

DEAR SHAREHOLDERS,

Saraiva S.A. Livreiros Editores (BM&FBOVESPA: SLED3 and SLED4), one of the largest retailers in content focused on culture and education in Brazil, announces its financial results for the first quarter ended in March 31, 2016.

The financial information contained herein refers to the first quarter of 2016 (1Q16) and the comparisons are made in relation to the same period last year, unless otherwise stated.

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

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

HIGHLIGHTS

- Positive sales performance in an environment of strong economic recession, with 3.3% growth in Retail Gross Revenue in 1Q16, highlighting the 10.0% increase in the performance of the e-commerce channel. Comparable sales of the physical store network (SSS) grew 1.1% between 1Q15 and 1Q16. Retail Net Revenue came to R\$505 million (1.2% up on 1Q15).
- The gross margin improved for the fourth consecutive quarter. The Retail Gross Margin stood at 34.2% in 1Q16, 120 bps higher than the 33.0% recorded in 1Q15. Gross Profit moved up 5.0% year on year, reaching R\$173 million.
- Operating Expenses remained stable at R\$153 million in 1Q16 compared with 1Q15. This result underlines the Company's efforts to control expenses despite the strong inflationary pressure on its main costs.
- EBITDA totaled R\$20 million in 1Q16, 76% more than the R\$11 million recorded in 1Q15. The EBITDA Margin stood at 3.9% in the period (170 bps up on 1Q15).
- The consolidated result increased from a net loss of R\$ 9.1 million in 1Q15 to a net income of R\$ 0.3 million in 1Q16.
- Closing of the store in Shopping Iguatemi, in São Paulo, in March 2016, in line with the strategy of closing stores with low value creation potential.
- Ongoing improvement in customer experience. On the *Reclame Aqui* website, a reference platform for companies' reputation among consumers, the number of complaints against us fell 69% between 1Q15 and 1Q16 and we maintained our classification as "Great".

SUBSEQUENT EVENTS

- In April 2016, we inaugurated our store in Shopping Nova Iguaçu, in Rio de Janeiro, featuring the new visual merchandising concepts defined by the Management.
- Full release of the R\$261 million portion (base 12/30/2015) deposited in an escrow account as a guarantee for the supply of PNLD (National Textbook Program) books, related to the sale of the publishing assets.

MAIN INDICATORS

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

Consolidated	1Q16	1Q15	Y/Y	4Q15	Q/Q
Gross Revenue	542,342	524,895	3.3%	542,789	-0.1%
Net Revenue (Stores + E-commerce)	504,697	498,641	1.2%	499,042	1.1%
Store Sales	346,265	344,665	0.5%	355,832	-2.7%
E-commerce Sales	158,431	153,976	2.9%	143,211	10.6%
Gross Profit	172,651	164,442	5.0%	103,069	67.5%
Gross Margin (%)	34.2%	33.0%	1.2 p,p,	20.7%	13.6 p,p,
Operating Expenses	(152,937)	(153,235)	-0.2%	227,411	-
EBITDA	19,714	11,207	75.9%	330,480	-94.0%
EBITDA Margin (%)	3.9%	2.2%	1.7 p.p.	66.2%	-62.3p.p.
Net Income (Loss)	266	(9,055)	-	194,203	-99.9%
Net Margin (%)	0.1%	-1.8%	1.9 p,p,	38.9%	-38.9 p,p,
Same Store Sales (SSS) Growth	1.1%	-5.4%	6.5 p,p,	-2.9%	4.0 p,p,
E-Commerce Sales Growth	10.0%	-3.6%	13.5 p,p,	1.7%	8.2 p,p,
Number of Stores – End of Period	111	115	-3.5%	112	-0.9%
Sales Area – End of Period (m²)	62,214	63,759	-2.1%	62,424	0.0%

PERFORMANCE REVIEW

The first quarter of 2016 once again showed the resilience of our business model and the strength of the Saraiva brand, despite the fact that the environment remained recessive and complex. Revenue from our Retail operation grew 3.3% in the period, although the segment continues to be severely affected by the environment, as we can see in the 8.4% year-on-year decline in activity measured by the IBGE's Monthly Trade Survey ("PMC"). Analyzing sales in the "books, newspapers, magazines and stationary" category, which we lead, we can see an even bigger market reduction of 16.1% in the same period. It is worth noting that, according to the GFK consulting firm, we closed February 2016 with a market share in value of 28.7% in the book segment, 3.9 p.p. up on the same month last year.

Aware of the challenges to consistent and sustainable growth, we remain focused on our ongoing efforts to reduce costs, improve working capital and gain gross margin. The retail gross margin grew once more, closing the quarter at 34.2%, 120 bps higher than in 1Q15. Considering the impact of INSS (social security), which as of November 2015 was no longer calculated on revenue, but on payroll, the gross margin would be 33.5%, higher than in 1Q15. Since 2Q15, we have reported gross margin gains, reflecting better management of prices and the structuring of the supply and business planning areas.

An important strategy of our selective investment and resource rationalization plan is the replacement of assets with low value creation prospects with investments with attractive return potential. With this focus, we closed the store in Shopping Iguatemi, in São Paulo, and opened a store in Nova Iguaçu, in Rio de Janeiro state, after detailed feasibility studies indicated that the unit had excellent potential for value creation. With a modern and attractive architectural design, the store offers a full range of our product mix and the spaces were specially designed to enhance customer experience, encouraging interactivity and contributing to increase the average length of stay of customers in the store.

We have also developed studies to invest in renovations and adjustments to the space and mix of categories offered in strategic stores. As a result, the store in Shopping Jardim Sul, in São Paulo, is currently undergoing renovation, expected to be completed in June 2016, and, in a joint initiative with the operators of Shopping Iguatemi Porto Alegre, in Rio Grande do Sul, we are going to change the store's location in order to reduce occupancy costs and implement a complete mix of products and services at the unit. Another highlight is the review of our Café operations, focusing on expansion, thereby contributing to improve store profitability, given that they are subleased. We currently have 38 Café operations and plan to increase this figure to 60 by the end of the second half of the year.

As for our assortment strategy, in the Games category, we plan to implement the assisted sales project in another two stores in 1H16, in light of the promising results obtained in the four stores where the project was initially developed. We have also moved forward with other projects under development, especially the beginning of the rollout of the *Bomboniere* category, currently present in five stores, and planned to be implemented in at least 30 stores by the end of the year.

It is also worth noting the Company's efforts to reduce the working capital employed. We have a wide range of initiatives in progress, such as the review of the ideal clustering of stores and implementation of tools that promote better management of purchases and returns.

In the expense line, we highlight our commitment to continuing to reduce expenses: we reported expenses in line with the same period last years, despite the R\$6.3 million impact of the calculation of INSS on payroll (change in the government's payroll tax relief policy) and strong inflationary pressure. As a result, we will continue to implement a series of measures to ensure strict control of costs. We have several ongoing initiatives, especially the renegotiation of agreements and partnerships, and we expect to capture significant value creation in 2016 with the rationalization of costs.

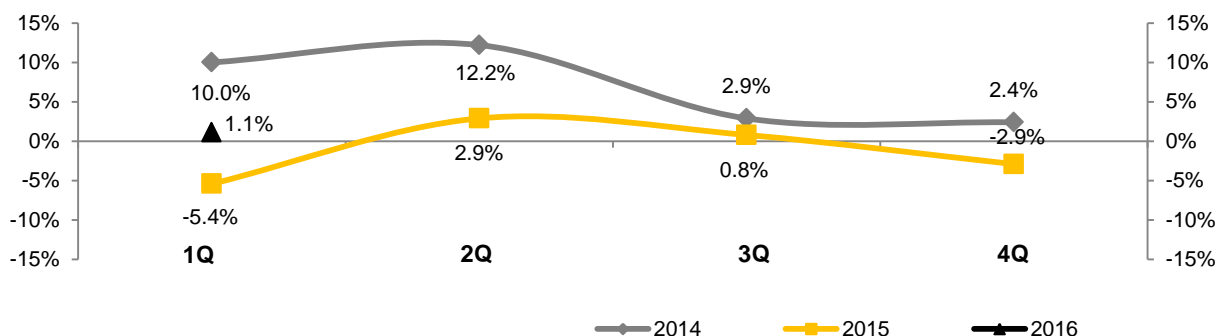
In general, as expected, 2016 began with adversities, which we had prepared ourselves to face, and we believe new challenges are yet to come, but we are fully focused on increasing operational efficiency in order to obtain important and sustainable profitability gains. The positive sales performance, the gross margin gain and the control of expenses underline the assertiveness of the initiatives we have implemented. We are certain that there is still much to be done and the economic environment brings great uncertainty, but we are confident that we are on the right track to build solid bases to tap into maximum value creation potential in our operations.

RESULTS

REVENUE – Retail net revenue totaled R\$ 505 million in 1Q16, a 1.2% increase year on year.

PHYSICAL STORES REVENUE – Stores net sales increased 0.5% in 1Q16 and 1.1% in the concept of comparable stores. Analyzing the context of relatively strong economic downturn, the performance is higher than what was recorded by important market indicators, such as retail sales data, which dropped 8.4% in 1Q16 against 1Q15 (source: IBGE Monthly Survey of Trade) and the traffic indicator for malls, where most of our stores are located, which decreased 2.0% in March (source: Abrasce/FX).

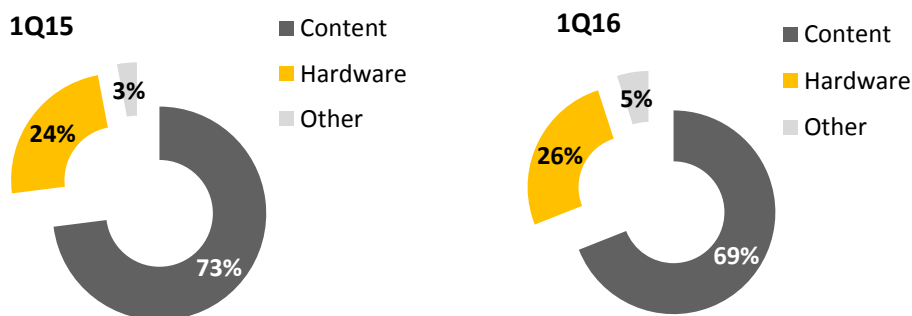
Chart 1. Sales Performance - Nominal Growth of Same Store Sales (by quarter)



E-COMMERCE REVENUE – In 1Q16, Saraiva.com gross sales were 10.0% higher than the same period in the previous year. Net sales totaled R\$ 158 million in 1Q16, a 2.9% increase year on year.

Total gross revenue of e-commerce operations accounts for 32% of the Group's total retail operations in 1Q16 (against 29% in 1Q15).

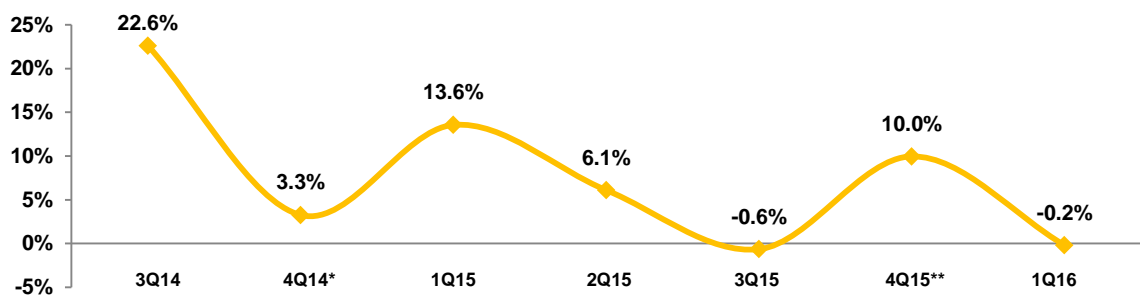
Chart 2. Gross Profit in Retail by segment (R\$ million)



GROSS PROFIT – Retail gross profit reached R\$ 173 million in 1Q16, 5.0% higher than in 1Q15. The gross margin showed increase of 120 bps, from 33.0% in 1Q15 to 34.2% in 1Q16. Even considering the impact of INSS on revenue in the period, the gross margin grew 0.5 p.p. to 33.5%.

OPERATING EXPENSES – Operating expenses totaled R\$153 million in 1Q16, in line with the figure reported in 1Q15. Excluding the impact of INSS on payroll, totaling approximately R\$6.3 million (in 1Q15, INSS was calculated on revenue) there was an important 4.3% reduction from 1Q15. This result was due to the Company's efforts to improve productivity by optimizing costs, reviewing agreements and changing processes despite inflationary pressure.

Chart 3. Operating Expense Evolution (% of change in relation to the same quarter of last year)



* Excluding 4Q13 non-recurring items

** Excluding extraordinary expenses, especially with consulting services regarding publishing assets sale process and write-off of ICMS ST credits not recognized by SEFAZ-SP

EBITDA – Retail EBITDA totaled R\$ 20 million in 1Q16 against R\$ 11 million in 1Q15, a 76% increase year on year. EBITDA margin was 3.9% in 1Q16, 170 bps higher than the 1Q15 margin.

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

Retail	1Q16	1Q15	Y/Y
Net Income (Loss)	266	(9,055)	-
(+) Financial Result	9,792	14,999	-34.7%
(+) Income Tax / Social	351	(4,069)	-
(+) Depreciation Amortization	9,035	9,332	-3.2%
(+) Net Income from Discontinued Operations	270	-	-
EBITDA	19,714	11,207	75.9%
EBITDA Margin	3.9%	2.2%	1.7 p.p.

WORKING CAPITAL * – The working capital/net revenue ratio was stable at 21.2% in 1Q16 compared with 1Q15. The Retail operating cycle was 83 days in 1Q16 against 87 days in 1Q15. Accounts receivable went from 56 days in 1Q15 to 59 days in 1Q16, reflecting the increased share of the Telephone category. The average inventory coverage period decreased by seven days, from 102 days in 1Q15 to 95 days in 1Q16. The supplier payment term remained stable at 71 days in 1Q16 compared with 1Q15.

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

NET FINANCIAL REVENUE (EXPENSES) – Net financial result was an expense in the amount of R\$ 10 million in 1Q16 against R\$ 15 million in 1Q15. This reduction was due to higher cash and cash equivalents and revenue from the funds retained in an escrow account.

NET INCOME (LOSS) FOR THE PERIOD – Net income was R\$ 0.3 million in 1Q16 against net loss of R\$ 9 million in 1Q15.

INVESTMENTS (CAPEX) – Investments made in Retail totaled R\$ 5 million in 1Q16 against R\$ 4 million in 1Q15. We reinforce our determination to rationalize the use of funds by taking a selective approach to the investments made, prioritizing projects with faster return expectations.

LIQUIDITY – The following table presents information on maturities by financing line:

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

Consolidated	Average Cost (p.a)	Total	Until 2016	Until 2017	Until 2018	After 2018
Transaction Type						
BNDES ¹	11.3%	59,748	2,354	8,595	14,010	34,789
Working Capital/other	16.7%	512,382	264,989	161,140	81,194	5,060
Total Gross Debt²	16.2%	572,130	267,343	169,735	95,203	39,849

Note 1: Average cost at the close of 4Q15 from the balance of the 2014 BNDES agreement, without considering the cost of bank guarantee, considering TJLP of 7.0% p.a. and SELIC of 14.25% p.a.

Note 2: Loans net of financial derivative instruments

The table below presents the Saraiva Group's consolidated net debt, which totaled R\$549 million on March 31, 2016, versus R\$711 million in 1Q15 and R\$515 million in 4Q15.

If we consider credit card receivables, net debt came to R\$343 million in 1Q16 against R\$385 million in 1Q15 and R\$294 million in 4Q15.

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

Consolidated	1Q16	1Q15	Y/Y	4Q15	Q/Q
Transaction Type					
Loans and Financing ¹	572,130	846,639	-32%	592,639	-3%
(+) Acquisition Obligations	5,117	4,556	12%	5,018	2%
(+) Receivables Prepayment	152,015	0	-	106,916	42%
(-) Cash and Cash Equivalents / Financial Investments	180,248	140,372	28%	189,016	-5%
Consolidated Net Debt Before Receivables	549,014	710,823	-23%	515,557	6%
(-) Credit Card Receivables	205,696	324,901	-37%	222,036	-7%
Consolidated Net Debt After Receivables	343,319	385,922	-11%	293,521	17%

Note 1: Loans net of financial derivative instruments

It is important to note that the restated amount of the sale of the publishing assets was R\$777 million on December 30, 2016. Of this amount, R\$395 million was retained in an escrow account. The PNLD supply guarantee deposit was released in April and the beginning of May 2016. The guarantee deposit for price adjustment continues to be retained and is expected to be released by August 2016.

Table 5. Sale of Publishing Assets (R\$ Thousand)

Amounts on 12/30/2015

Contractual Price Conditions	
Total Transaction Amount	776,599
(-) Adjustment in the Estimated Accounting Price (Net Debt and Working Capital)	281,979
Net Transaction Amount	494,620
(-) Amount Received on December 30, 2015	99,165
(-) Amount Received in 2Q16 - PNLD Supply Guarantee Deposit	261,558
Amount Receivable in 2016*	133,897

* Escrow Account	133,897
(-) Guarantee Deposit for Price Adjustment ¹	133,897

Note: 1. Expected for August 2016, it refers to the usual adjustments for this type of transaction.

OUR STORES - In 1Q16, Saraiva had 111 stores in 17 Brazilian states and the Federal District.

In April 28 we open a store in Shopping Nova Iguaçu mall, in Rio de Janeiro.

Our focus continue to be on extracting greater value from existing assets and renegotiating or closing stores without prospects for future value creation. In April, in negotiations with the concessionaire responsible for the construction of the new terminal in Viracopos Airport, we decided to terminate the agreement of the five stores that we would open there, with the respective reimbursement of the amounts paid.

LEV – The Saraiva portable digital reader (e-reader), LEV, released in early August 2014, already has digital catalog of over 531 thousand titles in foreign languages and 59 thousand titles in Portuguese.

PUBLIQUE-SE! – Publique-se! (a self-publishing platform) in 1Q16 had a total of 9.8 thousand published books versus 5.7 thousand books published in 1Q15. The advantage of this tool is that the digital books are promoted by the largest online book retailer in Brazil. More than 12 million people visit the online store each month, where they can access the entire collection of Publique-se! works.

SARAIVA PLUS – Another important initiative is the Saraiva Plus Program, our customer loyalty card, and an important relationship-building tool with clients of both the physical stores and Saraiva.com.br. The Saraiva Plus loyalty program had 12.8 million associated customers at the end of 1Q16 versus 11.1 million customers in 1Q15.

ANNEX – RETAIL

<i>R\$ thousand</i>	1Q16	1Q15	Y/Y	4Q15	Q/Q
CURRENT ASSETS					
Cash and Cash Equivalents / Financial Investments	179,541	16,196	>500%	185,906	-3.4%
Accounts Receivable	213,750	331,231	-35.5%	230,829	-7.4%
Inventories	296,643	347,458	-14.6%	289,024	2.6%
Recoverable Taxes	119,751	140,820	-15.0%	135,030	-11.3%
Financial Derivative Instruments	27,291	-	-	37,658	-27.5%
NON-CURRENT ASSETS					
Other Long Term Assets	85,298	83,884	1.7%	106,714	-20.1%
Financial Derivative Instruments	26,413	-	-	45,591	-42.1%
Investments	135	190	-28.9%	135	0.0%
Property, Plant & Equipment	70,360	80,902	-13.0%	72,977	-3.6%
Intangible assets	119,933	122,192	-1.8%	120,851	-0.8%
CURRENT LIABILITIES					
Loans and Financing	429,407	347,078	23.7%	311,109	38.0%
Suppliers	336,177	254,183	32.3%	327,744	2.6%
Financial Derivative Instruments	8,835	-	-	-	-
NON-CURRENT LIABILITIES					
Intragroup Loans	-	4,002	-100.0%	128,055	-100.0%
Loans and Financings	155,025	220,735	-29.8%	331,696	-53.3%
SHAREHOLDERS' EQUITY	518,703	247,216	109.8%	362,087	43.3%

CONFERENCE CALL DETAILS

Saraiva's 1Q16 Earnings Conference Call, to be held in Portuguese and simultaneously translated to English, will be held on **May 13, 2016**, at 10:30 AM (local time) / 9:30 AM (US EST).

The call will be webcast live through streaming audio.

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

CONFERENCE CALL IN PORTUGUESE WITH SIMULTANEOUS TRANSLATION INTO ENGLISH

Time

Brazil BRT (Brasília): 10:30 am

US Eastern Standard Time US EST (New York): 9:30 am

Telephone Numbers:

Dial-in for connecting from the United States: +1 786 924-6977

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

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

Password: **SARAIVA**

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

Access codes: 2181022# (Portuguese) and 5211481# (English)

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

Portuguese: <http://webcast.neo1.net/Cover.aspx?PlatformId=m%2BgzcyC%2FPUBDGwgZizCbNQ%3D%3D>

English: <http://webcast.neo1.net/Cover.aspx?PlatformId=HvyDb5%2BDZXhw%2F9vmZ8P88w%3D%3D>

ABOUT SARAIVA

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

DISCLAIMER

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