,421	(5,371)	50
IT equipment	20	12,387	(12,384)	3	12,387	(12,315)	72
		21,081	(20,850)	231	21,097	(20,737)	360

(*) Leasehold improvements are depreciated over the lower of the lease term or the estimated economic useful lives of the assets.

	Consolidated						
		09/30/19			12/31/18		
	Annual depreciation rate - %	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Buildings and constructions	4	-	-	-	1,260	(1,260)	-
Machinery and equipment	10	6,447	(4,062)	2,385	6,568	(3,810)	2,758
Furniture, fixtures and facilities	10	74,364	(59,416)	14,948	83,893	(65,801)	18,092
Leasehold improvements	(*)	154,729	(139,458)	15,271	164,499	(146,364)	18,135
IT equipment	20	69,592	(60,342)	9,250	70,832	(58,233)	12,599
Leased asset		323,560	(30,752)	292,808	-	-	-
Construction in progress	-	21	-	21	-	-	-
		628,713	(294,030)	334,683	327,052	(275,468)	51,584

(*) Leasehold improvements are depreciated over the lower of the lease term or the estimated economic useful lives of the assets.

Changes in Property and equipment were as follows:

	12/31/18	Additions	Write-offs	09/30/19
Cost:				
Machinery and equipment	799	-	(16)	783
Furniture, fixtures and facilities	2,490	-	-	2,490
Leasehold improvements	5,421	-	-	5,421
IT equipment	12,387	-	-	12,387
Total cost	21,097	-	(16)	21,081
Accumulated depreciation:				
Machinery and equipment	(798)	-	16	(782)
Furniture, fixtures and facilities	(2,253)	(43)	-	(2,296)
Leasehold improvements	(5,371)	(17)	-	(5,388)
IT equipment	(12,315)	(69)	-	(12,384)
Total depreciation	(20,737)	(129)	16	(20,850)
Net value	360	(129)	-	231

	12/31/18	Additions	Write-offs	Transfers	Impairment loss	Impact of adopting IFRS16 / CPC06 (R2)	09/30/19
Cost:							
Buildings and constructions	1,260	-	-	(1,400)	140	-	-
Machinery and equipment	6,568	-	(59)	-	(62)	-	6,447
Furniture, fixtures and facilities	83,893	-	(1,320)	-	(8,209)	-	74,364
Leasehold improvements	164,499	495	(4,421)	206	(6,050)	-	154,729
IT equipment	70,832	47	(509)	-	(778)	-	69,592
Leased asset	-	-	-	-	-	323,560	323,560
Construction in progress	-	227	-	(206)	-	-	21
Total cost	327,052	769	(6,309)	(1,400)	(14,959)	323,560	628,713
Accumulated depreciation:							
Buildings and constructions	(1,260)	(14)	-	1,274	-	-	-
Machinery and equipment	(3,810)	(373)	59	-	62	-	(4,062)
Furniture, fixtures and facilities	(65,801)	(3,071)	1,159	-	8,297	-	(59,416)
Leasehold improvements	(146,364)	(3,325)	4,629	-	5,602	-	(139,458)
IT equipment	(58,233)	(3,607)	500	-	998	-	(60,342)
Leased asset	-	-	-	-	-	(30,752)	(30,752)
Total depreciation	(275,468)	(10,390)	6,347	1,274	14,959	(30,752)	(294,030)
Net value	51,584	(9,621)	38	(126)	-	292,808	334,683

Impairment tests are performed when there are indications of losses. In the year ended December 31, 2018. Management identify events that would indicate the existence of impairment losses of R$1,933. Management did not identify other events that would indicate losses due to impairment in the nine-month period.

12. INTANGIBLE ASSETS

		Parent					
	Annual amortization rate - %	09/30/19			12/31/18		
		Cost	Accumulated amortization	Net value	Cost	Accumulated amortization	Net value
Software	20	710	(710)	-	710	(710)	-

	Annual amortization rate - %	Consolidated 09/30/19 Cost	Accumulated amortization	Net value	12/31/18 Custo	Accumulated amortization	Net value
Goodwill	-	-	-	-	47,776	(841)	46,935
Commercial assignment	20	21,158	(21,158)	-	25,047	(25,047)	-
Software	20	159,328	(86,844)	72,484	237,071	(84,349)	152,722
Trademarks and patents	-	63	-	63	63	-	63
Intangible assets in progress	-	-	-	-	3,225	-	3,225
		180,549	(108,002)	72,547	313,182	(110,237)	202,945

Changes in Intangible assets were as follows:

	Parent 12/31/18	09/30/19
Cost:		
Software	710	710
Accumulated amortization:		
Software	(710)	(710)
Net value	-	-

	Consolidated 12/31/18	Additions	Write-offs	Transfers	Impairment	09/30/19
Cost:						
Goodwill	47,776	-	(47,776)	-	-	-
Commercial assignment	25,047	-	-	-	(3,889)	21,158
Software	237,071	804	(35,736)	7,589	(50,400)	159,328
Trademarks and patents	63	-	-	-	-	63
Intangible assets in progress	3,225	7,589	(3,225)	(7,589)	-	-
Total cost	313,182	8,393	(86,737)	-	(54,289)	180,549
Accumulated amortization:						
Goodwill	(841)	-	841	-	-	-
Commercial assignment	(25,047)	-	-	-	3,889	(21,158)
Software	(84,349)	(21,043)	18,382	-	166	(86,844)
Total amortization	(110,237)	(21,043)	19,223	-	4,055	(108,002)
Net value	202,945	(12,650)	(67,514)	-	(50,234)	72,547

For goodwill and intangible assets with indefinite useful life, impairment tests are performed annually, regardless of whether there are indications of losses and, for the other intangible assets, when there are indications of impairment. In the year ended December 31, 2018, Management identified events that would indicate the existence of impairment losses of R$1. In the quarter ended September 30, 2019, due to the consequences of the judicial reorganization process, Management identified events that indicate the existence of impairment and recorded impairment loss in the amount of R$50,234, calculated and based on a technical appraisal report issued by an independent firm engaged for this purpose.

Goodwill

	Consolidated	
	09/30/19	12/31/18
Goodwill on business acquisition:		
Siciliano	-	46,935

Siciliano

Due to the consequences of the judicial reorganization process, Management, in its best judgment, identified that the economic reasons that supported the recognition of goodwill on future profitability recorded on the acquisition of Siciliano 2008, no longer exist. This appraisal is based on a technical report issued by an independent firm engaged for this purpose. Therefore, the amount of R$46,935 was recorded in "Other operating expenses" on September 30, 2019.

13. BORROWINGS AND FINANCING

	Consolidated	
	09/30/19	12/31/18
In local currency:		
Working capital loans	150,117	121,158
Unamortized borrowing costs	(547)	(1,630)
Finance lease	7,110	16,083
Bail BNDES - Itaú	-	37,260
	156,680	172,871
Lease financing		
In national currency:		
leases payable - CPC 06 (R2)	307,170	-
	463,850	172,871
Current liabilities	52,362	154,468
Noncurrent liabilities	411,488	18,403
	463,850	172,871

Since January 01, 2019, Varejo’s Management has recognized and measured lease agreements in accordance with CPC 06 (R2). The lease liability is recognized at the present value of the contractual obligations on the date of the rental agreements with a contra entry to right of use, recorded in a property and equipment account. Expenses incurred on depreciation and interest are recognized separately in the profit and loss for the periods.

Summary of the characteristics of borrowings and financing

Institution	Purpose	Type	Contract	Maturity	Collaterals	Contracted amount	Finance charges
Banco do Brasil S/A	Working capital	CCB	Mar/2017	Apr/2025	Parent’s collateral signature and property	R$ 120,000	TR + 0,8% p.m.
Banco do Brasil S/A	Working capital	CCB	Aug/2017	Apr/2030	Parent’s collateral signature	R$ 15,000	TR + 0,65% p.m.
Banco Itaú S/A	Working capital	CCB	Mar/2019	Sept/2021	Parent’s collateral signature and receivables	R$ 16,640	TR + 0,8% p.m.
HP Financial Services S/A	Software and maintenance	Leasing	Nov/2015	Dec/2020	Leased asset	R$ 10,709	100% CDI a.a. + 0.29% p.m
SG Equipment Finance S/A	Software and maintenance	Leasing	Dec/2014	Dec/2019	Leased asset	R$ 12,223	100% CDI a.a. + 0.23% p.m
HP Financial Services S/A	Software and maintenance	Leasing	Mar/2017	Feb/2020	Leased asset	R$ 6,451	100% CDI a.a. + 0.26% p.m

Changes in the nine-month period ended September 30, 2019

Descrição	12/31/18	Loans obtained	Impact of adopting CPC 06 (R2)	Charges	Major payments and interest	09/30/19
Working capital loans	119,528	17,998	-	13,364	(773)	150,117
Finance lease	16,083	-	-	1,000	(9,973)	7,110
Bail BNDES - Itaú	37,260	-	-	983	(38,243)	-
leases payable	-	-	323,530	19,147	(35,507)	307,170
	172,871	17,998	323,530	34,494	(84,496)	464,397

BNDES financing

Collaterals

In December 2018, BNDES executed the guarantee with Banco Itaú for the settlement of the borrowings’ outstanding balance, in the amount of R$40,617. On March 13, 2019, the outstanding balance of the guarantee, in the amount of R$41,640, was settled by using the checking account balance, in the amount of R$25,000, and borrowings contracted with Banco Itaú, in the form of Bank Credit Notes, in the amount of R$16,718.

Summary of the conditions contracted:

- **Transaction date:** 03/13/2019;
- **Finance charges:** 3% p.a. + 100% of CDI;
- **Collateral:** A minimum of R$3.5MM of Agenda from Mastercard and Hipercard brands;
- **Transaction term:** 30 months and 1-year grace period for the principal.

In December 2018, Alelo executed the guarantee with Banco do Brasil to settle invoices that were outstanding, since the accrual period to which they referred was prior to the Judicial Reorganization process, in the amount of R$1,077.In August 2019, the guarantee debt balance, totaling R$1,359, was rescheduled as part of the Judicial Reorganization Plan, under the category "Creditors with Collaterals", in a borrowing transaction contracted with Banco do Brasil, in the form of Bank Credit Notes, in the amount of R$1,359.

Summary of the conditions contracted:

- Transaction date: 08/30/2019
- Finance charges: TR + 0.80% pm
- Collateral: Parent's collateral signature
- Transaction term: 120 months and 13-month grace period to pay the principal.

Working capital loans

Transactions contracted to meet working capital requirements

Banco do Brasil

Varejo renegotiated the amount of R$120,000, also contracted with Banco do Brasil, to a rate of 132% of the CDI, with extension of the payment term to three years, with repayments on a quarterly basis and a one-year grace period. On July 25, 2018, an amendment was signed to change the principal repayment schedule and exchange the original collateral (assignment of trade receivables) for mortgage. In August 2019, the amount of R$116,615 was rescheduled as part of the Judicial Reorganization process, under the category "Creditors with Collaterals", which changed the payment schedule to repay the principal to 10 years, payable in monthly installments, a 13-month grace period, subject to a revised interest based on TR + 0.80% pm.

On July 27, 2017, Varejo contracted a transaction in the form of Bank Credit Notes (CCB), in the amount of R$15,000, bearing charges of 120% of the CDI variation, maturing in February 2018 and guaranteed by the Parent's collateral signature. In February 2018, the amount of R$13,000, at a rate of 124.25% of the CDI variation, with extension of the payment term to one year, thus maturing on August 01, 2018. In July 2018, the amount of R$13,000, was renegotiated at a rate of 132% of the CDI variation and the repayment term was extended to November 01, 2018. In October 2018, the amount of R$13,000 was renegotiated at a rate of 132% of the CDI variation, and the payment term was extended to April 01, 2019. In September 2019, In September 2019, the amount of R$14,384 was rescheduled as part of the Judicial Reorganization process, under the category "Strategic Financing Suppliers", which changed the payment schedule to repay the principal to 5 years, payable in monthly installments, a 7-month grace period, subject to a revised interest based on TR + 0.65% pm.

14. DEFERRED REVENUE - CUSTOMER LOYALTY PROGRAM

Varejo’s customer loyalty program Saraiva Plus promotes the purchases of products made by customers both online and at the stores, by converting the respective amounts into points that, accumulated under the rules of the program, may be used as a credit to pay future purchases.

On June 16, 2017, changes were introduced to the customer loyalty program. Under the new regulation governing the Program, at each 500 points (Bonus) acquired (formerly, at each 1,000 points), the customer is granted a voucher of R$10,00 to be used in up to three months in the form of discounts in future purchases made in any store and Varejo electronic commerce. This voucher may be used to purchase any product. Vouchers issued but not used expire in three months. Any points accumulated that do not reach 500 points expire in 12 months. Sale revenue leveraged by the customer loyalty program is recognized in deferred income, in current liabilities, in the amount of accumulated points, according to accumulation rules. Deferred income is recognized in profit or loss when the vouchers acquired by the customers are actually used and when the right to use the vouchers and points that do not accumulated Bonus actually expires.

As of September 30, 2019, deferred revenue of the loyalty program, recognized in a specific line item in consolidated, is R$3,254 (R$4,320 as of December 31, 2018).

15. TRADE PAYABLES

	Parent		Consolidated	
	09/30/19	12/31/18	09/30/19	12/31/18
Domestic suppliers	338	1,719	76,984	545,385
Foreign suppliers	-	-	2,230	3,939
	338	1,719	79,214	549,324

As of September 30, 2019, the amount of R$521,055 (R$1,092, Parent, and R$519,963, Varejo) was reclassified to “Creditors - Judicial reorganization”, current and noncurrent.

16. TAXES AND CONTRIBUTIONS PAYABLE

	Parent		Consolidated	
	09/30/19	12/31/18	09/30/19	12/31/18
Tax on the circulation of goods and services ICMS	-	-	3,196	4,574
Withholding income tax (IRRF)	67	59	598	1,120
Social contributions withheld at source on services taken from legal entities	10	2	984	278
Service Tax (ISS)	-	-	44	7
Taxes in installments - Law No. 12.966/14 (a)	-	-	706	814
Taxes in installments - State (b)	-	-	1,714	1,366
Other	-	2	106	178
	77	63	7,348	8,337
Current liabilities	77	63	5,555	6,823
Noncurrent liabilities	-	-	1,793	1,514
	77	63	7,348	8,337

(a) Payment of 2014 tax debts in installments relating to federal taxes offset against PIS/Cofins credits determined in 2007 and 2008, in the amount of R$2,245, which had not been authorized. The amount paid in the nine-month period ended September 30, 2019 was R$131 (R$170 at December 31, 2018).

(b) Payment of 2018 tax debts in installments in the States of Santa Catarina, Ceará and Rio Grande do Sul relating to ICMS tax assessments. The amount paid in the nine-month period ended September 30, 2019 amounted to R$421 (R$716 in the year ended December 31, 2018).

17. PAYROLL AND RELATED TAXES

	Parent			
	12/31/18	Expense	Payment	09/30/19
Vacation pay	217	10	-	227
Salaries	55	5	(5)	55
Severance Pay Fund	17	2	(1)	18
Social Security Contribution (INSS)	94	290	(287)	97
	383	307	(293)	397

	Consolidated			
	12/31/18	Expense	Payment	09/30/19
Vacation pay	7,165	4,430	(7,071)	4,524
13th salary	-	4,417	(1,413)	3,004
Salaries	237	45,097	(40,774)	4,560
Severance Pay Fund	1,212	8,443	(8,565)	1,090
Social Security Contribution (INSS)	4,900	13,765	(14,474)	4,191
	13,514	76,152	(72,297)	17,369

18) PROVISION FOR TAX, CIVIL AND LABOR RISKS

The Parent and Varejo are parties to tax, civil and labor lawsuits at the judicial and administrative levels, with present obligation and probability of outflow of funds that incorporate economic benefits in order to settle this obligation. Accrued amounts are considered sufficient to cover possible outflows to settle the respective obligations.

The provision for risks and judicial deposits made to guarantee some of the lawsuits are as follows:

Provisions

	Parent		
	12/31/18	Recognition/ (Reversal)	09/30/19
Labor	3,246	(316)	2,930
Civil	365	47	412
	3,611	(269)	3,342

	Consolidated		
	12/31/18	Recognition/ (Reversal)	09/30/19
Labor	11,564	(3,574)	7,990
Civil	2,033	1,679	3,712
ICMS - Tax assessment notice (a)	1,048	13	1,061
PIS / COFINS - Exclusion of ICMS from the calculation basis	2,162	-	2,162
	16,807	(1,882)	14,925

(a) Provision corresponding to the principal and fine amount which is the subject of a lawsuit in which the Company claims the annulment of tax assessment notices issued in 2011 relating to ICMS credits taken on purchases of goods from suppliers which were considered unqualified by the State of São Paulo Finance Department.

Judicial deposits

	Parent		
	31/12/18	Addition/ (Write-off)	09/30/19
PIS/COFINS (a)	977	15	992
Administrative proceedings - tax offset	6,066	-	6,066
Other lawsuits and administrative proceedings	3,260	255	3,515
Labor lawsuits	1,524	(611)	913
	11,827	(341)	11,486

	Consolidated		
	31/12/18	Addition/ (Write-off)	09/30/19
PIS/COFINS (a)	1,077	(85)	992
Administrative proceedings - tax offset	6,066	-	6,066
Other lawsuits and administrative proceedings (b	32,150	(3,695)	28,455
Labor lawsuits	4,498	(1,262)	3,236
	43,791	(5,042)	38,749

(a) Lawsuits filed by the Parent and Varejo challenged the broadening of the calculation base for the PIS and Cofins federal contributions and the increase in Cofins rate, established by Law No. 9718/98. The lawsuits were issued a final and unappealable decision favorable to the companies and the release of the deposits awaits processing;

(b) Includes the amount: i) R$17,285 relating to IPI, II (Import Duty), PIS and Cofins taxes originating from a preliminary injunction partially granted in a writ to recognize tax immunity and zero tax rate for PIS/Cofins contributions on imports of LEV digital readers; ii) R$2,080, related to cash blocked by Banco do Brasil.

Contingent liabilities

The Parent's and Varejo's Management challenge at administrative level and in courts tax, civil and labor lawsuits whose likelihood of loss is assessed as possible by their legal counsel, in the estimated amount of R$566,982, of which R$293,171 Parent and R$273,811 Varejo (R$516,815 as of December 31, 2018, of which R$362,443 Parent and R$254,372 Varejo).

Breakdown of the main liabilities assessed as possible loss:

TAX LAWSUITS	SUBJECT	ESTIMATED AMOUNT
a- INSS	Tax assessment notices issued against the Parent relating to the recognition of tax credits on employees' and Management members' profit sharing and non-compliance with accessory obligations.	7,725
b- IRPJ/CSLL/PIS/Cofins	Substantially represented by proceedings the decision of which did not allow the use of the tax credits taken by the Parent and Varejo to pay federal taxes.	223,226
c- PIS/Cofins	Refers to lawsuits challenging the broadening of the PIS/Cofins tax base and the increase in Cofins rate established by Law No, 9718/98 for which a final unappealable decision partially favorable to the Parent and Varejo was issued. The judicial deposits made in Banco do Brasil and transferred to Caixa Econômica Federal are still under discussion.	57,872
d- II, IPI, ICMS, PIS and Cofins	Court injunction obtained by Varejo to acknowledge tax immunity and the applicability of a zero tax rate for PIS/Cofins contributions on imports of LEV digital readers,	41,162
e- ICMS	Tax assessment notices issued against Varejo regarding ICMS credits taken on purchases of goods from suppliers considered unqualified by the São Paulo State Finance Department.	27,607
f- Sundry	Other tax lawsuits and proceedings in discussion at the judicial and administrative levels.	145,417
TOTAL		503,009

CIVIL LAWSUITS	SUBJECT	ESTIMATED AMOUNT
a- Lease contracts	Actions relating to renewal of lease contracts filed by Varejo relating to its operating units.	15,343
b- Other	Other lawsuits discussing varied matters to which the Parent is a party and individual consumer relationship actions to which Varejo is a party.	36,288
TOTAL		51,631

LABOR LAWSUITS	SUBJECT	ESTIMATED AMOUNT
a- Sundry	Labor lawsuits filed against the Parent and Varejo primarily claiming joint liability or acknowledgment of employee-employer relationship arising from service agreements,	12,342

19) EQUITY

a) Capital

As of September 30, 2019, the Parent's capital is R$282,999 (R$282,999 at December 31, 2018), represented by 26,701,745 shares, of which 9,622,313 are common shares and 17,079,432 are preferred shares without par value and with the right to vote in General Shareholders' Meetings. The Parent's bylaws comply with B3's Level 2 Differentiated Corporate Governance Practices. On October 31, 2019, the Extraordinary General Meeting approved an increase in the Company's issued capital, to the limit of up to sixty-six million (66,000,000) shares, the inclusion of a provision in the Company´s bylaws according to which the Board of Directors have power to, within the maximum authorized capital, issue subscription warrants.

The Parent is authorized to increase capital by issuing new shares for subscription, upon the Board of Directors' resolution, and regardless of any amendments to the bylaws, by up to 20,000,000 shares. Out of this total, up to 500,000 shares may be granted as stock options, pursuant to the bylaws.

The Parent's preferred shares, which may not exceed two thirds of the total shares issued, entitle their holders to the following rights or advantages:

- Restricted voting rights, pursuant to the bylaws;
- Right to sell the preferred shares in the case of sale of the Parent's control, pursuant to the bylaws;
- Dividends equal to those paid on common shares;
- Share in the distribution of bonus shares out of capitalization of reserves, retained earnings and any other funds, under the same terms and conditions granted to common shareholders,

Common shares cannot be converted into preferred shares, and vice versa.

b) Treasury shares - CVM Instructions 10/80 and 298/97

The Parent has 15,700 common shares held in treasury, represented by R$233, with a strike price of R$67 (R$4,25 per share as of September 30, 2019).

c) Dividends and interest on capital

Shareholders are entitled to a minimum dividend of 25% of adjusted net income for the year.

The Parent may not, unless authorized by a majority vote in a special preferred shareholders' meeting, hold, for more than four successive quarters, cash and cash equivalents in an amount greater than 25% of the Parent's total assets. Cash and cash equivalents will correspond to the amounts recorded in line item 'Cash and cash equivalents' exceeding the sum of the amounts recorded in line item 'Borrowings and financing' in current and noncurrent liabilities. Pursuant to the bylaws, the amount of interest on capital for purposes of calculation of mandatory dividends is net of income tax.

d) Stock option plan - Parent

The Programs approved by the Board of Directors were granted for the Parent's and Varejo's managers and employees. Options will be exercised through the issuance of new shares and/or sale of treasury shares held by the Parent, based on the option to be adopted by the Board of Directors.

The fair value of stock option plans was calculated on the grant date of each program and based on the binomial pricing model. The effects were reflected in profit or loss, in line item "Operating expenses', and in equity, in line item "Earnings reserve", as follows:

	Amounts recorded		
Grant year and program	Through 12/31/18	Nine-month period ended 09/30/19	Total
2014 - 7th Program (4th tranche)	197	-	197
2014 - 7th Program (5th tranche)	219	18	237
	416	18	434

The table below shows the changes in stock option grants in the nine-month period ended September 30, 2019:

	7th Program (4th tranche)	7th Program (5th tranche)
Total number of stock options granted	176,400	176,400
(-) Stock options not exercised and forfeited /ca	(176,400)	(176,400)
(=) Number of stock options as at September 30, 2019	-	-

In the period from May 07 and September 06, 2018, options equivalent to 42,400 shares under the 7th Program (4th tranche) were not exercised and forfeited.

In the period from May 13 and September 13, 2019, options equivalent to 42,400 shares under the 7th Program (5th tranche) were not exercised and forfeited.

In determining the fair value of stock options, the following economic assumptions were used:

	7th Program (4th tranche)	7th Program (5th tranche)
Grant date	7/16/2014	7/16/2014
Beginning of option exercise period	5/7/2018	5/13/2019
End of option exercise period	9/6/2018	9/13/2019
Risk-free interest rate	11.68%	11.74%
Number of eligible managers and employees	11	11
Price set - R$	21.00	21.00
Index	IPCA	IPCA
Number of outstanding options	-	-
Option fair value at grant date - per stock option - R$	4.64	5.57
Option value for exercise, adjusted by IPCA and adjusted by dividends distributed through September 30, 2019 - R$	-	-

e) Valuation adjustments to equity

The balance of R$11,279, net of deferred taxes totaling R$5,810, represents the deemed cost of the Parent’s plot of land as a result of the adoption of the deemed cost approach applicable to the first-time adoption of the new accounting practices adopted in Brazil.

f) Special reserve for undistributed mandatory dividends

Reserve recognized at the Extraordinary and General Shareholders’ Meeting held on April 29, 2016.

On August 2, 2017, the Parent disclosed a material fact notice to its shareholders and the general market to announce that, as part of a CVM administrative proceeding, the Parent’s Management and shareholders undertook to implement the following schedule to distribute the remaining balance of the mandatory minimum dividend for 2015, transferred to current and noncurrent liabilities, in the total amount of R$17,452:

Resolution	Amount
GSM of 2018	5,818
GSM of 2019	5,817
GSM of 2020	5,817

On April 26, 2018, the distribution of the portion in the amount of R$5,818, corresponding to the gross amount of R$0,21798 per share and equivalent to 33% of the Special Reserve balance, was approved.

The partial distribution of the mandatory dividend held in 2015, in the amount of R$5,817, the payment of which was scheduled for December 18, 2018, as approved by the General Shareholders Meeting of April 26, 2018, was suspended due to the legal provision related to the judicial reorganization request (Article 6 of Law No. 11.101/2015). On October 28, 2019, the payment of R$5,817 was disclosed, recorded in current liabilities, approved by the EGM of April 26, 2018, under the Judicial Reorganization Plan approved on August 28 and ratified on September 4, 2019 (Note 32).

The remaining balance, under the schedule approved on August 2, 2017, in the amount of R$11,634, recorded in noncurrent liabilities, was reclassified to the Special Reserve, from which losses may be absorbed in the current year, under Law No. 6.404/76.

g) Noncontrolling interests

	09/30/19	12/31/18
Balance at the beginning of the period/year	12	36
Noncontrolling interests in profit for the period/year	(12)	(24)
Balance at the end of the period/year	-	12

20. NET OPERATING REVENUE

	Consolidated			
	01/07/19 to 09/30/19	01/01/19 to 09/30/19	01/07/18 to 09/30/18	01/01/18 to 09/30/18
Net operating revenue:				
Goods soled and services provided	161,684	544,250	335,277	1,357,864
(-) Taxes	(6,702)	(21,443)	(19,519)	(88,198)
(-) Returns	(2,046)	(10,622)	(5,996)	(24,830)
(-) Deferred income - Saraiva Plus	(274)	1,066	626	488
	152,662	513,251	310,388	1,245,324

21. EXPENSES BY NATURE

	Parent				Consolidated			
	01/07/19 to 09/30/19	01/01/19 to 09/30/19	01/07/18 to 09/30/18	01/01/18 to 09/30/18	01/07/19 to 09/30/19	01/01/19 to 09/30/19	01/07/18 to 09/30/18	01/01/18 to 09/30/18
Goods	-	-	-	-	(97,812)	(364,257)	(226,730)	(866,706)
Cost of services	-	-	-	-	-	-	(2,443)	(10,045)
Personnel expenses and charges	(229)	(722)	(115)	(701)	(41,705)	(110,110)	(44,487)	(147,500)
Management fees	(345)	(1,034)	(479)	(1,422)	(708)	(2,123)	(862)	(5,287)
Advertising and publicity	-	-	-	-	(5,627)	(17,587)	(6,284)	(23,229)
Operating leases	-	-	-	-	(92)	(2,215)	(13,346)	(43,517)
Legal publications	-	(208)	-	(208)	-	(314)	-	(277)
Common area maintenance fees and promotion funds	-	-	-	-	(6,255)	(22,140)	(8,900)	(26,671)
Freight and packaging	-	-	-	-	(9,552)	(26,272)	(14,582)	(53,827)
IT services	-	-	-	-	(3,480)	(7,381)	(4,662)	(13,455)
Consulting and advisory services	-	-	-	-	(7,481)	(11,642)	(2,345)	(6,214)
Travels and accommodation	-	-	-	-	(182)	(355)	(284)	(771)
Expenses on credit cards,bank slips and collection	-	-	-	-	(2,866)	(7,405)	(4,613)	(19,420)
Credit losses	-	-	-	-	(581)	(2,868)	(6,162)	(11,697)
Other	58	(1,712)	(431)	(1,059)	(19,291)	(55,934)	(23,832)	(71,455)
	(516)	(3,676)	(1,025)	(3,390)	(195,632)	(630,603)	(359,532)	(1,300,071)
Classified as:								
Cost of goods and services sold	-	-	-	-	(97,812)	(364,257)	(229,173)	(876,751)
Selling expenses	-	-	-	-	(63,729)	(171,963)	(99,573)	(344,179)
General and administrative	(516)	(3,676)	(1,025)	(3,390)	(34,091)	(94,383)	(30,786)	(79,141)
	(516)	(3,676)	(1,025)	(3,390)	(195,632)	(630,603)	(359,532)	(1,300,071)

22. OTHER OPERATING EXPENSES

	Parent				Consolidated			
	01/07/19 to 09/30/19	01/01/19 to 09/30/19	01/07/18 to 09/30/18	01/01/18 to 09/30/18	01/07/19 to 09/30/19	01/01/19 to 09/30/19	01/07/18 to 09/30/18	01/01/18 to 09/30/18
Gain (loss) on write-off and/or sale of fixed assets	-	10	-	-	(64,298)	(64,672)	8	-
Impairment loss	-	-	-	-	-	-	-	-
Write-off of judicial deposits	-	-	-	-	-	-	-	-
PIS/Cofins on other operating	-	-	-	-	(1,217)	(1,217)	-	(673)
and finance income	(7)	(21)	(20)	(45)	(368)	(1,333)	(936)	(1,969)
Private label card	-	-	-	-	(277)	(1,249)	(383)	(1,115)
Provision for risks	-	-	-	-	3,380	1,625	571	-
Judicial Recovery Plan	(77)	(77)	-	-	(14,964)	(14,964)	-	-
Losses and other events involving goods	-	-	-	-	-	-	-	(452)
State tax installment plans	-	-	-	-	-	-	-	-
Discontinued Projects	-	-	-	-	(3,227)	(3,227)	-	(574)
Other operating expenses	-	-	-	(1)	(2,542)	(2,567)	(2,254)	(2,320)
	(84)	(88)	(20)	(46)	(147,625)	(151,253)	(3,642)	(10,828)

23. OTHER OPERATING INCOME

	Parent				Consolidated			
	01/07/19 to 09/30/19	01/01/19 to 09/30/19	01/07/18 to 09/30/18	01/01/18 to 09/30/18	01/07/19 to 09/30/19	01/01/19 to 09/30/19	01/07/18 to 09/30/18	01/01/18 to 09/30/18
Gain (loss) on sale of permanent assets	-	-	-	-	-	-	32	32
Unredeemed gift cards, and other unclaimed customer award credits	-	-	-	-	2,747	8,920	1,861	7,258
Unrealized profit on sale transaction from intangible to Varejo	20,473	20,473	-	-	-	-	-	-
Recovered expenses	51	51	143	143	654	1,723	435	1,601
Indemnities for product losses	-	-	-	-	-	-	132	388
(Reversal) recognition of provision for risks	-	-	-	-	-	-	171	171
Other operating income	-	1	103	134	315	697	675	1,770
	20,524	20,525	246	277	3,716	11,340	3,306	11,220

24. FINANCE INCOME (COSTS)

	Parent				Consolidated			
	01/07/19 to 09/30/19	01/01/19 to 09/30/19	01/07/18 to 09/30/18	01/01/18 to 09/30/18	01/07/19 to 09/30/19	01/01/19 to 09/30/19	01/07/18 to 09/30/18	01/01/18 to 09/30/18
Finance income:								
Exchange rate changes on borrowings and financing	-	-	1	1	-	504	34	281
Fair value - swap transaction	-	-	-	-	-	-	(1,261)	13,596
Interest received from customers	-	-	-	-	9	16	18	32
Interest on recoverable taxes	144	437	216	735	818	2,485	782	2,725
Financial discounts obtained	-	15	3	49	414	603	161	725
Adjustment to present value recovery Lenders	5,532	5,532	-	-	292,398	292,398	-	-
Other interest and inflation gains	-	-	-	-	18	92	67	194
	5,676	5,984	220	785	293,657	296,098	(199)	17,553
Finance costs:								
Interest and inflation adjustment on borrowings and financing	-	-	-	-	(8,710)	(26,587)	(2,755)	(14,302)
Interest on loans made by the subsidiary	(86)	(191)	(90)	(447)	-	-	-	-
Financial discounts granted	-	-	-	-	-	-	(5)	(35)
Other interest and inflation adjustment losses	(30)	(116)	(50)	(131)	(15,837)	(16,237)	(10,150)	(40,672)
Tax on lending transactions (IOC)	(22)	(47)	(29)	(124)	(194)	(853)	(66)	(300)
Other financial commissions	(51)	(151)	(26)	(103)	(2,235)	(7,582)	(1,070)	(4,195)
Other	(58)	(155)	(33)	(105)	(232)	(705)	(115)	(373)
	(247)	(660)	(228)	(910)	(27,208)	(51,964)	(14,161)	(59,877)
	5,429	5,324	(8)	(125)	266,449	244,134	(14,360)	(42,324)

25. OPERATING LEASE - VARIABLE PORTION OF RENTAL AGREEMENTS

As of September 30, 2019, Varejo had 73 lease agreements with shopping mall management companies or owners of street stores qualified as operating leases. Most of the street store lease agreements provide for a variable rental expense, based on sales, or a minimum amount adjusted for inflation on an annual basis by inflation indexes and the real estate segment performance, are effective for five years, subject to renewal, and are usually guaranteed by the Parent through pledge. Lease agreements for Varejo’s logistics and administrative areas provide for fixed amounts, annually adjustments for inflation according to changes in the main inflation indices.

The lease amount for properties is always the higher of: (a) the equivalent to 2% to 10% of a store's gross monthly sales; or (b) a minimum monthly amount annually adjusted using certain inflation indices, as applicable. Said lease agreements are effective for indeterminate or determinate periods; in the latter case, these periods range from five to ten years, subject to amicable or court-ordered (renewal lawsuit) renewal. Beginning January 01, 2019, the amount recorded in line item "Rentals", in operating expenses, is related to the variable portion of the lease agreements and other contracts not falling under the definition of leases set out in CPC 06 (R2).

Rental expenses, net of recoverable taxes, are as follows:

	Consolidated			
	01/07/19 to 09/30/19	01/01/19 to 09/30/19	01/07/18 to 09/30/18	01/01/18 to 09/30/18
Operating leases - Note 21	92	2,215	13,346	43,517

The balance of "Operating leases - store rentals" included in current liabilities as of September 30, 2019, consolidated, is R$4,943 (R$31,771 as of December 31, 2018).

26. LOSS PER SHARE

Under the Parent's bylaws, holders of preferred shares are entitled the same dividends as those holding common shares. The table below shows the calculation of loss per share pursuant to CPC 41 (IAS 33):

	LPS - Total			LPS - Continuing			LPS - Discontinued		
	01/01/19 to 09/30/19			01/01/19 to 09/30/19			01/01/19 to 09/30/19		
	Common	Preferred	Total	Common	Preferred	Total	Common	Preferred	Total
Loss attributable to the Parent´s shareholders	(44,630)	(79,348)	(123,978)	(44,050)	(78,316)	(122,366)	(580)	(1,032)	(1,612)
Weighted average number of outstanding shares (in thousands) used in determining basic loss per share	9,607	17,079	26,686	9,607	17,079	26,686	9,607	17,079	26,686
Weighted average number of outstanding shares (in thousands) used in determining diluted loss per share	9,607	17,079	26,686	9,607	17,079	26,686	9,607	17,079	26,686
Basic loss per share - R$	(4.64580)	(4.64580)		(4.58540)	(4.58540)		(0.06040)	(0.06040)	
Diluted loss per share - R$	(4.64580)	(4.64580)		(4.58540)	(4.58540)		(0.06040)	(0.06040)	

	LPS - Total			LPS - Continuing			LPS - Discontinued		
	01/01/18 to 09/30/18			01/01/18 to 09/30/18			01/01/18 to 09/30/18		
	Common	Preferred	Total	Common	Preferred	Total	Common	Preferred	Total
Loss attributable to the Parent´s shareholders	(37,057)	(65,882)	(102,939)	(36,250)	(64,449)	(100,699)	(806)	(1,434)	(2,240)
Weighted average number of outstanding shares (in thousands) used in determining basic loss per share	9,607	17,079	26,686	9,607	17,079	26,686	9,607	17,079	26,686
Weighted average number of outstanding shares (in thousands) used in determining diluted loss per share	9,607	17,079	26,686	9,607	17,079	26,686	9,607	17,079	26,686
Basic loss per share - R$	(3.85741)	(3.85741)		(3.77346)	(3.77346)		(0.08395)	(0.08395)	
Diluted loss per share - R$	(3.85741)	(3.85568)		(3.77346)	(3.77177)		(0.08395)	(0.08391)	

27. FINANCIAL INSTRUMENTS

a) Capital risk management

The main objectives of the Parent’s and Varejo’s Management in managing capital include: to ensure the continuity of operations to generate return to shareholders and maintain a capital structure that is appropriate to minimize the related costs.

The Parent’s and Varejo’s capital structure is comprised of financial liabilities with financial institutions (Note 13), cash and cash equivalents (Note 4), and equity (Note 19).

The debt ratios are summarized as follows:

	Parent		Consolidated	
	09/30/19	12/31/18	09/30/19	12/31/18
Borrowings and financing, net of derivative instruments and business acquisitions	4,456	2,637	722,382	175,508
(-) Cash, cash equivalents and short-term investments	(177)	(760)	(16,970)	(95,429)
Net debt	4,279	1,877	705,412	80,079
Equity	18,580	120,906	18,580	120,918
Total	22,859	122,783	723,992	200,997
Net debt ratio	18.72%	1.53%	97.43%	39.84%

Periodically, Parent’s and Varejo’s Management revises the capital structure and its ability to settle its liabilities, and monitors on a timely basis the average term of trade receivables, trade payables, and inventories, and takes the necessary actions to maintain them at levels considered adequate for financial management purposes.

b) Categories of financial instruments

	Parent	
	09/30/19	12/31/18
	Carrying amount	Carrying amount
Financial assets		
Fair value through profit or loss		
Cash and cash equivalents		
and short-term investments	177	760
Financial liabilities		
Liabilities at amortized cost		
Trade payables	338	1,719
Lenders judicial reorganization	4,456	-
Dividends	-	17,466
Related parties - intragroup loans	6,066	2,183
AFCI	-	10,000
Other payables	-	2,637
	10,860	34,005

	Consolidated	
	09/30/19	12/31/18
	Carrying amount	Carrying amount
Financial assets		
Fair value through profit or loss		
Cash and cash equivalents		
and short-term investments	16,970	95,429
Loans and receivables		
Trade receivables - customers	27,704	57,685
	44,674	153,114
Financial liabilities		
Liabilities at amortized cost		
Borrowings and financing	463,850	172,871
Trade payables	79,214	549,324
Lenders judicial reorganization	258,532	-
Operating lease	4,943	31,771
Dividends	-	17,466
AFCI	-	10,000
Other payables	919	3,489
	807,458	784,921

The Parent's and Varejo's Management believes that the financial instruments, which are recognized in the individual and consolidated financial statements at their carrying amounts, do not record significant changes and approximate their respective fair values at the end of each reporting period.

The balance of line item "Borrowings and financing" is adjusted for inflation based on market indices (CDI, TJLP and UM Selic, only through December 31, 2018 for borrowings taken from BNDES, settled in December 2018) and contractual rates (Note 13) and variable interest because of market conditions; therefore, the outstanding balance recognized at the end of each reporting period approximates its market value.

c) Financial risks

The Parent's and Varejo's activities are exposed to market, credit, liquidity, operating risks as well as to the risk limited to the amount paid by the derivative used as an instrument to hedge against changes in the currency price.

Risk management is carried out by the Parent's and Varejo's Management in accordance with the policies approved by the respective Executive Boards, The Parent's and Varejo's Finance area identify, assess and hedge against possible financial risks in cooperation with the operating functions.

d) Interest rate risk management

The Parent's and Varejo's operations are exposed to usual market risks due to changes in interest rates, substantially on borrowings and short-term investments. The interest rate risk management policy defined by Management comprises the continuous monitoring of the economic scenario to identify possible fluctuations in interest rates and, when applicable, contract hedge transactions against fluctuations in interest rated and well as weighting between contracting fixed and fixed transactions.

Balances that represented the maximum exposure to the interest rate risk as of the reporting date:

		Consolidated
		09/30/19
	Risk	Carrying amount
Borrowings and financing	Increase in CDI	23,953

e) Supplementary sensitivity analysis of financial instruments pursuant to CVM Instruction 475/08

The sensitivity analysis was developed based on the exposure to CDI fluctuation, which is the main index applicable to borrowings and the investments of cash surpluses.

The Parent presents below the additional disclosures on the Parent’s and Varejo’s financial instruments required by CVM Instruction 475, of December 17, 2008, specifically on the supplementary sensitivity analysis required by IFRSs and the accounting practices adopted in Brazil.

In preparing this sensitivity analysis, the Parent’s and Varejo’s Management adopted the following assumptions:

- Identify the market risks that may result in material losses;
- Outline a probable risk scenario (Scenario I);
- Outline two additional scenarios with stresses of at least 25% and 50% in the risk variable considered (Scenario II and Scenario III, respectively).

Possible effects on the balance sheet accounts based on the scenarios analyzed:

Assets and liabilities with interest recalculated according to previously outlined scenarios.

		Carrying amounts		
Transaction	Risk	Scenario I	Scenario II	Scenario III
Interest-earning bank deposits subject to CDI rate - Retailing Varejo	Baixa do CDI	(114)	(286)	(572)
Financial leasings subject to CDI rates - Retailing Varejo	Increase in CDI	(16)	(41)	(81)
Net income (loss)		(130)	(327)	(653)

f) Credit risk management

The Parent´s and Varejo´s sales and credit policies are subject to the credit policies established by their Management and are intended to minimize possible problems arising from the default of their customers. This objective is attained through a careful selection of the customer portfolio, which considers the customer ability to pay (credit rating).

Maximum exposure to this risk at the end of the quarter:

	Parent		Consolidated	
	09/30/19	12/31/18	09/30/19	12/31/18
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Financial assets				
Cash and cash equivalents and short-term investments	177	760	16,970	95,429
Trade receivables - customers	-	-	27,704	57,685
	177	760	44,674	153,114

As of September 30, 2019, the consolidated allowance for expected credit losses balance is R$2,114 (R$339 at December 31, 2018) to cover credit risks.

g) Management of liquidity risk

Management monitors the continuous forecasts of the Parent's and Varejo's liquidity requirements to ensure they have sufficient cash to meet their operating needs.

Because of the dynamics of its business, the Parent and Varejo maintain a borrowing flexibility by maintaining lines of credit with some financial institutions.

The table below details the maturity of financial liabilities:

	Parent				
Transaction	Up to 1 year	Up to 2 years	3 to 5 years	Over 5 years	Total
Trade payables	338	-	-	-	338
Creditors judicial recovery	2,042	28	84	7,835	9,989

	Consolidated				
Transaction	Up to 1 year	Up to 2 years	3 to 5 years	Over 5 years	Total
Trade payables	79,214	-	-	-	79,214
Creditors judicial recovery	20,780	5,286	15,858	441,766	483,690
Borrowings and financing	65,242	83,378	215,270	218,662	582,552
Operating lease	4,943	-	-	-	4,943
Other payables	919	-	-	-	919

h) Risk concentration

The financial instruments that potentially expose the Parent and Varejo to concentration of credit risk consist basically of banks, short-term investments, and trade receivables. The balance of Varejo's trade receivables is substantially distributed among credit card acquirers. The total balance of trade receivables is denominated in Brazilian reais (R$).

i) Lines of credit

	Consolidated	
	09/30/19	12/31/18
Loans:		
Used	150,117	158,418
Financing:		
Used	-	58,136

j) Guarantees obtained

	Consolidated
	09/30/19
Letters of guarantee to federal tax execution proceedings	8,521

In the quarter ended September 30, 2019, on the letters of guarantees obtained, finance costs of R$223 (R$1,503 at September 30, 2018) were generated.

k) Carrying amount and fair value of financial assets and financial liabilities

	Parent		Consolidated	
	09/30/19		09/30/19	
	Carrying amount	Fair value	Carrying amount	Fair value
Fair value through profit or loss				
Cash and cash equivalents				
and short-term investments	177	177	16,970	16,970
Loans and receivables				
Trade receivables - customers	-	-	27,704	27,704
Liabilities held at amortized cost				
Borrowings and financing	-	-	463,850	465,381
Trade payables	338	338	79,214	79,214
Creditors judicial recovery	4,456	9,989	258,532	550,931
Operating lease	-	-	4,943	4,943
Related parties - intragroup loans	6,066	6,066	-	-
Other payables	-	-	919	919

The following methods and assumptions were used to calculate the fair value:

- Cash and cash equivalents – Defined as assets for cash management and represented by cash and bank deposits, whose fair values approximates their carrying amounts;

- Trade receivables, trade payables and related parties – Balances directly provided by operations, whose fair values approximates their carrying amounts.

The Parent discloses its financial assets and financial liabilities at fair value based on CPC 38, CPC 39 and CPC 40 (R1), which provide for measurement, recognition and presentation of financial instruments.

Fair value hierarchy

The financial assets and financial liabilities recorded at fair value are classified and disclosed according to the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities, available of measurement date;

Level 2 – inputs, except for quoted prices, included in Level 1, that are observable for the asset or liability, directly (prices) or indirectly (derived from prices); and

Level 3 – assumptions, considered for assets or liabilities, not based on observable market data (non-observable data), In this level, the fair value estimate becomes subjective.

The Parent´s and Varejo´s assets and liabilities measured at fair value as of September 30, 2019 are as follows:

	Parent			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	177	-	-	177

	Consolidated			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents and short-term investments	16,970	-	-	16,970

28. SEGMENT INFORMATION

The management of Saraiva Group´s businesses, for financial and operating purposes, is performed by means of a single segment referred to as “Varejo”.

The Varejo segment refers to the retail business of cultural, leisure, and information products, Sales are made through a chain of stores located in the main Brazilian cities and the ecommerce website saraiva.com.br.

29. DISCONTINUED OPERATIONS

Discontinued operations are represented by the residual results of the publishing segment sold to Editora Ática S.A. in 2015.

Profit (loss) from discontinued operations for the quarter ended September 30:

	Parent		Consolidated	
	09/30/19	09/30/18	09/30/19	09/30/18
Operating expenses	(1,521)	(2,173)	(1,521)	(2,173)
Loss before income tax	(1,521)	(2,173)	(1,521)	(2,173)
Deferred income tax	(91)	(67)	(91)	(67)
Loss from discontinued operations	(1,612)	(2,240)	(1,612)	(2,240)

Profit (loss) from discontinued operations is R$1,612 (R$2,240 at September 30, 2018), consolidated, is fully assigned to controlling shareholders.

Cash flow from discontinued operations:

	Parent		Consolidated	
	09/30/19	09/30/18	09/30/19	09/30/18
Net cash used in operating activities	(1,426)	(4,080)	(1,426)	(4,080)
Net cash provided by financing activities	179	(116)	179	(116)
Net cash provided by discontinued operations	(1,247)	(4,196)	(1,247)	(4,196)

30. INSURANCE

The Parent's and Varejo's Management have the policy of obtaining insurance for assets exposed to risks considered sufficient to cover possible losses in light of the nature of its activities.

Insurance coverage contracted:

	09/30/19	12/31/18
Loss of profits	150,000	150,000
Fire - maximum importance	144,927	204,013
D&O - Civil liability - Directors, executive officers and management members - maximum importance	100,000	100,000
D&O - General civil liability - maximum importance	2,000	2,000
International transportation	300	3,708
Tax execution	70,853	70,853

31. JUDICIAL REORGANIZATION PROCESS

The economic crisis started in 2015 was one of the most challenging periods in Brazil's recent economic history – with a significant impact across all Varejo's operations – and partly explained the Company's request for judicial reorganization.

The Company took a number of actions to reverse the adverse effects of the economic downturn: at the end of 2015, the Company completed the sale of its publishing segment and, as the economic crisis continued in the subsequent years, the Company implemented a robust transformation project comprised of a set of actions and has placed a major emphasis on the omnichannel, customer centricity, digital transformation and operating efficiency fronts. As a result, at the beginning of 2018, the Company recorded increased gross sales and gained market share in the books, games, telephony and back-to-school segments. In addition to said project, emergency actions were taken which resulted in a restructuring plan being drawing up early November 2018 with a view to streamline the Company's operations, ensuring that they become more dynamic and focused on bringing operating profitability and strengthening cash.

The main restructuring plan actions resulted in: i) closing down 22 stores that were unlikely to generate value; ii) discontinuation of products recording low profitability and high demand for working capital – and responsible for the systematic accumulation of tax credits –, putting the focus back to the book segment again, which is Varejo’s core business; iii) adjusting the cost and expense structure by the adoption of the Zero-Based Budgeting (ZBB) method, under which roles and the staff are kept to the minimum necessary to maintain the operation running without causing negative impacts on operating results and the service delivered to customers; and iv) a comprehensive revision and optimization of the logistics network, aligning the supply chain to the new mix of products.

However, the impacts caused by the economic recession, coupled with the effects of events over time, such as the adjustment to the average price of books, which was below the expected rate, shrinkage of some product segments that accounted for a relevant portion of revenue, difficulties to realize tax credits, difficulties to obtain new lines of credit, among other events that are significant for the operation, prevented the Company’s from obtaining the expected results, which affected its prospects to discharge its short-term obligations.

For this reason, on November 23, 2018, the Company filed a request for judicial reorganization to make it feasible overcoming the financial crisis while preserving the source of income and the continuity of the business. The request for judicial reorganization was approved and a trustee was appointed on November 26, 2018. On August 1, 2019, the revised Judicial Reorganization Plan submitted on February 04, 2019 was added to the tax debt refinancing process.

With the approval of the judicial reorganization request, Management has intensified the negotiations with is major creditors to establish commercial conditions and payment models that can make common interests feasible, especially with a view to have the Plan approved by the creditors, besides implementing several actions to ensure the sustainability of the businesses during and after the period preceding the approval of the Judicial Reorganization Plan.

Management has endeavored all efforts to make the adjustments possible and necessary to ensure that the Company is able to continue as a going concern.

The Judicial Recovery Plan was ratified on September 04, 2019, with more than 80% approval by the suppliers who participated in the General Creditors Meeting held on August 29, 2019. The revised Judicial Recovery Plan established efficient actions for the equalization and settlement of the companies’ liabilities, including: liability restructuring; maintenance of investments considered critical to the operating continuity; changes in the Corporate Governance with the assistance of an independent consulting firm to conduct the process of selection of the Chief Executive Officer and members of the Board of Directors who will be elected at the Extraordinary Shareholders Meeting to be held on December 11, 2019.

The Board of Directors elected will be responsible for appointing the Chief Executive Office.

The Company engaged Korn Ferry, a global consulting firm based in Los Angeles, to select the Chief Executive Officer and members of the Board of Directors, who, under the Judicial Recovery Plan, were submitted to the analysis of creditors at the Creditors Meeting held on November 11, 2019.

In paying creditors, the Judicial Recovery Plan established four (4) classes of creditors: i) Class I – Labor Creditors; ii) Class II – Creditors with Collaterals; iii) Class III – Unsecured Creditors; and iv) Class IV – Creditors ME (microcompanies) and EPP (small companies). In addition to defining such classes, under the Judicial Recovery Plan, creditors are qualified as Strategic Financing Suppliers; Strategic Suppliers - Lessors I and II; Strategic Supplier Creditors, and Incentive Supplier Creditors.

The total consolidated debt amount is as shown below:

Classes	Current	Noncurrent	Total
Class I	3,557	1,084	4,641
Class II	3,216	128,829	132,045
Class III	4,674	88,615	93,289
Class IV	576	4,413	4,989
Subclass “Incentive Supplier Creditors”	54,743	75,255	129,998
Subclass “Strategic Suppliers”	529	18,203	18,732
Subclass “Suppliers - Lessors”	6,885	-	6,885
Total	**74,180**	**316,399**	**390,579**

The amounts are stated net of adjustment to present value (APV), in the amount of R$292,399 (R$5,533, Parent, and R$286,866, Varejo), whose tax effect is R$99,415.

The amount of R$132,045 relating to Class II, is recorded in caption “Borrowings and financing”.

Except for specific conditions and provisions set forth in the Judicial Recovery Plan, for each class or qualification of creditor, the main general payment conditions are as follows:

i) For all Class III and IV creditors, a payment of R$10 will be made up to the last business day of the month subsequent to the ratification of the Judicial Recovery Plan;

ii) All receivables payable in installments will be adjusted by the benchmark rate (TR), calculated under the terms and conditions specified in the Judicial Recovery Plan for each payment condition and term;

ii) Extraordinary repayments: a) Cash sweep, corresponding to the payment to Unsecured Creditors, Strategic Supplier Creditors and Incentive Supplier Creditors of an excess cash above that shown in the forecast presented in the feasibility report, up to the limit of 50% of the excess cash, beginning the 2nd year up to 15th year as from the date on which the Plan was ratified; and b) Generation of Prepayment Cash to Creditors, corresponding to the payment of Strategic Suppliers - Lessors II, Unsecured Creditors, Creditors ME and EPP, and Strategic Supplier Creditors, equivalent to the positive variance in caption Cash and Cash Equivalents determined after the payment of all operating, investment, financial, tax, and corporate obligations, except those relating to remuneration of any nature to shareholders, beginning the 15th year as from the date on which the Plan was ratified up to the settlement of the debts, under the Judicial Reorganization Plan;

iii) Class I: a) payment up to 30 consecutive days as from the Plan ratification date of receivables of a strictly salary nature up to the limit of five (5) minimum wages by creditor; b) payment in twelve (12) equal consecutive monthly installments as from the month subsequent to the Plan ratification, of the amount of up to R$160, already net of the amounts described in item a); and payment of the remaining balance, if any, as follows: 5% of the remaining balance in 14 equal consecutive installments beginning the 13th month subsequent to the Plan ratification, and 95% beginning the quarter immediately following the final maturity date for the 5%, under the terms and conditions specified in the Judicial Reorganization Plan;

iv) Class II: a) payment of charges and inflation adjustment in equal consecutive monthly installments beginning the last business day of the 13th month subsequent to the Plan ratification; as from that date, payments will be made together with the debt principal; and b) payment of the principal in 120 equal consecutive installments beginning the 13th month subsequent to the Plan ratification, under other provisions set forth in the Judicial Recovery Plan;

v) Classes III and IV: Under the specific provisions and conditions set forth in the Judicial Reorganization Plan for the qualification of creditors, the amount of 5% of the debt will be paid in 14 years in equal consecutive monthly installments beginning the last business day of the month subsequent to the Plan ratification, and 95% of the debt will be paid on a quarterly basis beginning the quarter immediately following the final maturity date of the 5% of the debt;

vi) Special conditions established for Strategic Supplier Creditors and Incentive Supplier Creditors: a) under the specific provisions and conditions set forth in the Judicial Reorganization Plan, for these creditors, 60% of the debt will be paid in up to 15 years in consecutive monthly installments beginning the last business day of the 13 month subsequent to the Plan ratification, and 40% of the debt will be paid on a quarterly basis beginning the quarter immediately following the final maturity date of the 60% of the debt; Without prejudice to the payments, as defined, Incentive Supplier Creditors that elected to do so under the terms set forth in the Judicial Reorganization Plan will be entitled to receive subscription warrants equivalent to the amount of their receivables, which will entitle to their holders the right to acquire a certain number of shares in the Company according to conditions specified in the Judicial Reorganization Plan, provided that the preemptive rights of shareholders (except controlling shareholders who expressly waive such rights) to subscription warrants are protected. All funds received by the Company arising from subscription warrants, either creditors or shareholders, will be fully and primarily used, under the terms and conditions of the Judicial Reorganization Plan, to pay receivables held by Incentive Supplier Creditors.

The full text of the Judicial Reorganization Plan, containing all provisions and conditions established for the Company and Varejo to pay their creditors, is available on the Investor Relations page of the Company's website (http://www.saraivari.com.br) and on the Brazilian Securities and Exchange Commission's website (http://www.cvm.gov.br).

32. EVENTS AFTER THE REPORTING PERIOD

On October 28, 2019, the Company communicated its shareholders that the dividends declared by the Extraordinary and General Shareholders' Meeting of April 26, 2018, in the amount of R$5,817, will be paid under the terms set forth in the Judicial Reorganization Plan approved on August 28, 2019 and ratified on September 4, 2019. The remaining balance, in the amount of R$11,634, established in the dividend distribution schedule disclosed in the Material Fact Notice issued on August 02, 2017, which remained outstanding due to the Company's financial-economic situation, according to the Material Fact Notice issued on March 28, 2019, will be reclassified to the special reserve, from which accumulated losses for the current year will be absorbed, under Law No. 6.404/76.

On October 31, 2019, the Extraordinary General Meeting approved an increase in the Company's issued capital, to the limit of up to sixty-six million (66,000,000) shares, the inclusion of a provision in the Company´s bylaws according to which the Board of Directors have power to, within the maximum authorized capital, issue subscription warrants.

The Board of Directors' meeting of November 03, 2019, attended by the Supervisory Board, decided to increase the Company's capital and issue subscription warrants, within the maximum authorized capital, under the Company's bylaws and according to Notice to Shareholders filed with the Brazilian Securities and Exchange Commission, as follows:

Capital increase Issuance of at least 2,001,351 new shares (720,459 common shares and 1,280,892 preferred shares), in the total minimum amount of R$2,901 and total maximum amount of 25,122,069 new shares (9,043,603 common shares, and 16,078,466 preferred shares), in the total maximum amount of R$36,427, with partial subscription allowed. The capital increase is included in the scope of the Judicial Reorganization Plan, provided that all guidelines are complied with accordingly. All issuance price will be allocated to the Company's capital and no portion will be used to recognize the Company's capital reserve. Shareholders' preemptive rights may be exercised from November 11 to December 10, 2019, inclusive.

ii) AFCI capitalization: Regardless of the approval of minimum or maximum limits, the controlling shareholder Mr. Jorge Eduardo Saraiva, in conformity with the Judicial Reorganization Plan, will use his advance for future capital, in the amount of R$10,000 to pay in the shares that he subscribes.

iii) Issuance of subscription warrants: The issuance of 2,068,966 warrants, all registered and book-entry was authorized. The subscription will be private and intended to reduce the Company's indebtedness, as provided for in the Judicial Reorganization Plan. Shareholders holding shares in the Company on November 8, 2019 will be entitled to preemptive rights, which may be exercised from November 11 to December 10, 2019, inclusive.

At the Creditors Meeting held on November 11, 2019, three out of the 10 names submitted by consulting firm Korn Ferry, under the Judicial Reorganization Plan, were vetoed.

33. EXPLANATION ADDED TO THE TRANSLATION FOR THE ENGLISH VERSION

The accompanying interim financial information was translated into English from the original Portuguese version prepared for local purposes. Certain accounting practices applied by the Entity that conform to those accounting practices adopted in Brazil may not conform to the generally accepted accounting principles in the countries where this interim financial information may be used.

OPINIONS AND STATEMENTS / MANAGEMENT'S STATEMENT ON THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION

In conformity with CVM Instruction No. 480, article 25, item VI, dated December 7, 2009, the Board of Directors hereby declares that they reviewed, discussed and agreed with the Individual and Consolidated Interim Financial Information for the quarter ended September 30, 2019.

São Paulo, November 13, 2019

OPINIONS AND STATEMENTS / MANAGEMENT'S STATEMENT ON THE INDEPENDENT AUDITOR'S REPORT ON REVIEW OF THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INTERIM INFORMATION

In conformity with CVM Instruction No. 480, article 25, item V, dated December 7, 2009, the Board of Directors hereby declares that they reviewed, discussed and agreed with the Independent Auditor's Report on Review of the Individual and Consolidated Interim Financial Information for the quarter ended September 30, 2019.

São Paulo, November 13, 2019